Nordea

Annual Report 2016

CEO Letter

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

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Largest private bank, asset manager and life and pensions provider. **Page 23**

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

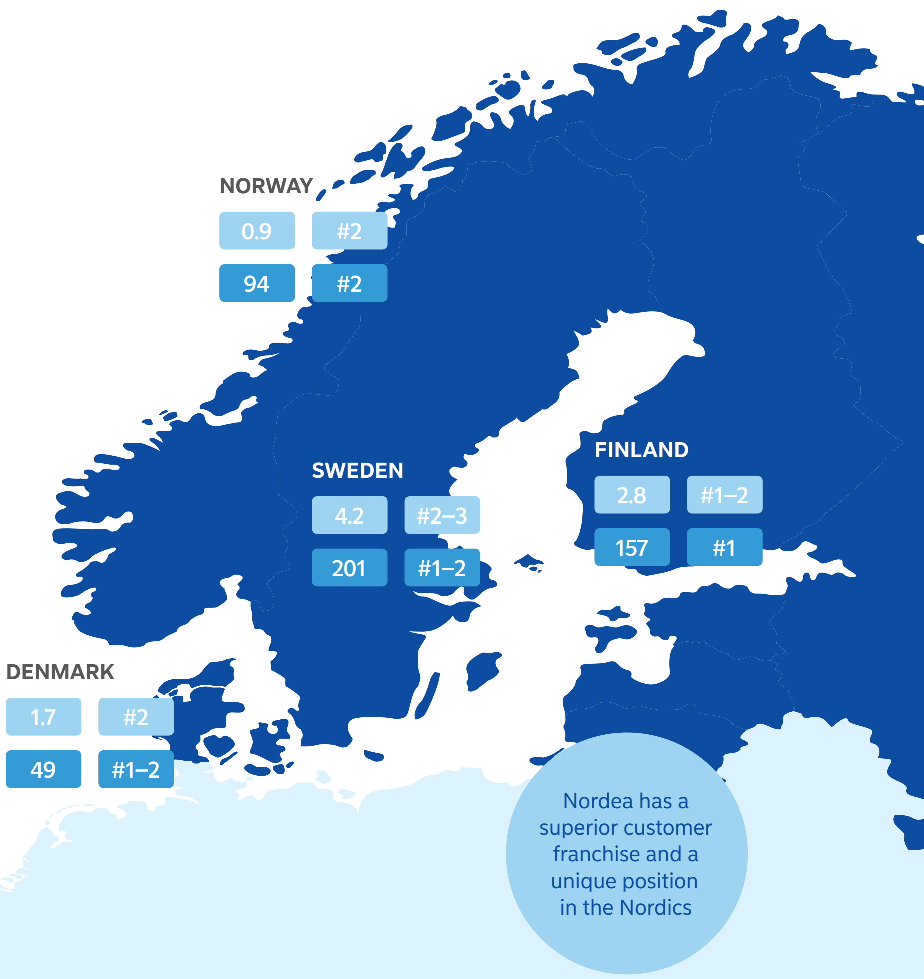
Leading platform

Nordea has a superior customer franchise

Customer relationships and market position

	Household customers No. of relationships (mill)	Household customers Market position
Total:	10	#1

	Corporates & Institutions No. of relationships (th)	Corporates & Institutions Market position
Total:	540	#1



Leading financial services platform in the Nordic region

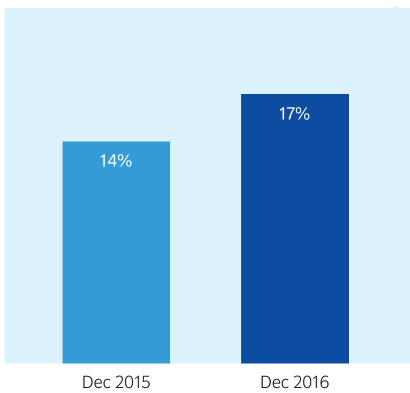
Best Bank in the Nordic region, Global Finance

Multi Asset Manager of the year, Financial News

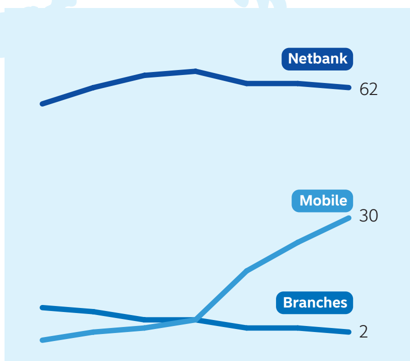
Transaction Banking Award for the Nordic region 2016, The Banker

Award BA4

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



Transactions, m
Q4 2010 – Q4 2016

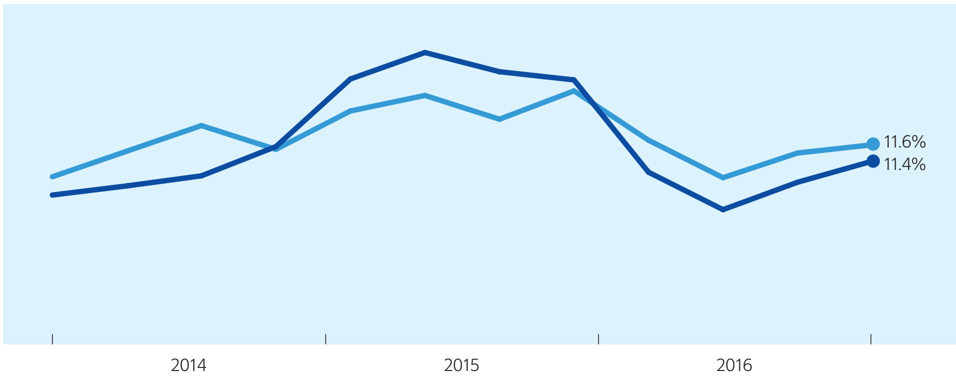


Nordea is the most diversified bank in the Nordics with strong capital generation

Relative RoE performance[1]

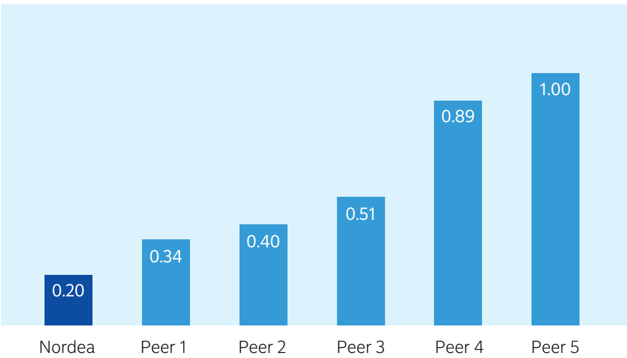
Through a well diversified business, Nordea has delivered competitive returns with the lowest risk in the Nordics.

- Nordea rolling 4 quarters
- Nordic peers rolling 4 quarters



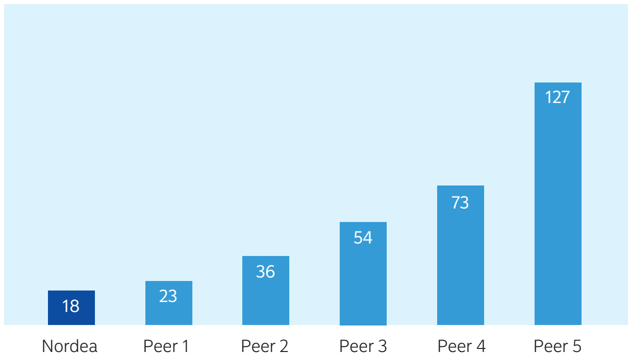
1) 2013–2016. Excl. non-recurring items.

Quarterly CET1 ratio volatility[1], %



1) 2006 – 2016. Calculated as quarter on quarter volatility in CET1 ratio, adjusted so that the volatility effect of those instances where the CET1 ratio increases between quarters is excluded.

Quarterly net profit volatility[1], %

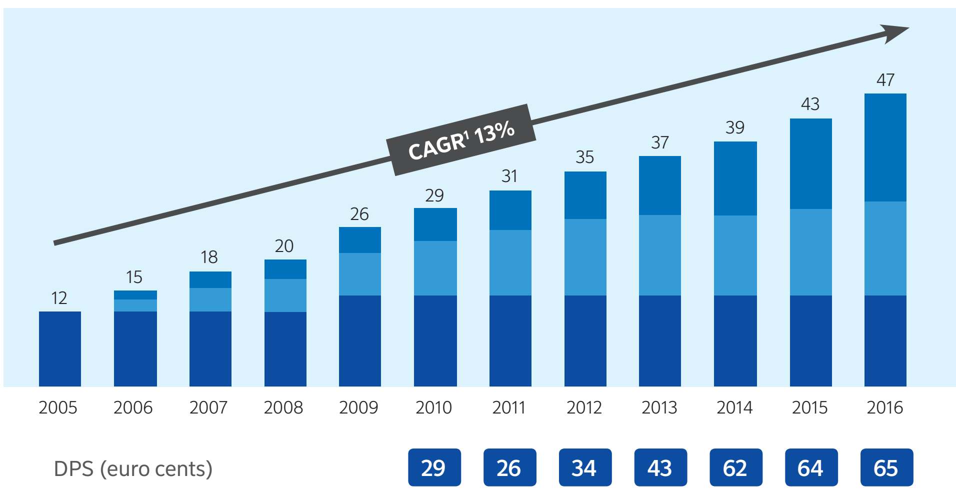


1) 2006 – 2016.

Capital generation and dividend growth

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

- Acc. dividend, EURbn
- Acc. equity, EURbn



1) CAGR 2005–2016, adjusted for EUR 2.5bn rights issue in 2009. Equity columns represents end-of-period equity less dividends for the year. No assumption on reinvestment rate for paid out dividends.

Towards One Nordea

– an agile and robust bank engaging with its customers

Dear Shareholder,

The past year was challenging with recordlow interest rates, unexpected political events and increasing turmoil around the globe. What we learnt from 2016 is that global developments are becoming even more impossible to predict. We have to prepare for the unexpected even more carefully.

Another lesson from last year was increasing awareness of the importance of business ethics and being a responsible corporate citizen. We will not be able to make the full transformation journey unless we also unite around a strong culture, based on ethics and compliance.

Throughout 2016 we continued to deliver on our transformation agenda. An important step was taken at the beginning of June when the first product on our core banking platform successfully went live. And, a historical milestone was reached on 2 January 2017 when we converted our subsidiary banks in Denmark, Finland, and Norway into branches of Nordea Bank AB. The mergers will enable maintaining a "One Bank" operating model and focusing on delivering the best possible experience to our customers. At the end of the day, everything we do aims to increase customer satisfaction.

Another important business event was that, in the summer, Nordea and DNB entered into an agreement to combine their operations in Estonia, Latvia and Lithuania, enabling us to become the main bank for customers in the Baltics.

In an unstable environment we continued to be one of the most stable banks in Europe, without a single quarter of losses in the past ten years. In addition, our balance sheet is among the strongest of European banks, which is reflected through some of the highest credit ratings.

Under these market conditions we delivered the following results for 2016 (excluding non-recurring items):
Income: EUR 9,754m
Operating profit: EUR 4,366m
Costs: EUR 4,886m
Loan loss ratio: 15bps
Return on equity: 11.5%

Making the Bank more accessible

Towards the summer, Retail Banking was divided into two new business areas – Personal Banking and Commercial & Business Banking. This change will adapt the organisation more clearly to different customer needs, sharpen customer focus and strengthen execution capacity in each of the two new business areas.

Digitalisation remained a main driver in the business areas and our customers' usage of online and mobile solutions is growing rapidly. Customers need to be able to reach us anytime, anywhere. The eBranches and remote meetings are key initiatives to improve accessibility for customers. Our team-based advisory format enables customers to obtain competent help easily by a renewed advisory model. One out of six customer meetings is now held online and the number of remote advisors available to serve our personal banking customers across the Nordics increased to 300 from 100 last year.

In October we joined a partnership for MobilePay in Denmark and Norway through which we provide our customers in Norway and Denmark with easy access to a user-friendly mobile payment solution that is subject to constant innovation.

Most popular fund provider in Europe

In Wealth Management, total assets under management increased to an all-time high and surpassed a milestone of EUR 300 billion. Nordea is by far the largest Wealth Manager in the Nordics.

We also continued to be a successful player on the European fund markets, exporting our financial services beyond the Nordics. Throughout most of 2016, Nordea Asset Management was the most popular fund provider in Europe, attracting the highest amount of new investments – netflow – to its funds.

A new foundation for Global Private Banking was established to build the future Great Private Bank and enhance Nordea's strong position in Wealth Management even further.

To ensure that International Private Banking (IPB) participates fully in the journey, we further strengthened the functional integration of IPB in Global Private Banking and the relevant Wealth Management support areas. We were commended in February when Euromoney named Nordea the best provider of private banking services in the Nordic region and the Baltics for the eighth year in a row.

In Nordea Life & Pension in Denmark, we welcomed our customers as co-owners when Foreningen NLP bought a minority stake in the company. For the benefit of customers and the company, we will, in a co-ownership structure, further strengthen our position in Denmark.

Leading position in corporate advisory services confirmed

In our Wholesale Banking business, the successful trends of recent years continued. In 2016 the leading position in corporate advisory services in the Nordics was confirmed. In terms of deal value, we were ranked number four in Europe and the clear number one in the Nordics as global co-ordinator of IPOs. As an example we were joint global leader of DONG Energy IPO, the largest IPO globally in 2016.

We received several number 1 rankings in customer surveys from Prospera and Greenwich as well as leading league table positions. Another achievement was that Nordea Equity Research was ranked number 1 in the Thomson Reuters Analyst Awards 2016.

A key factor for our successes is our highly engaged people, whose skills lead customers to choose us as their preferred speaking partner.

Integrating sustainability into all parts of the bank

In 2016 Nordea continued the implementation of its proactive sustainability approach, acknowledging the importance of integrating sustainability into all parts of the organisation to enhance compliance, resilience and transparency in all areas.

We appointed a new Head of Sustainability, a new Head of Compliance, and a new Chief People Officer, all representing key functions in any business' work with sustainability. Sustainability is never a stand-alone effort; it is intertwined with its environment and must

"My vision for the future Nordea is to be a bank that is personalised and relevant for each and every customer."

Casper von Koskull, President and Group CEO

be rooted into the organisation in order to create commitment to the common goal and resilience of the business.

We accelerated our investments in 2016 to ensure a strong compliance culture. Our Anti Money Laundering programme is making steadly progress with the aim of achieving long-term sustainable solutions and best-in-class processes. We are making clear progress in our efforts to close compliance gaps.

A number of concrete actions have been carried out, including the establishment of a Financial Crime Change Programme and the Business Ethics and Values Committee (BEVC) chaired by me. The establishment of the BEVC has created a robust tool for sustainability governance. In addition, the Tax Board has been established at Group level, due to an increased need to strengthen tax compliance, following the "Panama Papers" media debate and our own internal investigations regarding offshore structures.

Historic changes to create One Nordea

We are now in the midst of a tremendous transformation of the bank – the greatest in Nordea's history – that will continue over the next two years, until 2018. We will fundamentally change our way of banking to quickly adapt to customers' needs, today and in the future. By investing in people and new technology, we lay the foundations to become the bank our customers want us to be. The ongoing development will increase usability, make us faster and more agile, and provide a more relevant customer experience.

An important step was taken at the beginning of June when the first product on our core banking platform successfully went live, less than six months after installing the model bank. In the coming year we will see new major releases for the Core Banking Platform and the Payment Platform.

A historic milestone was achieved on 2 January 2017, when the cross-border mergers between Nordea and its subsidiary banks in Denmark, Finland and Norway were executed. This is a significant step forward in our business transformation. A more straightforward legal structure better reflects the Nordic way we operate today. At the same time we remain fully committed to operating in each country, and decisions will still be made close to the customer, as they have always been. A simpler structure reduces complexity and enables us to focus on delivering the best possible experience to customers.

Improving customer satisfaction number one priority

The coming year might be another tough one. We will operate in an economic environment with great uncertainty, low growth and low interest rates.

However, what makes me optimistic is that Nordea is entering the new year in better shape than when it went into 2016. We are making good progress in building the bank our customers want us to be. We continue to make substantial investments in transforming the bank. We also have an even stronger capital position.

Our number one priority for the coming years will be on improving customer satisfaction. Generating value for our customers is the key to creating value for Nordea and its shareholders. To continue to deliver stable results to our shareholders, we will be committed to building more resilience and a stronger ability to constantly renew the way we operate the bank.

Best regards,

Casper von Koskull

Nordea investment case – strategic priorities

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

Strengthening the customer-centric organisation

To facilitate an even sharper customer focus, the organisation has been adjusted to reflect the unique needs of the different customer segments. Nordea has moved to four business area: Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management. Having one operating model and an end-to-end value chain for each segment ensures optimal delivery, while increasing the time spent with customers and reducing the time required to bring new products and services to market.

Digitisation and distribution transformation

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

In order to generate a truly digital bank, a transformational change agenda is being executed during the period 2016–2018.

The transition activities include the shift from physical to digital distribution and the establishment of e-branches.

For example, transactions that were traditionally handled through branches are now available to customers on a 24/7 basis through mobile banking. Advisory meetings are now also increasingly being held remotely.

'One Bank'

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

The simpler legal structure supports our work to increase agility, efficiency and economies of scale, and also strengthens governance. Our ambition with the transformation is to make it even easier for our customers to deal with us cross-border while at the same time leveraging on our expertise as One Nordea.

Simplification

In order to accommodate the rapid change in customer preferences towards digitised distribution, as well as the increasing operational regulation, Nordea is currently simplifying parts of its operations.

In line with this strategy, new Core Banking and Payment Platforms and a Group common data warehouse will be developed, with the aim of significantly increasing agility, economies of scale and resilience, while reducing complexity.

The Core Banking Platform will contain customer information, loans and deposits, the Payment Platform will be used for conducting domestic, international and SEPA payments and the Common data warehouse will consolidate existing data warehouses into one. Customer & Counterparty data will consolidate country-specific data into one solution.

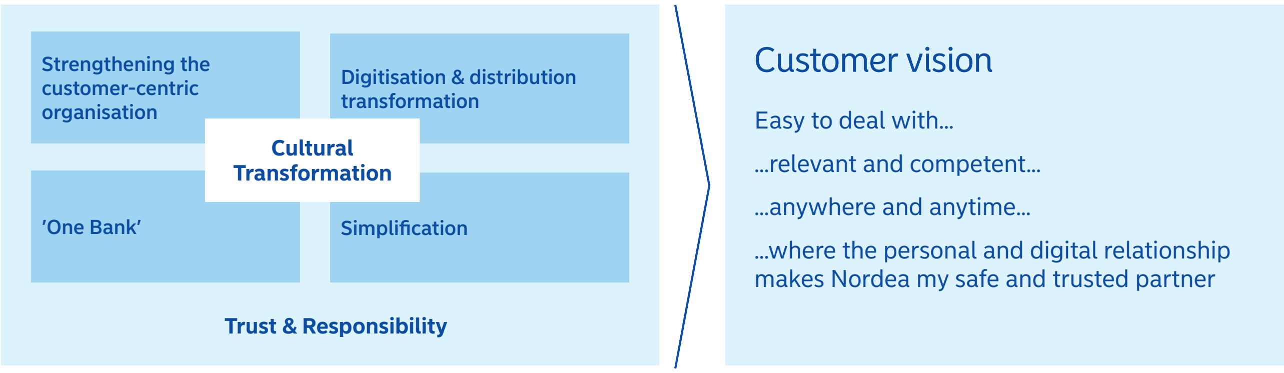
Cultural transformation

In order to adapt to the sweeping changes in our industry and our customers' needs, we are changing our mindset and behaviour so that we may undergo a fundemental transformation. Nordea has embarked on a cultural journey with the belief that no business transformation will succeed without also undergoing a human transformation. The culture should clearly define who we are, what we stand for, how we behave and how we decide what is right.

Trust and responsibility

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

Nordea Investment Case – Strategic Priorities



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

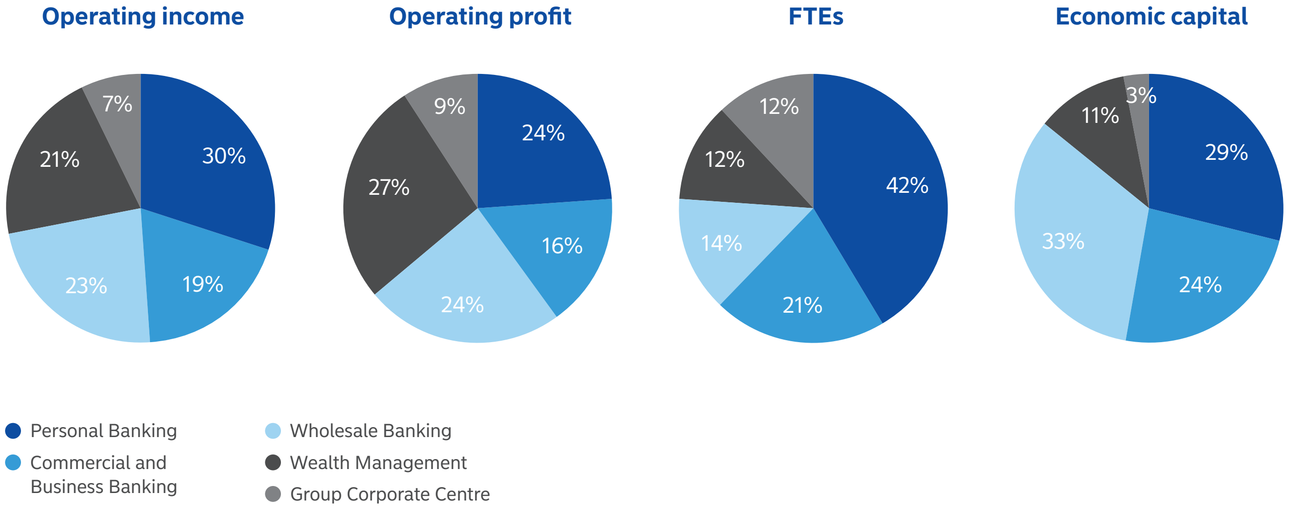
Simplification Journey – Progress

	What has been achieved in 2016?	What is next?
Core Banking Platform	• Model bank implemented • First live Pilot of a fixed-term deposit in Finland complete	• Implementing Deposits & Savings in Finland and Denmark • Lending Pilot & first implementations in Finland
New Payment Platform	• New payment infrastructure installed • All SEPA Credit Transfer Interbank payments, excl. Finland, run via the new installation	• SEPA Credit Transfer Interbank Finland • SEPA Credit Transfer File based Channel
Group Common Data	• Selected local data warehouses in Finland and Norway migrated and closed	• Selected local data warehouses in Denmark and Sweden on target to be closed
Customer & Counter-party Data	• Build-up of Customer and Counterparty Master	• Harmonised data lifecycle process development

Business Areas

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

Business Area contribution, 2016



Personal Banking

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

Commercial & Business Banking

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

Wholesale Banking

- Maintain No. 1 Wholesale Bank position in the Nordics
- Continue our customer relationship strategy
- Deliver a broad range of financial solutions
- Provide leading expertise and advisory services
- Increase capital velocity

Wealth Management

- Largest private bank, asset manager and life & pensions provider in the Nordics
- Strongest financial results ever as profit grew to EUR 1,200m
- Our offering attracted a net flow of EUR 19.3bn in 2016
- Delivering advice and solutions of superior quality
- Well-diversified, high growth, and capital-light business

Group Corporate Centre

- Provide the Nordea group asset and liability management, treasury operations, group wide services, strategic frameworks and common infrastructure
- Strongest financial income year ever
- Contribute to Nordea's focus to enhance Capital, Financial Crime prevention and Data & Technology
- Responsible for implementing One Operating Model across the bank

Business Areas

Personal Banking

Introduction

Nordea has the largest customer base of any bank in the Nordic and Baltic region. In Personal Banking around 12,000 people serve more than 10 million Personal Banking customers. Personal Banking customers are served through a combination of physical and digital channels across seven markets in the Nordic and Baltic countries. Employees are committed to constantly work towards great customer experiences.

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

Through strong engagement and valuable advice, the aim is that Personal Banking customers entrust Nordea with all their banking business. Reflecting the rapid changes in customer preferences, Personal Banking's relationship banking concept also encapsulates and integrates digital channels. Nordea's Baltic operations, serving both household and corporate customers, are organised as a separate entity with a reporting line to the Head of Personal Banking.

Topi Manner, Head of Personal Banking.

Business development

The Personal Banking business is undergoing a significant transformation. The digitalisation of the whole society is quickly changing how customers deal with their bank and expect to be served at Nordea. The influence of digitalisation has been witnessed through substantial growth in the usage of our online and mobile services. In parallel, manual transactions in branches continue to decrease.

In 2016, we continued to further improve our accessibility and convenience towards Personal Banking customers with several initiatives such as:

- Online onboarding provides consumers in all four Nordic markets with a straightforward, smooth and compliant process of becoming a new customer of Nordea.
- Our team-based advisory format improves accessibility and enables customers to get competent help easily through a renewed advisory model.
- Continuing to further improve our first time resolution by means of any customer issues being resolved by the first person at the bank with whom the customer comes into contact.
- Our eBranches and online meetings are also key initiatives to improve customer accessibility. One out of six customer meetings are held online – an increase of more than one-third year-on-year.
- On accessibility and convenience within payments, MobilePay provides our customers a new solution, especially in peer-to-peer payments, and the card-based Nordic solution NordeaPay improves in-store mobile payments for our customers.

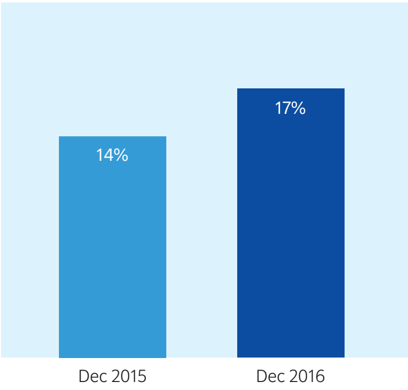
In parallel to these initiatives, we proactively reach out to our Personal Banking customers with expert advice and digitally improved tools to further add value to their financial needs.

In 2016 we increased our speed in innovation and scaled up the co-operation with promising startups through Nordea's Accelerator Programme. We see this as a great way of helping startups to grow and to ensure our customers can be offered innovative services that meet their ever-changing needs and preferences.

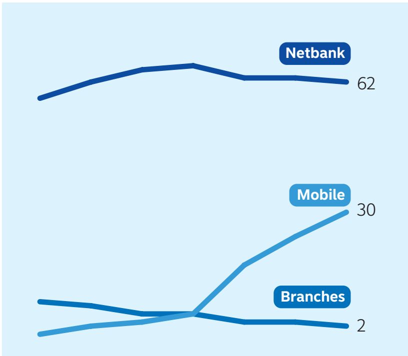
Result

Operating profit was flat in local currencies, down 1% including FX effects. Lower loan losses and lower costs mitigated the lower income mainly seen in the first half of 2016. Total income increased in Sweden and the Baltic countries, but in total decreased 4%, down 3% in local currencies, from 2015. Increased funding costs and the continued pressure on deposit margins were mirrored in a 2% decrease in net interest income, down 1% in local currencies. Increasing lending margins and volume growth on both deposits and lending somewhat mitigated this. Net Commission income was down 8% in total, with Denmark being the largest contributor to the negative development. Also items at fair value decreased by 2%. Total expenses decreased by 1% as a result of the continuous work to improve efficiency in the operations and the branch network. The number of FTEs was slightly up reflecting the continued focus on digital development and increasing demands within the compliance area.

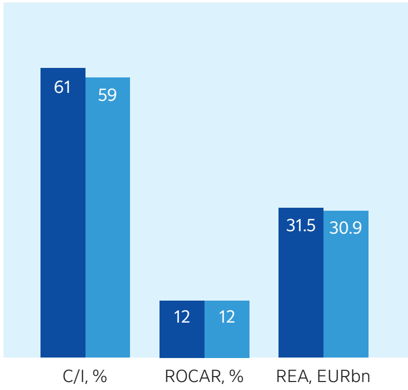
Online advisory meetings
Online meetings share of total meetings excl. corporate customers.



Transactions, m
Q4 2010 – Q4 2016



Key figures
● 2016 ● 2015



Credit quality
Net loan losses continued to decrease and the loan loss ratio was 4 basis points (10 basis points in 2015). The positive development was mainly driven by increased credit quality and referral of loan losses in Denmark.

Denmark
Operating profit increased 9% from 2015. The positive development in the real estate market supports a reduced need for loan loss provisions, which together with a cost decrease of 3% more than mitigated the continued pressure on deposits income from low interest rates, as well as the negative development in commission income.

Net interest income from lending increased towards the end of the year due to a general margin increase on Mortgage lending.

Lending volumes decreased by 1% while deposit volumes increased by 1% from 2015.

Finland
Total income decreased by 9% from 2015. Both lending and deposit volumes increased modestly, but net interest income on deposits suffered from the decrease in interest rate levels, which resulted in net interest income decreasing by 12%. Net fee and commission income decreased by 5% from 2015, while cost increased slightly by 2% according to cost plan.

Norway
Total income decreased 12%, 8% down in local currency driven by net interest income decreasing by 10% in local currency, caused by pressure on the lending margins especially in the first half of 2016. Lending volumes increased 3% in local currency from 2015, while deposit volumes decreased slightly. Costs were according to plan with a slight increase in local currency.

Sweden
In particular the second half of 2016 showed strong income figures, and the 2016 Income increased 9% from 2015. Lending volumes increased 7%, while deposits volume increased by 4% in local currencies, which together with increased lending margins led to an increase of 17% in net interest income.

Banking Baltic countries
Total income increased 9% from 2015. Net interest income increased 1% driven by increasing lending and deposit volumes.

Lending volumes increased by 4% mainly driven by consumer and mortgage lending, while deposit volume increased by 8% from 2015. Net commissions and items at fair value also showed strong income growth, reflecting increasing customer activity.

Strategic focus areas and value drivers

During 2017, we continue to invest towards our long-term ambition of being the No. 1 in each of our markets in terms of profitability, customer satisfaction and employee satisfaction. Leveraging our scale to cost-efficiently serve all our customers on their daily banking needs, we will put further focus on improving accessibility and convenience, ensuring our strong competence to an even larger degree to be leveraged by our customers. Providing the right digital solutions and experiences for our customers continues to play a pivotal role in this development, and we will over 2017 launch a series of new solutions to our Personal Banking customers.

Cost-efficient daily banking platform – further reaping benefits of our simplification initiatives and technology investments, we will provide our full customer base with the standardised, easy-to-use products they need for every-day activities; meeting customers' preferences for self-service on these products is an important element.

Easily available advisory – for more advanced customer needs, supplementing access to physical advisory, we will continue to make our competent advisors easily available through remote meetings, ensuring great value for our customers and an efficient high-end distribution model for the bank.

Digital solutions – Across the full scale of offerings, digital increasingly takes a prime role in all interactions from ensuring convenient daily banking experiences to supporting and complementing advisors in more advanced matters.

Based on these focus areas, we will further tailor offers and services to match needs and preferences of our different customer groups. In doing so, we will even further meet customers' needs and expectations, create the right cost-to-serve for customers and the bank, and provide new services where the customer appreciates it the most.

Winning capabilities

Providing **mobile** services as the focal point of our relationship with the customer, enhancing self-service solutions, complemented by our skilled advisors for more advanced issues.

Offering the best customer experiences for **home buyers** and **affluent** customers, ensuring the best solutions at key life events.

Leveraging our **scale and simplification** initiatives to enable fair pricing and value generation to the customer and Nordea.

Strong fundamentals

- The largest customer portfolio in the Nordics
- Scalable pan-Nordic platform
- Global capabilities, competence-focused distribution network
- Low-volatility business model through country diversification

Strategic focus areas

- Mobile-centric daily banking
- Homeowners and Affluents
- Low-cost processing

Creating value for customers, society and Nordea

Contributing to developing our home region must go hand-in-hand with generating profit. Great customer solutions and experiences combined with simplified offerings and low-cost processing will drive us towards our long-term targets. Through the resulting growth in income and increasingly lower cost base, we target a C/I ratio in the lower 40s by 2021.

- Aligning value for customers and society with value for Nordea
- Best-in-class solutions for homebuyers and affluents
- Low-cost service and improved availability – mobile, remote meetings
- Simplified, automated and low-cost backbone
- Retained, relevant risk profile

#1 in profitability

 # 1 in customer satisfaction

#1 in employee satisfaction

Business Areas

Commercial & Business Banking

Introduction

Nordea has a leading customer base in the Nordic and Baltic region. In Commercial & Business Banking around 6,000 people serve more than 600,000 corporate customers though a mix of physical and digital channels allowing customers to meet Nordea and get advice whenever and wherever it suits them.

Commercial Banking services the larger corporate customers and Business Banking services the small and medium-sized corporate customers. Both units operate in Denmark, Sweden, Norway and Finland. The customers are serviced out of more than 300 physical and online branches across the Nordics.

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

Commercial & Business Banking also consists of Transaction Banking – including Cards, Trade Finance, Nordea Finance and Transaction Products – which serves as the product-responsible unit, providing transaction and finance banking services to both household and corporate customers across the Nordea Group.

We are working towards a new and more customer-centric value proposition for our corporate customers, which is founded on our strategy of being a trusted, relevant and easy-to deal with business partner. In doing so we create Customer Journeys securing a holistic approach to advisory.

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

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

Erik Ekman, Head of Commercial & Business Banking.

Business development

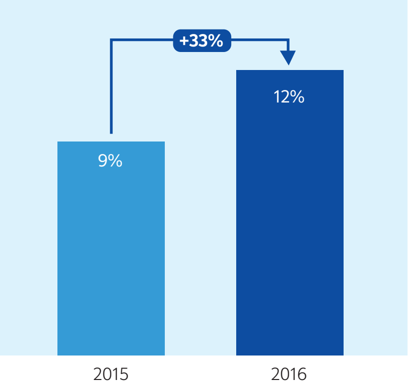
The banking market is undergoing a transformation and so is the business of our customers. The rapid introduction of new digital solutions is forever changing customer behaviours and expectations.

The influence of digitalisation has been witnessed through substantial growth in the usage of our online and mobile services.

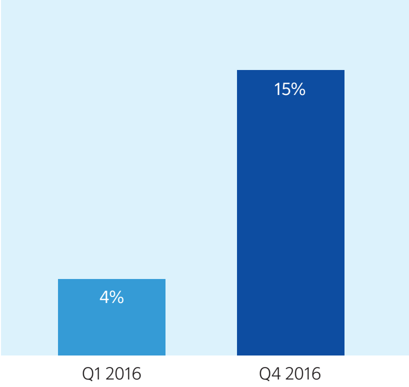
To cater to this changing environment we launched several services and solutions for our corporate customers during 2016. Some examples are:

- Launch of the Nordea Trade Portal to give practical advice and valuable knowledge to all customers planning to expand to new markets, helping our customers realise their full potential.
- Launch of the Nordea Trade Club to provide customers with a global business network consisting of Nordea customers, enabling new business opportunities and new networks.
- Become a Nordea customer online with Online onboarding. Corporate customers in Sweden and Finland can now sign up as customers online. Denmark and Norway will follow in 2017.
- Launch of Virtual Branches dedicated to provide online advisory, allowing customers to receive same quality advice virtually as they have been accustomed to with our physical branches when and where it suits them.
- Introducing MobilePay to our corporate customers in both Denmark and Norway, securing that we provide the best platform available on the market for our corporate customers, allowing them to handle mobile transactions easily and conveniently.
- Launch of TF Global, a new and improved Trade Finance online portal improving the customer experience by increasing delivery efficiency and self-service access.
- Introduction of the Nordea Startup Accelerator. A three-month training and development programme driven by Group Digital with the strong support of Transaction Banking and in cooperation with Nestholma. The purpose is to explore new ways of doing digital development and to find new tools to accelerate our innovation power and provide new solutions to our customers.

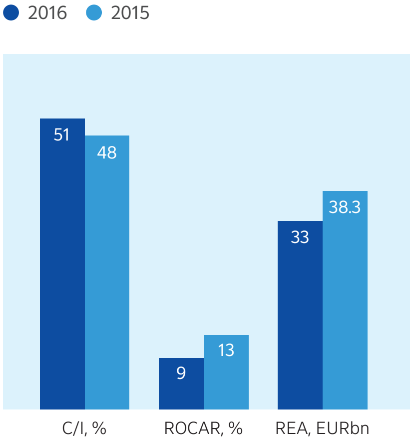
Remote meetings Commercial & Business Banking



% of new customer joining via Online Onboarding



Key figures



Result

Total income decreased 7% from 2015 driven mainly by net interest income. Initiatives to increase margins were outweighed by effects of still lower interest rates, and higher underlying funding costs. Lending volumes were stable and deposit volumes decreased 3%.

Total expenses were flat and net loan losses decreased 6% leading to a decrease in operating profit of 15% from 2015.

Risk exposure amount (REA) decreased 14%, but Economic Capital increased 9% driven by higher capital requirements, leading to a decrease in ROCAR from 13% to 9% for the full year.

Credit quality

Net loan losses decreased 6% from 2015. The loan loss ratio was 20bps in 2016, down from 21bps. Credit quality remained solid.

Commercial Banking

Total income decreased 4% driven by net interest income. Net fee and commission income as well as increasing net result from items at fair value increased from 2015. Efforts to increase net interest margins and increased cross selling could not mitigate the negative effects of lower interest rates and underlying increases in funding costs.

Total expenses decreased 4% and loan losses increased 79% driven by reversals in 2015. Operating profit decreased 11%.

Risk exposure amount (REA) decreased 15% while Economic Capital increased 6% driven by higher capital requirements. ROCAR decreased from 14% to 10% in 2016.

Business Banking

Total income decreased 7% driven mainly by net interest income as lower interest rates and underlying increases in funding costs took effect. Lending volumes increased slightly, up 1% from 2015, while deposit volumes increased 2%.

Total expenses decreased 3% and net loan losses decreased 33% leading to a decrease in operating profit of 5%.

Risk exposure amount (REA) decreased 4% while Economic capital (EC) increased 23% driven by higher capital requirements. Lower operating profit and higher capital led to a ROCAR decrease from 11% to 10%.

Strategic focus areas and value drivers

Following the split of Retail Banking, we will stick with the strategy created together with Personal Banking. Through our strategy, we continue the journey of becoming number one in each of our markets measured by customer satisfaction, profitability in the markets where we choose to compete and employee satisfaction within the industry.

Our strategic focus areas are:

1) **Best in class advisory** – tailored to customer needs and preferences
2) **Best in class digital experience** – anywhere and anytime
3) **Efficiency and scale** – one Nordic model

Furthermore, we continuously work with improving our capital efficiency and how we best deploy our resources so that we can continue to deliver the best experience to all of our customers.

Strengthening our advisory services, focusing on cross sales and increasing flexibility for our customers by expanding advisory, sales and service to digital channels. With new digital channels and virtual branches we seek to improve the customer experience by increasing our availability with more contact points and easier access.

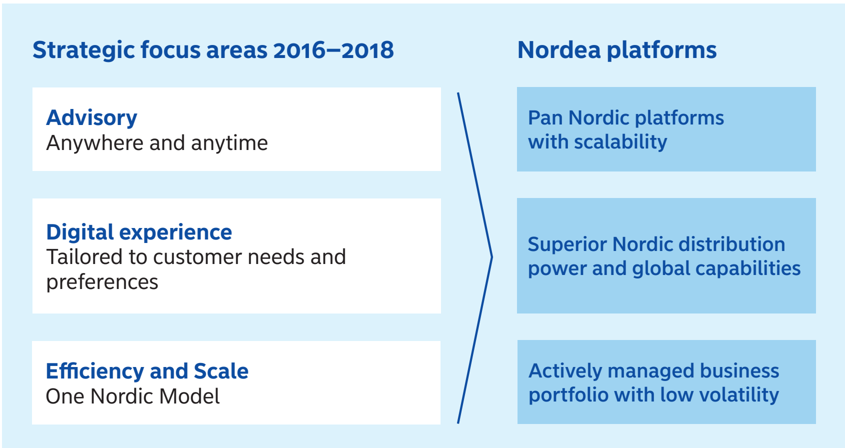
Enabling a best in class digital experience by building a common integrated digital platform and using analytics to increase relevance and tailor digital interactions to individual customer needs and preferences.

Delivering efficiency and scale by simplifying and digitalising products and processes across geographies, running capital efficiency initiatives and building the platforms of the future, ultimately allowing us to move quicker and meet future and current customer expectations.

All in all, making it possible to run Commercial & Business Banking more efficiently on both cost and capital, driving an improved C/I ratio and ROCAR while at the same time increasing customer satisfaction in all touchpoints.

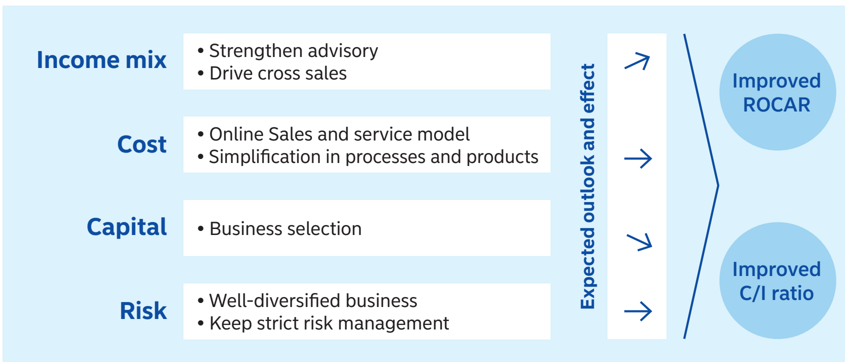
Winning capabilities for the future

- Advisory improved by relevance and easier access.
- Digital experiences improved by integrated platforms and faster deliveries.
- Simplifying and digitalising processes cross Nordics.



Capturing value in Commercial & Business Banking

- Focusing our development on a strong advisory proposition and utilising our capital in the best possible way, while at the same time keeping control of risk and costs.



Business Areas

Wholesale Banking

Introduction

Wholesale Banking provides financial solutions to the largest corporate and institutional customers banking with Nordea. The business area incorporates the entire value chain including customer and product units as well as supporting IT and infrastructure.

Wholesale Banking emphasises a return-driven culture through continuous improvements and disciplined cost and capital management. A relationship-driven customer service model and an effective business selection support income development and capital allocation.

With a significant footprint in all Nordic markets, competitive product offering and well-diversified business mix Nordea Wholesale Banking is the leading wholesale banking provider in the Nordic region. Through this platform Nordea has the strength to provide its customers with access to attractive financing in the capital markets and with the best tailored financial tools to optimise their business and manage their risks.

Martin Persson, Head of Wholesale Banking.

Business development

Wholesale Banking is the leading customer franchise in the Nordics focusing on developing the close and strong relationship we have with our corporate and institutional customers. In 2016 focus remained on leveraging the customer franchise and maintaining our leading market position and capabilities as well as adapting to the new and even more regulated environment. The platform proved well positioned to service customers and to capture potential.

In 2016 the macroeconomic environment remained challenging with lack of tail-wind, low interest rate environment and political uncertainty regarding the UK referendum and the US presidential election.

In Fixed Income, Currency and Commodities (FICC) the market conditions and customer activity levels were dominated by the lack of clear market directions, low volatility, falling interest rates and flattening of rate curves only interrupted by a few significant macro events. Especially the UK's EU membership referendum in June and the American Presidential Election in November caused spikes in market volatility and subsequent increased activity levels. Despite the market conditions, FICC underlying business performed well in line with expectations.

The activity in the Nordic bond markets continued to be strong throughout the year despite the political turbulence around the Brexit vote and the US election. The liquidity measure by the central banks supported corporate bond activity in particular. Issuers opted to refinance existing debt at current attractive levels via combining new issues with buybacks and exchange offers. Nordea was the most active arranger of bond issues and liability management transactions in the region.

Nordic corporate loan activity was in line with 2015. Nordea's position in financings related to M&A situations and IPOs was strong whilst a majority of the Nordic loan volume was refinancings.

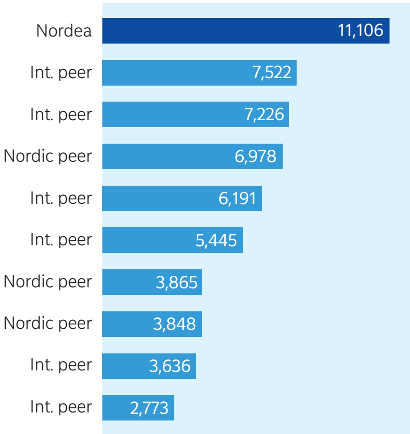
The Nordic buy-out market remained solid throughout the year with deal activity in line with 2015. Long-term trends such as the increasing importance of the capital markets as liquidity provider in the segment continued which illustrates the growing importance of banks being able to offer both on-balance and off-balance sheet structures to clients. In this environment Nordea clearly defended its position as the number one Nordic arranger of both loans and bonds to private equity backed companies in the region.

Activity in Nordic Equity Capital Market (ECM)remained high during 2016. Nordea successfully led, as joint global coordinator, the IPOs of Dong Energy, Nets, Ahlsell and Scandicavian Tobacco Group which were the four largest IPOs in the Nordic region last year. M&A activity in the Nordics was broadly on par with 2015, despite European activity declining, e.g. influenced by Brexit.

The equity markets mirrored the uncertain macro environment showing high volatility most notably around the Brexit referendum. All in all the Nordea Markets Equities result 2016 was satisfactory with sales and equity financing activity topping last year's performance. The activity in the primary markets was high throughout the year, both in the large and small cap segment. Altogether 40 transactions with a deal value of EUR 11bn were successfully executed, confirming Nordea's strong distribution capabilities.

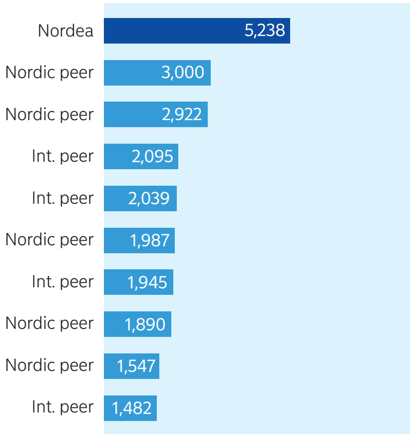
Wholesale Banking was externally recognised for its leading markets capabilities. The strong performance was also recognised with rankings for Nordea including No. 1 in Prospera's Nordic Equity Survey, Starmine's, Most Award-Winning Brokers 2016, Best Distributor in the Nordics on Europe Structured Products & Derivatives Awards and EMEA Equity Issue of the year in International Finance Review for the IPO of DONG Energy.

Nordic ECM, FY 2016

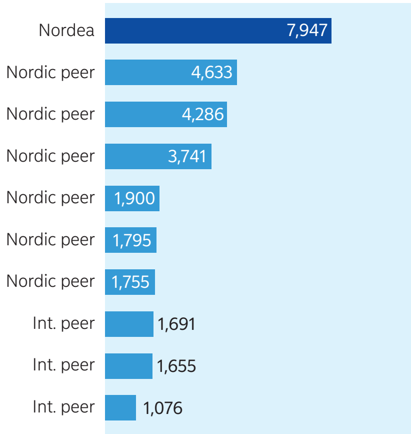


Source: Dealogic

Nordic Corporate bonds, FY 2016



Nordic Syndicated loans, FY 2016



Result

Total income was EUR 2,262m, down 8% compared to last year (a 6% decrease in local currencies), mainly due to lower net interest income. Total expenses decreased by 4% from last year (3% in local currencies). Continued strict resource management resulted in lower REA and a continued competitive cost-income ratio of 40%. Operating profit was EUR 1,068m and the business area ROCAR amounted to 10%.

Corporate & Institutional Banking

Total income was EUR 1,404 m, down 3% from 2015. Net interest income was down 14% from 2015, driven by higher funding costs, negative interest rates and increased resolution fee. Implementation of deposit fees in Sweden and Finland mitigated the impact of negative rates. Net fee and commission income was up by 7%. Items at fair value were at the same level as in 2015. Lending capacity and risk appetite remained high among Nordic banks leading to aggressive pricing. Lending volume was down 8% from 2015. Corporate & Institutional Banking ROCAR for 2016 was 14%, down 2%-points from 2015.

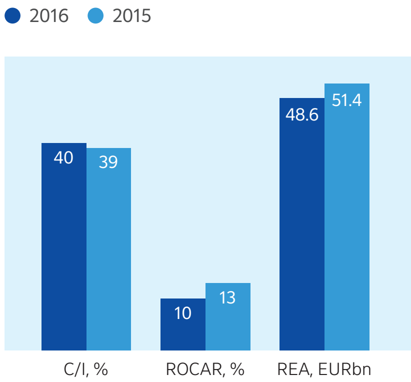
Shipping, Offshore & Oil Services

Total income was EUR 340m in 2016, down 15% from 2015. The reduction was mainly due to lower net interest income, but results from items at fair value and net fee and commission income were also reduced. Lending volumes were slightly down compared to last year. Net loan losses were EUR 147m in 2016, of which the largest part was due to collective loan loss provisions mainly related to the offshore portfolio. The significant increase in loan losses reflects the deteriorating situation for the offshore industry during the year.

Banking Russia

Total income was EUR 202m in 2016, a 17% decrease from 2015. Total expenses were EUR 55m, down 27%. In 2016 the focus on customer selection continued and the retail business was put into run-off. As a result, the loan portfolio decreased during the year by EUR 2bn equalling 33%.

Key figures



Wholesale Banking other

Wholesale Banking other total income decreased by 13%. Wholesale Banking other is the residual result not allocated to customer units. This income includes the unallocated income from Capital Markets and the International Division as well as the impact from Fair Value Adjustments. It also includes the additional liquidity premium for the funding cost of long-term lending and deposits in Wholesale Banking. Wholesale Banking other comprise all staff in Capital Markets as well as support units. The costs are to a large extent allocated to customer units.

Strategic focus areas and value drivers

As of 1 August 2016 Investment Banking and Corporate & Institutions were combined into the new division; Corporate & Investment Banking (C&IB). The aim of the new organisation is to be better equipped to improve relevance and commercial impact towards our customers. Another purpose is to support the further alignment of business selection and capital allocation while continuously ensuring strong customer centric relationships. With the new organisation we have successfully obtained an efficient value chain and the new platform has shown its strengths in several transactions during 2016 e.g. the NKT transaction and IPOs of Ahsell and Dong Energy.

The Wholesale Banking COO organisation was implemented in steps during 2016 to secure compliance, end-to-end process and improvements with focus on quality, risk and efficiency. The COO organisation plays a key role in the even more regulated and digital environment.

Wholesale Banking supports Group simplification initiatives and enhances straight-through-processes in Wholesale Banking.

The strategy for Wholesale Banking remains intact with a focus on shifting towards capital-light solutions, managing for returns as well as leveraging the Nordic No. 1 market position.

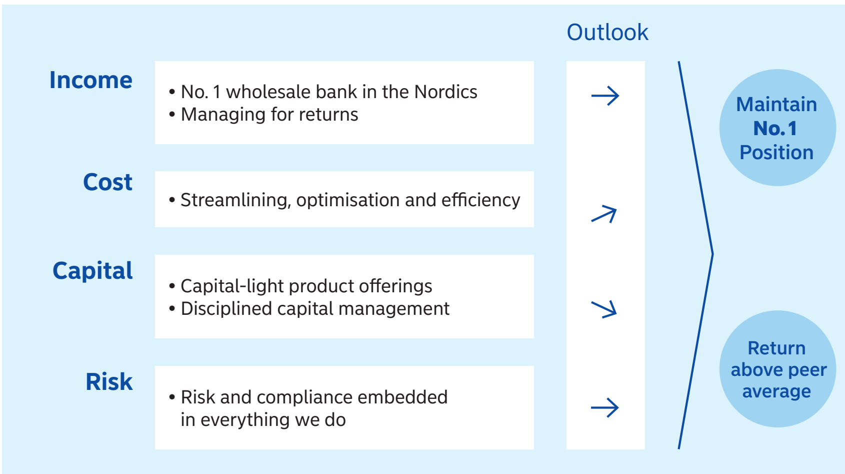
The essence of the strategy is to develop long-term relationships and provide constant value-add for customers in supporting their business.

Our journey to further cement a position as a leading wholesale bank in the Nordics, with global relevance and multi-local presence continues.

Value creation for stakeholders

With customer relationship as the driver we carefully select customers, products and geographical presence. We aim for the highest customer satisfaction where there is a joint interest for a mutually value creating partnership.

With the size and complexity of Wholesale Banking it is the combination of capabilities, culture and talent that is the foundation for satisfactory performance, continued improvements, high ambitions and closeness to our customers.

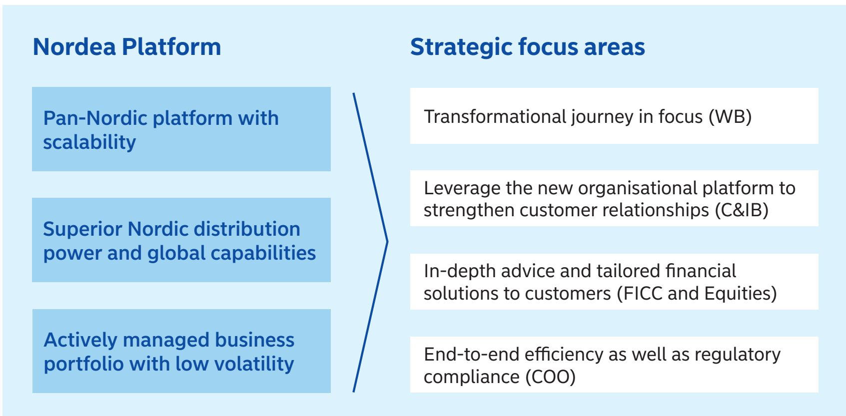


Focus areas

Wholesale Banking continuously adapts its business model to changing environments, in terms of services, capabilities and regulations.

The focus areas leverage off and support the key elements of the Nordea platform.

Capital efficiency and velocity is the key to achieving a sound return performance. It is also a recurring theme throughout the business and supports an attractive mix of ancillary business and balance sheet commitment.



Business Areas

Wealth Management

Introduction

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

Wealth Management is comprised of:

Private Banking – serving customers from 80 branches in the Nordics as well as from offices in Luxembourg, Zürich and Singapore.
Asset Management – responsible for actively managed investment funds and discretionary mandates for institutional clients.
Life & Pensions – serving customers with a full range of pension, endowment and risk products.

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

Snorre Storset, Head of Wealth Management.

Business development

2016 started with fears of a recession, but as sentiment shifted not even political uncertainty in Europe and in the US could hold back surging equity markets. Although the optimism led to increasing long-term interest rates, financial markets experienced sustained low interest rates throughout 2016. Wealth Management steadily attracted new assets, as the offering proved strong in the prevailing economic climate.

Nordea's Assets under Management (AuM) passed the 300bn milestone in June and finished the year at EUR 322.7bn, an all-time high, up EUR 34.5bn or 12% from 2015. The increase in AuM was due to record high net flow of EUR 19.3bn and market appreciation of EUR 15.2bn. All businesses contributed positively to the net flow.

Private Banking continues to focus on customer acquisition as well as optimising the service & advisory model to the needs of customers and regulatory changes in the market. Net flow in Private Banking amounted to EUR 1.9bn in 2016, where the Wealth Planning service continued to grow in importance due to greater regulatory complexity and increasingly sophisticated customer needs.

In the current economic climate several Private Banking customers have reduced their trading activities, as expected during periods with high uncertainty. The lower trading activity combined with the sustained low interest level negatively affected margins and income in Private Banking in 2016.

Global Private Banking was established in 2016 to leverage economies of scale by extracting further synergies. An even stronger private banking platform was created by combining the businesses in the Nordic markets and the international offices in Luxembourg, Switzerland and Singapore. Efforts to enhance productivity in Private Banking are ongoing, including activities to streamline processes and upgrade IT systems. Value propositions are further enhanced. Private Banking E-branches are now available in all Nordic countries, giving access to personal advice over PC, mobile or tablet 7 days a week.

Following the revelations in the Panama Papers, governance reforms are addressing deficiencies in our procedures. Going forward, these changes form the basis of a stronger bank.

Asset Management maintained its strong momentum in sales and revenues in all customer segments. Notably, Nordea firmly positioned itself as a top fund provider in Europe, ranking second measured on net flow by Morningstar.

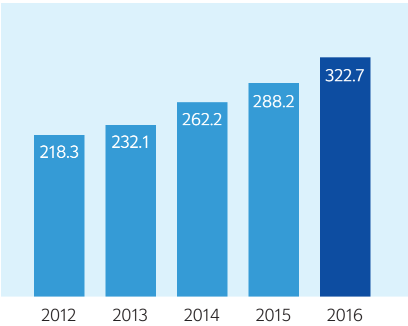
Wholesale distribution attracted net flows of EUR 13.4bn in 2016, almost twice the record high net flows attracted in 2015. In particular strong flows were gathered in Italy, Germany and the Iberian Peninsula. The high flow was fuelled by offerings well-suited for the shift from savings accounts to savings products. As an example, the Multi-Asset solutions remained popular among investors and Nordea 1 Stable Return Fund was the bestselling fund in Europe in 2016 according to Morningstar.

The institutional segment had a net flow of EUR 1.0bn, mainly consisting of international clients investing in our multi asset solutions. This has led to an increase in average margin. Net flow into Nordic Retail funds was EUR 2.3b, and Nordea gained retail fund market shares in the Nordics.

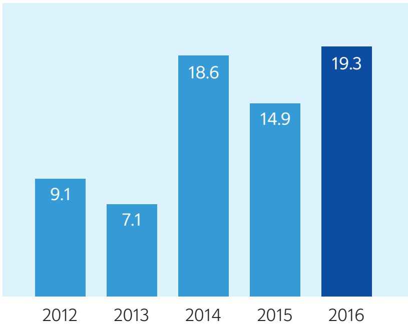
Investment performance was above target in 2016 with 81% of composites outperforming benchmarks. The 3-year performance remains strong with 85% of all composites outperforming benchmarks.

Life & Pensions' strong Solvency II capital position of 159% at the end of November 2016 has been supported by self-financing growth in market return products and capital release from the runoff traditional insurance portfolios. Gross written premiums (GWP) came to a standstill in 2016 from a record level last year. The combined share of market return products (MRP) and risk products accounted for 90% of total GWP, leading to an increasingly capital-efficient AuM composition.

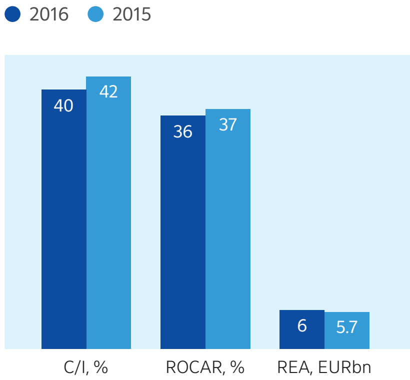
AuM development, EURbn



Net flow, EURbn



Key figures



Life & Pensions continued to deliver platform efficiency improvements throughout 2016. A key insurance system has been successfully replaced and process governance has been strengthened along a successful introduction of Robotics. In November 2016 it was communicated that the customer-owned Foreningen NLP will purchase 25% of the share capital in Nordea Liv & Pension (NLP DK), opening up for a unique opportunity to serve mutual interests of customers and NLP DK. The overall price is DKK 2,175m (EUR 291m). Additionally Foreningen NLP has invested DKK 932.5m (EUR 125m) in tier 1 subordinated debt issued by NLP DK. In relation to the transaction NLP DK distributed EUR 375m to Nordea Life Holding AB.

In 2016, Wealth Management was again recognised for its sustained efforts to create great customer experiences and superior solutions. Nordea Private Banking was named the "Best Private Bank in the Nordics and the Baltics" by Euromoney for the eighth year in a row. Furthermore, Asset Management was named the Multi-Asset Manager of the Year by Financial News, and for the third year in a row awarded for the best Environmental, Social and Governance (ESG) investment process in Europe by cfi.co.

Result

Total income was EUR 2,004m in 2016, up 4% from last year, passing the EUR 2bn milestone.

Cost development was flat compared to 2015 as a consequence of successful cost management. Due to increased income and limited increase in costs, operating profit was EUR 1,200m, up 6% from 2015. Continued focus on capital efficiency resulted in a ROCAR of 36%.

Private Banking

Total income was EUR 530m in 2016, a 7% decrease compared to the record year 2015. The decrease in income was caused by reduced trading activities and declining margins, while the underlying business growth was highly satisfactory.

Despite a flattish development in costs, the operating profit was EUR 169m, down 20% from 2015.

Asset Management

Total income was EUR 850m in 2016, an 11% increase compared to 2015. The increased income level was lifted by increasing AuM, which was supported by both strong net flows and market appreciation. Through 2016, AuM increased 15%, while average AuM increased 9%. Compared to 2015, total expenses were up 3%. The C/I ratio improved by 2%-points to 29%. Operating profit was EUR 606m, up 14% from 2015.

Life & Pensions

Total income was EUR 630m in 2016, a 6% increase compared to 2015. Total expenses were EUR 198m, up 1% from 2015 caused by impairments on IT projects. The C/I ratio improved by 2%-points to 31%. Operating profit was EUR 432m, up 9% from 2015. Continued focus on capital efficiency resulted in a Return on Equity of 20% in 2016, an improvement of 1%-points compared to 2015, well ahead of the 20% target by 2020. Overall, a dividend of EUR 300m was transferred to Nordea Bank AB in 2016.

Wealth Management other

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

Strategic focus areas and value drivers

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

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

Wealth Management prioritises strategic investments in:

- Establishing leading digital offerings to enhance value propositions and improve advisor efficiency, including upgraded digital touchpoints.
- New product offerings to meet shifting client demand adapted to the low yield environment. Product capabilities include leveraging our strong multi-asset investment process and alternative investments.
- Establishing the leading retirement offering, targeting a large, growing and underserviced segment, by developing new advisory and product capabilities.

For 2017 further resources are invested to build on the current growth momentum, adapting to regulation and strengthening operational platforms.

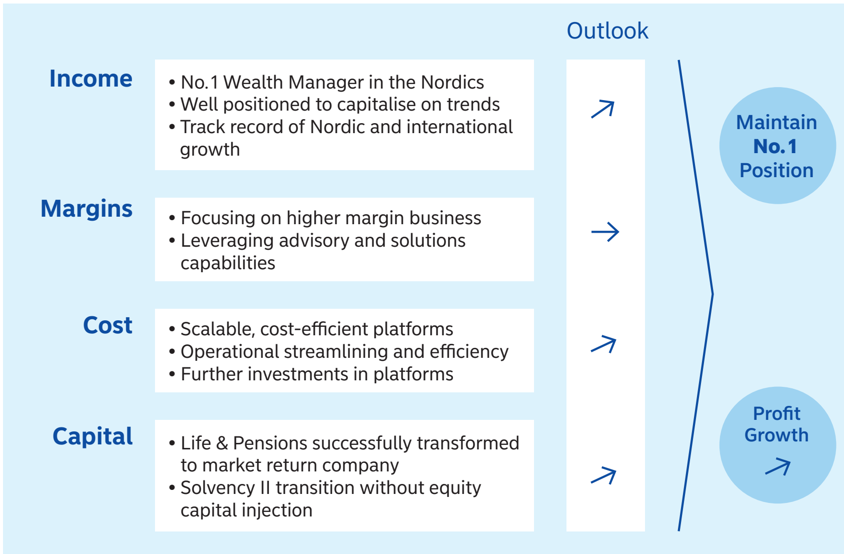
Wealth Management continues to focus on prudent resource management and prioritisation by balancing new investments with efficiency gains and allocating resources to where most value is created. Enhanced collaboration across Nordea is key to these objectives, facilitating increased knowledge sharing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

Enhancing the setup

Wealth Management constantly capitalises on and magnifies economies of scale to deliver high quality solutions.

Due to scale, relatively low investments in product and advisory capabilities can yield high returns, keeping offerings highly competitive.

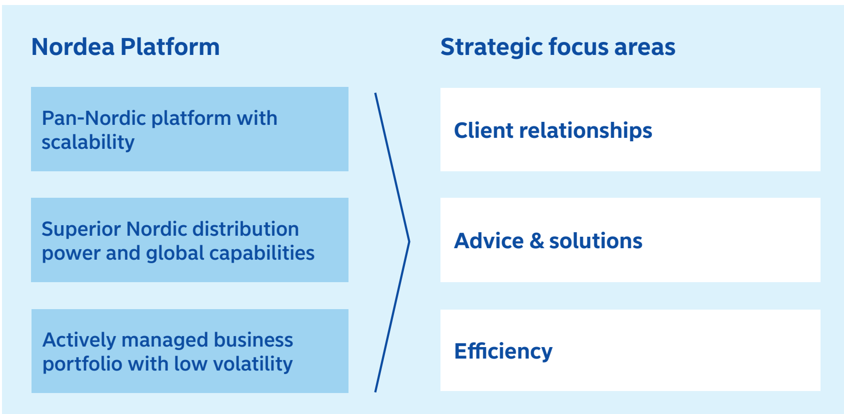
Digitalisation enables even further leverage of the operations, both on efficiency and on value add for customers.



Well-positioned to capitalise on trends

In the coming years, our business will be affected by several external factors. Developments in demographics, regulation, macroeconomics, globalisation and digitalisation will open opportunities for those who manage to adapt to these changes.

As the largest wealth manager in the Nordics, we are well positioned to capitalise on these trends



Group Corporate Centre

Introduction

Group Corporate Centre (GCC) provides Nordea with group asset and liability management, treasury operations, group wide services, strategic frameworks and common infrastructure to all areas of the bank. GCC includes the Group Chief Operating Officer organisation, Group Treasury & ALM and Investor Relations.

Group Corporate Centre consequently secures optimisation and prudent management of funding, capital, liquidity and market risks in the banking book as well as operational excellence across the Group in processes and infrastructure and change programme execution.

The Group COO organisation is responsible for ensuring one operating model in Nordea by harmonising processes and services in accordance with the Group's priorities to leverage commonalities and realise synergies.

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

Investor Relations (IR) enables effective communication between Nordea, and the financial community. By providing open, reliable and correct information about Nordea's activities and financial performance, IR supports the market in having fair expectations about Nordea's performance.

Torsten Hagen Jørgensen, Group COO and Deputy CEO.

Business development

TALM delivered an extraordinary result during 2016, with net profit significantly above expectations and target. Furthermore, in a turbulent macroeconomic year of 2016, the handling of external market events confirmed TALM's capabilities in managing the Group's balance sheet and market risk efficiently and successfully.

At year end, the proportion of long-term funding of total funding was approx. 82% compared to approx. 77% at year-end 2015.

The structural liquidity risk of Nordea is measured and limited through an internal model which conceptually resembles the proposed Net Stable Funding Ratio (NSFR), but applies internal-based assumptions for the stability of assets and liabilities. The structure of the balance sheet is considered conservative and well balanced and appropriately adapted to the current economic and regulatory environment, also in terms of structural liquidity risk.

Short-term liquidity risk is measured using several metrics and Liquidity Coverage Ratio is one of the metrics. LCR for the Nordea Group was 159% at year end. The LCR in EUR was 334% and in USD 221% at year end. LCR for the Nordea Group according to CRR LCR definitions was 165% at year end. The liquidity buffer comprises highly liquid, primarily Nordic government and covered bonds which are all central bank eligible securities with characteristics similar to Basel III/CRD IV. The liquidity buffer amounted to EUR 69bn at year end. The outstanding volume of short-term debt was EUR 37bn.

During 2016 Nordea issued approx. EUR 22.7bn in long-term funding, excluding Danish covered bonds and subordinated notes, of which approx. EUR 13.7bn represented issuance of Finnish, Swedish and Norwegian covered bonds in domestic and international markets. Notable benchmark transactions during the year included; a GBP 500m 3 year FRN covered bond issued in January from Nordea Eiendomskreditt, a EUR 2bn senior dual tranche note issued in February from NBAB consisting of a 3 year FRN of EUR 750m and a 7 year fixed rate note of EUR 1.25bn, a USD 1,5bn senior dual tranche note issued in May from NBAB consisting of a 3 year FRN of USD 250m and a 5 year fixed rate note of USD 1.25bn, a USD 1bn senior dual tranche note issued in September from NBAB consisting of a 3 year FRN of USD 250m and a 3 year fixed note of USD 750m and a EUR 1bn 7 year fixed rate covered bond issued in November from Nordea Mortgage Bank. In September, NBAB also issued a EUR 1bn 10NC5Y Tier 2 subordinated note.

In Q3, Nordea agreed on risk sharing related to EUR 8.4bn of Nordea loans through a synthetic securitisation with a limited number of investors. The selected portfolio consisted of EUR 8.4bn in corporate and SME loans from over 3,000 borrowers across Sweden and Denmark, spread across a wide range of industries and asset classes. In contrast to an outright sale of loan portfolios, no assets have been de-recognised from Nordea's balance sheet and Nordea has continued to service the loans and maintained all of its client relationships. The transaction freed up capital at an attractive price reflecting Nordea's strong origination practices, while enhancing Nordea's CET1 ratio by approximately 30bps.

To further improve operational excellence across the Group, focus has been on executing on the transformational agenda with establishment and roll out of the COO organisation during 2016.

GCC has assumed strong sponsorship for the Group Common Change Programmes to ensure effective execution.

During 2016 significant investments were made to meet increasingly stringent regulatory demands and towards the simplification journey to reach the desired state of One Nordea including e.g. the cross border merger of Nordea and its subsidiary banks in Denmark, Finland and Norway through the legal structure programme to truly become one bank. The simplified legal structure reduces complexity and creates a stronger focus on delivering the best possible experiences to our customers.

Continued savings have been made in IT infrastructure spend and are now improved from 4.1% of revenue in 2011 to 2.7% in 2016.

To simplify the IT landscape, the total number of business applications has steadily been reduced year by year and Group IT has made core infrastructural deliveries for the new core banking platform such as tools for integration and testing.

Several central functions have been established to strengthen areas within compliance, managing operational risk, and information security. Nordea continues to make good progress in delivering compliance and risk management improvements in close dialogue with the European and Nordic regulators. The central group Anti Money Laundering (AML) and sanctions unit have been strengthened and the financial crime operating model has been finalised. Central reporting capability and data quality operations have been developed to further improve robustness and quality of financial reporting to regulators, internal and external stakeholders.

The insourcing of services from Nordic Processor has been finalised and Nordea is now fully in charge of its IT environment.

Strategic priorities

During 2017, GCC will continue to focus on executing on the transformational agenda by implementing one operating model and supporting Nordea's regulatory and compliance agenda as well as the strategic ambitions of the group simplification programmes.

There is an overall determination for 2017 to deliver more, with less, which will be achieved through multiple levers;

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

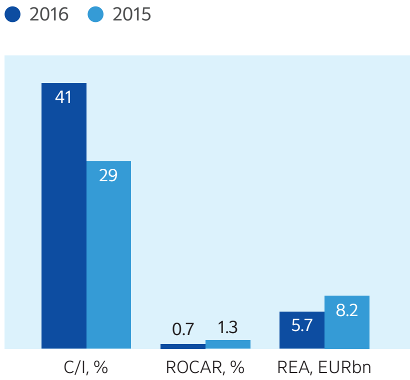
Group Treasury & ALM will continue to deliver cost-efficiently on its strategic initiatives cross-optimisation of funding, risks and capital, further enabled by effective balance sheet steering through enhanced internal funds transfer pricing as well as further improved operational robustness and analytical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

Group IT's focus will be to continue the efforts towards increasing the service availability, strengthening information security, compliance and risk management, ensuring efficiency in the delivery of IT services, as well as delivering infrastructural solutions for the new core banking platform and paving the way for being a truly digital bank.

The Group IT organisation will be further developed to increase service orientation, align and augment risk and compliance efforts, improve proactive remediation of risks as well as to more effectively orchestrate the change agenda.

Efforts will be stepped up to strengthen cross-organisational IT capabilities especially within IT architecture, operational excellence, vendor and supplier management and financial management.

Key figures



Results

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

Total operating income was EUR 711m for the full year. Net interest income amounted to EUR 496m mainly driven by re-pricing gap income, positioning for lower rates and buy-backs of issued debt.

The net result from items at fair value was EUR 229m supported by strong performance in the liquidity buffer and the sale of Skibskreditt. Operating profit was EUR 418m.

The Nordea share and ratings

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

Nordea's market capitalisation at the end of 2016 was EUR 42.8bn (EUR 41.3bn the year before). Ranked by market capitalisation, Nordea was the third largest company in the Nordic region and among the ten largest European financial groups.

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

Share price performance

In 2016 the Nordea share price appreciated 9% on the Nasdaq Stockholm exchange from SEK 93.30 to SEK 101.30. The daily closing prices listed for the Nordea share in 2016 ranged between SEK 66.30 and SEK 104.40. In 2016, the Nasdaq OMXS30 index apreciated by 5% and the STOXX Europe 600 Banks index depreciated by 7%. Since 6 March 2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated 189%, clearly outperforming the STOXX Europe 600 Banks index (–49%) and the Nasdaq OMXS30 index (–1%).

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

Total shareholder return 2016

Total shareholder return (TSR) is the market value growth per share and reinvested dividends. Total shareholder return in 2016 was 16% (8% in 2015). Nordea ranked number six among the European peer group banks in terms of TSR in 2016 (number seven in 2015).

Turnover – the most liquid Nordic financial share

The Nordea share was the most liquid Nordic financial share in 2016, with an average daily trading volume of approx. EUR 145m, corresponding to approx. 16 million shares. Turnover on all stock exchanges combined totalled EUR 36bn in 2016, corresponding to 4.1 billion shares.

39% of the total volume traded in Nordea shares takes place over other exchanges such as BATS Chi-X Europe, Turquoise and Aquis. Out of the total number of Nordea shares traded in 2016 on Nasdaq, approx. 79% were SEK-denominated, 13% EUR-denominated and 8% DKK-denominated.

Share capital

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

All shares are ordinary shares. There was no change in share capital or in the number of shares in 2016. All ordinary shares in Nordea carry voting rights, with each share entitling to one vote at General Meetings. Nordea is not entitled to vote for own shares at General Meetings.

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

Capital policy

Nordea's current capital policy states that the Nordea Group should have a management buffer of 50–150 basis points above the regulatory CET 1 capital ratio requirement. Our current capital buffer is 100 basis points, in line with our policy.

Proposed dividend and dividend policy

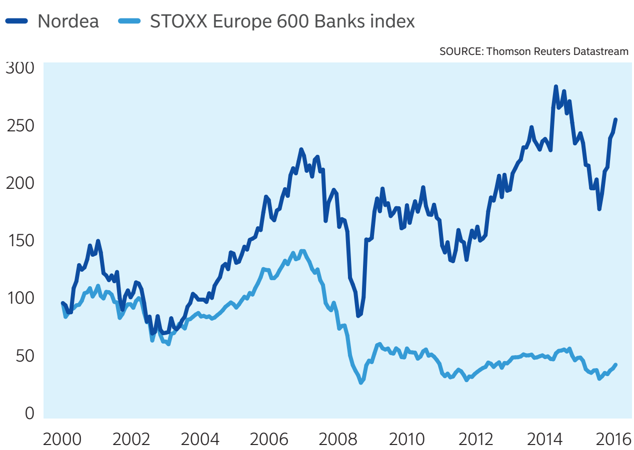
The Board of Directors proposes a dividend of EUR 0.65 per share for 2016. The total dividend payment for 2016 would then be EUR 2,625m. The dividend yield calculated on the share price at 30 December 2016 is 6.1%.

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

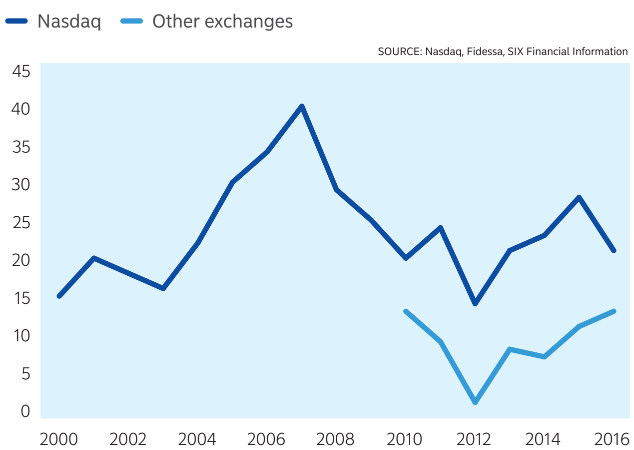
The dividend is denominated in EUR, Nordea's accounting currency. The payment currency depends on the country in which the shares are registered. Owners of shares registered in

* Weighted to reflect Nordea's Nordic geographic mix

Nordea share price performance compared to European banks, 2000–2016, %



Turnover of the Nordea share on stock exchanges, 2000–2016[1], EURbn



1) Nasdaq exchanges from 2000 and other exchanges from 2010.

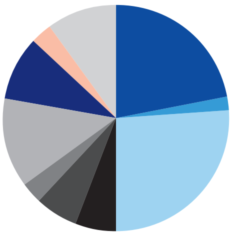
Sweden can choose between dividend in SEK or EUR. An official exchange rate is published. In Denmark, dividends are paid in EUR. If the shareholder does not have a EUR account the dividend is converted into local currency. Each custody institution decides its own conversion rate. In Finland, the dividend is paid in EUR.

Shareholders

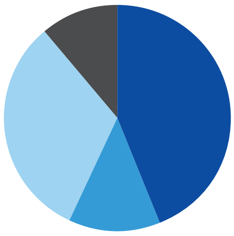
With approx. 460,500 registered shareholders at the end of 2016, Nordea has one of the largest shareholder bases of all Nordic companies. The number of shareholders in Sweden is approx. 114,400, in Finland approx. 204,700 and in Denmark approx. 141,400 – largely unchanged numbers from last year.

The largest shareholder category is Finnish institutions (including Sampo plc), with a 26% holding of Nordea shares at year-end. Swedish institutional shareholders held 22% while non-Nordic shareholders held 32% of the capital at the end of 2016. The largest individual shareholder is Sampo plc with a holding of 21.3%.

Shareholder structure, 31 Dec 2016



Type of shareholders, 31 Dec 2016



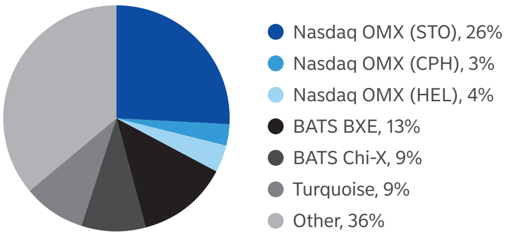
Largest registered[1] shareholders in Nordea, 31 Dec 2016

Shareholder	No of shares, million	Holdings, %
Sampo Plc	860.4	21.3
Nordea Fonden	158.2	3.9
Alecta	99.1	2.5
Swedbank Robur Funds	96.8	2.4
Norwegian Petroleum Fund	82.3	2.0
AMF Insurance & Funds	74.3	1.8
SEB Funds	45.1	1.1
SHB Funds	42.9	1.1
Didner & Gerge Funds	37.5	0.9
Nordea Funds	32.7	0.8
Fourth Swedish National Pension Fund	32.7	0.8
Handerson Funds	31.4	0.8
Third Swedish National Pension Fund	31.3	0.8
First Swedish National Pension Fund	30.6	0.8
Varma Mutual Pension Insurance	30.0	0.7
Vanguard Funds	28.4	0.7
SPP Funds	25.3	0.6
Abu Dhabi Investment Authority	24.5	0.6
AFA Insurance	23.0	0.6
Second Swedish National Pension Fund	22.0	0.5
Total	**1,808.6**	**44.8**

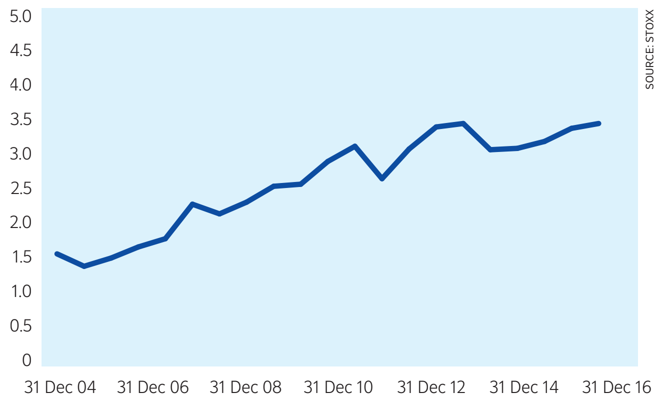
Source: Euroclear Sweden, Modular Finance and VP Online.

1) Excluding nominee accounts.

Nordea share, annual turnover on different stock exchanges 2016



Nordea weighting in the STOXX Europe 600 Banks index, %



Distribution of shares, 31 Dec 2016

Distribution of shares	Number of shareholders	Shareholders, %	Number of shares	Shares, %
1–1,000	345,152	75	104,927,818	2
1,001–10,000	107,628	23	267,088,422	7
10,001–100,000	6,657	2	159,747,610	4
100,001–1,000,000	826	0	272,086,475	7
1,000,001–	275	0	3,235,178,892	80
Total	**460,538**		**4,039,029,217**	

Share data 5 years

	2016	2015	2014	2013	2012
Share price (SEK)	101.30	93.30	90.90	86.65	62.10
High/Low (SEK)	104.40 / 66.30	115.40 / 87.00	100.00 / 84.25	86.65 / 62.10	66.90 / 51.55
Market capitalisation (EUR)	42.8bn	41.3bn	38.9bn	39.7bn	29.3bn
Dividend (EUR)	0.65[2]	0.64	0.62	0.43	0.34
Dividend yield[3] (%)	6.1	7.6	5.4	4.2	3.8
Total shareholder return (TSR) (%)	16.3	8.2	9.2	44.6	21.0
STOXX Europe 600 Banks index (%)	−6.8	−3.3	−2.8	19.0	23.1
P/E (actual)	11.4	11.2	11.7	12.7	9.3
Price-to-book	1.32	1.32	1.31	1.35	1.03
Equity per share (EUR)	8.03	7.69	7.40	7.27	6.96
Earnings per share[4] (EUR)	0.93	0.91	0.83	0.77	0.78
Outstanding shares[1]	**4 039 029 217**	**4 038 273 025**	**4 034 032 732**	**4 031 635 539**	**4 029 683 426**

1) Excluding shares held for the Long Term Incentive Programmes.
2) Proposed dividend.
3) Dividend yield for 2011 to 2015 calculated at starting price on payment day and for 2016 calculated at price per 30 December 2016.
4) Diluted earnings per share, total operations.

Financial targets

Market Commitments and Financial Priorities 2016 – 2018

Strong capital generation and efficiency with return of excess capital to shareholders		
RoE above the Nordic peer average		
Maintain a low risk profile based on actively managed and resilient businesses		

Group Financial Targets 2016 – 2018

Dividend policy	To maintain a strong capital position in line with Nordea's capital policy. The ambition is to achieve a yearly increase in the dividend per share.
Capital policy	Management buffer of 50–150 bps above the regulatory CET1 requirement
RoE	RoE above the Nordic peer average[1]
Costs	1% cost CAGR[2]
REA	Largely unchanged

1) Weighted to reflect Nordea's Nordic geographic mix.
2) Excluding FX and performance-related salaries.

Ratings

Nordea's credit ratings are some of the strongest among banks globally. During 2016, Nordea's ratings were confirmed at unchanged levels and with unchanged outlooks.

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

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

The specific focus from the rating agencies' side in 2016 was largely on the resolution framework, including analysis of BRRD and MREL and TLAC securities.

Through the mergers on 2 January 2017 in which the banking operations became branches of the parent company, the three banking subsidiaries Nordea Bank Danmark, Nordea Bank Finland and Nordea Bank Norge have ceased to exist and consequently the ratings for these entities have been withdrawn. Furthermore, this has been perceived as credit-positive.

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

Ratings, 31 Dec 2016

	Moody's Investors Service		Standard & Poor's		Fitch		DBRS	
	Short	Long	Short	Long	Short	Long	Short	Long
Nordea Bank AB (publ)	P-1	Aa3	A-1+	AA-**	F1+	AA-	R-1 (mid)	AA (low)
Nordea Bank Danmark A/S***	P-1	Aa3	A-1+	AA-**	F1+	AA-	R-1 (mid)	AA (low)
Nordea Bank Finland Plc***	P-1	Aa3	A-1+	AA-**	F1+	AA-	R-1 (mid)	AA (low)
Nordea Bank Norge ASA***	P-1	Aa3	A-1+	AA-**	F1+	AA-	R-1 (mid)	AA (low)
Nordea Hypotek AB (publ)		Aaa*		AAA*				
Nordea Kredit Realkreditaktieselskab		Aaa*		AAA*				
Nordea Eiendomskreditt AS		Aaa*						
Nordea Mortgage Bank Plc		Aaa*						
AT1 in Sep 2014 issue rating				BBB		BBB		
AT1 in March 2015 issue rating				BBB		BBB		

* Covered bond rating
** Negative outlook as of 20 Nov 2012
*** Following the mergers of Nordea's subsidiaries Nordea Bank Danmark, Nordea Bank Finland and Nordea Bank Norge into the parent company Nordea Bank AB (publ), these three subsidiaries no longer exist as separate legal entities in the Nordea Group and subsequently the ratings of these subsidiaries have been withdrawn.

Our people shape the future

Our industry is undergoing a significant transformation. We are working proactively to ensure that we meet our customers' changing demands in the digital era, as well as the increasing regulatory demands affecting our industry.

As the leading bank in the Nordics, we have a tremendous opportunity to shape the industry, and our people can all be leaders of the transformation. Supporting our people to focus on performing while transforming is our main priority, and we are embarking on a major cultural change to enable this opportunity.

Co-creating the future

We see opportunities in the way we co-create our future and become the bank we want to be. We want to support our people in achieving our ambitious goals through four dimensions:

Desire: By raising the bar and our own ambitions, we ensure we become the bank we want to be.

Collaboration: Solving the challenges of the future requires collaboration beyond our own organisational units and ensuring we have the right people in the right places where they can bring the best value. Also, we want to be a responsible member of society, actively engaging with our most important stakeholders – customers, regulators and society at large.

Ownership: We want our people to feel ownership of their own expertise so they can fully contribute now and to the transformation ahead.

Learning: We want to create a vibrant learning environment in which we also learn from our mistakes, systematically acquiring the new competence we need to build our future.

Organisations do not change – people do

For us to change and meet the demands of the transformation, we first need to look at who we are and what we are good at. We are proud of the expertise and professional skills of our people, and their ability to deliver. Our capabilities in terms of rapidly building future-fit-expertise will determine our ability to keep us ahead of the curve. Recruitment and learning processes are therefore crucial to our future success and personal development, and talent management will ensure that competence is maintained at the highest professional level.

Embracing risk management and compliance

Today's complex risk-management landscape requires future-fit competence with a deep understanding of long-term risk factors. Through collaboration with Group Compliance, Group Risk Management and Control and Business Risks Implementation Support (BRIS), we have developed training for all our people, addressing the responsibility of being a risk manager. We have a compliance awareness programme for senior management to maintain accountability and competence at the necessary level.

Diversity and inclusion – a factor for success

We are confident that an inclusive workplace culture benefits everyone. We will broaden the scope of our efforts to more aspects of diversity to include gender, age, ethnicity, religious beliefs, sexual orientation, approaches and other identity-shaping factors. In 2016 we recruited people from 27 different countries of varying backgrounds, including compliance and IT. Having people with different backgrounds is a positive factor for finding collaborative solutions and solving problems. Diversity thereby creates resilience, preparing us better for tomorrow's challenges and opportunities.

Engagement counts

For several years we have conducted an employee engagement survey to encourage people to tell us how they feel about working at Nordea. The response rate was 93% in 2016, which demonstrates strong engagement. Not surprisingly, the internal perception of Nordea's image has suffered since last year. It is natural that when public opinion changes, we are not unaffected internally.

The overall result of the survey shows that we continue to have a high level of engagement (same overall index as in 2015 and six index points higher than the Nordic financial labour market), driven especially by our satisfaction with job content, local teamwork, our relationship with our immediate manager and our belief that we can develop and are stimulated in our work.

Our cultural journey

We want our people to come to work every day united by a strong culture, with a strong desire and the freedom to perform at their best. We call this our "cultural journey". Our "people agenda" plays a significant role in this journey, aiming at strengthening capacity and creating a positive, inclusive work culture across our entire organisation.

We will make sure we build a fit-for-purpose organisation in which there is clarity between the roles throughout the organisation, and that our business obtains the full support of the people organisation so that business goals can be achieved. We will drive a strategic workforce to ensure that we have the right expertise in place in the right roles, and with great capacity in the resource-intensive, high-impact areas.

"We want all our people to ask the question: How can I contribute to the transformation?"

Karen Tobiasen, Chief People Officer

Number of employees, by area or function

	2016	2015	2014
Personal Banking	13,105	13,197	12,824
Commercial & Business Banking	6,036	5,944	4,782
Wholesale Banking	4,059	3,898	5,985
Wealth Management	2,790	2,697	2,557
Group Functions	5,607	4,089	3,246
Total	**31,596**	**29,826**	**29,395**

Towards a proactive approach

In our 2016 Sustainability Report, we're excited to present the beginning of a new journey for Nordea towards enhanced compliance and a sharper focus on sustainability. The development of this new, proactive sustainability framework is in progress with the aim to consolidate and embed sustainability processes in all our business areas, increasing resilience and transparency across the group.

Integrating sustainability in our core business

In the development of our new sustainability framework, we have carried out a number of concrete actions in the past year. They include the establishment of a Financial Crime Change Programme and the Business Ethics and Values Committee, chaired by our CEO. We've strengthened our tax compliance with the creation of a new Tax Board at Group Level. We've also added to our internal expertise with the key appointments of a new Chief Compliance Officer, Chief People Officer and Head of Sustainability.

Communicating with our stakeholders

Banking and financial transactions are built on trusting relationships. We believe that trust is something that must be earned through ethical business practices, responsible partnerships and compliance with rules and regulations. Our customers and stakeholders help us define and redefine our business model, business practices and risk management approach. Maintaining meaningful customer relationships is key for driving Nordea forward as a sustainable financial entity in society. At Nordea we listen to our stakeholders and during the second half of 2016 we held over 170 stakeholder dialogues with key external and internal stakeholders, gauging their opinions and expectations. Based on the results from these dialogues a materiality analysis was conducted, which has helped us prioritise which aspects Nordea shall focus on going forward.

Creating and managing wealth responsibly

As a financial institution, our entire business model is built on creating value. For a sustainable business model to succeed, value cannot only include monetary means, but must include environmental, ethical and social aspects. Our efforts are recognised and appreciated on the international agenda through our strong position on sustainability. In light of this, we would still like to reflect on the issues raised during the year in regards to investments in controversial arms, coal and the rights of indigenous people. We can still be more stringent while continuing to create added value for our investors. The transforming global tax landscape has posed increased ethical demands on our advisors to go beyond compliance in our services. During 2016 we strengthened our tax policy for customers and we have continuously reviewed our processes and routines to ensure they are aligned with the high ethical standard that society has on a trustworthy financial partner like Nordea.

Meeting tomorrow's demands in lending

We understand that sustainability is not only a key issue for us as an investor, but equally important in the engagement we have with our credit customers. Therefore, during 2016, we addressed how we can embed and calibrate a fair and valuable Environmental, social and governance (ESG) process in the credit approval process that entails development, awareness and monitoring on our credits. The topics of how to manage nuclear power, shipping and oil are among the issues we must keep tabs on to ensure that we are not only compliant and mitigate risks but most importantly support our customers in an ever changing world in which ethics make up an increasing currency. Acknowledging the complexity from both our stakeholders but also equal and fair treatment of all business is a key success factor. We will strengthen our stand in dedicated position statements and increase our own competence in order to support our customers in their transformations when adapting to climate change.

Climate change and sustainable finance at Nordea

Nordea has signed the Paris Pledge launched at the COP21, with the objective to keep the global temperature rise well below 2°C. This is used when setting new science-based environmental targets, as our current targets ended in 2016. We acknowledge the importance of internalising environmental and climate aspects in our business and it must be considered in everything from investments to lending and supply chain management. We will keep developing programmes and guidelines to stimulate knowledge and preparedness for customers' needs to transform and adapt to climate change and legislation in their businesses. We have set the following operational sustainability targets in line with the outcome from our stakeholder dialogues.

Operational sustainability targets

- Follow-up on sustainability targets & actions with KPIs
- Identify risks in value chain
- Formulate and follow-up on science based climate targets
- Implement responsible lending practices
- Implement ESG tools in all Business Areas
- Update governance process, steering documents and reporting
- Implement sustainability information reporting
- Map and define finance sector regulations and legislation related to sustainability
- Implement ethical & responsible advisory
- Put diversity and equality in focus

Board of Directors' report

Financial Review 2016

- Operating profit[1,2] –9%, in local currencies –8%
- Total operating income[1] –2%, in local curr. –1%
- Total operating expenses[2] +4%, in local currencies +5%
- Loan loss ratio[3] 15 basis points (14 basis points last year)
- Return on equity (ROE)[1,2] 11.5% (last year 12.3%)
- Common equity tier 1 (CET1) capital ratio 18.4% (last year 16.5%)
- Overall credit quality remained solid
- Assets under Management up 12% to EUR 322.7bn
- Proposed dividend EUR 0.65 per share (actual dividend last year EUR 0.64 per share)

1) Excl. non-recurring items (Q4 2015: gain from divestment of Nordea's merchant acquisition business to Nets of EUR 176m before tax. Q2 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax, Q4 2016: additional gain related to Visa of EUR 22m before tax).
2) Excl. non-recurring items (Q4 2015: restructuring charge of EUR 263m before tax, Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m before tax).
3) Incl. Loans to the public reported in Assets held for sale.

Legal structure

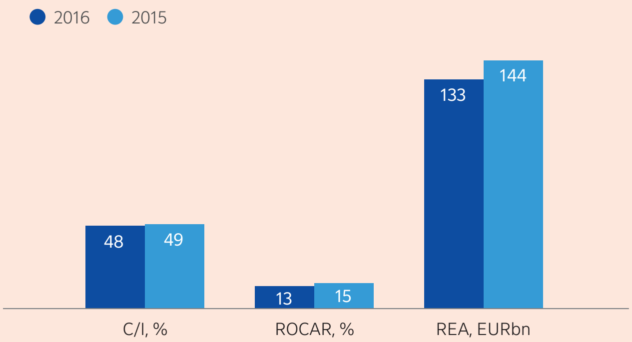
In February 2016, the Board of Directors of each of Nordea Bank AB (publ), Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA signed merger plans with the purpose to convert the Norwegian, Danish and Finnish subsidiary banks into branches of the Swedish parent company by means of cross-border mergers. The annual general meeting of Nordea Bank AB (publ) resolved to approve the merger plans on 17 March 2016. The remaining approvals needed in order to execute the mergers between Nordea Bank AB (publ) and Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA, respectively, were obtained during 2016.

As part of the merger process a new Mortgage Credit Institution (Nordea Mortgage Bank Plc) was established in Finland on 1 October 2016 in order to continue the covered bonds operations performed by Nordea Bank Finland Plc.

The cross border mergers between Nordea Bank AB (publ) and its subsidiary banks in Denmark, Finland and Norway were executed on 2 January 2017. As a result, all assets and liabilities of the subsidiary banks were transferred to Nordea Bank AB (publ) and each of Nordea Bank Danmark A/S, Nordea Bank Finland Plc and Nordea Bank Norge ASA were dissolved. The banking business in Denmark, Finland and Norway is now carried out in branches of Nordea Bank AB (publ).

The new simplified legal structure supports the work to increase agility, efficiency and economies of scale and it strengthens governance.

Key figures[1], Nordea Group



1) Excl. non-recurring items.

Macroeconomic development

2016 was a year shaped by continued gradual global growth, low inflation and volatile financial and commodities markets. The dramatic fall in oil prices in particular characterised the second half of the year. The US and UK economies extended the more robust development with falling unemployment and positive GDP growth. While still at a slower pace, the European economy showed positive signs with improving growth and falling unemployment. Towards the second half of 2016, concerns over emerging market growth rose driven in part by the significant fall in commodity prices and the outlook of interest rate policy normalisation in the US.

The Nordic economies were characterised by divergence.

In Sweden the economic picture was strong with growth above 3%. In Denmark, the economy initially grew firmly, but then slowed somewhat in the second half of 2016. Still, the full-year picture remained robust, continuing the gradually improving trend. In Norway growth also initially held up, but as the deterioration in oil prices accelerated the economy was gradually impacted, weighing also on forward looking expectations. In Finland, the economic picture remained more muted, with growth swaying between positive and negative territory over the quarters.

Result summary 2016

Total income decreased in 2016 by 1% in local currencies (–2% in EUR) compared to 2015, excluding non-recurring items. Total expenses increased 5% in local currencies (+4% in EUR) excluding non-recurring items, in line with guidance and our cost base 2018 vs. 2016 remains largely unchanged. We expect a continued high activity level in 2017 (cost growth of approx. 2–3% in local currencies for 2017 vs. 2016). Net loan losses increased from last year to a level of 15 basis points of loans (14 basis points in 2015). Operating profit was down 8% in local currencies excluding non-recurring items (–9% in EUR).

Income

Net interest income decreased 3% in local currencies compared to 2015 (–5% in EUR). Lending volumes decreased 3% in local currencies excluding reverse repurchase agreements. Corporate and household lending margins increased compared to last year. Deposit margins overall were down from one year ago with a negative effect on net interest income of EUR 103m. Net interest margin, the average net interest income on lending and deposits, was slightly unchanged from last year (1%).

Net fee and commission income increased 1% in local currencies (unchanged in EUR), mainly due to a strong trend in savings and investment commissions.

Net result from items at fair value increased 4% in local currencies (+4% in EUR) compared to last year, the fourth quarter was positively affected by higher interest rates and a positive spread development.

Income under the equity method was EUR 112m (EUR 39m). Other income was EUR 135m (EUR 263m) including non-recurring items.

Expenses

Total expenses were up 5% in local currencies (+4% in EUR) compared to 2015 excluding non-recurring items. Staff costs were down 1% in local currencies excluding non-recurring items (–1.5% in EUR). Other expenses were up 15.7% in local currencies excluding non-recurring items (+14.5% in EUR).

Depreciations were up 11% in local currencies excluding non-recurring items (+9%).

Net loan losses
Net loan loss provisions increased 9% in local currencies to EUR 502m (5% in EUR), corresponding to a loan loss ratio of 15 basis points (14 basis points last year). The loan loss ratio was somewhat below the ten-year average loan loss ratio.

Taxes
The effective tax rate in 2016 was 18.6% compared to 22.2% last year.

Net profit and Return on equity (ROE)
Net profit increased 4% in local currencies (+3% in EUR) to EUR 3,766m.

Return on equity (ROE) was 11.5% excluding non-recurring items and 12.3% including these (last year 12.3% excluding non-recurring items and 12.2% including these).

Financial structure
Total assets decreased by 5% or EUR 31bn to EUR 616bn in 2016. Total liabilities decreased by 5% or EUR 33bn to EUR 583bn. All balance sheet items in foreign currencies are translated to EUR at the year-end rates when consolidated into the Nordea Group. See Note G1 for more information on accounting policies and section 28 therein for cross-currency rates used.

The euro strengthened against the Swedish krona and weakened against the Norwegian krone and against the Russian Rubel in 2016. It was largely unchanged against the Danish krone. The effect of changes in currency exchange rates amounted to a total decrease in the Group's assets of EUR 3bn and liabilities decreased by EUR 2bn.

Assets and liabilities held for sale (Baltic operations and sale of retail lending portfolio in Russia) have been transferred to the separate lines "Assets held for sale" and "Liabilities held for sale" as of 31 December 2016, but not as of 31 December 2015.

Loans
Total lending decreased EUR 27bn or 7% excluding assets held for sale, lending decreased EUR 15bn or 4% including assets held for sale. The decrease is mainly driven by repo lending.

Securities
Investments in interest-bearing securities and shares are on the same level as last year.

Deposits
Deposits and borrowings decreased by EUR 15bn or 8% excluding liabilities held for sale, deposits and borrowings decreased EUR 10bn or 5% including liabilities held for sale. The decrease is mainly driven by repos. Total debt securities in issue as per the end of 2016 amounted to EUR 192bn.

Life insurance activities
Net premiums received in the Life business are invested in interest-bearing securities, shares and properties. Increases of fair values on these investments as well as higher premiums written led to an increase in "liabilities to policyholders" of EUR 3bn or 6%.

Derivatives
The balance sheet items "Derivatives" reflect the net present value of derivative contracts split into positive and negative fair values. Positive market value of derivatives decreased from EUR 81bn to EUR 70bn and negative market values decreased from EUR 80bn to EUR 69bn. The reason for this was the increase in long-term interest rates and foreign exchange swaps. For more information, see Notes G1 and G18.

Financial targets
Nordea's financial targets, based on currently known regulatory requirements, for the period 2016–2018 are to have a ROE above the Nordic peer average (weighted to reflect Nordea's geographical mix), a cost CAGR of 1% excluding currency effects and performance related salaries, and to keep Risk Exposure Amount largely unchanged.

Capital position and capital policy
The CET1 capital ratio was further strengthened in 2016 through strong profit generation of the Group in combination with a continued focus on capital management, reaching 18.4% by the end of 2016 (last year 16.5%). In September 2016, Nordea issued a CRD IV compliant Tier 2 instrument of EUR 1bn, strengthening the total capital ratio by 60bps. The Group's total capital ratio was 24.7% at year-end.

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

A description of the Capital position is presented under Capital management on pages 53–55 and in Note G38.

Credit portfolio
Loans to the public excluding reverse repurchase agreements decreased by 3% in local currencies to EUR 298.5bn. The share of lending to corporate customers was 45%. Lending to shipping, offshore and oil services constituted 4% of the Group's total lending.

The overall credit quality remains solid with strongly rated customers. The total effect on credit risk exposure amount (REA) from migration was a marginal increase of approximately 0.7% during the full year 2016.

Impaired loans gross in the Group were down to EUR 5,550m at the end of the year compared to last year (EUR 5,960m). 58% of impaired loans gross are servicing and 42% are non-servicing.

Further information about the credit portfolio is presented under Risk management on page 45, in Note G46 and in the Capital and Risk Management Report 2016 published on the web pages.

Baltics
On 25 August 2016, Nordea and DNB announced an agreement to combine their operations in Estonia, Latvia and Lithuania to create a leading main bank in the Baltics with strong Nordic roots. The new bank will benefit from larger scale and the complementary nature of Nordea's and DNB's Baltic operations in terms of business lines and geographical footprint. Nordea's and DNB's Baltic operations have, respectively 1,300 and 1,800 employees and EUR 8bn and 5bn in assets[1]. Key objectives will be: to establish the bank as a leading customer-centric, main Baltic bank with Nordic roots; develop operational and funding independence; and to increase profitability and ROE over time. Nordea and DNB are strongly committed to supporting the creation of the new bank. The parties will have equal voting rights in the combined bank and equal representation on the Board. The majority of board members, including the chairman, will be independent. The financial ownership will reflect the relative equity value of contributions to the combined bank at the time of closing.

1) Based on loans and receivables to the public.

As of announcement, Nordea classified the assets and liabilities of its Baltic operations as held for sale at book value. At closing, Nordea's investment in the new bank will be treated as an associate for accounting purposes and the equity method will be applied in the consolidated accounts.

The transaction is conditional on regulatory approvals and is expected to close in the second quarter of 2017.

The banks will remain competitors and operate independently until all requisite approvals have been obtained and the transaction has closed.

Customer co-ownership of Nordea Liv & Pension in Denmark

Foreningen NLP representing the customers of Nordea Liv & Pension has purchased 25% of the holding in Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark from Nordea Life Holding AB. The transaction was approved by the Danish FSA and closed on 10 January 2017. The purchase price amounted to EUR 291m and the tax exempt gain to approx. EUR 125m. The gain is accounted for directly in equity at closing, i.e. in January 2017. In addition, Foreningen NLP has invested EUR 125m in Tier 1 subordinated debt issued by Nordea Liv & Pension

Changes to pension agreement in Norway

Due to recent changes in Norwegian social security and pension legislation Nordea, on 25 October 2016, decided to change the pension agreement with all employees in Norway born in 1958 or later from a defined benefit plan to a defined contribution plan. The pension rights earned under the defined benefit plan have been placed in paid-up policies and continue to be presented as defined benefit obligations, as they remain on Nordea's balance sheet, but the obligations have decreased as the assumption on future salary increases has been removed. This has led to an upfront gain (reduction in "Staff cost") amounting to EUR 86m including social charges in the fourth quarter of 2016.

Nordea's funding operations

Nordea issued approx. EUR 22.7bn of long-term debt during the year, excluding Danish covered bonds and subordinated debt. Liquidity management is presented on page 52. A maturity analysis is presented in Note G44.

Visa Inc.'s acquisition of Visa Europe Ltd.

In the Annual Report 2015 Nordea described Visa Inc.'s proposed acquisition of Visa Europe Ltd. The transaction closed in 2016 and Nordea recognised a total gain of EUR 173m. The total gain is split on "Profit from companies accounted for under the equity method" (EUR 97m net of tax) and "Other operating income" (EUR 76m of which EUR 29m tax exempt).

Market risk

A description of Market risk is presented on pages 49–50.

Hedge accounting

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

The Nordea share

According to the Articles of Association, shares in Nordea may be issued in two classes, ordinary shares and C-shares. The total number of shares in Nordea is 4,049,951,919. All shares are ordinary shares. See also Statement of changes in equity on page 76. The voting rights are described on page 59. C-shares are not entitled to any dividend.

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

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

On 31 December 2016 Sampo plc was the largest individual shareholder with a holding of 21.3% and the only shareholder with a holding of more than 10%. A table showing the largest registered shareholders in Nordea at the end of 2016 is found on page 30.

On 31 December 2016, employees had an indirect shareholding of 0.55% in Nordea through the Nordea Profit-sharing Foundation and a minor indirect shareholding in Nordea through the pension foundation. The voting rights are in neither case exercised directly by the employees.

Holding of own shares

As of 31 December 2016, Nordea held 13,349,246 shares (0.3% of the total number of shares) in Nordea, a decrease of 5,223,339 shares compared to 31 December 2015. The par value is EUR 1 and the acquisition price amounts to EUR 41m.

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

Dividend

The Board of Directors proposes to the AGM a dividend of EUR 0.65 per share (EUR 0.64) and further, that the record date for dividend should be 20 March 2017. The dividend corresponds to a payout ratio of 70 percent of net profit. Total proposed dividend amounts to EUR 2,625m.

The ex-dividend date for the Nordea share is 17 March 2017. The dividend payments are scheduled to be made on 27 March 2017.

Mandate to acquire and convey own shares

The AGM 2015 authorised the Board of Directors to decide on acquisition of own shares on a regulated market where the company's shares are listed, or by means of an acquisition offer directed to all shareholders. The authorisation, which was valid until the AGM 2016, was limited so that Nordea's holdings of own shares might not exceed 10% of all shares.

The AGM 2015 further authorised the Board of Directors to decide on conveyance of own shares, to be used as payment for or financing of acquisitions of companies or businesses. Such conveyance could be made in another way than on a regulated market and with deviation from shareholders' preemptive rights.

The AGM 2016 did not, however, decide on corresponding authorisations to acquire and convey own shares. Consequently, during 2016 the Board of Directors had such mandate from the beginning of the year until the day of the AGM 2016, i.e, on 17 March 2016, but not thereafter.

The Board of Directors has not proposed that the AGM 2017 should decide on any authorisations to acquire and convey own shares.

Mandate to issue convertible instruments

The Board of Directors proposes that the AGM 2017 should authorise the Board of Directors to decide on issuing of convertible instruments, with or without preferential rights for existing shareholders. The authorisation means that the share capital may be increased by a maximum 10% of the Company's share capital. The authorisation may be used on one or several occasions up until the next AGM.

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

The AGM 2016 decided on a corresponding authorisation to decide to issue convertible instruments.

Rating

Ratings of the Nordea Group are presented on page 32.

Personnel

Personnel expenses, significant agreements with key management personnel and the distribution by number of employees by country and gender are disclosed in Note G7. More information is presented on the page about Our people on page 33.

Profit sharing and share-based incentive systems

For 2016, a total of approx. EUR 35m (including social charges) was expensed under Nordea's ordinary profit-sharing scheme for all employees and the Long-Term Incentive Programmes for managers and key employees (EUR 84m last year)

For 2016, each employee can receive a maximum of EUR 3,200, based on a pre-determined set of performance criteria. The Profit Sharing scheme and the share-based incentive systems as well as other remuneration principles are presented in the chapter Remuneration on page 66–68 and in Note G7.

Pension liabilities

The total pension obligation in defined benefit plans increased from EUR 3,271m to EUR 3,434m in 2016. The increase is mainly due to re-measurements from changes in financial assumptions, mainly following lower discount rates, partly offset by a change to the mortality assumption (demographic assumption) in Sweden and the change to the pension agreement in Norway. Pensions paid have had a reducing effect on the pension obligation offset by new pension rights earned and discounting effects. The fair value of plan assets amounted to EUR 3,438m (EUR 3,319m). The actual return and contributions have had an increasing effect on plan assets, partly offset by pension payments. The net pension asset amounts to EUR 4m (EUR 48m). See Note G32 for more information.

Legal proceedings

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

Further information is presented in Note G36.

Environmental concerns and corporate social responsibility

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

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

Further information is presented under Sustainability on page 34 and in Nordea's Sustainability Report available on the web pages.

Foreign branches

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

Sale of retail lending portfolio in Russia

Due to the challenging geopolitical and economic environment we maintained our strategy to reduce our risks and exposure in Russia and focus on corporate banking services only. Following our earlier communicated strategy, it was decided to sell the existing portfolio of mortgage and consumer loans. New lending for these segments was discontinued already in 2014. The carrying amount of the portfolio, classified as "Assets held for sale" on the balance sheet at 31 December 2016, was EUR 228m and the sales loss to be recognised on "Net result from items at fair value" in the first quarter 2017 was EUR 14m. The buyer was SovCombank.

Securitisation

During the year, Nordea agreed on risk sharing related to EUR 8.4bn of Nordea loans through a synthetic securitisation with a limited number of investors. The selected portfolio consists of EUR 8.4bn in corporate and SME loans from over 3,000 borrowers across Sweden and Denmark, spread across a wide range of industries and asset classes. No specific industry class was targeted for the transaction. Under the transaction, investors have agreed to invest in notes linked to the junior credit risk of the portfolio. In contrast to an outright sale of loan portfolios, no assets have been de-recognised from Nordea's balance sheet and Nordea continues to service the loans. Hence, Nordea has maintained all of its client relationships. The transaction was accounted for as a derivative, freed up capital at an attractive price reflecting Nordea's strong origination practices, while enhancing Nordea's CET1 ratio by approximately 30bps.

Annual General Meeting

The AGM will be held on Thursday 16 March 2017 in Stockholm. Further information is presented on the last page of the Annual Report.

Business area results

Personal Banking, operating profit by market

	Total		Change		Personal Banking Denmark		Personal Banking Finland		Personal Banking Norway		Personal Banking Sweden		Banking Baltic countries		Personal Banking other	
EURm	2016	2015	%	Loc. curr. %	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	2,112	2,162	−2	−1	603	612	381	432	302	348	693	597	149	145	−16	28
Net fee and commission income	727	791	−8	−8	158	205	187	196	85	86	247	255	37	33	13	16
Net result on items at fair value	104	106	−2	−1	9	−1	27	28	14	26	26	38	23	14	5	1
Equity method & other income	7	1	–	–	−2	−1	2	2	3	−1	1	0	1	0	2	1
Total operating income	**2,950**	**3,060**	**−4**	**−3**	**768**	**815**	**597**	**658**	**404**	**459**	**967**	**890**	**210**	**192**	**4**	**46**
Staff costs	−854	−899	−5	−4	−169	−176	−146	−148	−72	−77	−144	−151	−28	−27	−295	−320
Other expenses and depr.	−931	−900	3	4	−378	−388	−290	−280	−160	−160	−303	−288	−63	−60	263	276
Total operating expenses	**−1,785**	**−1,799**	**−1**	**0**	**−547**	**−564**	**−436**	**−428**	**−232**	**−237**	**−447**	**−439**	**−91**	**−87**	**−32**	**−44**
Profit before loan losses	**1,165**	**1,261**	**−8**	**−7**	**221**	**251**	**161**	**230**	**172**	**222**	**520**	**451**	**119**	**105**	**−28**	**2**
Net loan losses	−62	−145	−57	−57	0	−50	−13	−22	−4	−4	−10	−16	−21	−13	−14	−40
Operating profit	**1,103**	**1,116**	**−1**	**0**	**221**	**201**	**148**	**208**	**168**	**218**	**510**	**435**	**98**	**92**	**−42**	**−38**
Cost/income ratio, %	61	59	–	–	71	69	73	65	57	52	46	49	43	45	–	–
ROCAR, %	12	12	–	–	12	10	10	17	12	15	18	18	10	10	–	–
Other information, EURbn																
Lending to corporates[1]	6.5	6.2	3	4	0.3	0.3	0.1	0.1	0.0	0.1	0.6	0.6	5.4	5.2	–	–
Household mortgage lending	127.7	123.8	3	3	29.5	29.4	26.0	25.8	26.4	24.2	43.2	41.8	2.6	2.5	–	–
Consumer lending	20.7	21.4	−3	−3	9.6	10.2	5.3	5.3	1.3	1.1	4.1	4.3	0.4	0.4	–	–
Corporate deposits[2]	6.9	6.1	12	12	2.4	2.0	0.6	0.6	0.3	0.3	0.1	0.1	3.4	3.1	–	–
Household deposits	73.6	73.3	0	1	21.8	22.0	19.9	19.8	8.5	8.1	22.1	22.1	1.4	1.3	–	–

1) EUR 5.4bn related to corporate customers in the Baltics in Dec 2016 (Dec 2015: EUR 5.2bn). The rest from customers in PeB, which has both household and corporate business.
2) EUR 3.4bn related to corporate customers in the Baltics in Dec 2016 (Dec 2015: EUR 3.1bn). The rest from customers in PeB, which has both household and corporate business.

Commercial and Business Banking, operating profit by unit

	Total		Change		Commercial Banking		Business Banking		Commercial and Business Banking other	
EURm	2016	2015	%	Loc. curr. %	2016	2015	2016	2015	2016	2015
Net interest income	1,110	1,125	−9	−8	466	512	602	653	42	50
Net fee and commission income	413	432	−4	−4	218	213	252	269	−57	−50
Net result on items at fair value	278	285	−2	−1	211	209	73	76	−6	0
Equity method & other income	32	37	−13	−12	8	11	0	1	24	25
Total operating income	**1,833**	**1,969**	**−7**	**−6**	**903**	**945**	**927**	**999**	**3**	**25**
Staff costs	−486	−521	−7	−6	−108	−110	−157	−157	−221	−254
Other expenses and depr.	−455	−415	10	11	−256	−270	−372	−385	173	240
Total operating expenses	**−941**	**−936**	**0**	**2**	**−364**	**−380**	**−529**	**−542**	**−48**	**−14**
Profit before loan losses	**892**	**1,033**	**−14**	**−13**	**539**	**565**	**398**	**457**	**−45**	**11**
Net loan losses	−160	−171	−6	−5	−68	−38	−87	−128	−5	−5
Operating profit	**732**	**862**	**−15**	**−14**	**471**	**527**	**311**	**329**	**−50**	**6**
Cost/income ratio, %	51	48	–	–	40	40	57	54	–	–
ROCAR, %	9	13	–	–	10	14	10	11	–	–
Other information, EURbn										
Lending to corporates	70.6	70.7	0	0	42.2	42.9	28.3	27.7	–	–
Household mortgage lending[1]	6.9	6.9	0	1	0.2	0.2	6.8	6.7	–	–
Lending to households[1]	2.3	2.4	−3	−2	0.7	0.6	1.7	1.8	–	–
Corporate deposits	36.0	37.4	−4	−4	17.0	18.8	19.0	18.6	–	–
Household deposits[1]	3.3	3.2	1	20	0.2	0.2	3.1	3.0	–	–

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

Business area results, cont.

Wholesale Banking, operating profit by unit

EURm	Total 2016	Total 2015	Change %	Change Loc. curr. %	Corporate & Institutional Banking (CIB) 2016	CIB 2015	Shipping, Offshore & Oil Services 2016	Shipping, Offshore & Oil Services 2015	Banking Russia 2016	Banking Russia 2015	Wholesale Banking other (including Capital Markets unallocated) 2016	Wholesale Banking other 2015
Net interest income	830	1,018	–18	–15	519	602	252	294	173	214	–114	–92
Net fee and commission income	629	600	5	6	574	535	57	68	14	16	–16	–19
Net result on items at fair value	803	832	–3	–4	311	310	31	39	15	11	446	472
Equity method & other income	0	2	–	–	0	0	0	0	0	1	0	1
Total operating income	**2,262**	**2,452**	**–8**	**–6**	**1,404**	**1,447**	**340**	**401**	**202**	**242**	**316**	**362**
Staff costs	–625	–649	–4	–2	–33	–37	–18	–20	–34	–45	–540	–547
Other expenses and depr.	–290	–304	–5	–3	–410	–404	–44	–45	–21	–30	185	175
Total operating expenses	**–915**	**–953**	**–4**	**–3**	**–443**	**–441**	**–62**	**–65**	**–55**	**–75**	**–355**	**–372**
Profit before loan losses	**1,347**	**1,499**	**–10**	**–8**	**961**	**1,006**	**278**	**336**	**147**	**167**	**–39**	**–10**
Net loan losses	–279	–158	77	88	–103	–142	–147	–6	–31	–23	2	13
Operating profit	**1,068**	**1,341**	**–20**	**–20**	**858**	**864**	**131**	**330**	**116**	**144**	**–37**	**3**
Cost/income ratio, %	40	39	–	–	32	30	18	16	27	31	–	–
ROCAR, %	10	13	–	–	14	16	7	19	19	23	–	–
Other information, EURbn												
Lending to corporates	80.3	99.1	–19	–	37.9	41.4	12.0	12.4	3.8	5.7	26.6	39.6
Lending to households	0.2	0.3	–33	–	–	–	–	–	0.2	0.3	–	–
Corporate deposits	47.1	57.3	–18	–	35.5	40.0	5.1	5.4	0.6	0.7	5.9	11.2
Household deposits	0.1	0.1	0	–	–	–	–	–	0.1	0.1	–	–

Wealth Management, operating profit by unit

EURm	Total 2016	Total 2015	Change %	Change Loc. curr. %	Asset Management 2016	Asset Management 2015	Private Banking 2016	Private Banking 2015	Life & Pensions 2016	Life & Pensions 2015	Wealth Management other 2016	Wealth Management other 2015
Net interest income	112	121	–7	–10	0	0	112	121	0	0	0	0
Net fee and commission income	1,521	1,437	6	6	849	760	326	337	346	340	0	0
Net result on items at fair value	352	341	3	2	1	3	85	102	266	236	0	0
Equity method & other income	19	30	–37	–37	0	4	7	9	18	17	–6	0
Total operating income	**2,004**	**1,929**	**4**	**4**	**850**	**767**	**530**	**569**	**630**	**593**	**–6**	**0**
Staff costs	–500	–501	0	–1	–146	–135	–162	–175	–109	–111	–83	–80
Other expenses and depr.	–304	–300	1	1	–98	–102	–199	–182	–89	–86	82	70
Total operating expenses	**–804**	**–801**	**0**	**0**	**–244**	**–237**	**–361**	**–357**	**–198**	**–197**	**–1**	**–10**
Profit before loan losses	**1,200**	**1,128**	**6**	**5**	**606**	**530**	**169**	**212**	**432**	**396**	**–7**	**–10**
Net loan losses	0	–1	–	–	0	0	0	–1	0	0	0	0
Operating profit	**1,200**	**1,127**	**6**	**5**	**606**	**530**	**169**	**211**	**432**	**396**	**–7**	**–10**
Cost/income ratio, %	40	42	–3	–	29	31	68	63	31	33	–	–
ROCAR, %	36	37	0	–	–	–	23	31	20	19	–	–
Other information, EURbn												
Lending to households	11.5	10.6	8	8	–	–	11.5	10.6	–	–	–	–
Deposits from the public	13.5	12.6	7	7	–	–	13.5	12.6	–	–	–	–

Business area results, cont.

Group Corporate Centre, operating profit

EURm	2016	2015
Net interest income	496	385
Net fee and commission income	–14	–14
Net result on items at fair value	229	93
Equity method	0	0
Other operating income	0	18
Total operating income	**711**	**481**
Total operating expenses	**–291**	**–142**
Operating profit	**418**	**335**

Life & Pensions, profit drivers

EURm	2016	2015
Profit drivers		
Profit Traditional products	123	110
Profit Market Return products	231	223
Profit Risk products	81	72
Total product result	**435**	**405**
Return on shareholders' equity, other profits and group adjustments	–3	–9
Operating profit	**432**	**405**
Other information		
Solvency in % of requirement	159	–

Total Nordea Group and Business Areas

	Personal Banking		Commercial and Business Banking		Wholesale Banking		Wealth Management		Group Corporate Centre		Group Functions, Other and Eliminations		Nordea Group		Change	
EURm	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	%	Loc. curr. %
Net interest income	2,112	2,162	1,110	1,215	830	1,018	112	121	496	385	67	62	4,727	4,963	–5	–3
Net fee and commission income	727	791	413	432	629	600	1,521	1,437	–14	–14	–38	–16	3,238	3,230	0	1
Net result on items at fair value	104	106	278	285	803	832	352	341	229	93	–51	–12	1,715	1,645	4	4
Equity method	2	2	11	10	0	0	0	0	0	0	98	27	112	39	–	–
Other operating income	5	–1	21	27	0	2	19	30	0	18	90	187	135	263	–	–
Total operating income	**2,950**	**3,060**	**1,833**	**1,969**	**2,262**	**2,452**	**2,004**	**1,929**	**711**	**481**	**166**	**249**	**9,927**	**10,140**	**–2**	**–1**
Staff costs	–854	–899	–486	–521	–625	–649	–500	–501	–286	–237	–175	–456	–2,926	–3,263	–10	–9
Other expenses	–881	–846	–424	–391	–270	–285	–295	–295	57	140	167	192	–1,646	–1,485	11	12
Depreciations	–50	–54	–31	–24	–20	–19	–9	–5	–62	–45	–56	–62	–228	–209	9	11
Total operating expenses	**–1,785**	**–1,799**	**–941**	**–936**	**–915**	**–953**	**–804**	**–801**	**–291**	**–142**	**–64**	**–326**	**–4,800**	**–4,957**	**–3**	**–2**
Net loan losses	–62	–145	–160	–171	–279	–158	0	–1	0	0	–1	–4	–502	–479	5	9
Operating profit	**1,103**	**1,116**	**732**	**862**	**1,068**	**1,341**	**1,200**	**1,127**	**418**	**335**	**104**	**–77**	**4,625**	**4,704**	**–2**	**–1**
Cost/income ratio[1], %	61	59	51	48	40	39	40	42	41	26	–	–	48	49	–	–
ROCAR, %	12	12	9	13	10	13	36	37	–	–	–	–	13	15	–	–
Volumes, EURbn																
Lending to corporates[2]	6.5	6.2	70.6	70.7	80.3	99.1	–	–	–	–	–0.7	0.5	156.7	175.5	–	–
Household mortgage lending[3]	127.7	123.8	6.9	6.9	0.2	0.3	7.2	6.7	–	–	–	–	142.0	137.7	–	–
Consumer lending[3]	20.7	21.4	2.3	2.4	–	–	4.3	3.8	–	–	–	–	27.3	27.6	–	–
Corporate deposits[4]	6.9	6.1	36.0	37.4	47.1	57.3	–	–	–	–	–1.7	–1.0	88.3	99.8	–	–
Household deposits[3]	73.6	73.3	3.3	3.2	0.1	0.1	13.5	12.6	–	–	–	–	90.5	89.2	–	–

1) Excluding non-recurring items 2015 and 2016.
2) For PeB: EUR 5.4bn related to corporate customers in the Baltics in Dec 2016 (Dec 2015: EUR 5.2bn). The rest from customers in PeB, which has both household and corporate business.
3) Household lending and deposits of some corporate customers is supplied by and reported in Commercial & Business Banking.
4) For PeB: EUR 3.4bn related to corporate customers in the Baltics in Dec 2016 (Dec 2015: EUR 3.1bn). The rest from customers in PeB, which has both household and corporate business

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

Risk, Liquidity and Capital management

Management of risk, liquidity and capital is a key success factor in the financial services industry.

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

Management principles and control

Board of Directors and Board Risk Committee

The Board of Directors has the ultimate responsibility for limiting and monitoring Nordea's risk exposure as well as for defining target capital ratios and deciding on the risk appetite. Risk is measured and reported according to common principles and policies approved by the Board of Directors. The Board of Directors also decides on Group Directives for credit risk, counterparty credit risk, market risk, liquidity risk, business risk, life and health insurance risk, operational risk, model risk, compliance risk as well as the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP).

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

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

Responsibility of CEO and GEM

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

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

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

The Financial Management Committee (FMC) has been established next to ALCO and Risk Committee. FMC governs performance management and financial reporting related issues (e.g. Group Valuation Committee).

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

The GEM Credit Committee is chaired by the CEO. As of January 2017, the Executive Credit Committee is chaired by the Head of Group Credit Risk Management (GCRM), while the Group Credit Committee Commercial and Business Banking and the Group Credit Committee Wholesale Banking are chaired by the Chief Credit Officer (CCO). These credit committees approve major internal credit risk limits constituting the maximum credit risk appetite on the customer in question. Individual credit decisions within approved internal credit risk limits are taken within the customer responsible units. Internal credit risk limits are granted as individual limits for customers or consolidated customer groups as well as industry limits for certain defined industries.

Governance of Risk Management and Compliance

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

As of January 2017, Group Risk Management and Control is organised in the following divisions: Group Credit Risk and Control, Group Market and Counterparty Credit Risk, Group Operational Risk, Balance Sheet Risk Controls, Chief Operating Officer Function, and CRO Office. The flow of information starts with the divisions that monitor and analyse information on the respective risk type. The risks are presented and discussed in the Risk Committee and sub committees. Information on risk is then brought to BRIC, where risk issues are being discussed and prepared before presentation to the Board of Directors.

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

Risk appetite

Risk appetite within Nordea is defined as the level and nature of risk that the bank is willing to take in order to pursue the articulated strategy on behalf of shareholders. Risk appetite is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders.

The Board of Directors is ultimately responsible for Nordea's overall risk appetite and for deciding on principles for how risk appetite should be managed. BRIC assists the Board of Directors in fulfilling these responsibilities by reviewing the development of the risk profile in relation to risk appetite and making recommendations for changes to Nordea's risk appetite. Nordea's risk appetite framework is based on explicit top-down risk appetite statements covering all key risks faced by Nordea. These statements, approved by the Board of Directors, collectively define the boundaries for Nordea's risk-taking activities, help identify areas with scope for additional risk taking, and set the basis for the risk reporting structure. Moreover, the framework supports management decision processes such as planning and target setting. This is achieved through a limit scale with three levels:

- **Green:** Risk level is well within the defined risk appetite
- **Amber:** A threshold set as a trigger level for further monitoring, investigation, or analysis
- **Red:** The limit of the bank's risk appetite

The starting point for defining Nordea's Risk Appetite is the available own funds and overall business strategy.

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

Monitoring and reporting

The "Policy for Internal Control in the Nordea Group" states the components of the internal control framework as: Control environment, risk assessment, control activities, information and communication, and monitoring (including reporting of findings and deficiencies). It creates the fundamentals for the whole organisation to contribute to the effectiveness and the high quality of internal control. It is based on clear definitions, assignments of roles and responsibilities, common tools and procedures and is expressed in a common language.

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

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

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

Disclosure requirements of the CRR – Capital and Risk Management Report 2016

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2016, in accordance with the Capital Requirements Regulation (CRR), which is based on the Basel III framework issued by the Basel Committee on Banking Supervision. The report is available at www.nordea.com.

Nordea's Capital and Risk Management Report 2016 available on www.nordea.com

Risk management

Credit Risk management
Credit Risk Management in 1st LoD is responsible for the credit process framework and Group Risk Management and Control (2nd LoD) is responsible for the credit risk management framework, consisting of policies, instructions and guidelines for the Group. Group Risk Management and Control is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process. Each division/unit is primarily responsible for managing the credit risks in its operations within the applicable framework and limits, including identification, control and reporting.

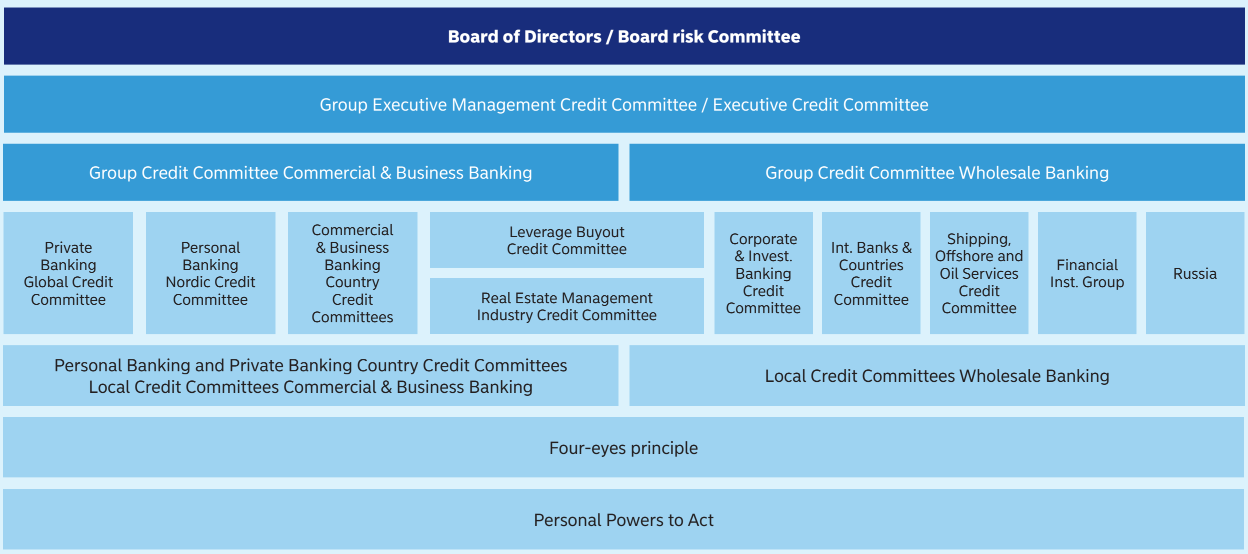
Within the powers to act granted by the Board of Directors, Internal credit risk limits are approved by credit decision making authorities on different levels in the organisation constituting the maximum risk appetite on the customer in question. Individual credit decisions within the approved internal credit risk limit are taken within the customer responsible unit (CRU). The risk categorisation and the exposure of the customer determine at what level the decision will be made. Responsibility for a credit risk lies with a customer responsible unit. Customers are risk categorised by a rating or score in accordance with Nordea's rating and scoring guidelines. From 1 January 2017 representatives from 1st LoD credit organisation independently approve the rating.

Credit risk definition and identification
Credit risk is defined as the potential for loss due to failure of a borrower(s) to meet its obligations to clear a debt in accordance with agreed terms and conditions. The potential for loss is lowered by credit risk mitigation techniques. It stems mainly from various forms of lending, but also from issued guarantees and documentary credits. Credit risk includes counterparty credit risk, transfer risk and settlement risk. Credits granted within Nordea shall conform to a common framework. For monitoring the distribution of a portfolio, improving the risk management and defining a common strategy towards specific industries there are industry credit policies in place establishing requirements and caps.

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

Individual and collective assessment of impairment
Throughout the process of identifying and mitigating credit impairments, Nordea continuously reviews the quality of the credit exposures. Weak and impaired exposures are closely and continuously monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for provisions. A provision is recognised if there is objective evidence based on loss events and observable data that the customer's future cash flow is weakened to the extent that full repayment is unlikely, pledged collateral included. Exposures with provisions are considered as impaired. The size of the provision is equal to the estimated loss being the difference of the book value of the outstanding exposure and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either servicing or non-servicing. Exposures that have been past due more than 90 days are by definition regarded as defaulted and non-servicing, and reported as impaired or not impaired depending on the deemed loss potential. Forbearance is negotiated terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention with granting

Credit Committee Structure



forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of negotiated terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of financial covenants.

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

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

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

Credit portfolio

Credit risk is measured, monitored and segmented in different ways. On-balance lending constitutes the major part of the credit portfolio and is the basis for impaired loans and loan losses. Credit risk in lending is measured and presented as the principle amount of on-balance sheet claims, i.e. loans to credit institutions and to the public, and off balance sheet potential claims on customers and counterparts, net after allowances. Credit risk exposure also includes the risk related to derivative contracts and securities financing. Including off-balance sheet exposures and exposures related to securities and Life insurance operations, the total credit risk exposure at year end was EUR 544bn (EUR 588bn last year). Total credit exposure according to the CRR definition was at year end after Credit Conversion Factor EUR 499bn (EUR 498bn). See more information and breakdown of exposure according to the CRR definition in Note G46 and in the Capital and Risk Management Report.

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

EURm	31 Dec 2016	31 Dec 2015
To central banks and credit institutions	20,261	24,183
To the public	317,689	340,920
- of which corporate	152,964	177,542
- of which household	161,099	158,150
- of which public sector	3,626	5,228
Total loans	337,950	365,103
Off-balance credit exposure[1]	77,881	93,569
Counterparty risk exposure	33,628	32,457
Treasury bills and interest-bearing securities[2]	72,700	75,342
Total credit risk exposure in the banking operations	522,159	566,471
Credit risk exposure in the life insurance operations	21,841	21,167
Total credit risk exposure including life insurance operations	544,000	587,638

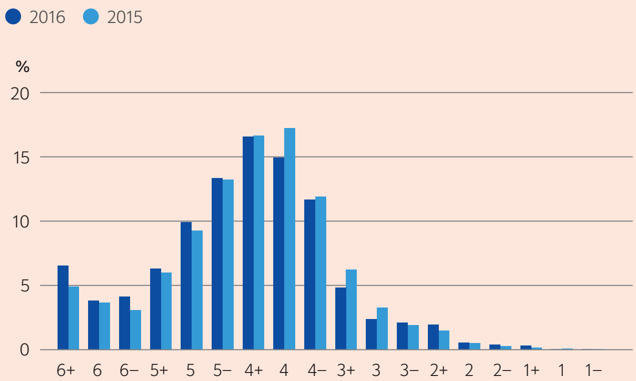
1) Of which for corporate customers approx. 90%.
2) Also includes Treasury bills and interest-bearing securities pledged as collateral in repurchase agreements.

Nordea's loans to the public decreased by 7% to EUR 318bn during 2016 (EUR 341bn in 2015), which excludes discontinued operations in the Baltics. Lending to customers in the Baltic countries was EUR 8.3.bn (EUR 8.5bn). The corporate portfolio decreased by approx. 14% and the household portfolio increased 2%. The overall credit quality is solid with strongly rated customers and a positive effect from rating migration in total in the portfolio. Out of lending to the public, corporate customers accounted for 48% (52%), household customers for 51% (46%) and the public sector for 1% (2%). Lending in the Shipping and offshore industry constitutes 3.3% (3.1%) of the Group's total lending to the public. Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, decreased to EUR 20bn at the end of 2016 (EUR 24bn).

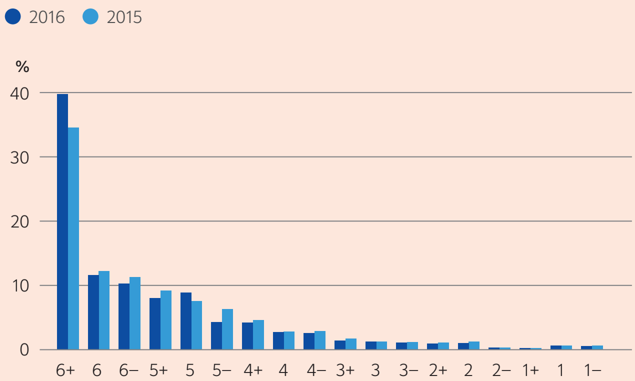
Loans to corporate customers

Loans to corporate customers at the end of 2016 amounted to EUR 153bn (EUR 178bn), down 14%. The sector that increased the most in 2016 was Construction and engineering while Financial institutions decreased the most. The concentration

Rating distribution IRB Corporate customers



Risk grade distribution IRB Retail customers



Loans to the public by country and industry

31 Dec 2016, EURm	Denmark	Finland	Norway	Sweden	Russia	Group 2016	Group 2015
Energy (oil, gas, etc.)	1	85	970	1,445	176	2,678	3,035
Metals and mining materials	14	200	140	388	113	856	836
Paper and forest materials	302	832	19	457	0	1,610	1,629
Other materials (building materials, etc.)	341	1,630	466	1,505	647	4,589	6,087
Industrial capital goods	634	775	55	495	0	1,959	1,932
Industrial commercial services, etc.	5,091	1,489	1,991	3,167	0	11,738	12,517
Construction and engineering	989	871	2,143	1,155	0	5,158	4,613
Shipping and offshore	146	2,923	5,387	2,038	0	10,494	10,510
Transportation	530	1,305	678	1,008	138	3,659	3,601
Consumer durables (cars, appliances, etc.)	266	375	449	520	0	1,611	2,272
Media and leisure	776	530	330	836	0	2,472	2,467
Retail trade	3,012	2,117	980	2,892	2	9,003	9,584
Consumer staples (food, agriculture, etc.)	7,198	1,309	1,552	735	3	10,796	11,515
Healthcare and pharmaceuticals	677	344	125	247	0	1,393	1,781
Financial institutions	2,662	1,321	1,145	8,473	0	13,600	17,013
Real estate	9,206	7,742	9,085	14,461	648	41,142	41,811
IT software, hardware and services	690	363	188	394	0	1,634	1,609
Telecommunication equipment	4	63	0	9	0	76	79
Telecommunication operators	43	342	266	384	8	1,044	1,242
Utilities (distribution and productions)	979	1,324	1,195	1,227	384	5,109	6,200
Other, public and organisations	3,096	0	39	32	0	3,167	4,938
Total excl reverse repurchase agreements	**36,657**	**25,941**	**27,203**	**41,868**	**2,119**	**133,788**	**145,268**
Reverse repurchase agreements		19,174	1	0		19,176	32,274
Total corporate loans	**36,657**	**45,115**	**27,205**	**41,868**	**2,119**	**152,964**	**177,542**
Household mortgage loans	31,031	28,978	27,801	45,531	0	133,341	130,232
Household consumer loans	10,320	8,789	1,525	5,406	0	27,759	27,919
Public sector	1,268	1,084	38	1,236	0	3,626	5,228
Total loans to the public	**79,276**	**83,966**	**56,568**	**94,041**	**2,119**	**317,689**	**340,920**
Loans to central banks and credit institutions	9,800	3,481	588	4,793		20,261	24,183
Total loans	**89,075**	**87,447**	**57,156**	**98,834**	**2,119**	**337,950**	**365,103**

Impaired loans and ratios

	2016	2015
Gross impaired loans, Group, EURm	5,550	5,960
- of which performing	3,244	3,682
- of which non-performing	2,306	2,278
Impaired loans ratio, basis points	**163**	**162**
Total allowance ratio, basis points	**71**	**72**
Provisioning ratio, %	44	45

of the three largest industries is approximately 23% of total lending. Real estate remains the largest industry in Nordea's lending portfolio, at EUR 41.1bn (EUR 41.8bn). The real estate portfolio predominantly consists of relatively large and financially strong companies, with 90% (83%) of the lending in rating grades 4- and higher. Loans to Shipping and offshore industry remained flat (EUR 10.5bn) during the year. The shipping and offshore markets are presently experiencing challenging times due to lower than expected demand and significant over-supply. Nordea's portfolio is well diversified by type of vessel or offshore segment, and is focused on large and financially robust industrial players, Despite this, the

Net loan losses and loan loss ratios

	2016[1]	2015
Net loan losses, EURm	–502	–479
Loan loss ratio, Group, basis points	15	14
- of which individual	12	13
- of which collective	3	1
Loan loss ratio, Personal Banking, basis points	4	10
Loan loss ratio, Commercial & Business Banking, basis points	20	21
Loan loss ratio, Baltic countries, basis points	25	16
Loan loss ratio, Corporate & Institutional Banking, basis points	27	34
Loan loss ratio, Shipping, Offshore & Oil Services, basis points	123	5

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

Impaired loans gross and allowances by country and industry

31 Dec 2016, EURm	Denmark	Finland	Norway	Sweden	Russia	Group	Allowances	Provisioning ratio
Energy (oil, gas, etc.)	0	1	54	60	0	116	100	86%
Metals and mining materials	1	30	30	2	0	63	37	58%
Paper and forest materials	6	1	0	0	0	7	4	51%
Other materials (building materials, etc.)	19	162	12	27	0	220	111	50%
Industrial capital goods	12	16	0	7	0	34	43	>100%
Industrial commercial services, etc.	120	98	62	112	0	392	193	49%
Construction and engineering	111	23	23	3	0	160	86	54%
Shipping and offshore	36	70	135	3	0	244	240	98%
Transportation	27	11	5	2	0	45	27	60%
Consumer durables (cars, appliances, etc.)	29	14	60	19	0	123	82	67%
Media and leisure	27	20	4	12	0	63	34	54%
Retail trade	162	80	8	81	0	331	165	50%
Consumer staples (food, agriculture, etc.)	825	56	27	1	0	909	301	33%
Healthcare and pharmaceuticals	12	6	0	0	0	18	8	42%
Financial institutions	156	27	58	42	0	284	163	57%
Real estate	267	56	59	1	17	400	183	46%
IT software, hardware and services	28	36	1	0	0	65	38	58%
Telecommunication equipment	0	1	0	0	0	1	1	79%
Telecommunication operators	1	11	4	0	0	16	26	>100%
Utilities (distribution and productions)	3	1	16	2	0	23	17	76%
Other, public and organisations	17	2	0	0	0	19	42	>100%
Reverse repurchase agreements	0	0	0	0	0	0	0	0%
Total corporate impaired loans	**1,860**	**722**	**559**	**375**	**17**	**3,533**	**1,900**	**54%**
Household mortgages impaired loans	579	344	122	64	0	1,126	83	7%
Household consumer impaired loans	478	297	21	86	0	882	441	50%
Public sector impaired loans	0	0	0	0	0	0	0	–
Credit institutions impaired loans	0	9	0	0	0	9	2	22%
Total impaired loans	**2,917**	**1,372**	**701**	**525**	**17**	**5,550**		
Total allowances	**1,056**	**594**	**450**	**298**	**22**		**2,425**	
Total provisioning ratio	**36%**	**43%**	**64%**	**57%**	**128%**			**44%**

portfolio credit quality deteriorated last year, and negative rating migration is expected also for 2017. The portfolio has an average rating of 4. Nordea is a leading bank to the global shipping and offshore industry with strong brand recognition and a world leading loan syndication franchise. The distribution of loans to corporates by size of loans shows a high degree of diversification where approx. 69% (66%) of the corporate volume is for loans up to EUR 50m per customer.

Loans to household customers
In 2016 lending to household customers increased by 2% to EUR 161bn (EUR 158bn). Mortgage loans increased slightly to EUR 133bn (EUR 130bn) and consumer loans were stable at EUR 28bn. The proportion of mortgage loans of total household loans was unchanged at 83%.

Geographical distribution
Lending to the public distributed by borrower domicile shows that the customers residing in the Nordic countries and Russia account for 99% (94%). The portfolio is geographically well diversified with no market accounting for more than 30% of total lending. Other EU countries represent the largest part of lending outside the Nordic countries. At the end of 2016, lending to Russian customers was EUR 2.1bn (EUR 3.6bn).

Rating and scoring distribution
One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as risk grades for scored household and small business customers, i.e. retail exposures. The credit quality was slightly improved in the corporate credit portfolio as well as in the scoring portfolio in 2016. 27% of the number of corporate customers migrated upwards (31%) while 20% were down-rated (9%). Exposure-wise, 19% (24%) of the corporate customer exposure migrated upwards while 19% (18%) was down-rated. 84% (86%) of the corporate exposure were rated 4- or higher, with an average rating for this portfolio of 4+.

Institutions and retail customers on the other hand exhibit a distribution that is biased towards the higher rating grades. 91% (92%) of the retail exposures are scored C- or higher, which indicates a probability of default of 1% or lower. Impaired loans are not included in the rating/scoring distributions. The total effect on credit risk exposure amount (REA) from migration was an increase of approx. 0.7.% during the full year 2016.

Impaired loans
Impaired loans gross in the Group decreased to EUR 5,550m (EUR 5,960m), corresponding to 163 basis points of total loans (162 bps). 58% of impaired loans gross are servicing and 42% are non-servicing. Impaired loans net, after allowances for

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

EURm	Measure	31 Dec 2016	2016 high	2016 low	2016 avg	31 Dec 2015
Total risk	VaR	15.7	56.1	12.4	28.7	32.9
Interest rate risk	VaR	11.7	50.7	9.5	25.5	32.4
Equity risk	VaR	5.1	10.9	1.9	4.5	6.8
Credit spread risk	VaR	6.2	12.5	3.2	6.6	5.6
Foreign exchange risk	VaR	4.2	16.1	3.1	7.3	3.7
Diversification effect	VaR	42%	57%	16%	36%	32%

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

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

EURm	Measure	31 Dec 2016	2016 high	2016 low	2016 avg	31 Dec 2015
Total risk	VaR	58.7	110.0	54.0	77.1	77.2
Interest rate risk	VaR	57.6	104.3	48.1	70.0	76.1
Equity risk	VaR	1.0	14.8	0.9	3.7	3.3
Credit spread risk	VaR	1.6	5.9	1.2	3.2	3.2
Foreign exchange risk	VaR	5.1	46.1	3.0	26.9	3.3
Inflation risk	VaR	0.1	2.2	0.1	1.2	0.0
Diversification effect	VaR	10%	38%	10%	32%	10%

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

individually assessed impaired loans amounted to EUR 3,637m (EUR 3,747m), corresponding to 108 basis points of total loans (102 bps). Allowances for individually assessed loans decreased slightly to EUR 1,913m from EUR 2,213m. Allowances for collectively assessed loans increased slightly to EUR 513m from EUR 451m. The ratio of individual allowances to cover impaired loans decreased to 34% and total allowances in relation to impaired loans were slightly higher at 44%. The decrease in impaired loans was mainly related to the industries Other materials (Chemical, Building materials and Real estate management and investment. The industry with the largest increases in impaired loans were Shipping and offshore and Energy. Past due loans 6 days or more to corporate customers that are not considered impaired decreased to EUR 704m (EUR 962m), and past due loans to household customers decreased to EUR 1,410m (EUR 1,620m) in 2016.

Net loan losses
Loan losses increased 5% to EUR 502m in 2016 from EUR 479m in 2015. This corresponded to a loan loss ratio of 15 basis points (14 basis points). EUR 427m related to corporate customers (EUR 336m), and EUR 74m (EUR 143m) to household customers. Within corporates the main provisions were in the industries Consumer durables, in Consumer staples and in Retail trade. Shipping, Offshore & Oil Services reported net loan losses of EUR 127m in 2016 compared to loan losses of EUR 7m in 2015.

Counterparty credit risk
Counterparty credit risk is the risk that Nordea's counterpart in an FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. The exposure at the end of December 2016 was EUR 33.6bn (EUR 32.5bn in 2015), of which the current exposure net (after close-out netting and collateral reduction) represents EUR 13.6bn. 56% of the exposure and 35% of the current exposure net was towards financial institutions. For information about financial instruments subject to master netting agreement, see note G41.

Market risk
Market risk is defined as the risk of loss in Nordea's holdings and transactions as a result of changes in market rates and parameters that affect the market value, for example, changes in interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities. Nordea Markets, Group Treasury & Asset and Liability Management (TALM) are the key contributors to market risk in the Nordea Group. Nordea Markets is responsible for the customer-driven trading activities; Group TALM is responsible for funding activities and investments for Nordea's own account, asset and liability management, liquidity portfolios and pledge/collateral account portfolios. For all other banking activities, market risks are managed by Group TALM.

Structural FX risk arises from investments in subsidiaries and associated enterprises denominated in foreign currencies. Generally, Nordea hedges investments by matched funding, although exceptions may be made in markets where matched funding is impossible to obtain, or can be obtained only at an excessive cost.

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

Measurement of market risk
Nordea calculates value-at-risk (VaR) using historical simulation. The current portfolio is revaluated using the daily changes in market prices and parameters observed during the last 500 trading days, thus generating a distribution of 499

returns based on empirical data. From this distribution, the expected shortfall method is used to calculate a VaR figure, meaning that the VaR figure is based on the average of the worst outcomes from the distribution. The one-day VaR figure is subsequently scaled to a 10-day figure. The 10-day VaR figure is used to limit and measure market risk both in the trading book and in the banking book. Separate VaR figures are calculated for interest rate, credit spread, foreign exchange rate equity and inflation risks. The total VaR includes all these risk categories and allows for diversification among them. The VaR figures include both linear positions and options. The model has been calibrated to generate a 99% VaR figure. This means that the 10-day VaR figure can be interpreted as the loss that will be exceeded in one out of a hundred 10-day trading periods. It is important to note that while every effort is made to make the VaR model as realistic as possible, all VaR models are based on assumptions and approximations that have a significant effect on the risk figures produced. While historical simulation has the advantage of not being dependent on a specific assumption regarding the distribution of returns, it should be noted that the historical observations of the market variables that are used as input may not give an adequate description of the behaviour of these variables in the future. The choice of the time period used is also important. While using a longer time period may enhance the model's predictive properties and lead to reduced cyclicality, using a shorter time period increases the model's responsiveness to sudden changes in the volatility of financial markets. Nordea's choice to use the last 500 days of historical data has thus been made with the aim to strike a balance between the pros and cons of using longer or shorter time series in the calculation of VaR.

Foreign exchange rate positions in FX VaR[1]

EURm	2016	2015
DKK	–845.3	665.3
SEK	134.2	–45.4
NOK	30.0	12.1
USD	28.3	91.7
Other[2]	7.1	

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

2) Aggregate net positions for foreign exchange positions with and individual absolute value below EUR 20m.

Market risk analysis

The market risk for the Nordea trading book is presented in the tables above. The total VaR was EUR 16m at the end of 2016 (EUR 33m at the end of 2015). Interest rate VaR was EUR 12m (EUR 32m). The market risk for the Nordea banking book is presented in the tables above. The total VaR was EUR 59m at the end of 2016 (EUR 77m at the end of 2015). Interest rate VaR was EUR 58m (EUR 76m). The fair value of the portfolio of illiquid alternative investments was EUR 517m at the end of 2016 (EUR 553m at the end of 2015), of which private equity funds EUR 238m, hedge funds EUR 48m, credit funds EUR 168m and seed-money investments EUR 63m. All four types of investments are spread over a number of funds.

Structural Interest Income Risk (SIIR)

SIIR is the amount by which Nordea's accumulated net interest income would change during the next 12 months if all interest rates were to change by one percentage point. Scenario reference rates are floored at zero. SIIR reflects the mismatches in the balance sheet items and the off-balance sheet items when the interest rate repricing periods, volumes or reference rates of assets, liabilities and derivatives do not correspond exactly. Nordea's SIIR management is based on policy statements resulting in different SIIR measures and organisational procedures.

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

SIIR measurement methods

Nordea's SIIR is measured through dynamic simulations by calculating several net interest income scenarios and comparing the difference between these scenarios. Several interest rate scenarios are applied, but the basic measures for SIIR are the two scenarios (increasing rates and decreasing rates). These scenarios measure the effect on Nordea's net interest income for a 12 month period of a one percentage point change in all interest rates. The balance sheet is assumed to be constant over time, however main elements of customer behaviour and Nordea's decision-making process concerning Nordea's own rates are taken into account.

SIIR analysis

At the end of the year, the SIIR for increasing market rates was EUR 822m (EUR 384m) and the SIIR for decreasing market rates was EUR –762m (EUR 13m) These figures imply that net interest income would increase if interest rates rise. Due to floors on the scenario definitions, the net interest income increase in both upward and downward scenarios.

Operational risk

Operational risk means the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, or from people, systems or external events. Regarding own funds requirements for operational risk also covers legal risk and compliance risk. Operational risk is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

The key principle for the management of Operational risks is the three lines of defence. The first line of defence is represented by the Business Areas and Group Functions that are responsible for their own daily risk management and for operating their business within limits for risk exposure and in accordance with decided framework for internal control and risk management at first line of defence. The control function Group Operational Risk (GOR), part of Group Risk Management and Control in the second line of defence, responsible for developing and maintaining the framework for managing operational risks and for supporting, challenging and controlling the line organisation in its implementation of the framework. GOR establishes and maintains adequate policies and procedures for operational risk. The Nordea Operational Risk Policy forms part of the risk management and internal control framework and sets out the general principles for operational risk management. Management of operational risks is proactive, emphasising training and risk awareness. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in the third line of defence.

The key process for management of operational risks is the annual Operational Risk Assessment process. The process includes the risk and control self-assessment (RCSA), scenario analysis and Group level controls, and places focus on both the risks on a divisional and unit level threatening its daily activities and the risks which could cause extreme financial losses or other significant impacts to Nordea as well as assessing and ensuring fulfilment of requirements specified in Group Directives. The risks are identified both through top-down and through bottom-up analysis of results obtained from control questions as well as existing information from processes, such as incident reporting, scenario analysis, quality and risk analyses as well as product approvals. Upon identification of risks, the estimated impact of risk materialisation is assessed and mitigating actions are identified. The timing of this process is synchronised with the annual planning process to be able to ensure adequate input to the Group's overall prioritisations.

The reporting of the outcomes is done to Group Risk Management and Control (GRMC), Group Executive Management (GEM) and the Group Board or relevant Group Board committee.

Compliance risk

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

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

Group Compliance is a second line of defence risk control function in the Group, coordinating, facilitating and overseeing the effectiveness and integrity of the Group's compliance risk management. Group Compliance provides an independent view on compliance to relevant rules and regulations, through monitoring and other activities. Furthermore, Group Compliance also advises, supports and trains first line on ways to effectively and efficiently handle compliance obligations. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in the third line of defence.

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

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

To address the deficiencies highlighted by the Swedish FSA last spring, and the similar deficiencies highlighted by the Danish FSA, the bank established a Financial Crime Change Programme in 2015 with the goal of ensuring robust group wide frameworks, policies, standards and processes. The Group has invested in a significant increase in resources to improve its financial crime risk management capability since then and is making good progress in progressively embedding the revised approach.

The Business Ethics and Values Committee was established at the end of 2015 to oversee that Nordea runs its business in a responsible manner and in line with our values and ethical standards. In order to strengthen the corporate culture within the Group, a culture transformation programme was initiated in Q3 2016 involving all the employees of the Group.

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

In addition to the Financial Crime Change programme, the bank is investing more generally in enhanced compliance standards, processes and resources. Nordea has developed a revised compliance operating model, accelerated recruitment and introduced dedicated first line compliance and operational risk support units.

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

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

Market risk arises at NLP mainly due to a mismatch between assets and liabilities and the sensitivity of the values of these assets and liabilities to changes in the level or in the volatility of market prices or rates. In addition, NLP is exposed to market risk through the investment of the shareholders' equity. The market risk is mitigated through liability driven investment where appropriate, aiming at reducing the asset-liability mismatch, while at the same time creating an investment return enabling Nordea Life & Pensions to meet the guarantees offered to meet customer's expectations.

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

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

Liquidity management

Key issues during 2016

During 2016, Nordea continued to benefit from its focus on prudent liquidity risk management, in terms of maintaining a diversified and strong funding base. Nordea had access to all relevant financial markets and was able to actively use all of its funding programmes. Nordea issued approx. EUR 23bn in long-term debt, excluding subordinated debt and covered bonds issued by Nordea Kredit Realkreditaktieselskab, of which approx. EUR 14bn in the Swedish, Finnish and Norwegian covered bond markets. Swedish FSA introduced Liquidity Coverage Ratio (LCR) requirement in the beginning of 2013, and Nordea is LCR compliant in all currencies combined and separately in USD and EUR. Nordea is also compliant with EBA Delegated Act LCR, which came into force in October 2015.

Management principles and control

TALM is responsible for pursuing Nordea's liquidity strategy, managing the liquidity and for compliance with the group-wide limits set by the Board of Directors and the Risk Committee. TALM, as the 1st LoD, develops the liquidity management and risk frameworks, which consist of policies, instructions and guidelines as well as defines the principles for pricing liquidity risk. GMCCR, as an independent 2nd LoD, reviews the policies and frameworks and executes control over the liquidity management.

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

Liquidity risk management

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due. Nordea's liquidity management and strategy are based on policy statements resulting in various liquidity risk measures, limits and organisational procedures.

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

Nordea's funding sources are presented in a table below. As of year-end 2016, the total volume utilised under short-term programmes was EUR 36.9bn (EUR 49.3bn) with the average maturity being 0.3 (0.3) years. The total volume under long-term programmes was EUR 154.9bn (EUR 152.7bn) with average maturity being 6.0 (6.0) years. During 2016, the volume of long-term programmes increased by EUR 2.2bn whilst the volume of short-term programmes decreased by EUR 12.4bn. Trust is fundamental in the funding market, therefore Nordea periodically publishes information on the liquidity situation of the Group. Nordea's liquidity risk management includes stress testing and a business continuity plan for liquidity management. Stress testing is defined as the evaluation of potential effects on a bank's liquidity situation under a set of exceptional but plausible events. The stress testing framework includes also survival horizon metrics (see below), which represent a combined liquidity risk scenario (idiosyncratic and market-wide stress).

Liquidity risk measurement methods

The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to manage short-term funding positions, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Cash flows from both on-balance sheet and off-balance sheet items are included. Funding gap risk is measured and limited for each currency and as a total figure for all currencies combined. The total figure for all currencies combined is limited by the Board of Directors.

To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. The buffer minimum level is set by the Board of Directors. The liquidity buffer consists of central bank eligible high-grade liquid securities held by Group Treasury & ALM that can be readily sold or used as collateral in funding operations.

During 2011, the Survival horizon metric was introduced. It is conceptually similar to Liquidity Coverage Ratio. The metric is composed of the liquidity buffer and funding gap risk cash flows, and includes expected behavioural cash flows from contingent liquidity drivers. Survival horizon defines the short-term liquidity risk appetite of the Group and until March 2016 expressed the excess liquidity after a 30-day period without access to market funding. In April 2016 the period was prolonged to 90 days. The Board of Directors has set the limit for minimum survival without access to market funding during 90 days. The structural liquidity risk of Nordea is measured and limited by the Board of Directors through the Net Balance of Stable Funding (NBSF), which is defined as the difference between stable liabilities and stable assets. These liabilities primarily comprise retail deposits, bank deposits and bonds with a remaining term to maturity of more than 12 months, as well as shareholders' equity, while stable assets primarily comprise retail loans, other loans with a remaining term to maturity longer than 12 months and committed facilities. The CEO in GEM has set as a target that the NBSF should be positive, which means that stable assets must be funded by stable liabilities.

Liquidity risk analysis

The short-term liquidity risk remained at moderate levels throughout 2016. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was EUR +21.6bn (EUR +20.4bn). Nordea's liquidity buffer range was EUR 54.4 – 68.6bn (EUR 54.6bn – 82.3bn) throughout 2016 with an average buffer size of EUR 59.9bn (EUR 61.9bn). Nordea's liquidity buffer is highly liquid, consisting of only central bank eligible securities held by Group Treasury & ALM, as shown in the table below. Survival horizon was in the range EUR 24.6bn – 49.4bn (EUR 40.6bn – 55.8bn) throughout 2016 with an average of EUR 32.3bn (EUR 48.4bn). The aim of always maintaining a positive NBSF was comfortably achieved throughout 2016. The yearly average for the NBSF was EUR 69.3bn (EUR 55.0bn).

The total Liquidity Coverage Ratio (LCR) according to Swedish rules for the Nordea Group was at the end of 2016 159% (201%) with yearly average of 158% (134%). At the end of 2016 the LCR according to Swedish rules in EUR was 334% (303%) and in USD 221% (188%), with yearly averages of 209% and 224%, respectively. LCR according to EBA Delegated Act was 165% (161%) at the end of the year.

Net balance of stable funding, 31 December 2016

EURbn	
Stable liabilities and equity	
Tier 1 and tier 2 capital	31.5
Secured/unsecured borrowing >1 year	133.9
Stable retail deposits	30.1
Less stable retail deposits	51.0
Wholesale deposits <1 year	77.7
Total stable liabilities	**324.3**
Stable assets	
Wholesale and retail loans >1 year	237.1
Long-term lending to banks and financial companies	3.8
Other illiquid assets	11.2
Total stable assets	**252.1**
Off-balance-sheet items	**2.2**
Net balance of stable funding (NBSF)	**69.9**

Funding sources, 31 December 2016

Liability type, EURm	Interest rate base	Average maturity (years)	Amount
Deposits by credit institutions			
- Shorter than 3 months	Euribor etc.	0.0	34,775
- Longer than 3 months	Euribor etc.	1.9	3,383
Deposits and borrowings from the public			
- Deposits on demand	Administrative	0.0	149,191
- Other deposits	Euribor etc.	0.2	29,613
Debt securities in issue			
- Certificates of deposits	Euribor etc.	0.3	19,089
- Commercial papers	Euribor etc.	0.2	17,805
- Mortgage covered bond loans	Fixed rate, market-based	7.3	109,477
- Other bond loans	Fixed rate, market-based	2.9	45,379
Derivatives		n.a.	68,638
Other non-interest-bearing items		n.a.	54,230
Subordinated debentures			
- Dated subordinated debenture loans	Fixed rate, market-based	6.1	7,085
- Undated and other subordinated debenture	Fixed rate, market-based	n.a.	3,374
Equity			32,411
Total			**574,449**
Liabilities to policyholders			41,210
Total, including life insurance operations			**615,659**

For a maturity breakdown, see Note G45.

Capital management

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

Capital requirements

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

Capital policy

The Nordea Group's current capital policy states that Nordea Group under normal business conditions should have minimum targets for common equity tier 1 (CET1) capital ratio, tier 1 ratio and total capital ratio that exceed the capital requirements set out by the Swedish FSA. In addition, Nordea will maintain a management buffer of 50–150bps above the regulatory CET1 requirement. The current capital targets reflect the latest communication from the Swedish FSA, however, there are still uncertainties with respect to ongoing regulatory uncertainties such as the replacement of the current capital floor.

Minimum capital requirements

Risk exposure amount (REA) is calculated in accordance with the requirements in the CRR. Nordea had 87% of the credit risk exposure amount covered by internal rating based (IRB) approaches by the end of 2016. Nordea aims to implement the IRB approach for some remaining portfolios in 2017. Nordea is approved to use its own internal Value-at-Risk (VaR) models to calculate capital requirements for the major share of the market risk in the trading book. For operational risk the standardised approach is applied.

Internal capital requirement

Nordea's Internal Capital Requirement (ICR) was EUR 14.6bn at the end of the year. The ICR should be compared to the own funds, which was EUR 32.9bn at the end of the fourth quarter. The ICR is calculated based on a Pillar I plus Pillar II approach. For more detailed information about the ICR methodology see the Pillar III report. In addition, supervisors require Nordea to hold capital for other risks which are identified and communicated as part of the Supervisory Review and Evaluation Process (SREP). The outcome of the 2016 SREP, which was communicated in October 2016, indicated that the CET1 requirement as of third quarter 2016 was 17.3%. The CET1 requirement is assessed to be 17.4% as of year-end 2016. The combined buffer requirement consists of a 3% systemic risk buffer, a 2.5% capital conservation buffer and a countercyclical buffer of approximately 0.5%. The countercyclical buffer is expected to increase to approximately 0.7% as of year-end 2017 after the planned increase in the countercyclical buffer rates in Sweden during Q1 2017 and in Norway in Q4 2017. The Pillar II other part consists of the SFSA standardised benchmark models for Pillar II risks as well as other Pillar II add-ons as a result of the SREP. The final capital requirement for 2017 will depend on the outcome of the 2017 SREP which Nordea expects in October 2017.

Capital requirements and REA

	31 Dec 2016		31 Dec 2015
EURm	Minimum capital requirement	REA	REA
Credit risk	**8,601**	**107,512**	**116,978**
- of which counterparty credit risk	759	9,489	9,510
IRB	**7,517**	**93,958**	**103,717**
- corporate	4,977	62,212	70,371
- advanced	3,887	48,585	56,211
- foundation	1,090	13,627	14,160
- institutions	572	7,144	8,526
- retail	1,755	21,933	22,520
- secured by immovable property collateral	1,001	12,505	12,702
- other retail	754	9,428	9,818
- items representing securitisation positions	66	828	–
- other	147	1,841	2,300
Standardised	1,084	13,554	13,261
- central governments or central banks	26	320	504
- regional governments or local authorities	21	266	237
- public sector entities	3	39	32
- multilateral development banks	2	32	0
- international organisations	–	–	–
- institutions	40	498	282
- corporate	173	2,159	2,109
- retail	258	3,223	3,137
- secured by mortgages on immovable properties	229	2,863	2,887
- in default	9	114	119
- associated with particularly high risk	56	701	741
- covered bonds	–	–	–
- institutions and corporates with a short-term credit assessment	–	–	–
- collective investments -undertakings (CIU)	–	–	–
- equity	221	2,760	2,617
- other items	46	579	596
Credit Value Adjustment Risk	**144**	**1,798**	**1,751**
Market risk	**358**	**4,474**	**6,534**
- trading book, Internal Approach	236	2,942	2,990
- trading book, Standardised Approach	74	928	1,209
- banking book, Standardised Approach	48	604	2,335
Operational risk	**1,350**	**16,873**	**17,031**
Standardised	1,350	16,873	17,031
Additional risk exposure amount, Article 3 CRR	**200**	**2,500**	**1,000**
Sub total	**10,653**	**133,157**	**143,294**
Adjustment for Basel I floor			
Additional capital requirement according to Basel I floor	6,612	82,655	78,533
Total	**17,265**	**215,812**	**221,827**

The Pillar II add-ons, including risk weight floors, do not affect the maximum distributable amount (MDA) level at which automatic restrictions on distributions linked to the combined buffer requirement would come into effect unless a formal decision on Pillar II has been made. A formal decision on Pillar II has not been made. Currently the MDA level is 10.5% and it is expected to increase to 10.7% in 2017 when the countercyclical buffer rates in Sweden and Norway are increased.

Economic Capital (EC)

Economic Capital is a method for allocating the cost of holding capital, as a result of risk taking. The allocation of costs within the EC model is based on the same risk components as the ICAAP but also includes risks in the insurance businesses. EC is calculated for the legal group whereas the ICAAP, which is governed by the CRD, covers only Nordea Bank AB (publ) on its consolidated situation. EC has been aligned to CET1 capitalisation requirements according to CRR. Economic Capital (EC including Nordea Life and Pensions) was at the end of 2016 EUR 26.3bn (EUR 25.0bn as of 2015).

Own funds

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

Securitisation

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

Capital situation of the financial conglomerate

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

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

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

Summary of items included in own funds

EURm	31 Dec 2016[3]	31 Dec 2015[3]
Calculation of own funds		
Equity in the consolidated situation	31,533	29,959
Proposed/actual dividend	–2,625	–2,584
Common Equity Tier 1 capital before regulatory adjustments	28,908	27,375
Deferred tax assets	–	–
Intangible assets	–3,435	–2,866
IRB provisions shortfall (–)	–212	–296
Deduction for investments in credit institutions (50%)	–	–
Pension assets in excess of related liabilities[1]	–240	–296
Other items, net	–483	–342
Total regulatory adjustments to Common Equity Tier 1 capital	–4,370	–3,800
Common Equity Tier 1 capital (net after deduction)	**24,538**	**23,575**
Additional Tier 1 capital before regulatory adjustments	3,042	2,968
Total regulatory adjustments to Additional Tier 1 capital	–25	–27
Additional Tier 1 capital	3,017	2,941
Tier 1 capital (net after deduction)	**27,555**	**26,516**
Tier 2 capital before regulatory adjustments	6,541	5,940
IRB provisions excess (+)	78	–
Deduction for investments in credit institutions (50%)	–	–
Deductions for investments in insurance companies	–1,205	–1,501
Pension assets in excess of related liabilities	–	–
Other items, net	–65	–55
Total regulatory adjustments to Tier 2 capital	–1,192	–1,556
Tier 2 capital	5,349	4,384
Own funds (net after deduction)[2]	**32,904**	**30,900**

1) Based on conditional FSA approval.
2) Own Funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 33,038m by 31 Dec 2016.
3) Including profit for the period.

Capital adequacy ratios

	2016	2015
Common Equity Tier 1 (CET1) capital ratio excluding Basel I floor (%)	18.4	16.5
Tier 1 ratio excluding Basel I floor (%)	20.7	18.5
Capital ratio excluding Basel I floor (%)	24.7	21.6
Capital adequacy quotient (Own funds/ capital requirement excluding Basel I floor)	3.1	2.7
Capital adequacy quotient (Own funds/ capital requirement including Basel I floor)	1.9	1.8

Life & Pensions - Solvency II position 30.11.2016

EURm	Life & Pensions
Required solvency	2,549
Actual solvency capital	4,065
Solvency buffer	1,516
Solvency in % of req	159%

Life & Pensions - Solvency II sensitivity 30.11.2016

Percentage	Life & Pensions
Solvency in % of requirement	159%
Equities drop 12%	164%
Interest rates down 50bp	164%
Interest rates up 50bp	162%

New regulations

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

On 14 March 2016 the Swedish FSA decided to increase the countercyclical capital buffer (CCyB) rate from 1.5% to 2% from 19 March 2017. Additionally, the Norwegian FSA announced that the current CCyB of 1.5% will be increased to 2% from 31 December 2017.

On 24 May 2016 the Swedish FSA published two new methods intented to raise the capital requirements for exposures to corporates for banks that use the Internal Ratings Based (IRB) approach. The new methods require banks to include a financial down-turn period every fifth year in the estimation of PD, as well as introducing a maturity floor of 2.5 years under Pillar II for banks that use the advanced IRB approach.

Proposal on amended CRR, CRD IV and BRRD

In November 2016 the European Commission (EC) published a proposal amending the BRRD, the CRD IV and the CRR. The amendments to the CRR, being a regulation, will be directly applicable in all EU countries once implemented whereas the amendments to the CRD IV and BRRD, being directives, need to be implemented into national legislation before being applicable. The time for implementation is uncertain but it is stated that the amendments will start entering into force in 2019 at the earliest, with some parts being implemented later and subject to phase-in. Some of the main amendments include:

TLAC / MREL

The EC proposes to implement the Total Loss Absorbing Capacity (TLAC) standard, issued by the Financial Stability Board, building on the existing framework of the BRRD which includes the Minimum Requirement for own funds and Eligible Liabilities (MREL). TLAC requires Global Systemically Important Banks (G-SIBs), referred to as G-SIIs in EU legislation, to have a sufficient amount of highly loss absorbing ("bailinable") liabilities to ensure smooth and fast absorption of losses and recapitalisation in resolution. The purpose of MREL is to achieve the same objective as for the TLAC standard, although it is technically different from the TLAC standard and is applied for both G-SIIs and non G-SII institutions in EU.

According to the EC proposal amending the BRRD, both G-SIIs and non G-SII should meet the so-called firm specific MREL requirement decided by the resolution authorities. The requirement should not exceed the sum of loss absorption amount and recapitalisation amount, both of which are determined by the minimum capital requirement of 8% and Pillar II capital requirement. In order to make it possible for banks to issue eligible instruments in a cost efficient and harmonised way, the EC proposes to introduce a new insolvency hierarchy for non-preferred senior debt.

Pillar II

The proposal introduces a split of Pillar II add-ons into Pillar II Requirements (P2R) and Pillar II Guidance (P2G), where the P2R will increase the Maximum Distributable Amount (MDA) level while the P2G is a soft measure that does not affect the MDA level.

NSFR

The EC proposes to introduce a binding Net Stable Funding Ratio (NSFR) that requires institutions to finance their long-term activities (assets and off-balance sheet items) with stable funding. The NSFR proposal aligns NSFR governance, compliance and supervisory actions with the EU Liquidity Coverage Ratio (LCR) requirement.

Leverage ratio

The proposal introduces a binding leverage ratio requirement of 3% of tier 1, harmonised with the international Basel Committee on Banking Supervision (BCBS) standard. A possible higher requirement for G-SII is postponed until a decision is taken by the BCBS.

Market risk

In January 2016, the BCBS concluded its work on the Fundamental Review of the Trading Book (FRTB) and published a new standard on the treatment of market risk. The amendments to the CRR incorporates the FRTB rules into EU regulation with some adjustments, such as postponing the implementation to 2021 and including a three year phase-in period. The key features of the framework include a revised boundary for trading book and non-trading book (banking book) exposures, a revised internal model approach and a revised standardised approach.

SME supporting factor

The EC proposal includes an extended Small and medium-sized enterprises (SME) supporting factor. The current SME supporting factor provides a capital reduction of 23.81% for exposures up to EUR 1.5 million towards SMEs. The proposal extends this discount with an additional 15% reduction for the part above the EUR 1.5 million threshold, intended to further stimulate lending to SMEs.

Revisions to the Basel III capital framework ("Basel IV")

Basel III is a global, regulatory framework on bank capital adequacy, stress testing, and liquidity risk. It was agreed upon by the members of the BCBS in 2010 and 2011, however some parts are currently under revision.

The revisions include proposals on the IRB approach imposing restrictions on the use of the IRB approach for certain exposures, such as exposures towards institutions and large corporates, as well as introducing model-parameter floors. The revisions also include a revised standardised approach (SA) which bases the risk weights on risk drivers and external ratings. The BCBS also proposes a revised operational risk framework that will be based on a single non-model-based method. Moreover, the BCBS proposal is to introduce a capital floor that should be based on the revised standardised approaches for credit, market and operational risks. There are also ongoing discussions in the BCBS regarding a potential leverage ratio buffer for G-SIBs.

In January 2017, the BCBS announced that it is working to finalise its reforms and expects to complete its work in the near future.

Regulatory treatment of IFRS 9

In October 2016, the BCBS published a discussion paper and a consultative document on the policy considerations associated with the regulatory treatment of accounting provisions related to IFRS 9 under the Basel III regulatory capital framework. The discussion paper presents proposals on a revised long-term regulatory treatment of provisions to be applied once the revisions to the SA and IRB approach become applicable. IFRS 9 enters into force in 2018 and the proposal is, during an interim period, to retain the current regulatory treatment of provisions as applied under both the SA and IRB approach to allow thorough consideration of the longer-term options for the regulatory treatment of provisions.

Corporate Governance Report 2016

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

This Corporate Governance Report is prepared in accordance with the requirements in the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance (the Code). The main emphasis is on the Board of Directors in its role as the main decision-making body in Nordea's corporate governance structure, and the interaction with the other bodies to ensure sound corporate governance. Nordea's system for internal control and risk management regarding financial reporting is also covered.

Corporate governance at Nordea

Nordea Bank AB (publ) (the "Company") is a Swedish public limited company listed on the NASDAQ stock exchanges in Stockholm, Helsinki and Copenhagen. Corporate governance at Nordea follows generally adopted principles of corporate governance. The external framework that regulates corporate governance work includes the Swedish Companies Act, the Banking and Financing Business Act, the Annual Accounts Act, the Annual Accounts Act of Credit Institutions and Securities Companies, EU regulations for the financial industry, rules issued by relevant financial supervisory authorities, NASDAQ's rules for each stock exchange and the rules and principles of the Code. Nordea complies with the Code and has no deviations to report in 2016.

In 2016, the Company had neither any infringement of the applicable stock exchange rules nor any breach of good practice in the securities market reported by the relevant exchange's disciplinary committee or the Swedish Securities Council.

The Code is available at www.corporategovernanceboard.se.

Division of powers and responsibilities

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

General Meetings (1)

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

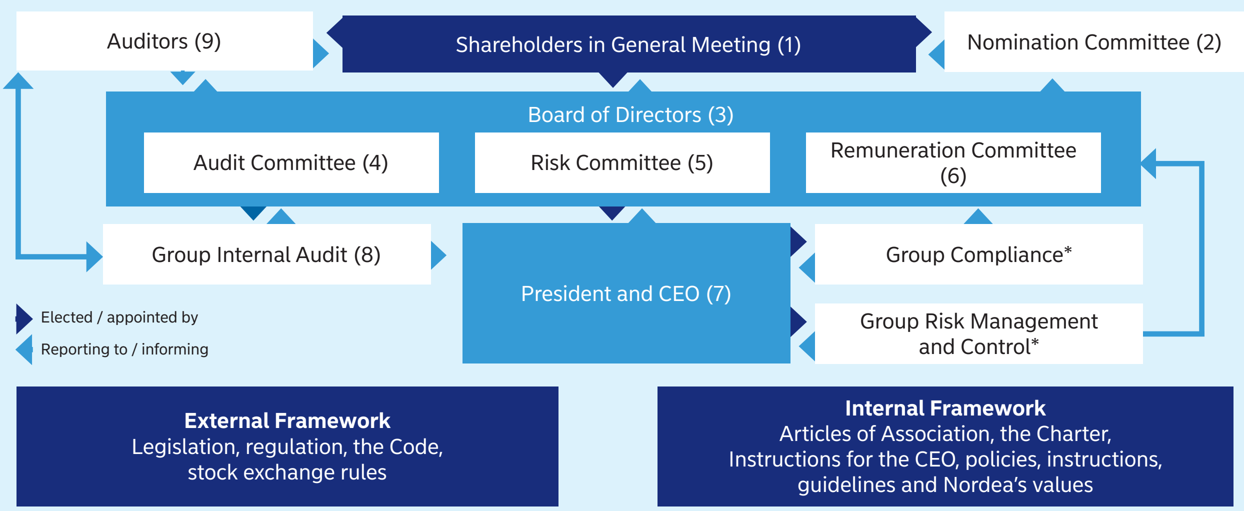
General Meetings are held in Stockholm. The minutes of the Annual General Meeting (AGM) 2016, are available at www.nordea.com.

The AGM 2017 will be held on Thursday 16 March 2017.

Voting rights

According to the Articles of Association, shares may be issued in two classes, ordinary shares and C-shares. All shares in Nordea carry voting rights, with each ordinary share entitled to one vote and each C-share entitled to one tenth of one vote at General Meetings. At General Meetings, each shareholder is entitled to vote for the full number of shares that he or she owns or represents. Nordea is not entitled to vote for its own shares at General Meetings. More information about the Nordea share is presented in the section "The Nordea share and ratings" on page 29 and in the "Financial Review 2016" on page 38.

Corporate Governance Structure



The numbers within brackets are references to the various subsections in the Corporate Governance Report 2016

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

Articles of Association

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

Mandate to acquire and convey own shares

Information on the mandate to acquire and convey own shares is presented in the Financial Review 2016 on page 38.

Mandate to issue convertible instruments

Information on the mandate to issue convertible instruments is presented in the Financial Review 2016 on page 39.

Nomination process (2)

The AGM 2016 decided to establish a Nomination Committee with the task of proposing Board members, the Chairman of the Board and auditor as well as remuneration for the Board members and auditor to the AGM 2017.

The Nomination Committee shall comprise the Chairman of the Board Björn Wahlroos and four members appointed by the four largest shareholders in terms of voting rights on 31 August 2016, who wish to participate in the Committee.

The composition of the Nomination Committee was made public on 12 September 2016. Sampo plc had appointed Torbjörn Magnusson, Nordea-fonden had appointed Mogens Hugo, Alecta had appointed Katarina Thorslund and AMF and AMF Funds had appointed Anders Oscarsson. Torbjörn Magnusson had been appointed chairman of the Nomination Committee. At the date of constitution, the Nomination Committee represented 29.5 per cent of the shareholders' votes.

The proposals of the Nomination Committee are presented in the notice of the AGM 2017 and at www.nordea.com.

Nordea Board of Directors (3)

Composition of the Board of Directors

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

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

All board assignments in Nordea are based on merit with the prime consideration being to maintain and enhance the Board's overall effectiveness. In order to fulfil this, a broad set of qualities and competences are sought for and it is recognised that diversity, including age, gender, geographical provenance and educational and professional background, are important factors to consider.

The Board consists of nine members elected by the General Meeting. They are Björn Wahlroos (Chairman), Marie Ehrling (Vice Chairman), Tom Knutzen, Robin Lawther, Lars G. Nordström, Sarah Russell, Silvija Seres, Kari Stadigh and Birger Steen.

In addition, three members and one deputy member are appointed by the employees: Gerhard Olsson (who replaced retiring Lars Oddestad on 1 October 2016), Hans Christian Riise, Toni H. Madsen and Kari Ahola (currently deputy member). Employees are entitled under Swedish legislation to be represented on the Board. The CEO of Nordea is not a member of the Board. The composition of the Board of Directors is shown in the table on page 62 and further information regarding the Board members elected by the AGM 2016 is presented in the section "Board of Directors" on page 232.

Independence of the Board of Directors

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

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

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

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

The work of the Board of Directors

The Board of Directors annually establishes its working plan, in which the management and risk reporting to the Board is also established. The statutory board meeting following the AGM 2016 elected the vice Chairman and appointed the Board Committee members. The Board has adopted written work procedures governing its work and its work carried out in the Board Committees (the Charter). For example, the Charter sets forth the Board's and the Chairman's areas of responsibility, documentation and quorum as well as the frequency of meetings. It also contains rules regarding conflicts of interest and confidentiality. Furthermore, the Board of Directors has adopted instructions for the CEO specifying the CEO's responsibilities as well as other charters, policies and instructions for the operations of the Group. These, together with the Articles of Association, the Charter and Nordea's values, constitute the internal framework that regulates corporate governance at Nordea.

The Board is charged with the organisation of Nordea and the management of the Company's operations and the overall management of the Nordea Group's affairs in accordance with the external and internal framework. Furthermore, the Board shall ensure that the Company's organisation in respect of accounting, management of funds and the Company's financial position in general includes satisfactory controls. The Board is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained. Group Internal Audit (GIA) provides annually the Board with an assessment of the overall effectiveness of the governance, and risk and control framework, together with an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile. Further information regarding internal control within Nordea is provided on page 62 under "Internal Control Process".

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

In 2016, the Board held 19 meetings. 13 meetings were held in Stockholm and one in London, while 5 meetings were held per capsulam. For more information see the table on page 62. The Board regularly follows up on the strategy, business development as well as the financial position and development and on the financial market and macroeconomic trends. Furthermore, the Board is regularly updating the policies and internal rules for the governance and control on which it has decided. The Board is also reviewing the risk appetite and regularly follows up on the development of risks, capital and liquidity. The Internal Capital Adequacy Assessment Process (ICAAP), organisational changes and transactions of significance are other matters dealt with by the Board. The work of the Board Committees is also reported to the Board. In 2016 the Board also dealt with for example the change of the legal structure, the Group Simplification programme, digitalisation, HR and remuneration issues as well as reports on and issues related to internal control and compliance, AML and the internal investigation related to Nordea Bank S.A. in Luxembourg.

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

The Chairman

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

Evaluation of the Board

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

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

Board Committees

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

The Board Audit Committee (4)

The Board Audit Committee (BAC) assists the Board in fulfilling its oversight responsibilities by inter alia monitoring the Nordea Group's financial reporting process and submit recommendations or proposals to ensure its reliability, in relation to the financial reporting process monitoring the effectiveness of the internal control and risk management systems, monitoring the effectiveness of GIA, keeping itself informed as to the statutory audit of the annual and consolidated accounts as well as of the conclusions from the quality assurance reviews of the external auditors carried out by the Swedish Supervisory Board of Public Accountants or where relevant other authority, informing the Board of Directors of the outcome of the statutory audit and explaining how the statutory audit contributed to the reliability of financial reporting and what the role of the BAC was in that process, and by reviewing and monitoring the impartiality and independence of the external auditors, and, in conjunction therewith, pay special attention to whether the auditor provides the Company and the Nordea Group with services other than auditing services.

Members of the BAC are Tom Knutzen (chairman), Sarah Russell and Silvija Seres. Generally, the Group Chief Audit Executive (CAE), the Group Chief Operating Officer (COO) and Deputy Group CEO as well as the Group Chief Financial Officer (CFO) are present at meetings and are entitled to participate in discussions, but not in decisions. The majority of the members of the BAC are to be independent of the Nordea Group and its executive management. At least one of the committee members who is independent of the Nordea Group and its executive management must also be independent of the Company's major shareholders and have competence in accounting and/or auditing. None of the members of the BAC may be employed by the Nordea Group. The chairman of the BAC shall be appointed by its members and be independent of the Nordea Group, its executive management and the Company's major shareholders as well as not be the chair of the Board of Directors or of any other board committee. Nordea follows the legal requirement as well as complies with the Code. For more information, see the table on page 62.

The Board Risk Committee (5)

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

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

Members of the BRIC are Kari Stadigh (chairman), Lars G Nordström, Robin Lawther and Birger Steen (as of the AGM 2016). Generally, the Head of Group Risk Management and Control and, when deemed important and to the extent possible, the CEO are present at meetings and are entitled to participate in discussions, but not in decisions. Further information regarding the credit decision-making structure for main operations and risk management within Nordea is presented in the section "Risk management", on page 45.

According to regulations issued by the Swedish Financial Supervisory Authority, the BRIC members shall be board members who are not members of the Company's executive management. The Company complies with these rules. For more information, see the table on page 62.

The Board Remuneration Committee (6)

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

	Board of Directors	Board Audit Committee	Board Risk Committee	Board Remuneration Committee	Independence in relation to the Company[1]	Independence in relation to the major shareholders[1]
Number of meetings (of which per capsulam)	19(5)	10(1)	6(0)	9(3)		
Meetings attended:						
Elected by AGM						
Björn Wahlroos[2]	19	-	-	9	Yes	No
Marie Ehrling[3]	19	-	-	9	Yes	Yes
Tom Knutzen	19	10	-	-	Yes	Yes
Robin Lawther	19	-	6	-	Yes	Yes
Lars G Nordström	18	-	6	-	Yes	Yes
Sarah Russell	19	10	-	-	Yes	Yes
Silvija Seres	19	10	-	-	Yes	Yes
Kari Stadigh	19	-	6	-	Yes	No
Birger Steen[4]	19	-	4	-	Yes	Yes
Appointed by employees						
Lars Oddestad[5] (deputy 1 Nov 2015–30 April 2016)	15	-	-	-	No	Yes
Toni H Madsen (deputy 1 May 2016–31 Oct 2016)	19	-	-	-	No	Yes
Kari Ahola (deputy 1 Nov 2016–30 April 2017)	18	-	-	-	No	Yes
Hans Christian Riise	19	-	-	-	No	Yes
Gerhard Olsson[6]	4	-	-	-	No	Yes

1) For additional information, see Independence on page 60.
2) Chairman from AGM 2011.
3) Vice Chairman from AGM 2011.
4) Committee member from AGM 2016.
5) Board member until 30 Sept. 2016.
6) Board member from 1 Oct 2016.

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

Members of the BRC are Marie Ehrling (chairman) and Björn Wahlroos. Generally, the CEO and the Chief People Officer are present at the meetings and are entitled to participate in discussions, but not in decisions. Neither the CEO nor the Chief People Officer participates in considerations regarding his/her respective employment terms and conditions.

According to the Code, the members of the BRC are to be independent of the Company and the executive management of the Company. Nordea complies with this rule.

Further information regarding remuneration at Nordea is presented in the separate section "Remuneration", on page 66 and in Note G7, on page 110.

Meetings, attendance and independence

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

The CEO and Group Executive Management (7)

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

The CEO is accountable to the Board for the management of the Nordea Group's operations and he is also responsible for developing and maintaining effective systems for internal control within the Group. Further information regarding the control environment for risk exposures is presented in the section; "Risk, Liquidity and Capital management", on page 43. The CEO works together with certain senior officers within the Group in GEM. Presently, GEM consists of nine members and the CEO. GEM meets regularly and whenever necessary upon request by the CEO. These meetings are chaired by the CEO, who reaches decisions after consulting with the other members of GEM. Notes of meetings, verified by the CEO, are kept. Further information regarding the CEO and GEM is presented in the section "Group Executive Management", on page 234.

Internal control process

The Internal Control Process is carried out by the Board of Directors, management and other staff at Nordea and is designed to provide reasonable assurance regarding objective fulfilment in terms of effectiveness and efficiency of operations, reliability of financial and non-financial reporting, compliance with external and internal regulations, safeguarding of assets as well as sufficient management of risks in the operations. The Internal Control Process is based on five main components: Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring.

The framework for the Internal Control Process aims to create the necessary fundamentals for the entire organisation to contribute to the effectiveness and high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures.

Roles and responsibilities with respect to internal control and risk management are divided into three lines of defence. In the first line of defence, the business organisation and Group Functions are risk owners, and thus responsible for conducting their business within risk exposure limits and the risk appetite and in accordance with the decided internal control and risk management framework. As second line of defence, the centralised risk control functions are responsible for activities such as, identifying, assessing, monitoring, controlling and reporting of issues related to all key risks including compliance with internal and external frameworks. Group Internal Audit (GIA), which is the third line of defence, performs audits and provides the Board of Directors with an assessment of the overall effectiveness of the governance, and risk and control framework, together with an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile.

Internal audit (8)

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

GIA does not engage in consulting activities unless the BAC gives it special assignments. The objective of GIA is, on the basis of its audits, to provide the Board of Directors with an assessment of the overall effectiveness of the governance, and risk and control framework, together with an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile.

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

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

External audit (9)

According to the Articles of Association, one or two auditors must be elected by the General Meeting for a term of one year. At the AGM 2016, Öhrlings PricewaterhouseCoopers AB was re-elected auditor until the end of the AGM 2017. Peter Clemedtson is the auditor-in-charge.

Report on internal control and risk management regarding financial reporting

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

Control Environment

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

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

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

Risk Assessment

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

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

Control Activities

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

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

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

Information & Communication

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

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

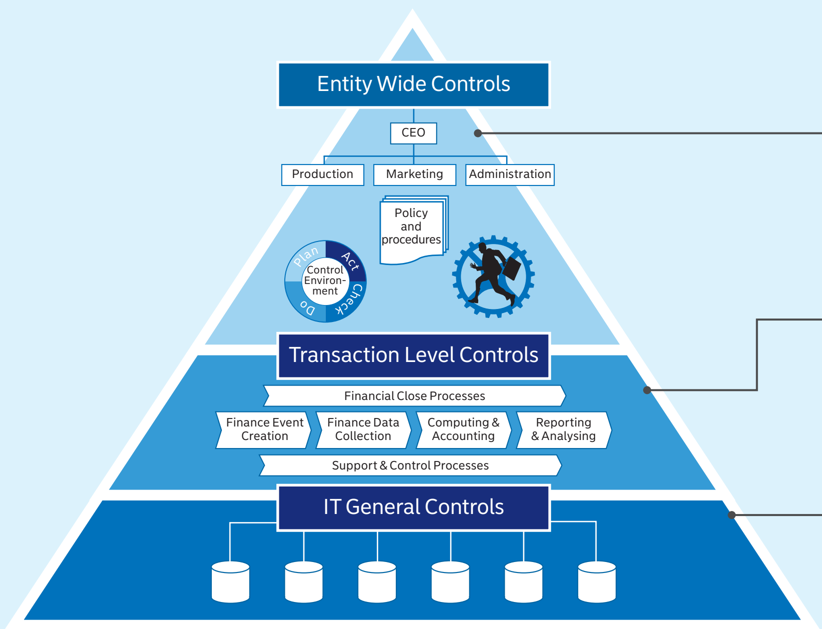
The AKC reporting procedures provide management at different levels in the organisation with information related to the performance and assessment of the identified AKCs in the form of Process Owner reports and Management Dashboard reports with a summarised assessment of the outcome and any high risk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

Monitoring

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

The Risk and Control Self-Assessment process includes monitoring the quality of internal control for financial reporting. The assessment is presented in the annual Group Opera-

Control Activities



Examples of control activities in Nordea:

Entity-Wide Controls
Group Accounting Manual, Financial Control Principles, Group Valuation Committee, numerous analyses in Management Reporting

Transaction Level Controls
Reconciliations, approvals, financial controlling analysis, authorisation, automated controls and intra Group eliminations

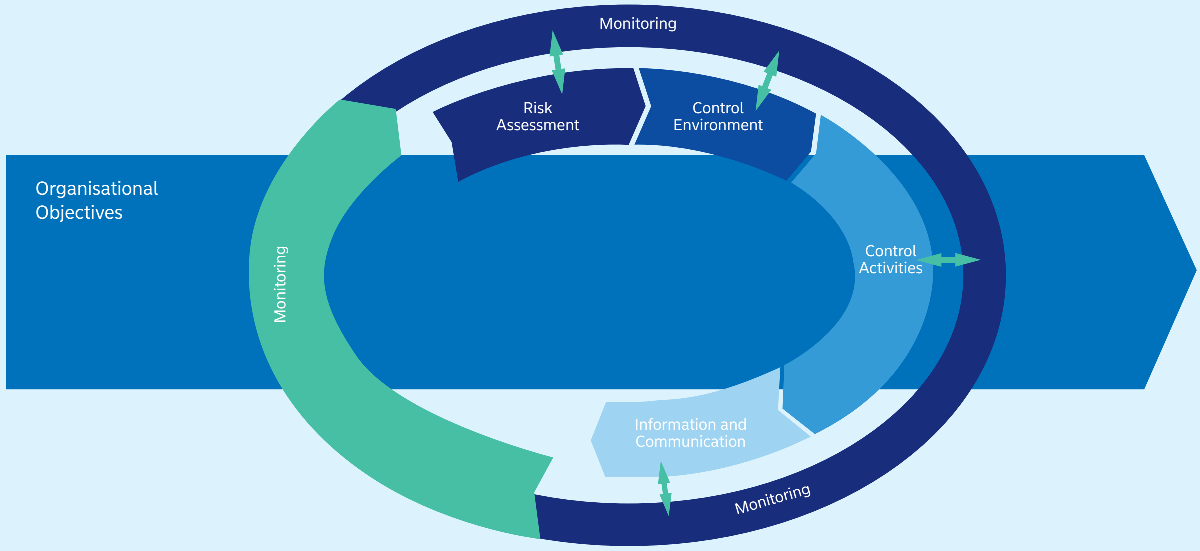
IT General Controls
Controls over access, systems development and deployment, data back-up & recovery and logical and physical security critical to the integrity of the financial reporting process

tional and Compliance Risk Map, which is submitted to the CEO in GEM, the BRIC and the Board of Directors.

The Board of Directors, the BAC, the BRIC and GIA have important roles in respect to overseeing and monitoring the internal control of financial reporting at Nordea Group. For further information, see "The work of the Board of Directors (3)", "Board Audit Committee (4)", "Board Risk Committee (5)" and "Group Internal Audit (8)" above.

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

Monitoring



Remuneration

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

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

The Nordea Remuneration Policy will

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

Nordea offers competitive, but not market-leading compensation packages.

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

Nordea remuneration components – purpose and eligibility

Fixed Salary remunerates employees for full satisfactory performance. The individual salary is based on three cornerstones: Job complexity and responsibility, performance and local market conditions.

Profit Sharing aims to stimulate value creation for customers and shareholders and is offered to all employees. The performance criteria for the 2016 programme are Return on Capital at Risk, Return on Equity relative to peers, Customer Satisfaction Index both absolute and relative to Nordic peers.

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

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

One Time Payment (OTP) can be granted to employees in the event of extraordinary performance that exceeds requirements or expectations, or in connection with temporary project work.

Pension and Insurance schemes aim at ensuring an appropriate standard of living after retirement and personal insurance during employment. Pension and insurance provisions are according to local laws, regulations and market practice and take the form either of collective agreements, company-determined schemes or a combination thereof. Nordea aims to have defined contribution pension schemes.

Benefits at Nordea are granted as a means to stimulate performance and well-being. Benefits are either linked to the employment contract or local conditions.

Executive Incentive Programme (EIP) may be offered to recruit, motivate and retain selected managers and key employees, and aims to reward strong performance and efforts. EIP contains predefined financial and non-financial performance criteria at Group, BA/GF/Division and Unit/individual level. The Group performance criteria for EIP 2016 are Return on Capital at Risk, Total costs, Return on Equity relative to peers, Customer Satisfaction Index both absolute and relative to Nordic peers.

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

Risk analysis

Nordea's remuneration components are evaluated annually to ensure compliance with both international and local remuneration guidelines. In addition to the evaluation of Nordea's remuneration components, the risk analysis addressing issues arising with respect to Nordea's Remuneration Policy was updated in March 2016. Key factors addressed include risks related to the governance and structure of the remuneration schemes, target-setting and measurement of results, as well as fraud and reputation. The main focus of the analysis is the variable components that potentially lead to total compensation that could be considered high.

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

Performance-related compensation for 2016 for employees in the risk analysis defined as Identified Staff will be partially deferred in 2017 to comply with international guidelines and national regulations. Amounts deferred and details about the deferrals will be published on nordea.com one week before the ordinary Annual General Meeting on 16 March 2017.

Audit of the remuneration policy

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

Remuneration for the Board of Directors

The AGM annually decides on remuneration for the Board of Directors. Further information is found in Note G7 on page 110.

Remuneration for the CEO and Group Executive Management (GEM)

The Board of Directors prepares the proposal for guidelines for remuneration for executive officers to be approved by the AGM annually. According to these guidelines, the Board of Directors has decided on the actual remuneration for the CEO and members of GEM following a proposal from the BRC. More information regarding the BRC is found in the separate section "Corporate Governance Report", page 59.

The external auditors presented a report to the AGM 2016 stating that, in 2015, the Board of Directors and the CEO complied with the guidelines for remuneration for executive officers as adopted by the AGM 2014 and 2015.

Further information about remuneration is found in Note G7 on page 110 to 111.

Approved guidelines for remuneration for executive officers for 2016

The AGM 2016 approved the following guidelines for remuneration for executive officers.

"Nordea shall maintain remuneration levels and other employment conditions needed to recruit and retain executive officers with competence and capacity to deliver on the strategy and targets thus enabling Nordea to become a Great European bank.

The "executive officers" shall in this context mean the CEO and Deputy CEO of Nordea Bank AB (publ) and the executives who are members of Group Executive Management. Remuneration for executive officers will be decided by the board of directors in accordance with Nordea's internal policies and procedures, which are based on the Swedish Financial Supervisory Authority's ("SFSA") regulations on remuneration systems, national implementation of the EU's directive on capital requirements for banks as well as international sound compensation practices.

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

Annual remuneration consists of fixed salary and variable salary.

Variable salary to the executive officers will be offered as an Executive Incentive Programme 2016 ("GEM EIP 2016") to reward performance that meets predetermined targets at Group, business area/group function and individual level (GEM members responsible for 2nd line of defence, Head of Group Risk Management and Head of Group Compliance, do not have Group targets). The effect on the long term result is to be considered when determining the targets. The outcome from GEM EIP 2016 will be paid over a five-year period in cash and be subject to forfeiture clauses, Total Shareholder Return indexation and retention based on the SFSA's regulations on remuneration systems, taking account of domestic rules and practices where relevant. GEM EIP 2016 has a one year performance period and the outcome shall not exceed the fixed salary. The executive officers were offered a similar programme in 2013, 2014 and 2015 (GEM EIP 2013, GEM EIP 2014 and GEM EIP 2015).

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

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

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

Proposal for guidelines for remuneration for executive officers for 2017

The Board of Directors of Nordea Bank AB (publ) proposes that the annual general meeting on 16 March 2017 resolves on the following guidelines for remuneration to executive officers.

Nordea shall maintain remuneration levels and other employment conditions needed to recruit and retain executive officers with competence and capacity to deliver on the strategy and targets thus enabling Nordea to become a Great European bank.

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

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

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

Annual remuneration consists of fixed salary and variable salary.

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

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

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

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

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

Deviations from approved guidelines 2016:

There have been no deviations from the approved guidelines 2016.

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

The actual cost for GEM EIP 2016 is EUR 3.4m to be paid over a five year period.

The estimated maximum cost for GEM EIP 2017 is EUR 7.1m and the estimated cost assuming 65% fulfilment of the performance criteria is EUR 4.6m.

Additional information about variable compensation

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

The actual cost for EIP 2016 is EUR 33m to be paid over a three to five year period.

The actual cost for bonus 2016 is EUR 192m to be paid over a three to five year period.

The actual cost for variable salary programmes in 2016 is EUR 92m to be paid over a three to five year period.

Profit Sharing scheme

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

In 2016, a total of EUR 35m was provided for under Nordea's Profit Sharing scheme for all employees. For 2016, each employee can receive a maximum of EUR 3,200, based on a pre-determined set of performance criteria. If all performance criteria were met, the cost of the scheme would have amounted to a maximum of approx. EUR 97m.

Variable Salary Part (VSP)

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

A VSP agreement does not exceed a maximum outcome of 25% of annual fixed salary, except for a few managers and key specialists within specific areas, where the amount can be a maximum of 100% of annual fixed salary. The responsible GEM member may, in extraordinary cases, approve a VSP agreement up to 100% of annual fixed salary.

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

Bonus schemes

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

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

Care is taken to ensure that control and compliance staff employed in divisions with bonus schemes is competitively rewarded although not eligible for bonus.

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

Executive Incentive Programme

Nordea's Executive Incentive Programme 2016 ("EIP 2016") aims to strengthen Nordea's capability of retaining and recruiting the best talents. Furthermore, the aim is to stimulate the managers and key employees whose efforts have a direct impact on Nordea's result, profitability and long-term value growth. In 2017, Nordea will offer an EIP 2017 with similar aims and structure as EIP 2016.

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

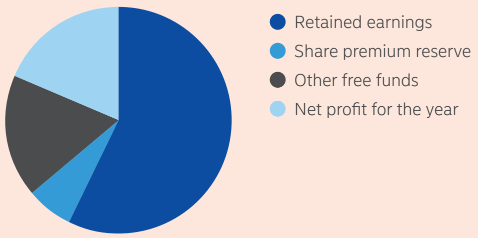
EIP shall be paid in the form of cash and be subject to share price indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2016 is paid no earlier than October 2020.

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

Proposed distribution of earnings

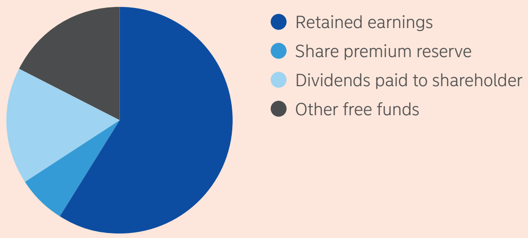
According to the parent company's balance sheet, the following amount is available for distribution by the Annual General Meeting:

EUR	
Share premium reserve	1,079,925,521
Retained earnings	9,049,852,113
Other free funds	2,762,284,828
Net profit for the year	2,899,588,070
Total	**15,791,650,532**



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

EUR	
Dividends paid to shareholders, EUR 0.65 per share	2,625,368,991
To be carried forward to	
- share premium reserve	1,079,925,521
- retained earnings	9,324,071,192
- other free funds	2,762,284,828
Total	**15,791,650,532**



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

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Income statement

EURm	Note	2016	2015
Operating income			
Interest income		7,747	8,549
Interest expense		–3,020	–3,586
Net interest income	G3	**4,727**	**4,963**
Fee and commission income		4,098	4,092
Fee and commission expense		–860	–862
Net fee and commission income	G4	**3,238**	**3,230**
Net result from items at fair value	G5	1,715	1,645
Profit from associated undertakings accounted for under the equity method	G19	112	39
Other operating income	G6	135	263
Total operating income		**9,927**	**10,140**
Operating expenses			
General administrative expenses:			
Staff costs	G7	–2,926	–3,263
Other expenses	G8	–1,646	–1,485
Depreciation, amortisation and impairment charges of tangible and intangible assets	G9	–228	–209
Total operating expenses		**–4,800**	**–4,957**
Profit before loan losses		**5,127**	**5,183**
Net loan losses	G10	–502	–479
Operating profit		**4,625**	**4,704**
Income tax expense	G11	–859	–1,042
Net profit for the year		**3,766**	**3,662**
Attributable to:			
Shareholders of Nordea Bank AB (publ)		3,766	3,662
Non-controlling interests		–	–
Total		**3,766**	**3,662**
Basic earnings per share, EUR	G12	0.93	0.91
Diluted earnings per share, EUR	G12	0.93	0.91

Statement of comprehensive income

EURm	2016	2015
Net profit for the year	**3,766**	**3,662**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	438	–544
Hedging of net investments in foreign operations:		
Valuation gains/losses during the year	–219	308
Tax on valuation gains/losses during the year	48	–68
Available for sale investments[1]		
Valuation gains/losses during the year	186	–94
Tax on valuation gains/losses during the year	–42	23
Transferred to the income statement during the year	–69	–66
Tax on transfers to the income statement during the year	15	14
Cash flow hedges:		
Valuation gains/losses during the year	–569	611
Tax on valuation gains/losses during the year	147	–145
Transferred to the income statement during the year	525	–527
Tax on transfers to the income statement during the year	–137	126
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans during the year	–205	483
Tax on remeasurement of defined benefit plans during the year	47	–108
Other comprehensive income, net of tax	**165**	**13**
Total comprehensive income	**3,931**	**3,675**
Attributable to:		
Shareholders of Nordea Bank AB (publ)	3,931	3,675
Non-controlling interests	–	–
Total	**3,931**	**3,675**

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

Balance sheet

EURm	Note	31 Dec 2016	31 Dec 2015	1 Jan 2015
Assets				
Cash and balances with central banks		32,099	35,500	31,067
Loans to central banks	G13	11,235	13,224	6,958
Loans to credit institutions	G13	9,026	10,762	12,096
Loans to the public	G13	317,689	340,920	348,085
Interest-bearing securities	G14	87,701	86,535	85,666
Financial instruments pledged as collateral	G15	5,108	8,341	12,151
Shares	G16	21,524	22,273	24,002
Assets in pooled schemes and unit-linked investment contracts	G17	23,102	20,434	17,442
Derivatives	G18	69,959	80,741	105,119
Fair value changes of the hedged items in portfolio hedge of interest rate risk		178	151	256
Investments in associated undertakings and joint ventures	G19	588	515	487
Intangible assets	G20	3,792	3,208	2,908
Properties and equipment		566	557	509
Investment properties	G22	3,119	3,054	3,135
Deferred tax assets	G11	60	76	130
Current tax assets		288	87	132
Retirement benefit assets	G32	306	377	42
Other assets	G23	18,973	18,587	17,543
Prepaid expenses and accrued income	G24	1,449	1,526	1,614
Assets held for sale	G42	8,897	–	–
Total assets		**615,659**	**646,868**	**669,342**
Liabilities				
Deposits by credit institutions	G25	38,136	44,209	56,322
Deposits and borrowings from the public	G26	174,028	189,049	192,967
Deposits in pooled schemes and unit-linked investment contracts	G17	23,580	21,088	18,099
Liabilities to policyholders	G27	41,210	38,707	38,031
Debt securities in issue	G28	191,750	201,937	194,274
Derivatives	G18	68,636	79,505	97,340
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2,466	2,594	3,418
Current tax liabilities		487	225	368
Other liabilities	G29	24,413	25,745	26,973
Accrued expenses and prepaid income	G30	1,758	1,805	1,943
Deferred tax liabilities	G11	830	1,028	983
Provisions	G31	306	415	305
Retirement benefit liabilities	G32	302	329	540
Subordinated liabilities	G33	10,459	9,200	7,942
Liabilities held for sale	G42	4,888	–	–
Total liabilities		**583,249**	**615,836**	**639,505**
Equity				
Non-controlling interests		1	1	2
Share capital		4,050	4,050	4,050
Share premium reserve		1,080	1,080	1,080
Other reserves		–1,023	–1,188	–1,201
Retained earnings		28,302	27,089	25,906
Total equity		**32,410**	**31,032**	**29,837**
Total liabilities and equity		**615,659**	**646,868**	**669,342**
Assets pledged as security for own liabilities	G34	189,441	184,795	163,041
Other assets pledged	G35	8,330	9,038	11,265
Contingent liabilities	G36	23,089	22,569	22,017
Commitments	G37	79,434	78,002	75,935

Statement of changes in equity

2016

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
Disposal of own shares[3]	–	–	–	–	–	–	31	31	–	31
Balance at 31 Dec 2016	**4,050**	**1,080**	**–1,350**	**37**	**80**	**210**	**28,302**	**32,409**	**1**	**32,410**

1) Total shares registered were 4,050 million.

2) Restricted equity was at 31 December 2016 EUR 4,889m, which consists of share capital was EUR 4,050m, equity method reserve was EUR 240m and development cost reserves EUR 599m. Equity method reserve and development costs reserve are recognised in retained earnings. Unrestricted equity was at 31 December 2016 EUR 27,520m.

3) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 13.3 million. The total holdings of own shares related to LTIP is 10.9 million.

Statement of changes in equity, Nordea Group, cont.

2015

	Attributable to shareholders of Nordea Bank AB (publ)[2]									
			Other reserves:							
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale invest-ments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2015	4,050	1,080	–1,313	6	113	–7	25,906	29,835	2	29,837
Net profit for the year	–	–	–	–	–	–	3,662	3,662	–	3,662
Items that may be reclassified subsequently to the income statement										
Currency translation differences during the year	–	–	–544	–	–	–	–	–544	–	–544
Hedging of net investments in foreign operations:										
Valuation gains/losses during the year	–	–	308	–	–	–	–	308	–	308
Tax on valuation gains/losses during the year	–	–	–68	–	–	–	–	–68	–	–68
Available for sale investments:										
Valuation gains/losses during the year	–	–	–	–	–94	–	–	–94	–	–94
Tax on valuation gains/losses during the year	–	–	–	–	23	–	–	23	–	23
Transferred to the income statement during the year	–	–	–	–	–66	–	–	–66	–	–66
Tax on transfers to the income statement during the year	–	–	–	–	14	–	–	14	–	14
Cash flow hedges:										
Valuation gains/losses during the year	–	–	–	611	–	–	–	611	–	611
Tax on valuation gains/losses during the year	–	–	–	–145	–	–	–	–145	–	–145
Transferred to the income statement during the year	–	–	–	–527	–	–	–	–527	–	–527
Tax on transfers to the income statement during the year	–	–	–	126	–	–	–	126	–	126
Items that may not be reclassified subsequently to the income statement										
Defined benefit plans:										
Remeasurement of defined benefit plans during the year	–	–	–	–	–	483	–	483	–	483
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	–108	–	–108	–	–108
Other comprehensive income, net of tax	–	–	–304	65	–123	375	–	13	–	13
Total comprehensive income	–	–	–304	65	–123	375	3,662	3,675	–	3,675
Share-based payments	–	–	–	–	–	–	2	2	–	2
Dividend for 2014	–	–	–	–	–	–	–2,501	–2,501	–	–2,501
Disposal of own shares[3]	–	–	–	–	–	–	20	20	–	20
Change in non-controlling interests	–	–	–	–	–	–	–	–	–1	–1
Balance at 31 Dec 2015	4,050	1,080	–1,617	71	–10	368	27,089	31,031	1	31,032

1) Total shares registered were 4,050 million.

2) Restricted equity was at 31 December 2015 EUR 4,318m, of which share capital was EUR 4,050m and equity method reserve was EUR 268m. Equity method reserve is recognised in retained earnings. Unrestricted equity was at 31 December 2015 EUR 26,713m.

3) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares were 18.6 million. The total holdings of own shares related to LTIP is 11.7 million.

Cash flow statement

EURm	2016	2015
Operating activities		
Operating profit	4,625	4,704
Adjustment for items not included in cash flow	3,892	2,824
Income taxes paid	−952	−1,056
Cash flow from operating activities before changes in operating assets and liabilities	**7,565**	**6,472**
Changes in operating assets		
Change in loans to central banks	7,824	−10,002
Change in loans to credit institutions	689	1,171
Change in loans to the public	14,357	5,173
Change in interest-bearing securities	−154	−831
Change in financial assets pledged as collateral	3,233	3,812
Change in shares	488	−937
Change in derivatives, net	−751	4,453
Change in investment properties	−174	38
Change in other assets	−3,217	−1,402
Changes in operating liabilities		
Change in deposits by credit institutions	−6,482	−13,495
Change in deposits and borrowings from the public	−9,686	−4,272
Change in liabilities to policyholders	2,602	2,361
Change in debt securities in issue	−7,357	4,374
Change in other liabilities	−5,657	3,281
Cash flow from operating activities	**3,280**	**196**
Investing activities		
Sale of business operations	–	175
Investments in associated undertakings and joint ventures	−5	0
Sale of associated undertakings and joint ventures	134	10
Acquisition of property and equipment	−124	−162
Sale of property and equipment	20	27
Acquisition of intangible assets	−658	−467
Sale of intangible assets	1	9
Net divestments in debt securities, held to maturity	−360	−139
Sale of other financial fixed assets	58	25
Cash flow from investing activities	**−934**	**−522**
Financing activities		
Issued subordinated liabilities	1,000	2,159
Amortised subordinated liabilities	–	−1,424
Divestment of own shares including change in trading portfolio	31	20
Dividend paid	−2,584	−2,501
Cash flow from financing activities	**−1,553**	**−1,746**
Cash flow for the year	**793**	**−2,072**
Cash and cash equivalents at the beginning of year	40,200	39,683
Translation difference	867	2,589
Cash and cash equivalents at the end of year	41,860	40,200
Change	**793**	**−2,072**

Cash flow statement, Nordea Group, cont.

Comments on the cash flow statement

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

Operating activities

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

EURm	2016	2015
Depreciation	221	189
Impairment charges	7	20
Loan losses	560	543
Unrealised gains/losses	–2	1,401
Capital gains/losses (net)	–72	–197
Change in accruals and provisions	126	143
Translation differences	919	811
Change in bonus potential to policyholders, Life	–115	236
Change in technical reserves, Life	2,491	1,053
Change in fair value of hedged items, assets/liabilities (net)	–92	–753
Other	–151	–622
Total	**3,892**	**2,824**

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

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

EURm	2016	2015
Interest payments received	7,649	8,810
Interest expenses paid	–3,198	–3,473

Investing activities

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

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2016	31 Dec 2015
Cash and balances with central banks	32,099	35,500
Loans to central banks, payable on demand	8,538	2,684
Loans to credit institutions, payable on demand	1,093	2,016
Assets held for sale	130	–
Total	**41,860**	**40,200**

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

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

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

Quarterly development

EURm	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2016	2015
Net interest income	1,209	1,178	1,172	1,168	1,203	1,233	1,274	1,253	4,727	4,963
Net fee and commission income	867	795	804	772	821	767	833	809	3,238	3,230
Net result from items at fair value	498	480	405	332	421	211	386	627	1,715	1,645
Profit from associated undertakings accounted for under the equity method	4	−2	101	9	3	18	8	10	112	39
Other operating income	32	15	74	14	197	24	22	20	135	263
Total operating income	**2,610**	**2,466**	**2,556**	**2,295**	**2,645**	**2,253**	**2,523**	**2,719**	**9,927**	**10,140**
General administrative expenses:										
Staff costs	−687	−743	−756	−740	−956	−756	−772	−779	−2,926	−3,263
Other expenses	−475	−389	−396	−386	−455	−303	−363	−364	−1,646	−1,485
Depreciation, amortisation and impairment charges of tangible and intangible assets	−71	−51	−54	−52	−65	−49	−50	−45	−228	−209
Total operating expenses	**−1,233**	**−1,183**	**−1,206**	**−1,178**	**−1,476**	**−1,108**	**−1,185**	**−1,188**	**−4,800**	**−4,957**
Profit before loan losses	**1,377**	**1,283**	**1,350**	**1,117**	**1,169**	**1,145**	**1,338**	**1,531**	**5,127**	**5,183**
Net loan losses	−129	−135	−127	−111	−142	−112	−103	−122	−502	−479
Operating profit	**1,248**	**1,148**	**1,223**	**1,006**	**1,027**	**1,033**	**1,235**	**1,409**	**4,625**	**4,704**
Income tax expense	−148	−260	−227	−224	−179	−253	−283	−327	−859	−1,042
Net profit for the year	**1,100**	**888**	**996**	**782**	**848**	**780**	**952**	**1,082**	**3,766**	**3,662**
Diluted earnings per share (DEPS), EUR	0.27	0.22	0.25	0.19	0.21	0.19	0.24	0.27	0.93	0.91
DEPS, rolling 12 months up to period end, EUR	0.93	0.87	0.84	0.83	0.91	0.92	0.95	0.89	0.93	0.91

5 year overview

Income statement[1]

EURm	2016	2015	2014	2013	2012
Net interest income	4,727	4,963	5,349	5,525	5,563
Net fee and commission income	3,238	3,230	3,017	2,642	2,468
Net result from items at fair value	1,715	1,645	1,383	1,539	1,774
Profit from associated undertakings accounted for under the equity method	112	39	18	79	93
Other operating income	135	263	474	106	100
Total operating income	**9,927**	**10,140**	**10,241**	**9,891**	**9,998**
General administrative expenses:					
Staff costs	–2,926	–3,263	–3,159	–2,978	–2,989
Other expenses	–1,646	–1,485	–1,656	–1,835	–1,808
Depreciation, amortisation and impairment charges of tangible and intangible assets	–228	–209	–585	–227	–267
Total operating expenses	**–4,800**	**–4,957**	**–5,400**	**–5,040**	**–5,064**
Profit before loan losses	**5,127**	**5,183**	**4,841**	**4,851**	**4,934**
Net loan losses	–502	–479	–534	–735	–895
Operating profit	**4,625**	**4,704**	**4,307**	**4,116**	**4,039**
Income tax expense	–859	–1,042	–950	–1,009	–970
Net profit for the year from continuing operations	**3,766**	**3,662**	**3,357**	**3,107**	**3,069**
Net profit for the year from discontinued operations, after tax	–	–	–25	9	57
Net profit for the year	**3,766**	**3,662**	**3,332**	**3,116**	**3,126**

Balance sheet[1]

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Cash and balances with central banks	32,099	35,500	31,067	33,529	36,060
Loans to central banks and credit institutions	20,261	23,986	19,054	22,512	18,574
Loans to the public	317,689	340,920	348,085	342,451	346,251
Interest-bearing securities and pledged instruments	92,809	94,876	97,817	96,889	94,596
Assets in pooled schemes and unit-linked investment contracts	23,102	20,434	17,442	–	–
Derivatives	69,959	80,741	105,119	70,992	118,789
Other assets	50,843	50,411	50,758	55,166	53,908
Assets held for sale	8,897	–	–	8,895	–
Total assets	**615,659**	**646,868**	**669,342**	**630,434**	**668,178**
Deposits by credit institutions	38,136	44,209	56,322	59,090	55,426
Deposits and borrowings from the public	174,028	189,049	192,967	200,743	200,678
Deposits in pooled schemes and unit-linked investment contracts	23,580	21,088	18,099	–	–
Liabilities to policyholders	41,210	38,707	38,031	47,226	45,320
Debt securities in issue	191,750	201,937	194,274	185,602	183,908
Derivatives	68,636	79,505	97,340	65,924	114,203
Subordinated liabilities	10,459	9,200	7,942	6,545	7,797
Other liabilities	30,562	32,141	34,530	31,897	32,841
Liabilities held for sale	4,888	-	–	4,198	–
Equity	32,410	31 032	29,837	29,209	28,005
Total liabilities and equity	**615,659**	**646,868**	**669,342**	**630,434**	**668,178**

1) The comparative figures for 2014/2015 have been restated, for more information see Note G1 "Accounting policies".

Ratios and key figures[1]

	2016	2015	2014	2013	2012
Basic earnings per share, EUR	0.93	0.91	0.83	0.77	0.78
Diluted earnings per share, EUR	0.93	0.91	0.83	0.77	0.78
Share price[2], EUR	10.60	10.15	9.68	9.78	7.24
Total shareholders' return, %	16.3	8.2	9.2	44.6	21.0
Proposed/actual dividend per share, EUR	0.65	0.64	0.62	0.43	0.34
Equity per share[2], EUR	8.03	7.69	7.40	7.27	6.96
Potential shares outstanding[2], million	4,050	4,050	4,050	4,050	4,050
Weighted average number of diluted shares, million	4,037	4,031	4,031	4,020	4,026
Return on equity, %	12.3	12.2	11.4	11.0	11.6
Assets under management[2], EURbn	322.7	288.2	262.2	232.1	218.3
Cost/income ratio[3], %	50	47	49	51	51
Loan loss ratio, basis points[4]	15	14	15	21	26
Common Equity Tier 1 capital ratio excluding Basel I floor[2,5,6] ,%	18.4	16.5	15.7	14.9	13.1
Tier 1 capital ratio, excluding Basel I floor[2,5,6], %	20.7	18.5	17.6	15.7	14.3
Total capital ratio, excluding Basel I floor[2,5,6], %	24.7	21.6	20.6	18.1	16.2
Tier 1 capital[2,5,6], EURbn	27.6	26.5	25.6	24.4	24.0
Risk exposure amount, excluding Basel I floor[2,5,6], EURbn	133	143	146	155	168
Number of employees (full-time equivalents)[2]	31,596	29,815	29,643	29,429	29,491
Economic capital[2,5], EURbn – Total operations	26.3	25.0	24.3	23.5	22.8
ROCAR[3,7],%	13.4	14.8	14.0	13.7	13.9

1) Fore more information regarding ratios and key figures defined as Alternative performance measures, see http://www.nordea.com/en/investor-relations/. All key ratios reflect Nordea´s continuing operations. The comparative figures for 2015 have been restated, for more information see Note G1 "Accounting policies".
2) End of the year.
3) Excluding non-recurring items in 2016, 2015 and 2014.
4) In 2016 the ratio is including Loans to the public reported as assets held for sale.
5) Since 2014 ratios are reported using the Basel III (CRR/CRDIV) framework.
6) Including result for the period.
7) ROCAR restated 2015 due to changed definition.

Business definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Total allowance rate
Total allowances divided by total loans before allowances.

Total allowances in relation to imparied loans (provisioning ratio)
Total allowances divided by impaired loans before allowances.

Total capital ratio
Own funds as a percentage of risk exposure amount.

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

G1. Accounting policies

Content for Note G1

1. Basis for presentation

Nordea's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. In addition, certain complementary rules in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board have been applied.

The disclosures, required in the standards, recommendations and legislation above, have been included in the notes, the Risk, Liquidity and Capital management section or in other parts of the "Financial statements".

On 3 February 2017 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 16 March 2017.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2015 Annual Report. The new accounting requirements implemented during 2016 and their effects on Nordea's financial statements are described below.

The following new and amended standards and interpretations were implemented by Nordea 1 January 2016 but have not had any significant impact on the financial statements of Nordea:

- Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment entities – Applying the Consolidation Exception"
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"
- Amendments to IAS 1"Disclosures Initiative"
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Annual Improvements to IFRSs, 2012–2014 Cycle

Amendments have in addition been made in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) which were implemented by Nordea 1 January 2016. These amendments have not had any significant impact on Nordea's financial statements.

The Swedish Financial Supervisory Authority has amended the accounting regulation FFFS 2008:25 by issuing FFFS 2015:20. Those amendments were implemented by Nordea 1 January 2016 but have not had any significant impact on Nordea's financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for groups by issuing "RFR 1 Supplementary Accounting Rules for Groups- January 2016". These changes were implemented by Nordea 1 January 2016 but have not had any significant impact on Nordea´s financial statements.

Changed presentation of pooled schemes and unit-linked investment contracts

Nordea invests in interest-bearing securities and shares on behalf of customers, in pension pools and unit-linked investment contracts, where the customers bear the investment risk. Such assets have been reclassified to the separate balance sheet line "Assets in pooled schemes and unit-linked investment contracts" in order to disclose them separately from assets for which Nordea bears the investment risk. The corresponding liabilities to customers have been reclassified to the separate balance sheet line "Deposits in pooled schemes and unit-linked investment contracts" following that these liabilities behave differently than the normal deposits received from customers.

The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the income statement or equity.

G1. Accounting policies, cont.

	31 Dec 2016			31 Dec 2015			1 Jan 2015		
EURm	Old policy	Restatement	New policy	Old policy	Restatement	New policy	Old policy	Restatement	New policy
Assets									
Loans to credit institutions	9,290	–264	9,026	10,959	–197	10,762	12,217	–121	12,096
Interest-bearing securities	89,375	–1,674	87,701	88,176	–1,641	86,535	87,110	–1,444	85,666
Shares	42,543	–21,019	21,524	40,745	–18,472	22,273	39,749	–15,747	24,002
Assets in pooled schemes and unit-linked investment contracts	–	23,102	23,102	—	20,434	20,434	–	17,442	17,442
Investment properties	3,258	–139	3,119	3,165	–111	3,054	3,227	–92	3,135
Other assets	18,979	–6	18,973	18,600	–13	18,587	17,581	–38	17,543
Liabilities									
Deposits and borrowings from the public	178,368	–4,340	174,028	193,342	–4,293	189,049	197,254	–4 287	192,967
Deposits in pooled schemes and unit-linked investment contracts	–	23,580	23,580	—	21,088	21,088	–	18,099	18,099
Liabilities to policyholders	60,439	–19,229	41,210	55,491	–16,784	38,707	51,843	–13,812	38,031
Other liabilities	24,424	–11	24,413	25,756	–11	25,745	26,973	–	26,973

Changed presentation of refinancing fees and pay-out fees

Refinancing fees and pay-out fees received in connection with mortgage lending in Denmark have been reclassified from "Net result from items at fair value" to "Net fee and commission income" in the income statement, in order to align with Nordea's classification policy for loan processing fees. A refinancing fee is charged when an adjustable rate mortgage loan is refinanced, and a pay-out fee when a loan is initially paid out. The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the balance sheet or equity.

Changed presentation of stability fees

Nordea has, in order to align with local market practice, reclassified state guarantee fees from "Net fee and commission income" to "Net interest income". The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the balance sheet or equity.

	2016			2015		
EURm	Old policy	Restatement	New policy	Old policy	Restatement	New policy
Net interest income	4,855	–128	4,727	5,110	–147	4,963
- of which state guarantee fees		*–128*			*–147*	
Net fee and commission income	3,060	178	3,238	3,025	205	3,230
- of which state guarantee fees		*128*			*147*	
- of which refinancing/pay-out fees		*50*			*58*	
Net result from items at fair value	1,765	–50	1,715	1,703	–58	1,645
- of which refinancing/pay-out fees		*–50*			*–58*	

Changed presentation of "Net fee and commission income"

The presentation within Note G4 "Net fee and commission income" has, in addition to the changes described above, been changed. The main change is that income and expenses have been set off to better reflect the net return from different business activities. Commission expenses have been split more granularly to better match the related commission income. The gross impact on income and expense is also provided in Note G4.

Commission income in connection with initial public offerings (IPOs) have in addition been reclassified from "Custody and issuer services" to "Brokerage, securities issues and corporate finance" (impact full year 2015 EUR 27m), and commission expenses connected to asset management activities from "Other" to "Asset management commissions" (impact full year 2015 EUR 80m). These reclassifications have been made to better reflect the purpose of services performed/received.

Presentation of disposal groups held for sale

Assets and liabilities held for sale consist of Nordea's Baltic operations and lending to retail customers in Russia as further described in Note G42 "Disposal groups held for sale". Assets and liabilities related to the disposal group are presented on the separate balance sheet lines "Assets held for sale" and "Liabilities held for sale" respectively as from the classification date. Financial instruments continue to be measured under IAS 39, while non-financial assets are held at the

G1. Accounting policies, cont.

lower of carrying amount and fair value. Comparative figures are not restated.

3. Changes in IFRSs not yet applied by Nordea

IFRS 9 "Financial instruments"

IASB has completed the new standard for financial instruments, IFRS 9 "Financial instruments". IFRS 9 covers classification and measurement, impairment and general hedge accounting and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. The standard is endorsed by the EU-commission. Earlier application is permitted, but Nordea does not intend to early adopt the standard. Nordea does not either intend to restate the comparative figures for 2017 in the annual report 2018 due to IFRS 9.

Classification and measurement

The classification and measurement requirements in IFRS 9 state that financial assets should be classified as, and measured at, amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

Nordea has analysed whether the cash flows from the financial assets held as of 31 December 2015 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group.

No business model assessment or SPPI analysis has been made for Nordea Life & Pension as Nordea has awaited the IFRS 9 EU endorsement process.

The analysis of the business model and the SPPI review described above have not resulted in any significant changes compared to how the financial instruments are measured under IAS 39. No significant impact is thus expected on Nordea's financial position, financial performance or equity in the period of initial application. No significant impact on the capital adequacy, large exposures, risk management or alternative performance measures are expected in the period of initial application. These tentative conclusions are naturally dependent on the financial instruments on Nordea's balance sheet at transition.

Impairment

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The scope of IFRS 9 impairment requirements is also broader than IAS 39. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as off-balance commitments including guarantees and loan commitments, to be included in the impairment test. Currently Nordea does not calculate collective provisions for off balance sheet exposures or the financial instruments classified into the measurement category AFS.

The assets to test for impairment will be divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 are tested for impairment on an individual basis, while for insignificant assets a collective assessment is performed. In stage 1, the provisions should equal the 12 month expected loss. In stage 2 and 3, the provisions should equal the lifetime expected losses.

One important driver for size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. Nordea has yet to decide what parameters to use for identifying the increase in credit risk and how much these parameters need to change in order to constitute a "significant increase". For assets held at transition, Nordea has tentatively decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets to be recognised going forward, changes to the lifetime Probability of Default (PD) will be used as the trigger. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without undue cost or effort and without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea has tentatively decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due will also be transferred to stage 2. Nordea has not yet determined the threshold for the change in rating, scoring and PDs when assessing whether it is significant or not.

Nordea's current model for calculating collective provisions defines a loss event as a deterioration in rating/scoring, but it is not expected that the loss event in the current model will equal the triggering event for moving items from stage 1 to stage 2 under IFRS 9.

The provisions under IFRS 9 will be calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation will only be based on the coming 12 months, while it for assets in stage 2 will be based on the expected lifetime of the asset.

For assets where there has been a significant increase in credit risk, Nordea currently holds provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called "Emergence period" while IFRS 9 will require provisions equal to the lifetime expected loss.

When calculating lifetime losses under IFRS 9, including the staging assessment, the calculation should be based on probability weighted forward looking information. Nordea has tentatively decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios will be used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario will be recognised as provisions.

It is expected the new requirements will increase loan loss provisions and decrease equity in the period of initial application. It is not expected to have any material impact on large exposures. The impact on capital adequacy is not possible to determine as it is expected the Basel committee will issue new rules for the transition to IFRS 9, but these are not yet final. It is furthermore expected that the long term effects, once the transitional rules become obsolete, will be negative on capital adequacy, as the reduction in equity is expected to reduce CET 1 capital. It is however not expected the full increase in provisions will decrease CET 1 capital as there are mitigating effects, for instance the current shortfall deduction that is expected to be reduced when provisions are calculated under IFRS 9.

G1. Accounting policies, cont.

Impairment calculations under IFRS 9 will require more experienced credit judgement by the reporting entities than is required by IAS 39 today and a higher subjectivity is thus introduced. The inclusion of forward looking information adds complexity and makes provisions more dependent on management's view of the future economic outlook. It is expected that the impairment calculations under IFRS 9 will be more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward looking scenarios.

Hedge accounting

The main change to the general hedge accounting requirements is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea generally uses macro (portfolio) hedge accounting Nordea's assessment is that the new requirements will not have any significant impact on Nordea's financial statements, capital adequacy, large exposures, risk management or alternative performance measures in the period of initial application.

Nordea's tentative conclusion is to continue using the IAS 39 hedge accounting requirements also after IFRS 9 has been implemented, but that remains to be confirmed.

IFRS 15 "Revenue from Contracts with Customers"

The IASB published the new standard, IFRS 15 "Revenue from Contracts with Customers" in 2014. Clarifications to the standard were published in April 2016. The new standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The standard was endorsed by the EU-commission in 2016 and the clarifications are expected to be endorsed in 2017. Nordea does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. Nordea has not finalised the investigation of the impact on the financial statements but the current assessment is that the new standard will not have any significant impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application.

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contributions of assets between an investor and its associated undertaking or joint venture due to inconsistent treatment of gains and losses of such transactions in those standards. The IASB has thereafter proposed to defer indefinitely the effective date and permit earlier application. The amendments are not yet endorsed by the EU-commission. Nordea does not currently intend to early adopt the amendments. The new requirements are not expected to have any effect on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application as the new requirements are in line with Nordea's current accounting policies.

IFRS 16 "Leases"

The IASB has published the new standard, IFRS 16 "Leases". The new standard changes the accounting requirements for lessees. All leases (except for short term- and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The amendments are expected to be endorsed by the EU-commission in 2017. Nordea does not currently intend to early adopt the amendments. Nordea's current assessment is that the new standard will change the accounting of property leases which mainly affects Nordea's balance sheet.

Other changes in IFRS

The IASB has published the following new or amended standards that are assessed to have no significant impact on Nordea's financial statement, capital adequacy or large exposures in the period of initial application:

- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"
- Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"
- Amendments to IAS 7: "Disclosure Initiative"
- Amendments to IFRS 2: "Classification and Measurement of Share based Payment Transactions

4. Critical judgements and estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. Actual outcome can later, to some extent, differ from the estimates and the assumptions made. In this section a description is made of:

- the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the impairment testing of:
  - goodwill and
  - loans to the public/credit institutions
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the actuarial calculations of insurance contracts
- the valuation of investment properties
- the classification of leases
- the classification of additional Tier 1 instruments
- assessing control for consolidation purposes
- the translations of assets and liabilities denominated in foreign currencies
- the valuation of deferred tax assets
- claims in civil lawsuits.

Fair value measurement of certain financial instruments

Nordea's accounting policy for determining the fair value of financial instruments is described in section 11 "Determination of fair value of financial instruments" and Note G40 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- The choice of valuation techniques.

G1. Accounting policies, cont.

- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active).
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters are observable.

The critical judgements required when determining fair value of financial instruments that lack quoted prices or recently observed market prices also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgment in accordance with Nordea's accounting and valuation policies. The valuation policy is governed by the Group Valuation Committee, which is chaired by the Group CFO. The fair value of financial assets and liabilities measured at fair value using a valuation technique, level 2 and 3 in the fair value hierarchy, was EUR 208,371m (EUR 244,266m) and EUR 129,441m (EUR 156,354m) respectively at the end of the year.

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note G40 "Assets and liabilities at fair value".

Estimation uncertainty also arises at initial recognition of financial instruments that are part of larger structural transactions. Although subsequently not necessarily held at fair value such instruments are initially recognised at fair value and as there is normally no separate transaction price or active market for such individual instruments the fair value has to be estimated.

Impairment testing of goodwill

Nordea's accounting policy for goodwill is described in section 16 "Intangible assets" and Note G20 "Intangible assets" lists the cash generating units to which goodwill has been allocated. Nordea's total goodwill amounted to EUR 2,247m (EUR 2,170m) at the end of the year.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows are subject to estimation uncertainty. The forecast of future cash flows is sensitive to the cash flow projections for the near future (generally 3–5 years) and to the estimated sector growth rate for the period beyond 3–5 years. The growth rates are based on historical data, updated to reflect the current situation, which implies estimation uncertainty.

The rates used to discount future expected cash flows are based on the long-term risk free interest rate plus a risk premium (post tax). The risk premium is based on external information of overall risk premiums in relevant countries.

For information on the sensitivity to changes in relevant parameters, see Note G20 "Intangible assets".

Impairment testing of loans to the public/credit institutions

Nordea's accounting policy for impairment testing of loans is described in section 14 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans. Nordea's total lending before impairment allowances was EUR 340,376m (EUR 367,570m) at the end of the year. For more information, see Note G13 "Loans and impairment".

The most judgemental area is the calculation of collective impairment allowances. When testing a group of loans collectively for impairment, judgement has to be exercised when identifying the events and/or the observable data that indicate that losses have been incurred in the group of loans. Nordea monitors its portfolio through rating migrations and a loss event is an event resulting in a negative rating migration. Assessing the net present value of the cash flows generated by the customers in the group of loans also includes estimation uncertainty. This includes the use of historical data on probability of default and loss given default supplemented by acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

Effectiveness testing of cash flow hedges

Nordea's accounting policies for cash flow hedges are described in section 10 "Hedge accounting".

One important judgement in connection to cash flow hedge accounting is the choice of method used for effectiveness testing.

Where Nordea applies cash flow hedge accounting the hedging instruments used are predominantly cross currency interest rate swaps, which are always held at fair value. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap.

Actuarial calculations of pension liabilities and plan assets related to employees

Nordea's accounting policy for post-employment benefits is described in section 23 "Employee benefits".

The defined benefit obligation for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of actuarial and financial parameters are used.

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note G32 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 3,434m (EUR 3,271m) at the end of the year.

Actuarial calculations of insurance contracts

Nordea's accounting policy for insurance contracts is described in section 19 "Liabilities to policyholders".

A valuation of insurance liabilities includes estimations and assumptions, both financial and actuarial. One of the important financial assumptions is the interest rate used for discounting future cash flows. Important actuarial assumptions are those on mortality and disability, which affect the size and timing of the future cash flows. The financial and actuarial assumptions are, to a large extent, stipulated in local legislation and therefore not under Nordea's discretion. Also assumptions about future administrative and tax expenses have an impact on the calculation of policyholder liabilities.

G1. Accounting policies, cont.

The insurance liability was EUR 37,682m (EUR 35,190m) at the end of the year. The carrying amount's sensitivity to different assumptions is disclosed in Note G27 "Liabilities to policyholders".

Valuation of investment properties

Nordea's accounting policies for investment properties are described in section 18 "Investment properties".

Investment properties are measured at fair value. As there normally are no active markets for investment properties, the fair values are estimated based on discounted cash flow models. These models are based on assumptions on future rents, vacancy levels, operating and maintenance costs, yield requirements and interest rates.

The carrying amounts of investment properties were EUR 3,119m (EUR 3,054m) at the end of the year. See Note G22 "Investment properties" for more information on amounts and parameters used in these models.

Classification of leases

Nordea's accounting policies for leases are described in section 15 "Leasing".

Critical judgement has to be exercised when classifying lease contracts. A lease is classified as a finance lease if it transfers substantially all the risks and rewards related to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards related to ownership.

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements was initially 3–25 years with renewal options. The lease agreements include no transfers of ownerships of the assets by the end of the lease term, nor any economic benefit from appreciation in value of the leased properties. In addition, the lease term is not for the major part of the assets' economic life. As a result, Nordea has classified these leases as operating leases. This judgement is a critical judgement that has a significant impact on the carrying amounts in the financial statement. The carrying amount of these properties at the time of disposal was EUR 1.5bn.

More information on lease contracts can be found in Note G21 "Leasing".

Classification of additional Tier 1 instruments

Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. These instruments also include a requirement for Nordea to pay interest if the instruments are no longer allowed to be included in Tier 1 capital. If there is a requirement to pay interest based on the occurrence or non-occurrence of an uncertain future event that is beyond the control of both the issuer and the holder of the instrument, the instrument shall be classified as a financial liability. The inclusion of the subordinated loan in Tier 1 capital is decided by the regulators and is thus beyond the control of Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities.

Assessing control for consolidation purposes

One decisive variable when assessing if Nordea controls another entity is whether Nordea is exposed to variability in returns from the investment. For structured entities where voting rights are not the dominant factor when determining control, critical judgement has to be exercised when defining when Nordea is exposed to significant variability in returns. Nordea's critical judgement is that Nordea is normally exposed to variability in returns when Nordea receives more than 30% of the return produced by the structured entity. This is only relevant for structured entities where Nordea also is the investment manager and thus have influence over the return produced by the structured entity.

Another judgement relating to control is whether Nordea acts as an agent or as a principal. For unit linked and other contracts where the policyholder/depositor decides both the amount and which assets to invest in, Nordea is considered to act as an agent and thus does not have control.

Judgement also has to be exercised when assessing if a holding of a significant, but less than majority, share of voting rights constitute a so called de facto control and to what extent potential voting rights need to be considered in the control assessment. Nordea's assessment is that Nordea does currently not control any entities where the share of voting rights is below 50%.

Translation of assets and liabilities denominated in foreign currencies

Nordea's accounting policies covering the translation of assets and liabilities denominated in foreign currencies is described in section 9 "Translation of assets and liabilities denominated in foreign currencies".

When reporting consolidated financial statements, the parent company Nordea Bank AB (publ) has been assessed to have two functional currencies, SEK and EUR, based on the different activities. The functional currency of the normal banking operations is SEK and the functional currency of the entity holding equity, shares in group undertakings and the funding of those shares is EUR. It is Nordea's assessment that one legal entity can consist of different entities with different functional currencies.

Valuation of deferred tax assets

Nordea's accounting policy for the recognition of deferred tax assets is described in section 21 "Taxes" and Note G11 "Taxes".

The valuation of deferred tax assets is influenced by management's assessment of Nordea's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation.

The carrying amount of deferred tax assets was EUR 60m (EUR 76m) at the end of the year.

Claims in civil lawsuits

Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. See also Note G31 "Provisions" and Note G36 "Contingent liabilities".

5. Principles of consolidation

Consolidated entities

The consolidated financial statements include the accounts of the parent company Nordea Bank AB (publ), and those entities that the parent company controls. Control exists when Nordea is exposed to variability in returns from its investments in another entity and has the ability to affect those returns through its power over the other entity. Control is generally achieved when the parent company owns, directly or indirectly through group undertakings, more than 50 per cent of the voting rights. For entities where voting rights does not decide control, see section "Structured entities" below.

All group undertakings are consolidated using the acquisition method, except for the forming of Nordea in 1997–98 when the holding in Nordea Bank Finland Plc was

G1. Accounting policies, cont.

consolidated using the pooling method. Under the acquisition method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the group undertaking's assets and assumes its liabilities and contingent liabilities. The group's acquisition cost is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for the identifiable net assets acquired. Costs directly attributable to the business combination are expensed.

As at the acquisition date Nordea recognises the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

For each business combination Nordea measures the non-controlling interest in the acquired business either at fair value or at their proportionate share of the acquired identifiable net assets.

When the aggregate of the consideration transferred in a business combination and the amount recognised for non-controlling interest exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is recognised immediately in the income statement.

Equity and net income attributable to non-controlling interests are separately disclosed on the balance sheet, income statement and statement of comprehensive income.

Intra-group transactions and balances between the consolidated group undertakings are eliminated.

The group undertakings are included in the consolidated accounts as from the date on which control is transferred to Nordea and are no longer consolidated as from the date on which control ceases.

In the consolidation process the reporting from the group undertakings is adjusted to ensure consistency with the IFRS principles applied by Nordea.

Note P20 "Investments in group undertakings" lists the major group undertakings in the Nordea Group.

Investments in associated undertakings and joint ventures

The equity method of accounting is used for associated undertakings where the share of voting rights is between 20 and 50 per cent and/or where Nordea has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

The equity method of accounting is also used for joint ventures where Nordea has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments within Nordea's investment activities, which are classified as a venture capital organisation within Nordea, are measured at fair value in accordance with the rules set out in IAS 28 and IAS 39. Further information on the equity method is disclosed in section 6 "Recognition of operating income and impairment".

Profits from companies accounted for under the equity method are reported post-taxes in the income statement. Consequently, the tax expense related to these profits is not included in the income tax expense for Nordea.

Nordea does generally not have any sales or contribution of assets to or from associated undertakings or joint ventures. Other transactions between Nordea and its associated undertakings or joint ventures are not eliminated.

Note G19 "Investments in associated undertakings and joint ventures" lists the major associated undertakings in the Nordea Group.

Structured entities

A structured entity is an entity created to accomplish a narrow and well defined objective where voting rights are not the dominant factor in determining control. Often legal arrangements impose strict limits on the decision making powers of the management over the on-going activities of a structured entity. The same consolidation requirements apply to these entities, but as voting rights do not decide whether control exists, other factors are used to determine control.

Power can exist due to agreements or other types of influence over a structured entity. Nordea normally has power over entities sponsored or established by Nordea. Nordea has created a number of structured entities to allow clients to invest in assets invested in by the structured entity. Some structured entities invest in tradable financial instruments, such as shares and bonds (mutual funds). Structured entities can also invest in structured credit products or acquire assets from customers of Nordea, although only one such structured entity currently exists. Nordea is generally the investment manager and has sole discretion about investments and other administrative decisions and thus has power over these entities.

Typically, Nordea will receive service and commission fees in connection with the creation of the structured entity, or because it acts as investment manager, custodian or in some other function. Such income is normally not significant enough to expose Nordea to variability in returns and will thus not trigger consolidation. In some structured entities Nordea has also supplied substantial parts of the funding in the form of fund units, loans or credit commitments. In these structured entities Nordea is exposed to variability in returns and as the power over these entities affects the return, these structured entities are consolidated. Nordea normally considers a share of more than 30% of the return produced by a structured entity to give rise to variability and thus give control. Variability is measured as the sum of fees received and revaluation of assets held. For unit linked and other contracts where the policyholder/depositor decide both the amount and which assets to invest in, Nordea is considered to act as an agent and does thus not have control.

Further information about consolidated and unconsolidated structured entities is disclosed in note G47 "Interests in structured entities".

Currency translation of foreign entities

The consolidated financial statements are prepared in euro (EUR), the presentation currency of the parent company Nordea Bank AB (publ). The current method is used when translating the financial statements of foreign entities into EUR from their functional currency. The assets and liabilities of foreign entities have been translated at the closing rates, while items in the income statement and statement of comprehensive income are translated at the average exchange rate for the year. The average exchange rates are calculated based on daily exchange rates divided by the number of banking days in the period. Translation differences are accounted for in other comprehensive income and are accumulated in the translation reserve in equity.

Goodwill and fair value adjustments arising from the acquisition of group undertakings are treated as items in the same functional currency as the cash generating unit to which they belong and are also translated at the closing rate.

Information on the most important exchange rates is disclosed in the separate section 28 "Exchange rates".

6. Recognition of operating income and impairment

Net interest income

Interest income and expense are calculated and recognised based on the effective interest rate method or, if considered

G1. Accounting policies, cont.

appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate equals the rate that discounts the contractual future cash flows to the carrying amount of the financial asset or financial liability.

Interest income and expenses from financial instruments are, with the exceptions described below, classified as "Net interest income".

Interest income and interest expense related to all balance sheet items held at fair value in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value" in the income statement. Also the interest on the net funding of the operations in Markets is recognised on this line.

The interest component in FX swaps, and the interest paid and received in interest rate swaps plus changes in accrued interest, is classified as "Net result from items at fair value", apart for derivatives used for hedging, including economical hedges of Nordea's funding, where such components are classified as "Net interest income".

Net fee and commission income

Nordea earns commission income from different services provided to its customers. The recognition of commission income depends on the purpose for which the fees are received. Fees are either recognised as revenue when services are provided or in connection to the execution of a significant act. Fees received in connection to performed services are recognised as income in the period these services are provided. A loan syndication fee received as payment for arranging a loan, as well as other fees received as payments for certain acts, are recognised as revenue when the act has been completed, i.e. when the syndication has been finalised.

Commission expenses are normally transaction based and recognised in the period when the services are received.

Income from issued financial guarantees and expenses from bought financial guarantees, are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense" respectively.

Net result from items at fair value

Realised and unrealised gains and losses on financial instruments measured at fair value through profit or loss are recognised in the item "Net result from items at fair value".

Realised and unrealised gains and losses derive from:

- Shares/participations and other share-related instruments
- Interest-bearing securities and other interest-related instruments
- Other financial instruments, including credit derivatives as well as commodity instruments/derivatives
- Foreign exchange gains/losses
- Investment properties, which include realised and unrealised income, for instance revaluation gains and losses. This line also includes realised results from disposals as well as the running property yield stemming from the holding of investment properties.

Interest income and interest expense related to all balance sheet items held at fair value in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value" in the income statement. Also the interest on the net funding of the operations in Markets is recognised on this line.

Also the ineffective portion of cash flow hedges and net investment hedges as well as recycled gains and losses on financial instruments classified into the category Available for sale are recognised in "Net result from items at fair value".

This item also includes realised gains and losses from financial instruments measured at amortised cost, such as interest compensation received and realised gains/losses on buy-backs of issued own debt.

"Net result from items at fair value" includes also losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss as well as impairment on instruments classified into the category Available for sale. However, the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 "Financial instruments" and Note G40 "Assets and liabilities at fair value") are reported under "Net loan losses". Impairment losses from instruments within other categories are recognised in the items "Net loan losses" or "Impairment of securities held as financial non-current assets" (see also the sub-sections "Net loan losses" and "Impairment of securities held as financial non-current assets" below).

Dividends received are recognised in the income statement as "Net result from items at fair value" and classified as "Shares/participations and other share-related instruments" in the note. Income is recognised in the period in which the right to receive payment is established.

The income recognition and descriptions of the lines relating to life insurance are described in section 7 "Income recognition life insurance" below.

Profit from companies accounted for under the equity method

The profit from companies accounted for under the equity method is defined as the post-acquisition change in Nordea's share of net assets in the associated undertakings and the joint ventures. Nordea's share of items accounted for in other comprehensive income in the associated undertakings nd the joint ventures is accounted for in other comprehensive income in Nordea. Profits from companies accounted for under the equity method are, as stated in section 5 "Principles of consolidation", reported in the income statement post-taxes. Consequently the tax expense related to these profits is excluded from the income tax expense for Nordea.

Fair values are, at acquisition, allocated to the associated undertaking's and the joint venture's identifiable assets, liabilities and contingent liabilities. Any difference between Nordea's share of the fair values of the acquired identifiable net assets and the purchase price is goodwill or negative goodwill. Goodwill is included in the carrying amount of the associated undertaking and the joint venture. Subsequently the investment in the associated undertaking and the joint venture increases/decreases with Nordea's share of the post-acquisition change in net assets in the associated undertaking and the joint venture and decreases through received dividends and impairment. An impairment charge can be reversed in a subsequent period.

The change in Nordea's share of the net assets is generally based on monthly reporting from the associated undertakings. For some associated undertakings and joint ventures not individually significant the change in Nordea's share of the net assets is based on the external reporting of the associated undertakings and the joint ventures and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated undertakings and the joint ventures is, if applicable, adjusted to comply with Nordea's accounting policies.

G1. Accounting policies, cont.

Other operating income
Net gains from divestments of shares in group undertakings, associated undertakings and joint ventures and net gains on sale of tangible assets as well as other operating income, not related to any other income line, are generally recognised when it is probable that the benefits associated with the transaction will flow to Nordea and if the significant risks and rewards have been transferred to the buyer (generally when the transactions are finalised).

Net loan losses
Impairment losses from financial assets classified into the category Loans and receivables (see section 13 "Financial instruments"), in the items "Loans to central banks", "Loans to credit institutions" and "Loans to the public" on the balance sheet, are reported as "Net loan losses" together with losses from financial guarantees. Also the fair value adjustments of credit risk on loans granted in accordance with the Danish mortgage finance law (see section 13 "Financial instruments" and Note G40 "Assets and liabilities at fair value") are reported under "Net loan losses". Losses are reported net of any collateral and other credit enhancements. Nordea's accounting policies for the calculation of impairment losses on loans can be found in section 14 "Loans to the public/credit institutions".

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, including credit derivatives but excluding loans held at fair value as described above, as well as impairment on financial assets classified into the category Available for sale are reported under "Net result from items at fair value".

Impairment of securities held as financial non-current assets
Impairment on investments in interest-bearings securities, classified into the categories Loans and receivables or Held to maturity, and on investments in associated undertakings and joint ventures are classified as "Impairment of securities held as financial non-current assets" in the income statement. The policies covering impairment of financial assets classified into the categories Loans and receivables and Held to maturity are disclosed in section 13 "Financial instruments" and section 14 "Loans to the public/credit institutions".

If observable indicators (loss events) indicate that an associated undertaking or the joint ventures is impaired, an impairment test is performed to assess whether there is objective evidence of impairment. The carrying amount of the investment in the associated undertaking or the joint venture is compared with the recoverable amount (higher of value in use and fair value less cost to sell) and the carrying amount is written down to the recoverable amount if required.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

7. Income recognition life insurance
Premiums received, and repayments to policyholders, related to the saving part of the life insurance contracts are reported as increases or decreases of liabilities to policyholders. See further information in section 19 "Liabilities to policyholders".

The total income from life insurance mainly consists of the following components:
- Cost result
- Insurance risk result
- Risk and performance margin
- Investment return on additional capital in life insurance

The result from these components is, except for the cost result and the risk and performance margin relating to Unit Linked and Investment contracts, included in "Net result from items at fair value".

The cost result is the result of expense loading from policyholders and is included in the item "Fee and commission income", together with the risk and performance margin relating to Unit Linked and Investment contracts. The related expenses are included in the items "Fee and commission expense" and "Operating expenses". The policyholder's part of a positive or negative cost result (profit sharing) is included in the note line "Change in technical provisions, Life insurance" within Note G5 "Net result from items at fair value".

The insurance risk result consists of income from individual risk products and from unbundled life insurance contracts as well as Health and personal accident insurance. The risk premiums are amortised over the coverage period as the provisions are reduced when insurance risk is released. A large part of the unbundled risk result from traditional life insurance is subject to profit sharing, which means that the policyholders receive a part of a net income or a net deficit. The risk income and the risk expenses are presented gross on the lines "Insurance risk income, Life insurance" and "Insurance risk expense, Life insurance" in Note G5 "Net result from items at fair value". The policyholder's part of the result is included in the line "Change in technical provisions, Life insurance" in the note.

Gains and losses derived from investments in Nordea Life & Pensions are split on the relevant lines in Note G5 "Net result from items at fair value" as for any other investment in Nordea. The lines include investment return on assets held to cover liabilities to policyholders and return on the additional capital allocated to Nordea Life & Pensions (Shareholders capital in the Nordea Life & Pensions group).

The note line "Change in technical provisions, Life insurance" in Note G5 "Net result from items at fair value" includes:
- Investment returns on assets held to cover liabilities to policyholders (including liabilities from traditional life insurance, unit linked insurance and investment contracts), individually transferred to policyholders' accounts according to the contracts.
- Additional bonus (discretionary participation feature) to policyholders concerning traditional life insurance contracts or any other transfers to the policyholders to cover a periodical deficit between the investment result and any agreed minimum benefit to the policyholders.
- Risk and performance margin regarding traditional life insurance products according to local allocation rules in each Nordea Life & Pensions unit and according to contracts with policyholders. The recognition of a risk and performance margin in the income statement is mainly conditional on a positive result for traditional life insurance contracts. Risk and performance margins not possible to recognise in the current period due to poor investment results can, in some countries, partly or wholly be deferred to years with higher returns.
- The policyholders' part of the cost- and risk result regarding traditional life insurance contracts or unit linked contracts.

The note line "Change in collective bonus potential, Life insurance" in Note G5 "Net result from items at fair value" relates only to traditional life insurance contracts. The line includes policyholders' share of investment returns not yet individualised. The line includes also additional bonus (discretionary participation feature) and amounts needed to cover a periodical deficit between the investment result and any minimum benefits to the policyholders.

G1. Accounting policies, cont.

8. Recognition and derecognition of financial instruments on the balance sheet

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (reclassified to the items "Other assets" or "Other liabilities" on the balance sheet between trade date and settlement date) from the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on settlement date.

Financial assets, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterpart has performed by e.g. repaying a loan to Nordea, i.e. on settlement date.

In some cases, Nordea enters into transactions where it transfers assets that are recognised on the balance sheet, but retains either all or a portion of risks and rewards from the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. If Nordea's counterpart can sell or repledge the transferred assets, the assets are reclassified to the item "Financial instruments pledged as collateral" on the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include e.g. securities lending agreements and repurchase agreements.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally reclassified to "Other liabilities" on the balance sheet on trade date.

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within section 13 "Financial instruments", as well as Note G43 "Transferred assets and obtained collaterals".

9. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity (subsidiary or branch) is decided based upon the primary economic environment in which the entity operates. The parent company Nordea Bank AB (publ) uses two functional currencies (in addition to the functional currencies of the branches), SEK and EUR for reporting in consolidated accounts, based on the different activities in the underlying business.

Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from items at fair value".

Translation differences on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in other comprehensive income, to the extent the hedge is effective. This is performed in order to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea. Any ineffectiveness is recognised in the income statement in the item "Net result from items at fair value".

10. Hedge accounting

Nordea applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

Nordea uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments as well as to hedge the exposure to variability in future cash flows and the exposure to net investments in foreign operations.

There are three forms of hedge accounting:

- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments

Fair value hedge accounting

Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result is close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

Fair value hedge accounting in Nordea is performed mainly on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net result from items at fair value".

Hedged items

A hedged item in a fair value hedge can be a recognised single asset or liability, an unrecognised firm commitment, or a portion thereof. The hedged item can also be a group of assets, liabilities or firm commitments with similar risk characteristics. Hedged items in Nordea consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments

The hedging instruments used in Nordea are predominantly interest rate swaps and cross currency interest rate swaps, which are always held at fair value. Cash instruments are only used as hedging instruments when hedging currency risk.

Cash flow hedge accounting

Cash flow hedge accounting can be used for the hedging of exposure to variations in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the

G1. Accounting policies, cont.

hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity through other comprehensive income are recycled and recognised in the income statement in the same period as the hedged item affects profit or loss, normally in the period that interest income or interest expense is recognised.

Hedged items

A hedged item in a cash flow hedge can be highly probable floating interest rate cash flows from recognised assets or liabilities or from future assets or liabilities. Nordea uses cash flow hedges when hedging currency risk in future payments of interest and principal in foreign currency.

Hedging instruments

The hedging instruments used in Nordea are predominantly cross currency interest rate swaps, which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk.

Hedges of net investments

See separate section 9 "Translation of assets and liabilities denominated in foreign currencies".

Hedge effectiveness

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent. When assessing hedge effectiveness retrospectively Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis. The hypothetical derivative method is used when measuring the effectiveness of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedge relationship does not fulfil the requirements, hedge accounting is terminated. For fair value hedges the hedging instrument is reclassified to a trading derivative and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

In cash flow hedges, changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net result from items at fair value" in the income statement if the expected transaction no longer is expected to occur. If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

11. Determination of fair value of financial instruments

Financial assets and liabilities classified into the categories Financial assets/liabilities at fair value through profit or loss (including derivative instruments) are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement in the item "Net result from items at fair value".

Fair value is defined as the price that at the measurement date would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. The absolute level for liquidity and volume required for a market to be considered active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and, correspondingly, the age limit for the prices used for establishing fair value is higher.

The trade frequency and volume are monitored regularly in order to assess if markets are active or non-active. Nordea is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)
- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

Valuation techniques can range from simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters. The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, e.g. quoted prices from exchanges, the counterparty´s valuations, price data from consensus services etc.

Nordea is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- Loans to the public (mortgage loans in Nordea Kredit Realkreditaktieselskab)
- Interest-bearing securities (when quoted prices in an active market arenot available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC-derivatives)

G1. Accounting policies, cont.

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

Note G40 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:

- quoted prices in active markets for the same instrument (level 1),
- valuation technique using observable data (level 2), and
- valuation technique using non-observable data (level 3).

The valuation models applied by Nordea are consistent with accepted economic methodologies for pricing financial instruments and incorporate the factors that market participants consider when setting a price.

New valuation models are subject to approval by the Model Risk Committee and all models are reviewed on a regular basis.

For further information, see Note G40 "Assets and liabilities at fair value".

12. Cash and balances with central banks

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

- The central bank or the postal giro system is domiciled in the country where the institutions is established
- The balance is readily available at any time

13. Financial instruments

Classification of financial instruments

Each financial instrument has been classified into one of the following categories:

Financial assets:

- Financial assets at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (fair value option)
- Loans and receivables
- Held to maturity
- Available for sale

Financial liabilities:

- Financial liabilities at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (fair value option)
- Other financial liabilities

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In Note G39 "Classification of financial instruments" the classification of the financial instruments on Nordea's balance sheet into different categories is presented.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from items at fair value".

The category consists of two sub-categories; Held for trading and Designated at fair value through profit or loss (fair value option).

The sub-category Held for trading mainly contains derivative instruments that are held for trading purposes, interest-bearing securities and shares within Markets and Treasury. It also contains trading liabilities such as short-selling positions and lending in reverse repurchase agreements.

The major parts of the financial assets/liabilities classified into the category Designated at fair value through profit or loss are mortgage loans and related issued bonds in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and interest-bearing securities, shares and investment contracts in Nordea Life & Pensions.

Assets and liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law Nordea at the same time issues bonds with matching terms, so called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and return them to Nordea as a settlement of the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. If the loans and bonds were measured at amortised cost such buy-backs of bonds would give rise to an accounting mismatch as any gains or losses would have to be recognised immediately in the income statement. If such bonds are subsequently sold in the market any premium or discount would be amortised over the expected maturity, which would also create an accounting mismatch. To avoid such an accounting mismatch Nordea measures both the loans and bonds at fair value through profit or loss.

Interest-bearing securities, shares and investment contracts (defined in section 19 "Liabilities to policyholders") in Nordea Life & Pensions are generally also classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category Designated at fair value through profit or loss. This applies also to assets held under insurance contracts (defined in section 19 "Liabilities to policyholders"), which are classified into the category Designated at fair value through profit or loss to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also assets held under so called "pooled schemes", which is a product similar to unit-linked insurance, are classified into the category Designated at fair value through profit or loss to avoid an accounting mismatch with the related deposits that are managed at fair value and consequently also classified into the category Designated at fair value through profit or loss.

Nordea also applies the fair value option on certain financial assets and financial liabilities related to Markets. The

G1. Accounting policies, cont.

classification stems from that Markets is managing and measuring its financial assets and liabilities at fair value. Consequently, the majority of financial assets and financial liabilities in Markets are classified into the categories Financial assets/ Financial liabilities at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 14 "Loans to the public/ credit institutions".

Held to maturity
Financial assets that Nordea has chosen to classify into the category Held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that Nordea has the positive intent and ability to hold to maturity. Financial assets classified into the category Held to maturity are initially recognised on the balance sheet at the acquisition price, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

If more than an insignificant amount of the Held to maturity portfolio is sold or transferred the Held to maturity category is tainted, except for if the sale or transfer either occur close to maturity, after substantially all of the original principal is already collected, or due to an isolated non-recurring event beyond the control of Nordea.

Nordea assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows and is recognised as "Impairment of securities held as financial non-current assets" in the income statement. See section 14 "Loans to the public/credit institutions" for more information on the identification and measurement of objective evidence of impairment, which is applicable also for interest-bearings securities classified into the category Held to maturity.

Available for sale
Financial instruments classified into the category Available for sale are measured at fair value. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income" and foreign exchange effects and impairment losses in the item "Net result from items at fair value" in the income statement.

When an instrument classified into the category Available for sale is disposed of, the fair value changes that previously have been accumulated in the fair value reserve (related to Available for sale investments) in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from items at fair value".

Financial assets classified into the category Available for sale are assessed in order to determine any need for impairment losses. If there is objective evidence of impairment, the accumulated loss that has been recognised in other comprehensive income is removed from equity and recognised as "Net result from items at fair value" in the income statement. The amount of the accumulated loss that is recycled from equity is the difference between the asset's acquisition cost and current fair value. For equity investments a prolonged or significant decline in the fair value, compared to the acquisition cost, is considered to be objective evidence of impairment. Objective evidence of impairment for a debt instrument is rather connected to a loss event, such as an issuer's financial difficulty.

Other financial liabilities
Financial liabilities, other than those classified into the category Financial liabilities at fair value through profit or loss, are measured at amortised cost. Interest on Other financial liabilities is recognised in the item "Interest expense" in the income statement.

Hybrid (combined) financial instruments
Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds.

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The zero coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item "Net result from items at fair value".

Index-linked bonds issued by Markets as part of the trading portfolio are classified into the category Held for trading, and the entire combined instrument, host contract together with the embedded derivative, is measured at fair value through profit or loss. Changes in fair values are recognised in the income statement in the item "Net result from items at fair value". From a presentation perspective the host contract is on the balance sheet presented as "Debt securities in issue" and the embedded derivative as "Derivatives".

Securities borrowing and lending agreements
Generally, securities borrowing and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not recognised on or derecognised from the balance sheet. In the cases where the counterpart is entitled to resell or repledge the securities, the securities are reclassified to the balance sheet item "Financial instruments pledged as collateral".

Securities in securities lending transactions are also disclosed in the item "Assets pledged as security for own liabilities".

Cash collateral advanced (securities borrowing) to the counterparts is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public". Cash collateral received (securities lending) from the counterparts is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public".

Repurchase and reverse repurchase agreements
Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are reclassified to the balance sheet line "Financial instruments pledged as collateral".

G1. Accounting policies, cont.

Securities delivered under repurchase agreements are also disclosed in the item "Assets pledged as security for own liabilities".

Cash received under repurchase agreements is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public". Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public".

Additionally, the sale of securities received in reverse repurchase agreements trigger the recognition of a trading liability (short sale).

Derivatives
All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result from items at fair value".

Offsetting of financial assets and liabilities
Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously. This is generally achieved through the central counterparty clearing houses that Nordea has agreements with.

Exchanged traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received and the instrument is reset to market terms. Derivative assets and liabilities against central counterparty clearing houses are, as mentioned above, generally set off on the balance sheet, but net cash collateral received or paid is generally accounted for separately as cash collateral paid (asset) or received (liability), which is also the case for cash collateral paid or received in bilateral OTC derivative transactions. Cash collateral paid or received in bilateral OTC derivative transactions are consequently not offset against the fair value of the derivatives.

Issued debt and equity instruments
A financial instrument issued by Nordea is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual arrangement results in Nordea having a present obligation to either deliver cash or another financial asset, or a variable number of equity instruments to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and classified as equity, net of transaction costs. Where issued financial instruments contain both liability and equity components, these are accounted for separately.

14. Loans to the public/credit institutions
Financial instruments classified as "Loans to the public/credit institutions" (including loans to central banks) on the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 8 "Recognition and derecognition of financial instruments on the balance sheet" as well as Note G39 "Classification of financial instruments").

Nordea monitors loans as described in the separate section on Risk, Liquidity and Capital management. Loans attached to individual customers or groups of customers are identified as impaired if the impairment tests indicate an objective evidence of impairment.

Also interest-bearings securities classified into the categories Loans and receivables and Held to maturity are held at amortised cost and the description below is valid also for the identification and measurement of impairment on these assets. Possible impairment losses on interest-bearing securities classified into the categories Loans and receivables and Held to maturity are recognised as "Impairment of securities held as non-current financial assets" in the income statement.

Impairment test of individually assessed loans
Nordea tests all loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have become impaired. As a first step in the identification process for impaired loans, Nordea monitors whether there are indicators of impairment (loss event) and whether these loss events represent objective evidence of impairment. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section.

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

Impairment test of collectively assessed loans
Loans not impaired on an individual basis are collectively tested for impairment.

These loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors´ ability to pay all amounts due according to the contractual terms. Nordea monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea identifies loss events indicating incurred losses in a group. A loss event is an event resulting in a deterioration of the expected future cash flows. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

The objective for the group assessment process is to evaluate if there is a need to make a provision due to the fact that a loss event has occurred, which has not yet been identified on an individual basis. This period between the date when the loss event occurred and the date when it is identified on an individual basis is called "Emergence period". The impairment remains related to the group of loans until the losses have been identified on an individual basis. The identification of the loss is made through a default of the engagement or by other indicators.

For corporate customers and bank counterparts, Nordea uses the existing rating system as a basis when assessing the credit risk. Nordea uses historical data on probability of default to estimate the risk for a default in a rating class. These loans are rated and grouped mostly based on type of industry and/or sensitivity to certain macro parameters, e.g. dependency to oil prices etc.

Personal customers and small corporate customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management. Rating and scoring models are described in more detail in the separate section on Risk, Liquidity and Capital management.

Impairment loss
If the carrying amount of the loans is higher than the sum of the net present value of estimated cash flows (discounted with the original effective interest rate), including the fair value of the collaterals and other credit enhancements, the difference is the impairment loss.

For significant loans that have been individually identified

G1. Accounting policies, cont.

as impaired the measurement of the impairment loss is made on an individual basis.

For insignificant loans that have been individually identified as impaired and for loans not identified as impaired on an individual basis the measurement of the impairment loss is measured using a portfolio based expectation of the future cash flows.

If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses are accounted for as changes in the allowance account and as "Net loan losses" in the income statement (see also section 6 "Recognition of operating income and impairment").

If the impairment loss is regarded as final, it is reported as a realised loss and the value of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legal based or voluntary reconstruction or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. Concessions made in reconstructions are regarded as loan losses unless Nordea retains the possibility to regain the loan losses incurred. In the event of a recovery the payment is reported as a recovery of loan losses.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquire an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For example a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Available for sale or Designated at fair value through profit or loss (fair value option) (see section 13 "Financial instruments") and measured at fair value. Changes in fair values are recognised in other comprehensive income for assets classified into the category Available for sale. For assets classified into the category Designated at fair value through profit or loss, changes in fair value are recognised in the income statement under the line "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

15. Leasing

Nordea as lessor

Finance leases

Nordea's leasing operations mainly comprise finance leases. A finance lease is reported as a receivable from the lessee in the balance sheet item "Loans to the public" at an amount equal to the net investment in the lease. The lease payment, excluding cost of services, is recorded as repayment of principal and interest income. The income allocation is based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of the finance lease.

Operating leases

Assets subject to operating leases on the balance sheet are reported in accordance with the nature of the assets, in general as properties and equipment. Leasing income is recognised as income on a straight-line basis over the lease term and classified as "Net interest income". The depreciation of the leased assets is calculated on the basis of Nordea's depreciation policy for similar assets and reported as "Depreciation, amortisation and impairment charges of tangible and intangible assets" in the income statement.

Nordea as lessee

Finance leases

Finance leases are recognised as assets and liabilities on the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between finance charge and reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment testing of leased assets is performed following the same principles as for similar owned assets.

Operating leases

Operating leases are not recognised on Nordea's balance sheet. For operating leases the lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea's benefit. The original lease terms normally range between 3 to 25 years.

Operating leasing is mainly related to office premises contracts and office equipment contracts normal to the business.

The central district properties in Finland, Norway and Sweden that Nordea has divested are leased back. The duration of the lease agreements was initially 3–25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, nor any economic benefits from appreciation in value of the leased properties. In addition, the lease term is not for the major part

G1. Accounting policies, cont.

of the assets' economic life. These leases are thus classified as operating leases. The rental expense for these premises is recognised on the basis of the time-pattern of Nordea's economic benefit which differs from the straight-line basis and better resembles an ordinary rental arrangement.

Embedded leases

Agreements can contain a right to use an asset in return for a payment, or a series of payments, although the agreement is not in the legal form of a leasing contract. If applicable, these assets are separated from the contract and accounted for as leased assets.

16. Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under Nordea's control, which means that Nordea has the power and rights to obtain the future economic benefits flowing from the underlying resource. The intangible assets in Nordea mainly consist of goodwill, IT-development/computer software and customer related intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking/joint venture at the date of acquisition. Goodwill on acquisition of group undertakings and joint ventures is included in "Intangible assets". Goodwill on acquisitions of associated undertaking is not recognised as a separate asset, but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings and joint ventures is not tested for impairment separately, but included in the total carrying amount of the associated undertakings and the joint ventures. The policies covering impairment testing of associated undertakings and joint ventures is disclosed in section 6 "Recognition of operating income and impairment".

IT-development/Computer software

Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software includes also acquired software licenses not related to the function of a tangible asset.

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 10 years.

Customer related intangible assets

In business combinations a portion of the purchase price is normally allocated to a customer related intangible asset, if the asset is identifiable and under Nordea's control. An intangible asset is identifiable if it arises from contractual or legal rights, or could be separated from the entity and sold, transferred, licenced, rented or exchanged. The asset is amortised over its useful life, generally over 10 years.

Impairment

Goodwill and IT-development not yet taken into use is not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all intangible assets with definite useful lives, including IT-development taken into use, are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of fair value less costs to sell and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates largely independent cash flows in relation to other assets. For goodwill and IT-development not yet taken into use, the cash generating units are defined as the operating segments. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a rate based on the long-term risk free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note G20 "Intangible assets" for more information on the impairment testing.

17. Properties and equipment

Properties and equipment includes own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of properties and equipment comprise its purchase price, as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Properties and equipment is depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis. Below follows the current estimates:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

At each balance sheet date, Nordea assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and any impairment loss is recognised.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

G1. Accounting policies, cont.

18. Investment properties

Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of the properties in Nordea are attributable to Nordea Life & Pensions. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from items at fair value".

19. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policyholders for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland and Denmark.

An insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder".

Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period.

The contracts can be divided into the following classes:

- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature
  - Unit-Linked contracts with significant insurance risk
  - Health and personal accident
- Investment contracts:
  - Investment contracts with discretionary participation feature
  - Investment contracts without discretionary participation feature

Insurance contracts

The measurement principles under local GAAP have been maintained consequently resulting in a non-uniform accounting policies method on consolidation.

The measurement of traditional life insurance provisions in Denmark and Finland are prepared by calculating the present value of future benefits, to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision, in addition, includes bonus potential on paid policies and on future premiums.

In Norway the traditional life insurance provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates adjusted for assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is related to the solvency rules and national regulation concerning profit sharing and other requirements about collective bonus potential (not allocated provisions that protect the policyholders).

Unit-Linked contracts represent life insurance provisions relating to Unit-Linked policies written either with or without an investment guarantee. Unit-Linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:

- the fair value of the assets linked to the Unit-Linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis, the same principle as used for general insurance contracts.

Investment contracts

Contracts classified as investment contracts are contracts with policyholders, which do not transfer sufficient insurance risk to be classified as insurance contracts and are written with an investment guarantee or a discretionary participation feature.

Investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Nordea Life & Pension has only a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", equal to fair value of the assets linked to these contracts. These assets are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF-contracts (Collective bonus potential) are classified as liabilities on the balance sheet.

Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included on the balance sheet representing either "Change in technical provisions, Life insurance" and/or "Change in collective bonus potentials, Life insurance", depending on whether the investment result is allocated or not. Both the mentioned lines are included on the balance sheet line "Liabilities to policyholders".

Liability adequacy test

The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabilities is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

G1. Accounting policies, cont.

20. Assets and deposits in pooled schemes and unit-linked investment contracts

Deposit in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the customers or the policyholders. The deposits are invested in different types of financial assets on behalf of the customers and policyholders.

Unit-Linked investment contracts include investment contracts written without any investment guarantees and that do not transfer sufficient insurance risk to be classified as insurance contracts.

The assets and deposits in these contracts are recognised and measured at fair value as described in section 13 above.

21. Taxes

The item "Income tax expense" in the income statement comprises current- and deferred income tax. The income tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings, associated undertakings and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

22. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Bank AB (publ) by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long term incentive programmes.

The potential ordinary shares are only considered to be dilutive, on the balance sheet date, if all performance conditions are fulfilled and if a conversion to ordinary shares would decrease earnings per share. The rights are furthermore considered dilutive only when the exercise price, with the addition of future services, is lower than the period's average share price.

23. Employee benefits

All forms of consideration given by Nordea to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea. Nordea has also issued share-based payment programmes, which are further described in section 26 "Share-based payment".

More information can be found in Note G7 "Staff costs".

Post-employment benefits

Pension plans

The companies within Nordea have various pension plans, consisting of both defined benefit pension plans and defined contribution pension plans, reflecting national practices and conditions in the countries where Nordea operates. Defined benefit pension plans are predominantly sponsored in Sweden, Norway and Finland. The major defined benefit pension plans are funded schemes covered by assets in pension funds/foundations. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation determined using the projected unit credit method, the net amount is recognised as a liability ("Retirement benefit liabilities"). If not, the net amount is recognised as an asset ("Retirement benefit assets"). Non-funded pension plans are recognised as "Retirement benefit liabilities ".

Most pensions in Denmark, but also plans in other countries, are based on defined contribution arrangements that hold no pension liability for Nordea. All defined benefit pension plans are closed for new employees. Nordea also contributes to public pension systems.

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note G32 "Retirement benefit obligations").

G1. Accounting policies, cont.

When establishing the present value of the obligation and the fair value of any plan assets, remeasurement effects may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The remeasurement effects are recognised immediately in equity through other comprehensive income.

When the calculation results in a benefit the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

Discount rate in defined benefit pension plans

The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. In Sweden, Norway and Denmark the observed covered bond credit spreads over the swap curve is derived from the most liquid long dated covered bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In Finland the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligation using the government bond curve.

Termination benefits

As mentioned above termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

Termination benefits are expensed when Nordea has an obligation to make the payment. An obligation arises when there is a formal plan committed to on the appropriate organisational level and when Nordea is without realistic possibility of withdrawal, which normally occurs when the plan has been communicated to the group affected or to their representatives.

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note G7 "Staff costs".

24. Equity

Non-controlling interests

Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank AB (publ).

For each business combination, Nordea measures the non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets.

Share premium reserve

The share premium reserve consists of the difference between the subscription price and the quota value of the shares in Nordea's rights issue. Transaction costs in connection to the rights issue have been deducted.

Other reserves

Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include fair value reserves for cash flow hedges, financial assets classified into the category Available for sale and accumulated remeasurements of defined benefit pension plans, as well as a reserve for translation differences.

Retained earnings

Apart from undistributed profits from previous years, retained earnings include the equity portion of untaxed reserves. Untaxed reserves according to national rules are accounted for as equity net of deferred tax at prevailing tax rates in the respective country.

In addition, Nordea's share of the earnings in associated undertakings and joint ventures, after the acquisition date, that have not been distributed is included in retained earnings.

Treasury shares

Treasury shares are not accounted for as assets. Acquisitions of treasury shares are classified as deductions of "Retained earnings" on the balance sheet. Also own shares in trading portfolios are classified as treasury shares. Divested treasury shares are recognised as an increase of "Retained earnings".

Contracts on Nordea shares that can be settled net in cash are either financial assets or financial liabilities.

25. Financial guarantee contracts and credit commitments

Upon initial recognition, premiums received in issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured, and recognised as a provision on the balance sheet, at the higher of either the received fee less amortisation, or an amount calculated as the discounted best estimate of the expenditure required to settle the present obligation. Changes in provisions are recognised in the income statement in the item "Net loan losses".

Premiums received for financial guarantees are, as stated in section 6 "Recognition of operating income and impairment", amortised over the guarantee period and recognised as "Fee and commission income" in the income statement. Premiums received on credit commitments are generally amortised over the loan commitment period. The contractual amounts are recognised off-balance sheet, financial guarantees in the item "Contingent liabilities" and irrevocable credit commitments in the item "Commitments".

26. Share-based payment

Equity-settled programmes

Nordea has annually issued Long Term Incentive Programmes from 2007 through 2012. Employees participating in these programmes are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea at a significant discount compared to the share price at grant date. The value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. The fair value is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in Performance Share II are reflected as a probability adjustment to the initial estimate of

G1. Accounting policies, cont.

fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

Social security costs are also allocated over the vesting period, in accordance with statement UFR 7 issued by the Swedish Financial Reporting Board: "IFRS 2 and social security contributions for listed enterprises". The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note G7 "Staff costs".

Cash-settled programmes

Nordea has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines, as is also the case with the Executive Incentive Programme (EIP). The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-based programmes. These programmes are fully vested when the payments of variable salaries are initially deferred and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social charges, recognised in the income statement in the item "Net result from items at fair value".

For more information see Note G7 "Staff costs".

27. Related party transactions

Nordea defines related parties as:

- Shareholders with significant influence
- Group undertakings
- Associated undertakings
- Joint ventures
- Key management personnel
- Other related parties

All transactions with related parties are made on an arm's length basis,apart from loans granted to employees, see Note G7 "Staff costs".

Shareholders with significant influence

Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of Nordea but do not control those policies.

Group undertakings

For the definition of group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the Nordea Group is found in Note P20 "Investments in group undertakings".

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing. These transactions are eliminated in the consolidated accounts.

Associated undertakings and joint ventures

For the definition of Associated undertakings and joint ventures see section 5 "Principles of consolidation".

Further information on the associated undertakings and the joint ventures included in the Nordea Group is found in Note G19 "Investments in associated undertakings and joint ventures".

Key management personnel

Key management personnel includes the following positions:

- The Board of Directors
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM)

For information about compensation, pensions and other transactions with key management personnel, see Note G7 "Staff costs".

Other related parties

Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in Nordea Group as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include Nordea's pension foundations.

Information concerning transactions between Nordea and other related parties is found in Note G45 "Related-party transactions".

28. Exchange rates

	Jan–Dec 2016	Jan–Dec 2015
EUR 1 = SEK		
Income statement (average)	9.4675	9.3537
Balance sheet (at end of year)	9.5525	9.1895
EUR 1 = DKK		
Income statement (average)	7.4453	7.4587
Balance sheet (at end of year)	7.4344	7.4626
EUR 1 = NOK		
Income statement (average)	9.2943	8.9434
Balance sheet (at end of year)	9.0863	9.6030
EUR 1 = RUB		
Income statement (average)	74.1913	67.9657
Balance sheet (at end of year)	64.3000	80.6736

G2. Segment reporting

Operating segments

Measurement of Operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as Group Executive Management. The main differences compared to the section "Business area results" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

Basis of segmentation

Compared with the 2015 Annual Report changes in the basis of segmentation have been made following the decision to divide Retail into two Business areas, Personal Banking and Commercial & Business Banking. The business area Personal Banking includes the personal customers formerly included in Retail Banking and the Business area Commercial & Business Banking includes the corporate customers formerly included in Retail Banking. As from the fourth quarter the new business areas are included in the reporting to the Chief Operating Decision Maker (CODM) and are consequently part of the segment reporting in Note G2. The new business areas are further broken down on operating segments. Comparative figures have been restated accordingly.

Financial results are presented for the four main business areas Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management, with further breakdown on operating segments, and for the operating segment Group Corporate Centre. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions and eliminations as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items

Reportable Operating segments

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

Commercial Banking service large corporate customers and Business Banking service small and medium-sized corporate customers. Commercial & Business Banking works with a relationship-driven customer service model with a customer-centric value proposition for Nordea's corporate customers. The Commercial & Business Banking area also consists of Transaction Banking, which services both personal and corporate customers across the Nordea Group. The unit includes Cards, Trade Finance, Nordea Finance, and Cash Management.

Wholesale Banking provides banking and other financial solutions to large Nordic and international corporate, institutional and public companies. The division Corporate & Institutional Banking is a customer oriented organisation serving the largest globally operating corporates. This division is also responsible for Nordea's customers within the financial sector, and offers single products such as funds and equity products as well as consulting services within asset allocation and fund sales. The division Shipping, Offshore & Oil Services is responsible for Nordea's customers within the shipping, offshore and oil services industries and provides tailor made solutions and syndicated loan transactions. Nordea Bank Russia offers a full range of bank services to corporate and private customers in Russia. Capital Markets unallocated includes the result in Capital Markets which is not allocated to the main business areas.

Wealth management provides high quality investment, savings and risk management products. It also manages customers' assets and gives financial advice to affluent and high net worth individuals as well as to institutional investors. The division Private Banking provides wealth planning, full-scale investment advice, credit, and estate planning services to wealthy individuals, businesses and their owners, trusts and foundations. The division Asset Management is responsible for all actively managed investment products including internally managed investment funds and mandates as well as selected externally managed funds, and for serving the institutional asset management customers. Life & Pensions serves Nordea's Retail Private Banking and corporate customers with a full range of pension, endowment and risk products as well as tailor-made advice for bank distribution. Life & Pensions unallocated includes the result in Life & Pensions which is not allocated to the main business areas.

Group Corporate Centre's main objective is to manage the Group's funding and to support the management and control of the Nordea Group. The main income in Group Corporate Centre originates from Group Treasury & ALM.

G2. Segment reporting, cont.

Income statement 2016

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Manage-ment	Group Corporate Centre	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,129	1,114	852	112	507	17	4,731	–4	4,727
Net fee and commission income	1,203	515	644	1,526	–16	1	3,873	–635	3,238
Net result from items at fair value	101	280	801	365	232	–5	1,774	–59	1,715
Profit from associated undertakings accounted for under the equity method	2	11	0	0	–2	102	113	–1	112
Other income	5	22	0	12	1	88	128	7	135
Total operating income	**3,440**	**1,942**	**2,297**	**2,015**	**722**	**203**	**10,619**	**–692**	**9,927**
- of which internal transactions[1]	–774	–419	–410	6	1,578	19	0	–	–
Staff costs	–859	–491	–634	–509	–292	80	–2,705	–221	–2,926
Other expenses	–1,003	–460	–274	–283	57	–76	–2,039	393	–1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets	–50	–31	–20	–19	–64	–2	–186	–42	–228
Total operating expenses	**–1,912**	**–982**	**–928**	**–811**	**–299**	**2**	**–4,930**	**130**	**–4,800**
Profit before loan losses	**1,528**	**960**	**1,369**	**1,204**	**423**	**205**	**5,689**	**–562**	**5,127**
Net loan losses	–62	–161	–296	0	–	–	–519	17	–502
Operating profit	**1,466**	**799**	**1,073**	**1,204**	**423**	**205**	**5,170**	**–545**	**4,625**
Income tax expense	–337	–184	–247	–265	–133	–47	–1,213	354	–859
Net profit for the year	**1,129**	**615**	**826**	**939**	**290**	**158**	**3,957**	**–191**	**3,766**

Balance sheet 31 Dec 2016, EURbn									
Loans to the public[2]	149	80	56	11	–	–	296	22	318
Deposits and borrowings from the public[2]	72	39	44	14	–	–	169	5	174

Income statement 2015

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Manage-ment	Group Corporate Centre	Other Operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,158	1,208	1,006	121	380	7	4,880	83	4,963
Net fee and commission income	1,243	522	605	1,445	–16	1	3,800	–570	3,230
Net result from items at fair value	106	284	830	339	101	–5	1,655	–10	1,645
Profit from associated undertakings accounted for under the equity method	2	10	0	0	0	25	37	2	39
Other income	0	28	3	19	16	178	244	19	263
Total operating income	**3,509**	**2,052**	**2,444**	**1,924**	**481**	**206**	**10,616**	**–476**	**10,140**
- of which internal transactions[1]	–789	–460	–314	14	1,550	–1	0		
Staff costs	–898	–520	–648	–504	–239	33	–2,776	–487	–3,263
Other expenses	–970	–423	–284	–289	135	–23	–1,854	369	–1,485
Depreciation, amortisation and impairment charges of tangible and intangible assets	–54	–24	–19	–8	–45	–2	–152	–57	–209
Total operating expenses	**–1,922**	**–967**	**–951**	**–801**	**–149**	**8**	**–4,782**	**–175**	**–4,957**
Profit before loan losses	**1,587**	**1,085**	**1,493**	**1,123**	**332**	**214**	**5,834**	**–651**	**5,183**
Net loan losses	–146	–170	–157	–1	0	0	–474	–5	–479
Operating profit	**1,441**	**915**	**1,336**	**1,122**	**332**	**214**	**5,360**	**–656**	**4,704**
Income tax expense	–346	–219	–320	–246	–127	–51	–1,309	267	–1,042
Net profit for the year	**1,095**	**696**	**1,016**	**876**	**205**	**163**	**4,051**	**–389**	**3,662**

Balance sheet 31 Dec 2015, EURbn									
Loans to the public[2]	145	80	61	11	–	–	297	44	341
Deposits and borrowings from the public[2]	71	40	47	13	–	–	171	18	189

1) IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined inter-segment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Corporate Centre.

2) The volumes are only disclosed separate for operating segments if separately reported to the Chief Operating Decision Maker.

G2. Segment reporting, cont.

Break-down of Personal Banking

	Personal Banking Nordic		Personal Banking Baltic		Personal Banking Other[1]		Total Personal Banking	
Income statement, EURm	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Net interest income	2,066	2,053	147	145	–84	–40	2,129	2,158
Net fee and commission income	1,593	1,636	37	33	–427	–426	1,203	1,243
Net result from items at fair value	101	127	23	14	–23	–35	101	106
Profit from associated undertakings accounted for under the equity method	2	2	0	0	0	0	2	2
Other income	3	0	2	0	0	0	5	0
Total operating income	**3,765**	**3,818**	**209**	**192**	**–534**	**–501**	**3,440**	**3,509**
- of which internal transactions	–646	–708	–27	–28	–101	–53	–774	–789
Staff costs	–647	–670	–28	–26	–184	–202	–859	–898
Other expenses	–1,385	–1,357	–63	–61	445	448	–1,003	–970
Depreciation, amortisation and impairment charges of tangible and intangible assets	–33	–35	0	–1	–17	–18	–50	–54
Total operating expenses	**–2,065**	**–2,062**	**–91**	**–88**	**244**	**228**	**–1,912**	**–1,922**
Profit before loan losses	**1,700**	**1,756**	**118**	**104**	**–290**	**–273**	**1,528**	**1,587**
Net loan losses	–28	–92	–21	–13	–13	–41	–62	–146
Operating profit	**1,672**	**1,664**	**97**	**91**	**–303**	**–314**	**1,466**	**1,441**
Income tax expense	–384	–399	–22	–22	69	75	–337	–346
Net profit for the year	**1,288**	**1,265**	**75**	**69**	**–234**	**–239**	**1,129**	**1,095**
Balance sheet 31 Dec, EURbn								
Loans to the public	148	144	9	8	–8	–7	149	145
Deposits and borrowings from the public	75	74	5	4	–8	–7	72	71

1) Personal Banking Other includes the areas COO, Products and HR.

Break-down of Commercial & Business Banking

	Business Banking		Commercial Banking		Commercial & Business Banking Other[1]		Total Commercial & Business Banking	
Income statement, EURm	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Net interest income	615	658	482	514	17	36	1,114	1,208
Net fee and commission income	398	408	304	284	–187	–170	515	522
Net result from items at fair value	84	89	234	230	–38	–35	280	284
Profit from associated undertakings accounted for under the equity method	0	0	6	5	5	5	11	10
Other income	0	4	2	7	20	17	22	28
Total operating income	**1,097**	**1,159**	**1,028**	**1,040**	**–183**	**–147**	**1,942**	**2,052**
- of which internal transactions	–306	–335	–123	–121	10	–4	–419	–460
Staff costs	–158	–157	–109	–110	–224	–253	–491	–520
Other expenses	–425	–431	–288	–297	253	305	–460	–423
Depreciation, amortisation and impairment charges of tangible and intangible assets	–5	–5	–3	–3	–23	–16	–31	–24
Total operating expenses	**–588**	**–593**	**–400**	**–410**	**6**	**36**	**–982**	**–967**
Profit before loan losses	**509**	**566**	**628**	**630**	**–177**	**–111**	**960**	**1,085**
Net loan losses	–87	–128	–69	–38	–5	–4	–161	–170
Operating profit	**422**	**438**	**559**	**592**	**–182**	**–115**	**799**	**915**
Income tax expense	–97	–105	–129	–142	42	28	–184	–219
Net profit for the year	**325**	**333**	**430**	**450**	**–140**	**–87**	**615**	**696**
Balance sheet 31 Dec, EURbn								
Loans to the public	37	37	44	44	–1	–1	80	80
Deposits and borrowings from the public	23	22	19	20	–3	–2	39	40

1) Commercial & Business Banking Other includes the areas COO, Transaction Banking, Digital Banking and HR.

G2. Segment reporting, cont.

Break-down of Wholesale Banking

Income statement, EURm	Corporate & Institutional Banking 2016	Corporate & Institutional Banking 2015	Shipping, Offshore & Oil Services 2016	Shipping, Offshore & Oil Services 2015	Banking Russia 2016	Banking Russia 2015	Capital Markets unallocated 2016	Capital Markets unallocated 2015	Wholesale Banking Other[1] 2016	Wholesale Banking Other[1] 2015	Total Wholesale Banking 2016	Total Wholesale Banking 2015
Net interest income	526	601	264	294	178	204	–7	–4	–109	–89	852	1,006
Net fee and commission income	581	539	59	67	14	16	–48	–64	38	47	644	605
Net result from items at fair value	314	307	31	39	16	12	422	434	18	38	801	830
Other income	0	0	0	0	0	1	1	1	–1	1	0	3
Total operating income	**1,421**	**1,447**	**354**	**400**	**208**	**233**	**368**	**367**	**–54**	**–3**	**2,297**	**2,444**
- of which internal transactions	–211	–141	–137	–68	–77	–82	111	58	–96	–81	–410	–314
Staff costs	–33	–38	–18	–19	–35	–42	–287	–297	–261	–252	–634	–648
Other expenses	–415	–404	–46	–45	–18	–21	43	47	162	139	–274	–284
Depreciation, amortisation and impairment charges of tangible and intangible assets	0	0	0	0	–4	–9	0	0	–16	–10	–20	–19
Total operating expenses	**–448**	**–442**	**–64**	**–64**	**–57**	**–72**	**–244**	**–250**	**–115**	**–123**	**–928**	**–951**
Profit before loan losses	**973**	**1,005**	**290**	**336**	**151**	**161**	**124**	**117**	**–169**	**–126**	**1,369**	**1,493**
Net loan losses	–112	–142	–154	–6	–32	–22	0	0	2	13	–296	–157
Operating profit	**861**	**863**	**136**	**330**	**119**	**139**	**124**	**117**	**–167**	**–113**	**1,073**	**1,336**
Income tax expense	–198	–207	–31	–79	–28	–33	–28	–28	38	27	–247	–320
Net profit for the year	**663**	**656**	**105**	**251**	**91**	**106**	**96**	**89**	**–129**	**–86**	**826**	**1,016**
Balance sheet 31 Dec, EURbn												
Loans to the public	39	42	13	13	4	6	–	–	–	–	56	61
Deposits and borrowings from the public	37	41	6	5	1	1	–	–	–	–	44	47

1) Wholesale Banking Other includes the areas International Divisions, COO and HR.

Break-down of Wealth Management

Income statement, EURm	Private Banking 2016	Private Banking 2015	Asset Management 2016	Asset Management 2015	Life & Pensions unallocated 2016	Life & Pensions unallocated 2015	Wealth Management Other[1] 2016	Wealth Management Other[1] 2015	Total Wealth Management 2016	Total Wealth Management 2015
Net interest income	112	120	0	1	0	0	0	0	112	121
Net fee and commission income	632	635	853	761	349	340	–308	–291	1,526	1,445
Net result from items at fair value	87	93	1	2	277	244	0	0	365	339
Other income	10	13	7	5	7	9	–12	–8	12	19
Total operating income	**841**	**861**	**861**	**769**	**633**	**593**	**–320**	**–299**	**2,015**	**1,924**
- of which internal transactions	4	14	1	0	0	0	1	0	6	14
Staff costs	–163	–175	–148	–135	–115	–116	–83	–78	–509	–504
Other expenses	–244	–229	–103	–105	–59	–64	123	109	–283	–289
Depreciation, amortisation and impairment charges of tangible and intangible assets	–9	–4	0	0	–7	–3	–3	–1	–19	–8
Total operating expenses	**–416**	**–408**	**–251**	**–240**	**–181**	**–183**	**37**	**30**	**–811**	**–801**
Profit before loan losses	**425**	**453**	**610**	**529**	**452**	**410**	**–283**	**–269**	**1,204**	**1,123**
Net loan losses	0	–1	0	0	0	0	0	0	0	–1
Operating profit	**425**	**452**	**610**	**529**	**452**	**410**	**–283**	**–269**	**1,204**	**1,122**
Income tax expense	–94	–99	–134	–116	–99	–90	62	59	–265	–246
Net profit for the year	**331**	**353**	**476**	**413**	**353**	**320**	**–221**	**–210**	**939**	**876**
Balance sheet 31 Dec, EURbn										
Loans to the public	11	11	–	–	–	–	–	–	11	11
Deposits and borrowings from the public	14	13	–	–	–	–	–	–	14	13

1) Wealth Management Other includes the areas Savings, COO and HR.

G2. Segment reporting, cont.

Reconciliation between total operating segments and financial statements

	Total operating income, EURm		Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	2016	2015	2016	2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Total Operating segments	10,619	10,616	5,170	5,360	296	297	169	171
Group functions[1]	12	10	–85	–30	–	–	–	–
Unallocated items[2]	–11	64	–1	–243	33	46	12	19
Eliminations	–11	–5	–	–	–	–	–	–
Differences in accounting policies[3]	–682	–545	–459	–383	–11	–2	–7	–1
Total	**9,927**	**10,140**	**4,625**	**4,704**	**318**	**341**	**174**	**189**

1) Consists of Group Risk Management and Control, Group Internal Audit, Chief of staff office, Group Finance & Business Control and Group Compliance.
2) Including non-recurring items 2015 of EUR –263m.
3) Impact from different classification of assets/liabilities held for sale, plan exchange rates and internal allocation principles used in the segment reporting.

Total operating income split on product groups

EURm	2016	2015
Banking products	5,996	6,183
Capital Markets products	1,731	1,793
Savings products & Asset management	1,369	1,341
Life & Pensions	631	593
Other	200	230
Total	**9,927**	**10,140**

Banking products consists of three different product types. Account products includes account based products such as lending, deposits, cards and Netbank services. Transaction products consists of cash management as well as trade and project finance services. Financing products includes asset based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers.

Capital Markets products contains financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds.

Savings products & Asset management includes Investment funds, Discretionary Management, Portfolio Advice, Equity Trading and Pension Accounts. Investment Funds is a bundled product where the fund company invests in stocks, bonds, derivatives or other standardised products on behalf of the fund's shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio Advise is a service provided to support the customers' investment decisions.

Life & Pensions includes life insurance and pension products and services.

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2016	2015	31 Dec 2016	31 Dec 2015
Sweden	2,487	2,590	168	180
Finland	1,855	2,091	92	75
Norway	1,582	1,692	87	80
Denmark	2,839	2,792	217	250
Baltic	336	247	3	10
Luxembourg	280	310	10	5
Russia	158	182	2	5
Other	390	236	37	42
Total	**9,927**	**10,140**	**616**	**647**

Nordea's main geographical markets comprise the Nordic countries, the Baltic countries, Luxembourg and Russia. Revenues and assets are distributed to geographical areas based on the location of the customers' operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

G3. Net interest income

Interest income

EURm	2016	2015
Loans to credit institutions	56	18
Loans to the public	6,630	7,350
Interest-bearing securities	433	551
Other interest income	628	630
Interest income[1]	**7,747**	**8,549**

1) Of which contingent leasing income amounts to EUR 83m (EUR 94m). Contingent leasing income in Nordea consists of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases there will be an offsetting impact from lower funding expenses.

Interest expense

EURm	2016	2015
Deposits by credit institutions	–87	–90
Deposits and borrowings from the public	–414	–652
Debt securities in issue	–3,014	–3,175
Subordinated liabilities	–372	–362
Other interest expenses[1]	867	693
Interest expense	**–3,020**	**–3,586**
Net interest income	**4,727**	**4,963**

1) The net interest income from derivatives, measured at fair value, related to Nordea´s funding. This can have both a positive and negative impact on other interest expense, for further information see Note G1 "Accounting policies".

Interest income from financial instruments not measured at fair value through profit or loss amounts to EUR 5,927m (EUR 6,551m). Interest expenses from financial instruments not measured at fair value through profit or loss amounts to EUR –3,056m (EUR –3,213m).

Interest on impaired loans amounted to an insignificant portion of interest income.

G4. Net fee and commission income

EURm	2016	2015
Asset management commissions	1,369	1.261
- of which income	1,681	1.496
- of which expense	–312	–235
Life & Pension	306	299
- of which income	371	373
- of which expense	–65	–74
Deposit Products	30	31
- of which income	30	31
Brokerage, securities issues and corporate finance	226	225
- of which income	298	301
- of which expense	–72	–76
Custody and issuer services	59	55
- of which income	100	93
- of which expense	–41	–38
Payments	297	307
- of which income	413	408
- of which expense	–116	–101
Cards	226	271
- of which income	360	523
- of which expense	–134	–252
Lending Products	531	548
- of which income	552	562
- of which expense	–21	–14
Guarantees	161	177
- of which income	168	181
- of which expense	–7	–4
Other	33	56
- of which income	126	122
- of which expense	–93	–66
Total	**3,238**	**3,230**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 510m (EUR 506m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 2,349m (EUR 2,171m). The corresponding amounts for fee expenses is EUR –65m (EUR –74m).

G5. Net result from items at fair value

EURm	2016	2015
Equity related instruments	–141	271
Interest related instruments and foreign exchange gains/losses	1,833	1,077
Other financial instruments (including credit and commodities)	–251	56
Investment properties	–1	–4
Life insurance[1]	275	245
Total	**1,715**	**1,645**

1) Internal transactions not eliminated against other lines in the Note. The line Life insurance consequently provides the true impact from the Life insurance operations.

G5. Net result from items at fair value, cont.

Break-down of life insurance

EURm	2016	2015
Equity related instruments	1,338	893
Interest related instruments and foreign exchange gains/losses	970	–148
Investment properties	221	150
Change in technical provisions	–2,491	–529
Change in collective bonus potential	177	–169
Insurance risk income	168	213
Insurance risk expense	–108	–165
Total	**275**	**245**

Net result from categories of financial instruments[1]

EURm	2016	2015
Available for sale assets, realised	69	66
Financial instruments designated at fair value through profit or loss	26	–89
Financial instruments held for trading[2]	249	656
Financial instruments under fair value hedge accounting	–11	–5
- of which net result on hedging instruments	–106	–605
- of which net result on hedged items	95	600
Financial assets measured at amortised cost[3]	18	58
Financial liabilities measured at amortised cost	–28	–30
Foreign exchange gains/losses excluding currency hedges	1,069	751
Other	48	–7
Financial risk income, net Life insurance[4]	215	197
Insurance risk income, net Life insurance	60	48
Total	**1,715**	**1,645**

1) The figures disclosed for Life (financial risk income and insurance risk income) are disclosed on gross basis, i.e. before eliminations of intra-group transactions.
2) Of which amortised deferred day one profits amounts to EUR 30m (EUR 11m).
3) Of which EUR 18m (EUR 58m) related to instruments classified into the category "Loans and receivables" and EUR 0m (EUR 0m) related to instruments classified into the category "Held to maturity".
4) Premium income amounts to EUR 2,571m (EUR 2,500m).

G6. Other operating income

EURm	2016	2015
Divestment of shares[1]	–	182
Income from real estate	2	3
Sale of tangible assets	10	13
Other[2]	123	65
Total	**135**	**263**

1) Gain from divestment of Nordea's merchant acquiring business to Nets of EUR 176m in 2015.
2) Gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 76m in 2016.

G7. Staff costs

EURm	2016	2015
Salaries and remuneration (specification below)[1]	–2,352	–2,490
Pension costs (specification below)	–197	–295
Social security contributions	–427	–434
Other staff costs[2]	50	–44
Total[3]	**–2,926**	**–3,263**

Salaries and remuneration

To executives[4]		
- Fixed compensation and benefits	–24	–18
- Performance-related compensation	–8	–10
- Allocation to profit-sharing	0	–1
Total	**–32**	**–29**
To other employees	–2,320	–2,461
Total	**–2,352**	**–2,490**

1) Of which allocation to profit-sharing 2016 EUR 33m (EUR 84m) consisting of a new allocation of EUR 35m (EUR 84m) and an adjustment related to prior years of EUR –2m (EUR 0m).
2) Including capitalisation of IT-projects with EUR 164m (EUR 65m).
3) Of which EUR 185m in salaries and EUR 20m in pension costs, including social security contributions, in 2015 regards termination benefits in connection to the restructuring activities launched in the second quarter 2015.
4) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company as well as the Board of Directors (including deputies), managing directors and executive vice presidents in operating group undertakings. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, in the parent company and operating group undertakings, are included. Executives amount to 189 (185) individuals.

Pension costs[1]

EURm	2016	2015
Defined benefits plans (Note G32)[2]	31	–76
Defined contribution plans	–228	–219
Total	**–197**	**–295**

1) Pension cost for executives as defined in footnote 4 above, amounts to EUR 4m (EUR 1m) and pension obligations to EUR 18m (EUR 23m).
2) Excluding social security contributions. Including social security contributions EUR –31m (EUR 90m).

Additional disclosures on remuneration under Nordic FSAs' regulations and general guidelines

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) no later than one week before the Annual General Meeting on 16 March 2017.

Remuneration to the Board of Directors, Chief Executive Officer and Group Executive Management

Board remuneration

The Annual General Meeting (AGM) 2016 decided to increase the remuneration to the Board of Directors (the Board). The remuneration was decided to be EUR 287,400 for the chairman, EUR 136,500 for the vice chairman and EUR 88,850 for other members. The annual remuneration for committee work was EUR 36,050 for the chairman of the committee and EUR 25,750 for other members. Board members employed by Nordea do not receive separate remuneration for their Board membership. There are no commitments for severance pay, pension or other remuneration to the members of the Board, except for a pension commitment to one Board member previously employed by Nordea.

Remuneration to the Board of Directors[1]

EUR	2016	2015
Chairman of the Board:		
Björn Wahlroos	311,056	296,377
Vice Chairman of the Board:		
Marie Ehrling	171,395	161,614
Other Board members[2]:		
Elisabeth Grieg[3]	–	23,808
Tom Knutzen	124,068	116,224
Robin Lawther	113,837	107,183
Lars G Nordström	113,837	107,183
Sarah Russell	113,837	107,183
Silvija Seres[4]	113,837	83,374
Kari Stadigh	124,068	116,224
Birger Steen[4]	107,689	64,639
Total	**1,293,624**	**1,183,809**

1) The Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. The fees are approved in EUR and paid out in SEK quarterly in four equal instalments. For accounting purposes it is converted back into EUR, using the average exchange rate each year. In the accounting the exchange rate effects have had a decreasing impact on the remuneration to the Board.
2) Employee representatives excluded.
3) Resigned as member of the Board as from the AGM 2015.
4) New member of the Board as from the AGM 2015.

Salary and benefits

Chief Executive Officer (CEO)

Casper von Koskull was appointed CEO 1 November 2015. The remuneration to the CEO consists of three components: Fixed salary, GEM Executive Incentive Programme (GEM EIP) and benefits.

The fixed annual salary as CEO was decided to be SEK 12,200,000 (EUR 1,288,620).

GEM EIP 2016 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2016 the outcome of the GEM EIP amounted to EUR 749,204.

In accordance with remuneration regulations from the Swedish FSA 40% of GEM EIP 2016 will be paid out in 2017, 30% will be deferred to 2020 and 30% to 2022.

The benefits for 2016 amounted to EUR 29,499 and include primarily car benefits and tax consultation.

The total earned remuneration for 2016, as CEO, based on the three components amounted to EUR 2,071,015.

The CEO took part of the previous LTIPs. For more information on the LTIP programmes see the separate section on remuneration in the Board of Directors' report and below.

The fixed salary, GEM EIP and contract terms for the CEO are proposed by the Board Remuneration Committee (BRC) and approved by the Board in accordance with Nordea's remuneration guidelines approved by AGM 2016.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

Torsten Hagen Jørgensen was appointed Group COO and Deputy CEO 1 November 2015. The remuneration to the Group COO and Deputy CEO consists of three components: Fixed salary, GEM EIP and benefits.

The fixed annual salary as Group COO and Deputy CEO was decided to be DKK 8,000,000 (EUR 1,074,502).

GEM EIP 2016 is based on agreed, specific targets and can amount to a maximum of 100% of the fixed salary. For 2016 the outcome of the GEM EIP amounted to EUR 624,715.

In accordance with remuneration regulations from the Swedish FSA 40% of GEM EIP 2016 will be paid out in 2017, 30% will be deferred to 2020 and 30% to 2022.

The benefits for 2016 amounted to EUR 13,264 and include primarily housing benefits.

G7. Staff costs, cont.

The total earned remuneration for 2016, as Group COO and Deputy CEO, based on the three components amounted to EUR 1,796,368.

The Group COO and Deputy CEO took part of the previous LTIPs. For more information on the LTIP programmes see the separate section on remuneration in the Board of Directors' report and below.

The BRC prepares alterations in salary levels and outcome of GEM EIP as well as other changes in the remuneration package for the Group COO and Deputy CEO, for resolution by the Board.

Remuneration to the Chief Executive Officer and Group Executive Management (excl. LTIP)

	Fixed salary[1]		GEM Executive Incentive Programme[2]		Benefits[1]		Total	
EUR	2016	2015	2016	2015	2016	2015	2016	2015
Chief Executive Officer (CEO):								
Christian Clausen[3]	–	1,041,869	–	1,003,526	–	72,114	–	2,117,509
Casper von Koskull[4]	1,292,312	217,383	749,204	179,123	29,499	8,164	2,071,015	404,670
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):								
Torsten Hagen Jørgensen[5]	1,158,389	178,761	624,715	165,175	13,264	2,015	1,796,368	345,951
Group Executive Management (GEM):								
8 (7) individuals excluding CEO and Group COO and Deputy CEO[6]	4,554,196	4,800,274	2,443,852	3,657,267	60,690	108,072	7,058,738	8,565,613
Total	**7,004,897**	**6,238,287**	**3,817,771**	**5,005,091**	**103,453**	**190,365**	**10,926,121**	**11,433,743**
Former Chief Executive Officer (Former CEO):								
Christian Clausen[3]	1,230,216	207,512	–	–	7,327	5,390	1,237,543	212,902
Total	**8,235,113**	**6,445,799**	**3,817,771**	**5,005,091**	**110,780**	**195,755**	**12,163,664**	**11,646,645**

1) The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes also holiday pay and car allowance. Benefits are included at taxable values.
2) The CEO and members of GEM were until 2012 offered a Variable Salary Part (VSP) and a share based Long Term Incentive Programme (LTIP). Instead of these two programmes the Board in 2013 decided, in order to reduce complexity, to offer a GEM Executive Incentive Programme (GEM EIP). The outcome from GEM Executive Incentive Programme (GEM EIP) 2016 has been expensed in full in 2016 but will be paid out over a five year deferral period with forfeiture clauses in order to comply with the remuneration regulations from the Swedish FSA. The GEM EIP is indexed with Nordea's total shareholder return (TSR) during the deferral period. The GEM EIP is further described in the separate section on remuneration in the Board of Directors' report and below. GEM EIP 2016 includes also a sign-on bonus for one new GEM member.
3) Remuneration as CEO is included for the period of appointment as CEO, for the period 1 January 2015 to 31 October 2015. Remuneration as former CEO and as senior executive advisor is included for the period 1 January to 31 December 2016 and for the period 1 November 2015 to 31 December 2015. The former CEO has during 2016 been a strategic partner and advisor to the CEO and GEM.
4) The fixed annual salary as CEO is SEK 12,200,000 (EUR 1,288,620). Remuneration as CEO is included for the period of appointment as CEO, for the period 1 January to 31 December 2016 and for the period 1 November to 31 December 2015. The remuneration as member of GEM is included together with other members of GEM for the period 1 January to 31 October 2015.
5) The fixed annual salary as Group COO and Deputy CEO is decided to be DKK 8,000,000 (EUR 1,074,502). Remuneration for the Group COO and Deputy CEO is included for the period of appointment as Group COO and Deputy CEO, for the period 1 January to 31 December 2016 and for the period 1 November to 31 December 2015. The remuneration as member of GEM is included together with other members of GEM for the period 1 January to 31 October 2015.
6) Remuneration to GEM members is included for the period they have been appointed. During 2016 four GEM members have resigned and five new GEM members have been appointed. Compensation during the notice period and termination benefits 2016, for resigned GEM members, amounted to EUR 1.2m and are excluded from the table above.

Long Term Incentive Programmes (LTIP) 2010–2012

	Expense[1] (EUR)		Number of outstanding shares[2]			
	2016	2015	LTIP 2012	LTIP 2011	LTIP 2010	Total
Chief Executive Officer (CEO):						
Christian Clausen	–	51,172	–	–	–	–
Casper von Koskull	–	6,550	42,195	26,220	8,097	76,512
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):						
Torsten Hagen Jørgensen	–	6,076	39,140	23,464	6,363	68,967
Group Executive Management (GEM):						
8 (7) individuals excluding CEO and Group COO and Deputy CEO	–	145,327	46,485	25,330	6,523	78,338
Total	**–**	**209,125**	**127,820**	**75,014**	**20,983**	**223,817**
Former Chief Executive Officer (Former CEO):						
Christian Clausen	–	10,234	65,930	40,972	10,152	117,054
Total	**–**	**219,359**	**193,750**	**115,986**	**31,135**	**340,871**

1) The expense from the LTIP programmes is recognised as the vesting requirements are fulfilled over the three years vesting period starting the year of issuance. The expense 2015 includes expense from LTIP 2012 and LTIP 2012 was fully expensed in May 2015. The expense is calculated in accordance with IFRS 2 "Share-based Payment" and presented for the period appointed as CEO, Group COO and Deputy CEO, GEM and Former CEO.
2) 60% of the vested shares are deferred with forfeiture clauses due to remuneration regulations from the Swedish FSA and allotted over a five year period, for LTIP 2010 starting May 2013, for LTIP 2011 starting May 2014 and for LTIP 2012 starting May 2015. See also the separate Remuneration section on page 66 and below for more details. The numbers of outstanding shares are presented as of 31 December 2016. All shares in LTIP programs are fully vested and consequently not conditional.

G7. Staff costs, cont.

Group Executive Management (GEM)
The BRC prepares alterations in salary levels and outcome of GEM EIP as well as other changes in the remuneration package for members of GEM, for resolution by the Board. GEM EIP 2016, which is based on agreed, specific targets, can be a maximum of 100% of the fixed salary.

Benefits include primarily car and/or housing. As for the CEO and Group COO and Deputy CEO, some GEM members took part of the previous LTIPs.

Pension

Chief Executive Officer (CEO)
The CEO has a defined contribution plan in accordance with the Swedish collective agreement BTP1, with a complementing defined contribution plan on top of the collective agreement. The pension contribution in total is 30% of the fixed salary.

Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)
The Group COO and Deputy CEO has a defined contribution plan. The pension contribution is 30% of the fixed salary.

Group Executive Management (GEM)
The pension agreements vary due to local country practices.

Pension agreements are defined benefit plans, defined contribution plans or a combination of such plans.

One member has a defined benefit plan not based on a collective agreement. The defined benefit plan provides a retirement pension amounting to 50% of pensionable income for life from age 62, including statutory pension benefits. Three members have pensions in accordance with the Swedish collective agreement, one in BTP1 (defined contribution plan) and two in BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. Three members have pensions in accordance with the local country statutory pension system. Finally one member has a defined contribution plan not based on a collective agreement. Fixed salary is pensionable income for all GEM-members. Part of GEM EIP is included in the pensionable income for three members according to statutory pension rules and one individual agreement.

Pension expense and pension obligation

	2016		2015	
EUR	Pension expense[1]	Pension obligation[2]	Pension expense[1]	Pension obligation[2]
Board members[3]:				
Lars G Nordström	–	330,380	–	334,110
Chief Executive Officer (CEO):				
Christian Clausen[4]	–	–	−2,159,170	–
Casper von Koskull[5]	386,513	306,358	65,215	284,571
Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO):				
Torsten Hagen Jørgensen[6]	322,351	–	53,677	–
Group Executive Management (GEM):				
8 (7) individuals excluding CEO and Group COO and Deputy CEO[7]	1,188,910	3,922,800	1,837,118	8,741,323
Total	**1,897,774**	**4,559,538**	**−203,160**	**9,360,004**
Former Chairman of the Board and CEOs:				
Vesa Vainio[8]	–	5,375,054	–	5,376,111
Christian Clausen[4]	338,280	–	62,254	–
Total	**2,236,054**	**9,934,592**	**−140,906**	**14,736,115**

1) The pension expense is related to pension premiums paid in defined contribution agreements and pension rights earned during the year in defined benefit agreements (Current service cost and Past service cost and settlements as defined in IAS 19). Of the total pension expense EUR 1,868,269 (1,366,811) relates to defined contribution agreements.
2) The pension obligation is calculated in accordance with IAS 19. The obligation is dependent on changes in actuarial assumptions and inter annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, which leads to that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement. The pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as the obligations.
3) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP2 and earned during the employment period for one Swedish board member.
4) The pension agreement changed from a defined benefit plan to a defined contribution plan as from 1 April 2015. The pension obligation/pension risk was transferred to the CEO 1 April 2015 and the pension obligation for the former CEO is hence accounted for as settled. The settlement led to a gain of EUR 2,611,144 which had a decreasing impact on the pension expense 2015. The pension agreement from 1 April 2015 is a defined contribution plan with a contribution amounting to 30% of fixed salary. The pension expense in 2015 is presented for the period appointed CEO, 1 January 2015 to 31 October 2015. The pension expense excluding the settlement was EUR 451,974 for the period as CEO. The pension expense as Former CEO and strategic partner and advisor is presented for the period 1 January to 31 December 2016 and for the period 1 November to 31 December 2015.
5) The pension agreement is a defined contribution plan. The contribution is 30% of fixed salary, consisting of the collective agreement BTP1 and a complementary additional contribution. The pension expense as CEO is presented for the period appointed CEO, for the period 1 January to 31 December 2016 and for the period 1 November to 31 December 2015. The pension obligation is in accordance with the collective pension agreement BTP2 and earned as a member of GEM. The pension expense as member of GEM is included together with other members of GEM for the period 1 January 2015 to 31 October 2015.
6) The Group COO and Deputy CEO's pension agreement is a defined contribution plan and the contribution is 30% of fixed salary. The pension expense as Group COO and Deputy CEO is presented for the period appointed Group COO and Deputy CEO, 1 January to 31 December 2016 and for the period 1 November 2015 to 31 December 2015. The pension expense as member of GEM is included together with other members of GEM for the period 1 January 2015 to 31 October 2015.
7) Members of GEM included for the period they are appointed. The pension obligation is the obligation towards the members of GEM as of 31 December. Compensation during the notice period 2016, for resigned GEM members, amounted to EUR 0.3m and is excluded from the table above.
8) The pension obligation for Vesa Vainio is mainly due to pension rights earned in, and funded by, banks forming Nordea.

G7. Staff costs, cont.

Notice period and severance pay
In accordance with the employment contract the CEO has a notice period of 12 months and a severance pay equal to 12 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 12 months. The Group COO and Deputy CEO and six GEM members have a notice period of 6 months and a severance pay equal to 12 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 12 months. One GEM member has a notice period of 6 months' and a severance pay equal to 18 months' salary to be reduced by the salary the executive receives as a result of any other employment during these 18 months. One GEM member has a notice period of 6 months. The Former CEO is not entitled to any severance pay.

Loans to key management personnel
Loans to key management personnel, as defined in Note G1 section 27, amount to EUR 5m (EUR 4m). Interest income on these loans amounts to EUR 0m (EUR 0m).

For key management personnel who are employed by Nordea the same credit terms apply as for other employees, except for key management personnel in Denmark whose loans are granted on terms based on market conditions. In Norway the employee interest rate for loans is variable and was at 31 December 2016 1.8% for loans up to NOK 5m and 2.15% for loans above NOK 5m. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 40 basis points up to EUR 0.4m, and 60 basis points on the part that exceeds EUR 0.4m. In Sweden the employee interest rate on fixed- and variable interest rate loans is 215 basis points lower than the corresponding interest rate for external customers (with a lower limit of 50 basis points). There is currently a cap of 57 Swedish price base amounts both on fixed- and variable interest rate loans. Interest on loans above the defined caps is set on market terms. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

Long Term Incentive Programmes

	2016			2015		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Rights LTIP 2012						
Outstanding at the beginning of the year	280,628	841,884	280,628	1,254,300	3,141,893	1,254,300
Granted[1]	20,363	61,089	20,363	66,029	165,168	66,029
Forfeited	–	–	–	–136,196	–395,678	–136,196
Alloted	–79,430	–238,290	–79,430	–903,505	–2,069,499	–903,505
Outstanding at end of year	**221,561**	**664,683**	**221,561**	**280,628**	**841,884**	**280,628**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2011						
Outstanding at the beginning of year	212,541	355,118	95,641	269,671	450,568	121,352
Granted[1]	15,422	25,768	6,940	14,513	24,248	6,531
Forfeited	–	–	–	–	–	–
Alloted	–76,825	–128,360	–34,570	–71,643	–119,698	–32,242
Outstanding at end of year[2]	**151,138**	**252,526**	**68,011**	**212,541**	**355,118**	**95,641**
- of which currently exercisable	–	–	–	–	–	–
Rights LTIP 2010						
Outstanding at the beginning of year	86,955	91,858	39,119	132,584	140,078	59,664
Alloted	–45,644	–48,218	–20,534	–45,629	–48,220	–20,545
Outstanding at end of year[2]	**41,311**	**43,640**	**18,585**	**86,955**	**91,858**	**39,119**
- of which currently exercisable	–	–	–	–	–	–

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.
2) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no execise price for the deferred rights.

Participation in the Long Term Incentive Programmes (LTIPs) requires that the participants take direct ownership by investing in Nordea shares.

	LTIP 2012		
	Matching Share	Performance Share I	Performance Share II
Ordinary share per right	1.00	1.00	1.00
Exercise price. EUR	–	–	–
Grant date	13 May 2012	13 May 2012	13 May 2012
Vesting period	36 months	36 months	36 months
Contractual life	36 months	36 months	36 months
Allotment	April/May 2015	April/May 2015	April/May 2015
Fair value at grant date[1]	EUR 5.44	EUR 5.43	EUR 1.97

1) The fair value has been recalculated due to dividend during the vesting period which the participants are compensated for through additional Matching and Performance Shares.

G7. Staff costs, cont.

	LTIP 2012
Service condition, Matching Share / Performance Share I and II	Employed, with certain exemptions, within the Nordea Group during the three year vesting period.
Performance condition, Performance Share I	Average RAROCAR during the period 2012 up to and including 2014. Full allotment will be obtained if the RAROCAR amounts to 17%.
Performance condition, Performance Share II	RAROCAR during the period 2012 up to and including 2014 and P/B-ranking year-end 2014 compared to a peer group. Full allotment will be obtained if the RAROCAR amounts to 14% and if Nordea's P/B-ranking is 1–5.
Cap	The market value of the allotted shares is capped to the participants' annual salary for year-end 2011.
Dividend compensation	The number of Matching Shares and Performance Shares will be adjusted for dividends on the underlying Nordea share during the vesting period, as if assuming that each dividend was used to immediately invest in additional Nordea shares.

Conditions and requirements

For each ordinary share the participants lock in to the LTIPs, they are granted a conditional Matching Share to receive ordinary shares based on continued employment, with certain exemptions, and the conditional Performance Share I and II to receive additional ordinary shares also based on fulfillment of certain performance conditions. The performance conditions for Performance Share I comprise a target growth in risk-adjusted return on capital at risk (RAROCAR). The performance conditions for Performance Share II are market related and comprise a target in RAROCAR and in P/B-ranking compared to a peer group. Furthermore the profit for each right is capped.

When the performance conditions are not fulfilled in full, the rights that are no longer exercisable are shown as forfeited in the previous tables, together with shares forfeited due to participants leaving the Nordea Group.

LTIP 2012/2011/2010 are not alloted in full due to deferral and retention requirements by Nordic FSAs.

Fair value calculations

The fair value is measured through the use of generally accepted valuation models with the following input factors:

	LTIP 2012
Weighted average share price	EUR 6.70
Right life	3.0 years
Deduction of expected dividends	No
Risk free rate	Not applicable
Expected volatility	Not applicable

Expenses for equity-settled share-based payment programmes[1]

EURm	LTIP 2012
Total expense during 2016	–
Total expense during 2015	–2

1) All amounts excluding social security contribution.

As the exercise price is zero for LTIP 2012, the value has a limited sensitivity to expected volatility and risk-free interest.

The value of the Performance Share II is based on market related conditions and fulfilment of the RAROCAR and P/B targets have been taken into consideration when calculating the rights' fair value at grant date. When calculating the impact from the market conditions it has been assumed that all possible outcomes have equal possibilities. Also the cap has been taken into consideration when calculating the rights' fair value at grant. The adjustment to fair value is approximately 2–3% of the weighted average share price.

Cash-settled share-based payment transactions

Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either transferred after three years or transferred in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea in 2013 introduced the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2016 is paid no earlier than autumn 2020. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2016 is decided during spring 2017, and a reservation of EUR 36m excl. social costs is made 2016. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

	Share linked deferrals	
EURm	2016	2015
Opening balance	67	32
Reclassification[1]	0	12
Reclassification to liabilities held for sale	–1	–
Deferred/earned during the year	50	47
TSR indexation during the year	19	3
Payments during the year[2]	–25	–26
Translation differences	0	–1
Closing balance	**110**	**67**

1) Relates to a reclassification from deferred amounts that are indexed with a fixed rate.
2) There have been no adjustments due to forfeitures.

G7. Staff costs, cont.

Average number of employees

	Total		Men		Women	
	2016	2015	2016	2015	2016	2015
Full-time equivalents						
Denmark	8,717	8,288	4,789	4,486	3,928	3,802
Sweden	7,276	6,957	3,502	3,346	3,774	3,611
Finland	7,104	6,946	2,329	2,181	4,775	4,765
Norway	3,140	3,137	1,692	1,678	1,448	1,459
Poland	1,571	1,197	765	585	806	612
Russia	829	1,085	261	268	568	817
Estonia	559	480	121	114	438	366
Latvia	457	436	141	125	316	311
Luxembourg	441	393	277	243	164	150
Lithuania	378	360	147	123	231	237
United States	120	110	61	57	59	53
Singapore	85	86	38	39	47	47
United Kingdom	77	82	48	52	29	30
Germany	55	58	31	32	24	26
China	30	29	12	13	18	16
Switzerland	29	32	20	23	9	9
Brazil	5	5	5	4	0	1
Total average	**30,873**	**29,681**	**14,239**	**13,369**	**16,634**	**16,312**
Total number of employees (FTEs), end of period	**31,596**	**29,815**				

Gender distribution

In the parent company´s Board of Directors 56% (56%) were men and 44% (44%) were women. In the Board of Directors of the Nordea Group companies, 77% (73%) were men and 23% (27%) were women. The corresponding numbers for Other executives were 76% (69%) men and 24% (31%) women. Internal Boards consist mainly of management in Nordea, employee representatives excluded.

G8. Other expenses

EURm	2016	2015
Information technology	–573	–485
Marketing and representation	–79	–84
Postage, transportation, telephone and office expenses	–125	–145
Rents, premises and real estate	–309	–373
Other	–560	–398
Total	**–1,646**	**–1,485**

Auditors' fees

EURm	2016	2015
PricewaterhouseCoopers		
Auditing assignments	–7	–5
Audit-related services	–1	0
Tax advisory services	–1	–1
Other assignments	–5	–1
Total	**–14**	**–7**
KPMG		
Auditing assignments	–	–1
Audit-related services	–	–1
Tax advisory services	–	0
Other assignments	–	–1
Total	**–**	**–3**
E&Y		
Auditing assignments	–	0
Audit-related services	–	0
Tax advisory services	–	0
Other assignments	–	–1
Total	**–**	**–1**
Total Auditors' fees	**–14**	**–11**

G9. Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2016	2015
Depreciation/amortisation		
Properties and equipment	–106	–113
Intangible assets	–115	–76
Total	**–221**	**–189**
Impairment charges		
Intangible assets	–7	–20
Total	**–7**	**–20**
Total	**–228**	**–209**

G10. Net loan losses

EURm	2016	2015
Loan losses divided by class		
Provisions	–1	–
Reversals of previous provisions	1	1
Loans to credit institutions[1]	**0**	**1**
Realised loan losses	–600	–605
Allowances to cover realised loan losses	474	448
Recoveries on previous realised loan losses	57	63
Provisions	–1,056	–1,074
Reversals of previous provisions	639	693
Loans to the public[1]	**–486**	**–475**
Realised loan losses	–9	–11
Allowances to cover realised loan losses	9	11
Provisions	–96	–104
Reversals of previous provisions	80	99
Off-balance sheet items[2]	**–16**	**–5**
Net loan losses	**–502**	**–479**

1) See Note G13 "Loans and impairment".
2) Included in Note G31 "Provisons" as "Off-balance" and "Guarantees/commitments".

G11. Taxes

Income tax expense

EURm	2016	2015
Current tax	–1,015	–957
Deferred tax	156	–85
Total	**–859**	**–1,042**

For current and deferred tax recognised in Other comprehensive income, see Statement of comprehensive income.

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2016	2015
Profit before tax	4,625	4,704
Tax calculated at a tax rate of 22.0%	–1,017	–1,035
Effect of different tax rates in other countries	–7	–34
Income from associated undertakings	21	6
Tax-exempt income	132	72
Non-deductible expenses	–19	–16
Adjustments relating to prior years	32	–17
Utilization of non-capitalized tax losses carry-forwards from previous periods	1	–
Change of tax rate	3	27
Not creditable foreign taxes	–5	–45
Tax charge	**–859**	**–1,042**
Average effective tax rate	19%	22%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2016	2015	2016	2015
Deferred tax related to:				
Tax losses carry-forward	93	86	–	–
Loans to the public	28	22	397	430
Derivatives	17	8	285	394
Intangible assets	5	6	50	45
Investment properties	0	0	132	142
Retirement benefit assets/obligations	45	44	77	84
Liabilities/provisions	72	87	58	103
Other	3	17	34	24
Netting between deferred tax assets and liabilities	–203	–194	–203	–194
Total	**60**	**76**	**830**	**1,028**

EURm	2016	2015
Unrecognised deferred tax assets		
Unused tax losses carry-forward with no expire date	43	44
Total	**43**	**44**

G12. Earnings per share

	2016	2015
Earnings:		
Profit attributable to shareholders of Nordea Bank AB (publ) (EURm)	3,766	3,662
Number of shares (in millions):		
Number of shares outstanding at beginning of year	4,050	4,050
Average number of own shares	–15	–21
Weighted average number of basic shares outstanding	**4,035**	**4,029**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	2	2
Weighted average number of diluted shares outstanding	**4,037**	**4,031**
Basic earnings per share, EUR	0.93	0.91
Diluted earnings per share, EUR	0.93	0.91

1) Relates to the Long Term Incentive Programmes (LTIP). For further information on these programmes, see Note G1 "Accounting policies" section 22.

G13. Loans and impairment

	Central banks and credit institutions		The public[1]		Total	
EURm	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Loans, not impaired	20,254	23,988	314,572	337,622	334,826	361,610
Impaired loans	9	–	5,541	5,960	5,550	5,960
- Servicing	9	–	3,235	3,682	3,244	3,682
- Non-Servicing	–	–	2,306	2,278	2,306	2,278
Loans before allowances	**20,263**	**23,988**	**320,113**	**343,582**	**340,376**	**367,570**
Allowances for individually assessed impaired loans	0	–	–1,913	–2,213	–1,913	–2,213
- Servicing	0	–	–1,054	–1,289	–1,054	–1,289
- Non-Servicing	–	–	–859	–924	–859	–924
Allowances for collectively assessed impaired loans	–2	–2	–511	–449	–513	–451
Allowances	**–2**	**–2**	**–2,424**	**–2,662**	**–2,426**	**–2,664**
Loans, carrying amount	**20,261**	**23,986**	**317,689**	**340,920**	**337,950**	**364,906**

1) Finance leases, where Nordea Group is a lessor, are included in Loans to the public, see Note G21 "Leasing".

G13. Loans and impairment, cont.

Movements of allowance accounts for impaired loans

	Central banks and credit institutions			The public			Total		
EURm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2016	**0**	**–2**	**–2**	**–2,213**	**–449**	**–2,662**	**–2,213**	**–451**	**–2,664**
Provisions	0	–1	–1	–729	–327	–1,056	–729	–328	–1,057
Reversals of previous provisions	0	1	1	408	231	639	408	232	640
Changes through the income statement	**0**	**0**	**0**	**–321**	**–96**	**–417**	**–321**	**–96**	**–417**
Allowances used to cover realised loan losses	–	–	–	474	–	474	474	–	474
Reclassification	–	–	–	151	42	193	151	42	193
Translation differences	0	0	0	–4	–8	–12	–4	–8	–12
Closing balance at 31 Dec 2016	**0**	**–2**	**–2**	**–1,913**	**–511**	**–2,424**	**–1,913**	**–513**	**–2,426**
Opening balance at 1 Jan 2015	**0**	**–2**	**–2**	**–2,329**	**–418**	**–2,747**	**–2,329**	**–420**	**–2,749**
Provisions	–	–	–	–818	–256	–1,074	–818	–256	–1,074
Reversals of previous provisions	–	1	1	476	217	693	476	218	694
Changes through the income statement	**–**	**1**	**1**	**–342**	**–39**	**–381**	**–342**	**–38**	**–380**
Allowances used to cover realised loan losses	–	–	–	448	–	448	448	–	448
Reclassification	–	–	–	4	–	4	4	–	4
Translation differences	–	–1	–1	6	8	14	6	7	13
Closing balance at 31 Dec 2015	**0**	**–2**	**–2**	**–2,213**	**–449**	**–2,662**	**–2,213**	**–451**	**–2,664**

Allowances and provisions[1]

	Central banks and credit institutions		The public		Total	
EURm	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Allowances for items on the balance sheet	–2	–2	–2,424	–2,662	–2,426	–2,664
Provisions for off balance sheet items	–	–	–71	–65	–71	–65
Total allowances and provisions	**–2**	**–2**	**–2,495**	**–2,727**	**–2,497**	**–2,729**

1) Included in Note G31 "Provisions" as "Guarantees/commitments".

Key ratios[1]

	31 Dec 2016	31 Dec 2015
Impairment rate, gross, basis points	163	162
Impairment rate, net, basis points	107	102
Total allowance rate, basis points	71	72
Allowances in relation to impaired loans, %	34	37
Total allowances in relation to impaired loans, %	44	45
Non-servicing loans, not impaired, EURm	248	485

1) For definitions, see "Business definitions" on page 83.

G14. Interest-bearing securities

EURm	31 Dec 2016	31 Dec 2015
State and sovereigns	24,597	23,093
Municipalities and other public bodies	2,006	2,667
Mortgage institutions	25,893	27,785
Other credit institutions	28,474	27,804
Corporates	4,132	4,535
Corporates sub-investment grade	535	650
Other	2,064	1
Total	**87,701**	**86,535**

G15. Financial instruments pledged as collateral

Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified on the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2016	31 Dec 2015
Interest-bearing securities	5,108	8,333
Shares	–	8
Total	**5,108**	**8,341**

For information on transferred assets and reverse repos, see Note G41 "Financial instruments set off on balance or subject to netting agreements".

G16. Shares

EURm	31 Dec 2016	31 Dec 2015
Shares	9,598	12,135
Fund units, equity related	9,090	7,237
Fund units, interest related	2,836	2,909
Total	**21,524**	**22,281**
- of which Financial instruments pledged as collateral (Note G15)	–	8
Total	**21,524**	**22,273**

G17. Assets and deposits in pooled schemes and unit-linked investment contracts

EURm	31 Dec 2016	31 Dec 2015
Assets		
Interest bearing securities	1,674	1,641
Shares and fund units	21,019	18,472
Properties	139	111
Other assets	270	210
Total	**23,102**	**20,434**
Liabilities		
Pooled schemes	4,340	4,293
Unit linked investment contracts	19,240	16,795
Total	**23,580**	**21,088**

The Life Group and Nordea Bank Danmark A/S have assets and liabilities included on their balance sheet where customers are bearing the risk. Since the assets and liabilities legally belong to the entities, these assets and liabilities are included on the Group's balance sheet.

G18. Derivatives and Hedge accounting

Derivatives held for trading

	Fair value		
31 Dec 2016, EURm	Positive	Negative	Total nom amount
Interest rate derivatives			
Interest rate swaps	37,392	32,707	5,055,477
FRAs	69	85	776,539
Futures and forwards	28	27	121,618
Options	10,223	9,323	370,301
Other	51	246	707
Total	**47,763**	**42,388**	**6,324,642**
Equity derivatives			
Equity swaps	83	105	5,574
Futures and forwards	5	2	875
Options	317	623	18,242
Total	**405**	**730**	**24,691**
Foreign exchange derivatives			
Currency and interest rate swaps	16,244	21,209	942,503
Currency forwards	954	659	70,464
Options	428	324	42,357
Other	10	9	4,162
Total	**17,636**	**22,201**	**1,059,486**
Other derivatives			
Credit Default Swaps (CDS)	1,599	1,647	75,316
Commodity derivatives	6	4	313
Other derivatives	29	25	3,482
Total	**1,634**	**1,677**	**79,111**
Total derivatives held for trading	**67,438**	**66,995**	**7,487,930**

G18. Derivatives and Hedge accounting, cont.

Derivatives used for hedge accounting

31 Dec 2016, EURm	Fair value		Total nom amount
	Positive	Negative	
Interest rate derivatives	1,461	638	92,479
Foreign exchange derivatives	1,060	992	32,237
Other derivatives	–	11	1,830
Total derivatives used for hedge accounting	**2,521**	**1,641**	**126,546**
- of which cash flow hedges	804	886	18,290[1]
- of which fair value hedges	1,660	648	96,944[1]
- of which net investment hedges	57	107	15,766
Total derivatives	**69,959**	**68,636**	**7,614,476**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

31 Dec 2016, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	4,741	4,053	4,560	2,262	12,902
Net cash outflows	**4,741**	**4,053**	**4,560**	**2,262**	**12,902**

Derivatives held for trading

31 Dec 2015, EURm	Fair value		Total nom amount
	Positive	Negative	
Interest rate derivatives			
Interest rate swaps	46,918	42,076	4,517,572
FRAs	7	12	51,470
Futures and forwards	264	327	1,538,842
Options	10,731	9,392	431,777
Other	6	88	6,671
Total	**57,926**	**51,895**	**6,546,332**
Equity derivatives			
Equity swaps	294	332	6,825
Futures and forwards	8	15	985
Options	521	750	24,238
Total	**823**	**1,097**	**32,048**
Foreign exchange derivatives			
Currency and interest rate swaps	14,529	21,136	856,486
Currency forwards	1,708	1,219	113,622
Options	266	208	28,027
Other	1	1	79
Total	**16,504**	**22,564**	**998,214**
Other derivatives			
Credit Default Swaps (CDS)	2,304	2,288	92,427
Commodity derivatives	17	13	483
Other derivatives	20	30	3,370
Total	**2,341**	**2,331**	**96,280**
Total derivatives held for trading	**77,594**	**77,887**	**7,672,874**

G18. Derivatives and Hedge accounting, cont.

Derivatives used for hedge accounting

31 Dec 2015, EURm	Fair value Positive	Fair value Negative	Total nom amount
Interest rate derivatives	1,677	712	81,603
Foreign exchange derivatives	1,470	906	25,613
Total derivatives used for hedge accounting	**3,147**	**1,618**	**107,216**
- of which cash flow hedges	968	849	12,664[1]
- of which fair value hedges	1,891	708	86,503[1]
- of which net investment hedges	288	61	12,962
Total derivatives	**80,741**	**79,505**	**7,780,090**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

31 Dec 2015, EURm	<1 year	1–3 years	3–5 years	5–10 years	10 years
Cash inflows (assets)	–	–	–	–	–
Cash outflows (liabilities)	688	4,434	2,773	2,038	712
Net cash outflows	**688**	**4,434**	**2,773**	**2,038**	**712**

G19. Investments in associated undertakings and joint ventures

EURm	31 Dec 2016	31 Dec 2015
Acquisition value at beginning of year	517	488
Acquisitions during the year	5	0
Sales during the year	–145	–2
Share in earnings[1]	120	59
Dividend received	–32	–18
Reclassification	114	0
Translation differences	11	–10
Acquisition value at end of year	**590**	**517**
Accumulated impairment charges at beginning of year	–2	–1
Translation differences	0	–1
Accumulated impairment charges at end of year	**–2**	**–2**
Total	**588**	**515**

1) See table Share in earnings.

Share in earnings

EURm	31 Dec 2016	31 Dec 2015
Profit from companies accounted for under the equity method[1]	112	39
Portfolio hedge, Eksportfinans ASA	–4	3
Associated undertakings in Life insurance, reported as Net result from items at fair value	12	17
Share in earnings	**120**	**59**

1) The gain related to VISA Inc's acquisition of VISA Europe amounted to EUR 97m net of tax.

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2016	31 Dec 2015
Total assets	3,252	3,415
Net profit for the year	96	9

G19. Investments in associated undertakings and joint ventures, cont.

Nordea has issued contingent liabilities of EUR 175m (EUR 226m) on behalf of associated undertakings.

31 Dec 2016	Registration number	Domicile	Carrying amount 2016, EURm	Carrying amount 2015, EURm	Voting power of holding %
Eksportfinans ASA	816521432	Oslo	191	180	23
Ejendomspartnerskabet af 1/7 2003	27134971	Ballerup	206	200	49
Suomen Luotto-osuuskunta	0201646-0	Helsinki	12	3	27
LR Realkredit A/S	26045304	Copenhagen	6	6	39
Realia Holding Oy	2106796-8	Helsinki	–	20	25
Samajet Nymøllevej 59–91	24247961	Ballerup	20	21	25
E-nettet Holding A/S	28308019	Copenhagen	2	2	20
Hovedbanegårdens Forretningscenter K/S	16301671	Ballerup	2	17	50
Ejendomsselskabet Axelborg I/S	79334413	Copenhagen	8	9	33
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	9	8	33
SWIPP Holding APS	36439696	Copenhagen	0	3	30
Bankernas Kontantservice A/S	33077599	Copenhagen	–	6	20
Samejet Lautruphøj I/S	50857859	Ballerup	6	6	50
NF Techfleet AB	556967-5423	Stockholm	2	2	20
NF Fleet Oy	2006935-5	Espoo	8	6	20
NF Fleet AB	556692-3271	Stockholm	5	4	20
NF Fleet A/S	29185263	Copenhagen	4	–	20
Upplysningscentralen UC AB	556137-5113	Stockholm	3	4	26
Bankomat AB	556817-9716	Stockholm	8	6	20
Visa Sweden	801020-5097	Stockholm	88	–	–
Other			3	12	–
Total			**583**	**515**	

Nordea's share of the joint ventures' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2016	31 Dec 2015
Total assets	537	352
Net profit for the year	24	25

Joint ventures

31 Dec 2016	Registration number	Domicile	Carrying amount 2016, EURm	Carrying amount 2015, EURm	Voting power of holding %
Dansk ejendoms Fond I	12601840	Ballerup	0	0	56
Ejendomsselskabet af 1. marts 2006 P/S	29405069	Ballerup	0	0	50
DNP Ejendomme P/S	28865147	Ballerup	0	0	50
Indy AB	559072-8316	Stockholm	5	–	50
Relacom Management AB	556746-3103	Stockholm	–	–	61
Total			**5**	**0**	
Total associated undertakings and joint ventures			**588**	**515**	

G20. Intangible assets

EURm	31 Dec 2016	31 Dec 2015
Goodwill allocated to cash generating units[1]		
Personal Banking Norway	283	269
Personal Banking Denmark	449	447
Personal Banking Sweden	131	135
Commercial & Business Banking Norway	501	476
Commercial & Business Banking Denmark	142	141
Commercial & Business Banking Sweden	87	90
Life & Pensions, Denmark	128	128
Life & Pensions, Norway	128	127
Life & Pensions, Poland	40	41
Banking Russia	174	139
Shipping, Offshore & Oil services	184	177
Total goodwill	**2,247**	**2,170**
Computer software	1,447	938
Other intangible assets	98	100
Total intangible assets	**3,792**	**3,208**
Movements in goodwill		
Acquisition value at beginning of year	2,171	2,235
Translation differences	77	–64
Acquisition value at end of year	**2,248**	**2,171**
Accumulated impairment charges at beginning of year	–1	–1
Accumulated impairment charges at end of year	**–1**	**–1**
Total	**2,247**	**2,170**
Movements in computer software		
Acquisition value at beginning of year	1,200	1,415
Acquisitions during the year	617	429
Disposals during the year	–	–635
Translation differences	–15	–9
Acquisition value at end of year	**1,802**	**1,200**
Accumulated amortisation at beginning of year	–229	–448
Amortisation according to plan for the year	–85	–49
Accumulated amortisation on disposals during the year	–	266
Translation differences	–1	2
Accumulated amortisation at end of year	**–315**	**–229**
Accumulated impairment charges at beginning of year	–33	–387
Accumulated impairment charges on disposals during the year	–	369
Impairment charges during the year	–7	–20
Translation differences	0	5
Accumulated impairment charges at end of year	**–40**	**–33**
Total	**1,447**	**938**

1) Excluding goodwill in associated undertakings.

Impairment testing of goodwill

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test. For Life & Pensions, the cash generating units for which goodwill is tested, are the operations in each country.

The impairment test is performed for each cash generating unit by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

Cash flows in the near future (generally between 3–5 years) are based on financial forecasts, derived from forecasted margins, volumes and cost development. These input variables are based on historical data adjusted to reflect Nordea's assumptions about the future. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. For impairment testing, a growth rate of 1.3% (1.3%) has been used for all cash generating units, except Banking Norway and Life & Pensions, Norway where 1.8% (1.8%) has been used. Growth rates are based on historical data, updated to reflect the current situation.

Cash flows include normalised loan losses.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The post-tax discount rate used for the impairment test 2016 is 7.0% (7.6%), which equals a pre-tax rate of 9.2% (10.0%). For operations in Norway, the expected interest rate is higher and the discount rate used is 7.5% (8.1%). For Russia an additional risk premium of 400 (400) basis points has been applied and for Poland an additional risk premium of 140 (150) basis points has been applied.

The impairment tests conducted in 2016 did not indicate any need for goodwill impairment. See Note G1 "Accounting policies" section 4 for more information.

An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such a change would result in the following impairment for the below cash generating units:

EURm	Growth rate –1%	Discount rate +1%
Life & Pensions, Norway	–59	–92
Banking Russia	–19	–28
Life & Pensions, Poland	–5	–4

For Life & Pensions, Norway the break-even point for impairment is a decrease in growth rate of 0.3% points or an increase in the discount rate of 0.3% points. For Banking Russia the break-even point for impairment is a decrease in growth rate of 0.6% points or an increase in the discount rate of 0.5% points. For Life & Pensions, Poland any decrease in the growth rate or increase in the discount rate would lead to impairment.

G21. Leasing

Nordea as a lessor

Finance leases

Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note G13) at an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

Reconciliation of gross investments and present value of future minimum lease payments:

EURm	31 Dec 2016	31 Dec 2015
Gross investments	6,306	7,281
Less unearned finance income	–407	–282
Net investments in finance leases	**5,899**	**6,999**
Less unguaranteed residual values accruing to the benefit of the lessor	–16	–21
Present value of future minimum lease payments receivable	**5,883**	**6,978**
Accumulated allowance for uncollectible minimum lease payments receivable	7	8

As of 31 December 2016 the gross investment and the net investment by remaining maturity was distributed as follows:

	31 Dec 2016	
EURm	Gross Investment	Net Investment
2017	1,663	1,598
2018	1,237	1,187
2019	1,511	1,457
2020	842	687
2021	520	484
Later years	533	486
Total	**6,306**	**5,899**

Operating leases

Assets subject to operating leases mainly comprise real estate, vehicles, aeroplanes and other equipment. On the balance sheet they are reported as tangible assets

Under non-cancellable operating leases, the future minimum lease payments receivable are distributed as follows:

EURm	31 Dec 2016
2017	3
2018	2
2019	1
2020	1
2021	1
Later years	0
Total	**8**

Nordea as a lessee

Finance leases

Nordea has only to a minor extent entered into finance lease agreements.

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment.

Leasing expenses during the year

EURm	31 Dec 2016	31 Dec 2015
Leasing expenses during the year	–207	–236
- of which minimum lease payments	–206	–231
- of which contingent rents	–1	–5
Leasing income during the year regarding sublease payments	4	5

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

EURm	31 Dec 2016
2017	194
2018	149
2019	116
2020	81
2021	64
Later years	346
Total	**950**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 14m.

G22. Investment properties

EURm	31 Dec 2016	31 Dec 2015
Carrying amount at beginning of year	3,054	3,135
Acquisitions during the year	376	226
Sales during the year	–248	–205
Fair value adjustments	55	9
Transfers/reclassifications during the year	–159	–156
Translation differences	41	45
Carrying amount at end of year	**3,119**	**3,054**

Amounts recognised in the income statement[1]

EURm	2016	2015
Fair value adjustments	87	28
Rental income	157	165
Direct operating expenses that generate rental income	–16	–37
Direct operating expenses that did not generate rental income	–8	–10
Total	**220**	**146**

1) Included in Net result from items at fair value.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers.

For further information regarding investment properties, see Note G40 "Assets and liabilities at fair value".

G23. Other assets

EURm	31 Dec 2016	31 Dec 2015
Claims on securities settlement proceeds	1,944	1,596
Cash/margin receivables	15,154	14,697
Other	1,875	2,294
Total	**18,973**	**18,587**

G24. Prepaid expenses and accrued income

EURm	31 Dec 2016	31 Dec 2015
Accrued interest income	313	310
Other accrued income	483	558
Prepaid expenses	653	658
Total	**1,449**	**1,526**

G25. Deposits by credit institutions

EURm	31 Dec 2016	31 Dec 2015
Central banks	10,006	12,243
Banks	14,454	20,187
Other credit institutions	13,676	11,779
Total	**38,136**	**44,209**

G26. Deposits and borrowings from the public

EURm	31 Dec 2016	31 Dec 2015
Deposits[1]	170,030	179,630
Repurchase agreements	3,998	9,419
Total	**174,028**	**189,049**

1) Deposits related to individual pension savings (IPS) are also included.

G27. Liabilities to policyholders

EURm	31 Dec 2016	31 Dec 2015
Traditional life insurance provisions	19,124	19,081
- of which guaranteed provisions	19,023	18,989
- of which non-guaranteed provisions	101	92
Collective bonus potential	3,606	3,229
Unit-linked insurance provisions	14,240	12,236
- of which guaranteed provisions	0	0
- of which non-guaranteed provisions	14,240	12,236
Insurance claims provision	460	395
Provisions, Health & personal accident	252	249
Total Insurance contracts	**37,682**	**35,190**
Investment contracts	3,528	3,517
- of which guaranteed provisions	3,528	3,517
- of which non-guaranteed provisions	–	–
Total	**41,210**	**38,707**

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts containing insurance risk and contracts without insurance risk. The latter are pure investments contracts.

Insurance contracts consists of Life insurance provisions and other insurance related items.

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies method on consolidation. Each market represented by Nordic and European entities measures and recognises insurance contracts using local accounting policies.

31 Dec 2016, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**19,081**	**3,229**	**12,236**	**395**	**249**	**3,517**	**38,707**
Gross premiums written	681	–	2,265	–	–	147	3,093
Transfers	–152	–	111	–	–	0	–41
Addition of interest/investment return	415	–	386	–	–	119	920
Claims and benefits	–1,368	–	–1,081	63	3	–282	–2,665
Expense loading including addition of expense bonus	–96	–	–90	–	–	–31	–217
Change in provisions/bonus potential	–152	404	–242	–	–2	0	8
Other	406	–	611	–	–	120	1,137
Translation differences	309	–27	44	2	2	–62	268
Provisions/bonus potentials, end of year	**19,124**	**3,606**	**14,240**	**460**	**252**	**3,528**	**41,210**
Provision relating to bonus schemes/ discretionary participation feature:	95%					75%	

G27. Liabilities to policyholders, cont.

31 Dec 2015, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**19,705**	**2,977**	**11,026**	**387**	**253**	**3,683**	**38,031**
Gross premiums written	784	–	2,125	–	–	116	3,025
Transfers	–499	–	354	–	–	–	–145
Addition of interest/investment return	421	–	225	–	–	38	684
Claims and benefits	–1,618	–	–1,041	12	–6	–293	–2,946
Expense loading including addition of expense bonus	–102	–	–90	–	–	–25	–217
Change in provisions/bonus potential	95	246	–333	–	4	–	12
Other	605	–	1	–	–	–66	540
Translation differences	–310	6	–31	–4	–2	64	–277
Provisions/bonus potentials, end of year	**19,081**	**3,229**	**12,236**	**395**	**249**	**3,517**	**38,707**
Provision relating to bonus schemes/ discretionary participation feature:	95%					75%	

Insurance risks

Insurance risk is described in the "Risk, Liquidity and Capital management" section of the Board of Directors' Report. Additional quantitative information is found below

Life insurance risk and market risks in the Life insurance operations

EURm	31 Dec 2016		31 Dec 2015	
	Effect on policyholders liabilities[1]	Effect on Nordeas Equity[2]	Effect on policyholders liabilities[1]	Effect on Nordeas Equity[2]
Sensitivites				
Mortality – increased living with 1 year	28.0	–21.5	27.8	–21.4
Mortality – decreased living with 1 year	–5.8	4.5	–6.5	5.0
Disability – 10% increase	12.3	–9.5	13.8	–10.6
Disability – 10% decrease	–8.5	6.5	–9.2	7.1
50 bp increase in interest rates	–713.3	–3.2	–620.7	0.3
50 bp decrease in interest rates	701.6	2.7	676.4	–0.5
12% decrease in all share prices	–1,274.5	–2.6	–983.6	–2.8
8% decrease in property value	–204.6	–1.1	–228.8	–1.5
8% loss on counterparts	–7.5	0.0	–24.9	–0.2

1) + (plus) indicates that policyholders liabilities increase.
2) – (minus) indicates that equity decrease.

Liabilities to policyholders divided in guarantee levels (technical interest rate)

31 Dec 2016, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	14,341	2,373	8,966	3,518	4,041	3,653	36,892

31 Dec 2015, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	12,328	2,340	7,666	4,820	3,996	3,684	34,834

G27. Liabilities to policyholders, cont.

Risk profiles on insurance

Product	Risk types	Material effect
Traditional	- Mortality	Yes
	- Disability	Yes
	- Return guaranties	Yes
Unit-Link	- Mortality	Yes
	- Disability	Yes
	- Return guaranties	No
Health and personal accident	- Mortality	No
	- Disability	Yes
	- Return guaranties	No
Financial contract	- Mortality	No
	- Disability	No
	- Return guaranties	Yes

G28. Debt securities in issue

EURm	31 Dec 2016	31 Dec 2015
Certificates of deposit	19,089	26,018
Commercial papers	17,805	23,243
Covered bonds	109,477	106,746
Other bonds	45,319	45,860
Other	60	70
Total	**191,750**	**201,937**

G29. Other liabilities

EURm	31 Dec 2016	31 Dec 2015
Liabilities on securities settlement proceeds	2,127	1,108
Sold, not held, securities	8,024	8,824
Accounts payable	195	168
Cash/margin payables	9,697	11,141
Other	4,370	4,504
Total	**24,413**	**25,745**

G30. Accrued expenses and prepaid income

EURm	31 Dec 2016	31 Dec 2015
Accrued interest	7	20
Other accrued expenses	1,468	1,464
Prepaid income	283	321
Total	**1,758**	**1,805**

G31. Provisions

EURm	31 Dec 2016	31 Dec 2015
Restructuring	223	333
Guarantees/commitments	71	65
Other	12	17
Total	**306**	**415**

Provisions for restructuring costs have been utilised by EUR 78m during 2016. The majority of the remaining restructuring provision was recognised in the fourth quarter last year, and is related to the transformational change to a truly digital bank. Provisions are mainly expected to be used during 2017. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Loan loss provisions for individually assessed, guarantees and other commitments amounted to EUR 71m. Other provision amounts to EUR 12m (EUR 5m expected to be settled 2017).

EURm	Restruc-turing	Guarantees /commit-ments	Other	Total
At beginning of year	333	65	17	415
New provisions made	1	96	7	104
Provisions utilised	–78	–9	–6	–93
Reversals	–30	–80	–4	–114
Reclassifications	–1	–	–2	–3
Translation differences	–2	–1	0	–3
At end of year	**223**	**71**	**12**	**306**

G32. Retirement benefit obligations

EURm	31 Dec 2016	31 Dec 2015
Retirement benefit assets	306	377
Retirement benefit obligations	302	329
Net liability (-)/asset (+)	**4**	**48**

Nordea sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 secures that the pension obligations net of plan assets backing these obligations are reflected on the Group's balance sheet. The major plans in each country are funded schemes covered by assets in pension funds/foundations.

The plans are structured in accordance with local regulations and legislations, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants, new employees are offered DCPs. DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation. In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held by a separate pension fund. In Finland Nordea is providing additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation. Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full or with a predefined surplus. Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are made to secure the level of future contributions.

Defined benefit plans may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumptions. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

Due to recent changes in Norwegian social security and pension legislation, on 25 October 2016 Nordea decided to amend the pension agreement with all employees in Norway born in 1958 or later from a defined benefit plan to a defined contribution plan. As the assumption about future salary increases has been removed, the change decreases the obligation. This led to an upfront gain in 2016 of EUR 86m including social charges.

IAS 19 pension calculations and assumptions

Calculations on major plans are performed by external liability calculators and are based on different actuarial assumptions.

Assumptions[1]

	Swe	Nor	Fin	Den
2016				
Discount rate[2]	2.67%	2.75%	1.50%	1.92%
Salary increase	2.25%	2.75%	1.75%	2.25%
Inflation	1.25%	1.75%	1.25%	1.25%
Mortality	DUS14	GAP07/I73	Gompertz	FSA
2015				
Discount rate[2]	3.07%	2.89%	2.14%	2.67%
Salary increase	2.25%	2.75%	1.75%	2.25%
Inflation	1.25%	1.75%	1.25%	1.25%
Mortality	DUS06	GAP07/I73	Gompertz	FSA

1) The assumptions disclosed for 2016 have an impact on the liability calculation by year-end 2016, while the assumptions disclosed for 2015 are used for calculating the pension expense in 2016.

2) More information on the discount rate can be found in Note G1 "Accounting policies", section 23. The sensitivities to changes in the discount rate can be found below.

Sensitivities – Impact on Defined Benefit Obligation (DBO)

%	Swe	Nor	Fin	Den
Discount rate – Increase 50bps	–7.7%	–6.8%	–6.9%	–5.1%
Discount rate – Decrease 50bps	8.9%	7.6%	7.7%	5.5%
Salary increase – Increase 50bps	3.0%	2.3%	0.4%	5.0%
Salary increase – Decrease 50bps	–2.1%	–2.2%	–0.3%	–4.6%
Inflation – Increase 50bps	7.6%	6.3%	4.7%	–
Inflation – Decrease 50bps	–6.7%	–5.7%	–4.3%	–
Mortality – Increase 1 year	3.4%	3.3%	4.1%	5.1%
Mortality – Decrease 1 year	–3.3%	–3.3%	–4.1%	–5.0%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it gives the possibility to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. Compared with the 2015 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

As all pensions in Denmark are salary indexed, the inflation has no impact on the DBO in Denmark.

G32. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2016	Nor 2016	Fin 2016	Den 2016	Total 2016	Total 2015
Obligations	1,524	869	938	103	3,434	3,271
Plan assets	1,591	703	1,013	131	3,438	3,319
Net liability(–)/asset(+)	**67**	**–166**	**75**	**28**	**4**	**48**
- of which retirement benefit liabilities	126	166	6	4	302	329
- of which retirement benefit assets	193	–	81	32	306	377

Movements in the obligation

2016, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,421	843	907	100	3,271
Current service cost	23	16	3	–	42
Interest cost	43	24	19	3	89
Pensions paid	–71	–35	–43	–6	–155
Past service cost and settlements[1]	3	–84	–2	–	–83
Remeasurement from changes in demographic assumptions	54	–	–	–	54
Remeasurement from changes in financial assumptions	93	41	87	7	228
Remeasurement from experience adjustments	1	15	–12	–1	3
Translation differences	–56	48	–21	0	–29
Change in provision for SWT/SSC[2]	13	1	–	–	14
Closing balance	**1,524**	**869**	**938**	**103**	**3,434**
- of which relates to the active population	27%	35%	14%	–	25%

1) Includes the gain in Norway from transition to DCP.
2) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

2015, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,663	968	985	111	3,727
Current service cost	29	20	3	0	52
Interest cost	40	24	21	2	87
Pensions paid	–73	–29	–42	–5	–149
Past service cost and settlements	–18	16	1	–	–1
Remeasurement from changes in demographic assumptions	–	–	–31	–	–31
Remeasurement from changes in financial assumptions	–204	–63	–26	–5	–298
Remeasurement from experience adjustments	7	–23	–12	–3	–31
Translation differences	35	–55	8	0	–12
Change in provision for SWT/SSC[1]	–58	–15	–	–	–73
Closing balance	**1,421**	**843**	**907**	**100**	**3,271**
- of which relates to the active population	32%	43%	11%	–	28%

1) Change in provision for special wage tax (SWT) and social security contribution (SSC) in Sweden and Norway.

The average duration of the obligation is 16 (15) years in Sweden, 15 (15) years in Norway, 13 (14) years in Finland and 11 (10) years in Denmark based on discounted cash flows. The fact that all DBPs are closed for new entrants and that there are no active members in Denmark, and to some extent also in Finland, leads to lower duration.

G32. Retirement benefit obligations, cont.

Movements in the fair value of plan assets

2016, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,554	644	992	129	3,319
Interest income (calculated using the discount rate)	46	19	21	3	89
Pensions paid	–	–17	–43	–6	–66
Settlements	–	–10	–	–	–10
Contributions by employer	6	24	3	–	33
Remeasurement (actual return less interest income)	44	7	63	5	119
Translation differences	–59	36	–23	0	–46
Closing balance	1,591	703	1,013	131	3,438

2015, EURm	Swe	Nor	Fin	Den	Total
Opening balance	1,497	636	972	124	3,229
Interest income (calculated using the discount rate)	37	17	20	2	76
Pensions paid	–	–17	–42	–7	–66
Settlements	–16	–	2	–	–14
Contributions by employer	0	26	–1	6	31
Remeasurement (actual return less interest income)	2	22	33	2	59
Translation differences	34	–40	8	2	4
Closing balance	1,554	644	992	129	3,319

Asset composition

The combined return on assets in 2016 was 6.3% (4.2%). The asset return was driven by a positive return on all asset classes. At the end of the year the equity exposure in Nordea´s pension funds/foundations represented 27% (27%) of total assets.

The Group expects to contribute EUR 32m to its defined benefit plans in 2017.

Asset composition in funded schemes

%	Swe 2016	Nor 2016	Fin 2016	Den 2016	Total 2016	Total 2015
Bonds	70%	55%	59%	84%	64%	63%
- sovereign	37%	37%	40%	40%	38%	38%
- covered bonds	16%	6%	–	44%	10%	15%
- corporate bonds	15%	10%	19%	–	15%	10%
- issued by Nordea entities	2%	2%	–	–	1%	–
- with quoted market price in an active market	70%	55%	59%	84%	64%	63%
Equity	28%	28%	25%	12%	27%	27%
- domestic	7%	6%	7%	12%	7%	7%
- European	7%	9%	7%	–	7%	8%
- US	8%	8%	7%	–	8%	7%
- emerging	5%	5%	4%	–	5%	5%
- Nordea shares	1%	–	0%	–	0%	–
- with quoted market price in an active market	28%	28%	25%	12%	27%	27%
Real estate[1]	–	15%	12%	–	6%	6%
- occupied by Nordea	–	–	4%	–	1%	1%
Cash and cash equivalents	2%	2%	4%	4%	3%	4%

1) The geographical location of the real estate follows the geographical location of the relevant pension plan.

G32. Retirement benefit obligations, cont.

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR –31m (EUR 90m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G7 "Staff costs").

Recognised in the income statement

2016, EURm	Swe	Nor	Fin	Den	Total
Current service cost	23	16	3	–	42
Net interest	–3	5	–2	0	0
Past service cost and settlements[1]	3	–74	–2	–	–73
SWT/SSC[2]	7	–7	–	–	0
Pension cost on defined benefit plans (expense+/ income–)	**30**	**–60**	**–1**	**0**	**–31**

1) The past service cost 2016 includes the gain in Norway from transition to DCP.
2) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

2015, EURm	Swe	Nor	Fin	Den	Total
Current service cost	29	20	3	0	52
Net interest	3	7	1	0	11
Past service cost and settlements[1]	–2	16	–1	–	13
SWT/SSC[2]	8	6	–	–	14
Pension cost on defined benefit plans (expense+/ income–)	**38**	**49**	**3**	**0**	**90**

1) The past service cost 2015 mainly regards termination benefits in connection to the cost efficiency programme launched in the fourth quarter.
2) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost 2015, excluding past service cost and related SWT and SSC, the pension cost has decreased in 2016 as a consequence of the change of actuarial assumptions at the end of 2015.

Recognised in other comprehensive income

2016, EURm	Swe	Nor	Fin	Den	Total
Remeasurement from changes in demographic assumptions	54	–	–	–	54
Remeasurement from changes in financial assumptions	93	41	87	7	228
Remeasurement from experience adjustments	1	15	–12	–1	3
Remeasurement of plan assets (actual return less interest income)	–44	–7	–63	–5	–119
SWT/SSC[1]	25	14	–	–	39
Pension cost on defined benefit plans (expense+/income–)	**129**	**63**	**12**	**1**	**205**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway. Includes the effect from changed assumption on SSC rate in Norway, increased from 14.1% to 19.1% in 2016.

2015, EURm	Swe	Nor	Fin	Den	Total
Remeasurement from changes in demographic assumptions	–	–	–31	–	–31
Remeasurement from changes in financial assumptions	–204	–63	–26	–5	–298
Remeasurement from experience adjustments	7	–23	–12	–3	–31
Remeasurement of plan assets (actual return less interest income)	–2	–22	–33	–2	–59
SWT/SSC[1]	–48	–16	–	–	–64
Pension cost on defined benefit plans (expense+/income–)	**–247**	**–124**	**–102**	**–10**	**–483**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

G32. Retirement benefit obligations, cont.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The new AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Further, the new scheme allows the employees to continue working while receiving AFP without this affecting the pension rights. The plan is founded on the basis of a three party cooperation between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense to the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms are paying to the plan is determined to be sufficient to cover on-going pension expenses as well as to provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2016 was 2.5% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The premium is calculated based on the average wages and base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2016 amount to EUR 4m. Payments to the plan during 2016 covered 2,737 employees. The premium rate for 2017 will be 2.5% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The expected premium in 2017 amounts to EUR 4m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. As a result the employer members have joint responsibility for two thirds of the payable pensions to the employees that at any given time meet the requirements for AFP. Any deficit or surplus on windup of the plan or entities' withdrawal from the plan will not have any impact on Nordea.

Key management personnel

The Group's total pension obligations regarding key management personnel amounted to EUR 10m (EUR 15m) at the end of the year. These obligations are to a high degree covered by plan assets. Defined benefit pension costs (Current service cost as well as Past service cost and settlements as defined in IAS 19) related to key management personnel in 2016 were EUR 2m (EUR 0m). Complete information concerning key management personnel is disclosed in Note G7 "Staff costs".

G33. Subordinated liabilities

EURm	31 Dec 2016	31 Dec 2015
Dated subordinated debenture loans	6,997	5,940
Undated subordinated debenture loans	272	262
Hybrid capital loans	3,190	2,998
Total	**10,459**	**9,200**

These debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before undated subordinated loans and hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

G34. Assets pledged as security for own liabilities

EURm	31 Dec 2016	31 Dec 2015
Assets pledged for own liabilities		
Securities etc[1]	16,416	17,628
Loans to the public	138,613	134,520
Other assets pledged	34,412	32,647
Total	**189,441**	**184,795**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	5,822	8,178
Deposits and borrowings from the public	7,047	6,711
Derivatives	13,928	13,773
Debt securities in issue	108,717	106,178
Other liabilities and commitments	22,436	22,267
Total	**157,950**	**157,107**

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note G43 "Transferred assets and obtained collaterals".

Assets pledged for own liabilities contain securities pledged as security in repurchase agreements and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

Securities in the Life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other assets pledged relates to certificate of deposits pledged by Nordea to comply with authority requirements.

G35. Other Assets pledged

Other assets pledged are mainly related to securities which includes interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions (EUR 8,310m (EUR 9,019m)). The terms and conditions require day to day securities and relate to liquidity intraday/over night. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

G36. Contingent liabilities

EURm	31 Dec 2016	31 Dec 2015
Guarantees		
- Loan guarantees	5,018	5,865
- Other guarantees	16,016	14,791
Documentary credits	1,937	1,805
Other contingent liabilities	118	108
Total	**23,089**	**22,569**

In the normal business Nordea issues various forms of guarantees in favour of the Nordea's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank services and support the Nordea's customers. Guarantees and documentary credits are off-balance sheet items, unless there is a need for a provision to cover a probable loan loss that arises from the judgement that reimbursement will not be received. The table above includes all issued guarantees, also those where the possibility of an outflow of resources are considered to be remote.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board members in group undertakings to Nordea Bank AB (publ).

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7 "Staff costs".

Legal proceedings

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

G37. Commitments

EURm	31 Dec 2016	31 Dec 2015
Unutilised overdraft facilities	30,703	37,961
Loan commitments	47,302	36,718
Future payment obligations	1,107	956
Other commitments	322	2,367
Total	**79,434**	**78,002**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2016 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2016. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about credit commitments, see Note G1 "Accounting policies", section 25, about derivatives, see Note G18 "Derivatives and Hedge accounting" and about reverse repos, see Note G43 "Transferred assets and obtained collaterals".

G38. Capital adequacy

Capital adequacy is a measure of the financial strength of a bank, usually expressed as a ratio of capital to assets. There is a worldwide capital adequacy standard (Basel III) drawn up by the Basel Committee on Banking Supervision. Within the EU, the capital adequacy requirements are outlined in the Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR).

CRD IV/CRR require higher capitalisation levels and better quality of capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk based requirement, measures to promote the build-up of capital that can be drawn in periods of stress and the introduction of liquidity standards. CRD IV was implemented through national law within all EU countries during 2014, while the CRR entered into force in all EU countries on the first of January 2014.

The Basel III framework is built on three Pillars:

- **Pillar I** – requirements for the calculation of REA and Capital
- **Pillar II** – rules for the Supervisory Review Evaluation Process (SREP) including the Internal Capital Adequacy Assessment Process (ICAAP)
- **Pillar III** – rules for the disclosure on risk and capital management, including capital adequacy

Nordea performs an ICAAP with the purpose to review the management, mitigation and measurement of material risks within the business environment in order to assess the adequacy of capitalisation and to determine an internal capital requirements reflecting the risks of the institution.

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective on a regular basis and on an ad-hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used.

Nordea's capital levels continue to be adequate to support the risks taken, both from an internal perspective as well as from the perspective of supervisors. Heading into 2017, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialogue with the supervisory authorities.

The disclosures in this note cover the Nordea Group as defined on page 145.

Own funds

Own funds is the sum of Tier 1 and Tier 2 capital. Tier 1 capital consists of both common equity Tier 1 (CET1) and additional Tier 1 capital.

Tier 1 capital

Tier 1 capital is the sum of common equity tier 1 capital and additional Tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbing characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend. Due to the implementation of CRR, deduction that according to previous rules were made 50% from Tier 1 and 50% from tier 2 are now fully deducted from common equity tier 1. Furthermore, CRR also changes the treatment of investments in financial sector entities and deferred tax assets that rely on future profitability and arise from temporary differences, which are now risk weighted instead of deducted from Tier 1 and Tier 2.

Additional Tier 1 capital items consist of additional Tier 1 instruments and the related share premium.

Additional Tier 1 instruments

Additional Tier 1 instruments are subordinated capital instruments that rank senior only to share capital. CRR specifies the necessary characteristics required for inclusion in additional Tier 1 capital. The instruments are loss-absorbing from a going concern perspective as coupons can be cancelled at any time at the full discretion of the issuer and the principal will be written down if the Common Equity Tier 1 capital ratio would fall below a pre-defined trigger level. The instruments may only be repaid with the permission from the Swedish FSA and not earlier than five years after original issuance of the instrument. Additional Tier 1 instruments that fulfil the CRR requirements are fully included whereas remaining instruments are phased out according to transitional rules. At year-end, Nordea held EUR 3.0bn in undated subordinated instruments.

Tier 2 capital

Tier 2 capital must be subordinated to depositors and general creditors of the bank. It cannot be secured or covered by a guarantee of the issuer or related entity or include any other arrangement that legally or economically enhances the seniority of the claim vis-a`-vis depositors and other bank creditors.

Tier 2 instruments

Tier 2 instruments are subordinated instruments. The basic principle for subordinated instruments in own funds is the order of priority in case of a default or bankruptcy situation.

Under such conditions, the holder of the subordinated instrument would be repaid after other creditors, but before shareholders. Tier 2 instruments can be dated or undated instruments. According to the regulation, Tier 2 instruments that fulfil the CRD IV requirements are fully included whereas remaining instruments are phased out according to transitional rules.

The inclusion of outstanding Tier 2 instruments in the Tier 2 capital is reduced if the remaining maturity is less than five years. During 2016, Nordea issued one Tier 2 instrument of EUR 1.0bn. As of year-end, Nordea held EUR 6.3bn in dated subordinated instruments and EUR 0.2 in undated subordinated instruments.

The tables below shows the main features of outstanding Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments.

G38. Capital adequacy, cont.

Common Equity Tier 1 capital: instruments and reserves

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
1	Capital instruments and the related share premium accounts	5,130	–
	of which: Share capital	4,050	–
2	Retained earnings	22,519	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–97	–
5	Minority interests (amount allowed in consolidated CET1)	–	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1,381	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**28,934**	–
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–316	–
8	Intangible assets (net of related tax liability) (negative amount)	–3,435	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where conditions in Article 38 (3) are met) (negative amount)	–	–
11	Fair value reserves related to gains or losses on cash flow hedges	–37	–
12	Negative amounts resulting from the calculation of expected loss amounts	–212	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–133	–
15	Defined-benefit pension fund assets (negative amount)	–240	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–22	–
25	of which: deferred tax assets arising from temporary differences	–	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	–
	Of which: ... filter for unrealised loss 1	–	35
	Of which: ... filter for unrealised gain 1	–	256
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**–4,396**	–
29	**Common Equity Tier 1 (CET1) capital**	**24,538**	–
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,304	–
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	743	–
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**3,048**	–
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–30	–
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–	–
	Of which shortfall	–	–
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–30**	–
44	**Additional Tier 1 (AT1) capital**	**3,017**	–
45	**Tier 1 capital (T1 = CET1 + AT1)**	**27,555**	–
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	6,467	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	81	–
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	–	–

G38. Capital adequacy, cont.

Common Equity Tier 1 capital: instruments and reserves, cont.

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
49	of which: instruments issued by subsidiaries subject to phase out	–	–
50	**Credit risk adjustments**	**78**	–
51	**Tier 2 (T2) capital before regulatory adjustments**	**6,626**	–
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–72	–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–1,205	–
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–	–
	Of which shortfall	–	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–1,277**	–
58	**Tier 2 (T2) capital**	**5,349**	–
59	**Total capital (TC = T1 + T2)**	**32,904**	–
60	**Total risk weighted assets**	**133,157**	–
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.4%	–
62	Tier 1 (as a percentage of risk exposure amount)	20.7%	–
63	Total capital (as a percentage of risk exposure amount)	24.7%	–
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G–SII or O–SII buffer), expressed as a percentage of risk exposure amount)	8.0%	–
65	of which: capital conservation buffer requirement	2.5%	–
66	of which: countercyclical buffer requirement	0.5%	–
67	of which: systemic risk buffer requirement	3.0%	–
67a	of which: Global Systemically Important Institution (G–SII) or Other Systemically Important Institution (O–SII) buffer	2.0%	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	13.9%	–
	Amounts below the threshold for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	362	–
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,027	–
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	–	–
	Applicable caps to the inclusion of provisions in Tier 2		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	93,958	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	564	–
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)		
82	Current cap on AT1 instruments subject to phase out arrangements	1,182	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
84	Current cap on T2 instruments subject to phase out arrangements	573	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–

G38. Capital adequacy, cont.

Minimum capital requirement and REA

	31 Dec 2016		31 Dec 2015	
EURm	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	**8,601**	**107,512**	**9,358**	**116,978**
- of which counterparty credit risk	759	9,489	761	9,510
IRB	7,517	93,958	8,297	103,717
- corporate	4,977	62,212	5,630	70,371
- advanced	3,887	48,585	4,497	56,211
- foundation	1,090	13,627	1,133	14,160
- institutions	572	7,144	682	8,526
- retail	1,755	21,933	1,802	22,520
- secured by immovable property collateral	1,001	12,505	1,016	12,702
- other retail	754	9,428	786	9,818
- items representing securitisation positions	66	828	–	–
- other	147	1,841	183	2,300
Standardised	1,084	13,554	1,061	13,261
- central governments or central banks	26	320	40	504
- regional governments or local authorities	21	266	19	237
- public sector entities	3	39	3	32
- multilateral development banks	2	32	0	0
- international organisations	–	–	–	–
- institutions	40	498	23	282
- corporate	173	2,159	169	2,109
- retail	258	3,223	251	3,137
- secured by mortgages on immovable properties	229	2,863	231	2,887
- in default	9	114	9	119
- associated with particularly high risk	56	701	59	741
- covered bonds	–	–	–	–
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	221	2,760	209	2,617
- other items	46	579	48	596
Credit Value Adjustment Risk	**144**	**1,798**	**140**	**1,751**
Market risk	**358**	**4,474**	**522**	**6,534**
- trading book, Internal Approach	236	2,942	239	2,990
- trading book, Standardised Approach	74	928	96	1,209
- banking book, Standardised Approach	48	604	187	2,335
Operational risk	**1,350**	**16,873**	**1,363**	**17,031**
Standardised	1,350	16,873	1,363	17,031
Additional risk exposure amount, Article 3 CRR	**200**	**2,500**	**80**	**1,000**
Sub total	**10,653**	**133,157**	**11,463**	**143,294**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	6,612	82,655	6,283	78,533
Total	**17,265**	**215,812**	**17,746**	**221,827**

G38. Capital adequacy, cont.

Leverage ratio

	31 Dec 2016	31 Dec 2015
Tier 1 capital, transitional definition, EURm[1]	27,555	26,516
Leverage ratio exposure, EURm	555,688	576,317
Leverage ratio, percentage	5.0	4.6

1) Including profit for the period.

Capital requirements for market risk

	Trading book, IA		Trading book, SA		Banking book, SA		Total	
EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	884	71	780	62	–	–	1,664	133
Equity risk	239	19	120	10	–	–	359	29
Foreign exchange risk	266	22	–	–	604	48	870	70
Commodity risk	–	–	28	2	–	–	28	2
Settlement risk	–	–	0	0	–	–	0	0
Diversification effect	–557	–45	–	–	–	–	–557	–45
Stressed Value-at-Risk	950	76	–	–	–	–	950	76
Incremental Risk Measure	346	28	–	–	–	–	346	28
Comprehensive Risk Measure	814	65	–	–	–	–	814	65
Total	**2,942**	**236**	**928**	**74**	**604**	**48**	**4,474**	**358**

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

Nordea may transfer capital within its legal entities without material restrictions, subject to the general conditions for entities considered solvent with sufficient liquidity under local law and satisfying minimum capital adequacy requirements. International transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance in governing the capital position of Nordea's entities. Such approval has to be applied and authorised by the local FSA for internal subordinated loans as prescribed by Article 77 in the CRR.

Table A3–A5 include disclosure of capital instruments' main features in accordance with §6.4 in FFFS 2014:18 and using the template in Annex II in article 3 in Commission implementing regulation (EU) No 1423/2013. Template items are excluded if not applicable.

Table A3 – Capital instruments' main features template – CET1

Common equity Tier 1 capital		
1	Issuer	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000427361
3	Governing law(s) of the instrument	Swedish
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
Coupons / dividends		
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

G38. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

	Additional Tier 1 instrument								
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private place-ment)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law
	Regulatory treatment								
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/(sub-)consoli-dated/solo & (sub-)consoli-dated	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 jurisdic-tion)	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recog-nised in regula-tory capital (cur-rency in million, as of most recent reporting date)	EUR 500m	EUR 162m	EUR 81m	EUR 943m	EUR 471m	EUR 234m	EUR 137m	EUR 519m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 162m	JPY 10,000m / EUR 81m	USD 1,000m / EUR 949m	USD 500m / EUR 474m	SEK 2,250m / EUR 236m	NOK 1,250m / EUR 138m	USD 550m / EUR 522m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting clas-sification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	17 sep 04	04 mars 05	12 Oct 05	23 sep 14	23 sep 14	12 mars 15	12 mars 15	12 mars 15
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call sub-ject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17 Sep 2009 In addition tax/ regulatory call 100 per cent of nominal amount	4 Mar 2035 In addition tax/ regulatory call 100 per cent of nominal amount	12 Oct 2035 In addition tax/ regulatory call 100 per cent of nominal amount	23 Sep 2019 In addition tax/ regulatory call 100 per cent of nominal amount	23 Sep 2024 In addition tax/ regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/ regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/ regulatory call 100 per cent of nominal amount	13 Sep 2021 In addition tax/ regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if appli-cable	17 Mar and 17 Sep each year after first call date	4 Mar and 4 Sep each year after first call date	12 Apr and 12 Oct each year after first call date	23 Mar and 23 Sep each year after first call date	23 Mar and 23 Sep each year after first call date	2 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	2 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	13 Sep each year after first call date
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	Fixed

G38. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1, cont

Additional Tier 1 instrument									
18	Coupon rate and any related index	Floating 10-year CMS +0.05 per cent per annum subject to 8 per cent cap	Fixed USD 3.75 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.22 per cent per annum	Fixed USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.40 per cent per annum	Fixed 5.50 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.388 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month NIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.244 per cent per annum
19	Existence of a dividend stopper	Yes	Yes	Yes	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	To avoid liquidation	To avoid liquidation	To avoid liquidation	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32	If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Shareholders resolution regarding reconversion and reinstatement made out of available distributable funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	Yes	No	No	No	No	No
37	If yes, specify non-compliant features	No specified trigger level, dividend stopper	No specified trigger level, step-up, dividend stopper	No specified trigger level, step-up, dividend stopper	N/A	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2

Tier 2 instruments							
1	Issuer	Nordea Bank Norge ASA	Nordea Bank Finland PLC	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	GB0001961928	N/A	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	XS0743689993
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Norwegian law	Governed by English law, except for the subordination provisions which are governed by Finnish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by the laws of the State of New York, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law
Regulatory treatment							
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo, sub-consolidated & consolidated	Solo, sub-consolidated & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.5	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 190m	EUR 81m	EUR 645m (64.5 per cent of Nominal amount, <5 yrs to maturity)	EUR 635m (84.6 per cent of Nominal amount, <5 yrs to maturity)	EUR 1030m (82.4 per cent of Nominal amount, <5 yrs to maturity)	EUR 750m
9	Nominal amount of instrument	USD 200m / EUR 190m	JPY 10,000m / EUR 81m	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,186m	EUR 750m
9a	Issue price	100 per cent	100 per cent	99.810 per cent	99.699 per cent	99.508 per cent	99.803 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	04 nov 86	22 aug 01	26 mars 10	29 sep 10	13 May 11	15 feb 12
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity	No maturity	26 mars 20	29 mars 21	13 May 21	15 feb 22
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	18 Nov 1991 In addition tax call 100 per cent of nominal amount	26 Feb 2029 In addition tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	15 Feb 2017 In addition tax call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	18 May and 18 Nov each year after first call date	26 Feb and 26 Aug each year after first call date	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

	Tier 2 instruments						
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	US65557FAD87/ US65557HAD44	XS1292434146	XS1292433767	N/A	XS1317439559	XS1486520403
3	Governing law(s) of the instrument	Governed by the laws of the State of New York, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law
	Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 942m	EUR 178m	EUR 240m	EUR 122m	EUR 744m	EUR 991m
9	Nominal amount of instrument	USD 1,000m / EUR 949m	SEK 1,700m / EUR 178m	SEK 2,300m / EUR 241m	JPY 15,000m / EUR 122m	EUR 750m	EUR 1,000m
9a	Issue price	99.364 per cent	100 per cent	100 per cent	100 per cent	99.434 per cent	99.391 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability - amortised cost
11	Original date of issuance	21 sep 12	17 sep 15	17 sep 15	06 Oct 15	10 nov 15	07 Sep 16
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	21 sep 22	17 sep 25	17 sep 25	06 Oct 25	10 nov 25	07 Sep 26
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Tax/regulatory call 100 per cent of nominal amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10 Nov 2020 In addition tax/regulatory call 100 per cent of nominal amount	07 Sep 2021 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	N/A	17 Mar, 17 Jun, 17 Sep and 17 Dec each year after first call date	17 Sep each year after first call date	N/A	10 Nov each year after first call date	7 Sep each year after first call date

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

Tier 2 instruments							
Coupons/dividends							
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 6-month USD +0.1875 per cent per annum	Fixed USD 4.51 per cent per annum to call date, thereafter floating rate equivalent to 6-month JPY Deposit +2.00 per cent per annum	4,50%	4,00%	4,88%	Fixed 4.625 per cent per annum (equivalent to Euro Swap Rate +3.15 per cent per annum) to call date, thereafter reset fixed rate to Euro Swap Rate +3.15 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend pusher	Partially discretionary Dividend pusher	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	Yes	No	No	No	No
37	If yes, specify non-compliant features	N/A	Step-up	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont

Tier 2 instruments							
Coupons/dividends							
17	Fixed or floating dividend / coupon	Fixed	Floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4,25%	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.5 per cent per annum	1,16%	Fixed 1.875 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.7 per cent per annum	Fixed 1.00 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.25 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

G38. Capital adequacy, cont.

Specification of group undertakings 31 December 2016

Owner	Company name	Voting power of holding, %	Domicile	Consolidation method
Nordea Bank AB (publ)	Nordea Bank Finland Plc	100	Finland	Purchase method
Nordea Bank Finland Plc	Nordea Finance Finland Ltd	100	Finland	Purchase method
	Automatia Pankkiautomaatit Oy	33	Finland	Equity method
Nordea Finance Finland Ltd	Tukirahoitus Oy	100	Finland	Purchase method
	Nordea Finance Estonia Ltd	100	Estonia	Purchase method
	Nordea Finance Latvia Ltd	100	Latvia	Purchase method
	Nordea Finance Lithuania Ltd	100	Lithuania	Purchase method
	Kiinteistö Oy Tampereen Kirkkokatu 7	100	Finland	Purchase method
Nordea Finance Estonia Ltd	ALD Automotive Eesti AS	25	Estonia	Equity method
Nordea Finance Latvia Ltd	ALD Automotive SIA	25	Latvia	Equity method
Nordea Finance Lithuania Ltd	UAB ALD Automotive	25	Lithuania	Equity method
Nordea Bank AB (publ)	Nordea Bank Norge ASA	100	Norway	Purchase method
Nordea Bank Norge ASA	Nordea Eiendomskreditt AS	100	Norway	Purchase method
	Nordea Finans Norge AS	100	Norway	Purchase method
	Eksportfinans ASA	23	Norway	Equity method
	Nordea Utvikling AS	100	Norway	Purchase method
Nordea Utvikling AS	Tomteutvikling Norge AS	100	Norway	Purchase method
Nordea Bank AB (publ)	Nordea Bank Danmark A/S	100	Denmark	Purchase method
Nordea Bank Danmark A/S	Nordea Finans Danmark A/S	100	Denmark	Purchase method
	Nordea Kredit Realkreditaktieselskab	100	Denmark	Purchase method
	LR-Realkredit A/S	39	Denmark	Equity method
	Fionia Asset Company A/S	100	Denmark	Purchase method
Nordea Finans Danmark A/S	BH Finance K/S	100	Denmark	Purchase method
	LB12 K/S	100	Denmark	Purchase method
	NAMIT 10 K/S	100	Denmark	Purchase method
	UL Transfer Aps	100	Denmark	Purchase method
	UL International ApS	100	Denmark	Purchase method
	DT Finance K/S	100	Denmark	Purchase method
	Tide Leasing 2012 K/S	100	Denmark	Purchase method
	BAAS 2012 K/S	100	Denmark	Purchase method
Fionia Asset Company A/S	Ejendomsselskabet Vestre Stationsvej 7, Odense A/S	100	Denmark	Purchase method
Nordea Bank AB (publ)	LLC Promyshlennaya Kompaniya Vestkon	100	Russia	Purchase method
LLC Promyshlennaya Kompaniya Vestkon / Nordea Bank AB (publ)	Join Stock Company Nordea Bank	100	Russia	Purchase method
Join Stock Company Nordea Bank	Nordea Leasing LLC	100	Russia	Purchase method
Nordea Bank AB (publ)	Nordea Hypotek AB (publ)	100	Sweden	Purchase method
	Nordea Finans Sverige AB (publ)	100	Sweden	Purchase method
	Nordea Investment Management AB	100	Sweden	Purchase method
	Bankomat AB	20	Sweden	Equity method
	Getswish AB	20	Sweden	Equity method
	Nordea Funds Ltd	100	Finland	Purchase method
	Nordea Mortgage Bank Plc	100	Finland	Purchase method

G38. Capital adequacy, cont.

Owner	Company name	Voting power of holding, %	Domicile	Consolidation method
	Nordea Ejendomsinvestering A/S	100	Denmark	Purchase method
	SIA Promano Lat	100	Latvia	Purchase method
	Promano LIT, UAB	100	Lithuania	Purchase method
	Promano Est Oü	100	Estonia	Purchase method
	SIA Realm	100	Latvia	Purchase method
Nordea Investment Management AB	Nordea Investment Management North America Inc	100	USA	Purchase method
	Nordea Investment Management AG	100	Germany	Purchase method
Nordea Ejendomsinvestering A/S	Nordea Ejendomsforvaltning A/S	100	Denmark	Purchase method
Nordea Finans Sweden, Finland, Norway and Denmark	NF Techfleet AB	20	Sweden	Equity method
Nordea Bank AB (publ) / Nordea Investment Management AB	**Nordea Bank S.A.**	100	Luxembourg	Purchase method
Nordea Bank S.A.	Nordea Investment Funds S.A.	100	Luxembourg	Purchase method
Nordea Investment Funds S.A.	Nordea Funds Service Germany Gmbh	100	Germany	Purchase method

G39. Classification of financial instruments

Assets

31 Dec 2016, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associated undertakings / joint ventures	Assets held for sale	Total
Cash and balances with central banks	32,099	–	–	–	–	–	–	–	32,099
Loans to central banks	11,135	–	100	–	–	–	–	–	11,235
Loans to credit institutions	6,371	–	2,655	–	–	–	–	–	9,026
Loans to the public	241,341	–	23,712	52,636	–	–	–	–	317,689
Interest-bearing securities	–	3,095	34,842	17,469	–	32,295	–	–	87,701
Financial instruments pledged as collateral	–	–	5,108	–	–	–	–	–	5,108
Shares	–	–	1,904	19,620	–	–	–	–	21,524
Assets in pooled schemes and unit-linked investment contracts	–	–	–	22,963	–	–	139	–	23,102
Derivatives	–	–	67,438	–	2,521	–	–	–	69,959
Fair value changes of the hedged items in portfolio hedge of interest rate risk	178	–	–	–	–	–	–	–	178
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	588	–	588
Intangible assets	–	–	–	–	–	–	3,792	–	3,792
Properties and equipment	–	–	–	–	–	–	566	–	566
Investment properties	–	–	–	–	–	–	3,119	–	3,119
Deferred tax assets	–	–	–	–	–	–	60	–	60
Current tax assets	–	–	–	–	–	–	288	–	288
Retirement benefit assets	–	–	–	–	–	–	306	–	306
Other assets	2,833	–	15,153	–	–	–	987	–	18,973
Prepaid expenses and accrued income	966	–	–	–	–	–	483	–	1,449
Assets held for sale	–	–	–	–	–	–	–	8,897	8,897
Total	**294,923**	**3,095**	**150,912**	**112,688**	**2,521**	**32,295**	**10,328**	**8,897**	**615,659**

Liabilities

31 Dec 2016, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Liabilities held for sale	Total
Deposits by credit institutions	8,145	53	–	29,938	–	–	38,136
Deposits and borrowings from the public	5,985	2,022	–	166,021	–	–	174,028
Deposits in pooled schemes and unit-linked investment contracts	–	23,580	–	–	–	–	23,580
Liabilities to policyholders	–	3,527	–	–	37,683	–	41,210
Debt securities in issue	6,340	48,849	–	136,561	–	–	191,750
Derivatives	66,995	–	1,641	–	–	–	68,636
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	2,466	–	–	2,466
Current tax liabilities	–	–	–	–	487	–	487
Other liabilities	17,721	–	–	4,678	2,014	–	24,413
Accrued expenses and prepaid income	–	–	–	290	1,468	–	1,758
Deferred tax liabilities	–	–	–	–	830	–	830
Provisions	–	–	–	–	306	–	306
Retirement benefit liabilities	–	–	–	–	302	–	302
Subordinated liabilities	–	–	–	10,459	–	–	10,459
Liabilities held for sale	–	–	–	–	–	4,888	4,888
Total	**105,186**	**78,031**	**1,641**	**350,413**	**43,090**	**4,888**	**583,249**

G39. Classification of financial instruments, cont.

Assets

31 Dec 2015, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associated undertakings/ joint ventures	Total
Cash and balances with central banks	35,500	–	–	–	–	–	–	35,500
Loans to central banks	8,095	–	5,129	–	–	–	–	13,224
Loans to credit institutions	7,251	–	3,489	22	–	–	–	10,762
Loans to the public	251,876	–	36,999	52,045	–	–	–	340,920
Interest-bearing securities	61	2,708	34,870	14,780	–	34,116	–	86,535
Financial instruments pledged as collateral	–	–	8,341	–	–	–	–	8,341
Shares	–	–	4,917	17,356	–	–	–	22,273
Assets in pooled schemes and unit-linked investment contracts	210			20,113			111	20,434
Derivatives	–	–	77,594	–	3,147	–	–	80,741
Fair value changes of the hedged items in portfolio hedge of interest rate risk	151	–	–	–	–	–	–	151
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	515	515
Intangible assets	–	–	–	–	–	–	3,208	3,208
Properties and equipment	–	–	–	–	–	–	557	557
Investment properties	–	–	–	–	–	–	3,054	3,054
Deferred tax assets	–	–	–	–	–	–	76	76
Current tax assets	–	–	–	–	–	–	87	87
Retirement benefit assets	–	–	–	–	–	–	377	377
Other assets	2,686	–	–	14,696	–	–	1,205	18,587
Prepaid expenses and accrued income	968	–	–	–	–	–	558	1,526
Total	**306,798**	**2,708**	**171,339**	**119,012**	**3,147**	**34,116**	**9,748**	**646,868**

Liabilities

31 Dec 2015, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits by credit institutions	17,534	1,086	–	25,589	–	44,209
Deposits and borrowings from the public	10,465	4,227	–	174,357	–	189,049
Deposits in pooled schemes and unit-linked investment contracts	–	21,077	–	11	–	21,088
Liabilities to policyholders	–	2,761	–	–	35,946	38,707
Debt securities in issue	6,885	46,229	–	148,823	–	201,937
Derivatives	77,887	–	1,618	–	–	79,505
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	2,594	–	2,594
Current tax liabilities	–	–	–	–	225	225
Other liabilities	8,824	11,141	–	3,641	2,139	25,745
Accrued expenses and prepaid income	–	–	–	341	1,464	1,805
Deferred tax liabilities	–	–	–	–	1,028	1,028
Provisions	–	–	–	–	415	415
Retirement benefit liabilities	–	–	–	–	329	329
Subordinated liabilities	–	–	–	9,200	–	9,200
Total	**121,595**	**86,521**	**1,618**	**364,556**	**41,546**	**615,836**

G39. Classification of financial instruments, cont.

Loans designated at fair value through profit or loss

EURm	31 Dec 2016	31 Dec 2015
Carrying amount	52,636	52,067
Maximum exposure to credit risk	52,636	52,067
Carrying amount of credit derivatives used to mitigate the credit risk	–	–

Financial assets and liabilities designated at fair value through profit or loss Changes in fair values of financial liabilities attributable to changes in credit risk

The financial liabilities designated at fair value through profit or loss exposed to changes in credit risk are issued bonds in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 48,849m (EUR 46,229m), the funding of the Markets operation, EUR 2,075m (EUR 16,454m) deposits linked to the investment return of separate assets, EUR 4,340m (EUR 4,293m) and investment contracts in Life, EUR 22,767m (EUR 19,545m). The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant. The value of the investment contracts in Life and assets linked deposits is directly linked to the assets in the contracts and there is consequently no effect from changes in own credit risk in these contracts.

The fair value of bonds issued by Nordea Kredit Realkreditaktieselskab increased by EUR 119m (decreased EUR 100m) in 2016 due to changes in own credit risk. The cumulative change since designation is a decrease of EUR 574m (decrease EUR 691m). The method used to estimate the amount of changes in fair value attributable to changes in market conditions is based on relevant benchmark interest rates, which are the average yields on Danish and German (EUR) government bonds.

For the issued mortgage bonds a change in the liability's credit risk and price will have a corresponding effect on the value of the loans. The reason is that a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loan.

Changes in fair values of financial assets attributable to changes in credit risk

Lending designated at fair value through profit or loss exposed to changes in credit risk consist of lending in the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 52,501m (EUR 51,713m) and lending in the Markets operation, EUR 135m (EUR 353m). The fair value of lending in Nordea Kredit Realkreditaktieselskab increased by EUR 24m (decreased EUR 19m) in 2016 due to changes in credit risk. The cumulative change since designation is a decrease of EUR 148m (decrease EUR 171m). The method used to estimate the amount of change in the fair value attributable to changes in credit risk is similar to the incurred loss impairment model for amortised cost assets under IAS 39. The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant. Also instruments classified as "Other assets" and "Prepaid expenses and accrued income" are of such a short-term nature that the impact from changes in credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

EURm	Carrying amount	Amount to be paid at maturity
2016		
Financial liabilities designated at fair value through profit or loss	78,031	76,699
2015		
Financial liabilities designated at fair value through profit or loss	86,521	85,776

Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. The amount disclosed to be paid at maturity has been set to the carrying amount.

G40. Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2016		31 Dec 2015	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	32,099	32,099	35,500	35,500
Loans	338,128	337,442	365,057	366,401
Interest-bearing securities	87,701	87,892	86,535	86,750
Financial instruments pledged as collateral	5,108	5,108	8,341	8,341
Shares	21,524	21,524	22,273	22,273
Assets in pooled schemes and unit-linked investment contracts	22,963	22,963	20,323	20,323
Derivatives	69,959	69,959	80,741	80,741
Other assets	17,986	17,986	17,382	17,382
Prepaid expenses and accrued income	966	966	968	968
Total	**596,434**	**595,939**	**637,120**	**638,679**
Financial liabilities				
Deposits and debt instruments	416,839	417,528	446,989	446,874
Deposits in pooled schemes and unit-linked investment contracts	3,527	3,527	21,088	21,088
Liabilities to policyholders	23,580	23,580	2,761	2,761
Derivatives	68,636	68,636	79,505	79,505
Other liabilities	22,399	22,399	23,606	23,606
Accrued expenses and prepaid income	290	290	341	341
Total	**535,271**	**535,960**	**574,290**	**574,175**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet" below.

G40. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2016, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	100	–	–	–	100
Loans to credit institutions	–	–	2,655	–	–	–	2,655
Loans to the public	–	–	76,348	–	–	–	76,348
Interest-bearing securities[2]	51,384	12,376	38,120	6,231	210	38	89,714
Shares	17,278	15,904	461	431	3,785	3,185	21,524
Assets in pooled schemes and unit-linked investment contracts	21,314	17,409	1,633	1,633	155	155	23,102
Derivatives	69	–	68,207	807	1,683	–	69,959
Investment properties	–	–	–	–	3,119	3,104	3,119
Other assets	–	–	15,153	83	–	–	15,153
Total	**90,045**	**45,689**	**202,677**	**9,185**	**8,952**	**6,482**	**301,674**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	8,198	996	–	–	8,198
Deposits and borrowings from the public	–	–	8,007	–	–	–	8,007
Deposits in pooled schemes and unit-linked investment contracts	–	–	23,580	19,240	–	–	23,580
Liabilities to policyholders	–	–	3,527	3,527	–	–	3,527
Debt securities in issue[3]	48,849	–	6,340	–	–	–	55,189
Derivatives[3]	95	8	67,258	805	1,283	–	68,636
Other liabilities	6,473	–	11,248	83	–	–	17,721
Total	**55,417**	**8**	**128,158**	**24,651**	**1,283**	**–**	**184,858**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.

2) Of which EUR 5,108m relates to the balance sheet item Financial instruments pledged as collateral.

3) For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as Debt securities in issue and the embedded derivative as Derivatives. The total fair value of the structured bonds is EUR 6,371m, of which EUR 6,404m is categorised into Level 2 and a net negative fair value of EUR 33m into Level 3 in the fair value hierarchy.

G40. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2015, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life	Valuation technique using observable data (Level 2)	- of which Life	Valuation technique using non-observable data (Level 3)	- of which Life	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	5,129	–	–	–	5,129
Loans to credit institutions	–	–	3,511	–	–	–	3,511
Loans to the public	–	–	89,044	–	–	–	89,044
Interest-bearing securities[2]	48,338	12,662	43,511	6,044	250	46	92,099
Shares[3]	16,268	12,189	1,159	856	4,854	4,187	22,281
Assets in pooled schemes and unit-linked investment contracts	18,531	14,892	1,558	1,558	135	135	20,224
Derivatives	211	–	78,875	32	1,655	–	80,741
Investment properties	–	–	–	–	3,054	2,974	3,054
Other assets	–	–	14,696	–	–	–	14,696
Total	**83,348**	**39,743**	**237,483**	**8,490**	**9,948**	**7,342**	**330,779**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	18,620	1,361	–	–	18,620
Deposits and borrowings from the public	–	–	14,692	–	–	–	14,692
Deposits in pooled schemes and unit-linked investment contracts	–	–	21,077	16,784	–	–	21,077
Liabilities to policyholders	–	–	2,761	2,761	–	–	2,761
Debt securities in issue[4]	46,229	–	6,885	–	–	–	53,114
Derivatives[4]	242	–	77,739	153	1,524	–	79,505
Other liabilities	6,909	–	13,056	–	–	–	19,965
Total	**53,380**	**–**	**154,830**	**21,059**	**1,524**	**–**	**209,734**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 8,333m relates to the balance sheet item Financial instruments pledged as collateral.
3) Of which EUR 8m relates to the balance sheet item Financial instruments pledged as collateral.
4) For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as Debt securities in issue and the embedded derivative as Derivatives. The total fair value of the structured bonds is EUR 6,825m, of which EUR 6,881m is categorised into Level 2 and a net positive fair value of EUR 56m into Level 3 in the fair value hierarchy.

Determination of fair value for items measured at fair value on the balance sheet

Fair value measurements of assets and liabilities carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. This category includes listed derivatives, listed equities, government bonds in developed countries, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date and where any unobservable inputs have had an insignificant impact on the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/lent and other instruments where active markets supply the input to the valuation techniques or models.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds, hedge funds, investment properties, more complex OTC derivatives where unobservable input have a significant impact on the fair values, certain complex or structured financial instruments and illiquid interest bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific parameters.

All valuation models, both complex and simple models, make use of market parameters. These parameters comprise interest rates, volatilities, correlations etc. Some of these parameters are observable while others are not. For most non-exotic currencies the interest rates are all observable, and the volatilities and the correlations of the interest rates and FX rates are observable up to a certain maturity. Volatilities and

G40. Assets and liabilities at fair value, cont.

correlations are also observable for the most liquid equity instruments in the short end. For less liquid equity instruments the option market is fairly illiquid, and hence the volatilities and correlations are unobservable. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised as Level 3 in the fair value hierarchy.

For interest-bearing securities the categorisation into the three levels is based on the internal pricing methodology. These instruments can either be directly quoted in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). Level 3 bonds are characterised by illiquidity.

For OTC derivatives valuation models are used for establishing fair value. For vanilla derivatives standard models such as Black-Scholes are used for valuation. For more exotic OTC derivatives, more complex valuation models are used. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model parameters are observable in active markets.

Valuations of Private Equity Funds (PEF) and unlisted equity instruments are by nature more uncertain than valuations of more actively traded equity instruments. Emphasis is put on using a consistent approach across all assets and over time. The methods used are consistent with the guideline "International Private Equity and Venture Capital Valuation Guidelines" issued by Invest Europe (formerly known as EVCA). The Invest Europe guidelines are considered as best practice in the PEF industry. For US based funds, similar methods are applied.

Nordea furthermore holds loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage finance law, Nordea at the same time issues debt securities with matching terms, so called "match funding". Fair value of the issued debt securities is based on quoted prices and thus categorised as Level 1 in the fair value hierarchy. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower. The credit risk adjustment is calculated based on an incurred loss model.

Fair value of financial assets and liabilities is generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment.

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value of the counterparty´s credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis. Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, probabilities of defaults (PDs) and recovery rates are sourced from the CDS markets. For counterparties where this information is not directly available, PDs and recovery rates are estimated using a cross sectional approach where the illiquid counterparties are mapped to comparable liquid CDS names.

The impact of funding costs and funding benefits on valuation of uncollateralised and imperfectly collateralised derivatives is recognised as a funding fair valuation adjustment (FFVA). When calculating FFVA, Nordea uses an estimated funding curve which reflects the market cost of funding.

Another important part of the portfolio adjustments serves to adjust the net open market risk exposures from mid-prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation. Spreads are updated on a regular basis.

The fair value measurement of the investment properties takes into account a market participant´s ability to generate economic benefits by using the investment properties in its highest and best use, i.e. taking into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The current use of the investment properties in Nordea is in accordance with the highest and best use. The valuation of the investment properties is carried out taking into account the purpose and the nature of the property by using the most appropriate valuation methods. The primary valuation approach is a discounted cash flow model using current cash flows, market interest rates and the current yield requirements.

Transfers between Level 1 and 2

During the year, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 674m (EUR 1,129m) from Level 1 to Level 2 and EUR 191m (EUR 295m) from Level 2 to Level 1 of the fair value hierarchy. Nordea also transferred derivative assets of EUR 36m (EUR 96m) and derivative liabilities of EUR 44m (EUR 120m) from Level 2 to Level 1. Nordea has during previous year transferred shares of EUR 22m from Level 1 to Level 2.

The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have been actively traded during the year and reliable qouted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the year.

G40. Assets and liabilities at fair value, cont.

Movements in Level 3

2016, EURm	1 Jan 2016	Reclassi-fication	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: Unre-alised	Purchases/ Issues	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Dec 2016
Interest-bearing securities	250	–	1	–18	4	–5	–1	1	– 21	–1	210
- of which Life	45	–	–	–2	–	–3	–	–		–2	38
Shares	4,854	–	67	–52	2,799	–1,793	–80	541	–2,565	14	3,785
- of which Life	4,188	–	9	–54	2,703	–1,573	–78	541	–2,565	14	3,185
Assets in pooled schemes and unit-linked investment contracts	135	–	–	21	6	–7	–	–	–	–	155
- of which Life	135	–	–	21	6	–7	–	–	–	–	155
Derivatives (net)	131	–	32	133	–	–	–32	8	127	1	400
Investment properties	3,054	–64	–	60	378	–350	–	–	1	40	3,119
- of which Life	2,974	–	–	60	365	–336	–	–	1	40	3,104

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data was no longer avaliable. Transfers between levels are considered to have occurred at the end of the year.

Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note G5). Assets and liabilities related to derivatives are presented net.

2015, EURm	1 Jan 2015	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unre-alised	Purchases/ Issues	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Dec 2015
Interest-bearing securities	279	1	8	75	–111	–1	–	–2	1	250
- of which Life	53	–	–3	–	–6	–	–	–	1	45
Shares	5,418	307	65	4,468	–5,021	–58	29	–333	–21	4,854
- of which Life	4,446	281	52	4,377	–4,897	–55	3	–	–19	4,188
Assets in pooled schemes and unit-linked investment contracts	133	–	2	–	–	–	–	–	–	135
- of which Life	133	–	2							135
Derivatives (net)	–160	37	–18	–1	–	–37	443	–133	0	131
Investment properties	3,134	–1	9	222	–263	–	–	–	–47	3,054
- of which Life	3,034	–	9	215	–237	–	–	–	–47	2,974

The valuation processes for fair value measurements

Financial instruments

Nordea has an independent valuation control unit, Group Valuation Control (GVC), which forms part of the CRO organisation. GVC has the responsibility of overseeing and independently assessing valuations of financial instruments held at fair value on Nordea´s balance sheet. Nordea also has a Group Valuation Committee (GVaC), which is chaired by the Group CFO with the Head of GVC and senior representatives from the business areas and other group functions as committee members. GVaC is responsible for setting the group valuation policy, governing valuation matters and serves as escalation point for valuation issues.

The valuation control process in Nordea consists of several steps. The first step is to determine the end of day (EOD) marking of mid-prices. It is the responsibility of the business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by independent control units. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by using independently sourced data that best reflects the market. Finally the results of valuation testing and valuations are analysed and any findings are escalated with the Group Valuation Committee as decision making body.

The verification of the correctness of prices and other parameters is for most products carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis. This quality

G40. Assets and liabilities at fair value, cont.

assessment is used in the measurement of the valuation uncertainty.

The valuation adjustment at portfolio level and the deferrals of day 1 P/L on Level 3 trades are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continuous basis.

Investment properties

The main part of the investment properties in Nordea is held by Nordea Life and Pension (NLP). The valuation of the investment properties in NLP is performed quarterly by the real estate departments in each entity within NLP with full or partial assistance from external valuers. For the departments that use their own methodologies the changes in price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuation is presented to, and approved by, the local management in each entity. The CFO in each entity within NLP is responsible for the approval of the concepts and for the values used. The principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which are in accordance with international valuation principles and in accordance with IFRS.

In addition there is an Investment Operation Committee (IOC) which is a joint forum focusing on valuation and accounting of investment operations issues within NLP. The entities within NLP report regularly to IOC and IOC report quarterly to the Nordea Group Valuation Committee.

Investment properties in NLP are backing the liabilities to policyholders in life insurance contracts, unit-linked contracts and investment contracts, which means that the impact on Nordea's income statement and on shareholders' equity depends on the financial buffers and the profit sharing agreements in the actual unit that owns the property.

G40. Assets and liabilities at fair value, cont.

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

31 Dec 2016, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	171	–	Discounted cash flows	Credit spread	–2/2
Corporates	39	38	Discounted cash flows	Credit spread	–2/2
Total	**210**	**38**			**–4/4**
Shares					
Private equity funds	1,955	1,729	Net asset value[3]		–230/230
Hedge funds	390	311	Net asset value[3]		–32/32
Credit Funds	1,224	1,047	Net asset value/market consensus[3]		–77/77
Other funds	99	64	Net asset value/fund prices[3]		–13/13
Other[4]	133	50	–		–11/11
Total	**3,801**	**3,201**			**–363/363**
Derivatives					
Interest rate derivatives	332	–	Option model	Correlations	–20/17
				Volatilities	
Equity derivatives	74	–	Option model	Correlations	–18/11
				Volatilities	
				Dividend	
Foreign exchange derivatives	–6	–	Option model	Correlations	+/–0
				Volatilities	
Credit derivatives	–32	–	Credit derivative model	Correlations	–13/10
				Recovery rates	
				Volatilities	
Other	32	–	Option model	Correlations	+/–0
				Volatilities	
Total	**400**				**–51/38**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.
2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.
3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Less than 15% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 36% to 100% compared to the values received from suppliers/custodians.
4) Of which EUR 16m related to assets in pooled schemes and unit-linked investment.

The table above shows, for each class of assets and liabilities categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilities the fair value sensitivity to changes in key assumptions.

The column "range of fair value" in the tables above shows the sensitivity of the fair values of Level 3 financial instruments to changes in key assumptions. Where the exposure to an unobservable parameter is offset across different instruments only the net impact is disclosed in the table. The ranges disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

In order to calculate the sensitivity (range) in fair value of derivatives a range of different modelling approaches are applied to determine an uncertainty interval around the reported fair value. The different approaches applied target various aspects of derivatives pricing. Two common components of derivative valuation models are volatility of underlying risk factors and correlation between the relevant risk factors. Each of these is addressed by applying different assumptions to input and/or the choice of modelling approach. Besides these common factors a number of asset class specific factors are addressed. These include equity dividend expectations, recovery assumptions for credit derivatives and inflation expectations. The fair values of derivatives are presented as the net of assets and liabilities.

In order to calculate the sensitivity (range) in fair value of shares and interest-bearing securities the fair value was increased and decreased within a total range of 2–10 percentage units depending of the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

G40. Assets and liabilities at fair value, cont.

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

31 Dec 2015, EURm	Fair value	Of which Life[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	205	–	Discounted cash flows	Credit spread	–5/5
Corporates	45	45	Discounted cash flows	Credit spread	–3/3
Total	**250**	**45**			**–8/8**
Shares					
Private equity funds	1,965	1,781	Net asset value[3]		–218/232
Hedge funds	450	274	Net asset value[3]		–29/35
Credit Funds	423	237	Net asset value/market consensus[3]		–23/28
Other funds	1,880	1,868	Net asset value/fund prices[3]		–223/224
Other[4]	160	52	–		–11/11
Total	**4,878**	**4,212**			**–504/530**
Derivatives					
Interest rate derivatives	180	–	Option model	Correlations	–26/19
				Volatilities	
Equity derivatives	–24	–	Option model	Correlations	–26/19
				Volatilities	
				Dividend	
Foreign exchange derivatives	–35	–	Option model	Correlations	+/–0
				Volatilities	
Credit derivatives	–18	–	Credit derivative model	Correlations	–8/6
				Recovery rates	
Other	28	–	Option model	Correlations	+/–0
				Volatilities	
Total	**131**	**–**			**–60/44**

1) Investment in financial instruments is a major part of the life insurance business, aquired to fulfill the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and do consequently not affect Nordea's equity.

2) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a resonable change of this credit spread would not affect the fair value due to callability features.

3) The fair values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by issued by Invest Europe (formerly known as EVCA). Less than 15% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 0% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 24m related to assets in pooled schemes and unit-linked investment.

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2016, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Denmark	1,761	1,751	Discounted cash flows	Market rent		
				Commercial	75–320 EUR/m²	179 EUR/m²
				Office	32–332 EUR/m²	111 EUR/m²
				Apartment	88–250 EUR/m²	174 EUR/m²
				Yield requirement		
				Commercial	4.9% – 9.5%	7.5%
				Office	3.9% – 9.3%	6.0%
				Apartment	3.5% – 6.0%	4.2%
Norway	568	567	Discounted cash flows	Market rent		
				Commercial	47–294 EUR/m²	163 EUR/m²
				Office	156–792 EUR/m²	293 EUR/m²
				Apartment	187 EUR/m²	187 EUR/m²
				Other	29–190 EUR/m²	122 EUR/m²
				Yield requirement		
				Commercial	5.6% – 6.0%	5.8%
				Office	4.0% – 7.5%	5.3%
				Apartment	4.6% – 4.6%	4.6%
				Other	5.3% – 8.5%	7.3%
Finland[3]	725	725	Discounted cash flows[2]	Market rent		
				Commercial	136–324 EUR/m²	210 EUR/m²
				Office	126–300 EUR/m²	187 EUR/m²
				Apartment	182–300 EUR/m²	240 EUR/m²
				Other	94–117 EUR/m²	97 EUR/m²
				Yield requirement		
				Commercial	4.8% – 6.9%	5.8%
				Office	4.8% – 8.0%	6.4%
				Apartment	3.5% – 5.0%	4.3%
				Other	6.2% – 8.0%	7.1%
Sweden	200	200	Discounted cash flows[2]	Market rent		
				Commercial	112–190 EUR/m²	157 EUR/m²
				Office	237 EUR/m²	237 EUR/m²
				Apartment	144–169 EUR/m²	151 EUR/m²
				Other	69 EUR/m²	69 EUR/m²
				Yield requirement		
				Commercial	5.7% – 6.8%	6.0%
				Office	4.9% – 5.0%	4.9%
				Apartment	3.2% – 4.0%	3.5%
				Other	7.0% – 7.3%	7.1%
Other	4	–	Discounted cash flows	–	–	–
Total	**3,258**	**3,243**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 139m related to investment properties in pooled schemes and unit-linked investments in Life.

G40. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2015, EURm	Fair value[1]	Of which Life	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Denmark	1,688	1,679	Discounted cash flows	Market rent		
				Commercial	25–312 EUR/m²	159 EUR/m²
				Office	34–324 EUR/m²	110 EUR/m²
				Apartment	65–245 EUR/m²	151 EUR/m²
				Yield requirement		
				Commercial	6.4% – 9.5%	7.5%
				Office	4.3% – 9.5%	6.1%
				Apartment	3.5% – 6.0%	3.9%
Norway	695	689	Discounted cash flows	Market rent		
				Commercial	82–234 EUR/m²	170 EUR/m²
				Office	114–746 EUR/m²	205 EUR/m²
				Apartment	151–151 EUR/m²	151 EUR/m²
				Other	66–86 EUR/m²	67 EUR/m²
				Yield requirement		
				Commercial	5.0% – 6.5%	5.5%
				Office	4.3% – 7.8%	5.5%
				Apartment	5.6% – 5.6%	5.6%
				Other	5.5% – 8.5%	7.9%
Finland[3]	564	563	Discounted cash flows[2]	Market rent		
				Commercial	104–327 EUR/m²	177 EUR/m²
				Office	125–306 EUR/m²	187 EUR/m²
				Apartment	186–237 EUR/m²	210 EUR/m²
				Other	89–127 EUR/m²	97 EUR/m²
				Yield requirement		
				Commercial	4.8% – 6.8%	5.8%
				Office	4.8% – 8.0%	6.4%
				Apartment	4.0% – 6.0%	5.0%
				Other	6.5% – 9.0%	7.8%
Sweden	154	154	Discounted cash flows[2]	Market rent		
				Commercial	117–195 EUR/m²	146 EUR/m²
				Apartment	149–176 EUR/m²	156 EUR/m²
				Other	65–66 EUR/m²	65 EUR/m²
				Yield requirement		
				Commercial	5.8% – 6.8%	6.3%
				Apartment	3.5% – 4.4%	3.7%
				Other	7.0% – 7.8%	7.4%
Other	64	–	Discounted cash flows	–	–	–
Total	**3,165**	**3,085**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 111m related to investment properties in pooled schemes and unit-linked investments in Life.

The significant unobservable inputs used in the fair value measurement of the investment properties are market rent and yield requirement. Significant increases (decreases) in market rate or yield requirement in isolation would result in a significant lower (higher) fair value.

G40. Assets and liabilities at fair value, cont.

Movements in deferred Day 1 profit

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

Deferred day 1 profit – derivatives, net

EURm	2016	2015
Amount at beginning of year	34	36
Deferred profit/loss on new transactions	19	9
Recognised in the income statement during the year[1]	–30	–11
Amount at end of year	**23**	**34**

1) Of which EUR –14m (EUR 0m) due to transfers of derivatives from Level 3 to Level 2.

Financial assets and liabilities not held at fair value on the balance sheet

	31 Dec 2016		31 Dec 2015		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	32,099	32,099	35,500	35,500	3
Loans[1]	259,025	258,339	267,571	268,915	3
Interest-bearing securities	3,095	3,286	2,769	2,984	1,2,3
Other assets[2]	2,833	2,833	2,698	2,698	3
Prepaid expenses and accrued income	966	966	968	968	3
Total	**298,018**	**297,523**	**309,506**	**311,065**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	345,445	346,134	360,563	360,448	3
Other liabilities[3]	4,678	4,678	3,652	3,652	3
Accrued expenses and prepaid income	290	290	341	341	3
Total	**350,413**	**351,102**	**364,556**	**364,441**	

1) Of which EUR 198m related to loans in pooled schemes and unit-linked investments 31 December 2015.
2) Of which EUR 12m related to other assets in pooled schemes and unit-linked investments 31 December 2015.
3) Of which EUR 11m related to other liabilities in pooled schemes and unit-linked investments 31 December 2015.

Cash and balances with central banks

The fair value of "Cash and balances with central banks" is, due to its short term nature, assumed to equal the carrying amount and is thus categorised into Level 3 in the fair value hierarchy.

Loans

The fair value of "Loans to central banks", "Loans to credit institutions" and "Loans to the public" have been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking, Commercial & Business Banking and Wholesale Banking respectively.

The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Interest-bearing securities

The fair value is EUR 3,286m (EUR 2,984m), of which EUR 0m (EUR 2m) is categorised in Level 1 and EUR 3,286m (EUR 2,922m) in Level 2 and EUR 0m (EUR 60m) in Level 3. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

Other assets and prepaid expenses and accrued income

The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables, mainly accrued interest receivables. The fair value is therefore considered to equal the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments

The fair value of "Deposits by credit institutions", "Deposits and borrowings from the public", "Debt securities in issue"

G40. Assets and liabilities at fair value, cont.

and "Subordinated liabilities" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk is calculated as the difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" and "Deposits and borrowing from the public" the changes in Nordea´s own credit risk related to these items is assumed not to be significant. This is also the case for short term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities".

Other liabilities and accrued expenses and prepaid income

The balance sheet items "Other liabilities" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly liabilities on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is categorised into Level 3 in the fair value hierarchy.

G41. Financial instruments set off on balance or subject to netting agreements

31 Dec 2016, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	242,279	–172,626	69,653	–49,528	–	–7,547	12,578
Reverse repurchase agreements	31,772	–9,991	21,781	–	–21,781	–	0
Securities borrowing agreements	4,547	–	4,547	–	–4,547	–	0
Total	**278,598**	**–182,617**	**95,981**	**–49,528**	**–26,328**	**–7,547**	**12,578**

31 Dec 2016, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	239,120	–172,626	66,494	–49,528	–	–8,031	8,935
Repurchase agreements	21,838	–9,991	11,847	–	–11,847	–	0
Securities lending agreements	2,245	–	2,245	–	–2,245	–	0
Total	**263,203**	**–182,617**	**80,586**	**–49,528**	**–14,092**	**–8,031**	**8,935**

1) All amounts are measured at fair value.

2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

31 Dec 2015, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	207,514	–127,812	79,702	–60,192	–	–9,828	9,682
Reverse repurchase agreements	60,734	–9,888	50,846	–16,491	–34,162	–	193
Securities borrowing agreements	4,765	–	4,765	–	–4,765	–	0
Total	**273,013**	**–137,700**	**135,313**	**–76,683**	**–38,927**	**–9,828**	**9,875**

31 Dec 2015, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	205,970	–127,812	78,158	–60,192	–	–10,991	6,975
Repurchase agreements	46,372	–9,888	36,484	–16,491	–19,956	–	37
Securities lending agreements	1,402	–	1,402	–	–1,402	–	0
Total	**253,744**	**–137,700**	**116,044**	**–76,683**	**–21,358**	**–10,991**	**7,012**

1) All amounts are measured at fair value.

2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

G41. Financial instruments set off on balance or subject to netting agreements, cont.

Enforceable master netting arrangements and similar agreements

The fact that financial instruments are being accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions), would be subject to master netting agreements, and as a consequence Nordea would be allowed to benefit from netting in the case of default by its counter parties, in any calculations involving counterparty credit risk.

For a description of counterparty risk see section Risk, Liquidity and Capital management, in the Board of Directors' report.

G42. Disposal groups held for sale

Balance sheet - Condensed[1]

EURm	2016
Assets	
Loans to credit institutions	34
Loans to the public	8,556
Other assets	307
Total assets held for sale	**8,897**
Liabilities	
Deposits by credit institutions	22
Deposits and borrowings from the public	4,776
Other liabilities	90
Total liabilities held for sale	**4,888**

1) Includes the external assets and liabilities held for sale. The external funding of the Baltic operations that will remain subsequent to the transaction is not included.

Assets and liabilities held for sale relate to Nordea's earlier announced decision to combine its Baltic operations with the Baltic operations of DNB. The individual assets and liabilities will be derecognised in Nordea's balance sheet, and an investment in an associated company will be recognised, at closing. The transaction is expected to be completed around Q2 2017 and is subject to regulatory approvals. The disposal group is included in the segment "Personal Banking" in Note 2 "Segment reporting". Assets held for sale also includes Nordea's lending to retail customers in Russia, carrying amount EUR 228m. The lending portfolio has been sold and derecognised in 2017.

G43. Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an 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 2016	31 Dec 2015
Repurchase agreements		
Interest-bearing securities	5,108	8,333
Securities lending agreements		
Shares	–	8
Total	**5,108**	**8,341**

Liabilities associated with the assets

EURm	31 Dec 2016	31 Dec 2015
Repurchase agreements		
Deposits by credit institutions	2,475	6,288
Deposits and borrowings from the public	2,491	1,921
Securities lending agreements		
Deposits by credit institutions	–	8
Total	**4,966**	**8,217**
Net	**142**	**124**

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

EURm	31 Dec 2016	31 Dec 2015
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	30,002	38,819
- of which repledged or sold	16,129	19,447
Securities borrowing agreements		
Received collaterals which can be repledged or sold	4,552	4,869
- of which repledged or sold	47	152
Total	**34,554**	**43,688**

G44. Maturity analysis for assets and liabilities

Expected maturity

EURm	Note	31 Dec 2016 Expected to be recovered or settled: Within 12 months	After 12 months	Total	31 Dec 2015 Expected to be recovered or settled: Within 12 months	After 12 months	Total
Cash and balances with central banks		32,099	–	32,099	35,500	–	35,500
Loans to central banks	G13	11,235	–	11,235	13,224	–	13,224
Loans to credit institutions	G13	4,236	4,790	9,026	9,559	1,203	10,762
Loans to the public	G13	71,245	246,444	317,689	111,672	229,248	340,920
Interest-bearing securities	G14	19,131	68,570	87,701	22,243	64,292	86,535
Financial instruments pledged as collateral	G15	1,194	3,914	5,108	1,539	6,802	8,341
Shares	G16	1,410	20,114	21,524	2,624	19,649	22,273
Assets in pooled schemes and unit-linked investment contracts	G17	7,775	15,327	23,102	2,285	18,149	20,434
Derivatives	G18	12,764	57,195	69,959	12,527	68,214	80,741
Fair value changes of the hedged items in portfolio hedge of interest rate risk		31	147	178	10	141	151
Investments in associated undertakings and joint ventures	G19	0	588	588	2	513	515
Intangible assets	G20	102	3,690	3,792	93	3,115	3,208
Properties and equipment		6	560	566	20	537	557
Investment properties	G22	3	3,116	3,119	3	3,051	3,054
Deferred tax assets	G11	30	30	60	41	35	76
Current tax assets		288	–	288	87	–	87
Retirement benefit assets	G32	2	304	306	74	303	377
Other assets	G23	18,914	59	18,973	18,569	18	18,587
Prepaid expenses and accrued income	G24	1,098	351	1,449	1,164	362	1,526
Assets held for sale	G42	8,897	–	8,897	–	–	–
Total assets		**190,460**	**425,199**	**615,659**	**231,236**	**415,632**	**646,868**
Deposits by credit institutions	G25	35,750	2,386	38,136	41,800	2,409	44,209
Deposits and borrowings from the public	G26	169,982	4,046	174,028	182,423	6,626	189,049
Deposits in pooled schemes and unit-linked investment contracts	G17	9,327	14,253	23,580	6,475	14,613	21,088
Liabilities to policyholders	G27	2,274	38,936	41,210	1,915	36,792	38,707
Debt securities in issue	G28	64,406	127,344	191,750	72,977	128,960	201,937
Derivatives	G18	14,243	54,393	68,636	13,724	65,781	79,505
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,168	1,298	2,466	521	2,073	2,594
Current tax liabilities		487	–	487	225	0	225
Other liabilities	G29	24,271	142	24,413	25,646	99	25,745
Accrued expenses and prepaid income	G30	1,718	40	1,758	1,769	36	1,805
Deferred tax liabilities	G11	75	755	830	83	945	1,028
Provisions	G31	209	97	306	305	110	415
Retirement benefit liabilities	G32	5	297	302	3	326	329
Subordinated liabilities	G33	1,590	8,869	10,459	642	8,558	9,200
Liabilities held for sale	G42	4,888	–	4,888	–	–	–
Total liabilities		**330,393**	**252,856**	**583,249**	**348,508**	**267,328**	**615,836**

G44. Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2016, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	53,094	76,815	43,924	159,816	240,561	574,210
Non interest-bearing financial assets	–	–	–	–	74,321	74,321
Non-financial assets	–	–	–	–	10,328	10,328
Total assets	**53,094**	**76,815**	**43,924**	**159,816**	**325,210**	**658,859**
Interest-bearing financial liabilities	150,378	94,422	48,371	106,640	48,356	448,167
Non interest-bearing financial liabilities	–	–	–	–	127,851	127,851
Non-financial liabilities and equity	–	–	–	–	75,500	75,500
Total liabilities and equity	**150,378**	**94,422**	**48,371**	**106,640**	**251,707**	**651,518**
Derivatives, cash inflow	–	576,857	155,966	229,126	29,417	991,366
Derivatives, cash outflow	–	574,442	158,633	229,672	28,899	991,646
Net exposure	**–**	**2,415**	**–2,667**	**–546**	**518**	**–280**
Exposure	**–97,284**	**–15,192**	**–7,114**	**52,630**	**74,021**	**7,061**
Cumulative exposure	**–97,284**	**–112,476**	**–119,590**	**–66,960**	**7,061**	**–**

31 Dec 2015, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest-bearing financial assets	52,162	96,460	50,330	153,919	244,812	597,683
Non interest-bearing financial assets	–	–	–	–	67,601	67,601
Non-financial assets	–	–	–	–	9,748	9,748
Total assets	**52,162**	**96,460**	**50,330**	**153,919**	**322,161**	**675,032**
Interest-bearing financial liabilities	148,270	120,280	56,979	105,474	49,556	480,559
Non interest-bearing financial liabilities	–	–	–	–	46,097	46,097
Non-financial liabilities and equity	–	–	–	–	72,578	72,578
Total liabilities and equity	**148,270**	**120,280**	**56,979**	**105,474**	**168,231**	**599,234**
Derivatives, cash inflow	–	526,203	115,018	57,379	14,915	713,515
Derivatives, cash outflow	–	526,114	115,240	61,418	14,387	717,159
Net exposure	**–**	**89**	**–222**	**–4,039**	**528**	**–3,644**
Exposure	**–96,108**	**–23,731**	**–6,871**	**44,406**	**154,458**	**72,154**
Cumulative exposure	**–96,108**	**–119,839**	**–126,710**	**–82,304**	**72,154**	**–**

The table is based on contractual maturities for the balance sheet items. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the instruments on the balance sheet items, Nordea has credit commitments amounting to EUR 78,005m (EUR 74,679m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 21,034m (EUR 20,656m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section "Risk, Liquidity and Capital management".

G45. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures.

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Assets				
Loans	438	546	–	–
Interest-bearing securities	24	73	–	–
Derivatives	46	76	–	–
Investments in associated undertakings	588	515	–	–
Total assets	**1,096**	**1,210**	**–**	**–**
Liabilities				
Deposits	65	69	36	74
Derivatives	26	118	–	–
Total liabilities	**91**	**187**	**36**	**74**
Off balance[2]	**3,428**	**5,307**	**–**	**–**

	Associated undertakings and joint ventures		Other related parties[1]	
EURm	2016	2015	2016	2015
Net interest income	1	5	–	–
Net fee and commission income	3	4	–	–
Net result from items at fair value	51	246	–	–
Profit before loan losses	**55**	**255**	**–**	**–**

1) Shareholders with significant influence and close family members to key management personell in Nordea Group as well as companies significantly influenced by key management personnel or by close family members to key management personnel in Nordea Group are considered to be related parties to Nordea. Included in this group of related parties are Sampo Oyj and Aegon Asset Management. If transactions with related companies are made in Nordea's and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing, and if they did not involve more than normal risk-taking, the transactions are not included in the table. Nordea has thus not disclosed any transactions with shareholders with significant influence.

2) Including nominal values on derivatives.

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7 "Staff costs".

Other related-party transactions

Starting in March 2008 Nordea takes part in a guarantee consortium to support Norwegian Eksportfinans ASA in relation to its securities portfolio. Nordea owns 23% of the company with other owners being the Norwegian state and other Nordic banks. Nordea's share of the negative fair value of the contract as of the balance sheet date amounts to approx. EUR 22m. The agreement's expiring date corresponds with the maturity dates of the bonds included in the guarantee. The latest maturity is on 31 December 2023.

G46. Credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar III) 2016, which is available on www.nordea.com. Much of the information in this note is collected from the Pillar III report in order to fulfil the disclosure requirement regarding credit risk in the Annual report. The Pillar III report contains the disclosures required by the Capital Requirements Regulation (CRR). The Pillar III disclosure is aligned to how Nordea manages credit risk and is believed to be the best way to explain the credit risk exposures in Nordea. Assets held for sale are thus included in the figures in this note.

Credit risk exposures occur in different forms and are divided into the following types:

Exposure types

EURm	31 Dec 2016[1]	31 Dec 2015[2]
On-balance sheet items	411,692	414,675
Off-balance sheet items	53,849	50,746
Securities financing	4,388	5,699
Derivatives	29,240	26,757
Exposure At Default (EAD)	**499,169**	**497,877**

1) Securitisation positions to an exposure amount of EUR 9,676m for 31 Dec 2016 are included in the table.

2) The restatement of the off-balance sheet commitments in the accounting as of 31 December 2015 has not been reflected in the EAD.

Tables presented in this note, containing exposure, are presented as Exposure At Default (EAD). EAD is the exposure after applying credit conversion factors (CCF).

Link between credit risk exposure and the balance sheet

This section discloses the link between the loan portfolio as defined by accounting standards and exposure as defined in CRR. The main differences are outlined in this section to illustrate the link between the different reporting methods. Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors (CCFs), for off-balance sheet exposure and allowances within the standardised approach. In this note, however, exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure, unless otherwise stated. In accordance with the CRR, credit risk exposure presented in this note is divided between exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities)
- Securities financing (e.g. reversed repurchase agreements and securities lending)
- Derivatives

Items presented in other parts of the Annual Report are divided as follows (in accordance with the accounting standards):

- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities).
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit).

G46. Credit risk disclosures, cont.

The table below shows the link between the CRR credit risk exposure and items presented in the Annual Report.

On-balance sheet items

The following items have been excluded from the balance sheet, when calculating on-balance exposure in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- Market risk related items in the trading book, such as certain interest-bearing securities and pledged instruments.
- Repos, derivatives and securities lending. These transactions are either included in the calculation of market risk in the trading book or reported as separate exposure types (derivatives or securities financing).
- Other, mainly allowances and intangible assets.

Off-balance sheet items

The following off-balance sheet items specified in the Annual Report are excluded when off-balance exposure is calculated in accordance with the CRR:

- Non CRR related items. Items not part of consolidated situation of CRR such as Life insurance operations (due to solvency regulation).
- Assets pledged as security for own liabilities" and "Other assets pledged" (apart from leasing). These transactions are reported as securities financing (i.e. a separate exposure type).
- Derivatives

Derivatives and securities financing

The fair values of derivatives are recognised on the balance sheet, while nominal amounts on derivatives are reported off-balance in accordance with accounting standards. However, in the CRR, the derivatives and securities financing are reported as separate exposure types. Also, repurchase agreements and securities lending/borrowing transactions are on the balance sheet calculated based on nominal value. In the CRR calculations these exposure types are determined net of the collateral.

On-balance sheet items[1]

EURm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Items excluded from CRR scope of consolidation[4]	Other	Balance sheet
31 Dec 2016						
Cash and balances with central banks	32,192	–	–	–93	–	32,099
Loans to credit institutions and central banks	17,178	0	2,755	343	–16	20,260
Loans to the public	303,662	0	26,590	–13,031	468	317,689
Interest-bearing securities and pledged instruments	54,156	17,345	–	21,308	–	92,809
Derivatives[2]	–	–	71,147	–1,188	–	69,959
Intangible assets	0	–	–	357	3,435	3,792
Other assets and prepaid expenses	5,440	23,375	–	49,428	808	79,051
Total assets	**412,628**	**40,720**	**100,492**	**57,124**	**4,695**	**615,659**
Exposure at default[3]	**411,692**					
31 Dec 2015						
Cash and balances with central banks	35,500	–	–	–	–	35,500
Loans to credit institutions and central banks	14,409	–	8,618	961	–2	23,986
Loans to the public	304,896	–	39,527	–4,386	883	340,920
Interest-bearing securities and pledged instruments	56,629	18,483	–	19,764	–	94,876
Derivatives[2]	–	–	82,781	–2,040	–	80,741
Intangible assets	–	–	–	342	2,866	3,208
Other assets and prepaid expenses	4,283	26,549	–	36,384	421	67,637
Total assets	**415,717**	**45,032**	**130,926**	**51,025**	**4,168**	**646,868**
Exposure at default[3]	**414,675**					

1) Securitisation positions to an original exposure amount of 6,907 EURm and an exposure of amount of EUR 6,907m are included in the table.
2) Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives are included in the credit risk.
3) The on-balance exposure have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.
4) Assets held for sale are disclosed separately as "Other assets and prepaid expenses" on the balance sheet, but included line by line in the original exposure column and explains the negative amounts in the column "Items excluded from CRR scope of consolidation"

G46. Credit risk disclosures, cont.

Off-balance sheet items[1]

31 Dec 2016, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off- balance sheet
Contingent liabilities	23,051	38	–	23,089
Commitments	78,270	1,164	–	79,434
Total	**101,321**	**1,202**	**–**	**102,523**

31 Dec 2016, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	48,900	1,277	50,177	53%	26,365
Checking accounts	16,204	3,913	20,117	54%	10,883
Loan commitments	13,089	2,507	15,596	47%	7,291
Guarantees	21,566	–	21,566	41%	8,778
Other	1,563	14	1,577	34%	532
Total	**101,322**	**7,711**	**109,033**		**53,849**

1) Securitisation positions to an original exposure amount of EUR 2,769m and an exposure amount of EUR 1,493m are included in the table.

31 Dec 2015, EURm	Credit risk accordance with CRR	Items excluded from CRR scope of consolidation	Included in derivatives and securities financing	Off- balance sheet
Contingent liabilities	22,541	28	–	22,569
Commitments	73,673	990	–	74,663
Total	**96,214**	**1,018**	**–**	**97,232**

31 Dec 2015, EURm	Credit risk accordance with CRR	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	50,637	1,422	52,059	48%	24,760
Checking accounts	16,800	4,205	21,005	51%	10,786
Loan commitments	6,194	7,827	14,021	41%	5,692
Guarantees	21,012	–	21,012	44%	8,939
Other	1,571	27	1,598	36%	569
Total	**96,214**	**13,481**	**109,695**		**50,746**

Exposure classes split by exposure type

At year-end, 79% of the total credit risk original exposure was calculated using the IRB approach. The total IRB exposures consists mainly of corporate and retail exposures. Main drivers of change during 2016 were a decrease in the IRB corporate exposure class seen among all exposure types except for derivatives as well as a decrease in the IRB institutions portfolio. The decrease was partially offset by the IRB retail portfolio which increased EUR 3.9bn and EUR 2.9bn in on and off balance exposures respectively over the year.

G46. Credit risk disclosures, cont.

31 Dec 2016, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	78,537	898	810	4,967	85,212
Institutions	30,766	962	2,014	10,272	44,014
Corporate	115,663	34,914	1,275	13,492	165,344
Retail[1]	171,122	15,368	2	198	186,690
Securitisation	6,907	1,493	–	–	8,400
Other	8,697	214	287	311	9,509
Total exposure	**411,692**	**53,849**	**4,388**	**29,240**	**499,169**

31 Dec 2015, EURm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	76,620	1,074	713	4,418	82,825
Institutions	35,462	1,086	3,335	8,548	48,431
Corporate	126,266	34,021	1,111	13,416	174,814
Retail[1]	167,086	14,367	1	89	181,543
Other	9,241	198	539	286	10,264
Total exposure	**414,675**	**50,746**	**5,699**	**26,757**	**497,877**

1) Includes exposures secured by real estates.

Exposure split by geography and exposure classes

31 Dec 2016, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	41,183	15,196	10,588	4,165	11,234	276	157	35,292	8,304	85,212
Institutions	26,855	11,693	133	5,008	10,021	8	245	685	16,221	44,014
Corporate	130,745	40,484	27,621	29,104	33,536	5,407	2,340	2,301	24,551	165,344
Retail[1]	180,536	52,401	40,129	31,530	56,476	3,476	240	4	2,434	186,690
Other	5,352	1,049	1,355	1,015	1,933	176	90	145	3,746	9,509
Total exposure[2]	**384,671**	**120,823**	**79,826**	**70,822**	**113,200**	**9,343**	**3,072**	**38,427**	**55,256**	**490,769**

31 Dec 2015, EURm	Nordic countries	- of which Denmark	- of which Finland	- of which Norway	- of which Sweden	Baltic countries	Russia	US	Other	Total
Government, local authorities and central banks	39,469	11,708	12,014	2,978	12,769	327	234	33,961	8,834	82,825
Institutions	29,311	15,229	546	4,634	8,902	6	156	2,022	16,936	48,431
Corporate	139,110	43,823	27,073	29,222	38,992	5,368	4,271	2,381	23,684	174,814
Retail[1]	175,519	51,961	39,886	28,313	55,359	3,315	263	5	2,441	181,543
Other	5,925	1,142	1,405	942	2,436	185	113	200	3,841	10,264
Total exposure	**389,334**	**123,863**	**80,924**	**66,089**	**118,458**	**9,201**	**5,037**	**38,569**	**55,736**	**497,877**

1) Includes exposures secured by real estates.
2) Securitisation positions to an exposure amount of EUR 8,400m for 31 Dec 2016 are not included in the table.

Exposure split by industry group

In the table below, the total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (statistical classification codes of economic activities in the European community). The corporate portfolio is well diversified between industry groups. The real estate management and investment is the industry group which has the largest share of total corporate exposures. Together with the second largest corporate exposure industry group - other financial institutions – they account for 38% of total IRB corporate exposure. The retail portfolio consists mainly of residential mortgages classified under other, public and organisations industry group, which accounts for 98% of total retail IRB exposure. Between 2015 and 2016, the corporate portfolio decreased the most within the other, public and organisations industry group (mainly corporate loan & facility agreement products) where the largest offsetting increase occurred in other financial institutions. In the IRB retail portfolio, the counterparties classified as other, public and organisations continue to comprise the main part of the retail exposure class and drives the total increase in IRB retail exposures.

In the standardised approach, exposures increased in total mainly within the sovereign exposures. The increase mostly occurred in Other financial institutions and other, public and organisations industry group. The largest offsetting decrease compared to 2015 total figures occurred in the industry group other materials (chemical, building materials, etc.).

G46. Credit risk disclosures, cont.

Exposure split by industry sector

EURm	31 Dec 2016[1]	31 Dec 2015
Construction and engineering	6,399	5,673
Consumer durables (cars, appliances etc)	3,184	4,543
Consumer staples (food, agriculture etc)	12,271	13,685
Energy (oil, gas etc)	4,202	4,337
Health care and pharmaceuticals	1,623	2,010
Industrial capital goods	4,589	4,931
Industrial commercial services	14,342	16,154
IT software, hardware and services	1,811	1,856
Media and leisure	2,644	2,730
Metals and mining materials	1,160	1,081
Other financial institutions	65,060	67,167
Other materials (chemical, building materials etc)	6,303	8,213
Other, public and organisations	278,222	275,013
Paper and forest material	2,542	2,467
Real estate management and investment	45,534	46,619
Retail trade	12,788	13,045
Shipping and offshore	12,595	13,065
Telecommunication equipment	255	283
Telecommunication operators	1,727	1,642
Transportation	4,583	4,626
Utilities distribution and production	8,935	8,737
Total exposure	**490,769**	**497,877**

1) Securitisation positions to an exposure amount of EUR 8,400m for 31 Dec 2016 are not included in the table.

Exposure secured by collaterals, guarantees and credit derivatives

At the end of 2016, the share of total exposure secured by eligible collateral increased by 1% to 44% (43%). The corresponding figure for the IRB portfolio was 56% (53%). The increase is mainly driven by an increase in exposure secured by eligible collateral in the corporate and retail exposure classes. Approximately 3% (3%) of total exposure was secured by guarantees and credit derivatives.

Exposure secured by collaterals, guarantees and credit derivatives

31 Dec 2016, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	85,311	85,212	631	0
Institutions	45,816	44,014	121	403
Corporate	205,698	165,344	10,969	69,018
Retail[1]	198,957	186,690	1,859	148,278
Other	10,087	9,509	21	60
Total exposure[2]	**545,869**	**490,769**	**13,601**	**217,759**

31 Dec 2015, EURm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	82,345	82,825	551	–
Institutions	50,375	48,431	144	608
Corporate	222,486	174,814	11,551	67,611
Retail[1]	191,986	181,543	2,054	143,507
Other	10,967	10,264	53	52
Total exposure[2]	**558,159**	**497,877**	**14,353**	**211,778**

1) Includes exposures secured by real estate.
2) Securitisation positions to an original exposure amount of EUR 9,676m and exposure amount of EUR 8,400m for 31 Dec 2016 are not included in the table.

G46. Credit risk disclosures, cont.

Collateral distribution

The table below presents the distribution of collateral used in the capital adequacy calculation process. The table shows real estate collateral had the major share with a stable 72% of total eligible collateral. Real estate collateral in general is not concentrated in any particular region within the Nordic and Baltic countries. The proportion of each collateral category on total eligible collateral remained relatively stable in 2016, with a slight decrease in other physical collateral.

	31 Dec 2016	31 Dec 2015
Financial Collateral	1.4%	1.3%
Receivables	1.0%	0.8%
Residential Real Estate	71.9%	71.8%
Commercial Real Estate	17.8%	17.4%
Other Physical Collateral	7.9%	8.7%
Total	**100.0%**	**100.0%**

Loan-to-value distribution

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table below, the retail mortgage exposures are distributed by LTV bucket based on the LTV ratio. In 2016, the collateral's coverage to retail mortgage exposures remained broadly stable. The percentage of exposure with a LTV ratio below 50% improved from 78.4% in 2015 to 79.5% in 2016. This is partially offset by a slight increase in exposures that have a LTV of greater than 80%. .

Retail mortgage exposure

	31 Dec 2016		31 Dec 2015	
	EURbn	%	EURbn	%
<50%	110.3	79	105.3	78
50–70%	20.8	15	21.4	16
70–80%	4.9	4	5.1	4
80–90%	1.9	1	1.7	1
>90%	0.9	1	0.8	1
Total	**138.8**	**100**	**134.4**	**100**

Collateralised Debt Obligations (CDO) – Exposure[1], including Nordea Life & Pensions

Nordea acts as an intermediary in the credit derivatives market, especially in Nordic names. Nordea also uses credit derivatives to hedge positions in corporate bonds and synthetic CDOs. When Nordea sells protection in a CDO transaction, it carries the risk of losses in the reference portfolio if a credit event occurs. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio triggered by a credit event are carried by the seller of protection.

Credit derivative transactions create counterparty credit risk in a similar manner to other derivative transactions. Counterparties in these transactions are typically subject to a financial collateral agreement, where the exposure is covered daily by collateral placements.

	31 Dec 2016		31 Dec 2015	
Nominal, EURm	Bought protection	Sold protection	Bought protection	Sold protection
CDOs, gross	842	2,522	788	2,418
Hedged exposures	806	806	754	754
CDOs, net[2]	**36[3]**	**1,716[4]**	**34[3]**	**1,664[4]**
- of which Equity	3	293	3	509
- of which Mezzanine	15	767	10	626
- of which Senior	18	656	21	529

1) First-to-Default swaps are not classified as CDOs and are therefore not included in the table. Net bought protection amounts to EUR 7m (EUR 15m) and net sold protection to EUR 13m (EUR 64m). Both bought and sold protection are, to the predominant part, investment grade.
2) Net exposure disregards exposure where tranches are completely identical in terms of reference pool attachment, detachment, maturity and currency.
3) Of which investment grade EUR 0m (EUR 0m) and sub investment grade EUR 36m (EUR 34m).
4) Of which investment grade EUR 545m (EUR 604m) and sub investment grade EUR 938m (EUR 962m) and not rated EUR 233m (EUR 98m).

Forbearance

EURm	31 Dec 2016	31 Dec 2015
Forborne loans	6,063	5,568
- of which defaulted	2,696	2,466
Allowances for individually assessed impaired and forborne loans	887	1,050
- of which defaulted	887	1,050

Key ratios

%	31 Dec 2016	31 Dec 2015
Forbearance ratio[1]	1.8%	1.5%
Forbearance coverage ratio[2]	15%	19%
- of which defaulted	33%	43%

1) Forborne loans / Loans before allowances.
2) Individual allowances / Forborne loans.

Assets taken over for protection of claims[1]

EURm	31 Dec 2016	31 Dec 2015
Current assets, carrying amount:		
Land and buildings	9	66
Shares and other participations	1	39
Other assets	3	2
Total	**13**	**107**

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets, used as collateral for the loan, are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are at the latest, disposed when full recovery is reached.

G46. Credit risk disclosures, cont.

Past due loans, excluding impaired loans

The table below shows loans past due 6 days or more that are not considered impaired, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date. Past due loans to corporate customers, not considered impaired, were at end of 2016 EUR 704m, down from EUR 962m one year ago, and past due loans for household customers increased to EUR 1,410m (EUR 1,620m).

	31 Dec 2016		31 Dec 2015	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	376	939	653	1,058
31–60 days	134	239	153	250
61–90 days	73	94	37	89
>90 days	121	138	118	223
Total	**704**	**1,410**	**961**	**1,620**
Past due not impaired loans divided by loans to the public after allowances, %	0.46	0.88	0.54	1.02

Loans to corporate customers, by size of loan

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 69% (66%) of the corporate volume represents loans up to EUR 50m per customer.

	31 Dec 2016		31 Dec 2015	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	68.3	45	74.8	42
10–50	37.3	24	42.0	24
50–100	19.9	13	20.1	11
100–250	17.7	12	23.4	13
250–500	4.7	3	8.3	5
500–	5.1	3	8.8	5
Total	**153.0**	**100**	**177.4**	**100**

Interest-bearing securities

For more information about credit risk related to interest-bearing securities, see Note G14 "Interest-bearing securities" where the carrying amount of interest-bearing securities is split on different types of counterparties.

G47. Interests in structured entities

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. It normally has restricted activities with a narrow and well defined objective. If Nordea controls such an entity, it is consolidated.

Consolidated structured entities

The Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisations to core Nordic customers. The SPEs purchase trade receivables from the approved sellers and fund the purchases either by issuing Commercial Papers (CP) via the established Asset Backed Commercial Papers programme or by drawing funds on the liquidity facilities available. Nordea has provided liquidity facilities of maximum EUR 1,330m (EUR 1,330m) and at year-end EUR 861m (EUR 1,018m) where utilised. Total assets in the conduit were EUR 919m (EUR 1,072m) as per year-end. The SPE is consolidated as it is closely linked to the activities within Nordea. Also, Nordea is exposed to credit risk through the liquidity facility. There are no significant restrictions on repayment of loans from Viking apart from that the payments are dependent on the pace in which Viking realises its assets.

Kalmar Structured Finance A/S was established to allow customers to invest instructured products in the global credit markets. The SPE enters into Credit Default Swaps (CDS) and hereby acquires a credit risk on an underlying portfolio of names (like corporate names) and at the same time the SPE issues Credit Linked Notes (CLN) with a similar credit risk that reflects the terms in the CDSs. Nordea is the counterpart in the derivative transactions. The total notional of outstanding CLNs in this category was EUR 1m (EUR 1m) at year-end. Nordea holds CLNs issued by the SPE as part of offering a secondary market for the notes. The investment amounted to EUR 1m (EUR 1m) at year-end.

AR Finance invests in notes backed by trade receivables. Nordea has provided liquidity facilities of maximum EUR 125m (EUR 125m) and at year-end 2016 EUR 108m (EUR 117m) were utilised. The entity holds assets of EUR 110m (EUR 95m) as per year-end.

Unconsolidated structured entities

For structured entities in which Nordea has an interest, but do not control, disclosures are provided. To be considered to have an interest in such an entity, Nordea must be exposed to variability in returns on the investment in the structured entity. Investment funds are the only interests in unconsolidated structured entities Nordea currently holds. Variability in returns is assessed based on both fees received and revaluation of holdings in the funds.

There are several different products where Nordea invests in investment funds:

a) on behalf of policyholders in Nordea Life & Pensions
b) on behalf of depositors where the return is based the investment
c) to hedge exposures in structured products issued to customers
d) illiquid investments in private equity and credit funds

As Nordea is exposed to variability in returns on a gross basis, information about these funds is disclosed although the net exposure is considerably less. Any change in value on investment funds acquired on behalf of policyholders and depositors where the policyholder/depositor stands the investment risk are reflected in the value of the related liability and the maximum net exposure to losses is zero. The change in value on investment funds held on behalf of other policyholders are to a large extent passed on to the policyholders, but as

G47. Interests in structured entities, cont.

Nordea has issued guarantees in some of these products, Nordea is exposed to the changes in value.

Investment funds acquired to hedge exposures in structured products reduce the exposures and, to the extent hedges are effective, Nordea is not exposed to changes in value. The maximum loss on these funds is estimated to EUR 5m (EUR 6m), net of hedges.

Investments in illiquid private equity and credit funds are an integrated part of managing balance sheet risks in Nordea. The maximum loss on these funds is estimated to EUR 429m (EUR 347m), equal to the investment in the funds.

Nordea's interests in unconsolidated structured entities and any related liability are disclosed in the table below.

EURm	31 Dec 2016	31 Dec 2015
Assets, carrying amount:		
Shares	16,952	15,669
Assets in pooled schemes and unit linked investment contracts	18,151	16,520
Total assets	**35,103**	**32,189**
Liabilities, carrying amount:		
Deposits in pooled schemes and unit linked investment contracts	1,054	1,077
Liabilities to policyholders	33,682	30,333
Derivatives	198	109
Total liabilities	**34,934**	**31,519**
Off balance, nominal amount:		
Loan commitments	22	28

Nordea holds approximately 2,500 different funds which are classified as unconsolidated structured entities, of which approximately 400 are managed by Nordea. These have different investment mandates and risk appetites, ranging from low risk government bond funds to high risk leveraged equity funds. Total assets in funds managed by Nordea amount to EUR 157bn (EUR 132bn). All funds are financed by deposits from the holders of fund units. The total assets in investment funds not managed by Nordea are not considered meaningful for the purpose of understanding the related risks and is thus not disclosed.

Nordea has not sponsored any unconsolidated structured entity in which Nordea do not currently have an interest.

G48. Country by country reporting

In accordance with the requirements under FFFS 2008:25, the table below presents for each country where Nordea is established, i.e. where Nordea has a physical presence, information about the businesses, the geografical area, average number of employees, total operating income, operating profit and income tax expense. Nordea is considered to have physical presence in a country if Nordea has a subsidiary, associated undertaking or branch in that country. Nordea has not received any significant government subsidiaries.

			2016				2015			
Country	Business[1]	Geographical area	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm	Average number of employees	Total operating income[2], EURm	Operating profit, EURm	Income tax expense, EURm
Denmark	RB, WB, AM, LP	Denmark	8,717	2,988	1,258	–265	8,288	2,602	914	–202
Finland	RB, WB, AM, LP	Finland	7,104	1,918	978	–178	6,946	2,605	1,535	–358
Sweden	RB, WB, AM, LP	Sweden	7,276	3,021	961	–182	6,957	2,893	773	–130
Norway	RB, WB, AM, LP	Norway	3,140	1,595	895	–96	3,137	1,584	835	–180
Russia	WB	Russia	829	158	85	–19	1,085	182	94	–22
Poland	Other	Poland	1,571	65	9	0	1,197	62	0	–2
Estonia	RB, WB, LP	Estonia	559	105	51	–9	480	90	60	–12
Latvia	RB, WB	Latvia	457	84	46	–7	436	76	28	–6
Luxembourg	AM, LP	Luxembourg	441	346	224	–65	393	313	211	–64
Lithuania	RB, WB, LP	Lithuania	378	55	26	–4	360	38	14	–2
United States	RB, WB, AM, LP	New York	120	145	83	–26	110	147	95	–31
United Kingdom	RB, WB, AM, LP	London	77	129	–3	–3	82	128	88	–17
Singapore	WB	Singapore	85	47	0	0	86	51	28	–5
Germany	WB, AM	Frankfurt	55	33	10	–6	58	33	24	–9
Switzerland	AM	Zürich	29	11	2	0	32	14	4	–1
China	WB	Shanghai	30	6	0	1	29	7	1	–1
Brazil	WB	Sao Paolo	5	2	0	0	5	2	0	0
Eliminations[3]			–	–781	–	–	–	–687	–	–
Total			**30,873**	**–9,927**	**4,625**	**–859**	**29,681**	**10,140**	**4,704**	**–1,042**

1) RB=Retail banking, WB=Wholesale banking, AM=Asset management, LP= Life and pension.

2) Total operating income presented in this table is split on countries based on where Nordea has a physical presence, i.e. where Nordea has a subsidiary, associated undertaking or branch, while total operating profit presented in Note G2 "Segment reporting" is split on countries based on the location of the customers´ operations.

3) Eliminations of transactions consist mainly of intra-group IT-services.

In accordance with the requirements under FFFS 2008:25 Nordea also discloses the names of the subsidiaries, associated undertakings and branches for each country where Nordea is established. These disclosures are presented in the table below, in the table "Specification of group undertakings 31 December 2016" in Note G38 "Capital adequacy" and in the last table in Note G19" Investments in associated undertakings and joint ventures".

Denmark
Nordea Liv & Pension, Livforsikringsselskab A/S
Nordea Investment Management AB, Denmark , filial af Nordea Investment Management AB, Sverige
Nordea Danmark, filial af Nordea Bank AB (publ), Sverige

Finland
Nordea Life Assurance Finland Ltd
Nordea Investment Management AB, Finnish Branch
Nordea Fund Management, filial af Nordea funds Oy, Finland
Nordea Bank AB (publ) Finnish Branch

Sweden
Nordea Life Holding AB
Nordea Livförsäkring Sverige AB (publ)
Nordea Funds Ab, Swedish Branch

Norway
Livforsikringsselskapet Nordea Liv Norge AS
Nordea Investment Management AB, Norwegian Branch
Nordea Funds, Norwegian Branch
Nordea Bank AB (publ), Norwegian Branch

Estonia
Nordea Bank AB Estonia Branch

Latvia
Nordea Bank AB Latvia Branch

Lithuania
Nordea Bank AB Lithuania Branch

Germany
Nordea Bank AB Frankfurt Branch

China
Nordea Bank AB Shanghai Branch

Poland
Nordea Bank AB Spólka Akcyjna Oddział w Połsce
Nordea Bank Danmark A/S Spólka Akcyjna Oddział w Połsce

Singapore
Nordea Bank Finland Plc, Singapore Branch
Nordea Bank S.A. , Singapore Branch

Switzerland
Nordea Bank S.A., Luxemburg Zwiegniederlassung Zürich

United Kingdom
Nordea Bank AB London Branch

United States
Nordea Bank Finland Plc, New York Branch

Financial statements, Parent company

Contents

Income statement

EURm	Note	2016	2015
Operating income			
Interest income		1,403	1,607
Interest expense		–939	–1,096
Net interest income	**P3**	**464**	**511**
Fee and commission income		978	1,094
Fee and commission expense		–138	–208
Net fee and commission income	**P4**	**840**	**886**
Net result from items at fair value	P5	216	136
Dividends	P6	3,210	2,176
Other operating income	P7	712	833
Total operating income		**5,442**	**4,542**
Operating expenses			
General administrative expenses:			
Staff costs	P8	–1,113	–1,196
Other expenses	P9	–1,008	–851
Depreciation, amortisation and impairment charges of tangible and intangible assets	P10, P22, P23	–172	–140
Total operating expenses		**–2,293**	**–2,187**
Profit before loan losses		**3,149**	**2,355**
Net loan losses	P11	–193	–143
Impairment of securities held as financial non-current assets	P19	–6	–9
Operating profit		**2,950**	**2,203**
Appropriations	P12	1	2
Income tax expense	P13	–51	–285
Net profit for the year		**2,900**	**1,920**

Statement of comprehensive income

EURm	2016	2015
Net profit for the year	**2,900**	**1,920**
Items that may be reclassified subsequently to the income statement		
Currency translation differences during the year	–7	–4
Available for sale investments[1]:		
Valuation gains/losses during the year	45	–55
Tax on valuation gains/losses during the year	–10	12
Transferred to the income statement during the year	–4	–4
Tax on transfers to the income statement during the year	1	1
Cash flow hedges:		
Valuation gains/losses during the year	103	181
Tax on valuation gains/losses during the year	–23	–40
Transferred to the income statement during the year	–122	–154
Tax on transfers to the income statement during the year	27	34
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of benefit plans during the year	3	12
Tax on remeasurement of benefit plans during the year	–1	–3
Other comprehensive income, net of tax	**12**	**–20**
Total comprehensive income	**2,912**	**1,900**

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

Balance sheet

EURm	Note	31 Dec 2016	31 Dec 2015
Assets			
Cash and balances with central banks		101	75
Treasury bills	P14	6,583	6,905
Loans to credit institutions	P15	88,375	90,009
Loans to the public	P15	43,726	45,820
Interest-bearing securities	P16	10,359	12,163
Shares	P17	130	2,362
Derivatives	P18	4,668	5,011
Fair value changes of the hedged items in portfolio hedge of interest rate risk		0	1
Investments in group undertakings	P19	5,733	4,601
Investments in group undertakings being merged	P20	14,368	14,793
Investments in associated undertakings and joint ventures	P21	12	7
Participating interest in other companies		1	1
Intangible assets	P22	1,539	1,091
Properties and equipment	P23	132	138
Deferred tax assets	P13	22	26
Current tax assets		204	3
Other assets	P24	4,560	4,387
Prepaid expenses and accrued income	P25	749	780
Total assets		**181,262**	**188,173**
Liabilities			
Deposits by credit institutions	P26	20,374	19,069
Deposits and borrowings from the public	P27	58,183	61,043
Debt securities in issue	P28	63,162	68,908
Derivatives	P18	3,612	4,180
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,008	1,158
Current tax liabilities		0	34
Other liabilities	P29	3,279	3,531
Accrued expenses and prepaid income	P30	670	759
Provisions	P31	307	301
Retirement benefit liabilities	P32	169	159
Subordinated liabilities	P33	10,086	8,951
Total liabilities		**160,850**	**168,093**
Untaxed reserves	P34	**2**	**2**
Equity			
Share capital		4,050	4,050
Development cost reserve		569	-
Share premium reserve		1,080	1,080
Other reserves		–2	–21
Retained earnings		14,713	14,969
Total equity		**20,410**	**20,078**
Total liabilities and equity		**181,262**	**188,173**

Statement of changes in equity

2016

	Restricted equity		Unrestricted equity[1]					
				Other reserves				
EURm	Share capital	Develop-ment cost reserve	Share premium reserve	Cash flow hedges	Available for sale invest-ments	Defined benefit plans	Retained earnings	Total equity
Balance at 1 Jan 2016	**4,050**	**-**	**1,080**	**–16**	**–5**	**0**	**14,969**	**20,078**
Net profit for the year	–	–	–	–	–	–	2,900	2,900
Items that may be reclassified subsequently to the income statement								
Currency translation differences during the year	–	–	–	–	–	–	–7	–7
Available for sale investments:								
Valuation gains/losses during the year	–	–	–	–	45	–	–	45
Tax on valuation gains/losses during the year	–	–	–	–	–10	–	–	–10
Transferred to the income statement during the year	–	–	–	–	–4	–	–	–4
Tax on transfers to the income statement during the year	–	–	–	–	1	–	–	1
Cash flow hedges:								
Valuation gains/losses during the year	–	–	–	103	–	–	–	103
Tax on valuation gains/losses during the year	–	–	–	–23	–	–	–	–23
Transferred to the income statement during the year	–	–	–	–122	–	–	–	–122
Tax on transfers to the income statement during the year	–	–	–	27	–	–	–	27
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans:								
Remeasurement of defined benefit plans during the year	–	–	–	–	–	3	–	3
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–	–1	–	–1
Other comprehensive income, net of tax	**–**	**–**	**–**	**–15**	**32**	**2**	**–7**	**12**
Total comprehensive income	**–**	**–**	**–**	**–15**	**32**	**2**	**2,893**	**2,912**
Dividend for 2015	–	–	–	–	–	–	–2,584	–2,584
Disposal of own shares[2]	–	–	–	–	–	–	0	0
Development cost reserve	–	569	–	–	–	–	–569	–
Merger effect	–	–	–	–	–	–	4	4
Balance at 31 Dec 2016	**4,050**	**569**	**1,080**	**–31**	**27**	**2**	**14,713**	**20,410**

1) A free fund amounting to EUR 2,762m is recognised in Retained earnings.
2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme and trading portfolio. The number of own shares were 10.9 million.

Statement of changes in equity, cont.

2015

	Restricted equity	Unrestricted equity[1]					
			Other reserves				
EURm	Share capital	Share premium reserve	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total equity
Balance at 1 Jan 2015	**4,050**	**1,080**	**–37**	**41**	**–9**	**15,536**	**20,661**
Net profit for the year	–	–	–	–	–	1,920	1,920
Items that may be reclassified subsequently to the income statement							
Currency translation differences during the year	–	–	–	–	–	–4	–4
Available for sale investments:							
Valuation gains/losses during the year	–	–	–	–55	–	–	–55
Tax on valuation gains/losses during the year	–	–	–	12	–	–	12
Transferred to profit or loss on sale during the year	–	–	–	–4	–	–	–4
Tax on transfers to profit or loss on sale during the year	–	–	–	1	–	–	1
Cash flow hedges:							
Valuation gains/losses during the year	–	–	181	–	–	–	181
Tax on valuation gains/losses during the year	–	–	–40	–	–	–	–40
Transferred to the income statement during the year	–	–	–154	–	–	–	–154
Tax on transfers to the income statement during the year	–	–	34	–	–	–	34
Items that may not be reclassified subsequently to the income statement							
Defined benefit plans:							
Remeasurement of defined benefit plans during the year	–	–	–	–	12	–	12
Tax on remeasurement of defined benefit plans during the year	–	–	–	–	–3	–	–3
Other comprehensive income, net of tax	**–**	**–**	**21**	**–46**	**9**	**–4**	**–20**
Total comprehensive income	**–**	**–**	**21**	**–46**	**9**	**1,916**	**1,900**
Share-based payments	–	–	–	–	–	2	2
Dividend for 2014	–	–	–	–	–	–2,501	–2,501
Disposal of own shares[2]	–	–	–	–	–	16	16
Balance at 31 Dec 2015	**4,050**	**1,080**	**–16**	**–5**	**0**	**14,969**	**20,078**

1) A free fund amounting to EUR 2,762m are recognised in Retained earnings.
2) Refers to the change in the holding of own shares related to Long Term Incentive Programme and trading portfolio. The number of own shares were 11.7 million.

Description of items in equity is included in Note G1 "Accounting policies".

Share capital

	Quota value per share, EUR	Total number of shares	Share capital, EUR
Balance at 31 Dec 2015	1.0	4,049,951,919	4,049,951,919
Balance at 31 Dec 2016	1.0	4,049,951,919	4,049,951,919

Dividends per share

Final dividends are not accounted for until they have been ratified at the Annual General Meeting (AGM). At the AGM on 16 March 2017, a dividend in respect of 2016 of EUR 0.65 per share (2015 actual dividend EUR 0.64 per share) amounting to a total of EUR 2,625,368,991 (2015 actual: EUR 2,584,494,736) is to be proposed. The financial statements for the year ended 31 December 2016 do not reflect this resolution, which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2017.

Cash flow statement

EURm	2016	2015
Operating activities		
Operating profit	2,950	2,203
Adjustment for items not included in cash flow	–2,085	–1,026
Income taxes paid	–278	–226
Cash flow from operating activities before changes in operating assets and liabilities	**587**	**951**
Changes in operating assets		
Change in treasury bills	305	–1,918
Change in loans to credit institutions	2,846	–7,543
Change in loans to the public	1,893	–6,153
Change in interest-bearing securities	1,829	–927
Change in financial assets pledged as collateral	–	43
Change in shares	2,232	3,699
Change in derivatives, net	–693	558
Change in other assets	2,485	1,643
Changes in operating liabilities		
Change in deposits by credit institutions	1,305	–5,952
Change in deposits and borrowings from the public	–2,874	11,460
Change in debt securities in issue	–5,763	5,600
Change in other liabilities	–253	–1,570
Cash flow from operating activities	**3,899**	**–109**
Investing activities		
Shareholder's contributions to group undertakings	–523	–2,754
Sale of business operations	–	200
Investments in associated undertakings and joint ventures	–5	–
Acquisition of properties and equipment	–25	–55
Sale of property and equipment	1	1
Acquisition of intangible assets	–594	–446
Sale of intangible assets	–	–1
Net divestments in debt securities, held to maturity	–	110
Sale of other financial fixed assets	69	–
Cash flow from investing activities	**–1,077**	**–2,945**
Financing activities		
Issued subordinated liabilities	1,000	2,166
Amortised subordinated liabilities	–	–1,317
Repurchase/divestment of own shares incl change in trading portfolio	–	16
Dividend paid	–2,584	–2,501
Cash flow from financing activities	**–1,584**	**–1,636**
Cash flow for the year	**1,238**	**–4,690**
Cash and cash equivalents at the beginning of year	3,343	8,033
Cash and cash equivalents at the end of year	4,581	3,343
Change	**1,238**	**–4,690**

Cash flow statement, cont.

Comments on the cash flow statement

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

Operating activities

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

EURm	2016	2015
Depreciation	164	130
Impairment charges	14	19
Loan losses	200	152
Unrealised gains/losses	499	–14
Capital gains/losses (net)	–68	–171
Change in accruals and provisions	–50	287
Anticipated dividends	–1,964	–1,293
Group contributions	–695	–614
Translation differences	–47	681
Change in fair value of the hedged items, assets/liabilities (net)	–149	–210
Other	11	7
Total	**–2,085**	**–1,026**

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

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

EURm	2016	2015
Interest payments received	1,393	1,574
Interest expenses paid	–966	–1,024

Investing activities

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

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2016	31 Dec 2015
Cash and balances with central banks	101	75
Loans to credit institutions, payable on demand	4,480	3,268
Total	**4,581**	**3,343**

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

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

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

5 year overview

Income statement[1]

EURm	2016	2015	2014[2]	2013	2012
Net interest income	464	511	649	641	724
Net fee and commission income	840	886	820	1,009	623
Net result from items at fair value	216	136	186	131	189
Dividends	3,210	2 ,176	2,333	1,827	3,554
Other operating income	712	833	975	674	501
Total operating income	**5,442**	**4,542**	**4,963**	**4,282**	**5,591**
General administrative expenses:					
Staff costs	–1,113	–1,196	–1,070	–982	–938
Other expenses	–1,008	–851	–904	–1,018	–842
Depreciation, amortisation and impairment charges of tangible and intangible assets	–172	–140	–261	–109	–105
Total operating expenses	**–2,293**	**–2,187**	**–2,235**	**–2,109**	**–1,885**
Profit before loan losses	**3,149**	**2,355**	**2,728**	**2,173**	**3,706**
Net loan losses	–193	–143	–98	–124	–19
Impairment of securities held as financial non-current assets	–6	–9	–15	–4	–15
Operating profit	**2,950**	**2,203**	**2,615**	**2,045**	**3,672**
Appropriations	1	2	–1	102	–103
Income tax expense	–51	–285	–189	–192	–95
Net profit for the year	**2,900**	**1,920**	**2,425**	**1,955**	**3,474**

Balance sheet

EURm	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Treasury bills and interest-bearing securities	16,942	19,068	16,356	16,080	16,686
Loans to credit institutions	88,375	90,009	86,704	80,918	68,006
Loans to the public	43,726	45,820	39,809	34,155	36,214
Investments in group undertakings	20,101	19,394	16,986	17,723	17,659
Other assets	12,118	13,882	18,576	15,047	13,565
Total assets	**181,262**	**188,173**	**178,431**	**163,923**	**152,130**
Deposits by credit institutions	20,374	19,069	27,452	17,500	19,342
Deposits and borrowings from the public	58,183	61,043	49,367	47,531	50,263
Debt securities in issue	63,162	68,908	63,280	62,961	48,285
Subordinated liabilities	10,086	8,951	7,728	5,971	7,131
Other liabilities/untaxed reserves	9,047	10,124	9,943	10,039	7,734
Equity	20,410	20,078	20,661	19,921	19,375
Total liabilities and equity	**181,262**	**188,173**	**178,431**	**163,923**	**152,130**

1) The comparative figures for 2015 have been restated.
2) End of the year.

Ratios and key figures[4]

	2016	2015	2014[1]	2013	2012
Return on equity, %	15.6	10.1	12.6	10.5	20.5
Return on assets, %	1.6	1.0	1.4	1.2	2.3
Cost/income ratio, %	42.1	48.2	45.0	49.3	33.9
Loan loss ratio, basis points	44	31	25	36	5
Common Equity Tier 1 capital ratio, excl. Basel I floor[1,2,3], %	18.6	18.8	21.8	20.8	17.6
Tier 1 capital ratio, excl. Basel I floor[1,3], %	22.0	22.2	25.3	23.1	19.6
Total capital ratio, excl. Basel I floor[1,3], %	27.9	27.1	30.6	28.0	24.4
Tier 1 capital[1,2,3], EURm	19,167	19,314	19,932	19,300	19,244
Risk-exposure amount incl. Basel I floor[1,3], EURbn	87	87	79	83	98

1) End of the year.
2) Including result of the year.
3) 2013 ratios are reported under the Basel II regulation framework and 2014, 2015 and 2016 ratios are reported using the Basel III (CRR/CRDIV) framework.
4) For more detailed information regarding ratios and key figures defined as Alternative performance measures, see http://www.nordea.com/en/investor-relations/.

P1. Accounting policies

1. Basis for presentation

The financial statements for the parent company, Nordea Bank AB (publ), are prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the accounting recommendation RFR 2 Accounting for legal entities issued by the Swedish Financial Reporting Board. This means that the parent company applies International Financial Reporting Standards (IFRS) as endorsed by the EU Commission to the extent possible within the framework of Swedish accounting legislation and considering the close tie between financial reporting and taxation.

The Group's accounting policies described in Note G1 "Accounting policies" are applicable also for the parent company, considering also the information provided below.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2015 Annual Report.

New accounting requirements implemented during 2016 and their effects on the parent company's financial statements are described below.

The IASB has issued "Amendments to IAS 27, Equity method in Separate Financial Statements" which allows the equity method when accounting for investments in group undertakings, joint ventures and associated undertakings. Equity method accounting for investments in group undertakings is however not allowed under the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). The amendments were implemented 1 January 2016 but have not had any impact on the financial statements, capital adequacy or large exposures in the period of initial application.

Amendments have in addition been made to the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). These amendments have been implemented on 1 January 2016.

In accordance with the new requirements, investments where the intention is to create a long term relationship with the other company, without meeting the requirements for a group undertaking or an associated undertaking, have been presented separately on the balance sheet as "Participating interest in other companies". An amount equal to the cost for own development work (recognised as an intangible asset on the parent company's balance sheet) has furthermore been presented separately within equity as "Development cost reserve". The amendments have not had any other significant impact on the financial statements.

The Swedish Financial Supervisory Authority has amended the accounting regulation FFFS 2008:25 by issuing FFFS 2015:20. Those amendments were implemented 1 January 2016 but have not had any significant impact on the financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for legal entities by issuing "RFR 2 Accounting for Legal Entities – January 2016". These amendments were implemented 1 January 2016 but have not had any significant impact on the financial statements.

Changed presentation of stability fees

The parent company has, in order to align with local market practice, reclassified state guarantee fees from "Net fee and commission income" to "Net interest income". The comparable figures have been restated and the impact on the current and comparative periods can be found in the below table. The change in presentation has not had any impact on the balance sheet or equity.

Changed presentation of "Net fee and commission income"

The presentation within Note P4 "Net fee and commission income" has, in addition to the change described above, been changed. The main change is that income and expenses have been set off to better reflect the net return from different business activities. Commission expenses have been split more granularly to better match the related commission income. The gross impact on income and expenses is also provided in Note P4.

Commission income in connection with initial public offerings (IPOs) have in addition been reclassified from "Custody and issuer services" to "Brokerage, securities issues and corporate finance" (impact full year 2015 EUR 16m). This reclassification has been made to better reflect the purpose of services performed/received.

Other changes

Other changes implemented by the parent company 1 January 2016 can be found in section "Changed accounting policies" in Note G1 "Accounting policies". The conclusions within this section are also, where applicable, relevant for the parent company.

3. Changes in IFRSs not yet applied

Forthcoming changes in IFRS not yet implemented by the parent company can be found in the section 3 "Changes in IFRSs not yet applied" in Note G1 "Accounting policies". The conclusions within this section are also, where applicable, relevant for the parent company.

4. Accounting policies applicable for the parent company only

Investments in group undertakings, associated undertakings and joint ventures

The parent company's investments in group undertakings, associated undertakings and joint ventures are recognised under the cost model. At each balance sheet date, all shares in group undertakings, associated undertakings and joint ventures are reviewed for indications of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of each holding of shares is fully recoverable. The recoverable amount is the higher of fair value less costs to sell and the value in use. Any impairment charge is calculated as the difference between the carrying amount and the recoverable amount and is classified as "Impairment

	2016			2015		
EURm	Old policy	Restatement	New policy	Old policy	Restatement	New policy
Net interest income	504	–40	464	576	–65	511
Net fee and commission income	800	40	840	821	65	886

P1. Accounting policies, cont.

of securities held as financial non-current assets" in the income statement.

The parent company applies fair value hedge accounting for the foreign exchange risk in investments in subsidiaries. The shares in subsidiaries are remeasured with regards to the hedged risk with a corresponding entry in "Net result from items at fair value". The change in fair value of the hedging instruments is also recognised in the income statement in "Net result from items at fair value".

Dividends

Dividends paid to the shareholders of Nordea Bank AB (publ) are recorded as a liability following the approval of the Annual General Meeting.

Dividends paid by group undertakings to the parent company are anticipated if the parent alone can decide on the size of the dividend and if the formal decision has been made before the financial report is published. Dividends from group- and associated undertakings are recognised on the separate income line "Dividends".

Amortisation and goodwill

Goodwill and other intangible assets with indefinite useful lives are not amortised in the consolidated financial statements. In the parent company financial statements goodwill is amortised, normally over a period of five years unless, under exceptional circumstances, a longer amortisation period is justified.

Functional currency

The accounting currency of the parent company is EUR. All transactions in other currencies are converted to EUR in accordance with the policies disclosed in section 9 "Translation of assets and liabilities denominated in foreign currencies" in Note G1 "Accounting policies". Any remaining equity in foreign branches is converted at the closing rates with translation differences recognised in other comprehensive income.

Pensions

The accounting principle for defined benefit obligations follows the Swedish rules ("Tryggandelagen") and the regulations of the Swedish Financial Supervisory Authority as this is the condition for tax deductibility. The significant differences compared with IAS 19 consist of how the discount rate is determined, that the calculation of the defined benefit obligation is based on current salary level without assumptions about future salary increases.

In Sweden, defined benefit pension commitments are guaranteed by a pension foundation or recognised as a liability. No net defined benefit assets are recognised. The pension cost in the parent company, classified as "Staff cost" in the income statement, consists of changes in recognised pension provisions (including special wage tax) for active employees, pension benefits paid, contributions made to or received from the pension foundation and related special wage tax.

The pension obligations in the foreign branches are calculated in accordance with local accounting requirements.

Group contributions

Group contributions paid to group undertakings are recognised as an increase in the value of investments in group undertakings, net of tax. Group contributions received from group undertakings are recognised as dividends. The possible tax effects on group contributions received are classified as "Income tax expense" in the income statement.

Untaxed reserves

The parent company reports untaxed reserves, related to accelerated depreciation and tax allocation reserve under tax regulations. In the consolidated financial statements, untaxed reserves are split on the items "Retained earnings" and "Deferred tax liabilities" on the balance sheet.

Presentation of disposal group held for sale

Assets and liabilities related to disposal group held for sale are presented in Note P43 "Disposal groups held for sale". In contrast to the presentation for the Group, assets and liabilities related to the disposal group are not presented on separate balance sheet lines. These assets and liabilities are instead presented on each relevant balance sheet line in accordance with the nature of the asset and liability.

P2. Segment reporting

Geographical information

	Sweden		Finland		Norway		Denmark		Others		Total	
EURm	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	464	511	–	–	–	–	–	–	–	–	464	511
Net fee and commission income	840	886	–	–	–	–	–	–	–	–	840	886
Net result from items at fair value	216	136	–	–	–	–	–	–	–	–	216	136
Dividends[1]	1,510	734	900	876	–	–	427	401	373	165	3,210	2,176
Other operating income	–53	156	241	205	95	91	429	381	–	–	712	833
Total operating income	**2,977**	**2,423**	**1,141**	**1,081**	**95**	**91**	**856**	**782**	**373**	**165**	**5,442**	**4,542**

1) Regards dividends from group undertakings.

P3. Net interest income

EURm	2016	2015
Interest income		
Loans to credit institutions	380	455
Loans to the public	837	880
Interest-bearing securities	126	201
Other interest income	60	71
Interest income	**1,403**	**1,607**
Interest expense		
Deposits by credit institutions	–20	–46
Deposits and borrowings from the public	–32	–83
Debt securities in issue	–923	–917
Subordinated liabilities	–368	–359
Other interest expenses[1]	404	309
Interest expense	**–939**	**–1,096**
Net interest income	**464**	**511**

1) The net interest income from derivatives, measured at fair value and related to Nordea´s funding. This can have both a positive and negative impact on other interest expenses, for further information see Note G1 "Accounting policies".

Interest income from financial instruments not measured at fair value through profit and loss amounts to EUR 1,274m (EUR 1,407m). Interest expenses from financial instruments not measured at fair value through profit and loss amounts to EUR –1,401m (EUR –1,488m). Interest on impaired loans amounted to an insignificant portion of interest income.

P4. Net fee and commission income

EURm	2016	2015
Asset management commissions	148	154
- of which income	148	154
- of which expense	–	–
Life & Pension	1	1
- of which income	1	1
- of which expense	–	–
Deposit Products	18	19
- of which income	18	19
- of which expense	–	–
Brokerage, securities issues and corporate finance	187	142
- of which income	211	166
- of which expense	–24	–24
Custody and issuer services	7	7
- of which income	19	18
- of which expense	–12	–11
Payments	72	84
- of which income	102	108
- of which expense	–30	–24
Cards	77	100
- of which income	127	230
- of which expense	–50	–130
Lending Products	154	161
- of which income	155	162
- of which expense	–1	–1
Guarantees and documentary payments	153	197
- of which income	153	197
- of which expense	0	0
Other	23	21
- of which income	44	39
- of which expense	–21	–18
Total	**840**	**886**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 173m (EUR 181m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 360m (EUR 321m). The corresponding amount for fee expenses is EUR –36m (EUR –35m).

P5. Net result from items at fair value

EURm	2016	2015
Equity related instruments	–332	7
Interest related instruments and foreign exchange gains/losses	547	131
Other financial instruments (including credit and commodities)	1	–2
Total[1]	216	136

1) Of which EUR 0m (EUR 26m) are dividends from shares.

Net result from categories of financial instruments

EURm	2016	2015
Available for sale assets, realised	4	4
Financial instruments designated at fair value through profit or loss	18	19
Financial instruments held for trading	–386	29
Financial instruments under fair value hedge accounting	–10	1
- of which net losses on hedging instruments	–166	–157
- of which net gains on hedged items	156	158
Financial assets measured at amortised cost	1	14
Foreign exchange gains/losses excluding currency hedges	529	69
Other	60	0
Total	216	136

P6. Dividends

EURm	2016	2015
Dividends from group undertakings		
Nordea Bank Finland Plc	900	780
Nordea Bank Danmark A/S	417	395
LLC Promyshlennaya Kompaniya Vestkon	82	89
JSC Nordea Bank	6	6
Nordea Life Holding AB	700	–
Nordea Funds Ltd	130	96
Nordea Bank S.A.	155	70
Nordea Investment Management AB	115	120
Nordea Ejendomsinvestering A/S	9	5
Dividends from associated undertakings and joint ventures		
Upplysningscentralen (UC) AB	1	–
Group Contributions		
Nordea Hypotek AB	562	492
Nordea Investment Management AB	6	11
Nordea Finans AB	127	112
Total	3,210	2,176

P7. Other operating income

EURm	2016	2015
Divestment of shares	0	170
Remuneration from group undertakings	710	661
Other	2	2
Total	712	833

P8. Staff costs

EURm	2016	2015
Salaries and remuneration (specification below)[1]	–825	–836
Pension costs (specification below)	–165	–146
Social security contributions	–240	–233
Other staff costs	117	19
Total	–1,113	–1,196
Salaries and remuneration		
To executives[2]		
- Fixed compensation and benefits	–9	–7
- Performance-related compensation	–4	–4
- Allocation to profit-sharing	0	0
Total	–13	–11
To other employees	–812	–825
Total	–825	–836

1) Allocation to profit-sharing foundation 2016 EUR 11m (EUR 29m) consists of a new allocation of EUR 11m (EUR 28m) and an allocation related to prior year of EUR 0m (EUR 1m).

2) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Executive Management in the parent company. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents, are included. Executives amounts to 19 (18) positions.

Pension costs[1]

EURm	2016	2015
Defined benefit plans	–85	–77
Defined contribution plans	–80	–69
Total	–165	–146

1) Pension costs for executives, see Note G7 "Staff costs".

Additional disclosures on remuneration under Swedish FSA regulations and general guidelines

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) not later than one week before the Annual General Meeting on 16 March 2017.

Compensation to key management personnel

Salaries and remuneration to the Board of Directors, CEO and Group Executive Management, see Note G7 "Staff costs".

Loans to key management personnel

Loans to key management personnel amounts to EUR 0m (EUR 0m). Interest income on these loans amounts to EUR 0m (EUR 0m). For information about loan conditions, see Note G7 "Staff costs".

P8. Staff costs, cont.

Long Term Incentive Programmes

Participation in the Long Term Incentive Programmes (LTIPs) requires that the participants take direct ownership by investing in Nordea shares. For more information about conditions and requirements, see Note G7 "Staff costs".

For information on number of outstanding conditional rights in the LTIPs, see Note G7 "Staff costs". All rights in the LTIPs, both to employees in the parent company as well as to employees in group undertakings, are issued by Nordea Bank AB (publ).

The expenses in below table regards only employees in Nordea Bank AB (publ).

Expenses for equity-settled share-based payment programmes[1]

EURm	LTIP 2012
Total expense during 2016	–
Total expense during 2015	–1

1) All amounts excluding social security contribution.

Cash-settled share-based payment transactions

Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either transferred after three years or transferred in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea in 2013 introduced the Executive Incentive Programme ("EIP") which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2016 is paid no earlier than autumn 2020. Participation in the programme is offered to up to 400 managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report), within the Nordea Group. EIP is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2016 is decided during spring 2017, and a reservation of EUR 14m excl. social costs is made 2016. 80% of the allocated amount will be subject to TSR-indexation.

The below table only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

Share linked deferrals

EURm	2016	2015
Opening balance	22	7
Reclassification[1]	–	2
Deferred/earned during the year	17	16
TSR indexation during the year	6	1
Payments during the year[2]	–6	–5
Translation differences	0	1
Closing balance	**39**	**22**

1) Relates to a reclassification from deferred amounts that are indexed with a fixed rate.
2) There have been no adjustments due to forfeitures.

Average number of employees

	Total		Men		Women	
	2016	2015	2016	2015	2016	2015
Full-time equivalents						
Sweden	6,778	6,450	3,257	3,034	3,521	3,416
Other countries	5,118	4,151	2,843	2,200	2,275	1,951
Total average	**11,896**	**10,601**	**6,100**	**5,234**	**5,796**	**5,367**

Gender distribution, executives

Per cent	2016	2015
Nordea Bank AB (publ)		
Board of Directors – Men	56	56
Board of Directors – Women	44	44
Other executives – Men	90	78
Other executives – Women	10	22

P9. Other expenses

EURm	2016	2015
Information technology	–548	–467
Marketing and representation	–27	–31
Postage, transportation, telephone and office expenses	–39	–48
Rents, premises and real estate	–121	–136
Other[1]	–273	–169
Total	**–1,008**	**–851**

1) Including fees and remuneration to auditors distributed as follows.

Auditors' fee

EURm	2016	2015
PricewaterhouseCoopers		
Auditing assignments	–3	–2
Audit-related services	–1	0
Tax advisory services	0	0
Other assignments	–4	–1
Total	**–8**	**–3**
KPMG		
Auditing assignments	–	–1
Audit-related services	–	–1
Tax advisory services	–	–
Other assignments	–	0
Total	**–**	**–2**

P10. Depreciation, amortisation and impairment charges of tangible and intangible assets

Depreciation/amortisation

EURm	2016	2015
Properties and equipment (Note P23)		
Equipment	–25	–26
Intangible assets (Note P22)		
Goodwill	–55	–56
Computer software	–63	–31
Other intangible assets	–21	–17
Total	**–164**	**–130**

Impairment charges

EURm	2016	2015
Intangible assets (Note P22)		
Computer software	–8	–7
Other intangible assets	0	–3
Total	**–8**	**–10**
Total depreciation/amortisation and impairment charges	**–172**	**–140**

P11. Net loan losses

EURm	2016	2015
Loan losses divided by class		
Realised loan losses	0	–
Recoveries on previous realised loan losses	–	0
Provisions	–1	0
Reversals of previous provisions	1	1
Loans to credit institutions[1]	**0**	**1**
Realised loan losses	–119	–72
Allowances to cover realised loan losses	80	34
Recoveries on previous realised loan losses	7	8
Provisions	–228	–175
Reversals of previous provisions	90	84
Loans to the public[1]	**–170**	**–121**
Realised loan losses	–3	–9
Recoveries on previous realised loan losses	4	6
Provisions	–39	–42
Reversals of previous provisions	15	22
Off-balance sheet items[2]	**–23**	**–23**
Net loan losses	**–193**	**–143**

1) See Note P15 "Loans and impairment".
2) Included in Note P31 "Provisions" as "Guarantees".

P12. Appropriations

EURm	2016	2015
Change in depreciation in excess of plan, equipment	1	2
Total	**1**	**2**

P13. Taxes

Income tax expense

EURm	2016	2015
Current tax	–43	–303
Deferred tax	–8	18
Total	**–51**	**–285**

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Sweden as follows:

EURm	2016	2015
Profit before tax	2,951	2,205
Tax calculated at a tax rate of 22.0%	–649	–485
Tax-exempt income	616	381
Non-deductible expenses	–15	–81
Adjustments relating to prior years	–3	–100
Tax charge	**–51**	**–285**
Average effective tax rate	2%	13%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	2016	2015	2016	2015
Deferred tax related to:				
Derivatives	9	4	–	–
Properties and equipment	–	–	15	11
Retirement benefit obligations	7	7	1	–
Liabilities/provisions	22	26	–	0
Other	0	–	0	–
Netting between deferred tax assets and liabilities	–16	–11	–16	–11
Total	**22**	**26**	**–**	**–**

P14. Treasury bills

EURm	31 Dec 2016	31 Dec 2015
State and sovereigns	6,009	6,086
Municipalities and other public bodies[1]	574	819
Total	**6,583**	**6,905**

1) Of which EUR 30m (EUR 32m) held at amortised cost with a nominal amount of EUR 30m (EUR 32m).

P15. Loans and impairment

EURm	Credit institutions		The public		Total	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Loans, not impaired	88,377	90,011	43,347	45,591	131,724	135,602
Impaired loans	–	–	820	629	820	629
- Servicing	–	–	562	309	562	309
- Non-servicing	–	–	258	320	258	320
Loans before allowances	88,377	90,011	44,167	46,220	132,544	136,231
Allowances for individually assessed impaired loans	–	–	–344	–314	–344	–314
- Servicing	–	–	–217	–120	–217	–120
- Non-servicing	–	–	–127	–194	–127	–194
Allowances for collectively assessed impaired loans	–2	–2	–97	–86	–99	–88
Allowances	–2	–2	–441	–400	–443	–402
Loans, carrying amount	88,375	90,009	43,726	45,820	132,101	135,829

Movements of allowance accounts for impaired loans

EURm	Credit institutions			The public			Total		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2016	–	–2	–2	–314	–86	–400	–314	–88	–402
Provisions	–	–1	–1	–175	–53	–228	–175	–54	–229
Reversals of previous provisions	–	1	1	53	37	90	53	38	91
Changes through the income statement	**–**	**0**	**0**	**–122**	**–16**	**–138**	**–122**	**–16**	**–138**
Allowances used to cover realised loan losses	–	–	–	80	–	80	80	–	80
Translation differences	–	0	0	12	5	17	12	5	17
Closing balance at 31 Dec 2016	–	–2	–2	–344	–97	–441	–344	–99	–443
Opening balance at 1 Jan 2015	–	–2	–2	–254	–74	–328	–254	–76	–330
Provisions	–	0	0	–143	–32	–175	–143	–32	–175
Reversals of previous provisions	–	1	1	60	24	84	60	25	85
Changes through the income statement	**–**	**1**	**1**	**–83**	**–8**	**–91**	**–83**	**–7**	**–90**
Allowances in sold and acquired loan portfolios	–	–	–	–6	–4	–10	–6	–4	–10
Allowances used to cover realised loan losses	–	–	–	34	–	34	34	–	34
Translation differences	–	–1	–1	–5	0	–5	–5	–1	–6
Closing balance at 31 Dec 2015	–	–2	–2	–314	–86	–400	–314	–88	–402

Allowances and provisions[1]

EURm	Credit institutions		The public		Total	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Allowances for items on the balance sheet	–2	–2	–441	–400	–443	–402
Provisions for off balance sheet items	–204	–181	–2	–2	–206	–183
Total allowances and provisions	–206	–183	–443	–402	–649	–585

1) Included in Note P31 “Provisions” as “Guarantees”.

P15. Loans and impairment, cont.

Key ratios[1]

EURm	31 Dec 2016	31 Dec 2015
Impairment rate, gross, basis points	62	46
Impairment rate, net, basis points	36	23
Total allowance rate, basis points	33	29
Allowances in relation to impaired loans, %	42	50
Total allowances in relation to impaired loans, %	54	64
Non-servicing loans, not impaired, EURm	23	41

1) For definitions, see "Business definitions" on page 83.

P16. Interest-bearing securities

EURm	31 Dec 2016	31 Dec 2015
Issued by public bodies	35	45
Issued by other borrowers[1]	10,324	12,118
Total	**10,359**	**12,163**
Listed securities	10,204	12,163
Unlisted securities	155	–
Total	**10,359**	**12,163**

1) Of which EUR 26m (EUR 30m) held at amortised cost with a nominal amount of EUR 26m (EUR 30m).

P17. Shares

EURm	31 Dec 2016	31 Dec 2015
Shares	130	2,362
Shares taken over for protection of claims	0	0
Total	**130**	**2,362**
Listed shares	130	2,330
Unlisted shares	–	32
Total	**130**	**2,362**

P18. Derivatives and hedge accounting

Derivatives held for trading

	Fair value		
31 Dec 2016, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	1,785	1,813	239,297
FRAs	8	3	25,617
Futures and forwards	–	0	4,000
Options	1	1	98
Other	12	12	10,241
Total	**1,806**	**1,829**	**279,253**
Equity derivatives			
Equity swaps	35	58	96
Options	17	6	996
Total	**52**	**64**	**1,092**
Foreign exchange derivatives			
Currency and interest rate swaps	718	643	40,600
Currency forwards	6	2	12,355
Options	9	8	1,217
Total	**733**	**653**	**54,172**
Credit derivatives	7	5	840
Other derivatives	4	0	1,763
Total derivatives held for trading	**2,602**	**2,551**	**337,120**

Derivatives used for hedge accounting

	Fair value		
31 Dec 2016, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives	1,236	200	50,345
Foreign exchange derivatives	830	861	12,367
Total derivatives used for hedge accounting	**2,066**	**1,061**	**62,712**
- of which fair value hedges[1]	1,236	200	50,345
- of which cash flow hedges[1]	830	861	12,367
Total derivatives	**4,668**	**3,612**	**399,832**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

P18. Derivatives and hedge accounting, cont.

Derivatives held for trading

31 Dec 2015, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	1,913	1,983	200,183
FRAs	9	10	57,952
Futures and forwards	0	0	2,696
Options	84	84	62,092
Other	3	2	11,307
Total	**2,009**	**2,079**	**334,230**
Equity derivatives			
Equity swaps	116	137	253
Futures and forwards	—	1	19
Options	57	9	334
Total	**173**	**147**	**606**
Foreign exchange derivatives			
Currency and interest rate swaps	630	531	16,869
Currency forwards	47	345	27,949
Total	**677**	**876**	**44,818**
Credit derivatives	5	1	299
Other derivatives	—	6	1,668
Total derivatives held for trading	**2,864**	**3,109**	**381,621**

Derivatives used for hedge accounting

31 Dec 2015, EURm	Fair value Positive	Fair value Negative	Total nom. amount
Interest rate derivatives	1,427	232	45,711
Foreign exchange derivatives	720	839	10,243
Total derivatives used for hedge accounting	**2,147**	**1,071**	**55,954**
- of which fair value hedges[1]	1,612	238	50,768
- of which cash flow hedges[1]	535	833	10,243
Total derivatives	**5,011**	**4,180**	**437,575**

1) Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedges and cash flow hedges and the nominal amounts are then reported on both lines.

P19. Investments in group undertakings[1]

EURm	31 Dec 2016	31 Dec 2015
Acquisition value at beginning of year	5,235	4,572
Acquisitions/capital contributions during the year	1,254	40
Revaluations under hedge accounting	–116	663
Sales during the year	–	–40
Acquisition value at end of year	**6,373**	**5,235**
Accumulated impairment charges at beginning of year	–634	–625
Impairment charges during the year	–6	–9
Accumulated impairment charges at end of year	**–640**	**–634**
Total	**5,733**	**4,601**
- of which listed shares	–	–

1) See also specification in note P20 "Investments in group undertakings being merged".

P19. Investments in group undertakings, cont.

Specification

This specification includes all directly owned group undertakings and major group undertakings to the directly owned companies.

31 Dec 2016	Registration number	Domicile	Number of shares	Carrying amount 2016, EURm	Carrying amount 2015, EURm	Voting power of holding %
LLC Promyshlennaya Kompaniya Vestkon	1027700034185	Moscow	4,601,942,680[1]	676	659	100.0
JSC Nordea Bank	1027739436955	Moscow				100.0
Nordea Life Holding AB	556742-3305	Stockholm	1,000	719	719	100.0
Nordea Liv & Pension, Livsforsikringsselskab A/S	24260577	Ballerup				100.0
Livsforsikringsselskapet Nordea Liv Norge AS	959922659	Bergen				100.0
Nordea Livförsäkring Sverige AB (publ)	516401-8508	Stockholm				100.0
Nordea Life Assurance Finland Ltd	0927072-8	Helsinki				100.0
Nordea Mortgage Bank Plc	2743219-6	Helsinki	257,700,000	731	—	100.0
Nordea Funds Ltd	1737785-9	Helsinki	3,350	385	385	100.0
Nordea Bank S.A.	B-14157	Luxembourg	999,999	455	455	100.0
Nordea Hypotek AB (publ)[2]	556091-5448	Stockholm	100,000	2,335	1,900	100.0
Nordea Finans Sverige AB (publ)[2]	556021-1475	Stockholm	1,000,000	86	118	100.0
Nordea Investment Management AB	556060-2301	Stockholm	12,600	227	231	100.0
Nordea Ejendomsinvestering A/S	26640172	Glostrup	1,000	29	29	100.0
Nordea IT Polska S.p. z.o.o.[3]	0000429783	Warsaw	—	—	30	–
Nordea Markets Holding LLC	36-468-1723	Delaware, USA	—	22	—	100,0
PK Properties Int'l Corp[4]	601624718	Atlanta, USA	—	—	0	—
Nordea Hästen Fastighetsförvaltning AB	556653-6800	Stockholm	1,000	0	0	100.0
Nordea Putten Fastighetsförvaltning AB	556653-5257	Stockholm	1,000	0	0	100.0
Nordea do Brasil Representações Ltda	51.696.268/0001-40	Sao Paulo, Brazil	1,162,149	0	0	100.0
Nordic Baltic Holding (NBH) AB	556592-7950	Stockholm	1,000	22	26	100.0
Promano Est OÜ	11681888	Tallinn, Estonia	1	10	10	100.0
Uus-Sadama 11 OÜ	11954914	Tallinn, Estonia	1	0	0	100.0
SIA Promano Lat	40103235197	Riga, Latvia	21,084	10	12	100.0
SIA Realm	50103278681	Riga, Latvia	7,030	7	6	100.0
SIA Lidosta RE	40103424424	Riga, Latvia	2	0	1	100.0
SIA Trioleta	40103565264	Riga, Latvia	2,786	4	4	99.9
Promano Lit UAB	302423219	Vilnius, Lithuania	34,528	10	11	100.0
UAB Recurso	302784511	Vilnius, Lithuania	15,000	5	5	100.0
Total				**5,733**	**4,601**	

1) Nominal value expressed in RUB, representing Nordea's participation in Vestkon. Combined ownership, Nordea Bank AB directly 7.2% and 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).
3) The formerly 100% owned company was merged into Nordea Bank AB (publ) in August 2016.
4) The formerly 100% owned company was liquidated in April 2016.

P20. Investments in group undertakings being merged

At January 2, 2017 Nordea Bank AB (NBAB) merged with Nordea Bank Finland Plc (NBF), Nordea Bank Norge ASA (NBN) and Nordea Bank Danmark A/S (NBD). At that date NBAB has recognised the assets and liabilities and income statement as of 1 January 2017 of its former subsidiaries, as they are dissolved and have become branches to NBAB. A balance sheet and income statement are presented as of year end 2016 in order to present the effect the mergers would have had on these financial statement if the merger would have been completed as of 31 December 2016.

The adjustments made are in relation to align accounting policies of the merged entities with NBAB's accounting policies, the elimination of participation in entities being merged and intercompany transactions. The below financial statements have been prepared for illustrative purposes only.

Balance sheet

EURm	NBAB 31 Dec 2016	NBF 31 Dec 2016	NBN 31 Dec 2016	NBD 31 Dec 2016	Eliminations	NBAB 31 Dec 2016
Total assets						
Cash and balances with central banks	101	29,367	970	1,315	–	31,753
Loans to credit institutions	88,375	31,856	5,887	10,836	–78,769	58,185
Loans to the public	43,726	56,754	42,061	27,387	–16	169,912
Interest-bearing securities	16,942	27,368	12,141	13,005	–50	69,406
Financial instruments pledged as collateral	0	4,139	116	4,044	–	8,299
Shares	131	1,262	20	2,033	–26	3,420
Derivatives	4,668	68,563	554	69	–2,454	71,400
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	21	22	36	–	79
Investments in group undertakings	5,733	306	1,130	4,338	1,513	13,020
Investments in group undertakings being merged	14,368	–	–	–	–14,368	–
Investments in associated undertakings and joint ventures	12	8	46	15	–	81
Intangible assets	1,539	26	8	226	–78	1,721
Properties and equipment	132	81	44	77	–	334
Deferred tax assets	22	–	–	–	–	22
Current tax assets	204	–	–	34	–	238
Retirement benefit assets	–	78	5	33	–	116
Other assets	4,560	16,205	140	831	–200	21,536
Prepaid expenses and accrued income	749	222	109	127	–109	1,098
Total assets	**181,262**	**236,256**	**63,253**	**64,406**	**–94,557**	**450,620**
Liabilities						
Deposits by credit institutions	20,374	62,545	27,350	10,247	–74,287	46,229
Deposits and borrowings from the public	58,183	55,351	26,353	42,691	–224	182,354
Debt securities in issue	63,162	18,507	991	–	–32	82,628
Derivatives	3,612	70,864	349	219	–2,445	72,599
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,008	25	1	6	–	1,040
Current tax liabilities	0	65	271	1	–	337
Other liabilities	3,279	17,296	455	2,926	32	23,988
Accrued expenses and prepaid income	670	268	104	360	–89	1,313
Deferred tax liabilities	–	–	188	29	–17	200
Provisions	307	62	24	220	–204	409
Retirement benefit liabilities	169	4	124	4	–	301
Subordinated liabilities	10,086	632	1,151	1,153	–2,683	10,339
Total liabilities	**160,850**	**225,619**	**57,361**	**57,856**	**–79,949**	**421,737**
Untaxed reserves	**2**	**–**	**–**	**–**	**–**	**2**
Equity	**20,410**	**10,637**	**5,892**	**6,550**	**–14,608**	**28,881**
Total liabilities and equity	**181,262**	**236,256**	**63,253**	**64,406**	**–94,557**	**450,620**

P20. Investments in group undertakings being merged, cont.

Income statement

EURm	NBAB 2016	NBF[1] 2016	NBN 2016	NBD 2016	Eliminations	NBAB 2016
Operating income						
Interest income	1,403	835	1,403	952	–416	4,177
Interest expense	–939	–400	–612	–181	416	–1,716
Net interest income	**464**	**435**	**791**	**771**	**0**	**2,461**
Fee and commission income	978	694	347	871	–483	2,407
Fee and commission expense	–138	–586	–69	–107	483	–417
Net fee and commission income	**840**	**108**	**278**	**764**	**0**	**1,990**
Net result from items at fair value	216	1,152	54	81	0	1,503
Dividends	3,210	72	155	–	–1,317	2,120
Other operating income	712	95	67	354	–869	359
Total operating income	**5,442**	**1,862**	**1,345**	**1,970**	**–2,186**	**8,433**
Operating expenses						
General administrative expenses:						
Staff costs	–1,113	–484	–226	–785	4	–2,604
Other expenses	–1,008	–388	–206	–495	607	–1,490
Depreciation, amortisation and impairment charges of tangible and intangible assets	–172	–26	–9	–30	–12	–249
Total operating expenses	**–2,293**	**–898**	**–441**	**–1,310**	**599**	**–4,343**
Profit before loan losses	**3,149**	**964**	**904**	**660**	**–1,587**	**4,090**
Net loan losses	–193	–42	–161	–38	–	–434
Impairment of securities held as financial non-current assets	–6	–	–	–	–	–6
Operating profit	**2,950**	**922**	**743**	**622**	**–1,587**	**3,650**
Appropriations	1	–	–	–	–	1
Income tax expense	–51	–166	–184	–62	–	–463
Net profit for the year	**2,900**	**756**	**559**	**560**	**–1,587**	**3,188**

1) NBF pro forma, i.e. excluding the mortgage business divested in October 2016.

Specification

This specification includes all directly owned group undertakings being merged.

31 Dec 2016	Registration number	Domicile	Number of shares	Carrying amount 2016, EURm	Carrying amount 2015, EURm	Voting power of holding %
Nordea Bank Finland Plc	1680235–8	Helsinki	1,030,800,000	7,231	7,962	100.0
Nordea Finance Finland Ltd	0112305–3	Helsinki				100.0
Nordea Bank Danmark A/S	13522197	Copenhagen	50,000,000	4,037	4,020	100.0
Nordea Finans Danmark A/S	89805910	Høje Taastrup				100.0
Nordea Kredit Realkreditaktieselskab	15134275	Copenhagen				100.0
Fionia Asset Company A/S	31934745	Copenhagen				100.0
Nordea Bank Norge ASA	911044110	Oslo	551,358,576	3,100	2,811	100.0
Nordea Eiendomskreditt AS	971227222	Oslo				100.0
Nordea Finans Norge AS	924507500	Oslo				100.0
Privatmegleren AS	986386661	Oslo				100.0
Total				**14,368[1]**	**14,793[1]**	

1) Carrying amount at 31 December 2016 is EUR 14,368m (EUR 14,793m), a decrease by EUR 425m. The decrease is related to a new company Nordea Mortgage Bank Plc in Finland EUR 731m, see note P19 "Investments in group undertakings" and revaluations under fair value hedge accounting EUR 306m.

P21. Investments in associated undertakings and joint ventures

EURm	31 Dec 2016	31 Dec 2015
Acquisition value at beginning of year	7	7
Acquisitions/capital contributions during the year	5	–
Acquisition value at end of year	**12**	**7**
- of which listed shares	–	–

P22. Intangible assets

EURm	31 Dec 2016	31 Dec 2015
Goodwill allocated to cash generating units		
Personal Banking	137	170
Commercial and Business Banking	92	114
Goodwill, total	**229**	**284**
Computer software	1,272	766
Other intangible assets	38	41
Total intangible assets	**1,539**	**1,091**
Movements in goodwill		
Acquisition value at beginning of year	1,094	1,059
Acquisition during the year	–	35
Acquisition value at end of year	**1,094**	**1,094**
Accumulated amortisation at beginning of year	−810	−754
Amortisation according to plan for the year	−55	−56
Accumulated amortisation at end of year	**−865**	**−810**
Total	**229**	**284**
Movements in computer software		
Acquisition value at beginning of year	861	682
Acquisitions during the year	576	388
Sales/disposals during the year	−7	−209
Reclassification	1	–
Acquisition value at end of year	**1,431**	**861**
Accumulated amortisation at beginning of year	−88	−120
Amortisation according to plan for the year	−63	−31
Accumulated amortisation on disposals	0	63
Accumulated amortisation at end of year	**−151**	**−88**
Accumulated impairment charges at beginning of year	−7	−146
Accumulated impairment charges on disposals during the year	7	146
Impairment charges during the year	−8	−7
Accumulated impairment charges at end of year	**−8**	**−7**
Total	**1,272**	**766**

P22. Intangible assets, cont.

EURm	31 Dec 2016	31 Dec 2015
Movements in other intangible assets		
Acquisition value at beginning of year	106	89
Acquisitions during the year	17	23
Sales/disposals during the year	–2	–6
Acquisition value at end of year	**121**	**106**
Accumulated amortisation at beginning of year	–62	–51
Amortisation according to plan for the year	–21	–17
Accumulated amortisation on disposals during the year	0	6
Accumulated amortisation at end of year	**–83**	**–62**
Accumulated impairment at beginning of year	–3	–1
Accumulated impairment charges on disposals during the year	3	1
Impairment charges during the year	0	–3
Accumulated impairment charges at end of year	**0**	**–3**
Total	**38**	**41**

Impairment test

A cash generating unit, defined as the operating segment, is the basis for the goodwill impairment test. See Note G20 "Intangible assets" and Note G1 "Accounting policies" section 4 for more information.

P23. Properties and equipment

EURm	31 Dec 2016	31 Dec 2015
Properties and equipment	132	138
- of which buildings for own use	0	0
Total	**132**	**138**
Movements in equipment		
Acquisition value at beginning of year	307	266
Acquisitions during the year	25	55
Acquisition through mergers	8	0
Sales/disposals during the year	–15	–14
Reclassification	–1	0
Acquisition value at end of year	**324**	**307**
Accumulated depreciation at beginning of year	–169	–147
Accumulated depreciation on sales /disposals during the year	12	4
Depreciations according to plan for the year	–25	–26
Depreciations through mergers	–6	0
Reclassification	–4	0
Accumulated depreciation at end of year	**–192**	**–169**
Total	**132**	**138**

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment. See also Note G1 "Accounting policies", section 15.

Leasing expenses during the year

EURm	31 Dec 2016	31 Dec 2015
Leasing expenses during the year	–121	–141
- of which minimum lease payments	–120	–137
- of which contingent rents	–1	–4
Leasing income during the year regarding sublease payments	**16**	**13**

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

EURm	31 Dec 2016
2017	157
2018	134
2019	102
2020	67
2021	49
Later years	106
Total	**615**

The sublease payments to be received under non-cancellable subleases amounts to EUR 224m. EUR 210m of the subleases are towards group undertakings.

P24. Other assets

EURm	31 Dec 2016	31 Dec 2015
Claims on securities settlement proceeds	39	403
Cash/margin receivables	1,286	1,010
Anticipated dividends from group undertakings	1,964	1,296
Group contributions	695	615
Other	576	1,063
Total	4,560	4,387

P25. Prepaid expenses and accrued income

EURm	31 Dec 2016	31 Dec 2015
Accrued interest income	95	109
Other accrued income	84	101
Prepaid expenses	570	570
Total	749	780

P26. Deposits by credit institutions

EURm	31 Dec 2016	31 Dec 2015
Central banks	1,919	2,550
Banks	17,391	15,672
Other credit institutions	1,064	847
Total	20,374	19,069

P27. Deposits and borrowings from the public

EURm	31 Dec 2016	31 Dec 2015
Deposits[1]	58,129	60,423
Borrowings	54	620
Total	58,183	61,043

1) Deposits related to individual pension savings (IPS) are also included.

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee but also including amounts in excess of the individual amount limits.

P28. Debt securities in issue

EURm	31 Dec 2016	31 Dec 2015
Certificates of deposit	7,248	7,460
Commercial papers	17,805	23,244
Bond loans	38,052	38,138
Other	57	66
Total	63,162	68,908

P29. Other liabilities

EURm	31 Dec 2016	31 Dec 2015
Liabilities on securities settlement proceeds	106	69
Sold, not held, securities	242	136
Cash/margin payables	1,930	1,982
Accounts payable	22	15
Other	979	1,329
Total	3,279	3,531

P30. Accrued expenses and prepaid income

EURm	31 Dec 2016	31 Dec 2015
Accrued interest	5	6
Other accrued expenses	458	526
Prepaid income	207	227
Total	670	759

P31. Provisions

EURm	31 Dec 2016	31 Dec 2015
Restructuring	99	116
Guarantees	206	183
Other	2	2
Total	**307**	**301**

EURm	Restructuring	Guarantees	Other	Total
At beginning of year	116	183	2	301
New provisions made	29	39	0	68
Provisions utilised	–35	0	0	–35
Reversals	–8	–15	–	–23
Translation differences	–3	–1	–	–4
At end of year	**99**	**206**	**2**	**307**

New provisions for restructuring costs were recognised by EUR 29m. The restructuring activities have been initiated to manage the transformational change to a truly digital bank. The majority of the provision is expected to be used during 2017. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Provision for restructuring costs amounts to EUR 99m and covers termination benefits (EUR 65m) and other provisions mainly related to redundant premises (EUR 34m). Loan loss provisions for guarantees amounts to EUR 206m, of which EUR 204m covers the guarantee in favour of Nordea Bank Finland Plc.

P32. Retirement benefit obligations

Pension provisions

The pension liabilities of Nordea Bank AB (publ) are mainly covered by allocations to its pension foundation.

The provisions in the balance sheet mainly pertain to former employees of Postgirot Bank and pension obligations in foreign branches. EUR 141m (EUR 129m) of the provisions are covered by "Tryggandelagen".

A small percentage of the pension obligations are covered by insurance policies.

The following figures are mainly based on calculations in accordance with Swedish rules ("Tryggandelagen").

The pension obligations in the foreign branches are calculated in accordance with local accounting requirements.

Specification of amounts recognised on the balance sheet

EURm	31 Dec 2016	31 Dec 2015
Present value of commitments relating to in whole or in part funded pension plans	–1,469	–1,323
Fair value at the end of the period relating to specifically separated assets	1,469	1,421
Surplus in the pension foundation	**0**	**98**
Present value of commitments relating to unfunded pension plans	–169	–159
Unrecognised surplus in the pension foundation	0	–98
Reported liability net on the balance sheet	**–169**	**–159**

Movements in the liability recognised on balance sheet as pension

EURm	31 Dec 2016	31 Dec 2015
Balance at 1 Jan recognised as pension commitments	159	171
Pensions paid related to former employees of Postgirot Bank	–7	–7
Actuarial pension calculations through Profit and Loss	20	14
Actuarial pension calculations through Balance Sheet	–6	–18
Effect of exchange rate changes	3	–1
Balance at 31 Dec	**169**	**159**

Specification of cost and income in respect of pensions

EURm	31 Dec 2016	31 Dec 2015
Pensions paid related to former employees of Postgirot Bank	–7	–7
Pensions paid covered by the pension foundation	–65	–63
Actuarial pension calculations	–13	–7
Defined benefit plans	**–85**	**–77**
Defined contribution plans	–80	–69
Pension costs[1]	**–165**	**–146**
Return on specifically separated assets, %	6.0	2.5

1) See Note P8 "Staff costs".

P32. Retirement benefit obligations, cont.

Actual value of holdings in pension foundations

EURm	31 Dec 2016	31 Dec 2015
Shares	386	370
Interest-bearing securities	1,039	1,004
Other assets	44	47
Total	1,469	1,421

Main assumptions for defined benefit obligations

EURm	31 Dec 2016	31 Dec 2015
Discount rate	0.7%	1.6%
The calculation is based on pay and pension levels on the accounting date	Yes	Yes

Next year's expected payment regarding defined benefit plans amounts to EUR 65m.

P33. Subordinated liabilities

EURm	31 Dec 2016	31 Dec 2015
Dated subordinated debenture loans	7,007	5,949
Hybrid capital loans	3,079	3,002
Total	10,086	8,951

Debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

The carrying amount at year end representing revaluations in the fair value of the hedged part of subordinated liabilities is included in "Fair value changes of the hedged items in portfolio hedge of interest rate risk" under "Liabilities" and amounts to EUR 339 m (EUR 386 m).

At 31 December 2016 seven loans – with terms specified below – exceeded 10% of the total outstanding volume dated subordinated loans.

EURm	Nominal value	Carrying amount	Interest rate (coupon)
Dated loan[1]	1,250	1,181	Fixed
Dated loan[2]	750	750	Fixed
Dated loan[3]	1,000	998	Fixed
Dated loan[4]	750	748	Fixed
Dated loan[5]	1,000	942	Fixed
Dated loan[6]	750	744	Fixed
Dated loan[7]	1,000	991	Fixed

1) Maturity date 13 May 2021.
2) Call date 15 February 2017, maturity date 15 February 2022.
3) Maturity date 26 March 2020.
4) Maturity date 29 March 2021.
5) Maturity date 21 September 2022.
6) Call date 10 November 2020, maturity date 10 November 2025.
7) Call date 7 September 2021, maturity date 7 September 2026.

P34. Untaxed reserves

EURm	31 Dec 2016	31 Dec 2015
Accumulated excess depreciation, equipment	2	2

P35. Assets pledged as security for own liabilities

Assets pledged for own liabilities

EURm	31 Dec 2016	31 Dec 2015
Securities etc[1]	1,080	1,208

The above pledges pertain to the following liabilities

EURm	31 Dec 2016	31 Dec 2015
Deposits by credit institutions	255	337
Deposits and borrowings from the public	913	1,014
Total	1,168	1,351

1) Relates only to securities recognised on the balance sheet. Securities borrowed or bought under reverse repurchase agreements are not recognised on the balance sheet and thus not included in the amount. Such transactions are disclosed in Note P45 "Transferred assets and obtained collaterals" .

Assets pledged for own liabilities contain securities pledged as security in repurchase agreement and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

P36. Other assets pledged

Other assets pledged are mainly related to securities which included interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions EUR 11,750m (EUR 7,686m). The terms and conditions require day to day securities and relate to liquidity intraday/overnight. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

P37. Contingent liabilities

EURm	31 Dec 2016	31 Dec 2015
Guarantees		
- Loan guarantees	67,928	69,576
- Other guarantees	3,682	2,667
Documentary credits	304	125
Other contingent liabilities	51	34
Total	**71,965**	**72,402**

In the normal business Nordea issues various forms of guarantees in favour of the bank's customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees.

Nordea Bank AB (publ) has issued a guarantee in favour of its Russian subsidiary JSC Nordea Bank where Nordea Bank AB (publ) guarantees specified exposures in JSC Nordea Bank. At 31 December 2016 the guarantees cover exposures amounting to EUR 1bn. The guarantees are priced at arm's length. All internal transactions under the guarantees are eliminated in the consolidated accounts.

Nordea Bank AB (publ) has issued a guarantee of maximum EUR 60bn in favour of Nordea Bank Finland Plc where Nordea Bank AB (publ) guarantees the majority of the exposures in the exposure class IRB corporate in Nordea Bank Finland Plc. The guarantee covers EUR 3bn of corporate loans, guarantees, documentary credits and loan commitments. In addition, EUR 4bn of derivatives are covered by the guarantee as of 31 December 2016. The maximum amount of derivatives guaranteed is EUR 10bn. The REA for this guarantee amounted to EUR 7bn as of 31 December 2016. The guarantee will generate commission income, while the losses recognized on the guaranteed exposures will be transferred to Nordea Bank AB (publ). The guarantee is priced at arm's length, including expected credit losses and the cost of capital required by the guarantee. All internal transactions in the guarantee are eliminated in the consolidated accounts.

Nordea Bank AB (publ) has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity as managing directors or board member in group undertakings to Nordea Bank AB (publ).

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G7 "Staff costs".

Legal proceedings

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

P38. Commitments

EURm	31 Dec 2016	31 Dec 2015
Credit commitments	10,972	10,988
Unutilised portion overdraft facilities	15,890	16,658
Other commitments	131	281
Total	**26,993**	**27,927**

For information about derivatives see Note P18 "Derivatives and hedge accounting".

Nordea Bank AB (publ) has issued a liquidity facility for the benefit of Nordea Hypotek AB. The facility covers the amount necessary in order to ensure payment in respect of all interest and principal payments that are scheduled to fall due on existing and future covered bonds issued by Nordea Hypotek AB. The facility has been included in the table above with EUR 523m.

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2016 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2016.

The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments. All disclosed commitements are irrevocable. For further information about credit commitments, see Note G1 "Accounting policies", section 24.

P39. Capital adequacy

Table A2 Transitional own funds

For information of the capital adequacy regulations see Note G38 "Capital adequacy".

Common Equity Tier 1 capital: instruments and reserves

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
1	Capital instruments and the related share premium accounts	5,130	–
	of which: Share capital	4,050	–
2	Retained earnings	12,384	–
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–2	–
5	Minority interests (amount allowed in consolidated CET1)	–	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	274	–
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	17,786	–
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	–72	–
8	Intangible assets (net of related tax liability) (negative amount)	–1,539	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where conditions in Article 38 (3) are met) (negative amount)	–	–
11	Fair value reserves related to gains or losses on cash flow hedges	31	–
12	Negative amounts resulting from the calculation of expected loss amounts	–	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–57	–
15	Defined-benefit pension fund assets (negative amount)	–	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–	–
25	of which: deferred tax assets arising from temporary differences	–	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–	–
	Of which: ... filter for unrealised loss 1	–	11
	Of which: ... filter for unrealised gain 1	–	143
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	–1,636	–
29	Common Equity Tier 1 (CET1) capital	16,150	–
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	2,304	–
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	743	–
36	Additional Tier 1 (AT1) capital before regulatory adjustments	3,048	–
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–30	–
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–	–
	Of which shortfall	–	–
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	–30	–
44	Additional Tier 1 (AT1) capital	3,017	–
45	Tier 1 capital (T1 = CET1 + AT1)	19,167	–

P39. Capital adequacy, cont.

		(A) amount at disclosure date, EURm	(C) amounts subject to pre-regulation (eu) no 575/2013 treatment or prescribed residual amount of regulation (eu) no 575/2013
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	6,277	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	–	–
50	Credit risk adjustments	134	–
51	**Tier 2 (T2) capital before regulatory adjustments**	**6,411**	–
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–69	–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–1,205	–
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–1,274**	–
58	**Tier 2 (T2) capital**	**5,137**	–
59	**Total capital (TC = T1 + T2)**	**24,304**	–
60	**Total risk weighted assets**	**87,041**	–
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18,6%	–
62	Tier 1 (as a percentage of risk exposure amount)	22,0%	–
63	Total capital (as a percentage of risk exposure amount)	27,9%	–
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G–SII or O–SII buffer), expressed as a percentage of risk exposure amount)	3,1%	–
65	of which: capital conservation buffer requirement	2,5%	–
66	of which: countercyclical buffer requirement	0,6%	–
67	of which: systemic risk buffer requirement	–	–
67a	of which: Global Systemically Important Institution (G–SII) or Other Systemically Important Institution (O–SII) buffer	–	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14,1%	–
Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	209	–
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	725	–
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	22	–
Applicable caps to the inclusion of provisions in Tier 2			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	31,061	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	186	–
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	–	–
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	–
82	Current cap on AT1 instruments subject to phase out arrangements	1,182	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
84	Current cap on T2 instruments subject to phase out arrangements	300	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–

P39. Capital adequacy, cont.

Minimum capital requirement and REA

	31 Dec 2016		31 Dec 2015	
EURm	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	**6,120**	**76,502**	**6,346**	**79,328**
- of which counterparty credit risk	266	3,329	133	1,660
IRB	2,485	31,061	2,849	35,613
- corporate	2,062	25,772	2,367	29,584
- advanced	1,393	17,408	1,718	21,467
- foundation	669	8,364	649	8,117
- institutions	244	3,054	255	3,195
- retail	121	1,512	125	1,562
- secured by immovable property collateral	6	73	7	83
- other retail	115	1,439	118	1,479
- other	58	723	102	1,272
Standardised	3,635	45,441	3,497	43,715
- central governments or central banks	5	56	5	67
- regional governments or local authorities	2	23	2	19
- public sector entities	–	–	–	–
- multilateral development banks	0	6	–	–
- international organisations	–	–	–	–
- institutions	1,251	15,641	1,279	15,986
- corporate	137	1,707	42	529
- retail	18	231	26	324
- secured by mortgages on immovable properties	210	2,626	212	2,646
- in default	3	38	3	43
- associated with particularly high risk	–	–	–	–
- covered bonds	–	–	0	0
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	–	–	–	–
- equity	2,007	25,089	1,925	24,065
- other items	2	24	3	36
Credit Value Adjustment Risk	**16**	**195**	**13**	**156**
Market risk	**450**	**5,628**	**210**	**2,623**
- trading book, Internal Approach	13	165	23	288
- trading book, Standardised Approach	–	–	–	–
- banking book, Standardised Approach	437	5,463	187	2,335
Operational risk	**369**	**4,614**	**378**	**4,730**
Standardised	369	4,614	378	4,730
Additional risk exposure amount, Article 3 CRR	**8**	**102**	**16**	**195**
Sub total	**6,963**	**87,041**	**6,963**	**87,032**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	–	–	–	–
Total	**6,963**	**87,041**	**6,963**	**87,032**

P39. Capital adequacy, cont.

Leverage ratio

EURm	31 Dec 2016	31 Dec 2015
Tier 1 capital, transitional definition, EURm[1]	19,167	19,314
Leverage ratio exposure, EURm[2]	216,455	224,816
Leverage ratio, percentage[2]	8.9	8.6

1) Including profit of the period.
2) Figures have been restated for 2015.

More Capital Adequacy information can be found in the section "Risk, Liquidity and Capital Management".

Table A3 – Capital instruments' main features template – CET1

Common equity Tier 1 capital		
1	Issuer	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000427361
3	Governing law(s) of the instrument	Swedish
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 4,050m
9	Nominal amount of instrument	EUR 4,049,951,919
10	Accounting classification	Shareholders' equity
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
Coupons / dividends		
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1
36	Non-compliant transitioned features	No

P39. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

	Additional Tier 1 instrument								
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0200688256	W5795#AA7	W5795#AB5	US65557CAM55/ US65557DAM39	US65557CAN39/ US65557DAL55	XS1202091325	XS1202091671	XS1202090947
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law
	Regulatory treatment								
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Tier 2	Ineligible	Ineligible	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/ (sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 (grandfathered) as published in Regulation (EU) No 575/2013 article 484.4	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 500m	EUR 162m	EUR 81m	EUR 943m	EUR 471m	EUR 234m	EUR 137m	EUR 519m
9	Nominal amount of instrument	EUR 500m	JPY 20,000m / EUR 162m	JPY 10,000m / EUR 81m	USD 1,000m / EUR 949m	USD 500m / EUR 474m	SEK 2,250m / EUR 236m	NOK 1,250m / EUR 138m	USD 550m / EUR 522m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	17 sep 04	04 mars 05	12 Oct 05	23 sep 14	23 sep 14	12 mars 15	12 mars 15	12 mars 15
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17 Sep 2009 In addition tax/ regulatory call 100 per cent of nominal amount	4 Mar 2035 In addition tax/ regulatory call 100 per cent of nominal amount	12 Oct 2035 In addition tax/ regulatory call 100 per cent of nominal amount	23 Sep 2019 In addition tax/ regulatory call 100 per cent of nominal amount	23 Sep 2024 In addition tax/ regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/ regulatory call 100 per cent of nominal amount	12 Mar 2020 In addition tax/ regulatory call 100 per cent of nominal amount	13 Sep 2021 In addition tax/ regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17 Mar and 17 Sep each year after first call date	4 Mar and 4 Sep each year after first call date	12 Apr and 12 Oct each year after first call date	23 Mar and 23 Sep each year after first call date	23 Mar and 23 Sep each year after first call date	12 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	12 Mar, 12 Jun, 12 Sep and 12 Dec each year after first call date	13 Sep each year after first call date
17	Fixed or floating dividend / coupon	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed	Floating	Floating	Fixed

P39. Capital adequacy, cont.

Table A4 – Capital instruments' main features template – AT1

Additional Tier 1 instrument									
18	Coupon rate and any related index	Floating 10-year CMS +0.05 per cent per annum subject to 8 per cent cap	Fixed USD 3.75 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.22 per cent per annum	Fixed USD 3.84 per cent per annum, until first call date, thereafter floating 6-month JPY deposit +1.40 per cent per annum	Fixed 5.50 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.563 per cent per annum	Fixed 6.125 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.388 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Floating 3-month STIBOR +3.10 per cent per annum	Fixed 5.25 per cent per annum, until first call date, thereafter fixed 5-year mid swap +3.244 per cent per annum
19	Existence of a dividend stopper	Yes	Yes	Yes	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Partially discretionary Dividend stopper	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	To avoid liquidation	To avoid liquidation	To avoid liquidation	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent	Group CET1 ratio 8 per cent Issuer CET1 ratio 5.125 per cent
32	If write-down, full or partial	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Shareholders resolution regarding reconversion and reinstatement made out of available distributable funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Shareholders resolution regarding reconversion and reinstatement, made out of available distribution funds	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group	Fully discretionary, if a positive net profit of both Issuer and Group
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	Yes	No	No	No	No	No
37	If yes, specify non-compliant features	No specified trigger level, dividend stopper	No specified trigger level, step-up, dividend stopper	No specified trigger level, step-up, dividend stopper	N/A	N/A	N/A	N/A	N/A

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2

Tier 2 instruments						
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0497179035	XS0544654162	US65557FAA49/ US65557HAA05	XS0743689993	US65557FAD87/ US65557HAD44
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by the laws of the State of New York, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by the laws of the State of New York, except for the subordination provisions which are governed by Swedish law
Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 645m (64.5 per cent of Nominal amount, <5 yrs to maturity)	EUR 635m (84.6 per cent of Nominal amount, <5 yrs to maturity)	EUR 1030m (82.4 per cent of Nominal amount, <5 yrs to maturity)	EUR 750m	EUR 942m
9	Nominal amount of instrument	EUR 1,000m	EUR 750m	USD 1,250m / EUR 1,186m	EUR 750m	USD 1,000m / EUR 949m
9a	Issue price	99.810 per cent	99.699 per cent	99.508 per cent	99.803 per cent	99.364 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	26 Mar 2010	29 Sep 2010	13 May 2011	15 Feb 2012	21 Sep 2012
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	26 Mar 2020	29 Mar 2021	13 May 2021	15 Feb 2022	21 Sep 2022
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Tax/regulatory call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	Tax call 100 per cent of nominal amount	15 Feb 2017 In addition tax call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont.

	Tier 2 instruments					
1	Issuer	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)	Nordea Bank AB (publ)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1292434146	XS1292433767	N/A	XS1317439559	XS1486520403
3	Governing law(s) of the instrument	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law	Governed by English law, except for the subordination provisions which are governed by Swedish law
	Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 178m	EUR 240m	EUR 122m	EUR 744m	EUR 991m
9	Nominal amount of instrument	SEK 1,700m / EUR 178m	SEK 2,300m / EUR 241m	JPY 15,000m / EUR 122m	EUR 750m	EUR 1,000m
9a	Issue price	100 per cent	100 per cent	100 per cent	99.434 per cent	99.391 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability - amortised cost
11	Original date of issuance	17 Sep 2015	17 Sep 2015	6 Oct 2015	10 Nov 2015	07 Sep 2016
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	17 Sep 2025	17 Sep 2025	6 Oct 2025	10 Nov 2025	07 Sep 2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	17 Sep 2020 In addition tax/regulatory call 100 per cent of nominal amount	Tax/regulatory call 100 per cent of nominal amount	10 Nov 2020 In addition tax/regulatory call 100 per cent of nominal amount	07 Sep 2021 In addition tax/regulatory call 100 per cent of nominal amount
16	Subsequent call dates, if applicable	17 Mar, 17 Jun, 17 Sep and 17 Dec each year after first call date	17 Sep each year after first call date	N/A	10 Nov each year after first call date	7 Sep each year after first call date

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template– T2, cont.

Tier 2 instruments						
Coupons/dividends						
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4.50%	4.00%	4.875%	Fixed 4.625 per cent per annum (equivalent to Euro Swap Rate +3.15 per cent per annum) to call date, thereafter reset fixed rate to Euro Swap Rate +3.15 per cent per annum	4.250%
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No	No

P39. Capital adequacy, cont.

Table A5 – Capital instruments' main features template – T2, cont.

Tier 2 instruments						
Coupons/dividends						
17	Fixed or floating dividend / coupon	Floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Floating 3-month STIBOR +1.5 per cent per annum	Fixed 1.935 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.5 per cent per annum	1.160%	Fixed 1.875 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.7 per cent per annum	Fixed 1.00 per cent per annum, until first call date, thereafter fixed 5-year mid swap +1.25 per cent per annum
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non- convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No	No
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt	Senior debt	Senior debt
36	Non-compliant transitioned features	No	No	No	No	No

P40. Classification of financial instruments

Assets

31 Dec 2016, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets, group/ associated undertakings and joint ventures	Total
Cash and balances with central banks	101	–	–	–	–	–	–	101
Treasury bills	30	–	3,873	–	–	2,680	–	6,583
Loans to credit institutions	88,375	–	0	–	–	–	–	88,375
Loans to the public	39,220	–	4,506	–	–	–	–	43,726
Interest-bearing securities	26	2	3,058	–	–	7,273	–	10,359
Shares	–	–	129	1	–	–	–	130
Derivatives	–	–	2,602	–	2,066	–	–	4,668
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	–	–	–	–	–	–	0
Investments in group undertakings	–	–	–	–	–	–	5,733	5,733
Investments in group undertakings being merged	–	–	–	–	–	–	14,368	14,368
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	12	12
Participating interest in other 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.

Assets

31 Dec 2015, EURm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets, group/associated undertakings and joint ventures	Total
Cash and balances with central banks	75	–	–	–	–	–	–	75
Treasury bills	32	–	3,999	–	–	2,874	–	6,905
Loans to credit institutions	90,005	–	4	0	–	–	–	90,009
Loans to the public	41,104	–	4,716	–	–	–	–	45,820
Interest-bearing securities	28	2	3,963	86	–	8,084	–	12,163
Shares	–	–	2,329	33	–	–	–	2,362
Derivatives	–	–	2,863	–	2,148	–	–	5,011
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1	–	–	–	–	–	–	1
Investments in group undertakings	–	–	–	–	–	–	4,601	4,601
Investments in group undertakings being merged	–	–	–	–	–	–	14,793	14,793
Investments in associated undertakings and joint ventures	–	–	–	–	–	–	7	7
Participating interest in other companies	–	–	–	1	–	–	–	1
Intangible assets	–	–	–	–	–	–	1,091	1,091
Properties and equipment	–	–	–	–	–	–	138	138
Deferred tax assets	–	–	–	–	–	–	26	26
Current tax assets	–	–	–	–	–	–	3	3
Other assets	629	–	–	1,010	–	–	2,748	4,387
Prepaid expenses and accrued income	679	–	–	–	–	–	101	780
Total	**132,553**	**2**	**17,874**	**1,130**	**2,148**	**10,958**	**23,508**	**188,173**

Liabilities

31 Dec 2015, EURm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits by credit institutions	337	983	–	17,749	–	19,069
Deposits and borrowings from the public	1,014	683	–	59,346	–	61,043
Debt securities in issue	–	–	–	68,908	–	68,908
Derivatives	3,109	–	1,071	–	–	4,180
Fair value changes of the hedged items in portfolio hedge of interest rate risk	–	–	–	1,158	–	1,158
Current tax liabilities	–	–	–	–	34	34
Other liabilities	136	1,982	–	330	1,083	3,531
Accrued expenses and prepaid income	–	–	–	232	527	759
Provisions	–	–	–	–	301	301
Retirement benefit liabilities	–	–	–	–	159	159
Subordinated liabilities	–	–	–	8,951	–	8,951
Total	**4,596**	**3,648**	**1,071**	**156,674**	**2,104**	**168,093**

P40. Classification of financial instruments, cont.

Financial assets and liabilities designated at fair value through profit or loss

Changes in fair values of financial liabilities attributable to changes in credit risk

The funding of Markets operations is measured at fair value and classified into the category "Fair value through profit or loss". The funding of Markets is generally of such a short term nature that the effect of changes in own credit risk is not significant.

Changes in fair values of financial assets attributable to changes in credit risk

The lending in Markets is generally of such a short term nature (mainly overnight deposits) that the effect of changes in credit risk is not significant.

Comparison of carrying amount and contractual amount to be paid at maturity

EURm	Carrying amount	Amount to be paid at maturity
2016		
Financial liabilities designated at fair value through profit or loss	–	–
2015		
Financial liabilities designated at fair value through profit or loss	3,648	3,648

P41. Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2016		31 Dec 2015	
EURm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	101	101	75	75
Treasury bills	6,583	6,583	6,905	6,905
Loans	132,101	132,178	135,830	136,258
Interest-bearing securities	10,359	10,359	12,163	12,163
Shares	130	130	2,362	2,362
Participating interest in other companies	1	1	1	1
Derivatives	4,668	4,668	5,011	5,011
Other assets	1,485	1,485	1,639	1,639
Prepaid expenses and accrued income	665	665	679	679
Total financial assets	**156,093**	**156,170**	**164,665**	**165,093**
Financial liabilities				
Deposits and debt instruments	152,813	153,112	159,129	159,080
Derivatives	3,612	3,612	4,180	4,180
Other liabilities	2,491	2,491	2,448	2,448
Accrued expenses and prepaid income	212	212	232	232
Total financial liabilities	**159,128**	**159,427**	**165,989**	**165,940**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 "Accounting policies" and the section "Determination of fair value items measured at fair value on the balance sheet" in Note G40 "Assets and liabilities at fair value". For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet", in Note G40.

P41. Assets and liabilities at fair value, cont.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2016, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Treasury bills	5,208	1,345	–	6,553
Loans to credit institutions	–	0	–	0
Loans to the public	–	4,506	–	4,506
Interest-bearing securities	6,072	4,104	155	10,331
Shares	130	–	0	130
Participating interest in other companies	–	–	1	1
Derivatives	2	4,653	13	4,668
Other assets	–	1,286	–	1,286
Total	**11,412**	**15,894**	**169**	**27,475**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	256	–	256
Deposits and borrowings from the public	–	1,988	–	1,988
Derivatives	1	3,585	26	3,612
Other liabilities	–	2,172	0	2,172
Total	**1**	**8,001**	**26**	**8,028**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.

31 Dec 2015, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Treasury bills	2,613	4,260	–	6,873
Loans to credit institutions	–	4	–	4
Loans to the public	–	4,716	–	4,716
Interest-bearing securities	6,944	5,034	155	12,133
Shares	2,334	–	28	2,362
Participating interest in other companies	–	–	1	1
Derivatives	4	4,983	24	5,011
Other assets	–	1,010	–	1,010
Total	**11,895**	**20,007**	**208**	**32,110**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	1,320	–	1,320
Deposits and borrowings from the public	–	1,697	–	1,697
Derivatives	7	4,150	23	4,180
Other liabilities	–	2,118	–	2,118
Total	**7**	**9,285**	**23**	**9,315**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.

For determination of fair values for items measured at fair value on the balance sheet, see Note G40 "Assets and liabilities at fair value".

Transfers between Level 1 and 2

No transfers between Level 1 and 2 have occurred during this year or 2015. Transfers between levels are considered to have occurred at the end of the year.

P41. Assets and liabilities at fair value, cont.

Movements in Level 3

31 Dec 2016, EURm	1 Jan 2016	Sales	Transfers into level 3	31 Dec 2016
Interest-bearing securities	155	–	–	155
Shares	28	–28	–	0
Participating interest in other companies	1	–	–	1
Derivatives (net)	1	–	–14	–13

During the year Nordea Bank AB transferred derivatives (net) of EUR –14m into Level 3. The reason for the transfer into Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in Note P5 "Net result from items at fair value" (see Note P5 Net result from items at fair value).

Movements in Level 3

31 Dec 2015, EURm	1 Jan 2015	Purchases	Transfers into level 3	Transfers out of level 3	31 Dec 2015
Interest-bearing securities	155	–	–	–	155
Shares	28	–	–	–	28
Participating interest in other companies	1	–	–	–	1
Derivatives (net)	8	–1	–1	–5	1

During the year Nordea Bank AB transferred derivatives (net) of EUR –5m out of Level 3 and EUR –1m into Level 3. The reason for the transfer from Level 3 was that observable market data became available. The reason for the transfer to Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in Note 5 "Net result from items at fair value". Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements in Level 3.

Financial instruments

For information about the valuation processes, see Note G40 "Assets and liabilities at fair value"

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

31 Dec 2016, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	155	Discounted cash flows	Credit spread	+/–0
Participating interest in other companies				
Unlisted shares	1	Net asset value	–	+/–0
Derivatives				
Interest rate derivatives	–13	Option model	Corrections, Volatilities	–3/+3

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities held at fair value".

P41. Assets and liabilities at fair value, cont.

31 Dec 2015, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Credit institutions[1]	155	Discounted cash flows	Credit spread	+/–0
Shares				
Unlisted shares	28	Net asset value	–	+/–0
Participating interest in other companies				
Unlisted shares	1	Net asset value	–	+/–0
Derivatives				
Interest rate derivatives	1	Option model	Corrections, Volatilities	+/–0

1) Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities held at fair value".

Financial assets and liabilities not held at fair value on the balance sheet

	31 Dec 2016		31 Dec 2015		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	101	101	75	75	3
Treasury bills[1,2]	30	30	32	32	3
Loans	127,595	127,672	131,110	131,538	3
Interest-bearing securities[2]	28	28	30	30	1,2,3
Other assets	199	199	629	629	3
Prepaid expenses and accrued income	665	665	679	679	3
Total	**128,618**	**128,695**	**132,555**	**132,983**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	150,569	150,868	156,112	156,063	3
Other liabilities	319	319	330	330	3
Accrued expenses and prepaid income	212	212	232	232	3
Total	**151,100**	**151,399**	**156,674**	**156,625**	

1) The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

2) The fair value of Treasury bills and Interest-bearing securities is EUR 58m (EUR 62m), of which EUR 2m (EUR 2m) is categorised in level 1 and EUR 0m (EUR 0m) in level 2 and EUR 56m (EUR 60m) in level 3 of the fair value hierarchy.

For more information about measurement of the fair values in the table above, see section "Financial assets and liabilities not held at fair value on the balance sheet" in Note G40 "Assets and liabilities held at fair value".

P42. Financial instruments set off on balance or subject to netting agreements

31 Dec 2016, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			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	–	0
Total	**13,794**	**–4,666**	**9,128**	**–1,486**	**–4,505**	**–1,790**	**1,347**

31 Dec 2016, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			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	–	0
Total	**10,458**	**–4,666**	**5,792**	**–1,486**	**–2,244**	**–94**	**1,968**

31 Dec 2015, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral received	Cash collateral received	
Assets							
Derivatives	4,696	–320	4,376	–2,111	–	–1,854	411
Securities borrowing agreements	4,718	–	4,718	–	–4,718	–	0
Total	**9,414**	**–320**	**9,094**	**–2,111**	**–4,718**	**–1,854**	**411**

31 Dec 2015, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			Net amount
				Financial instruments	Financial collateral pledged	Cash collateral pledged	
Liabilities							
Derivatives	4,289	–320	3,969	–2,111	–	–130	1,728
Securities lending agreements	1,351	–	1,351	–	–1,351	–	0
Total	**5,640**	**–320**	**5,320**	**–2,111**	**–1,351**	**–130**	**1,728**

1) All amounts are measured at fair value.

2) Securities borrowing agreements are on the balance sheet classified as "Loans to credit institutions" or "Loans to the public". Securities lending agreements are on the balance sheet classified as "Deposits by credit institution" or as "Deposits and borrowings from the public".

For more information about master netting arrangements and similar agreements see section "Enforcable master netting arrangements and similar agreements" in Note G41 "Financial instruments set off on balance or subject to netting agreements".

P43. Disposal group held for sale

Balance sheet - Condensed[1]

EURm	31 Dec 2016
Assets	
Loans to credit institutions	818
Loans to the public	6,589
Other assets	295
Total assets held for sale	**7,702**
Liabilities	
Deposits by credit institutions	4,308
Deposits and borrowings from the public	4,783
Other liabilities	121
Total liabilities held for sale	**9,212**

1) Includes the external assets and liabilities held for sale. The external funding of the Baltic operations that will remain subsequent to the transaction is not included.

Assets and liabilities held for sale relate to Nordea's earlier announced decision to combine its Baltic operations with the Baltic operations of DNB. The individual assets and liabilities will be derecognised in Nordea and instead an investment in an associated company will be recognised. The transaction is expected to be completed around Q2 2017 and is subject to regulatory approvals.

P44. Assets and liabilities in foreign currencies

31 Dec 2016, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	65.7	56.5	2.6	2.0	32.1	22.4	181.3
Total liabilities	44.4	53.3	4.0	1.7	35.0	22.4	160.8

31 Dec 2015, EURbn	EUR	SEK	DKK	NOK	USD	Other	Total
Total assets	58.6	55.3	6.4	2.2	37.0	28.7	188.2
Total liabilities	37.9	55.9	6.4	2.2	37.0	28.7	168.1

P45. Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions results in the securities are returned to Nordea, all risks and rewards of the instruments transferred is retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterpart in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

The securities still reported on the balance sheet and the corresponding liabilities are measured at fair value.

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

EURm	31 Dec 2016	31 Dec 2015
Securities borrowing agreements		
Received collaterals which can be repledged or sold	4,505	4,718
- of which repledged or sold	4,505	4,718

P46. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2016 Expected to be recovered or settled:			31 Dec 2015 Expected to be recovered or settled:		
EURm	Note	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Cash and balances with central banks		101	–	101	75	–	75
Treasury bills	P14	3,438	3,145	6,583	3,295	3,610	6,905
Loans to credit institutions	P15	61,362	27,013	88,375	60,125	29,884	90,009
Loans to the public	P15	13,973	29,753	43,726	37,993	7,827	45,820
Interest-bearing securities	P16	1,339	9,020	10,359	2,165	9,998	12,163
Shares	P17	1	129	130	2,330	32	2,362
Derivatives	P18	804	3,864	4,668	994	4,017	5,011
Fair value changes of the hedged items in portfolio hedge of interest rate risk		0	–	0	0	1	1
Investments in group undertakings	P19	–	5,733	5,733	30	4,571	4,601
Investments in group undertakings being merged	P20	14,368	–	14,368	14,793	–	14,793
Investments in associated undertakings and joint ventures	P21	–	12	12	–	7	7
Participating interest in other companies		–	1	1	–	1	1
Intangible assets	P22	–	1,539	1,539	–	1,091	1,091
Properties and equipment	P23	–	132	132	–	138	138
Deferred tax assets	P13	4	18	22	20	6	26
Current tax assets		204	–	204	3	–	3
Other assets	P24	4,560	–	4,560	4,387	–	4,387
Prepaid expenses and accrued income	P25	404	345	749	412	368	780
Total assets		**100,558**	**80,704**	**181,262**	**126,622**	**61,551**	**188,173**
Deposits by credit institutions	P26	13,240	7,134	20,374	12,693	6,376	19,069
Deposits and borrowings from the public	P27	58,099	84	58,183	60,367	676	61,043
Debt securities in issue	P28	34,450	28,712	63,162	32,726	36,182	68,908
Derivatives	P18	1,154	2,458	3,612	1,151	3,029	4,180
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,008	–	1,008	296	862	1,158
Current tax liabilities		–	0	0	34	–	34
Other liabilities	P29	3,113	166	3,279	3,531	–	3,531
Accrued expenses and prepaid income	P30	670	–	670	759	–	759
Provisions	P31	295	12	307	299	2	301
Retirement benefit liabilities	P32	6	163	169	8	151	159
Subordinated liabilities	P33	1,590	8,496	10,086	642	8,309	8,951
Total liabilities		**113,625**	**47,225**	**160,850**	**112,506**	**55,587**	**168,093**

P46. Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2016 , EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	–	3,058	430	2,966	269	6,723
Loans to credit institutions	4,490	52,181	11,389	18,616	2,427	89,103
Loans to the public	975	12,271	5,951	22,542	5,170	46,909
Interest-bearing securities	–	360	1,330	9,092	1,003	11,785
Other	–	5,163	–	–	22,466	27,629
Total financial assets	**5,465**	**73,033**	**19,100**	**53,216**	**31,335**	**182,149**
Deposits by credit institutions	4,113	6,870	2,409	6,684	379	20,455
Deposits and borrowings from the public	51,280	5,544	1,278	86	–	58,188
- of which Deposits	51,280	4,632	1,278	86	–	57,276
- of which Borrowings	–	912	–	–	–	912
Debt securities in issue	–	23,493	12,791	31,713	9,362	77,359
- of which Debt securities in issue	–	22,556	12,604	23,672	6,760	65,592
- of which Other	–	937	187	8,041	2,602	11,767
Other	–	5,235	–	–	216	5,451
Total financial liabilities	**55,393**	**41,142**	**16,478**	**38,483**	**9,957**	**161,453**
Derivatives, cash inflow	–	74,164	10,408	13,892	5,357	103,821
Derivatives, cash outflow	–	73,505	10,254	10,790	4,700	99,249
Net exposure	**–**	**659**	**154**	**3,102**	**657**	**4,572**
Exposure	**–49,928**	**32,550**	**2,776**	**17,835**	**22,035**	**25,268**
Cumulative exposure	**–49,928**	**–17,378**	**–14,602**	**3,233**	**25,268**	**–**

31 Dec 2015 , EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Treasury bills	–	96	1,823	4,786	407	7,112
Loans to credit institutions	3,456	50,765	14,488	18,984	3,378	91,071
Loans to the public	1,138	13,205	6,059	19,836	9,202	49,440
Interest-bearing securities	–	2,338	1,666	9,084	834	13,922
Other	–	33,443	–	–	–	33,443
Total financial assets	**4,594**	**99,847**	**24,036**	**52,690**	**13,821**	**194,988**
Deposits by credit institutions	3,243	8,866	2,258	4,385	405	19,157
Deposits and borrowings from the public	52,019	7,137	1,633	270	1	61,060
- of which Deposits	52,019	6,123	1,633	270	1	60,046
- of which Borrowings	–	1,014	–	–	–	1,014
Debt securities in issue	–	25,506	11,752	32,648	12,419	82,325
- of which Debt securities in issue	–	25,332	11,580	27,180	7,278	71,370
- of which Other	–	174	172	5,468	5,141	10,955
Other	–	30,486	–	–	–	30,486
Total financial liabilities	**55,262**	**71,995**	**15,643**	**37,303**	**12,825**	**193,028**
Derivatives, cash inflow	–	68,574	8,698	14,606	5,603	97,481
Derivatives, cash outflow	–	68,234	8,096	12,160	4,690	93,180
Net exposure	**–**	**340**	**602**	**2,446**	**913**	**4,301**
Exposure	**–50,668**	**28,192**	**8,995**	**17,833**	**1,909**	**6,261**
Cumulative exposure	**–50,668**	**–22,476**	**–13,481**	**4,352**	**6,261**	**–**

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, Nordea has credit commitments amounting to EUR 26,993m (EUR 27,927m), which could be drawn on at any time. Nordea has also issued guarantees of EUR 71,965m (EUR 72,402m) which may lead to future cash outflows if certain events occur.

For further information about remaining maturity, see also the section "Risk, Liquidity and Capital management".

P47. Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information shows the effect from related party transactions on the Nordea figures. For more information on definitions, see Note G1 "Accounting policies", section 26 and Note G45 "Related-party transactions".

	Group undertakings		Associated undertakings		Other related parties	
EURm	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Assets						
Loans and receivables	86,819	85,865	317	333	–	–
Interest-bearing securities	–	87	–	–	–	–
Derivatives	1,577	1,780	4	–	–	–
Investments in group undertakings	20,101	19,394	–	–	–	–
Other assets	704	914	–	–	–	–
Prepaid expenses and accrued income	509	579	–	–	–	–
Total assets	**109,710**	**108,619**	**321**	**333**	**–**	**–**
Liabilities						
Deposits	14,790	13,052	2	3	8	43
Debt securities in issue	54	111	–	–	–	–
Derivatives	2,433	2,798	–	5	–	–
Other liabilities	0	2	–	–	–	–
Accrued expenses and deferred income	23	286	–	–	–	–
Subordinated liabilities	19	12	–	–	–	–
Total liabilities	**17,319**	**16,261**	**2**	**8**	**8**	**43**
Off balance[1]	**68,197**	**70,814**	**1,763**	**1,668**	**–**	**–**

1) Including guarantees to Nordea Bank Finland Plc, see Note P37 "Contingent liabilities" as well as nominal values on derivatives in associated undertakings.

	Group undertakings		Associated undertakings		Other related parties	
EURm	2016	2015	2016	2015	2016	2015
Net interest income and expenses	–168	–26	1	1	0	0
Net fee and commission income	396	399	1	0	–	–
Net result from items at fair value	–161	–229	5	–3	–	–
Other operating income	708	748	–	–	–	–
Total operating expenses	–146	–565	–	0	–	–
Profit before loan losses	**629**	**327**	**7**	**–2**	**0**	**0**

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note G7 "Staff costs".

Other related-party transactions

Nordea Bank AB (publ) takes part in a guarantee consortium to support Norwegian Eksportfinans ASA. For further information, see Note G45 "Related-party transactions".

P48. Proposed distribution of earnings

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

EUR	
Share premium reserve	1,079,925,521
Retained earnings	9,049,852,113
Other free funds	2,762,284,828
Net profit for the year	2,899,588,070
Total	**15,791,650,532**

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

EUR	
Dividends paid to shareholders, EUR 0.65 per share	2,625,368,991
To be carried forward to:	
- share premium reserve	1,079,925,521
- retained earnings	9,324,071,192
- other free funds	2,762,284,828
Total	**15,791,650,532**

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

Signing of the Annual Report

The Board of Directors and the President and Group CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with the International Reporting Standards (IFRS/IAS) referred to in the European parliament and councils' regulation (EC) 1606/2002, from 19 July 2002, on application of International Accounting Standards. They give a true and fair view of the Group's and the Company's financial position and result. The Board of Directors' Report for the Group and the Company gives a true and fair overview of the development of the operations, financial position and result of the Group and the Company and describes the material risks and uncertainties that the Company and the Group companies are facing.

3 February 2017

Björn Wahlroos
Chairman

Marie Ehrling
Vice Chairman

Tom Knutzen
Board member

Robin Lawther
Board member

Toni H. Madsen
Board member[1]

Lars G Nordström
Board member

Gerhard Olsson
Board member[1]

Hans Christian Riise
Board member[1]

Sarah Russell
Board member

Silvija Seres
Board member

Kari Stadigh
Board member

Birger Steen
Board member

Casper von Koskull
President and Group CEO

Our audit report was submitted on 13 February 2017

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant
Auditor-in-charge

Catarina Ericsson
Authorised Public Accountant

1) Employee representative.

Auditor's report

To the Annual general meeting of the shareholders of Nordea Bank AB (publ), corporate identity number 516406-0120

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nordea Bank AB (publ) for the year 2016, with the exception of the Corporate Governance report on pages 59–65. The annual accounts and consolidated accounts of the company are included on pages 35–225 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Security Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Security Companies. Our opinions do not include the Corporate Governance report on pages 59–65. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The Nordea Group has centralised group functions combined with global processes per business area. We have organised the audit work by having our central team carry out the testing of centralised systems and processes whereby local auditors carry out the audit of systems and processes in each business area and legal entity.

Full scope audit is performed at entities with high significance and risk to the group. The procedures applied generally include an assessment and testing of controls over key business processes, analytical procedures of individual account balances, tests of accounting records through inspection, observation or confirmation, and obtaining corroborating evidential matter in response to inquiries.

For some entities, even though not considered to have high significance or risk, it is required from a group audit perspective to obtain assurance on certain accounting areas. In these cases, local audit teams are instructed to perform certain procedures and report back to us. The procedures applied generally include a detailed analytical review, reconciliation to underlying sub-ledgers, substantive testing for specific processes, areas and accounts, discussion with management regarding accounting, tax and internal control as well as follow-ups on known issues from previous periods.

Our audit is carried out continuously during the year. In December, we reported to the Board Audit Committee our interim audit regarding internal control and management's administration. At year end, we reported our final observations to the Board Audit Committee as well to the full Board of Directors. We have also performed a limited review of the interim report as of 30 June 2016.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

In the table on page 229 we set out how we tailored our audit for these key audit matters.

Key audit matter	How our audit addressed the Key audit matter
Impairment of loans to customers	
Accounting for impairment of loans to customers require management's judgment over timing of recognition of impairment and the size of any such impairment allowance. Nordea makes allowances for incurred credit losses both on an individual and on a collective basis. Important areas of impairment of loans to customers relate to: • Identification of impaired loans including completeness of the customer accounts that are included in the impairment calculation • Assumptions and estimates made by management underlying the calculation of individual and collective impairment allowances. Examples of these relate to the probability to default and loss given default calculations. Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty), Note G10 – Net loan losses and Note G13 – Loans and impairment	Our audit included a combination of testing of internal controls over financial reporting and substantive testing. We assessed and tested the design and operating effectiveness of the controls over: • rating and scoring of customers • individually assessed loan impairment calculations • collectively assessed loan impairment calculations We performed detailed testing on a sample of loans to ascertain whether we concur with the risk assessment as expressed by the internal rating or scoring. We had a special focus on loans to customers in the shipping, oil and offshore services. We tested impairment calculations on a sample of significant impaired loans including assessment of expected future cash flow. In addition, we examined a sample of loans and advances which had not been identified by management as impaired. We also assessed the appropriateness of relevant parameters in the collective impairment models.
Valuation of certain Level II and III financial instruments held at fair value	
The valuation of Level II and III financial instruments utilise unobservable inputs for recurring fair value measurements. Significant portfolios of financial instruments are valued based on models and certain assumptions that are not observable by third parties. Important areas in valuation of financial instruments held at fair value relate to: • Framework & policies relating to models and valuation; • Internal controls relating to fair value hierarchy, fair value adjustments, price testing and model control & governance; and • Levelling and disclosures of financial instruments Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty), Note G18 – Derivatives and Hedge accounting, Note G39 – Classification of financial statements and Note G40 – Assets and liabilities at fair value.	In our audit, we assessed and tested the design and operating effectiveness of the controls over • the identification, measurement and oversight of valuation of financial instruments • fair value hierarchy, fair value adjustments and independent price verification • model control & governance We examined the Group's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and the Group's governance and reporting processes and controls. For the valuations dependent on unobservable inputs or which involve a higher degree of judgement, we assessed the assumptions, methodologies and models used by the Group. We performed an independent valuation of a sample of positions. In respect of fair value adjustments, specifically CVA, DVA and FFVA for derivatives we assessed the methodology applied, underlying models and assumptions made by the Group and compared it with our knowledge of current industry practice. We tested the controls over the data inputs to the underlying models and on a sample basis tested underlying transactions back to supporting evidence.
Actuarial assumptions related to the Life business	
Technical provisions have a material impact on the financial statements. Some of the economic and non-economic actuarial assumptions used in valuing insurance contracts are by nature judgmental. Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty) and Note G27 – Liabilities to policyholders	In our audit, we assessed the design and tested operating effectiveness of the controls over the process for calculating provisions within the Life business. Our audit also included assessments of actuarial reports, assumptions used in calculations as well as the actuarial change analysis. The audit was carried out involving PwC actuaries.
Provisions for uncertain tax positions	
The Group is subject to taxation in many jurisdictions and in certain cases the ultimate tax treatment is not determined until resolved with the relevant tax authority. Consequently, recognition and calculation of taxation requires judgment due to the uncertainty underlying its future outcome. Refer to the Annual Report Note G1 – Accounting policies (Critical judgements and estimation uncertainty) and G11 – Taxes	We gained an understanding over the Group's internal processes for determining uncertain tax provisions. Our tax specialists examined the correspondence between the Group and the relevant tax authorities. On a sample basis, we examined and tested significant matters in dispute and the provisions made by management as well as significant tax calculations.
IT systems supporting processes over financial reporting	
The Group's financial reporting is highly dependent on IT systems supporting automated accounting and reconciliation procedures. To ensure complete and accurate financial records it is important that the IT general controls are designed and operates effectively.	For relevant IT systems and controls relating to financial reporting we assessed and tested the design and operating effectiveness. We examined the framework of governance over the Group's IT organisation and the controls over program development and changes, access to program and data and IT operations. • for logical access to program and data, audit activities included testing that new access, removal of access rights and that access rights were periodically monitored for appropriateness. • other areas tested included security configurations, controls over changes to IT-systems including appropriate segregation of duties.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4–34. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act of Credit Institutions and Security companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Board Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nordea Bank AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect;

- has undertaken any action or been guilty of any omission which can give rise to liability to the company; or
- in any other way has acted in contravention of the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Security Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Banking and Financing Business Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Banking and Financing Business Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Stockholm, 13 February 2017

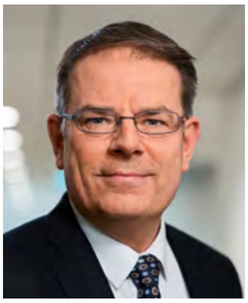
Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson *Authorised Public Accountant* *Auditor-in-charge*	Catarina Ericsson *Authorised Public Accountant*

Board of Directors

Björn Wahlroos

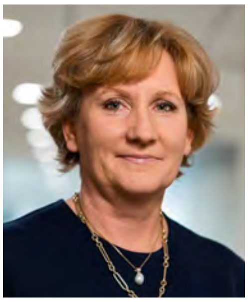
Marie Ehrling



Tom Knutzen

Robin Lawther

Lars G Nordström



Sarah Russell

Silvija Seres

Kari Stadigh

Björn Wahlroos, *Chairman*

Ph.D (Economics), 1979. Board member since 2008 and Chairman since 2011. Born 1952. *Nationality:* Finnish. Board Chairman of Sampo plc and UPM-Kymmene Corporation.
Other assignments: Board Chairman of Hanken School of Economics. Board member of several charities, including the Finnish Business and Policy Forum EVA/ETLA and the Mannerheim Foundation.

Previous positions:

2001–2009	Group CEO and President of Sampo plc.
2005–2007	Chairman of Sampo Bank plc.
1998–2000	Chairman and CEO of Mandatum Bank plc.
1992–1997	President of Mandatum & Co Ltd.
1985–1992	Various positions with Union Bank of Finland including executive vice president and member of the executive committee 1989–1992.
1974–1985	Various academic positions, including Professor of Economics at Hanken School of Economics and visiting professor at Brown University and Kellogg Graduate School of Management, Northwestern University.

Shareholding in Nordea: 100,000.[1]

Marie Ehrling, *Vice Chairman*

BSc (Economics). Board member since 2007 and Vice Chairman since 2011. Born 1955. *Nationality:* Swedish. Board Chairman of Telia Company AB (publ) and Securitas AB (publ).
Vice Chairman of Axel Johnson AB.
Other assignments: Chairman of the Advisory Board of Stockholm School of Economics. Member of the Royal Swedish Academy of Engineering Sciences (IVA).

Previous positions:

2003–2006	CEO TeliaSonera Sverige AB.
1982–2002	Deputy CEO SAS Group, Head of SAS Airline and other executive positions within the SAS group.
1980–1982	Information officer at the Ministry of Finance.
1979–1980	Information officer at the Ministry of Education.
1977–1979	Financial analyst at Fourth Swedish National Pension Fund.

Shareholding in Nordea: 3,075.[1]

Tom Knutzen

MSc (Economics). Board member since 2007. Born 1962. *Nationality:* Danish. CEO Jungbunzlauer Suisse AG and Board Chairman of several group companies. Board member of FLSmidth & Co A/S.

Previous positions:

2006–2011	CEO Danisco A/S.
2000–2006	CEO NKT Holding A/S.
1996–2000	CFO NKT Holding A/S.
1988–1996	Various positions within Niro A/S.
1985–1988	Various positions within Fællesbanken.

Shareholding in Nordea: 75,000.[1]

Robin Lawther

BA Honours (Economics) and MSc (Accounting & Finance).
Board member since 2014. Born 1961. *Nationality:* American and British.
Board member of Oras Invest Ltd
Other assignments: Board member of UK Government Investments Limited.

Previous positions:

1985–2012	Various positions within J.P. Morgan.
2011–2012	Head, Wealth Management for Southeast, USA.
2007–2011	Head, Nordic Investment Bank, UK.
2005–2007	Head, Mergers & Acquisitions Execution, European Financial Institutions, UK.
2003–2005	Head, Commercial Banking Group, UK.
1994–2005	Managing Director, Financial Institutions Investment Banking, UK.
1990–1994	Vice President, Mergers & Acquisitions, UK.
1985–1990	International Capital Markets, USA.

Shareholding in Nordea: 50,000.[1]

Lars G Nordström

Law studies at Uppsala University. Board member since 2003. Born 1943. *Nationality:* Swedish. Board Chairman of Vattenfall AB. Board member of Viking Line Abp.
Other assignments: Board Chairman of the Finnish-Swedish Chamber of Commerce. Board member of the Swedish-American Chamber of Commerce and the Centre for Business and Policy Studies (SNS). Member of the Royal Swedish Academy of Engineering Sciences (IVA).
Honorary Consul of Finland in Sweden.

Previous positions:

2008–2011	President and Group CEO of Posten Norden AB.
2006–2010	Board member of TeliaSonera AB.
2005–2009	Board Chairman of the Royal Swedish Opera.
2002–2007	President and Group CEO of Nordea Bank AB.
1993–2002	Various executive management positions within Nordea Group.
1970–1993	Various positions within Skandinaviska Enskilda Banken (Executive Vice President from 1989).

Shareholding in Nordea: 23,250.[1]

Sarah Russell

Master of Applied Finance. Board member since 2010. Born 1962. *Nationality:* Australian. CEO Aegon Asset Management Holdings NV and Board member of several group companies. Vice chairman of the Supervisory Board of La Banque Postale Asset Management SA.
Other assignments: Member of the Supervisory Board of Nederlandse Investeringsinstelling NV.

Previous positions:

1994–2008	Various executive management positions within ABN AMRO, including Senior Executive Vice President and CEO of ABN AMRO Asset Management 2006–2008.
1981–1994	Various management and other positions in Financial Markets within Toronto Dominion Australia Ltd.

Shareholding in Nordea: 0.[1]


Birger Steen


Kari Ahola


Toni H. Madsen


Gerhard Olsson


Hans Christian Riise

Silvija Seres

MBA, Ph.D (Mathematical science) and MSc (Computer Science).
Board member since 2015. Born 1970. *Nationality:* Norwegian.
Board member of Enoro Holding AS, Academedia AB, Syncron AB and Eidsiva Energi AS.
Other assignments: Board member of Norsk rikskringkasting AS (NRK), Oslo Business Region AS, Simula Research Laboratory AS, Transparency International Norge, Seema AS and the Kavli Trust. Chairman of the Board of Polyteknisk Forening.
Member of the Corporate Assembly (Nor. Bedriftsforsamlingen) and the Nomination Committee of Telenor ASA.

Previous positions:

2011–2016	Managing director of TechnoRocks AS.
2008–2011	Director of Business Management at Microsoft Development Center, Norway.
2004–2008	Vice President for Services Strategic Development, Product Marketing and Strategic Development at Fast Search & Transfer ASA.
1997–2003	Prize Fellow, Tutor and Lecturer at University of Oxford, the UK.
2003	Visiting Researcher at the Chinese Academy of Sciences in Beijing, China.
2002	Assistant Professor and Programme Manager at Dar Al Hekma University in Jeddah, Saudi Arabia.
1999	Visiting Researcher at DEC/Compaq Systems Research Center in Palo Alto, USA.
1996–1997	Scientific Researcher at Norwegian Computing Centre
1994–1996	IT developer at Skrivervik Data.

Shareholding in Nordea: 0.[1]

Kari Stadigh

Master of Science (Engineering) and Bachelor of Business Administration.
Board member since 2010. Born 1955. *Nationality:* Finnish.
Group CEO and President of Sampo plc. Board Chairman of If P&C Insurance Holding Ltd and Mandatum Life Insurance Company Limited.
Board member of Nokia Corporation and Waypoint Group Holding Ltd.
Other assignments: Board member of The Federation of Finnish Financial Services and Niilo Helander Foundation.

Previous positions:

2001–2009	Deputy CEO of Sampo plc.
1999–2000	President of Sampo Life Insurance Company Ltd.
1996–1998	President of Nova Life Insurance Company Ltd.
1991–1996	President of Jaakko Pöyry Group.
1985–1991	President of JP Finance Oy.

Shareholding in Nordea: 100,000.[1]

Birger Steen

MSc (Computer Science) and MBA. Board member since 2015.
Born 1966. *Nationality:* Norwegian. CEO of Parallels, Inc.
Board member of Schibsted *ASA*
Other assignments: Member of the Board of Trustees of the Nordic Heritage Museum in Seattle.

Previous positions:

2009–2010	Vice President of Worldwide SMB & Distribution at Microsoft Corporation.
2004–2009	General Manager of Microsoft Russia.
2002–2004	General Manager of Microsoft Norge.
2000–2002	CEO of Scandinavia Online AS.
1996–1999	Vice President of Business Development of Schibsted ASA.
1993–1996	Consultant of McKinsey & Company.
1992–1993	Oil Trader at Norwegian Oil Trading AS.

Shareholding in Nordea: 0.[1]

Employee representatives

Kari Ahola

Board member since 2006. Born 1960.

Shareholding in Nordea: 0.[1]

Toni H. Madsen

Board member since 2013. Born 1959.

Shareholding in Nordea: 3,299.[1]

Gerhard Olsson

Board member since 1 October 2016. Born 1978.

Shareholding in Nordea: 0.[1]

Hans Christian Riise

Board member since 2013. Born 1961.

Shareholding in Nordea: 0.[1]

1) Shareholdings, as of 31 December 2016, also include shares held by family members and closely affiliated legal entities.

Group Executive Management

Group Executive Management, from left to right: Snorre Storset, Karen Tobiasen, Matthew Elderfield, Erik Ekman, Julie Galbo, Heikki Ilkka, Casper von Koskull, Martin Persson, Topi Manner and Torsten Hagen Jørgensen.

Casper von Koskull
President and Group CEO since 2015.
Born 1960.
Member of Group Executive Management 2010.
Shareholding in Nordea: 238,758.[1]

Previous positions:

2010–2015	Head of Wholesale Banking Nordea Bank AB.
1998–2010	Managing Director and Partner of Goldman Sachs International in London, Head of Nordic Investment Banking.
1994–1998	Managing Director, Nordic Investment Banking, UBS London.
1992–1994	Head of Derivatives Marketing and Structuring for German Corporate Cilents, Citibank, Frankfurt.
1990–1992	Vice President Leverage Finance, Citibank, New York.
1987–1990	Vice President Nordic Coverage Citicorp Investment Bank, Ltd, London.
1984–1987	Account Manager, Citibank, Helsinki.

Torsten Hagen Jørgensen
Group COO and Deputy Group CEO since 2015
Born 1965.
Member of Group Executive Management 2011.
Shareholding in Nordea: 111,722.[1]

Martin Persson
Executive Vice President, Head of Wholesale Banking.
Born 1975.
Member of Group Executive Management 2016.
Shareholding in Nordea: 0.[1]

Heikki Ilkka
Executive Vice-President, Group CFO, Head of Group Finance and Business Control.
Born 1970.
Member of Group Executive Management 2016.
Shareholding in Nordea: 0.[1]

Erik Ekman
Executive Vice President, Head of Commercial and Business Banking.
Born 1969.
Member of Group Executive Management 2015.
Shareholding in Nordea: 0.[1]

Topi Manner
Executive Vice President, Head of Personal Banking.
Born 1974.
Member of Group Executive Management 2016.
Shareholding in Nordea: 49,671.[1]

Julie Galbo
Chief Risk Officer, Head of Group Risk Management and Control.
Born 1971.
Member of Group Executive Management 2017.
Shareholding in Nordea: 0.[1]

Matthew Elderfield
Group Compliance Officer and Head of Group Compliance.
Born 1966.
Member of Group Executive Management 2016.
Shareholding in Nordea: 26,360.[1]

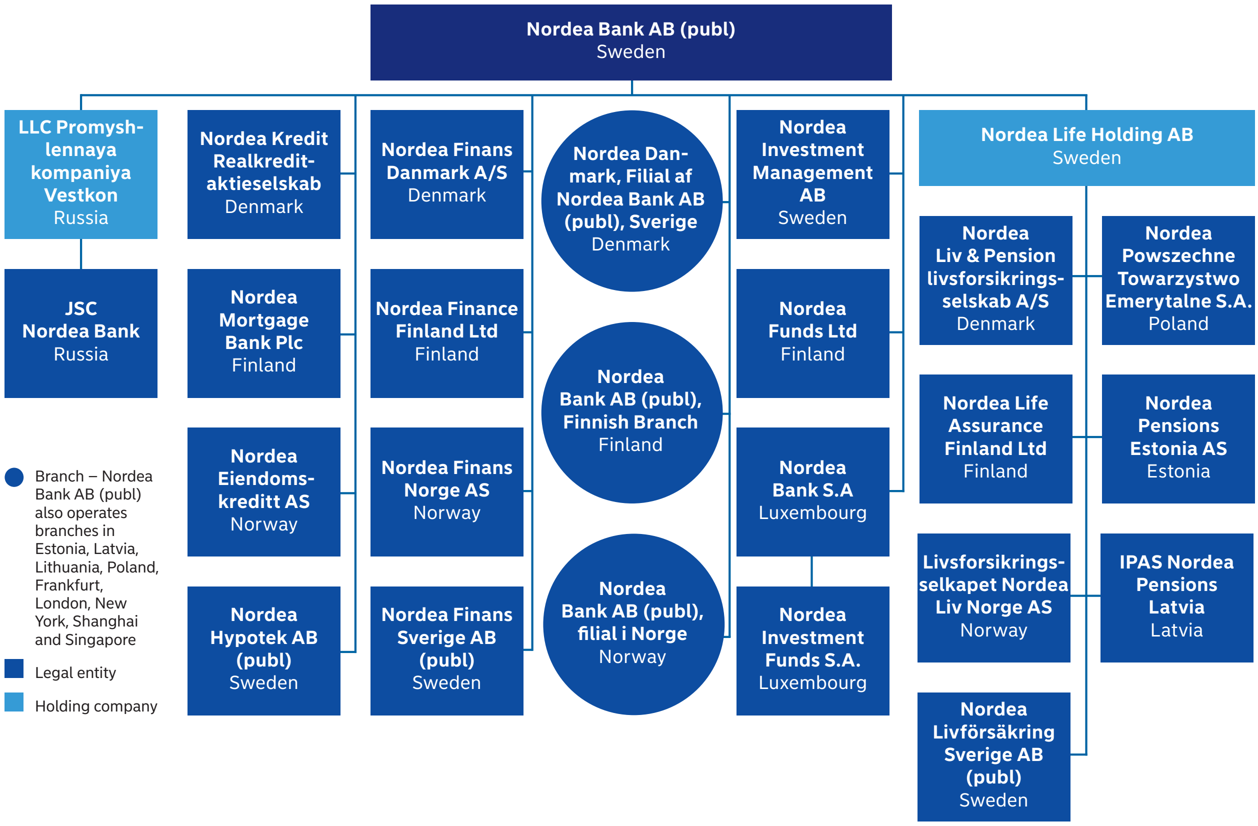
Snorre Storset
Executive Vice President, Head of Wealth Management.
Born 1972.
Member of Group Executive Management 2015.
Shareholding in Nordea: 12,300.[1]

Karen Tobiasen
Chief People Officer
Born 1965.
Member of Group Executive Management 2016.
Shareholding in Nordea: 0.[1]

1) Shareholdings, as of 31 December 2016, also include shares held by family members and closely affiliated legal entities.

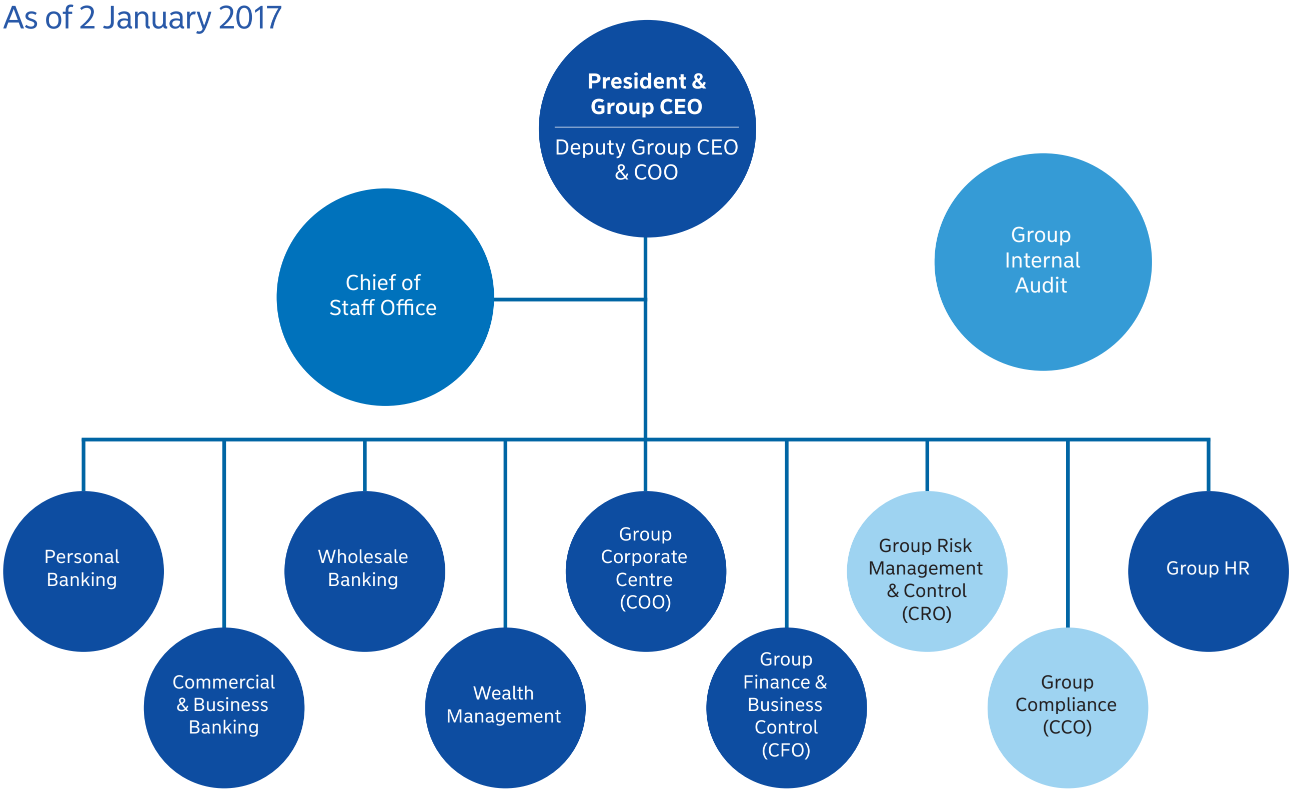
Legal structure

Main legal structure as of 2 January 2017



Group Organisation

As of 2 January 2017



Annual General Meeting 16 March 2017

Nordea's Annual General Meeting (AGM) 2017 will be held on Thursday 16 March at 13.00 CET at Stockholm City Conference Centre, Folkets Hus, Barnhusgatan 12–14, Stockholm.

Notification of participation, etc.

Shareholders who wish to participate in the AGM shall be entered in the share register maintained by the Swedish Securities Register Center (Euroclear Sweden AB) not later than 10 March 2017 and notify Nordea. Shareholders whose shares are held in custody must therefore temporarily re-register their shares in their own names with Euroclear Sweden AB in order to be able to participate. This applies for example to holders of Finnish Depositary Receipts in Finland and holders of shares registered in VP Securities in Denmark. Such re-registration must be effected in Euroclear Sweden AB in Sweden on 10 March 2017. This means that the shareholder in good time prior to this date must inform the trustee about this.

Shareholders registered in Euroclear Sweden AB in Sweden

Notification of participation in the AGM must be made to Nordea Bank AB (publ) at the latest on 10 March 2017 preferably before 13.00 Swedish time at the following address: Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's website www.nordea.com.

Holders of Finnish Depositary Receipts (FDR) in Finland

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 9 March 2017 at 12.00 noon Finnish time to Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's website www.nordea.com.

Shareholders registered in VP Securities in Denmark

Notification of participation in the AGM and re-registration of shares to Euroclear Sweden AB must be made at the latest on 9 March 2017 at 12.00 noon Danish time to Nordea Bank AB (publ), c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by telephone +46 8 402 90 64, or on Nordea's website www.nordea.com.

Financial calendar

Financial calendar 2017

Annual General Meeting	16 March
Ex-dividend date	17 March
Record date	20 March
Dividend payments	27 March
1st quarter results	27 April
2nd quarter results	20 July
3rd quarter results	26 October

Contacts

Torsten Hagen Jørgensen,
Group COO and Deputy Group CEO
Phone: +46 8 614 78 00

Investor Relations

Rodney Alfvén, Head of Investor Relations
Ylva Andersson
Carolina Brikho
Michel Karimunda
Andreas Larsson
Pawel Wyszynski

SE-105 71 Stockholm, Sweden
Phone: +46 10 156 2962

Website

All reports and press releases are available on the Internet at: www.nordea.com. Financial reports published by the Nordea Group may be ordered on the website and via Investor Relations.

Nordea's report on Capital and risk management, in accordance with the Pillar III disclosure requirements according to the EU Capital Requirements Regulation, is presented on www.nordea.com.

The Annual Report 2016

This Annual Report covers Nordea Bank AB (publ) and pertains to the operations of the Nordea Group, whose main legal structure is presented on page 235. The original annual report is in Swedish. This is an English version thereof. A Swedish version may be obtained upon request.

In this Annual Report, the Nordea Group presents income statements and other financial data quoted in euro (EUR).

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Nordea Bank AB (publ)
Corporate registration no. 516406-0120
Smålandsgatan 17 | SE-105 71 Stockholm
Tel +46 8 614 78 00 | Fax +46 8 614 87 70
www.nordea.com