Fourth-Quarter and Full-Year Financial Report 2021

Fourth-quarter and full-year results 2021

Summary of the quarter:

- **Customer business volumes at record-high levels.** Mortgage lending volumes increased by 6%, year on year, in the fourth quarter, supported by market share growth across the Nordics. SME lending grew by 6% and assets under management (AuM) increased by 17%. Mortgages, SME lending and AuM reached the highest levels in Nordea's history.
- **Strong profit growth, driven by 10% increase in income and tight cost control.** Fourth-quarter operating profit increased by 32%, year on year, to EUR 1,281m. Total income was up 10%, driven by a 7% increase in net interest income and a 16% increase in net fee and commission income. Net fair value result increased by 14%. Costs were in line with the previous quarter but decreased by 10%, year on year, as the fourth quarter of 2020 was impacted by exceptional cost items.
- **Continued strong credit quality.** Net loan losses and similar net result amounted to EUR 56m or 7bp in the quarter, compared with 3bp in the fourth quarter of 2020. Realised net loan losses remained low, consistent with previous periods, and the charge for the quarter included strengthened provisions for a small number of specific items. The management judgement buffer was unchanged at EUR 610m.
- **Cost-to-income ratio down to 47% and return on equity at 11.3%.** Nordea's cost-to-income ratio improved to 47% from 57% a year ago in the fourth quarter, supported by income growth and continued cost efficiency. Return on equity (RoE) was 11.3%. Earnings per share increased by 44% to EUR 0.26 from EUR 0.18.
- **Dividend of approx. EUR 0.69* per share proposed for 2021 – CET1 ratio at 17.0%.** Nordea's Board has proposed a dividend of approximately EUR 0.69* per share for 2021 – up 77% from EUR 0.39 for 2020. This translates to a 70% payout ratio, in line with Nordea's dividend policy. The CET1 ratio increased to 17.0% from 16.9% in the previous quarter and is now 6.8 percentage points above the regulatory requirement. Nordea is committed to implementing an efficient capital structure and commenced a EUR 2bn share buy-back programme on 22 October 2021. As at 31 December 2021, 109m shares had been repurchased at a cost of EUR 1,160m. Nordea submitted a formal application to the European Central Bank in January 2022 for potential follow-on share buy-backs.
- **New financial target for 2025.** With a 2021 RoE of 11.2% and a cost-to-income ratio of 48%, Nordea has surpassed its full-year 2022 financial targets one year ahead of schedule. Nordea's new, full-year 2025 financial target is a RoE above 13%, supported by a cost-to-income ratio of 45–47%. For 2022, Nordea expects a RoE above 11%, supported by a cost-to-income ratio of 49–50%, despite investment for growth and higher regulatory costs, including the Swedish bank tax. Nordea will hold a Capital Markets Day on 17 February to discuss its financial target and plans for the new strategy period in more detail.

(For further viewpoints, see the CEO comment on page 2. For definitions, see page 53)

* Approximate amount based on the estimated number of shares that will be in issue at the estimated dividend decision date.

Group quarterly results and key ratios Q4 2021

EURm	Q4 2021	Q4 2020	Chg %	Q3 2021	Chg %	Jan-Dec 2021	Jan-Dec 2020	Chg %
Net interest income	1,255	1,169	7	1,226	2	4,925	4,515	9
Net fee and commission income	920	792	16	870	6	3,495	2,959	18
Net fair value result	247	217	14	224	10	1,119	900	24
Other income	16	41	-61	24	-33	81	92	-12
Total operating income	2,438	2,219	10	2,344	4	9,620	8,466	14
Total operating expenses excluding resolution fees	-1,101	-1,218	-10	-1,098	0	-4,425	-4,441	0
Total operating expenses	-1,101	-1,218	-10	-1,098	0	-4,649	-4,643	0
Profit before loan losses	1,337	1,001	34	1,246	7	4,971	3,823	30
Net loan losses and similar net result	-56	-28		22		-35	-860	
Operating profit	1,281	973	32	1,268	1	4,936	2,963	67
Cost-to-income ratio with amortised resolution fees, %	47	57		49		48	55	
Return on equity with amortised resolution fees, %	11.3	8.4		10.8		11.2	7.1	
Diluted earnings per share, EUR	0.26	0.18		0.25		0.95	0.55	

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Nordea is a leading Nordic universal bank. We are helping our customers realise their dreams and aspirations – and we have done that for 200 years. We want to make a real difference for our customers and the communities where we operate – by being a strong and personal financial partner. The Nordea share is listed on the Nasdaq Helsinki, Nasdaq Copenhagen and Nasdaq Stockholm exchanges. Read more about us on nordea.com

CEO comment

We all hoped we would be able to put COVID behind us in 2021, but unfortunately the pandemic and the related uncertainty continued. All in all, though, 2021 was encouraging, with many positive signs in the economy and society. Going forward, we may still face some setbacks from new virus variants, but we are more experienced and resilient in managing the changing circumstances.

For Nordea, 2021 was a successful year. I'm proud of how we have progressed as a bank – together with our customers. Our business volumes grew and we gained market shares across the Nordics. Our mortgage lending grew by 6%, SME lending by 6% and assets under management (AuM) by 17%, reaching all-time-high levels. At the same time, we continued to create better customer experiences. We improved our customer satisfaction scores and reduced customer complaints by 9%. We are now receiving 41% fewer complaints than three years ago.

The strength of our business model was evident in 2021. We drove high levels of customer activity, both digital and in-person, by further developing our omnichannel model. For example, we had 22% more monthly logins to our digital services compared with last year. Customer satisfaction with our digital services remained high, with the mobile app achieving top ratings in all four Nordic countries.

Sustainability is at the core of our strategy – integrated into all aspects of our business, from our product offering to our investment decisions to our internal operations. In 2021 we continued to develop our service and product offering within financing and asset management. Total green lending grew to EUR 9.7bn, investor demand for our ESG savings products remained high and we continue to be the top-ranking bank for Nordic sustainable bonds. We were again ranked among the top 100 most sustainable corporations in the world by Corporate Knights – the only Nordic bank in the ranking.

All these activities resulted in a strong full-year financial performance. Our 2021 operating profit was over EUR 4.9bn, which is 67% higher than in 2020, and our return on equity was 11.2%, up from 7.1% last year.

In the fourth quarter we continued to make steady progress, growing our business and customer activity in line with previous quarters and achieving a return on equity of 11.3%. Our key focus remains on growing revenues faster than costs. This quarter, our cost-to-income ratio improved to 47% from 57% a year ago.

Our credit quality remains strong, with net loan losses of 7bp during the quarter. In 2021 as a whole, our net loan losses were only 1bp, compared with 26bp in 2020. We kept our management judgement buffer unchanged at EUR 610m as the impact of the pandemic on our customers remains uncertain.

We remain highly committed to implementing an efficient capital structure. Our capital strength is among the best in Europe, with a CET1 ratio of 17.0%, which is 6.8 percentage points above the current regulatory requirement. This means we can continue to support our customers, pay out dividends and deploy excess capital – benefiting both our shareholders and society at large.

Reflecting our very strong financial performance and capital position, our Board has proposed a 2021 dividend of approximately EUR 0.69 per share – a significant increase on the dividend of EUR 0.39 per share for 2020. This translates to a payout ratio of 70%, in line with our dividend policy.

Meanwhile, our share buy-back programme continues. To date, we have deployed 75% of the initial EUR 2bn planned, having bought back 141m shares from our shareholders. We consider share buy-backs to be an integral part of our capital management and submitted a formal application to the European Central Bank in January 2022 for a potential follow-on programme.

For 2022, we expect to deliver a return on equity above 11%, with continued profitable growth, and our cost-to-income ratio is expected to be 49–50%. In 2021 the cost-to-income ratio benefited from exceptionally high financial market income and we expect to invest for continued growth and also to incur higher regulatory costs in 2022, including the Swedish bank tax. Our operational efficiency continues to improve and we expect our cost-to-income ratio to keep on decreasing in the coming years.

Targets for 2022 surpassed in 2021 – new target for 2025

In October 2019 we launched a new strategic direction for Nordea. With ambitious financial targets for 2022 and an updated business plan, our aim was to retake lost ground in business and improve our financial performance. We decided to focus on three key priorities: to create great customer experiences, drive income growth initiatives and optimise operational efficiency.

We have been very focused on delivering on our targets and priorities. I'm happy that we have surpassed our 2022 financial targets one year ahead of schedule and that all of our business areas have met their respective targets.

I would describe our current position as an important milestone. Now we will move forward to deliver best-in-class omnichannel customer experiences, raise the bar on our financial performance and drive further value creation for our shareholders. We want to be the preferred partner for Nordic customers in need of a broad range of financial services.

Today, we have published our new financial target for 2025, which is ambitious – yet realistic. We are targeting a return on equity above 13%. This will be supported by a cost-to-income ratio of 45–47% and assumes a CET1 requirement of 15–16%, including our management buffer. I am confident that with hard work we will meet it, just as we met our previous targets.

We will hold a Capital Markets Day on 17 February to present our 2025 financial target, respective business area ambitions and updated priorities, and discuss the new strategy period in more detail.

We could not have achieved these results without our skilled, passionate and very dedicated employees – I would like to thank all of them for their great efforts. I would also like to thank all our customers and shareholders for their very good cooperation over the past few years.

While we have a new target, our direction as a bank is not going to change. For more than 200 years we have played a key role in supporting our customers and developing the Nordic societies. That will be our role going forward as well.

Frank Vang-Jensen
President and Group CEO

Outlook (new)

Financial target for 2025

Nordea's financial target for 2025 is a return on equity above 13%.

The 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 2022

Nordea expects a return on equity of above 11% and a cost-to-income ratio of 49–50% for 2022.

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.

Outlook (old)

Key priorities to meet 2022 financial targets

Nordea's business plan focuses on three key priorities to meet its 2022 financial targets: 1) to optimise operational efficiency, 2) to drive income growth initiatives, and 3) to create great customer experiences.

Financial targets for 2022

Nordea's financial targets for 2022 are:

- a return on equity above 10%
- a cost-to-income ratio of 50%

Costs (operating expenses)

Total costs for 2021 are expected to be around EUR 4.6bn.

Capital policy

A management buffer of 150–200bp above the regulatory CET1 requirement, from 1 January 2021.

Dividend policy

Nordea's dividend policy stipulates a dividend payout ratio of 60–70%, applicable to profit generated from 1 January 2021. Nordea will continuously assess the opportunity to use share buy-backs as a tool to distribute excess capital.

Credit quality

Net loan losses in 2021 are expected to be significantly below the 2020 level.

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Income statement

EURm	Q4 2021	Q4 2020	Chg %	Local curr. %	Q3 2021	Chg %	Local curr. %	Jan-Dec 2021	Jan-Dec 2020	Chg %	Local curr. %
Net interest income	1,255	1,169	7	4	1,226	2	1	4,925	4,515	9	6
Net fee and commission income	920	792	16	14	870	6	5	3,495	2,959	18	16
Net result from items at fair value	247	217	14	15	224	10	12	1,119	900	24	27
Profit from associated undertakings and joint ventures accounted for under the equity method	-4	5			9			-6	-1		
Other operating income	20	36	-44	-49	15	33	36	87	93	-6	-10
Total operating income	**2,438**	**2,219**	**10**	**8**	**2,344**	**4**	**3**	**9,620**	**8,466**	**14**	**11**
Staff costs	-670	-722	-7	-8	-702	-5	-5	-2,759	-2,752	0	-1
Other expenses	-241	-319	-24	-27	-237	2	0	-1,226	-1,286	-5	-7
Depreciation, amortisation and impairment charges of tangible and intangible assets	-190	-177	7	6	-159	19	18	-664	-605	10	8
Total operating expenses	**-1,101**	**-1,218**	**-10**	**-11**	**-1,098**	**0**	**-1**	**-4,649**	**-4,643**	**0**	**-2**
Profit before loan losses	**1,337**	**1,001**	**34**	**30**	**1,246**	**7**	**7**	**4,971**	**3,823**	**30**	**27**
Net loan losses and similar net result	-56	-28	100	100	22			-35	-860	-96	-96
Operating profit	**1,281**	**973**	**32**	**28**	**1,268**	**1**	**0**	**4,936**	**2,963**	**67**	**63**
Income tax expense	-264	-248	6	3	-267	-1	-5	-1,105	-698	58	55
Net profit for the period	**1,017**	**725**	**40**	**37**	**1,001**	**2**	**2**	**3,831**	**2,265**	**69**	**66**

Business volumes, key items[1]

EURbn	31 Dec 2021	31 Dec 2020	Chg %	Local curr. %	30 Sep 2021	Chg %	Local curr. %
Loans to the public	345.0	329.8	5	4	342.6	1	1
Loans to the public, excl. repos/securities borrowing	328.3	313.3	5	5	319.5	3	3
Deposits and borrowings from the public	205.8	183.4	12	12	210.8	-2	-2
Deposits from the public, excl. repos/securities lending	203.2	181.0	12	12	202.1	1	1
Total assets	570.4	552.2	3		614.5	-7	
Assets under management	411.3	351.4	17		392.9	5	
Equity	33.5	33.7	-1		36.6	-8	

Ratios and key figures[2]

	Q4 2021	Q4 2020	Chg %	Q3 2021	Chg %	Jan-Dec 2021	Jan-Dec 2020	Chg %
Diluted earnings per share (DEPS), EUR	0.26	0.18	44	0.25	4	0.95	0.55	73
EPS, rolling 12 months up to period end, EUR	0.95	0.55	73	0.87	9	0.95	0.55	73
Share price[1], EUR	10.79	6.67	62	11.24	-4	10.79	6.67	62
Proposed/actual dividend per share, EUR						0.69[4]	0.39	77
Equity per share[1], EUR	8.51	8.35	2	9.06	-6	8.51	8.35	2
Potential shares outstanding[1], million	3,966	4,050	-2	4,050	-2	3,966	4,050	-2
Weighted average number of diluted shares, million	3,978	4,039	-2	4,042	-2	4,025	4,039	0
Return on equity, %	11.8	8.9		11.3		11.2	7.1	
Return on tangible equity, %	13.2	10.0		12.6		12.6	8.1	
Return on risk exposure amount, %	2.7	1.9		2.6		2.5	1.4	
Return on equity with amortised resolution fees, %	11.3	8.4		10.8		11.2	7.1	
Cost-to-income ratio, %	45	55		47		48	55	
Cost-to-income ratio with amortised resolution fees, %	47	57		49		48	55	
Net loan loss ratio, incl. loans held at fair value, bp	7	3		-3		1	26	
Common Equity Tier 1 capital ratio[1,3], %	17.0	17.1		16.9		17.0	17.1	
Tier 1 capital ratio[1,3], %	19.1	18.7		18.9		19.1	18.7	
Total capital ratio[1,3], %	21.2	20.5		21.0		21.2	20.5	
Tier 1 capital[1,3], EURbn	29.0	29.1	0	28.8	1	29.0	29.1	0
Risk exposure amount[1], EURbn	151.9	155.4	-2	152.6	0	151.9	155.4	-2
Return on capital at risk, %	17.3	12.1		17.2		16.5	9.2	
Return on capital at risk with amortised resolution fees, %	16.6	11.5		16.4		16.5	9.2	
Number of employees (FTEs)[1]	26,894	28,051	-4	27,126	-1	26,894	28,051	-4
Economic capital[1], EURbn	23.2	23.5	-1	23.1	0	23.2	23.5	-1

[1] End of period.
[2] For more detailed information regarding ratios and key figures defined as alternative performance measures, see https://www.nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports.
[3] Including the result for the period.
[4] Approximate amount based on the estimated number of shares that will be in issue at the estimated dividend decision date.

Macroeconomy and financial markets[1]

Economic outlook

The global recovery continued in the third quarter, led by the advanced economies where vaccine roll-outs have been most successful and supported by expansionary economic policy. The pace of recovery slowed towards the end of the year. Global gross domestic product (GDP) growth is expected to be around 5.5% in 2021 as a whole and slow down in 2022.

Global demand for goods remains high, while supply has been constrained by outbreaks of new COVID variants and bottlenecks in various parts of the global value chain. Together with elevated transportation costs, increasing energy and commodity prices have resulted in significant global inflationary pressure. Hawkish rhetoric from the US Federal Reserve caused interest rates and volatility in equity markets to increase towards the end of the year.

The Nordic countries have been among the best performing economies globally during the pandemic. All four countries' GDP levels are now above pre-pandemic levels. Data points to a slowdown in economic activity towards the end of 2021, as new restrictions have been introduced to contain the spread of the Omicron variant.

Denmark

Danish GDP increased by 1.1%, quarter on quarter, in the third quarter of 2021. The growth in GDP caused employment to reach a record high, with the unemployment rate falling to 2.8% in November, the lowest level since 2008. House and apartment prices were 8.9% and 9.7% higher, respectively, in October 2021 than in the same month last year. Year-on-year consumer price inflation stood at 3.1% in December 2021. The Danish krone remained strong against the euro in the fourth quarter due to relatively low excess liquidity in the money market. In December Danmarks Nationalbank had to intervene significantly to maintain the fixed exchange rate policy.

Finland

Finnish GDP grew by 0.8%, quarter on quarter, in the third quarter of 2021. Private consumption rose by 1.3%, driven by the recovering service sector. The swift economic recovery has also led to a rapid improvement in the labour market situation, with the unemployment rate declining to 7.0% in December and job vacancies reaching a record high. Investments in construction grew in the third quarter, reflecting strong demand for housing. In the third quarter apartment prices increased by 4.1% and single-family house prices by 5.5%, year on year, although the price development moderated during the autumn. Year-on-year consumer price inflation stood at 3.5% in December. The surge in inflation has mainly been driven by higher energy prices.

Norway

Norwegian mainland GDP grew by 2.6%, quarter on quarter, in the third quarter of 2021. The unemployment rate stood at 2.3% in December, close to pre-pandemic levels. Housing prices were stable in the fourth quarter and were up 5.2%, year on year, in December 2021. Year-on-year consumer price inflation stood at 5.3% in December, driven higher by increased energy prices. Now that the economy has recovered, Norges Bank is increasing interest rates. The central bank increased the key rate from 0.25% to 0.5% in December and signalled that it would most likely raise the rate to 0.75% in March 2022. According to Norges Bank's latest rate path, the key interest rate will rise to 1.25% by the end of 2022. The Norwegian krone appreciated against the euro following increased volatility in the quarter.

Sweden

Swedish GDP grew by 2.0%, quarter on quarter, in the third quarter of 2021. Household consumption was the main driver, while exports were almost unchanged. The situation in the labour market continued to improve, with the unemployment rate falling to 7.2% in November. House and apartment prices have levelled out somewhat, but were still 13% and 8% higher, respectively, in November 2021 than in the same month last year. Year-on-year consumer price inflation stood at 3.6% in November, boosted by the surge in energy prices. Wage increases are picking up but remain contained. Sveriges Riksbank kept its repo rate unchanged at 0.0% and signalled that it would remain unchanged for the coming two years. The quantitative easing programme ended in December 2021. The trade-weighted Swedish krona weakened by 0.9% in the course of the fourth quarter.

[1]Source: Nordea Economic Research

Group results and performance

Fourth quarter 2021

Net interest income

Q4/Q4: Net interest income increased by 7%. The main drivers were increased SME and mortgage lending volumes, and improved deposit margins. Lending margins in Norway were negatively affected by an increase in the Norwegian Interbank Offered Rate (NIBOR). Exchange rate effects had a positive impact of approximately EUR 38m.

Q4/Q3: Net interest income increased by 2%. The main drivers were increased SME and mortgage lending volumes, improved deposit margins and higher lending fee income. These were partly offset by lower mortgage lending margins, mainly due to an increase in the NIBOR. Exchange rate effects had a positive impact of approximately EUR 17m.

Lending volumes

Q4/Q4: Loans to the public excluding repurchase agreements and securities borrowing were up 5% in local currencies. Lending volumes increased in local currencies in Personal Banking (6%), Business Banking (6%) and Large Corporates & Institutions (1%).

Q4/Q3: Loans to the public excluding repurchase agreements and securities borrowing were up 3% in local currencies. Lending volumes increased in local currencies in Personal Banking (1%), Business Banking (2%) and Large Corporates & Institutions (7%).

Deposit volumes

Q4/Q4: Total deposits from the public excluding repurchase agreements and securities lending were up 12% in local currencies. Deposit volumes increased in local currencies in Personal Banking (4%), Business Banking (11%) and Large Corporates & Institutions (25%).

Q4/Q3: Total deposits from the public excluding repurchase agreements and securities lending were up 1% in local currencies. Deposit volumes increased in local currencies in Business Banking (6%). In Personal Banking and Large Corporates & Institutions deposit volumes were unchanged.

Net interest income per business area

	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Local currency Q4/Q4	Local currency Q4/Q3
EURm									
Personal Banking	556	573	569	561	535	4%	-3%	2%	-4%
Business Banking	418	397	407	395	384	9%	5%	6%	4%
Large Corporates & Institutions	246	226	230	238	226	9%	9%		
Asset & Wealth Management	20	19	19	19	17	18%	5%	12%	0%
Group functions	15	11	7	-1	7				
Total Group	**1,255**	**1,226**	**1,232**	**1,212**	**1,169**	**7%**	**2%**	**4%**	**1%**

Change in net interest income (NII)

	Q4/Q3	Q4/Q4	Jan-Dec 21/20
EURm			
NII beginning of period	**1,226**	**1,169**	**4,515**
Margin-driven NII	**-25**	**-4**	**193**
Lending margin	-33	-63	-33
Deposit margin	14	42	77
Cost of funds	-6	17	149
Volume-driven NII	**19**	**37**	**131**
Lending volume	20	43	157
Deposit volume	-1	-6	-26
Day count	0	0	-12
Other[1]	35	53	98
NII end of period	**1,255**	**1,255**	**4,925**
[1] of which FX	17	38	142

Net fee and commission income

Q4/Q4: Net fee and commission income increased by 16%. The main driver was growth in net income from savings and investments. Payment and card fee income also contributed positively, having increased from the subdued levels seen in the fourth quarter of 2020.

Q4/Q3: Net fee and commission income increased by 6%. The main drivers were increases in savings and investment commission income and lending fee income.

Savings and investment commissions

Q4/Q4: Net fee and commission income from savings and investments increased by 18%, mainly driven by growth in assets under management (AuM). This was partly offset by higher commission expenses.

Q4/Q3: Net fee and commission income from savings and investments increased by 7%, mainly driven by growth in AuM and higher brokerage and advisory fee income. End-of-period AuM increased by 5%, or EUR 18bn, to EUR 411bn, with a net inflow of EUR 4.9bn during the quarter.

Payments and cards and lending-related commissions

Q4/Q4: Net fee and commission income from payments and cards increased by 15%, up from the subdued levels seen in the fourth quarter of 2020, which were driven by COVID-19. Lending-related net fee and commission income increased by 8%, mainly due to higher levels of customer activity.

Q4/Q3: Net fee and commission income from payments and cards decreased by 2%. Lending-related net fee and commission income increased by 9% due to higher levels of customer activity.

Net fee and commission income per business area

								Local currency	
	Q421	**Q321**	**Q221**	**Q121**	**Q420**	**Q4/Q4**	**Q4/Q3**	**Q4/Q4**	**Q4/Q3**
EURm									
Personal Banking	342	332	317	298	291	18%	3%	16%	2%
Business Banking	177	164	157	164	158	12%	8%	10%	7%
Large Corporates & Institutions	113	112	163	137	116	-3%	1%		
Asset & Wealth Management	294	270	245	236	229	28%	9%	28%	9%
Group functions	-6	-8	-4	-8	-2				
Total Group	**920**	**870**	**878**	**827**	**792**	**16%**	**6%**	**14%**	**5%**

Net fee and commission income per category

								Local currency	
	Q421	**Q321**	**Q221**	**Q121**	**Q420**	**Q4/Q4**	**Q4/Q3**	**Q4/Q4**	**Q4/Q3**
EURm									
Savings and investments, net	654	613	617	563	552	18%	7%	18%	6%
Payments and cards, net	127	130	115	115	110	15%	-2%	14%	-3%
Lending-related, net	151	138	144	146	140	8%	9%	5%	8%
Other commissions, net	-12	-11	2	3	-10				
Total Group	**920**	**870**	**878**	**827**	**792**	**16%**	**6%**	**14%**	**5%**

Assets under management (AuM), volumes and net flow

	Q421	**Q321**	**Q221**	**Q121**	**Q420**	**Net flow Q421**
EURbn						
Nordic Retail funds	87.4	82.4	80.6	75.7	71.6	1.8
Private Banking	122.7	116.1	114.2	107.2	100.8	1.8
Institutional sales	131.3	128.0	124.6	124.5	121.4	0.4
Life & Pension	69.9	66.3	64.8	61.6	57.6	0.9
Total	**411.3**	**392.9**	**384.2**	**368.9**	**351.4**	**4.9**

Net result from items at fair value

Q4/Q4: Net result from items at fair value increased by 14%, driven by higher activity in customer areas and higher investment valuations in Treasury. These were partly offset by lower trading income in Markets.

Q4/Q3: Net result from items at fair value increased by 10%, driven by higher activity in customer areas. This was partly offset by lower trading income in Markets and lower positive investment valuations in Treasury.

Net result from items at fair value per business area

EURm	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3
Personal Banking	14	14	33	15	22	-36%	0%
Business Banking	86	66	74	72	65	32%	30%
Large Corporates & Institutions	89	96	112	245	100	-11%	-7%
Asset & Wealth Mgmt. excl. Life & Pension	5	8	4	10	3	80%	-33%
Life & Pension	24	20	26	28	13	82%	18%
Group functions	29	20	29	0	14		
Total Group	**247**	**224**	**278**	**370**	**217**	**14%**	**10%**

Equity method

Q4/Q4: Income from companies accounted for under the equity method was EUR -4m, down from EUR 5m, driven by lower income from associated companies and the impairment of an equity holding.

Q4/Q3: Income from companies accounted for under the equity method was EUR -4m, down from EUR 9m, driven by lower income from associated companies and the impairment of an equity holding.

Other operating income

Q4/Q4: Other operating income was EUR 20m, down from EUR 36m. The fourth quarter of 2020 had included the sale of Nordea's interest in Automatia, which amounted to EUR 10m.

Q4/Q3: Other operating income was EUR 20m, up from EUR 15m.

Total operating income per business area

								Local currency	
EURm	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Q4/Q4	Q4/Q3
Personal Banking	912	919	929	878	848	8%	-1%	6%	-2%
Business Banking	688	637	647	640	617	12%	8%	9%	7%
Large Corporates & Institutions	450	435	505	620	443	2%	3%		
Asset & Wealth Management	346	318	294	293	265	31%	9%	29%	9%
Group functions	42	35	43	-11	46				
Total Group	**2,438**	**2,344**	**2,418**	**2,420**	**2,219**	**10%**	**4%**	**8%**	**3%**

Total operating expenses

Q4/Q4: Total operating expenses were down 10% due to lower restructuring costs, lower IT costs and a VAT refund. These were partly offset by higher provisions for variable pay and impairment charges. The fourth quarter of 2020 had also been negatively affected by non-recurring items. Exchange rate effects had a negative impact of approximately EUR 21m.

Q4/Q3: Total operating expenses were stable, quarter on quarter. Exchange rate effects had a negative impact of approximately EUR 10m.

Staff costs

Q4/Q4: Staff costs decreased by 7%, driven by lower restructuring costs. These were partly offset by higher provisions for variable pay related to strong business performance. The fourth quarter of 2020 had included provisions related to the Danish holiday liability and the integration of Nordea Finance Equipment.

Q4/Q3: Staff costs decreased by 5%, quarter on quarter, due to lower restructuring costs. These were partly offset by higher provisions for variable pay related to strong business performance.

Other expenses

Q4/Q4: Other expenses decreased by 24% due to lower IT and regulatory costs and a VAT refund.

Q4/Q3: Other expenses increased by 2% due to higher IT, marketing and regulatory costs. These were partly offset by a VAT refund.

Depreciation and amortisation

Q4/Q4: Depreciation and amortisation increased by 7% due to higher impairment charges and a higher run rate of asset and project amortisation. The fourth quarter of 2020 had been negatively affected by impairment charges.

Q4/Q3: Depreciation and amortisation increased by 19% to EUR 190m, driven by higher impairment charges.

FTEs

Q4/Q4: The number of employees (FTEs) was 26,894 at the end of the fourth quarter, a decrease of 4%.

Q4/Q3: The number of FTEs was down 1%.

Total operating expenses

								Local currency	
	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Q4/Q4	Q4/Q3
EURm									
Staff costs	-670	-702	-705	-682	-722	-7%	-5%	-8%	-5%
Other expenses	-241	-237	-262	-486	-319	-24%	2%	-27%	0%
Depreciation and amortisation	-190	-159	-164	-151	-177	7%	19%	6%	18%
Total Group	**-1,101**	**-1,098**	**-1,131**	**-1,319**	**-1,218**	**-10%**	**0%**	**-11%**	**-1%**

Total operating expenses per business area

								Local currency	
	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Q4/Q4	Q4/Q3
EURm									
Personal Banking	-458	-444	-441	-504	-449	2%	3%	0%	1%
Business Banking	-290	-285	-273	-332	-285	2%	2%	-1%	0%
Large Corporates & Institutions	-185	-183	-184	-285	-192	-4%	1%		
Asset & Wealth Management	-143	-148	-119	-126	-136	5%	-3%	4%	-3%
Group functions	-25	-38	-114	-72	-156				
Total Group	**-1,101**	**-1,098**	**-1,131**	**-1,319**	**-1,218**	**-10%**	**0%**	**-11%**	**-1%**

Exchange rate effects

	Q4/Q4	Q4/Q3	Jan-Dec 21/20
percentage points			
Income	2	1	2
Expenses	2	1	2
Operating profit	3	1	3
Loan and deposit volumes	1	0	1

Net loan losses and similar net result

The performance of the Nordea Group's credit portfolio remained strong in the fourth quarter. Net loan losses and similar net result amounted to net losses of EUR 56m (7bp; 12bp, or EUR 81m, excluding gains on loans held at fair value). Loan loss levels were more consistent with historical experience than in the previous two quarters, where loan losses had been extraordinarily low.

The total management judgement allowance was kept unchanged at EUR 610m, thereby ensuring an adequate reserve to cover both expected credit losses related to COVID-19 and the impact of planned improvements to provisioning models and processes.

Main drivers of loan losses and similar net result

Net loan losses on individual exposures (stage 3) amounted to EUR 111m (13bp). During the quarter provisions were increased to reflect an adjustment to the collateral valuation method for commercial real estate and to strengthen provisions related to the agricultural industry, as export restrictions are negatively impacting pig producers. Other individual new provisions were all small, with none exceeding EUR 10m. Collective provisions (stages 1, 2 and 3) were reduced by EUR 30m. Of this, EUR 7m reflected the updated macroeconomic outlook and EUR 23m related to further improved credit portfolio quality.

A revaluation gain of EUR 25m was recognised in relation to Nordea Kredit's mortgage portfolio reported at fair value, largely driven by further increases in house prices.

Net loan losses and similar net result amounted to EUR 10m in Personal Banking, EUR 27m in Business Banking, EUR 12m in Large Corporates & Institutions and EUR 7m in Group functions.

COVID-19 impacts

Portfolio credit quality remained stable and strong throughout the quarter, with slightly positive net rating migration and a continued reduction in defaults. It can still be expected that some customers will suffer from pandemic-related restrictions. However, the impacts are expected to remain confined to the few industries identified as affected, to which Nordea has limited credit exposure (around 1% of the total exposure). Nordea continues to closely monitor the evolution of credit risk in sectors particularly affected by COVID-19 and maintain a close dialogue with affected customers.

Management judgement allowance

The total cyclical management judgement allowance of EUR 455m and the total structural management judgement of EUR 155m were kept unchanged. Accordingly, the total management judgement allowance remained at EUR 610m.

See Note 8 for further details.

Credit portfolio

Total lending to the public excluding reverse repurchase agreements and securities borrowing increased to EUR 328bn from EUR 319bn in the third quarter of 2021, corresponding to an increase of 3% in local currencies.

Loans to the public measured at fair value excluding reverse repurchase agreements and securities borrowing increased to EUR 58bn from EUR 57bn in the third quarter of 2021. At the end of the fourth quarter of 2021 the fair value portfolio mainly comprised Danish mortgage lending, which amounted to EUR 58bn, up from EUR 57bn in the third quarter.

Lending to the public measured at amortised cost before allowances increased to EUR 272bn from EUR 264bn in the third quarter of 2021. Of this, 94% was classified as stage 1, 5% was stage 2 and 1% was stage 3, unchanged from the third quarter. Quarter on quarter, stage 1 was stable, stage 2 decreased by 3% and stage 3 decreased by 3%. Stage 2 loans amounted to EUR 12.7bn (4.7% of lending measured at amortised cost), down 3%, year on year. Stage 3 loans amounted to EUR 3.5bn (1.28% of lending measured at amortised cost), down 12%, year on year.

The coverage ratio was 3.1% for stage 2 (down from 3.2% in the previous quarter) and 46% for stage 3 (up from 45% in the previous quarter). The fair value impairment rate increased to 0.89% from 0.86% in the previous quarter, driven by a decrease in reverse repurchase agreements.

Nordea continued to reduce the stock of older non-performing loans via write-offs. In the fourth quarter of 2021 a gross total of EUR 188m was written off (EUR 493m for the full year).

Net loan loss ratios

	Q421	Q321	Q221	Q121	Q420
Basis points of loans, amortised cost[1]					
Net loan loss ratios, annualised, Group	12	1	-5	10	9
of which stages 1 and 2	-11	1	-21	-2	1
of which stage 3	23	0	16	12	8
Basis points of loans, total[1,2]					
Net loan loss ratio, including loans held at fair value, annualised, Group	7	-3	-6	6	3
Personal Banking total	2	0	0	2	3
PeB Denmark	-17	-17	-30	-12	-10
PeB Finland	21	11	22	16	15
PeB Norway	5	4	0	2	9
PeB Sweden	4	2	6	6	2
Business Banking total	11	-6	-13	7	11
BB Denmark	5	-25	-38	-2	-2
BB Finland	54	-4	14	22	16
BB Norway	-7	12	-21	0	23
BB Sweden	1	-9	-1	11	8
Large Corporates & Institutions total	8	-7	-8	17	-1
LC&I Denmark	-21	-32	-16	-59	-5
LC&I Finland	48	-33	10	0	-5
LC&I Norway	7	3	-7	109	3
LC&I Sweden	7	3	-19	6	23

[1] Negative amounts are net reversals.
[2] Net loan losses and net result on loans in hold portfolios mandatorily held at fair value divided by total lending at amortised cost and at fair value, basis points.

Profit

Operating profit

Q4/Q4: Operating profit increased by 32% to EUR 1,281m, driven by growth in total income and lower total costs.

Q4/Q3: Operating profit increased by 1% to EUR 1,281m, driven by higher total income. This was partly offset by higher loan losses.

Taxes

Q4/Q4: Income tax expense amounted to EUR 264m, up from EUR 248m, corresponding to a tax rate of 20.6%, compared with 25.5% in the fourth quarter of 2020.

Q4/Q3: Income tax expense amounted to EUR 264m, down from EUR 267m, corresponding to a tax rate of 20.6%, compared with 21.1% in the previous quarter.

Net profit

Q4/Q4: Net profit increased by 40% to EUR 1,017m. Return on equity was 11.8%, up from 8.9%. With amortised resolution fees, return on equity was 11.3%, up from 8.4%.

Q4/Q3: Net profit increased by 2% to EUR 1,017m. Return on equity was 11.8%, up from 11.3%. With amortised resolution fees, return on equity was 11.3%, up from 10.8%.

Q4/Q4: Diluted earnings per share were EUR 0.26, compared with EUR 0.18.

Q4/Q3**:** Diluted earnings per share were EUR 0.26, compared with EUR 0.25.

Operating profit per business area

								Local currency	
	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Q4/Q4	Q4/Q3
EURm									
Personal Banking	444	474	490	367	387	15%	-6%	13%	-7%
Business Banking	371	367	404	292	306	21%	1%	19%	1%
Large Corporates & Institutions	253	263	334	308	252	0%	-4%		
Asset & Wealth Management	203	170	178	164	131	55%	19%	54%	19%
Group functions	10	-6	-68	-82	-103				
Total Group	**1,281**	**1,268**	**1,338**	**1,049**	**973**	**32%**	**1%**	**28%**	**0%**

Capital position and risk exposure amount

The Nordea Group's Common Equity Tier 1 (CET1) capital ratio increased to 17.0% at the end of the fourth quarter from 16.9% in the third quarter of 2021. CET1 capital increased by EUR 0.1bn, mainly driven by profit generation net of dividend accrual. This was partly offset by a decrease in retained earnings following an adjustment to actuarial assumptions for pensions.

The risk exposure amount (REA) decreased by EUR 0.7bn, primarily due to improved credit quality in the retail and corporate portfolios. Lower counterparty credit risk exposure and the sale of shares in Luminor Bank also contributed. The REA decrease was partly offset by higher volumes, which were driven by continued business momentum in the corporate and retail segments, and by increased market risk.

The Group's Tier 1 capital ratio increased to 19.1% at the end of the quarter from 18.9% in the third quarter. The total capital ratio increased to 21.2% from 21.0%.

At the end of the fourth quarter CET1 capital amounted to EUR 25.9bn, Tier 1 capital amounted to EUR 29.0bn and own funds amounted to EUR 32.3bn.

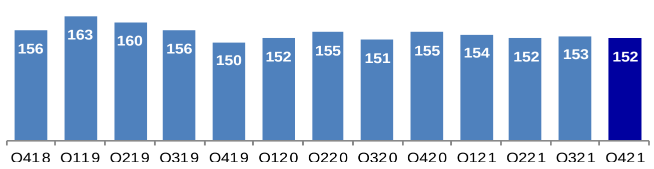
The leverage ratio increased to 5.4% in the fourth quarter from 5.0% in the third quarter of 2021. The increase was mainly driven by a decrease in cash balances with central banks.

The Group's economic capital amounted to EUR 23.2bn at the end of the fourth quarter, stable compared with the third quarter of 2021.

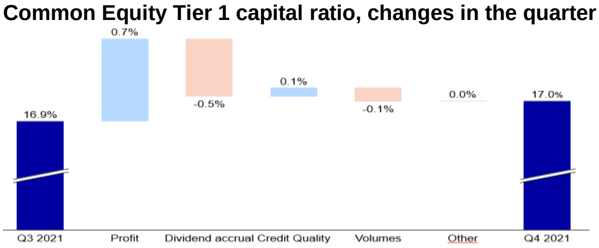
Capital ratios

	Q421	Q321	Q221	Q121	Q420
%					
CRR/CRD IV					
CET1 capital ratio	17.0	16.9	18.0	17.5	17.1
Tier 1 capital ratio	19.1	18.9	19.5	19.2	18.7
Total capital ratio	21.2	21.0	21.3	20.9	20.5

Risk exposure amount, EURbn, quarterly



Common Equity Tier 1 capital ratio, changes in the quarter



Capital and dividend policies

Nordea strives to maintain a strong capital position in line with its capital policy. Nordea's policy is to hold a CET1 capital management buffer of 150–200bp above the CET1 capital ratio requirement (restriction level for maximum distributable amount, MDA). Nordea's ambition 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 being subject to buy-back considerations.

Share buy-backs

On 16 September Nordea received approval from the European Central Bank (ECB) for a share buy-back of up to EUR 2.0bn. An inaugural buy-back programme was launched in October and is progressing. Nordea has now submitted a second buy-back application to the ECB in line with previously communicated plans.

Dividend proposal

On 31 December 2021 Nordea Bank Abp's distributable earnings, including profit for the financial year, amounted to EUR 18,878m, and other unrestricted equity amounted to EUR 4,602m.

Nordea's Board has decided to propose 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[1] in the aggregate. This corresponds to 70% of the net profit for the year, in line with upper range of the dividend policy. The intention is for the Board to decide on a dividend payment in a single instalment based on the authorisation immediately after the AGM. The dividend will not be paid for shares held by Nordea on the dividend record date. A full dividend payment decided immediately after the AGM is expected to amount to approximately EUR 0.69[2] per share.

Regulatory developments

On 27 October the European Commission published its proposal for the CRR III and CRD VI, i.e. the European Union's implementation of the finalisation of Basel III ("Basel IV"). The Commission has proposed a number of differences compared with the Basel standards. These include generally postponing the application of the revised rules until 2025 and imposing certain transitional requirements for the output floor.

In December both Denmark and Norway decided to further increase their respective countercyclical capital buffer rates. The current Danish buffer of 0% will be increased to 1.0% in the third quarter of 2022 and further increased to 2.0% from the fourth quarter of 2022. The current Norwegian buffer of 1% will be increased to 1.5% in the second quarter of 2022 and further increased to 2.0% from the fourth quarter of 2022.

On 17 December the Swedish Financial Supervisory Authority decided to extend the 25% risk weight floor for Swedish mortgage exposures until 30 December 2023. The extension has been approved by the European Commission.

Nordea received the Supervisory Review and Evaluation Process (SREP) decision on 2 February 2022, which includes the decision to maintain the current Pillar 2 requirement of 1.75% (of which 0.98% is to be met with CET1 capital).

Nordea has received the Single Resolution Board's decision on the Nordea Group's minimum requirements for own funds and eligible liabilities (MREL). According to the decision, Nordea's MREL requirements are 22.71% of the REA and 5.98% of the leverage ratio exposure (LRE). Nordea's MREL subordination requirements are 16.06% of the REA and 5.98% of the LRE. The own funds used by Nordea to comply with its combined buffer requirement (CBR) are not eligible to meet the MREL and MREL subordination requirements expressed as a percentage of the REA. As a result, the MREL and MREL subordination requirements including the fourth-quarter CBR of 4.73% of the REA are 27.44% and 20.79% of the REA, respectively. Both requirements became binding from 1 January 2022, with no transitional period. The requirements will be assessed and updated annually by the Single Resolution Board.

1. A maximum of EUR 2,681,667,380.
2. Approximate amount based on the estimated number of shares that will be in issue at the estimated dividend decision date.

Risk exposure amount

EURm	31 Dec 2021	31 Dec 2020
Credit risk	**119,483**	**120,479**
IRB	102,818	104,743
- sovereign		
- corporate	66,994	67,540
- advanced	*58,281*	*57,670*
- foundation	*8,713*	*9,870*
- institutions	3,862	4,738
- retail	27,610	27,256
- items representing securitisation positions	880	880
- other	3,472	4,329
Standardised	16,665	15,736
- sovereign	671	520
- retail	5,548	5,373
- other	10,447	9,842
Credit valuation adjustment risk	**773**	**648**
Market risk	**4,972**	**6,616**
- trading book, internal approach	3,908	3,671
- trading book, standardised approach	637	606
- banking book, standardised approach	427	2,339
Settlement risk	**0**	**265**
Operational risk	**14,306**	**14,701**
Additional risk exposure amount related to Finnish RW floor due to Article 458 of the CRR		**630**
Additional risk exposure amount related to Swedish RW floor due to Article 458 of the CRR	**12,372**	**12,101**
Additional risk exposure amount due to Article 3 of the CRR		
Total	**151,906**	**155,440**

Summary of items included in own funds including result (Banking Group)

EURm	31 Dec 2021	31 Dec 2020
Calculation of own funds		
Equity in the consolidated situation	28,900	29,100
Profit for the period	3,835	2,288
Proposed/actual dividend	-2,682	-1,585
Common Equity Tier 1 capital before regulatory adjustments	30,054	29,802
Deferred tax assets	-4	-252
Intangible assets	-2,804	-2,636
IRB provisions shortfall (-)		
Pension assets in excess of related liabilities	-169	-108
Other items including buy-back deduction, net[1]	-1,197	-253
Total regulatory adjustments to Common Equity Tier 1 capital	**-4,174**	**-3,249**
Common Equity Tier 1 capital (net after deduction)	**25,880**	**26,553**
Additional Tier 1 capital before regulatory adjustments	3,159	2,609
Total regulatory adjustments to Additional Tier 1 capital	-27	-21
Additional Tier 1 capital	**3,132**	**2,588**
Tier 1 capital (net after deduction)	**29,012**	**29,141**
Tier 2 capital before regulatory adjustments	3,454	2,745
IRB provisions excess (+)	523	628
Deductions for investments in insurance companies	-650	-650
Other items, net	-64	-63
Total regulatory adjustments to Tier 2 capital	**-191**	**-85**
Tier 2 capital	**3,263**	**2,660**
Own funds (net after deduction)	**32,275**	**31,801**
[1] Based on profit inclusion.	-1,191	-253

Own funds excluding profit

EURm	31 Dec[2] 2021	31 Dec 2020
Common Equity Tier 1 capital	25,582	26,431
Tier 1 capital (net after deduction)	28,714	29,019
Total own funds	**31,977**	**31,679**

[2] Including third-quarter, second-quarter and first-quarter profit, excluding fourth-quarter profit (pending application).

Own funds reported to ECB[3]

Profit inclusion	Including Q1, Q2 and Q3 profit, excluding Q4 profit (pending application)	Including profit

[3] Summary of items included in own funds is presented including result. This table describes in text how profit has been included in the regulatory reporting of own funds to the ECB for the relevant reporting period, and might be updated for later publication if application is approved.

Balance sheet

Balance sheet data

	Q421	Q321	Q221	Q121	Q420
EURbn					
Loans to credit institutions	2	7	6	10	3
Loans to the public	345	343	338	334	330
Derivatives	30	30	32	36	45
Interest-bearing securities	63	64	65	67	63
Other assets	130	171	146	144	111
Total assets	**570**	**615**	**587**	**591**	**552**
Deposits from credit institutions	27	43	33	43	24
Deposits from the public	206	211	205	198	183
Debt securities in issue	176	191	183	183	174
Derivatives	31	32	32	37	47
Other liabilities	96	101	98	96	90
Total equity	34	37	36	34	34
Total liabilities and equity	**570**	**615**	**587**	**591**	**552**

Funding and liquidity operations

Nordea issued approximately EUR 3.4bn in long-term funding in the fourth quarter of 2021 (excluding Danish covered bonds), of which approximately EUR 2.1bn was issued in the form of covered bonds and EUR 1.3bn was issued as senior debt.

At the end of the fourth quarter long-term funding accounted for approximately 79% of Nordea's total funding.

Short-term liquidity risk is measured using several metrics, including the liquidity coverage ratio (LCR). The Nordea Group's combined LCR was 160% at the end of the fourth quarter. The Group's LCR in EUR was 143% and in USD was 169%. The liquidity buffer is composed of highly liquid central bank eligible securities and cash, as defined in the LCR regulation. At the end of the fourth quarter the liquidity buffer amounted to EUR 100bn, compared with EUR 130bn at the end of the third quarter. The net stable funding ratio (NSFR) measures long-term liquidity risk. At the end of the fourth quarter Nordea's NSFR was 110.6%, compared with 113.6% at the end of the third quarter.

Nordea maintained a strong liquidity position throughout the fourth quarter, and was able to continue business-as-usual liquidity management due to the normal market situation.

During 2021 Nordea participated in European Central Bank (ECB) and local central bank facilities, for example the ECB's targeted longer-term refinancing operations (TLTROs). To date, Nordea has borrowed EUR 12bn under the TLTRO III programme.

The ECB applies a negative interest rate to the TLTRO III funding. Nordea accordingly recognises negative interest expense in connection with its TLTRO III borrowing. In the fourth quarter of 2021 the negative interest expense added EUR 15m to Nordea's net interest income. The current interest rate on the TLTRO III funding is -0.5%. If Nordea's eligible lending reaches a certain threshold, measured after the end of 2021, the interest rate will decrease to -1%, with retroactive impact. Nordea will then alter the effective interest rate under IFRS 9 and recognise the impact under net interest income. In the fourth quarter Nordea did not alter the effective interest rate, as it could not yet be concluded with adequate certainty that the threshold had been reached at the end of 2021.

Funding and liquidity data

	Q421	Q321	Q221	Q121	Q420
Long-term funding portion	79%	71%	73%	75%	81%
LCR total	160%	168%	159%	159%	158%
LCR EUR	143%	239%	226%	220%	278%
LCR USD	169%	269%	248%	206%	119%

Market risk

Market risk in the trading book measured by value at risk (VaR) was EUR 35.2m. Quarter on quarter, VaR increased by EUR 5.1m, primarily as a result of higher interest rate risk. Interest rate risk was the main driver of VaR at the end of the year. Total trading book VaR continues to be driven by market risk related to Nordic and other Northern European exposures.

Trading book

	Q421	Q321	Q221	Q121	Q420
EURm					
Total risk, VaR	35	30	19	27	17
Interest rate risk, VaR	37	27	24	24	18
Equity risk, VaR	3	14	4	4	4
Foreign exchange risk, VaR	1	1	2	2	3
Credit spread risk, VaR	4	7	9	14	12
Inflation risk, VaR	2	2	2	2	3
Diversification effect	24%	42%	53%	42%	58%

Market risk in the banking book measured by VaR was EUR 69.5m, a quarter-on-quarter decrease of EUR 16.1m. The decrease was driven by lower interest rate risk, which was mainly due to reduced swap positions in DKK, SEK and EUR. Foreign exchange risk in the banking book increased during the quarter, mainly due to increased USD exposure.

Banking book

	Q421	Q321	Q221	Q121	Q420
EURm					
Total risk, VaR	69	86	98	93	88
Interest rate risk, VaR	75	89	100	98	89
Equity risk, VaR	6	5	4	4	7
Foreign exchange risk, VaR	10	8	4	7	5
Credit spread risk, VaR	2	2	2	3	3
Diversification effect	25%	18%	11%	17%	15%

Nordea share and ratings

Nordea's share price and ratings as at the end of the fourth quarter of 2021.

	Nasdaq STO (SEK)	Nasdaq COP (DKK)	Nasdaq HEL (EUR)
12/31/2019	75.64	54.27	7.24
3/31/2020	56.08	38.06	5.13
6/30/2020	64.31	45.80	6.15
9/30/2020	68.31	48.60	6.49
12/31/2020	67.22	49.38	6.67
3/31/2021	86.00	62.47	8.41
6/30/2021	95.26	69.60	9.40
9/30/2021	113.10	82.37	11.24
12/31/2021	110.50	80.39	10.79

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

Other information

Shareholder capital distributions and share cancellations

In September 2021 Nordea received approval from the European Central Bank for a share buy-back of up to EUR 2bn. The buy-back was initiated in October, after the publication of the third-quarter 2021 results. Nordea has now deployed 75% of the EUR 2bn, having bought back 141m shares from its shareholders[1]. Aggregated amounts of 42,602,988, 41,787,771 and 34,726,349 treasury shares, which were held for capital optimisation purposes and acquired through share buy-backs, were cancelled in November, December and January, respectively.

Including the dividends totalling EUR 0.79 per share for 2019–20, paid to shareholders in 2021, Nordea's total decided shareholder capital distributions amounted to around EUR 4.9bn or EUR 1.20 per share in 2021.

Sale of shares in Luminor

In 2018, when Nordea and DNB sold around 60% of their shares 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. On 22 December 2021 Nordea and Blackstone closed the first transaction under the forward sale agreement, whereupon Blackstone acquired approximately 8.3% of Nordea's share capital and voting rights in Luminor, subject to final adjustments. Nordea's current holding in Luminor is therefore approximately 11.6%.

Nordea Direct merger process ongoing

The merger between Nordea Direct Bank ASA (formerly Gjensidige Bank ASA) and Nordea Bank Abp is ongoing, with the target completion date 1 November 2022. The completion is subject to regulatory approval.

Closing down Nordea's operations in Russia

In accordance with its strategy, Nordea is focusing on its business in the Nordic region. Consequently, the Group has decided to wind down its operations in Russia. On 24 March 2021 the Extraordinary General Meeting of JSC Nordea Bank decided to initiate the voluntary liquidation process, which was approved by the Central Bank of Russia on 16 April 2021. The voluntary liquidation process of JSC Nordea Bank is ongoing.

As required by the International Financial Reporting Standards (IFRS), Nordea has accumulated foreign exchange (FX) losses on the investment in its banking operations in Russia in equity through "Other comprehensive income" (OCI) since the acquisition in 2007. When Nordea repatriates capital following the finalisation of the liquidation process, IFRS require that accumulated FX losses be recycled from OCI into the income statement on the line "Net result from items at fair value". The final recycling amount will be dependent on FX changes up until the time the capital is repatriated, but is currently expected to be within the range of EUR 0.5–0.6bn. The impact in the income statement will be treated as an item affecting comparability. There will be no impact on equity or own funds and capital, as a corresponding positive item will be recorded in OCI. In addition, Nordea does not expect this to result in any changes in its dividend or share buy-back capacity.

COVID-19 pandemic – governance, operational risk measures and further disclosures

The winter brought another deterioration in the COVID-19 situation, with varying restrictions introduced across the Nordic countries. Nordea's Global Crisis Management team and country crisis management teams monitored the situation in the fourth quarter and took necessary action.

Information on the financial and operational impacts of the COVID-19 pandemic on Nordea, as well as the measures taken to address these impacts, has been provided in this report. See "CEO comment", "Outlook", "Net loan losses and similar net result", "Funding and liquidity operations", "Other information", "Business areas", Note 1 "Accounting policies", Note 7 "Net loan losses" and Note 8 "Loans and impairment".

Nordea has also identified risks caused by the COVID-19 pandemic given the uncertainty of the economic impact on the markets in which the Group operates. See Note 12 "Risks and uncertainties".

[1] For situation at the end of period see "Statement of changes in equity".

Quarterly development, Group

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Jan-Dec 2021	Jan-Dec 2020
EURm							
Net interest income	1,255	1,226	1,232	1,212	1,169	4,925	4,515
Net fee and commission income	920	870	878	827	792	3,495	2,959
Net result from items at fair value	247	224	278	370	217	1,119	900
Profit from associated undertakings and joint ventures accounted for under the equity method	-4	9	3	-14	5	-6	-1
Other operating income	20	15	27	25	36	87	93
Total operating income	**2,438**	**2,344**	**2,418**	**2,420**	**2,219**	**9,620**	**8,466**
General administrative expenses:							
Staff costs	-670	-702	-705	-682	-722	-2,759	-2,752
Other expenses	-241	-237	-262	-486	-319	-1,226	-1,286
Depreciation, amortisation and impairment charges of tangible and intangible assets	-190	-159	-164	-151	-177	-664	-605
Total operating expenses	**-1,101**	**-1,098**	**-1,131**	**-1,319**	**-1,218**	**-4,649**	**-4,643**
Profit before loan losses	**1,337**	**1,246**	**1,287**	**1,101**	**1,001**	**4,971**	**3,823**
Net loan losses and similar net result	-56	22	51	-52	-28	-35	-860
Operating profit	**1,281**	**1,268**	**1,338**	**1,049**	**973**	**4,936**	**2,963**
Income tax expense	-264	-267	-313	-261	-248	-1105	-698
Net profit for the period	**1,017**	**1,001**	**1,025**	**788**	**725**	**3,831**	**2,265**
Diluted earnings per share (DEPS), EUR	0.26	0.25	0.25	0.19	0.18	0.95	0.55
DEPS, rolling 12 months up to period end, EUR	0.95	0.87	0.83	0.64	0.55	0.95	0.55

Business areas

	Personal Banking		Business Banking		Large Corporates & Institutions		Asset & Wealth Management		Group functions		Nordea Group		
	Q4 2021	Q3 2021	Q4 2021	Q3 2021	Q4 2021	Q3 2021	Q4 2021	Q3 2021	Q4 2021	Q3 2021	Q4 2021	Q3 2021	*Chg*
EURm													
Net interest income	556	573	418	397	246	226	20	19	15	11	1,255	1,226	*2%*
Net fee and commission income	342	332	177	164	113	112	294	270	-6	-8	920	870	*6%*
Net result from items at fair value	14	14	86	66	89	96	29	28	29	20	247	224	*10%*
Equity method & other income	0	0	7	10	2	1	3	1	4	12	16	24	*-33%*
Total operating income	**912**	**919**	**688**	**637**	**450**	**435**	**346**	**318**	**42**	**35**	**2,438**	**2,344**	**4%**
Total operating expenses	**-458**	**-444**	**-290**	**-285**	**-185**	**-183**	**-143**	**-148**	**-25**	**-38**	**-1,101**	**-1,098**	**0%**
Net loan losses and similar net result	-10	-1	-27	15	-12	11	0	0	-7	-3	-56	22	
Operating profit	**444**	**474**	**371**	**367**	**253**	**263**	**203**	**170**	**10**	**-6**	**1,281**	**1,268**	**1%**
Cost-to-income ratio[1], %	52	50	44	47	47	48	41	47			47	49	
Return on capital at risk[1], %	16	18	16	16	12	12	32	29			17	16	
Economic capital (EC)	7,750	7,769	6,764	6,682	5,877	5,728	1,949	1,831	877	1,115	23,217	23,125	*0%*
Risk exposure amount (REA)	46,603	46,937	43,200	43,707	41,333	40,509	9,251	8,841	11,519	12,569	151,906	152,563	*0%*
Number of employees (FTEs)	6,839	6,950	4,218	4,351	1,210	1,291	2,711	2,727	11,916	11,807	26,894	27,126	*-1%*
Volumes, EURbn[2]:													
Total lending	**171.9**	**169.9**	**98.3**	**96.6**	**46.3**	**43.2**	**11.3**	**10.9**	**0.5**	**-1.1**	**328.3**	**319.5**	**3%**
Total deposits	**85.5**	**85.7**	**55.9**	**53.2**	**49.9**	**49.7**	**11.6**	**11.3**	**0.3**	**2.2**	**203.2**	**202.1**	**1%**

[1] With amortised resolution fees.

[2] Excluding repurchase agreements and security lending/borrowing agreements.

	Personal Banking		Business Banking		Large Corporates & Institutions		Asset & Wealth Management		Group functions		Nordea Group		
	Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec		
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	*Chg*
EURm													
Net interest income	2,259	2,093	1,617	1,422	940	883	77	68	32	49	4,925	4,515	*9%*
Net fee and commission income	1,289	1,131	662	565	525	458	1,045	822	-26	-17	3,495	2,959	*18%*
Net result from items at fair value	76	100	298	261	542	445	125	104	78	-10	1,119	900	*24%*
Equity method & other income	14	6	35	26	3	1	4	10	25	49	81	92	*-12%*
Total operating income	**3,638**	**3,330**	**2,612**	**2,274**	**2,010**	**1,787**	**1,251**	**1,004**	**109**	**71**	**9,620**	**8,466**	**14%**
Total operating expenses	**-1,847**	**-1,802**	**-1,180**	**-1,125**	**-837**	**-830**	**-536**	**-520**	**-249**	**-366**	**-4,649**	**-4,643**	**0%**
Net loan losses and similar net result	-16	-271	2	-316	-15	-269	0	-3	-6	-1	-35	-860	
Operating profit	**1,775**	**1,257**	**1,434**	**833**	**1,158**	**688**	**715**	**481**	**-146**	**-296**	**4,936**	**2,963**	**67%**
Cost-to-income ratio[1], %	51	54	45	49	42	46	43	52			48	55	
Return on capital at risk[1], %	17	12	16	9	15	7	31	27			17	9	
Economic capital (EC)	7,750	7,652	6,764	6,614	5,877	6,080	1,949	1,445	877	1,711	23,217	23,502	*-1%*
Risk exposure amount (REA)	46,603	47,200	43,200	43,125	41,333	42,280	9,251	7,401	11,519	15,434	151,906	155,440	*-2%*
Number of employees (FTEs)	6,839	7,059	4,218	4,608	1,210	1,461	2,711	2,741	11,916	12,182	26,894	28,051	*-4%*
Volumes, EURbn[2]:													
Total lending	**171.9**	**162.5**	**98.3**	**92.3**	**46.3**	**45.8**	**11.3**	**9.6**	**0.5**	**3.1**	**328.3**	**313.3**	**5%**
Total deposits	**85.5**	**82.9**	**55.9**	**50.3**	**49.9**	**40.0**	**11.6**	**10.7**	**0.3**	**-2.9**	**203.2**	**181.0**	**12%**

[1] With amortised resolution fees.

[2] Excluding repurchase agreements and security lending/borrowing agreements.

Personal Banking

Introduction

In Personal Banking we strive to deliver great customer experiences to household customers. We offer a full range of financial services and products through a combination of physical and digital channels.

We are a trusted and personal financial partner to our household customers and provide them with easy and convenient ways to fulfil their everyday banking needs, as well as sound advice to support them in the context of key life events.

Business development

In the fourth quarter we continued to support our customers and maintained good momentum in home financing and savings solutions. Lending volumes increased by 6% in local currencies, year on year, driven by a 6% increase in mortgage volumes. Our availability and digital capabilities drove further increases in mortgage market shares across the Nordic region. Other lending volumes, including consumer loans, were stable and deposit volumes increased by 4%.

During the quarter we continued to build on our mortgage offering to create even better customer experiences. In Sweden, we launched Mitt Bostadsköp, a personalised digital page where customers can view their loan promise, digitally submit details on the property they intend to buy and trigger a call from our advisers with the property valuation and loan approval. The service is among the first of its kind in the country and customers appreciate its 24/7 availability, speed and user friendliness.

Satisfaction with our digital services remains high and savings and investment inflows through digital channels continue to grow significantly. Around 59% of all fund sales transactions during the quarter were made through digital channels.

We continued to support customers in making sustainable choices and creating a positive sustainability impact through their savings. During the quarter we trained approximately 900 advisers on sustainability topics, enabling them to better support our customers, who are showing an ever-increasing interest in our sustainability offering. We also launched a new loan product in Sweden for sustainable house renovation and grew our green mortgage lending by 55%, year on year.

Financial outcome

Total income in the fourth quarter increased by 8%, year on year, due to higher savings income and continued strong mortgage lending growth.

Net interest income increased by 4%, year on year, driven by strong mortgage volume growth across all countries, higher lending margins in Finland and higher deposit margins in Denmark. Compared with the previous quarter, net interest income decreased by 3%, driven by lower lending margins. Lending margins decreased due to a higher NIBOR combined with the impact of the notification period for changing customer prices after Norges Bank's interest rate hikes at the end of the third and fourth quarters.

Net fee and commission income increased by 18%, year on year, mainly due to higher savings and investment income.

Net result from items at fair value decreased by 36%, year on year, as 2020 had included the revaluation of an ownership stake.

Total expenses increased by 2%, year on year, mainly due to higher depreciation and amortisation and exchange rate effects. These were partly offset by lower staff costs. The strong business momentum contributed to an improved cost-to-income ratio (with amortised resolution fees) of 52%, down from 54% in the fourth quarter of 2020. In 2021 we achieved a cost-to-income ratio of close to 50%, meeting our 2022 target of around 50% a year earlier than planned.

Total net loan losses and similar net result amounted to EUR 10m (2bp), a slightly lower level than last year. Underlying loan losses were partly offset by a positive impact from the revaluation of Nordea Kredit's mortgage portfolio.

Operating profit increased by 15%, year on year, to EUR 444m, driven by the strong income growth. Return on capital at risk was 16%, compared with 14% in the same quarter last year.

Personal Banking Denmark

Total income increased by 5%, year on year.

Net interest income increased by 9% in local currency, year on year, driven by mortgage volume growth and higher deposit margins.

Lending volumes increased by 6% in local currency, year on year, driven by a 7% increase in mortgage lending. Deposit volumes decreased by 2%.

Net fee and commission income increased by 1% in local currency, year on year, mainly due to higher savings and investment income.

Net loan losses and similar net result amounted to net reversals of EUR 19m (17bp), primarily due to the positive impact of Nordea Kredit's mortgage portfolio revaluation.

Personal Banking Finland

Total income increased by 14%, year on year.

Net interest income increased by 13%, year on year, driven by mortgage volume growth and improved mortgage margins.

Lending volumes increased by 5%, year on year, driven by a 6% increase in mortgage volumes. Deposit volumes increased by 5%.

Net fee and commission income increased by 14%, year on year, mainly due to higher savings and investment income. Improved payment and card fee income also contributed.

Net loan losses and similar net result amounted to EUR 19m (21bp), driven by a reallocation of management judgement provisions to strengthen the coverage of non-performing loans.

Personal Banking Norway

Total income decreased by 5%, year on year.

Net interest income decreased by 10% in local currency, year on year. Lending margins decreased due to a higher NIBOR combined with the impact of the notification period for changing customer prices after Norges Bank's interest rate hikes at the end of the third and fourth quarters. The decrease was partly offset by mortgage volume growth and higher deposit margins.

Lending volumes increased by 3% in local currency, year on year, driven by a 4% increase in mortgage volumes. Deposit volumes increased by 4%.

Net fee and commission income increased by 23%, year on year, mainly due to higher savings and investment income. Improved payment and card fee income also contributed.

Net loan losses and similar net result amounted to EUR 5m (5bp).

Personal Banking Sweden

Total income increased by 5%, year on year.

Net interest income decreased by 2% in local currency, year on year, due to margin pressure. This was partly offset by mortgage volume growth.

Lending volumes increased by 7% in local currency, year on year, driven by a 7% increase in mortgage volumes. Deposit volumes increased by 6%.

Net fee and commission income increased by 19%, year on year, mainly due to higher savings and investment income. Improved payment and card fee income also contributed.

Net loan losses and similar net result amounted to EUR 5m (4bp).

Personal Banking total

								Local curr.				Jan-Dec 21/20	
	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Q4/Q4	Q4/Q3	Jan-Dec 21	Jan-Dec 20	EUR	Local
EURm													
Net interest income	556	573	569	561	535	4%	-3%	2%	-4%	2,259	2,093	8%	5%
Net fee and commission income	342	332	317	298	291	18%	3%	16%	2%	1,289	1,131	14%	12%
Net result from items at fair value	14	14	33	15	22	-36%	0%	-33%	-2%	76	100	-24%	-25%
Equity method & other income	0	0	10	4	0					14	6		
Total income incl. allocations	**912**	**919**	**929**	**878**	**848**	**8%**	**-1%**	**6%**	**-2%**	**3,638**	**3,330**	**9%**	**7%**
Total expenses incl. allocations	**-458**	**-444**	**-441**	**-504**	**-449**	**2%**	**3%**	**0%**	**1%**	**-1,847**	**-1,802**	**2%**	**0%**
Profit before loan losses	**454**	**475**	**488**	**374**	**399**	**14%**	**-4%**	**12%**	**-5%**	**1,791**	**1,528**	**17%**	**15%**
Net loan losses and similar net result	-10	-1	2	-7	-12					-16	-271		
Operating profit	**444**	**474**	**490**	**367**	**387**	**15%**	**-6%**	**13%**	**-7%**	**1,775**	**1,257**	**41%**	**38%**
Cost-to-income ratio[1], %	52	50	49	52	54					51	54		
Return on capital at risk[1], %	16	18	19	17	14					17	12		
Economic capital (EC)	7,750	7,769	7,759	7,603	7,652	1%	0%			7,750	7,652	1%	
Risk exposure amount (REA)	46,603	46,937	47,008	46,464	47,200	-1%	-1%			46,603	47,200	-1%	
Number of employees (FTEs)	6,839	6,950	7,007	6,965	7,059	-3%	-2%			6,839	7,059	-3%	
Volumes, EURbn:													
Mortgage lending	150.6	148.5	146.1	143.5	141.4	7%	1%	6%	2%	150.6	141.4	7%	6%
Other lending	21.3	21.4	21.2	21.1	21.1	1%	0%	0%	-1%	21.3	21.1	1%	0%
Total lending	**171.9**	**169.9**	**167.3**	**164.6**	**162.5**	**6%**	**1%**	**6%**	**1%**	**171.9**	**162.5**	**6%**	**6%**
Total deposits	**85.5**	**85.7**	**85.8**	**83.5**	**82.9**	**3%**	**0%**	**4%**	**0%**	**85.5**	**82.9**	**3%**	**4%**

[1] With amortised resolution fees.

Personal Banking

	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Local curr. Q4/Q4	Local curr. Q4/Q3	Jan-Dec 21	Jan-Dec 20	Jan-Dec 21/20 EUR	Jan-Dec 21/20 Local
Net interest income, EURm													
PeB Denmark	152	153	145	145	139	9%	-1%	9%	0%	595	558	7%	7%
PeB Finland	98	101	98	99	87	13%	-3%	13%	-3%	396	355	12%	11%
PeB Norway	110	121	130	119	115	-4%	-9%	-10%	-13%	480	451	6%	1%
PeB Sweden	201	200	198	201	201	0%	1%	-2%	0%	800	738	8%	5%
Other	-5	-2	-2	-3	-7					-12	-9		
Net fee and commission income, EURm													
PeB Denmark	83	85	83	74	83	0%	-2%	1%	0%	325	294	11%	10%
PeB Finland	103	102	95	92	90	14%	1%	14%	1%	392	360	9%	9%
PeB Norway	35	30	29	28	26	35%	17%	23%	10%	122	102	20%	12%
PeB Sweden	121	118	111	104	100	21%	3%	19%	0%	454	384	18%	14%
Other	0	-3	-1	0	-8					-4	-9		
Net loan losses and similar net result, EURm													
PeB Denmark	19	19	33	13	11					84	-49		
PeB Finland	-19	-10	-20	-14	-13					-63	-116		
PeB Norway	-5	-4	0	-2	-8					-11	-55		
PeB Sweden	-5	-3	-8	-7	-3					-23	-52		
Other	0	-3	-3	3	1					-3	1		
Volumes, EURbn													
Personal Banking Denmark													
Mortgage lending	35.9	35.2	34.5	33.9	33.4	7%	2%	7%	2%	35.9	33.4	7%	7%
Other lending	8.8	8.9	8.8	8.8	8.7	1%	-1%	1%	-1%	8.8	8.7	1%	1%
Total lending	**44.7**	**44.1**	**43.3**	**42.7**	**42.1**	**6%**	**1%**	**6%**	**1%**	**44.7**	**42.1**	**6%**	**6%**
Total deposits	**21.4**	**21.5**	**21.9**	**22.1**	**21.9**	**-2%**	**0%**	**-2%**	**0%**	**21.4**	**21.9**	**-2%**	**-2%**
Personal Banking Finland													
Mortgage lending	30.4	30.0	29.6	29.2	28.7	6%	1%	6%	1%	30.4	28.7	6%	6%
Other lending	6.2	6.3	6.3	6.3	6.3	-2%	-2%	-2%	-2%	6.2	6.3	-2%	-2%
Total lending	**36.6**	**36.3**	**35.9**	**35.5**	**35.0**	**5%**	**1%**	**5%**	**1%**	**36.6**	**35.0**	**5%**	**5%**
Total deposits	**25.9**	**26.1**	**25.7**	**25.0**	**24.6**	**5%**	**-1%**	**5%**	**-1%**	**25.9**	**24.6**	**5%**	**5%**
Personal Banking Norway													
Mortgage lending	35.7	35.0	34.5	34.5	32.8	9%	2%	4%	1%	35.7	32.8	9%	4%
Other lending	2.7	2.7	2.6	2.6	2.7	0%	0%	-4%	0%	2.7	2.7	0%	-4%
Total lending	**38.4**	**37.7**	**37.1**	**37.1**	**35.5**	**8%**	**2%**	**3%**	**1%**	**38.4**	**35.5**	**8%**	**3%**
Total deposits	**10.8**	**10.7**	**10.9**	**10.4**	**9.9**	**9%**	**1%**	**4%**	**0%**	**10.8**	**9.9**	**9%**	**4%**
Personal Banking Sweden													
Mortgage lending	48.5	48.2	47.4	46.0	46.4	5%	1%	7%	2%	48.5	46.4	5%	7%
Other lending	3.6	3.6	3.6	3.4	3.5	3%	0%	6%	0%	3.6	3.5	3%	6%
Total lending	**52.1**	**51.8**	**51.0**	**49.4**	**49.9**	**4%**	**1%**	**7%**	**2%**	**52.1**	**49.9**	**4%**	**7%**
Total deposits	**27.4**	**27.4**	**27.3**	**26.0**	**26.4**	**4%**	**0%**	**6%**	**1%**	**27.4**	**26.4**	**4%**	**6%**

Business Banking

Introduction
In Business Banking we provide small and medium-sized enterprises (SMEs) with banking and advisory products and services, both online and in person.

Business Banking also includes the product and specialist units Transaction Banking and Nordea Finance. Transaction Banking provides payment and transaction services to customers across the Nordea Group, while Nordea Finance provides asset-based lending, sales finance and receivables finance to both corporate and private customers.

We are a trusted financial partner, providing competent advice and developing digital solutions to support sustainable growth for our customers.

Business development
In the fourth quarter we continued to improve customer experience and maintained a strong financial performance. Lending and deposit volumes were up 6% and 11%, respectively, in local currencies, year on year. We continued to drive strong growth in Norway and Sweden, supported by higher engagement with new and existing customers. Besides good momentum in the lending space, we had high levels of customer activity in equity capital markets.

Customer satisfaction improved from the previous quarter across all markets. We continue our efforts to improve customer experience by providing personal and proactive customer service and further developing our digital solutions.

During the quarter we enhanced the digital sales experience for SMEs by releasing an online store inside Nordea Business, the new netbank for SMEs. The store will go live in the Nordea Business mobile app in 2022. We also entered into a partnership with Worldline, a leading European payment provider. Through this partnership, we aim to offer innovative e-commerce and online payment solutions to support customers’ existing and future e-commerce ambitions, primarily in the SME segment.

Our focus on sustainability continues. This quarter, we provided a green leasing solution to help chemical supplier Wibax launch its first 64-tonne electric truck together with vehicle manufacturer Scania. The truck will enable Wibax to reduce its climate impact by up to 1,370 tonnes of CO2 over the vehicle’s five-year estimated lifetime. Green loans more than doubled, year on year, to EUR 3.5bn. Demand for our ESG investment products continues to increase, with these products accounting for 11% of total quarterly savings inflows.

For the fifth year running, we teamed up with Slush, the world’s leading startup event, to support the Nordic startup ecosystem. This year alone, we arranged a total of 750 speed dating sessions between individual startups and investors both inside and outside Slush.

Financial outcome
Total income in the fourth quarter increased by 12%, year on year, due to higher lending volumes, improved deposit margins and broad-based growth in net fee and commission income.

Net interest income increased by 9%, year on year, driven by higher volumes in all countries and improved deposit margins in Denmark and Norway.

Net fee and commission income grew by 12%, year on year, driven by increases in payment and card fee income, savings and investment income and lending fee income. Equity and debt capital market activity remained high, although lower than the exceptionally high level seen in the fourth quarter of 2020.

Net result from items at fair value increased by 32%, year on year, driven by higher income from foreign exchange and interest rate products.

Total expenses increased by 2%, year on year, due to exchange rate changes. In local currencies, total expenses decreased by 1%, reflecting our continued drive for cost efficiency. The cost-to-income ratio with amortised resolution fees was 44%, an improvement of 4 percentage points on the same quarter last year. In 2021 we achieved a cost-to-income ratio of 45%, meeting our 2022 target of around 45% a year earlier than planned.

Net loan losses and similar net result amounted to EUR 27m (11bp), compared with EUR 26m in the same quarter last year. Underlying credit losses remained low compared with historical experience.

Operating profit increased by 21%, year on year, to EUR 371m, driven by higher income. Return on capital at risk was 16%, compared with 13% in the same quarter last year.

Business Banking Denmark
Net interest income increased by 2% in local currency, year on year, driven by improved deposit margins following repricing in the third quarter of 2021.

Lending volumes increased by 2% in local currency, year on year. Deposit volumes increased by 2%.

Net fee and commission income decreased by 3% in local currency, year on year, as increased income from savings and investment products was offset by lower mortgage fee income.

Net loan losses and similar net result amounted to EUR 3m (5bp), compared with net reversals of EUR 1m in the same quarter last year.

Business Banking Finland
Net interest income increased by 5%, year on year, driven by higher lending volumes and improvements in lending and deposit margins.

Lending volumes increased by 3%, year on year, while deposit volumes increased by 7%.

Net fee and commission increased by 12%, year on year, driven by increased income from savings and investment products, higher payment and card fee income and higher lending fee income.

Net loan losses and similar net result amounted to EUR 27m (54bp), compared with EUR 8m in the same quarter last year. The increase was driven by a reallocation of management judgement provisions to strengthen the coverage of non-performing loans.

Business Banking Norway

Net interest income increased by 14% in local currency, year on year. The increase was driven by higher volumes and improved deposit margins following Norges Bank's interest rate hikes at the end of the third and fourth quarters.

Lending volumes increased by 10% in local currency, year on year. Deposit volumes increased by 16%.

Net fee and commission income increased by 7% in local currency, year on year, driven by higher lending fee income and higher payment and card fee income.

Net loan losses and similar net result amounted to net reversals of EUR 4m (7bp), compared with net losses of EUR 12m in the same quarter last year.

Business Banking Sweden

Net interest income increased by 8% in local currency, year on year, driven by higher lending volumes.

Lending volumes increased by 10% in local currency, year on year. Deposit volumes increased by 18%.

Net fee and commission income grew by 10% in local currency, year on year, driven by higher payment and card fee income, higher lending fee income and increased income from savings and investment products. Equity capital market activity remained high, although lower than the exceptionally high level seen in the fourth quarter of 2020.

Net loan losses and similar net result amounted to EUR 1m (1bp), down from EUR 5m in the same quarter last year.

Business Banking total

								Local curr.		Jan-	Jan-	Jan-Dec 21/20	
	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Q4/Q4	Q4/Q3	Dec 21	Dec 20	EUR	Local
EURm													
Net interest income	418	397	407	395	384	9%	5%	6%	4%	1,617	1,422	14%	11%
Net fee and commission income	177	164	157	164	158	12%	8%	10%	7%	662	565	17%	15%
Net result from items at fair value	86	66	74	72	65	32%	30%	29%	29%	298	261	14%	12%
Equity method & other income	7	10	9	9	10					35	26		
Total income incl. allocations	**688**	**637**	**647**	**640**	**617**	**12%**	**8%**	**9%**	**7%**	**2,612**	**2,274**	**15%**	**12%**
Total expenses incl. allocations	**-290**	**-285**	**-273**	**-332**	**-285**	**2%**	**2%**	**-1%**	**0%**	**-1,180**	**-1,125**	**5%**	**3%**
Profit before loan losses	**398**	**352**	**374**	**308**	**332**	**20%**	**13%**	**18%**	**13%**	**1,432**	**1,149**	**25%**	**22%**
Net loan losses and similar net result	-27	15	30	-16	-26					2	-316		
Operating profit	**371**	**367**	**404**	**292**	**306**	**21%**	**1%**	**19%**	**1%**	**1,434**	**833**	**72%**	**68%**
Cost-to-income ratio[1], %	44	47	44	45	48					45	49		
Return on capital at risk[1], %	16	16	18	15	13					16	9		
Economic capital (EC)	6,764	6,682	6,734	6,753	6,614	2%	1%			6,764	6,614	2%	
Risk exposure amount (REA)	43,200	43,707	44,014	43,698	43,125	0%	-1%			43,200	43,125	0%	
Number of employees (FTEs)	4,218	4,351	4,446	4,572	4,608	-8%	-3%			4,218	4,608	-8%	
Volumes, EURbn:													
Total lending	98.3	96.6	95.2	94.3	92.3	7%	2%	6%	2%	98.3	92.3	7%	6%
Total deposits	55.9	53.2	52.8	50.6	50.3	11%	5%	11%	6%	55.9	50.3	11%	11%

[1] With amortised resolution fees.

Business Banking

								Local curr.		Jan-	Jan-	Jan-Dec 21/20	
	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Q4/Q4	Q4/Q3	Dec 21	Dec 20	EUR	Local
Net interest income, EURm													
Business Banking Denmark	90	91	85	85	88	2%	-1%	2%	-1%	351	346	1%	1%
Business Banking Finland	98	96	105	108	93	5%	2%	5%	2%	407	367	11%	11%
Business Banking Norway	116	105	108	102	95	22%	10%	14%	6%	431	325	33%	26%
Business Banking Sweden	109	101	101	99	99	10%	8%	8%	6%	410	363	13%	9%
Other	5	4	8	1	9					18	21		
Net fee and commission income, EURm													
Business Banking Denmark	30	30	27	32	30	0%	0%	-3%	0%	119	111	7%	6%
Business Banking Finland	58	57	54	53	52	12%	2%	12%	2%	222	200	11%	11%
Business Banking Norway	31	30	29	31	27	15%	3%	7%	0%	121	97	25%	18%
Business Banking Sweden	67	58	61	60	61	10%	16%	10%	16%	246	201	22%	18%
Other	-9	-11	-14	-12	-12					-46	-44		
Net loan losses and similar net result, EURm													
Business Banking Denmark	-3	16	25	1	1					39	-28		
Business Banking Finland	-27	2	-7	-11	-8					-43	-144		
Business Banking Norway	4	-7	12	0	-12					9	-83		
Business Banking Sweden	-1	6	1	-7	-5					-1	-68		
Other	0	-2	-1	1	-2					-2	7		
Lending, EURbn													
Business Banking Denmark	26.6	26.1	26.1	26.5	26.0	2%	2%	2%	2%	26.6	26.0	2%	2%
Business Banking Finland	20.1	19.9	19.8	19.7	19.6	3%	1%	3%	1%	20.1	19.6	3%	3%
Business Banking Norway	24.1	23.3	22.6	22.5	20.9	15%	3%	10%	2%	24.1	20.9	15%	10%
Business Banking Sweden	27.5	27.3	26.7	25.6	25.8	7%	1%	10%	2%	27.5	25.8	7%	10%
Other	0	0	0	0	0					0	0		
Deposits, EURbn													
Business Banking Denmark	9.6	9.6	9.5	9.1	9.5	1%	0%	2%	0%	9.6	9.5	1%	2%
Business Banking Finland	15.5	14.5	14.7	14.4	14.5	7%	7%	7%	7%	15.5	14.5	7%	7%
Business Banking Norway	10.8	10.3	9.9	9.7	8.9	21%	5%	16%	4%	10.8	8.9	21%	16%
Business Banking Sweden	20.0	18.7	18.7	17.4	17.4	15%	7%	18%	8%	20.0	17.4	15%	18%
Other	0	0.1	0	0	0					0	0		

Large Corporates & Institutions

Introduction

In Large Corporates & Institutions (LC&I) 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.

We are a leading player within sustainable finance and a leading bank for large corporate and institutional customers in the Nordics.

We offer a focused and dedicated range of products and services covering financing, cash management and payments, as well as investment banking and capital markets solutions.

Business development

Over the course of the year we have progressed well in creating a more customer-centric, focused and profitable business area. In the fourth quarter lending volumes increased by 1%, year on year, lending margins increased and Nordea-arranged corporate bond volumes increased by 20%, year to date, in line with our strategy to focus on capital-light business selection.

Customer satisfaction remained high. In the 2021 Prospera survey we increased our corporate banking customer satisfaction scores in all four Nordic countries and ranked number one in Norway for the third time in five years. We also maintained number one positions for acquisition finance and corporate syndicated loans for the fifth and third year in a row, respectively.

We continued to see very high levels of customer activity within Investment Banking & Equities. In Debt Capital Markets we had high numbers of event-related transactions. We also retained our position as the largest arranger of capital markets funding for Nordic issuers. For equity capital markets and mergers and acquisitions, we continue to hold leading market positions across the Nordic region.

This quarter, significant transactions with our involvement included the initial public offerings of Volvo Cars and Synsam, Norvestor's acquisition of BST, a sustainability-linked loan for Ørsted, and Heimstaden's largest ever Nordic real estate bond transaction, for which we were the bookrunner.

Markets ended the year with a solid performance. We actively supported our customers while continuing to reduce our costs and economic capital consumption, year on year.

We further increased our focus on sustainability areas and remain a leading platform for sustainability-related advisory services. This quarter, we launched our first green securities finance loan for corporate clients in line with the criteria defined in our Green Bond Framework. We also introduced our Climate Transition Plan Handbook, which will better equip our employees to engage with our clients and support their climate ambitions. We continued to engage with clients on sustainability-linked financing and support large corporates in designing sustainable financing frameworks. By the end of the quarter we again ranked first for Nordic sustainable bonds overall, with a 14% market share.

Our digitalisation efforts further progressed. During the quarter we launched the Nordea Corporate platform, which provides a single point of access to Nordea financial products and services, including our dashboard and accounts & transaction services.

Financial outcome

Total income in the fourth quarter was stable, year on year.

Net interest income increased by 9%. Lending volumes were stable, year on year, due to our active business selection, focus on economic capital and repositioning of the business.

Net fee and commission income decreased by 3%, year on year.

Net result from items at fair value decreased by 11% due to a lower result from risk management.

Total expenses decreased by 4%, year on year, driven by our continued focus on cost management.

Net loan losses and similar net result amounted to EUR 12m (8bp), reflecting the strong underlying credit quality of our loan book. The total provisioning level stands at approximately EUR 728m or 1.56% of LC&I lending.

Operating profit was stable, year on year, at EUR 253m.

Economic capital continued to decrease, standing at EUR 5,877m, a year-on-year reduction of 3%, driven by strong capital discipline and a focus on more capital-light business.

Return on capital at risk was 12%, demonstrating the continued effectiveness of our business repositioning. In 2021 we achieved a return on capital at risk of 15%, exceeding our 2022 target of above 10% a year earlier than planned.

Large Corporates & Institutions total

EURm	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Jan-Dec 21	Jan-Dec 20	Jan-Dec 21/20
Net interest income	246	226	230	238	226	9%	9%	940	883	6%
Net fee and commission income	113	112	163	137	116	-3%	1%	525	458	15%
Net result from items at fair value	89	96	112	245	100	-11%	-7%	542	445	22%
Equity method & other income	2	1	0	0	1			3	1	
Total income incl. allocations	**450**	**435**	**505**	**620**	**443**	**2%**	**3%**	**2,010**	**1,787**	**12%**
Total expenses incl. allocations	**-185**	**-183**	**-184**	**-285**	**-192**	**-4%**	**1%**	**-837**	**-830**	**1%**
Profit before loan losses	**265**	**252**	**321**	**335**	**251**	**6%**	**5%**	**1,173**	**957**	**23%**
Net loan losses and similar net result	-12	11	13	-27	1			-15	-269	
Operating profit	**253**	**263**	**334**	**308**	**252**	**0%**	**-4%**	**1,158**	**688**	**68%**
Cost-to-income ratio[1], %	47	48	41	34	48			42	46	
Return on capital at risk[1], %	12	12	16	19	11			15	7	
Economic capital (EC)	5,877	5,728	5,802	6,089	6,080	-3%	3%	5,877	6,080	-3%
Risk exposure amount (REA)	41,333	40,509	40,518	42,095	42,280	-2%	2%	41,333	42,280	-2%
Number of employees (FTEs)	1,210	1,291	1,326	1,384	1,461	-17%	-6%	1,210	1,461	-17%
Volumes, EURbn[2]:										
Total lending	46.3	43.2	43.5	44.7	45.8	1%	7%	46.3	45.8	1%
Total deposits	49.9	49.7	48.4	43.5	40.0	25%	0%	49.9	40.0	25%

[1] With amortised resolution fees.

[2] Excluding repurchase agreements and security lending/borrowing agreements.

Large Corporates & Institutions

	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Jan-Dec 21	Jan-Dec 20	Jan-Dec 21/20
Net interest income, EURm										
Denmark	39	35	36	35	37	5%	11%	145	146	-1%
Finland	36	36	41	50	39	-8%	0%	163	147	11%
Norway	73	69	72	73	75	-3%	6%	287	299	-4%
Sweden	88	82	74	70	69	28%	7%	314	244	29%
Other	10	4	7	10	6			31	47	
Net fee and commission income, EURm										
Denmark	35	29	51	35	30	17%	21%	150	110	36%
Finland	28	29	43	33	27	4%	-3%	133	114	17%
Norway	24	24	31	35	25	-4%	0%	114	109	5%
Sweden	51	40	48	40	45	13%	28%	179	155	15%
Other	-25	-10	-10	-6	-11			-51	-30	
Net loan losses and similar net result, EURm										
Denmark	4	6	3	11	1			24	-20	
Finland	-10	6	-2	0	1			-6	-24	
Norway	-2	-1	2	-35	-1			-36	-202	
Sweden	-3	-1	7	-2	-8			1	-33	
Other	-1	1	3	-1	8			2	10	
Lending, EURbn[1]										
Denmark	7.5	7.5	7.4	7.5	8.3	-10%	0%	7.5	8.3	-10%
Finland	8.4	7.3	7.8	8.4	8.7	-3%	15%	8.4	8.7	-3%
Norway	11.9	11.9	12.1	12.9	12.8	-7%	0%	11.9	12.8	-7%
Sweden	16.8	15.0	14.7	14.4	14.0	20%	12%	16.8	14.0	20%
Other	1.7	1.5	1.5	1.5	2.0			1.7	2.0	
Deposits, EURbn[1]										
Denmark	8.0	8.8	9.4	7.1	7.2	11%	-9%	8.0	7.2	11%
Finland	16.1	15.0	13.4	12.5	12.3	31%	7%	16.1	12.3	31%
Norway	10.7	9.2	10.2	8.7	8.1	32%	16%	10.7	8.1	32%
Sweden	15.1	16.4	15.3	14.8	12.3	23%	-8%	15.1	12.3	23%
Other	0	0.3	0.1	0.4	0.1			0	0.1	

[1] Excluding repurchase agreements and security lending/borrowing agreements.

Asset & Wealth Management

Introduction

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

Our aim is to be acknowledged as the leading wealth manager in each Nordic market and a leading European asset manager, with global reach and capabilities. We are also working towards becoming a leading and transparent provider of ESG investment products.

Business development

In the fourth quarter we continued to build on our digital distribution capabilities in order to meet customers' expectations. Assets under management (AuM) increased by EUR 18.4bn to a record high of EUR 411bn. Investment return increased AuM by EUR 13.5bn and net flows in the quarter were solid, totalling EUR 4.9bn. Investment performance in Asset Management remained strong, with 93% of composites providing excess return on a three-year basis.

In Asset Management net flows continued to be strong, despite increased market volatility. In the fourth quarter we attracted a total of EUR 2.9bn – EUR 2.5bn through internal channels and EUR 0.4bn through external ones. Net flows from external channels mainly stemmed from customers in Germany and Italy.

Investor demand for our environmental, social and governance (ESG) product offerings remained high within all sales channels and continued to be the primary driver of our growth, generating close to 100% of the net flows in the quarter.

We are widely recognised as an active owner and were ranked among the top ten asset managers globally in ShareAction's December report. Our focus continues to be on expanding our range of ESG products as the market prepares for further changes to ESG regulation.

Our highly-rated Alpha product range within liquid alternatives continued to gain investor interest, attracting EUR 0.5bn in the fourth quarter and EUR 2.5bn for the full year.

In Private Banking we continued to generate high net flows (EUR 1.8bn during the quarter) across the Nordic region. In Norway and Sweden, net inflow was particularly strong. Net flow development was solid in Denmark and Finland.

Private Banking customer satisfaction remained high, driven by our proactivity, personal customer relationships and innovative digital services. In the fourth quarter 20% of all fund purchases in Private Banking were made digitally.

In Life & Pension we remain focused 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.

We maintained a strong performance in the fourth quarter. Gross written premiums were up 21%, year on year, at EUR 2.2bn, with all segments and markets contributing. Fourth-quarter net flows were in line with previous quarters at EUR 0.9bn.

Our commitment to sustainability was recognised by the World Wildlife Fund in their report "Owning the future". The organisation singled us out as a "Leading Practice" when it came to alignment methodologies for net-zero target setting.

Financial outcome

Total income in the fourth quarter was up 31%, year on year. The increase was mainly driven by a 20% increase in average AuM.

Net interest income was up 18%, year on year, driven by increased lending volumes.

Net fee and commission income increased by 28%, year on year. The increase reflected the positive AuM development, which was driven by net flows, very strong investment performance and market development.

Net result from items at fair value was up 81%, year on year, mainly due to an increased risk result in Life & Pension.

Total expenses increased by 5%, year on year, driven by an increase in staff expenses due to higher provisions for variable pay related to full-year business performance. The cost-to-income ratio with amortised resolution fees was 41%, a year-on-year improvement of 11 percentage points. In 2021 we achieved a cost-to-income ratio of 43%, meeting our 2022 target of below 50% a year earlier than planned.

Net loan losses and similar net result amounted to EUR 0m, compared with a net reversal of EUR 2m in the same quarter last year.

Operating profit in the fourth quarter was EUR 203m, a year-on-year increase of 55%. Return on capital at risk was 32%, compared with 28% in the same quarter last year.

Asset & Wealth Management total

EURm	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Local curr. Q4/Q4	Local curr. Q4/Q3	Jan-Dec 21	Jan-Dec 20	Jan-Dec 21/20 EUR	Jan-Dec 21/20 Local
Net interest income	20	19	19	19	17	18%	5%	12%	0%	77	68	13%	10%
Net fee and commission income	294	270	245	236	229	28%	9%	28%	9%	1,045	822	27%	27%
Net result from items at fair value	29	28	30	38	16	81%	4%	71%	7%	125	104	20%	18%
Equity method & other income	3	1	0	0	3					4	10		
Total income incl. allocations	**346**	**318**	**294**	**293**	**265**	**31%**	**9%**	**29%**	**9%**	**1,251**	**1,004**	**25%**	**24%**
Total expenses incl. allocations	**-143**	**-148**	**-119**	**-126**	**-136**	**5%**	**-3%**	**4%**	**-3%**	**-536**	**-520**	**3%**	**2%**
Profit before loan losses	**203**	**170**	**175**	**167**	**129**	**57%**	**19%**	**57%**	**19%**	**715**	**484**	**48%**	**47%**
Net loan losses and similar net result	0	0	3	-3	2					0	-3		
Operating profit	**203**	**170**	**178**	**164**	**131**	**55%**	**19%**	**54%**	**19%**	**715**	**481**	**49%**	**48%**
Cost-to-income ratio[1], %	41	47	41	42	52					43	52		
Return on capital at risk[1], %	32	29	32	33	28					31	27		
Economic capital (EC)	1,949	1,831	1,731	1,639	1,445	35%	6%			1,949	1,445	35%	
Risk exposure amount (REA)	9,251	8,841	8,552	8,294	7,401	25%	5%			9,251	7,401	25%	
Number of employees (FTEs)	2,711	2,727	2,744	2,717	2,741	-1%	-1%			2,711	2,741	-1%	
Volumes, EURbn:													
AuM	411.3	392.9	384.2	368.9	351.4	17%	5%			411.3	351.4	17%	
Total lending	11.3	10.9	10.6	10.1	9.6	18%	4%	18%	4%	11.3	9.6	18%	18%
Total deposits	11.6	11.3	11.0	10.5	10.7	8%	3%	8%	3%	11.6	10.7	8%	8%

[1] With amortised resolution fees.

Assets under Management (AuM), volumes and net flow

EURbn	Q421	Q321	Q221	Q121	Q420	Net flow Q421
Nordic Retail funds	87.4	82.4	80.6	75.7	71.6	1.8
Private Banking	122.7	116.1	114.2	107.2	100.8	1.8
Institutional sales	131.3	128.0	124.6	124.5	121.4	0.4
Life & Pension	69.9	66.3	64.8	61.6	57.6	0.9
Total	**411.3**	**392.9**	**384.2**	**368.9**	**351.4**	**4.9**

Asset Management

EURm	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Jan-Dec 21	Jan-Dec 20	Jan-Dec 21/20
Net interest income	-1	-1	-1	-1	-1			-4	-2	
Net fee and commission income	154	143	122	120	114	35%	8%	539	410	31%
Net result from items at fair value	-1	1	-4	2	-2			-2	-5	
Equity method & other income	3	1	1	0	2			5	2	
Total income incl. allocations	**155**	**144**	**118**	**121**	**113**	**37%**	**8%**	**538**	**405**	**33%**
Total expenses incl. allocations	**-54**	**-58**	**-41**	**-42**	**-45**	**20%**	**-7%**	**-195**	**-166**	**17%**
Profit before loan losses	**101**	**86**	**77**	**79**	**68**	**49%**	**17%**	**343**	**239**	**44%**
Net loan losses and similar net result	0	0	0	0	0			0	0	
Operating profit	**101**	**86**	**77**	**79**	**68**	**49%**	**17%**	**343**	**239**	**44%**
Cost-to-income ratio, %	35	40	35	35	40			36	41	
Economic capital (EC)	166	156	155	157	156	6%	6%	166	156	6%
Risk exposure amount (REA)	1,271	1,211	1,199	1,215	924	38%	5%	1,271	924	38%
AuM, Nordic sales channels incl. Life, EURbn	161.2	153.2	149.7	141.1	131.5	23%	5%	161.2	131.5	23%
AuM, ext. Inst. & 3rd part. dist., EURbn	131.3	128.0	124.6	124.5	122.3	7%	3%	131.3	122.3	7%
Net inf., Nordic sales channels incl. Life, EURbn	2.5	1.8	3.0	2.9	3.6			10.3	3.3	
Net inf., ext. Inst. & 3rd part. dist., EURbn	0.4	2.0	-2.2	-1.0	4.4			-0.8	5.5	
Number of employees (FTEs)	935	924	905	900	901	4%	1%	935	901	4%

Private Banking

	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Jan-Dec 21	Jan-Dec 20	Jan-Dec 21/20
Net fee and commission income, EURm										
PB Denmark	54	49	52	48	50	8%	10%	203	176	15%
PB Finland	49	48	46	44	42	17%	2%	187	158	18%
PB Norway	13	11	9	10	8	63%	18%	43	29	48%
PB Sweden	32	29	27	26	22	45%	10%	114	85	34%
Private Banking	**148**	**137**	**134**	**128**	**122**	**21%**	**8%**	**547**	**448**	**22%**
AuM, EURbn										
PB Denmark	35.8	34.3	34.0	32.4	30.8	16%	4%	35.8	30.8	16%
PB Finland	40.4	38.6	38.4	36.0	34.2	18%	5%	40.4	34.2	18%
PB Norway	10.9	10.0	9.8	9.3	8.3	31%	9%	10.9	8.3	31%
PB Sweden	35.7	33.2	32.1	29.5	27.5	30%	7%	35.7	27.5	30%
Private Banking	**122.7**	**116.1**	**114.2**	**107.2**	**100.8**	**22%**	**6%**	**122.7**	**100.8**	**22%**
Lending, EURbn										
PB Denmark	4.0	3.9	3.8	3.8	3.7	8%	3%	4.0	3.7	8%
PB Finland	2.6	2.5	2.5	2.3	2.3	13%	4%	2.6	2.3	13%
PB Norway	1.8	1.7	1.7	1.6	1.3	38%	6%	1.8	1.3	38%
PB Sweden	2.9	2.8	2.6	2.4	2.3	26%	4%	2.9	2.3	26%
Private Banking	**11.3**	**10.9**	**10.6**	**10.1**	**9.6**	**18%**	**4%**	**11.3**	**9.6**	**18%**

Life & Pension

	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Jan-Dec 21	Jan-Dec 20	Jan-Dec 21/20
EURm										
AuM, EURbn	65.1	61.6	60.1	57.0	53.2	22%	6%	65.1	53.2	22%
Premiums	2,242	1,764	2,081	1,919	1,852	21%	27%	8,006	5,696	41%
Profit drivers										
Profit traditional products	9	7	6	7	11	-13%	37%	30	28	7%
Profit market return products	70	66	66	63	54	29%	7%	265	214	24%
Profit risk products	19	20	22	21	15	26%	-5%	83	71	17%
Total product result	**99**	**93**	**94**	**91**	**81**	**23%**	**6%**	**377**	**312**	**21%**

Group functions

Introduction

In our Group functions we provide the four business areas with the services, subject matter expertise, data and technology infrastructure needed for Nordea to be a strong and personal financial partner. The Group functions consist of Group Business Support; Chief of Staff Office; Group Brand, Communication and Marketing; Group Risk; Group Compliance; Group People; Group Legal; Group Finance; and Group Internal Audit.

Together with the results of the business areas, the results of the Group functions add up to the reported result for the Group. The income primarily originates from Group Treasury. The majority of both costs and income are distributed to the business areas.

Business development

In the fourth quarter we continued with initiatives to further consolidate Operations-related processes across the Group. This will enable more nearshoring and outsourcing, further increase operational efficiency and strengthen our focus on automation.

Financial outcome

Total operating income in the fourth quarter amounted to EUR 42m, down from EUR 46m in the same quarter last year.

Net interest income increased by EUR 8m, year on year, while still under pressure from tighter interbank and overnight spreads.

Net result from items at fair value increased by EUR 15m, year on year.

Total operating expenses amounted to EUR 25m, a year-on-year decrease of EUR 135m, primarily due to one-off items in 2020.

Group functions

	Q421	Q321	Q221	Q121	Q420	Q4/Q4	Q4/Q3	Jan-Dec 21	Jan-Dec 20
EURm									
Net interest income	15	11	7	-1	7			32	49
Net fee and commission income	-6	-8	-4	-8	-2			-26	-17
Net result from items at fair value	29	20	29	0	14			78	-10
Equity method & other income	4	12	11	-2	27			25	49
Total operating income	**42**	**35**	**43**	**-11**	**46**			**109**	**71**
Total operating expenses	**-25**	**-38**	**-114**	**-72**	**-156**			**-249**	**-366**
Profit before loan losses	**17**	**-3**	**-71**	**-83**	**-110**			**-140**	**-295**
Net loan losses and similar net result	-7	-3	3	1	7			-6	-1
Operating profit	**10**	**-6**	**-68**	**-82**	**-103**			**-146**	**-296**
Economic capital (EC)	877	1,115	1,141	1,289	1,711			877	1,711
Risk exposure amount (REA)	11,519	12,569	12,130	13,486	15,434			11,519	15,434
Number of employees (FTEs)	11,916	11,807	11,987	12,162	12,182	-2%	1%	11,916	12,182

Income statement

EURm	Note	Q4 2021	Q4 2020	Jan-Dec 2021	Jan-Dec 2020
Operating income					
Interest income calculated using the effective interest rate method		1,305	1,349	5,116	5,536
Other interest income		179	151	784	837
Negative yield on financial assets		-61	-82	-219	-280
Interest expense		-273	-290	-1,167	-1,779
Negative yield on financial liabilities		105	41	411	201
Net interest income		**1,255**	**1,169**	**4,925**	**4,515**
Fee and commission income		1,181	1,039	4,472	3,856
Fee and commission expense		-261	-247	-977	-897
Net fee and commission income	**3**	**920**	**792**	**3,495**	**2,959**
Net result from items at fair value	4	247	217	1,119	900
Profit from associated undertakings and joint ventures accounted for under the equity method		-4	5	-6	-1
Other operating income		20	36	87	93
Total operating income		**2,438**	**2,219**	**9,620**	**8,466**
Operating expenses					
General administrative expenses:					
Staff costs		-670	-722	-2,759	-2,752
Other expenses	5	-241	-319	-1,226	-1,286
Depreciation, amortisation and impairment charges of tangible and intangible assets	6	-190	-177	-664	-605
Total operating expenses		**-1,101**	**-1,218**	**-4,649**	**-4,643**
Profit before loan losses		**1,337**	**1,001**	**4,971**	**3,823**
Net result on loans in hold portfolios mandatorily held at fair value		25	30	83	48
Net loan losses	7	-81	-58	-118	-908
Operating profit		**1,281**	**973**	**4,936**	**2,963**
Income tax expense		-264	-248	-1,105	-698
Net profit for the period		**1,017**	**725**	**3,831**	**2,265**
Attributable to:					
Shareholders of Nordea Bank Abp		1,017	725	3,805	2,238
Additional Tier 1 capital holders		0	0	26	27
Total		**1,017**	**725**	**3,831**	**2,265**
Basic earnings per share, EUR		0.26	0.18	0.95	0.55
Diluted earnings per share, EUR		0.26	0.18	0.95	0.55

Statement of comprehensive income

EURm	Q4 2021	Q4 2020	Jan-Dec 2021	Jan-Dec 2020
Net profit for the period	**1,017**	**725**	**3,831**	**2,265**
Items that may be reclassified subsequently to the income statement				
Currency translation differences	18	505	160	-196
Tax on currency translation differences	-2	-	-2	-
Hedging of net investments in foreign operations:				
Valuation gains/losses	-2	-298	-1	117
Fair value through other comprehensive income:[1]				
Valuation gains/losses, net of recycling	24	42	38	55
Tax on valuation gains/losses	-5	-8	-8	-9
Cash flow hedges:				
Valuation gains/losses, net of recycling	74	-9	50	21
Tax on valuation gains/losses	-15	2	-10	-5
Items that may not be reclassified subsequently to the income statement				
Changes in own credit risk related to liabilities classified as fair value option:				
Valuation gains/losses	2	-2	-2	-9
Tax on valuation gains/losses	0	1	1	3
Defined benefit plans:				
Remeasurement of defined benefit plans	-235	268	49	22
Tax on remeasurement of defined benefit plans	46	-53	-9	-4
Other comprehensive income from companies accounted for under the equity method	0	-2	0	-1
Tax on other comprehensive income from companies accounted for under the equity method	0	0	0	0
Other comprehensive income, net of tax	**-95**	**446**	**266**	**-6**
Total comprehensive income	**922**	**1,171**	**4,097**	**2,259**
Attributable to:				
Shareholders of Nordea Bank Abp	922	1,171	4,071	2,232
Additional Tier 1 capital holders	0	0	26	27
Non-controlling interests	-	-	-	-
Total	**922**	**1,171**	**4,097**	**2,259**

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

Balance sheet

EURm	Note	31 Dec 2021	31 Dec 2020
Assets	9		
Cash and balances with central banks		47,495	32,955
Loans to central banks	8	409	3,123
Loans to credit institutions	8	1,983	3,123
Loans to the public	8	345,050	329,765
Interest-bearing securities		63,383	62,509
Financial instruments pledged as collateral		1,668	3,795
Shares		15,217	12,649
Assets in pooled schemes and unit-linked investment contracts		46,912	36,484
Derivatives		30,200	44,770
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-65	359
Investments in associated undertakings and joint ventures		207	555
Intangible assets		3,784	3,771
Properties and equipment		1,745	1,931
Investment properties		1,764	1,535
Deferred tax assets		218	406
Current tax assets		272	300
Retirement benefit assets		221	144
Other assets		8,830	13,349
Prepaid expenses and accrued income		880	637
Assets held for sale	1	180	-
Total assets		**570,353**	**552,160**
Liabilities	9		
Deposits by credit institutions		26,961	23,939
Deposits and borrowings from the public		205,801	183,431
Deposits in pooled schemes and unit-linked investment contracts		48,201	37,534
Liabilities to policyholders		19,595	18,178
Debt securities in issue		175,792	174,309
Derivatives		31,485	47,033
Fair value changes of the hedged items in portfolio hedge of interest rate risk		805	2,608
Current tax liabilities		354	305
Other liabilities		18,485	21,341
Accrued expenses and prepaid income		1,334	1,404
Deferred tax liabilities		535	436
Provisions		414	596
Retirement benefit obligations		369	365
Subordinated liabilities		6,719	6,941
Total liabilities		**536,850**	**518,420**
Equity			
Additional Tier 1 capital holders		750	748
Non-controlling interests		9	9
Share capital		4,050	4,050
Invested unrestricted equity		1,090	1,063
Other reserves		-1,801	-2,067
Retained earnings		29,405	29,937
Total equity		**33,503**	**33,740**
Total liabilities and equity		**570,353**	**552,160**
Off-balance sheet commitments			
Assets pledged as security for own liabilities		183,984	176,364
Other assets pledged[1]		253	267
Contingent liabilities		22,786	19,347
Credit commitments[2]		86,238	88,791
Other commitments		2,747	1,769

[1] Includes interest-bearing securities pledged as security for payment settlements with central banks and clearing institutions.

[2] Including unutilised portion of approved overdraft facilities of EUR 28,263m (31 December 2020: EUR 32,859m).

Statement of changes in equity

	Attributable to shareholders of Nordea Bank Abp												
			Other reserves:										
EURm	Share capital[1]	Invested unrestricted equity	Translation of foreign operations	Cash flow hedges	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities classified as fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance as at 1 Jan 2021	**4,050**	**1,063**	**-2,020**	**-10**	**91**	**-117**	**-11**	**29,937**	**32,983**	**748**	**9**	**33,740**
Net profit for the period	-	-	-	-	-	-	-	3,805	3,805	26	-	3,831
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	-	-	-	-	-	-	-	-	-	-26	-	-26
Change in Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	2	-	2
Share-based payments	-	-	-	-	-	-	-	18	18	-	-	18
Dividend	-	-	-	-	-	-	-	-3,192	-3,192	-	-	-3,192
Sale/purchase of own shares[2]	-	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**

EURm	Share capital[1]	Invested unrestricted equity	Translation of foreign operations	Cash flow hedges	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities classified as fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance as at 1 Jan 2020	**4,050**	**1,080**	**-1,941**	**-26**	**45**	**-135**	**-5**	**27,672**	**30,740**	**748**	**40**	**31,528**
Net profit for the period	-	-	-	-	-	-	-	2,238	2,238	27	-	2,265
Other comprehensive income, net of tax	-	-	-79	16	46	18	-6	-1	-6	-	-	-6
Total comprehensive income	-	-	-79	16	46	18	-6	2,237	2,232	27	-	2,259
Paid interest on Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-27	-	-27
Share-based payments	-	-	-	-	-	-	-	6	6	-	-	6
Purchase of own shares[3]	-	-17	-	-	-	-	-	-	-17	-	-	-17
Other changes	-	-	-	-	-	-	-	22	22	-	-	22
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-31	-31
Balance as at 31 Dec 2020	**4,050**	**1,063**	**-2,020**	**-10**	**91**	**-117**	**-11**	**29,937**	**32,983**	**748**	**9**	**33,740**

[1] The total number of shares registered was 3,966 million (31 December 2020: 4,050 million). The number of own shares was 32.8 million (31 December 2020: 11.9 million), representing 0.8% (31 December 2020: 0.3%) of the total number of shares in Nordea. Each share carries one voting right.

[2] 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.

[3] Refers to the change in the holding of own shares related to treasury shares held for remuneration purposes and to the trading portfolio. The number of treasury shares held for remuneration purposes was 8.2 million.

Cash flow statement, condensed

EURm	Jan-Dec 2021	Jan-Dec 2020
Operating activities		
Operating profit	4,936	2,963
Adjustments for items not included in cash flow	2,263	2,074
Income taxes paid	-759	-987
Cash flow from operating activities before changes in operating assets and liabilities	**6,440**	**4,050**
Changes in operating assets and liabilities	11,152	-5,393
Cash flow from operating activities	**17,592**	**-1,343**
Investing activities		
Acquisition/sale of business operations	7	-552
Acquisition/sale of associated undertakings and joint ventures	2	10
Acquisition/sale of property and equipment	-5	-50
Acquisition/sale of intangible assets	-384	-418
Cash flow from investing activities	**-380**	**-1,010**
Financing activities		
Issued/amortised subordinated liabilities	-437	-2,459
Sale/repurchase of own shares including change in trading portfolio	-1,136	-17
Dividend paid	-3,192	-
Paid interest on Additional tier 1 capital	-26	-27
Principal portion of lease payments	-140	-143
Cash flow from financing activities	**-4,931**	**-2,646**
Cash flow for the period	**12,281**	**-4,999**

Cash and cash equivalents EURm	31 Dec 2021	31 Dec 2020
Cash and cash equivalents at beginning of the period	36,203	41,164
Translation differences	144	38
Cash and cash equivalents at end of the period	48,628	36,203
Change	**12,281**	**-4,999**
The following items are included in cash and cash equivalents:		
Cash and balances with central banks	47,495	32,955
Loans to central banks	6	2,426
Loans to credit institutions	1,127	822
Total cash and cash equivalents	**48,628**	**36,203**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority where the following conditions are fulfilled:
- the central bank or postal giro system is domiciled in the country where the institution is established.
- the balance on the account is readily available at any time.

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

Notes to the financial statements

Note 1 Accounting policies

The consolidated interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, as endorsed by the European Union (EU).

The report includes a condensed set of financial statements and is to be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2020. The accounting policies and methods of computation are unchanged from Note G1 in the Annual Report 2020, except for those relating to the items presented in the section "Changed accounting policies and presentation" below. For more information, see Note G1 in the Annual Report 2020.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea on 1 January 2021.

Changed presentation of interest from derivatives used in economic hedges

As of 1 January 2021 the interest components of derivatives hedging assets in economic hedges have been classified as "Other interest income" and the interest components of derivatives hedging liabilities in economic hedges have been classified as "Interest expense" in the income statement. Previously, both types of interest component were classified as "Interest expense". The new principle better reflects the economic substance of hedging transactions. Comparative figures have been restated accordingly and the impacts in 2021 and 2020 can be found in the table below.

	Q4 2021			Q4 2020		
EURm	Old policy	Chg	New policy	Old policy	Chg	New policy
Other interest income	248	-69	179	202	-51	151
Interest expense	-342	69	-273	-341	51	-290
Net interest income	**1,255**	**-**	**1,255**	**1,169**	**-**	**1,169**
Impact on EPS/DEPS, EUR		-			-	

	Jan-Dec 2021			Jan-Dec 2020		
EURm	Old policy	Chg	New policy	Old policy	Chg	New policy
Other interest income	1,015	-231	784	1,071	-234	837
Interest expense	-1,398	231	-1,167	-2,013	234	-1,779
Net interest income	**4,925**	**-**	**4,925**	**4,515**	**-**	**4,515**
Impact on EPS/DEPS, EUR		-			-	

Interest Rate Benchmark Reform – Phase 2

In 2020 the International Accounting Standards Board (IASB) published amendments to International Financial Reporting Standard (IFRS) 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in Interest Rate Benchmark Reform – Phase 2. Phase 2 of the interbank offered rate (IBOR) reform includes three major areas: hedge accounting, modifications and disclosures. The amendments were implemented by Nordea on 1 January 2021. Hedge relationships in Nordea can continue as before and no material modification gains or losses have been recognised.

The amendments clarify that hedge accounting does not have to be discontinued in the event that hedged items and hedging instruments are modified due to the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Any valuation adjustments resulting from the amendments are recognised as part of hedge ineffectiveness.

Modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis are not accounted for as modifications to instruments measured at amortised cost. For such modifications, the effective interest rate is amended in line with the modified cash flows.

Other amendments

The following amended standard issued by the IASB was implemented by Nordea on 1 January 2021, but has not had any significant impact on Nordea's financial statements.

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9

Changes in IFRS 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.

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

Nordea is in the process of implementing the changes required by IFRS 17. So far, Nordea has not identified a need for substantial changes to the classification of contracts.

Nordea will apply all three measurements models. Most contracts with discretionary participation features will be measured using the VFA, while contracts without such features will be measured used the BBA. The PAA is currently expected to be used for certain portfolios of short-term risk contracts with a contract boundary of less than 12 months.

Different transition methods will be applied based on the data available at the time of transition. Nordea generally expects to use the fair value method for contracts issued before 1 January 2016 and the full retrospective method for contracts issued at a later date.

IFRS 17 has been endorsed by the EU and is effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. Nordea does not currently intend to adopt the standard early. It is not yet possible to conclude on the impact on Nordea's financial statements or capital adequacy, but it is currently expected that the impacts on equity and the CET1 ratio will be negative at the time of transition.

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 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The standard is not yet endorsed by the EU and Nordea does not currently intend to adopt it early. The gross deferred tax assets and liabilities will be disclosed, but will be set off on the balance sheet if such requirements are met. Nordea's current assessment is that the amendments will not have any significant impact on its financial statements or capital adequacy in the period of initial application.

Other amendments to IFRS
Other amendments to IFRS are not assessed to have any significant impact on Nordea's financial statements or capital adequacy in the period of their initial application.

Assets held for sale

At the end of the fourth quarter Nordea owned 11.6% of Luminor Bank AS. As communicated on 13 September 2018, Nordea and Blackstone have entered into a forward sale agreement for Nordea's remaining holding in Luminor. During the fourth quarter Nordea sold 8.3% of the aforementioned holding under the agreement. The remaining holding is being presented as "Assets held for sale", as the sale of the remaining shares can be expected within one year. The shares are being held at fair value.

Income from Luminor was recognised using the equity method and presented as "Profit from associated undertakings and joint ventures accounted for under the equity method" up until 30 September 2021.

Luminor is conducting banking business in the Baltics and is the result of the merger of Nordea's and DNB's operations in the Baltics. In 2018 the investment was classified as a joint venture, as Nordea held 50% of the voting rights. Nordea sold shares in Luminor in 2019 and the remaining holding was classified as an associated undertaking up until 30 September 2021.

Critical judgements

Nordea's assessment was that no significant critical judgements needed to be applied in the preparation of this interim report due to COVID-19 in addition to the critical judgements described in section 4 of Note G1 "Accounting policies" in the Annual Report 2020.

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.

Nordea classifies financial assets based on whether or not the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (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. This is the case for all Swedish mortgage loans, where customers have the right to a discount if certain climate targets are met, and some corporate loans. Nordea considers these loans to be compliant with the SPPI requirements to the extent that the targets are entity 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, or failure to fulfil, an ESG target.

Exchange rates

	Jan-Dec 2021	Jan-Dec 2020
EUR 1 = SEK		
Income statement (average)	10.1460	10.4889
Balance sheet (at end of period)	10.2913	10.0220
EUR 1 = DKK		
Income statement (average)	7.4370	7.4543
Balance sheet (at end of period)	7.4364	7.4405
EUR 1 = NOK		
Income statement (average)	10.1655	10.7291
Balance sheet (at end of period)	10.0185	10.4703
EUR 1 = RUB		
Income statement (average)	87.1828	82.6596
Balance sheet (at end of period)	85.0140	90.8041

Note 2 Segment reporting

Jan-Dec 2021	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Recon-ciliation	**Total Group**
Total operating income, EURm	3,598	2,578	1,985	1,245	209	9,615	5	**9,620**
– of which internal transactions[1]	-246	-74	-131	-32	483	0	-	**-**
Operating profit, EURm	1,757	1,415	1,145	713	286	5,316	-380	**4,936**
Loans to the public[2], EURbn	169	96	44	11	0	320	25	**345**
Deposits and borrowings from the public, EURbn	84	55	49	12	0	200	6	**206**

Jan-Dec 2020	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Recon-ciliation	**Total Group**
Total operating income, EURm	3,364	2,294	1,796	1,006	94	8,554	-88	**8,466**
– of which internal transactions[1]	-423	-172	-283	-25	903	0	-	**-**
Operating profit, EURm	1,272	843	694	481	61	3,351	-388	**2,963**
Loans to the public[2], EURbn	160	90	46	9	0	305	25	**330**
Deposits and borrowings from the public, EURbn	81	50	40	11	0	182	1	**183**

[1] IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined intersegment revenues as internal interest related to the funding of the reportable operating segments by the internal bank in Group Finance, included in “Other operating segments”.
[2] The volumes are only disclosed separately for operating segments if separately reported to the Chief Operating Decision-Maker.

Reconciliation between total operating segments and financial statements

	Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	Jan-Dec		**31 Dec**		**31 Dec**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Total operating segments	5,316	3,351	320	305	200	182
Group functions[1]	-59	-293	-	-	-	-
Unallocated items	-380	-68	21	22	4	-1
Differences in accounting policies[2]	59	-27	4	3	2	2
Total	**4,936**	**2,963**	**345**	**330**	**206**	**183**

[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 plan exchange rates used in the segment reporting.

Measurement of operating segments’ performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision-Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as the Chief Executive Officer, who is supported by the other members of the Group Leadership Team. The main difference compared with the section “Business areas” in this report is that the information in Note 2 is prepared using plan exchange rates, as this is the basis used in the reporting to the CODM.

Financial results are presented for the main business areas Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management. These are identified as reportable operating segments and are reported separately, as they are above the quantitative thresholds in IFRS 8. Other operating segments below the thresholds are included in "Other operating segments". Group functions (and eliminations), as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

There have been no changes in the basis of segmentation during the year.

Note 3 Net fee and commission income

EURm	Q4 2021	Q3 2021	Q4 2020	Jan-Dec 2021	Jan-Dec 2020
Asset management commissions	507	481	398	1,845	1,469
Life and pension commissions	73	68	70	273	263
Deposit products	8	5	8	25	27
Brokerage, securities issues and corporate finance	55	49	64	269	204
Custody and issuer services	11	9	12	35	34
Payments[1]	54	59	55	236	236
Cards[1]	73	70	55	250	212
Lending products	122	114	117	478	424
Guarantees	29	25	23	102	89
Other	-12	-10	-10	-18	1
Total	**920**	**870**	**792**	**3,495**	**2,959**

[1] Comparative figures on the reporting lines "Payments" and "Cards" have been restated to reflect product categorisation changes.

Breakdown
Jan-Dec 2021

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segment	Other and elimination	Nordea Group
Asset management commissions	668	105	4	1,068	0	0	1,845
Life and pension commissions	226	85	4	-42	0	0	273
Deposit products	7	17	1	0	0	0	25
Brokerage, securities issues and corporate finance	21	69	162	37	-1	-19	269
Custody and issuer services	4	5	22	3	-8	9	35
Payments	15	151	75	1	0	-6	236
Cards	203	41	6	0	0	0	250
Lending products	125	153	194	5	1	0	478
Guarantees	9	27	64	0	2	0	102
Other	11	9	-7	-27	-4	0	-18
Total	**1,289**	**662**	**525**	**1,045**	**-10**	**-16**	**3,495**

Breakdown
Jan-Dec 2020

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segment	Other and elimination	Nordea Group
Asset management commissions	566	93	7	803	0	0	1,469
Life and pension commissions	189	69	4	2	0	-1	263
Deposit products	9	17	1	0	0	0	27
Brokerage, securities issues and corporate finance	18	46	117	38	0	-15	204
Custody and issuer services	4	4	24	4	-7	5	34
Payments	29	142	67	0	0	-2	236
Cards	176	30	6	0	0	0	212
Lending products	118	126	173	3	5	-1	424
Guarantees	8	28	53	0	0	0	89
Other	14	10	6	-28	-3	2	1
Total	**1,131**	**565**	**458**	**822**	**-5**	**-12**	**2,959**

Note 4 Net result from items at fair value

EURm	Q4 2021	Q3 2021	Q4 2020	Jan-Dec 2021	Jan-Dec 2020
Equity-related instruments	68	130	74	570	177
Interest-related instruments and foreign exchange gains/losses	133	80	-45	395	667
Other financial instruments (including credit and commodities)	22	-6	175	57	-24
Nordea Life & Pension[1]	24	20	13	97	80
Total	**247**	**224**	**217**	**1,119**	**900**

[1] Internal transactions not eliminated against other lines in the Note. The line item "Nordea Life & Pension" consequently provides the true impact from the life insurance operations.

Breakdown of Nordea Life & Pension

EURm	Q4 2021	Q3 2021	Q4 2020	Jan-Dec 2021	Jan-Dec 2020
Equity-related instruments	540	192	488	1,724	397
Interest-related instruments and foreign exchange gains/losses	-41	7	134	-29	271
Investment properties	87	-2	10	198	94
Change in technical provisions[1]	-240	-124	-427	-863	-792
Change in collective bonus potential	-337	-67	-204	-987	60
Insurance risk income	19	18	16	73	64
Insurance risk expense	-4	-4	-4	-19	-14
Total	**24**	**20**	**13**	**97**	**80**

[1] Premium income amounts to EUR 82m for the fourth quarter of 2021 and EUR 306m for January-December 2021 (fourth quarter of 2020: EUR 83m; January-December 2020: EUR 227m).

Note 5 Other expenses

EURm	Q4 2021	Q3 2021	Q4 2020	Jan-Dec 2021	Jan-Dec 2020
Information technology[1]	-145	-131	-151	-522	-490
Marketing and representation	-16	-9	-21	-44	-46
Postage, transportation, telephone and office expenses	-9	-12	-16	-48	-57
Rents, premises and real estate	-21	-23	-32	-97	-128
Resolution fee	-	-	-	-224	-202
Professional services[1]	-31	-13	-40	-104	-123
Market data services	-18	-21	-21	-84	-89
Other[2]	-1	-28	-38	-103	-151
Total	**-241**	**-237**	**-319**	**-1,226**	**-1,286**

[1] "Information technology" includes IT consultancy fees.

[2] VAT refund recognised in the fourth quarter of 2021.

Note 6 Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	Q4 2021	Q3 2021	Q4 2020	Jan-Dec 2021	Jan-Dec 2020
Depreciation/amortisation					
Properties and equipment	-59	-60	-60	-244	-255
Intangible assets	-94	-92	-84	-361	-298
Total	**-153**	**-152**	**-144**	**-605**	**-553**
Impairment charges, net					
Properties and equipment	-1	-3	-1	-19	-7
Intangible assets	-36	-4	-32	-40	-45
Total	**-37**	**-7**	**-33**	**-59**	**-52**
Total	**-190**	**-159**	**-177**	**-664**	**-605**

Note 7 Net loan losses

EURm	Q4 2021	Q3 2021	Q4 2020	Jan-Dec 2021	Jan-Dec 2020
Net loan losses, stage 1	31	-4	-11	112	-155
Net loan losses, stage 2	43	0	3	103	-200
Net loan losses, non-credit-impaired assets	**74**	**-4**	**-8**	**215**	**-355**
Stage 3, credit-impaired assets					
Net loan losses, individually assessed, collectively calculated	-45	25	43	-68	-127
Realised loan losses	-188	-58	-228	-493	-573
Decrease in provisions to cover realised loan losses	110	17	130	264	377
Recoveries on previous realised loan losses	9	20	6	53	50
Reimbursement right	1	-3	1	1	0
New/increase in provisions	-81	-28	-91	-409	-601
Reversals of provisions	39	27	89	319	321
Net loan losses, credit-impaired assets	**-155**	**0**	**-50**	**-333**	**-553**
Net loan losses	**-81**	**-4**	**-58**	**-118**	**-908**

Key ratios

	Q4 2021	Q3 2021	Q4 2020	Jan-Dec 2021	Jan-Dec 2020
Net loan loss ratio, amortised cost, bp	12	1	9	4	35
- of which stage 1	-5	1	2	-4	6
- of which stage 2	-6	0	-1	-4	8
- of which stage 3	23	0	8	12	21

Note 8 Loans and impairment

EURm	Total 31 Dec 2021	Total 31 Dec 2020
Loans measured at fair value	75,772	74,616
Loans measured at amortised cost, not impaired (stages 1 and 2)	270,364	259,864
Impaired loans (stage 3)	3,512	3,979
- of which servicing	1,642	1,788
- of which non-servicing	1,870	2,191
Loans before allowances	**349,648**	**338,459**
-of which central banks and credit institutions	*2,395*	*6,250*
Allowances for individually assessed impaired loans (stage 3)	-1,610	-1,674
- of which servicing	-800	-760
- of which non-servicing	-810	-914
Allowances for collectively assessed impaired loans (stages 1 and 2)	-596	-774
Allowances[1]	**-2,206**	**-2,448**
- of which central banks and credit institutions	*-3*	*-4*
Loans, carrying amount	**347,442**	**336,011**

Exposures measured at amortised cost and fair value through OCI, before allowances

EURm	31 Dec 2021 Stage 1	Stage 2	Stage 3	Total
Loans to central banks, credit institutions and the public	257,617	12,747	3,512	273,876
Interest-bearing securities[1]	37,435	-	-	37,435
Total	**295,052**	**12,747**	**3,512**	**311,311**

[1] Of which EUR -m relates to the balance sheet item “Financial instruments pledged as collateral” .

EURm	31 Dec 2020 Stage 1	Stage 2	Stage 3	Total
Loans to central banks, credit institutions and the public	246,024	13,840	3,979	263,843
Interest-bearing securities[1]	37,023	-	-	37,023
Total	**283,047**	**13,840**	**3,979**	**300,866**

[1] Of which EUR 686m relates to the balance sheet item “Financial instruments pledged as collaterall”.

Allowances and provisions

EURm	31 Dec 2021 Stage 1	Stage 2	Stage 3	Total
Loans to central banks, credit institutions and the public	-197	-399	-1,610	-2,206
Interest-bearing securities	-15	-	-	-15
Provisions for off-balance sheet items	-35	-128	-20	-183
Total allowances and provisions	**-247**	**-527**	**-1,630**	**-2,404**

EURm	31 Dec 2020 Stage 1	Stage 2	Stage 3	Total
Loans to central banks, credit institutions and the public	-284	-490	-1,674	-2,448
Interest-bearing securities	-3	-	-	-3
Provisions for off-balance sheet items	-72	-138	-26	-236
Total allowances and provisions	**-359**	**-628**	**-1,700**	**-2,687**

Movements of allowance accounts for loans measured at amortised cost

EURm	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 Jan 2021	**-284**	**-490**	**-1,674**	**-2,448**
Changes due to origination and acquisition	-53	-22	-8	-83
Transfer from stage 1 to stage 2	9	-108	-	-99
Transfer from stage 1 to stage 3	1	-	-33	-32
Transfer from stage 2 to stage 1	-3	100	-	97
Transfer from stage 2 to stage 3	-	28	-152	-124
Transfer from stage 3 to stage 1	-1	-	22	21
Transfer from stage 3 to stage 2	-	-1	38	37
Changes due to change in credit risk (net)	97	22	-125	-6
Changes due to repayments and disposals	39	73	89	201
Write-off through decrease in allowance account	-	-	260	260
Translation differences	-2	-1	-27	-30
Balance as at 31 Dec 2021	**-197**	**-399**	**-1,610**	**-2,206**

Note 8 Continued

EURm	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 Jan 2020	**-153**	**-344**	**-1,686**	**-2,183**
Changes due to origination and acquisition	-86	-32	-48	-166
Transfer from stage 1 to stage 2	6	-136	-	-130
Transfer from stage 1 to stage 3	1	-	-78	-77
Transfer from stage 2 to stage 1	-4	54	-	50
Transfer from stage 2 to stage 3	-	17	-64	-47
Transfer from stage 3 to stage 1	-1	-	9	8
Transfer from stage 3 to stage 2	-	-12	67	55
Changes due to change in credit risk (net)	-63	-65	-316	-444
Changes due to repayments and disposals	15	28	59	102
Write-off through decrease in allowance account	-	-	369	369
Translation differences	1	0	14	15
Balance as at 31 Dec 2020	**-284**	**-490**	**-1,674**	**-2,448**

Key ratios[1]	31 Dec 2021	31 Dec 2020
Impairment rate (stage 3), gross, basis points	128	151
Impairment rate (stage 3), net, basis points	70	87
Total allowance rate (stages 1, 2 and 3), basis points	81	93
Allowances in relation to impaired loans (stage 3), %	46	42
Allowances in relation to loans in stages 1 and 2, basis points	22	30

[1] For definitions, see Glossary.

Forbearance

Forbearance refers to eased terms or restructuring of credit terms and conditions due to the borrower experiencing financial difficulties. The intention of granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of eased terms are changes to amortisation profile, repayment schedule and customer margin, or eased financial covenants. Forbearance is undertaken on an individual basis, according to internal guidelines, and followed by impairment testing. Forborne exposures can be performing or non-performing. Loan loss provisions are recognised if necessary. Customers with forbearance measures are transferred to stage 2, unless already identified as credit impaired (stage 3).

All COVID-19-related instalment-free periods expired during the third quarter of 2021. At this time, only 3.0% of the customers who were granted instalment-free periods due to the pandemic were classified as forborne or in default.

Sensitivities

The provisions are sensitive to rating migration even if staging triggers are not reached. The table below shows the impact on provisions of a one-notch downgrade on all exposures in the bank. It includes both the impact of the higher risk for all exposures and the impact of transferring exposures that reach the trigger from stage 1 to stage 2. It also includes the impact of exposures with one rating grade above default becoming default, which is estimated at EUR 152m (EUR 154m at the end of June 2021 and EUR 133m at the end of September 2021). This figure is based on calculations using the statistical model rather than individual estimates as would be the case in reality for material defaulted loans.

	31 Dec 2021		31 Dec 2020	
EURm	Recognised provisions	Provisions if one notch downgrade	Recognised provisions	Provisions if one notch downgrade
Personal Banking	409	532	492	646
Business Banking	1,148	1,265	1,307	1,447
Large Corporates & Institutions	813	846	874	950
Other	34	75	14	29
Group	**2,404**	**2,718**	**2,687**	**3,072**

Note 8 Continued

Forward-looking information

Forward-looking information is used for both assessing significant increases in credit risk and calculating expected credit losses. Nordea uses three macroeconomic scenarios: a baseline scenario, a favourable scenario and an adverse scenario. For the fourth quarter of 2021, the scenarios were weighted into the final expected credit losses (ECL) as follows: baseline 60%, adverse 20% and favourable 20% (baseline 50%, adverse 45% and favourable 5% at the end of December 2020 and baseline 60%, adverse 20% and favourable 20% at the end of September 2021). The consistency in weightings over the past few quarters reflects continued reduced uncertainty regarding the impact of the pandemic, less severe restrictions and the extension of vaccination programmes to include boosters and cover younger people.

The macroeconomic scenarios are provided by Group Risk in Nordea, based on the Oxford Economics Model. The forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model has been built to give a good description of the historical relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years. For periods beyond, a long-term average is used in the ECL calculations.

The macroeconomic scenarios reflect Nordea's view of how the Nordic economies will potentially develop following the reopening of societies after COVID-19-related lockdowns. The scenarios take into account the macroeconomic effects of government and central bank support measures. When developing the scenarios, Nordea took into account projections made by Nordic governments and central banks, Nordea Research and the European Central Bank's macroeconomic forecasts for the euro area.

Economic projections from the Nordic central banks and the European Central Bank are used as a basis for the baseline scenario. In Denmark, Finland, Norway and Sweden, real GDP has more than recovered from the fall in economic activity caused by the lockdowns of the past two years. Economic prospects are good, although growth is expected to be lower than in recent quarters. Strained global supply chains and bottlenecks are creating headwinds for growth but these problems are expected to subside as consumption patterns normalise, demand slows and production capacity is adjusted. The spread of COVID-19 has increased again and it is still unclear how serious the economic implications of the new Omicron variant are. The baseline scenario is that Omicron will not have any major impact on growth.

Nordea's two alternative macroeconomic scenarios cover a range of plausible impacts of the pandemic on the Nordic economies, reflecting the persisting uncertainty concerning the pandemic's future evolution and economic effects.

At the end of the fourth quarter of 2021 adjustments to model-based allowances/provisions amounted to EUR 596m, including management judgements. The management judgements cover expected credit losses not yet covered by the IFRS 9 model. The cyclical reserve amounted to EUR 455m at the end of the fourth quarter of 2021 (EUR 455m at the end of the third quarter of 2021) and the reserve covering issues identified in the IFRS 9 model to be later covered in model updates (structural reserve) amounted to EUR 155m (EUR 155m at the end of the third quarter of 2021). The cyclical reserve was supported by additional portfolio modelling and was triggered by the substantial uncertainty in the macroeconomic development, as well as the need to account for future rating downgrades potentially underestimated by the IFRS 9 model through the updated macroeconomic scenarios.

The estimation was supported by the use of the internal stress testing model, adjusted for the impact of government support schemes. For the retail portfolio, the most important public sector actions have been the various forms of labour market support schemes, which have significantly reduced expected defaults and losses among households. Due to the wide scope of these schemes, Nordea decreased the modelled development of new defaults originally predicted by the internal stress testing models, leading to lower predicted loan losses. These models are based on historical observations and correlations. Thus, they do not replicate the impact of the government support schemes launched during the pandemic.

With regard to the expected rating migration in the corporate portfolio, Nordea took into consideration the positive impact of the various government guarantee and support schemes, primarily addressing the liquidity shock caused by the lockdowns and quarantines. At the same time, additional negative rating migration was assumed for industries affected by COVID-19. This was based on an updated view of particularly sensitive industries, with the main findings incorporated into the scenario projections.

The stress test model-based scenario simulations support the loan loss forecasts made by the business areas, and help Nordea ensure that its loan loss projections are appropriate.

Note 8 Continued

Scenarios and allowances/provisions

31 Dec 2021

Denmark		2022	2023	2024	Unweighted ECL EURm	Probability weight	Model-based allowances/ provisions EURm	Adjustments to model-based allowances/ provisions EURm	Individual allowances/ provisions EURm	Total allowances/ provisions EURm
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						
Baseline 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						
Baseline 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						
Norway										
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						
Baseline 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						
Baseline 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**

Note 8 Continued

Scenarios and allowances/provisions

31 Dec 2020

		2021	2022	2023	Unweighted ECL EURm	Probability weight	Model-based allowances/ provisions EURm	Adjustments to model-based allowances/ provisions EURm	Individual allowances/ provisions EURm	Total allowances/ provisions EURm
Denmark										
Favourable scenario	GDP growth, %	4.7	2.4	1.9	244	5%				
	Unemployment, %	4.3	3.9	3.5						
	Change in household consumption, %	6.3	2.5	2.0						
	Change in house prices, %	-0.6	0.3	2.4						
Baseline scenario	GDP growth, %	3.0	2.5	2.5	251	50%	262	195	395	852
	Unemployment, %	5.6	4.8	4.2						
	Change in household consumption, %	5.0	1.7	1.8						
	Change in house prices, %	-2.6	0.6	2.7						
Adverse scenario	GDP growth, %	-0.5	3.6	4.0	277	45%				
	Unemployment, %	7.5	6.8	6.0						
	Change in household consumption, %	3.1	2.0	3.0						
	Change in house prices, %	-5.6	-4.6	2.6						
Finland										
Favourable scenario	GDP growth, %	3.5	2.4	1.8	191	5%				
	Unemployment, %	7.2	6.7	6.3						
	Change in household consumption, %	4.3	2.8	2.7						
	Change in house prices, %	-0.9	1.3	2.3						
Baseline scenario	GDP growth, %	2.5	2.0	2.2	201	50%	217	159	262	638
	Unemployment, %	8.0	7.7	7.2						
	Change in household consumption, %	3.8	1.9	2.5						
	Change in house prices, %	-2.5	1.4	2.5						
Adverse scenario	GDP growth, %	-2.3	3.4	3.3	237	45%				
	Unemployment, %	10.0	9.2	8.5						
	Change in household consumption, %	-0.2	3.1	2.8						
	Change in house prices, %	-5.2	-5.5	2.5						
Norway										
Favourable scenario	GDP growth, %	2.9	3.2	2.8	65	5%				
	Unemployment, %	5.1	4.2	3.9						
	Change in household consumption, %	4.3	2.6	2.8						
	Change in house prices, %	-1.0	-0.3	2.5						
Baseline scenario	GDP growth, %	1.9	3.3	2.9	67	50%	72	213	347	632
	Unemployment, %	6.1	5.1	4.3						
	Change in household consumption, %	3.6	2.5	2.3						
	Change in house prices, %	-3.2	0	3.0						
Adverse scenario	GDP growth, %	-0.7	3.1	3.7	78	45%				
	Unemployment, %	7.1	6.7	5.8						
	Change in household consumption, %	2.2	2.4	2.8						
	Change in house prices, %	-10.5	-9.3	3.2						
Sweden										
Favourable scenario	GDP growth, %	4.1	2.1	2.3	100	5%				
	Unemployment, %	8.3	7.7	6.8						
	Change in household consumption, %	2.4	2.2	2.3						
	Change in house prices, %	-2.8	-0.3	2.7						
Baseline scenario	GDP growth, %	1.8	5.0	3.0	109	50%	114	129	71	314
	Unemployment, %	10.0	8.1	7.3						
	Change in household consumption, %	0.1	5.2	2.7						
	Change in house prices, %	-3.5	-0.1	1.6						
Adverse scenario	GDP growth, %	-2.3	3.8	3.7	121	45%				
	Unemployment, %	11.5	11.1	10.2						
	Change in household consumption, %	-3.2	2.9	2.3						
	Change in house prices, %	-13.5	-11.1	3.8						
Non-Nordic							9	1	241	251
Total							**674**	**697**	**1,316**	**2,687**

Note 8 Continued

Loans to the public measured at amortised cost, broken down by sector and industry

31 Dec 2021

	Gross				Allowances				Loans carrying amount	Net loan losses[1]
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Financial institutions	14,962	336	67	15,365	9	15	28	52	15,313	28
Agriculture	3,621	206	133	3,960	5	12	81	97	3,863	4
Crops, plantations and hunting	1,014	87	34	1,135	2	5	19	26	1,109	0
Animal husbandry	673	93	98	864	1	6	61	69	795	-1
Fishing and aquaculture	1,934	26	1	1,961	2	0	0	2	1,958	5
Natural resources	2,076	200	573	2,849	2	4	343	350	2,499	-18
Paper and forest products	1,407	140	29	1,576	1	4	14	19	1,557	5
Mining and supporting activities	328	24	3	356	1	0	1	2	354	1
Oil, gas and offshore	341	35	541	917	0	0	328	329	589	-25
Consumer staples	3,239	134	19	3,392	3	10	10	23	3,369	12
Food processing and beverages	1,216	75	5	1,296	1	3	4	8	1,288	4
Household and personal products	220	18	10	247	0	1	4	6	241	1
Healthcare	1,804	41	4	1,849	2	6	2	9	1,840	8
Consumer discretionary and services	7,489	961	244	8,694	9	45	148	202	8,492	-58
Consumer durables	1,817	161	30	2,007	2	6	13	21	1,986	7
Media and entertainment	1,221	84	19	1,324	1	6	10	18	1,306	6
Retail trade	3,044	260	170	3,474	4	16	108	129	3,345	-69
Air transportation	173	62	3	238	0	2	2	4	234	6
Accommodation and leisure	683	390	21	1,094	1	14	14	30	1,064	-10
Telecommunication services	551	4	1	556	0	1	1	1	555	1
Industrials	28,090	2,349	697	31,136	41	98	342	481	30,655	5
Materials	1,245	142	58	1,445	1	5	29	35	1,410	38
Capital goods	2,576	351	102	3,028	3	12	51	66	2,963	-7
Commercial and professional services	9,065	536	132	9,734	14	28	69	111	9,622	-3
Construction	7,145	596	176	7,917	13	25	97	135	7,783	-25
Wholesale trade	4,454	435	52	4,941	5	16	30	52	4,890	27
Land transportation	2,318	218	108	2,645	3	6	49	58	2,587	-15
IT services	1,286	71	68	1,426	2	6	18	25	1,400	-9
Maritime	5,633	373	508	6,514	7	7	154	168	6,346	-7
Ship building	227	4	0	232	1	0	0	1	230	7
Shipping	5,106	367	507	5,980	6	6	153	166	5,814	-15
Maritime services	300	2	0	302	0	0	0	1	302	0
Utilities and public service	7,185	81	35	7,301	3	4	21	28	7,273	-3
Utilities distribution	3,091	40	29	3,161	1	2	17	20	3,140	-5
Power production	3,108	20	1	3,129	1	1	1	2	3,127	2
Public services	986	21	5	1,011	1	1	3	5	1,006	0
Real estate	37,233	1,145	189	38,567	24	48	122	194	38,373	-34
Other industries and reimbursement rights	531	196	7	734	6	1	0	7	727	-2
Total Corporate	**110,058**	**5,983**	**2,472**	**118,512**	**111**	**242**	**1,249**	**1,602**	**116,911**	**-73**
Housing loans	118,361	4,287	477	123,125	15	38	88	141	122,984	-72
Collateralised lending	17,270	1,308	311	18,888	48	48	161	256	18,632	27
Non-collateralised lending	5,708	1,054	219	6,981	21	71	110	202	6,779	4
Household	**141,338**	**6,649**	**1,007**	**148,994**	**84**	**157**	**359**	**600**	**148,394**	**-41**
Public sector	**4,436**	**101**	**34**	**4,571**	**0**	**0**	**2**	**2**	**4,568**	**-4**
Lending to the public	**255,832**	**12,733**	**3,512**	**272,077**	**194**	**399**	**1,610**	**2,203**	**269,873**	**-118**
Lending to central banks and credit institutions	**1,785**	**14**	**0**	**1,799**	**3**	**0**	**0**	**3**	**1,796**	**0**
Total	**257,617**	**12,747**	**3,512**	**273,876**	**197**	**399**	**1,610**	**2,206**	**271,670**	**-118**

[1] The table shows net loan losses related to on- and off-balance sheet exposures for the full year 2021.

Note 8 Continued

Loans to the public measured at amortised cost, broken down by sector and industry

31 Dec 2020

	Gross				Allowances				Loans carrying amount	Net loan losses[1]
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Financial institutions	12,622	509	158	13,289	18	16	150	185	13,105	-25
Agriculture	3,054	265	185	3,504	11	17	95	122	3,381	-13
Crops, plantations and hunting	1,027	112	49	1,188	4	7	23	34	1,154	-3
Animal husbandry	631	123	131	885	3	9	70	82	803	-4
Fishing and aquaculture	1,396	30	5	1,431	4	0	2	7	1,424	-5
Natural resources	2,673	188	564	3,425	5	4	282	291	3,134	-126
Paper and forest products	1,612	132	36	1,780	3	4	21	28	1,752	-15
Mining and supporting activities	330	22	4	356	0	0	2	3	353	-1
Oil, gas and offshore	730	34	524	1,288	1	0	258	260	1,028	-111
Consumer staples	2,821	219	27	3,067	5	20	15	40	3,027	-25
Food processing and beverages	1,083	85	7	1,175	2	5	4	11	1,164	-5
Household and personal products	165	59	11	235	1	2	5	8	227	-5
Healthcare	1,572	75	10	1,657	2	13	5	21	1,636	-15
Consumer discretionary and services	6,336	902	236	7,474	15	42	144	201	7,273	-77
Consumer durables	973	197	61	1,231	1	9	41	51	1,180	-26
Media and entertainment	1,409	79	34	1,522	2	4	25	31	1,492	-13
Retail trade	2,386	367	93	2,846	5	23	46	75	2,771	-21
Air transportation	167	33	14	214	0	1	9	10	204	-2
Accommodation and leisure	751	216	32	998	2	5	22	29	969	-20
Telecommunication services	651	9	1	662	4	0	0	5	657	6
Industrials	27,619	3,020	666	31,304	65	127	254	446	30,858	-160
Materials	1,190	384	63	1,637	3	7	29	38	1,599	9
Capital goods	2,795	403	97	3,295	5	13	51	69	3,226	-17
Commercial and professional services	10,031	605	189	10,825	26	30	0	56	10,768	-28
Construction	6,138	628	139	6,905	16	26	92	133	6,772	-56
Wholesale trade	4,234	556	85	4,874	9	35	43	86	4,788	-41
Land transportation	2,125	338	81	2,544	4	11	31	46	2,498	-19
IT services	1,106	106	12	1,224	3	6	9	18	1,207	-7
Maritime	5,620	362	555	6,537	16	9	226	251	6,286	-87
Ship building	129	4	7	140	0	0	7	7	133	2
Shipping	5,254	357	546	6,157	15	9	218	242	5,915	-88
Maritime services	237	1	1	239	0	0	1	1	238	0
Utilities and public service	5,444	127	32	5,603	4	6	16	26	5,577	-9
Utilities distribution	2,833	60	28	2,921	2	1	13	15	2,906	-2
Power production	1,833	33	1	1,866	1	3	0	4	1,863	-3
Public services	778	34	3	815	1	2	3	7	808	-4
Real estate	36,515	1,570	253	38,338	32	33	111	177	38,161	-81
Other industries and reimbursement rights	549	90	7	646	10	1	1	12	634	55
Total Corporate	**103,253**	**7,249**	**2,684**	**113,186**	**181**	**274**	**1,295**	**1,750**	**111,436**	**-547**
Housing loans	111,086	3,927	561	115,574	16	24	57	97	115,477	-77
Collateralised lending	16,425	1,401	396	18,222	55	70	192	317	17,905	-107
Non-collateralised lending	5,545	1,077	301	6,923	30	120	128	278	6,645	-178
Household	**133,056**	**6,404**	**1,258**	**140,719**	**101**	**214**	**377**	**692**	**140,027**	**-362**
Public sector	**5,363**	**129**	**37**	**5,529**	**0**	**0**	**2**	**2**	**5,526**	**0**
Lending to the public	**241,672**	**13,782**	**3,979**	**259,433**	**282**	**489**	**1,674**	**2,444**	**256,989**	**-908**
Lending to central banks and credit institutions	**4,352**	**58**	**0**	**4,409**	**3**	**1**	**0**	**4**	**4,405**	**0**
Total	**246,023**	**13,840**	**3,979**	**263,843**	**285**	**490**	**1,674**	**2,448**	**261,394**	**-908**

[1] The table shows net loan losses related to on- and off-balance sheet exposures for the full year 2020.

Note 9 Classification of financial instruments

EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Fair value through profit or loss (FVPL) Designated at fair value through profit or loss (fair value option)	Fair value through other comprehensive income (FVOCI)	Total
Financial assets					
Cash and balances with central banks	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 hedge of interest rate risk	-65	-	-	-	-65
Other assets	829	7,265	-	-	8,094
Prepaid expenses and accrued income	609	-	-	-	609
Total 31 Dec 2021	**323,986**	**198,032**	**4,363**	**33,972**	**560,353**
Total 31 Dec 2020	299,719	204,232	4,431	33,726	542,108

EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Fair value through profit or loss (FVPL) Designated at fair value through profit or loss (fair value option)	Total
Financial liabilities				
Deposits by credit institutions	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
Liabilities to policyholders	-	-	2,158	2,158
Debt securities in issue	117,785	-	58,007	175,792
Derivatives	-	31,485	-	31,485
Fair value changes of hedged items in portfolio hedge of interest rate risk	805	-	-	805
Other liabilities[1]	4,307	11,873	-	16,180
Accrued expenses and prepaid income	8	-	-	8
Subordinated liabilities	6,719	-	-	6,719
Total 31 Dec 2021	**356,432**	**49,312**	**108,366**	**514,110**
Total 31 Dec 2020	334,281	67,498	96,127	497,906

[1] Of which lease liabilities classified in the category “Amortised cost” EUR 1,147m.

Note 10 Fair value of financial assets and liabilities

	31 Dec 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
EURm				
Financial assets				
Cash and balances with central banks	47,495	47,495	32,955	32,955
Loans	347,377	349,382	336,370	344,038
Interest-bearing securities	63,383	63,495	62,509	62,764
Financial instruments pledged as collateral	1,668	1,668	3,795	3,795
Shares	15,217	15,217	12,649	12,649
Assets in pooled schemes and unit-linked investment contracts	46,310	46,310	36,123	36,123
Derivatives	30,200	30,200	44,770	44,770
Other assets	8,094	8,094	12,645	12,645
Prepaid expenses and accrued income	609	609	292	292
Total	**560,353**	**562,470**	**542,108**	**550,031**
Financial liabilities				
Deposits and debt instruments	416,078	416,770	391,228	392,214
Deposits in pooled schemes and unit-linked investment contracts	48,201	48,201	37,534	37,534
Liabilities to policyholders	2,158	2,158	2,386	2,386
Derivatives	31,485	31,485	47,033	47,033
Other liabilities	15,033	15,033	18,270	18,270
Accrued expenses and prepaid income	8	8	222	222
Total	**512,963**	**513,655**	**496,673**	**497,659**

The determination of fair value is described in the Annual Report 2020, Note G41 “Assets and liabilities at fair value”.

Note 11 Financial assets and liabilities held at fair value on the balance sheet

Categorisation in the fair value hierarchy

EURm	Quoted prices in active markets for the same instruments (Level 1)	*Of which Life & Pension*	Valuation technique using observable data (Level 2)	*Of which Life & Pension*	Valuation technique using non-observable data (Level 3)	*Of which Life & Pension*	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	-	-	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 31 Dec 2021	**79,031**	***53,165***	**153,018**	***3,665***	**4,318**	***1,282***	**236,367**
Total 31 Dec 2020	74,689	*42,072*	162,906	*3,733*	4,794	*1,024*	242,389
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	-	-	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
Liabilities to policyholders	-	-	2,158	*2,158*	-	-	2,158
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 31 Dec 2021	**42,952**	**-**	**112,075**	***45,529***	**2,651**	**-**	**157,678**
Total 31 Dec 2020	50,870	-	109,333	*35,501*	3,422	-	163,625

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.
[2] Of which EUR 1,668m relates to the balance sheet item “Financial instruments pledged as collateral”.

Transfers between Levels 1 and 2

During the period Nordea transferred “Interest-bearing securities” (including such financial instruments pledged as collateral) of EUR 2,341m from Level 1 to Level 2 and of EUR 439m from Level 2 to Level 1 and “Shares” of EUR 152m from Level 1 to Level 2 in the fair value hierarchy. Furthermore, Nordea transferred “Debt securities in issue” of EUR 10,701m from Level 1 to Level 2 and of EUR 4,954m from Level 2 to Level 1. Nordea also transferred “Other liabilities” of EUR 256m from Level 1 to Level 2 and of 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 period, which meant that fair values were obtained using valuation techniques with observable market inputs. The transfers from Level 2 to Level 1 were due to the instruments again being actively traded during the period, which meant that reliable quoted prices were obtained in the market. Transfers between levels are considered to have occurred at the end of the reporting period.

Note 11 Continued

Movements in Level 3

EURm	1 Jan	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification[1]	Translation differences	31 Dec
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	782	-457	1	401	-	-472	31	-479	-	-	1,588
Other liabilities	32	-11	-	-	33	-8	-	-	-	-	-	46
Total 2021, net	**1,372**	**-736**	**718**	**-1**	**216**	**-513**	**505**	**39**	**107**	**-**	**-40**	**1,667**
Total 2020, net	237	-122	920	4	780	-325	194	131	-365	-32	-50	1,372

[1] Reclassification related to early conversion of Visa C shares into Visa A shares.

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. The transfers out of Level 3 were due to observable market data becoming available. The transfers into Level 3 were due to observable market data no longer being available. Transfers between levels are considered to have occurred at the end of the reporting period. Fair value gains and losses in the income statement during the period are included in “Net result from items at fair value”. Assets and liabilities related to derivatives are presented net.

Valuation processes for fair value measurements in Level 3

For information about the valuation processes for fair value measurement in Level 3, see the Annual Report 2020, Note G41 “Assets and liabilities at fair value”.

Deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to the fact that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information, see the Annual Report 2020, Note G1 “Accounting policies”. The table below shows the aggregated difference yet to be recognised in the income statement at the beginning and end of the period. The table also shows a reconciliation of how this aggregated difference changed during the period (movement of deferred Day 1 profit).

Deferred Day 1 profit – derivatives, net

EURm	2021	2020
Opening balance as at 1 Jan	73	125
Deferred profit on new transactions	58	125
Recognised in the income statement during the period[1]	-54	-177
Closing balance as at 31 Dec	**77**	**73**

[1] Of which EUR -8m (EUR -10m) due to transfers of derivatives from Level 3 to Level 2.

Note 11 Continued

Valuation techniques and inputs used in the fair value measurements in Level 3

EURm	Fair value	*Of which Life & Pension*[1]	Valuation techniques	Unobservable input	Range of fair value[4]
Interest-bearing securities					
Public bodies	40	-	Discounted cash flows	Credit spread	-4/4
Mortgage and other credit institutions	491	*92*	Discounted cash flows	Credit spread	-41/41
Corporates[2]	172	*5*	Discounted cash flows	Credit spread	-17/17
Total 31 Dec 2021	**703**	***97***			**-62/62**
Total 31 Dec 2020	931	*67*			-88/88
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[5]	382	*170*	-		-39/39
Total 31 Dec 2021	**2,402**	***1,157***			**-247/247**
Total 31 Dec 2020	2,061	*927*			-199/199
Derivatives, net					
Interest rate derivatives	216	-	Option model	Correlations Volatilities	-12/12
Equity derivatives	-74	-	Option model	Correlations Volatilities Dividends	-11/8
Foreign exchange derivatives	41	-	Option model	Correlations Volatilities	0/0
Credit derivatives	-18	-	Credit derivative model	Correlations Volatilities Recovery rates	-20/27
Other	2	-	Option model	Correlations Volatilities	-0/0
Total 31 Dec 2021	**167**	**-**			**-43/47**
Total 31 Dec 2020	162	-			-52/55
Debt securities in issue					
Issued structured bonds	1,588	-	Credit derivative model	Correlations Recovery rates Volatilities	-7/7
Total 31 Dec 2021	**1,588**	**-**			**-7/7**
Total 31 Dec 2020	1,781	-			-7/7
Other, net					
Other assets and other liabilities, net	-17	*28*	-	-	1/-1
Total 31 Dec 2021	**-17**	***28***			**1/-1**
Total 31 Dec 2020	-1	*30*			-1/1

1 Investments in financial instruments are a major part of the life insurance business, acquired to fulfil the obligations behind the insurance and 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 the LIBOR) of 1.45%. A reasonable change in this credit spread would not affect the fair value due to callability features.

3 The fair values are based on prices and net asset values provided by external suppliers/custodians. The prices are fixed by the suppliers/custodians based on the development in the assets behind the investments. For private equity funds, the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly EVCA). Approximately 40% of the private equity fund investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are in a range of 1% to 100% compared with the values received from suppliers/custodians.

4 The column "Range of fair value" shows the sensitivity of Level 3 financial instruments to changes in key assumptions. For more information, see the Annual Report 2020, Note G41 "Assets and liabilities at fair value".

5 Of which EUR 156m relates to assets in pooled schemes and unit-linked investment contracts.

Note 12 Risks and uncertainties

Nordea is subject to various legal regimes and requirements, including but not limited to those of the Nordic countries, the European Union and the United States. The supervisory and governmental authorities administering and enforcing these regimes make regular enquiries and conduct investigations with regard to Nordea's compliance. Areas subject to investigation include investment advice, anti-money laundering (AML), trade regulation and sanctions adherence, external tax rules, competition law, and governance and control. The outcome and timing of these enquiries and investigations are unclear and pending. Accordingly, it cannot be ruled out that these enquiries and investigations could lead to criticism against the bank, reputation loss, fines, sanctions, disputes and/or litigation.

In June 2015 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding AML. The outcome resulted in criticism and, in accordance with Danish administrative practice, the matter was handed over to the police for further handling and possible sanctions. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters.

There is a risk that, in the event the authorities issue fines, these could be higher (or potentially lower) than the current provision, and this could also impact Nordea's financial performance. In addition, some of these proceedings could lead to litigation. Given this uncertainty, Nordea will maintain a sufficient level of provision for ongoing AML-related matters while continuing the dialogue with the Danish Authorities regarding their allegations concerning historical AML weaknesses.

Nordea has made significant investments to address the deficiencies highlighted by the investigations. Among other actions, Nordea established in 2015 the Financial Crime Change Programme, and has strengthened its organisation significantly to enhance its AML and sanction management risk frameworks. Nordea also established the Sustainability and Ethics Committee and a culture transformation programme to embed stronger ethical standards into its corporate culture. The Group is also investing in enhanced compliance standards, processes and resources in both the first and second lines of defence.

Within the framework of normal business operations, Nordea faces a number of claims related to the provision of banking and investment services and other areas in which it operates. Some of these claims have led or could lead to disputes and/or litigation. Currently, such claims are mainly related to lending and insolvency situations, various investment services, and sub-custody and withholding taxation matters. At present, none of the current claims are considered likely to have any significant adverse effect on Nordea or its financial position.

There are significant risks caused by the COVID-19 pandemic given the uncertainty of the economic impact on the markets in which Nordea operates. Depending on future developments, potential adverse impacts on income could arise due to lower net interest income, market volatility and reduced business activity impacting transaction volumes and customer activity. Potential future credit risks are addressed in Note 8 and the section "Net loan losses and similar net result". Depending on the duration and magnitude of the situation, there is a possibility that Nordea will not be able to meet its financial targets in very adverse scenarios.

Glossary

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

Allowances in relation to loans in stages 1 and 2
Allowances for non-impaired loans (stages 1 and 2) divided by non-impaired loans measured at amortised cost (stages 1 and 2) before allowances.

Economic capital
Economic capital is Nordea's internal estimate of required capital. It measures the capital required to cover unexpected losses in the course of Nordea's business with a certain probability. Economic capital uses advanced internal models to provide a consistent measurement for credit risk, market risk, operational risk, business risk and life insurance risk arising from activities in Nordea's various business areas. The aggregation of risks across the Group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

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

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

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

Return on capital at risk
Return on capital at risk (ROCAR) is defined as net profit excluding items affecting comparability as a percentage of economic capital. For the business areas it is defined as operating profit after standard tax as a percentage of economic capital.

Return on capital at risk with amortised resolution fees
ROCAR with amortised resolution fees is defined as net profit adjusted for the effect of resolution fees on an amortised basis after tax and excluding items affecting comparability as a percentage of economic capital. For the business areas it is defined as operating profit adjusted for the effect of resolution fees on an amortised basis after standard tax as a percentage of economic capital.

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

Return on equity with amortised resolution fees
Net profit for the period as a percentage of average equity for the period. Additional Tier 1 capital, accounted for in equity, is classified as a financial liability in the calculation. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued), and is adjusted for the effect of resolution fees on an amortised basis after tax. Average equity includes net profit for the period and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital.

Return on risk exposure amount
Net profit for the period as a percentage of average risk exposure amount for the period. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued).

Return on tangible equity
Net profit for the period as a percentage of average equity for the period. Additional Tier 1 capital, accounted for in equity, is classified as a financial liability in the calculation. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity includes net profit for the period and dividend until paid, excludes non-controlling interests and Additional Tier 1 capital, and is reduced with intangible assets.

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

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

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

For a list of further alternative performance measures and business definitions, please see https://www.nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports/ and the Annual Report 2020.

Nordea Bank Abp

Income statement

EURm	Q4 2021	Q4 2020	Jan-Dec 2021	Jan-Dec 2020
Operating income				
Interest income[1]	876	814	3,351	3,679
Interest expense[1]	-164	-200	-659	-1,163
Net interest income	**712**	**614**	**2,692**	**2,516**
Fee and commission income	621	594	2,435	2,223
Fee and commission expense	-145	-139	-521	-525
Net fee and commission income	**476**	**455**	**1,914**	**1,698**
Net result from securities trading and foreign exchange dealing	211	209	1,110	785
Net result from securities at fair value through fair value reserve	7	0	-28	13
Net result from hedge accounting	-8	-14	-12	-8
Net result from investment properties	0	0	0	0
Income from equity investments	875	975	1,347	1,681
Other operating income[2]	245	152	966	483
Total operating income	**2,518**	**2,391**	**7,989**	**7,168**
Operating expenses				
Staff costs	-541	-585	-2,256	-2,285
Other administrative expenses	-224	-240	-813	-799
Other operating expenses	-66	-100	-535	-593
Depreciation, amortisation and impairment charges of tangible and intangible assets	-143	-131	-463	-417
Total operating expenses	**-974**	**-1,056**	**-4,067**	**-4,094**
Profit before loan losses	**1,544**	**1,335**	**3,922**	**3,074**
Net loan losses	-53	-11	17	-678
Impairment of other financial assets	-23	-107	-26	-107
Operating profit	**1,468**	**1,217**	**3,913**	**2,289**
Income tax expense	-194	-222	-681	-325
Net profit for period	**1,274**	**995**	**3,232**	**1,964**

[1] Comparative figures have been restated. See the section “Changed accounting policies and presentation“ in Note 1 “Accounting policies“ below.

[2] From 1 January 2021 the transfer pricing method applied to internal sales and distribution services provided by Nordea Bank Abp to the mortgage banks of the Group has been updated to align with the development of OECD guidelines on transfer pricing and local tax practice. The updated methodology has entailed pricing adjustments to sales and distribution fees. Accrued income for 2021 was reflected in the second, third and fourth quarters, increasing "Other operating income" by EUR 164.4m in the fourth quarter and by EUR 569.0m in 2021 as a whole.

Nordea Bank Abp
Balance sheet

EURm	31 Dec 2021	31 Dec 2020
Assets		
Cash and balances with central banks	45,256	32,380
Debt securities eligible for refinancing with central banks	62,654	67,748
Loans to credit institutions	78,274	64,364
Loans to the public	139,086	135,873
Interest-bearing securities	9,813	9,085
Shares and participations	6,314	4,864
Investments in associated undertakings and joint ventures	88	90
Investments in group undertakings	15,101	14,686
Derivatives	30,514	45,155
Fair value changes of hedged items in hedges of interest rate risk	1	85
Intangible assets	1,736	1,785
Tangible assets	253	290
Deferred tax assets	165	398
Current tax assets	166	193
Retirement benefit assets	218	142
Other assets	9,448	14,048
Prepaid expenses and accrued income	1,165	1,012
Total assets	**400,252**	**392,198**
Liabilities		
Deposits by credit institutions and central banks	35,532	32,278
Deposits and borrowings from the public	213,547	190,649
Debt securities in issue	64,264	60,745
Derivatives	32,347	48,552
Fair value changes of hedged items in hedges of interest rate risk	342	1,408
Current tax liabilities	201	181
Other liabilities	16,518	19,537
Accrued expenses and prepaid income	927	1,048
Deferred tax liabilities	60	0
Provisions	463	638
Retirement benefit obligations	300	296
Subordinated liabilities	6,709	6,888
Total liabilities	**371,210**	**362,220**
Equity		
Share capital	4,050	4,050
Additional Tier 1 capital holders	750	748
Invested unrestricted equity	1,090	1,063
Other reserves	-65	-258
Retained earnings	19,985	22,411
Profit or loss for the period[1]	3,232	1,964
Total equity	**29,042**	**29,978**
Total liabilities and equity	**400,252**	**392,198**
Off-balance sheet commitments		
Commitments given to a third party on behalf of customers		
Guarantees and pledges	49,959	48,007
Other	846	1,024
Irrevocable commitments in favour of customers		
Securities repurchase commitments	-	-
Other	91,056	90,398

[1] Including anticipated dividends of EUR 472m (EUR 465m) from the subsidiaries.

Nordea Bank Abp

Note 1 Accounting policies

The financial statements for the parent company, Nordea Bank Abp, are prepared in accordance with the Finnish Accounting Act, the Finnish 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, and the regulations and guidelines of the Finnish Financial Supervisory Authority.

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 and methods of computation are unchanged in comparison with Note P1 in the Annual Report 2020, except for those relating to the items presented in the section “Changed accounting policies and presentation” below. For more information, see Note P1 in the Annual Report 2020.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea Bank Abp on 1 January 2021.

Changed presentation of interest from derivatives used in economic hedges

As of 1 January 2021 the interest components of derivatives hedging assets in economic hedges have been classified as “Other interest income” and the interest components of derivatives hedging liabilities in economic hedges have been classified as “Interest expense” in the income statement. Previously, both types of interest component were classified as “Interest expense”. The new principle better reflects the economic substance of hedging transactions. Comparative figures have been restated accordingly and the impacts in 2021 and 2020 can be found in the table below.

	Q4 2021			Q4 2020		
EURm	Old policy	Chg	New policy	Old policy	Chg	New policy
Interest income	945	-69	876	857	-43	814
Interest expense	-233	69	-164	-243	43	-200
Net interest income	**712**	**-**	**712**	**614**	**-**	**614**
Impact on net profit for the	-	-	-	-	-	-

	Jan-Dec 2021			Jan-Dec 2020		
EURm	Old policy	Chg	New policy	Old policy	Chg	New policy
Interest income	3,583	-232	3,351	3,906	-227	3,679
Interest expense	-891	232	-659	-1,390	227	-1,163
Net interest income	**2,692**	**-**	**2,692**	**2,516**	**-**	**2,516**
Impact on net profit for the	-	-	-	-	-	-

Interest Rate Benchmark Reform – Phase 2

In 2020 the International Accounting Standards Board (IASB) published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in Interest Rate Benchmark Reform – Phase 2. Phase 2 of the interbank offered rate (IBOR) reform includes three major areas: hedge accounting, modifications and disclosures. The amendments were implemented by Nordea Bank Abp on 1 January 2021. Hedge relationships in Nordea Bank Abp can continue as before and no material modification gains or losses have been recognised.

The amendments clarify that hedge accounting does not have to be discontinued in the event that hedged items and hedging instruments are modified due to the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Any valuation adjustments resulting from the amendments are recognised as part of hedge ineffectiveness.

Modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis are not accounted for as modifications to instruments measured at amortised cost. For such modifications, the effective interest rate is amended in line with the modified cash flows.

For further information

- A webcast for media, investors and equity analysts will be held on 3 February at 11.00 EET (10.00 CET), during which Frank Vang-Jensen, President and Group CEO, will present the results.
- To participate in the webcast, please use the webcast link or dial one of the following numbers: +44 333 300 0804, +46 8 566 426 51, +358 9 8171 03 10, +45 35 44 55 77, confirmation code 21978707#, no later than 10.50 EET (09.50 CET).
- The webcast will be directly followed by a Q&A audio session for investors and analysts with Frank Vang-Jensen, Ian Smith, Group CFO, and Matti Ahokas, Head of Investor Relations.
- The event will be webcast live and the presentation slides will be posted on www.nordea.com/ir.
- The Q4 and full year 2021 report, investor presentations and fact book are available at www.nordea.com.

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Financial calendar

17 February 2022 – Capital Markets Day

Week 9 2022 – Annual report published

24 March 2022 – Annual General Meeting

28 April 2022 – First-quarter results 2022

18 July 2022 – Second-quarter and half-year results 2022

20 October 2022 – Third-quarter and January-September results 2022

Helsinki 2 February 2022

Nordea Bank Abp

Board of Directors

This report has not been subject to review by the Auditors.

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

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