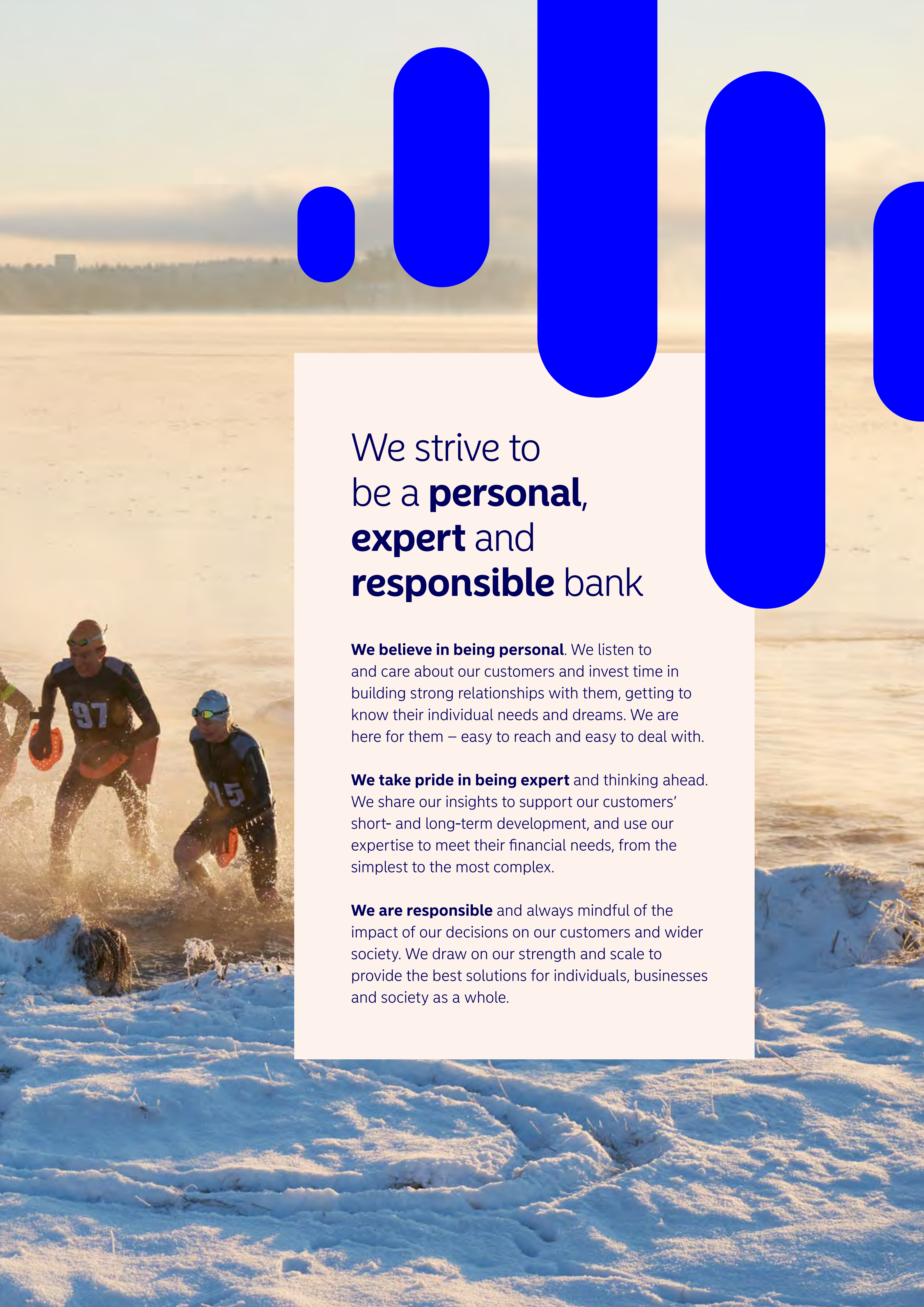
Nordea

Annual Report
2022

Our purpose is to **enable dreams and aspirations** for a greater good



We strive to be a **personal**, **expert** and **responsible** bank

We believe in being personal. We listen to and care about our customers and invest time in building strong relationships with them, getting to know their individual needs and dreams. We are here for them – easy to reach and easy to deal with.

We take pride in being expert and thinking ahead. We share our insights to support our customers' short- and long-term development, and use our expertise to meet their financial needs, from the simplest to the most complex.

We are responsible and always mindful of the impact of our decisions on our customers and wider society. We draw on our strength and scale to provide the best solutions for individuals, businesses and society as a whole.

THIS SYMBOL WILL
DIRECT YOU BACK TO
THE TABLE OF CONTENTS

Table of **Contents**

Nordea has reported on environmental and sustainability performance on an annual basis since 2002. Nordea's sustainability reporting for 2022 constitutes sustainability disclosures found (i) in the Sustainability at the core chapter on pages 14–15, (ii) in the Non-financial statement (incl. our EU taxonomy reporting) on pages 85–90, (iii) in the Corporate Governance Statement 2022 on page 63, (iv) on pages 227–228 in Note G11 "Risk and liquidity management" and (v) in the Sustainability notes on pages 317–359 which provide in-depth information and data related to the sustainability disclosures. In addition, sustainability indices referring to our reporting in relation to the Principles for Responsible Banking, the Task Force on Climate-Related Financial Disclosures, and the GRI Standards are published as a separate appendix available at nordea.com/sustainability. For more information on how we report on sustainability see Note S1 "About the sustainability disclosures" on page 319.

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 macroeconomic development, (ii) change in the competitive environment, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels. This report does not imply that Nordea has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that lead to changes compared with the date when these statements were provided.

Our vision is to be the preferred partner for customers in need of a broad range of financial services.

Our values

Collaboration
For the common good

Ownership
It starts with me

Passion
To serve our customers

Courage
To do what is right

WHO WE ARE

We are guided by **our vision**

We are a universal bank with a 200-year history of supporting growth in the Nordic economies. We are a strong bank, and we are resilient in times of crisis. Through good and turbulent times, we keep close to our customers and employees.

Our purpose, values and daily efforts are interlinked. We want to be recognised as a trusted corporate citizen, and we are here to deliver on our purpose: to enable dreams and aspirations for a greater good. Every day, we take pride in living our values and being a sustainable part of the societies in which we operate.

As the largest bank in the Nordics, we have a strong market position within our four business areas: Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management. Across these business areas, we provide services that are vital for societies to operate and grow. We make it possible for individuals, entrepreneurs and corporates to finance, invest and save. We provide payment solutions, enable transactions and cater for risk management needs. With our broad range of services, we can support our customers with all their various needs in different stages of their lives and business cycles. We enable sustainable choices, engage in active ownership and drive change through our lending and investment decisions to become a net-zero bank by 2050 at the latest. With all this, we contribute to sustainable economic growth, employment and financial security and stability.

Financial wellbeing is the cornerstone of a good life. We want to be part of building the future for people in the Nordics by sharing our expertise, helping them develop financial skills and inspiring them to become entrepreneurs. Our goal is to support companies to achieve sustainable growth. This way, we contribute to the prosperity of individuals and society at large.

CEO LETTER

Dear **stakeholder**,

As the world faces uncertain times, Nordea's role is the same as it always has been: we are here to support our customers and the societies where we operate. We want to be the preferred partner for our customers. In both good and challenging times.

2022 turned out to be an extraordinary year. After dealing with the last wave of COVID restrictions, we witnessed Russia's invasion of Ukraine, causing significant human suffering and societal and financial uncertainty across Europe.

In addition, we returned to a more normal interest rate environment after a decade of extremely expansive monetary policy – one of the biggest financial experiments in many decades. This was a step towards returning to a more normalised market environment.

In the financial markets we saw the worst combined returns across bond and equity markets since the late 1960s, as inflation and interest rates shifted materially higher.

Despite turbulent times, Nordea had yet another strong year. We acted quickly and decisively. We implemented imposed sanctions following Russia's invasion of Ukraine, and in Nordea Asset Management we excluded Russian investments. In response to the humanitarian crisis resulting from the war, we made sizeable donations and participated in international relief and aid efforts to support the people of Ukraine.

In our everyday actions, we stood by our customers and the societies that we serve. We expanded our lending activities and provided support through proactive advice and helpful actions in an uncertain environment.

The fundamentals of our actions and business remain unchanged: our focus is – and always will be – to serve our customers to the best of our ability. Without the trust and loyalty of our customers, we would not be where we are today.

In 2022 we continued to drive high business activity by broadening our savings offering and proactively supporting our customers with their financing and risk management. This led, for instance, to a 50% year-on-year increase in their mobile and netbank interactions with personalised digital messages.

Our customer satisfaction scores are continuously improving – in all channels. For example, we were ranked the number one mobile bank for private customers in the Nordics and number one for mass market corporates among our Nordic peers.

It makes me proud that our decisive actions towards our customers and stakeholders have enabled us to deliver on our financial target and key priorities.

In 2022 our return on equity was 13.5%, against a target of above 11%, and was supported by a cost-to-income ratio of 47.5%. We continued to drive a proactive approach and to support our customers. This in turn led to improved business volumes and increased market shares across the business areas and markets.

Our full-year operating profit was EUR 5.4bn, which is 9% higher than in 2021. Our total income grew by 7% to EUR 10.3bn.

Our mortgage lending grew by 3% and corporate lend- ing by 9%. Our assets under management (AuM) decreased by 13% due to the market turbulence. However, our Private Banking netflows continued to be solid, contributing to AuM with EUR 4.6bn.

Our business is strong – with high credit quality, a very low level of realised loan losses and one of the best capital positions in Europe. We have the most diversified credit portfolio among the banks in the Nordic region – both in terms of countries and sectors. When it comes to capital, our CET1 ratio was 16.4%, which is 5.3 percentage points above the regulatory requirement.

Nordea is a leading bank in shareholder distributions. In 2022 we showed further progress in this direction. Dividends are important for our over 565,000 shareholders, supporting economic activity, driving growth in the Nordic societies and channelling funding to new innovations and education. Reflecting our strong financial performance in 2022, our Board has proposed a dividend of EUR 0.80 per share.

Together with our share buy-backs during 2022, the distribution to our shareholders will be more than EUR 1.5 per share, or 15% of the current market capitalisation.

After achieving our financial targets one year ahead of schedule in 2021, we conducted a strategic review which resulted in setting a new financial target and updating our strategy. At our Capital Markets Day in February 2022 we announced that we are targeting a return on equity above 13% in 2025. Our return on equity of 13.5% in 2022 was already in line with our target and we aim to con-

"For more than 200 years, **we have supported our customers** and helped to develop the Nordic societies. We are committed to continuing on this path."

tinue to improve our profitability. We expect to provide a target update by the end of 2023, should the environment become more predictable.

Reaching our financial target requires that we continue to improve our performance and deliver on our three key priorities: creating the best omnichannel customer experience, driving focused and profitable growth, and increasing operational and capital efficiency.

In addition to our key priorities, we have two key levers that run across the entire bank. Both levers address global megatrends that we see as ways to stay relevant for our customers: being a digital leader and integrating sustainability into the core of our business.

In digital development we are in a strong position. Our digital customer experiences have been ranked top of the class – and we want to improve even further.

Our 2025 target is to have at least 25% more digitally active customers. We are creating full self-service functionalities for all daily banking needs and plan to double the number of digital products and services by 2025.

We will continue to develop our digital products and services – with a human touch. We will also leverage data insights and analytics to drive even more personal and relevant services for our customers.

This will ensure that we can deliver a seamless omnichannel customer experience. We want to fulfill all banking needs efficiently and smoothly, whenever and wherever our customers want.

Fully understanding our responsibility towards current and future generations, we have sustainability as an integrated part of our business strategy. We enable sustainable choices for our customers, engage in active ownership within our investments and drive change through our lending and investment decisions. We are committed to reaching our net-zero emissions target across our lending and investment portfolios and internal operations by 2050 at the latest.

In 2022 we facilitated EUR 58bn in sustainable financing and grew our ESG-focused products' share of AuM from 67% to 70%. We are continuously improving our green offering to better suit the needs of our customers in all four business areas. As part of our sustainability ambition, we support international initiatives such as the Principles for Responsible Banking – which Nordea was one of the first to sign – and the UN Global Compact.

We would not have been able to support our customers and achieve strong results without our very skilled and dedicated employees. I would like to thank all of them for their great efforts during the year. I would also like to thank all our customers, shareholders and other stakeholders for their feedback and very good cooperation.

Entering 2023, macroeconomic uncertainty has remained high and visibility low. Nordea has a resilient business model that has proven its strength many times, and we are, together with the Nordic societies, ready to weather the challenging conditions.

Our direction as a bank remains unchanged. For more than 200 years, we have supported our customers and helped to develop the Nordic societies. We are committed to continuing on this path.

We are here to enable dreams and aspirations for a greater good – in both good and challenging times. That is also our way forward.

Frank Vang-Jensen
President and Group CEO

NORDEA AS AN INVESTMENT

Why invest in **Nordea**

Operating in a low-risk Nordic banking environment

- Nordic countries highly digitalised in a global context
- Significant social safety nets and high educational standards
- Stable, safe and profitable banking market

Revenue growth

We have low earnings volatility and unique growth opportunities, and are benefitting from the higher interest rates.

Our growth 2022 vs 2021

+15% Net interest income

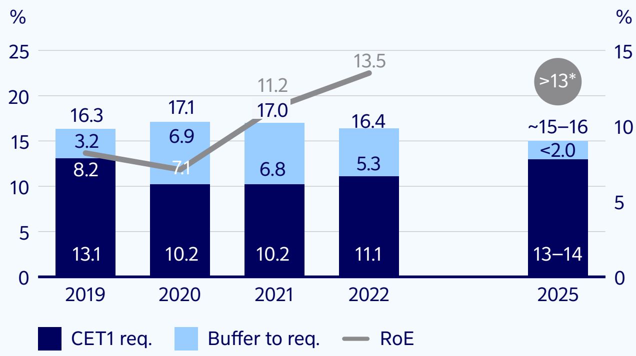
+7% Deposits

+9% Corporate lending

Efficient capital structure and strong balance sheet

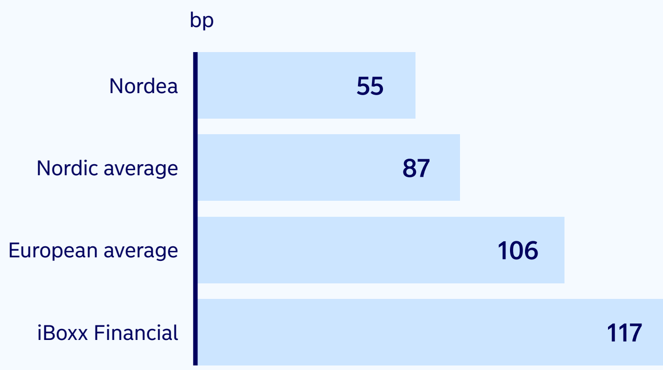
Our strength and low-risk profile are reflected in our market-leading credit rating and highly competitive funding costs.

Balance sheet and capital



* Target for 2025: RoE above 13%

Low funding costs**



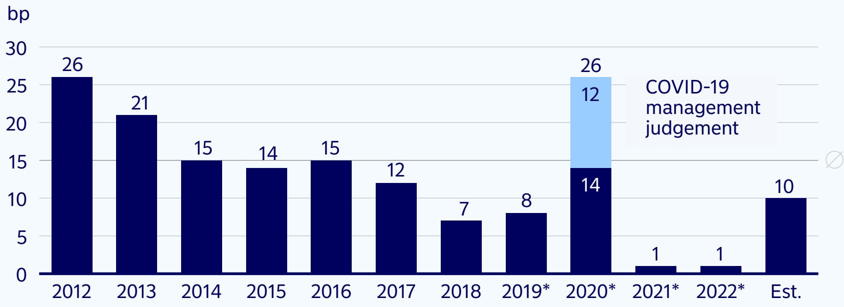
** 5y senior preferred new issue spread.

AA Credit rating level

Strong credit quality

We have a very well-diversified lending portfolio across different sectors and Nordic countries, with very low net loan losses. We operate in low-risk Nordic economies and historically outperform peers in difficult times.

Loan loss ratio including similar net result, basis points



* Including fair value adjustments to loans held at fair value in Nordea Kredit; 2019 and 2022 also exclude items affecting comparability. See pages 40–42 for further details.

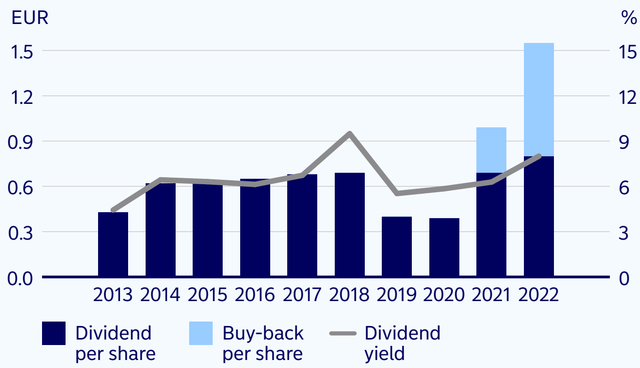
Globally leading digital bank

We are a globally leading digital bank supporting great customer experiences.

- D-Rating: **Best European Global Performer. Best 2022 Digital Proposition** among the following Nordic banks: Danske Bank, Handelsbanken, SEB and Swedbank.
- Autonomous research provider: Nordea **one of the top digital leaders** globally.
- AppStore rating: **best private mobile bank** in Denmark, Finland and Sweden.

Market-leading shareholder returns

We continue to generate additional capital even after funding business growth that enables attractive shareholder returns. Our dividend payout ratio is the highest among our peers, and share buy-backs are an integral part of our capital policy.



Sustainability at the core

We derive competitive strength, growth and profit opportunities from our ESG-focused products and advisory services, all while delivering positive societal impact.

STRATEGIC PRIORITIES

Accelerating to be the **preferred financial partner in the Nordics**

Our strategy is about becoming the best bank for customers, employees and shareholders, and it is designed to help us realise our vision. All that we do should ultimately make us the preferred financial partner for customers in need of a broad range of financial services, both for households and corporates. This is our way to create value for our shareholders and broader society.

We are a universal bank that has ensured positive development for the Nordic economies for more than 200 years. Our values are deeply rooted in these open, progressive and collaborative societies. Given the size of our balance sheet, the breadth of our expertise and the strength of our AA rating, we are in a unique position to continue supporting our customers and contributing to the societies in which we operate.

Maintaining a competitive edge

Becoming a preferred partner means being a leading financial institution in all the areas we choose to compete in, in terms of expertise, geography and specific products.

Our strategy is designed to accelerate momentum in the areas where we have a competitive edge. It is also designed to close gaps in areas where we don't yet have a leading position. Our strategic choices materialise through decisions on how to allocate people, technology investments and capital.

Two levers, three priorities

In our strategic plan until 2025 that was presented at the Capital Markets Day in February 2022, the Group defined digital leadership and competitive sustainability offerings as key levers. To secure a stronger competitive advantage by 2025, investments are made within both areas. Our strategy is built on three key priorities: creating the best omnichannel customer experiences, driving focused and profitable growth, and increasing operational and capital efficiency.

Creating the very best omnichannel customer experience is our way to modernise relationship banking. It is our way to keep our customers at the centre of everything we do. We have made significant investments to further improve our digital offerings in 2022, which have been recognised in several external surveys. Our focus within sustainability is to enable customers to choose sustainable solutions and facilitate the transition to carbon neutrality. We recognise that we have a unique possibility and responsibility to take a leading role within this area.

Our value creation for shareholders is supported by enhanced operational and capital efficiency, both being defined as key initiatives in our strategic plan. Improved operational efficiency will be delivered through process optimisation and productivity improvements. Capital efficiency will be delivered through refined capital deployment in our four business areas.

Selected focus areas

With the Group priorities as starting points, each of the four business areas have formulated strategic initiatives to enhance their competitiveness. Two of the key initiatives in our strategic plan until 2025 are to strengthen our position in Sweden and to accelerate further within the savings area. The Nordic savings market is structurally attractive and supported by a growing need for retirement savings and overall wealth management. We are well positioned to grow ahead of the market.

Today, we already have a good position in Sweden, but we are aiming higher. We are focusing on our

"**We have identified two levers** as being crucial to our strategic plan: being a digital leader and integrating sustainability into the core of our business."

strengths as a bank with a broad range of services, combining digital capabilities with advisory capacity and expertise. We are also improving customer journeys by strengthening the advisory offering and adding more advisory capacity.

Risk management

A key pillar of our strategic plan is to continue enhancing our low-risk profile. In recent years we have taken pro-active decisions to exit markets where we have seen elevated risk, such as the Baltics, Russia and Luxembourg. We have also decided to significantly reduce our leveraged finance and offshore lending, and are focused on our Nordic customers.

Overall, this has gradually led to a reduced risk profile for the Group, a very well-balanced credit portfolio, a limited need for loan loss provisions and low earnings volatility. These have manifested in the form of lower funding costs and a better capital position than most of our peers. We will continue to optimise the risk management strategy during the strategic period up to 2025.

Our strong balance sheet and capital generation will enable selected bolt-on acquisitions to support our portfolio and growth when it advances our strategy.

All of this will be done while keeping costs under control, growing income faster than costs and driving market-leading shareholder returns.

Being a digital leader and integrating sustainability

We have identified two levers as being crucial to our strategic plan to become the best bank in the region: being a digital leader and integrating sustainability into the core of our business.

Both levers refer to current megatrends shaping businesses and societies and are areas in which we want to excel. They ensure that we stay relevant for our customers and well equipped for the future.

Digitalisation

We aim to be a digital leader of our industry and are determined to provide a competitive digital experience. We want to offer our customers all the relevant digital products and services and maintain our number one position for mobile banking in the Nordics.

Our 2025 target is to increase the number of our digitally active customers by at least 25%. We are creating self-service functionalities for all daily banking needs and plan to double the amount of available digital products and services by 2025.

We are utilising our knowledge and latest technological developments to provide safe, easy-to-use and even more personalised products and services. By combining our digital advice with human advice, we can help our private and corporate customers to realise their financial aspirations in a personal and responsible way.

We will also use digitalisation to further increase operational efficiency, combat financial crime even more effectively and reinforce the sustainability of our business.

Sustainability

We play a leading role in helping our customers transition to a sustainable future.

We have committed to becoming a net-zero emissions bank by 2050 at the latest. To reach this goal, we have set a long-term objective to reduce carbon emissions across our lending and investment portfolios by 40–50% by 2030. This objective, along with our objectives for 2030, are further supported by our 2023–25 targets. These initiatives will also ensure that the risk profile of the bank remains strong.

We see great opportunities and a high demand for investing in and financing new green technologies and decarbonisation – and aim to accelerate our positive impact.

OUR VISION AND KEY PRIORITIES

Our vision is to be the preferred partner for customers in need of a broad range of financial services.

Create
the best omnichannel customer experience

Drive
focused and profitable growth

Increase
operational and capital efficiency

Digital leader

Sustainability at the core

OUR FINANCIAL TARGET

Financial target 2025

Return on equity

>13%

Assumes CET1 ratio requirement of 15–16%, including management buffer

Supported by

Cost-to-income ratio
45–47%

Dividend policy
60–70% payout ratio; excess capital distributed through buy-backs

Loan losses
Normalised
~10bp

Capital policy
150–200bp management buffer above regulatory CET1 requirement

Financial outlook 2023

Return on equity > 13%

OUR SUSTAINABILITY TARGETS

Net zero 2050

40–50% reduction in carbon emissions across our lending and investment portfolios by the end of 2030

Facilitate more than EUR200bn in sustainable financing between 2022 and 2025

90% of exposure to large corporates in climate-vulnerable sectors to be covered by transition plans by 2025

Double the share of net-zero-committed assets under management by 2025

Gender balance

Each gender to have at least 40% representation at the top three leadership levels combined by the end of 2025

BUSINESS ENVIRONMENT

Resilience in a changing environment

During 2022 the business environment changed significantly and the economic outlook weakened. At the same time, societal foundations like peace, security and stability were challenged. We have a resilient business model, and the Nordic societies are well positioned to weather the changing conditions.

The Russian invasion of Ukraine caused immense human suffering and created both societal and economic uncertainty. The ongoing war, weakened macroeconomic outlook, rising inflation, higher interest rates and reduced consumer confidence all put pressure on private individuals, businesses and societies.

Economic outlook

Prospects for the global economy have changed, and Europe has been hit hard by the energy crisis and high inflation on the back of the war in Ukraine. Central banks have tightened monetary policy significantly in efforts to dampen demand and anchor inflation expectations.

"We know that continuing to improve our digital offering will be key to delivering on our 2025 business priority **to create the best omnichannel customer experience**."

The Nordic countries where we operate – Denmark, Finland, Norway and Sweden – have strong economies and have been among the best performing economies globally during the pandemic. GDP and employment levels in 2022 were well above pre-pandemic levels in all four countries. However, the outlook has weakened due to the higher inflation, higher interest rates and lower global growth. Visibility is currently low, and we expect the challenging environment to continue – at least in the short term.

Our capital position continues to be among the strongest in Europe, and we are well positioned to weather the changing conditions. We have a resilient business model, and as the leading and largest bank in the Nordics, we continue to be committed to supporting our customers and the societies that we serve.

Attractive region

All four countries are politically stable democracies, which creates a steady business environment. From a global perspective, the Nordics have very low rates of corruption and high legal protection of individual and property rights. Their solid welfare systems provide significant social safety nets with universal access to healthcare and education.

This means that we operate in a structurally attractive Nordic environment, where we can drive profitable business growth. The Nordic societies are digitally skilled, providing a good opportunity to increase digital engagement and interact with our customers in a modern way. The demand for sustainable solutions has pushed businesses to offer products and services in line with the highest ethical standards, and actively contribute to a sustainable future.

Digitalisation trends

Modern technologies have accelerated digitalisation even further. Developments are moving at a rapid and unprecedented pace, and will continue to shape how we live, work, communicate and manage our finances. Innovative technologies, regulations and data have already transformed – and will continue to transform – consumer needs and expectations, as the lines between the physical and virtual worlds blur.

At Nordea, we know that continuing to improve our digital offering will be key to delivering on our 2025 business priority to create the best omnichannel customer experience.

Going forward, we will use digitalisation to further strengthen the full value chain. We will continue to run our development programmes, make digital banking easier and offer all our relevant products in one shop.

We will further invest in future services and digitalisation. We will also extend new technologies to enhance our data management capabilities, and in doing so increase our ability to meet our customers' future needs.

Sustainability trends

In 2022 sustainability topics have been high on the agenda for society at large. Following a strong recovery from the pandemic, Europe was hit by the war in Ukraine, one of the most severe energy crises since World War II, and extreme weather events which have caused significant disruption to societies.

The geopolitical rationale for reducing fossil fuel dependency has grown stronger during the energy crisis. Decarbonisation is now driven by objectives related to sustainability, economics and security of supply. The crisis is turning out to be a major pivot point in the transition to a fossil-free economy, and decarbonisation has become relevant for all individuals and companies.

At Nordea, we have put even greater emphasis on our long-term objective to become a net-zero emissions bank and to engage with and support our customers on their transition journeys. The importance of environmental, social and governance (ESG) matters and understanding the challenges and opportunities they pose has increased significantly. We promote sustainability by applying ESG focus on areas like risk management, due diligence processes and financial product development and supply.

SUSTAINABILITY AT THE CORE

Transitioning to a sustainable future

For us at Nordea, sustainable banking is about inspiring and enabling our customers to make sustainable choices and contributing to societal goals through our financing, investments and internal operations. We have made sustainability an integrated part of our business strategy, introduced measurable medium and long-term objectives and set 2023–2025 targets to help drive a greener and more sustainable future.

Delivering on our purpose to enable dreams and aspirations for a greater good, we have an important responsibility and opportunity to accelerate the transition to a more sustainable society. Our focus is to support and strengthen our customers through periods of change and help them reach their goals. Decarbonisation will create one of the greatest opportunities of our century if managed responsibly. At Nordea, we have a long-term perspective and believe that companies with sustainable business models carry lower financial and reputational risk. Our role is about helping our customers build resilience while future-proofing our business.

Integrated into processes

We engage with customers on environmental, social and governance (ESG) matters and understand the challenges and opportunities they face in their business environments. We integrate ESG standards into risk management and due diligence processes, and develop and supply financial products that support sustainability.

It is important that we are a responsible investor on behalf of our clients. We have developed policies and procedures to ensure that our investments meet criteria such as the EU Sustainable Finance Disclosure Regulation, and we have made sustainability a natural part of our investment advice. We signed the United Nations' Principles for Responsible Investments in 2007 and are committed to integrating ESG factors into our investment analysis, decision-making processes and active ownership practices.

Within our internal operations we place focus on improving our own ways of working. We have introduced new travel and car policies, and always strive to provide an inclusive work environment for our people. We are developing our due diligence on ESG factors, including supplier screening and monitoring.

"Our work rests on four strategic pillars: **financial strength, climate action, social responsibility** and **governance and culture.**"

Strategy

Our work rests on four strategic pillars: financial strength, climate action, social responsibility, and governance and culture. Within each pillar we have identified the relevant United Nations' Sustainable Development Goals and sustainability topics that impact us or that we can have a significant impact on – by reducing the negative impact or increasing the positive impact of our financing, investments and internal operations.

For the pillar climate action, we have set a long-term objective to become a net-zero emissions bank by 2050 at the latest. This objective, along with our objectives for 2030, are further supported by our 2023–25 targets. For the other three pillars, we have also set 2023–25 targets. During 2022 we set our first round of sector-specific emission targets.

Our definition of sustainability at the core and four strategic pillars are presented on the next page. The targets, supplementary information and data related to the disclosures are presented in "Sustainability notes" on pages 317–359.

Sustainability at the core

Actively engaging to drive transition and capture growth opportunities

Financial strength

Understanding and managing environmental, social and governance risks is crucial to maintaining our financial strength.

Climate action

To become a net-zero emissions bank by 2050 at the latest, we are engaging with and supporting our customers and portfolio companies in reducing their climate impact, while reducing our own.

Social responsibility

By considering human and labour rights throughout our value chain and promoting gender equality, employment and education, we aim to create social impact where it matters the most.

Governance and culture

Strong governance and a healthy corporate culture lead to successful execution of our strategic sustainability agenda for a greater good.

Renewable energy in emerging markets

With Nordea by its side for the past 15 years, Scatec has been at the forefront of renewable power development in emerging markets. Today, it is a leading provider of solar, wind and hydropower, with 4.6 gigawatts of capacity in operation and under construction across four continents.

"Our company was founded on the belief that it has an essential role to play in providing clean and affordable energy," says CEO Terje Pilskog. "For the world to reach its climate targets, emerging economies must be part of the solution."

Scatec has built a strong position over time, with over 700 employees and an EBITDA of NOK 2.3bn. As Scatec's main bank, Nordea has played a key role in the company's growth journey from the start, providing corporate lending, trade finance and support in raising debt and equity capital. Nordea helped finance Scatec's USD 1.1bn acquisition of SN Power in 2021.

"We have a strong partnership with Nordea. We would like to thank the team for their leadership and work supporting the green shift," says Terje Pilskog. He adds that it's in Scatec's DNA to continually seize new opportunities:

"Our integrated business model and partnership approach will continue to be at the core of what we do, whether it be in traditional renewables or related to green hydrogen."

Terje Pilskog
CEO, Scatec

INTRODUCTION

Building strong **relationships**

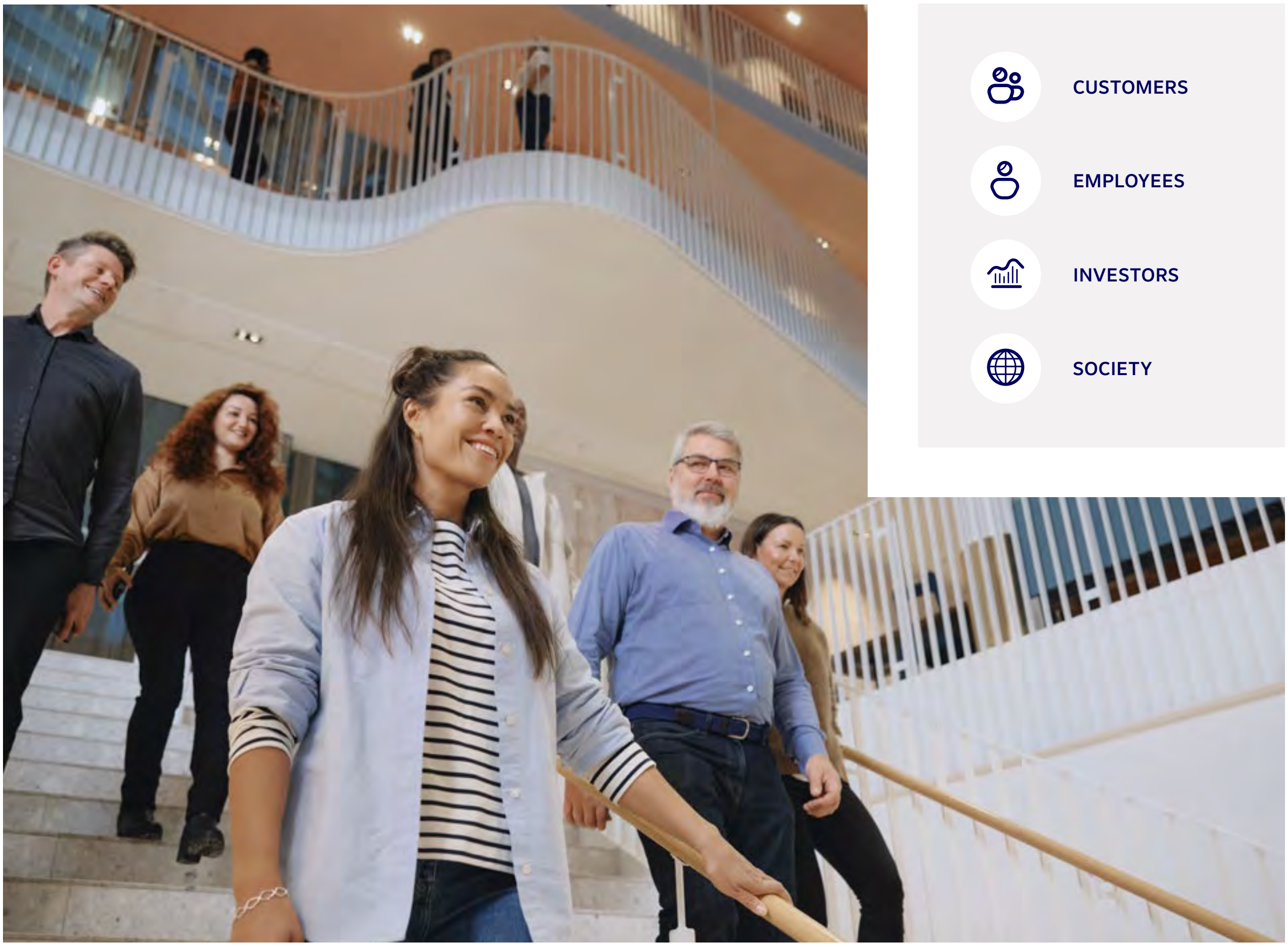
At Nordea, our customers, employees, investors and societies shape the way that we do banking – for a greater good. Together we can create value and contribute to a more inclusive, green and resilient world. All based on strong relationships.

Our core stakeholders comprise customers, employees, investors and society at large. Everything we do at Nordea is about building and sustaining long-lasting relationships with our stakeholders and making sure we are able to respond to their needs and expectations.

To continue to be a safe and trusted bank, close collaboration is essential – both internally and externally. Understanding the needs of those around us is key to our success and our joint contribution to the common good.

In the pages to follow, we outline our relationships with customers, employees, investors and society – and what we envision our future together to look like. Our specific actions towards our stakeholders are further elaborated under "Sustainability notes" on page 354.

Only by continuously building and maintaining strong and trusted daily cooperation with our primary stakeholders can we fulfil our purpose, business strategy and sustainability commitments.



CUSTOMERS

EMPLOYEES

INVESTORS

SOCIETY

Facts

13%

growth in average number of logins per month during 2022 (y/y)

#1

mobile bank based on customer and analyst ratings in the Nordics

EUR 58bn

facilitated in sustainable financing in 2022

CUSTOMERS

Nordea's vision is to be the preferred partner for customers in need of a broad range of financial services.

Everything we do begins and ends with our customers. By creating value for corporates, institutions and private individuals, we succeed in further creating value for our shareholders and broader society.

Strong relationships

We prioritise building long-lasting and strong relationships, taking into account our customers' aspirations, goals and preferences. We listen carefully to our customers' needs and provide access to unique expertise and solutions that fit their situations. Our broad product and service range enables us to support our customers in different stages of their lives and business cycles. Always with a smooth omnichannel experience and personalised advice.

Digital leadership

Our ambition is to be a digital leader of our industry. We know that our customers want to move seamlessly between channels and pick up a conversation with us from where they last left off. Therefore we combine the latest technology with our expertise to enhance our services and continuously expand our range of digital products and services. We develop digital solutions and self-service functionalities to improve customer experience and enable our advisers to cater for more complex customer needs.

Towards a green future

We have an important responsibility and opportunity to help accelerate the transition to a low-carbon world. Our strong customer relationships and long experience in sustainable finance provide a solid position to support our customers in their green transition. As a true business partner, we can provide leading sustainability capabilities.

A concrete way we advance sustainability is by granting corporate customers environmentally-friendly financing and using our expertise to advise them on their transition journeys. Together with the European Investment Fund, we offer financing for green projects at a lower interest rate. We see a growing need and desire among our customers to make sustainable financial choices. We advise them on products that match our environmental, social and governance criteria to make it easy for them to make a real difference with their finances – for a greater good.

EMPLOYEES

Our aim is to be a preferred employer in the financial industry in our operating countries.

We strive to attract the best talent and to engage all our approximately 30,000 employees, who are crucial to the delivery of Nordea's strategy and ambitions.

Diversity, passion and dedication

Every day, Nordea employees provide essential services to our customers and societies. Our employees have a broad perspective, helping us to better serve our diverse customers. Our employees come from all over the world, have different professional backgrounds and speak around 60 different languages. This in turn enables us to attract and retain a diverse and inclusive workforce.

Our success depends on dedicated and engaged people with a passion for creating great customer experiences. We provide equal opportunities for our people to learn and grow their careers across the organisation, which in turn enhances our business performance.

Guidance and leadership

We believe that leadership is one of the most important drivers of culture, performance and job satisfaction. Our leaders are passionate about developing our people for personal and business success. We also offer clear and structured development plans and opportunities for our people, as we believe that this is the key to motivation and professional growth.

Facts

92 People Pulse average index score for fair treatment (stable)

81 People Pulse average index score for employees who recommend Nordea (improved)

38/62% Gender balance* (improved)

* At the top three leadership levels (GLT, GLT-1 and GLT-2) combined.

INVESTORS

The Nordea share is listed on the stock exchanges in Helsinki, Stockholm and Copenhagen.

We have a broad shareholder base, with strong support from global and Nordic institutional shareholders and more than 565,000 shareholders across the Nordics, including private individuals and pension fund investors.

Dividends and share buy-backs

We strive to create value for shareholders and enable financial growth and success for our customers. We are a leading bank in shareholder distributions, and our strong performance has enabled significant payouts to shareholders.

We have paid out approximately EUR 6bn in dividends over the past three years. Our dividends support the societies we operate in and give a clear boost to the Nordic economies. With our strong capital position and generation, we were the first bank in Europe to start implementing share buy-backs in 2021. In 2022 we completed two share buy-back programmes amounting to EUR 3bn.

Capital excellence is an important lever for us. Nordea's capital and dividend policy includes both dividends and buy-backs as capital distribution tools for shareholders. Our policy is to pay out 60–70% of the financial year profit to shareholders and return excess capital through buy-backs. We will continue to drive further value creation. In 2025 we expect our return on equity to exceed 13%, supported by revenue growth and improved cost and capital efficiency.

Facts

+76%

Total shareholder return in the last four years

Facts

650

In 2022 more than 650 employees volunteered in Nordea's refugee programme.

190,000

We helped more than 190,000 children and young people to build their financial skills in Finland alone.

50,000

Over 50,000 young people participated in Matteutmaningen* in Sweden.

* Matteutmaningen is Nordea's initiative to inspire young people by encouraging their interest and increasing their skills in mathematics and finance.

SOCIETY

We play an important role in the Nordic region, providing financial services that enable societies to grow and promoting financial stability in close collaboration with customers, authorities and regulators.

We are a major taxpayer in all four countries of the Nordic region. We create jobs, enable people to start businesses, and foster entrepreneurship and economic growth – all of which generate large tax revenues.

A safe and sustainable future

We have a responsibility to support sustainable growth. Climate change poses risks as well as opportunities to society, and we aim to be part of the solution – both directly through our operations and indirectly through the activities of our customers and investees. We challenge and support sectors with high climate impact to transition towards net-zero emissions. As a financial institution, we play an important role in this transition by channelling funds towards sustainable activities.

Community engagement

We also help people to build financial and digital skills and foster entrepreneurship through what is currently well over 20 programmes and partnerships. In doing so, we extend our banking and finance expertise beyond our own operations to make positive changes in society. Our internal volunteering programmes give our employees the possibility to make a difference. In early September 2022 we established a refugee programme where many of our employees helped Ukrainian refugees settle in Estonia, Poland and the Nordics.

Authorities and regulators

The European Central Bank (ECB) is our main regulator. Banking supervisors at the ECB contribute to keeping the banking system safe and sound through consistent and standardised supervision across the euro area. We also actively support Nordic supervisors on important matters such as anti-money laundering and counter-terrorist financing activities.

We want to be a reliable and valuable source of information, insight and expertise for EU and Nordic decision-makers. We are in close cooperation and continuously engage in active dialogues with both EU-level and local authorities and regulators.

Helping refugees in **our community**

Every year, over a thousand Nordea employees participate in programmes and partnerships in our local communities, using the 16 volunteering hours we give them per year.

During the spring colleagues all over Nordea proved that they cared about the fate of Ukrainian refugees. Our employees collected the most needed items for people who fled their homes due to the war in Ukraine. Volunteering hours were quickly spent on various activities that were organised by our own employees to support Ukrainians. This triggered the need for a new volunteering programme.

The new programme contains a broad selection of opportunities to help refugees where help is most needed to settle into society. For example, our volunteers work in help centres, organise language classes and advise on matters of digital security.

While currently focused on Ukrainian refugees, in the long term the programme will expand to assist refugees from other countries. When possible, the programme focuses on daily and digital financial skills. The training in digital skills helps refugees navigate the different private and public online services necessary for settling into society, while the training in daily financial skills helps them get a hold of their personal finances.

Alicja Wasiak, Nordea, and **Przemysław Taranowicz,** Red Cross

Delighted **digital customer** gets personalised advice

Maria Lallerman found her dream home in spring 2022. After viewing it for the first time, she scanned the market to find a mortgage. Maria wanted to use her time effectively due to a busy working life, and needed a smooth process for getting everything in place to buy the house. Although she wasn't a customer at the time, she took the opportunity to see what Nordea had to offer and made a mortgage application online. Just two days after becoming a customer, she had bought her dream house.

"I was amazed by the seamless experience of digital self-service and excellent support from my adviser when I needed it. It all started with talking to chatbot Nova and sending in my mortgage application. Along the way, I was contacted by an adviser who picked up where I was in the process and shared valuable insights," says Maria.

She adds: "Great customer experience and availability are important to me, and I found the whole process really well thought through. It was the perfect blend of digital and personal advice, where the adviser paid attention to my needs and got back to me as promised. Every touchpoint took the customer into consideration. When you really need to talk to someone, the quality of the interaction becomes even more important. I was very pleased with the help I got."

Maria Lallerman
Nordic Head of Customer Experience and Customer Operations, Enento Group

INTRODUCTION

Our four **business areas**

Each of our business areas meets the needs of well-defined customer segments – from private households to very large corporates – with relevant and up-to-date advisory services, products and solutions.

Our business areas are united under one operating model and share the same end-to-end value chain, which ensures optimal delivery, increases the time spent with customers and reduces the time required to bring new products and services to market. Each one is individually accountable for its income, costs, risks, customer experience, investment decisions and capital management.

Personal Banking

In Personal Banking we offer household customers easy and convenient everyday banking and advice. We strive to create great omnichannel experiences by providing a full range of financial services and products through a combination of digital channels and in-person interactions. We have operations in all four Nordic countries.

Business Banking

In Business Banking we offer banking and advisory products and services to small and medium-sized enterprises. Business Banking also includes the product and specialist units Transaction Banking, which provides payment and transaction services, and Nordea Finance, which provides asset-based lending and receivables finance. We have operations in all four Nordic countries.

Large Corporates & Institutions

In Large Corporates & Institutions we provide financial solutions to our large Nordic corporate and institutional customers. We also service a broad range of Nordea customers through the product and specialist units Markets and Investment Banking & Equities, and our international corporate branches in New York, Shanghai and London.

Asset & Wealth Management

In Asset & Wealth Management we offer an extensive range of award-winning savings products through internal and external distribution channels. We are the leading Nordic private bank, asset manager and life and pensions business, with a globally competitive sustainability offering. We have operations in all four Nordic countries and asset management sales offices in several locations worldwide.

PERSONAL BANKING

Providing personalised digital customer experiences

In Personal Banking we offer household customers easy and convenient everyday banking and sound advice. We strive to create great omnichannel experiences by providing a full range of financial services and products through a combination of digital channels and in-person interactions.

Business development

In 2022 we focused on proactively supporting our customers during an extraordinary year. Following significant turbulence in the financial markets, higher inflation and associated rate hikes, we saw decreased customer appetite in investments but increased interest in deposit products.

We continued to expand our digital savings services to secure a competitive offering for our customers. In Sweden, our customers can now use our robot adviser Nora for inspiration on how to choose funds for their children's savings.

Despite the slowdown of the mortgage market during the year, our proactivity has enabled us to continue growing above the market across the Nordics. Customers appreciate our digital mortgage offering, and for instance our online mortgage portal in Sweden now handles 55% of all incoming mortgage applications in the country.

In 2022 we rolled out the new version of our mobile bank app and continued to see increased digital activity. We reached 100 million logins per month to the private mobile bank app and saw a rise in the number of mobile users, up 6%, year on year. The research provider Autonomous ranked Nordea as one of the leading digital banks in the world in their annual benchmark review on branch banking digitalisation.

Customers continued to express a high interest in making sustainable choices and showed a clear sustainability preference in investment advice meetings during the year. In 2022 the environmental, social and governance (ESG) share of gross inflows to funds reached an all-time high at 28%. Customers also demonstrated an interest in sustainable living, with green mortgage lending at its highest level yet, up 46%, year on year.

During the year we also expanded our ESG product offering. For example, we launched ESG balanced funds in all countries.

Customer satisfaction reached a record-high level. Internal and external surveys also showed that we strengthened our position relative to our peers and are now close to the industry average in all countries.

Results

Total income increased by 7%, year on year. This was mainly driven by solid mortgage activity across all countries, improved deposit margins and higher payment and card fee income. Mortgage volumes grew by 2% in local currencies, and deposit volumes grew by 4% in local currencies.

Net interest income increased by 12%, reflecting our continued growth in mortgage market shares, deposit volume growth and higher deposit margins across the Nordics. This was supported by proactive customer advice and new product offerings as a response to central bank policy rate hikes. The development was partly offset by lower mortgage margins in Finland, Norway and Sweden, resulting from rate changes and lower lending margins in Denmark that were due to a changed product mix.

Net fee and commission income decreased by 2%, year on year, driven by lower savings and investment income in all countries except Norway, where we were able to slightly increase our savings and investment income. Payment and card fee income improved in tandem with the reopening of societies.

Total expenses increased by 3% compared with last year, due to higher regulatory fees which primarily related to the Swedish bank tax, higher IT investments in line with our business plan and lower capitalisation of costs.

Net result on loans in hold portfolios mandatorily held at fair value is now a loss of EUR 3m compared to a gain of EUR 47m during 2021, driven by the model-based revaluation of Nordea Kredit's mortgage portfolio, which reflected a negative shift in house prices in Denmark.

As a result, operating profit increased by 9% and return on capital at risk was 19%, an improvement of 2 percentage points, year on year.

Strategic focus areas and value drivers

We create great customer experiences by proactively responding to our customers' needs. Our customers enjoy advice that is always personalised, whether human or digital, and choose their channels based on their needs in the moment.

Sustainability is at the core of our business. We help our customers to make sustainable choices through relevant partnerships, competent advice and an expanded sustainable offering, including green lending and savings products. We leverage our Nordic scale and local market adaptability for increased efficiency.

"We provide **proactive and holistic advice** to help customers in turbulent times."

Sara Mella
Head of Personal Banking

Achievements in 2022

- Strengthened our customer satisfaction position relative to peers in all countries*
- Grew mortgage volumes by 2% and deposit volumes by 4% in local currencies
- Launched new version of mobile app, providing customers with further insights to manage their finances
- Achieved all-time-high ESG share of gross fund inflows, at 28% in 2022

Total income: EUR 3,885m
Costs: EUR -1,904m
Operating profit: EUR 1,925m
Cost-to-income ratio: 49%
ROCAR: 19%

2025 priorities

- Create best-in-class omnichannel customer experiences through personalised digital experience and competent advice
- Increase profitability through savings growth, strengthening our position in Sweden and offering sustainable choices and advice
- Increase operational efficiency through digital capabilities and Nordic scale

2025 targets

ROCAR ~18%
Cost-to-income ratio ~45%

* Confirmed by EPSI Ratings.

BUSINESS BANKING

Helping businesses grow sustainably

In Business Banking we provide small and medium-sized enterprises with banking and advisory products and services, both online and in person. Business Banking also includes the product and specialist units Transaction Banking, which provides payment and transaction services, and Nordea Finance, which provides asset-based lending and receivables finance.

Business development

Despite the current macroeconomic uncertainty, we continued to grow lending and deposit volumes by 5% and 1%, respectively, in local currencies, year on year. Income growth was further supported by policy rate hikes in all countries, while savings income and capital markets activity decreased due to turbulence in the market.

Customer satisfaction increased compared with 2021, and we improved our ranking in the EPSI Rating Group's annual corporate customer satisfaction survey. We are continuously focusing on improving service quality and increasing our advisory time in all segments – all to support our customers.

We continued to develop our Nordea Business mobile app and netbank. In the fourth quarter we reached an important milestone when we launched the new netbank in Norway. The netbank is now available in all markets, and the mobile app in Denmark, Finland and Sweden. We also expanded our Nordea Business online product store and saw positive development in customer satisfaction in both the netbank and mobile app.

We developed a new digital cash management solution in Corporate Netbank in order to provide small and medium-sized enterprises (SMEs) with easier everyday banking. In September we launched the pilot in Finland. The service enables our customers to speed up, streamline and simplify their internal treasury and payment processes.

Our focus on sustainability continues. Our green loan portfolio more than doubled, year on year, and we expanded our green deposit pilot in Norway. To better support our customers in their sustainability transitions, we entered into partnership with Normative, the carbon accounting software provider for the SME Climate Hub. With Normative's Business Carbon Calculator, our customers can understand their emissions and identify climate transition opportunities.

Results

Total income increased by 15%, year on year, driven by lending and deposit volume growth, improved deposit margins and higher net result from items at fair value. Lending volumes increased by 5% in local currencies, driven by Norway and Sweden.

Net interest income increased by 20%, year on year, mainly due to higher volumes and improved deposit margins. Deposit margin increases were linked to policy rate hikes in all markets.

Net fee and commission income decreased by 1%, year on year, due to the lower capital markets activity and savings income that were impacted by the market turbulence. The decreases were partly offset by higher payment and card fee income and lending fee income.

Net result from items at fair value increased by 24%, year on year, driven by higher income from interest rate and foreign exchange products. The growth was partly attributable to high customer demand for our hedging solutions.

Total expenses increased by 3%, year on year, due to higher regulatory fees including the Swedish bank tax. Excluding these, total expenses increased by 1%.

Despite growing macroeconomic uncertainty, credit quality remained robust and we maintained a diversified portfolio across segments and countries. Net loan losses and similar net result amounted to EUR 50m (5bp). The amount included a negative impact of EUR 9m (1bp) from the revaluation of Nordea Kredit's mortgage portfolio.

Operating profit amounted to EUR 1,695m, a year-on-year increase of 21%. Return on capital at risk increased from 16% to 19% for the full year, driven by higher income.

Strategic focus areas and value drivers

We want to be the preferred bank for small and medium-sized enterprises with a broad range of financial needs.

Our strategy is to become the best business partner for our customers, supporting them with all their banking needs. We plan to grow our business and accelerate the development of digital banking services. We want our customers to feel valued by our advisers, who understand their business and can provide access to unique expertise across the bank.

For daily banking needs, we will continue to develop digital solutions and self-service functionalities. This will improve customer experience and free up time for our advisers to meet more complex customer needs. Enhancing data competence and increasing advisory time will enable us to be more proactive and carry out targeted customer acquisition and cross-selling to further grow the business.

As a true business partner, we want to support our customers in their green transition with leading sustainability capabilities.

"We want to **become the preferred bank** for small and medium-sized enterprises with a broad range of financial needs."

Nina Arkilahti
Head of Business Banking

Achievements in 2022

- Grew income by 15% by outpacing lending market growth in Norway and Sweden
- Improved cost-to-income ratio by 4 percentage points through income growth and strict cost control
- Increased user base for Nordea Business mobile app by 14% and launched the netbank in Norway
- More than doubled the share of sustainable financing in our portfolio, now 7%

Total income: EUR 2,986m
Costs: EUR -1,241m
Operating profit: EUR 1,695m
Cost-to-income ratio: 42%
ROCAR: 19%

2025 priorities

- Deepen customer relationships and focus on profitability
- Accelerate growth in Sweden and Norway
- Expand and improve digital banking services

2025 targets

ROCAR ~16%
Cost-to-income ratio ~40%

Solid banking relationship supports Picosun's global ambitions

Picosun ALD was founded in 2004 by Kustaa Poutiainen and Sven Lindfors. They would eventually be joined by Dr. Tuomo Suntola, the inventor of ALD technology. ALD – or atomic layer deposition – enables ultra-thin film coating, making it possible to scale down microelectronic devices.

"Since day one, our vision has been to be the best in the world. Not the biggest in terms of size, but in terms of technology and innovation," says Kustaa. The ambition proved successful when the world's leading semiconductor company Applied Materials acquired Picosun in 2022, enabling Picosun to take the next step to global success.

"Nordea has been with us from the start. For us, it was crucial to choose a bank that could support our global expansion. The personal relationship formed the core of our banking relationship and made the full range of Nordea's solutions, expertise and international and domestic networks available to us. This helped us to reach our ambitions," says Kustaa.

"When we started, the startup market was very immature. Today, entrepreneurship is seen as a catalyst in society, creating innovation and job opportunities. One of our aims is to now support that catalyst by investing in startups," he concludes.

Nordea's Startup & Growth unit supports founders in financial matters and other aspects of starting a business. This includes working with over 200 local and global investment funds.

Kustaa Poutiainen
Founder, Picosun ALD

LARGE CORPORATES & INSTITUTIONS

The preferred financial partner for selected corporates and institutions

In Large Corporates & Institutions we provide financial solutions to large Nordic corporate and institutional customers. We also provide services to customers across the Nordea Group through the product and specialist units Markets and Investment Banking & Equities and our international corporate branches in New York, London and Shanghai.

Business development

In 2022 we delivered an industry-leading return on capital at risk (ROCAR) of 18% and a cost-to-income ratio of 38%, demonstrating our focus, diversification and strong franchise.

We actively supported our customers, resulting in significantly higher lending and deposit volumes, where we again showed strong and stable customer support in turbulent and uncertain times.

Customer activity levels were solid overall, but widening credit spreads, inflationary pressure and rapid interest rate hikes weakened capital markets activity, particularly compared with the record levels seen in 2021.

Nordea Markets ended the year with an even stronger performance than in the previous record year. Overall activity among both institutional and corporate customers remained high, and income development was broad-based. Capital optimisation efforts paired with overall risk prudency continued to yield positive portfolio effects while easing volatility impact.

We made further progress with our digitalisation efforts by adding new functionalities to cater for more advanced customer needs. For example, we executed the first enterprise resource planning integrated foreign exchange (FX) trades. The flow from our FX automation offering helped us hit new records, which increased by more than 50% in a year.

We further raised the bar in sustainability and continued to be a leading platform for sustainable advisory services. We remained on track with our target to facilitate EUR 200bn in sustainable financing by 2025, and we launched the Nordea Sustainability-Linked Loan Funding

Framework to further advance the market for sustainable finance instruments. By the end of the year we once again ranked first for Nordic sustainable bonds overall.

In the 2022 Prospera customer satisfaction survey we were recognised as the Best Corporate Bank in Denmark, and we continued to increase our corporate banking score in the Nordics to an all-time high. We were once again voted Best Investment Bank and awarded Global Finance's 2022 Sustainable Finance Award in Finland, Denmark and Sweden.

Results

Total income was up 9%, year on year. Net interest income increased by 22%, year on year. Lending volumes were up 12%, driven by bond-to-bank flows and a significant increase in short-term liquidity financing needs on the back of market turmoil. Deposit volumes were up 5%, but showed significant volatility over the year, driven by measures taken by energy sector customers to handle the market turbulence.

Net fee and commission income was down 15%, year on year, mainly driven by weaker capital markets.

Net result from items at fair value increased by 9%, compared with a strong previous year, primarily due to overall high customer activity and strong risk management, reflecting our pan-Nordic diversification.

Total expenses increased by 5% due to higher regulatory fees and higher variable pay expenses. These were partly offset by continued strict cost management.

Net loan losses and similar net result amounted to net reversals of EUR 56m (9bp), reflecting the strong underlying credit quality of our loan book. The total provisioning level now stands at approximately EUR 354m or 0.6% of Large Corporates & Institutions lending.

Operating profit increased by 18%, year on year, to EUR 1,418m, mainly driven by solid income and net loan loss reversals.

Economic capital was largely unchanged, year on year, at EUR 5,669m, despite lending volumes that were 12% higher, driven by strong capital discipline.

ROCAR was 18%, up 2 percentage points from last year and above our 2025 target of ~16%.

Strategic focus areas and value drivers

We want to become the preferred financial partner for our selected core Nordic corporates and institutions. Our plan is built on five strategic drivers: sales excellence, selective growth and investments, operational efficiency, capital excellence and recognition as the number one sustainability partner for Nordic corporates.

For sales excellence, we will increase income per customer. We will target selective growth and investments by investing in capital-light growth and increasing profitable corporate lending and fund financing.

Our operational efficiency will be improved by front-to-back optimisation, including outsourcing and partnerships in uncompetitive parts of our business. We will also accelerate capital excellence through improved internal rating based models, risk-sharing transactions and repricing.

To become the number one sustainability partner for Nordic corporates, we will leverage our strong position and facilitate EUR 200bn in sustainable financing while delivering on Nordea's financed emission target.

"In an exceptionally turbulent economic environment, **we deliver strong results and support** to our clients when it really matters."

Martin A Persson
Head of Large Corporates & Institutions

Achievements in 2022

- Improved ROCAR by 2 percentage points to 18%
- Increased lending and deposits by 12% and 5%, respectively
- Achieved #1 positions in core league table and customer rankings
- Reduced financed greenhouse emissions by 36% since 2019

Total income: EUR 2,199m
Costs: EUR -837m
Operating profit: EUR 1,418m
Cost-to-income ratio: 38%
ROCAR: 18%

2025 priorities

- Drive core income growth with capital-light focus
- Be the preferred ESG partner for our selected Nordic corporates and institutions
- Accelerate capital excellence through efficient balance sheet utilisation, new capital models and risk-sharing transactions

2025 targets

ROCAR ~16%
Cost-to-income ratio ~40%

ASSET & WEALTH MANAGEMENT

The leading private bank in the Nordics

In Asset & Wealth Management we provide financial advice to high net worth individuals and corporate and institutional investors. We offer an extensive range of award-winning savings products and services through internal and external distribution channels.

Business development

2022 was marked by strong momentum in Private Banking, with robust customer activity and acquisition contributing to solid net flow development across the Nordics. Net flows were at their second highest level ever, amounting to EUR 4.6bn despite an overall weak year dominated by macroeconomic uncertainty. Sweden was the main driver in customer acquisition growth and contributed to a 19% increase in deposit volumes.

Private Banking customer satisfaction improved in all markets, and 56% of our Private Banking customers stated a preference for their portfolios to be focused on our sustainability offering, the same level as in 2021.

Our private assets offering gained traction with the launch of our Global Private Markets Fund in the third quarter, amounting to an inflow of around EUR 600m during the year.

Our customers acknowledged our proactivity, personal customer relationships and innovative digital services. We were recognised as Best Private Bank by the Global Finance Magazine in its eighth annual World's Best Private Banks Awards for 2023, where we were number one in each of our Nordic home markets. At the end of the year 16% of all fund purchases in Private Banking were made digitally, demonstrating the quality of our digital channels. Following a volatile year, S&P 500 and STOXX Europe 600 indices ended the year down by around 19% and 13%, respectively. The global aggregate bond index also declined during the year and was down by 16%. Assets under management (AuM) decreased by 13% to EUR 359bn, year on year, due to the macroeconomic uncertainty, increased downturn and high volatility in both the equity and fixed income markets.

Despite the market turbulence, 2022 was characterised by very high investment performance, with 90% of aggregated composites providing excess return on a 3-year basis.

In Asset Management our investment funds received several awards in Nordic and European countries, including from Morningstar, MainStreet Partners, Lipper, Camradata and Rankia. The Alpha 15 Fund was also named the best performing alternative risk premia fund over periods of three, four, five and ten years by the Hedge Fund Journal.

We continued to broaden our range of products with environmental, social and governance (ESG) strategies and launched the Global Climate Engagement Fund to curb real CO_2 emissions. We launched one of Europe's first Article 9 Global Sustainable Listed Real Assets Funds and the all-in-one Global Private Markets Fund. At the end of the year approximately 70% of total AuM were in ESG-focused products. We also signed large mandates with international institutional investors for ESG strategies.

In Life & Pension we continued to focus on becoming the leading bancassurer in each of our home markets. We continued to grow our pension business in Norway and Sweden, drawing on new digital capabilities and strong customer relationships.

In Sweden, our robot adviser Nora Pension was further extended, offering fully digital advice on private and occupational pensions, both within and outside Nordea.

In Norway, we started collaborating with If P&C to sell Nordea Life & Pension products to the corporate market.

To accelerate our strategic ambitions in the savings area and complete our Life & Pension product offering in the Nordics, we acquired Topdanmark's life and pensions business. This acquisition offers Nordea's Danish customers even greater focus on their entire financial life cycles – from their first savings to their retirement pensions.

Results

Total income amounted to EUR 1,277m, up 2%, year on year, mainly driven by deposit income. Net interest income was EUR 168m, up 118%, year on year, mainly driven by improved deposit margins and a 5% increase in lending volumes in Private Banking.

Net fee and commission income was EUR 1,073m, down 4%, year on year. The decrease reflected the lower AuM during the year, driven by the negative market development.

Net result from items at fair value was EUR 37m, a year-on-year decrease of 40%, mainly due to losses on shareholders' equity portfolios in Life & Pension.

Total expenses increased by 5%, year on year, mainly driven by higher IT costs, transaction costs related to the acquisition of Topdanmark, salary inflation and regulatory fees.

Net loan losses and similar net result amounted to EUR 2m, compared with EUR 0m in 2021.

Operating profit was EUR 708m, down 1%, year on year. The cost-to-income ratio was 44%, one percentage point higher than in 2021. Return on capital at risk was 34%, compared with 30% last year.

Strategic focus areas and value drivers

In Asset & Wealth Management our ambition is to be the leading wealth manager in each Nordic market and a leading European asset manager, with global reach and a globally competitive sustainability offering. We have a clear growth strategy and a plan for improved productivity, which includes leveraging our strong product and distribution platform to drive growth and positive net flows. We focus on prudent resource management and prioritisation by balancing new investments with efficiency gains and allocating resources wherever the most value is created.

"Our **stability and trusted advice are key** advantages in turbulent times."

Snorre Storset
Head of Asset & Wealth Management

Achievements in 2022

- Improved our ROCAR by 4 percentage points to 34%
- Further strengthened our savings business in Denmark with the acquisition of Topdanmark Life
- Grew AuM in ESG investment products to 70%, compared with 67% in 2021
- Achieved EUR 4.6bn net flows in Private Banking, the second highest level ever

Total income: EUR 1,277m
Costs: EUR -567m
AuM: EUR 359bn
Net flows: EUR -6.6bn
Operating profit: EUR 708m
Cost-to-income ratio: 44%
ROCAR: 34%

2025 priorities

- Become the leading wealth manager in each Nordic market
- Be a globally competitive asset manager with attractive international growth opportunities for institutions
- Leverage demand for ESG and tailor-made solutions with improved scalability

2025 targets

ROCAR of ~38%
Cost-to-income ratio of ~40%

Great service inspires business customers to go private

Recently, one of the owners of the Danish tool company Profil Værktøj A/S met with Nordea advisers to discuss business banking options for his holding company. What started as a one-time conversation led to more and more dialogues, and today the business owners have become Private Banking customers as well.

"Our first impression of Nordea was really positive," says Jens Brandt, co-owner of Profil Værktøj. "The advisers were very service-minded and handled our questions and requests quickly. At Profil Værktøj, service is our guiding star too, so recognising the same passion for great service made our decision easy."

The founders started the tool company in 1999, with the idea to supply construction companies with wood-cutting tools. Over the years, the company has broadened its product portfolio significantly, mainly through its acquisitions.

As a business customer, Jens began to consider if Nordea could be of assistance privately as well.

"It was a gradual process for me – discovering that Nordea has a broad range of services to offer. I was impressed when they supported me with my housing transaction. The entire process was smooth, with proactive advice along the way to help me find the best possible solution," continues Jens.

Jens recommended Nordea's Private Banking to his partners, resulting in five of Profil Værktøj's co-owners becoming private customers themselves.

Jens Brandt
Co-owner, Profil Værktøj

Board of **Directors' report**

Table of **Contents**

Key events of the year

Selection of key events 2022

February

Fourth-quarter and full-year results 2021: Customer business volumes at record-high levels with continued strong credit quality. New financial target for 2025 set.

Capital Markets Day: Nordea's management presents Nordea's strategic priorities and financial target.

March

Nordea agrees with Topdanmark Forsikring to acquire Topdanmark's life and pension business.

Annual report, including sustainability reporting, and Remuneration Report for Governing Bodies published.

Annual General Meeting: The Board of Directors decides to distribute an ordinary dividend of EUR 0.69 per share to shareholders in accordance with the mandate granted by the 2022 Annual General Meeting.

Nordea completes first share buy-back programme of EUR 2bn.

April

First-quarter results 2022: Resilient performance and continued lending growth. Strong capital enabling high dividends and continued share buy-backs.

The closing of Nordea's operations in Russia completed.

Dividend distribution: A total of EUR 2.7bn paid to shareholders, including more than 565,000 private individuals and several pension funds across the Nordics.

June

Nordea completes second share buy-back programme of EUR 1bn.

July

Second-quarter results 2022: Increased income and higher operating profit despite weakening markets. Continued growth in lending volumes led by strong performance in the corporate sector.

The European Central Bank approves Nordea's application for a third share buy-back programme of up to EUR 1.5bn.

September

Nordea joins the flagship EURO STOXX 50 Index.

Sustainability-linked lending framework launched and Nordea issues innovative bond to fund sustainability-linked loans.

October

Third-quarter results 2022: Corporate sector driving continued lending volume growth despite economic slowdown. Strong credit quality with low net loan losses and strong underlying capital generation. Improved 2022 outlook.

Stephen Hester starts as Chair of the Board of Directors at Nordea.

December

The European Central Bank reduces Nordea's Pillar 2 requirement.

Nordea sets sector targets to reduce emissions covering Shipping, Residential Real Estate, Oil and Gas and Mining.

Key achievements 2022

CET1 ratio	Operating profit[1]	RoE[1]	C/I[1]
16.4%	EUR 5.4bn	13.5%	47.5% / 44.3[2)]%

Outlook[3]

Financial target for 2025

- A return on equity of above 13%.
- Nordea's financial target will be supported by a cost-to-income ratio of 45–47%, an annual net loan loss ratio of around 10bp and the continuation of Nordea's well-established capital and dividend policies.

Financial outlook for 2023

- A return on equity of above 13%.

Capital policy

A management buffer of 150–200bp above the regulatory CET1 requirement.

Dividend policy

Nordea's dividend policy stipulates a dividend payout ratio of 60–70%, applicable to profit for the financial year. Nordea will continuously assess the opportunity to use share buy-backs as a tool to distribute excess capital.

1) Excluding items affecting comparability. See page 40 for further details.
2) Excluding regulatory fees.
3) Outlook as of 2 February 2023.

Financial review 2022

Key figures and ratios 2022

Group results and key ratios 2022

EURm	2022[1]	2021	Chg %
Net interest income	5,664	4,925	15
Net fee and commission income	3,336	3,495	-5
Net fair value result	1,258	1,119	12
Other income	75	81	-7
Total operating income	**10,333**	**9,620**	**7**
Total operating expenses excluding resolution fees	-4,581	-4,425	1
Total operating expenses	-4,903	-4,649	5
Profit before loan losses	**5,430**	**4,971**	**9**
Net loan losses and similar net result[2]	-49	-35	40
Operating profit	**5,381**	**4,936**	**9**
Income tax expense	-1,187	-1,105	7
Net profit for the year	**4,194**	**3,831**	**9**
Cost-to-income ratio, %	47.5	48.3	
Return on equity,%	13.5	11.2	
Diluted earnings per share, EUR	1.10	0.95	
Return on assets, %	0.7	0.7	
Equity ratio, %	5.3	5.9	

1) Excluding the following items which affect comparability in 2022: a non-deductible loss from the recycling of EUR 529m in accumulated foreign exchange losses related to operations in Russia and EUR 8m (EUR 6m after tax) in losses on fund investments in Russia, recognised in "Net result from items at fair value"; and EUR 76m (EUR 64m after tax) in credit losses on direct exposures to Russian counterparties, recognised in "Net loan losses and similar net result".
2) Includes fair value adjustments to loans held at fair value at Nordea Kredit.

Results summary 2022
Total operating income in 2022 was up 7% compared with 2021. Total expenses increased to EUR 4,903m. Net loan losses remained stable at a level of 1bp (1bp). Operating profit was up 9%.

Income
Net interest income
Net interest income increased by 15%. The main drivers were increased deposit margins across the business areas and corporate lending volume growth. This was partly offset by lending margin pressure as well as a negative impact from exchange rate effects of approximately EUR 86m.

Lending volumes
Loans to the public excluding repurchase agreements and securities borrowing were up 3% in local currencies. Lending volumes increased in Personal Banking (2% in local currencies), Business Banking (5% in local currencies) and Large Corporates & Institutions (12% in EUR).

Deposit volumes
Total deposits from the public excluding repurchase agreements and securities lending were up 7% in local currencies. Deposit volumes increased in Personal Banking (4% in local currencies), Business Banking (1% in local currencies) and Large Corporates & Institutions (5% in EUR).

Net fee and commission income
Net fee and commission income decreased by 5%. The main driver was lower net income from savings and investments following a decline in assets under management and lower customer activity within brokerage and advisory.

This was partly offset by higher payment and card fee income, which increased from the subdued levels seen during most parts of 2021.

Net result from items at fair value
Net result from items at fair value increased by 12%, mainly driven by continued support of customers' risk management activities and strong customer interest in especially FX and interest rate products. Further support by higher trading income in Markets and higher investment valuations in Treasury.

Equity method and other operating income
Income from companies accounted for under the equity method was EUR -8m, down from EUR -6m. Other operating income was EUR 83m, down from EUR 87m.

Expenses
Total operating expenses were up 5% compared with 2021. Higher costs were driven by accelerated investments and higher regulatory fees. Staff costs were up 3%. Other expenses were up 13% as a result of higher business activity. Depreciation was down 8% due to lower impairment charges.

Staff costs and FTEs
Staff costs, significant agreements with key management personnel, gender distribution and number of employees by country are disclosed in Note G8. More information is presented on pages 165–180.

Profit sharing and share-based incentive systems
The goals for the Profit Sharing Plan 2022 are: return on equity, cost-to-income ratio and customer satisfaction. If the performance goals are fully met, the cost will amount to approximately EUR 73m (EUR 69m). The provision for Nordea's Profit Sharing Plan 2022 was EUR 65.5m compared with EUR 62.1m in 2021. The Profit Sharing Plan and the share-based incentive systems as well as other remuneration principles are presented in the section "Remuneration" on pages 79–83 and in Note G8 "Employee benefits and key management personnel remuneration".

Net loan losses and similar net result
Net loan losses for 2022 were very low at EUR 36m excluding items affecting comparability (EUR 118m), corresponding to an annual net loan loss ratio of 1bp (4bp) for amortised cost. Including fair value adjustments to the Danish mortgage portfolio of EUR 13m, "Net loan losses and similar net result" amounted to EUR 49m, corresponding to 1bp (1bp).

Collective reversals amounted to EUR 60m and included a EUR 25m reduction in management judgement allowance. Individual losses amounted to EUR 96m excluding Russia and EUR 170m including Russia as of Note G11 "Risk and liquidity management". These were driven by a normal level of write-offs and a low amount of provisions and reversals. The individual provisions had no specific industry concentration.

Management judgement was reduced by EUR 25m during the year, from EUR 610m to EUR 585m. The cyclical management judgment was EUR 430m at the end of the year, down from EUR 455m. In the second quarter of 2022, the COVID-19-related risk was assessed to be reduced, leading to a decrease in cyclical management judgement of EUR 45m. During the fourth quarter of 2022, the cyclical management judgement allowance was reassessed to amount in light of the extraordinary effects caused by the energy and cost-of-living crises, together with the receding concerns related to the pandemic, leading to a EUR 20m increase of the management judgement. The adequacy of the allowance was analysed based on specific potential impacts of higher costs and reduced consumer spending in various economic sectors.

The structural management judgement allowance was kept unchanged at EUR 155m covering planned improvements to provisioning models and processes.

Operating profit

Operating profit increased by 9% to EUR 5,381m, driven by growth in total income.

Taxes

The effective tax rate in 2022 was 22.1% (excluding items affecting comparability) compared with 22.4% in 2021. The main reasons behind the decrease were positive impacts from tax incentives received in Sweden, on fixed assets, and lower non-deductible expenses. These positive effects were partly offset by a revaluation of the Danish deferred tax positions due to the enacted tax rate increase as from 2023.

Net profit and return on equity

Net profit increased by 9% to EUR 4,194m. Return on equity was 13.5% (11.2%).

Capital position

The CET1 capital ratio was 16.4% at the end of 2022, down from 17.0% last year, while CET1 capital was EUR 23.9bn (EUR 25.9bn last year). The Group's total capital ratio was 20.8% and total own funds were EUR 30.2bn at the end of 2022.

A description of the capital position is available under "Capital management" on pages 55–61 and in the Capital and Risk Management Report at nordea.com.

Nordea's funding operations

During 2022 Nordea Bank Abp continued to benefit from prudent liquidity risk management in terms of maintaining a diversified and strong funding base and a diversified liquidity buffer. Nordea Bank Abp issued approximately EUR 16.2bn in senior long-term funding. Throughout 2022 Nordea Bank Abp remained compliant with the liquidity coverage ratio (LCR) requirement in all currencies on a combined basis. Nordea Bank Abp continues to participate in the targeted longer-term refinancing operations (TLTRO) provided by the European Central Bank to further support customer needs. For more information, see the liquidity risk section in Note G11 "Risk and liquidity management".

The Nordea Group issued approximately EUR 32.8bn in new and extended long-term funding during the year, excluding Danish covered bonds and subordinated debt. Nordea's liquidity management is presented on pages 229–230. A maturity analysis is presented in Note G10.3 "Maturity analysis". For more information, see also Note G11 "Risk and liquidity management".

Balance sheet

Development in assets

Total assets increased by EUR 24bn compared with 2021. The increase was mainly explained by increases in "Cash and balances with central banks" and "Loans to credit institutions", in total EUR 17bn, driven by activities within liquidity management.

The consolidation of Nordea Pension, see Note G9.6 "Acquisitions", added EUR 12bn to Nordea's assets, but this increase was largely offset by negative equity market movements, increasing interest rates and increases in exchange rates used when consolidating entities with non-EUR functional currencies.

Derivatives increased by EUR 6bn, mainly due to increasing interest rates and changes in exchange rates and was largely offset by a corresponding increase in "Derivatives" on the liability side.

Developments in liabilities

Total liabilities increased by EUR 27bn compared with 2021. The increase was largely explained by increases in "Deposits and borrowings from the public" and "Deposits by credit institutions", in total EUR 18bn, driven by higher customer savings and liquidity management, and "Derivatives" (EUR 9bn) mainly driven by the increasing interest rates and changes in currency exchange rates.

The development in liabilities was also impacted by the consolidation of Nordea Pension (EUR 12bn), primarily impacting "Liabilities to policyholders", see Note G9.6 "Acquisitions", and a decrease in "Deposits in pooled schemes and unit-linked investment contracts", driven by negative adjustments of investment assets in the corresponding line on the asset side following negative equity markets and increasing interest rates.

Increasing exchange rates used in the consolidation of entities with non-EUR functional currencies had a decreasing impact on total liabilities.

Five-year overview

Income statement

EURm	2022[1]	2021	2020	2019[2]	2018[3]
Net interest income	5,664	4,925	4,515	4,318	4,491
Net fee and commission income	3,336	3,495	2,959	3,011	2,993
Net result from items at fair value	1,258	1,119	900	1,012	903
Profit from associated undertakings and joint ventures accounted for under the equity method	-8	-6	-1	50	124
Other operating income	83	87	93	94	91
Total operating income	**10,333**	**9,620**	**8,466**	**8,485**	**8,602**
Staff costs	-2,835	-2,759	-2,752	-2,813	-2,998
Other expenses	-1,135	-1,002	-1,084	-1,258	-1,399
Regulatory fees	-322	-224	-202	-211	-167
Depreciation, amortisation and impairment charges of tangible and intangible assets	-611	-664	-605	-595	-341
Total operating expenses	**-4,903**	**-4,649**	**-4,643**	**-4,877**	**-4,905**
Profit before loan losses	**5,430**	**4,971**	**3,823**	**3,608**	**3,697**
Net result on loans in hold portfolios mandatorily held at fair value	-13	83	48	12	–
Net loan losses	-36	-118	-908	-254	-173
Operating profit	**5,381**	**4,936**	**2,963**	**3,366**	**3,524**
Income tax expense	-1,187	-1,105	-698	-864	-830
Net profit for the year	**4,194**	**3,831**	**2,265**	**2,502**	**2,694**

Balance sheet

EURm	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018
Cash and balances with central banks	61,815	47,495	32,955	35,509	41,578
Loans to central banks and credit institutions	5,458	2,392	6,246	17,726	18,962
Loans to the public	345,743	345,050	329,765	323,091	308,304
Interest-bearing securities and pledged instruments	68,426	65,051	66,304	72,081	83,790
Assets in pooled schemes and unit-linked investment contracts	41,645	46,912	36,484	30,799	24,583
Derivatives	36,578	30,200	44,770	39,111	37,025
Other assets	35,179	33,073	35,636	36,531	37,166
Assets held for sale	–	180	–	–	–
Total assets	**594,844**	**570,353**	**552,160**	**554,848**	**551,408**
Deposits by credit institutions	32,869	26,961	23,939	32,304	42,419
Deposits and borrowings from the public	217,464	205,801	183,431	168,725	164,958
Deposits in pooled schemes and unit-linked investment contracts	42,776	48,201	37,534	31,859	25,653
Liabilities to policyholders	27,598	19,595	18,178	19,246	18,230
Debt securities in issue	179,803	176,365	174,309	193,726	190,422
Derivatives	40,102	31,485	47,033	42,047	39,547
Subordinated liabilities	5,401	6,850	6,941	9,819	9,155
Other liabilities	17,427	21,592	27,055	25,594	28,123
Equity	31,404	33,503	33,740	31,528	32,901
Total liabilities and equity	**594,844**	**570,353**	**552,160**	**554,848**	**551,408**

1) Excluding items affecting comparability: See information on page 40.

2) Excluding items affecting comparability: EUR 138m tax-free gain related to the sale of LR Realkredit affecting "Other operating income", EUR 735m expense related to the impairment of capitalised IT systems (EUR 559m after tax) affecting "Depreciation, amortisation and impairment charges of tangible and intangible assets", EUR 204m expense related to restructuring (EUR 155m after tax) affecting "Staff costs", EUR 75m non-deductible expense related to the sale of Luminor affecting "Other expenses", EUR 282m loss affecting "Net loan losses" related to loan loss provisions due to model updates and dialogue with the European Central Bank reflecting a more subdued outlook in certain sectors (EUR 214m after tax) and EUR 95m non-deductible expense related to the provision for ongoing AML-related matters affecting "Other expenses".

3) Excluding items affecting comparability: EUR 50m gain (EUR 38m after tax) from revaluation of Euroclear affecting "Net result from items at fair value", EUR 36m gain related to sale of Ejendomme affecting "Other operating income", EUR 141m loss from impairment of goodwill in Russia affecting "Depreciation, amortisation and impairment charges of tangible and intangible assets", EUR 87m tax-free gain related to divestment of shares in UC affecting "Other operating income", EUR 262m tax-free gain related to the sale of Nordea Liv & Pension Denmark affecting "Other operating income", EUR 135m gain (EUR 105m after tax) from valuation model update in Denmark affecting "Net result from items at fair value".

Ratios and key figures[1]

Ratios and key figures, Group

	2022	2021	2020	2019	2018
Basic earnings per share, EUR	0.95	0.95	0.55	0.38	0.76
Diluted earnings per share, EUR	0.95	0.95	0.55	0.38	0.76
Share price[2], EUR	10.03	10.79	6.67	7.24	7.30
Proposed/actual dividend per share, EUR	0.80	0.69	0.39	0.40	0.69
Equity per share[2], EUR	8.62	8.51	8.35	7.80	8.15
Potential shares outstanding[2], million	3,654	3,966	4,050	4,050	4,050
Weighted average number of diluted shares, million	3,782	4,025	4,039	4,035	4,037
Return on equity, %	11.6	11.2	7.1	5.0	9.7
Assets under management[2], EURbn	358.9	411.3	351.4	324.7	280.1
Cost-to-income ratio, %	50	48	55	69	55
Net loan loss ratio, amortised cost, bp	4	4	35	22	7
Common Equity Tier 1 capital ratio[2,4], %	16.4	17.0	17.1	16.3	15.5
Tier 1 capital ratio[2,3], %	18.7	19.1	18.7	18.3	17.3
Total capital ratio[2,3], %	20.8	21.2	20.5	20.8	19.9
Tier 1 capital[2,3], EURbn	27.2	29.0	29.1	27.5	27.0
Risk exposure amount[2], EURbn	145	152	155	150	156
Number of employees (full-time equivalents)[2]	28,268	26,894	28,051	29,000	28,990
Economic capital[2], EURbn	21.9	23.2	23.5	25.7	26.6
Return on capital at risk, %	15.7	16.5	9.2	9.2	10.0

1) For more information regarding ratios and key figures defined as alternative performance measures, see nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports/. All key ratios reflect Nordea´s continuing operations.
2) End of the year.
3) Including the result for the year.
4) Including the result for the year adjusted for accrued dividend.

Ratios and key figures excluding items affecting comparability, Group

	2022[1]	2021	2020	2019[2]	2018[2]
Diluted earnings per share, EUR	1.10	0.95	0.55	0.61	0.67
Cost-to-income ratio excl. regulatory fees, %	44.3	46.0	52.5	55.0	55.1
Return on equity, %	13.5	11.2	7.1	8.2	8.5

1) Items affecting comparability: See information on page 40.
2) Items affecting comparability: See information on page 42.

Ratios and key figures, parent company

	2022	2021	2020	2019	2018[1]
Return on equity, %	14.1	11.0	6.8	5.0	15.6
Return on assets, %	0.9	0.8	0.5	0.4	1.1
Cost-to-income ratio, %	43	51	57	72	45
Loan loss ratio, bp	0	-1	57	38	4
Common Equity Tier 1 capital ratio[2,3], %	16.7	17.8	18.5	17.1	16.0
Tier 1 capital ratio[2,3], %	19.3	20.2	20.4	19.3	17.9
Total capital ratio[2,3], %	21.6	22.6	22.3	22.1	20.6
Common Equity Tier 1 capital[2,3], EURm	20,283	22,646	24,156	23,556	24,059
Tier 1 capital[2,3], EURm	23,565	25,777	26,743	26,654	26,908
Risk exposure amount[3], EURm	127,299	130,626	132,943	136,808	150,266

1) Nordea Bank Abp's financial period started on 21 September 2017 but with no business activities until 1 October 2018. The income statement figures used to calculate the return on equity, the return on assets and the loan loss ratio have been annualised for 2018.
2) Including the result for the year.
3) End of the year.

Business area results

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

Total Nordea Group and business areas[1]

	Personal Banking		Business Banking		Large Corporates & Institutions		Asset & Wealth Management		Group functions		Nordea Group		Change
EURm	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	%
Net interest income	2,536	2,259	1,930	1,610	1,154	947	168	77	-124	32	5,664	4,925	15
Net fee and commission income	1,203	1,223	639	643	458	542	1,073	1,112	-37	-25	3,336	3,495	-5
Net result from items at fair value	141	149	382	308	572	523	37	62	126	77	1,258	1,119	12
Equity method	2	2	1	1	0	0	-1	1	-10	-10	-8	-6	–
Other operating income	3	12	34	33	15	3	0	2	31	37	83	87	-5
Total operating income	3,885	3,645	2,986	2,595	2,199	2,015	1,277	1,254	-14	111	10,333	9,620	7
Total operating expenses	-1,904	-1,855	1,241	-1,203	-837	-796	-567	-541	-354	-254	-4,903	-4,649	5
Net result on loans in hold portfolios mandatorily held at fair value	-3	47	-9	30	0	4	-1	1	0	1	-13	83	–
Net loan losses	-53	-63	-41	-26	56	-21	-1	-1	3	-7	-36	-118	–
Operating profit	1,925	1,774	1,695	1,396	1,418	1,202	708	713	-365	-149	5,381	4,936	9
Cost-to-income ratio, %	49	51	42	46	38	40	44	43	–	–	47	48	–
Return on capital at risk, %	19	17	19	16	18	16	34	30	–	–	18	16	–
Volumes, EURbn													
Total lending[2]	169.6	171.5	98.7	97.4	52.5	47.0	11.9	11.3	-5.4	1.1	327.3	328.3	0
Total deposits[2]	86.1	85.5	54.7	55.8	52.4	49.9	13.2	11.6	4.4	0.4	210.8	203.2	4

1) Excluding the following items affecting comparability in 2022: a non-deductible loss from the recycling of EUR 529m in accumulated foreign exchange losses related to operations in Russia and EUR 8m (EUR 6m after tax) in losses fund investments in Russia, recognised in "Net result from items at fair value"; and EUR 76m (EUR 64m after tax) in credit losses on direct exposure to Russian counterparties, recognised in "Net loan losses and similar net result".

2) Excluding repurchase agreements and security lending/borrowing agreements.

Personal Banking

Total income increased by 7%, year on year. This was mainly driven by solid mortgage activity across all countries, improved deposit margins and higher payment and card fee income. Mortgage volumes grew by 2% year on year in local currencies, and deposit volumes grew by 4% year on year in local currencies.

Net interest income increased by 12% year on year, reflecting our continued growth in mortgage market shares, deposit volume growth and higher deposit margins across the Nordics. This was supported by proactive customer advice and new product offerings as a response to central bank policy rate hikes. The development was partly offset by lower mortgage margins in Finland, Norway and Sweden, resulting from rate changes and lower lending margins in Denmark that were due to a changed product mix.

Net fee and commission income decreased by 2%, year on year, driven by lower savings and investment income in all countries except Norway, where we were able to slightly increase our savings and investment income. Payment and card fee income improved in tandem with the reopening of societies.

Total expenses increased by 3% compared with last year, due to higher regulatory fees which primarily related to the Swedish bank tax, higher IT investments in line with our business plan and lower capitalisation of costs.

Net result on loans in hold portfolios mandatorily held at fair value is now a loss of EUR 3m compared to a gain of EUR 47m during 2021, driven by the model-based revaluation of Nordea Kredit's mortgage portfolio, which reflected a negative shift in house prices in Denmark.

As a result, operating profit increased by 9% and return on capital at risk was 19%, an improvement of 2 percentage points, year on year.

Business Banking

Total income increased by 15%, year on year, driven by lending and deposit volume growth, improved deposit margins and higher net result from items at fair value. Lending volumes increased by 5% in local currencies, driven by Norway and Sweden.

Net interest income increased by 20%, year on year, mainly due to higher volumes and improved deposit margins. Deposit margin increases were linked to policy rate hikes in all markets.

Net fee and commission income decreased by 1%, year on year, due to the lower capital markets activity and savings income that were impacted by market turbulence. The decreases were partly offset by higher payment and card fee income and lending fee income.

Business area results, cont.

Net result from items at fair value increased by 24%, year on year, driven by higher income from interest rate and foreign exchange products. The growth was partly attributable to high customer demand for our hedging solutions.

Total expenses increased by 3%, year on year, due to higher regulatory fees including the Swedish bank tax. Excluding these, total expenses increased by 1%.

Despite growing macroeconomic uncertainty, credit quality remained robust and we maintained a diversified portfolio across segments and countries. Net loan losses and similar net result amounted to EUR 50m (5bp). The amount included a negative impact of EUR 9m (1bp) from the revaluation of Nordea Kredit's mortgage portfolio.

Operating profit amounted to EUR 1,695m, a year-on-year increase of 21%. Return on capital at risk increased from 16% to 19% for the full year, driven by higher income.

Large Corporates & Institutions

Total income was up 9%, year on year. Net interest income increased by 22%, year on year. Lending volumes were up 12%, driven by bond-to-bank flows and a significant increase in short-term liquidity financing needs on the back of market turmoil. Deposit volumes were up 5%, but showed significant volatility over the year, driven by measures taken by energy sector customers to handle the market turbulence.

Net fee and commission income was down 15%, year on year, mainly driven by weaker capital markets.

Net result from items at fair value increased by 9%, compared with a strong previous year, primarily due to overall high customer activity and strong risk management, reflecting our pan-Nordic diversification.

Total expenses increased by 5% year on year due to higher regulatory fees and higher variable pay expenses. These were partly offset by continued strict cost management.

Net loan losses and similar net result amounted to net reversals of EUR 56m (9bp), reflecting the strong underlying credit quality of our loan book. The total provisioning level now stands at approximately EUR 354m or 0.6% of LC&I lending.

Operating profit increased by 18%, year on year, to EUR 1,418m, mainly driven by solid income and net loan loss reversals.

Economic capital was largely unchanged, year on year, at EUR 5,669m, despite lending volumes that were 12% higher, driven by strong capital discipline.

ROCAR was 18%, up 2 percentage points from last year and above our 2025 target of ~16%.

Asset & Wealth Management

Total income amounted to EUR 1,277m, up 2%, year on year, mainly driven by deposit income. Net interest income was EUR 168m, up 118%, year on year, mainly driven by improved deposit margins and a 5% increase in lending volumes in Private Banking.

Net fee and commission income was EUR 1,073m, down 4%, year on year. The decrease reflected the lower AuM during the year, driven by the negative market development.

Net result from items at fair value was EUR 37m, a year-on-year decrease of 40%, mainly due to losses on shareholders' equity portfolios in Life & Pension.

Total expenses increased by 5%, year on year, mainly driven by higher IT costs, transaction costs related to the acquisition of Topdanmark life, salary inflation and regulatory fees.

Net loan losses and similar net result amounted to EUR 2m, compared with EUR 0m in 2021.

Operating profit was EUR 708m, down 1%, year on year. The cost-to-income ratio was 44%, 1 percentage point higher than in 2021. Return on capital at risk was 34%, compared with 30% last year.

Other information

Group structure, subsidiaries and foreign branches
The main legal structure of the Nordea Group, including its main subsidiaries, is presented on page 47.

The parent company has foreign branches in China, Denmark, Estonia, Norway, Poland, Sweden, the United Kingdom and the United States.

Closure of Nordea´s operations in Russia
In accordance with its strategy, Nordea is focusing on its business in the Nordic region. This has entailed the Group winding down its operations in Russia. On 24 March 2021 the Extraordinary General Meeting of JSC Nordea Bank decided to initiate the voluntary liquidation process, which was approved by the Central Bank of Russia on 16 April 2021. The voluntary liquidation process of JSC Nordea Bank was completed on 21 April 2022, following its deregistration from the trade register by the Russian tax authorities. The final steps to liquidate the remaining Russian subsidiaries are pending.

As required by the International Financial Reporting Standards (IFRSs), Nordea had accumulated foreign exchange (FX) losses on the investment in its banking operations in Russia in equity through "Other comprehensive income" (OCI) since the acquisition of JSC Nordea Bank in 2007. In the first quarter of 2022 Nordea repatriated capital and in substance ceased all operations in Russia. In accordance with the IFRSs, Nordea recycled the accumulated FX losses from OCI into the income statement. The recycling impact was recognised in "Net result from items at fair value" and was treated as an item affecting comparability. There was no impact on equity, own funds or capital as a corresponding positive item was recorded in OCI. Consequently, this item has no impact on Nordea's dividend or share buy-back capacity.

Acquisition of Topdanmark Life completed
Nordea entered into an agreement with the Danish life and pensions company Topdanmark Forsikring to acquire all shares in Topdanmark Liv Holding A/S on 18 March 2022. At the end of 2021 the company had assets under management of around EUR 12bn and approximately 225,000 customers. On 1 December 2022 the transaction was completed with an agreed price for Topdanmark Life of approximately EUR 283m, after a pre-completion dividend had been distributed to Topdanmark Forsikring. The transaction absorbed approximately 2bp of CET1 capital and is expected to deliver a small increase in the Nordea Group's earnings per share and return on equity.

Sale of shares in Luminor
In 2018 when Nordea and DNB sold around 60% of their combined interest in Luminor to Blackstone, Nordea entered into a forward sale agreement with Blackstone to sell its remaining 19.95% holding over the coming years, subject to certain conditions. Under the forward sale agreement, Nordea and Blackstone closed the first transaction (approximately 8.4% of Luminor) on 22 December 2021 and the final transaction (approximately 11.6% of Luminor) on 1 September 2022. The transaction had no impact on Nordea's income statement and had a small positive impact on the CET1 ratio. The final transaction completes Nordea's exit from Luminor.

Nordea Direct merger process completed
The merger of Nordea Direct Bank ASA (formerly Gjensidige Bank ASA) into Nordea Bank Abp was completed on 1 November 2022. As of the completion date all assets and liabilities of Nordea Direct Bank ASA were transferred to Nordea Bank Abp.

Increase in the Danish corporate income tax for financial institutions enacted in June
In June 2022 the Danish parliament enacted an increase in the Danish corporate income tax (CIT) rate for financial institutions to 25.2% in 2023 and to 26% in 2024. The new CIT rate is, all other variables unchanged, expected to add approximately one percentage point to the annual effective tax rate of the Nordea Group from 2023 onwards. Deferred taxes on the balance sheet were remeasured to the new CIT rate in the second quarter of 2022.

Impact from IFRS 17 Insurance contracts
Nordea is currently implementing International Financial Reporting Standard (IFRS) 17, which is effective as of 1 January 2023. The quantitative impact at transition on 1 January 2022 will be accounted for directly in equity (after tax) and will be a reduction in equity by EUR 573m. The impact on the Common Equity Tier 1 capital ratio will be a reduction of 23bp at transition, while the impact on return on equity is expected to be marginally positive.

The above descriptions are valid for the insurance contracts held by Nordea at transition on 1 January 2022. Contracts in Topdanmark Life will thus not impact Nordea's transition to IFRS 17.

Investments in IT
During 2022 Nordea continued to build its customer satisfaction by investing in digital offerings for corporate customers and households with enhancing its mobile banking apps and internet bank for both the personal and the corporate segments in the Nordics. Improvement was also made within payment capabilities. As in previous years, there was a strong focus on legal and non-financial risk requirements, including anti-money laundering activities, KYC solutions and cyber security as well as streamlining processes.

Nordea will invest even further in these areas, including ESG-related matters.

Financial crime prevention
Nordea takes its responsibility to society and its customers seriously and has over the years built strong defences to prevent its products, services and systems from being used for unlawful purposes.

Nordea handles and monitors on an annual basis several billion transactions from a wide customer base. Nordea continued to strengthen its financial crime defences in 2022 within areas such as customer due diligence, transaction monitoring and economic sanctions. Nordea's close cooperation with regulators continued during 2022 with ongoing engagement with all four Nordic regulators covering various aspects of Nordea's financial crime prevention work.

See also Note G11 "Risk and liquidity management" on pages 195–230 and "Non-financial statement" on pages 85–90.

Impacts from Russia's invasion of Ukraine
During the fourth quarter of 2022 Nordea continued to closely monitor and assess its direct exposure to Russian counterparties. The direct credit exposure, after provisions, is less than EUR 50m. The uncertainty regarding the broader impact of the war – including higher energy, food and commodity prices – on the global and Nordic economies was further assessed in the fourth quarter. These developments have been reflected in the regular update of Nordea's macroeconomic scenarios, used in the updated financial forecasts and IFRS 9 expected credit loss modelling. Nordea has also reviewed its management judgement overlay to ensure that

Other information, cont.

the overall provisioning levels are appropriate in the context of higher energy prices, interest rates and reduced disposable income. Nordea will continue to follow developments closely in the coming quarters.

Information on the financial and operational impacts of the war in Ukraine, as well as the measures taken to address these impacts, has been provided in this report. See Note G11 "Risk and liquidity management" on pages 195–230.

Share buy-back programme

Nordea's Board of Directors approved a share buy-back programme of up to EUR 1.5bn on 18 July 2022 in accordance with the authorisation granted to the Board by the 2022 Annual General Meeting. The programme commenced on 20 July 2022 and will end no later than 29 March 2023. The purpose of the buy-backs is to pursue an efficient capital structure and improve shareholder returns by reducing Nordea's capital.

Legal proceedings

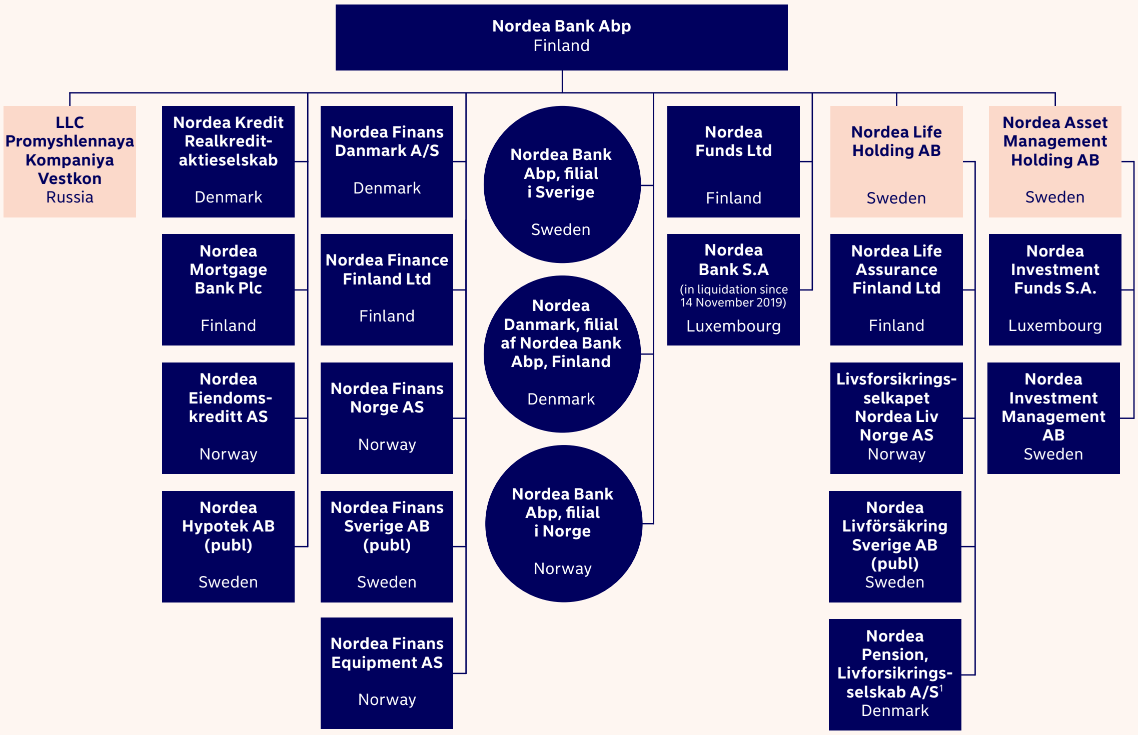
Within the framework of normal business operations, Nordea faces a number of claims related to the provision of banking and investment services and other areas in which it operates. None of the current claims are considered likely to have any significant adverse effect on Nordea or its financial position. See Note G11 "Risk and liquidity management" and Note G6 "Provisions" for more information.

Annual General Meeting

The 2023 Annual General Meeting will be held in Helsinki on Thursday 23 March 2023. Further information is presented on page 360 of this Annual Report.

Main legal structure

As of 1 December 2022



● Branch – Nordea Bank Abp also operates branches in Estonia, Poland, London, New York and Shanghai.

■ Legal entity

■ Holding company

1) Held through the holding company Nordea Pension Holding Danmark A/S.

Risks and risk management

Risk management

Maintaining risk awareness in the organisation is an integral part of Nordea's business strategies. Nordea has defined clear risk and liquidity management frameworks, including policies and instructions for different risk types, capital adequacy and capital structure.

The Board has the overarching risk management responsibilities and decides on the Group risk strategy and the Risk Appetite Framework. Moreover, the Board oversees and monitors the implementation of the Risk Strategy, Risk Appetite Framework and Risk Management Framework, including breaches of risk appetite. The Group CEO is responsible to the Group Board for the overall management of the Group's operations and risks.

Responsibilities include ensuring that the risk strategy and risk management decided by the Board are implemented, the necessary practical measures are taken and risks are monitored and limited. The Group CEO is supported in decision-making by senior management within the Group Leadership Team (GLT) .

Group-wide committees have been established in order to promote coordination within the Group, thus ensuring commitment to and ownership of Group-wide prioritisations, decisions and implementation. The composition and areas of responsibility of each committee are established in the Group Board directives or Group CEO instructions for the respective committees.

The Internal Control Framework covers the whole Group and ensures effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, sound administrative and accounting procedures, reliability of financial and non-financial information (both internal and external) and compliance with applicable laws, regulations, standards, supervisory requirements and Group internal rules.

For further information, see Note G11 "Risk and liquidity management" on pages 195–230.

Risks and uncertainties

Within the framework of normal business operations, Nordea faces various risks and uncertainties. These risks and uncertainties include but are not limited to

- negative economic developments and conditions in the markets in which the Nordea Group operates that can adversely affect Nordea's business, financial condition and results of operations or Nordea's ability to access capital and liquidity (macroeconomic risk)
- risks to Nordea's balance sheet and profitability from potential adverse developments in the commercial aspects of the business (business model risk)
- loss due to failure of a borrower(s) to meet their obligations (credit risk)
- loss because Nordea's counterparty in an FX, interest rate, commodity, equity or credit derivative contract defaults prior to maturity of the contract (counterparty credit risk)
- loss on Nordea's positions in either the trading book or the non-trading book as a result of changes in market rates and parameters that affect market values or net interest income flows (market risk)
- loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk (operational risk)
- risk of misstatements or deficiencies in financial reporting and regulatory reporting, disclosures, tax reporting and reporting of ESG information(financial and non-financial reporting risk)
- risks associated with Nordea's ability to service its cash flow obligations related to lending, investment, funding, off-balance sheet exposures and other activities which result in a negative cash flow mismatch, when they fall due, or its ability to meet its cash flow obligations without incurring significant additional funding costs (liquidity risk)
- adverse effects on capital adequacy, financial loss, poor business and strategic decision-making and damage to Nordea's reputation from the use of models (model risk)
- unexpected losses due to changes in the level, trend or volatility of mortality rates, longevity rates, disability rates and surrender/lapse rates (insurance risk)
- failure to comply with applicable regulations and related internal rules, potentially resulting in criticism against Nordea, reputation loss, fines, sanctions, disputes and/or litigation (compliance risk)
- claims in civil lawsuits and disputes (claims and disputes risk)
- environmental, social and governance risks (ESG risks)
- cyber threats, attacks and fraud, misuse of existing and new technology against Nordea or violations or failures regarding information security in relation to Nordea's data or IT environment (cyber security risk).

For further information see "Non-financial statement" on pages 85–90, "Sustainability notes" on pages 317–359, Note G11 "Risk and liquidity management" on pages 195–230, Note G6 "Provisions" on page 162 and Note G7.1 "Contingent liabilities" on page 163.

Hedge accounting

Nordea uses hedge accounting in order to have a symmetrical accounting treatment of 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 hedged risks is presented in Note G3.6 Hedge accounting.

Economic uncertainty and rising inflation and risks

The uncertain and rapidly changing geopolitical situation related to the war in Ukraine, the high level of inflation and resulting monetary tightening are risks to the economic outlook. The high level of inflation may lead to a marked upward shift in business and consumer inflationary expectations, causing a deeper recession. Such a development would also entail a sharp rise in unemployment and a further negative impulse to the already cooling Nordic housing markets. There are significant risks related to the macroeconomic environment due to geopolitical developments, including the impact of higher energy, food and commodity prices, and broader inflationary pressures. As a result, reduced consumer spending and cost increases have an impact on especially SMEs in certain industries. Depending on future developments, the credit risk in Nordea's portfolio may increase . Furthermore, potential adverse impacts on the income could arise due to financial market volatility and reduced banking activity, impacting transaction volumes and customer activity. Potential future credit risks are addressed in Note G11 "Risk and liquidty management" on pages 198–222. In addition, Nordea recognises an increase in cyber risk as a consequence of the war in Ukraine. Nordea has made significant investments in its cyber defence capabilities in the past and plans to continue to enhance its capabilities in the future.

Macroeconomy and financial markets

Economic outlook

The world economy experienced a significant and broad-based slowdown in 2022. Russia's invasion of Ukraine led to a sharp rise in food and energy prices, which hit households and businesses hard. Confidence indicators plummeted while inflation rose to the highest level in almost 40 years. Europe in particular was hit by the energy crisis. Global growth, which was also affected by the frequent COVID-19 lockdowns in China, is estimated to have been around 3% in 2022 against 6% in 2021. Survey data points to a further slowdown in 2023 as confidence remains weak and households' real incomes are being squeezed.

However, labour markets remain strong and global supply issues have eased significantly. China's decision to quickly reopen the country is likely to boost economic growth, but could also fuel inflation further, as China is the world's largest consumer of many commodities.

Central banks have tightened monetary policy markedly to combat the high inflation. This has led to increased volatility in financial markets and heightened financial vulnerability and has slowed real estate markets worldwide. Monetary policy is likely to be tightened further in 2023, while fiscal policy will remain supportive for the green and digital transformation of societies.

The Nordic countries have been among the best performing countries globally during the pandemic, and both GDP and employment are now above pre-pandemic levels in all four countries. However, the multidecade high inflation rates have eroded households' purchasing power, which in combination with higher financing costs and poorer global prospects will lead to weaker economic activity throughout 2023.

Denmark

The Danish economy showed good growth in 2022 with real GDP increasing by around 3% according to the preliminary figures. Inflation stood at 7.7% in 2022. Towards the end of 2022 economic data for both household consumption and business activity pointed to a slowdown. As a consequence, the number of bankruptcies increased. The labour market remained super strong and employment reached new record highs. Since the spring of 2022, real estate prices have started to fall following a period with large price increases. In 2022 the Danish krone traded on the strong side of the central parity against the euro. In October Danmarks Nationalbank had to intervene significantly in the FX market and decided to increase its deposit rate by less than the ECB to preserve the fixed exchange rate regime. The deposit rate stood at 1.75% by the end of the year, up from -0.60% in July.

Finland

The Finnish economy started 2022 on a strong note despite headwinds from Russia's attack on Ukraine, but the situation reversed during the third quarter and GDP contracted by 0.2%. The near-term outlook is weak, but the labour market is still strong and the unemployment rate is 6.9%. During the spring the manufacturing sector produced at full capacity and goods exports benefited from higher energy prices. The unwinding of the last COVID-19 restrictions supported the services sector and private consumption, although both have now slowed due to high inflation and weaker purchasing power. Inflation and rising interest rates also cooled housing prices and transactions after two strong years in the housing market. Inflation rose to 9.1% mainly driven by energy and food prices, but next year housing costs are likely to be the key driver of inflation. The ECB hiked its policy rates by 2.5% (from -0.5% – 2%) from July to the end of 2022. The monetary tightening will continue in the first half of 2023.

Norway

The strong performance of the Norwegian economy continued in 2022 after the full reopening of the economy early in the year. Mainland GDP was 4.6% higher in October 2022 compared with pre-pandemic levels. Registered unemployment came down to a record low during the year and held at 1.6% at the end of December 2022. Consumer price inflation picked up significantly through 2022. In November headline CPI inflation was 6.5%. Excluding energy and taxes, underlying inflation stood at 5.8%. Norges Bank raised rates quite aggressively during 2022, bringing the key rate to 2.75% in December. According to the latest forecast by the central bank, the key rate looks set to climb to around 3% during the first quarter of 2023. Higher interest rates and lower purchasing power have started to take their toll on the housing market. Housing prices fell some 3% on a seasonally adjusted basis from August to November, and there are broad expectations of a further decline in 2023. The Norwegian krone moved in tandem with financial market sentiment and weakened during 2022.

Sweden

The Swedish economy showed good growth during most of 2022. Domestic demand rose although signs of weakness in household consumption started to emerge. Inflation stood at 8.4% in 2022. External demand was high while growth in the export industry was hampered by shortage of input goods. The situation of the labour market quickly improved. The unemployment rate averaged 7.4% in 2022. Home prices declined by almost 13% between February and November 2022. The central bank hiked its policy rate from zero at the beginning of the year to 2.50% in November and signalled that the policy rate would be hiked further at the beginning of 2023. The central bank started to reduce its balance sheet in mid-2022 as maturing bonds held by the bank were not reinvested. The trade-weighted Swedish krona index (KIX) weakened by more than 7% in 2022.

The Nordea share and external credit ratings

Nordea's market capitalisation at the end of 2022 was EUR 36.7bn (EUR 42.8bn). Ranked by market capitalisation, Nordea was the fifth largest company in the Nordic region and among the ten largest European financial groups.

Nordea Bank Abp's ordinary shares are listed on Nasdaq Nordic, the stock exchanges in Helsinki (in euro), Stockholm (in Swedish kronor) and Copenhagen (in Danish kroner) and its American Depository Receipts are traded in the US in US dollars.

Total shareholder return 2022

Total shareholder return (TSR) is the market value growth per share and reinvested dividends. Total shareholder return in 2022 was 0% in EUR (75% in 2021). During 2022 Nordea paid out dividends of EUR 0.69 per share and bought back 294 million shares. Nordea's total decided shareholder capital distributions amounted to around EUR 5.5bn in 2022. Total shareholder return in 2020 was -8% and 10% for 2019.

Share price performance

In 2022 the Nordea share price depreciated by approximately 7% on the Nasdaq Helsinki exchange from EUR 10.79 to EUR 10.03. The daily closing prices listed for the Nordea share in 2022 ranged between EUR 8.19 and EUR 11.45. In 2022 the Nasdaq OMXH index depreciated by approximately 16% and the STOXX Europe 600 Banks index depreciated by approximately 3%. Since 6 March 2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated by 148%, clearly outperforming the STOXX Europe 600 Banks index (-58%) and the Nasdaq OMXH index (-41%).

Nordea's share price can be monitored on nordea.com, where it is also possible to compare the performance of the Nordea share with competitors and general indices as well as find historical prices for the Nordea share.

Turnover – the most liquid Nordic bank share

Turnover on all exchanges combined totalled EUR 50.7bn in 2022. 63% of the total volume traded in Nordea shares in 2022 took place over Nasdaq, of which approximately 29% was SEK-denominated, 31% EUR-denominated and 3% DKK-denominated. The remaining 37% of the traded volume took place over other exchanges such as Cboe European Equities, Turquoise and Aquis.

Share and voting rights

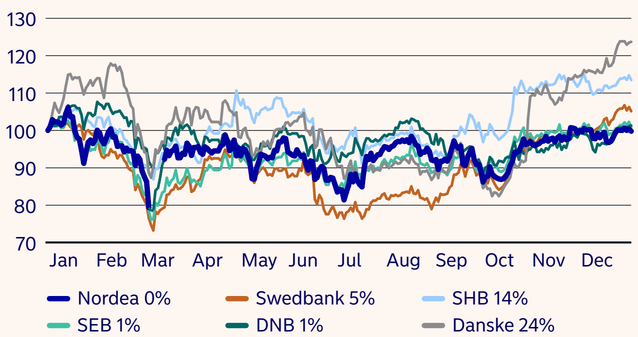
Nordea's Articles of Association do not contain any provisions on share classes or voting rights. Consequently Nordea has one class of shares and all shares in Nordea are ordinary shares. Each share confers one vote at Nordea's general meetings as well as an equal right to any dividend. On 31 December 2022 the total number of shares in Nordea was 3,654,281,296. See also "Statement of changes in equity" on pages 98–101.

There are no restrictions 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, as Nordea is a credit institution, a direct or indirect acquisition of shares in Nordea which results in the acquirer's total holdings being considered qualified holdings (representing 10% or more of the equity capital or of the voting rights, or a holding that otherwise enables the acquirer to exercise a substantial influence over the management of Nordea) or an increase in qualified holdings may only occur following approval by the Finnish Financial Supervisory Authority according to the Finnish Act on Credit Institutions. Under the Single Supervisory Mechanism, the European Central Bank is the authority that ultimately decides (in cooperation with the Finnish Financial Supervisory Authority) whether to approve an acquisition of a qualifying holding in Nordea as Nordea is subject to the direct supervision of the European Central Bank.

On 31 December 2022 BlackRock was the largest individual shareholder with a holding of 5.2%. Nordea has no shareholders with holdings of more than 10%. A table showing the largest registered shareholders in Nordea as at the end of 2022 is provided on page 53.

On 31 December 2022 employees had an indirect shareholding of 0.7% in Nordea through the Nordea Profit-Sharing

Total shareholder return – Nordea vs Nordic peers (indexed): Jan to Dec 2022



SOURCE: Thomson Reuters Datastream

Nordea share price performance compared with European banks, 2000–2022, %

SOURCE: Macrobond and Nordea.

The Nordea share and external credit ratings, cont.

Foundation and a minor indirect shareholding in Nordea through the pension foundation. The voting rights are in neither case exercised directly by the employees.

For information on share-based incentive programmes, see Note G8 "Employee benefits and key management personnel remuneration" on page 165.

AT1 conversion notes and special rights entitling to shares

The AT1 conversion notes issued in 2019 and 2021 by Nordea Bank Abp automatically convert into an aggregated maximum number of 194,099,378 and 121,802,679, respectively, newly issued Nordea shares if the CET1 ratio of either Nordea Bank Abp on a solo basis or the Nordea Group on a consolidated basis falls below 5.125%. The notes will be convertible into shares at a price not exceeding a specific nominal amount applicable to the respective notes, subject to adjustments.

Upon conversion of the notes into shares, Nordea's existing shareholders have preferential rights to all newly issued Nordea shares. Nordea has no convertible bonds in issue that provide holders with an option to acquire shares in Nordea.

Share capital

The share capital of Nordea amounts to EUR 4,049,951,919.

Dividend paid in 2022

Nordea's Board of Directors proposed that the Annual General Meeting (AGM) on 24 March 2022 authorise it to decide on a dividend payment of a maximum of EUR 2,682m in the aggregate, corresponding to 70% of the net profit for the year, in line with the upper range of the dividend policy.

On 24 March 2022 the Board of Directors decided on the payment of an ordinary dividend in a single instalment of EUR 0.69 per share to shareholders in accordance with the mandate received from the AGM.

The dividend was paid to shareholders who on the record date for the dividend on 28 March 2022 were recorded in the company's shareholders' register maintained by Euroclear Finland Oy in Finland, Euroclear Sweden AB in Sweden and VP Securities A/S in Denmark. The dividend payment date was 4 April 2022 or as soon as possible thereafter.

Share buy-backs

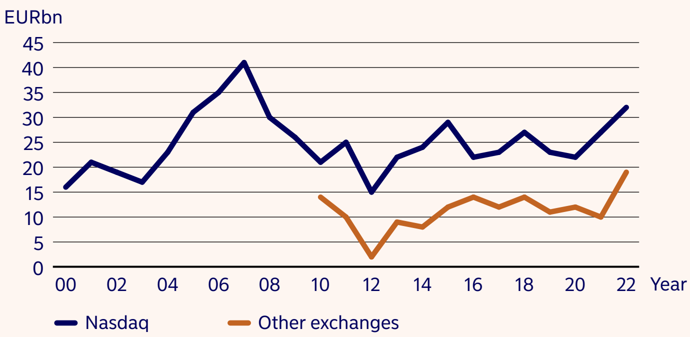
In line with its capital and dividend policy Nordea continuously assesses the opportunity to use share buy-backs as a tool to distribute excess capital. The purpose of such share buy-backs is to pursue an efficient capital structure and generate sustainable shareholder returns for the benefit of all shareholders by reducing the capital of Nordea.

On 20 October 2021 Nordea announced share buy-backs of up to a maximum of EUR 2.0bn based on the authorisation granted by the 2021 AGM. The shares were repurchased otherwise than in proportion to the existing shareholdings of the company's shareholders (directed repurchases) in public trading and outside public trading. The repurchases of shares began on 22 October 2021 and ended on 4 March 2022. During that period Nordea repurchased 189,634,586 of its own shares at an average price per share of EUR 10.50.

On 14 March 2022 Nordea announced a second share buy-back of up to EUR 1,002m based on the authorisation granted by the 2021 AGM. From 16 March 2022 to 14 June 2022 Nordea repurchased 107,254,529 of its own shares at an average price per share of EUR 9.33. In the second share buy-back the shares were repurchased otherwise than in proportion to the existing shareholdings of the company's shareholders (directed repurchases) in public trading and outside public trading.

On 18 July 2022 the Board of Directors approved a third share buy-back programme of up to EUR 1.5bn, to be carried out in accordance with the authorisation granted to the Board by the 2022 AGM. The programme commenced on 20 July 2022. The shares are repurchased otherwise than in proportion to the existing shareholdings of the company's shareholders (directed repurchases) in public trading and the repurchases will end no later than 29 March 2023.

Turnover of the Nordea share on stock exchanges, 2000–2022[1]



SOURCE: NASDAQ, FIDESSA, SIX FINANCIAL INFORMATION.

1) Nasdaq exchanges from 2001. Other exchanges from 2010.

The Nordea share and external credit ratings, cont.

Share issue resolutions

The 2022 AGM resolved that Nordea, before the end of the 2023 AGM, may transfer own shares in the ordinary course of its securities trading business, with deviation from the shareholders' preemptive rights, by way of a directed share issuance. The facilitation of the company's securities trading business, in which the ability to trade also in own shares is required, forms a weighty financial reason for a directed issue. The number of own shares to be transferred may not exceed 175,000,000 shares.

The 2022 AGM authorised the Board of Directors of Nordea to resolve, on one or several occasions, on the issuance of special rights entitling to either new shares in the company or treasury shares, against payment (convertibles) in accordance with or in deviation from the shareholder's preemptive subscription rights. The maximum number of shares that may be issued based on this authorisation is 350,000,000.

Moreover, the 2022 AGM authorised the Board of Directors of Nordea to resolve, on one or several occasions, on the issuance of new shares or transfer of the company's own shares of not more than 30,000,000.

As of 31 December 2022 Nordea Bank Abp held 13,409,841 shares, 0.4% of the total number of shares in Nordea, a decrease of 19,371,192 shares compared with 31 December 2021. The total price paid for own shares held at 31 December 2021 amounted to EUR 87m. Nordea holds treasury shares partly for capital optimisation and remuneration purposes and partly for trading purposes in its securities trading business. For information on share-based incentive programmes, see Note G8 "Employee benefits and key management personnel remuneration" on pages 165–176.

Holding of own shares and share cancellations

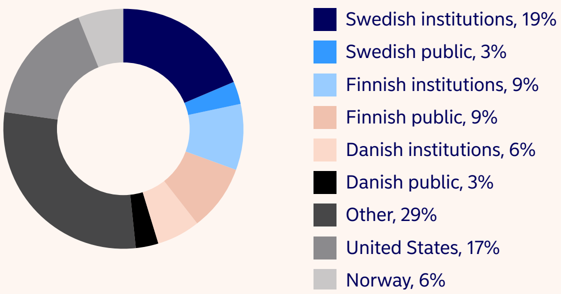
During 2022 an aggregated amount of 1,036,582 and 2,011 own shares held by Nordea were transferred without consideration to participants in Nordea's variable remuneration programmes in April and May, respectively.

During 2022 Nordea cancelled 311,279,864 treasury shares, which were held for capital optimisation purposes and acquired through share buy-backs. See also "Share buy-backs" above, "Events after the financial period" on page 91 and "Statement of changes in equity" on pages 98–101.

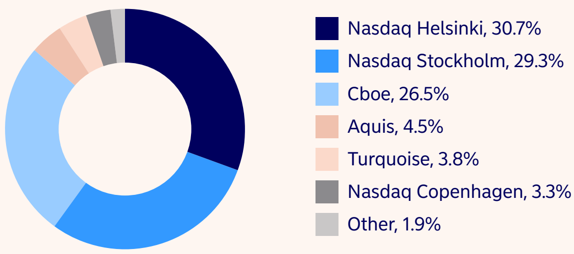
Shareholders

With over 565,000 registered shareholders at the end of 2022, Nordea has one of the largest shareholder bases of all Nordic companies. The number of shareholders in Finland is approximately 344,000, in Sweden approximately 115,000 and in Denmark approximately 93,500, largely unchanged from last year. The largest shareholder category is Swedish institutions, with a 19% holding of Nordea shares. At year end Nordic institutional shareholders held 39%, while non-Nordic shareholders held 46%.

Shareholder structure, 31 Dec 2022



Nordea share, annual turnover on different stock exchanges 2022



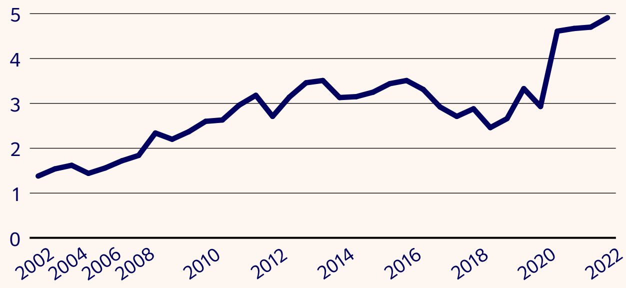
The Nordea share and external credit ratings, cont.

Largest registered shareholders of Nordea, 31 Dec 2022[1]

Shareholder	Number of shares, million	Percentage of Nordea
BlackRock	198.2	5.2
Cevian Capital	182.1	4.9
Nordea-fonden	158.2	4.3
Norges Bank	137.2	3.5
Vanguard	127.6	3.5
Swedbank Robur Funds	86.0	2.4
Alecta Pension Insurance	66.5	1.8
Fidelity Investments	52.1	1.4
SEB Funds	44.9	1.2
First Swedish National Pension Fund	44.7	1.2
Nordea Funds	43.5	1.2
Varma Mutual Pension Insurance Company	40.0	1.1
Handelsbanken Funds	35.9	1.0
JP Morgan Asset Management	34.0	0.9
TIAA – Teachers Advisors	33.1	0.9
Ilmarinen Mutual Pension Insurance Company	31.0	0.9
Amundi	26.7	0.7
State Street Global Advisors	25.6	0.7
Nordea Vinstandelsstiftelse	25.1	0.7
Government of Japan Pension Investment Fund	20.1	0.5
Eleva Capital	19.4	0.5
Länsförsäkringar Funds	18.6	0.5
The State Pension Fund of Finland	18.0	0.5
Abrdn Investment Management	17.7	0.5
Northern Trust	17.5	0.5
Others	2,150.5	59.6
Total number of outstanding shares	**3,654.3**	**100%**

1) This information is aggregated by Modular Finance AB from various sources such as Euroclear, Morningstar, Finansinspektionen, Nasdaq and Millistream and may not reflect the actual holdings of the shareholder on the given date.

Nordea weighting in the STOXX Europe 600 Banks index, %



SOURCE: STOXX.

Distribution of shares, 31 Dec 2022

Distribution of shares	Number of shareholders	Shareholders, %	Number of shares	Shares, %
1–1,000	438,499	77	135,090,693	4
1,001–10,000	118,764	21	365,066,022	10
10,001–100,000	8,769	2	234,451,811	6
100,001–1,000,000	690	0	195,953,014	5
1,000,001–	172	0	2,723,719,756	75
Total	**566,894**	**100**	**3,654,281,296**	**100**

Share data past 5 years

	2022	2021	2020	2019	2018[4]
Share price[1] (EUR)	10.03	10.79	6.67	7.24	7.27
High/low (EUR)	11.45 / 8.19	11.24 / 6.60	8.19 / 4.39	8.22 / 5.37	10.54 / 7.25
Market capitalisation[1] (EURbn)	36.7	42.8	27.0	29.3	29.8
Dividend (EUR)	0.80[2]	0.69	0.39	0.40	0.69
Dividend yield[3] (%)	8.0	6.4	3.5	3.8	9.5
STOXX Europe 600 Banks index (%)	-3.2	34.0	-24.5	8.2	-28.0
P/E (actual)	9.1	11.4	12.1	19.1	9.6
Price-to-book	1.18	1.27	0.80	0.93	0.90
Equity per share (EUR)	8.62	8.51	8.35	7.80	8.15
Earnings per share[1] (EUR)	1.10	0.95	0.55	0.38	0.76
Total shares	**3,654,281,296**	**3,965,561,160**	**4,049,951,919**	**4,049,951,919**	**4,049,951,919**

1) End of period.
2) Proposed dividend.
3) Dividend yield for 2017 to 2020 calculated at starting price on payment day and for 2021 calculated at price at 30 December 2021.
4) Nordea Bank Abp replaced Nordea Bank AB (publ) as the parent company of the Nordea Group on 1 October 2018.

The Nordea share and external credit ratings, cont.

External credit ratings

Nordea's credit ratings are some of the strongest among banks globally. The long-term ratings for Nordea Bank Abp are all at the AA level: Standard & Poor's AA– (stable outlook), Moody's Aa3 (stable outlook) and Fitch AA– (stable outlook). The short-term ratings are at the highest level: A–1+ from S&P, P–1 from Moody's and F1+ from Fitch.

The covered bond ratings 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 AS (in Norway).

The analysis from the rating agencies is in broad terms focused on credit risks and other risks, profitability, capitalisation, the strength of the business franchise as well as on the funding profile and liquidity strength. For these areas, the views on Nordea were stable or improved during the year as the view on profitability and asset quality strengthened.

External credit ratings, 31 Dec 2022

	Moody's		Standard & Poor's		Fitch	
	Short	Long	Short	Long	Short	Long
Nordea Bank Abp	P–1	Aa3	A–1+	AA–	F1+	AA–
Senior preferred (SP) issuances		Aa3		AA–		AA
Senior non-preferred (SNP) issuances		A3		A		AA–
Tier 2 (T2) issuances		Baa1		A–		A
Additional Tier 1 (AT1) issuances				BBB		BBB+
Nordea Eiendomskreditt AS[1]		Aaa[1]				
Nordea Hypotek AB (publ)[1]		Aaa[1]				
Nordea Kredit Realkreditaktieselskab[1]				AAA[1]		
Nordea Mortgage Bank Plc[1]		Aaa[1]				

1) Covered bond rating.

Capital management and new regulations

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, the capital and dividend policies and the overall framework of capital management at Nordea. The ability to meet targets to maintain minimum capital requirements is reviewed regularly within the Asset & Liability Committee and the Risk Committee.

Capital and dividend policy

The capital policy states that the Nordea Group under normal business conditions should have minimum targets for the Common Equity Tier 1 (CET1) capital ratio, the Tier 1 capital ratio and the total capital ratio that exceed the capital requirements set by the competent authorities. In addition, Nordea will maintain a management buffer. Nordea's intention is to hold a CET1 capital management buffer of 150–200bp above the CET1 capital ratio requirement. Nordea strives to maintain a strong capital position in line with its capital policy.

The dividend policy is to distribute 60–70% of the net profit for the year to shareholders. Excess capital in relation to capital targets will be used for organic growth and strategic business acquisitions, as well as be subject to buy-back considerations.

The first share buy-back programme of EUR 2.0bn was launched in October 2021 and completed on 4 March 2022. The second share buy-back programme of EUR 1.0bn was launched in March 2022 and completed on 14 June 2022. The ongoing share buy-back programme of up to EUR 1.5bn was launched on 20 July 2022 and is expected to end no later than 29 March 2023.

At the end of December 2022, purchases of 402.8 million shares, corresponding to an amount of EUR 4,009m, reduced retained earnings. On 31 December 2022, 395,670,623 shares had been cancelled, which means that the total number of shares in Nordea was 3,654,281,296 at the end of 2022. For share cancellations after the end of the period, see the section "Events after the financial period" on page 91.

Minimum capital requirements

The calculation method for the risk exposure amount (REA) depends on regulatory approval. Nordea had 86% of its credit risk exposure amount covered by the internal ratings-based (IRB) approach by the end of 2022. Nordea is approved to use its own internal value-at-risk (VaR) models to calculate capital requirements for the major portion of the market risk in its trading book. For operational risk, the standardised approach is applied. Based on the total REA, Nordea needs to meet the applicable minimum and combined buffer requirements. In addition, competent authorities require Nordea to hold capital for other risks which are identified and communicated as part of the Supervisory Review and Evaluation Process.

Nordea received the Supervisory Review and Evaluation Process decision on 21 December 2022, which includes the decision to reduce the Pillar 2 requirement (P2R) to 1.60% from the current 1.75%, to be applied from 1 January 2023. The P2R must be met with at least 56.25% of CET1 capital, thus reducing the CET1 requirement from 0.98% to 0.90%.

Internal capital requirement

For internal risk and capital assessment purposes, Nordea uses the internal capital requirement (ICR) in line with Article 73 of the Capital Requirements Directive (CRD). The ICR specifies the amount, type and distribution of internal capital considered adequate to cover the nature and level of all risks to which the Group or any of its subsidiaries are or might become exposed over a foreseeable future, including during periods of stress.

The ICR is one of the main inputs for the Internal Capital Adequacy Assessment Process, together with regulatory views on the required amount of capital as expressed under the regulatory perspective.

Nordea defines the ICR as the internal capital requirement for all material risks from an internal economic perspective, taking account of the regulatory, normative and through-the-cycle perspective, adequate to withstand periods of stress. This ensures that Nordea's ICR is aligned with, but not restricted by, the regulatory perspective.

Economic capital

Economic capital is a method to allocate capital held by Nordea to its business areas and is a central component in the Value Creation Framework. The framework supports the operational decision-making process at Nordea to enhance performance management and ensure shareholder value creation.

The economic capital aligns to the Group's target CET1 ratio, which is set by the capital policy to ensure sustainable long-term capitalisation for the Nordea Group. In addition, the economic capital framework includes the following items:
(a) equity contribution of the insurance business
(b) certain capital deductions.

The economic capital was EUR 21.9bn at the end of 2022 (EUR 23.2bn at the end of 2021). The reduction in economic capital was mainly driven by credit risk.

Own funds

Own funds are 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 European Central Bank and after deducting the proposed dividend. Additional Tier 1 and Tier 2 capital consists mostly of undated and dated subordinated loans, respectively. Holdings of other financial sector entities' subordinated loans are deducted from the corresponding tier.

Capital management and new regulations, cont.

Further information – capital adequacy and the Capital and Risk Management Report

Further information on capital management and capital adequacy is presented in the Capital and Risk Management Report. On the basis of its consolidated situation, Nordea Bank Abp provides Capital and Risk Management Report disclosures quarterly according to Part Eight of Regulation (EU) No 575/2013 (CRR). The disclosures constitute a comprehensive disclosure of risks, risk management and capital management. It includes disclosures, or references to other disclosures, required according to Part Eight of the CRR and by EBA guidelines and standards on disclosure requirements.

Accompanying the Capital and Risk Management Report are the required disclosures for the subsidiaries Nordea Kredit Realkreditaktieselskab, Nordea Hypotek AB, Nordea Mortgage Bank Plc and Nordea Eiendomskreditt AS.

Nordea and its subsidiaries have adopted a formal policy to ensure compliance with the disclosure requirements and have established policies for assessing the appropriateness of these disclosures, including verification and frequency.

The Capital and Risk Management Report is available at nordea.com. The subsidiaries' disclosures are included as appendices and are published on the same website after the publication date of each subsidiary's annual report.

Country-by-country reporting

Further information on country-by-country reporting in accordance with the Finnish Act on Credit Institutions is presented on page 350.

Capital management and new regulations, cont.

Capital requirements and risk exposure amount (REA), Nordea Group

	31 Dec 2022		31 Dec 2021	
EURm	Minimum capital requirement	REA	Minimum capital requirement	REA
Credit risk	**9,053**	**113,156**	**9,559**	**119,483**
- of which counterparty credit risk	231	2,882	368	4,600
IRB	**7,887**	**98,589**	**8,226**	**102,818**
- sovereign	–	–	–	–
- corporate	5,228	65,346	5,360	66,994
- advanced	4,675	58,438	4,663	58,281
- foundation	553	6,908	697	8,713
- institutions	311	3,888	309	3,862
- retail	2,002	25,021	2,209	27,610
- secured by immovable property collateral	1,428	17,856	1,537	19,206
- other retail	573	7,165	672	8,404
- items representing securitisation positions	96	1,195	70	880
- other	251	3,139	278	3,472
Standardised	**1,165**	**14,567**	**1,333**	**16,665**
- central governments or central banks	14	169	47	589
- regional governments or local authorities	3	38	7	82
- public sector entities	–	–	–	–
- multilateral development banks	–	–	–	–
- international organisations	–	–	–	–
- institutions	9	109	13	168
- corporate	129	1,616	155	1,942
- retail	278	3,473	298	3,721
- secured by mortgages on immovable properties	120	1,499	146	1,827
- in default	5	64	7	84
- associated with particularly high risk	–	–	–	–
- covered bonds	–	–	2	27
- institutions and corporates with short-term credit assessment	–	–	–	–
- collective investment undertakings (CIU)	172	2,150	170	2,121
- equity	397	4,968	440	5,506
- other items	39	482	48	598
Credit value adjustment risk	**54**	**675**	**62**	**773**
Market risk	**380**	**4,750**	**398**	**4,972**
- trading book, internal approach	329	4,110	313	3,908
- trading book, standardised approach	51	640	51	637
- banking book, standardised approach	–	–	34	427
Settlement risk	–	–	**0**	**0**
Operational risk	**1,202**	**15,025**	**1,144**	**14,306**
Standardised	1,202	15,025	1,144	14,306
Additional risk exposure amount related to Finnish RW floor due to Article 458 of the CRR	–	–	–	–
Additional risk exposure amount related to Swedish RW floor due to Article 458 of the CRR	**935**	**11,693**	**990**	**12,372**
Additional risk exposure amount due to Article 3 of the CRR	–	–	–	–
Total	**11,624**	**145,299**	**12,153**	**151,906**

Capital management and new regulations, cont.

Capital requirements and risk exposure amount (REA), Nordea Bank Abp (parent company)

	31 Dec 2022		31 Dec 2021	
EURm	Minimum capital requirement	REA	Minimum capital requirement	REA
Credit risk	**8,892**	**111,144**	**9,213**	**115,166**
- of which counterparty credit risk	249	3,113	377	4 712
IRB	**5,933**	**74,160**	**6,130**	**76,622**
- sovereign	–	–	–	–
- corporate	4,741	59,261	4,769	59,612
- advanced	4,541	56,759	4,451	55,639
- foundation	200	2,502	318	3,973
- institutions	320	4,002	318	3,979
- retail	689	8,614	824	10,302
- secured by immovable property collateral	222	2,777	228	2,844
- other retail	467	5,838	597	7,458
- other	183	2,283	218	2,730
Standardised	**2,959**	**36,984**	**3,083**	**38,543**
- central governments or central banks	5,26	66	34	428
- regional governments or local authorities	2	20	5	62
- public sector entities	–	–	–	–
- multilateral development banks	–	–	–	–
- international organisations	–	–	–	–
- institutions	1,046	13,076	1,105	13,818
- corporate	270	3,370	319	3,985
- retail	25	315	12	156
- secured by mortgages on immovable properties	50	622	0	2
- in default	2	23	0	0
- associated with particularly high risk	–	–	–	–
- covered bonds	62	778	55	691
- institutions and corporates with short-term credit assessment	–	–	–	–
- collective investment undertakings (CIU)	172	2,150	170	2,122
- equity	1,324	16,552	1,382	17,276
- other items	1	11	0	4
Credit value adjustment risk	**55**	**683**	**62**	**770**
Market risk	**384**	**4,801**	**369**	**4,610**
- trading book, internal approach	329	4,110	313	3,908
- trading book, standardised approach	55	691	56	702
- banking book, standardised approach	–	–	–	–
Settlement risk	–	–	**0**	**0**
Operational risk	**849**	**10,617**	**802**	**10,020**
Standardised	849	10,617	802	10,020
Additional risk exposure amount related to Finnish RW floor due to Article 458 of the CRR	**–**	**–**	**–**	**–**
Additional risk exposure amount related to Swedish RW floor due to Article 458 of the CRR	**4**	**54**	**5**	**59**
Additional risk exposure amount due to Article 3 of the CRR	**–**	**–**	**–**	**–**
Total	10,184	127,299	10,450	130,626

Capital management and new regulations, cont.

Summary of items included in own funds

EURm	Nordea Group[1]		Nordea parent company	
Calculation of own funds	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
Equity in the consolidated situation	27,048	28,900	22,436	25,033
Profit for the period	3,598	3,835	–	–
Proposed/actual dividend	-2,887	-2,682	–	–
Common Equity Tier 1 capital before regulatory adjustments	27,759	30,054	22,436	25,033
Deferred tax assets	-4	-4	–	–
Intangible assets	-2,776	-2,804	-1,099	-1,038
IRB provisions shortfall (–)	–	–	–	–
Pension assets in excess of related liabilities[1]	-126	-169	-126	-169
Other items, net[2]	-980	-1,197	-927	-1,181
Total regulatory adjustments to Common Equity Tier 1 capital	-3,886	-4,174	-2,153	-2,388
Common Equity Tier 1 capital (net after deduction)	23,872	25,880	20,283	22,646
Additional Tier 1 capital before regulatory adjustments	**3,307**	**3,159**	**3,307**	**3,159**
Total regulatory adjustments to Additional Tier 1 capital	**-25**	**-27**	**-25**	**-27**
Additional Tier 1 capital	3,282	3,132	3,282	3 132
Tier 1 capital (net after deduction)	27,154	29,012	23,565	25,777
Tier 2 capital before regulatory adjustments	**3,231**	**3,454**	**3,231**	**3,454**
IRB provisions excess (+)	**542**	**523**	**381**	**446**
Deductions for investments in insurance companies	-650	-650	-650	-650
Other items, net	-64	-64	-64	-64
Total regulatory adjustments to Tier 2 capital	-172	-191	-333	-268
Tier 2 capital	**3,059**	**3,263**	**2,898**	**3,186**
Own funds (net after deduction)	**30,213**	**32,275**	**26,463**	**28,963**

1) Based on conditional FSA approval.
2) Other items, net based on profit inclusion -1,008 -1,197

Capital adequacy ratios, Nordea Group

Percentage	Nordea Group[1]		Nordea parent company	
	31 Dec 2022	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
Common Equity Tier 1 capital ratio, including profit	16.4	17.0	16.7	17.8
Tier 1 capital ratio, including profit	18.7	19.1	19.3	20.2
Total capital ratio, including profit	**20.8**	**21.2**	**21.6**	**22.6**
Common Equity Tier 1 capital ratio, excluding profit	15.9	16.8	15.9	17.3
Tier 1 capital ratio, excluding profit	18.2	18.9	18.5	19.7
Total capital ratio, excluding profit	**20.3**	**21.1**	**20.8**	**22.2**

Own funds and capital ratios (financial conglomerate)[1, 2]

	31 Dec 2022	**31 Dec 2021**
Financial conglomerate's own funds, EURm	31,077	33,804
Own funds requirement of financial conglomerate, EURm	23,909	23,807
Capital adequacy of financial conglomerate (own funds surplus/deficit), EURm	7,168	9,997
Financial conglomerate's capital adequacy ratio, %	130.0 %	142.0%

1) The financial conglomerate consists of banking and insurance operations.
2) FICO figures for the fourth quarter of 2021 were restated in comparison to last year's annual report.

Capital adequacy ratios, Nordea parent company

Percentage	31 Dec 2022	31 Dec 2021
Common Equity Tier 1 capital ratio, including profit	16.7	17.8
Tier 1 capital ratio, including profit	19.3	20.2
Total capital ratio, including profit	21.6	22.6
Common Equity Tier 1 capital ratio, excluding profit	15.9	17.3
Tier 1 capital ratio, excluding profit	18.5	19.7
Total capital ratio, excluding profit	**20.8**	**22.2**

Nordea Life & Pension – solvency II position[1]

EURm	31 Dec 2022	31 Dec 2021
Required solvency	2,276	2,453
Actual solvency capital	3,150	3,714
Solvency buffer	874	1,261
Solvency in % of requirement	138%	151%

1) Due to a general recommendation by Finansinspektionen to all insurance businesses under its supervision, the solvency position at 31 December 2020 of Nordea Life & Pension did not allow for any dividend to Nordea Bank Abp.

Nordea Life & Pension – solvency II sensitivity[1]

EURm	31 Dec 2022	31 Dec 2021
Solvency in % of requirement	138%	151%
Equities drop 20%	142%	167%
Interest rates down 50bp	134%	160%
Interest rates up 50bp	143%	166%

1) Due to a general recommendation by Finansinspektionen to all insurance businesses under its supervision, the solvency position at 31 December 2020 of Nordea Life & Pension did not allow for any dividend to Nordea Bank Abp.

New regulations on capital requirements

In June 2019 the "banking package" containing revisions to the Bank Recovery and Resolution Directive (BRRD), the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR) was adopted. The package includes a review of the minimum requirement for own funds and eligible liabilities (MREL), a review of the market risk requirements (Fundamental Review of the Trading Book, FRTB), the introduction of a binding net stable funding ratio (NSFR), the introduction of a strict leverage ratio requirement of 3% to be met by Tier 1 capital and amendments to the Pillar 2 and macroprudential framework. The revised CRD (CRD V) and BRRD (BRRD II) have applied from 28 December 2020 and entered into force in Finnish law on 1 April 2021 while the majority of the changes in the CRR (CRR II) have applied from 28 June 2021. In Norway, the "banking package" was implemented during 2022.

In June 2022 Nordea received the Single Resolution Board's decision on the updated minimum requirements for own funds and eligible liabilities for the Nordea Group. The current requirements are unchanged. However, from 1 January 2024 the MREL targets communicated by the Single Resolution Board are 22.97% of the risk exposure amount (REA) plus the combined buffer requirement (CBR) and 7.12% of the leverage ratio exposure (LRE). The subordination targets are 19.03% of REA plus the CBR and 7.12% of the LRE. The Single Resolution Board will assess and update the targets annually.

On 18 June 2021 the European Central Bank announced that banks could continue to exclude certain central bank exposures from the leverage ratio, given the continued exceptional macroeconomic circumstances due to COVID-19. The exemption was valid until March 2022. Nordea decided not to take advantage of this extension.

On 27 June the Finnish FSA decided to increase the other systemically important institutions (O-SII) buffer for Nordea to 2.5% from the current 2.0%. This change will take effect on 1 January 2023.

On 19 December 2022 the Finnish FSA published its macroprudential decision where it states its assessment that the sector's macroprudential buffers are below the assessed structural risks after the reduction in buffer requirements due to COVID-19. The Board of the Finnish FSA has therefore assessed the need to strengthen the resilience by increasing the systemic risk buffer (SRB) by up to 1%. A potential decision on this is expected in the first half of 2023, to enter into force 12 months after the decision.

In March 2020 the countercyclical buffer rates were decreased in Sweden, Denmark and Norway due to COVID-19. During 2022 the countercyclical buffers in the Nordic countries started to increase again. In Norway, it was decided to increase the buffer rate from 1.0% to 1.5% from June 2022 and from 1.5% to 2.0% from 31 December 2022. In March 2022 it was decided to increase the buffer rate to 2.5% from 31 March 2023. In Denmark, the buffer rate was increased from 0% to 1.0% from September 2022 and then to 2.0% from 31 December 2022. In March it was decided to increase the buffer rate to 2.5% from 31 March 2023. In Sweden, the buffer rate was increased from 0% to 1.0% from September 2022 and in June to 2.0% from 30 June 2023. In Finland, the buffer rate remains at 0%.

To mitigate the effect of the Norwegian implementation of the CRR and CRD IV, changes to the SRB were implemented from 31 December 2020. The previous SRB of 3% for all Norwegian banks was changed to an SRB of 4.5% for all Norwegian exposures. On 16 December 2022 the Norwegian Ministry of Finance decided to maintain the SRB at 4.5%.

In Norway, the risk weight floors for residential real estate of 20% and for commercial real estate of 35% according to Article 458 of the CRR have been extended until end-2024.

New regulations on capital requirements, cont.

Finalisation of Basel III framework ("Basel IV")

Basel III is a global regulatory framework for bank capital adequacy, stress testing and liquidity risk. In December 2017 the finalised Basel III framework, often called Basel IV, was published. Basel IV enters into force from 2023 and includes revisions to credit risk, market risk, operational risk, credit valuation adjustment (CVA) risk and the leverage ratio and also introduces a new output floor.

Before being applicable to Nordea, Basel IV needs to be implemented into EU regulation. On 27 October 2021 the proposal for the implementation into EU regulation was published by the European Commission by amendments to the CRD and the CRR. The proposal from the Commission is to set the start date to 1 January 2025. On 8 November 2022 the Council of the European Union agreed on a counterproposal to the Commission's proposal. The next step is for the European Parliament to agree on a counterproposal after which negotiations will start in the so-called trilogue to agree on the final set of rules implementing Basel IV into EU regulation.

For credit risk, Basel IV includes revisions to both the IRB approach, where restrictions on the use of the IRB approach for certain exposures are implemented, and the standardised approach. Also, for market risk, the internal model approach and the standardised approach are revised. For operational risk, the three existing approaches will be replaced by one standardised approach to be used by all banks. For CVA risk, the internally modelled approach can no longer be applied and the standardised approach is revised.

The output floor is to be set at 72.5% of the standardised approaches on an aggregate level, meaning that the capital requirement under the floor will be 72.5% of the total Pillar 1 REA calculated using the standardised approaches for credit, market and operational risk. The floor will be phased in, starting with 50% from 1 January 2025 to be fully implemented at 72.5% from 1 January 2030. For the calculation of the REA for the output floor, there are transitional rules until end-2032.

Corporate Governance Statement 2022

Corporate governance refers to relations between a company's senior management, its board of directors, its shareholders and other stakeholders, such as employees and their representatives. It also determines the structure used to define a company's objectives as well as the means of achieving them and of monitoring the results obtained. Strong corporate governance is thus about having clear and systematic decision-making processes, providing clarity about responsibilities, avoiding conflicts of interest and ensuring satisfactory internal control, risk management, transparency and accountability.

Corporate governance at Nordea Bank Abp (the Company or Nordea) follows generally adopted principles of corporate governance and relevant normative frameworks.

Nordea is subject to and applies the Finnish Corporate Governance Code 2020 (the Code). All the recommendations of the Code are complied with, apart from the appointment procedure for electing employee representatives to the Board (the Code, Recommendation 5), as described further below.

This Corporate Governance Statement describes Nordea's approach to the key elements of corporate governance and is prepared in accordance with the legal requirements of the Finnish Act on Credit Institutions, the Finnish Accounting Act, the Finnish Securities Market Act, the Decree of the Ministry of Finance on the obligation of securities issuers to disclose periodic information and the Code[1].

Nordea's Corporate Governance Statement is available at nordea.com and the Code is available at https://cgfinland.fi/en/corporate-governance-code/.

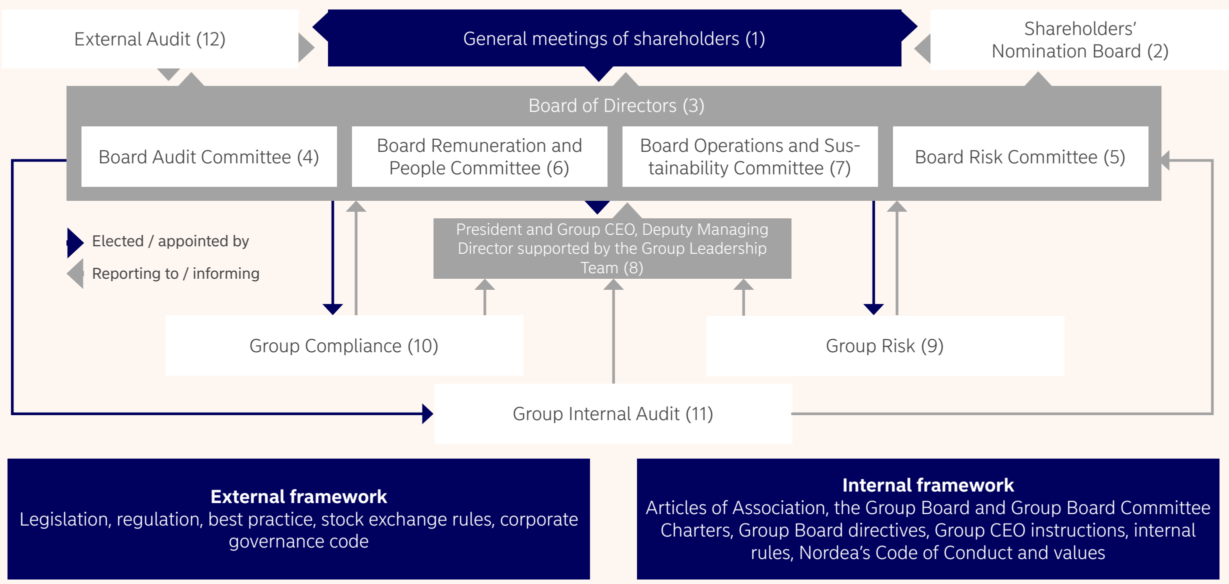
Corporate governance at Nordea

Nordea is a Finnish public limited liability company and the parent company of the Nordea Group (comprising the Company and its subsidiaries). The Company's shares are listed on the Nasdaq stock exchanges in Helsinki, Stockholm and Copenhagen and its American Depository Receipts (ADR) are traded in the US in US dollars. Furthermore, as part of its funding operations the Company issues long-term debt instruments that are usually listed on various stock exchanges. The corporate governance of Nordea is proportionate and comprehensive with respect to the nature, scope and diversity of the Company's operations to ensure effective management in accordance with the prudent conduct of business principles. Furthermore, Nordea's commitment to its purpose, values and vision requires the integration of sound corporate governance practices into regular business activities.

The Board of Directors (the Board) is responsible for overseeing the administration and appropriate organisation of the Company's operations, while the President and Group CEO is responsible for the executive management of the Company. The main emphasis is on the Board noting and undertaking its role in Nordea's corporate governance structure and the

1) Nordea complies with the Code of its domicile as well as other applicable governance rules and regulations, and this Corporate Governance Statement is prepared in accordance with these requirements. The Code deviates in certain aspects from the Swedish Corporate Governance Code (the Swedish Code) and the Danish Recommendations on Corporate Governance (the Danish Code) due to differences in legislation and corporate governance rules and practices. The Swedish Code, available at corporategovernanceboard.se, deviates in certain aspects from the Code in terms of decision proposals of the nomination committee, process for decisions on remuneration for the executive management and content of the Remuneration Report. The Danish Code, available at corporategovernance.dk, deviates in certain aspects from the Code in terms of appointment of an audit committee chair, management remuneration and performance evaluation of the board of directors as well as recommendations regarding takeover bids, corporate social responsibility, tax policy and the charter of the board of directors. The Danish Code also deviates in certain aspects regarding the overall tasks and responsibilities of the board of directors, the annual review of guidelines, the appointment of a vice chair and the independence of directors as well as the temporary division of duties and whistleblower schemes.

Corporate governance structure



interaction with the other governing bodies to ensure sound corporate governance, including systems for internal control and risk management regarding financial reporting.

Corporate governance and the duties of the governing bodies of Nordea are defined by the applicable internal and external frameworks. The external framework that regulates corporate governance includes EU law, such as Directive 2013/36/EU (CRD IV), Regulation (EU) No 575/2013 (CRR), Directive 2014/65/EU (MiFID II) and Regulation (EU) No 600/2014 (MiFIR), as well as rules and guidelines issued by the relevant financial supervisory authorities, such as the EBA Guidelines on Internal Governance and the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders, as well as national level laws, including the Finnish Companies Act, the Finnish Act on Credit Institutions, the Finnish Accounting Act and the relevant FIN-FSA regulations and guidelines. Nordea also complies with rules and guidelines issued by other relevant financial supervisory authorities as well as EU legislation for the financial industry, stock exchange rules for each relevant stock exchange and the rules and principles of the Code.

The Board has adopted instructions for the President and Group CEO specifying his responsibilities as well as other charters, policies and instructions for the operations of the Nordea Group. Furthermore, Nordea's Code of Conduct provides an ethical framework for the conduct of all members of governing bodies and employees. These mechanisms, together with the Articles of Association, the Charter (as defined below) and the Committee Charters (as defined below), as well as applicable directives, instructions and policies of the Nordea Group, constitute the internal framework that regulates corporate governance at Nordea.

The internal framework is designed to enable the prudent conduct of business by defining the powers and responsibilities of the corporate bodies and employees. For more information on the directives, instructions and policies in the internal framework, see "Sustainability notes" on pages 317–359.

ECB supervision and governance

Nordea is supervised by the European Central Bank (ECB) and the Finnish Financial Supervisory Authority (Single Supervisory Mechanism/SSM), and the branches and subsidiaries are supervised by the financial supervisory authorities in their respective countries, as applicable. Under ECB supervision, Nordea is subject to the same banking supervision and single resolution mechanisms as the majority of other European banks. The authority interaction function at Nordea is placed in Group Legal, which acts as one point of contact and the coordinator for supervisory requests and interactions, to enable coordinated and consistent communication between Nordea and its supervisors. Nordea uses standardised practices to process supervisory requests and on-site inspections, including a case management system where all interactions are documented. The Group Leadership Team (GLT) and the relevant committees receive authority interaction reports on a regular basis. The Board is informed about key authority interactions, including supervisory review and evaluation process decisions and on-site inspection reports. Furthermore, the Board oversees key supervisory remediation programmes and approves the remediation action plans required by the ECB.

Environmental, social and governance (ESG) governance

The Board has a leading role in driving the sustainability strategy and is assisted by its committees. At management level, the ESG area is organisationally integrated into the existing processes for decision-making, risk management and control as well as escalation, including management committee structures. The first line of defence is responsible for managing sustainability and financial impacts while the second line of defence is accountable for developing the ESG-related risk management framework.

The Nordea Chief of Staff is accountable for coordinating and facilitating the Group-wide integration of ESG factors into the Risk Management Framework and business processes. The Chief of Staff is also the sponsor of Nordea's ESG implementation programme and co-chairs its operational steering committee together with the Head of Credit Risk in the second line of defence. The programme monitors the integration activities, aiming to ensure an efficient and consistent implementation of sustainability targets and objectives as well as ESG-related risk management frameworks across key processes, including credit management, risk assessments, reporting and regulatory compliance. For more information on ESG governance at Nordea, see "Non-financial statement" on pages 85–90 and "Sustainability notes" on pages 317–359.

Division of powers and responsibilities

The management and control of Nordea is divided among the shareholders (at general meetings), the Board and the President and Group CEO, pursuant to the provisions of the external framework, the Articles of Association and the internal framework set forth by the Board.

General meetings of shareholders (1)

The general meeting is the Company's highest decision-making body, at which shareholders participate in the supervision and control of the Company through their voting rights and right to speak. Applicable regulations and the Articles of Association of the Company determine the matters to be dealt with at a general meeting. At the general meeting, decisions are taken regarding matters such as the financial statements, dividend, election of Board members and auditor as well as remuneration for Board members and the auditor. In accordance with applicable laws and regulations, the Remuneration Policy for Governing Bodies and the Remuneration Report for Governing Bodies are presented and adopted through an advisory vote at the general meeting. The Remuneration Policy for Governing Bodies and the Remuneration Report for Governing Bodies are available at nordea.com.

General meetings are held in Helsinki

Due to the COVID-19 pandemic and in order to ensure the health and safety of the Company's shareholders, employees and other stakeholders, the Board resolved on extraordinary meeting procedures for the 2022 Annual General Meeting (AGM) pursuant to the temporary legislation adopted by the Finnish parliament on 7 May 2021 (the Temporary Legislation). The AGM was held on 24 March 2022 at the head office of the Company without physical participation, and shareholders and their proxy representatives could thus only participate in the AGM and exercise their shareholders' rights by voting in advance and by making counterproposals and asking questions in advance.

Due to the COVID-19 pandemic, the members of the Board, the proposed new Board members, the President and Group CEO, the Company's auditor and representatives of the Company's senior management were not physically present at the 2022 AGM. Information on the decisions of the 2022 AGM and the minutes are available at nordea.com.

The 2023 AGM will be held at Messukeskus Helsinki, Expo and Convention Centre on Thursday 23 March 2023.

Voting rights

Nordea's Articles of Association do not contain any provisions on share classes or voting rights. Consequently, all issued shares are ordinary shares and carry equal voting rights, with each share carrying one vote at general meetings. At general meetings, each shareholder is entitled to vote according to the full number of shares they hold or represent. Nordea is not entitled to vote on its own shares at general meetings under applicable legislation. More information about the Nordea share is presented in "The Nordea share and external credit ratings" on pages 50–54 and in "Financial review 2022" on pages 40–41.

Articles of Association

The Articles of Association are available at nordea.com. Amendments to the Articles of Association are determined by the AGM pursuant to Finnish law and are subject to the review of the Finnish Financial Supervisory Authority.

Shareholders' Nomination Board (2)

Pursuant to the Finnish Act on Credit Institutions, a significant credit institution must have a nomination committee that consists of board members or a shareholders' nomination board that consists of members appointed by the shareholders. The AGM held on 28 March 2019 decided to establish a permanent Shareholders' Nomination Board. According to its Charter, the Shareholders' Nomination Board is to prepare, annually and otherwise when appropriate, proposals for the AGM for the election of and remuneration for the Chair and members of the Board and present the proposals to the AGM. The Shareholders' Nomination Board must also participate in the evaluation and succession planning of the Board and in its work consider the diversity policy of Nordea as well as perform certain other tasks assigned in its Charter.

The Shareholders' Nomination Board comprises the Chair of the Board (Stephen Hester) and four members appointed on 31 August 2022 by the four largest shareholders in terms of voting rights who wish to participate on the Shareholders' Nomination Board. Holders of nominee registered shares are taken into account when appointing the members.

The composition of the Shareholders' Nomination Board was made public on 20 September 2022. Cevian Capital had appointed Niko Pakalén, Nordea-fonden had appointed Lars Ingemann Nielsen, Alecta had appointed Ann Grevelius and Första AP-fonden had appointed Ossian Ekdahl as members of the Shareholders' Nomination Board. Niko Pakalén had been appointed Chair of the Shareholders' Nomination Board. On 31 August 2022 the appointed members of the Shareholders' Nomination Board represented approximately 12% of all shares in the Company.

Prior to the 2023 AGM, the Shareholders' Nomination Board, constituted in the autumn of 2022, held six meetings. Each member participated in all the meetings and decision-making of the Shareholders' Nomination Board apart from Stephen Hester, who did not participate in the preparation or decision-making where he had a conflict of interest.

Niko Pakalén, Chair of the Shareholders' Nomination Board
Master of Science (Economics)
Born 1986
Partner, Cevian Capital

Lars Ingemann Nielsen
Master of Science (Mathematical Finance and Economics)
Born 1961
Executive Vice President and CFO, Nordea-fonden

Ann Grevelius
Bachelor of Science (Finance and Management)
Born 1966
Non-Executive Director, Alecta

Ossian Ekdahl
Licentiate in Economics from Stockholm School of Economics
Born 1961
Chief Active Ownership Officer, Första AP-fonden

Stephen Hester
BA Honours (Politics, Economics, Philosophy)
Born 1960
Chair of the Board of Directors of Nordea Bank Abp

See "Board of Directors" on pages 66–67 for more information.

The proposals of the Shareholders' Nomination Board are presented in the notice of the 2023 AGM and are also available at nordea.com.

Board of Directors (3)

The Board of the Company is charged with the organisation of Nordea and the administration of the Company's operations and the overall management of the Nordea Group's affairs in accordance with the external and internal frameworks.

Composition and competence of the Board of Directors

According to the Articles of Association, the Board must consist of not less than 6 and not more than 15 members. The term of office for Board members is one year and expires at the end of the AGM following the election. 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. According to the Code, if a Board member has served as a member for more than ten consecutive years, this must be taken into consideration when conducting the overall evaluation of independence. Furthermore, applicable European regulatory requirements of the banking sector are taken into account in the evaluation.

The Company has a diversity policy adopted by the Board that establishes the principles of diversity. According to the diversity policy, all Board member nominations must be based on merit with the prime consideration being to maintain and enhance the Board's overall effectiveness. Within this, a broad set of qualities and competencies is sought for and it is recognised that diversity, including age, gender, geographical provenance and educational and professional background, is an important factor to take into consideration. Nordea's objective is to have a fair, equal and balanced representation of gender and other diversifying factors on the Board collectively. With regard to gender balance, the Board's composition is aimed to be aligned with the Nordea Group's ambition of no gender being represented by less than 40%.

During the nomination work prior to the 2023 AGM, the Chair of the Board of the Company informed the Shareholders' Nomination Board of the competencies and skills needed for the Board as a whole and for Board members individually and, as has been customary, the Nomination Board also met with President and Group CEO Frank Vang-Jensen. The Shareholders' Nomination Board considered a broad range of qualifications and knowledge to ensure sufficient expertise and independence and a fair, equal and balanced representation of gender and other diversifying factors collectively on the Group Board in accordance with the diversity policy of the Company. For further information see "Evaluation of the Board" on page 68.

It is assessed that the Board collectively 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 Nordea and the Nordea Group are carried out, exhibiting adequate diversity and breadth of qualities and competencies, and that the gender distribution is well balanced.

The Board consists of 13 ordinary members and 1 deputy member. Of these Board members, 10 (5 men and 5 women) were elected by the AGM held on 24 March 2022 and 3 ordinary members and 1 deputy member (2 men and 2 women) were appointed by the employees of the Nordea Group. The Board members elected by the 2022 AGM are Stephen Hester (Chair), Torbjörn Magnusson (Vice Chair), Petra van Hoeken, Robin Lawther, John Maltby, Lene Skole, Birger Steen, Jonas Synnergren, Arja Talma and Kjersti Wiklund. Additionally, Claudia Dill, Kari Jordan, Nigel Hinshelwood and Sarah Russell were members of the Board until the end of the 2022 AGM.

In addition to the members proposed by the Shareholders' Nomination Board and elected by the AGM, 3 ordinary members and 1 deputy member are appointed by the employees of the Nordea Group as employee representatives to the Board. The employee representatives until the end of the 2023 AGM are Joanna Koskinen, Dorrit Groth Brandt, Gerhard Olsson (deputy member) and Hans Christian Riise. The appointment procedure for the employee representatives to the Board deviates from Recommendation 5 "Election of the Board of Directors" of the Code. The reason for this deviation is an agreement on employee representation entered into by Nordea and an employee representation body under the Finnish Act on Employee Involvement in European Companies and European Social Cooperatives as well as the Finnish Act on Personnel Representation in the Company Administration in connection with the cross-border merger effectuating the redomiciliation to Finland in 2018.

The President and Group CEO of Nordea is not a member of the Board. The composition of the Board is set out on pages 64–65, and further information regarding the Board members elected by the AGM and the employee representatives is presented in the sections "Board of Directors" and "Employee representatives" on pages 66–67.

Board of Directors

Stephen Hester, Chair

BA Honours (Politics, Economics, Philosophy)
Board member since 2022[1] and Chair since 2022
Born 1960
Nationality: British
Other assignments: Chair of Board, easyJet and Lead Independent Director, Kyndryl

Previous positions:

2016–2022	Senior Independent Director, Centrica
2014–2021	Group Chief Executive, RSA Insurance Group
2008–2013	Group Chief Executive, Royal Bank of Scotland
2008	Non-Executive Deputy Chair, Northern Rock
2004–2008	Group Chief Executive, British Land
2002–2004	Chief Operating Officer and CFO, Abbey National
2000–2001	Global Head of Fixed Income, Credit Suisse First Boston
1996–2000	CFO and Head of Support Division, Credit Suisse First Boston
1986–1996	Various senior positions, Credit Suisse First Boston

Shareholding in Nordea: 54,260.

Torbjörn Magnusson Vice Chair

MSc and Lic Eng
Board member since 2018[1] and Vice Chair since 2022
Born 1963
Nationality: Swedish
Other assignments: Group CEO and President of Sampo Group, Board Chair of If P&C Insurance Holding Ltd (publ), Board member of Hastings Group Holdings plc

Previous positions:

2002–2019	President and CEO, If P&C Insurance Holding Ltd (publ)
2001–2002	Head of Commercial Business Division, If P&C Holding Ltd (publ)
1999–2001	Head of Commercial Products, If P&C Holding Ltd (publ)
1998–1999	Head of P&C Support Försäkringsaktiebolaget Skandia
1996–1997	Chief Controller, Försäkringsaktiebolaget Skandia
1995–1996	Chief Actuary, Non-Life, Mercantile & General Insurance
1994–1995	Deputy Actuary, Non-Life, Mercantile & General Insurance
1990–1993	Actuary, Non-Life, Skandia International
1988–1989	Consultant, Arthur Andersen & Company

Shareholding in Nordea: 13,983.

Arja Talma

MSc (Economics) and Authorised Public Accountant
EMBA, École nationale des ponts et chaussées
Board member since 2022[1]
Born 1962
Nationality: Finnish
Other assignments: Chair of Board of Verkkokauppa.com Oyj, Board member of Metso Outotec Corporation and Glaston Corporation

Previous positions:

2013–2022	Board Member, Aktia Bank Plc
2016–2021	Chair of Board, Serena Properties AB
2018–2020	Chair of Board, Onvest Oy
2016–2020	Board member, Metso Corporation
2016–2020	Board member, Posti Group Plc
2017–2018	Board member, Mehilainen Oy
2007–2017	Board member, Sponda Plc
2015–2017	Board member, Norvestia Plc
2013–2015	Supervisory Board member, Varma Pension Insurance Company
2015	Board member, Nordic Cinema Group AB (publ.)
2013–2015	Senior Vice President, Store Sites and Investments, Kesko Corporation
2011–2013	President, Rautakesko Ltd
2006–2012	Board member, VR Group Ltd
2008–2012	Board member, Luottokunta
2002–2011	Senior Vice President, Chief Financial Officer, other senior positions, Kesko Corporation
2001–2003	Executive Vice President, Oy Radiolinja Ab

Shareholding in Nordea: 0.

Petra van Hoeken

Master in Civil Law
Board member since 2019[1]
Born 1961
Nationality: Dutch
Other assignments: Supervisory Board member of Nederlandse Waterschapsbank NV, Board member of Oranje Fonds, Member of the Advisory Council for Donations at the University of Leiden, Chair of the Advisory Committee for Credit for the Dutch Ministry of Economic & Climate Affairs, Supervisory Board member of Volksbank N.V and Board Member of Stichting Holding and Administration of Shares under the Shell Employee Share Plans

Previous positions:

2019–2020	Executive Committee member and Chief Risk Officer of Intertrust Group
2018–2019	Board member, De Lage Landen, DLL
2016–2019	Board member, Utrecht-America Holdings, Inc
2016–2019	Managing Board member and Chief Risk Officer, Coöperatieve Rabobank U.A.
2012–2016	Managing Board member and Chief Risk Officer, NIBC Bank NV
2008–2012	Chief Risk Officer, EMEA, The Royal Bank of Scotland Plc
1986–2008	Various management and other positions, ABN AMRO Bank NV, Amsterdam, Madrid, Singapore, Frankfurt and New York

Shareholding in Nordea: 0.

Lene Skole

BCom (Finance)
Board member since 2022[1]
Born 1959
Nationality: Danish
Other assignments: CEO of the Lundbeck Foundation, Deputy Chair of ALK-Abelló[2] A/S, H. Lundbeck A/S[2], Falck A/S[2] and Ørsted A/S. Member of the Committee on Foundation Governance

Previous positions:

2010–2022	Board Member, Tryg A/S and Tryg Forsikring A/S
2017–2018	Deputy Chair, TDC A/S
2006–2014	Board Member, DFDS A/S
2005–2014	Executive Vice President, CFO, Coloplast
2000–2005	CFO, A.P. Møller – Mærsk, UK (The Maersk Company, UK)
2002–2003	European CFO, A.P. Møller – Mærsk
1997–2000	Vice President, Finance, A.P. Møller – Mærsk

Shareholding in Nordea: 19,730.

2) Board positions included in the position as CEO of the Lundbeck Foundation.

Robin Lawther CBE

BA Honours (Economics) and MSc (Accounting and Finance)
Board member since 2014[1]
Born 1961
Nationality: American and British
Other assignments: Board member of Ashurst LLP, Advisory Board member of Aon and Board member of Standard Chartered plc

Previous positions:

2014–2022	Board member, UK Government Investments
2019–2021	Board member, M&G Plc
2016–2020	Board member, Oras Invest Ltd
2007–2011	Head of Nordics Investment Bank, UK, J.P. Morgan
2005–2007	Head of Mergers & Acquisitions Execution, European Financial Institutions, UK, J.P. Morgan
2003–2005	Head of Commercial Banking Group, UK, J.P. Morgan
1994–2005	Managing Director, Financial Institutions Investment Banking, UK, J.P. Morgan
1990–1993	Vice President, Mergers & Acquisitions, UK, J.P. Morgan
1985–1990	International Capital Markets, USA, J.P. Morgan

Shareholding in Nordea: 50,000.

1) Refers to when a person became a Board member of the Nordea Group's parent company, irrespective of whether it is Nordea Bank Abp, Nordea Bank AB (publ) or another company.

John Maltby

BSc Honours (Engineering Science)
Board member since 2019[1]
Born 1962
Nationality: British
Other assignments: Chair of Allica Bank, West Brom Building Society and Max Nicholas Renewables

Previous positions:

2017–2021	Board member, National Citizens Service (NCS) Trust
2018–2020	Chair, Pepper Money (designate)
2015–2019	Board member, Bank of Ireland, UK
2012–2019	Chair, Good Energy Group Plc
2015–2018	Board member, Tandem Bank
2015–2017	Chair, BlueStep Bank AS
2014	Chief Executive Officer, Williams & Glyn
2012–2013	Senior Adviser, Corsair Capital
2007–2012	Group Director, Commercial, Lloyds Banking Group
2000–2007	Chief Executive Officer, Kensington Group Plc
1998–2000	Executive Director, First National Group, Abbey National Plc
1994–1998	CEO, Lombard Tricity, NatWest Group Plc
1992–1994	Deputy Director, Barclays Bank Plc
1989–1992	Management Consultant, Price Waterhouse Consultancy

Shareholding in Nordea: 940.

Birger Steen

MBA and MSc (Industrial Engineering, Computer Science)
Board member since 2015[1]
Born 1966
Nationality: Norwegian
Other assignments: Thematic partner of Summa Equity AB, Board Chair of Pagero AB[2] and myneva Group GmbH[2], Board member of PragmatIC and Board Chair of Nordic Semiconductor ASA

Previous positions:

2014–2021	Board member, Schibsted ASA
2017–2020	Board member and Adviser, Cognite AS
2010–2016	CEO, Parallels, Inc
2009–2010	Vice President, Worldwide SMB & Distribution, Microsoft Corporation
2004–2009	General Manager, Microsoft Russia
2002–2004	General Manager, Microsoft Norge
2000–2002	CEO, Scandinavia Online AS
1996–1999	Vice President, Business Development, Schibsted ASA
1993–1996	Consultant, McKinsey & Company
1992–1993	Oil Trader, Norwegian Oil Trading AS

Shareholding in Nordea: 10,000.

2) Board positions included in the position as Thematic Partner of Summa Equity AB.

Kjersti Wiklund

MSc (Electronic Engineering), MBM
Board member since 2022[1]
Born 1962
Nationality: Norwegian
Other assignments: Board member of Evelyn Partners, Zegona plc and Spectris plc

Previous positions:

2018–2022	Board member, Babcock plc
2019–2022	Board member, Trainline plc
2018–2020	Chair of Board, Saga Robotics AS
2015–2018	Board member, Laird plc
2013–2017	Board member, Cxense ASA
2014–2016	Director, Group Technology Operations, Vodafone Group
2011–2014	Executive Vice President and COO, VimpelCom Russia
2011	Acting Group CTO, VimpelCom Group
2009–2011	Deputy CEO and CTO, Kyivstar GSM
2007–2009	Executive Vice President and CTO, DiGi Telecom
2005–2009	Board member, Fast Search and Transfer ASA
2005–2007	Executive Vice President and CIO, Telenor Nordic
2004–2005	Executive Vice President and CIO, Telenor Norway
2003–2004	Vice President and CTO, Telenor Norway
2002	Vice President, Strategy and Products, Telenor Enterprise
2000–2002	Executive Vice President and Head of Network Management Software Division, EDB Telescience Ltd

Shareholding in Nordea: 0.

Jonas Synnergren

Msc (Economics and Business)
Board member since 2020[1]
Born 1977
Nationality: Swedish
Other assignments: Senior Partner at Cevian Capital AB, Head of Cevian Capital's Swedish office

Previous positions:

2019–2022	Member of the Nomination Committee at LM Ericsson AB
2018–2022	Board member of Veoneer Inc
2012–2019	Member of the Board of Directors and member of the Audit and Risk Committee, Tieto Corporation
2015–2016	Member of the Nomination Board, Metso Corporation
2014–2015	Chairman of the Nomination Board, Metso Corporation
2010–2011	Member of the Nomination Board, Tieto Corporation
2006	Interim CEO and Head of Investor Relations & Business Development, Svalan Konsortier AB
2000–2006	Several positions, ultimately project leader, The Boston Consulting Group AB

Shareholding in Nordea: 0.

1) Refers to when a person became a Board member of the Nordea Group's parent company, irrespective of whether it is Nordea Bank Abp, Nordea Bank AB (publ) or another company.

Employee representatives

Dorrit Groth Brandt

Finance Diploma Programme, Finance Denmark, and various extensive internal banking courses during her time with Nordea

Board member since 2018[1]
Born 1967
President (Formand) of Finansforbundet in Nordea
Shareholding in Nordea: 605.

Gerhard Olsson

MBA and Bachelor of Economics

Board member since 2016[1]
Born 1978
(Deputy until 24 March 2023)
Professional at Nordea
Shareholding in Nordea: 0.

Hans Christian Riise

MBA

Board member since 2013[1]
Born 1961
Head of trusted employee representatives
Shareholding in Nordea: 0.

Joanna Koskinen

MBA International Business Management

Board member since 2021[1]
Born 1977
Professional at Nordea
Shareholding in Nordea: 0.

Board of Directors, cont.

Independence of the Board of Directors

Nordea complies with applicable requirements regarding the independence of the Board according to applicable European regulatory requirements and Finnish laws and regulations as well as requirements according to the Code. Under the Code, the majority of the board members must be independent of the company, and at least two board members who are independent of the company must also be independent of the significant shareholders of the company. The Board meets this requirement.

The Board considers all its members to be independent of the Company's significant shareholders and all the members elected by the shareholders at the 2022 AGM to be independent of the Company in accordance with the Code[1]. No Board member elected by the shareholders at the 2022 AGM is employed by or works in an operative capacity at the Company. The ordinary 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 according to the Code.

The independence of each Board member is also shown in the table on page 70.

Work of the Board of Directors

The Board elects the Vice Chair and appoints the members of the Board committees. The Board has adopted written working procedures governing its work, which also describe the management and risk reporting to the Board (the Charter), and separate working procedures for the work carried out by each of the Board committees (the Committee Charters). For example, the Charter determines the Board's and the Chair's respective areas of responsibility, documentation and quorum as well as the frequency of meetings. It also contains rules regarding conflicts of interest, confidentiality and the Board Secretary (currently Jussi Koskinen, Chief Legal Officer).

The Board is charged with the organisation of Nordea, the administration of the Company's operations and the overall management of the Nordea Group's affairs in accordance with the external and internal frameworks and its Charter. The Board must ensure that Nordea's legal and organisational structure is appropriate and transparent with a clear allocation of functions and areas of responsibility that ensures sound and effective governance, avoids the creation of complex structures and enables supervisors to conduct efficient supervision.

The Board regularly follows up on Nordea's strategy, business development as well as the Company's financial position and performance. Furthermore, the Board regularly updates the policies and internal rules on governance and control on which it has decided. The Board also reviews the risk appetite and regularly follows up on the development of relevant risks, capital and liquidity.

Significant organisational changes, certain senior management appointments as well as mergers and acquisitions and other resolutions of significance are other matters dealt with by the Board. For example, in 2022 the Board approved the new strategy for 2022–2025, including the new financial target, monitored and analysed macroeconomic and geopolitical developments, including the war in Ukraine, inflation and the long-term impact of the COVID-19 pandemic, as well as handled matters related to sustainability, digitalisation, cyber defence, internal control and compliance, financial crime, share buy-backs and dividends. The Board must also 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 annually provides the Board with an assessment of the overall effectiveness of governance and the 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 at Nordea is provided on page 75 under "Internal Control Framework".

The Board regularly meets the external auditor and regularly considers the need for such meetings without the presence of the President and Group CEO or any other member of the GLT. In addition, the auditor in charge regularly attends the meetings of the Board Audit Committee.

In 2022 the Board of the Company held 14 meetings, 4 of which were held as per capsulam meetings. For more information, see the table on page 70.

Chair

The Chair of the Board is elected by the shareholders at the general meeting. The Board meets according to its annual meeting schedule and as necessary. The Chair is to ensure that the Board's work is conducted efficiently and that the Board fulfils its duties. The Chair is to organise and lead the Board's work, maintain regular contact with the President and Group CEO and ensure that the Board receives sufficient information and documentation, that the work of the Board is evaluated annually and that the Shareholders' Nomination Board is informed of the result of the evaluation. During 2022 Stephen Hester was elected Chair as of 1 October 2022 and Torbjörn Magnusson continued as ordinary member of the Board and Vice Chair.

Evaluation of the Board

The Board conducts a self-evaluation process annually, through which the performance and the work of the Board are evaluated for the purpose of continuously improving the Board's work and efficiency. The evaluation is based on methodology that includes questionnaires to evaluate the Board as a whole, the Chair and the individual Board members. The result of the self-evaluation process is further discussed by the Board and presented to the Shareholders' Nomination Board by the Chair of the Board.

In accordance with applicable European regulatory requirements, a suitability assessment of the individual Board members and of the Board as a whole is completed annually and in connection with the selection process for new Board members. The annual suitability assessment of 2022 concluded that the Board members are individually and collectively assessed suitable and deemed to possess adequate knowledge, skills and experience, including knowledge of climate-related and environmental risks, to perform their duties.

Board committees

In accordance with the external framework and in order to increase the effectiveness of the Board work, the Board has established separate working committees to assist the Board in preparing matters falling within the competence of the Board and in making decisions in matters delegated by the Board. The duties of the Board committees, as well as working procedures, are defined in the Committee Charters. In general, the Board committees do not have autonomous decision-making powers and each committee regularly reports on its work to the Board. Nordea follows the legal requirements and complies with the Code in terms of Board committees.

1) According to the Code, a significant shareholder is a shareholder who holds at least 10% of all company shares or the voting rights carried by all the shares or who has the right or obligation to acquire the corresponding number of already issued shares.

Board of Directors, cont.

Board Audit Committee (4)

The Board Audit Committee (BAC) assists the Board in fulfilling its oversight responsibilities, for instance by monitoring the Nordea Group's financial reporting process and system and by providing recommendations or proposals to ensure their reliability (including the efficiency of the internal control and risk management system), by monitoring the effectiveness of Group Internal Audit, keeping itself informed as to the statutory audit of the annual and consolidated accounts, and by reviewing and monitoring the impartiality and independence of the external auditors, including the offering of services other than auditing services by the auditors, by preparing a recommendation of appointment of the Company's auditor and by reviewing the group's tax strategy and tax policy as well as by taking care of the responsibilities of the audit committee pursuant to applicable legal requirements. The BAC also assists the Board in monitoring and assessing how related party transactions meet the requirements of ordinary activities and arm's length terms and reviews the external auditor's report on Nordea's sustainability reporting and associated disclosures as well as the integrity, independence and effectiveness of the whistleblowing mechanism Raise Your Concern.

Further information is presented in the section "Principles for related party transactions" on page 78.

Members of the BAC are John Maltby (Chair), Petra van Hoeken, Lene Skole and Arja Talma. Generally, the Chief Audit Executive, the Group Chief Financial Officer, the Chief Risk Officer and the external auditor of the Company are present at the meetings of the BAC with the right to participate in discussions but not in decisions.

The Board annually appoints the members and the Chair of the BAC. The BAC must have at least three committee members who are members of the Board. The Chair of the BAC must not be the Chair of the Board or of any other Board committee. None of the members of the BAC may be employed within the Nordea Group or participate in the day-to-day management of the Company or a company of the Nordea Group. The majority of the members of the BAC must be independent of the Company. At least one of the members of the BAC who is independent of the Company must also be independent of the Company's significant shareholders and have sufficient expertise in accounting and/or auditing. The committee members must have the expertise and experience required for the performance of the responsibilities of the BAC. For more information, see the table on page 70.

Board Risk Committee (5)

The Board Risk Committee (BRIC) assists the Board in fulfilling its oversight responsibilities concerning management and control of risks, risk frameworks, controls and processes associated with the Nordea Group's activities, including credit, market, liquidity, business, life and operational risks, information security, environmental risk, conduct and compliance, as well as related frameworks and processes.

The duties of the BRIC include reviewing and, where required, making recommendations on the Nordea Group's risk and compliance governance as well as reviewing the development of the Group's Internal Control Framework, including the Risk Management Framework, in reference to the development of the Group's risk profile and changes in the regulatory framework. In addition, the BRIC reviews and makes recommendations regarding the Group's risk appetite and risk strategy. Furthermore, the BRIC reviews resolutions made by a Group entity concerning credits or credit limits above certain amounts as well as the development of the credit portfolio.

Members of the BRIC are Petra van Hoeken (Chair), John Maltby, Birger Steen and Kjersti Wiklund.

The Chief Risk Officer, the Chief Compliance Officer, the Chief Audit Executive and the President and Group CEO are regular attendees at the meetings with the right 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 Note G11 "Risk and liquidity management" on pages 195–230.

The Board annually appoints the Chair and members of the BRIC. The BRIC must have at least three committee members who are members of the Board. The Chair of the BRIC must not be the Chair of the Board or of any other Board committee. The BRIC must be composed of members of the Board who are not employed within the Nordea Group. The majority of the members of the BRIC, including the Chair, must be independent. Members of the BRIC must, individually and collectively, have appropriate knowledge, skills and expertise concerning risk management and control practices. For more information, see the table on page 70.

Board Remuneration and People Committee (6)

The Board Remuneration and People Committee (BRPC) is responsible for preparing and presenting proposals to the Board on remuneration issues. When preparing the proposals, the long-term interests of shareholders, investors and other stakeholders in Nordea must be considered.

At least annually, the BRPC follows up on the application of Nordea's remuneration policy, overseeing its functionality, including the use of variable pay adjustments, through an independent review by Group Internal Audit, and assesses Nordea's remuneration directive and remuneration system with the participation of appropriate control functions. In addition, the BRPC supports the Board with the preparation of the Remuneration Policy for Governing Bodies and the Remuneration Report for Governing Bodies. The BRPC also has the duty of annually monitoring, evaluating and reporting to the Board on the programmes for variable remuneration for members of the GLT and the Chief Audit Executive. At the request of the Board, the BRPC also prepares other issues of principle for the Board's consideration.

Moreover, the remit of the BRPC has been expanded to also support the Board of Directors in considering the Group Board Diversity Policy and Statement as well as monitor the impact of diversity and inclusion policies and practices within Nordea and review and assess talent management.

The BRPC also reviews succession plans, the performance of the members of the GLT and the Chief Audit Executive and the structure and composition of as well as the selection criteria and process for the GLT and advises on proposed GLT appointments together with the Shareholders' Nomination Board.

Members of the BRPC are Stephen Hester (Chair), Torbjörn Magnusson, Robin Lawther and Gerhard Olsson (employee representative). Generally, the Chief People Officer and the President and Group CEO are present at the meetings with the right to participate in discussions but not in decisions. Neither the Chief People Officer nor the President and Group CEO participates in considerations regarding their respective service terms and conditions.

The Board annually appoints the Chair and members of the BRPC. The BRPC must have at least three committee members.

The Chair and the majority of the members of the BRPC must be Board members who are independent of the Company and not employed by the Nordea Group. The President and Group CEO or the other executives must not be members of the BRPC. However, if employee representatives are appointed to the Board, at least one of them must be appointed as a member of the BRPC pursuant to the Finnish Act on

Board of Directors, cont.

Credit Institutions. The members of the BRPC must collectively have sufficient knowledge, expertise and experience in issues relating to risk management and remuneration. For more information, see the table on page 70.

Further information regarding remuneration at Nordea is presented in the section "Remuneration" on pages 79–83 and in Note G8 "Employee benefits and key management personnel remuneration" on pages 165–180.

Board Operations and Sustainability Committee (7)

The Board Operations and Sustainability Committee (BOSC) assists, without prejudice to the tasks of the other Board committees, the Board in fulfilling its oversight responsibilities concerning sustainability, digital transformation, technology, data management, operations/systems and operational resilience (including cyber resilience) as well as related frameworks and processes. The duties of the BOSC include advising the Board on the Nordea Group's overall strategy within the mentioned areas and assisting the Board in overseeing the implementation of that strategy by senior management. The relevant management committees (the Sustainability and Ethics Committee, the Digital Committee and the Data and Technology Committee) report regularly to the BOSC.

Members of the BOSC are Birger Steen (Chair), Jonas Synnergren, Arja Talma and Kjersti Wiklund. To the extent possible, the head of Group Operational Risk attends meetings when the BOSC deals with operational risks related to data and IT. The Chief Audit Executive may also participate in meetings to the extent possible and when deemed suitable. All have the right to participate in discussions but not in decisions. Furthermore, other senior executives also attend meetings when deemed relevant.

The Board annually appoints the Chair and members of the BOSC. The BOSC must have at least three committee members who are members of the Board. The BOSC must be composed of members of the Board who do not perform any executive function in the Nordea Group. Members of the BOSC must have sufficient collective knowledge, expertise and experience in issues relating to the work of the committee. For more information, see the table below.

Board members' attendance and independence

The table below shows the number of meetings held by the Board 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 significant shareholders.

	Board of Directors	Board Audit Committee	Board Risk Committee	Board Remuneration and People Committee	Board Operations and Sustainability Committee	Independence in relation to the Company[1]	Independence in relation to significant shareholders[1]
Number of meetings (of which per capsulam)	14(4)	9(0)	10(1)	10(2)	7(0)		
Elected by shareholders at the AGM							
Stephen Hester (Chair) (Board member as of March 2022)	9	–	–	5	–	Yes	Yes
Torbjörn Magnusson (Vice Chair)	13	–	–	10	–	Yes	Yes
Kari Jordan (Board member until March 2022)	5	–	–	5	–	Yes	Yes
Nigel Hinshelwood (Board member until March 2022)	5	–	3	–	2	Yes	Yes
Claudia Dill (Board member until March 2022)	5	–	3	–	2	Yes	Yes
Birger Steen	14	–	10	–	7	Yes	Yes
Sarah Russell (Board member until March 2022)	5	3	–	5	–	Yes	Yes
Robin Lawther	14	–	–	10	–	Yes	Yes
Arja Talma (Board member as of March 2022)	9	6	–	–	5	Yes	Yes
Petra van Hoeken	14	9	10	–	–	Yes	Yes
John Maltby	14	9	6	–	2	Yes	Yes
Jonas Synnergren	14	3	–	–	7	Yes	Yes
Lene Skole (Board member as of March 2022)	9	6	–	–	–	Yes	Yes
Kjersti Wiklund (Board member as of March 2022)	9	–	6	–	5	Yes	Yes
Appointed by employees							
Dorrit Groth Brandt (deputy member until March 2022)	13	–	–	–	–	No	Yes
Gerhard Olsson (deputy member as of March 2022)	14	–	–	10	–	No	Yes
Joanna Koskinen	14	–	–	–	–	No	Yes
Hans Christian Riise	14	–	–	–	–	No	Yes

1) According to the Code, a significant shareholder is a shareholder who holds at least 10% of all company shares or the voting rights carried by all the shares or who has the right or obligation to acquire the corresponding number of already issued shares. For additional information, see "Independence of the Board of Directors" on page 68.

Board of Directors, cont.

President and Group CEO, Deputy Managing Director and Group Leadership Team (8)

Nordea's President and Group CEO is in charge of the day-to-day management of the Company and the affairs of the Nordea Group in accordance with the external and internal frameworks. The internal framework adopted by the Company further regulates the division of responsibilities and the interaction between the President and Group CEO and the Board. The President and Group CEO works closely with the Chair of the Board in terms of planning Board meetings.

The President and Group CEO is accountable to the Board for managing the Nordea Group's operations and organisation and is also responsible for developing and maintaining effective systems for reporting and internal control within the Group. In line with applicable regulations, the Company has a Deputy Managing Director. Further information about the control environment for risk exposures is presented in Note G11 "Risk and liquidity management" on pages 195–230.

The President and Group CEO works together with certain senior officers within the GLT of the Group. These senior officers being GLT members report to the President and Group CEO. The GLT supports the President and Group CEO in managing the Company, and the GLT members, apart from the President and Group CEO, are responsible for the performance, operations, risks and resources of and for developing their respective business areas or Group functions in the best interest of Nordea and in compliance with applicable laws and regulations.

The GLT meets regularly and whenever necessary at the request of the President and Group CEO. These meetings are chaired by the President and Group CEO, who reaches decisions after having consulted with the other GLT members. Notes of the meetings, verified by the President and Group CEO, are kept.

At the end of 2022 the GLT members were: Frank Vang-Jensen (President and Group CEO), Sara Mella (Head of Personal Banking), Nina Arkilahti (Head of Business Banking), Martin A Persson (Head of Large Corporates & Institutions), Snorre Storset (Head of Asset & Wealth Management), Erik Ekman (Head of Group Business Support), Mark Kandborg (Chief Risk Officer), Christina Gadeberg (Chief People Officer), Jussi Koskinen (Chief Legal Officer and Deputy Managing Director), Ulrika Romantschuk (Head of Group Brand, Communication and Marketing), Jamie Graham (Chief Compliance Officer) and Ian Smith (Group Chief Financial Officer).

Biographical information about the President and Group CEO and the other GLT members at the end of 2022 is presented on pages 72–73, information about Nordea's organisation is presented on page 74, further information about the business areas is presented on pages 25–36 and information about the Group functions is presented on page 73.

Group Leadership Team

Frank Vang-Jensen
President and Group CEO
Born 1967
Member of Group Leadership Team since 2018
Education: Executive Programme, Harvard Business School, USA. Management Programme, INSEAD, France/Singapore. Organisation & Leadership, Copenhagen Business School, Denmark. Finance & Credit, Copenhagen Business School, Denmark.
Shareholding in Nordea: 149,610.
Nordea shares in deferral: 64,100[1].

Previous positions:

2018–2019	Head of Personal Banking, Nordea Bank Abp
2017–2018	Head of Personal Banking Denmark, Country Senior Executive and Branch Manager Denmark, Nordea Bank Abp
2015–2016	President and Group CEO, Svenska Handelsbanken AB
2014–2015	Head of Handelsbanken Sweden, Svenska Handelsbanken AB
2007–2014	CEO, Handelsbanken Denmark, Svenska Handelsbanken AB
2005–2007	CEO, Stadshypotek AB
2001–2005	Regional Area Manager, Handelsbanken Denmark

Sara Mella
Head of Personal Banking
Born 1967
Member of Group Leadership Team since 2019
Education: Master of Science, Economics, University of Tampere, Finland.
Shareholding in Nordea: 28,769.
Nordea shares in deferral: 19,879[1].

Nina Arkilahti
Head of Business Banking
Born 1967
Member of Group Leadership Team since 2020
Education: Master of Social Science, University of Turku, Finland. BSc in Economics and Business Administration, Aalto University School of Business, Finland.
Shareholding in Nordea: 20,662.
Nordea shares in deferral: 14,141[1].

Martin A Persson
Head of Large Corporates & Institutions
Born 1975
Member of Group Leadership Team since 2016
Education: Bachelor of Business Administration, Accounting & Finance, University of Stockholm, Sweden.
Shareholding in Nordea: 22,269.
Nordea shares in deferral: 35,410[1].

Snorre Storset
Head of Asset & Wealth Management
Born 1972
Member of Group Leadership Team since 2015
Education: MSc in Economics and Business Administration, Norwegian School of Economics, Bergen, Norway.
Shareholding in Nordea: 23,296.
Nordea shares in deferral: 32,311[1].

Erik Ekman
Head of Group Business Support
Born 1969
Member of Group Leadership Team since 2015
Education: PhD in Economics, Uppsala University, Sweden.
Shareholding in Nordea: 23,899.
Nordea shares in deferral: 36,900[1].

Mark Kandborg
Chief Risk Officer
Born 1971
Member of Group Leadership Team since 2022
Education: MSc in Economics, University of Copenhagen, Denmark.
Shareholding in Nordea: 18,884.
Nordea shares in deferral: 22,009[1].

Christina Gadeberg
Chief People Officer
Born 1970
Member of Group Leadership Team since 2019
Education: Graduate diploma (HD) in Business Administration, Organisation & Leadership, Copenhagen Business School, Denmark.
Shareholding in Nordea: 9,465.
Nordea shares in deferral: 14,400[1].

Jussi Koskinen
Chief Legal Officer
Born 1973
Member of Group Leadership Team since 2018
Education: Master of Laws (LLM), University of Turku, School of Law, Finland.
Shareholding in Nordea: 11,647.
Nordea shares in deferral: 28,578[1].

1) Relating to earned STIP awards from performance years 2019, 2020 and 2021. Does not include LTIP 2020-2022 as not yet deferred.

Group Leadership Team, cont.

Ulrika Romantschuk
Head of Group Brand, Communication and Marketing
Born 1966
Member of Group Leadership Team since 2020
Education: Bachelor in Political Science from the Swedish School of Social Science, University of Helsinki, Finland.
Shareholding in Nordea: 9,760.
Nordea shares in deferral: 7,235[1].

Ian Smith
Group Chief Financial Officer
Born 1966
Member of Group Leadership Team since 2020
Education: MA in Economics, Aberdeen University, UK.
Shareholding in Nordea: 25,917.
Nordea shares in deferral: 64,805[1].

Jamie Graham
Chief Compliance Officer
Born 1974
Member of Group Leadership Team since 2021
Education: Bachelor of Science, University of East Anglia, UK.
Shareholding in Nordea: 7,543.
Nordea shares in deferral: 28,393[1].

1) Relating to purchased shared and earned STIP awards from performance years 2019, 2020 and 2021. Does not include LTIP 2020-2022 as not yet deferred.

Group functions

Nordea's Group functions support the four business areas, helping to ensure speed and availability for customers and maintain Nordea's status as a safe, trustworthy and responsible bank.

Erik Ekman
Head of Group Business Support

Group Business Support
Group Business Support provides the business areas with the services, data and technology infrastructure needed for Nordea to deliver on its vision. It also provides the operational backbone for the Group's three largest processes: lending, credit and anti-money laundering operations. It drives the optimisation of Nordea's operational efficiency, letting the business areas focus on what they do best: serving customers and driving income growth initiatives.

Jamie Graham
Chief Compliance Officer

Group Compliance
Group Compliance is Nordea's independent compliance function. Together with Group Risk, it constitutes Nordea's second line of defence. Group Compliance is responsible for monitoring and overseeing the compliance risks that Nordea is or could be exposed to. It covers Nordea's entire operations, including subsidiaries and outsourced activities.

Jussi Koskinen
Chief Legal Officer

Group Legal
Group Legal provides effective and high-quality legal advice within the Nordea Group, covering banking, business, contracts, mergers and acquisitions, litigation and many other legal areas of relevance. It is also responsible for board secretariat services, corporate governance, branch management, public affairs and regulatory management, including reporting to and interacting with national and European Union authorities.

Johan Ekwall
Chief of Staff

Chief of Staff Office
Chief of Staff Office is responsible for managing a number of Group-wide processes, including those related to sustainability. It drives Nordea's sustainability agenda, sets short- and long-term sustainability targets and works with the business areas to ensure that their business strategies are consistent with the Group's sustainability targets. Chief of Staff Office owns the Group's strategy development process.

Christina Gadeberg
Chief People Officer

Group People
Group People is responsible for attracting, retaining and developing talent to drive business performance and for fostering a sustainable and inclusive work environment within Nordea. It also supports the employee lifecycle via talent management, leadership development, remuneration, workforce planning and organisational design. Group People's aim is for Nordea to be the employer of choice, with growth opportunities, flexible working arrangements and other policies supporting employee well-being.

Ulrika Romantschuk
Head of Group Brand, Communication and Marketing

Group Brand, Communication and Marketing
Group Brand, Communication and Marketing's overall aim is to improve the Group's brand perception and reputation to make people passionate about Nordea. It drives brand, communication and marketing activities across the Group and supports Nordea's strategic agenda, providing guidelines, advice, tools, content and digital publishing services to ensure a holistic brand experience for both internal and external stakeholders.

Mark Kandborg
Chief Risk Officer

Group Risk
Group Risk is Nordea's independent risk control function. Together with Group Compliance, it constitutes Nordea's second line of defence. It oversees the implementation of the Group's financial and non-financial risk policies (excluding compliance risks) and monitors and controls its Risk Management Framework. Group Risk thus oversees the identification, assessment, monitoring, management and reporting of key risks that Nordea is or could be exposed to.

Virpi Vuorinen
Chief Audit Executive

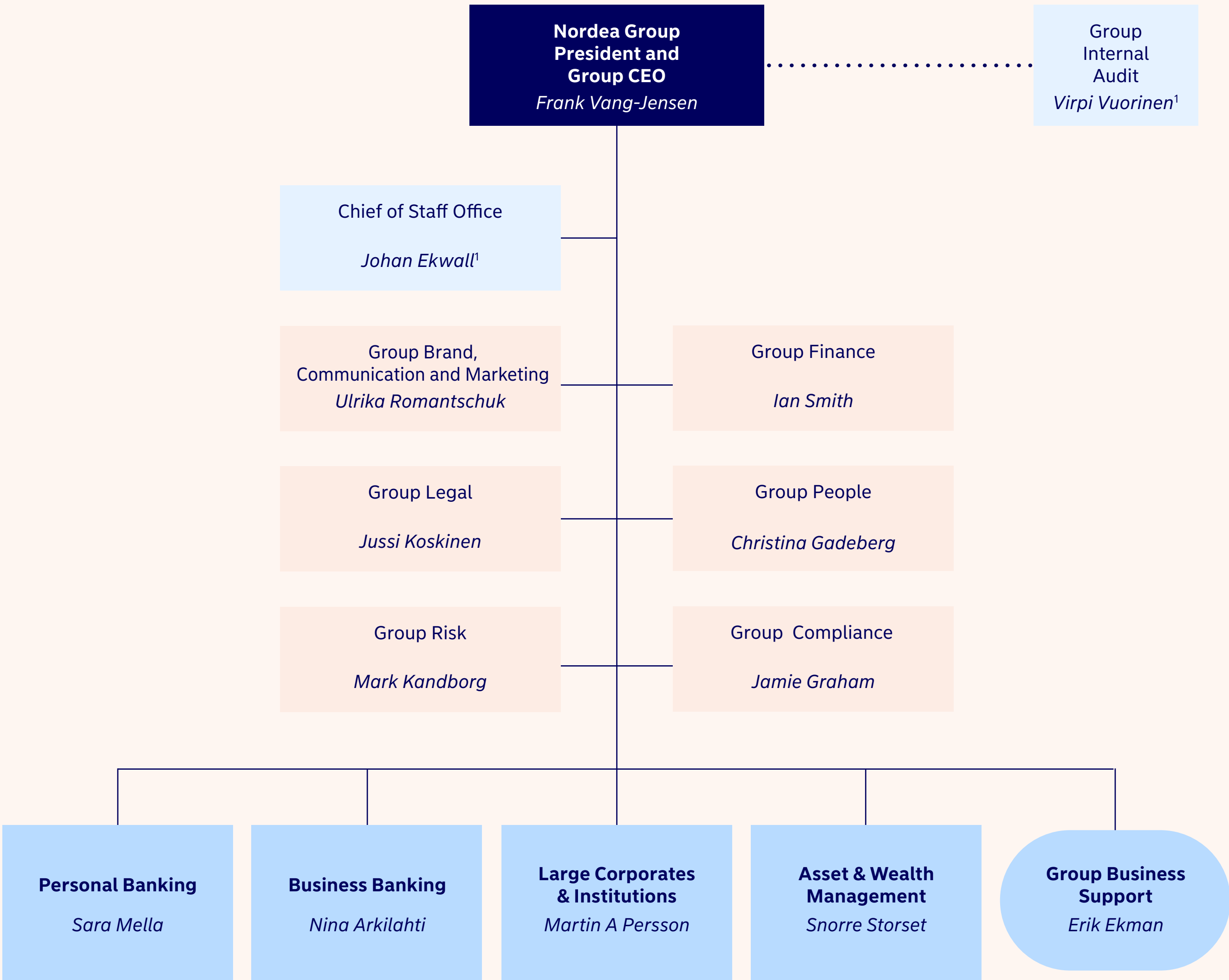
Group Internal Audit
Group Internal Audit is Nordea's independent third line of defence function, mandated by Nordea's Board to support the Board and Group Leadership Team in protecting the Group's assets, reputation and sustainability. Group Internal Audit helps Nordea accomplish its objectives by evaluating and improving the effectiveness and efficiency of its governance, risk management and control processes, applying a systematic and disciplined approach.

Ian Smith
Group Chief Financial Officer

Group Finance
Group Finance drives Group-wide financial performance management, financial reporting and planning, financial and business control, procurement services and analysis to meet business needs and regulatory requirements. It also manages Nordea's capital, liquidity, funding and market risks, ensuring regulatory compliance while supporting the business areas' ability to serve customers well. Group Finance ensures a fair reflection of Nordea's fundamentals by providing transparent and relevant communication to the investor community.

Group organisation

As of 1 January 2023



1) Not a member of the Group Leadership Team.

Group organisation, cont.

Internal Control Framework

The Board is responsible for setting and overseeing an adequate and effective Internal Control Framework, covering the whole Group. The framework sets out the responsibilities of the Group Board and the senior management regarding internal control, all Group functions and business areas, including outsourced activities and distribution channels. Under the Internal Control Framework, all business areas, Group functions and units are responsible for managing the risks they incur in conducting their activities and for having controls in place that aim to ensure compliance with internal and external requirements. As part of the Internal Control Framework, Nordea has established Group control functions with appropriate and sufficient authority, stature and access to the Board to fulfil their mission as well as the Risk Management Framework.

The Internal Control Framework ensures effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, sound administrative and accounting procedures, reliability of financial and non-financial information (both internal and external) and compliance with applicable laws, regulations, supervisory requirements and Group internal rules.

The internal control process is carried out by the governing bodies, risk management functions, management and other staff at Nordea. The internal control process is based on five main components: control environment, risk assessment, control activities, information and communication as well as monitoring. The internal control process is created to ensure the necessary fundamentals for the entire organisation to contribute to the effectiveness and high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures. Roles and responsibilities with respect to internal control and risk management are divided into three lines of defence.

According to the Group Board Directive on Internal Governance, the first line of defence refers to all units and employees that are neither in the second nor in the third line 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 Internal Control Framework.

The second line of defence consists of Group Risk, which is responsible for maintaining and monitoring the implementation of the Risk Management Framework as a fundamental part of the Internal Control Framework, and Group Compliance, which is responsible for maintaining and monitoring the implementation of the Compliance Risk Management Framework. To ensure effective risk management, the second line of defence has access to all business lines and other internal units that have the potential to generate risk as well as to relevant subsidiaries and branches and outsourced activities.

Group Internal Audit, which is the third line of defence, performs audits and provides the Board with an assessment of the overall effectiveness of governance and the 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.

Group Risk (9)

Group Risk is an independent risk function structured to carry out risk monitoring and control in line with Nordea's Internal Control Framework. As part of the second line of defence, Group Risk is responsible, in cooperation with Group Compliance, for maintaining the Risk Management Framework as part of the Internal Control Framework and for monitoring the implementation of the policies and procedures within this framework. The risk function oversees the implementation of the financial and the non-financial risk policies and, according to a risk-based approach, monitors and controls the Risk Management Framework and must, among other things, ensure that all risks to which Nordea is or could become exposed are identified, assessed, monitored, managed and reported. The risk function is headed by the Chief Risk Officer (CRO), who is also a member of the GLT, and reports to the President and Group CEO. The CRO is appointed, suspended or dismissed by decision of the Board after prior consultation with the President and Group CEO. The CRO regularly reports to the Board Risk Committee (BRIC) and the Board on the Nordea Group's risk exposure.

Group Compliance (10)

Group Compliance is an independent second line of defence control function responsible for monitoring and overseeing compliance risks that Nordea is or could be exposed to. Group Compliance is also responsible for developing and maintaining the Compliance Risk Management Framework, which ensures an effective and efficient identification and management of compliance risks in accordance with regulatory requirements and supervisory expectations. The compliance risk management lifecycle covers key compliance processes for risk identification, independent risk assessment, oversight planning, testing and monitoring, training, advice and reporting.

The compliance function is headed by the Chief Compliance Officer (CCO), who is also a member of the Group Leadership Team. The CCO is appointed, suspended or dismissed by the decision of Board after prior consultation with the Group CEO. The CCO reports regularly to the Group Board, Group CEO and relevant committees.

Group Internal Audit (11)

Group Internal Audit (GIA) is an independent function commissioned by the Board. The Board Audit Committee (BAC) is responsible for guidance on and evaluation of GIA within the Nordea Group. The Chief Audit Executive (CAE) has the overall responsibility for GIA. The CAE reports on a functional basis to the Board and the BAC and reports on an administrative basis to the President and Group CEO. The Board approves the appointment and dismissal of the CAE and decides, by proposal of the Board Remuneration and People Committee, on salary and other employment terms and conditions for the CAE.

The purpose of GIA is to support the Board and the GLT 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, its committees and the GLT, by assessing whether all significant risks are adequately controlled and by challenging the GLT to improve the effectiveness of governance, risk management and internal controls. GIA does not engage in consulting activities unless otherwise instructed by the BAC.

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 Board.

GIA must 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 of any matter without further approval. The CAE

Group organisation, cont.

has unrestricted access to the President and Group CEO and the Chair of the BAC and should meet with the Chair of the BAC throughout the year, including without the presence of executive management. GIA is authorised to conduct 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 Board committees, the GLT, overall committees and forums for the Nordea Group and other key management decision-making forums when relevant and necessary.

External audit (12)

According to the Articles of Association, the auditor of the Company must be an audit firm with the auditor in charge being an authorised public accountant. The term of office of the auditor expires at the end of the AGM following the election. The current auditor of the Company is PricewaterhouseCoopers Oy. Jukka Paunonen, Authorised Public Accountant, has been the auditor in charge since the 2022 AGM. Further information about the fees paid for audit services and non-audit services is presented in Note G2.6 "Other expenses" on page 113.

Report on internal control and risk management regarding financial reporting

The systems for internal control and risk management with respect to 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 with respect to financial reporting at Nordea are described below.

Control environment

The control environment consists of Nordea's internal controls and centres around the culture and values established by the Board and the GLT and the organisational structure with clear roles and responsibilities.

Nordea's organisational structure aims to support the overall strategy, ensuring business momentum and meeting the requirements on capital and liquidity.

The primary governance principle is the adherence to the three lines of defence model, which provides the foundation for a clear division of roles and responsibilities in the organisation. For further information about the three lines of defence, see "Internal Control Framework" on page 75.

Clear roles and responsibilities are crucial in the governance of internal control over financial reporting (ICFR). The first line of defence is responsible for the ongoing risk management and for compliance with applicable rules. Risk owners in the business areas and Group functions are responsible for risk management activities. A central function supports the Group CFO in defining standards that apply to relevant controls Group-wide. These controls are implemented and maintained within significant processes and monitored by quarterly self-assessments.

Risk assessment

Risk assessment in relation to reliable financial reporting involves the identification and assessment of risks of material misstatements or deficiencies. Financial reporting risk is defined as the risk of misstatements or deficiencies in financial reporting, regulatory reporting and disclosures, tax reporting and reporting of environment, social and governance (ESG) information.

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, control functions stipulate in governing documents when and how these assessments are to be performed. Examples of risk assessments are the recurring Risk and Control Self-Assessments and the event-driven Change Risk Management and Approval process.

Control activities

The scope of the ICFR framework is designed to focus on areas where risk of material financial misstatements could exist, i.e. where the judgement of a reasonable person relying on the report would have been changed or influenced by the inclusion or correction of the misstated item.

Business areas and Group functions are primarily responsible for managing risks associated with the units' operations and financial reporting processes. Entity-wide controls are directive measures and governance bodies in place to set the standards for internal control, such as the Group Accounting Manual, the Group CEO Instructions on Financial Control and the Financial Reporting Risk Protocol. The Group Accounting Manual holds information on the accounting policies to be used in the Group and provides detailed reporting instructions and the tools needed to produce the financial statements.

The ICFR control structure is based on principal financial controls that are identified as the primary control that is relied on to prevent, detect or mitigate high and critical financial reporting risks. This involves the identification and assessment of risks of financial reporting misstatements or deficiencies based on process flows with an end-to-end process focus. After deciding on the principal financial controls, an analysis is performed to determine which systems/applications are relied on in financial reporting, including IT general controls.

The quality assurance achieved through the management reporting process, where a detailed analysis of the financial outcome is performed, constitutes an important control mechanism in the reporting process.

Information and communication

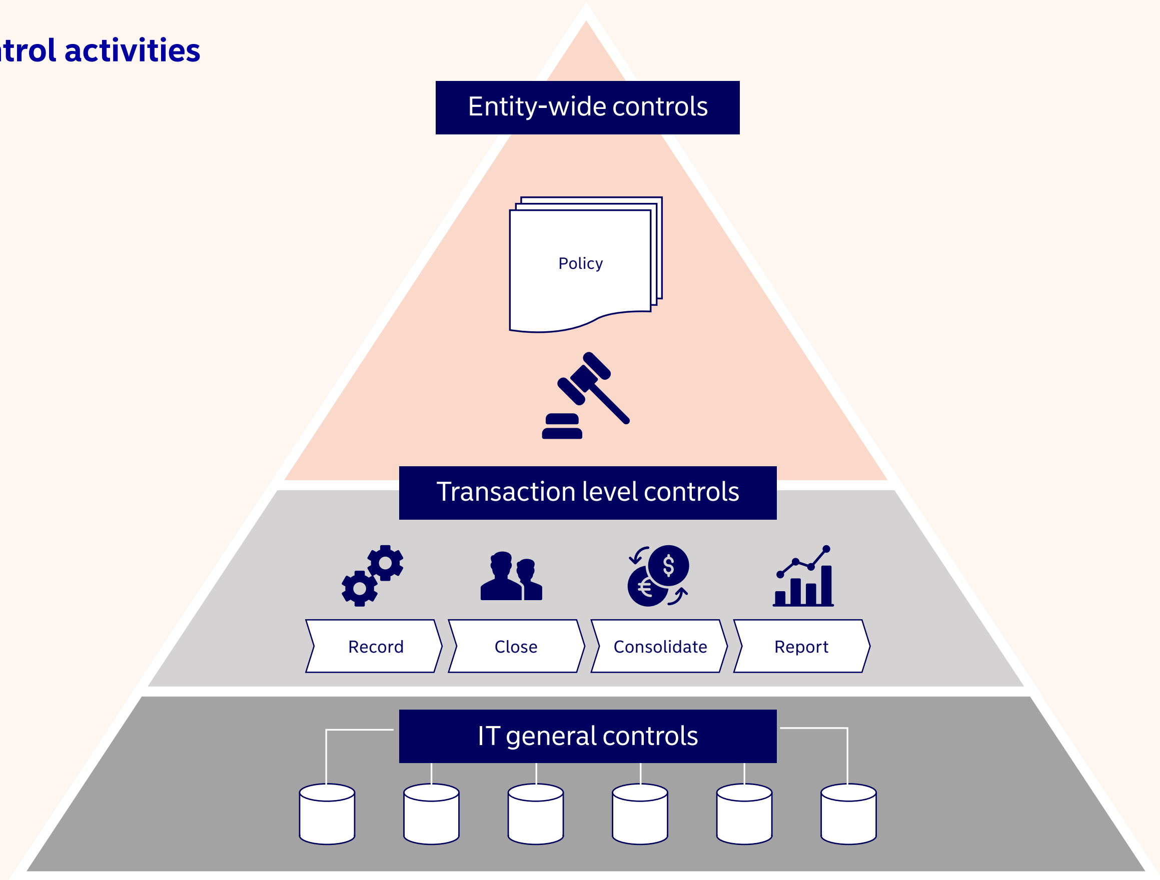
Group Finance is responsible for ensuring that the Group Accounting Manual and other relevant directive measures are up to date and that changes are communicated to the responsible units. These are supported by detailed guidelines and standard operating procedures in the responsible units.

Management at different levels in the organisation is provided with information about the performance and assessment of the identified key controls and details on the outcome of the self-assessment of controls in their process.

Nordea interacts with relevant subject-matter experts externally to keep up to date with changes in reporting expectations and ensure the fulfilment of financial reporting objectives. Nordea actively participates in relevant national and international forums, such as those established by the financial supervisory authorities, central banks and associations for financial institutions.

Group organisation, cont.

Control activities



Examples of control activities in Nordea:

Entity-wide controls: The highest level of internal controls. Integral in setting the "tone at the top" and the requirements of Nordea's control environment.

Transaction level controls: Procedures to ensure effectiveness of process level controls, either automated, semi-manual or manual, e.g. reconciliations, four eyes principle, follow-up on error reports and analytical reviews.

IT general controls: Controls and procedures with the objective to ensure completeness and accuracy in processing of financial information, e.g. logical security, change management and batch routines. These controls also support the effective functioning of relevant application controls.

Monitoring

Nordea has established a process for regular monitoring of risk metrics, including results of self-assessment of internal controls with the purpose of ensuring proper monitoring of the quality of the financial reporting. The Group CFO reports specifically on risk metrics, self-assessment outcomes and other activities related to the management of financial reporting risk to the BAC on a quarterly basis.

An independent risk control function resides in the second line of defence and is responsible for identifying, controlling and reporting on financial reporting risk. In addition, GIA provides the Board with an assessment of the overall effectiveness of the governance, risk management and control processes throughout the organisation, including financial reporting.

The Board, the BAC, the BRIC, the BOSC, Group Risk, Group Compliance and GIA have important roles with respect to governance and oversight of the internal control of financial reporting at the Nordea Group. For further information, see "Work of the Board of Directors", "Board Audit Committee (4)", "Board Risk Committee (5)", "Board Operations and Sustainability Committee (7)", "Group Risk (9)", "Group Compliance (10)" and "Group Internal Audit (11)" on the previous pages.

Insider administration

Insider administration is organised in accordance with the EU Market Abuse Regulation No 596/2014 (MAR) and supplementing legislation as well as applicable national level laws and guidance from financial supervisory authorities. The Board has approved Group-wide rules and guidelines to provide clear instructions for employees to facilitate their compliance with these rules to ensure that inside information is identified and handled appropriately at all times.

Insiders are identified on a case-by-case basis whenever inside information is detected and are subsequently registered in a related insider register. All persons identified and registered as insiders are notified of their insider status and the restrictions and obligations that apply to them, including the prohibition from dealing in the financial instrument(s) to which the inside information relates until that information is made public or otherwise no longer deemed to be inside information and the insider register is closed.

The responsibilities of Nordea's insider administration also include (i) training and providing information to employees who are exposed to inside information to make sure that they are aware of the restrictions and obligations that apply to them as insiders, (ii) setting up and maintaining insider registers and (iii) monitoring compliance with the insider rules. The rules are put in place to mitigate the risk of insider dealing and other forms of market abuse, and the overall responsibility for making sure that a high level of knowledge of and compliance with these rules is maintained lies with Group Compliance.

The Company has identified members of the Board and the GLT as well as the Chief Audit Executive as persons discharging managerial responsibilities (as defined by MAR) who, along with persons closely associated with them, are required to notify the Company and the relevant financial supervisory authority of any transaction in financial instruments, issued by Nordea, executed on their account or on their behalf. The Company discloses such reported transactions to the market through stock exchange releases. In addition to this reporting duty, persons discharging managerial responsibilities are prohibited from trading in financial instruments issued by Nordea during a period of 30 calendar days prior to (and including) the date of the publication of a Nordea Group interim financial report, half-year report or year-end report and whenever such persons are in possession of inside information regarding Nordea.

For employees who participate in providing investment services or advice to customers, the Company also applies Group-wide internal trading restrictions and transaction reporting obligations that are based on the trading rules established by, among others, Finance Finland, the Swedish Securities Markets Association and the Swedish Investment Fund Association. Furthermore, in the capacity of a company licensed to provide investment services and as a fund management company, the Company and its subsidiary Nordea Funds Ltd, respectively, maintain insider registers of persons who are classified as "public insiders" pursuant to the Finnish Act on Investment Services and the Finnish Act on Mutual Funds. The holdings of securities listed in Finland of such persons are public information and uploaded to the public insider register kept by Euroclear Finland Ltd. The register of holders of units in funds managed by Nordea Funds Ltd is also available for viewing at Nordea Funds Ltd.

Principles for related party transactions

Applicable laws and regulations set requirements for the monitoring and assessment of as well as the decision-making concerning related party transactions and the disclosure of executed related party transactions.

Generally, the Company's transactions with its related parties are part of the Company's ordinary course of business and carried out according to the same criteria and terms as those of comparable transactions with other parties of similar standing. The decision-making processes have furthermore been structured in order to avoid conflicts of interest and to comply with the statutory decision-making requirements.

The Company has defined its related parties in accordance with the applicable laws and regulations and keeps an up-to-date record of its related parties. Relevant internal stakeholders, such as customer responsible units, other relevant business units and Group functions, are informed of the list of related parties and the related restrictions in order to monitor transactions with such parties.

Nordea is also bound by applicable close circle rules and has processes in place for identifying the persons belonging to the close circle of Nordea and for ensuring that any credits and comparable financing granted to such persons as well as any investments in an entity belonging to the close circle are granted in accordance with applicable laws and rules.

Pursuant to the Company's Conflict of Interest Policy, employees, management and the members of the Board must not handle matters on behalf of Nordea in cases where they or a closely associated person or company may have an interest that conflicts with the interests of Nordea or its customers. Nordea's business areas and Group functions are obliged to identify, prevent and manage actual and potential conflicts of interest.

The Board has the ultimate responsibility for ensuring proper processes for the identification, reporting and supervision of related party transactions as well as the proper decision-making in this respect. The BAC must assist the Board in monitoring and assessing how related party transactions meet the requirements of ordinary activities and the arm's length terms.

Related party transactions that are not part of the Company's ordinary course of business or are made in deviation from customary commercial terms require a decision by the Board for the related party transaction to be carried out, unless otherwise required by applicable laws and regulations. In respect of such related party transactions the Board must ensure that:

(i) the relevant transactions have been appropriately identified, reported, and controlled
(ii) the Conflict of Interest Policy has been carefully considered in the preparation and decision-making process and
(iii) the preparation of related party transactions includes adequate reports, statements and/or assessments. Furthermore, Nordea publicly discloses its related party transactions in accordance with applicable laws and regulations.

Further information about related party transactions is presented in Note G10.4 "Related party transactions" on page 190.

Remuneration

Nordea has a clear remuneration policy as well as clear remuneration instructions and processes, supporting sound remuneration structures throughout the organisation.

Aim of Nordea's Remuneration Policy

Nordea's Remuneration Policy (internally referred to as the Group Board Directive on Remuneration):

- supports Nordea's ability to recruit, develop and retain highly motivated, competent and performance-oriented employees and hence support the Group strategy
- ensures that employees are offered a competitive and market-aligned total reward offering
- supports sustainable results and the long-term interests of shareholders by including goals directly linked to the performance of Nordea and by awarding parts of variable remuneration in shares or other instruments
- ensures that remuneration at Nordea is aligned with efficient risk management, the Nordea purpose and values and applicable regulations.

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 as well as the importance of having remuneration that is consistent with and promotes sound and effective risk management and that does not encourage excessive risk-taking or counteract Nordea's long-term interests.

The link between performance, risk and variable remuneration in Nordea's remuneration components is assessed annually to ensure business relevance, that all risks are addressed appropriately and compliance with applicable international and local regulations. This includes non-financial risks related to operational risks, compliance risks, reputational risks and specific remuneration-related risks. Most remuneration-related risks concern variable remuneration which, if not appropriately considered, could lead to excessive risk-taking. Risks are addressed through regular reviews of remuneration structures as well as individual remuneration components, participants in variable remuneration plans and the size of potential awards and by disclosing relevant information.

Decision-making process for the Remuneration Policy

Nordea's Remuneration Policy sets out principles for remuneration within the Nordea Group, including how the policy is to be applied, remuneration governance and risk management as well as how employees with a material impact on the risk profile of Nordea ("material risk takers") are defined.

- The Board of Directors decides on the Remuneration Policy, taking possible risks into account, and oversees its functionality by ensuring that it is applied and followed up as proposed by the Board Remuneration and People Committee (BRPC).
- In addition to Nordea's internal Remuneration Policy, Nordea's shareholders adopted, through an advisory vote, the Remuneration Policy for Governing Bodies at the 2020 Annual General Meeting, which applies to the remuneration to the Board of Directors, the CEO and the Deputy Managing Director and remains in force until the 2024 Annual General Meeting.

The BRPC is responsible for preparing and presenting proposals to the Board of Directors on remuneration issues, considering the adopted Remuneration Policy for Governing Bodies, including proposals about Nordea's Remuneration Policy and supplementary instructions. These preparations include an assessment of the Remuneration Policy and the remuneration system. Appropriate control functions participate in this process and provide input within their area of expertise to ensure that the Remuneration Policy is up to date and compliant.

Furthermore, in collaboration with the Board Risk Committee, the BRPC performs assessments to ensure that Nordea's remuneration systems properly account for all types of risks, that liquidity and capital levels are consistent and that remuneration systems promote sound and effective risk management.

Moreover, the remit of the BRPC also includes supporting the Board of Directors in considering the Group Board Diversity Policy and Statement as well as monitoring the impact of diversity and inclusion policies and practices within Nordea and in reviewing and assessing talent management.

The BRPC will also review succession plans and performance for the members of the Group Leadership Team (GLT) and the Chief Audit Executive, review the structure and composition as well as the selection criteria and process for the GLT and advise on proposed GLT appointments.

More information about the composition of the BRPC and its responsibilities is provided in a separate section of "Corporate Governance Statement 2022" on pages 69–70.

Alignment with business strategy

Nordea has processes to align business and individual goal- and target-setting across Nordea with the overall strategy as outlined at Nordea's Capital Markets Day on 17 February 2022 and predefined risk-adjusted criteria.

Financial and non-financial goals are based on the business's expectations and forecasts, and stretched targets are approved by the Board of Directors to ensure alignment with shareholders' and Nordea's strategic priorities and sustainability and climate objectives. Hence, the main Group performance goals and targets in variable remuneration for the Nordea Group in 2022 were the financial goals: return on equity, income and cost-to-income ratio and non-financial goals relating to customer satisfaction and employee engagement. Nordea has also integrated further ESG goals applicable to remuneration for the GLT and other senior leaders across the Nordea Group to support Nordea in fulfilling its sustainability and climate objectives in three key areas: 1) progress in relation to Nordea's sustainability implementation plan, 2) increase the volume of green financing and 3) improve the gender balance at senior leadership levels.

When assessing performance against the predetermined set of well-defined goals and targets, Nordea applies an aligned structure with clear expectations for its people. Individual performance is assessed not only on 'what' is delivered but also 'how' it is delivered. A key aspect is performance in relation to specific risk, compliance and conduct targets as well as general compliance and risk conduct, which must be appropriately considered when determining variable remuneration awards.

To guarantee fair and objective remuneration decisions and to support sound governance, all individual remuneration decisions are subject to separate processes and approved in line with the grandparent principle (approval by the manager's manager).

Remuneration, cont.

Supporting sound risk management

Nordea performs an ongoing risk assessment of remuneration risks conducted within the framework of the Compliance, Conduct and Product Committee and the non-financial risk forums of each business area and Group functions. In addition, an assessment of the Group taxonomy risks is performed as part of the people risk assessment process, the risk and control self-assessment and the compliance independent risk assessment.

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, three lines of defence, the four eyes principle, the quality and efficiency of internal communication and an independent assessment process.

The following principles are further examples of how sound risk management is supported:

- Applying a Group variable remuneration funding mechanism which considers prudential and appropriate risk adjustments when setting a Group pool for each performance year.
- Ensuring that the Board of Directors approves the total outcome of variable remuneration before award, which allows for adjustments in outcome if deemed appropriate by the Board of Directors, e.g. considering risk limits.
- There is an appropriate balance between fixed and variable remuneration.
- Relevant control functions provide input on the setting of a Group variable remuneration pool, performance goals and the outcome of such, to ensure that the impact on staff behaviour and the risks of business undertaken are addressed.
- The effect on long-term results is considered when determining goals and targets for variable remuneration.
- No employee at Nordea can earn variable remuneration exceeding 200% of their annual fixed remuneration. The maximum ratio between fixed and variable remuneration for material risk takers was 200% in 2022 in accordance with the 2019 AGM's decision. In practice, however, a ratio between the fixed and the variable remuneration above 100% of the annual fixed remuneration only applies to a very limited number of employees as the outcome of Nordea's variable remuneration plans is capped at certain levels.
- The risks set out in Nordea's Risk Appetite Statement are linked to forfeiture conditions (ex-ante and ex-post risk adjustments) to ensure that breaches of risk limits influence variable remuneration awards.
- Payments related to early termination of employment should reflect performance achieved over time and should be designed to not reward failure or misconduct.
- Employees engaged in control functions are compensated independently of the performance of the business unit(s) they control and predominantly through fixed remuneration.

Principles for deferral of variable remuneration awards and awards in instruments

Nordea ensures that a substantial part of variable remuneration for material risk takers is deferred and afterwards retained over an appropriate period in line with regulatory requirements. This means that 40–60% of variable remuneration awards are deferred for four to five years, with vesting and subsequent disbursement over the deferral period on a pro rata basis.

The first disbursement of deferred variable remuneration can take place one year into the deferral period at the earliest.

Deviations may occur subject to local regulations. For material risk takers and certain other categories of staff, 50% of variable remuneration awards (both deferred and non-deferred amounts) are awarded in instruments (as a main rule in Nordea shares, alternatively instruments linked to Nordea's share price) and subject to a post-vesting 12-month retention period. Dividends are excluded from any shares or other instruments during a deferral period.

Risk adjustments, malus and claw-back provisions

General provisions for malus and claw-back at Nordea are set out in Nordea's Remuneration Policy. The Risk and Remuneration Alignment Committee, comprising the heads of control functions and the Head of Group People, provides governance and oversight of risk performance-related adjustments for members of the GLT in the first line of defence. Ex-ante and ex-post risk adjustments can be made individually to adjust or claw back variable remuneration awards due to risk, compliance or conduct-related performance. Also, collective risk adjustments can be made.

Payment of variable remuneration awards under Nordea's main variable remuneration plans is based on an assessment of the results of the Nordea Group, the concerned Nordea entity, the relevant business unit and the individual employee. Awards may be reduced, partly or in full, if an employee eligible for variable remuneration has for example 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 must not use personal hedging strategies to undermine or eliminate the effects of deferred variable remuneration being partly or fully cancelled.

Audit of Nordea's Remuneration Policy

The BRPC follows up on the application of the Remuneration Policy and supplementary instructions within Nordea through an independent review by Group Internal Audit. This audit is conducted at least annually.

Remuneration to the Board of Directors

By proposal of the Shareholders' Nomination Board and in accordance with the Remuneration Policy for Governing Bodies, the AGM annually decides on the remuneration to the Board of Directors. In 2022 remuneration was offered in cash to the Board members. Board members are not part of any variable or incentive plan. Remuneration for Board work is not paid to Board members who are employees of the Nordea Group. Further information is provided in Note G8.4 "Key management personnel remuneration" on page 176–180.

Remuneration to the CEO and the members of the Group Leadership Team

By proposal of the BRPC, the Board decides on the remuneration for the CEO and the members of the Group Leadership Team, considering the adopted Remuneration Policy for Governing Bodies. Remuneration for the Chief Audit Executive is also approved by the Board of Directors even though the Chief Audit Executive is not a member of the GLT. This includes a decision on fixed and variable remuneration as well as pension and other employment terms and conditions.

Nordea maintains a competitive and market-aligned total reward offering and other employment conditions needed to recruit, motivate and retain the CEO and the members of the GLT and through their leadership, expertise and strategic decision-making to enable Nordea to deliver on its strategy and targets. A key concept is pay-for-performance.

Remuneration for the CEO and members of the GLT in 2022 was decided by the Board of Directors considering the Remuneration Policy for Governing Bodies and in accordance with Nordea's internal policies and procedures, which are based on the applicable regulations on remuneration systems and other relevant regulations and guidelines.

Salaries and other remuneration in line with market levels constitute the overriding principle for the remuneration for the CEO and the members of the GLT at Nordea. The remuneration for the CEO and the members of the GLT will 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, benefits, variable remuneration (short-and long-term), pension and insurances.

Further information about remuneration to the CEO and the members of the GLT is provided in Note G8.4 "Key management personnel remuneration" on pages 176–180. A more detailed disclosure of remuneration to the CEO and how the Remuneration Policy for Governing Bodies is applied is provided in Nordea's 2022 Remuneration Report for Governing Bodies.

Variable remuneration to the members of the GLT

Variable remuneration for the members of the GLT in 2022 was offered as participation in a short-term incentive plan called Nordea Incentive Plan (NIP 2022), replacing the Executive Incentive Plan (EIP). There were no material changes to the structures. Furthermore, the members of the GLT who are not responsible for independent control functions were offered participation in a long-term fully share-based incentive plan called Long Term Incentive Plan 2022–2024 (LTIP 2022–2024), similar to the LTIPs allocated in 2020 and in 2021.

The Nordea Incentive Plan (NIP 2022) for GLT members has a one-year performance period and includes predetermined performance goals and targets at Group, business area/Group function (BA/GF) and individual level. The impact on long-term results was considered when determining the targets.

The outcome from the NIP 2022 has been based on the Board of Director's assessment of performance against the predetermined targets, and as described above.

The outcome from the NIP 2022 will be paid to GLT members in equal portions of cash and Nordea shares and will be subject to forfeiture clauses (through ex-post risk adjustments applying either malus or claw-back). 40% of the confirmed outcome of the NIP 2022 will be delivered in equal portions of cash and Nordea shares in 2023. The remaining 60% of the NIP 2022 outcome is deferred for annual pro rata delivery over a five-year period, meaning that a significant portion of the outcome remains to be delivered at the time of the award. No dividends are paid during the deferral period. Nordea shares will be subject to 12 months' retention when delivered to the GLT members. The maximum outcome of the NIP 2022 for GLT members participating in the LTIP 2022–2024 was 75% of the annual fixed base salary.

Performance goals at Group level included financial goals measuring return on equity, income and cost-to-income ratio as well as non-financial goals measuring employee engagement and customer satisfaction. ESG performance goals were added in support of fulfilling Nordea's sustainability and climate objectives in three key areas: 1) progress in relation to Nordea's sustainability implementation plan, 2) increase volume of green financing and 3) improve the gender balance at senior leadership levels. BA/GF goals included BA-/ GF-specific financial and non-financial goals. At individual level, performance was measured in relation to the individually agreed risk, compliance and conduct targets. The weighting of Group, BA/ GF and individual goals is determined individually for the CEO, reflecting his overall responsibility for the Nordea Group, as well as for the members heading a business area or a Group function. The overall ambition for 2022 was to deliver on Nordea's strategic priorities. Any awards were determined on the basis of achievement in relation to the agreed goals and targets following appropriate risk adjustments.

Long Term Incentive Plan 2022–2024

In 2022 the Board of Directors decided to continue the long-term incentive plan by launching the LTIP 2022–2024 for the GLT and a maximum of 50 senior leaders and key employees whose efforts have a direct impact on Nordea's results, profitability, customer vision and long-term growth.

The main purpose of the LTIP 2022–2024 is to further align the GLT members' and senior leaders' interests with those of shareholders. The LTIP 2022–2024 has a three-year performance period from 1 January 2022 to 31 December 2024 and subsequent deferral and retention according to regulations.

The total maximum number of shares that can be granted under the LTIP 2022–2024 was nominally allocated to the participants in 2022 as conditional share awards. In 2025 after the end of the performance period, based on Nordea's performance against pre-established performance criteria, the maximum number of shares or a proportion of the shares will be awarded individually to the participants.

The first portion of shares of the potential award will be delivered in 2025. The rest of the shares will be deferred and delivered annually in five equal portions during 2026–2030. Each share delivery is subject to a 12-month retention period.

Share grants may be reduced in part or in full subject to risk and compliance adjustments. The LTIP 2022–2024 performance requirements have been set so that the maximum outcome will require achieving exceptional performance from a shareholder perspective. The assessment of performance during the performance period will be based equally on the following performance criteria:

- Relative total shareholder return (rTSR) measured against selected Nordic peer banks
- Absolute total shareholder return (absolute TSR)
- Absolute cumulative adjusted earnings per share (absolute EPS.

A risk-adjustment underpin is also included. Furthermore, the GLT members must hold a significant number of the shares subsequently granted until the total value of the GLT mem-

Remuneration, cont.

ber's shareholding in Nordea in total corresponds to 100% of the GLT member's annual gross salary. Such shares must be held until the GLT member steps down from the GLT position.

The performance period for the first LTIP covering the performance period 2020–2022 was concluded. This and the LTIP 2022–2024 performance metrics are further described in Note G8.3 "Share-based payment plans" on pages 171–176 and in the Remuneration Report for Governing Bodies.

Benefits are provided as part of the total reward offering to the CEO and GLT members. The levels of these benefits are determined by what is considered fair in relation to general market practice. Fixed salary during the period of notice and severance pay will not exceed 24 months of fixed salary in total.

Pension and insurance are offered to ensure an appropriate standard of living after retirement as well as personal insurance coverage during employment. The CEO and the members of the GLT are offered pension benefits in accordance with market practice in their country of permanent residence. Pension and insurance provisions are in accordance with local laws, regulations and market practice. Pension is generally offered as defined contribution pension plans but can also be offered by means of a pension allowance. Discretionary pension benefits are not used.

Nordea's remuneration structures

Nordea's remuneration structure comprises fixed remuneration and variable remuneration.

Fixed remuneration components

Fixed base salary should remunerate for role and position and is affected by job complexity, responsibility, performance and local market conditions.

Allowance is a predetermined fixed remuneration component tied to the employee's role and position. The fixed base salary is, however, the cornerstone of all fixed remuneration. Allowances are not linked to performance and do not incentivise risk-taking.

Pension and insurance aim at ensuring an appropriate standard of living for employees after retirement as well as personal insurance coverage during employment. Pension and insurance provisions are in accordance with local laws, regulations and market practice and are either collectively agreed schemes or company-determined schemes or a combination. Nordea aims to have defined contribution pension schemes.

Benefits at Nordea are awarded as part of the total reward offering that is either individually agreed or based on local laws, market practice, collective bargaining agreements and company-determined practice.

Nordea's variable remuneration plans for others than the CEO and the GLT

Nordea has, as of 2020, implemented a Group variable remuneration pool model to determine variable remuneration spend at Nordea, except for the Profit Sharing Plan and Nordea's LTIP. The Group variable remuneration pool creates a strong link between Nordea's overall performance and the allocated variable remuneration.

The Group variable remuneration pool determines the overall variable remuneration for the respective performance year based on a target/expected pool adjusted by Group performance, which is subsequently distributed to BAs/GFs based on their performance (scorecards). The final allocation is based on individual performance according to the goals set individually under the individual variable remuneration plans. In 2022 the following other variable remuneration plans were offered to Nordea employees:

The Nordea Incentive Plan (NIP) was created as of the 2022 performance year replacing the Executive Incentive Programme (EIP) and Variable Salary Part (VSP). It is offered to recruit, motivate and retain senior leaders (including GLT members, see above) and select roles primarily in business areas where use of variable pay is an established market practice. The NIP aims to reward strong performance and efforts. The assessment of individual performance is based on a predetermined set of well-defined financial as well as non-financial goals. Individual NIP awards will not exceed the annual fixed salary. Awards from the NIP 2022 for people who are defined as material risk takers are allocated partly in cash and partly in instruments with subsequent retention. Parts of the awards for participants in the NIP who are material risk takers are subject to a four- to five-year pro rata deferral period, in certain exceptions three years, with forfeiture conditions (ex-post risk adjustments applying either malus or claw-back) during the deferral period.

Bonus schemes were offered only to selected groups of employees in specific business areas or units as approved by the Board of Directors, e.g. in Large Corporates & Institutions, Nordea Asset Management, Nordea Funds and Group Treasury. The aim is to ensure strong performance and to maintain cost flexibility for Nordea. Individual awards are determined based on detailed performance assessments covering a range of financial and non-financial goals. 2022 bonus awards from bonus schemes are paid in cash. For material risk takers, awards are partly delivered in instruments with subsequent retention. Parts of the awards for material risk takers and certain other participants in a bonus scheme are subject to a four- to five-year pro rata deferral period, in certain exceptions three years, with forfeiture conditions (ex-post risk adjustments applying either malus or claw-back) applying during the deferral period.

Recognition Scheme was offered to employees to recognise extraordinary performance. The individual performance is assessed based on a predetermined set of goals. Employees eligible for other formal annual variable remuneration plans, excluding the Profit Sharing Plan, are not eligible for Recognition Scheme awards. The scheme includes forfeiture conditions (ex-post risk adjustments applying either malus or claw-back).

Profit Sharing Plan (PSP) is offered Group-wide to all Nordea employees but not to employees who are eligible for any of Nordea's other formal annual variable remuneration plans. For eligible employees, the Profit Sharing Plan is offered irrespective of position and salary and aims to collectively reward employees based on achievement in relation to predetermined financial goals as well as goals relating to customer satisfaction. The Profit Sharing Plan is capped financially, and the outcome is not linked to the value of Nordea's share price. The plan includes forfeiture conditions (ex-post risk adjustments applying either malus or claw-back).

Guaranteed variable remuneration (sign-on) can be offered in exceptional cases only, limited to the first year of employment when hiring new staff. Sign-on can only be paid if Nordea and the employing company have a sound and strong capital base.

Compensation for contracts in previous employments (buy-outs) can be offered in exceptional cases only, in the context of hiring new staff, limited to the first year of employment and if Nordea and the employing company have a sound and strong capital base.

Retention bonus can be offered in exceptional cases only if Nordea has a legitimate interest in retaining employees for a predetermined period of time or until a certain event occurs and if Nordea and the employing company have a sound and strong capital base.

Other qualitative and quantitative information

The actual cost of variable remuneration for executive officers (excluding social costs)

For the NIP 2022 for GLT members, EUR 5.5m is to be paid over a five-year period, partly in shares and in cash. The estimated maximum cost of the NIP for GLT members in 2023 is EUR 6.8m and the estimated cost assuming 50% fulfilment of the performance goals is EUR 3.4m.

Cost of variable remuneration for non-GLT members (excluding social costs)

The actual cost of the NIP and bonus 2022 is EUR 174.3m, not including awards to GLT members, which is paid partly now in cash and partly over a four-to five-year period as outlined in the sections above. In 2022 the provision for Nordea's Profit Sharing Plan 2022 was EUR 65.5m. Each employee can receive a maximum of EUR 3,200. If all stretched performance goals were met, the cost of the Profit Sharing Plan for eligible participants in 2022 would have amounted to a maximum of approximately EUR 73m.

Other disclosures

See Note G8 "Employee benefits and key management personnel remuneration" on page 165 of this Annual Report 2022 for more details on remuneration.

See also Nordea's 2022 Remuneration Report for Governing Bodies, which will be presented for an advisory vote at the Annual General Meeting on 23 March 2023. The Remuneration Report is disclosed with other required information at nordea.com/en/about-nordea/corporate-governance/remuneration.

Nordea will provide qualitative and quantitative disclosures according to Regulation (EU) no 575/2013 of the European Parliament and of the Council of 26 June 2013 (the CRR Regulations), the disclosure requirements in the Basel framework and the EBA guidelines for sound remuneration practices.

Further disclosures will be published at nordea.com one week before the Annual General Meeting on 23 March 2023.

Conflicts of interest policy

As an international financial services provider, Nordea Bank Abp and its subsidiaries (Nordea) regularly face potential or actual conflict of interest situations. Managing conflicts of interest is relevant at both the individual and institutional level of Nordea's organisation. Nordea is committed to promoting market integrity and all employees are required to act in a fair, honest and professional manner and in the best interests of Nordea's customers. In order to act upon these commitments and ensure appropriate governance of Nordea, it is essential to have effective controls in place regarding conflicts of interest.

The purpose of the Group Board Directive on Conflicts of Interest (the Directive) is to outline Nordea's approach to managing conflicts of interest and to enable the development and maintenance of an effective control environment.

The Directive applies to all employees and people working on behalf of Nordea, senior management, Group Board members and the President and Group CEO of Nordea. The Directive also applies to all branches and subsidiaries.

Both actual and potential conflicts of interest must be identified and effective measures decided upon to prevent or manage risks in respect of Nordea or its customers. Conflicts of interest arising with regard to an employee's private interest or their past or present personal or professional relationships are individual conflicts of interest. Conflicts of interest that do not arise from a private interest but in connection with Nordea's organisation, Group structure, governance, different activities, roles, products, services or any other circumstances are institutional conflicts of interest. In connection with each identified conflict of interest, the potential customer impact is assessed to ensure fair treatment of customers.

Appropriate preventive or mitigating measures must be implemented in the form of effective organisational and administrative measures for all identified potential or actual conflicts of interest. Identified conflicts of interest are documented in a register.

All identified individual conflicts of interest or changed circumstances regarding them must be reported to the manager of the individual employee involved. All identified institutional conflicts of interest or changed circumstances regarding an institutional conflict of interest must be reported to the manager responsible for the area that the conflict of interest potentially impacts. Senior management will receive recurring, at least annual, reporting on institutional conflicts of interest.

The Group Board approves the Directive and is responsible for overseeing its implementation. To ensure objective and impartial decision-making, Group Board members are also subject to the requirements of the Directive. The President and Group CEO and Group Leadership Team members are accountable for implementing the Directive at Nordea while also being subject to the requirements of the Directive.

Non-financial statement

This report constitutes Nordea's non-financial statement for the financial year 2022. The report covers the parent company Nordea Bank Abp and its subsidiaries.

In 2022 Nordea was present in 21 countries, including its four Nordic home markets – Denmark, Finland, Norway and Sweden. Through its four business areas – Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management – Nordea offers a wide range of products and services.

As a financial institution, Nordea's business model is to create value for its customers, investors, employees, shareholders and society in general. For a sustainable business model to succeed, value cannot only include monetary means but must encompass environmental and societal responsibility, employee-related matters, anti-corruption measures and respect for human rights.

During 2022 Nordea's business environment changed significantly as the world economy experienced a broad-based slowdown. Russia's invasion of Ukraine led to a sharp rise in food and energy prices and central banks tightened monetary policy markedly to combat the high inflation.

Material sustainability topics and targets

As a member of the core group of founding banks and a signatory to the Principles for Responsible Banking, Nordea is committed to the objectives of the Paris Agreement and the UN Sustainable Development Goals. Nordea has developed a long-term plan to fully integrate sustainability into its business strategy, focusing on the sustainability topics on which Nordea can have a material impact, by either reducing its negative impact or increasing its positive impact. The identified material topics are grouped into four strategic pillars: financial strength, climate action, social responsibility, and governance and culture. For the pillar climate action, Nordea has set a long-term objective to become a net-zero emissions bank by 2050 at the latest. This objective, along with the objectives for 2030, is further supported by the 2023–2025 targets. For the other three pillars, Nordea has also set 2023–2025 targets. During 2022 Nordea set its first round of sector-specific emission targets. All targets are presented on pages 322–347 in the Sustainability notes.

Financial strength

Understanding and managing ESG-related risks is crucial to maintaining financial strength. Therefore, in tandem with the overall strategic sustainability agenda, Nordea is developing a comprehensive approach to identifying, assessing, responding to and disclosing ESG-related risks in line with supervisory and regulatory requirements.

Strategic management of ESG-related risks

Nordea considers that ESG factors can be significant drivers of credit, market, liquidity, compliance or operational risks Embedding ESG factors into Nordea's risk management and business strategy reflects the importance of each factor as a driver of existing risks. As a key principle of effective risk management, Nordea maintains a diversified lending portfolio, evenly distributed between corporate and household customers and diversified across geographies, industries and products. For credit risk, existing processes are progressively being enhanced to identify, evaluate and monitor material ESG-related risks. From an on-balance sheet investment perspective, ESG principles have already been incorporated into the framework for long-term illiquid asset investments, and ESG factors are progressively applied to assess them as drivers of market and liquidity risk categories and the associated portfolios.

For more information about ESG-related risks see Note G11 "Risk and liquidity management" on pages 195–230.

ESG-related risks impact our customers and balance sheet

ESG assessments are performed of both lending and investment portfolios on Nordea's balance sheet to identify, evaluate and monitor material ESG-related risks. For corporate borrowers, ESG assessments are performed according to the size and type of the transaction and the customer's internal segmentation. ESG-related risks identified qualitatively as material at customer level inform the credit risk assessment, with conclusions on the customer group's risk level included in the credit memorandum.

Integrating climate risk into investment decisions

Nordea recognises climate-related risks as a material risk category for assets under management. Material climate-related risks and opportunities across asset classes are assessed using a range of models and datasets. For listed equity and corporate bond exposures, Nordea uses the MSCI Climate Value-at-Risk model to assess transition risks and physical risks under different climate scenarios in both Nordea Life & Pension and Nordea Asset Management. In addition, Nordea conducts climate alignment analysis for individual issuers to establish the extent to which a company's strategy and decarbonisation trajectory support the achievement of a desirable target scenario.

Climate action

Nordea's objectives for the business are to achieve net-zero emissions by the end of 2050 at the latest and to reduce carbon emissions across its lending and investment portfolios by 40–50% by the end of 2030 compared with 2019.

Each business area has individual climate-related targets and actions for 2023 and 2025, and the progress on these is reported quarterly to the Group Leadership Team and the Board Operations and Sustainability Committee.

2022 represents Nordea's second year of reporting financed emissions and a substantial improvement in the coverage and quality of the financed emission exposures across asset classes. It includes a selection of on-balance and off-balance sheet asset classes in lending and investment portfolios.

For more information about the climate action agenda, objectives, targets and outcomes, see pages 324–338 in the Sustainability notes.

Sector analysis and targets

Nordea has prioritised 14 business loan sectors according to the level of financed emissions and potential vulnerability to climate-related transition risks for deep dive assessments. Additionally, residential real estate mortgages have been assessed based on the materiality of this portfolio for Nordea's balance sheet. Deep dives for five sectors and mortgages have been conducted in the last two years to assess the volume of financed emissions and customers' alignment with the anticipated greenhouse gas emissions reduction pathway required to fulfil Nordea's sustainability targets and objectives.

Deep dives also contribute to Nordea's understanding of climate-related physical risks. For four of these sectors, Nordea has now decided the targets and net zero transition pathways of their emissions relative to the Paris Agreement-aligned benchmarks.

Policies and guidelines

Nordea's commitments in relation to climate change are described in its Position Statement on Climate Change. The Statement explains Nordea's stance towards sectors such as thermal coal, coal mining and oil sand extraction. In addition, several sector guidelines address the climate issue. In 2022 Nordea also updated its sector guidelines for the fossil fuel-based industries where it implemented new exclusions and established phase-out policies.

On the investment side, Nordea is committed to integrating ESG factors into its analysis, decision-making processes and active ownership practices. Nordea Life & Pension's policy framework for the ESG area and climate change consists of a Responsible Investment Policy and Climate Change Policy. Furthermore, Nordea Asset Managements Responsible Investment Policy sets out the framework for ESG and responsible investments in Nordea Asset Management.

Internal carbon footprint

Although Nordea's greatest impact is to engage with customers through financing and investment, work is also ongoing to reduce carbon emissions from internal operations by more than 50% by 2030 with a 30% reduction target by 2023 compared with 2019.

So far on its journey towards meeting the targets, Nordea has reduced carbon emissions from internal operations by 57% compared with the 2019 baseline. Travel emissions played the largest part of the reduction, since we decided to half our travels compared to 2019 enforced by a new Travel Guideline, and we remain on track to achieve our target.

Social responsibility

Social responsibility is about taking social issues such as human rights, labour rights and gender equality into consideration throughout the entire value chain.

Human rights

Nordea supports the Universal Declaration on Human Rights by including human rights in its Code of Conduct, Sustainability Policy, Responsible Investment Policy and Supplier Code of Conduct and by addressing human rights considerations in its sector guidelines. All Nordea employees are required to complete annual Code of Conduct training as part of their Licence to Work. At Nordea, human rights are addressed in all parts of the organisation and due diligence processes. Nordea has identified its most critical areas in terms of human rights as being within investing, financing, transactions and sourcing.

Nordea has included human rights in the norm-based screening of all its funds, and as at December 2022 Nordea had 11 companies on its exclusion list due to violations of human rights-related norms, including violations of the rights of indigenous peoples.

When conducting certain ESG assessments related to credit risk, the ESG analysts in Group Credit Management use the Social and Political Risk Assessment Tool (SPRAT). The tool addresses policies and programs in place to reduce potential harmful impacts for example on communities and indigenous rights.

Inclusive work environment

At Nordea, all forms of discrimination are condemned. Nordea has zero tolerance of any form of harassment, bullying or victimisation. In 2022 1.4% of the respondents to Nordea's People Pulse survey stated that they had been subject to some sort of harassment or other mistreatment. In 2022 30 harassment cases were reported through various channels, including the whistleblowing function Raise Your Concern.

Employment

Nordea's employee survey, People Pulse, enables Nordea to measure the engagement levels and well-being of its people and also to monitor signs of changing trends making it possible to take swift action. In 2022 the response to the People Pulse survey remained at a stable level of 83% compared with 83% in 2021. Nordea continues to see good results related to overall engagement.

Community engagement

Community engagement at Nordea is about creating positive change through its employees. Through well over 20 programmes and partnerships, Nordea focuses on building financial skills and fostering entrepreneurship, thus enabling banking and financial expertise to have a positive impact on society. In 2022 over 2000 Nordea employees delivered over 7,900 hours of volunteering.

Business ethics

The Code of Conduct and Sustainability Policy define high-level business principles, how we treat customers and how employees are expected to conduct themselves. They underpin Nordeas culture and set the parameters for conduct in areas such as care for the environment, labour rights, how to treat customers, human rights, the right to privacy, fair competition, anti-bribery and anti-corruption. The Code of Conduct is

Non-financial statement, cont.

reviewed annually and was last updated in June 2022. Compliance with the Code of Conduct is monitored by way of regular reporting to the Chief Compliance Officer, the Chief Risk Officer, the President and Group CEO and the Board. All employees are required to complete annual Code of Conduct training as part of their Licence to Work to ensure proper awareness and knowledge of the ethical principles. The 2022 training also included diversity and inclusion as well as online behaviour in addition to the general Code of Conduct-related contents such as anti-corruption and anti-bribery.

Governance and culture

Only by strengthening its purpose-led culture with a sound and strong operating model can Nordea enable speed and scale in the transition to a sustainable and resilient economy.

Sustainability governance

At Board level, the Board Operations and Sustainability Committee assists the Group Board in fulfilling its oversight responsibilities concerning sustainability, which encompass strategy, operating model, reporting and frameworks. The Board Risk Committee assists the Board in fulfilling its oversight responsibilities concerning risk management and related frameworks, controls and processes relating to ESG factors as drivers of existing risk.

For more information about Nordea's governance, see "Corporate Governance Statement 2022" on pages 62–65.

Sustainable procurement

By having a contractual commitment from its suppliers, Nordea ensures that the sustainability requirements are an integral part of its supplier and contract management. In 2022 Nordea further matured the process for pre-screening and monitoring supply chain sustainability risks. All suppliers in Nordea's contract database with whom Nordea has an active agreement are subject to continuous monitoring.

For more information about sustainable procurement and supply chain data, see pages 346–347 in the Sustainability notes and the separate Norwegian Transparency Act Statement at nordea.com/sustainability.

Preventing financial crime

Nordea fully recognises the threat that societies face from human trafficking, terrorism, corruption, drug smuggling, tax evasion and other forms of illegal activities and does its best to ensure that its resources, products and services are not used to facilitate financial crime.

Tracking down and stopping the flow of money from these activities is a key way to disrupt the criminals involved. Therefore, as a financial institution, Nordea is uniquely positioned to be part of the solution. Nordea commits to complying with the laws and regulations relevant to anti-money laundering, counter terrorist financing, sanctions, and anti-bribery and corruption in the jurisdictions in which it operates. In 2022 Nordea significantly strengthened its financial crime prevention capabilities through investments in technology, additional employees, training and more sophisticated assessment techniques.

For more information about how Nordea works with financial crime prevention, see Note G11 "Risk and liquidity management" on page 228 and Sustainability notes on page 345.

Data privacy and cyber security

Keeping personal data safe is part of Nordea's commitment to being a safe and trusted bank. Data privacy is therefore an integral part of Nordea's business and operations and an important element of its digital strategy. In 2022 Nordea continued to enhance its ability to ensure compliance with applicable privacy laws in the jurisdictions in which it operates by further improving the governance structure and by assigning more employees to data privacy operations.

Introducing new technologies, exploring new ways of doing business and connecting with customers widen banks' attack surface. At the same time, entities that pose cyber threats are becoming more organised, resourceful and experienced. Banks must also deal with the asymmetry of having to protect all assets while entities engaged in cyber threats merely need to find one weak spot. Combined, these factors pose an unprecedented risk to the banking industry.

For more information about how Nordea works with data privacy and cyber security, see page 345 in the Sustainability notes.

Whistleblowing

Nordea's whistleblowing function Raise Your Concern ensures that all stakeholders, including customers, partners, affected communities as well as employees, have the right to speak up and always feel safe in doing so if they have concerns about suspected misconduct such as breaches of human rights, or irregularities such as fraudulent, inappropriate, dishonest, illegal or negligent activity or behaviour in operations, products or services.

This includes any action that constitutes a violation of laws or regulations or of Nordea's internal policies, instructions or guidelines.

Reporting can be made orally or in writing and Nordea ensures that all reporting is treated with the strictest confidentiality. It is also possible to report anonymously via the electronic reporting channel WhistleB, which is managed by an external party.

Responsible taxpayer

Nordea's tax policy is constituted by the Group CEO Instructions on Tax, which define Nordea's overall tax governance, including roles and responsibilities in connection with tax charges and related reporting to the tax authorities. Nordea is a substantial corporate income taxpayer in its main countries of operation – Denmark, Finland, Norway and Sweden – and pays corporate income tax, social security contributions and bank levies, i.e. contributions to deposit guarantee schemes

Non-financial statement, cont.

and resolution funds, in all its countries of operation in line with applicable laws. For more information about tax payments, see pages 349–350 in the Sustainability notes.

EU taxonomy disclosures

EU taxonomy supporting the transition

The EU taxonomy, Regulation (EU) 2020/852, together with supplementing delegated acts, defines environmentally sustainable economic activities. The environmentally sustainable activities are based on technical screening criteria (TSC), which include criteria of when an activity significantly contributes to one of the EU's climate and environmental objectives while at the same time not significantly harming any of the other objectives. In addition, minimum social safeguard requirements must be met.

Eligible activities are those identified in the EU taxonomy, with the potential to meet the TSC. Taxonomy eligibility of an economic activity does not give any indication of the environmental performance and sustainability of that activity. Identifying taxonomy-eligible economic activities is the first step towards Nordea and customers assessing the alignment of economic activities with the TSC, and the EU taxonomy eligibility disclosures serve to help prepare for future alignment disclosures. The proportion of EU taxonomy-aligned assets and investments will likely increase over time as data quality, coverage and accessibility improve. It will also be impacted by a widened scope of the EU taxonomy and companies' transitioning towards alignment with the EU taxonomy criteria.

Nordea has made sustainability an integral part of its business strategy and in 2021 introduced new measurable long-term and medium-term objectives and 2023–2025 targets, for instance, to increase facilitation in sustainable financing. An integral part of Nordea's strategy is to engage with customers and investees on sustainability topics as well as to enable customers to make sustainable choices and to transition to a more sustainable lifestyle and business model. The products and solutions offered by Nordea are a strategic component to supporting its customers' transition journey, and Nordea educates its advisers to allow customers to find sustainable offerings in accordance with their sustainability preferences.

Nordea is adjusting the requirements for both its investment product providers and its own investment products, including updating pre-contractual disclosures and periodic reporting according to the EU taxonomy requirements. In 2022 Nordea made small revisions to its Green Funding Framework (can be found at nordea.com/investors), including hydrogen production and hydrogen vehicles in Nordeas green asset categories, basing the criteria on the EU taxonomy criteria for significant contribution. This is similar to the 2021 update where green covered bond content and green covered asset categories based on the EU taxonomy criteria for significant contribution were added. Nordea will continue to analyse options for further alignment of its frameworks with the EU taxonomy and to prepare for the EU Green Bond Standard.

Nordea's approach

During 2022 Nordea continued its work on interpreting the EU taxonomy requirements and further developing its reporting methodology. This includes the creation of a data foundation to structure and store data to assess the EU taxonomy eligibility of its exposures, as well as building a foundation for the upcoming reporting on alignment. Nordea's disclosure approach for 2022 reflects its understanding and interpretation of the EU taxonomy requirements and the guidance from the Commission pending the development of common standards and approaches.

Data and methodology

Nordea's EU taxonomy disclosures for 2022 relate to exposures to taxonomy-eligible and non-eligible assets. The disclosures only cover the two first environmental objectives, climate change mitigation and climate change adaptation, as no delegated act with the four remaining environmental objectives has been adopted. The assets in scope for disclosures for 2022 and which have been assessed for eligibility are mortgages, renovation loans and car loans (granted after 1 January 2022) to households as well as exposures to undertakings falling under the Non-Financial Reporting Directive (NFRD), in the following referred to as "NFRD undertakings". The reporting is based on data originating from Nordea's internal core banking systems as well as NFRD undertakings' disclosed taxonomy eligibility KPIs.

The eligibility of the exposures to NFRD undertakings is based on the undertakings' disclosed eligibility KPIs for the financial year 2021. For non-financial NFRD undertakings, the exposure has been weighted to the undertakings' share of eligible turnover. This KPI is considered to be the most relevant to the nature of Nordea's exposures which are assessed as general purpose loans. For financial NFRD undertakings´, Nordea's exposures have been weighted to the undertakings´ proportion of exposures to taxonomy non-eligible and taxonomy-eligible economic assets within their covered assets. Exposures to NFRD undertakings which have not yet publicly disclosed their KPIs and Norwegian undertakings for which disclosures are not yet mandatory are not included in the table below.

The Complementary Delegated Act, which includes activities related to the nuclear and gas sectors, was adopted by the European Commission in 2022 and entered into force on 1 January 2023. Nordea's assessment of the eligibility of exposures for the financial year 2022 is based on disclosed eligibility KPIs for the financial year 2021, and these KPIs do not include activities under the Complementary Delegated Act. Hence, Nordea's taxonomy disclosures for the financial year 2022 do not include information required under the Complementary Delegated Act.

Disclosures include subsidiaries on a prudential consolidated basis as per the Disclosure Delegated Act (EU) 2021/2178 Annex V, 1.1.1. Exposures to Nordea Life & Pension are therefore considered in line with the equity method. Since Nordea Life & Pension is not an NFRD company, the exposures are not assessed for eligibility in Nordea's taxonomy disclosures for 2022. As the EU taxonomy disclosures for 2022 include assets on the balance sheet only, assets related to Nordea Asset Management are not included for 2022.

The numbers may change over time as Nordea gets access to more customer-specific data for assessing the eligibility of household mortgages, car loans and renovation loans. As more companies report in line with the NFRD, Nordea expects the disclosed exposure to EU taxonomy-eligible assets to increase.

Non-financial statement, cont.

EU taxonomy disclosures 2022

Assets[1]	Exposures in EURm	Proportion of covered assets, %[2]	Proportion of total assets, %
Taxonomy-eligible assets[3]	183,042	46	35
Eligible assets related to households	170,420	42	32
Mortgages and renovation loans	168,193	42	32
Car loans[4]	2,227	1	0
Eligible assets related to NFRD undertakings	12,621	3	2
Non-financial NFRD undertakings[5]	2,198	1	0
Financial NFRD undertakings	10,424	3	2
Taxonomy non-eligible assets[6]	18,526	5	3
Assets related to NFRD undertakings which have not disclosed taxonomy data	6,198	2	1
Assets related to other loans to households[7]	8,608	2	2
Derivatives	36,471	9	7
Assets related to non-NFRD undertakings[8]	141,494	35	27
On demand interbank loans	848	0	0
Other assets[9]	6,968	2	1
Assets related to central governments, central banks, supranationals	86,303		16
Trading portfolio	40,899		8

1) Disclosures include subsidiaries on a prudential consolidated basis as per the Disclosure Delegated Act (EU) 2021/2178 Annex V, 1.1.1.
2) Total assets as per balance sheet, excluding assets related to governments, central banks and supranational issuers and trading portfolio.
3) Mortgages, renovation loans and car loans to households as well as exposures to NFRD undertakings.
4) Car loans granted after 1 January 2022.
5) The eligible amount is based on the turnover KPI of the non-financial NFRD undertaking.
6) Taxonomy non-eligible assets are only assessed for assets related to NFRD undertakings which have disclosed their KPIs. For assets related to non-financial NFRD undertakings, the non-eligible amount is based on the turnover KPI of the undertaking.
7) Household loans excluding household mortgages, renovation loans and car loans.
8) Non-NFRD undertakings=entities not obliged to report according to the NFRD.
9) Tangible assets, intangible assets, tax assets and other assets.

Nordea's EU taxonomy disclosures for 2022 reflect the increase in scope of assets which have been assessed for eligibility compared with 2021. The EU taxonomy disclosures for 2021 only included household mortgages. The disclosures for 2022 also include renovation loans and car loans (granted after 1 January 2022) to households as well as exposures to NFRD undertakings which have disclosed their taxonomy KPIs. However, as the total exposure to these added assets accounts for an insignificant proportion of Nordea's covered and total assets, the increase in the proportion of covered and total assets which are taxonomy eligible in 2022 is insignificant compared with 2021.

During 2022 Nordea improved its methodology to identify NFRD undertakings, adding criteria for when an undertaking should be identified as an NFRD undertaking. Exposures to NFRD undertakings were not assessed for eligibility in 2021, but the total exposure was included in the EU taxonomy disclosures. As the new methodology has an improved and more narrow definition of an NFRD undertaking, the total exposure to NFRD undertakings decreased from EUR 104,187m in 2021 to EUR 37,345 in 2022. Only undertakings that disclosed taxonomy data in 2021 (EUR 31,147m) were assessed for eligibility in 2022.

Additional voluntary disclosures relating to the EU taxonomy

In order to expand the understanding of the eligibility proportion of its assets, Nordea has estimated the eligibility of exposures to NFRD undertakings which have not yet publicly disclosed their KPIs and to all Norwegian undertakings. For Norwegian undertakings, the assessment is based either on an estimate in line with the methodology described below or, where available, on the voluntarily disclosed turnover eligibility KPI. These exposures of eligible and non-eligible assets have been added to the list of assets in the estimated eligibility disclosures for 2022, as presented in the table below. It is Nordea's expectation that the estimates will be replaced by actual information over time as more NFRD undertakings start to report their eligibility and alignment with the EU taxonomy.

Data and methodology

The estimates are based on a combined approach, looking at NACE codes and an expected coverage provided by the EU Commission Joint Research Centre (JRC). If activities in the EU taxonomy refer to NACE codes, the description of the activity has been compared with the corresponding official NACE code description. If the description of the activity corresponds well with the official NACE code description, the exposure to customers registered with the corresponding NACE code (as self-reported to national company registers) has been included in full as eligible. It should be noted that such correspondence applies only to a small portion of the identified assets.

If the official NACE code description and the description of the activity in the EU taxonomy do not correspond well, or if the EU taxonomy only provides examples of NACE codes to identify eligible activities, an expected alignment coverage provided by the JRC has been applied. For instance, the JRC proxy is applied to activities within the manufacturing sector since NACE codes within this sector also include a wide range of economic activities outside the designated scope of the EU taxonomy. The estimates do not include activities under the Complementary Delegated Act.

By using this combined approach, Nordea aims to better reflect the nature of its exposures and avoid overstating the share of eligible assets. Nevertheless, the approach has certain limitations. The NACE code reported by a customer may not reflect all of their business activities correctly as companies may engage in a wider range of activities than indicated by the NACE code. Thus, the applied NACE proxy per customer may under- or overestimate the eligibility of that customer's activities. Furthermore, the JRC proxy is a proxy intended for alignment, not eligibility, which is likely to contribute to an underestimation of the eligibility ratio. Additionally, the JRC proxy only considers eligible activities with the potential to contribute to climate change mitigation, not climate change adaptation. When estimating taxonomy-eligible assets of NFRD undertakings, due to the nature of the methodology, only turnover has been considered and not CAPEX.

Non-financial statement, cont.

Estimated eligibility disclosures 2022[1]

Assets[3]	Exposures in EURm	Proportion of covered assets, %[2]	Proportion of total assets, %
Taxonomy-eligible assets	183 042	46	35
Eligible assets related to households	170 420	42	32
Mortgages and renovation loans	168 193	42	32
Car loans[4]	2 227	1	0
Eligible assets related to NFRD undertakings	12 621	3	2
Non-financial NFRD undertakings[5]	2 198	1	0
Financial NFRD undertakings	10 424	3	2
Taxonomy non-eligible assets[6]	18 526	5	3
Estimated taxonomy-eligible assets[7]	824	0	0
Estimated taxonomy non-eligible assets	5 374	1	1
Assets related to other loans to households[8]	8 608	2	2
Derivatives	36 471	9	7
Assets related to non-NFRD undertakings[9]	141 494	35	27
On demand interbank loans	848	0	0
Other assets[10]	6 968	2	1
Assets related to central governments, central banks, supranationals	86 303		16
Trading portfolio	40 899		8

1) Disclosures include subsidiaries on a prudential consolidated basis as per the Disclosure Delegated Act (EU) 2021/2178 Annex V, 1.1.1.
2) Total assets as per balance sheet, excluding assets related to governments, central banks and supranational issuers and trading portfolio.
3) Mortgages, renovation loans and car loans to households as well as exposures to NFRD.
4) Car loans granted after 1 January 2022.
5) The eligible amount is based on the turnover KPI of the non-financial NFRD undertaking.
6) Taxonomy non-eligible assets are only assessed for assets related to NFRD undertakings which have disclosed their KPIs. For assets related to non-financial NFRD undertakings, the non-eligible amount is based on the turnover KPI of the undertaking.
7) Based on proxies for eligible activities for NFRD undertakings.
8) Household loans excluding household mortgages, renovation loans and car loans.
9) Non-NFRD undertakings=entities not obliged to report according to the NFRD.
10) Tangible assets, intangible assets, tax assets and other assets.

Proposed distribution of earnings

On 31 December 2022 Nordea Bank Abp's distributable earnings, including profit for the financial year – after subtracting capitalised development expenses – were EUR 17,299,560,244.30[1] and other unrestricted equity amounted to EUR 4,592,781,450.93.

The Board of Directors proposes that the 23 March 2023 Annual General Meeting (AGM) authorise it to decide on a dividend payment of a maximum of EUR 0.80 per share. The payment would be distributed based on the annual accounts to be adopted for the financial year ended 31 December 2022 and the authorisation would remain in force until the beginning of the next AGM.

The dividend would be paid from retained earnings. After a maximum dividend payout of EUR 2,886,957,606.00, corresponding to approximately 70% of the net profit for the year, an amount of EUR 14,412,602,638.30 would be carried forward as distributable retained earnings. Dividend will not be paid to shares held by Nordea on the dividend record date.

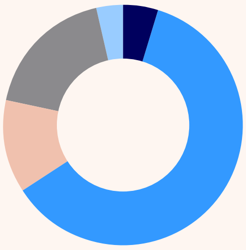
It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands with respect to the size of the Company's and the Group's equity, which are imposed by the nature, scope and risks, associated with the business, and the Company's and the Group's need for consolidation, liquidity and financial position in general.

For information on changes in the financial position of Nordea Bank Abp since the end of the financial period, see "Events after the financial period" below. No other significant events or material changes have taken place in the financial position of the Company since the end of the financial period and the proposed dividend does not compromise the Company's solvency.

According to the parent company's balance sheet as at 31 December 2022 the unrestricted equity amounted to:

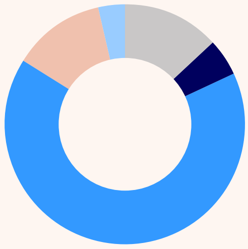
EUR	
Invested unrestricted equity	1,082,478,047.15
Retained earnings[1]	13,344,239,556.39
Other free funds	2,762,284,827.88
Net profit for the year	3,955,320,687.91
Additional Tier 1 capital holders	748,018,575.90
Total	**21,892,341,695.23**

1) Capitalised development costs of EUR 1,495,740,350.20 have been subtracted from retained earnings.



The Board of Directors proposes that earnings be distributed as follows (calculated based on the maximum dividend of EUR 2,886,957,606.00):

EUR	
Dividend paid to shareholders	2,886,957,606.00
Invested unrestricted equity	1,082,478,047.15
Retained earnings[1]	14,412,602,638.30
Other free funds	2,762,284,827.88
Additional Tier 1 capital holders	748,018,575.90
Total	**21,892,341,695.23**



The dividend will be paid to shareholders who on the record date for dividend payment are recorded in Nordea's shareholders' register maintained by Euroclear Finland Oy in Finland, Euroclear Sweden AB in Sweden and VP Securities A/S in Denmark.

Events after the financial period

Share buy-backs and share cancellations

After 31 December 2022 Nordea has further acquired 25,740,252 shares, which correspond to a EUR 279,897,341.84 reduction of retained earnings, under its third share buy-back programme that started on 20 July 2022 and will end no later than 29 March 2023.

Aggregated amounts of 11,925,310 and 14,760,027 treasury shares, which were held for capital optimisation purposes and acquired through share buy-backs, were cancelled in January and February, respectively. After the cancellations, the total number of shares in Nordea is 3,627,595,959.

Glossary

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

Allowances in relation to loans in stages 1 and 2
Allowances for non-impaired loans (stages 1 and 2) divided by non-impaired loans measured at amortised cost (stages 1 and 2) before allowances.

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

Cost-to-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
Economic capital is Nordea's internal estimate of required capital. It measures the capital required to cover unexpected losses in the course of Nordea's business with a certain probability. Economic capital uses advanced internal models to provide a consistent measurement for credit risk, market risk, operational risk, business risk and life insurance risk arising from activities in Nordea's various business areas.

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

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.

Equity ratio
Total equity as a percentage of total assets at end of the year.

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

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

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

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

Own funds
Own funds include the sum of 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 assets
Net profit for the year as a percentage of total assets at end of the year.

Return on capital at risk
Return on capital at risk (ROCAR) is defined as net profit excluding items affecting comparability as a percentage of economic capital. For the business areas it is defined as operating profit after standard tax as a percentage of economic capital.

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

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

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

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

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

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

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

Financial statements
Nordea Group

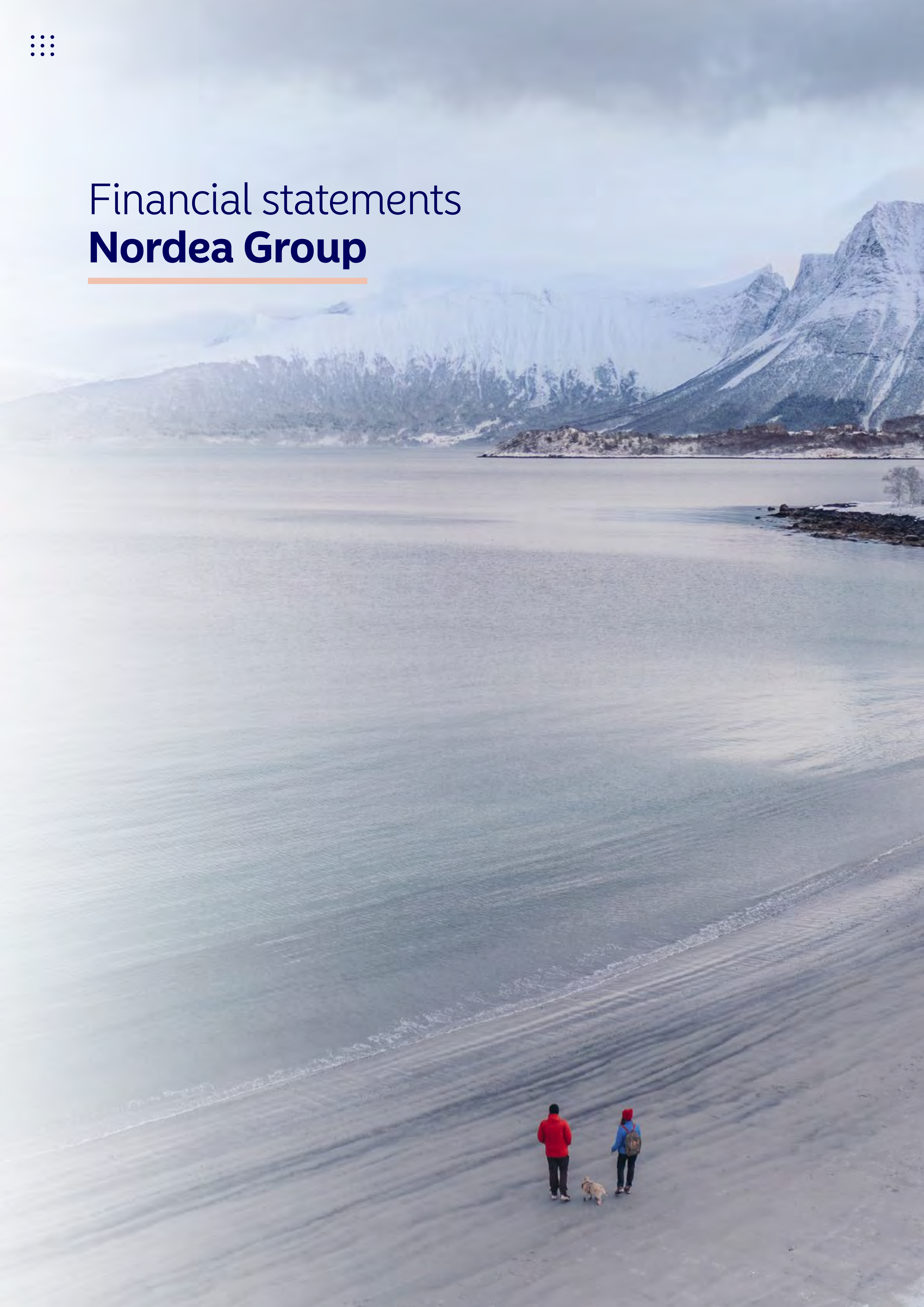


Table of **Contents**

Income statement

EURm	Note	2022	2021
Operating income			
Interest income calculated using the effective interest rate method		7,937	5,116
Other interest income		1,013	784
Negative yield on financial assets		-134	-219
Interest expense		-3,474	-1,167
Negative yield on financial liabilities		322	411
Net interest income	G2.2	**5,664**	**4,925**
Fee and commission income		4,278	4,472
Fee and commission expense		-942	-977
Net fee and commission income	G2.3	**3,336**	**3,495**
Net result from items at fair value	G2.4	721	1,119
Profit or loss from associated undertakings and joint ventures accounted for under the equity method	G9.3	-8	-6
Other operating income	G2.5	83	87
Total operating income		**9,796**	**9,620**
Operating expenses			
General administrative expenses:			
Staff costs	G8.1	-2,835	-2,759
Other expenses	G2.6	-1,135	-1,002
Regulatory fees	G2.7	-322	-224
Depreciation, amortisation and impairment charges of tangible and intangible assets	G2.8	-611	-664
Total operating expenses		**-4,903**	**-4,649**
Profit before loan losses		**4,893**	**4,971**
Net result on loans in hold portfolios mandatorily held at fair value	G2.4	-13	83
Net loan losses	G2.9	-112	-118
Operating profit		**4,768**	**4,936**
Income tax expense	G2.10	-1,173	-1,105
Net profit for the year		**3,595**	**3,831**
Attributable to:			
Shareholders of Nordea Bank Abp		3,576	3,805
Additional Tier 1 capital holders		21	26
Non-controlling interests		-2	–
Total		**3,595**	**3,831**
Basic earnings per share, EUR	G2.11	0.95	0.95
Diluted earnings per share, EUR	G2.11	0.95	0.95

Statement of comprehensive income

EURm	Note	2022	2021
Net profit for the year		3,595	3,831
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Currency translation differences		-757	160
Currency translation differences transferred to the income statement		660	–
Tax on currency translation differences		-4	-2
Hedging of net investments in foreign operations:	G3.6		
Valuation gains/losses		183	-1
Valuation gains losses transferred to the income statement, net of tax		-131	–
Fair value through other comprehensive income[1]:	G3.3		
Valuation gains/losses		-121	55
Tax on valuation gains/losses		24	-11
Transferred to the income statement		-56	-17
Tax on transfers to the income statement		12	3
Cash flow hedges:	G3.6		
Valuation gains/losses		1,343	43
Tax on valuation gains/losses		-270	-3
Transferred to the income statement		-1,301	7
Tax on transfers to the income statement		262	-7
Items that may not be reclassified subsequently to the income statement			
Changes in own credit risk related to liabilities classified as fair value option:	G3.3		
Valuation gains/losses		7	-2
Tax on valuation gains/losses		-2	1
Defined benefit plans:	G8.2		
Remeasurement of defined benefit plans		-40	49
Tax on remeasurement of defined benefit plans		8	-9
Companies accounted for under the equity method:	G9.3		
Other comprehensive income from companies accounted for under the equity method		1	0
Tax on other comprehensive income from companies accounted for under the equity method		0	0
Other comprehensive income, net of tax		**-182**	**266**
Total comprehensive income		**3,413**	**4,097**
Attributable to:			
Shareholders of Nordea Bank Abp		3,394	4,071
Additional Tier 1 capital holders		21	26
Non-controlling interests		-2	–
Total		**3,413**	**4,097**

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 2022	31 Dec 2021
Assets	G3.3		
Cash and balances with central banks		61,815	47,495
Loans to central banks	G3.7	885	409
Loans to credit institutions	G3.7	4,573	1,983
Loans to the public	G3.7	345,743	345,050
Interest-bearing securities	G3.8	63,524	63,383
Financial instruments pledged as collateral	G3.9	4,902	1,668
Shares	G3.10	17,924	15,217
Assets in pooled schemes and unit-linked investment contracts	G3.11	41,645	46,912
Derivatives	G3.12	36,578	30,200
Fair value changes of hedged items in portfolio hedges of interest rate risk	G3.6	-2,116	-65
Investments in associated undertakings and joint ventures	G9.3	509	207
Intangible assets	G5.1	4,044	3,784
Properties and equipment	G5.2	1,673	1,745
Investment properties	G5.3	2,455	1,764
Deferred tax assets	G2.10	165	218
Current tax assets	G2.10	211	272
Retirement benefit assets	G8.2	165	221
Other assets		9,380	8,830
Prepaid expenses and accrued income		769	880
Assets held for sale	G9.5	–	180
Total assets		**594,844**	**570,353**
Liabilities	G3.3		
Deposits by credit institutions	G3.13	32,869	26,961
Deposits and borrowings from the public	G3.14	217,464	205,801
Deposits in pooled schemes and unit-linked investment contracts	G3.11	42,776	48,201
Liabilities to policyholders	G4	27,598	19,595
Debt securities in issue	G3.15	179,803	176,365
Derivatives	G3.12	40,102	31,485
Fair value changes of hedged items in portfolio hedges of interest rate risk	G3.6	-2,175	101
Current tax liabilities	G2.10	303	354
Other liabilities	G3.16	16,804	18,485
Accrued expenses and prepaid income		1,224	1,334
Deferred tax liabilities	G2.10	622	535
Provisions	G6	351	414
Retirement benefit liabilities	G8.2	298	369
Subordinated liabilities	G3.17	5,401	6,850
Total liabilities		**563,440**	**536,850**
Equity	G10.1		
Additional Tier 1 capital holders		748	750
Non-controlling interests		–	9
Share capital		4,050	4,050
Invested unrestricted equity		1,082	1,090
Other reserves		-1,984	-1,801
Retained earnings		27,508	29,405
Total equity		**31,404**	**33,503**
Total liabilities and equity		**594,844**	**570,353**

Statement of changes in equity

2022

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3,4]	Cash flow hedges[4]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance as at 1 Jan 2022		4,050	1,090	-1,863	30	121	-77	-12	29,405	32,744	750	9	33,503
Net profit for the year		–	–	–	–	–	–	–	3,576	3,576	21	-2	3,595
Items that may be reclassified subsequently to the income statement													
Currency translation differences		–	–	-757	–	–	–	–	–	-757	–	–	-757
Currency translation differences transferred to the income statement		–	–	660	–	–	–	–	–	660	–	–	660
Tax on currency translation differences		–	–	-4	–	–	–	–	–	-4	–	–	-4
Hedging of net investments in foreign operations:	G3.6												
Valuation gains/losses		–	–	183	–	–	–	–	–	183	–	–	183
Valuation gains/losses transferred to the income statement, net of tax		–	–	-131	–	–	–	–	–	-131	–	–	-131
Fair value through other comprehensive income:	G3.3												
Valuation gains/losses		–	–	–	–	-121	–	–	–	-121	–	–	-121
Tax on valuation gains/losses		–	–	–	–	24	–	–	–	24	–	–	24
Transferred to the income statement		–	–	–	–	-56	–	–	–	-56	–	–	-56
Tax on transfers to the income statement		–	–	–	–	12	–	–	–	12	–	–	12
Cash flow hedges:	G3.6												
Valuation gains/losses		–	–	–	1,343	–	–	–	–	1,343	–	–	1,343
Tax on valuation gains/losses		–	–	–	-270	–	–	–	–	-270	–	–	-270
Transferred to the income statement[2]		–	–	–	-1,301	–	–	–	–	-1,301	–	–	-1,301
Tax on transfers to the income statement[2]		–	–	–	262	–	–	–	–	262	–	–	262

Statement of changes in equity, cont.

2022

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3,4]	Cash flow hedges[4]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Items that may not be reclassified subsequently to the income statement													
Changes in own credit risk related to liabilities classified as fair value option:	G3.3												
Valuation gains/losses		–	–	–	–	–	–	7	–	7	–	–	7
Tax on valuation gains/losses		–	–	–	–	–	–	-2	–	-2	–	–	-2
Defined benefit plans:	G8.2												
Remeasurement of defined benefit plans		–	–	–	–	–	-40	–	–	-40	–	–	-40
Tax on remeasurement of defined benefit plans		–	–	–	–	–	8	–	–	8	–	–	8
Companies accounted for under the equity method:	G9.3												
Other comprehensive income from companies accounted for under the equity method		–	–	–	–	–	–	–	1	1	–	–	1
Tax on other comprehensive income from companies accounted for under the equity method		–	–	–	–	–	–	–	0	0	–	–	0
Other comprehensive income, net of tax		–	–	-49	34	-141	-32	5	1	-182	–	–	-182
Total comprehensive income		–	–	-49	34	-141	-32	5	3,577	3,394	21	-2	3,413
Paid interest on Additional Tier 1 capital[5]	G10.1	–	–	–	–	–	–	–	–	–	-21	–	-21
Change in Additional Tier 1 capital holders	G10.1	–	–	–	–	–	–	–	–	–	-2	–	-2
Share-based payments	G8.3	–	–	–	–	–	–	–	14	14	–	–	14
Dividend[6]		–	–	–	–	–	–	–	-2,655	-2,655	–	–	-2,655
Sale/purchase of own shares[7]		–	3	–	–	–	–	–	-2,844	-2,841	–	–	-2,841
Other changes		–	-11	–	–	–	–	–	11	–	–	–	–
Change in non-controlling interests		–	–	–	–	–	–	–	–	–	–	-7	-7
Balance as at 31 Dec 2022		4,050	1,082	-1,912	64	-20	-109	-7	27,508	30,656	748	–	31,404

1) The total number of shares registered was 3,654 million. The number of own shares was 13.4 million, representing 0.4% of the total number of shares in Nordea. Each share carries one voting right.
2) Transferred to the income statement as this is affected by the hedged items.
3) Relates to foreign exchange risk. Of the balance as at 31 December 2022, EUR 717m related to hedging relationships for which hedge accounting is applied and EUR –m related to hedging relationships for which hedge accounting is no longer applied.
4) For more detailed information, see Note G3.6 "Hedge accounting".
5) Consists of interest paid and related tax effect on Additional Tier 1 capital.
6) Dividends recognised as distributions to owners amounted to EUR 0.69 per share.
7) The change in the holding of own shares related to treasury shares held for remuneration purposes and to the trading portfolio was accounted for as an increase in "Invested unrestricted equity". At the end of the year the number of treasury shares held for remuneration purposes was 6.1 million. The separately announced share buy-back amounted to EUR 2,839m and was accounted for as a reduction in "Retained earnings". The transaction cost in relation to the share buy-back amounted to EUR 5m.

Statement of changes in equity, cont.

2021

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3,4]	Cash flow hedges[4]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance as at 1 Jan 2021		4,050	1,063	-2,020	-10	91	-117	-11	29,937	32,983	748	9	33,740
Net profit for the year		–	–	–	–	–	–	–	3,805	3,805	26	–	3,831
Items that may be reclassified subsequently to the income statement													
Currency translation differences		–	–	160	–	–	–	–	–	160	–	–	160
Tax on currency translation differences		–	–	-2	–	–	–	–	–	-2	–	–	-2
Hedging of net investments in foreign operations:	G3.6												
Valuation gains/losses		–	–	-1	–	–	–	–	–	-1	–	–	-1
Fair value through other comprehensive income:	G3.3												
Valuation gains/losses		–	–	–	–	55	–	–	–	55	–	–	55
Tax on valuation gains/losses		–	–	–	–	-11	–	–	–	-11	–	–	-11
Transferred to the income statement		–	–	–	–	-17	–	–	–	-17	–	–	-17
Tax on transfers to the income statement		–	–	–	–	3	–	–	–	3	–	–	3
Cash flow hedges:	G3.6												
Valuation gains/losses		–	–	–	43	–	–	–	–	43	–	–	43
Tax on valuation gains/losses		–	–	–	-3	–	–	–	–	-3	–	–	-3
Transferred to the income statement[2]		–	–	–	7	–	–	–	–	7	–	–	7
Tax on transfers to the income statement[2]		–	–	–	-7	–	–	–	–	-7	–	–	-7

Statement of changes in equity, cont.

2021

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3,4]	Cash flow hedges[4]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Items that may not be reclassified subsequently to the income statement													
Changes in own credit risk related to liabilities classified as fair value option:	G3.3												
Valuation gains/losses		–	–	–	–	–	–	-2	–	-2	–	–	-2
Tax on valuation gains/losses		–	–	–	–	–	–	1	–	1	–	–	1
Defined benefit plans:	G8.2												
Remeasurement of defined benefit plans		–	–	–	–	–	49	–	–	49	–	–	49
Tax on remeasurement of defined benefit plans		–	–	–	–	–	-9	–	–	-9	–	–	-9
Companies accounted for under the equity method:	G9.3												
Other comprehensive income from companies accounted for under the equity method		–	–	–	–	–	–	–	0	0	–	–	0
Tax on other comprehensive income from companies accounted for under the equity method		–	–	–	–	–	–	–	0	0	–	–	0
Other comprehensive income, net of tax		**–**	**–**	**157**	**40**	**30**	**40**	**-1**	**0**	**266**	**–**	**–**	**266**
Total comprehensive income		**–**	**–**	**157**	**40**	**30**	**40**	**-1**	**3,805**	**4,071**	**26**	**–**	**4,097**
Paid interest on Additional Tier 1 capital	G10.1	–	–	–	–	–	–	–	–	–	-26	–	-26
Change in Additional Tier 1 capital holders	G10.1	–	–	–	–	–	–	–	–	–	2	–	2
Share-based payments	G8.3	–	–	–	–	–	–	–	18	18	–	–	18
Dividend[5]		–	–	–	–	–	–	–	-3,192	-3,192	–	–	-3,192
Sale/purchase of own shares[6]		–	27	–	–	–	–	–	-1,163	-1,136	–	–	-1,136
Change in non-controlling interests		–	–	–	–	–	–	–	–	–	–	0	0
Balance as at 31 Dec 2021		**4,050**	**1,090**	**-1,863**	**30**	**121**	**-77**	**-12**	**29,405**	**32,744**	**750**	**9**	**33,503**

1) The total number of shares registered was 3,966 million. The number of own shares was 32.8 million, representing 0.8% of the total number of shares in Nordea. Each share carries one voting right.
2) Transferred to the income statement as this is affected by the hedged items.
3) Relates to foreign exchange risk. Of the balance as at 31 December 2021, EUR 638m related to hedging relationships for which hedge accounting is applied and EUR –m related to hedging relationships for which hedge accounting is no longer applied.
4) For more detailed information see, Note G3.6 "Hedge accounting".
5) Dividends recognised as distributions to owners amounted to EUR 0.79 per share.
6) The change in the holding of own shares related to treasury shares held for remuneration purposes and to the trading portfolio was accounted for as an increase in "Invested unrestricted equity". At the end of the year the number of treasury shares held for remuneration purposes was 7.1 million. The separately announced share buy-back amounted to EUR 1,160m and was accounted for as a reduction in "Retained earnings". The transaction cost in relation to the share buy-back amounted to EUR 3m.

Cash flow statement[1]

EURm	Note	2022	2021
Operating activities			
Operating profit		4,768	4,936
Adjustment for items not included in cash flow	G10.2	-7,063	2,263
Income taxes paid	G2.10	-976	-759
Cash flow from operating activities before changes in operating assets and liabilities		**-3,271**	**6,440**
Changes in operating assets			
Change in loans to central banks	G3.7	-485	308
Change in loans to credit institutions	G3.7	-2,585	1,450
Change in loans to the public	G3.7	-12,271	-14,770
Change in interest-bearing securities	G3.8	7,832	98
Change in financial assets pledged as collateral	G3.9	-3,332	2,135
Change in shares	G3.10	1,865	-2,360
Change in derivatives, net	G3.12	-2,214	-2,474
Change in investment properties	G5.3	179	-354
Change in other assets		-176	915
Dividends received from associates	G9.3	8	13
Changes in operating liabilities			
Change in deposits by credit institutions	G3.13	6,081	2,823
Change in deposits and borrowings from the public	G3.14	18,365	22,543
Change in liabilities to policyholders	G4	-1,567	3,319
Change in debt securities in issue	G3.15	10,585	807
Change in other liabilities	G3.16	2,961	-3,301
Cash flow from operating activities		**21,975**	**17,592**
Investing activities			
Acquisition of business operations[2]		-254	–
Sale of business operations		–	7
Acquisition of associated undertakings and joint ventures	G9.3	-19	-3
Sale of associated undertakings	G9.3	–	5
Acquisition of property and equipment	G5.2	-61	-34
Sale of property and equipment	G5.2	49	29
Acquisition of intangible assets	G5.1	-344	-384
Cash flow from investing activities		**-629**	**-380**
Financing activities			
Issued subordinated liabilities	G3.17	–	2,810
Amortised subordinated liabilities	G3.17	-939	-3,247
Sale/repurchase of own shares incl. change in trading portfolio		-2,841	-1,136
Dividend paid		-2,655	-3,192
Paid interest on Additional Tier 1 capital		-26	-26
Principal portion of lease payments		-123	-140
Cash flow from financing activities		**-6,584**	**-4,931**
Cash flow for the year		**14,762**	**12,281**
Cash and cash equivalents at beginning of year		48,628	36,203
Translation differences		-513	144
Cash and cash equivalents at end of year		62,877	48,628
Change		**14,762**	**12,281**

1) For accounting policies, see Note G10.2 "Additional disclosures on the cash flow statement".
2) Acquisition of business operations in 2022 related to the acquisition of Topdanmark Life. The net impact on cash flows of EUR -254m consists of the preliminary purchase price paid of EUR 283m, less acquired cash of EUR 29m. See Note G9.6 "Acquisitions" for more information.

G1 Accounting policies

Corporate information

Nordea Bank Abp, together with its consolidated subsidiaries (the Nordea Group), is a leading universal bank in the Nordic markets. The parent company, Nordea Bank Abp, is organised under the laws of Finland with its head office located in Helsinki, Finland. Nordea Bank Abp's ordinary shares are listed on Nasdaq Nordic, the stock exchanges in Helsinki (in euro), Stockholm (in Swedish kronor) and Copenhagen (in Danish kroner) and its American Depository Receipts are traded in the US in US dollars.

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

Corporate information	
Name of reporting entity:	Nordea Bank Abp (Business ID 2858394-9)
Domicile of entity:	Helsinki, Finland
Legal form of entity:	Public limited company
Country of incorporation:	Finland
Address of entity's registered office:	Hamnbanegatan (Satamaradankatu) 5, FI-00020, Nordea, Helsinki, Finland
Principal place of business:	Nordic markets
Description of nature of entity's operations and principal activities:	Banking and financial products and services to household and corporate customers, including financial institutions.
Name of parent entity:	Nordea Bank Abp

Basis of presentation

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

The disclosures, required under the standards, recommendations and legislation above, have been included in the notes or in other parts of the financial statements.

On 22 February 2023 the Board of Directors approved the financial statements, subject to final adoption by the Annual General Meeting on 23 March 2023.

The accounting policies, methods of computation and presentations are unchanged in comparison with the Annual Report 2021, except for the items presented in "Changed accounting policies and presentation" below.

All amounts are in euro million unless otherwise stated.

Changed accounting policies and presentation

New accounting policies and presentation were implemented during 2022. Their impact on Nordea's financial statements is described below.

Changed presentation of regulatory fees

In 2022 Nordea began presenting resolution fees and the Swedish bank tax separately in the new line item "Regulatory fees" in the income statement. The earlier policy was to present similar expenses in the line item "Other expenses". The new presentation provides a more transparent view of Nordea's underlying performance and the impact of regulatory fees. Resolution fees will continue to be recognised in full in the first quarter, while the Swedish bank tax will be amortised linearly over the course of the year. Comparative figures have been restated accordingly and the impact can be found in the table below.

	Full year 2022		
EURm	**Old policy**	**Change**	**New policy**
General administrative expenses:			
Other expenses	-1,457	322	-1,135
Regulatory fees	–	-322	-322
Total operating expenses	-4,903	–	-4,903
Impact on EPS/DEPS, EUR		–	

	Full year 2021		
EURm	**Old policy**	**Change**	**New policy**
General administrative expenses:			
Other expenses	-1,226	224	-1,002
Regulatory fees	–	-224	-224
Total operating expenses	-4,649	–	-4,649
Impact on EPS/DEPS, EUR		–	

Changed presentation of hedged items in fair value hedges at micro level

Nordea applies fair value hedge accounting at both micro level (single assets/liabilities or closed portfolios of assets/liabilities where one or more hedged items are hedged using one or more hedging instruments) and macro level (open portfolios where groups of items are hedged using multiple hedging instruments).

As of 2022 Nordea presents fair value changes of hedged items under fair value hedge accounting at micro level in the same balance sheet line item as hedged items instead of, as earlier, in the balance sheet line item "Fair value changes of hedged items in hedges of interest rate risk". Fair value changes of hedged items under fair value hedge accounting at macro level are, as earlier, presented in a separate balance sheet item, which from 2022 has been renamed from "Fair value changes of hedged items in hedges of interest rate risk" to "Fair value changes of hedged items in portfolio hedges of interest rate risk". Comparative figures have been restated accordingly and the impact can be found in the table below.

	31 Dec 2022		
EURm	**Old policy**	**Change**	**New policy**
Debt securities in issue	183,801	-3,998	179,803
Fair value changes of hedged items in portfolio hedges of interest rate risk	–	-2,175	-2,175
Fair value changes of hedged items in hedges of interest rate risk	-6,677	6,677	–
Subordinated liabilities	5,905	-504	5,401
Total liabilities	563,440	–	563,440

G1 Accounting policies, cont.

	31 Dec 2021		
EURm	**Old policy**	**Change**	**New policy**
Debt securities in issue	175,792	573	176,365
Fair value changes of hedged items in portfolio hedges of interest rate risk	–	101	101
Fair value changes of hedged items in hedges of interest rate risk	805	-805	–
Subordinated liabilities	6,719	131	6,850
Total liabilities	536,850	–	536,850

Changed accounting requirements
The IASB has published the following amendments which were implemented by Nordea on 1 January 2022 but have not had any significant impact on Nordea's financial statements:
- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
- Annual improvements to IFRS Standards 2018–2020.

Changes to the Finnish Accounting Act, the Finnish Act on Credit Institutions, the Finnish Financial Supervisory Authority's regulations and guidelines and the Decree of the Finnish Ministry of Finance on the financial statements and consolidated statements of credit institutions and investment firms have not had any significant impact on Nordea's financial statements.

Changes to IFRSs not yet applied
IFRS 17 Insurance Contracts
The IASB has published the new standard IFRS 17 Insurance Contracts. The new standard will change the accounting requirements for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 has been endorsed by the EU and is effective for annual reporting periods beginning on or after 1 January 2023.

The measurement principles will change from a non-uniform accounting policy based on the local accounting policies in the life insurance subsidiaries to a uniform accounting policy based on three measurement models: the general measurement model the variable fee approach and the premium allocation approach. The model application depends on the terms of the contract (long term, long term with a variable fee or short term). The three measurement models include consistent definitions of contractual cash flows, the risk adjustment margin and discounting. These definitions are based on principles similar to those for calculating the technical provisions in the Solvency II Directive. Unearned margins related to premiums from profitable contracts will be recognised as a provision on the balance sheet and released to revenue when the service is provided. Losses related to unprofitable contracts will be recognised in the income statement at initial recognition.

A net carrying amount of EUR 2,106m will be reclassified from insurance to investment contracts at transition (based on insurance liabilities as at year-end 2021). This relates mainly to newer unit-linked endowment contracts where the insurance risk has been assessed to be insignificant.

Nordea will apply all three measurement models, but the variable fee approach will be applied for 99% of the insurance contracts at transition (based on liabilities as at year-end 2021).

Nordea will use the EU carve-out for annual cohorts for two portfolios with a total carrying amount of EUR 6,293m (based on insurance liabilities as at year-end 2021). Nordea will not use the option to disaggregate insurance finance income and expense between profit or loss and other comprehensive income.

Different transition methods will be applied based on the data available at the time of transition (1 January 2022). Nordea does not have enough information to be able to apply the full or modified retrospective approach for the majority of the contracts and will thus apply the fair value approach. The modified retrospective approaches will be applied for the majority of the remaining contracts. Nordea will use the fair value approach for 91% of the insurance contracts (based on liabilities as at year-end 2021). The application of the fair value approach in Nordea will result in a higher contractual service margin compared with the retrospective approaches, and consequently a larger reduction in equity at transition, as the fair value approach generally requires an additional margin that a potential third-party acquirer would require. This margin is not required in the retrospective approaches. It also means that the contractual service margin to be amortised in the future is higher under the fair value approach compared with the retrospective approaches.

The quantitative impact on Nordea's financial statements at transition on 1 January 2022 from implementing IFRS 17 will be a reduction in equity of EUR 573m. This amount also includes a revaluation of bonds previously measured at "Amortised cost" but reclassified to "Fair value through profit or loss" at transition. The impact on the Common Equity Tier 1 capital ratio will be a reduction of 23 bp at transition.

The above descriptions are valid for the insurance contracts held by Nordea at transition on 1 January 2022. Contracts in Topdanmark Life will thus not impact Nordea's transition to IFRS 17.

For more information, see Note G10.6 "Transition to IFRS 17 Insurance Contracts".

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
In 2021 the IASB published amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The amendments require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to taxable and deductible temporary differences of equal amounts. Such a requirement may apply on the initial recognition of a lease liability and the corresponding right-of-use asset at the commencement of a lease. The requirement also applies in the context of decommissioning, restoration and similar liabilities where the corresponding amounts are recognised as part of the cost of the related asset.

The amendments have been endorsed by the EU and are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. The gross deferred tax assets and liabilities will be disclosed but will be set off on the balance sheet if such requirements are met. Nordea's current assessment is that the impact on the gross deferred tax assets and liabilities disclosed in Note G2.10 "Taxes" will amount to approximately to EUR 200m as at 1 January 2023. However, as these amounts are expected to be set off on the balance sheet, it is Nordea's current assessment that the amendment will not have any other significant impact on Nordea's financial statements or on Nordea's capital adequacy in the period of initial application.

Other amendments to IFRS
The IASB has published the following new or amended standards that are assessed not to have any significant impact on Nordea's financial statements or capital adequacy in the period of initial application:

G1 Accounting policies, cont.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current as well as Classification of Liabilities as Current or Non-current –Deferral of Effective Date; and Non-current Liabilities with Covernants
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting estimates
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback.

Critical judgements and estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. The actual outcome can later, to some extent, differ from the estimates and the assumptions made. Such judgements and estimates are disclosed under "Critical judgement and estimation uncertainty" in the relevant notes, including a description 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 amounts of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant impact on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- Net interest income (Note G2.2)
- Total net result from items at fair value (Note G2.4)
- Fair value (Note G3.4)
- Classification and measurement (Note G3.3)
- Recognition and derecognition on the balance sheet (Note G3.1)
- Impairment testing of:
  - Intangible assets (Note G5.1)
  - Loans (Note G3.7)
- Assessment of useful lives of intangible assets (Note G5.1)
- Hedge accounting (Note G3.6)
- Pensions (Note G8.2)
- Insurance contracts (Note G4)
- Investment properties (Note G5.3)
- Leases (Note G5.4)
- Consolidated entities (Note G9.1)
- Taxes (Note G2.10)
- Provisions (Note G6).

Nordea applied critical judgements in the preparation of this annual report due to the uncertainty concerning the potential long-term impact of higher energy and raw material prices and reduced consumer spending in various economic sectors on Nordea's financial statements. Areas particularly important during 2022 were the impairment testing of goodwill and loans to the public/credit institutions.

No impairment of goodwill was identified during 2022, but estimation uncertainty exists in relation to the long-term impact on Nordea's financial statements and the impairment need will be continuously reassessed. Nordea's total goodwill amounted to EUR 2,262m at the end of 2022 and EUR 1,975m at the end of 2021. Cash flows were projected up until the end of 2025 and the long-term growth assumption was used for subsequent periods. For more information about impairment testing of goodwill, see Note G5.1 "Intangible assets"

Critical judgement was also applied in the assessment of when loans had experienced a significant increase in credit risk (staging) and in the application of macro scenarios when estimating the increase in expected credit losses. When calculating allowances for individually significant impaired loans, critical judgement was exercised to estimate the amount and timing of the expected cash flows to be received from the customers under different scenarios, and to value any collateral received. Critical judgement was further applied when assigning the likelihood of the different scenarios occurring. More information on the impairment testing of loans to the public/credit institutions can be found under "Net loan losses and similar net result" on page 40, in Note G3.7 "Loans ", and under "Other information" on page 46. Information on sensitivities to rating and scoring migrations can be found in the section "Sensitivities" in Note G11 "Risk and liquidity management".

Translation of assets and liabilities denominated in foreign currencies

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

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

Exchange differences arising on internal long-term receivables on, or liabilities to, foreign operations for which settlement is neither planned nor likely to occur in the future (i.e. in substance, part of Nordea's net investment in that foreign operation) are recognised in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment. For translation of the financial statements of foreign entities and branches, see Note G9.2 "Currency translation of foreign entities/branches".

Exchange rates

	Jan–Dec 2022	Jan–Dec 2021
EUR 1 = SEK		
Income statement (average)	10.6274	10.1460
Balance sheet (at end of year)	11.1202	10.2913
EUR 1 = DKK		
Income statement (average)	7.4395	7.4370
Balance sheet (at end of year)	7.4365	7.4364
EUR 1 = NOK		
Income statement (average)	10.1023	10.1655
Balance sheet (at end of year)	10.5180	10.0185
EUR 1 = RUB		
Income statement (average)	73.9902	87.1828
Balance sheet (at end of year)	78.5146	85.0140

Changes to group structure

In accordance with its strategy, Nordea is focusing on its business in the Nordic region. This has entailed the Group winding down its operations in Russia. See Note G2.4 "Total net result from items at fair value" for more information. For information about other changes in group structure, see Note G9.6 "Acquisitions".

G2 Financial performance and returns

G2.1 Segment reporting

Accounting policies

An operating segment is a part of Nordea that earns revenues and incurs expenses that are regularly reported to the Chief Operating Decision Maker (CODM) and the reported information is used to make decisions about operating matters.

The measurement principles and allocation between operating segments follow the information reported to the CODM, as required by IFRS 8. At Nordea the CODM has been defined as the Chief Executive Officer (CEO), who is supported by the other members of the Group Leadership Team.

Nordea discloses separately information about each operating segment that has been identified as an operating segment if it exceeds the following quantitative thresholds:

- Segment revenue (internal and external) constitutes 10% or more of the combined revenue (internal and external) of all operating segments.
- Segment profit or loss constitutes 10% or more of the greater, in absolute amount, of:
  - the total profit of all profitable segments, or
  - the total loss of all segments that reported a loss.
- Segment assets amount to 10% or more of the total assets of all operating segments.

Two or more operating segments are aggregated into a single operating segment if the segments have similar economic characteristics and are similar in respect of products and services, production processes, customers, distribution methods and regulations.

Information about other business activities and operating segments that are not reported separately is combined and disclosed separately as "Other operating segments".

Income statement 2022

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Reconciliation	Total Group
Net interest income	2,559	1,940	1,159	169	-95	5,732	-68	5,664
Net fee and commission income	1,215	645	461	1,073	-22	3,372	-36	3,336
Net result from items at fair value	142	386	569	36	95	1,228	-507	721
Profit from associated undertakings accounted for under the equity method	0	1	0	-1	-4	-4	-4	-8
Other income	5	34	16	1	0	56	27	83
Total operating income	**3,921**	**3,006**	**2,205**	**1,278**	**-26**	**10,384**	**-588**	**9,796**
- of which internal transactions[1]	-460	-134	-35	57	572	0	–	–
Staff costs	-594	-400	-325	-439	-112	-1,870	-965	-2,835
Other expenses	-1,142	-727	-372	-104	142	-2,203	1,068	-1,135
Regulatory fees	-101	-92	-124	-5	0	-322	0	-322
Depreciation, amortisation and impairment charges of tangible and intangible assets	-81	-32	-21	-21	-5	-160	-451	-611
Total operating expenses	**-1,918**	**-1,251**	**-842**	**-569**	**25**	**-4,555**	**-348**	**-4,903**
Profit before loan losses	**2,003**	**1,755**	**1,363**	**709**	**-1**	**5,829**	**-936**	**4,893**
Net result on loans in hold portfolios mandatorily held at fair value	-3	-9	0	-1	0	-13	0	-13
Net loan losses	-53	-42	55	-1	-4	-45	-67	-112
Operating profit	**1,947**	**1,704**	**1,418**	**707**	**-5**	**5,771**	**-1,003**	**4,768**
Income tax expense	-448	-392	-326	-163	1	-1,328	155	-1,173
Net profit for the year	**1,499**	**1,312**	**1,092**	**544**	**-4**	**4,443**	**-848**	**3,595**
Balance sheet 31 Dec 2022[2], EURbn								
Loans to the public	175	100	54	12	–	341	5	346
Deposits and borrowings from the public	88	57	53	13	–	211	6	217

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

2) The CODM reviews "Loans to the public" and "Deposits and borrowings from the public" as measures of reportable segments' total assets and liabilities and these line items are consequently reported separately.

G2.1 Segment reporting, cont.

Income statement 2021

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,244	1,600	942	77	-10	4,853	72	4,925
Net fee and commission income	1,217	639	539	1,111	-10	3,496	-1	3,495
Net result from items at fair value	148	306	524	61	232	1,271	-152	1,119
Profit from associated undertakings accounted for under the equity method	0	1	0	1	-5	-3	-3	-6
Other income	14	34	4	2	6	60	27	87
Total operating income	**3,623**	**2,580**	**2,009**	**1,252**	**213**	**9,677**	**-57**	**9,620**
- of which internal transactions[1]	-252	-75	-135	-32	494	0	–	–
Staff costs	-577	-411	-318	-457	-92	-1,855	-904	-2,759
Other expenses	-1,126	-691	-353	-62	184	-2,048	1,046	-1,002
Regulatory fees	-62	-58	-103	-2	1	-224	0	-224
Depreciation, amortisation and impairment charges of tangible and intangible assets	-80	-36	-20	-18	-5	-159	-505	-664
Total operating expenses	**-1,845**	**-1,196**	**-794**	**-539**	**88**	**-4,286**	**-363**	**-4,649**
Profit before loan losses	**1,778**	**1,384**	**1,215**	**713**	**301**	**5,391**	**-420**	**4,971**
Net result on loans in hold portfolios mandatorily held at fair value	47	31	4	1	0	83	0	83
Net loan losses	-63	-26	-21	-1	-9	-120	2	-118
Operating profit	**1,762**	**1,389**	**1,198**	**713**	**292**	**5,354**	**-418**	**4,936**
Income tax expense	-423	-333	-288	-171	-70	-1,285	180	-1,105
Net profit for the year	**1,339**	**1,056**	**910**	**542**	**222**	**4,069**	**-238**	**3,831**
Balance sheet 31 Dec 2021[2], EURbn								
Loans to the public	170	96	45	11	–	322	23	345
Deposits and borrowings from the public	84	55	50	12	–	201	5	206

1) IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined intersegment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Finance.
2) The CODM reviews "Loans to the public" and "Deposits and borrowings from the public" as measures of reportable segments' total assets and liabilities and these line items are consequently reported separately.

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	
	2022	2021	2022	2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Total operating segments	10,384	9,677	5,771	5,354	341	322	211	201
Group functions[1]	-16	-2	-70	-60	–	–	–	–
Unallocated items[3]	-483	-99	-911	-382	15	21	12	4
Eliminations	-30	-2	0	0	–	–	–	–
Differences in accounting policies[2]	-59	46	-22	24	-10	2	-6	1
Total	**9,796**	**9,620**	**4,768**	**4,936**	**346**	**345**	**217**	**206**

1) Consists of Group Business Support, Group Internal Audit, Chief of Staff Office, Group People, Group Legal, Group Risk, Group Compliance and Group Brand, Communication and Marketing.
2) Impact from using plan exchange rates in the segment reporting.
3) Operating segments are presented excluding items affecting comparability (IAC). IAC of EUR 537m are included in total operating income and IAC of EUR 613m are included in operating profit in the line "Unallocated items".

Measurement of operating segments' performance
The main difference between the segment reporting in Note G2.1 "Segment reporting" and "Business areas" presented elsewhere in this report is that the information in the note follows the reporting prepared to the CODM and is prepared using plan exchange rates, while the reporting under "Business areas" is prepared using current FX rates. Nordea applies the use of static planning rates in order to avoid exchange rate fluctuations in the reporting to the CODM. The same exchange rates (e.g. SEK, NOK, RUB vs EUR) are used for the current and comparable year. The planning rates used are set during December the preceding year and calculated as the average spot rates the first five banking days in December the preceding year. The comparatives are annually restated to reflect the plan exchange rates for the current period as reflected in the internal reporting used by the CODM.

Basis of segmentation
Nordea's main business areas, Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management, are identified as operating segments and reported separately as they are operating segments exceeding the quantitative thresholds in IFRS 8. Other operating segments below the thresholds are included in Other operating segments. Group functions (and eliminations) as well as the result that is not fully allocated to any of the operating segments are shown separately as reconciling items.

There have been no changes in the basis of segmentation during the year.

G2.1 Segment reporting, cont.

Reportable segments

Personal Banking serves Nordea's household customers. Personal Banking offers customers a full range of financial services that fulfil the customers' day-to-day financial needs. Personal Banking serves customers through Nordea Netbank, the mobile banking app, over the phone, via online meetings and at Nordea's branch offices. The business area includes advisory and service staff, channels and product units under a common strategy, operating model and governance framework across markets.

Business Banking serves, advises and partners with corporate customers, covering all their business needs through a full range of services, including payments, cash management, cards, working capital management and finance solutions. Business Banking also provides services such as payments, cards and finance solutions to personal customers.

Large Corporates & Institutions provides financial solutions to large Nordic and international corporates and institutional customers. The offering includes a diverse range of financing, cash management and payment services, investment banking, capital markets products and securities services.

Asset & Wealth Management provides high-quality investment, savings and risk management solutions to high net worth individuals and institutional investors and delivers savings solutions to all Nordea customer segments.

Total operating income split by product group

EURm	2022	2021
Banking products	6,835	6,189
Capital markets products	1,187	1,089
Savings products and asset management	1,733	1,845
Life and pension	432	473
Other[1]	-391	24
Total	**9,796**	**9,620**

1) Losses related to operations in Russia classified as items affecting comparability (EUR 537m), in Net result from items at fair value, are included in Other.

Banking products consist of three different product types. Account products include account-based products such as lending, deposits, cards and Nordea Netbank services. Transaction products consist of cash management as well as trade and project finance services. Financing products include asset-based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers.

Capital markets products comprise financial instruments, or arrangements for financial instruments, available in the financial marketplace, including currencies, commodities, stocks and bonds.

Savings products and asset management include investment funds, discretionary management, portfolio advice, equity trading and pension accounts. An investment fund 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 involving the management of an investment portfolio on behalf of the customer, and portfolio advice is a service provided to support customers' investment decisions.

Life and pension includes life insurance and pension products and services.

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2022	2021	31 Dec 2022	31 Dec 2021
Sweden	2,978	2,741	162	163
Finland	1,647	1,741	147	140
Norway	1,968	1,879	104	107
Denmark	2,653	2,789	170	151
Other	550	470	12	9
Total	**9,796**	**9,620**	**595**	**570**

Nordea's main geographical markets comprise the Nordic countries. Revenues and assets (current and non-current assets) are distributed to geographical areas based on the location of the customer operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

G2.2 Net interest income

Accounting policies

Interest consists of compensation for time value of money plus a margin. The effective interest rate equals the rate that discounts the estimated future cash flows to the net carrying amount of the financial asset or financial liability at initital recognition.

Interest income and expense are calculated and recognised using the effective interest rate method or, if considered appropriate, a method that provides a reasonable approximation in line with the effective interest rate method as the basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). Interest income and expense 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 Life & Pension are classified as "Net result from items at fair value" in the income statement. Also, interest on the net funding of operations in Markets and Life & Pension (and on a portfolio of interest-bearing securities in Life & Pension) measured at amortised cost is recognised in "Net result from items at fair value" to ensure that income and expense within these operations are presented in a consistent manner. See Note G2.4 "Total net result from items at fair value".

The interest component of derivatives is classified as "Net result from items at fair value", except for derivatives used for hedging purposes. In accounting hedges the interest component of derivatives is classified as "Interest income calculated using the effective interest rate method" if the derivative is used to hedge an asset and as "Interest expense" if the derivative is used to hedge a liability. In economic hedges the interest component of derivatives is classified as "Other interest income" if the derivative is used to hedge an asset and as "Interest expense" if the derivative is used to hedge a liability.

G2.2 Net interest income, cont.

The yield on financial assets is presented in three line items in the income statement: "Interest income calculated using the effective interest rate method", "Other interest income" and "Negative yield on financial assets". In the line item "Interest income calculated using the effective interest rate method", Nordea presents interest income from financial assets measured at amortised cost or at fair value through other comprehensive income. The income statement line item "Other interest income" includes other interest income, such as interest income from loans measured at fair value through profit or loss due to the solely payments of principal and interest (SPPI) test failing. Any negative yield on financial assets and liabilities is reported under "Negative yield on financial assets" and "Negative yield on financial liabilities". respectively.

Critical judgements and estimation uncertainty

Nordea's critical judgement is that any change in the interest rate on the ECB's targeted longer-term refinancing operations (TLTROs), from meeting the lending thresholds, is considered to be a change in a floating rate and that it must be accounted for as such under IFRS 9. The impact from meeting the lending thresholds is consequently presented within "Net interest income" when it is concluded with adequate certainty that the lending thresholds will be reached.

Net interest income

EURm	2022	2021
Interest income calculated using the effective interest rate method[1]	7,937	5,116
Other interest income	1,013	784
Negative yield on financial assets	-134	-219
Interest expense	-3,474	-1,167
Negative yield on financial liabilities	322	411
Net interest income	**5,664**	**4,925**

1) Of which contingent leasing income amounted to EUR 229m (EUR 175m). Contingent leasing income at Nordea consists of variable interest rates, excluding fixed margins. If the contingent leasing income decreases, there will be an offsetting impact from lower funding expenses. Interest income from net investment in finance leases amounted to EUR 329m (EUR 260m).

Interest income calculated using the effective interest rate method

EURm	2022	2021
Loans to credit institutions	682	93
Loans to the public	6,527	4,729
Interest-bearing securities	325	182
Yield fees	242	231
Net interest paid or received on derivatives in accounting hedges of assets	161	-119
Interest income calculated using the effective interest rate method	**7,937**	**5,116**

Other interest income

EURm	2022	2021
Loans at fair value to the public	1,064	955
Interest-bearing securities measured at fair value	170	60
Yield fees and other interest income on fair value assets	0	1
Net interest paid or received on derivatives in economic hedges of assets	-221	-232
Other interest income	**1,013**	**784**

Interest expense

EURm	2022	2021
Deposits by credit institutions	-221	-35
Deposits and borrowings from the public	-957	-166
Debt securities in issue	-2,376	-1,275
Subordinated liabilities	-252	-255
Other interest expense	-14	-14
Net interest paid or received on derivatives in hedges of liabilities	346	578
Interest expense	**-3,474**	**-1,167**

Net interest income from categories of financial instruments

EURm	2022	2021
Financial assets at fair value through other comprehensive income	279	119
Financial assets at amortised cost	7,364	4,903
Financial assets at fair value through profit or loss	1,173	659
Financial liabilities at amortised cost	-2,896	-838
Financial liabilities at fair value through profit or loss	-256	82
Net interest income	**5,664**	**4,925**

Interest on impaired loans accounted for an insignificant portion of interest income.

G2.3 Net fee and commission income

Accounting policies

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

The majority share of the revenues classified as "Commission income" constitutes revenue from contracts with customers according to IFRS 15. Fee income is recognised when or as an entity satisfies the performance obligation, either over time or at a specific point of time.

Lending fees that are not part of the effective interest rate of a financial instrument are recognised at a point of time when the performance obligation is satisfied. Fees received

G2.3 Net fee and commission income, cont.

for bilateral transactions are generally amortised as part of the effective interest rate of the financial instruments recognised. Loan syndication fees are recognised either as part of the effective interest rate of the participation or, if Nordea is acting as an agent in the transaction, as lending fee income. When the fee income is related to both activities, the fee that is recognised as part of the effective interest rate is based on the margin received by the other parties in the arrangement.

Variable fees, such as performance fees, are recognised only to the extent that it is highly probable that a significant reversal in the cumulative recognised amount does not occur.

Commission expenses covering a certain period are expensed over that period, whereas transactional fees are recognised when the services are received.

Net fee and commission income[1,2]

EURm	2022	2021
Asset management commissions	1,733	1,845
- of which income	2,082	2,216
- of which expense	-349	-371
Life and pension commissions	274	273
- of which income	296	299
- of which expense	-22	-26
Deposit products	25	25
- of which income	25	25
Brokerage, securities issues and corporate finance	173	269
- of which income	306	421
- of which expense	-133	-152
Custody and issuer services	18	35
- of which income	63	88
- of which expense	-45	-53
Payments	252	236
- of which income	372	362
- of which expense	-120	-126
Cards	306	250
- of which income	427	349
- of which expense	-121	-99
Lending products	477	478
- of which income	502	505
- of which expense	-25	-27
Guarantees	101	102
- of which income	144	138
- of which expense	-43	-36
Other	-23	-18
- of which income	61	69
- of which expense	-84	-87
Total	**3,336**	**3,495**

1) Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounted to EUR 456m (EUR 460m).

2) 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 amounted to EUR 2,684m (EUR 2,936m). The corresponding amount for fee expenses was EUR -22m (EUR -25m).

Asset management commissions are generally recognised over time as services are performed and are normally based on assets under management. These fees are recognised based on the passage of time as the amount (and the right to receive the fee) corresponds to the value received by the customer. The fees are recognised monthly when the market value of the assets under management is determined. Variable fees based on the relative performance versus a benchmark are rare. The uncertainty relating to the variable consideration is normally resolved at least each reporting date and the fee income can be recognised. The amount cannot generally be recognised if the outcome is still uncertain and subject to market developments.

Life and pension commissions are the result of expense loading from policyholders together with the risk and performance margin relating to unit-linked and investment contracts. The fee income is recognised over time as the services are performed. For more information on revenue recognition of insurance products, see Note G2.4 "Total net result from items at fair value".

Fees categorised as "Deposit products", "Brokerage, securities issues and corporate finance", "Custody and issuer services" and "Payments" are recognised both over time and at a point of time depending on when the performance obligations are satisfied. Brokerage, securities issues and corporate finance are mainly transaction-based in relation to advising customers or executing customer transactions in securities where the services are recognised at a point of time when the services related to the transactions are completed. Payment commissions include fees for cash management and payment solutions that are recognised over time and transaction-based fees for services like domestic and foreign payments that are recognised at a point of time.

Card fees are categorised as interchange fees which are recognised at a point of time when the customer uses the services, or as cardholder fees which are recognised over time or at a point of time if the fee is transaction-based.

Lending fees are recognised at a point of time when the performance obligation is satisfied, i.e. when the transaction has been performed unless they are part of the effective interest rate of the financial instrument.

Income from issued financial guarantees and expenses for bought financial guarantees are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense", respectively.

Other fee income is generally transaction-based.

For transactional services performed at a point of time, payments are generally made instantly when the services are performed. For services performed over time, the period of the services is normally short. Examples of such services are monthly payment services and monthly or quarterly asset management services. For the services performed over time, the right to payment generally arises at the end of the period of the services when the performance obligations are satisfied and it is highly probable that no significant reversal of the consideration will occur.

Account receivables are recognised in "Other assets", while unbilled receivables for satisfied performance obligations and contract assets are recognised in "Prepaid expenses and accrued income". Short-term advances received where the performance obligations have not yet been satisfied are recognised in "Accrued expenses and prepaid income".

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

G2.3 Net fee and commission income, cont.

Breakdown by business area

2022, EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other & elimination	Nordea Group
Asset management commissions	560	88	8	1,077	0	0	1,733
Life and pension commissions	209	85	4	-24	0	0	274
Deposit products	6	18	1	0	0	0	25
Brokerage, securities issues and corporate finance	23	37	99	26	-6	-6	173
Custody and issuer services	4	5	17	5	-13	0	18
Payments	17	157	82	1	0	-5	252
Cards	246	49	10	0	1	0	306
Lending products	121	167	185	6	1	-3	477
Guarantees	8	26	65	0	0	2	101
Other	9	7	-13	-18	-5	-3	-23
Total	**1,203**	**639**	**458**	**1,073**	**-22**	**-15**	**3,336**

2021, EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other & elimination	Nordea Group
Asset management commissions	605	98	4	1,138	0	0	1,845
Life and pension commissions	227	85	4	-43	0	0	273
Deposit products	7	17	1	0	0	0	25
Brokerage, securities issues and corporate finance	18	58	180	34	-1	-20	269
Custody and issuer services	4	5	22	3	-9	10	35
Payments	15	151	75	1	0	-6	236
Cards	203	40	6	1	0	0	250
Lending products	125	156	193	5	1	-2	478
Guarantees	9	27	64	0	2	0	102
Other	10	6	-7	-27	-3	3	-18
Total	**1,223**	**643**	**542**	**1,112**	**-10**	**-15**	**3,495**

G2.4 Total net result from items at fair value

Accounting policies

Net result from items at fair value

Realised and unrealised gains and losses on financial instruments and investment properties held at fair value are generally presented in "Net result from items at fair value". The accounting policies used when estimating fair value can be found in Note G3.4 "Fair value".

The following items are moreover presented in "Net result from items at fair value":

- Interest income and expense related to the funding of Markets and Life & Pension (and on a portfolio of interest-bearing securities in Life & Pension) measured at amortised cost.
- Realised gains/losses on assets and liabilities measured at amortised cost.
- The revaluation of the hedged risks of hedged items under hedge accounting.
- Foreign exchange gains/losses.
- Changes in policyholder liabilities and the insurance risk result of Life & Pension accounted for under IFRS 4 (see additional information below).

The following items are not presented in "Net result from items at fair value":

- The interest component of derivatives used for hedge accounting and economic hedges. These components are presented in "Net interest income" to ensure a consistent accounting treatment with the hedged items.
- Losses from counterparty risk on loans in hold portfolios mandatorily held at fair value (the solely payments of principal and interest (SPPI) test fails), are presented in the separate line item "Net result on loans in hold portfolios mandatorily held at fair value".

The income recognition and descriptions of the line items relating to life insurance are described under "Income recognition life insurance" below.

For more accounting policies related to foreign exchange gains/losses, see Note G1 "Accounting policies" and Note G9.2 "Currency translation of foreign entities/branches".

Net result on loans in hold portfolios mandatorily held at fair value

The item "Net result on loans in hold portfolios mandatorily held at fair value" includes fair value adjustments of the margin component of loans in hold portfolios mandatorily held at fair value (the SPPI test fails). The loans are classified in the category "Financial assets at fair value through profit or loss" and presented in the line item "Loans to the public" on the balance sheet. Fair value adjustments are largely driven by changes in credit risk.

Losses from counterparty risk on other instruments classified in the category "Financial assets at fair value through profit or loss" are presented in "Net result from items at fair value".

G2.4 Total net result from items at fair value, cont.

Impairment losses on instruments within other categories than the category "Financial assets at fair value through profit or loss" are recognised in the line item "Net loan losses". For more information, see Note G2.9 "Net loan losses".

Critical judgements and estimation uncertainty

Estimation uncertainty exists in the valuation of financial instruments, in particular for instruments that lack quoted prices or where recently observed market prices are not available (Level 3 instruments). See Note G3.4 "Fair value".

Total net result from items at fair value

EURm	2022	2021
Net result from items at fair value	721	1,119
Net result on loans in hold portfolios mandatorily held at fair value	-13	83
Total	**708**	**1,202**

Breakdown by product

EURm	2022	2021
Equity-related instruments[1]	431	570
Interest-related instruments and foreign exchange gains/losses[2]	248	478
Other financial instruments (including credit and commodities)	-32	57
Nordea Life & Pension[3,4]	61	97
Total	**708**	**1,202**

1) Includes EUR 8m in losses on fund investments in Russia in 2022.
2) Includes EUR 529m in recycled accumulated foreign exchange losses related to operations in Russia in 2022.
3) Internal transactions not eliminated against other line items in the note. The line item "Nordea Life & Pension" consequently provides the true impact from the life insurance operations.
4) Premium income amounted to EUR 194m (EUR 306m).

Total net result from categories of financial instruments

EURm	2022	2021
Financial assets at fair value through other comprehensive income	-1,508	-331
Financial assets designated at fair value through profit or loss	-245	-4
Financial liabilities designated at fair value through profit or loss	11,643	-5,179
Financial assets and liabilities mandatorily held at fair value through profit or loss[1]	-16,973	6,726
Financial assets at amortised cost[2]	-1,941	-403
Financial liabilities at amortised cost[3]	7,546	1,947
Foreign exchange gains/losses excluding currency hedges	483	208
Non-financial assets and liabilities[4]	1,703	-1,762
Total	**708**	**1,202**

1) Of which amortised deferred Day 1 profit amounted to EUR 51m (EUR 54m).
2) This line item includes gains arising from derecognition of financial assets measured at amortised cost of EUR 3m (EUR 9m) and losses of EUR -4m (EUR 0m). The reason for derecognition is that the assets were prepaid by the customer or sold. This line item also includes fair value changes of hedged amortised cost assets in hedges of interest rate risk of EUR -2,052m (EUR -522m) and interest from amortised cost items in Life & Pension of EUR 112m (EUR 110m).
3) This line item mainly includes fair value changes of hedged amortised cost liabilities in hedges of interest rate risk of EUR 7,598m (EUR 1,966m).
4) This line item mainly includes changes in the technical reserves of Life & Pension of EUR 1,317m (EUR -1,004m) and changes in the bonus potential to policyholders of Life & Pension of EUR 306m (EUR -1,061m).

Income recognition life insurance

EURm	2022	2021
Equity-related instruments	-1,422	1,724
Interest-related instruments and foreign exchange gains/losses	-461	-29
Investment properties	-41	198
Change in technical provisions	1,562	-863
Change in collective bonus potential	372	-987
Insurance risk income	80	73
Insurance risk expense	-29	-19
Total	**61**	**97**

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 results from these components are, 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 line 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 line items "Fee and commission expense" and "Operating expenses". The policyholders' part of a positive or negative cost result (profit sharing) is included in the line item "Change in technical provisions" in the table above.

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 the insurance risk is released. A large part of the unbundled risk result from traditional life insurance is subject to profit sharing, which means that the policyholders receive part of the net income or net deficit. Risk income and risk expenses are presented gross in the "Insurance risk income" and "Insurance risk expense" line items of the table. The policyholers' part of the result is included in the "Change in technical provisions" line item of the table.

Gains and losses derived from investments at Life & Pension are split between the relevant line items of the table as are any other investments at Nordea. The line items include investment returns on assets held to cover liabilities to policyholders and returns on the additional capital allocated to Life & Pension (shareholders' capital in Life & Pension).

The line item "Change in technical provisions" includes:
- Investment returns on assets held to cover liabilities towards to policyholders (including liabilities from traditional life insurance, unit-linked insurance and investment contracts), transferred individually to policyholders' accounts according to their contracts.
- Additional bonuses (discretionary participation feature) to policyholders concerning traditional life insurance contracts or any other transfers to the policyholders to cover a periodical deficit between the investment result and any agreed minimum benefit to policyholders.
- The risk and performance margin regarding traditional life insurance products according to local allocation rules in each Life & Pension unit and according to contracts with policyholders. The recognition of risk and performance margins in the income statement is mainly conditional on a positive

G2.4 Total net result from items at fair value, cont.

result for traditional life insurance contracts. Risk and performance margins that cannot be recognised 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 results regarding traditional life insurance contracts or unit-linked contracts.

The line item "Change in collective bonus potential" in the table relates only to traditional life insurance contracts. The line item includes policyholders' share of investment returns not yet individualised. The line item also includes additional bonus (discretionary participation feature) and amounts needed to cover a periodical deficit between the investment result and any minimum benefits to the policyholders.

Closure of Nordea's operations in Russia

In accordance with its strategy, Nordea is focusing on its business in the Nordic region. This has entailed the Group winding down its operations in Russia. On 24 March 2021 the Extraordinary General Meeting of JSC Nordea Bank decided to initiate the voluntary liquidation process, which was approved by the Central Bank of Russia on 16 April 2021. The voluntary liquidation process of JSC Nordea Bank was completed on 21 April 2022, following its deregistration from the trade register by the Russian tax authorities. The final steps to liquidate the remaining Russian subsidiaries are pending.

As required by International Financial Reporting Standards (IFRSs), Nordea had accumulated foreign exchange (FX) losses on the investment in its banking operations in Russia in equity through "Other comprehensive income" (OCI) since the acquisition of JSC Nordea Bank in 2007. In the first quarter of 2022 Nordea repatriated capital and in substance ceased all operations in Russia. In accordance with the IFRSs, Nordea recycled the accumulated FX losses from OCI into the income statement. The recycling impact was recognised in "Net result from items at fair value" and was treated as an item affecting comparability. There was no impact on equity, own funds or capital, as a corresponding positive item was recorded in OCI. Consequently, this item has no impact on Nordea's dividend or share buy-back capacity.

G2.5 Other operating income

Accounting policies

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

Other operating income

EURm	2022	2021
Divestment of shares	–	6
Income from real estate	2	2
Sale of tangible and intangible assets	39	34
Other	42	45
Total	**83**	**87**

G2.6 Other expenses

Accounting policies

Transactions not related to any other expense line are generally presented in "Other expenses". The major part of the expenses are related to IT purchased and other services. The expenses for acquired services are normally transaction-based and recognised in the period in which the services are received.

Net losses from divestment of shares in group undertakings, associated undertakings and joint ventures and net losses from the sale of tangible assets are generally recognised in "Other expenses" 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 transaction is finalised).

Other expenses

EURm	2022	2021
Information technology[1]	-569	-522
Marketing and representation	-53	-44
Postage, transport, telephone and office expenses	-45	-48
Rent, premises and real estate	-101	-97
Professional services[2]	-131	-104
Market data services	-87	-84
Other	-149	-103
Total	**-1,135**	**-1,002**

Auditor's fees[3]

EURm	2022	2021
PricewaterhouseCoopers		
Auditing assignments	-8	-8
Audit-related services[4]	0	-1
Other assignments[4]	-1	-1
Total	**-9**	**-10**

1) "Information technology" includes IT consultancy fees.
2) "Professional services" includes the fees for the auditor.
3) Neither PricewaterhouseCoopers Oy nor any other firm of PricewaterhouseCoopers Network has provided any tax advisory services. Auditor´s fees in the table are dis closed excluding non-deductible VAT.
4) PricewaterhouseCoopers Oy accounted for EUR -0.2m (EUR -0.1m) of "Audit-related services" and for EUR -0.5m (EUR -0.4m) of "Other assignments".

G2.7 Regulatory fees

Accounting policies

The expenses for these levies are recognised as the payment obligations arise. Resolution fees are not refundable if Nordea discontinues its operations, and the obligating event is consequently assessed to occur on the first day of the year. The Swedish bank tax is refundable for the period during which Nordea does not operate, and the obligating event is therefore assessed to occur continuously over the year. Resolution fees are thus recognised in full in the first quarter, while the Swedish bank tax is amortised linearly over the course of the year. More information on the change in presentation can be found in Note G1 "Accounting policies".

EURm	2022	2021
Resolution fees	-256	-224
Bank tax	-66	–
Total	**-322**	**-224**

G2.8 Depreciation, amortisation and impairment charges of tangible and intangible assets

Accounting policies

Tangible and intangible assets (except goodwill) are depreciated on a straight-line basis over the estimated useful life of the assets. An intangible asset with an indefinite useful life (goodwill) is not amortised, but is tested annually for impairment.

All intangible assets with definite useful lives, including IT development taken into use, are reviewed for indications of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

Accounting policies for intangible and tangible assets, and critical judgements applied, can be found in Note G5 "Intangible and tangible assets".

EURm	2022	2021
Depreciation/amortisation		
Properties and equipment	-215	-244
Intangible assets	-371	-361
Total	**-586**	**-605**
Impairment charges, net		
Properties and equipment	1	-19
Intangible assets	-26	-40
Total	**-25**	**-59**
Total	**-611**	**-664**

G2.9 Net loan losses

Accounting policies

Impairment losses on financial assets classified in the categories "Amortised cost" and "Fair value through other comprehensive income" (see Note G3.3 "Classification and measurement"), in the line items "Loans to central banks", "Loans to credit institutions", "Loans to the public" and "Interest-bearing securities" on the balance sheet, are reported as "Net loan losses" together with losses from financial guarantees. Losses are reported net of any collateral and other credit enhancements. Nordea's accounting policies covering the calculation of impairment losses on loans, and critical judgements applied, can be found in Note G3.7 "Loans".

Counterparty losses on instruments classified in the category "Financial assets at fair value through profit or loss", including credit derivatives but excluding loans held at fair value, are reported under "Net result from items at fair value" or, if related to loans in hold portfolios mandatorily held at fair value (solely payments of principal and interest (the SPPI test fails), in the line item "Net result on loans in hold portfolios mandatorily held at fair value". For more information see Note G2.4 "Total net result from items at fair value".

More information on credit risk can be found in Note G11 "Risk and liquidity management".

Net loan losses

2022, EURm	Loans to central banks and credit institutions[2]	Loans to the public[2]	Interest-bearing securities[3]	Off-balance sheet items[4]	Total
Net loan losses, stage 1	-1	-29	11	-10	-29
Net loan losses, stage 2	0	-17	0	15	-2
Net loan losses, non-defaulted	**-1**	**-46**	**11**	**5**	**-31**
Stage 3, defaulted					
Net loan losses, individually assessed, collectively calculated[1]	-5	96	–	-3	88
Realised loan losses	-5	-701	–	-3	-709
Decrease in provisions to cover realised loan losses	–	509	–	3	512
Recoveries of previously realised loan losses	1	63	–	–	64
Reimbursement right	–	–	–	1	1
New/increase in provisions	-19	-251	–	-11	-281
Reversals of provisions	–	239	–	5	244
Net loan losses, defaulted	**-28**	**-45**	**–**	**-8**	**-81**
Net loan losses	**-29**	**-91**	**11**	**-3**	**-112**

G2.9 Net loan losses, cont.

2021, EURm	Loans to central banks and credit institutions[2]	Loans to the public[2]	Interest-bearing securities[3]	Off-balance sheet items[4]	Total
Net loan losses, stage 1	0	91	-12	33	112
Net loan losses, stage 2	1	92	–	10	103
Net loan losses, non-defaulted	**1**	**183**	**-12**	**43**	**215**
Stage 3, defaulted					
Net loan losses, individually assessed, collectively calculated[1]	–	-68	–	–	-68
Realised loan losses	–	-490	–	-3	-493
Decrease in provisions to cover realised loan losses	–	261	–	3	264
Recoveries of previously realised loan losses	1	52	–	–	53
Reimbursement right	–	–	–	1	1
New/increase in provisions	–	-399	–	-10	-409
Reversals of provisions	–	307	–	12	319
Net loan losses, defaulted	**1**	**-337**	**–**	**3**	**-333**
Net loan losses	**2**	**-154**	**-12**	**46**	**-118**

1) Includes individually identified assets for which the provision has been calculated based on statistical models.
2) Provisions included in Note G3.7 "Loans".
3) Provisions included in Note G3.8 "Interest-bearing securities".
4) Provisions included in Note G6 "Provisions".

G2.10 Taxes

Accounting policies

The line item "Income tax expense" in the income statement consists of the total current tax and deferred tax movements recognised in the income statement. Current and deferred taxes are recognised in the income statement unless the tax effects relate to items recognised in other comprehensive income or in equity, in which case the tax effects are 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 for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of the same assets and liabilities. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits, if the relevant recognition criteria in IAS 12 are met. 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 when the temporary differences 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 temporary differences, tax losses carried 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 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.

Critical judgements and estimation uncertainty

Tax positions are regularly reviewed to identify situations where it is not probable that the relevant tax authorities will accept the treatment used in the tax filings. Uncertain tax positions are considered independently or as a group, depending on which approach better predicts the resolution of the uncertainty. If Nordea concludes that it is not probable that the tax authorities will accept an uncertain tax treatment, the effect of uncertainty is reflected when determining the related taxable result, tax bases, unused tax losses, unused tax credits or tax rates. This is done by using either the most likely amount or the expected value, depending on which method better predicts the outcome of the uncertainty. Uncertain tax treatment can affect both current tax and deferred tax.

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 165m (EUR 218m) at the end of the year.

G2.10 Taxes, cont.

Income tax expense

EURm	2022	2021
Current tax	-987	-824
Deferred tax	-186	-281
Total	**-1,173**	**-1,105**

For total tax recognised in other comprehensive income, see Statement of comprehensive income.

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate in Finland as follows:

EURm	2022	2021
Profit before tax	4,768	4,936
Tax calculated at a tax rate of 20.0%	-954	-987
Effect of different tax rates in other countries	-133	-97
Income from associated undertakings	1	-7
Tax-exempt income	43	27
Income subject to yield taxation	18	18
Non-deductible expenses	-20	-45
Prior year adjustments, current tax	-25	90
Prior year adjustments, deferred tax	33	-78
Utilisation and origination of unrecognised tax assets	0	2
Change of tax rate[1]	-26	0
Non-creditable foreign withholding tax	-23	-28
Tax incentive machinery and equipment	19	–
Recycled non-deductible foreign exhange losses[2]	-106	–
Tax charge	**-1,173**	**-1,105**
Effective tax rate	24.6%	22.4%

1) In June 2022 the Danish Parliament enacted an increase in the Danish corporate income tax rate for financial institutions to 25.2% in 2023 and to 26% in 2024. Relevant deferred tax assets and liabilities were remeasured to applicable tax rates in 2022.

2) Includes EUR 529m in recycled non-deductible accumulated foreign exchange losses from other comprehensive income to profit and losses related to wind-down of the operations in Russia. See also Note G2.4 "Total net result from items at fair value".

Movement of deferred tax assets and liabilities

EURm	1 Jan 2022	Charged to income statement	Charged to other comprehensive income	Acquisitions	Translation differences	31 Dec 2022
Deferred tax assets						
Tax losses carried forward	8	–	–	–	–	8
Intangible assets	–	–	–	8	–	8
Loans to the public	77	22	-1	–	–	98
Derivatives/bonds	98	-100	5	–	-3	0
Retirement benefits	94	-20	-1	–	-2	71
Liabilities/provisions	98	-37	–	43	-1	103
Foreign tax credits	0	–	–	–	–	0
Other	38	-28	–	40	-1	49
Netting between deferred tax assets and liabilities	-195	20	2	–	1	-172
Total	**218**	**-143**	**5**	**91**	**-6**	**165**

G2.10 Taxes, cont.

EURm	1 Jan 2022	Charged to income statement	Charged to other comprehensive income	Acquisitions	Translation differences	31 Dec 2022
Deferred tax liabilities						
Loans to the public	407	-14	-36	1	-7	351
Shares	38	-36	–	–	–	2
Derivatives/bonds	15	59	–	–	-2	72
Intangible assets	120	-16	–	10	-1	113
Properties and equipment	11	-1	–	–	–	10
Investment properties	2	2	–	51	-1	54
Retirement benefits	56	17	-8	–	-2	63
Liabilities/provisions	1	21	–	–	–	22
Other	21	–	2	–	–	23
Elimination of temporary differences existing in multiple jurisdictions	59	-9	34	–	–	84
Netting between deferred tax assets and liabilities	-195	20	2	–	1	-172
Total	**535**	**43**	**-6**	**62**	**-12**	**622**

EURm	1 Jan 2021	Charged to income statement	Charged to other comprehensive income	Translation differences	Other changes	31 Dec 2021
Deferred tax assets						
Tax losses carried forward	123	-114	–	1	-2	8
Loans to the public	76	17	-17	–	1	77
Derivatives/bonds	129	-40	3	6	–	98
Retirement benefits	94	-6	4	2	–	94
Liabilities/provisions	154	-57	–	1	–	98
Foreign tax credits	249	-249	–	–	–	0
Other	23	10	–	–	5	38
Netting between deferred tax assets and liabilities	-442	258	-11	–	–	-195
Total	**406**	**-181**	**-21**	**10**	**4**	**218**

EURm	1 Jan 2021	Charged to income statement	Charged to other comprehensive income	Translation differences	Other changes	31 Dec 2021
Deferred tax liabilities						
Loans to the public	399	2	5	–	1	407
Shares	54	-15	–	–	-1	38
Derivatives/bonds	11	3	–	1	–	15
Intangible assets	77	42	–	1	–	120
Properties and equipment	–	11	–	–	–	11
Investment properties	11	-3	–	–	-6	2
Retirement benefits	41	5	8	2	–	56
Liabilities/provisions	0	1	–	–	–	1
Other	18	-1	–	–	4	21
Elimination of temporary differences existing in multiple jurisdictions	267	-203	-4	-1	–	59
Netting between deferred tax assets and liabilities	-442	258	-11	–	–	-195
Total	**436**	**100**	**-2**	**3**	**-2**	**535**

G2.10 Taxes, cont.

Unrecognised deferred tax assets

EURm	31 Dec 2022	31 Dec 2021
Unused tax losses carried forward with no expiry date	40	40
Unused tax losses carried forward	**40**	**40**
Unused tax credits expiring within 12 months	3	4
Unused tax credits expiring after 12 months	424	556
Unused tax credits	**427**	**560**
Total	**467**	**600**

The Nordea Group's deferred tax assets on the balance sheet amounted to EUR 165m (EUR 218m) at the end of 2022. The recognition and measurement of deferred tax assets is based on an assessment of the probability and amount of future taxable profits as well as on future reversals of existing taxable temporary differences.

Additionally, the Group has unrecognised deferred tax assets of EUR 40m (EUR 40m) in relation to tax loss carry forwards in various entities as well as EUR 427m (EUR 560m) in relation to unused foreign tax credits. Unrecognised deferred tax assets relating to tax losses may be recovered in the event of extraordinary taxable income arising in the relevant entities. Unrecognised deferred tax assets relating to foreign tax credits may be recovered in the event of unexpected differences in the timing of taxation or the tax base between the head office and branches.

G2.11 Earnings per share

Accounting policies

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Bank Abp by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares under the Long Term Incentive Plans and contracts that can be settled in Nordea shares, i.e. derivatives such as options and warrants and their equivalents. Such contracts affect diluted earnings per share when and only when the average price of ordinary shares during the period exceeds the exercise price of the options or warrants (i.e. they are in the money).

The potential ordinary shares are only considered to be dilutive on the balance sheet date if all performance conditions are fulfilled and if a conversion to ordinary shares would decrease earnings per share. The rights are furthermore considered dilutive only when the exercise price, with the addition of future services, is lower than the period's average share price.

Earnings per share

	2022	2021
Earnings:		
Profit attributable to shareholders of Nordea Bank Abp, EURm	3,576	3,805
Number of shares (millions):		
Number of shares outstanding at beginning of year	3,966	4,050
Average number of repurchased shares under the share buy-back programme	-170	-13
Average number of shares held for remuneration purposes or in the trading portfolio	-17	-14
Weighted average number of basic shares outstanding	**3,779**	**4,023**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	3	2
Weighted average number of diluted shares outstanding	**3,782**	**4,025**
Basic earnings per share, EUR	0.95	0.95
Diluted earnings per share, EUR	0.95	0.95

1) Related to the Nordea Incentive Plan (NIP) in 2022 and to the Long Term Incentive Plans (LTIPs). For further information on these plans, see Note G8.3 "Share-based payment plans".

G3 Financial instruments

G3.1 Recognition and derecognition on the balance sheet

Accounting policies

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

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

Loans and other financial assets where cash flows are modified, or part of a restructuring, are derecognised and a new loan recognised if the terms and conditions of the new loan are substantially different from the old loan. This is normally the case if the present value of the cash flows for the new loan discounted by the original interest rate differs by more than 10% from the present value of the remaining expected cash flows for the old loan. The same principles apply to financial liabilities. The terms and conditions are also considered to be significantly different for financial assets where the modified cash flows are solely payments of principal and interest (SPPI), but the original cash flows were not SPPI and vice versa.

In some cases, Nordea enters into transactions where it transfers assets that are recognised on the balance sheet but retains either all or a portion of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. If Nordea's counterparty can sell or repledge the transferred assets, the assets are reclassified to "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 returns a deposit to the counterparty, i.e. on the settlement date.

A sale of a security not owned by Nordea is defined as a short sale and triggers the recognition of a trading liability (sold, not held securities) presented in "Other liabilities" on the balance sheet. The short sale is generally covered through a securities financing transaction, normally a reverse repurchase agreement or other forms of securities borrowing agreements.

Critical judgements and estimation uncertainty

Loans and other financial assets where cash flows are modified, or part of a restructuring, are derecognised and a new loan recognised if the terms and conditions of the new loan are substantially different from the old loan. Nordea applies judgements to determine if the terms and conditions of the new loan are substantially different from the old loan. Nordea considers, as mentioned under the section Accounting policies above, that the terms and conditions are substantially different if the present value of the cash flows for the new loan discounted by the original interest rate differs by more than 10% from the present value of the remaining expected cash flows for the old loan or if the modified cash flows are SPPI, but the original cash flows were not SPPI and vice versa. The carrying amount of loans, interest-bearing securities and financial instruments pledged as collateral on the asset side of the balance sheet amounts to EUR 419,627m (EUR 412,493m).

G3.2 Transferred assets and obtained collateral

Accounting policies

Assets are considered to be transferred from Nordea if Nordea either transfers the contractual right to receive the cash flows from the assets or retains that right but has a contractual obligation to pay the cash flows to one or more parties. 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.

Collateral received is not recognised on the balance sheet if Nordea is not exposed to changes in the fair value of the assets.

For information about financial instrumnets pledged as collateral, see Note G3.9 "Financial instruments pledged as collateral".

Transferred assets that are not derecognised in their entirety and associated liabilities

Repurchase agreements are a form of collateral borrowing where Nordea sells securities with an agreement to repurchase them at a later date at a fixed price.

Securities lending agreements are transactions where Nordea lends securities to a counterparty and receives a fee. Generally, securities lending agreements are entered into on a collateralised basis.

As both repurchase agreements and securities lending agreements result in the securities being returned to Nordea, all risks and rewards associated with the instruments transferred are retained by Nordea although they are not available to Nordea during the period during which they are transferred. The counterparties to the transactions hold the securities as collateral but have no recourse to other assets in Nordea. For this reason securities delivered under repurchase agreements and securities lending agreements are not derecognised from the balance sheet. In cases where the counterparty has the right to resell or repledge the securities, the securities are reclassified to the balance sheet line "Financial instruments pledged as collateral". Securities delivered under repurchase agreements and securities lending agreements are also disclosed in Note G7.3 "Assets pledged". Cash received under repurchase agreements and securities lending agreements is recognised on the balance sheet in "Deposits by credit institutions" or "Deposits and borrowings from the public".

In derivative transactions Nordea delivers collateral which, under the terms of the agreements, can be sold or repledged. Such transactions are mainly related to collateral delivered under credit support annex agreements.

G3.2 Transferred assets and obtained collateral, cont.

Transferred assets not derecognised from the balance sheet

EURm	31 Dec 2022	31 Dec 2021
Repurchase agreements		
Interest-bearing securities	4,672	1,668
Securities lending agreements		
Interest-bearing securities[1]	230	–
Total	**4,902**	**1,668**

Liabilities associated with the assets[2]

EURm	31 Dec 2022	31 Dec 2021
Repurchase agreements	4,674	1,669
Securities lending agreements[1]	230	–
Total	**4,904**	**1,669**
Net	**-2**	**-1**

1) Comparative figures have not been restated.
2) Liabilities before offsetting between assets and liabilities on the balance sheet.

Obtained collateral permitted to be sold or repledged

Nordea obtains collateral 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 market participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under the standard terms of 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.

Securities received under reverse repurchase and securities borrowing agreements are not recognised on the balance sheet. Cash delivered under reverse repurchase and securities borrowing agreements is recognised on the balance sheet in "Loans to central banks", "Loans to credit institutions" or "Loans to the public".

The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements is disclosed below. Nordea also obtains collateral under other agreements which, under the terms of the agreements, can be sold or repledged. Such collateral is mainly received under credit support annex agreements covering derivative transactions. The received collateral presented in the table below is not recognised on the balance sheet.

Received collateral not recognised on the balance sheet[1]

EURm	31 Dec 2022	31 Dec 2021
Reverse repurchase agreements		
Collateral received that can be repledged or sold	25,520	21,739
- of which repledged or sold	18,849	10,978
Securities borrowing agreements		
Collateral received that can be repledged or sold	1,003	2,834
- of which repledged or sold	445	183
Other agreements		
Collateral received that can be repledged or sold	834	864
- of which repledged or sold	320	202
Total	**27,357**	**25,437**

1) Obtained collaterals issued by Nordea are as from 2022 included in the table. Comparative figures have been restated accordingly.

G3.3 Classification and measurement

Accounting policies

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

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

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

The classification of a financial asset is dependent on the business model for the portfolio in which the instrument is included and on whether the cash flows are solely payments of princple and interest (SPPI).

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

In order to determine 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. When determining the right level for the portfolios, Nordea has taken the current business area structure into account. When determining the business model for each portfolio, Nordea has analysed the objective of the financial assets as well as, for instance, past sales behaviour and management compensation.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. The classification of the financial instruments on Nordea's balance sheet into the different categories under IFRS 9 is presented in the table "Classification of financial instruments" in Note G3.3 "Classification and measurement".

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The cumulative amortisation is calculated using the effective interest rate method. For more information about the effective interest rate method, see Note G2.2 "Net interest income". For information about impairment under IFRS 9, see Note G3.7 "Loans".

Interest on assets and liabilities classified at amortised cost is generally recognised under "Interest income" and "Interest expense" in the income statement.

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. Changes in fair value are generally recognised directly in the income statement under "Net result from items at fair value". However, fair value adjustments of the margin component of loans in hold portfolios mandatorily held at fair value (the SPPI test fails) are recognised in the income statement in the line item "Net result on loans in hold portfolios mandatorily held at fair value". For more information, see Note G2.4 "Total net result from items at fair value". For estimation of fair value, see Note G3.4 "Fair value".

The category consists of two sub-categories: "Mandatorily measured at fair value through profit or loss" and "Designated at fair value through profit or loss (fair value option)". The sub-category "Designated at fair value through profit or loss (fair value option)" is an option to measure financial assets and liabilities at fair value with the changes in fair value recognised in profit or loss. This option can be used if it eliminates or significantly reduces an accounting mismatch and for liabilities if they are managed on a fair value basis. Changes in credit risk related to liabilities designated at fair value through profit or loss are recognised in other comprehensive income unless it creates an accounting mismatch.

Interest income and interest expense related to balance sheet items held at fair value through profit or loss are generally classified as "Net result from items at fair value". For more information, see Note G2.4 "Total net result from items at fair value" and Note G2.2 "Net interest income".

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Changes in fair value, 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 under "Interest income", foreign exchange effects under "Net result from items at fair value" and impairment losses under "Net loan losses" in the income statement. When an instrument is disposed of, the fair value changes previously accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement under "Net result from items at fair value". For information about impairment under IFRS 9, see Note G3.7 "Loans", and for estimation for fair value, see Note G3.4 "Fair value".

Hybrid (combined) financial instruments

Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds and loans with embedded collars and caps.

For structured bonds issued by Markets, Nordea applies the fair value option, and the entire combined instrument, the host contract together with the embedded derivative, is measured at fair value through profit or loss and presented in "Debt securities in issue" on the balance sheet. Changes in fair value are recognised in the income statement under "Net result from items at fair value" except for changes in Nordea's own credit risk which is recognised in other comprehensive income.

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 financial liabilities if the contractual arrangements result 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. If issued financial instruments contain both liability and equity components, these are accounted for separately.

Critical judgements and estimation uncertainty

Nordea classifies financial assets based on Nordea's business model for managing the assets. When determining the business model for bonds within the liquidity buffer, Nordea performs critical judgements. The bonds within the liquidity buffer are split into three portfolios. For the first portfolio, Nordea has determined that the business model is to keep the bonds and collect contractual cash flows and to sell financial assets. For the second portfolio, Nordea has determined that the business model is to manage the bonds with the objective of realising cash flows through sale. For the third portfolio, Nordea has determined that the business model is to keep the bonds and collect contractual cash flows. The bonds within the first portfolio are measured at fair value through other comprehensive income, the bonds within the second portfolio are measured at fair value through profit or loss and the third portfolio is measured at amortised cost. "Interest-bearing securities" including "Financial instruments pledged as collateral" in the liquidity buffer measured at fair value through other comprehensive income (the first portfolio), fair value through profit or loss (the second portfolio) and amortised cost (the third portfolio) amounted at the end of the year to EUR 32,495m (EUR 33,972m), EUR 24,078m (EUR 23,548m) and EUR 41m (EUR 88m), respectively.

Nordea also classifies financial assets based on whether or not the contractual terms of the financial asset give rise to cash flows that are SPPI on the principal amount outstanding. Some loan contracts at Nordea include terms linking contractual cash flows to the customer's achievement of environmental, social and governance (ESG) targets. At the end of the year the carrying amount of these sustainability-linked loans amounted to EUR 6,775m (EUR 2,098m). Nordea considers these loans to be compliant with the SPPI requirements to the extent that the targets are customer specific. Nordea consequently judges a change in contractual cash flows to be a reflection of the change in credit risk triggered by the customer's fulfilment of, or failure to fulfil, an ESG target.

Nordea classifies issued perpetual subordinated instruments as either financial liabilities or equity. Nordea exercises judgements when determining whether 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.

G3.3 Classification and measurement, cont.

Classification of financial instruments

Assets

31 Dec 2022, EURm	Amortised cost	Financial assets at fair value through profit or loss: Mandatorily	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss (fair value option)	Fair value through other comprehensive income	Total financial assets
Cash and balances with central banks	61,815	–	–	–	61,815
Loans to central banks	6	879	–	–	885
Loans to credit institutions	2,831	1,742	–	–	4,573
Loans to the public	275,116	70,627	–	–	345,743
Interest-bearing securities	3,660	21,417	8,073	30,374	63,524
Financial instruments pledged as collateral	–	2,661	120	2,121	4,902
Shares	–	17,924	–	–	17,924
Assets in pooled schemes and unit-linked investment contracts	–	40,289	666	–	40,955
Derivatives	–	36,578	–	–	36,578
Fair value changes of hedged items in portfolio hedges of interest rate risk	-2,116	–	–	–	-2,116
Other assets[1]	2,261	6,360	–	–	8,621
Prepaid expenses and accrued income	475	–	–	–	475
Total	**344,048**	**198,477**	**8,859**	**32,495**	**583,879**

1) Of which cash/margin receivables classified in the category "Mandatorily measured at fair value through profit or loss" amounted to EUR 6,046m.

Liabilities

31 Dec 2022, EURm	Amortised cost	Financial liabilities at fair value through profit or loss: Mandatorily	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss (fair value option)	Total financial liabilities
Deposits by credit institutions	22,423	10,446	–	32,869
Deposits and borrowings from the public	210,814	6,650	–	217,464
Deposits in pooled schemes and unit-linked investment contracts	–	–	42,776	42,776
Debt securities in issue	128,488	–	51,315	179,803
Derivatives	–	40,102	–	40,102
Fair value changes of hedged items in portfolio hedges of interest rate risk	-2,175	–	–	-2,175
Other liabilities[1]	5,225	10,202	–	15,427
Accrued expenses and prepaid income	7	–	–	7
Subordinated liabilities	5,401	–	–	5,401
Total	**370,183**	**67,400**	**94,091**	**531,674**

1) Of which lease liabilities classified in the category "Amortised cost" amounted to EUR 1,080m.

G3.3 Classification and measurement, cont.

Classification and measurement

Assets

31 Dec 2021, EURm	Amortised cost	Financial assets at fair value through profit or loss: Manda-torily	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss (fair value option)	Fair value through other com-prehensive income	Total financial assets
Cash and balances with central banks	47,495	–	–	–	47,495
Loans to central banks	5	404	–	–	409
Loans to credit institutions	1,791	192	–	–	1,983
Loans to the public	269,874	75,176	–	–	345,050
Interest-bearing securities	3,448	21,880	4,083	33,972	63,383
Financial instruments pledged as collateral	–	1,668	–	–	1,668
Shares	–	15,217	–	–	15,217
Assets in pooled schemes and unit-linked investment contracts	–	46,030	280	–	46,310
Derivatives	–	30,200	–	–	30,200
Fair value changes of hedged items in portfolio hedges of interest rate risk	-65	–	–	–	-65
Other assets[1]	829	7,265	–	–	8,094
Prepaid expenses and accrued income	609	–	–	–	609
Total	**323,986**	**198,032**	**4,363**	**33,972**	**560,353**

1) Of which cash/margin receivables classified in the category "Mandatorily measured at fair value through profit or loss" amounted to EUR 6,578m.

Liabilities[1]

31 Dec 2021, EURm	Amortised cost	Financial liabilities at fair value through profit or loss: Mandatorily	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss (fair value option)	Total financial liabilities
Deposits by credit institutions	23,646	3,315	–	26,961
Deposits and borrowings from the public	203,162	2,639	–	205,801
Deposits in pooled schemes and unit-linked investment contracts	–	–	48,201	48,201
Debt securities in issue	118,358	–	58,007	176,365
Derivatives	–	31,485	–	31,485
Fair value changes of hedged items in portfolio hedges of interest rate risk	101	–	–	101
Other liabilities[2]	4,307	11,873	–	16,180
Accrued expenses and prepaid income	8	–	–	8
Subordinated liabilities	6,850	–	–	6,850
Total	**356,432**	**49,312**	**106,208**	**511,952**

1) Liabilities to policyholders are as from 2022 classified as insurance contracts and excluded from the disclosure. Comparative figures have been restated accordingly.
2) Of which lease liabilities classified in the category "Amortised cost" amounted to EUR 1,147m.

Amortised cost

This category mainly consists of all loans (including those with embedded collars and caps) and deposits, except for reverse repurchase/repurchase agreements and securities borrowing/lending agreements in Markets and mortgage loans in Nordea Kredit Realkreditaktieselskab. This category also includes interest-bearing securities mainly related to a portfolio of interest-bearing securities in Life & Pension in Norway, interest-bearing securities included in part of the liquidity buffer, subordinated liabilities and debt securities in issue, except for bonds issued by Nordea Kredit Realkreditaktieselskab and structured bonds issued by Markets.

Mandatorily measured at fair value through profit or loss

The sub-category "Mandatorily measured at fair value through profit or loss" mainly contains all assets and trading liabilities in Markets, interest-bearing securities in the liquidity buffer, derivatives, shares, mortgage loans in Nordea Kredit Realkreditaktieselskab and financial assets under "Assets in pooled schemes and unit-linked investment contracts". Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where most or all of the risk is borne by the policyholders. The deposits are invested in different types of financial assets on behalf of customers and policyholders.

G3.3 Classification and measurement, cont.

Financial assets designated at fair value through profit or loss (fair value option)

All interest-bearing securities (including financial instruments pledged as collateral) in Life & Pension held under insurance contracts, except for a portfolio of interest-bearing securities in Norway, EUR 8,193m (EUR 4,083m), are designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch with the liabilities to the policyholders that are measured at fair value. Assets in pooled schemes and unit-linked investment contracts in Life & Pension which are not mandatorily measured at fair value through profit or loss, EUR 666m (EUR 280m), are designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits. Nordea does not disclose the effect of changes in credit risk on the fair values of these assets as any such change in value will directly result in essentially the opposite change in the carrying amount of the corresponding liabilities to policyholders. There is thus no significant impact on the income statement or equity due to changes in the credit risk on these assets in Life & Pension.

Financial assets designated at fair value through profit or loss

EURm	2022	2021
Carrying amount at end of year	8,859	4,363
Maximum exposure to credit risk at end of year	8,859	4,363

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income mainly consist of interest-bearing securities in the liquidity buffer.

Financial liabilities designated at fair value through profit or loss

	2022			2021		
EURm	Liabilities for which changes in credit risk are presented in other comprehensive income	Liabilities for which changes in credit risk are presented in profit or loss	Total	Liabilities for which changes in credit risk are presented in other comprehensive income	Liabilities for which changes in credit risk are presented in profit or loss	Total
Carrying amount at end of year	1,371	92,720	94,091	1,568	104,640	106,208
Amount to be paid at maturity[1]	1,634	101,694	103,328	1,568	108,062	109,630
Changes in fair value due to changes in own credit risk, during the year	7	-43	-36	-2	-119	-121
Changes in fair value due to changes in own credit risk, accumulated	-9	-583	-592	-16	-540	-556

1) Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. For these liabilities, the amount disclosed to be paid at maturity has been set at the carrying amount.

G3.3 Classification and measurement, cont.

Financial liabilities designated at fair value through profit or loss (fair value option)

Nordea has classified all bonds issued by the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 49,944m (EUR 56,439m), as financial liabilities 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 Danish mortgage legislation, Nordea at the same time issues bonds with matching terms, so-called match funding. The customers can repay the loans either through repayment of the principal or by purchasing the issued bonds and returning them to Nordea settling the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. The loans are measured at fair value through profit or loss because they fail the SPPI criteria, and if the bonds were measured at amortised cost, this would give rise to an accounting mismatch. To avoid such an accounting mismatch, Nordea measures the bonds at fair value with all changes in fair value, including changes in credit risk, recognised in profit or loss. Changes in fair value due to changes in own credit risk on bonds issued by Nordea Kredit Realkreditaktieselskab are calculated by determining the amount of fair value changes that is not attributable to changes in market conditions. The method used to estimate the amount of changes in market conditions is based on relevant benchmark interest rates which are the average yields on Danish and German (EUR) government bonds. This model is assessed to provide the best estimate of the impact of own credit risk. The changes in own credit risk on mortgage bonds issued by Nordea Kredit Realkreditaktieselskab are not recognised in other comprehensive income as that would create an accounting mismatch with the corresponding change in the fair value of the mortgage loans that are recognised in profit or loss.

Nordea also applies the fair value option for structured bonds issued by Markets, EUR 1,371m (EUR 1,568m), as these hybrid instruments, such as issued index-linked bonds, include embedded derivatives not closely related to the host contract. The host contract together with the embedded derivative is measured at fair value through profit or loss and presented in "Debt securities in issue" on the balance sheet. The change in fair value of these issued structured bonds is recognised in the income statement under "Net result from items at fair value" except for the changes in own credit risk, which are recognised in other comprehensive income. Nordea calculates the change in its own credit spread as the change in its total funding spread, thus assuming a constant issuance premium on all issues over time. The change in the credit spread is estimated by comparing the value of the trades using the initial funding spread on the issuance date and the actual funding spread on the reporting date. This model is assessed to provide the best estimate of the impact of own credit risk.

Also deposits in pooled schemes and unit-linked investment contracts, EUR 42,776m (EUR 48,201m), of which EUR 38,606m (EUR 43,344m) relates to Life & Pension, are designated at fair value through profit or loss as they are managed at fair value. The value of these deposits is directly linked to the fair value of the underlying assets, and changes in own credit risk consequently have no net impact.

G3.4 Fair value

Accounting policies

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. The fair value measurement assumes that the transaction takes place under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The absolute level of liquidity and volume required for a market to be considered active varies depending on the class of instruments. 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 to establish fair value is higher.

The trade frequency and volume are monitored regularly in order to assess if markets are active or not active. 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 a 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 ability to match market prices. This is done by comparing calculated prices with relevant benchmark data, e.g. quoted prices from exchanges, the counterparty's valuations, price data from consensus services etc.

For financial instruments whose 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. Nordea considers data from observable markets to be data that can be collected from generally available external sources and which is deemed to represent realistic market prices. If unobservable 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 unobservable data becomes observable.

Fair value measurements of assets and liabilities are categorised under the three levels of the IFRS fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 in the fair value hierarchy consists of assets and liabilities where directly quoted market prices are not available in active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or inputs prevailing at the balance sheet date and where any unobservable inputs have not had a significant impact on the fair values.

Level 3 in the fair value hierarchy consists of assets and liabilities for which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates.

Critical judgements and estimation uncertainty

Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining the fair value of OTC derivatives and other financial instruments that lack quoted prices or where recently observed market prices are not available, such as unlisted equities. The judgements relate to the following areas:

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

The critical judgements required when determining the fair value of financial instruments that lack quoted prices or where recently observed market prices are not available also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based on professional judgement in accordance with Nordea's accounting and valuation policies. The fair value of financial assets and liabilities measured at fair value using a valuation technique, Levels 2 and 3 in the fair value hierarchy, was EUR 158,546m (EUR 157,336m) and EUR 118,626m (EUR 112,568m), respectively, at the end of the year. Valuation adjustments (CVA, DVA, FFVA, NFVA, close-out cost adjustment, model risk adjustment and IPV variance) made when determining the fair value of financial instruments (including those measured at fair value through other comprehensive income) had a negative impact on equity of EUR -47m (EUR -121m).

Sensitivity analysis disclosures covering the fair value of financial instruments with significant unobservable inputs can be found in the table "Valuation techniques and inputs used in the fair value measurements of financial instruments in Level 3" in this note.

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.

G3.4 Fair value, cont.

Fair value of financial assets and liabilities

	31 Dec 2022		31 Dec 2021	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	61,815	61,815	47,495	47,495
Loans	349,085	350,232	347,377	349,382
Interest-bearing securities	63,524	63,312	63,383	63,495
Financial instruments pledged as collateral	4,902	4,902	1,668	1,668
Shares	17,924	17,924	15,217	15,217
Assets in pooled schemes and unit-linked investment contracts	40,955	40,955	46,310	46,310
Derivatives	36,578	36,578	30,200	30,200
Other assets	8,621	8,621	8,094	8,094
Prepaid expenses and accrued income	475	475	609	609
Total	**583,879**	**584,814**	**560,353**	**562,470**

Fair value of financial assets and liabilities, cont.

	31 Dec 2022		31 Dec 2021	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	433,362	433,372	416,078	416,770
Deposits in pooled schemes and unit-linked investment contracts	42,776	42,776	48,201	48,201
Derivatives	40,102	40,102	31,485	31,485
Other liabilities[1]	14,347	14,347	15,033	15,033
Accrued expenses and prepaid income	7	7	8	8
Total	**530,594**	**530,604**	**510,805**	**511,497**

1) Lease liabilities presented in the line item "Other liabilities" in Note G3.3 "Classification and measurement" are not included in this table.

Fair value of items measured at fair value on the balance sheet

Determination of fair value

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.

Complex valuation models are generally characterised by the use of unobservable and model-specific inputs. All valuation models, both complex and simple models, make use of market prices and inputs, which comprise interest rates, volatilities, correlations etc. Some of these prices and inputs are observable while others are not. For most non-exotic currencies, the interest rates are all observable, and implied volatilities and the correlations of the interest rates and FX rates may be observable through option prices up to a certain maturity. Implied volatilities and correlations may also be observable for the most liquid equity instruments. For less liquid equity names, the option market is fairly illiquid, and hence implied volatilities and correlations are unobservable.

Nordea predominantly uses published price quotations to establish the fair value of items disclosed under the following balance sheet items:

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)
- Debt securities in issue (mortgage bonds issued by Nordea Kredit Realkreditaktieselskab).

Nordea predominantly uses valuation techniques to establish the fair value of items disclosed under the following balance sheet items:

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

For interest-bearing securities, the categorisation into the three levels is based on the internal valuation methodology. The valuation of these instruments can either be based on direct quotes in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). If the impact of unobservable parameters on the valuation of the bond is significant, the bond is categorised as Level 3 in the fair value hierarchy.

For OTC derivatives, valuation models are used to determine fair value. The models are usually developed in-house and based on assumptions about the behaviour of the underlying asset and on statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy, implying that all significant model inputs are observable in active markets.

Valuations of private equity funds, credit funds and unlisted equity instruments are by nature more uncertain than valuations of more actively traded equity instruments. Emphasis is put on using a consistent approach across all assets and over time. The methods used are consistent with the International Private Equity and Venture Capital Valuation Guidelines issued by the IPEV Board. The guidelines are considered as best practice in the industry. For US-based funds, similar methods are applied.

Furthermore Nordea holds loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage legislation, Nordea at the same time issues debt securities with matching terms, so-called match funding. The fair value of the debt securities issued is based on quoted prices. As 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 bonds issued (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower and the fair value of the margin associated with each loan.

G3.4 Fair value, cont.

The fair value of financial assets and liabilities is generally calculated as the theoretical net present value of the individual instruments. This calculation is supplemented by portfolio adjustments.

Nordea incorporates credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) into derivative valuations. CVAs and DVAs reflect the impact on fair value from the counterparty´s credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default (PD) and recovery rates on a counterparty basis. Generally, exposure at default for CVAs and DVAs is based on the expected exposure and estimated through the simulation of underlying risk factors. Where possible, Nordea obtains credit spreads from the credit default swap (CDS) market, and PD is inferred from this data. For counterparties that do not have a liquid CDS, the PD is estimated using a cross-sectional regression model, which calculates an appropriate proxy CDS spread based on each counterparty's rating, region and industry.

The impact of funding costs and funding benefits on the valuation of uncollateralised and imperfectly collateralised derivatives is partly reflected in the calculated net present value through the applied discounting curve and partly through the addition of a separate funding fair valuation adjustment (FFVA). In addition, Nordea applies close-out cost valuation adjustments, model risk adjustments for identified model deficiencies and adjustments for independent price verification (IPV) to its fair value measurement.

Nordea's pricing models are calibrated to the market, and if climate risk has any impact on a particular market, it will already have been taken into consideration by other market participants. Hence, Nordea has not implemented any changes to its pricing models to take climate risk into account and no critical valuation adjustments have been made. Going forward, Nordea will monitor areas in the valuation space where climate risk could have an impact on the models (e.g. in relation to credit valuation adjustment).

In the below table, fair value measurements of financial assets and liabilities carried at fair value on the balance sheet have been categorised under the three levels of the IFRS fair value hierarchy: quoted prices in active markets for the same instrument (Level 1), a valuation technique using observable data (Level 2) and a valuation technique using unobservable data (Level 3).

The Level 1 category includes listed derivatives, listed equities, government bonds in developed countries as well as most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist. The Level 2 category includes 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. The Level 3 category includes investments in unlisted securities, private equity funds, hedge funds, investment properties, more complex OTC derivatives where unobservable input has a significant impact on fair value, certain complex or structured financial instruments and illiquid interest-bearing securities.

Transfers between Levels 1 and 2

During the year Nordea transferred items recognised in the line item "Interest-bearing securities" (including such financial instruments pledged as collateral) of EUR 4,030m (EUR 2,341m) from Level 1 to Level 2 and of EUR 1,570m (EUR 439m) from Level 2 to Level 1 in the fair value hierarchy. Furthermore, Nordea transferred items recognised in the line item "Debt securities in issue" of EUR 2,989m (EUR 10,701m) from Level 1 to Level 2 and of EUR 3,731m (EUR 4,954m) from Level 2 to Level 1. Nordea also transferred items recognised in the line item "Other liabilities" of EUR 43m (EUR 256m) from Level 1 to Level 2 and of EUR 235m (EUR 269m) from Level 2 to Level 1. The transfers from Level 1 to Level 2 were due to the instruments ceasing to be actively traded during the year, which meant that fair values were obtained using valuation techniques with observable market inputs. The transfers from Level 2 to Level 1 were due to the instruments again being actively traded during the year, which meant that reliable quoted prices were obtained in the market. Transfers between levels are considered to have occurred at the end of the year.

G3.4 Fair value, cont.

Assets and liabilities held at fair value on the balance sheet
Categorisation in the fair value hierarchy

31 Dec 2022, EURm	Quoted prices in active markets for the same instrument (Level 1)	– of which Life & Pension	Valuation technique using observable data (Level 2)	– of which Life & Pension	Valuation technique using unobservable data (Level 3)	– of which Life & Pension	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	879	–	–	–	879
Loans to credit institutions	–	–	1,742	–	–	–	1,742
Loans to the public	–	–	70,627	–	–	–	70,627
Interest-bearing securities[2]	25,961	3,422	38,368	5,432	437	47	64,766
Shares	15,171	12,405	406	264	2,347	1,028	17,924
Assets in pooled schemes and unit-linked investment contracts	39,994	36,167	599	599	362	362	40,955
Derivatives	159	–	34,550	117	1,869	–	36,578
Other assets	–	–	6,327	–	33	25	6,360
Total	**81,285**	**51,994**	**153,498**	**6,412**	**5,048**	**1,462**	**239,831**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	10,446	44	–	–	10,446
Deposits and borrowings from the public	–	–	6,650	–	–	–	6,650
Deposits in pooled schemes and unit-linked investment contracts	–	–	42,776	38,606	–	–	42,776
Debt securities in issue	38,899	–	11,328	–	1,088	–	51,315
Derivatives	659	–	37,623	141	1,820	–	40,102
Other liabilities	3,307	–	6,832	81	63	–	10,202
Total	**42,865**	**–**	**115,655**	**38,872**	**2,971**	**–**	**161,491**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 4,902m relates to the balance sheet item "Financial instruments pledged as collateral".

Assets and liabilities held at fair value on the balance sheet
Categorisation in the fair value hierarchy

31 Dec 2021, EURm	Quoted prices in active markets for the same instrument (Level 1)	– of which Life & Pension	Valuation technique using observable data (Level 2)	– of which Life & Pension	Valuation technique using unobservable data (Level 3)	– of which Life & Pension	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	404	–	–	–	404
Loans to credit institutions	–	–	192	–	–	–	192
Loans to the public	–	–	75,176	–	–	–	75,176
Interest-bearing securities[2]	20,746	1,143	40,154	2,894	703	97	61,603
Shares	12,456	10,543	515	353	2,246	1,001	15,217
Assets in pooled schemes and unit-linked investment contracts	45,743	41,479	411	411	156	156	46,310
Derivatives	86	–	28,930	7	1,184	–	30,200
Other assets	–	–	7,236	–	29	28	7,265
Total	**79,031**	**53,165**	**153,018**	**3,665**	**4,318**	**1,282**	**236,367**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	3,315	–	–	–	3,315
Deposits and borrowings from the public	–	–	2,639	–	–	–	2,639
Deposits in pooled schemes and unit-linked investment contracts	–	–	48,201	43,344	–	–	48,201
Debt securities in issue	38,760	–	17,659	–	1,588	–	58,007
Derivatives	176	–	30,292	27	1,017	–	31,485
Other liabilities	4,016	–	7,811	–	46	–	11,873
Total	**42,952**	**–**	**109,917**	**43,371**	**2,651**	**–**	**155,520**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 1,668m relates to the balance sheet item "Financial instruments pledged as collateral".

G3.4 Fair value, cont.

Movements in Level 3

Unrealised gains and losses relate to the assets and liabilities held at the end of the year. The transfers out of Level 3 during the year were due to observable market data becoming available. The transfers into Level 3 during the year were due to observable market data no longer being available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note G2.4 "Total net result from items at fair value"). Assets and liabilities related to derivatives are presented net.

		Fair value gains/losses recognised in the income statement during the year										
2022, EURm	**1 Jan 2022**	**Realised**	**Unrealised**	**Recognised in other comprehensive income**	**Purchases/ issues**	**Sales**	**Settlements**	**Transfers into Level 3**	**Transfers out of Level 3**	**Reclassification[1]**	**Translation differences**	**31 Dec 2022**
Interest-bearing securities	703	2	-53	–	121	-236	-39	48	-103	–	-6	437
- of which Life & Pension	97	1	-1	–	22	-54	–	5	-18	–	-5	47
Shares	2,246	89	40	–	449	-379	-18	–	–	-15	-65	2,347
- of which Life & Pension	1,001	71	-27	–	152	-104	-18	–	–	–	-47	1,028
Assets in pooled schemes and unit-linked investment contracts	156	-1	33	–	235	-66	–	15	-2	–	-8	362
- of which Life & Pension	156	-1	33	–	235	-66	–	15	-2	–	-8	362
Derivatives (net)	167	-101	-213	–	–	–	120	60	16	–	–	49
Other assets	29	–	-1	–	8	–	-3	–	–	–	–	33
- of which Life & Pension	28	–	–	–	–	–	-3	–	–	–	–	25
Debt securities in issue	1,588	53	-256	-6	348	–	-594	13	-58	–	–	1,088
Other liabilities	46	–	-21	–	58	-20	–	–	–	–	–	63

1) Reclassification related to conversion of Visa C-shares to Visa A-shares.

		Fair value gains/losses recognised in the income statement during the year										
2021, EURm	**1 Jan 2021**	**Realised**	**Unrealised**	**Recognised in other comprehensive income**	**Purchases/ issues**	**Sales**	**Settlements**	**Transfers into Level 3**	**Transfers out of Level 3**	**Reclassification**	**Translation differences**	**31 Dec 2021**
Interest-bearing securities	931	-4	14	–	273	-155	4	67	-439	–	12	703
- of which Life & Pension	67	–	-1	–	46	-25	1	43	-37	–	3	97
Shares	1,969	56	292	–	324	-340	-5	–	–	–	-50	2,246
- of which Life & Pension	835	45	96	–	220	-193	-5	–	–	–	3	1,001
Assets in pooled schemes and unit-linked investment contracts	92	9	30	–	53	-26	-4	9	-5	–	-2	156
- of which Life & Pension	92	9	30	–	53	-26	-4	9	-5	–	-2	156
Derivatives (net)	162	-26	-75	–	–	–	40	-6	72	–	–	167
Other assets	31	–	–	–	–	–	-2	–	–	–	–	29
- of which Life & Pension	30	–	–	–	–	–	-2	–	–	–	–	28
Debt securities in issue	1,781	53	272	1	401	–	-472	31	-479	–	–	1,588
Other liabilities	32	-11	–	–	33	-8	–	–	–	–	–	46

G3.4 Fair value, cont.

The valuation process for fair value measurements

The valuation process at Nordea consists of several steps. The first step is to determine the end-of-day mid-prices. It is the responsibility of the business areas to determine the correct prices for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by a valuation control function within the first line of defence, which is independent from the risk-taking units of the front office. The cornerstone of the control process is the IPV. The IPV test comprises verification of the correctness of valuations by comparing end-of-day mid-prices to independently sourced data. The result of the IPV is analysed and any findings are escalated as appropriate. Also, adjustments for IPV variances are included in fair value.

The verification of the correctness of prices and inputs is as a minimum carried out on a monthly basis and is carried out daily for many products. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis.

The valuation adjustment at portfolio level and the deferred Day 1 profit/loss on Level 3 transactions are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continuous basis.

Specialised teams within the risk organisation are responsible for second line of defence oversight of valuations and controls performed by the business areas and Group Finance (the first line of defence).

G3.4 Fair value, cont.

Valuation techniques and inputs used in fair value measurements of financial instruments in Level 3

31 Dec 2022, EURm	Fair value	Of which Life & Pension[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions	238	47	Discounted cash flows	Credit spread	-15/15
Corporates[2]	199	–	Discounted cash flows	Credit spread	-5/5
Total	**437**	**47**			**-20/20**
Shares					
Private equity funds	1,316	693	Net asset value[3]		-151/151
Hedge funds	68	67	Net asset value[3]		-6/6
Credit funds	511	63	Net asset value/market consensus[3]		-49/49
Other funds	323	193	Net asset value/Fund prices[3]		-27/27
Other[4]	491	374	–		-52/52
Total	**2,709**	**1,390**			**-285/285**
Derivatives					
Interest rate derivatives	-81	–	Option model	Correlations	-20/21
				Volatilities	
Equity derivatives	-5	–	Option model	Correlations	-7/4
				Volatilities	
				Dividend	
Foreign exchange derivatives	286	–	Option model	Correlations	-4/2
				Volatilities	
Credit derivatives	-152	–	Credit derivative model	Correlations	-11/16
				Recovery rates	
				Volatilities	
Other	1	–	Option model	Correlations	-0/0
				Volatilities	
Total	**49**	**–**			**-42/43**
Debt securities in issue					
Issued structured bonds	-1,088	–	Credit derivative model	Correlations	-5/5
				Recovery rates	
				Volatilities	
Total	**-1,088**	**–**			**-5/5**
Other, net					
Other assets and other liabilities, net	-30	25	–	–	-3/3
Total	**-30**	**25**			**-3/3**

1) Investments in financial instruments are a major part of the life insurance business. The financial instruments are acquired to fulfil the obligations under the insurance and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and consequently do not affect Nordea's equity.

2) Of which EUR 150m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45%. A reasonable change in this credit spread would not affect the fair value due to callability features.

3) Fair values are provided based on prices and net asset values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the performance of the assets underlying the investments. For private equity funds, the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines issued by Invest Europe (formerly EVCA). Approximately 50% of the private equity fund investments are internally adjusted/valued based the IPEV Guidelines. The carrying amounts are in a range of 1% to 100% compared with the values received from suppliers/custodians.

4) Of which EUR 362m relates to assets in pooled schemes and unit-linked investment contracts.

G3.4 Fair value, cont.

Valuation techniques and inputs used in fair value measurements of financial instruments in Level 3

31 Dec 2021, EURm	Fair value	Of which Life & Pension[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Public bodies	40	–	Discounted cash flows	Credit spread	-4/4
Mortgage and other credit institutions	491	92	Discounted cash flows	Credit spread	-41/41
Corporates[2]	172	5	Discounted cash flows	Credit spread	-17/17
Total	**703**	**97**			**-62/62**
Shares					
Private equity funds	938	633	Net asset value[3]		-111/111
Hedge funds	72	71	Net asset value[3]		-6/6
Credit funds	498	115	Net asset value/market consensus[3]		-45/45
Other funds	512	168	Net asset value/fund prices[3]		-46/46
Other[4]	382	170	–		-39/39
Total	**2,402**	**1,157**			**-247/247**
Derivatives					
Interest rate derivatives	216	–	Option model	Correlations	-12/12
				Volatilities	
Equity derivatives	-74	–	Option model	Correlations	-11/8
				Volatilities	
				Dividend	
Foreign exchange derivatives	41	–	Option model	Correlations	0/0
				Volatilities	
Credit derivatives	-18	–	Credit derivative model	Correlations	-20/27
				Recovery rates	
				Volatilities	
Other	2	–	Option model	Correlations	-0/0
				Volatilities	
Total	**167**	**–**			**-43/47**
Debt securities in issue					
Issued structured bonds	1,588	–	Credit derivative model	Correlations	-7/7
				Recovery rates	
				Volatilities	
Total	**1,588**	–			**-7/7**
Other, net					
Other assets and other liabilities, net	-17	28	–	–	1/-1
Total	**-17**	**28**			**1/-1**

1) Investments in financial instruments are a major part of the life insurance business. The financial instruments are acquired to fulfil the obligations under the insurance and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and consequently do not affect Nordea's equity.
2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45%. A reasonable change in this credit spread would not affect the fair value due to callability features.
3) Fair values are provided based on prices and net asset values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the performance of the assets underlying the investments. For private equity funds, the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines issued by Invest Europe (formerly EVCA). Approximately 40% of the private equity fund investments are internally adjusted/valued based the IPEV Guidelines. The carrying amounts are in a range of 1% to 100% compared with the values received from suppliers/custodians.
4) Of which EUR 156m relates to assets in pooled schemes and unit-linked investment contracts.

The tables above show, 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 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 value of Level 3 financial instruments to changes in key assumptions. In case the exposure to an unobservable parameter is offset across different instruments, only the net impact is disclosed in the table. The range disclosed is likely to be greater than the true uncertainty in determining the fair value of these instruments as all unobservable parameters are in practice unlikely to 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.

The reported sensitivity (range) of the fair value of derivatives follows the same methodologies as applied to the reporting of the model risk and market price uncertainty additional valuation adjustments (AVAs) as defined in Commission Delegated Regulation (EU) No 2016/101 of 26 October 2015 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regu-

G3.4 Fair value, cont.

latory technical standards for prudent valuation under Article 105(14).

In order to calculate the sensitivity (range) of the fair value of shares and interest-bearing securities, the fair value is increased and decreased within a total range of 2–10 percentage points depending on the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

Movement of deferred Day 1 profit

In some cases, the transaction price for financial instruments differs from the fair value at initial recognition measured using a valuation model, mainly due to the fact that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and the fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. The table below shows the aggregated difference yet to be recognised in the income statement at the beginning and end of the period. The table also shows a reconciliation of how this aggregated difference has changed during the year (movement of deferred Day 1 profit).

Deferred Day 1 profit – derivatives, net

EURm	2022	2021
Amount at beginning of year	77	73
Deferred profit/loss on new transactions	58	58
Recognised in the income statement during the year[1]	-51	-54
Amount at end of year	**84**	**77**

1) Of which EUR -6m (EUR -8m) 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 2022		31 Dec 2021		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy[2]
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	61,815	61,815	47,495	47,495	1
Loans	275,837	276,984	271,605	273,610	3
Interest-bearing securities	3,660	3,448	3,448	3,560	2,3
Other assets	2,261	2,261	829	829	3
Prepaid expenses and accrued income	475	475	609	609	3
Total	**344,048**	**344,983**	**323,986**	**326,103**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	364,951	364,961	352,117	352,809	3
Other liabilities[1]	4,145	4,145	3,160	3,160	3
Accrued expenses and prepaid income	7	7	8	8	3
Total	**369,103**	**369,113**	**355,285**	**355,977**	

1) Lease liabilities presented in the line item "Other liabilities" in Note G3.3 "Classification and measurement" are not included in this table.
2) Covers both 31 December 2022 and 31 December 2021.

Cash and balances with central banks

Fair value measurement of cash is based on quoted prices (unadjusted) in active markets for identical assets and therefore categorised into Level 1. Balances with central banks are due to its short-term nature considered to be equivalent to cash and therefore also categorised into Level 1.

Loans

The fair value of "Loans to central banks", "Loans to credit institutions" and "Loans to the public" has been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used in the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking, Business Banking and Large Corporates & Institutions, respectively.

The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Interest bearing-securities

The fair value is EUR 3,448m (EUR 3,560m), of which EUR 2,286m (EUR 2,154m) is categorised into Level 2 and EUR 1,162m (EUR 1,406m) into 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 line items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables. The fair value is therefore considered to equal the carrying amount and is categorised into Level 3 in the fair value hierarchy.

G3.4 Fair value, cont.

Deposits and debt instruments

The fair value of the balance sheet line items "Deposits by credit institutions", "Deposits and borrowings from the public", "Debt securities in issue" and "Subordinated liabilities" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk are based on changes in relevant interest rates compared with the corresponding nominal interest rates of the portfolios. The fair value changes in credit risk are calculated as the difference between the credit spread of the nominal interest rate and the current spread observed in the market. This calculation is performed on an aggregated level for all long-term issuance 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 borrowings from the public", the changes in Nordea´s own credit risk related to these items are assumed not to be significant. This is also the case for short-term issuance recognised in the balance sheet line 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 related to securities traded but not settled. The fair value is therefore considered to be equal to the carrying amount and is categorised into Level 3 in the fair value hierarchy.

G3.5 Offsetting

Accounting policies

Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset and if the intent is to settle the items net or realise the asset and settle the liability simultaneously. The legal right to offset should exist both in the ordinary course of business and in case of the default, bankruptcy and insolvency of Nordea and its counterparties.

Financial instruments set off on the balance sheet or subject to netting agreements

				Amounts not set off but subject to master netting agreements and similar agreements			
31 Dec 2022, EURm	**Gross recognised financial assets[1]**	**Gross recognised financial liabilities set off on balance sheet**	**Net carrying amount on balance sheet[2]**	**Financial instruments**	**Financial collateral received**	**Cash collateral received**	**Net amount**
Assets							
Derivatives[3]	211,529	-174,966	36,563	-27,124	–	-4,506	4,933
Reverse repurchase agreements	25,271	-7,828	17,443	–	-17,443	–	0
Securities borrowing agreements	3,661	–	3,661	–	-3,661	–	0
Variation margin	424	-424	0	–	–	–	0
Total	**240,885**	**-183,218**	**57,667**	**-27,124**	**-21,104**	**-4,506**	**4,933**

				Amounts not set off but subject to master netting agreements and similar agreements			
31 Dec 2022, EURm	**Gross recognised financial liabilities[1]**	**Gross recognised financial assets set off on balance sheet**	**Net carrying amount on balance sheet[2]**	**Financial instruments**	**Financial collateral pledged**	**Cash collateral pledged**	**Net amount**
Liabilities							
Derivatives[3]	214,190	-174,083	40,107	-27,124	–	-5,969	7,014
Repurchase agreements	21,377	-7,828	13,549	–	-13,549	–	0
Securities lending agreements	3,811	–	3,811	–	-3,811	–	0
Variation margin	1,307	-1,307	0	–	–	–	0
Total	**240,685**	**-183,218**	**57,467**	**-27,124**	**-17,360**	**-5,969**	**7,014**

1) All amounts are measured at fair value, except for reverse repurchase agreements of EUR 14m and repurchase agreements of EUR 257m which are measured at amortised cost.
2) Reverse repurchase agreements and securities borrowing agreements are classified as "Loans to central banks", "Loans to credit institutions" or "Loans to the public" on the balance sheet. Repurchase agreements and securities lending agreements are classified as "Deposits by credit institutions" or "Deposits and borrowings from the public" on the balance sheet.
3) Including derivatives in pooled schemes and unit-linked investment contracts.

G3.5 Offsetting, cont.

31 Dec 2021, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on balance sheet	Net carrying amount on balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives[3]	93,939	-63,743	30,196	-21,687	–	-6,591	1,918
Reverse repurchase agreements	21,739	-9,172	12,567	–	-12,567	–	0
Securities borrowing agreements	4,798	–	4,798	–	-4,798	–	0
Variation margin	213	-213	0	–	–	–	0
Total	**120,689**	**-73,128**	**47,561**	**-21,687**	**-17,365**	**-6,591**	**1,918**

31 Dec 2021, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on balance sheet	Net carrying amount on balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives[3]	93,016	-61,543	31,473	-21,687	–	-3,507	6,279
Repurchase agreements	12,890	-9,172	3,718	–	-3,718	–	0
Securities lending agreements	2,235	–	2,235	–	-2,235	–	0
Variation margin	2,413	-2,413	0	–	–	–	0
Total	**110,554**	**-73,128**	**37,426**	**-21,687**	**-5,953**	**-3,507**	**6,279**

1) All amounts are measured at fair value.
2) Reverse repurchase agreements and securities borrowing agreements are classified as "Loans to central banks", "Loans to credit institutions" or "Loans to the public" on the balance sheet. Repurchase agreements and securities lending agreements are classified as "Deposits by credit institutions" or "Deposits and borrowings from the public" on the balance sheet.
3) Including derivatives in pooled schemes and unit-linked investment contracts.

Exchanged-traded derivatives are generally accounted for and settled on a daily basis when cash is paid or received, and the instrument is reset to market terms. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities against central counterparty clearing houses are set off on the balance sheet if the transaction currency and the central counterparty are the same. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities related to bilateral OTC derivative transactions are not set off on the balance sheet.

In addition, loans and deposits related to repurchase and reverse repurchase transactions with central counterparty clearing houses are set off on the balance sheet if the assets and liabilities relate to the same central counterparty, are settled in the same currency and have the same maturity date. Loans and deposits related to repurchase and reverse repurchase transactions that are made in accordance with the Global Master Repurchase Agreement are set off on the balance sheet if the assets and liabilities relate to the same counterparty, are settled in the same currency, have the same maturity date and are settled through the same settlement institution.

The fact that financial instruments are accounted for on a gross basis on the balance sheet does not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally, financial instruments (derivatives, repurchase agreements and securities lending transactions) are subject to master netting agreements, and Nordea is consequently able to benefit from netting in any calculations involving counterparty credit risk in the event of the default of its counterparties.

For a description of counterparty risk, see also Note G11 "Risk and liquidity management", section 3 "Counterparty credit risk".

G3.6 Hedge accounting

Accounting policies

When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39, Nordea applies one of three types of hedge accounting:
- fair value hedge accounting
- cash flow hedge accounting
- net investment hedges.

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

Under the EU carve-out version of IAS 39, fair value macro hedge accounting may for instance, in comparison with IAS 39 as issued by the IASB, be applied to on-demand (core) deposits, and hedge ineffectiveness in a hedge of assets with prepayment options is only recognised when the revised estimate of the amount of cash flows falls below the designated bottom layer.

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 the fair value of the hedged item, as regards the hedged risk, can be essentially offset by changes in the fair value of the hedging instrument. The result should be within a range of 80–125%.

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

Fair value hedge accounting

Fair value hedge accounting is applied when derivatives are hedging changes in the fair value of a recognised asset or liability attributable to a specific risk. Fair value hedge accounting can be performed at both micro level (single assets/liabilities or closed portfolios of assets/liabilities where one or more hedged items are hedged using one or more hedging instruments) and macro level (open portfolios where groups of items are hedged using multiple hedging instruments).

Changes in the fair value of derivatives (hedging instruments), as well as changes in the fair value of the hedged item attributable to the risks being hedged, are recognised separately in the income statement under "Net result from items at fair value". Given that the hedge is effective, the change in the fair value of the hedged item will be offset by the change in the fair value of the hedging instrument.

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

Any ineffectiveness is recognised in the income statement under the item "Net result from items at fair value".

If the hedging relationship does not meet the hedge accounting requirements, hedge accounting is discontinued.

The hedging instrument is measured at fair value through profit or loss and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

Cash flow hedge accounting

Cash flow hedge accounting is applied when hedging the exposure to variability in future cash flows. The portion of the gain or loss on the hedging instrument, determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement. The hedge is considered to be ineffective to the extent that the cumulative change in fair value from the inception of the hedge is larger for the hedging instrument than for the hedged item.

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 in which interest income or interest expense is recognised.

A hedged item in a cash flow hedge can be highly probable cash flows from recognised assets or liabilities or from future assets or liabilities. Derivatives used as hedging instruments are always measured at fair value.

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

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

Net investment hedges

Net investment hedges are used to hedge the foreign currency risk of net investments in foreign operations. Foreign currency risk is defined as the risk of loss on investments in foreign operations which have a functional currency different from that of the Group reporting currency.

The foreign exchange spot risk component of financial instruments that are designated as hedging instruments in a hedge of a net investment in a group undertaking is recognised in other comprehensive income, to the extent that the hedge is effective. This is to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea, including the revaluation of any extended net investments. Any ineffectiveness is recognised in the income statement under "Net result from items at fair value".

See also Note G1 "Accounting policies", section "Translation of assets and liabilities denominated in foreign currencies".

G3.6 Hedge accounting, cont.

Critical judgements and estimation uncertainty

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

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

Derivatives used for hedge accounting

31 Dec 2022, EURm	Fair value Positive	Fair value Negative	Nominal amount
Fair value hedges[1]	4,899	7,514	190,844
Cash flow hedges[1]	1,466	251	18,738
Net investment hedges	241	200	3,565
Total	**6,606**	**7,965**	**213,147**

31 Dec 2021, EURm	Fair value Positive	Fair value Negative	Nominal amount
Fair value hedges[1]	1,772	1,062	259,426
Cash flow hedges[1]	481	503	22,757
Net investment hedges	260	188	3,749
Total	**2,513**	**1,753**	**285,932**

1) Some cross-currency interest rate swaps are used both as fair value hedges and cash flow hedges. The nominal amounts of these instruments have been split between the lines "Fair value hedges" and "Cash flow hedges" in the table above based on the relative fair value of these hedging instruments. As at 31 December 2022 the total nominal amount of cross-currency interest rate swaps amounted to EUR 22,494m (EUR 27,932m).

The table above shows the fair values of derivatives used for hedge accounting together with their nominal amounts. The nominal amounts indicate the volume of transactions outstanding at year end and are neither indicative of market risk nor credit risk. As from 2022 the fair value and nominal amount of derivatives in this note represent derivatives before offsetting between assets and liabilities on the balance sheet (gross amount) and not as earlier after offsetting. The reason is that the gross amount better reflects the exposure to the hedging instrument. Comparative figures have been restated accordingly.

Risk management

As part of its risk management policy, Nordea has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in section 4 "Market risk" in Note G11 "Risk and liquidity management".

Nordea classifies its exposures to market risk into either trading (the trading book) or non-trading (the banking book) portfolios which are managed separately.

The trading book consists of all positions in financial instruments held by Nordea either with trading intent or in order to hedge positions held with trading intent. Positions held with trading intent are those held intentionally for short-term resale or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations.

The banking book comprises all positions not held in the trading book. All hedges qualifying for hedge accounting are treated as banking book instruments. The hedging instruments and risks hedged are further described below by risk and hedge accounting type.

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

Interest rate risk

Nordea's primary business model is to collect deposits and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on Nordea's margins, profit or loss and equity. Interest rate risk arises from mismatches between interest-bearing assets and interest-bearing liabilities.

As part of Nordea's risk management strategy, the Board has established limits on the non-trading interest rate gaps for interest rate sensitivities. These limits are consistent with Nordea's risk appetite and Nordea aligns its hedge accounting objectives to keep exposures within those limits. Nordea's policy is to monitor positions on a daily basis. For further information on measurement of risks, see section 4 "Market risk" in Note G11 "Risk and liquidity management".

For hedge accounting relationships related to interest rate risk, the hedged risk is the change in the fair value of the hedged item due to changes in benchmark interest rates. The hedge ratio is established by matching the nominal amount of the derivatives with the principal of the hedged items.

In order to hedge and manage the risk and limit the impact on Nordea's margins, profit or loss and equity, Nordea uses hedging instruments to swap interest rate exposures into either fixed or variable rates.

The risk components of hedged items designated by the Group consist of:

- Benchmark interest rate risk as a component of interest rate risk, i.e. IBORs which also include new alternative reference rates such as SOFR, ESTR or SONIA. Using the benchmark interest rate risk can result in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship.
- Components of cash flows of hedged items.

The benchmark rate is determined as a change in the present value of the future cash flows using benchmark discount curves. The benchmark rate is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Fair value hedges

Nordea enters into interest rate swaps and cross-currency interest rate swaps in order to reduce or eliminate changes in the fair value of the hedged items due to interest rate risk.

Hedged items are fixed rate financial assets and liabilities in both local and foreign currencies such as loans, fair value through other comprehensive income debt securities, deposits and debt securities in issue.

Hedging instruments are interest rate swaps and cross-currency interest rate swaps (the portion related to interest rate risk is designated in fair value hedge relationships).

G3.6 Hedge accounting, cont.

Nordea applies fair value hedge accounting both at micro and macro level. The micro level is applied for hedging fixed-rate fair value through other comprehensive income debt securities and fixed-rate debt securities in issue. The macro level is applied for hedging loans and deposits where fixed-rate loans and term deposits are initially offset and the residual exposure hedged using a portfolio of interest rate swaps up to the designated portion of either the net asset or liability in a given time bucket.

For hedge effectiveness testing Nordea uses both critical terms matching (for prospective effectiveness testing) and regression analysis (for retrospective effectiveness testing). When assessing hedge effectiveness retrospectively, Nordea measures the fair value of a hedging instrument and compares the change in the fair value of the hedging instrument with the change in the fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

Hedge ineffectiveness can arise from:
- differences in timing of cash flows of hedged items and hedging instruments
- different interest rate curves applied to discount the hedged items and hedging instruments
- the effect of changes in Nordea's or a counterparty's credit risk on the fair value of the hedging instruments
- the disparity between expected and actual prepayments of the loan portfolio.

The table below presents the accumulated fair value adjustments arising from continuing and discontinued hedge relationships.

Hedged items

	Interest rate risk 2022		Interest rate risk 2021	
EURm	Carrying amount of hedged assets/ liabilities	of which accumulated amount of fair value hedge adjustment[3]	Carrying amount of hedged assets/ liabilities	of which accumulated amount of fair value hedge adjustment[3]
Fair value hedges – micro level				
Interest-bearing securities[1]	15,893	–	14,732	–
Assets	**15,893**	**–**	**14,732**	**–**
Debt securities in issue	61,063	-3,998	62,166	573
Subordinated liabilities	4,861	-504	5,714	131
Liabilities	**65,924**	**-4,502**	**67,880**	**704**

	Interest rate risk 2022		Interest rate risk 2021	
EURm	Carrying amount of hedged assets/ liabilities	Accumulated amount of fair value hedge adjustment[2, 3]	Carrying amount of hedged assets/ liabilities	Accumulated amount of fair value hedge adjustment[2, 3]
Fair value hedges – macro level				
Loans to the public	67,112	–	94,177	–
Assets	**67,112**	**-2,116**	**94,177**	**-65**
Deposits by credit institutions	4,129	–	–	–
Deposits and borrowings from the public	27,426	–	18,109	–
Liabilities	**31,555**	**-2,175**	**18,109**	**101**

1) This line item includes "Financial instruments pledged as collateral".
2) Accumulated fair value adjustment for macro hedges is presented in the line item "Fair value changes of hedged items in portfolio hedges of interest rate risk" on the balance sheet.
3) Of which EUR 53m (EUR 63m) is related to discontinued hedges of interest rate risk.

The following table provides information about the hedging instruments.

Hedging instruments

	Fair value		
31 Dec 2022, EURm	Positive	Negative	Nominal amount
Fair value hedges			
Interest rate risk	4,899	7,514	190,844

	Fair value		
31 Dec 2021, EURm	Positive	Negative	Nominal amount
Fair value hedges			
Interest rate risk	1,772	1,062	259,426

The table below presents the changes in fair value of the hedging instruments and the changes in the value of hedged items used as the basis for recognising ineffectiveness. These changes are recognised in the line item "Net result from items at fair value" in the income statement.

Hedge ineffectiveness

	Interest rate risk	
EURm	2022	2021
Fair value hedges		
Changes in fair value of hedging instruments	-4,492	-1,189
Changes in value of hedged items used as basis for recognising hedge ineffectiveness	4,522	1,162
Hedge ineffectiveness recognised in the income statement[1,2]	30	-27

1) Recognised in the line item "Net result from items at fair value".
2) When disclosing hedge ineffectiveness, valuation adjustments (CVA, DVA, FFVA) have not been considered as these are immaterial.

G3.6 Hedge accounting, cont.

Sources of ineffectiveness include mismatches between the reset frequency of the swap and the benchmark frequency and the fair value of the floating leg of the swap on a date other than the reset date.

Cash flow hedges

Nordea uses cash flow hedges when hedging interest rate risk on lending and borrowing at floating interest rates.

Nordea's cash flow hedges of interest rate risk relate to exposures to the variability in future interest payments and receipts due to the movement of benchmark interest rates on forecast transactions and on recognised financial assets and financial liabilities. This variability in cash flows is hedged by interest rate swaps and cross-currency interest rate swaps, fixing the hedged cash flows according to Nordea's policies and risk management strategy described in section 4 "Market risk" in Note G11 "Risk and liquidity management".

The hypothetical derivative method is used when measuring the effectiveness retrospectively of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction. The hypothetical derivative represents the characteristics of the hedged items (variable rate loans) in terms of hedged volume, repricing and interest payment periods. Hedge effectiveness is calculated on a cumulative basis by comparing changes in a portfolio of interest rate swaps (hedging instruments) and hypothetical derivatives. Changes in the valuation of the hedging instruments that are part of effective cash flow hedge relationships are recognised in the cash flow hedge reserve accumulated in equity through other comprehensive income.

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

The tables below provide information about the hedging instruments in hedges of interest rate risk, including the nominal amount and the fair value of the hedging instruments.

Hedging instruments

	Fair value		
31 Dec 2022, EURm	Positive	Negative	Nominal amount
Cash flow hedges			
Interest rate risk	368	42	4,579

	Fair value		
31 Dec 2021, EURm	Positive	Negative	Nominal amount
Cash flow hedges			
Interest rate risk	22	–	750

The table below specifies changes in the fair value of hedging instruments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year. The table also presents changes in the value of hedged items used to measure hedge ineffectiveness, separately showing the effective and ineffective portions.

Hedge ineffectiveness

	Interest rate risk	
EURm	2022	2021
Cash flow hedges		
Changes in fair value of hedging instruments	-39	-2
Changes in value of hedged items used as basis for recognising hedge ineffectiveness	39	2
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in other comprehensive income	-39	-2

1) Recognised in the line item "Net result from items at fair value".
2) When disclosing hedge ineffectiveness, valuation adjustments (CVA, DVA, FFVA) have not been considered as these are immaterial.

Cash flow hedge reserve

	Interest rate risk	
EURm	2022	2021
Balance at 1 Jan	4	12
Cash flow hedges:		
Valuation gains/losses	-39	-2
Tax on valuation gains/losses	8	0
Transferred to the income statement	-13	-8
Tax on transfers to the income statement	3	2
Other comprehensive income, net of tax	-41	-8
Total comprehensive income	-41	-8
Balance at 31 Dec	**-37**	**4**
of which relates to continuing hedges for which hedge accounting is applied	-37	4
of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

G3.6 Hedge accounting, cont.

Maturity profile of the nominal amount of hedging instruments hedging interest rate risk

31 Dec 2022, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging interest rate risk	–	21,025	42,277	102,253	25,794	191,349
Total	**–**	**21,025**	**42,277**	**102,253**	**25,794**	**191,349**

31 Dec 2021, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging interest rate risk	–	34,387	49,215	130,206	46,368	260,176
Total	**–**	**34,387**	**49,215**	**130,206**	**46,368**	**260,176**

Average interest rate of instruments hedging interest rate risk

The average interest rate of the fixed leg of instruments hedging interest rate risk as at 31 December 2022 was 1.10% (0.37%).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign exchange risk from trading activities is limited through a VaR limit. Foreign exchange risk from structural exposures (as described below) is limited through a stress loss limit for the CET1 ratio impact from foreign exchange fluctuations in a severe but plausible stress scenario. See section 4 "Market risk" in Note G11 "Risk and liquidity management".

Nordea's issuance of credits and borrowing can be denominated in the currency of the borrower or investor. Borrowing, investing and lending are not always executed in the same currency, thus exposing Nordea to a foreign exchange risk. Differences in exposures to individual currencies that exist between different transactions are predominantly matched by entering into cross-currency interest rate swaps. The currency component is designated as a cash flow hedge of the currency risk and the interest component as a fair value hedge of the interest rate risk.

In addition to the above, Nordea also has exposure to structural foreign currency risk through its foreign operations that have a functional currency other than Nordea's presentation currency, EUR (i.e. a translation risk). Fluctuations in spot exchange rates will cause Nordea's reported net investments in foreign operations to vary and the CET1 ratio to fluctuate due to the currency mismatch between equity and risk exposure amounts. Nordea applies hedge accounting when hedging its investments in fully consolidated foreign operations whose functional currency is not EUR.

For hedge accounting relationships related to currency risk, the hedged item is a foreign currency component. The hedge ratio is established by matching the nominal amounts of the derivatives with the principals of the hedged items.

The currency component is determined as the change in the present value of the future cash flows using foreign exchange curves. The foreign currency component is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Cash flow and net investment hedges

Hedged items in cash flow hedges of currency risk are future payments of interest and the nominal amount from (1) issuance in foreign currencies as well as (2) intra-group lending in foreign currencies where the foreign exchange impact is not eliminated on consolidation. Nordea uses cross-currency interest rate swaps, both float to float and fixed to float, of which the portion related to foreign currency risk, including the cross-currency basis impact, is designated as a cash flow hedge. Hedging relationships are established at micro or macro level.

For net investment hedges, Nordea uses short-term foreign exchange swaps as hedging instruments, and changes to the spot rate are designated as the hedged risk. Hedge ineffectiveness can arise to the extent that the hedging instruments exceed in nominal terms the risk exposure from foreign operations.

The tables below provide information about the hedging instruments in hedges of currency risks, including the nominal amount and the fair value of the hedging instruments.

Hedging instruments

	Fair value		
31 Dec 2022, EURm	Positive	Negative	Nominal amount
Cash flow hedges			
Foreign exchange risk	1,098	209	14,159
Net investment hedges			
Foreign exchange risk	241	200	3,565
Total derivatives used for hedge accounting	**1,339**	**409**	**17,724**

	Fair value		
31 Dec 2021, EURm	Positive	Negative	Nominal amount
Cash flow hedges			
Foreign exchange risk	459	503	22,007
Net investment hedges			
Foreign exchange risk	260	188	3,749
Total derivatives used for hedge accounting	**719**	**691**	**25,756**

The table below specifies changes in the fair value of hedging instruments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year. The table also presents changes in the value of hedged items used to measure hedge ineffectiveness, separately showing the effective and ineffective portions.

G3.6 Hedge accounting, cont.

Hedge ineffectiveness

EURm	Foreign exchange risk 2022	Foreign exchange risk 2021
Cash flow hedges		
Changes in fair value of hedging instruments	1,382	45
Changes in value of hedged items used as basis for recognising hedge ineffectiveness	-1,368	-45
Hedge ineffectiveness recognised in the income statement[1, 2]	14	–
Hedging gains or losses recognised in other comprehensive income	1,368	45
Net investment hedges		
Changes in fair value of hedging instruments	183	-1
Changes in value of hedged items used as basis for recognising hedge ineffectiveness	-183	1
Hedge ineffectiveness recognised in the income statement[1, 2]	–	–
Hedging gains or losses recognised in other comprehensive income	183	-1

1) Recognised in the line item "Net result from items at fair value".
2) When disclosing hedge ineffectiveness, valuation adjustments (CVA, DVA, FFVA) have not been considered as these are immaterial.

Cash flow hedge reserve

EURm	Foreign exchange risk 2022	Foreign exchange risk 2021
Balance at 1 Jan	26	-22
Cash flow hedges:		
Valuation gains/losses	1,382	45
Tax on valuation gains/losses	-278	-3
Transferred to the income statement	-1,288	15
Tax on transfers to the income statement	259	-9
Other comprehensive income, net of tax	75	48
Total comprehensive income	75	48
Balance at 31 Dec	**101**	**26**
of which relates to continuing hedges for which hedge accounting is applied	101	26
of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

Maturity profile of the nominal amount of hedging instruments hedging foreign exchange risk

31 Dec 2022, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging foreign exchange risk	–	1,013	2,797	15,943	2,045	21,798
Total	**–**	**1,013**	**2,797**	**15,943**	**2,045**	**21,798**

31 Dec 2021, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging foreign exchange risk	–	1,450	1,888	15,275	7,143	25,756
Total	**–**	**1,450**	**1,888**	**15,275**	**7,143**	**25,756**

Average forward exchange rates of instruments hedging foreign exchange risk

The average forward exchange rates of instruments hedging foreign exchange risk as at 31 December are presented in the table below.

31 Dec 2022	NOK	SEK	USD	RUB
EUR	10.37	10.32	1.06	–

31 Dec 2021	NOK	SEK	USD	RUB
EUR	10.17	10.14	1.17	83.90

G3.7 Loans

Accounting policies

Loans are financial instruments with fixed or determinable payments that are not readily transferable without the consent of the debtor. Loans are classified and measured in accordance with the description in Note G3.3 "Classification and measurement". Nordea's accounting policies covering expected credit losses follow below. Additional information on the credit risk on loans is disclosed in Note G11 "Risk and liquidity management".

Financial instruments classified as "Amortised cost" or "Fair value through other comprehensive income" are subject to impairment testing due to credit risk. This includes assets recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". "Loans to the public" includes finance leases, which are also subject to impairment testing. These balance sheet line items also include assets classified as "Fair value through profit or loss", which are not subject to impairment testing. See also Note G3.3 "Classification and measurement".

Off-balance sheet commitments, contingent liabilities and loan commitments are also subject to impairment testing.

Recognition and presentation

Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is netted against the loan balance on the face of the balance sheet, but the allowance account is disclosed separately in this note. Changes in the allowance account are recognised in the income statement and classified as "Net loan losses".

If the impairment loss is regarded as final, it is reported as a realised loss and the carrying amount of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor has filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea waives its claims either through a legally based or voluntary reconstruction, or when Nordea, for other reasons, deems it unlikely that the claim will be recovered. See also the section "Write-offs" below.

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses".

Assets classified as "Fair value through other comprehensive income" are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Net loan losses". Any fair value adjustments are recognised in "Other comprehensive income".

Impairment testing

Nordea classifies all exposures into stages on an individual basis. Stage 1 includes assets where there has been no significant increase in credit risk since initial recognition, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 (impaired loans) includes defaulted assets. Nordea monitors whether there are indicators of exposures being credit impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in Note G11 "Risk and liquidity management". Exposures without individually calculated allowances will be covered by the model-based impairment calculation.

For significant exposures where a credit event has been identified, the exposure is tested for impairment on an individual basis. If the exposure is found impaired, an individual provision is recognised. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is higher, the difference is recognised as an impairment loss. The expected cash flows are discounted at the original effective interest rate and include the fair value of the collateral and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the impairment loss is measured using the model described below but based on the fact that the exposures are already in default.

Nordea does not use the "low credit risk exemption" in its banking operations but uses it for a minor portfolio of interest-bearing securities in its insurance operations.

Model-based allowance calculation

For exposures not impaired on an individual basis, a statistical model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default (PD) times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while for assets in stages 2 and 3 it is based on the expected lifetime of the asset.

The provisions for exposures for which there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures for which there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). This is also the case for the insignificant credit impaired exposures in stage 3.

Nordea uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held on transition to IFRS 9 on 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea has concluded that it is not possible to calculate the lifetime PD at

G3.7 Loans, cont.

origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime PD are used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PD, Nordea uses a mix of absolute and relative changes in PD as the transfer criterion.

- Retail customers with an initial 12-month PD below 1%: Exposures with a relative increase in lifetime PD above 100% and an absolute increase in 12-month PD above 45bp are transferred to stage 2.
- Retail customers with an initial 12-month PD above or equal to 1%: Exposures with a relative increase in lifetime PD above 100% or an absolute increase in 12-month PD above 300bp are transferred to stage 2.
- Non-retail customers with an initial 12-month PD below 0.5%: Exposures with a relative increase in lifetime PD above 150% and an absolute increase in 12-month PD above 20bp are transferred to stage 2.
- Non-retail customers with an initial 12-month PD above or equal to 0.5%: Exposures with a relative increase in lifetime PD above 150% or an absolute increase in 12-month PD above 400bp are transferred to stage 2.

For assets for which rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures with forbearance measures will stay in stage 2 for a probation period of 24 months from when the measures were introduced. Once transferred back to stage 1, after the probation period, the exposures are treated as any other stage 1 exposure when assessing significant increase in credit risk. Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence that the customer is not in default. Such exposures will be classified as stage 2. Rated exposures classified as "high risk", i.e. with a rating grade of 2 or below, will also be transferred to stage 2.

When calculating provisions, including the staging assessment, the calculation is based on both historical data and probability-weighted forward-looking information. Nordea applies three macroeconomic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability-weighted average of the expected losses under each scenario is recognised as provisions. The model is based on data collected before the reporting date, requiring Nordea to identify events that could affect the provisions after the data is sourced to the model calculation. Management evaluates these events and adjusts the provisions if deemed necessary.

Write-offs

A write-off is a derecognition of a loan or receivable from the balance sheet and a final realisation of a credit loss provision. When assets are considered as uncollectable, they should be written off as soon as possible, regardless of whether the legal claim remains or not. A write-off can take place before legal actions against the borrower to recover the debt have been concluded in full. Although an uncollectable asset is removed or written off from the balance sheet, the customer remains legally obligated to pay the outstanding debt. When assessing the recoverability of non-performing loans and determining if write-offs are required, exposures with the following characteristics are in particular focus (the list is not exhaustive):

- Exposures past due more than 90 days. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it is written off.
- Exposures under insolvency procedure where the collateralisation of the exposure is low.
- Exposures where legal expenses are expected to absorb the proceeds from the bankruptcy procedure and estimated recoveries are therefore expected to be low.
- A partial write-off may be warranted where there is reasonable financial evidence to demonstrate an inability of the borrower to repay the full amount, i.e. a significant level of debt which cannot be reasonably demonstrated to be recoverable following forbearance treatment and/or the execution of collateral.
- Restructuring cases.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans and modifications

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to their financial difficulties and where such concessions have 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 terms and conditions. In the event of a recovery, the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial difficulties (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquires an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of

G3.7 Loans, cont.

claims are reported on the same balance sheet line as similar assets already held by Nordea. For example, a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised in "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 in the category "Fair value through profit or loss" and measured at fair value. Changes in fair value are recognised in the income statement under "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. The item "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

Critical judgements and estimation uncertainty

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances. Nordea's total lending before impairment allowances was EUR 352,874m (EUR 349,648m) at the end of the year.

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

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

The statistical models used to calculate provisions are based on macroeconomic scenarios, which requires management to exercise judgement when identifying such scenarios and when assigning the likelihood of the different scenarios occurring. Judgement is also exercised in the assessment of to what extent the parameters for the different scenarios, based on historical experience, are relevant for estimating future losses. Nordea adjusts its collectively calculated provisions if the historical data does not adequately reflect management's view regarding expected credit losses. Estimating post-model adjustments requires management to exercise critical judgements.

For information about critical judgements in the preparation of this annual report due to the uncertainty concerning the potential long-term impact of higher energy and raw material prices and reduced consumer spending in various economic sectors on Nordea's financial statements, see Note G1 "Accounting policies".

Loans and impairment

EURm	31 Dec 2022	31 Dec 2021
Loans measured at fair value	73,248	75,772
Loans measured at amortised cost, not impaired (stages 1 and 2)	277,371	270,364
Impaired loans (stage 3)	2,255	3,512
- of which servicing	1,111	1,642
- of which non-servicing	1,144	1,870
Loans before allowances	**352,874**	**349,648**
- of which central banks and credit institutions	5,487	2,395
Allowances for individually assessed impaired loans (stage 3)	-1,045	-1,610
- of which servicing	-556	-800
- of which non-servicing	-489	-810
Allowances for collectively assessed loans (stages 1 and 2)	-628	-596
Allowances	**-1,673**	**-2,206**
- of which central banks and credit institutions	-29	-3
Loans, carrying amount	**351,201**	**347,442**

Nordea has granted EUR 159bn (EUR 170bn) in mortgage credits. No intermediary credits or public sector credits have been granted.

G3.8 Interest-bearing securities

Accounting policies

Instruments that are readily transferable and where the holder of the instrument receives the nominal amount at maturity are normally reported in the balance sheet line item "Interest-bearing securities". Instruments that cannot be transferred or sold without the consent of the holder of the instrument are normally reported as loans, see Note G3.7 "Loans". In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterparty receiving the collateral has the right to sell or repledge the assets, the assets are presented on the balance sheet in "Financial instruments pledged as collateral", see Note G3.9 "Financial instruments pledged as collateral".

For more information about accounting policies, see Note G3.1 "Recognition and derecognition on the balance sheet", Note G3.2 "Transferred assets and obtained collateral", Note G3.3 "Classification and measurement" and Note G3.4 "Fair value".

Interest-bearing securities

EURm	31 Dec 2022	31 Dec 2021
State, municipalities and other public bodies	14,179	19,228
Mortgage institutions	23,222	21,412
Other credit institutions	19,547	18,245
Corporates	3,158	2,433
Other	3,418	2,065
Total	**63,524**	**63,383**

Provisions for credit risks amounted to EUR 3m (EUR 15m).

G3.9 Financial instruments pledged as collateral

Accounting policies

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterparty receiving the collateral has the right to sell or repledge the assets, the assets are presented on the balance sheet in "Financial instruments pledged as collateral".

For more information about accounting policies, see Note G3.1 "Recognition and derecognition on the balance sheet", Note G3.2 "Transferred assets and obtained collateral", Note G3.3 "Classification and measurement" and Note G3.4 "Fair value".

Financial instruments pledged as collateral

EURm	31 Dec 2022	31 Dec 2021
Interest-bearing securities	4,902	1,668
Total	**4,902**	**1,668**

For information on transferred assets and reverse repurchase agreements, see Note G3.2 "Transferred assets and obtained collateral".

G3.10 Shares

Accounting policies

The balance sheet line item "Shares" includes equity instruments, i.e. contracts that evidence a residual interest in the assets of an entity after deducting all of its liabilities, including holdings in different funds such as a unit in an investment fund or private equity fund. However, investments in associated undertakings and joint ventures (see Note G9.3 "Investments in associated undertakings and joint ventures"), investments in group undertakings (see Note G9.1 "Consolidated entities") and investments in shares and fund units on behalf of customers (see Note G3.11 "Assets and deposits in pooled schemes and unit-linked investment contracts") are not presented in "Shares".

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterparty receiving the collateral has the right to sell or repledge the assets, the assets are reclassified on the balance sheet to "Financial instruments pledged as collateral", see Note G3.9 "Financial instruments pledged as collateral".

For more information about accounting policies, see Note G3.1 "Recognition and derecognition on the balance sheet", Note G3.2 "Transferred assets and obtained collateral", Note G3.3 "Classification and measurement" and Note G3.4 "Fair value".

Shares

EURm	31 Dec 2022	31 Dec 2021
Shares	8,436	3,713
Fund units, equity related	6,549	7,967
Fund units, interest related	2,939	3,537
Total	**17,924**	**15,217**

G3.11 Assets and deposits in pooled schemes and unit-linked investment contracts

Accounting policies

Assets and deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where most or all of the risk is borne by the customers or the policyholders. Unit-linked contracts with investment guarantees or contracts which transfer significant insurance risk are classified as insurance contracts. The deposits received from customers are invested in different types of financial assets on behalf of the customers and policyholders.

The assets and deposits under these contracts are recognised and measured at fair value as described in Note G3.4 "Fair value". For more information on the difference between insurance contracts and investment contracts, see Note G4 "Insurance contracts".

Assets and deposits in pooled schemes and unit-linked investment contracts

EURm	31 Dec 2022	31 Dec 2021
Assets		
Interest-bearing securities	1,949	1,431
Shares	38,887	44,748
Properties	691	602
Other assets	118	131
Total	**41,645**	**46,912**
Liabilities		
Pooled schemes	4,170	4,857
Unit-linked investment contracts	38,606	43,344
Total	**42,776**	**48,201**

Life & Pension and Nordea Danmark, filial af Nordea Bank Abp, Finland, have assets and liabilities recognised on their balance sheets for which customers bear the risk. Since the assets and liabilities legally belong to the entities which also carry the risks and rewards, these assets and liabilities are recognised on Nordea's balance sheet.

For information about the fair value of investment properties in pooled schemes and unit-linked investment contracts, see Note G5.3 "Investment properties".

G3.12 Derivatives

Accounting policies

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (so-called 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with a positive fair value, including any accrued interest, are recognised as assets in the line item "Derivatives" on the asset side. Derivatives with a negative fair value, including any accrued interest, are recognised as liabilities in the line item "Derivatives" on the liability side.

Nordea incorporates credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) into derivative valuations. CVAs and DVAs reflect the impact on fair value from the counterparty´s credit risk and Nordea's own credit quality, respectively. For more information about the calculation and other XVAs, see Note G3.4 "Fair value".

Realised and unrealised gains and losses from derivatives are recognised in the income statement under "Net result from items at fair value". For more information about accounting policies and critical judgements, see Note G3.4 "Fair value".

Derivatives

	Fair value		Nominal
31 Dec 2022, EURm	**Positive**	**Negative**	**amount**
Derivatives not used for hedge accounting	204,938	206,220	6,998,966
Derivatives used for hedge accounting	6,606	7,965	213,147
Total gross derivatives	**211,544**	**214,185**	**7,212,113**
Derivatives offset on the balance sheet	-174,966	-174,083	
Total derivatives	**36,578**	**40,102**	**7,212,113**

	Fair value		Nominal
31 Dec 2021, EURm	**Positive**	**Negative**	**amount**
Derivatives not used for hedge accounting	91,430	91,275	6,303,553
Derivatives used for hedge accounting	2,513	1,753	285,932
Total gross derivatives	**93,943**	**93,028**	**6,589,485**
Derivatives offset on the balance sheet	-63,743	-61,543	
Total derivatives	**30,200**	**31,485**	**6,589,485**

G3.12 Derivatives, cont.

Nordea enters into derivatives for trading and risk management purposes. Nordea may take positions with the expectation of profiting from favourable movements in prices, rates or indices. The trading portfolio is treated as trading risk for risk management purposes. Derivatives held for risk management purposes include hedges that meet the hedge accounting requirements and hedges that are economic hedges, but do not meet the hedge accounting requirements.

The table below shows the fair value of derivative financial instruments together with their nominal amounts. The nominal amounts indicate the volume of transactions outstanding at year end and are neither indicative of market risk nor credit risk. The derivatives are divided into derivatives not used for hedge accounting and derivatives used for hedge accounting. For more information about derivatives used for hedge accounting, see Note G3.6 "Hedge accounting".

As from 2022 the fair value and nominal amount of derivatives in this note represent derivatives before offsetting between assets and liabilities on the balance sheet (gross amount) and not as earlier after offsetting. The reason is that the gross amount better reflects Nordea's exposure. Comparative figures have been restated accordingly.

Derivatives not used for hedge accounting

	Fair value		
31 Dec 2022, EURm	**Positive**	**Negative**	**Nominal amount**
Interest rate derivatives			
Interest rate swaps	181,687	179,423	4,149,868
FRAs	3,687	4,124	1,455,868
Futures and forwards	34	66	103,027
Options	6,311	6,267	371,724
Total	**191,719**	**189,880**	**6,080,487**
Equity derivatives			
Equity swaps	352	306	18,964
Futures and forwards	5	9	703
Options	122	413	4,394
Total	**479**	**728**	**24,061**
Foreign exchange derivatives			
Currency and interest rate swaps	7,459	8,806	334,844
Currency forwards	3,506	4,741	370,760
Options	94	81	10,499
Total	**11,059**	**13,628**	**716,103**
Other derivatives			
Credit default swaps (CDS)	1,663	1,917	178,128
Commodity derivatives	10	37	125
Other derivatives	8	30	62
Total	**1,681**	**1,984**	**178,315**
Total derivatives not used for hedge accounting	**204,938**	**206,220**	**6,998,966**

	Fair value		
31 Dec 2021, EURm	**Positive**	**Negative**	**Nominal amount**
Interest rate derivatives			
Interest rate swaps	75,045	73,486	3,629,671
FRAs	220	240	1,220,039
Futures and forwards	10	36	80,269
Options	3,364	3,808	409,479
Total	**78,639**	**77,570**	**5,339,458**
Equity derivatives			
Equity swaps	210	273	16,315
Futures and forwards	1	19	1,210
Options	137	563	9,015
Total	**348**	**855**	**26,540**
Foreign exchange derivatives			
Currency and interest rate swaps	4,875	5,570	368,437
Currency forwards	3,028	2,541	382,221
Options	104	121	15,179
Total	**8,007**	**8,232**	**765,837**
Other derivatives			
Credit default swaps (CDS)	4,430	4,567	171,167
Commodity derivatives	4	42	499
Other derivatives	2	9	52
Total	**4,436**	**4,618**	**171,718**
Total derivatives not used for hedge accounting	**91,430**	**91,275**	**6,303,553**

G3.13 Deposits by credit institutions

Accounting policies

Deposits by credit institutions include liabilities towards central banks, banks, credit market companies, credit companies, finance companies and mortgage institutions. Deposits are classified in accordance with Note G3.3 "Classification and measurement".

For additional accounting policies, see Note G3.1 "Recognition and derecognition on the balance sheet", Note G3.2 "Transferred assets and obtained collateral" and Note G3.4 "Fair value".

Deposits by credit institutions

EURm	31 Dec 2022	31 Dec 2021
Central banks	16,418	15,998
Banks	15,107	10,002
Other credit institutions	1,344	961
Total	**32,869**	**26,961**

G3.14 Deposits and borrowings from the public

Accounting policies

Deposits from the public are defined as funds in deposit accounts covered by the government deposit guarantee but also include amounts in excess of the individual amount limits. Individual pension savings are also included. Borrowings are other liabilities to the public that are not in the form of debt securities. Deposits are classified in accordance with Note G3.3 "Classification and measurement".

For additional accounting policies, see Note G3.1 "Recognition and derecognition on the balance sheet", Note G3.2 "Transferred assets and obtained collateral" and Note G3.4 "Fair value".

Deposits and borrowings from the public

EURm	31 Dec 2022	31 Dec 2021
Deposits[1]	212,444	204,496
Repurchase agreements	5,020	1,305
Total	**217,464**	**205,801**

1) Deposits related to individual pension savings are also included.

G3.15 Debt securities in issue

Accounting policies

Debt securities are instruments issued by Nordea that are readily transferable without the consent of Nordea. Debt securities are classified in accordance with Note G3.3 "Classification and measurement".

For hedged items in fair value hedges at micro level, the hedged risk is measured at fair value and presented in the line item "Fair value changes in micro hedges of interest rate risk" in the table below (for more information see, Note G3.6 "Hedge accounting").

For additional accounting policies, see Note G3.1 "Recognition and derecognition on the balance sheet" and Note G3.4 "Fair value".

Debt securities in issue

EURm	31 Dec 2022	31 Dec 2021
Certificates of deposit	36,930	26,863
Commercial paper	13,991	11,336
Covered bonds	108,100	114,308
Senior non-preferred bonds	11,126	6,182
Senior unsecured bonds	13,620	17,067
Other	34	36
Fair value changes in micro hedges of interest rate risk	-3,998	573
Total	**179,803**	**176,365**

G3.16 Other liabilities

Accounting policies

Other liabilities are liabilities that do not qualify for any of the other line items covering liabilities.

For additional accounting policies, see Note G3.1 "Recognition and derecognition on the balance sheet", Note G3.3 "Classification and measurement" and Note G3.4 "Fair value".

Other liabilities

31 Dec 2022, EURm	Financial liabilities	Non-financial liabilities	Total
Liabilities on securities settlement proceeds	1,626	–	1,626
Sold, not held, securities	5,221	–	5,221
Accounts payable	485	–	485
Cash/margin payables	4,498	–	4,498
Lease liabilities	1,080	–	1,080
Other	2,517	1,377	3,894
Total	**15,427**	**1,377**	**16,804**

31 Dec 2021, EURm	Financial liabilities	Non-financial liabilities	Total
Liabilities on securities settlement proceeds	1,154	–	1,154
Sold, not held, securities	7,906	–	7,906
Accounts payable	139	–	139
Cash/margin payables	3,506	–	3,506
Lease liabilities	1,147	–	1,147
Other	2,328	2,305	4,633
Total	**16,180**	**2,305**	**18,485**

G3.17 Subordinated liabilities

Accounting policies

Subordinated liabilities are financial liabilities for which it has been contractually agreed that they are not to be repaid in the event of liquidation or bankruptcy until all obligations towards other creditors have been fulfilled.

For additional accounting policies, see Note G3.1 "Recognition and derecognition on the balance sheet" and Note G3.3 "Classification and measurement".

For hedged items in fair value hedges at micro level, the hedged risk is measured at fair value and presented in the line item "Fair value changes in micro hedges of interest rate risk" in the table below (for more information, see Note G3.6 "Hedge accounting"). For more information on the critical judgement needed to assess whether a subordinated loan is classified as a liability or equity, see Note G3.3 "Classification and measurement".

Subordinated liabilities

EURm	31 Dec 2022	31 Dec 2021
Additional Tier 1	2,600	2,447
Tier 2	3,295	4,272
Other subordinated loans	10	–
Fair value changes in micro hedges of interest rate risk	-504	131
Total	**5,401**	**6,850**

For more information, see Note P3.14 "Subordinated liabilities".

G4 Insurance contracts

Accounting policies

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.

Information on income recognition for insurance contracts can be found in Note G2.4 "Total net result from items at fair value". Information on the implementation of IFRS 17 Insurance Contracts can be found in Note G10.6 "Transition to IFRS 17 Insurance Contracts". IFRS 17 is effective for periods beginning on 1 January 2023 as explained in Note 1 "Accounting policies".

Insurance contracts

Liabilities to policyholders include obligations arising from insurance contracts and investment contracts with policyholders.

The measurement principles under local GAAP have been maintained, consequently resulting in a non-uniform accounting policies method on consolidation.

Traditional life insurance provisions in Finland and Denmark are measured by calculating the present value of future benefits to which the policyholders are entitled. The calculation includes assumptions about market-consistent discount rates as well as expenses and life risk. The discount rate is based on the liabilities' current term.

In Norway, 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.

In Sweden, long-term pensions and risk contracts are unbundled by splitting the combined contract into a short-term insurance contract and a long-term investment contract with guarantees and/or discretionary participation features (see section below).

The accounting policy for each company is based on the local structure of the business and is related to the solvency rules and national regulations concerning profit sharing and other requirements about collective bonus potential (not allocated provisions that protect the policyholders).

Unit-linked contracts represent life insurance provisions relating to unit-linked policies written either with or without an investment guarantee. Unit-linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the unit-linked contracts, and
- the estimated present value of the insurance risk, which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis, the same principle as used for general insurance contracts.

Investment contracts

Contracts classified as investment contracts are contracts with policyholders which do not transfer sufficient insurance risk to be classified as insurance contracts and are written with an investment guarantee or a discretionary participation feature.

Investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IFRS 9 Financial Instruments: Recognition and Measurement, equal to the 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 as further explained in Note G3.3 "Classification and measurement".

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. These DPF contracts, including 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 regulatory reserves. In Sweden, 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 potential, life insurance" as disclosed in note G2.4 "Total net result from items at fair value", depending on whether the investment result is allocated or attributed. Both the mentioned lines are included in the balance sheet line item "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 at current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

G4 Insurance contracts, cont.

Critical judgements and estimation uncertainty

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 within Nordea's discretion. Also, assumptions about future administrative and tax expenses have an impact on the calculation of policyholder liabilities.

The insurance liability amounted to EUR 25,914m (EUR 17,438m) at the end of the year. The sensitivity of the carrying amount to different assumptions is disclosed below.

Insurance contracts

EURm	31 Dec 2022	31 Dec 2021
Traditional life insurance provisions	8,088	6,299
– of which guaranteed provisions	7,908	6,194
– of which non-guaranteed provisions	180	105
Collective bonus potential	2,603	2,800
Unit-linked insurance provisions	14,125	7,711
– of which guaranteed provisions	–	–
– of which non-guaranteed provisions	14,125	7,711
Insurance claims provisions	888	535
Provisions, health and personal accident	210	93
Total insurance contracts	**25,914**	**17,438**
Investment contracts with discretionary participation features	1,684	2,157
– of which guaranteed provisions	1,684	2,157
– of which non-guaranteed provisions	–	–
Total	**27,598**	**19,595**

31 Dec 2022, EURm	Traditional life insurance provisions	Collective bonus potential	Unit-linked insurance provisions	Insurance claims provisions	Provisions, health and personal accident and life risk products	Investment contracts provisions	Total
Provisions/bonus potential, beginning of year	**6,299**	**2,800**	**7,711**	**535**	**93**	**2,157**	**19,595**
Acquisitions[1]	2,408	204	7,919	385	114	–	11,030
Gross premiums written	49	–	283	–	–	52	384
Transfers	51	–	-53	–	–	–	-2
Addition of interest/investment return	174	–	-1,344	–	–	-350	-1,520
Claims and benefits	-250	–	-598	-29	7	-167	-1,037
Expense loading including addition of expense bonus	-22	–	-37	–	–	-17	-76
Change in provisions/bonus potential	477	-254	-223	–	–	0	0
Other	-875	–	486	–	–	170	-219
Translation differences	-223	-147	-19	-3	-4	-161	-557
Provisions/bonus potential, end of year	**8,088**	**2,603**	**14,125**	**888**	**210**	**1,684**	**27,598**
Provision relating to bonus schemes/ discretionary participation feature:	97%					100%	

1) For further information, see Note G9.6 "Acquisitions".

31 Dec 2021, EURm	Traditional life insurance provisions	Collective bonus potential	Unit-linked insurance provisions	Insurance claims provisions	Provisions, health and personal accident and life risk products	Investment contracts provisions	Total
Provisions/bonus potential, beginning of year	**6,167**	**2,001**	**7,070**	**468**	**86**	**2,386**	**18,178**
Gross premiums written	61	–	383	–	–	58	502
Transfers	49	–	-52	–	–	–	-3
Addition of interest/investment return	195	–	1,007	–	–	391	1,593
Claims and benefits	-235	–	-469	64	4	-202	-838
Expense loading including addition of expense bonus	-23	–	-40	–	–	-20	-83
Change in provisions/bonus potential	-580	806	-226	–	–	0	0
Other	463	–	17	–	–	-393	87
Translation differences	202	-7	21	3	3	-63	159
Provisions/bonus potential, end of year	**6,299**	**2,800**	**7,711**	**535**	**93**	**2,157**	**19,595**
Provision relating to bonus schemes/ discretionary participation feature:	99%					100%	

G4 Insurance contracts, cont.

Insurance risks

Insurance risk is described in section 7 in Note G11 "Risk and liquidity management". Additional quantitative information is found below.

Life insurance risk and market risk of life insurance operations – sensitivities

	31 Dec 2022		31 Dec 2021	
Sensitivities, EURm	Effect on policyholders' liabilities[1]	Effect on Nordea's equity[2]	Effect on policyholders' liabilities[1]	Effect on Nordea's equity[2]
Mortality – increase in lifespan of 1 year	21.7	-20.6	22.9	-17.4
Mortality – decrease in lifespan of 1 year	-3.4	2.6	-0.1	0.1
Disability – 10% increase	16.9	-15.0	8.4	-6.4
Disability – 10% decrease	-14.5	12.6	-6.1	4.7
50 bp increase in interest rates	-340.0	4.8	-367.9	7.2
50 bp decrease in interest rates	337.3	0.1	370.2	-7.3
12% decrease in all share prices	-1,578.9	-4.5	-1,176.1	-0.3
8% decrease in property values	-198.9	-4.4	-130.8	-0.2
8% loss on counterparties	-3.1	-0.2	-0.6	0.0

1) + (plus) indicates that policyholders' liabilities increase.
2) - (minus) indicates that equity decreases.

Liabilities to policyholders by guarantee levels (technical interest rate)

31 Dec 2022, EURm	None	0%	0 to 2%	2 to 3%	3 to 4%	Over 4%	Total liabilities
Technical provisions	14,305	323	3,764	2,500	2,055	950	23,897

31 Dec 2021, EURm	None	0%	0 to 2%	2 to 3%	3 to 4%	Over 4%	Total liabilities
Technical provisions	7,815	346	2,836	2,241	2,005	924	16,167

Insurance – risk profiles

Product	Risk types	Material effect
Traditional	Mortality	Yes
	Disability	Yes
	Return guarantees	Yes
Unit-linked	Mortality	Yes
	Disability	Yes
	Return guarantees	No
Health and personal accident	Mortality	No
	Disability	Yes
	Return guarantees	No
Financial contract	Mortality	No
	Disability	No
	Return guarantees	Yes

G5 Intangible and tangible assets

G5.1 Intangible assets

Accounting policies

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. Nordea's intangible assets 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 acquisitions of group undertakings and joint ventures is included in "Intangible assets". Goodwill on acquisitions of associated undertakings is not recognised as a separate asset but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings and joint ventures is not tested for impairment separately but included in the total carrying amount of the associated undertakings and the joint ventures. The policies covering impairment testing of associated undertakings and joint ventures are disclosed in Note 9.3 "Investments in associated undertakings and joint ventures".

IT development/computer software
Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software also includes acquired software licences not related to the function of a tangible asset.

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 5 years, and in some circumstances for strategic infrastructure up to a maximum of 10 years.

Customer-related intangible assets
In business combinations a portion of the purchase price is normally allocated to a customer-related intangible assets if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights or can be separated from the entity and sold, transferred, licensed, rented or exchanged. The asset is amortised over its useful life, generally over 10 years.

Impairment
Goodwill and IT development not yet taken into use are not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. Intangible assets in use and amortised are also evaluated for indications of impairment and if such indications are found, the assets are tested for impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

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 (CGU), which is defined as the smallest identifiable group of assets that generate largely independent cash flows in relation to other assets. For goodwill and IT development not yet taken into use, the CGUs 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 CGU.

Critical judgements and estimation uncertainty

Impairment testing of goodwill and other intangible assets
The identification of CGUs and to what extent they can be aggregated to groups that are tested together requires judgement. Internally developed software for which amortisation has not yet started is included in the impairment test and allocated to the CGUs. Nordea's total goodwill amounted to EUR 2,262m (EUR 1,975m) at the end of the year. Software for which amortisation has not yet started amounted to EUR 414m (EUR 446m) 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. Also, the estimate for the long-term growth rate requires critical judgement.

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 amortisation period for capitalised software
Internally developed software is capitalised and amortised over the useful life of the software. As the IT landscape develops rapidly, management exercises judgment to estimate the useful life of the software, which affects the yearly amortisation charge.

Higher energy and raw material prices and reduced customer spending
For information about critical judgements in the preparation of this annual report due to the uncertainty concerning the potential long-term impact of higher energy and raw material prices and reduced consumer spending in various economic sectors on Nordea's financial statements, see Note G1 "Accounting policies".

Impairment testing

The impairment test is performed for each CGU 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 the discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

Cash flows for the coming three years are based on financial forecasts. The forecasts are based on Nordea's macro-economic outlook, including information on GDP growth, inflation and benchmark rates for the relevant countries. Based on these macroeconomic forecasts, the business areas project how margins, volumes, sales and costs will develop over the coming years. Credit losses are estimated using the long-term average for the different business areas. This results in an income statement for each year. The projected cash flow for each year is the forecast net result in these income statements, reduced by the regulatory capital needed to grow the business in accordance with the long-term growth assumptions. For CGUs with more capital than the Group's CET1 target, the expected dividends are included in the cash flows generated by the CGUs until these meet the Group's CET1 target over a three-year period.

G5.1 Intangible assets, cont.

The projections take into consideration the major projects initiated at Nordea. There is also an allocation of central costs to business areas to make sure that the cash flows for the CGUs include all indirect costs. Tax costs are estimated based on the standard tax rate. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. Growth rates are based on historical data, updated to reflect the current situation.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The discount rate used in 2022 was 9.0% (6.8%) post-tax, corresponding to a pre-tax rate of 11.7% (8.8%). The estimated growth rate was 2.5% (1.6%). The CGUs cover all Nordic currencies and Nordea discounts the future estimated cash flows using one EUR rate for all CGUs.

The impairment tests conducted in 2022 did not indicate any need for goodwill impairment.

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

Intangible assets

Cash-generating units, EURm	Goodwill[1] 31 Dec 2022	Internally developed software 31 Dec 2022	Total 31 Dec 2022	Goodwill[1] 31 Dec 2021	Internally developed software 31 Dec 2021	Total 31 Dec 2021
Personal Banking	1,029	564	1,593	1,053	590	1,643
Business Banking	724	490	1,214	751	522	1,273
Large Corporates & Institutions	165	308	473	171	336	507
Asset & Wealth Management	344	237	581	–	195	195
Total	**2,262**	**1,599**	**3,861**	**1,975**	**1,643**	**3,618**
Other intangible assets[2]	–	–	183	–	–	166
Total intangible assets	**2,262**	**1,599**	**4,044**	**1,975**	**1,643**	**3,784**

1) Excluding goodwill in associated undertakings.
2) Including bought software licences outside internal development projects of EUR 109m (EUR 130m).

Movements in goodwill, EURm	31 Dec 2022	31 Dec 2021
Acquisition value at beginning of year	2,116	2,079
Acquisitions	344	–
Disposals[1]	-141	–
Translation differences	-57	37
Acquisition value at end of year	**2,262**	**2,116**
Accumulated impairment charges at beginning of year	-141	-141
Disposals[1]	141	–
Accumulated impairment charges at end of year	**–**	**-141**
Total	**2,262**	**1,975**

1) Refers to Russia, see Note G2.4 "Total net result from items at fair value".

Movements in computer software, EURm	31 Dec 2022	31 Dec 2021
Acquisition value at beginning of year	2,794	2,580
Acquisitions	356	331
Sales/disposals	-69	-103
Translation differences	-98	-14
Acquisition value at end of year	**2,983**	**2,794**
Accumulated amortisation at beginning of year	-955	-698
Amortisation according to plan	-322	-307
Accumulated amortisation on sales/disposals	26	48
Translation differences	40	2
Accumulated amortisation at end of year	**-1,211**	**-955**
Accumulated impairment charges at beginning of year	-196	-214
Accumulated impairment charges on sales/disposals	43	55
Impairment charges	-26	-40
Translation differences	6	3
Accumulated impairment charges at end of year	**-173**	**-196**
Total	**1,599**	**1,643**

G5.2 Properties and equipment

Accounting policies

Properties and equipment consist of properties for own use, leasehold improvements, IT equipment, furniture and other equipment. Right-of-use assets under leasing agreements are presented in this item; see Note G5.4 "Leases" for more information. Items of properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment comprises its purchase price as well as any directly attributable costs of bringing the asset to the working condition for its intended use. Parts of an item of property and equipment are accounted for as separate items if they have different useful lives.

Improvements are recognised as assets if they provide an improved function of the asset, while maintenance does not improve the function of the assets and is expensed as incurred.

Properties and equipment are depreciated on a straight-line basis over the estimated useful life of the assets as specified below. The estimates of the useful life of different assets are reassessed on a yearly basis.

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	For changes within buildings, the shorter of 10 years and the remaining lease term. For new construction, the shorter of the principles used for owned buildings and the remaining lease term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining lease term.

G5.2 Properties and equipment, cont.

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.

Properties and equipment

	31 Dec 2022			31 Dec 2021		
EURm	Owned	Right-of-use assets	Total	Owned	Right-of-use assets	Total
Equipment	344	5	349	363	6	369
Land and buildings	72	1,252	1,324	51	1,325	1,376
Total	**416**	**1,257**	**1,673**	**414**	**1,331**	**1,745**
Equipment						
Acquisition value at beginning of year	1,343	14	1,357	1,361	33	1,394
Acquisitions	63	3	66	33	3	36
Sales/disposals	-68	-3	-71	-47	-22	-69
Reclassifications	–	–	–	-7	–	-7
Translation differences	-29	-1	-30	3	0	3
Acquisition value at end of year	**1,309**	**13**	**1,322**	**1,343**	**14**	**1,357**
Accumulated depreciation at beginning of year	-972	-8	-980	-930	-18	-948
Accumulated depreciation on sales/disposals	65	3	68	31	19	50
Reclassifications	–	–	–	7	–	7
Depreciation according to plan	-68	-3	-71	-78	-9	-87
Translation differences	17	0	17	-2	0	-2
Accumulated depreciation at end of year	**-958**	**-8**	**-966**	**-972**	**-8**	**-980**
Accumulated impairment charges at beginning of year	-8	–	-8	-7	–	-7
Accumulated impairment charges on sales/disposals	–	–	–	12	–	12
Impairment charges, net	–	–	–	-13	–	-13
Translation differences	1	–	1	–	–	–
Accumulated impairment charges at end of year	**-7**	**–**	**-7**	**-8**	**–**	**-8**
Total	**344**	**5**	**349**	**363**	**6**	**369**
Land and buildings						
Acquisition value at beginning of year	55	1,777	1,832	51	1,774	1,825
Acquisitions	12	84	96	1	54	55
Sales/disposals	-2	-34	-36	–	-49	-49
Reclassifications	12	–	12	–	–	–
Translation differences	-1	-24	-25	3	-2	1
Acquisition value at end of year	**76**	**1,803**	**1,879**	**55**	**1,777**	**1,832**
Accumulated depreciation at beginning of year	-4	-438	-442	-3	-307	-310
Accumulated depreciation on sales/disposals	–	34	34	–	26	26
Depreciation according to plan	–	-144	-144	–	-157	-157
Translation differences	–	9	9	-1	0	-1
Accumulated depreciation at end of year	**-4**	**-539**	**-543**	**-4**	**-438**	**-442**
Accumulated impairment charges at beginning of year	–	-14	-14	–	-23	-23
Accumulated impairment charges on sales/disposals	–	–	–	–	16	16
Impairment charges, net	–	1	1	–	-6	-6
Translation differences	–	1	1	–	-1	-1
Accumulated impairment charges at end of year	**–**	**-12**	**-12**	**–**	**-14**	**-14**
Total	**72**	**1,252**	**1,324**	**51**	**1,325**	**1,376**

G5.3 Investment properties

Accounting policies

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both, rather than for Nordea's own use in the ordinary course of business.

Investment properties are recognised on the balance sheet when it is probable that the future economic benefits from the asset will flow to the company and the cost of the investment property can be measured reliably.

An investment property is initially measured at its cost. Transaction costs are included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenses. Directly attributable expenses include, for example, professional fees for legal services, property transfer taxes and other transaction costs.

Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of fair value is normally 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. The fair value measurement of investment properties takes into account a market participant's ability to generate economic benefits through the highest and best use of the property, i.e. taking into account the use of the property in a way that is physically possible, legally permissible and financially feasible.

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".

Fair value measurements of investment properties are 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 investment properties (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of the investment properties is based on the lowest level input that is significant to the fair value measurement in its entirety.

For more information about the estimation of fair value and the fair value hierarchy, see Note G3.4 "Fair value".

Critical judgements and estimation uncertainty

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

The carrying amount of investment properties was EUR 3,146m (EUR 2,366m) at the end of the year.

Investment properties

EURm	31 Dec 2022	31 Dec 2021
Carrying amount at beginning of year	1,764	1,535
Acquisitions	735	280
Sales/disposals	-9	-2
Fair value adjustments	57	133
Transfers/reclassifications	-12	-204
Translation differences	-80	22
Carrying amount at end of year	**2,455**	**1,764**

Amounts recognised in the income statement[1]

EURm	2022	2021
Fair value adjustments[2]	-76	151
Rental income	63	59
Direct operating expenses that generated rental income	-28	-12
Direct operating expenses that did not generate rental income	0	-7
Total	**-41**	**191**

1) Included in "Net result from items at fair value".
2) Including also fair value adjustments on investment properties presented as "Assets in pooled schemes and unit-linked investments contracts" on the balance sheet.

Categorisation in the fair value hierarchy

All investment properties in Nordea are categorised as Level 3 in the fair value hierarchy. The fair value of these investment properties are presented in the table below.

Level 3 - Fair value of investment properties[1], EURm	31 Dec 2022	31 Dec 2021
Investment properties	2,455	1,764
- of which Life & Pension	2,454	1,763
Investment properties in pooled schemes and unit-linked investment contracts[2]	691	602
- of which Life & Pension	691	602
Total	**3,146**	**2,366**

1) All items are measured at fair value on the balance sheet on a recurring basis at the end of each reporting period.
2) For further information, see Note G3.11 "Assets and deposits in pooled schemes and unit-linked investment contracts".

Determination of fair value

The valuation of the investment properties takes into account the purpose and the nature of the properties 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. Fair value calculated, or model parameters provided, by external independent valuers covers 74% (84%) of the total fair value of investment properties on the balance sheet.

Movements in Level 3

The tables below present the movements in Level 3. Unrealised gains and losses relate to the investment properties held 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 G2.4 "Total net result from items at fair value").

G5.3 Investment properties, cont.

2022, EURm	1 Jan 2022	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Recognised in OCI	Purchases/ issues	Sales	Settle-ments	Reclassifi-cation[2]	Translation differences	31 Dec 2022
Investment properties	1,764	-38	-2	–	904	-9	–	-104	-60	2,455
- of which Life & Pension	1,763	-38	-2	–	904	-9	–	-104	-60	2,454
Investment properties in assets in pooled schemes and unit-linked investment contracts[1]	602	-18	-7	–	45	–	–	80	-11	691
- of which Life & Pension	602	-18	-7	–	45	–	–	80	-11	691

2021, EURm	1 Jan 2021	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Recognised in OCI	Purchases/ issues	Sales	Settle-ments	Reclassifi-cation[2]	Translation differences	31 Dec 2021
Investment properties	1,535	120	1	–	293	-2	–	-205	22	1,764
- of which Life & Pension	1,534	120	1	–	292	–	–	-205	21	1,763
Investment properties in assets in pooled schemes and unit-linked investment contracts[1]	361	13	18	–	8	–	–	203	-1	602
- of which Life & Pension	361	13	18	–	8	–	–	203	-1	602

1) For further information, see Note G3.11 "Assets and deposits in pooled schemes and unit-linked investment contracts".
2) Reclassification from/to the balance sheet item "Properties and equipment" (see Note G5.2 "Properties and equipment") due to changed use of property.

The valuation process for fair value measurements

The main part of the investment properties of Nordea is held by Life & Pension. The valuation of the investment properties is performed quarterly by the real estate units of each entity within Life & Pension with full or partial assistance from external valuers. For investment properties where units use their own methodologies, the changes in the price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuations is presented to and approved by the local management of each entity. The CFO of each entity within Life & Pension is responsible for the approval of the concepts and for the values used. The principles used by all entities are in accordance with regulations provided by the local financial supervisory authorities, which are in accordance with international valuation principles and the IFRS.

In addition, there is an investment operations committee (IOC), which is a joint forum focusing on the valuation and accounting of investment operations issues within Life & Pension. The entities within Life & Pension report regularly to the IOC.

Life & Pension's investment properties are backing the liabilities to policyholders in life insurance contracts, unit-linked contracts and investment contracts. This means that the impact on Nordea's income statement and on shareholders' equity is based on the profit structure of the portfolio of contracts backed by the investments.

G5.3 Investment properties, cont.

Valuation techniques and inputs used in fair value measurements in Level 3

31 Dec 2022, EURm	Fair value[1]	Of which Life & Pension	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	946	946	Discounted cash flows	Market rent		
				- Commercial	EUR 119–138/m²	122 EUR/m²
				- Office	EUR 111–405/m²	240 EUR/m²
				- Other	EUR 119–390/m²	309 EUR/m²
				Yield requirement		
				- Commercial	6.00–6.00%	6.0%
				- Office	3.75–6.00%	4.5%
				- Other	3.75–6.00%	4.0%
Finland[2]	1,054	1,054	Discounted cash flows	Market rent		
				- Commercial	EUR 138–285/m²	212 EUR/m²
				- Office	EUR 123–528/m²	326 EUR/m²
				- Flat	EUR 192–294/m²	243 EUR/m²
				- Other	EUR 100–264/m²	182 EUR/m²
				Yield requirement		
				- Commercial	4.50–7.00%	5.9%
				- Office	3.40–10.50%	7.0%
				- Flat	3.15–4.75%	4.0%
				- Other	4.50–8.50%	6.5%
Sweden	333	333	Discounted cash flows	Market rent		
				- Commercial	EUR 70–205/m²	118 EUR/m²
				- Office	EUR 252–317/m²	276 EUR/m²
				- Flat	EUR 173–179/m²	176 EUR/m²
				Yield requirement		
				- Commercial	4.50–6.15%	5.2%
				- Office	4.05–4.90%	4.5%
				- Flat	3.80–3.91%	3.8%
Denmark	812	812	Discounted cash flows	Market rent		
				- Commercial	EUR 54–54/m²	54 EUR/m²
				- Office	EUR 111–222/m²	135 EUR/m²
				- Flat	EUR 141–205/m²	161 EUR/m²
				Yield requiremen		
				- Commercial	7.00–7.00%	7.0%
				- Office	4.00–6.75%	4.9%
				- Flat	3.50–4.75%	3.9%
Other	1	–	Discounted cash flows	–	–	–
Total	**3,146**	**3,145**				

1) Split based on the valuation methodologies used in different countries.
2) Of which EUR 691m is related to investment properties in pooled schemes and unit-linked investments in Life & Pension. For more information, see Note G3.11 "Assets and deposits in pooled schemes and unit-linked investment contracts".

G5.3 Investment properties, cont.

Valuation techniques and inputs used in fair value measurements in Level 3

31 Dec 2021, EURm	Fair value[1]	Of which Life & Pension	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	991	991	Discounted cash flows	Market rent		
				- Commercial	EUR 120–140/m²	124 EUR/m²
				- Office	EUR 108–403/m²	250 EUR/m²
				- Other	EUR 115–314/m²	229 EUR/m²
				Yield requirement		
				- Commercial	5.25–5.25%	5.25%
				- Office	3.25–4.90%	4.0%
				- Other	3.60–7.25%	4.0%
Finland[2]	1,041	1,041	Discounted cash flows	Market rent		
				- Commercial	EUR 144–222/m²	183 EUR/m²
				- Office	EUR 123–474/m²	299 EUR/m²
				- Flat	EUR 189–300/m²	245 EUR/m²
				- Other	EUR 98–242/m²	170 EUR/m²
				Yield requirement		
				- Commercial	4.50–7.00%	5.8%
				- Office	3.25–10.25%	6.8%
				- Flat	3.00–4.75%	3.9%
				- Other	4.50–8.25%	6.4%
Sweden	333	333	Discounted cash flows	Market rent		
				- Commercial	EUR 69–217/m²	123 EUR/m²
				- Office	EUR 248–277/m²	266 EUR/m²
				- Flat	EUR 178–185/m²	180 EUR/m²
				Yield requirement		
				- Commercial	4.25–5.85%	5.0%
				- Office	4.00–4.65%	4.4%
				- Flat	3.51–3.60%	3.6%
Other	1	–	Discounted cash flows	–	–	–
Total	**2,366**	**2,365**				

1) Split based on the valuation methodologies used in different countries.
2) Of which EUR 602m is related to investment properties in pooled schemes and unit-linked investments in Life & Pension. For more information, see Note G3.11 "Assets and deposits in pooled schemes and unit-linked investment contracts".

The significant unobservable inputs used in the fair value measurement of the investment properties are market rent and yield requirement. Significant increases (decreases) in the market rate or yield requirement would in isolation result in a significantly lower (higher) fair value.

G5.4 Leases

Accounting policies

A lease is a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Nordea as lessor
Finance leases are reported as receivables from the lessee and included in "Loans to the public" (see Note G3.7 "Loans") 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.

Nordea as lessee
At inception Nordea assesses whether a contract is or contains a lease.

The right to use an asset in a lease contract is recognised on the commencement date as a right-of-use (ROU) asset and the obligation to pay lease payments is recognised as a lease liability. The ROU asset is initially measured as the present value of the lease payments plus initial direct costs and the cost of obligations to refurbish the asset less any lease incentives received. Non-lease components are separated. The discount rate used to calculate the lease liability for each contract is the incremental borrowing rate at commencement of the contract. In significant premises contracts the rate implicit in the contract may be used if available.

The ROU assets are presented as similar owned assets and the lease liabilities as "Other liabilities" on the balance sheet. The depreciation policy is consistent with that of similar owned assets, but the depreciation period is capped at the end of the lease term. Impairment testing of the ROU assets is performed according to the same principles that apply to similar owned assets. Interest expense on lease liabilities is presented as "Interest expense" in the income statement.

The assets are classified as "Land and buildings" and "Equipment". Equipment mainly comprises vehicles and IT hardware. Nordea applies the practical expedient for short-term contracts (with a contract term of 12 months or less) both for Land and buildings and for Equipment. The practical expedient for low-value assets is applied to Equipment.

Short-term and low-value contracts are not recognised on the balance sheet and the payments are recognised as "Other 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 lease term is the expected lease term. This comprises the non-cancellable period of lease contracts and any options that Nordea is reasonably certain to exercise. The length of contracts with no end date is estimated by considering all facts and circumstances.

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 lease contract. If applicable, these assets are separated from the contract and accounted for as leased assets.

Critical judgements and estimation uncertainty

For a lessee, critical judgement has to be exercised when estimating the expected lease term by considering all facts and circumstances that create an economic incentive to exercise an extension or termination option. The expected lease term for contracts with no end date is estimated in the same way. Backstop rules on the average expected lifetime of different types of real estate contracts are used as a guidance when making the estimate for branch offices. A more detailed analysis is performed for more significant contracts. Head office contracts are estimated to be more long term in nature than branch office contracts where the environment is changing at a more rapid pace. The backstop rule of branch offices is currently limiting the expected lease term of contracts with no end date and contracts with extension options to 5 years. It is possible to deviate from the backstop rule if the circumstances show that Nordea is likely to stay for a longer/shorter period. The carrying amount of ROU assets was EUR 1,257m (EUR 1,331m) at the end of the year.

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

G5.4 Leases, cont.

Nordea as lessor

Nordea's leasing operations comprise finance leases. The leased assets mainly comprise vehicles, machinery and other equipment.

The table below shows a reconciliation of gross investments and the present value of future minimum lease payments.

EURm	31 Dec 2022	31 Dec 2021
Gross investments	10,099	10,183
Less unearned finance income	-1,211	-989
Net investments in finance leases	**8,888**	**9,194**
Less unguaranteed residual values accruing to the benefit of the lessor	-10	-7
Present value of future minimum lease payments receivable	**8,878**	**9,187**
Accumulated allowance for uncollectible minimum lease payments receivable	-21	-17

The residual value risk of finance leases is carried by the vendor or by the lessee according to the terms of the contract.

As at 31 December 2022 the gross investment and the net investment by remaining maturity were distributed as follows:

	31 Dec 2022	
EURm	Gross investment	Net investment
2023	2,839	2,520
2024	2,561	2,228
2025	2,208	1,919
2026	1,492	1,303
2027	513	478
Later years	486	440
Total	**10,099**	**8,888**

Nordea as lessee

Leases are mainly related to office premises contracts but also to company cars, IT hardware and other assets normal to the business. The premises are mainly divided into branch offices and head offices. The premises contracts are actively managed with focus on the effective use of the premises and the changes in the business environment. The lease payments generally include fixed payments and especially in premises contracts also variable payments that depend on an index. Residual value guarantees or purchase options are generally not used.

Lease expenses are disclosed in the table below.

EURm	2022	2021
Expense related to short-term leases	-12	-12
Expense related to low-value leases	0	0
Expense related to variable payments	-19	-16
Interest expense	-9	-9
Sub-lease income	2	2
Total cash outflow for leases	-163	-176

The table below shows the contractual maturity of undiscounted cash flows on lease liabilities.

EURm	31 Dec 2022	31 Dec 2021
Less than one year	125	132
1–2 years	95	122
2–5 years	202	228
5–10 years	306	288
10–15 years	263	267
15–20 years	164	174
20–25 years	10	25
Total	**1,165**	**1,236**

More information on right of use assets and the maturity profile can be found in Note G5.2 "Properties and equipment" and in Note G10.3 "Maturity analysis".

The lease liability does not include future estimated cash flows for significant committed leases not yet commenced, amounting to approximately EUR 115m at the end of the year.

Nordea operates from leased premises. The premises are mainly divided into head office contracts, branch office contracts and other contracts.

The expected lease term in most of the premises contracts is 1–10 years, whereas the expected lease term of the main head office contracts in the Nordic countries is 10–25 years. These contracts usually have renewal options. The head office contracts generally have fixed lease terms, whereas branch office contracts either have fixed lease terms or are without an end date with the right to terminate. The termination clauses are generally 6–12 months. The main principle is that premises contracts do not contain purchase options. Company car contracts generally have a fixed lease term of less than 5 years.

G6 Provisions

Accounting policies

Provisions (which are presented as a liability) are recognised when Nordea has a present obligation (legal or constructive) as a result of a past event if it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, where a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Accounting policies relating to employee benefits are further described in Note G8 "Employee benefits and key management personnel remuneration" and relating to financial guarantee contracts and credit commitments in Note G7 "Off-balance sheet items". Accounting policies for provisions for off-balance sheet items can be found in Note G3.7 "Loans".

Critical judgements and estimation uncertainty

Within the framework of normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts, as well as possible fines due to e.g. weak anti-money laundering (AML) processes and procedures in the past. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters.

Nordea cannot exclude the possibility of fines which could impact the bank's financial performance.

In addition, some of these proceedings could lead to litigation. See also Note G11 "Risk and liquidity management", section 6 "Compliance Risk" and Note G7.1 "Contingent liabilities".

Provisions

EURm	31 Dec 2022	31 Dec 2021
Restructuring	78	127
Guarantees/commitments	184	183
Other	89	104
Total	**351**	**414**

Provisions for restructuring costs were utilised by EUR 68m in 2022, and new provisions amounting to EUR 27m were accounted for. The remaining provisions are related to staff restructuring (EUR 68m) and premises-related obligations (EUR 10m).

The staff-related provision is mainly related to the new Group business plan, including new financial targets, initiated in 2019 but where payments remain to be executed. Approximately EUR 50m out of the total restructuring provision EUR 78m is expected to be utilised/paid out in 2023. All staff-related activities are expected to be executed on in 2023, but payments are expected to extend into 2024. As for any other provision, there is uncertainty surrounding the timing and the amount to be finally paid. The uncertainty is expected to decrease as the plans are executed.

Loan loss provisions on off-balance sheet items amounted to EUR 184m (EUR 183m). More information on these provisions can be found in Note G11 "Risk and liquidity management", section 2 "Credit risk" and Note G7 "Off-balance sheet items".

More information on the provision for AML-related matters can be found in Note G11 "Risk and liquidity management", section 6.2 "Financial crime prevention".

	Restructuring		Other	
EURm	2022	2021	2022	2021
At beginning of year	127	245	104	115
New provisions made	27	26	1	13
Provisions utilised	-68	-107	-14	-20
Reversals	-5	-38	-1	-9
Reclassifications	–	–	–	5
Translation differences	-3	1	-1	0
At end of year	**78**	**127**	**89**	**104**

G7 Off-balance sheet items

G7.1 Contingent liabilities

Accounting policies

A contingent liability is:
- a possible obligation whose existence will be confirmed only by future event(s) not wholly within Nordea's control or
- a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised as liabilities on the balance sheet but disclosed as an off-balance sheet item unless the possibility of an outflow is remote.

When an outflow is more likely than not, a provision is recognised on the balance sheet. The accounting policies covering provisions can be found in Note G6 "Provisions".

Guarantees and documentary credits are recognised on the balance sheet under the expected credit loss requirements as further defined in Note G3.7 "Loans". Changes in provisions are recognised in the income statement in the line item "Net loan losses".

Premiums received for financial guarantees are amortised over the guarantee period and recognised as "Fee and commission income" in the income statement. The contractual amounts are recognised off balance sheet, net of any provisions.

The table below includes all issued guarantees, also those for which the possibility of an outflow of resources is considered remote.

Contingent liabilities

EURm	31 Dec 2022	31 Dec 2021
Loan guarantees	2,486	4,259
Other guarantees	18,000	17,684
Documentary credits	598	830
Other contingent liabilities	79	13
Total	**21,163**	**22,786**

In its normal business, Nordea issues various forms of guarantees in favour of its customers. Loan guarantees are provided for customers to guarantee obligations in other credit and pension institutions. Other guarantees mainly consist of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export-related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank's services and support Nordea´s customers.

Nordea Bank Abp has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against these individuals in their capacity of managing directors or board members of group undertakings of Nordea Bank Abp.

Nordea Bank Abp has undertaken to indemnify the members of the GLT against legal expenses incurred in relation to legal advice in defending or disputing certain claims or investigations by third parties, excluding crimes or actions made with intent or gross negligence. For each GLT member, the indemnity is capped at an aggregate amount of EUR 37.5m, unless the Board decides otherwise on a case-by-case basis. Nordea purchases directors and officers liability insurance, which provides cover for personal liabilities of its Board of Directors and management as well as liability assumed by the bank following the indemnification undertaking. The terms and conditions including the total limit of liability of the policy are in line with large European banks.

The Annual General Meeting 2022 further decided that the company will cover or reimburse the members of the Board of Directors all costs and expenses related to or arising from the Board membership, including travel, logistics and accommodation as well as consultative, legal and administrative costs. The legal costs can e.g. include required legal defence costs related to claims made against Board members in cases where Board members are not found liable or guilty of any wrongdoing or grossly negligent behaviour.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further information, see Note G8.4 "Key management personnel remuneration".

Within the framework of normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts, as well as possible fines due to e.g. weak AML processes and procedures in the past. At present, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters. Nordea cannot exclude the possibility of fines which could impact the bank's financial performance. In addition, some of these proceedings could lead to litigation. See also Note G11 "Risk and liquidity management" and Note G6 "Provisions".

G7.2 Commitments

Accounting policies

Commitments are irrevocable promises to extend credit or make other types of payments in the future. Unutilised credit facilities are also disclosed as commitments.

Irrevocable commitments are recognised on the balance sheet under the expected credit loss requirements as further defined in Note G3.7 "Loans". Changes in provisions are recognised in "Net loan losses" in the income statement.

Premiums received on credit commitments are generally amortised over the loan commitment period. The contractual amounts are recognised off balance sheet, net of any provisions.

Commitments

EURm	31 Dec 2022	31 Dec 2021
Unutilised overdraft facilities	26,929	28,263
Loan commitments	60,074	57,975
Future payment obligations	889	997
Other commitments	1,716	1,750
Total	**89,608**	**88,985**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on the settlement date. As at 31 December 2022 Nordea had signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On the settlement date, these reverse repurchase agreements will, as far as possible, replace existing reverse repurchase agreements not yet derecognised as at 31 December 2022. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For more information on reverse repurchase agreements, see Note G3.2 "Transferred assets and obtained collateral".

G7.3 Assets pledged

Accounting policies

Assets recognised on the balance sheet and pledged as security for Nordea's own liabilities are disclosed as "Assets pledged as security for own liabilities". Assets recognised on the balance sheet and pledged for other than own liabilities are disclosed as "Assets pledged as security for other than own liabilities". Securities borrowed and then used as collateral are presented as "Transferred assets and obtained collateral" on the balance sheet (see Note G3.2 "Transferred assets and obtained collateral" for accounting policies).

Assets pledged as security for own liabilities comprise securities pledged as security under repurchase agreements and under securities lending agreements. The transactions are conducted under standard agreements employed by financial market participants. Counterparties to the transactions are credit institutions and the public. The transactions are typically short term and mature within three months.

Securities related to life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other assets pledged relate to certificates of deposit pledged by Nordea to comply with the authorities' requirements.

Assets pledged as security for other than own liabilities

Other assets pledged mainly relate to interest-bearing securities pledged as security for payment settlements with central banks and clearing institutions and amounted to EUR 253m (EUR 253m). Only securities pledged for overnight liquidity are disclosed (securities pledged for intraday liquidity are excluded). Collateral pledged for items other than Nordea´s own liabilities, e.g. for a third party or for Nordea´s own contingent liabilities, is also presented under this item.

Assets pledged

EURm	31 Dec 2022	31 Dec 2021
Assets pledged as security for own liabilites	190,211	183,984
Assets pledged as security for other than own liabilities	253	253
Total	**190,464**	**184,237**

Assets pledged as security for own liabilities

EURm	31 Dec 2022	31 Dec 2021
Assets pledged as security for own liabilities		
Securities etc	2,622	6,058
Loans to the public	165,286	164,956
Other assets pledged	22,303	12,970
Total	**190,211**	**183,984**
The above pledges pertain to the following liabilities[1]		
Deposits by credit institutions	11,689	16,531
Deposits and borrowings from the public	1,873	1,386
Derivatives	7,761	8,791
Debt securities in issue[2]	114,109	117,764
Other liabilities and commitments	1,990	2,479
Total	**137,422**	**146,951**

1) Liabilities after offsetting between assets and liabilities on the balance sheet.
2) Excluding fair value hedge adjustment.

G8 Employee benefits and key management personnel remuneration

All forms of consideration given by Nordea to its employees as compensation for services performed are employee benefits. Employee benefits consist of short-term benefits, post-employment benefits and share-based payment plans.

Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Short-term benefits consist mainly of fixed and variable salary. For more information, see Note 8.1 "Fixed and variable salaries".

Post-employment benefits are benefits payable after termination of the employment. Post-employment benefits in Nordea consist only of pensions. For more information, see Note 8.2 "Pensions".

Share-based payment plans cover share-based payments for services from employees. For more information, see Note G8.3 "Share-based payment plans".

In addition, remuneration to key management personnel is disclosed in Note G8.4 "Key management personnel remuneration".

Additional disclosures on remuneration

The Board of Directors' report includes a separate section on remuneration, see page 79. For the Annual General Meeting on 23 March 2023 the Remuneration Report for Governing Bodies 2022 is disclosed. Further, aggregated disclosures for key management personnel and material risk takers (Pillar III, CRR article 450) will be published in a separate report on nordea.com no later than one week before the Annual General Meeting.

G8.1 Fixed and variable salaries

Accounting policies

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 perform services for Nordea.

Termination benefits

Termination benefits normally arise if employment is terminated before the normal retirement date or if an employee accepts an offer of voluntary redundancy.

Termination benefits are expensed when Nordea has an obligation to make the payment. An obligation arises when a formal plan has been 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 affected individual or employee(s) or 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.

Nordea's Short Term Incentive Plans

Nordea operates Short Term Incentive Plans (STIPs). These are the Nordea Incentive Plan (NIP), which is offered to the CEO and members of the Group Leadership Team (GLT) and by subject to invitation to other employees, or bonus schemes (bonus) for selected employees in specific business areas or units as approved by the Board of Directors (Board). The NIP should primarily be used for roles where variable remuneration is a widespread market practice and makes up a significant part of the total remuneration package.

STIPs have been offered for several years primarily as the Executive Incentive Programme (EIP) and in 2022 as the NIP with similar terms and conditions.

The STIPs cover a performance period of one year and deliver cash and share awards to the participants. Deferral is applied to part of the award for delivery annually in equal instalments over the following 4 or 5 years and subject to a 12-month retention period. Variable remuneration paid in cash and not linked to Nordea's share price performance is expensed when earned and included in "Fixed and variable salaries" below. Amounts earned and deferred in shares, also expensed as "Fixed and variable salaries" in the below table, are disclosed in the separate Note G8.3 "Share-based payment plans".

Staff costs

EURm	2022	2021
Fixed and variable salaries[1]	-2,195	-2,145
Pension costs (specification in Note G8.2)	-277	-279
Social security contributions	-407	-402
Other staff costs[2]	44	67
Total	**-2,835**	**-2,759**

1) Of which allocation to profit sharing for 2022 amounted to EUR 67m (EUR 57m), consisting of a new allocation of EUR 67m (EUR 62m) and an adjustment related to prior years of EUR 0m (EUR -5m).
2) Including capitalisation of IT projects with EUR 126m (EUR 138m).

G8.2 Pensions

Accounting policies

Defined contribution plans

Pension plans that are based on defined contribution arrangements hold no pension liability for Nordea. All defined benefit plans are closed for new entrants; new employees are offered defined contribution plans. Pension costs for defined contribution 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. In general, the payment is associated with and settled through regular salary payments. Nordea also contributes to state pension plans.

Defined benefit plans

IAS 19 ensures that the pension obligations net of plan assets backing these obligations are reflected on the Group's balance sheet. The major defined benefit plans are funded, 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".

Nordea's net obligation for defined benefit 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. Current and past service cost is recognised in the income statement in the current year. Current service cost is defined as the

G8.2 Pensions, cont.

increase in the present value of the defined benefit obligation resulting from employee service in the current period. Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods triggered by plan amendments or curtailments.

The present value of the obligation and the fair value of any plan assets are impacted by changes in actuarial assumptions (discount rates (interest rates and credit spreads), inflation, salary increases, turnover and mortality) and experience effects, including actual outcome compared to assumptions. The remeasurement effects are recognised immediately in equity through other comprehensive income.

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 Sweden, Norway and Denmark, the discount rate is determined with reference to covered bonds, whereas in Finland and UK the discount rates are determined with reference to corporate bonds. In Sweden, Norway, Finland and Denmark, the observed bond credit spreads over the swap curve are derived from the long-dated covered or corporate bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In UK, the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligations using the government bond curve.

When the calculation results in a net asset, 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 contributions are calculated and accounted for based on the net recognised surplus or deficit by plan and are included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

Critical judgements and estimation uncertainty

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 about whether corporate bond markets are deep enough and of high quality. There is also uncertainty about the extrapolation of yield curves to relevant maturities. 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 together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 2,910m (EUR 3,801m) at the end of the year.

Pension costs

The companies within Nordea have various pension plans. They consist of both defined benefit plans and defined contribution plans, reflecting national practices and conditions in the countries where Nordea operates.

EURm	2022	2021
Defined contribution plans	-236	-235
Defined benefit plans[1]	-41	-44
Total	**-277**	**-279**

1) Excluding special wage tax (SWT) in Sweden and social security contributions (SSC) in Norway in total of EUR -10m (EUR -11m).

Defined contribution plans

All new employees have been offered defined contribution plans since 2013 when the defined benefit plan in Sweden was closed for new members. The defined contribution plans follow the local collective agreements and regulations in each country.

In Norway, Nordea is part of a collectively agreed multi-employer pension plan in the private sector (AFP), providing entitled employees with a lifelong addition to their regular pensions. As no information is available on Nordea's share of the liabilities/assets and pension cost, the AFP is accounted for as a defined contribution plan in accordance with IAS 19.

The AFP plan is financed by an annual premium, for 2022 equal to 2.6% of employees' salary between 1 and 7.1 times the Norwegian social security base amount ("G"). The premium for 2022 was EUR 3m (EUR 3m).

Defined benefit plans

The plans are operated in accordance with local regulatory requirements, collective agreements and local practice and are generally employer-financed final salary and service-based pension plans providing pension benefits in addition to the statutory systems.

In Sweden, 2,842 (3,087) employees earn defined benefit pension rights as the primary pension plan. In Finland, 1,273 (1,359) employees earn defined benefit pension rights as a supplementary pension to the statutory pension plan (TyEL). In Norway, 271 (297) employees earn defined benefit pension rights as the primary pension plan and 1,308 (1,231) employees are entitled to saving plans for salaries exceeding 12G or compensation from closing defined benefit plans in 2017.

Retirement benefit assets and liabilities

EURm	31 Dec 2022	31 Dec 2021
Plans with net retirement benefit assets	165	221
Plans with net retirement benefit liabilities	298	369
Net liability (-)/asset (+)	**-133**	**-148**

In general, the liabilities are safeguarded by assets in dedicated pension funds or foundations or alternatively by credit insurance (Sweden only). Pension funds and foundations hold both the assets and the pension liabilities, except for Sweden where the pension foundation serves as collateral for the pension liabilites held by Nordea.

Minimum funding requirements differ between the pension funds and foundations according to local regulatory requirements. The funding requirement is generally that the pension obligations measured using local requirements must be covered in full by a local predefined surplus. Other pension

G8.2 Pensions, cont.

plans are not covered by funding requirements and are generally unfunded. The respective Nordea entities issuing the defined pension benefit serve as the sponsoring entity in accordance with the EU IORP II Directive.

Defined benefit plans impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets.

IAS 19 pension calculations and assumptions

Calculations of major plans are performed by external liability calculators and are based on actuarial assumptions reflecting long-term expectations.

Assumptions[1]

	SE	NO	FI	DK	UK
2022					
Discount rate	3.28%	3.40%	2.95%	3.20%	4.68%
Salary increase	3.00%	3.50%	3.10%	2.25%	–
Inflation	2.00%	2.00%	2.60%	–[2]	3.50%
Mortality	DUS21	K2013BE	Gompertz	FSA	S3PMA_L/ S3PFA_M[3]
2021					
Discount rate	1.44%	1.96%	0.65%	1.05%	1.53%
Salary increase	3.00%	2.25%	2.25%	2.25%	–
Inflation	2.00%	1.50%	1.75%	–[2]	3.00%
Mortality	DUS14	K2013BE	Gompertz	FSA	S3PMA_L/ S3PFA_M[3]

1) The assumptions disclosed for 2022 have an impact on the liability calculations by year-end 2022, while the assumptions disclosed for 2021 are used for calculating the pension expense in 2022.
2) All pensions in Denmark are salary indexed. Thus, inflation does not have any impact on the defined benefit obligations.
3) Based on the base tables and mortality projection model published by the Continuous Mortality Investigation (CMI), with CMI_2021 projections for 2022 calculations and CMI_2020 projections for 2021 calculations.

Sensitivities – impact on defined benefit obligations

%	SE	NO	FI	DK	UK
Discount rate – Increase 50bp	-8.8%	-7.0%	-5.3%	-4.0%	-6.8%
Discount rate – Decrease 50bp	9.3%	7.7%	5.9%	4.3%	7.6%
Salary increase – Increase 50bp	1.6%	0.2%	0.2%	4.9%	–
Salary increase – Decrease 50bp	-1.8%	-0.2%	-0.2%	-4.6%	–
Inflation – Increase 50bp	9.0%	7.8%	4.3%	–	1.6%
Inflation – Decrease 50bp	-8.5%	-7.1%	-4.0%	–	-1.5%
Mortality – Increase 1 year	4.2%	3.3%	4.5%	5.7%	3.3%
Mortality – Decrease 1 year	-4.7%	-4.8%	-4.4%	-5.6%	-3.3%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach as the actuarial assumptions are usually correlated. However, it makes it possible to isolate one effect from another. The method used for calculating the impact on the obligations is the same as when calculating the obligations accounted for in the financial statements. The sensitivity analyses include the impact on the liabilities held for future special wage tax (SWT) in Sweden and social security contributions (SSC) in Norway.

Net retirement benefit liabilities/assets

EURm	SE 2022	NO 2022	FI 2022	DK 2022	UK 2022	Total 2022	Total 2021
Obligations	1,454	719	609	69	59	2,910	3,801
Plan assets	1,335	625	650	90	77	2,777	3,653
Net liability(-)/asset(+)	**-119**	**-94**	**41**	**21**	**18**	**-133**	**-148**
- of which plans with net assets	2	77	45	23	18	165	221
- of which plans with net liabilities	121	171	4	2	–	298	369

G8.2 Pensions, cont.

Movements in obligations

2022, EURm	SE	NO	FI	DK	UK	Total
Opening balance	2,033	830	744	88	106	3,801
Current service cost	29	6	2	–	–	37
Interest cost	28	15	5	1	2	51
Pensions paid	-69	-32	-38	-5	-5	-149
Past service cost and settlements	1	–	0	–	–	1
Remeasurement from changes in demographic assumptions	8	–	–	-1	0	7
Remeasurement from changes in financial assumptions	-558	-81	-129	-15	-41	-824
Remeasurement from experience adjustments	123	19	25	1	1	169
Translation differences	-132	-36	–	0	-4	-172
Change in provision for SWT/SSC[1]	-9	-2	–	–	–	-11
Closing balance	**1,454**	**719**	**609**	**69**	**59**	**2,910**
- of which relates to the active population	20%	11%	10%	–	–	15%

2021, EURm	SE	NO	FI	DK	UK	Total
Opening balance	2,058	796	806	103	108	3,871
Current service cost	32	4	3	–	–	39
Interest cost	22	14	1	0	1	38
Pensions paid	-71	-30	-41	-5	-7	-154
Past service cost and settlements	1	–	0	0	–	1
Remeasurement from changes in demographic assumptions	–	–	0	0	-1	-1
Remeasurement from changes in financial assumptions	52	-14	-13	-7	-4	14
Remeasurement from experience adjustments	-5	23	-12	-3	1	4
Acquisitions/reclassifications	–	3	–	–	–	3
Translation differences	-54	36	–	0	8	-10
Change in provision for SWT/SSC1	-2	-2	–	–	–	-4
Closing balance	**2,033**	**830**	**744**	**88**	**106**	**3,801**
- of which relates to the active population	26%	12%	13%	–	–	19%

1) Change in the provision for SWT in Sweden and SSC in Norway.

The average duration of the obligations is 15 (18) years in Sweden, 13 (14) years in Norway, 11 (13) years in Finland, 9 (11) years in Denmark and 15 (20) years in the UK based on discounted cash flows. The fact that all defined benefit plans are now closed to new entrants results in lower duration. For 2022 the increase in interest rates also resulted in lower duration.

G8.2 Pensions, cont.

Movements in the fair value of plan assets

2022, EURm	SE	NO	FI	DK	UK	Total
Opening balance	1,858	723	823	112	137	3,653
Interest income (calculated using the discount rate)	26	14	5	1	2	48
Pensions paid	–	-24	-39	-5	-5	-73
Contributions/refunds by/to employer	1	2	-6	1	–	-2
Remeasurement (actual return less interest income)	-429	-57	-133	-19	-51	-689
Translation differences	-121	-33	–	0	-6	-160
Closing balance	**1,335**	**625**	**650**	**90**	**77**	**2,777**

2021, EURm	SE	NO	FI	DK	UK	Total
Opening balance	1,867	679	847	127	130	3,650
Interest income (calculated using the discount rate)	19	12	1	0	2	34
Pensions paid	–	-23	-41	-5	-7	-76
Contributions/refunds by/to employer	1	3	-21	0	–	-17
Remeasurement (actual return less interest income)	21	20	37	-10	2	70
Translation differences	-50	32	–	0	10	-8
Closing balance	**1,858**	**723**	**823**	**112**	**137**	**3,653**

Asset composition

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) reducing the long-term inflationary risk in liabilities.

The combined return on assets in 2022 was -17.5% (2.9%). The negative total asset return primarily stemmed from a significant drop in equity prices and a concurrent price decline for nominal fixed income assets and interest rate hedging instruments.

At the end of the year, the equity exposure in Nordea´s pension funds/foundations represented 21% (19%) of total assets. The Group expects to contribute EUR 2m to its defined benefit plans in 2023.

Asset composition in funded schemes

%	SE 2022	NO 2022	FI 2022	DK 2022	UK 2022	Total 2022	Total 2021
Bonds	87%	68%	59%	67%	87%	75%	70%
- sovereign	36%	39%	29%	30%	87%	36%	37%
- covered bonds	34%	23%	9%	37%	–	25%	19%
- corporate bonds	17%	6%	21%	–	–	14%	14%
- issued by Nordea entities	*3%*	*3%*	–	–	–	*2%*	*2%*
- with quoted market price in an active market	*87%*	*68%*	*59%*	*67%*	*87%*	*75%*	*70%*
Equities	25%	16%	17%	10%	13%	21%	19%
- domestic	5%	5%	4%	10%	4%	5%	5%
- European	3%	5%	5%	–	1%	4%	4%
- US	5%	6%	4%	–	6%	5%	5%
- emerging	5%	–	4%	–	2%	3%	3%
- private equity	7%	–	–	–	–	4%	2%
- Nordea shares	–	–	–	–	–	*0%*	*0%*
- with quoted market price in an active market	*18%*	*16%*	*17%*	*10%*	*13%*	*17%*	*17%*
Real estate[1]	–	16%	21%	–	–	8%	7%
- occupied by Nordea	–	–	*6%*	–	–	*1%*	*1%*
Interest rate swaps	-13%	-1%	–	–	–	-6%	0%
Insurance contracts	–	–	1%	6%	–	1%	1%
Cash and cash equivalents	1%	1%	2%	17%	0%	1%	3%

1) The geographical location of real estate follows the geographical location of the relevant pension plan.

G8.2 Pensions, cont.

Defined benefit pension cost

The total net pension cost related to defined benefit plans (DBPs) recognised in the Group's income statement (as staff costs) for the year amounted to EUR 51m (EUR 55m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (DCPs)(see specification in the table "Pension costs").

Recognised in the income statement

2022, EURm	SE	NO	FI	DK	UK	Total
Current service cost[1]	29	6	2	–	–	37
Net interest	2	1	0	0	0	3
Past service cost and settlements	1	–	0	–	–	1
SWT/SSC[2]	9	1	–	–	–	10
Pension costs related to DBPs (expense+/income-)	**41**	**8**	**2**	**0**	**0**	**51**
2021, EURm	**SE**	**NO**	**FI**	**DK**	**UK**	**Total**
Current service cost[1]	32	4	3	–	–	39
Net interest	3	2	0	0	-1	4
Past service cost and settlements	1	–	0	–	–	1
SWT/SSC2[2]	10	1	–	–	–	11
Pension costs related to DBPs (expense+/income-)	**46**	**7**	**3**	**0**	**-1**	**55**

1) "Current service cost" includes EUR 4m (EUR 2m) related to additional savings plans in Norway.
2) Costs related to SWT in Sweden and SSC in Norway.

Pension costs related to defined benefit plans, excluding past service cost and related special wage tax and social security contributions, remained largely unchanged in 2022 compared with 2021.

Recognised in other comprehensive income

2022, EURm	SE	NO	FI	DK	UK	Total
Remeasurement from changes in demographic assumptions	8	–	–	-1	0	7
Remeasurement from changes in financial assumptions	-558	-81	-129	-15	-41	-824
Remeasurement from experience adjustments	123	19	25	1	1	169
Remeasurement of plan assets (actual return less interest income)	429	57	133	19	51	689
SWT/SSC[1]	0	-1	–	–	–	-1
Pension costs related to DBPs (expense+/income-)	**2**	**-6**	**29**	**4**	**11**	**40**

2021, EURm	SE	NO	FI	DK	UK	Total
Remeasurement from changes in demographic assumptions	–	–	0	0	-1	-1
Remeasurement from changes in financial assumptions	52	-14	-13	-7	-4	14
Remeasurement from experience adjustments	-5	23	-12	-3	1	4
Remeasurement of plan assets (actual return less interest income)	-21	-20	-37	10	-2	-70
SWT/SSC[1]	6	-2	–	–	–	4
Pension costs related to DBPs (expense+/income-)	**32**	**-13**	**-62**	**0**	**-6**	**-49**

1) Cost related to SWT in Sweden and SSC in Norway.

G8.3 Share-based payment plans

Accounting policies

Equity-settled plans

An equity-settled share-based payment transaction occurs when Nordea receives goods or services and uses its own equity instruments as consideration. Such transactions are recognised as a staff expense and a corresponding increase in equity. The expense is measured at the fair value of the goods or services received unless that fair value cannot be estimated reliably. In such cases, the expense is measured by reference to the fair value of the equity instruments awarded, which is the method used by Nordea.

When Nordea issues such instruments, the award date fair value of these rights is expensed on a straight-line basis over the vesting period. The fair value per right is estimated at award date and not subsequently updated. The vesting period is the period over which the employees have to remain in service at Nordea in order for their rights to vest.

For rights with non-market performance conditions, the amount expensed is the award date fair value per right multiplied by the best estimate of rights that will eventually vest, which is reassessed at each reporting date. For rights with market performance conditions, the total fair value is estimated based on the fair value of each right times the maximum number of rights at award date. Market conditions are taken into account when estimating the fair value of the equity instruments awarded. Therefore, if all other vesting conditions (e.g. service conditions) are met, Nordea recognises the expense for awards of equity instruments with market conditions over the vesting period irrespective of whether that market condition is satisfied.

Social security costs are also allocated over the vesting period. The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

Cash-settled plans

A share-based cash settled payment transaction occurs when Nordea acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price of equity instruments of Nordea. For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. The liability is remeasured at fair value at the end of each reporting period, with any changes in fair value recognised in the line item "Net result from items at fair value" in the income statement.

Nordea has several variable pay plans for selected Nordea employees (participants). The terms of the plans vary depending on the target group. Disclosures related to the share-based plans can be found below. All remuneration plans are also described in the section "Remuneration" on page 79 of the Board of Directors' report.

Until the end of the performance/financial year 2018, Nordea's share-based variable remuneration plans were partly in the form of cash-linked total shareholders' return indexation (excluding dividends) and partly in the form of cash. The plans were consequently generally settled in cash and the portion indexed with Nordea's total shareholders' return was accounted for as a cash-settled share-based payment plan. The total shareholders' return indexation resulted in a revenue of EUR 2m in 2022 in the remaining deferred payments stemming from these plans.

Starting from the 2019 performance year, share-based variable pay plans are partly in the form of cash not linked to the Nordea share and partly in the form of Nordea shares, which makes the portion paid in Nordea shares equity-settled share-based plans. Total shareholders' return indexation may be used for share-based variable pay plans, subject to operational, administrative or tax issues as well as regulations that apply to certain legal entities.

In the Executive Incentive Programme (EIP) 2021, EUR 17m was expensed for variable remuneration to be paid in cash and EUR 16m to be paid in shares. In 2022 these were adjusted to EUR 11m for the portion delivered in shares and another EUR 15m in cash, while the VSP and bonus plans added an additional equity settled expense of EUR 8m. In 2022 1,796,442 shares in Nordea were allotted to the participants in these plans, corresponding to EUR 19m based on the share price at the award date. In total 2,243,143 shares were awarded to the participants. These shares had a fair value of EUR 24m based on the share price at the award date.

The table below covers all plans with share-based plan expenses recognised in 2022 as well as the comparative figures for 2021. Figures for 2022 are based on the expected 2022 outcome and all figures are excluding social security expenses. The expense for 2022 is based on an assumption about the number of shares that will be awarded and deferred for delivery in later years.

G8.3 Share-based payment programmes, cont.

Share-based payment plans

Plan year	Equity settled or cash settled	Delivery period	Expense 2022	Expense 2021	Liability 31 Dec 2022	Liability 31 Dec 2021	Outstanding rights
2022							
- LTIP	Equity settled	2025–2030	1	–	–	–	Yes[1]
- NIP	Equity settled	2023–2028	12	–	–	–	Yes[2]
- Buy-outs etc.	Equity settled	2022–2026	0	–	–	–	Yes[2]
2021							
- LTIP	Equity settled	2024–2029	1	1	–	–	Yes[3]
- EIP	Equity settled	2022–2027	-5	16	–	–	Yes
- VSP and bonus	Equity settled	2022–2027	8	–	–	–	Yes
- Buy-outs etc.	Equity settled	2022–2023	0	–	–	–	Yes
2020							
- LTIP	Equity settled	2023–2028	0	0	–	–	Yes
- EIP	Equity settled	2021–2026	-1	-5	–	–	Yes
- VSP and bonus	Equity settled	2021–2026	-1	7	–	–	Yes
- Buy-outs etc.	Equity settled	2021–2026	0	–	–	–	Yes
Previous years	Cash settled	2022–2025	-2	16	7	24	No
	Equity settled	2022–2025	-1	-1	–	–	Yes
Total			**12**	**34**	**7**	**24**	

1) Rights will be awarded following the end of the three-year performance period (2022–2024) over the delivery period (2025–2030).
2) Rights will be awarded in 2023 based on the performance in 2022.
3) Rights will be awarded following the end of the three-year performance period (2021–2023) over the delivery period (2024–2029).

Nordea's Long Term Incentive Plans

Nordea operates Long Term Incentive Plans (LTIP) for the Chief Executive Officer (CEO), members of the Group Leadership Team (GLT) in the first line of defence and a maximum of 50 additional senior leaders each year. The LTIP has been in place in Nordea since 2020 and initially included the CEO and members of the GLT in the first line of defence. In 2021 the LTIP was continued to also include up to 50 additional senior leaders. On 31 March 2022 the Board decided to launch an LTIP 2022 to the same target group as in 2021, being the CEO and members of the GLT in the first line of defence and up to 50 senior leaders.

The LTIPs cover a performance period of three years, respectively, from when they were launched, and are fully equity-settled. The LTIPs deliver conditional shares to the participants, i.e. a promise for the participant to receive shares if certain performance criteria are met.

The maximum number of shares allocated to the participants is decided when the LTIPs are launched and the final number of shares to be awarded to each participant will be determined after the end of the three-year performance period. No shares are awarded at the time when the LTIPs are launched and the conditional shares allocated.

After the end of the performance period and once the Board has decided on the share award from the LTIP, deferral is applied to part of the share award for delivery annually in equal instalments over the following five-year period. Shares delivered to the participants are subject to a 12-month retention period during which the participants cannot sell them or perform any other transactions.

The LTIPs are expensed linearly over the performance period and the deferral period, as outlined on the following pages covering each of the LTIPs.

G8.3 Share-based payment programmes, cont.

LTIP	LTIP 2020–2022	LTIP 2021–2023	LTIP 2022–2024
Launch decision by the Board	11 June 2020	31 March 2021	31 March 2022
Performance period	1 January 2020 – 31 December 2022	1 January 2021 – 31 December 2023	1 January 2022 – 31 December 2024
Target group	CEO and members of the GLT in first line of defence	CEO and members of the GLT in first line of defence and up to 50 additional senior leaders	CEO and members of the GLT in first line of defence and up to 50 additional senior leaders
Maximum number of shares to be allocated	650,000	1,397,500	1,535,000
Award date	Second quarter of 2023	Second quarter of 2024	Second quarter of 2025
Performance criteria (equally weighted)	Absolute total shareholder return (aTSR) Relative total shareholder return (rTSR) Cumulative earnings per share (EPS)	Absolute total shareholder return (aTSR) Relative total shareholder return (rTSR) Cumulative earnings per share (EPS)	Absolute total shareholder return (aTSR) Relative total shareholder return (rTSR) Cumulative earnings per share (EPS)
Service condition	Employed within the Nordea Group during the 3–8-year vesting period	Employment is not terminated before the confirmation of the award	Employment is not terminated before the confirmation of the award
Performance condition aTSR	Absolute growth in the Nordea share price (with dividends reinvested) Maximum allotment for aTSR above EUR 12.00. No allotment for aTSR below EUR 6.50	Absolute growth in the Nordea share price (with dividends reinvested) Maximum allotment for aTSR above EUR 13.10. No allotment for aTSR below EUR 7.60	Absolute growth in the Nordea share price (with dividends reinvested) Maximum allotment for aTSR above EUR 14.97. No allotment for aTSR below EUR 9.84
Performance condition rTSR	Growth in the Nordea share price (with dividends reinvested) compared with a group of nine peers Maximum allotment for rTSR if Nordea is first among peers. No allotment for rTSR if Nordea is sixth or lower among peers	Growth in the Nordea share price (with dividends reinvested) compared with a group of nine peers Maximum allotment for rTSR if Nordea is first among peers. No allotment for rTSR if Nordea is sixth or lower among peers	Growth in the Nordea share price (with dividends reinvested) compared with a group of five peers Maximum allotment for rTSR if Nordea is first among peers. No allotment for rTSR if Nordea is fourth or lower among peers
Performance condition EPS	Total earnings per share for the period 2021–2022 Maximum allotment for EPS above EUR 1.80. No allotment for EPS below EUR 1.20	Total earnings per share for the period 2021–2023 Maximum allotment for EPS above EUR 2.56. No allotment for EPS below EUR 2.00	Total earnings per share for the period 2022–2024 Maximum allotment for EPS above EUR 3.20. No allotment for EPS below EUR 2.40
Risk-adjustment underpin	No payout occurs if Nordea average ROE (as reported) 2020–2022 is below 3% or ending share price is lower than starting share price	No payout occurs if Nordea average ROE (as reported) 2021–2023 is below 3% or ending share price is lower than starting share price	No payout occurs if Nordea average ROE (as reported) 2022–2024 is below 3% or ending share price is lower than starting share price
Cap	Total allocation cannot exceed 200% of the participant's salary	Total allocation cannot exceed 200% of the participant's salary	Total allocation cannot exceed 200% of the participant's salary
Delivery mechanism	40% of the potential share award is delivered to the participant in the second quarter of 2023. The remaining 60% will be deferred and delivered annually in five equal instalments during the second quarter of 2024 to the second quarter of 2028	40% of the potential share award is delivered to the participant in the second quarter of 2024. The remaining 60% will be deferred and delivered annually in five equal instalments during the second quarter of 2025 to the second quarter of 2029	40% of the potential share award is delivered to the participant in the second quarter of 2025. The remaining 60% will be deferred and delivered annually in five equal instalments during the second quarter of 2026 to the second quarter of 2030
Leaver rules	Unvested shares will not be delivered if the employment is terminated before the award payment, however, subject to local regulations and leaver provisions, unless the criteria for a "good leaver" is fulfilled	Unvested shares will not be delivered if the employment is terminated before the award payment, however, subject to local regulations and leaver provisions, unless the criteria for a "good leaver" is fulfilled	Unvested shares will not be delivered if the employment is terminated before the award payment, however, subject to local regulations and leaver provisions, unless the criteria for a "good leaver" is fulfilled
Ex-ante adjustment mechanism	If the financial circumstances of Nordea deteriorate or if the participant breaches internal policies, the awards to be given can be reduced or cancelled	If the financial circumstances of Nordea deteriorate or if the participant breaches internal policies, the awards to be given can be reduced or cancelled	If the financial circumstances of Nordea deteriorate or if the participant breaches internal policies, the awards to be given can be reduced or cancelled
Ex-post adjustment mechanism	Clawback can be applied in similar situations to ex-ante adjustments	Clawback can be applied in similar situations to ex-ante adjustments	Clawback can be applied in similar situations to ex-ante adjustments

G8.3 Share-based payment programmes, cont.

General conditions for the LTIPs

The ex-ante and ex-post adjustment conditions stated in the overview on the previous page are assessed not to affect the valuation of the issued rights or the date when the rights are awarded as the likelihood is low and all participants are aware of these conditions from the start.

General conditions	LTIP 2020–2022	LTIP 2021–2023	LTIP 2022–2024
Ordinary share per right	1.0	1.0	1.0
Allocation date	11 June 2020	31 March 2021	31 March 2022
Vesting period	3–8 years	3–8 years	3–8 years
Contractual life	8 years	8 years	8 years
First day of access for the first portion	Q2 2024	Q2 2025	Q2 2026

General conditions for calculating value at allocation date

The fair value of the rights is calculated using a Monte Carlo simulation (rTSR and aTSR) and the Black & Scholes formula (EPS) based on the following parameters:

General conditions	LTIP 2020–2022	LTIP 2021–2023	LTIP 2022–2024
Weighted average share price at allocation date, EUR	6.41	8.41	9.38
Exercise price, EUR	–	–	–
Expected volatility	29.1%[1]	31.3%[2]	33.3%[2]
Award life	See above	See above	See above
Expected dividends	6.2%	6.6%	4.2%
Risk-free interest rate	0.0%	0.0%	0.28%

1) The expected volatility is based on Nordea's historical daily share price volatility over a historical period of three years of 33.9% and has been adjusted for one-off events (COVID-19) which are not expected to be repeated in the future, i.e. the Company's historical volatility from pre-March 2020 is used. Taking this into account Nordea has excluded the period of highest share price volatility from the calculation of the expected volatility at the allocation date (being the period from 9 March 2020 to 25 March 2020). Removing this period results in a historical share price volatility of 29.1%.

2) The expected volatility is based on Nordea's historical daily share price volatility over a historical period of three years.

LTIP 2020–2022 – Fair value at allocation date and conditional rights outstanding

Fair value at allocation date	Vesting date					
	Q2 2023	Q2 2024	Q2 2025	Q2 2026	Q2 2027	Q2 2028
Maximum number of shares	260,000	78,000	78,000	78,000	78,000	78,000
Award life years	3	4	5	6	7	8
aTSR	1.40	1.31	1.23	1.16	1.09	1.02
rTSR	1.83	1.71	1.61	1.51	1.41	1.33
EPS	4.74	4.46	4.19	3.94	3.70	3.48

Conditional rights	aTSR		rTSR		EPS	
	2022	2021	2022	2021	2022	2021
Outstanding at beginning of year	216,667	216,667	216,667	216,667	216,667	216,667
Allocated	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–
Outstanding at end of year	216,667	216,667	216,667	216,667	216,667	216,667

LTIP 2021–2023 – Fair value at allocation date and conditional rights outstanding

Fair value at allocation date	Vesting date					
	Q2 2024	Q2 2025	Q2 2026	Q2 2027	Q2 2028	Q2 2029
Maximum number of shares	559,000	167,700	167,700	167,700	167,700	167,700
Award life years	3	4	5	6	7	8
aTSR	2.90	2.77	2.64	2.52	2.41	2.30
rTSR	2.38	2.27	2.16	2.06	1.97	1.88
EPS	6.45	6.16	5.89	5.62	5.37	5.13

Conditional rights	aTSR		rTSR		EPS	
	2022	2021	2022	2021	2022	2021
Outstanding at beginning of year	488,333	–	488,333	–	488,333	–
Allocated	–	488,333	–	488,333	–	488,333
Forfeited	22,500	–	22,500	–	22,500	–
Outstanding at end of year	465,833	488,333	465,833	488,333	465,833	488,333

G8.3 Share-based payment programmes, cont.

LTIP 2022–2024 – Fair value at allocation date and conditional rights outstanding

Fair value at allocation date	Vesting date					
	Q2 2025	Q2 2026	Q2 2027	Q2 2028	Q2 2029	Q2 2030
Maximum number of shares	614,000	184,200	184,200	184,200	184,200	184,200
Award life years	3	4	5	6	7	8
aTSR	3.11	2.98	2.86	2.74	2.62	2.52
rTSR	2.58	2.47	2.37	2.27	2.17	2.08
EPS	7.23	6.93	6.65	6.38	6.12	5.87

Conditional rights	aTSR	rTSR	EPS
	2022	2022	2022
Allocated	511,667	511,667	511,667
Forfeited	–	–	–
Outstanding at end of year	511,667	511,667	511,667

Expired Long Term Incentive Plans – 2012

The LTIP 2012 was fully expensed in May 2015. All shares in the LTIP 2012 are fully vested and consequently not conditional. 60% of the vested shares were deferred with forfeiture clauses in line with regulatory requirements and allotted over a five-year period, for the LTIP 2012 starting in May 2015. There have been no changes to the share balance outstanding between 2021 and 2022. The share balance outstanding remains at 2,203 Matching shares, 6,608 Performance shares I and 2,203 Performance shares II at the end of the year.

Share-based variable remuneration plans other than LTIP plans

This section covers the variable share-based plans where TSR indexation (cash-settled plan up until 2018) and shares (equity-settled plans as from 2019) are used for deferral/retention. For the 2022 performance year, the plans are classified as: the Nordea Incentive Plan (NIP), which was created by merging the Executive Incentive Programme (EIP) and Variable Salary Part (VSP), and bonus schemes (bonus).

The plans are annual plans with a service condition for the respective years and are fully expensed in the year when they are earned (one-year vesting period). The individual allocations are awarded at the beginning of the subsequent year.

Nordea introduced the NIP in 2022 building on the EIP and VSP. The aim of the NIP is to strengthen Nordea's capability to recruit, motivate and retain the GLT, senior leaders as well as selected people leaders and specialists, and to reward strong performance. The NIP 2022 rewards performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long-term results is to be considered when determining the targets. NIP awards will not exceed the fixed salary and are subject to deferral for material risk takers. It includes ex-ante and ex-post risk adjustment clauses and retention applies in line with relevant remuneration regulations.

In 2022 bonus was offered only to selected groups of employees in specific business areas or units as approved by the Board, e.g. in Large Corporates & Institutions, Nordea Asset Management, Nordea Funds and within Treasury in Group Finance. The aim is to ensure strong performance and maintain cost flexibility for Nordea. Individual awards are determined based on detailed performance assessments covering a range of financial and non-financial goals. 2021 bonus awards were paid in cash. For material risk takers, awards are partly delivered in shares with subsequent retention. Parts of the bonus awards for material risk takers are subject to a four- to five-year pro rata deferral period with forfeiture conditions applying during the deferral period.

Deferrals from the NIP, EIP, VSP and bonus plans not yet delivered to the participants as of 31 December 2022 are summarised in the following tables, including deferrals from the LTV plan (offered in 2018–2019) and deferrals stemming from compensation for contracts in previous employments (buy-outs). Such agreements can be offered only in exceptional cases, in the context of hiring new staff, limited to the first year of employment.

2014–2018 share-linked deferrals (cash-settled)

The table below shows the remaining liabilities for the cash-settled share-based plans used 2014–2018.

EURm	2022	2021
Opening balance	24	32
Deferred/earned during the year	1	1
TSR indexation during the year	-2	16
Payments during the year	-16	-25
Translation differences	0	0
Closing balance	**7**	**24**

The closing balances are expected to be settled the following years:

EURm	2022	2021
2022	–	17
2023	3	3
2024	3	3
2025	1	1
2026	0	0
2027	0	0
2028	0	–
Total	**7**	**24**

G8.3 Share-based payment programmes, cont.

2019–2021 share-linked deferrals (equity-settled)

Starting from the 2019 performance year, share-based variable pay plans are partly in the form of cash and partly in the form of Nordea shares, which makes the portion paid in Nordea shares an equity-settled share-based plan. The awarding of shares in the plans for 2022 is decided during spring 2023 and thus not included in the below tables but in full recognised as an expense in the income statement in 2022.

Number of shares	2022	2021
Outstanding at beginning of year	2,523 ,663	1,219,284
Awarded[1]	2,243,143	3,108,905
Forfeited	-2,823	-23,899
Allotted[2]	-1,796,442	-1,780,627
Outstanding at end of year	**2,967,541**	**2,523,663**
- of which currently exercisable	–	–

1) Awarded rights in 2022 are the number of shares from 2021 variable remuneration plans awarded in 2022. Allotment of rights has been deferred following retention requirements by the Nordic FSAs. There is no exercise price for the deferred rights.

2) Allotted rights are subject to a one-year retention period after allotment to participants. Includes shares that have been allotted to participants but withheld to cover income taxes or social charges.

The outstanding rights are expected to be allotted the following years:

	2022	2021
2022	–	807,845
2023	1,179,841	879,090
2024	823,724	520,251
2025	512,699	213,764
2026	399,361	102,713
2027	51,916	–
Total	**2 ,967,541**	**2,523,663**

G8.4 Key management personnel remuneration

Accounting policies

For information about the accounting policies see Note G8.1 "Fixed and variable salaries", Note G8.2 "Pensions" and Note G8.3 "Share-based payment plans". For definition of key management personnel see Note G10.4 "Related party transactions".

Board remuneration

The Annual General Meeting (AGM) 2022 decided on annual remuneration for the Board of Directors (Board), for the Chair amounting to EUR 340,000, for the Vice Chairman EUR 160,000 and for other members EUR 102,000.

In addition, annual remuneration paid for board committee work on the Board Operations and Sustainability Committee, the Board Audit Committee and the Board Risk Committee amounts to EUR 65,000 for the committee chairs and EUR 32,500 for the other members. Annual remuneration for board committee work on the Board Remuneration and People Committee amounts to EUR 48,000 for the committee chair and EUR 28,000 for the other members.

Separate remuneration is not paid to members who are employees of the Nordea Group.

Nordea covers or reimburses the members of the Board for all costs and expenses related to the Board membership. Any benefits are included at taxable values.

There are no commitments for severance pay, pension or other remuneration for the members of the Board at 31 December 2022.

No Board member earns variable remuneration and employee representatives are not included in the table below.

G8.4 Key management personnel remuneration, cont.

Remuneration of the Board of Directors

EUR	2022	2021
Chair of the Board:		
Stephen Hester[1]	97,000	–
Torbjörn Magnusson[2]	282,925	352,275
Vice Chair of the Board:		
Torbjörn Magnusson[2]	47,000	–
Stephen Hester[1]	94,000	–
Kari Jordan[3]	44,450	176,100
Other Board members:		
Arja Talma[4]	125,250	–
Birger Steen	197,725	190,550
Claudia Dill[3, 5]	40,300	120,900
John Maltby	197,725	183,050
Jonas Synnergren	141,175	159,650
Kjersti Wiklund[4]	125,250	–
Lene Skole[4]	100,875	–
Nigel Hinshelwood[3]	48,100	190,550
Pernille Erenbjerg[6]	–	38,750
Petra von Hoeken	189,925	159,650
Robin Lawther	128,950	124,600
Sarah Russell[3]	39,250	156,500
Total	**1,899,900**	**1,852,575**

1) Chair of the Board from 1 October 2022, Vice Chair of the Board from 24 March 2022 until 30 September 2022.
2) Vice Chair of the Board from 1 October 2022, Chair of the Board from 24 March 2022 until 30 September 2022.
3) Resigned as a member of the Board as from the AGM 2022.
4) New member of the Board as from the AGM 2022.
5) New member of the Board as from the AGM 2021.
6) Resigned as a member of the Board as from the AGM 2021.

Remuneration of the Chief Executive Officer, the Deputy Managing Director and the Group Leadership Team

The Board Remuneration and People Committee prepares changes in the remuneration package for the Chief Executive Officer (CEO), the Deputy Managing Director and the other members of the Group Leadership Team (GLT), for resolution by the Board. This includes the fixed remuneration, the outcome of the 2022 Nordea Incentive Plan (NIP), the allocation of conditional shares under the Long Term Incentive Plan (LTIP) and subsequent awarding of shares from the LTIP, as well as other changes.

See Note G8.3 "Share-based payment plans" for further details on the Short Term Incentive Plans (STIPs) (NIP/EIP) and the LTIP 2022-2024, LTIP 2021-2023 and LTIP 2020-2022.

The presentation of remuneration used in the Remuneration Report for Governing Bodies is different from the presentation and accounting policies under IFRS applied in the Annual Report, especially related to the Long Term Incentive Plan.

Fixed remuneration

The fixed salary is paid in local currencies and converted into euro based on the average exchange rate each year. The fixed salary includes holiday pay and car allowance where applicable.

Benefits primarily include car benefits, tax consultation and housing. Benefits are included at taxable values after salary deductions (if any).

The pension expense is related to pension premiums paid under defined contribution plans and pension rights earned during the year under defined benefit plans ("Current service cost" as well as "Past service cost and settlements" as defined in IAS 19).

EUR 2,336,438 (EUR 1,901,643) of the total pension expense relates to defined contribution plans, corresponding to 97.4% (96.6%).

G8.4 Key management personnel remuneration, cont.

Remuneration of the Chief Executive Officer, the Deputy Managing Director and the Group Leadership Team

Fixed remuneration

	Fixed salary		Pension expense (DCP & DBP)		Benefits		Total fixed remuneration	
EUR	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Chief Executive Officer:								
Frank Vang-Jensen	1,469,743	1,361,329	423,031	386,405	105,985	109,392	1,998,759	1,857,126
Deputy Managing Director:								
Jussi Koskinen	545,545	481,447	192,950	139,623	18,391	21,634	756,886	642,704
Group Leadership Team:								
10 (10) individuals excluding Chief Executive Officer and Deputy Managing Director	6,831,481	6,292,854	1,781,737	1,441,569	178,296	155,467	8,791,514	7,889,890
Total	**8,846,769**	**8,135,630**	**2,397,718**	**1,967,597**	**302,672**	**286,493**	**11,547,159**	**10,389,720**

Variable remuneration

	STIP (NIP/EIP)		LTIP[1]		Total variable remuneration		Total remuneration – fixed and variable	
EUR	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Chief Executive Officer:								
Frank Vang-Jensen	981,140	849,509	531,536	201,724	1,512,676	1,051,233	3,511,435	2,908,359
Deputy Managing Director:								
Jussi Koskinen	354,792	314,137	177,178	67,241	531,970	381,378	1,288,856	1,024,082
Group Leadership Team:								
10 (10) individuals excluding Chief Executive Officer and Deputy Managing Director	4,148,166	3,829,690	1,886,840	685,649	6,035,006	4,515,339	14,826,520	12,405, 229
Total	**5,484,098**	**4,993,336**	**2,595,554**	**954,614**	**8,079,652**	**5,947,950**	**19,626,811**	**16,337,670**

1) Defined as the expense calculated under IFRS 2 for LTIP 2020-2022, LTIP 2021-2023, LTIP 2022-2024.

Variable remuneration

The STIP 2022 (NIP) award for the CEO, the Deputy Managing Director and the GLT is based on specific goals and targets and is capped at maximum 75% of the fixed base salary, except for the Chief Risk Officer and the Chief Compliance Officer, who have a cap of 100%.

40% of the NIP 2022 award will be paid out in 2023. The remaining 60% will be paid annually on a pro rata basis over five years with 12% vesting each year. 50% of the 2022 NIP award is delivered in Nordea shares (excluding dividends) at each transfer event. The shares are subject to retention for 12 months when the deferral period ends. The award from the NIP 2022 has been expensed in full in 2022.

Further, the CEO, the Deputy Managing Director and the GLT members participate in the share-based LTIP 2020-2022, LTIP 2021-2023 and LTIP 2022–2024 as decided by the Board and launched in accordance with the "Remuneration Policy for Governing Bodies" adopted by an advisory vote at Nordea's AGM 2020 and applicable until AGM 2024.

The Chief Risk Officer and the Chief Compliance Officer do not participate in these three LTIP programmes.

Remuneration of the Chief Executive Officer

Frank Vang-Jensen was appointed CEO on 5 September 2019.

The annual fixed base salary for the CEO amounts to EUR 1,410,000 as from 1 January 2022.

The CEO was covered by a defined contribution plan scheme with a pension contribution of 30% of the fixed base salary.

Benefits primarily included car, housing, security and travelling-related benefits as well as tax advice, amounting to EUR 105,985.

The NIP 2022 was based on specific targets and capped at a maximum of 75% of the fixed base salary. For 2022 the award from the NIP amounted to EUR 981,140.

For 2022 the IFRS 2 expense amounted to EUR 93,186 for LTIP 2020–2022, EUR 246,544 for LTIP 2021–2023 and EUR 191,806 for LTIP 2022–2024.

The CEO must hold a significant number of the shares awarded under the LTIP 2020–2022, LTIP 2021–2023 and LTIP 2022–2024 until the total value of shareholdings corresponds to 100% of the CEO's annual gross salary. Such shares must be held until the CEO steps down.

The total expensed remuneration for 2022 amounted to EUR 3,511,435.

Remuneration of the Deputy Managing Director

Jussi Koskinen was appointed Deputy Managing Director on 10 September 2019.

The annual fixed base salary for the Deputy Managing Director amounts to EUR 540,374 as from 1 January 2022.

The Deputy Managing Director is covered by a defined contribution plan with a pension contribution amounting to 8.5% of the fixed base salary in addition to the Finnish statutory pension scheme. According to the statutory pension rules, the part of the NIP 2022 for the GLT outcome paid in cash in 2023 must be included in pensionable income.

G8.4 Key management personnel remuneration, cont.

The benefits for 2022 amounted to EUR 18,391 and primarily included car benefits.

The NIP 2022 was based on specific targets and could amount to a maximum of 75% of the fixed base salary. For 2022 the award from the NIP amounted to EUR 354,792.

For 2022 the IFRS 2 expense amounted to EUR 31,062 for LTIP 2020–2022, EUR 82,181 for LTIP 2021–2023 and to EUR 63,935 for LTIP 2022–2024.

The Deputy Managing Director must hold a significant number of the shares awarded under the LTIP 2020–2022 LTIP 2021–2023 and LTIP 2022-2024 until the total value of shareholdings corresponds to 100% of the Deputy Managing Director's annual gross salary. Such shares must be held until the Deputy Managing Director steps down from the Group Leadership Team position.

The total earned remuneration for 2022 amounted to EUR 1,288,856.

Remuneration of the Group Leadership Team

Remuneration for other GLT members is included for the period they have been appointed and eligible for the NIP 2022 and LTIP.

One new GLT member was appointed on 1 April 2022 and one stepped down on 31 March 2022 and has left Nordea.

No sign-on or buy-out payments were agreed in 2022.

The NIP 2022 was based on specific targets and capped at a maximum of 75% of the fixed base salary for the GLT members offered the LTIP 2022–2024 and 100% for others. For 2022 the award from the NIP amounted to EUR 4,148,166.

For 2022 the IFRS 2 expense amounted to EUR 279,558 for the LTIP 2020–2022, EUR 903,994 for the LTIP 2021–2023 and EUR 703,288 for the LTIP 2022–2024.

The GLT members must hold a significant number of the shares awarded under the LTIP 2020–2022, LTIP 2021–2023 and LTIP 2022-2024 until the total value of shareholdings corresponds to 100% of the GLT member's annual gross salary. Such shares must be held until the GLT member steps down from the GLT position.

The pension agreements for the ten GLT members vary according to local country practices. Pension agreements are defined contribution plans or a combination of defined contribution plans and defined benefit plans.

As of 31 December 2022 three members had pension schemes in accordance with the Swedish collective agreement, BTP1 (defined contribution plan) and BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. The pension contributions totalled 30% of their fixed salary.

Two members had a defined contribution plan, in accordance with local practices in Denmark. The pension contribution is in total 30% of the fixed base salary.

Four members were covered by the Finnish statutory pension scheme and in addition had a defined contribution plan corresponding to 8.5% of their fixed base salary.

One member does not have a pension scheme agreement paid by Nordea.

Deferred variable remuneration in Nordea shares

Part of the award from the EIP 2019, EIP 2020 and EIP 2021 for the GLT has been deferred and will be paid in the future by delivering Nordea shares. Any Nordea shares to be awarded from the NIP 2022 as well as the LTIP 2020-2022 conditional share award as of 31 December 2022 are not included in the table below.

Nordea shares – awarded and deferred

	2022	2021
Chief Executive Officer:		
Frank Vang-Jensen	64,100	45,001
Deputy Managing Director:		
Jussi Koskinen	28,578	21,604
Group Leadership Team:		
10 (10) individuals excl. Chief Executive Officer and Deputy Managing Director:	275,483	227,775
Total	**368,161**	**294,380**
Former Chief Executive Officer:		
Casper von Koskull	20,483	20,483
Former Deputy Chief Executive Officer:		
Torsten Hagen Jørgensen	12,997	12,997
Total	**401,641**	**327,860**

Defined benefit pension obligations

The pension plans are funded, meaning that the pension plan obligations are backed by plan assets with the fair value generally being at a level similar to that of the obligations.

The pension obligations (value of defined benefit plan liabilities) are calculated in accordance with IAS 19. For further details see Note G8.2 "Pensions".

Defined benefit pension costs related to key management personnel in 2022 were EUR 0m (EUR 0m).

The pension obligations in the below table reflect the valuation under IAS 19 as of 31 December 2022 and 2021, respectively. The decrease compared with 2021 is mainly due to pension payments to retired executives during the year, higher discount rates used in the measurement of the obligations at the end of 2022 and currency effects from obligations in SEK. There are no defined benefit pension obligations towards the CEO and the Deputy Managing Director.

EUR	2022	2021
Group Leadership Team:		
3 (3) individuals in Sweden	756,087	1,241,536
Former Chairman of the Board, former CEOs and Deputy CEOs:		
Vesa Vainio[1]	4,105,734	4,667,760
Lars G Nordström	243,140	289,220
Casper von Koskull	338,920	428,311
Total	**5,443,881**	**6,626,827**

1) The pension obligation is mainly due to defined benefit pension rights earned at, and funded by, the banks forming Nordea.

Notice period and severance pay

In accordance with the service contract, the CEO has a notice period of 12 months and Nordea a notice period of 12 months. The CEO is paid severance pay equal to 12 months' salary, to be reduced by any salary received from other employment during these 12 months.

The Deputy Managing Director and ten GLT members have a notice period of 6 months and Nordea a notice period of 12 months. Severance pay of up to 12 months' salary is provided and will be reduced by any salary received from other employment during the severance pay period. Further, non-competition clauses apply. No severance pay commitment was agreed with members of the GLT in 2021 or 2022.

G8.4 Key management personnel remuneration, cont.

Payments to former members of the GLT, consisting of salary payments during notice and non-competition periods and a provision for future non-competition payments, were expensed in 2022 but are not included in the remuneration tables. These payments and the provision amounted to EUR 1,271,790 in total.

Indemnification

Nordea Bank Abp has undertaken to indemnify the members of the GLT against legal expenses incurred in relation to legal advice in defending or disputing certain claims or investigations by third parties, excluding crimes or actions made with intent or gross negligence. For each GLT member, the indemnity is capped at an aggregate amount of EUR 37.5m unless the Board decides otherwise on a case-by-case basis. Nordea purchases directors and officers liability insurance, which provides cover for personal liabilities of its Board of Directors and management as well as liability assumed by the bank following the indemnification undertaking. The terms and conditions including total limit of liability of the policy are in line with large European banks.

The AGM further decided that the company will cover or reimburse the members of the Board of Directors all costs and expenses related to or arising from the Board membership, including travel, logistics and accommodation as well as consultative, legal and administrative costs. The legal costs can e.g. include required legal defence costs related to claims made against Board members in cases where Board members are not found liable or guilty of any wrongdoing or grossly negligent behaviour.

G8.5 Gender distribution and number of employees

Gender distribution

In the parent company's Board of Directors, 50% (60%) of the AGM elected Board members are men and 50% (40%) are women. In the Board of Directors of Nordea Group companies, 63% (68%) are men and 37% (32%) are women. The corresponding numbers for other executives are 63% (71%) men and 37% (29%) women. Internal boards mainly consist of Nordea´s management, employee representatives excluded.

Average number of employees, full-time equivalents

	Total		Men		Women	
	2022	2021	2022	2021	2022	2021
Denmark	6,714	6,854	3,885	3,981	2,829	2,873
Sweden	6,103	6,049	2,985	2,960	3,118	3,089
Finland	5,920	5,818	2,435	2,316	3,485	3,502
Poland	4,623	4,586	2,439	2,544	2,184	2,042
Norway	2,775	2,864	1,479	1,535	1,296	1,329
Estonia	883	718	292	244	591	474
Luxembourg	184	190	122	104	62	86
United States	102	111	46	50	56	61
United Kingdom	32	38	22	25	10	13
China	27	27	13	13	14	14
Germany	17	16	5	12	12	4
Portugal	37	13	24	5	13	8
Italy	11	11	2	8	9	3
Spain	5	6	2	4	3	2
Switzerland	5	4	1	4	4	–
France	5	4	2	3	3	1
Singapore	4	13	3	5	1	8
Belgium	3	3	1	2	2	1
Chile	2	2	–	2	2	–
Austria	1	1	–	1	1	–
Russia	–	74	–	29	–	45
Total average	**27,453**	**27,402**	**13,758**	**13,847**	**13,695**	**13,555**
Total number of employees (FTEs), end of period	**28,268**	**26,894**				

G9 Scope of consolidation

G9.1 Consolidated entities

Accounting policies

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

All group undertakings are consolidated using the acquisition method. Under the acquisition method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the assets of the group undertaking and assumes its liabilities and contingent liabilities. The group's acquisition cost is established using a purchase price allocation analysis. In such analysis, the cost of the business combination is the aggregate of the fair value, 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 interests in the acquired business either at fair value or at its 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 interests exceed the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is recognised immediately in the income statement.

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

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

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

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

Critical judgements and estimation uncertainty

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 if Nordea is also the investment manager and thus has influence over the return produced by the structured entity.

Moreover, 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 in which assets to invest, 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 a 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 not currently control any entities where the share of voting rights is below 50%.

G9.1 Consolidated entities, cont.

The specification below includes major directly owned subsidiaries and major subsidiaries of the directly owned companies.

Company	Domicile	Shareholding, %	Voting power of holding, %
Nordea Bank Abp	Helsinki	N/A	N/A
Denmark branch	Copenhagen	N/A	N/A
Estonia branch	Tallinn	N/A	N/A
London branch	London	N/A	N/A
New York branch	New York	N/A	N/A
Norway branch	Oslo	N/A	N/A
Poland branch	Łódź	N/A	N/A
Shanghai branch	Shanghai	N/A	N/A
Sweden branch	Stockholm	N/A	N/A
Nordea Kredit RealKreditaktieselskab	Copenhagen	100.0	100.0
Nordea Hypotek AB (publ)	Stockholm	100.0	100.0
Nordea Eiendomskreditt AS	Oslo	100.0	100.0
Nordea Mortgage Bank Plc	Helsinki	100.0	100.0
Nordea Finance Finland Ltd	Helsinki	100.0	100.0
Nordea Finans Danmark A/S	Høje Taastrup	100.0	100.0
Nordea Finans Sverige AB (publ)	Stockholm	100.0	100.0
Nordea Finans Norge AS	Oslo	100.0	100.0
Nordea Finance Equipment AS	Oslo	100.0	100.0
LLC Promyshlennaya Kompaniya Vestkon[1]	Moscow	100.0	100.0
Nordea Funds Ltd	Helsinki	100.0	100.0
Nordea Asset Management Holding AB	Stockholm	100.0	100.0
Nordea Investment Funds S.A.	Luxembourg	100.0	100.0
Nordea Investment Management AB	Stockholm	100.0	100.0
Nordea Life Holding AB	Stockholm	100.0	100.0
Topdanmark Livsforsikring A/S	Copenhagen	100.0	100.0
Nordea Life Assurance Finland Ltd	Helsinki	100.0	100.0
Livforsikringsselskapet Nordea Liv Norge AS	Bergen	100.0	100.0
Nordea Livförsäkring Sverige AB (publ)	Stockholm	100.0	100.0

1) In December 2020 Nordea announced its decision to wind down its operations in Russia. The legal process has been initiated to close down the subsidiaries.

There are different types of restrictions on how Nordea can access and transfer assets within the Group.

Dividends are used to transfer excess capital from the parent's subsidiaries to the parent company, Nordea Bank Abp. The specific dividend amount is determined for each legal entity based on distributable funds, capital adequacy regulations and ratios, capital and business planning, local tax considerations and Group-internal policies. Regulatory restrictions, both general and local, on dividends as well as projected changes in the entities' capital requirements and risk exposure amounts are incorporated into the analysis regarding the dividend decisions.

The CRR requires credit institutions to hold liquid assets, the sum of the values of which covers the liquidity outflows less the liquidity inflows under stressed conditions so as to ensure that institutions maintain levels of liquidity buffers which are adequate. There are also local liquidity requirements that restrict the movement of funds between legal entities.

The Group has pledged assets to collateralise its obligations under repurchase agreements, securities financing transactions, collateralised loan obligations and for margining purposes of OTC derivative liabilities. Further information is disclosed in Note G7.3 "Assets pledged".

For banks under resolution, which was not applicable to Nordea at the balance sheet date, there are potential restrictions as the regulators have far-reaching resolution tools they can impose if deemed necessary.

Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interests might restrict the ability of the Group to access and transfer assets freely to or from other entities within the Group and to settle liabilities of the Group. Since the Group did not have any material non-controlling interests at the balance sheet date, any protective rights associated with these did not give rise to significant restrictions.

G9.2 Currency translation of foreign entities/branches

Accounting policies

The consolidated financial statements are presented in euro (EUR). When translating the financial statements of foreign entities and branches into EUR from their functional currency, the assets and liabilities of foreign entities and branches have been translated at the closing rates, while items in the income statement and the statement of comprehensive income are translated at the average exchange rate for the year. The average exchange rate is calculated based on daily exchange rates divided by the number of business days in the period. Translation differences are recognised in other comprehensive income and are accumulated in the translation reserve in equity.

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

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

On the disposal of a foreign operation, the cumulative amount for the exchange difference relating to that foreign operation, recognised in other comprehensive income and accumulated in the translation reserve in equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

G9.3 Investments in associated undertakings and joint ventures

Accounting policies

Associated undertakings are undertakings where the share of voting rights is between 20% and 50% and/or where Nordea has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Joint ventures are entities 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.

Associated companies and joint ventures are included in the consolidated financial statements using the equity method. At initial recognition the investment is recognised at acquisition cost. Fair value is allocated to the identifiable assets, liabilities and contingent liabilities of associated undertakings and joint ventures. Any difference between Nordea's share of the fair value 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 undertakings and joint ventures.

Profit from companies accounted for under the equity method is defined as the post-acquisition change in Nordea's share of net assets in associated undertakings and joint ventures. Nordea's share of items accounted for in other comprehensive income in associated undertakings and joint ventures is accounted for in other comprehensive income in Nordea.

Profit from companies accounted for under the equity method is reported post taxes in the income statement. Consequently, the tax expense related to this profit is excluded from the income tax expense for Nordea. Dividends received are accounted for as a reduction in the carrying amount.

If observable indicators (loss events) indicate that an associated undertaking or a joint venture 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 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 of investments in associated undertakings and joint ventures is classified as "Profit from associated undertakings and joint ventures accounted for under the equity method" in the income statement.

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.

Nordea is not generally involved in any sale or contribution of assets to or from associated undertakings or joint ventures, but if such transactions occur, Nordea's share of any profit recognised in the associate or joint venture is eliminated. Other transactions between Nordea and its associated undertakings or joint ventures are not eliminated.

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 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 joint ventures is, if applicable, adjusted to comply with Nordea's accounting policies.

Investments within Nordea's investment activities (classified as part of Nordea's venture capital organisation) are measured at fair value in accordance with the rules set out in IAS 28 and IFRS 9.

Investments in associated undertakings and joint ventures

EURm	31 Dec 2022	31 Dec 2021
Acquisition value at beginning of year	247	576
Acquisitions[1]	329	3
Sales	0	–
Share in earnings	-4	13
Share of other comprehensive income	1	0
Dividend received	-8	-13
Reclassifications	–	-342
Translation differences	-13	10
Acquisition value at end of year	**552**	**247**
Accumulated impairment charges at beginning of year	-40	-21
Impairment charges	-4	-19
Translation differences	1	0
Accumulated impairment charges at end of year	**-43**	**-40**
Total	**509**	**207**

1) Acquisition of associated undertakings in Topdanmark Life amounts to EUR 310m.

G9.3 Investments in associated undertakings and joint ventures, cont.

Associated undertakings

	Registration number	Domicile	Carrying amount 2022, EURm	Carrying amount 2021, EURm	Voting power of holding %	Ownership %
Eksportfinans ASA	816521432	Oslo	124	133	23	23
Udviklingsselskabet Carlsberg Byen P/S	33648499	Copenhagen	109	–	23	23
Havneholmen P/S	38036572	Aarhus	80	–	50	50
Margretheholmen P/S	34609829	Copenhagen	62	–	50	50
P/S Ottilia Copenhagen	40087095	Copenhagen	41	–	50	50
K/S Ejendomsholding Banemarksvej	43125834	Glostrup	18	–	40	40
Eiendomsverdi AS	881971682	Oslo	13	14	25	25
Bankomat AB	556817-9716	Stockholm	9	9	20	20
Trill Impact AB	559196-0827	Stockholm	9	10	6	40
NF Fleet Oy	2006935-5	Espoo	9	9	20	20
NF Fleet AB	556692-3271	Stockholm	7	6	20	20
NF Fleet A/S	29185263	Copenhagen	3	5	20	20
NF Fleet AS	988906808	Oslo	2	3	20	20
E-nettet Holding A/S	28308019	Copenhagen	3	3	19	19
CrediWire ApS	37264628	Copenhagen	2	1	7	7
Subaio ApS	37766585	Aalborg	1	1	20	20
Financial Transaction Service B.V.	68914016	Amsterdam	0	4	10	15
Suomen Luotto-osuuskunta	0201646-0	Helsinki	0	1	27	27
Others			0	0		
Total			**492**	**199**		

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2022	31 Dec 2021
Total assets	819	462
Net profit for the year	3	7
Other comprehensive income	1	0
Total comprehensive income	4	7

Joint ventures

	Registration number	Domicile	Carrying amount 2022, EURm	Carrying amount 2021, EURm	Voting power of holding %	Ownership %	Average number of FTEs
Siirto Brand Oy	3102648-1	Helsinki	1	1	50	50	–
Invidem AB	559210-0779	Stockholm	3	1	17	17	33
P27 Nordic Payments Platform AB	559198-9610	Stockholm	13	6	17	17	57
Tibern AB	559384-3542	Stockholm	0	–	14	14	–
Total			**17**	**8**			
Total associated undertakings and joint ventures			**509**	**207**			

Nordea's share of the joint ventures' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2022	31 Dec 2021
Total assets	8	5
Net profit for the year	-7	-5
Total comprehensive income	**-7**	**-5**

For information about investments in group undertakings and companies for which Nordea has unlimited responsibility, see Note G9.1 "Consolidated entities".

G9.4 Interest in structured entities

Accounting policies

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 management over the ongoing activities of a structured entity. The same consolidation requirements apply to these entities, but as voting rights do not determine 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. This is normally the case when Nordea has sponsored or established a structured entity or when Nordea is the investment manager and has sole discretion as to investments and other administrative decisions.

Variability in returns is also a prerequisite for consolidation. Service and commission fees in connection with the establishment of the structured entity are normally not significant enough to trigger consolidation, nor is acting as an investment manager or as a custodian. Funding in the form of fund units, loans or credit commitments can result in significant variability in returns. If Nordea is exposed to variability in returns and has power to affect the returns of the entity, it is 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 to give control. Variability is measured as the sum of fees received and revaluation of assets held. For unit-linked and other contracts where the policyholder/depositor decides both the amount and in which assets to invest, Nordea is considered to act as an agent and, thus, does not have control.

Consolidated structured entities

Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisation transactions to core Nordic customers. The SPE purchases trade receivables from approved sellers and funds the purchases either by issuing commercial paper (CP) via the established asset-backed commercial paper programme or by drawing funds under the liquidity facilities available.

Nordea has provided liquidity facilities to a maximum of EUR 1,006m (EUR 964m) and at year end EUR 826m (EUR 856m) was utilised. The total assets of the conduit amounted to EUR 852m (EUR 1,007m) at year end. The SPE is consolidated as Nordea manages the entity and is exposed to variability in returns through the liquidity facility. There are no significant restrictions on repayment of loans from Viking apart from the payments being dependent on the rate at which Viking releases its assets.

AR Finance invests in notes backed by trade receivables. Nordea has provided liquidity facilities of a maximum of EUR 150m (EUR 125m) and at year end EUR 103m (EUR 121m) was utilised. The entity held assets of EUR 105m (EUR 122m) at year end. The SPE is consolidated as Nordea manages the entity and is exposed to variability in returns through the liquidity facility.

Unconsolidated structured entities

Disclosures are provided for structured entities in which Nordea has an interest but over which Nordea has no control. Investment funds are the only interests in unconsolidated structured entities currently held by Nordea.

Nordea invests in investment funds
- on behalf of policyholders in Nordea Life & Pension
- on behalf of depositors where the return is based on the investment
- to hedge exposures to structured products issued to customers
- that are illiquid private equity and credit funds.

As Nordea is exposed to variability in returns on a gross basis, information about these funds is disclosed although the net exposure is considerably less. Any change in the value of investment funds acquired on behalf of policyholders and depositors where the policyholder/depositor bears the investment risk is reflected in the value of the related liability, and the maximum net exposure to losses is zero. The change in the value of investment funds held on behalf of other policyholders is largely passed on to the policyholders, but as Nordea has issued guarantees in respect of some of these products, Nordea is exposed to value changes.

Investment funds acquired to hedge exposures to structured products reduce the net exposures to the extent hedges are effective.

Investments in illiquid private equity and credit funds are an integral part of managing balance sheet risks at Nordea. The maximum loss on private equity and credit funds is estimated at EUR 975m (EUR 875m), equal to the investments in the funds.

Nordea has established one unconsolidated structured entity, Thulite, in which Nordea does not currently have an interest. As Nordea does not control it, it is considered to have been sponsored by Nordea. Nordea entered into one new transaction with Thulite during 2022, where Nordea bought a financial guarantee on a portfolio of loans. Previously Nordea bought protection in the form of a CDS and a financial guarantee from Thulite. Nordea received less than EUR 1m in income from Thulite in 2021 and 2022.

Nordea's interests in unconsolidated structured entities and any related liability are disclosed in the table below. The carrying amount is the maximum exposure to credit loss before considering any hedges. Income related to these investments is recognised in "Net result from items at fair value".

Interest in unconsolidated structured entities

EURm	31 Dec 2022	31 Dec 2021
Assets, carrying amount:		
Shares	9,488	11,504
Assets in pooled schemes and unit-linked investment contracts	37,966	43,898
Total assets	**47,454**	**55,402**
Liabilities, carrying amount:		
Deposits in pooled schemes and unit-linked investment contracts	37,966	43,898
Liabilities to policyholders	8,349	10,495
Total liabilities	**46,315**	**54,393**
Off-balance sheet, nominal amount:		
Loan commitments	–	–

Nordea holds approximately 2,500 different funds that are classified as unconsolidated structured entities, approximately 400 of which are managed by Nordea. These have different investment mandates and types of risk appetite, ranging from low-risk government bond funds to high-risk leveraged equity funds. The total assets of funds managed by Nordea are EUR 190bn (EUR 233bn). All funds are financed by deposits from unitholders. The total assets of investment funds not managed by Nordea are not considered meaningful for the purpose of understanding the related risks and are thus not disclosed.

G9.5 Assets and liabilities held for sale

Accounting policies

Individual assets and disposal groups including assets and liabilities are presented in the separate balance sheet line items "Assets held for sale" and "Liabilities held for sale", respectively, as from the classification date.

This occurs when the following criteria are fulfilled:

- The carrying amount will be recovered principally through a sale transaction rather than through continuing use.
- A decision to sell has been made on the right level and the asset or disposal group is available for sale in its current condition.
- The sale is highly probable and will be executed within 12 months.

Financial instruments continue to be measured under IFRS 9, while non-financial assets are held at the lower of carrying amount and fair value. Comparative figures are not restated.

In 2018, when Nordea and DNB sold around 60% of their combined interest in Luminor to Blackstone, Nordea entered into a forward sale agreement with Blackstone to sell its remaining 19.95% holding over the coming years. As at 31 December 2021 Nordea held 11.6% of the shares in Luminor, valued at EUR 180m. The shares were classified as held for sale due to the forward sale agreement with Blackstone. The remaining shares were sold on 1 September 2022.

G9.6 Acquisitions

Accounting policies

In a business combination, the acquired identifiable assets and liabilities are recognised at fair value, including any intangible assets identified in the acquisition. The net fair value of identifiable assets and liabilities is compared with the consideration paid and any surplus is recognised as goodwill. See also Note G9.1 "Consolidated entities".

Acquisition of Topdanmark Life (Nordea Pension)

On 1 December 2022 the acquisition of 100% of the shares in Topdanmark Liv Holding A/S was completed. Topdanmark Liv Holding A/S is the parent company of a group including the insurance company Topdanmark Livsforsikring A/S as well as asset management and property companies. The group conducts life and pensions business in Denmark. The group had approx. 300 employees and EUR 12bn in assets under management as of the acquisition date. The acquisition completes Nordea's offering of life and pension products in the Nordics and accelerates Nordea's strategic ambitions within savings.

A purchase price of EUR 283m was paid to Topdanmark Forsikring A/S in December. The preliminary purchase price allocation is disclosed below.

EURm	1 Dec 2022
Interest-bearing securities	5,345
Shares	4,239
Other assets	2,841
Liabilities to policyholders	-11,030
Other liabilities	-1,539
Acquired net assets[1)]	**-144**
Purchase price, settled in cash	283
Estimated additional purchase price	-2
Cost of combination	**281**
Surplus value	**425**
Allocation of surplus value:	
Customer relationship intangible asset	39
Deferred tax asset	42
Goodwill	344

1) Including adjustments to fair value for IT software and liabilities to policyholders in Topdanmark Life.

Nordea has estimated the fair value of the liabilities to policyholders with the same model applied when estimating fair value in Nordea's transition to IFRS 17, as described in Note 10.6 "Transition to IFRS 17 Insurance Contracts". This results in an increase in the liabilities to policyholders of EUR 194m and a corresponding reduction in "Acquired net assets", in line with the transition impact in Nordea on contracts on Nordea's balance sheet at transition on 1 January 2022. A large part of the adjustment will be included in the contractual service margin (CSM) under IFRS 17.

Nordea has also estimated the fair value of IT software in Topdanmark Life to be EUR 44m, EUR 31m less than the carrying amount in Topdanmark Life. The fair value reflects the estimated replacement cost. This reduction in value is disclosed in "Acquired net assets". The fair value of the IT software will be amortised over ten years, which is the estimated useful life.

For unit-linked contracts, a customer relationship intangible asset has been identified. The customer relationship intangible asset reflects the profit above cost of equity expected to be generated from the existing contracts. The value of the intangible asset also includes the profit above cost of equity from expected future premiums from existing customers. The customer intangible will be amortised over ten years, reflecting the estimated churn rate.

Goodwill is mainly related to the value of the assembled workforce and synergies, such as cross-selling with Nordea's existing customer base and increased assets under management in Nordea Asset Management. Synergies are expected to be generated in the Nordea Group. The assembled workforce and synergies cannot be accounted for as separate intangible assets under IFRS 3 and consequently end up as goodwill. The goodwill is expected to have an indefinite life and will consequently not be amortised.

The operating profit for the month during which the company was consolidated was immaterial. The corresponding pro forma operating profit had the company been consolidated as from 1 January 2022 was EUR 6m, excluding the impact from the adjustment of policyholder liabilities as this has not been possible to estimate.

G10 Other disclosures

G10.1 Additional disclosures on the statement of changes in equity

Accounting policies

Equity is the residual interest in recognised assets after deduction of recognised liabilities. For equity there are no requirements to distribute cash flows. Instruments are classified as financial liabilities if such genuine requirements exist, for instance to pay interest when a triggering event occurs that is beyond the control of both the issuer and the holder of the instruments. See Note G3.3 "Classification and measurement" for more information, including the critical judgements applied by Nordea.

Any payments connected to instruments classified as equity are accounted for directly in equity and presented as dividends. Nordea determines payments on financial instruments classified as equity (i.e. Additional Tier 1 instruments) as distribution of profits and they are therefore accounted for as dividends. Dividends to shareholders are recognised as a reduction of equity when the Annual General Meeting has adopted the proposal. The reduction of equity is accounted for when the Board of Directors decide on dividends in situations where the Annual General Meeting has given the Board of Directors a mandate to make such a decision up to a certain cap.

Investments in own shares are not accounted for as assets; instead, they are recognised as a reduction in equity net of any transaction costs. Acquisitions of treasury shares as part of the Markets trading operations are recognised as a reduction in invested unrestricted equity. Treasury shares acquired to optimise the capital structure and Nordea's buy-back programmes are recognised as a reduction in retained earnings. Transaction costs related to repurchasing of treasury shares are also recognised in equity. There is no impact on the financial statements when shares are cancelled. Sales of own shares in the trading operations are recognised as increases in invested unrestricted equity.

Contracts on Nordea shares that can be settled net in cash, for instance derivatives such as options and warrants, are either presented as financial assets or liabilities, meaning that these are not equity instruments.

Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank Abp. For each business combination, Nordea measures the non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets.

Other reserves comprise income and expenses, net of tax effects, which are reported in equity through other comprehensive income.

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 undistributed earnings in associated and joint ventures since the date of acquisition is included in retained earnings.

Additional Tier 1 capital holders

Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. Some of these instruments also include a requirement for Nordea to pay interest if the instruments are no longer allowed to be included in Tier 1 capital. 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 instruments. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instruments.

Non-controlling interests

For information about non-controlling interests, see Note G9.1. "Consolidated entities".

Share capital

The share capital amounts to EUR 4,049,951,919. The shares in Nordea have no nominal value. Each share carries one voting right. For more information about the number of registrated shares, see "Statement of changes in equity".

Invested unrestricted equity

Invested unrestricted equity equals the amount of the share premium reserve of Nordea Bank AB (publ) before completion of the re-domiciliation by way of a cross-border reversed merger. Invested unrestricted equity has also been impacted by acquisitions and sales of treasury shares as part of the Markets trading operations.

Other reserves

These reserves include reserves for cash flow hedges, financial assets classified in the category "Financial assets at fair value through other comprehensive income" and accumulated remeasurements of defined benefit pension plans as well as a reserve for translation differences.

Retained earnings

Retained earnings primarily comprise Nordea's undistributed profits from previous years.

G10.2 Additional disclosures on the cash flow statement

Accounting policy

The cash flow statement shows inflows and outflows of cash and cash equivalents during the year for total operations. Nordea's cash flow statement 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

Cash flows from operating activities, which are the principal revenue-producing activities, are mainly derived from profits during the year adjusted for items not included in cash flows and income taxes paid. Adjustment for items not included in cash flows includes:

EURm	2022	2021
Depreciation	586	605
Impairment charges	25	59
Loan losses	176	171
Net result on loans in hold portfolios mandatorily held at fair value	13	-83
Unrealised gains/losses	-825	825
Capital gains/losses (net)	-40	-50
Change in accruals and provisions	-446	-249
Translation differences	569	340
Change in bonus potential to policyholders, Life & Pension	-306	1,061
Change in technical reserves, Life & Pension	-1,562	863
Change in fair value of hedged items, assets/liabilities (net)	-5,464	-1,375
Other	211	96
Total	**-7,063**	**2,263**

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 flows from operating activities include interest payments received and interest expenses paid in the following amounts:

EURm	2022	2021
Interest received	8,620	5,648
Interest paid	-2,948	-1,032

Investing activities

Investing activities include acquisition and disposal of non-current assets such as property and equipment and intangible and financial assets.

Financing activities

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

Cash and cash equivalents

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

EURm	31 Dec 2022	31 Dec 2021
Cash and balances with central banks	61,815	47,495
Loans to central banks payable on demand	5	6
Loans to credit institutions payable on demand	1,057	1,127
Total	**62,877**	**48,628**

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

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

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

Reconciliation of liabilities arising from financing activities

The opening balance of subordinated liabilities was EUR 6,850m (EUR 6,941m). Cash flows during the period were EUR -939m (EUR -437m) and the effects of FX and other changes were EUR -510m (EUR 346m), resulting in a closing balance of EUR 5,401m (EUR 6,850m).

The opening balance of lease liabilities was EUR 1,147m (EUR 1,233m). During the period cash flows related to the liabilities amounted to EUR -123m (EUR -140m) and other changes from new, terminated and modified contracts and FX changes amounted to EUR 56m (EUR 54m).

G10.3 Maturity analysis

Accounting policies

The table "Expected maturity" presents the expected maturities for the balance sheet items. The table "Contractual undiscounted cash flows" is based on contractual undiscounted maturities. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities as derivatives are managed on a net basis. For contractual lease liabilities, see Note G5.4 "Leases". For further information about remaining maturity, see also Note G11 "Risk and liquidity management".

G10.3 Maturity analysis, cont.

Expected maturity

		31 Dec 2022 Expected to be recovered or settled:			31 Dec 2021 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		61,815	–	61,815	47,495	–	47,495
Loans to central banks	G3.7	885	–	885	409	–	409
Loans to credit institutions	G3.7	3,770	803	4,573	1,411	572	1,983
Loans to the public	G3.7	86,656	259,087	345,743	76,607	268,443	345,050
Interest-bearing securities	G3.8	20,697	42,827	63,524	19,963	43,420	63,383
Financial instruments pledged as collateral	G3.9	74	4,828	4,902	7	1,661	1,668
Shares	G3.10	4,147	13,777	17,924	4,943	10,274	15,217
Assets in pooled schemes and unit-linked investment contracts	G3.11	31,776	9,869	41,645	36,125	10,787	46,912
Derivatives	G3.12	7,508	29,070	36,578	5,029	25,171	30,200
Fair value changes of hedged items in portfolio hedges of interest rate risk	G3.6	-2,094	-22	-2,116	-95	30	-65
Investments in associated undertakings and joint ventures	G9.3	–	509	509	–	207	207
Intangible assets	G5.1	23	4,021	4,044	5	3,779	3,784
Properties and equipment	G5.2	140	1,533	1,673	132	1,613	1,745
Investment properties	G5.3	–	2,455	2,455	0	1,764	1,764
Deferred tax assets	G2.10	13	152	165	11	207	218
Current tax assets	G2.10	211	–	211	272	–	272
Retirement benefit assets	G8.2	–	165	165	–	221	221
Other assets		2,380	7,000	9,380	1,373	7,457	8,830
Prepaid expenses and accrued income		590	179	769	801	79	880
Assets held for sale	G9.5	–	–	–	180	–	180
Total assets		**218,591**	**376,253**	**594,844**	**194,668**	**375,685**	**570,353**
Deposits by credit institutions	G3.13	27,373	5,496	32,869	13,480	13,481	26,961
Deposits and borrowings from the public	G3.14	213,478	3,986	217,464	200,554	5,247	205,801
Deposits in pooled schemes and unit-linked investment contracts	G3.11	12,067	30,709	42,776	2,865	45,336	48,201
Liabilities to policyholders	G4	3,134	24,464	27,598	4,564	15,031	19,595
Debt securities in issue	G3.15	75,486	104,317	179,803	67,151	109,214	176,365
Derivatives	G3.12	7,883	32,219	40,102	4,757	26,728	31,485
Fair value changes of hedged items in hedges of interest rate risk	G3.6	-2,175	–	-2,175	57	44	101
Current tax liabilities	G2.10	303	–	303	354	–	354
Other liabilities[1]	G3.16	3,175	13,629	16,804	6,790	11,695	18,485
Accrued expenses and prepaid income		1,162	62	1,224	1,210	124	1,334
Deferred tax liabilities	G2.10	143	479	622	64	471	535
Provisions	G6	97	254	351	88	326	414
Retirement benefit liabilities	G8.2	–	298	298	–	369	369
Subordinated liabilities	G3.17	215	5,186	5,401	965	5,885	6,850
Total liabilities		**342,341**	**221,099**	**563,440**	**302,899**	**233,951**	**536,850**
1) Of which lease liabilities		98	982	1,080	101	1,046	1,147

Contractual undiscounted cash flows

31 Dec 2022, EURm	**<1 month**	**1–3 months**	**3–12 months**	**1–2 years**	**2–5 years**	**5–10 years**	**>10 years**	**Total**
Cash and balances with central banks and loans to central banks	62,407	293	–	–	–	–	–	62,700
Loans to the public	52,337	20,944	37,500	36,825	71,598	60,390	179,542	459,136
Loans to credit institutions	3,802	356	101	269	45	–	–	4,573
Interest-bearing securities	1,608	2,255	15,996	14,585	28,122	5,696	6,027	74,289
Other non-derivative financial assets	–	–	–	–	–	–	66,114	66,114
Total non-derivative financial assets	**120,154**	**23,848**	**53,597**	**51,679**	**99,765**	**66,086**	**251,683**	**666,812**

G10.3 Maturity analysis, cont.

Contractual undiscounted cash flows, cont.

31 Dec 2022, EURm	< 1 month	1–3 months	3–12 months	1–2 years	2–5 years	5–10 years	>10 years	Total
Deposits and borrowings from the public	206,856	7,338	4,519	335	2	2	3	219,055
Deposits by credit institutions	19,697	1,802	6,100	5,975	168	–	–	33,742
Debt securities in issue	5,851	21,238	52,485	25,447	69,286	14,074	21,619	210,000
- of which CDs and CP	4,682	18,018	28,176	126	183	–	–	51,185
- of which covered bonds	1,169	1,769	18,916	23,062	52,180	9,677	21,142	127,915
- of which other bonds	0	1,451	5,393	2,259	16,923	4,397	477	30,900
Subordinated liabilities	86	328	961	3,546	1,566	213	–	6,700
Other non-derivative financial liabilities	54,927	21	94	95	202	306	437	56,082
Total non-derivative financial liabilities	**287,417**	**30,727**	**64,159**	**35,398**	**71,224**	**14,595**	**22,059**	**525,579**
Derivatives, cash inflows	198,093	239,658	143,436	112,946	184,038	105,444	48,967	1,032,582
Derivatives, cash outflows	198,554	239,916	144,540	114,272	184,590	105,378	48,311	1,035,561
Derivatives, net cash flows	**-461**	**-258**	**-1,104**	**-1,326**	**-552**	**66**	**656**	**-2,979**
Credit commitments	87,003	–	–	–	–	–	–	87,003
Issued guarantees	20,486	–	–	–	–	–	–	20,486

31 Dec 2021, EURm	< 1 month	1–3 months	3–12 months	1–2 years	2–5 years	5–10 years	>10 years	Total
Cash and balances with central banks and loans to central banks	47,904	–	–	–	–	–	–	47,904
Loans to the public	52,876	16,081	35,432	33,465	67,770	58,619	160,444	424,687
Loans to credit institutions	1,702	104	114	115	–	–	–	2,035
Interest-bearing securities	9,935	2,268	9,422	11,890	19,089	6,723	9,282	68,609
Other non-derivative financial assets	–	–	–	–	–	–	70,008	70,008
Total non-derivative financial assets	**112,417**	**18,453**	**44,968**	**45,470**	**86,859**	**65,342**	**239,734**	**613,243**
Deposits and borrowings from the public	191,347	13,662	2,150	332	499	319	99	208,408
Deposits by credit institutions	8,900	4,702	600	7,201	5,346	100	–	26,849
Debt securities in issue	5,264	16,497	47,089	26,596	53,925	13,353	22,813	185,537
- of which CDs and CP	1,593	14,863	21,131	582	–	–	–	38,169
- of which covered bonds	3,625	92	21,061	20,395	43,818	8,825	22,657	120,473
- of which other bonds	46	1,542	4,897	5,619	10,107	4,528	156	26,895
Subordinated liabilities	–	125	1,012	437	4,617	2,250	264	8,705
Other non-derivative financial liabilities	98,994	22	99	122	228	288	466	100,219
Total non-derivative financial liabilities	**304,505**	**35,008**	**50,950**	**34,688**	**64,615**	**16,310**	**23,642**	**529,718**
Derivatives, cash inflows	209,021	203,073	117,682	76,794	142,869	71,000	17,383	837,822
Derivatives, cash outflows	208,571	202,669	118,160	74,371	143,766	72,137	16,897	836,571
Derivatives, net cash flows	**450**	**404**	**-478**	**2,423**	**-897**	**-1,137**	**486**	**1,251**
Credit commitments	86,238	–	–	–	–	–	–	86,238
Issued guarantees	21,943	–	–	–	–	–	–	21,943

G10.4 Related party transactions

Accounting policies

Related parties
A related party is a person or entity that is related to Nordea. Related parties are grouped in the following categories:
- Shareholders with significant influence
- Associated undertakings and joint ventures
- Key management personnel
- Other related parties

Shareholders with significant influence
Shareholders with significant influence are shareholders that have the power to participate in the financial and operating policy decisions of Nordea but do not control those policies.

Associated undertakings and joint ventures
For the definition of associated undertakings and joint ventures, see Note G9.3 "Investments in associated undertakings and joint ventures".

Key managment personnel
Key management personnel are the persons having authority and responsibility for planning, directing and controlling the activities in Nordea, directly or indirectly, including any director of the entity.

Other related parties
Other related parties comprise subsidiaries of shareholders with significant influence, close family members of key management personnel and companies controlled or jointly controlled by key management personnel or by close family members of key management personnel.

Related party transactions
A related party transaction is a transfer of resources, services or obligations between Nordea and a related party, regardless of whether a price is charged. See also Accouning policies in Note G8.4 "Key management personnel remuneration".

G10.4 Related party transactions, cont.

Related party transactions

EURm	Associated undertakings[1] 31 Dec 2022	Associated undertakings[1] 31 Dec 2021	Other related parties[2] 31 Dec 2022	Other related parties[2] 31 Dec 2021
Assets				
Loans	124	86	2	2
Interest-bearing securities	–	–	–	2
Derivatives	–	15	–	26
Other assets	8	4	–	6
Total assets	**132**	**105**	**2**	**36**

EURm	Associated undertakings[1] 31 Dec 2022	Associated undertakings[1] 31 Dec 2021	Other related parties[2] 31 Dec 2022	Other related parties[2] 31 Dec 2021
Liabilities				
Deposits	13	11	32	1,113
Derivatives	3	31	–	2
Other liabilities	0	0	–	0
Total liabilities	**16**	**42**	**32**	**1,115**
Off-balance sheet items	**0**	**0**	**0**	**5**

EURm	Associated undertakings[1] 2022	Associated undertakings[1] 2021	Other related parties[2] 2022	Other related parties[2] 2021
Net interest income	1	0	0	-4
Net fee and commission income	2	3	0	0
Net result from items at fair value	-2	1	–	-1
Other operating income	–	–	–	0
Total operating expenses	0	0	–	0
Profit before loan losses	**1**	**4**	**0**	**-5**

1) Information about associated undertakings included in the Nordea Group is found in Note G9.3 "Investments in associated undertakings and joint ventures".

2) This column includes shareholders with significant influence (including their subsidiaries), close family members of key management personnel at Nordea, companies controlled or jointly controlled by key management personnel or by close family members of key management personnel at Nordea. It also includes Nordea's pension foundations. Sampo Plc had significant influence over Nordea in 2021 but not in 2022. Liabilities to Sampo Plc and its subsidiaries mainly consist of deposits and long-term investments in bonds issued by Nordea. The transactions with Sampo Plc and its subsidiaries also include several ongoing derivative contracts.

All transactions with related parties are made on the same criteria and terms as those of comparable transactions with external parties of similar standing, apart from loans granted to employees as well as certain other commitments to key management personnel, see Note G8.4 "Key management personnel remuneration" and Note G7.1 "Contingent liabilities".

The information above is presented from Nordea's perspective, meaning that the information shows the effect of related party transactions on the Nordea figures.

In Nordea key management personnel includes the following positions:

- Board of Directors
- Chief Executive Officer (CEO)
- Deputy Managing Director
- Group Leadership Team

Loans to key management personnel amounted to EUR 2m (EUR 3m) and interest income on these loans amounted to EUR 0m (EUR 0m). Deposits from key management personnel amounted to EUR 7m (EUR 12m) and interest on these deposits amounted to EUR 0m (EUR 0m). Loan commitments to key management personnel amounted to EUR 0m (EUR 0m).

For key management personnel employed by Nordea the same credit terms apply as for other employees. In Finland, the employee interest rate for loans corresponds to Nordea Bank Abp's funding cost with a margin of 30bp or 40bp depending of the reference rate. In Denmark, the employee interest rate for loans is variable and between 1.95% – 3.6% depending of the type of mortgage. In Norway, the variable interest rate on loans for employees was 3.11% at 31 December 2022. Mortgage loans with fixed interest rates are offered with the same rates as mortgage loans to Premium customers. In Sweden, the employee interest rate on fixed and variable interest rate loans is 215bp lower than the corresponding interest rate for external customers (with a lower limit of 50bp and a cap of 57 Swedish price base amounts). For interest on loans above the defined cap, the same terms apply as for regular customers. Loans to family members of key management personnel who do not live in the same household as key management personnel are granted on normal market terms, as are loans to key management personnel who are not employed by Nordea. For more information about transactions with key management personnel, see Note G8.4 "Key management personnel remuneration".

G10.5 IBOR reform

The IBOR transition is a global reform with significant impact on the financial industry. It affects a large variety of financial products and services and thus individuals, companies and institutions. The transition influences products, market liquidity, risk management, data and technology infrastructure as well as financials and the balance sheet. IBORs are embedded in a vast range of financial instruments, including loans, mortgages, bonds, trading products and derivative contracts.

In March 2021 the British Financial Conduct Authority and ICE Benchmark Administration (the administrator of LIBOR) announced that sterling, euro, Swiss franc and Japanese yen LIBOR rates as well as 1-week and 2-month US dollar LIBOR rates would cease at end-2021, with the remaining US dollar LIBOR rates ceasing at end-June 2023.

The transition away from EONIA and LIBORs that ceased to exist in 2021 was completed by year end 2021. Other IBORs, such as EURIBOR and Nordic IBORs, have already been reformed and are expected to continue to be published for the foreseeable future.

In 2020 Nordea established an IBOR Transition Programme sponsored by the CFO to prepare and coordinate Group-wide efforts to manage the operational impacts and financial risks caused by the transition from existing IBORs to alternative near risk-free rates. Following the successful transition away from EONIA and LIBORs by end 2021, Nordea has closed the central Transition Programme. Business areas are currently working to complete remaining contract amendments, and plans are in place for the upcoming transition away from remaining USD LIBOR and related rates that are ceasing by end-June 2023.

Nordea has adopted the Phase I and Phase II amendments to IFRS 7 and IAS 39. Disclosures on financial instruments with IBORs that remain to be transitioned can be found in the below table (only USD LIBOR).

EURm	Carrying amount Assets	Carrying amount Liabilities	Nominal amount
Non-derivative financial instruments	4,907	501	
Derivatives			336,864
Not used in hedge accounting			310,924
Used in hedge accounting			25,940
Fair value hedges			20,561
Cash flow hedges			5,379

G10.6 Transition to IFRS 17 Insurance Contracts

IFRS 17 "Insurance Contracts" becomes mandatory on 1 January 2023 and has not been applied for the 2022 financial statements. This note explains the accounting policies Nordea will apply on transition to IFRS 17 in 2023 and the financial effects of the transition.

Accounting policies

IFRS 17 is applicable for insurance contracts, reinsurance contracts and investment contracts with discretionary participation features (DPF). 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". DPF contracts give the policyholder the contractual right to receive, as a supplement to an amount not subject to the discretion of the issuer, significant additional amounts where the timing or amount is contractually at the discretion of Nordea and the investment returns are linked to a specified pool of assets held by Nordea. Insurance contracts, reinsurance contracts and investment contracts with DPF are below referred to as "insurance contracts".

For Nordea, issued contracts accounted for under IFRS 17 include:
- Pension plans with or without guaranteed returns, but with additional bonus
- Combined insurance pensions plans with significant additional death benefits
- Health and personal accident insurance.

Unit of account

For most contracts, the legal contract is the basis for accounting. For unit-linked contracts in Sweden, the savings and risk components are separated and the savings part is accounted for under IFRS 9 and IFRS 15, while the risk component is accounted for under IFRS 17. Also for traditional life contracts in Sweden, the savings and risk components are accounted for as different contracts, but both parts are accounted for under IFRS 17. The death cover and other risk covers of the Finnish contracts are regarded as separate accounting contracts.

Recognition and derecognition

Insurance contracts are recognised from the earliest of:
- the beginning of the coverage period of the group of contracts
- the date when the first payment from a policyholder in the group becomes due
- for a group of onerous contracts, when the group becomes onerous.

Investment contracts with DPF are recognised from the date the entity becomes party to the contract. Insurance contracts are derecognised when they are extinguished, which means when the obligation specified in the insurance contract expires or is discharged or cancelled. Insurance contracts are also derecognised when substantially modified, in which case a new contract is recognised with new terms.

General measurement model

The general measurement model is used for an individual risk product in Norway (endowment contracts) and different risk insurance products in Finland.

Insurance contracts are aggregated into portfolios of insurance contracts with similar risks and managed together. For each portfolio, contracts issued in one calendar year are further grouped into annual cohorts. Each of these sets of contracts is then broken down into groups of onerous and profitable contracts. At initial recognition, fulfilment cash flows are estimated for all groups of insurance contracts. For groups of contracts with net positive cash flows (profitable contracts), the contractual service margin (CSM) is an equal and opposite value on initial recognition to the expected net positive cash flows and is recognised as an insurance liability. This is because the entire value of the contracts relates to services to be provided in the future and, therefore, profit to be earned in the future. For groups of contracts with negative fulfilment cash flows (onerous contracts), the negative amount is considered the loss component of the liability for remaining coverage and is recognised as a loss in the income statement.

The fulfilment cash flows consist of the following components:
- Unbiased and Nordea-specific estimates of expected cash flows that will arise as the entity fulfils the contracts. The estimates are updated at each reporting date.
- An adjustment to reflect the time value of money, in other words the effect of discounting. This also includes the financial risks to the future cash flows, to the extent that the financial risks are not reflected in the estimates of future cash flows.
- An explicit risk adjustment for non-financial risk to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of cash flows that arise from non-financial risk.

In subsequent periods, the fulfilment cash flows are reassessed and remeasured at each reporting date, using current assumptions. The CSM is released to the income statement as services are provided. For investment contracts with DPF, the release is based on when investment services are provided and for the remaining contracts it is based on when insurance contract services are provided.

Variable fee approach

The variable fee approach is used for all contracts with participating features. These contracts are at inception accounted for in the same way as under the general measurement model. Nordea provides investment- and insurance-related services and is compensated for the services by a fee that is determined with reference to the underlying assets. The CSM is adjusted after initial recognition, where changes related to Nordea's share of the fair value of the underlying assets also adjust the CSM liability. The adjusted CSM is the basis for the future release to the income statement.

Premium allocation approach

The premium allocation approach is used for short-term contracts (with a coverage period of less than one year), normally related to health and disability risks, although some such contracts in Finland are measured under the general measurement model. The liability consists of two parts:
- Liability for remaining coverage
- Liability for incurred claims.

The liability for remaining coverage is measured based on unearned premiums received and released to the income statement based on the amount of expected premium receipts allocated to the period on the basis of passage of time. The liability for incurred claims is measured in the same way as under the general measurement model.

Presentation in the income statement

Income and expenses arising from insurance contracts are disclosed under "Insurance result" in the income statement. The income on the assets backing the insurance liabilities is also disclosed separately in the line item "Return on assets backing insurance liabilities" in the income statement. There is also a subtotal for these two line items as the return on assets affects the insurance result, with the "Net insurance result" as the rel-

G10.6 Transition to IFRS 17 Insurance Contracts, cont.

evant measure of the result on insurance contracts. The insurance result can be divided into three items, that also are disclosed in the notes:
- Insurance revenue, which represents the provision of services arising from insurance contracts at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services.
- Insurance service expenses, which include incurred claims, acquisition expenses and other operating expenses related to insurance contracts.
- Insurance finance income and expenses, which include the changes in discount rates, the unwind of discount and the unwind of the risk adjustment. The line item also includes changes to insurance liabilities under the variable fee approach related to changes in corresponding assets.

Critical judgements and estimation uncertainty

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. Also, assumptions about future administrative and tax expenses have an impact on the calculation of insurance liabilities.

Transition to IFRS 17

Nordea has applied all three transition methods:
- Full retrospective approach
- Modified retrospective approach
- Fair value approach.

As can be seen in the table below, the fair value approach has been applied for 91% of the insurance contracts (based on carrying amounts). The impact from the other transition approaches is immaterial and not further commented on.

Fair value approach

Under this approach, an entity determines the CSM or loss component at the date of transition for a group of contracts based on the difference between the fair value of the group and the fulfilment cash flows of the group at that date. This fair value is determined using the requirements in IFRS 13, which means "the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date".

Nordea has in the estimation of fair value assumed that the counterparty is a Solvency II-regulated entity that would require an amount equal to the fair value to take over the liabilities. The fair value is the best estimate liability (BEL) plus a margin, reflecting the cost of holding enough capital to support the business until paid out in full.

The BEL is valued by discounting the future net cash flows of the portfolio with a risk-free discount rate. Assumptions and methods used for deriving the BEL are the same as for Solvency II calculations, except that the contract boundary follows IFRS 17 rather than Solvency II requirements.

Critical judgements and estimation uncertainty

The estimation of fair value of insurance liabilities includes significant estimations and assumptions, both financial and actuarial, where estimation uncertainty exists. Nordea has exercised critical judgement in the assessment of the principal market as the fair value aims to estimate the amount a market participant would require to take over the liabilities, and in relation to relevant return requirements within this market. Nordea's critical judgement is that the principal market consists of bancassurers in the Nordics, that a return equal to a cost of equity of 9.5% post tax would be required and that market participants would assume a Solvency II target ratio of 150% at the transition date. The reduction in equity, based on these assumptions, amounted to EUR 573m at the transition date 1 January 2022.

The above descriptions are valid for the insurance contracts held by Nordea at transition on 1 January 2022. Contracts in Topdanmark Life have thus not impacted Nordea's transition to IFRS 17. Insurance contracts in Topdanmark Life are recognised at fair value at the acquisition date 1 December 2022 as described in note G9.6 "Acquisitions".

Balance sheet

EURm	Balance at 31 Dec 2021 under IFRS 4	IFRS 17 impact	Balance at 1 Jan 2022 under IFRS 17
Assets			
Cash and balances with central banks	47,495	–	47,495
Loans to central banks	409	–	409
Loans to credit institutions	1,983	8	1,991
Loans to the public	345,050	–	345,050
Interest-bearing securities[1]	63,383	113	63,496
Financial instruments pledged as collateral	1,668	–	1,668
Shares	15,217	-1,995	13,222
Assets in pooled schemes and unit-linked investment contracts	46,912	2,118	49,030
Derivatives	30,200	–	30,200
Fair value changes of hedged items in portfolio hedges of interest rate risk	-65	–	-65
Investments in associated undertakings and joint ventures	207	–	207
Intangible assets	3,784	–	3,784
Properties and equipment	1,745	–	1,745
Investment property	1,764	-131	1,633
Deferred tax assets	218	141	359
Current tax assets	272	–	272
Retirement benefit assets	221	–	221
Other assets	8,830	-13	8,817
Prepaid expenses and accrued income	880	16	896
Assets held for sale	180	–	180
Total assets	**570,353**	**257**	**570,610**

1) To reduce volatility when insurance contracts are measured under IFRS 17, EUR 3,361m has been reclassified from Amortised cost to Fair value through profit or loss. The securities have been remeasured accordingly and the carrying amount increased by EUR 113m.

G10.6 Transition to IFRS 17 Insurance Contracts cont.

Balance sheet, cont.

EURm	Balance at 31 Dec 2021 under IFRS 4	IFRS 17 impact	Balance at 1 Jan 2022 under IFRS 17
Liabilities			
Deposits by credit institutions	26,961	–	26,961
Deposits and borrowings from the public	205,801	–	205,801
Deposits in pooled schemes and unit-linked investment contacts	48,201	2,106	50,307
Insurance contract liabilities	19,595	-1,238	18,357
Debt securities in issue	176,365	–	176,365
Derivatives	31,485	–	31,485
Fair value changes of hedged items in portfolio hedges of interest rate risk	101	–	101
Current tax liabilities	354	–	354
Other liabilities	18,485	-9	18,476
Accrued expenses and prepaid income	1,334	–	1,334
Deferred tax liabilities	535	-29	506
Provisions	414	–	414
Retirement benefit obligations	369	–	369
Subordinated liabilities	6,850	–	6,850
Total liabilities	**536,850**	**830**	**537,680**
Equity			
Additional Tier 1 capital holders	750	–	750
Non-controlling interests	9	–	9
Share capital	4,050	–	4,050
Invested unrestricted equity	1,090	–	1,090
Other reserves	-1,801	–	-1,801
Retained earnings	29,405	-573	28,832
Total equity	**33,503**	**-573**	**32,930**
Total liabilities and equity	**570,353**	**257**	**570,610**

Insurance contract liabilities

EURm	Full retrospective approach	Modified retrospective approach	Fair value approach	Not IFRS 17	Total
Balance at 31 Dec 2021 under IFRS 4	**164**	**1,483**	**15,799**	**2,149**	**19,595**
Reclassified to IFRS 9	–	–	–	-2,149	-2,149
Reclassified from IFRS 9	–	–	43	–	43
Remeasurement	-13	7	874	–	868
Balance at 1 Jan 2022 under IFRS 17	**151**	**1,490**	**16,716**	**–**	**18,357**

EURm	Total
Balance at 1 Jan 2022 under IFRS 17	
General measurement model	125
Variable fee approach	18,214
Premium allocation approach	18
Total	**18,357**

EURm	Full retrospective approach	Modified retrospective approach	Fair value approach	Total
Balance at 1 Jan 2022 under IFRS 17				
Discounted cash flows	105	1,234	15,802	17,141
Risk adjustment	10	25	160	195
Contractual service margin	36	231	754	1,021
Total	**151**	**1,490**	**16,716**	**18,357**

G10.7 Events after the financial period

Share buy-backs and share cancellations

After 31 December 2022 Nordea has further acquired 25,740,252 shares, which correspond to a EUR 279,897,341.84 reduction of retained earnings, under its third share buy-back programme that started on 20 July 2022 and will end no later than 29 March 2023.

Aggregated amounts of 11,925,310 and 14,760,027 treasury shares, which were held for capital optimisation purposes and acquired through share buy-backs, were cancelled in January and February, respectively. After the cancellations, the total number of shares in Nordea is 3,627,595,959.

G11 Risk and liquidity management

1. Risk governance

Maintaining risk awareness in the organisation is an integral part of Nordea's business strategy. Nordea has defined clear risk and liquidity management frameworks including policies and instructions for different risk types, capital adequacy and capital structure.

The uncertain and rapidly changing geopolitical situation, with the war in Ukraine and the Chinese authorities' zero-COVID approach combined with the downturn in the Chinese real estate market, as well as high inflation and resulting monetary tightening are risks to the economic outlook.

Repeated negative supply shocks could lead to continued high inflation simultaneously with a sharp contraction in output, resulting in recession. A sharp upward shift in business and consumer inflationary expectations would result in a steepening yield curve.

In order to continuously monitor potential adverse outcomes, Nordea has executed a number of internal stress tests with a focus on inflation and geopolitical developments. Depending on government and central bank responses, a stagflation scenario could test the vulnerability of Nordea to an increase in unemployment combined with a potential decline in commercial and residential real estate prices. Nordea could see significant fair value adjustments due to higher interest rates and increased covered bond spreads while net interest income (NII) could be negatively affected by an inverted yield curve and higher funding spreads. In the internal stress tests, Nordea's capital and liquidity situation has shown resilience. Nordea has also enhanced the regular monitoring of credit risk developments.

1.1 Internal Control Framework

The Internal Control Framework covers the whole Group and includes Group Board, Group CEO and senior executive management responsibilities regarding internal control, all Group functions and business areas including outsourced activities and distribution channels. Under the Internal Control Framework, all business areas, Group functions and units are responsible for managing the risks they incur when conducting their activities and to have controls in place that aim to ensure compliance with internal and external requirements. As part of the Internal Control Framework, Nordea has established Group control functions with appropriate and sufficient authority, independence and access to the Group Board to fulfil their mission in line with the Risk Management Framework.

The Internal Control Framework ensures effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, sound administrative and accounting procedures, reliability of financial and non-financial information (both internal and external) and compliance with applicable laws, regulations, standards, supervisory requirements and Group internal rules.

The internal control process is carried out by the governing bodies, management, risk management functions and other staff in Nordea. The internal control process is based on five main components: control environment, risk assessment, control activities, information and communication as well as monitoring. The internal control process aims to create the necessary fundamentals for the entire organisation to contribute to the effectiveness and high quality of internal controls through, for instance, clear definitions, assignment of roles and responsibilities and common tools and procedures.

1.2 Decision-making bodies for risk, liquidity and capital management

The Group Board, the Board Risk Committee, the Group CEO in GLT, the Asset and Liability Committee (ALCO) and the Risk Committee are the key decision-making bodies for risk and capital management in Nordea. In addition, the CEO Credit Committee, the Executive Credit Committee and Business Area Credit Committees are the key bodies for credit decision-making.

Group Board and Board Risk Committee

The Group Board has the following overarching risk management responsibilities:

- Decide on the Group's risk strategy and the Risk Appetite Framework, including the Risk Appetite Statement, with at least annual reviews and additional updates when needed.
- Oversee and monitor the implementation of the risk strategy, Risk Appetite Framework and Risk Management Framework and regularly evaluate whether the Group has effective and appropriate controls to manage the risks.

The Group Board decides on the Group Board Directive on Capital including the dividend policy. The directive is to ensure adequate capital levels within the Group on an ongoing and forward-looking basis, consistent with Nordea's business model, risk appetite and regulatory requirements and expectations.

The Board Risk Committee assists the Group Board in fulfilling its oversight responsibilities concerning management and control of the risks, risk frameworks, controls and processes associated with the Group's operations.

President and Chief Executive Officer

The Group CEO is responsible to the Group Board for the overall management of the Group's operations and risks. Responsibilities include ensuring that the risk strategy and risk management decided by the Group Board are implemented, the necessary practical measures are taken and risks are monitored and limited.

The Group CEO is supported in decision-making by senior management within the Group Leadership Team (GLT). Matters that are to be decided by the Group Board and matters of principle or otherwise of particular importance that are to be decided by the Boards of Directors of the major subsidiaries of Nordea Bank Abp, must first be presented to the Group CEO for discussion and recommendation.

Group-wide committees have been established in order to promote coordination within the Group, thus ensuring commitment to and ownership of Group-wide prioritisations, decisions and implementation. The composition and areas of responsibility of each committee is established in the Group CEO Instructions for the respective committees.

Asset and Liability Committee

Asset and Liability Committee (ALCO) is subordinated to the Group CEO and chaired by the Group Chief Financial Officer. ALCO decides on changes to the financial operations and the risk profile of the balance sheet, including asset and liability management, balance sheet management and liquidity management. ALCO also decides on certain issuances and capital injections for all wholly-owned legal entities within the Group. ALCO has established sub-committees for its work and decision-making within specific risk areas.

Risk Committee

The Risk Committee is subordinated to the Group CEO and chaired by the Group Chief Risk Officer. The Risk Committee manages the overarching Risk Management Framework and prepares or provides guidance regarding proposals to the Group CEO in GLT and/or the Group Board on issues of major importance concerning Nordea's Risk Management Framework. The Group Board decides on the Risk Appetite Framework. The Risk Committee allocates the risk appetite to the risk-taking units, and the first line of defence is responsible for ensuring that limits are further delegated and operationally implemented. The Risk Committee has established subcommittees for its work and decision-making within specific risk areas.

Credit decision-making bodies

The governing bodies for credit risk and/or the Credit Risk Management Framework are the Group Board, the Board Risk Committee and the Risk Committee. The Group Board and the local Boards of Directors delegate credit decision-making according to the powers to act as described in the Group Board Directive on Risk.

- The CEO Credit Committee is chaired by the Group CEO and includes all members of the Executive Credit Committee.
- The Executive Credit Committee is chaired by the Head of Group Credit Management. The Board Risk Committee appoints the members of the Executive Credit Committee.
- Business area credit committees: The Executive Credit Committee establishes credit committees for each business area as required by organisational and customer segmentation.

Subsidiary governance

At subsidiary level, the local Board of Directors is responsible for approving risk appetite limits and capital actions. Proposals for such items are the responsibility of the relevant subsidiary management, which is supported by Group functions.

The subsidiary Board of Directors has oversight responsibilities concerning the management and control of risks, risk management frameworks as well as the processes associated with the subsidiary's operations. In addition, there are risk management functions, which are responsible for the risk management framework and processes within the subsidiary.

The subsidiary CEO is part of the decision-making process at subsidiary level and is responsible for the daily operations.

1.3 Governance of risk management and compliance

Group Risk and Group Compliance constitute Nordea's independent second line of defence functions. The second line of defence is organised so that adequate resources are allocated to support processes and to cover the business organisation, legal structure, and country dimensions. Group Risk oversees the implementation of the Group risk policies (excluding compliance risk) and, according to a risk-based approach, monitors and controls the Risk Management Framework. Group

Compliance oversees the implementation of the Compliance Risk Management Framework, which is a part of the overarching Risk Management Framework.

The Risk Management Framework ensures consistent processes for identifying, assessing and measuring, responding to and mitigating, controlling and monitoring and reporting risks to enable informed decisions on risk-taking. The Risk Management Framework encompasses all risks to which Nordea is or could be exposed, including ESG as drivers of existing risks, off-balance sheet risks and risks in a stressed situation. Detailed risk information covering all risks is regularly reported to the Risk Committee, the GLT, the Board Risk Committee and the Group Board. In addition to this, Nordea's compliance with regulatory requirements is reported to the Risk Committee, the GLT, the Board Risk Committee and the Group Board. The Group Board and the CEO in each legal entity regularly receive local risk reporting.

The Risk Identification and Materiality Assessment Process starts with identifying risks to which Nordea is or could be exposed. Risks are then assessed for relevance, classified and included in the Common Risk Taxonomy.

All risks within the Nordea Common Risk Taxonomy need to be classified as material or not material for risk management and capital purposes. Material risks are those assessed as having a material impact on Nordea's current and future financial position, its customers and stakeholders. These risks will typically refer to a higher level within the risk taxonomy, which captures a number of underlying risks where losses arise from a common source.

Risk appetite
The Risk Appetite Framework supports effective risk management and a sound risk culture by enabling informed decisions on risk-taking, with the objective of ensuring that risk-taking activities are conducted within the organisation's risk capacity.

Risk capacity is the maximum level of risk Nordea is deemed able to assume given its capital (own funds), its risk management and control capabilities and its regulatory constraints. Risk appetite is the aggregate level and types of risk Nordea is willing to assume within its risk capacity, in line with its business model, to achieve its strategic objectives. The Risk Appetite Statement is the articulation of the Group Board approved risk appetite and comprises the qualitative statements and quantitative limits and triggers by main risk type, which are deemed appropriate to be able to operate with a prudent risk profile.

Credit concentration metrics cover e.g. sectors and geographic regions in terms of size and importance. Stress test metrics are applied to credit, market and liquidity risk metrics to ensure a forward-looking approach to risk management. Operational risk metrics cover both residual risk levels and requirements for mitigating actions as well as limits for incident losses.

Risk appetite processes
The Risk Appetite Framework contains all processes and controls to establish, monitor and communicate Nordea's risk appetite:

- Risk capacity setting based on capital position: On an annual basis, the Group's overall risk capacity is aligned with the financial and capital planning process, based on Nordea's risk strategy. The risk capacity is set in line with Nordea's capital position, including an appropriate shock absorbing capacity.
- Risk appetite allocation by risk type: Risk appetite includes risk appetite limits for the main risk types that Nordea is or could be exposed to. Risk appetite triggers are also set for these main risk types, to act as early indicators for key decision-makers that the risk profile for a particular risk type is approaching its risk appetite limit.
- Risk limit setting: Measurable risk limits are established and set at an appropriate level to manage risk-taking effectively. Risk appetite limits are set by the Group Board. These form the basis for setting the risk limits which are established and approved at lower decision-making levels at Nordea, including Risk Committee and sub-Risk Committee levels, and also other levels as appropriate. Subsidiary risk appetite limits must be set by the appropriate governing body in alignment with local regulatory requirements and consistent with the Group risk limits.
- Controlling and monitoring risk exposures against risk limits: Regular controlling and monitoring of risk exposures compared to risk limits are carried out to ensure that risk-taking activity remains within the risk appetite.
- Risk appetite limit breach management process: Group Risk and Group Compliance oversee that risk appetite limit breaches are appropriately escalated to the Risk Committee and the Board Risk Committee. Group Risk and Group Compliance report monthly on any breaches of the risk appetite to the Group Board and other relevant governing bodies including a follow-up on the status of actions to be taken, until the relevant risk exposure is within the risk appetite. The reporting includes a consistent status indicator to communicate the current risk exposure compared to the risk appetite limit for all risk types covered by the Risk Appetite Statements.

Embedding risk appetite in business processes
The end-to-end risk appetite process cycle is aligned with other strategic processes, including the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan.

The risk appetite is embedded in business processes and communicated across the organisation in order to meet Nordea's objectives of maintaining a sound risk culture. This includes but is not limited to ensuring a strong link between the assessed risk appetite and the business plans and budgets as well as the capital and liquidity position. Risk appetite is also considered in the Group recoverability and resolvability assessments as well as the incentive structures and remuneration framework.

1.4 Disclosure requirements of the Capital Requirements Regulation – Capital and Risk Management Report 2022
Additional information on risk and capital management is presented in the Capital and Risk Management Report 2022, in accordance with the Capital Requirements Regulation.

G11 Risk and liquidity management, cont.

2. Credit risk

Credits granted within the Group must conform to the common principles established for the Group. Nordea strives to have a well-diversified credit portfolio that is adapted to the structure of its home markets and economies. Nordea's loan portfolio is split by type of exposure classes (corporate and retail) or by sector, then further broken down by segment, industry and geography and reported monthly, quarterly and annually.

The key principles for managing Nordea's risk exposures are:
- risk-based approach, i.e. the risk management functions should be aligned to the nature, size and complexity of Nordea's business, ensuring that efforts undertaken are proportional to the risks in question
- independence, i.e. the risk control function should be independent of the business it controls
- three lines of defence, as further described in the Group Board Directive on Internal Governance.

Group Credit Management is the first line of defence and is responsible for the credit process and Industry Credit Policies. Group Credit Risk Control is the second line of defence and is responsible for the credit risk framework, consisting of instructions and guidelines for the Group. Group Credit Risk Control is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process.

The basis of credit risk management at Nordea is allocating limits to customers and customer groups which are aggregated and assigned to units responsible for their continuous monitoring and development. In addition to the procedures for allocating customer and customer group limits, Nordea's credit risk management framework also includes the credit risk appetite framework, which provides a comprehensive and risk-based portfolio perspective through relevant asset quality and concentration risk measures. Each division/unit is primarily responsible for managing the credit risks in its operations within the applicable framework and limits, including identification, control and reporting.

Within the powers to act granted by the Board of Directors, internal credit risk limits are approved by credit decision-making authorities on different levels of the organisation constituting the maximum risk appetite in relation to the customer in question. Individual credit decisions within the approved internal credit risk limit are taken within the customer responsible unit. The risk categorisation together with the exposure of the customer decides at what level the credit decision will be made. Responsibility for a credit risk lies with the customer responsible unit. Customers are classified according to risk and assigned a rating or a score in accordance with Nordea's rating and scoring guidelines. The rating and scoring of customers aim to predict their probability of default and consequently rank them according to their respective default risk. Rating and scoring are used as integrated parts of credit risk management and the credit decision-making process. Representatives from the first line of defence credit organisation approve the rating independently.

2.1 Credit risk definition and identification

Credit risk is defined as the potential for loss due to failure of a borrower to meet its obligations to pay a debt in accordance with the agreed terms and conditions. The potential for loss is lowered by credit risk mitigation techniques. Credit risk mainly stems from various forms of lending as well as from issued guarantees and documentary credits and includes counterparty credit risk, transfer risk and settlement risk.

Nordea's loan portfolio is furthermore broken down by segment, industry and geography. Industry credit policies are

Credit committee structure

<table>
<tr><td>Level 1</td><td colspan="7">Board of Directors / Board Risk Committee</td></tr>
<tr><td>Level 2</td><td colspan="7">Chief Executive Officer (CEO) Credit Committee / Executive Credit Committee</td></tr>
<tr><td>Level 3</td><td>Leverage Buyout and Mergers and Acquisitions Credit Committee</td><td>Real Estate Management Industry and Construction Credit Committee</td><td>Corporate Large Corporations and Institutions Credit Committee</td><td>Corporate Business Banking Credit Committee</td><td>Int. Banks Countries, and Financial Institutions Credit Committee</td><td>Shipping and Offshore Credit Committee</td><td>Retail Nordic Credit Committee</td></tr>
<tr><td>Level 4</td><td colspan="4">Six eyes decisions (rated customers)</td><td colspan="3">Four eyes decisions (scored customers) – two senior decision-makers from Group Credit Management</td></tr>
<tr><td>Level 5</td><td colspan="7">Four eyes decisions</td></tr>
<tr><td>Level 6</td><td colspan="7">Personal powers to act</td></tr>
</table>

established for those industries that have a significant weight in the portfolio and/or are either highly cyclical or volatile or require special industry competencies.

Credit decisions are reached after a credit risk assessment, based on principles that are defined consistently across the Group. These principles emphasise the need to adjust the depth and scope of the assessment according to the risk. The same credit risk assessments are used as input for determining the internal ratings. Credit decisions at Nordea reflect Nordea's view of both the customer relationship and the credit risk.

ESG factors are assessed as a material or potentially material driver of credit risk. Nordea provides an in-depth summary of the materiality assessment outcomes and identification, mitigation, management, capital adequacy and response to ESG factors as a risk driver in the business area sections, the sustainability section and in the Pillar III report.

The overall credit risk assessment is a combined risk conclusion on the borrower's repayment capacity and recovery position. The risk conclusion must be sufficiently forward-looking in relation to the risk profile of the customer and maturity of the transaction.

In addition to the credit risk assessment made in connection with a new or changed exposure in relation to a customer, an annual or ongoing credit review process is in place. The review process is an important part of the ongoing credit assessment process.

If credit weakness is identified in relation to a customer exposure, the customer is classified as "high risk" and receives special attention in terms of more frequent reviews. In addition to the ongoing monitoring, an action plan is established outlining how to minimise the potential credit loss. If necessary, a work-out team is established to support the customer responsible unit.

2.2 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 mitigations. A fundamental credit risk mitigation technique used by Nordea is to obtain collateral. Collateral is always required, when reasonable and possible, to minimise the risk of credit losses.

In Nordea, the main collateral types are real estate, floating charges and leasing objects. Collateral coverage should generally be higher for exposures of financially weaker customers than for those who are financially strong.

Independently of the strength of the collateral position, the repayment capacity is the starting point for the credit assessment and the assignment of credit limits. Regarding large exposures, syndication of loans is the primary tool for managing concentration risk, while credit risk mitigation using credit default swaps is applied to a limited extent. Covenants included in credit agreements are complementary to collateral protection.

Most exposures of substantial size and complexity include appropriate covenants. Covenants provide early warning signs that enable Nordea to detect, and react on, a deterioration in the borrower's credit quality or overall performance. Covenant breaches allow Nordea to cancel the credit facility and demand repayment of the outstanding credits.

The collateral value should always be based on the market value. The market value is defined as the estimated amount for which the asset or liability could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. From this market value, a haircut is applied. The haircut is defined as a percentage by which the asset's market value is reduced ensuring a margin against loss. The haircut should reflect the volatility of the market value of the asset, liquidity and cost of liquidation. A minimum haircut is set for each collateral type. In addition to the haircut, potential higher-ranking claims are also deducted from the market value when calculating the maximum collateral value.

The same principles of calculation must be used for all exposures.

2.3 Collateral distribution

The distribution of collateral remained stable during 2022, with the majority of collateral stemming from residential and commercial real estate at 93% (93%). The shares of commercial real estate declined to 17% (18%), while residential real estate increased to 76% (75%). The proportions of the other collateral groups remained roughly the same during 2022.

Maximum exposure to credit risk

		31 Dec 2022		31 Dec 2021	
EURm	Note	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss
Loans to central banks and credit institutions	G3.7	2,866	2,621	1,799	596
Loans to the public	G3.7	276,760	70,627	272,077	75,176
Interest-bearing securities[1]	G3.8, G3.9	36,158	32,271	37,435	27,631
Derivatives	G3.12	–	36,578	–	30,200
Off-balance sheet items	G7.1, G7.2	107,261	228	107,815	366
Total		**423,045**	**142,325**	**419,126**	**133,969**

1) Including Financial instruments pledged as collateral.

G11 Risk and liquidity management, cont.

Collateral distribution

	31 Dec 2022	31 Dec 2021
Financial collateral	0.6%	0.7%
Receivables	0.9%	0.8%
Residential real estate	75.5%	75.2%
Commercial real estate	17.5%	17.7%
Other physical collateral	5.5%	5.6%
Total	**100.0%**	**100.0%**

Allowances for credit risk

EURm	Note	31 Dec 2022	31 Dec 2021
Loans to central banks and credit institutions	G3.7	29	3
Loans to the public	G3.7	1,644	2,203
Interest-bearing securities measured at fair value through other comprehensive income or amortised cost	G3.8	3	15
Off-balance sheet items	G6	184	183
Total		**1,860**	**2,404**

2.4 Assets taken over for protection of claims

The table below presents assets taken over distributed by asset type. Land and buildings make up 100% of the total assets taken over at the end of December 2022. During 2022 assets taken over were brought down by 71%.

Assets taken over for protection of claims[1]

EURm	31 Dec 2022	31 Dec 2021
Current assets, carrying amount:		
Land and buildings	2	2
Shares and other participations	0	4
Other assets	0	1
Total	**2**	**7**

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 disposed at the latest when full recovery is reached.

2.5 Loan-to-value

The loan-to-value (LTV) ratio is considered a useful measure to evaluate quality of collateral, i.e. the credit extended divided by the market value of the collateral. In the table, IRB retail mortgage exposures are distributed by LTV buckets based on the LTV ratio.

Loan-to-value

	31 Dec 2022		31 Dec 2021	
Retail mortgage exposure	**EURbn**	**%**	**EURbn**	**%**
<50%	128.7	84	130.9	83
50–70%	18.5	12	20.7	13
70–80%	3.7	2	4.0	3
80–90%	1.1	1	1.1	1
>90%	0.9	1	0.8	0
Total	**152.9**	**100**	**157.5**	**100**

2.6 Individual and collective assessment of impairment

Requirements for impairment are set forth in IFRS 9 and are based on an expected credit loss model, see also G3.7 "Loans".

Individual and collective provisioning apply three forward-looking and weighted scenarios where assets tested for impairment are divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets with no significant increase in credit risk, stage 2 includes assets with a significant increase in credit risk, and stage 3 includes defaulted assets (credit impaired). All assets are assessed individually for staging. Significant assets in stage 3 are assessed for impairment individually. Assets in stage 1 and stage 2 and insignificant assets in stage 3 are assessed for impairment collectively.

Throughout the process of identifying and mitigating credit impairment, Nordea continuously reviews the quality of credit exposures. Weak/high-risk exposures and credit impaired exposures are closely monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for individual provisions.

Specific credit risk adjustments comprise individually and collectively assessed provisions. These adjustments are referred to as loan losses in the income statement, while they are referred to as allowances and provisions on the balance sheet. Individually assessed provisions are a trigger for default.

Individual provisioning

A need for individual provisioning is recognised if, based on credit events and observable data, a negative impact is likely on the customer's expected future cash flow to the extent that full repayment is unlikely (pledged collateral taken into account).

Exposures with individually assigned provisions are credit impaired, defaulted and in stage 3. The size of the provision is equal to the estimated loss, which is the difference between the book value of the outstanding exposure and the discounted value of the expected future cash flow, including the value of pledged collateral.

Collective provisioning

The collective model is executed quarterly and assessed for each legal unit/branch. One important driver for provisions is the trigger for transferring assets from stage 1 to stage 2. For assets recognised from 1 January 2018, changes to the lifetime probability of default (PD) are used as the trigger. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2. In stage 1, the provisions equal the 12-month expected losses. In stages 2 and 3, the provisions equal the lifetime expected losses. The output is complemented by an expert-based analysis process to ensure adequate provisioning. Defaulted customers without individual provisions have collective provisions.

Default

Customers with exposures that are past due more than 90 days, in bankruptcy or considered unlikely to pay are regarded as defaulted and non-performing. Such customers can be either servicing debt or non-servicing.

If a customer recovers from being in default, the customer is seen as cured. Typically, this situation occurs if the customer succeeds in creating a balance in financials. In order to be cured, the recovery should include the customer's total liabilities, an established satisfactory repayment plan and an assessment that the recovery is underway.

2.7 Forbearance

Forbearance is eased terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention of granting forbearance for a limited time period is to ensure full repayment of the outstanding debt. Examples of eased terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of covenants. Forbearance is undertaken on a selective and individual basis and is followed by impairment testing (corporate customers) as forbearance is considered a credit event. Individual loan loss provisions are recognised if necessary. Forbearance is approved according to the powers to act, and forborne exposures can be performing or non-performing.

Forbearance

EURm	31 Dec 2022	31 Dec 2021
Forborne loans	2,064	3,270
- of which defaulted	903	1,905
Allowances for individually assessed impaired and forborne loans	360	497
- of which defaulted	336	448

Key ratios	31 Dec 2022	31 Dec 2021
Forbearance ratio[1]	0.7%	0.9%
Forbearance coverage ratio[2]	17%	15%
- of which defaulted	37%	24%

1) Forborne loans/Loans held at amortised cost before allowances.
2) Individual allowances on forborne loans/Forborne loans.

2.8 Sensitivities

One important factor in estimating expected credit losses in accordance with IFRS 9 is to assess what constitutes a significant increase in credit risk. To understand the sensitivities to these triggers, Nordea has calculated model-based provisions under two different scenarios:

	Triggers	Scenario 1	Scenario 2
Retail portfolios			
Relative threshold	100%	50%	150%
Absolute 12-month threshold	45 bp	35 bp	55 bp
Absolute lifetime threshold	300 bp	250 bp	350 bp
Notching[1]	1–6	1 less	1 more
Non-retail portfolios			
Relative threshold	150%	100%	200%
Absolute 12-month threshold	20 bp	15 bp	25 bp
Absolute lifetime threshold	400 bp	350 bp	450 bp
Notching[1]	1–6	1 less	1 more

1) For exposures with initial recognition before the transition to IFRS 9 (1 Jan 2018), stage classification is decided based on changes in rating grades. The trigger in scenario 1 is set at one notch less than in the model actually used and in scenario 2 the trigger is set at one notch more than in the model used.

The provisions would have increased by EUR 20m (EUR 24m) in scenario 1 and decreased by EUR 20m (EUR 22m) in scenario 2. For more information on the rating scale and average PDs, see tables "Rating/scoring information on loans measured at amortised cost" on page 217.

The provisions are sensitive to rating migration even if the triggers are not reached. The table below shows the impact on provisions from a one notch downgrade of all Nordea's exposures. It includes both the impact of the higher risk for all exposures as well as the impact of transferring exposures from stage 1 to stage 2 that reach the trigger. It also includes the impact of exposures with one rating grade above default going into default, which is estimated at EUR 118m (EUR 152m). This figure is based on calculations with the statistical model rather than individual estimates that would be the case in reality for material defaulted loans.

Sensitivities

	31 Dec 2022		31 Dec 2021	
EURm	Recognised provisions	Provisions if one notch downgrade	Recognised provisions	Provisions if one notch downgrade
Personal Banking	387	488	409	532
Business Banking	1,036	1,166	1,148	1,265
Large Corporates & Institutions	402	441	813	846
Other	35	46	34	75
Total	**1,860**	**2,141**	**2,404**	**2,718**

G11 Risk and liquidity management, cont.

2.9 Forward-looking information

Forward-looking information is used for both assessing significant increases in credit risk and calculating expected credit losses. Nordea uses three macroeconomic scenarios: a baseline scenario, a favourable scenario and an adverse scenario. For the fourth quarter of 2022 the scenarios were weighted into the final expected credit losses (ECL) as follows: baseline 50%, adverse 40% and favourable 10% (baseline 60%, adverse 20% and favourable 20% at the end of December 2021). The weightings reflected increasing downside risks to the macroeconomic projections during the year.

The macroeconomic scenarios are provided by Group Risk at Nordea, based on the Oxford Economics Model. The forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model has been built to give a good description of the historical relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years. For periods beyond, a long-term average is used in the ECL calculations.

The macroeconomic scenarios reflect Nordea's view of how the Nordic economies might develop in light of Russia's invasion of Ukraine and the associated sanctions and countersanctions on trade with Russia. This includes consideration of the high level of energy prices seen after the invasion, continued supply chain disruptions and an expectation of significantly higher interest rates in response to the strong inflationary pressures. When developing the scenarios and determining the relative weighting between the scenarios, Nordea took into account projections made by Nordic central banks, Nordea Research and the European Central Bank.

The baseline scenario foresees mild recessions in Denmark, Finland and Sweden, triggered by high interest rates and elevated inflation. On the other hand, the high energy prices will support weak growth in Norway. The weak growth impulse is expected to continue into 2023, weighing on the recovery. Nordic housing markets have turned, with sales showing a marked slowdown and prices starting to decline, the price fall in Sweden being particularly pronounced. This development is expected to continue into 2023. The risks to the baseline forecast are tilted to the downside.

Nordea's two alternative macroeconomic scenarios cover a range of plausible risk factors which may cause growth to deviate from the baseline scenario. The high energy prices may lead to a deeper and longer recession due to weaker growth in private consumption and investments. In addition, house prices may see an even larger fall due to the high level of interest rates and squeeze in household purchasing power. A stabilisation of energy prices at a lower level may on the other hand lead to a milder setback over the winter and a stronger recovery going forward.

At the end of the year adjustments to model-based allowances/provisions amounted to EUR 554m, including management judgements. The management judgements cover expected credit losses not yet covered by the IFRS 9 model. The cyclical reserve amounted to EUR 430m at the end of the year (EUR 455m), being reassessed during the fourth quarter, moving from the specific concerns related to the pandemic to the extraordinary challenges raised by the energy crisis. The adequacy of allowances was analysed based on specific potential impacts of higher costs and reduced consumer spending using updated stress tests and sectoral assessment helping Nordea to better consider industry and economic sector specific risks. Ten segments with 8% of total exposures are identified as significantly affected, and include Construction, Retail trade, Land transportation and Consumer durables. Overall, the existing level of allowances was concluded to be largely sufficient also for the changed risk outlook as the cyclical management judgement allowance was increased by EUR 20m in the fourth quarter (decreased by EUR 25m compared with 2021) to a total of EUR 430m. The reserve covering issues identified in the IFRS 9 model to be later covered in model updates (structural reserve) amounted to EUR 155m (EUR 155m).

G11 Risk and liquidity management, cont.

Scenarios and provisions 2022

Denmark		2023	2024	2025	Unweighted ECL, EURm	Probability weight	Model-based provisions, EURm	Adjustment model-based provisions, EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	0.7	1.9	1.4	168	10%				
	Unemployment, %	2.7	2.7	2.6						
	Change in household consumption, %	0.8	1.5	2.0						
	Change in house prices, %	-5.0	-1.2	2.6						
Base scenario	GDP growth, %	-0.1	1.2	1.0	173	50%	178	120	250	548
	Unemployment, %	3.0	3.3	3.3						
	Change in household consumption, %	0.4	1.1	1.5						
	Change in house prices, %	-5.6	-1.8	2.0						
Adverse scenario	GDP growth, %	-3.0	0.5	1.1	186	40%				
	Unemployment, %	4.0	4.8	4.7						
	Change in household consumption, %	-1.9	-0.4	1.0						
	Change in house prices, %	-10.7	-5.4	0.9						
Finland										
Favourable scenario	GDP growth, %	0.7	1.5	1.2	233	10%				
	Unemployment, %	7.2	7.4	7.4						
	Change in household consumption, %	0.5	0.9	1.3						
	Change in house prices, %	-4.4	0.7	2.6						
Base scenario	GDP growth, %	-0.3	1.1	1.0	237	50%	243	178	200	621
	Unemployment, %	7.4	7.7	7.7						
	Change in household consumption, %	-0.3	0.6	0.9						
	Change in house prices, %	-5.0	0.0	1.9						
Adverse scenario	GDP growth, %	-3.0	0.1	0.9	252	40%				
	Unemployment, %	8.2	8.5	8.4						
	Change in household consumption, %	-2.7	-0.8	0.1						
	Change in house prices, %	-7.2	-1.5	0.4						

G11 Risk and liquidity management, cont.

Scenarios and provisions 2022, cont.

Norway		2023	2024	2025	Unweighted ECL, EURm	Probability weight	Model-based provisions, EURm	Adjustment model-based provisions, EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	1.6	1.2	1.0	70	10%				
	Unemployment, %	3.1	3.3	3.2						
	Change in household consumption, %	-0.4	0.6	3.0						
	Change in house prices, %	-1.8	1.9	4.7						
Base scenario	GDP growth, %	0.8	0.8	0.3	72	50%	75	143	119	337
	Unemployment, %	3.3	3.6	3.6						
	Change in household consumption, %	-1.1	0.3	1.9						
	Change in house prices, %	-2.4	1.3	4.1						
Adverse scenario	GDP growth, %	-1.5	0.3	0.4	79	40%				
	Unemployment, %	4.2	4.4	4.4						
	Change in household consumption, %	-2.6	-0.9	1.0						
	Change in house prices, %	-7.2	-3.0	1.3						
Sweden										
Favourable scenario	GDP growth, %	0.7	1.7	1.9	83	10%				
	Unemployment, %	7.6	7.7	7.9						
	Change in household consumption, %	0.5	2.3	2.5						
	Change in house prices, %	-10.4	-1.0	3.1						
Base scenario	GDP growth, %	-0.5	1.1	1.9	86	50%	88	111	150	349
	Unemployment, %	7.9	8.2	8.3						
	Change in household consumption, %	-0.6	1.8	2.2						
	Change in house prices, %	-10.5	-1.8	2.0						
Adverse scenario	GDP growth, %	-3.0	0.3	1.4	91	40%				
	Unemployment, %	8.7	9.1	9.2						
	Change in household consumption, %	-2.9	0.4	1.0						
	Change in house prices, %	-13.1	-5.0	0.2						
Non-Nordic[1]							3	2	0	5
Total							**587**	**554**	**719**	**1,860**

1) Defined as allowances/provisions accounted for in legal entities/branches outside the Nordics. Provisions/allowances defined as items affecting comparability, EUR 76m, are presented within the Nordic-based entities.

G11 Risk and liquidity management, cont.

Scenarios and provisions 2021

Denmark		2022	2023	2024	Unweighted ECL, EURm	Probability weight	Model-based provisions, EURm	Adjustment model-based provisions[1], EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	4.7	2.7	2.3	198	20%				
	Unemployment, %	2.7	2.4	2.4						
	Change in household consumption, %	7.3	2.5	2.1						
	Change in house prices, %	5.3	3.3	2.3						
Base scenario	GDP growth, %	3.1	2.4	2.4	200	60%	200	163	303	666
	Unemployment, %	3.2	3.1	3.1						
	Change in household consumption, %	6.1	2.1	2.0						
	Change in house prices, %	4.6	1.2	3.0						
Adverse scenario	GDP growth, %	1.3	2.3	2.0	205	20%				
	Unemployment, %	4.1	4.0	4.0						
	Change in household consumption, %	5.1	1.5	1.3						
	Change in house prices, %	-4.4	-1.9	1.4						
Finland										
Favourable scenario	GDP growth, %	4.0	1.8	1.2	238	20%				
	Unemployment, %	6.7	6.4	6.2						
	Change in household consumption, %	5.5	1.7	1.6						
	Change in house prices, %	3.1	2.7	2.0						
Base scenario	GDP growth, %	2.8	1.3	1.0	242	60%	244	177	197	618
	Unemployment, %	6.9	6.7	6.6						
	Change in household consumption, %	4.6	1.3	1.2						
	Change in house prices, %	1.5	1.6	1.4						
Adverse scenario	GDP growth, %	0.6	1.2	0.9	255	20%				
	Unemployment, %	7.7	7.5	7.2						
	Change in household consumption, %	2.9	0.6	0.6						
	Change in house prices, %	-2.0	-0.3	0.5						

G11 Risk and liquidity management, cont.

Scenarios and provisions 2021, cont.

Norway		2022	2023	2024	Unweighted ECL, EURm	Probability weight	Model-based provisions, EURm	Adjustment model-based provisions[1], EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	4.6	1.7	1.4	82	20%				
	Unemployment, %	3.5	3.3	3.3						
	Change in household consumption, %	10.2	4.0	2.3						
	Change in house prices, %	3.9	2.5	2.4						
Base scenario	GDP growth, %	3.8	1.3	0.9	84	60%	84	180	360	624
	Unemployment, %	3.7	3.6	3.7						
	Change in household consumption, %	9.6	3.6	1.5						
	Change in house prices, %	1.7	1.2	3.0						
Adverse scenario	GDP growth, %	1.2	1.2	1.1	89	20%				
	Unemployment, %	4.8	4.6	4.5						
	Change in household consumption, %	8.0	2.7	1.1						
	Change in house prices, %	-4.6	-3.0	1.4						
Sweden										
Favourable scenario	GDP growth, %	5.2	2.4	1.8	93	20%				
	Unemployment, %	7.2	6.7	6.7						
	Change in household consumption, %	6.2	2.8	2.4						
	Change in house prices, %	4.6	2.5	2.4						
Base scenario	GDP growth, %	3.6	2.2	1.8	96	60%	96	70	98	264
	Unemployment, %	7.6	7.2	7.1						
	Change in household consumption, %	4.6	2.6	2.1						
	Change in house prices, %	2.1	1.8	3.0						
Adverse scenario	GDP growth, %	1.4	1.7	2.0	101	20%				
	Unemployment, %	8.3	8.1	7.9						
	Change in household consumption, %	2.9	1.2	1.6						
	Change in house prices, %	-4.7	-3.7	1.2						
Non-Nordic							4	6	222	232
Total							**628**	**596**	**1,180**	**2,404**

1) Includes management judgements of EUR 610m and late corrections to the model of EUR -14m.

G11 Risk and liquidity management, cont.

2.10 Credit portfolio

Including on- and off-balance sheet exposures and exposures related to securities and life insurance operations, the total credit risk exposure at year end was EUR 565bn (EUR 553bn in 2021). The total credit exposure according to the Capital Requirements Regulation definition was at year end after Credit Conversion Factor EUR 511bn (EUR 506bn). Credit risk is measured, monitored and segmented in different ways. On-balance lending consists of amortised cost lending and fair value lending and constitutes the major part of the credit portfolio. Amortised cost lending is the basis for impaired loans, allowances and loan losses.

Credit risk in lending is measured and presented as the principal amount of on-balance sheet claims, i.e. loans to credit institutions and to the public, and off-balance sheet potential claims on customers and counterparties, net after allowances. Credit risk exposure also includes the risk related to derivative contracts and securities financing. Nordea's loans to the public increased by 0.2% to EUR 346bn during 2022 (EUR 345bn). The corporate portfolio increased approximately 4.2%, while the household portfolio decreased by 3.4%. The overall credit quality is solid with strongly rated customers. Close monitoring is performed due to the currently uncertain macroeconomic outlook. However, the credit quality remained strong during 2022. Of the lending to the public portfolio, corporate customers accounted for 46.0% (44.3%), household customers for 52.5% (54.4%) and the public sector for 1.5% (1.3%). Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, increased to EUR 5bn at the end of 2022 (EUR 2bn).

2.11 Loans to corporate customers

Loans to corporate customers at the end of 2022 amounted to EUR 159bn (EUR 153bn). The sector that increased the most in absolute terms in 2022 was Industrials, while Utilities and public service decreased the most. The three largest industries (Real estate, Financial institutions and Industrials) accounted in total for approximately 60% of total corporate lending. Real estate remained the largest industry in Nordea's lending portfolio, at EUR 44.6bn (EUR 46.5bn). The real estate (commercial and residential) portfolio predominantly consists of relatively large and financially strong companies, with 94% (94%) of the exposure in rating grades 4– and higher. The distribution of loans to corporate customers by size of loans, seen in the table below, shows a high degree of diversification with approximately 64% (68%) of the corporate volume representing loans up to EUR 50m per customer.

Loans to corporate customers, by size of loans

	31 Dec 2022		31 Dec 2021	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	64.0	40	65.5	43
11–50	38.3	24	37.7	25
51–100	20.5	13	18.8	12
101–250	21.6	14	19.6	13
251–500	9.3	6	5.1	3
501–	5.5	3	6.0	4
Total	**159.2**	**100**	**152.7**	**100**

2.12 Loans to household customers

In 2022 lending to household customers decreased by 3.4% to EUR 181bn (EUR 188bn). The decrease was seen in all the Nordic countries apart from Finland, primarily driven by mortgage loans. Mortgage lending decreased to EUR 155bn (EUR 162bn), while consumer lending increased slightly to EUR 26bn (EUR 25bn). The proportion of mortgage lending of total household lending remained at 86% (86%).

G11 Risk and liquidity management, cont.

Loans to the public measured at amortised cost and fair value

31 Dec 2022, EURm	Denmark	Finland	Norway	Sweden[1]	Other[1]	Total
Financial institutions	3,004	1,834	1,218	8,430	597	15,083
Agriculture	4,880	352	3,039	161	5	8,437
Crops, plantations and hunting	2,797	173	118	107	4	3,199
Animal husbandry	2,069	173	125	53	0	2,420
Fishing and aquaculture	14	6	2,796	1	1	2,818
Natural resources	188	1,120	1,077	517	201	3,103
Paper and forest products	162	859	483	452	177	2,133
Mining and supporting activities	9	225	120	63	1	418
Oil, gas and offshore	17	36	474	2	23	552
Consumer staples	2,300	881	809	1,593	68	5,651
Food processing and beverages	541	364	453	480	19	1,857
Household and personal products	168	87	126	356	2	739
Healthcare	1,591	430	230	757	47	3,055
Consumer discretionary and services	2,248	2,445	2,745	5,296	82	12,816
Consumer durables	186	376	203	1,807	81	2,653
Media and entertainment	609	333	148	1,084	0	2,174
Retail trade	720	1,204	1,199	1,663	0	4,786
Air transportation	73	35	59	19	0	186
Accommodation and leisure	582	448	703	425	0	2,158
Telecommunication services	78	49	433	298	1	859
Industrials	8,225	7,058	9,539	11,007	258	36,087
Materials	506	573	301	1,222	26	2,628
Capital goods	744	1,616	200	1,286	72	3,918
Commercial and professional services	1,861	901	2,379	2,062	118	7,321
Construction	1,177	1,451	4,377	2,473	3	9,481
Wholesale trade	2,921	1,166	1,031	2,525	31	7,674
Land transportation	655	863	695	675	4	2,892
IT services	361	488	556	764	4	2,173
Maritime	314	151	5,076	96	363	6,000
Shipbuilding	0	14	111	0	0	125
Shipping	181	39	4,820	88	363	5,491
Maritime services	133	98	145	8	0	384
Utilities and public service	1,583	3,519	1,860	1,316	0	8,278
Utilities distribution	1,166	1,525	985	771	0	4,447
Power production	62	1,840	680	415	0	2,997
Public services	355	154	195	130	0	834
Real estate	8,736	8,006	9,921	17,853	115	44,631
Commercial real estate	4,215	4,498	8,388	8,032	115	25,248
Tenant-owned associations and residential real estate companies	4,521	3,508	1,533	9,821	0	19,383
Other industries	489	0	114	51	1	655
Total corporate	**31,967**	**25,366**	**35,398**	**46,320**	**1,690**	**140,741**
Housing loans	34,557	34,113	35,757	51,069	0	155,496
Collateralised lending	9,288	6,208	2,357	2,241	0	20,094
Non-collateralised lending	1,017	2,133	383	2,143	0	5,676
Household	**44,862**	**42,454**	**38,497**	**55,453**	**0**	**181,266**
Public sector	**1,131**	**848**	**19**	**3,268**	**0**	**5,266**
Reverse repurchase agreements	**0**	**18,470**	**0**	**0**	**0**	**18,470**
Loans to the public by country	**77,960**	**87,138**	**73,914**	**105,041**	**1,690**	**345,743**
Of which loans at fair value	**52,089**	**18,523**	**15**	**0**	**0**	**70,627**

1) Loans related to Russia (EUR 4m) and the Baltics (EUR 116m), accounted for in the Swedish branch, have been moved to Other.

G11 Risk and liquidity management, cont.

Loans to the public measured at amortised cost and fair value

31 Dec 2021, EURm	Denmark	Finland	Norway	Sweden[1]	Other[1]	Total
Financial institutions	2,742	1,745	1,380	6,769	1,190	13,826
Agriculture	5,422	346	2,719	176	5	8,668
Crops, plantations and hunting	3,165	189	106	117	5	3,582
Animal husbandry	2,238	155	121	58	0	2,572
Fishing and aquaculture	19	2	2,492	1	0	2,514
Natural resources	221	1,064	1,134	511	210	3,140
Paper and forest products	181	888	435	460	94	2,058
Mining and supporting activities	17	158	136	49	0	360
Oil, gas and offshore	23	18	563	2	116	722
Consumer staples	1,533	1,099	681	1,590	66	4,969
Food processing and beverages	235	277	307	405	20	1,244
Household and personal products	171	60	142	486	2	861
Healthcare	1,127	762	232	699	44	2,864
Consumer discretionary and services	2,220	2,282	2,420	4,894	25	11,841
Consumer durables	167	314	158	1,697	21	2,357
Media and entertainment	552	371	150	733	0	1,806
Retail trade	723	1,047	1,042	1,656	4	4,472
Air transportation	58	45	87	61	0	251
Accommodation and leisure	636	479	604	503	0	2,222
Telecommunication services	84	26	379	244	0	733
Industrials	7,279	7,044	8,851	8,661	365	32,200
Materials	547	416	320	549	72	1,904
Capital goods	622	1,711	206	1,029	113	3,681
Commercial and professional services	1,956	887	1,677	1,525	108	6,153
Construction	1,443	1,323	4,339	2,236	1	9,342
Wholesale trade	1,903	1,276	887	2,005	23	6,094
Land transportation	416	989	795	694	45	2,939
IT services	392	442	627	623	3	2,087
Maritime	366	161	5,597	133	443	6,700
Shipbuilding	0	28	224	0	0	252
Shipping	222	43	5,035	124	443	5,867
Maritime services	144	90	338	9	0	581
Utilities and public service	1,696	3,285	2,090	2,002	1	9,074
Utilities distribution	1,239	1,606	1,084	720	0	4,649
Power production	66	1,525	808	973	1	3,373
Public services	391	154	198	309	0	1,052
Real estate	9,342	7,729	9,986	17,578	151	44,786
Commercial real estate	5,984	4,334	8,346	7,667	151	26,482
Tenant-owned associations and residential real estate companies	3,358	3,395	1,640	9,911	0	18,304
Other industries	236	0	127	373	1	737
Total corporate	**31,057**	**24,755**	**34,985**	**42,687**	**2,459**	**135,941**
Housing loans	39,332	33,317	37,249	52,418	0	162,316
Collateralised lending	8,181	5,513	2,647	2,292	0	18,633
Non-collateralised lending	1,014	2,923	408	2,434	0	6,779
Household	**48,527**	**41,753**	**40,304**	**57,144**	**0**	**187,728**
Public sector	**1,168**	**780**	**19**	**2,602**	**0**	**4,569**
Reverse repurchase agreements	**0**	**16,812**	**0**	**0**	**0**	**16,812**
Lending to the public by country	**80,752**	**84,100**	**75,308**	**102,433**	**2,459**	**345,050**
of which fair value	**58,347**	**16,812**	**17**	**0**	**0**	**75,176**

1) Loans related to Russia (EUR 94m) and the Baltics (EUR 162m), accounted for in the Swedish branch, have been moved to Other.

G11 Risk and liquidity management, cont.

Loans measured at amortised cost, broken down by sector and industry

	Gross			Allowances				
31 Dec 2022, EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**	**Net loss[1]**
Financial institutions	14,197	322	62	8	10	29	14,534	-49
Agriculture	4,343	232	107	7	15	56	4,604	-3
Crops, plantations and hunting	949	75	20	3	4	8	1,029	5
Animal husbandry	619	117	86	2	10	48	762	-6
Fishing and aquaculture	2,775	40	1	2	1	0	2,813	-2
Natural resources	2,765	216	39	2	4	18	2,996	26
Paper and forest products	1,874	161	22	1	3	14	2,039	2
Mining and supporting activities	382	30	3	0	1	1	413	-1
Oil, gas and offshore	509	25	14	1	0	3	544	25
Consumer staples	4,882	201	87	8	8	35	5,119	-26
Food processing and beverages	1,685	114	52	2	3	17	1,829	-13
Household and personal products	592	25	10	2	1	5	619	-1
Healthcare	2,605	62	25	4	4	13	2,671	-12
Consumer discretionary and services	10,589	913	287	14	48	187	11,540	-31
Consumer durables	2,382	192	44	2	6	24	2,586	-12
Media and entertainment	1,763	135	20	2	6	11	1,899	-2
Retail trade	4,156	272	180	8	20	118	4,462	-18
Air transportation	96	35	12	0	2	8	133	-6
Accommodation and leisure	1,421	263	25	2	14	20	1,673	4
Telecommunication services	771	16	6	0	0	6	787	3
Industrials	31,090	2,900	542	53	100	293	34,086	-52
Materials	2,406	166	39	4	4	13	2,590	7
Capital goods	3,370	436	71	5	11	39	3,822	11
Commercial and professional services	5,950	434	44	10	15	20	6,383	2
Construction	8,142	825	164	15	34	106	8,976	-37
Wholesale trade	6,801	696	64	8	24	40	7,489	-9
Land transportation	2,535	243	94	6	6	55	2,805	-17
IT services	1,886	100	66	5	6	20	2,021	-9
Maritime	5,521	360	66	19	5	31	5,892	23
Shipbuilding	119	6	3	1	0	3	124	1
Shipping	5,116	353	63	17	5	28	5,482	22
Maritime services	286	1	0	1	0	0	286	0
Utilities and public service	6,896	117	16	5	4	7	7,013	8
Utilities distribution	3,413	78	6	2	2	3	3,490	8
Power production	2,962	11	1	2	0	1	2,971	-2
Public services	521	28	9	1	2	3	552	2
Real estate	36,325	745	145	23	18	85	37,089	32
Other industries	169	117	7	4	20	2	267	-3
Total corporate	**116,777**	**6,123**	**1,358**	**143**	**232**	**743**	**123,140**	**-75**
Housing loans	116,404	4,248	435	15	45	86	120,941	-29
Collateralised lending	18,488	1,543	264	38	50	115	20,092	46
Non-collateralised lending	4,910	795	146	19	81	74	5,677	-62
Household	**139,802**	**6,586**	**845**	**72**	**176**	**275**	**146,710**	**-45**
Public sector	**5,161**	**69**	**39**	**1**	**0**	**2**	**5,266**	**8**
Loans to the public	**261,740**	**12,778**	**2,242**	**216**	**408**	**1,020**	**275,116**	**-112**
Loans to credit institutions and central banks	**2,845**	**8**	**13**	**4**	**0**	**25**	**2,837**	**0**
Total	**264,585**	**12,786**	**2,255**	**220**	**408**	**1,045**	**277,953**	**-112**

1) The table shows net loan losses related to on- and off-balance sheet exposures for the full year 2022.

G11 Risk and liquidity management, cont.

Loans measured at amortised cost, broken down by sector and industry

	Gross			Allowances				
31 Dec 2021, EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**	**Net loss[1]**
Financial institutions	12,972	186	59	6	8	24	13,179	29
Agriculture	4,124	204	136	5	12	82	4,365	16
Crops, plantations and hunting	970	79	25	2	5	15	1,052	2
Animal husbandry	670	101	109	1	7	66	806	8
Fishing and aquaculture	2,484	24	2	2	0	1	2,507	6
Natural resources	2,606	184	575	4	4	345	3,012	-15
Paper and forest products	1,777	155	32	2	4	16	1,942	8
Mining and supporting activities	329	26	3	1	0	1	356	2
Oil, gas and offshore	500	3	540	1	0	328	714	-25
Consumer staples	4,239	142	17	4	11	10	4,373	13
Food processing and beverages	1,131	76	5	2	3	4	1,203	4
Household and personal products	701	18	10	1	1	4	723	1
Healthcare	2,407	48	2	1	7	2	2,447	8
Consumer discretionary and services	9,376	1,075	263	11	55	166	10,482	-81
Consumer durables	2,166	126	30	2	6	13	2,301	6
Media and entertainment	1,394	127	18	1	8	10	1,520	6
Retail trade	3,796	256	178	5	17	118	4,090	-74
Air transportation	131	62	5	1	2	2	193	6
Accommodation and leisure	1,242	499	25	2	22	16	1,726	-25
Telecommunication services	647	5	7	0	0	7	652	0
Industrials	27,346	2,333	682	41	95	324	29,901	32
Materials	1,722	156	59	3	5	30	1,899	35
Capital goods	3,148	415	124	3	16	58	3,610	-7
Commercial and professional services	4,779	353	48	7	15	27	5,131	18
Construction	7,837	685	200	13	30	101	8,578	-19
Wholesale trade	5,452	434	77	7	17	43	5,896	29
Land transportation	2,596	218	106	4	6	48	2,862	-15
IT services	1,812	72	68	4	6	17	1,925	-9
Maritime	5,757	480	505	7	7	152	6,576	-12
Shipbuilding	248	6	0	2	0	0	252	4
Shipping	5,043	472	505	5	7	151	5,857	-17
Maritime services	466	2	0	0	0	1	467	1
Utilities and public service	7,546	154	45	4	7	29	7,705	-11
Utilities distribution	3,540	116	29	2	5	17	3,661	-6
Power production	3,326	20	1	0	1	1	3,345	2
Public services	680	18	15	2	1	11	699	-7
Real estate	35,664	1,029	182	24	42	117	36,692	-44
Other industries	427	196	8	5	1	0	625	0
Total corporate	**110,057**	**5,983**	**2,472**	**111**	**242**	**1,249**	**116,910**	**-73**
Housing loans	118,361	4,287	477	15	38	88	122,984	-72
Collateralised lending	17,270	1,308	310	47	48	161	18,632	27
Non-collateralised lending	5,708	1,054	219	21	71	110	6,779	4
Household	**141,339**	**6,649**	**1,006**	**83**	**157**	**359**	**148,395**	**-41**
Public sector	**4,436**	**101**	**34**	**0**	**0**	**2**	**4,569**	**-4**
Lending to the public	**255,832**	**12,733**	**3,512**	**194**	**399**	**1,610**	**269,874**	**-118**
Lending to central banks and credit institutions	**1,785**	**14**	**0**	**3**	**0**	**0**	**1,796**	**0**
Total	**257,617**	**12,747**	**3,512**	**197**	**399**	**1,610**	**271,670**	**-118**

1) The table shows net loan losses related to on- and off-balance sheet exposures for the full year 2021.

G11 Risk and liquidity management, cont.

Impaired loans (stage 3) by country and industry (including loans at fair value)

31 Dec 2022, EURm	Denmark	Finland	Norway	Sweden	Outside Nordic	Total
Financial institutions	46	2	6	10	0	64
Agriculture	197	29	2	0	0	228
Crops, plantations and hunting	35	6	1	0	0	42
Animal husbandry	162	23	1	0	0	186
Fishing and aquaculture	0	0	0	0	0	0
Natural resources	8	15	23	0	0	46
Paper and forest products	8	10	5	0	0	23
Mining and supporting activities	0	2	1	0	0	3
Oil, gas and offshore	0	3	17	0	0	20
Consumer staples	69	11	8	2	0	90
Food processing and beverages	42	8	0	2	0	52
Household and personal products	2	2	7	0	0	11
Healthcare	25	1	1	0	0	27
Consumer discretionary and services	134	44	15	101	0	294
Consumer durables	1	3	0	40	0	44
Media and entertainment	3	16	0	2	0	21
Retail trade	127	14	6	37	0	184
Air transportation	0	2	6	4	0	12
Accommodation and leisure	3	9	3	12	0	27
Telecommunication services	0	0	0	6	0	6
Industrials	126	206	93	137	0	562
Materials	16	23	0	0	0	39
Capital goods	30	30	8	4	0	72
Commercial and professional services	13	17	12	8	0	50
Construction	35	96	26	13	0	170
Wholesale trade	26	14	1	25	0	66
Land transportation	3	17	46	29	0	95
IT services	3	9	0	58	0	70
Maritime	0	1	74	0	0	75
Shipbuilding	0	0	3	0	0	3
Shipping	0	1	71	0	0	72
Maritime services	0	0	0	0	0	0
Utilities and public service	5	7	3	2	0	17
Utilities distribution	0	5	0	1	0	6
Power production	0	0	0	1	0	1
Public services	5	2	3	0	0	10
Real estate	43	93	35	7	0	178
Other industries	1	0	4	2	0	7
Total corporate	**629**	**408**	**263**	**261**	**0**	**1,561**
Housing loans	269	326	74	34	0	703
Collateralised lending	82	144	34	4	0	264
Non-collateralised lending	23	86	12	24	0	145
Household	**374**	**556**	**120**	**62**	**0**	**1,112**
Public sector	**38**	**0**	**0**	**1**	**0**	**39**
Total impaired loans	**1,041**	**964**	**383**	**324**	**0**	**2,712**
of which fair value	**455**	**0**	**15**	**0**	**0**	**470**

G11 Risk and liquidity management, cont.

Impaired loans (stage 3) by country and industry (including loans at fair value)

31 Dec 2021, EURm	Denmark	Finland	Norway	Sweden	Outside Nordic	Total
Financial institutions	48	5	15	0	0	68
Agriculture	307	18	4	2	1	332
Crops, plantations and hunting	66	2	2	1	1	72
Animal husbandry	241	15	2	1	0	259
Fishing and aquaculture	0	1	0	0	0	1
Natural resources	17	15	207	0	337	576
Paper and forest products	17	11	4	0	0	32
Mining and supporting activities	0	2	1	0	0	3
Oil, gas and offshore	0	2	202	0	337	541
Consumer staples	5	5	9	1	0	20
Food processing and beverages	1	2	1	1	0	5
Household and personal products	2	1	8	0	0	11
Healthcare	2	2	0	0	0	4
Consumer discretionary and services	114	39	14	104	0	271
Consumer durables	3	4	0	23	0	30
Media and entertainment	4	10	1	4	0	19
Retail trade	104	12	7	60	0	183
Air transportation	0	3	1	1	0	5
Accommodation and leisure	3	10	5	8	0	26
Telecommunication services	0	0	0	8	0	8
Industrials	163	254	174	118	0	709
Materials	16	43	0	0	0	59
Capital goods	62	45	15	5	0	127
Commercial and professional services	16	18	13	9	0	56
Construction	38	66	89	17	0	210
Wholesale trade	22	25	2	31	0	80
Land transportation	7	44	54	2	0	107
IT services	2	13	1	54	0	70
Maritime	28	0	488	0	0	516
Shipbuilding	0	0	0	0	0	0
Shipping	28	0	477	0	0	505
Maritime services	0	0	11	0	0	11
Utilities and public service	3	5	37	3	0	48
Utilities distribution	0	1	28	0	0	29
Power production	0	0	0	1	0	1
Public services	3	4	9	2	0	18
Real estate	97	97	50	10	0	254
Other industries	1	0	4	2	0	7
Total corporate	**783**	**438**	**1,002**	**240**	**338**	**2,801**
Housing loans	346	355	81	42	0	824
Collateralised lending	129	138	41	3	0	311
Non-collateralised lending	31	131	24	32	0	218
Household	**506**	**624**	**146**	**77**	**0**	**1,353**
Public sector	**32**	**0**	**2**	**0**	**0**	**34**
Total impaired loans	**1,321**	**1,062**	**1,150**	**317**	**338**	**4,188**
of which fair value	**658**	**0**	**17**	**0**	**0**	**675**

G11 Risk and liquidity management, cont.

Loans to the public measured at amortised cost

31 Dec 2022, EURm	Net loan losses[1]	Loan loss ratio, bp	Impaired loans (stage 3)	Impairment ratio, bp	Allowances total	Allowances (stage 1)	Allowances (stage 2)	Allowances (stage 3)	Coverage ratio, %[2]	Loans mesured at amortised cost
Financial institutions	-49	-34	62	43	47	8	10	29	47	14,534
Agriculture	-3	-7	107	229	78	7	15	56	52	4,604
Crops, plantations and hunting	5	49	20	192	15	3	4	8	40	1,029
Animal husbandry	-6	-79	86	1 046	60	2	10	48	56	762
Fishing and aquaculture	-2	-7	1	4	3	2	1	0	0	2,813
Natural resources	26	87	39	129	24	2	4	18	46	2,996
Paper and forest products	2	10	22	107	18	1	3	14	64	2,039
Mining and supporting activities	-1	-24	3	72	2	0	1	1	33	413
Oil, gas and offshore	25	460	14	255	4	1	0	3	21	544
Consumer staples	-26	-51	87	168	51	8	8	35	40	5,119
Food processing and beverages	-13	-71	52	281	22	2	3	17	33	1,829
Household and personal products	-1	-16	10	159	8	2	1	5	50	619
Healthcare	-12	-45	25	93	21	4	4	13	52	2,671
Consumer discretionary and services	-31	-27	287	243	249	14	48	187	65	11,540
Consumer durables	-12	-46	44	168	32	2	6	24	55	2,586
Media and entertainment	-2	-11	20	104	19	2	6	11	55	1,899
Retail trade	-18	-40	180	391	146	8	20	118	66	4,462
Air transportation	-6	-451	12	839	10	0	2	8	67	133
Accommodation and leisure	4	24	25	146	36	2	14	20	80	1,673
Telecommunication services	3	38	6	76	6	0	0	6	100	787
Industrials	-52	-15	542	157	446	53	100	293	54	34,086
Materials	7	27	39	149	21	4	4	13	33	2,590
Capital goods	11	29	71	183	55	5	11	39	55	3,822
Commercial and professional services	2	3	44	68	45	10	15	20	45	6,383
Construction	-37	-41	164	180	155	15	34	106	65	8,976
Wholesale trade	-9	-12	64	85	72	8	24	40	63	7,489
Land transportation	-17	-61	94	327	67	6	6	55	59	2,805
IT services	-9	-45	66	322	31	5	6	20	30	2,021
Maritime	23	39	66	111	55	19	5	31	47	5,892
Shipbuilding	1	81	3	234	4	1	0	3	100	124
Shipping	22	40	63	114	50	17	5	28	44	5,482
Maritime services	0	0	0	0	1	1	0	0	0	286
Utilities and public service	8	11	16	23	16	5	4	7	44	7,013
Utilities distribution	8	23	6	17	7	2	2	3	50	3,490
Power production	-2	-7	1	3	3	2	0	1	100	2,971
Public services	2	36	9	161	6	1	2	3	33	552
Real estate	32	9	145	39	126	23	18	85	59	37,089
Other industries	-3	-112	7	239	26	4	20	2	29	267
Total corporate	**-75**	**-6**	**1, 358**	**109**	**1,118**	**143**	**232**	**743**	**55**	**123,140**
Housing loans	-29	-2	435	36	146	15	45	86	20	120,941
Collateralised lending	46	23	264	130	203	38	50	115	44	20,092
Non-collateralised lending	-62	-109	146	250	174	19	81	74	51	5,677
Household	**-45**	**-3**	**845**	**57**	**523**	**72**	**176**	**275**	**33**	**146,710**
Public sector	**8**	**15**	**39**	**74**	**3**	**1**	**0**	**2**	**5**	**5,266**
Loans to the public	**-112**	**-4**	**2,242**	**81**	**1,644**	**216**	**408**	**1,020**	**45**	**275,116**

1) Including provisions for off-balance sheet exposures.
2) Allowances for stage 3 divided by exposures in stage 3.

G11 Risk and liquidity management, cont.

Loans to the public measured at amortised cost

31 Dec 2021, EURm	Net loan losses[1]	Loan loss ratio, bp	Impaired loans (stage 3)	Impairment ratio, bp	Allowances total	Allowances (stage 1)	Allowances (stage 2)	Allowances (stage 3)	Coverage ratio, %[2]	Loans mesured at amortised cost
Financial institutions	29	22	59	45	38	6	8	24	41	13,179
Agriculture	16	37	136	312	99	5	12	82	60	4,365
Crops, plantations and hunting	2	19	25	238	22	2	5	15	60	1,052
Animal husbandry	8	99	109	1,352	74	1	7	66	61	806
Fishing and aquaculture	6	24	2	8	3	2	0	1	50	2,507
Natural resources	-15	-50	575	1,909	353	4	4	345	60	3,012
Paper and forest products	8	41	32	165	22	2	4	16	50	1,942
Mining and supporting activities	2	56	3	84	2	1	0	1	33	356
Oil, gas and offshore	-25	-350	540	7,563	329	1	0	328	61	714
Consumer staples	13	30	17	39	25	4	11	10	59	4,373
Food processing and beverages	4	33	5	42	9	2	3	4	80	1,203
Household and personal products	1	14	10	138	6	1	1	4	40	723
Healthcare	8	33	2	8	10	1	7	2	100	2,447
Consumer discretionary and services	-81	-77	263	251	232	11	55	166	63	10,482
Consumer durables	6	26	30	130	21	2	6	13	43	2,301
Media and entertainment	6	39	18	118	19	1	8	10	56	1,520
Retail trade	-74	-181	178	435	140	5	17	118	66	4,090
Air transportation	6	311	5	259	5	1	2	2	40	193
Accommodation and leisure	-25	-145	25	145	40	2	22	16	64	1,726
Telecommunication services	0	0	7	107	7	0	0	7	100	652
Industrials	32	11	682	228	460	41	95	324	48	29,901
Materials	35	184	59	311	38	3	5	30	51	1,899
Capital goods	-7	-19	124	343	77	3	16	58	47	3,610
Commercial and professional services	18	35	48	94	49	7	15	27	56	5,131
Construction	-19	-22	200	233	144	13	30	101	51	8,578
Wholesale trade	29	49	77	131	67	7	17	43	56	5,896
Land transportation	-15	-52	106	370	58	4	6	48	45	2,862
IT services	-9	-47	68	353	27	4	6	17	25	1,925
Maritime	-12	-18	505	768	166	7	7	152	30	6,576
Shipbuilding	4	159	0	0	2	2	0	0	0	252
Shipping	-17	-29	505	862	163	5	7	151	30	5,857
Maritime services	1	21	0	0	1	0	0	1	0	467
Utilities and public service	-11	-14	45	58	40	4	7	29	64	7,705
Utilities distribution	-6	-16	29	79	24	2	5	17	59	3,661
Power production	2	6	1	3	2	0	1	1	100	3,345
Public services	-7	-100	15	215	14	2	1	11	73	699
Real estate	-44	-12	182	50	183	24	42	117	64	36,692
Other industries	0	0	8	128	6	5	1	0	0	625
Total corporate	**-73**	**-6**	**2,472**	**211**	**1,602**	**111**	**242**	**1,249**	**51**	**116,910**
Housing loans	-72	-6	477	39	141	15	38	88	18	122,984
Collateralised lending	27	14	310	166	256	47	48	161	52	18,632
Non-collateralised lending	4	6	219	323	202	21	71	110	50	6,779
Household	**-41**	**-3**	**1,006**	**68**	**599**	**83**	**157**	**359**	**36**	**148,395**
Public sector	**-4**	**-9**	**34**	**74**	**2**	**0**	**0**	**2**	**6**	**4,569**
Loans the public	**-118**	**-4**	**3,512**	**130**	**2,203**	**194**	**399**	**1,610**	**46**	**269,874**

1) Including provisions for off-balance sheet exposures.
2) Allowances for stage 3 divided by exposures in stage 3.

G11 Risk and liquidity management, cont.

2.13 Geographical distribution

The portfolio is geographically well-diversified with no market accounting for more than 36% of total lending measured by the geographical location of the customer handling unit. Other EU countries represent the largest part of lending outside the Nordic countries. Lending to the public distributed by the country of domicile of borrowers shows that the customers residing in the Nordic countries account for 95% (94%).

Loans to the public measured at amortised cost, geographical breakdown[1]

	Gross			Allowances			
31 Dec 2022, EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**
Denmark	23,868	1,668	531	52	139	287	25,589
Finland	62,330	5,657	955	39	125	384	68,394
Norway	65,440	2,933	329	68	67	143	68,424
Sweden	96,085	2,086	312	42	71	147	98,223
US	1,197	66	2	1	0	1	1,263
Other	12,820	368	113	14	6	58	13,223
Total	**261,740**	**12,778**	**2,242**	**216**	**408**	**1,020**	**275,116**

	Gross			Allowances			
31 Dec 2021, EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**
Denmark	20,486	1,478	595	44	151	381	21,983
Finland	60,652	5,878	1,054	30	118	437	66,999
Norway	66,214	2,704	842	82	67	302	69,309
Sweden	94,266	2,260	316	28	53	123	96,638
US	1,892	2	3	1	1	1	1,894
Other	12,322	411	702	9	9	366	13,051
Total	**255,832**	**12,733**	**3,512**	**194**	**399**	**1,610**	**269,874**

1) Based on the customer's country of domicile.

2.14 Rating and scoring distribution

One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as risk grades for scored household and small business customers, i.e. retail exposures. The average credit quality was stable in both the corporate and retail portfolios in 2022. Exposure-wise, 17% (34%) of corporate customer exposures migrated upwards, while 12% (19%) was down-rated. 92% (89%) of corporate exposures were rated 4– or higher, with an average rating for the portfolio of 5–.

Institutions and retail customers, on the other hand, show a distribution that is biased towards the higher rating grades. 94% (94%) of retail exposures is scored C– or higher, which indicates a probability of default of 1% or lower. The total effect on credit risk exposure amount (REA) from migration was an increase of approximately 0.24% in 2022.

G11 Risk and liquidity management, cont.

Rating information for loans measured at amortised cost

EURm Rating grade[1]	Average PD[2] (%)	Gross carrying amount, 31 Dec 2022 Stage 1	Stage 2	Stage 3	Total	Allowances
7	0.00	4,994	3	0	4,997	0
6	0.02	18,465	36	0	18,501	2
5	0.09	40,175	165	2	40,343	24
4	0.31	48,711	931	0	49,642	70
3	3.20	7,194	1,780	15	8,989	90
2	19.45	177	1,165	15	1,357	58
1	62.60	1,102	1,535	35	2,672	93
Standardised / Unrated	0.06	13,170	1,119	254	14,542	166
0 (default)	100.00	45	32	1,210	1,287	725
Total		**134,033**	**6,766**	**1,531**	**142,330**	**1,228**

EURm Rating grade[1]	Average PD[2] (%)	Gross carrying amount, 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Allowances
7	0.00	4,228	2	0	4,230	0
6	0.01	17,558	10	0	17,568	1
5	0.05	33,730	218	0	33,948	12
4	0.12	46,967	689	2	47,658	57
3	3.17	8,098	1,959	3	10,060	107
2	13.70	110	1,466	97	1,673	75
1	33.91	88	1,435	16	1,539	85
Standardised / Unrated	0.02	16,044	794	208	17,046	153
0 (default)	100.00	23	87	2,340	2,450	1,222
Total		**126,846**	**6,660**	**2,666**	**136,172**	**1,712**

Scoring information for loans measured at amortised cost

EURm Scoring grade[1]	Average PD[2] (%)	Gross carrying amount, 31 Dec 2022 Stage 1	Stage 2	Stage 3	Total	Allowances
A	0.04	96,018	410	10	96,438	20
B	0.30	19,894	803	2	20,699	19
C	2.10	7,829	1,454	7	9,290	32
D	6.17	4,655	1,494	7	6,156	40
E	15.92	1,139	871	10	2,020	41
F	30.58	601	832	37	1,470	60
Standardised / Unrated	N.A.	220	10	1	231	0
0 (default)	100.00	196	146	650	992	233
Total		**130,552**	**6,020**	**724**	**137,296**	**445**

EURm Scoring grade[1]	Average PD[2] (%)	Gross carrying amount, 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Allowances
A	0.03	86,165	199	6	86,370	8
B	0.28	26,758	544	3	27,305	17
C	1.75	11,159	1,624	5	12,788	31
D	5.50	4,405	1,717	7	6,129	40
E	13.71	1,461	932	4	2,397	41
F	23.30	618	941	28	1,587	59
0 (default)	100.00	204	131	793	1,128	298
Total		**130,770**	**6,088**	**846**	**137,704**	**494**

1) The stage classification and calculated provision for each exposure are based on the situation as at the end of October 2022 (October 2021), while the exposure amount and rating grades are based on the situation as at the end of December 2022 (December 2021). Some of the exposures in default according to the rating grade as at the end of December were not in default as at the end of October, which is reflected in the stage classification.

2) Average PD excluding Nordea Finance Equipment AS.

G11 Risk and liquidity management, cont.

Rating information for off-balance sheet items

EURm Rating grade	Nominal amount 31 Dec 2022 Stage 1	Stage 2	Stage 3	Total	Provisions
7	7,760	0	0	7,760	0
6	13,834	1	0	13,835	2
5	35,672	18	2	35,692	14
4	20,596	488	0	21,084	21
3	4,304	1,205	6	5,515	19
2	0	737	5	742	19
1	0	639	0	639	24
Standardised / Unrated	1,277	302	1	1,580	5
0 (default)	0	0	202	202	10
Total	**83,443**	**3,390**	**216**	**87,049**	**114**

EURm Rating grade	Nominal amount 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Provisions
7	8,420	0	0	8,420	0
6	8,787	1	0	8,788	0
5	32,660	14	0	32,674	4
4	25,785	479	3	26,267	13
3	4,666	1,415	3	6,084	20
2	0	808	0	808	18
1	0	630	1	631	32
Standardised / Unrated	2,187	108	2	2,297	8
0 (default)	0	0	287	287	0
Total	**82,505**	**3,455**	**296**	**86,256**	**95**

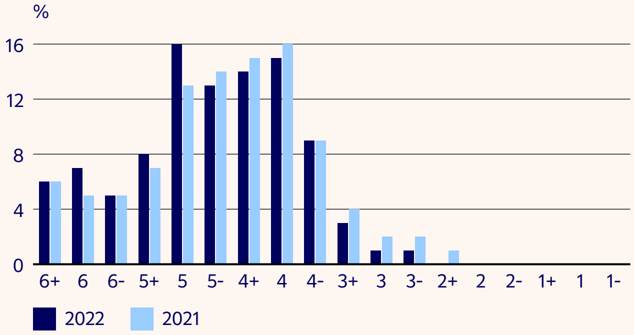
Scoring information for off-balance sheet items

EURm Scoring grade	Nominal amount 31 Dec 2022 Stage 1	Stage 2	Stage 3	Total	Provisions
A	14,014	6	0	14,020	6
B	2,970	29	0	2,999	6
C	1,302	316	0	1,618	10
D	644	431	0	1,075	13
E	37	127	1	165	12
F	24	71	0	95	8
Standardised / Unrated	355	63	0	418	0
0 (default)	0	0	50	50	15
Total	**19,346**	**1,043**	**51**	**20,440**	**70**

EURm Scoring grade	Nominal amount 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Provisions
A	13,355	4	0	13,359	4
B	4,718	5	0	4,723	6
C	1,778	419	0	2,197	15
D	796	470	1	1,268	17
E	61	145	0	206	15
F	26	80	0	106	11
0 (default)	0	0	67	67	20
Total	**20,734**	**1,123**	**68**	**21,925**	**88**

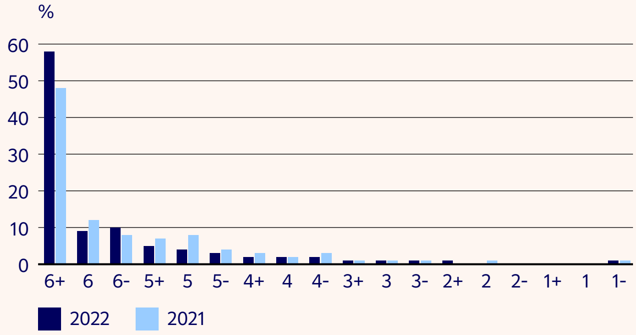
G11 Risk and liquidity management, cont.

Rating distribution IRB corporate customers[1]



1) Defaulted loans are not included in the rating distribution.

Risk grade distribution IRB retail customers[1]



1) Defaulted loans are not included in the risk grade distribution.

2.15 Impaired loans (stage 3)

Impaired loans gross at amortised cost in the Group decreased to EUR 2,255m (EUR 3,512m), corresponding to 81bp of total loans. 49% of impaired loans gross were servicing and 51% were non-servicing. Impaired loans net, after allowances for stage 3 loans amounted to EUR 1,210m, corresponding to 43bp of total loans. Allowances for stage 3 loans amounted to EUR 1,045m. Allowances for stages 1 and 2 loans amounted to EUR 628m. The ratio of allowances in relation to impaired loans was 46% and the allowance ratio for loans in stages 1 and 2 was 23bp. The decrease in impaired loans was mainly related to the Natural resources and Maritime portfolios after significant exits through the year. The portfolios with the largest impaired loan amounts were Household, Industrials and Consumer discretionary and services.

Impaired loans and ratios

	2022	2021
Gross impaired loans, amortised cost, EURm	2,255	3,512
- of which servicing	1,111	1,641
- of which non-servicing	1,144	1,871
Impairment rate, (stage 3) gross, bp	81	128
Impairment rate, (stage 3) net, bp	43	70
Allowances in relation to loans, stages 1 and 2, bp	23	22
Total allowance ratio (stages 1, 2 and 3), bp	60	81
Allowances in relation to impaired loans (stage 3), %	46	46

2.16 Past due loans

Past due loans, 6 days or more, for corporate customers amounted to EUR 814m, down from EUR 864m one year ago, and past due loans to household totalled EUR 1,569m in 2022, up from EUR 1,440m one year ago. The table below shows loans past due 6 days or more, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date.

	31 Dec 2022		31 Dec 2021	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	418	718	428	595
31–60 days	123	249	87	199
61–90 days	23	97	32	75
>90 days	250	505	317	571
Total	**814**	**1,569**	**864**	**1,440**
Past due (incl. impaired) loans divided by loans to the public after allowances, %	0.5	0.9	0.5	0.8

2.17 Allowances

Total allowances for 2022 were EUR 1,860m, down from EUR 2,404m in 2021. Loan allowances for 2022 were EUR 1,673m, down from EUR 2,206m in 2021. This was driven by stage 3 releases in Natural resources and Maritime portfolios. Of total allowances, stage 1 accounted for EUR 220m (up from EUR 197m one year ago), stage 2 for EUR 408m (up from EUR 399m one year ago) and stage 3 for EUR 1,045m (down from 1,610m one year ago). The coverage ratio was unchanged at 0.08% for stage 1, 3.2% for stage 2 (up from 3.1% in 2021) and 46% for stage 3. Stage 3 coverage was roughly unchanged after a decrease in impaired loans of EUR 1,257m (36%), while allowances decreased by 35%. The corporate stage 3 coverage ratio increased from 50% to 55% while it decreased from 36% to 33% in the household portfolio.

2.18 Net loan losses

Net loan losses for 2022 were low at EUR 112m (EUR 118m), corresponding to an annual net loan loss ratio of 4bp (4bp) for amortised cost loans. Including fair value losses on the Danish mortgage portfolio of EUR 13m, net loan losses and similar net result amounted to EUR 125m, corresponding to 4bp (1bp). Individually calculated losses amounted to EUR 169m and were driven by average write-offs and low provisions and reversals. The individual provisions had no specific industry concentration.

G11 Risk and liquidity management, cont.

Management judgements were reduced by EUR 25m during the year, from EUR 610m to EUR 585m. The cyclical management judgement was EUR 430m at the end of the year, down from EUR 455m. During the fourth quarter of 2022 the cyclical management judgement allowance was reassessed in light of the extraordinary effects caused by the energy and cost-of-living crises, together with the receding concerns related to the pandemic. The adequacy of the allowance was analysed based on specific potential impacts of higher costs and reduced consumer spending in various economic sectors. The structural management judgement allowance was kept unchanged at EUR 155m covering planned improvements to provisioning models and processes.

Net loan losses and loan loss ratios

	2022	2021
Net loan losses, EURm	112	118
Net loan loss ratio, amortised cost, Group, bp	4	4
- of which stage 3	3	12
- of which stages 1 and 2	1	-8
Net loan loss ratio, including fair value mortgage loans, Group, bp[1]	4	1
Net loan loss ratio, including fair value mortgage loans, Personal Banking, bp	3	1
Net loan loss ratio, including fair value mortgage loans, Business Banking, bp	5	0
Net loan loss ratio, including fair value mortgage loans, Large Corporates & Institutions, bp	-9	2

1) Net loan losses and net result on loans in hold portfolios mandatorily held at fair value divided by total lending at amortised cost and at fair value, bp.

Carrying amount of loans measured at amortised cost, before allowances

	Central banks and credit institutions				The public				Total			
EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 Jan 2022	**1, 785**	**14**	**0**	**1,799**	**255,832**	**12,733**	**3,512**	**272,077**	**257,617**	**12,747**	**3,512**	**273,876**
Origination and acquisition	3,442	1	–	3,443	87,051	536	81	87,668	90,493	537	81	91,111
Transfers between stage 1 and stage 2, (net)	5	-5	–	–	-950	950	–	–	-945	945	–	–
Transfers between stage 2 and stage 3, (net)	–	0	0	–	–	-147	147	–	–	-147	147	–
Transfers between stage 1 and stage 3, (net)	-18	–	18	–	-238	–	238	–	-256	–	256	–
Repayments and disposals	-3,562	-4	0	-3,566	-58,471	-2,235	-612	-61,318	-62,033	-2,239	-612	-64,884
Write-offs	–	–	-5	-5	–	–	-701	-701	–	–	-706	-706
Other changes[1]	579	1	0	580	-13,812	1,199	-383	-12,996	-13,233	1,200	-383	-12,416
Translation differences	614	0	0	614	-7,672	-257	-40	-7,969	-7,058	-257	-40	-7,355
Closing balance at 31 Dec 2022	**2,845**	**7**	**13**	**2,865**	**261,740**	**12,779**	**2,242**	**276,761**	**264,585**	**12,786**	**2,255**	**279,626**

1) Other changes are mainly related to changes in utilisation of credits granted in earlier years.

	Central banks and credit institutions				The public				Total			
EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 Jan 2021	**4,351**	**58**	**0**	**4,409**	**241,672**	**13,782**	**3,979**	**259,433**	**246,023**	**13,840**	**3,979**	**263,842**
Origination and acquisition	377	0	–	377	68,158	1,326	83	69,567	68,535	1,326	83	69,944
Transfers between stage 1 and stage 2, (net)	0	0	–	–	-341	341	–	–	-341	341	–	–
Transfers between stage 2 and stage 3, (net)	–	–	–	–	–	-266	266	–	–	-266	266	–
Transfers between stage 1 and stage 3, (net)	–	–	–	–	-152	–	152	–	-152	–	152	–
Repayments and disposals	-1,231	-50	-2	-1,283	-63,728	-2,669	-443	-66,840	-64,959	-2,719	-445	-68,123
Write-offs	–	–	–	–	–	–	-490	-490	–	–	-490	-490
Other changes[1]	-1,601	6	2	-1,593	9,854	165	-85	9,934	8,253	171	-83	8,341
Translation differences	-111	0	–	-111	369	53	50	473	258	54	50	362
Closing balance at 31 Dec 2021	**1,785**	**14**	**0**	**1,799**	**255,832**	**12,733**	**3,512**	**272,077**	**257,617**	**12,747**	**3,512**	**273,876**

1) Other changes are mainly related to increased utilisation of credits granted in earlier years.

G11 Risk and liquidity management, cont.

Movements in allowance accounts for loans measured at amortised cost

	Central banks and credit institutions				The public				Total			
EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 Jan 2022	**-3**	**0**	**0**	**-3**	**-194**	**-399**	**-1,610**	**-2,203**	**-197**	**-399**	**-1,610**	**-2,206**
Origination and acquisition	-2	0	0	-2	-69	-30	-8	-107	-71	-30	-8	-109
Transfers from stage 1 to stage 2	0	0	–	0	4	-97	–	-93	4	-97	–	-93
Transfers from stage 1 to stage 3	0	–	-5	-5	1	–	-60	-59	1	–	-65	-64
Transfers from stage 2 to stage 1	0	0	–	0	-5	76	–	71	-5	76	–	71
Transfers from stage 2 to stage 3	–	0	0	0	–	10	-89	-79	–	10	-89	-79
Transfers from stage 3 to stage 1	–	–	–	–	0	–	27	27	0	–	27	27
Transfers from stage 3 to stage 2	–	–	–	–	–	-6	29	23	–	-6	29	23
Changes in credit risk without stage transfer	0	0	-20	-20	-3	-46	-18	-67	-3	-46	-38	-87
Repayments and disposals	1	0	0	1	45	80	176	301	46	80	176	302
Write-off through decrease in allowance account	–	–	–	–	–	–	509	509	–	–	509	509
Translation differences	0	0	0	0	5	4	24	33	5	4	24	33
Closing balance at 31 Dec 2022	**-4**	**0**	**-25**	**-29**	**-216**	**-408**	**-1,020**	**-1,644**	**-220**	**-408**	**-1,045**	**-1,673**

	Central banks and credit institutions				The public				Total			
EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 Jan 2021	**-3**	**-1**	**0**	**-4**	**-281**	**-489**	**-1,674**	**-2,444**	**-284**	**-490**	**-1,674**	**-2,448**
Origination and acquisition	-2	0	–	-2	-51	-22	-8	-81	-53	-22	-8	-83
Transfers from stage 1 to stage 2	0	0	–	0	9	-108	–	-99	9	-108	–	-99
Transfers from stage 1 to stage 3	0	–	–	0	1	–	-33	-32	1	–	-33	-32
Transfers from stage 2 to stage 1	0	0	–	0	-3	100	–	97	-3	100	–	97
Transfers from stage 2 to stage 3	–	–	–	–	–	28	-152	-124	–	28	-152	-124
Transfers from stage 3 to stage 1	–	–	–	–	-1	–	22	21	-1	–	22	21
Transfers from stage 3 to stage 2	–	–	–	–	–	-1	38	37	–	-1	38	37
Changes in credit risk without stage transfer	0	0	0	0	97	22	-125	-6	97	22	-125	-6
Repayments and disposals	2	1	–	3	37	72	89	198	39	73	89	201
Write-off through decrease in allowance account	–	–	–	–	–	–	260	260	–	–	260	260
Translation differences	0	0	–	0	-2	-1	-27	-30	-2	-1	-27	-30
Closing balance at 31 Dec 2021	**-3**	**0**	**0**	**-3**	**-194**	**-399**	**-1,610**	**-2,203**	**-197**	**-399**	**-1,610**	**-2,206**

The tables show the changes in exposure/allowances for each stage during the year. If an exposure is moved to stage 2 from stage 1, there will be a reversal in stage 1 and an increase in stage 2.

G11 Risk and liquidity management, cont.

Movements in provisions for off-balance sheet items

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2022	**35**	**128**	**20**	**183**
Origination and acquisition	17	12	0	29
Transfers from stage 1 to stage 2	-1	28	–	27
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	1	-32	–	-31
Transfers from stage 2 to stage 3	–	-1	2	1
Transfers from stage 3 to stage 1	0	–	-2	-2
Transfers from stage 3 to stage 2	–	1	-3	-2
Changes in credit risk without stage transfer	9	4	9	22
Repayments and disposals	-10	-27	-2	-39
Write-off through decrease in allowance account	0	0	-3	-3
Translation differences	-1	-2	0	-3
Closing balance at 31 Dec 2022	**50**	**111**	**23**	**184**

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2021	**72**	**138**	**26**	**236**
Origination and acquisition	7	7	0	14
Transfers from stage 1 to stage 2	-2	48	–	46
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	0	-44	–	-44
Transfers from stage 2 to stage 3	–	-2	8	6
Transfers from stage 3 to stage 1	0	–	-2	-2
Transfers from stage 3 to stage 2	–	1	-3	-2
Changes in credit risk without stage transfer	-27	-3	-5	-35
Repayments and disposals	-15	-17	-3	-35
Write-off through decrease in allowance account	–	–	-3	-3
Translation differences	0	0	0	0
Closing balance at 31 Dec 2021	**35**	**128**	**20**	**183**

3. Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterparty in a derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterparty. In addition, counterparty credit risk also exists in repurchasing agreements and other securities financing contracts.

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 on the balance sheet. Furthermore, Nordea may, within clearly defined risk limits, use derivatives to take open positions in the bank's operations. Derivatives affect counterparty credit risk, market risk as well as operational and liquidity risk.

Counterparty credit risk, including exposures to central counterparties (CCPs), is subject to credit limits like other credit exposures and is treated accordingly. To assess the counterparty credit risk towards CCPs, clearing limits are based on the potential size of the clearing-related exposure to each CCP, taking regulatory requirements and the market development into account.

For information about financial instruments subject to master netting agreements, see Note G3.5 "Offsetting".

4. Market risk

Market risk is the risk of loss on Nordea's positions in either the trading book or the non-trading book as a result of changes in market rates and parameters that affect market values or net interest income flows. Market risk exists irrespective of the accounting treatment of the positions.

The market risk appetite for the Group is expressed through risk appetite statements issued by the Board of Directors. The statements are defined for trading and banking books.

The second line of defence ensures that the risk appetite is appropriately translated by the Risk Committee into specific risk appetite limits for the business areas and Group Treasury.

As part of the overall Risk Appetite Framework (RAF), holistic and bespoke stress tests are used to measure the market risk appetite and calibrate limits to monitor and control the full set of material market risk factors to which Nordea is exposed.

4.1 Traded market risk

Traded market risk mainly arises from customer-driven trading activities and related hedges in Nordea Markets, which is part of Large Corporates & Institutions.

Nordea Markets takes on market risks as part of its business model when offering corporate and institutional customers a range of fixed income, equity, foreign exchange, commodity and structured products. The market risks to which Nordea Markets is exposed include interest rate risk, credit spread risk, equity risk, foreign exchange risk, commodity risk and inflation risk.

Furthermore, Nordea is a major mortgage lender in the Nordic countries and a major market maker in Nordic corporate and government bonds. Holding inventory is necessary to be able to provide secondary market liquidity. As a result, Nordea's business model gives rise to a concentration of Nordic mortgage and corporate bonds as well as local market currencies.

4.2 Non-traded market risk

The non-traded market risks that Nordea is exposed to are interest rate risk, customer behavioural risk, credit spread risk, foreign exchange risk (both structural and non-structural) and equity risk. Non-traded market risk arises from the core banking business of Nordea, related hedges and regulatory or other external requirements (e.g. the liquid asset buffer).

Group Treasury is responsible for the risk management of all non-traded market risk exposures on the Group's balance sheet. To ensure a clear division of responsibilities within Group Treasury the banking book risk management is divided across several frameworks – each with a clear risk mandate and specific limits and controls.

Interest rate risk in the banking book (IRRBB) is the current or prospective risk to Nordea's capital and/or income arising from adverse movements in interest rates and customer behaviour. Business areas transfer their banking book risk exposures to Group Treasury through an internal funds transfer pricing framework. Market risks are managed centrally and include gap risk, spread risks, basis risks, credit spread risk, behavioural risk and non-linear risks. The effectiveness of hedging risk exposures from core banking activities, e.g. loans and deposits, may be adversely impacted by the discretion held by customers in respect of their contractual obligations with Nordea.

Liquid assets are managed in accordance with the liquidity buffer and pledge/collateral frameworks. Most of the directional interest rate risk arising from bond holdings is hedged primarily using maturity-matched IR payer swaps and to a smaller degree overnight indexed payer swaps. Forward rate agreements and listed futures contracts can also be used to hedge credit spread and interest rate fixing risks.

4.3 Measurement of market risk

Nordea uses several quantitative risk measurement methods for traded market risk: Value-at-risk (VaR), stress testing, sensitivity analysis, parametric methods and Monte Carlo simulation.

VaR is based on historical scenarios and is the primary market risk measurement, complemented by stress testing. Nordea calculates VaR using historical simulation. The current portfolio is revalued based on historical daily changes in market prices, rates and other market risk factors observed during the last 500 business days and translated into changes in current market risk factors. Nordea uses absolute, relative and mixed translation methods for different risk categories. The revaluation of the current portfolio is performed for each position using either a linear approximation method or a full revaluation method, depending on the nature of the position.

Parametric methods are used to capture equity event risk, including the impact of defaults on equity-related positions (these risks are part of the specific equity risk).

Monte Carlo simulation is used in the incremental risk measure model and the comprehensive risk measure model to capture default and migration risks.

The VaR, stressed VaR, equity event risk, incremental risk measure and comprehensive risk measure models were all approved by the Nordea's previous regulator, the Swedish FSA, for use in calculating market risk own funds requirements under the internal model approach (IMA). The same models, with same calibration and settings, as used for regulatory capital requirements are used for internal risk management purposes.

The standardised approach is applied to risk exposure which is not covered by the IMA. It is used to calculate the market risk exposures for commodity-related products, the specific risk for mortgage and government bonds, commercial paper, credit/rate hybrids and credit spread options. Furthermore, the standardised approach is used to calculate equity risk related to structured equity and Tier 1 and Tier 2 bonds.

After the relocation to Finland in October 2018, Nordea is operating under a temporary tolerance decision from the ECB which allows Nordea to continue to use its IMA, approved by the Swedish FSA. The ECB's temporary tolerance is conditioned on Nordea applying to the ECB for a new permanent IMA approval. An updated application was submitted in March 2021 and an internal model investigation subsequently conducted by the ECB. During 2022 a targeted investigation was conducted on models not covered during 2021. The ECB's decision, covering both inspections, is expected during the first half of 2023.

IRRBB is measured, monitored and managed using three key risk metrics:

- Economic value
- Fair value
- Structural interest income risk.

The three different risk metrics are used to assess differing aspects of the manifestation of interest rate risk. These are described in more detail below.

Economic value (EV) of equity stress tests considers the change in the EV of banking book assets, liabilities and interest-bearing derivative exposures resulting from interest rate movements, independent of accounting classification and ignoring credit spreads and commercial margins. The model assumes a run-off balance sheet and includes behavioural modelling for non-maturing deposits and prepayments.

The structural interest income risk (SIIR) metric measures the change in net interest income relative to a base scenario, resulting in a SIIR value over a one-year horizon. The model uses a constant balance sheet assumption, implied forward rates and behavioural modelling for non-maturing deposits and prepayments.

The fair value stress loss (FVSL) risk measure considers the potential revaluation risk relating to positions held under fair value accounting classifications.

FVSL, EV and SIIR sensitivities are measured using internally defined Risk Appetite Framework (RAF) scenarios, the six standardised scenarios defined by the Basel Committee on Banking Supervision as well as a range of parallel and non-parallel shocks. The exposure limit is measured against the worst outcome from the internal scenarios defined under the RAF. The RAF scenarios are calibrated to reflect severe but plausible events and are designed to test specific exposures that are, or may be held, under the approved mandate. The scenarios are aligned across the risk types of EV, SIIR and FVSL.

The FV RAF scenarios are applied to both the banking book and the trading book portfolios, and the Board risk appetite limit considers the combined impact across both. The FV stress metric is monitored daily. A range of EV scenarios are estimated daily for management information purposes, but fully calculated and monitored monthly against risk appetite limits. The SIIR earnings metric is monitored monthly.

The measurement of IRRBB is dependent on key assumptions applied in the models. The most material assumptions relate to the modelling of embedded behavioural options in both assets and liabilities. The behavioural option held by Nordea's lending customers to execute early loan prepayments is estimated using prepayment models. On the liability side, Nordea has a choice to change deposit rates, and customers have a choice to withdraw non-maturing deposits on any given day. Both embedded options are modelled using non-maturing deposit models. Both assumptions are calculated based on the historical average by core asset and liability class features. Assets and liabilities are grouped according to key metrics, including product type, geography and customer segment. Assumptions are based on historically observed values. Regular back-testing and model monitoring are performed for both prepayment models and non-maturing deposit models to ensure that the models remain accurate.

G11 Risk and liquidity management, cont.

The Pillar 2 IRRBB capital allocations consist of a fair value risk component and a net interest income risk component. The fair value risk component covers the impact on Nordea's equity due to adverse movements in the monthly revaluation of positions accounted for at fair value through profit or loss or fair value through other comprehensive income. The net interest income risk component covers the impact of rate changes on the future earnings capacity through modelled impacts to net interest income, and the resulting implications for internal capital buffer levels.

Nordea is exposed to structural FX risk, defined as the mismatch between the currency composition of its Common Equity Tier 1 (CET1) capital and risk exposure amounts. The CET1 capital is largely denominated in euro with the only significant non-euro equity amounts stemming from mortgage subsidiaries. Therefore, changes in FX rates can negatively impact Nordea's CET1 ratio.

4.4 Market risk analysis

The market risk in Nordea's trading book is presented in the table below.

The average market risk measured by VaR was EUR 31.5m in 2022 (the average in 2021 was EUR 24.7m) and primarily driven by interest rate risk. Stressed average VaR was EUR 44.9m in 2022 (the average in 2021 was EUR 38.0m) and primarily driven by interest rate risk with additional contributions from credit spread risk. The peak in VaR was reached in the second quarter while the peak in stressed VaR was reached in the first quarter. VaR and stressed VaR are primarily driven by market risk in the Northern European and Nordic countries.

At the end of 2022 the incremental risk charge (IRC) was significantly lower than at the end of 2021. The lowest exposure occurred during the fourth quarter of 2022 while the IRC reached a high in the second quarter of 2022. The average IRC increased compared with the previous year.

At the end of 2022 the comprehensive risk charge (CRC) was higher than at the end of 2021. The lowest exposure occurred during the fourth quarter of 2022 while the CRC peaked during the second quarter of 2022. The average CRC for 2022 increased by EUR 13.6m compared with 2021.

Market risk figures for the trading book[1]

EURm	31 Dec 2022	2022 high	2022 low	2022 avg
Total VaR	33	51	20	31
Interest rate risk	32	50	18	31
Equity risk	2	12	2	5
Credit spread risk	7	12	3	7
Foreign exchange risk	2	5	1	2
Inflation risk	2	3	1	2
Diversification effect	27	51	16	32
Total stressed VaR	45	69	32	45
Incremental risk charge	9	45	7	26
Comprehensive risk charge	27	47	18	33

1) Equity event risk, corresponding to EUR 0.2m at the end of 2022.

Market risk figures for the banking book

EURm	31 Dec 2022	2022 high	2022 low	2022 avg
Total VaR	123	146	43	97

Market risk figures for the trading book[1]

EURm	31 Dec 2021	2021 high	2021 low	2021 avg
Total VaR	35	46	15	25
Interest rate risk	37	47	14	26
Equity risk	3	22	2	5
Credit spread risk	4	19	3	10
Foreign exchange risk	1	7	1	2
Inflation risk	2	4	1	2
Diversification effect	24	65	22	45
Total stressed VaR	44	72	23	38
Incremental risk charge	17	33	12	20
Comprehensive risk charge	23	37	10	19

1) Equity event risk, corresponding to EUR 0.3m at the end of 2021.

Market risk figures for the banking book

EURm	31 Dec 2021	2021 high	2021 low	2021 avg
Total VaR	69	122	61	88

FX risk in the banking book increased instead driven by a long dollar position that built up over the year, however, with limited impact on total VaR due to diversification effects. The overall banking book market risk remains within Nordea's risk appetite.

At the end of the year, the worst loss on the fair value part of the banking book portfolio according to the internal risk appetite scenarios for FV stress loss was driven by the Nordic Housing Crisis RAF scenario, where the potential increase in Scandinavian mortgages and government spreads added to a fall in equity prices, implying a loss of EUR 465m (EUR 505m on the previous year) on the banking book FV positions. The banking book is usually long mortgages and government bonds in the liquidity buffer and long equity risk on the long-term illiquid investment holdings, which explains the loss on this worst-case scenario.

4.5 Structural interest income risk/economic value

Nordea's disclosure of interest rate risk in the banking book is aligned with the Pillar 3 requirements. The change in the economic value of the banking book positions due to interest rate changes is assessed under the six regulatory rate shock scenarios, and the net interest income in the banking book over a 12-month period is assessed under the two parallel shifts, both defined by the European Banking Authority. At the end of the year the maximum economic value loss was EUR 1,230m in the "parallel down" scenario, and the maximum one-year loss in net interest income was EUR 1,295m also in the parallel down scenario.

4.6 Other market risks/pension risk

Pension risks (including market and longevity risks) arise from Nordea-sponsored defined benefit pension schemes for past and current employees. The ability of the pension schemes to meet the projected pension payments is maintained through investments and ongoing scheme contributions.

Pension risks can manifest through increases in the value of liabilities or through falls in the values of assets. These risks are regularly reported and monitored and include market risk sub-components such as interest rate, inflation, credit spread, real estate and equity risk. To minimise the risks to Nordea, limits are imposed on potential losses under severe but plausible stress events as well as on capital drawdowns. In addition, regular reviews of the schemes' strategic asset allocation are undertaken to ensure that the investment approach reflects Nordea's risk appetite. See note G8.2 for more information.

5. Operational risk

At Nordea operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and includes legal risk.

Operational risk is inherent in all Nordea's businesses and operations. Managers throughout Nordea are accountable for the operational risks related to their mandate and for managing these risks within the risk limits and risk appetite of the operational risk management framework.

Group Operational Risk within Group Risk constitutes the second line of defence risk control function for overall operational risk and is responsible for developing and maintaining the overall operational risk management framework as well as for monitoring and controlling the operational risk management of the first line of defence. Group Operational Risk collaborates with specialised second line of defence units such as the Chief Security Office covering security risks. Group Operational Risk is responsible for monitoring and controlling appropriate identification, assessment and mitigation of operational risk and for following up on risk exposures relative to risk appetite and assessing the adequacy and effectiveness of the operational risk management framework and the implementation of the framework.

The focus areas of the monitoring and control work performed by Group Operational Risk are decided during an annual planning process that includes business areas, key risk areas and operational risk processes. Group Operational Risk is responsible for preparing and submitting regular risk reports on all material risk exposures, including risk appetite limit utilisation and incidents, to the Chief Risk Officer, who reports to the Chief Executive Officer in the Group Leadership Team, the Group Board and the relevant committees.

In line with local authorities' guidance during the COVID-19 pandemic, Nordea gradually re-opened branches and offices during 2022 and continued the transformation towards a hybrid working model allowing for a degree of continued remote working. Nordea did not see any notable increase in operational losses driven by the COVID-19 pandemic. Nordea closely monitored the geopolitical situation in Ukraine during 2022 and will continue to do so. Throughout the year, Nordea saw elevated threat levels for cyber security and partly for physical security. Actions were taken accordingly to address the increased inherent risk.

The Risk Appetite Statement for operational risk sets out:

- the residual risk level in breach of risk appetite and requirements for mitigating actions for risks
- the total loss amount from incidents as well as the number of occurrences of large loss events.

5.1 Management of operational risk

Management of operational risk includes all activities aimed at identifying, assessing and measuring, responding to and mitigating, controlling and monitoring as well as reporting on risks. Risk management is supported by various processes and instructions including Risk and Control Self-Assessment, Change Risk Management and Approval, Incident Management, Scenario Analysis, Business Continuity and Crisis Management, Information Security Management, Technology and Data Risk Management, Third Party Risk Management, insurance-related risk diversification and Significant Operating Processes.

Some of these processes are described below and additional details on processes for managing and controlling operational risk are included in the "Operational and Compliance Risk" section of the Capital and Risk Management Report 2022 published in accordance with the Capital Requirements Regulation.

Risk and Control Self-Assessment

The Risk and Control Self-Assessment process provides an overview and assessment of operational and compliance risks and related controls across Nordea. The process improves risk awareness and enables the effective assessment, control and mitigation of identified risks as well as strategic prioritisation and the allocation of resources for risk mitigation and the follow-up on the risk exposures outside of risk appetite and/or risk limits. Furthermore, the Risk and Control Self-Assessment process and its results provide the basis and input for risk reporting at Nordea.

Change Risk Management and Approval

The Change Risk Management and Approval process ensures that there is an understanding of the risks arising from a change and that risks are adequately managed consistent with Nordea's risk appetite and framework before a change is approved or implemented.

The Change Risk Management and Approval process must be applied to all types of change and development initiatives involving changes to e.g. new or changed processes, organisational changes, information and communication technology changes, new outsourcing arrangements and exceptional transactions.

Incident Management

The Incident Management Framework ensures appropriate handling and reporting of detected incidents to minimise the impact on Nordea and its customers, prevent reoccurrence, and reduce the impact of future incidents. When incidents occur, they are immediately assessed to determine their severity. Depending on the nature of the incident and the severity assessed, different requirements on stakeholder involvement and external reporting apply, including incident notification to relevant authorities.

Business Continuity and Crisis Management

The Business Continuity and Crisis Management framework at Nordea ensures the capability to handle extraordinary events and crises and assures the continued delivery and recovery of prioritised products, services and processes to predefined acceptable levels. Extraordinary events and crisis situations are timely and appropriately escalated and responded to through pre-established structures. The capabilities are validated by testing and exercising the organisation and established plans to ensure to protect its resources (e.g. people, premises, technology and information), supply chain, interested parties and reputation, before a discuptive incident occurs. This includes ensuring that roles and responsibilities are clear, known and communicated to all involved.

Third Party Risk Management

The objective of Third Party Risk Management is to ensure that risks related to third parties and third party activities, including but not limited to outsourcing, are appropriately identified, assessed and managed before entering into, during as well as when exiting a third party arrangement. Third Party Risk Management ensures that risks associated with third parties and third party activities are kept within risk appetite and risk limits.

Information and Communication Technology Risk Management

The objective of Information and Communication Technology Risk Management is to ensure that information and communication technology and data management risks are appropriately identified, assessed and managed. This also includes the independent validation of risk data aggregation and risk reporting.

Nordea maintains an Information Security Management System for implementation of the principles and requirements for information security, with the overall objective to preserve the confidentiality, integrity and availability of Nordea's information and information entrusted to Nordea, by applying a risk-based methodology.

5.2 Financial Reporting Risk Management

Financial reporting risk is defined as the risk of misstatements or deficiencies in financial reporting, regulatory reporting, disclosures, tax reporting and reporting of ESG information. An internal control framework for managing the financial reporting risk is in place, providing the structure and standards for designing, operating and evaluating the internal controls over financial reporting across the Group. The framework is the mechanism through which management expresses its financial statement assertions. Group Risk is the control function for financial reporting risk and is responsible for the independent monitoring and oversight of the risk and the Group's implementation of the framework. Group Risk reports to the Board Audit Committee on a quarterly basis.

6. Compliance risk

Nordea defines compliance risk as the risk of failure to comply with applicable regulations and related internal rules. Management of compliance risk is governed by Nordea's Compliance Risk Appetite Statement which also sets out the requirements for the mitigation of compliance risk. Employees throughout Nordea are accountable for the compliance risks related to their mandate and for managing these risks in accordance with the Compliance Risk Management Framework. Group Compliance is the independent second line of defence function responsible for developing and maintaining the framework and for guiding the business in its implementation of and adherence to the framework.

Compliance activities are presented in the form of an annual compliance plan to the President and Group CEO of Nordea and the Board of Directors. The annual compliance plan provides an overview of Nordea's compliance activities, combining Group Compliance's overall approach to key risk areas. The plan consists of detailed plans for the business areas, the Group functions, the consolidated group subsidiaries, the branches and for each risk area. Group Compliance is responsible for the regular reporting on its plans to the Group Board, the CEO in the Group Leadership Team (GLT), branch management and the relevant committees, at least quarterly.

During 2022 the finances of many retail households and corporate customers were adversely affected by the impact of the Russian invasion of Ukraine, rapidly rising inflation, increasing interest rates and higher energy costs. For many, particularly small businesses, this came on top of a weakened financial position as a result of the COVID-19 pandemic. Nordea has taken into account the impact of increased inflation in its lending sales processes and supervisory guidance, for example from ESMA, which has issued a public statement reminding businesses to consider the impact of inflation in the provision of investment services and product governance arrangements. Rising interest rates have also created new opportunities for customers to improve their return on deposits and fixed income products, and Nordea continues to review the suitability and breadth of its product offerings given the changes in the external environment. During 2022 Nordea also implemented the MiFID II sustainable preference requirements which provide customers with a more structured approach to expressing their preferences for sustainable investment products. In connection with this and other market and regulatory developments, Nordea has further increased its focus within compliance on ensuring the adequacy of controls to mitigate the risk of greenwashing.

G11 Risk and liquidity management, cont.

The Code of Conduct and Sustainability Policy, defines high level business principles, how we treat customers and how employees are expected to conduct themselves. They underpin Nordea´s culture and set the parameters for conduct in areas such as care for the environment, labour rights, how to treat customers, human rights, the right to privacy, fair competition, anti-bribery and anti-corruption. The Code of Conduct is reviewed annually and was last updated in June 2022. Compliance with the Code of Conduct is monitored by way of regular reporting to the Chief Compliance Officer, the Chief Risk Officer, the President and Group CEO and the Board. All employees are required to complete annual Code of Conduct training as part of their Licence to Work to ensure proper awareness and knowledge of the ethical principles. The 2022 training also included diversity and inclusion as well as online behaviour in addition to the general Code of Conduct-related contents such as anti-corruption and anti-bribery. 97.2% of all employees (excluding those on long-term leave) completed their Licence to Work during the year.

Nordea's whistleblowing function Raise Your Concern (RYC) ensures that all stakeholders, including customers, partners, affected communities as well as employees, have the right to speak up and always feel safe in doing so if they have concerns about suspected misconduct such as breaches of human rights, or irregularities such as fraudulent, inappropriate, dishonest, illegal or negligent activity or behaviour in operations, products or services. This includes any action that constitutes a violation of laws or regulations, or of Nordea's internal policies, instructions or guidelines. Reporting can be made orally or in writing and Nordea ensures that all reporting is treated with the strictest confidentiality. Reports can be made in all countries in which Nordea operates. Furthermore, it is also possible to report anonymously via the electronic reporting channel WhistleB. This platform is managed by an external party, is entirely separate from Nordea's IT systems and does not track IP addresses or other data that could identify the sender of a message. Cases reported through RYC form part of the monitoring of compliance with the Code of Conduct. A summary of key trends and statistics on cases are also reported on a no names basis to the Chief Compliance Officer, the Chief People Officer and the Chief Risk Officer in addition to being included in management reports and reports to the Board.

Nordea is subject to various legal regimes and requirements, including but not limited to those of the Nordic countries, the European Union and the United States. The supervisory and governmental authorities administering and enforcing these regimes make regular enquiries and conduct investigations with regard to Nordea's compliance. Areas subject to investigation may include investment advice, anti-money laundering (AML), trade regulation and sanctions adherence, external tax rules, competition law, and governance and control. The outcome and timing of these enquiries and investigations are unclear and pending. Accordingly, it cannot be ruled out that these enquiries and investigations could lead to criticism against Nordea, reputation loss, fines, sanctions, disputes and/or litigation.

Within the framework of normal business operations, Nordea faces a number of claims related to the provision of banking and investment services and other areas in which it operates. Some of these claims have led or could lead to disputes and/or litigation. Currently, such claims are mainly related to lending and insolvency situations, various investment services, and sub-custody and withholding taxation matters. At present, none of the current claims are considered likely to have any significant adverse effect on Nordea or its financial position.

Details on key processes for managing and controlling compliance risks are included in the "Operational and Compliance Risk" section of the Capital and Risk Management Report 2022 published in accordance with the Capital Requirements Regulation.

6.1 Financial crime prevention

Nordea takes its responsibility to society and its customers seriously and has over the years built strong defences to prevent its products, services and systems from being used for unlawful purposes.

Nordea handles and monitors on an annual basis several billion transactions from a wide customer base. Nordea continued to strengthen its financial crime defences in 2022 within areas such as customer due diligence, transaction monitoring and economic sanctions. Nordea's close cooperation with regulators continued during 2022 with ongoing engagement with all four Nordic regulators covering various aspects of Nordea's financial crime prevention work.

Following the invasion of Ukraine by Russian forces, a number of countries and international bodies have introduced sanctions. Nordea complies with applicable EU, US, UN and UK sanctions. The sanctions currently include freezing of assets, restrictions on economic relations with certain regions in Ukraine, restrictions focusing on the energy and finance sectors, import and export restrictions and overflight bans. As a consequence of the current sanctions regime and the increasing breadth and complexity of sanctions in force, Nordea has decided not to conduct any business activities that relate to the regions of Donetsk, Luhansk, Zaporizhzhia and Kherson. A similar policy was already in place with respect to Crimea and Sevastopol. Furthermore, due to the current sanctions regime and the restrictions in force, Nordea has stopped the automated processing of payments to and from Russia and Belarus.

In June 2015 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding AML. The outcome resulted in criticism and, in accordance with Danish administrative practice, the matter was handed over to the police for further handling and possible sanctions. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters.

There is a risk that, in the event the authorities issue fines, these could be higher (or potentially lower) than the current provision, and this could also impact Nordea's financial performance. In addition, some of these proceedings could lead to litigation. Given this uncertainty, Nordea will maintain a sufficient level of provision for ongoing AML-related matters while continuing the dialogue with the Danish authorities regarding their allegations concerning historical AML weaknesses.

Nordea has made significant investments to address the deficiencies highlighted by the investigations.

G11 Risk and liquidity management, cont.

7. Life insurance risk and market risks in the Life & Pension operations

The life insurance business of Life & Pension consists of a range of different life and health products, from endowments with duration of a few years to pension savings contracts with durations of more than 40 years. Market return products (unit-linked products) clearly dominate the business, whereas traditional products (participating savings and life insurance products) and health insurance only account for a minor share.

The main risks of Life & Pension are market risks and life and health insurance risks.

Market risks at Life & Pension arise from the sensitivity of the values of assets and liabilities to changes in the level or volatility of market prices or interest rates. Within market risk, interest rate risk, equity risk and credit spread risk are the most relevant risks. Life & Pension also recognises that sustainability risk is an emerging risk that will primarily materialise as market risk, i.e. through changes in the market values of its investments.

Market risk is measured and monitored by calculating the exposure and setting adequate limits. In addition, Life & Pension regularly performs stress tests and macroeconomic scenario analyses to assess the need for future capitalisation. The results of the stress tests and scenario analyses are monitored against limits specified in the internal policies.

Market risk is mitigated by applying hedging and asset allocation strategies.

Life and health insurance risk is the risk of unexpected losses due to changes in the level, trend or volatility of mortality, longevity, disability and surrender/ lapse rates. The risk is measured and monitored by calculating the Solvency II capital requirements. To assess the resilience of the business to sudden changes in the lapse rate, regular sensitivity tests are performed by Life & Pension and at local entity level. Life and health insurance risk is mitigated using actuarial methods, i.e. through tariffs, rules for acceptance of customers, reinsurance contracts, stress tests and setting up adequate provisions for risks.

8. Liquidity risk

During 2022 Nordea continued to benefit from its prudent liquidity risk management in terms of maintaining a diversified and strong funding base and a diversified liquidity buffer. Nordea maintained a strong liquidity position throughout the year.

Nordea issued approximately EUR 32.8bn in long-term funding in 2022 (excluding Danish covered bonds), of which approximately EUR 16.6bn was issued in the form of covered bonds and EUR 16.2bn as senior debt.

Throughout 2022 Nordea remained compliant with the liquidity coverage ratio (LCR) requirement in all currencies on a combined basis as well as the net stable funding ratio (NFSR).

During 2021 Nordea participated in European Central Bank (ECB) and local central bank facilities, including the ECB's targeted longer-term refinancing operations (TLTROs). At the end of 2022 Nordea had EUR 10bn outstanding under the TLTRO III programme, following a EUR 2bn repayment during the year.

Nordea accounts for the TLTRO funding as a floating rate financial liability under IFRS 9. The weighted average interest rate applied by the ECB turned positive during the fourth quarter, and Nordea accordingly recognised interest expense in connection with its TLTRO III borrowing. The weighted average interest rate was negative in the first three quarters when Nordea recognised negative interest expense. The interest rate used for accruing interest during the fourth quarter was 0.42% (weighted average by time and nominal amount) and added EUR 12m to Nordea's interest expense. The average negative interest rate for the first three quarters was -0.48% and added EUR 43m to Nordea's net interest income, excluding the impact from meeting the lending threshold at the end of 2021. EUR 61m was released when Nordea was able to conclude with adequate certainty that the 2021 lending threshold had been reached. Nordea altered the effective interest rate accordingly, and retroactively applied the additional 0.5% discount on the interest rate paid as of 24 June 2021. For the full-year 2022 the interest expense was negative and added EUR 92m to Nordea's net interest income.

8.1 Liquidity risk definition and identification

Liquidity risk is the risk that Nordea is unable to meet its cash flow obligations when they fall due or unable to meet its cash flow obligations without incurring unsustainably high price or additional funding costs. Nordea is exposed to liquidity risk in its lending, investments, funding, off-balance sheet exposures and other activities which results in a negative cash flow mismatch. Cash flow mismatches can occur at the end of a day or intraday.

8.2 Management principles and control

Liquidity risk at Nordea is managed across three lines of defence:

- The first line of defence consists of Group Treasury and the business areas. Group Treasury is responsible for the day-to-day management of the Group's liquidity positions, liquidity buffers, external and internal funding, including the mobilisation of cash across the Group, and funds transfer pricing.
- The second line of defence, Group Risk, is responsible for providing independent oversight of and challenge to the first line of defence.
- The third line of defence includes Group Internal Audit, which is responsible for providing independent oversight of the first and second lines of defence.

The Board of Directors defines the liquidity risk appetite by setting limits for the liquidity risk metrics applied. The most central metric is the liquidity stress horizon, which defines the risk appetite by setting a minimum survival period of 90 days under institution-specific and market-wide stress scenarios with limited mitigation actions.

A framework of limits and monitoring metrics is in place to ensure that Nordea stays within various risk parameters including its risk appeite.

A funds transfer pricing (FTP) framework is in place which takes into account that liquidity is a scarce and costly resource. By quantifying and allocating liquidity and funding costs and benefits to the respective business areas, behaviours and strategic decisions are appropriately incentivised.

8.3 Liquidity risk management strategy

Nordea's liquidity risk management strategy is based on policy statements resulting in various liquidity risk measures, limits and organisational procedures.

The objective of liquidity risk management is to ensure that Nordea can always meet its cash flow obligations, including on an intraday basis, across market cycles and during periods of stress. 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 a variety of funding programmes. The funding consists of both short-term (US and European commercial paper as well as certificates of deposit) and long-term (covered bonds, European and Global Medium-Term Notes) programmes and covers a range of currencies.

Trust is fundamental in the funding market. Therefore, Nordea periodically publishes information on the Group's liquidity situation. Furthermore, Nordea regularly performs stress testing of its liquidity risk position to capture relevant risk drivers and has put business contingency plans in place for liquidity crisis management.

8.4 Liquidity risk measurement

To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. The liquidity buffer consists of central bank eligible, high credit quality and liquid securities as well as central bank cash that can be readily sold or used as collateral in funding operations.

Liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. Liquidity risk is limited by the Board of Directors via the liquidity stress coverage ratio and liquidity stress horizon metrics stipulating that the liquidity buffer needs to be sufficient to cover peak cumulative stressed outflows experienced over the first 90 days of a combined stress event, whereby Nordea is subject to market-wide stress similar to that experienced by many banks in 2007–08 as well as idiosyncratic stress corresponding to a three-notch credit rating downgrade. These metrics form the basis for Nordea's liquidity risk appetite, which is reviewed and approved by the Board at least annually. Liquidity risk appetite is further defined through the regulatory liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR).

Short-term funding risk is measured via the LCR and also via a funding gap risk metric. The funding gap risk metric expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Funding gap risk is measured and limited for each currency and as a total figure for all currencies combined.

Nordea's structural liquidity risk is measured by many metrics of which the NSFR is the main metric. The NSFR is complemented with the internally defined net balance of stable funding ratio. Furthermore, the loan to deposit ratio is closely monitored together with the wholesale funding refinancing profile and rating agency metrics.

8.5 Liquidity risk analysis

Nordea continues to have a strong and prudent liquidity risk profile with a strong funding base. At the end of 2022 the total volume utilised under CD and CP programmes was EUR 50.9bn (EUR 38.2bn) with an average maturity of 0.3 (0.4) year. The total volume under long-term programmes was EUR 138.3bn (EUR 144.3bn) with an average maturity of 6.3 (7.3) years. Nordea's funding sources are presented in the table below.

The liquidity risk position remained strong throughout 2022. The liquidity stress horizon was 1,095 days at the end of 2022 (1,095 days at the end of 2021) with an annual average of 1,084 days (753 days) – the Group limit is not below 90 days.

The annual average of the funding gap risk was EUR +51.8bn (EUR +44.9bn in 2021) against a limit of EUR -15bn. Nordea's liquidity buffer ranged between EUR 111.9bn and EUR 141.2bn throughout 2022 (EUR 92.1bn and EUR 145.2bn) with an average liquidity buffer of EUR 126.9bn (EUR 122.8bn).

The combined LCR for the Nordea Group was 162% at the end of 2022 (160%) with an annual average of 152% (152%). At the end of 2022 the LCR in EUR was 149% (143%) and in USD 177% (169%) with annual averages of 186% (228%) and 202% (174%), respectively. At the end of 2022 Nordea's NSFR was 115.6% (111.1%).

Funding sources, 31 December 2022

Liability type	Interest rate base	Average maturity (years)	EURm
Deposits by credit institutions			
Shorter than 3 months	Euribor etc.	0.1	21,854
Longer than 3 months	Euribor etc.	0.9	11,015
Deposits and borrowings from the public			
Deposits payable on demand	Administrative	0.0	182,855
Other deposits	Euribor etc.	0.2	34,609
Debt securities in issue			
Certificates of deposit	Euribor etc.	0.3	36,930
Commercial paper	Euribor etc.	0.4	13,991
Mortgage covered bond loans	Fixed rate, market-based	7.1	105,354
Other bond loans	Fixed rate, market-based	3.3	27,526
Fair value changes of hedged items			-3,998
Derivatives			40,102
Other non-interest-bearing items			60,203
Subordinated debt			
Tier 2 subordinated bond loans	Fixed rate, market-based	8.8	3,305
Additional Tier 1 subordinated bond loans (undated)	Fixed rate, market-based		2,600
Fair value changes of hedged items			-504
Equity			31,404
Total			**567,246**
Liabilities to policyholders			27,598
Total, including life insurance operations			**594,844**

Net stable funding ratio

EURbn	31 Dec 2022	31 Dec 2021
Available stable funding	313.5	311.8
Required stable funding	271.1	280.5
Net stable funding	42.4	31.2
Net stable funding ratio[1]	**115.6%**	**111.1%**

1) According to CRR2 regulation.

Financial statements
Parent company

Table of **Contents**

Income statement

EURm	Note	2022	2021
Operating income			
Interest income		5,870	3,351
Interest expense		-2,325	-659
Net interest income	**P2.2**	**3,545**	**2,692**
Fee and commission income		2,331	2,435
Fee and commission expense		-515	-521
Net fee and commission income	**P2.3**	**1,816**	**1,914**
Net result from securities trading and foreign exchange dealing	P2.4	1,225	1,110
Net result from securities at fair value through fair value reserve	P2.4	-84	-28
Net result from hedge accounting	P2.4	-1	-12
Net result from investment properties	P2.4	0	0
Income from equity investments	P2.5	2,516	1,347
Other operating income	P2.6	933	966
Total operating income		**9,950**	**7,989**
Operating expenses			
Staff costs	P7	-2,318	-2,256
Other administrative expenses	P2.7	-884	-813
Other operating expenses	P2.7	-386	-354
Regulatory fees	P2.8	-257	-181
Depreciation, amortisation and impairment charges of tangible and intangible assets	P2.9	-427	-463
Total operating expenses		**-4,272**	**-4,067**
Profit before loan losses		**5,678**	**3,922**
Net loan losses	P2.10	-3	17
Impairment of other financial assets	P2.10	-979	-26
Operating profit		**4,696**	**3,913**
Income tax expense	P2.11	-741	-681
Net profit for the year		**3,955**	**3,232**

Balance sheet

EURm	Note	31 Dec 2022	31 Dec 2021
Assets			
Cash and balances with central banks	P3.6	61,425	45,256
Debt securities eligible for refinancing with central banks	P3.8	60,453	62,654
Loans to credit institutions	P3.7	73,314	78,274
Loans to the public	P3.7	150,024	139,086
Interest-bearing securities	P3.8	14,051	9,813
Shares	P3.9	6,765	6,314
Investments in group undertakings	P8.1	14,350	15,101
Investments in associated undertakings and joint ventures	P8.2	94	88
Derivatives	P3.10	38,870	30,514
Fair value changes of hedged items in portfolio hedges of interest rate risk	P3.5	-479	1
Intangible assets	P4.1	1,656	1,736
Tangible assets	P4.2	241	253
Deferred tax assets	P2.11	25	165
Current tax assets	P2.11	120	166
Retirement benefit assets	P7.2	159	218
Other assets	P9.5	9,653	9,448
Prepaid expenses and accrued income	P9.5	1,274	1,165
Total assets		**431,995**	**400,252**
Liabilities			
Deposits by credit institutions and central banks	P3.11	40,630	35,532
Deposits and borrowings from the public	P3.12	225,231	213,547
Debt securities in issue	P3.13	76,932	64,394
Derivatives	P3.10	42,049	32,347
Fair value changes of hedged items in portfolio hedges of interest rate risk	P3.5	-2,175	81
Current tax liabilities	P2.11	146	201
Other liabilities	P9.6	15,015	16,518
Accrued expenses and prepaid income	P9.6	870	927
Deferred tax liabilities	P2.11	113	60
Provisions	P5	376	463
Retirement benefit obligations	P7.2	244	300
Subordinated liabilities	P3.14	5,401	6,840
Total liabilities		**404,832**	**371,210**
Equity			
Share capital		4,050	4,050
Additional Tier 1 capital holders		748	750
Invested unrestricted equity		1,082	1,090
Other reserves		-211	-65
Retained earnings		17,539	19,985
Profit or loss for the period		3,955	3,232
Total equity	**P9.1**	**27,163**	**29,042**
Total liabilities and equity		**431,995**	**400,252**
Off-balance sheet commitments			
Commitments given to a third party on behalf of customers	P6.1		
- Guarantees and pledges		46,379	49,959
- Other		661	846
Irrevocable commitments in favour of customers	P6.2		
- Securities repurchase commitments		–	–
- Other		96,306	91,738

Cash flow statement

EURm	Note[1]	2022	2021
Operating activities			
Operating profit		4,696	3,913
Adjustment for items not included in cash flow	P9.2	-3,681	184
Income taxes paid	P2.11	-561	-370
Cash flow from operating activities before changes in operating assets and liabilities		**454**	**3,727**
Changes in operating assets			
Change in debt securities eligible for refinancing with central banks	P3.8	3,324	83
Change in loans to credit institutions	P3.7	-987	-15,387
Change in loans to the public	P3.7	-10,821	-2,467
Change in interest-bearing securities	P3.8	-3,469	4,517
Change in shares	P3.9	-738	-603
Change in derivatives, net	P3.10	-1,884	-2,567
Change in investment properties	P4.2	0	0
Change in other assets	P9.5	-621	4,586
Changes in operating liabilities			
Change in deposits by credit institutions and central banks	P3.11	5,315	3,096
Change in deposits and borrowings from the public	P3.12	17,423	22,557
Change in debt securities in issue	P3.13	13,311	2,640
Change in other liabilities	P9.6	2,140	-3,513
Cash flow from operating activities		**23,447**	**16,669**
Investing activities			
Investment in and capital contributions to group undertakings	P8.1	-322	-388
Sale of group undertakings	P8.1	2	0
Investments in associated undertakings and joint ventures	P8.2	-19	-3
Sale of associated undertakings and joint ventures	P8.2	0	1
Acquisition of property and equipment	P4.2	-34	-21
Sale of property and equipment	P4.2	0	0
Acquisition of intangible assets	P4.1	-363	-370
Cash flow from investing activities		**-736**	**-781**
Financing activities			
Issued subordinated liabilities	P3.14	–	2,810
Amortised subordinated liabilities	P3.14	-939	-3,247
Sale/repurchase of own shares incl. changes in trading portfolio	P9.1	-2,840	-1,133
Paid interest on Additional Tier 1 capital	P9.1	-26	-26
Dividend paid	P9.1	-2,655	-3,192
Cash flow from financing activities		**-6,460**	**-4,788**
Cash flow for the year		**16,251**	**11,100**
Cash and cash equivalents at beginning of year		46,475	35,218
Cash and cash equivalents through merger		0	–
Translation differences		-455	157
Cash and cash equivalents at end of year		62,271	46,475
Change		**16,251**	**11,100**

1) For accounting policies, see Note P9.2 "Additional disclosures on the cash flow statements".

P1 Accounting policies

Corporate information

Nordea Bank Abp (Business ID 2858394-9) is the parent company of the Nordea Group. Nordea Bank Abp is a public limited liability company organised under the laws of Finland with its head office located in Helsinki, Finland at the following address: Hamnbanegatan (Satamaradankatu) 5, FI-00020 Nordea Bank Abp, Helsinki, Finland. Nordea Bank Abp's ordinary shares are listed on Nasdaq Nordic, the stock exchanges in Helsinki (in euro), Stockholm (in Swedish kronor) and Copenhagen (in Danish kroner) and its American Depository Receipts are traded in the US in US dollars.

Basis of preparation

The financial statements of Nordea Bank Abp are prepared in accordance with the Finnish Accounting Act, the Finnish Act on Credit Institutions, the Decree of the Finnish Ministry of Finance on the financial statements and consolidated financial statements of credit institutions and investment firms as well as the Finnish Financial Supervisory Authority's regulations and guidelines.

International Financial Reporting Standards (IFRS) as endorsed by the European Commission have been applied to the extent possible within the framework of Finnish accounting legislation and considering the close tie between financial reporting and taxation.

The accounting policies, methods of computation and presentation are unchanged in comparison with the Annual Report 2021, except for the items presented in "Changed accounting policies and presentation" below. For more information about accounting policies, see the respective notes.

All amounts are in euro million unless otherwise stated.

On 22 February 2023 the Board of Directors approved the financial statements, subject to final adoption by the Annual General Meeting on 23 March 2023.

Changed accounting policies and presentation

New accounting policies and presentation were implemented during 2022. Their impact on Nordea Bank Abp's financial statements is described below.

Changed presentation of regulatory fees

In 2022 Nordea Bank Abp began presenting resolution fees and the Swedish bank tax separately in the new line item "Regulatory fees" in the income statement. The earlier policy was to present similar expenses in the line item "Other operating expenses". The new presentation provides a more transparent view of Nordea Bank Abp's underlying performance and the impact of regulatory fees. Resolution fees will continue to be recognised in full in the first quarter, while the Swedish bank tax will be amortised linearly over the course of the year.

Comparative figures have been restated accordingly and the impact can be found in the table below.

	Full year 2022		
EURm	**Old policy**	**Change**	**New policy**
Other operating expenses	-643	257	-386
Regulatory fees	–	-257	-257
Total operating expenses	-4,272	–	-4,272

	Full year 2021		
EURm	**Old policy**	**Change**	**New policy**
Other operating expenses	-535	181	-354
Regulatory fees	–	-181	-181
Total operating expenses	-4,067	–	-4,067

Changed presentation of hedged items in fair value hedges at micro level

Nordea Bank Abp applies fair value hedge accounting at both micro level (single assets/liabilities or closed portfolios of assets/liabilities where one or more hedged items are hedged using one or more hedging instruments) and macro level (open portfolios where groups of items are hedged using multiple hedging instruments).

As of 2022 Nordea Bank Abp presents fair value changes of hedged items under fair value hedge accounting at micro level in the same balance sheet line item as hedged items instead of, as earlier, in the balance sheet line item "Fair value changes of hedged items in hedges of interest rate risk". Fair value changes of hedged items under fair value hedge accounting at macro level are, as earlier, presented in a separate balance sheet item, which from 2022 has been renamed from "Fair value changes of hedged items in hedges of interest rate risk" to "Fair value changes of hedged items in portfolio hedges of interest rate risk". Comparative figures have been restated accordingly and the impact can be found in the table below.

	Full year 2022		
EURm	**Old policy**	**Change**	**New policy**
Debt securities in issue	78,604	-1,672	76,932
Fair value changes of hedged items in portfolio hedges of interest rate risk	–	-2,175	-2,175
Fair value changes of hedged items in hedges of interest rate risk	-4,351	4,351	–
Subordinated liabilities	5,905	-504	5,401
Total liabilities	404,832	–	404,832

	Full year 2021		
EURm	**Old policy**	**Change**	**New policy**
Debt securities in issue	64,264	130	64,394
Fair value changes of hedged items in portfolio hedges of interest rate risk	–	81	81
Fair value changes of hedged items in hedges of interest rate risk	342	-342	–
Subordinated liabilities	6,709	131	6,840
Total liabilities	371,210	–	371,210

Translation of assets and liabilities denominated in foreign currencies

Nordea Bank Abp presents its financial statements in euro (EUR). Foreign currency is defined as any currency other than euro. 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 on the date of the transactions, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement under "Net result from securities trading and foreign exchange dealing".

Exchange rates

	Jan–Dec 2022	**Jan–Dec 2021**
EUR 1 = SEK		
Income statement (average)	10,6274	10,1460
Balance sheet (at end of year)	11,1202	10,2913
EUR 1 = DKK		
Income statement (average)	7,4395	7,4370
Balance sheet (at end of year)	7,4365	7,4364
EUR 1 = NOK		
Income statement (average)	10,1023	10,1655
Balance sheet (at end of year)	10,5180	10,0185

P2 Financial performance and returns

P2.1 Business area and geographical information

Business area information

Nordea Bank Abp presents the financial results of the three main business areas: Personal Banking, Business Banking and Large Corporates & Institutions. Group functions and eliminations as well as the results not fully allocated to any of the main business areas shown separately as reconciling items.

Personal Banking serves Nordea Bank Abp's household customers. Personal Banking offers customers a full range of financial services that fulfil the customers' day-to-day financial needs. Personal Banking serves customers through Nordea Netbank, the mobile banking app, over the phone, via online meetings and at Nordea's branch offices. The business area includes advisory and service staff, channels and product units under a common strategy, operating model and governance framework across markets.

Business Banking serves, advises and partners with corporate customers, covering all their business needs through a full range of services, including payments, cash management, cards, working capital management and financial solutions. Business Banking also provides services such as payments, cards and financial solutions to personal customers.

Large Corporates & Institutions provides financial solutions to large Nordic and international corporates and institutional customers. The offering includes a diverse range of financing, cash management and payment services, investment banking, capital markets products and securities services.

Income statement

2022, EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Total business areas	Reconciliation	Total
Net interest income	1,098	1,278	1,143	3,519	26	3,545
Net fee and commission income	1,270	569	456	2,295	-480	1,815
Total net result from items at fair value[1]	146	383	572	1,101	39	1,140
Other income	438	20	15	473	2,977	3,450
Total operating income	**2,952**	**2,250**	**2,186**	**7,388**	**2,562**	**9,950**
Staff costs	-564	-275	-320	-1,159	-1,159	-2,318
Other expenses[2]	-1,178	-748	-491	-2,417	890	-1,527
Depreciation, amortisation and impairment charges of tangible and intangible assets	-80	-20	-21	-121	-306	-427
Total operating expenses	**-1,822**	**-1,043**	**-832**	**-3,697**	**-575**	**-4,272**
Profit before loan losses	**1,130**	**1,207**	**1,354**	**3,691**	**1,987**	**5,678**
Net loan losses	2	-5	56	53	-56	-3
Impairment of other financial assets	–	–	–	–	-979	-979
Operating profit	**1,132**	**1,202**	**1,410**	**3,744**	**952**	**4,696**

1) Including the income statement line items "Net result from securities trading and foreign exchange dealing", "Net result from securities at fair value through fair value reserve", "Net result from hedge accounting" and "Net result from investment properties".

2) Including the income statement line items "Other administrative expenses", "Other operating expenses" and "Regulatory fees".

Balance sheet

31 Dec 2022, EURbn	Personal Banking	Business Banking	Large Corporates & Institutions	Total business areas	Reconciliation	Total
Loans to the public	24	52	66	142	8	150
Deposits and borrowings from the public	87	51	59	197	28	225

P2.1 Business area and geographical information, cont.

Income statement

2021, EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Total business areas	Reconciliation	Total
Net interest income	673	949	930	2,552	140	2,692
Net fee and commission income	1,351	596	523	2,470	-556	1,914
Total net result from items at fair value[1]	75	297	545	917	1,500	2,417
Other income	467	27	1	495	471	966
Total operating income	**2,566**	**1,869**	**1,999**	**6,434**	**1,555**	**7,989**
Staff costs	-546	-321	-312	-1,179	-1,077	-2,256
Other expenses[2]	-1,114	-638	-494	-2,246	898	-1,348
Depreciation, amortisation and impairment charges of tangible and intangible assets	-79	-18	-19	-116	-347	-463
Total operating expenses	**-1,739**	**-977**	**-825**	**-3,541**	**-526**	**-4,067**
Profit before loan losses	**827**	**892**	**1 174**	**2 893**	**1 029**	**3 922**
Net loan losses	-41	64	-16	7	10	17
Impairment of other financial assets	–	–	–	–	-26	-26
Operating profit	**786**	**956**	**1 158**	**2 900**	**1 013**	**3 913**

1) Including the income statement line items "Net result from securities trading and foreign exchange dealing", "Net result from securities at fair value through fair value reserve", "Net result from hedge accounting" and "Net result from investment properties".

2) Including the income statement line items "Other administrative expenses", "Other operating expenses" and "Regulatory fees".

Balance sheet

31 Dec 2021, EURbn	Personal Banking	Business Banking	Large Corporates & Institutions	Total business areas	Reconciliation	Total
Loans to the public	22	51	59	132	7	139
Deposits and borrowings from the public	85	53	49	187	27	214

Geographical information

Nordea Bank Abp's main geographical markets comprise the Nordic countries.

	Total operating income, EURm		Operating profit, EURm		Assets, EURbn		Liabilities, EURbn	
	2022	2021	2022	2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Sweden	2,433	2,387	1,113	1,191	108	102	105	98
Finland	3,901	2,111	1,740	965	128	117	117	104
Norway	1,466	1,351	900	763	73	73	70	71
Denmark	1,920	2,002	756	943	110	99	101	89
Other	230	138	187	51	13	9	12	9
Total	**9,950**	**7,989**	**4,696**	**3,913**	**432**	**400**	**405**	**371**

P2.2 Net interest income

Accounting policies

Interest consists of compensation for time value of money plus a margin. The effective interest rate equals the rate that discounts the estimated future cash flows to the net carrying amount of the financial asset or financial liability at initial recognition.

Interest income and expense are calculated and recognised using the effective interest rate method or, if considered appropriate, a method that provides a reasonable approximation in line with the effective interest rate method as the basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). Interest income and interest expense 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 are classified as "Net result from securities trading and foreign exchange dealing" in the income statement. Also, interest on the net funding of operations in Markets measured at amortised cost is recognised in this line item to ensure that income and expense within these operations are presented in a consistent manner. See Note P2.4 "Total net result from items at fair value".

The interest component of derivatives is classified as "Net result from securities trading and foreign exchange dealing" except for derivatives used for hedging purposes. In accounting hedges the interest component of derivatives is classified as "Interest income calculated using the effective interest rate method" if the derivative is used to hedge an asset and as "Interest expense" if the derivative is used to hedge a liability. In economic hedges the interest component of derivatives is classified as "Interest income" if the derivative is used to hedge an asset and as "Interest expense" if the derivative is used to hedge a liability.

Interest income

EURm	2022	2021
Interest income calculated using the effective interest rate method	5, 996	3,528
Financial assets at fair value through profit and loss	143	54
Net interest paid or received on derivatives in economic hedges of assets	-269	-231
Interest income[1]	**5,870**	**3,351**

EURm	2022	2021
Cash and balances with central banks	140	118
Debt securities eligible for refinancing with central banks	329	58
Loans to credit institutions	1,484	385
Loans to the public	3,542	2,518
Interest-bearing securities	228	262
Derivatives	54	-86
Yield fees	233	217
Other interest income	129	110
Net interest paid or received on derivatives in economic hedges of assets	-269	-231
Interest income[1]	**5,870**	**3,351**
- of which negative interest on financial liabilities	331	426

Interest expense

EURm	2022	2021
Deposits by credit institutions and central banks	-379	-229
Deposits and borrowings from the public	-886	-88
Debt securities in issue	-1,161	-449
Derivatives	-3	284
Subordinated liabilities	-252	-255
Other interest expense	-15	-9
Net interest paid or received on derivatives in economic hedges of liabilities	371	87
Interest expense	**-2,325**	**-659**
- of which negative interest on financial assets	-197	-318
Net interest income	**3,545**	**2,692**

1) Interest on impaired loans accounted for an insignificant share of interest income.

P2.3 Net fee and commission income

Accounting policies

Nordea Bank Abp earns commission income from different services provided to customers and group undertakings. Asset management commissions and Life & Pension commissions are mainly generated from the services provided to group undertakings. The recognition of commission income depends on the purpose for which the fees are received.

Fee income is recognised as revenue when services are provided or in connection with the execution of a significant act. Fees received in connection with performed services are recognised as income in the period when these services are provided.

Lending fees that are not part of the effective interest rate of a financial instrument are recognised at a point of time when services are provided. Fees received for bilateral transactions are generally amortised as part of the effective interest rate of the financial instruments recognised. Loan syndication fees are recognised either as part of the effective interest rate of the participation or, if Nordea Bank Abp is acting as an agent in the transaction, as lending fee income. When the fee income is related to both activities, the fee that is recognised as part of the effective interest rate is based on the margin received by the other parties in the arrangement.

Variable fees, such as performance fees, are recognised only to the extent that it is highly probable that a significant reversal in the cumulative recognised amount does not occur.

Commission expenses covering a certain period are expensed over that period, whereas transactional fees are recognised when the services are received.

Net fee and commission income[1, 2]

EURm	2022	2021
Asset management commissions	427	475
- of which income	435	482
- of which expense	-8	-7
Life & Pension commissions	26	26
- of which income	26	26
Deposit products	24	25
- of which income	24	25
Brokerage, securities issues and corporate finance	174	269
- of which income	307	421
- of which expense	-133	-152
Custody and issuer services	22	38
- of which income	63	88
- of which expense	-41	-50
Payments	259	243
- of which income	376	366
- of which expense	-117	-123
Cards	274	222
- of which income	391	318
- of which expense	-117	-96
Lending products	368	370
- of which income	371	374
- of which expense	-3	-4
Guarantees	243	241
- of which income	276	268
- of which expense	-33	-27
Other	-1	5
- of which income	61	67
- of which expense	-62	-62
Total	**1,816**	**1,914**

1) Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounted to EUR 396m (EUR 399m).

2) 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 amounted to EUR 768m (EUR 928m).

P2.3 Net fee and commission income, cont.

Asset management commissions and Life & Pension commissions include commission or fee income which is generally recognised over time as services are performed.

Fees categorised as "Deposit products", "Brokerage, securities issues and corporate finance", "Custody and issuer services" and "Payments" are recognised both over time and at a point of time depending on when the services are provided. Brokerage, securities issues and corporate finance are mainly transaction-based in relation to advising customers or executing customer transactions in securities where the services are recognised at a point of time when the services related to the transactions are completed. Payment commissions include fees for cash management and payment solutions that are recognised over time and transaction-based fees for services like domestic and foreign payments that are recognised at a point of time.

Card fees are categorised as interchange fees which are recognised at a point of time when the customer uses the services, or as cardholder fees which are recognised over time or at a point of time if the fee is transaction-based.

Income from issued financial guarantees and expenses for bought financial guarantees are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense", respectively.

Other fee income is generally transaction-based.

For transactional services performed at a point of time, payments are generally made instantly when the services are performed. For services performed over time, the period of the services is normally short. Examples of such services are monthly payment services and monthly or quarterly asset management services. For the services performed over time, the right to payment generally arises at the end of the period of the services when the performance obligations are completed and it is highly probable that no significant reversal of the consideration will occur. However, for some services with fixed monthly fees, the right to payment arises in advance.

Account receivables are recognised in "Other assets", while unbilled receivables for satisfied performance obligations and contract assets are recognised in "Prepaid expenses and accrued income". Short-term advances received where the performance obligations have not yet been satisfied are recognised in "Accrued expenses and prepaid income".

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

P2.4 Total net result from items at fair value

Accounting policies

Net result from securities trading and foreign exchange dealing

Realised and unrealised gains and losses on financial instruments are generally presented in "Net result from securities trading and foreign exchange dealing". The accounting policies used when estimating fair value can be found in Note P3.4 "Fair value".

The following items are moreover recognised in the line item "Net result from securities trading and foreign exchange dealing":

- Interest income and expense related to the funding of Markets measured at amortised cost.
- Realised gains/losses on assets and liabilities measured at amortised cost.
- Foreign exchange gains/losses.
- Dividends received which are classified as "Equity-related instruments" in the note and recognised as income in the period in which the right to receive payment is established.

The following item is not presented as "Net result from securities trading and foreign exchange dealing":

- The interest component of derivatives used for hedge accounting and economic hedges. These components are presented in "Net interest income" to ensure a consistent accounting treatment with the hedged items.

For more accounting policies related to foreign exchange gains/losses, see Note P1 "Accounting policies" and Note P8.3 "Currency translation of foreign entities".

Net result from securities at fair value through fair value reserve

Recycled gains and losses on financial instruments classified in the category "Financial assets at fair value through other comprehensive income" are recognised in "Net result from securities at fair value through fair value reserve".

Net result from hedge accounting

Changes in the fair value of hedging instruments and hedged items under fair value hedges are classified as "Net result from hedge accounting". The ineffective portion of the gain or loss on the hedging instrument under cash flow hedges is recycled to the line item "Net result from hedge accounting". "Net result from hedge accounting" also includes fair value hedges of hedged assets and liabilities at amortised cost in hedges of interest rate risk.

Hedge accounting is described in Note P3.5 "Hedge Accounting".

Net result from investment properties

Income and expenses from investment properties, such as rental income and expenses, as well as gains and losses due to the measurement method, such as fair value changes, are recognised in "Net result from investment properties".

P2.4 Total net result from items at fair value, cont.

This note includes the specifications for the income statement line items "Net result from securities trading and foreign exchange dealing", "Net result from securities at fair value through fair value reserve" and "Net result from hedge accounting".

However, investment properties are insignificant for Nordea Bank Abp and hence not disclosed separately in this note.

Net result from securities trading and foreign exchange dealing

EURm	2022	Of which unrealised	Of which realised
Equity-related instruments[1]	439	376	63
Interest-related instruments	-168	599	-767
Foreign exchange gains/losses	986	2,308	-1,322
Other	-32	-123	91
Total	**1,225**	**3,160**	**-1,935**
- of which held for trading	617	943	-326

EURm	2021	Of which unrealised	Of which realised
Equity-related instruments[1]	613	92	521
Interest-related instruments	200	-964	1,164
Foreign exchange gains/losses	240	-2,359	2,599
Other	57	221	-164
Total	**1,110**	**-3,010**	**4,120**
- of which held for trading	1,085	-311	1,396

1) Dividends from shares held for trading amounted to EUR 213m (EUR 183m).

Net result from hedge accounting

EURm	2022	2021
Fair value changes of hedging instruments	-3,258	-733
Fair value changes of hedged items	3,257	721
Total	-1	**-12**

P2.5 Income from equity investments

Accounting policies

Dividends received from other investments than trading shares as well as group contributions are recognised in the income statement as "Income from equity investments". Income is recognised in the period in which the right to receive payment is established.

EURm	2022	2021
Dividends from group undertakings	2,342	932
Dividends from associated undertakings and joint ventures	2	8
Group contributions	167	400
Dividends from shares measured at fair value through profit or loss, non-trading	5	7
Total	**2,516**	**1,347**

P2.6 Other operating income

Accounting policies

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

Other operating income

EURm	2022	2021
Income from services provided to group undertakings	906	925
Gains on sales of group and associated undertakings	0	6
Income from real estate	15	15
Other	12	20
Total	**933**	**966**

P2.7 Other expenses

Accounting policies

Transactions not related to any other expense line are generally presented in the line item "Other administrative expenses" or "Other operating expenses" depending on the nature of the transaction. "Other administrative expenses" includes the expenses that are not presented in "Staff costs" but are related to personnel, IT purchased or marketing. The expenses for acquired services are normally transaction-based and recognised in the period in which the services are received. Other expenses than administrative expenses are presented in "Other operating expenses".

Net losses from divestment of shares in group undertakings, associated undertakings and joint ventures and net losses from the sale of tangible assets are generally recognised in "Other operating expenses" when it is probable that the benefits associated with the transaction will flow to Nordea Bank Abp and if the significant risks and rewards have been transferred to the buyer (generally when the transaction is finalised).

This note includes the specifications for the income statement line items "Other administrative expenses" and "Other operating expenses".

Other administrative expenses

EURm	2022	2021
Other personnel expenses	-73	-64
Travelling	-18	-6
Information technology[1]	-529	-491
Marketing and representation	-39	-30
Postage, transport, telephone and office expenses	-35	-39
Professional services[2]	-97	-101
Market data services	-59	-57
Other	-34	-25
Total	**-884**	**-813**

Auditor's fees[3]

EURm	2022	2021
PricewaterhouseCoopers		
Auditing assignments	-5	-6
Audit-related services[4]	0	0
Other assignments[4]	-1	0
Total	**-6**	**-6**

1) "Information technology" includes IT consultancy fees.
2) "Professional services" includes fees for the auditor.
3) Neither PricewaterhouseCoopers Oy nor any other firm of PricewaterhouseCoopers Network has provided any tax advisory services. Auditor´s fees in the table are disclosed excluding non-deductible VAT.
4) PricewaterhouseCoopers Oy accounted for EUR -0.2m (EUR -0.1m) of "Audit-related services" and for EUR -0.5m (EUR -0.4m) of "Other assignments".

Other operating expenses

EURm	2022	2021
Rent, premises and real estate	-243	-253
Fees to authorities[1]	-116	-108
Other	-27	7
Total	**-386**	**-354**

1) "Fees to authorities" includes deposit guarantee fees, supervision fees, administrative fees to authorities as well as membership fees to banking associations.

P2.8 Regulatory fees

Accounting policies

The expenses for these levies are recognised as the payment obligations arise. Resolution fees are not refundable if Nordea Bank Abp discontinues its operations, and the obligating event is consequently assessed to occur on the first day of the year. The Swedish bank tax is refundable for the period during which Nordea Bank Abp does not operate, and the obligating event is therefore assessed to occur continuously over the year. Resolution fees are thus recognised in full in the first quarter, while the Swedish bank tax is amortised linearly over the course of the year. More information on the change in presentation can be found in Note P1 "Accounting policies".

Regulatory fees

EURm	2022	2021
Resolution fees	-209	-181
Bank tax	-48	–
Total	**-257**	**-181**

P2.9 Depreciation, amortisation and impairment charges of tangible and intangible assets

Accounting policies

Intangible and tangible assets are depreciated on a straight-line basis over the estimated useful life of the assets. All intangible assets, including IT development taken into use, are also reviewed for indications of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

Accounting policies for intangible and tangible assets can be found in Note P4 "Intangible and tangible assets".

Amortisation/depreciation

EURm	2022	2021
Intangible assets (Note P4.1)		
Goodwill	-13	-24
Internally developed software	-315	-299
Software licences	-40	-46
Total	-368	-369
Tangible assets (Note P4.2)		
Equipment	-36	-42
Leasehold improvements	0	0
Total	-36	-42

Impairment charges

EURm	2022	2021
Intangible assets (Note P4.1)		
Internally developed software	-23	-40
Software licences	–	–
Total	-23	-40
Tangible assets (Note P4.2)		
Equipment	–	-12
Leasehold improvements	–	–
Total	–	-12
Total depreciation, amortisation and impairment charges	-427	-463

P2.10 Net loan losses

Accounting policies

Net loan losses

Impairment losses on financial assets classified in the category "Amortised cost" (see Note P3.3 "Classification and measurement"), in the line items "Loans to credit institutions" and "Loans to the public" on the balance sheet, are reported as "Net loan losses" in the income statement together with losses from financial guarantees. Losses are reported net of any collateral and other credit enhancements. Nordea Bank Abp's accounting policies for the calculation of impairment losses on loans can be found in Note P3.7 "Loans".

Counterparty losses on instruments classified in the category "Financial assets at fair value through profit or loss", including credit derivatives but excluding loans held at fair value are reported under "Net result from securities trading".

More information on credit risk can be found in Note P10 "Risk and liquidity management".

Impairment of other financial assets

Impairment of investments in interest-bearing securities, classified in the category "Financial assets at fair value through other comprehensive income" (see Note P3.7 "Loans") and impairment of investments in group undertakings, associated undertakings and joint ventures are presented in the line item "Impairment of other financial assets" in the income statement. The policies covering impairment of financial assets classified in the category "Amortised cost" are disclosed in Note P3.7 "Loans".

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.

This note includes the specifications for the income statement line items "Net loan losses" and "Impairment of other financial assets".

P2.10 Net loan losses, cont.

Net loan losses

2022, EURm	Loans to credit institutions[2]	Loans to the public[2]	Off-balance sheet items[3]	Total
Net loan losses, stage 1	-1	-22	-17	-40
Net loan losses, stage 2	0	9	18	27
Net loan losses, non-defaulted	**-1**	**-13**	**1**	**-13**
Stage 3, defaulted				
Net loan losses, individually assessed, collectively calculated[1]	-5	100	0	95
Realised loan losses	–	-599	-3	-602
Decrease in provisions to cover realised loan losses	–	486	3	489
Reimbursement right	–	1	–	1
Recoveries of previously realised loan losses	1	45	–	46
New/increase in provisions	0	-213	-22	-235
Reversals of provisions	0	191	25	216
Net loan losses, defaulted	**-4**	**11**	**3**	**10**
Net loan losses	**-5**	**-2**	**4**	**-3**

2021, EURm	Loans to credit institutions[2]	Loans to the public[2]	Off-balance sheet items[3]	Total
Net loan losses, stage 1	0	70	33	103
Net loan losses, stage 2	1	100	14	115
Net loan losses, non-defaulted	**1**	**170**	**47**	**218**
Stage 3, defaulted				
Net loan losses, individually assessed, collectively calculated[1]	0	-25	-1	-26
Realised loan losses	–	-362	-3	-365
Decrease in provisions to cover realised loan losses	–	220	3	223
Reimbursement right	–	1	–	1
Recoveries of previously realised loan losses	1	31	–	32
New/increase in provisions	–	-352	-21	-373
Reversals of provisions	–	269	38	307
Net loan losses, defaulted	**1**	**-218**	**16**	**-201**
Net loan losses	**2**	**-48**	**63**	**17**

1) Includes individually identified assets for which the provision has been calculated based on statistical models.
2) Provisions included in Note P3.7 "Loans".
3) Provisions included in Note P5 "Provisions".

Impairment of other financial assets

	2022			2021		
EURm	Net loan losses from loans recognised at fair value through fair value reserve[1]	Impairment of investments in group and associated undertakings	Total	Net loan losses from loans recognised at fair value through fair value reserve[1]	Impairment of investments in group and associated undertakings	Total
Net loan losses, collectively assessed	11	–	11	-12	–	-12
Write-offs	–	-990	-990	–	-14	-14
Total	**11**	**-990**	**-979**	**-12**	**-14**	**-26**

1) Provisions included in Note P3.8 "Interest-bearing securities".

P2.11 Taxes

Accounting policies

The line item "Income tax expense" in the income statement consists of the total current tax and deferred tax movements recognised in the income statement. Current and deferred taxes are recognised in the income statement unless the tax effects relate to items recognised directly in equity, in which case the tax effects are recognised 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 for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of the same assets and liabilities. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits.

Deferred tax is measured at the tax rates that are expected to be applied when the temporary differences 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 temporary differences, tax losses carried forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea Bank Abp intends to either settle the tax asset and the tax liability net or 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.

Tax positions are regularly reviewed to identify situations where it is not probable that the relevant tax authorities will accept the treatment used in the tax filings. Uncertain tax positions are considered independently or as a group, depending on which approach better predicts the resolution of the uncertainty. If Nordea Bank Abp concludes that it is not probable that the tax authorities will accept an uncertain tax treatment, the effect of uncertainty is reflected when determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. This is done by using either the most likely amount or the expected value, depending on which method better predicts the outcome of the uncertainty. Uncertain tax treatment can affect both current tax and deferred tax.

Income tax expense

EURm	2022	2021
Current tax	-547	-409
Deferred tax	-194	-272
Total	**-741**	**-681**

The tax on operating profit differs from the theoretical amount that would arise using the tax rate in Finland as follows:

EURm	2022	2021
Profit before tax	4,696	3,913
Tax calculated at a tax rate of 20.0%	-939	-783
Effect of different tax rates in other countries	-59	-60
Tax-exempt income	465	208
Non-deductible expenses	-193	-30
Adjustment relating to prior years	7	0
Change of tax rate[1]	-5	–
Other	-17	-16
Tax charge	**-741**	**-681**
Effective tax rate	15.8%	17.4%

1) In June 2022 the Danish Parliament enacted an increase in the Danish corporate income tax rate for financial institutions to 25.2% in 2023 and to 26% in 2024. Relevant deferred tax assets and liabilities were remeasured to applicable tax rates in 2022.

Deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
EURm	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Tax losses carried forward	–	2	–	–
Loans to the public	66	50	1	30
Derivatives/bonds	–	94	48	–
Properties and equipment	–	–	10	12
Intangible assets	–	–	58	81
Retirement benefit assets/obligations	66	84	62	50
Liabilities/provisions	54	79	0	0
Elimination of temporary differences existing in multiple jurisdictions	–	–	84	59
Other	4	35	15	7
Netting between deferred tax assets and liabilities	-165	-179	-165	-179
Total[1]	**25**	**165**	**113**	**60**

1) Deferred tax assets recognised through the fair value reserve totalled EUR 60m (EUR 63m). Deferred tax liabilities recognised through the fair value reserve totalled EUR 52m (EUR 52m).

P3 Financial instruments

P3.1 Recognition and derecognition on the balance sheet

Accounting policies

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

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

Loans and other financial assets where cash flows are modified, or part of a restructuring, are derecognised and a new loan recognised if the terms and conditions of the new loan are substantially different from the old loan. This is normally the case if the present value of the cash flows for the new loan discounted by the original interest rate differs by more than 10% from the present value of the remaining expected cash flows for the old loan. The same principles apply to financial liabilities. The terms and conditions are also considered to be significantly different for financial assets where the modified cash flows are solely payments of principal and interest (SPPI), but the original cash flows were not SPPI and vice versa.

In some cases, Nordea Bank Abp enters into agreements where it transfers assets that are recognised on the balance sheet but retains either all or a portion of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea Bank Abp performs, for example when Nordea Bank Abp returns a deposit to the counterparty, i.e. on the settlement date. Financial liabilities under trade date accounting are generally derecognised and a liability is recognised in "Other liabilities" on the balance sheet on the trade date.

A sale of a security not owned by Nordea Bank Abp is defined as a short sale and triggers the recognition of a trading liability (sold, not held securities) presented in "Other liabilities" on the balance sheet. The short sale is generally covered through a securities financing transaction, normally a reverse repurchase agreement or other forms of securities borrowing agreements.

P3.2 Transferred assets and obtained collateral

Accounting policies

Assets are considered to be transferred from Nordea Bank Abp if Nordea Bank Abp either transfers the contractual right to receive the cash flows from the assets or retains that right but has a contractual obligation to pay the cash flows to one or more parties. All assets transferred continue to be recognised on the balance sheet if Nordea Bank Abp is still exposed to changes in the fair value of the assets.

Collateral received is not recognised on the balance sheet if Nordea Bank Abp is not exposed to changes in the fair value of the assets.

Transferred assets that are not derecognised in their entirety and associated liabilities

Repurchase agreements are a form of collateral borrowing where Nordea Bank Abp sells securities with an agreement to repurchase them at a later date at a fixed price.

Securities lending agreements are agreements where Nordea Bank Abp lends securities to a counterparty and receives a fee. Generally, securities lending agreements are entered into on a collateralised basis.

As both repurchase agreements and securities lending agreements result in the securities being returned to Nordea Bank Abp, all risks and rewards associated with the instruments transferred are retained by Nordea Bank Abp although they are not available to Nordea Bank Abp during the period during which they are transferred. The counterparties to the agreements hold the securities as collateral but have no recourse to other assets in Nordea Bank Abp. For this reason securities delivered under repurchase agreements and securities lending agreements are not derecognised from the balance sheet. Securities delivered under repurchase agreements and securities lending agreements are also disclosed in Note P6.3 "Assets pledged". Cash received under repurchase agreements and securities lending agreements is recognised on the balance sheet in "Deposits by credit institutions and central banks" or "Deposits and borrowings from the public".

In derivative agreements Nordea Bank Abp delivers collateral which, under the terms of the agreements, can be sold or repledged. Such agreements are mainly related to collateral delivered under credit support annex agreements.

Only transferred shares and bonds reported on the balance sheet are reported in the table below.

Transferred assets not derecognised from the balance sheet

EURm	31 Dec 2022	31 Dec 2021
Repurchase agreements		
Interest-bearing securities	10,025	7,452
Securities lending agreements		
Interest-bearing securities[1]	230	–
Total	**10,255**	**7,452**

Liabilities associated with the assets[2]

EURm	31 Dec 2022	31 Dec 2021
Repurchase agreements	10,026	7,452
Securities lending agreements[1]	230	–
Total	**10,256**	**7,452**
Net	**-1**	**0**

1) Comparative figures have not been restated.
2) Liabilities before offsetting between assets and liabilites on the balance sheet.

Obtained collateral permitted to be sold or repledged

Nordea Bank Abp obtains collateral under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The agreements are conducted under standard agreements employed by

P3.2 Transferred assets and obtained collateral, cont.

financial market participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under the standard terms of most repurchase agreements, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the agreements.

Securities received under reverse repurchase and securities borrowing agreements are not recognised on the balance sheet. Cash delivered under reverse repurchase and securities borrowing agreements is recognised on the balance sheet in "Loans to central banks", "Loans to credit institutions" or "Loans to the public".

The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements is disclosed below. Nordea Bank Abp also obtains collateral under other agreements which, under the terms of the agreements, can be sold or repledged. Such collateral is mainly received under credit support annex agreements covering derivative agreements. The received collateral presented in the table below is not recognised on the balance sheet.

Received collateral not recognised on the balance sheet[1]

EURm	31 Dec 2022	31 Dec 2021
Reverse repurchase agreements		
Collateral received that can be repledged or sold	26,225	23,552
- of which repledged or sold	19,312	11,800
Securities borrowing agreements		
Collateral received that can be repledged or sold	1,003	2,834
- of which repledged or sold	445	183
Other agreements		
Collateral received that can be repledged or sold	777	842
- of which repledged or sold	320	202
Total	**28,005**	**27,228**

1) Obtained collaterals issued by Nordea are as from 2022 included in the table. Comparative figures have been restated accordingly.

Receivables related to reverse repurchase agreements recognised on the balance sheet and liabilities related to repurchase agreements recognised on the balance sheet are presented in the table below.

Receivables related to reverse repurchase agreements

EURm	31 Dec 2022	31 Dec 2021
Loans to credit institutions	2,682	2,358
Loans to the public	15,470	12,027
Total	**18,152**	**14,385**

Liabilities related to repurchase agreements

EURm	31 Dec 2022	31 Dec 2021
Deposits by credit institutions and central banks	13,559	7,970
Deposits and borrowings from the public	5,019	1,304
Total	**18,578**	**9,274**

P3.3 Classification and measurement

Accounting policies

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

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

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

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

Financial assets with cash flows that are not SPPI are measured at fair value through profit or loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is both to keep the instruments to collect the contractual cash flows and to sell the instruments are measured at fair value through the fair value reserve in equity. Financial assets included in any other business model are measured at fair value through profit or loss.

In order to determine the business model, Nordea Bank Abp 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. When determining the right level for the portfolios, Nordea Bank Abp has taken the current business area structure into account. When determining the business model for each portfolio, Nordea Bank Abp has analysed the objective of the financial assets as well as, for instance, past sales behaviour and management compensation.

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

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised

P3.3 Classification and measurement, cont.

in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation. The cumulative amortisation is calculated using the effective interest rate method. For more information about the effective interest rate method, see Note P2.2 "Net interest income". For information about impairment under IFRS 9, see Note P3.7 "Loans".

Interest on assets and liabilities classified at amortised cost is generally recognised under "Interest income" and "Interest expense" in the income statement.

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. Changes in fair value are generally recognised directly in the income statement under "Net result from securities trading". For estimation of fair value, see Note P3.4 "Fair value".

The category consists of two sub-categories: "Mandatorily measured at fair value through profit or loss" and "Designated at fair value through profit or loss (fair value option)". The sub-category "Designated at fair value through profit or loss (fair value option)" is an option to measure financial assets and liabilities at fair value with the changes in fair value recognised in profit or loss. This option can be used if it eliminates or significantly reduces an accounting mismatch and for liabilities if they are managed on a fair value basis. Changes in credit risk related to liabilities designated at fair value through profit or loss are recognised in the fair value reserve unless it creates an accounting mismatch.

Interest income and interest expense related to balance sheet items held at fair value through profit or loss are generally classified as "Net result from securities trading and foreign exchange dealing". For more information, see Note P2.4 "Total net result from items at fair value" and Note P2.2 "Net interest income".

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Changes in fair value, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity. Interest is recognised under "Interest income", foreign exchange effects under "Net result from securities trading and foreign exchange dealing" and impairment losses under "Impairment of other financial assets" in the income statement. When an instrument is disposed of, the fair value changes previously accumulated in the fair value reserve are removed from equity and recognised in the income statement under "Net result from securities at fair value through fair value reserve". For information about impairment under IFRS 9, see Note P3.7 "Loans", and for fair value, see Note P3.4 "Fair value".

Hybrid (combined) financial instruments

Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds and loans with embedded collars and caps.

For structured bonds issued by Markets, Nordea Bank Abp applies the fair value option, and the entire combined instrument, the host contract together with the embedded derivative, is measured at fair value through profit or loss and presented in "Debt securities in issue" on the balance sheet. Changes in fair value are recognised in the income statement under "Net result from securities trading and foreign exchange dealing" except for changes in Nordea Bank Abp's own credit risk which is recognised in fair value reserve.

Issued debt and equity instruments

A financial instrument issued by Nordea Bank Abp is either classified as a financial liability or equity. Issued financial instruments are classified as financial liabilities if the contractual arrangements result in Nordea Bank Abp having a present obligation to either deliver cash or another financial asset or a variable number of equity instruments to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and classified as equity, net of transaction costs. If issued financial instruments contain both liability and equity components, these are accounted for separately.

Offsetting of financial assets and liabilities

Nordea Bank Abp offsets financial assets and liabilities on the balance sheet if there is a legal right to offset and if the intent is to settle the items net or realise the asset and settle the liability simultaneously. The legal right to offset should exist both in the ordinary course of business and in case of the default, bankruptcy and insolvency of Nordea Bank Abp and its counterparties.

Exchanged-traded derivatives are generally accounted for and settled on a daily basis when cash is paid or received, and the instrument is reset to market terms. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities against central counterparty clearing houses are set off on the balance sheet if the transaction currency and the central counterparty are the same. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities related to bilateral OTC derivative agreements are not set off on the balance sheet.

In addition, loans and deposits related to repurchase and reverse repurchase agreements with central counterparty clearing houses are set off on the balance sheet if the assets and liabilities relate to the same central counterparty, are settled in the same currency and have the same maturity date. Loans and deposits related to repurchase and reverse repurchase agreements that are made in accordance with the Global Master Repurchase Agreement are set off on the balance sheet if the assets and liabilities relate to the same counterparty, are settled in the same currency, have the same maturity date and are settled through the same settlement institution.

The fact that financial instruments are accounted for on a gross basis on the balance sheet does not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally, financial instruments (derivatives, repurchase agreements and securities lending agreements) are subject to master netting agreements, and Nordea Bank Abp is consequently able to benefit from netting any calculations involving counterparty credit risk in the event of the default of its counterparties.

For a description of counterparty credit risk, see also Note P10 "Risk and liquidity management", section "Counterparty credit risk".

P3.3 Classification and measurement, cont.

Classification of financial instruments

Assets

31 Dec 2022, EURm	Amortised cost	Financial assets at fair value through profit or loss mandatorily	Fair value through other comprehen-sive income	Total financial assets
Cash and balances with central banks	61,425	–	–	61,425
Loans to credit institutions	70,451	2,862	–	73,314
Loans to the public	131,539	18,485	–	150,024
Interest-bearing securities[1]	15,066	24,871	34,567	74,504
Shares	–	6,765	–	6,765
Derivatives	–	38,870	–	38,870
Fair value changes of hedged items in portfolio hedges of interest rate risk	-479	–	–	-479
Other assets[2]	2,168	6,348	–	8,515
Prepaid expenses and accrued income	838	1	–	838
Total	**281,007**	**98,202**	**34,567**	**413,776**

1) Including the balance sheet line item "Debt securities eligible for refinancing with central banks" amounting to EUR 60,453m.
2) Of which cash/margin receivables classified in the category "Mandatorily measured at fair value through profit or loss" amounted to EUR 5,894m.

Liabilities

		Financial liabilities at fair value through profit or loss		
31 Dec 2022, EURm	Amortised cost	Mandatorily	Designated at fair value through profit or loss (fair value option)	Total financial liabilities
Deposits by credit institutions and central banks	30,228	10,402	–	40,630
Deposits and borrowings from the public	214,410	6,650	4,170	225,231
Debt securities in issue	75,494	–	1,438	76,932
Derivatives	–	42,049	–	42,049
Fair value changes of hedged items in portfolio hedges of interest rate risk	-2,175	–	–	-2,175
Other liabilities	3,534	10,573	–	14,107
Accrued expenses and prepaid income	20	0	–	21
Subordinated liabilities	5,401	–	–	5,401
Total	**326,911**	**69,675**	**5,608**	**402,194**

P3.3 Classification and measurement, cont.

Classification of financial instruments

Assets

31 Dec 2021, EURm	Amortised cost	Financial assets at fair value through profit or loss mandatorily	Fair value through other comprehen-sive income	Total financial assets
Cash and balances with central banks	45,256	–	–	45,256
Loans to credit institutions	76,688	1,586	–	78,274
Loans to the public	122,300	16,786	–	139,086
Interest-bearing securities[1]	14,213	24,745	33,509	72,467
Shares	–	6,314	–	6,314
Derivatives	–	30,514	–	30,514
Fair value changes of hedged items in portfolio hedges of interest rate risk	1	–	–	1
Other assets[2]	784	7,286	–	8,070
Prepaid expenses and accrued income	689	1	–	690
Total	**259,931**	**87,232**	**33,509**	**380,672**

1) Including the balance sheet line item "Debt securities eligible for refinancing with central banks" amounting to EUR 62,654m.
2) Of which cash/margin receivables classified in the category "Mandatorily measured at fair value through profit or loss" amounted to EUR 6,591m.

Liabilities

		Financial liabilities at fair value through profit or loss		
31 Dec 2021, EURm	**Amortised cost**	**Mandatorily**	**Designated at fair value through profit or loss (fair value option)**	**Total financial liabilities**
Deposits by credit institutions and central banks	32,218	3,315	–	35,533
Deposits and borrowings from the public	206,051	2,639	4,857	213,547
Debt securities in issue	62,757	–	1,637	64,394
Derivatives	–	32,347	–	32,347
Fair value changes of hedged items in portfolio hedges of interest rate risk	81	–	–	81
Other liabilities	2,911	11,874	–	14,785
Accrued expenses and prepaid income	7	0	–	7
Subordinated liabilities	6,840	–	–	6,840
Total	**310,865**	**50,175**	**6,494**	**367,534**

P3.3 Classification and measurement, cont.

Amortised cost
This category mainly consists of all loans (including those with embedded collars and caps) and deposits, except for reverse repurchase/repurchase agreements and securities borrowing/lending agreements in Markets. This category also includes interest-bearing securities included in part of the liquidity buffer, subordinated liabilities and debt securities in issue, except for structured bonds issued by Markets.

Mandatorily measured at fair value through profit or loss
The sub-category "Mandatorily measured at fair value through profit or loss" mainly contains all assets and trading liabilities in Markets, interest-bearing securities in the liquidity buffer, derivatives, shares and financial assets in pooled schemes. Deposits in pooled schemes are contracts with customers where most or all of the risk is borne by the policyholders. The deposits are invested in different types of financial assets on behalf of customers.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income mainly consist of the interest-bearing securities in the liquidity buffer.

Financial liabilities designated at fair value through profit or loss (fair value option)
Nordea Bank Abp applies the fair value option for structured bonds issued by Markets, EUR 1,438m (EUR 1,637m), as these hybrid instruments, such as issued index-linked bonds, include embedded derivatives not closely related to the host contract. The host contract together with the embedded derivative is measured at fair value through profit or loss and presented in "Debt securities in issue" on the balance sheet. The change in fair value of these issued structured bonds is recognised in the income statement under "Net result from securities trading and foreign exchange dealing" except for the changes in own credit risk, which are recognised in equity. Nordea Bank Abp calculates the change in its own credit spread as the change in its total funding spread, thus assuming a constant issuance premium on all issues over time. The change in the credit spread is estimated by comparing the value of the trades using the initial funding spread on the issuance date and the actual funding spread on the reporting date. This model is assessed to provide the best estimate of the impact of own credit risk.

Deposits in pooled schemes, EUR 4,170m (EUR 4,857m), are designated at fair value through profit or loss as they are managed at fair value. The value of these deposits is directly linked to the fair value of the underlying assets, and changes in own credit risk consequently have no net impact.

Financial liabilities designated at fair value through profit or loss

31 Dec 2022, EURm	Liabilities for which changes in credit risk are presented in fair value reserve	Liabilities for which changes in credit risk are presented in profit or loss	Total
Carrying amount at end of year	1,438	4,170	5,608
Amount to be paid at maturity	1,706	4,170	5,877
Changes in fair value due to changes in own credit risk, during the year	7	–	7
Changes in fair value due to changes in own credit risk, accumulated	-9	–	-9

31 Dec 2021, EURm	Liabilities for which changes in credit risk are presented in fair value reserve	Liabilities for which changes in credit risk are presented in profit or loss	Total
Carrying amount at end of year	1,637	4,857	6,495
Amount to be paid at maturity	1,637	4,857	6,495
Changes in fair value due to changes in own credit risk, during the year	-4	–	-4
Changes in fair value due to changes in own credit risk, accumulated	2	–	2

P3.4 Fair value

Accounting policies

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. The fair value measurement assumes that the transaction takes place under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist, they are used to measure financial assets and financial liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The absolute level of liquidity and volume required for a market to be considered active varies depending on the class of instruments. 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 to establish fair value is higher.

P3.4 Fair value, cont.

The trade frequency and volume are monitored regularly in order to assess if markets are active or not active. 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 a 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 ability to match market prices. This is done by comparing calculated prices with relevant benchmark data, e.g. quoted prices from exchanges, the counterparty´s valuations, price data from consensus services etc.

For financial instruments whose 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. Nordea Bank Abp considers data from observable markets to be data that can be collected from generally available external sources and which is deemed to represent realistic market prices. If unobservable 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 unobservable data becomes observable.

Fair value measurements of assets and liabilities are categorised under the three levels of the IFRS fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 in the fair value hierarchy consists of assets and liabilities where directly quoted market prices are not available in active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or inputs prevailing at the balance sheet date and where any unobservable inputs have not had a significant impact on the fair values.

Level 3 in the fair value hierarchy consists of assets and liabilities for which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates.

Fair value of financial assets and liabilities

EURm	31 Dec 2022		31 Dec 2021	
Financial assets	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and balances with central banks	61,425	61,425	45,256	45,256
Loans[1]	222,859	222,347	217,360	217,711
Interest-bearing securities[2]	74,504	74,578	72,467	72,520
Shares	6,765	6,765	6,314	6,314
Derivatives	38,870	38,870	30,514	30,514
Other assets	8,515	8,515	9,448	9,448
Prepaid expenses and accrued income	838	838	1,165	1,165
Total	**413,776**	**413,338**	**382,524**	**382,928**

EURm	31 Dec 2022		31 Dec 2021	
Financial liabilities	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Deposits and debt securities in issue[3]	348,194	348,192	320,313	320,503
Derivatives	39,874	39,874	32,347	32,347
Other liabilities	14,107	14,107	16,257	16,257
Accrued expenses and prepaid income	21	21	927	927
Total	**402,194**	**402,192**	**369,844**	**370,034**

1) Consists of the balance sheet line items "Loans to the public", "Loans to credit institutions" and "Fair value changes of hedged items in portfolio hedges of interest rate risk".
2) Including the balance sheet line item "Debt securities eligible for refinancing with central banks" amounting to EUR 60,453m (EUR 62,654m).
3) Consists of the balance sheet line items "Deposits and borrowings from the public", "Deposits by credit institutions and central banks", "Debt securities in issue" and "Subordinated liabilities".

P3.4 Fair value, cont.

Fair value of items measured at fair value on the balance sheet

Determination of fair value

For information about determination of the fair value of items measured at fair value on the balance sheet, see section "Determination of the fair value of items measured at fair value on the balance sheet" in the Group's Note G3.4 "Fair value". However, the section concerning loans and issued debt securities in the subsidiary Nordea Kredit Realkredit-aktieselskab is not applicable to Nordea Bank Abp.

For information about the valuation of items measured at fair value on the balance sheet, see the section "Accounting policies" to this note and section "Determination of the fair value of items measured at fair value on the balance sheet" in the Group's Note G3.4 "Fair value". For information about valuation of items not measured at fair value on the balance sheet, see section "Financial assets and liabilities not held at fair value on the balance sheet" in the Group's Note G3.4 "Fair value".

Assets and liabilities held at fair value on the balance sheet

Categorisation in the fair value hierarchy

31 Dec 2022, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using unobservable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to credit institutions	–	2,862	–	2,862
Loans to the public	–	18,485	–	18,485
Interest-bearing securities[2]	25,573	33,454	411	59,438
Shares	5,308	83	1,375	6,765
Derivatives	158	36,776	1,936	38,870
Other assets	12	6,328	8	6,348
Total	**31,051**	**97,988**	**3,730**	**132,769**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	10,402	–	10,402
Deposits and borrowings from the public	–	10,821	–	10,821
Debt securities in issue	–	303	1,135	1,438
Derivatives	659	39,554	1,836	42,049
Other liabilities	3,307	7,202	63	10,573
Total	**3,966**	**68,283**	**3,034**	**75,282**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Including the balance sheet line item "Debt securities eligible for refinancing with central banks".

31 Dec 2021, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using unobservable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to credit institutions	–	1,586	–	1,586
Loans to the public	–	16,787	–	16,787
Interest-bearing securities[2]	25,464	32,161	629	58,254
Shares	4,907	117	1,290	6,314
Derivatives	86	29,235	1,193	30,514
Other assets	22	7,264	0	7,286
Total	**30,479**	**87,150**	**3,111**	**120,741**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	5,953	–	5,953
Deposits and borrowings from the public	–	2,639	–	2,639
Debt securities in issue	–	246	1,392	1,637
Derivatives	176	31,105	1,065	32,347
Other liabilities	4,016	7,812	46	11,873
Total	**4,192**	**47,755**	**2,503**	**54,450**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Including the balance sheet line item "Debt securities eligible for refinancing with central banks".

P3.4 Fair value, cont.

Transfers between Levels 1 and 2

During the year Nordea Bank Abp transferred items recognised in the line item "Interest-bearing securities" (including such financial instruments pledged as collateral) of EUR 251m (EUR 2,356m) from Level 1 to Level 2 and of EUR 14m (EUR 473m) from Level 2 to Level 1 in the fair value hierarchy. Nordea Bank Abp also transferred items recognised in the line item "Other liabilities" of EUR 43m (EUR 258m) from Level 1 to Level 2 and EUR of 235m (EUR 269m) from Level 2 to Level 1. The transfers from Level 1 to Level 2 were due to the instruments ceasing to be actively traded during the year, which meant that fair values were obtained using valuation techniques with observable market inputs. The transfers from Level 2 to Level 1 were due to the instruments again being actively traded during the year, which meant that reliable quoted prices were obtained in the market. Transfers between levels are considered to have occurred at the end of the year.

Movements in Level 3

Unrealised gains and losses relate to the assets and liabilities held at the end of the year. The transfers out of Level 3 were due to observable market data became available. The transfers into Level 3 were due to observable market data no longer been available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from securities trading and foreign exchange dealing" (see Note P2.4 "Total net result from items at fair value"). Assets and liabilities related to derivatives are presented net.

Movements in Level 3

1 Jan 2022, EURm	1 Jan 2022	Fair value gains/losses recognised in the income statement during the year		Recognised in fair value reserve	Purchases/ issues	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Reclassifi-cation[1]	Translation differences	31 Dec 2022
		Realised	Unrealised									
Interest-bearing securities	**629**	1	-55	112	-182	-39	–	47	-100	–	-2	**411**
Shares	**1,291**	18	76	298	-275	–	–	0	0	-15	-18	**1,375**
Derivatives (net)	**128**	-99	-116	–	0	99	–	72	16	–	0	**100**
Other assets	**0**	–	–	8	–	–	–	–	–	–	0	**8**
Debt securities in issue	**1,392**	53	-267	–	–	-409	367	–	–	–	–	**1,135**
Other liabilities	**46**	–	-21	58	-20	–	–	0	0	–	–	**63**

1) Reclassification related to conversion of Visa C-shares to Visa A-shares.

1 Jan 2021, EURm	1 Jan 2021	Fair value gains/losses recognised in the income statement during the year		Recognised in fair value reserve	Purchases/ issues	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Reclassifi-cation[1]	Translation differences	31 Dec 2021
		Realised	Unrealised									
Interest-bearing securities	**879**	-4	14	–	231	-131	4	40	-413	–	9	**629**
Shares	**1,128**	10	246	–	104	-147	–	0	–	–	-52	**1,290**
Derivatives (net)	**14**	-27	45	–	0	–	27	-6	74	–	0	**128**
Other assets	**0**	–	–	–	–	–	–	–	–	–	0	**0**
Debt securities in issue	**1,505**	781	-827	1	435	0	-503	–	–	–	–	**1,392**
Other liabilities	**32**	-11	–	–	34	-8	–	–	–	–	0	**46**

1) Reclassification related to conversion of Visa C-shares to Visa A-shares.

P3.4 Fair value, cont.

The valuation process for fair value measurements

For information about the valuation process for fair value measurements, see section "The valuation process for fair value measurements" in the Group's Note G3.4 "Fair value".

However, the section "Investment properties" is not applicable for Nordea Bank Abp as the main part of the investment properties of the Nordea Group is held by its subsidiaries. Investment properties are insignificant for Nordea Bank Abp.

Valuation techniques and inputs used in fair value measurements of financial instruments in Level 3

31 Dec 2022, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Public bodies	0	Discounted cash flows	Credit spread	-23/23
Mortgage and other credit institutions	213	Discounted cash flows	Credit spread	-16/16
Corporates[1]	198	Discounted cash flows	Credit spread	-5/5
Total	**411**			**-44/44**
Shares				
Unlisted shares	113	Net asset value[2]		-11/11
Private equity funds	679	Net asset value[2]		-68/68
Hedge funds	1	Net asset value[2]		0/0
Credit funds	448	Net asset value/market consensus[2]		-45/45
Other funds	130	Net asset value/fund prices[2]		-13/13
Other	5			0/0
Total	**1,375**			**-134/134**
Derivatives				
Interest rate derivatives	-31	Option model	Correlations, Volatilities	-21/23
Equity derivatives	-5	Option model	Correlations, Volatilities, Dividend	-7/4
Foreign exchange derivatives	286	Option model	Correlations, Volatilities	-4/2
Credit derivatives	-152	Credit derivative model	Correlations, Recovery rates, Volatilities	-11/16
Other	1	Option model	Correlations, Volatilities	0/0
Total	**100**			**-43/45**
Debt securities in issue				
Issued structured bonds	1,135	Credit derivative model	Correlations, Recovery rates, Volatilities	-6/6
Total	**1,135**			**-6/6**
Other, net				
Other assets and other liabilities, net	71			-6/6
Total	**71**			**-6/6**

1) Of which EUR 150m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45%. A reasonable change in this credit spread would not affect the fair value due to callability features.

2) Fair values are based on prices and net asset values provided by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the performance of the assets underlying the investments. For private equity funds, the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines issued by Invest Europe (formerly EVCA). The carrying amounts are in a range of 1% to 100% compared with the values received from suppliers/custodians.

P3.4 Fair value, cont.

Valuation techniques and inputs used in fair value measurements of financial instruments in Level 3, cont.

31 Dec 2021, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Public bodies	40	Discounted cash flows	Credit spread	-4/4
Mortgage and other credit institutions	422	Discounted cash flows	Credit spread	-42/42
Corporates[1]	168	Discounted cash flows	Credit spread	-17/17
Total	**629**			**-63/63**
Shares				
Unlisted shares	207	Net asset value[2]		-21/21
Private equity funds	355	Net asset value[2]		-35/35
Hedge funds	1	Net asset value[2]		0/0
Credit funds	383	Net asset value/market consensus[2]		-38/38
Other funds	344	Net asset value/fund prices[2]		-34/34
Other	0	–		0/0
Total	**1,290**			**-128/128**
Derivatives				
Interest rate derivatives	158	Option model	Correlations, Volatilities	-13/13
Equity derivatives	-56	Option model	Correlations, Volatilities, Dividend	-13/9
Foreign exchange derivatives	42	Option model	Correlations, Volatilities	0/0
Credit derivatives	-18	Credit derivative model	Correlations, Recovery rates, Volatilities	-20/27
Other	2	Option model	Correlations, Volatilities	0/0
Total	**128**			**-46/49**
Debt securities in issue				
Issued structured bonds	1,392	Credit derivative model	Correlation, Recovery rates, Volatilities	-7/7
Total	**1,392**			**-7/7**
Other, net				
Other assets and other liabilities, net	46	–		-5/5
Total	**46**			**-5/5**

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45%. A reasonable change in this credit spread would not affect the fair value due to callability features.

2) Fair values are based on prices and net asset values provided by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the performance of the assets underlying the investments. For private equity funds, the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines issued by Invest Europe (formerly EVCA). The carrying amounts are in a range of 1% to 100% compared with the values received from suppliers/custodians.

The tables above show, 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 value of Level 3 financial instruments to changes in key assumptions. In case the exposure to an unobservable parameter is offset across different instruments, only the net impact is disclosed in the table. The range disclosed is likely to be greater than the true uncertainty in determining the fair value of these instruments as all unobservable parameters are in practice unlikely to 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.

The reported sensitivity (range) of the fair value of derivatives follows the same methodologies as applied to the reporting of the model risk and market price uncertainty additional valuation adjustments (AVAs) as defined in Commission Delegated Regulation (EU) No 2016/101 of 26 October 2015 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for prudent valuation under Article 105(14).

In order to calculate the sensitivity (range) of the fair value of shares and interest-bearing securities, the fair value is increased and decreased within a total range of 2–10 percentage points depending on the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

P3.4 Fair value, cont.

Movement of deferred Day 1 profit

For information about movement of deferred Day 1 profit, see section "Movements of deferred Day 1 profit" in the Group's Note G3.4 "Fair value".

The table to the right shows the aggregated difference yet to be recognised in the income statement at the beginning and end of the period. The table also show's reconciliation of how this aggregated difference changed during the period (movements of deferred Day 1 profit).

Deferred Day 1 profit – derivatives, net

EURm	2022	2021
Amount at beginning of year	77	73
Deferred profit/loss on new transactions	58	58
Recognised in the income statement during the year[1]	-51	-54
Amount at end of year	**84**	**77**

1) Of which EUR -6m (EUR -8m) due to transfers of derivatives from Level 3 to Level 2.

Financial assets and liabilities not held at fair value on the balance sheet

EURm	31 Dec 2022		31 Dec 2021		
	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy[4]
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	61,425	61,425	45,256	45,256	1
Loans[1]	201,512	201,000	198,989	199,340	3
Interest-bearing securities[2]	15,066	15,139	14,213	14,266	2, 3
Other assets	2,168	2,168	784	784	3
Prepaid expenses and accrued income	838	838	689	689	3
Total	**281,007**	**280,569**	**259,931**	**260,335**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt securities in issue[3]	323,357	323,355	307,946	308,137	3
Other liabilities	3,534	3,534	2,911	2,911	3
Accrued expenses and prepaid income	20	20	7	7	3
Total	**326,911**	**326,909**	**310,864**	**311,055**	

1) Consists of the balance sheet line items "Loans to the public", "Loans to credit institutions" and "Fair value changes of hedged items in portfolio hedges of interest rate risk".
2) Including the balance sheet line item "Debt securities eligible for refinancing with central banks".
3) Consists of the balance sheet line items "Deposits and borrowings from the public", "Deposits by credit institutions and central banks", "Fair value changes of hedged items in portfolio hedges of interest rate risk", "Debt securities in issue" and "Subordinated liabilities".
4) Covers both 31 December 2022 and 31 December 2021.

For information about financial assets and liabilities not held at fair value on the balance sheet, see section "Financial assets and liabilities not held at fair value on the balance sheet" in the Group's Note G3.4 "Fair value".

However, the fair value of the interest-bearing securities of Nordea Bank Abp is EUR 15,139m (EUR 14,266m), of which EUR 0m (EUR 0m) is categorised in Level 1, EUR 8,642m (EUR 11,736m) in Level 2 and EUR 6,497m (EUR 2,530m) in Level 3.

P3.5 Hedge accounting

Accounting policies

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

- fair value hedge accounting
- cash flow hedge accounting.

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

Under the EU carve-out version of IAS 39, fair value macro hedge accounting may for instance, in comparison with IAS 39 as issued by the IASB, be applied to on-demand (core) deposits, and hedge ineffectiveness in a hedge of assets with prepayment options is only recognised when the revised estimate of the amount of cash flows falls below the designated bottom layer.

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if

P3.5 Hedge accounting, cont.

at inception and throughout its life it can be expected that changes in the value of the hedged item, as regards the hedged risk, can be essentially offset by changes in the fair value of the hedging instrument. The result should be within a range of 80–125%.

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

Fair value hedge accounting

Fair value hedge accounting is applied when derivatives are hedging changes in the value of a recognised asset or liability attributable to a specific risk. Fair value hedge accounting can be performed at both micro level (single assets/liabilities or closed portfolios of assets/liabilities where one or more hedged items are hedged using one or more hedging instruments) and macro level (open portfolios where groups of items are hedged using multiple hedging instruments).

Changes in the fair value of derivatives (hedging instruments), as well as changes in the value of the hedged item attributable to the risks being hedged, are recognised separately in the income statement under "Net result from hedge accounting". Given that the hedge is effective, the change in the value of the hedged item will be offset by the change in the fair value of the hedging instrument.

The changes in the value of the hedged item, attributable to the risks being 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 value changes of the hedged items held at amortised cost in hedges of interest rate risks in macro hedges are reported separately in the balance sheet item "Fair value changes of hedged items in portfolio hedges of interest rate risk.

Any ineffectiveness is recognised in the income statement under the item "Net result from hedge accounting".

If the hedging relationship does not meet the hedge accounting requirements, hedge accounting is discontinued.

The hedging instrument is measured at fair value through profit or loss and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

Cash flow hedge accounting

Cash flow hedge accounting is applied when hedging the exposure to variability in future cash flows. The portion of the gain or loss on the hedging instrument, determined to be an effective hedge, is recognised in equity and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from hedge accounting" in the income statement. The hedge is considered to be ineffective to the extent that the cumulative change in fair value from the inception of the hedge is larger for the hedging instrument than for the hedged item.

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

A hedged item in a cash flow hedge can be highly probable cash flows from recognised assets or liabilities or from future assets or liabilities. Derivatives used as hedging instruments are always measured at fair value.

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

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

Derivatives used for hedge accounting

	Fair value		Nominal
31 Dec 2022, EURm	Positive	Negative	amount
Fair value hedges[1]	3,236	5,185	99,881
Cash flow hedges[1]	1,339	420	17,915
Total derivatives	**4,575**	**5,605**	**117,795**

	Fair value		Nominal
31 Dec 2021, EURm	Positive	Negative	amount
Fair value hedges[1]	763	435	151,603
Cash flow hedges[1]	369	496	20,176
Total derivatives	**1,132**	**931**	**171,779**

1) Some cross-currency interest rate swaps are used both as fair value hedges and cash flow hedges. The nominal amounts of these instruments have been split between the lines "Fair value hedges" and "Cash flow hedges" in the table above based on the relative fair value of these hedging instruments. As at 31 December 2022 the total nominal amount of cross-currency interest rate swaps amounted to EUR 21,845m (EUR 23.413m).

The table above shows the fair values of derivatives used for hedge accounting together with their nominal amounts. The nominal amounts indicate the volume of transactions outstanding at year end and are neither indicative of market risk nor credit risk. As from 2022 the fair value and nominal amount of derivatives in this note represent derivatives before offsetting between assets and liabilities on the balance sheet (gross amount) and not as earlier after offsetting. The reason is that the gross amount better reflects the exposure to the hedging instrument. Comparative figures have been restated accordingly.

Risk management

For more information on risk management, see "Risk management" in the Group's Note G3.6 "Hedge accounting". As part of it's risk management policy, Nordea Bank Abp has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in section 4 "Market risk" in the Group's Note G11 "Risk and liquidity management".

P3.5 Hedge accounting, cont.

Interest rate risk

For more information on interest rate risk, see "Interest rate risk", sub-sections "Fair value hedges" and "Cash flow hedges" in the Group's Note G3.6 "Hedge accounting".

Fair value hedges

The table below presents the accumulated fair value adjustments arising from continuing and discontinued hedge relationships.

Hedged items

	Interest rate risk 2022		Interest rate risk 2021	
EURm	Carrying amount of hedged assets/liabilities	of which accumulated amount of fair value hedge adjustment[3]	Carrying amount of hedged assets/liabilities	of which accumulated amount of fair value hedge adjustment[3]
Fair value hedges – micro level				
Interest-bearing securities[1]	15,380	-2	14,151	0
Assets	**15,380**	**-2**	**14,151**	**0**
Debt securities in issue	22,376	-1,672	20,582	130
Subordinated liabilities	4,861	-504	5,714	131
Liabilities	**27,238**	**-2,176**	**26,296**	**261**

	Interest rate risk 2022		Interest rate risk 2021	
EURm	Carrying amount of hedged assets/liabilities	of which accumulated amount of fair value hedge adjustment[2,3]	Carrying amount of hedged assets/liabilities	of which accumulated amount of fair value hedge adjustment[3]
Fair value hedges – macro level				
Loans to the public	17,678	-477	45,563	1
Assets	**17,648**	**-477**	**45,563**	**1**
Deposits by credit institutions	4,129	8	0	0
Deposits and borrowings from the public	27,426	-2,184	18,109	81
Liabilities	**31,555**	**-2,175**	**18,109**	**81**

1) Including the balance sheet line item "Debt securities eligible for refinancing with central banks".
2) Accumulated fair value adjustment for macro hedges is presented in the line item "Fair value changes of hedged items in portfolio hedges of interest rate risk" on the balance sheet.
3) Of which EUR 53m (EUR 63m) is related to discontinued hedges of interest rate risk.

P3.5 Hedge accounting, cont.

The following table provides information about the hedging instruments.

Hedging instruments

31 Dec 2022, EURm	Fair value Positive	Fair value Negative	Nominal amount
Fair value hedges			
Interest rate risk	3,236	5,185	99,881

31 Dec 2021, EURm	Fair value Positive	Fair value Negative	Nominal amount
Fair value hedges			
Interest rate risk	503	246	147,855

The table below presents the changes in fair value of the hedging instruments and the changes in the value of hedged items used as the basis for recognising ineffectiveness. These changes are recognised in the line item "Net result from hedge accounting" in the income statement.

Hedge ineffectiveness

EURm	Interest rate risk 2022	Interest rate risk 2021
Fair value hedges		
Changes in fair value of hedging instruments	-3,258	-733
Changes in value of hedged items used as basis for recognising hedge ineffectiveness	3,257	721
Hedge ineffectiveness recognised in the income statement[1,2]	-1	-12

1) Recognised in the line item "Net result from hedge accounting".
2) When disclosing hedge ineffectiveness, valuation adjustments (CVA, DVA, FFVA) have not been considered as these are immaterial.

Cash flow hedges

The tables below provide information about the hedging instruments in hedges of interest rate risk, including the nominal amount and the fair values of the hedging instruments.

Hedging instruments

31 Dec 2022, EURm	Fair value Positive	Fair value Negative	Nominal amount
Cash flow hedges			
Interest rate risk	0	11	190

31 Dec 2021, EURm	Fair value Positive	Fair value Negative	Nominal amount
Cash flow hedges			
Interest rate risk	6	–	190

The table below specifies changes in the fair value adjustments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year.

The table also presents changes in the value of the hedged items used to measure hedge ineffectiveness separately, showing the effective and ineffective portions.

Hedge ineffectiveness

EURm	Interest rate risk 2022	Interest rate risk 2021
Cash flow hedges		
Changes in fair value of hedging instruments	5	-4
Changes in value of hedged items used as basis for recognising hedge ineffectiveness	-5	4
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in fair value reserve	5	-4

1) Recognised in the line item "Net result from hedge accounting".
2) When disclosing hedge ineffectiveness, valuation adjustments (CVA, DVA, FFVA) have not been considered as these are immaterial.

Cash flow hedge reserve

EURm	Interest rate risk 2022	Interest rate risk 2021
Balance at 1 Jan	-5	0
Cash flow hedges		
Valuation gains/losses	5	-4
Tax on valuation gains/losses	-1	1
Transferred to the income statement	-11	-2
Tax on transfers to the income statement	2	0
Through cash flow hedge reserve, net of tax	**-5**	**-5**
Balance at 31 Dec	**-10**	**-5**
- of which relates to continuing hedges for which hedge accounting is applied	-10	-5
- of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

Average interest rate of instruments hedging interest rate risk

The average interest rate on the fixed leg of instruments hedging interest rate risk as at 31 December 2022 was 1,292% (0.386%).

The maturity profile of Nordea Bank Abp's hedging instruments used to hedge interest rate risk (both fair value and cash flow hedge accounting) is shown below:

Maturity profile of the nominal amount of hedging instruments hedging interest rate risk

Instruments hedging interest rate risk, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
31 Dec 2022	–	13,482	16,975	51,390	18,224	100,071
31 Dec 2021	–	30,483	26,253	65,164	26,144	148,045

P3.5 Hedge accounting, cont.

Currency risk

For more information on currency risk, see "Currency risk" in the Group's Note G3.6 "Hedge accounting". The sub-section "Cash flow and net investment hedge" is not applicable to Nordea Bank Abp.

The table below presents the accumulated fair value adjustments arising from continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

Hedged items

	Foreign exchange risk 2022		Foreign exchange risk 2021	
EURm	Carrying amount of hedged assets	of which accumulated amount of fair value hedge adjustment	Carrying amount of hedged assets	of which accumulated amount of fair value hedge adjustment
Fair value hedges				
Investments in foreign operations	3,096	-553	4,008	-344

The tables below provide information about the hedging instruments in hedges of currency risks, including the nominal amount and the fair values of the hedging instruments.

Hedging instruments

	Fair value		
31 Dec 2022, EURm	Positive	Negative	Nominal amount
Foreign exchange risk			
Fair value hedges	241	200	3,565
Cash flow hedges	1,339	409	17,725
Total derivatives used for hedge accounting	**1,580**	**609**	**21,290**

	Fair value		
31 Dec 2021, EURm	Positive	Negative	Nominal amount
Foreign exchange risk			
Fair value hedges	260	189	3,749
Cash flow hedges	363	496	19,986
Total derivatives used for hedge accounting	**623**	**685**	**23,735**

The table on the right specifies changes in the fair value of hedging instruments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year. The table also presents changes in the value of hedged intems used to measure hedge ineffectiveness separately showing the effective and ineffective portions.

Hedge ineffectiveness

	Foreign exchange risk	
EURm	2022	2021
Fair value hedges		
Changes in fair value of hedging instruments	207	-1
Changes in value of hedged items used as basis for recognising hedge ineffectiveness	-207	1
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Cash flow hedges		
Changes in fair value of hedging instruments	1,077	-24
Changes in value of hedged items used as basis for recognising hedge ineffectiveness	-1,077	24
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in fair value reserve	1,077	-24

1) Recognised in the line item "Net result from hedge accounting".
2) When disclosing hedge ineffectiveness, valuation adjustments (CVA, DVA, FFVA) have not been considered as these are immaterial.

Cash flow hedge reserve

	Foreign exchange risk	
EURm	2022	2021
Balance at 1 Jan	43	-29
Cash flow hedges		
Valuation gains/losses	1,077	-24
Tax on valuation gains/losses	-215	5
Transferred to the income statement	-1,005	115
Tax on transfers to the income statement	201	-23
Through cash flow hedge reserve, net of tax	**58**	**72**
Balance at 31 Dec	**101**	**43**
- of which relates to continuing hedges for which hedge accounting is applied	101	43
- of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

Average forward exchange rates of instruments hedging foreign exchange risk

The average forward exchange rates of instruments hedging foreign exchange risk are presented in the table below.

EUR	NOK	SEK	USD	RUB
31 Dec 2022	10.37	10.38	1.06	–
31 Dec 2021	10.17	10.01	1.17	83.90

P3.5 Hedge accounting, cont.

Maturity profile of the nominal amount of hedging instruments

Instruments hedging foreign exchange risk, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
31 Dec 2022	–	922	2,389	12,368	2,045	17,725
31 Dec 2021	–	1,450	1,886	13,340	7,058	23,735

P3.6 Cash and balances with central banks

Accounting policies

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 when the following conditions are fulfilled:

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

P3.7 Loans

Accounting policies

Loans are financial instruments with fixed or determinable payments that are not readily transferable without the consent of the debtor. Loans are classified in accordance with the description in Note P3.3 "Classification and measurement". Nordea Bank Abp's accounting policies covering expected credit losses follow below. Additional information on credit risk on loans is disclosed in Note P10 "Risk and liquidity management".

Financial instruments classified as "Amortised cost" or "Fair value through other comprehensive income" are subject to impairment testing due to credit risk. This includes assets recognised on the balance sheet in "Cash and balances with central banks", "Debt securities eligible for refinancing with central banks", "Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet line items include assets classified as "Fair value through profit or loss", which are not subject to impairment testing. See also Note P3.3 "Classification and measurement".

Off-balance sheet commitments, contingent liabilities and loan commitments are also subject to impairment testing.

Recognition and presentation

Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is netted against the loan balance on the face of the balance sheet, but the allowance account is disclosed separately in this note. Changes in the allowance account are recognised in the income statement and classified as "Net loan losses".

If the impairment loss is regarded as final, it is reported as a realised loss and the carrying amount of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor has filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea Bank Abp waives its claims either through a legally based or voluntary reconstruction, or when Nordea Bank Abp, for other reasons, deems it unlikely that the claim will be recovered. See also the section "Write-offs" on the following page.

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses".

Assets classified as "Fair value through other comprehensive income" are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Impairment of other financial assets". Any fair value adjustments are recognised in equity.

Impairment testing

Nordea Bank Abp classifies all exposures into stages on an individual basis. Stage 1 includes assets where there has been no significant increase in credit risk since initial recognition, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 (impaired loans) includes defaulted assets. Nordea Bank Abp monitors whether there are indicators of exposures being credit impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea Bank Abp applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in Note P10 "Risk and liquidity management". Exposures without individually calculated allowances will be covered by the model-based impairment calculation.

For significant exposures where a credit event has been identified, the exposure is tested for impairment on an individual basis. If the exposure is found impaired, an individual provision is recognised. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is higher, the difference is recognised as an impairment loss. The expected cash flows are discounted at the original effective interest rate and include the fair value of the collateral and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the impairment loss is measured using the model described below but based on the fact that the exposures are already in default.

Nordea Bank Abp does not use the "low credit risk exemption" in its banking operations.

Model-based allowance calculation

For exposures not impaired on an individual basis, a statistical model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default (PD) times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while for assets in stages 2 and 3 it is based on the expected lifetime of the asset.

The provisions for exposures for which there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for

P3.7 Loans, cont.

exposures for which there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). This is also the case for the insignificant credit impaired exposures in stage 3.

Nordea Bank Abp uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held on transition to IFRS 9 on 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea Bank Abp has concluded that it is not possible to calculate the lifetime PD at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime PD are used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PD, Nordea Bank Abp uses a mix of absolute and relative changes in PD as the transfer criterion:

- Retail customers with an initial 12-month PD below 1%: Exposures with a relative increase in lifetime PD above 100% and an absolute increase in 12-month PD above 45bp are transferred to stage 2.
- Retail customers with an initial 12-month PD above or equal to 1%: Exposures with a relative increase in lifetime PD above 100% or an absolute increase in 12-month PD above 300bp are transferred to stage 2.
- Non-retail customers with an initial 12-month PD below 0.5%: Exposures with a relative increase in lifetime PD above 150% and an absolute increase in 12-month PD above 20bp are transferred to stage 2.
- Non-retail customers with an initial 12-month PD above or equal to 0.5%: Exposures with a relative increase in lifetime PD above 150% or an absolute increase in 12-month PD above 400bp are transferred to stage 2.

For assets for which rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2 unless already identified as credit impaired (stage 3). Exposures with forbearance measures will stay in stage 2 for a probation period of 24 months from when the measures were introduced. Once transferred back to stage 1, after the probation period, the exposures are treated as any other stage 1 exposure when assessing significant increase in credit risk. Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence that the customer is not in default. Such exposures will be classified as stage 2. Rated exposures classified as "high risk", i.e. with a rating grade of 2 or below, will also be transferred to stage 2.

Nordea Bank Abp does not use the "low credit risk exemption" in its banking operations.

When calculating provisions, including the staging assessment, the calculation is based on both historical data and probability-weighted forward-looking information. Nordea Bank Abp applies three macroeconomic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability-weighted average of the expected losses under each scenario is recognised as provisions. The model is based on data collected before the reporting date requiring Nordea Bank Abp to identify events that could affect the provisions after the data is sourced to the model calculation. Management evaluates these events and adjusts the provisions if deemed necessary.

Write-offs

A write-off is a derecognition of a loan or receivable from the balance sheet and a final realisation of a credit loss provision. When assets are considered as uncollectable, they should be written off as soon as possible, regardless of whether the legal claim remains or not. A write-off can take place before legal actions against the borrower to recover the debt have been concluded in full. Although an uncollectable asset is removed or written off from the balance sheet, the customer remains legally obligated to pay the outstanding debt. When assessing the recoverability of non-performing loans and determining if write-offs are required, exposures with the following characteristics are in particular focus (the list is not exhaustive):

- Exposures past due more than 90 days. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it is written off.
- Exposures under insolvency procedure where the collateralisation of the exposure is low.
- Exposures where legal expenses are expected to absorb the proceeds from the bankruptcy procedure, and estimated recoveries are therefore expected to be low.
- A partial write-off may be warranted where there is reasonable financial evidence to demonstrate an inability of the borrower to repay the full amount, i.e. a significant level of debt which cannot be reasonably demonstrated to be recoverable following forbearance treatment and/or the execution of collateral.
- Restructuring cases.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans and modifications

In this context a restructured loan is defined as a loan where Nordea Bank Abp has granted concessions to the obligor due to their financial difficulties and where such concessions have resulted in an impairment loss for Nordea Bank Abp. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new terms and conditions. In the event of a recovery, the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial difficulties (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquires an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar

P3.7 Loans, cont.

assets already held by Nordea Bank Abp. For example, a property taken over, not held for Nordea Bank Abp'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 in "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 in the category "Fair value through profit or loss" and measured at fair value. Changes in fair value are recognised in the income statement under "Net result from securities trading and foreign exchange dealing".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the presentation policies for the appropriate asset. The line item "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

Loans to credit institutions

EURm	31 Dec 2022	31 Dec 2021
Central banks		
Payable on demand	5	6
Not payable on demand	880	403
Total	**885**	**409**
Credit institutions		
Payable on demand	842	1,213
Not payable on demand	71,587	76,652
Total	**72,429**	**77,865**
Total loans to credit institutions	**73,314**	**78,247**

Loans to the public[1]

EURm	31 Dec 2022	31 Dec 2021
Payable on demand	6,999	6,766
Not payable on demand	143,025	132,320
Total loans to the public	**150,024**	**139,086**

1) For breakdowns by sector and industry, see Note P10 "Risk and liquidity management".

Loans and impairment

EURm	31 Dec 2022	31 Dec 2021
Loans measured at fair value	21,347	18,372
Loans measured at amortised cost, not impaired (stages 1 and 2)	201,655	198,048
Impaired loans (stage 3)	1,600	2,730
- of which servicing	949	1,459
- of which non-servicing	651	1,271
Loans before allowances	**224,602**	**219,150**
- of which central banks	885	409
- of which credit institutions	72,438	77,868
Allowances for individually assessed impaired loans (stage 3)	-827	-1,375
- of which servicing	-494	-654
- of which non-servicing	-333	-721
Allowances for collectively assessed loans (stages 1 and 2)	-437	-415
Allowances[1]	**-1,264**	**-1,790**
- of which central banks	0	0
- of which credit institutions	-9	-3
- of which to the public	-1,255	-1,786
Loans, carrying amount	**223,338**	**217,360**

1) For information on loan loss provisions on off-balance sheet items, see Note P5 "Provisions".

P3.8 Interest-bearing securities

Accounting policies

Instruments that are readily transferable and where the holder of the instrument receives the nominal amount at maturity are normally reported in the balance sheet line item "Interest-bearing securities". Instruments that cannot be transferred or sold without the consent of the holder of the instrument are normally reported as loans, see Note P3.7 "Loans". In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral.

For more information about accounting policies, see Note P3.1 "Recognition and derecognition on the balance sheet", Note P3.2 "Transferred assets and obtained collateral", Note P3.3 "Classification and measurement" and Note P3.4 "Fair value".

Interest-bearing securities[1]

EURm	31 Dec 2022	- of which held for trading
States, municipalities and other public bodies	17,442	1,218
Banks and other credit institutions	46,461	8,295
Other	10,602	1,624
Total	**74,504**	**11,136**

EURm	31 Dec 2021	- of which held for trading
States, municipalities and other public bodies	23,072	1,398
Banks and other credit institutions	40,034	5,288
Other	9,360	751
Total	**72,467**	**7,436**

1) The tables include the breakdown of the balance sheet line items "Interest-bearing securities" and "Debt securities eligible for refinancing with central banks" by type of security.

As at 31 December 2022 the securities that were publicly listed amounted to EUR 25,573m (EUR 22,586m). Subordinated securities amounted to EUR 31m (EUR 74m).

Provisions for credit risks amounted to EUR 3m (EUR 15m).

Debt securities eligible for refinancing with central banks

EURm	31 Dec 2022	31 Dec 2021
Treasury bonds, notes and bills	8,720	9,045
Other bonds	51,733	53,609
Total	**60,453**	**62,654**

P3.9 Shares

Accounting policies

The balance sheet line item "Shares" includes equity instruments, i.e. contracts that evidence a residual interest in the assets of an entity after deducting all of its liabilities, including holdings in different funds such as a unit in an investment fund or private equity fund. However, investments in associated undertakings and joint ventures (see Note P8.2 "Investments in associated undertakings and joint ventures") and investments in group undertakings (see Note P8.1 "Investments in group undertakings"), not presented in "Shares".

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral.

For more information about accounting policies, see Note P3.1 "Recognition and derecognition on the balance sheet", Note P3.2 "Transferred assets and obtained collateral", Note P3.3 "Classification and measurement" and Note P3.4 "Fair value".

EURm	31 Dec 2022	- of which held for trading
Shares	6,765	3,960
Total	**6,765**	**3,960**

EURm	31 Dec 2022	- of which held for trading
Shares	6,314	2,940
Total	**6,314**	**2,940**

As at 31 December 2022 the shares that were publicly listed amounted to EUR 5,307m (EUR 4,907m). EUR -56m (EUR 41m) of the shares relates to credit institutions.

Shares that are lent to other counterparties as securities lending transactions amounted to EUR 1,065m (EUR 347m). Shares borrowed amounted to EUR 756m (EUR 933m) and are not recognised on the balance sheet and thus not included in the total amount presented in the tables above.

P3.10 Derivatives

Accounting policies

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (so-called 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with a positive fair value, including any accrued interest, are recognised as assets in the line item "Derivatives" on the asset side. Derivatives with a negative fair value, including any accrued interest, are recognised as liabilities in the line item "Derivatives" on the liability side.

Nordea Bank Abp incorporates credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) into derivative valuations. CVAs and DVAs reflect the impact on fair value from the counterparty´s credit risk and Nordea Bank Abp's own credit quality, respectively. For more information about the calculation and other XVAs, see Note P3.4 "Fair value".

P3.10 Derivatives, cont.

Realised and unrealised gains and losses from derivatives are recognised in the income statement under "Net result from securities trading and foreign exchange dealing". For more information about accounting policies, see Note P3.4 "Fair value".

Nordea Bank Abp enters into derivatives for trading and risk management purposes. Nordea Bank Abp may take positions with the expectation of profiting from favourable movements in prices, rates or indices. The trading portfolio is treated as trading risk for risk management purposes. Derivatives held for risk management purposes include hedges that meet the hedge accounting requirements and hedges that are economic hedges but do not meet the hedge accounting requirements.

The table below shows the fair value of derivative financial instruments together with their nominal amounts. The nominal amounts indicate the volume of transactions outstanding at year end and are neither indicative of market risk nor credit risk. The derivatives are divided into derivatives not used for hedge accounting and derivatives used for hedge accounting. For more information about derivatives used for hedge accounting, see Note P3.5 "Hedge accounting".

As from 2022 the fair value and nominal amount of derivatives in this note represent derivatives before offsetting between assets and liabilities on the balance sheet (gross amount) and not as earlier after offsetting. The reason is that the gross amount better reflects Nordea Bank Abp's exposure. Comparative figures have been restated accordingly.

Derivatives

	Fair value		Nominal
31 Dec 2022, EURm	**Positive**	**Negative**	**amount**
Derivatives not used for hedge accounting	209,258	210,524	7,213,016
Derivatives used for hedge accounting	4,575	5,605	117,795
Gross amount	213,833	216,128	7,330,811
Derivatives offset on the balance sheet	-174,963	-174,079	–
Total derivatives	**38,870**	**42,049**	**7,330,811**

	Fair value		Nominal
31 Dec 2021, EURm	**Positive**	**Negative**	**amount**
Derivatives not used for hedge accounting	92,673	92,505	6,530,958
Derivatives used for hedge accounting	1,585	1,384	171,779
Gross amount	94,258	93,889	6,702,737
Derivatives offset on the balance sheet	-63,743	-61,543	–
Total derivatives	**30,514**	**32,347**	**6,702,737**

Derivatives not used for hedge accounting

	31 Dec 2022			31 Dec 2021		
	Fair value		Nominal	Fair value		Nominal
EURm	**Positive**	**Negative**	**amount**	**Positive**	**Negative**	**amount**
Interest rate derivatives						
Interest rate swaps	185,648	182,788	4,330,351	75,943	74,221	3,818,963
FRAs	3,687	4,124	1,455,868	220	240	1,220,039
Futures and forwards	52	85	103,575	26	37	83,298
Options	6,368	6,808	395,697	3,515	4,150	437,346
Total	**195,756**	**193,806**	**6,285,491**	**79,703**	**78,648**	**5,559,646**
Equity derivatives						
Equity swaps	352	306	18,964	210	273	16,315
Futures and forwards	5	9	703	1	1	1,047
Options	122	413	4,394	137	563	9,015
Total	**479**	**728**	**24,062**	**349**	**837**	**26,378**
Foreign exchange derivatives						
Currency and interest rate swaps	7,841	9,188	343,113	5,047	5,736	375,344
Currency forwards	3,407	4,738	371,536	3,032	2,544	382,693
Options	94	81	10,499	104	121	15,179
Total	**11,343**	**14,007**	**725,148**	**8,183**	**8,402**	**773,216**
Other derivatives						
Credit default swaps (CDS)	1,663	1,917	178,129	4,430	4,567	171,167
Commodity derivatives	10	37	124	4	42	499
Other derivatives	8	30	62	3	9	52
Total	**1,681**	**1,984**	**178,315**	**4,437**	**4,618**	**171,718**
Total derivatives not used for hedge accounting	**209,258**	**210,524**	**7,213,016**	**92,673**	**92,505**	**6,530,958**
- of which transactions between Nordea Bank Abp and group undertakings	2,433	2,089	119,072	326	920	133,953

P3.11 Deposits by credit institutions and central banks

Accounting policies

Deposits by credit institutions include liabilities towards central banks, banks, credit market companies, credit companies, finance companies and mortgage institutions. Deposits are classified in accordance with Note P3.3 "Classification and measurement".

For additional accounting policies, see Note P3.1 "Recognition and derecognition on the balance sheet", Note P3.2 "Transferred assets and obtained collateral" and Note P3.4 "Fair value".

Deposits by credit institutions and central banks

EURm	31 Dec 2022	31 Dec 2021
Central banks		
Payable on demand	16,418	15,998
Total	**16,418**	**15,998**
Credit institutions		
Payable on demand	5,594	6,126
Not payable on demand	18,618	13,408
Total	**24,212**	**19,534**
Total deposits by credit institutions and central banks	**40,630**	**35,532**

P3.12 Deposits and borrowings from the public

Accounting policies

Deposits from the public are defined as funds in deposit accounts covered by the government deposit guarantee but also include amounts in excess of the individual amount limits. Borrowings are other liabilities to the public that are not in the form of debt securities. Deposits are classified in accordance with Note P3.3 "Classification and measurement".

For additional accounting policies, see Note P3.1 "Recognition and derecognition on the balance sheet", Note P3.2 "Transferred assets and obtained collateral" and Note P3.4 "Fair value".

Deposits and borrowings from the public

EURm	31 Dec 2022	31 Dec 2021
Deposits		
Payable on demand	186,344	193,218
Not payable on demand[1]	33,868	19,025
Total	**220,212**	**212,243**
Repurchase agreements		
Not payable on demand	5,019	1,304
Total	**5,019**	**1,304**
Total deposits and borrowings from the public	**225,231**	**213,547**

1) Long-term savings accounts held by customers (PS accounts) amounted to EUR 6m (EUR 6m) as at 31 December 2022. Investments from long-term savings accounts held by customers amounted to EUR 79m (EUR 91m).

P3.13 Debt securities in issue

Accounting policies

Debt securities are instruments issued by Nordea Bank Abp that are readily transferable without the consent of Nordea Bank Abp. Debt securities are classified in accordance with Note P3.3 "Classification and measurement".

For hedged items in fair value hedges at micro level, the hedged risk is measured at fair value and presented in the line item "Fair value changes in micro hedges of interest rate risk" in the table below (for more information, see Note P3.5 "Hedge accounting").

For additional accounting policies, see Note P3.1 "Recognition and derecognition on the balance sheet" and Note P3.4 "Fair value".

Bonds are transferable debt securities which are normally issued off an issuance programme. A bond's term to maturity can range from about one month to several years. A bond is a debt obligation issued by the borrower to the investor or lender. The investor is normally entitled to a cash payment from the issuer on the maturity date. During the term to maturity, coupon payments are normally made at fixed intervals, but a bond can be issued as a zero-coupon debt instrument or be subject to other terms as agreed between the issuer and the investor. Bonds are often listed for trading on a stock exchange. There are senior bonds and subordinated bonds. In the event that an issuer defaults, the issuer will be required to pay the investors of senior bonds and meet all other creditor obligations in full before the issuer can make any payments on the subordinated bonds. Bonds can be issued as secured or unsecured debt.

Certificates of deposit (CDs) are transferable debt securities issued by the borrower to the investor who is entitled to a cash payment from the issuer on the maturity date. CDs are not issued off an issuance programme and are not listed on a stock exchange. CDs usually have maturities ranging from one week to three years or longer. CDs can be issued with coupon payments or without coupon payments. CDs are issued as unsecured debt.

Commercial paper (CP) is a transferable debt instrument and issued off an issuance programme. CP is issued with maturities ranging from overnight to about one year. CP is debt owed by the issuer to the investor who is entitled to a cash payment from the issuer on the maturity date. CP is normally issued as zero-coupon debt instruments with no coupon payments during the maturity of the CP. Typically CP is not listed for trading on a stock exchange. CP is usually issued as unsecured debt.

P3.13 Debt securities in issue, cont.

	Carrying amount		Nominal value	
EURm	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
Certificates of deposit	36,930	26,863	35,550	26,719
Commercial paper	13,991	11,336	14,079	11,305
Bonds	27,649	26,029	27,806	25,931
Other	34	36	34	36
Fair value changes in micro hedges of interest rate risk	-1,672	130	–	–
Total	**76,932**	**64,394**	**77,470**	**63,991**
- of which eligible liabilities under the Finnish Act on the Resolution of Credit Institutions and Investment Firms	11,126	6,181	11,068	6,174

P3.14 Subordinated liabilities

Accounting policies

Subordinated liabilities are financial liabilities for which it has been contractually agreed that they are not to be repaid in the event of liquidation or bankruptcy until all obligations towards other creditors have been fulfilled.

For additional accounting policies, see Note P3.1 "Recognition and derecognition on the balance sheet" and Note P3.3 "Classification and measurement".

For hedged items in fair value hedges at micro level, the hedged risk is measured at fair value and presented in the line item "Fair value changes in micro hedges of interest rate risk" in the table to the right (for more information, see Note P3.5 "Hedge accounting").

EURm	31 Dec 2022	31 Dec 2021
Additional Tier 1	2,600	2,447
Tier 2	3,295	4,262
Other subordinated loans	10	–
Fair value changes in micro hedges of interest rate risk	-504	131
Total	**5,401**	**6,840**

The key terms of additional Tier 1 and Tier 2 loans are specified below.

31 Dec 2022, EURm								
Classification of capital adequacy	**Nominal value**	**Carrying amount**	**Of which used for capital adequacy**	**Interest rate (coupon)**	**Interest rate%**	**Currency**	**Original maturity date**	**First optional call date**
Tier 2 loan	1,000	998	996	Fixed	Fixed EUR 0.625% until 18 Aug 2026. Thereafter fixed 5-year mid-swap +0.92%	EUR	18 Aug 2031	18 May 2026
Tier 2 loan	300	301	300	Fixed	Fixed EUR 1.00% until first call date. Thereafter fixed 5-year mid-swap +1.30%	EUR	27 Jun 2029	27 Jun 2024
Tier 2 loan	500	562	562	Fixed	Fixed GBP 1.625% until 9 Dec 2027. Thereafter fixed 5-year UK Treasury rate +1.30%	GBP	9 Dec 2032	9 Sept 2027
Tier 2 loan	20,000	142	142	Fixed to floating	Fixed USD 3.75% until first call date. Thereafter floating 6-month JPY deposit +1.20%	JPY	4 Mar 2040	4 Mar 2035
Tier 2 loan	15,000	107	59	Fixed	1.16%	JPY	6 Oct 2025	–
Tier 2 loan	10,000	71	71	Fixed to floating	Fixed USD 3.84% until first call date. Thereafter floating 6-month JPY deposit +1.20%	JPY	12 Oct 2040	12 Oct 2035
Tier 2 loan	10,000	71	71	Fixed to floating	Fixed USD 4.51% until call date. Thereafter floating rate equivalent to 6-month JPY deposit +1.10%	JPY	26 Feb 2034	26 Feb 2029
Tier 2 loan	500	48	48	Floating	Floating 3-month NIBOR +1.40%	NOK	26 Sept 2028	26 Sept 2023
Tier 2 loan	1,750	157	157	Floating	Floating 3-month STIBOR +1.40%	SEK	26 Sept 2028	26 Sept 2023
Tier 2 loan	3,000	270	269	Floating	Floating 3-month STIBOR +0.98%	SEK	18 Aug 2031	18 May 2026
Tier 2 loan	1,000	90	90	Fixed to floating	Fixed 1.385% until 18 Aug 2026. Thereafter floating 3-month STIBOR +0.98%	SEK	18 Aug 2031	18 May 2026
Tier 2 loan	500	477	467	Fixed	Fixed 4.625% until first call date. Thereafter fixed 5-year mid-swap +1.69%	USD	13 Sept 2033	13 Sept 2028
Additional Tier 1 loan	1,250	1 185	1 164	Fixed	Fixed 6.625%, until first call date. Thereafter fixed 5-year US Treasury +4.11%	USD	No maturity	26 Mar 2026
Additional Tier 1 loan	1,000	941	929	Fixed	Fixed 3.750% until 1 Sep 2029. Thereafter fixed 5-year CMT rate +2.602%	USD	No maturity	1 Mar 2029
Additional Tier 1 loan	500	475	467	Fixed	Fixed 6.125%, until first call date. Thereafter fixed 5-year mid-swap +3.388%	USD	No maturity	23 Sept 2024

P4 Intangible and tangible assets

P4.1 Intangible assets

Accounting policies

Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under Nordea Bank Abp's control, which means that Nordea Bank Abp has the power and rights to obtain the future economic benefits flowing from the underlying resource. Nordea Bank Abp's intangible assets mainly consist of goodwill, internally developed software and software licences.

Goodwill

Goodwill is recognised at cost less amortisation and any write-downs. Goodwill is amortised on a straight-line basis over its useful economic life, which is normally 5–10 years. Goodwill is typically recognised when Nordea Bank Abp acquires an asset or business or in connection with the merger of a subsidiary.

IT development and computer software

Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software also includes acquired software licences not related to the function of a tangible asset.

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 5 years, and in some circumstances for strategic infrastructure up to a maximum of 10 years.

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. Impairment testing is also performed more frequently if required due to any indication of impairment. Intangible assets in use and amortised are also evaluated for indications of impairment and if such indications are found, the assets are tested for impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

	31 Dec 2022				31 Dec 2021			
EURm	Goodwill	Internally developed software	Software licences	Total	Goodwill	Internally developed software	Software licences	Total
Acquisition value at beginning of year	**317**	**2,604**	**422**	**3,343**	**319**	**2,400**	**378**	**3,097**
Acquisitions	38	302	24	364	–	322	49	371
Sales/disposals	–	-67	-1	-68	–	-103	-3	-106
Reclassifications	–	0	–	0	–	0	–	0
Translation differences	-8	-94	-11	-113	-2	-15	-2	-19
Acquisition value at end of year	**347**	**2,745**	**434**	**3,526**	**317**	**2,604**	**422**	**3,343**
Accumulated amortisation and impairment at beginning of year	**-277**	**-1,023**	**-307**	**-1,607**	**-256**	**-790**	**-266**	**-1,312**
Accumulated amortisation and impairment charges on sales/disposals	–	23	1	24	–	102	3	105
Amortisation according to plan	-13	-315	-40	-368	-23	-301	-45	-369
Impairment charges	–	-23	–	-23	–	-40	–	-40
Translation differences	7	46	8	61	2	6	1	9
Accumulated amortisation and impairment at end of year	**-283**	**-1,249**	**-338**	**-1,870**	**-277**	**-1,023**	**-307**	**-1,607**
Total	64	1,496	96	1,656	40	1,581	115	1,736

P4.2 Tangible assets

Accounting policies

Properties and equipment

Properties and equipment consist of properties for own use, 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 property and equipment comprises its purchase price as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Improvements are recognised as assets if they provide an improved function of the asset, while maintenance does not improve the function of the assets and is expensed as incurred.

Properties and equipment are depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis.

The estimated useful lives of the assets are specified below:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	For changes within buildings, the shorter of 10 years and the remaining lease term. For new construction, the shorter of the principles used for owned buildings and the remaining lease term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining lease term.

At each balance sheet date, Nordea Bank Abp 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.

Investment properties

Nordea Bank Abp applies the fair value model for subsequent measurement of investment properties. The best evidence of fair value is normally 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.

The carrying amount of investment properties at year end was EUR 1m (EUR 1m). The amounts recognised in the income statement are insignificant.

Properties and equipment

	31 Dec 2022			31 Dec 2021		
EURm	Equipment[1]	Leasehold improvements	Total	Equipment[1]	Leasehold improvements	Total
Acquisition value at beginning of year	424	498	922	443	511	954
Acquisitions	8	25	33	2	19	21
Sales/disposals	-4	-21	-25	-16	-30	-46
Reclassifications	2	-3	-1	-5	-2	-7
Translation differences	-13	-13	-26	0	0	0
Acquisition value at end of year	417	486	903	424	498	922
Accumulated depreciation and impairment at beginning of year	-370	-299	-669	-377	-288	-665
Accumulated depreciation and impairment charges on sales/disposals	3	21	24	16	27	43
Depreciation according to plan	-13	-23	-36	-15	-27	-42
Impairment charges	–	–	–	-3	-9	-12
Reclassifications	–	-1	-1	9	-2	7
Translation differences	12	8	20	0	0	0
Accumulated depreciation and impairment at end of year	-368	-294	-662	-370	-299	-669
Total	49	192	241	54	199	253

1) Including properties of EUR 2m (EUR 2m).

P4.3 Leases

Accounting policies

A lease is a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are not recognised on Nordea Bank Abp's balance sheet. Lease payments are recognised as "Other operating 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 Bank Abp's benefit. The lease terms normally range between 3 to 25 years. Leases are mainly related to office premises contracts and office equipment contracts normal to the business.

Non-cancellable operating leases

Future minimum lease payments under non-cancellable operating leases are payable as follows:

EURm	31 Dec 2022	31 Dec 2021
Less than one year	146	157
1–2 years	108	151
2–5 years	206	232
5–10 years	299	312
10–15 years	263	283
15–20 years	164	172
20–25 years	10	9
Total	**1,196**	**1,316**

Nordea Bank Abp operates from leased premises. The premises are mainly divided into head office contracts, branch office contracts and other contracts.

The head office contracts in the different Nordic countries generally have a fixed lease term of 10–25 years. Usually these contracts either have continuation options or are automatically prolonged unless separately terminated at the end of the lease term.

Branch office contracts generally have fixed lease term of 1–10 years or are without an end date with the right to terminate. The termination clauses are generally 6–24 months. The main principle is that the premises contracts do not contain purchase options. Company car contracts generally have a fixed lease term of less than 5 years.

P5 Provisions

Accounting policies

Provisions (which are presented as a liability) are recognised when Nordea Bank Abp has a present obligation (legal or constructive) as a result of a past event if it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, where a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Accounting policies relating to employee benefits are further described in Note P7 "Employee benefits and key management personnel remuneration" and relating to financial guarantee contracts and credit commitments in Note P6 "Off-balance sheet items". Accounting policies for provisions for off-balance sheet items can be found in Note P3.7 "Loans".

Provisions

EURm	31 Dec 2022	31 Dec 2021
Restructuring	85	143
Guarantees/commitments	202	216
Other	89	104
Total	**376**	**463**

Movements in restructuring and other provisions

	Restructuring		Other	
EURm	2022	2021	2022	2021
At beginning of year	143	251	103	104
New provisions made	20	25	1	12
Provisions utilised	-71	-104	-14	-17
Reversals	-4	-30	-1	-1
Reclassifications	–	–	0	5
Translation differences	-3	1	0	0
At end of year	**85**	**143**	**89**	**103**

Provisions for restructuring costs were utilised by EUR 71m in 2022, and new provisions amounting to EUR 20m were accounted for. The remaining provisions are related to staff restructuring (EUR 65m) and premises-related obligations (EUR 20m).

The staff-related provision is mainly related to the new Group business plan, including new financial targets, initiated in 2019 but where payments remain to be executed. Approximately EUR 47m out of the total restructuring provisions EUR 85m, is expected to be utilised/paid out in 2023. All staff-related activities are expected to be executed on in 2023, but payments are expected to extend into 2024. As for any other provision, there is uncertainty surrounding the timing and the amount to be finally paid. The uncertainty is expected to decrease as the plans are executed.

Loan loss provisions on off-balance sheet items amounted to EUR 202m (EUR 216m). More information on these provisions can be found in Note P10 "Risk and liquidity management" and Note P6 "Off-balance sheet items".

More information on AML-related matters can be found in Note G11 "Risk and liquidity management", section 6.2 "Financial crime prevention".

P6 Off-balance sheet items

P6.1 Contingent liabilities

Accounting policies

A contingent liability is:

- a possible obligation whose existence will be confirmed only by future event(s) not wholly within Nordea Bank Abp's control or
- a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised as liabilities on the balance sheet but disclosed as an off-balance sheet item unless the possibility of an outflow is remote.

When an outflow is more likely than not, a provision is recognised on the balance sheet. The accounting policies covering provisions can be found in Note P5 "Provisions".

Guarantees and documentary credits are recognised on the balance sheet under the expected credit loss requirements as further defined in Note P3.7 "Loans". Changes in provisions are recognised in the income statement in the line item "Net loan losses".

Premiums received for financial guarantees are amortised over the guarantee period and recognised as "Fee and commission income" in the income statement. The contractual amounts are recognised off balance sheet, net of any provisions.

The table below includes all issued guarantees, also those for which the possibility of an outflow of resources is considered remote.

Contingent liabilities

EURm	31 Dec 2022	of which on behalf of group undertakings
Loan guarantees	27,667	25,180
Other guarantees	18,712	726
Documentary credits	598	1
Other contingent liabilities	63	–
Total	**47,040**	**25,907**

EURm	31 Dec 2021	of which on behalf of group undertakings
Loan guarantees	31,404	27,144
Other guarantees	18,555	897
Documentary credits	833	3
Other contingent liabilities	13	–
Total	**50,805**	**28,044**

In its normal business, Nordea Bank Abp issues various forms of guarantees in favour of its customers. Loan guarantees are provided for customers to guarantee obligations in other credit and pension institutions. Other guarantees mainly consist of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export-related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank's services and support Nordea´s customers.

Nordea Bank Abp has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against these individuals in their capacity of managing directors or board members of group undertakings of Nordea Bank Abp.

Nordea Bank Abp has undertaken to indemnify the members of the GLT against legal expenses incurred in relation to legal advice in defending or disputing certain claims or investigations by third parties, excluding crimes or actions made with intent or gross negligence. For each GLT member, the indemnity is capped at an aggregate amount of EUR 37.5m unless the Board decides otherwise on a case-by-case basis. Nordea Bank Abp purchases directors and officers liability insurance, which provides cover for personal liabilities of its Board of Directors and management as well as liability assumed by the bank following the indemnification undertaking. The terms and conditions including the total limit of liability of the policy are in line with large European banks.

The Annual General Meeting 2022 further decided that Nordea Bank Abp will cover or reimburse the members of the Board of Directors all costs and expenses related to or arising from the Board membership, including travel, logistics and accommodation as well as consultative, legal and administrative costs. The legal costs can e.g. include required legal defence costs related to claims made against Board members in cases where Board members are not found liable or guilty of any wrongdoing or grossly negligent behaviour.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further information, see Note P7.4 "Key management personnel remuneration".

Within the framework of normal business operations, Nordea Bank Abp faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts, as well as possible fines due to e.g. weak AML processes and procedures in the past. At present, none of the current disputes are considered likely to have any significant adverse effect on Nordea Bank Abp or its financial position. As previously stated, Nordea Bank Abp expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters. Nordea Bank Abp cannot exclude the possibility of fines which could impact the bank's financial performance. In addition, some of these proceedings could lead to litigation. See also Note P10 "Risk and liquidity management" and Note P5 "Provisions".

P6.2 Commitments

Accounting policies

Commitments are irrevocable promises to extend credit or make other types of payments in the future. Unutilised credit facilities are also disclosed as commitments.

Irrevocable commitments are recognised on the balance sheet under the expected credit loss requirements as further defined in Note P3.7 "Loans". Changes in provisions are recognised in "Net loan losses" in the income statement.

Premiums received on credit commitments are generally amortised over the loan commitment period. The contractual amounts are recognised off-balance sheet, net of any provisions.

Commitments

EURm	31 Dec 2022	of which to group undertakings
Unutilised overdraft facilities	30,519	5,862
Loan commitments	65,227	17,138
Future payment obligations	557	–
Other	3	–
Total	**96,306**	**23,000**

EURm	31 Dec 2021	of which to group undertakings
Unutilised overdraft facilities	35,627	10,073
Loan commitments	55,429	12,150
Future payment obligations[1]	682	–
Other	–	–
Total	**91,738**	**22,223**

1) Comparative amount for future payment obligations has been added to reflect the current presentation.

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on the settlement date. As at 31 December 2022 Nordea Bank Abp had signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On the settlement date these reverse repurchase agreements will, as far as possible, replace existing reverse repurchase agreements that were not derecognised as at 31 December 2022. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For more information about reverse repurchase agreements, see Note P3.2 "Transferred assets and obtained collateral".

P6.3 Assets pledged

Accounting policies

Assets recognised on the balance sheet and pledged as security for Nordea Bank Abp own liabilities are disclosed as "Assets pledged as security for own liabilities". Assets recognised on the balance sheet and pledged for other than own liabilities are disclosed as "Assets pledged as security for other than own liabilities". Securities borrowed and then used as collateral are presented as "Transferred assets and obtained collateral" on the balance sheet (see Note P3.2 "Transferred assets and obtained collateral" for accounting policies).

Assets pledged

EURm	31 Dec 2022	31 Dec 2021
Assets pledged as security for own liabilities	29,262	32,752
Assets pledged as security for other than own liabilities	253	253
Total	**29,515**	**33,005**

Assets pledged as security for own liabilities

EURm	31 Dec 2022	31 Dec 2021
Assets pledged as security for own liabilities		
Securities etc	21,020	23,499
Other assets pledged	8,242	9,253
Total	**29,262**	**32,752**

EURm	31 Dec 2022	31 Dec 2021
The above pledges pertain to the following liabilities[1]		
Deposits by credit institutions	16,659	22,065
Deposits and borrowings from the public	1,873	1,386
Derivatives	7,761	8,819
Other liabilities and commitments	398	314
Total	**26,691**	**32,584**

1) Liabilities after offsetting between assets and liabilities on the balance sheet.

Assets pledged as security for own liabilities comprise securities pledged as security under repurchase agreements and in securities lending. The transactions are conducted under standard agreements employed by financial market participants. Counterparties in those transactions are credit institutions and the public. The transactions are typically short term and mature with three months.

Other assets pledged relate to certificates of deposit pledged by Nordea Bank Abp to comply with the authorities' requirements. Nordea Bank Abp has not provided any pledges or mortgages on behalf of its customers.

Assets pledged as security for other than own liabilities

Assets pledged mainly relate to interest-bearing securities pledged as security for payment settlements with central banks and clearing institutions and amounted to EUR 253m (EUR 253m). Only securities pledged for overnight liquidity are disclosed (securities pledged for intraday liquidity are excluded). Collateral pledged for items other than Nordea Bank Abp's own liabilities, e.g. for a third party or for Nordea Bank Abp's own contingent liabilities, is also accounted for under this item.

Collateral pledged for group undertakings amounted to EUR 0m (EUR 0m) and for associated undertakings to EUR 0m (EUR 0m).

Nordea Bank Abp has not pledged any assets or other collateral for any key management personnel or auditors.

P7 Employee benefits and key management personnel remuneration

All forms of consideration given by Nordea Bank Abp to its employees as compensation for services performed are employee benefits. Employee benefits consist of short-term benefits, post-employment benefits and share-based payment plans.

Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Short-term benefits consist mainly of fixed and variable salary. For more information, see Note P7.1 "Fixed and variable salaries".

Post-employment benefits are benefits payable after termination of the employment. Post-employment benefits in Nordea Bank Abp consist only of pensions. For more information, see Note P7.2 "Pensions".

Share-based payment plans cover share-based payments for services from employees. For more information, see Note P7.3 "Share-based payment plans".

In addition, remuneration to key management personnel is disclosed in Note P7.4 "Key management personnel remuneration".

Additional disclosures on remuneration

The Board of Directors' report includes a separate section on remuneration, see page 79. For the Annual General Meeting on 23 March 2023 the Remuneration Report for Governing Bodies 2022 is disclosed. Further, aggregated disclosures for key management personnel and material risk takers (Pillar III, CRR article 450) will be published in a separate report on nordea.com no later than one week before the Annual General Meeting.

P7.1 Fixed and variable salaries

Accounting policies

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 perform services for Nordea Bank Abp.

Termination benefits

Termination benefits normally arise if employment is terminated before the normal retirement date or if an employee accepts an offer of voluntary redundancy.

Termination benefits are expensed when Nordea Bank Abp has an obligation to make the payment. An obligation arises when a formal plan has been committed to on the appropriate organisational level and when Nordea Bank Abp is without realistic possibility of withdrawal, which normally occurs when the plan has been communicated to the affected individual or employee(s) or 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.

Nordea Bank Abp's Short Term Incentive Plans

Nordea Bank Abp operates Short Term Incentive Plans (STIPs). These are the Nordea Incentive Plan (NIP), which is offered to the CEO and members of the Group Leadership Team (GLT) and by subject to invitation to other employees, or bonus schemes (bonus) for selected employees in specific business areas or units as approved by the Board of Directors. For more information on the STIPs, see the Group's Note G8.1, section "Nordea's Short Term Incentive Plans".

Staff costs

EURm	2022	2021
Fixed and variable salaries[1]	-1,849	-1,752
Pension costs (specification in Note P7.2)	-238	-240
Social security contributions	-357	-350
Other staff costs[2]	126	86
Total	**-2,318**	**-2,256**

1) Of which allocation to profit-sharing for 2022 EUR -58m (EUR -52m).
2) Including capitalisation of IT projects with EUR 126m (EUR 138m).

P7.2 Pensions

Accounting policies

Defined contribution plans

Pension plans that are based on defined contribution arrangements hold no pension liability for Nordea Bank Abp. All defined benefit plans are closed for new entrants; new employees are offered defined contribution plans. Pension costs for defined contribution 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. In general, the payment is associated with and settled through regular salary payments. Nordea Bank Abp also contributes to state pension plans.

Defined benefit plans

The major defined benefit plans are funded 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".

Nordea Bank Abp's net obligation for defined benefit 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. Current and past service cost is recognised in the income statement in the current year. Current service cost is defined as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods triggered by plan amendments or curtailments.

P7.2 Pensions, cont.

The present value of the obligation and the fair value of any plan assets are impacted by changes in actuarial assumptions (discount rates (interest rates and credit spreads), inflation, salary increases, turnover and mortality) and experience effects, including actual outcome compared to assumptions. The remeasurement effects are recognised immediately in equity through the fair value reserve.

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 Sweden, Norway and Denmark, the discount rate is determined with reference to covered bonds, whereas in Finland and UK the discount rates are determined with reference to corporate bonds. In Sweden, Norway, Finland and Denmark, the observed bond credit spreads over the swap curve are derived from the long-dated covered or corporate bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In UK, the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligations using the government bond curve.

When the calculation results in a net asset, 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 contributions are calculated and accounted for based on the net recognised surplus or deficit by plan and are included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

Pension costs

The companies within Nordea Bank Abp have various pension plans. They consist of both defined benefit plans and defined contribution plans, reflecting national practices and conditions in the countries where Nordea Bank Abp operates.

Pension costs

EURm	2022	2021
Defined contribution plans	-184	-183
Defined benefit plans	-54	-57
Total	**-238**	**-240**

Defined contribution plans

All new employees have been offered defined contribution plans since 2013 when the defined benefit plan in Sweden was closed for new members. The defined contribution plans follow the local collective agreements and regulations in each country.

In Norway, Nordea Bank Abp is part of a collectively agreed multi-employer pension plan in the private sector (AFP), providing entitled employees with a lifelong addition to their regular pensions. As no information is available on Nordea Bank Abp's share of the liabilities/assets and pension costs the AFP is accounted for as a defined contribution plan.

Defined benefit plans

The plans are operated in accordance with local regulatory requirements, collective agreements and local practice and are generally employer-financed final salary and service-based pension plans providing pension benefits in addition to the statutory systems.

Retirement benefit assets and liabilities

EURm	31 Dec 2022	31 Dec 2021
Plans with net retirement benefit assets	159	218
Plans with net retirement benefit liabilities	243	300
Net liability(-)/asset(+)	**-84**	**-82**

In general, the liabilities are safeguarded by assets in dedicated pension funds or foundations or alternatively by credit insurance (Sweden only). Pension funds and foundations hold both the assets and the pension liabilities, except for Sweden where the pension foundation serves as collateral for the pension liabilities held by Nordea Bank Abp.

Minimum funding requirements differ between the pension funds and foundations according to local regulatory requirements. The funding requirement is generally that the pension obligations measured using local requirements must be covered in full by a local predefined surplus. Other pension plans are not covered by funding requirements and are generally unfunded. The respective Nordea Bank Abp entities issuing the defined pension benefit serve as the sponsoring entity in accordance with the EU IORP II Directive.

Defined benefit plans impact Nordea Bank Abp via changes in the net present value of obligations and/or changes in the market value of plan assets.

P7.3 Share-based payment plans

Accounting policies

Equity-settled plans

An equity-settled share-based payment transaction occurs when Nordea Bank Abp receives goods or services and uses its own equity instruments as consideration. Such transactions are recognised as a staff expense and a corresponding increase in equity. The expense is measured at the fair value of the goods or services received unless that fair value cannot be estimated reliably. In such cases, the expense is measured by reference to the fair value of the equity instruments awarded, which is the method used by Nordea Bank Abp.

When Nordea Bank Abp issues such instruments, the award date fair value of these rights is expensed on a straight-line basis over the vesting period. The fair value per right is estimated at award date and not subsequently updated. The vesting period is the period over which the employees have to remain in service at Nordea in order for their rights to vest.

For rights with non-market performance conditions, the amount expensed is the award date fair value per right multiplied by the best estimate of rights that will eventually vest, which is reassessed at each reporting date. For rights with market performance conditions, the total fair value is estimated based on the fair value of each right times the maximum number of rights at award date. Market conditions are taken into account when estimating the fair value of the equity instruments awarded. Therefore, if all other vesting conditions (e.g. service conditions) are met, Nordea Bank Abp recognises the expense for awards of equity instruments with market conditions over the vesting period irrespective of whether that market condition is satisfied.

Social security costs are also allocated over the vesting period. The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

P7.3 Share-based payment plans, cont.

Cash-settled plans

A share-based cash settled payment transaction occurs when Nordea Bank Abp acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price of equity instruments of Nordea Bank Abp. For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. The liability is remeasured at fair value at the end of each reporting period, with any changes in fair value recognised in the line item "Net result from securities trading and foreign exchange dealing" in the income statement.

Nordea Bank Abp has several variable pay plans for selected Nordea Bank Abp employees (participants). The terms of the plans vary depending on the target group. Disclosures related to the share-based plans can be found below. All remuneration plans are also described in the section "Remuneration" on page 79 of the Board of Directors' report.

Until the end of the performance/financial year 2018, Nordea Bank Abp's share-based variable remuneration plans were partly in the form of cash-linked total shareholders' return indexation (excluding dividends) and partly in the form of cash. The plans were consequently generally settled in cash and the portion indexed with Nordea's total shareholders' return was accounted for as a cash-settled share-based payment plan.

Starting from the 2019 performance year, share-based variable pay plans are partly in the form of cash not linked to the Nordea share, and partly in the form of Nordea shares, which makes the portion paid in Nordea shares an equity-settled share-based plan. Total shareholders' return indexation may be used for share-based variable pay plans, subject to operational, administrative or tax issues as well as applicable regulation in certain legal entities.

In the Executive Incentive Programme (EIP) 2021 EUR 15m was expensed for variable remuneration to be paid in cash and EUR 15m to be paid in shares. In 2022 these were adjusted to EUR 10m for the portion delivered in shares and another EUR 14m was in cash. In 2022 1,679,299 shares in Nordea were allotted to the participants in these plans, corresponding to EUR 18m based on the share price at the award date. In total 2,115,418 shares were awarded to the participants. These shares had a fair value of EUR 22m based on the share price at the award date.

The table below covers all plans with share-based plan expenses recognised in 2022 as well as the comparative figures for 2021. Figures for 2022 are based on the expected 2022 outcome and all figures are excluding social security expenses. The expense for 2022 is based on an assumption about the number of shares that will be awarded and deferred for delivery in later years.

Nordea Bank Abp's Long Term Incentive Plans

See the Group's Note G8.3, section "Nordea's Long Term Incentive Plans".

Expired Long Term Incentive Plans – 2012

The LTIP 2012 was fully expensed in May 2015. All shares in the LTIP 2012 are fully vested and consequently not conditional. 60% of the vested shares were deferred with forfeiture clauses in line with regulatory requirements and allotted over a five-year period, for the LTIP 2012 starting in May 2015. There have been no changes to the share balance outstanding between 2021 and 2022. The share balance outstanding remains at 2,203 Matching shares, 6,608 Performance shares I and 2,203 Performance shares II at the end of the year.

Share-based payment plans

Plan year	Equity settled or cash settled	Delivery period	Expense 2022	Expense 2021	Liability 31 Dec 2022	Liability 31 Dec 2021	Outstanding rights
2022							
- LTIP	Equity settled	2025–2030	1	–	–	–	Yes[1]
- NIP	Equity settled	2023–2028	10	–	–	–	Yes[2]
- Buy-outs etc.	Equity settled	2022–2026	0	–	–	–	Yes[2]
2021							
- LTIP	Equity settled	2024–2029	1	1	–	–	Yes[3]
- EIP	Equity settled	2022–2027	-5	15	–	–	Yes
- VSP & bonus	Equity settled	2022–2027	8	–	–	–	Yes
- Buy-outs etc.	Equity settled	2022–2023	0	–	–	–	Yes
2020							
- LTIP	Equity settled	2023–2028	0	0	–	–	Yes
- EIP	Equity settled	2021–2026	-1	-5	–	–	Yes
- VSP & bonus	Equity settled	2021–2026	-1	6	–	–	Yes
- Buy-outs etc.	Equity settled	2021–2026	0	–	–	–	Yes
Previous years	Cash settled	2022–2025	-2	13	6	22	No
	Equity settled	2022–2025	-1	-1	–	–	Yes
Total			**10**	**29**	**6**	**22**	

1) Rights will be awarded following the end of the three-year performance period (2022–2024) over the delivery period (2025–2030).
2) Rights will be awarded in 2023 based on the performance in 2022.
3) Rights will be awarded following the end of the three-year performance period (2021–2023) over the delivery period (2024–2029).

P7.3 Share-based payment plans, cont.

Share-based variable remuneration plans other than LTIP plans

The table to the right shows the remaining liabilities for the cash-settled share-based plans used 2014–2018. The table only includes deferred amounts indexed with Nordea TSR.

Share-linked deferrals

EURm	2022	2021
Opening balance	22	28
Deferred/earned during the period	1	1
TSR indexation during the period	-2	13
Payments during the period	-15	-21
Translation differences	0	0
Closing balance	**6**	**22**

P7.4 Key management personnel remuneration

Accounting policies

For information about the accounting policies, see Note P7.1 "Fixed and variable salaries", Note P7.2 "Pensions" and Note P7.3 "Share-based payment plans". For definition of key management personnel, see Note P9.8 "Related party transactions".

Remuneration of the Board, the Chief Executive Officer, the Deputy Managing Director and the Group Leadership Team

The information on remuneration for the Board of Directors the Chief Executive Officer, the Deputy Managing Director and the Group Leadership Team of Nordea Bank Abp is the same as for the Group. For further details on their remuneration, see the Group's Note G8.4 "Key management personnel remuneration".

Remuneration of the Board of Directors

EUR	2022	2021
Chair of the Board:		
Stephen Hester[1]	97,000	–
Torbjörn Magnusson[2]	282,925	352,275
Vice Chair of the Board:		
Torbjörn Magnusson[2]	47,000	–
Stephen Hester[1]	94,000	–
Kari Jordan[3]	44,450	176,100
Other Board members:		
Arja Talma[4]	125,250	–
Birger Steen	197,725	190,550
Claudia Dill[3, 5]	40,300	120,900
John Maltby	197,725	183,050
Jonas Synnergren	141,175	159,650
Kjersti Wiklund[4]	125,250	–
Lene Skole[4]	100,875	–
Nigel Hinshelwood[3]	48,100	190,550
Pernille Erenbjerg[6]	–	38,750
Petra van Hoeken	189,925	159,650
Robin Lawther	128,950	124,600
Sarah Russell[3]	39,250	156,500
Total	**1,899,900**	**1,852,575**

1) Chair of the Board from 1 October 2022, Vice Chair of the Board from 24 March 2022 until 30 September 2022.
2) Vice Chair of the Board from 1 October 2022, Chair of the Board from 24 March 2022 until 30 September 2022.
3) Resigned as member of the Board as from the AGM 2022.
4) New member of the Board as from the AGM 2022.
5) New member of the Board as from the AGM 2021.
6) Resigned as a member of the Board as from the AGM 2021.

Deferred variable remuneration in Nordea shares

Part of the award from the EIP 2019, EIP 2020 and EIP 2021 for the Group Leadership Team has been deferred and will be paid in the future by delivering Nordea shares. Any Nordea shares to be awarded from the NIP 2022 as well as the LTIP 2020-2022 conditional share award as of 31 December 2022 are not included in the table on the next page.

P7.4 Key management personnel remuneration, cont.

Remuneration of the Chief Executive Officer, the Deputy Managing Director and the Group Leadership Team

Fixed remuneration

	Fixed salary		Pension expense (DCP & DBP)		Benefits		Total fixed remuneration	
EUR	2022	2021	2022	2021	2022	2021	2022	2021
Chief Executive Officer:								
Frank Vang-Jensen	1,469,743	1,361,329	423,031	386,405	105,985	109,392	1,998,759	1,857,126
Deputy Managing Director:								
Jussi Koskinen	545,545	481,447	192,950	139,623	18,391	21,634	756,886	642,704
Group Leadership Team:								
10 (10) individuals excluding CEO and Deputy Managing Director	6,831,481	6,292,854	1,781,737	1,441,569	178,296	155,467	8,791,514	7,889,890
Total	**8,846,769**	**8,135,630**	**2,397,718**	**1,967,597**	**302,672**	**286,493**	**11,547,159**	**10,389,720**

Variable remuneration

	STIP (NIP/EIP)		LTIP		Total variable remuneration		Total remuneration - fixed and variable	
EUR	2022	2021	2022	2021	202	2021	202	2021
Chief Executive Officer:								
Frank Vang-Jensen	981,140	849,509	531,536	201,724	1,512,676	1,051,233	3,511,435	2,908,359
Deputy Managing Director:								
Jussi Koskinen	354,792	314,137	177,178	67,241	531,970	381,378	1,288,856	1,024,082
Group Leadership Team:								
10 (10) individuals excluding CEO and Deputy Managing Director	4,148,166	3,829,690	1,886,840	685,649	6,035,006	4,515,339	14,826,520	12,405, 229
Total	**5,484,098**	**4,993,336**	**2,595,554**	**954,614**	**8,079,652**	**5,947,950**	**19,626,811**	**16,337,670**

Nordea shares – awarded and deferred

	2022	2021
Chief Executive Officer:		
Frank Vang-Jensen	64,100	45,001
Deputy Managing Director:		
Jussi Koskinen	28,578	21,604
Group Leadership Team:		
10 (10) individuals excl. CEO and Deputy Managing Director	275,483	227,775
Total	**368,161**	**294,380**
Former Chief Executive Officer:		
Casper von Koskull	20,483	20,483
Former Group Chief Operating Officer and Deputy Chief Executive Officer		
Torsten Hagen Jørgensen	12,997	12,997
Total	**401,641**	**327,860**

Defined benefit pension obligations

The pension plans are funded, meaning that the pension plan obligations are backed by plan assets with the fair value generally being at a level similar to that of the obligations.

Defined benefit pension costs related to key management personnel in 2022 were EUR 0m (EUR 0m).

The pension obligation in the following table is the valuation as of 31 December 2022 and 2021, respectively. The decrease compared with 2021 is mainly due to pension payments to retired executives during the year, higher discount rates used in the measurement of the obligations at the end of 2022 and currency effects from obligations in SEK. There are no defined benefit pension obligations towards the CEO and the Deputy Managing Director.

P7.4 Key management personnel remuneration, cont.

EURm	2022	2021
Group Leadership Team:		
3 (3) individuals in Sweden	756,087	1,241,536
Former Chair of the Board, former CEOs and Deputy CEOs:		
Vesa Vainio[1]	4,105,734	4,667,760
Lars G Nordström	243,140	289,220
Casper von Koskull	338,920	428,311
Total	**5,443,881**	**6,626,827**

1) The pension obligation is mainly due to defined benefit pension rights earned at, and funded by, the banks forming Nordea Bank Abp.

Notice period and severance pay

For further details on the notice period and severance pay, see the Group's Note G8.4 "Key management personnel remuneration", section "Notice period and severance pay".

Indemnification

Nordea Bank Abp has undertaken to indemnify the members of the Group Leadership Team against legal expenses incurred in relation to legal advice in defending or disputing certain claims or investigations by third parties, excluding crimes or actions made with intent or gross negligence. For each Group Leadership Team member, the indemnity is capped at an aggregate amount of EUR 37.5m unless the Board of Directors decides otherwise on a case-by-case basis. Nordea Bank Abp purchases directors and officers liability insurance, which provides cover for personal liabilities of its Board of Directors and management as well as liability assumed by the bank following the indemnification undertaking. The terms and conditions including total limit of liability of the policy are in line with large European banks.

The AGM further decided that the company will cover or reimburse the members of the Board of Directors all costs and expenses related to or arising from the Board membership, including travel, logistics and accommodation as well as consultative, legal and administrative costs. The legal costs can e.g. include required legal defence costs related to claims made against Board members in cases where Board members are not found liable or guilty of any wrongdoing or grossly negligent behaviour.

P7.5 Gender distribution and number of employees

Gender distribution

In the parent company's Board of Directors 50% (60%) were men and 50% (40%) were women. The corresponding numbers for other executives were 67% (67%) men and 33% (33%) women. The employee representatives have been excluded.

Number of employees

	31 Dec 2022	31 Dec 2021	Change
Permanent full-time	23,525	22,468	1 057
Permanent part-time	1,071	1,093	-22
Fixed term	352	367	-15
Total number of employees (FTEs), end of period	**24,947**	**23,928**	**1 019**

Average number of employees, full-time equivalents

	Total		of which male		of which female	
	2022	2021	2022	2021	2022	2021
Denmark	5,879	6,071	3,368	3,492	2,511	2,579
Sweden	5,469	5,403	2,684	2,650	2,785	2,753
Finland	5,297	5,217	2,160	2,062	3,137	3,155
Poland	4,623	4,587	2,439	2,545	2,184	2,042
Norway	2,133	2,116	1,142	1,140	991	976
Other countries	1,041	911	370	337	671	574
Total average	**24,442**	**24,305**	**12,163**	**12,226**	**12,279**	**12,079**

P8 Investments in group undertakings, associated undertakings and joint ventures

P8.1 Investments in group undertakings

Accounting policies

Group undertakings are the entities that Nordea Bank Abp controls. Control is generally achieved when Nordea Bank Abp holds, directly or indirectly through group undertakings, more than 50% of the voting rights.

Nordea Bank Abp's investments in group undertakings are recognised under the cost model. At each balance sheet date, all shares in group undertakings 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 presented in the line item "Impairment losses of other financial assets" in the income statement.

Nordea Bank Abp applies fair value hedge accounting for the foreign exchange risk in its investments in foreign operations. Under fair value hedge accounting, the gain or loss on the hedging instrument is recognised in profit or loss along with the associated movement in the foreign currency risk on the designated portion of the investment in foreign operations. All changes in the fair value of the hedged item and hedging instruments are recognised in the income statement in the line item "Net result from securities trading and foreign exchange dealing". Exchange differences arising on internal long-term loans to foreign operations for which settlement is neither planned nor likely to occur in the future are recognised in equity and reclassified from equity to profit or loss on disposal of the investment.

Group undertakings

This specification includes all directly owned group undertakings.

	Registration number	Domicile	Number of shares	Carrying amount 31 Dec 2022, EURm	Carrying amount 31 Dec 2021, EURm	Shareholding, %	Voting power of holding, %
Nordea Kredit RealKreditaktieselskab[1]	15134275	Copenhagen	17,172,500	2,950	2,950	100.0	100.0
Nordea Hypotek AB (publ)[1]	556091-5448	Stockholm	100,000	2,905	2,657	100.0	100.0
Nordea Eiendomskreditt AS[1]	971227222	Oslo	15,336,269	1,832	1,749	100.0	100.0
Fionia Asset Company A/S	31934745	Copenhagen	148,742,586	1,185	1,186	100.0	100.0
Nordea Finance Finland Ltd[1]	0112305-3	Helsinki	1,000,000	1,067	1,067	100.0	100.0
Nordea Baltic AB	559220-4688	Stockholm	1,000	179	1,001	100.0	100.0
Nordea Mortgage Bank Plc[1]	2743219-6	Helsinki	257,700,000	1,131	831	100.0	100.0
Nordea Life Holding AB	556742-3305	Stockholm	1,000	721	720	100.0	100.0
Nordea Direct Bank ASA[1, 2]	990323429	Oslo	876,000	–	385	100.0	100.0
Nordea Finance Equipment AS	987664398	Oslo	9,360,750	568	636	100.0	100.0
LLC Promyshlennaya Kompaniya Vestkon[3]	1027700034185	Moscow	4,601,942,680	85	221	100.0	100.0
Nordea Finans Norge AS	924507500	Oslo	63,000	652	663	100.0	100.0
Nordea Funds Ltd	1737785-9	Helsinki	3,350	385	385	100.0	100.0
Nordea Asset Management Holding AB	559104-3301	Stockholm	500	247	252	100.0	100.0
Nordea Finans Danmark A/S	89805910	Høje Taastrup	20,006	176	188	100.0	100.0
Nordea Finans Sverige AB (publ)[1]	556021-1475	Stockholm	1,000,000	111	116	100.0	100.0
Nordea Essendropsgate Eiendomsforvaltning AS	986610472	Oslo	7,500	34	35	100.0	100.0
Nordea Markets Holding Company INC	36-468-1723	New York	1,000	91	22	100.0	100.0
Nordic Baltic Holding (NBH) AB	556592-7950	Stockholm	1,000	20	21	100.0	100.0
Privatmegleren AS	986386661	Oslo	12,000,000	9	10	100.0	100.0
Tomteutvikling Norge AS[4]	999222862	Oslo	300	–	2	100.0	100.0
Danbolig a/s	13186502	Copenhagen	1	1	1	100.0	100.0
Structured Finance Servicer A/S	24606910	Copenhagen	2	1	1	100.0	100.0
Nordea Hästen Fastighetsförvaltning AB	556653-6800	Stockholm	1,000	0	0	100.0	100.0
First Card AS	963215371	Oslo	200	0	0	100.0	100.0
Bohemian Wrappsody AB	556847-8399	Stockholm	14,658,539	0	3	54.8	54.8
Nordea Vallila Fastighetsförvaltning Ab	1880368-8	Helsinki	1,000	0	0	100.0	100.0
Total				**14,350**	**15,101**		

1) Credit institutions.
2) Merged in to Nordea Bank Abp on 1 November 2022.
3) In December 2020 Nordea announced its decision to wind down its operations in Russia. The legal process has been initiated to close down the subsidiaries.
4) Liquidated during 2022.

P8.2 Investments in associated undertakings and joint ventures

Accounting policies

Associated undertakings are the entities where Nordea Bank Abp's share of voting rights is between 20% and 50% and/or where Nordea Bank Abp has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Joint ventures are the entities where Nordea Bank Abp 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.

Nordea Bank Abp's investments in associated undertakings and joint ventures are recognised under the cost model. At each balance sheet date, all shares in 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 presented in the line item "Impairment losses of other financial assets" in the income statement.

Associated undertakings[1]

			Carrying amount		
	Registration number	Domicile	2022, EURm	2021, EURm	Shareholding, %
Eksportfinans ASA[2]	816521432	Oslo	42	42	23
Eiendomsverdi AS	881971682	Oslo	11	11	25
Suomen Luotto-osuuskunta	0201646-0	Helsinki	1	3	27
Bankomat AB[2]	556817-9716	Stockholm	6	6	20
Mondido Payments AB	556960-7129	Stockholm	0	0	14
Financial Transaction Services B.V.[2]	68914016	Amsterdam	0	5	15
Subaio ApS	37766585	Aalborg	2	2	20
CreditWire Aps	37264628	Copenhagen	2	1	7
Other			0	0	
Total			**64**	**70**	

Joint ventures[1]

			Carrying amount		
	Registration number	Domicile	2022, EURm	2021, EURm	Shareholding, %
Siirto Brand Oy	3102648-1	Helsinki	0	0	50
Tibern AB	559384-3542	Stockholm	0	–	14
Invidem AB[2]	559210-0779	Stockholm	4	7	17
P27 Nordic Payments Platform AB	559198-9610	Stockholm	26	11	17
Total			**30**	**18**	

1) All shares in associated undertakings or joint ventures are unlisted.
2) Classified as CRR institutions.

P8.3 Currency translation of foreign entities

Accounting policies

The financial statements are presented in euro (EUR). When translating the financial statements of foreign entities and branches into EUR from their functional currency, the assets and liabilities of foreign branches in Nordea Bank Abp have been translated at the closing rates, while items in the income statement 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 business days in the period. Translation differences are recognised in the retained earnings in equity.

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

Information on the most important exchange rates is disclosed in P1 "Accounting policies", section "Exchange rates".

P9 Other disclosures

P9.1 Equity

Accounting policies

Equity is the residual interest in recognised assets after deduction of recognised liabilities. For equity, there are no requirements to distribute cash flows. Instruments are classified as financial liabilities if such genuine requirements exist, for instance to pay interest when a triggering event occurs that is beyond the control of both the issuer and the holder of the instruments.

Any payments connected to instruments classified as equity are accounted for directly in equity and presented as dividends. Nordea Bank Abp determines payments on financial instruments classified as equity (i.e. Additional Tier 1 instruments) as distribution of profits and they are therefore accounted for as dividends. Dividends to shareholders are recognised as a reduction of equity when the Annual General Meeting has adopted the proposal. The reduction of equity is accounted for when the Board of Directors decide on dividends, in situations where the Annual General Meeting has given the Board of Directors a mandate to make such a decision up to a certain cap.

Investments in own shares are not accounted for as assets, instead they are recognised as a reduction in equity net of any transaction costs. Acquisitions of treasury shares as part of the Markets trading operations are recognised as a reduction in invested unrestricted equity. Treasury shares acquired to optimise the capital structure and Nordea Bank Abp's buy-back programmes are recognised as a reduction in retained earnings. Transaction costs related to repurchasing of treasury shares are also recognised in equity. There is no impact on the financial statements when shares are cancelled. Sales of own shares in the trading operations are recognised as increases in invested unrestricted equity.

Contracts on Nordea shares that can be settled net in cash, for instance derivatives such as options and warrants, are either presented as financial assets or liabilities, meaning that these are not equity instruments.

Additional Tier 1 capital holders

Nordea Bank Abp has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea Bank Abp and non-accumulating. Some of these instruments also include a requirement for Nordea Bank Abp to pay interest if the instruments are no longer allowed to be included in Tier 1 capital. The inclusion of the subordinated loan in Tier 1 capital is decided by the regulators and is thus beyond the control of Nordea Bank Abp and the holders of the instruments. Nordea Bank Abp classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea Bank Abp to pay interest or principal to the holders of the instruments.

Share capital

The share capital amounts to EUR 4,049,951,919. The shares in Nordea Bank Abp have no nominal value. Each share carries one voting right. For more information about the number of registrated shares see section "Nordea shares" below.

Invested unrestricted equity

Invested unrestricted equity consists of the subscription price of the shares in Nordea Bank Abp's share issue or rights issue which has not been recorded in share capital. Invested unrestricted equity has also been impacted by acquisitions and sales of treasury shares as part of the Markets trading operations.

Other reserves

These reserves include reserves for cash flow hedges, financial assets classified in the category "Financial assets at fair value through other comprehensive income" and accumulated remeasurements of defined benefit pension plans as well as a reserve for translation differences.

Retained earnings

Retained earnings primarily comprise Nordea Bank Abp's undistributed profits from previous years.

	Restricted equity			Unrestricted equity				
EURm	Share capital	Revaluation reserves	Fair value reserve	Invested unrestricted reserve	Other unrestricted reserves	Retained earnings	Additional Tier 1 capital holders	Total equity
Balance at 1 Jan 2022	4,050	-107	43	1,090	2,762	20,454	750	29,042
Net profit for the year	–	–	–	–	–	3,955	–	3,955
Currency translation differences	–	3	–	–	–	-221	–	-218
Investments in foreign operations:								
Valuation gains/losses, net of tax	–	–	-4	–	–	–	–	-4
Fair value measurement of financial assets:								
Valuation gains/losses, net of tax	–	–	-74	–	–	–	–	-74
Transferred to the income statement, net of tax	–	–	-67	–	–	–	–	-67
Cash flow hedges[1]:								
Valuation gains/losses, net of tax	–	–	866	–	–	–	–	866
Transferred to the income statement, net of tax	–	–	-813	–	–	–	–	-813
Changes in own credit risk related to liabilities at fair value option:								
Valuation gains/losses, net of tax	–	–	6	–	–	–	–	6
Defined benefit plans:								
Remeasurement of defined benefit plans during the year, net of tax	–	–	-27	–	–	–	–	-27
Share-based payments	–	–	–	–	–	14	–	14
Paid interest on Additional Tier 1 capital, net of tax	–	–	–	–	–	-21	–	-21
Dividend	–	–	–	–	–	-2,655	–	-2,655
Sale/purchase of own shares[2]	–	–	–	4	–	-2,844	–	-2,840
Other changes	–	-37	–	-12	–	50	-2	-1
Balance at 31 Dec 2022	**4,050**	**-141**	**-70**	**1,082**	**2,762**	**18,732**	**748**	**27,163**

1) For more detailed information, see Note P3.5.
2) Refers to the change in the holding of own shares related to treasury shares for capital optimisation purposes, the trading portfolio and Nordea's shares within portfolio schemes in Denmark.

P9.1 Equity, cont.

	Restricted equity			Unrestricted equity				
EURm	**Share capital**	**Revaluation reserves**	**Fair value reserve**	**Invested unrestricted reserve**	**Other unrestricted reserves**	**Retained earnings**	**Additional Tier 1 capital holders**	**Total equity**
Balance at 1 Jan 2021	4,050	-129	-129	1,063	2,762	21,613	748	29,978
Net profit for the year	–	–	–	–	–	3,232	–	3,232
Currency translation differences	–	-3	–	–	–	-6	–	-9
Investments in foreign operations:								
Valuation gains/losses, net of tax	–	–	35	–	–	–	–	35
Fair value measurement of financial assets:								
Valuation gains/losses, net of tax	–	–	42	–	–	–	–	42
Transferred to the income statement, net of tax	–	–	-13	–	–	–	–	-13
Cash flow hedges[1]:								
Valuation gains/losses, net of tax	–	–	-23	–	–	–	–	-23
Transferred to the income statement, net of tax	–	–	90	–	–	–	–	90
Changes in own credit risk related to liabilities at fair value option:								
Valuation gains/losses, net of tax	–	–	-1	–	–	–	–	-1
Defined benefit plans:								
Remeasurement of defined benefit plans during the year, net of tax	–	–	42	–	–	–	–	42
Share-based payments	–	–	–	–	–	18	–	18
Paid interest on Additional Tier 1 capital	–	–	–	–	–	-26	–	-26
Dividend	–	–	–	–	–	-3,192	–	-3,192
Sale/purchase of own shares[2]	–	–	–	27	–	-1,160	–	-1,133
Other changes	–	25	–	–	–	-25	2	2
Balance at 31 Dec 2021	**4,050**	**-107**	**43**	**1,090**	**2,762**	**20,454**	**750**	**29,042**

1) For more detailed information, see Note P3.5.

2) Refers to the change in the holding of own shares related to treasury shares for capital optimisation purposes, the trading portfolio and Nordea's shares within portfolio schemes in Denmark.

Distributable funds

EURm	**31 Dec 2022**	**31 Dec 2021**
Invested unrestricted equity	1,082	1,090
Other free funds	2,762	2,762
Additional Tier 1 capital holders	748	750
Retained earnings	14,840	17,226
Net profit for the year	3,955	3,232
Total	**23,387**	**25,060**
Capitalised development costs	-1,495	-1,580
Total distributable funds	**21,892**	**23,480**

Nordea shares

Nordea Bank Abp's Articles of Associations do not contain any provisions on shares classes or voting rights. Consequently, Nordea Bank Abp has one class of shares (Nordea shares) and all shares in Nordea Bank Abp are ordinary shares. Each share confers one vote at Nordea Bank Abp's general meetings as well as an equal right to any dividend. Nordea Bank Abp is not entitled to vote its own shares at general meetings. The Nordea share does not have any nominal value.

At the Annual General Meeting 2022, the Board of Directors was authorised to decide on the repurchase of an aggregate of not more than 350,000,000 own shares, which corresponds to approximately 8.99% of all Nordea shares, subject to the condition that the number of own shares held by Nordea Bank Abp together with its subsidiaries at any given time does not exceed 10% of all Nordea shares.

In September 2021 Nordea Bank Abp received approval from the European Central Bank (ECB) for share buy-backs of up to EUR 2bn. Following the completion of the first programme in February 2022, Nordea Bank Abp's application for further share buy-backs of up to EUR 1.0bn was approved by the ECB in February 2022. In June 2022 Nordea Bank Abp announced that the second part of the share buy-back programme was completed.

In July 2022 Nordea Bank Abp's Board of Directors approved a third share buy-back programme of up to EUR 1.5bn. The approval from the ECB for the buy-backs was announced on 8 July and the programme commenced on 20 July 2022 and will end no later than 29 March 2023.

The AT1 conversion notes issued in 2019 and 2021 automatically convert into shares if the CET1 ratio of either the issuer on a solo basis or the Nordea Group on a consolidated basis falls below a specific trigger level.

There are no convertible bond loans issued by Nordea Bank Abp that give holders the right to exercise an option to acquire shares in Nordea Bank Abp.

For information on share-based incentive plans, see Note P7.3 "Share-based payment plans" and for information on authorisations held by the Board of Directors, see "Share issue resolution" under "The Nordea share and external credit ratings" in the Board of Directors' report.

P9.1 Equity, cont.

The table below shows the change during the year in the total number of Nordea shares as well as the change during the year in the number of outstanding Nordea shares where the non-cancelled treasury shares are deducted.

Also the total number of own shares (treasury shares) as at 31 December is given in the table below.

	2022	2021
Total number of Nordea shares		
Total number of shares at 1 January	3,965,561,160	4,049,951,919
Cancelled own shares during the year	-311,279,864	-84,390,759
Total number of Nordea shares at 31 December	**3,654,281,296**	**3,965,561,160**

	2022	2021
Number of outstanding Nordea shares		
Number of outstanding Nordea shares at 1 January	3,932,780,127	4,038,089,748
Repurchased own shares	-293,945,157	-108,865,776
Shares granted in remuneration programmes for Nordea Bank Abp's management	1,038,593	1,072,328
Trading portfolio and Nordea Bank Abp's shares within portfolio schemes in Denmark	997,892	2,483,827
Number of outstanding Nordea shares at 31 December	**3,640,871,455**	**3,932,780,127**

Number of own shares	31 Dec 2022	31 Dec 2021
Holdings of own shares related to treasury shares, trading portfolio and Nordea Bank Abp's shares within portfolio schemes in Denmark[1]	13,409,841	32,781,033
– of which treasury shares for remuneration purposes	6,073,651	7,112,244

1) Total acquisition price for holdings of own shares at 31 December 2022 was EUR 87.0m (EUR 284.2m).

Own shares bought and sold as part of market-making activities

Nordea Bank Abp has bought and sold its own shares as part of its normal trading and market-making activities. The trades are specified in the table below.

The Annual General Meeting 2022 resolved that Nordea Bank Abp, before the end of the Annual General Meeting 2023, may transfer own shares in the ordinary course of its securities trading business, with deviation from the shareholders' pre-emptive rights, by way of a directed share issuance. The number of own shares to be transferred may not exceed 175,000,000 shares.

Acquisitions and sales of own shares during the year

	Acquisitions[1]			Sales[1]		
2022	Quantity	Average price, EUR	Amount, EUR 000	Quantity	Average price, EUR	Amount, EUR 000
January	8,017,064	10.32	-82,715	-8,023,707	10.37	83,167
February	6,419,301	10.10	-64,808	-6,766,663	10.03	67,889
March	14,121,604	9.48	-133,875	-14,088,746	9.19	129,476
April	9,024,274	9.32	-84,067	-8,089,411	9.40	76,018
May	3,919,691	9.20	-36,051	-4,995,358	9.09	45,403
June	6,417,125	8.91	-57,200	-7,441,435	8.74	65,055
July	2,929,973	8.79	-25,750	-3,431,258	8.84	30,334
August	5,665,057	9.34	-52,916	-3,689,893	9.34	34,446
September	8,403,739	9.23	-77,598	-8,677,780	9.34	81,083
October	8,755,527	8.98	-78,600	-8,930,157	8.99	80,309
November	10,770,814	9.87	-106,259	-11,151,159	9.81	109,439
December	10,285,919	9.90	-101,849	-10,443,405	9.86	102,948
	94,730,088		**-901,689**	**-95,728,972**		**905,566**

1) Excluding Nordea shares related to securities lending.

P9.1 Equity, cont.

Acquisitions and sales of own shares during the year, cont.

	Acquisitions[1]			Sales[1]		
2021	**Quantity**	**Average price, EUR**	**Amount, EUR 000**	**Quantity**	**Average price, EUR**	**Amount, EUR 000**
January	4,272,200	6.83	-29,183	-4,273,974	6.80	29,082
February	7,981,276	7.17	-57,229	-8,035,997	7.21	57,907
March	5,437,516	8.07	-43,871	-6,325,626	8.09	51,158
April	3,027,956	8.47	-25,657	-2,392,563	8.50	20,341
May	7,956,337	8.61	-68,471	-8,227,090	8.69	71,512
June	6,702,601	9.11	-61,080	-6,368,864	9.16	58,349
July	5,598,106	9.51	-53,242	-5,710,724	9.52	54,363
August	4,598,631	9.82	-45,152	-4,160,633	9.97	41,494
September	8,201,393	10.61	-86,996	-8,680,830	10.63	92,258
October	13,810,616	10.53	-145,477	-14,756,042	10.41	153,675
November	5,410,658	10.77	-58,251	-6,530,936	10.64	69,493
December	5,065,365	10.48	-53,083	-5,082,211	10.53	53,513
	78,062,655		**-727,692**	**-80,545,490**		**753,146**

1) Excluding Nordea shares related to securities lending.

P9.2 Additional disclosures on the cash flow statement

Accounting policies

The cash flow statement shows inflows and outflows of cash and cash equivalents during the year for total operations. Nordea Bank Abp's cash flow statement 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

Cash flows from operating activities, which are the principal revenue-producing activities, are mainly derived from profits during the year adjusted for items not included in cash flows and income taxes paid. Adjustment for items not included in cash flows includes:

EURm	2022	2021
Depreciation, amortisation and impairment charges of tangible and intangible assets	427	449
Impairment of investments in group and associated undertakings	990	14
Loan losses	38	41
Unrealised gains/losses	-758	637
Capital gains/losses (net)	1	-2
Change in accruals and provisions	96	94
Translation differences	202	-3
Change in fair value of hedged items, assets/liabilities (net)	-4,234	-982
Other	-443	-64
Total	**-3,681**	**184**

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 flows from operating activities include interest payments received and interest expenses paid with the following amounts:

EURm	2022	2021
Interest payments received	5,657	3,340
Interest expenses paid	-2,073	-736

Investing activities

Investing activities include acquisition and disposal of non-current assets such as property and equipment and 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 2022	31 Dec 2021
Cash and balances with central banks	61,425	45,256
Loans to central banks payable on demand	4	6
Loans to credit institutions payable on demand	842	1,213
Total	**62,271**	**46,475**

For the definition of cash and balances with central banks, see Note P3.6 "Cash and balances with central banks". Loans to central banks payable on demand include instruments where Nordea Bank Abp has the right to resell immediately. Loans to credit institutions payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

P9.3 Maturity analysis

Accounting policy

The following table presents the remaining contractual maturities of the Nordea Bank Abp's balance sheet items. On-demand deposits are reported in the bucket "Under 3 months". Loans where the lender can demand repayment upon request are reported according to their earliest possible contractual maturity date when repayment can be demanded. For derivatives, the cash inflows and outflows are disclosed for both derivative assets and derivative liabilities as derivatives are managed on a net basis. For further information about remaining maturity, see also Note P10 "Risk and liquidity management".

31 Dec 2022, EURm	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Assets						
Debt securities eligible for refinancing with central banks	1,837	9,874	44,390	3,710	642	60,453
Loans to credit institutions	67,395	25,987	41,122	235	–	134,739
Loans to the public	53,369	18,858	49,902	12,981	14,914	150,024
Interest-bearing securities	6,444	1,541	4,337	1,163	566	14,051
Derivatives	4,041	3,470	14,990	7,115	9,254	38,870
Other assets	8,931	6	10,321	2	14,598	33,858
Total	**142,017**	**59,736**	**165,062**	**25,206**	**39,974**	**431,995**
Liabilities						
Deposits by credit institutions and central banks	27,749	7,168	5,713	–	–	40,630
Deposits and borrowings from the public	210,616	6,588	3,367	1,185	3,475	225,231
Debt securities in issue	24,178	32,389	15,648	4,261	456	76,932
Subordinated liabilities	–	214	3,489	1,485	213	5,401
Derivatives	4,357	3,805	16,623	8,505	8,759	42,049
Other liabilities	-878	2,221	12,143	511	592	14,589
Total	**266,022**	**52,385**	**56,983**	**15,947**	**13,495**	**404,832**

31 Dec 2021, EURm	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Assets						
Debt securities eligible for refinancing with central banks	9,496	15,633	32,595	3,940	990	62,654
Loans to credit institutions	51,354	28,907	42,981	288	–	123,530
Loans to the public	45,632	15,798	51,169	10,912	15,575	139,086
Interest-bearing securities	421	702	5,279	2,724	687	9,813
Derivatives	3,007	2,042	5,832	7,197	12,436	30,514
Other assets	7,611	2	11,262	1	15,779	34,655
Total	**117,521**	**63,084**	**149,118**	**25,062**	**45,467**	**400,252**
Liabilities						
Deposits by credit institutions and central banks	21,456	442	13,634	0	–	35,532
Deposits and borrowings from the public	200,811	2,900	4,972	1,258	3,606	213,547
Debt securities in issue	18,048	26,069	15,581	4,545	151	64,394
Subordinated liabilities	–	891	3,718	2,001	230	6,840
Derivatives	2,535	2,245	9,915	6,060	11,592	32,347
Other liabilities	7,288	438	10,389	109	326	18,550
Total	**250,138**	**32,985**	**58,209**	**13,973**	**15,905**	**371,210**

P9.4 Assets and liabilities in EUR and other currencies

Accounting policies

The following table presents the assets and liabilities of Nordea Bank Abp broken down by balances in EUR and in foreign currencies. A balance in foreign currency is defined as a balance which should be translated into EUR when preparing financial statements.

More information on translation of assets and liabilities can be found in Note P1 "Accounting policies".

	31 Dec 2022			31 Dec 2021		
	EURm	Foreign currency	Total	EURm	Foreign currency	Total
Assets						
Loans to credit institutions	60,853	73,886	134,739	47,013	76,517	123,530
Loans to the public	46,706	103,318	150,024	45,216	93,870	139,086
Interest-bearing securities[1]	20,530	53,974	74,504	19,270	53,197	72,467
Derivatives	23,862	15,008	38,870	15,571	14,943	30,514
Other assets	21,235	12,623	33,858	24,508	10,147	34,655
Total	**173,186**	**258,809**	**431,995**	**151,578**	**248,674**	**400,252**
Liabilities						
Deposits by credit institutions and central banks	24,315	16,315	40,630	18,092	17,440	35,532
Deposits and borrowings from the public	73,662	151,569	225,231	71,128	142,419	213,547
Debt securities in issue	23,912	53,020	76,932	27,131	37,263	64,394
Derivatives	22,395	19,654	42,049	17,039	15,308	32,347
Other liabilities	13,083	6,907	19,990	14,625	10,765	25,390
Total	**157,367**	**247,465**	**404,832**	**148,015**	**223,195**	**371,210**

1) Including "Debt securities eligible for refinancing with central banks" of EUR 60,453m (EUR 62,654m).

P9.5 Other assets

Accounting policies

Other assets are assets that do not qualify for any of the other line items covering assets. Under the accrual basis of accounting, accrued income is income that is not yet invoiced and prepaid expenses are future expenses that are paid in advance.

For additional accounting policies, see Note P3.1 "Recognition and derecognition on the balance sheet", Note P3.3 "Classification and measurement" and Note P3.4 "Fair value".

This note includes the specifications for the balance sheet line items "Other assets" and "Prepaid expenses and accrued income".

Other assets

EURm	31 Dec 2022	31 Dec 2021
Cash items in process of collection	63	168
Claims on securities settlement proceeds	2,343	1,228
Cash/margin receivables related to derivatives	5,894	6,591
Other	1,353	1,461
Total	**9,653**	**9,448**

Prepaid expenses and accrued income

EURm	31 Dec 2022	31 Dec 2021
Accrued interest income	545	208
Other accrued income	292	480
Prepaid expenses	437	477
Total	**1,274**	**1,165**

P9.6 Other liabilities

Accounting policies

Other liabilities are liabilities that do not qualify for any of the other line items covering liabilities. Under the accrual basis of accounting, accrued expenses are expenses incurred but for which an invoice has not yet been received and prepaid income is future income that is received in advance.

For additional accounting policies, see Note P3.1 "Recognition and derecognition on the balance sheet", Note P3.3 "Classification and measurement" and Note P3.4 "Fair value".

This note includes the specifications for the balance sheet line items "Other liabilities" and "Accrued expenses and prepaid income".

Other liabilities

EURm	31 Dec 2022	31 Dec 2021
Liabilities on securities settlement proceeds	1,621	1,152
Sold, not held, securities	5,674	7,906
Cash items in process of collection	2,304	2,175
Accounts payable	69	11
Cash/margin payables	4,416	3,507
Other	931	1,767
Total	**15,015**	**16,518**

Accrued expenses and prepaid income

EURm	31 Dec 2022	31 Dec 2021
Accrued interest	16	4
Other accrued expenses	749	820
Prepaid income	105	103
Total	**870**	**927**

P9.7 Customer assets under management

Accounting policies

Customer assets under management are assets that are held and managed on behalf of customers but are not recognised on Nordea Bank Abp's balance sheet.

EURm	31 Dec 2022	31 Dec 2021
Asset management	114,386	127,110
Custody assets	278,536	452,222
Total	**392,922**	**579,332**

Nordea Bank Abp decided to exit its Nordic sub-custody business, which is seen in the decrease of custody assets.

P9.8 Related party transactions

Accounting policies

Related party
A related party is a person or entity that is related to Nordea Bank Abp. Related parties are grouped in the following categories:
- Shareholders with significant influence
- Group undertakings
- Associated undertakings and joint ventures
- Key management personnel
- Other related parties.

Shareholders with significant influence
Shareholders with significant influence are shareholders that have the power to participate in the financial and operating policy decisions of Nordea Bank Abp but do not control those policies.

Group undertakings
Group undertakings are defined as the subsidiaries of the parent company, Nordea Bank Abp. Further information on the undertakings owned by Nordea Bank Abp is found in Note P8.1 "Investments in group undertakings".

Transactions between Nordea Bank Abp and its subsidiaries are performed according to the arm's length principle in conformity with OECD requirements on transfer pricing.

Associated undertakings and joint ventures
For the definition of associated undertakings and joint ventures, see Note P8.2 "Investments in associated undertakings and joint ventures".

Key management personnel
Key management personnel are the persons having authority and responsibility for planning, directing and controlling the activities in Nordea Bank Abp, directly or indirectly, including any director of the entity.

Other related parties
Other related parties comprise subsidiaries of shareholders with significant influence, close family members of key management personnel and companies controlled or jointly controlled by key management personnel or by close family members of key management personnel.

Related party transactions
A related party transaction is a transfer of resources, services or obligations between Nordea Bank Abp and a related party, regardless of whether a price is charged. See also accounting policies in Note P7.4 "Key management personnel remuneration".

All transactions with related parties are made on the same criteria and terms as those of comparable transactions with external parties of similar standing, apart from loans granted to employees as well as certain other commitments to key management personnel, see Note P7.4 "Key management personnel remuneration" and Note P6.1 "Contingent liabilities".

In Nordea Bank Abp key management personnel includes the following positions:
- Board of Directors
- Chief Executive Officer (CEO)
- Deputy Managing Director
- Group Leadership Team.

Loans to key management personnel amounted to EUR 0m (EUR 0m) and interest income on these loans amounted to EUR 0m (EUR 0m). Deposits from key management personnel amounted to EUR 7m (EUR 12m) and interest on these deposits amounted to EUR 0m (EUR 0m). Loan commitments to key management personnel amounted to EUR 0m (EUR 0m).

For key management personnel employed by Nordea Bank Abp the same credit terms apply as for other employees. In Finland, the employee interest rate for loans corresponds to Nordea Bank Abp's funding cost with a margin of 30bp or 40bp depending of the reference rate. In Denmark, the employee interest rate for loans is variable and was 1.95% – 3.6% depending of the type of mortgage. In Norway, the variable interest rate was 3.11% on existing loans. Mortgage loans with fixed interest rates are offered with the same rates as mortgage loans to Premium customers. In Sweden, the employee interest rate on fixed and variable interest rate loans is 215bp lower than the corresponding interest rate for external customers (with a lower limit of 50bp and a cap of 57 Swedish price base amounts). For interest on loans above the defined cap, the same terms apply as for regular customers. Loans to family members of key management personnel, who do not live in the same household as key management personnel, are granted on normal market terms, as are loans to key management personnel who are not employed by Nordea Bank Abp.

The loan quality for key management personnel and their family members is good with no significant increase in credit risk. Loan loss provisions for key management personnel are included in the collectively assessed allowances shown in Note P2.10 "Net loan losses".

For information about remuneration to key management personnel, see Note P7.4 "Key management personnel remuneration".

P9.8 Related party transactions, cont.

The information below is presented from Nordea Bank Abp's perspective, meaning that the information shows the effect of related party transactions on Nordea Bank Abp's figures.

EURm	31 Dec 2022			31 Dec 2021		
	Group undertakings	Associated undertakings and joint ventures	Other related parties[2]	Group undertakings	Associated undertakings and joint ventures	Other related parties[2]
Assets						
Debt securities eligible for refinancing with central banks	15,129	–	–	14,514	–	–
Loans to credit institutions	68,572	–	–	76,669	–	–
Loans to the public	3,482	45	0	3,416	33	0
Interest-bearing securities	5,128	–	–	2,812	–	2
Derivatives	2,433	0	–	326	15	26
Other assets	947	8	–	1,047	3	6
Prepaid expenses and accrued income	591	–	–	608	–	–
Total assets	**96,282**	**53**	**0**	**99,392**	**51**	**34**

EURm	31 Dec 2022			31 Dec 2021		
	Group undertakings	Associated undertakings and joint ventures	Other related parties[2]	Group undertakings	Associated undertakings and joint ventures	Other related parties[2]
Liabilities						
Deposits by credit institutions and central banks	8,330	0	–	9,127	–	1,076
Deposits and borrowings from the public	3,596	13	32	4,203	11	38
Debt securities in issue	160	–	–	150	–	–
Derivatives	2,089	3	–	920	31	2
Other liabilities	714	–	0	150	–	0
Accrued expenses and deferred income	24	–	–	15	–	–
Provisions	0	0	–	0	0	–
Total liabilities	**14,913**	**16**	**32**	**14,565**	**42**	**1,116**
Off-balance sheet items[1]	167,979	49	1	185,466	23	852

EURm	2022			2021		
	Group undertakings	Associated undertakings and joint ventures	Other related parties[2]	Group undertakings	Associated undertakings and joint ventures	Other related parties[2]
Income statement						
Interest income	952	0	0	335	0	0
Interest expense	-276	0	0	-370	0	-4
Net fee and commission income	456	0	0	522	0	0
Total net result from items at fair value[3]	1,231	-2	–	535	0	-2
Other operating income	919	–	–	939	–	0
Total operating expenses	7	–	–	-71	–	–
Profit before loan losses	**3,289**	**-2**	**0**	**1,890**	0	**-6**

1) Including nominal values of derivatives.
2) Shareholders with significant influence (including their subsidiaries), close family members of key management personnel at Nordea Bank Abp and companies controlled or jointly controlled by key management personnel or by close family members of key management personnel at Nordea Bank Abp are considered to be related parties to Nordea Bank Abp. This group of related parties includes Sampo Plc, which had a significant influence over Nordea Bank Abp in 2021 but not in 2022, and the subsidiaries of Sampo Plc. Liabilities to Sampo Plc and its subsidiaries mainly consist of deposits and long-term investments in bonds issued by Nordea Bank Abp. The transactions with Sampo Plc and its subsidiaries also include several ongoing derivative contracts. Other related parties also include Nordea Bank Abp's pension foundations.
3) Including the income statement line items "Net result from securities trading and foreign exchange dealing", "Net result from securities at fair value through fair value reserve", "Net result from hedge accounting" and "Net result from investment properties".

P10 Risk and liquidity management

Risk governance

Maintaining risk awareness in the organisation is an integral part of Nordea Bank Abp's business strategy. Nordea Bank Abp has defined clear risk and liquidity management frameworks including policies and instructions for different risk types, capital adequacy and capital structure.

The impact of the geopolitical situation and COVID-19 on Nordea Bank Abp's risk and liquidity management has been described in section 1 "Risk governance" in the Group´s Note G11.

Internal Control Framework

See section 1.1 "Internal Control Framework" in the Group´s Note G11.

Decision-making bodies for risk, liquidity and capital management

See section 1.2 "Decision-making bodies for risk, liquidity and capital management" in the Group´s Note G11.

Governance of risk management and compliance

See section 1.3 "Governance of risk management and compliance" in the Group´s Note G11.

Disclosure requirements of the Capital Requirements Regulation – Capital and Risk Management Report 2022

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2022, in accordance with the Capital Requirements Regulation.

Credit risk

For credit risk management, credit risk definition and identification as well as credit risk mitigation, see sections 2 "Credit risk", 2.1 "Credit risk definition and identification" and 2.2 "Credit risk mitigation" in the Group´s Note G11.

Collateral distribution

The distribution of collateral remained stable during 2022, with the majority of the collateral stemming from commercial and residential real estate. The share of commercial real estate decreased to 44.9% and the share of residential real estate increased to 35.2% in 2022.

Collateral distribution

	31 Dec 2022	31 Dec 2021
Financial collateral	2.1%	2.7%
Receivables	0.9%	0.8%
Residential real estate	35.2%	31.6%
Commercial real estate	44.9%	47.4%
Other physical collateral	16.9%	17.5%
Total	**100.0%**	**100.0%**

Assets taken over for protection of claims

The table below presents assets taken over distributed by asset type. Shares and other participations make up the total assets taken over as at the end of December 2022. The level of assets taken over is low, and this has been the case for several years.

Assets taken over for protection of claims[1]

EURm	31 Dec 2022	31 Dec 2021
Current assets, carrying amount:		
Land and buildings	0	0
Shares and other participations	0	4
Total	**0**	**4**

1) In accordance with Nordea Bank Abp's policy for taking over assets for the protection of claims, which is in compliance with the local banking business acts wherever Nordea Bank Abp is located. Assets used as collateral for the loan are generally taken over when the customer is not able to fulfil its obligations towards Nordea Bank Abp. The assets taken over are disposed at the latest when full recovery is reached.

Maximum exposure to credit risk

		31 Dec 2022		31 Dec 2021	
EURm	Note	Amortised cost and fair value through fair value reserve	Financial assets at fair value through profit or loss	Amortised cost and fair value through fair value reserve	Financial assets at fair value through profit or loss
Loans to credit institutions	P3.3, P3.7	70,451	2,862	76,688	1,586
Loans to the public	P3.3, P3.7	131,539	18,485	122,300	16,786
Interest-bearing securities[1]	P3.3, P3.8	49,633	24,871	47,722	24,745
Derivatives	P3.3, P3.10	–	38,870	–	30,514
Off-balance sheet items	P6.1, P6.2	142,125	–	141,015	–
Total		**393,748**	**85,088**	**387,725**	**73,631**

1) Including the balance sheet line item "Debt securities eligible for refinancing with central banks".

Allowances for credit risk

EURm	Note	31 Dec 2022	31 Dec 2021
Loans to credit institutions	P3.7	9	3
Loans to the public	P3.7	1,255	1,786
Interest-bearing securities measured at fair value through fair value reserve or amortised cost[1]	P.3.8	3	15
Off-balance sheet items	P3.7, P5	202	216
Total		**1,469**	**2,020**

1) Including the balance sheet line item "Debt securities eligible for refinancing with central banks".

P10. Risk and liquidity management, cont.

Loan-to-value

The loan-to-value (LTV) ratio is considered a useful measure to evaluate quality of collateral, i.e. the credit extended divided by the market value of the collateral pledged. In the table, IRB retail mortgage exposures are distributed by LTV buckets based on the LTV ratio.

Loan-to-value

	31 Dec 2022		31 Dec 2021	
Retail mortgage exposure	**EURbn**	**%**	**EURbn**	**%**
<50%	12.6	85.3	12.1	84.7
50–70%	1.6	10.5	1.5	10.6
71–80%	0.3	2.2	0.3	2.4
81–90%	0.1	1.0	0.2	1.1
>90%	0.1	1.0	0.2	1.2
Total	**14.8**	**100.0**	**14.3**	**100.0**

Individual and collective assessment of impairment

For individual and collective assessment of impairment, individual and collective provisioning as well as default, see section 2.6 "Individual and collective assessment of impairment" in the Group´s Note G11.

Forbearance

Forbearance is eased terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention of granting forbearance for a limited time period is to ensure full repayment of the outstanding debt. Examples of eased terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of covenants. Forbearance is undertaken on a selective and individual basis and is followed by impairment testing (corporate customers) as forbearance is considered a credit event. Individual loan loss provisions are recognised if necessary. Forbearance is approved according to the powers to act, and forborne exposures can be performing or non-performing.

Forbearance

EURm	31 Dec 2022	31 Dec 2021
Forborne loans	1,563	2,553
- of which defaulted	768	1,729
Allowances for individually assessed impaired and forborne loans	337	473
- of which defaulted	317	428

Key ratios	31 Dec 2022	31 Dec 2021
Forbearance ratio[1]	1%	1%
Forbearance coverage ratio[2]	22%	19%
- of which defaulted	41%	25%

1) Forborne loans/Loans held at amortised cost before allowances.
2) Individual allowances on forborne loans/Forborne loans.

Credit portfolio

Including on- and off-balance sheet exposures the total credit risk exposure at year end was EUR 479bn (EUR 461bn). Credit risk is measured, monitored and segmented in different ways. On-balance lending consists of amortised cost lending and fair value lending and constitutes the major part of the credit portfolio. Amortised cost lending is the basis for impaired loans, allowances and loan losses.

Credit risk in lending is measured and presented as the principal amount of on-balance sheet claims, i.e. loans to credit institutions and to the public, and off-balance sheet potential claims on customers and counterparties, net after allowances.

Credit risk exposure also includes the risk related to derivative contracts and securities financing. The overall credit quality is solid with strongly rated customers.

Nordea Bank Abp's loans to the public increased by 7.9% to EUR 150bn in 2022 (EUR 139bn). Of the lending to the public portfolio, corporate customers accounted for 66.3% (67.0%), reverse repurchase agreements for 12.3% (12.1%), household customers for 18.5% (18.4%) and the public sector for 2.9% (2.6%). Loans to central banks and credit institutions decreased to EUR 73bn at the end of 2022 (EUR 78bn).

Loans to corporate customers

Loans to corporate customers at the end of 2022 amounted to EUR 100bn (EUR 93bn). The sector that increased the most in 2022 was Industrials, while Maritime decreased the most. The contribution of the two largest industries (Real estate and Industrials) was approximately 50% of total lending (51%). Real estate remained the largest industry in Nordea Bank Abp's lending portfolio, at EUR 25bn (EUR 24bn). The distribution of loans to corporate customers by size of loans, seen in the table below, shows a high degree of diversification with approximately 51% (54%) of the corporate volume representing loans up to EUR 50m per customer.

Loans to corporate customers, by size of loans

	31 Dec 2022		31 Dec 2021	
Size of loan in EURm	**Loans EURm**	**%**	**Loans EURm**	**%**
0–10	26,891	23	27,120	25
11–50	33,216	28	32,317	29
51–100	19,709	17	18,066	16
101–250	22,785	19	20,716	19
251–500	9,588	8	5,166	5
501–	5,859	5	6,505	6
Total	**118,048**	**100**	**109,890**	**100**

Loans to household customers

In 2022 lending to household customers increased to EUR 28bn (EUR 26bn). Mortgage lending increased to EUR 10bn (EUR 9bn) and consumer lending increased to EUR 18bn (EUR 17bn). The proportion of mortgage lending of total household lending increased to 36% (35%).

P10. Risk and liquidity management, cont.

Loans to the public measured at amortised cost and fair value

31 Dec 2022, EURm	Denmark	Finland	Norway	Sweden[1]	Other[1]	Total
Financial institutions	4,299	3,309	1,053	8,137	587	17,385
Agriculture	591	313	2,668	28	4	3,604
Crops, plantations and hunting	332	149	26	9	4	520
Animal husbandry	253	159	7	18	–	437
Fishing and aquaculture	6	5	2,635	1	0	2,647
Natural resources	55	834	859	335	201	2,284
Paper and forest products	40	615	382	321	178	1,536
Mining and supporting activities	2	187	13	13	–	215
Oil, gas and offshore	13	32	464	1	23	533
Consumer staples	1,602	749	644	1,424	67	4,486
Food processing and beverages	369	304	345	454	19	1,491
Household and personal products	43	71	111	345	2	572
Healthcare	1,190	374	188	625	46	2,423
Consumer discretionary and services	906	2,066	2,382	4,554	85	9,993
Consumer durables	111	283	190	1,744	81	2,409
Media and entertainment	317	271	103	946	–	1,637
Retail trade	364	1,073	960	1,331	4	3,732
Air transportation	20	4	35	7	–	66
Accommodation and leisure	88	403	664	265	–	1,420
Telecommunication services	6	32	430	261	–	729
Industrials	5,399	4,206	6,782	8,244	258	24,889
Materials	409	419	213	1,050	27	2,118
Capital goods	562	943	151	1,060	71	2,787
Commercial and professional services	685	594	1,678	1,406	117	4,480
Construction	511	992	3,308	1,501	3	6,315
Wholesale trade	2,583	658	774	2,274	30	6,319
Land transportation	462	169	161	279	4	1,075
IT services	187	431	497	674	6	1,795
Maritime	36	117	5,034	94	363	5,644
Shipbuilding	0	3	108	0	–	111
Shipping	0	22	4,804	87	363	5,276
Maritime services	36	92	122	7	0	257
Utilities and public service	247	3,401	1,668	894	0	6,210
Utilities distribution	167	1,440	878	401	–	2,886
Power production	34	1,832	679	403	0	2,948
Public services	46	129	111	90	0	376
Real estate	1,183	6,306	9,837	7,524	115	24,965
Commercial real estate	867	3,999	8,305	6,625	115	19,911
Tenant-owned associations and residential real estate companies	316	2,307	1,532	899	0	5,054
Other industries	118	–	–	0	0	118
Total corporate	**14,436**	**21,301**	**30,927**	**31,234**	**1,680**	**99,578**
Housing loans	–	5,012	5,024	0	–	10,036
Collateralised lending	8,592	4,113	242	1,005	–	13,952
Non-collateralised lending	872	450	374	2,016	–	3,712
Total household	**9,464**	**9,575**	**5,640**	**3,021**	**–**	**27,700**
Public sector	**1,131**	**600**	**19**	**2,527**	**–**	**4,277**
Reverse repurchase agreements	**–**	**18,470**	**–**	**0**	**–**	**18,470**
Loans to the public by country	**25,031**	**49,946**	**36,586**	**36,782**	**1,680**	**150,025**
of which loans at fair value	**–**	**18,470**	**15**	**–**	**–**	**18,485**

1) Loans related to Russia (EUR 4m) and the Baltics (EUR 116m), accounted for under the Swedish branch, have been moved to Other.

P10. Risk and liquidity management, cont.

Loans to the public measured at amortised cost and fair value[1]

31 Dec 2021, EURm[2]	Denmark	Finland	Norway	Sweden[1]	Other[1]	Total
Financial institutions	4,146	2,714	1,374	6,808	1,190	16,232
Agriculture	693	313	2,372	35	5	3,418
Crops, plantations and hunting	366	168	20	13	5	572
Animal husbandry	318	144	8	21	–	491
Fishing and aquaculture	9	1	2,344	1	–	2,355
Natural resources	59	608	905	334	210	2,116
Paper and forest products	41	461	333	326	94	1,255
Mining and supporting activities	1	134	19	5	–	159
Oil, gas and offshore	17	13	553	3	116	702
Consumer staples	875	964	548	1,427	66	3,880
Food processing and beverages	153	213	240	375	20	1,001
Household and personal products	29	47	126	477	2	681
Healthcare	693	704	182	575	44	2,198
Consumer discretionary and services	800	1,934	2,127	4,184	25	9,070
Consumer durables	104	233	147	1,653	21	2,158
Media and entertainment	249	314	114	582	–	1,259
Retail trade	312	920	872	1,383	4	3,491
Air transportation	–	14	53	47	–	114
Accommodation and leisure	133	433	568	313	–	1,447
Telecommunication services	2	20	373	206	–	601
Industrials	4,072	4,226	5,906	6,105	365	20,674
Materials	460	234	245	397	72	1,408
Capital goods	470	1,136	156	853	113	2,728
Commercial and professional services	621	588	938	966	108	3,221
Construction	523	887	3,207	1,317	1	5,935
Wholesale trade	1,572	759	605	1,765	23	4,724
Land transportation	221	226	188	275	44	954
IT services	205	396	567	532	4	1,704
Maritime	56	125	5,554	132	443	6,310
Shipbuilding	–	15	221	–	–	236
Shipping	25	29	5,020	123	443	5,640
Maritime services	31	81	313	9	–	434
Utilities and public service	288	3,164	1,870	1,533	1	6,856
Utilities distribution	207	1,523	955	308	–	2,993
Power production	29	1,516	808	958	1	3,312
Public services	52	125	107	267	–	551
Real estate	1,237	6,020	9,905	7,045	151	24,358
Commercial real estate	1,095	4,432	8,763	6,392	151	20,833
Tenant-owned associations and residential real estate companies	142	1,588	1,142	653	–	3,525
Other industries	113	–	–	92	1	206
Total corporate	**12,339**	**20,068**	**30,561**	**27,695**	**2,457**	**93,120**
Housing loans	–	5,369	3,611	–	–	8,980
Collateralised lending	7,399	4,213	300	1,004	–	12,916
Non-collateralised lending	877	437	122	2,317	–	3,753
Total household	**8,276**	**10,019**	**4,033**	**3,321**	**0**	**25,649**
Public sector	**1,167**	**560**	**20**	**1,801**	**–**	**3,548**
Reverse repurchase agreements	**–**	**16,770**	**–**	**–**	**–**	**16,770**
Loans to the public by country	**21,782**	**47,417**	**34,614**	**32,817**	**2,457**	**139,087**
of which loans at fair value	**–**	**16,770**	**17**	**–**	**–**	**16,787**

1) Loans related to Russia (EUR 94m) and the Baltics (EUR 162m), accounted for under the Swedish branch, have been moved to Other.
2) Figures have been restated for 2021 for change in corporate industry codes.

P10. Risk and liquidity management, cont.

Loans to the public measured at amortised cost, broken down by sector and industry

	Gross			Allowances				
31 Dec 2022, EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**	**Net loan loss[1]**
Financial institutions	17,206	279	64	8	9	29	17,503	-26
Agriculture	3,429	146	98	3	13	53	3,604	-1
Crops, plantations and hunting	479	36	16	1	3	7	520	4
Animal husbandry	326	85	82	1	9	46	437	-4
Fishing and aquaculture	2,624	25	0	1	1	0	2,647	-1
Natural resources	2,211	55	29	2	2	13	2,278	26
Paper and forest products	1,512	25	14	2	2	10	1,537	3
Mining and supporting activities	205	9	1	0	0	0	215	0
Oil, gas and offshore	493	22	14	0	0	3	526	23
Consumer staples	4,356	97	74	7	6	28	4,486	-23
Food processing and beverages	1,427	35	47	2	2	14	1,491	-11
Household and personal products	558	15	3	1	1	2	572	-1
Healthcare	2,371	47	24	4	3	12	2,423	-11
Consumer discretionary and services	9,302	656	259	10	42	172	9,993	-24
Consumer durables	2,275	123	42	2	5	24	2,409	-12
Media and entertainment	1,535	103	15	1	5	10	1,637	-3
Retail trade	3,504	193	172	6	18	113	3,732	-15
Air transportation	58	8	3	0	1	2	66	0
Accommodation and leisure	1,204	226	21	1	13	17	1,420	4
Telecommunication services	726	3	6	0	0	6	729	3
Industrials	23,433	1,385	435	31	76	257	24,889	-47
Materials	2,059	44	31	2	3	11	2,118	0
Capital goods	2,627	146	63	4	8	37	2,787	13
Commercial and professional services	4,305	179	24	4	11	13	4,480	7
Construction	5,866	456	120	9	26	91	6,316	-25
Wholesale trade	5,922	402	60	6	20	39	6,319	-10
Land transportation	976	78	72	2	3	46	1,075	-24
IT services	1,678	80	65	4	5	20	1,794	-8
Maritime	5,448	174	65	18	4	31	5,634	25
Shipbuilding	108	3	3	0	0	3	111	1
Shipping	5,083	171	62	18	4	28	5,266	24
Maritime services	257	0	0	0	0	0	257	0
Utilities and public service	6,153	60	11	4	3	4	6,213	2
Utilities distribution	2,850	37	3	1	2	1	2,886	1
Power production	2,943	8	1	2	0	1	2,949	-2
Public services	361	14	7	1	1	2	378	2
Real estate	24,422	523	137	21	13	83	24,965	34
Other industries	19	0	0	0	19	0	0	2
Total corporate	**95,979**	**3,375**	**1,172**	**104**	**187**	**670**	**99,565**	**-32**
Housing loans	9,434	502	140	2	6	32	10,036	6
Collateralised lending	12,835	1,083	176	15	44	84	13,951	62
Non-collateralised lending	3,259	501	60	16	59	34	3,711	-38
Total household	**25,528**	**2,086**	**376**	**33**	**109**	**150**	**27,698**	**30**
Public sector	**4,174**	**66**	**39**	0	0	**2**	**4,277**	**-1**
Loans to the public	**125,681**	**5,527**	**1,587**	**137**	**296**	**822**	**131,540**	**-3**
Loans to credit institutions and central banks	**70,439**	**7**	13	**3**	**0**	5	**70,451**	0
Total	**196,120**	**5,534**	**1,600**	**140**	**296**	**827**	**201,991**	**-3**

1) The table shows net loan losses related to on- and off-balance sheet exposures for the full year 2022.

P10. Risk and liquidity management, cont.

Loans to the public measured at amortised cost, broken down by sector and industry

	Gross			Allowances				
31 Dec 2021, EURm[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**	**Net loan loss[2]**
Financial institutions	16,249	160	59	6	7	24	16,431	30
Agriculture	3,255	132	123	3	11	78	3,418	14
Crops, plantations and hunting	526	45	19	1	4	13	572	2
Animal husbandry	384	75	104	1	6	65	491	8
Fishing and aquaculture	2,345	12	0	1	1	0	2,355	4
Natural resources	1,842	47	565	2	2	340	2,110	-16
Paper and forest products	1,211	36	24	2	2	12	1,255	8
Mining and supporting activities	147	11	1	0	0	0	159	1
Oil, gas and offshore	484	0	540	0	0	328	696	-25
Consumer staples	3,801	90	6	3	9	5	3,880	11
Food processing and beverages	959	45	2	1	2	2	1,001	3
Household and personal products	669	13	2	0	1	2	681	1
Healthcare	2,173	32	2	2	6	1	2,198	7
Consumer discretionary and services	8,214	828	240	8	49	155	9,070	-89
Consumer durables	2,066	84	28	2	5	13	2,158	7
Media and entertainment	1,165	98	11	1	7	7	1,259	5
Retail trade	3,265	188	171	4	15	114	3,491	-75
Air transportation	96	18	3	0	1	2	114	0
Accommodation and leisure	1,026	437	18	1	21	12	1,447	-26
Telecommunication services	596	3	9	0	0	7	601	0
Industrials	19,483	1,059	531	25	71	272	20,705	60
Materials	1,375	61	31	3	3	22	1,439	41
Capital goods	2,504	176	118	2	12	56	2,728	-6
Commercial and professional services	3,067	162	25	4	11	18	3,221	16
Construction	5,525	367	164	7	24	90	5,935	-5
Wholesale trade	4,524	187	72	5	13	41	4,724	30
Land transportation	876	54	56	2	2	28	954	-7
IT services	1,612	52	65	2	6	17	1,704	-9
Maritime	5,676	283	505	7	7	151	6,299	-13
Shipbuilding	234	3	0	1	0	0	236	4
Shipping	5,009	278	505	6	6	151	5,629	-17
Maritime services	433	2	0	0	1	0	434	0
Utilities and public service	6,712	122	14	3	6	11	6,828	-6
Utilities distribution	2,905	93	1	2	4	0	2,993	-2
Power production	3,295	18	1	1	0	1	3,312	2
Public services	512	11	12	0	2	10	523	-6
Real estate	23,558	801	174	23	38	114	24,358	-37
Other industries	5	0	0	0	0	0	5	-4
Total corporate	**88,795**	**3,522**	**2,217**	**80**	**200**	**1,150**	**93,104**	**-50**
Housing loans	8,443	424	171	2	8	48	8,980	-28
Collateralised lending	11,851	1,023	241	14	42	144	12,915	63
Non-collateralised lending	3,299	484	66	9	56	31	3,753	32
Total household	**23,593**	**1,931**	**478**	**25**	**106**	**223**	**25,648**	**67**
Public sector	**3,416**	**99**	**34**	0	0	**2**	**3,548**	0
Loans to the public	**115,805**	**5,552**	**2,729**	**105**	**306**	**1,375**	**122,300**	**17**
Loans to credit institutions and central banks	**76,677**	**14**	0	**3**	0	0	**76,688**	0
Total	**192,481**	**5,566**	**2,729**	**108**	**306**	**1,375**	**198,988**	**17**

1) Figures have been restated for 2021 for change in corporate industry codes.
2) The table shows net loan losses related to on- and off-balance sheet exposures for the full year 2021.

P10. Risk and liquidity management, cont.

Impaired loans (stage 3) by country and industry (including loans at fair value)

31 Dec 2022, EURm	Denmark	Finland	Norway	Sweden	Outside Nordic	Total
Financial institutions	48	2	3	11	–	64
Agriculture	71	27	0	0	0	98
Crops, plantations and hunting	10	6	–	0	0	16
Animal husbandry	61	21	–	–	–	82
Fishing and aquaculture	0	–	0	–	–	0
Natural resources	5	11	18	–	–	34
Paper and forest products	5	8	1	–	–	14
Mining and supporting activities	–	1	–	–	–	1
Oil, gas and offshore	–	2	17	–	–	19
Consumer staples	65	7	0	2	–	74
Food processing and beverages	41	4	–	2	–	47
Household and personal products	1	2	0	0	–	3
Healthcare	23	1	0	0	–	24
Consumer discretionary and services	126	39	2	92	–	259
Consumer durables	1	3	–	38	–	42
Media and entertainment	2	13	–	0	–	15
Retail trade	122	13	2	35	–	172
Air transportation	–	2	–	1	–	3
Accommodation and leisure	1	8	0	12	–	21
Telecommunication services	–	0	–	6	–	6
Industrials	93	158	60	124	0	435
Materials	10	21	–	0	–	31
Capital goods	29	24	7	3	0	63
Commercial and professional services	4	10	7	3	–	24
Construction	26	80	5	9	–	120
Wholesale trade	23	13	0	24	–	60
Land transportation	0	3	41	28	–	72
IT services	1	7	0	57	–	65
Maritime	–	0	75	–	–	75
Shipbuilding	–	0	3	–	–	3
Shipping	–	0	72	–	–	72
Maritime services	–	–	–	–	–	–
Utilities and public service	3	5	2	1	–	11
Utilities distribution	–	3	–	–	–	3
Power production	0	0	–	1	–	1
Public services	3	2	2	0	–	7
Real estate	9	87	34	7	–	137
Other industries	0	–	–	–	–	0
Total corporate	420	336	194	237	0	1,187
Housing loans	0	123	17	0	–	140
Collateralised lending	78	96	1	1	–	176
Non-collateralised lending	18	8	11	23	–	60
Total household	**96**	**227**	**29**	**24**	–	**376**
Public sector	**39**	–	–	–	–	**39**
Total impaired loans	**555**	**563**	**223**	**261**	**0**	**1,602**
of which loans at fair value			**15**			**15**

P10. Risk and liquidity management, cont.

Impaired loans (stage 3) by country and industry (including loans at fair value)

31 Dec 2021, EURm[1]	Denmark	Finland	Norway	Sweden	Outside Nordic	Total
Financial institutions	47	5	13	1	–	66
Agriculture	104	17	0	1	1	123
Crops, plantations and hunting	15	3	0	0	–	18
Animal husbandry	89	14	0	1	–	104
Fishing and aquaculture	0	0	0	0	1	1
Natural resources	17	9	202	0	337	565
Paper and forest products	17	7	0	0	–	24
Mining and supporting activities	0	1	0	0	–	1
Oil, gas and offshore	0	1	202	0	337	540
Consumer staples	1	4	0	1	–	6
Food processing and beverages	0	1	0	1	–	2
Household and personal products	1	1	0	0	–	2
Healthcare	0	2	0	0	–	2
Consumer discretionary and services	105	33	3	99	–	240
Consumer durables	2	3	0	23	–	28
Media and entertainment	1	8	1	1	–	11
Retail trade	101	11	1	59	–	172
Air transportation	0	2	0	1	–	3
Accommodation and leisure	1	9	1	7	–	18
Telecommunication services	0	0	0	8	–	8
Industrials	119	170	137	105	–	531
Materials	9	22	0	0	–	31
Capital goods	58	42	14	4	–	118
Commercial and professional services	7	11	4	3	–	25
Construction	22	54	73	13	–	162
Wholesale trade	19	23	0	30	–	72
Land transportation	1	8	46	1	–	56
IT services	3	10	0	54	–	67
Maritime	27	0	488	0	–	515
Shipbuilding	0	0	0	0	–	0
Shipping	27	0	488	0	–	515
Maritime services	0	0	0	0	–	0
Utilities and public service	0	3	9	2	–	14
Utilities distribution	0	1	0	0	–	1
Power production	0	0	0	1	–	1
Public services	0	2	9	1	–	12
Real estate	24	92	49	9	–	174
Other industries	0	0	0	0	–	0
Total corporate	**444**	**333**	**901**	**218**	**338**	**2,234**
Housing loans	0	150	21	0	–	171
Collateralised lending	123	114	2	2	–	241
Non-collateralised lending	25	8	3	30	–	66
Total household	**148**	**272**	**26**	**32**	**–**	**478**
Public sector	**34**	**0**	**0**	**0**	**–**	**34**
Total impaired loans	**626**	**605**	**927**	**250**	**338**	**2,746**
of which loans at fair value	**0**	**0**	**17**	**0**	**–**	**17**

1) Figures have been restated for 2021 for change in corporate industry codes.

P10. Risk and liquidity management, cont.

Loans to the public measured at amortised cost

31 Dec 2022, EURm	Net loan losses[1]	Net loan loss ratio, bp	Impaired loans, (stage 3)	Impairment rate, gross bp	Allowances	Allowances (stage 1)	Allowances (stage 2)	Allowances (stage 3)	Coverage ratio %[2]	Loans measured at amortised cost
Financial institutions	-26	-15	64	36	46	8	9	29	45	17,503
Agriculture	-1	-3	98	267	69	3	13	53	54	3,604
Crops, plantations and hunting	4	77	16	301	11	1	3	7	44	520
Animal husbandry	-4	-92	82	1,663	56	1	9	46	56	437
Fishing and aquaculture	-1	-4	0	0	2	1	1	0	0	2,647
Natural resources	26	114	29	126	17	2	2	13	45	2,278
Paper and forest products	3	20	14	90	14	2	2	10	71	1,537
Mining and supporting activities	0	0	1	47	0	0	0	0	0	215
Oil, gas and offshore	23	437	14	265	3	0	0	3	21	526
Consumer staples	-23	-51	74	163	41	7	6	28	38	4,486
Food processing and beverages	-11	-74	47	311	18	2	2	14	30	1,491
Household and personal products	-1	-17	3	52	4	1	1	2	67	572
Healthcare	-11	-45	24	98	19	4	3	12	50	2,423
Consumer discretionary and services	-24	-24	259	253	224	10	42	172	66	9,993
Consumer durables	-12	-50	42	172	31	2	5	24	57	2,409
Media and entertainment	-3	-18	15	91	16	1	5	10	67	1,637
Retail trade	-15	-40	172	445	137	6	18	113	66	3,732
Air transportation	0	0	3	435	3	0	1	2	67	66
Accommodation and leisure	4	28	21	145	31	1	13	17	81	1,420
Telecommunication services	3	41	6	82	6	0	0	6	100	729
Industrials	-47	-19	435	172	364	31	76	257	59	24,889
Materials	0	0	31	145	16	2	3	11	35	2,118
Capital goods	13	47	63	222	49	4	8	37	59	2,787
Commercial and professional services	7	16	24	53	28	4	11	13	54	4,480
Construction	-25	-40	120	186	126	9	26	91	76	6,316
Wholesale trade	-10	-16	60	94	65	6	20	39	65	6,319
Land transportation	-24	-223	72	639	51	2	3	46	64	1,075
IT services	-8	-45	65	357	29	4	5	20	31	1,794
Maritime	25	44	65	114	53	18	4	31	48	5,634
Shipbuilding	1	90	3	263	3	0	0	3	100	111
Shipping	24	46	62	117	50	18	4	28	45	5,266
Maritime services	0	0	–	–	0	0	0	–	0	257
Utilities and public service	2	3	11	18	11	4	3	4	36	6,213
Utilities distribution	1	3	3	10	4	1	2	1	33	2,886
Power production	-2	-7	1	3	3	2	0	1	100	2,949
Public services	2	53	7	183	4	1	1	2	29	378
Real estate	34	14	137	55	117	21	13	83	61	24,965
Other industries	2	0	0	0	19	0	19	0	0	0
Total corporate	**-32**	**-3**	**1,172**	**117**	**961**	**104**	**187**	**670**	**57**	**99,565**
Housing loans	6	6	140	139	40	2	6	32	23	10,036
Collateralised lending	62	44	176	125	143	15	44	84	48	13,951
Non-collateralised lending	-38	-102	60	157	109	16	59	34	57	3,711
Total household	**30**	**11**	**376**	**134**	**292**	**33**	**109**	**150**	**40**	**27,698**
Public sector	**-1**	**-2**	**39**	**91**	**2**	**0**	**0**	**2**	**5**	**4,277**
Loans to the public	**-3**	**0**	**1,587**	**120**	**1,255**	**137**	**296**	**822**	**52**	**131,540**

1) Including provisions for off-balance sheet exposures.
2) Allowances for stage 3 divided by exposures in stage 3.

P10. Risk and liquidity management, cont.

Loans to the public measured at amortised cost

31 Dec 2021, EURm[2]	Net loan losses[1]	Net loan loss ratio, bp	Impaired loans, (stage 3)	Impairment rate, gross bp	Allowances	Allowances (stage 1)	Allowances (stage 2)	Allowances (stage 3)	Coverage ratio %[3]	Loans measured at amortised cost
Financial institutions	30	18	59	36	37	6	7	24	41	16,431
Agriculture	14	41	123	350	92	3	11	78	63	3,418
Crops, plantations and hunting	2	35	19	322	18	1	4	13	68	572
Animal husbandry	8	163	104	1,847	72	1	6	65	63	491
Fishing and aquaculture	4	17	0	0	2	1	1	0	0	2,355
Natural resources	-16	-76	565	2,302	344	2	2	340	60	2,110
Paper and forest products	8	64	24	189	16	2	2	12	50	1,255
Mining and supporting activities	1	63	1	63	0	0	0	0	0	159
Oil, gas and offshore	-25	-359	540	5,273	328	0	0	328	61	696
Consumer staples	11	28	6	15	17	3	9	5	83	3,880
Food processing and beverages	3	30	2	20	5	1	2	2	100	1,001
Household and personal products	1	15	2	29	3	0	1	2	100	681
Healthcare	7	32	2	9	9	2	6	1	50	2,198
Consumer discretionary and services	-89	-98	240	259	212	8	49	155	65	9,070
Consumer durables	7	32	28	129	20	2	5	13	46	2,158
Media and entertainment	5	40	11	86	15	1	7	7	64	1,259
Retail trade	-75	-215	171	472	133	4	15	114	67	3,491
Air transportation	0	0	3	256	3	0	1	2	67	114
Accommodation and leisure	-26	-180	18	122	34	1	21	12	67	1,447
Telecommunication services	0	0	9	148	7	0	0	7	78	601
Industrials	60	29	531	252	368	25	71	272	51	20,705
Materials	41	285	31	211	28	3	3	22	71	1,439
Capital goods	-6	-22	118	422	70	2	12	56	47	2,728
Commercial and professional services	16	50	25	77	33	4	11	18	72	3,221
Construction	-5	-8	164	271	121	7	24	90	55	5,935
Wholesale trade	30	64	72	151	59	5	13	41	57	4,724
Land transportation	-7	-73	56	568	32	2	2	28	50	954
IT services	-9	-53	65	376	25	2	6	17	26	1,704
Maritime	-13	-21	505	781	165	7	7	151	30	6,299
Shipbuilding	4	169	0	0	1	1	0	0	0	236
Shipping	-17	-30	505	872	163	6	6	151	30	5,629
Maritime services	0	0	0	0	1	0	1	0	0	434
Utilities and public service	-6	-9	14	20	20	3	6	11	79	6,828
Utilities distribution	-2	-7	1	3	6	2	4	0	0	2,993
Power production	2	6	1	3	2	1	0	1	100	3,312
Public services	-6	-115	12	224	12	0	2	10	83	523
Real estate	-37	-15	174	71	175	23	38	114	66	24,358
Other industries	-4	-8,000	0	0	0	0	0	0	0	5
Total corporate	**-50**	**-5**	**2,217**	**235**	**1,430**	**80**	**200**	**1,150**	**52**	**93,104**
Housing loans	-28	-31	171	189	58	2	8	48	28	8,980
Collateralised lending	63	49	241	184	200	14	42	144	60	12,915
Non-collateralised lending	32	85	66	171	96	9	56	31	47	3,753
Total household	**67**	**26**	**478**	**184**	**354**	**25**	**106**	**223**	**47**	**25,648**
Public sector	**0**	**0**	**34**	**96**	**2**	**0**	**0**	**2**	**6**	**3,548**
Loans to the public	**17**	**1**	**2,729**	**220**	**1,786**	**105**	**306**	**1,375**	**50**	**122,300**

1) Including provisions for off-balance sheet exposures.
2) Figures have been restated for 2021 for change in corporate industry codes.
3) Allowances for stage 3 divided by exposures in stage 3.

P10. Risk and liquidity management, cont.

Geographical distribution

The portfolio is geographically well diversified with no market accounting for more than 24% of total lending measured by the geographical location of the customer handling unit (24%).

Other EU countries represent the largest part of lending outside the Nordic countries. Lending to the public distributed by the country of domicile of borrowers shows that the customers residing in the Nordic countries account for 89% (88%).

Loans to the public measured at amortised cost, geographical breakdown[1]

	Gross			Allowances			
31 Dec 2022, EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**
Denmark	23,431	1,227	500	36	134	275	24,712
Finland	27,669	2,118	556	29	55	265	29,992
Norway	30,215	1,021	169	38	42	85	31,239
Sweden	30,931	751	250	18	59	138	31,717
Russia	1	0	0	0	0	0	2
US	1,155	65	2	1	0	1	1,220
Other	12,279	346	111	15	5	58	12,658
Total	**125,681**	**5,527**	**1,587**	**137**	**296**	**822**	**131,540**

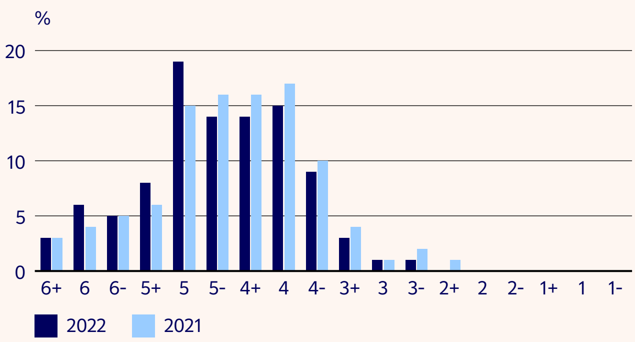
	Gross			Allowances			
31 Dec 2021, EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**
Denmark	20,173	1,090	558	31	144	361	21,285
Finland	27,318	2,174	598	21	62	305	29,702
Norway	27,270	1,025	618	30	44	226	28,613
Sweden	27,099	869	251	13	47	115	28,044
Russia	91	0	1	0	0	0	92
US	1,862	1	3	1	1	2	1,862
Other	11,991	393	700	9	8	365	12,702
Total	**115,804**	**5,552**	**2,729**	**105**	**306**	**1,374**	**122,300**

1) Based on the customers' country of domicile.

Rating and scoring distribution

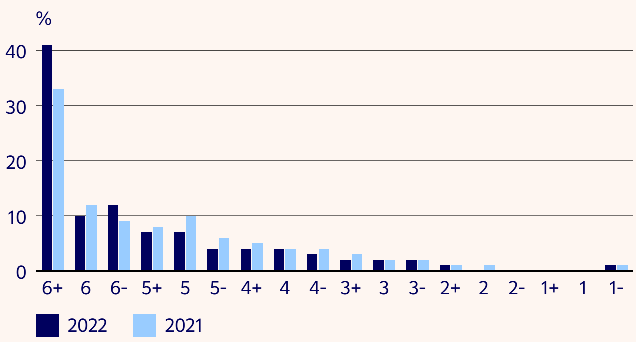
One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as across risk grades for scored household and small business customers, i.e. retail exposures. For the corporate portfolio, the largest rating groups were ratings 5 and 4. For the retail rating grade, the largest scoring group was A+.

Rating distribution IRB corporate customers[1]



1) Defaulted loans are not included in the rating distribution.

Risk grade distribution IRB retail customers[1]



1) Defaulted loans are not included in the risk grade distribution.

P10. Risk and liquidity management, cont.

Rating information for loans measured at amortised cost

EURm Rating grade[1]	Average PD (%)	Gross carrying amount 31 Dec 2022 Stage 1	Stage 2	Stage 3	Total	Provisions
7	0.00	3,593	2	–	3,595	0
6	0.01	9,297	10	–	9,307	2
5	0.09	34,637	59	1	34,698	22
4	0.22	42,565	642	0	43,208	62
3	2.78	5,532	1,208	15	6,755	74
2	17.35	278	838	15	1,131	45
1	37.27	129	436	6	572	56
Standardised/Unrated	0.00	3,412	154	14	3,581	34
0 (default)	100.00	18	22	1,140	1,179	638
Internal	n.a.	72,232	–	–	72,232	0
Total		**171,694**	**3,372**	**1,191**	**176,256**	**932**

EURm Rating grade[1]	Average PD (%)	Gross carrying amount 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Provisions
7	0.00	2,877	1	–	2,877	0
6	0.01	8,513	4	–	8,516	1
5	0.05	29,421	46	0	29,467	11
4	0.12	40,763	367	2	41,132	53
3	3.83	6,191	1,456	3	7,650	96
2	13.68	193	1,099	2	1,294	47
1	35.60	64	461	16	540	58
Standardised/Unrated	0.00	26	0	0	26	4
0 (default)	100.00	13	2	2,181	2,197	1,108
Internal	n.a.	80,122	–	–	80,122	–
Total		**168,181**	**3,436**	**2,204**	**173,821**	**1,379**

1) The stage classification and calculation provisioning for each exposure are based on the situation at the end of October 2022 (Oct 2021), while the exposure amount and rating grades are based on the situation at the end of December 2022 (Dec 2021). Some of the exposures in default according to the rating grade at the end of December were not in default at the end of October, which is reflected in the stage classification.

Scoring information for loans measured at amortised cost

EURm Scoring grade[1]	Average PD (%)	Gross carrying amount 31 Dec 2022 Stage 1	Stage 2	Stage 3	Total	Provisions
A	0.05	13,848	99	2	13,949	13
B	0.43	5,494	193	0	5,688	12
C	2.12	2,748	560	2	3,310	22
D	7.55	1,589	563	3	2,155	28
E	19.47	333	338	2	673	32
F	24.61	233	370	17	620	48
Standardised/Unrated	0.41	164	10	0	173	0
0 (default)	100.00	17	31	383	430	177
Total		**24,427**	**2,163**	**409**	**26,999**	**332**

EURm Scoring grade[1]	Average PD (%)	Gross carrying amount 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Provisions
A	0.04	11,466	45	2	11,513	4
B	0.29	6,766	148	1	6,915	12
C	2.05	3,766	528	2	4,295	23
D	7.38	1,587	596	3	2,187	30
E	17.76	447	378	1	827	34
F	24.76	252	410	16	678	48
0 (default)	100.00	16	26	500	541	259
Total		**24,300**	**2,130**	**526**	**26,956**	**410**

1) The stage classification and calculation provisioning for each exposure are based on the situation at the end of October 2022 (Oct 2021), while the exposure amount and rating grades are based on the situation at the end of December 2022 (Dec 2021). Some of the exposures in default according to the rating grade at the end of December were not in default at the end of October, which is reflected in the stage classification.

P10. Risk and liquidity management, cont.

Rating information for off-balance sheet items

EURm Rating grade	Nominal amount 31 Dec 2022 Stage 1	Stage 2	Stage 3	Total	Provisions
7	6,898	–	–	6,898	0
6	13,140	1	0	13,141	2
5	33,234	2	2	33,238	18
4	18,718	468	0	19,186	16
3	3,706	1,134	4	4,843	31
2	1	659	5	665	18
1	1	280	0	281	25
Standardised/Unrated	289	189	0	478	1
0 (default)	–	–	204	204	22
Internal	48,906	–	–	48,906	–
Total	**124,894**	**2,733**	**215**	**127,841**	**132**

EURm Rating grade	Nominal amount 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Provisions
7	7,351	–	–	7,351	0
6	7,818	1	0	7,818	0
5	29,410	1	0	29,411	4
4	22,653	457	3	23,113	13
3	3,867	1,292	1	5,160	35
2	0	724	0	724	17
1	0	308	0	308	29
Standardised/Unrated	625	61	0	686	0
0 (default)	–	0	276	276	29
Internal	50,264	–	–	50,264	–
Total	**121,988**	**2,843**	**281**	**125,112**	**129**

Scoring information for off-balance sheet items

EURm Scoring grade	Nominal amount 31 Dec 2022 Stage 1	Stage 2	Stage 3	Total	Provisions
A	9,179	2	0	9,182	6
B	2,264	26	0	2,291	6
C	1,097	253	0	1,350	11
D	555	348	0	904	13
E	31	90	1	122	12
F	22	48	0	70	8
Standardised/Unrated	303	18	0	321	0
0 (default)	–	–	44	44	15
Total	**13,452**	**786**	**45**	**14,283**	**70**

EURm Scoring grade	Nominal amount 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Provisions
A	9,050	2	0	9,051	4
B	3,687	3	0	3,690	6
C	1,463	343	0	1,806	15
D	691	381	1	1,073	17
E	45	99	0	144	15
F	23	55	0	78	11
0 (default)	–	0	61	61	20
Total	**14,959**	**883**	**62**	**15,903**	**88**

P10. Risk and liquidity management, cont.

Impaired loans (stage 3)

Impaired loans gross in Nordea Bank Abp decreased to EUR 1,600m (EUR 2,729m), corresponding to 79bp of total loans. 59% of impaired loans gross were servicing and 41% were non-servicing. Impaired loans net, after allowances for stage 3 loans amounted to EUR 773m, corresponding to 38bp of total loans. On-balance allowances for stage 3 loans amounted to EUR 827m. On-balance allowances for stages 1 and 2 loans amounted to EUR 436m. The ratio of allowances for loans in stage 3 in relation to impaired loans was 52% and the allowance ratio for loans in stages 1 and 2 was 22bp. The decrease in impaired loans was mainly related to the Households, Natural resources and Maritime sectors. The portfolios with the largest impaired loan amounts were Industrials, Household and Consumer discretionary and services.

Impaired loans and ratios

	2022	2021
Gross impaired loans, amortised cost, EURm	1,600	2,729
- of which servicing	949	1,458
- of which non-servicing	651	1,271
Impairment rate, (stage 3) gross, bp	**79**	**136**
Impairment rate, (stage 3) net, bp	**38**	**67**
Allowances in relation to loans in stages 1 and 2, bp	**22**	**21**
Total allowance rate (stages 1, 2 and 3), bp	**62**	**89**
Allowances in relation to impaired loans (stage 3), %	**52**	**50**

Past due loans

Past due loans, 6 days or more, for corporate customers amounted to EUR 324m (377m), and past due loans to household totalled EUR 495m in 2022 (447m). The table below shows loans past due 6 days or more, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date.

	31 Dec 2022		31 Dec 2021	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	90	201	109	123
31–60 days	42	67	32	50
61–90 days	12	32	17	21
>90 days	180	195	219	253
Total	**324**	**495**	**377**	**447**
Past due (incl. impaired) loans divided by loans to the public after allowances, %	0.3	1.8	0.4	1.7

Allowances

Total allowances for 2022 were EUR 1,469m, down from EUR 2,020m. On-balance allowances for 2022 were EUR 1,263m, down from EUR 1,789m. This was driven by stage 3 write-offs in the Shipping and Oil, gas and offshore portfolio after concluded work-outs. Of the total allowances, stage 1 accounted for EUR 140m (108m), stage 2 for EUR 296m (306m) and stage 3 for EUR 827m (EUR 1,375m). The coverage ratio was 0.07% for stage 1 (0.06%), 5.3% for stage 2 (5.5%) and 52% for stage 3 (50%) as the impaired loans written off had lower coverage than the remaining impaired portfolio.

Net loan losses

Net loan losses amounted to losses of EUR 3m (from reversals EUR 17m in 2021), corresponding to an annual net loan loss ratio of 0bp. Including fair value reversals of EUR 11m, net loan losses amounted to EUR 8m (-1bp). Reversals mainly related to the household portfolio, which saw reversals of EUR 30m mainly related to Denmark and Norway, while the corporate portfolio had net loan losses of EUR 32m mainly driven by a few larger individual provisions, with no specific industry concentration.

Management judgement was reduced by EUR 56m during the year, from EUR 497m to EUR 442m. The cyclical management judgment was EUR 338m at the end of the year, down from EUR 397m. In the second quarter of 2022, the COVID-19-related risk was assessed to be reduced, leading to a decrease in cyclical management judgement of EUR 38m. During the fourth quarter of 2022, the cyclical management judgement decreased by EUR 21m due to reassessed allowance in group level in light of the extraordinary effects caused by the energy and cost-living crises, together with the receding concerns related to the pandemic. The adequacy of the allowance was analysed based on specific potential impacts of higher costs and reduced consumer spending in various economic sectors. The structural management judgement allowance increased by EUR 3m covering planned improvements to provisioning models and processes.

Net loan losses and loan loss ratios

	2022	2021
Net loan losses, EURm	3	-17
Net loan loss ratio, amortised cost, bp	0	-1
- of which stage 3	-1	17
- of which stages 1 and 2	1	-18
Net loan loss ratio, bp[1]	-1	0
Net loan loss ratio, Personal Banking, bp[1]	-15	-1
Net loan loss ratio, Business Banking, bp[1]	7	-1
Net loan loss ratio, Large Corporates & Institutions, bp[1]	-2	-3

1) Net loan losses including loan losses from loans at fair value recognised through fair value reserve divided by total lending at amortised cost and at fair value, bp.

P10. Risk and liquidity management, cont.

Carrying amount of loans measured at amortised cost, before allowances

	Central banks and credit institutions				The public				Total			
EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 Jan 2022	**76,677**	**14**	**–**	**76,691**	**115,805**	**5,552**	**2,729**	**124,086**	**192,481**	**5,566**	**2,729**	**200,777**
Origination and acquisition	50,247	1	–	50,248	56,612	353	69	57,033	106,859	353	69	107,281
Transfers between stage 1 and stage 2, (net)	5	-5	–	–	-431	431	–	–	-426	426	–	–
Transfers between stage 2 and stage 3, (net)	–	0	0	–	–	-54	54	–	–	-54	54	–
Transfers between stage 1 and stage 3, (net)	-13	–	13	–	-158	–	158	–	-171	–	171	–
Repayments and disposals	-23,233	-4	–	-23,237	-30,425	-1,217	-492	-32,134	-53,658	-1,221	-492	-55,371
Write-offs	0	0	–	–	–	–	-599	-599	0	0	-599	-599
Other changes[1]	-32,557	2	0	-32,556	-13,738	540	-307	-13,504	-46,295	542	-307	-46,060
Translation differences	-687	0	0	-687	-1,984	-78	-25	-2,087	-2,671	-78	-25	-2,774
Closing balance at 31 Dec 2022	**70,440**	**8**	13	**70,460**	**125,681**	**5,527**	**1,587**	**132,795**	**196,121**	**5,534**	**1,600**	**203,255**

1) Other changes are mainly related to changes in utilisation of credits granted in earlier years.

	Central banks and credit institutions				The public				Total			
EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 Jan 2021	**62,470**	**58**	**0**	**62,528**	**110,904**	**7,194**	**3,055**	**121,153**	**173,374**	**7,252**	**3,055**	**183,681**
Origination and acquisition	21,514	0	–	21,514	31,675	429	65	32,169	53,189	429	65	53,683
Transfers between stage 1 and stage 2, (net)	0	0	–	–	7	-7	–	0	7	-7	–	0
Transfers between stage 2 and stage 3, (net)	–	–	–	–	–	-176	176	–	–	-176	176	–
Transfers between stage 1 and stage 3, (net)	–	–	–	–	-94	–	94	–	-94	–	94	–
Repayments and disposals	-14,237	-50	-2	-14,289	-36,937	-1,639	-299	-38,875	-51,174	-1,689	-301	-53,164
Write-offs	–	–	–	–	–	–	-362	-362	–	–	-362	-362
Other changes[1]	6,742	6	2	6,750	9,740	-278	-42	9,420	16,482	-272	-40	16,170
Translation differences	188	0	0	188	510	29	41	580	698	29	41	768
Closing balance at 31 Dec 2021	**76,677**	**14**	0	**76,691**	**115,805**	**5,552**	**2,729**	**124,086**	**192,481**	**5,566**	**2,729**	**200,777**

1) Other changes are mainly related to changes in utilisation of credits granted in earlier years.

P10. Risk and liquidity management, cont.

Movements in allowance accounts for loans measured at amortised cost

	Central banks and credit institutions				The public				Total			
EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 Jan 2022	-3	0	0	-3	-105	-306	-1,375	-1,786	-108	-306	-1,375	-1,789
Origination and acquisition	-2	0	0	-2	-36	-21	-8	-66	-38	-22	-8	-68
Transfers from stage 1 to stage 2	0	0	–	0	4	-71	–	-67	4	-71	–	-67
Transfers from stage 1 to stage 3	0	–	-5	-5	1	–	-42	-41	1	–	-47	-46
Transfers from stage 2 to stage 1	0	0	–	0	-3	62	–	59	-3	62	–	59
Transfers from stage 2 to stage 3	–	0	0	0	–	9	-53	-45	–	9	-53	-45
Transfers from stage 3 to stage 1	–	–	–	–	0	–	25	24	0	–	25	24
Transfers from stage 3 to stage 2	–	–	–	–	–	-4	25	20	–	-4	25	20
Changes in credit risk without stage transfer	0	0	0	0	-39	-39	-59	-138	-39	-40	-59	-138
Repayments and disposals	1	0	0	1	41	72	160	273	42	72	160	274
Write-off through decrease in allowance account	–	–	–	–	–	–	486	486	–	–	486	486
Translation differences	0	0	0	0	2	3	20	25	2	3	20	25
Closing balance at 31 Dec 2022	**-3**	**0**	**-5**	**-9**	**-137**	**-296**	**-822**	**-1,255**	**-140**	**-296**	**-827**	**-1,264**

	Central banks and credit institutions				The public				Total			
EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance at 1 Jan 2021	-3	-1	0	-4	-178	-405	-1,449	-2,032	-181	-406	-1,449	-2,036
Origination and acquisition	-2	0	–	-2	-29	-16	-7	-52	-31	-16	-7	-54
Transfers from stage 1 to stage 2	0	0	–	0	8	-110	–	-102	8	-110	–	-102
Transfers from stage 1 to stage 3	0	–	–	0	1	–	-38	-37	1	–	-38	-37
Transfers from stage 2 to stage 1	0	0	–	0	-5	92	–	87	-5	92	–	87
Transfers from stage 2 to stage 3	–	–	–	–	–	27	-170	-143	–	27	-170	-143
Transfers from stage 3 to stage 1	–	–	–	–	0	–	19	19	0	–	19	19
Transfers from stage 3 to stage 2	–	–	–	–	–	-5	36	31	–	-5	36	31
Changes in credit risk without stage transfer	0	0	0	0	66	44	-42	68	66	44	-42	68
Repayments and disposals	2	1	–	3	33	66	81	180	34	68	81	183
Write-off through decrease in allowance account	–	–	–	–	–	–	220	220	–	–	220	220
Translation differences	0	0	0	0	0	-1	-24	-25	-1	-1	-24	-25
Closing balance at 31 Dec 2021	**-3**	**0**	**0**	**-3**	**-105**	**-306**	**-1,375**	**-1,786**	**-108**	**-306**	**-1,375**	**-1,789**

The tables show the changes in exposure/allowances for each stage during the year. If an exposure is moved to stage 2 from stage 1, there will be a reversal in stage 1 and an increase in stage 2.

P10. Risk and liquidity management, cont.

Movements in provisions for off-balance sheet items

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2022	28	138	50	216
Origination and acquisition	17	11	0	28
Transfers from stage 1 to stage 2	-1	29	–	29
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	1	-31	–	-30
Transfers from stage 2 to stage 3	–	-1	2	1
Transfers from stage 3 to stage 1	0	–	-2	-2
Transfers from stage 3 to stage 2	–	1	-3	-2
Changes in credit risk without stage transfer	10	-3	-3	5
Repayments and disposals	-10	-26	-3	-39
Write-off through decrease in allowance account	–	–	-3	-3
Translation differences	-1	-2	0	-3
Closing balance at 31 Dec 2022	**44**	**117**	**41**	**202**

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2021	61	153	69	283
Origination and acquisition	7	7	1	14
Transfers from stage 1 to stage 2	-2	49	–	47
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	1	-44	–	-43
Transfers from stage 2 to stage 3	–	-2	8	6
Transfers from stage 3 to stage 1	0	–	-2	-2
Transfers from stage 3 to stage 2	–	1	-3	-1
Changes in credit risk without stage transfer	-23	-9	-19	-51
Repayments and disposals	-15	-17	-3	-34
Write-off through decrease in allowance account	–	–	-3	-3
Translation differences	0	0	0	0
Closing balance at 31 Dec 2021	**28**	**138**	**50**	**216**

Counterparty credit risk

Counterparty credit risk is the risk that Nordea Bank Abp's counterparty in a derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterparty. In addition, counterparty credit risk also exists in repurchasing agreements and other securities financing contracts.

Nordea Bank Abp 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 on the balance sheet. Furthermore, Nordea Bank Abp may, within clearly defined risk limits, use derivatives to take open positions in the bank's operations. Derivatives affect counterparty credit risk, market risk as well as operational and liquidity risk.

Counterparty credit risk, including exposures to central counterparties (CCPs), is subject to credit limits like other credit exposures and is treated accordingly. To assess the counterparty credit risk towards CCPs, clearing limits are based on the potential size of the clearing-related exposure to each CCP, taking regulatory requirements and the market development into account.

For information about offsetting of financial assets and liabilities, see Note P3.3 "Classification and measurement".

P10. Risk and liquidity management, cont.

Market risk

See section 4 "Market risk" in the Group´s Note G11.

Market risk analysis

The market risk in the Nordea Bank Abp´s trading book is presented in the table below.

The average market risk measured by VaR was EUR 31.5m in 2022 (the average in 2021 was EUR 24.7m) and primarily driven by interest rate risk. Stressed average VaR was EUR 44.9m in 2022 (the average in 2021 was EUR 38.0m) and primarily driven by interest rate risk with additional contributions from credit spread risk. The peak in VaR was reached in the second quarter while the peak in stressed VaR was reached in the first quarter. VaR and stressed VaR are primarily driven by market risk in the Northern European and Nordic countries.

At the end of 2022 the incremental risk charge (IRC) was slightly lower than at the end of 2021. The lowest exposure occurred during the fourth quarter of 2022 while the IRC reached a high in the second quarter of 2022. The average IRC increased compared with the previous year.

At the end of 2022 the comprehensive risk charge (CRC) was higher than at the end of 2021. The lowest exposure occurred during the fourth quarter of 2022 while the CRC peaked during the second quarter of 2022. The average CRC for 2022 increased by EUR 13.6m compared with 2021.

Structural interest income risk/economic value

Nordea Bank Abp's interest rate risk in the banking book disclosure is aligned with the Pillar 3 requirements. The change in the economic value for the banking book positions due to interest rate changes is assessed under the six regulatory rate-shock scenarios, and the net interest income in the banking book over a 12-month period is assessed under the two parallel shifts, both defined by the European Banking Authority (EBA). At the end of the year, the maximum economic value loss was EUR 1,230m in 'parallel down' scenario, and the maximum one-year loss in net interest income was EUR 1,295m also in 'parallel down' scenario.

Other market risks/ pension risk

See section 4.6 "Other market risk/pension risk" in the Group´s Note G11.

Operational risk

For operational risk, management of operational risk and financial reporting risk management, see section 5 "Operational risk" in the Group´s Note G11.

Market risk figures for the trading book[1]

EURm	31 Dec 2022	2022 high	2022 low	2022 avg.
Total VaR	33	51	20	32
Interest rate risk	32	50	18	31
Equity risk	2	12	2	5
Credit spread risk	7	12	3	7
Foreign exchange risk	2	5	1	2
Inflation risk	2	3	1	2
Diversification effect	27	51	16	32
Total stressed VaR	45	69	33	45
Incremental risk charge	9	46	7	26
Comprehensive risk charge	27	47	18	33

1) Equity event risk was EUR 0.2m at the end of 2022.

Market risk figures for the trading book[1]

EURm	31 Dec 2021	2021 high	2021 low	2021 avg.
Total VaR	35	46	15	25
Interest rate risk	36	47	14	26
Equity risk	3	22	2	5
Credit spread risk	4	19	3	10
Foreign exchange risk	1	7	1	2
Inflation risk	2	4	1	2
Diversification effect	24	65	22	44
Total stressed VaR	44	72	23	38
Incremental risk charge	17	33	12	20
Comprehensive risk charge	23	37	9	19

1) Equity event risk was EUR 0.3m at the end of 2021.

P10. Risk and liquidity management, cont.

Compliance risk

For compliance risk, ESG-related risk management, financial crime prevention as well as management of compliance risk, see section 6 "Compliance risk" in the Group´s Note G11.

Liquidity risk management

During 2022 Nordea Bank Abp continued to benefit from its prudent liquidity risk management in terms of maintaining a diversified and strong funding base and a diversified liquidity buffer. Nordea Bank Abp maintained a strong liquidity position throughout the year.

Nordea Bank Abp issued approximately EUR 16.2bn in long-term funding in 2022, of which all was issued in the form of senior debt.

Throughout 2022 Nordea Bank Abp remained compliant with the liquidity coverage ratio (LCR) requirement in all currencies on a combined basis as well as the net stable funding ratio (NFSR).

During 2021 Nordea Bank Abp participated in European Central Bank (ECB) and local central bank facilities, including the ECB's targeted longer-term refinancing operations (TLTROs). At the end of 2022 Nordea Bank Abp had EUR 10bn outstanding under the TLTRO III programme, following a EUR 2bn repayment during the year.

Nordea Bank Abp accounts for the TLTRO funding as a floating rate financial liability under IFRS 9. The weighted average interest rate applied by the ECB turned positive during the fourth quarter, and Nordea Bank Abp accordingly recognised interest expense in connection with its TLTRO III borrowing. The weighted average interest rate was negative in the first three quarters when Nordea Bank Abp recognised negative interest expense. The interest rate used for accruing interest during the fourth quarter was 0.42% (weighted average by time and nominal amount) and added EUR 12m to Nordea Bank Abp's interest expense. The average negative interest rate for the first three quarters was -0.48% and added EUR 43m to Nordea Bank Abp's net interest income, excluding the impact from meeting the lending threshold at the end of 2021. EUR 61m was released when Nordea Bank Abp was able to conclude with adequate certainty that the 2021 lending threshold had been reached. Nordea Bank Abp altered the effective interest rate accordingly, and retroactively applied the additional 0.5% discount on the interest rate paid as of 24 June 2021. For the full-year 2022 the interest expense was negative and added EUR 92m to Nordea Bank Abp's net interest income.

Liquidity risk definition and identification

See section 8.1 "Liquidity risk definition and identification" in the Group´s Note G11.

Management principles and control

See section 8.2 "Management principles and control" in the Group´s Note G11.

Liquidity risk management strategy

See section 8.3 "Liquidity risk management strategy" in the Group´s Note G11.

Liquidity risk measurement

See the section 8.4 "Liquidity risk measurement" in the Group´s Note G11.

Liquidity risk analysis

Nordea Bank Abp continues to have a strong and prudent liquidity risk profile with a strong funding base. At the end of 2022 the total volume utilised under CD and CP programmes was EUR 50.9bn (EUR 38.2bn) with an average maturity of 0.3 (0.4)year. The total volume under long-term programmes was EUR 33.1bn (EUR 32.8bn) with an average maturity of 3.7 (3.2) years. Nordea Bank Abp's funding sources are presented in the table below.

The liquidity risk position remained strong throughout 2022. The liquidity stress horizon was 1,095 days at the end of 2022 (1,095 days as the end of 2021) with an annual average of 1095 days (856 days). The annual average of the funding gap risk was EUR +51.0bn (EUR +44.2bn in 2021). Nordea Bank Abp's liquidity buffer ranged between EUR 106.3bn and EUR 132.7bn throughout 2022 (EUR 82.7bn and EUR 137.3bn) with an average liquidity buffer of EUR 119.2bn (EUR 114.3bn).

The combined LCR for the Nordea Bank Abp was 141% at the end of 2022 (148%) with an annual average of 138% (141%). At the end of 2022 the LCR in EUR was 138% (137%) and in USD 177% (169%) with annual averages of 173% (210%) and 203% (176%), respectively. At the end of 2022 Nordea Abp's NSFR was 106.6% (105.9%).

Funding sources, 31 December 2022

Liability type	Interest rate base	Average maturity (years)	EURm
Deposits by credit institutions			
Shorter than 3 months	Euribor etc.	0.0	29,098
Longer than 3 months	Euribor etc.	0.8	11,532
Deposits and borrowings from the public			
Deposits payable on demand	Administrative	0.0	186,343
Other deposit	Euribor etc.	0.0	38,888
Debt securities in issue			
Certificates of deposits	Euribor etc.	0.3	36,930
Commercial paper	Euribor etc.	0.4	13,991
Mortgage covered bond loans	Fixed rate, market-based	–	–
Other bond loans	Fixed rate, market-based	3.3	27,683
Fair value changes of hedged items			-1,672
Derivatives			42,049
Other non-interest-bearing items			14,589
Subordinated debt			
Tier 2 subordinated bond loans	Fixed rate, market-based	8.8	3,305
Additional Tier 1 subordinated bond loans (undated)	Fixed rate, market-based		2,599
Fair value changes of hedged items			-504
Equity			27,163
Total			**431,995**

Net stable funding ratio

EURbn	31 Dec 2022	31 Dec 2021
Available stable funding	215.9	214.7
Required stable funding	202.6	202.7
Net stable funding	13.4	12.0
Net stable funding ratio[1]	**106.6%**	**105.9%**

1) According to CRR2 regulation.

Signing

Board of Directors' proposal for the distribution of earnings

On 31 December 2022 Nordea Bank Abp's distributable earnings, including profit for the financial year – after subtracting capitalised development expenses – were EUR 17,299,560,244.30 and other unrestricted equity amounted to EUR 4,592,781,450.93.

The Board of Directors proposes that the 23 March 2023 Annual General Meeting (AGM) authorise it to decide on a dividend payment of a maximum of EUR 0.80 per share. The payment would be distributed based on the annual accounts to be adopted for the financial year ended 31 December 2022 and the authorisation would remain in force until the beginning of the next AGM.

The dividend would be paid from retained earnings. After a maximum dividend payout of EUR 2,886,957,606.00, corresponding to 70% of the net profit of the year, EUR 14,412,602,638.30 would be carried forward as distributable retained earnings.

In the opinion of the Board of Directors, the proposed distribution of earnings does not risk the solvency of Nordea Bank Abp. Further information can be found in the section "Proposed distribution of earnings" in the Board of Directors' Report.

Signatures to the financial statements and the report of the Board of Directors for the year 2022

Helsinki, 22 February 2023

Stephen Hester
Chair

Torbjörn Magnusson
Vice Chair

Dorrit Groth Brandt
Board member[1]

Petra van Hoeken
Board member

Joanna Koskinen
Board member[1]

Robin Lawther
Board member

John Maltby
Board member

Hans Christian Riise
Board member[1]

Lene Skole
Board member

Birger Steen
Board member

Jonas Synnergren
Board member

Arja Talma
Board member

Kjersti Wiklund
Board member

Frank Vang-Jensen
President and Group CEO

The Auditor's Note

A report on the audit performed has been issued today.

Helsinki, 27 February 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)

1) Employee representative.

Auditor's report

(Translation of the Swedish original)

To the Annual General Meeting of Nordea Bank Abp

Report on the Audit of the Financial Statements

Opinion

In our opinion
- the consolidated financial statements give a true and fair view of the Group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Nordea Bank Abp (business identity code 2858394-9) for the year ended 31 December 2022. The financial statements comprise:
- the consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies
- the parent company's income statement, balance sheet, cash flow statement and notes, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in Note G2.6 Other expenses/Auditor's fees to the consolidated financial statements.

Our Audit Approach

Overview

- Overall group materiality: € 200 million, which represents 0.65% of equity

- The group audit scope encompassed all significant group companies as well as a number of smaller group companies in the Nordic countries, covering the vast majority of revenue, assets and liabilities

- Impairment of loans to customers
- Valuation of financial instruments held at fair value
- Actuarial assumptions related to the Life business
- IT systems supporting processes for financial reporting

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us determine the scope of our audit and the nature, timing and extent of our audit procedures and evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 200 million
How we determined it	0.65% of equity
Rationale for the materiality benchmark applied	We chose equity as the benchmark because, in our view, it is the benchmark against which the capital resources of the bank are most commonly measured by users and is a generally accepted benchmark. We chose 0.65% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Nordea Group, the accounting processes and controls, and the industry in which the Group operates.

We determined the type of work that needed to be performed at group companies by us, as the group engagement team, or by component auditors from other PwC network firms operating under our instructions. Where the work was performed by component auditors, we issued specific instructions to reporting component auditors which included our risk analysis, materiality and audit approach to centralised systems. Audits were performed in group companies which were considered significant either because of their individual financial significance or due to their specific nature, covering the majority of revenue, assets and liabilities of the Group.

By performing the procedures above at group companies, combined with additional procedures at the group level, we have obtained sufficient and appropriate evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the Group	How our audit addressed the key audit matter

Impairment of loans to customers

Refers to Note G1 – Accounting policies (Critical judgements and estimation uncertainty), Note G2.9 – Net loan losses and Note G3.7 – Loans to the consolidated financial statements.

A high level of judgement is involved in determining the appropriate impairment loss to be recognised. For individually assessed loans, judgement is involved in determining whether a loan has a loss event and in assessing the loan loss amount.

Expected credit losses (ECL) are calculated as a function of the probability of default, the exposure at default and the loss given default as well as the timing of the loss.

Nordea categorises loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. For loans without a significant increase in credit risk, stage 1, expected credit losses are calculated for estimated defaults within 12 months. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, the calculation is based on the lifetime of expected losses.

The current macroeconomic situation, including high inflation, increasing energy prices, higher interest rates and lower global growth, has impacted management's determination of the ECL. To address the uncertainties inherent in the current and future environment and to reflect all relevant risk factors not captured in Nordea's modelled results, management developed post-model adjustments.

Additionally, Nordea uses adjustments to the model-driven ECL results to address impairment model limitations.

This is also a key audit matter with respect to our audit of the parent company financial statements.

Our audit included a combination of testing of internal controls over financial reporting and substantive testing.

We obtained an understanding of the loan origination process, credit risk management and the impairment allowances for loans and advances to customers.

We had a special focus on post-model adjustments developed by management and the credit risk development for large customers.

Based on risk, we selected individual loans and performed detailed credit file reviews and assessed their credit risk.

For ECL models, we involved our modelling specialists to assess the methodology, challenge the underlying assumptions and to independently reperform the calculation for a sample of loans.

We have evaluated the appropriateness of the assumptions and accuracy of underlying data used to develop post-model adjustments and reviewed that governance procedures have been performed.

We have also assessed the disclosures related to impairment of loans.

Valuation of certain Level II and III financial instruments held at fair value

Refers to Note G1 – Accounting policies (Critical judgements and estimation uncertainty), Note G2.4 – Total net result from items at fair value, Note G3.3 – Classification and measurement, Note G3.4 – Fair value, Note G3.6 – Hedge accounting and Note G3.12 – Derivatives.

Increased volatility, rising interest rates, heightened geopolitical tensions and in general widespread macroeconomic uncertainty continue to be a key theme across major markets in the post-COVID time. The challenging valuation environment emphasises the importance of robust valuation and reporting controls and the valuation of financial instruments continues to be an area of inherent risk.

The valuation of Level II and III financial instruments utilises observable and unobservable inputs, respectively, for recurring fair value measurements.

Significant portfolios of financial instruments are valued based on models and certain assumptions that are not observable by third parties.

Important areas in the valuation of financial instruments held at fair value relate to:
- framework and policies relating to models and valuation
- internal controls relating to fair value adjustments, price testing, fair value hierarchy and model control and governance
- disclosures of financial instruments.

This is also a key audit matter with respect to our audit of the parent company financial statements.

We assessed and tested the design and operating effectiveness of the controls over:
- the identification, measurement and oversight of the valuation of financial instruments
- fair value adjustments, independent price verification and the fair value hierarchy
- model control and governance.

We examined the Group's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and the fair value hierarchy and the Group's governance and reporting processes and controls.

For the valuations dependent on unobservable inputs or which involve a higher degree of judgement, we assessed the assumptions, methodologies and models used by the Group. We performed an independent valuation of a sample of positions, including fair value hierarchy testing.

In respect of fair value adjustments, specifically credit, debt and funding fair value adjustments (CVA, DVA and FFVA) for derivatives, we assessed the methodology applied, underlying models and assumptions made by the Group and compared it with our knowledge of current industry practice. We tested the controls over the data inputs to the underlying models and on a sample basis tested underlying transactions back to supporting evidence.

We have also assessed the disclosures related to the valuation of financial instruments held at fair value.

Actuarial assumptions related to the Life business

Refer to Note G1 – Accounting policies (Critical judgements and estimation uncertainty) and Note G4 – Insurance contracts to the consolidated financial statements.

Technical provisions involve subjective judgements over uncertain future outcomes. The value is based on models where significant judgement is applied in setting economic assumptions, actuarial assumptions as well as customer behaviour. Changes in these assumptions can materially impact the valuation of technical provisions.

We assessed the design and tested the operating effectiveness of the controls over the process for calculating provisions within the Life business.

Our audit also included assessments of applied methods, models and assumptions used in calculating the provisions. We have on a sample basis performed recalculations of the provisions. The audit was carried out involving PwC actuaries.

IT systems supporting processes for financial reporting

Due to the significant number of transactions that are processed, the Group's financial reporting is highly dependent on IT systems supporting automated accounting and reconciliation procedures. To ensure complete and accurate financial records, it is important that controls over appropriate access rights, program development and changes are designed properly and operate effectively.

This is also a key audit matter with respect to our audit of the parent company financial statements.

We have tested the design and operating effectiveness of the controls related to the IT systems relevant for financial reporting. Our assessment included access to programs and data as well as program development and changes.

For logical access to programs and data, audit activities included testing of the addition of access rights, the removal of access rights and the monitoring of appropriateness as well as the appropriate segregation of duties. Other areas tested included monitoring of IT systems and controls over changes to IT systems.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the Group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment
As set forth in the Memorandum of Association of Nordea Bank Abp, we have acted as the auditor as of 21 September 2017. Our appointment represents a total period of uninterrupted engagement of five financial years.

Other Information
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion
- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Other Statements

We support the proposal that the financial statements are adopted. The proposal by the Board of Directors regarding the distribution of profits is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 27 February 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)

Sustainability **notes**

Table of **Contents**

SUSTAINABILITY NOTES

Sustainability notes

S1 About the sustainability disclosures

Nordea has reported on environmental and sustainability performance on an annual basis since 2002. Since 2021 the sustainability reporting has been integrated into Nordea's Annual Report and therefore a separate Sustainability Report is no longer being published. Nordea's sustainability reporting for 2022 constitutes sustainability disclosures found (i) in the Sustainability at the core chapter on pages 14–15, (ii) in the Non-financial statement (incl. our EU taxonomy reporting) on pages 85–90, (iii) in the Corporate Governance Statement 2022 on page 63, (iv) on pages 227–228 in Note G11 "Risk and liquidity management" and (v) in the Sustainability notes on pages 317–359 which provide in-depth information and data related to the sustainability disclosures. We also present information about our materiality and impact analysis in the Sustainability notes. In addition, indices referring to our reporting in relation to the Principles for Responsible Banking (PRB), the Task Force on Climate-related Financial Disclosures (TCFD) and the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) are published as a separate appendix available at nordea.com/sustainability.

In addition to the Annual Report, Nordea discloses ESG-related information in accordance with the Pillar III disclosure requirements in the Capital and Risk Management Report available at nordea.com.

Like all other disclosures in the Annual Report, the sustainability disclosures refer to the period 1 January to 31 December 2022, i.e. Nordea's financial year. The previous report covering the financial year 2021 was published in March 2022.

Nordea Bank Abp has reported in accordance with the GRI Standards for the period 1 January to 31 December 2022. Our GRI Content Index, including omission statements, is published at nordea.com/sustainability. For disclosures of financed emissions, we also use the Global GHG Accounting and Reporting Standard for the Financial Industry provided by the Partnership for Carbon Accounting Financials (PCAF). See more details on PCAF on pages 332–335.

The Non-financial statement is prepared in accordance with the Non-Financial Reporting Directive as implemented into the Finnish Accounting Act, including the requirements on EU taxonomy disclosures.

PricewaterhouseCoopers Oy has provided assurance on the sustainability information provided in this report. The scope of the assured information is indicated in the Independent practitioner's limited assurance report on page 359.

The Annual Report is available for downloading at nordea.com. If you have any questions about the sustainability disclosures, you are welcome to address them to sustainability@nordea.com. Additional information on sustainability and also an SASB index are available at nordea.com/sustainability.

S1. About the sustainability disclosures, cont.

Scope of the sustainability disclosures

Similar to the financial statements, the sustainability disclosures in this Annual Report cover the parent company, Nordea Bank Abp, and its subsidiaries, i.e. the Nordea Group. The reported data covers the Nordea Group as a whole unless otherwise stated. This is indicated in conjunction with the presented data where we also present restatements.

In December Nordea completed the acquisition of TopDanmark's life and pension business. The acquired company has not been included in the sustainability disclosures for 2022. During 2023 we will integrate the operations in our ESG frameworks and policies. Disclosures and targets will be amended as applicable.

The Annual Report is our disclosure in relation to several of the commitments and initiatives we participate in (see table below).

Commitments and initiatives	Details and references
Principle for Responsible Banking (PRB)	As Nordea is a signatory to the PRB we report on our implementation of the PRB in the sustainability disclosures. In addition to the Annual Report, the PRB Reporting and Self-Assessment Template is available at nordea.com.
Task Force on Climate-Related Financial Disclosures (TCFD)	We report climate-related information in line with the TCFD recommendations. See the TCFD Index at nordea.com/sustainability for references.
Net Zero Banking Alliance (NZBA)	The report serves as a description of our actions to mitigate climate change in accordance with our Net Zero Banking Alliance (NZBA) commitment to transition all operational and attributable GHG emissions from our lending and investment portfolios to align with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100. This also covers the commitment made by Finance Finland to promote actions aimed at limiting global warming to below 2°C. For a list of our association memberships, see nordea.com/sustainability.
Finance Denmark's best practice	The Annual Report considers Finance Denmark's best practice in disclosures relating to the AML area.
Responsible Ship Recycling Standard (RSRS)	Nordea is a signatory to the Responsible Ship Recycling Standards (RSRS) for banks. The RSRS is promoting responsible ship recycling and minimising the dangers associated with hazardous materials onboard. In 2022 close to 100% (same as in 2021) of new loan agreements for Nordea-financed vessels included a clause relating to responsible recycling. As an RSRS bank Nordea aims to include a responsible recycling clause in all new loan agreements for Nordea-financed vessels in the shipping sector. For our complete reporting according to the RSRS requirements, see nordea.com/sustainability.
UN Global Compact (UNGC)	Nordea is committed to the UN Global compact (UNGC) and the sustainability information supports our Communication on Progress submission to the UNGC.
Equator Principles (EP)	The sustainability information in the report partly fulfils the reporting requirements of the Equator Principles (EP). For full EP reporting, see Nordea Equator Principles Reporting at nordea.com/sustainability.
UK Modern Slavery Act	The sustainability information in the report partly fulfils the reporting requirements of the UK Modern Slavery Act. In addition, we publish a separate modern slavery and human trafficking statement at nordea.com/sustainability.
Norwegian Transparency Act	The sustainability information in the report partly fulfils the reporting requirements of the Norwegian Transparency Act. In addition, we publish a separate statement at nordea.com/sustainability.

S2 Our strategy

For Nordea, sustainability means inspiring and enabling our customers to make sustainable choices and contributing to societal goals through financing, investments and our internal operations. We have made sustainability an integrated part of our business strategy and introduced measurable long-term and medium-term objectives and 2023–2025 targets to help drive a greener and more sustainable future. The objectives and targets were approved by the Group Leadership Team and by the Board in 2020.

Our work rests on four strategic pillars: financial strength, climate action, social responsibility, and governance and culture. Within each pillar, we have identified the relevant United Nations' Sustainable Development Goals and sustainability topics that impact us or that we can have a significant impact on – by reducing the negative impact or increasing the positive impact of our financing and investment activities and internal operations. See Note S9 "Materiality and impact analysis" for more details.

We have strengthened our governance structure at Board and executive level with dedicated committees that support the Group Leadership Team and Group Board in fulfilling their oversight responsibilities concerning sustainability, which encompass strategy, operational model, reporting and frameworks. See Note S6 "Governance and culture" for more details.

Sustainability at the core

Actively engaging to drive transition and capture growth opportunities

Financial strength

Understanding and managing environmental, social and governance risks is crucial to maintaining our financial strength.

Climate action

To become a net-zero emissions bank by 2050 at the latest, we are engaging with and supporting our customers and portfolio companies in reducing their climate impact, while reducing our own.

Social responsibility

By considering human and labour rights throughout our value chain and promoting gender equality, employment and education we aim to create social impact where it matters the most.

Governance and culture

Strong governance and a healthy corporate culture caters for a successful execution of our strategic sustainability agenda for a greater good.

S3 Financial strength

Understanding and managing environmental, social and governance risks is crucial to maintaining our financial strength.

2023–2025 targets	Status
Risk management framework for ESG risks in place by the end of 2023.	On track
Risk assessments in place for the sectors and customers most vulnerable to climate risk by the end of 2023.	On track

We can only succeed in being a strong financial partner and helping our customers transition to a resilient and low-carbon economy if we have a strong balance sheet and liquidity position.

In order to maintain our financial strength and achieve our ambitions, we must understand and manage risks, including those related to ESG topics. Managing our exposure to these risks is a natural part of our daily operations and often requires us to take a long-term perspective.

We take into account ESG issues that could affect us in both the short and longer term, directly or indirectly. These issues may relate to financial exposures, the operations of our customers and investee companies, internal operations, or functions supporting our internal operations, for example outsourcing.

ESG-related risk strategy and management

We consider that ESG factors can be significant drivers of credit, market, liquidity, compliance or operational risks. The principle of embedding ESG factors in Nordea's risk management and business strategy is based on the importance of each factor as a driver of existing risks. Nordea continues the progressive implementation of risk factor definitions, identifying the materiality of the risk qualitatively and quantitatively, monitoring, mitigating and managing identified material risk, and, where relevant, assessing the potential need for capitalisation while accounting for best practices and regulatory guidance.

As a key principle of effective risk management, we maintain a diversified lending portfolio, evenly distributed between corporate and household customers and diversified across geographies, industries and products. For credit risk, existing processes are progressively being enhanced to identify, evaluate, and monitor material ESG-related risks. From an on-balance sheet investment perspective, ESG principles are already incorporated into the framework for long-term illiquid asset investments and ESG factors are progressively applied in assessing them as drivers of market and liquidity risk categories and the associated portfolios.

Process enhancements for all risk categories will continue in 2023 as part of our multi-year ESG Programme, which is expected to be aligned with the ECB's expectations on climate-related and environmental risk management. We provide a detailed description of existing processes in the 2022 Capital and Risk Management report available at nordea.com.

ESG-related risks impacting our customers and balance sheet

ESG assessments are performed for both lending and investment portfolios of Nordea's balance sheet to identify, evaluate and monitor material ESG-related risks. These processes are being enhanced through a multi-year implementation programme and we provide detailed descriptions of these processes in the 2022 Capital and Risk Management report available at nordea.com.

For corporate borrowers, in summary, ESG assessments are performed according to the size and type of the transaction and the customer's internal segmentation. ESG-related risks identified qualitatively as material at customer level provide input to the credit risk assessment to reach conclusions on the customer group's risk level included in the credit memorandum. Approvals are made according to the established credit decision-making process. For customers associated with a high level of ESG-related risks, decisions are escalated to higher-level credit committees where relevant.

Climate-related transition risks have since 2021 been assessed with an enhanced focus through the Climate Risk Assessment Tool (CRAT), for the largest exposures in climate-vulnerable industries for Business Banking (BB) and Large Corporates and Institutions (LC&I) business areas. The key components of the assessment include counterparties' greenhouse gas (GHG) emissions intensity developments, corresponding quality of their transition planning and the resulting impact of climate-related transition risks on customer repayment capacity. This analysis is aligned with the Group targets on financed GHG emissions reductions and transition plan coverage.

For mortgage borrowers, the main ESG-related risks relate to collateral energy efficiency and physical hazard exposures. In 2022 Nordea has focused on assessing the available energy efficiency information for our mortgage portfolio and long-term exposure to physical hazards in a changing climate.

For the long-term illiquid asset portfolio, ESG and impact principles guiding investment decisions include the introduction of concrete ESG criteria, which fund managers seeking to secure investments from Nordea are expected to either satisfy at the outset or strive to satisfy as soon as practically possible. The principles also include the requirement of monitoring the progress of ESG performance within the portfolio, with plans to develop KPIs for stronger tracking and reporting on performance. For further details, see the 2022 Capital and Risk Management report available at nordea.com.

Beyond monitoring and management of these potential risks at a counterparty level, Nordea is also monitoring ESG-related risks at portfolio, product and sector levels through deep dives and our risk appetite framework. Through those activities we assess exposure to any vulnerable economic activities and steer our balance sheet according to related aspects of our business strategy. For further information on these activities, we refer to our Capital and Risk Management report available at nordea.com.

Integrating climate-related risks into investment decisions

Fulfilling our mission to deliver returns responsibly requires us to manage the exposure to climate-related risks in our investment portfolios. We assess material climate-related risks and opportunities across asset classes using a range of models and data sets. For listed equity and corporate bond exposures, we use the MSCI Climate Value-at-Risk model to assess transition risks and physical risks under different climate scenarios.

In addition, we conduct climate alignment analysis for individual issuers, to establish the extent to which a company's strategy and decarbonisation trajectory support the achievement of a desirable target scenario.

Investment teams in Nordea Asset Management (NAM) have access to a proprietary ESG data platform, allowing them to integrate climate-related analyses into the investment research process, and portfolio managers regularly receive portfolio risk reports which include climate dashboards with key figures, such as the emissions intensity of the portfolio, and identification of relative outliers.

At Nordea Life & Pension (NLP), the capabilities to integrate climate-related risks and opportunities were strengthened during the year. Investment managers have access to a comprehensive set of backward- and forward-looking metrics, scenario analyses and tools for their respective portfolios. Monitoring of key metrics and elevated risk areas is conducted regularly and a climate risk report is provided to NLP's Board of Directors and Sustainability Committee at least quarterly.

Assessing transition and physical risks in investments

In both NAM and NLP the MSCI Climate Value-at-Risk (Climate VaR) model is used for listed equities and corporate bonds to assess transition risks (policy risk) and physical risks (extreme weather risk) in different climate scenarios. In addition, NLP uses the Carbon Risk Real Estate Monitor to assess transition risk in its directly held real estate portfolio. For sovereign bonds, it is expected that proper carbon accounting methodologies and required data will be in place during 2023. This will enable further integration of climate risks and financed emissions disclosure. For illiquid asset classes, retrieving sufficient data remains a challenge.

Policy risk

For policy risk, MSCI Climate VaR includes three scenarios from the Network for Greening the Financial System: 1.5°C Orderly; 2°C Disorderly; and 3°C. The 1.5°C Orderly scenario assumes that new climate policies are introduced early and gradually become more stringent to limit warming. The 2°C Disorderly scenario assumes that most new climate policies are delayed until 2030, which means that emissions reductions need to be sharper and more drastic than in the Orderly scenario. The 3°C scenario mostly represents already announced but not yet implemented climate policy efforts and hence assumes that some climate policies are implemented in some jurisdictions, but that global efforts are insufficient to halt significant global warming. In the table below we disclose policy risk according to these three scenarios for listed equities and corporate bonds for both NAM and NLP.

Policy risk is defined as being zero in a business-as-usual scenario where global warming amounts to 4°C. In lower-temperature scenarios the policy risk is defined as a differential relative to this baseline. It is measured by translating climate-related policy costs into valuation impacts on companies and their publicly tradable securities. Hence, the values in the table below express the aggregated potential impact on market valuations of investment portfolios as a result of the climate policies associated with each scenario. Please note that the table only includes downside risk and therefore does not include transition-related upside opportunities associated with these scenarios.

Policy risk Climate VaR as of end 2022	1.5°C Orderly	2.0°C Disorderly	3.0°C
Nordea Asset Management			
Listed equities (%)	-7.89	-19.48	-0.69
Corporate bonds (%)	-0.71	-3.01	-0.03
Nordea Life & Pension			
Listed equities (%)	-6.73	-17.00	-0.82
Corporate bonds (%)	-1.82	-5.69	-0.08

Extreme weather risks

For extreme weather risk, financial damage resulting from extreme heat and cold; heavy precipitation and snow; coastal and fluvial flooding; and wind gusts and tropical cyclones over the next 80 years are considered. The MSCI Climate VaR model estimates physical risk in a 4°C scenario, which represents a continuation of business-as-usual and is modelled using a combination of short-term projections of historical climate data and a high-emissions long-term scenario. In the table below we disclose extreme weather risk in this scenario for listed equities and corporate bonds for both NAM and NLP.

Extreme weather risk is defined as being zero in a scenario where there is no future change in the frequency and severity of extreme weather events, and in the 4°C scenario extreme weather risk is defined as a differential relative to this baseline. It is measured by translating extreme weather-related damage to physical assets into valuation impacts on companies and their publicly tradable securities. For extreme weather risk, the model uses a stochastic approach to estimating damage where the 50th percentile represents an "Average" 4°C scenario and the 95th percentile represents an "Aggressive" 4°C scenario. This means that the "Aggressive" scenario explores the less likely but more extreme potential damage in a 4°C global warming scenario. The values in the table below express the aggregated potential impact on market valuations of investment portfolios as a result of the extreme weather damage associated with each scenario.

Extreme weather risk Climate VaR as of end 2022	Average	Aggressive
Nordea Asset Management		
Listed equities (%)	-8.32	-11.13
Corporate bonds (%)	-0.46	-0.78
Nordea Life & Pension		
Listed equities (%)	-8.48	-11.16
Corporate bonds (%)	-0.95	-1.64

S4 Climate action

To become a net-zero emissions bank by 2050 at the latest, we are supporting our customers and portfolio companies in reducing their climate impact while reducing our own.

Our sustainability targets

Achieve **net-zero emissions** by the end of **2050** at the latest → **2030 mid-term objectives** → **2023–2025 targets**

Reduce carbon emissions across our lending and investment portfolios by 40–50% by the end of 2030 compared with 2019.

2023–2025 targets	Status
Ensure that 90% of our exposure to large corporate customers in climate-vulnerable sectors is covered by transition plans by the end of 2025.[1]	58%
By 2025 ensure that 80% of the top 200 financed emissions contributors in Nordea Asset Management's portfolios are either aligned with the Paris Agreement or subject to active engagement to become aligned.[2]	75%
Double the share of net-zero-committed AuM by 2025.	On track
Reduce the carbon footprint from Nordea Life & Pension's listed equity, corporate bond and real estate portfolios by at least 25% by the end of 2024.	28%
All asset managers[3] managing assets on behalf of Nordea Life & Pension must commit, no later than 2024, to transitioning their assets under management to net zero by 2050.	38%
Facilitate more than EUR 200bn in sustainable financing by the end of 2025.	EUR 58bn
Grow gross inflows from the Sustainable Choice universe to account for 33% of total fund gross inflows by the end of 2025.	22%

Reduce carbon emissions from our internal operations by more than 50% by the end of 2030 compared with 2019 and achieve a net positive carbon contribution (through offsetting).

2023–2025 targets	Status
Total carbon reduction from internal operations of 30% compared with 2019 by the end of 2023.	57%
Suppliers covering 70% of spend are either aligned with the Paris Agreement or subject to active engagement to become aligned by 2023.[4]	On track

1) Defined as the percentage of exposure to climate vulnerable sectors for which the obligor or group mother has set a time-bound and quantifiable target to cut GHG emissions.
2) Target reworded for clarity since 2021 disclosure. No changes to ambition or methodology as a result.
3) Target covers all asset managers in liquid asset classes. For asset managers in illiquid asset classes selected criteria apply.
4) Target developed and quantified for better measurement. Replacing previous target "All relevant requests for proposal among suppliers to have requirements that are aligned with the Paris Agreement to achieve a carbon reduction in the supply chain by the end of 2023."

S4. Climate action, cont.

Overall development around us

The Paris Agreement aims to limit the rise in the mean global temperature to well below 2°C, preferably to 1.5°C, above pre-industrial levels. To achieve this, greenhouse gas (GHG) emissions must be halved by 2030 and on a path to reach net zero by 2050 at the latest. While this will significantly reduce the risks and impacts of warming, decarbonisation will also create one of the greatest growth opportunities of our century.

2022 was an extremely challenging year in many ways. Following a strong recovery from the COVID-19 pandemic, Europe was hit by the war in Ukraine and one of the most severe energy crisis since World War II along with extreme weather events, causing significant disruption to societies.

According to the IEA, Nordic countries and companies are faring better than the rest of Europe thanks to long-standing climate action, investments in low-carbon energy and low fossil fuel reliance in national energy consumption. In the short term, focus is on making sure that enough energy is available to keep our economies up and running. This will also imply a short-term temporary increase in fossil fuel use and GHG emissions.

In the medium term, however, decarbonisation is likely to accelerate. The geopolitical rationale for reducing fossil fuel dependency has grown stronger during the crisis. Decarbonisation is now driven by objectives related to sustainability, economics and security of supply. The energy crisis is turning out to be a major pivot point in the transition to a fossil-free economy.

Our climate action agenda

As a leading bank in the Nordic region, we have the capacity to support the transition to net zero – via our customer offerings, through our lending and investment decisions and by reducing the emissions from our internal operations. We reached a significant milestone in 2021 with the announcement of our 2030 and 2050 objectives and medium-term targets.

Our business objective is to achieve net-zero emissions across our value chain in terms of scope 1, 2 and 3 emissions by the end of 2050 at the latest. An essential component of a net-zero transition plan in line with global efforts to limit warming to 1.5°C is to set interim targets towards net zero. We have therefore established an objective to reduce GHG emissions across our lending and investment portfolios by 40–50% by the end of 2030 compared to 2019, to reduce GHG emissions from our internal operations by more than 50% by the end of 2030 compared to 2019 and to achieve a net positive GHG contribution (through offsetting). Each business area has individual climate-related targets and actions for 2023 and 2025, and the progress on these is reported quarterly in our performance management to the Group Leadership Team and the Board Operations and Sustainability Committee.

As a financial institution, it is primarily through our business – which represents the majority of our total GHG emissions – that we can make the most impact. It is both obvious and increasingly clear from greenhouse gas data that our largest challenge lies within scope 3 emissions from our investment and lending portfolios. In 2022 these represented 99.9% of our total disclosed GHG footprint. Total scope 1, scope 2 and scope 3 emissions can be seen in figure below.

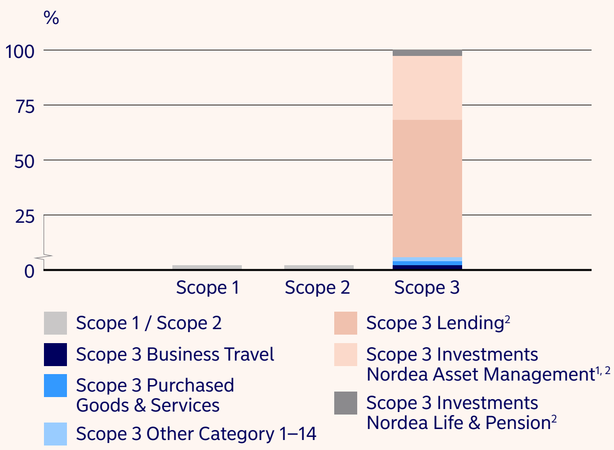
Towards net zero

We have joined the Net Zero Banking Alliance (NZBA), the Net Zero Asset Owner Alliance (NZAOA) and the Net Zero Asset Managers Initiative (NZAM) in order to establish common guidelines and work with peers on the roadmap towards net-zero emissions in the real economy as well as in our portfolios.

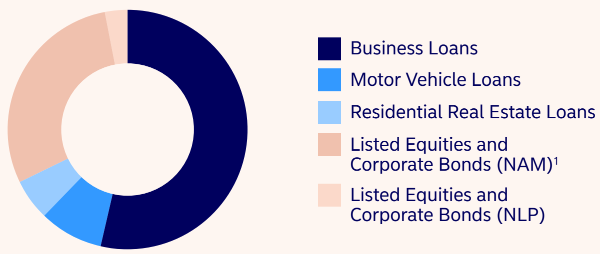
In our 2022 disclosure, business loans represented 79% of our financed emissions in the lending portfolio. Therefore, as a foundation for our net-zero transition plan framework, the Board has approved a quantitative financed GHG emissions limit for business loans in our Risk appetite statements on ESG. We have also included targeted financed emissions development in regional policy frameworks and real customer level transition plans in our financial planning to secure progress towards our lending portfolio targets for 2030 and 2050. Portfolio emissions and climate risk analysis have been undertaken in several areas to understand the portfolio footprint, resulting in actions to derisk and steer the balance sheet in the right direction. Between 2019 and 2022 we saw a 19% decrease in the lending portfolio financed emissions mainly due to exit from offshore, derisking in Russia and volume reductions in shipping.

For the foundation of our investment portfolios in Nordea Life & Pension (NLP) and Nordea Asset Management (NAM) are taking two different whilst similar approaches. For NLP we have a 2025 target to reduce at least 25% in the carbon footprint for listed equities, corporate bonds and directly held real estate. Indicative figures for 2022 show a decrease of 28% between 2019 and 2022. The indicative figures further show that decrease between 2021 and 2022 was mainly driv-

Distribution of our total emissions



Financed emissions



1) In its capacity as an Asset Owner some of NLP's investments are made with NAM. This is not adjusted for hence there is some double counting between NLP and NAM Financed Emissions.

2) Financed Emissions scope 1&2 of our counterparties.

S4. Climate action, cont.

en by allocation changes in the portfolios while changes in actual emissions by investee companies were limited. NAM has set a target to reduce the weighted average carbon intensity (WACI) of listed equities and corporate bonds by 50% before the end of 2030 compared with a 2019 baseline. In 2022 we saw a 23% decrease compared with 2019. The decrease was achieved primarily by shifting investments to lower-emitting companies in the energy and utilities sector and by significantly reducing investments in oil and gas companies.

Engaging with and supporting our customers' net zero transition plans and having integrated ESG evaluation in the credit and investment processes are central to our implementation strategy. This is supported by continuous updating of our sector guidelines, industry credit policies and responsible investment policies. Further, we offer products and services such as sustainability-linked, green financing and ESG-focused products to encourage our customers to make sustainable choices. For climate-vulnerable sectors, we have started to set sector-specific climate targets for our lending portfolios in order to align with regional sector roadmaps and scientific pathways.

Another important foundation is the skills and culture of our staff. We have regular internal training on topics such as climate-vulnerable sectors, net-zero transition plans, sustainable finance, ESG data and the EU Taxonomy. This training ranges from generalist training to external ESG analyst certification of selected client executives, analysts and sales staff. Our strategy is supported by Board and executive-level oversight and responsibilities, and in 2022 we integrated further ESG goals applicable for remuneration for the Group Leadership Team and other senior leaders across the Nordea Group. The strategy described is supported for example by necessary metrics and targets for financed emissions, net-zero transition plans, number of engagements, voting and number of internal trainings.

Our Group net-zero transition plan will be reviewed and updated in 2024/2025 at a time when we expect to have significantly increased data availability and data quality.

Transition plans

The Glasgow Financial Alliance for Net Zero (GFANZ) recommends financial institutions across banks, asset owners and asset managers to proactively and constructively provide feedback and support to customers and portfolio companies to encourage net-zero transition strategies, plans and to progress with an escalation framework with consequences when engagement is ineffective. As a financial institution, we have influence on our customers' and portfolio companies' major business decisions, including how customers and portfolio companies approach the transition to net zero. It is in the interest of Nordea to have a gradual and predictable transition that we can help support. For our corporate financing, we have developed an engagement strategy that supports the overall net-zero strategy, and we offer support to finance customers' transition plans, with the goal of driving real economy decarbonisation. In order to build skills and a culture to support the transition of our customers, we have developed a proprietary Nordea Climate Transition handbook that we use for training customer-facing staff in Large Corporates & Institutions, Business Banking as well as staff in Procurement.

Investments

Asset owners, being placed at the top of the investment value chain, have an important responsibility to drive positive change also within the investment industry. To reflect this, NLP has, as part of its transition plan and 2025 climate targets, set a target requiring all asset managers[1] managing assets on behalf of Nordea Life & Pension to commit, no later than 2024, to transitioning their assets under management to net zero by 2050. NLP actively engages with its asset managers, providing expectations, requirements and support on robust net zero targets and transition plans. By the end of 2022, 38% of NLP's asset managers had made a commitment to transitioning their assets to net zero by 2050, up from 21% in 2021 and 11% in 2020.

Alignment with Paris agreement for top 200 carbon footprint contributors

NAM has set a 2025 target to ensure that 80% of its top 200 largest contributors to financed emissions to be Paris aligned or else subject to engagement. This will increase to 100% by 2030.

Each company falls into one of four alignment categories: aligned, aligning, committed to aligning or not aligning based on six evaluation criteria: GHG emissions disclosure, net-zero ambition, credible GHG reduction targets, progress against targets, a supportive climate strategy and aligned capital expenditures.

NAM has developed a tool to assess alignment which is then supplemented with individualised research and company engagement. In 2022 NAM had or initiated engagement with all companies assessed as not aligning.

Doubling the share of net-zero committed AuM

As part of NAM's Net Zero Asset Managers initiative (NZAMI) commitment, we report the percentage of AuM committed to be managed in line with net zero[2]. An investment strategy is only considered net-zero committed if it is subject to a decarbonisation target that is consistent with 1.5°C, and it is managed in a way that is commensurate with ongoing decarbonisation.

Going forward, to increase the share of net-zero committed AuM, we will work to expand the scope of our target-setting framework to corporate bonds strategies and continue working collaboratively to establish industry best practice methodologies for measuring the 1.5°C alignment across more asset classes.

Financing

The bank's strategy is to drive a real and responsible climate transition, which means supporting our customers in their climate transition efforts. To do so, we have collected significant data on our large corporate customers' GHG emissions and climate targets and engaged directly with customers in high-emitting sectors. For some sectors, we also collect asset-level emission data, such as Shipping vessel-level data as part of our Poseidon Principles commitment. We have analysed the largest climate-vulnerable sectors to understand our customers' transition plans and the associated opportunities and risks. While data remains a challenge, our work is paying off: an estimated 58% of our exposure to large corporate customers in climate-vulnerable sectors was as of year-end covered by a target to cut GHG emissions.

Supporting our customers' transition

Supporting our customers' sustainable transition is central to our strategy. We engage with them to understand their challenges and opportunities in order to provide the right sustainable financing solutions and advice. Our leading sustainable finance franchise allows us to offer solid access to green and sustainability-linked loans as well as capital markets financing such as green, social, sustainable and sustainability-linked

1) Target covers all asset managers in liquid asset classes. For asset managers in illiquid asset classes selected criteria apply.
2) The 2021 baseline represents 17.5% of total AUM.

S4. Climate action, cont.

bonds. These offerings allow us to connect our bank financing to the customers' ESG objectives and align with relevant sustainable financing criteria.

During 2022 we were part of facilitating EUR 54bn of sustainable financing[1], placing us on track to reach our 2025 objective. Demand remains strong even in the face of challenging market conditions and a slowdown in specific sectors. We have maintained our no 1 position in the Nordic markets as the leading provider of sustainable finance. We facilitated 94 bond transactions and 118 sustainability-linked loans in 2022. We were proud to have won Global Finance's 2022 Sustainable Finance Awards in the Nordics[2].

We continue to invest in our sustainable finance platform. Throughout 2022 we developed our advisory capabilities and invested in enhancing internal processes and tools to support our offerings to customers and the expected continued growth while at the same time ensuring the integrity of our offerings. Investments will continue in 2023.

Sustainability offerings

Our sustainability product offering, denoting products backed by environmental, social and governance (ESG) criteria is called Sustainable Choice. Our offerings include sustainable financing products, funds and pension products and are continuously being expanded to further support our customers in making sustainable choices covering both climate as well as other ESG criteria.

In 2022 we supported more than 2,800 green mortgage borrowers with 768 EURm, and in our promotion of energy renovation, we are offering discounted lending for energy renovation in Denmark, Finland and Sweden. Going forward, we will continue supporting our customers to improve the energy efficiency of their homes to preserve property value as well as decrease electricity and heating costs.

Nordea pioneered integrating sustainability into investment advice already in 2019. With this experience, we continued our journey with further sustainability integration. Starting in August 2022, all our investment advisory customers received a sustainability profile, indicating at which level they prefer to integrate sustainability into their investments. During 2022 we have also classified all investment funds to identify how they match customers' different sustainability preferences.

We have set a target to grow gross inflows from the Sustainable Choice universe to account for 33% of total fund gross inflows by the end of 2025. By the end of 2022 this accounted for 22%, which places us on track to reach our target.

See note S7 "Sustainability offering" for more information.

Sector analysis and targets

We have prioritised sectors according to the level of financed emissions and the potential climate-related risks associated with each. From this we have identified 14 business loan sectors as potentially vulnerable to transition risk and therefore requiring deep dive assessments. Out of the financed emission disclosure scope 2022, these climate-vulnerable sectors represented 84% of financed emissions from business loans while representing only 46% of the exposure. In the same scope, our mortgages in residential real estate are material on our balance sheet, representing 8% of financed emissions while 62% of the exposure. We have also updated our business environment scanning to cover the most relevant climate policy frameworks and sector decarbonisation roadmaps in the Nordic region at a more granular level.

Deep dives for five sectors and mortgages were conducted in the last two years. This involved gathering company-level data on emissions as well as corporate transition plans, quantifying financed emissions and assessing customers' alignment with the anticipated greenhouse gas (GHG) emissions reduction pathway required to fulfil our sustainability targets and objectives. The sector deep dives also contributed to our understanding of physical and transition risk related to sectors and exposures. In the absence of adequate publicly available data we engaged directly with customers to understand the challenges they face and their plans to adapt their business models. In support of Nordea's climate goals we have also made significant progress in mapping the transition plans of our large corporate customer base (see the section "Transition Plans"). The definitions of these sectors are as applied in our credit risk appetite framework.

We have set a first round of sector targets and transition pathways relative to Paris Agreement-aligned benchmarks (see tables and graph on next page).

1) Full facility amounts.
2) Global Finance Sustainable Finance Award winner in Denmark, Finland and Sweden. No award was given for Norway.

Total facilitation of sustainable financing 2022

Our target is to facilitate more than EUR 200bn of sustainable financing by 2025. Total faciliation includes sustainability-linked loans, social and sustainability bonds and green loans.

22%

gross **inflow to Sustainable Choice** 2022

Our target is to grow gross inflows from the Sustainable Choice universe to account for 33% of total fund gross inflows by 2025.

S4. Climate action, cont.

Sector	Sub-sector	Emissions scope	Metric	Benchmark scenarios	Base year	Baseline	Target year	Target
Shipping	Vessels	1	Emission intensity AER, gCO_2/dwt-nm	Poseidon principles (IMO 2050)	2019	8.3	2030	-30%
Residential Real Estate	Households and tenant-owner associations	1 and 2	Emission intensity $kgCO_2e/m^2$	Utility sector NDC[1], CRREM[2]	2019	17.6	2030	-40–50%
Oil & Gas	Exploration and production	1, 2 and 3	Absolute emissions tCO_2e[3]	IEA NZE[4]	2019	2,986,773	2030	-55%
Offshore	Drilling rigs and off-shore service vessels within Oil & Gas and Shipping	–	Lending EURm	–	2019	1,885	2025	-100%
Mining	Thermal peat	–	Lending EURm	IEA NZE[4]	2022	52	2025	-100%
	Thermal coal	–	Lending EURm	IEA NZE[4]	*Restrictive policy. Full phase-out achieved in 2021.*			

1) Combined, NDC (Nationally Determined Contributions) plus renovation decarbonisation and building stock turnover decarbonisation (conservative estimates).
2) Carbon Risk Real Estate Monitor benchmark.
3) Including methane emissions in CO2 equivalents for scopes 1 and 2.
4) A normative IEA scenario that shows a pathway for the global energy sector to achieve net-zero CO2 emissions by 2050 and is consistent with limiting the global temperature rise to 1.5 °C without a temperature overshoot (with a 50% probability), in line with reductions assessed by the IPCC in its Special Report on Global Warming of 1.5 °C.

Sectors[1]

Shipping

By 2030 Nordea aims to reduce the emissions intensity of the shipping lending portfolio by 30% from 2019 levels. The intensity is measured by an Annual Efficiency Ratio (AER) following the methodology of the Poseidon Principles (PP). The weighted portfolio AER was 8.3 for 2019.

The target encompasses shipping vessels in scope of the Poseidon Principles reporting, including lending secured by vessel mortgages only. Offshore service vessels are not in scope of the Poseidon Principles reporting, but as highlighted above we have already announced our phase-out strategy from this sub-segment by 2025.

The Poseidon Principles trajectories are aligned with the benchmark scenario employed by the International Maritime Organisation (IMO), which targets an absolute 50% reduction in global GHG emissions from international shipping by 2050 relative to 2008 levels. New trajectories in line with net-zero commitments by 2050 are expected to be adopted by the Poseidon Principles banks once publicly available and approved by the members. We aim to review the target in light of benchmark scenario updates.

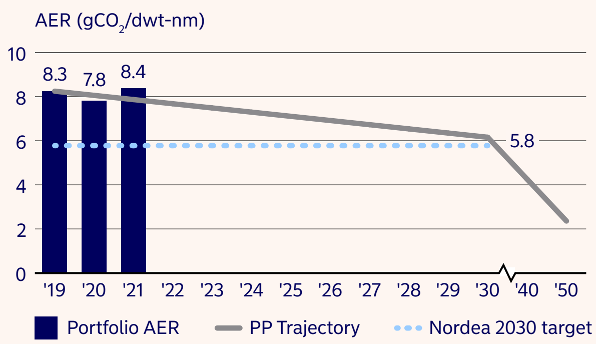
As a leading shipping bank and a signatory to the Poseidon Principles in 2019, we have committed to promoting a cleaner and more responsible shipping industry by consistently measuring climate alignment based on an extensive asset-level data collection, ensuring accountability and enforcing climate reporting through standardised covenants.

Our commitment and that of our customers is evidenced by the high customer reporting rate. The data from the Poseidon Principles reporting furthermore enables us to have a fact-based dialogue with our customers regarding decarbonisation. We have engaged directly with our customers to better understand their transitioning to more efficient vessels and the actions they take to succeed. While fuel is generally considered to be the most powerful decarbonisation lever there is significant uncertainty as to when greener fuels will be commercially available at full scale. In the interim leading up to 2030, key customer actions to improve vessel efficiency include modernising the fleet, technological gains, voyage optimisation and digitalisation, and retrofitting for alternative fuels.

The results of our third year as a signatory to the Poseidon Principles, i.e. 2021, show that our shipping portfolio was 6.6 % above (worse than) the global target trajectory. We calculated our alignment using high-quality data, as the GHG data reporting rate for our shipping customers in scope was close to 100%. In this context, it is important to recognise that some segments were significantly impacted by the COVID-19 pandemic in 2020 and 2021, in particular the cruise segment where externally imposed no-sail periods adversely impacted tonne-miles. Furthermore, the AERs are a nascent trajectory methodology we expect to be refined over time. For the shuttle tanker segment, which is considered to be a niche segment, the segment has been measured against trajectories for vessels with very different underlying operations. These two elements unfavourably impacted our 2020 and 2021 alignment.

In 2020 we also set a target that our shipping portfolio is to have at least 25% lower emissions compared to the global fleet by 2050.

Shipping lending portfolio pathway to 2030 and 2050



1) Sectors potentially vulnerable to climate transition and physical risk that await deep dives: materials; paper and forest products; animal husbandry; fishing and aquaculture; crops plantation and hunting; air transportation; land transportation; capital goods; construction and commercial real estate.

S4. Climate action, cont.

Sectors[1]

Residential real estate

By 2030 Nordea aims to have reduced the emission intensity of the residential real estate lending portfolio by 40–50%, calculated according to relevant methodology, adapted from PCAF, and measured against a 2019 baseline.

This year is the first time we can present a lending portfolio decarbonisation target relative to chosen Paris Agreement-aligned benchmarks. During 2022 we analysed climate-related risks and opportunities in the residential real estate sector. Analysing the energy performance and GHG emissions of our mortgage portfolio enables us to improve our mortgage-related financed emissions data quality. We will continue to gather more energy performance and emissions data with the help of central registries and customers.

A large share of residential homes in the Nordics relies on the power production and utility sector for heating and electricity. Therefore, the decarbonisation of homes depends heavily on the Nordic utility sector, which has communicated ambitious decarbonisation plans. Nordea continues engaging with utility customers to support their Paris Agreement-aligned climate transitions. In addition, building energy renovations and on-site renewable power generation decreases buildings' energy consumption and emissions. The Nordic countries promote energy renovation with awareness raising and activation campaigns as well as financing through guarantees and subsidies. We help our customers tap into subsidies and find renovation partners as well as offer discounted energy renovation lending in Finland, Denmark and Sweden.

Oil, gas and offshore

In 2022 we set two lending portfolio targets for the oil, gas and offshore sectors:

1. Nordea targets to exit the offshore subsegment of the oil and gas and shipping sectors by 2025. "Offshore" refers to the offshore drilling rig segment and the offshore service vessel segment of the oil and gas and shipping industries. It does not refer to oil and gas exploration and production (E&P or upstream) companies for which a separate target has been set.
2. By 2030 Nordea aims to have reduced scope 1, 2 and 3 financed emissions in its lending portfolio to E&P companies in the oil and gas industry by 55% to maximum 1.34 million tCO_2e, calculated according to Nordea's methodology, adapted from PCAF and measured against a 2019 baseline.

The exit from offshore was communicated at Nordea's Capital Markets Day in early 2022, and we have already exited most exposures in this segment.

Moreover, we have already significantly rebalanced our exposure to the E&P segment of the oil and gas industry, partly by exiting customers with less ambitious climate targets. As the largest Nordic bank, our continued support to a limited number of companies focused on the Norwegian Continental Shelf reflects the need to balance energy security with supporting a sustainable transition in the EU and the Nordic region. Their competencies and investments in renewables, hydrogen and low-carbon strategies such as carbon capture and storage can play a key role in securing an orderly energy transition. We will continue to engage directly with our customers to encourage them to have credible net-zero aligned transition plans, and we also aim to support them with transition financing.

The target covers scopes 1, 2, and 3 as the scope 3 category, use of sold products, is the most material emission category for E&P companies. Our baseline, and hence target, is based on a combination of company-reported data and proxies as especially scope 3 disclosures are not consistent throughout the industry. We expect convergence over time and expect to rebase with higher-quality data over time to ensure adequate transparency.

Mining and supporting activities

Nordea phased out lending to thermal coal mining by the end of 2021 and will aim to phase out lending to thermal peat mining by the end of 2025.

In 2021 we analysed the mining and supporting activities sector and in 2022 moved to the practical implementation of sector targets. This year is the first time we can present a lending portfolio target for mining (see the table on page 328). Mining segments, metallic minerals, non-metallic minerals and energy minerals have very different transition risk and opportunity profiles towards a net-zero emissions future. The decarbonisation pathway and the ongoing energy transition imply a thermal coal and peat mining phase-out in the Nordics and the EU by 2030.

At the same time the transition requires a large increase in the supply of metallic minerals, such as nickel, copper and lithium, which are used in renewable energy technologies and electric vehicle batteries. Non-metallic minerals, such as sand, gravel and limestone, are central to enabling infrastructure and the construction of buildings, roads and bridges. The Nordics have sizable supply potential of critical minerals and metals on a European scale. Our analysis also improved our financed emissions data quality for mining, and we are on track to achieving our sector targets.

1) Sectors potentially vulnerable to climate transition and physical risk that await deep dives: materials; paper and forest products; animal husbandry; fishing and aquaculture; crops plantation and hunting; air transportation; land transportation; capital goods; construction and commercial real estate.

S4. Climate action, cont.

Sectors[1]

Power production

In 2022 we analysed the power production sector and updated our fossil fuel guideline with quantitative limits on fossil fuel use and share in power production, which include phase-out dates for thermal coal and thermal peat. Nordea continues engaging with power production customers to support their transition to reduce GHG emissions-aligned with net zero by 2050. Clean, affordable and reliable energy supply will be key to enabling decarbonisation of the Nordic economies. Power production will deliver the vast majority of the emissions reductions by 2030 and will enable energy consuming end-use sectors to do the same.

The Nordics are frontrunners in low-carbon energy; electricity is already 90% fossil free and the outlook is for the Nordics to become an energy powerhouse for Europe. Electricity demand is expected to increase in Europe mostly driven by the electrification of industry, transport and heating. This implies significant production, transmission and storage investments supported by faster permitting. Our power production portfolio consists mostly of customers with low-carbon energy sources, including hydro, wind, solar and nuclear. Our strategy is to actively support the greening of Nordic power production and energy utilities. Our financed emissions are estimated to grow in the short term but to get back on track in coming years to meet our 2030 targets.

Utilities distribution and waste management

In 2022 we analysed our energy, water and waste utilities sectors. We continue engaging with utilities customers to support their transition to reduce GHG emissions-aligned with net zero by 2050. Utilities are essential infrastructure for the Nordic economies. Companies operating in these sectors are to a large extent publicly owned and their operations are subject to strict regulations and criteria. Climate risks affect all utilities in different ways. To meet decarbonisation targets and increase competitiveness, companies need to invest in operational improvements and infrastructure to increase e.g. material reuse and recycling as well as to improve water management. Waste management operations are a crucial part of a circular economy and are ensuring increased recycling and reuse of materials. Our financed emissions are estimated to grow in the short term but to get back on track in coming years to contribute to meeting our 2030 financed emissions target.

1) Sectors potentially vulnerable to climate transition and physical risk that await deep dives: materials; paper and forest products; animal husbandry; fishing and aquaculture; crops plantation and hunting; air transportation; land transportation; capital goods; construction and commercial real estate.

Active Ownership

3,900

Voted at 3,900 annual general meetings.

< 95%

Voting frequency over 95%.

1,025

Engaged in more than 1,000 dialogues with investee companies to ensure adequate management of ESG risks.

S4. Climate action, cont.

Policies and guidelines

We have described our commitments regarding climate change in our Position Statement on Climate Change. We also have guidelines addressing the climate issue and our position in relation to other sectors, including agriculture, forestry, fossil fuels, mining and real estate. These guidelines are a part of our implementation strategy where we set conditions with the aim to support and challenge customers to take responsibility and to make the transition needed to fulfil the objectives of the Paris Agreement.

In 2022 we updated our sector guidelines for the shipping and fossil fuel-based industries. We implemented several exclusions such as not providing project financing dedicated to expanding exploration of new oil and gas fields. For own managed assets in NLP, we exclude investments in issuers that base any exploration and production volumes on unconventional oil and gas. Our sector guideline for the fossil fuel-based industries can be found at nordea.com/sustainability, together with all our other position statements and sector guidelines.

On the investment side, we are committed to integrating ESG factors into our analysis, decision-making processes and active ownership practices. NLP's policy framework for ESG areas and climate change consists of a Responsible Investment Policy and Climate Change Policy.

Furthermore, NAM's Responsible Investment Policy sets out the framework for ESG/sustainability and responsible investments in NAM. Our engagement with investee companies includes proxy voting in line with our in-house ownership policy. We exercise our right to influence the companies in which our funds have invested capital through voting at shareholders' annual general meetings (AGMs). In 2022 we voted at around 3,900 general meetings and achieved a voting frequency of over 95% for our holdings. According to NGO ShareAction this is more than any other large Nordic bank in both relative and absolute terms. We show how we have voted in our voting portal at nordea.com. We also engage directly with companies in portfolios managed on behalf of customers, especially where we identify a need for them to improve their management of ESG-related risks. In 2022 we engaged in 1,025 dialogues to ensure that the companies in question were adequately managing material ESG-related risks or taking full advantage of ESG opportunities.

Our internal carbon footprint

Although our greatest impact is engaging with customers through financing and investments, we also work to reduce carbon emissions from our internal operations by more than 50% by 2030 and have a 30% reduction target by 2023, compared with 2019. Our work stems from the precautionary principle. So far on our journey towards meeting our targets we have reduced carbon emissions from our internal operations by 57% compared with our 2019 baseline. Travel emissions played the largest part of the reduction, since we decided to halve our travels compared to 2019 enforced by a new Travel Guideline, and we remain on track to achieve our target.

Additionally, we aim to inspire our employees to reduce their own carbon footprint. To this end, we rolled out an e-learning programme to educate our people on sustainability themes, offering recycling solutions together with external partners, as well as an IT accessories recycling programme, making it easy and attractive for our people to significantly reduce their own e-waste.

New ways of working

The travel restrictions due to the COVID-19 pandemic resulted in a significant decrease in travelling. In April 2022 when the restrictions were lifted, we launched an updated travel guideline that advises our people to travel only when meeting virtually is not a good alternative and to use less carbon emission intensive means of travelling such as taking the train. Travelling for internal meetings is on an exceptional basis and must be justified. The target is to ensure that carbon emissions related to air travel in 2022 and 2023 are at least 50% below our 2019 baseline year. Reporting and controls have been implemented to ensure that the target will be reached.

From 2021 our company car policy only allows electric and plug-in hybrid company cars and these now account for 62% out of our total registered leases. Despite the car manufacturers' challenges with global supply chain bottlenecks in 2022, the trend towards low-emission mobility continues to grow.

Resource efficiency

Using resources efficiently is not only a matter of cost but is also key to reducing our environmental impact. In 2022 we decreased our energy consumption by 11% compared with 2021. Over 70% of our large head offices are LEED or BREEAM certified to ensure energy efficiency. We purchase 100% renewable electricity through Guarantees of Origin equal to our electricity consumption in Denmark, Finland, Norway, Sweden, Estonia, Poland and Luxembourg.

We continuously work to introduce more customer-friendly digital solutions, primarily through our internet banks and mobile banking apps. Since 2017 we have digitalised approximately 60% of all customer letters, enabling a reduction in carbon emissions associated with the distribution of letters. At the same time, one of the drivers of our internal carbon footprint is the data centres and technology used to run the business. Although the data volume remained at the same level, our data centre consolidation strategy had a significant impact with CO_2 emissions being reduced by 9% compared with our 2019 baseline.

Supply chain

An important part of our internal emissions occurs in the supply chain. Climate action therefore continues to be a strategic focus area when it comes to our procurement practices. Our efforts to include climate issues in our procurement process continued during the year to support our suppliers in securing their alignment with the Paris Agreement and to ensure that we deliver on our internal carbon reduction target.

In 2022 we further matured the process for how climate matters are taken into account in our supplier selection process. We are screening all suppliers on carbon intensity, enabling us to engage early on to ensure our key suppliers are on a trajectory towards decarbonisation. In addition, we have now developed sector-specific guidance for procurement professionals to ensure that all relevant requests for proposals include requirements that are aligned with the Paris Agreement.

We have set a target that by the end of 2023, 70% of Nordea's external spend is covered by suppliers that are aligned with the Paris Agreement. The work started in 2022, and in 2023 we will continue to engage with suppliers to set targets to ensure that they align or are subject to active engagement to become aligned.

S4. Climate action, cont.

Biodiversity and nature-related impact

Beyond climate, the importance of prioritising nature-related issues is increasing, requiring urgently coordinated global societal actions. At Nordea, we have identified that the financing and investment activities have an impact on biodiversity as described in Note S9 "Materiality and impact analysis". Within financing, we have assessed the credit risk related to the contribution to the protection/loss of biodiversity and habitat destruction, see our 2022 Capital and Risk Management report for further details.

In 2021 Nordea Asset Management (NAM) became a member of the Finance for Biodiversity Pledge initiative. As a pledge signatory, NAM is committed to collaborating, engaging, assessing the portfolio's biodiversity impact, setting targets and reporting on significant positive and negative biodiversity impacts linked to the investments by 2024 at the latest. Additionally, biodiversity has been one of four focus areas for NAM's thematic engagement and is included in the norm-based screening. NAM has commitments to track and take into consideration so-called Principal Adverse Impact indicators relating to biodiversity and has launched a specific engagement programme prioritising companies considered as industry outliers in terms of biodiversity risk and risk management practices.

During 2023 Nordea intends to develop the strategic approach to biodiversity and nature-related impacts, including a biodiversity position statement guiding the strategic ambitions going forward.

Climate data

Internal carbon footprint

Our total emissions of 18,155 (11,327) tonnes of CO_2e in 2022 marked a 57% reduction from the 2019 baseline. Despite our best efforts to limit our internal carbon footprint, some emissions still remain difficult to reduce. For these, we purchase carbon offsets to reduce equivalent emissions elsewhere. We supported the generation of renewable energy through the purchase of carbon credits for 2022. We will continue to fully offset residual emissions from our internal operations. Going forward, we will shift to a long-term carbon removal portfolio, which we will periodically review to align with evolving best practices for achieving net-zero emissions.

Our internal carbon footprint includes greenhouse gas (GHG) emissions from our operations in Denmark, Finland, Norway, Sweden, Poland, Estonia and Luxembourg as this is where we have our main operations and where we have operational control. This covers 99% of our employees. GHG accounting is performed according to the GHG Protocol, including scopes 1–3 and the following sources: mobile combustion of leased cars and stationary combustion from diesel generators (scope 1); purchased electricity, heating and cooling (scope 2); and emissions from production of energy carriers, business travel, postal services, paper and water consumption (scope 3). Still excluded from the scope are train and ferry travel and rental cars as well as purchased goods and services, IT equipment etc. Carbon emissions from electricity are disclosed as market-based, i.e. after buying 100% renewable electricity through Guarantees of Origin. Renewable energy equals our electricity consumption of 52,167 MWh and 600 litres of EcoPar of our fuel consumption. All emissions are stated in tonnes of CO_2-equivalent (CO_2e). The calculations cover the relevant GHGs, namely CO_2, CH_4 and N_2O. We disclose the emissions factors that we have used as a basis for our calculations in relation to each source of emission in a separate table in our GRI Index available at nordea.com. Applied Global Warming Potentials (GWP) based on the IPCC Fourth Assessment Report (AR4) (2007) are: CO_2 – 1, CH_4 – 25 and N_2O – 298.

The base year for our carbon footprint is 2019 as the scope of our GHG accounting by then also included the additional sources we could retrieve data for and was as such complete. Furthermore, in 2019 we had fairly normal temperatures in the Nordics, making that year suited to serve as our base year to track progress.

Fuel and energy consumption	2022	2021	2020	2019
Fuel consumption for diesel generators (MWh)[1]	292	255	273	253
Fuel consumption for leased cars (MWh)[2]	5,300	6,085	6,328	6,345
Electricity (MWh)[3]	52,184	57,783	62,356	67,431
District heating (MWh)	25,329	29,933	29,128	32,362
District cooling (MWh)	4,998	4,943	5,893	6,269
Energy intensity (MWh/EURm of total operating income)[4]	7.99	9.63	11.50	12.28
Water use (m^3)	92,111	74,530	109,495	150,725

1) Includes EcoPar A with 600 litres in 2022, 1,800 litres in 2021 and 1,800 litres in 2020.
2) Covers all employees in Denmark, Finland, Norway, Sweden, Poland and Estonia regardless of location/office corresponding to approximately 99% of the total number of employees. In addition CNG consumption corresponds to 466 kg in 2022, 641 kg in 2021 and 680 kg in 2020.
3) 234 (224) MWh of electricity consumption in 2022 (2021) originated from own rooftop solar energy production.
4) Calculated based on reported consumption of electricity, district heating and district cooling. Total operating income excluding items affecting comparability.

Internal carbon footprint tCO_2e	2022	2021	2020	2019
Scope 1[1]	1,315	1,446	1,455	1,638
Scope 2[2]	4,150	3,311	4,793	5,394
Scope 3[3]	12,690[4]	6,570[4]	9,650	34,753
Total internal carbon footprint	**18,155**	**11,327**	**15,898**	**41,785**
CO_2e emission intensity (total tonnes CO_2e emissions/EURm of total operating income)[5]	1.76	1.18	1.88	4.84

1) Biogenic emissions from diesel and petrol corresponded to 145 tCO_2e in 2022.
2) Location-based scope 2 emissions were 5,359 tCO_2e in 2022 and 6,848 tCO_2e in 2021.
3) Includes the categories Purchased goods and services, Fuel- and energy-related activities, Waste generated in operations and Business travel. Excluding Financed emissions reported separately below.
4) A new emission factor has been introduced for waste generation that also includes waste incineration and leads to 213t CO_2e in 2022 and 234 tCO_2e in 2021 (reported as only 25 tCO_2e excluding incineration in last years report).
5) Total operating income excluding items affecting comparability.

Financed emissions

In accordance with the Partnership for Carbon Accounting Financials (PCAF) we attribute a share of our customers' and investees' total greenhouse gas (GHG) emissions to our own scope 3 category 15 investments according to the GHG Protocol, also referred to as financed emissions. For example, when we grant a loan to a customer for a motor vehicle, we consider the customer's annual GHG emissions, and we attribute a share based on the value of our loan in relation to the total value of the vehicle.

2022 represents our second year of reporting estimated financed emissions and a substantial improvement in the coverage and quality of our financed emissions exposures across asset classes. Still, limited data and use of assumptions are a main challenge in estimating financed emissions, but we are committed to increase transparency to stakeholders and continue the emissions accounting journey. Based on these limitations, our estimates of emissions might change as we improve our granular customer data and develop our methodologies further. Financed emissions data are more inherently uncertain and, therefore, less decision-useful than metrics based on historical financial statements.

S4. Climate action, cont.

Scope

We cover a selection of on-balance and off-balance sheet asset classes in lending and investment portfolios. The PCAF standard that we follow includes scope 1 and 2 GHG emissions from counterparties in all asset classes as well as counterparty scope 3 emissions for oil and gas and mining sectors. The commercial real estate asset class is planned to be disclosed in the future, once a significant share of customer information has been incorporated. The new asset class related to sovereign debt will be assessed towards the new PCAF standards which were published in December 2022. Bonds and equities in Markets and Treasury operations are excluded in our scope, as they are held for shorter durations and liquidity management purposes.

For the on-balance sheet asset classes in the lending portfolio, we cover business loans, motor vehicle loans and mortgages. We have renamed the mortgage asset class to residential real estate (RRE). In addition, we estimate financed emissions for shipping vessels using the FIDA CO2 model. For the estimated financed emissions, we disclose 2019 and 2022, i.e., our baseline year and the latest period. As of year 2022, the scope of exposures where estimated financed emissions is provided represents 87% out of the total on-balance sheet lending portfolio of Nordea. Within the business loan asset class, we report on climate-vulnerable sectors. Also, the agriculture sector is separately disclosed as our current financed emissions estimates indicate that this sector accounts for a significant share of emissions. The agriculture sector includes animal husbandry; crops, plantation and hunting; fishing and aquaculture industries. The financed emissions estimate is also reported aggregate for other sectors.

For the investment portfolio we include investments in listed equities and corporate bonds for Nordea Asset Management (NAM) and Nordea Life & Pension (NLP) as well as directly held real estate in NLP. NAM investments are off-balance for Nordea Group. The asset classes are disclosed for the years 2019 to 2022.

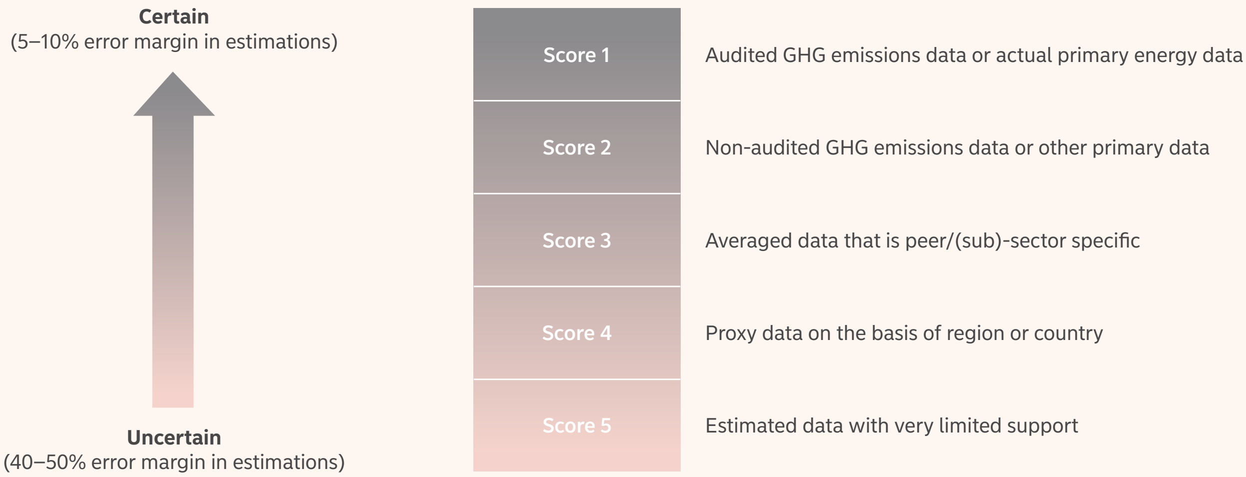
Methodology and data quality

Based on the PCAF standard, we obtain GHG emissions data through a combination of three approaches. The first approach refers to GHG emissions verified and reported directly or indirectly by customers and investees, the second and third approaches correspond to estimated GHG emissions based on primary data on physical activity and on economic activity data, respectively. Our financed emissions are primarily estimated using a combination of country-specific and industry-level proxy information provided through the PCAF or internally developed and publicly reported information from our customers and investees, supplemented from vendors including MSCI and CDP. To ensure the transparency of the reported financed emissions estimates, we rely on the PCAF methodology to score the data depending on the source and quality of the information. The score ranges from 1 to 5, with 1 being the score for the most accurate data (audited and direct customer and investee data) and 5 for the uncertain data (estimated data) (See figure below).

Due to delays between the availability of customer- and investee-level information on GHG emissions and Nordea's external reporting, we must report according to a data access delay. For 2022, reporting of financed emissions estimates across all asset classes in the lending and investment portfolios was based on 2022 financial data and 2021 or earlier GHG emissions data, depending on the latest available information from customers and investees. In the case of industry-level proxies from the PCAF, the estimates are made according to the 2015 estimation of industry- and country-specific GHG emissions intensities. Further data collection for 2022 and refinement of data and methodologies for other historical years are planned and expected. We will be transparent in our future disclosures about methodologies and data applied and explain changes which can impact comparability analyses year-on-year.

In line with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard requirement, we have defined financed emissions recalculation guidelines stating the circumstances under which base year emissions must be recalculated and the significant threshold (>5%) that triggers a recalculation. In order to accurately track progress towards our emission intensity targets and to ensure the highest possible quality of information and transparency over time, our base year financed emissions starting point (i.e. 2019) must be adjusted if there are significant changes. These circumstances are i) significant structural changes (i.e. acquisitions and divestitures), ii) significant impacts due to changes in GHG emission estimation models, and iii) significant improvements or errors in the data. We may also choose to recalculate our base year emissions for changes deemed less

Data quality hierarchy according to PCAF



significant to ensure the consistency, comparability, and relevance of the reported emissions data over time. We will be transparent in our future disclosures about any changes to the finance emissions calculations for the base year.

Lending portfolio

Customer GHG emissions data used for 2022 disclosures is mainly based on the 2021 reporting. For those customers who have yet to report their GHG emissions, we used country-specific and industry-level proxy information from the PCAF database. The on-balance exposure for 2022 corresponds to that same year.

The data quality and availability vary between asset classes and are generally better for portfolios with a high concentration of listed corporate entities than for business loans to smaller personal customers. During 2022 we collected GHG emissions data on the business loans related to corporate exposures (i.e. this implies a PCAF score of 1 or 2, depending on whether they are verified or not, see figure on page 333). We also collected publicly available Energy Performance Certificates (EPCs) (PCAF score 3) for RRE. Further, we connected vehicle type to the average distance travelled in our region (PCAF score 4). Overall, these were positive steps in improving estimate certainty and coverage, supporting our journey towards a more accurate financed emissions estimate over time.

For business loans, we calculate the attribution factor as per the PCAF standard except for shipping where we use the FIDA CO2 model decided for shipping based on Poseidon Principles reporting for better quality vessel-level data. The main data quality challenge for this asset class is the limited availability of reported customer-specific GHG emissions data, which is biased towards the largest corporate customers in the current data model. Consequently, the financed emissions estimate of most of the business loans is based on country- and industry-specific proxy emission factors provided by the PCAF. This corresponds to an average PCAF data score of ~3.36 for climate-vulnerable sectors in the business loans. With current data available, we report a 22% decrease in the business loans lending portfolio financed emissions between 2019 and 2022.

For motor vehicle loans, we use the PCAF database for GHG emissions data and calculate the attribution as per the PCAF standard. The estimation is carried out by using GHG emissions per vehicle type in a year representing the average national emissions taking into account the distribution of petrol, diesel, hybrid and electric cars in the region. For future purposes, our goal is to improve the granularity of the data over time as current emissions intensity proxies are old and stable over time. For motor vehicles, an average PCAF data score is ~4 as of 2022.

For RRE we also apply the PCAF standard, using EPCs as available (currently at 38% building specific data). Most of the RRE financed emissions are calculated based on floor-area or number of buildings, utilising specific PCAF GHG emission factors from 2018 according to country and property type. For RRE, an average PCAF data score is ~4.2 as of 2022. We will continue to update with more recent GHG emission factors and better data quality over time.

Deviations from PCAF and own methods

Due to specific considerations in our corporate lending portfolios, we have applied some deviations from the PCAF standard. Project finance exposures are included in business loan estimation in the current disclosure, and the application of the value of the customers' book value of equity instead of the market value, to mitigate the effect of market volatility in the financed emissions attribution and to limit the misinterpretation of the data.

In addition, for shipping vessels that are eligible under the Poseidon Principles, GHG emissions data is based on the fuel consumption which is assessed as PCAF data quality score 1. Financed emissions are calculated using Finance Denmark's FIDA CO2 model for shipping as an asset class and using the oldest market value available (i.e. from 2019) that is kept frozen as the reference point for future estimations. Nordea's own internal shipping proxy has been built using emissions

2022 Lending portfolio financed emissions in brief

	Business loans	Residential real estate	Motor vehicle loans
GHG data collection	Collected GHG emissions data on approximately (40%) of the business loans	38 % of EPC's	Connected vehicle type to the average distance travelled in our region
Financed emissions	16.3 million tCO2e	1.7 million tCO2e	2.6 milion tCO2e
Average data quality score	~3.36 for climate-vulnerable sectors in the business loans	~4.2	~4.0

per nautical mile from the actual vessel fleet that the bank finances. With this, we consider the customers' operating costs, so financed emissions are based on the actual operation activity of the customers/vessels). For some Oil and Gas Exploration and Production companies without reported Scope 3, we have used estimates based on applicable combustion-related emission factors from regional peers and production data and assessed this as a data quality score 3.

Furthermore, we have developed our own approach for Tenant-Owner Associations (TOAs), as there is no standard currently available. The majority of these are included under RRE, as the purpose is normally residential rather than income-generating. Our approach for TOAs is to minimise undercounting financed emissions at the risk of double counting emissions. In general terms, the GHG emissions are divided between the lenders to the TOA , the lenders to a flat from the TOA and the TOA members themselves. This is the first year that Nordea is reporting TOAs, and we look forward to working with our peers to agree on a more standardised methodology in this regard.

As part of the documentation of these deviations and the TOAs approach, we developed the Nordea approach on PCAF accounting for lending portfolios in 2022. The methodology is applied in the measurement of our scope 3 category 15 financed emissions estimate, otherwise aligned with the PCAF standard. The methodology document and any refinements are subject to internal governance. The methodology is controlled through oversight as part of the quarterly second line of defence risk appetite monitoring and controls while being continuously updated and reviewed in accordance with the characteristics of our lending portfolio and progress in data quality enhancement.

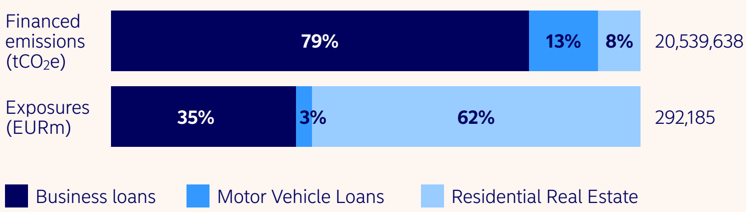
Investment portfolio

Financed emissions estimates in NAM's off-balance sheet investment portfolio are based on the collection of information from investee companies through data providers, such as MSCI and ISS ESG. We use MSCI estimation models for those investee companies that do not publicly report their scope 1 and 2 GHG emissions. The MSCI's production model (E.PROD) is used for electric utilities where the type of fuel is known as equivalent to PCAF score 2. The MSCI company-specific intensity model (E.CSI) is used for companies where we have historical but not current emissions data as equivalent to PCAF score 3. The MSCI industry segment-specific intensity model (E.Segmt) is based on sector averages for companies that have not made any disclosures and are equivalent to PCAF score 4. In 2021 we published coverage-adjusted financed emissions for Listed Equity where securities for which no data available was assumed to be at the average of the sector. This year we publish financed emissions for Listed Equity & Corporate bonds for the stated portfolio coverage without such assumptions. In addition, NAM complements MSCI data with data from ISS ESG. The data reported from ISS ESG is assigned a score 2 and modelled emissions a score of 4.

During 2022 NAM worked on the improvement of data coverage for corporate bond investments, which was achieved by consolidating data from data vendors (MSCI and ISS ESG). Similarly, we had to prioritise vendor inputs for reported and estimated data, as vendors were providing investee emissions data for the same year that differed significantly. Also, we had the challenge of vendors using different techniques to estimate emissions that correspond to different PCAF data quality scores. Our final data consolidation seeks to optimise the data quality.

For NLP's directly held real estate portfolio, we use vendor-specific reported data corresponding to score 1 in PCAF's data quality hierarchy for commercial real estate. The availability of data for corporate bonds, and thus the data coverage, remains a challenge for NLP. We have worked to improve our coverage from data providers and initiated work to further enhance our instrument mapping. For next year, we expect carbon accounting methodologies for sovereign bonds to be available for NLP.

Lending portfolio financed emissions



19%

reduction in financed emissions from business loans, motor vehicle loans and residential real estate between 2019 and 2022.

Breakdown of financed emissions lending portfolio 2022

	2022				2019	
Asset class	Exposure (EURm)[1]	Financed emissions (tCO_2e) scope 1&2	Company-specific data	Overall Data Quality Score (1–5)	Financed emissions (tCO_2e) scope 1&2[2]	2019 to 2022 development, (tCO_2e)
Business loans	102,007	16,256,884	40%	3.51	20,918,682	-22%
Motor vehicle loans	10,150	2,573,279	–	4.00	2,574,636	0%
Residential real estate[3]	180,027	1,709,475	38%	4.19	1,773,947	-4%
Sub-total	292,185	20,539,638	–		25,267,266	-19%
Other exposures[4]	43,234					
Total[5]	**335,419**					

1) Exposure is defined as exposure for on-balance sheet items, with an adjustment for exposures reported under fair value (Nordea Realkreditaktieselskab).
2) 2019 adjusted for Nordea Finance Equipment acquisition, using 2020 values of financed emissions.
3) Residential Real Estate including Tenant Owned Associations (TOA). Corresponds to PCAF Mortgage Asset Class.
4) Other exposures incude exposures not currently in scope of PCAF as well as Commercial Real Estate exposures.
5) Total portfolio coverage of lending is ~87%.

S4. Climate action, cont.

Business loans

Business Loans PCAF Asset Class	2022 Exposure (mEUR)[1]	2022 Counter-party scope 1 & 2 (tCO_2e)	2022 Counter-party scope 3 (tCO_2e)	2019 Exposure (mEUR)[1]	2019 Counter-party scope 1 & 2 (tCO_2e)	2019 Counter-party scope 3 (tCO_2e)	Share of Financed Emissions in 2022, scope 1 & 2	2019 to 2022 development, (tCO_2e)
Sector								
Mining & supporting activities	269	192,568	455,074	381	384,355	111,510	1 %	-50 %
Oil, Gas & Offshore	672	509,219	262,655	1,738	3,489,410	3,577,126	3 %	-85 %
of which Oil & gas exploration and production	*109*	*1,939*	*62,108*	*676*	*118,312*	*2,868,461*	*0 %*	*-98 %*
Power Production[2]	2,830	2,202,992	–	1,892	799,857	–	14 %	175 %
Shipping	5,409	3,981,238	–	7,472	5,954,160	–	24 %	-33 %
of which Shipping vessels[3]	3,277	2,470,035	–	4,701	4,226,559	–	15 %	-42 %
Utilities, Distribution & Waste Management	4,481	1,034,216	–	2,168	840,991	–	6 %	23 %
Agriculture-related climate vulnerable sectors[4]	7,669	4,083,475	–	6,777	4,965,569	–	25 %	-18 %
Other Climate-vulnerable sectors[5]	25,306	1,614,567	–	21,853	2,259,239	–	10 %	-29 %
Total Climate-vulnerable	**46,636**	**13,618,275**	**–**	**42,281**	**18,693,581**	**–**	**84 %**	**-27 %**
Other[6]	55,371	2,638,609	–	47,712	2,225,101	–	16 %	19 %
Total Business Loans	**102,007**	**16,256,884**	**–**	**89,992**	**20,918,682**	**–**	**100 %**	**-22 %**

1) Exposure relates to on-balance sheet items. Exposure split per segment is based on NACE codes and subject to further harmonisation.
2) Emissions from renewable energy companies use standard PCAF proxies across sector currently. Sector and financed emissions calculations will be reviewed and revised during 2023.
3) Vessels in scope of Poseidon Principles.
4) Agriculture-related climate vulnerable sectors include animal husbandry; fishing and aquaculture; crops plantation and hunting.
5) Other Climate Vulnerable sectors defined by Nordea. Includes Air Transportation, Capital Goods, Construction, Land Transportation, Materials, Paper&Forest Products and Real Estate Management Industry (REMI).
6) Other includes sectors under Business loans not defined as climate vulnerable sectors.

Company-specific data percentage & average PCAF data quality	2022 Company-specific data (%)[1]	2022 Overall data quality score	2019 Company-specific data (%)[1]	2019 Overall data quality score
Sector				
Mining & supporting activities	79 %	2.64	89 %	2.33
Oil, Gas & Offshore	7 %	4.78	11 %	4.59
of which Oil & gas exploration and production	*100 %*	*1.08*	*100 %*	*1.15*
Power Production	76 %	2.08	23 %	4.28
Shipping	71 %	2.26	80 %	1.88
of which Shipping vessels[2]	100 %	1.00	100 %	1.00
Utilities, Distribution & Waste Management	44 %	3.69	22 %	4.34
Agriculture-related climate vulnerable sectors[3]	3 %	4.90	0 %	4.99
Other Climate-vulnerable sectors	47 %	3.33	56 %	2.92
Total Climate-vulnerable	**44 %**	**3.36**	**38 %**	**3.56**
Other	10 %	4.64	9 %	4.66
Total	**40 %**	**3.51**	**37 %**	**3.61**

1) Financed emission weighted company-specific data.
2) Vessels in scope of Poseidon Principles.
3) Agriculture-related climate vulnerable sectors include animal husbandry; fishing and aquaculture; and crops plantation and hunting.

Motor vehicle loans

Motor Vehicles PCAF Asset Class	2022 Exposure (EURm)[1]	2022 Counter-party scope 1 & 2 (tCO_2e)	2019 Exposure (EURm)[1]	2019 Counter-party scope 1 & 2 (tCO_2e)	Share of Financed Emissions in 2022, scope 1 & 2	2019 to 2022 development, (tCO_2e)
Vehicle type						
Cars and vans	4,495	414,713	3,649	380,695	16 %	9 %
Industrial vehicles and mobile machinery	2,454	786,623	2,571	797,819	31 %	-1 %
Trucks and heavy vehicles	1,363	717,588	1,366	644,345	28 %	11 %
Farming machinery incl. tractors	1,012	529,926	899	510,222	21 %	4 %
Other[2]	826	124,428	2,053	241,556	5 %	-48 %
Total	**10,150**	**2,573,279**	**10,539**	**2,574,636**	**100 %**	**0 %**

1) Average PCAF Data Quality score for 2019 and 2022 was 4.0.
2) Development impacted by vehicle type specification between 2019 and 2022.

S4. Climate action, cont.

Residential real estate[1]

	2022		2019			
	Exposure (EURm)	Counter-party scope 1 & 2 (tCO_2e)[2]	Exposure (EURm)	Counter-party scope 1 & 2 (tCO_2e)[2]	Share of Financed Emissions in 2022, scope 1 & 2	2019 to 2022 development, (tCO_2e)
Country						
Denmark	50,034	739,828	43,496	760,151	43 %	-3 %
Finland	36,299	715,183	33,265	733,530	42 %	-3 %
Norway	35,757	57,806	32,941	63,252	3 %	-9 %
Sweden	57,937	196,659	51,727	217,015	12 %	-9 %
Total	**180,027**	**1,709,475**	**161,429**	**1,773,947**	**100 %**	**-4 %**

1) Residential Real Estate inluding Tenant Owned Associations (TOA). Corresponds to PCAF Mortgage Asset Class.
2) Financed emissions for RRE are based on the PCAF database emission factor from 2018. Due to this static emission factor, the trajectory from Q4 2019 figures onwards is not driven by reductions in energy mix in the countries, but by shifts in our portfolio and/or data quality improvements on other parameters, e.g. EPCs.

	2022		2019	
Average PCAF data quality	Building specific data (%)[1]	Overall data quality score	Building specific data (%)[1]	Overall data quality score
Mortgages (scope 1 & 2)	38 %	4.19	34 %	4.22

1) Building-specific data represents the coverage of exposure weighted share of the collaterals with EPC label.

	Denmark		Finland		Norway		Sweden	
EPC (Available in 2022)[1]	Volume (EURm)	Share	Volume (EURm)	Share	Volume (EURm)	Share	Volume (EURm)	Share
Mortgages								
A	2,268	4.5%	117	0.3%	188	0.5 %	145	0.2 %
B	1,354	2.7%	724	2.0%	1,094	3.1 %	2,092	3.6 %
C	5,811	11.6%	1,373	3.8%	3,943	11.1 %	5,184	8.9 %
D	4,790	9.6%	889	2.5%	2,024	5.7 %	8,112	14.0 %
E	1,669	3.3%	1,063	2.9%	1,933	5.4 %	10,202	17.6 %
F	687	1.4%	898	2.5%	2,537	7.1 %	4,665	8.1 %
G	358	0.7%	251	0.7%	3,536	9.9 %	1,267	2.2%
N/A	33,096	66.1%	30,982	85.4%	20,502	57.3 %	26,270	45.3 %
Total	**50,034**	**–**	**36,299**	**–**	**35,757**	**–**	**57,937**	**–**

1) EPC data is based on the available data on the local market. In the Finnish market there is limited access to EPC data due to GDPR. EPC coverage in all markets is expected to increase over time and can have an impact on the emission calculations.

Physical emissions intensity

Sector	2022	2021	2020	2019
Shipping	–	–	–	–
of which Shipping vessels[1]	–	*8.4 gCO_2/dwt-nm*	*7.8 gCO_2/dwt-nm*	*8.3 gCO_2/dwt-nm*
Residental Real Estate[2]	17.1 $kgCO_2/m^2$	17.1 $kgCO_2/m^2$	17.4 $kgCO_2/m^2$	17.6 $kgCO_2/m^2$

1) Vessels in scope of Poseidon Principles.
2) Due to static emission factor, the trajectory from Q4 2019 figures onwards is not driven by reductions in energy mix in the countries, but on shifts in our portfolio and/or data quality improvements on other parameters.

Breakdown of financed emissions investment portfolio 2022

	Value of Investments (EURm)[1]	Financed emissions (tCO_2e) scope 1&2	Company-specific data (%)[2]	Overall Data Quality Score (1–5)
Listed Equities and Corporate Bonds NAM[3]	224,102	8,832,656	87.5	2.19
Listed Equities and Corporate Bonds NLP	20,296	835,297	92.8	2.10

1) Portfolio coverage 94.3 % for NAM and 82.9% for NLP.
2) In its investee reported greenhouse gas data weighted by financed emissions.
3) In its capacity as an Asset Owner some of NLP's investments are made with NAM. This is not adjusted for hence there is some double counting between NLP and NAM Financed Emissions.

S4. Climate action, cont.

Weighted average carbon intensity

	2022	2021	2020	2019
Nordea Asset Management (tCO_2e/EURm in revenue)				
Listed equities and Corporate bonds – Total	105.3	103.0	100.0	136.9
Listed equities[1]	134.9	130.4	127.4	173.9
Corporate bonds[2]	59.6	60.8	67.9	92.2
Nordea Life & Pension (tCO_2e/USDm in revenue)				
Listed equities[3]	92.2	87.5	94.4	120.0
Corporate bonds[4]	101.7	109.9	73.6	93.9

1) Portfolio coverage 99 % in 2019, 99 % in 2020, 99 % in 2021, 100% in 2022.
2) Portfolio coverage 85 % in 2019, 88 % in 2020, 88 % in 2021, 89 % in 2022.
3) Portfolio coverage 86 % in 2019, 88 % in 2020, 97 % in 2021, 98 % in 2022.
4) Portfolio coverage 32 % in 2019, 32 % in 2020, 70 % in 2021, 67 % in 2022.

Listed equities and corporate bonds

Financed emissions (tCO_2e)[1]	2022	2021	2020	2019
Nordea Asset Management				
Listed equities total (scope 1 & 2)	6,206,663	7,688,412	6,369,470	7,047,552
Corporate bonds	2,625,993	1,946,459	4,186,406	3,348,761
Listed equities and corporate bonds (scope 1 & 2)[1]	8,832,656	9,634,872	10,555,876	10,396,312
Basic materials	2,444,152	2,855,233	1 864,751	1,629,124
Communications	108,530	210,635	252,932	236,418
Consumer, cyclical	372,327	594,526	495,694	588,539
Consumer, non-cyclical	594,329	722,800	795,946	780,287
Energy	529,907	609,009	1,371,679	1,567,952
Financials	184,624	119,661	146,961	150,424
Industrial	1,634,289	2,287,400	1,968,213	1,873,018
Technology	139,981	329,555	326,257	191,332
Utilities	2,762,162	1,870,294	3,279,433	3,260,857
Diversified	39,486	29,507	40,489	45,556
Other	22,868	6,250	13,520	72,805

Financed emissions (tCO_2e)[2]	2022	2021	2020	2019
Nordea Life & Pension				
Listed equities total (scope 1 & 2)	613,447	760,157	633,220	610,789
Corporate bonds	221,849	258,042	150,281	168,190
Listed equities and corporate bonds (scope 1 & 2)	835,297	1,018,199	783,502	778,979
Basic materials	320,643	393,346	269,789	280,211
Communications	14,212	20,466	17,898	15,184
Consumer, cyclical	44,508	49,089	58,502	46,962
Consumer, non-cyclical	72,114	72,270	63,964	54,126
Energy	5,948	66,058	54,879	91,010
Financials	8,943	12,953	12,492	12,550
Industrial	151,310	184,319	146,389	137,022
Technology	16,238	23,971	25,371	13,063
Utilities	200,784	156,360	130,304	122,382
Diversified	393	2,541	3,253	4,578
Other	203	36,826	661	1,892
Directly held real estate (scope 1–3)[3]	–	10,378	10,459	11,982

1) Financed emissions scope 3 Listed Equity & Corporate Bonds in 2022 of the oil and gas sector (part of Energy) with 96% portfolio coverage was 4,897,846 tCO2e. For mining (part of Basic materials) with 95% portfolio coverage it was 3,849,023 tCO2e. Average PCAF data quality score for these scope 3 emissions was 4.0 in 2022. For scope 3 emissions, we prioritise estimated emissions over reported emissions. This is to minimise the risk of under reporting, given that many companies are failing to disclose emissions for material Scope 3 categories.
2) Financed emissions scope 3 Listed Equity & Corporate Bonds in 2022 of the oil and gas sector (part of Energy) with 95% portfolio coverage was 70,601 tCO2e. For mining (part of Basic materials) with 95% portfolio coverage it was 498,902 tCO2e. Average PCAF data quality score for these scope 3 emissions was 3.5 in 2022.
3) Operational emissions only. Embodied carbon is not included in scope 3 figures, which relates solely to emissions from tenants' energy consumption. 2022 data will be ready during the first quarter of 2023. Energy intensity (kWh/m2) decreased with 2.3% between 2019 and 2021. 2019–2020 figures have been updated and differ slightly compared to figures reported 2021. The reason is an update to the location-based emission factors used for scope 2 emissions.

	2022		2021		2020		2019	
Average PCAF data quality (DQ) and portfolio coverage (PC)	DQ	PC	DQ	PC	DQ	PC	DQ	PC
Nordea Asset Management								
Listed equities total (scope 1 & 2)	2.16	99.7%	2.10	97.7%	2.14	96.9%	2.13	95.8%
Corporate bonds	2.25	86.9%	2.33	72.3%	2.37	84.1%	2.67	80.7%
Nordea Life & Pension								
Listed equities total (scope 1 & 2)	2.09	97.8 %	2.21	97.0 %	2.32	86.7 %	2.32	84.5 %
Corporate bonds	2.13	54.4 %	2.19	56.5 %	2.21	31.6 %	2.30	31.0 %
Directly held real estate (scope 1–3)	–	–	1.00	95 %	1.00	97 %	1.00	96 %

Carbon footprint (tCO_2e/EURm invested)	2022	2021	2020	2019
Nordea Asset Management				
Listed equities and corporate bonds[1]	41.8	41.5	51.8	57.6
Nordea Life & Pension				
Listed equities total (scope 1 & 2)	39.0	40.2	50.6	58.3
Corporate bonds (scope 1 & 2)	48.4	47.9	54.7	63.8
Listed equities, corporate bonds and real estate (Scope 1 & 2)[1]	41.2	41.9	51.3	59.4

1) See Average PCAF data quality & portfolio coverage table for Financed Emissions for coverage and PCAF Data Quality. It is the same for Carbon footprint.

S5 Social responsibility

By considering human rights, labour rights, employment, gender equality and education, we aim to create social impact where it matters the most.

2023–2025 targets	Status
Each gender has at least 40% representation at the top three leadership levels[1] combined by the end of 2025.	On track, 38%/62%
With a minimum average index score of 92, respondents[2] feel they have been treated fairly regardless of gender, gender identity, age, ethnicity, sexual orientation, religious affiliation, (dis)ability, etc. by the end of 2023.	92
All direct investments in companies made by funds managed directly by Nordea Asset Management are assessed against the minimum safeguards in the area of human rights (in line with the EU taxonomy) by the end of 2023.	On track
Human rights impact assessment of the supply chain in place by the end of 2023.	On track

1) Group Leadership Team (GLT), GLT-1 and GLT-2.
2) According to Nordea's employee engagement survey.

Supporting human rights

We support the Universal Declaration on Human Rights and include human rights in our Code of Conduct, Sustainability Policy, Responsible Investment Policy, Supplier Code of Conduct and we are addressing human rights considerations in sector guidelines. Furthermore, we address human rights as a sustainability issue in all parts of our organisation and in our due diligence processes. We have identified our most critical human rights areas as being within financing, investments, transactions and sourcing. During 2022 we started the work with assessing the impacts of human rights in these processes and adapting risk frameworks to account for the risk to people in addition to the risk to business.

Integrating human rights in investments and financing

Our target states that by the end of 2023, all investee companies in funds managed by Nordea Asset Management (NAM) will be assessed against the minimum safeguards in the area of human rights (in line with the EU taxonomy). During 2022 we continued developing the process of assessing investee companies against the minimum safeguards through our norm-based screening, monitoring of Principal Adverse Impact indicators (PAIs), and by using other sources of information such as the Corporate Human Rights Benchmark and World Benchmarking Alliance. Human rights being one of our focus areas, we engage with companies on their human rights performance and disclosures and use our voting power when relevant.

When conducting certain ESG assessments related to credit risk, ESG analysts in Group Credit Management use the Social and Political Risk Assessment Tool (SPRAT). The tool covers policies and programmes in place to reduce potential harmful impacts on, for example, communities and indigenous rights.

Monitoring customer transactions for human rights breaches

Alongside traditional transaction monitoring scenarios that provide a holistic coverage across all our customers and transactions, we also undertake targeted proactive, intelligence-based reviews of different financial and predicate crimes.

Human trafficking causes tremendous harm and, as such, we treat human trafficking risk as a priority in our crime detection and prevention efforts. The Nordic region is primarily a destination for exploitation of victims trafficked from other countries. However, the recruitment and transport of people can also happen within the Nordic countries. Financial products and services can be abused by organised crime networks and individual perpetrators to finance crime, receive revenues from criminal activities or launder criminal proceeds.

During 2021–2022, following the successful completion of our pilot exercise on human trafficking for sexual exploitation, we extended the analysis to and completed it for all of our Nordic markets. In this exercise we applied subject-matter expertise and investigative experience to our data analytics capabilities and succeeded in proactively identifying potential human trafficking activity, which we reported to the relevant authorities. We are continuing to develop this initiative by expanding our analysis to include forced labour typologies, and to establish a long-term approach to proactive identification of human trafficking.

Human rights in supply chain

Human rights risks are integrated into our supplier screening and monitoring processes where indicators such as the risk of child labour, the risk of modern slavery, the right to freedom of association and the decency of working conditions are being evaluated as part of the pre-screening. The pre-screening and monitoring process also covers if the supplier has been subject to negative media exposure due to misconduct related to human rights, enabling us to take appropriate actions.

In 2022 we conducted a risk assessment of our supply chain where we identified the areas with an elevated risk of human rights issues. The areas identified were IT (hardware and accessories), consultants, facility management (buildings, furniture, office supplies, coffee), branded material and travel.

S5. Social responsibility, cont.

We intend to deep-dive into these areas in 2023 to assess if Nordea has caused or contributed to adverse impacts and, if so, define suitable measures to cease, prevent and mitigate the identified impacts. We will also improve the process for tracking implementation and remediation to ensure that we are on track to fulfil our target to have a human rights impact assessment of the supply chain in place by the end of 2023.

Societal contributions

Social responsibility is also about our support to the societies in which we operate through our own community engagement programmes and our partnerships with non-profit organisations. Through well over 20 programmes and partnerships, we focus on building financial skills and fostering entrepreneurship, thus enabling our banking and financial expertise to have a positive impact on society. In 2022 we restarted face-to-face volunteering activities although online and hybrid volunteering activities continued to be popular, allowing participants to join regardless of geographical area. In 2022 over 2000 Nordea employees delivered over 7900 hours of volunteering.

In March we gave donations to UNICEF and the Red Cross to support their relief efforts in Ukraine and impacted countries. We waived all transaction fees for household and business customers' donations to charities engaged in emergency response actions. In addition, during the year we organised employee collections of essential items to people in need and launched a new volunteering programme to support refugees. The volunteering programme is active in Denmark, Estonia, Finland, Poland and Sweden. Over 650 Nordea employees volunteered during 2022.

Our financial skills programme is activated in all Nordic countries, while being most popular in Finland, where we reached over 190,000 children and young people through our own community engagement programmes and partnership network. In 2022 face-to-face training for senior citizens in digital banking in Sweden and Finland continued.

Our support for entrepreneurship focuses on mentoring and matchmaking. Investor Speed Dating, Nordea's matchmaking programme, generated a total of 498 curated meetings with investors and founders.

We launched the Fearless Founders programe in Finland to focus on actively working to close the gender gap among growth companies. In addition, we continued collaboration with our long-term partnerships, of which most focus on either youth entrepreneurs or growth entrepreneurs.

Our people

Our ability to grow as a sustainable bank depends on the people we attract, retain and develop and the extent to which we provide an inclusive environment with challenging career opportunities. Our success depends on highly competent people and teams with a passion for serving customers and creating great customer experiences. We want all our people to have equal opportunities to grow and become great at what they do. That's why we encourage a culture of empowerment and personal development.

We integrate sustainability into all our people processes and have set ambitious targets that support us in following our progress towards our goals.

We promote engagement and well-being

In 2022 the response rate to our employee engagement survey, People Pulse, remained at a stable level of 83% compared with 83% in 2021. We continue to see good results in relation to overall engagement.

Our workforce

~30,500

employees from all over the world

100

citizenships represented

<60

spoken languages

spanning more than
five decades

S5. Social responsibility, cont.

With the 2022 People Pulse survey, we saw an increase in the likelihood of employees recommending Nordea as a workplace, with an index score of 81 and an Employee Net Promoter Score (eNPS) score of 42. We also saw an increase in feeling valued as an employee, with an index score of 78. Our people generally experience clear leadership communication from the senior leaders of the respective business areas and Group functions (index score 78).

In 2022 we revitalised our employee value proposition as a strong Nordea employer brand will allow us to attract the right candidates to deliver on our objectives and keep our current talents motivated and engaged.

An inclusive workplace

At Nordea, we strive to be a more diverse and inclusive bank – for our people, our customers and for society at large. Our ambition is to ensure that equality, as a fundamental human right, is embedded in our business. We believe in leveraging the power of our differences, offering equal opportunities to succeed and treating everyone fairly and with respect.

We measure our people's perception of equal opportunities at Nordea twice a year. In 2022 the respondents' average index score was 92 (92), indicating that they felt they had been treated fairly regardless of gender, gender identity, age, ethnicity, sexual orientation, religious affiliation, (dis)ability, etc.

Our work to counter unconscious bias continues and we have further strengthened our training and tools to enhance the inclusiveness of our workplaces, leadership and recruitment processes.

Gender balance

We strive for gender balance in all parts of the organisation and define gender balance as when no gender is represented by less than 40%. This applies to our total workforce as well as to all leadership levels. We have set a target to reach gender balance at the top three leadership levels combined by the end of 2025, in accordance with our Group strategy.

In 2022 we maintained gender balance among our total workforce and people leaders. To improve the gender balance at all levels of the organisation, including the senior leadership level, we are focusing on recruitment, retention and promotion of a diverse workforce, and identifying the skills and competencies for today and tomorrow. In support of this, we have linked the ambition of equal gender representation also on senior leadership levels in the bank towards 2025 to the remuneration of the GLT and other senior leaders across the Group.

Harassment and discrimination prevention

We strive to be a safe and inclusive workplace, promoting equality and condemning all forms of discrimination, harassment, bullying and victimisation. We have firm processes in place to handle cases, as well as tools to actively prevent such behaviours.

In 2022 1.4% (1.2%) of the People Pulse respondents stated that they had been subjected to some form of harassment or other mistreatment. 30 (27) harassment cases were reported through various channels, including our whistleblowing function and Raise Your Concern where our people are encouraged to report any suspected illegal or unethical actions.

The increase in cases compared with 2021 was expected as we continue to strengthen diversity and inclusion within Nordea, indicating our people feel confident about reporting cases. We take mistreatment of any kind seriously and continue to proactively ensure safe and inclusive workplaces for all employees.

We drive performance and develop people

Opportunities for learning and personal development are a leading source of motivation for our people, not only to join but also to remain with Nordea. We foster an environment where people are empowered to advance their careers. This is what motivates people to continuously learn new skills and competencies. At Nordea, we believe that everything is learning, and we want our people to feel that they contribute, learn, develop and enjoy every day.

We recognise that significant learning and development happens outside of formal training, and the best results are achieved through a combination of training and practice.

Gender balance

	♀	♂
Board of Directors	50%	50%
Top three leadership levels[1] combined	38%	62%
People leaders	44%	56%
Total workforce	52%	48%

1) Group Leadership Team (GLT), GLT-1 and GLT-2.

Our diversity **is a strength** when serving our customers.

S5. Social responsibility, cont.

At Nordea, our learning framework is based on a 70-20-10 framework: 70% learning by doing; 20% learning from others; and 10% formal learning. The average number of formal learning hours in 2022 (9.7 hours) increased relative to 2021 (9.4 hours). In addition, our people spent on average 2.1 hours on other virtual training through our learning marketplace.

We apply great efforts to support performance, development and engagement through meaningful goal-setting, continuous feedback and holistic performance evaluation with our Perform, Learn and Develop dialogues (PLDs). In 2022 94% (91%) of our people had a PLD. Our ambition is for all of our people to have a development plan in place with tangible goals linked to Nordea's business plan and priorities that can support personal career ambitions.

Talent management continues to be a focus area. Our internal job market and development opportunities are key to retaining our people and developing our workforce. Through a systemised and digital approach, we can now reach most of the organisation to identify talents and areas for development. Succession management also remains a key focus area to ensure targeted development and business continuation.

We reward people

Our remuneration framework supports Nordea's ability to recruit, develop and retain highly motivated, competent and performance-oriented people and support the Group strategy.

All employees are subject to fair and unbiased remuneration decisions. Through the application of our pay principles, we make pay decisions that drive equal pay for equal work. This is supported by communication and training and by continuing to support people leaders in making unbiased decisions on remuneration and other employment terms.

We ensure that our people are offered a competitive and market-aligned reward offering and pay for performance, recognising people with a passion to serve our customers. For us, it is not just about rewarding our people for what they contribute, but also for how they contribute. We also ensure that remuneration at Nordea is aligned with effective risk management, our purpose and values and applicable regulations.

In 2022 Nordea has integrated further ESG goals applicable for remuneration for the Group Leadership Team and other senior leaders across the Nordea Group. The ESG goals in remuneration in 2022 aim to support Nordea in fulfilling its sustainability and climate objectives in three key areas: 1) progress in relation to Nordea's sustainability implementation plan, 2) increase volume of green financing, and 3) improve gender balance in senior leadership levels. This is in addition to the current non-financial KPIs on employee engagement, customer satisfaction and risk, compliance and conduct priorities, as well as goals supporting Nordea's financial targets. This means that a material portion of the GLT members' and senior leaders' non-financial goals for remuneration measured at group level are linked to ESG goals.

We handle employment conditions

We proactively support the physical and mental well-being of our people and provide and maintain safe, productive and social working environments.

We believe in bringing our people together in our offices. At the same time, we treasure flexibility. This mix of working together in the office and from home has proven to be positive in terms of performance and engagement. We continue to support a hybrid working model.

We take pride in handling organisational changes with utmost respect for the people affected, and at the same time adhere to labour conditions in our markets. Based on close collaboration with trade unions, our goal is to always treat our people with respect and to provide the best possible support to people affected by changes in developing skills and finding new job opportunities inside and outside Nordea. In 2022 85.7% (85.2%) of all our employees were covered by collective bargaining agreements. The terms and conditions of the employees that are not covered by collective bargaining agreements are typically determined by individual contracts, applicable local laws and/or the collective bargaining agreements that may apply to Nordea, depending on the country in question.

In regard to sick leave, we saw a slight increase at 3.44% (3.11%), but this remains on an acceptable level. According to the People Pulse survey, our people responded that they felt good about the workload in their job, with an average index score of 76 (73).

People data

The number of employees totals 30,499 and is reported as headcounts in the tables below, which is different from the employee-related information in the financial notes where employees are disclosed as full-time equivalents.

In the aftermath of the pandemic, we saw an increase in our employee turnover rate, which has now stabilised again (9.6% in 2022 compared with 9.2% in 2021). There is a heated talent market in some areas, increasing the rate of attrition. We are mitigating that through our internal career mobility by promoting the internal job market and showcasing the exciting career opportunities we offer across the bank.

In addition to our employees we engage external workers in selected areas. All external workers are registered in our systems regardless of what type of service they deliver. Those external workers that we directly control the work of are the contracted on a time and material basis. It is the contracted work percentage for each individual that is counted and at the end of 2022 a total of 4,771 FTEs were working under a time and material contract. The most common work performed by these workers was IT development in projects as well as IT management, end-user support, application operations and maintenance.

S5. Social responsibility, cont.

	2022			2021			2020		
Number of employees	**Total workforce**	**Of which female**	**Of which male**	**Total workforce**	**Of which female**	**Of which male**	**Total workforce**	**Of which female**	**Of which male**
Nordea Group	30,499	15,754	14,741	29,239	15,051	14,188	30,434	15,605	14,829
Permanent contract	29,355	15,139	14,212	28,840	14,860	13,980	30,083	15,437	14,646
- full-time	27,508	13,784	13,720	27,031	13,502	13,529	28,124	13,955	14,169
- part-time	1,847	1,355	492	1,809	1,358	451	1,959	1,482	477
Temporary contract	1,144	615	529	399	191	208	351	168	183

	2022			2021			2020		
Employees by country of operations	**Total workforce**	**Of which female**	**Of which male**	**Total workforce**	**Of which female**	**Of which male**	**Total workforce**	**Of which female**	**Of which male**
Nordea Group	30,499	15,754	14,741	29,239	15,051	14,188	30,434	15,605	14,829
Denmark	7,630	3,375	4,255	7,345	3,232	4,113	7,865	3,456	4,409
Finland	6,558	3,932	2,626	6,368	3,908	2,460	6,427	3,994	2,433
Norway	2,947	1,415	1,532	2,962	1,427	1,535	3,185	1,537	1,648
Sweden	6,770	3,557	3,213	6,538	3,447	3,091	6,770	3,562	3,208
Poland	5,104	2,564	2,540	4,757	2,290	2,467	4,845	2,251	2,594
Estonia	1,016	704	312	836	546	290	666	446	220
Russia	0	0	0	0	0	0	163	112	51
International offices	474	207	263	433	201	232	513	247	266

	2022						2021						2020					
Composition of governance bodies	**Total**	**Of which female**	**Of which male**	**Age <30**	**Age 30–50**	**Age >50**	**Total**	**Of which female**	**Of which male**	**Age <30**	**Age 30–50**	**Age >50**	**Total**	**Of which female**	**Of which male**	**Age <30**	**Age 30–50**	**Age >50**
Board of Directors	10	5	5	0	1	9	10	4	6	0	1	9	10	4	6	0	1	9
Group Leadership Team	12	4	8	0	4	8	12	4	8	0	4	8	11	4	7	0	4	7
People leaders	3,277	1,406	1,871	93	2,247	937	3,141	1,306	1,835	79	2,133	929	3,254	1,317	1,937	90	2,184	980
Employees	27,210	14,344	12,862	5,635	14,519	7,056	26,086	13,741	12,345	5,396	13,671	7,019	27,169	14,284	12,885	5,906	13,923	7,340

S6 Governance and culture

Strong sustainability governance gives us the clarity and speed to execute our strategic sustainability agenda for a greater good.

2023–2025 targets	Status
100% of new suppliers[1] screened for sustainability issues like country risk, sector risk, carbon intensive sectors, investment exclusion list, negative ESG events via media screening and regulatory actions.	100%
Integrate sustainability into people processes covering purpose and values, employee value proposition and variable pay goals by the end of 2023.	On track

1) Covering all contracted suppliers that are available in the screening system.

Our Code of Conduct and purpose and values

At Nordea, we want to have the courage to do what is right, not necessarily what is allowed. Our Code of Conduct (the "Code") defines the high-level principles that guide our business, how we treat our customers and the conduct expected from our employees. The Code is based on the relevant legal requirements and internationally agreed upon standards, primarily the ten principles of the UN Global Compact. The Code includes the application of the precautionary principle and a principle stipulating respect of human rights. All persons working for Nordea are subject to the Code, including the Board of Directors, and it applies to all countries in which Nordea operates. Furthermore, all people working for Nordea, who enter into agreements with third parties on behalf of Nordea, are required to ensure that these third parties commit to the principles in the Supplier Code of Conduct. It is the responsibility of each manager to ensure that the Code is known and conformed to by all employees. All employees are required to undertake annual mandatory training, which includes an assessment to confirm their understanding of the Code.

The Code, together with our purpose and values, which are at the core of everything we do, sets the aspiration for who we want to be: always being purpose-led and values-guided, and having a strong ethical mindset. Our purpose and values define our behaviour and help us make the right decisions. Our purpose is to enable dreams and aspirations for a greater good. Our values – collaboration, ownership, passion and courage – are a clear expression of the culture we want to build.

Compliance is fundamental to our corporate culture

Being compliant means conducting business in accordance with financial laws, regulations, market standards, rules of conduct, data protection laws and other customer protection-related regulations relevant to our licensed activities, and supervisory requirements and related internal rules – while always respecting the principles of integrity and fair dealing.

Raise Your Concern

Nordea's whistleblowing function Raise Your Concern (RYC) ensures that all stakeholders, including customers, partners, affected communities as well as employees, have the right to speak up and always feel safe in doing so if they have concerns about suspected misconduct such as breaches of human rights or irregularities such as fraudulent, inappropriate, dishonest, illegal or negligent activity or behaviour in our operations, products or services. This includes any action that constitutes a violation of laws or regulations or of our internal policies, instructions or guidelines. Reporting can be made orally or in writing and Nordea ensures that all reporting is treated in the strictest confidentiality. Reports can be made in all countries where Nordea operates. Furthermore, it is also possible to report anonymously via an electronic reporting channel WhistleB. This platform is managed by an external party, is entirely separate from our IT systems and does not track IP addresses or other data that could identify the sender of a message. Cases reported through RYC form part of the monitoring of compliance with the Code of Conduct. A summary of key trends and statistics on cases are also reported on a no names basis to the Chief Compliance Officer, Chief People Officer and Chief Risk Officer in addition to being included in management reports and reports to the Board. Furthermore, the RYC process and investigations are subject to regular quality controls with defined escalation procedures to report any process deviations.

In 2022, no cases concerning human rights issues and incidents connected to own workforce (e.g. forced labour, human trafficking or child labour) were reported to RYC.

Sustainability governance

At the Board level, the Board Operations and Sustainability Committee (BOSC) assists the Group Board in fulfilling its oversight responsibilities concerning sustainability, which encompass strategy, operating model, reporting and frameworks. The BOSC receives quarterly updates on the integration of sustainability into our Group business strategy. The Board Audit Committee (BAC) also reviews and monitors our sustainability reporting as part of our Annual Report and the Capital and Risk Management report.

The Board Risk Committee assists the Board in the fulfilment of its oversight responsibilities concerning risk management and related frameworks, controls and processes relating to environmental, social and governance (ESG) factors as drivers of existing risk. To ensure a high level of awareness with respect to sustainability and ESG matters the entire Board received training in 2022 on global and European climate science update and global biodiversity risk status as an emerging topic. Previously Board training consisted of key sustainability factors in our business environment that impact our business model, and the BOSC and the BAC were also trained in the EU taxonomy.

S6. Governance and culture, cont.

In 2021 we appointed a Group Accountable Executive for ESG-related risks to coordinate and facilitate the Group-wide integration of ESG factors in the risk management framework and business processes. We also have an executive-level Group-wide committee – the Sustainability and Ethics Committee (SEC) – as a sub-committee of the CEO's Group Leadership Team (GLT). The SEC consists of representatives from the business areas and Group functions, including Group Risk, Group Credit Management and Group Finance, and supports the Group CEO, the GLT, the BOSC and the Group Board in their oversight responsibilities concerning sustainability. SEC is mandated to facilitate the integration of sustainability into our business strategy and support the integration of ESG factors into our risk management. It is tasked with recommending to the Group CEO a long-term plan for fully integrating sustainability into our business strategy and ensuring appropriate implementation to achieve Group level targets. One part of this is to approve sector guidelines and position statements. It is also responsible for influencing and following the Group's status and progress regarding ethics and culture in line with our purpose and values. This involves advising the Group CEO on decisions on whether Nordea should participate in or withdraw from voluntary commitments related to sustainability and providing guidance to the business areas regarding ethical business dilemmas.

The executive-level Group Risk Committee (RC) promotes interaction and coordination within the Group on risk matters. With respect to sustainability, the RC is responsible for overseeing the implementation of ESG factors as embedded drivers of existing risks. In addition to the RC, the SEC also monitors and, when relevant, supports the business areas and Group functions in risk management activities related to the long-term plan for fully integrating sustainability into our business strategy and the associated targets.

To ensure that sustainability is integrated into all business areas and Group functions, a Group-wide implementation programme has been established with dedicated work streams and an Operational Steering Committee. The programme's progress is monitored by the SEC on a quarterly basis. During 2022 we integrated further ESG goals applicable for remuneration for the Group Leadership Team and other senior leaders across the Nordea Group.

Financial crime prevention

We fully recognise the threat that societies face from human trafficking, terrorism, corruption, drug smuggling, tax evasion and other forms of illegal activity and do our best to ensure that our resources, products and services are not used to facilitate financial crime. Tracking down and stopping the flow of money from these activities is a key way to disrupt the criminals involved. Therefore, as a financial institution, we are uniquely positioned to be part of the solution. We commit to complying with the laws and regulations relevant to anti-money laundering, counter terrorist financing, sanctions and antibribery and corruption in the jurisdictions in which we operate. In 2022 we strengthened our financial crime prevention capabilities through investments in technology, additional employees, training and more sophisticated assessment techniques.

During 2022 in response to the invasion of Ukraine by Russian forces, the European Union, the United States, the United Kingdom and many other countries introduced sanctions. We therefore implemented the required controls, which include the freezing of assets, overflight bans, and restrictions on economic relations with certain regions in Ukraine, focusing on the the energy and finance sector and on imports and exports.

During the COVID-19 pandemic, we also assessed the possible impact of fraud on our customers and continued to mitigate the threats of phishing (phone calls, e-mails, text messages), fake webshops and fraudulent charities through prevention, detection and awareness activities.

We are an active member of anti-financial crime public-private partnerships in all our Nordic markets to promote information sharing between banks and the relevant authorities, enabling more effective and proactive detection of financial crime. For example, in the Swedish Anti-Money Laundering Intelligence Taskforce (SAMLIT), we respond to operational and strategic intelligence requests and share knowledge of emerging risks and trends. This has enhanced our capacity to identify criminal networks and associated money laundering activity, and has also strengthened our preventive work.

Cyber security

Introducing new technologies, exploring new ways of doing business and connecting with customers widen banks' attack surface. At the same time, entities that pose cyber threats are becoming more organised, resourceful and experienced. Banks must also deal with the asymmetry of having to protect all assets while entities engaged in cyber threats merely need to find one weak spot. Combined, these factors pose an unprecedented risk to the banking industry.

In the normal course of business, we focus not only on maintaining effective basic information security controls but also on enhancing our cyber defence with new tools and functions for security, detection and response. We develop innovative security practices to meet new business demands, such as robust mobile banking applications and proactive customer support for fraud detection and prevention. We develop our information security practice based on recognised industry best practices such as the ISO 27000 series standards and the frameworks provided by the National Institute of Standards and Technology (NIST) in the US. Furthermore, we need to comply with financial industry legislation, for example European Banking Authority guidelines and other European legislation introducing specific information security requirements.

To respond to the increased cyber threat level caused by the war in Ukraine, we have scaled selected cyber controls and implemented a wide range of tactical measures to further improve our cyber resilience. In addition, we have teamed up with partners from governmental organisations, law enforcement agencies, intelligence networks, peers in the industry and others to share intelligence and experience.

Data privacy

Keeping our personal data safe is part of our commitment to being a safe and trusted bank. Data privacy is therefore an integral part of our business and operations and an important element of our digital strategy. In 2022 we continued to enhance our ability to ensure compliance with applicable privacy laws in the jurisdictions where we operate by further improving the governance structure and by assigning more employees to data privacy operations. Our privacy units continued their important work on topics related to the General Data Protection Regulation (GDPR). This included providing training, advice and support and carrying out assurance activities related to privacy issues. All new employees are obliged to complete training courses on the GDPR. In 2022 we updated the content of the courses in the area of data privacy and planned a new batch of trainings for all employees that will take place next year.

S6. Governance and culture, cont.

Sustainable procurement

We spend around EUR 2bn annually on our suppliers, and ensuring that our suppliers are committed and work diligently with sustainability is paramount for our joint ability to deliver on the sustainability goals. Our Supplier Code of Conduct, which is aligned with the Nordea Code of Conduct and the UN Global Compact, sets the standard for how we expect our suppliers to act. It is not enough that our suppliers abide by the laws and regulations in the countries where they operate – we expect them to proactively move beyond compliance.

By having a contractual commitment from our suppliers, we ensure that the sustainability requirements are governed as an integrated part of the supplier and contract management.

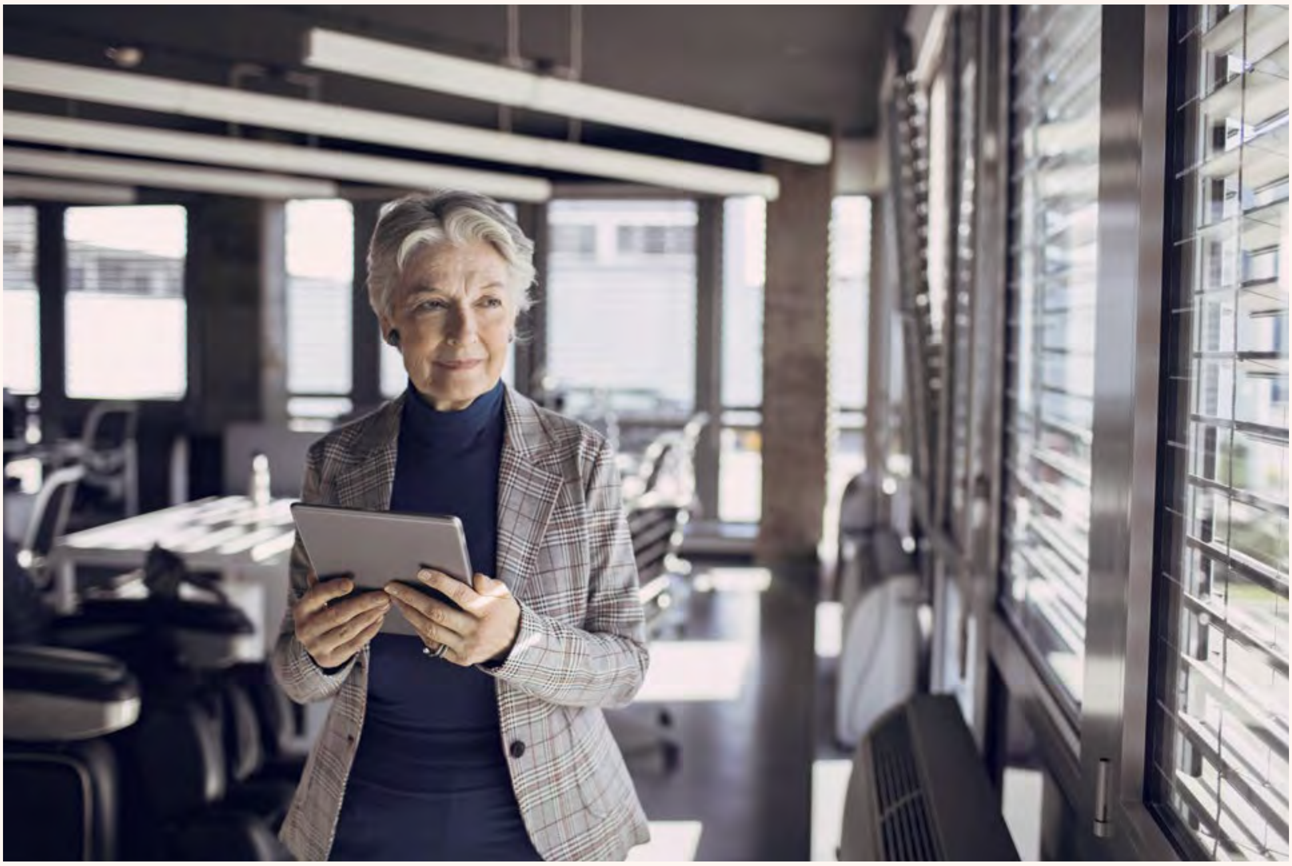
Supplier pre-screening is an integrated element of running a sourcing process. In 2022 we further matured the process for pre-screening and monitoring supply chain sustainability risks. We implemented a new version of our screening system, trained our sourcing managers in using the system and implemented a four eyes principle on assessing suppliers with an inherent high risk evaluation.

All suppliers in our contract database with whom we have an active agreement are subject to continuous monitoring. In case a risk is identified, a formal process will be initiated to determine the appropriate course of action. We believe that the best outcome will be achieved by engaging in dialogues with our suppliers, and termination of agreement is our last resort. Any validated risks are logged for improved oversight and to secure that these are being thoroughly investigated, mitigated and documented.

During the year we also held follow-up dialogues with suppliers that were subject to review in 2021. The result of the dialogues was that suppliers are generally progressing well with the implementation of recommended actions. This includes revising their Supplier Code of Conduct, establishing internal guidelines for improved due diligence and implementing initiatives to support the transition to a circular economy. Another outcome of the reviews was that 58% of the products in our gift and giveaway portfolio now live up to a number of predefined criteria related to certifications and circularity. Efforts will continue in 2023 to reach the target of 100%.

In 2022 we conducted a sustainability review of a supplier of IT consultants, an insurance provider and an IT accessory provider. It was evident from the reviews that sustainability issues are receiving more attention in general and have grown in importance at executive levels of organisations. No severe findings were found during the reviews, but minor gaps were identified specifically related to lack of formalisation of Human Rights policies and immature integration of sustainability to the day-to-day practices, lack of human rights and environmental measures in the purchasing policy and lack of impact measures for equality initiatives in the Diversity and Inclusion area. Agreed actions will be followed up with the suppliers.

With 28% of our spend, IT continues to be our biggest spend area. We continue to cooperate with other large IT buyers to steer the IT sector in a more sustainable direction via our involvement in the Atea Sustainability Focus Advisory Board. Each year the Advisory Board provides several concrete recommendations made by Nordic IT buyers directly to the management of the Responsible Business Alliance (RBA). With 140 members, six million employees and thousands of sub-suppliers, the RBA is the world's leading coalition for sustainability in the IT industry.



S6. Governance and culture, cont.

Supply chain data

In the table below, supply chain data covers Denmark, Finland, Norway, Sweden, Poland, Luxembourg and Estonia.

There were no significant changes to our supply chain in 2022.

Supply chain	**2022**	**2021**	**2020**
Total spend in EURm	2,230	2,114	2,056
Estimated number of active contracted suppliers	1,363	1,555	1,533
Number of new suppliers	128	145	92
Spend by supplier category (%)			
IT	27.8	27.1	31.4
People, insurance, legal	17.9	18.9	17.4
Out of scope[1]	18.7	17.9	16.3
Premises & facility management	13.6	14.1	12.9
Transaction banking	8	8.6	8.2
Data	6.1	6.3	5.9
Marketing and representation	2.6	2.3	2.5
Distribution	1.7	1.8	2.0
Technology	0.7	0.8	1.0
ATM and cash handling	0.9	0.9	0.8
Travel	0.9	0.3	0.5
Trading	0.5	0.5	0.5
Debt collection	0.3	0.4	0.3
Other[2]	0.2	0.2	0.2
Environmental assessments			
New suppliers screened for environmental issues (%)	100	100	98
Number of suppliers assessed for environmental impacts	91	84	80
Number of suppliers identified as having significant actual and potential negative environmental impacts	0	0	0
Suppliers identified as having significant actual and potential negative environmental impacts and with whom improvements were agreed as a result of assessment (%)	n/a	n/a	n/a
Suppliers identified as having significant actual and potential negative environmental impacts and with whom relationships were terminated as a result of assessment (%)	n/a	n/a	n/a
Social assessments			
New suppliers screened for social issues (%)	100	100	98
Number of suppliers assessed for social impacts	91	84	80
Number of suppliers identified as having significant actual and potential negative social impacts	0	0	0
Suppliers identified as having significant actual and potential negative social impacts and with whom improvements were agreed as a result of assessment (%)	n/a	n/a	n/a
Suppliers identified as having significant actual and potential negative social impacts and with whom relationships were terminated as a result of assessment (%)	n/a	n/a	n/a

1) Non-negotiable spend such as government fees or regulatory expenses.
2) Non-categorised spend such as other administrative expenses.

S7 Sustainability offering

Financing

To support our customers in addressing climate change and other sustainability issues in their financing, Nordea offers a range of sustainable finance products and services. Being committed to meet the needs of our customers' respective needs and levels of maturity, we offer products and services that are geared towards both our household customers and our corporate and institutional customers.

Nordea's green financing products follow the criteria of the Nordea Green Funding Framework (August 2022) based on the Green Bond Principles published by the International Capital Markets Association.

Financing	2022	2021	2020
Green, social, sustainability-linked and sustainability bonds			
Number of bonds we arranged	106	109	90
Total apportioned deal value bonds in EURbn	7.56	5.83	4.86
Sustainability-linked loans			
Total take-and-hold volume in EURm	15,459	7,520	1,478
Green loans[1]			
Volume of green loans in EURm	8,919	5,799	2,639

1) "Green loans" include green corporate loans, green mortgages, green car loans and green car financing. "Green loans" exclude assets reclassified as green by Nordea of EUR 9,801m in 2022 and EUR 3,609m in 2021.

Investments

We offer a variety of investments in environmental, social and governance (ESG) focused products according to EU SFDR and our own internal Sustainable Choice framework to our customers. Sustainable Choice includes selected SFRD 8 and 9 classified funds. The range of procucts is growing to meet demand. The scope of investments in ESG focused products will continue to develop as the market matures and new funds or funds that have been converted are added.

Investments	2022	2021	2020
AuM in SFDR article 9 products (products with sustainable investment as objective)			
AuM in EURm	13,622	14,568	7,274
Share in relation to total AuM in Nordea Asset Management (%)[1]	5.7	5.0	2.9
AuM in SFDR article 8 products (products that promote environmental and/or social characteristics)			
AuM in EURm	153,555	180,007	152,886
Share of AuM in relation to total AuM in Nordea Asset Management (%)[1]	64.3	61.5	60.2
AuM in Sustainable Choice products			
AuM in EURm	51,728	59,048	36,302
Share of AuM in relation to total AuM in Nordea Asset Management (%)[1]	21.7	20.2	14.3
Other			
Number of companies we have engaged with on environmental and social issues	550	456	452
Share of companies we have engaged with on environmental and social issues (%)[2]	12	11	10

1) Total AuM in Nordea Asset Management amounted to EURbn 238.7 in 2022, EURbn 292.5 in 2021, to EURbn 253.8 in 2020.
2) More than one engagement may have been conducted with one company.

S8 Responsible taxpayer

Our tax policy is constituted by the Group CEO Instructions on Tax, which are aimed at ensuring that we manage tax in an efficient and compliant way. The CEO Instructions on Tax define our overall tax governance, including roles and responsibilities in connection with tax charges and related reporting to the tax authorities. The Tax Policy on Customer Advice states that we do not accept being used as a platform for tax evasion or facilitate aggressive tax planning. It also states that we comply with international standards such as the US Foreign Account Tax Compliance Act (FATCA), the OECD's Common Reporting Standard and the EU DAC6 Directive as implemented in national laws, as well as national requirements for customer tax reporting.

We are a substantial corporate income taxpayer in our main countries of operation – Denmark, Finland, Norway and Sweden – and pay corporate income tax, social security contributions and bank levies (i.e. contributions to deposit guarantee schemes and resolution funds) in all our countries of operation in line with applicable laws. Statutory tax rates, contributions and levies vary in our countries of operation, as does the size of our business operations. In any given year the total amount of tax paid in each country is determined by a combination of these variables. We are also a significant net payer of value-added tax (VAT) and other indirect taxes (such as sales taxes in the US) since these taxes are generally not fully recoverable costs for banks and other financial institutions.

Tax payments

Tax payments (EURm)	2022	2021	2020
Total	1,902	1,731	1,300
By country			
Denmark	399	452	271
Finland	486	439	319
Norway	364	316	242
Sweden	534	395	390
Others	119	129	78
By tax type			
Corporate income tax[1]	1,173	1,105	698
Social security fees	407	402	400
Bank levy	322	224	202

1) For more information about taxes, please see Note G2.10 "Taxes".

S8. Responsible taxpayer , cont.

Country by country reporting

The table below presents, for each country where Nordea is established (i.e. where Nordea has a physical presence), information about the businesses, the geographical area, the average number of employees, total operating income, operating profit and income tax expense. Nordea is considered to have a physical presence in a country if Nordea has a group undertaking, an associated undertaking or a branch in that country.

Total operating income, operating income and income tax expense are compiled from the consolidated financial statements of Nordea prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. The consolidated financial statements of Nordea are published in Nordea's Annual Report and are available on nordea.com.

Nordea has not received any significant government subsidies.

			2022				2021			
Country	Business[1]	Geografical area	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm
Denmark	RB, CB, AM, LP	Denmark	6,714	2,839	1,287	-265	6,854	2,933	1,605	-325
Finland	RB, CB, AM, LP	Finland	5,920	2,284	431	-247	5,818	2,163	551	-233
Sweden	RB, CB, AM, LP	Sweden	6,103	2,821	1,339	-275	6,049	2,770	1,370	-194
Norway	RB, CB, AM, LP	Norway	2,775	1,984	1,276	-305	2,864	1,878	1,107	-257
Poland	Other	Poland	4,623	217	11	-2	4,586	198	8	-2
Estonia	Other	Estonia	883	43	3	-1	718	21	-5	-1
Luxembourg	AM, LP	Luxembourg	184	305	226	-56	190	323	244	-61
United States	RB, CB, AM, LP	New York	102	113	75	-5	111	97	52	-9
United Kingdom	RB, CB, AM, LP	London	32	103	102	-11	38	25	-7	-14
Singapore	CB	Singapore	4	1	0	0	13	1	-1	0
Germany	CB, AM	Frankfurt	17	16	10	-3	16	19	13	-4
Switzerland	AM	Zürich	5	2	0	0	4	2	0	0
China	CB	Shanghai	27	7	1	-1	27	6	0	0
Italy	AM	Rome	11	7	1	0	11	7	1	0
Spain	AM	Madrid	5	2	0	0	6	2	0	0
France	AM	Paris	5	1	0	0	4	2	0	0
Chile	AM	Santiago	2	1	0	0	2	1	0	0
Belgium	AM	Belgium	3	1	0	0	3	1	0	0
Austria	AM	Wien	1	1	0	0	1	1	0	0
Portugal	AM	Lissboa	37	6	0	0	13	2	0	0
Russia	CB	Russia	0	9	6	-2	74	7	-3	-5
Eliminations[3]				-967				-839		
Total			**27,453**	**9,796**	**4,768**	**-1,173**	**27,402**	**9,620**	**4,935**	**-1,105**

1) RB=Retail banking, CB=Commercial banking, AM=Asset Management, LP=Life & Pension. Breakdown based on Nordea's business activities, not on Nordea's organisational units.
2) Total operating income presented in this table is broken down by country based on where Nordea has a physical presence, i.e. where Nordea has a group undertaking, an associated undertaking or a branch.
3) Eliminations of transactions consist mainly of intra-group IT services.

S8. Responsible taxpayer , cont.

Nordea discloses the names of the group undertakings, associated undertakings and branches for each country where Nordea is established. These disclosures are presented in Note G9.3 "Investments in associated undertakings and joint ventures" and in Note G9.1 "Consolidated entities" of the latest financial statements of Nordea together with the list below.

Denmark
Nordea Investment Management AB, Denmark Branch
Nordea Fund Management, filial af Nordea funds Oy, Finland

Finland
Nordea Investment Management AB, Finland Branch

Sweden
Nordea Funds Ab, Swedish Branch

Norway
Nordea Funds Ltd, Norwegian Branch
Nordea Investment Management AB, Norwegian Branch

Italy
Nordea Investment Funds S.A., Italian Branch

France
Nordea Investment Funds S.A., French Branch

Belgium
Nordea Investment Funds S.A., Belgium Branch

Austria
Nordea Investment Funds S.A., Austrian Branch

Germany
Nordea Investment Management AB, German Branch
Nordea Investment Funds S.A., German Branch
Nordea Asset Management Alternative Investments, German Branch

Portugal
Nordea Investment Funds S.A. Sucursal em Portugal
Nordea Investment Management AB, Portugal Branch

Singapore
Nordea Asset Management, Singapore PTE LTD.
Nordea Investment funds S.A., Singapore Branch

Switzerland
Nordea Bank S.A. Luxemburg Zweignieder lassung, Zürich
Nordea Asset Management Schweiz GmbH

Spain
Nordea Investment Funds S.A. Sucursal en Espana

United Kingdom
Nordea Investment Funds S.A. UK Branch

Chile
NAM Chile SpA

S9 Materiality and impact analysis

As a member of the core group of founding banks and a signatory to the Principles for Responsible Banking (PRB), we are committed to the objectives of the Sustainable Development Goals (SDGs) and the Paris Agreement. In 2020 we ramped up our efforts and conducted a combined materiality and impact analysis of our activities, fulfilling the requirements set out in the Global Reporting Initiative (GRI) Standards and in the PRB. The purpose of the analysis was to identify our most significant sustainability impacts to use as input for our long-term plan for how to integrate sustainability into our business strategy that was adopted in 2021. The combined analysis was undertaken at two levels in parallel:

- A strategic level looking at the SDGs, the Paris Agreement as well as international, regional and national regulations and frameworks to identify material sustainability topics.
- An impact level using the UNEP FI Portfolio Impact Analysis Tool for Banks to identify specific targets to drive alignment with and contribution to the sustainability areas identified as significant at the strategic level.

The materiality and impact analysis was revisited in 2022 and deemed still to be valid and work with our areas of most impact continued, for example through deep dives for our most climate-vulnerable sectors. See Note S4 "Climate action" for details about the deep dives.

Below is a detailed description of the steps in the materiality and impact analysis.

Materiality analysis at a strategic level

At the strategic level, we used the SDGs as a basis for identifying potentially relevant material sustainability topics since the Paris Agreement and most of the other relevant regulations and frameworks relate to topics that are accommodated in the SDGs.

The whole of Nordea was considered in the analysis, which means all business areas, all products and services as well as internal operations. In order to identify the SDGs most material to us, we assessed which topics could have an impact on us as well as the topics that we can impact. This resulted in the identification of topics relating to eight SDGs that are of significance to us from either a direct or an indirect impact perspective: quality education; gender equality; affordable and clean energy; decent work and economic growth; industry, innovation and infrastructure; reduced inequalities; responsible consumption and production; and climate action.

Impact analysis

The impact analysis conducted in parallel with the strategic analysis in 2020 focused on lending and our balance sheet and took specific country needs and scale of exposure into consideration. It covered three of our four business areas: Personal Banking, Business Banking and Large Corporates & Institutions.

Since we are a Nordic bank with most of our lending in four of the Nordic countries, the impact analysis covered Denmark, Finland, Norway and Sweden. We populated the UNEP FI Portfolio Impact Analysis Tool with exposure at default (EAD) in the second quarter of 2020. For consumer banking (Personal Banking) the data covered mortgages. For corporate banking (Large Corporates & Institutions) and business banking (Business Banking) the data covered our top ten sectors (according to the tool guidance). For a full list of the exact exposure per sector and country for 2022, see Note G11 "Risk and liquidity management".

In 2022 we conducted the impact analysis on investments for Nordea Asset Management(NAM) based on the Investment Portfolio Impact Analysis Tool launched in 2021. We populated the tool with data on NAM's AUM as at 31 August 2022 and used the global view of needs linked to the SDGs due to the diversity of countries and sectors of NAM's investments.

When populating the impact tools with our data, we could conclude that the same SDGs we had identified at a strategic level were also relevant from a portfolio perspective. In addition, the tool helped us determine that our financing and investments have an impact on resource efficiency and our financing also has an impact on biodiversity. As a result, we identified two more SDGs of significance to us – life below water and life on land.

Feeding analysis results into the strategy

All in all, the combined materiality and impact analysis identified ten SDGs that are of significance to Nordea from an impact perspective – either negative or positive. The ten SDGs were grouped into three strategic pillars: financial strength, climate action and social responsibility. We also work with upholding peace, justice and strong institutions as part of a strong foundation and we work in partnerships to achieve the goals. These make up our fourth strategic pillar: governance and culture. In the table on the next page we describe the rationale and impact of each significant SDG and map them towards the strategic pillars.

All four pillars are connected to 2023–2025 targets, whereas climate action also has measurable long-term and medium-term objectives. Some targets are sector specific, such as the shipping target, reflecting conclusions from the materiality and impact analysis as well as other performed assessments. The objectives and targets are presented in the relevant sections of the report in Note S3 "Financial strength", Note S4 "Climate action", Note S5 "Social responsibility" and Note S6 "Governance and culture".

The strategy was decided by the Group Leadership Team and supported by the Board in December 2020. We have established a comprehensive sustainability governance structure for the integration of sustainability into our business strategy as described on page 344 in Note S6 "Governance and culture".

Stakeholder interaction

When conducting the materiality and impact analysis in 2020, we worked closely with internal stakeholders from all levels and parts of the organisation and we also had a dedicated group of Board members as an advisory board who were consulted on several occasions. In addition, we sought input from external stakeholders such as academia, NGOs, investors and customers. The purpose was to put our suggested strategy into a holistic context, challenging our approach to ensure that we had taken all relevant impacts into consideration.

UNEP FI Portfolio Impact Analysis Tool for Banks

The impact analysis was performed using the UNEP FI Portfolio Impact Analysis Tool for Banks which covers the four requirements for undertaking impact analysis: scope, scale of exposure, context and relevance and scale and intensity/salience. They are described in the PRB Reporting and Self-Assessment Template included in a separate indices document available at nordea.com/sustainability.

S9. Materiality and impact analysis, cont.

Significant SDGs

Significant SDG	Rationale and impact	Strategic pillar
4 QUALITY EDUCATION	Our community engagement activities contribute positively to increasing the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. Furthermore, we have a possibility, and an obligation, to increase awareness among our customers to ensure that they acquire the skills needed to promote sustainable development by offering and advising them on our sustainability-enhanced funds and other products that will contribute to sustainability.	Social responsibility
5 GENDER EQUALITY	Our diversity efforts have gender balance as a starting point with the aim to positively impact it. We work to ensure equal access to job opportunities for women and men, we support women in leadership, we are committed to ensuring equal remuneration for all employees and we have zero tolerance of violence and harassment in the workplace.	Social responsibility
7 AFFORDABLE AND CLEAN ENERGY	Together with all other players in the financial sector, we have a key role to play in the creation of a low-carbon and climate-resilient economy by redirecting capital flows towards more sustainable technologies and businesses through both financing and investments. Through our green bonds, we can have a positive impact by ensuring access to affordable and clean energy as proceeds are allocated to, for example, renewable energy.	Climate action
8 DECENT WORK AND ECONOMIC GROWTH	We are a large employer primarily in the Nordic countries and Poland and as such have a positive impact on the societies in which we operate. We employ young people, both temporarily during the summer and new graduates. However, the digital transformation is leading to redundancy of certain jobs, which has a negative impact on employment. Within our own operations, but primarily through our financing and investments, we work to abolish forced labour, human trafficking, modern slavery and child labour with policies, guidelines, assessments and through transaction monitoring to help reduce our negative impact. Ensuring access to financial services for everyone is part of our banking licence; hence our impact is positive.	Social responsibility
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Helping entrepreneurs to build sustainably successful businesses is one of the best ways for a bank to engage in society and have a positive impact. We support entrepreneurs on their entire journey, from start-up to large company, with the aim of providing them with financing, networks and the requisite skills.	Social responsibility
10 REDUCED INEQUALITIES	Our ability to grow sustainably depends on the people we employ, the environment we provide and how well we succeed in including diversity of thought. We aim to attract and retain talent irrespective of not only gender, but also of age, ethnicity, sexual orientation, religion or any other aspect, hence positively contributing to reducing inequalities.	Social responsibility
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	In the four Nordic countries where we have the majority of our business, living standards are high, which results in unsustainable consumption patterns with a large amount of waste and a negative impact on the environment. Here we have a role to play, working primarily with our corporate customers towards a circular economy. We also have an impact on the circular economy through our own operations, mainly through procurement but also through our own facility management. Furthermore, we create awareness about sustainable development and responsible consumption with our retail customers in advisory meetings and by offering them products and services focused on sustainability.	Climate action
13 CLIMATE ACTION	Through our significant exposure to sectors with high greenhouse gas emissions, such as real estate, shipping and agriculture, we have a negative impact on climate change. Although we have the greatest impact on the climate through financing and investments, we also work to reduce the climate impact of our internal operations, such as business travel and energy consumption.	Financial strength Climate action
14 LIFE BELOW WATER	Through our exposure to the shipping industry, we have a negative impact on the marine environment through for example ballast water and noise pollution.	Climate action
15 LIFE ON LAND	Through our exposure to the agricultural sector, we have a negative impact on biodiversity loss with expanding impacts due to changing consumption patterns and growing populations.	Climate action
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	We fully recognise the threat that societies face from human trafficking, terrorism, corruption, drug smuggling, tax evasion and other forms of illegal activities. Tracking down and stopping the money flows from these activities is a key way to disrupt the criminals involved. We, like any other financial institution, are uniquely positioned to be part of the solution and contribute to reducing the negative impact on societies.	Governance and culture
17 PARTNERSHIPS FOR THE GOALS	We recognise the importance of participating in and supporting international commitments that enable businesses to collectively address the global sustainability challenges and work towards the objectives of the SDGs and the Paris Agreement.	Governance and culture

S10 Our stakeholders

We are committed to building and sustaining strong and long-lasting relationships with our stakeholders. We continually seek insights into their needs and expectations and respond in a timely manner with relevant actions and engagement.

Who they are	What they need/expect	Our actions in 2022
Customers		
– Households – Small and medium-sized companies – Large corporates and institutions – High net worth individuals	• Convenient and easy access to expert advice • Broad range of competitive financial products and services • Sustainability advice and sustainable choices • Personal approach	• Customer feedback systematically collected through various channels, continually adjusting services in response • Provided dedicated training in local communities to support customers with less digital experience • Engaging with and supporting customers in their net-zero transition plans • Responded to growing customer demand for sustainability-themed products by further expanding Sustainable Choice offering • Held close dialogues with corporate customers to support them in navigating the new European Union (EU) Taxonomy Regulation
Employees		
– Around 30,000 employees from all over the world	• Fair employment terms • Professional development opportunities • Productive working environment • Safe and inclusive workplace • Recognition	• Closely tracked employee well-being and engagement through quarterly People Pulse surveys • Held regular Performance and Learning Dialogues to support professional development • Maintained a flexible working model, enabling employees to work from home for up to two days a week where possible • Set targets to further improve gender balance at senior leadership levels
Shareholders		
– More than 500,000 private individuals across the Nordics – Large institutional investors	• Long-term business strategy • Timely and transparent communication • Sustainable practices and sustainability commitments	• Held individual investor meetings, ran questionnaires and hosted Annual General Meeting to gain insights into expectations and needs • Incorporated additional environmental, social and governance (ESG) disclosures into quarterly and annual reporting • Improved ESG risk management and enhanced Sustainable Choice portfolio
Suppliers		
– Close to 1,500 contracted suppliers	• Adherence to contractual terms • Timely payment • Being a responsible buyer	• Continued to agree and work towards common targets in areas such as climate impact, human rights and labour rights • Further integrated sustainability screening and monitoring into daily sourcing practices and risk processes
Authorities		
– Government bodies – Market authorities – National supervisory authorities – European Central Bank – Wide spectrum of political and economic interest groups	• Accurate and professional implementation of regulatory and supervisory requirements • Incorporation of ESG into regulatory requirements • Strategic approach to climate-related and environmental risks • Experts contributions to policy discussions	• Tested the resilience of sustainability in Nordea's business model through participation in EU-wide stress test • Prioritised development of data models to quantify ESG-related impact and risk exposures and to enhance our capabilities • Interacted with supervisors on an ongoing basis, ECB at a group level and each national supervisor at a local level • Provided expert input on regulatory proposals at national and EU level
Broader society		
– General public – Media – Non-governmental organisations – Rating agencies – Educational institutions – Aspiring entrepreneurs	• Taking responsibility for impact of operations • Presence in society and dialogue with our stakeholders • Support to improve financial and digital literacy • Entrepreneurship support • Transparency on Nordea's processes and engagements within sustainability	• Was a substantial taxpayer in our main countries of operation and also paid social security contributions and bank levies in our countries of operation • Helped build financial skills and foster entrepreneurship through participation in over 20 programmes and partnerships • Continued to develop position statements and sector guidelines to support and challenge customers and investees needing to transition to a more sustainable future • Established phase-out policies for most climate-vulnerable sectors • Meetings and information sharing with NGOs and rating agencies about their key questions and on improving our sustainability work

S11 Position statements and sector guidelines

Our Sustainability Policy sets out our principles for ensuring the long-term sustainability of our operations and, in so doing, strengthens our long-term customer relationships and contribution to a greater good. In addition to the policy, we have position statements and sector guidelines that provide guidance and principles for dealing with both business opportunities and risk mitigation.

Our stated expectations describe what we consider to be best practice and should be seen as guidance for companies in areas where such issues are considered material. The guidelines also provide information on the requirements and thresholds that we apply to different sectors in addition to complying with national laws and regulations.

Sector guideline	Published
Agricultural industry	September 2020
Defence industry	September 2018
Forestry industry	November 2019
Fossil fuel-based industry	June 2022
Gambling industry	August 2019
Mining industry	September 2020
Real estate industry	November 2019
Shipping industry	June 2022

Position statement	Published
Climate Change	May 2019
Tax	April 2020

S12 Directives, instructions and policies

In this note we present a list of our Group Board directives, Group CEO instructions and policies.

1. Internal Governance

Group Board Directive and Group CEO Instructions	Approval	Latest update	Disclosure
Directive on Internal Governance	Group Board	2022	Not public
Directive on rules of procedure for the Group Board	Group Board	2022	Not public
Directive for the Board Audit Committee	Group Board	2021	Not public
Directive for the Board Remuneration and People Committee	Group Board	2022	Not public
Directive for the Board Risk Committee	Group Board	2022	Not public
Directive for the Board Operations and Sustainability Committee	Group Board	2022	Not public
Directive for the Group CEO	Group Board	2022	Not public
Instructions for the Asset & Liability Committee	Group CEO	2022	Not public
Instructions for the Risk Committee	Group CEO	2022	Not public
Instructions for the Sustainabiilty and Ethics Committee	Group CEO	2022	Not public
Instructions for the Data & Technology Committee	Group CEO	2021	Not public
Instructions for the Digital Committee	Group CEO	2021	Not public
Instructions for the Financial Steering Committee	Group CEO	2022	Not public
Group Board Directive for the Risk and Remuneration Alignment Committee	Group Board	2022	Not public
Instructions for the Heads of Business Areas and Group Functions and the Quarterly Review Meetings	Group CEO	2021	Not public
Instructions for Group Business Support	Group CEO	2022	Not public
Instructions for Group Finance	Group CEO	2021	Not public
Instructions for Group People	Group CEO	2022	Not public
Instructions for Chief of Staff Office	Group CEO	2020	Not public
Directive for the second line of defence risk function	Group Board	2022	Not public
Directive for Group Compliance	Group Board	2021	Not public
Directive for Group Internal Audit	Group Board	2022	Not public
Instructions for Group Legal	Group CEO	2022	Not public
Instructions for the Nordic Branch Managers and Country Senior Executives	Group CEO	2021	Not public
Instructions on Technology Strategy	Group CEO	2020	Not public
Instructions on Technology Governance	Group CEO	2020	Not public
Group Board Directive on Procurement	Group Board	2022	Not public
Nordea Supplier Code of Conduct	Group Board	2019	Public
Directive on selection of external auditors and pre-approval of services provided by external auditors	Group Board	2021	Not public
Directive on Data Governance	Group Board	2022	Not public
Directive on Suitability	Group Board	2022	Not public
Group CEO Instructions on Executive Accountability	Group CEO	2021	Not public
Directive on Promotion Gender Balance	Group Board	2022	Not public
Directive on Product Governance Arrangements	Group Board	2022	Not public

S12. Directives, instructions and policies, cont.

2. Risk and Credit

Group Board Directive and Group CEO Instructions	Approval	Latest update	Disclosure
Directive on Risk	Group Board	2022	Not public
Directive on Risk Appetite	Group Board	2021	Not public
Instructions on Operational Risk	Group CEO	2022	Not public
Instructions on management of Reputational Risk	Group CEO	2020	Not public
Instructions on Market Risk including IRRBB	Group CEO	2022	Not public
Instructions on Liquidity Risk	Group CEO	2022	Not public
Instructions on Counterparty Credit Risk	Group CEO	2021	Not public
Instructions on Credit Risk	Group CEO	2021	Not public
Instructions on the IRB Approach	Group CEO	2022	Not public
Instructions on Model Governance	Group CEO	2022	Not public
Instructions on Information Security	Group CEO	2022	Not public
Directive on Interest Rate Risk in the Banking Book Strategy	Group Board	2022	Not public
Directive on Significant Risk Transfer	Group Board	2022	Not public
Directive on funding and liquidity strategy	Group Board	2021	Not public
Directive on Deposit funding strategy	Group Board	2021	Not public

3. Compliance, AML, Sanctions and Complaints

Group Board Directive and Group CEO Instructions	Approval	Latest update	Disclosure
Directive on Compliance Risk	Group Board	2022	Not public
Group Board Directive on Global AML/CTF/ATE	Group Board	2022	Not public
Group Board Directive on Global Sanctions	Group Board	2022	Not public
Nordea AML/CTF/ATE Policy Statement	Group Board	2021	Public
Nordea Sanctions Risk Management	Group Board	2022	Public
Group CEO Instructions on Global Sanctions Standards	Group CEO	2022	Not public
Instructions on Global Know Your Customer Standards	Group CEO	2022	Not public
Instructions on Global Financial Crime Enterprise Risk Assessment Standards	Group CEO	2022	Not public
Instructions on Complaints Handling	Group CEO	2021	Not public
Instructions on interaction with authorities	Group CEO	2022	Not public

4. Capital, Financial and Tax

Group Board Directive and Group CEO Instructions	Approval	Latest update	Disclosure
Directive on Capital	Group Board	2022	Not public
Instructions on Financial Control	Group CEO	2022	Not public
Directive on disclosure of capital adequacy and liquidity risk information	Group Board	2022	Not public
Instructions on Tax	Group CEO	2021	Not public
The Nordea Tax Policy	Group CEO	2022	Public
Instructions on Transfer Pricing	Group CEO	2020	Not public
Instructions on Tax and Customer Advice	Group CEO	2021	Not public
Directive on ICAAP and ILAAP	Group Board	2022	Not public

5. Information, Trading and Inside Information

Group Board Directive and Group CEO Instructions	Approval	Latest update	Disclosure
Directive on Information handling	Group Board	2020	Not public
Directive on Trading for Leading Officials	Group Board	2021	Not public
Directive on Personal Account Dealing in financial instruments	Group Board	2021	Not public
Instructions on Inside Information handling and Market conduct/abuse	Group CEO	2022	Not public
Instructions on knowledge and competence requirements for investment advisers and persons giving information	Group CEO	2022	Not public
Instructions on Recod Keeping for Investment Services and Activities, as well as Ancillary Services	Group CEO	2022	Not public
Instructions on Customer Handling in the provision of Investment Services	Group CEO	2022	Not public

S12. Directives, instructions and policies, cont.

6. Business Conduct and CSR

Group Board Directive and Group CEO Instructions	Approval	Latest update	Disclosure
Group Board Directive on Code of Conduct	Group Board	2022	Not public
Nordea Code of Conduct	Group Board	2022	Public
Directive on Conflicts of Interest	Group Board	2021	Not public
Conflict of interest Policy	Group Board	2021	Public
Directive on Anti-Bribery and Corruption	Group Board	2022	Not public
Anti-bribery & Corruption Policy Statement	Group Board	2021	Public
Instructions on Gifts and Hospitality	Group CEO	2022	Not public
Directive on Sustainability	Group Board	2022	Not public
Sustainability Policy	Group Board	2021	Public
The Nordea responible marketing policy summary	Other	2022	Public
Diversity & Inclusion Policy		2022	Public
Instructions on Competition	Group CEO	2021	Not public
Instructions on Community Engagement	Group CEO	2020	Not public
Instructions on Raising Your Concern	Group CEO	2022	Not public
Policy against Discrimination and Harassment	Other	2022	Public
Directive on Data Privacy	Group Board	2022	Not public
Instructions on Data Privacy	Group CEO	2022	Not public

7. People and Remuneration

Group Board Directive and Group CEO Instructions	Approval	Latest update	Disclosure
Directive on Remuneration	Group Board	2022	Not public
Remuneration policy for governing bodies	Group Board	2020	Public
Instructions on fixed base salary in the Nordic countries	Group CEO	2021	Not public
Instructions on Pension and Insurances	Group CEO	2022	Not public
Instructions on Benefits	Group CEO	2021	Not public
Instructions on Nordea Incentive Plan	Group CEO	2022	Not public
Instructions on Recognition Scheme	Group CEO	2022	Not public

Glossary

B **BREEAM –** BREEAM (Building Research Establishment Environmental Assessment Method) is an international scheme that provides independent third party certification of the assessment of the sustainability performance of individual buildings, communities and infrastructure projects. Assessment and certification can take place at a number of stages in the built environment life cycle, from design and construction through to operation and refurbishment.

C **Climate VaR –** CVaR (Climate Value at Risk) is a methodology designed to provide a forward-looking and return-based valuation assessment to measure climate-related risks and opportunities in an investment portfolio.

E **ESG –** The term ESG refers to how environmental, social and governance issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and over time). ESG screenings are used in evaluations of partners and suppliers.

G **GHG Protocol –** GHG Protocol (the Greenhouse Gas Protocol) establishes global standardised frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions. It is the most widely used greenhouse gas accounting standard in the world.

GDPR – GDPR (the General Data Protection Regulation) is a regulation in EU law on data protection and privacy for all individual citizens of the EU and the European Economic Area (EEA). The GDPR primarily aims to provide individuals with control over their personal data and to simplify the regulatory environment for international business by unifying regulation within the EU.

GRI Standards – GRI Standards (GRI Sustainability Reporting Standards) are provided by the GRI (Global Reporting Initiative) and used for sustainability disclosures. The GRI Standards create a common language for organisations and stakeholders, with which the economic, environmental, and social impacts of organisations can be communicated and understood. The GRI Standards are designed to enhance the global comparability and quality of information on these impacts, thereby enabling greater transparency and accountability of organisations.

I **IPCC –** IPCC (the Intergovernmental Panel on Climate Change) is the United Nations body for assessing the science related to climate change. In October 2019 the IPCC released a special report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty.

L **LEED –** LEED (Leadership in Energy and Environmental Design) is an internationally recognised green building certification system, providing third-party verification that a building or community was designed and built using strategies aimed at improving performance across all the metrics that matter most: energy savings, water efficiency, CO_2 emissions reduction, improved indoor environmental quality and stewardship of resources and sensitivity to their impacts.

M **MSCI –** Morgan Stanley Capital International (MSCI) is an investment research firm that provides stock indexes, portfolio risk and performance analytics and governance tools to institutional investors and hedge funds.

P **Paris Agreement –** At COP 21 in Paris, on 12 December 2015, parties to the United Nations Framework Convention on Climate Change (UNFCCC) reached a landmark agreement to combat climate change and to accelerate and intensify the actions and investments needed for a sustainable low-carbon future. The Paris Agreement brings all nations into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects, with enhanced support to assist developing countries to do so.

S **SDGs –** SDGs (the Sustainable Development Goals) are a collection of 17 global goals set by the United Nations General Assembly in 2015. The goals are an urgent call for action by all countries – developed and developing – in a global partnership. They recognise that ending poverty and other deprivations must go hand in hand with strategies that improve health and education, reduce inequality and spur economic growth – all the while tackling climate change and working to preserve oceans and forests.

Independent practitioner's limited assurance report

To the Management of Nordea Bank Abp

We have been engaged by the Management of Nordea Bank Abp (hereinafter also the "Company") to perform a limited assurance engagement on consolidated sustainability disclosures for the reporting period of 1 January 2022 to 31 December 2022, disclosed in Nordea Bank Abp's Annual Report 2022 in the Sustainability notes on pages 317–359, and in the Board of Directors' Report's section Non-financial statement for the mandatory part of EU taxonomy disclosures on pages 88–89 and on its website in the document Nordea Sustainability Indices 2022 (hereinafter the Selected sustainability information).

Selected sustainability information

The Selected sustainability information within the scope of assurance covers:

- Consolidated sustainability disclosures for the reporting period of 1 January 2022 to 31 December 2022, disclosed in Nordea Bank Abp's Annual Report 2022 in the Sustainability notes on pages 317–359,
  - Furthermore, with regard to the Sustainability information, the assurance engagement has covered disclosures on financed emissions for the reporting periods of 1 January 2019 to 31 December 2019, 1 January 2020 to 31 December 2020 and 1 January 2021 to 31 December 2021.
- With regard to the Company's self-assessments/assertions of its commitments as a signatory of the Principles for Responsible Banking in the Nordea Sustainability Indices 2022, the assurance engagement has covered the following areas:
  - 2.1 Impact Analysis
  - 2.2 Target Setting
  - 2.3 Plans for Target Implementation and Monitoring
  - 2.4 Progress on Implementing Targets
  - 5.3 Governance Structure for Implementation of the Principles
  - 6.1 Progress on Implementing the Principles for Responsible Banking.
- Mandatory reporting of EU taxonomy KPIs for climate change mitigation and climate change adaptation as disclosed in Nordea Bank Abp's Board of Directors' report of Nordea Bank Abp's Annual Report 2022.

Management's responsibility

The Management of Nordea Bank Abp is responsible for preparing the Selected sustainability information in accordance with the Reporting criteria as set out in Nordea Bank Abp reporting instructions described in Nordea Bank Abp's Annual Report 2022, the GRI Sustainability Reporting Standards of the Global Reporting Initiative, the Global GHG Accounting and Reporting Standard for the Financial Industry (2020) of the Partnership for Carbon Accounting Financials (PCAF), Regulation (EU) 2020/852 and Commission Delegated Regulation 2021/2178 and in the Principles for Responsible Banking (collectively Reporting criteria). The Management of Nordea Bank Abp is also responsible for such internal control as the management determines is necessary to enable the preparation of the Selected sustainability information that is free from material misstatement, whether due to fraud or error.

Practitioner's independence, other ethical requirements and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PricewaterhouseCoopers Oy applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Selected sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) *"Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* This Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected sustainability information is free from material misstatement.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other Selected sustainability information. The procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the Selected sustainability information.

Our work consisted of, amongst others, the following procedures:

- Interviewing a representative of senior management of the Company.
- Interviewing employees responsible for collecting and reporting Selected sustainability information at the Group level.
- Assessing how Group employees apply the reporting instructions and procedures of the Company.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.
- Considering the disclosure and presentation of the Selected sustainability information.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Nordea Bank Abp's Selected sustainability information for the reporting period 1 January 2022 to 31 December 2022 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

When reading our limited assurance report, the inherent limitations to the accuracy and completeness of Selected sustainability information should be taken into consideration.

Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Nordea Bank Abp for our work, for this report, or for the conclusions that we have reached.

Helsinki, 27 February 2023

PricewaterhouseCoopers Oy

Tiina Puukkoniemi
Partner, Authorised Public Accountant (KHT)
ESG Reporting & Assurance

Jukka Paunonen
Partner, Authorised Public Accountant (KHT)
Lead Financial Audit Partner

Annual General Meeting 23 March 2023

Nordea's 2023 Annual General Meeting (AGM) will be held on Thursday 23 March 2023 at 14.00 EET at Messukeskus Helsinki, Expo and Convention Centre, Messuaukio 1, 00520 Helsinki. In addition, the AGM can be followed online via streaming on Nordea's webcast at nordea.com/agm.

Advance voting

Shareholders have the opportunity to exercise their voting rights also by voting in advance in accordance with the instructions, including the relevant deadlines, set out in the notice to the AGM.

Notification of participation

Shareholders who wish to participate in the AGM must be registered as shareholders in the shareholders' register maintained by Euroclear Finland Oy in Finland, Euroclear Sweden AB in Sweden or VP Securities A/S in Denmark on 13 March 2023 and register their participation in accordance with the instructions, including the relevant deadlines, set out in the notice to the AGM.

Participants holding shares registered with Euroclear Finland Oy in Finland

Notification of participation in the AGM must be made no later than 16 March 2023 on Nordea's website at nordea.com/agm or by regular mail to Innovatics Ltd, AGM/Nordea, Ratamestarinkatu 13 A, 00520 Helsinki, Finland or by e-mail to agm@innovatics.fi.

Participants holding shares registered with Euroclear Sweden AB in Sweden

Notification of participation in the AGM must be made no later than 15 March 2023 on Nordea's website at nordea.com/agm or by regular mail to Innovatics Ltd, AGM/Nordea, Ratamestarinkatu 13 A, 00520 Helsinki, Finland or by e-mail to agm@innovatics.fi.

Participants holding shares registered with VP Securities A/S in Denmark

Notification of participation in the AGM must be made no later than 16 March 2023 on Nordea's website at nordea.com/agm or by regular mail to Innovatics Ltd, AGM/Nordea, Ratamestarinkatu 13 A, 00520 Helsinki, Finland or by e-mail to agm@innovatics.fi.

Shares held in trust

Holders of nominee registered shares must temporarily re-register their shares with the shareholders' register maintained by Euroclear Finland Oy in Finland no later than 20 March 2023 at 10.00 EET. Shareholders whose shares are held in trust in Sweden must instruct the trustee to re-register the shares in their own name with the shareholders' register held by Euroclear Sweden AB in good time prior to 15 March 2023. Shareholders whose shares are held in trust in Denmark must instruct the trustee to re-register the shares in their own name with the shareholders' register held by VP Securities A/S in good time prior to 13 March 2023.

Financial calendar

Financial calendar 2023

Annual General Meeting	23 March
First-quarter results	27 April
Second-quarter results	17 July
Third-quarter results	19 October

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All reports and press and stock exchange releases are available at nordea.com. Financial reports published by the Nordea Group can be ordered at nordea.com 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 at nordea.com.

Annual Report 2022

Nordea Bank Abp is the parent company of the Nordea Group and domiciled in Helsinki, Finland. This Annual Report covers Nordea Bank Abp and pertains to the operations of the Nordea Group whose main legal structure is presented on page 47.

In this Annual Report, the Nordea Group presents income statements and other financial data in euro (EUR).

The original Annual Report is in Swedish. This is an English version of the Annual Report. In the event of any inconsistencies between the Swedish and English versions, the former will prevail.

English and Swedish copies of this Annual Report are available at Aleksis Kivis gata 7, 00500 Helsinki and at nordea.com.

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