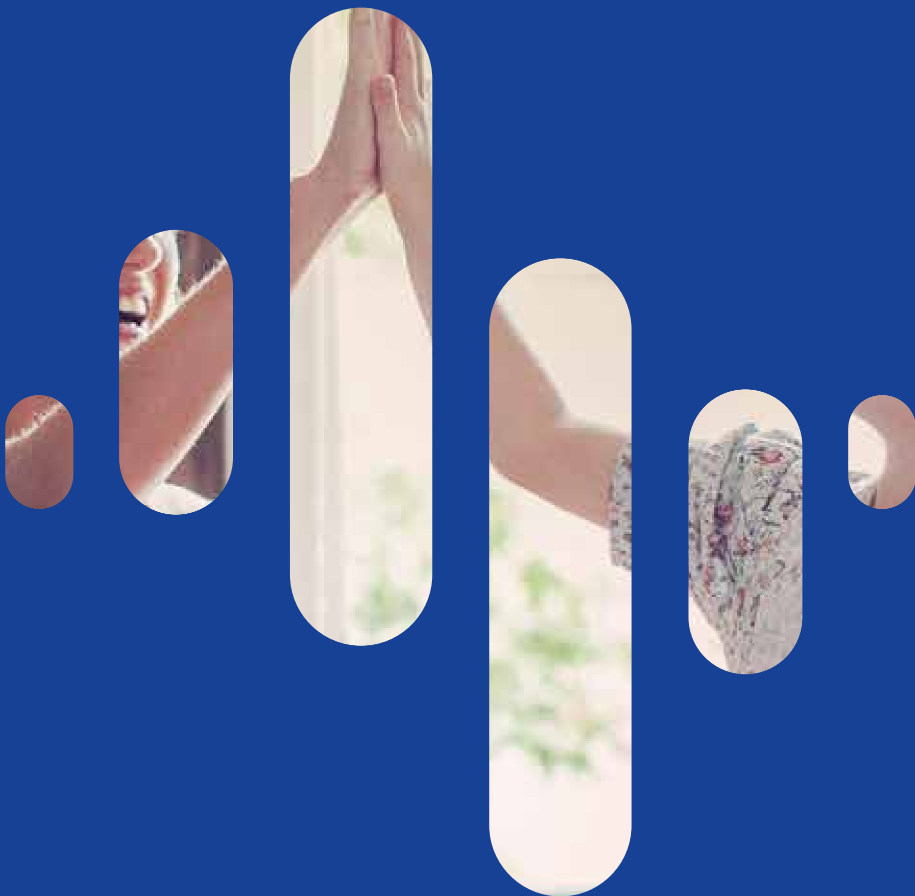
Nordea



Annual Report 2017

CEO Letter

Casper von Koskull, President and Group CEO, and Torsten Hagen Jørgensen, Group COO and Deputy CEO. **Page 4**

Personal Banking

Long-term ambition to be No. 1 in profitability, customer and employee satisfaction. **Page 11**

Wholesale Banking

No.1 relationship bank in the Nordics with operational excellence. **Page 19**

Commercial & Business Banking

Best-in-class advisory and digital experience, efficiency and scale with future capabilities in a disruptive market. **Page 15**

Wealth Management

Our vision is to become the leading Wealth Manager in the Nordic market by 2020. **Page 23**

Contents

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

Towards One Nordea

– an agile and robust bank engaging with its customers

Dear shareholder,

Looking back at 2017, Nordea produced some significant results that we can be proud of. We have further accelerated our transformation in the direction led by our customers. In a world in which banking will be at customers' fingertips anytime and anywhere, Nordea needs to change. We are taking on the challenge and consequently reshaping our core banking platform, what we call the "N-core." We are on the cusp of a new world in which banking services will be offered to customers from a growing number of service providers - be they competitors or partners. Nordea has embraced this change and is working with many innovative partners who, in collaboration with us, will meet our customer vision of being easy to deal with, relevant and competent - anywhere and anytime. The launch of the partnership with Apple Pay, which provides payments on the go, is just one example, and we are now teaming up with many interesting fintech partners like Tink in the Open Banking project, and are joining consortiums like "we. trade" in which we explore the possibilities within blockchain technology.

Nordea has made ambitious investments in building the foundation of the future bank, and we have served our first customers in Finland on "N-core", our core banking platform. There will be a further roll-out of banking services by product and country in 2018. When fully implemented, we will have a state-of-the-art banking platform with substantial customer benefits in terms of speed, user experience, convenience and compliance. More so, however Nordea - and hence our customers - will be able to fully benefit from the vibrant fintech innovation by engaging in, and offering, the financial eco-system, on our journey towards becoming the leading and most preferred banking partner for all customers in the Nordics.

Nordea is the first Nordic bank to go live with Open Banking, meaning that more than 1,000 external developers have tested and provided feedback on the open APIs and associated services. The Open Banking platform allows application developers to test their ideas using the bank's data and tools. In December, Nordea took the next step as we connected the APIs to the production system and provided the first pilot developers with access to real customer data. In the near future, customers will see a new range of services and products developed in collaboration with third-party providers and will benefit from that source of innovation.

To further boost and foster innovation both internally and externally, we have created Nordea Ventures, through which we will make strategic investments in fintech start-ups such as the payment service company Betalo, and we have recently launched Nordea Runway, our very own intrapreneur programme aimed at harnessing innovation originating from within Nordea.

2017 was also the year in which we embarked on a journey that focused on the culture of the bank. Employees assisted in the co-creation of a shared purpose and an updated set of corporate values that will guide all employees in their interactions with customers, colleagues and the societies in which we operate. A vital part of the culture is focusing on how Nordea as a business will create value both for our customers and society. Creating value for our customers is the path to long-term shareholder value, and this is also why we have taken the first steps in changing our organisation. We want to be faster, more agile, less hierarchical and always put the customer at the heart of our thinking and actions, organising our capabilities in line with customer need. We have taken an important step in being better at listening to and looping back customer requests into the business areas for actions.

With the transformation we are undergoing to meet customer needs, not only of today but also tomorrow, we are finding new ways of working. The digital transformation, with more services containing robotics and artificial intelligence, in combination with new ways of organising work, leads to a need for fewer employees. Nordea will, over a period of four years, be at least 4,000 employees and 2,000 consultants, fewer. This process is being conducted responsibly whereby Nordea has set up a specific unit to assist affected employees with finding new jobs.

2017 was yet another year with low interest rates and an unstable political environment in parts of the world, including Europe, with the decision of the United Kingdom to leave the EU. Nevertheless, Nordea proved once more to be one of the most stable banks in Europe. It is more than 11 years since our shareholders experienced a loss-making quarter. Nordea's balance sheet is one of the strongest among the European banks, and our credit rating is among the highest. We delivered the following results for full-year 2017 (excluding items affecting comparability): Income, EUR 9,469m, Operating profit, EUR 3,998m, Costs, EUR 5,102m, Loan loss ratio, 12bps, Return on equity, 9.5%.

The positive effects of our accelerated transformation are starting to reach our customers all over the Nordics. Consequently, we have received awards and top rankings including: best private bank, IT innovation of the year, best in real estate finance, best transaction banking and a number one ranking for our large corporates operation.

Personal Banking: The mobile bank is becoming the natural contact point. Online meetings with the bank are continuing to gain popularity; one out of four meetings is now held online. Also, our investments in artificial intelligence – AI – progressed well and will result in increased customer service quality.

On 25 August 2016 Nordea and DNB entered into an agreement to combine their operations in Estonia, Latvia and Lithuania to create a leading independent main financial services provider in the Baltics. The Luminor transaction was successfully closed on 1 October 2017, resulting in the establishment of the third largest financial services provider in the Baltic banking market.

Wealth Management: Customers obtained a strong return on their Nordea Funds. Nordea Swedish Stars fund was at the top among Swedish funds after gaining 17.6%. In addition, we are the best performer among Norwegian funds and in Denmark we are rated best on performance among the largest Danish fund companies.

Nordea received the 'Price-crusher of the year' award (Årets prispressare) from personal finance magazine Privata Affärer as the first major bank in Sweden that challenged the e-brokers with low commissions. We have confirmed our strong position as the largest supplier of savings to Nordic customers, with total assets under management amounting to EUR 330.4bn.

In December it was announced that Foreningen Norliv will purchase 45% of the share capital in Danish Nordea Liv & Pension, livsforsikringsselskab A/S, conditional on the approval of the relevant authorities. The purchase will increase Norliv's stake to 70% in Nordea Liv & Pension, livsforsikringsselskab A/S, aiming to take full ownership in a couple of years.

Commercial & Business Banking: The influence of digitalisation has been witnessed through substantial growth in the use of Nordea's online and mobile services and through demand for solutions that can support our customers' new business models and their customers' expectations. To cater to this changing environment, in 2017 we launched several services and solutions for the 500,000 corporate customers we served.

We have a successful pilot for Nordea Digital Corporate (new Corporate Netbank solution) and Nordea Connect (new Payment Service Provider solution) launched in Sweden. The development of the platform is an example of agile and open development in collaboration with our customers. The Start-Up & Growth units in Finland and Denmark have been launched to specialise in servicing this segment and building networks of connections to investors, accelerators and other relevant entities.

We have launched new product packages, Nordea Business Start, Plus and Pro in Denmark to make it easier and more transparent to become a customer of Nordea. One area in which we have had good momentum is in the Mobile payments field, with Nordea launching Siirto P2P and a merchant solution in Finland, launching a merchant solution for Swish and reaching one million P2P customers in Q3, as well as the successful launch of Samsung Pay and Apple Pay.

Wholesale Banking: Wholesale Banking continues to develop and leverage its leading market position in the Nordics. Long-term customer relationships form the core of the franchise which is gradually shifting towards capital-light solutions with a strong emphasis on managing for returns. The client perspective is the starting point for Wholesale Banking's goal to increase customer relevance, intensity and value as well as to create a more sustainable bank for our customers and employees.

This is underlined by a significant advance in green bonds - Nordea has surpassed well over EUR 1bn in apportioned value in 2017 – and green loans as well as high client activity, several thought leadership events and publications as well as gradually embedding ESG risks into the credit process.

The strategy of steering Russian activities towards large corporates continued during the year. The retail loan portfolio was sold to SovComBank in January 2017 and the corporate lending portfolio was reduced by approximately 30% during the year.

Nordea Transaction Banking has, for the second year in a row, won The Banker's Transaction Banking Award for the Nordic region. Corporate and Institutional Banking took a huge leap in the latest Prospera survey for large corporates, moving from number 5 to a shared number 1 position in the Nordics.

Sustainability: At Nordea, we are committed to acting sustainably in our everyday business. In our view, sustainability presents an opportunity to use our skills, expertise and relationships to make a positive difference to individuals, society and the environment. Building trust by being open, approachable, transparent and acting with integrity is vital to achieving this objective.

In 2017, we upgraded our sustainability approach and started to develop a long-term sustainability roadmap, taking into account mega trends such as climate change and digitalisation, as well as the United Nation's Sustainable Development Goals (SDG). We will create sustainable business by integrating sustainability into all our products and offerings. So far, we have integrated environmental, social and governance issues (ESG) into our investment decisions and are on our way in terms of financing, although lots of work remains to be done. We see the SDGs as the future direction and will link sustainability at Nordea to our selected SDGs.

In 2017 Nordea hosted the "Nordic Sustainable Finance Conference" and facilitated a number of green bond issuances including Folksam Group, MuniFin and Ørsted. These were important achievements in our sustainability business, and something that we aim to build further on.

Redomiciliation: On 6 September 2017, Nordea's Board of Directors decided to initiate a redomiciliation of the parent company of the Nordea Group into the Banking Union.

This decision was based on the Nordea Group's unique pan-Nordic and international structure, which means that the existing national regulatory frameworks do not fully accommodate the Nordea Group's operating model and recent strategic developments.

Nordea expects that domiciling the parent company of the Nordea Group in Finland, a country within the EU Banking Union will subject the Nordea Group to the same prudential regulatory framework as its European peers, with greater consistency in the application of laws and regulations, therefore providing a level playing field.

Nordea expects the re-domiciliation to promote the interests of customers, shareholders and employees. The operations of the Nordea Group, including in its Nordic home markets, will remain unchanged:

- no changes in the day-to-day operations are expected from a customer perspective, and
- only a limited number of employees of the Nordea Group are expected to be affected by the redomiciliation.

The Board's proposal will be subject to the decision of shareholders at Nordea's annual general meeting on 15 March 2018.

So, looking in hindsight at the past year, I believe that we are steadily improving the bank in the direction our customers want us to. We are doing this since the overall goal is to make our customers satisfied with the services we provide to them, and all the changes we make aim at delivering the best possible experience to our customers.

I would also like to express appreciation for the hard work of our employees who remain an integral part of our efforts to achieve our ambitions. The dedication to our customers and willingness to innovate reinforce my confidence in our journey over the coming years.

In a time of transformation and change I am convinced that the set course will improve customer satisfaction gradually as customers will experience that we add value for them. And by doing so, we will also generate stable results for our shareholders.

Best regards,

Casper von Koskull
President and Group CEO

Leading platform

Total customer relationships and market position 2017

No. 1
Market position, Household customers and Corporates & Institutions

Household customers:
9.6 million

Corporates & Institutions:
580,000

Customer relationships and market position 2017 by country:

SWEDEN
4.2 million
Household customers
(#2–3)
200,000
Corporates & Institutions
(#2–3)

DENMARK
1.7 million
Household customers
(#2)
65,000
Corporates & Institutions
(#2–3)

FINLAND
2.8 million
Household customers
(#1–2)
243,000
Corporates & Institutions
(#1)

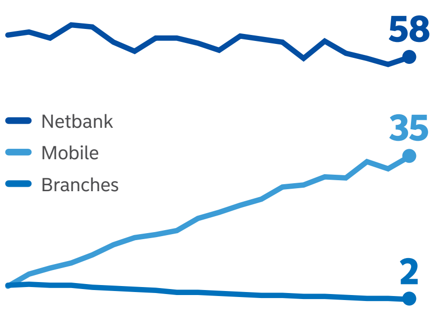
NORWAY
900,000
Household customers
(#2)
70,000
Corporates & Institutions
(#2)

Nordea has a superior customer franchise and a unique position in the Nordics

Nordea is the leading bank in the Nordic countries and a major European bank. We are proud to be a prominent Nordic retail bank, the number one wholesale bank and the largest private bank, asset manager and life and pensions provider in the Nordic region. Through our four business areas **Personal Banking**, **Commercial and Business Banking**, **Wholesale Banking** and **Wealth Management** we serve over 10 million customers. Nordea is a Nordic bank with a global reach, operating in **20 countries** worldwide, including Poland and India where we have operational support centres.

Leading financial services platform in the Nordic region

Transactions
Q1 2013 – Q4 2017, millions



Online advisory meetings:
24%
Share of total meetings excl. corporate customers Dec. 2017 (+41%)

AWARDS

"No. 1 Corporate Banking in Nordics"
Prospera

"Best Private Bank in the Nordics"
The Banker

"Nordics winner - Best Transaction Banking"
The Banker

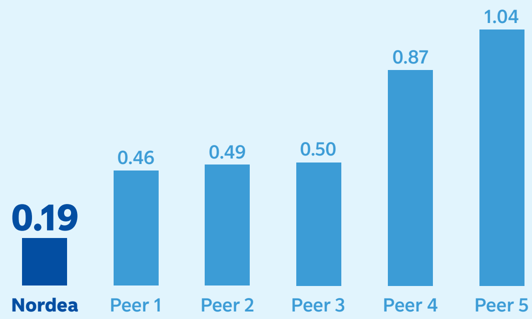
Nordea is the most diversified bank in the Nordics with strong capital generation

Relative RoE performance[1]

2013–2017, Excl. items affecting comparability

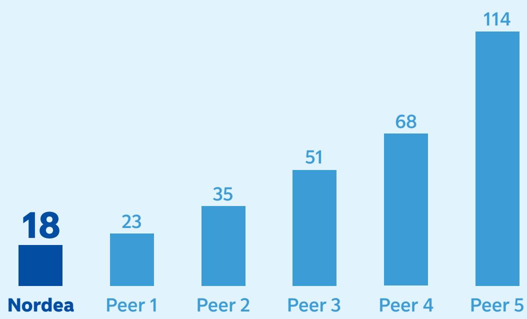
Through a well diversified business, Nordea has delivered competitive returns with the lowest risk in the Nordics.

Quarterly CET1 ratio volatility[1], %



1) 2006–2017. Calculated as quarter-on-quarter volatility in CET1 ratio, adjusted so that the volatility effect of those instances in which the CET1 ratio increases between quarters is excluded

Quarterly net profit volatility[1], %



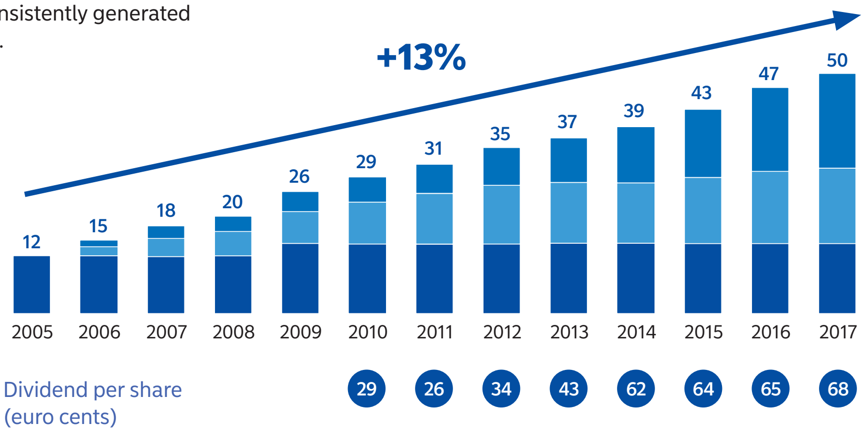
1) 2006 – 2017.

Capital generation and dividend growth (CAGR)[1]

Over the past decade, Nordea has consistently generated new capital while growing dividends.

Acc. dividend, EURbn

Acc. equity, EURbn



1) CAGR 2005–2017, adjusted for EUR 2.5bn rights issue in 2009. Equity columns represent end-of-period equity less dividends for the year. No assumption on reinvestment rate for paid out dividends.

Nordea investment case – strategic priorities

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

Strengthening the customer-centric organisation

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

Digitalisation and distribution transformation

Digitalisation is one of the main drivers for change in banking and indeed in many other industries. Customer preferences and expectations on accessibility, ease and personalisation are key reasons for this trend. Nordea continues to see a rapid increase in customer demand for mobile solutions.

In order to be a truly digital bank, Nordea is on a transformational journey. The ramp-up phase of this journey was completed during 2015–17 and we are now moving into the execution phase, which will continue until 2021. At the end of this phase, the ambition is that our distribution channels, processes, IT infrastructure and operations, etc. will be state-of-the-art, thus enabling efficient, agile and compliant operations.

The transition activities include the shift from physical to digital distribution and the establishment of e-branches, as well as the use of artificial intelligence – AI.

"One Bank"

To better reflect the Nordic way in which we operate today, a transformation to simplify the legal structure has taken place, and as of 2 January 2017, the Norwegian, Danish and Finnish subsidiary banks were converted into branches of the Swedish parent company.

In September 2017, Nordea's Board of Directors decided to initiate a redomiciliation of the parent company to Finland and the Banking Union. All operations in the Nordic home markets will remain unchanged and there will be no change in our day-to-day operations from a customer perspective. Irrespective of domicile, the legal structure supports our work to increase agility, efficiency and economies of scale, and also strengthens governance. Our ambition remains making it easier for our customers to deal with us cross-border, while at the same time leveraging on our expertise as One Nordea.

Simplification

By 2021, billions of new devices will be connected to the Internet. Today, new technologies are developed and delivered in months, and customers are adapting by simply accepting the increasing role technology has in our society. That's why Nordea's future competitive advantage will be fuelled by the way it integrates new and existing technology to improve customers' lives – and at the requisite speed.

To offer customers security, unlimited access, seamless transactions and tailored services, we are simplifying our core, redesigning our infrastructure and changing the way we work. Simplification is at the heart of this transformation, piloting new and agile ways of working, while converging over 400 legacy platforms into a new core banking platform, a new payment platform, a customer and counterparty master solution and a common data warehouse.

In October 2017, Finnish employee savings accounts were migrated to the new core banking platform, and over 600 new employee savings accounts have since been opened. This prepares for a broader launch at the beginning of 2018 to Finnish household customers. Also, a pilot for loans in Finland was completed in November.

All SEPA Credit Transfer Interbank payments are now running on the new payment platform. As an example, this platform processed more than one million tax refund payments in Finland in record time. During one single nightly cycle between 4 and 5 December, over 500 payments were processed every second. In December, the payment platform also reached another important milestone, with a total of 200 million payments having been processed since deployment.

Nordic customer data has also been sourced into the common customer and counterparty master solution, while simplification has continued with further closures of legacy local systems and applications, paving the way for a common data warehouse.

Cultural transformation – purpose and values

In order to adapt to the sweeping changes in our industry and our customers' needs, Nordea has embarked on a cultural journey with the belief that no business transformation can succeed without also incorporating a human transformation. The culture should clearly define who we are, what we stand for, how we behave and how we decide what is right. In the spring of 2017 extensive work was carried out to define our purpose and values, which will support a strong culture and business foundation:

Our Purpose

Together, we lead the way, enabling dreams and everyday aspirations for a greater good.

Our Values

Collaboration – For the common good

Ownership – It start with me

Passion – To serve our customers

Courage – To do what is right

Trust and responsibility

We have set an ambitious target to be best in class in terms of regulatory compliance. Emphasis on implementing new rules and regulation quickly, and making it an integral part of our business model, is key to capturing the benefits of compliance-driven investments also in the form of a deeper understanding of our customers and risks.

Nordea Investment Case – strategic priorities

Strengthening the customer-centric organisation

Digitalisation & distribution transformation

Cultural Transformation

'One Bank'

Simplification

Trust & Responsibility

Customer vision

Easy to deal with...

...relevant and competent...

...anywhere and anytime...

...where the personal and digital relationship makes Nordea my safe and trusted partner

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

Simplification Journey Progress - we have already come a long way in building the capabilities and foundation for change

Success			Objective	
2014–15 Start from scratch	**2016** Acceleration	**2017** Breakthrough	**2018** Basic modules delivered	**2019–20** Full scale simplification
Initial Simplification 70% products reduced 3.6m IDs cleaned	First deliveries: Savings Pilot SEPA Interbank in 7 countries	Big deliveries: First wave of Savings Finland SEPA Interbank finalisation	First deliveries finalised in: • Deposits • Loans • Cross-border payments • Instant payments	Migration of more complex products Business to own the new capabilities and to move simplification further
Basic ramp-up 600 people 30 nationalities	Building up capabilities across the bank 1,000 people 35 nationalities	Delivery engine in place Entire bank to support transformation	Local data warehouses closed	Decommissioning of legacy to be continued in 2020

Financial targets towards 2021

Dividend policy
- To maintain a strong capital position in line with Nordea's capital policy
- The ambition is to achieve a yearly increase in the dividend per share

Capital policy
- Management buffer of 50 – 150bps above the regulatory CET1 capital ratio requirement

RoE
- Continued improvement in Return on Equity
- Target to be above the weighted Nordic peer average

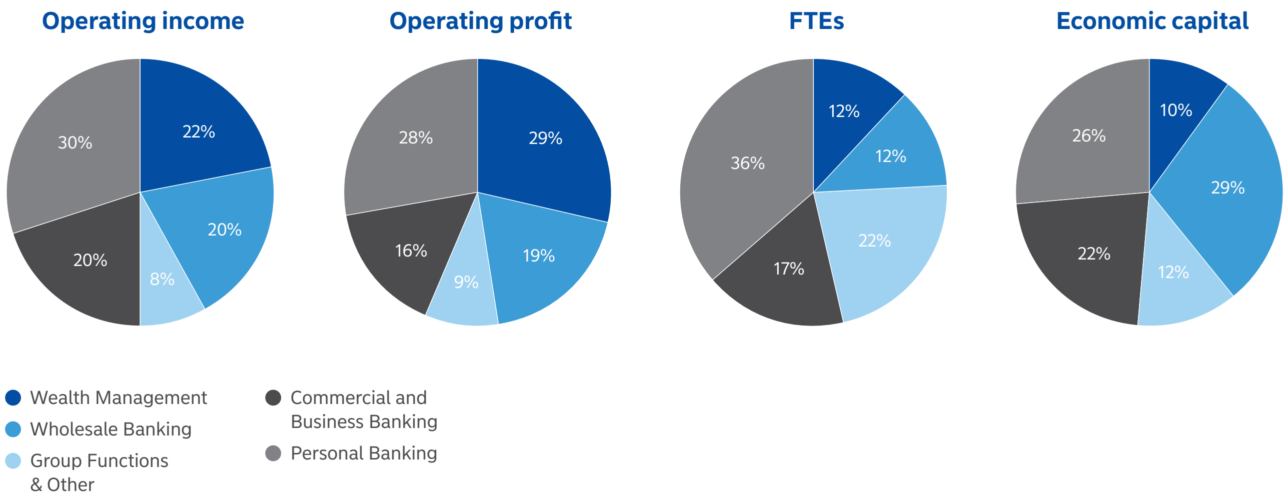
Costs
- Cost base of approx. EUR 4.9bn in 2018
- Target of total costs incl. transformation costs to be below EUR 4.8bn in 2021

Gradually improved Group return and cost efficiency as business areas address and close their relative performance gaps

Business Areas

The four main business areas are designed to support the relationship strategy for each specific customer segment. Having one operating model and an end-to-end value chain ensures optimal delivery, increasing the time spent with customers and reducing the time required to bring new products and services to market.

Business Area contribution, 2017



Personal Banking

- Leading Personal Banking in the Nordics
- Strong growth in operating profit
- Long-term ambition to be No.1 in profitability, customer and employee satisfaction
- One out of four advisory meetings held online
- Efficiency and scale – One Nordic model
- Advisory – easily and conveniently available
- Digital experience – tailored to customer preferences and needs

Commercial & Business Banking

- Leading position in corporate banking in the Nordics
- Ambition to be No. 1 in employee satisfaction, customer and profitability
- An increasing number of meetings are now held online
- Efficiency and scale – One Nordic model
- Best-in-class advisory – anywhere and anytime
- Best-in-class digital experience – tailored to customer preference and needs

Wholesale Banking

- High customer intensity and satisfaction
- Maintain No.1 Wholesale Bank position in the Nordics
- Increase capital velocity
- Operational excellence
- Embedded risk and compliance agenda
- Active sustainable financing

Wealth Management

- Largest private bank, asset manager and life & pensions provider in the Nordics
- Strong investment performance
- Developing new digital advisory and product capabilities
- Well-diversified, growing and capital light business
- Delivering advice and solutions of superior quality

Group Functions and Other

- Provide the Nordea Group with asset and liability management, treasury operations, group-wide services, strategic frameworks and common infrastructure
- Strongest financial income generation
- Leading the implementation of One Operating Model acress the bank
- Contribute to Nordea's focus to enhance Capital, Financial Crime privention and Data & Technology

Business Areas

Personal Banking

Introduction

Topi Manner
Head of Personal Banking.

Nordea has the largest customer base of any bank in the Nordic region. In Personal Banking around 11,000 people serve close to 10 million Personal Banking customers through a combination of physical and digital channels. Employees are committed to constantly working towards great customer experiences.

The Personal Banking business area serves Nordea's household customers through various channels offering a full range of financial services and solutions. The business area includes advisory and service staff, channels, product units, back office and IT under a common strategy, operating model and governance across markets.

Through strong engagement and valuable advice, the aim is for Personal Banking customers to entrust Nordea with all their banking business. Reflecting the rapid changes in customer preferences, Personal Banking's relationship banking concept also encapsulates and integrates digital channels through a constantly expanding mobile offering.

10 million **Personal Banking customers in the Nordic and Baltic region are served by around 11,000 Nordea employees.**

Business development

The Personal Banking business continues with its significant transformation. The influence of digitalisation changes what customers expect from us, leading to one out of four advisory meetings being held online. Throughout 2017, our customers saw improvements in our processes and in a range of digital services:

Exciting new payment services were introduced, including Apple Pay, and extensions to our peer-to-peer payment services, such as Vipps

Improved daily banking experience, for example, via the introduction of instant video meetings through netbank in all Nordic countries, and through the renewed Mobile Banking App beta in Finland

Piloting of virtual assistant in customer service in Norway – chatbot Nova

An 80% reduction in lead time for the refinancing process in Norway, as an example of our process improvements

Development with Wrapp and Tink will pave the way for new customer experience-driven mobile services as part of our mobile services roadmap

Our mobile services roadmap focuses on new improved customer experiences, and connects to more efficient back office operations supported by the roll-out of the Core Banking Platform and new mobile service models

2017

Total income was

EUR 2,866 m

1% **increase in both total lending and deposits compared to 2016.**

The business area ROCAR amounted to

12%

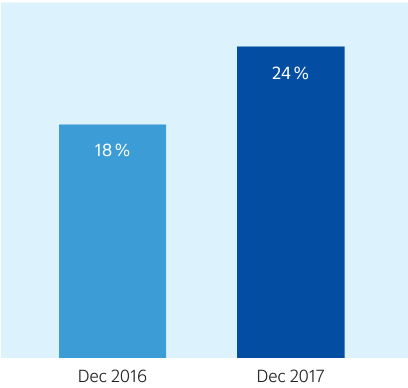
In the housing market we continued to serve our customers actively and with increasing responsiveness, supported by more online meetings. We continued to have a balanced approach to reflect local market conditions, and managed our lending risk profiles with actively managed pricing models. Our approach remains a combination of Nordic synergies with a high level of local adaptation given the differences between the Nordic housing markets – starting with designing the customer journey and experience.

The trend of increasing wealth among Nordic personal banking customers continues. Our customers continue to benefit from our proactive reach to our customers, while ensuring prudent and compliant advisory. In 2017, we adjusted our offering and advice to align with MiFID II, ensuring our customers will experience further improvements in product and service levels in 2018 and beyond.

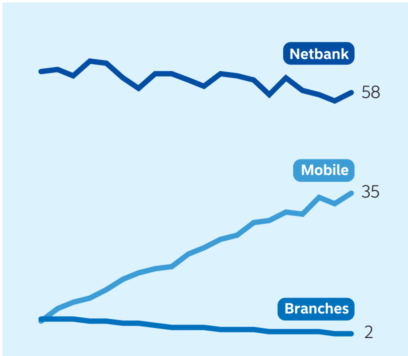
Alongside these improvements in relation to our customers, we have also developed our operational mode towards agile development, which has already shown decreasing lead times for greatly improved services. This is crucial as new mobile services continue to drive future customer experiences – while letting customers choose their preferred way to deal with their bank.

On 25 August 2016 Nordea and DNB entered into an agreement to combine their operations in Estonia, Latvia and Lithuania in order to create a leading independent main financial services provider in the Baltics. The Luminor transaction was successfully closed on 1 October 2017, resulting in the third largest financial services provider in the Baltic banking market.

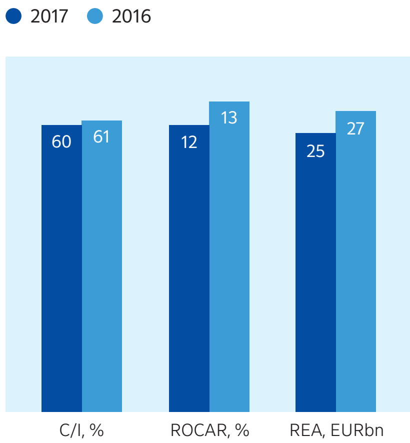
Online advisory meetings
Online meetings' share of total meetings excl. corporate customers.



Transactions, millions
Q1 2013 – Q4 2017



Key figures



Result

Personal Banking exhibited income growth compared to 2016, which resulted in operating profit increasing 7%. Net interest income was up 7% driven by lending and deposit volume growth in local currencies together with increased lending margins, while deposit margins stayed flat. The number of FTEs was reduced in line with improved efficiencies and automation of the operations and the branch network. Total expenses increased 4% in local currencies mainly due to restructuring provisions in the fourth quarter following the transformation agenda communicated in the third quarter, as well as organisational changes between Personal Banking and Group Functions. In the business units expenses decreased from the previous year.

Credit quality

The loan loss ratio remained on low level at 3bps. The loan loss level was low and credit quality was strong in all Nordic countries.

Denmark

Total income decreased 3% from 2016 with both net interest income and net fee and commission income at a lower level than last year. Net interest income was affected by a decreasing consumer lending volume and the low interest rate level. Net fee and commission income was affected by a lower mortgage refinancing fee following customers' high demand for loans with longer refinancing periods. A strict cost focus led to a 4% decrease in total expenses. Loan loss provisions remained on a low level.

Finland

Total income increased 3% from 2016. The positive income trend was mainly driven by growth in savings and daily banking income. Lending volumes increased 2% driven by strong sales of new housing loans. Deposit volumes increased slightly. Total expenses decreased from the previous year despite investments in digital transformation and restructuring expenses booked in Q4. The number of FTEs decreased especially in the second half of the year, ending down 9% from 2016. Loan losses remained at a low level.

Norway

Total income increased 13% in local currency. The main drivers were net interest income due to the positive trend of lending margins and an increase in net fee and commission income from lending and savings. Lending volumes increased by 4% in local currency from the same quarter last year, while deposit volumes were stable in the same period. Total expenses decreased 3% in local currency. Loan losses were down 11%.

Sweden

Total income showed stable growth during the year and income for 2017 increased 5% in local currency from 2016. Lending volumes increased 1%, while the deposit volume increased by 3% in local currencies. Together with increased lending margins this gave an increase of 7% in net interest income. Underlying growth in commission income was stable, up 1% in local currency. Expenses were stable. Staff expenses declined, driven by a lower number of FTEs.

Strategic focus areas and value drivers

Our focus starts with our customers - a high level of availability of efficient daily **banking services accessible through multiple channels and driven via mobile**, supplemented by tailored, high-value services for Home Owners and Affluent customers through the channel they choose. With all this we are aiming for the number-one slot on the customer satisfaction index for Affluent customers and Home Owners, and to be on a par for other segments.

The platforms we use and develop continue to **drive scale and Nordic efficiencies**, with local market adaptability. This gives us further leverage in introducing further automation for service processing, and enables new faster cycles in service introduction, supported by the introduction of the first products in the new Core Banking Platform. We also continue to leverage our Nordic presence also for a maintained and relevant risk profile.

In addition to technology, we are set for a journey towards being number one in employee satisfaction. Our **agile way of working** has already proven its merits both in employee engagement, and in getting better services out faster than ever. Our managed transition from many smaller branches into larger units, providing increasingly online services, has progressed as planned, including upside for our employees to provide a more specialised service to our customers and a new level of collaboration within our branch networks.

The importance of digital mobile services is increasing, and will remain a key item in our transformation roadmap. We continue to develop customer-driven services through development both in-house and with partners, and the excitement surrounding the 2017 key service introductions is testimony to this approach.

Strategic focus areas for executing the transformation

We continue to leverage our Nordic scale for profitability and cross-market risk balancing, while significantly driving new mobile services.

Efficient daily banking services complemented by tailored services for Home Owners and Affluent customers create a platform for both scale and profitability.

The foundation of our long-term competitiveness is our agile transformation.

Improved customer value through mobile-centric banking
Mobile offering evolving with partnerships

- Mobile stepping up to be the main tool for interaction
- Meetings going more online
- Digital sales and distribution increasing in importance
- Data and analytics creating a competitive advantage

Distribution network transforming to be more flexible and specialised
Tailored services for high-value customers

- Customers served through digital offering
- Focus on high-value customers with tailored value propositions
- Optimisation of the branch network, with increased service-specific specialisation

Faster development cycles and more efficient service processes
Agile transformation

- Continued cost reduction through automation of product processing, nearshoring, and robotics
- Nordic synergies through the Core Banking Platform roll-out
- Service development cycles and employee engagement improving through our agile way of working

Capturing value in Personal Banking

In parallel with significant investments in future digital capabilities and improved Nordic platforms, we plan on significant improvement in our Cost/Income ratio with a high ambition to be #1 in customer satisfaction, employee satisfaction, and profitability.

#1 Customer satisfaction[1]

#1 Employee satisfaction

#1 Profitability

Innovative products and services driving happier customers and growing income

Significant efficiencies in operations, and a new engaging agile operational mode

Income +3% p.a.

Cost −2% p.a.

C/I ratio Low 40s

1) Leading customer satisfaction index for affluents and home owners – on par for other customer groups.

Business Areas

Commercial & Business Banking

Introduction

Erik Ekman
Head of Commercial & Business Banking.

Nordea has a leading customer base in the Nordic region. In Commercial & Business Banking around 5,400 people serve more than 560,000 corporate customers through a mix of physical and digital channels allowing customers to meet Nordea and obtain advice whenever and wherever it suits them.

Commercial Banking services larger corporate customers and Business Banking services small and medium-sized corporate customers. Both units operate in Denmark, Sweden, Norway and Finland. The customers are serviced out of close to 200 physical and online branches across the Nordics.

Commercial & Business Banking consists of advisory and service staff, product units and back office - all operating under the same strategy, operating model and governance across markets.

Commercial & Business Banking also consists of Transaction Banking – including Cards, Trade Finance, Nordea Finance and Cash Management – which serve as product responsible units, providing payment, liquidity and finance services to both household and corporate customers across the Nordea Group.

Our ambition is to be number one in customer satisfaction, with the most satisfied employees and the highest profitability in the segments where we choose to compete.

We will do so by supporting our customers in making banking easy, by providing sound strategic advice and support and by connecting them with new business opportunities, so they can focus on their businesses.

In order to achieve this, we are transforming the way we service our customers, broadening self-service options and thereby enabling easy and more available banking for our customers.

560,000 **corporate customers are served by around 5,400 Nordea employees.**

Business development

The banking market continues its transformation and so too does the businesses of our customers. The rapid introduction of new digital solutions is forever changing behaviours and expectations.

The influence of digitalisation has been witnessed through substantial growth in the usage of our online and mobile services and through demand for solutions that can support our customers' new business models and their customers' expectations.

To cater to this changing environment we launched several services and solutions for our corporate customers in 2017. Some examples are:

Successful Pilot for Nordea Digital Corporate (new Corporate Netbank solution) and Nordea Connect (new Payment Service Provider solution) launched in Sweden. The development of the platform is an example of agile and open development in collaboration with our customers

Launch of Start-Up & Growth units in Finland and Denmark that specialise in servicing this segment and building networks of connections to investors, accelerators and other relevant entities

Launched new product packages, Nordea Business Start, Plus and Pro in Denmark to make it easier and more transparent to become a customer of Nordea

Launch of Open Banking pilot phase (more than 1,000 developers signed up), the first one in the Nordics. A platform for Nordea to collaborate and co-create with fintechs and other market players, improving the time-to-market when it comes to the launch of new customer solutions and value propositions

Good momentum on Mobile payments with Nordea launching Siirto P2P and merchant solution in Finland, launching a merchant solution for Swish and reaching one million P2P customers in Q3, as well as the successful launch of Samsung Pay and Apple Pay

Consumer Finance solution via Broker live in Finland and Denmark, with other countries to follow in 2018

Launch of Nordea Finance Leasing platform in Finland (other countries will follow), a new and improved system enabling the reduction of complexity by harmonising processes and products, focusing on Leasing, Hire Purchase and Loans

Successful Summer of Innovation initiative, which joined customers, Nordea experts and University students in weekly sprints addressing, in a collaborative and out-of-the-box way, some of the key issues of our customers. This concept has been expanded and is now run on a continuous basis with customers from different industries.

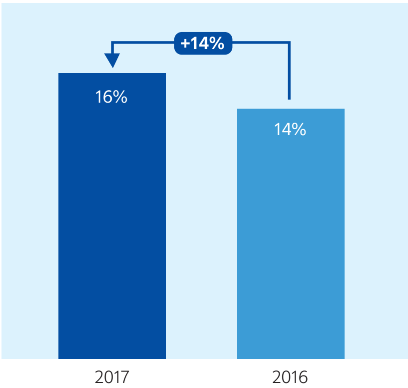
2017

Total income was
EUR 1,849 m

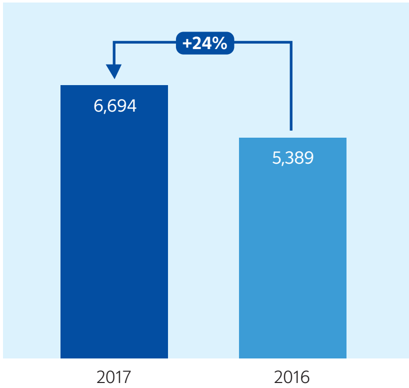
9% **increase in operating profit compared to 2016.**

The business area ROCAR amounted to
8%

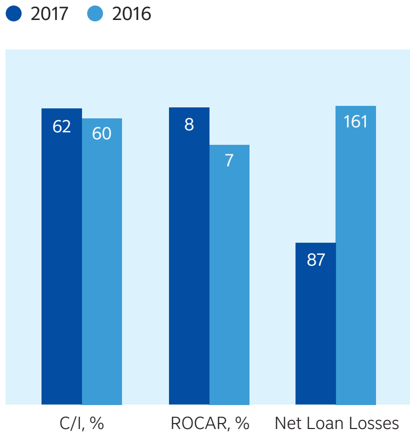
Share of remote meetings



Increase in customers joining via Online Onboarding



Key figures



Result

Total income increased 1% from 2016 driven by net interest income and net commission income and offset by items at fair value. Initiatives to increase margins outweighed the effects of the sustained low interest rate environment. Lending and deposit volumes remained stable. Total expenses increased by 4% due to transformation cost provisions for 2018 (EUR 51m). The underlying cost decreased 1%. Net loan losses decreased 46% leading to a 9% increase in operating profit. Risk exposure amount (REA) and Economic Capital remained stable. ROCAR increased from 7% to 8% for the full year driven by a decrease in loan losses.

Credit quality

Net loan losses decreased 46% as credit quality improved. The loan loss ratio was 11bps in 2017, down from 20bps. Credit quality remains solid.

Commercial Banking

Total income increased 4% driven by strong net interest income and commission income performance. Items at fair value contracted and were affected by low volatility in financial markets.

The interest rate environment remains challenging, but efforts to increase net interest margins led to the positive development in net interest income.

Total expenses remained flat and loan losses increased by 28%, leading to an increase in operating profit of 4%.

Risk exposure amount (REA) and Economic Capital increased slightly by 2% and 1%, respectively. ROCAR remained flat as growth in income was partly offset by increasing net loan losses.

Business Banking

Total income increased by 1% driven by a positive performance for net interest income and net commission income. Lending growth was mainly in-low-risk, low-margin segments.

Total expenses decreased by 1% and net loan losses decreased significantly as credit quality improved leading to an increase in operating profit of 43%.

Risk exposure amount (REA) and Economic Capital decreased by 4%, leading to a ROCAR increase of 4%-points to 12% in 2017.

Strategic focus areas and value drivers

Our primary strategic objective is to transform the way of servicing our customers in order to remain relevant in their eyes, while at the same time structuring our operations in order to achieve cost efficiencies and quality gains. To achieve this objective, our strategic focus areas build on the existing strategy:

1. **Best-in-class advisory** – tailored to customer needs and preferences
2. **Best-in-class digital experience** – anywhere and anytime
3. **Efficiency and scale –** one Nordic model
4. **Future capabilities in a disruptive market** – sustainable competitiveness

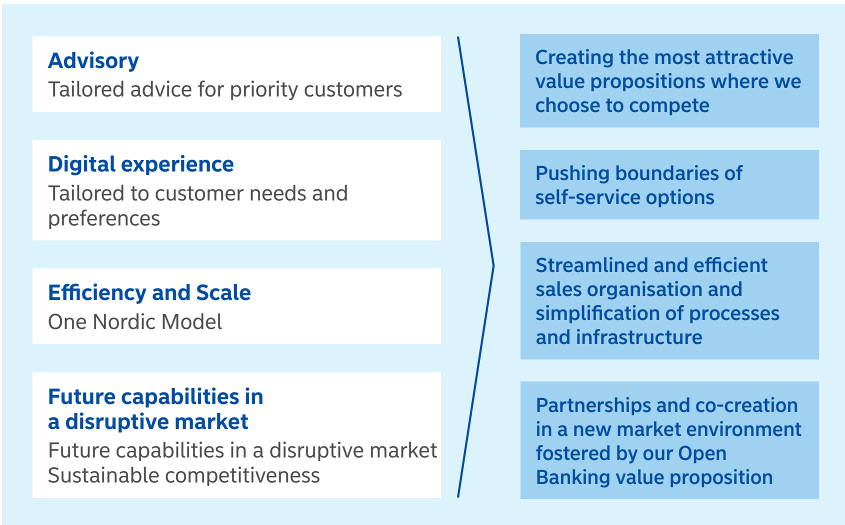
In transforming the way of servicing our customers, we will push the boundaries of self-service, meaning that our customers will get the option of self-service for more and more of our services.

In order to improve efficiency and capitalise on our scale, we are focusing on transforming to one Nordic model, as well as the automation of processes and credit decisions, use of robotics, and continuous improvements across the value chain. This includes creating a more streamlined and efficient sales organisation in order to serve customers more cost-efficiently.

In an increasingly disruptive market, future capabilities are needed to stay relevant and competitive in the new market environment. To ensure this, a new payment strategy as well as partnerships and co-creation models form a strategic focus.

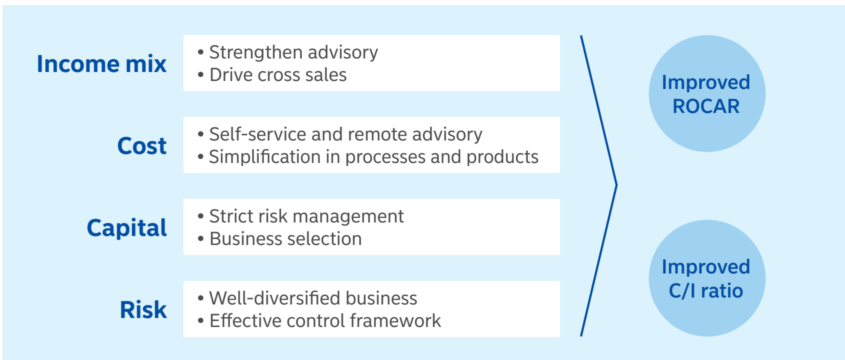
Strategic focus areas for executing on the transformation

- The most satisfied customers in the segments in which we choose to compete
- The highest profitability among our peers
- The most satisfied employees in the industry



Capturing value in Commercial & Business Banking

- Strong advisory proposition, utilising our capital in the best possible way, while at the same time maintaining control of risk and improving efficiency



Business Areas

Wholesale Banking

Introduction

Martin Persson
Head of Wholesale Banking.

Wholesale Banking provides financial solutions to large Nordic and international corporate and institutional customers. The offering includes a diverse range of financing, cash management and payment services, investment banking, capital markets products and securities services.

Wholesale Banking has the leading Large Corporate and Institutional customer franchise in the Nordics and, through Nordea Markets, services a broad range of Nordea customers also in Commercial & Business Banking, Wealth Management and Personal Banking.

By combining the entire value chain from customer units through product units to operations, Wholesale Banking can leverage from the scale and quality of its franchise and create great customer experiences for Nordic as well as designated international customers. Value-adding solutions provide our customers with access to financing in the capital markets and with tailored financial tools to optimise their business and manage their risks.

1,500 Wholesale Banking customer groups are served by around 4,000 Nordea employees.

Business development

Wholesale Banking's business strategy remained unchanged with an increasing focus on value-added services and capital efficiency initiatives across loan and market portfolios as well as on leveraging our Nordic #1 position and client franchise.

Nordic corporate lending decreased slightly from 2016, partly due to loan-to-bond migration driven by strong bond markets and active deal selection, but also reflecting moderate large-corporate borrowing demand. Lending margins were largely stable, although the general loan market featured high lending capacity and risk appetite among Nordic peers.

Financial institutions remained active in search of yield including investments in alternative assets. Client activity was particularly high as a consequence of bond issuance and linked market transactions such as EUR bond mandates, covered bonds, securitisation and corresponding FX or interest rate derivatives.

2017 was a very active year for investment banking activities across all products. IPO and equity issuance activity benefited from strong equity markets. There was a high number of deals among private equity clients as well as more activity in corporate M&A. Nordea's position in M&A financing related to larger and complex situations remained strong, serving as advisor to Nets on the EUR 5.6bn recommended cash offer and financing provider to the buying consortium led by Hellman & Friedman. It was the largest buyout deal in Europe in nearly five years.

Nordea's Debt Capital Markets business strengthened its market leadership position and also benefitted from a very high level of bond issuance. Nordea strengthened its position as the leading primary bond arranger in the region topping all relevant league tables and having gained market share across different markets from Rates to Credit. In total, Nordea arranged close to 400 primary transactions and several landmark transactions ranging from the 30-year government bond issue by the Republic of Finland to hybrid capital bonds by Telia and Orsted and AT1 capital notes by Nordea.

2017

Total income was

EUR 1,940 m

3% **decrease in total expenses compared to 2016.**

The business area ROCAR was

7%

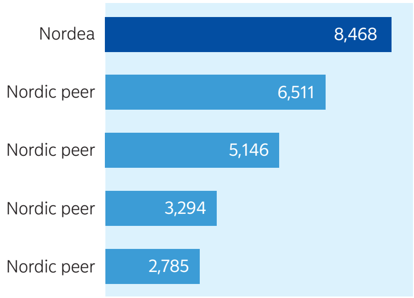
With financial markets featuring low interest rates and very low volatility, customer activity declined from last year in some FICC areas. The FX market was in a wait-and-see mode for most of the year due to geopolitical and other risks, resulting in lower overall activity for hedging of FX risk as well as lower overall volumes.

Similar conditions affected the derivatives market with reduced activity both from corporate hedging clients and tactical institutional clients.

Fixed income demand held up well, driven in particular by strong demand in covered bonds, both in krona markets and in EUR, with active secondary trading in DKK and SEK covered bonds.

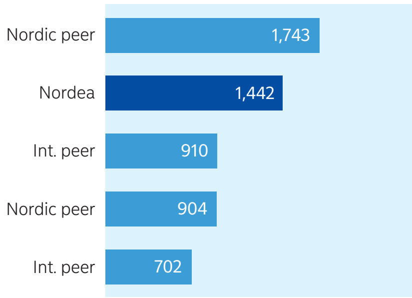
The Nordic equity markets gained at a steady pace from January through June. Trading was close to all-time-high levels in all markets and outperformed 2016 not only in volumes but also in terms of narrowing of spreads. In general the Nordic market traded sideways in the second half of 2017. Nordea Markets Equities continued the previous year's strong performance, particularly in the financing business.

FY 2017 #1 on Corp. Bonds, EURm[1]

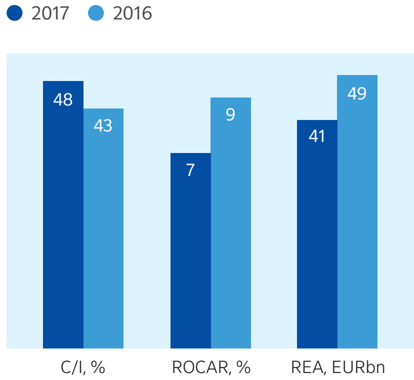


1) Nordic region.

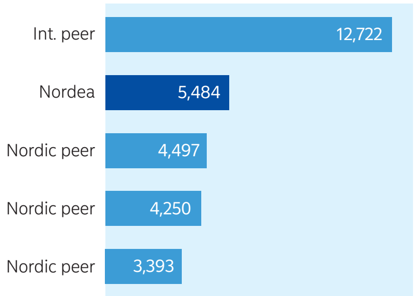
FY 2017 #2 on Green Bonds, USDm



Key figures

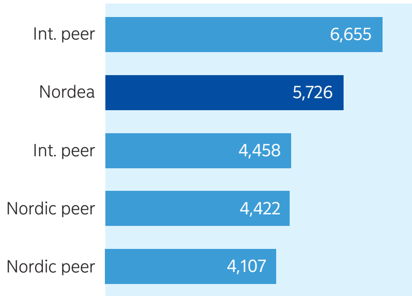


FY 2017 #2 on Synd. Loans, EURm[2]



2) Total loans in the Nordic region excl. Shipping.

FY 2017 #2 on ECM, EURm[3]



3) Nordic region. Based on exchange nationality. The following transactions are included: IPOs, convertibles and follow-ons Source: Dealogi.

Wholesale Banking was recognised externally for its leading markets capabilities. The strong performance was also recognised with e.g. Prospera ranking Nordea No. 1 in the Nordic Corporate Banking survey, as well as several product-specific surveys within fixed income, credit and FX. Furthemore, Nordea Markets was awarded Global Finance's The Innovators Award 2017 for AutoFX.

Result

Corporate & Institutional Banking

Total income was EUR 1,350m, down 4% from 2016. Net interest income remained stable from 2016 due to further implementation of deposit fees, offsetting reduced lending income. Net fee and commission income decreased as a consequence of less lending fees from both new lending and commitment fees from reduced undrawn facilities. Items at fair value were largely unchanged from last year.

Nordic banks remained aggressive on pricing as a result of high lending capacity and risk appetite. Lending volume decreased slightly from 2016. Institutional customer income increased from 2016 due to high levels of DCM and related markets client activities. A particular good performance was seen on the NFV side, especially for continuous activity on investment products.

Corporate & Investment Banking ROCAR for 2017 was 12%, the same as in 2016.

Shipping, Offshore & Oil Services

Total income was EUR 240m in 2017, down 29% from the previous year, due to lower lending volumes and negative fair value credit adjustments within the offshore portfolio.

Net interest income was down 7%, reflecting lower average loan volumes and net fee and commission income was down 32% compared to 2016. Customer activity in Shipping, Offshore & Oil Services was moderate during the year. A low oil price combined with lower exploration and production spending among oil and gas companies continued to negatively affect the offshore market. Net loan losses decreased to EUR 136m, mainly due to the weak offshore market.

Banking Russia

In Russia, target customer activity was low resulting in a reduction of exposures, in line with the adopted strategy.

Total income was EUR 127m, down 37% compared to 2016 following a decrease of EUR 1.5bn in corporate lending volumes. Net loan losses decreased from EUR 31m to EUR 21m despite the economic and geopolitical environment. The number of FTEs declined by more than 40%.

Wholesale Banking other

Wholesale Banking other is the residual result not allocated to customer units. This income includes the unallocated income from Capital Markets and International Division. It also includes the additional liquidity premium for the funding cost of long-term lending and deposits in Wholesale Banking. Wholesale Banking other comprises all staff in Capital Markets as well as support units. The costs are to largely allocated to customer units.

Strategic focus areas and value drivers

Wholesale Banking continues to develop and leverage its leading market position in the Nordics. Long-term customer relationships form the core of the franchise which is gradually shifting towards capital-light solutions with a strong emphasis on managing for returns. The client perspective is the starting point for Wholesale Banking's goal to increase customer relevance, intensity and value as well as to create a more sustainable bank for our customers and our employees. In this ambition, Wholesale Banking actively supports Nordea's business and cultural transformation.

As part of the ongoing transformation, a new Nordea Markets division has just been launched. By leveraging Nordea's scale and global capabilities across the Nordics – while upholding a strong local presence - we build a solid foundation enabling us to create a stronger and leaner business and empower people to create a more sustainable and better offering for our customers.

Wholesale Banking is exploring digital opportunities to enhance customer benefits, distribution channels, as well as automation of operations. The ongoing transformation also creates new opportunities for the way we work. In the COO area, robotics have proven effective to automate standardised and repetitive tasks while redirecting employees to more value-adding activities.

The Wholesale Banking COO organisation strategies are commencing in earnest and the efficiency and simplification across front office, back office, IT and business processes have been the key priorities in 2017 along with supporting the organisation's development. The COO organisation continues to provide infrastructure stability and operational excellence to support Wholesale Banking's complex and demanding customers and product suite.

Wholesale Banking actively supports Nordea's increased ambition level in the sustainability area. This is underlined by a significantly strengthened green bond offering, gradual integration of ESG in the credit process and several thought leadership events.

A strong focus on capital velocity and portfolio management is crucial to reaching satisfactory return levels as well as ensuring an attractive mix of balance sheet commitment and ancillary income. During the year, capital governance was significantly strengthened in Wholesale Banking, regarding both the banking book and the trading book.

The strategy of focusing Russian activities towards large corporates continued during the year. The retail loan portfolio was sold to SovComBank in January 2017 and the corporate lending portfolio was reduced.

Strategic focus areas for executing the transformation

Wholesale Banking's strategy remains unchanged with a strong focus on customer satisfaction.

The ongoing transformation supports a simplified and more effective delivery.

#1 relationship bank in the Nordics
High customer satisfaction

Re-positioning of Markets
New cross-Nordic operating model

Operational excellence
Simplification and value-chain approach

Capital governance and risk management

- Streamlined customer service
- Further explore digital channels and services

- Stronger customer ownership and clearly defined service and value offering
- Cross-sell and capital markets financing

- IT infrastructure simplified, robotics and investing in Poland

- Increase capital velocity
- Consolidate SOO franchise and normalised loan losses

Capturing value in Wholesale Banking

Wholesale Banking maintains its leading position in the Nordics and will generate returns through all major levers.

Income
- No. 1 Wholesale Bank in the Nordics
- Focus on customer satisfaction and returns

Cost
- Disciplined cost focus
- Optimisation and efficiency

Capital
- Capital-light product offerings
- Disciplined capital management

Risk
- Risk and compliance embedded in everything we do

Maintain no. 1 position

Return above peer average

Business Areas

Wealth Management

Introduction

Snorre Storset
Head of Wealth Management.

Wealth Management provides high-quality investment, savings and risk management solutions to affluent and high net worth individuals and institutional investors.

Wealth Management consists of:

Private Banking – serving customers from 64 branches in the Nordics as well as from offices in Luxembourg and Singapore.

Asset Management – responsible for actively managed investment funds and discretionary mandates for institutional clients.

Life & Pensions – serving customers with a full range of pension, endowment and risk products.

Wealth Management is the largest Nordic private bank, life & pension provider and asset manager. Wealth Management has approximately 3,600 employees, approximately 500 of whom are employed outside the Nordic region, primarily in Europe.

105,000 Private Banking customers are served by around 1,200 Nordea employees.

Business development

The fears about increased volatility and uncertainty were not fulfilled in 2017, as financial markets continued to show a strong performance led by equities. Central banks started to send signals of tightening, largely in step with market expectations. Growth accelerated across Europe with the Nordics above the European average. Against this backdrop, Wealth Management continued to attract new assets, as the offering proved competitive in the prevailing economic climate.

Nordea's Assets under Management (AuM) ended the year at EUR of 330.4bn, up EUR 7.7bn or 2% from 2016. The increase was largely due to market appreciation of EUR 5.2bn.

Private Banking continues to focus on customer acquisition as well as optimising the service & advisory model to the needs of customers and regulatory changes in the market. In line with this goal, the threshold in Private Banking was aligned and increased across countries. Customers below the new threshold have been transferred to the Premium segment in Personal Banking, which led to a negative net flow of EUR 0.6bn in 2017. The Wealth Planning service continued to grow in importance due customer needs for simpler solutions in a complex environment.

Global Private Banking was established in 2016 to leverage economies of scale by extracting further synergies. An even stronger private banking platform was created by combining the businesses in the Nordic markets and the international offices in Luxembourg and Singapore. Efforts to enhance productivity in Private Banking are ongoing, including activities to streamline processes and upgrade IT systems. In 2017, the office in Switzerland was closed and customers were transferred to the office in Luxembourg. Private Banking E-branches are now available in all Nordic countries, giving access to personal advice over digital platforms (e.g. PC, mobile or tablet) seven days a week. In 2017, Wealth Management was again recognised for its sustained efforts to create great customer experiences and superior solutions with Nordea Private Banking being named "Best Private Bank in the Nordics", "Best Private Bank in Finland" and "Best Private Bank in Norway" at the Global Private Banking Award Ceremony held by global financial magazine The Banker.

2017

Total income was EUR 2,094 m

2% was the AuM increase compared to 2016.

The business area ROCAR amounted to 33%

Asset Management maintained its momentum and realised strong revenue growth. In 2017 significant efforts were put into maintaining our strong product offerings and ensuring compliance with new regulation coming into force. Product development initiatives were primarily concentrated within our Multi Asset, ESG and Enhance Beta families, where several new fund offerings have been introduced.

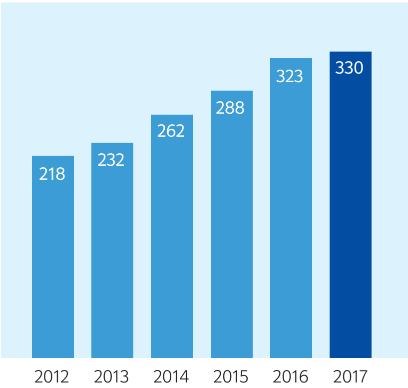
In 2017, focus for international third-party fund distribution was on preserving the asset base that has undergone tremendous growth in recent years. Net flow for the year in institutional clients and third-party fund distribution was EUR 1.7bn, in line with expectations. Outflow was mainly related to the soft-closed Stable Return fund and European High Yield. The institutional segment had a net flow of EUR 2.4bn and the sustained focus on value of AuM led to increased margins. Annual net flow was mainly driven by international clients, in particular from the UK, Germany and Denmark.

Net flow in retail was negatively affected by compliance and regulatory preparation as well as reorganisation of units across Nordea, resulting in a negative EUR 0.4bn for our captive channels.

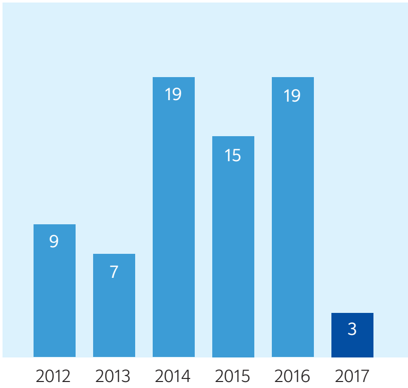
Asset Management registered the biggest increase in total brand score in The Fund Brand 50 Report and is now in the top 10 brand ranking of the European Asset Management Industry. Nordea 1 – Stable Return remains among the largest open-ended European funds, ranking 10th at the end of 2017.

Investment performance was satisfactory overall in 2017 with 81% of composites outperforming benchmarks, while the three-year performance remains strong with 92% of all

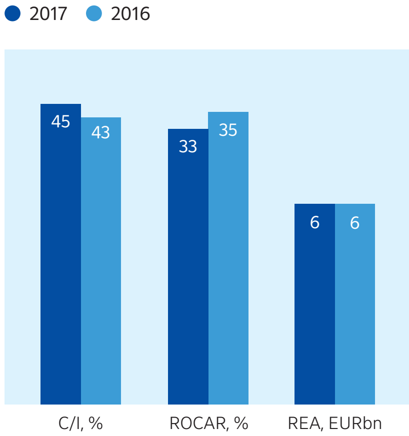
AuM development, EURbn



Net flow, EURbn



Key figures



composites outperforming benchmarks. In 2017 the performance delivered 122bps of excess return. Nordea Funds was named best fund company by Fondmarknaden.se in Sweden and Nordea Asset Management was named best fund manager for the fourth year in a row by Prospera Norway.

Life & Pensions' strong solvency capital position enabled dividends of EUR 750m, transferred to Nordea Bank AB in 2017. At the end of November 2017, the solvency capital position was 169%, supported by self-financing growth in market return products and capital release from the runoff traditional insurance portfolios. Gross written premiums (GWP) increased by 11% in 2017 compared to 2016. The combined share of market return products (MRP) and risk products accounted for 90% of total GWP, leading to an increasingly capital-efficient AuM composition.

Life & Pensions scaled up the use of robots across the Group, automating processes and tasks in the back office, hence increasing efficiency. Life & Pensions also took initial steps in the field of artificial intelligence by introducing a chatbot in customer interaction. Several promising A.I related projects are in the pipeline for 2018 and beyond.

In December 2017, it was announced that the customer-owned association Norliv is acquiring an additional stake in Nordea Life & Pensions Denmark (45%), turning the current minority holding (25%) into a majority holding (70%). This transaction will further position Nordea Life & Pensions Denmark as a customer-centric life & pensions provider. Increasing Norliv's ownership to a majority in Nordea Life & Pensions Denmark follows a very positive experience and successful period of co-ownership (for the last year). The cooperation has attracted new customers, increased the volume of business and income, and strengthened the relationship between customers and the company. Going forward, Nordea Life & Pensions Denmark will continue to deliver life & pensions products to Nordea Denmark. The overall price of the transaction is DKK 3.5bn (EUR 472m) and is projected to generate a gain of EUR 172m for Nordea. Furthermore, it has been agreed that Nordea Life & Pensions Denmark will buy the remaining 30% stake currently held by Nordea Life Holding AB over the coming years.

Result

Total income was EUR 2,094m in 2017, up 4% from 2016.

Overall costs increased by 10% compared to 2016 as a consequence of continued regulatory pressure and development expenses; giving a flat operating profit for 2017. A maintained focus on capital efficiency resulted in a ROCAR of 33%.

Private Banking

Total income was EUR 499m in 2017 - a 6% decrease from 2016. The decrease in income was caused by the increase of client thresholds across countries, reduced trading activities and declining margins, while underlying business growth remained satisfactory. The cost increase of 12% was affected by an extraordinary cost for regulatory remediation and business transformation. Operating profit was EUR 51m, down 60% from 2016.

Asset Management

Total income was EUR 981m in 2017, a 15% increase from 2016. The increased income level was mainly driven by market appreciation. Compared to 2016, total expenses are up 9%. The C/I ratio decreased by 2%-points to 28%. Operating profit was EUR 703m, up 17% from 2016.

Life & Pensions

Total income was EUR 621m in 2017, a 1% decrease from 2016. Total expenses were EUR 208m, up 5% from 2016 affected by increased internal allocations. The C/I ratio improved by 2%-points to 33%. Operating profit was EUR 413m, down 4% from 2016. A maintained focus on capital efficiency resulted in Return on Equity of 19% in 2017, well on track to the 20% target by 2020.

Wealth Management other

The area consists of Wealth Management service operations that are not directly connected to any of the business units. It includes additional liquidity premium for long-term lending and deposits in Wealth Management and net interest income related thereto.

Strategic focus areas and value drivers

It is our vision to become the leading Wealth Manager in each Nordic market by 2020, with global reach and global capabilities.

Our strategy is to form strong client relationships, based on superior quality of advice and solutions, delivered efficiently through an integrated value chain. We aim to take advantage of digitalisation and operational streamlining to enhance efficiency across the organisation.

Wealth Management prioritises strategic investments in:

- Further building on leading digital offerings to enhance value propositions and improve advisor efficiency, including upgraded digital touchpoints
- New product offerings to meet shifting client demands adapted to the low-yield environment. Product capabilities include leveraging our strong multi-asset investment process and alternative investments
- Building a strong and resilient operational platform meeting current regulations and adaptable to future regulatory demands
- Establishing the leading retirement offering, targeting a large, growing and underserviced segment, by developing new advisory and product capabilities

For 2018 we will continue on our cultural, digital and business transformation, strengthening our customer value.

Wealth Management continues to focus on prudent resource management and prioritisation by balancing new investments with efficiency gains and allocating resources to where most value is created. Enhanced collaboration across Nordea is key to these objectives, facilitating increased knowledge sharing to provide a superior savings and investment offering.

Strategic focus areas for executing the transformation

Our strategy is to form strong client relationships, based on superior quality of advice and solutions, delivered efficiently through an integrated value chain. We aim to take advantage of digitalisation and operational streamlining to enhance efficiency across the organisation. For 2018 we will continue on our cultural, digital and business transformation, strengthening our customer value.

Value proposition design and segmentation
Right services to right customers

- More focused service provision to private banking customers
- Increased thresholds for different service levels
- Ensure strong Nordic alignment and scale in service offerings
- New (digital) product offerings to meet shifting client demands

Optimisation of operations
Creation of global competence centre

- Increased cost efficiency and improved quality
- Client on-boarding, reporting and routine services centralised
- Accelerate implementation of robot process automation and cognitive robotics
- Productivity gains from rolling out Agile@scale

Capturing value in Wealth Management

Wealth Management continues to focus on prudent resource management and prioritisation by balancing new investments with efficiency gains and allocating resources to where most value is created. Enhanced collaboration across Nordea is key to these objectives, facilitating increased knowledge sharing to provide a superior savings and investment offering.

Income

- Track record of Nordic and international growth
- Accelerating digital savings capabilities
- Well-positioned to capitalise on trends in customer preferences

Margins

- Focusing on higher-margin business through development of discretionary and multi-asset solutions
- Leveraging advisory and solutions capabilities
- Expect moderate impact from regulatory challenges and digitalisation

Cost

- Scalable, cost-efficient platforms
- Ongoing operational streamlining and efficiency focus
- Robotic capabilities to improve efficiency

Capital

- Next-generation product offerings fuel growth
- Solvency II-optimised business model

Maintain no. 1 position

Business Areas

Group Functions and Other

Group Functions and Other

Introduction

Heikki Ilkka
Group CFO.

Group Functions and Other consists of Group Corporate Centre and Group Finance and Treasury.

Group Corporate Centre consists mainly of the COO organisation, including Group Technology and Group Data Management, Group Digital, Group Security Office and Global BRIS. The Group COO organisation is responsible for ensuring one operating model at Nordea by harmonising processes and services in accordance with the Group's priorities to leverage commonalities and realise synergies.

Group Finance & Treasury (GF&T) provides Nordea with Group asset and liability management, treasury operations, group-wide reporting, controlling and procurement services and strategic frameworks to all areas of the bank. GF&T includes Group Finance & Business Control, Group Treasury & ALM and Investor Relations.

GF&T secures optimisation and prudent management of funding, capital, liquidity and market risks in the banking book as well as One operating model and operational excellence across the Group in the finance process.

Group Finance & Business Control (GF&BC) is responsible for driving financial performance management, providing high-quality and efficient financial reporting and planning across the Group, including financial and business control and insightful analysis, to meet business needs and regulatory requirements. Furthermore, it is responsible for optimising costs by providing procurement advisory and executional services with a focus on all non-IT-related spend and contracts.

Group Treasury & ALM (TALM) is responsible for optimising and managing Nordea's capital, liquidity, funding and market risks in the banking book within Nordea's defined risk appetite and limits while being compliant with regulations and supporting the Business Areas' ability to serve customers well.

Investor Relations (IR) ensures a fair reflection of the bank's fundamentals, by providing transparent and relevant communication to the investor community. Furthermore, it channels in-depth feedback from the capital markets to Nordea's management.

Business development

During 2017 significant investments were made to improve resilience and in the continuation of the transformation towards one efficient operating model for Nordea.

Group Corporate Centre continued to assume strong sponsorship for the Group Common Change Programmes, pushing for effective execution, the right prioritisation, transparency and ensuring commonalities are attained across the Group.

Risk and Compliance Management is becoming ever more relevant to Nordea as the bank is being confronted with the macro trends of cyber security, increased regulations and digitalisation. Nordea is responding to the changing environment with increased compliance and security measures along with efficient controls, albeit not compromising agility and speed.

Within the Financial Crime area, a continuing significant build-up of Financial Crime Capability across KYC, Sanctions and Transaction Monitoring is being conducted, as well as the development of the Financial Crime Intelligence Analytics Unit. For the IT area, a strategic ambition has been set to strengthen IT capabilities and intensify Nordea's risk and compliance efforts in a structured and centralised way to meet increasing regulatory and risk demands.

In 2017, Nordea adopted an ambitious strategy for Cloud computing. The intention is both to extend internal datacentre capabilities with the flexibility offered by external Cloud vendors and to accommodate regulatory requirements, such as Open APIs, in accordance with the PSD2 directive.

With 11 million customers, we unavoidably produce and process lots of data, while developing and using many data intensive applications. This creates a high degree of complexity. Data is a valuable asset we must curate, manage, protect and develop to deliver great customer and employee experiences. Proper use of data will enable us to manage our organisation more efficiently.

A Group Data Management Office has been established with the purpose of centralising, prioritising, and executing on Nordea's data initiatives. This also entails developing Nordea's data strategy and roadmap, establishing and promoting data governance, data quality and architecture, while solving data-driven compliance programs.

Several functions have been strengthened to drive optimisation and competitiveness across the group. One of the key objectives is to develop and enforce harmonised ways of working, including a high focus on building Robotic Process Automation (RPA) capabilities and automating processes across the group and nearshoring across the group. As of today, over 200 robots, RPAs, have been put into production and full potential is expected by mid-2019.

In 2017 one key focus area was the creation and consolidation the Group's finance processes into one organisation – Group Finance & Treasury – gathering all finance-related processes under the responsibility of the Group CFO. Launching the new organisation is a significant milestone supporting Nordea's strategy, ensuring strengthened responsibility for Nordea's treasury and finance processes (including business, financial and financial risk control). It also creates a great opportunity to build a centre of excellence and strong operations around the Group's finance and risk activities in financial markets involving traded financial instruments. The new setup will enable optimised and common processes, lowering operational risk due to joint ownership of the full finance value chain.

In 2017 TALM delivered a good result with a net profit above expectations and target. Despite a challenging macroeconomic environment, TALM proved its capabilities in securing an efficient and successful balance sheet management for the Group.

Nordea's structural liquidity risk is considered conservative and well balanced and appropriately adapted to the current economic and regulatory environment. The short-term liquidity risk is measured using several metrics including the Liquidity Coverage Ratio (LCR). LCR for the Nordea Group according to the EBA Delegated Act was 152% at year end, and the LCR in EUR and USD was 206% and 172%, respectively, at year end. The liquidity buffer consisting of highly liquid asset in accordance with the Delegated Act, amounted to EUR 99bn at year end.

In 2017 Nordea issued approx. EUR 14.6bn in long-term funding, excluding Danish covered bonds and subordinated notes, of which EUR 6.2bn represented the issuance of Finnish, Swedish and Norwegian covered bonds in domestic and international markets. Of the senior issuance, which amounted to EUR 8.5bn during the year, a notable benchmark transaction was the EUR 500m 5-year senior fixed-rate Green Bond issued in June. The Green Bond was the first transaction of its kind from Nordea and was sold primarily to dedicated green bond investors. In addition to providing cost-efficient funding, the green bond issuance is a natural step in manifesting our increased ambition level in the sustainability area.

In November, Nordea undertook a consent solicitation exercise targeting 14 outstanding and capital instruments to a total value of EUR 8.1bn equivalent. The consent solicitation was undertaken prior to the re-domiciliation to make certain technical amendments to the terms and conditions of the notes to ensure that these reflect the re-domiciliation, ensure that unforeseen legal issues would not be encountered, provide appropriate protections for the noteholders and align the notes with future issuances. The consent solicitation was successful on all 14 capital instruments and the amendments were implemented shortly after the finalisation of the exercise. Following the successful early deadline results of the consent solicitation, Nordea launched an Additional Tier 1 (AT1) transaction on 21 November 2017. Nordea priced a EUR 750m transaction with a temporary write-down feature at a new record-low coupon of 3.5% for a European bank AT1. The transaction was Nordea's inaugural EUR AT1 and underlines investor appetite for both the asset class and for the Nordea credit. Nordea's long-term funding portion of total funding was, at the end of the fourth quarter, approx. 81%.

Results

The main income in Group Functions and Other originates from Group Treasury & ALM together with Capital Account Centre, through which capital is allocated to business areas.

Total Operating income was EUR 720m for the full year. Net interest income amounted to EUR 589m. The net result from items at fair value was EUR 109m.

Operating profit was EUR 341m.

Total expenses were EUR 366m at the end of 2017.

Strategic focus areas and value drivers

In 2018, GCC will continue to focus on executing on the transformational agenda by implementing one operating model and supporting Nordea's regulatory and compliance agenda as well as the strategic ambitions of the group simplification programmes.

There is an overall determination for 2018 to deliver more, with less, which will be achieved through multiple levers;

- Operational excellence through lean practices.
- Resource optimisation, transforming the workforce to meet new business requirements.
- Enhanced utilisation of new technologies such as automation and big data.

In 2018 the transformation in GF&T towards the One Finance organisation will continue, ensuring integration between the different sub-units, enabling optimised and enhanced processes as the unit gradually transforms towards common procedures. This will use the same system infrastructure and data, align around how the business is serviced and governed and harmonise ways of working. This will truly enable becoming a One Finance organisation, delivering greater value through a strong collaborative culture, and supporting Nordea's future competitiveness.

Group Treasury & ALM will continue to deliver cost-efficiency on its strategic initiatives, cross-optimisation of funding, risks and capital. This is further enabled by effective balance sheet steering through enhanced internal funds transfer pricing, as well as improved operational robustness and analytical capabilities across risks and income in the banking book.

Strategic focus areas for executing the transformation

Group Functions & Other has its strategic focus on streamlining operations and processes across the operating model to align competences, enhance efficiency and maximise value creation.

Streamlining Operations
Increased use of robotics

- Increased automation of operations across all business
- Improve sourcing competences including more demand/supply capabilities

Streamlining IT setup
Consolidate and reduce technology infrastructure complexity and applications

- Align future workforce competences and locations to future needs
- Implement and integrate greater use of cloud

Streamlining Business Risk Management
KYC operating model to be implemented

- Streamline and optimise risk reporting and risk assessment

Key support functions consolidated on BA level
Focus on shared pool of services

- Create globally consolidated centres of excellence and support models

Capturing value in Group Functions & Other

Group Functions & Other is responsible for ensuring prudent income generation through efficient balance sheet management while ensuring efficient cost management.

Income

- Maximising NII by transparent, prudent and profitable management of balance sheet exposures including efficiently managing banking book risks, funding and liquidity across assets and liabilities.

Cost

- Ensuring prudent and competitive cost management across all areas by streamlining activities and tasks to increase efficiency across the operating model

Capital

- Ensuring efficient and balanced capital management by dynamic, transparent and efficient balance sheet management

Maximising RoE

The Nordea share and ratings

Nordea's return on equity (ROE) target is to be above the Nordic peer average*.

Nordea's market capitalisation at the end of 2017 was EUR 40.9bn (EUR 42.8bn the year before). Ranked by market capitalisation, Nordea was the fifth largest company in the Nordic region and among the ten largest European financial groups.

The Nordea share is listed on the Nasdaq Stockholm (in SEK), Helsinki (in EUR) and Copenhagen (in DKK) stock exchanges. Furthermore, Nordea ADR is listed in the US (in USD).

Share price performance

In 2017 the Nordea share price depreciated approximately 2% on the Nasdaq Stockholm exchange from SEK 101.30 to SEK 99.30. The daily closing prices listed for the Nordea share in 2017 ranged between SEK 95.90 and SEK 115.70. In 2017, the Nasdaq OMXS30 index appreciated by approximately 3% and the STOXX Europe 600 Banks index appreciated approximately by 8%. Since 6 March 2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated 154%, clearly outperforming the STOXX Europe 600 Banks index (–49.4%) and the Nasdaq OMXS30 index (30.1%).

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

Total shareholder return 2017

Total shareholder return (TSR) is the market value growth per share and reinvested dividends. Total shareholder return in 2017 was 4% (16% in 2016). Nordea ranked number fifteen among the European peer group banks in terms of TSR in 2017 (number six in 2016).

Turnover – the most liquid Nordic financial share

The Nordea share was the most liquid Nordic financial share in 2017, with an average daily trading volume of approx. EUR 144m, corresponding to approx. 13 million shares. Turnover on all stock exchanges combined totalled EUR 36bn in 2017, corresponding to 3.3 billion shares.

33% of the total volume traded in Nordea shares takes place over other exchanges such as BATS Chi-X Europe, Turquoise and Aquis. Out of the total number of Nordea shares traded in 2017 on Nasdaq, approx. 79% were SEK-denominated, 12% EUR-denominated and 9% DKK-denominated.

Share capital

According to the Articles of Association, shares in Nordea may be issued in two classes, ordinary shares and C-shares. The share capital amounts to EUR 4,049,951,919, which equals the total number of shares in the Company.

All shares are ordinary shares. There was no change in share capital or in the number of shares in 2017. All ordinary shares in Nordea carry voting rights, with each share entitling to one vote at General Meetings. Nordea is not entitled to vote for own shares at General Meetings.

Further to the Long Term Incentive Programmes, there are no convertible bond loans or staff/management options in Nordea.

Capital policy

Nordea's current capital policy states that the Nordea Group should have a management buffer of 50–150 basis points above the regulatory CET 1 capital ratio requirement. Our current capital buffer is 190 basis points, well above our target.

Proposed dividend and dividend policy

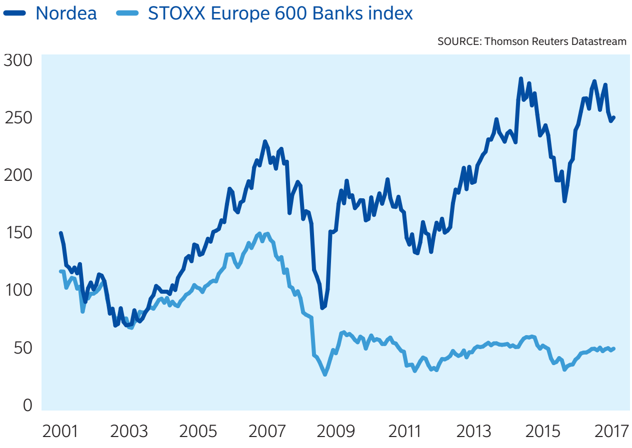
The Board of Directors proposes a dividend of EUR 0.68 per share for 2017. The total dividend payment for 2017 would then be EUR 2,747m. The dividend yield calculated on the share price at 30 December 2017 is 6.4%.

Nordea's dividend policy consists of maintaining a strong capital position in line with the bank's capital policy. The ambition is to achieve a yearly increase in the dividend per share.

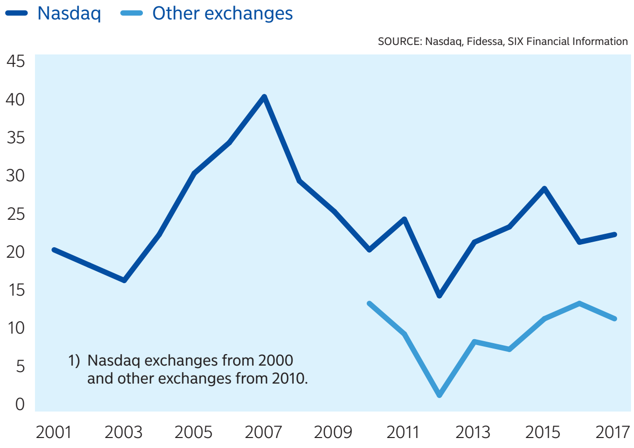
The dividend is denominated in EUR, Nordea's accounting currency.
The payment currency depends on the country in which the shares are registered. Owners of shares registered in Sweden can choose between dividend in SEK or EUR. An official exchange rate is published. In Denmark, dividends are paid in EUR. If the shareholder does not have a EUR account the dividend is converted into local currency. Each custody institution decides its own conversion rate. In Finland, the dividend is paid in EUR.

* Weighted to reflect Nordea's Nordic geographic mix

Nordea share price performance compared to European banks, 2000–2017, %



Turnover of the Nordea share on stock exchanges, 2000–2017[1], EURbn

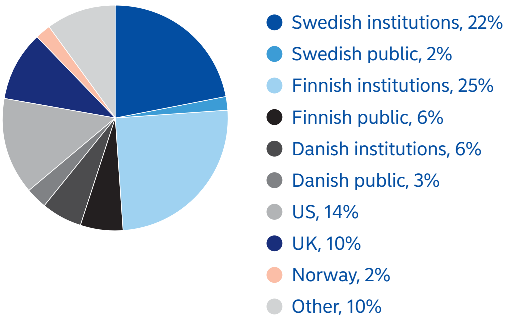


Shareholders

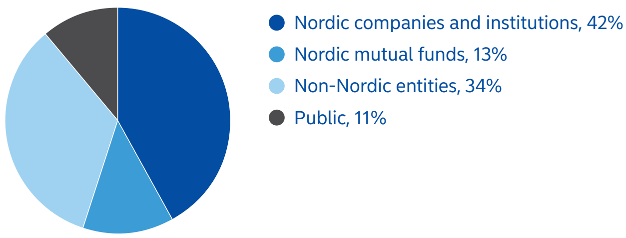
With approx. 457,000 registered shareholders at the end of 2017, Nordea has one of the largest shareholder bases of all Nordic companies. The number of shareholders in Sweden is approx. 112,300, in Finland approx. 209,400 and in Denmark approx. 135,300 – largely unchanged numbers from last year.

The largest shareholder category is Finnish institutions (including Sampo plc), with a 25% holding of Nordea shares at year-end. Swedish institutional shareholders held 22% while non-Nordic shareholders held 34% of the capital at the end of 2017. The largest individual shareholder is Sampo plc with a holding of 21.3%.

Shareholder structure, 31 Dec 2017



Shareholder structure, 31 Dec 2017



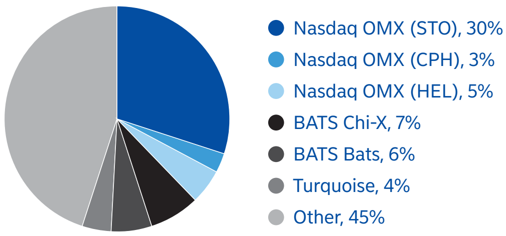
Largest registered[1] shareholders in Nordea, 31 Dec 2017

Shareholder	No of shares, million	Holdings, %
Sampo Plc	860.4	21.3
Nordea Fonden	158.2	3.9
Alecta	114.7	2.8
Swedbank Robur Funds	102.7	2.6
BlackRock	82.9	2.1
Vanguard Funds	80.2	2.0
AMF Insurance & Funds	70.2	1.7
Fidelity	68.8	1.7
Norwegian Petroleum Fund	65.9	1.6
Didner & Gerge Funds	45.5	1.1
SHB Funds	44.0	1.1
First Swedish National Pension Fund	40.3	1.0
SEB Funds	39.5	1.0
Nordea Funds	36.9	0.9
T. Rowe Price	32.5	0.8
Government of Japan Pension Fund	31.7	0.8
Third Swedish National Pension Fund	31.4	0.8
Henderson Funds	30.0	0.7
Varma Insurance	29.9	0.7
Fourth Swedish National Pension Fund	28.6	0.7
Other	2,044.1	50.6
Total number of outstanding shares	**4,049.9**	**100.0**

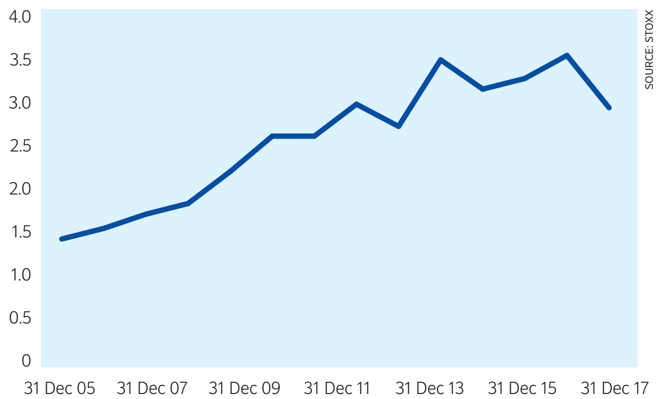
Source: Euroclear Sweden, Modular Finance and VP Online.

1) Excluding nominee accounts

Nordea share, annual turnover on different stock exchanges 2017



Nordea weighting in the STOXX Europe 600 Banks index, %



Distribution of shares, 31 Dec 2017

Distribution of shares	Number of shareholders	Shareholders, %	Number of shares	Shares, %
1–1,000	344,934	76	103,400,664	3
1,001–10,000	104,321	23	261,787,302	6
10,001–100,000	6,522	1	158,154,380	4
100,001–1,000,000	879	0	285,345,519	7
1,000,001–	336	0	3,241,264,054	80
Total	**456,992**		**4,049,951,919**	

Share data 5 years

	2017	2016	2015	2014	2013
Share price (SEK)	99.30	101.30	93.30	90.90	86.65
High/Low (SEK)	115.70 / 95.90	104.40 / 66.30	115.40 / 87.00	100.00 / 84.25	86.65 / 62.10
Market capitalisation (EURbn)	40.9	42.8	41.3	38.9	39.7
Dividend (EUR)	0.68[2]	0.65	0.64	0.62	0.43
Dividend yield[3] (%)	6.7	6.2	7.6	5.4	4.2
Total shareholder return (TSR) (%)	3.6	16.3	8.2	9.2	44.6
STOXX Europe 600 Banks index (%)	7.5	–6.8	–3.3	–2.8	19.0
P/E (actual)	13.5	11.4	11.2	11.7	12.7
Price-to-book	1.23	1.32	1.32	1.31	1.35
Equity per share (EUR)	8.21	8.03	7.69	7.40	7.27
Earnings per share[4] (EUR)	0.75	0.93	0.91	0.83	0.77
Outstanding shares[1]	**4,049,951,919**	**4,039,029,217**	**4,038,273,025**	**4,034,032,732**	**4,031,635,539**

1) Excluding shares held for the Long Term Incentive Programmes.
2) Proposed dividend.
3) Dividend yield for 2013 to 2016 calculated at starting price on payment day and for 2017 calculated at price per 29 December 2017.
4) Diluted earnings per share, total operations.

Ratings

Nordea's credit ratings are some of the strongest among banks globally. During 2017, Nordea's ratings were confirmed at unchanged levels and Standard & Poor's stabilised their outlook from negative to stable outlook in May 2017.

The long-term ratings for senior unsecured debt for Nordea Bank AB are all at the AA- level: from Moody's Aa3 (stable outlook), Fitch AA- (stable outlook) and Standard & Poor's AA- (stable outlook). The short-term ratings are at the highest level: P-1 from Moody's, F1+ from Fitch and A-1+ from S&P.

The covered bond ratings for the covered bond-issuing entities are also unaffected and these are all Aaa/AAA for the covered bonds issued by Nordea Hypotek AB (publ)(in Sweden), Nordea Kredit Realkreditaktieselskab (in Denmark), Nordea Mortgage Bank Plc (in Finland) and Nordea Eiendomskreditt (in Norway).

The analysis of the rating agencies is generally focused on profitability, asset risk, capitalisation and on the business franchise as well as wholesale funding profile and liquidity, where the view on Nordea has been stable or strengthening during the year.

The specific focus from the rating agencies' side in 2017 was largely on the Swedish and Norwegian housing market developments, but plenty of focus is also on the MREL frameworks currently being formed.

Nordea's planned re-domiciliation has also been a topic during the year. All three rating agencies have re-affirmed Nordea's ratings and outlooks following the Board of Director's decision to initiate a re-domiciliation to Finland. As Nordea's business model and risk profile would not change, the rating agencies have taken the view that a re-domiciliation to Finland is rating neutral.

Ratings, 31 Dec 2017

	Moody's Investors Service		Standard & Poor's		Fitch		DBRS	
	Short	Long	Short	Long	Short	Long	Short	Long
Nordea Bank AB (publ)	P–1	Aa3	A–1+	AA–	F1+	AA–	R–1 (mid)	AA (low)
Nordea Hypotek AB (publ)		Aaa[1]		AAA[1]				
Nordea Kredit Realkreditaktieselskab		Aaa[1]		AAA[1]				
Nordea Eiendomskreditt AS		Aaa[1]						
Nordea Mortgage Bank Plc		Aaa[1]						
AT1 in Sep 2014 issue rating				BBB		BBB		
AT1 in March 2015 issue rating				BBB		BBB		
AT1 in Nov 2017 issue rating				BBB		BBB		

1) Covered bond rating

Organisations don't change, people do!

In the past year, there has been a tremendous acceleration in Nordea's transformation.

Leading from our heart, purpose and values

From a people perspective, the key milestone in the past year has undoubtedly been the co-creation of Nordea's new purpose and values by more than 7,000 of our people. The purpose provides our everyday work with direction and meaning. It establishes a clear link between our everyday efforts to help our customers to fulfil their dreams and aspirations, our commitment to working for a greater good, and being a sustainable part of the societies in which we operate. It reminds us to always relate our business decisions to our purpose as a bank and to our inner compass – the heart.

Meanwhile, our values are a clear expression of the culture we want to build, where people can be passionate about customers, collaborate intensely across the organisation have a true sense of ownership of their work, and have the courage to speak up and challenge each other. Since they were launched in May, more than 31,000 employees have signed up to engage in sessions to discuss Nordea's purpose and values.

For the level of transformation we are aiming at, we know that merely changing processes and systems will not be enough. We must also change our structure and governance, our strategy and direction, our people and culture and our performance and rewards if we want to fully succeed.

An ambitious transformational agenda

A core belief driving our transformation is that there is no business transformation without human transformation and this is reflected in an ambitious people agenda. We are undergoing a tremendous workforce shift, redesigning our organisation to become flatter and more agile, and building on more shared functions. Meanwhile, we are investing heavily in unlocking our leaders' and people's potential and empowering them to grow, contribute and thrive. We want to inspire our people to move to new levels of performance and learning, and to build the competences Nordea will need for the future and secure their long-term employability. We want to reward them fairly and for the right things. Our new performance framework will be key to unlocking the learning mindset and organisation we want to become.

Culture, leadership and organisational design

As we are building an adaptive and resilient culture built on innovation, customer focus and partnership, we need to design an organisation that can deliver with the transparency, simplicity and speed our customers expect. Therefore, we are changing both how we design our organisation and how we lead in it.

We want to empower everyone to step into leadership so that we may lead ourselves, our peers and the work for which we are responsible. To support our leaders in developing the skills and behaviours to enable that, new leadership principles will be embedded in how we recruit, assess, develop, reward and promote leaders at Nordea.

Partnering for performance and learning

We want our people to feel safe, empowered and supported so that they have a sense of ownership of their own contribution and ability to flourish and thrive. We expect our leaders to create clarity, alignment and focus for their team in order to deliver on our group-wide goals and enable their team to continuously learn, flourish and thrive, both individually and collectively.

Our emphasis is on building strong partnerships between people and their leaders and introducing frequent, forward-focused dialogues. The key elements of this are discussing how we each contribute, grow and thrive, setting and adjusting goals that are aligned with the group and team priorities, and learning from experience and feedback.

A continuous learning mindset

We are transforming the way we perceive and engage in learning to rapidly and efficiently build the competence needed for today and tomorrow. In 2017, we took the first steps towards becoming a continuous learning organisation. A new learning function headed by a new Chief Learning Officer was created. We want to build a shared framework for learning and for it to become an integral part of our daily roles through coaching and feedback as well as social and formal learning opportunities.

Rewarding both what and how

In 2017, we also reviewed our reward system with the aim of improving alignment and focus, so our reward system can support Nordea's ability to transform while performing and realising our group-wide strategic objectives. The way we reward at Nordea is designed to enable and motivate all of us to contribute, grow and thrive, as well as recognise the performance and contribution each of us brings to our transformation journey. This means not just celebrating what we contribute – but also, and not least – how we contribute to living our Purpose and Values.

Shifting our workforce

At the same time we are transferring parts of our operations to Poland and increasingly serving our customers via digital channels. This means a shift not only in how we organise and lead the bank, and the kind of people and skills we seek now and in the future, but also in the number of people we will employ going forward. Many of us will build new competences and adapt to new roles as we will continue to invest in building the capabilities we need in the future. We are now in the midst of the significant workforce shift we have been preparing for. We are changing and reducing the number of people in our organisation to deliver the efficiencies and synergies for which our digitalisation and simplification efforts have paved the way. We will do our utmost to support those who will need to find a new path outside Nordea. We have therefore established a Job Mobility Team, dedicated to supporting the next steps for the people who will leave Nordea as a consequence.

FTEs, by area or function

	2017	2016
Personal Banking	11,093	11,480
Commercial & Business Banking	5,282	5,651
Wholesale Banking	3,727	4,059
Wealth Management	3,690	3,640
Group Functions	6,607	6,766
Total	**30,399**	**31,596**

Karen Tobiasen,
Chief People Officer

Board of Directors' report

Financial Review 2017

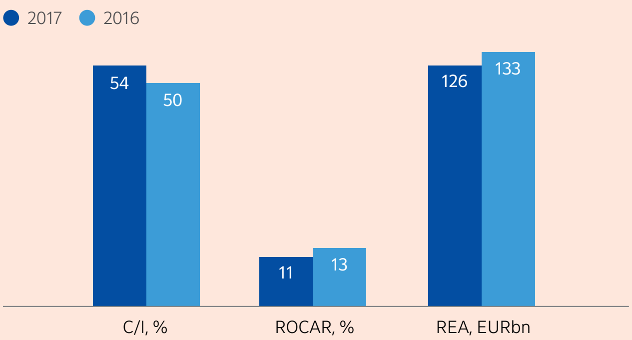
- Operating profit[1,2] –8%, in local currencies –8%
- Total operating income[1,2] –3%, in local currencies –3%
- Total operating expenses[2] +4%, in local currencies +5%
- Loan loss ratio[3] 12 basis points (15 basis points last year)
- Return on equity (ROE)[1,2] 9.5% (last year 11.5%)
- Common equity tier 1 (CET1) capital ratio 19.5% (last year 18.4%)
- Overall credit quality remained very strong
- Assets under Management up 2% to EUR 330.4bn
- Proposed dividend EUR 0.68 per share (actual dividend last year EUR 0.65 per share)

Legal structure
The cross border mergers between Nordea Bank AB (publ) and its subsidiary banks in Denmark, Finland and Norway were executed on 2 January 2017. As a result, all assets and liabilities of the subsidiary banks were transferred to Nordea Bank AB (publ) and each of Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA were dissolved. The banking business in Denmark, Finland and Norway is now carried out in branches of Nordea Bank AB (publ). The new simplified legal structure supports the work to increase agility, efficiency and economies of scale and strengthens governance.

Nordea to redomicile to the Banking Union
The Board of Directors of each of Nordea Bank AB (publ) and its newly established and wholly owned Finnish company Nordea Holding Abp, have signed a joint cross-border merger plan with the purpose to redomicile Nordea Bank AB (publ), the parent company of the Nordea Group, from Sweden to Finland. By becoming domiciled in a country that participates in the Banking Union, Nordea will be subject to the same regulatory framework as its European peers, with greater consistency of application and therefore a leveller playing field, which is expected to promote the interests of Nordea's customers, shareholders and employees.

The proposed redomiciliation is conditional upon among other things, the approval of the merger plan by the shareholders of Nordea Bank AB (publ) at a general meeting, receiving the requisite regulatory approvals and the merger not being impeded, in whole or in part, by applicable laws or any other reason deemed significant by the Boards of Directors of Nordea Bank AB (publ)

Key figures[4], Nordea Group



1) Excl. items affecting comparability in Q2 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax and Q4 2016: additional gain related to Visa of EUR 22m before tax.

2) Excl. items affecting comparability in Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m before tax.

3) Incl. loans to the public reported in Assets held for sale

4) Excl. items affecting comparability.

and Nordea Holding Abp. The merger plan is proposed to be approved by Nordea Bank AB (publ) shareholders at the annual general meeting on 15 March 2018. The merger, and consequently the redomiciliation, is planned to be effected during the second half of 2018, tentatively on 1 October 2018.

Macroeconomic trend
2017 was a year shaped by accelerating global growth, a moderate pick-up in inflation and low volatility in financial markets. The year featured a sharp rise in asset prices globally, coupled with the lowest financial markets volatility since the 1960s, despite some concerning geopolitical developments. Support from central banks remained high. The US economy expanded at a robust pace and its central bank continued with its interest rate policy normalisation. The European economy expanded at its highest rate since 2011, fuelled by low interest rates, falling unemployment and strong domestic demand. Concerns about emerging market growth dissipated as world trade picked up and commodity prices rose. The Nordic economies saw synchronised growth for the first time in many years.

In Sweden the economic picture remained strong with growth above 2.5% and inflation rising to 1.8%. In Denmark, the economy grew by 2%, despite negative growth during the third quarter due to temporary factors. The full-year picture remained robust. In Norway growth also picked up, supported by the recovery in oil prices and low unemployment. In Finland, the economy expanded by above 3%, driven both by strong domestic demand and higher exports.

Result summary 2017
Total income decreased in 2017 by 3% in local currencies (–3% in EUR) compared to 2016, excluding items affecting comparability. Total expenses were as expected at EUR 5.1bn, an increase of 5% in local currencies (+4% in EUR) excluding items affecting comparability, in line with guidance. The outlook for the 2018 cost of EUR 4.9bn, including a transformational cost of approximately EUR 150m, is reiterated. The target for total costs including transformational costs to be below EUR 4.8bn in 2021 is also reiterated. Net loan losses decreased from last year to a level of 12 basis points of loans (15 basis points in 2016). Operating profit was down 8% in both local currencies and EUR excluding items affecting comparability.

Income
Net interest income decreased 1% in both local currencies and EUR compared to 2016. Average lending volumes in business areas were down by 2% in local currencies compared to 2016 and deposit volumes were down by 1%. Lending margins increased somewhat from last year, primarily driven by household lending. Deposit margin increased slightly in 2017 mostly driven by repricing of corporate deposits. Net interest margin, the net interest income for Nordea Group (excluding Treasury and Baltics) in relation to lending and deposit volumes, was slightly up compared to last year (87bps). Net fee and commission income increased 5% in local currencies (+4% in EUR), mainly driven by a strong trend in savings and investment commissions. The net result from items at fair value decreased by 22% in local currencies (–23% in EUR) from last year, the fourth quarter was negatively affected by a fair value adjustment of EUR 41m, mainly following adjustments to CVA and FFVA. Income under the equity method was EUR 23m (EUR 112m). Other income was EUR 83m (EUR 135m) including items affecting comparability.

Expenses
Total expenses were up 5% in local currencies (+4% in EUR) compared to 2016 excluding items affecting comparability. Staff

costs were up 7% in both local currencies and EUR, excluding items affecting comparability. Other expenses were down 1% in both local currencies and EUR excluding items affecting comparability. Depreciation was up 18% in both local currencies and EUR excluding items affecting comparability.

Net loan losses
Net loan loss provisions decreased 26% in both local currencies and EUR to EUR 369m, corresponding to a loan loss ratio of 12 basis points (15 basis points last year). The loan loss ratio was below the ten-year average loan loss ratio.

Taxes
The effective tax rate in 2017 was 23.7% compared to 18.6% last year.

Net profit and Return on Equity (ROE)
Net profit decreased by 14% in both local currencies and EUR to EUR 3,048m.

Return on equity (ROE) was 9.5% excluding items affecting comparability (last year 11.5% excluding items affecting comparability).

Financial structure
Total assets decreased by 6% or EUR 34bn to EUR 582bn in 2017. Total liabilities decreased by 6% or EUR 35bn to EUR 548bn. All balance sheet items in foreign currencies are translated to EUR at the year-end rates when consolidated into the Nordea Group. See Note G1 for more information on accounting policies and section 28 therein for cross-currency rates used.

The euro strengthened against the Swedish krona, the Norwegian krone and the Russian rouble in 2017. It was largely unchanged against the Danish krone. The effect of changes in currency exchange rates amounted to a total decrease in the Group's assets of EUR 18bn and liabilities decreased by EUR 12bn.

Assets and liabilities held for sale related to the sale of the shares in Danish Nordea Liv & Pension have been transferred to the separate lines "Assets held for sale" and "Liabilities held for sale" as of 31 December 2017.

Loans
Total lending decreased EUR 8bn or 2%.

Securities
Investments in interest-bearing securities and shares decreased by EUR 17bn excluding assets held for sale, but are on the same level as last year including assets held for sale.

Deposits
Deposits and borrowings decreased by EUR 2bn or 1%. Total debt securities in issue as per the end of 2017 amounted to EUR 179bn.

Life insurance activities
Liabilities to policyholders decreased by EUR 22bn or 53% excluding assets held for sale, liabilities to policyholders including assets held for sale increased EUR 2bn or 4%.

Derivatives
The balance sheet items "Derivatives" reflect the net present value of derivative contracts split into positive and negative fair values. The positive market value of derivatives decreased from EUR 70bn to EUR 46bn and negative market values decreased from EUR 69bn to EUR 43bn. The decrease was driven by an increase in the long-term interest rates and changes in foreign exchange rates which reduced the net present values of the interest rate derivatives and foreign exchange swaps. For more information, see Notes G1 and G18.

Financial targets
Nordea's financial targets, based on currently known regulatory requirements, towards 2021 are structured around four pillars: dividend policy (to maintain a strong capital position in line with Nordea's capital policy with the ambition of achieving a yearly increase in the dividend per share), capital policy (continued significant capital (CET1) accumulation with a management buffer of 50–150bps above the regulatory CET1 requirement), ROE (continued improvement in Return on Equity with the target to be above the weighted Nordic peer average) and costs (cost base of approx. EUR 4.9bn in 2018 with the target of total costs incl. transformation costs to be below EUR 4.8bn in 2021).

Capital position and capital policy
The CET1 capital ratio was further strengthened in 2017 through strong profit generation of the Group in combination with a maintained focus on capital management, reaching 19.5% by the end of 2017 (last year 18.4%). Following the results of the consent solicitation, Nordea launched an Additional Tier 1 (AT1) transaction on 21 November. Nordea priced a EUR 750m transaction with a temporary write-down feature at a new record-low coupon of 3.5% for a European bank AT1. The transaction was Nordea's inaugural EUR AT1 and underlines the investor appetite for both the asset class and for the Nordea credit.

Nordea's capital policy determines target capitalisation levels at Nordea. The capital policy states that the Nordea Group under normal business conditions should have capital ratios for CET1, tier 1 and total capital that exceed the capital requirement as communicated by the Swedish FSA. The policy states that Nordea will maintain a management buffer of 50–150bps above the CET1 requirement.

A description of the capital position is presented under Capital management on page 55–57 and in Note G38.

Credit portfolio
Loans to the public excluding reverse repurchase agreements increased by 1% in local currencies and amounted to EUR 293.9bn (a decrease by 2% in common currency). The share of loans to the public to corporate customers excluding reverse repurchase agreements was 44%. Lending to the Shipping and offshore and Energy industries constituted 3% of the Group's total lending.

Overall credit quality remains solid with strongly rated customers. The total effect on credit risk exposure amount (REA) from migration was a decrease of approximately 3.1% for full- year 2017. Impaired loans gross in the Group increased to EUR 6,068m at the end of the year compared to last year (EUR 5,550m). 59% of impaired loans gross are servicing and 41% are non-servicing.

Further information about the credit portfolio is presented under Risk management on page 49, in Note G46 and in the Capital and Risk Management Report 2017 published on the website.

Baltics – Luminor
In August 2016, Nordea and DNB announced that they will combine their operations in the Baltics. At the beginning of March 2017, it was announced that Luminor will be the name of the joint Baltic bank. The completion was conditional upon receiving regulatory approvals and fulfilling certain conditions. After receiving all the requisite approvals and fulfilling the conditions, the transaction closed on 1 October 2017. Luminor comprises Nordea's approximately 350,000 customers across the three markets and DNB's 930,000 customers across the three markets. The operations have approximately 3,000 employees.

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

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

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

Starting in Q4 2017, Nordea derecognised all assets and liabilities held for sale and recognised an investment in Luminor. Luminor is consolidated using the equity method, meaning Nordea recognises its share of the post-tax result in Luminor on the line "Profit from associated undertakings and joint ventures accounted for under the equity method" in the income statement.

Sale of Nordea Life and Pension Denmark

In 2016, Foreningen Norliv representing the customers of Nordea Liv & Pension purchased 25% of the holding in Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark from Nordea Life Holding AB. The transaction was approved by the Danish FSA and closed on 10 January 2017. The purchase price was EUR 291m and the tax exempt gain recognised directly in equity in 2017 was EUR 122m.

Nordea announced on 21 December 2017 that Foreningen Norliv will purchase an additional 45% of the shares in Nordea Liv & Pension, Livforsikringsselskab A/S conditional upon the approval of the Danish FSA and antitrust authorities anticipated in 2018. The transaction will generate a post-tax capital gain of EUR 172m to be recognised in the P/L when all approvals have been received. The remaining holding in the associated company (30%) will be remeasured to fair value and is expected to lead to an additional post-tax gain in the P/L of EUR 115m for the Nordea Group. The solvency ratio of NLP Group will increase by 20–25 percentage points.

Sale of collection portfolio in Denmark

In December 2017, Nordea signed an agreement to divest a portfolio of non-performing loans in Denmark. The portfolio consists of around 40,000 claims, the principal value amounts to approximately EUR 500m, and the transaction is expected to generate a capital gain of roughly EUR 50m. Should the loans not fulfil contractual terms, buyers will be compensated. The financial effects are expected to be accounted for in the income statement in 2018 as the loan documentation is transferred to the buyers.

Nordea's funding operations

Nordea issued approx. EUR 14.6bn of new and extended long-term funding during the year, excluding Danish covered bonds and subordinated debt. Liquidity management is presented on page 54. A maturity analysis is presented in Note G44.

Market risk

A description of market risk is presented on page 50–51.

Hedge accounting

Nordea uses hedge accounting in order to have symmetrical accounting treatment of the changes in fair value of the hedged risks in the hedged items and of the hedging instruments and in order to hedge the exposure to variability in cash flows and net investments in foreign operations. More information on the hedged risks is presented in Note G1.

The Nordea share

According to the Articles of Association, shares in Nordea may be issued in two classes, ordinary shares and C-shares. The total number of shares in Nordea is 4,049,951,919. All shares are ordinary shares. See also Statement of changes in equity on page 78. The voting rights are described on page 60. C-shares are not entitled to any dividend.

In addition, there are provisions in the Articles of Association that will ensure that the reciprocal rights and obligations between each owner and each class remain in case of any issuance of new shares, warrants or convertibles. There are no restrictions in law or in the Articles of Association regarding the right to transfer shares and Nordea is not aware of any agreements between shareholders in this respect.

However, since Nordea is a credit institution, a direct or indirect acquisition of shares in Nordea, which causes the acquirer's total holding to comprise a qualified holding (representing 10% or more of the equity capital or of the voting capital) or an increase of qualified holdings, may only occur following consent by the Swedish Financial Supervisory Authority according to the Swedish Banking and Financing Business Act.

On 31 December 2017 Sampo plc was the largest individual shareholder with a holding of 21.3% and the only shareholder with a holding of more than 10%. A table showing the largest registered shareholders in Nordea at the end of 2017 is provided on page 32.

On 31 December 2017, employees had an indirect shareholding of 0.6% in Nordea through the Nordea Profit-sharing Foundation and a minor indirect shareholding in Nordea through the pension foundation. The voting rights are in neither case exercised directly by the employees.

Holding of own shares

As at 31 December 2017, Nordea held 13,739,009 shares (0.3% of the total number of shares) in Nordea, a decrease of 389,763 shares compared to 31 December 2016. The par value is EUR 1 and the acquisition price amounts to EUR 45m.

These shares are partly held for trading purposes and partly as hedges of conditional rights in the Long Term Incentive Programmes.

Dividend

The Board of Directors proposes to the AGM a dividend of EUR 0.68 per share (EUR 0.65) and, furthermore, that the record date for dividend should be 19 March 2018. The dividend corresponds to a payout ratio of 90% of net profit. The total proposed dividend amounts to EUR 2,747m.

The ex-dividend date for the Nordea share is 16 March 2018. The dividend payments are scheduled to be made on 26 March 2018.

Mandate to acquire and convey own shares

Neither the AGM 2016 nor the AGM 2017 decided on authorisations to acquire and convey own shares. Consequently, the Board of Directors did not have such authorisations in 2017.

The Board of Directors has not proposed that the AGM 2018 should decide on any authorisations to acquire and convey own shares.

Mandate to issue convertible instruments

The Board of Directors proposes that the AGM 2018 should authorise the Board of Directors to decide on issuing convertible instruments, with or without preferential rights for existing shareholders. The authorisation means that the share capital may be increased by a maximum 10% of the Company's share capital. The authorisation may be used on one or several occasions up until the next AGM.

An issue of convertible instruments should be done on market terms. The purpose of the authorisation is to facilitate a flexible and efficient adjustment of the Company's capital structure to the capital requirements.

The AGM 2017 decided on a corresponding authorisation to decide to issue convertible instruments.

Rating

Ratings of the Nordea Group are presented on page 33.

Personnel

Personnel expenses, significant agreements with key management personnel and the distribution by number of employees, by country and gender are disclosed in Note G7. More information is presented on the page 34 about Our people.

Profit sharing and share-based incentive systems

For 2017, a total of approx. EUR 27m (including social charges) was expensed under Nordea's ordinary profit-sharing scheme for all employees and the Long-Term Incentive Programmes for managers and key employees (EUR 35m last year).

For 2017, each employee can receive a maximum of EUR 3,200 based on a predetermined set of performance criteria. The Profit Sharing scheme and the share-based incentive systems as well as other remuneration principles are presented in the chapter Remuneration on page 69–71 and in Note G7.

Pension liabilities

The total pension obligation in defined benefit plans increased from EUR 3,434m to EUR 3,454m in 2017. The increase is mainly due to re-measurements from changes in financial assumptions, mainly following lower discount rates in basically all countries, a higher inflation and salary increase assumption in Sweden and a change to the mortality assumption (demographic assumption) in Norway. The increase is partly offset by changed assumption on pension indexation (financial assumption) in Norway. Pensions paid have had a reducing effect on the pension obligation offset by new pension rights earned and discounting effects. The fair value of plan assets amounted to EUR 3,423m (EUR 3,438m). The actual return and contributions have had an increasing effect on plan assets, partly offset by pension payments. The net pension liability amounts to EUR 31m (net pension asset of EUR 4m). See Note G32 for more information.

Legal proceedings

Within the framework of normal business operations, the Group faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on the Group or its financial position.

Further information is presented in Note G36.

Environmental concerns and corporate social responsibility

Nordea is committed to sustainable business and development by combining financial performance with environmental and social responsibility as well as sound governance practices. Nordea has adopted a Nordea Sustainability Policy that sets out the Group's values and commitments to ethical business. The policy is based on the ten principles of the UN Global Compact, the UN Declaration of Human Rights, ILO conventions and the OECD Guidelines for Multinational Enterprises. The Sustainability Policy has a specific section on environmental issues providing guidance on how the Group is to manage and control environmental issues in its business activities and its own operations. All employees of Nordea Group, including non-permanent staff working on behalf of Nordea, are subject to this policy.

Nordea policies are supported by a number of specific and concrete policies to ensure compliance with the principles in everyday business. Examples are the human resources policies, the anti-corruption policies and investment and credit policies.

Further information is presented under Statutory Sustainability report on page 67–68 and in Nordea's Statutory Sustainability Report available on the website.

Foreign branches

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

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

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

IFRS 9: Expected quantitative impact

The IASB has completed the new standard for financial instruments, IFRS 9 "Financial instruments". IFRS 9 covers classification and measurement, impairment and general hedge accounting and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. The impact on the Common Equity Tier 1 capital ratio, after adjustment of the shortfall deduction and before transition rules, is expected to be insignificant. Additional qualitative disclosures and details can be found in Note G1 on page 86–87 and in Note G49 on page 171–175.

Sale of Nordea's Luxembourg-based Private Banking

On 25 January, UBS and Nordea announced an agreement on the acquisition of part of Nordea's Luxembourg-based private banking business by UBS. The transaction foresees the acquisition of part of Nordea Bank S.A.'s business and its integration onto UBS's advisory platform, thereby providing clients with access to its global offering and local expertise.

The decision follows a thorough strategic review of Nordea's Private Banking International activities. The strategic review was part of the transformation of Nordea, with the aim to better manage risk, focus the business and deliver an even better bank for the clients. This led to the decision to concentrate Nordea's private banking activities in the Nordics.

While the business transfer agreement has been signed, the details of the transaction and its completion currently planned for the second half of this year remain subject to applicable regulatory approvals and a number of conditions.

The transaction will have a marginally positive impact on CET1 capital for Nordea. Assets under management for this business as at the end of 2017 amounted to EUR 13bn.

The disposal group is included in the operating segment Private Banking within Wealth Management in Note G2.

Business transformation

Nordea is almost two years into its transformation shift. So far there has been a significant investment in Nordea's capabilities within compliance and risk management functions and significant investments have also been made in technology, such as the core banking platform, digital banking and IT remediation. Since these investments are starting to deliver as expected, it is time to enter the next phase of the transformation, where Nordea expects to structurally bring down costs and increase efficiency. This transformation requires a shift in competence among Nordea's employees. Additionally, in order to secure long-term competitiveness, a reduction of the number of employees and consultants by at least 6,000 is expected, of which approximately 2,000 are consultants. To attain these efficiency gains Nordea has recognised a transformation cost of EUR 146m in the fourth quarter of 2017. Nordea will over the coming four years have additional transformation costs and for 2018 a total cost base, including transformation costs, of approximately EUR 4.9bn is expected. The total cost base is expected to gradually decline to below EUR 4.8bn in 2021.

Follow-up on the sale of Nordea Bank Russian loan portfolio

In 2016, Nordea sold the existing portfolio of mortgage and consumer loans in Russia. The carrying amount of the portfolio derecognised in 2017 was EUR 228m and the cost related to the divestment recognised in "Net result from items at fair value" in 2017 was EUR 16m. The buyer was SovCombank.

Annual General Meeting

The AGM will be held on Thursday 15 March 2018 in Stockholm. Further information is presented on the last page of the Annual Report.

Business area results

Personal Banking, operating profit by market

	Total		Change		Personal Banking Denmark		Personal Banking Finland		Personal Banking Norway		Personal Banking Sweden		Personal Banking other	
EURm	2017	2016	%	Loc. curr. %	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income	2,101	1,962	7	7	582	600	391	382	363	303	729	693	36	–16
Net fee and commission income	696	692	0	0	170	179	199	187	86	85	252	248	–11	–7
Net result on items at fair value	62	79	–22	–21	8	6	21	27	10	14	20	26	3	6
Equity method & other income	7	4	–	–	–2	–2	4	2	1	3	1	1	3	2
Total operating income	**2,866**	**2,737**	**5**	**5**	**758**	**783**	**615**	**596**	**460**	**405**	**1,002**	**968**	**31**	**–15**
Total operating expenses	**–1,724**	**–1,666**	**3**	**4**	**–525**	**–548**	**–437**	**–443**	**–209**	**–215**	**–467**	**–474**	**–86**	**14**
Profit before loan losses	**1,142**	**1,071**	**6**	**7**	**233**	**235**	**178**	**153**	**251**	**190**	**535**	**494**	**–55**	**–1**
Net loan losses	**–40**	**–36**	–	–	**–5**	0	–7	–13	–4	–4	–11	–10	–13	–9
Operating profit	**1,102**	**1,035**	**7**	**7**	**228**	**235**	**171**	**140**	**247**	**186**	**524**	**484**	**–68**	**–10**
Cost/income ratio, %	60	61	–	–	69	70	71	74	45	53	47	49	–	–
ROCAR, %	12	13	–	–	13	13	10	10	15	13	15	17	–	–
Other information, EURbn														
Lending to corporates[1]	1.2	0.9	33	34	0.3	0.3	0.1	0.0	0.1	0.0	0.7	0.6	–	–
Household mortgage lending	124.3	125.6	–1	2	29.4	29.5	26.6	26.0	25.8	26.9	42.5	43.2	–	–
Consumer lending	19.5	20.4	–3	–2	8.8	9.5	5.6	5.5	1.3	1.3	3.8	4.1	–	–
Corporate deposits[1]	2.3	2.5	–9	–9	2.1	2.0	0.1	0.1	0.1	0.3	0.0	0.1	–	–
Household deposits	73.1	73.3	0	2	22.2	22.2	20.7	20.4	8.1	8.6	22.1	22.1	–	–

1) Corporate lending and deposits of some household customers in Personal Banking (PeB) are served and reported in PeB.

Commercial and Business Banking, operating profit by unit

	Total		Change		Commercial Banking		Business Banking		Commercial and Business Banking other	
EURm	2017	2016	%	Loc. curr. %	2017	2016	2017	2016	2017	2016
Net interest income	1,132	1,110	2	2	511	471	608	602	13	37
Net fee and commission income	432	408	6	7	225	213	258	253	–51	–58
Net result on items at fair value	240	279	–14	–13	184	211	70	72	–14	–4
Equity method & other income	45	34	–	–	21	9	0	0	24	25
Total operating income	**1,849**	**1,831**	**1**	**1**	**941**	**904**	**936**	**927**	**–28**	**0**
Total operating expenses	**–1,141**	**–1,100**	**4**	**4**	**–486**	**–485**	**–569**	**–578**	**–86**	**–37**
Profit before loan losses	**708**	**731**	**–3**	**–3**	**455**	**419**	**367**	**349**	**–114**	**–37**
Net loan losses	–87	–161	–	–	–89	–69	8	–87	–6	–5
Operating profit	**621**	**570**	**9**	**9**	**366**	**350**	**375**	**262**	**–120**	**–42**
Cost/income ratio, %	62	60	–	–	52	54	61	62	–	–
ROCAR, %	8	7	–	–	7	7	12	8	–	–
Other information, EURbn										
Lending to corporates	70.8	70.3	1	3	42.4	42.3	28.4	28.0	–	–
Household mortgage lending[1]	7.1	7.4	–4	–3	0.2	0.2	6.9	7.2	–	–
Lending to households[1]	2.2	2.3	–4	–3	0.6	0.7	1.6	1.7	–	–
Corporate deposits	35.9	36.0	0	3	16.8	17.0	19.1	19.0	–	–
Household deposits[1]	3.1	3.3	–6	–5	0.2	0.2	2.9	3.1	–	–

1) Household lending and deposits of some corporate customers are supplied by and reported in Commercial & Business Banking.

Business area results, cont.

Wholesale Banking, operating profit by unit

	Total		Change		Corporate & Institutional Banking (CIB)		Shipping, Offshore & Oil Services		Banking Russia		Wholesale Banking other (including Capital Markets unallocated)	
EURm	2017	2016	%	Loc. curr. %	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income	739	830	–11	–11	518	519	234	252	97	173	–110	–114
Net fee and commission income	572	629	–9	–8	527	574	39	57	16	14	–10	–16
Net result on items at fair value	625	803	–22	–22	305	311	–33	31	14	15	339	446
Equity method & other income	4	0	–	–	0	0	0	0	0	0	4	0
Total operating income	**1,940**	**2,262**	**–14**	**–14**	**1.350**	**1,404**	**240**	**340**	**127**	**202**	**223**	**316**
Total operating expenses	**–933**	**–967**	**–4**	**–3**	**–524**	**–575**	**–62**	**–63**	**–52**	**–55**	**–295**	**–274**
Profit before loan losses	**1,007**	**1,295**	**–22**	**–22**	**826**	**829**	**178**	**277**	**75**	**147**	**–72**	**42**
Net loan losses	–229	–279	–	–	–72	–103	–136	–147	–21	–31	0	2
Operating profit	**778**	**1,016**	**–23**	**–24**	**754**	**726**	**42**	**130**	**54**	**116**	**–72**	**44**
Cost/income ratio, %	48	43	–	–	39	41	26	19	41	27	–	–
ROCAR, %	7	9	–	–	12	12	2	6	10	19	–	–
Other information, EURbn												
Lending to corporates	71.1	80.3	–12	–	36.4	37.9	9.2	12.0	2.3	3.8	23.2	26.6
Lending to households	0.0	0.2	–	–	–	–	–	–	0.0	0.2	–	–
Corporate deposits	46.9	47.1	0	–	33.5	35.5	3.6	5.1	0.7	0.6	9.1	5.9
Household deposits	0.1	0.1	0	–	–	–	–	–	0.1	0.1	–	–

Wealth Management, operating profit by unit

	Total		Change		Asset Management		Private Banking		Life & Pensions		Wealth Management other	
EURm	2017	2016	%	Loc. curr. %	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income	105	110	–5	–4	0	0	107	109	0	0	–2	1
Net fee and commission income	1,673	1,519	10	10	972	849	325	322	373	346	3	2
Net result on items at fair value	292	353	–17	–17	0	1	62	86	229	266	1	0
Equity method & other income	24	23	–	–	9	6	5	12	19	18	–9	–13
Total operating income	**2,094**	**2,005**	**4**	**4**	**981**	**856**	**499**	**529**	**621**	**630**	**–7**	**–10**
Total operating expenses	**–938**	**–854**	**10**	**10**	**–278**	**–254**	**–448**	**–400**	**–208**	**–198**	**–4**	**–2**
Profit before loan losses	**1,156**	**1,151**	**0**	**0**	**703**	**602**	**51**	**129**	**413**	**432**	**–11**	**–12**
Net loan losses	0	0	–	–	0	0	0	0	0	0	0	0
Operating profit	**1,156**	**1,151**	**0**	**0**	**703**	**602**	**51**	**129**	**413**	**432**	**–11**	**–12**
Cost/income ratio, %	45	43	–	–	28	30	90	76	33	31	–	–
ROCAR, %	33	35	–	–	–	–	6	17	–	–	–	–
Other information, EURbn												
Lending to households	10.0	11.5	–13	–13	–	–	10.0	11.5	–	–	–	–
Deposits from the public	12.9	13.5	–4	–4	–	–	12.9	13.5	–	–	–	–

Business area results, cont.

Group Functions, other and eliminations, operating profit

EURm	2017	2016
Net interest income	589	715
Net fee and commission income	–4	–10
Net result on items at fair value	109	201
Equity method & other income	26	186
Total operating income	**720**	**1,092**
Total operating expenses	**–366**	**–213**
Operating profit	**341**	**853**

Life & Pensions, profit drivers

EURm	2017	2016
Profit drivers		
Profit Traditional products	90	123
Profit Market Return products	252	231
Profit Risk products	84	81
Total product result	**426**	**435**
Return on shareholders' equity, other profits and group adjustments	–13	–3
Operating profit	**413**	**432**
Other information		
Solvency in % of requirement	169	159

Total Nordea Group and Business Areas

	Personal Banking		Commercial and Business Banking		Wholesale Banking		Wealth Management		Group Functions, Other and Eliminations		Nordea Group		Change	
EURm	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	%	Loc. curr. %
Net interest income	2,101	1,962	1,132	1,110	739	830	105	110	589	715	4,666	4,727	–1	–1
Net fee and commission income	696	692	432	408	572	629	1,673	1,519	–4	–10	3,369	3,238	4	5
Net result on items at fair value	62	79	240	279	625	803	292	353	109	201	1,328	1,715	–23	–22
Equity method	0	0	14	14	0	0	0	0	9	98	23	112	–79	–79
Other operating income	7	4	31	20	4	0	24	23	17	88	83	135	–39	–38
Total operating income	**2,866**	**2,737**	**1,849**	**1,831**	**1,940**	**2,262**	**2,094**	**2,005**	**720**	**1,092**	**9,469**	**9,927**	**–5**	**–4**
Total operating expenses	**–1,724**	**–1,666**	**–1,141**	**–1,100**	**–933**	**–967**	**–938**	**–854**	**–366**	**–213**	**–5,102**	**–4,800**	**6**	**7**
Net loan losses	–40	–36	–87	–160	–229	–279	0	0	–13	–26	–369	–502	–26	–26
Operating profit	**1,102**	**1,035**	**621**	**570**	**778**	**1,016**	**1,156**	**1,151**	**341**	**853**	**3,998**	**4,625**	**–14**	**–13**
Cost/income ratio, %	60	61	62	60	48	43	45	43	–	–	54	48	–	–
ROCAR, %	12	13	8	7	7	9	33	35	–	–	11[1]	13[1]	–	–
Volumes, EURbn														
Lending to corporates[2]	1.2	0.9	70.8	70.3	71.1	80.3	–	–	4.0	7.1	147.1	158.6	–	–
Household mortgage lending[3]	124.3	125.6	7.1	7.4	0.0	0.2	6.7	7.2	–	–	138.1	140.4	–	–
Consumer lending[3]	19.5	20.4	2.2	2.3	–	–	3.3	4.3	–	–	25.0	27.0	–	–
Corporate deposits[2]	2.3	2.5	35.9	36.0	46.9	47.1	–	–	–1.9	3.0	83.2	88.6	–	–
Household deposits[3]	73.1	73.3	3.1	3.3	0.1	0.1	12.9	13.5	–	–	89.2	90.2	–	–

1) Excluding items affecting comparability.
2) For PeB: Corporate lending and deposits of some household customers is supplied and reported in Personal Banking.
3) For CBB: Household lending and deposits of some corporate customers is supplied and reported in Commercial & Business Banking.

A 5-year income statement and balance sheet overview of the Group are presented in the financial statements chapter.

Risk, Liquidity and Capital management

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

Management principles and control

Board of Directors and Board Risk Committee

The Board of Directors has the ultimate responsibility for deciding on Nordea's risk appetite, comprising all of the bank's risk types, as well as for defining target capital ratios. The Board of Directors is also responsible for the risk strategy, setting the overall risk appetite limits and overseeing that Nordea has an adequate and effective Internal Control Framework. The Board of Directors also decides on the Group Board Directives on risk and on risk appetite as well as the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP). Risk is measured, managed and reported on according to common principles further covered by group instructions approved by the CEO.

In the Group Board Directive on Risk, the Board of Directors decide on powers-to-act for major credit committees at different levels within the Business Areas. These authorisations vary for different decision-making levels, mainly in terms of the size of limits but also depending on the internal risk categorisation of customers.

The Board Risk Committee (BRIC) assists the Board of Directors in fulfilling its oversight responsibilities concerning management and control of risk, risk frameworks as well as controls and processes associated with Nordea's operations.

Responsibility of CEO and GEM

The Chief Executive Officer (CEO) has the overall responsibility for developing and maintaining effective risk, liquidity and capital management principles and control of Nordea.

The CEO and GEM regularly review reports on risk exposure and have established a number of committees for risk, liquidity and capital management.

Asset and Liability Committee (ALCO), chaired by the Chief Financial Officer (CFO), prepares issues of major importance concerning Nordea's financial operations and balance sheet, either for decision by the CEO in GEM or for recommendation by the CEO in GEM for decision by the Board of Directors.

The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of Nordea's risks on aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with the various risks. The Risk Committee furthermore decides, within the scope of resolutions adopted by the Board of Directors, on the allocation of credit risk limits, market risk limits as well as the liquidity risk limits to the risk-taking units. These risk limits are informed by the risk appetite decided on by the Board of Directors. Unit heads allocate respective risk limits decided by the Risk Committee within their units and may introduce more detailed limits and/or require other risk mitigation techniques to be used, such as stop-loss rules. The Risk Committee has established sub-committees for its work and decision-making within specific risk areas.

The CEO Credit Committee is chaired by the CEO. As of January 2018, the Executive Credit Committee is chaired by the Head of Group Credit Risk Management (GCRM), while the Group Credit Committee Commercial and Business Banking and the Group Credit Committee Wholesale Banking are chaired by the Chief Credit Officer (CCO). These credit committees approve major internal credit risk limits constituting the maximum credit risk appetite on the customer in question. Individual credit decisions within approved internal credit risk limits are taken within the customer responsible units. Internal credit risk limits are granted as individual limits for customers or consolidated customer groups as well as industry limits for certain defined industries.

Governance of Risk Management and Compliance

Group Risk Management and Control and Group Compliance are the second line of defence. The flow of risk related information from the Business Areas and the Group Functions to the Board of Directors passes through Risk Committee and BRIC. Reporting from Group Compliance is presented directly to the Board of Directors as well as discussed in the Board Operations and Compliance Committee (BOCC).

As of January 2018, Group Risk Management and Control is organised in the following divisions: Group Credit Risk and Control, Group Market and Counterparty Credit Risk, Group Operational Risk, Balance Sheet Risk Controls, Enterprise Risk Management, Chief Operating Officer Function and CRO Office. The flow of information starts with the divisions that monitor and analyse information on the respective risk type. The risks are presented and discussed in the Risk Committee and sub committees. Information on risk is then brought to BRIC, where risk issues are being discussed and prepared before presentation to the Board of Directors.

The other second line function, Group Compliance, consists of central units as well as business area specific divisions, facilitating and overseeing the effectiveness and integrity of Nordea's compliance risk management. Group Compliance adds value to Nordea and its stakeholders by providing an independent view on compliance with applicable rules and regulations, based to a great extent on conducted monitoring activities. Furthermore, Group Compliance advises and supports the first line of defence on ways to effectively and efficiently manage compliance obligations.

Risk appetite

Risk appetite within Nordea is defined as the level and nature of risk that the bank is willing to assume within the risk capacity, and in line with its business model, to achieve its strategic objectives. Risk appetite is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders.

The Board of Directors is ultimately responsible for Nordea's risk strategy and the risk appetite framework (RAF). BRIC assists BoD in fulfilling these responsibilities by advising and supporting the Board of Directors regarding the determination and monitoring of Nordea's actual and future risk appetite and risk strategy.

Nordea's RAF refers to the overall approach, including the internal rules framework, processes, controls, and systems through which risk appetite is established, communicated, and monitored. It includes a risk appetite statement (RAS), risk limits, and describes the roles and responsibilities of those overseeing the implementation and monitoring of the RAF. The RAS articulates the Board approved risk appetite and is comprised of high level statements that link closely to the risk strategy.

The starting point for defining Nordea's Risk Appetite is the aligning of overall risk with the financial and capital planning process, based on Nordea's risk strategy. Risk appetite is allocated to risk type including risk appetite limits for the main risk types that Nordea is or could be exposed to. Risk appetite triggers are also set for these main risk types, to act as early indicators for key decision-makers that the risk profile for a particular risk type is approaching its risk appetite limit.

Regular controlling and monitoring of risk exposures compared to risk limits for financial risks are carried out to ensure that risk-taking activity remains within risk appetite as follows:

- **Green:** Risk level is within the defined risk appetite – no action to be taken
- **Amber:** Within risk appetite but the risk appetite trigger has been breached - a trigger level for further monitoring, investigation, or analysis
- **Red:** Outside the bank's risk appetite and remediation action must be taken. The breach is escalated and status of remediation actions is followed up until the risk exposure is within appetite.

The Risk Appetite framework considers key risks relevant to Nordea's business activities and is at an aggregate level represented in terms of credit risk, market risk, liquidity risk, operational risk, solvency and compliance/non-negotiable risks. The Risk Appetite framework is further presented in the Capital and Risk Management Report.

Monitoring and reporting

The "Group Board Directive on Internal Governance" describes Nordea's Internal Control Framework. The framework is designed to ensure effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, sound administrative and accounting procedures, reliability of financial and non-financial information reported or disclosed (both internally and externally) and compliance with laws, regulations, supervisory requirements and the Nordea Group Internal Rules.

The internal control process is carried out by the Board of Directors, senior management, risk management functions and other staff at Nordea and is based on five main components: control environment, risk assessment, control activities, information and communication as well as monitoring. The internal control process aims to create the necessary fundamentals for the entire organisation to contribute to the effectiveness and high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures.

Management of risks includes all activities aiming at identifying, measuring, assessing, monitoring and controlling risks as well as measures to limit and mitigate the consequences of the risks. Management of risk is proactive, emphasising training and risk awareness. Nordea maintains a high standard of risk management by means of applying available techniques and methodology to its needs. In order to support all employees in managing risks, Nordea has gathered relevant e-learnings, policies and guidelines – internally defined as Licence to work. Licence to Work is a set of stepwise requirements for learning about risk and compliance and shall be renewed every year.

The control environment is, among other things, based on the principles for segregation of duties and independence. Monitoring and reporting of risk are conducted on a daily basis for market risk, counterparty credit risk, liquidity risk and on a monthly and quarterly basis for credit risk, operational risk, IT risk and overall capital adequacy.

Detailed risk information, covering all risks as well as capital adequacy, is regularly reported to the Risk Committee, GEM, BRIC and the Board of Directors. In addition to this Nordea's compliance with regulatory requirements is reported to GEM and Board of Directors. The Board of Directors and CEO in each legal entity regularly receive local risk reporting.

Disclosure requirements of the CRR – Capital and Risk Management Report 2017

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2017, in accordance with the Capital Requirements Regulation (CRR), which is based on the Basel III framework issued by the Basel Committee on Banking Supervision. The report is available at www.nordea.com.

Nordea's Capital and Risk Management Report 2017 available on www.nordea.com

Risk management

Credit Risk management

In case of credit risk exposures, credits granted within the Group shall conform to the common principles established for the Group. Nordea aims to have a well-diversified credit portfolio that is adapted to the structure of its home markets and economies.

The key principles for managing Nordea's risk exposures are:

- the three Lines of Defence (LoD), as further described in the Policy for Internal Control in the Nordea Group;
- independency, i.e. the risk control function should be independent of the business it controls; and
- risk based approach, i.e. the risk control functions should be aligned to the nature, size and complexity of Nordea's business, ensuring that efforts undertaken are proportional to the risks in question.

Group Credit Risk Management in 1st LoD is responsible for the credit process framework and operational credit risk guidelines and SOPs. Group Risk Management and Control in 2nd LoD is responsible for the credit risk management framework, consisting of policies, instructions for the Group. Group Risk Management and Control is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process.

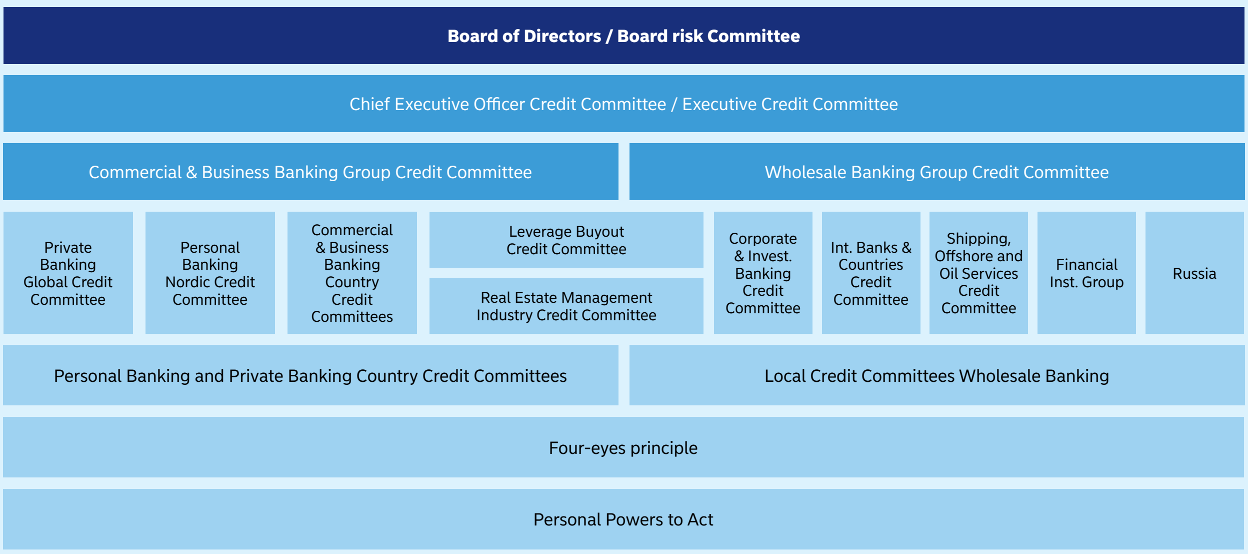
The basis of credit risk management in Nordea is limits to customers and customer groups that are aggregated and assigned to units responsible for their continuous monitoring and development. An additional dimension of concentration risk limits based on industries, segments, products or geographies shall likewise be aggregated, assigned to units responsible for their monitoring and development and serve as caps on those limits. Each division/unit is primarily responsible for managing the credit risks in its operations within the applicable framework and limits, including identification, control and reporting.

Within the powers to act granted by the Board of Directors, Internal credit risk limits are approved by credit decision making authorities on different levels in the organisation constituting the maximum risk appetite on the customer in question. Individual credit decisions within the approved internal credit risk limit are taken within the customer responsible unit (CRU). The risk categorisation and the exposure of the customer decide at what level the decision will be made. Responsibility for a credit risk lies with a customer responsible unit. Customers are risk categorized by a rating or score in accordance with Nordea's rating and scoring guidelines. The rating and scoring of customers aims to predict their probability of default and to consequently rank them according to their respective default risk. Rating and scoring are used as integrated parts of the credit risk management and decision-making process. Representatives from 1st LoD credit organization approve the rating independently.

Credit risk definition and identification

Credit risk is defined as the potential for loss due to failure of a borrower(s) to meet its obligations to clear a debt in accordance with agreed terms and conditions. The potential for loss is lowered by credit risk mitigation techniques. It stems mainly from various forms of lending, but also from issued guarantees and documentary credits. Credit risk includes counterparty credit risk, transfer risk and settlement risk. Nordea's loan portfolio is furthermore broken down by segment, industry and geography. Industry policies are established for those industries that have a significant weight in

Credit Committee Structure



the portfolio and are either very volatile or require special industry competencies.

Credit decisions are made after a credit risk assessment based on principles that are defined consistently across the Group. These principles emphasize the need to adjust the depth and scope of the assessment according to the risk. The same credit risk assessments are used as input for determining the internal ratings. Credit decisions in Nordea reflect Nordea's view of both the customer relationship and credit risk.

All credit assessments in Nordea shall adequately reflect a consideration of relevant environmental, social and governmental risks and conform to the Nordea Sustainability Policy. The total credit risk assessment shall be a combined risk conclusion on the obligor's repayment capacity and the Group's recovery position. The risk conclusion must be sufficiently forward looking as compared to the risk profile of the customer and maturity of the transaction.

In addition to credit risk assessment in conjunction with new or changed exposure towards a customer, an annual credit review process is in place. The annual review process is important part of the on-going credit analysis.

If credit weakness is identified in relation to a customer exposure, the customer is categorized as "High Risk" and receives special attention in terms of more frequent review. In addition to continuous monitoring, an action plan is established outlining as to how to minimise the potential credit loss. If necessary, a work-out team is set up to support the customer responsible unit.

Credit risk mitigation

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collaterals is considered as well as the adequacy of covenants and other risk mitigations. Pledging of collateral is the main credit risk mitigation technique and collaterals are always sought, when reasonable and possible, to minimize the potential for credit losses. In every credit decision and review the value of collaterals must be considered.

In corporate exposures, the main collateral types are real estate mortgages, floating charges and leasing objects. Collateral coverage is higher for exposures to financially weaker customers than for those who are financially strong. Limit decisions are taken independent from collateral coverage. Regarding large exposures, syndication of loans is the primary tool for managing concentration risk, while credit risk mitigation by the use of credit default swaps is applied to a limited extent. Covenants in credit agreements are an important complement to both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

The collateral value shall always be based on the market value. The market value is defined as the estimated amount

Credit risk exposure and loans
(excluding cash and balances with central banks and settlement risk exposure)

EURm	31 Dec 2017	31 Dec 2016
To central banks and credit institutions	**13,388**	**20,261**
To the public	**310,158**	**317,689**
- of which corporate	147,008	152,964
- of which household	158,585	161,099
- of which public sector	4,565	3,626
Total loans	**323,546**	**337,950**
Off-balance credit exposure[1]	74,398	77,881
Counterparty risk exposure	22,830	33,628
Treasury bills and interest-bearing securities[2]	72,043	72,700
Total credit risk exposure in the banking operations	**492,817**	**522,159**
Credit risk exposure in the life insurance operations	11,445	21,841
Total credit risk exposure including life insurance operations	**504,262**	**544,000**

1) Of which for corporate customers approx. 90%.
2) Also includes Treasury bills and interest-bearing securities pledged as collateral in repurchase agreements.

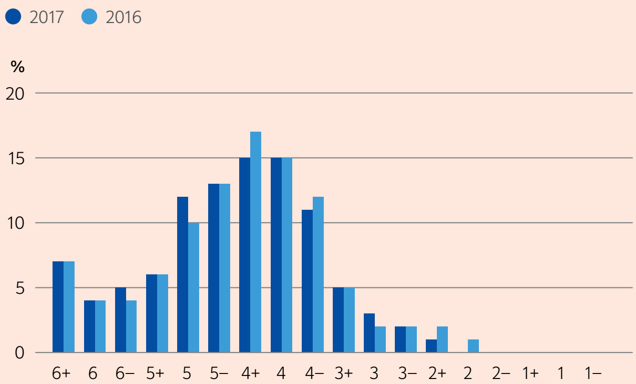
for which the asset would exchange between a willing buyer and willing seller under current market conditions. From this market value a haircut is applied. The haircut is defined as a percentage by which the asset's market value is reduced ensuring a margin against loss. The margin reflects the adjustments needed to assess the cash proceeds when the collateral is liquidated in a forced sale situation. A maximum collateral ratio is set for each collateral type.

The same principles of calculation must be used for all exposures. For High Risk customers, the foreclosure value may differ from the maximum collateral values and should be based on a realistic assessment for the particular asset at that time. Risk transfer to other creditworthy parties, through guarantees and insurance, shall be based on legally enforceable documentation.

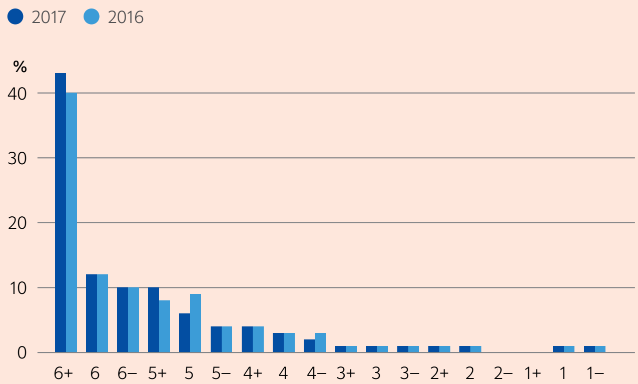
Individual and collective assessment of impairment

Throughout the process of identifying and mitigating credit impairments, Nordea continuously reviews the quality of the credit exposures. Weak and impaired exposures are closely and continuously monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for provisions. A provision is recognised if there is objective evidence based on loss events and observable data that the customer's

Rating distribution IRB Corporate customers



Risk grade distribution IRB Retail customers



Loans to the public by country and industry

31 Dec 2017, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Group 2017	Group 2016
Energy (oil, gas, etc.)	101	52	821	303	93	496	1,867	2,678
Metals and mining materials	13	191	128	247	110	0	688	856
Paper and forest materials	285	604	58	194	0	160	1,301	1,610
Other materials (building materials, etc.)	346	1,317	369	1,449	466	48	3,994	4,589
Industrial capital goods	546	517	73	424	0	82	1,643	1,959
Industrial commercial services, etc.	4,585	1,102	2,208	3,063	0	231	11,189	11,738
Construction and engineering	953	811	2,114	900	0	9	4,788	5,158
Shipping and offshore	76	180	4,841	348	0	2,933	8,377	10,494
Transportation	427	962	558	1,067	192	4	3,211	3,659
Consumer durables (cars, appliances, etc.)	268	373	358	911	29	48	1,987	1,611
Media and leisure	824	532	256	724	0	0	2,336	2,472
Retail trade	2,883	1,825	805	3,019	6	187	8,725	9,003
Consumer staples (food, agriculture, etc.)	6,698	992	1,444	496	0	34	9,665	10,796
Healthcare and pharmaceuticals	677	324	195	192	0	17	1,405	1,393
Financial institutions	3,001	1,865	1,239	9,074	133	64	15,376	13,600
Real estate	9,490	7,690	8,750	15,851	144	30	41,954	41,142
IT software, hardware and services	741	410	264	492	0	38	1,946	1,634
Telecommunication equipment	4	14	0	3	0	8	29	76
Telecommunication operators	77	224	245	340	0	0	886	1,044
Utilities (distribution and productions)	949	1,749	893	1,152	136	16	4,895	5,109
Other, public and organisations	3,398	88	254	716	0	0	4,457	3,167
Total excl reverse repurchase agreements	**36,342**	**21,822**	**25,873**	**40,965**	**1,309**	**4,405**	**130,716**	**133,788**
Reverse repurchase agreements				16,292			16,292	19,176
Total corporate loans	**36,342**	**21,822**	**25,873**	**57,257**	**1,309**	**4,405**	**147,008**	**152,964**
Household mortgage loans	31,105	29,497	26,644	44,715	0	516	132,477	133,341
Household consumer loans	9,862	8,678	1,641	4,997	0	930	26,107	27,759
Public sector	1,210	874	33	2,448	0	0	4,565	3,626
Total loans to the public	**78,519**	**60,872**	**54,191**	**109,417**	**1,309**	**5,851**	**310,158**	**317,689**
Loans to central banks and credit institutions	1,978	1,748	2,200	6,032	269	1,161	13,388	20,261
Total loans	**80,497**	**62,620**	**56,391**	**115,448**	**1,578**	**7,012**	**323,546**	**337,950**

Impaired loans and ratios

	2017	2016
Gross impaired loans, Group, EURm	6,068	5,550
- of which servicing	3,593	3,244
- of which non-servicing	2,475	2,306
Impaired loans ratio, basis points	**186**	**163**
Total allowance ratio, basis points	**72**	**71**
Provisioning ratio, %	38	44

future cash flow is weakened to the extent that full repayment is unlikely, pledged collateral included. Exposures with provisions are considered as impaired. The size of the provision is equal to the estimated loss being the difference of the book value of the outstanding exposure and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either servicing or non-servicing.

Exposures that have been past due more than 90 days are by definition regarded as defaulted and non-servicing, and reported as impaired or not impaired depending on the deemed loss potential. Forbearance is negotiated terms or

Net loan losses and loan loss ratios

	2017	2016[1]
Net loan losses, EURm	–369	–502
Loan loss ratio, Group, basis points	12	15
- of which individual	15	12
- of which collective	–3	3
Loan loss ratio, Personal Banking, basis points	3	4
Loan loss ratio, Commercial & Business Banking, basis points	11	20
Loan loss ratio, Baltic countries, basis points		25
Loan loss ratio, Corporate & Institutional Banking, basis points	20	27
Loan loss ratio, Shipping, Offshore & Oil Services, basis points	148	123

1) In 2016 the ratio is including Loans to the public reported as assets held for sale.

Impaired loans gross and allowances by country and industry

31 Dec 2017, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Group	Allowances	Provisioning ratio
Energy (oil, gas, etc.)	0	2	338	0	7	510	856	237	28%
Metals and mining materials	0	11	28	0	0	0	39	20	52%
Paper and forest materials	5	1	0	1	0	0	7	4	55%
Other materials (building materials, etc.)	65	161	11	22	0	0	260	128	49%
Industrial capital goods	21	31	0	5	0	3	60	60	100%
Industrial commercial services, etc.	116	49	47	66	0	79	356	169	47%
Construction and engineering	98	28	22	7	0	0	156	82	53%
Shipping and offshore	22	4	187	0	0	63	275	174	63%
Transportation	21	12	26	4	0	0	64	32	50%
Consumer durables (cars, appliances, etc.)	28	27	142	15	0	1	212	79	37%
Media and leisure	19	9	4	0	0	0	32	22	69%
Retail trade	162	61	27	67	0	0	316	157	50%
Consumer staples (food, agriculture, etc.)	689	50	1	1	0	0	740	228	31%
Healthcare and pharmaceuticals	10	4	1	0	0	0	14	6	39%
Financial institutions	246	6	57	41	0	0	350	127	36%
Real estate	213	74	97	0	15	0	398	177	44%
IT software, hardware and services	25	27	0	0	0	0	52	33	63%
Telecommunication equipment	0	1	0	0	0	0	1	1	51%
Telecommunication operators	0	9	4	2	0	0	15	32	> 100%
Utilities (distribution and productions)	2	1	17	11	0	0	31	26	83%
Other, public and organisations	10	2	1	0	0	0	12	78	> 100%
Total corporate impaired loans	**1,753**	**568**	**1,008**	**242**	**21**	**655**	**4,247**	**1,870**	
Household mortgages impaired loans	458	362	115	60	0	12	1,008	124	12%
Household consumer impaired loans	405	290	24	93	0	0	813	338	42%
Public sector impaired loans	0	0	0	0	0	0	0	0	-
Credit institutions impaired loans		0					0	1	> 100%
Total impaired loans	**2,616**	**1,221**	**1,147**	**394**	**21**	**667**	**6,068**		
Total allowances	**846**	**461**	**485**	**296**	**30**	**215**		**2,333**	
Total provisioning ratio	**32%**	**38%**	**42%**	**75%**	**141%**	**32%**			**38%**

restructuring due to the borrower experiencing or about to experience financial difficulties. The intention with granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of negotiated terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of financial covenants.

Forbearance is undertaken on a selective and individual basis and followed by impairment testing. Loan loss provisions are recognized if necessary. Forborne rated customers without impairment charges are fully covered by either collateral and/or the net present value of future cash flows.

In addition to individual impairment testing of all individually significant customers, collective impairment testing is performed for groups of customers that have not been found to be impaired on individual level. The purpose of collective loan loss reserves is to account for value reductions in the performing credit portfolio due to loss events that have occurred. Nordea's model for collective provisions uses a statistical model as a base-line for assessing the amount of provisions needed for the parts of Nordea's portfolios that are not individually assessed. The Collective provisioning model is based on migration of rated and scored customers in the credit portfolio. The assessment of collective impairment is built on an incurred loss concept, where the credit quality of each exposure is related to its initial credit quality. If the credit quality has deteriorated, collective provisions corresponding to a true and fair assessment of the expected loss is calculated by the model. Moreover, defaulted customers without individual provisions are also collectively assessed. The output of the model is complemented with an expert based analysis process to ensure adequate provisioning. The model is executed quarterly and the output is a result of a bottom-up calculation from sub-exposure level, taking the latest portfolio development into account. Collective impairment is assessed quarterly for each legal unit. The rationale for this two-step procedure with both individual and collective assessment is to ensure that all incurred losses are accounted for up to and including each balance sheet day.

From 1 Jan 2018 Nordea will adhere to IFRS 9 for impairment of financial instruments. The impairment requirements in IFRS 9 are based on an expected credit loss model and replace the IAS 39 incurred loss model. IFRS 9 introduces a three-stage model for impairment where Stage 1 is considered as the Good book, Stage 2 as the Deteriorated book, and Stage 3 as the Bad book. Collective and individual credit loss provisions will be based on three scenarios. These scenarios will be probability weighted and forward looking.

Further information on credit risk is presented in Note G46 to the Financial statements.

Credit portfolio

Credit risk is measured, monitored and segmented in different ways. On-balance lending constitutes the major part of the credit portfolio and is the basis for impaired loans and loan losses. Credit risk in lending is measured and presented as the principle amount of on-balance sheet claims, i.e. loans to credit institutions and to the public, and off-balance sheet potential claims on customers and counterparts, net after allowances. Credit risk exposure also includes the risk related to derivative contracts and securities financing. Including off-balance sheet exposures and exposures related to securities and Life insurance operations, the total credit risk exposure at year end was EUR 504bn (EUR 544bn last year). Total credit exposure according to the CRR definition was at year end after Credit Conversion Factor EUR 467bn (EUR 491bn). See more information and breakdown of exposure according to the CRR definition in Note G46 and in the Capital and Risk Management Report.

Nordea's loans to the public decreased by 2% to EUR 310bn during 2017 (EUR 318bn in 2016). The corporate portfolio decreased of approx. 4% and the household portfolio decreased 2%. The overall credit quality is solid with strongly rated customers and a positive effect from rating migration on total in the portfolio. Out of lending to the public, corporate customers accounted for 47% (48%), household customers for 51% (51%) and the public sector for 1% (1%). Lending in the Shipping and offshore industry constitutes 2.7% (3.3%) of the Group's total lending to the public. Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, decreased to EUR 13bn at the end of 2017 (EUR 20bn).

Loans to corporate customers

Loans to corporate customers at the end of 2017 amounted to EUR 147bn (EUR 153bn), down 4%. The sector that increased the most in 2017 was Financial Institutions while Shipping and Offshore decreased the most. The concentration of the three largest industries is approximately 21% of total lending. Real estate remains the largest industry in Nordea's lending portfolio, at EUR 41,9bn (EUR 41.1bn). The real estate portfolio predominantly consists of relatively large and financially strong companies, with 91% (90%) of the lending in rating grades 4- and higher. Loans to shipping and offshore industry decreased to EUR 8.3bn (EUR 10.5bn) during the year. After several years of cyclical weakness across all shipping segments, global shipping markets are starting to benefit from the lack of newbuilding ordering in recent years, with expected improvements in charter rates and earnings in 2018–2019. Demand growth is expected to be higher than supply increase in most shipping segments in 2018, for the first time in a decade that such conditions have been seen. Nordea's portfolio is well diversified by type of vessel or offshore segment, and has focus on large and financially robust industrial players. Increased risk is prevailing in the Oil Services and Offshore sectors; however, it is expected that the until now negative internal rating migration of customers will flatten out in 2018. The portfolio has an average rating of 4. The distribution of loans to corporates by size of loans shows a high degree of diversification where approx. 68% (69%) of the corporate volume is for loans up to EUR 50m per customer

Loans to household customers

In 2017 lending to household customers decreased by 2% to EUR 158bn (EUR 161bn). Mortgage loans decreased slightly to EUR 132bn (EUR 133bn) and consumer loans decreased to EUR 26bn (EUR 28bn). The proportion of mortgage loans of total household loans was unchanged at 83%.

Geographical distribution

Lending to the public distributed by borrower domicile shows that the customers residing in the Nordic countries and Russia account for 98% (99%). The portfolio is geographically well diversified with no market accounting for more than 35% of total lending. Other EU countries represent the largest part of lending outside the Nordic countries. At the end of 2017, lending to Russian customers was EUR 1.3bn (EUR 2.1bn).

Rating and scoring distribution

One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as risk grades for scored household and small business customers, i.e. retail exposures. The credit quality was slightly improved in the corporate credit portfolio as well as in the scoring portfolio in 2017. 24% of the number of corporate customers migrated upwards (27%) while 29% were down-rated (20%). Exposure-wise, 23% (19%) of the corporate customer exposure migrated upwards while 19% (19%) was down-rated. 84% (84%) of the corporate exposure were rated 4- or higher, with an average rating for this portfolio of 4+.

Institutions and retail customers on the other hand exhibit a distribution that is biased towards the higher rating grades. 92% (91%) of the retail exposures is scored C- or higher, which indicates a probability of default of 1% or lower. Impaired loans are not included in the rating/scoring distributions. The total effect on credit risk exposure amount (REA) from migration was a decrease of approx. 3.09% during the full year 2017.

Impaired loans

Impaired loans gross in the Group increased to EUR 6,068m (EUR 5,550m), corresponding to 186 basis points of total loans (163 bps). 59% of impaired loans gross are servicing and 41% are non-servicing. Impaired loans net, after allowances for individually assessed impaired loans amounted to EUR 4,132m (EUR 3,637m), corresponding to 127 basis points of total loans (107 bps). Allowances for individually assessed loans increased slightly to EUR 1,936m from EUR 1,913m. Allowances for collectively assessed loans decreased to EUR 396m from EUR 513m. The ratio of individual allowances to cover impaired loans decreased to 32% and total allowances in relation to impaired loans were slightly higher at 38%. The increase in impaired loans was mainly related to the industry Energy and the industries with largest Impaired loans were Energy, Consumer staples and Real estate. Past due loans 6 days or more to corporate customers that are not considered impaired increased to EUR 747m (EUR 704m), and past due loans to household customers decreased to EUR 1,286m (EUR 1,410m) in 2017.

Net loan losses

Loan losses decreased 27% to EUR 369m in 2017 from EUR 502m in 2016. This corresponded to a loan loss ratio of 12 basis points (15 basis points). EUR 293m related to corporate customers (EUR 427m), and EUR 48m (EUR 74m) to household customers. Within corporates the main net loan losses were in the industries Energy, Industrial commercial services, and in Retail trade.

Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterpart in an FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. Current exposure net (after close-out netting and collateral reduction) represents EUR 8.5bn of which 30% was towards financial institutions. For information about financial instruments subject to master netting agreement, see note G41.

Market risk

Market risk is defined as the risk of losses related to Nordea's financial exposures resulting from changes in market rates and related assumptions that affect market value, for example, changes in interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities. Nordea Markets, within Wholesale Banking, together with Group Treasury & Asset and Liability Management (TALM), within Group Finance & Treasury, are the key contributors to market risk in the Nordea Group. Nordea Markets is responsible for the customer-driven trading activities; Group TALM is responsible for long and short-term wholesale funding activities and investments for Nordea's own account, for asset and liability management, liquidity portfolios, pledge/collateral account portfolios as well as all other banking activities.

Structural FX risk arises from the mismatch in currency composition between assets and capital. The mismatch creates volatility in the CET1-ratio (and any other capital ratios) from the revaluation of foreign currency assets and capital to EUR.

Earnings and cost streams generated in foreign currencies or from foreign branches generate an FX exposure, which for the individual Nordea legal entities is handled in each entity's FX position. Currency translation differences in the Group's equity are generally the difference between equity and goodwill in foreign currency less net investment hedges and tax. In addition to the immediate change in the market value of Nordea's assets and liabilities that could be caused by a change in financial market variables, a change in interest rates could also affect the net interest income over time. This is structural interest income risk (SIIR) discussed further below. Market risk on Nordea's account also arises from the Nordea-sponsored defined benefit pension plans for employees (pension risk) and from investment risks associated with Nordea Life & Pensions (NLP).

Measurement of market risk

Nordea calculates value-at-risk (VaR) using historical simulation. The current portfolio is revaluated using the daily changes in market prices and parameters observed during the last 500 trading days, thus generating a distribution of 499 returns based on empirical data. From this distribution, the expected shortfall method is used to calculate a VaR figure, meaning that the VaR figure is based on the average of the worst outcomes from the distribution. The historical observation period assumes equally weighted market prices. The one-day VaR figure is subsequently scaled to a 10-day figure. The 10-day VaR figure is used to limit and measure market risk both in the trading book and in the banking book. Separate VaR figures are calculated for interest rate, credit spread, foreign exchange rate, equity and inflation risks. The total VaR includes all these risk categories and allows for diversification among them. The VaR figures include a combination of full revaluation and both linear positions and options. Linear products are calculated via a linear approach whereas options are calculated via full revaluation. When simulating potential movements in risk factors Nordea uses relative, absolute and mixed approaches depending on the risk factor. The model has been calibrated to generate a 99% VaR figure. It is important to note that while every effort is made to make the VaR model as realistic as possible, all VaR models are based on assumptions and approximations that have a significant effect on the risk figures produced. While historical simulation has the advantage of not being dependent on a specific assumption regarding the distribution of returns, it should be noted that historical observations of the market variables that are used as input may not give an adequate description of the behaviour of these variables in the future. The choice of the time period used is also important. While using a longer time period may enhance the model's predictive properties and lead to reduced cyclicality, using a shorter time period increases the model's responsiveness to sudden changes in the volatility of financial markets. Nordea's choice

Market risk for the trading book figures, VaR[1]

EURm	Measure	31 Dec 2017	2017 high	2017 low	2017 avg	31 Dec 2016
Total risk	VaR	11	25	7	13	16
Interest rate risk	VaR	10	24	6	11	12
Equity risk	VaR	3	8	2	3	5
Credit spread risk	VaR	4	8	3	5	6
Foreign exchange risk	VaR	5	23	2	6	4
Diversification effect	VaR	50%	66%	27%	49%	42%

1) For a description of Nordea's VaR model, see Measurement of market risk below.

Market risk for the banking book figures, VaR[1]

EURm	Measure	31 Dec 2017	2017 high	2017 low	2017 avg	31 Dec 2016
Total risk	VaR	46	68	38	51	59
Interest rate risk	VaR	47	68	40	51	58
Equity risk	VaR	3	6	1	3	1
Credit spread risk	VaR	1	2	1	1	2
Foreign exchange risk	VaR	3	3	1	2	5
Inflation risk	VaR	0	0	0	0	0
Diversification effect	VaR	15%	20%	5%	12%	10%

1) For a description of Nordea's VaR model, see Measurement of market risk below.

to use the last 500 days of historical data has thus been made with the aim to strike a balance between the pros and cons of using longer or shorter time series in the calculation of VaR.

The 5 largest foreign exchange rate positions in FX VaR[1]

EURm	2017	2016
SEK	77	134
NOK	39	30
DKK	31	–845
GBP	26	20
USD	13	28

1) The disclosed FX positions relate to positions in financial instruments in the banking book and trading book. Financial derivatives are included with their delta equivalent. Structural FX risk e.g. related to investments in subsidiaries and associated companies or related to earnings and cost streams denominated in foreign currencies, are not included.

Market risk analysis

The market risk for the Nordea trading book is presented in the tables above. The total VaR was EUR 11m at the end of 2017 (EUR 16m at the end of 2016). Interest rate VaR was EUR 10m (EUR 12m). The market risk for the Nordea banking book is presented in the tables above. The total VaR was EUR 46m at the end of 2017 (EUR 59m at the end of 2016). Interest rate VaR was EUR 47m (EUR 58m). The fair value of the portfolio of illiquid alternative investments was EUR 554m at the end of 2017 (EUR 517m at the end of 2016), of which private equity funds EUR 265m, hedge funds EUR 11m, credit funds EUR 202m and seed-money investments EUR 76m. All four types of investments are spread over a number of funds.

Structural Interest Income Risk (SIIR)

SIIR is the amount by which Nordea's accumulated net interest income would change during the next 12 months if all interest rates were to change by 50 basis points. Scenario reference rates are floored at zero. SIIR reflects the mismatches in the balance sheet and the off-balance sheet items due to differences in the interest rate repricing periods, volumes or reference rates of assets, liabilities and derivatives. Nordea's SIIR management is based on policy statements resulting in different SIIR measures and organisational procedures.

Policy statements focus on optimising financial structure, balanced risk taking and reliable earnings growth, identification of all significant sources of SIIR, measurement under stressful market conditions and adequate public information.

SIIR measurement methods

Nordea's SIIR is measured through dynamic simulations by calculating several net interest income scenarios and comparing the difference between these scenarios and the base NII expectation. Several interest rate scenarios are applied, but the basic measures for SIIR that constitute the board limit are the two parallel rate shift scenarios (increasing rates and decreasing rates). These scenarios measure the effect on Nordea's net interest income for a 12-month period of a 50-basis point change in all interest rates where the balance sheet is assumed to be constant. Significant elements of customer behaviour and Nordea's decision-making process concerning Nordea's own rates are taken into account.

SIIR analysis

At the end of the year, the SIIR for interest rates increasing 1% was EUR 810m (EUR 822m) and the SIIR for interest rates decreasing 1% was EUR –716m (EUR –762m). These figures imply that net interest income would increase if interest rates rise. The sensitivity of NII is asymmetric due to interest rate floors, making the impact of decreasing interest rates smaller than that of increasing interest rates.

Operational risk

Operational risk is defined in Nordea as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. The risk of loss includes direct or indirect financial loss, and impacts from regulatory sanctions, legal exposure, reputational damage and critical business process disruption.

Operational Risks are inherent in all of Nordea's business and operations. Consequently managers throughout Nordea are accountable for the operational risks related to their area of responsibility and to manage them within limits and risk appetite in accordance with the operational risk management framework. Group Operational Risk (GOR), constitute 2nd LoD for Operational risk and is responsible for developing and maintaining the Operational risk management framework. GOR monitors and controls that the operational risks are appropriately identified and mitigated, follow-up risk exposures towards risk appetite as well as assesses the adequacy and effectiveness of the operational risk management framework. The focus areas for the control work performed by GOR is decided in the annual planning process and covers several dimensions; Business Areas, key risk areas and operational risk processes. GOR is responsible to provide reports on operational risk to the CRO who reports regularly to the CEO and BoD.

The risk appetite framework of Nordea, including risk appetite statements, is approved annually by the BoD. The risk appetite statements for Operational risk are expressed in terms of; (a) management of important risks, (b) total loss amount of incidents as well as management of incidents and (c) management of KRIs.

Management of operational risk

Nordea's BoD level Group Board Directives on risks as well as on Internal Governance sets out the general principles for management of risks in Nordea. Based on these principles, supporting Group CEO instructions and guidelines are established and form the operational risk management frameworks. Management of operational risks includes all activities aimed at identifying, assessing, mitigating, monitoring and reporting risks. Risk exposures are governed by limits set within the boundaries of the risk appetite

The framework includes processes that support the identification and assessment of operational risks. Operational risks are identified through various processed; examples are detailed in the following section and include the reporting of incidents, approval of changes, as well as regular risk assessment process. Risks are assessed by probability and impact, and based on severity of the risk, mitigating actions are established. When deciding on mitigating actions, the cost to reduce a risk exposure shall be in reasonable proportion to the expected effects of those mitigating action. Monitoring and control is an important part of risk management. Monitoring and control is an important part of risk management. Monitoring and control shall ensure for example that risks are appropriately identified and mitigated, that risk exposures are kept within limits, that risk management procedures are efficient and to ensure adherence to internal and external rules.

Management of operational and compliance risks is proactive, emphasizing training and risk awareness. To ensure a consistent approach to risk and compliance training and communication, a joint risk and compliance training and culture team has been set up. Furthermore, a governance body has been established to define training needed both during the on-boarding of staff as well as the continuous training of each employee to renew their licenses to work.

Key risk management processes

Risk and Control Self-Assessment and Compliance Independent Risk Assessment

A Risk and Control Self-Assessment (RCSA) covering both compliance and operational risk is conducted on a yearly basis and covers the whole Nordea Group. It is conducted in each business area and group function on at least divisional level. For risks identified in the RCSA, the level of risk exposure is assessed and the controls in place to mitigate the risks are also assessed. If additional mitigating actions are required to reduce the risk exposure, these are identified and implemented. Based on the self-assessment, Operational Risk Officers independently monitor and challenge the identified risks and management of these.

Scenario analysis

The Group-wide Scenario Analysis framework puts focus on operational risks with low probability, which have the potential to result in severe impact; so-called tail risks. The objective is to challenge and extend Nordea's present understanding of its operational risk landscape by focusing on identifying risks which could cause severe financial losses or non-financial impacts to Nordea. Scenario Analysis facilitates a deeper understanding of identified tail risks and gaps in the existing control infrastructure, provides a forum to propose changes to existing controls, develop new controls and discuss key risks beyond the multitude of events that are part of the typical business activity.

Change Risk Management and Approval

A key part of the operational risk management framework is the management of risk taking and therefore the management of operational risks when planning and conducting changes. The definition of a change in this context includes all new or changed products, services, markets, processes or IT systems or substantial changes to the operations or the organisation, including exceptional transactions and decommissioning.

The Change Risk Management and Approval (CRMA) process consists of an initial materiality assessment and a subsequent risk identification, assessment and mitigation. The required level of involvement of subject matter experts depends on the materiality level of the change. The CRMA process includes the involvement of both mandatory and relevant subject matter experts in the risk assessment to ensure thorough and proper risk identification, assessment and management before a change.

Incident reporting

Incidents and security weaknesses are immediately handled to minimize damage. Upon detection of an incident, handling of the incident has first priority. Actions to reduce the impact should be taken without delay and long-term mitigating actions must be planned and executed in order to prevent or reduce the impacts of future incidents. Unit managers are responsible for the proper handling, documentation and reporting of incidents. Incident reporting is a Group-wide process and the data from the process is stored in a database.

Crisis Management and Business Continuity

Business Continuity and Crisis Management aims to build and maintain appropriate levels of resiliency and readiness for a wide range of expected and unexpected operational and financial risk events in order to minimise impact of operational disruptions on the business. Through business continuity management, an organisation can recognize what needs to be done to protect its resources (e.g. people, premises, technology and information), supply chain, interested parties and reputation, before a disruptive incident occurs. As most service chains are supported by IT; applications, disaster recovery plans for technical infrastructure and IT systems are an essential part of business continuity management in Nordea.

Information Security

Information security management is defined as the protection of information with respect to confidentiality, integrity and availability. Nordea has a documented Information Security framework consisting of instructions, guidelines, standards and procedures to support and enable the organisation to protect information against accidental or malicious disclosure, modification or destruction and to maintain availability. A Group Chief Information Security Officer is leading and coordinating the Information Security work within the Group and is accountable for the Information Security Management System that ensures that the information security work is performed in a structured and methodical way.

Third Party Risk Management (TPRM)

While Nordea may delegate day-to-day operational activities to Third Parties, it is Nordea's responsibility to maintaining effective oversight and governance of the outsourced activities and third-party relationships.

Nordea's TPRM Framework ensures the risk management, due diligence and monitoring of its third parties throughout the life cycle of a relationship. The Third Party Risk Assessment Process is to be considered prior to engaging with a third party to safeguard Nordea in regards to its selection of appropriate third parties and to understand and control the risks posed by the relationship, consistent with Nordea's risk appetite.

Reputational Risk

Reputational Risk in Nordea is defined as "The risk of damage to trust in Nordea from our customers, employees, authorities, investors, partners and general public with the potential for adverse economic impact."

Reputational risk is often an impact from, or a cause of, resulting from other types of risks, e.g. credit, liquidity, market, operational, compliance and legal risks inherent in the business.

Nordea has developed a reputational risk framework that includes guiding principles for managing reputational risk. The framework is strongly linked with the operational risk management framework but also includes separate processes targeting the specific nature of reputational risk or impact on reputation.

Compliance risk

Nordea defines compliance risk as the risk of failing to comply with laws, regulations, rules and prescribed practises and ethical standards, governing Nordea's activities in any jurisdiction, which could result in material financial or reputational loss to the Group, regulatory remarks or sanctions.

The key principle for the management of compliance risk is the three lines of defence. The first line of defence represented by the Business Areas and Group Functions are risk owners, and are responsible for their own daily risk management and control of compliance risks. Management on all levels are responsible for operating their business within defined limits for risk exposure and in accordance with decided directives, instructions and risk management processes.

Group Compliance is a second line of defence risk control function in the Group, coordinating, facilitating and overseeing the effectiveness and integrity of the Group's compliance risk management. Group Compliance provides an independent view on compliance to relevant rules and regulations, and also advises, supports and trains first line on ways to effectively and efficiently handle compliance obligations. On a quarterly basis, Group Compliance reports on all significant compliance risks to Senior Management and the Board in order to inform about Nordea's current risk exposure in relation to the predefined risk appetite and tolerance level.

Group Internal Audit constitutes the third line of defence and performs audits and provides assurance to stakeholders on internal controls and risk management processes.

In April 2016 the CEO initiated an internal investigation to assess whether the business activities in our Private Banking operations are in line with internal policies as well as external tax rules and anti-money laundering regulations. The investigation covered Panama-related offshore structures in Nordea Bank S.A. in Luxembourg (NBSA) as well as Nordic Private Banking. The investigation did not find evidence that employees initiated the establishment of offshore structures, nor that they proactively contributed to customers' potential tax evasion. The investigation however found that many of the reviewed KYC files fall clearly below the standards set forth in the Group's policy. This is mainly related to the so-called enhanced due diligence (EDD) required for high-risk customers. A number of initiatives have been initiated to address the deficiencies.

In June 2016 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding anti-money laundering (AML). The outcome has resulted in criticism and the matter was in June 2016, in accordance with Danish administrative practice, referred over to the police for further handling and possible sanctions. In August 2017 the police launched an investigation based on the referral. Nordea Danmark is cooperating with the police investigation.

To address the deficiencies highlighted by the Swedish FSA and the Danish FSA, the bank established a Financial Crime Change Programme with the goal of driving robust group wide frameworks, policies, standards and processes. The Group continues to invest resources to improve its financial crime risk management capability and is making good progress in implementing and embedding global policies and standards, and improving the control framework.

The supervisory authorities have conducted investigations with regards to Nordea's compliance in several areas, e.g. AML, taxation rules, competition law, governance and control. The Nordea Group is also responding to inquiries from U.S. governmental authorities regarding historical compliance with certain U.S. financial sanctions during 2008–2014. The outcome of some investigations is pending and it cannot be excluded that these investigations could lead to criticism or sanctions. Supervisory critique of Nordea's operations in Finland resulted in a fine of 1m EUR in 2017.

In 2017 Nordea introduced new purpose and core values, implemented across the Group through a culture transformation programme. The values are applicable to all of Nordea's employees in conjunction with the Code of Conduct principles to strengthen and secure the foundation for a sound corporate culture. To strengthen the personal accountability and to combat misconduct, a Consequence Management Committee was established in Q1 2017.

In addition, the bank is continuing to invest in enhanced compliance standards, processes, and to adequately resource compliance.

Life insurance risk and market risks in the Life & Pensions operations

The life insurance business of Nordea Life & Pensions (NLP) consists of a range of different life & health products, from endowments with duration of a few years to very long-term pension savings contracts, with durations of more than 40 years. There continues to be a strategic move away from traditional business, where policyholders are offered guaranteed investment returns to market return business, where policyholders bear more of the investment risk and benefit from any upside in the return achieved. The two major risks in the life insurance business are market risk and life & health insurance risks.

Market risk arises at NLP mainly from the sensitivity of the value of assets and liabilities to changes in the level or in the volatility of market prices or rates. Equity, credit spread, interest rate, and property risks are the main contributors to the market risk in NLP.

NLP regularly monitor market risks by performing stress tests and macro-economic scenario analysis to reflect the market environment. The results of stress tests and scenario analysis are monitored against limits and targets set in the internal policies. Market risk is mitigated through liability driven investment where appropriate, aiming at reducing the asset-liability mismatch, while at the same time creating an investment return enabling NLP to meet the guarantees offered to meet customer's expectations.

The life & health insurance risk is the risk of unexpected losses due to changes in the level, trend or volatility of mortality rates, longevity rates, disability rates and surrender/lapse rates. The risk is generally measured through exposure measurement, experience analysis of mortality, morbidity lapse and expense risks, together with sensitivity and stress tests.

The life & health insurance risk is primarily controlled using actuarial methods, i.e. through tariffs, rules for acceptance of customers, reinsurance contracts, stress tests and setting up adequate provisions for risks.

Liquidity management

During 2017, Nordea continued to benefit from its prudent liquidity risk management, in terms of maintaining a diversified and strong funding base and a diversified liquidity buffer. Nordea had access to all relevant financial markets and was able to actively use all of its funding programmes. Nordea issued approximately EUR 14.6bn in long-term debt (excluding subordinated debt and covered bonds issued by Nordea Kredit Realkreditaktieselskab) of which approx. EUR 6.2bn included covered bonds issued in Sweden, Finland and Norway. Throughout 2017, Nordea remained compliant with the Swedish FSA Liquidity Coverage Ratio (LCR) requirement in all currencies on a combined basis and separately in USD and EUR; as well as the EBA Delegated Act LCR.

Liquidity risk definition and identification

Liquidity risk is the risk that Nordea is unable to service its cash flow obligations when they fall due; or unable to meet its cash flow obligations without incurring significant additional funding costs. Nordea is exposed to liquidity risk in its lending, investment, funding, off-balance sheet exposures and other activities which result in a negative cash flow mismatch. Cash flow mismatches can occur at the end of a day or intraday.

Management principles and control

Liquidity risk at Nordea is managed across three Lines of Defence:

The First Line of Defence comprises Group Treasury & Asset Liability Management (TALM) and the Business Areas. TALM is responsible for the day to day management of the Group's liquidity positions, including liquidity buffers, external and internal funding including the mobilisation of cash around the Group, and Funds Transfer Pricing (FTP).

The Second Line of Defence, which includes Group Risk Management and Control (GRMC) and Group Compliance, is responsible for providing independent oversight of and challenge to the first line of defence.

The Third Line of Defence includes Group Internal Audit (GIA), which is responsible for providing independent oversight of the first - and second lines of defence.

The Board of Directors defines the liquidity risk appetite by setting limits for applied liquidity risk metrics. The most central metric is the internal survival horizon, which defines the risk appetite by setting a minimum survival of three months under institution-specific and market-wide stress scenarios with limited mitigation actions.

A framework of limits and monitoring metrics is in place to ensure Nordea stays within various risk parameters including the risk appetite.

A Funds Transfer Pricing (FTP) framework is in place that recognises that liquidity is a scarce and costly resource. By quantifying and allocating the liquidity and funding costs and benefits to the respective business areas, behaviours and strategic decisions are appropriately incentivised.

Liquidity risk management strategy

Nordea's liquidity management strategy is based on policy statements resulting in various liquidity risk measures, limits and organisational procedures.

Policy statements stipulate that Nordea's liquidity management reflects a conservative attitude towards liquidity risk. Nordea strives to diversify its sources of funding and seeks to establish and maintain relationships with investors in order to ensure market access. A broad and diversified funding structure is reflected by the strong presence in the Group's four domestic markets in the form of a strong and stable retail customer base and the variety of funding programmes. The funding programmes are both short-term (US – and European commercial paper, and Certificates of Deposits) and long-term (covered bonds, European medium-term notes, medium term notes) and cover a range of currencies.

Trust is fundamental in the funding market; therefore Nordea periodically publishes information on the liquidity situation of the Group. Furthermore, Nordea regularly performs stress testing of the liquidity risk position and has put in place business contingency plans for liquidity crisis management.

Liquidity risk measurement

To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. The liquidity buffer consists of central bank eligible, high credit quality and liquid securities and central bank cash that can be readily sold or used as collateral in funding operations.

Liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. Liquidity risk is limited by the Board of Directors via internal liquidity coverage and survival horizon metrics stipulating that the liquidity buffer needs to be sufficient to cover peak cumulative stressed outflows experienced over the first 3 months of a combined stress event, whereby Nordea is subject to a market-wide stress similar to what many banks experienced in 2007–08; and an idiosyncratic stress corresponding to a three-notch credit rating downgrade. These metrics form the basis for Nordea's liquidity risk appetite, which is reviewed and approved by the Board at least annually.

Furthermore, short-term funding risk is measured via the Liquidity Coverage Ratio (LCR) and a funding gap risk metric. The funding gap risk metric expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Cash flows from both on-balance sheet and off-balance sheet items are included. Funding gap risk is measured and limited for each currency and as a total figure for all currencies combined.

Structural liquidity risk of Nordea is measured via many metrics of which the Net Stable Funding Ratio (NSFR) and the internally defined Net Balance of Stable Funding (NBSF) are very important. Furthermore, the loan to deposit ratio is closely monitored together with the wholesale funding refinancing profile and rating agency metrics.

Liquidity risk analysis

Nordea continues to have a strong and prudent liquidity risk profile with a strong funding base. As of year-end 2017, the total volume utilised under short-term programmes was EUR 35.2bn (EUR 36.9bn) with an average maturity of 0.2 (0.3) years. The total volume under long-term programmes was EUR 152.9bn (EUR 154.9bn) with an average maturity being 6.2 (6.0) years. Nordea's funding sources are presented in a table below.

The liquidity risk position remained at a low level throughout 2017. The internal survival horizon was 8.2 months as of year-end 2017 with a yearly average of 9.8 months – the Group limit is not below 3 months.

The yearly average of the funding gap risk was EUR +22.5bn (EUR +21.6bn in 2016) against a limit of EUR –15bn. Nordea's liquidity buffer ranged between EUR 102.2bn and 133.7bn (EUR 99.4bn and 126.2bn) throughout 2017 with an average liquidity buffer of EUR 116.4bn (EUR 113.3bn). Both NSFR and NBSF stayed comfortable above 100% throughout 2017.

The combined LCR according to Swedish rules for the Nordea Group was at the end of 2017 147% (159%) with a yearly average of 149% (158%). At the end of 2017 the LCR according to Swedish rules in EUR was 257% (334%) and in USD 170% (221%), with yearly averages of 244% and 189%, respectively. LCR according to EBA Delegated Act was 152% (165%) at the end of the year with a yearly average of 168% (153%).

Net balance of stable funding, 31 December 2017

EURbn	
Stable liabilities and equity	
Tier 1 and tier 2 capital	33,3
Secured/unsecured borrowing >1 year	124,3
Stable retail deposits	65,1
Less stable retail deposits	15,8
Wholesale deposits <1 year	72,9
Total stable liabilities	**311,5**
Stable assets	
Wholesale and retail loans >1 year	232,9
Long-term lending to banks and financial companies	1,8
Other illiquid assets	4,2
Total stable assets	**239,0**
Off-balance-sheet items	**2,1**
Net balance of stable funding (NBSF)	**70,4**

Funding sources, 31 December 2017

Liability type, EURm	Interest rate base	Average maturity (years)	Amount
Deposits by credit institutions			
Shorter than 3 months	Euribor etc.	0.0	35,589
Longer than 3 months	Euribor etc.	2.3	4,394
Deposits and borrowings from the public			
Deposits on demand	Administrative	0.0	140,873
Other deposits	Euribor etc.	0.1	31,561
Debt securities in issue			
Certificates of deposits	Euribor etc.	0.3	10,743
Commercial papers	Euribor etc.	0.2	24,441
Mortgage covered bond loans	Fixed rate, market-based	7.3	106,714
Other bond loans	Fixed rate, market-based	3.0	37,216
Derivatives			42,713
Other non-interest-bearing items			85,654
Subordinated debentures			
Dated subordinated debenture loans	Fixed rate, market-based	4.9	5,942
Undated and other subordinated debenture	Fixed rate, market-based		3,045
Equity			33,316
Total			**562,201**
Liabilities to policyholders			19,412
Total, including life insurance operations			**581,612**

For a maturity breakdown, see Note G44.

Capital management

Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to different asset, liability and risk categories. The goal is to enhance returns to shareholders while maintaining a prudent capital structure. The Board of Directors decide ultimately on the targets for capital ratios, capital policy and the overall framework of capital management in Nordea. The ability to meet targets and to maintain minimum capital requirements is reviewed regularly within the Asset and Liability Committee (ALCO) and the Risk Committee.

Capital requirements

The capital requirement and the own funds described in this section follow the CRR rules and not accounting standards, see Note G38 for details. Therefore, the capital requirement and the own funds are only applicable for Nordea Bank AB (publ) on its consolidated situation, in which the insurance companies are not consolidated.

Capital policy

The Nordea Group's current capital policy states that Nordea Group under normal business conditions should have minimum targets for common equity tier 1 (CET1) capital ratio, tier 1 ratio and the total capital ratio that exceed the capital requirements set out by the Swedish FSA. In addition, Nordea will maintain a management buffer of 50–150bps above the regulatory CET1 requirement.

Minimum capital requirements

Risk exposure amount (REA) is calculated in accordance with the requirements in the CRR. Nordea had 86% of the credit risk exposure amount covered by internal rating based (IRB) approaches by the end of 2017. Nordea is approved to use its own internal Value-at-Risk (VaR) models to calculate capital requirements for the major share of the market risk in the trading book. For operational risk the standardised approach is applied.

Internal capital requirement

Nordea's Internal Capital Requirement (ICR) was EUR 13.3bn at the end of the year. The ICR should be compared to the own funds, which was EUR 31.7bn at the end of the fourth quarter. The ICR is calculated based on a Pillar I plus Pillar II approach and includes a buffer for economic stress. In addition, supervisors require Nordea to hold capital for other risks which are identified and communicated as part of the Supervisory Review and Evaluation Process (SREP). The outcome of the 2017 SREP indicated that the CET1 requirement as of the third quarter 2017, was 17.4%. The CET1 requirement is assessed to be 17.6% as of year-end 2017. The final capital requirement for 2017 is expected to be disclosed by the SFSA on 23 February 2018. The combined buffer requirement consists of a 3% systemic risk buffer, a 2.5% capital conservation buffer and a countercyclical buffer of approximately 0.8%. The Pillar II other part consists of the SFSA standardised benchmark models for Pillar II risks as well as other Pillar II add-ons as a result of the SREP.

The Pillar II add-ons, including risk weight floors, do not affect the maximum distributable amount (MDA) level at which automatic restrictions on distributions linked to the combined buffer requirement would come into effect unless a formal decision on Pillar II has been made. A formal decision on Pillar II has not been made. In Q3 2017 the MDA level was 10.6% but is assessed to be 10.8% in Q4 2017 following the increase in the countercyclical capital buffer rate in Norway.

Capital requirements and REA

	31 Dec 2017		31 Dec 2016
EURm	Minimum capital requirement	REA	REA
Credit risk	**8,219**	**102,743**	**107,512**
- of which counterparty credit risk	488	6,096	9,489
IRB	**7,104**	**88,808**	**93,958**
- sovereign	149	1,869	
- corporate	4,560	57,004	62,212
- advanced	3,774	47,173	48,585
- foundation	786	9,831	13,627
- institutions	493	6,163	7,144
- retail	1,671	20,888	21,933
- secured by immovable property collateral	934	11,678	12,505
- other retail	737	9,210	9,428
- items representing securitisation positions	68	850	828
- other	163	2,034	1,841
Standardised	1,115	13,935	13,554
- central governments or central banks	22	281	320
- regional governments or local authorities	1	7	266
- public sector entities	0	3	39
- multilateral development banks			32
- international organisations			–
- institutions	14	171	498
- corporate	261	3,264	2,159
- retail	258	3,225	3,223
- secured by mortgages on immovable properties	197	2,458	2,863
- in default	47	592	114
- associated with particularly high risk	60	754	701
- covered bonds			–
- institutions and corporates with a short-term credit assessment			–
- collective investments -undertakings (CIU)			–
- equity	208	2,598	2,760
- other items	47	582	579
Credit Value Adjustment Risk	**96**	**1,207**	**1,798**
Market risk	**282**	**3,520**	**4,474**
- trading book, Internal Approach	196	2,444	2,942
- trading book, Standardised Approach	86	1,076	928
- banking book, Standardised Approach			604
Operational risk	**1,345**	**16,809**	**16,873**
Standardised	1,345	16,809	16,873
Additional risk exposure amount, Article 3 CRR	**120**	**1,500**	**2,500**
Sub total	**10,062**	**125,779**	**133,157**
Adjustment for Basel I floor			
Additional capital requirement according to Basel I floor	6,132	76,645	82 655
Total	**16,194**	**202,424**	**215 812**

For more details see the Nordea Capital and Risk Management Report.

Economic Capital (EC)

Economic Capital is a method for allocating the cost of holding capital, as a result of risk taking. The allocation of costs within the EC model is based on the same risk components as the ICAAP but also includes risks in the insurance business. EC is calculated for the group whereas the ICAAP, governed by the CRD, covers Nordea Bank AB (publ) on its consolidated situation. EC has been aligned to CET1 capitalisation requirements according to CRR. Economic Capital (EC including Nordea Life and Pensions) was, at the end of 2017, EUR 26.7bn (EUR 26.3bn as of 2016).

Own funds

Own funds is the sum of Tier 1 and Tier 2 capital. Tier 1 capital consists of both Common Equity Tier 1 (CET1) and additional Tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbance characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend. Additional Tier 1 and Tier 2 capital consists mostly of undated and dated subordinated loans, respectively. Holdings of other financial sector entities' subordinated loans are deducted from the corresponding tier.

Securitisation

Nordea has agreed on risk sharing related to Nordea loans through a synthetic securitisation with a limited number of investors. The selected portfolio consists of EUR 8.4bn in corporate and SME loans from over 3,000 borrowers across Sweden and Denmark, spread across a broad range of industries and asset classes. No specific industry class was targeted for the transaction. Under the transaction, investors have agreed to invest in notes linked to the junior credit risk of the portfolio. In contrast to an outright sale of loan portfolios, no assets will be de-recognised from Nordea's balance sheet and Nordea will continue to service the loans. Nordea will therefore maintain all of its client relationships. The transaction, which is accounted for as a derivative, frees up capital at an attractive price reflecting Nordea's strong standing and prudent origination practices.

Capital situation of the financial conglomerate

As Sampo Plc has an owner share of 21.3% in Nordea Bank AB (publ), Nordea is part of the Sampo financial conglomerate in accordance with the Finnish Act on the Supervision of Financial and Insurance Conglomerates (2004/699), based on Directive 2002/87/EC.

Further information – Note G38 Capital adequacy and the Capital and Risk Management Report

Further information on capital management and capital adequacy is presented in Note G38 Capital adequacy and in the Capital and Risk Management Report at www.nordea.com.

Summary of items included in own funds

EURm	31 Dec 2017[3]	31 Dec 2016[3]
Calculation of own funds		
Equity in the consolidated situation	31,799	31,533
Proposed/actual dividend	**–2,747**	**–2,625**
Common Equity Tier 1 capital before regulatory adjustments	29,052	28,908
Deferred tax assets	–0	–
Intangible assets	–3,835	–3,435
IRB provisions shortfall (-)	–291	–212
Deduction for investments in credit institutions (50%)		–
Pension assets in excess of related liabilities[1]	–152	–240
Other items, net	–259	–483
Total regulatory adjustments to Common Equity Tier 1 capital	**–4,537**	**–4,370**
Common Equity Tier 1 capital (net after deduction)	**24,515**	**24,538**
Additional Tier 1 capital before regulatory adjustments	3,514	3,042
Total regulatory adjustments to Additional Tier 1 capital	–21	–25
Additional Tier 1 capital	**3,493**	**3,017**
Tier 1 capital (net after deduction)	**28,008**	**27,555**
Tier 2 capital before regulatory adjustments	4,903	6,541

Summary of items included in own funds, cont.

EURm	31 Dec 2017[3]	31 Dec 2016[3]
IRB provisions excess (+)	95	78
Deduction for investments in credit institutions (50%)		–
Deductions for investments in insurance companies	–1,205	–1,205
Pension assets in excess of related liabilities	–	–
Other items, net	–54	–65
Total regulatory adjustments to Tier 2 capital	**–1,164**	**–1,192**
Tier 2 capital	**3,739**	**5,349**
Own funds (net after deduction)[2]	**31,747**	**32,904**

1) Based on conditional FSA approval.
2) Own Funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 31,943m by 31 Dec 2017.
3) Including profit for the period.

Capital adequacy ratios

	2017	2016
Common Equity Tier 1 (CET1) capital ratio excluding Basel I floor, %	19.5	18.4
Tier capital ratio excluding Basel I floor, %	22.3	20.7
Total capital ratio excluding Basel I floor, %	25.2	24.7
Capital adequacy quotient (own funds/ capital requirement excluding Basel I floor)	3.2	3.1
Capital adequacy quotient (own funds/ capital requirement including Basel I floor)	2.0	1.9

Life & Pensions – Solvency position 30.11.2017

EURm	NLP
Solvency capital requirement	2,674
Own funds	4,516
Solvency margin	1,842
Solvency position*	169%

*The solvency position at 30 November 2017 does not include an anticipated dividend of EUR 300m. The dividend was approved by the Nordea Life Holding Board of Directors on 18 December 2017 and will be reflected in the year-end figures.

Life & Pensions – Solvency sensitivity 30.11.2017

Percentage	NLP
Solvency position*	169%
Equity drops 12%	174%
Interest rates down 50bp	169%
Interest rates up 50bp	173%

*The solvency position at 30 November 2017 does not include an anticipated dividend of EUR 300m. The dividend was approved by the Nordea Life Holding Board of Directors on 18 December 2017 and will be reflected in the year-end figures.

New regulations

The Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) entered into force on 1 January 2014 followed by the Bank Recovery and Resolution Directive (BRRD) on 15 May 2014. The CRR became applicable in all EU countries from 1 January 2014 while the CRD IV and BRRD were implemented through national law within all EU member states from 2014.

The Swedish FSA has implemented a LCR requirement in addition to the CRR requirement where large Swedish banks have been required to fulfil the requirement also for Euro and US-dollar. This requirement will be removed from 1 January 2018 when the CRR requirement to fulfil the LCR requirement on aggregate currencies will apply. The Swedish FSA is, however, also suggesting replacing the requirement to fulfil LCR for specific currencies by a pillar 2 requirement.

In December 2017, the Swedish National Debt Office (SNDO) formally decided on plans for how banks are to be managed in a crisis and on the minimum requirements for own funds and eligible liabilities (MREL) to be applied from 1 January 2018.

As communicated in September 2017, Nordea has initiated a re-domiciliation of the parent company to Finland. A change of domicile to Finland means that Nordea will be subject to Finnish legislation and ECB supervision. A change of domicile will also mean that it will be the Single Resolution Board (SRB) that will set the MREL requirement for Nordea. In December 2017, the SRB published an updated policy statement on the MREL requirement that will serve as a basis for setting the MREL targets for banks under the remit of SRB.

The Finnish Act on Credit institutions has been amended to give the Finnish FSA the mandate to apply the systemic risk buffer from 1 January 2019. A decision has also been taken to apply a minimum risk weight of 15% for residential mortgages in Finland applicable to credit institutions that have adopted the Internal Ratings Based Approach. The implementation enters into force from 1 January 2018 and is according to article 458 of the CRR which allows authorities to target asset bubbles in the residential sector by increasing the risk weights within pillar 1.

From the implementation of Basel II in 2007, banks using internal models have been required to calculate the Basel 1 floor on the capital requirements as regulated prior to 2007. From 2009 the floor has been 80% of the Basel 1 rules. According to the CRR the application of the Basel 1 floor is not valid from 1 January 2018.

Proposal on amended CRR, CRD IV and BRRD

In November 2016, the European Commission (EC) published a proposal amending the BRRD, the CRD IV and the CRR. The amendments to the CRR, being a regulation, will be directly applicable in all EU countries once implemented whereas the amendments to the CRD IV and BRRD, being directives, need to be implemented into national legislation before being applicable. The proposal contains, among others, review to the Minimum Requirement for own funds and Eligible Liabilities (MREL), review to the market risk requirements (Fundamental Review of the Trading Book, FRTB), introduction of a leverage ratio requirement of 3% to be met by Tier 1 capital and amendments to the pillar 2 framework. Negotiations in the EU process are on-going where the Council and the Parliament are preparing their counterproposals. Implementation is expected to start during 2019 at the earliest, with phasing-in for some parts.

In November 2017, an agreement was reached on some of the proposals in the review in a so called fast tracking process. The first agreement was on the amendment of the BRRD on the ranking of unsecured debt instruments in insolvency proceedings (bank creditor hierarchy). The amendment makes it possible for banks to issue the new type of subordinated liabilities to meet the MREL requirement. The second agreement was on the CRR with transitional arrangements to phase in the regulatory capital impact of the IFRS 9 international accounting standard which will allow banks to add back to their common equity tier 1 capital a portion of the increased expected credit loss (ECL) provisions as extra capital during a five-year transitional period. The CRR agreement also provides for a three-year phase-out of an exemption from the large exposure limit for banks' exposures to public sector debt denominated in the currency of another member state. These Directives will enter into force on 1 January 2018.

Finalised Basel III framework ("Basel IV")

Basel III is a global, regulatory framework on bank capital adequacy, stress testing, and liquidity risk. In December 2017, the final parts of the Basel III framework, often called the Basel IV package, was published. The Basel IV package will be implemented in 2022 and includes revisions to credit risk, operational risk, credit valuation adjustment (CVA) risk, leverage ratio and introduces a new output floor. In addition, revisions to market risk (the so called Fundamental Review of the Trading Book) were agreed in 2016 and will be implemented together with the Basel IV package.

On credit risk, the package includes revisions to both the internal models (IRB) approach, where restrictions to the use of IRB for certain exposures are implemented, as well as to the standardised approach. For operational risk, the three approaches currently existing will be removed and replaced with one standardised approach to be used by all banks. On CVA risk, the internally modelled approach is removed and the standardised approach is revised. The package also includes the implementation of a minimum leverage ratio requirement of 3% Tier 1 capital with an additional leverage ratio buffer requirement for Global systemically important banks (G-SIB) of half the G-SIB capital buffer requirement. Changes to leverage ratio also includes a revised leverage ratio exposure definition relevant for derivatives and central bank reserves.

The output floor is to be set to 72.5% of the standardised approaches on an aggregate level, meaning that the capital requirement under the floor will be 72.5% of the total pillar 1 REA calculated with the standardised approaches for credit-, market- and operational risk. The floor will be phased-in with 50% from 2022 to be fully implemented from 1 January 2027.

Before being applicable to Nordea, the Basel IV package needs to be implemented into EU regulations and will therefore be subject to negotiations between the EU Commission, Council and Parliament which might change the implementation and potentially also the timetable.

Corporate Governance Report 2017

Strong corporate governance is about companies having clear and systematic decision-making processes, thus providing clarity about responsibilities, avoiding conflicts of interest and ensuring satisfactory internal control, risk management and transparency. Commitment to Nordea's mission and vision requires the integration of sound corporate governance practices into regular business activities in order to attain a company that is well governed and well managed.

This Corporate Governance Report is prepared in accordance with the requirements in the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance (the Code).

The Code is available at www.corporategovernanceboard.se.

The main emphasis is on the Board of Directors in its role as the main decision-making body in Nordea's corporate governance structure, and the interaction with the other bodies to ensure sound corporate governance. Nordea's system for internal control and risk management regarding financial reporting is also covered.

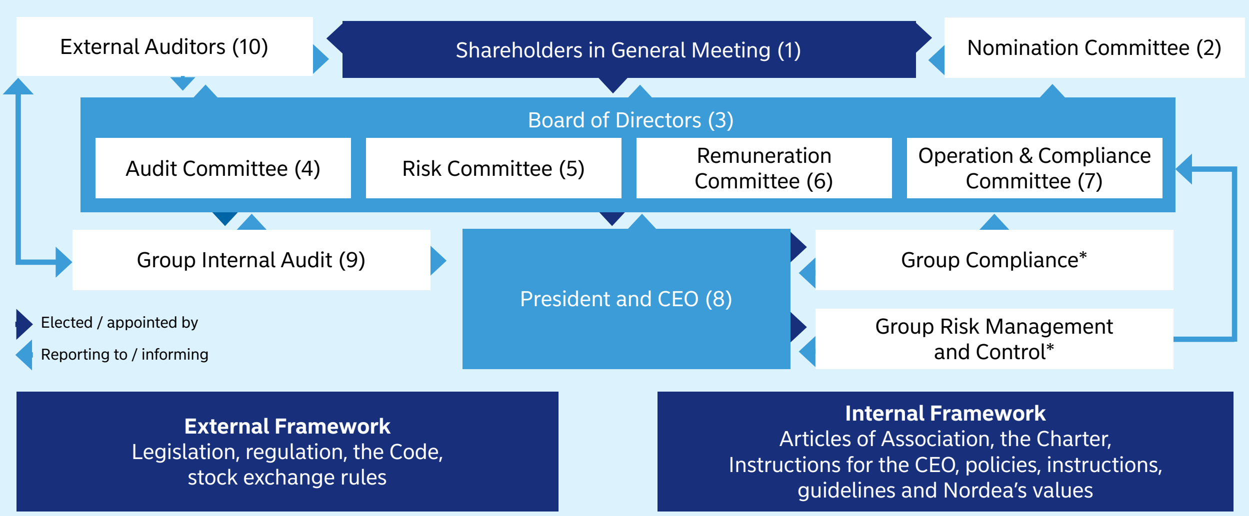
Corporate governance at Nordea

Nordea Bank AB (publ) (the "Company") is a Swedish public limited company listed on the NASDAQ stock exchanges in Stockholm, Helsinki and Copenhagen. Corporate governance at Nordea follows generally adopted principles of corporate governance. The external framework that regulates corporate governance work includes the Swedish Companies Act, the Banking and Financing Business Act, the Annual Accounts Act, the Annual Accounts Act of Credit Institutions and Securities Companies, EU regulations for the financial industry, rules issued by relevant financial supervisory authorities, NASDAQ's rules for each stock exchange and the rules and principles of the Code. Nordea complies with the Code and has no deviations to report in 2017.

In 2017, the Company had neither any infringement of the applicable stock exchange rules nor any breach of good practice in the securities market reported by the relevant exchange's disciplinary committee or the Swedish Securities Council.

As communicated on 6 September 2017, the Board of Directors of the Company initiated a process to redomicile the Company to Finland, a country in the Banking Union. The Board of Directors of the Company and the Board of Directors of its wholly-owned subsidiary Nordea Holding Abp ("Nordea Finland"), a public limited company registered under the laws of Finland, have on 25 October 2017 signed a merger plan according to which the Company will be merged into Nordea Finland through a cross-border reversed merger by way of absorption (the "Merger"). The execution of the Merger is conditional upon, among other things, receiving the requisite regulatory approvals and approval by 2/3 of the votes cast and present at the 2018 annual general meeting of shareholders in the Company. The Merger, and consequently the re-domiciliation, is planned to be effected during the second half of 2018, tentatively on 1 October 2018. Following the Merger, corporate governance in Nordea Finland will follow generally adopted principles of corporate governance in Finland. The external framework that will regulate corporate governance work in Finland includes the Finnish Corporate Governance Code, the Finnish Companies Act, the Finnish Act on Credit Institutions, the Finnish Securities Markets Act, the Finnish Auditing Act, the Finnish Accounting Act, NASDAQ's rules, and rules issued by relevant financial supervisory authorities as well as EU regulations for the financial industry including the new European Banking Authority Guidelines on internal governance entering into force on 30 June 2018.

Corporate Governance Structure



The numbers within brackets are references to the various subsections in the Corporate Governance Report 2017

* Group Risk Management and Control as well as Group Compliance are described in the section "Risk, Liquidity and Capital Management" on page 43.

Division of powers and responsibilities

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

General Meetings (1)

The General Meeting is the Company's highest decision-making body, at which shareholders exercise their voting rights. The General Meeting decides on matters such as the annual accounts, dividend, election of the Board of Directors and auditors, remuneration for Board members and auditors and guidelines for remuneration for executive officers.

General Meetings are held in Stockholm. The minutes of the Annual General Meeting (AGM) 2017 are available at www.nordea.com.

The AGM 2018 will be held on Thursday 15 March 2018.

Voting rights

According According to the Articles of Association, shares may be issued in two classes, ordinary shares and C-shares. All shares in Nordea carry voting rights, with each ordinary share entitled to one vote and each C-share entitled to one tenth of one vote at General Meetings. At General Meetings, each shareholder is entitled to vote for the full number of shares that he or she owns or represents. Nordea is not entitled to vote for its own shares at General Meetings. More information about the Nordea share is presented in the section "The Nordea share and ratings" on pages 31–33 and in the "Financial Review 2017" on page 38.

Articles of Association

The Articles of Association are available at www.nordea.com. Amendments to the Articles of Association are resolved by the General Meeting pursuant to Swedish law and are subject to the approval of the Swedish Financial Supervisory Authority.

Mandate to acquire and convey own shares

Neither the AGM 2016 nor the AGM 2017 decided on authorizations to acquire and convey own shares. Consequently, the Board of Directors did not have such authorizations during 2017.

Mandate to issue convertible instruments

Information on the mandate to issue convertible instruments is presented in the Financial Review 2017 on page 38.

Nomination process (2)

The AGM 2017 decided to establish a Nomination Committee with the task of proposing Board members, the Chairman of the Board and auditor as well as remuneration for the Board members and auditor to the AGM 2018.

The Nomination Committee shall comprise the Chairman of the Board Björn Wahlroos and four members appointed by the four largest shareholders in terms of voting rights on 31 August 2017, who wish to participate in the Committee.

The composition of the Nomination Committee was made public on 12 September 2017. Sampo plc had appointed Torbjörn Magnusson, Nordea-fonden had appointed Mogens Hugo, Alecta had appointed Katarina Thorslund and AMF and AMF Funds had appointed Anders Oscarsson. Torbjörn Magnusson had been appointed chairman of the Nomination Committee. At the date of constitution, the Nomination Committee represented 30.0 per cent of the shareholders' votes.

The proposals of the Nomination Committee are presented in the notice of the AGM 2018 and at www.nordea.com.

Nordea Board of Directors (3)

Composition of the Board of Directors

According to the Articles of Association, the Board of Directors consists of at least six and no more than fifteen members elected by the shareholders at the General Meeting. The term of office for Board members is one year. Nordea has neither a specific retirement age for Board members nor a time limit for how long a Board member may serve on the Board. There are no such requirements in the external framework.

According to the Articles of Association, the aim is to ensure that the Board as a whole for the purpose of its work possesses the requisite knowledge of and experience in the social, business and cultural conditions of the regions and markets in which the main activities of the Nordea Group are carried out. Furthermore, according to the Code, the board is to have a composition appropriate to the company's operations, phase of development and other relevant circumstances. The board members elected by the General Meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. According to the Code, the company is to strive for equal gender distribution on the board.

According to the Company's Diversity Policy, all board assignments in the Company are based on merit with the prime consideration being to maintain and enhance the Board's overall effectiveness. In order to fulfil this, a broad set of qualities and competences is sought for and it is recognised that diversity, including age, gender, geographical provenance and educational and professional background, is an important factor to consider. During the nomination work before the AGM 2017, the Chairman of the Board informed the Nomination Committee of the competencies and skills needed for the Board as a whole and as a board member in the Company according to the Company's Suitability Policy and of the Company's Diversity Policy. As is also stated in the Nomination Committee's Statement on the proposal regarding the board of directors, the Nomination Committee thereafter considered a broad range of qualifications and knowledge to ensure sufficient expertise and independence, and also strived for equal gender distribution on the board.

The Board consists of ten members, five men and five women, elected by the General Meeting. They are Björn Wahlroos (Chairman), Lars G. Nordström (Vice Chairman from the AGM 2017), Pernille Erenbjerg (from the AGM 2017), Robin Lawther, Sarah Russell, Silvija Seres, Kari Stadigh, Birger Steen, Maria Varsellona (from the AGM 2017) and Lars Wollung (from the AGM 2017). Marie Ehrling was board member and Vice Chairman until the AGM 2017. Tom Knutzen was board member until the AGM 2017.

In addition, three members and one deputy member are appointed by the employees: Hans Christian Riise, Toni H. Madsen, Kari Ahola and Gerhard Olsson (currently deputy member). Employees are entitled under Swedish legislation to be represented on the Board. The CEO of Nordea is not a member of the Board. The composition of the Board of Directors is shown in the table on page 62 and further information regarding the Board members elected by the AGM 2017 is presented in the section "Board of Directors" on page 236–237.

Independence of the Board of Directors

Nordea complies with applicable rules regarding the independence of the Board. The Nomination Committee considers all of the members elected by the shareholders to be independent of the Company and its executive management.

All Board members elected by the shareholders, apart from Björn Wahlroos and Kari Stadigh, are independent in relation to the Company's major shareholders. Björn Wahlroos is chairman of Sampo plc and Kari Stadigh is managing director and CEO of Sampo plc, which owns more than 10% of all shares and votes in Nordea.

Thus, the number of Board members who are independent in relation to the Company and its executive management, and independent in relation to the Company's major shareholders, exceeds the minimum requirements.

No Board member elected by the General Meeting is employed by or works in an operative capacity at the Company. All Board members and the deputy Board member appointed by the employees are employed by the Nordea Group and are therefore not independent of the Company. The independence of the individual Board members is also shown in the table on page 62.

The work of the Board of Directors

The Board of Directors annually establishes its working plan, in which the management and the risk reporting to the Board is also established. The statutory board meeting following the AGM 2017 elected the Vice Chairman and appointed the Board Committee members. The Board has adopted written work procedures governing its work (the Charter) and separate work procedures for its work carried out in each of the Board Committees (the Committee Charters). For example, the Charter sets forth the Board's and the Chairman's areas of responsibility, documentation and quorum as well as the frequency of meetings. It also contains rules regarding conflicts of interest and confidentiality. Furthermore, the Board of Directors has adopted instructions for the CEO specifying the CEO's responsibilities as well as other charters, policies and instructions for the operations of the Group. These, together with the Articles of Association, the Charter, the Committee Charters and Nordea's values, constitute the internal framework that regulates corporate governance at Nordea.

The Board is charged with the organisation of Nordea and the management of the Company's operations and the overall management of the Nordea Group's affairs in accordance with the external and internal framework. Furthermore, the Board shall ensure that the Company's organisation in respect of accounting, management of funds and the Company's financial position in general includes satisfactory controls. The Board is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained. Group Internal Audit (GIA) provides annually the Board with an assessment of the overall effectiveness of the governance, and risk and control framework, together with an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile. Further information regarding internal control within Nordea is provided on page 63 under "Internal Control Process".

At least once a year, the Board meets the external auditor without the CEO or any other member of Group Executive Management (GEM) being present. In addition, the auditor in charge meets separately with the Chairman of the Board and with the Chairman of the Board Audit Committee.

In 2017, the Board held 16 meetings. 11 meetings were held in Stockholm and one in Copenhagen while four meetings were held per capsulam. Some of the meetings were held with the possibility to attend by phone. For more information see the table on page 62. The Board regularly follows up on the strategy, business development as well as the financial position and development and on the financial market. Furthermore, the Board is regularly updating the policies and internal rules for the governance and control on which it has decided. The Board is also reviewing the risk appetite and regularly follows up on the development of risks, capital and liquidity. The Internal Capital Adequacy Assessment Process (ICAAP), organisational changes and transactions of significance are other matters dealt with by the Board. The work of the Board Committees is also reported to the Board. In 2017, the Board also dealt with for example the re-domiciliation, the Group Simplification programme, digitalisation, HR issues as well as reports on and issues related to internal control and compliance, AML and other remediation and implementation programmes.

The Secretary of the Board of Directors is Lena Eriksson, Head of Group Legal.

The Chairman

The Chairman of the Board is elected by the shareholders at the General Meeting. According to the Charter, the Chairman is to ensure that the Board's work is conducted efficiently and that the Board fulfils its duties. The Chairman is to organise and lead the Board's work, maintain regular contact with the CEO, ensure that the Board receives sufficient information and documentation and ensure that the work of the Board is evaluated annually and that the Nomination Committee is informed of the result of the evaluation.

Evaluation of the Board

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

According to European regulatory requirements, an internal process has been set up for assessing the suitability both of the members of the Board of Directors individually and of the Board of Directors as a whole. This assessment is done when new board members are to be notified to the Swedish Financial Supervisory Authority and whenever appropriate.

Board Committees

In accordance with the external framework and in order to increase the effectiveness of the board work, the Board of Directors has established separate working committees to assist the Board in preparing matters, belonging to the competence of the Board and to decide in matters delegated by the Board. The duties of the Board Committees, as well as working procedures, are defined in the Committee Charters. Each Committee regularly reports on its work to the Board.

The Board Audit Committee (4)

The Board Audit Committee (BAC) assists the Board in fulfilling its oversight responsibilities by inter alia monitoring the Nordea Group's financial reporting process and providing recommendations or proposals to ensure its reliability, monitoring the effectiveness of GIA, keeping itself informed as to the statutory audit of the annual and consolidated accounts, and by reviewing and monitoring the impartiality and independence of the external auditors.

Members of the BAC are Sarah Russell (chairman from the AGM 2017), and Pernille Erenbjerg (from the AGM 2017). Silvija Seres is appointed as an ad hoc substitute member of BAC to attend, when requested by the Chairman of the BAC, the BAC meetings in extraordinary situations if BAC would otherwise not be able to constitute a quorum. The committee consisted of Tom Knutzen (chairman), Sarah Russell and Silvija Seres until the AGM 2017. Generally, the Group Chief Audit Executive (CAE) and the Group Chief Financial Officer (CFO) as well as the external auditors of the Company are present at meetings with the right to participate in discussions but not in decisions.

The majority of the members of the BAC are to be inde-

Board members' attendance and independence

	Board of Directors	Board Audit Committee	Board Risk Committee	Board Remuneration Committee	Board Operations and Compliance Committee	Independence in relation to the Company[1]	Independence in relation to the major shareholders[1]
Number of meetings (of which per capsulam)	16(4)	11(1)	8(1)	9(1)	5(0)		
Elected by AGM							
Björn Wahlroos[2]	15	–	–	9	–	Yes	No
Marie Ehrling[3]	4	–	–	3	–	Yes	Yes
Lars G Nordström[4]	16	–	8	–	–	Yes	Yes
Pernille Erenbjerg[5]	11	6	–	–	–	Yes	Yes
Tom Knutzen[6]	4	3	–	–	–	Yes	Yes
Robin Lawther	16	–	2	6	–	Yes	Yes
Sarah Russell	16	10	–	–	–	Yes	Yes
Silvija Seres	16	3	6	–	–	Yes	Yes
Kari Stadigh	15	–	8	–	–	Yes	No
Birger Steen	16	–	2	–	5	Yes	Yes
Maria Varsellona[7]	12	–	–	–	5	Yes	Yes
Lars Wollung[8]	11	–	–	–	5	Yes	Yes
Appointed by employees							
Toni H Madsen	16	–	–	–	–	No	Yes
Kari Ahola (deputy 1 Nov 2016–30 April 2017)	15	–	–	–	–	No	Yes
Hans Christian Riise (deputy 1 May 2017–31 Oct 2017)	16	–	–	–	–	No	Yes
Gerhard Olsson (deputy 1 Nov 2017–30 April 2018)	16	–	–	–	–	No	Yes

1) For additional information, see Independence on page 60.
2) Chairman from AGM 2011.
3) Board member, Vice Chairman and committee member until AGM 2017.
4) Vice Chairman from AGM 2017.
5) Board and committee member from AGM 2017.
6) Board and committee member until AGM 2017
7) See footnote 5.
8) See footnote 5.

pendent of the Nordea Group and its executive management. At least one of the committee members who is independent of the Nordea Group and its executive management must also be independent of the Company's major shareholders and have competence in accounting and/or auditing. None of the members of the BAC may be employed by the Nordea Group. The chairman of the BAC shall be appointed by its members and be independent of the Nordea Group, its executive management and the Company's major shareholders as well as not be the chair of the Board of Directors or of any other board committee. Nordea follows the legal requirement as well as complies with the Code. For more information, see the table above.

The Board Risk Committee (5)

The Board Risk Committee (BRIC) assists the Board of Directors in fulfilling its oversight responsibilities concerning the management and control of the risks, risk frameworks, controls and processes associated with the Group's operations, including credit, market, liquidity, business, life and operational risk.

The duties of the BRIC include reviewing the development of the Group's overall risk management and control framework, as well as the Group's risk profile and key risk issues. In addition, the BRIC reviews and makes recommendations regarding the Group's risk appetite and limits for market and liquidity risks. Furthermore, the BRIC reviews resolutions made by lending entities concerning credits or limits above certain amounts, as well as strategic credit policy matters and the development of the credit portfolio.

Members of the BRIC are Kari Stadigh (chairman), Lars G Nordström and Silvija Seres (from the AGM 2017). Robin Lawther and Birger Steen were members until the AGM 2017. Generally, the Chief Risk Officer (CRO) and, when deemed important and to the extent possible, the CEO and the CAE are present at meetings with the right to participate in discussions but not in decisions. Further information regarding the credit decision-making structure for main operations and risk management within Nordea is presented in the section "Risk management", on page 45.

According to regulations issued by the Swedish Financial Supervisory Authority, the BRIC members shall be board members who do not perform any executive function in the Nordea Group. The Company complies with these rules. For more information, see the table above.

Meetings, attendance and independence

The table above shows the number of meetings held by the Board of Directors and its Committees as well as the attendance of the individual Board members. It also shows the independence of the individual Board members in relation to the Company as well as to the major shareholders.

The Board Remuneration Committee (6)

The Board Remuneration Committee (BRC) is responsible for preparing and presenting proposals to the Board of Directors on remuneration issues. This duty includes proposals regarding the Nordea Remuneration Policy and underlying instructions, as well as guidelines for remuneration for the executive officers to be decided by the AGM. The BRC is also responsible for proposals regarding remuneration for the CEO and Group Chief Operating Officer (COO) and Deputy Group CEO, other members of GEM as well as for the CAE.

At least annually, the BRC follows up on the application of the Nordea Remuneration Policy and underlying instructions through an independent review by the GIA, and exercises an assessment of the Nordea Remuneration Policy and remuneration system with the participation of appropriate control functions. The BRC also has the duty of annually monitoring, evaluating and reporting to the Board on the programmes for variable remuneration for GEM, as well as the application of the guidelines for remuneration for executive officers. At the request of the Board, the BRC also prepares other issues of principle for the consideration of the Board.

Members of the BRC are Robin Lawther (member and chairman from the AGM 2017) and Björn Wahlroos. Marie Ehrling was member and chairman until the AGM 2017. Generally, the Chief People Officer and, when deemed important and to the extent possible, the CEO are present at the meetings with the right to participate in discussions but not in decisions. Neither the Chief People Officer nor the CEO participates in considerations regarding his or her respective employment terms and conditions.

According to the Code, the members of the BRC shall be board members who are independent of the Nordea Group and its management, and not employed by the Nordea Group. Nordea complies with this rule.

Further information regarding remuneration at Nordea is presented in the separate section "Remuneration", on page 69–71 and in Note G7, on page 111.

Board Operations and Compliance Committee (7)

The Board Operations and Compliance Committee (BOCC), which is a new committee as of 16 March 2017, assists, without prejudice to the tasks of the other Board Committees, the Board of Directors in fulfilling its oversight responsibilities concerning conduct, sustainability, compliance and operations/systems, as well as related frameworks and processes. The duties of the BOCC include advising the Board on the Nordea Group's overall strategy as to the mentioned areas, and assisting the Board in overseeing the implementation of that strategy by senior management.

Members of the BOCC are Birger Steen (chairman), Maria Varsellona and Lars Wollung. Generally, the Group Compliance Officer, the COO and to the extent possible the CAE are present at meetings with the right to participate in discussions but not in decisions. Furthermore, also the CRO and other senior executives attend meetings when deemed relevant.

The BOCC shall be composed of members of the Board who do not have any executive function in the Group. The Company complies with this.

The Group CEO and Group Executive Management (8)

Nordea's President and CEO is charged with the day-to-day management of Nordea Bank AB and the Nordea Group's affairs in accordance with the external and internal framework. The internal framework regulates the division of responsibilities and the interaction between the CEO and the Board. The CEO works closely with the Chairman of the Board in relation to the planning of Board meetings.

The CEO is accountable to the Board for the management of the Nordea Group's operations and he is also responsible for developing and maintaining effective systems for internal control within the Group. Further information regarding the control environment for risk exposures is presented in the section; "Risk, Liquidity and Capital management", on page 43. The CEO works together with certain senior officers within the Group in GEM. Presently, GEM consists of nine members and the CEO. GEM meets regularly and whenever necessary upon request by the CEO. These meetings are chaired by the CEO, who reaches decisions after consulting with the other members of GEM. Notes of meetings, verified by the CEO, are kept. Further information regarding the CEO and GEM is presented in the section "Group Executive Management", on page 238.

Internal control process

The Board of Directors is responsible for setting and overseeing an adequate and effective Internal Control Framework. The Internal Control Framework includes the control functions and the Risk Management Framework and covers the whole Group.

The Internal Control Framework is designed to ensure effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, sound administrative and accounting procedures, reliability of financial and non-financial information reported or disclosed (both internally and externally) and compliance with laws, regulations, supervisory requirements and the Nordea Group Internal Rules.

The internal control process is carried out by the Board of Directors, senior management, risk management functions and other staff at Nordea and is based on five main components: control environment, risk assessment, control activities, information and communication as well as monitoring. The internal control process aims to create the necessary fundamentals for the entire organisation to contribute to the effectiveness and high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures.

Roles and responsibilities with respect to internal control and risk management are divided into three lines of defence. In the first line of defence, the business organisation and Group Functions are risk owners, and thus responsible for conducting their business within risk exposure limits and the risk appetite and in accordance with the Internal Control Framework.

As second line of defence, the control functions are responsible for maintaining the Internal Control Framework and for monitoring the implementation of the policies and procedures within this Framework. Group Risk Management and Control (GRMC) is responsible for identifying, measuring, monitoring and reporting on all risks. Group Compliance is responsible for ensuring and monitoring compliance with internal and external rules and for establishing policies and processes to manage compliance risks and to ensure compliance.

GIA, which is the third line of defense, performs audits and provides the Board of Directors with an assessment of the overall effectiveness of the governance, and risk and control framework, together with an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile.

Internal audit (9)

GIA is an independent function commissioned by the Board of Directors. The BAC is responsible for guidance on and evaluation of GIA within the Nordea Group. The CAE has the overall responsibility for GIA. The CAE reports on a functional basis to the Board of Directors and the Board Audit Committee and reports on an administrative basis to the CEO. The Board of Directors approves the appointment and dismissal of the CAE and decides, on proposal from its Remuneration

Committee, on salary and other employment terms and conditions for the CAE.

The purpose of GIA is to support the Board of Directors and GEM in protecting the assets, reputation and sustainability of the organisation. GIA does this by assessing whether all significant risks are identified and appropriately reported by management and the risk functions to the Group Board, its committees and GEM; by assessing whether all significant risks are adequately controlled; and by challenging GEM to improve the effectiveness of governance, risk management and internal controls.

GIA does not engage in consulting activities unless otherwise instructed by the BAC.

All activities and entities of the Group fall within the scope of GIA. GIA makes a risk based decision as to which areas within its scope should be included in the audit plan approved by the Group Board.

GIA shall operate free from interference in determining the scope of internal auditing, in performing its audit work, and in communicating its results. This means for example that GIA, via the CAE, is authorised to inform the financial supervisory authorities on any matter without further approval. The CAE has unrestricted access to the CEO and Chairman of the BAC, and should meet with the Chairman of the BAC informally and formally throughout the year, including without the presence of executive management. GIA is authorised to carry out all investigations and obtain all information required to discharge its duties. This includes the right to sufficient and timely access to the organisation's records, systems, premises and staff. GIA has the right to attend and observe Group Board committees, GEM, overall committees and fora for the Nordea Group and other key management decision-making fora when relevant and necessary.

External audit (10)

According to the Articles of Association, one or two auditors must be elected by the General Meeting for a term of one year. At the AGM 2017, Öhrlings PricewaterhouseCoopers AB was re-elected auditor until the end of the AGM 2018. Peter Clemedtson is the auditor-in-charge.

Report on internal control and risk management regarding financial reporting

The systems for internal control and risk management of financial reporting are designed to provide reasonable assurance about the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations, and other requirements for listed companies. The internal control and risk management activities are included in Nordea's planning and resource allocation processes. Internal control and risk management of financial reporting at Nordea can be described in accordance with the COSO Framework as follows below.

Control Environment

The control environment constitutes the basis for Nordea's internal control and centres around the culture and values established by the Board of Directors and GEM, and the organisational structure, with clear roles and responsibilities.

A clear and transparent organisational structure is of importance for the control environment. Nordea's business structure aims to support the overall strategy, ensuring strong business momentum and meeting increased requirements on capital and liquidity. The business and the organisation are under continuous development.

Clear roles and responsibilities are critical in the governance of Internal Control over Financial Reporting where the risk owners, in the business areas, and the Group Finance & Treasury are responsible for the risk management activities. A risk management function supports the CFO in maintaining a Group wide set of controls (in Nordea defined as Accounting Key Controls (AKC)), in line with the risk framework, which covers the controlling of risks and the risk identification process, that to a large extent is based on the actual business and financial closing processes in place. An independent risk control function that is responsible for identifying, controlling and reporting on financial reporting risk has been established in Group Risk Management and Control (GRMC). In addition, the internal audit function provides the Board of Directors with an assessment of the overall effectiveness of the governance, risk management and control processes.

Risk Assessment

The Board of Directors bears ultimate responsibility for limiting and monitoring Nordea's risk exposure. Risk management is considered to be an integral part of running the business and the main responsibility for performing risk assessments regarding financial reporting risks lies with the business organisation. Performing risk assessments close to the business increases the possibility of identifying the most relevant risks. In order to govern the quality, contral functions stipulate in governing documents when and how these assessments are to be performed. Examples of risk assessments, performed at least annually, are the Quality and Risk Analysis for changes and Risk and Control Self-Assessments.

Risk assessment in relation to reliable financial reporting involves the identification and analysis of risks of material misstatements. Financial reporting risk control work in Nordea focuses on risks and processes which could lead to material financial misstatements, i.e. if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item. Structured risk assessment procedures determine in which divisions, locations and/or processes risks for material financial misstatements exist and therefore need to be monitored under the AKC framework to ensure reasonable assurance of the reliability of Nordea's external financial reporting.

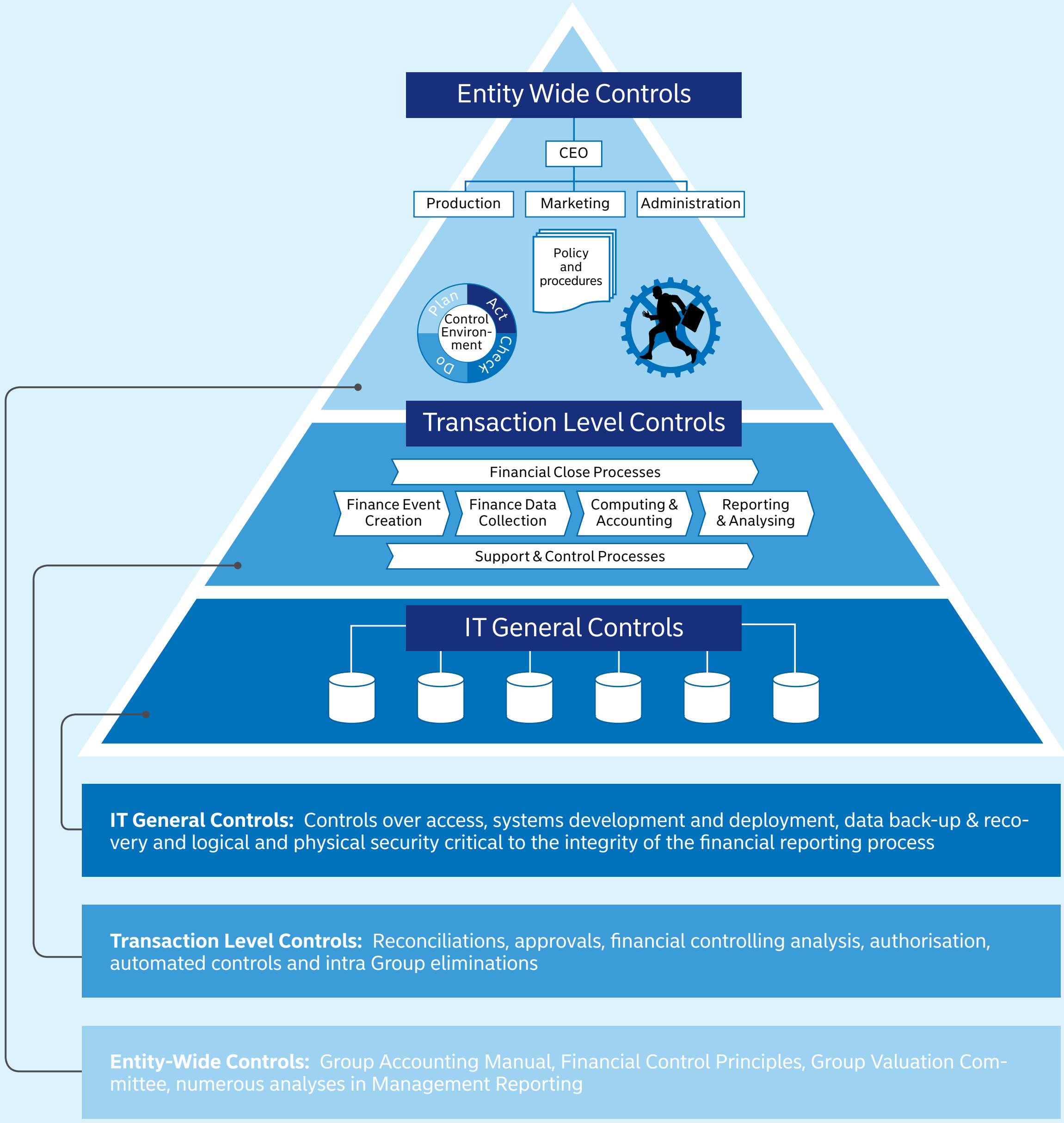
Control Activities

The heads of the respective units are primarily responsible for managing risks associated with the units' operations and financial reporting processes. This responsibility is primarily supported by the Group Accounting Manual (GAM), the Financial Control Principles and various governing bodies, such as the Group Valuation Committee. The GAM includes a standard reporting package used by all entities to ensure consistent use of Nordea's principles and coordinated financial reporting. Fundamental internal control principles at Nordea are the segregation of duties and the four-eyes principle when approving, for instance, transactions and authorisations.

The AKC control structure is based on Transaction Level Controls (TLC) that are identified through analysing risks based on high level processes with an end-to-end product focus. After deciding on the TLCs an analysis is performed to determine what systems/applications are in scope for AKCs where specific IT General Controls are governed. The analysis aims at scoping in the major systems where there is a risk that data, which is not detected in the TLC control structure, could become corrupt.

The quality assurance vested in the management reporting process, where a detailed analysis of the financial outcome is performed, constitutes one of the most important control mechanisms associated with the reporting process. The reconciliations constitute another set of important controls in

Control Activities



which Nordea works continuously to further strengthen the quality.

Information & Communication

Group Finance & Treasury (GF&T) is responsible for ensuring that the Group Accounting Manual and the Financial Control Principles are up-to-date and that changes are communicated with the responsible units. These governing documents are broken down into guidelines and standard operating procedures in the responsible units. Accounting specialists from (GF&T) continuously provide accountants and controllers with information on changes in order to inform of existing and updated rules and regulations with an impact on Nordea.

Key criteria applied when communicating financial information to the market is "correct, relevant, consistent, reliable and timely". The information is to be disclosed in such a way that the information is made available to the public in a fast and on a non-discriminatory manner.

Nordea interacts with relevant subject-matter experts to ensure fulfilment of financial reporting objectives. Nordea actively participates in relevant national forums, for example forums established by the Financial Supervisory Authorities, Central Banks and associations for financial institutions.

The AKC reporting procedures provide management at different levels in the organisation with information related to the performance and assessment of the identified AKCs in the form of Process Owner reports and Management Dashboard reports with a summarised assessment of the outcome and any high risk areas.

Monitoring

Nordea has established a process with the purpose of ensuring proper monitoring of the quality of the financial reporting and follow-up regarding possible deficiencies. This interactive process aims to cover all COSO-components in the Framework and is illustrated in the diagram below.

The The Risk and Control Self-Assessment process conducted in each Business Area and Group Function includes evaluation of risks and quality of internal controls related to financial reporting.

The Board of Directors, the Board Audit Committee, the Board Risk Committee, the Board Operations and Compliance Committee and the Group Internal Audit have important roles in respect to overseeing and monitoring the internal control of financial reporting at Nordea Group. For further information, see "The work of the Board of Directors (3)", "Board Audit Committee (4)", "Board Risk Committee (5)", "Board Operations and Compliance Committee (7)", and "Group Internal Audit (9)" above.

Group Finance & Treasury has also established specific quarterly reporting regarding Internal Control over Financial Reporting to the Group CFO covering risk management and high risk areas. The independent risk control function within GRMC reports specifically on financial reporting risk to Board Audit Committee and the CEO in the GEM on a quarterly basis.

Monitoring

Statutory Sustainability Report

This report constitutes Nordea's statutory sustainability report for the fiscal year 2017. The report covers the parent company Nordea Bank AB and its subsidiaries.

Our business
Nordea is a full-service universal bank. We are present in 20 countries, including our four Nordic home markets – Denmark, Finland, Norway and Sweden. Through our four main business areas we offer a wide range of products and services. Personal Banking offers everyday banking services to household customers. Commercial and Business Banking serves our corporate customers with e.g. financial advisory and transaction banking services including payments and cards. Wholesale Banking provides large corporate and institutional customers with financial solutions including financing, cash management and capital markets products. Wealth Management offers savings, investments, and life and pension products to our household customers and institutional investors.

Policies leading the way
In support of our commitment to contributing to a sustainable development, we have signed several voluntary international agreements. The Nordea Code of Conduct is based on the UN Global Compact. It defines the high-level ethical principles that guide our business and includes aspects such as care for the environment, labour rights, customer relations, human rights, the right to privacy, anti-bribery and corruption. The Nordea Sustainability Policy sets forth the Group's values and commitments to ethical business, and was updated in 2017 with sections on sustainable financing, investment and advice. Both documents apply to all employees and everybody working on behalf of Nordea, and are supported by policies to ensure compliance in everyday business. Employees are trained in these policies on a regular basis. In 2016, 93% of all staff completed the mandatory training Licence to Work which includes the Code of Conduct, anti-bribery and corruption as well as risk and compliance awareness. The training was launched again in late 2017 with a deadline in February 2018.

Sustainability governance
In the past two years, we have implemented a new sustainability governance structure. The Board of Directors decides on Nordea's Code of Conduct and Sustainability Policy and approves this Statutory Sustainability Report. A dedicated board committee assists the Board of Directors in fulfilling its oversight responsibilities in terms of conduct, sustainability, compliance and operations/systems, as well as related frameworks and processes. The CEO in Group Executive Management decides on the sustainability strategy including plans, targets and performance indicators. The decision-making body for sustainability-related matters is the Business Ethics and Values Committee (BEVC), chaired by the CEO. BEVC decides on Nordea's values and ethical aspects to be considered in business decisions and sustainability issues. Each business area and relevant group functions are represented in the Sustainability Committee. The committee prepares sustainability matters related to policies, guidelines and strategy, which are submitted to BEVC for approval. Business areas and group functions are responsible for implementing sustainability policies, products and risk management processes.

Sustainability-related risks
Sustainability can be included as an aspect in any of our risk categories. The Board of Directors bears ultimate responsibility for limiting and monitoring our risk exposures. The key principle for our management of risks is the three lines of defence, with the business areas constituting the first, Group Compliance and Group Risk Management & Control the second, and Group Internal Audit the third. Failure to meet stakeholders' expectations on how we are to behave as a sustainable entity on the financial market poses a reputational risk that may also have a financial impact. This includes risks of investing in companies, engaging with suppliers or being involved with customers with significant negative impact on the environment, and/or society, and/or that are in violation of human rights. Failure to comply with laws, regulations and ethical standards which could result in significant financial loss, bad reputation, remarks or penalties from authorities, constitutes a compliance risk.

Focusing on material aspects
The materiality analysis conducted in 2016 shows that our greatest contribution to sustainable development is embedded in the services we provide. When making business decisions, primarily concerning investment and financing, we take environmental issues, employee and social matters, human rights, anti-corruption and corporate governance into consideration. We must also ensure that our suppliers adhere to the same high sustainability standards as we do. In addition, we cannot neglect the negative impact our direct operations have on the environment. Also, the key to continuing success includes a diversified, competent and satisfied workforce that acts in accordance with ethical standards and in observance of our Code of Conduct.

Investing responsibly
In our approach to wealth management we apply internationally recognised principles of responsible investment and active ownership. Our policy ensures that the companies in which we invest fulfil various criteria regarding sound environmental, social and governance performance (ESG). As part of this, we screen our actively managed funds to ensure they do not include companies that have violated international norms on environmental protection, human rights, labour standards or business ethics. In 2017, 86% of total assets under management (AuM) were subject to negative ESG screening[1] and 2.2% of total AuM for Asset Management were subject to positive ESG screening[2]. We also proactively engage with companies to improve and change their behaviour. Furthermore, we have implemented an ESG tool, a self-assessment questionnaire, to evaluate external asset managers, that results in an ESG score used in the selection and monitoring process.

1) Negative ESG screening is analysis aimed at identifying companies involved in controversial activities and/or sectors and/or involved in the violation of international norms.

2) Positive ESG screening is analysis aimed at identifying companies with well-managed ESG risks and opportunities. The ambition is to create shareholder value through identifying companies that have strong capabilities for integrating ESG metrics into business decisions.

ESG evaluation of customers

To operationalise the Code of Conduct and the Sustainability Policy, we have integrated ESG risk evaluation into the internal decision-making process within Wholesale Banking. The work is structured by a specific ESG evaluation tool that has industry-specific questions and also captures controversies. The ESG risk category is included in credit memorandums. More than 70% of Wholesale Banking exposure at risk, excluding financial institutions and most of shipping, which will be addressed in 2018, was evaluated in 2017 and customers were allocated to one of five ESG risk categories. In 2017, we saw increasing interest among our customers for sustainable financing solutions manifested by the issuance of our first green bond – a EUR 500m five-year bond. Another way of advancing sustainability is research that provides hard facts in empirical data. Nordea Markets has published a study that highlights the correlation between operational excellence and ESG performance and finds solid evidence that ESG matters, both to operational and share price performance.

Sustainable procurement

Nordea has more than 19,000 suppliers with which we interacted in 2017. To reduce supplier-related risk, Nordea's Supplier Sustainability Policy, which is based on the ten principles in the UN Global Compact, is mandatory for all large contracted suppliers, i.e. suppliers with which Nordea has a total contract value of EUR 250,000 or more. The policy applies irrespective of the products we are buying. If, after the contract has been signed, we learn that the supplier is in potential breach of our Supplier Sustainability Policy, initiatives are taken to clarify the issue, potentially preparing a corrective action plan or ultimately terminating the contract. In 2017, we held dialogues with a few suppliers regarding the signing of our Supplier Sustainability Policy. The dialogues were constructive and relationships maintained. Also, no contracts were terminated in 2017 due to breach of our Supplier Sustainability Policy.

Responsible tax payer

Nordea is a substantial corporate income tax payer in our main countries of operation – Denmark, Finland, Norway and Sweden – and we also pay social security contributions and bank levies in the countries where we operate. Local corporate tax payments will not be impacted by the transfer of our headquarters to Finland. We strive to deliver great customer experience, and to build trust through acting with integrity. This includes upholding the ethical standards outlined in Nordea's Code of Conduct, Tax Policy on Customer Advice and Sustainability Policy when advising customers about the tax implications of different products. We also take care to comply with external regulations regarding the provision of proper information and not mislead customers in their decisions.

Being carbon neutral

To reduce carbon footprint from our own operations, including our property stock owned by Nordea Life & Pension, we strive to reduce emissions generated from our direct operations and we ensure that all energy used in our buildings is renewable. For the remaining unavoidable emissions, we continue with the offsetting activities we have carried out since 2015. The combination of measures ensures that Nordea has a programme for being CarbonNeutral® certified in line with The CarbonNeutral Protocol. In 2017 our total emissions of carbon dioxide, scope 1–3 according to GHG Protocol[3] , were 22,738 tonnes. This covers emissions from energy consumption for all operations except international offices, emissions from air travel for operations in Denmark, Finland, Norway and Sweden and rail travel from operations in Sweden.

Caring for our people

In 2017, we announced that we will be significantly fewer people in the years to come. We will do our utmost to support those who will need to find a new path outside Nordea. We have therefore established a job mobility team, dedicated to supporting the next steps for the people who will leave Nordea. As a responsible employer, Nordea is committed to diversity and equality. In 2017 we continued to raise awareness and ensure compliance with our managerial recruitment policy and address the lack of women in senior management positions in succession planning and talent reviews. The number of women in leading positions, looking at 2017, has remained at 40% of all leaders at Nordea. A sustainable work-life balance is a prerequisite for great performance. And, as a responsible employer, it is important for us to provide an inclusive and healthy working environment that will provide the best conditions for each individual. Our sickness rate (3.38%) remained similar to that of 2016 (3.65%). In 2017, we launched a new Wellbeing at Work survey. It gives us valuable information about employees' perceived work situation. According to the result of the first survey, 78% of our people (out of the 69% who responded to the survey) experience an inclusive climate where everyone, regardless of gender, age, tenure and education, can contribute to our development. The survey also shows that 4% of respondents experienced some kind of discrimination. Going forward, we will continue to further increase our commitment to diversity and inclusion as an important part of our cultural transformation, and create new and agile methods for implementing and measuring the progress.

Raise Your Concern

We have a group-wide whistleblowing function – Raise Your Concern (RYC) – which encourages employees to speak up if they have concerns about any misconduct or irregularities. This includes any action that constitutes a violation of laws or regulations, or of Nordea's internal policies, instructions or guidelines. RYC aims to ensure compliance with global and national legislation and guidelines as well as with our own Code of Conduct. It also includes actions that could cause harm to Nordea's business or reputation, or to the health and security of our employees and customers. In 2017 the possibility to report, both internally as well as externally, was strengthened by an electronic reporting channel called WhistleB. The total number of reported cases for 2017 is 221 of which 48 led to action, in the form of a verbal warning, written warning or dismissal. Six of the cases were sustainability-related; three concerned fraud and three concerned AML.

3) Greenhouse Gas Protocol (GHG Protocol) is the widely used greenhouse gas accounting standards. Scope 1 emissions come from sources (physical units or processes that release greenhouse gases into the atmosphere) that are owned or controlled by the organisation. Scope 2 are indirect emissions from the generation of the electricity, heating, cooling, and steam which it purchased from other organisations for own consumption. Scope 3 emissions are other indirect emissions resulting from the organisations' upstream or downstream activities e.g. business travel, waste and use of sold products.

Remuneration

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

The Board of Directors decides on the Nordea Remuneration Policy, based on an analysis of the possible risks involved, and ensures that it is applied and followed-up as proposed by the Board Remuneration Committee (BRC).

The Nordea Remuneration Policy shall

- Support Nordea's ability to recruit, develop and retain highly motivated, competent and performance-oriented employees, hence fulfilling the People strategy.
- Supplement excellent leadership and challenging tasks as driving forces for creating high commitment among employees and a Great Nordea.
- Ensure that compensation at Nordea is aligned with efficient risk management and the Nordea values.

Nordea offers competitive, but not market-leading, total remuneration. Nordea has a total remuneration approach that recognises the importance of well- balanced but differentiated remuneration structures, based on business and local market needs, as well as the importance of remuneration being consistent with and promoting sound and effective risk management, not encouraging excessive risk-taking or counteracting Nordea's long-term interests.

Nordea remuneration components – purpose and eligibility

Nordea's remuneration structure consists of fixed remuneration and variable remuneration.

Fixed remuneration comprises the following components.

Fixed Base Salary should remunerate employees for role and position, and is affected by: job complexity, responsibility, performance and local market conditions.

Allowance is a predetermined fixed remuneration component. Fixed Base Salary is, however, the cornerstone for all fixed remuneration. Allowances can be used as a complement for the Fixed Base Salary as Role Based Allowance or Benefit Allowance and should not be linked to performance or otherwise incentivise risk-taking.

Pension and Insurance aims to ensure that employees have an appropriate standard of living after retirement as well as personal insurance during employment. Pension and insurance provisions are in accordance with local laws, regulations and market practice, either collectively agreed schemes or company-determined schemes, or a combination thereof. Nordea offers defined contribution pension schemes for new employees. Defined benefit schemes are still in place, but closed for new members.

Benefits at Nordea are granted as a means to facilitate performance and stimulate well-being. Benefits are either individually agreed or based on local laws, collective bargaining agreements and company-determined practice.

Variable remuneration comprises the following components. An employee can normally only participate in one variable remuneration scheme.

GEM Executive Incentive Programme (GEM EIP) is offered to recruit, motivate and retain executive officers for Group Executive Management (10 participants) and aims to reward strong performance and efforts. Assessment of individual performance is based on a predetermined set of well-defined financial as well as non-financial success criteria, including Nordea Group criteria, BA/GF criteria (where relevant) and Unit/Individual criteria.

Executive Incentive Programme (EIP) is offered to recruit, motivate and retain selected managers and key employees, up to 400 participants, and aims to reward strong performance and efforts. Assessment of individual performance is based on a predetermined set of well-defined financial as well as non-financial success criteria, including Nordea Group criteria, BA/GF/Division criteria and Unit/Individual criteria.

Variable Salary Part (VSP) is offered to selected managers and specialists to reward strong performance. Individual performance is an assessment of the performance linked to a predetermined set of well-defined financial as well as non-financial success criteria, including Nordea Group criteria.

Bonus scheme is offered only to selected groups of employees employed in specific business areas or units. The aim is to ensure strong performance and to maintain cost flexibility for Nordea. Assessment of individual performance is based on a predetermined set of well-defined financial as well as non-financial success criteria, including Nordea Group criteria.

Profit Sharing is offered group-wide to all Nordea employees except for Identified Staff eligible for GEM EIP, EIP, Bonus or VSP. Profit Sharing is offered irrespective of position and salary, and aims to stimulate value creation for customers and shareholders. The performance criteria for the 2017 programme are Return on Capital at Risk, performance of Return on Equity against competitors, and Customer Engagement Index (both absolute and relative to Nordic peers).

One Time Payment (OTP) can be granted to employees in the event of extraordinary performance that exceeds requirements or expectations or relating to temporary project work. The aim is to reward exceptional performance and to maintain cost flexibility for Nordea. Employees participating in a Bonus scheme, GEM EIP, EIP or VSP cannot be granted OTP.

Further information regarding Profit Sharing, VSP, Bonus schemes and EIP is provided below in this section.

For GEM EIP, please refer to the section below for guidelines for remuneration of executive officers. Other variable components are:

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

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

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

Risk analysis

Nordea's remuneration components are evaluated annually to ensure compliance with both international and local remuneration guidelines. In addition to the evaluation of Nordea's remuneration components, the risk analysis addressing issues arising with respect to Nordea's Remuneration Policy was updated in March 2017. Key factors addressed include risks related to the governance and structure of the remuneration schemes, target-setting and measurement of results, as well as fraud and reputation. The main focus of the analysis is the variable components that potentially lead to total compensation that could be considered high.

Nordea mitigates these risks by regularly reviewing the structure of the remuneration components, including the participants and potential pay-out amounts, and by publicly disclosing relevant information. Furthermore, Nordea has established processes for target-setting, aligned with the Group's strategy, and predefined growth and development initiatives. The measurement of results is aligned with Nordea's overall performance measurement, and pay-out decisions are subject to separate processes and the grandparent principle (approval by the manager's manager). In addition, Nordea mitigates relevant risks by means of its internal control framework, which is based on the control environment and includes the following elements: Values and management culture, goal orientation and follow-up, a clear and transparent organisational structure, separation of duties, the four-eye principle, quality and efficiency of internal communication and an independent evaluation process.

Performance-related compensation for 2017 for employees in the risk analysis defined as Identified Staff will be partially deferred in 2018 to comply with international guidelines and national regulations. Amounts deferred and details about the deferrals will be published on nordea.com one week before the ordinary Annual General Meeting on 15 March 2018.

Audit of the remuneration policy

At least annually, the BRC follows up on the application of the Nordea Remuneration Policy and supplementary instructions with an independent review by Group Internal Audit.

Remuneration for the Board of Directors

The AGM annually decides on remuneration for the Board of Directors. Further information is provided in Note G7 on page 111.

Remuneration for the CEO and Group Executive Management (GEM)

The Board of Directors prepares the proposal for guidelines for remuneration for executive officers to be approved by the AGM annually. According to these guidelines, the Board of Directors has decided on the actual remuneration for the CEO and members of GEM following a proposal from the BRC. More information regarding the BRC is found in the separate section "Corporate Governance Report", page 62.

The external auditors presented a report to the AGM 2017 stating that, in 2016, the Board of Directors and the CEO complied with the guidelines for remuneration for executive officers as adopted by the AGM 2015 and 2016.

Further information about remuneration is found in Note G7 on page 111.

Approved guidelines for remuneration for executive officers for 2017

The AGM 2017 approved the following guidelines for remuneration for executive officers: Nordea shall maintain remuneration levels and other employment conditions needed to recruit and retain executive officers with competence and capacity to deliver on the strategy and targets thus enabling Nordea to become a Great European bank.

The term "executive officers" shall in this context mean the CEO and deputy CEO of Nordea Bank AB (publ) and the executives who are members of Group Executive Management (GEM).

Remuneration for executive officers will be decided by the board of directors in accordance with Nordea's internal policies and procedures, which are based on the Swedish Financial Supervisory Authority's (SFSA) regulations on remuneration systems, the Swedish Corporate Governance Code, national implementation of the EU's directive on capital requirements for banks as well as international sound compensation practices.

Salaries and other remuneration in line with market levels constitute the overriding principle for compensation for executive officers at Nordea. Compensation for the executive officers shall be consistent with and promote sound and effective risk management and not encourage excessive risk-taking or counteract Nordea's long-term interests.

Annual remuneration consists of fixed and variable salary.

Variable salary to the executive officers will be offered as an Executive Incentive Programme 2017 (GEM EIP 2017) with predetermined targets at Group, business area/group function and individual level. The effect on the long-term result is to be considered when determining the targets. The outcome of GEM EIP 2017 will be based on the board of directors' assessment of performance of the predetermined targets. The outcome of GEM EIP 2017 will be paid over a five-year period in cash and be subject to forfeiture clauses, Total Shareholder Return indexation (dividend factor to be excluded during the referral period) and retention based on the SFSA's regulations on remuneration systems, taking account of domestic rules and practices where relevant. GEM EIP 2017 has a one year performance period and the outcome shall not exceed the fixed salary. The executive officers have been offered similar programmes since 2013.

In accordance with SFSA's remuneration regulations guaranteed variable salary is to be exceptional and may only occur in the context of hiring a new executive officer and then be limited to the first year of employment.

Non-monetary benefits are given as a means to facilitate executive officers' performance. The levels of these benefits are determined by what is considered fair in relation to general market practice. The executive officers shall be offered retirement benefits in accordance with market practice in the country of which they are permanent residents. Fixed salary during the period of notice and severance pay shall in total not exceed 24 months of fixed salary for executive officers.

The board of directors may deviate from these guidelines if required due to new remuneration regulations or if there are other special reasons for this in a certain case.

Proposal for guidelines for remuneration for executive officers for 2018

The Board of Directors of Nordea Bank AB (publ) proposes that the annual general meeting on 15 March 2018 resolves on the following guidelines for remuneration to executive officers: Nordea shall maintain remuneration levels and other employment conditions needed to recruit and retain executive officers with competence and capacity to deliver on the strategy and targets thus enabling Nordea to become a Great European bank.

The term "executive officers" shall in this context mean the CEO and Deputy CEO of Nordea Bank AB (publ) and the executives who are members of Group Executive Management.

Remuneration for executive officers will be decided by the Board of Directors in accordance with Nordea's internal policies and procedures, which are based on the Swedish Financial Supervisory Authority's ("SFSA") regulations on remuneration systems, the Swedish Corporate Governance Code, national implementation of the EU's directive on capital requirements for banks as well as international sound compensation practices.

Salaries and other remuneration in line with market levels constitute the overriding principle for compensation for executive officers at Nordea. Compensation for the executive officers shall be consistent with and promote sound and effective risk management and not encourage excessive risk-taking or counteract Nordea's long term interests.

Annual remuneration consists of fixed and variable salary.

Variable salary to the executive officers will be offered as an Executive Incentive Programme 2018 ("GEM EIP 2018") with predetermined targets at Group, business area/group function and individual level. The effect on the long term result is to be considered when determining the targets. The outcome from GEM EIP 2018 will be based on the Board of Director's assessment of performance of the predetermined targets. The outcome from GEM EIP 2018 will be paid over a five-year period in cash, and be subject to forfeiture clauses, Total Shareholder Return indexation (dividend factor to be excluded during the deferral period) and retention based on the SFSA's regulations on remuneration systems, taking account of domestic rules and practices where relevant. GEM EIP 2018 has a one year performance period and the outcome shall not exceed the fixed salary. The executive officers have been offered similar programs since 2013.

In accordance with SFSA's remuneration regulations guaranteed variable salary is to be exceptional and may only occur in the context of hiring a new executive officer and then be limited to the first year of employment.

Non-monetary benefits are given as a means to facilitate executive officers' performance. The levels of these benefits are determined by what is considered fair in relation to general market practice. The executive officers shall be offered retirement benefits in accordance with market practice in the country of which they are permanent residents. Fixed salary during the period of notice and severance pay shall in total not exceed 24 months of fixed salary for executive officers.

The Board of Directors may deviate from these guidelines if required due to new remuneration regulations or if there are other special reasons for this in a certain case.

Additional information to the Board of Directors' proposal for guidelines for remuneration for executive officers

Deviations from approved guidelines 2017:

There have been no deviations from the approved guidelines.

Cost of variable remuneration for executive officers (excluding social cost):

The actual cost for GEM EIP 2017 is EUR 5.2m to be paid over a five-year period.

The estimated maximum cost for GEM EIP 2018 is EUR 6.9m and the estimated cost assuming 65% fulfilment of the performance criteria is EUR 4.5m.

Additional information about variable remuneration

Cost of variable remuneration for non-executive officers (excluding social cost):

The expense for EIP 2017 is EUR 44m to be paid over a three-to five-year period.

The expense for bonus 2017 is EUR 181m to be paid over a three- to five-year period.

The expense for variable salary part (VSP) in 2017 is EUR 59m to be paid over a three- to five-year period.

Profit Sharing scheme

The Profit Sharing scheme is capped and not based on the value of the Nordea share. It is a benefit through which employees receive a share of the profit to encourage sound performance and one Nordea team which, in turn, will lead to better profitability and make working for the Nordea Group more attractive.

In 2017, a total of EUR 27m was provided for under Nordea's Profit Sharing scheme for all employees. For 2017, each employee can receive a maximum of EUR 3,200, based on a pre-determined set of performance criteria. If all performance criteria were met, the cost of the scheme would have amounted to a maximum of approx. EUR 99m.

Variable Salary Part (VSP)

VSP may be offered to selected managers and specialists to reward strong performance and as a means to recruit, motivate and retain strongly performing employees at the Nordea Group. VSP must be transparent and have predefined success criteria with clear weightings. A VSP must include financial and non-financial success criteria based on Nordea Group criteria decided annually by the CEO. In the event of weak or negative overall results for the Nordea Group, VSP outcomes can be adjusted downwards at the discretion of the CEO.

A VSP agreement does not exceed a maximum outcome of 25% of annual fixed salary, except for a few managers and key specialists within specific areas, where the amount can be a maximum of up to 100% of annual fixed salary.

Nordea adheres to the grandparent principle when enrolling employees for any VSP and approving the outcome. Nordea has introduced deferral programmes for the staff that are defined as Identified Staff in the risk analysis.

Bonus schemes

Bonus schemes are only offered to selected groups of employees in specific business areas or units approved by the Board of Directors. Nordea pays bonuses linked to performance, with both divisional bonus pools and individual allocations being explicitly based on defined performance measures. Divisional financial performance is measured as risk-adjusted profits, explicitly incorporating capital and funding costs, and is adjusted for multi-period revenue effects and minimum required profit. In the event of weak or negative overall results for the Nordea Group, bonus pools can be adjusted downwards at the discretion of the Board of Directors. As such, individual compensation is determined based on detailed performance evaluations covering a range of financial and non-financial factors.

Inappropriate individual bonuses are prevented through both caps on the percentage of risk-adjusted profit that can be paid out, as well as individual caps. Nordea has introduced deferral programmes for the staff that are defined as Identified Staff in the risk analysis.

The Board of Directors decides on new or revised bonus schemes and the outcome of divisional bonus pools by proposal from BRC. GEM is responsible for the implementation of the agreed bonus schemes. Nordea also applies a stringent process to ensure that compensation for individuals does not encourage excessive risk-taking behaviour. To supplement the division-level assessment, there is an approval process for significant bonuses for individuals.

Executive Incentive Programme

Nordea's Executive Incentive Programme 2017 ("EIP 2017") aims to strengthen Nordea's capability of retaining and recruiting the best talents. Furthermore, the aim is to stimulate the managers and key employees whose efforts have a direct impact on Nordea's result, profitability and long-term value growth. In 2018, Nordea will offer an EIP 2018 with similar aims and structure as EIP 2017.

EIP rewards performance that meets agreed predetermined targets at Group, business unit and individual level. The effect on the long-term result is to be considered when determining the targets. EIP shall not exceed the fixed salary.

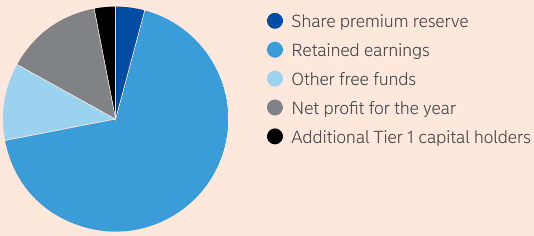
EIP shall be paid in the form of cash and be subject to share price indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2017 applies three years deferrals.

Participation in the programme will be offered to up to 400 managers and key employees, except GEM, at the Nordea Group. Since 2013, EIP has been offered instead of Nordea's LTIP and VSP for the invited employees.

Proposed distribution of earnings

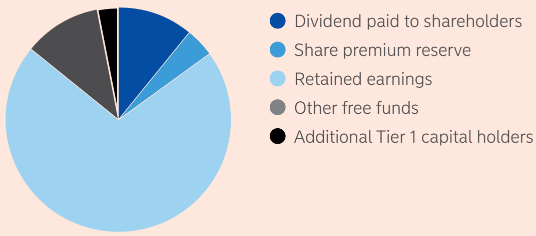
According to the parent company's balance sheet, the following amount is available for distribution by the Annual General Meeting:

EUR	
Share premium reserve	1,079,925,521
Retained earnings	17,180,228,052
Other free funds	2,762,284,828
Net profit for the year	3,510,086,789
Additional Tier 1 capital holders	750,000,000
Total	**25,282,525,190**



The Board of Directors proposes that these earnings be distributed as follows:

EUR	
Dividend paid to shareholders	2,747,028,225
Share premium reserve	1,079,925,521
Retained earnings	17,943,286,616
Other free funds	2,762,284,828
Additional Tier 1 capital holders	750,000,000
Total	**25,282,525,190**



It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands with respect to the size of the Company's and the Group's equity, which are imposed by the nature, scope and risks, associated with the business, and the Company's and the Group's need for consolidation, liquidity and financial position in general.

Financial statements, Group

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Income statement

EURm	Note	2017	2016
Operating income			
Interest income		7,575	7,747
Interest expense		–2,909	–3,020
Net interest income	**G3**	**4,666**	**4,727**
Fee and commission income		4,232	4,098
Fee and commission expense		–863	–860
Net fee and commission income	**G4**	**3,369**	**3,238**
Net result from items at fair value	G5	1,328	1,715
Profit from associated undertakings accounted for under the equity method	G19	23	112
Other operating income	G6	83	135
Total operating income		**9,469**	**9,927**
Operating expenses			
General administrative expenses:			
Staff costs	G7	–3,212	–2,926
Other expenses	G8	–1,622	–1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	G9	–268	–228
Total operating expenses		**–5,102**	**–4,800**
Profit before loan losses		**4,367**	**5,127**
Net loan losses	G10	–369	–502
Operating profit		**3,998**	**4,625**
Income tax expense	G11	–950	–859
Net profit for the year		**3,048**	**3,766**
Attributable to:			
Shareholders of Nordea Bank AB (publ)		3,031	3,766
Non-controlling interests		17	–
Total		**3,048**	**3,766**
Basic earnings per share, EUR	G12	0.75	0.93
Diluted earnings per share, EUR	G12	0.75	0.93

Statement of comprehensive income

EURm	2017	2016
Net profit for the year	**3,048**	**3,766**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	–511	438
Tax on currency translation differences during the year	3	–
Hedging of net investments in foreign operations:		
Valuation gains/losses during the year	175	–219
Tax on valuation gains/losses during the year	–37	48
Available for sale investments:[1]		
Valuation gains/losses during the year	31	186
Tax on valuation gains/losses during the year	–8	–42
Transferred to the income statement during the year	0	–69
Tax on transfers to the income statement during the year	0	15
Cash flow hedges:		
Valuation gains/losses during the year	–150	–569
Tax on valuation gains/losses during the year	43	147
Transferred to the income statement during the year	43	525
Tax on transfers to the income statement during the year	–19	–137
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans during the year	–115	–205
Tax on remeasurement of defined benefit plans during the year	25	47
Other comprehensive income, net of tax	**–520**	**165**
Total comprehensive income	**2,528**	**3,931**
Attributable to:		
Shareholders of Nordea Bank AB (publ)	2,511	3,931
Non-controlling interests	17	–
Total	**2,528**	**3,931**

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

Balance sheet

EURm	Note	31 Dec 2017	31 Dec 2016
Assets			
Cash and balances with central banks		43,081	32,099
Loans to central banks	G13	4,796	11,235
Loans to credit institutions	G13	8,592	9,026
Loans to the public	G13	310,158	317,689
Interest-bearing securities	G14	75,294	87,701
Financial instruments pledged as collateral	G15	6,489	5,108
Shares	G16	17,180	21,524
Assets in pooled schemes and unit-linked investment contracts	G17	25,879	23,102
Derivatives	G18	46,111	69,959
Fair value changes of the hedged items in portfolio hedge of interest rate risk		163	178
Investments in associated undertakings and joint ventures	G19	1,235	588
Intangible assets	G20	3,983	3,792
Properties and equipment		624	566
Investment properties	G22	1,448	3,119
Deferred tax assets	G11	118	60
Current tax assets		121	288
Retirement benefit assets	G32	250	306
Other assets	G23	12,441	18,973
Prepaid expenses and accrued income	G24	1,463	1,449
Assets held for sale	G42	22,186	8,897
Total assets		**581,612**	**615,659**
Liabilities			
Deposits by credit institutions	G25	39,983	38,136
Deposits and borrowings from the public	G26	172,434	174,028
Deposits in pooled schemes and unit-linked investment contracts	G17	26,333	23,580
Liabilities to policyholders	G27	19,412	41,210
Debt securities in issue	G28	179,114	191,750
Derivatives	G18	42,713	68,636
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,450	2,466
Current tax liabilities		389	487
Other liabilities	G29	28,515	24,413
Accrued expenses and prepaid income	G30	1,603	1,758
Deferred tax liabilities	G11	722	830
Provisions	G31	329	306
Retirement benefit liabilities	G32	281	302
Subordinated liabilities	G33	8,987	10,459
Liabilities held for sale	G42	26,031	4,888
Total liabilities		**548,296**	**583,249**
Equity			
Additional Tier 1 capital holders		750	–
Non-controlling interests		168	1
Share capital		4,050	4,050
Share premium reserve		1,080	1,080
Other reserves		–1,543	–1,023
Retained earnings		28,811	28,302
Total equity		**33,316**	**32,410**
Total liabilities and equity		**581,612**	**615,659**
Assets pledged as security for own liabilities	G34	198,973	189,441
Other assets pledged	G35	4,943	8,330
Contingent liabilities	G36	19,020	23,089
Commitments	G37	77,032	79,434

Statement of changes in equity

2017

	Attributable to shareholders of Nordea Bank AB (publ)[2]										
			Other reserves:								
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance at 1 Jan 2017	**4,050**	**1,080**	**–1,350**	**37**	**80**	**210**	**28,302**	**32,409**	**–**	**1**	**32,410**
Net profit for the year	–	–	–	–	–	–	3,031	3,031	–	17	3,048
Items that may be reclassified subsequently to the income statement											
Currency translation differences during the year	–	–	–511	–	–	–	–	–511	–	–	–511
Tax on currency translation differences during the year	–	–	3	–	–	–	–	3	–	–	3
Hedging of net investments in foreign operations:											
Valuation gains/losses during the year	–	–	175	–	–	–	–	175	–	–	175
Tax on valuation gains/losses during the year	–	–	–37	–	–	–	–	–37	–	–	–37
Available for sale investments:											
Valuation gains/losses during the year	–	–	–	–	31	–	–	31	–	–	31
Tax on valuation gains/losses during the year	–	–	–	–	–8	–	–	–8	–	–	–8
Transferred to the income statement during the year	–	–	–	–	0	–	–	0	–	–	0
Tax on transfers to the income statement during the year	–	–	–	–	0	–	–	0	–	–	0
Cash flow hedges:											
Valuation gains/losses during the year	–	–	–	–150	–	–	–	–150	–	–	–150
Tax on valuation gains/losses during the year	–	–	–	43	–	–	–	43	–	–	43
Transferred to the income statement during the year	–	–	–	43	–	–	–	43	–	–	43
Tax on transfers to the income statement during the year	–	–	–	–19	–	–	–	–19	–	–	–19
Items that may not be reclassified subsequently to the income statement											
Defined benefit plans:											
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–115	–	–115	–	–	–115
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	25	–	25	–	–	25
Other comprehensive income, net of tax	**–**	**–**	**–370**	**–83**	**23**	**–90**	**–**	**–520**	**–**	**–**	**–520**
Total comprehensive income	**–**	**–**	**–370**	**–83**	**23**	**–90**	**3,031**	**2,511**	**–**	**17**	**2,528**
Issuance of additional Tier 1 capital	–	–	–	–	–	–	–6	–6	750	–	744
Dividend for 2016	–	–	–	–	–	–	–2,625	–2,625	–	–	–2,625
Purchase of own shares[3]	–	–	–	–	–	–	–12	–12	–	–	–12
Change in non-controlling interests[4]	–	–	–	–	–	–	121	121	–	150	271
Balance at 31 Dec 2017	**4,050**	**1,080**	**–1,720**	**–46**	**103**	**120**	**28,811**	**32,398**	**750**	**168**	**33,316**

1) Total shares registered were 4,050 million.
2) Restricted equity was at 31 December 2017 EUR 5,454m, which consists of share capital was EUR 4,050m, equity method reserve was EUR 169m and development cost reserves EUR 1,235m. Equity method reserve and development costs reserve are recognised in retained earnings. Unrestricted equity was at 31 December 2017 EUR 26,944m.
3) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 13.7 million. The total holdings of own shares related to LTIP were 10.2 million.
4) Refers to the sale of 25% of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.

Statement of changes in equity, Nordea Group, cont.

2016

EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale invest-ments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank AB (publ)[2]		Other reserves:							
Balance at 1 Jan 2016	**4,050**	**1,080**	**–1,617**	**71**	**–10**	**368**	**27,089**	**31,031**	**1**	**31,032**
Net profit for the year	–	–	–	–	–	–	3,766	3,766	–	3,766
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	–	–	438	–	–	–	–	438	–	438
Hedging of net investments in foreign operations:										
Valuation gains/losses during the year	–	–	–219	–	–	–	–	–219	–	–219
Tax on valuation gains/losses during the year	–	–	48	–	–	–	–	48	–	48
Available for sale investments:										
Valuation gains/losses during the year	–	–	–	–	186	–	–	186	–	186
Tax on valuation gains/losses during the year	–	–	–	–	–42	–	–	–42	–	–42
Transferred to the income statement during the year	–	–	–	–	–69	–	–	–69	–	–69
Tax on transfers to the income statement during the year	–	–	–	–	15	–	–	15	–	15
Cash flow hedges:										
Valuation gains/losses during the year	–	–	–	–569	–	–	–	–569	–	–569
Tax on valuation gains/losses during the year	–	–	–	147	–	–	–	147	–	147
Transferred to the income statement during the year	–	–	–	525	–	–	–	525	–	525
Tax on transfers to the income statement during the year	–	–	–	–137	–	–	–	–137	–	–137
Items that may not be reclassified subsequently to the income statement										
Defined benefit plans:										
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–205	–	–205	–	–205
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	47	–	47	–	47
Other comprehensive income, net of tax	**–**	**–**	**267**	**–34**	**90**	**–158**	**–**	**165**	**–**	**165**
Total comprehensive income	**–**	**–**	**267**	**–34**	**90**	**–158**	**3,766**	**3,931**	**–**	**3,931**
Dividend for 2015	–	–	–	–	–	–	–2,584	–2,584	–	–2,584
Divestment of own shares[3]	–	–	–	–	–	–	31	31	–	31
Balance at 31 Dec 2016	**4,050**	**1,080**	**–1,350**	**37**	**80**	**210**	**28,302**	**32,409**	**1**	**32,410**

1) Total shares registered were 4,050 million.
2) Restricted equity was at 31 December 2016 EUR 4,889m, which consists of share capital was EUR 4,050m, equity method reserve was EUR 240m and development cost reserves EUR 599m. Equity method reserve and development costs reserve are recognised in retained earnings. Unrestricted equity was at 31 December 2016 EUR 27,520m.
3) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 13.3 million. The total holdings of own shares related to LTIP were 10.9 million.

Cash flow statement

EURm	2017	2016
Operating activities		
Operating profit	3,998	4,625
Adjustment for items not included in cash flow	3,514	3,892
Income taxes paid	–950	–952
Cash flow from operating activities before changes in operating assets and liabilities	**6,562**	**7,565**
Changes in operating assets		
Change in loans to central banks	–190	7,824
Change in loans to credit institutions	136	689
Change in loans to the public	7,541	14,357
Change in interest-bearing securities	4,305	–154
Change in financial assets pledged as collateral	–2,915	3,233
Change in shares	–5,801	488
Change in derivatives, net	–4,816	–751
Change in investment properties	–171	–174
Change in other assets	2,890	–3,217
Changes in operating liabilities		
Change in deposits by credit institutions	9,423	–6,482
Change in deposits and borrowings from the public	–1,681	–9,686
Change in liabilities to policyholders	2,163	2,602
Change in debt securities in issue	–8,373	–7,357
Change in other liabilities	3,201	–5,657
Cash flow from operating activities	**12,274**	**3,280**
Investing activities		
Sale of business operations	228	–
Investments in associated undertakings and joint ventures	–957	–5
Sale of associated undertakings and joint ventures	20	134
Acquisition of property and equipment	–129	–124
Sale of property and equipment	11	20
Acquisition of intangible assets	–685	–658
Sale of intangible assets	42	1
Net divestments in debt securities, held to maturity	–8	–360
Sale of other financial fixed assets	–21	58
Cash flow from investing activities	**–1,499**	**–934**
Financing activities		
Issued subordinated liabilities	–	1,000
Issued Additional Tier 1 capital	750	–
Amortised subordinated liabilities	–750	–
Divestment of own shares including change in trading portfolio	–12	31
Dividend paid	–2,625	–2,584
Cash flow from financing activities	**–2,637**	**–1,553**
Cash flow for the year	**8,138**	**793**
Cash and cash equivalents at the beginning of year	41,860	40,200
Translation difference	–3,785	867
Cash and cash equivalents at the end of year	46,213	41,860
Change	**8,138**	**793**

Cash flow statement, Nordea Group, cont.

Comments on the cash flow statement

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

Operating activities

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

EURm	2017	2016
Depreciation	263	221
Impairment charges	5	7
Loan losses	422	560
Unrealised gains/losses	2,387	–2
Capital gains/losses (net)	–47	–72
Change in accruals and provisions	–182	126
Translation differences	–625	919
Change in bonus potential to policyholders, Life	58	–115
Change in technical reserves, Life	2,056	2,491
Change in fair value of hedged items, assets/liabilities (net)	–957	–92
Other	134	–151
Total	**3,514**	**3,892**

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

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

EURm	2017	2016
Interest payments received	7,748	7,649
Interest expenses paid	–3,475	–3,198

Investing activities

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

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2017	31 Dec 2016
Cash and balances with central banks	43,081	32,099
Loans to central banks, payable on demand	2,004	8,538
Loans to credit institutions, payable on demand	779	1,093
Assets held for sale	349	130
Total	**46,213**	**41,860**

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

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

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

Reconciliation of liabilities arising from financing activities

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

Quarterly development

EURm	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	2017	2016
Net interest income	1,109	1,185	1,175	1,197	1,209	1,178	1,172	1,168	4,666	4,727
Net fee and commission income	839	814	850	866	867	795	804	772	3,369	3,238
Net result from items at fair value	235	357	361	375	498	480	405	332	1,328	1,715
Profit from associated undertakings accounted for under the equity method	16	3	0	4	4	−2	101	9	23	112
Other operating income	29	14	21	19	32	15	74	14	83	135
Total operating income	**2,228**	**2,373**	**2,407**	**2,461**	**2,610**	**2,466**	**2,556**	**2,295**	**9,469**	**9,927**
General administrative expenses:										
Staff costs	−861	−757	−795	−799	−687	−743	−756	−740	−3,212	−2,926
Other expenses	−425	−377	−433	−387	−475	−389	−396	−386	−1,622	−1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	−75	−70	−63	−60	−71	−51	−54	−52	−268	−228
Total operating expenses	**−1,361**	**−1,204**	**−1,291**	**−1,246**	**−1,233**	**−1,183**	**−1,206**	**−1,178**	**−5,102**	**−4,800**
Profit before loan losses	**867**	**1,169**	**1,116**	**1,215**	**1,377**	**1,283**	**1,350**	**1,117**	**4,367**	**5,127**
Net loan losses	−71	−79	−106	−113	−129	−135	−127	−111	−369	−502
Operating profit	**796**	**1,090**	**1,010**	**1,102**	**1,248**	**1,148**	**1,223**	**1,006**	**3,998**	**4,625**
Income tax expense	−167	−258	−267	−258	−148	−260	−227	−224	−950	−859
Net profit for the year	**629**	**832**	**743**	**844**	**1,100**	**888**	**996**	**782**	**3,048**	**3,766**
Diluted earnings per share (DEPS), EUR	0.15	0.21	0.18	0.21	0.27	0.22	0.25	0.19	0.75	0.93
DEPS, rolling 12 months up to period end, EUR	0.75	0.87	0.88	0.95	0.93	0.87	0.84	0.83	0.75	0.93

5 year overview

Income statement

EURm	2017	2016	2015	2014	2013
Net interest income	4,666	4,727	4,963	5,349	5,525
Net fee and commission income	3,369	3,238	3,230	3,017	2,642
Net result from items at fair value	1,328	1,715	1,645	1,383	1,539
Profit from associated undertakings accounted for under the equity method	23	112	39	18	79
Other operating income	83	135	263	474	106
Total operating income	**9,469**	**9,927**	**10,140**	**10,241**	**9,891**
General administrative expenses:					
Staff costs	–3,212	–2,926	–3,263	–3,159	–2,978
Other expenses	–1,622	–1,646	–1,485	–1,656	–1,835
Depreciation, amortisation and impairment charges of tangible and intangible assets	–268	–228	–209	–585	–227
Total operating expenses	**–5,102**	**–4,800**	**–4,957**	**–5,400**	**–5,040**
Profit before loan losses	**4,367**	**5,127**	**5,183**	**4,841**	**4,851**
Net loan losses	–369	–502	–479	–534	–735
Operating profit	**3,998**	**4,625**	**4,704**	**4,307**	**4,116**
Income tax expense	–950	–859	–1,042	–950	–1,009
Net profit for the year from continuing operations	**3,048**	**3,766**	**3,662**	**3,357**	**3,107**
Net profit for the year from discontinued operations, after tax	–	–	–	–25	9
Net profit for the year	**3,048**	**3,766**	**3,662**	**3,332**	**3,116**

Balance sheet

EURm	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Cash and balances with central banks	43,081	32,099	35,500	31,067	33,529
Loans to central banks and credit institutions	13,388	20,261	23,986	19,054	22,512
Loans to the public	310,158	317,689	340,920	348,085	342,451
Interest-bearing securities and pledged instruments	81,783	92,809	94,876	97,817	96,889
Assets in pooled schemes and unit-linked investment contracts	25,879	23,102	20,434	17,442	–
Derivatives	46,111	69,959	80,741	105,119	70,992
Other assets	39,026	50,843	50,411	50,758	55,166
Assets held for sale	22,186	8,897	–	–	8,895
Total assets	**581,612**	**615,659**	**646,868**	**669,342**	**630,434**
Deposits by credit institutions	39,983	38,136	44,209	56,322	59,090
Deposits and borrowings from the public	172,434	174,028	189,049	192,967	200,743
Deposits in pooled schemes and unit-linked investment contracts	26,333	23,580	21,088	18,099	–
Liabilities to policyholders	19,412	41,210	38,707	38,031	47,226
Debt securities in issue	179,114	191,750	201,937	194,274	185,602
Derivatives	42,713	68,636	79,505	97,340	65,924
Subordinated liabilities	8,987	10,459	9,200	7,942	6,545
Other liabilities	33,289	30,562	32,141	34,530	31,897
Liabilities held for sale	26,031	4,888	–	–	4,198
Equity	33,316	32,410	31,032	29,837	29,209
Total liabilities and equity	**581,612**	**615,659**	**646,868**	**669,342**	**630,434**

Ratios and key figures[1]

	2017	2016	2015	2014	2013
Basic earnings per share, EUR	0.75	0.93	0.91	0.83	0.77
Diluted earnings per share, EUR	0.75	0.93	0.91	0.83	0.77
Share price[2], EUR	10.09	10.60	10.15	9.68	9.78
Total shareholders' return, %	3.6	16.3	8.2	9.2	44.6
Proposed/actual dividend per share, EUR	0.68	0.65	0.64	0.62	0.43
Equity per share[2], EUR	8.21	8.03	7.69	7.40	7.27
Potential shares outstanding[2], million	4,050	4,050	4,050	4,050	4,050
Weighted average number of diluted shares, million	4,039	4,037	4,031	4,031	4,020
Return on equity, %	9.5	12.3	12.2	11.4	11.0
Assets under management[2], EURbn	330.4	322.7	288.2	262.2	232.1
Cost/income ratio[3], %	54	50	47	49	51
Loan loss ratio, basis points[4]	12	15	14	15	21
Common Equity Tier 1 capital ratio excluding Basel I floor[2,5,6] ,%	19.5	18.4	16.5	15.7	14.9
Tier 1 capital ratio, excluding Basel I floor[2,5,6], %	22.3	20.7	18.5	17.6	15.7
Total capital ratio, excluding Basel I floor[2,5,6], %	25.2	24.7	21.6	20.6	18.1
Tier 1 capital[2,5,6], EURbn	28.0	27.6	26.5	25.6	24.4
Risk exposure amount, excluding Basel I floor[2,5,6], EURbn	126	133	143	146	155
Number of employees (full-time equivalents)[2]	30,399	31,596	29,815	29,643	29,429
Economic capital[2,5], EURbn – Total operations	26.7	26.3	25.0	24.3	23.5
ROCAR[3],%	11.1	13.4	14.8	14.0	13.7

1) Fore more information regarding ratios and key figures defined as Alternative performance measures, see http://www.nordea.com/en/investor-relations/. All key ratios reflect Nordea´s continuing operations.
2) End of the year.
3) Excluding items affecting comparability in 2016, 2015 and 2014.
4) In 2016 the ratio is including Loans to the public reported as assets held for sale.
5) Since 2014 ratios are reported using the Basel III (CRR/CRDIV) framework.
6) Including result for the period.

Glossary

Allowances in relation to impaired loans
Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

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

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

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

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

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

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

Impairment rate, gross
Individually assessed impaired loans before allowances divided by total loans before allowances.

Impairment rate, net
Individually assessed impaired loans after allowances divided by total loans before allowances.

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

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

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

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

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

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

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

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

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

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

Total allowance rate
Total allowances divided by total loans before allowances.

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

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

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

G1. Accounting policies

Content for Note G1

1. Basis for presentation

Nordea's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. In addition, certain complementary rules in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board have been applied.

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

On 6 February 2018 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 15 March 2018.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2016 Annual Report. The new accounting requirements implemented during 2017 and their effects on Nordea's financial statements are described below.

The following new and amended standards and interpretations were implemented by Nordea 1 January 2017 but have not had any significant impact on the financial statements of Nordea:

- Amendment to IAS 12: "Recognition of Deferred Tax Assets for "Unrealised Losses"
- Amendments to IAS 7: "Disclosure Initiative"

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

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

3. Changes in IFRSs not yet applied

IFRS 9 "Financial instruments"

IASB has completed the new standard for financial instruments, IFRS 9 "Financial instruments". IFRS 9 covers classification and measurement, impairment and general hedge accounting and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. The standard is endorsed by the EU-commission. Earlier application is permitted, but Nordea has not early adopted the standard. Nordea does not either intend to restate the comparative figures for 2017 in the annual report 2018 due to IFRS 9.

See Note G49 "IFRS 9" for more information on the impact from IFRS 9.

Classification and measurement

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

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

Nordea has analysed whether the cash flows from the financial assets held per 31 December 2017 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group.

The analysis of the business model and the SPPI review described above have not resulted in any significant changes

G1. Accounting policies, cont.

compared to how the financial instruments are measured under IAS 39. The new requirements will not have any significant impact on the capital adequacy, large exposures, risk management or alternative performance measures in the period of initial application.

Impairment

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

The assets to test for impairment will be divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 are tested for impairment on an individual basis, while for insignificant assets a collective assessment is performed. In stage 1, the provisions should equal the 12 month expected loss. In stage 2 and 3, the provisions should equal the lifetime expected losses.

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

Nordea's current model for calculating collective provisions defines a loss event as one notch deterioration in rating/scoring, while the triggering event for moving items from stage 1 to stage 2 under IFRS 9 will require several notches deterioration.

The provisions under IFRS 9 will be calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation will only be based on the coming 12 months, while it for assets in stage 2 will be based on the expected lifetime of the asset.

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

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

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

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

Hedge accounting

The main change to the general hedge accounting requirements is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea generally uses macro (portfolio) hedge accounting Nordea's assessment is that the new requirements will not have any significant impact on Nordea's financial statements, capital adequacy, large exposures, risk management or alternative performance measures in the period of initial application. Nordea will continue to use the IAS 39 hedge accounting requirements also after IFRS 9 has been implemented.

IFRS 15 "Revenue from Contracts with Customers"

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

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

The new standard will have an impact on Nordea's accounting policies for loan origination fees, as such fees will be amortised as part of the effective interest of the underlying exposures to a larger extent than today. An opening balance adjustment amounting to EUR –79m pre-tax, recognised directly in equity (after tax), will be recognised at transition 1 January 2018. IFRS 15 will consequently not have any significant impact on Nordea's financial statements, capital adequacy or large exposures in the period of initial application.

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

The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contributions of assets between an investor and its associated undertaking or joint venture due to inconsistent treatment of gains and losses of such transactions in those

G1. Accounting policies, cont.

standards. The IASB has thereafter proposed to defer indefinitely the effective date and permit earlier application. The amendments are not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the amendments. The new requirements are not expected to have any impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application as the new requirements are in line with Nordea's current accounting policies.

IFRS 16 "Leases"

The IASB has published the new standard, IFRS 16 "Leases". The new standard changes the accounting requirements for lessees. All leases (except for short term- and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The standard was endorsed by the EU-commission in 2017. Nordea does not intend to early adopt the standard.

The main impact on Nordea's financial statements is expected to come from the accounting of property leases. Such leasing contracts will be accounted for on the balance sheet to a larger extent than today. No significant impact is currently expected on the income statement or equity, although the presentation is expected to change in the income statement. It is too early to comment on the impact on large exposures and capital adequacy as the relevant requirements are not yet final.

IFRS 17 "Insurance contracts"

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

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

The new standard is effective for the annual period beginning on or after 1 January 2021 and earlier application is permitted. The standard is not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the standard. Nordea's current assessment is that the new standard will not have any significant impact on Nordea's capital adequacy or large exposures in the period of initial application. It is not yet possible to conclude on the impact on Nordea's financial statements.

Other changes in IFRS

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

- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"
- Amendments to IFRS 2: "Classification and Measurement of Share based Payment Transactions
- Amendments to IAS 40: "Transfers of Investment Property"
- Amendments to IFRS 9: "Prepayment Features with Negative Compensation"
- Amendments to IAS 28: "Long-term Interest in Associates and Joint Ventures"
- Annual Improvements to IFRS Standards 2014–2016 Cycle
- Annual Improvements to IFRS Standards 2015–2017 Cycle

4. Critical judgements and estimation uncertainty

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

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

Critical judgements and estimates are in particular associated with:

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

Fair value measurement of certain financial instruments

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

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

G1. Accounting policies, cont.

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

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. The fair value of financial assets and liabilities measured at fair value using a valuation technique, level 2 and 3 in the fair value hierarchy, was EUR 189,157m (EUR 208,371m) and EUR 141,819m (EUR 129,441m) respectively at the end of the year.

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

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

Impairment testing of goodwill

Nordea's accounting policy for goodwill is described in section 16 "Intangible assets" and Note G20 "Intangible assets" lists the cash generating units to which goodwill has been allocated. Nordea's total goodwill amounted to EUR 1,994m (EUR 2,247m) at the end of the year.

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

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

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

Impairment testing of loans to the public/credit institutions

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

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans. Nordea's total lending before impairment allowances was EUR 325,879m (EUR 340,376m) at the end of the year. For more information, see Note G13 "Loans and impairment".

The most judgemental area is the calculation of collective impairment allowances. When testing a group of loans collectively for impairment, judgement has to be exercised when identifying the events and/or the observable data that indicate that losses have been incurred in the group of loans. Nordea monitors its portfolio through rating migrations and a loss event is an event resulting in a negative rating migration. Assessing the net present value of the cash flows generated by the customers in the group of loans also includes estimation uncertainty. This includes the use of historical data on probability of default and loss given default supplemented by acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

Effectiveness testing of cash flow hedges

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

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

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

Actuarial calculations of pension liabilities and plan assets related to employees

Nordea's accounting policy for post-employment benefits is described in section 23 "Employee benefits".
The defined benefit obligation for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of actuarial and financial parameters are used.

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note G32 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 3,454m (EUR 3,434m) at the end of the year.

Actuarial calculations of insurance contracts

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

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

The insurance liability was EUR 15,931m (EUR 37,682m) at the end of the year. The carrying amount's sensitivity to different assumptions is disclosed in Note G27 "Liabilities to policyholders".

Valuation of investment properties

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

Investment properties are measured at fair value. As there normally are no active markets for investment properties, the fair values are estimated based on discounted cash flow models. These models are based on assumptions on future rents,

G1. Accounting policies, cont.

vacancy levels, operating and maintenance costs, yield requirements and interest rates.

The carrying amounts of investment properties were EUR 1,448m (EUR 3,119m) at the end of the year. See Note G22 "Investment properties" for more information on amounts and parameters used in these models.

Classification of leases

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

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

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

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

Classification of additional tier 1 instruments

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

Assessing control for consolidation purposes

One decisive variable when assessing if Nordea controls another entity is whether Nordea is exposed to variability in returns from the investment. For structured entities where voting rights are not the dominant factor when determining control, critical judgement has to be exercised when defining when Nordea is exposed to significant variability in returns. Nordea's critical judgement is that Nordea is normally exposed to variability in returns when Nordea receives more than 30% of the return produced by the structured entity. This is only relevant for structured entities where Nordea also is the investment manager and thus have influence over the return produced by the structured entity.

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

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

Translation of assets and liabilities denominated in foreign currencies

Nordea's accounting policies covering the translation of assets and liabilities denominated in foreign currencies is described in section 9 "Translation of assets and liabilities denominated in foreign currencies".

When reporting consolidated financial statements, the parent company Nordea Bank AB (publ) has been assessed to have two functional currencies, SEK and EUR, based on the different activities. The functional currency of the normal banking operations is SEK and the functional currency of the entity holding equity, shares in group undertakings and the funding of those shares is EUR. It is Nordea's assessment that one legal entity can consist of different entities with different functional currencies.

Valuation of deferred tax assets

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

The valuation of deferred tax assets is influenced by management's assessment of Nordea's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation. The carrying amount of deferred tax assets was EUR 118m (EUR 60m) at the end of the year.

Claims in civil lawsuits

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

5. Principles of consolidation

Consolidated entities

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

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

G1. Accounting policies, cont.

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

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

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

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

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

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

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

Note P20 "Investments in group undertakings" lists the major group undertakings in the Nordea Group.

Investments in associated undertakings and joint ventures

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

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

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

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

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

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

Structured entities

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

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

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

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

Currency translation of foreign entities

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

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

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

6. Recognition of operating income and impairment

Net interest income

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

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

G1. Accounting policies, cont.

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

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

Net fee and commission income

Nordea earns commission income from different services provided to its customers. The recognition of commission income depends on the purpose for which the fees are received. Fees are either recognised as revenue when services are provided or in connection to the execution of a significant act. Fees received in connection to performed services are recognised as income in the period these services are provided. A loan syndication fee received as payment for arranging a loan, as well as other fees received as payments for certain acts, are recognised as revenue when the act has been completed, i.e. when the syndication has been finalised.

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

Income from issued financial guarantees and expenses from bought financial guarantees, are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense" respectively.

Net result from items at fair value

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

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

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

Also the ineffective portion of cash flow hedges and net investment hedges as well as recycled gains and losses on financial instruments classified into the category Available for sale are recognised in "Net result from items at fair value".

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

"Net result from items at fair value" includes also losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss as well as impairment on instruments classified into the category Available for sale. However, the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 "Financial instruments" and Note G40 "Assets and liabilities at fair value") are reported under "Net loan losses". Impairment losses from instruments within other categories are recognised in the items "Net loan losses" or "Impairment of securities held as financial non-current assets" (see also the sub-sections "Net loan losses" and "Impairment of securities held as financial non-current assets" below).

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

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

Profit from companies accounted for under the equity method

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

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

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

Other operating income

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

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 13 "Financial instruments"), in the items "Loans to central banks", "Loans to credit institutions" and "Loans to the public" on the balance

G1. Accounting policies, cont.

sheet, are reported as "Net loan losses" together with losses from financial guarantees. Also the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 "Financial instruments" and Note G40 "Assets and liabilities at fair value") are reported under "Net loan losses". Losses are reported net of any collateral and other credit enhancements. Nordea's accounting policies for the calculation of impairment losses on loans can be found in section 14 "Loans to the public/credit institutions".

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

Impairment of securities held as financial non-current assets

Impairment on investments in interest-bearings securities, classified into the categories Loans and receivables or Held to maturity, and on investments in associated undertakings and joint ventures are classified as "Impairment of securities held as financial non-current assets" in the income statement. The policies covering impairment of financial assets classified into the categories Loans and receivables and Held to maturity are disclosed in section 13 "Financial instruments" and section 14 "Loans to the public/credit institutions".

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

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

7. Income recognition life insurance

Premiums received, and repayments to policyholders, related to the saving part of the life insurance contracts are reported as increases or decreases of liabilities to policyholders. See further information in section 19 "Liabilities to policyholders". The total income from life insurance mainly consists of the following components:

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

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

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

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

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

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

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

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

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

Financial assets, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred

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when the counterpart has performed by e.g. repaying a loan to Nordea, i.e. on settlement date.

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

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

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally derecognised and a liability is recognized as "Other liabilities" on the balance sheet on trade date.

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

9. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity (subsidiary or branch) is decided based upon the primary economic environment in which the entity operates. The parent company Nordea Bank AB (publ) uses two functional currencies (in addition to the functional currencies of the branches), SEK and EUR for reporting in consolidated accounts, based on the different activities in the underlying business.

Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

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

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

10. Hedge accounting

Nordea applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

Nordea uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments as well as to hedge the exposure to variability in future cash flows and the exposure to net investments in foreign operations. There are three forms of hedge accounting:

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

Fair value hedge accounting

Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result is close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

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

Hedged items

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

Hedging instruments

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

Cash flow hedge accounting

Cash flow hedge accounting can be used for the hedging of exposure to variations in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity through other comprehensive income are recycled and recognised in the income statement in the same period as the hedged item affects profit or

G1. Accounting policies, cont.

loss, normally in the period that interest income or interest expense is recognised.

Hedged items

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

Hedging instruments

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

Hedges of net investments

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

Hedge effectiveness

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent. When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis. The hypothetical derivative method is used when measuring the effectiveness of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

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

In cash flow hedges, changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net result from items at fair value" in the income statement if the expected transaction no longer is expected to occur. If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

11. Determination of fair value of financial instruments

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

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

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

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

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)
- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

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

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

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

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

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

Note G40 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:
- quoted prices in active markets for the same instrument (level 1),
- valuation technique using observable data (level 2), and
- valuation technique using non-observable data (level 3).

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

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

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

12. Cash and balances with central banks

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

13. Financial instruments

Classification of financial instruments

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

Financial assets:
- Financial assets at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (fair value option)
- Loans and receivables
- Held to maturity
- Available for sale

Financial liabilities:
- Financial liabilities at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (fair value option)
- Other financial liabilities

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In Note G39 "Classification of financial instruments" the classification of the financial instruments on Nordea's balance sheet into different categories is presented.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from items at fair value".

The category consists of two sub-categories; Held for trading and Designated at fair value through profit or loss (fair value option).

The sub-category Held for trading mainly contains derivative instruments that are held for trading purposes, interest-bearing securities and shares within Markets and Treasury. It also contains trading liabilities such as short-selling positions and Market lending in reverse repurchase agreements and borrowing in repurchase agreements.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are mortgage loans and related issued bonds in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and interest-bearing securities, shares and investment contracts in Nordea Life & Pensions.

Assets and liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law Nordea at the same time issues bonds with matching terms, so called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and return them to Nordea as a settlement of the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. If the loans and bonds were measured at amortised cost such buy-backs of bonds would give rise to an accounting mismatch as any gains or losses would have to be recognised immediately in the income statement. If such bonds are subsequently sold in the market any premium or discount would be amortised over the expected maturity, which would also create an accounting mismatch. To avoid such an accounting mismatch Nordea measures both the loans and bonds at fair value through profit or loss.

Interest-bearing securities, shares and investment contracts (defined in section 19 "Liabilities to policyholders") in Nordea Life & Pensions are generally also classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category Designated at fair value through profit or loss. This applies also to assets held under insurance contracts (defined in section 19 "Liabilities to policyholders"), which are classified into the category Designated at fair value through profit or loss to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also assets held under so called "pooled schemes", which is a product similar to unit-linked insurance, are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits that are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss.

Nordea also applies the fair value option on certain financial assets and financial liabilities related to Markets. The

G1. Accounting policies, cont.

classification stems from that Markets is managing and measuring its financial assets and liabilities at fair value. Consequently, the majority of financial assets and financial liabilities in Markets are classified into the categories Financial assets/ Financial liabilities at fair value through profit or loss. Nordea also applies the fair value option on issued structured bonds in Markets as these instruments includes embedded derivatives not closely related to the host contract.

Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 14 "Loans to the public/ credit institutions".

Held to maturity
Financial assets that Nordea has chosen to classify into the category Held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that Nordea has the positive intent and ability to hold to maturity. Financial assets classified into the category Held to maturity are initially recognised on the balance sheet at the acquisition price, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

If more than an insignificant amount of the Held to maturity portfolio is sold or transferred the Held to maturity category is tainted, except for if the sale or transfer either occur close to maturity, after substantially all of the original principal is already collected, or due to an isolated non-recurring event beyond the control of Nordea.

Nordea assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows and is recognised as "Impairment of securities held as financial non-current assets" in the income statement. See section 14 "Loans to the public/credit institutions" for more information on the identification and measurement of objective evidence of impairment, which is applicable also for interest-bearings securities classified into the category Held to maturity.

Available for sale
Financial instruments classified into the category Available for sale are measured at fair value. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income" and foreign exchange effects and impairment losses in the item "Net result from items at fair value" in the income statement.

When an instrument classified into the category Available for sale is disposed of, the fair value changes that previously have been accumulated in the fair value reserve (related to Available for sale investments) in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from items at fair value".

Financial assets classified into the category Available for sale are assessed in order to determine any need for impairment losses. If there is objective evidence of impairment, the accumulated loss that has been recognised in other comprehensive income is removed from equity and recognised as "Net result from items at fair value" in the income statement. The amount of the accumulated loss that is recycled from equity is the difference between the asset's acquisition cost and current fair value. For equity investments a prolonged or significant decline in the fair value, compared to the acquisition cost, is considered to be objective evidence of impairment. Objective evidence of impairment for a debt instrument is rather connected to a loss event, such as an issuer's financial difficulty.

Other financial liabilities
Financial liabilities, other than those classified into the category Financial liabilities at fair value through profit or loss, are measured at amortised cost. Interest on Other financial liabilities is recognised in the item "Interest expense" in the income statement.

Hybrid (combined) financial instruments
Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds.

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The zero coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item "Net result from items at fair value".

For index-linked bonds issued by Markets Nordea applies the fair value option and the entire combined instrument, host contract together with the embedded derivative, is measured at fair value through profit or loss. Changes in fair values are recognised in the income statement in the item "Net result from items at fair value" and presented as "Debt securities in issue" on the balance sheet.

Securities borrowing and lending agreements
Generally, securities borrowing and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not recognised on or derecognised from the balance sheet. In the cases where the counterpart is entitled to resell or repledge the securities, the securities are reclassified to the balance sheet item "Financial instruments pledged as collateral".

Securities in securities lending transactions are also disclosed in the item "Assets pledged as security for own liabilities".

Cash collateral advanced (securities borrowing) to the counterparts is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public". Cash collateral received (securities lending) from the counterparts is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public".

Repurchase and reverse repurchase agreements
Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are reclassified to the

G1. Accounting policies, cont.

balance sheet line "Financial instruments pledged as collateral".

Securities delivered under repurchase agreements are also disclosed in the item "Assets pledged as security for own liabilities".

Cash received under repurchase agreements is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public". Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public".

Additionally, the sale of securities received in reverse repurchase agreements trigger the recognition of a trading liability (short sale).

Derivatives

All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result from items at fair value".

Offsetting of financial assets and liabilities

Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously. This is generally achieved through the central counterparty clearing houses that Nordea has agreements with.

Exchanged traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received and the instrument is reset to market terms. Derivative assets and liabilities against central counterparty clearing houses are, as mentioned above, generally set off on the balance sheet, but net cash collateral received or paid is generally accounted for separately as cash collateral paid (asset) or received (liability), which is also the case for cash collateral paid or received in bilateral OTC derivative transactions. Cash collateral paid or received in bilateral OTC derivative transactions are consequently not offset against the fair value of the derivatives.

Issued debt and equity instruments

A financial instrument issued by Nordea is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual arrangement results in Nordea having a present obligation to either deliver cash or another financial asset, or a variable number of equity instruments to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and classified as equity, net of transaction costs. Where issued financial instruments contain both liability and equity components, these are accounted for separately.

14. Loans to the public/credit institutions

Financial instruments classified as "Loans to the public/credit institutions" (including loans to central banks) on the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 8 "Recognition and derecognition of financial instruments on the balance sheet" as well as Note G39 "Classification of financial instruments").

Nordea monitors loans as described in the separate section on Risk, Liquidity and Capital management. Loans attached to individual customers or groups of customers are identified as impaired if the impairment tests indicate an objective evidence of impairment.

Also interest-bearings securities classified into the categories Loans and receivables and Held to maturity are held at amortised cost and the description below is valid also for the identification and measurement of impairment on these assets. Possible impairment losses on interest-bearing securities classified into the categories Loans and receivables and Held to maturity are recognised as "Impairment of securities held as non-current financial assets" in the income statement.

Impairment test of individually assessed loans

Nordea tests all loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have become impaired. As a first step in the identification process for impaired loans, Nordea monitors whether there are indicators of impairment (loss event) and whether these loss events represent objective evidence of impairment. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section.

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

Impairment test of collectively assessed loans

Loans not impaired on an individual basis are collectively tested for impairment.

These loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors´ ability to pay all amounts due according to the contractual terms. Nordea monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea identifies loss events indicating incurred losses in a group. A loss event is an event resulting in a deterioration of the expected future cash flows. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

The objective for the group assessment process is to evaluate if there is a need to make a provision due to the fact that a loss event has occurred, which has not yet been identified on an individual basis. This period between the date when the loss event occurred and the date when it is identified on an individual basis is called "Emergence period". The impairment remains related to the group of loans until the losses have been identified on an individual basis. The identification of the loss is made through a default of the engagement or by other indicators.

For corporate customers and bank counterparts, Nordea uses the existing rating system as a basis when assessing the credit risk. Nordea uses historical data on probability of default to estimate the risk for a default in a rating class. These loans are rated and grouped mostly based on type of industry and/or sensitivity to certain macro parameters, e.g. dependency to oil prices etc.

Personal customers and small corporate customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management. Rating and scoring models are described in more detail in the separate section on Risk, Liquidity and Capital management.

Impairment loss

If the carrying amount of the loans is higher than the sum of the net present value of estimated cash flows (discounted with the original effective interest rate), including the fair value of the collaterals and other credit enhancements, the difference is the impairment loss.

For significant loans that have been individually identified as

G1. Accounting policies, cont.

impaired the measurement of the impairment loss is made on an individual basis.

For insignificant loans that have been individually identified as impaired and for loans not identified as impaired on an individual basis the measurement of the impairment loss is measured using a portfolio based expectation of the future cash flows.

If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses are accounted for as changes in the allowance account and as "Net loan losses" in the income statement (see also section 6 "Recognition of operating income and impairment").

If the impairment loss is regarded as final, it is reported as a realised loss and the value of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legal based or voluntary reconstruction or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. Concessions made in reconstructions are regarded as loan losses unless Nordea retains the possibility to regain the loan losses incurred. In the event of a recovery the payment is reported as a recovery of loan losses.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquire an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For example a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Available for sale or Designated at fair value through profit or loss (fair value option) (see section 13 "Financial instruments") and measured at fair value. Changes in fair values are recognised in other comprehensive income for assets classified into the category Available for sale. For assets classified into the category Designated at fair value through profit or loss, changes in fair value are recognised in the income statement under the line "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

15. Leasing

Nordea as lessor

Finance leases

Nordea's leasing operations mainly comprise finance leases. A finance lease is reported as a receivable from the lessee in the balance sheet item "Loans to the public" at an amount equal to the net investment in the lease. The lease payment, excluding cost of services, is recorded as repayment of principal and interest income. The income allocation is based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of the finance lease.

Operating leases

Assets subject to operating leases on the balance sheet are reported in accordance with the nature of the assets, in general as properties and equipment. Leasing income is recognised as income on a straight-line basis over the lease term and classified as "Net interest income". The depreciation of the leased assets is calculated on the basis of Nordea's depreciation policy for similar assets and reported as "Depreciation, amortisation and impairment charges of tangible and intangible assets" in the income statement.

Nordea as lessee

Finance leases

Finance leases are recognised as assets and liabilities on the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between finance charge and reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment testing of leased assets is performed following the same principles as for similar owned assets.

Operating leases

Operating leases are not recognised on Nordea's balance sheet. For operating leases the lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea's benefit. The original lease terms normally range between 3 to 25 years.

Operating leasing is mainly related to office premises contracts and office equipment contracts normal to the business.

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements was initially 3–25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, nor any economic benefits from appreciation in value of the leased properties. In addition, the lease term is not for the major part of

G1. Accounting policies, cont.

the assets' economic life. These leases are thus classified as operating leases. The rental expense for these premises is amortised using the effective interest method which differs from the straight-line basis and better resembles an ordinary rental arrangement.

Embedded leases
Agreements can contain a right to use an asset in return for a payment, or a series of payments, although the agreement is not in the legal form of a leasing contract. If applicable, these assets are separated from the contract and accounted for as leased assets.

16. Intangible assets
Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under Nordea's control, which means that Nordea has the power and rights to obtain the future economic benefits flowing from the underlying resource. The intangible assets in Nordea mainly consist of goodwill, IT-development/computer software and customer related intangible assets.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking/joint venture at the date of acquisition. Goodwill on acquisition of group undertakings and joint ventures is included in "Intangible assets". Goodwill on acquisitions of associated undertaking is not recognised as a separate asset, but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings and joint ventures is not tested for impairment separately, but included in the total carrying amount of the associated undertakings and the joint ventures. The policies covering impairment testing of associated undertakings and joint ventures is disclosed in section 6 "Recognition of operating income and impairment".

IT-development/Computer software
Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software includes also acquired software licenses not related to the function of a tangible asset.

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 10 years.

Customer related intangible assets
In business combinations a portion of the purchase price is normally allocated to a customer related intangible asset, if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licenced, rented or exchanged. The asset is amortised over its useful life, generally over 10 years.

Impairment
Goodwill and IT-development not yet taken into use is not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives, including IT-development taken into use, are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates largely independent cash flows in relation to other assets. For goodwill and IT-development not yet taken into use, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a rate based on the long-term risk free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note G20 "Intangible assets" for more information on the impairment testing.

17. Properties and equipment
Properties and equipment includes own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of properties and equipment comprise its purchase price, as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Properties and equipment is depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis. Below follows the current estimates:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

At each balance sheet date, Nordea assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and any impairment loss is recognised.

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

G1. Accounting policies, cont.

18. Investment properties

Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of the properties in Nordea are attributable to Nordea Life & Pensions. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from items at fair value".

19. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policyholders for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland and Denmark.

An insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder". Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period.

The contracts can be divided into the following classes:

- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature
  - Unit-Linked contracts with significant insurance risk
  - Health and personal accident
- Investment contracts:
  - Investment contracts with discretionary participation feature
  - Investment contracts without discretionary participation feature

Insurance contracts

The measurement principles under local GAAP have been maintained consequently resulting in a non-uniform accounting policies method on consolidation.

The measurement of traditional life insurance provisions in Denmark and Finland are prepared by calculating the present value of future benefits, to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision, in addition, includes bonus potential on paid policies and on future premiums.

In Norway the traditional life insurance provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates adjusted for assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is related to the solvency rules and national regulation concerning profit sharing and other requirements about collective bonus potential (not allocated provisions that protect the policyholders).

Unit-Linked contracts represent life insurance provisions relating to Unit-Linked policies written either with or without an investment guarantee. Unit-Linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the Unit-Linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis, the same principle as used for general insurance contracts.

Investment contracts

Contracts classified as investment contracts are contracts with policyholders which do not transfer sufficient insurance risk to be classified as insurance contracts and are written with an investment guarantee or a discretionary participation feature.

Investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", equal to fair value of the assets linked to these contracts. These assets are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF-contracts (Collective bonus potential) are classified as liabilities on the balance sheet.
Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included on the balance sheet representing either "Change in technical provisions, Life insurance" and/or "Change in collective bonus potentials, Life insurance", depending on whether the investment result is allocated or not. Both the mentioned lines are included on the balance sheet line "Liabilities to policyholders".

Liability adequacy test

The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabilities is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

G1. Accounting policies, cont.

20. Assets and deposits in pooled schemes and unit-linked investment contracts

Deposit in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the customers or the policyholders. The deposits are invested in different types of financial assets on behalf of the customers and policyholders.

Unit-Linked investment contracts include investment contracts written without any investment guarantees and that do not transfer sufficient insurance risk to be classified as insurance contracts.

The assets and deposits in these contracts are recognised and measured at fair value as described in section 13 "Financial instrument" above.

21. Taxes

The item "Income tax expense" in the income statement comprises current- and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings, associated undertakings and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

22. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Bank AB (publ) by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long term incentive programmes.

The potential ordinary shares are only considered to be dilutive, on the balance sheet date, if all performance conditions are fulfilled and if a conversion to ordinary shares would decrease earnings per share. The rights are furthermore considered dilutive only when the exercise price, with the addition of future services, is lower than the period's average share price.

23. Employee benefits

All forms of consideration given by Nordea to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea. Nordea has also issued share-based payment programmes, which are further described in section 26 "Share-based payment".

More information can be found in Note G7 "Staff costs".

Post-employment benefits

Pension plans

The companies within Nordea have various pension plans, consisting of both defined benefit pension plans and defined contribution pension plans, reflecting national practices and conditions in the countries where Nordea operates. Defined benefit pension plans are predominantly sponsored in Sweden, Norway and Finland. The major defined benefit pension plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation determined using the projected unit credit method, the net amount is recognised as a liability ("Retirement benefit liabilities"). If not, the net amount is recognised as an asset ("Retirement benefit assets"). Non-funded pension plans are recognised as "Retirement benefit liabilities ".

Most pensions in Denmark, but also plans in other countries, are based on defined contribution arrangements that hold no pension liability for Nordea. All defined benefit pension plans are closed for new employees. Nordea also contributes to public pension systems.

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and finan-

G1. Accounting policies, cont.

cial assumptions (as disclosed in Note G32 "Retirement benefit obligations").

When establishing the present value of the obligation and the fair value of any plan assets, remeasurement effects may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The remeasurement effects are recognised immediately in equity through other comprehensive income.

When the calculation results in a benefit the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

Discount rate in defined benefit pension plans

The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. In Sweden, Norway and Denmark the observed covered bond credit spreads over the swap curve is derived from the most liquid long dated covered bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In Finland the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligation using the government bond curve.

Termination benefits

As mentioned above termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

Termination benefits are expensed when Nordea has an obligation to make the payment. An obligation arises when there is a formal plan committed to on the appropriate organisational level and when Nordea is without realistic possibility of withdrawal, which normally occurs when the plan has been communicated to the group affected or to their representatives.

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note G7 "Staff costs".

24. Equity

Non-controlling interests

Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank AB (publ).

For each business combination, Nordea measures the non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets.

Share premium reserve

The share premium reserve consists of the difference between the subscription price and the quota value of the shares in Nordea's rights issue. Transaction costs in connection to the rights issue have been deducted.

Other reserves

Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include fair value reserves for cash flow hedges, financial assets classified into the category Available for sale and accumulated remeasurements of defined benefit pension plans, as well as a reserve for translation differences.

Retained earnings

Apart from undistributed profits from previous years, retained earnings include the equity portion of untaxed reserves. Untaxed reserves according to national rules are accounted for as equity net of deferred tax at prevailing tax rates in the respective country.

In addition, Nordea's share of the earnings in associated undertakings and joint ventures, after the acquisition date, that have not been distributed is included in retained earnings.

Treasury shares

Treasury shares are not accounted for as assets. Acquisitions of treasury shares are classified as deductions of "Retained earnings" on the balance sheet. Also own shares in trading portfolios are classified as treasury shares. Divested treasury shares are recognised as an increase of "Retained earnings".

Contracts on Nordea shares that can be settled net in cash are either financial assets or financial liabilities.

25. Financial guarantee contracts and credit commitments

Upon initial recognition, premiums received in issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured, and recognised as a provision on the balance sheet, at the higher of either the received fee less amortisation, or an amount calculated as the discounted best estimate of the expenditure required to settle the present obligation. Changes in provisions are recognised in the income statement in the item "Net loan losses".

Premiums received for financial guarantees are, as stated in section 6 "Recognition of operating income and impairment", amortised over the guarantee period and recognised as "Fee and commission income" in the income statement. Premiums received on credit commitments are generally amortised over the loan commitment period. The contractual amounts are recognised off-balance sheet, financial guarantees in the item "Contingent liabilities" and irrevocable credit commitments in the item "Commitments".

26. Share-based payment

Equity-settled programmes

Nordea has annually issued Long Term Incentive Programmes from 2007 through 2012. Employees participating in these programmes are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. The fair value is expensed on a straight-line basis over the

G1. Accounting policies, cont.

vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in Performance Share II are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

Social security costs are also allocated over the vesting period, in accordance with statement UFR 7 issued by the Swedish Financial Reporting Board: "IFRS 2 and social security contributions for listed enterprises". The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note G7 "Staff costs".

Cash-settled programmes

Nordea has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines, as is also the case with the Executive Incentive Programme (EIP). The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-based programmes. These programmes are fully vested when the payments of variable salaries are initially deferred and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social charges, recognised in the income statement in the item "Net result from items at fair value".

For more information see Note G7 "Staff costs".

27. Related party transactions

Nordea defines related parties as:
- Shareholders with significant influence
- Group undertakings
- Associated undertakings and joint ventures
- Key management personnel
- Other related parties

All transactions with related parties are made on an arm's length basis,apart from loans granted to employees, see Note G7 "Staff costs".

Shareholders with significant influence

Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of Nordea but do not control those policies.

Group undertakings

For the definition of group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the Nordea Group is found in Note P20 "Investments in group undertakings".

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing. These transactions are eliminated in the consolidated accounts.

Associated undertakings and joint ventures

For the definition of associated undertakings and joint ventures, see section 5 "Principles of consolidation".
Further information on the associated undertakings and the joint ventures included in the Nordea Group is found in Note G19 "Investments in associated undertakings and joint ventures".

Key management personnel

Key management personnel includes the following positions:
- The Board of Directors
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation, pensions and other transactions with key management personnel, see Note G7 "Staff costs".

Other related parties

Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in Nordea Group as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include Nordea's pension foundations.

Information concerning transactions between Nordea and other related parties is found in Note G45 "Related-party transactions".

28. Presentation of disposal groups held for sale

Assets and liabilities related to disposal groups are presented on the separate balance sheet lines "Assets held for sale" and "Liabilities held for sale" respectively as from the classification date. Financial instruments continue to be measured under IAS 39, while non-financial assets are held at the lower of carrying amount and fair value. Comparative figures are not restated.

29. Exchange rates

	Jan–Dec 2017	Jan–Dec 2016
EUR 1 = SEK		
Income statement (average)	9.6378	9.4675
Balance sheet (at end of year)	9.8438	9.5525
EUR 1 = DKK		
Income statement (average)	7.4387	7.4453
Balance sheet (at end of year)	7.4449	7.4344
EUR 1 = NOK		
Income statement (average)	9.3317	9.2943
Balance sheet (at end of year)	9.8403	9.0863
EUR 1 = RUB		
Income statement (average)	65.9190	74.1913
Balance sheet (at end of year)	69.3920	64.3000

G2. Segment reporting

Operating segments

Measurement of Operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as Group Executive Management. The main differences compared to the section "Business area results" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

Basis of segmentation

Compared with the 2016 Annual Report changes in the basis of segmentation were made following the decision to move Baltic operations out of Personal Banking and to move Treasury out of Group Corporate Centre. The Baltic operations are as from the fourth quarter reported as part of Other operating segments and Group Finance & Treasury is reported as a separate reportable operating segment instead of Group Corporate Centre. As from the fourth quarter the changes are reflected in the reporting to the Chief Operating Decision Maker (CODM) and are consequently part of the segment reporting in Note G2. Comparative figures have been restated accordingly.

Financial results are presented for the four main business areas Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management, with further breakdown on operating segments, and for the operating segment Group Finance & Treasury. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions and eliminations as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items

Reportable Operating segments

Personal Banking serves Nordea's household customers in the Nordic markets, through various channels offering a full range of financial services and solutions. The business area includes advisory and service staff, channels, product units, back office and IT under a common strategy, operating model and governance across markets.

Commercial Banking service large corporate customers and Business Banking service small and medium-sized corporate customers. Commercial & Business Banking works with a relationship-driven customer service model with a customer-centric value proposition for Nordea's corporate customers. The Commercial & Business Banking area also consists of Transaction Banking, which services both personal and corporate customers across the Nordea Group. The unit includes Cards, Trade Finance, Nordea Finance, and Cash Management.

Wholesale Banking provides banking and other financial solutions to large Nordic and international corporate, institutional and public companies. The division Corporate & Institutional Banking is a customer oriented organisation serving the largest globally operating corporates. This division is also responsible for Nordea's customers within the financial sector, and offers single products such as funds and equity products as well as consulting services within asset allocation and fund sales. The division Shipping, Offshore & Oil Services is responsible for Nordea's customers within the shipping, offshore and oil services industries and provides tailor made solutions and syndicated loan transactions. Nordea Bank Russia offers a full range of bank services to corporate and private customers in Russia. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas.

Wealth management provides high quality investment, savings and risk management products. It also manages customers' assets and gives financial advice to affluent and high net worth individuals as well as to institutional investors. The division Private Banking provides wealth planning, full-scale investment advice, credit, and estate planning services to wealthy individuals, businesses and their owners, trusts and foundations. The division Asset Management is responsible for all actively managed investment products including internally managed investment funds and mandates as well as selected externally managed funds, and for serving the institutional asset management customers. Life & Pensions serves Nordea's Retail Private Banking and corporate customers with a full range of pension, endowment and risk products as well as tailor-made advice for bank distribution. Life & Pensions unallocated includes the result in Life & Pensions which is not allocated to the main business areas.

Group Finance & Treasury's main objective is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Finance and Treasury originates from Group Treasury & ALM.

G2. Segment reporting, cont.

Income statement 2017

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Management	Group Finance & Treasury	Other Operating segments	Total operating segments	Reconciliation	Total Group
Net interest income	2,100	1,137	749	106	476	130	4,698	−32	4,666
Net fee and commission income	1,198	549	575	1,679	−10	28	4,019	−650	3,369
Net result from items at fair value	65	241	625	301	84	11	1,327	1	1,328
Profit from associated undertakings accounted for under the equity method	1	13	0	0	0	1	15	8	23
Other income	7	32	5	18	1	6	69	14	83
Total operating income	**3,371**	**1,972**	**1,954**	**2,104**	**551**	**176**	**10,128**	**−659**	**9,469**
- of which internal transactions[1]	−640	−373	−438	−29	1,489	−9	0	–	–
Staff costs	−812	−516	−620	−523	−100	−47	−2,618	−594	−3,212
Other expenses	−926	−651	−292	−398	−44	−100	−2,411	789	−1,622
Depreciation, amortisation and impairment charges of tangible and intangible assets	−112	−14	−22	−19	0	0	−167	−101	−268
Total operating expenses	**−1,850**	**−1,181**	**−934**	**−940**	**−144**	**−147**	**−5,196**	**94**	**−5,102**
Profit before loan losses	**1,521**	**791**	**1,020**	**1,164**	**407**	**29**	**4,932**	**−565**	**4,367**
Net loan losses	−39	−88	−235	1	0	−11	−372	3	−369
Operating profit	**1,482**	**703**	**785**	**1,165**	**407**	**18**	**4,560**	**−562**	**3,998**
Income tax expense	−356	−169	−189	−280	−97	−4	−1,095	145	−950
Net profit for the year	**1,126**	**534**	**596**	**885**	**310**	**14**	**3,465**	**−417**	**3,048**

Balance sheet 31 Dec 2017, EURbn									
Loans to the public[2]	141	81	50	10	–	2	284	26	310
Deposits and borrowings from the public[2]	68	39	41	12	–	2	162	10	172

Income statement 2016

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Management	Group Finance & Treasury	Other Operating segments	Total operating segments	Reconciliation	Total Group
Net interest income	1,955	1,115	846	110	504	164	4,694	33	4,727
Net fee and commission income	1,143	503	624	1,516	−16	37	3,807	−569	3,238
Net result from items at fair value	77	278	806	363	227	17	1,768	−53	1,715
Profit from associated undertakings accounted for under the equity method	0	13	0	0	−2	97	108	4	112
Other income	4	20	1	13	1	89	128	7	135
Total operating income	**3,179**	**1,929**	**2,277**	**2,002**	**714**	**404**	**10,505**	**−578**	**9,927**
- of which internal transactions[1]	−722	−405	−395	−28	1,550	0	0	–	–
Staff costs	−804	−472	−622	−502	−101	55	−2,446	−480	−2,926
Other expenses	−881	−634	−320	−330	−36	−128	−2,329	683	−1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	−87	−20	−20	−19	0	−2	−148	−80	−228
Total operating expenses	**−1,772**	**−1,126**	**−962**	**−851**	**−137**	**−75**	**−4,923**	**123**	**−4,800**
Profit before loan losses	**1,407**	**803**	**1,315**	**1,151**	**577**	**329**	**5,582**	**−455**	**5,127**
Net loan losses	−38	−163	−281	0	0	−21	−503	1	−502
Operating profit	**1,369**	**640**	**1,034**	**1,151**	**577**	**308**	**5,079**	**−454**	**4,625**
Income tax expense	−315	−147	−238	−265	−169	−71	−1,205	346	−859
Net profit for the year	**1,054**	**493**	**796**	**886**	**408**	**237**	**3,874**	**−108**	**3,766**

Balance sheet 31 Dec 2016, EURbn									
Loans to the public[2]	139	79	54	11	–	13	296	22	318
Deposits and borrowings from the public[2]	67	39	42	13	–	13	174	0	174

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

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

G2. Segment reporting, cont.

Break-down of Personal Banking

Income statement, EURm	Personal Banking Denmark 2017	Personal Banking Denmark 2016	Personal Banking Finland 2017	Personal Banking Finland 2016	Personal Banking Norway 2017	Personal Banking Norway 2016	Personal Banking Sweden 2017	Personal Banking Sweden 2016	Personal Banking Other[1] 2017	Personal Banking Other[1] 2016	Total Personal Banking 2017	Total Personal Banking 2016
Net interest income	615	632	389	384	379	319	730	682	–13	–62	2,100	1,955
Net fee and commission income	491	463	396	375	134	127	475	443	–298	–265	1,198	1,143
Net result from items at fair value	17	16	21	27	12	14	26	35	–11	–15	65	77
Profit from associated undertakings accounted for under the equity method	0	0	0	0	0	0	0	0	1	0	1	0
Other income	–2	–2	4	0	1	2	1	1	3	3	7	4
Total operating income	**1,121**	**1,109**	**810**	**786**	**526**	**462**	**1,232**	**1,161**	**–318**	**–339**	**3,371**	**3,179**
- of which internal transactions	–132	–129	–98	–101	–218	–233	–153	–174	–39	–85	–640	–722
Staff costs	–202	–209	–152	–145	–85	–86	–165	–166	–208	–198	–812	–804
Other expenses	–467	–471	–307	–316	–166	–168	–404	–394	418	468	–926	–881
Depreciation, amortisation and impairment charges of tangible and intangible assets	–14	–12	–7	–8	–3	–4	–5	–8	–83	–55	–112	–87
Total operating expenses	**–683**	**–692**	**–466**	**–469**	**–254**	**–258**	**–574**	**–568**	**127**	**215**	**–1,850**	**–1,772**
Profit before loan losses	**438**	**417**	**344**	**317**	**272**	**204**	**658**	**593**	**–191**	**–124**	**1,521**	**1,407**
Net loan losses	–4	–1	–7	–13	–4	–5	–11	–9	–13	–10	–39	–38
Operating profit	**434**	**416**	**337**	**304**	**268**	**199**	**647**	**584**	**–204**	**–134**	**1,482**	**1,369**
Income tax expense	–104	–96	–81	–70	–64	–46	–155	–135	48	32	–356	–315
Net profit for the year	**330**	**320**	**256**	**234**	**204**	**153**	**492**	**449**	**–156**	**–102**	**1,126**	**1,054**
Balance sheet 31 Dec, EURbn												
Loans to the public	39	39	32	31	30	29	45	45	–5	–5	141	139
Deposits and borrowings from the public	19	19	21	21	9	9	23	22	–4	–4	68	67

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

Break-down of Commercial & Business Banking

Income statement, EURm	Business Banking 2017	Business Banking 2016	Commercial Banking 2017	Commercial Banking 2016	Commercial & Business Banking Other[1] 2017	Commercial & Business Banking Other[1] 2016	Total Commercial & Business Banking 2017	Total Commercial & Business Banking 2016
Net interest income	621	613	527	488	–11	14	1,137	1,115
Net fee and commission income	417	393	323	295	–191	–185	549	503
Net result from items at fair value	78	83	203	232	–40	–37	241	278
Profit from associated undertakings accounted for under the equity method	0	0	9	8	4	5	13	13
Other income	0	0	11	1	21	19	32	20
Total operating income	**1,116**	**1,089**	**1,073**	**1,024**	**–217**	**–184**	**1,972**	**1,929**
- of which internal transactions	–109	–121	–280	–305	16	21	–373	–405
Staff costs	–156	–157	–97	–107	–263	–208	–516	–472
Other expenses	–493	–483	–454	–426	296	275	–651	–634
Depreciation, amortisation and impairment charges of tangible and intangible assets	–4	–5	–2	–3	–8	–12	–14	–20
Total operating expenses	**–653**	**–645**	**–553**	**–536**	**25**	**55**	**–1,181**	**–1,126**
Profit before loan losses	**463**	**444**	**520**	**488**	**–192**	**–129**	**791**	**803**
Net loan losses	8	–87	–90	–71	–6	–5	–88	–163
Operating profit	**471**	**357**	**430**	**417**	**–198**	**–134**	**703**	**640**
Income tax expense	–113	–82	–103	–96	47	31	–169	–147
Net profit for the year	**358**	**275**	**327**	**321**	**–151**	**–103**	**534**	**493**
Balance sheet 31 Dec, EURbn								
Loans to the public	37	37	45	44	–1	–2	81	79
Deposits and borrowings from the public	23	23	19	19	–3	–3	39	39

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

G2. Segment reporting, cont.

Break-down of Wholesale Banking

Income statement, EURm	Corporate & Institutional Banking 2017	Corporate & Institutional Banking 2016	Shipping, Offshore & Oil Services 2017	Shipping, Offshore & Oil Services 2016	Banking Russia 2017	Banking Russia 2016	Capital Markets unallocated 2017	Capital Markets unallocated 2016	Wholesale Banking Other[1] 2017	Wholesale Banking Other[1] 2016	Total Wholesale Banking 2017	Total Wholesale Banking 2016
Net interest income	520	517	243	256	93	185	–28	–8	–79	–104	749	846
Net fee and commission income	529	571	41	59	16	14	–61	–56	50	36	575	624
Net result from items at fair value	305	310	–34	31	14	17	346	429	–6	19	625	806
Other income	0	0	0	0	0	0	1	0	4	1	5	1
Total operating income	**1,354**	**1,398**	**250**	**346**	**123**	**216**	**258**	**365**	**–31**	**–48**	**1,954**	**2,277**
- of which internal transactions	–180	–200	–159	–134	–70	–73	55	111	–84	–99	–438	–395
Staff costs	–27	–27	–13	–15	–32	–38	–268	–283	–280	–259	–620	–622
Other expenses	–499	–545	–51	–50	–16	–19	116	137	158	157	–292	–320
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	–3	–4	0	0	–19	–16	–22	–20
Total operating expenses	**–526**	**–572**	**–64**	**–65**	**–51**	**–61**	**–152**	**–146**	**–141**	**–118**	**–934**	**–962**
Profit before loan losses	**828**	**826**	**186**	**281**	**72**	**155**	**106**	**219**	**–172**	**–166**	**1,020**	**1,315**
Net loan losses	–72	–101	–142	–150	–20	–32	0	0	–1	2	–235	–281
Operating profit	**756**	**725**	**44**	**131**	**52**	**123**	**106**	**219**	**–173**	**–164**	**785**	**1,034**
Income tax expense	–182	–167	–10	–30	–13	–28	–25	–50	41	37	–189	–238
Net profit for the year	**574**	**558**	**34**	**101**	**39**	**95**	**81**	**169**	**–132**	**–127**	**596**	**796**
Balance sheet 31 Dec, EURbn												
Loans to the public	37	38	10	12	3	4	–	–	–	–	50	54
Deposits and borrowings from the public	36	36	4	5	1	1	–	–	–	–	41	42

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

Break-down of Wealth Management

Income statement, EURm	Private Banking 2017	Private Banking 2016	Asset Management 2017	Asset Management 2016	Life & Pensions unallocated 2017	Life & Pensions unallocated 2016	Wealth Management Other[1] 2017	Wealth Management Other[1] 2016	Total Wealth Management 2017	Total Wealth Management 2016
Net interest income	107	110	0	0	0	0	–1	0	106	110
Net fee and commission income	683	627	975	849	374	347	–353	–307	1,679	1,516
Net result from items at fair value	63	86	0	1	238	276	0	0	301	363
Other income	5	11	10	7	12	7	–9	–12	18	13
Total operating income	**858**	**834**	**985**	**857**	**624**	**630**	**–363**	**–319**	**2,104**	**2,002**
- of which internal transactions	–31	–30	2	1	0	0	0	1	–29	–28
Staff costs	–165	–162	–166	–146	–120	–115	–72	–79	–523	–502
Other expenses	–352	–284	–113	–108	–85	–76	152	138	–398	–330
Depreciation, amortisation and impairment charges of tangible and intangible assets	–9	–9	0	0	–4	–7	–6	–3	–19	–19
Total operating expenses	**–526**	**–455**	**–279**	**–254**	**–209**	**–198**	**74**	**56**	**–940**	**–851**
Profit before loan losses	**332**	**379**	**706**	**603**	**415**	**432**	**–289**	**–263**	**1,164**	**1,151**
Net loan losses	1	0	0	0	0	0	0	0	1	0
Operating profit	**333**	**379**	**706**	**603**	**415**	**432**	**–289**	**–263**	**1,165**	**1,151**
Income tax expense	–80	–87	–169	–139	–100	–99	69	60	–280	–265
Net profit for the year	**253**	**292**	**537**	**464**	**315**	**333**	**–220**	**–203**	**885**	**886**
Balance sheet 31 Dec, EURbn										
Loans to the public	10	11	–	–	–	–	–	–	10	11
Deposits and borrowings from the public	12	13	–	–	–	–	–	–	12	13

1) Wealth Management Other includes the areas Savings, COO and HR.

G2. Segment reporting, cont.

Reconciliation between total operating segments and financial statements

	Total operating income, EURm		Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	2017	2016	2017	2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Total Operating segments	10,128	10,505	4,560	5,079	284	296	162	174
Group functions[1]	24	20	–140	–12	–	–	–	–
Unallocated items	21	4	87	10	32	20	14	–1
Eliminations	–13	–18	–	–	–	–	–	–
Differences in accounting policies[2]	–691	–584	–509	–452	–6	2	–4	1
Total	**9,469**	**9,927**	**3,998**	**4,625**	**310**	**318**	**172**	**174**

1) Consists of Group Risk Management and Control, Group Internal Audit, Chief of staff office, Group Corporate Centre and Group Compliance.
2) Impact from different classification of assets/liabilities held for sale, plan exchange rates and internal allocation principles used in the segment reporting.

Total operating income split on product groups

EURm	2017	2016
Banking products	5,742	5,996
Capital Markets products	1,354	1,731
Savings products & Asset management	1,542	1,369
Life & Pensions	622	631
Other	209	200
Total	**9,469**	**9,927**

Banking products consists of three different product types. Account products includes account based products such as lending, deposits, cards and Netbank services. Transaction products consists of cash management as well as trade and project finance services. Financing products includes asset based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers.

Capital Markets products contains financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds.

Savings products & Asset management includes Investment funds, Discretionary Management, Portfolio Advice, Equity Trading and Pension Accounts. Investment Funds is a bundled product where the fund company invests in stocks, bonds, derivatives or other standardised products on behalf of the fund's shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio Advise is a service provided to support the customers' investment decisions.

Life & Pensions includes life insurance and pension products and services.

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2017	2016	31 Dec 2017	31 Dec 2016
Sweden	2,062	2,487	167	168
Finland	1,963	1,855	104	92
Norway	1,688	1,582	103	87
Denmark	2,789	2,839	174	217
Baltic	177	336	0	3
Luxembourg	385	280	2	10
Russia	98	158	1	2
Other	307	390	30	37
Total	**9,469**	**9,927**	**581**	**616**

Nordea's main geographical markets comprise the Nordic countries, the Baltic countries, Luxembourg and Russia. Revenues and assets are distributed to geographical areas based on the location of the customers' operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

G3. Net interest income

Interest income

EURm	2017	2016
Loans to credit institutions	303	56
Loans to the public	6,230	6,630
Interest-bearing securities	418	433
Other interest income	624	628
Interest income[1]	**7,575**	**7,747**

1) Of which contingent leasing income amounts to EUR 65m (EUR 83m). Contingent leasing income in Nordea consists of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases there will be an offsetting impact from lower funding expenses.

Interest expense

EURm	2017	2016
Deposits by credit institutions	–182	–87
Deposits and borrowings from the public	–367	–414
Debt securities in issue	–2,583	–3,014
Subordinated liabilities	–337	–372
Other interest expenses[1]	560	867
Interest expense	**–2,909**	**–3,020**
Net interest income	**4,666**	**4,727**

1) The net interest income from derivatives, measured at fair value, related to Nordea´s funding. This can have both a positive and negative impact on other interest expense, for further information see Note G1 "Accounting policies".

Interest income from financial instruments not measured at fair value through profit or loss amounts to EUR 5,835m (EUR 5,927m). Interest expenses from financial instruments not measured at fair value through profit or loss amounts to EUR –2,859m (EUR –3,056m).

Interest on impaired loans amounted to an insignificant portion of interest income.

G4. Net fee and commission income

EURm	2017	2016
Asset management commissions	1,543	1,369
- of which income	1,883	1,681
- of which expense	–340	–312
Life & Pension	313	306
- of which income	372	371
- of which expense	–59	–65
Deposit Products	27	30
- of which income	27	30
Brokerage, securities issues and corporate finance	224	226
- of which income	292	298
- of which expense	–68	–72
Custody and issuer services	59	59
- of which income	101	100
- of which expense	–42	–41
Payments	307	297
- of which income	434	413
- of which expense	–127	–116
Cards	228	226
- of which income	363	360
- of which expense	–135	–134
Lending Products	465	531
- of which income	487	552
- of which expense	–22	–21
Guarantees	143	161
- of which income	150	168
- of which expense	–7	–7
Other	60	33
- of which income	123	126
- of which expense	–63	–93
Total	**3,369**	**3,238**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 450m (EUR 510m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 2,547m (EUR 2,349m). The corresponding amounts for fee expenses is EUR –59m (EUR –65m).

G5. Net result from items at fair value

EURm	2017	2016
Equity related instruments	370	–141
Interest related instruments and foreign exchange gains/losses	712	1,833
Other financial instruments (including credit and commodities)	20	–251
Investment properties	–3	–1
Life insurance[1]	229	275
Total	**1,328**	**1,715**

1) Internal transactions not eliminated against other lines in the Note. The line Life insurance consequently provides the true impact from the Life insurance operations.

G5. Net result from items at fair value, cont.

Break-down of life insurance

EURm	2017	2016
Equity related instruments	1,344	1,338
Interest related instruments and foreign exchange gains/losses	715	970
Other financial instruments	4	–
Investment properties	195	221
Change in technical provisions	–2,056	–2,491
Change in collective bonus potential	7	177
Insurance risk income	177	168
Insurance risk expense	–157	–108
Total	**229**	**275**

Net result from categories of financial instruments[1]

EURm	2017	2016
Available for sale assets, realised	0	69
Financial instruments designated at fair value through profit or loss	33	26
Financial instruments held for trading[2]	434	249
Financial instruments under fair value hedge accounting	43	–11
- of which net result on hedging instruments	–906	–106
- of which net result on hedged items	949	95
Financial assets measured at amortised cost[3]	–2	18
Financial liabilities measured at amortised cost	–39	–28
Foreign exchange gains/losses excluding currency hedges	635	1,069
Other	–5	48
Financial risk income, net Life insurance[4]	209	215
Insurance risk income, net Life insurance	20	60
Total	**1,328**	**1,715**

1) The figures disclosed for Life (financial risk income and insurance risk income) are disclosed on gross basis, i.e. before eliminations of intra-group transactions.
2) Of which amortised deferred day one profits amounts to EUR 54m (EUR 30m).
3) Of which EUR –2m (EUR 18m) related to instruments classified into the category "Loans and receivables" and EUR –m (EUR 0m) related to instruments classified into the category "Held to maturity".
4) Premium income amounts to EUR 2,883m (EUR 2,571m).

G6. Other operating income

EURm	2017	2016
Divestments of shares	7	–
Income from real estate	2	2
Sale of tangible and intangible assets	9	10
Other[1]	65	123
Total	**83**	**135**

1) Gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 76m in 2016.

G7. Staff costs

EURm	2017	2016
Salaries and remuneration (specification below)[1]	–2,508	–2,352
Pension costs (specification below)	–302	–197
Social security contributions	–496	–427
Other staff costs[2]	94	50
Total	**–3,212**	**–2,926**

Salaries and remuneration

To executives[3]		
- Fixed compensation and benefits	–24	–24
- Performance-related compensation	–11	–8
- Allocation to profit-sharing	0	0
Total	**–35**	**–32**
To other employees	–2,473	–2,320
Total	**–2,508**	**–2,352**

1) Of which allocation to profit-sharing 2017 EUR 27m (EUR 33m) consisting of a new allocation of EUR 29m (EUR 35m) and an adjustment related to prior years of EUR –2m (EUR –2m).
2) Including capitalisation of IT-project with EUR 211m (EUR 164m).
3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating group undertakings. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating subsidiaries, are also included. Executives amount to 150 (189) individuals.

Pension costs[1]

EURm	2017	2016
Defined benefits plans (Note G32)[2]	–44	31
Defined contribution plans	–258	–228
Total	**–302**	**–197**

1) Pension cost for executives as defined in footnote 3 above, amounts to EUR 3m (EUR 4m) and pension obligations to EUR 14m (EUR 18m).
2) Excluding social security contributions. Including social security contributions EUR –51m (EUR –31m).

Remuneration to the Board of Directors, CEO and Group Executive Management

Board remuneration

The Annual General Meeting (AGM) 2017 decided to increase the remuneration to the Board of Directors (the Board). The remuneration was decided to be EUR 294,600 for the chairman, EUR 141,300 for the vice chairman and EUR 91,950 for other members.

The annual remuneration for members of the Board Operations and Compliance Committee, the Board Audit Committee and the Board Risk Committee was decided to be EUR 48,650 for the Committee Chairman and EUR 29,600 for other committee members.

For the Board Remuneration Committee, the Chairman's remuneration was decided to be EUR 36,050 and for members EUR 25,750.

Board members employed by Nordea do not receive separate remuneration for their Board membership.

There are no commitments for severance pay, pension or other remuneration to the members of the Board, except for a pension commitment to one Board member previously employed by Nordea

Salary and benefits

Chief Executive Officer (CEO)

Casper von Koskull was appointed CEO 1 November 2015. The remuneration to the CEO consists of three components: Fixed salary, GEM Executive Incentive Programme (GEM EIP) and benefits.

The annual fixed base salary as CEO was decided to be SEK 13,054,000 (EUR 1,354,462).

GEM EIP 2017 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2017 the outcome of the GEM EIP amounted to EUR 735,925.

In accordance with remuneration regulations from the Swedish FSA 40% of GEM EIP 2017 will be paid out in 2018, 30% will be deferred to 2021 and 30% to 2023.

The benefits for 2017 amounted to EUR 24,744 and include primarily car benefits and tax consultation.

The total earned remuneration for 2017, as CEO, based on the three components (excluding pensions) amounted to EUR 2,115,131.

The CEO took part of the previous LTIPs. For more information on the LTIP programmes see the separate section on remuneration in the Board of Directors' report and below.

The fixed salary, GEM EIP and contract terms for the CEO are proposed by the Board Remuneration Committee (BRC) and approved by the Board in accordance with Nordea's remuneration guidelines approved by AGM 2017.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

Torsten Hagen Jørgensen was appointed Group COO and Deputy CEO 1 November 2015. The remuneration to the Group COO and Deputy CEO consists of three components: Fixed salary, GEM EIP and benefits.

The annual fixed base salary as Group COO and Deputy CEO was decided to be DKK 8,560,000 (EUR 1,150,746).

GEM EIP 2017 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2017 the outcome of the GEM EIP amounted to EUR 818,181.

In accordance with remuneration regulations from the

G7. Staff costs, cont.

Remuneration to the Board of Directors[1]

EUR	2017	2016
Chairman of the Board:		
Björn Wahlroos	320,009	311,056
Vice Chairman of the Board:		
Marie Ehrling[3]	42,682	171,395
Lars G Nordström	157,742	113,837
Other Board members[2]:		
Tom Knutzen[3]	30,896	124,068
Robin Lawther	125,264	113,837
Sarah Russell	134,804	113,837
Silvija Seres	120,379	113,837
Kari Stadigh	137,351	124,068
Birger Steen	134,804	107,689
Pernille Erenbjerg[4]	93,965	–
Lars Wollung[4]	92,031	–
Maria Varsellona[4]	93,965	–
Total	**1,483,892**	**1,293,624**

1) The Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. The fees are approved in EUR and paid out in SEK quarterly in four equal instalments. For accounting purposes, it is converted back into EUR, using the average exchange rate each year.
2) Employee representatives excluded.
3) Resigned as member of the Board as from the AGM 2017.
4) New member of the Board as from the AGM 2017.

G7. Staff costs, cont.

Swedish FSA 40% of GEM EIP 2017 will be paid out in 2018, 30% will be deferred to 2021 and 30% to 2023.

The benefits for 2017 amounted to EUR 16,387 and include primarily housing benefits.

The total earned remuneration for 2017, as Group COO and Deputy CEO, based on the three components (excluding pensions) amounted to EUR 2,063,139.

The Group COO and Deputy CEO took part of the previous LTIPs. For more information on the LTIP programmes see the separate section on remuneration in the Board of Directors' report and below.

The BRC prepares alterations in salary levels and outcome of GEM EIP as well as other changes in the remuneration package for the Group COO and Deputy CEO, for resolution by the Board.

Group Executive Management (GEM)

The BRC prepares alterations in salary levels and outcome of GEM EIP as well as other changes in the remuneration package for members of GEM, for resolution by the Board. GEM EIP 2017, which is based on agreed, specific targets, can be a maximum of 100% of the fixed salary.

Remuneration to the Chief Executive Officer and Group Executive Management (excl. LTIP)

	Fixed salary[1]		GEM Executive Incentive Programme[2]		Benefits[1]		Total	
EUR	2017	2016	2017	2016	2017	2016	2017	2016
Chief Executive Officer (CEO):								
Casper von Koskull[3]	1,354,462	1,292,312	735,925	749,204	24,744	29,499	2,115,131	2,071,015
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):								
Torsten Hagen Jørgensen[4]	1,228,571	1,158,389	818,181	624,715	16,387	13,264	2,063,139	1,796,368
Group Executive Management (GEM):								
8 (8) individuals excluding CEO and Deputy CEO[5]	5,273,893	4,554,196	3,625,087	2,443,852	99,802	60,690	8,998,782	7,058,738
Total	**7,856,926**	**7,004,897**	**5,179,193**	**3,817,771**	**140,933**	**103,453**	**13,177,052**	**10,926,121**
Former Chief Executive Officer (Former CEO):								
Christian Clausen[6]	–	1,230,216	–	–	–	7,327	–	1,237,543
Total	**7,856,926**	**8,235,113**	**5,179,193**	**3,817,771**	**140,933**	**110,780**	**13,177,052**	**12,163,664**

1) The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes also holiday pay and car allowance where applicable. Benefits are included at taxable values after salary deductions (if any).

2) The CEO and members of GEM were until end 2012 offered a Variable Salary Part (VSP) and a share based Long Term Incentive Programme (LTIP). Instead of these two programmes the Board in 2013 decided to, in order to reduce complexity, offer a GEM Executive Incentive Programme (GEM EIP). The outcome from GEM Executive Incentive Programme (GEM EIP) 2017 has been expensed in full in 2017 but will be paid out over a five-year deferral period with forfeiture clauses in order to comply with the remuneration regulations from the Swedish FSA. The GEM EIP 2017 is indexed with Nordea's total shareholder return (TSR) excluding dividends during the deferral period. The GEM EIP is further described in the separate section on remuneration in the Board of Directors' report and below.

3) The annual fixed base salary as CEO is in 2017 SEK 13,054,000 (EUR 1,354,462).

4) The annual fixed base salary as Group COO and Deputy CEO is in 2017 DKK 8,560,000 (EUR 1,150,746), excluding car and holiday allowance amounting to EUR 77,825.

5) Remuneration to GEM members is included for the period they have been appointed. During 2017 one GEM member has given notice to leave Nordea in 2018 and one new GEM member was appointed on 1 January 2017.

6) Remuneration as former CEO and as senior executive advisor is included for the period 1 January to 31 December 2016. In 2016, the former CEO was a strategic partner and advisor to the CEO and GEM.

Long Term Incentive Programmes (LTIP) 2010–2012

	Number of outstanding shares[1]			
	LTIP 2012	LTIP 2011	LTIP 2010	Total
Chief Executive Officer (CEO):				
Casper von Koskull	26,853	13,908	2,699	43,460
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen	24,912	12,446	2,121	39,479
Group Executive Management (GEM):				
8 (8) individuals excluding CEO and Deputy CEO	4,089	–	–	4,089
Total	**55,854**	**26,354**	**4,820**	**87,028**
Former Chief Executive Officer (Former CEO):				
Christian Clausen	38,119	19,210	2,679	60,008
Total	**93,973**	**45,564**	**7,499**	**147,036**

1) The LTIP programs were fully expensed in May 2015. All shares in LTIP programs are fully vested and consequently not conditional. 60% of the vested shares are deferred with forfeiture clauses due to remuneration regulations from the Swedish FSA and allotted over a five-year period, for LTIP 2010 starting May 2013, for LTIP 2011 starting May 2014 and for LTIP 2012 starting May 2015. See also the separate Remuneration section on page 69 and below for more details. The numbers of outstanding shares are presented as of 31 December 2017.

G7. Staff costs, cont.

Benefits include primarily car and/or housing. Similar to the CEO and Group COO and Deputy CEO, some GEM members took part of the previous LTIPs.

Pension

Chief Executive Officer (CEO)

The CEO has a defined contribution plan in accordance with the Swedish collective agreement BTP1, with a complementing defined contribution plan on top of the collective agreement. The pension contribution in total is 30% of the fixed salary.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

The Group COO and Deputy CEO has a defined contribution plan. The pension contribution is 30% of the fixed salary.

Group Executive Management (GEM)

The pension agreements vary due to local country practices.

Pension agreements are defined contribution plans or a combination of defined contribution and defined benefit plans.

Three members have pensions in accordance with the Swedish collective agreement, one in BTP1 (defined contribution plan) and two in BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. The pension contribution is in total 30% of the fixed salary. Two members have pensions in accordance with the local country statutory pension system in Finland. Two members have a defined contribution plan in accordance with local practises in Denmark. The pension contribution is in total up to 30% of the fixed salary. One member does not have a pension agreement with Nordea.

Fixed salary is pensionable income for all GEM-members and part of GEM EIP is included in the pensionable income for two members according to statutory pension rules.

Notice period and severance pay

In accordance with the employment contract the CEO has a notice period of 12 months and Nordea a notice period of 12 months. The CEO has a severance pay equal to 12 months' salary to be reduced by the salary he receives from another employment during these 12 months.

The Group COO and Deputy CEO and eight GEM members have a notice period of 6 months and Nordea a notice period of 12 months. Normally, a severance pay up to 12 months' salary is provided to be reduced by the salary the executive receives from another employment during the severance pay period.

Pension expense and pension obligation

	2017		2016	
EUR	Pension expense[1]	Pension obligation[2]	Pension expense[1]	Pension obligation[2]
Board members[3]:				
Lars G Nordström	–	324,843	–	330,380
Chief Executive Officer (CEO):				
Casper von Koskull[4]	406,339	336,341	386,513	306,358
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen[5]	345,224	–	322,351	–
Group Executive Management (GEM):				
8 (8) individuals excluding CEO and Deputy CEO[6]	870,088	649,295	1,188,910	3,922,800
Total	**1,621,651**	**1,310,479**	**1,897,774**	**4,559,538**
Former Chairman of the Board and CEOs:				
Vesa Vainio[7]	–	5,215,266	–	5,375,054
Christian Clausen[8]	–	–	338,280	–
Total	**1,621,651**	**6,525,745**	**2,236,054**	**9,934,592**

1) The pension expense is related to pension premiums paid in defined contribution agreements and pension rights earned during the year in defined benefit agreements (Current service cost and Past service cost and settlements as defined in IAS 19). Of the total pension expense EUR 1,593,736 (EUR 1,868,269) relates to defined contribution agreements.

2) The pension obligation is calculated in accordance with IAS 19. The obligation is dependent on changes in actuarial assumptions and inter annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, which leads to that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement. The pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as the obligations.

3) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP2 and earned during the employment period for one Swedish board member.

4) The pension agreement is a defined contribution plan. The contribution is 30% of fixed salary, consisting of the collective agreement BTP1 and a complementary additional contribution. The pension obligation is in accordance with the collective pension agreement BTP2 and earned as a member of GEM.

5) The Group COO and Deputy CEO's pension agreement is a defined contribution plan and the contribution is 30% of fixed salary.

6) Members of GEM included for the period they are appointed. The pension obligation is the obligation towards the members of GEM as of 31 December.

7) The pension obligation for Vesa Vainio is mainly due to pension rights earned in, and funded by, banks forming Nordea. The decrease in the pension obligation is mainly due to pension payments in 2017.

8) The pension expense as Former CEO amounting to 30% of fixed salary for the period 1 January to 31 December 2016 where he acted as strategic partner and advisor.

G7. Staff costs, cont.

Additional disclosures on remuneration

The Board of Directors report includes a separate section on remuneration, page 69.

Additional disclosures for all Nordea employees will be published in a separate report on www.Nordea.com no later than one week before the Annual General Meeting 15 March 2018 in accordance with Regulation 575/2013 (CRR) Article 450 supplemented by Guidelines on Sound Remuneration Policies EBA/GL/2015/22.

Loans to key management personnel

Loans to key management personnel, as defined in Note G1 section 27, amount to EUR 4m (EUR 5m). Interest income on these loans amounts to EUR 0m (EUR 0m).

For key management personnel who are employed by Nordea the same credit terms apply as for other employees, except for key management personnel in Denmark whose loans are granted on terms based on market conditions. In Norway the employee interest rate for loans is variable and was at 31 December 2017 1.8% for loans up to NOK 5m and 2.15% for loans above NOK 5m. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 40 basis points up to EUR 0.4m, and 60 basis points on the part that exceeds EUR 0.4m. For consumption credits the margin is 60 basis points. In Sweden the employee interest rate on fixed- and variable interest rate loans is 215 basis points lower than the corresponding interest rate for external customers (with a lower limit of 50 basis points). There is currently a cap of 57 Swedish price base amounts both on fixed- and variable interest rate loans. Interest on loans above the defined caps is set on market terms. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

Cash-settled share-based payment transactions

Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either transferred after three years or transferred in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea in 2013 introduced the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose

Long Term Incentive Programmes

	2017			2016		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Rights LTIP 2012						
Outstanding at the beginning of the year	221,561	664,683	221,561	280,628	841,884	280,628
Granted[1]	13,209	39,627	13,209	20,363	61,089	20,363
Forfeited	–4,521	–13,563	–4,521	–	–	–
Alloted	–82,998	–248,994	–82,998	–79,430	–238,290	–79,430
Outstanding at end of year [2]	**147,251**	**441,753**	**147,251**	**221,561**	**664,683**	**221,561**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2011						
Outstanding at the beginning of year	151,138	252,526	68,011	212,541	355,118	95,641
Granted[1]	8,923	14,909	4,015	15,422	25,768	6,940
Forfeited	–4,517	–7,548	–2,033	–	–	–
Alloted	–79,902	–133,502	–35,955	–76,825	–128,360	–34,570
Outstanding at end of year [2]	**75,642**	**126,385**	**34,038**	**151,138**	**252,526**	**68,011**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2010						
Outstanding at the beginning of year	41,311	43,640	18,585	86,955	91,858	39,119
Forfeited	–2,926	–3,091	–1,317	–	–	–
Alloted	–19,192	–20,274	–8,634	–45,644	–48,218	–20,534
Outstanding at end of year [2]	**19,193**	**20,275**	**8,634**	**41,311**	**43,640**	**18,585**
- of which currently exercisable	–	–	–	–	–	–

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.
2) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no execise price for the deferred rights.

G7. Staff costs, cont.

efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2016 is paid no earlier than autumn 2020. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2016 is decided during spring 2017, and a reservation of EUR 36m excl. social costs is made 2016. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

	Share linked deferrals	
EURm	2017	2016
Opening balance	110	67
Reclassification[1]	–1	–1
Deferred/earned during the year	49	50
TSR indexation during the year	1	19
Payments during the year	–48	–25
Translation differences	–2	0
Closing balance	**109**	**110**

1) Relates to a reclassification to liabilities held for sale.

Gender distribution

In the parent company´s Board of Directors 50% (56%) were men and 50% (44%) were women. In the Board of Directors of the Nordea Group companies, 73% (77%) were men and 27% (23%) were women. The corresponding numbers for Other executives were 73% (76%) men and 27% (24%) women. Internal Boards consist mainly of management in Nordea, employee representatives excluded.

Average number of employees, Full-time equivalents

	Total		Men		Women	
	2017	2016	2017	2016	2017	2016
Denmark	9,136	8,717	5,417	4,789	3,719	3,928
Sweden	7,462	7,276	3,851	3,502	3,611	3,774
Finland	7,032	7,104	2,622	2,329	4,410	4,775
Norway	3,127	3,140	1,758	1,692	1,369	1,448
Poland	2,060	1,571	1,044	765	1,016	806
Russia	606	829	207	261	399	568
Estonia	502	559	116	121	386	438
Latvia	364	457	161	141	203	316
Luxembourg	451	426	254	265	197	161
Lithuania	305	378	117	147	188	231
United States	123	120	61	61	62	59
Singapore	81	85	37	38	44	47
United Kingdom	68	77	39	48	29	29
Germany	43	55	23	31	20	24
China	31	30	13	12	18	18
Switzerland	22	29	14	20	8	9
Italy	9	7	6	6	3	1
Spain	7	5	5	3	2	2
Brazil	5	5	5	5	0	0
France	3	3	3	3	0	0
Total average	**31,437**	**30,873**	**15,753**	**14,239**	**15,684**	**16,634**
Total number of employees (FTEs), end of period	**30,399**	**31,596**				

G8. Other expenses

EURm	2017	2016
Information technology	–565	–573
Marketing and representation	–66	–79
Postage, transportation, telephone and office expenses	–101	–125
Rents, premises and real estate	–309	–309
Other	–581	–560
Total	**–1,622**	**–1,646**

Auditors' fees

EURm	2017	2016
PricewaterhouseCoopers[1]		
Auditing assignments	–7	–7
Audit-related services	–1	–1
Tax advisory services	–1	–1
Other assignments	–2	–5
Total	**–11**	**–14**

1) Of which Tax services EUR 0,1m and Other assignments EUR 0,4m refers to Öhrlings PricewaterhouseCoopers AB.

G9. Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2017	2016
Depreciation/amortisation		
Properties and equipment	–106	–106
Intangible assets	–157	–115
Total	**–263**	**–221**
Impairment charges		
Intangible assets	–5	–7
Total	**–5**	**–7**
Total	**–268**	**–228**

G10. Net loan losses

EURm	2017	2016
Loan losses divided by class		
Provisions	–1	–1
Reversals of previous provisions	1	1
Loans to credit institutions[1]	**0**	**0**
Realised loan losses	–426	–600
Allowances to cover realised loan losses	300	474
Recoveries on previous realised loan losses	54	57
Provisions	–908	–1,056
Reversals of previous provisions	642	639
Loans to the public[1]	**–338**	**–486**
Realised loan losses	–9	–9
Allowances to cover realised loan losses	9	9
Provisions	–92	–96
Reversals of previous provisions	61	80
Off-balance sheet items[2]	**–31**	**–16**
Net loan losses	**–369**	**–502**

1) See Note G13 "Loans and impairment".
2) Included in Note G31 "Provisons" as "Guarantees/commitments".

G11. Taxes

Income tax expense

EURm	2017	2016
Current tax	–1,022	–1,015
Deferred tax	72	156
Total	**–950**	**–859**

For current and deferred tax recognised in Other comprehensive income, see Statement of comprehensive income.

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2017	2016
Profit before tax	3,998	4,625
Tax calculated at a tax rate of 22.0%	–880	–1,017
Effect of different tax rates in other countries	–23	–7
Interest on subordinated debt	–55	–
Income from associated undertakings	0	21
Tax-exempt income	21	132
Non-deductible expenses	–3	–19
Adjustments relating to prior years	–12	32
Utilization of non-capitalized tax losses carry-forwards from previous periods	2	1
Change of tax rate	–	3
Not creditable foreign taxes	–	–5
Tax charge	**–950**	**–859**
Average effective tax rate	24%	19%

G11. Taxes, cont.

Deferred tax

EURm	Deferred tax assets 2017	Deferred tax assets 2016	Deferred tax liabilities 2017	Deferred tax liabilities 2016
Deferred tax related to:				
Tax losses carry-forward	11	93	–	–
Loans to the public	29	28	367	397
Derivatives	16	17	238	285
Intangible assets	5	5	37	50
Investment properties	0	0	91	132
Retirement benefit assets/obligations	22	45	43	77
Liabilities/provisions	83	72	24	58
Foreign tax credits	61	–	–	–
Other	4	3	35	34
Netting between deferred tax assets and liabilities	–113	–203	–113	–203
Total	**118**	**60**	**722**	**830**

EURm	2017	2016
Unrecognised deferred tax assets		
Unused tax losses carry-forward with no expire date	44	43
Total	**44**	**43**

G12. Earnings per share

	2017	2016
Earnings:		
Profit attributable to shareholders of Nordea Bank AB (publ) (EURm)	3 031	3,766
Number of shares (in millions):		
Number of shares outstanding at beginning of year	4,050	4,050
Average number of own shares	–12	–15
Weighted average number of basic shares outstanding	**4,038**	**4,035**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	1	2
Weighted average number of diluted shares outstanding	**4,039**	**4,037**
Basic earnings per share, EUR	0.75	0.93
Diluted earnings per share, EUR	0.75	0.93

1) Relates to the Long Term Incentive Programmes (LTIP). For further information on these programmes, see Note G1 "Accounting policies" section 22.

G13. Loans and impairment

EURm	Central banks and credit institutions		The public[1]		Total	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Loans, not impaired	13,389	20,254	306,422	314,572	319,811	334,826
Impaired loans	0	9	6,068	5,541	6,068	5,550
- of which servicing	0	9	3,593	3,235	3,593	3,244
- of which non-servicing	–	–	2,475	2,306	2,475	2,306
Loans before allowances	**13,389**	**20,263**	**312,490**	**320,113**	**325,879**	**340,376**
Allowances for individually assessed impaired loans	0	0	–1,936	–1,913	–1,936	–1,913
- of which servicing	0	0	–1,103	–1,054	–1,103	–1,054
- of which non-servicing	–	–	–833	–859	–833	–859
Allowances for collectively assessed impaired loans	–1	–2	–396	–511	–397	–513
Allowances	**–1**	**–2**	**–2,332**	**–2,424**	**–2,333**	**–2,426**
Loans, carrying amount	**13,388**	**20,261**	**310,158**	**317,689**	**323,546**	**337,950**

1) Finance leases, where Nordea Group is a lessor, are included in Loans to the public, see Note G21 "Leasing".

Movements of allowance accounts for impaired loans

EURm	Central banks and credit institutions			The public			Total		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2017	**0**	**–2**	**–2**	**–1,913**	**–511**	**–2,424**	**–1,913**	**–513**	**–2,426**
Provisions	–	–1	–1	–751	–157	–908	–751	–158	–909
Reversals of previous provisions	–	1	1	385	257	642	385	258	643
Changes through the income statement	**–**	**0**	**0**	**–366**	**100**	**–266**	**–366**	**100**	**–266**
Allowances used to cover realised loan losses	–	–	–	300	–	300	300	–	300
Reclassification	–	–	–	11	2	13	11	2	13
Translation differences	0	2	2	32	12	44	32	14	46
Closing balance at 31 Dec 2017	**0**	**0**	**0**	**–1,936**	**–397**	**–2,333**	**–1,936**	**–397**	**–2,333**
Opening balance at 1 Jan 2016	**0**	**–2**	**–2**	**–2,213**	**–449**	**–2,662**	**–2,213**	**–451**	**–2,664**
Provisions	0	–1	–1	–729	–327	–1,056	–729	–328	–1,057
Reversals of previous provisions	0	1	1	408	231	639	408	232	640
Changes through the income statement	**0**	**0**	**0**	**–321**	**–96**	**–417**	**–321**	**–96**	**–417**
Allowances used to cover realised loan losses	–	–	–	474	–	474	474	–	474
Reclassification	–	–	–	151	42	193	151	42	193
Translation differences	0	0	0	–4	–8	–12	–4	–8	–12
Closing balance at 31 Dec 2016	**0**	**–2**	**–2**	**–1,913**	**–511**	**–2,424**	**–1,913**	**–513**	**–2,426**

Allowances and provisions[1]

EURm	Central banks and credit institutions		The public		Total	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Allowances for items on the balance sheet	–1	–2	–2,332	–2,424	–2,333	–2,426
Provisions for off balance sheet items	–	–	–91	–71	–91	–71
Total allowances and provisions	**–1**	**–2**	**–2,423**	**–2,495**	**–2,424**	**–2,497**

1) Included in Note G31 "Provisions" as "Guarantees/commitments".

G13. Loans and impairment, cont.

Key ratios[1]

	31 Dec 2017	31 Dec 2016
Impairment rate, gross, basis points	186	163
Impairment rate, net, basis points	127	107
Total allowance rate, basis points	72	71
Allowances in relation to impaired loans, %	32	34
Total allowances in relation to impaired loans, %	38	44
Non-servicing loans, not impaired, EURm	253	248

1) For definitions, see "Glossary" on page 85.

G14. Interest-bearing securities

EURm	31 Dec 2017	31 Dec 2016
State, municipalities and other public bodies	16,833	26,603
Mortgage institutions	27,214	25,893
Other credit institutions	26,107	28,474
Corporates	5,140	4,667
Other	–	2,064
Total	**75,294**	**87,701**

G15. Financial instruments pledged as collateral

Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified on the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2017	31 Dec 2016
Interest-bearing securities	6,489	5,108
Total	**6,489**	**5,108**

For information on transferred assets and reverse repos, see Note G41 "Financial instruments set off on balance or subject to netting agreements".

G16. Shares

EURm	31 Dec 2017	31 Dec 2016
Shares	8,599	9,598
Fund units, equity related	5,954	9,090
Fund units, interest related	2,627	2,836
Total	**17,180**	**21,524**
- of which Financial instruments pledged as collateral (Note G15)	–	–
Total	**17,180**	**21,524**

G17. Assets and deposits in pooled schemes and unit-linked investment contracts

EURm	31 Dec 2017	31 Dec 2016
Assets		
Interest-bearing securities	1,705	1,674
Shares and fund units	23,639	21,019
Properties	151	139
Other assets	384	270
Total	**25,879**	**23,102**
Liabilities		
Pooled schemes	4,317	4,340
Unit linked investment contracts	22,016	19,240
Total	**26,333**	**23,580**

The Life Group and Nordea Denmark, branch of Nordea Bank AB, have assets and liabilities included on their balance sheet where customers are bearing the risk. Since the assets and liabilities legally belong to the entities, these assets and liabilities are included on the Group's balance sheet.

G18. Derivatives and Hedge accounting

Derivatives held for trading

31 Dec 2017, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives			
Interest rate swaps	23,589	19,804	4,827,481
FRAs	39	18	984,287
Futures and forwards	32	48	148,995
Options	6,421	6,285	324,604
Other	4	2	4,009
Total	**30,085**	**26,157**	**6,289,376**
Equity derivatives			
Equity swaps	113	150	11,301
Futures and forwards	3	6	1,147
Options	355	642	13,845
Total	**471**	**798**	**26,293**
Foreign exchange derivatives			
Currency and interest rate swaps	6,203	7,816	352,287
Currency forwards	5,465	4,748	605,787
Options	150	107	23,485
Total	**11,818**	**12,671**	**981,559**
Other derivatives			
Credit Default Swaps (CDS)	2,009	1,975	78,650
Commodity derivatives	3	3	235
Other derivatives	29	3	324
Total	**2,041**	**1,981**	**79,209**
Total derivatives held for trading	**44,415**	**41,607**	**7,376,437**

Derivatives used for hedge accounting

31 Dec 2017, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives	828	472	89,349
Foreign exchange derivatives	868	634	29,574
Total derivatives used for hedge accounting	**1,696**	**1,106**	**118,923**
- of which cash flow hedges	670	595	20,355[1]
- of which fair value hedges	973	478	89,349[1]
- of which net investment hedges	53	33	9,219
Total derivatives	**46,111**	**42,713**	**7,495,360**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

31 Dec 2017, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	1,433	8,194	5,099	2,437	794
Net cash outflows	**1,433**	**8,194**	**5,099**	**2,437**	**794**

G18. Derivatives and Hedge accounting, cont.

Derivatives held for trading

31 Dec 2016, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives			
Interest rate swaps	37,392	32,707	5,055,477
FRAs	69	85	776,539
Futures and forwards	28	27	121,618
Options	10,223	9,323	370,301
Other	51	246	707
Total	**47,763**	**42,388**	**6,324,642**
Equity derivatives			
Equity swaps	83	105	5,574
Futures and forwards	5	2	875
Options	317	623	18,242
Total	**405**	**730**	**24,691**
Foreign exchange derivatives			
Currency and interest rate swaps	16,244	21,209	942,503
Currency forwards	954	659	70,464
Options	428	324	42,357
Other	10	9	4,162
Total	**17,636**	**22,201**	**1,059,486**
Other derivatives			
Credit Default Swaps (CDS)	1,599	1,647	75,316
Commodity derivatives	6	4	313
Other derivatives	29	25	3,482
Total	**1,634**	**1,676**	**79,111**
Total derivatives held for trading	**67,438**	**66,995**	**7,487,930**

Derivatives used for hedge accounting

31 Dec 2016, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives	1,461	638	92,479
Foreign exchange derivatives	1,060	992	32,237
Other derivatives	–	11	1,830
Total derivatives used for hedge accounting	**2,521**	**1,641**	**126,546**
- of which cash flow hedges	804	886	18,290[1]
- of which fair value hedges	1,660	648	96,944[1]
- of which net investment hedges	57	107	15,766
Total derivatives	**69,959**	**68,636**	**7,614,476**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

31 Dec 2016, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	4,741	4,053	4,560	2,262	643[1]
Net cash outflows	**4,741**	**4,053**	**4,560**	**2,262**	**643**

1) The comparative figure has been restated.

G19. Investments in associated undertakings and joint ventures

EURm	31 Dec 2017	31 Dec 2016
Acquisition value at beginning of year	590	517
Acquisitions during the year	972	5
Sales during the year	–9	–145
Share in earnings[1]	61	120
Dividend received	–93	–32
Reclassification	–267	114
Translation differences	–17	11
Acquisition value at end of year	**1,237**	**590**
Accumulated impairment charges at beginning of year	–2	–2
Translation differences	0	0
Accumulated impairment charges at end of year	**–2**	**–2**
Total	**1,235**	**588**

1) See table Share in earnings.

Share in earnings

EURm	31 Dec 2017	31 Dec 2016
Profit from companies accounted for under the equity method[1]	23	112
Portfolio hedge, Eksportfinans ASA	–3	–4
Associated undertakings in Life insurance, reported as Net result from items at fair value	41	12
Share in earnings	**61**	**120**

1) The gain related to VISA Inc's acquisition of VISA Europe in 2016 amounted to EUR 97m net of tax.

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2017	31 Dec 2016
Total assets	2,226	3,252
Net profit for the year	3	96
Other comprehensive income	0	–
Total comprehensive income	3	96

Nordea has issued contingent liabilities of EUR 1m (EUR 175m) on behalf of associated undertakings.

Associated undertakings

31 Dec 2017	Registration number	Domicile	Carrying amount 2017, EURm	Carrying amount 2016, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	172	191	23
Ejendomspartnerskabet af 1/7 2003[1]	27134971	Ballerup	–	206	49
Suomen Luotto-osuuskunta	0201646-0	Helsinki	2	12	27
LR Realkredit A/S	26045304	Copenhagen	9	6	39
Samajet Nymøllevej 59–91[1]	24247961	Ballerup	–	20	25
E-nettet Holding A/S	28308019	Copenhagen	3	2	20
Hovedbanegårdens Forretningscenter K/S[1]	16301671	Ballerup	–	2	50
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	–	8	33
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	8	9	33
Samejet Lautruphøj I/S[1]	50857859	Ballerup	–	6	50
NF Techfleet AB	556967-5423	Stockholm	2	2	20
NF Fleet Oy	2006935-5	Espoo	9	8	20
NF Fleet AB	556692-3271	Stockholm	5	5	20
NF Fleet A/S	29185263	Copenhagen	5	4	20
NF Fleet AS	988906808	Oslo	2	2	20
Upplysningscentralen UC AB	556137-5113	Stockholm	3	3	26
Bankomat AB	556817-9716	Stockholm	8	8	20
Visa Sweden	801020-5097	Stockholm	29	88	–
Other			5	1	–
Total			**262**	**583**	

1) Reclassified to Assets held for sale.

Nordea's share of the joint ventures' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2017	31 Dec 2016
Total assets	8,488	537
Net profit for the year	2	24
Other comprehensive income	1	–
Total comprehensive income	3	24

G19. Investments in associated undertakings and joint ventures, cont.

Joint ventures

31 Dec 2017	Registration number	Domicile	Carrying amount 2017, EURm	Carrying amount 2016, EURm	Voting power of holding %
Dansk ejendoms Fond I[1]	12601840	Ballerup	–	0	56
Ejendomsselskabet af 1. marts 2006 P/S[1]	29405069	Ballerup	–	0	50
DNP Ejendomme P/S[1]	28865147	Ballerup	–	0	50
Luminor Group AB	559072-8316	Stockholm	973	5	50
Relacom Management AB	556746-3103	Stockholm	–	–	61
Total			**973**	**5**	
Total associated undertakings and joint ventures			**1,235**	**588**	

1) Reclassified to Assets held for sale.

G20. Intangible assets

Goodwill allocated to cash generating units[1]		
Personal Banking Norway	263	283
Personal Banking Denmark	448	449
Personal Banking Sweden	128	131
Commercial & Business Banking Norway	466	501
Commercial & Business Banking Denmark	141	142
Commercial & Business Banking Sweden	85	87
Life & Pensions, Denmark	–	128
Life & Pensions, Norway	128	128
Life & Pensions, Poland	–	40
Banking Russia	161	174
Shipping, Offshore & Oil services	174	184
Total goodwill	**1,994**	**2,247**
Computer software	1,917	1,447
Other intangible assets	72	98
Total intangible assets	**3,983**	**3,792**

Movements in goodwill		
Acquisition value at beginning of year	2,248	2,171
Transfers/reclassifications during the year	−169	–
Translation differences	−84	77
Acquisition value at end of year	**1,995**	**2,248**
Accumulated impairment charges at beginning of year	−1	−1
Accumulated impairment charges at end of year	**−1**	**−1**
Total	**1,994**	**2,247**

Movements in computer software		
Acquisition value at beginning of year	1,802	1,200
Acquisitions during the year	645	617
Transfers/reclassifications during the year	−23	–
Translation differences	−47	−15
Acquisition value at end of year	**2,377**	**1,802**
Accumulated amortisation at beginning of year	−315	−229
Amortisation according to plan for the year	−123	−85
Transfers/reclassifications during the year	8	–
Translation differences	13	−1
Accumulated amortisation at end of year	**−417**	**−315**

G20. Intangible assets, cont.

EURm	31 Dec 2017	31 Dec 2016
Accumulated impairment charges at beginning of year	−40	−33
Impairment charges during the year	−5	−7
Translation differences	2	0
Accumulated impairment charges at end of year	**−43**	**−40**
Total	**1,917**	**1,447**

1) Excluding goodwill in associated undertakings.

Impairment testing of goodwill and computer software

A cash generating unit, defined as the operating segment, is the basis for the impairment test. For Life & Pensions, the cash generating units for which goodwill is tested, are the operations in each country.

The impairment test is performed for each cash generating unit by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

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

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

G20. Intangible assets, cont.

EURm	Discount rate[1] 2017	Discount rate[1] 2016	Growth rate 2017	Growth rate 2016
Sweden	7.1	7.0	1.8	1.3
Denmark	6.6	7.0	1.3	1.3
Finland	6.6	7.0	1.3	1.3
Norway	7.1	7.5	1.8	1.8
Russia	9.5	11.0	0.0	1.3
Poland	N.A.	8.4	N.A.	1.3

1) Post-tax

The impairment tests conducted in 2017 did not indicate any need for goodwill impairment. See Note G1 "Accounting policies" section 4 for more information.

An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such a change would result in the following impairment for the below cash generating units:

EURm	Growth rate −1%	Discount rate +1%
Life & Pensions, Norway	58	73

For Life & Pensions, Norway the break-even point for impairment is a decrease in growth rate of 0.5% points or an increase in the discount rate of 0.5% points.

G21. Leasing

Nordea as a lessor

Finance leases

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

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

EURm	31 Dec 2017	31 Dec 2016
Gross investments	6,547	6,306
Less unearned finance income	−815	−407
Net investments in finance leases	**5,732**	**5,899**
Less unguaranteed residual values accruing to the benefit of the lessor	−14	−16
Present value of future minimum lease payments receivable	**5,718**	**5,883**
Accumulated allowance for uncollectible minimum lease payments receivable	3	7

G21. Leasing, cont.

As of 31 December 2017 the gross investment and the net investment by remaining maturity was distributed as follows:

EURm	31 Dec 2017 Gross investment	31 Dec 2017 Net investment
2018	1,465	1,201
2019	1,593	1,335
2020	1,432	1,255
2021	750	697
2022	663	625
Later years	644	619
Total	**6,547**	**5,732**

Operating leases

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

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

EURm	31 Dec 2017
2018	2
2019	1
2020	1
2021	1
2022	0
Later years	0
Total	**5**

Nordea as a lessee

Finance leases

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

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment.

Leasing expenses during the year

EURm	31 Dec 2017	31 Dec 2016
Leasing expenses during the year	−204	−207
- of which minimum lease payments	−197	−206
- of which contingent rents	−7	−1
Leasing income during the year regarding sublease payments	4	4

G21. Leasing, cont.

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

EURm	31 Dec 2017
2018	163
2019	135
2020	121
2021	104
2022	94
Later years	361
Total	**978**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 13m.

G22. Investment properties

EURm	31 Dec 2017	31 Dec 2016
Carrying amount at beginning of year	3,119	3,054
Acquisitions during the year	425	376
Sales during the year	–179	–248
Fair value adjustments	39	55
Transfers/reclassifications during the year	–2,043	–159
Translation differences	87	41
Carrying amount at end of year	**1,448**	**3,119**

Amounts recognised in the income statement[1]

EURm	2017	2016
Fair value adjustments	72	87
Rental income	159	157
Direct operating expenses that generate rental income	–29	–16
Direct operating expenses that did not generate rental income	–10	–8
Total	**192**	**220**

1) Included in Net result from items at fair value.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers.

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

G23. Other assets

EURm	31 Dec 2017	31 Dec 2016
Claims on securities settlement proceeds	924	1,944
Cash/margin receivables	9,007	15,154
Other	2,510	1,875
Total	**12,441**	**18,973**

G24. Prepaid expenses and accrued income

EURm	31 Dec 2017	31 Dec 2016
Accrued interest income	297	313
Other accrued income	464	483
Prepaid expenses	702	653
Total	**1,463**	**1,449**

G25. Deposits by credit institutions

EURm	31 Dec 2017	31 Dec 2016
Central banks	13,751	10,006
Banks	18,401	14,454
Other credit institutions	7,831	13,676
Total	**39,983**	**38,136**

G26. Deposits and borrowings from the public

EURm	31 Dec 2017	31 Dec 2016
Deposits[1]	165,418	170,030
Repurchase agreements	7,016	3,998
Total	**172,434**	**174,028**

1) Deposits related to individual pension savings (IPS) are also included.

G27. Liabilities to policyholders

EURm	31 Dec 2017	31 Dec 2016
Traditional life insurance provisions	6,264	19,124
- of which guaranteed provisions	6,178	19,023
- of which non-guaranteed provisions	86	101
Collective bonus potential	2,249	3,606
Unit-linked insurance provisions	6,922	14,240
- of which guaranteed provisions	0	0
- of which non-guaranteed provisions	6,922	14,240
Insurance claims provision	422	460
Provisions, Health & personal accident	74	252
Total Insurance contracts	**15,931**	**37,682**
Investment contracts	3,481	3,528
- of which guaranteed provisions	3,481	3,528
- of which non-guaranteed provisions	–	–
Total	**19,412**	**41,210**

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts containing insurance risk and contracts without insurance risk. The latter are pure investments contracts.

Insurance contracts consists of Life insurance provisions and other insurance related items.

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies method on consolidation. Each market represented by Nordic and European entities measures and recognises insurance contracts using local accounting policies.

G27. Liabilities to policyholders, cont.

31 Dec 2017, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**19,124**	**3,606**	**14,240**	**460**	**252**	**3,528**	**41,210**
Gross premiums written	612	–	2,591	–	–	137	3,340
Transfers/reclassification[1]	–12,299	–1,179	–9,637	–44	–173	5	–23,327
Addition of interest/investment return	517	–	1,072	–	–	284	1,873
Claims and benefits	–1,262	–	–1,241	–16	–7	–271	–2,797
Expense loading including addition of expense bonus	–91	–	–95	–	–	–31	–217
Change in provisions/bonus potential	42	–121	79	26	6	–	32
Other	20	–	–47	–	–	–25	–52
Translation differences	–399	–57	–40	–4	–4	–146	–650
Provisions/bonus potentials, end of year	**6,264**	**2,249**	**6,922**	**422**	**74**	**3,481**	**19,412**
Provision relating to bonus schemes/ discretionary participation feature:	99%					72%	

1) EUR 23,316m is related to a reclassification to "Assets held for sale". See Note G42 for further information.

31 Dec 2016, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**19,081**	**3,229**	**12,236**	**395**	**249**	**3,517**	**38,707**
Gross premiums written	681	–	2,265	–	–	147	3,093
Transfers	–152	–	111	–	–	0	–41
Addition of interest/investment return	415	–	386	–	–	119	920
Claims and benefits	–1,368	–	–1,081	63	3	–282	–2,665
Expense loading including addition of expense bonus	–96	–	–90	–	–	–31	–217
Change in provisions/bonus potential	–152	404	–242	–	–2	0	8
Other	406	–	611	–	–	120	1,137
Translation differences	309	–27	44	2	2	–62	268
Provisions/bonus potentials, end of year	**19,124**	**3,606**	**14,240**	**460**	**252**	**3,528**	**41,210**
Provision relating to bonus schemes/ discretionary participation feature:	95%					75%	

Insurance risks

Insurance risk is described in the "Risk, Liquidity and Capital management" section of the Board of Directors' Report. Additional quantitative information is found below

Life insurance risk and market risks in the Life insurance operations, Sensitivites

	31 Dec 2017		31 Dec 2016	
EURm	Effect on policyholders liabilities[1]	Effect on Nordeas Equity[2]	Effect on policyholders liabilities[1]	Effect on Nordeas Equity[2]
Mortality – increased living with 1 year	23.4	–18.7	28.0	–21.5
Mortality – decreased living with 1 year	–0.5	0.4	–5.8	4.5
Disability – 10% increase	9.4	–7.5	12.3	–9.5
Disability – 10% decrease	–6.4	5.1	–8.5	6.5
50 bp increase in interest rates	–266.1	–2.9	–713.3	–3.2
50 bp decrease in interest rates	266.9	2.9	701.6	2.7
12% decrease in all share prices	–724.1	–1.3	–1,274.5	–2.6
8% decrease in property value	–106.3	–0.6	–204.6	–1.1
8% loss on counterparts	–4.7	0.0	–7.5	0.0

1) + (plus) indicates that policyholders liabilities increase.
2) – (minus) indicates that equity decrease.

G27. Liabilities to policyholders, cont.

Liabilities to policyholders divided in guarantee levels (technical interest rate)

31 Dec 2017, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	7,006	1,502	2,924	2,185	2,225	825	16,667

31 Dec 2016, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	14,341	2,373	8,966	3,518	4,041	3,653	36,892

Risk profiles on insurance

Product	Risk types	Material effect
Traditional	Mortality	Yes
	Disability	Yes
	Return guaranties	Yes
Unit-Link	Mortality	Yes
	Disability	Yes
	Return guaranties	No
Health and personal accident	Mortality	No
	Disability	Yes
	Return guaranties	No
Financial contract	Mortality	No
	Disability	No
	Return guaranties	Yes

G28. Debt securities in issue

EURm	31 Dec 2017	31 Dec 2016
Certificates of deposit	10,743	19,089
Commercial papers	24,441	17,805
Covered bonds	111,701	109,477
Other bonds	32,186	45,319
Other	43	60
Total	**179,114**	**191,750**

G29. Other liabilities

EURm	31 Dec 2017	31 Dec 2016
Liabilities on securities settlement proceeds	3,055	2,127
Sold, not held, securities	13,400	8,024
Accounts payable	161	195
Cash/margin payables	8,857	9,697
Other	3,042	4,370
Total	**28,515**	**24,413**

G30. Accrued expenses and prepaid income

EURm	31 Dec 2017	31 Dec 2016
Accrued interest	8	7
Other accrued expenses	1,357	1,468
Prepaid income	238	283
Total	**1,603**	**1,758**

G31. Provisions

EURm	31 Dec 2017	31 Dec 2016
Restructuring	225	223
Guarantees/commitments	91	71
Other	13	12
Total	**329**	**306**

Provisions for restructuring costs have been utilised by EUR 92m during 2017. The majority of the remaining restructuring provision was recognised in the fourth quarter 2017, and is related to the transformational change (EUR 77m remains from the opening balance). For further information see Board of Directors' report. Provisions are mainly expected to be used during 2018. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Loan loss provisions for individually assessed guarantees and other commitments amounts to EUR 91m. Other provision amounts to EUR 13m (EUR 11m expected to be settled 2018).

EURm	Restructuring	Guarantees/commitments	Other	Total
At beginning of year	223	71	12	306
New provisions made	148	92	7	247
Provisions utilised	–92	–9	–4	–105
Reversals	–56	–61	0	–117
Reclassifications	7	–	0	7
Translation differences	–5	–2	–2	–9
At end of year	**225**	**91**	**13**	**329**

G32. Retirement benefit obligations

EURm	31 Dec 2017	31 Dec 2016
Retirement benefit assets	250	306
Retirement benefit obligations	281	302
Net liability (–)/asset (+)	**–31**	**4**

Nordea sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 secures that the pension obligations net of plan assets backing these obligations are reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

The plans are structured in accordance with local regulations and legislations, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants, new employees are offered DCPs. DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation. In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held by a separate pension fund. In Finland Nordea is providing additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation. Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full or with a predefined surplus. Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are made to secure the level of future contributions.

Defined benefit plans may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumptions. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

Due to recent changes in Norwegian social security and pension legislation, on 25 October 2016 Nordea decided to amend the pension agreement with all employees in Norway born in 1958 or later from a defined benefit plan to a defined contribution plan. As the assumption about future salary increases has been removed, the change decreases the obligation. This led to an upfront gain in 2016 of EUR 86m including social charges.

IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on different actuarial assumptions.

Assumptions[1]

	Swe	Nor	Fin	Den	UK
2017					
Discount rate[2]	2.49%	2.60%	1.41%	1.70%	2.31%
Salary increase	2.75%	2.75%	1.75%	2.25%[3]	–
Inflation	1.75%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]
2016					
Discount rate[2]	2.67%	2.75%	1.50%	1.92%	2.14%
Salary increase	2.25%	2.75%	1.75%	2.25%[3]	–
Inflation	1.25%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	GAP07/I73	Gompertz	FSA	S2PMA-L/S2PFA[4]

1) The assumptions disclosed for 2017 have an impact on the liability calculation by year-end 2017, while the assumptions disclosed for 2016 are used for calculating the pension expense in 2017.
2) More information on the discount rate can be found in Note G1 "Accounting policies", section 22. The sensitivities to changes in the discount rate can be found below.
3) All pensions in Denmark are salary indexed. The inflation has hence no impact on the DBO.
4) With CMI_2016 projections in 2017 and with CMI_2015 projections in 2016.

Sensitivities – Impact on Defined Benefit Obligation (DBO)

%	Swe	Nor	Fin	Den	UK
Discount rate - Increase 50bps	–8.2%	–7.1%	–6.3%	–5.1%	–11.1%
Discount rate - Decrease 50bps	9.5%	8.0%	7.1%	5.6%	12.8%
Salary increase - Increase 50bps	3.2%	0.6%	0.4%	5.0%	–
Salary increase - Decrease 50bps	–2.2%	–0.5%	–0.4%	–4.7%	–
Inflation - Increase 50bps	8.1%	7.7%	6.4%	–	2.1%
Inflation - Decrease 50bps	–7.2%	–6.9%	–5.8%	–	–1.9%
Mortality - Increase 1 year	3.6%	1.2%	4.4%	5.4%	4.6%
Mortality - Decrease 1 year	–3.6%	–1.2%	–4.3%	–5.3%	–4.5%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it gives the possibility to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. Compared with the 2016 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

As all pensions in Denmark are salary indexed, the inflation has no impact on the DBO in Denmark.

G32. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2017	Nor 2017	Fin 2017	Den 2017	UK 2017	Total 2017	Total 2016
Obligations	1,704	764	776	101	109	3,454	3,434
Plan assets	1,634	666	865	127	131	3,423	3,438
Net liability(–)/asset(+)	**–70**	**–98**	**89**	**26**	**22**	**–31**	**4**
- of which retirement benefit liabilities	128	149	3	1	–	281	302
- of which retirement benefit assets	58	51	92	27	22	250	306

Movements in the obligation

EURm	Swe	Nor	Fin	Den	UK	Total
2017						
Opening balance	1,524	869	800	103	138	3,434
Current service cost	25	6	3	–	–	34
Interest cost	41	22	12	2	3	80
Pensions paid	–70	–35	–40	–6	–17	–168
Past service cost and settlements	14	–5	0	–	–	9
Remeasurement from changes in demographic assumptions	–	45	–	–	–5	40
Remeasurement from changes in financial assumptions	194	–70	10	4	–6	132
Remeasurement from experience adjustments	3	8	–9	–1	–	1
Translation differences	–52	–66	–	–1	–4	–123
Change in provision for SWT/SSC[2]	25	–10	–	–	0	15
Closing balance	**1,704**	**764**	**776**	**101**	**109**	**3,454**
- of which relates to the active population	27%	14%	15%	–	–	20%
2016						
Opening balance	1,421	843	764	100	143	3,271
Current service cost	23	16	3	–	–	42
Interest cost	43	24	16	3	3	89
Pensions paid	–71	–35	–38	–6	–5	–155
Past service cost and settlements[1]	3	–84	–2	–	–	–83
Remeasurement from changes in demographic assumptions	54	–	–	–	–	54
Remeasurement from changes in financial assumptions	93	41	69	7	18	228
Remeasurement from experience adjustments	1	15	–12	–1	–	3
Translation differences	–56	48	–	0	–21	–29
Change in provision for SWT/SSC[2]	13	1	–	–	–	14
Closing balance	**1,524**	**869**	**800**	**103**	**138**	**3,434**
- of which relates to the active population	27%	35%	14%	–	–	25%

1) Includes gain in Norway from transition to DCP.
2) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

The average duration of the obligation is 18 (16) years in Sweden, 15 (15) years in Norway, 15 (13) years in Finland, 11 (11) years in Denmark and 24 (23) years in UK based on discounted cash flows. The fact that all DBPs are closed for new entrants leads to lower duration. The increase in average duration during the year is due to changed assumptions.

G32. Retirement benefit obligations, cont.

Movements in the fair value of plan assets

EURm	Swe	Nor	Fin	Den	UK	Total
2017						
Opening balance	1,591	703	861	131	152	3,438
Interest income (calculated using the discount rate)	42	18	13	3	3	79
Pensions paid	–	–20	–40	–6	–17	–83
Contributions by employer	–	7	0	3	–	10
Remeasurement (actual return less interest income)	49	15	31	–4	–3	88
Translation differences	–48	–57	–	0	–4	–109
Closing balance	**1,634**	**666**	**865**	**127**	**131**	**3,423**
2016						
Opening balance	1,554	644	843	129	149	3,319
Interest income (calculated using the discount rate)	46	19	17	3	4	89
Pensions paid	–	–17	–38	–6	–5	–66
Settlements	–	–10	–	–	–	–10
Contributions by employer	6	24	1	–	2	33
Remeasurement (actual return less interest income)	44	7	38	5	25	119
Translation differences	–59	36	–	0	–23	–46
Closing balance	**1,591**	**703**	**861**	**131**	**152**	**3,438**

Asset composition

The combined return on assets in 2017 was 4.9% (6.3%). All asset classes generated positive return with equities as the main driver. At the end of the year the equity exposure in Nordea´s pension funds/foundations represented 28% (27%) of total assets.

The Group expects to contribute EUR 8m to its defined benefit plans in 2018.

Asset composition in funded schemes

%	Swe 2017	Nor 2017	Fin 2017	Den 2017	UK 2017	Total 2017	Total 2016
Bonds	**69%**	**52%**	**55%**	**86%**	**81%**	**63%**	**64%**
- sovereign	34%	31%	29%	35%	81%	34%	38%
- covered bonds	17%	9%	5%	50%	–	13%	10%
- corporate bonds	15%	10%	21%	–	–	15%	15%
- issued by Nordea entities	2%	1%	–	–	–	1%	1%
- with quoted market price in an active market	69%	52%	55%	86%	81%	63%	64%
Equity	**29%**	**31%**	**29%**	**13%**	**19%**	**28%**	**27%**
- domestic	7%	7%	7%	13%	6%	7%	7%
- European	8%	10%	7%	–	6%	8%	7%
- US	8%	9%	8%	–	6%	8%	8%
- emerging	5%	6%	6%	–	1%	5%	5%
- Nordea shares	1%	–	0%	–	–	0%	0%
- with quoted market price in an active market	29%	31%	29%	13%	19%	28%	27%
Real estate[1]	–	**15%**	**14%**	–	–	**7%**	**6%**
- occupied by Nordea	–	–	4%	–	–	1%	1%
Cash and cash equivalents	**2%**	**2%**	**2%**	**1%**	–	**2%**	**3%**

1) The geographical location of the real estate follows the geographical location of the relevant pension plan.

G32. Retirement benefit obligations, cont.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 51m (EUR –31m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G7 "Staff costs").

Recognised in the income statement

2017, EURm	Swe	Nor	Fin	Den	UK	Total
Current service cost	25	6	3	–	–	34
Net interest	–1	4	–1	–1	0	1
Past service cost and settlements	14	–5	0	–	–	9
SWT/SSC[1]	7	0	–	–	–	7
Pension cost on defined benefit plans (expense+/ income–)	**45**	**5**	**2**	**–1**	**0**	**51**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

2016, EURm	Swe	Nor	Fin	Den	UK	Total
Current service cost	23	16	3	–	–	42
Net interest	–3	5	–2	0	0	0
Past service cost and settlements[1]	3	–74	–2	–	–	–73
SWT/SSC[2]	7	–7	–	–	–	0
Pension cost on defined benefit plans (expense+/ income–)	**30**	**–60**	**–1**	**0**	**0**	**–31**

1) Past service cost 2016 includes the gain in Norway from transition to DCP.
2) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost 2016, excluding past service cost and related SWT and SSC, the pension cost has decreased in 2017 mainly as a consequence of the transition to DCP in Norway and change of actuarial assumptions at the end of 2016.

Recognised in other comprehensive income

2017, EURm	Swe	Nor	Fin	Den	UK	Total
Remeasurement from changes in demographic assumptions	–	45	–	–	–5	40
Remeasurement from changes in financial assumptions	194	–70	10	4	–6	132
Remeasurement from experience adjustments	3	8	–9	–1	–	1
Remeasurement of plan assets (actual return less interest income)	–49	–15	–31	4	3	–88
SWT/SSC[1]	36	–6	–	–	–	30
Pension cost on defined benefit plans (expense+/income–)	**184**	**–38**	**–30**	**7**	**–8**	**115**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

2016, EURm	Swe	Nor	Fin	Den	UK	Total
Remeasurement from changes in demographic assumptions	54	–	–	–	–	54
Remeasurement from changes in financial assumptions	93	41	69	7	18	228
Remeasurement from experience adjustments	1	15	–12	–1	–	3
Remeasurement of plan assets (actual return less interest income)	–44	–7	–39	–5	–24	–119
SWT/SSC[1]	25	14	–	–	–	39
Pension cost on defined benefit plans (expense+/income–)	**129**	**63**	**18**	**1**	**–6**	**205**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway. Includes the effect from changed assumption on SSC rate in Norway, increased from 14.1% to 19.1% in 2016.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The new AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Further, the new scheme allows the employees to continue working while receiving AFP without this affecting the pension rights. The plan is founded on the basis of a three party cooperation

G32. Retirement benefit obligations, cont.

between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense to the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms are paying to the plan is determined to be sufficient to cover on-going pension expenses as well as to provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2017 was 7.0% of the employees' wages below 7.1 average base amounts and 18.0% of the employees' wages above 7.1 average base amounts. Average base amounts are defined in the Norwegian National Insurance Act. The premium is calculated based on the average wages and base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2017 amount to EUR 15m. Payments to the plan during 2017 covered 2,475 employees. The premium rate for 2018 will be on the same level as for 2017. The expected premium in 2018 amounts to EUR 18m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. As a result the employer members have joint responsibility for two thirds of the payable pensions to the employees that at any given time meet the requirements for AFP. Any deficit or surplus on windup of the plan or entities' withdrawal from the plan will not have any impact on Nordea.

Key management personnel

The Group's total pension obligations regarding key management personnel amounted to EUR 7m (EUR 10m) at the end of the year. These obligations are to a high degree covered by plan assets. Defined benefit pension costs (Current service cost as well as Past service cost and settlements as defined in IAS 19) related to key management personnel in 2017 were EUR 2m (EUR 2m). Complete information concerning key management personnel is disclosed in Note G7 "Staff costs".

G33. Subordinated liabilities

EURm	31 Dec 2017	31 Dec 2016
Dated subordinated debenture loans	5,947	6,997
Undated subordinated debenture loans	242	272
Hybrid capital loans	2,798	3,190
Total	**8,987**	**10,459**

These debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before undated subordinated loans and hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

G34. Assets pledged as security for own liabilities

EURm	31 Dec 2017	31 Dec 2016
Assets pledged for own liabilities		
Securities etc[1]	25,881	16,416
Loans to the public	138,882	138,613
Other assets pledged	34,210	34,412
Total	**198,973**	**189,441**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	14,575	5,822
Deposits and borrowings from the public	5,646	7,047
Derivatives	8,978	13,928
Debt securities in issue	106,379	108,717
Other liabilities and commitments	24,408	22,436
Total	**159,986**	**157,950**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note G43 "Transferred assets and obtained collaterals".

Assets pledged for own liabilities contain securities pledged as security in repurchase agreements and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

Securities in the Life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other assets pledged relates to certificate of deposits pledged by Nordea to comply with authority requirements.

G35. Other Assets pledged

Other assets pledged are mainly related to securities which includes interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions (EUR 4,923m (EUR 8,310m)). The terms and conditions require day to day securities and relate to liquidity intraday/over night. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

G36. Contingent liabilities

EURm	31 Dec 2017	31 Dec 2016
Guarantees		
- Loan guarantees	4,443	5,018
- Other guarantees	12,892	16,016
Documentary credits	1,639	1,937
Other contingent liabilities	46	118
Total	**19,020**	**23,089**

In the normal business Nordea issues various forms of guarantees in favour of the Nordea's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank services and support the Nordea's customers. Guarantees and documentary credits are off-balance sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received. The table above includes all issued guarantees, also those where the possibility of an outflow of resources are considered to be remote.

Nordea has during the year received a dividend payment from Visa Sweden Förening ek. för. amounting to EUR 64m. This payment has been recognised as a decrease of "Investments in associated undertakings and joint ventures" on the balance sheet. Nordea can, if Visa Sweden Förening ek. för. so demands, be required to repay the full amount which will be followed by a reallocation between owners of Visa Sweden Förening ek. för. and a subsequent redistribution to Nordea. It is Nordeas's assessment that any reallocation would not have a significant impact on Nordea.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board members in group undertakings to Nordea Bank AB (publ), provided that such liability has arisen before 31 March 2017.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7 "Staff costs".

Legal proceedings

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

G37. Commitments

EURm	31 Dec 2017	31 Dec 2016
Unutilised overdraft facilities	29,956	30,703
Loan commitments	44,589	47,302
Future payment obligations	1,441	1,107
Other commitments	1,046	322
Total	**77,032**	**79,434**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2017 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2017. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about credit commitments, see Note G1 "Accounting policies", section 25, about derivatives, see Note G18 "Derivatives and Hedge accounting" and about reverse repos, see Note G43 "Transferred assets and obtained collaterals".

G38. Capital adequacy

Capital adequacy is a measure of the financial strength of a bank, usually expressed as a ratio of capital to assets. There is a worldwide capital adequacy standard (Basel III) drawn up by the Basel Committee on Banking Supervision. Within the EU, the capital adequacy requirements are outlined in the Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR).

CRD IV was implemented through national law within all EU countries during 2014, while the CRR entered into force in all EU countries on the 1 January 2014.

The Basel III framework is built on three Pillars:
- **Pillar I** – requirements for the calculation of REA and Capital
- **Pillar II** – rules for the Supervisory Review Evaluation Process (SREP) including the Internal Capital Adequacy Assessment Process (ICAAP)
- **Pillar III** – rules for the disclosure on risk and capital management, including capital adequacy

Nordea performs an ICAAP with the purpose to review the management, mitigation and measurement of material risks within the business environment in order to assess the adequacy of capitalisation and to determine an internal capital requirements reflecting the risks of the institution.

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective on a regular basis and on an ad-hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used.

Nordea's capital levels continue to be adequate to support the risks taken, both from an internal perspective as well as from the perspective of supervisors. Heading into 2018, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialogue with the supervisory authorities.

The disclosures in this note cover the Nordea Group as defined on page 144.

Own funds

Own funds is the sum of Tier 1 and Tier 2 capital. Tier 1 capital consists of both Common Equity Tier 1 (CET1) and additional Tier 1 capital.

Tier 1 capital

Tier 1 capital is the sum of common equity tier 1 capital and additional Tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbing characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend. Additional Tier 1 capital items consist of additional Tier 1 instruments and the related share premium.

Additional Tier 1 instruments

Additional Tier 1 instruments are subordinated capital instruments that rank senior only to share capital. CRR specifies the necessary characteristics required for inclusion in additional Tier 1 capital. The instruments are loss-absorbing from a going concern perspective as coupons can be cancelled at any time at the full discretion of the issuer and the principal will be written down if the Common Equity Tier 1 capital ratio would fall below a pre-defined trigger level. The instruments are perpetual and can only be repaid with the permission from the Swedish FSA and not earlier than five years after original issuance of the instrument. Additional Tier 1 instruments that fulfil the CRR requirements are fully included whereas remaining instruments are phased out according to transitional rules. During 2017, Nordea issued one additional Tier 1 instrument of EUR 750m. At year-end, Nordea held EUR 3.5bn in undated subordinated instruments.

Tier 2 capital

Tier 2 capital must be subordinated to depositors and general creditors of the bank. It cannot be secured or covered by a guarantee of the issuer or related entity or include any other arrangement that legally or economically enhances the seniority of the claim vis-á-vis depositors and other bank creditors.

Tier 2 instruments

Tier 2 instruments are subordinated instruments. The basic principle for subordinated instruments in own funds is the order of priority in case of a default or bankruptcy situation.

Under such conditions, the holder of the subordinated instrument would be repaid after other creditors, but before shareholders. Tier 2 instruments have an original maturity of at least five years. According to the regulation, Tier 2 instruments that fulfil the CRD IV requirements are fully included whereas remaining instruments are phased out according to transitional rules.

The inclusion of outstanding Tier 2 instruments in the Tier 2 capital is reduced if the remaining maturity is less than five years. As of year-end, Nordea held EUR 4.7bn in dated subordinated instruments and EUR 0.2bn in undated subordinated instruments.

The tables below shows the main features of outstanding-Common Equity Tier 1, additional Tier 1 and Tier 2 instruments.

G38. Capital adequacy, cont.

Common Equity Tier 1 capital: instruments and reserves

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
1	Capital instruments and the related share premium accounts	5,130	–
	of which: Share capital	4,050	–
2	Retained earnings	23,625	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–319	–
5	Minority interests (amount allowed in consolidated CET1)	–	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	661	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments[1]**	**29,097**	–
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–244	–
8	Intangible assets (net of related tax liability) (negative amount)	–3,835	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where conditions in Article 38 (3) are met) (negative amount)	–0	–
11	Fair value reserves related to gains or losses on cash flow hedges	46	–
12	Negative amounts resulting from the calculation of expected loss amounts	–291	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–73	–
15	Defined-benefit pension fund assets (negative amount)	–152	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–32	–
25	of which: deferred tax assets arising from temporary differences	–	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	217
	Of which: ... filter for unrealised loss 1	–	39
	Of which: ... filter for unrealised gain 1	–	177
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–4,581**	–
29	**Common Equity Tier 1 (CET1) capital**	**24,515**	–
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,806	–
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	722	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments[1]**	**3,528**	–
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–35	–
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–	–
	Of which shortfall	–	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–35**	–
44	**Additional Tier 1 (AT1) capital**	**3,493**	–
45	**Tier 1 capital (T1 = CET1 + AT1)**	**28,008**	–
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	4,669	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	241	–
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	–	–

G38. Capital adequacy, cont.

Common Equity Tier 1 capital: instruments and reserves, cont.

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
49	of which: instruments issued by subsidiaries subject to phase out	–	–
50	**Credit risk adjustments**	**95**	–
51	**Tier 2 (T2) capital before regulatory adjustments**[1]	**5,005**	–
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	−61	–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	−1,205	–
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–	–
	Of which shortfall	–	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**−1,266**	–
58	**Tier 2 (T2) capital**	**3,739**	–
59	**Total capital (TC = T1 + T2)**	**31,747**	–
60	**Total risk weighted assets**	**125,779**	–
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	19.5%	–
62	Tier 1 (as a percentage of risk exposure amount)	22.3%	–
63	Total capital (as a percentage of risk exposure amount)	25.2%	–
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G–SII or O–SII buffer), expressed as a percentage of risk exposure amount)	6.3%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.8%	–
67	of which: systemic risk buffer requirement	3.0%	–
67a	of which: Global Systemically Important Institution (G–SII) or Other Systemically Important Institution (O–SII) buffer	2.0%	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	15.0%	–
Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	211	–
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	946	–
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	–	–
Applicable caps to the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	95	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	533	–
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
82	Current cap on AT1 instruments subject to phase out arrangements	788	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
84	Current cap on T2 instruments subject to phase out arrangements	443	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–

1) Prior to deduction of direct holdings.

G38. Capital adequacy, cont.

Minimum capital requirement and REA

EURm	31 Dec 2017 Minimum Capital requirement	31 Dec 2017 REA	31 Dec 2016 Minimum Capital requirement	31 Dec 2016 REA
Credit risk	**8,219**	**102,743**	**8,601**	**107,512**
- of which counterparty credit risk	488	6,096	759	9,489
IRB	7,104	88,808	7,517	93,958
- sovereign	149	1,869	–	–
- corporate	4,560	57,004	4,977	62,212
- advanced	3,774	47,173	3,887	48,585
- foundation	786	9,831	1,090	13,627
- institutions	493	6,163	572	7,144
- retail	1,671	20,888	1,755	21,933
- secured by immovable property collateral	934	11,678	1,001	12,505
- other retail	737	9,210	754	9,428
- items representing securitisation positions	68	850	66	828
- other	163	2,034	147	1,841
Standardised	1,115	13,935	1,084	13,554
- central governments or central banks	22	281	26	320
- regional governments or local authorities	1	7	21	266
- public sector entities	0	3	3	39
- multilateral development banks	–	–	2	32
- international organisations	–	–	–	–
- institutions	14	171	40	498
- corporate	261	3,264	173	2,159
- retail	258	3,225	258	3,223
- secured by mortgages on immovable properties	197	2,458	229	2,863
- in default	47	592	9	114
- associated with particularly high risk	60	754	56	701
- covered bonds	–	–	–	–
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	208	2,598	221	2,760
- other items	47	582	46	579
Credit Value Adjustment Risk	**96**	**1,207**	**144**	**1,798**
Market risk	**282**	**3,520**	**358**	**4,474**
- trading book, Internal Approach	196	2,444	236	2,942
- trading book, Standardised Approach	86	1,076	74	928
- banking book, Standardised Approach	–	–	48	604
Operational risk	**1,345**	**16,809**	**1,350**	**16,873**
Standardised	1,345	16,809	1,350	16,873
Additional risk exposure amount, Article 3 CRR	**120**	**1,500**	**200**	**2,500**
Sub total	**10,062**	**125,779**	**10,653**	**133,157**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	6,132	76,645	6,612	82,655
Total	**16,194**	**202,424**	**17,265**	**215,812**

G38. Capital adequacy, cont.

Leverage ratio

	31 Dec 2017	31 Dec 2016
Tier 1 capital, transitional definition, EURm[1]	28,008	27.555
Leverage ratio exposure, EURm	538,338	555.688
Leverage ratio, percentage	5.2	5.0

1) Including profit for the period.

Capital requirements for market risk

	Trading book, IA		Trading book, SA		Banking book, SA		Total	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	557	45	918	73	–	–	1,475	118
Equity risk	150	12	109	9	–	–	259	21
Foreign exchange risk	281	23	–	–	–	–	281	23
Commodity risk	–	–	49	4	–	–	49	4
Settlement risk	–	–	0	0	–	–	0	0
Diversification effect	–475	–38	–	–	–	–	–475	–38
Stressed Value-at-Risk	1,043	83	–	–	–	–	1,043	83
Incremental Risk Measure	477	38	–	–	–	–	477	38
Comprehensive Risk Measure	411	33	–	–	–	–	411	33
Total	**2,444**	**196**	**1,076**	**86**	**–**	**–**	**3,520**	**282**

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

Nordea may transfer capital within its legal entities without material restrictions, subject to the general conditions for entities considered solvent with sufficient liquidity under local law and satisfying minimum capital adequacy requirements. International transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance in governing the capital position of Nordea's entities. Such approval has to be applied and authorised by the local FSA for internal subordinated loans as prescribed by Article 77 in the CRR.

Table A3–A5 include disclosure of capital instruments' main features in accordance with §6.4 in FFFS 2014:18 and using the template in Annex II in article 3 in Commission implementing regulation (EU) No 1423/2013. Template items are excluded if not applicable.

Table A3 – Capital instruments' main features template – CET1

Common equity Tier 1 capital		
1	Issuer	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000427361
3	Governing law(s) of the instrument	Swedish
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
Coupons/dividends		
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

G38. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

	Additional Tier 1 instrument									
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947	XS1725580465
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
	Regulatory treatment									
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/ (sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 148m	EUR 74m	EUR 831m	EUR 414m	EUR 228m	EUR 127m	EUR 457m	EUR 750m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 148m	JPY 10,000m / EUR 74m	USD 1,000m / EUR 834m	USD 500m / EUR 417m	SEK 2,250m / EUR 229m	NOK 1,250m / EUR 127m	USD 550m / EUR 459m	EUR 750m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Equity
11	Original date of issuance	17-Sep-2004	04-Mar-2005	12-Oct-2005	23-Sep-2014	23-Sep-2014	12-Mar-2015	12-Mar-2015	12-Mar-2015	28-Nov-2017
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17-Sep-2009 In addition tax/ regulatory call 100 per cent of nominal amount	4-Mar-2035 In addition tax/ regulatory call 100 per cent of nominal amount	12-Oct-2035 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2019 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2024 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	13-Sep-2021 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2025 In addition tax/ regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17-Mar and 17-Sep each year after first call date	4-Mar and 4-Sep each year after first call date	12-Apr and 12-Oct each year after first call date	23-Mar and 23-Sep each year after first call date	23-Mar and 23-Sep each year after first call date	12-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	12-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	13-Sep each year after first call date	12-Mar each year after first call date
	Coupons/dividends									
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	Fixed	Fixed

G38. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1, cont

Additional Tier 1 instrument										
18	Coupon rate and any related index	Floating 10-year CMS +0.05 per cent per annum subject to 8 per cent cap	Fixed USD 3.75 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.22 per cent per annum	Fixed USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.40 per cent per annum	Fixed 5.50 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.388 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month NIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.244 per cent per annum	Fixed 3.5 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.003 per cent per annum
19	Existence of a dividend stopper	Yes	Yes	Yes	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	To avoid liquidation	To avoid liquidation	To avoid liquidation	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32	If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Shareholders resolution regarding reconversion and reinstatement made out of available distributable funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	Yes	No	No	No	No	No	No
37	If yes, specify non-compliant features	No specified trigger level, dividend stopper	No specified trigger level, step-up, dividend stopper	No specified trigger level, step-up, dividend stopper	N/A	N/A	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2

Tier 2 instruments							
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	GB0001961928	N/A	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	US65557FAD87/ US65557HAD44
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Norwegian law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
Regulatory treatment							
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.5	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.5	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 167m	EUR 74m	EUR 446m (44.6 per cent of Nominal amount, <5 yrs to maturity)	EUR 485m (64.7 per cent of Nominal amount, <5 yrs to maturity)	EUR 699m (67.1 per cent of Nominal amount, <5 yrs to maturity)	EUR 783m (93.9 per cent of Nominal amount, <5 yrs to maturity)
9	Nominal amount of instrument	USD 200m / EUR 167m	JPY 10,000m / EUR 74m	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,042m	USD 1,000m / EUR 834m
9a	Issue price	100 per cent	100 per cent	99.810 per cent	99.699 per cent	99.508 per cent	99.364 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	04-Nov-1986	22-Aug-2001	26-Mar-2010	29-Sep-2010	13-May-2011	21-Sep-2012
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity	No maturity	26-Mar-2020	29-Mar-2021	13-May-2021	21-Sep-2022
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	18-Nov-1991 In addition tax call 100 per cent of nominal amount	26-Feb-2029 In addition tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	18-May and 18-Nov each year after first call date	26-Feb and 26-Aug each year after first call date	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

Tier 2 instruments						
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1292434146	XS1292433767	N/A	XS1317439559	XS1486520403
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 173m	EUR 233m	EUR 111m	EUR 746m	EUR 993m
9	Nominal amount of instrument	SEK 1,700m / EUR 173m	SEK 2,300m / EUR 234m	JPY 15,000m / EUR 111m	EUR 750m	EUR 1,000m
9a	Issue price	100 per cent	100 per cent	100 per cent	99.434 per cent	99.391 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	17-Sep-2015	17-Sep-2015	06-Oct-2015	10-Nov-2015	07-Sep-2016
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	17-Sep-2025	17-Sep-2025	06-Oct-2025	10-Nov-2025	07-Sep-2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10-Nov-2020 In addition tax/regulatory call 100 per cent of nominal amount	07-Sep-2021 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17-Mar, 17-Jun, 17-Sep and 17-Dec each year after first call date	17-Sep each year after first call date	N/A	10-Nov each year after first call date	7-Sep each year after first call date

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

Tier 2 instruments							
Coupons/dividends							
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 6-month USD +0.1875 per cent per annum	Fixed USD 4.51 per cent per annum to call date, thereafter floating rate equivalent to 6-month JPY Deposit +2.00 per cent per annum	4.50%	4.00%	4.875%	4.250%
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend pusher	Partially discretionary Dividend pusher	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	Yes	Yes	No	No	No	No
37	If yes, specify non-compliant features	No explicit language requesting FSA approval for redemption	Step-up	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

Tier 2 instruments						
Coupons/dividends						
17	Fixed or floating dividend / coupon	Floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.5 per cent per annum	1.160%	Fixed 1.875 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.7 per cent per annum	Fixed 1.00 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.25 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

Specification of group undertakings 31 December 2017

Owner	Company name	Voting power of holding, %	Domicile	Accounting Consolidation method
Nordea Bank AB (publ)	**Nordea Finance Finland Ltd**	**100**	**Finland**	**Acquisition method**
	Nordea Mortgage Bank Plc	100	Finland	Acquisition method
	Nordea Funds Ltd	100	Finland	Acquisition method
	Automatia Pankkiautomaatit Oy	33	Finland	Equity method
Nordea Finance Finland Ltd	Tukirahoitus Oy	100	Finland	Acquisition method
Nordea Bank AB (publ)	**Nordea Eiendomskreditt AS**	**100**	**Norway**	**Acquisition method**
	Nordea Finans Norge AS	100	Norway	Acquisition method
	Eksportfinans ASA	23	Norway	Equity method
	Nordea Utvikling AS	100	Norway	Acquisition method
Nordea Utvikling AS	Tomteutvikling Norge AS	100	Norway	Acquisition method
Nordea Bank AB (publ)	**Nordea Finans Danmark A/S**	**100**	**Denmark**	**Acquisition method**
	Nordea Kredit Realkreditaktieselskab	100	Denmark	Acquisition method
	LR-Realkredit A/S	39	Denmark	Equity method
	Fionia Asset Company A/S	100	Denmark	Acquisition method

G38. Capital adequacy, cont.

Owner	Company name	Voting power of holding, %	Domicile	Accounting Consolidation method
Nordea Finans Danmark A/S	BH Finance K/S	100	Denmark	Acquisition method
	NAMIT 10 K/S	100	Denmark	Acquisition method
	UL Transfer ApS	100	Denmark	Acquisition method
	DT Finance K/S	100	Denmark	Acquisition method
	Tide Leasing 2012 K/S	100	Denmark	Acquisition method
	BAAS 2012 K/S	100	Denmark	Acquisition method
Fiona Asset Company A/S	Ejendomsselskabet Vestre Stationsvej 7, Odense A/S	100	Denmark	Acquisition method
Nordea Bank AB (publ)	**LLC Promyshlennaya Kompaniya Vestkon**	**100**	**Russia**	**Acquisition method**
Promyshlennaya Kompaniya Vestkon / Nordea Bank AB (publ)	Joint Stock Company Nordea Bank	100	Russia	Acquisition method
Joint Stock Company Nordea Bank	Nordea Leasing LLC	100	Russia	Acquisition method
Nordea Bank AB (publ)	**Nordea Hypotek AB (publ)**	**100**	**Sweden**	**Acquisition method**
	Nordea Finans Sverige AB (publ)	100	Sweden	Acquisition method
	Nordea Asset Management Holding AB	100	Sweden	Acquisition method
	Bankomat AB	20	Sweden	Equity method
	Getswish AB	20	Sweden	Equity method
	Luminor Group AB	49.9	Sweden	Equity method
Nordea Asset Management Holding AB	Nordea Investment Management AB	100	Sweden	Acquisition method
	Nordea Investment Funds S.A.	100	Luxembourg	Acquisition method
Nordea Investment Management AB	Nordea Investment Management North America Inc	100	USA	Acquisition method
	Nordea Investment Management AG	100	Germany	Acquisition method
Nordea Finans Sweden, Finland, Norway and Denmark	NF Techfleet AB	20	Sweden	Equity method
Nordea Bank AB (publ)	**Nordea Bank S.A.**	**100**	**Luxembourg**	**Acquisition method**

G39. Classification of financial instruments

Assets

31 Dec 2017, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associated undertakings / joint ventures	Assets held for sale	Total
Cash and balances with central banks	43,081	–	–	–	–	–	–	–	43,081
Loans to central banks	4,487	–	309	–	–	–	–	–	4,796
Loans to credit institutions	6,768	–	1,824	–	–	–	–	–	8,592
Loans to the public	235,525	–	21,852	52,781	–	–	–	–	310,158
Interest-bearing securities	–	3,093	27,825	8,034	–	36,342	–	–	75,294
Financial instruments pledged as collateral	–	–	6,489	–	–	–	–	–	6,489
Shares	–	–	5,254	11,926	–	–	–	–	17,180
Assets in pooled schemes and unit-linked investment contracts	–	–	–	25,728	–	–	151	–	25,879
Derivatives	–	–	44,415	–	1,696	–	–	–	46,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk	163	–	–	–	–	–	–	–	163
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	1,235	–	1,235
Intangible assets	–	–	–	–	–	–	3,983	–	3,983
Properties and equipment	–	–	–	–	–	–	624	–	624
Investment properties	–	–	–	–	–	–	1,448	–	1,448
Deferred tax assets	–	–	–	–	–	–	118	–	118
Current tax assets	–	–	–	–	–	–	121	–	121
Retirement benefit assets	–	–	–	–	–	–	250	–	250
Other assets	1,523	–	10,272	–	–	–	646	–	12,441
Prepaid expenses and accrued income	999	–	–	–	–	–	464	–	1,463
Assets held for sale	–	–	–	–	–	–	–	22,186	22,186
Total	**292,546**	**3,093**	**118,240**	**98,469**	**1,696**	**36,342**	**9,040**	**22,186**	**581,612**

Liabilities

31 Dec 2017, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Liabilities held for sale	Total
Deposits by credit institutions	5,905	–	–	34,078	–	–	39,983
Deposits and borrowings from the public	9,075	29	–	163,330	–	–	172,434
Deposits in pooled schemes and unit-linked investment contracts	–	26,333	–	–	–	–	26,333
Liabilities to policyholders	–	3,486	–	–	15,926	–	19,412
Debt securities in issue[1]		56,603	–	122,511	–	–	179,114
Derivatives[1]	41,607	–	1,106	–	–	–	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	1,450	–	–	1,450
Current tax liabilities	–	–	–	–	389	–	389
Other liabilities	24,421	–	–	2,833	1,261	–	28,515
Accrued expenses and prepaid income	–	–	–	246	1,357	–	1,603
Deferred tax liabilities	–	–	–	–	722	–	722
Provisions	–	–	–	–	329	–	329
Retirement benefit liabilities	–	–	–	–	281	–	281
Subordinated liabilities	–	–	–	8,987	–	–	8,987
Liabilities held for sale	–	–	–	–	–	26,031	26,031
Total	**81,008**	**86,451**	**1,106**	**333,435**	**20,265**	**26,031**	**548,296**

1) During the year Nordea has reclassified issued structured bonds classified as Debt securities in issue on the balance sheet of EUR 4,986m from Held for trading to Designated at fair value through profit or loss within Financial liabilities at fair value through profit or loss. The reclassification has been made in order to better reflect the purpose of the instruments. There is no change in measurement. As from 2017 embedded derivatives are presented together with the host bonds as Debt securities in issue.

G39. Classification of financial instruments, cont.

Assets

			Financial assets at fair value through profit or loss						
31 Dec 2016, EURm	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associated undertakings / joint ventures	Assets held for sale	Total
Cash and balances with central banks	32,099	–	–	–	–	–	–	–	32,099
Loans to central banks	11,135	–	100	–	–	–	–	–	11,235
Loans to credit institutions	6,371	–	2,655	–	–	–	–	–	9,026
Loans to the public	241,341	–	23,712	52,636	–	–	–	–	317,689
Interest-bearing securities	–	3,095	34,842	17,469	–	32,295	–	–	87,701
Financial instruments pledged as collateral	–	–	5,108	–	–	–	–	–	5,108
Shares	–	–	1,904	19,620	–	–	–	–	21,524
Assets in pooled schemes and unit-linked investment contracts	–	–	–	22,963	–	–	139	–	23,102
Derivatives	–	–	67,438	–	2,521	–	–	–	69,959
Fair value changes of the hedged items in portfolio hedge of interest rate risk	178	–	–	–	–	–	–	–	178
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	588	–	588
Intangible assets	–	–	–	–	–	–	3,792	–	3,792
Properties and equipment	–	–	–	–	–	–	566	–	566
Investment properties	–	–	–	–	–	–	3,119	–	3,119
Deferred tax assets	–	–	–	–	–	–	60	–	60
Current tax assets	–	–	–	–	–	–	288	–	288
Retirement benefit assets	–	–	–	–	–	–	306	–	306
Other assets	2,833	–	15,153	–	–	–	987	–	18,973
Prepaid expenses and accrued income	966	–	–	–	–	–	483	–	1,449
Assets held for sale	–	–	–	–	–	–	–	8,897	8,897
Total	**294,923**	**3,095**	**150,912**	**112,688**	**2,521**	**32,295**	**10,328**	**8,897**	**615,659**

Liabilities

	Financial liabilities at fair value through profit or loss						
31 Dec 2016, EURm	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Liabilities held for sale	Total
Deposits by credit institutions	8,145	53	–	29,938	–	–	38,136
Deposits and borrowings from the public	5,985	2,022	–	166,021	–	–	174,028
Deposits in pooled schemes and unit-linked investment contracts	–	23,580	–	–	–	–	23,580
Liabilities to policyholders	–	3,527	–	–	37,683	–	41,210
Debt securities in issue	6,340	48,849	–	136,561	–	–	191,750
Derivatives	66,995	–	1,641	–	–	–	68,636
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	2,466	–	–	2,466
Current tax liabilities	–	–	–	–	487	–	487
Other liabilities	17,721	–	–	4,678	2,014	–	24,413
Accrued expenses and prepaid income	–	–	–	290	1,468	–	1,758
Deferred tax liabilities	–	–	–	–	830	–	830
Provisions	–	–	–	–	306	–	306
Retirement benefit liabilities	–	–	–	–	302	–	302
Subordinated liabilities	–	–	–	10,459	–	–	10,459
Liabilities held for sale	–	–	–	–	–	4,888	4,888
Total	**105,186**	**78,031**	**1,641**	**350,413**	**43,090**	**4,888**	**583,249**

G39. Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2017	31 Dec 2016
Carrying amount	52,781	52,636
Maximum exposure to credit risk	52,781	52,636
Carrying amount of credit derivatives used to mitigate the credit risk	–	–

Financial assets and liabilities designated at fair value through profit or loss

Changes in fair values of financial liabilities attributable to changes in credit risk

The financial liabilities designated at fair value through profit or loss exposed to changes in credit risk are issued bonds in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 51,616m (EUR 48,849m), the funding of the Markets operation, EUR 5,016m (EUR 2,075m) deposits linked to the investment return of separate assets, EUR 4,317m (EUR 4,340m) and investment contracts and pooled schemes in Life, EUR 25,502m (EUR 22,767m). The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant. The value of the investment contracts in Life and assets linked deposits is directly linked to the assets in the contracts and there is consequently no effect from changes in own credit risk in these contracts.

The fair value of bonds issued by Nordea Kredit Realkreditaktieselskab increased by EUR 78m (decreased EUR 119m) in 2017 due to changes in own credit risk. The cumulative change since designation is a decrease of EUR 496m (decrease EUR 574m). The method used to estimate the amount of changes in fair value attributable to changes in market conditions is based on relevant benchmark interest rates, which are the average yields on Danish and German (EUR) government bonds.

For the issued mortgage bonds a change in the liability's credit risk and price will have a corresponding effect on the value of the loans. The reason is that a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loan.

Changes in fair values of financial assets attributable to changes in credit risk

Lending designated at fair value through profit or loss exposed to changes in credit risk consist of lending in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 52,641m (EUR 52,501m) and lending in the Markets operation, EUR 140m (EUR 135m). The fair value of lending in Nordea Kredit Realkreditaktieselskab increased by EUR 22m (increased EUR 24m) in 2017 due to changes in credit risk. The cumulative change since designation is a decrease of EUR 125m (decrease EUR 148m). The method used to estimate the amount of change in the fair value attributable to changes in credit risk is similar to the incurred loss impairment model for amortised cost assets under IAS 39. The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant. Also instruments classified as "Other assets" and "Prepaid expenses and accrued income" are of such a short-term nature that the impact from changes in credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

EURm	Carrying amount	Amount to be paid at maturity
2017		
Financial liabilities designated at fair value through profit or loss	86,451	99,567
2016		
Financial liabilities designated at fair value through profit or loss	78,031	76,699

Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. The amount disclosed to be paid at maturity has been set to the carrying amount.

G40. Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2017		31 Dec 2016	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	43,081	43,081	32,099	32,099
Loans	323,709	325,372	338,128	337,442
Interest-bearing securities	75,294	75,473	87,701	87,892
Financial instruments pledged as collateral	6,489	6,489	5,108	5,108
Shares	17,180	17,180	21,524	21,524
Assets in pooled schemes and unit-linked investment contracts	25,728	25,728	22,963	22,963
Derivatives	46,111	46,111	69,959	69,959
Other assets	11,795	11,795	17,986	17,986
Prepaid expenses and accrued income	999	999	966	966
Total	**550,386**	**552,228**	**596,434**	**595,939**
Financial liabilities				
Deposits and debt instruments	401,968	403,488	416,839	417,528
Deposits in pooled schemes and unit-linked investment contracts	26,333	26,333	3,527	3,527
Liabilities to policyholders	3,486	3,486	23,580	23,580
Derivatives	42,713	42,713	68,636	68,636
Other liabilities	27,254	27,254	22,399	22,399
Accrued expenses and prepaid income	246	246	290	290
Total	**502,000**	**503,520**	**535,271**	**535,960**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet" below.

G40. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet
Categorisation into the fair value hierarchy

31 Dec 2017, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	309	–	–	–	309
Loans to credit institutions	–	–	1,824	–	–	–	1,824
Loans to the public	–	–	74,633	–	–	–	74,633
Interest-bearing securities[2]	27,889	3,469	50,633	4,555	168	5	78,690
Shares	13,629	8,986	1,967	1,965	1,584	927	17,180
Assets in pooled schemes and unit-linked investment contracts	24,016	20,120	1,521	1,521	342	342	25,879
Derivatives	56	–	44,544	242	1,511	–	46,111
Investment properties	–	–	–	–	1,448	1,437	1,448
Other assets	–	–	10,272	–	–	–	10,272
Total	**65,590**	**32,575**	**185,703**	**8,283**	**5,053**	**2,711**	**256,346**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	5,905	14	–	–	5,905
Deposits and borrowings from the public	–	–	9,104	–	–	–	9,104
Deposits in pooled schemes and unit-linked investment contracts	–	–	26,333	22,016	–	–	26,333
Liabilities to policyholders	–	–	3,486	3,486	–	–	3,486
Debt securities in issue	18,004	–	34,590	–	4,009	–	56,603
Derivatives	41	–	41,614	3	1,058	–	42,713
Other liabilities	8,701	–	15,720	–	–	–	24,421
Total	**26,746**	**–**	**136,752**	**25,519**	**5,067**	**–**	**168,565**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 6,489m relates to the balance sheet item Financial instruments pledged as collateral.

G40. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet
Categorisation into the fair value hierarchy

31 Dec 2016, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	100	–	–	–	100
Loans to credit institutions	–	–	2,655	–	–	–	2,655
Loans to the public	–	–	76,348	–	–	–	76,348
Interest-bearing securities[2]	51,384	12,376	38,120	6,231	210	38	89,714
Shares	17,278	15,904	461	431	3,785	3,185	21,524
Assets in pooled schemes and unit-linked investment contracts	21,314	17,409	1,633	1,633	155	155	23,102
Derivatives	69	–	68,207	807	1,683	–	69,959
Investment properties	–	–	–	–	3,119	3,104	3,119
Other assets	–	–	15,153	83	–	–	15,153
Total	**90,045**	**45,689**	**202,677**	**9,185**	**8,952**	**6,482**	**301,674**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	8,198	996	–	–	8,198
Deposits and borrowings from the public	–	–	8,007	–	–	–	8,007
Deposits in pooled schemes and unit-linked investment contracts	–	–	23,580	19,240	–	–	23,580
Liabilities to policyholders	–	–	3,527	3,527	–	–	3,527
Debt securities in issue[3]	48,849	–	6,340	–	–	–	55,189
Derivatives[3]	95	8	67,258	805	1,283	–	68,636
Other liabilities	6,473	–	11,248	83	–	–	17,721
Total	**55,417**	**8**	**128,158**	**24,651**	**1,283**	**–**	**184,858**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 5,108m relates to the balance sheet item Financial instruments pledged as collateral.
3) For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as Debt securities in issue and the embedded derivative as Derivatives. The total fair value of the structured bonds is EUR 6,371m, of which EUR 6,404m is categorised into Level 2 and a net negative fair value of EUR 33m into Level 3 in the fair value hierarchy.

Determination of fair value for items measured at fair value on the balance sheet

Fair value measurements of assets and liabilities carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. This category includes listed derivatives, listed equities, government bonds in developed countries, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date and where any unobservable inputs have had an insignificant impact on the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/lent and other instruments where active markets supply the input to the valuation techniques or models.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds, hedge funds, investment properties, more complex OTC derivatives where unobservable input have a significant impact on the fair values, certain complex or structured financial instruments and illiquid interest bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific parameters.

All valuation models, both complex and simple models, make use of market parameters. These parameters comprise interest rates, volatilities, correlations etc. Some of these parameters are observable while others are not. For most non-exotic currencies the interest rates are all observable, and the volatilities and the correlations of the interest rates and FX rates are observable up to a certain maturity. Volatilities and correlations are also observable for the most liquid equity instruments in the short end. For less liquid equity instruments the option market is fairly illiquid, and hence the volatilities and correlations are unobservable. For each instrument the

G40. Assets and liabilities at fair value, cont.

sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised as Level 3 in the fair value hierarchy.

For interest-bearing securities the categorisation into the three levels is based on the internal pricing methodology. These instruments can either be directly quoted in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). Level 3 bonds are characterised by illiquidity.

For OTC derivatives valuation models are used for establishing fair value. For vanilla derivatives standard models such as Black-Scholes are used for valuation. For more exotic OTC derivatives, more complex valuation models are used. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model parameters are observable in active markets.

Valuations of Private Equity Funds (PEF) and unlisted equity instruments are by nature more uncertain than valuations of more actively traded equity instruments. Emphasis is put on using a consistent approach across all assets and over time. The methods used are consistent with the guideline "International Private Equity and Venture Capital Valuation Guidelines" issued by Invest Europe (formerly known as EVCA). The Invest Europe guidelines are considered as best practice in the PEF industry. For US based funds, similar methods are applied.

Nordea furthermore holds loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage finance law, Nordea at the same time issues debt securities with matching terms, so called "match funding". Fair value of the issued debt securities is based on quoted prices. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower. The credit risk adjustment is calculated based on an incurred loss model.

Fair value of financial assets and liabilities is generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment.

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value of the counterparty´s credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis. Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, probabilities of defaults (PDs) and recovery rates are sourced from the CDS markets. For counterparties where this information is not directly available, PDs and recovery rates are estimated using a cross sectional approach where the illiquid counterparties are mapped to comparable liquid CDS names.

The impact of funding costs and funding benefits on valuation of uncollateralised and imperfectly collateralised derivatives is recognised as a funding fair valuation adjustment (FFVA). When calculating FFVA, Nordea uses an estimated funding curve which reflects the market cost of funding.

Another important part of the portfolio adjustments serves to adjust the net open market risk exposures from mid-prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation. Spreads are updated on a regular basis.

Significant changes to valuation methodologies during the year relate mainly to changes to the CVA/DVA methodology including modelling of the joint probability of default for highly correlated counterparts and a development of the FFVA methodology to better reflect the market price of funding.

The fair value measurement of the investment properties takes into account a market participant´s ability to generate economic benefits by using the investment properties in its highest and best use, i.e. taking into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The current use of the investment properties in Nordea is in accordance with the highest and best use. The valuation of the investment properties is carried out taking into account the purpose and the nature of the property by using the most appropriate valuation methods. The primary valuation approach is a discounted cash flow model using current cash flows, market interest rates and the current yield requirements.

Transfers between Level 1 and 2

During the year, Nordea transferred debt securities in issue of EUR 33,613m and interest-bearing securities of EUR 1,046m from Level 1 to Level 2 of the fair value hierarchy. The reason for the reclassification is an alignment of the classification processes for the government bonds and mortgage bonds across different business areas within Nordea.

During the year, Nordea also transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 2,129m (EUR 674m) from Level 1 to Level 2 and EUR 1,937m (EUR 191m) from Level 2 to Level 1 of the fair value hierarchy. Nordea has also transferred derivative assets of EUR 24m (EUR 36m) and derivatives liabilities of EUR 14m (EUR 44m) from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the year and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the year.

G40. Assets and liabilities at fair value, cont.

Movements in Level 3

2017, EURm	1 Jan 2017	Fair value gains/ losses recognised in the income statement during the year: Realised	Fair value gains/ losses recognised in the income statement during the year: Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Translation differences	31 Dec 2017
Interest-bearing securities	210	1	7	–	28	–24	–1	–	–32	–20	–1	168
- of which Life	38	–	–	–	20	–	–	–	–32	–20	–1	5
Shares	3,785	9	–78	2	878	–692	–39	243	–47	–2,449	–28	1,584
- of which Life	3,185	7	–141	–	711	–521	–38	243	–47	–2,449	–23	927
Assets in pooled schemes and unit-linked investment contracts	155	–	6	–	37	–2	–2	152	–4	–	–	342
- of which Life	155	–	6	–	37	–2	–2	152	–4	–	–	342
Derivatives (net)	400	–152	–45	–	–	–	152	98	–1	–	1	453
Investment properties	3,119	–4	–7		425	–148			–6	–1,879	–52	1,448
- of which Life	3,104		–6		420	–145			–6	–1,879	–51	1,437
Debt securities in issue	–	–	–	–	–	–	–	4,009	–	–	–	4,009

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data was no longer avaliable. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note G5). Assets and liabilities related to derivatives are presented net. As from 2017 embedded derivatives in issued structured bonds are presented together with the host bonds as Debt securities in issue. The combined instruments are generally classified as Level 3. Up unil 2016 the host bonds and embedded derivatives were presented separately on the balance sheet and in the fair value hierachy the host bonds in Level 2 and embedded derivatives generally in Level 3. The change in classification of the host bonds is presented as a transfer into Level 3.

2016, EURm	1 Jan 2016	Fair value gains/ losses recognised in the income statement during the year: Realised	Fair value gains/ losses recognised in the income statement during the year: Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Translation differences	31 Dec 2016
Interest-bearing securities	250	1	–18	–	4	–5	–1	1	– 21	–	–1	210
- of which Life	45	–	–2	–	–	–3	–	–		–	–2	38
Shares	4,854	67	–52	–	2,799	–1,793	–80	541	–2,565	–	14	3,785
- of which Life	4,188	9	–54	–	2,703	–1,573	–78	541	–2,565	–	14	3,185
Assets in pooled schemes and unit-linked investment contracts	135	–	21	–	6	–7	–	–	–	–	–	155
- of which Life	135	–	21	–	6	–7	–	–	–	–	–	155
Derivatives (net)	131	32	133	–	–	–	–32	8	127	–	1	400
Investment properties	3,054	0	60	–	378	–350	–	–	1	–64	40	3,119
- of which Life	2,974	–	60	–	365	–336	–	–	1	–	40	3,104

The valuation processes for fair value measurements
Financial instruments

The valuation process in Nordea consists of several steps. The first step is to determine the end of day (EOD) marking of mid-prices. It is the responsibility of the business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by separate control units. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by using independently sourced data that best reflects the market. Finally the results of valuation testing and valuations are analysed and any findings are escalated with the Group Valuation Committee as decision making body.

G40. Assets and liabilities at fair value, cont.

The verification of the correctness of prices and other paramenters is for most products carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis. This quality assessment is used in the measurement of the valuation uncertainty.

The valuation adjustment at portfolio level and the deferrals of day 1 P/L on Level 3 trades are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continous basis.

Specialised teams within the unit Balance Sheet Risk Control (BSRC) are responsible for overseeing and independently assessing the valuations performed by the business areas. These teams are responsible for 2nd line of defence oversight for valuations with independent reporting responsibilities towards the CRO and the BAC.

Investment properties

The main part of the investment properties in Nordea is held by Nordea Life and Pension (NLP). The valuation of the investment properties in NLP is performed quarterly by the real estate departments in each entity within NLP with full or partial assistance from external valuers. For the departments that use their own methodologies the changes in price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuation is presented to, and approved by, the local management in each entity. The CFO in each entity within NLP is responsible for the approval of the concepts and for the values used. The principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which are in accordance with international valuation principles and in accordance with IFRS.

In addition there is an Investment Operation Committee (IOC) which is a joint forum focusing on valuation and accounting of investment operations issues within NLP. The entities within NLP report regularly to IOC and IOC report quarterly to the Nordea Group Valuation Committee.

Investment properties in NLP are backing the liabilities to policyholders in life insurance contracts, unit-linked contracts and investment contracts, which means that the impact on Nordea's income statement and on shareholders' equity depends on the financial buffers and the profit sharing agreements in the actual unit that owns the property.

G40. Assets and liabilities at fair value, cont.

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

31 Dec 2017, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	162	–	Discounted cash flows	Credit spread	–1/1
Corporates	6	5	Discounted cash flows	Credit spread	–0/0
Total	**168**	**5**			**–1/1**
Shares					
Private equity funds	714	450	Net asset value[3]		–80/80
Hedge funds	118	88	Net asset value[3]		–10/10
Credit Funds	405	202	Net asset value/market consensus[3]		–28/28
Other funds	245	152	Net asset value/fund prices[3]		–21/21
Other[4]	293	226	–		–13/13
Total	**1,775**	**1,118**			**–152/152**
Derivatives					
Interest rate derivatives	332	–	Option model	Correlations	–13/14
				Volatilities	
Equity derivatives	76	–	Option model	Correlations	–14/7
				Volatilities	
				Dividend	
Foreign exchange derivatives	–2	–	Option model	Correlations	–0/0
				Volatilities	
Credit derivatives	25	–	Credit derivative model	Correlations	–14/12
				Recovery rates	
				Volatilities	
Other	22	–	Option model	Correlations	–0/0
				Volatilities	
Total	**453**	**–**			**–41/33**
Debt securities in issue					
Issued structured bonds	4,009	–	Credit derivative model	Correlations	–20/20
				Recovery rates	
				Volatilities	
Total	**4,009**	**–**			**–20/20**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.
2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.
3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 31% to 100% compared to the values received from suppliers/custodians.
4) Of which EUR 191m related to assets in pooled schemes and unit-linked investment.

The table above shows, for each class of assets and liabilities categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilities the fair value sensitivity to changes in key assumptions.

The column "range of fair value" in the tables above shows the sensitivity of the fair values of Level 3 financial instruments to changes in key assumptions. Where the exposure to an unobservable parameter is offset across different instruments only the net impact is disclosed in the table. The ranges disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

In order to calculate the sensitivity (range) in fair value of derivatives a range of different modelling approaches are applied to determine an uncertainty interval around the reported fair value. The different approaches applied target various aspects of derivatives pricing. Two common components of derivative valuation models are volatility of underlying risk factors and correlation between the relevant risk factors. Each of these is addressed by applying different assumptions to input and/or the choice of modelling approach. Besides these common factors a number of asset class specific factors are addressed. These include equity dividend expectations, recovery assumptions for credit derivatives and inflation expectations. The fair values of derivatives are presented as the net of assets and liabilities.

In order to calculate the sensitivity (range) in fair value of shares and interest-bearing securities the fair value was increased and decreased within a total range of 2–10 percentage units depending of the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

G40. Assets and liabilities at fair value, cont.

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

31 Dec 2016, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	171	–	Discounted cash flows	Credit spread	–2/2
Corporates	39	38	Discounted cash flows	Credit spread	–2/2
Total	**210**	**38**			**–4/4**
Shares					
Private equity funds	1,955	1,729	Net asset value[3]		–230/230
Hedge funds	390	311	Net asset value[3]		–32/32
Credit Funds	1,224	1,047	Net asset value/market consensus[3]		–77/77
Other funds	99	64	Net asset value/fund prices[3]		–13/13
Other[4]	133	50	–		–11/11
Total	**3,801**	**3,201**			**–363/363**
Derivatives					
Interest rate derivatives	332	–	Option model	Correlations	–20/17
				Volatilities	
Equity derivatives	74	–	Option model	Correlations	–18/11
				Volatilities	
				Dividend	
Foreign exchange derivatives	–6	–	Option model	Correlations	+/–0
				Volatilities	
Credit derivatives	–32	–	Credit derivative model	Correlations	–13/10
				Recovery rates	
				Volatilities	
Other	32	–	Option model	Correlations	+/–0
				Volatilities	
Total	**400**				**–51/38**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.

3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Less than 15% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 36% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 16m related to assets in pooled schemes and unit-linked investment.

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2017, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	530	530	Discounted cash flows	Market rent		
				Commercial	273 EUR/m^2	273 EUR/m^2
				Office	194–737 EUR/m^2	283 EUR/m^2
				Apartment	206 EUR/m^2	206 EUR/m^2
				Other	128 EUR/m^2	128 EUR/m^2
				Yield requirement		
				Commercial	5.7% – 5.7%	5.7%
				Office	3.9% – 6.4%	5.1%
				Apartment	4.5% – 4.5%	4.5%
				Other	6.0% – 9.5%	7.0%
Finland[3]	839	839	Discounted cash flows[2]	Market rent		
				Commercial	150–240 EUR/m^2	195 EUR/m^2
				Office	98–300 EUR/m^2	199 EUR/m^2
				Apartment	189–297 EUR/m^2	243 EUR/m^2
				Other	225–279 EUR/m^2	252 EUR/m^2
				Yield requirement		
				Commercial	5.8% – 7.0%	6.4%
				Office	4.5% – 8.3%	6.4%
				Apartment	3.3% – 4.8%	4.0%
				Other	4.5% – 6.3%	5.4%
Sweden	219	219	Discounted cash flows[2]	Market rent		
				Commercial	114–213 EUR/m$_2$	149 EUR/m^2
				Office	238–239 EUR/m^2	239 EUR/m^2
				Apartment	167–172 EUR/m^2	169 EUR/m^2
				Other	67–82 EUR/m^2	69 EUR/m^2
				Yield requirement		
				Commercial	5.5% – 6.5%	6.0%
				Office	4.8% – 5.1%	4.9%
				Apartment	3.8% – 4.8%	4.3%
				Other	5.8% – 7.3%	6.1%
Other	11		Discounted cash flows	–	–	–
Total	**1,599**	**1,588**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 151m related to investment properties in pooled schemes and unit-linked investments in Life.

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2016, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Denmark	1,761	1,751	Discounted cash flows	Market rent		
				Commercial	75–320 EUR/m²	179 EUR/m²
				Office	32–332 EUR/m²	111 EUR/m²
				Apartment	88–250 EUR/m²	174 EUR/m²
				Yield requirement		
				Commercial	4.9% – 9.5%	7.5%
				Office	3.9% – 9.3%	6.0%
				Apartment	3.5% – 6.0%	4.2%
Norway	568	567	Discounted cash flows	Market rent		
				Commercial	47–294 EUR/m²	163 EUR/m²
				Office	156–792 EUR/m²	293 EUR/m²
				Apartment	187 EUR/m²	187 EUR/m²
				Other	29–190 EUR/m²	122 EUR/m²
				Yield requirement		
				Commercial	5.6% – 6.0%	5.8%
				Office	4.0% – 7.5%	5.3%
				Apartment	4.6% – 4.6%	4.6%
				Other	5.3% – 8.5%	7.3%
Finland[3]	725	725	Discounted cash flows[2]	Market rent		
				Commercial	136–324 EUR/m²	210 EUR/m²
				Office	126–300 EUR/m²	187 EUR/m²
				Apartment	182–300 EUR/m²	240 EUR/m²
				Other	94–117 EUR/m²	97 EUR/m²
				Yield requirement		
				Commercial	4.8% – 6.9%	5.8%
				Office	4.8% – 8.0%	6.4%
				Apartment	3.5% – 5.0%	4.3%
				Other	6.2% – 8.0%	7.1%
Sweden	200	200	Discounted cash flows[2]	Market rent		
				Commercial	112–190 EUR/m²	157 EUR/m²
				Office	237 EUR/m²	237 EUR/m²
				Apartment	144–169 EUR/m²	151 EUR/m²
				Other	69 EUR/m²	69 EUR/m²
				Yield requirement		
				Commercial	5.7% – 6.8%	6.0%
				Office	4.9% – 5.0%	4.9%
				Apartment	3.2% – 4.0%	3.5%
				Other	7.0% – 7.3%	7.1%
Other	4	–	Discounted cash flows	–	–	–
Total	**3,258**	**3,243**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 139m related to investment properties in pooled schemes and unit-linked investments in Life.

The significant unobservable inputs used in the fair value measurement of the investment properties are market rent and yield requirement. Significant increases (decreases) in market rate or yield requirement in isolation would result in a significant lower (higher) fair value.

Movements in deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the trans-

G40. Assets and liabilities at fair value, cont.

action price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see, Note G1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the year (movements in deferred Day 1 profit).

Deferred day 1 profit – derivatives, net

EURm	2017	2016
Amount at beginning of year	23	34
Deferred profit/loss on new transactions	89	19
Recognised in the income statement during the year[1]	–54	–30
Amount at end of year	**58**	**23**

1) Of which EUR –2m (EUR –14m) due to transfers of derivatives from Level 3 to Level 2.

Financial assets and liabilities not held at fair value on the balance sheet

	31 Dec 2017		31 Dec 2016		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	43,081	43,081	32,099	32,099	3
Loans	246,943	248,606	259,025	258,339	3
Interest-bearing securities	3,093	3,272	3,095	3,286	1,2
Other assets	1,523	1,523	2,833	2,833	3
Prepaid expenses and accrued income	999	999	966	966	3
Total	**295,639**	**297,481**	**298,018**	**297,523**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	330,356	331,876	345,445	346,134	3
Other liabilities	2,833	2,833	4,678	4,678	3
Accrued expenses and prepaid income	246	246	290	290	3
Total	**333,435**	**334,955**	**350,413**	**351,102**	

Cash and balances with central banks

The fair value of "Cash and balances with central banks" is, due to its short term nature, assumed to equal the carrying amount and is thus categorised into Level 3 in the fair value hierarchy.

Loans

The fair value of "Loans to central banks", "Loans to credit institutions" and "Loans to the public" have been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking, Commercial & Business Banking and Wholesale Banking respectively.

The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Interest-bearing securities

The fair value is EUR 3,272m (EUR 3,286m), of which EUR 92m (EUR 0m) is categorised in Level 1 and EUR 3,180m (EUR 3,286m) in Level 2. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

Other assets and prepaid expenses and accrued income

The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables, mainly accrued interest receivables. The fair value is therefore considered to equal the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments

The fair value of "Deposits by credit institutions", "Deposits and borrowings from the public", "Debt securities in issue" and "Subordinated liabilities" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk is calculated as the difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" and "Deposits and borrowing from the public" the changes in Nordea´s own credit risk related to these items is assumed not to be significant. This is also the case for short term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities".

Other liabilities and accrued expenses and prepaid income

The balance sheet items "Other liabilities" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly liabilities on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is categorised into Level 3 in the fair value hierarchy.

G41. Financial instruments set off on balance or subject to netting agreements

31 Dec 2017, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	171,059	–125,509	45,550	–29,391	–	–8,868	7,291
Reverse repurchase agreements	28,926	–10,107	18,819	–	–18,819	–	–
Securities borrowing agreements	5,781	–	5,781	–	–5,781	–	–
Total	**205,766**	**–135,616**	**70,150**	**–29,391**	**–24,600**	**–8,868**	**7,291**

31 Dec 2017, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	167,406	–125,509	41,897	–29,391	–	–9,611	2,895
Repurchase agreements	23,075	–10,107	12,968	–	–12,968	–	–
Securities lending agreements	3,917	–	3,917	–	–3,917	–	–
Total	**194,398**	**–135,616**	**58,782**	**–29,391**	**–16,885**	**–9,611**	**2,895**

1) All amounts are measured at fair value.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

31 Dec 2016, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	242,279	–172,626	69,653	–49,528	–	–7,547	12,578
Reverse repurchase agreements	31,772	–9,991	21,781	–	–21,781	–	–
Securities borrowing agreements	4,547	–	4,547	–	–4,547	–	–
Total	**278,598**	**–182,617**	**95,981**	**–49,528**	**–26,328**	**–7,547**	**12,578**

31 Dec 2016, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	239,120	–172,626	66,494	–49,528	–	–8,031	8,935
Repurchase agreements	21,838	–9,991	11,847	–	–11,847	–	–
Securities lending agreements	2,245	–	2,245	–	–2,245	–	–
Total	**263,203**	**–182,617**	**80,586**	**–49,528**	**–14,092**	**–8,031**	**8,935**

1) All amounts are measured at fair value.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

G41. Financial instruments set off on balance or subject to netting agreements, cont.

Enforceable master netting arrangements and similar agreements

The fact that financial instruments are being accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions), would be subject to master netting agreements, and as a consequence Nordea would be allowed to benefit from netting in the case of default by its counter parties, in any calculations involving counterparty credit risk.

For a description of counterparty risk see section Risk, Liquidity and Capital management, in the Board of Directors' report.

G42. Disposal groups held for sale

Balance sheet - Condensed[1]

EURm	2017	2016
Assets		
Loans to credit institutions	394	34
Loans to the public	–	8,556
Interest-bearing securities	6,051	58
Financial instruments pledged as collateral	1,477	–
Shares	10,361	0
Derivatives	1,184	2
Investments	267	5
Investment property	1,879	44
Other assets	573	198
Total assets held for sale	**22,186**	**8,897**
Liabilities		
Deposits by credit institutions	643	22
Deposits and borrowings from the public	–	4,776
Liabilities to policyholders	23,316	–
Derivativies	810	1
Current tax	921	12
Other liabilities	341	77
Total liabilities held for sale	**26,031**	**4,888**

1) Includes the external assets and liabilities held for sale.

Assets and liabilities held for sale as of 31 December 2017 relate to Nordea's earlier announced decision to sell additional 45 per cent of the shares in Danish Nordea Liv & Pension, livforsikringsselskab A/S. The sale is conditional on approval by the relevant authorities anticipated in the first quarter 2018. The individual assets and liabilities will be derecognised in Nordea's balance sheet, and an investment in an associated company recognised from Nordeas's balance sheet, when all approvals have been received and the transaction has been closed. The disposal group is included in the segment "Life & Pension unallocated" in Note G2 "Segment reporting".

Assets and liabilities held for sale as of 31 December 2016 related to Nordea's decision to combine its Baltic operations with the Baltic operations of DNB. The individual assets and liabilities were derecognised from Nordea's balance sheet, and an investment in an associated company was recognised, at closing in Q4 2017. The disposal group is included in the "Other operating segments" in Note G2 "Segment reporting".

On 25 January Nordea announced its intention to divest a part of its Luxembourg-based private banking business. The closing of the transaction is expected during the second half of 2018 and remain subject to applicable regulatory approvals and a number of conditions. The disposal group was not reclassified to "Assets/liabilities held for sale" in 2017 due to that the transaction was at the end of 2017 not considered highly probable. The disposal group consist of Loans to the public of EUR 1.3bn and Deposits and borrowings from the public of EUR 2.6bn. The disposal group is included in the operating segment Private Banking within Wealth Management in Note G2.

G43. Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions result in that securities are returned to Nordea, all risks and rewards of the instruments transferred are retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterparts in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

The securities still reported on the balance sheet and the corresponding liabilities are measured at fair value.

EURm	31 Dec 2017	31 Dec 2016
Repurchase agreements		
Interest-bearing securities	6,489	5,108
Securities lending agreements		
Shares	–	–
Total	**6,489**	**5,108**

Liabilities associated with the assets

EURm	31 Dec 2017	31 Dec 2016
Repurchase agreements		
Deposits by credit institutions	3,670	2,475
Deposits and borrowings from the public	2,896	2,491
Securities lending agreements		
Deposits by credit institutions	–	–
Total	**6,566**	**4,966**
Net	**–77**	**142**

G43. Transferred assets and obtained collaterals, cont.

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

EURm	31 Dec 2017	31 Dec 2016
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	28,706	30,002
- of which repledged or sold	16,263	16,129
Securities borrowing agreements		
Received collaterals which can be repledged or sold	7,138	4,552
- of which repledged or sold	–	47
Total	**35,844**	**34,554**

G44. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2017 Expected to be recovered or settled:			31 Dec 2016 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		43,081	–	43,081	32,099	–	32,099
Loans to central banks	G13	4,796	–	4,796	11,235	–	11,235
Loans to credit institutions	G13	7,143	1,449	8,592	4,236	4,790	9,026
Loans to the public	G13	85,059	225,099	310,158	71,245	246,444	317,689
Interest-bearing securities	G14	22,594	52,700	75,294	19,131	68,570	87,701
Financial instruments pledged as collateral	G15	3,496	2,993	6,489	1,194	3,914	5,108
Shares	G16	6,680	10,500	17,180	1,410	20,114	21,524
Assets in pooled schemes and unit-linked investment contracts	G17	16,832	9,047	25,879	7,775	15,327	23,102
Derivatives	G18	8,674	37,437	46,111	12,764	57,195	69,959
Fair value changes of the hedged items in portfolio hedge of interest rate risk		13	150	163	31	147	178
Investments in associated undertakings and joint ventures	G19	–	1,235	1,235	0	588	588
Intangible assets	G20	89	3,894	3,983	102	3,690	3,792
Properties and equipment		81	543	624	6	560	566
Investment properties	G22	8	1,440	1,448	3	3,116	3,119
Deferred tax assets	G11	54	64	118	30	30	60
Current tax assets		121	–	121	288	–	288
Retirement benefit assets	G32	0	250	250	2	304	306
Other assets	G23	12,391	50	12,441	18,914	59	18,973
Prepaid expenses and accrued income	G24	1,121	342	1,463	1,098	351	1,449
Assets held for sale	G42	22,186	–	22,186	8,897	–	8,897
Total assets		**234,419**	**347,193**	**581,612**	**190,460**	**425,199**	**615,659**
Deposits by credit institutions	G25	35,438	4,545	39,983	35,750	2,386	38,136
Deposits and borrowings from the public	G26	148,706	23,728	172,434	169,982	4,046	174,028
Deposits in pooled schemes and unit-linked investment contracts	G17	5,632	20,701	26,333	9,327	14,253	23,580
Liabilities to policyholders	G27	2,086	17,326	19,412	2,274	38,936	41,210
Debt securities in issue	G28	64,930	114,184	179,114	64,406	127,344	191,750
Derivatives	G18	7,462	35,251	42,713	14,243	54,393	68,636
Fair value changes of the hedged items in portfolio hedge of interest rate risk		571	879	1,450	1,168	1,298	2,466
Current tax liabilities		389	–	389	487	–	487
Other liabilities	G29	28,290	225	28,515	24,271	142	24,413

G44. Maturity analysis for assets and liabilities, cont.

Expected maturity, cont.

		31 Dec 2017 Expected to be recovered or settled:			31 Dec 2016 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Accrued expenses and prepaid income	G30	1,547	56	1,603	1,718	40	1,758
Deferred tax liabilities	G11	94	628	722	75	755	830
Provisions	G31	289	40	329	209	97	306
Retirement benefit liabilities	G32	11	270	281	5	297	302
Subordinated liabilities	G33	943	8,044	8,987	1,590	8,869	10,459
Liabilities held for sale	G42	26,031	–	26,031	4,888	–	4,888
Total liabilities		**322,419**	**225,877**	**548,296**	**330,393**	**252,856**	**583,249**

Contractual undiscounted cash flows

31 Dec 2017, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	55,643	75,852	47,530	145,601	222,431	547,057
Non interest-bearing financial assets	–	–	–	–	87,092	87,092
Non-financial assets	–	–	–	–	9,040	9,040
Total assets	**55,643**	**75,852**	**47,530**	**145,601**	**318,563**	**643,189**
Interest-bearing financial liabilities	142,574	95,830	42,631	103,679	41,550	426,264
Non interest-bearing financial liabilities	–	–	–	–	138,692	138,692
Non-financial liabilities and equity	–	–	–	–	53,581	53,581
Total liabilities and equity	**142,574**	**95,830**	**42,631**	**103,679**	**233,823**	**618,537**
Derivatives, cash inflow	–	551,182	142,235	241,873	15,695	950,985
Derivatives, cash outflow	–	547,892	139,470	246,203	16,221	949,786
Net exposure	**–**	**3,290**	**2,765**	**–4,330**	**–526**	**1,199**
Exposure	**–86,931**	**–16,688**	**7,664**	**37,592**	**84,214**	**25,851**
Cumulative exposure	**–86,931**	**–103,619**	**–95,955**	**–58,363**	**25,851**	**–**

31 Dec 2016, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	53,094	76,815	43,924	159,816	240,561	574,210
Non interest-bearing financial assets	–	–	–	–	74,321	74,321
Non-financial assets	–	–	–	–	10,328	10,328
Total assets	**53,094**	**76,815**	**43,924**	**159,816**	**325,210**	**658,859**
Interest-bearing financial liabilities	150,378	94,422	48,371	106,640	48,356	448,167
Non interest-bearing financial liabilities	–	–	–	–	127,851	127,851
Non-financial liabilities and equity	–	–	–	–	75,500	75,500
Total liabilities and equity	**150,378**	**94,422**	**48,371**	**106,640**	**251,707**	**651,518**
Derivatives, cash inflow	–	576,857	155,966	229,126	29,417	991,366
Derivatives, cash outflow	–	574,442	158,633	229,672	28,899	991,646
Net exposure	**–**	**2,415**	**–2,667**	**–546**	**518**	**–280**
Exposure	**–97,284**	**–15,192**	**–7,114**	**52,630**	**74,021**	**7,061**
Cumulative exposure	**–97,284**	**–112,476**	**–119,590**	**–66,960**	**7,061**	**–**

The table is based on contractual maturities for the balance sheet items. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the instruments on the balance sheet items, Nordea has credit commitments amounting to EUR 74,545m (EUR 78,005m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 17,335m (EUR 21,034m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section "Risk, Liquidity and Capital management".

G45. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures.

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Assets				
Loans	170	438	–	–
Interest-bearing securities	0	24	–	–
Derivatives	2	46	–	–
Investments in associated undertakings	1,235	588	–	–
Total assets	**1,407**	**1,096**	**–**	**–**
Liabilities				
Deposits	17	65	77	36
Derivatives	0	26	–	–
Total liabilities	**17**	**91**	**77**	**36**
Off balance[2]	**2,075**	**3,428**	**–**	**–**

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	2017	2016	2017	2016
Net interest income	1	1	–	–
Net fee and commission income	3	3	–	–
Net result from items at fair value	0	51	–	–
Profit before loan losses	**4**	**55**	**–**	**–**

1) Shareholders with significant influence and close family members to key management personell in Nordea Group as well as companies significantly influenced by key management personnel or by close family members to key management personnel in Nordea Group are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj and Aegon Asset Management. If transactions with related companies are made in Nordea's and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing, and if they did not involve more than normal risk-taking, the transactions are not included in the table. Nordea has thus not disclosed any transactions with shareholders with significant influence.

2) Including nominal values on derivatives.

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7 "Staff costs".

Other related-party transactions

Starting in March 2008 Nordea takes part in a guarantee consortium to support Norwegian Eksportfinans ASA in relation to its securities portfolio. Nordea owns 23% of the company with other owners being the Norwegian state and other Nordic banks. Nordea's share of the accumulated negative fair value of the contract as of the balance sheet date amounts to approx EUR 23m. This agreement was terminated 31 December 2017 and the final payment of the Portfolio Performance Amount was paid 15 January 2018 including a termination fee.

G46. Credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital Management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar III) 2017, which is available on www.nordea.com. Much of the information in this note is collected from the Pillar III report in order to fulfil the disclosure requirement regarding credit risk in the Annual report. The Pillar III report contains the disclosures required by the Capital Requirements Regulation (CRR). The Pillar III disclosure is aligned to how Nordea manages credit risk and is believed to be the best way to explain the credit risk exposures in Nordea. Credit risk exposures occur in different forms and are divided into the following types:

Exposure types[1]

EURm	31 Dec 2017	31 Dec 2016
On-balance sheet items	404,263	411,692
Off-balance sheet items	48,515	53,849
Securities financing	5,310	4,388
Derivatives	17,520	29,240
Exposure At Default (EAD)	**475,608**	**499,169**

1) Securitisation positions are included in the table.

Tables presented in this note, containing exposure, are presented as Exposure At Default (EAD). EAD is the exposure after applying credit conversion factors (CCF).

Link between credit risk exposure and the balance sheet

This section discloses the link between the loan portfolio as defined by accounting standards and exposure as defined in CRR. The main differences are outlined in this section to illustrate the link between the different reporting methods. Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors (CCFs) for off-balance sheet exposure and allowances within the standardised approach. In this note, however, exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure, unless otherwise stated. In accordance with the CRR, credit risk exposure presented in this note is divided into exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. reversed repurchase agreements and securities lending)
- Derivatives

Items presented in other parts of the Annual Report are divided as follows (in accordance with the accounting standards):

- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities).
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit).

G46. Credit risk disclosures, cont.

The table below shows the link between the CRR credit risk exposure and items presented in the Annual Report.

On-balance sheet items

The following items are excluded from the balance sheet, when on-balance sheet exposure is calculated in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- Market risk related items in the trading book, such as certain interest-bearing securities and pledged instruments.
- Repos, derivatives and securities lending. These transactions are either included in the calculation of market risk in the trading book or reported as separate exposure types (derivatives or securities financing).
- Other, mainly allowances and intangible assets.

Off-balance sheet items

The following off-balance sheet items specified in the Annual Report are excluded when off-balance exposure is calculated in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- "Assets pledged as security for own liabilities" and "Other assets pledged" (apart from leasing). These transactions are reported as securities financing (i.e. a separate exposure type).
- Derivatives

Derivatives and securities financing

The fair value of derivatives is recognised on the balance sheet in accordance with accounting standards. However, in the CRR, the derivatives and securities financing are reported as separate exposure types. Also, repurchase agreements and securities lending/borrowing transactions are on the balance sheet calculated based on nominal value. In the CRR calculations these exposure types are determined net of the collateral.

On-balance sheet items[1]

EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Items not according to CRR	Other	Balance sheet
31 Dec 2017						
Cash and balances with central banks	44,503	–	–	0	–1,422	43,081
Loans to credit institutions and central banks	9,396	2	3,951	218	–179	13,388
Loans to the public	293,240	–2	23,084	–3,059	–3,105	310,158
Interest-bearing securities and pledged instruments	52,482	18,272	–	11,028	–	81,782
Derivatives[2]	0	–	47,370	–1,259	–	46,111
Intangible assets	–	–	–	153	3,829	3,983
Other assets and prepaid expenses	5,831	20,691	–	55,968	620	83,109
Total assets	**405,452**	**38,963**	**74,405**	**63,049**	**–257**	**581,612**
Exposure at default[3]	**404,263**					
31 Dec 2016						
Cash and balances with central banks	32,192	–	–	–93	–	32,099
Loans to credit institutions and central banks	17,178	0	2,755	343	–16	20,260
Loans to the public	303,662	0	26,590	–13,031	468	317,689
Interest-bearing securities and pledged instruments	54,156	17,345	–	21,308	–	92,809
Derivatives[2]	–	–	71,147	–1,188	–	69,959
Intangible assets	0	–	–	357	3,435	3,792
Other assets and prepaid expenses	5,440	23,375	–	49,428	808	79,051
Total assets	**412,628**	**40,720**	**100,492**	**57,124**	**4,695**	**615,659**
Exposure at default[3]	**411,692**					

1) Securitisation positions are included in the table.
2) Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives are included in the credit risk.
3) The on-balance exposure have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.

G46. Credit risk disclosures, cont.

Off-balance sheet items[1]

31 Dec 2017, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off- balance sheet
Contingent liabilities	18,978	42	–	19,020
Commitments	75,553	1,479	–	77,032
Total	**94,531**	**1,521**	**–**	**96,052**

31 Dec 2017, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	39,725	4,231	43,956	51%	22,426
Checking accounts	19,333	48	19,381	53%	10,189
Loan commitments	16,485	1,064	17,549	52%	9,167
Guarantees	17,783	–	17,783	36%	6,361
Other	1,205	–	1,205	31%	372
Total	**94,531**	**5,343**	**99,874**		**48,515**

31 Dec 2016, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off- balance sheet
Contingent liabilities	23,051	38	–	23,089
Commitments	78,271	1,163	–	79,434
Total	**101,322**	**1,201**	**–**	**102,523**

31 Dec 2016, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	48,900	1,277	50,177	53%	26,365
Checking accounts	16,204	3,913	20,117	54%	10,883
Loan commitments	13,089	2,507	15,596	47%	7,291
Guarantees	21,566	–	21,566	41%	8,778
Other	1,563	14	1,577	34%	532
Total	**101,322**	**7,711**	**109,033**		**53,849**

1) Securitisation positions are included in the table.

At year-end, 95% of the total credit risk original exposure was calculated using the IRB approach compared to 79% at year end 2016. The total IRB exposures consists mainly of corporate and retail exposures. The main driver of change during 2017 was the IRB sovereign roll out which occurred in the second quarter. This was partly offset by the transfer of the Baltic exposures to Luminor Bank which Nordea proportionally consolidates under the standardised approach.

G46. Credit risk disclosures, cont.

Exposure classes split by exposure type

31 Dec 2017, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	78,068	1,053	1,662	3,975	84,758
Institutions	33,719	817	2,475	5,422	42,433
Corporate	109,735	27,969	1,168	8,031	146,903
Retail[1]	167,876	17,051	2	79	185,008
Securitisation	6,813	1,586	–	–	8,399
Other	8,052	39	3	13	8,107
Total exposure	**404,263**	**48,515**	**5,310**	**17,520**	**475,608**

31 Dec 2016, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	78,537	898	810	4,967	85,212
Institutions	30,766	962	2,014	10,272	44,014
Corporate	115,663	34,914	1,275	13,492	165,344
Retail[1]	171,122	15,368	2	198	186,690
Securitisation	6,907	1,493	–	–	8,400
Other	8,697	214	287	311	9,509
Total exposure	**411,692**	**53,849**	**4,388**	**29,240**	**499,169**

1) Includes exposures secured by real estate.

Exposure split by geography and exposure classes

31 Dec 2017, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	44,074	6,877	24,091	3,494	9,612	1,603	211	28,343	10,527	84,758
Institutions	32,515	14,795	184	6,261	11,275	48	128	525	9,217	42,433
Corporate	120,309	37,717	25,023	26,604	30,965	4,482	1,990	1,848	18,274	146,903
Retail[1]	180,117	52,072	41,651	30,566	55,828	1,322	14	213	3,342	185,008
Other	3,948	976	415	875	1,682	3,244	48	356	511	8,107
Total exposure[2]	**380,963**	**112,437**	**91,364**	**67,800**	**109,362**	**10,699**	**2,391**	**31,285**	**41,871**	**467,209**

31 Dec 2016, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	41,183	15,196	10,588	4,165	11,234	276	157	35,292	8,304	85,212
Institutions	26,855	11,693	133	5,008	10,021	8	245	685	16,221	44,014
Corporate	130,745	40,484	27,621	29,104	33,536	5,407	2,340	2,301	24,551	165,344
Retail[1]	180,536	52,401	40,129	31,530	56,476	3,476	240	4	2,434	186,690
Other	5,352	1,049	1,355	1,015	1,933	176	90	145	3,746	9,509
Total exposure[2]	**384,671**	**120,823**	**79,826**	**70,822**	**113,200**	**9,343**	**3,072**	**38,427**	**55,256**	**490,769**

1) Includes exposures secured by real estate.
2) Securitisation positions are not included in the table.

In the table below, the total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (statistical classification codes of economic activities in the European community). The corporate portfolio is well diversified between industry groups. The real estate management and investment is the industry group which has the largest share of total corporate exposures; together with the second largest corporate exposure industry group - other financial institutions – they account for 41% of total IRB corporate exposure. The retail portfolio consists mainly of residential mortgages classified under other, public and organisations industry group, which accounts for 98% of total retail IRB exposure. Between 2016 and 2017, the corporate portfolio decareased the most within shipping and offshore industry group. In the IRB retail portfolio, the counterparties classified as other, public and organisations continue to comprise the main part of the retail exposure class and drives the total increase in IRB retail exposures.

In the standardised approach, excluding Luminor, the decreased exposures were mainly explained by an IRB roll-out of sovereign exposures during 2017.

G46. Credit risk disclosures, cont.

Exposure split by industry sector[1]

EURm	31 Dec 2017	31 Dec 2016
Construction and engineering	6,136	6,399
Consumer durables (cars, appliances etc)	2,945	3,184
Consumer staples (food, agriculture etc)	11,570	12,271
Energy (oil, gas etc)	2,923	4,202
Health care and pharmaceuticals	1,425	1,623
Industrial capital goods	3,871	4,589
Industrial commercial services	15,276	14,342
IT software, hardware and services	1,826	1,811
Media and leisure	2,403	2,644
Metals and mining materials	997	1,160
Other financial institutions	60,322	65,060
Other materials (chemical, building materials etc)	5,336	6,303
Other, public and organisations	273,007	278,222
Paper and forest material	1,559	2,542
Real estate management and investment	44,964	45,534
Retail trade	10,960	12,788
Shipping and offshore	9,500	12,595
Telecommunication equipment	209	255
Telecommunication operators	1,452	1,727
Transportation	4,279	4,583
Utilities distribution and production	6,249	8,935
Total exposure	**467,209**	**490,769**

1) Securitisation positions are not included in the table.

At the end of 2017, the share of total exposure secured by eligible collateral remained stable at 44% (44%). The corresponding figure for the IRB portfolio was 45% (56%). The decrease is mainly driven by the inclusion of sovereign exposures, that utilise relatively less collateral than retail or corporate, in the IRB portfolio. Approximately 3% (3%) of total exposure was secured by guarantees and credit derivatives.

Exposure secured by collaterals, guarantees and credit derivatives

31 Dec 2017, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	86,588	84,758	522	893
Institutions	45,094	42,433	205	196
Corporate	184,070	146,903	10,849	60,677
Retail[1]	194,360	185,008	2,286	143,992
Other	8,570	8,107	41	52
Total exposure[2]	**518,682**	**467,209**	**13,903**	**205,810**

31 Dec 2016, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	85,311	85,212	631	0
Institutions	45,816	44,014	121	403
Corporate	205,698	165,344	10,969	69,018
Retail[1]	198,957	186,690	1,859	148,278
Other	10,087	9,509	21	60
Total exposure[2]	**545,869**	**490,769**	**13,601**	**217,759**

1) Includes exposures secured by real estate.
2) Securitisation positions are not included in the table.

Collateral distribution

The table presents the distribution of collateral used in the capital adequacy calculation process. The table shows that real estate collateral had the major share with a stable 74% (72%) of total eligible collateral. Commerical real estate decreased somewhat to 17% (18%). For the other collateral categories, the proportions remained relatively stable in 2017.

	31 Dec 2017	31 Dec 2016
Financial Collateral	1.2%	1.4%
Receivables	0.9%	1.0%
Residential Real Estate	73.7%	71.9%
Commercial Real Estate	16.6%	17.8%
Other Physical Collateral	7.6%	7.9%
Total	**100.0%**	**100.0%**

G46. Credit risk disclosures, cont.

Loan-to-value distribution

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table below, the retail mortgage exposures are distributed by LTV bucket based on the LTV ratio. In 2017, the proportion of the lowest LTV bucket increased slightly, offset mostly by the second highest LTV bucket.

Retail mortgage exposure

	31 Dec 2017		31 Dec 2016	
	EURbn	%	EURbn	%
<50%	110.3	80	110.3	79
50–70%	20.2	15	20.8	15
70–80%	4.6	3	4.9	4
80–90%	1.4	1	1.9	1
>90%	0.7	1	0.9	1
Total	**137.2**	**100**	**138.8**	**100**

Collateralised Debt Obligations (CDO)

Nordea acts as an intermediary in the credit derivatives market, mainly in Nordic names. Nordea also uses credit derivatives to hedge positions in corporate bonds and synthetic CDOs. When Nordea sells protection in a CDO transaction, it carries the risk of losses in the reference portfolio if a credit event occurs. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio triggered by a credit event are carried by the seller of protection.

Credit derivative transactions create counterparty credit risk in a similar manner to other derivative transactions. Counterparties in these transactions are typically subject to a financial collateral agreement, where the exposure is covered daily by collateral placements.

Forbearance

EURm	31 Dec 2017	31 Dec 2016
Forborne loans	5,357	6,063
- of which defaulted	2,896	2,696
Allowances for individually assessed impaired and forborne loans	802	887
- of which defaulted	802	887

Key ratios

%	31 Dec 2017	31 Dec 2016
Forberance ratio[1]	1.7%	1.8%
Forbearance coverage ratio[2]	15%	15%
- of which defaulted	28%	33%

1) Forborne loans / Loans before allowances.
2) Individual allowances / Forborne loans.

Assets taken over for protection of claims[1]

EURm	31 Dec 2017	31 Dec 2016
Current assets, carrying amount:		
Land and buildings	9	9
Shares and other participations	1	1
Other assets	2	3
Total	**12**	**13**

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets, used as collateral for the loan, are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are at the latest, disposed when full recovery is reached.

Past due loans, excluding impaired loans

The table below shows loans past due 6 days or more that are not considered impaired, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date. Past due loans to corporate customers, not considered impaired, were at end of 2017 EUR 747m, up from EUR 704m one year ago, and past due loans for household customers decreased to EUR 1,286m (EUR 1,410m).

	31 Dec 2017		31 Dec 2016	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	374	802	376	939
31–60 days	133	233	134	239
61–90 days	84	84	73	94
>90 days	156	167	121	138
Total	**747**	**1,286**	**704**	**1,410**
Past due not impaired loans divided by loans to the public after allowances, %	0.51	0.81	0.46	0.88

Loans to corporate customers, by size of loans

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 68% (69%) of the corporate volume represents loans up to EUR 50m per customer.

	31 Dec 2017		31 Dec 2016	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	64.2	44	68.3	45
10–50	35.8	24	37.3	24
50–100	19.5	13	19.9	13
100–250	17.0	12	17.7	12
250–500	5.9	4	4.7	3
500–	4.6	3	5.1	3
Total	**147.0**	**100**	**153.0**	**100**

Interest-bearing securities

For more information about credit risk related to interest-bearing securities, see Note G14 "Interest-bearing securities" where the carrying amount of interest-bearing securities is split on different types of counterparties.

G47. Interests in structured entities

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. It normally has restricted activities with a narrow and well defined objective. If Nordea controls such an entity, it is consolidated.

Consolidated structured entities

The Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisations to core Nordic customers. The SPEs purchase trade receivables from the approved sellers and fund the purchases either by issuing Commercial Papers (CP) via the established Asset Backed Commercial Papers programme or by drawing funds on the liquidity facilities available. Nordea has provided liquidity facilities of maximum EUR 1,060m (EUR 1,330m) and at year-end EUR 895m (EUR 861m) where utilised. Total assets in the conduit were EUR 923m (EUR 919m) as per year-end. The SPE is consolidated as it is closely linked to the activities within Nordea. Also, Nordea is exposed to credit risk through the liquidity facility. There are no significant restrictions on repayment of loans from Viking apart from that the payments are dependent on the pace in which Viking realises its assets.

Kalmar Structured Finance A/S was established to allow customers to invest instructured products in the global credit markets. The SPE enters into Credit Default Swaps (CDS) and hereby acquires a credit risk on an underlying portfolio of names (like corporate names) and at the same time the SPE issues Credit Linked Notes (CLN) with a similar credit risk that reflects the terms in the CDSs. Nordea is the counterpart in the derivative transactions. The total notional of outstanding CLNs in this category was EUR 1m (EUR 1m) at year-end. Nordea holds CLNs issued by the SPE as part of offering a secondary market for the notes. The investment amounted to EUR 1m (EUR 1m) at year-end.

AR Finance invests in notes backed by trade receivables. Nordea has provided liquidity facilities of maximum EUR 125m (EUR 125m) and at year-end EUR 113m (EUR 108m) were utilised. The entity holds assets of EUR 125m (EUR 110m) as per year-end.

Unconsolidated structured entities

For structured entities in which Nordea has an interest, but do not control, disclosures are provided. To be considered to have an interest in such an entity, Nordea must be exposed to variability in returns on the investment in the structured entity. Investment funds are the only interests in unconsolidated structured entities Nordea currently holds. Variability in returns is assessed based on both fees received and revaluation of holdings in the funds.

There are several different products where Nordea invests in investment funds:

a) on behalf of policyholders in Nordea Life & Pensions
b) on behalf of depositors where the return is based the investment
c) to hedge exposures in structured products issued to customers
d) illiquid investments in private equity and credit funds

As Nordea is exposed to variability in returns on a gross basis, information about these funds is disclosed although the net exposure is considerably less. Any change in value on investment funds acquired on behalf of policyholders and depositors where the policyholder/depositor stands the investment risk are reflected in the value of the related liability and the maximum net exposure to losses is zero. The change in value on investment funds held on behalf of other policyholders are to a large extent passed on to the policyholders, but as Nordea has issued guarantees in some of these products, Nordea is exposed to the changes in value.

Investment funds acquired to hedge exposures in structured products reduce the exposures and, to the extent hedges are effective, Nordea is not exposed to changes in value. The maximum loss on these funds is estimated to EUR 6m (EUR 5m), net of hedges.

Investments in illiquid private equity and credit funds are an integrated part of managing balance sheet risks in Nordea. The maximum loss on these funds is estimated to EUR 469m (EUR 429m), equal to the investment in the funds.

Nordea's interests in unconsolidated structured entities and any related liability are disclosed in the table below.

EURm	31 Dec 2017	31 Dec 2016
Assets, carrying amount:		
Shares	9,306	16,952
Assets in pooled schemes and unit linked investment contracts	21,630	18,151
Assets held for sale	8,389	–
Total assets	**39,325**	**35,103**
Liabilities, carrying amount:		
Deposits in pooled schemes and unit linked investment contracts	787	1,054
Liabilities to policyholders	29,937	33,682
Derivatives	0	198
Liabilities held for sale	8,389	–
Total liabilities	**39,113**	**34,934**
Off balance, nominal amount:		
Loan commitments	0	22

Nordea holds approximately 2,500 different funds which are classified as unconsolidated structured entities, of which approximately 400 are managed by Nordea. These have different investment mandates and risk appetites, ranging from low risk government bond funds to high risk leveraged equity funds. Total assets in funds managed by Nordea amount to EUR 165bn (EUR 157bn). All funds are financed by deposits from the holders of fund units. The total assets in investment funds not managed by Nordea are not considered meaningful for the purpose of understanding the related risks and is thus not disclosed.

Nordea has not sponsored any unconsolidated structured entity in which Nordea do not currently have an interest.

G48. Country by country reporting

In accordance with the requirements under FFFS 2008:25, the table below presents for each country where Nordea is established, i.e. where Nordea has a physical presence, information about the businesses, the geografical area, average number of employees, total operating income, operating profit and income tax expense. Nordea is considered to have physical presence in a country if Nordea has a subsidiary, associated undertaking or branch in that country. Nordea has not received any significant government subsidiaries.

			2017				2016			
Country	Business[1]	Geographical area	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm
Denmark	RB, WB, AM, LP	Denmark	9,136	2,929	1,099	–227	8,717	2,988	1,258	–265
Finland	RB, WB, AM, LP	Finland	7,032	1,986	976	–211	7,104	1,918	978	–178
Sweden	RB, WB, AM, LP	Sweden	7,462	2,647	541	–183	7,276	3,021	961	–182
Norway	RB, WB, AM, LP	Norway	3,127	1,698	921	–211	3,140	1,595	895	–96
Russia	WB	Russia	606	98	34	–8	829	158	85	–19
Poland	Other	Poland	2,060	75	1	0	1,571	65	9	0
Estonia	RB, WB, LP	Estonia	502	82	41	–7	559	105	51	–9
Latvia	RB, WB	Latvia	364	57	29	–6	457	84	46	–7
Luxembourg	AM, LP	Luxembourg	451	386	226	–65	426	339	223	–65
Lithuania	RB, WB, LP	Lithuania	305	42	24	–3	378	55	26	–4
United States	RB, WB, AM, LP	New York	123	111	71	–21	120	145	83	–26
United Kingdom	RB, WB, AM, LP	London	68	110	–3	0	77	129	–3	–3
Singapore	WB	Singapore	81	40	31	–4	85	47	0	0
Germany	WB, AM	Frankfurt	43	25	14	–4	55	33	10	–6
Switzerland	AM	Zürich	22	7	–6	0	29	11	2	0
China	WB	Shanghai	31	7	–1	0	30	6	0	1
Italy	AM	Rome	9	5	0	0	7	4	1	0
Spain	AM	Madrid	7	2	0	0	5	2	0	0
Brazil	WB	Sao Paolo	5	2	0	0	5	2	0	0
France	AM	Paris	3	2	0	0	3	1	0	0
Eliminations[3]			–	–842	–	–	–	–781	–	–
Total			**31,437**	**9,469**	**3,998**	**–950**	**30,873**	**9,927**	**4,625**	**–859**

1) RB=Retail banking, WB=Wholesale banking, AM=Asset management, LP= Life and pension.
2) Total operating income presented in this table is split on countries based on where Nordea has a physical presence, i.e. where Nordea has a subsidiary, associated undertaking or branch, while total operating profit presented in Note G2 "Segment reporting" is split on countries based on the location of the customers´ operations.
3) Eliminations of transactions consist mainly of intra-group IT-services.

In accordance with the requirements under FFFS 2008:25 Nordea also discloses the names of the subsidiaries, associated undertakings and branches for each country where Nordea is established. These disclosures are presented in the table below, in the table "Specification of group undertakings 31 December 2017" in Note G38 "Capital adequacy" and in the last table in Note G19" Investments in associated undertakings and joint ventures".

Denmark
Nordea Liv & Pension, Livforsikringsselskab A/S
Nordea Investment Management AB, Denmark, filial af Nordea Investment Management AB, Sverige
Nordea Fund Management, filial af Nordea funds Oy, Finland
Nordea Danmark, filial af Nordea Bank AB (publ), Sverige

Finland
Nordea Life Assurance Finland Ltd
Nordea Investment Management AB, Finnish Branch
Nordea Bank AB (publ) Finnish Branch
Nordea Holding Abp

Sweden
Nordea Life Holding AB
Nordea Livförsäkring Sverige AB (publ)
Nordea Funds Ab, Swedish Branch

Norway
Livforsikringsselskapet Nordea Liv Norge AS
Nordea Investment Management AB, Norway Branch
Nordea Funds Ltd, Norwegian Branch
Nordea Bank AB (publ), Norwegian Branch

Estonia
Nordea Bank AB Estonia Branch

France
Nordea Investments Funds S.A., French Branch

Italy
Nordea Investment Funds S.A., Italian Branch

Latvia
Nordea Bank AB Latvia Branch

Lithuania
Nordea Bank AB Lithuania Branch

Germany
Nordea Bank AB Frankfurt Branch
Nordea Funds Services GmbH (Germany)

China
Nordea Bank AB Shanghai Branch

Poland
Nordea Bank AB Spólka Akcyjna Oddział w Połsce

Singapore
Nordea Bank AB, Singapore Branch
Nordea Bank S.A., Singapore Branch

Switzerland
Nordea Bank S.A., Luxemburg Zwiegniederlassung Zürich

United Kingdom
Nordea Bank AB London Branch
Nordea Investment Funds S.A. UK Branch

United States
Nordea Bank AB (publ), New York Branch

Spain
Nordea Investment Funds S.A. Sucursal en España

G49. IFRS 9

Classification of assets and liabilities under IFRS 9

Assets

1 Jan 2018, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL)			Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/joint ventures	Assets held for sale	Total
		Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging				
Cash and balances with central banks	43,081	–	–	–	–	–	–	43,081
Loans	246,966	76,427	–	–	–	–	–	323,393
Interest-bearing securities	3,093	28,027	7,832	–	36,342	–	–	75,294
Financial instruments pledged as collateral	–	6,489	–	–	–	–	–	6,489
Shares	–	17,180	–	–	–	–	–	17,180
Assets under pooled schemes and unit-linked investment contracts	–	25,229	499	–	–	151	–	25,879
Derivatives	–	44,415	–	1,696	–	–	–	46,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk	163	–	–	–	–	–	–	163
Investments in associated undertakings and joint ventures	–	–	–	–	–	1,207	–	1,207
Intangible assets	–	–	–	–	–	3,983	–	3,983
Properties and equipment	–	–	–	–	–	624	–	624
Investment properties	–	–	–	–	–	1,448	–	1,448
Deferred tax assets	–	–	–	–	–	118	–	118
Current tax assets	–	–	–	–	–	121	–	121
Retirement benefit assets	–	–	–	–	–	250	–	250
Other assets	1,523	10,272	–	–	–	646	–	12,441
Prepaid expenses and accrued income	999	–	–	–	–	464	–	1,463
Assets held for sale	–	–	–	–	–	–	22,186	22,186
Total assets	**295,825**	**208,039**	**8,331**	**1,696**	**36,342**	**9,012**	**22,186**	**581,431**

Liabilities

1 Jan 2018, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL)			Non-financial liabilities	Liablities held for sale	Total
		Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging			
Deposit by credit institutions	34,078	5,905	–	–	–	–	39,983
Deposits and borrowings from the public	163,330	9,075	29	–	–	–	172,434
Deposits in pooled schemes and unit-linked investment contracts	–	–	26,333	–	–	–	26,333
Liabilities to policyholders	–	–	3,486	–	15,926	–	19,412
Debt securities in issue	122,511	–	56,603	–	–	–	179,114
Derivatives	–	41,607	–	1,106	–	–	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,450	–	–	–	–	–	1,450
Current tax liabilities	–	–	–	–	389	–	389
Other liabilities	2,833	24,421	–	–	1,261	–	28,515
Accrued expenses and prepaid income	246	–	–	–	1,357	–	1,603
Deferred tax liabilities[1]	–	–	–	–	676	–	676
Provisions	–	–	–	–	377	–	377
Retirement benefit liabilities	–	–	–	–	281	–	281
Subordinated liabilities	8,987	–	–	–	–	–	8,987
Liabilities held for sale	–	–	–	–	–	26,031	26,031
Total liabilities	**333,435**	**81,008**	**86,451**	**1,106**	**20,267**	**26,031**	**548,298**

1) Decrease in net tax liabilities EUR 46m. The classification of the decrease of net tax liabilities on assets and liabilities remains to be confirmed.

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Reclassification of assets and liabilities at transition

Assets, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/ joint ventures	Assets held for sale	Total
Balance at 31 Dec 2017 under IAS 39	**295,639**	**118,240**	**98,469**	**1,696**	**36,342**	**9,040**	**22,186**	**581,612**
Required reclassification from Fair value option to AC[1]	234	–	–234	–	–	–	–	–
Required reclassification from Fair value option to FVPL mandatorily[2]	–	89,904	–89,904	–	–	–	–	–
Required reclassification from AC to FVPL mandatorily[1]	–23	23	–	–	–	–	–	–
Reclassification of provisions on loans held at fair value	128	–128	–	–	–	–	–	–
Impact from companies accounted for under the equity method	–	–	–	–	–	–28	–	–28
Remeasurement[3]	–153	–	–	–	–	–	–	–153
Balance at 1 Jan 2018 under IFRS 9	**295,825**	**208,039**	**8,331**	**1,696**	**36,342**	**9,012**	**22,186**	**581,431**

Liabilities, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Non-financial liabilities	Liabilities held for sale	Total
Balance at 31 Dec 2017 under IAS 39	**333,435**	**81,008**	**86,451**	**1,106**	**20,265**	**26,031**	**548,296**
Remeasurement[4]	–	–	–	–	2	–	2
Balance at 1 Jan 2018 under IFRS 9	**333,435**	**81,008**	**86,451**	**1,106**	**20,267**	**26,031**	**548,298**

1) The reclassification is related to Loans.
2) Interest-bearing securities of EUR 202m, shares of EUR 11,926m, loans of EUR 52,547m and assets in pooled schemes of EUR 25,229m have been reclassified from Fair value option to Fair value through profit and loss, mandatorily due to required reclassification based on classification criteria.
3) FVOCI consists of new provisions of EUR 2m and an equal but opposite fair value measurement.
4) Increase in provision for off-balance sheet items EUR 48m, offset by a decrease in net tax liabilities of EUR 46m. The classification of the decrease of net tax liabilities on assets and liabilities remains to be confirmed.

Impact on equity (retained earnings) at transition

The total negative impact on equity from IFRS 9 at transition amounts to EUR 183m after tax, including the current best estimate of the impact from companies accounted for using the equity method.

Reclassification of provisions at transition

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

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

%	
Stage 1	93.6
Stage 2	4.9
Stage 3	1.5
Total	**100.0**

Allowances for credit losses

EURm	Stage 1	Stage 2	Stage 3	Total
Loans	133	360	1,816	2,309
Interest-bearing securities	2	0	0	2
Off-balance	14	34	91	139
Total	**149**	**394**	**1,907**	**2,450**

Accounting principles under IFRS 9

Classification of financial instruments under IFRS 9

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

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

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

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

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

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

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

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see Note G1 section 6, "Net interest income". For information about impairment under IFRS 9, see the Impairment section below.

Interest on assets and liabilities classified at amortised cost is recognised in the items "Interest income" and "Interest expense" in the income statement.

This category consists of mainly all loans and deposits, except for reversed repurchase/repurchase agreement and securities borrowing/lending agreements in Markets and the mortgage loans in Nordea Kredit Realkreditaktieselskab. This category also includes interest bearing securities mainly related to a portfolio of interest bearing securities in Life & Pension in Norway, subordinated liabilities and debt securities in issue, execpt for bonds issued in Nordea Kredit Realkreditaktieselskab and issued structured bonds in Markets.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from items at fair value".

The category consists of two sub-categories; Mandatorily measured at fair value through profit and loss and Designated at fair value through profit or loss (fair value option).

The sub-category Mandatorily measured at fair value through profit and loss contains mainly all assets in Markets, trading liabilities in Markets, interest-bearing securities included in the liquidity buffer, derivative instruments, shares, the mortgage loans in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and financial assets under "Assets in pooled schemes and unit-linked investment contracts". Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the policy holders. The deposits are invested in different types of financial assets on behalf of the customer and policyholders.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are issued bonds in Nordea Kredit Realkreditaktieselskab and assets and liabilities in Nordea Life & Pensions.

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Liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law Nordea at the same time issues bonds with matching terms, so called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and return them to Nordea as a settlement of the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. The loans are measured at fair value through profit and loss and if the bonds were measured at amortised cost this would give rise to an accounting mismatch. To avoid such an accounting mismatch Nordea measures the bonds at fair value with all changes in fair value including changes in credit risk recognised in profit or loss.

All assets in Nordea Life & Pension held under investment contracts are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch with the liabilities to the policyholders that are measured at fair value. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category Designated at fair value through profit or loss. Changes in own credit risk is recognised in profit and loss as recognising this change in other comprehensive income would create an accounting mismatch. Assets held under insurance contracts (defined in Note G1 section 19 "Liabilities to policyholders"), except for a portfolio of interest bearing securities in Norway, are classified into the category Designated at fair value through profit or loss to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also assets in pooled schemes and unit-linked investment contracts that are not mandatorily measured at fair value through profit and loss are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits. The deposits in pooled schemes and unit-linked investment contracts are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss. The value of these deposits is directly linked to assets in the contacts and there is consequently no effect from changes in own credit risk in these contracts.

Nordea also applies the fair value option on issued structured bonds in Markets as these instruments include embedded derivatives not closely related to the host contract. The change in fair value on these issues structured bonds is recognised in profit and loss except for the changes in credit risk that is recognised in other comprehensive income.

Interest income and interest expense related to all balance sheet items held at fair value through profit and loss in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value".

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are measured at fair value plus transaction costs. This category mainly consists of the interest-bearing securities included in the liquidity buffer. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income" and foreign exchange effects and impairment losses in the item "Net result from items at fair value" in the income statement. When an instrument is disposed of, the fair value changes that previously have been accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from items at fair value". For information about impairment under IFRS 9, see the Impairment section below.

Impairment of financial instruments under IFRS 9

Scope

Financial instruments classified as Amortised cost or Fair value through other comprehensive income are in scope for recognising impairment due to credit risk. This includes assets recognised on the balance sheet as "Loans to central banks", Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet lines also include assets classified as Fair value through profit or loss, which are not in scope for impairment calculations. See the Classification section above for further information on the classification of financial instruments.

Off-balance sheet commitments, contingent liabilities and loan commitments are also in scope for impairment calculations.

Recognition and presentation

Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as "Net loan losses".

If the impairment loss is regarded as final, it is reported as a realised loss and the carrying amount of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legal based or voluntary reconstruction, or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses".

Assets classified as Fair value through other comprehensive income are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Net result from items at fair value". Any fair value adjustments are recognised in "Other comprehensive income".

Impairment testing of individually assessed loans

Nordea tests all exposures for impairment on an individual basis. The purpose of the impairment tests is to find out if the exposures have become credit impaired (stage 3). Nordea monitors whether there are indicators of exposures being credit impaired by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section. Exposures that are not individually assessed as credit impaired will be part of the collective impairment calculation.

For significant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is made on an individual basis. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is

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higher, the difference is recognised as an impairment loss. The expected cash flows are discounted with the original effective interest rate and include the fair value of the collaterals and other credit enhancements. The estimate is based on three different forward looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is measured using the collective model described below, but based on the fact that the exposures are already in default.

Impairment testing of collectively assessed loans

For exposures not impaired on an individual basis, a collective model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stage 2 is based on the expected lifetime of the asset.

The provisions for exposures where there has been no significant increase in credit risk since initial recognition are based on the 12 month expected loss (stage 1). Provisions for exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2).

Nordea uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held at transition 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) is used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, Nordea uses a mix of absolute and relative changes in PD as the transfer criterion. Assets where the relative increase in lifetime PD is more than 250 percent is considered as having a significant increase in credit risk, or if the absolute increase in lifetime PD is more than 150 basis points. For assets where rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence the customer is not in default. Such exposures will be classified as stage 2.

Nordea does not use the "low credit risk exemption" in the banking operations, but uses it for a minor portfolio of interest-bearing securities in the insurance operations.

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

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans and modifications

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. In the event of a recovery the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial distress (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquire an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For example a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Fair value through profit or loss and measured at fair value. Changes in fair values are recognised in the income statement under the line "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

Financial statements, Parent company

Contents

Income statement

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

EURm	Note	2017	2016
Operating income			
Interest income		4,155	1,403
Interest expense		–1,824	–939
Net interest income	**P3**	**2,331**	**464**
Fee and commission income		2,409	978
Fee and commission expense		–407	–138
Net fee and commission income	**P4**	**2,002**	**840**
Net result from items at fair value	P5	1,104	216
Dividends	P6	3,344	3,210
Other operating income	P7	476	712
Total operating income		**9,257**	**5,442**
Operating expenses			
General administrative expenses:			
- Staff costs	P8	–2,768	–1,113
- Other expenses	P9	–1,469	–1,008
Depreciation, amortisation and impairment charges of tangible and intangible assets	P10, P22, P23	–277	–172
Total operating expenses		**–4,514**	**–2,293**
Profit before loan losses		**4,743**	**3,149**
Net loan losses	P11	–299	–193
Impairment of securities held as financial non-current assets	P20	–385	–6
Operating profit		**4,059**	**2,950**
Appropriations	P12	2	1
Income tax expense	P13	–551	–51
Net profit for the year		**3,510**	**2,900**

Statement of comprehensive income

EURm	2017	2016
Net profit for the year	**3,510**	**2,900**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	4	–7
Tax on currency translation differences during the year	3	–
Hedging of net investment in foreign operations:		
Valuation gains/losses during the year	3	–
Tax on valuation gains/losses during the year	1	–
Available for sale investments[1]:		
Valuation gains/losses during the year	33	45
Tax on valuation gains/losses during the year	–15	–10
Transferred to the income statement during the year	0	–4
Tax on transfers to the income statement during the year	7	1
Cash flow hedges:		
Valuation gains/losses during the year	109	103
Tax on valuation gains/losses during the year	–33	–23
Transferred to the income statement during the year	–146	–122
Tax on transfers to the income statement during the year	42	27
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of benefit plans during the year	62	3
Tax on remeasurement of benefit plans during the year	–8	–1
Other comprehensive income, net of tax	**62**	**12**
Total comprehensive income	**3,572**	**2,912**

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

Balance sheet

EURm	Note	31 Dec 2017	31 Dec 2016
Assets			
Cash and balances with central banks		42,637	101
Treasury bills	P14	13,493	6,583
Loans to credit institutions	P15	59,765	88,375
Loans to the public	P15	152,739	43,726
Interest-bearing securities	P16	47,950	10,359
Financial instruments pledged as collateral	P17	12,430	–
Shares	P18	7,883	130
Derivatives	P19	47,688	4,668
Fair value changes of the hedged items in portfolio hedge of interest rate risk		85	0
Investments in group undertakings	P20	12,532	5,733
Investments in group undertakings being merged		–	14,368
Investments in associated undertakings and joint ventures	P21	1,036	12
Participating interest in other companies		23	1
Intangible assets	P22	2,114	1,539
Properties and equipment	P23	385	132
Deferred tax assets	P13	84	22
Current tax assets		58	204
Retirement benefit assets	P32	196	–
Other assets	P24	15,316	4,560
Prepaid expenses and accrued income	P25	1,128	749
Total assets		**417,542**	**181,262**
Liabilities			
Deposits by credit institutions	P26	51,735	20,374
Deposits and borrowings from the public	P27	176,231	58,183
Debt securities in issue	P28	72,460	63,162
Derivatives	P19	46,118	3,612
Fair value changes of the hedged items in portfolio hedge of interest rate risk		552	1,008
Current tax liabilities		158	0
Other liabilities	P29	28,720	3,279
Accrued expenses and prepaid income	P30	1,195	670
Deferred tax liabilities	P13	174	0
Provisions	P31	412	307
Retirement benefit liabilities	P32	262	169
Subordinated liabilities	P33	8,987	10,086
Total liabilities		**387,004**	**160,850**
Untaxed reserves	P34	**–**	**2**
Equity			
Additional Tier 1 capital holders		750	–
Share capital		4,050	4,050
Development cost reserve		1,205	569
Share premium reserve		1,080	1,080
Other reserves		166	–2
Retained earnings		23,287	14,713
Total equity		**30,538**	**20,410**
Total liabilities and equity		**417,542**	**181,262**

Statement of changes in equity

2017

	Restricted equity		Unrestricted equity[1]								
				Other reserves							
EURm	Share capital	Development cost reserve	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Additional Tier 1 capital holders	Total equity
Balance at 1 Jan 2017	**4,050**	**569**	**1,080**	**–**	**–31**	**27**	**2**	**14,713**	**20,410**	**–**	**20,410**
Through Merger	–	–	–	–	17	51	57	8,348	8,473	–	8,473
Change in accounting policy	–	–	–	–19	–	–	–	23	4	–	4
Net profit for the year	–	–	–	–	–	–	–	3,510	3,510	–	3,510
Items that may be reclassified subsequently to the income statement											
Currency translation differences during the year	–	–	–	7	–	–	–	–	7	–	7
Hedging of net investments in foreign operations:											
Valuation gains/losses during the year	–	–	–	3	–	–	–	–	3	–	3
Tax on valuation gains/losses during the year	–	–	–	1	–	–	–	–	1	–	1
Available for sale investments:											
Valuation gains/losses during the year	–	–	–	–	–	33	–	–	33	–	33
Tax on valuation gains/losses during the year	–	–	–	–	–	–15	–	–	–15	–	–15
Transferred to the income statement during the year	–	–	–	–	–	0	–	–	0	–	0
Tax on transfers to the income statement during the year	–	–	–	–	–	7	–	–	7	–	7
Cash flow hedges:											
Valuation gains/losses during the year	–	–	–	–	109	–	–	–	109	–	109
Tax on valuation gains/losses during the year	–	–	–	–	–33	–	–	–	–33	–	–33
Transferred to the income statement during the year	–	–	–	–	–146	–	–	–	–146	–	–146
Tax on transfers to the income statement during the year	–	–	–	–	42	–	–	–	42	–	42
Items that may not be reclassified subsequently to the income statement											
Defined benefit plans:											
Remeasurement of defined benefit plans during the year	–	–	–	–	–	–	62	–	62	–	62
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	–	–8	–	–8	–	–8
Other comprehensive income, net of tax	**–**	**–**	**–**	**11**	**–28**	**25**	**54**	**–**	**62**	**–**	**62**
Total comprehensive income	**–**	**–**	**–**	**11**	**–28**	**25**	**54**	**3,510**	**3,572**	**–**	**3,572**
Issuance of additional Tier 1 capital								–6	–6	750	744
Dividend for 2016	–	–	–	–	–	–	–	–2,625	–2,625	–	–2,625
Disposal/Purchase of own shares[2]	–	–	–	–	–	–	–	–40	–40	–	–40
Development cost reserve	–	636	–	–	–	–	–	–636	0	–	0
Balance at 31 Dec 2017	**4,050**	**1,205**	**1,080**	**–8**	**–42**	**103**	**113**	**23,287**	**29,788**	**750**	**30,538**

1) A free fund amounting to EUR 2,762m is recognised in Retained earnings.

2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme and trading portfolio. The number of own shares were 13.7 million. The total holdings of own shares related to LTIP is 10.2 million.

Statement of changes in equity, cont.

2016

	Restricted equity		Unrestricted equity[1]					
				Other reserves				
EURm	Share capital	Development cost reserve	Share premium reserve	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total equity
Balance at 1 Jan 2016	**4,050**	**–**	**1,080**	**–16**	**–5**	**0**	**14,969**	**20,078**
Net profit for the year	–	–	–	–	–	–	2,900	2,900
Items that may be reclassified subsequently to the income statement								
Currency translation differences during the year	–	–	–	–	–	–	–7	–7
Available for sale investments:								
Valuation gains/losses during the year	–	–	–	–	45	–	–	45
Tax on valuation gains/losses during the year	–	–	–	–	–10	–	–	–10
Transferred to the income statement during the year	–	–	–	–	–4	–	–	–4
Tax on transfers to the income statement during the year	–	–	–	–	1	–	–	1
Cash flow hedges:								
Valuation gains/losses during the year	–	–	–	103	–	–	–	103
Tax on valuation gains/losses during the year	–	–	–	–23	–	–	–	–23
Transferred to the income statement during the year	–	–	–	–122	–	–	–	–122
Tax on transfers to the income statement during the year	–	–	–	27	–	–	–	27
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans:								
Remeasurement of defined benefit plans during the year	–	–	–	–	–	3	–	3
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	–1	–	–1
Other comprehensive income, net of tax	**–**	**–**	**–**	**–15**	**32**	**2**	**–7**	**12**
Total comprehensive income	**–**	**–**	**–**	**–15**	**32**	**2**	**2,893**	**2,912**
Dividend for 2015	–	–	–	–	–	–	–2,584	–2,584
Disposal of own shares[2]	–	–	–	–	–	–	0	0
Development cost reserve	–	569	–	–	–	–	–569	0
Merger effect	–	–	–	–	–	–	4	4
Balance at 31 Dec 2016	**4,050**	**569**	**1,080**	**–31**	**27**	**2**	**14,713**	**20,410**

1) A free fund amounting to EUR 2,762m is recognised in Retained earnings.
2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme and trading portfolio. The number of own shares were 10.9 million.

Description of items in equity is included in Note G1 "Accounting policies".

Share capital

	Quota value per share, EUR	Total number of shares	Share capital, EUR
Balance at 31 Dec 2016	1.0	4,049,951,919	4,049,951,919
Balance at 31 Dec 2017	1.0	4,049,951,919	4,049,951,919

Dividends per share

Final dividends are not accounted for until they have been ratified at the Annual General Meeting (AGM). At the AGM on 15 March 2018, a dividend in respect of 2017 of EUR 0.68 per share (2016 actual dividend EUR 0.65 per share) amounting to a total of EUR 2,747,028,225 (2016 actual: EUR 2,625,368,991) is to be proposed. The financial statements for the year ended 31 December 2017 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2018.

Cash flow statement

EURm	2017	2016
Operating activities		
Operating profit	4,059	2,950
Adjustment for items not included in cash flow	–1,265	–2,085
Income taxes paid	–612	–278
Cash flow from operating activities before changes in operating assets and liabilities	**2,182**	**587**
Changes in operating assets		
Change in treasury bills	1,781	305
Change in loans to credit institutions	–7,076	2,846
Change in loans to the public	12,180	1,893
Change in interest-bearing securities	2,912	1,829
Change in financial assets pledged as collateral	–4,194	–
Change in shares	–3,120	2,232
Change in derivatives, net	–4,229	–693
Change in other assets	7,465	2,485
Changes in operating liabilities		
Change in deposits by credit institutions	7,885	1,305
Change in deposits and borrowings from the public	–1,430	–2,874
Change in debt securities in issue	–7,195	–5,763
Change in other liabilities	6,676	–253
Cash flow from operating activities	**13,837**	**3,899**
Investing activities		
Investments in group undertakings	–303	–523
Sale of group undertakings	240	–
Investments in associated undertakings and joint ventures	–957	–5
Sale of associated undertakings	14	–
Acquisition of properties and equipment	–125	–25
Sale of property and equipment	0	1
Acquisition of intangible assets	–656	–594
Sale of other financial fixed assets	249	69
Cash flow from investing activities	**–1,538**	**–1,077**
Financing activities		
Issued/amortised subordinated liabilities	–750	1,000
Divestment/repurchase of own shares incl change in trading portfolio	–40	–
Dividend paid	–2,625	–2,584
Issued additional tier 1 capital	750	–
Cash flow from financing activities	**–2,665**	**–1,584**
Cash flow for the year	**9,634**	**1,238**
Cash and cash equivalents at the beginning of year	4,581	3,343
Cash and cash equivalents through merger	–45,917	–
Translation difference	3,716	–
Cash and cash equivalents at the end of year	47,254	4,581
Change	**9,634**	**1,238**

Cash flow statement, cont.

Comments on the cash flow statement

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

Operating activities

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

EURm	2017	2016
Depreciation	277	164
Impairment charges	385	14
Loan losses	336	200
Unrealised gains/losses	1,908	499
Capital gains/losses (net)	–7	–68
Change in accruals and provisions	–378	–50
Anticipated dividends	–1,684	–1,964
Group contributions	–873	–695
Translation differences	–642	–47
Change in fair value of the hedged items, assets/liabilities (net)	–476	–149
Other	–111	11
Total	**–1,265**	**–2,085**

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

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

EURm	2017	2016
Interest payments received	4,192	1,393
Interest expenses paid	–1,944	–966

Investing activities

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

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2017	31 Dec 2016
Cash and balances with central banks	42,637	101
Loans to credit institutions, payable on demand	4,617	4,480
Total	**47,254**	**4,581**

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

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

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

5 year overview

Income statement[1]

EURm	2017	2016	2015	2014[2]	2013
Net interest income	2,331	464	511	649	641
Net fee and commission income	2,002	840	886	820	1,009
Net result from items at fair value	1,104	216	136	186	131
Dividends	3,344	3,210	2 ,176	2,333	1,827
Other operating income	476	712	833	975	674
Total operating income	**9,257**	**5,442**	**4,542**	**4,963**	**4,282**
General administrative expenses:					
- Staff costs	–2,768	–1,113	–1,196	–1,070	–982
- Other expenses	–1,469	–1,008	–851	–904	–1,018
Depreciation, amortisation and impairment charges of tangible and intangible assets	–277	–172	–140	–261	–109
Total operating expenses	**–4,514**	**–2,293**	**–2,187**	**–2,235**	**–2,109**
Profit before loan losses	**4,743**	**3,149**	**2,355**	**2,728**	**2,173**
Net loan losses	–299	–193	–143	–98	–124
Impairment of securities held as financial non-current assets	–385	–6	–9	–15	–4
Operating profit	**4,059**	**2,950**	**2,203**	**2,615**	**2,045**
Appropriations	2	1	2	–1	102
Income tax expense	–551	–51	–285	–189	–192
Net profit for the year	**3,510**	**2,900**	**1,920**	**2,425**	**1,955**

Balance sheet

EURm	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Cash and balances with central banks	42,637	101	75	931	45
Treasury bills, interest-bearing securities and pledged instruments	73,873	16,942	19,068	16,399	16,817
Loans to credit institutions	59,765	88,375	90,009	86,704	80,918
Loans to the public	152,739	43,726	45,820	39,809	34,155
Investments in group undertakings	12,532	20,101	19,394	16,986	17,723
Derivatives	47,688	4,668	5,011	5,981	4,219
Other assets	28,308	7,349	8,796	11,621	10,046
Total assets	**417,542**	**181,262**	**188,173**	**178,431**	**163,923**
Deposits by credit institutions	51,735	20,374	19,069	27,452	17,500
Deposits and borrowings from the public	176,231	58,183	61,043	49,367	47,531
Debt securities in issue	72,460	63,162	68,908	63,280	62,961
Derivatives	46,118	3,612	4,180	4,653	3,627
Subordinated liabilities	8,987	10,086	8,951	7,728	5,971
Other liabilities/untaxed reserves	31,473	5,435	5,944	5,290	6,412
Equity	30,538	20,410	20,078	20,661	19,921
Total liabilities and equity	**417,542**	**181,262**	**188,173**	**178,431**	**163,923**

1) The comparative figures for 2015 have been restated.
2) End of the year.

Ratios and key figures[4]

	2017	2016	2015	2014[1]	2013
Return on equity, %	12.7	15.6	10.1	12.6	10.5
Return on assets, %	0.8	1.6	1.0	1.4	1.2
Cost/income ratio, %	48.8	42.1	48.2	45.0	49.3
Loan loss ratio, basis points	20	44	31	25	36
Common Equity Tier 1 capital ratio, excl. Basel I floor[1,2,3], %	18.6	18.6	18.8	21.8	20.8
Tier 1 capital ratio, excl. Basel I floor[1,3], %	21.3	22.0	22.2	25.3	23.1
Total capital ratio, excl. Basel I floor[1,3], %	24.1	27.9	27.1	30.6	28.0
Tier 1 capital[1,2,3], EURm	27,809	19,167	19,314	19,932	19,300
Risk-exposure amount excl. Basel I floor[1,3], EURbn	131	87	87	79	83

1) End of the year.
2) Including result of the year.
3) 2013 ratios are reported under the Basel II regulation framework and 2014, 2015, 2016 and 2017 ratios are reported using the Basel III (CRR/CRDIV) framework.
4) For more detailed information regarding ratios and key figures defined as Alternative performance measures, see http://www.nordea.com/en/investor-relations/.

P1. Accounting policies

1. Basis for presentation

The financial statements for the parent company, Nordea Bank AB (publ), are prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the accounting recommendation RFR 2 Accounting for legal entities issued by the Swedish Financial Reporting Board. This means that the parent company applies International Financial Reporting Standards (IFRS) as endorsed by the EU Commission to the extent possible within the framework of Swedish accounting legislation and considering the close tie between financial reporting and taxation.

The Group's accounting policies described in Note G1 "Accounting policies" are applicable also for the parent company, considering also the information provided below.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2016 Annual Report.

New accounting requirements implemented during 2017 and their effects on the parent company's financial statements are described below.

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

The Swedish Financial Reporting Board has amended the accounting recommendation for legal entities by issuing "RFR 2 Accounting for Legal Entities – January 2017". These amendments were implemented 1 January 2017 but have not had any significant impact on the financial statements.

Other changes implemented by the parent company 1 January 2017 can be found in section "Changed accounting policies" in Note G1 "Accounting policies". The conclusions within this section are also, where applicable, relevant for the parent company.

3. Changes in IFRSs not yet applied

Forthcoming changes in IFRS not yet implemented by the parent company can be found in the section 3 "Changes in IFRSs not yet applied" in Note G1 "Accounting policies". The conclusions within this section are also, where applicable, relevant for the parent company.

4. Accounting policies applicable for the parent company only

Investments in group undertakings, associated undertakings and joint ventures

The parent company's investments in group undertakings, associated undertakings and joint ventures are recognised under the cost model. At each balance sheet date, all shares in group undertakings, associated undertakings and joint ventures are reviewed for indications of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of each holding of shares is fully recoverable. The recoverable amount is the higher of fair value less costs to sell and the value in use. Any impairment charge is calculated as the difference between the carrying amount and the recoverable amount and is classified as "Impairment of securities held as financial non-current assets" in the income statement.

The parent company applies fair value hedge accounting for the foreign exchange risk in investments in subsidiaries. The shares in subsidiaries are remeasured with regards to the hedged risk with a corresponding entry in "Net result from items at fair value". The change in fair value of the hedging instruments is also recognised in the income statement in "Net result from items at fair value".

Dividends

Dividends paid to the shareholders of Nordea Bank AB (publ) are recorded as a liability following the approval of the Annual General Meeting.

Dividends paid by group undertakings to the parent company are anticipated if the parent alone can decide on the size of the dividend and if the formal decision has been made before the financial report is published. Dividends from group- and associated undertakings are recognised on the separate income line "Dividends".

Amortisation of goodwill

Goodwill and other intangible assets with indefinite useful lives are not amortised in the consolidated financial statements. In the parent company financial statements goodwill is amortised, normally over a period of five years unless, under exceptional circumstances, a longer amortisation period is justified.

Functional currency

The accounting currency of the parent company is EUR. All transactions in other currencies are converted to EUR in accordance with the policies disclosed in section 9 "Translation of assets and liabilities denominated in foreign currencies" in Note G1 "Accounting policies". Any remaining equity in foreign branches is converted at the closing rates with translation differences recognised in other comprehensive income.

Pensions

The accounting principle for defined benefit obligations in Sweden follows the Swedish rules ("Tryggandelagen") and the regulations of the Swedish Financial Supervisory Authority as this is the condition for tax deductibility. The significant differences compared with IAS 19 consist of how the discount rate is determined, and that the calculation of the defined benefit obligation is based on current salary level without assumptions about future salary increases.

In Sweden, defined benefit pension commitments are guaranteed by a pension foundation or recognised as a liability. No net defined benefit assets are recognised. The pension cost in the parent company, classified as "Staff cost" in the income statement, consists of changes in recognised pension provisions (including special wage tax) for active employees, pension benefits paid, contributions made to or received from the pension foundation and related special wage tax.

The pension obligations in the foreign branches are calculated in accordance with IAS 19.

Group contributions

Group contributions paid to group undertakings are recognised as an increase in the value of investments in group

P1. Accounting policies, cont.

undertakings, net of tax. Group contributions received from group undertakings are recognised as dividends. The possible tax effects on group contributions received are classified as "Income tax expense" in the income statement.

Untaxed reserves

The parent company reports untaxed reserves, related to accelerated depreciation and tax allocation reserve under tax regulations. In the consolidated financial statements, untaxed reserves are split on the items "Retained earnings" and "Deferred tax liabilities" on the balance sheet.

Presentation of disposal group held for sale

Assets and liabilities related to disposal group held for sale are presented in Note P43 "Disposal groups held for sale". In contrast to the presentation for the Group, assets and liabilities related to the disposal group are not presented on separate balance sheet lines. These assets and liabilities are instead presented on each relevant balance sheet line in accordance with the nature of the asset and liability.

P2. Segment reporting

Geographical information

	Sweden		Finland		Norway		Denmark		Others		Total	
EURm	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income	44	464	450	–	850	–	700	–	287	–	2,331	464
Net fee and commission income	472	840	573	–	261	–	613	–	83	–	2,002	840
Net result from items at fair value	309	216	137	–	133	–	476	–	49	–	1,104	216
Dividends[1]	3,327	3,210	12	–	–	–	5	–	–	–	3,344	3,210
Other operating income	–35	–53	118	241	93	95	228	429	72	–	476	712
Total operating income	**4,117**	**4,677**	**1,290**	**241**	**1,337**	**95**	**2,022**	**429**	**491**	**–**	**9,257**	**5,442**

1) Regards dividends from group undertakings.

P3. Net interest income

EURm	2017	2016
Interest income		
Loans to credit institutions	245	380
Loans to the public	3,350	837
Interest-bearing securities	383	126
Other interest income	177	60
Interest income	**4,155**	**1,403**
Interest expense		
Deposits by credit institutions	–170	–20
Deposits and borrowings from the public	–344	–32
Debt securities in issue	–976	–923
Subordinated liabilities	–336	–368
Other interest expenses[1]	2	404
Interest expense	**–1,824**	**–939**
Net interest income	**2,331**	**464**

1) The net interest income from derivatives, measured at fair value and related to Nordea´s funding. This can have both a positive and negative impact on other interest expenses, for further information see Note G1 "Accounting policies".

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 3,769m (EUR 1,274m). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR –2,060m (EUR –1,401m). Interest on impaired loans amounted to an insignificant portion of interest income.

P4. Net fee and commission income

EURm	2017	2016
Asset management commissions	450	148
- of which income	458	148
- of which expense	–8	–
Life & Pension	23	1
- of which income	23	1
- of which expense	–	–
Deposit Products	26	18
- of which income	26	18
- of which expense	–	–
Brokerage, securities issues and corporate finance	205	187
- of which income	269	211
- of which expense	–64	–24
Custody and issuer services	56	7
- of which income	95	19
- of which expense	–39	–12
Payments	317	72
- of which income	439	102
- of which expense	–122	–30
Cards	196	77
- of which income	326	127
- of which expense	–130	–50
Lending Products	371	154
- of which income	376	155
- of which expense	–5	–1
Guarantees	294	153
- of which income	294	153
- of which expense	0	0
Other	64	23
- of which income	104	44
- of which expense	–40	–21
Total	**2,002**	**840**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 401m (EUR 173m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 750m (EUR 360m). The corresponding amount for fee expenses is EUR –110m (EUR –36m).

P5. Net result from items at fair value

EURm	2017	2016
Equity related instruments	368	–332
Interest related instruments and foreign exchange gains/losses	718	547
Other financial instruments (including credit and commodities)	18	1
Total[1]	**1,104**	**216**

1) Of which EUR 53m (EUR 0m) is dividends from shares.

P5. Net result from items at fair value, cont.

Net result from categories of financial instruments

EURm	2017	2016
Available for sale assets, realised	0	4
Financial instruments designated at fair value through profit or loss	17	18
Financial instruments held for trading[2]	472	–386
Financial instruments under fair value hedge accounting	46	–10
- of which net losses on hedging instruments	–355	–166
- of which net gains on hedged items	401	156
Financial assets measured at amortised cost[3]	4	1
Foreign exchange gains/losses excluding currency hedges	570	529
Other	–5	60
Total	**1,104**	**216**

2) Of which amortised deferred day one profits amounts to EUR –53m (EUR 0m).

3) Of which EUR 4m (EUR 1m) related to instruments classified into the category "Loans and receivables" and EUR -m (EUR -m) related to instruments classified into the category "Held to maturity".

P6. Dividends

EURm	2017	2016
Dividends from group undertakings		
Nordea Bank Finland Plc	–	900
Nordea Bank Denmark A/S	–	417
LLC Promyshlennaya Kompaniya Vestkon	93	82
JSC Nordea Bank	7	6
Nordea Mortgage Bank Plc	102	–
Nordea Kredit Realkreditaktieselskab	402	–
Nordea Finance Finland Ltd	342	–
Nordea Finans Danmark A/S	45	–
Nordea Finans Norge AS	21	–
Nordea Life Holding AB	707	700
Nordea Funds Ltd	154	130
Nordea Bank S.A.	70	155
Nordea Investment Management AB	–	115
Nordea Asset Management Holding AB	386	–
Nordea Eiendomskreditt AS	45	–
Nordea Ejendomsinvestering A/S	10	9
Nordea Utvikling A/S	4	–
Nordea Privatmegleren AS	1	–
Dividends from associated undertakings and joint ventures	**2017**	**2016**
Upplysningscentralen (UC) AB	1	1
Visa Sweden	64	–
Suomen Luotto–osuuskunta	10	–
Automatia Pankkiautomaatit Oy	2	–
LR–Realkredit A/S	5	–
Group Contributions		
Nordea Hypotek AB	716	562
Nordea Investment Management AB	–	6
Nordea Finans AB	157	127
Total	**3,344**	**3,210**

P7. Other operating income

EURm	2017	2016
Divestment of shares	6	0
Remuneration from group undertakings	466	710
Income from real estate	2	–
Other	2	2
Total	**476**	**712**

P8. Staff costs

EURm	2017	2016
Salaries and remuneration (specification below)[1]	–2,139	–825
Pension costs (specification below)	–292	–165
Social security contributions	–444	–240
Other staff costs	107	117
Total	**–2,768**	**–1,113**

Salaries and remuneration		
To executives[2]		
- Fixed compensation and benefits	–9	–9
- Performance-related compensation	–5	–4
- Allocation to profit-sharing	0	0
Total	**–14**	**–13**
To other employees	–2,125	–812
Total	**–2,139**	**–825**

1) Allocation to profit-sharing foundation 2017 EUR 28m (EUR 11m) consists of a new allocation of EUR 25m (EUR 11m) and an allocation related to prior year of EUR 3m (EUR 0m).

2) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, are included. Executives amounts to 20 (19) positions.

Pension costs[1]

EURm	2017	2016
Defined benefit plans	–63	–85
Defined contribution plans	–229	–80
Total	**–292**	**–165**

1) Pension costs for executives, see Note G7 "Staff costs".

Additional disclosures on remuneration under Swedish FSA regulations and general guidelines

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) not later than one week before the Annual General Meeting on 15 March 2018.

Compensation to key management personnel

Salaries and remuneration to the Board of Directors, CEO and Group Executive Management, see Note G7 "Staff costs".

Loans to key management personnel

Loans to key management personnel amounts to EUR 0m (EUR 0m). Interest income on these loans amounts to EUR 0m (EUR 0m). For information about loan conditions, see Note G7 "Staff costs".

P8. Staff costs, cont.

Long Term Incentive Programmes

For information on number of outstanding conditional rights in the LTIPs, see Note G7 "Staff costs". All rights in the LTIPs, both to employees in the parent company as well as to employees in group undertakings, are issued by Nordea Bank AB (publ).

Cash-settled share-based payment transactions

Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either transferred after three years or transferred in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea in 2013 introduced the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2017 is paid no earlier than autumn 2021. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2017 is decided during spring 2018, and a reservation of EUR 34m excl. social costs is made 2017. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

Share linked deferrals

EURm	2017	2016
Opening balance	39	22
Through merger	60	–
Deferred/earned during the year	40	17
TSR indexation during the year	1	6
Payments during the year	–42	–6
Translation differences	–3	0
Closing balance	**95**	**39**

P8. Staff costs, cont.

Average number of employees

	Total		Men		Women	
	2017	2016	2017	2016	2017	2016
Full-time equivalents						
Sweden	6,912	6,778	3,400	3,257	3,512	3,521
Denmark	7,965	1,460	4,469	1,116	3,496	344
Finland	6,434	663	2,267	420	4,167	243
Norway	2,680	185	1,469	152	1,211	33
Poland	2,060	1,426	1,044	719	1,016	707
Other countries	1,356	1,384	447	436	909	948
Total average	**27,407**	**11,896**	**13,096**	**6,100**	**14,311**	**5,796**

Gender distribution, executives

Per cent	2017	2016
Nordea Bank AB (publ)		
Board of Directors – Men	50	56
Board of Directors – Women	50	44
Other executives – Men	80	90
Other executives – Women	20	10

P9. Other expenses

EURm	2017	2016
Information technology	–554	–548
Marketing and representation	–55	–27
Postage, transportation, telephone and office expenses	–84	–39
Rents, premises and real estate	–304	–121
Other[1]	–472	–273
Total	**–1,469**	**–1,008**

1) Including fees and remuneration to auditors distributed as follows.

Auditors' fee

EURm	2017	2016
PricewaterhouseCoopers		
Auditing assignments	–4	–3
Audit-related services	–1	–1
Tax advisory services	–1	0
Other assignments	–1	–4
Total	**–7**	**–8**

P10. Depreciation, amortisation and impairment charges of tangible and intangible assets

Depreciation/amortisation

EURm	2017	2016
Properties and equipment (Note P23)		
Equipment	–64	–25
Intangible assets (Note P22)		
Goodwill	–68	–55
Computer software	–110	–63
Other intangible assets	–30	–21
Total	**–272**	**–164**

Impairment charges

EURm	2017	2016
Intangible assets (Note P22)		
Computer software	–5	–8
Other intangible assets	–	0
Total	**–5**	**–8**
Total depreciation/amortisation and impairment charges	**–277**	**–172**

P11. Net loan losses

EURm	2017	2016
Loan losses divided by class		
Realised loan losses	0	0
Provisions	–1	–1
Reversals of previous provisions	1	1
Loans to credit institutions[1]	**0**	**0**
Realised loan losses	–344	–119
Allowances to cover realised loan losses	259	80
Recoveries on previous realised loan losses	36	7
Provisions	–787	–228
Reversals of previous provisions	546	90
Loans to the public[1]	**–290**	**–170**
Realised loan losses	–9	–3
Allowances to cover realised loan losses	9	4
Provisions	–102	–39
Reversals of previous provisions	93	15
Off-balance sheet items[2]	**–9**	**–23**
Net loan losses	**–299**	**–193**

1) See Note P15 "Loans and impairment".
2) Included in Note P31 "Provisions" as "Guarantees".

P12. Appropriations

EURm	2017	2016
Change in depreciation in excess of plan, equipment	2	1
Total	**2**	**1**

P13. Taxes

Income tax expense

EURm	2017	2016
Current tax	–626	–43
Deferred tax	75	–8
Total	**–551**	**–51**

For current and deferred tax recognised in Other comprehensive income, see Statement of comprehensive income.

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2017	2016
Profit before tax	4,061	2,951
Tax calculated at a tax rate of 22.0%	–893	–649
Effect of different tax rates in other countries	–20	–
Tax-exempt income	560	616
Interest on subordinated debt	–54	–
Other non-deductible expenses	–144	–15
Adjustments relating to prior years	4	–3
Other	–4	0
Tax charge	**–551**	**–51**
Average effective tax rate	14%	2%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2017	2016	2017	2016
Deferred tax related to:				
Derivatives	1	9	193	–
Loans to the public	9	–	6	–
Properties and equipment	4	–	28	15
Intangible assets	–	–	17	–
Hedge of net investments in foreign subsidiaries	12	–	–	–
Retirement benefit obligations	16	7	23	1
Liabilities/provisions	77	22	–	–
Foreign tax credits	61	0	–	–
Other	0	0	3	0
Netting between deferred tax assets and liabilities	–96	–16	–96	–16
Total	**84**	**22**	**174**	**–**

P14. Treasury bills

EURm	31 Dec 2017	31 Dec 2016
State and sovereigns	10,406	6,009
Municipalities and other public bodies[1]	3,087	574
Total	**13,493**	**6,583**

1) Of which EUR 0m (EUR 30m) held at amortised cost with a nominal amount of EUR 0m (EUR 30m).

P15. Loans and impairment

EURm	Credit institutions		The public		Total	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Loans, not impaired	59,765	88,377	150,487	43,347	210,252	131,724
Impaired loans	0	–	4,268	820	4,268	820
- Servicing	0	–	2,552	562	2,552	562
- Non-servicing	–	–	1,716	258	1,716	258
Loans before allowances	**59,765**	**88,377**	**154,755**	**44,167**	**214,520**	**132,544**
Allowances for individually assessed impaired loans	0	–	–1,752	–344	–1,752	–344
- Servicing	0	–	–987	–217	–987	–217
- Non-servicing	–	–	–765	–127	–765	–127
Allowances for collectively assessed impaired loans	0	–2	–264	–97	–264	–99
Allowances	**0**	**–2**	**–2,016**	**–441**	**–2,016**	**–443**
Loans, carrying amount	**59,765**	**88,375**	**152,739**	**43,726**	**212,504**	**132,101**

Movements of allowance accounts for impaired loans

EURm	Credit institutions			The public			Total		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2017	**–**	**–2**	**–2**	**–344**	**–97**	**–441**	**–344**	**–99**	**–443**
Provisions	–	–1	–1	–660	–127	–787	–660	–128	–788
Reversals of previous provisions	–	1	1	318	228	546	318	229	547
Changes through the income statement	**–**	**0**	**0**	**–342**	**101**	**–241**	**–342**	**101**	**–241**
Through merger	0	–	0	–1,369	–283	–1,652	–1,369	–283	–1,652
Allowances used to cover realised loan losses	–	–	–	259	–	259	259	–	259
Reclassifications	–	–	0	18	3	21	18	3	21
Translation differences	–	2	2	27	11	38	27	13	40
Closing balance at 31 Dec 2017	**0**	**0**	**0**	**–1,751**	**–265**	**–2,016**	**–1,751**	**–265**	**–2,016**
Opening balance at 1 Jan 2016	**–**	**–2**	**–2**	**–314**	**–86**	**–400**	**–314**	**–88**	**–402**
Provisions	–	–1	–1	–175	–53	–228	–175	–54	–229
Reversals of previous provisions	–	1	1	53	37	90	53	38	91
Changes through the income statement	**–**	**0**	**0**	**–122**	**–16**	**–138**	**–122**	**–16**	**–138**
Allowances used to cover realised loan losses	–	–	–	80	–	80	80	–	80
Translation differences	–	0	0	12	5	17	12	5	17
Closing balance at 31 Dec 2016	**–**	**–2**	**–2**	**–344**	**–97**	**–441**	**–344**	**–99**	**–443**

Allowances and provisions[1]

EURm	Credit institutions		The public		Total	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Allowances for items on the balance sheet	–1	–2	–2,016	–441	–2,017	–443
Provisions for off balance sheet items	–	–204	–188	–2	–188	–206
Total allowances and provisions	**–1**	**–206**	**–2,204**	**–443**	**–2,205**	**–649**

1) Included in Note P31 “Provisions” as “Guarantees”.

P15. Loans and impairment, cont.

Key ratios[1]

EURm	31 Dec 2017	31 Dec 2016
Impairment rate, gross, basis points	199	62
Impairment rate, net, basis points	117	36
Total allowance rate, basis points	94	33
Allowances in relation to impaired loans, %	41	42
Total allowances in relation to impaired loans, %	47	54
Non-servicing loans, not impaired, EURm	104	23

1) For definitions, see "Glossary" on page 85.

P16. Interest-bearing securities

EURm	31 Dec 2017	31 Dec 2016
Issued by public bodies	0	35
Issued by other borrowers[1]	47,950	10,324
Total	**47,950**	**10,359**
Listed securities	14,176	10,204
Unlisted securities	33,774	155
Total	**47,950**	**10,359**

1) Of which EUR 0m (EUR 26m) held at amortised cost with a nominal amount of EUR 0m (EUR 26m).

P17. Financial instruments pledged as collateral

Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified in the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2017	31 Dec 2016
Treasury bills	2,948	–
Interest bearing securities	9,482	–
Shares	–	–
Total	**12,430**	**–**

For information on transferred assets, see Note P45 "Transferred assets and obtained collaterals".

P18. Shares

EURm	31 Dec 2017	31 Dec 2016
Shares	7,883	130
Shares taken over for protection of claims	0	0
Total	**7,883**	**130**
Listed shares	7,256	130
Unlisted shares	627	–
Total	**7,883**	**130**

P19. Derivatives and hedge accounting

Derivatives held for trading

	Fair value		
31 Dec 2017, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	25,116	22,478	4,952,569
FRAs	39	18	984,287
Futures and forwards	35	50	152,387
Options	6,537	6,926	348,251
Other	10	33	10,778
Total	**31,737**	**29,505**	**6,448,272**
Equity derivatives			
Equity swaps	108	145	11,113
Futures and forwards	3	6	1,147
Options	355	642	13,845
Total	**466**	**793**	**26,105**
Foreign exchange derivatives			
Currency and interest rate swaps	6,175	7,958	361,965
Currency forwards	5,475	4,796	609,636
Options	150	107	23,572
Total	**11,800**	**12,861**	**995,173**
Credit derivatives	2,009	1,975	78,650
Commodity derivatives	3	3	236
Other derivatives	29	3	324
Total derivatives held for trading	**46,044**	**45,140**	**7,548,760**

Derivatives used for hedge accounting

	Fair value		
31 Dec 2017, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives	829	377	74,736
Foreign exchange derivatives	815	601	20,355
Total derivatives used for hedge accounting	**1,644**	**978**	**95,091**
- of which fair value hedges[1]	974	382	74,736[1]
- of which cash flow hedges[1]	670	595	20,355[1]
Total derivatives	**47,688**	**46,118**	**7,643,851**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cash flows are expected to occur and when they are expected to affect the income statement

31 Dec 2017, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	1,424	7,479	4,952	2,433	691
Net cash outflows	**1,424**	**7,479**	**4,952**	**2,433**	**691**

P19. Derivatives and hedge accounting, cont.

Derivatives held for trading

31 Dec 2016, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	1,785	1,813	239,297
FRAs	8	3	25,617
Futures and forwards	–	0	4,000
Options	1	1	98
Other	12	12	10,241
Total	**1,806**	**1,829**	**279,253**
Equity derivatives			
Equity swaps	35	58	96
Options	17	6	996
Total	**52**	**64**	**1,092**
Foreign exchange derivatives			
Currency and interest rate swaps	718	643	40,600
Currency forwards	6	2	12,355
Options	9	8	1,217
Total	**733**	**653**	**54,172**
Credit derivatives	7	5	840
Other derivatives	4	0	1,763
Total derivatives held for trading	**2,602**	**2,551**	**337,120**

Derivatives used for hedge accounting

31 Dec 2016, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Interest rate derivatives	1,236	200	50,345
Foreign exchange derivatives	830	861	12,367
Total derivatives used for hedge accounting	**2,066**	**1,061**	**62,712**
- of which fair value hedges[1]	1,236	200	50,345
- of which cash flow hedges[1]	830	861	12,367
Total derivatives	**4,668**	**3,612**	**399,832**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cash flows are expected to occur and when they are expected to affect the income statement

31 Dec 2016, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	3,933	3,290	2,986	2,235	360
Net cash outflows	**3,933**	**3,290**	**2,986**	**2,235**	**360**

P20. Investments in group undertakings

EURm	31 Dec 2017	31 Dec 2016[1]
Acquisition value at beginning of year	20,741	20,028
Through merger inflow	7,293	–
Acquisitions/capital contributions during the year	303	523
Revaluations under hedge accounting	246	220
Through merger outflow	–14,786	–
Sales during the year	–240	–30
Acquisition value at end of year	**13,557**	**20,741**
Accumulated impairment charges at beginning of year	–640	–634
Impairment charges during the year	–385	–6
Accumulated impairment charges at end of year	**–1,025**	**–640**
Total	**12,532**	**20,101**
- of which listed shares	–	–

1) Including investments in group undertakings being merged with a carrying amount of EUR 14,368m at 31 December 2016 (Note P20 - Annual Report 2016).

P20. Investments in group undertakings, cont.

Specification

This specification includes all directly owned group undertakings and major group undertakings to the directly owned companies.

31 Dec 2017	Registration number	Domicile	Number, of,shares	Carrying amount 2017, EURm	Carrying amount 2016, EURm	Voting power of holding %
Nordea Kredit RealKreditaktieselskab	15134275	Copenhagen	17,172,500	2,953	–	100,0
Nordea Hypotek AB (publ)[2]	556091-5448	Stockholm	100,000	2,301	2,335	100.0
Nordea Eiendomskreditt AS	971227222	Oslo	15,336,269	1,260	–	100,0
Fionia Asset Company A/S	31934745	Copenhagen	148,742,586	1,190	–	100,0
Nordea Finance Finland Ltd	0112305-3	Espoo	1,000,000	1,066	–	100,0
Nordea Mortgage Bank Plc	2743219-6	Helsinki	257,700,000	731	731	100.0
Nordea Life Holding AB	556742-3305	Stockholm	1,000	719	719	100.0
LLC Promyshlennaya Kompaniya Vestkon	1027700034185	Moscow	4,601,942,680[1]	353	676	100.0
JSC Nordea Bank	1027739436955	Moscow				100.0
Nordea Bank S.A.	B-14157	Luxembourg	1,000,000	455	455	100.0
Nordea Finans Norge AS	924507500	Oslo	63,000	435	–	100.0
Nordea Funds Ltd	1737785-9	Helsinki	3,350	385	385	100.0
Nordea Asset Management Holding AB	559104-3301	Stockholm	500	246	–	100.0
Nordea Finans Danmark A/S	89805910	Høje Taastrup	20,006	188	–	100.0
Nordea Finans Sverige AB (publ)[2]	556021-1475	Stockholm	1,000,000	112	86	100.0
Nordea Essendropsgate Eiendomsforvaltning AS	986610472	Oslo	7,500	41	–	100.0
Nordea Ejendomsinvestering A/S	26640172	Copenhagen	1,000	29	29	100.0
Nordea Markets Holding Company INC	36-468-1723	Delaware	1,000	22	22	100.0
Nordic Baltic Holding (NBH) AB	556592-7950	Stockholm	1,000	22	22	100.0
Privatmegleren	986386661	Oslo	12,000,000	11	–	100.0
Nordea Utvikling AS	999222862	Oslo	300	6	–	100.0
Nordea Holding Abp	2858394-9	Helsinki	1	5	–	100.0
Danbolig A/S	13186502	Copenhagen	1	1	–	100.0
Structured Finance Servicer A/S	24606910	Copenhagen	2	1	–	100.0
Nordea Hästen Fastighetsförvaltning AB	556653-6800	Stockholm	1,000	0	0	100.0
Nordea Putten Fastighetsförvaltning AB	556653-5257	Stockholm	1,000	0	0	100.0
Nordea Do Brasil Representações Ltda	51.696.268/0001-40	São Paulo, Brazil	1,162,149	0	0	100.0
First Card AS	963215371	Oslo	200	0	–	100.0
Nordea Bank Finland Abp	168235-8	Helsinki	1,030,800,000	–	7,231	100.0
Nordea Bank Danmark A/S	13522197	Copenhagen	50,000,000	–	4,037	100.0
Nordea Bank Norge ASA	911044110	Oslo	551,358,576	–	3,100	100.0
Nordea Investment Management AB	556060-2301	Stockholm	12,600	–	227	100.0
Promano Est OÜ	11681888	Tallinn, Estonia	1	–	10	100.0
Promano Lit UAB	302423219	Vilnius, Lithuania	34,528	–	10	100.0
SIA Promano Lat	40103235197	Riga, Latvia	21,084	–	10	100.0
SIA Realm	50103278681	Riga, Latvia	7,030	–	7	100.0
UAB Recurso	302784511	Vilnius, Lithuania	15,000	–	5	100.0
SIA Trioleta	40103565264	Riga, Latvia	2,786	–	4	99.9
Uus-Sadama 11 OÜ	11954914	Tallinn, Estonia	1	–	0	100.0
SIA Lidosta RE	40103424424	Riga, Latvia	2	–	0	100.0
Total				**12,532**	**20,101**	

1) Nominal value expressed in RUB, representing Nordea's participation in Vestkon. Combined ownership, Nordea Bank AB directly 7.2% and indirectly 92.8% through LLC Promyshlennaya Kompaniya Vestkon.

2) Credit institutions as defined in the Swedish Annual Account Act for Credit Institutions and Securities Companies (1995:1559).

P21. Investments in associated undertakings and joint ventures

EURm	31 Dec 2017	31 Dec 2016
Acquisition value at beginning of year	12	7
Through merger	69	–
Acquisitions/capital contributions during the year	968	5
Sales during the year	–8	0
Translation differences	–5	–
Acquisition value at end of year	**1,036**	**12**
- of which listed shares	–	–

P22. Intangible assets

Goodwill allocated to cash generating units		
Personal Banking	160	137
Commercial and Business Banking	99	92
Total goodwill	**259**	**229**
Computer software	1,801	1,272
Other intangible assets	54	38
Total intangible assets	**2,114**	**1,539**
Movements in goodwill		
Acquisition value at beginning of year	1,094	1,094
Acquisitions through mergers	178	–
Acquisition value at end of year	**1,272**	**1,094**
Accumulated amortisation at beginning of year	–865	–810
Amortisations through mergers	–80	–
Amortisation according to plan for the year	–68	–55
Accumulated amortisation at end of year	**–1,013**	**–865**
Total	**259**	**229**
Movements in computer software		
Acquisition value at beginning of year	1,431	861
Acquisitions through mergers	157	–
Acquisitions during the year	628	576
Sales/disposals during the year	–2	–7
Reclassifications	–1	1
Translation differences	–37	–
Acquisition value at end of year	**2,176**	**1,431**
Accumulated amortisation at beginning of year	–151	–88
Depreciations through mergers	–102	–
Amortisation according to plan for the year	–110	–63
Accumulated amortisation on sales/disposals during the year	1	0
Translation differences	8	–
Accumulated amortisation at end of year	**–354**	**–151**
Accumulated impairment charges at beginning of year	–8	–7

P22. Intangible assets, cont.

EURm	31 Dec 2017	31 Dec 2016
Accumulated impairment charges through mergers	–7	–
Accumulated impairment charges on sales/disposals during the year	–1	7
Impairment charges during the year	–5	–8
Accumulated impairment charges at end of year	**–21**	**–8**
Total	**1,801**	**1,272**
Movements in other intangible assets		
Acquisition value at beginning of year	121	106
Acquisitions through mergers	72	–
Acquisitions during the year	28	17
Sales/disposals during the year	–	–2
Translation differences	–4	–
Acquisition value at end of year	**217**	**121**
Accumulated amortisation at beginning of year	–83	–62
Depreciations through mergers	–53	–
Amortisation according to plan for the year	–30	–21
Accumulated amortisation on disposals during the year	–	0
Translation differences	3	–
Accumulated amortisation at end of year	**–163**	**–83**
Accumulated impairment charges at beginning of year	0	–3
Accumulated impairment charges on disposals during the year	0	3
Impairment charges during the year	0	0
Accumulated impairment charges at end of year	**0**	**0**
Total	**54**	**38**

Impairment test

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test.
See Note G20 "Intangible assets" and Note G1 "Accounting policies" section 4 for more information.

P23. Properties and equipment

EURm	31 Dec 2017	31 Dec 2016
Properties and equipment	385	132
- of which buildings for own use	3	0
- of which investment properties	2	–
Total	**385**	**132**
Movements in equipment		
Acquisition value at beginning of year	324	307
Acquisitions during the year	125	25
Acquisition through mergers	565	8
Sales/disposals during the year	–24	–15
Reclassification	0	–1
Translation differences	–17	–
Acquisition value at end of year	**973**	**324**
Accumulated depreciation at beginning of year	–192	–169
Accumulated depreciation on sales /disposals during the year	24	12
Depreciations according to plan for the year	–64	–25
Depreciations through mergers	–370	–6
Reclassifications	0	–4
Translation differences	14	–
Accumulated depreciation at end of year	**–588**	**–192**
Total	**385**	**132**

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment. See also Note G1 "Accounting policies", section 15.

Leasing expenses during the year

EURm	31 Dec 2017	31 Dec 2016
Leasing expenses during the year	–256	–121
- of which minimum lease payments	–256	–120
- of which contingent rents	–	–1
Leasing income during the year regarding sublease payments	**23**	**16**

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

EURm	31 Dec 2017
2018	211
2019	179
2020	159
2021	134
2022	115
Later years	480
Total	**1,278**

The sublease payments to be received under non-cancellable subleases amounts to EUR 196m. EUR 184m of the subleases are towards group undertakings.

P24. Other assets

EURm	31 Dec 2017	31 Dec 2016
Claims on securities settlement proceeds	2,162	39
Cash/margin receivables	9,640	1,286
Anticipated dividends from group undertakings	1,684	1,964
Group contributions	873	695
Other	957	576
Total	**15,316**	**4,560**

P25. Prepaid expenses and accrued income

EURm	31 Dec 2017	31 Dec 2016
Accrued interest income	204	95
Other accrued income	236	84
Prepaid expenses	688	570
Total	**1,128**	**749**

P26. Deposits by credit institutions

EURm	31 Dec 2017	31 Dec 2016
Central banks	13,751	1,919
Banks	20,749	17,391
Other credit institutions	17,235	1,064
Total	**51,735**	**20,374**

P27. Deposits and borrowings from the public

EURm	31 Dec 2017	31 Dec 2016
Deposits[1]	169,216	58,129
Repurchase agreements	7,015	–
Borrowings	–	54
Total	**176,231**	**58,183**

1) Deposits related to individual pension savings (IPS) are also included.

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits.

P28. Debt securities in issue

EURm	31 Dec 2017	31 Dec 2016
Certificates of deposit	10,743	7,248
Commercial papers	24,441	17,805
Covered bonds	5,033	0
Bond	32,201	38,052
Other	42	57
Total	**72,460**	**63,162**

P29. Other liabilities

EURm	31 Dec 2017	31 Dec 2016
Liabilities on securities settlement proceeds	3,010	106
Sold, not held, securities	13,875	242
Cash/margin payables	8,869	1,930
Accounts payable	85	22
Other	2,881	979
Total	**28,720**	**3,279**

P30. Accrued expenses and prepaid income

EURm	31 Dec 2017	31 Dec 2016
Accrued interest	10	5
Other accrued expenses	1,015	458
Prepaid income	170	207
Total	**1,195**	**670**

P31. Provisions

EURm	31 Dec 2017	31 Dec 2016
Restructuring	216	99
Guarantees/commitments	188	206
Other	8	2
Total	**412**	**307**

EURm	Restructuring	Guarantees/ Commitments	Other	Total
At beginning of year	99	206	2	307
New provisions made	148	102	3	253
Provisions utilised	–84	–9	–1	–94
Reversals	–54	–298	–	–352
Reclassifications	111	189	4	304
Translation differences	–4	–2	0	–6
At end of year	**216**	**188**	**8**	**412**

New provisions for restructuring costs were recognised by EUR 148m. The restructuring activities have been initiated to manage the transformational change to a truly digital bank. The majority of the provision is expected to be used during 2018. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Provision for restructuring costs amounts to EUR 216m and covers mainly termination benefits.

P32. Retirement benefit obligations

Nordea sponsors both defined contribution plans (DCP) and defined benifit plans (DBP). The major plans in each country are funded schemes covered by assets in pension funds/ foundations.

	Income statement 2017			Balance sheet (net) 2017	
	IAS 19	Local[1]		IAS 19	Local[1]
Sweden	–43	–58		–57	–126
Norway	–4	–4		–79	–79
Finland	–2	–2		113	113
Denmark	1	1		26	26
Total	**–48**	**–63**	**Net liability (–)/asset (+)**	**3**	**–66**

1) The pension obligations in the foreign branches are calculated in accordance with IAS 19.

IAS 19 pension calculations and assumptions

The following figures are based on calculations in accordance with IAS 19. Since the pensions in Nordea Bank AB (publ) are recognized in accordance with local accounting requirements, the following figures cannot be found in the balance sheet and income statement.

For general information on Nordea´s main DBP´s, assumptions used in the IAS 19 calculations and sensitivities, see note G32 "Retirement benefit obligations".

Net retirement benefit liabilities/assets

EURm	Swe 2017	Nor 2017	Fin 2017	Den 2017	Total 2017	Total 2016
Obligations	1,580	704	862	101	3,247	1,654
Plan assets	1,523	625	975	127	3,250	1,690
Net liability(–)/asset(+)	**–57**	**–79**	**113**	**26**	**3**	**36**
– of which retirement benefit liabilities	119	132	3	0	254	162
– of which retirement benefit assets	62	53	116	26	257	198

P32. Retirement benefit obligations, cont.

Movements in the obligation

2017, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,422	62	170	–	1,654
Through merger	–	746	744	103	1,593
Current service cost	23	5	3	–	31
Interest cost	38	20	14	2	74
Pensions paid	–67	–34	–56	–6	–163
Past service cost and settlements	14	–5	0	–	9
Remeasurement from changes in demographic assumptions	–	44	–5	0	39
Remeasurement from changes in financial assumptions	177	–65	3	4	119
Remeasurement from experience adjustments	1	6	–7	–1	–1
Translation differences	–50	–65	–4	–1	–120
Change in provision for SWT/SSC[1]	22	–10	–	–	12
Closing balance	**1,580**	**704**	**862**	**101**	**3,247**
- of which relates to the active population (%).	26%	13%	13%	–	19%

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

Movements in the fair value of plan assets

2017, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,484	27	179	–	1,690
Through merger	–	633	816	132	1,581
Interest income (calculated using the discount rate)	39	18	16	2	75
Pensions paid	–	–19	–56	–6	–81
Settlements	–	–	–	–	0
Contributions by employer	–	6	–	3	9
Contributions by plan participants	–	–	–	–	0
Refund to employer	–	–	–	–	0
Remeasurement (actual return less interest income)	46	12	26	–4	80
Translation differences	–46	–52	–6	0	–104
Closing balance	**1,523**	**625**	**975**	**127**	**3,250**

Asset composition in funded schemes

The combined return on assets in 2017 was 4.7%. The asset return was driven by a positive return in all asset classes.

2017	Swe	Nor	Fin	Den	Total
Bonds	**69%**	**52%**	**57%**	**86%**	**63%**
- of which sovereign	34%	31%	36%	35%	34%
- of which covered bonds	17%	9%	4%	50%	13%
- of which corporate bonds	15%	10%	17%	0%	15%
- of which issued by Nordea entities	2%	1%	0%	0%	1%
- of which with quoted market price in an active market	69%	52%	57%	86%	63%
Equity	**29%**	**31%**	**27%**	**13%**	**28%**
- of which domestic	7%	7%	7%	13%	7%
- of which european	8%	10%	7%	0%	8%
- of which US	8%	9%	8%	0%	8%
- of which emerging markets	5%	6%	5%	0%	5%
- of which Nordea shares	1%	0%	0%	0%	0%
- of which with quoted market price in an active market	29%	31%	27%	13%	28%
Real estate[1]	**0%**	**15%**	**12%**	**0%**	**7%**
- of which occupied by Nordea	0%	0%	4%	0%	1%
Cash and cash equivalents	**2%**	**2%**	**4%**	**1%**	**2%**

1) The geographical location of the real estate follows the geographical location of the relevant pension plan.

P32. Retirement benefit obligations, cont.

EURm	31 Dec 2017
Shares	924
Interest-bearing securities	2,040
Other assets	286
Total	**3,250**

Recognised in the income statement

2017, EURm	Swe	Nor	Fin	Den	Total
Current service cost	23	5	3	–	31
Net interest	–1	3	–1	–1	0
Past service cost and settlements	14	–5	0	–	9
SWT/SSC[1]	7	1	0	–	8
Pension cost on defined benefit plans (expense+ / income–)	**43**	**4**	**2**	**–1**	**48**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Recognised in other comprehensive income

2017, EURm	Swe	Nor	Fin	Den	Total
Remeasurement from changes in demographic assumptions	–	44	–5	0	39
Remeasurement from changes in financial assumptions	177	–65	3	4	119
Remeasurement from experience adjustments	1	6	–7	–1	–1
Remeasurement of plan assets (actual return less interest income)	–46	–12	–26	4	–80
SWT/SSC[1]	32	–7	–	–	25
Pension cost on defined benefit plans (expense+ / income–)	**164**	**–34**	**–35**	**7**	**102**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

For information on multiemployer plans in Norway, see note G32 "Retirement benefit obligations".

For general information on Nordea´s main DBP´s, assumptions used in the IAS 19 calculations and sensitivities, see note G32 "Retirement benefit obligations".

Local pension calculations and assumptions

The following figures are based on calculations in accordance with Swedish rules ("Tryggandelagen").

The pension obligations in the foreign branches are calculated in accordance with IAS 19.

EUR 126m (EUR 142m) of the provisions are covered by "Tryggandelagen".

Main assumptions for defined benifit obligations used in calculations according to "Tryggandelagen"

EURm	2017	2016
Discount rate	0.6%	0.7%
The calculation is based on pay and pension levels on the accounting date	Yes	Yes

Specification of amounts recognised on the balance sheet

EURm	31 Dec 2017	31 Dec 2016
Present value of commitments relating to in whole or in part funded pension plans[1]	–1,468	–1,469
Fair value at the end of the period relating to specifically separated assets[1]	1,524	1,469
Surplus in the pension foundation	**56**	**0**
Present value of commitments relating to unfunded pension plans[1]	–126	–142
Unrecognised surplus in the pension foundation[1]	–56	0
Net liability (–) / asset (+) in foreign branches according to IAS 19	60	–27
Reported liability net on the balance sheet	**–66**	**–169**

1) According to local Swedish rules, "Tryggandelagen".

Actual value of holdings in the Swedish Pension Foundation

EURm	31 Dec 2017	31 Dec 2016
Shares	389	386
Interest-bearing securities	1,022	1,039
Other assets	113	44
Total	**1,524**	**1,469**

P32. Retirement benefit obligations, cont.

Movements in the net liability recognised on balance sheet as pension[1]

EURm	31 Dec 2017	31 Dec 2016
Balance at 1 Jan recognised as pension commitments	–169	–159
Through merger	–5	–
Pensions paid related to former employees of Postgirot Bank	7	7
Actuarial pension calculations through Profit and Loss	–1	–20
Recognised in other comprehensive income	62	3
Pension payments and contributions through Balance Sheet[2]	28	3
Effect of exchange rate changes	12	–3
Net liability (–) / asset (+)	**–66**	**–169**
- of which retirement benefit liabilities	262	169
- of which retirement benefit assets	196	–

1) The pension obligations in the foreign branches are calculated in accordance with IAS19.
2) Including cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Specification of costs and income in respect of pensions

EURm	2017	2016
Pensions paid related to former employees of Postgirot Bank[1]	–7	–7
Pensions paid covered by the Swedish pension foundation[1]	–62	–65
Liability to the Swedish pension foundation[1]	8	–8
Actuarial pension calculation[1]	3	–9
Actuarial pension calculation according to IAS 19	–5	4
Defined benefit plans	**–63**	**–85**
Defined contribution plans	–229	–80
Pension costs(expense-/income+)[2]	**–292**	**–165**

1) According to local Swedish rules, "Tryggandelagen".
2) See Note P8 "Staff costs".

P33. Subordinated liabilities

EURm	31 Dec 2017	31 Dec 2016
Dated subordinated debenture loans	5,947	7,007
Undated subordinated debenture loans	242	–
Hybrid capital loans	2,798	3,079
Total	**8,987**	**10,086**

Debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

The carrying amount at year end representing revaluations in the fair value of the hedged part of subordinated liabilities is included in "Fair value changes of the hedged items in portfolio hedge of interest rate risk" under "Liabilities" and amounts to EUR 189 m (EUR 339 m).

At 31 December 2017 six loans – with terms specified below – exceeded 10% of the total outstanding volume dated subordinated loans.

P33. Subordinated liabilities, cont.

EURm	Nominal value	Carrying amount	Interest rate (coupon)
Dated loan[1]	1,250	1,038	Fixed
Dated loan[2]	1,000	999	Fixed
Dated loan[3]	750	748	Fixed
Dated loan[4]	1,000	829	Fixed
Dated loan[5]	750	746	Fixed
Dated loan[6]	1,000	993	Fixed

1) Maturity date 13 May 2021.
2) Maturity date 26 March 2020.
3) Maturity date 29 March 2021.
4) Maturity date 21 September 2022.
5) Call date 10 November 2020, maturity date 10 November 2025.
6) Call date 7 September 2021, maturity date 7 September 2026.

P34. Untaxed reserves

EURm	31 Dec 2017	31 Dec 2016
Accumulated excess depreciation, equipment	-	2

P35. Assets pledged as security for own liabilities

Assets pledged for own liabilities

EURm	31 Dec 2017	31 Dec 2016
Securities etc[1]	25,030	1,080
Other assets pledged	10,970	–
Total	**36,000**	**1,080**

The above pledges pertain to the following liabilities

EURm	31 Dec 2017	31 Dec 2016
Deposits by credit institutions	15,467	255
Deposits and borrowings from the public	5,646	913
Derivatives	9,611	–
Other liabilities and commitments	291	–
Total	**31,015**	**1,168**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note P45 "Transferred assets and obtained collaterals" .

Assets pledged for own liabilities contain securities pledged as security in repurchase agreement and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

P36. Other assets pledged

Other assets pledged are mainly related to securities which included interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions EUR 4,943m (EUR 11,750m). The terms and conditions require day to day securities and relate to liquidity intraday/overnight. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

P37. Contingent liabilities

EURm	31 Dec 2017	31 Dec 2016
Guarantees		
- Loan guarantees	39,416	67,928
- Other guarantees	13,142	3,682
Documentary credits	1,568	304
Other contingent liabilities	4	51
Total	**54,130**	**71,965**

In the normal business Nordea issues various forms of guarantees in favour of the bank's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees.

Nordea Bank AB (publ) has issued a guarantee in favour of its Russian subsidiary JSC Nordea Bank where Nordea Bank AB (publ) guarantees specified exposures in JSC Nordea Bank. At 31 December 2017 the guarantees cover exposures amounting to EUR 1bn.

Nordea Bank AB (publ) provides a guarantee in favour of the holders of Nordea Mortgage Bank's covered bonds. At 31 December 2017 the guarantees cover exposures amounting to EUR 13bn.

Nordea Denmark, branch of Nordea Bank AB (publ) provides on an ongoing basis guarantees in favour of Nordea Kredit Realkreditaktieselskab, typically to cover the top 25% of the principal of mortgage loans disbursed. This guarantee commitment is computed on the basis of the remaining cash balance and at 31 December 2017 amounted to EUR 14bn.

The guarantee that Nordea Bank AB (publ) had issued in favour of Nordea Bank Finland Plc (EUR 60bn in 2016) where Nordea Bank AB (publ) guaranteed the majority of the exposures in the exposure class IRB corporate has been terminated due to the merger of Nordea Bank Finland Plc.

The guarantees are priced at arm's length. All internal transactions under the guarantees are eliminated in the consolidated accounts.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings of Nordea Bank AB (publ), provided that such liability has arisen before 31 March 2017.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7 "Staff costs".

Nordea Bank AB (publ) has during the year received a dividend payment from Visa Sweden Förening ek. för. amounting to EUR 64m. This payment has been recognised as "Dividends" in the income statement. The company can, if Visa Sweden Förening ek. för. so demands, be required to repay

P37. Contingent liabilities, cont.

the full amount which will be followed by a reallocation between owners of Visa Sweden Förening ek. för. and a subsequent redistribution to the company. It is the company's assessment that any reallocation would not have a significant impact on the company.

Legal proceedings

Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes is considered likely to have any significant adverse effect on the Group or its financial position.

P38. Commitments

EURm	31 Dec 2017	31 Dec 2016
Credit commitments	43,145	10,972
Unutilised portion overdraft facilities	34,725	15,890
Other commitments	–	131
Total	**77,870**	**26,993**

For information about derivatives see Note P19 "Derivatives and hedge accounting".

Nordea Bank AB (publ) has issued a liquidity facility for the benefit of Nordea Hypotek AB. The facility covers the amount necessary in order to ensure payment in respect of all interest and principal payments that are scheduled to fall due on existing and future covered bonds issued by Nordea Hypotek AB. The facility has been included in the table above with EUR 508m.

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2017 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2017.

The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments. All disclosed commitements are irrevocable. For further information about credit commitments, see Note G1 "Accounting policies", section 25.

P39. Capital adequacy

Table A2 Transitional own funds

For information of the capital adequacy regulations see Note G38 "Capital adequacy".

Common Equity Tier 1 capital: instruments and reserves

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
1	Capital instruments and the related share premium accounts	5,130	–
	of which: Share capital	4,050	–
2	Retained earnings	21,020	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	173	–
5	Minority interests (amount allowed in consolidated CET1)	–	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	**763**	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**[1]	**27,086**	–
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–242	–
8	Intangible assets (net of related tax liability) (negative amount)	–2,114	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where conditions in Article 38 (3) are met) (negative amount)	–	–
11	Fair value reserves related to gains or losses on cash flow hedges	42	–
12	Negative amounts resulting from the calculation of expected loss amounts	–210	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–62	–
15	Defined-benefit pension fund assets (negative amount)	–151	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–32	–
25	of which: deferred tax assets arising from temporary differences	–	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	217
	Of which: ... filter for unrealised loss 1	–	39
	Of which: ... filter for unrealised gain 1	–	177
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–2,770**	–
29	**Common Equity Tier 1 (CET1) capital**	**24,316**	–
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,806	–
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	722	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**[1]	**3,528**	–
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–35	–
41a	**Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013**	–	–
	Of which shortfall	–	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–35**	–
44	**Additional Tier 1 (AT1) capital**	**3,493**	–
45	**Tier 1 capital (T1 = CET1 + AT1)**	**27,809**	–

P39. Capital adequacy, cont.

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	4,669	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	241	–
50	Credit risk adjustments	58	–
51	**Tier 2 (T2) capital before regulatory adjustments[1]**	**4,968**	–
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–61	–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–1,205	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–1,266**	–
58	**Tier 2 (T2) capital**	**3,702**	–
59	**Total capital (TC = T1 + T2)**	**31,511**	–
60	**Total risk weighted assets**	**130,630**	–
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.6%	–
62	Tier 1 (as a percentage of risk exposure amount)	21.3%	–
63	Total capital (as a percentage of risk exposure amount)	24.1%	–
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G–SII or O–SII buffer), expressed as a percentage of risk exposure amount)	3.3%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.8%	–
67	of which: systemic risk buffer requirement	–	–
67a	of which: Global Systemically Important Institution (G–SII) or Other Systemically Important Institution (O–SII) buffer	–	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14.1%	–
Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	153	–
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	785	–
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	–	–
Applicable caps to the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	58	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	441	–
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	–	–
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	–
82	Current cap on AT1 instruments subject to phase out arrangements	788	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
84	Current cap on T2 instruments subject to phase out arrangements	443	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–

1) Prior to deduction of direct holdings.

P39. Capital adequacy, cont.

Minimum capital requirement and REA

	31 Dec 2017		31 Dec 2016	
EURm	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	**8,292**	**103,656**	**6,120**	**76,502**
- of which counterparty credit risk	477	5,963	266	3,329
IRB	5,884	73,553	2,485	31,061
- sovereign	141	1,759	–	–
- corporate	4,170	52,127	2,062	25,772
- advanced	3,785	47,318	1,393	17,408
- foundation	385	4,809	669	8,364
- institutions	510	6,379	244	3,054
- retail	955	11,942	121	1,512
- secured by immovable property collateral	245	3,065	6	73
- other retail	710	8,877	115	1,439
- other	108	1,346	58	723
Standardised	2,408	30,103	3,635	45,441
- central governments or central banks	17	209	5	56
- regional governments or local authorities	–	–	2	23
- public sector entities	–	–	–	–
- multilateral development banks	–	–	0	6
- international organisations	–	–	–	–
- institutions	581	7,259	1,251	15,641
- corporate	323	4,035	137	1,707
- retail	3	42	18	231
- secured by mortgages on immovable properties	114	1,420	210	2,626
- in default	–	–	3	38
- associated with particularly high risk	58	728	–	–
- covered bonds	56	705	–	–
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	1,255	15,687	2,007	25,089
- other items	1	18	2	24
Credit Value Adjustment Risk	**94**	**1,182**	**16**	**195**
Market risk	**947**	**11,831**	**450**	**5,628**
- trading book, Internal Approach	196	2,444	13	165
- trading book, Standardised Approach	94	1,179	–	–
- banking book, Standardised Approach	657	8,208	437	5,463
Operational risk	**1,117**	**13,961**	**369**	**4,614**
Standardised	1,117	13,961	369	4,614
Additional risk exposure amount, Article 3 CRR	–	–	**8**	**102**
Sub total	**10,450**	**130,630**	**6,963**	**87,041**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	538	6,720	–	–
Total	**10,988**	**137,350**	**6,963**	**87,041**

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

P39. Capital adequacy, cont.

Leverage ratio

EURm	31 Dec 2017	31 Dec 2016
Tier 1 capital, transitional definition, EURm[1]	27,809	19,167
Leverage ratio exposure, EURm	463,779	216,455
Leverage ratio, percentage	6.0	8.9

1) Including profit for the period.

More Capital Adequacy information can be found in the section "Risk, Liquidity and Capital Management".

Table A3 – Capital instruments' main features template – CET1

Common equity Tier 1 capital		
1	Issuer	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000427361
3	Governing law(s) of the instrument	Swedish
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
Coupons / dividends		
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

P39. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

	Additional Tier 1 instrument									
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947	XS1725580465
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
	Regulatory treatment									
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/ (sub-) consolidated/ solo & (sub-) consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 148m	EUR 74m	EUR 831m	EUR 414m	EUR 228m	EUR 127m	EUR 457m	EUR 750m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 148m	JPY 10,000m / EUR 74m	USD 1,000m / EUR 834m	USD 500m / EUR 417m	SEK 2,250m / EUR 229m	NOK 1,250m / EUR 127m	USD 550m / EUR 459m	EUR 750m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Equity
11	Original date of issuance	17-Sep-2004	04-Mar-2005	12-Oct-2005	23-Sep-2014	23-Sep-2014	12-Mar-2015	12-Mar-2015	12-Mar-2015	28-Nov-2017
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17-Sep-2009 In addition tax/ regulatory call 100 per cent of nominal amount	4-Mar-2035 In addition tax/ regulatory call 100 per cent of nominal amount	12-Oct-2035 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2019 In addition tax/ regulatory call 100 per cent of nominal amount	23-Sep-2024 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2020 In addition tax/ regulatory call 100 per cent of nominal amount	13-Sep-2021 In addition tax/ regulatory call 100 per cent of nominal amount	12-Mar-2025 In addition tax/ regulatory call 100 per cent of nominal amount

P39. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

Additional Tier 1 instrument										
16	Subsequent call dates, if applicable	17-Mar and 17-Sep each year after first call date	4-Mar and 4-Sep each year after first call date	12-Apr and 12-Oct each year after first call date	23-Mar and 23-Sep each year after first call date	23-Mar and 23-Sep each year after first call date	12-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	12-Mar, 12-Jun, 12-Sep and 12-Dec each year after first call date	13-Sep each year after first call date	12-Mar each year after first call date
Coupons/dividends										
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	Fixed	Fixed
18	Coupon rate and any related index	Floating 10-year CMS +0.05 per cent per annum subject to 8 per cent cap	Fixed USD 3.75 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.22 per cent per annum	Fixed USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.40 per cent per annum	Fixed 5.50 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.388 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month NIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.244 per cent per annum	Fixed 3.5 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.003 per cent per annum
19	Existence of a dividend stopper	Yes	Yes	Yes	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	To avoid liquidation	To avoid liquidation	To avoid liquidation	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32	If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Shareholders resolution regarding reconversion and reinstatement made out of available distributable funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	Yes	No	No	No	No	No	No
37	If yes, specify non-compliant features	No specified trigger level, dividend stopper	No specified trigger level, step-up, dividend stopper	No specified trigger level, step-up, dividend stopper	N/A	N/A	N/A	N/A	N/A	N/A

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2

Tier 2 instruments							
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	GB0001961928	N/A	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	US65557FAD87/ US65557HAD44
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Norwegian law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by the laws of the State of New York, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
Regulatory treatment							
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.5	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.5	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 167m	EUR 74m	EUR 446m (44.6 per cent of Nominal amount, <5 yrs to maturity)	EUR 485m (64.7 per cent of Nominal amount, <5 yrs to maturity)	EUR 699m (67.1 per cent of Nominal amount, <5 yrs to maturity)	EUR 783m (93.9 per cent of Nominal amount, <5 yrs to maturity)
9	Nominal amount of instrument	USD 200m / EUR 167m	JPY 10,000m / EUR 74m	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,042m	USD 1,000m / EUR 834m
9a	Issue price	100 per cent	100 per cent	99.810 per cent	99.699 per cent	99.508 per cent	99.364 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	04-Nov-1986	22-Aug-2001	26-Mar-2010	29-Sep-2010	13-May-2011	21-Sep-2012
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity	No maturity	26-Mar-2020	29-Mar-2021	13-May-2021	21-Sep-2022
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont.

Tier 2 instruments						
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1292434146	XS1292433767	N/A	XS1317439559	XS1486520403
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)	Governed by English law, except for the subordination provisions which are governed by the jurisdiction of incorporation of the Issuer (Swedish law)
Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 173m	EUR 233m	EUR 111m	EUR 746m	EUR 993m
9	Nominal amount of instrument	SEK 1,700m / EUR 173m	SEK 2,300m / EUR 234m	JPY 15,000m / EUR 111m	EUR 750m	EUR 1,000m
9a	Issue price	100 per cent	100 per cent	100 per cent	99.434 per cent	99.391 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	17-Sep-2015	17-Sep-2015	06-Oct-2015	10-Nov-2015	07-Sep-2016
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	17-Sep-2025	17-Sep-2025	06-Oct-2025	10-Nov-2025	07-Sep-2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template– T2, cont.

Tier 2 instruments							
Coupons/dividends							
15	Optional call date, contingent call dates and redemption amount	18-Nov-1991 In addition tax call 100 per cent of nominal amount	26-Feb-2029 In addition tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	18-May and 18-Nov each year after first call date	26-Feb and 26-Aug each year after first call date	N/A	N/A	N/A	N/A
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 6-month USD +0.1875 per cent per annum	Fixed USD 4.51 per cent per annum to call date, thereafter floating rate equivalent to 6-month JPY Deposit +2.00 per cent per annum	4.50%	4.00%	4.875%	4.250%
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend pusher	Partially discretionary Dividend pusher	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	Yes	Yes	No	No	No	No
37	If yes, specify non-compliant features	No explicit language requesting FSA approval for redemption	Step-up	N/A	N/A	N/A	N/A

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont.

Tier 2 instruments						
Coupons/dividends						
15	Optional call date, contingent call dates and redemption amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	17-Sep-2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10-Nov-2020 In addition tax/regulatory call 100 per cent of nominal amount	07-Sep-2021 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17-Mar, 17-Jun, 17-Sep and 17-Dec each year after first call date	17-Sep each year after first call date	N/A	10-Nov each year after first call date	7-Sep each year after first call date
17	Fixed or floating dividend / coupon	Floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.5 per cent per annum	1.160%	Fixed 1.875 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.7 per cent per annum	Fixed 1.00 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.25 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

P40. Classification of financial instruments

Assets

31 Dec 2017, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non–financial assets, group/ associated undertakings and joint ventures	Total
Cash and balances with central banks	42,637	–	–	–	–	–	–	42,637
Treasury bills	–	92	6,535	–	–	6,866	–	13,493
Loans to credit institutions	57,749	–	2,014	2	–	–	–	59,765
Loans to the public	129,343	–	23,164	232	–	–	–	152,739
Interest–bearing securities	–	1	16,925	1,548	–	29,476	–	47,950
Financial instruments pledged as collateral	–	–	12,430	–	–	–	–	12,430
Shares	–	–	5,235	2,648	–	–	–	7,883
Derivatives	–	–	46,044	–	1,644	–	–	47,688
Fair value changes of the hedged items in portfolio hedge of interest rate risk	85	–	–	–	–	–	–	85
Investments in group undertakings	–	–	–	–	–	–	12,532	12,532
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	1,036	1,036
Participating interest in other companies	–	–	23	–	–	–	–	23
Intangible assets	–	–	–	–	–	–	2,114	2,114
Properties and equipment	–	–	–	–	–	–	385	385
Deferred tax assets	–	–	–	–	–	–	84	84
Current tax assets	–	–	–	–	–	–	58	58
Retirement benefit assets	–	–	–	–	–	–	196	196
Other assets	1,363	–	10,905	4	–	–	3,044	15,316
Prepaid expenses and accrued income	892	–	–	–	–	–	236	1,128
Total	**232,069**	**93**	**123,275**	**4,434**	**1,644**	**36,342**	**19,685**	**417,542**

Liabilities

31 Dec 2017, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non–financial liabilities	Total
Deposits by credit institutions	5,891	–	–	45,844	–	51,735
Deposits and borrowings from the public	9,075	4,346	–	162,810	–	176,231
Debt securities in issue[1]	–	5,033	–	67,427	–	72,460
Derivatives	45,140	–	978	–	–	46,118
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	552	–	552
Current tax liabilities	–	–	–	–	158	158
Other liabilities	24,908	–	–	2,902	910	28,720
Accrued expenses and prepaid income	–	–	–	181	1,014	1,195
Deferred tax liabilities	–	–	–	–	174	174
Provisions	–	–	–	–	412	412
Retirement benefit liabilities	–	–	–	–	262	262
Subordinated liabilities	–	–	–	8,987	–	8,987
Total	**85,014**	**9,379**	**978**	**288,703**	**2,930**	**387,004**

1) During the year Nordea has reclassified issued structured bonds classified as Dept securities in issue on the balance sheet of EUR 4,986 from Held for trading to Designated at fair value through profit or loss within Financial liabilities at fair value through profit or loss. The reclassification has been made in order to better reflect the purpose of the instruments. There is no change in measurement. As from 2017 embedded derivatives are presented together with the host bonds as Debt securities in issue.

P40. Classification of financial instruments, cont.

Assets

31 Dec 2016, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets, group/ associated undertakings and joint ventures	Total
Cash and balances with central banks	101	–	–	–	–	–	–	101
Treasury bills	30	–	3,873	–	–	2,680	–	6,583
Loans to credit institutions	88,375	–	0	–	–	–	–	88,375
Loans to the public	39,220	–	4,506	–	–	–	–	43,726
Interest-bearing securities	26	2	3,058	–	–	7,273	–	10,359
Shares	–	–	129	1	–	–	–	130
Derivatives	–	–	2,602	–	2,066	–	–	4,668
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	–	–	–	–	–	–	0
Investments in group undertakings	–	–	–	–	–	–	5,733	5,733
Investments in group undertakings being merged	–	–	–	–	–	–	14,368	14,368
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	12	12
Participating interest in other companies	–	–	–	1	–	–	–	1
Intangible assets	–	–	–	–	–	–	1,539	1,539
Properties and equipment	–	–	–	–	–	–	132	132
Deferred tax assets	–	–	–	–	–	–	22	22
Current tax assets	–	–	–	–	–	–	204	204
Other assets	199	–	1,286	–	–	–	3,075	4,560
Prepaid expenses and accrued income	665	–	–	–	–	–	84	749
Total	**128,616**	**2**	**15,454**	**2**	**2,066**	**9,953**	**25 ,169**	**181,262**

Liabilities

31 Dec 2016, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits by credit institutions	256	–	–	20,118	–	20,374
Deposits and borrowings from the public	1,988	–	–	56,195	–	58,183
Debt securities in issue	–	–	–	63,162	–	63,162
Derivatives	2,551	–	1,061	–	–	3,612
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	1,008	–	1,008
Current tax liabilities	–	–	–	–	–	0
Other liabilities	2,172	–	–	319	788	3,279
Accrued expenses and prepaid income	–	–	–	212	458	670
Provisions	–	–	–	–	307	307
Retirement benefit liabilities	–	–	–	–	169	169
Subordinated liabilities	–	–	–	10,086	–	10,086
Total	**6,967**	**–**	**1,061**	**151,100**	**1,722**	**160,850**

P40. Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2017	31 Dec 2016
Carrying amount	234	–
Maximum exposure to credit risk	234	–

Financial assets and liabilities designated at fair value through profit or loss

Changes in fair values of financial liabilities attributable to changes in credit risk

The funding of Markets operations is measured at fair value and classified into the category “Fair value through profit or loss”. The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant.

Changes in fair values of financial assets attributable to changes in credit risk

The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

EURm	Carrying amount	Amount to be paid at maturity
2017		
Financial liabilities designated at fair value through profit or loss	9,379	9,393
2016		
Financial liabilities designated at fair value through profit or loss	–	–

P41. Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2017		31 Dec 2016	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	42,637	42,637	101	101
Treasury bills	13,493	13,493	6,583	6,583
Loans	212,589	213,045	132,101	132,178
Interest-bearing securities	47,950	47,950	10,359	10,359
Financial instruments pledged as collateral	12,430	12,430	–	–
Shares including participating interest in other companies	7,906	7,906	131	131
Derivatives	47,688	47,688	4,668	4,668
Other assets	12,272	12,272	1,485	1,485
Prepaid expenses and accrued income	892	892	665	665
Total	**397,857**	**398,313**	**156,093**	**156,170**
Financial liabilities				
Deposits and debt instruments	309,965	310,611	152,813	153,112
Derivatives	46,118	46,118	3,612	3,612
Other liabilities	27,810	27,810	2,491	2,491
Accrued expenses and prepaid income	181	181	212	212
Total	**384,074**	**384,720**	**159,128**	**159,427**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 “Accounting policies” and the section “Determination of fair value items measured at fair value on the balance sheet” in Note G40 “Assets and liabilities at fair value”. For information about valuation of items not measured at fair value on the balance sheet, see the section “Financial assets and liabilities not held at fair value on the balance sheet”, in Note G40 “Assets and liabilities at fair value”.

P41. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2017, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Treasury bills	7,163	6,238	–	13,401
Loans to credit institutions	–	2,016	–	2,016
Loans to the public	–	23,396	–	23,396
Interest-bearing securities[2]	19,996	40,220	163	60,379
Shares including participating interest in other companies	7,244	5	657	7,906
Derivatives	56	46,110	1,522	47,688
Other assets	558	10,344	7	10,909
Total	**35,017**	**128,329**	**2,349**	**165,695**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	5,891	–	5,891
Deposits and borrowings from the public	4,317	9,104	–	13,421
Debt securities in issue	–	1,024	4,009	5,033
Derivatives	42	44,990	1,086	46,118
Other liabilities	9,906	15,002	0	24,908
Total	**14,265**	**76,011**	**5,095**	**95,371**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 12,430m relates to the balance sheet item Financial instruments pledged as collateral.

31 Dec 2016, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Treasury bills	5,208	1,345	–	6,553
Loans to credit institutions	–	0	–	0
Loans to the public	–	4,506	–	4,506
Interest-bearing securities[2]	6,072	4,104	155	10,331
Shares including participating interest in other companies	130	–	1	131
Derivatives	2	4,653	13	4,668
Other assets	–	1,286	–	1,286
Total	**11,412**	**15,894**	**169**	**27,475**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	256	–	256
Deposits and borrowings from the public	–	1,988	–	1,988
Derivatives	1	3,585	26	3,612
Other liabilities	–	2,172	0	2,172
Total	**1**	**8,001**	**26**	**8,028**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 0m relates to the balance sheet item "Financial instruments pledged as collateral".

Determination of fair values for items measured at fair value on the balance sheet

For determination of fair values for items measured at fair value on the balance sheet, see Note G40 "Assets and liabilities at fair value".

Transfers between Level 1 and 2

During the year, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 2,129m (EUR -m) from Level 1 to Level 2 and EUR 1,964m (EUR -m) from Level 2 to Level 1 of the fair value hierarchy. Nordea also transferred derivative assets of EUR 24m (EUR -m) and derivative liabilities of EUR 14m (EUR -m) from level 2 to Level 1.

The reason for the transfer from Level 1 to Level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have been actively traded during the year and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occured at the end of the year.

P41. Assets and liabilities at fair value, cont.

Movements in Level 3

31 Dec 2017, EURm	1 Jan 2017	Through merger	Fair value gains/losses recognised in the income statement during the year		Purchases /Issues	Sales	Settle-ments	Transfers into level 3	Transfers out of level 3	Translation differences	31 Dec 2017
			Realised	Unrealised							
Intererest-bearing securities	155	17	1	7	8	–24	–1	–	0	0	163
Shares including participating interest in other companies	1	601	2	63	167	–172	–1	–	–	–4	657
Derivatives (net)	–13	390	–152	–39	–	–	152	98	–1	1	436
Other assets	–	–	–	–	–	–	–	7	–	–	7
Debt securities in issue	–	–	–	–	–	–	–	4,009	–	–	4,009

During the year Nordea Bank AB transferred (net) EUR 4,114m to Level 3 and 1m EUR from Level 3. The reason for the transfer to Level 3 was that observable market data was no longer available. The reason for the transfer from Level 3 was that observable market data was available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see note P5 Net result from items at fair value).

31 Dec 2016, EURm	1 Jan 2016	Sales	Transfers into level 3	31 Dec 2016
Interest-bearing securities	155	–	–	155
Shares including participating interest in other companies	29	–28	–	1
Derivatives (net)	1	–	–14	–13

During the year Nordea Bank AB transferred derivatives (net) EUR –14m to Level 3. The reason for the transfer to Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note P5 Net result from items at fair value).

The valuation processes for fair value measurements in Level 3.

Financial instruments

For information about the valuation processes, see Note G40 "Assets and liabilities at fair value".

P41. Assets and liabilities at fair value, cont.

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

31 Dec 2017, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	161	Discounted cash flows	Credit spread	–1/+1
Corporates	2	Discounted cash flows	Credit spread	+/–0
Total	**163**			**–1/+1**
Shares including participating interest in other companies				
Private equity funds	264	Net asset value[2]		–26/26
Hedge funds	30	Net asset value[2]		–2/2
Credit Funds	203	Net asset value[2]		–16/16
Other funds	93	Net asset value[2]		–9/9
Other	67	–		–5/5
Total	**657**			**–58/58**
Derivatives				
Interest rate derivatives	315	Option model	Correlations, Volatilities	–15/16
Equity derivatives	76	Option model	Correlations, Volatilities, Dividend	–14/7
Foreign exchange derivatives	–2	Option model	Correlations, Volatilities	+/–0
Credit derivatives	25	Credit derivative model	Correlations, Volatilities, Recovery rates	–14/12
Other	22	Option model	Correlations, Volatilities	+/–0
Total	**436**			**–43/35**
Other assets				
Credit institutions	7		Credit spread	+/–0
Total	**7**			**+/–0**
Debt securities in issue				
Issued structured bonds	4,009	Credit derivative model	Correlation, Volatilities, Recovery rates	–20/20
Total	**4,009**			**–20/20**

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasoanble change of this credit spread would not affect the fair value due to callability features.
2) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. All private equity fund investments are internally adjusted/valued based on the Private Equity and Venture Capital Valuation (IPEV) guidelines. These carrying amounts are in a range 31% to 100% compared to the values received from suppliers/custodians.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities at fair value".

31 Dec 2016, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	155	Discounted cash flows	Credit spread	+/–0
Total	**155**			**+/–0**
Shares including participating interest in other companies				
Other	1	Net asset value	–	+/–0
Total	**1**			**+/–0**
Derivatives				
Interest rate derivatives	–13	Option model	Correlations, Volatilities	–3/+3
Total	**–13**			–3/+3

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities at fair value".

P41. Assets and liabilities at fair value, cont.

Deferred day 1 profit - derivatives, net

EURm	31 Dec 2017	31 Dec 2016
Amount at beginning of year	–	–
Through merger	23	–
Deferred profit/loss on new transactions	89	–
Recognised in the income statement during the year[1]	–53	–
Amount at end of year	**59**	**–**

1) Of which EUR –2m (EUR 0m) due to transfers of derivatives from Level 3 to Level 2.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities at fair value".

Financial assets and liabilities not held at fair value on the balance sheet

	31 Dec 2017		31 Dec 2016		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	42,637	42,637	101	101	3
Treasury bills[1,2]	92	92	30	30	1,3
Loans	187,177	187,633	127,595	127,672	3
Interest-bearing securities[2]	1	1	28	28	1,2,3
Other assets	1,363	1,363	199	199	3
Prepaid expenses and accrued income	892	892	665	665	3
Total	**232,162**	**232,618**	**128,618**	**128,695**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	285,620	286,266	150,569	150,868	3
Other liabilities	2,902	2,902	319	319	3
Accrued expenses and prepaid income	181	181	212	212	3
Total	**288,703**	**289,349**	**151,100**	**151,399**	

1) The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.
2) The fair value Treasury bills and Interest-bearing securities is EUR 93m (EUR 58m), of which EUR 92m (EUR 2m) is categorised in Level 1 and EUR 1m (EUR 0m) in Level 2 and EUR 0m (EUR 56m) in Level 3 of the fair value hierarchy.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities at fair value".

P42. Financial instruments set off on balance or subject to netting agreements

31 Dec 2017, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	171,299	–125,507	45,792	–29,502	–	–8,869	7,421
Reverse repurchase agreements	29,578	–10,107	19,471	–	–19,471	–	–
Securities borrowing agreements	5,781	–	5,781	–	–5,781	–	–
Total	**206,658**	**–135,614**	**71,044**	**–29,502**	**–25,252**	**–8,869**	**7,421**

31 Dec 2017, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	168,661	–125,507	43,154	–29,502	–	–9,611	4,041
Repurchase agreements	28,197	–10,107	18,090	–	–18,090	–	–
Securities lending agreements	3,917	–	3,917	–	–3,917	–	–
Total	**200,775**	**–135,614**	**65,161**	**–29,502**	**–22,007**	**–9,611**	**4,041**

31 Dec 2016, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	9,289	–4,666	4,623	–1,486	–	–1,790	1,347
Securities borrowing agreements	4,505	–	4,505	–	–4,505	–	–
Total	**13,794**	**–4,666**	**9,128**	**–1,486**	**–4,505**	**–1,790**	**1,347**

31 Dec 2016, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	8,214	–4,666	3,548	–1,486	–	–94	1,968
Securities lending agreements	2,244	–	2,244	–	–2,244	–	–
Total	**10,458**	**–4,666**	**5,792**	**–1,486**	**–2,244**	**–94**	**1,968**

1) All amounts are measured at fair value.

2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

For more information about master netting arrangements and similar agreements see section "Enforcable master netting arrangements and similar agreements" in Note G41 "Financial instruments set off on balance or subject to netting agreements".

P43. Disposal group held for sale

Balance sheet - Condensed[1]

EURm	31 Dec 2017	31 Dec 2016
Assets		
Loans to credit institutions	–	818
Loans to the public	–	6,589
Other assets	–	295
Total assets held for sale	**–**	**7,702**
Liabilities		
Deposits by credit institutions	–	4,308
Deposits and borrowings from the public	–	4,783
Other liabilities	–	121
Total liabilities held for sale	**–**	**9,212**

1) Includes the external assets and liabilities held for sale. The external funding of the Baltic operations that remained subsequent to the transaction is not included.

Assets and liabilities held for sale relate to Nordea's decision in 2016 to combine its Baltic operations with the Baltic operations of DNB. The individual assets and liabilities were derecognised in Nordea and instead an investment in an associated company was recognised. The completion of the transaction was conditional upon, among other things, receiving the regulatory approval of FSAs, the European Commission and the European Central Bank. After receiving all needed approvals, the transaction closed on 1 October 2017 when both banks combined their business operations.

P44. Assets and liabilities in foreign currencies

31 Dec 2017, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	157.7	82.2	64.6	48.2	58.1	6.7	417.5
Total liabilities	139.8	68.8	57.0	29.4	68.3	23.7	387.0

31 Dec 2016, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	65.7	56.5	2.6	2.0	32.1	22.4	181.3
Total liabilities	44.4	53.3	4.0	1.7	35.0	22.4	160.8

P45. Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions results in the securities are returned to Nordea, all risks and rewards of the instruments transferred is retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterpart in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

The securities still reported on the balance sheet and the corresponding liabilities are measured at fair value.

EURm	31 Dec 2017	31 Dec 2016
Repurchase agreements		
Treasury bills	2,948	–
Interest-bearing securities	9,482	–
Total	**12,430**	**–**

Liabilities associated with the assets

EURm	31 Dec 2017	31 Dec 2016
Repurchase agreements		
Deposits by credit institutions	9,189	–
Deposits and borrowings from the public	2,896	–
Total	**12,085**	**–**
Net	**345**	**–**

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

EURm	31 Dec 2017	31 Dec 2016
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	31,488	–
- of which repledged or sold	17,282	–
Securities borrowing agreements		
Received collaterals which can be repledged or sold	7,138	4,505
- of which repledged or sold	–	4,505
Total	**38,626**	**4 505**

P46. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2017 Expected to be recovered or settled:			31 Dec 2016 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		42,637	-	42,637	101	–	101
Treasury bills	P14	7,579	5,914	13,493	3,438	3,145	6,583
Loans to credit institutions	P15	46,973	12,792	59,765	61,362	27,013	88,375
Loans to the public	P15	72,817	79,922	152,739	13,973	29,753	43,726
Interest-bearing securities	P16	12,995	34,955	47,950	1,339	9,020	10,359
Financial instruments pledged as collateral	P17	3,719	8,711	12,430	–	–	–
Shares	P18	7,410	473	7,883	1	129	130
Derivatives	P19	8,488	39,200	47,688	804	3,864	4,668
Fair value changes of the hedged items in portfolio hedge of interest rate risk		12	73	85	0	–	0
Investments in group undertakings	P20	–	12,532	12,532	–	5,733	5,733
Investments in group undertakings being merged	P20	–	–	–	14,368	–	14,368
Investments in associated undertakings and joint ventures	P21	–	1,036	1,036	–	12	12
Participating interest in other companies		–	23	23	–	1	1
Intangible assets	P22	17	2,097	2,114	–	1,539	1,539
Properties and equipment	P23	77	308	385	–	132	132
Deferred tax assets	P13	32	52	84	4	18	22
Current tax assets		58	–	58	204	–	204
Retirement benefit assets	P32	–	196	196	–	–	–
Other assets	P24	15,303	13	15,316	4,560	–	4,560
Prepaid expenses and accrued income	P25	809	319	1,128	404	345	749
Total assets		**218,926**	**198,616**	**417,542**	**100,558**	**80,704**	**181,262**
Deposits by credit institutions	P26	47,063	4,672	51,735	13,240	7,134	20,374
Deposits and borrowings from the public	P27	152,504	23,727	176,231	58,099	84	58,183
Debt securities in issue	P28	41,915	30,545	72,460	34,450	28,712	63,162
Derivatives	P19	7,622	38,496	46,118	1,154	2,458	3,612
Fair value changes of the hedged items in portfolio hedge of interest rate risk		522	30	552	1,008	–	1,008
Current tax liabilities		158	–	158	–	0	0
Other liabilities	P29	28,713	7	28,720	3,113	166	3,279
Accrued expenses and prepaid income	P30	1,146	49	1,195	670	–	670
Deferred tax liabilities	P13	–	174	174	–	–	–
Provisions	P31	227	185	412	295	12	307
Retirement benefit liabilities	P32	6	256	262	6	163	169
Subordinated liabilities	P33	943	8,044	8,987	1,590	8,496	10,086
Total liabilities		**280,819**	**106,185**	**387,004**	**113,625**	**47,225**	**160,850**

P46. Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2017 , EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	–	7,790	268	3,798	2,979	14,835
Loans to credit institutions	46,120	39,374	5,815	16,112	639	108,060
Loans to the public	7,852	55,239	19,005	51,170	45,469	178,735
Interest-bearing securities	–	5,162	13,233	37,491	4,156	60,042
Other	–	2,884	21,456	857	16,338	41,535
Total financial assets	**53,972**	**110,449**	**59,777**	**109,428**	**69,581**	**403,207**
Deposits by credit institutions	8,771	42,077	1,139	4,029	653	56,669
Deposits and borrowings from the public	138,098	30,991	4,578	1,393	3,342	178,402
- of which Deposits	138,098	22,694	4,578	1,393	3,342	170,105
- of which Borrowings	–	8,297	–	–	–	8,297
Debt securities in issue	–	26,749	16,958	33,661	7,428	84,796
- of which Debt securities in issue	–	26,160	16,543	25,521	6,467	74,691
- of which Other	–	589	415	8,140	961	10,105
Other	–	20,353	10,406	445	256	31,460
Total financial liabilities	**146,869**	**120,170**	**33,081**	**39,528**	**11,679**	**351,327**
Derivatives, cash inflow	–	31,559	5,693	27,595	8,153	73,001
Derivatives, cash outflow	–	30,236	5,656	5,656	5,656	47,204
Net exposure	**–**	**1,323**	**37**	**21,939**	**2,497**	**25,797**
Exposure	**–92,897**	**–8,398**	**26,733**	**91,839**	**60,399**	**77,676**
Cumulative exposure	**–92,897**	**–101,295**	**–74,562**	**17,277**	**77,676**	**–**

31 Dec 2016 , EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	–	3,058	430	2,966	269	6,723
Loans to credit institutions	4,490	52,181	11,389	18,616	2,427	89,103
Loans to the public	975	12,271	5,951	22,542	5,170	46,909
Interest-bearing securities	–	360	1,330	9,092	1,003	11,785
Other	–	5,163	–	–	22,466	27,629
Total financial assets	**5,465**	**73,033**	**19,100**	**53,216**	**31,335**	**182,149**
Deposits by credit institutions	4,113	6,870	2,409	6,684	379	20,455
Deposits and borrowings from the public	51,280	5,544	1,278	86	–	58,188
- of which Deposits	51,280	4,632	1,278	86	–	57,276
- of which Borrowings	–	912	–	–	–	912
Debt securities in issue	–	23,493	12,791	31,713	9,362	77,359
- of which Debt securities in issue	–	22,556	12,604	23,672	6,760	65,592
- of which Other	–	937	187	8,041	2,602	11,767
Other	–	5,235	–	–	216	5,451
Total financial liabilities	**55,393**	**41,142**	**16,478**	**38,483**	**9,957**	**161,453**
Derivatives, cash inflow	–	74,164	10,408	13,892	5,357	103,821
Derivatives, cash outflow	–	73,505	10,254	10,790	4,700	99,249
Net exposure	**–**	**659**	**154**	**3,102**	**657**	**4,572**
Exposure	**–49,928**	**32,550**	**2,776**	**17,835**	**22,035**	**25,268**
Cumulative exposure	**–49,928**	**–17,378**	**–14,602**	**3,233**	**25,268**	**–**

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, Nordea has credit commitments amounting to EUR 77,870m (EUR 26,993m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 54,130m (EUR 71,965m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section "Risk, Liquidity and Capital management".

P47. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures. For more information on definitions, see Note G1 "Accounting policies", section 26 and Note G45 "Related-party transactions".

	Group undertakings		Associated undertakings		Other related parties	
EURm	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Assets						
Loans and receivables	53,745	86,819	144	317	–	–
Interest-bearing securities	933	–	–	–	–	–
Derivatives	1,830	1,577	2	4	–	–
Investments in group undertakings	12,532	20,101	–	–	–	–
Other assets	1,691	704	8	–	–	–
Prepaid expenses and accrued income	456	509	–	–	–	–
Total assets	**71,187**	**109,710**	**154**	**321**	**–**	**–**
Liabilities						
Deposits	14,926	14,790	17	2	77	8
Debt securities in issue	61	54	–	–	–	–
Derivatives	3,438	2,433	–	–	–	–
Other liabilities	645	0	–	–	–	–
Accrued expenses and prepaid income	11	23	–	–	–	–
Subordinated liabilities	–	19	–	–	–	–
Total liabilities	**19,081**	**17,319**	**17**	**2**	**77**	**8**
Off balance[1]	**52,171**	**68,197**	**2,077**	**1,763**	**–**	**–**

1) Including nominal values on derivatives in associated undertakings. For 2016 guarantees to Nordea Bank Finland Plc are included, see Note P37 "Contingent liabilities".

	Group undertakings		Associated undertakings		Other related parties	
EURm	2017	2016	2017	2016	2017	2016
Net interest income and expenses	564	–168	2	1	0	0
Net fee and commission income	–543	396	1	1	0	–
Net result from items at fair value	–759	–161	4	5	–	–
Other operating income	–413	708	–	–	–	–
Total operating expenses	89	–146	–	–	–	–
Profit before loan losses	**–1,062**	**629**	**7**	**7**	**0**	**0**

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7 "Staff costs".

Other related-party transactions

Nordea Bank AB (publ) takes part in a guarantee consortium to support Norwegian Eksportfinans ASA. For further information, see Note G45 "Related-party transactions".

P48. IFRS 9

Classification of assets and liabilities under IFRS 9

Assets

1 Jan 2018, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (Fair value-option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/joint ventures	Total
Cash and balances with central banks	42,637	–	–	–	–	–	42,637
Treasury bills	92	6,535	–	–	6,866	–	13,493
Loans	187,169	25,201	–	–	–	–	212,370
Interest–bearing securities	1	18,473	–	–	29,476	–	47,950
Financial instruments pledged as collateral	–	12,430	–	–	–	–	12,430
Shares	–	7,883	–	–	–	–	7,883
Derivatives	–	46,044	–	1,644	–	–	47,688
FV change of the hedged item in pf hedge of interest rate risk	85	–	–	–	–	–	85
Investments in group undertakings	–	–	–	–	–	12,532	12,532
Investments in associated undertakings and joint vetures	–	–	–	–	–	1,036	1,036
Participating interest in other companies	–	23	–	–	–		23
Intangible assets	–	–	–	–	–	2,114	2,114
Properties and equipment	–	–	–	–	–	385	385
Deferred tax assets	–	–	–	–	–	84	84
Current tax assets	–	–	–	–	–	58	58
Retirement benefit assets	–	–	–	–	–	196	196
Other assets	1,363	10,909	–	–	–	3,044	15,316
Prepaid expenses and accrued income	892	–	–	–	–	236	1,128
Total assets	**232,239**	**127,498**	**–**	**1,644**	**36,342**	**19,685**	**417,408**

Liabilities

1 Jan 2018, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (Fair value-option)	Derivatives used for hedging	Non-financial liabilities	Total
Deposit by credit institutions	45,844	5,891	–	–	–	51,735
Deposits and borrowings from the public	162,810	9,075	4,346	–	–	176,231
Debt securities in issue	67,427	–	5,033	–	–	72,460
Derivatives	–	45,140	–	978	–	46,118
Fair value changes of the hedged items in portfolio hedge of interest rate risk	552	–	–	–	–	552
Current tax liabilities	–	–	–	–	158	158
Other liabilities	2,902	24,908	–	–	910	28,720
Accrued expenses and prepaid income	181	–	–	–	1,014	1,195
Deferred tax liabilities[1]	–	–	–	–	136	136
Provisions	–	–	–	–	453	453
Retirement benefit liabilities	–	–	–	–	262	262
Subordinated liabilities	8,987	–	–	–	–	8,987
Total liabilities	**288,703**	**85,014**	**9,379**	**978**	**2,933**	**387,007**

1) Decrease in net tax liabilities of EUR 38m. The classification of the decrease of net tax liabilities on assets and liabilities remains to be confirmed.

P48. IFRS 9, cont.

Reclassification of assets and liabilities at transition

Assets, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Fair value through profit or loss (FVPL) Designated at fair value through profit or loss (Fair value option)	Fair value through profit or loss (FVPL) Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/joint ventures	Total
Balance at 31 Dec 2017 under IAS 39	232,162	123,275	4,434	1,644	36,342	19,685	417,542
Required reclassification from Fair value option to AC[1]	234	–	–234	–	–	–	–
Required reclassification from Fair value option to FVPL mandatorily[2]	–	4,200	–4,200	–	–	–	–
Reclassification from AC to FVPL mandatorily[1]	–23	23	–	–	–	–	–
Remeasurement[3]	–134	–	–	–	–	–	–134
Balance at 1 Jan 2018 under IFRS 9	232,239	127,498	–	1,644	36,342	19,685	417,408

Liabilities, EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Fair value through profit or loss (FVPL) Designated at fair value through profit or loss (Fair value option)	Fair value through profit or loss (FVPL) Derivatives used for hedging	Non-financial liabilities	Total
Balance at 31 Dec 2017 under IAS 39	288,703	85,014	9,379	978	2,930	387,004
Remeasurement[4]	–	–	–	–	3	3
Balance at 1 Jan 2018 under IFRS 9	288,703	85,014	9,379	978	2,933	387,007

1) The reclassification is related to loans.
2) Shares of EUR 2,648m, interest bearing securities of EUR 1,548m and other assets of EUR 4m have been reclassified from fair value option to fair value through profit and loss mandatorily due to required classificaton based on classification criteria.
3) The FVOCI category consists of new provisions of EUR 1m and an an equal but opposite fair value measurement.
4) Increase in provision for off-balance sheet items EUR 41m, offset by a decrease in net tax liabilities of EUR 38m. The classification of the decrease of net tax liabilities on assets and liabilities remains to be confirmed.

Impact on equity (retained earnings) at transition
The total impact on equity from IFRS 9 at transition amounts to EUR 137m after tax.

Reclassification of provisions at transition

EURm	Held to maturity	Loans and receivables	Amortised cost (AC)	Available for sale	Fair value through other comprehensive income (FVOCI)	Off balance	Total
Balance at 31 Dec 2017 under IAS 39	–	2,017	–	–	–	188	2,205
Reclassification to AC	–	–1,968	1,968	–	–	–	0
Reclassification to FVPL	–	–49	–	–	–	–	–49
Remeasurement under IFRS 9, collective provisions	–	–	124	–	1	41	166
Remeasurement under IFRS 9, individually provisions	–	–	10	–	–	0	10
Balance at 1 Jan 2018 under IFRS 9	–	–	2,102	–	1	229	2,332

P48. IFRS 9, cont.

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

%	
Stage 1	93.6
Stage 2	4.6
Stage 3	1.8
Total	**100.0**

Allowances for credit losses

EURm	Stage 1	Stage 2	Stage 3	Total
Loans	109	295	1,698	2,102
Interest-bearing securities	1	0	0	1
Off balance	13	43	173	229
Total	**123**	**338**	**1,871**	**2,332**

Accounting principles for financial instruments under IFRS 9

See Note G49 "IFRS 9" section Accounting principles for financial instruments under IFRS 9.

P49. Proposed distribution of earnings

According to the balance sheet, the following amount is available for distribution by the Annual General Meeting:

EUR	
Share premium reserve	1,079,925,521
Retained earnings	17,180,228,052
Other free funds	2,762,284,828
Net profit for the year	3,510,086,789
Additional Tier 1 capital holders	750,000,000
Total	**25,282,525,190**

The Board of Directors proposes that these earnings are distributed as follows:

EUR	
Dividends paid to shareholders, EUR 0.68 per share	2,747,028,225
To be carried forward to:	
- share premium reserve	1,079,925,521
- retained earnings	17,943,286,616
- other free funds	2,762,284,828
- additional Tier 1 capital holders	750,000,000
Total	**25,282,525,190**

It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands with respect to the size of the Company's and the Group's equity, which are imposed by the nature, scope and risks, associated with the business, and the Company's and the Group's need for consolidation, liquidity and financial position in general.

Signing of the Annual Report

The Board of Directors and the President and CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with the International Reporting Standards (IFRS/IAS) referred to in the European Parliament and Councils' regulation (EC) 1606/2002, from 19 July 2002, on application of International Accounting Standards. They give a true and fair view of the Group's and the Company's financial position and result. The Board of Directors' Report for the Group and the Company gives a true and fair overview of the development of the operations, financial position and result of the Group and the Company and describes the material risks and uncertainties that the Company and the Group companies are facing.

6 February 2018

Björn Wahlroos
Chairman

Lars G Nordström
Vice Chairman

Kari Ahola
Board member[1]

Pernille Erenbjerg
Board member

Robin Lawther
Board member

Toni H. Madsen
Board member[1]

Hans Christian Riise
Board member[1]

Sarah Russell
Board member

Silvija Seres
Board member

Kari Stadigh
Board member

Birger Steen
Board member

Maria Varsellona
Board member

Lars Wollung
Board member

Casper von Koskull
President and Group CEO

Our audit report was submitted on 9 February 2018

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant
Auditor-in-charge

Catarina Ericsson
Authorised Public Accountant

1) Employee representative.

Auditor's report

To the Annual general meeting of the shareholders of Nordea Bank AB (publ), corporate identity number 516406-0120

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nordea Bank AB (publ) for the year 2017, except for the corporate governance statement and the statutory sustainability report on pages 59–66 and 67–68 respectively. The annual accounts and consolidated accounts of the company are included on pages 35–229 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit institutions and Securities Companies. Our opinions do not cover the corporate governance report and the statutory sustainability report on pages 59–66 and 67–68 respectively. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The Nordea Group has centralised group functions combined with global processes covering each business area.
We have organised the audit work by having our central team carry out the testing of centralised systems and processes whereby local auditors carry out the audit of systems and processes in each business area and entities.

Full scope audit is performed for entities with high significance and risk to the group. The procedures applied generally include an assessment and testing of controls over key business processes, analytical procedures of individual account balances, tests of accounting records through inspection, observation or confirmation, and obtaining corroborating audit evidence in response to inquiries.

For some entities, even though not considered to have high significance or risk, it is required from a group audit perspective to obtain assurance on certain focus areas. In these cases, local audit teams are instructed to perform certain audit procedures. The procedures applied generally include a detailed analytical review, reconciliation to underlying sub-ledgers, substantive testing for specific processes, areas and accounts, discussion with management regarding accounting, tax and internal control as well as follow-ups on known issues from previous periods.

Our audit is carried out continuously during the year. Formal reporting to the Board Audit Committee and the Board of Directors consist of our i) interim audit regarding internal control and management's administration and ii) results of our year-end audit. In addition, we have also performed a limited review of the interim report as of 30 June 2017 that has been reported to the Board Audit Committee and the Board of Directors.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

In the table below we set out how we tailored our audit for these key audit matters.

Key audit matter	How our audit addressed the Key audit matter
Impairment of loans to customers	
Accounting for impairment of loans to customers require management's judgement over timing of recognition of impairment and the size of any such impairment allowance. Nordea makes allowances for incurred credit losses both on an individual and on a collective basis. Important areas of impairment of loans to customers relate to: • Identification of impaired loans including completeness of the customer accounts that are included in the impairment calculation • Assumptions and estimates made by management supporting the calculation of individual and collective impairment allowances. Examples of these relate to the probability of default and loss given default calculations. Nordea applies IFRS 9 Financial Instruments from 1 January 2018. To estimate the recoverable amounts for loan receivables in accordance with IFRS 9 requires further judgements compared to IAS 39. Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty), Note G10 – Net loan losses and Note G13 – Loans and impairment.	We assessed and tested the design and operating effectiveness of the controls over: • rating and scoring of customers • individually assessed loan impairment calculations • collectively assessed loan impairment calculations We performed testing on a sample of loans to ascertain whether we concur with the risk assessment as expressed by the internal rating or scoring. We had a special focus on loans to customers in the shipping, offshore and oil services. We tested impairment calculations on a sample of significant impaired loans including assessment of expected future cash flow. In addition, we examined a sample of loans and advances which had not been identified by management as impaired. We also assessed the appropriateness of relevant parameters in the collective impairment models. Furthermore, we have performed sample based audit activities of the effect of the transition to IFRS 9, which has included: • evaluation of Nordea's documentation of critical judgement; • validation that these critical judgements have been applied in models; and • recalculations of provisioning amounts.
Valuation of certain Level II and III financial instruments held at fair value	
Given the ongoing volatility and macroeconomic uncertainty, valuation of financial instruments continues to be an area of inherent risk. The valuation of Level II and III financial instruments utilises observable, and for level III unobservable inputs, for recurring fair value measurements. Significant portfolios of financial instruments are valued based on models and certain assumptions that are not observable by third parties. Important areas in valuation of financial instruments held at fair value relate to: • Framework and policies relating to models and valuation; • Internal controls relating to fair value hierarchy, fair value adjustments, price testing and model control & governance; and • Disclosures of financial instruments Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty), Note G18 – Derivatives and Hedge accounting, Note G39 – Classification of financial instruments and Note G40 – Assets and liabilities at fair value.	We assessed and tested the design and operating effectiveness of the controls over: • the identification, measurement and oversight of valuation of financial instruments • fair value hierarchy, fair value adjustments and independent price verification • model control and governance We examined the Group's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and the Group's governance and reporting processes and controls. For the valuations dependent on unobservable inputs or which involve a higher degree of judgement, we assessed the assumptions, methodologies and models used by the Group. We performed an independent valuation of a sample of positions. In respect of fair value adjustments, specifically Credit, Debt and Funding fair value adjustments (CVA, DVA and FFVA) for derivatives we assessed the methodology applied, underlying models and assumptions made by the Group and compared it with our knowledge of current industry practice. We tested the controls over the data inputs to the underlying models and on a sample basis tested underlying transactions back to supporting evidence.

Actuarial assumptions related to the Life business

Technical provisions involve subjective judgements over uncertain future outcomes. The value is based on models where significant judgement is applied in setting economic assumptions, actuarial assumptions as well as customer behaviour. Changes in these assumptions can materially impact the valuation of technical provisions. Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty) and Note G27 – Liabilities to policyholders	We assessed the design and tested operating effectiveness of the controls over the process for calculating provisions within the Life business. Our audit also included assessments of applied methods, models and assumptions used in calculating the provisions. We have on a sample basis performed recalculations of the provisions. The audit was carried out involving PwC actuaries.

IT systems supporting processes over financial reporting

Due to the significant number of transactions that are processed, the Group's financial reporting is highly dependent on IT systems supporting automated accounting and reconciliation procedures. To ensure complete and accurate financial records it is important that controls over appropriate access rights, program development and changes are designed and operates effectively.	We have tested the design and operating effectiveness for controls related to the IT systems relevant for financial reporting. Our assessment included, access to programs and data as well as program development and changes. For logical access to programs and data, audit activities included testing of addition of access rights, removal of access rights and monitoring of appropriateness as well as appropriate segregation of duties. Other areas tested included monitoring of IT systems and controls over changes to IT systems.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4–34 and 67–68. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU and the Annual Accounts Act for Credit institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nordea Bank AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

The auditor's examination of the corporate governance report

The Board of Directors is responsible for that the corporate governance report on pages 59–66 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance report. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the the Annual Accounts Act for Credit Institutions and Securities Companies.

The auditor's statement of the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 67–68, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Nordea Bank AB AB by the general meeting of the shareholders on 16 March 2017 and has been the company's auditor since 19 March 2015.

Stockholm, 9 February 2018

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant
Auditor-in-charge

Catarina Ericsson
Authorised Public Accountant

Board of Directors

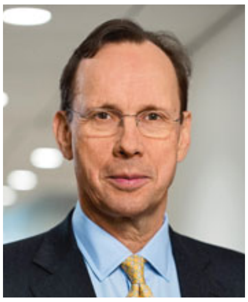

Björn Wahlroos


Lars G Nordström


Pernille Erenbjerg


Robin Lawther


Sarah Russell


Kari Stadigh


Silvija Seres


Birger Steen

Björn Wahlroos, *Chairman*

Ph.D (Economics), 1979. Board member since 2008 and Chairman since 2011. Born 1952. *Nationality:* Finnish.
Board Chairman of Sampo plc and UPM-Kymmene Corporation.

Other assignments: Board Chairman of Hanken School of Economics. Board member of several charities, including the Finnish Business and Policy Forum EVA/ETLA and the Mannerheim Foundation.

Previous positions:

2001–2009	Group CEO and President of Sampo plc.
2005–2007	Chairman of Sampo Bank plc.
1998–2000	Chairman and CEO of Mandatum Bank plc.
1992–1997	President of Mandatum & Co Ltd.
1985–1992	Various positions with Union Bank of Finland including executive vice president and member of the executive committee 1989–1992.
1974–1985	Various academic positions, including Professor of Economics at Hanken School of Economics and visiting professor at Brown University and Kellogg Graduate School of Management, Northwestern University.

Shareholding in Nordea: 100,000.[1]

Lars G Nordström, *Vice Chairman*

Law studies at Uppsala University. Board member since 2003 and Vice Chairman since 2017. Born 1943. *Nationality:* Swedish.
Board Chairman of Vattenfall AB. Board member of Viking Line Abp.

Other assignments: Board Chairman of the Finnish-Swedish Chamber of Commerce. Board member of the Swedish-American Chamber of Commerce and the Centre for Business and Policy Studies (SNS). Member of the Royal Swedish Academy of Engineering Sciences (IVA). Honorary Consul of Finland in Sweden.

Previous positions:

2008–2011	President and Group CEO of Posten Norden AB.
2006–2010	Board member of TeliaSonera AB.
2005–2009	Board Chairman of the Royal Swedish Opera.
2002–2007	President and Group CEO of Nordea Bank AB.
1993–2002	Various executive management positions within Nordea Group.
1970–1993	Various positions within Skandinaviska Enskilda Banken (Executive Vice President from 1989).

Shareholding in Nordea: 23,250.[1]

Pernille Erenbjerg

MSc (Business Economics and Auditing) and State Authorised Public Accountant. Board member since 2017. Born 1967. *Nationality:* Danish.
Group CEO and President of TDC A/S. Board member of DFDS A/S and Genmab A/S.

Previous positions:

2011–2015	Group Chief Financial Officer TDC A/S
2003–2011	Various management positions TDC A/S
2002–2003	Partner Deloitte Touche Tohmatsu
1987–2002	Auditor Arthur Andersen

Shareholding in Nordea: 0.[1]

Robin Lawther

BA Honours (Economics) and MSc (Accounting & Finance).
Board member since 2014. Born 1961. *Nationality:* American and British.
Board member of Oras Invest Ltd

Other assignments: Board member of UK Government Investments Limited.

Previous positions:

1985–2012	Various positions within J.P. Morgan.
2011–2012	Head, Wealth Management for Southeast, USA.
2007–2011	Head, Nordic Investment Bank, UK.
2005–2007	Head, Mergers & Acquisitions Execution, European Financial Institutions, UK.
2003–2005	Head, Commercial Banking Group, UK.
1994–2005	Managing Director, Financial Institutions Investment Banking, UK
1990–1994	Vice President, Mergers & Acquisitions, UK.
1985–1990	International Capital Markets, USA.

Shareholding in Nordea: 50,000.[1]

Sarah Russell

Master of Applied Finance. Board member since 2010. Born 1962.
Nationality: Australian.
CEO Aegon Asset Management and Board member of several group companies incl. Chairman of the board of Aegon Asset Management Holdings BV and member of the Management Board of Aegon NV. Vice chairman of the Supervisory Board of La Banque Postale Asset Management SA.

Other assignments: Member of the Supervisory Board of Nederlandse Investeringsinstelling NV. Board member of the American Chamber of Commerce in the Netherlands.

Previous positions:

1994–2008	Various executive management positions within ABN AMRO, including Senior Executive Vice President and CEO of ABN AMRO Asset Management 2006–2008.
1981–1994	Various management and other positions in Financial Markets within Toronto Dominion Australia Ltd.

Shareholding in Nordea: 0.[1]

Kari Stadigh

Master of Science (Engineering) and Bachelor of Business Administration.
Board member since 2010. Born 1955. *Nationality:* Finnish.
Group CEO and President of Sampo plc. Board Chairman of If P&C Insurance Holding Ltd and Mandatum Life Insurance Company Limited.
Board member of Nokia Corporation and Waypoint Group Holding Ltd.

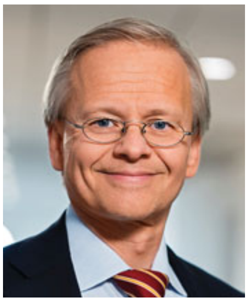
Other assignments: Vice chairman of Finance Finland (FFI) and board member of Niilo Helander Foundation.

Previous positions:

2001–2009	Deputy CEO of Sampo plc.
1999–2000	President of Sampo Life Insurance Company Ltd.
1996–1998	President of Nova Life Insurance Company Ltd.
1991–1996	President of Jaakko Pöyry Group.
1985–1991	President of JP Finance Oy.

Shareholding in Nordea: 100,000.[1]

Maria Varsellona



Lars Wollung

Kari Ahola

Toni H. Madsen

Gerhard Olsson

Hans Christian Riise

Employee representatives

Kari Ahola

Board member since 2006.
Born 1960.

Shareholding in Nordea: 0.[1]

Toni H. Madsen

Board member since 2013.
Born 1959.

Shareholding in Nordea: 3,299.[1]

Gerhard Olsson

Board member since
1 October 2016.
Born 1978.

Shareholding in Nordea: 0.[1]

Hans Christian Riise

Board member since 2013.
Born 1961.

Shareholding in Nordea: 0.[1]

Silvija Seres

MBA, Ph.D (Mathematical science) and MSc (Computer Science).
Board member since 2015. Born 1970. *Nationality:* Norwegian.
Board member of Academedia AB, DNV GL Group AS, Oslo Børs VPS Holding ASA, Oslo Børs ASA and Syncron International AB.

Other assignments: Board member of Norsk rikskringkasting AS (NRK), Stiftelsen Det Norske Veritas, Oslo Business Region AS, Simula Research Laboratory AS, and the Kavli Trust. Chairman of the Board of Polyteknisk Forening. Member of the Corporate Assembly (Nor. Bedriftsforsamlingen) of Telenor ASA.

Previous positions:

2011–2016	Managing director of TechnoRocks AS.
2008–2011	Director of Business Management at Microsoft Development Center, Norway.
2004–2008	Vice President for Services Strategic Development, Product Marketing and Strategic Development at Fast Search & Transfer ASA.
1997–2003	Prize Fellow, Tutor and Lecturer at University of Oxford, the UK.
2003	Visiting Researcher at the Chinese Academy of Sciences in Beijing, China.
2002	Assistant Professor and Programme Manager at Dar Al Hekma University in Jeddah, Saudi Arabia.
1999	Visiting Researcher at DEC/Compaq Systems Research Center in Palo Alto, USA.
1996–1997	Scientific Researcher at Norwegian Computing Centre
1994–1996	IT developer at Skrivervik Data.

Shareholding in Nordea: 0.[1]

Birger Steen

MSc (Computer Science) and MBA. Board member since 2015.
Born 1966. *Nationality:* Norwegian.
Board member of Schibsted ASA, Skooler AS and Nordic Semiconductor ASA

Other assignments: Member of the Board of Trustees of the Nordic Heritage Museum in Seattle.

Previous positions:

2011 – 2016	CEO of Parallels, Inc.
2009–2010	Vice President of Worldwide SMB & Distribution at Microsoft Corporation.
2004–2009	General Manager of Microsoft Russia.
2002–2004	General Manager of Microsoft Norge.
2000–2002	CEO of Scandinavia Online AS.
1996–1999	Vice President of Business Development of Schibsted ASA.
1993–1996	Consultant of McKinsey & Company.
1992–1993	Oil Trader at Norwegian Oil Trading AS.

Shareholding in Nordea: 0.[1]

Maria Varsellona

Law degree (Juris Doctor). Board member since 2017. Born 1970.
Nationality: Italian.
Board member of Alcatel-Lucent Shanghai Bell.

Other assignments: Chief Legal Officer and member of the Group Leadership Team in Nokia Corporation.

Previous positions:

2013–2014	Group General Counsel and member of the Executive Board Nokia Siemens & Networks
2011–2013	Group General Counsel and member of the Global Leadership Team Tetra Pak, Tetra Laval Group
2009–2010	Group General Counsel and member of the Global Leadership Team Sidel, Tetra Laval Group
2008–2009	Adjunct professor and lecturer Università degli Studi di Firenze, Italy
2006–2009	Senior Legal Counsel GE Oil & Gas
2005–2006	Senior Legal Counsel The Hertz Corporation
2001–2004	Senior Legal Counsel GE Oil & Gas
1998–2001	Lawyer Pini, Bingham & Partners
1994–1998	Lawyer The Greco Law firm

Shareholding in Nordea: 0.[1]

Lars Wollung

BA (Economics) and MSc (Computer systems and Telecommunication). Board member since 2017. Born 1961. *Nationality:* Swedish.
Board Chairman of IFS AB (publ), The North Alliance Group AS and mySafety Group AB.

Previous positions:

2009–2015	President and CEO Intrum Justitia AB (publ)
2001–2008	President and CEO Acando AB (publ)
1996–2001	Consultant own company
1987–1995	Management consultant McKinsey & Company
1986	System development engineer Ericsson

Shareholding in Nordea: 20,000.[1]

1) Shareholdings, as of 31 December 2017, also include shares held by family members and closely affiliated legal entities.

Group Executive Management

Group Executive Management, from left to right: Martin Persson, Karen Tobiasen, Torsten Hagen Jørgensen, Snorre Storset, Casper von Koskull, Julie Galbo, Topi Manner, Matthew Elderfield, Erik Ekman and Heikki Ilkka.

Casper von Koskull
President and Group CEO since 2015.
Born 1960.
Member of Group Executive Management 2010.
Shareholding in Nordea: 257,362.[1]

Previous positions:

2010–2015	Head of Wholesale Banking Nordea Bank AB.
1998–2010	Managing Director and Partner of Goldman Sachs International in London, Head of Nordic Investment Banking.
1994–1998	Managing Director, Nordic Investment Banking, UBS London.
1992–1994	Head of Derivatives Marketing and Structuring for German Corporate Clients, Citibank, Frankfurt.
1990–1992	Vice President Leverage Finance, Citibank, New York.
1987–1990	Vice President Nordic Coverage Citicorp Investment Bank, Ltd, London.
1984–1987	Account Manager, Citibank, Helsinki.

Torsten Hagen Jørgensen
Group COO and Deputy Group CEO since 2015.
Born 1965.
Member of Group Executive Management 2011.
Shareholding in Nordea: 128,370.[1]

Martin Persson
Executive Vice President, Head of Wholesale Banking.
Born 1975.
Member of Group Executive Management 2016.
Shareholding in Nordea: 0.[1]

Heikki Ilkka
Executive Vice-President, Group CFO, Head of Group Finance & Treasury.
Born 1970.
Member of Group Executive Management 2016.
Shareholding in Nordea: 0.[1]

Erik Ekman
Executive Vice President, Head of Commercial & Business Banking.
Born 1969.
Member of Group Executive Management 2015.
Shareholding in Nordea: 0.[1]

Topi Manner
Executive Vice President, Head of Personal Banking.
Born 1974.
Member of Group Executive Management 2016.
Shareholding in Nordea: 55,615.[1]

Julie Galbo
Chief Risk Officer, Head of Group Risk Management and Control.
Born 1971.
Member of Group Executive Management 2017.
Shareholding in Nordea: 529.[1]

Matthew Elderfield
Group Compliance Officer and Head of Group Compliance.
Born 1966.
Member of Group Executive Management 2016.
Shareholding in Nordea: 0.[1]

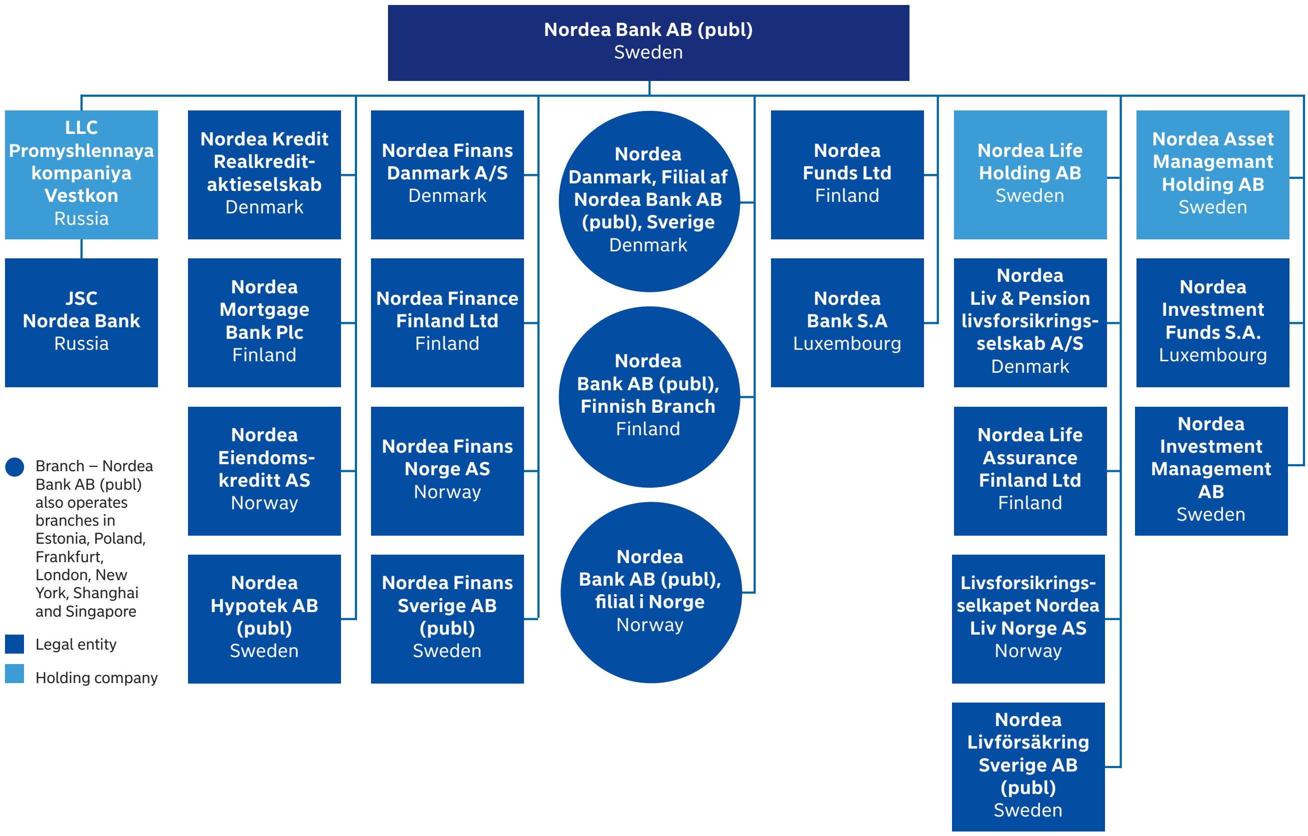
Snorre Storset
Executive Vice President, Head of Wealth Management.
Born 1972.
Member of Group Executive Management 2015.
Shareholding in Nordea: 12,300.[1]

Karen Tobiasen
Chief People Officer
Born 1965.
Member of Group Executive Management 2016.
Shareholding in Nordea: 1,200.[1]

1) Shareholdings, as of 31 December 2017, also include shares held by family members and closely affiliated legal entities.

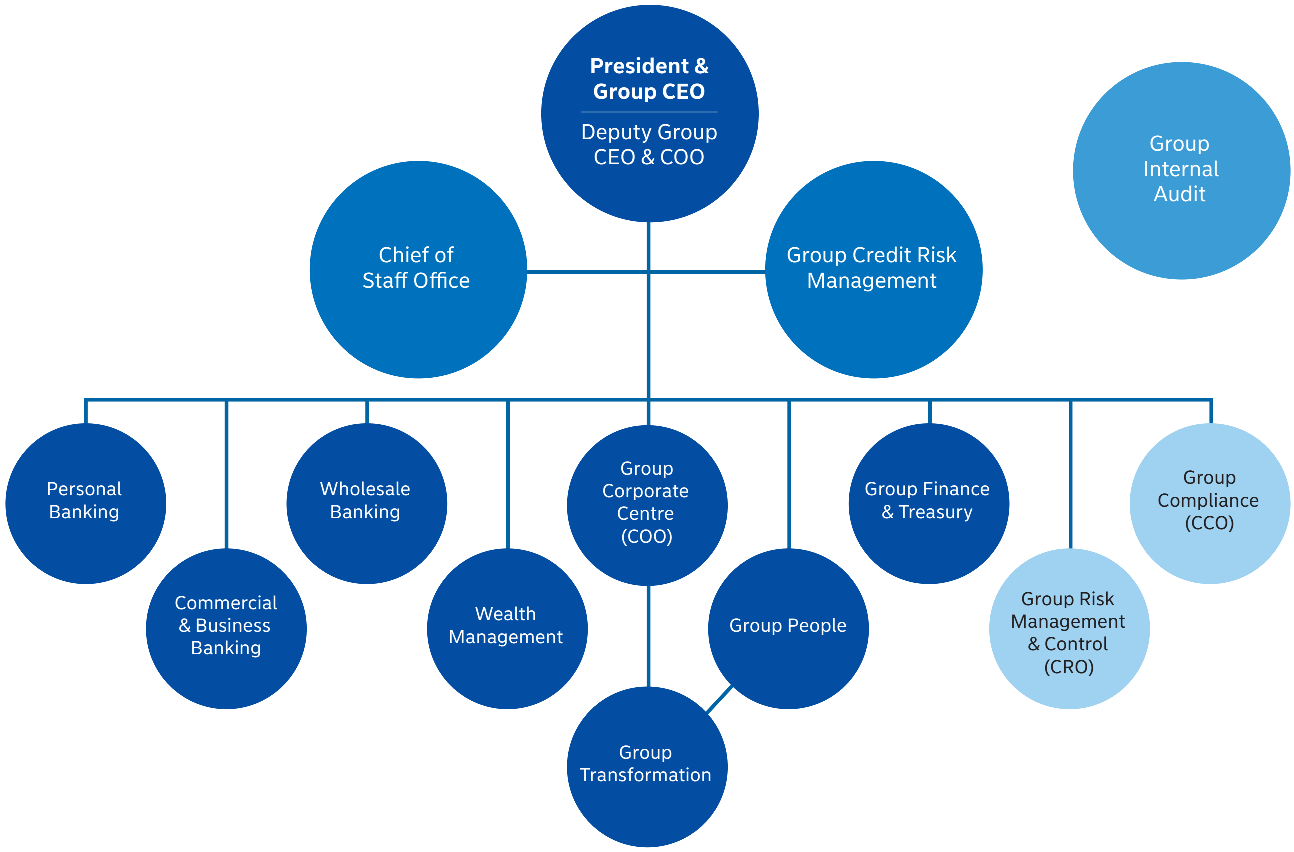
Legal structure

As of 31 December 2017



Group organisation

As of 31 December 2017



Annual General Meeting 15 March 2018

Nordea's Annual General Meeting (AGM) 2018 will be held on Thursday 15 March at 13.00 CET at Vinterträdgården, Grand Hôtel, entrance Royal, Stallgatan 4, Stockholm.

Notification of participation, etc.

Shareholders who wish to participate in the AGM shall be entered in the share register maintained by the Swedish Securities Register Center (Euroclear Sweden AB) not later than 9 March 2018 and notify Nordea. Shareholders whose shares are held in custody must therefore temporarily re-register their shares in their own names with Euroclear Sweden AB in order to be able to participate. This applies for example to holders of Finnish Depositary Receipts in Finland and holders of shares registered in VP Securities in Denmark. Such re-registration must be effected at Euroclear Sweden AB in Sweden by 9 March 2018. This means that the shareholder in good time prior to this date must inform the trustee about this.

Shareholders registered at Euroclear Sweden AB in Sweden

Notification of participation in the AGM must be made to Nordea Bank AB (publ) at the latest on 9 March 2018 preferably before 13.00 Swedish time at the following address: Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's website www.nordea.com.

Holders of Finnish Depositary Receipts (FDR) in Finland

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 8 March 2018 at 12.00 noon Finnish time to Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's website www.nordea.com.

Shareholders registered in VP Securities in Denmark

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 8 March 2018 at 12.00 noon Danish time to Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's website www.nordea.com.

Financial calendar

Financial calendar 2018

Annual General Meeting	15 March
Ex-dividend date	16 March
Record date	19 March
Dividend payments	26 March
1st quarter results	25 April
2nd quarter results	20 July
3rd quarter results	24 October

Contacts

Torsten Hagen Jørgensen,
Group COO and Deputy Group CEO

Investor Relations

Rodney Alfvén, Head of Investor Relations
Ylva Andersson
Carolina Brikho
Michel Karimunda
Andreas Larsson
Pawel Wyszynski

SE-105 71 Stockholm, Sweden
Tel.: +46 10 157 1000

Website

All reports and press releases are available on the Internet at: www.nordea.com. Financial reports published by the Nordea Group may be ordered on the website and via Investor Relations.

Nordea's report on Capital and risk management, in accordance with the Pillar III disclosure requirements according to the EU Capital Requirements Regulation, is presented on www.nordea.com.

The Annual Report 2017

This Annual Report covers Nordea Bank AB (publ) and pertains to the operations of the Nordea Group, whose main legal structure is presented on page 239. The original annual report is in Swedish. This is an English version thereof. A Swedish version may be obtained upon request.

In this Annual Report, the Nordea Group presents income statements and other financial data quoted in euro (EUR).

Layout and production: Chimney Group

Photo: Dan Coleman, Getty Images | Print: Hylte Tryck AB, 2018

This Annual Report covers Nordea Bank AB (publ) and pertains to the operations of the Nordea Group, whose main legal structure is presented on page 239. The original annual report is in Swedish. This is an English version thereof. A Swedish version may be obtained upon request.

In this Annual Report, the Nordea Group presents income statements and other financial data quoted in euro (EUR).

Nordea Bank AB (publ)
Corporate registration no. 516406-0120
Smålandsgatan 17 | SE-105 71 Stockholm
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