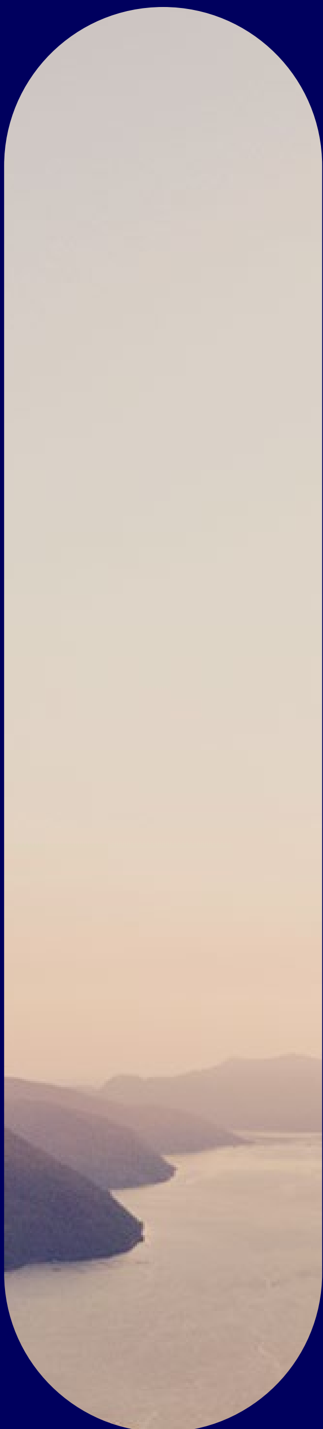
Nordea



Annual Report
2021

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

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

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

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

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

THIS SYMBOL WILL
DIRECT YOU BACK TO
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Nordea has reported on environmental and sustainability performance on an annual basis since 2002. In 2021, for the first time, the sustainability reporting was integrated into Nordea's Annual Report and therefore a separate Sustainability Report is no longer being published. Nordea's sustainability reporting for 2021 constitutes sustainability disclosures found (i) throughout the front section, but mainly in the Sustainable banking chapter on pages 28–40, (ii) in the Non-financial statement (incl. our taxonomy reporting) on pages 89–92, (iii) in the Corporate Governance Statement on page 66, (iv) on pages 160–162 in Note G2 "Risk and liquidity management", and (v) in the Sustainability notes on pages 313–337, which provide in-depth information and data related to the sustainability disclosures. In addition, sustainability indices referring to our reporting in relation to the Principles for Responsible Banking, the Task Force on Climate-Related Financial Disclosures, and the GRI Standards are published as a separate appendix available at nordea.com/sustainability. For more information on how we report on sustainability see Note S10 "About the sustainability disclosures" on page 335.

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

Our vision is to be the preferred partner for customers in need of a broad range of financial services – driving for a sustainable future

We are guided by **our vision**

We are a universal bank with a 200-year history of supporting and growing the Nordic economies. Our values are deeply rooted in these open, progressive and collaborative societies.

We are the largest bank in the Nordics and have a strong market position within our four business areas: Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management.

Mindful of our responsibility towards current and future generations, we have made sustainability an integrated part of our business strategy. We enable sustainable choices for our customers, engage in active ownership and drive change through our lending and investment decisions.

Everything we do begins and ends with our customers

Every day, we work to support our customers' financial development, acting within their best interests.

Whether they wish to purchase a dream property, grow a startup or transition to a greener business model, we have the financial strength and expertise to help them succeed.

Dear **stakeholder,**

We want to be the preferred partner for customers in need of a broad range of financial services – driving for a sustainable future. Our purpose remains to enable dreams and aspirations for a greater good.

Despite the pandemic continuing in 2021, we saw many encouraging and positive developments throughout the year. Vaccination programmes progressed well and economic recovery was strong. Going forward, we may face further setbacks from new virus variants, but we are now more experienced in adjusting our way of living when needed.

At Nordea, we have continued to stand by our customers in these uncertain times, supporting the societies in which we operate. The fundamentals of our business are unchanged: everything we do starts and ends with our customers. Despite the pandemic, we have improved our ability to serve our customers in their preferred way. Customer satisfaction scores are stronger and customer complaints have decreased. We are now receiving 41% fewer complaints than three years ago.

In October 2019 we revised our strategic direction. With an updated business plan and ambitious financial targets for 2022, our aim was to retake lost ground in business, strengthening our customers' trust in us and improving our financial performance. We decided to focus on three key priorities: to create great customer experiences, drive income growth initiatives and optimise operational efficiency. Most importantly, we resolved to put our customers at the centre of everything we did.

In the years to follow we prioritised developing our omnichannel model – being personal and available to our customers, whether they preferred to use our digital services or interact with us in person. We improved our customer experience and satisfaction scores and drove higher levels of customer activity, leading to increased business volumes.

I'm happy about our progress. For us, 2021 was a milestone year. We maintained our strong performance and surpassed our 2022 financial targets one year ahead of schedule. All of our business areas met their respective targets as well.

In 2021 our return on equity was 11.2%, against a target of above 10%. Our cost-to-income ratio was 48%, against a target of 50%. During the year we continued to grow business and customer activity significantly, and further increased market shares across the Nordics.

Our full-year 2021 operating profit was over EUR 4.9bn, which is 67% higher than in 2020, and our return on equity was up from 7.1% last year. Our mortgage lending grew by 6%, lending to small and medium-sized enterprises by 6% and assets under management by 17%, reaching all-time-high levels.

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

Our strong capital base and credit quality give us the stability and credibility to support our customers and improve our performance even further. They also create predictability regarding shareholder value creation and returns.

We remain highly committed to implementing an efficient capital structure. Our capital position is among the strongest in Europe, with a CET1 ratio of 17.0%, which is 6.8 percentage points above the regulatory requirement.

Our aim is to deliver predictable and highly competitive returns for our shareholders. For 2021, our Board has proposed a dividend of approximately EUR 0.69 per share – a significant increase on the dividend of EUR 0.39 per share for 2020. This translates to a payout ratio of 70%, in line with our dividend policy. Dividends are important for our shareholders and support the Nordic societies by driving economic activity and growth.

Meanwhile, share buy-backs are important for distributing excess capital and maintaining an efficient capital structure. In February we received approval from the ECB for a further share buy-back of EUR 1bn.

The Annual Report often looks back to earlier achievements. We are proud of what we have accomplished, but now it is time to turn the page and take the next steps. We will move forward to deliver best-in-class omnichannel customer experiences, raise the bar on our financial performance and drive further value creation for our shareholders. We want to be the preferred partner for customers in need of a broad range of financial services.

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

We have also set three key priorities for the coming years: to create the best omnichannel customer experience, drive focused and profitable growth, and increase operational and capital efficiency.

We will continue to deliver great customer experiences with a firm focus on expert advisory and customer support. In 2021 we had more than 800,000 advisory sessions and over 1 billion digital engagements. We are committed to offering the best omnichannel customer experience and being available 24 hours a day, every day of the year.

Investments and capital allocations will mainly focus on organic growth; strengthening digital capabilities, data and ESG areas; and meeting regulatory demands. We will remain open to selected bolt-on acquisitions when the right targets are available to support our strategy.

We will also optimise our business portfolio and manage our capital base efficiently to pursue capital excellence and create value for our shareholders. In recent years we have managed to bring down costs considerably. We will continue to increase our operational efficiency, build a strong cost culture and find further structural efficiencies within the bank.

To support our business plan, we have decided to accelerate two key levers – digitalisation and sustainability. These will enable us to grow our business momentum and ensure that we stay relevant for our customers and well equipped for the future.

New technologies are accelerating digitalisation, and our customers appreciate the flexibility that our digital services offer for their daily lives. In 2021 we had 3.1 million digitally active customers and 22% more monthly logins to our digital services than in 2020.

We will continue to make banking easy. We are moving towards enabling private customers to carry out daily banking tasks 100% digitally. At the same time, our digital capabilities will be complemented by the expertise of our 4,000 advisers.

Sustainability is at the core of our strategy – integrated into all aspects of our business, from our product offering to our investment decisions to our internal operations. We have built up strong competence and capacity in this area and are well positioned to play a leading role in supporting our customers in the transition to net zero.

We have committed to become a bank with net-zero emissions by 2050. To reach this goal, we have set a long-term objective to reduce carbon emissions across our lending and investment portfolios by 40–50% by 2030.

We are taking decisive actions and continuing our step-by-step transition approach. In February we announced new 2025 sustainability targets, which focus on increasing positive impact while decreasing negative impact.

Photographer: Petra Älvstrand.

All of this, we will do in collaboration with our customers. We are continually developing and expanding our sustainability offering in each of our four business areas to support the green transition. In 2021 total green lending grew to EUR 9.7bn, investor demand for our ESG savings products remained high, and we continued to be the top-ranking bank for Nordic sustainable bonds. We were again ranked among the top 100 most sustainable corporations in the world by Corporate Knights – the only Nordic bank in the ranking.

To succeed in our sustainability ambition, we support international initiatives such as the Principles for Responsible Banking and the UN Global Compact, and remain committed to them.

In 2021 we delivered what we promised – again. By focusing on our customers and executing our business plan, we implemented a cultural change that made Nordea's change of direction and improved performance a reality.

While we have a new target and an updated business plan, our direction as a bank is not going to change. Our purpose remains to enable dreams and aspirations for a greater good.

For more than 200 years, we've played a key role in supporting our customers and developing the Nordic societies.

That will be our role going forward as well.

Best regards,
Frank Vang-Jensen
President and Group CEO

Nordea **in society**

Developing as a sustainable bank is an integrated part of our business strategy. We aim to provide the best possible support for customers transitioning to a more sustainable future, and actively contribute to society to benefit the greater good.

As a leading bank in the Nordic region, we have the capacity to support the ongoing transition to net zero – via our customer offering, through our lending and investment decisions, and by reducing the emissions from our internal operations.

In recent years we have focused heavily on enhancing sustainability within our daily operations, customer solutions and advisory offerings. We reached a significant milestone in 2021 with the announcement of our 2030 and 2050 objectives and medium-term targets.

We then took another major step, launching a new long-term plan to fully integrate sustainability into our business strategy. Our work rests on four strategic pillars: financial strength, climate action, social responsibility, and governance and culture. The pillars draw on both the United Nations' Sustainable Development Goals and the Paris Agreement.

This year, we have taken the natural step of integrating our Sustainability Report into our Annual Report. Further details regarding our progress under the four pillars can therefore be found on pages 28–40 within this report.

Teaching financial skills

In 2021 we ran financial workshops online for over 6,000 school students in Finland, covering daily money matters, savings and investments, and how to become an entrepreneur.

Financial strength

We have a strong balance sheet, very good credit quality and an excellent capital position, along with a well-diversified business. Our financial strength enables us to act on our responsibilities effectively, supporting customers and society in both good and challenging times. We help protect our financial position by managing risks related to environmental, social and governance areas.

Climate action

We achieve our most positive climate impact through our decisions, actions and financial advice, together with our customers. We continually seek ways to minimise the climate impact of our internal operations. For example, we are reducing business travel, energy consumption, and physical mail and distribution.

Social responsibility

For us, social responsibility is about genuinely caring for individuals, businesses and society. Our employees actively engage with local communities, for example they help build financial skills and foster entrepreneurship. We take issues such as human rights, labour rights, gender equality and education into consideration in everything we do. And we strive to be a fair, safe and inclusive workplace with high employee engagement.

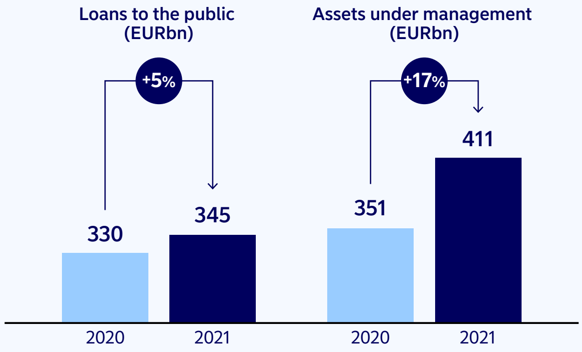
Governance and culture

We pride ourselves on maintaining a culture with a clear purpose and set of core values. We have established solid governance procedures in important areas – such as risk management, sustainability, compliance and procurement – and aim to continually enhance our governance and risk management structures.

Nordea as an **investment**

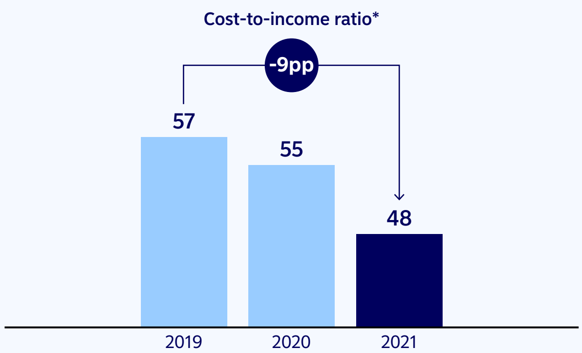
Revenue growth

We are driving revenue growth opportunities. Growing lending income in all Nordic markets and capital-light savings income across Nordics.



Efficiency

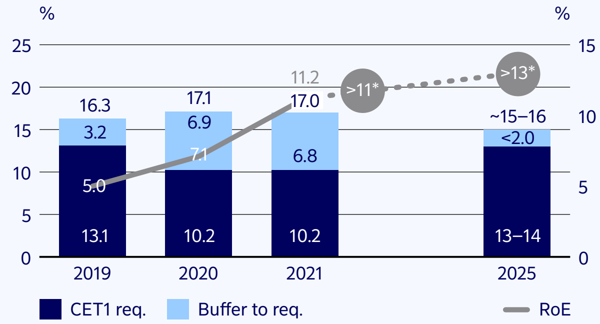
We are growing income faster than costs. Structural costs reduced while capabilities built for the future. Consistently positive jaws targeted, allowing costs to increase only in connection with increased business activity.



* Excluding items affecting comparability

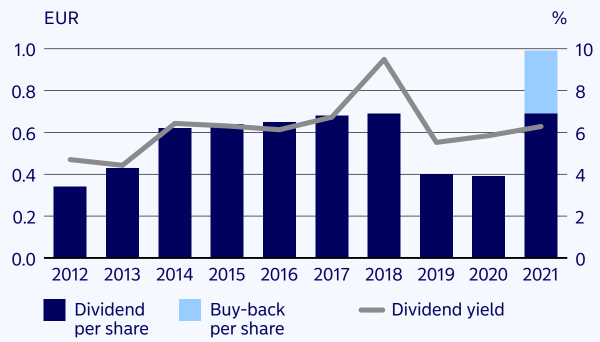
Balance sheet and capital

We have a strong balance sheet and an efficient capital structure. Solid capital position, maintaining high regulatory (ECB) standards. Prudent risk profile with exposure mainly to low-risk Nordic economies.



* Outlook for **2022**: RoE above 11%
Target for **2025**: RoE above 13%

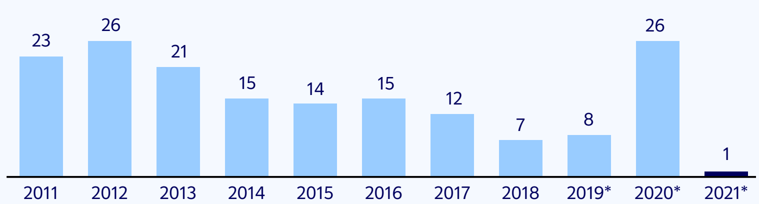
Our capital distributions are leading to enhanced capital efficiency. Dividend payout ratio above key peers' at 60–70%, complemented by share buy-backs. Dividend and capital policies providing full capacity to invest in business and M&A opportunities.



Credit quality

Our credit quality is strong and we have very low net loan losses.

Loan loss ratio including similar net result, basis points



* Including fair value adjustments to loans held at fair value in Nordea Kredit; 2019 also excludes items affecting comparability

Digitalisation

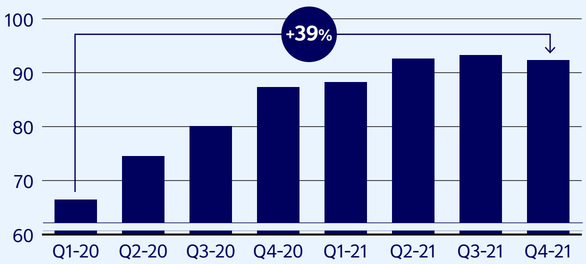
We are a globally leading digital bank supporting great customer experiences.

Best performer

D-Rating – 2021 Digital Proposition among the following Nordic banks: Danske Bank, Handelsbanken, SEB and Swedbank.

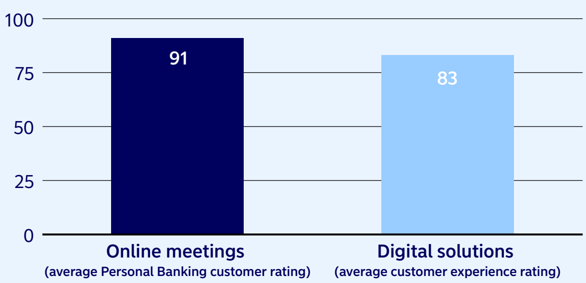
#1 mobile bank in Nordics based on customer ratings

Mobile logins (millions/month)



High customer satisfaction with digital services

2021 customer surveys



Sustainability

Sustainability is at the core of our business. Significant growth in new environmental, social and governance (ESG) products, lending and advisory services, resulting in higher income and positive societal impact.

Growth in ESG investment products*

+21% y/y

EUR 195bn

Growth in green asset portfolio**

+134% y/y

EUR 6.8bn

Growth in green corporate loans

+130% y/y

EUR 5.2bn

Growth in green mortgages

+55% y/y

EUR 547m

* As defined in articles 8 and 9 of the Sustainable Finance Disclosure Regulation

** For more on Nordea's green asset portfolio, see nordea.com/en/Investors/debt-rating

Our **key priorities and target**

We have updated our priorities and set a new financial target for the period up to the end of 2025. We are committed to delivering best-in-class omnichannel customer experiences, raising the bar on our financial performance, driving further value creation for our shareholders and actively contributing to broader society.

In the autumn of 2019 we kicked off a turnaround plan to retake lost ground in business and become truly competitive again. We decided to establish clear priorities and put our customers at the centre of everything we did. It was a cultural change, and it led to increased business volumes, improved customer satisfaction, higher efficiency and stronger financial performance.

Having accomplished the turnaround over the last two years, we have now updated our priorities, targets and business plan for the period up to the end of 2025. We want to be the preferred financial partner for Nordic customers in need of a broad range of financial services.

Our key priorities

We have set three key priorities for the coming years: to create the best omnichannel customer experience, drive focused and profitable growth, and increase operational and capital efficiency.

We will draw on the strength of our omnichannel model to offer our customers best-in-class support and advice. Our aim is for customers to always experience us as personal and available, whether they prefer to use our digital services or interact with us in person.

We will invest in growth in all markets and business areas. In particular, we will strengthen our focus on our savings business and allocate more capital to profitable lending.

And we will optimise our business portfolio and manage our capital base efficiently to pursue capital excellence and create value for our shareholders. All while keeping costs under control and finding further efficiencies within the Group.

Accelerating digitalisation and sustainability

To support our business plan, we have decided to accelerate two key levers: digitalisation and sustainability. This will ensure that we stay relevant for our customers and well equipped for the future.

We are determined to execute our plan to the full and drive a high-performance culture throughout the Group. We have a clear direction and will continue to empower our skilled people to deliver value for our customers – a bit better every single day.

We want to create the best omnichannel customer experience – to **always be personal and available for our customers**, whether they prefer to use our digital services or interact with us in person

OUR KEY PRIORITIES

Create
the best omnichannel customer experience

Drive
focused and profitable growth

Increase
operational and capital efficiency

Digital leader

Sustainability at the core

The preferred partner for customers in need of a broad range of financial services – driving for a sustainable future

OUR FINANCIAL TARGET

Financial target 2025

Return on equity

>13%

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

Supported by

Cost-to-income ratio
45–47%

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

Loan losses
Normalised
~10bp

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

Financial outlook 2022

Return on equity > 11% and cost-to-income ratio 49–50%

OUR SUSTAINABILITY TARGETS

Net zero 2050

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

Facilitate more than EUR 200bn in sustainable financing by the end of 2025

90% of our exposure to large corporate customers in climate-vulnerable sectors to be covered by transition plans by the end of 2025

Double the share of net-zero-committed AuM by 2025

Gender balance

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

Our **strategy** is about meeting current and future needs

Our 2025 business priorities are tailored towards meeting the current and future needs of our customers – primarily in the Nordic region, an attractive, demanding and rapidly changing business environment. To succeed, we are addressing key global megatrends that impact our business.

The Nordic countries in which we operate – Denmark, Finland, Norway and Sweden – consistently rank among the highest performing nations on metrics such as income, wealth, purchasing power, productivity, digitalisation, educational standards and more.

All four are politically stable democracies, which creates a very stable business environment. From a global perspective, the Nordics have very low rates of corruption and high legal protection of individual and property rights. Their solid welfare systems provide universal access to healthcare, education and social protection. Economic growth is strong, household savings are high and unemployment is low.

The Nordic region is a mature, digitalised and attractive market. Accordingly, it is a highly competitive business environment. Having the best products and services is not enough: the strongest financial institutions are digitally advanced, provide holistic advice to meet complex needs, adhere to the highest ethical standards and actively contribute to society and a sustainable future. This is what we strive for at Nordea.

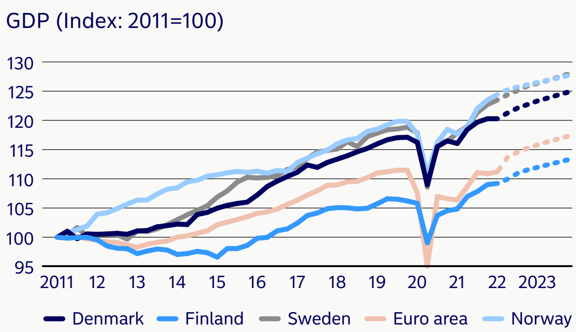
Accelerated digitalisation in the wake of COVID-19

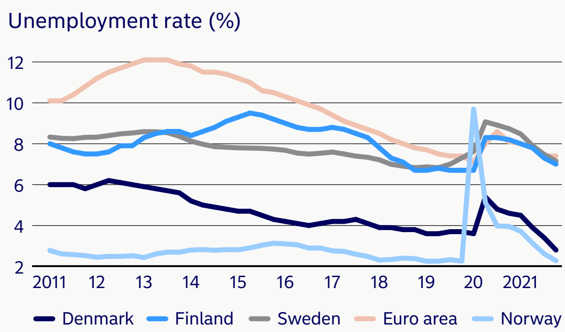
The world is digitalising at an increasingly fast rate, spurred on by new disciplines and technologies such as machine learning, cloud computing and blockchains.

At Nordea, we know that enhancing our digital offering will be key to delivering on our 2025 business priority to create the best omnichannel customer experience. As the biggest bank in the Nordics, we have the ability to invest in future services and digitalisation.

Going forward, we will use digitalisation to further strengthen our relationships with our customers, increase operational efficiency, combat financial crime even more effectively and reinforce the sustainability of our business. We will also harness new technologies to enhance our data management capabilities, thereby increasing our ability to approach customers on their needs in a highly precise manner.

A structurally attractive banking environment





SOURCE: Macrobond and Nordea.

Sustainability: core for customers, banks and society in general

The whole of society is becoming more and more aware of the social and environmental impacts of global heating and the need for a green transition – including within the financial sector. Amid these developments, customer demand for sustainability-linked offerings is growing. The ask is clear: we need to act, now.

With our strength and scale, we have a responsibility to support our customers in transitioning towards a low-carbon world. Within the context of our 2025 strategy, we view sustainability as a key lever that will enable us to stay relevant and stand out among the competition – in all business areas.

Drawing on our long-standing expertise in environmental, social and governance work, we will continue to develop world-class advice, products and services for customers driving the transition to a more sustainable future. We will also continue to drive the transformation needed to meet the objectives of the Paris Agreement, and pursue or actively support other initiatives aimed at mitigating negative climate change and promoting sustainable development.

Capital excellence

Since the financial crisis of 2008–09, regulatory capital requirements have multiplied, profoundly impacting the global business environment. A further development is on the horizon in the form of the Basel IV framework, which will affect banks' use of internal risk models to calculate capital requirements for credit risk. One of our 2025 business priorities involves being ready to respond with an even stronger drive for capital excellence, ensuring attractive and sustainable shareholder returns in combination with strong risk management.

As a bank, we have one of the strongest capital positions in Europe. This creates predictability and provides a solid basis for shareholder value creation and returns.

Keeping our **customers** at the core

Our customer-centric business model supports our 2025 vision to be the preferred partner for customers in need of a broad range of financial services.

As we enter the new strategy period 2022–25, customers remain at the core of our plan. Only in creating value for our customers can we thrive as a bank and in turn create value for our shareholders and broader society.

At Nordea, we have a relationship banking model. This means that we prioritise building strong relationships with our customers, taking into account their individual circumstances, needs and goals.

We want all customers to experience us as easy to deal with, relevant and competent, available anywhere and any time, personal and digital, and safe and trustworthy. Best-in-class omnichannel experiences, skilfully designed products and services, and passionate and dedicated employees are all key to achieving this.

Across our four business areas – Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management – we provide critical deposit-taking, lending and payments services, manage wealth and investments, and support individuals and corporates alike in transitioning to a more sustainable future. Always keeping our customers at the centre.

To help our customers make a conscious and easy choice when it comes to sustainable solutions, we have introduced a clear symbol – Sustainable Choice – to label relevant offerings.

Sustainable Choice

Sustainable Choice is the umbrella symbol for our sustainability offerings. It is used across all business areas, making it easier for customers to identify and choose sustainable solutions.

Trusting partnership helps restaurant business expand

Carola and Tero Sintonen have been in the restaurant business for more than 20 years and now own seven restaurants in Turku on Finland's west coast.

After many years as the co-owners of a restaurant, the pair acquired full ownership through a buyout in 2008. In 2012 they saw clear potential for expanding the business and decided to partner up with Nordea to realise their dream.

"We felt that Nordea understood our business idea and was genuinely interested in supporting our growth vision," says Tero. Supported by Nordea, they went on to establish six more restaurants and purchase a commercial property.

When the COVID-19 pandemic hit, the couple needed quick action. "Nordea reached out to discuss instalment-free periods and guaranteed lending solutions to ensure liquidity," recounts Carola. "We temporarily closed some of the restaurants and developed different takeaway concepts. Now we're back on a very positive upwards trend."

Carola and Tero view their partnership with Nordea as one that goes beyond a bank relation: "It's built on mutual trust and working together with a long-term vision."

Carola and Tero Sintonen
Owners of restaurants Fontana, di Trevi, Tårget, Nooa, Båthuset, Hügge and Nobi, as well as guest harbours in Turku and Nauvo

Our four **business areas**

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

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

Personal Banking

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

Business Banking

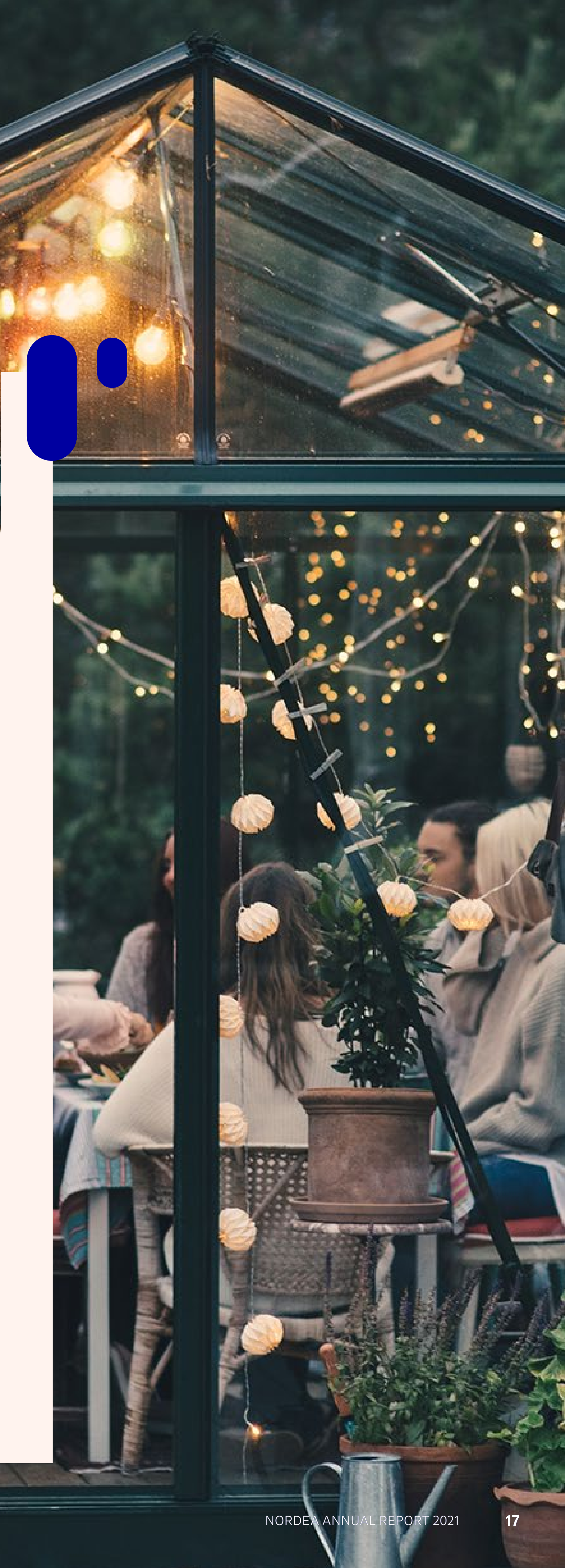
In Business Banking we offer banking and advisory products and services to small and medium-sized enterprises. Business Banking also includes the product and specialist units Transaction Banking, which provides payment and transaction services, and Nordea Finance, which provides asset-based lending and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

Large Corporates & Institutions

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

Asset & Wealth Management

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



Broad range of services enables family to realise dreams

Emma Hagy Kasholm is a business controller with the Swedish Pensions Agency. She lives in Stockholm with her husband and two small children. A personal recommendation from Emma's father, a corporate customer of Nordea, prompted her to become a customer in 2015. She took the opportunity to try a new bank and hasn't looked back, in part because of the close relationship she has developed with her adviser in the Sundsvall branch in Northern Sweden.

"We've constantly experienced the best service from Nordea. My family and I have been supported in buying our first apartment, then a house and now building our dream home. Our adviser has always made it easy to understand the options and take decisions," she says.

She adds: "Sustainability is important to me, both in my professional role and privately. When we decided to invest our savings, we followed Nordea's advice and investment recommendations and invested in more sustainable alternatives."

Emma also appreciates the mobile bank app, which she uses on a daily basis to manage her finances and investments.

Emma Hagy Kasholm
Business controller,
Swedish Pensions Agency

Personal Banking

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

Business development

In 2021 we continued to advise our customers and provide support through our digital channels to help them weather the impact of the COVID-19 pandemic. Customer uptake of our digital solutions further increased, with 7% more customers using the mobile bank than a year ago and increased inflows through digital channels.

Our speed and availability drove strong business momentum in mortgages, resulting in higher market shares across the Nordics. We launched several new digital self-service functionalities to make it easier for our customers to manage their mortgages. For example, customers in Norway and Sweden can now adjust their loan repayments in the mobile app. We also extended our automated mortgage loan promise solution to non-Nordea customers in Denmark.

We continued to actively support our customers through our digital savings offering. Our increased proactivity and digital capabilities, combined with cross-sales of mortgage products, drove a 16% year-on-year increase in monthly savings inflows. Customer use of our digital savings adviser Nora increased, with 30% more advisory sessions than last year.

During the second half of the year we saw an uplift in demand for consumer loans and credit card lending, supported by our digital sales capabilities and enhanced digital product availability.

We began transitioning to the new netbank platform in all countries and have received positive customer feedback. To help our customers manage their finances digitally, we added new functionalities in the netbank and mobile app. For example, we extended our account aggregation service to customers in Finland, enabling them to get an overview of all their accounts, including those outside Nordea.

Our customers are increasingly aware of sustainability issues and interested in making an impact through their savings. During the year we provided 2,300 advisers across the Nordics with dedicated training in sustainability areas, enabling them to better support customers in making sustainable choices. Our green mortgage lending portfolio grew by 55%, year on year, primarily in Sweden, further demonstrating customer interest in our sustainability offering. Compared with 2020, the share of customers expressing a sustainability preference in savings advice meetings grew by 43%.

Internal and external surveys show that we increased overall customer satisfaction and narrowed the gap with peers during the year.

Results

Total income increased by 9%, year on year, driven by the strong mortgage activity across all countries and higher savings and investment income. Mortgage volumes grew by 6% in local currencies.

Net interest income increased by 8%, driven by the cross-Nordic mortgage volume growth, higher deposit margins in Denmark and higher mortgage margins in Finland. This development was partly offset by lower mortgage margins in Norway resulting from rate changes and lower lending margins in Denmark due to a changed product mix.

Net fee and commission income increased by 14%, driven by higher savings and investment income across all countries. Payment and card fee income also improved, in tandem with the reopening of societies. Our lending fee business performed strongly throughout the year, enabling us to fully compensate for the higher mortgage conversion activity in Denmark in 2020.

Net result from items at fair value decreased by 24%, year on year, due to changes to income recognition principles for collar loans in Finland which took effect in the third quarter of 2020.

Total expenses increased by 2%, year on year, mainly due to higher depreciation and amortisation and exchange rate effects. These were partly offset by lower staff costs and back-end costs.

Net loan losses and similar net result decreased significantly, year on year, due to the additional management judgement allowances booked in the second quarter of 2020. As a result, operating profit increased by 41%.

The strong business momentum contributed to an improved cost-to-income ratio of 51%, down from 54% at the end of 2020.

Strategic focus areas and value drivers

Our strategy focuses on creating best-in-class omnichannel customer experiences through personalised digital experience and competent advice. We want customers to have a consistent experience of us regardless of the channel they use.

We aim to make it easy for our customers to manage their banking needs and are there to support them during key life events. In particular, we focus on savings and mortgage advice. We leverage our Nordic scale and local market adaptability, driving cost efficiency and digital development.

"We want to become the **leading relationship bank** in the Nordics."

Sara Mella
Head of Personal Banking

Achievements in 2021

- Increased customer satisfaction and reduced customer complaints
- Grew mortgage volumes by 6% and savings and investment income by 16%
- Reduced cost-to-income ratio by 3 percentage points
- Achieved 43% increase in share of customers expressing sustainability preference

Total income: EUR 3,638m
Costs: EUR -1,847m
Operating profit: EUR 1,775m
Cost-to-income ratio: 51%

2025 priorities

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

2025 targets

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

Business Banking

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

Business development

In 2021 we continued to grow lending and deposit volumes, which were up 6% and 11%, respectively, in local currencies, year on year.

More than 275,000 customers in Denmark, Finland and Sweden are now able to use Nordea Business, our new netbank for small and medium-sized enterprises (SMEs). The app version of the netbank continues to receive positive customer feedback.

To enhance the digital sales experience for SMEs, we released a new online store inside Nordea Business in the fourth quarter. The store will go live in the Nordea Business mobile app in 2022.

We continued to develop our Digital Dashboard solution for corporate customers, which supports them in cash planning. The platform currently has more than 70,000 users across the Nordics.

Our focus on sustainability continues. In the third quarter we introduced green corporate loans at reduced rates in Finland and Sweden in cooperation with the European Investment Fund. We have committed to issuing up to EUR 400m in such loans within the next three years. At the end of the fourth quarter sustainability-linked loans amounted to EUR 3.5bn, having more than doubled, year on year. In Norway, we launched the pilot of our green deposits solution, which enables larger corporate customers to invest their excess liquidity while helping to finance our green lending. We have now trained most of our employees in ESG areas with a view to becoming an even better business partner for our customers.

In November we entered into a partnership with leading European payment provider Worldline. Through this partnership, we aim to offer innovative e-commerce and online payment solutions to support customers' e-commerce ambitions, primarily in the SME segment.

Customer satisfaction was stable across all four home markets compared with 2020. We will continue our efforts to improve customer experience in Business Banking by providing personal and proactive customer service and further developing our digital solutions.

Results

Total income increased by 15%, year on year, driven by strong lending volume development and broad-based growth in net fee and commission income. Excluding the impact of Nordea Finance Equipment (NFE), which was consolidated in the results in the fourth quarter of 2020, total income increased by 10%.

Net interest income increased by 14%, year on year, mainly due to higher lending volumes. Lending volumes increased by 6% in local currencies, driven by strong growth in Norway and Sweden.

Net fee and commission income increased by 17%, year on year, driven by high equity and debt capital market activity, increased income from savings and investment products, higher lending fee income and higher payment and card fee income.

Net result from items at fair value increased by 14%, year on year, driven by higher income from foreign exchange products.

Total expenses increased by 5%, year on year, due to the consolidation of NFE and exchange rate effects. Adjusted for the impact of the NFE integration, total expenses increased by 1%.

Credit quality remained strong due to our well-diversified portfolio and limited exposure to vulnerable sectors. Net loan losses and similar net result amounted to net reversals of EUR 2m (0bp) and included a EUR 30m gain resulting from the revaluation of Nordea Kredit's mortgage portfolio.

Operating profit amounted to EUR 1,434m, a year-on-year increase of 72%. ROCAR increased from 9% to 16% for the full year, driven by lower loan losses and higher income.

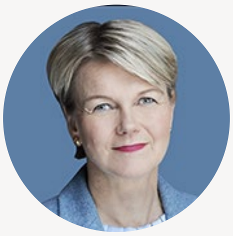
Strategic focus areas and value drivers

We aim to be the preferred bank for small and medium-sized enterprises in the Nordics.

Our strategy is to focus on our customer relationships, grow the business and accelerate the digital journey. We want our customers to feel valued by our advisers, who understand their business and can provide access to unique expertise across the bank. For daily banking needs, we will continue to develop digital solutions and self-service functionalities. This will improve customer experience and free up time for our advisers to meet more complex customer needs.

Improving data competence and increasing spent time with customers will enable us to be more proactive and carry out targeted customer acquisition and cross-selling to further grow the business.

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



"We want to **become the preferred bank** for small and medium-sized enterprises in the Nordics."

Nina Arkilahti
Head of Business Banking

Achievements in 2021

- Grew income by 15% by outpacing lending market growth in Norway and Sweden
- Improved cost-to-income ratio by 4 percentage points through strong income growth and strict cost control
- Rolled out new Nordic netbank to enable easier daily banking
- More than doubled green lending volumes to EUR 3.5bn

Total income: EUR 2,612m
Costs: EUR -1,180m
Operating profit: EUR 1,434m
Cost-to-income ratio: 45%
ROCAR: 16%

2025 priorities

- Deepen customer relationships and focus on profitability
- Accelerate growth in Sweden and Norway
- Be the leading digital SME bank and preferred sustainable partner

2025 targets

ROCAR ~16%
Cost-to-income ratio ~41%

Large Corporates & Institutions

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

Business development

In 2021 we continued to demonstrate the effectiveness of our business repositioning. We improved return on capital at risk (ROCAR) to 15% from 7% through higher income, lower loan losses and reduced capital.

We actively supported our customers while pursuing our strategy to focus on capital-light business selection. In the fourth quarter lending volumes remained stable, year on year, lending margins increased and Nordea-arranged corporate bond volumes increased by 20%, year to date.

Throughout the year we had very high levels of customer activity, especially in Investment Banking & Equities. In Debt Capital Markets this was reflected in all-time-high bond issuance volumes. We carried out more than 430 primary bond transactions for corporate and institutional issuers, supporting record-high revenues. In equity capital markets and mergers and acquisitions we had a busy year with even higher volumes than in the strong 2020 period, and continue to hold leading market positions across the Nordic region.

Significant transactions with our involvement included the initial public offerings of Aker Horizons and Kjell & Company, CVC's acquisition of STARK Group and Castellum's public offer for Kungsleden.

Markets had another strong year, with high levels of customer activity generating solid returns. Markets' results also reflected income growth driven by investment securities and our continued focus on operational efficiency.

Our sustainability focus increasingly permeates everything we do. In 2021 we again ranked first for Nordic sustainable bonds overall, where we held a 14% market share. Our commitment to sustainability-linked financing was reflected in an ever-growing number of structuring and coordination mandates entrusted to us by our clients.

We expanded our sustainability offering with cost-efficient structured products and integrated ESG ratings into our credit research. We also updated our Sector Guideline for the Fossil Fuel-based Industries with stricter requirements and continued to support large corporate customers in designing low carbon transition plans. To strengthen our staff's sustainability competencies we ran an extensive internal training programme throughout the year.

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

Awards for Excellence we were recognised as the Best Investment Bank in Denmark and Finland.

Results

Total income was up 12%, year on year. Net interest income increased by 6%, year on year. Lending volumes were stable due to our active business selection, focus on economic capital and repositioning of the business.

Net fee and commission income was up 15%, year on year, mainly driven by high capital markets activity.

Net result from items at fair value increased by 22% due to overall customer activity and a higher result from risk management, including valuation adjustments.

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

Net loan losses and similar net result amounted to EUR 15m (3bp), reflecting the strong underlying credit quality of our loan book. The total provisioning level now stands at approximately EUR 728m or 1.56% of LC&I lending.

Operating profit increased by 68%, year on year, to EUR 1,158m, mainly driven by higher income and lower loan losses.

Economic capital decreased by 3%, year on year, to EUR 5,877m, driven by strong capital discipline and a focus on more capital-light business.

ROCAR increased from 7% to 15%, exceeding our 2022 target of above 10%. The increase was driven by higher income, lower loan losses and lower capital.

Strategic focus areas and value drivers

In LC&I our aim is to create a leading large corporates and institutions business in the Nordics, enhancing our current return profile while positively contributing to society.

Our strategic direction is to target selective growth and investments, invest in capital-light growth in Investment Banking & Equities, selectively grow profitable corporate lending and fund financing, and invest in ESG sector advisory capabilities.

To further reduce our low-return assets, we are continually refining our customer strategies and focusing on business selection and product portfolio optimisation. In Markets we are redirecting the focus to the profitable core while continuing to reduce costs and capital through customer, product and geographical prioritisations.

We will continue to develop our sustainability strategy, ensure regulatory compliance and improve our offering to maintain our leading position within sustainable finance in the Nordics. We will also continue to support corporates in digitally managing their foreign currency flows by enhancing the functionality of our AutoFX service.

We are optimising our international footprint by preserving our presence where our core Nordic customers need it the most. Our operations have been terminated in Frankfurt, Russia and Singapore, and we will continue to streamline our London branch.

Moreover, our ambitious diversity and inclusion agenda, skills development, and new ways of working will be essential to our continued repositioning of the business.

"I'm truly proud to see that our clients continue to value our support. We will **build on the business momentum** in 2022."

Martin A Persson
Head of Large Corporates & Institutions

Achievements in 2021

- Maintained high customer activity and close dialogue under volatile market conditions
- Reduced economic capital by EUR 203m
- Maintained #1 league table positions for Nordic bonds
- Grew Nordic sustainable bonds by 50%

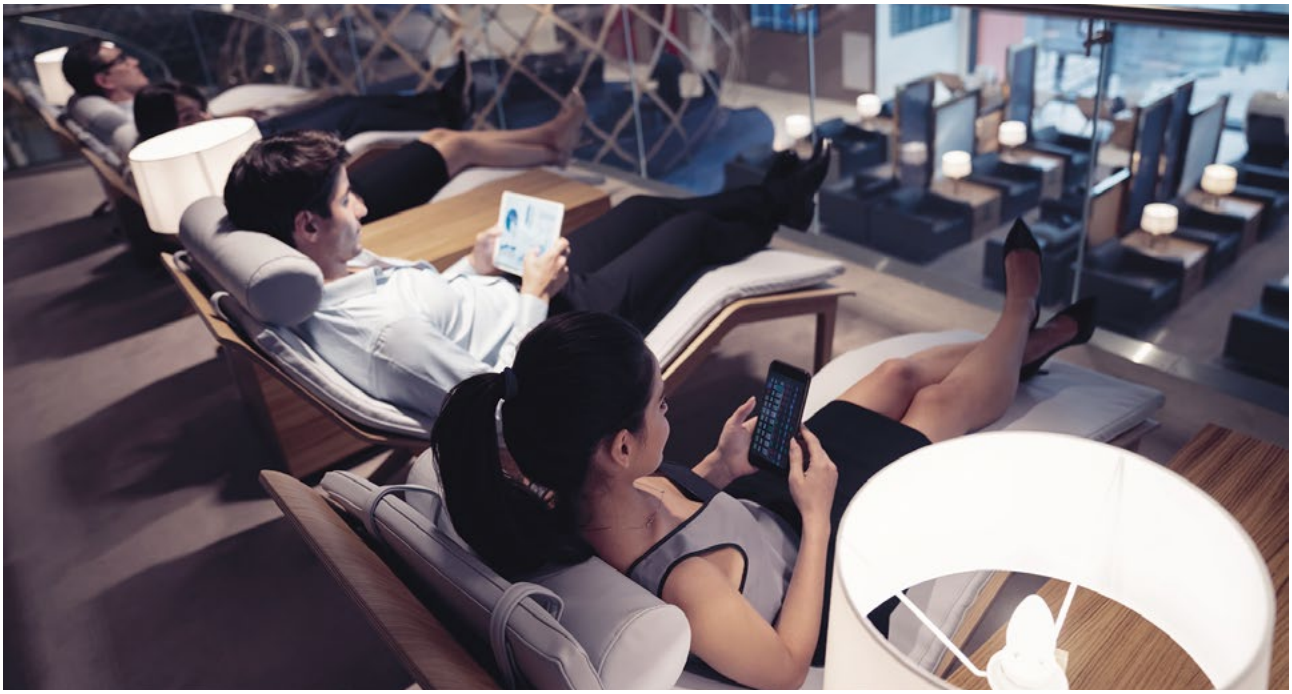
Total income: EUR 2,010m
Costs: EUR -837m
Operating profit: EUR 1,158m
Cost-to-income ratio: 42%
ROCAR: 15%

2025 priorities

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

2025 targets

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



Asset & Wealth Management

In Asset & Wealth Management we offer an extensive range of award-winning savings products and advice through internal and external distribution channels. We are the leading Nordic private bank, asset manager and life and pensions business, with global reach and a globally competitive sustainability offering.

Business development

In 2021 strong customer activity and acquisition in Private Banking contributed to a solid net flow development across the Nordic region. Private Banking customer satisfaction remained high in all markets, and in November 2021 we were recognised as the Best Private Bank in Denmark, Finland, Norway and Sweden by Global Finance.

We continued to develop our omnichannel model, combining high-quality digital and in-person services. Digital fund purchases were up 13%, year on year, and 20% of all fund purchases in Private Banking were made digitally, demonstrating the quality of our digital channels.

In 2021 56% of our Private Banking clients stated a preference for their portfolios to be focused on our sustainability offering, an increase of 2.7 percentage points compared with 2020. In response, we continued to expand our Sustainable Choice offerings, provide sustainable investment publications and develop webinars and training on sustainable finance topics.

In Asset Management we were selected for increasing numbers of mandates and funds by Nordic and international institutional clients and third-party fund distributors, particularly within European low-duration covered bonds, liquid alternatives and active ESG strategies.

Investor demand for private market products remained high and we closed the first fund with our joint venture partner Trill Impact with EUR 0.9bn in committed capital.

In the third quarter we launched our Global Climate and Social Impact Fund, giving clients the opportunity to get attractive returns while helping to fund solutions to the world's most pressing social problems. The new fund complements the Nordea 1 – Global Climate & Environment Fund, which is one of the largest Article 9 funds in Europe. The latter have the strictest sustainability requirements according to the European Union's Sustainable Finance Disclosure Regulation (SFDR).

We implemented the first part of the SFDR and by the end of 2021 categorised around 67% of assets under management (AuM) as having enhanced ESG characteristics. In the Fund Brand 50 annual survey of European third-party asset managers we ranked #4 for sustainability, confirming the industry's high regard for our approach.

In order to be closer to clients in the Asia-Pacific region and better understand how companies are embracing sustainability there, we have decided to build an ESG hub in Singapore.

In Life & Pension we continued to grow business volumes, drawing on new digital capabilities, an enhanced product offering and strong customer relationships. We remain focused on becoming the leading bancassurer in each of our home markets.

In 2021 our customers entrusted us with record-high AuM, which exceeded EUR 400bn during the year. End-of-year AuM stood at EUR 411bn, an annual increase of EUR 60bn. Customer investment appetite was strong and investment markets continued to recover from the 2020 downturn caused by the COVID-19 pandemic.

Overall, 2021 was characterised by very high investment performance and a very strong flow of new investments.

Results

Total income amounted to EUR 1,251m, up 25%, year on year, mainly driven by higher AuM. Net interest income was EUR 77m, up 13%, year on year, mainly driven by an 18% increase in lending volumes in Private Banking.

Net fee and commission income was EUR 1,045m, up 27%, year on year. The increase reflected the growth in AuM, which was driven by net flows, very strong investment performance and market development.

Net result from items at fair value was EUR 125m, a year-on-year increase of 20%, due to the sale of Nordea's stake in FundConnect A/S and a higher risk result in Life & Pension.

Total expenses increased by 3%, year on year, mainly due to higher provisions for variable pay related to business performance.

Net loan losses and similar net result amounted to EUR 0m, compared with EUR 3m in 2020.

Operating profit was EUR 715m, up 49%, year on year. The cost-to-income ratio was 43%, 9 percentage points lower than in 2020. Return on capital at risk was 31%, compared with 27% last year.

Strategic focus areas and value drivers

In Asset & Wealth Management our aim is to be acknowledged as the leading Nordic private bank, European asset manager and Nordic life and pensions business. As an asset manager, we are aiming for global reach and a globally competitive sustainability offering.

We have a clear growth strategy and plan for improved productivity, which involve leveraging our strong product and distribution platform to drive growth and positive net flows.

We focus on prudent resource management and prioritisation by balancing new investments with efficiency gains and allocating resources to where the most value is created.

"We are in a champions league when it comes to **sustainable investments**."

Snorre Storset
Head of Asset & Wealth Management

Achievements in 2021

- Reduced cost-to-income ratio by 9 percentage points to 43%
- Expanded geographical footprint
- Delivered top-quartile investment performance
- Further developed omnichannel model
- Grew AuM in ESG investment products by EUR 34bn

Total income: EUR 1,251m
Costs: EUR -536m
AuM: EUR 411bn
Net flows: EUR 14.3bn
Operating profit: EUR 715m
Cost-to-income ratio: 43%
ROCAR: 31%

2025 priorities

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

2025 targets

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

Custom-made solution meets **entrepreneur's complex needs**

Jesper Melin Ganc-Petersen is a Danish doctor and entrepreneur with a strong passion for the MedTech sector. He has founded two successful startups, Convene (formerly known as Melin Medical) and Patientsky – which was listed on the Euronext Growth Stock Exchange in November 2020. Jesper lives with his family at Sandane in Gloppen, Norway. He says "I have chosen Nordea as my primary bank because of their proactive customer treatment combined with attractive financial solutions".

Nordea has been on his side since early 2021, providing personal, expert advice to assist him with his complex financial affairs. "Nordea has supported me in making my banking experience as seamless as possible. In addition to this, the private banking team custom-made an investment programme to take care of both my private savings and the capital in my investment company, Codee Holding," he says.

Jesper Melin Ganc-Petersen
Doctor and entrepreneur

Sustainable banking

For us at Nordea, sustainable banking is about inspiring and enabling our customers to make sustainable choices and contributing to societal goals through climate action, social impact and strong governance – and by reducing the impact of our internal operations. We have made sustainability an integrated part of our business strategy and introduced measurable long-term objectives and medium-term targets to help drive a greener and more sustainable future.

Sustainability is part of our business strategy

In 2021 we launched a new long-term plan to fully integrate sustainability into our business strategy. Our work rests on four strategic pillars: financial strength, climate action, social responsibility, and governance and culture. The pillars draw on the United Nations' Sustainable Development Goals (SDGs) – 12 of which we consider to be particularly significant for us – and the Paris Agreement.

Under each pillar, we are focusing on relevant SDGs and sustainability topics that impact us or that we can have a significant impact on – by reducing the negative impact or increasing the positive impact of our business activities and internal operations.

For the pillar climate action, we have set 2030 and 2050 objectives and medium-term targets. For the other three pillars, we have set medium-term targets. The targets and objectives were approved by the Group Leadership Team in November 2020 and by the Board in December 2020.

This year, we revised and further strengthened our targets and the Board decided to include environmental, social and governance (ESG) targets in executive remuneration programmes. We also revised and strengthened our sustainability governance model so as to be able to execute our strategic sustainability agenda as effectively as possible.

Our sustainable banking work and four strategic pillars are presented on the coming pages. Targets, supplementary information and data related to the disclosures are presented in Note S1 "Financial strength", Note S2 "Climate action", Note S3 "Social responsibility", and Note S4 "Governance and culture". More information on the SDGs is presented in Note S6 "Materiality and impact analysis".

Supporting our customers in the transition

Over the past couple of years we have seen a significant increase in the uptake of our sustainability offering, accelerated by customer demand and the growing strength of our product range and guidance.

With our long and solid experience with sustainability-linked lending, ESG investment products and active ownership, we are well placed to accelerate our customers' transition to a greener future. Within all of these areas we aspire to be a leading voice.

As a relationship bank, our overall strategy is to engage with our customers and support their transition in close dialogue with them. Where customers are not able or willing to transition, we need to reduce our engagement and exposure.

Sustainability offering: 2021 developments

In 2021 we further developed and expanded our sustainability offering in each of our four business areas.

In Personal Banking we provided 2,300 advisers across the Nordics with dedicated training in sustainability areas, enabling them to support customers with the best possible advice in relation to sustainability-themed savings. We also released a new loan product in Sweden for sustainable house renovation.

In Business Banking we launched green loans at reduced rates for small and medium-sized enterprises in Finland and Sweden in collaboration with the European Investment Fund. In Norway, we began piloting our green deposits solution, which gives larger customers the opportunity to invest their excess liquidity while helping to finance our green lending.

In Large Corporates & Institutions we engaged with customers on sustainability-linked financing and supported large corporates in designing low carbon transition plans. We also launched our first green securities finance loan for corporate customers.

In Asset & Wealth Management we introduced several new sustainability-themed products, including our Global Climate and Social Impact Fund, which offers customers the opportunity to get attractive returns while helping to fund solutions to the world's most pressing social problems.

For more details on our sustainability offering, see Note S5 "Sustainability offering".

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

Financial strength

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

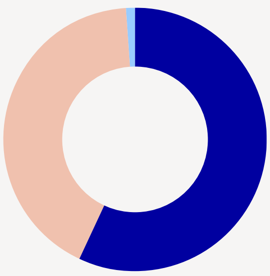
A strong and personal financial partner

We can only succeed in being a strong financial partner and helping our customers transition to a resilient and low-carbon economy if we have a strong balance sheet and liquidity position.

In order to maintain our financial strength and achieve our ambitions, we must understand and manage risks, including those related to ESG areas. Managing our exposure to these risks is a natural part of our daily operations and often requires us to take a long-term perspective.

We take into account ESG issues that could affect us in both the short and longer term, directly or indirectly. These issues may relate to financial exposures, the operations of our customers and investee companies, internal operations, or functions supporting our internal operations, for example outsourcing.

Lending portfolio[1]



Households, 57%
Corporates, 42%
Public sector, 1%

1) For reference, see the table "Loans measured at amortised cost and fair value to the public" in Note G2 "Risk and liquidity management".

ESG-related risk strategy and management

The European Central Bank (ECB) has described climate-related risks as a key risk driver within the euro area banking system and expects financial institutions to take a strategic, forward-looking and comprehensive approach to managing them. ECB Banking Supervision has developed a guide on the safe and prudent management of these risks under the current prudential framework.

We are well prepared to meet the ECB expectations. In tandem with our overall strategic sustainability agenda, we are developing a comprehensive approach to identifying, assessing, responding to and disclosing ESG-related risks in line with supervisory and regulatory requirements.

Managing ESG-related risks in our financing

We have a well-diversified lending portfolio, evenly split between corporate and household customers.

For corporate borrowers, we have processes in place to identify and evaluate ESG-related risks, and continue to develop these to ensure we make informed decisions. We perform different types of ESG assessments depending on the size and type of the transaction and the customer's internal segmentation. We integrate identified ESG-related risks into the credit risk assessment if material, and conclude on the customer's risk level in a credit memorandum. Approvals are made according to the established credit decision-making process. For customers associated with a high level of ESG-related risk, decisions are escalated to higher-level credit committees as relevant.

In the household sector the main ESG-related risks are within mortgage lending, where energy efficiency and physical hazard risks are our focus areas. We are preparing to embed these risk elements into our mortgage process.

Integrating climate-related risk into investment decisions

We recognise climate-related risks as a material risk category for our assets under management (AuM).

In 2021 we continued the work to further develop and enhance our capabilities to integrate climate-related risks and other financial and ESG-related risks and opportunities into our investment processes and thereby enhance risk-adjusted returns.

We assess material climate-related risks and opportunities across asset classes using a range of models and datasets. For listed equity and corporate bond exposures, we use the MSCI Climate Value-at-Risk model to assess transition risks and physical risks under different climate scenarios. Climate risk metrics are integrated into the risk reporting of both Nordea Asset Management (NAM) and Nordea Life & Pension (NLP).

Climate action

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

Our climate action agenda

The central aim of the Paris Agreement is to limit the rise in the mean global temperature to well below 2°C, preferably to 1.5°C, above pre-industrial levels. To achieve this aim, carbon emissions must be halved by 2030 and on a path to net zero by 2050 at the latest.

As a financial institution, we are an important part of this transition. It is primarily through our business – which represents the majority of our total carbon emissions – that we can make the most impact.

Through our financing, we are exposed to several climate-vulnerable sectors and have prioritised our work depending on the level of financed emissions and climate risk associated with each. On the investment side, we are challenging the same sectors, through our investment policies and strategies, to transition towards net-zero emissions.

Our business objectives are to achieve net-zero emissions by 2050 at the latest and, by 2030, to reduce the carbon emissions across our lending and investment portfolios by 40–50% relative to our 2019 baseline.

Although our greatest impact on the climate is through financing and investments, we also work to reduce the climate impact of our internal operations. We have a long-term objective to reduce carbon emissions from internal operations by more than 50% by 2030 and by 30% by 2023, compared with 2019.

Towards net-zero emissions

To support our commitment to climate action, we are a co-founder and signatory to several UN-convened climate initiatives requiring concrete and timebound actions to align lending and investment portfolios with the objectives of the Paris Agreement.

For a full list of our external commitments and collaborations, see nordea.com/sustainability.

Measuring our financed emissions

To support our target-setting and deliver on our long-term objectives, we joined the PCAF – the Partnership for Carbon Accounting Financials – in December 2020 and have expanded our carbon accounting to cover our financed emissions. This year, we disclosed financed emissions for business loans for oil and gas exploration and production, business loans to the shipping sector, and investments in listed equity and real estate. We also disclosed the carbon footprint for investments in listed equity, corporate bonds and real estate.

While improvements in data quality are dependent on broader data enhancements – by our customers, stakeholders and regulators – in line with the European sustainable finance agenda, our efforts to measure our financed emissions continue. In 2021 we increased our data procurement and own sourcing of client-level data. Furthermore, we developed a climate risk assessment tool in order to assess transition risks and, from 2022, physical risks for our corporate customers in climate-vulnerable sectors.

Lending portfolio

In 2021 we became a signatory to the newly launched Net-Zero Banking Alliance (NZBA) and were a signatory to the Collective Commitment to Climate Action (CCCA). Through our involvement in these initiatives, we have co-developed guidelines supporting a harmonised approach to climate target-setting among CCCA and NZBA members.

We have already started to adopt the guidelines for climate-vulnerable sectors, with a 2021–24 time frame, as an integral part of our Group ESG implementation programme. As a first step, we have prioritised sectors according to the level of financed emissions and climate risk associated with each. We have also updated our business environment scan, covering the most relevant climate policy frameworks and sector decarbonisation roadmaps in the Nordic region at a more granular level.

We have identified the following sectors as potentially vulnerable to transition risk and therefore requiring deep dive assessments: oil, gas and offshore; shipping; mining and supporting activities; utilities distribution and waste management; power production; materials; paper and forest products; animal husbandry; fishing and aquaculture; crops plantation and hunting; air transportation; land transportation; capital goods; construction; and real estate management.

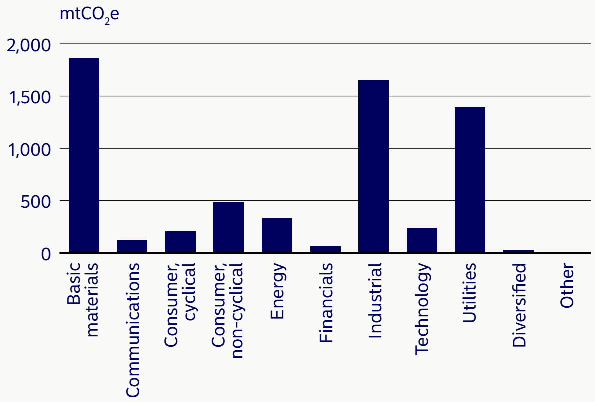
Deep dives for three initial sector portfolios – oil, gas and offshore; shipping; and mining and supporting activities – were conducted in 2021. The deep dives involved quantifying financed emissions and assessing customers' alignment with the anticipated greenhouse gas emissions reduction pathway required to fulfil our sustainability targets and objectives. The aim was to identify climate-related transition risks and opportunities in these sectors in preparation for setting sector targets in the coming years. The definitions of these sectors are as applied in our credit risk appetite framework. The total exposure to the three sectors amounted to EUR 6,775m or 5% of total corporate loans at the end of 2021.

Investment portfolio

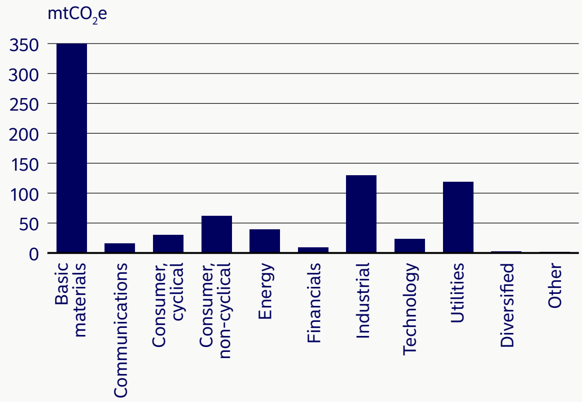
On the investment side, we participate in climate-related joint efforts through the Net-Zero Asset Manager Initiative and the Net-Zero Asset Owner Alliance, to which NAM and NLP are a co-founder and signatory, respectively. During 2021 we set targets to reduce the carbon footprint from NAM's and NLP's portfolios.

So far on our journey towards meeting our 2030 objectives and achieving net-zero emissions by 2050, indicative figures show that we have managed to reduce our carbon footprint for listed equities by 18% in NAM and reduce our carbon footprint for listed equities, corporate bonds and real estate in NLP by 25.9% compared

Nordea Asset Management



Nordea Life & Pension



The bar charts show financed emissions in listed equity for different sectors, including investees' scope 1 and 2 emissions (see details in Note S2 "Climate action").

with 2019. We reduced the total weighted average carbon intensity for assets managed by NAM by 15% and for NLP-managed assets by 18.8% between the end of 2019 and the end of 2021.

Supporting and challenging sector responsibility

We have described our commitments regarding climate change in our Position Statement on Climate Change. The Statement explains our stance towards sectors such as thermal coal, coal mining and oil sand extraction.

We also have guidelines addressing the climate issue and our position in relation to other sectors, including agriculture, forestry, fossil fuels, mining and real estate. With these guidelines, we aim to support and challenge customers to take responsibility and make the transition needed to fulfil the objectives of the Paris Agreement.

In 2021 we updated our Sector Guideline for the Fossil Fuel-based Industries. We have implemented several exclusions and established phase-out policies for companies using thermal coal for power production or mining; companies active in the area of unconventional oil and gas extraction, including pipeline infrastructure; and companies active in the most sensitive areas of the Arctic region. Our Sector Guideline for the Fossil Fuel-based Industries can be found at nordea.com/sustainability, together with all our other position statements and sector guidelines.

Being a responsible investor

On the investment side, we are committed to integrating ESG factors into our analysis, decision-making processes and active ownership practices.

All NAM funds are managed according to NAM's Responsible Investment Policy. In 2021 we expanded the scope of NAM's fossil fuel policy to include even more of our funds. The policy requires fossil fuel companies to demonstrate that they have a decarbonisation strategy consistent with global warming of 2°C or lower to be eligible for inclusion. Currently, 66% of our funds, expressed as a share of AuM, are subject to the policy.

Our engagement with investee companies includes proxy voting in line with our in-house ownership policy. We exercise our right to influence the companies in which our funds have invested capital through voting at shareholders' annual general meetings (AGMs). As an example, a shareholder resolution for ExxonMobil to describe how its lobbying activities were aligned with the Paris Agreement, which was co-filed by NAM, received majority support at the company's AGM in May 2021. In 2021 we voted at around 4,200 general meetings and achieved a voting frequency of over 95% for our holdings. We show how we have voted in our voting portal at nordea.com.

We also engage directly with companies in portfolios managed on behalf of customers, especially where we identify a need for them to improve their management of ESG-related risks. In 2021 we engaged in 917 dialogues to ensure that the companies in question were adequately managing material ESG-related risks or taking full advantage of ESG opportunities.

In 2021 we strengthened NLP's governance and policy framework for ESG areas and climate change and issued a new Responsible Investment Policy and new Climate Change Policy. We also communicated our requirement for all asset managers managing assets on behalf of NLP to commit, no later than 2024, to transition their AuM to net zero by 2050 in order to continue managing assets on behalf of NLP. By the end of 2021 28% of all asset managers in scope had committed.

Our internal carbon footprint

Our work to reduce the climate impact from our internal operations stems from the precautionary principle. So far on our journey towards meeting our carbon reduction targets we have managed to reduce carbon emissions from our internal operations by 73% compared with our 2019 baseline. The reduction was mainly due to our travel policy, employees working from home in response to the COVID-19 pandemic and reduced heating and cooling emissions. After the COVID-19 restrictions are lifted we expect the emissions to increase in some areas but believe we are on track towards achieving a 30% reduction by 2023 and a 50% reduction by 2030.

Despite our best efforts to limit our internal carbon footprint, some emissions still remain difficult to reduce. For these, we purchase carbon offsets to reduce equivalent emissions elsewhere. We supported the generation of renewable energy through the purchase of carbon credits for 2021. We will continue to fully offset residual emissions from our internal operations. Going forward, we will shift to a long-term carbon removal portfolio, which we will periodically review to align with evolving best practices for achieving net-zero emissions.

Climate impact in our supply chain

To successfully reduce our climate impact, we also actively work with our suppliers, as an important part of our emissions occur upstream in our supply chain. Climate action is therefore a strategic focus area when it comes to our sourcing practices.

In 2021 we took several actions to further embed climate action into our supplier selection process. We are now screening all suppliers on carbon intensity, enabling us to engage early on to ensure our key suppliers are on a trajectory towards decarbonisation. In addition, we are integrating sustainability criteria into the business case and supplier selection process for selected supplier categories.

To ensure that our procurement contributes to fulfilling the objectives of the Paris Agreement, our efforts to include climate issues in our sourcing process will continue in 2022.

Unique offering supports energy giant in powering green transition

Ørsted is a globally leading renewable energy developer whose vision is to create a world that runs entirely on green energy. The company develops, constructs and operates offshore and onshore wind farms, energy storage facilities and bioenergy plants, and provides energy products.

"Our partnership with Nordea started many years ago, even before we were a listed company," says Mads Nipper, CEO of Ørsted. "Nordea stands out by contributing global excellence and local relevance, and offering unique value through a unified team."

Over the past decade Ørsted has transitioned from a traditional utility business model to a sustainable one and is now among the world's most successful deployers of capital for the green transformation of society.

"We've been on this journey together, with equally high ambitions," explains Ørsted's CEO. "Nordea has enabled us to continue our green investments by coordinating and facilitating a green finance framework and a sustainability-linked revolving credit facility of EUR 2bn. We have a strong foundation and relation of trust."

Mads Nipper
CEO, Ørsted

Social responsibility

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

Integrating social issues into our business

For us, social responsibility is about taking sustainability issues such as human rights, labour rights, employment, gender equality and education into consideration in everything we do. This is instrumental to ensuring the long-term sustainability of our operations, fulfilling our purpose to contribute to a greater good, and protecting our customer relationships.

We take opportunities to increase our customers' awareness regarding social impact through our advice and offerings. For example, our recently launched Global Climate and Social Impact Fund directly invests in companies that provide solutions to both social and environmental issues.

Moreover, we address human rights, labour rights and other ESG issues in a range of due diligence processes – including investing, financing, transactions and sourcing.

We include human rights in the norm-based screening of all our funds and as at December 2021 had ten companies on our exclusion list due to violations of human rights-related norms, including violations of the rights of indigenous peoples. In the event that we identify human rights violations for a customer, we will take action to review their credit assessment. We consider human rights when monitoring customer transactions for a wide range of behaviours that could be indicative of potential financial crime risk. We also integrate human rights risks into our supplier screening and monitoring processes, where we evaluate indicators such as the risk of child labour, the risk of modern slavery, the right to freedom of association, and the decency of working conditions.

Societal contributions

Social responsibility is also about supporting the societies in which we operate. In 2021 we partnered with Pride in several countries and signed the European Diversity Charter. We also celebrated European Diversity Month in May, with daily local and Group-wide activities aimed at raising awareness and encouraging discussion.

Community engagement at Nordea is about creating positive change through our employees too. Through well over 20 programmes and partnerships, we focus on building financial skills and fostering entrepreneurship, thus enabling our banking and financial expertise to have a positive impact on society. With most of our activities based on face-to-face interaction, varying degrees of lockdown impacted our efforts in 2021. Despite this, close to 1,100 Nordea employees delivered 6,500 hours of volunteering in 2021, which is in line with the 2020 level and at around 25% of the 2019 level.

Our people

Our ability to grow sustainably depends on the people we attract, retain and develop, and the extent to which we provide an inclusive environment.

Diversity makes us better

We have a broad definition of diversity and aim to attract and retain people with a variety of backgrounds, experience and traits. In 2021 we developed a new strategy, including targets, to strengthen diversity and inclusion further. All business areas and Group functions have established action plans with respect to their own business, focusing on inclusive recruitment practices, inclusive leadership training and stronger external diversity commitment.

Our Group-level Diversity & Inclusion (D&I) Committee has been essential in developing our D&I ambitions and plays a key role in reinforcing the importance of D&I within Nordea. The Committee ensures the requisite anchoring among senior leadership, business areas, Group functions and workplaces. Furthermore, our Employee Resource Groups – voluntary, employee-led groups – support increasingly diverse perspectives and further foster inclusive workplaces.

Children's rights
We ensure they are secured

Children's rights form part of our focus on human rights and we have systems and processes in place to ensure they are secured in our internal operations. In 2021 we continued to be involved in the Financial Coalition against Commercial Sexual Exploitation of Children, which works to stop payments for child sexual abuse material online.

Our diversity with ...

~ **29,000 employees** from all over the world

representing **96 citizen-ships**

speaking more than **50 languages**

spanning more than **four generations**

... **is a strength** when serving our customers.

Gender balance

We strive for gender balance in all parts of the organisation, including at the total workforce level and at each leadership level. In all cases, no gender should be represented by less than 40% of employees.

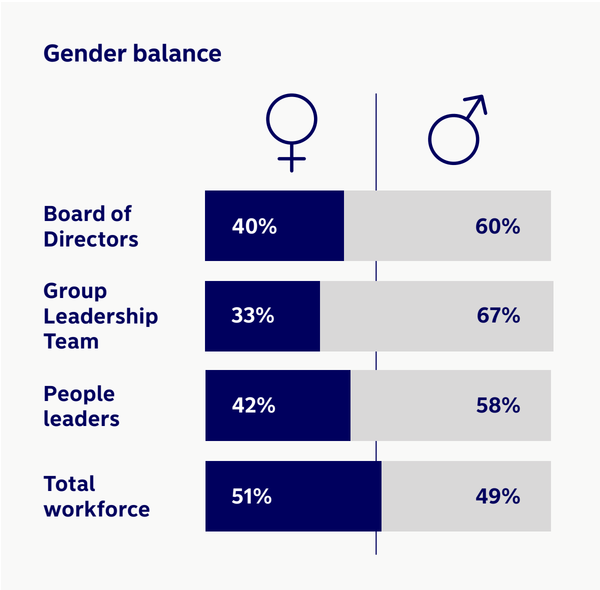
In 2021 we maintained the gender balance among our total workforce and people leaders. To improve the gender balance at all levels of the organisation, including the senior leadership level, we are focusing on succession pipelines and people reviews.

An equal, safe and inclusive workplace

We are committed to ensuring equality as a fundamental human right. This means that we work to ensure equal opportunities for all our people and offer a safe and inclusive workplace.

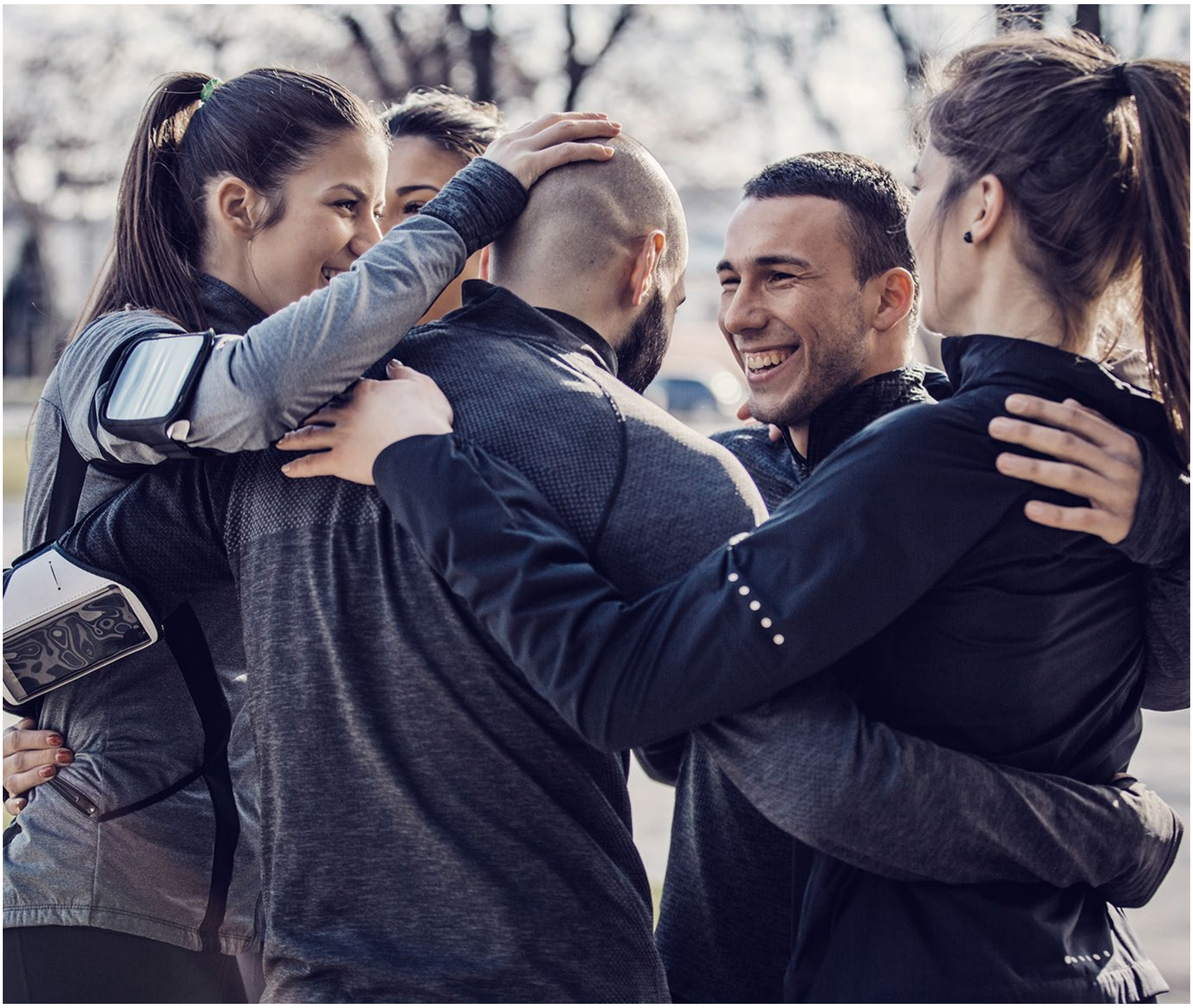
We measure our people's perception of equal opportunities at Nordea on a quarterly basis through our employee engagement survey, the People Pulse. In 2021 respondents returned an average index score of 92, indicating that they felt they had been treated fairly regardless of gender, gender identity, age, ethnicity, sexual orientation, religious affiliation, (dis)ability, etc.

We aim to be a safe and inclusive workplace, promoting equality and condemning all forms of discrimination, harassment, bullying or victimisation. We have a zero-tolerance approach and firm processes to handle cases, as well as tools to actively prevent such behaviours.



Hybrid working for increased flexibility

We believe in bringing our people together. At the same time, we treasure flexibility. Having learnt during the pandemic that many teams enjoy a mix of working together in the office and from home – and also consider it good for performance, sense of belonging and engagement – we have now introduced a hybrid working model, supporting up to two days of remote working per week.



Governance and culture

Strong sustainability governance gives us the clarity and speed to execute our strategic sustainability agenda for a greater good.

Purpose and values

Our Code of Conduct defines the high-level principles that guide our business, how we treat our customers and the conduct expected from our employees. It contains our purpose and values, which are at the core of everything we do at Nordea. They define our behaviour and help us make the right decisions. Our purpose is to enable dreams and aspirations for a greater good. Our values – collaboration, ownership, passion and courage – are a clear expression of the culture we want to build.

Solid sustainability governance

The successful integration of sustainability and ESG factors into our business strategy and risk management, respectively, requires application across the entire Group and the development of a culture where the mindset is one of long-term sustainability and value creation. This entails investing in building competence and capabilities and ensuring that sustainability considerations are reflected in our remuneration structures, performance management and leadership communication.

To be able to execute our strategic sustainability agenda as effectively as possible we changed our sustainability governance structure in 2021. We appointed a Group Accountable Executive for ESG risks and established a new executive-level Group-wide committee – the Sustainability and Ethics Committee. We also assigned the different Board committees greater responsibility in relation to sustainability and ESG oversight.

Joining forces for the common good

Financial crime such as money laundering and terrorist financing is a serious issue for society, and increased cooperation between banks and authorities is needed to combat it. We are one of six founding banks of the joint venture Invidem, which is now rolling out a Nordic platform for know your customer (KYC) data. Establishing such a platform for handling KYC information, with standardised processes and datasets, means we can trust and use the information as a foundation for our own risk assessments, while also offering a better customer experience.

Compliance is fundamental to our corporate culture

Being compliant means conducting business in accordance with financial laws; regulations; market standards; rules of conduct; data protection laws and other customer protection-related regulations relevant to our licensed activities; and supervisory requirements and related internal rules – while always respecting the principles of integrity and fair dealing.

We fully recognise the threat that societies face from human trafficking, terrorism, corruption, drug smuggling, tax evasion and other forms of illegal activity and do our best to ensure that our resources, products and services are not used to facilitate financial crime.

Tracking down and stopping the flow of money from these activities is a key way to disrupt the criminals involved. Therefore, as a financial institution, we are uniquely positioned to be part of the solution. We commit to complying with the laws and regulations relevant to anti-money laundering, counter terrorist financing, sanctions, and antibribery and corruption in the jurisdictions in which we operate.

For detailed information on compliance risks, see Note G2 "Risk and liquidity management".

Paying taxes responsibly

Taxes play an important role in society's ability to fulfil its goals, including the SDGs and the Paris Agreement, by helping to finance public services in areas such as healthcare, infrastructure, social security, education, the judiciary, emergency services and defence.

Our policy is to pay taxes in accordance with local regulations in all countries in which we operate and thereby make an appropriate contribution to each society. We manage tax expenses and risks prudently and aim to maintain a good local tax reputation by paying and reporting taxes in a timely manner.

As part of our advice and product information, we provide our customers with general information about the tax consequences of their decisions. To guide us in advising customers on tax matters, we have – in addition to our own tax policy – a tax policy regarding customers.

Sustainable procurement

Our supply chain is an important part of our footprint, and we expect our suppliers to actively contribute to the sustainability agenda. We spend around EUR 2bn annually on suppliers and sustainability within the supply chain is largely dependent on their actions and maturity.

We set appropriate standards and outline expectations in our Supplier Code of Conduct, which is included in our supplier agreements. The Supplier Code of Conduct is aligned with the Nordea Code of Conduct and the UN Global Compact. We expect our suppliers not only to abide by the laws and regulations of the countries in which they operate, but also to display behaviours which go beyond compliance requirements.

Being a **responsible buyer**

The COVID-19 pandemic had a large impact in 2021, causing many companies, including our smaller suppliers, to struggle with difficult financial situations and liquidity shortages. We therefore upheld our decision, made in April 2020, to disregard our regular contractual payment terms and pay invoices as soon as they were registered and approved in our central payment system. This meant that invoices were paid on average 17 days prior to the due date.

Board of **Directors' report**

Contents

Key events of the year

Selection of key events 2021

February

Q4 and full year results 2020: Growing customer business volumes in all countries. Strong credit quality with low loan losses. Capital position among best in Europe.

S&P upgrades Nordea's credit outlook and confirms Nordea's AA rating due to improved profitability and strong business momentum.

March

Sustainability strategy implemented: Nordea sets target to become a net-zero emissions bank by 2050 and outlines 2023 targets.

Annual Report, Sustainability Report and **Remuneration Report for Governing Bodies** published.

European Investment Fund (EIF): Nordea introduces guaranteed lending solutions to SMEs with the EIF.

Annual General Meeting 2021: The AGM authorises the Board to decide on a dividend payment of a maximum of EUR 0.72. In addition, the AGM approves the proposal for increased share buy-backs.

April

Q1 results 2021: Growing business volumes and customer satisfaction across the Nordics. Profitability improving. Continued capital build – dividend plan confirmed.

May

Nordea Life & Pension: All asset managers to have a net-zero target.

July

Q2 results 2021: Strong result and high income growth. Cost-to-income ratio and profitability improving.

EBA stress test confirms Nordea's resilient capital position.

Fitch upgrades Nordea's credit outlook and confirmed Nordea's AA rating following strengthened financial performance and continued strong credit quality.

September

Nordea Bank joins the EURO STOXX indices, including the **EURO STOXX Banks index.**

October

Q3 results 2021: Cost efficiency and RoE improving.

Dividend distribution of a total of EUR 2.9bn to shareholders, including more than 500,000 private individuals and several pension funds across the Nordics.

Started share buy-backs to reduce excess capital.

Nordea joins the Net-Zero Banking Alliance.

November

Loan programme by **European Guarantee Fund:** Nordea helps small businesses get back on growth track.

December

Nordea invites investors and analysts to a **Capital Markets Day** in February 2022.

Key achievements 2021

CET1 ratio	Operating profit	RoE	C/I
17%	EUR 4.9bn	11.2%	48%

Outlook*

Financial target for 2025

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

Financial outlook for 2022

- a return on equity of above 11%.
- a cost-to-income ratio of 49–50%.

Capital policy

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

Dividend policy

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

* Outlook as of 3 February 2022.

Financial review 2021

Key figures and ratios 2021

Group results and key ratios 2021

EURm	2021	2020	Chg %
Net interest income	4,925	4,515	9%
Net fee and commission income	3,495	2,959	18%
Net fair value result	1,119	900	24%
Other income	81	92	-12%
Total operating income	**9,620**	**8,466**	**14%**
Total operating expenses excluding resolution fees	-4,425	-4,441	0%
Total operating expenses	-4,649	-4,643	0%
Profit before loan losses	**4,971**	**3,823**	**30%**
Net loan losses and similar net result[1]	-35	-860	
Operating profit	**4,936**	**2,936**	**67%**
Cost-to-income ratio, %	48	55	
Return on equity, %	11.2	7.1	
Diluted earnings per share, EUR	0.95	0.55	
Return on assets, %	0.7	0.4	
Equity ratio, %	5.9	6.1	

1) Includes fair value adjustments to loans held at fair value in Nordea Kredit

Results summary 2021

Total operating income in 2021 was up 14% compared with 2020. Total expenses were unchanged at EUR 4,649m, in line with guidance. Net loan losses decreased from last year to a level of 1bp (35bp in 2020). Operating profit was up 67%.

Income

Net interest income

Net interest income increased by 9%. The main drivers were increased SME and mortgage lending volumes, as well as improved lending margins in Large Corporates & Institutions. Nordea Finance Equipment (NFE) also contributed positively, as did exchange rate effects, which had a positive impact of approximately EUR 142m.

Lending volumes

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

Deposit volumes

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

Net fee and commission income

Net fee and commission income increased by 18%. The main driver was growth in net income from savings and investments following AuM growth as well as high customer activity.

Payment and card fee income also contributed positively, having increased from the subdued levels seen during most parts of 2020. Lending-related fees were also up compared with 2020.

Net result from items at fair value

Net result from items at fair value increased by 24%, mainly driven by strong customer activity and also supported by higher investment valuations in Treasury. This was partly offset by a lower Markets result.

Equity method and other operating income

Income from companies accounted for under the equity method was EUR -6m, down from EUR -1m. Other operating income was EUR 87m, down from EUR 93m.

Expenses

Total operating expenses were unchanged compared with 2020. Costs were in line with earlier communicated levels. Staff costs were also unchanged. Other expenses were down 5%. Depreciation was up 10%.

Staff costs and FTEs

Staff costs, significant agreements with key management personnel and the distribution by number of employees, by country and by gender are disclosed in Note G8. More information is presented in "Our people" on page 324.

Profit sharing and share-based incentive systems

The goals for the Profit Sharing Plan 2021 are: return on equity, cost-to-income ratio and customer satisfaction. If performance goals are fully met, the cost will amount to approximately EUR 69m (EUR 63m in 2020). The provision for Nordea's Profit Sharing Plan 2021 was EUR 62.1m compared with EUR 32.4m in 2020. The Profit Sharing Plan and the share-based incentive systems as well as other remuneration principles are presented in the chapter "Remuneration" on pages 83–87 and in Note G8.

Net loan losses and similar net result

Net loan losses for 2021 were low at EUR 118m (EUR 908m), corresponding to an annual net loan loss ratio of 4bp for amortised cost. Including fair value gains on the Danish mortgage portfolio of EUR 83m, they amounted to EUR 35m, corresponding to 1bp (26bp). The net loan losses were related to stage 3, whereas there were reversals in stages 1 and 2 during the year reflecting strong credit quality. The individual provisions were coming from a number of industries with some concentration in Oil, gas and offshore as well as Retail trade. EUR 40m of the management judgement was released during the year to cover a few individual provisions as well as improvements made to the IFRS 9 ECL model. The main part of the management judgement reserve of EUR 610m remains in place for expected future losses.

Operating profit

Operating profit increased by 67% to EUR 4,936m, driven by growth in total income and lower loan losses.

Taxes

The effective tax rate in 2021 was 22.4% compared with 23.6% last year. The main reason behind the decrease in the effective tax rate is true-ups related to earlier years that had a decreasing impact on the income tax expense during 2021.

Net profit and return on equity

Net profit increased by 69% to EUR 3,831m.

Return on equity was 11.2% (last year 7.1%).

Capital position

The CET1 capital ratio was 17.0% at the end of 2021, down from 17.1% last year, while CET1 capital was EUR 25.9bn (EUR 26.6bn last year). The Group's total capital ratio was 21.2% and total own funds were EUR 32.3bn at the end of 2021.

A description of the capital position is available under "Capital management" on pages 59–65 and in the Capital and Risk Management Report at nordea.com.

Nordea's funding operations

During 2021 Nordea Bank Abp continued to benefit from prudent liquidity risk management in terms of maintaining a diversified and strong funding base and a diversified liquidity buffer. Nordea Bank Abp issued approximately EUR 13.7bn in senior long-term funding. Throughout 2021 Nordea Bank Abp remained compliant with the liquidity coverage ratio (LCR) requirement in all currencies on a combined basis. Nordea Bank Abp continues to participate in the targeted longer-term refinancing operations (TLTRO) provided by the ECB to further support customer needs. For more information, see the liquidity risk section in Note G2.

The Nordea Group issued approximately EUR 21.3bn in new and extended long-term funding during the year, excluding Danish covered bonds and subordinated debt. Nordea's liquidity management is presented on pages 128–163. A maturity analysis is presented in Note G44. For more information, see also Note G2.

Hedge accounting

Nordea uses hedge accounting in order to have a symmetrical accounting treatment of changes in fair value of the hedged risks in the hedged items and of the hedging instruments and in order to hedge the exposure to variability in cash flows and net investments in foreign operations. More information on the hedged risks is presented in Notes G1 and G19.

Balance sheet

Development in assets

Total assets increased by EUR 18.2bn compared with 2020. The increase was largely explained by an increase in "Cash and balances with central banks", driven by liquidity management, but there were several other gross movements. The gross movements primarily related to increases in "Loans to the public", "Shares" and "Assets in pooled schemes and unit-linked investment contracts", while "Derivatives" and "Other assets" decreased.

The increase in "Lending to the public" was driven by growth in customer business volumes across the Nordics, while the increase in "Shares" was explained by positive market movements and higher shareholdings primarily in Markets and Life & Pension. The increase in "Assets in pooled schemes and unit-linked investment contracts" was driven by high investment returns in Life & Pension, and the same movement can be seen on the liability side under "Deposits in pooled schemes and unit-linked investment contracts". The decrease in "Derivatives" was driven by changes to interest rates and foreign exchange rates, and the same movement can be observed in "Derivatives" within liabilities. "Other assets" decreased following lower levels of placed CSA collateral.

Developments in liabilities

Total liabilities increased by EUR 18.4bn compared with 2020. The increase was largely explained by an increase in "Deposits and borrowings from the public", driven mainly by growth in customer business volumes across the Nordics. As explained under "Development in assets" above, there was an increase in "Deposits in pooled schemes and unit-linked investment contracts" and a decrease in "Derivatives".

Five-year overview

Income statement

EURm	2021	2020	2019	2018[1]	2017[1]
Net interest income	4,925	4,515	4,318	4,491	4,888
Net fee and commission income	3,495	2,959	3,011	2,993	3,369
Net result from items at fair value	1,119	900	1,012	1,088	1,328
Profit from associated undertakings and joint ventures accounted for under the equity method	-6	-1	50	124	23
Other operating income	87	93	232	476	83
Total operating income	**9,620**	**8,466**	**8,623**	**9,172**	**9,691**
General administrative expenses:					
- Staff costs	-2,759	-2,752	-3,017	-2,998	-3,212
- Other expenses	-1,226	-1,286	-1,639	-1,566	-1,844
Depreciation, amortisation and impairment charges of tangible and intangible assets	-664	-605	-1,330	-482	-268
Total operating expenses	**-4,649**	**-4,643**	**-5,986**	**-5,046**	**-5,324**
Profit before loan losses	**4,971**	**3,823**	**2,637**	**4,126**	**4,367**
Net result on loans in hold portfolios mandatorily held at fair value	83	48	12	–	–
Net loan losses	-118	-908	-536	-173	-369
Operating profit	**4,936**	**2,963**	**2,113**	**3,953**	**3,998**
Income tax expense	-1,105	-698	-571	-872	-950
Net profit for the year	**3,831**	**2,265**	**1,542**	**3,081**	**3,048**

Balance sheet

EURm	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018[1]	31 Dec 2017[1]
Cash and balances with central banks	47,495	32,955	35,509	41,578	43,081
Loans to central banks and credit institutions	2,392	6,246	17,726	18,962	13,388
Loans to the public	345,050	329,765	323,091	308,304	310,158
Interest-bearing securities and pledged instruments	65,051	66,304	72,081	83,790	81,783
Assets in pooled schemes and unit-linked investment contracts	46,912	36,484	30,799	24,583	25,879
Derivatives	30,200	44,770	39,111	37,025	46,111
Other assets	33,073	35,636	36,531	37,166	39,026
Assets held for sale	180	–	–	–	22,186
Total assets	**570,353**	**552,160**	**554,848**	**551,408**	**581,612**
Deposits by credit institutions	26,961	23,939	32,304	42,419	39,983
Deposits and borrowings from the public	205,801	183,431	168,725	164,958	172,434
Deposits in pooled schemes and unit-linked investment contracts	48,201	37,534	31,859	25,653	26,333
Liabilities to policyholders	19,595	18,178	19,246	18,230	19,412
Debt securities in issue	175,792	174,309	193,726	190,422	179,114
Derivatives	31,485	47,033	42,047	39,547	42,713
Subordinated liabilities	6,719	6,941	9,819	9,155	8,987
Other liabilities	22,296	27,055	25,594	28,123	33,289
Liabilities held for sale	–	–	–	–	26,031
Equity	33,503	33,740	31,528	32,901	33,316
Total liabilities and equity	**570,353**	**552,160**	**554,848**	**551,408**	**581,612**

1) Nordea Bank Abp replaced Nordea Bank AB (publ) as the parent company of the Nordea Group on 1 October 2018.

Ratios and key figures[1]

Ratios and key figures, Group

	2021	2020	2019	2018[7]	2017[7]
Basic earnings per share, EUR	0.95	0.55	0.38	0.76	0.75
Diluted earnings per share, EUR	0.95	0.55	0.38	0.76	0.75
Share price[2], EUR	10.79	6.67	7.24	7.30	10.09
Proposed/actual dividend per share, EUR	0.69[8]	0.39	0.40	0.69	0.68
Equity per share[2], EUR	8.51	8.35	7.80	8.15	8.21
Potential shares outstanding[2], million	3,966	4,050	4,050	4,050	4,050
Weighted average number of diluted shares, million	4,025	4,039	4,035	4,037	4,039
Return on equity, %	11.2	7.1	5.0	9.7	9.5
Assets under management[2], EURbn	411.3	351.4	324.7	280.1	330.4
Cost-to-income ratio[3], %	48	55	57	57	54
Net loan loss ratio, amortised cost, bp[4]	4	35	22	7	12
Common Equity Tier 1 capital ratio excluding Basel I floor[2,6], %	17.0	17.1	16.3	15.5	19.5
Tier 1 capital ratio, excluding Basel I floor[2,5], %	19.1	18.7	18.3	17.3	22.3
Total capital ratio, excluding Basel I floor[2,5], %	21.2	20.5	20.8	19.9	25.2
Tier 1 capital[2,5], EURbn	29.0	29.1	27.5	27.0	28.0
Risk exposure amount, excluding Basel I floor[2], EURbn	152	155	150	156	126
Number of employees (full-time equivalents)[2]	26,894	28,051	29,000	28,990	30,399
Economic capital[2], EURbn	23.2	23.5	25.7	26.6	26.7
Return on capital at risk[3], %	16.5	9.2	9.2	10.0	11.1

1) For more information regarding ratios and key figures defined as alternative performance measures, see nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports/. All key ratios reflect Nordea´s continuing operations.
2) End of the year.
3) Excluding items affecting comparability.
4) In 2017 the ratio is including Loans to the public reported as assets held for sale.
5) Including the result for the period.
6) Including the result for the period adjusted by accrued dividend.
7) Nordea Bank Abp replaced Nordea Bank AB (publ) as the parent company of the Nordea Group on 1 October 2018.
8) Approximate amount based on the estimated number of shares that will be in issue at the estimated dividend decision date.

Ratios and key figures, parent company

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

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

Business area results

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

Total Nordea Group and business areas

	Personal Banking		Business Banking		Large Corporates & Institutions		Asset & Wealth Management		Group functions		Nordea Group		Change
EURm	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**%**
Net interest income	2,259	2,093	1,617	1,422	940	883	77	68	32	49	4,925	4,515	9%
Net fee and commission income	1,289	1,131	662	565	525	458	1,045	822	-26	-17	3,495	2,959	18%
Net result from items at fair value	76	100	298	261	542	445	125	104	78	-10	1,119	900	24%
Equity method	0	0	1	4	0	0	2	-5	-9	0	-6	-1	
Other operating income	14	6	34	22	3	1	2	15	34	49	87	93	-6%
Total operating income	**3,638**	**3,330**	**2,612**	**2,274**	**2,010**	**1,787**	**1,251**	**1,004**	**109**	**71**	**9,620**	**8,466**	**14%**
Total operating expenses	**-1,847**	**-1,802**	**-1,180**	**-1,125**	**-837**	**-830**	**-536**	**-520**	**-249**	**-366**	**-4,649**	**-4,643**	**0%**
Net result on loans in hold portfolios mandatorily held at fair value	47	25	30	12	4	10	1	1	1	0	83	48	73%
Net loan losses	-63	-296	-28	-328	-19	-279	-1	-4	-7	-1	-118	-908	
Operating profit	**1,775**	**1,257**	**1,434**	**833**	**1,158**	**688**	**715**	**481**	**-146**	**-296**	**4,936**	**2,963**	**67%**
Cost-to-income ratio[1], %	51	54	45	49	42	46	43	52	–	–	48	55	-13%
Return on capital at risk[1], %	17	12	16	9	15	7	31	27	–	–	17	9	
Volumes, EURbn													
Total lending[2]	171.9	162.5	98.3	92.3	46.3	45.8	11.3	9.6	0.5	3.1	328.3	313.3	5%
Total deposits[2]	85.5	82.9	55.9	50.3	49.9	40.0	11.6	10.7	0.3	-2.9	203.2	181.0	12%

1) Adjusted for amortised resolution fees.
2) Excluding repurchase agreements and security lending/borrowing agreements.

Personal Banking

Total income increased by 9%, year on year, driven by the strong mortgage activity across all countries and higher savings and investment income. Mortgage volumes grew by 6% in local currencies.

Net interest income increased by 8%, driven by the cross-Nordic mortgage volume growth, higher deposit margins in Denmark and higher mortgage margins in Finland. This development was partly offset by lower mortgage margins in Norway resulting from rate changes and lower lending margins in Denmark due to a changed product mix.

Net fee and commission income increased by 14%, driven by higher savings and investment income across all countries. Payment and card fee income also improved, in tandem with the reopening of societies. Our lending fee business performed strongly throughout the year, enabling us to fully compensate for the higher mortgage conversion activity in Denmark in 2020.

Net result from items at fair value decreased by 24%, year on year, due to changes to income recognition principles for collar loans in Finland which took effect in the third quarter of 2020.

Total expenses increased by 2%, year on year, mainly due to higher depreciation and amortisation and exchange rate effects. These were partly offset by lower staff costs and back-end costs.

Net loan losses and similar net result decreased significantly, year on year, due to the additional management judgement allowances booked in the second quarter of 2020. As a result, operating profit increased by 41%.

The strong business momentum contributed to an improved cost-to-income ratio of 51%, down from 54% at the end of 2020.

Business Banking

Total income increased by 15%, year on year, driven by strong lending volume development and broad-based growth in net fee and commission income. Excluding the impact of Nordea Finance Equipment (NFE), which was consolidated in the results in the fourth quarter of 2020, total income increased by 10%.

Net interest income increased by 14%, year on year, mainly due to higher lending volumes. Lending volumes increased by 6% in local currencies, driven by strong growth in Norway and Sweden.

Net fee and commission income increased by 17%, year on year, driven by high equity and debt capital market activity, increased income from savings and investment products, higher lending fee income and higher payment and card fee income.

Net result from items at fair value increased by 14%, year on year, driven by higher income from foreign exchange products.

Total expenses increased by 5%, year on year, due to the consolidation of NFE and exchange rate effects. Adjusted for the impact of the NFE integration, total expenses increased by 1%.

Credit quality remained strong due to our well-diversified portfolio and limited exposure to vulnerable sectors. Net loan losses and similar net result amounted to net reversals of EUR 2m (0bp) and included a EUR 30m gain resulting from the revaluation of Nordea Kredit's mortgage portfolio.

Operating profit amounted to EUR 1,434m, a year-on-year increase of 72%.

ROCAR increased from 9% to 16% for the full year, driven by lower loan losses and higher income.

Large Corporates & Institutions

Total income was up 12%, year on year. Net interest income increased by 6%, year on year. Lending volumes were stable due to our active business selection, focus on economic capital and repositioning of the business.

Net fee and commission income was up 15%, year on year, mainly driven by high capital markets activity.

Net result from items at fair value increased by 22% due to overall customer activity and a higher result from risk management, including valuation adjustments.

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

Net loan losses and similar net result amounted to EUR 15m (3bp), reflecting the strong underlying credit quality of our loan book. The total provisioning level now stands at approximately EUR 728m or 1.56% of LC&I lending.

Operating profit increased by 68%, year on year, to EUR 1,158m, mainly driven by higher income and lower loan losses.

Economic capital decreased by 3%, year on year, to EUR 5,877m, driven by strong capital discipline and a focus on more capital-light business.

ROCAR increased from 7% to 15%, exceeding our 2022 target of above 10%. The increase was driven by higher income, lower loan losses and lower capital.

Asset & Wealth Management

Total income amounted to EUR 1,251m, up 25%, year on year, mainly driven by higher AuM.

Net interest income was EUR 77m, up 13%, year on year, mainly driven by an 18% increase in lending volumes in Private Banking.

Net fee and commission income was EUR 1,045m, up 27%, year on year. The increase reflected the growth in AuM, which was driven by net flows, very strong investment performance and market development.

Net result from items at fair value was EUR 125m, a year-on-year increase of 20%, due to the sale of Nordea's stake in FundConnect A/S and a higher risk result in Life & Pension.

Total expenses increased by 3%, year on year, mainly due to higher provisions for variable pay related to business performance.

Net loan losses and similar net result amounted to EUR 0m, compared with EUR 3m in 2020.

Operating profit was EUR 715m, up 49%, year on year. The cost-to-income ratio was 43%, 9 percentage points lower than in 2020.

Return on capital at risk was 31%, compared with 27% last year.

A further description of each business area is available on pages 16–27 of the Annual Report.

Other information

Group structure, subsidiaries and foreign branches

The main legal structure of the Nordea Group, including its main subsidiaries, is presented on page 51.

The parent company has foreign branches in China, Denmark, Estonia, Norway, Poland, Sweden, the United Kingdom and the United States. During 2021 Nordea's branch in Singapore was closed.

Closing down Nordea's operations in Russia

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

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

Nordea Direct merger

On 12 June 2019 the Boards of Directors of Nordea Direct Bank ASA (formerly Gjensidige Bank ASA) and Nordea Bank Abp signed a merger plan and resolved to initiate the cross-border merger between the two companies. The merger was formally approved by the Boards of Directors in October 2019 as announced by the Norwegian Register of Business Enterprises.

The merger is ongoing, with the target completion date 1 November 2022, subject to regulatory approval.

Referral agreement with Citi for sub-custody services

On 24 February 2021 Nordea announced that it would be exiting its Nordic sub-custody business and had entered into a strategic client referral agreement with Citi. Nordea recommends that its sub-custody clients appoint Citi as their new provider. Nordea is committed to ensuring that clients who do not migrate to Citi will be supported via an orderly transition to a service provider of their choice. The Group continues to focus on Nordic corporate, institutional and retail custody business and is committed to ensuring a well-functioning custody and settlement market in the Nordics. The agreement with Citi has no impact on Nordea's cash management services for international financial institutions.

Investments in IT

During 2021 Nordea continued to develop its customer satisfaction with investments in digital offerings for corporate customers and households with launch and enhancement of the new mobile banks and netbanks for both segments in the Nordics. Like last year there was a large focus on legal and regulatory requirements including anti-money laundering activities and KYC solutions. This work also included improving data management. As earlier, there was also focus on improving cyber security and streamlining processes.

Nordea will in the future continue to focus on the topics above to deliver on stakeholder requirements.

Financial crime prevention

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

Nordea handles and monitors on an annual basis more than 2.8 billion payments and has more than nine million customers. In order to manage such high volumes,
Nordea continued to strengthen its financial crime defences in 2021 within areas such as:
i) IT support of customer due diligence processes
ii) continued strengthening of KYC files
iii) transaction monitoring capabilities
iv) updating of Nordea's policies in light of changes in regulations
v) strengthening of Nordea's sanctions programme
vi) providing relevant training to ensure all our employees continue to maintain the right skill set and competencies.

Nordea's close cooperation with regulators continued during 2021 with ongoing engagement with all four Nordic regulators covering various aspects of Nordea's financial crime programme.

See also Note G2 "Risk and liquidity management" on pages 128–163 and "Non-financial statement" on pages 89–92.

Impact of the COVID-19 pandemic

2021 was marked by the COVID-19 pandemic. Nordea's Global Crisis Management Team monitored the situation in each of the Nordic countries throughout the year.

Information on the financial and operational impacts of the COVID-19 pandemic on Nordea, as well as the measures taken to address these impacts, has been provided in various sections of this Annual Report. Nordea has also identified significant risks caused by the COVID-19 pandemic given the uncertainty of the economic impact on the markets in which the Group operates. See also "Risks and uncertainties" on page 52.

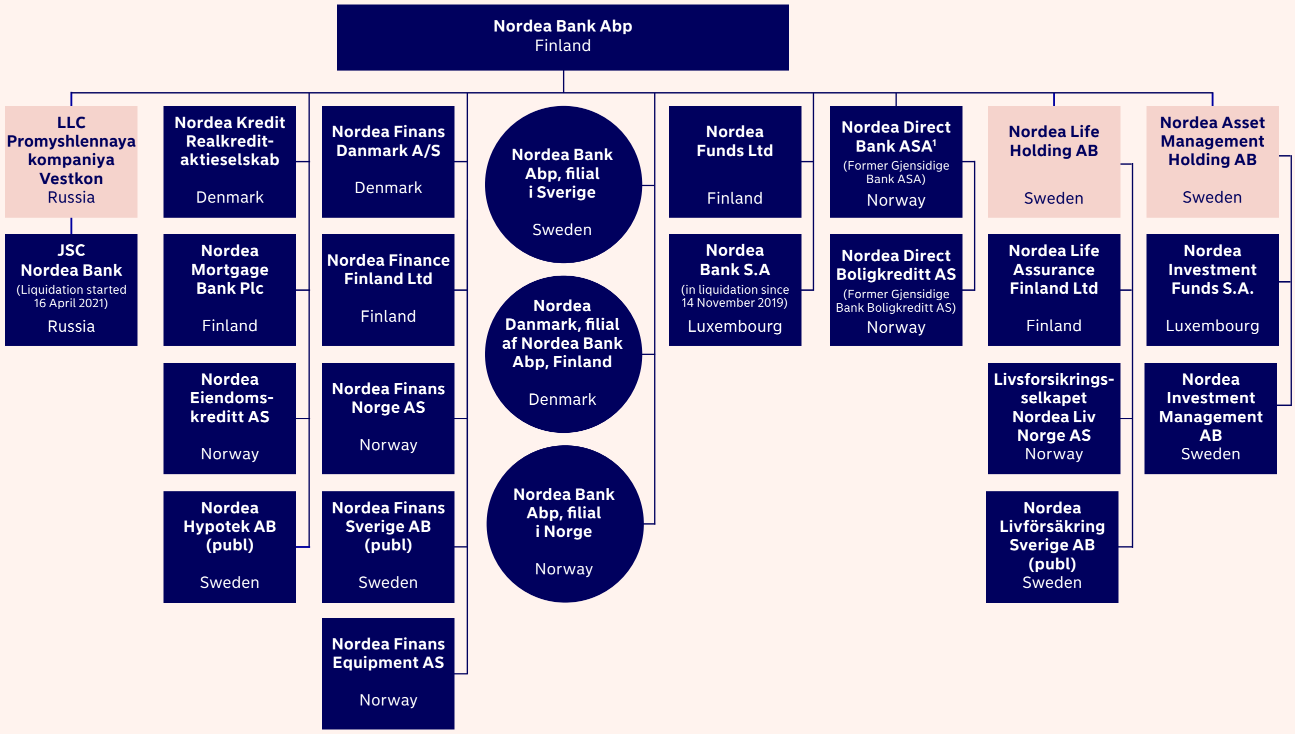
Annual General Meeting

The 2022 Annual General Meeting will be held in Helsinki on Thursday 24 March 2022.

Further information is presented on page 338 of this Annual Report.

Main legal structure

As of 3 January 2022



- Branch – Nordea Bank Abp also operates branches in Estonia, Poland, London, New York and Shanghai.
- Legal entity
- Holding company

1) Nordea Bank Abp and Nordea Direct Bank ASA (former Gjensidige Bank ASA) signed a merger plan on 12 June 2019. The merger between Nordea Direct Bank ASA and Nordea Bank Abp is ongoing, with the target completion date 1 November 2022.

Risks and risk management

Risk management

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

The Board has the overarching risk management responsibilities and decides on the Group risk strategy and the Risk Appetite Framework. Moreover, the Board oversees and monitors the implementation of the Risk Strategy, Risk Appetite Framework and Risk Management Framework, including breaches of risk appetite.

The Group CEO is responsible to the Group Board for the overall management of the Group's operations and risks.

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

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

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

For further information see Note G2 "Risk and liquidity management" on pages 128–163 .

Risks and uncertainties

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

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

For further information see "Non-financial statement" on pages 89–92, "Sustainability notes" on pages 315–337, Note G2 "Risk and liquidity management" on pages 128–163, Note G33 "Provisions" on page 195 and Note G38 "Contingent liabilities" on page 201.

COVID-19

There are significant risks caused by the COVID-19 pandemic given the uncertainty of the economic impact on the markets in which Nordea operates. Depending on future developments, potential adverse impacts on income could arise due to lower net interest income, market volatility and reduced business activity impacting transaction volumes and customer activity.

Depending on the duration and magnitude of the situation, there is a possibility that Nordea will not be able to meet its financial targets in very adverse scenarios.

Macroeconomy and financial markets

Economic outlook

The world economy recovered swiftly from the pandemic during the first half of 2021 supported by a lenient economic policy and the roll-out of effective vaccination programmes especially in the advanced economies. The global recovery, however, lost steam in the second half of the year as supply shortages became more outspoken. Supply has been restrained by outbreaks of new COVID variants and bottleneck problems in various parts of the global value chains. Still global economic activity is estimated to have grown by 5.5% in 2021 compared with 2020 and world GDP now exceeds the pre-COVID-19 level.

Global demand remains strong and growth is expected to resume as the logistic issues are being resolved supported by an expansionary fiscal policy with focus on investments in the green and digital transformation of societies.

However, sharply increasing energy prices as well as high commodity prices and transportation costs have resulted in a significant global inflationary pressure. The development has led to increased vigilance at central banks around the world and monetary policy has already been tightened in many countries. This tendency will continue in 2022.

The Nordic countries have been among the best performing countries globally during the pandemic and GDP levels are now higher than before the pandemic in all four countries. The upswing is expected to continue in 2022.

Denmark

Danish GDP rebounded strongly in 2021 with an increase of 3.8% according to the preliminary figures. During the second quarter of 2021 the level of GDP surpassed the peak from the fourth quarter of 2019. Both household consumption and exports of goods made large positive contributions to the increase in GDP in 2021. High demand for labour has pushed the unemployment rate to its lowest level since prior to the financial crisis. At the same time the number of vacancies has risen to a record high. Since mid-2021 real estate prices have only increased marginally and turnover has been falling back to the levels prior to the crisis. In 2021 the DKK traded on the strong side of the central parity against the EUR. Danmarks Nationalbank intervened significantly in the FX market throughout the year and sanctioned an independent interest rate cut in September to maintain the fixed exchange rate policy.

Finland

The Finnish economy recovered swiftly in 2021 from the economic downturn initiated by the coronavirus in 2020. For the full year of 2021, Finnish GDP increased by approximately 3.8% reaching the 2019 level already in the second quarter of 2021. The situation in the service sector is much better than a year ago, though still not normal. The export sector has benefited from recovering global demand, but the global shortage of materials and components is starting to take a toll. The unemployment rate was 7% in December. The Finnish housing market continued its good performance in 2021. However, demand and prices normalised during the second half of the year. Apartment prices were 3.1% higher in the fourth quarter compared with the year before. Inflation accelerated during 2021, mostly due to higher energy prices. Inflation was 3.5% in December. The ECB's monetary policy rates are not expected to be changed until 2023 at the earliest.

Norway

The Norwegian economy rebounded strongly in 2021 after the stringent restrictions were eased. Mainland GDP was 3.1% higher in November 2021 compared with the level before the pandemic. Registered unemployment fell to 2.3% (seasonally adjusted) at the end of December 2021, close to the level before the pandemic. The outbreak of the Omicron variant in Norway has led to some restrictions that have curbed growth; however, the restrictions should not materially impact the economy. Now that the economy has normalised, Norges Bank is increasing interest rates. The central bank increased the key rate from 0.25% to 0.5% in December and signalled that it would most likely raise the rate to 0.75% in March 2022. The latest prognosis from the central bank is for the key rate to climb to 1.25% at the end of 2022. After a strong start to the year, house prices developed moderately and rose 5.2%, year on year, in December 2021. The Norwegian krone has moved in tandem with oil prices and is close to the levels at the beginning of 2021.

Sweden

The Swedish economy showed good growth in 2021. Growth in domestic demand was robust and broad based. External demand remained high while growth in the export industry was hampered by shortage of input goods. The situation on the labour market improved swiftly. The unemployment rate averaged 7.9% for 2021 but ended the year lower and somewhat above 7%. Home prices increased by 10% in the course of 2021. Sveriges Riksbank kept its repo rate unchanged at 0% in November 2021 and signalled that the repo rate would remain unchanged until the second half of 2024. The quantitative easing programme ended in December 2021. The Riksbank indicated that the balance sheet would be kept unchanged during 2022, but that it would be reduced in 2023. The trade-weighted Swedish krona weakened by 3.5% in 2021.

The Nordea share and ratings

Nordea's market capitalisation at the end of 2021 was EUR 42.8bn (EUR 27.0bn at the end of 2020). Ranked by market capitalisation, Nordea was the 11th largest company in the Nordic region and among the ten largest European financial groups.

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

Share price performance

In 2021 the Nordea share price appreciated by approximately 62% on the Nasdaq Helsinki exchange from EUR 6.67 to EUR 10.79. The daily closing prices listed for the Nordea share in 2021 ranged between EUR 6.60 and EUR 11.24. In 2021 the Nasdaq OMXH index appreciated by approximately 18% and the STOXX Europe 600 Banks index appreciated by approximately 34%. Since 6 March 2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated by 166%, clearly outperforming the STOXX Europe 600 Banks index (-57%) and the Nasdaq OMXH index (-30%).

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

Total shareholder return 2021

Total shareholder return (TSR) is the market value growth per share and reinvested dividends. Total shareholder return in 2021 was 74.5% (-7.8% in 2020). During 2021 Nordea paid out dividends of EUR 0.79 per share and bought back 109 million shares. Nordea's total decided shareholder capital distributions amounted to around EUR 4.9bn in 2021.

Turnover – the most liquid Nordic bank share

The Nordea share was the most liquid Nordic bank share in 2021, with an average daily trading volume of approximately EUR 148m, corresponding to approximately 16 million shares. Turnover on all exchanges combined totalled EUR 37.3bn in 2021, corresponding to 4 billion shares.

72% of the total volume traded in Nordea shares in 2021 took place over Nasdaq, of which approximately 44% was SEK-denominated, 26% EUR-denominated and 3% DKK-denominated. The remaining 28% of the traded volume took place over other exchanges such as Cboe European Equities, Turquoise and Aquis.

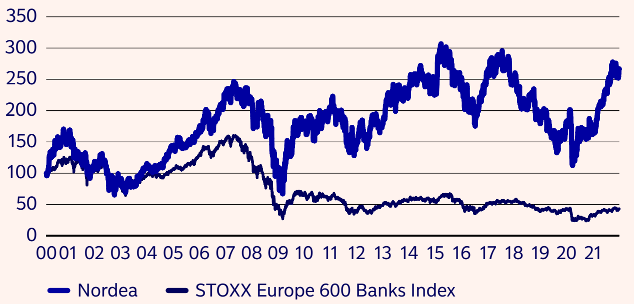
Share and voting rights

Nordea's Articles of Association do not contain any provisions on share classes or voting rights and consequently Nordea has one class of shares and all shares in Nordea are ordinary shares. Each share confers one vote at Nordea's general meetings as well as an equal right to any dividend. On 31 December 2021 the total number of shares in Nordea was 3,965,561,160. See also "Statement of changes in equity" on pages 100–103.

There are no restrictions in the Articles of Association regarding the right to transfer shares and Nordea is not aware of any agreements between shareholders in this respect. However, as Nordea is a credit institution, a direct or indirect acquisition of shares in Nordea, which results in the acquirer's total holdings being considered qualified holdings (representing 10% or more of the equity capital or of the voting rights, or a holding that otherwise enables the acquirer to exercise a substantial influence over the management of Nordea) or an increase in qualified holdings, may only occur following approval by the Finnish Financial Supervisory Authority according to the Finnish Act on Credit Institutions. Under the Single Supervisory Mechanism, the European Central Bank is the authority that ultimately decides (in cooperation with the Finnish Financial Supervisory Authority) whether to approve an acquisition of a qualifying holding in Nordea as Nordea is subject to the direct supervision of the European Central Bank.

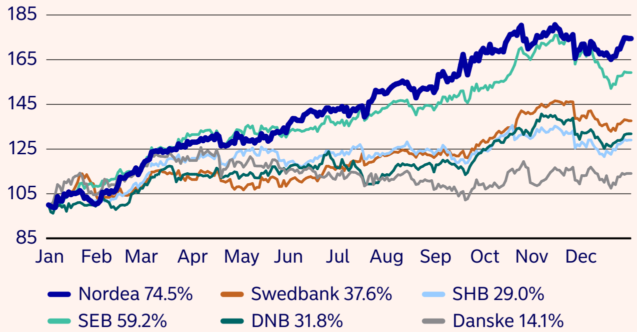
On 31 December 2021, Sampo plc was the largest individual shareholder with a holding of 6.1%. Nordea has no shareholders with holdings of more than 10%. A table showing the

Nordea share price performance compared with European banks, 2000–2021, %



SOURCE: Macrobond and Nordea.

Total shareholder return – Nordea vs Nordic peers (indexed): Jan to Dec 2021



SOURCE: Thomson Reuters Datastream

largest registered shareholders in Nordea as at the end of 2021 is provided on page 57.

On 31 December 2021, employees had an indirect shareholding of 0.6% in Nordea through the Nordea Profit-Sharing Foundation and a minor indirect shareholding in Nordea through the pension foundation. The voting rights are in neither case exercised directly by the employees.

For information on share-based incentive programmes, see note G8 "Staff costs" on pages 169–177.

AT1 conversion notes and special rights entitling to shares

The AT1 conversion notes issued in 2019 and 2021 by Nordea Bank Abp automatically convert into an aggregated maximum number of 194,099,378 and 121,802,679, respectively, newly issued Nordea shares if the CET1 ratio of either Nordea Bank Abp on a solo basis or the Nordea Group on a consolidated basis falls below 5.125%. The notes will be convertible into shares at a price not exceeding a specific nominal amount applicable to the respective notes, subject to adjustments. Upon conversion of the notes into shares, Nordea's existing shareholders have preferential rights to all newly issued Nordea shares. Nordea has no convertible bonds in issue that provide holders with an option to acquire shares in Nordea.

Share capital

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

Dividend for 2019 and 2020

On 15 December 2020 the European Central Bank (ECB) issued an updated dividend recommendation to banks. The ECB in general expected dividends and share buy-backs to remain below 15% of the cumulated profit for 2019–2020 and not to exceed 20bp of the CET1 ratio until the end of September 2021. The Board of Directors of Nordea decided on 16 December 2020 to follow the updated ECB recommendation.

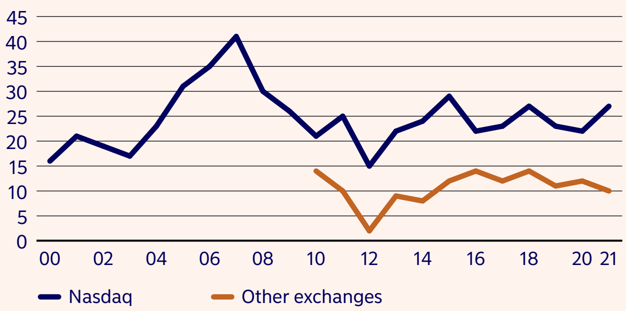
Based on the recommendation and after a dialogue with the ECB, the Board of Directors decided on 18 February 2021 on a dividend distribution of EUR 0.07 per share in accordance with the mandate received from the 2020 Annual General Meeting (AGM) and based on the adopted balance sheet for the financial year ended 31 December 2019. The record date for the dividend payment was 22 February 2021 and the payment date was 1 March 2021 or as soon as possible thereafter.

On 23 July 2021 the ECB communicated that the recommendation to banks to limit dividends would expire on 30 September 2021. Given this the Board of Directors decided on 1 October 2021 on the distribution of an ordinary dividend per share of EUR 0.72 (EUR 0.33 for 2019 and EUR 0.39 for 2020) in accordance with the mandate received from the 2021 AGM. The record date for the dividend payment was 5 October 2021 and the payment date 12 October 2021 or as soon as possible thereafter.

Share buy-backs

Nordea received approval from the ECB on 16 September 2021 to repurchase up to EUR 2.0bn of its own shares. Following the approval, the Board of Directors of Nordea decided on 20 October to launch a share buy-back programme of up to EUR 2.0bn commencing on 22 October 2021 and ending no later than 30 April 2022. The purpose of the share buy-back programme is to pursue an efficient capital structure and generate sustainable shareholder return to the benefit of all shareholders by reducing the capital of Nordea. The programme is carried out in accordance with the authorisation granted to the Board of Directors by the 2021 AGM. For the purpose of executing the buy-back programme, Nordea has engaged a third-party broker that based on irrevocable instructions will decide on the repurchase of shares in full independence, also in relation to the timing of the transactions, and in compliance with applicable price and volume limits as well as the terms of the programme. The shares are acquired otherwise than in proportion to the existing shareholdings of the company's shareholders (directed repurchases) in public trading or outside public trading and not more than 500,000,000 shares may be repurchased subject to the maximum amount of up to EUR 2.0bn. The number of own shares held by Nordea together with its subsidiaries at any given time may not exceed 10% of all the shares in Nordea.

Turnover of the Nordea share on stock exchanges, 2000–2021[1], EURbn



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

SOURCE: NASDAQ, FIDESSA, SIX FINANCIAL INFORMATION.

The repurchase of shares in public trading is executed in accordance with Regulation No 596/2014 of the European Parliament and Council of 16 April 2014 (MAR) and the Commission Delegated Regulation (EU) 2016/1052 on the regulated markets of Nasdaq Helsinki, Nasdaq Stockholm and Nasdaq Copenhagen and select multilateral trading facilities (MTF). In addition to the shares repurchased in public trading, the broker may, subject to certain conditions, acquire shares in accelerated bookbuilds (ABB) should such be arranged.

The shares will be repurchased using the unrestricted equity of the company and be recorded as a deduction of retained earnings.

Nordea may suspend or terminate the programme prior to its scheduled end date and will in such case issue a stock exchange release to this effect. Repurchased shares are cancelled on a monthly basis.

As at the end of December 2021 Nordea had acquired 108.9 million shares, which correspond to an amount of EUR 1,163m, through share buy-backs.

Share issue resolutions

The 2021 AGM resolved that Nordea, before the end of the 2022 AGM, may transfer own shares in the ordinary course of its securities trading business, with deviation from the shareholders' preemptive rights, by way of a directed share issuance. The facilitation of the company's securities trading business, in which the ability to trade also in own shares is required, forms a weighty financial reason for a directed issue. The number of own shares to be transferred may not exceed 175,000,000 shares.

The 2021 AGM authorised the Board of Directors of Nordea to resolve, on one or several occasions, on the issuance of special rights entitling to either new shares in the company or treasury shares, against payment (convertibles) in accordance with or in deviation from the shareholder's pre-emptive subscription rights. The maximum number of shares that may be issued based on this authorisation is 404,995,191.

Moreover, the 2021 AGM authorised the Board of Direc- tors of Nordea to resolve, on one or several occasions, to decide on the issuance of new shares or transfer of the com- pany's own shares of not more than 30,000,000.

As of 31 December 2021 Nordea Bank Abp held 32,781,033 shares, 0.8% of the total number of shares in Nordea, an increase of 20,918,862 shares compared with 31 December 2020. The total price paid for own shares held at 31 December 2021 amounted to EUR 2,082m. Nordea holds treasury shares partly for capital optimisation and remuneration purposes and partly for trading purposes in its securities trading business. For information on share-based incentive programmes see G8 "Staff costs" on pages 169–177.

Holding of own shares and share cancellations

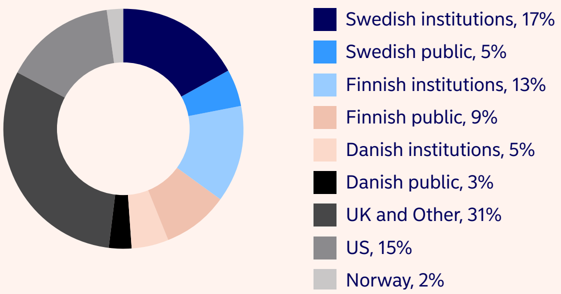
During 2021 an aggregated amount of 1,063,981 and 10,593 own shares held by Nordea were transferred without consideration to participants in Nordea's variable remuneration programmes in April and May, respectively .

During 2021 Nordea cancelled 42,602,988 and 41,787,771 treasury shares, which were held for capital optimisation purposes and acquired through share buy-backs, in November and December, respectively. See also "Share buy-backs" above, "Events after the financial period" on page 93 and "Statement of changes in equity" on pages 100–103.

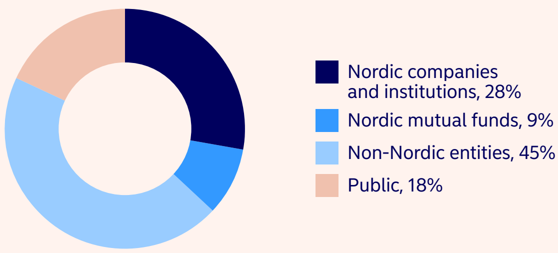
Shareholders

With approximately 564,000 registered shareholders at the end of 2021, Nordea has one of the largest shareholder bases of all Nordic companies. The number of shareholders in Finland is approximately 310,000, in Sweden approximately 130,000 and in Denmark approximately 115,000, largely unchanged from last year. The largest shareholder category is Swedish institutions, with a 17% holding of Nordea shares. At year end, Nordic institutional shareholders held 37%, while non-Nordic shareholders held 45%. The largest individual shareholder is Sampo plc with a holding of 6.1%.

Shareholder structure, 31 Dec 2021



Shareholder structure, 31 Dec 2021

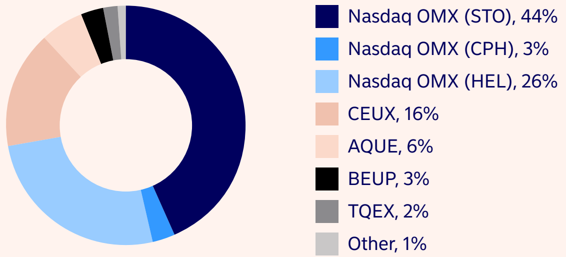


Largest registered shareholders of Nordea, 31 Dec 2021[1]

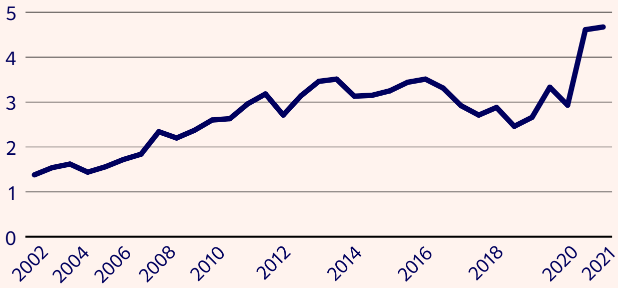
Shareholder	Number of shares, million	Per cent of Nordea
Sampo	245.9	6.1
BlackRock	198.2	5.0
Cevian Capital	192.4	4.8
Nordea-fonden	158.2	4.0
Vanguard Funds	110.4	2.8
Swedbank Robur	76.3	1.9
Alecta Pension Insurance	67.0	1.7
Varma Mutual Pension Insurance	65.0	1.6
Nordea Funds	56.3	1.4
First Swedish National Pension Fund	42.0	1.1
Fidelity Investments	42.9	1.0
Handelsbanken funds	38.1	1.0
JP Morgan Asset Management	33.9	0.9
Ilmarinen Mutual Pension Insurance	32.7	0.8
Nordea Bank Abp	31.8	0.8
TIAA – Teachers Advisors	29.6	0.7
Norwegian Petroleum Fund	29.0	0.7
SEB Funds	27.2	0.7
Henderson Funds	25.1	0.6
Nordea Vinstandelsstiftelse	24.3	0.6
State Street Global Advisors	22.1	0.6
Aberdeen Standard Investments	18.1	0.5
Finnish State Pension Fund	18.0	0.5
Northern Trust	17.6	0.4
Elo Mutual Pension Insurance	16.0	0.4
Other	2,351.1	59.4
Total number of outstanding shares	**3,965.6**	**100%**

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

Nordea share, annual turnover on different stock exchanges 2021



Nordea weighting in the STOXX Europe 600 Banks index, %



SOURCE: STOXX.

Distribution of shares, 31 Dec 2021

Distribution of shares	Number of shareholders	Shareholders, %	Number of shares	Shares, %
1–1,000	436,098	77	112,272,753	3
1,001–10,000	117,789	21	312,666,809	8
10,001–100,000	8,898	2	205,988,538	5
100,001–1,000,000	531	0	571,877,284	14
1,000,001–	211	0	2,762,755,776	70
Total	**563,527**	**100**	**3,965,561,160**	**100**

Share data past 5 years

	2021	2020	2019	2018[4]	2017
Share price[1] (EUR)	10.79	6.67	7.24	7.27	10.09
High/Low (EUR)	11.24 / 6.60	8.19 / 4.39	8.22 / 5.37	10.54 / 7.25	11.75 / 9.74
Market capitalisation[1] (EURbn)	42.8	27.0	29.3	29.8	40.9
Dividend (EUR)	0.69[2]	0.39	0.40	0.69	0.68
Dividend yield[3] (%)	6.4	3.5	3.8	9.5	6.7
STOXX Europe 600 Banks index (%)	34.0	-24.5	8.2	-28.0	7.5
P/E (actual)	11.4	12.1	19.1	9.6	13.5
Price-to-book	1.27	0.80	0.93	0.90	1.23
Equity per share (EUR)	8.51	8.35	7.80	8.15	8.21
Earnings per share[1] (EUR)	0.95	0.55	0.38	0.76	0.75
Total shares	**3,965,561,160**	**4,049,951,919**	**4,049,951,919**	**4,049,951,919**	**4,049,951,919**

1) End of period.
2) Proposed dividend. Approximate amount based on the estimated number of shares that will be in issue at the estimated dividend decision date.
3) Dividend yield for 2017 to 2020 calculated at starting price on payment day and for 2021 calculated at price at 30 December 2021.
4) Nordea Bank Abp replaced Nordea Bank AB (publ) as the parent company of the Nordea Group on 1 October 2018.

Ratings

Nordea's credit ratings are some of the strongest among banks globally. During 2021 Nordea's ratings were reaffirmed at unchanged levels with a stable outlook from all three ratings agencies, Moody's, Standard & Poor's (S&P) and Fitch. Both S&P and Fitch removed their negative outlooks and stabilised the outlooks.

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

The covered bond ratings for the covered bond-issuing entities are unchanged 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 AS and Nordea Direct Boligkreditt AS (in Norway).

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

Ratings, 31 Dec 2021

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

1) Covered bond rating.

Capital management and new regulations

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

Capital and dividend policy

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

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

On 16 September 2021 Nordea received permission from the ECB for share buy-backs of up to EUR 2bn. The full amount is deducted from CET1 capital from the date of the permission. On 20 October the Board of Directors decided to launch the buy-back programme which started on 22 October 2021 and is intended to end no later than 30 April 2022. As at the end of December 2021, purchases of 108.9 million shares, which correspond to an amount of EUR 1,163m, have reduced retained earnings. On 31 December 84,390,759 shares had been cancelled, which means that the total number of shares in Nordea was 3,965,561,160 at the end of 2021. For share cancellations after the end of the period, see the section "Events after the financial period" on page 93.

Minimum capital requirements

The calculation method for the risk exposure amount (REA) depends on regulatory approval. Nordea had 86% of its credit risk exposure amount covered by the internal ratings-based (IRB) approach by the end of 2021. 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 its trading book. For operational risk the standardised approach is applied. Based on the total REA, Nordea needs to hold the applicable minimum and combined buffer requirements. In addition, competent authorities require Nordea to hold capital for other risks which are identified and communicated as part of the Supervisory Review and Evaluation Process.

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

Internal capital requirement

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

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

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

Economic capital

Economic capital (EC) is a method for allocating the cost of holding capital as a result of risk taking and is a central component in the Value Creation Framework (VCF). The VCF supports the operational decision-making process at Nordea to enhance performance management and ensure shareholder value creation. The EC is aligned with the Group's target CET1 ratio, which is set to ensure sustainable long-term capitalisation for the Nordea Group. In addition, the EC framework also includes the following items:

(a) legal equity contribution of NLP
(b) certain capital deductions for which allocation keys have been agreed.

The EC (including Nordea Life & Pension) was EUR 23.2bn at the end of 2021 (EUR 23.5bn at the end of 2020). The EC remained broadly stable across the year.

Own funds

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

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

Further information on capital management and capital adequacy is presented in the Capital and Risk Management Report. On the basis of its consolidated situation Nordea Bank Abp provides Capital and Risk Management Report disclosures quarterly according to Part Eight of Regulation (EU) No 575/2013 (CRR). The disclosures constitute a comprehensive disclosure on risks, risk management and capital management. It include disclosures, or references to other disclosures, required according to Part Eight of the CRR and by EBA guidelines and standards on disclosure requirements. Information exempted from disclosure due to being non-material, proprietary or confidential can be found in Part 2, Other tables, of the Capital and Risk Management Report.

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

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

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

Country-by-country reporting

Further information on country-by-country reporting in accordance with the Finnish Act on Credit Institutions is presented in a separate appendix available at nordea.com.

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

	31 Dec 2021		31 Dec 2020	
EURm	Minimum capital requirement	REA	Minimum capital requirement	REA
Credit risk	**9,559**	**119,483**	**9,638**	**120,479**
- of which counterparty credit risk	368	4,600	449	5,609
IRB	**8,226**	**102,818**	**8,379**	**104,743**
- sovereign	–	–	–	–
- corporate	5,360	66,994	5,403	67,540
- advanced	4,663	58,281	4,613	57,670
- foundation	697	8,713	790	9,870
- institutions	309	3,862	379	4,738
- retail	2,209	27,610	2,181	27,256
- secured by immovable property collateral	1,537	19,206	1,474	18,424
- other retail	672	8,404	707	8,832
- items representing securitisation positions	70	880	70	880
- other	278	3,472	346	4,329
Standardised	**1,333**	**16,665**	**1,259**	**15,736**
- central governments or central banks	47	589	35	437
- regional governments or local authorities	7	82	7	83
- public sector entities	–	–	–	–
- multilateral development banks	–	–	–	–
- international organisations	–	–	–	–
- institutions	13	168	9	110
- corporate	155	1,942	178	2,228
- retail	298	3,721	300	3,747
- secured by mortgages on immovable properties	146	1,827	130	1,626
- in default	7	84	8	96
- associated with particularly high risk	–	–	91	1,145
- covered bonds	2	27	2	30
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	170	2,121	27	333
- equity	440	5,506	412	5,156
- other items	48	598	60	745
Credit value adjustment risk	**62**	**773**	**52**	**648**
Market risk	**398**	**4,972**	**529**	**6,616**
- trading book, internal approach	313	3,908	294	3,671
- trading book, standardised approach	51	637	48	606
- banking book, standardised approach	34	427	187	2,339
Settlement risk	**0**	**0**	**21**	**264**
Operational risk	**1,144**	**14,306**	**1,176**	**14,701**
Standardised	1,144	14,306	1,176	14,701
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR	**–**	**–**	**51**	**630**
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	**990**	**12,372**	**968**	**12,101**
Additional risk exposure amount due to Article 3 CRR	**–**	**–**	**–**	**–**
Total	12,153	151,906	12,435	155,440

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

	31 Dec 2021		31 Dec 2020	
EURm	Minimum capital requirement	REA	Minimum capital requirement	REA
Credit risk	**9,213**	**115,166**	**9,224**	**115,302**
- of which counterparty credit risk	377	4 712	454	5,673
IRB	**6,130**	**76,622**	**6,326**	**79,071**
- sovereign	–	–	–	–
- corporate	4,769	59,612	4,789	59,856
- advanced	4,451	55,639	4,384	54,792
- foundation	318	3,973	405	5,064
- institutions	318	3,979	391	4,887
- retail	824	10,302	863	10,782
- secured by immovable property collateral	228	2,844	237	2,962
- other retail	597	7,458	626	7,820
- other	218	2,730	283	3,546
Standardised	**3,083**	**38,543**	**2,898**	**36,231**
- central governments or central banks	34	428	31	384
- regional governments or local authorities	5	62	5	66
- public sector entities	–	–	–	–
- multilateral development banks	–	–	–	–
- international organisations	–	–	–	–
- institutions	1,105	13,818	856	10,699
- corporate	319	3,985	361	4,509
- retail	12	156	11	137
- secured by mortgages on immovable properties	0	2	0	3
- in default	0	0	0	0
- associated with particularly high risk	–	–	91	1,145
- covered bonds	55	691	110	1,371
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	170	2,122	26	333
- equity	1,382	17,276	1,399	17,486
- other items	0	4	8	98
Credit value adjustment risk	**62**	**770**	**51**	**637**
Market risk	**369**	**4,610**	**503**	**6,287**
- trading book, internal approach	313	3,908	294	3,671
- trading book, standardised approach	56	702	54	676
- banking book, standardised approach	–	–	155	1,940
Settlement risk	**0**	**0**	**21**	**265**
Operational risk	**802**	**10,020**	**831**	**10,386**
Standardised	802	10,020	831	10,386
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR	**–**	**–**	**–**	**–**
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	**5**	**59**	**6**	**74**
Additional risk exposure amount due to Article 3 CRR	**–**	**–**	**–**	**–**
Total	10,450	130,626	10,636	132,950

Summary of items included in own funds

EURm	Nordea Group[1]		Nordea parent company	
Calculation of own funds	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Equity in the consolidated situation	28,900	29,100	25,033	25,657
Profit of the period	3,835	2,288	–	–
Proposed/actual dividend	-2,682	-1,585	–	–
Common Equity Tier 1 capital before regulatory adjustments	30,054	29,802	25,033	25,657
Deferred tax assets	-4	-252		-249
Intangible assets	-2,804	-2,636	-1,038	-916
IRB provisions shortfall (–)	–	–	–	–
Pension assets in excess of related liabilities[1]	-169	-108	-169	-113
Other items, net[2]	-1,197	-253	-1,181	-223
Total regulatory adjustments to Common Equity Tier 1 capital	-4,174	-3,249	-2,388	-1,501
Common Equity Tier 1 capital (net after deduction)	25,880	26,553	22,646	24,156
Additional Tier 1 capital before regulatory adjustments	**3,159**	**2,609**	**3,159**	**2,609**
Total regulatory adjustments to Additional Tier 1 capital	**-27**	**-21**	**-27**	**-22**
Additional Tier 1 capital	3,132	2,588	3 132	2,587
Tier 1 capital (net after deduction)	29,012	29,141	25,777	26,743
Tier 2 capital before regulatory adjustments	**3,454**	**2,745**	**3,454**	**2,746**
IRB provisions excess (+)	**523**	**628**	**446**	**474**
Deductions for investments in insurance companies	-650	-650	-650	-650
Other items, net	-64	-63	-64	-63
Total regulatory adjustments to Tier 2 capital	-191	-85	-268	-239
Tier 2 capital	**3,263**	**2,660**	**3,186**	**2,507**
Own funds (net after deduction)	**32,275**	**31,801**	**28,963**	**29,250**

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

Capital adequacy ratios, Nordea Group

Percentage	31 Dec 2021	31 Dec 2020
Common Equity Tier 1 capital ratio, including profit	17.0	17.1
Tier 1 capital ratio, including profit	19.1	18.7
Total capital ratio, including profit	**21.2**	**20.5**
Common Equity Tier 1 capital ratio, excluding profit	16.8	17.0
Tier 1 capital ratio, excluding profit	18.9	18.7
Total capital ratio, excluding profit	**21.1**	**20.4**

Own funds & capital ratios (financial conglomerate)[1]

	31 Dec 2021	31 Dec 2020
Financial conglomerate's own funds, EURm	33,804	33,537
Own funds requirement of financial conglomerate, EURm	23,807	23,930
Capital adequacy of financial conglomerate (own funds surplus/deficit), EURm	9,997	9,606
Financial conglomerate's capital adequacy ratio, %	142.0%	140.1%

1) The financial conglomerate consists of banking and insurance operations.

Capital adequacy ratios, Nordea parent company

Percentage	31 Dec 2021	31 Dec 2020
Common Equity Tier 1 capital ratio, including profit	17.8	18.4
Tier 1 capital ratio, including profit	20.2	20.4
Total capital ratio, including profit	22.6	22.3
Common Equity Tier 1 capital ratio, excluding profit	17.3	18.2
Tier 1 capital ratio, excluding profit	19.7	20.1
Total capital ratio, excluding profit	**22.2**	**22.0**

Nordea Life & Pension – solvency II position[1]

EURm	31 Dec 2021	31 Dec 2020
Required solvency	2,453	1,968
Actual solvency capital	3,714	3,020
Solvency buffer	1,261	1,052
Solvency in % of requirement	151%	153%

1) Due to a general recommendation by Finansinspektionen to all insurance businesses under its supervision, NLP did not anticipate a dividend to Nordea Bank Abp in the solvency position at 31 Dec 2020.

Nordea Life & Pension – solvency II sensitivity[1]

EURm	31 Dec 2021	31 Dec 2020
Solvency in % of requirement	151%	153%
Equities drop 20%	167%	153%
Interest rates down 50bp	160%	157%
Interest rates up 50bp	166%	152%

1) Due to a general recommendation by Finansinspektionen to all insurance businesses under its supervision, NLP did not anticipate a dividend to Nordea Bank Abp in the solvency position at 31 Dec 2020.

New regulations on capital requirements

In June 2019 the 'banking package' containing revisions to the BRRD, the CRD and the CRR was adopted. The package includes a review of the minimum requirement for own funds and eligible liabilities (MREL), a review of the market risk requirements (Fundamental Review of the Trading Book, FRTB), the introduction of a binding net stable funding ratio (NSFR), the introduction of a strict leverage ratio requirement of 3% to be met by Tier 1 capital and amendments to the Pillar 2 and macroprudential framework. The revised CRD (CRD V) and BRRD (BRRD II) apply from 28 December 2020 and entered into force in Finnish law from 1 April 2021, while the majority of the changes in the CRR (CRR II) applies from 28 June 2021. In Norway the implementation of the 'banking package' is still pending but expected during the first half of 2022.

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

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

On 28 June the Finnish FSA decided to maintain the other systemically important institutions (O-SII) capital buffer for Finnish banks identified as systemically important. For Nordea, this means that the current O-SII buffer of 2% will be maintained.

During 2020 the ECB made recommendations to refrain from or limit dividends due to the COVID-19 pandemic, which continued into 2021. In July 2021 the ECB decided not to extend the recommendation, and the recommendation expired on 30 September 2021.

In March 2020 the countercyclical buffer rate was decreased in Sweden, Denmark and Norway due to COVID-19. During 2021 decisions were made to increase the buffer rates. In Norway it was first decided to increase the buffer rate from the current 1.0% to 1.5% from June 2022 and then in December it was also decided to further increase the buffer from 1.5% to 2.0% from 31 December 2022. In Denmark it was first decided to increase the buffer rate from 0% to 1.0% from September 2022 and then in December it was also decided to increase the buffer from 1.0% to 2.0% from 31 December 2022. In Sweden it was decided to increase the buffer rate from the current 0% to 1.0% from September 2022. In Finland the buffer rate remains at 0%.

To mitigate the effect of the Norwegian implementation of the CRR and CRD IV, changes to the systemic risk buffer (SRB) were implemented from 31 December 2020. The previous SRB of 3% for all Norwegian banks was changed to an SRB of 4.5% for all Norwegian exposures. The Norwegian Ministry of Finance requested the European Systemic Risk Board (ESRB) to issue a recommendation to other EEA states to reciprocate the measures. On 26 May the ESRB recommended reciprocation within 18 months but also recognised the regulatory differences between Norway and the EU, and reciprocation should therefore take into account any overlaps or differences in regulations. On 19 August the Finnish FSA stated that the decision on the application of the Norwegian SRB will be taken at a later stage and enter into force 12 months after the decision is taken. If reciprocity is accepted by the Finnish FSA, the measures would then also apply to the Nordea Group, leading to an estimated increase in the Group's CET1 capital ratio requirement of up to approximately 95bp.

In Norway risk weight floors for residential real estate of 20% and for commercial real estate of 35% according to Article 458 of the CRR apply from 31 December 2020. On 19 August the Finnish FSA decided to reciprocate the floors from 11 September 2021.

The Swedish FSA has also implemented a risk weight floor for residential mortgages of 25%. The floor was implemented with effect from 31 December 2018, and in December 2020 it was prolonged to also be valid during 2021. In December 2021 it was again decided to prolong it, this time until 30 December 2023. The floor has been reciprocated by the Finnish FSA and is therefore valid for the Nordea Group.

Finalisation of Basel III framework ("Basel IV")

Basel III is a global regulatory framework for bank capital adequacy, stress testing and liquidity risk. In December 2017 the finalised Basel III framework, often called the Basel IV package, was published. The Basel IV package was supposed to be implemented in 2022, but was postponed until 2023 due to COVID-19. It includes revisions to credit risk, market risk, operational risk, credit valuation adjustment (CVA) risk and the leverage ratio and introduces a new output floor.

Before being applicable to Nordea, the Basel IV package needs to be implemented into EU regulations. On 27 October the proposal for the implementation into EU regulations was published by the European Commission by amendments to the CRD and CRR. The proposal from the Commission is to set the start date to 1 January 2025. The proposal is now subject to negotiations between the Commission, the Council and the Parliament before the final set of regulations is decided.

For credit risk, the proposal includes revisions to both the IRB approach, where restrictions on the use of the IRB for certain exposures are implemented, and the standardised approach. Also, for market risk the internal model approach and the standardised approach have been revised. For operational risk, the three existing approaches will be removed and replaced by one standardised approach to be used by all banks. For CVA risk, the internally modelled approach is removed and the standardised approach is revised.

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

Corporate Governance Statement 2021

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, transparency and accountability.

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

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

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

Nordea's Corporate Governance Statement is available at nordea.com and the Code is available at https://cgfin- land.fi/en.

Corporate governance at Nordea

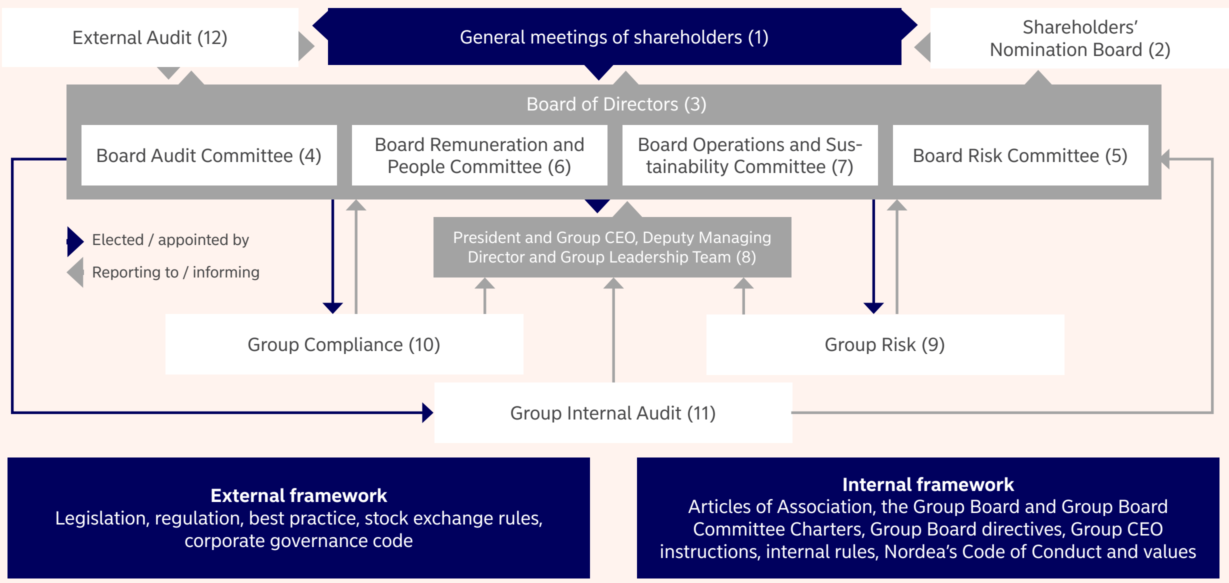
Nordea is a Finnish public limited liability company and the parent company of the Nordea Group (comprising the Company and its subsidiaries). The Company's shares are listed on the Nasdaq stock exchanges in Helsinki, Stockholm and Copenhagen and its American Depository Receipts (ADR) are traded in the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

The Board of Directors (the Board) and the President and Group CEO are responsible for the management of the Company. The main emphasis is on the Board noting and undertaking its role in Nordea's corporate governance structure and the interaction with the other governing bodies to ensure sound corporate governance, including systems for internal control and risk management regarding financial reporting.

Corporate governance and the duties of the governing bodies of Nordea are defined by the applicable internal and external frameworks. The external framework that regulates corporate governance includes EU law and national level laws, such as Directive 2013/36/EU (CRD IV), Regulation (EU) No 575/2013 (CRR), Directive 2014/65/EU (MiFID II) and Regulation (EU) No 600/2014 (MiFIR), as well as rules and guidelines issued by the relevant financial supervisory authorities, such as the EBA Guidelines on Internal Governance (GL11) and the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders (GL12), as well as national level laws, including the Finnish Companies Act, the Finnish Act on Credit Institutions, the Finnish Accounting Act and the relevant FIN-FSA regulations and guidelines. Nordea also complies with rules and guidelines issued by other relevant financial supervisory authorities as well as EU legislation for the financial industry, stock exchange rules for each relevant stock exchange and the rules and principles of the Code.

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

Corporate governance structure



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

ECB supervision and governance

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

Environmental, social and governance (ESG) governance

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

In 2021 Nordea appointed the Chief of Staff to coordinate and facilitate the Group-wide integration of ESG factors into the Risk Management Framework and business processes. Consequently, a new ESG implementation programme was launched under a newly established operational steering committee. The programme, which integrates first and second line of defence efforts, aims to ensure an efficient and consistent implementation of both the sustainability targets and objectives as well as the ESG-related risk management frameworks across key areas, including credit processes, risk scoring of customers, reporting and regulatory compliance.

For more information on ESG governance at Nordea, see "Non-financial statement" on pages 89–92 and "Sustainability notes" on pages 315–337.

Division of powers and responsibilities

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

General meetings of shareholders (1)

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

General meetings are held in Helsinki

Due to the COVID-19 pandemic and in order to ensure the health and safety of the Company's shareholders, employees and other stakeholders, the Board resolved on extraordinary meeting procedures for the 2021 Annual General Meeting (AGM) pursuant to the temporary legislation initially adopted by the Finnish parliament on 24 April 2020 (the Temporary Legislation). The AGM was held on 24 March 2021 at the head office of the Company without physical participation, and shareholders and their proxy representatives could thus only participate in the AGM and exercise their shareholders' rights by voting in advance and by making counterproposals and asking questions in advance.

Due to the COVID-19 pandemic, the members of the Board, the proposed new Board member, the President and Group CEO, the Company's auditor and representatives of the Company's senior management were not physically present at the 2021 AGM. Information on the decisions of the 2021 AGM and the minutes are available at nordea.com.

Due to the COVID-19 pandemic, also the 2022 AGM will be arranged at the head office of the Company on Thursday 24 March 2022 in accordance with the extraordinary meeting procedures pursuant to the Temporary Legislation.

Voting rights

Nordea's Articles of Association do not contain any provisions on share classes or voting rights. Consequently, all issued shares are ordinary shares and carry equal voting rights, with each share carrying one vote at general meetings. At general meetings, each shareholder is entitled to vote according to the full number of shares they hold or represent. Nordea is not entitled to vote on its own shares at general meetings under applicable legislation. More information about the Nordea share is presented in "The Nordea share and ratings" on page 54 and in "Financial review 2021" on pages 44–45.

Articles of Association

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

Shareholders' Nomination Board (2)

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

The Shareholders' Nomination Board comprises the Chair of the Board (Torbjörn Magnusson) and four members appointed on 31 August 2021 by the four largest shareholders in terms of voting rights, who wish to participate on the Shareholders' Nomination Board. Holders of nominee registered shares are taken into account when appointing the members.

The composition of the Shareholders' Nomination Board was made public on 15 September 2021. Sampo plc had appointed Ricard Wennerklint, Nordea-fonden had appointed Lars Ingemann Nielsen, Alecta had appointed Ann Grevelius and Cevian Capital had appointed Niko Pakalén as members of the Shareholders' Nomination Board. Ricard Wennerklint had been appointed Chairman of the Shareholders' Nomination Board. On 31 August 2021 the appointed members of the Shareholders' Nomination Board represented approximately 23% of all shares in the Company.

Prior to the 2022 AGM, the Shareholders' Nomination Board, constituted in the autumn of 2021, held 8 meetings. Each member participated in all the meetings and decision-making of the Shareholders' Nomination Board apart from Torbjörn Magnusson who did not participate in the preparation or decision-making where he had a conflict of interest.

Ricard Wennerklint, Chairman of the Shareholders' Nomination Board

Stockholm School of Economics (Business Administration and Finance and Executive Education, Advanced Management Programme)
Born 1969
Group Executive Vice President, Sampo plc

Lars Ingemann Nielsen

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

Ann Grevelius

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

Niko Pakalén

Master of Science (Economics)
Born 1986
Partner, Cevian Capital

Torbjörn Magnusson

Master of Science and Licentiate of Engineering
Born 1963
Chair of the Board of Directors of Nordea Bank Abp

See "Board of Directors" on pages 70–71 for more information.

The proposals of the Shareholders' Nomination Board are presented in the notice of the 2022 AGM and are also available at nordea.com.

Board of Directors (3)

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

Composition of the Board of Directors

According to the Articles of Association, the Board must consist of not less than 6 and not more than 15 members. The term of office for Board members is one year and expires at the end of the AGM following the election. Nordea has neither a specific retirement age for Board members nor a time limit for how long a Board member may serve on the Board. According to the Code, if a Board member has served as a member for more than ten consecutive years, this must be taken into consideration when conducting the overall evaluation of independence. Furthermore, applicable European regulatory requirements of the banking sector are taken into account in the evaluation.

The Company strives to promote diversity of the members of the Board with the aim to ensure that the Board, as a whole and for the purpose of its work, possesses 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.

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

During the nomination work prior to the 2022 AGM, the Chair of the Board of the Company informed the Shareholders' Nomination Board of the competencies and skills needed for the Board as a whole and for Board members individually and, as has been customary, the Nomination Board also met with the President and CEO, Frank Vang-Jensen. The Shareholders' Nomination Board considered a broad range of qualifications and knowledge to ensure sufficient expertise and independence and also strived for equal gender distribution in accordance with the Sustainability Policy and the Diversity Policy of the Company.

It is assessed that the Board collectively possesses the requisite knowledge of and experience in the social, business and cultural conditions of the regions and markets in which the main activities of Nordea and the Nordea Group are carried out, exhibiting adequate diversity and breadth of qualities and competencies, and that the gender distribution is well balanced.

The Board consists of 13 ordinary members and 1 deputy member. Of these Board members, 10 (6 men and 4 women) were elected by the AGM held on 24 March 2021, and 3 ordinary members and 1 deputy member (2 men and 2 women) were appointed by the employees of the Nordea Group. The Board members elected by the 2021 AGM are Torbjörn Magnusson (Chair), Kari Jordan (Vice Chair), Claudia Dill, Nigel Hinshelwood, Petra van Hoeken, Robin Lawther, John Maltby, Sarah Russell, Birger Steen and Jonas Synnergren. Additionally, Pernille Erenbjerg was a member of the Board until the end of the 2021 AGM.

As mentioned above, in addition to the members proposed by the Shareholders' Nomination Board and elected by the AGM, 3 ordinary members and 1 deputy member are appointed by the employees of the Nordea Group as employee representatives to the Board. The employee representatives until the end of the 2021 AGM are Joanna Koskinen (replaced Kari Ahola in August 2021), Dorrit Groth Brandt (deputy member), Gerhard Olsson and Hans Christian Riise. The appointment procedure for the employee representatives to the Board deviates from Recommendation 5 "Election of the Board of Directors" of the Code. The reason for this deviation is an agreement on employee representation entered by Nordea and an employee representation body under the Finnish Act on Employee Involvement in European Companies and European Social Cooperatives as well as the Finnish Act on Personnel Representation in the Company Administration in connection with the cross-border merger effectuating the redomiciliation to Finland in 2018.

The President and Group CEO of Nordea is not a member of the Board. The composition of the Board is set out on pages 68–69, and further information regarding the Board members elected by the AGM and the employee representatives is presented in the sections "Board of Directors" and "Employee representatives" on pages 70–71.

Board of Directors

Torbjörn Magnusson, Chair
MSc and Lic Eng
Board member since 2018[1] and Chair since 2019
Born 1963
Nationality: Swedish
Other assignments: Group CEO and President of Sampo Group since 1 January 2020, Board Chair of If P&C Insurance Holding Ltd (publ), Board member of Hastings Group Holdings plc

Previous positions:

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

Shareholding in Nordea: 13,983.

Kari Jordan, Vice Chair
MSc (Economics)
Board member and Vice Chair since 2019[1]
Born 1956
Nationality: Finnish
Other assignments: Board Chair of Outokumpu Oyj, Board member of several non-profit organisations, including the Finnish Business and Policy Forum EVA/ETLA

Previous positions:

2006–2018	President and CEO, Metsä Group, former Metsäliitto Group
2004–2017	President and CEO Metsäliitto Cooperative
1994–2004	Various executive management positions within the Nordea Group and Nordea's legal predecessors
1987–1994	Member of the Board of Management, OKOBANK
1986–1987	Vice President, Citicorp Investment Bank Limited
1981–1985	Various positions within Citibank Plc

Shareholding in Nordea: 100,000.

Claudia Dill
Lic oec, HSG, MBA, (Bern/Rochester NY)
Board member since 2021[1]
Born 1966
Nationality: Swiss

Previous positions:

2016–2020	Chief Executive Officer, Latin America, and member of the Group Executive Committee, Zurich Insurance Company, Sao Paolo
2015–2016	Chief Executive Officer, Latin America, P&C, Zurich Insurance Company, Sao Paulo
1999–2015	Various senior management positions, Zurich Insurance Company, Zurich/New York
1994–1999	Associate Credit Suisse
1994	Supervisor, Coopers and Lybrand, Moscow
1992–1994	Head of Controlling, Assistant Manager, Commerzbank, Tokyo
1992	Internal Auditor, Deutsche Bank, Tokyo
1990–1992	Internal Auditor, Credit Suisse, Geneva

Shareholding in Nordea: 0.

Petra van Hoeken
Master in Civil Law
Born 1961
Board member since 2019[1]
Nationality: Dutch
Other assignments: Chair of the Advisory Committee for Credit for the Dutch Ministry of Economic & Climate Affairs, Board member of Oranje Fonds, Board member of Nederlandse Waterschapsbank NV and Board member of the Supervisory Board for Volksbank N.V, member of the Advisory Council for Donations at the University of Leiden.

Previous positions:

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

Shareholding in Nordea: 0.

Nigel Hinshelwood
HCIMA (Management)
Board member since 2018[1]
Born 1966
Nationality: British
Other assignments: Board member of Lloyds Bank plc, Board member of Bank of Scotland plc, member of the Finance and Risk Committee of Business in the Community, Member of the International Advisory Board of Adobe Inc.

Previous positions:

2020–2021	Member of the Technology and Transformation Committee of Lloyd's of London
2018–2020	Franchise Board member of Lloyd's of London
2016–2017	Head of UK Bank and Deputy CEO, HSBC Bank plc
2015–2016	Group General Manager & Global Head of Operations, HSBC Group Holdings
2011–2015	Group General Manager & Chief Operating Officer Europe, Middle East and Africa, HSBC Group Holdings
2010–2011	Global Head, HSBC Insurance Holdings
2008–2010	Global Chief Operating Officer, HSBC Group Holdings
2005–2007	Group Head of Programme Management and Business Transformation, HSBC Group
2003–2005	Vice President & General Manager, Head of Global Banking and Insurance Services, Asia Pacific, Unisys Corporation
2000–2003	Chief Executive Officer, South East Asia, and Board member of Asia Pacific, Capgemini
1997–2000	Partner, Ernst & Young
1996–1997	National Sales Director Australia, Sequent Computer Systems

Shareholding in Nordea: 1,656.

Robin Lawther CBE
BA Honours (Economics) and MSc (Accounting and Finance)
Board member since 2014[1]
Born 1961
Nationality: American and British
Other assignments: Board member of Ashurst LLP, Board member of UK Government Investments and Advisory Board member of Aon

Previous positions:

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

Shareholding in Nordea: 50,000.

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

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

Previous positions:

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

Shareholding in Nordea: 940.

Birger Steen
MBA and MSc (Industrial Engineering, Computer Science)
Board member since 2015[1]
Born 1966
Nationality: Norwegian
Other assignments: Thematic partner of Summa Equity AB, Board Chair of Nordic Semiconductor ASA, Pagero AB and Myneva Group Gmbh, Board member of PragmatIC, member of the Board of Trustees, the National Nordic Museum in Seattle, USA

Previous positions:

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

Shareholding in Nordea: 10,000.

Sarah Russell
Master of Applied Finance
Board member since 2010[1]
Born 1962
Nationality: Australian
Other assignments: Member of the Supervisory Board of the Currency Exchange Fund N.V, member of Supervisory Board, Ostrum Asset Management and member of Supervisory Board, APG Groep NV and APG Asset Management

Previous positions:

2015–2019	Member of the Supervisory Board, Nederlandse Investeringsintelling NV
2015–2019	Vice Chairman of the Supervisory Board, member of the Appointment and Compensation Committee, La Banque Postale Asset Management SA
2010–2019	Chief Executive Officer, Aegon Asset Management Holdings BV
2006–2008	Senior Executive Vice President and CEO, ABN AMRO Asset Management Holdings NV
2004–2005	Managing Director and CFO, Wholesale Clients Business Unit, ABN AMRO
2002–2004	Global Head of Financial Markets Research and Financial Markets Infrastructure Support, member of the Financial Markets Executive Committee, ABN AMRO
2000–2002	Business Manager to Senior Executive Vice President of Global Financial Markets, ABN AMRO
1998–2000	Director, Head of Corporate Sales, Australia and New Zealand, ABN AMRO
1997–1998	Director, Head of Commodities in Sydney, ABN AMRO
1994–1997	Associate Director and Director, Treasury Sales in Sydney, ABN AMRO
1981–1994	Various positions within Toronto Dominion Australia Limited in several trading, sales and management roles in Financial Markets

Shareholding in Nordea: 0.

Jonas Synnergren
Msc (Economics and Business)
Board member since 2020[1]
Born 1977
Nationality: Swedish
Other assignments: Board member of Veoneer Inc and member of the Audit Committee and the Nominating and Corporate Governance Committee, member of the Nomination Committee at LM Ericsson AB, Senior Partner at Cevian Capital AB, Head of the Swedish office at Cevian Capital AB

Previous positions:

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

Shareholding in Nordea: 0.

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

Employee representatives

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

Board member since 2018[1]
Born 1967
(Deputy until 25 March 2022)
President (Formand) of Finansforbundet in Nordea
Shareholding in Nordea: 605.

Gerhard Olsson
MBA and Bachelor of Economics

Board member since 2016[1]
Born 1978
Professional at Nordea
Shareholding in Nordea: 0.

Hans Christian Riise
MBA

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

Joanna Koskinen
MBA International Business Management

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

Independence of the Board of Directors

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

The Board considers all the members elected by the shareholders at the 2021 AGM to be independent of the Company according to the Code, including Sarah Russell who has been a Board member of the Company and its legal predecessors for over 11 consecutive years. Based on an overall evaluation, her independence is not compromised because of her long service history, and no other factors or circumstances have been identified that could impair her independence. No Board member elected by the shareholders at the 2021 AGM is employed by or works in an operative capacity at the Company. The ordinary Board members and the deputy Board member appointed by the employees are employed by the Nordea Group and are therefore not independent of the Company according to the Code.

All Board members are furthermore considered independent of the Company's significant shareholders according to the Code. Sampo plc ceased to be a significant shareholder of the Company according to the Code as of October 2021, and thus Torbjörn Magnusson, as the Managing Director of Sampo plc and Group CEO and President of the Sampo Group, is considered independent of the Company's significant shareholders.

The independence of each Board member is also shown in the table on page 74.

Work of the Board of Directors

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

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

The Board regularly follows up on Nordea's strategy, business development as well as the Company's financial position and the performance of the financial market. Furthermore, the Board regularly updates the policies and internal rules on governance and control on which it has decided. The Board also reviews the risk appetite and regularly follows up on the development of relevant risks, capital and liquidity. Significant organisational changes, certain senior management appointments as well as mergers and acquisitions and other resolutions of significance are other matters dealt with by the Board. In 2021 the Board dealt with various aspects related to the pandemic caused by COVID-19, handled matters related to digitalisation, internal control and compliance, financial crime, share buy-backs and dividends as well as various remediation and implementation programmes. Furthermore, the Board must 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) annually provides the Board with an assessment of the overall effectiveness of governance and the risk and control framework, together with an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile. Further information regarding internal control at Nordea is provided on pages 79–82 under "Internal Control Framework".

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

In 2021 the Board of the Company held 16 meetings, 5 of which were held as per capsulam meetings. For more information see the table on page 74.

Chair

The Chair of the Board is elected by the shareholders at the General Meeting. The Board meets according to its annual meeting schedule and as necessary. The Chair is to ensure that the Board's work is conducted efficiently and that the Board fulfils its duties. The Chair is to organise and lead the Board's work, maintain regular contact with the President and Group CEO and ensure that the Board receives sufficient information and documentation, that the work of the Board is evaluated annually and that the Shareholders' Nomination Board is informed of the result of the evaluation.

Evaluation of the Board

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

In accordance with applicable European regulatory requirements, a suitability assessment of the individual Board members and of the Board as a whole is completed annually and in connection with the selection process for new Board members.

Board committees

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

Board Audit Committee (4)
The Board Audit Committee (BAC) assists the Board in fulfilling its oversight responsibilities, for instance by monitoring the Nordea Group's financial reporting process and system and by providing recommendations or proposals to ensure their reliability (including the efficiency of the internal control and risk management system), by monitoring the effectiveness of GIA, keeping itself informed as to the statutory audit of the annual and consolidated accounts, and by reviewing and monitoring the impartiality and independence of the external auditors, including the offering of services other than auditing services by the auditors, by preparing a recommendation of appointment of the Company's auditor and by reviewing the group's tax strategy and tax policy as well as by taking care of the responsibilities of the audit committee pursuant to applicable legal requirements. The BAC also assists the Board in monitoring and assessing how related party transactions meet the requirements of ordinary activities and arm's length terms and reviews the external auditor's report on Nordea's sustainability reporting and associated disclosures as well as the integrity, independence and effectiveness of the whistleblowing mechanism Raise Your Concern.

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

Members of the BAC are John Maltby (Chair), Sarah Russell, Petra van Hoeken and Jonas Synnergren. Generally, the Chief Audit Executive (CAE), the Group Chief Financial Officer (Group CFO), the Chief Risk Officer (CRO) and the external auditor of the Company are present at the meetings of the BAC with the right to participate in discussions but not in decisions.

The Board annually appoints the members and the Chair of the BAC. The BAC must have at least three committee members who are members of the Board. The Chair of the BAC must not be the Chair of the Board or of any other Board committee. None of the members of the BAC must be employed within the Nordea Group or participate in the day-to-day management of the Company or a company of the Nordea Group. The majority of the members of the BAC must be independent of the Company. At least one of the members of the BAC who is independent of the Company must also be independent of the Company's significant shareholders and have sufficient expertise in accounting and/or auditing. The committee members must have the expertise and experience required for the performance of the responsibilities of the BAC. For more information, see the table on page 74.

Board Risk Committee (5)
The Board Risk Committee (BRIC) assists the Board in fulfilling its oversight responsibilities concerning management and control of risks, risk frameworks, controls and processes associated with the Nordea Group's activities, including credit, market, liquidity, business, life and operational risks, information security, environmental risk, conduct and compliance, as well as related frameworks and processes.

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

Members of the BRIC are Nigel Hinshelwood (Chair), Claudia Dill, Petra van Hoeken and Birger Steen.

The CRO, the Chief Compliance Officer (CCO), the CAE and the President and Group CEO are regular attendees at the meetings with the right to participate in discussions but not in decisions. Further information regarding the credit decision-making structure for main operations and risk management within Nordea is presented in Note G2 "Risk and liquidity management" on pages 128–163.

The Board annually appoints the Chair and members of the BRIC. The BRIC must have at least three committee members who are members of the Board. The Chair of the BRIC must not be the Chair of the Board or of any other Board committee. The BRIC must be composed of members of the Board who are not employed within the Nordea Group. The majority of the members of the BRIC, including the Chair, must be independent. Members of the BRIC must, individually and collectively, have appropriate knowledge, skills and expertise concerning risk management and control practices. For more information, see the table on page 74.

Board Remuneration and People Committee (6)
The Board Remuneration and People Committee (BRPC) is responsible for preparing and presenting proposals to the Board on remuneration issues. When preparing the proposals, the long-term interests of shareholders, investors and other stakeholders in Nordea must be considered.

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

Moreover, as of April 2021 the remit of the BRPC was expanded to also support the Board of Directors in considering the Group Board Diversity Policy and Statement as well as monitor the impact of diversity and inclusion policies and practices within Nordea and review and assess talent management.

The BRPC will also review succession plans and the performance of the members of the GLT and the CAE, review the structure and composition of as well as the selection criteria and process for the GLT and advise on proposed GLT appointments together with the Shareholders' Nomination Board.

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

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

The Chair and the majority of the members of the BRPC must be Board members who are independent of the Company and not employed by the Nordea Group. The President and Group CEO or the other executives must not be members of the BRPC. However, if employee representatives are appointed to the Board, at least one of them must be appointed as a member of the BRPC pursuant to the Finnish Act on Credit Institutions. The members of the BRPC must collectively have sufficient knowledge, expertise and experience in issues relating to risk management and remuneration. For more information, see the table on page 74.

Further information regarding remuneration at Nordea is presented in the section "Remuneration" on pages 83–87 and in Note G8.

Board Operations and Sustainability Committee (7)

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

Members of the BOSC are Birger Steen (Chair), Claudia Dill, Nigel Hinshelwood, John Maltby and Jonas Synnergren. To the extent possible, the Head of Group Operational Risk attends meetings when the BOSC deals with operational risks related to data and IT. The CAE may also participate in meetings to the extent possible and when deemed suitable. All have the right to participate in discussions but not in decisions. Furthermore, other senior executives also attend meetings when deemed relevant.

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

Board members' attendance and independence

The table below shows the number of meetings held by the Board and its committees as well as the attendance of the individual Board members. It also shows the independence of the individual Board members in relation to the Company as well as to significant shareholders.

	Board of Directors	Board Audit Committee	Board Risk Committee	Board Remuneration and People Committee	Board Operations and Sustainability Committee	Independence in relation to the Company[1]	Independence in relation to significant shareholders[1]
Number of meetings (of which per capsulam)	16(5)	9(0)	10(2)	10(2)	7(0)		
Elected by shareholders at the AGM							
Torbjörn Magnusson (Chair)[2]	14	–	–	10	–	Yes	Yes
Kari Jordan (Vice Chair)	16	–	–	9	–	Yes	Yes
Nigel Hinshelwood	16	–	10	–	7	Yes	Yes
Claudia Dill (Board member as of March 2021)	11	–	8	–	5	Yes	Yes
Birger Steen	16	–	10	–	7	Yes	Yes
Sarah Russell	16	9	–	7	–	Yes	Yes
Robin Lawther	16	–	–	10	–	Yes	Yes
Pernille Erenbjerg (Board member until March 2021)	5	2	–	–	1	Yes	Yes
Petra van Hoeken	15	9	10	–	–	Yes	Yes
John Maltby	16	6	4		6	Yes	Yes
Jonas Synnergren (Board member as of 28 May 2020)	16	9	–		7	Yes	Yes
Appointed by employees							
Kari Ahola (until August 2021)	10	–	–	–	–	No	Yes
Dorrit Groth Brandt (deputy member)	16	–	–	–	–	No	Yes
Gerhard Olsson	16	–	–	10	–	No	Yes
Joanna Koskinen (as of August 2021)	5	–	–	–	–	No	Yes
Hans Christian Riise	16	–	–	–	–	No	Yes

1) According to the Code, a significant shareholder is a shareholder who holds at least 10% of all company shares or the votes carried by all the shares or who has the right or obligation to acquire the corresponding number of already issued shares. For additional information, see "Independence of the Board of Directors" on page 72.

2) Torbjörn Magnusson did not participate in meetings or the decision-making where he had a conflict of interest.

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

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

The President and Group CEO is accountable to the Board for managing the Nordea Group's operations and organisation and is also responsible for developing and maintaining effective systems for reporting and internal control within the Group. In line with applicable regulations, the Company has a Deputy Managing Director. Further information about the control environment for risk exposures is presented in Note G2 "Risk and liquidity management" on pages 128–163.

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

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

At the end of 2021 the GLT members were: Frank Vang-Jensen (President and Group CEO), Sara Mella (Head of Personal Banking), Nina Arkilahti (Head of Business Banking), Martin A Persson (Head of Large Corporates & Institutions), Snorre Storset (Head of Asset & Wealth Management), Erik Ekman (Head of Group Business Support), Matthew Elderfield (Chief Risk Officer), Christina Gadeberg (Chief People Officer), Jussi Koskinen (Chief Legal Officer and Deputy Managing Director), Ulrika Romantschuk (Head of Group Brand, Communication and Marketing), Jamie Graham (Chief Compliance Officer) and Ian Smith (Group Chief Financial Officer).

On 20 January 2022 Nordea announced that Mark Kandborg, current Deputy Head of Nordea's Large Corporates & Institutions business area, would be appointed Chief Risk Officer and a member of the GLT as of 1 April 2022. Nordea's current Chief Risk Officer, Matthew Elderfield, has decided to return to the United Kingdom after more than five years at Nordea. Mark Kandborg has worked at Nordea for 26 years and has held several senior roles, including acting Chief Financial Officer and Head of Group Finance as well as Head of Treasury & Asset and Liability Management. He has broad experience from all Nordic markets and holds a Master's degree in Economics from the University of Copenhagen. The appointment is subject to regulatory approval and the change will take effect on 1 April 2022.

Jussi Koskinen was announced Interim Deputy Managing Director on 10 September 2019 and on 2 February 2022 the Board confirmed his appointment as Deputy Managing Director after receipt of relevant authority approval.

Biographical information about the President and Group CEO and the other GLT members at the end of 2021 is presented on pages 76–77, information about Nordea's organisation is presented on page 78, further information about the business areas is presented on pages 16–27 and information about the Group functions is presented on page 77.

Group Leadership Team

Frank Vang-Jensen
President and Group CEO
Born 1967
Member of Group Leadership Team since 2018
Education: Executive Programme, Harvard Business School, USA. Management Programme, INSEAD, France/Singapore. Organisation & Leadership, Copenhagen Business School, Denmark. Finance & Credit, Copenhagen Business School, Denmark.
Shareholding in Nordea: 113,353.

Previous positions:

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

Sara Mella
Head of Personal Banking
Born 1967
Member of Group Leadership Team since 2019
Education: Master of Science, Economics, University of Tampere, Finland.
Shareholding in Nordea: 24,339.

Nina Arkilahti
Head of Business Banking
Born 1967
Member of Group Leadership Team since 2020
Education: Master of Social Science, University of Turku, Finland. BSc in Economics and Business Administration, Aalto University School of Business, Finland.
Shareholding in Nordea: 5,207.

Martin A Persson
Head of Large Corporates & Institutions
Born 1975
Member of Group Leadership Team since 2016
Education: Bachelor of Business Administration, Accounting & Finance, University of Stockholm, Sweden.
Shareholding in Nordea: 16,950.

Snorre Storset
Head of Asset & Wealth Management
Born 1972
Member of Group Leadership Team since 2015
Education: MSc in Economics and Business Administration, Norwegian School of Economics, Bergen, Norway.
Shareholding in Nordea: 18,825.

Erik Ekman
Head of Group Business Support
Born 1969
Member of Group Leadership Team since 2015
Education: PhD in Economics, Uppsala University, Sweden.
Shareholding in Nordea: 12,433.

Matthew Elderfield
Chief Risk Officer
Born 1966
Member of Group Leadership Team since 2016
Education: M Phil in International Relations, Trinity Hall, Cambridge University, United Kingdom. B.S. in Foreign Service, School of Foreign Service, Georgetown University, United States.
Shareholding in Nordea: 11,835.

Christina Gadeberg
Chief People Officer
Born 1970
Member of Group Leadership Team since 2019
Education: Graduate diploma (HD) in Business Administration, Organisation & Leadership, Copenhagen Business School, Denmark.
Shareholding in Nordea: 6,423.

Jussi Koskinen
Chief Legal Officer
Born 1973
Member of Group Leadership Team since 2018
Education: Master of Laws (LLM), University of Turku, School of Law, Finland.
Shareholding in Nordea: 7,210.

Ulrika Romantschuk
Head of Group Brand, Communication and Marketing
Born 1966
Member of Group Leadership Team since 2020
Education: Bachelor in Political Science from the Swedish School of Social Science, the University of Helsinki.
Shareholding in Nordea: 7,833.

Ian Smith
Group Chief Financial Officer
Born 1966
Member of Group Leadership Team since 2020
Education: MA in Economics, Aberdeen University, UK.
Shareholding in Nordea: 16,290.

Jamie Graham
Chief Compliance Officer
Born 1974
Member of Group Leadership Team since 2021
Education: Bachelor of Science, University of East Anglia, UK.
Shareholding in Nordea: 3,435.

Group functions

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

Erik Ekman
Head of Group Business Support

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

Johan Ekwall
Chief of Staff

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

Matthew Elderfield
Chief Risk Officer

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

Jamie Graham
Chief Compliance Officer

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

Christina Gadeberg
Chief People Officer

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

Virpi Vuorinen
Chief Audit Executive

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

Jussi Koskinen
Chief Legal Officer

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

Ulrika Romantschuk
Head of Group Brand, Communication and Marketing

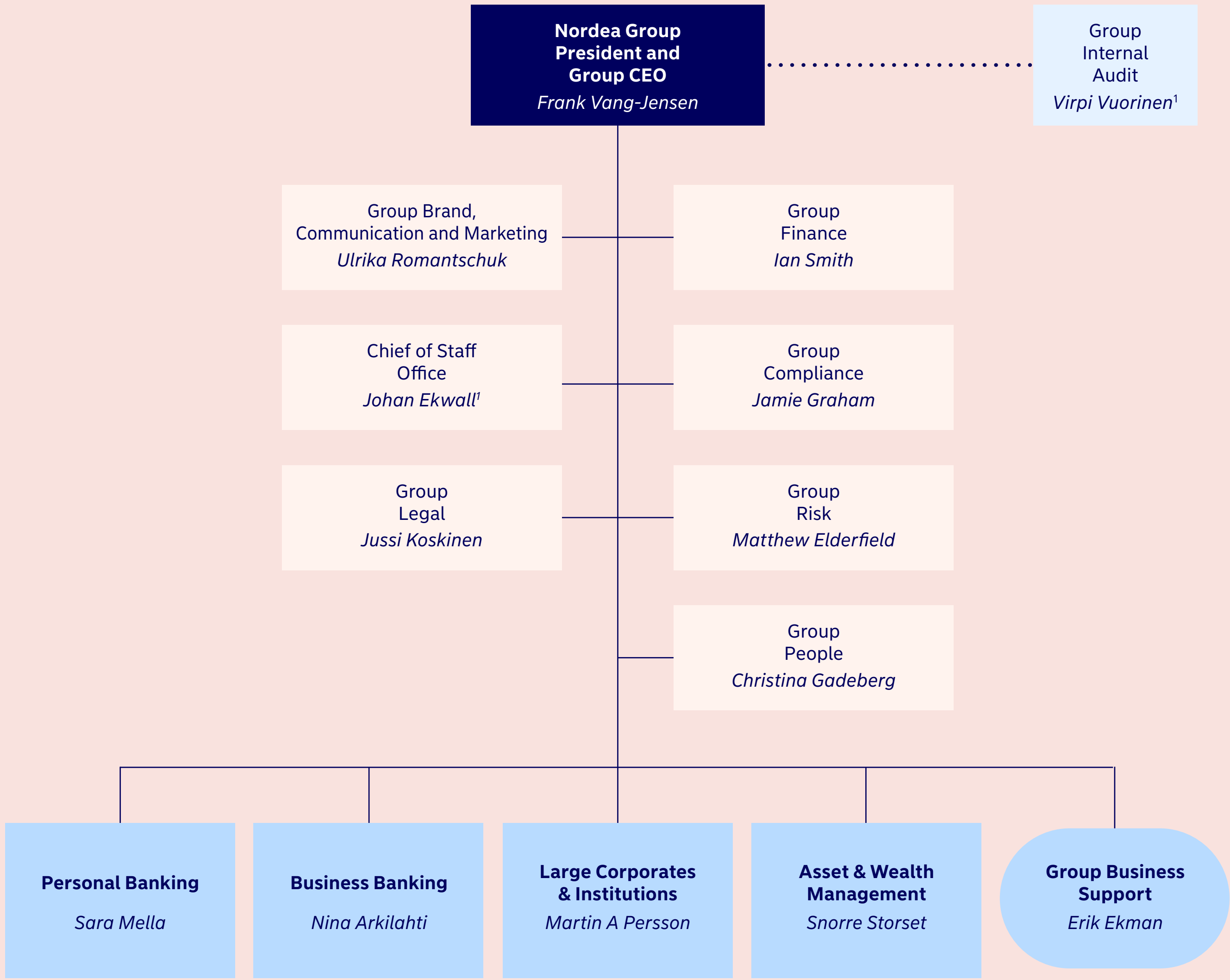
Group Brand, Communication and Marketing (GBCM)
GBCM's overall aim is to improve the Group's brand perception and reputation to make people passionate about Nordea. GBCM drives brand, communication and marketing activities across the Group and supports Nordea's strategic agenda, providing guidelines,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

Ian Smith
Group Chief Financial Officer

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

Group organisation

As of 1 January 2022



1) Not a member of the Group Leadership Team.

Internal Control Framework

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

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

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

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

In the first line of defence, the business organisation and Group functions are risk owners and thus responsible for conducting their business within risk exposure limits and the risk appetite and in accordance with the Internal Control Framework.

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

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

Group Risk (9)

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

Group Compliance (10)

Group Compliance is an independent compliance function responsible for maintaining a compliance risk management framework that ensures compliance with applicable laws, regulations, standards, supervisory requirements and related internal rules as well as for providing training, advice and oversight to ensure that compliance matters are adequately communicated and adhered to by management.

Group Compliance is responsible for identifying, assessing, testing, monitoring and reporting compliance risks to ensure that the risks are managed by the relevant business areas and functions. The compliance function is headed by the CCO, who is also a member of the GLT, and reports to the President and Group CEO. The CCO is appointed, suspended or dismissed by the Board after prior consultation with the President and Group CEO. The CCO regularly reports to the BRIC and the Board on the Nordea Group's compliance risk exposure.

Group Internal Audit (11)

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

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

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

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

External audit (12)
According to the Articles of Association, the auditor of the Company must be an audit firm with the auditor in charge being an authorised public accountant. The term of office of the auditor expires at the end of the AGM following the election. The current auditor of the Company is PricewaterhouseCoopers Oy. Jukka Paunonen, Authorised Public Accountant, was the auditor in charge as of the 2021 AGM.

Further information about the fees paid for audit services and non-audit services is presented in Note G9.

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 are described below.

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

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

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

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

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

Risk management is considered to be an integral part of running the business and the main responsibility for performing risk assessments regarding financial reporting risks lies with the business organisation. Performing risk assessments close to the business increases the possibility of identifying the most relevant risks. In order to govern the quality, control functions stipulate in governing documents when and how these assessments are to be performed. Examples of risk assessments are the recurring Risk and Control Self-Assessments and the event-driven Change Risk Management and Approval process.

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

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

The ICFR control structure is based on transaction level controls that are identified by analysing risks based on high-level processes with an end-to-end product focus. After deciding on the transaction level controls, an analysis is performed to determine the systems/applications to be relied on in financial reporting, including the IT general controls.

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

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

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

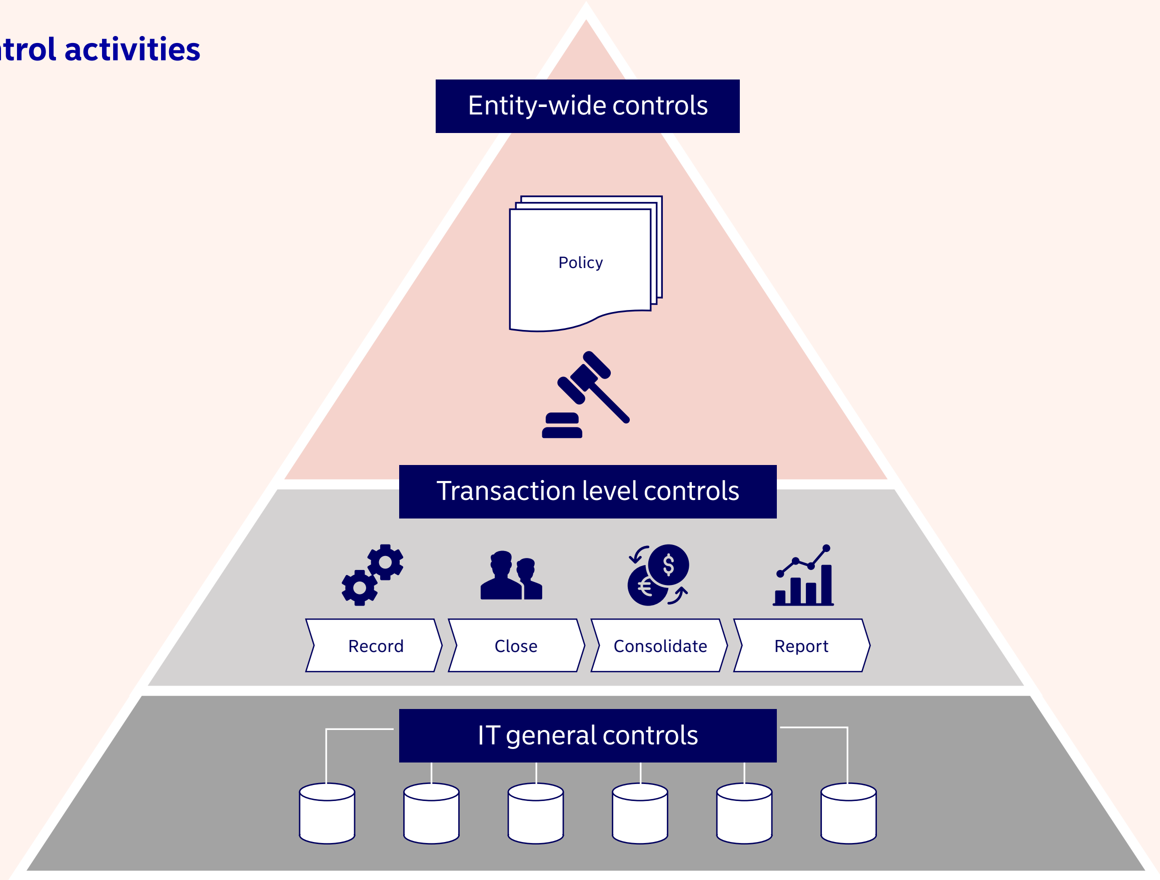
Nordea interacts with relevant subject-matter experts externally to keep up to date with changes in reporting expectations and ensure the fulfilment of financial reporting objectives. Nordea actively participates in relevant national and international forums, such as those established by the financial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

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

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

The Board, the BAC, the BRIC, the BOSC, Group Risk, Group Compliance and GIA have important roles when it comes to

Control activities



Examples of control activities in Nordea:

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

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

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

the governance and oversight of the internal control of financial reporting at the Nordea Group. For further information, see "Work of the Board of Directors", "Board Audit Committee (4)", "Board Risk Committee (5)", "Board Operations and Sustainability Committee (7)", "Group Risk (9)", "Group Compliance (10)" and "Group Internal Audit (11)" on the previous pages.

Insider administration

Insider administration is organised according to the applicable EU and national level laws and regulations. The Board has approved Group-wide rules and guidelines to provide clear instructions for employees to facilitate their compliance with the rules applicable to ensure that inside information is identified and handled appropriately.

Insiders are identified on a case-by-case basis whenever inside information is detected and are subsequently registered in a related insider register and notified of their insider status. All identified insiders are then prohibited from dealing in the financial instrument(s) to which the inside information relates until that information is made public or otherwise no longer deemed to be inside information, and the insider register is closed. Nordea does not maintain a permanent insider register under EU Market Abuse Regulation No 596/2014 (MAR).

The Company has also identified members of the Board and the GLT as well as the CAE as persons discharging managerial responsibilities (as defined by MAR) who, along with persons closely associated with them, are required to notify the Company and the relevant financial supervisory authority of any transaction in financial instruments, issued by Nordea, executed on their account or on their behalf. The Company discloses such reported transactions to the market through stock exchange releases.

In addition to this reporting duty, persons discharging managerial responsibilities are prohibited from trading in financial instruments issued by Nordea during a period of 30 calendar days prior to (and including) the date of the publication of a Nordea Group interim financial report, half-year report or year-end report and whenever such persons are in possession of inside information about Nordea.

For employees who participate in providing investment services or advice to customers, the Company also applies

Group-wide internal trading restrictions and transaction reporting obligations that are based on the trading rules established by, inter alia, Finance Finland, the Swedish Securities Markets Association and the Swedish Investment Fund Association.

Furthermore, in the capacity of a company licensed to provide investment services and as a fund management company, the Company and its subsidiary Nordea Funds Ltd, respectively, maintain insider registers of persons who are classified as "public insiders" pursuant to the Finnish Act on Investment Services and the Finnish Act on Mutual Funds. The holdings of securities listed in Finland of such persons are public information and uploaded to the public insider register kept by Euroclear Finland Oy. The register of holders of units in funds managed by Nordea Funds Ltd is also available for viewing at Nordea Funds Ltd.

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

Principles for related party transactions

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

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

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

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

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

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

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

(i) the relevant transactions have been appropriately identified, reported, and controlled

(ii) the Conflict of Interest Policy has been carefully considered in the preparation and decision-making process and

(iii) the preparation of related party transactions includes adequate reports, statements and/or assessments. Furthermore, Nordea publicly discloses its related party transactions in accordance with applicable laws and regulations.

Further information about related party transactions is presented in Note G1 and Note G45.

Remuneration

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

Aim of Nordea's Remuneration Policy

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

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

Nordea has a total remuneration approach to compensation that recognises the importance of well-balanced but differentiated remuneration structures based on business and local market needs as well as the importance of having remuneration that is consistent with and promotes sound and effective risk management and that does not encourage excessive risk-taking or counteract Nordea's long-term interests.

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

Decision-making process for the Remuneration Policy

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

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

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

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

Moreover, as of April 2021 the remit of the BRPC was expanded to also support the Board of Directors in considering the Group Board Diversity Policy and Statement as well as monitoring the impact of diversity and inclusion policies and practices within Nordea and in reviewing and assessing talent management.

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

More information about the composition of the BRPC and its responsibilities is provided in a separate section of "Corporate Governance Statement 2021" on pages 73–74.

Alignment with business strategy

Nordea has processes to align business and individual goal- and target-setting across Nordea with the overall strategy and predefined risk-adjusted criteria.

Financial and non-financial goals are based on the business's expectations and forecasts, and stretched targets are approved by the Board of Directors to ensure alignment with shareholders' and Nordea's priorities. Hence, the main Group performance goals and targets in variable remuneration for the Nordea Group in 2021 were the financial goals return on equity, income and cost-to-income ratio and non-financial goals relating to customer satisfaction and employee engagement.

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

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

Supporting sound risk management

Nordea performs an ongoing risk assessment of remuneration risks conducted within the framework of the Compliance, Conduct and Product Committee (CCPC), the non-financial risk forums of each business area and Group functions as well as the risk and control self-assessment.

Nordea also mitigates relevant risks by means of our internal control framework, which is based on the control environment and includes the following elements: values and management culture, goal orientation and follow-up, a clear and transparent organisational structure, three lines of defence, the four eyes principle, the quality and efficiency of internal communication and an independent assessment process.

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

- Applying a group variable remuneration funding mechanism which considers prudential and appropriate risk-adjustments when setting a group pool for each performance year.
- Ensuring that the Board of Directors approves the total outcome of variable remuneration before award, which allows for adjustments in outcome if deemed appropriate by the Board of Directors, e.g. considering risk limits.
- There is an appropriate balance between fixed and variable remuneration.
- Relevant control functions provide input on the setting of a Group variable remuneration pool, performance goals and the outcome of such, to ensure that the impact on staff behaviour and risks of business undertaken are addressed.
- The effect on long-term results is considered when determining goals and targets for variable remuneration.
- No employee at Nordea can earn variable remuneration exceeding 200% of their annual fixed remuneration. The maximum ratio between fixed and variable remuneration for material risk takers was 200% in 2021 in accordance with the 2019 AGM's decision. In practice, however, a ratio between the fixed and the variable remuneration above 100% of annual fixed remuneration only applies to a very limited number of employees as the outcome of Nordea's variable remuneration plans is capped at certain levels.
- The risks set out in Nordea's Risk Appetite Statement are linked to forfeiture conditions to ensure that breaches of risk limits influence variable remuneration awards.
- Payments related to early termination of employment should reflect performance achieved over time and should be designed to not reward failure or misconduct.
- Employees engaged in control functions are compensated independently of the performance of the business unit(s) they control and predominantly through fixed remuneration.

Principles for deferral of variable remuneration awards and awards in instruments

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

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

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

Risk adjustments, malus and claw-back provisions

General provisions for malus and claw-back at Nordea are set out in Nordea's Remuneration Policy. The Consequence Management Committee (CMC), comprising the heads of control functions, the Head of Group Legal and the Head of Group People, provides governance and oversight of risk performance-related adjustments for selected staff within the scope of the CMC in the first line of defence. Ex-ante and ex-post adjustments can be proposed by the CMC to individually or collectively adjust or claw back variable remuneration awards due to risk and compliance-related performance.

Payment of variable remuneration awards under Nordea's main variable remuneration plans is based on an assessment of the results of the Nordea Group, the concerned Nordea entity, the relevant business unit and the individual employee. Reductions, partly or down to zero, can occur if an employee eligible for variable remuneration has for example violated internal or external regulations, participated in or been responsible for an action that has caused Nordea significant losses or in the event of a significant downturn in Nordea's or the relevant business unit's financial results.

Employees must not use personal hedging strategies to undermine or eliminate the effects of deferred variable remuneration being partly or fully removed.

Audit of Nordea's Remuneration Policy

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

Remuneration to the Board of Directors

By proposal of the Shareholders' Nomination Board and in accordance with the Remuneration Policy for Governing Bodies, the AGM annually decides on the remuneration to the Board of Directors. In 2021 remuneration was offered in cash to the Board members. Board members are not part of any variable or incentive programme. Remuneration for Board work is not paid to Board members who are employees of the Nordea Group. Further information is provided in Note G8.

Remuneration to the CEO and the members of the Group Leadership Team (GLT)

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

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

Remuneration for the CEO and members of the GLT in 2021 was decided by the Board of Directors considering the Remuneration Policy for Governing Bodies and in accordance with Nordea's internal policies and procedures, which are based on the applicable regulations on remuneration systems and other relevant regulations and guidelines.

Salaries and other remuneration in line with market levels constitute the overriding principle for the remuneration for the CEO and the members of the GLT at Nordea. The remuneration for the CEO and the members of the GLT will be consistent with and promote sound and effective risk management and not encourage excessive risk-taking or counteract Nordea's long-term interests.

Annual remuneration consists of fixed salary, benefits, vari able remuneration (short-and long-term), pension and insurances.

Further information about remuneration to the CEO and the members of the GLT is provided in Note G8. A more detailed disclosure of remuneration to the CEO and how the Remuneration Policy for Governing Bodies is applied is provided in Nordea's 2021 Remuneration Report for Governing Bodies.

Variable remuneration to the members of the GLT

Variable remuneration for the members of the GLT in 2021 was offered as participation in a short-term incentive programme called Executive Incentive Programme (EIP 2021). Furthermore, the members of the GLT who are not responsible for independent control functions were offered participation in a long-term fully share-based incentive plan called Long Term Incentive Programme 2021–2023 (LTIP 2021–2023).

The Executive Incentive Programme (EIP 2021) for GLT members has a one-year performance period and includes pre-determined performance goals and targets at Group, business area/Group function (BA/GF) and individual level. The impact on long-term results was considered when determining the targets.

The outcome from the EIP 2021 has been based on the Board of Director's assessment of performance against the pre-determined targets.

The outcome from the EIP 2021 will be paid to GLT members in equal portions of cash and Nordea shares, and will be subject to forfeiture clauses. 40% of the confirmed outcome of the EIP 2021 will be delivered in equal portions of cash and Nordea shares in 2022. The remaining 60% of the EIP 2021 outcome is deferred for annual pro rata delivery over a five-year period, meaning that a significant portion of the outcome remains to be delivered at the time of the award. No dividends are paid during the deferral period. Nordea shares will be subject to 12 months' retention when delivered to the GLT members. The maximum outcome of the EIP 2021 for GLT members participating in the LTIP 2021–2023 was 75% of the annual fixed base salary.

Performance goals at Group level included financial goals measuring return on equity, income and cost-to-income ratio as well as non-financial goals measuring employee engagement and customer satisfaction. BA/GF goals included BA/GF-specific financial and non-financial goals. At individual level, performance was measured in relation to the individually agreed goals and targets including risk and compliance. The weighting of Group, BA/ GF and individual goals is determined individually for the CEO, reflecting his overall responsibility for the Nordea Group, as well as for the members heading a business area or a Group function. The overall ambition for 2021 was to deliver on Nordea's strategic priorities. Any awards were determined on the basis of achievement in relation to the agreed goals and targets following appropriate risk adjustments.

Long-Term Incentive Programme 2021–2023

In 2021 the Board of Directors decided to continue the long-term incentive programme by launching the LTIP 2021–2023 for the GLT and to a maximum of 50 senior leaders and key employees whose efforts have a direct impact on Nordea's results, profitability, customer vision and long-term growth.

The main purpose of the LTIP 2021–2023 is to further align GLT members' interests with those of shareholders. The LTIP 2021–2023 has a three-year performance period from 1 January 2021 to 31 December 2023 and subsequent deferral and retention according to regulations.

The total maximum number of shares that can be granted under the LTIP 2021–2023 was nominally allocated to the participants in 2021 as conditional share awards. In 2024, based on Nordea's performance against pre-established performance criteria, the maximum number of shares or a proportion of the shares will be awarded individually to the participants.

The first portion of shares of the potential award will be delivered in 2024. The rest of the shares will be deferred and delivered annually in five equal portions during 2025–2029. Each share delivery is subject to a 12-month retention period.

Share grants may be reduced in part or full subject to risk and compliance adjustments. The LTIP 2021–2023 performance requirements have been set so that the maximum outcome will require achieving exceptional performance from a shareholder perspective. The assessment of performance during the performance period will be based equally on the following performance criteria:

- Relative total shareholder return (rTSR) measured against selected Nordic and European peer banks
- Absolute total shareholder return (absolute TSR)
- Absolute cumulative earnings per share (absolute EPS).
- A risk-adjustment underpin is also included.

Furthermore, the GLT members must hold a significant number of the shares subsequently granted until the total value of the GLT member's shareholding in Nordea in total corresponds to 100% of the GLT member's annual gross salary. Such shares must be held until the GLT member steps down from the GLT position.

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

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

Nordea's remuneration structures

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

Fixed remuneration components

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

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

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

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

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

Nordea has, as of 2020, implemented a Group variable remuneration funding mechanism to fund variable remuneration programmes at Nordea, except for the Profit Sharing Plan and Nordea's LTIP (2020–2022 and 2021–2023). The Group variable remuneration pool creates a strong link between Nordea's overall performance and the allocated variable remuneration.

The Group variable remuneration pool determines the overall variable remuneration for the respective performance year based on a target/expected pool adjusted by Group performance, which is subsequently distributed to BAs/GFs based on their performance (scorecards). The final allocation is based on individual performance according to the goals set individually under the individual variable remuneration programmes. In 2021 the following other variable remuneration programmes were offered to Nordea employees:

Executive Incentive Programme (EIP) was offered to recruit, motivate and retain selected people leaders and key employees outside of the GLT and aims to reward strong performance and efforts. The assessment of individual performance is based on a predetermined set of well-defined financial as well as non-financial goals. Individual EIP awards will not exceed the annual fixed salary. Awards from the EIP 2021 are normally, and always for material risk takers, allocated partly in cash and partly in instruments with subsequent retention. Parts of the awards for participants in the EIP are subject to a four-to-five-year pro rata deferral period, in certain exceptions three years, with forfeiture conditions applying during the deferral period.

Variable Salary Part (VSP) was offered to selected people leaders and specialists to reward strong performance. The assessment of individual performance is based on a predetermined set of well-defined financial as well as non-financial goals. The VSP maximum outcome for 2021 should normally not exceed a maximum outcome of 50% of the annual fixed salary and will not exceed the annual fixed salary. Awards from VSP are paid in cash. For material risk takers, VSP awards are partly delivered in instruments with subsequent retention. Parts of the awards for material risk takers and certain other participants from VSP are subject to at least a four-year pro rata deferral period, in certain exceptions three years, with forfeiture conditions applying during the deferral period.

Bonus schemes were offered only to selected groups of employees in specific business areas or units as approved by the Board of Directors, e.g. in Large Corporates & Institutions, Nordea Asset Management, in Nordea Funds and within Group Treasury. The aim is to ensure strong performance and to maintain cost flexibility for Nordea. Individual awards are determined based on detailed performance assessments covering a range of financial and non-financial goals. 2021 bonus awards from bonus schemes are paid in cash. For material risk takers, awards are partly delivered in instruments with subsequent retention. Parts of the awards for material risk takers and certain other participants in a bonus scheme are subject to a four-to-five-year pro rata deferral period, in certain exceptions three years, with forfeiture conditions applying during the deferral period.

Recognition Scheme was offered to employees to recognise extraordinary performance. The individual performance is assessed based on a predetermined set of goals. Employees eligible for other formal annual variable remuneration plans, excluding the Profit Sharing Plan, are not eligible for Recognition Scheme awards.

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

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

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

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

Other qualitative and quantitative information

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

For the EIP 2021 for GLT members, EUR 5.0m is to be paid over a five-year period, partly in shares and in cash. The estimated maximum cost of the EIP for GLT members in 2022 is EUR 6.7m and the estimated cost assuming 50% fulfilment of the performance goals is EUR 3.4m.

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

The actual cost of the EIP, VSP and Bonus 2021 is EUR 195.9m not including awards to GLT members, which is paid partly now in cash, and partly over a three-to-five-year period as outlined in the sections above. In 2021 a total of EUR 62.1m was provided under Nordea's Profit Sharing Plan. Each employee can receive a maximum of EUR 3,200. If all stretched performance goals were met, the cost of the Profit Sharing Plan for eligible participants in 2021 would have amounted to a maximum of approximately EUR 69.0m.

Other disclosures

See Note G8 "Staff costs" on pages 169–177 of this Annual Report 2021 for more details on remuneration.

See also Nordea's 2021 Remuneration Report for Governing Bodies which will be presented for an advisory vote at the Annual General Meeting on 24 March 2022. The Remuneration Report is disclosed with other required information at nordea.com/en/about-nordea/corporate-governance/remuneration.

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

Further disclosures will be published at nordea.com one week before the ordinary Annual General Meeting on 24 March 2022.

Conflicts of interest policy

As a global financial services provider, Nordea Bank Abp and its subsidiaries (Nordea) regularly face potential or actual conflict of interest situations. Managing conflicts of interest is relevant at both the individual and institutional level of Nordea's organisation. Nordea is committed to promoting market integrity and fair treatment of customers. All employees are required to act in a fair, honest and professional manner and in the best interests of Nordea's customers. In order to act upon these commitments and ensure appropriate governance of Nordea, it is essential to have effective controls in place regarding conflicts of interest. The purpose of the Group Board Directive on Conflicts of Interest (the Directive) is to outline Nordea's approach to managing conflicts of interest and to enable developing and maintaining an effective control environment.

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

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

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

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

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

Non-financial statement

This report constitutes Nordea's non-financial statement for the financial year 2021. The report covers the parent company Nordea Bank Abp and its subsidiaries.

In 2021 Nordea was present in 21 countries, including its four Nordic home markets – Denmark, Finland, Norway and Sweden. Through Nordea's four business areas – Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management – Nordea offers a wide range of products and services.

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

The COVID-19 pandemic and the related uncertainty continued throughout 2021 and impacted both Nordea's operations and society at large. Nordea's Global Crisis Management team and country crisis management teams monitored the situation and took necessary actions. For more information on the financial and operational impacts of the COVID-19 pandemic on Nordea, as well as the measures taken to address these impacts, see "Sustainable banking" on pages 28-40, "Other information" on page 50 and pages 160–162 in Note G2 "Risk and liquidity management".

Material sustainability topics and targets

As a member of the core group of founding banks and a signatory to the Principles for Responsible Banking, Nordea is committed to the objectives of the Paris Agreement and the UN Sustainable Development Goals. Nordea has developed a long-term plan to fully integrate sustainability into its business strategy focusing on the sustainability topics where Nordea can have a material impact, either through reducing its negative impact or increasing its positive impact. The identified material topics were grouped into four strategic pillars: financial strength, climate action, social responsibility, and governance and culture. These are connected to medium-term targets and the climate action pillar also to long-term objectives. The targets and objectives were approved by the President and Group CEO in the Group Leadership Team (GLT) in November 2020 and by the Board of Directors (the Board) in December 2020. This year, we revised and further strengthened our targets and the Board decided to include environmental, social and governance (ESG) targets in executive remuneration programmes. All targets are presented on pages 315–328 in "Sustainability notes".

Financial strength

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

Strategic management of ESG-related risks

Definitions for ESG-related risks in Nordea's risk taxonomy were revised in 2021 for financial risks to reflect the treatment of ESG factors as drivers of existing risk categories: ESG-related credit risk, ESG-related compliance risk, ESG-related operational risk, ESG-related market risk, ESG-related liquidity risk and ESG-related business model risk. A new internal guideline on ESG-related risks was approved during 2021 and provides coherent cross-risk area guidance for embedding ESG factors in the relevant risk area frameworks and processes in line with supervisory and regulatory guidance. A new policy framework structure for ESG-related risks further defines how the guideline requirements are to be implemented in internal rules.

Nordea has adopted guidelines for climate-vulnerable sectors, with a 2021-2024 time frame, as an integral part of its Group ESG implementation programme. Deep dives for three initial sector portfolios – oil, gas and offshore; shipping; and mining and supporting activities – were conducted in 2021. The total exposure to these three sectors amounted to EUR 6,775m or 5% of total corporate loans at the end of 2021. For more information about ESG-related risks and climate-vulnerable sectors see Note G2 "Risk and liquidity management".

Managing ESG-related risks in relation to customers

In relation to its customers, Nordea's Code of Conduct is the central steering document for its financing operations together with its principles on ESG in financing, investing and advice in its Sustainability Policy.

Integrating climate risk into investment decisions

Nordea recognises climate-related risks as a material risk category for assets under management. In 2021 Nordea continued its work to further develop and enhance capabilities to integrate climate-related risk and other financial and ESG-related risks and opportunities into Nordea's investment processes and thereby enhance risk-adjusted returns. Nordea assesses material climate-related risks and opportunities using a range of models and data sets. For listed equities and corporate bond exposures, Nordea uses the MSCI Climate Value-at-Risk (Climate VaR) model to assess transition risks and physical risks under different climate scenarios in both Nordea Life & Pension (NLP) and Nordea Asset Management (NAM). Climate risk metrics are integrated into NAM's and NLP's risk reporting.

Climate action

Nordea's objectives for the business are to achieve net-zero emissions by the end of 2050 at the latest and to reduce carbon emissions across our lending and investment portfolios by 40–50% by the end of 2030 compared with 2019. To support the target-setting and to deliver on Nordea's long-term objectives Nordea joined The Partnership for Carbon Accounting Financials (PCAF) in December 2020 and has accordingly estimated its financed emissions for the asset classes: business loans, road motor vehicles loans, mortgages, listed equities, corporate fixed income and commercial real estate investment. 2021 disclosures are provided for business loans to oil and gas exploration and production; business loans to the shipping sector; and investments in listed equities for NAM and NLP as well as investments in real estate for NLP.

Policies and guidelines

Nordea's commitments in relation to climate change are described in the Position Statement on Climate Change. It states, among other things, Nordea's position in relation to thermal coal, coal mining and extraction of oil sands. In addition, several sector guidelines address the climate issue. In 2021, Nordea also updated the sector guidelines for the fossil fuels industry where the bank implemented new exclusions and established phase-out policies.

All NAM funds are managed according to NAM's Responsible Investment Policy. In 2021 Nordea expanded the scope of

NAM's fossil fuel policy to include even more funds. The policy requires fossil fuel companies to demonstrate that they have a decarbonisation strategy consistent with global warming of 2°C or lower to be eligible for inclusion. In 2021 Nordea strengthened NLP's governance and policy framework for ESG areas and climate change and issued a new Responsible Investment Policy and a new Climate Change Policy.

Internal carbon footprint

Although Nordea's greatest impact on the climate is through financing and investments, work is also ongoing to reduce the climate impact from internal operations. The 2030 objective is to reduce carbon emissions from internal operations by more than 50% compared with 2019, with a 30% reduction by the end of 2023.

Each year Nordea strives to make its carbon reporting more complete. In 2019 Nordea added postal services, paper and water, and in 2020 emissions from waste were included for the first time. Despite the wider scope of its carbon footprint, Nordea has managed to reduce the emissions from internal operations for two years running. The total emissions of 11,327 (15,898) tonnes of CO2 in 2021 marked a 73% reduction from the 2019 level. The reduction in carbon emissions was mainly due to a changed travel policy and employees working from home in response to the COVID-19 pandemic.

Social responsibility

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

Human rights

Human rights are included in Nordea's Code of Conduct, Sustainability Policy, Responsible Investment Policy, Supplier Code of Conduct and in Nordea's sector guidelines when relevant for specific industries. To ensure adequate awareness of human rights, all Nordea employees are required to complete annual Code of Conduct training as part of their Licence to Work. At Nordea, human rights are addressed in all parts of the organisation and due diligence processes. Nordea has identified its most critical areas in terms of human rights as being within investing, financing, transactions and sourcing.

Nordea included human rights in the norm-based screening of all its funds and as at December 2021 Nordea had 10 companies on its exclusion list due to violations of human rights-related norms, including violations of the rights of indigenous peoples.

In the event that Nordea identifies human rights violations for a customer, action is taken to review the credit assessment.

Inclusive work environment

At Nordea all forms of discrimination is condemned. Nordea has zero tolerance of any form of harassment, bullying or victimisation. In 2021 1.2% (1.3%) of the respondents to Nordea's People Pulse survey stated that they had been subject to some sort of harassment or other mistreatment. In 2021, 27 (10) harassment cases were reported through various channels, including the whistleblowing function Raise Your Concern (RYC).

Employment

Nordea's employee survey, People Pulse, enables Nordea to measure the engagement levels and well-being of its people and also to monitor signs of changing trends to enable taking swift action. The response rate to the People Pulse survey increased to 83% in 2021 compared with 81% in 2020 with all questions showing a positive trend.

Community engagement

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

With most of the activities based on face-to-face interaction, varying degrees of lockdown impacted efforts in 2021. Despite this, close to 1,100 Nordea employees delivered 6,500 hours of volunteering in 2021, which is in line with the 2020 level and around 25% of the 2019 level.

Governance and culture

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

Sustainability governance

At Board level the Board Operations and Sustainability Committee (BOSC) assists the Board in fulfilling its oversight responsibilities concerning sustainability, which include strategy, operational model, reporting and frameworks.

The Board is also assisted by the Board Risk Committee (BRIC) in the fulfilment of its oversight responsibilities concerning the management of risks, related frameworks, controls and processes including ESG factors as drivers of existing risk.

For more information about Nordea's governance see "Corporate Governance Statement 2021".

Sustainable procurement

In 2021 Nordea fully integrated sustainability screenings and engagements into the daily practices of its sourcing managers, and all suppliers (old and new) in its central database with whom Nordea has an active agreement are now subject to screening and continuous monitoring.

For more information about sustainable procurement and supply chain data see pages 327–328 in "Sustainability notes".

Preventing financial crime

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

Tracking down and stopping the flow of money from these activities is a key way to disrupt the criminals involved. Therefore, as a financial institution, Nordea is uniquely positioned to be part of the solution. Nordea commits to complying with the laws and regulations relevant to anti-money laundering, counter terrorist financing, sanctions, and antibribery and corruption in the jurisdictions in which it operates.

For more information about how Nordea works with financial crime prevention see Note G2 "Risk and liquidity management".

Data privacy and cyber security

Keeping personal data safe is part of Nordea's commitment to being a safe and trusted bank. Data privacy is therefore an integral part of Nordea's business and operations and an important element of its digital strategy. In 2021 Nordea continued to enhance its ability to ensure compliance with applicable privacy laws in the jurisdictions where it operates.

Introducing new technologies, exploring new ways of doing business and connecting with customers widen banks' attack surface. At the same time, entities that pose cyber threats are becoming more organised, resourceful and experienced. Banks must also deal with the asymmetry of having to protect all assets while entities engaged in cyber threats merely need to find one weak spot. Combined, these factors pose an unprecedented risk to the banking industry.

For more information about how Nordea works with data privacy and cyber security see page 327 in "Sustainability notes".

Whistleblowing

The whistleblowing function, RYC, ensures that all of Nordea's stakeholders, including customers, partners, affected communities as well as Nordea's own employees have the right to speak up and always feel safe in doing so if they have concerns about suspected misconduct such as breaches of human rights or irregularities such as fraudulent, inappropriate, dishonest, illegal or negligent activity or behaviour in operations, products or services. This includes any action that constitutes a violation of laws or regulations or of Nordea's internal policies, instructions or guidelines.

Employees can report openly by providing name and contact details as all reports are handled with strict confidentiality or via an electronic reporting channel, WhistleB, which is managed by an external party.

Responsible taxpayer

Nordea's tax policy is constituted by the Group CEO Instructions on Tax, which defines Nordea's overall tax governance, including roles and responsibilities in connection with tax charges and related reporting to the tax authorities. Nordea is a substantial corporate income taxpayer in its main countries of operation – Denmark, Finland, Norway and Sweden – and pays corporate income tax, social security contributions and bank levies i.e. contributions to deposit guarantee schemes and resolution funds, in all the countries of operation as required by law.

For more information about tax payments see pages 326–327 in "Sustainability notes".

EU taxonomy disclosures

EU taxonomy supporting the transition

The EU taxonomy, Regulation (EU) 2020/852, together with supplementing delegated acts, identifies environmentally sustainable economic activities. The definition of sustainable activities is based on technical screening criteria (TSC) which include definitions of when an activity significantly contributes to one of EU's climate and environmental objectives, while at the same time not significantly harming any of the other objectives. In addition, minimum social safeguard requirements need to be met. Eligible activities are those which are identified in the taxonomy, having the potential to meet the TSC. The fact that an economic activity is taxonomy-eligible does not give any indication of the environmental performance and sustainability of that activity. Identifying taxonomy-eligible economic activities is the first step towards assessing the alignment of economic activities with the TSC and the EU taxonomy eligibility disclosures serve to help prepare for future alignment disclosures. Going forward, the proportion of EU taxonomy-aligned assets and investments will likely increase over time as data quality, coverage and accessibility improves, the scope of the EU taxonomy widens and companies transition towards alignment with the EU taxonomy criteria.

In 2021 Nordea launched a long-term plan to fully integrate sustainability into its business strategy to help drive a more sustainable future. Nordea has introduced long-term objectives and medium-term targets, for instance, to increase facilitation in sustainable financing. An integral part of Nordea's strategy is to engage with customers and investees on sustainability topics as well as to enable customers to make sustainable choices and to transition to a sustainable business model. The products and solutions Nordea offers are a strategic component to support its customers' transition journey, and Nordea educates its advisers to help customers find sustainable offerings.

Nordea plans to adjust the requirements for both its investment product providers and its own investment products going forward and update pre-contractual disclosures and periodic reporting according to the EU taxonomy. In 2021 Nordea made updates to its Green Bond Framework (GBF) aligning some of the green criteria with the TSC. Nordea updated the GBF with green covered bond content, adding green covered asset categories based on the EU taxonomy with specific criteria aligning with the TSC. In 2022 Nordea will continue to analyse options of further alignment of the framework with the EU taxonomy and to prepare for the EU Green Bond Standard.

Nordea's approach

During 2021 Nordea focused on interpreting the EU taxonomy requirements and developing the reporting methodology. Nordea has initiated work on creating a data foundation to structure and store the data to assess the EU taxonomy eligibility of its exposures, as well as building a foundation for the upcoming reporting on alignment. Nordea's disclosure approach for 2021 reflects the banks understanding and interpretation of the requirements of the EU taxonomy and guidance from the Commission pending the implementation across all market participants and the development of common standards and approaches.

Data and methodology

Nordea's EU taxonomy disclosures for 2021 relate to exposures to taxonomy eligible and non-eligible assets. Nordea has assessed what assets are in scope for 2021 and where actual information is available from its customers. The only assets that are in scope of the reporting obligations for 2021 and that Nordea has actual information about are household mortgages. The data used for the reporting originates from Nordea's internal core banking systems, which captures product classification.

The numbers may change over time as Nordea obtains more granular data on which mortgages are fully taxonomy eligible. As the disclosure requirements under the taxonomy regulation started to apply on 1 January 2022, Nordea does not have actual information for 2021 about the eligible activities of the Non-Financial Reporting Directive (NFRD) undertakings to which Nordea has exposures. Therefore, these have not been included as eligible or non-eligible assets for 2021.

EU taxonomy disclosures 2021[1]

Assets	Exposures in EURm	Proportion of covered assets[2]	Proportion of total assets
Taxonomy-eligible assets[3]	162,545	41%	32%
Taxonomy non-eligible assets	–	–	–
Assets related to NFRD undertakings and loans to households[4]	112,526	28%	22%
Derivatives	30,198	8%	6%
Assets related to non-NFRD undertakings[5]	92,180	23%	18%
On demand inter-bank loans	940	0%	0%
Assets related to central governments, central banks, supranationals	76,220		15%
Trading portfolio	33,834		7%

1) Disclosures include subsidiaries on a prudential consolidated basis as per the Disclosure Delegated Regulation (EU) 2021/2178 Annex V, 1.1.1.
2) Total assets as per balance sheet, excluding assets related to governments, central banks and supranational issuers and trading portfolio.
3) Household mortgages.
4) Household loans excluding household mortgages. These assets have not been assessed for eligibility as they are not in scope of the reporting obligations 2021 and/or Nordea does not have actual information from the undertakings.
5) Non-NFRD undertakings=entities not obliged to report according to the NFRD.

Additional voluntary disclosures relating to the EU taxonomy

In order to expand the understanding of the eligibility proportion of its assets, Nordea has estimated the eligibility of activities of NFRD undertakings to which Nordea has exposures and added these estimates of eligible and non-eligible assets to the list of assets in the Estimated eligibility disclosures 2021, as presented in the table below. It is Nordea's expectation that the estimates will be replaced by actual information in the coming years, as NFRD undertakings start to report their eligibility and alignment.

Data and methodology

The estimates are based on a combined approach, looking at NACE codes and an expected coverage provided by the EU Commission Joint Research Center (JRC). At first, where activities in the EU taxonomy refer to NACE codes, we have compared the description of the activity with the corresponding official NACE code description. If the description of the activity corresponds well with the official NACE code description, the exposure to customers registered with the corresponding NACE code (as self-reported into national company registers) was included in full as eligible. It should be noted that such correspondence applied only to a small portion of the identified assets.

If the official NACE code description and the description of the activity in the EU taxonomy do not correspond well, or if the EU taxonomy only provides examples of NACE codes to identify eligible activities, an expected coverage provided by the EU Commission Joint Research Center (JRC) has been used. The JRC coverage describes the expected alignment of a certain economic activity with the EU taxonomy, and as such will generally provide a lower outcome than an eligibility proxy. For instance, the JRC coverage has been used for activities within the manufacturing sector, since it includes a wide range of economic activities also outside the scope of the EU taxonomy.

By using this combined approach, Nordea aims to better reflect the level of uncertainty and avoid overstating the share of eligible assets. Nevertheless, the approach has certain limitations. The NACE code reported by a customer may not reflect all of their business activities correctly, as companies may engage in a wider range of activities than indicated by the NACE code. Thus, the applied NACE proxy per customer may under- or overestimate the eligibility of that customer's activities. Furthermore, the JRC proxy is a proxy for alignment, not eligibility, which likely leads to an underestimation of the eligibility ratio. Additionally, the JRC proxy will only capture eligible activities with the potential to contribute to climate change mitigation, not climate change adaptation. When estimating taxonomy-eligible assets of NFRD companies, only turnover has been considered, not CAPEX.

As further guidance on the EU taxonomy is issued by the regulators, as market practice develops and as customers disclose their eligibility, our methodology is likely to be updated. This could result in fluctuations in disclosed numbers and it is not ruled out that the data will deviate significantly from the numbers presented in the table below.

Estimated eligibility disclosures 2021[1]

Assets	Exposures in EURm	Proportion of covered assets[2]	Proportion of total assets
Taxonomy-eligible assets[3]	162,545	41%	32%
Estimated taxonomy-eligible assets[4]	7,844	2%	1%
Estimated taxonomy non-eligible assets[4]	96,343	24%	19%
Loans to households[5]	8,338	2%	2%
Derivatives	30,198	8%	6%
Assets related to non-NFRD undertakings[6]	92,180	23%	18%
On demand inter-bank loans	940	0%	0%
Assets related to central governments, central banks, supranationals	76,220		15%
Trading portfolio	33,834		7%

1) Disclosures include subsidiaries on a prudential consolidated basis as per the Disclosure Delegated Regulation (EU) 2021/2178 Annex V, 1.1.1.
2) Total assets as per balance sheet, excluding assets related to governments, central banks and supranational issuers and trading portfolio.
3) Household mortgages.
4) Based on proxies for eligible activities for NFRD undertakings.
5) Household loans excluding household mortgages. These assets have not been assessed for eligibility as they are not in scope of the reporting obligations 2021 and/or Nordea does not have actual information from the undertakings.
6) Non-NFRD undertakings=entities not obliged to report according to the NFRD.

Proposed distribution of earnings

On 31 December 2021, Nordea Bank Abp's distributable earnings, including profit for the financial year – after subtracting capitalised development expenses – were EUR 18,877,626,213.72[1] and other unrestricted equity amounted to EUR 4,602,069,524.60.

The Board of Directors proposes that the 24 March 2022 Annual General Meeting (AGM) authorise it to decide on a dividend payment, in one or several instalments, of a maximum of EUR 2,681,667,380.00. The payment would be distributed based on the balance sheet to be adopted for the financial year ended 31 December 2021 and the authorisation would remain in force until the beginning of the next AGM.

On 31 December 2021 the total number of shares in Nordea Bank Abp was 3,932,780,127. The dividend per share will be determined based on the total number of outstanding shares on the dividend decision date. Dividend will not be paid to shares held by Nordea on the dividend record date.

The dividend would be paid from retained earnings. After a maximum dividend payout of EUR 2,681,667,380.00, an amount of EUR 16,195,958,833.72 would be carried forward as distributable retained earnings.

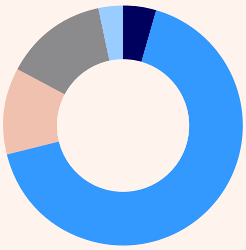
It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands with respect to the size of the Company's and the Group's equity, which are imposed by the nature, scope and risks, associated with the business, and the Company's and the Group's need for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

For information on changes in the financial position of the Nordea Bank Abp since the end of the financial period see "Events after the financial period". No other significant events or material changes have taken place in the financial position of the Company since the end of the financial period and the proposed dividend does not compromise the Company's solvency.

According to the parent company's balance sheet as at 31 December 2021 the unrestricted equity amounted to:

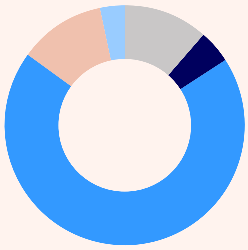
EUR	
Invested unrestricted equity	1,089,835,752.45
Retained earnings[1]	15,645,531,691.65
Other free funds	2,762,284,827.88
Net profit for the year	3,232,094,522.07
Additional Tier 1 capital holders	749,948,944.27
Total	**23,479,695,738.32**

1) Capitalised development costs of EUR 1,580,682,406.02 have been subtracted from Retained earnings.



The Board of Directors proposes that earnings be distributed as follows (calculated based on the maximum dividend of EUR 2,681,667,380.00):

EUR	
Dividend paid to shareholders	2,681,667,380.00
Invested unrestricted equity	1,089,835,752.45
Retained earnings[1]	16,195,958,833.72
Other free funds	2,762,284,827.88
Additional Tier 1 capital holders	749,948,944.27
Total	**23,479,695,738.32**



The dividend will be paid to shareholders who on the record date for dividend payment are recorded in Nordea's shareholders' register maintained by Euroclear Finland Oy in Finland, Euroclear Sweden AB in Sweden and VP Securities A/S in Denmark.

Events after the financial period

Share buy-backs and share cancellations

After 31 December 2021, Nordea has further acquired 56,483,392 shares, which correspond to a EUR 592,834,375.24 reduction of retained earnings, under its inaugural share buy-back programme that started on 22 October 2021. On 8 February 2022 Nordea's application to further repurchase up to EUR 1.0bn of its own shares was approved by the ECB. Nordea expects to initiate a follow-on share buy-back programme of up to EUR 1.0bn after the inaugural programme has ended. If the follow-on programme had been in place on 31 December 2021, it would have reduced the Group CET1 ratio by around 65bp. Aggregated amounts of 34,726,349 and 37,851,662 treasury shares, which were held for capital optimisation purposes and acquired through share buy-backs, were cancelled in January and February, respectively. After the cancellations, the total number of shares in Nordea is 3,892,983,149.

Regulatory developments

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

Glossary

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

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

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

Cost-to-income ratio
Total operating expenses divided by total operating income.

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

Economic capital
Economic capital is Nordea's internal estimate of required capital. It measures the capital required to cover unexpected losses in the course of Nordea's business with a certain probability. Economic capital uses advanced internal models to provide a consistent measurement for credit risk, market risk, operational risk, business risk and life insurance risk arising from activities in Nordea's various business areas.

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

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

Equity ratio
Total equity as a percentage of total assets at end of the year.

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

Financial statements
Nordea Group

Contents

Income statement

EURm	Note	2021	2020
Operating income			
Interest income calculated using the effective interest rate method		5,116	5,536
Other interest income		784	837
Negative yield on financial assets		-219	-280
Interest expense		-1,167	-1,779
Negative yield on financial liabilities		411	201
Net interest income	**G4**	**4,925**	**4,515**
Fee and commission income		4,472	3,856
Fee and commission expense		-977	-897
Net fee and commission income	**G5**	**3,495**	**2,959**
Net result from items at fair value	G6	1,119	900
Profit from associated undertakings and joint ventures accounted for under the equity method	G20	-6	-1
Other operating income	G7	87	93
Total operating income		**9,620**	**8,466**
Operating expenses			
General administrative expenses:			
Staff costs	G8	-2,759	-2,752
Other expenses	G9	-1,226	-1,286
Depreciation, amortisation and impairment charges of tangible and intangible assets	G10	-664	-605
Total operating expenses		**-4,649**	**-4,643**
Profit before loan losses		**4,971**	**3,823**
Net result on loans in hold portfolios mandatorily held at fair value	G6	83	48
Net loan losses	G11	-118	-908
Operating profit		**4,936**	**2,963**
Income tax expense	G12	-1,105	-698
Net profit for the year		**3,831**	**2,265**
Attributable to:			
Shareholders of Nordea Bank Abp		3,805	2,238
Additional Tier 1 capital holders		26	27
Total		**3,831**	**2,265**
Basic earnings per share, EUR	G13	0.95	0.55
Diluted earnings per share, EUR	G13	0.95	0.55

Statement of comprehensive income

EURm	Note	2021	2020
Net profit for the year		3,831	2,265
Items that may be reclassified subsequently to the income statement			
Currency translation differences		160	-196
Tax on currency translation differences		-2	–
Hedging of net investments in foreign operations:	G19		
Valuation gains/losses		-1	117
Fair value through other comprehensive income[1]:	G40		
Valuation gains/losses		55	48
Tax on valuation gains/losses		-11	-8
Transferred to the income statement		-17	7
Tax on transfers to the income statement		3	-1
Cash flow hedges:	G19		
Valuation gains/losses		43	-712
Tax on valuation gains/losses		-3	135
Transferred to the income statement		7	733
Tax on transfers to the income statement		-7	-140
Items that may not be reclassified subsequently to the income statement			
Changes in own credit risk related to liabilities classified as fair value option:	G40		
Valuation gains/losses		-2	-9
Tax on valuation gains/losses		1	3
Defined benefit plans:	G34		
Remeasurement of defined benefit plans		49	22
Tax on remeasurement of defined benefit plans		-9	-4
Other comprehensive income from companies accounted for under the equity method	G20	0	-1
Tax on other comprehensive income from companies accounted for under the equity method	G20	0	0
Other comprehensive income, net of tax		**266**	**-6**
Total comprehensive income		**4,097**	**2,259**
Attributable to:			
Shareholders of Nordea Bank Abp		4,071	2,232
Additional Tier 1 capital holders		26	27
Total		**4,097**	**2,259**

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

Balance sheet

EURm	Note	31 Dec 2021	31 Dec 2020
Assets	G40		
Cash and balances with central banks		47,495	32,955
Loans to central banks	G14	409	3,123
Loans to credit institutions	G14	1,983	3,123
Loans to the public	G14	345,050	329,765
Interest-bearing securities	G15	63,383	62,509
Financial instruments pledged as collateral	G16	1,668	3,795
Shares	G17	15,217	12,649
Assets in pooled schemes and unit-linked investment contracts	G18	46,912	36,484
Derivatives	G19	30,200	44,770
Fair value changes of hedged items in hedges of interest rate risk	G19	-65	359
Investments in associated undertakings and joint ventures	G20	207	555
Intangible assets	G21	3,784	3,771
Properties and equipment	G22	1,745	1,931
Investment properties	G24	1,764	1,535
Deferred tax assets	G12	218	406
Current tax assets	G12	272	300
Retirement benefit assets	G34	221	144
Other assets	G25	8,830	13,349
Prepaid expenses and accrued income	G26	880	637
Assets held for sale	G20	180	–
Total assets		**570,353**	**552,160**
Liabilities	G40		
Deposits by credit institutions	G27	26,961	23,939
Deposits and borrowings from the public	G28	205,801	183,431
Deposits in pooled schemes and unit-linked investment contracts	G18	48,201	37,534
Liabilities to policyholders	G29	19,595	18,178
Debt securities in issue	G30	175,792	174,309
Derivatives	G19	31,485	47,033
Fair value changes of hedged items in hedges of interest rate risk	G19	805	2,608
Current tax liabilities	G12	354	305
Other liabilities	G31	18,485	21,341
Accrued expenses and prepaid income	G32	1,334	1,404
Deferred tax liabilities	G12	535	436
Provisions	G33	414	596
Retirement benefit liabilities	G34	369	365
Subordinated liabilities	G35	6,719	6,941
Total liabilities		**536,850**	**518,420**
Equity			
Additional Tier 1 capital holders		750	748
Non-controlling interests		9	9
Share capital		4,050	4,050
Invested unrestricted equity		1,090	1,063
Other reserves		-1,801	-2,067
Retained earnings		29,405	29,937
Total equity		**33,503**	**33,740**
Total liabilities and equity		**570,353**	**552,160**

Statement of changes in equity

2021

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3,4]	Cash flow hedges[4]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance as at 1 Jan 2021		4,050	1,063	-2,020	-10	91	-117	-11	29,937	32,983	748	9	33,740
Net profit for the year		–	–	–	–	–	–	–	3,805	3,805	26	–	3,831
Items that may be reclassified subsequently to the income statement													
Currency translation differences		–	–	160	–	–	–	–	–	160	–	–	160
Tax on currency translation differences		–	–	-2	–	–	–	–	–	-2	–	–	-2
Hedging of net investments in foreign operations:	G19												
Valuation gains/losses		–	–	-1	–	–	–	–	–	-1	–	–	-1
Fair value through other comprehensive income:	G40												
Valuation gains/losses		–	–	–	–	55	–	–	–	55	–	–	55
Tax on valuation gains/losses		–	–	–	–	-11	–	–	–	-11	–	–	-11
Transferred to the income statement		–	–	–	–	-17	–	–	–	-17	–	–	-17
Tax on transfers to the income statement		–	–	–	–	3	–	–	–	3	–	–	3
Cash flow hedges:	G19												
Valuation gains/losses		–	–	–	43	–	–	–	–	43	–	–	43
Tax on valuation gains/losses		–	–	–	-3	–	–	–	–	-3	–	–	-3
Transferred to the income statement[2]		–	–	–	7	–	–	–	–	7	–	–	7
Tax on transfers to the income statement[2]		–	–	–	-7	–	–	–	–	-7	–	–	-7

Statement of changes in equity, cont.

2021

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3,4]	Cash flow hedges[4]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Items that may not be reclassified subsequently to the income statement													
Changes in own credit risk related to liabilities classified as fair value option:	G40												
Valuation gains/losses		–	–	–	–	–	–	-2	–	-2	–	–	-2
Tax on valuation gains/losses		–	–	–	–	–	–	1	–	1	–	–	1
Defined benefit plans:	G34												
Remeasurement of defined benefit plans		–	–	–	–	–	49	–	–	49	–	–	49
Tax on remeasurement of defined benefit plans		–	–	–	–	–	-9	–	–	-9	–	–	-9
Other comprehensive income from companies accounted for under the equity method	G20	–	–	–	–	–	–	–	0	0	–	–	0
Tax on other comprehensive income from companies accounted for under the equity method	G20	–	–	–	–	–	–	–	0	0	–	–	0
Other comprehensive income, net of tax		**–**	**–**	**157**	**40**	**30**	**40**	**-1**	**0**	**266**	**–**	**–**	**266**
Total comprehensive income		**–**	**–**	**157**	**40**	**30**	**40**	**-1**	**3,805**	**4,071**	**26**	**–**	**4,097**
Paid interest on Additional Tier 1 capital		–	–	–	–	–	–	–	–	–	-26	–	-26
Change in Additional Tier 1 capital holders		–	–	–	–	–	–	–	–	–	2	–	2
Share-based payments	G8	–	–	–	–	–	–	–	18	18	–	–	18
Dividend		–	–	–	–	–	–	–	-3,192	-3,192	–	–	-3,192
Sale/purchase of own shares[5]		–	27	–	–	–	–	–	-1,163	-1,136	–	–	-1,136
Change in non-controlling interests		–	–	–	–	–	–	–	–	–	–	0	0
Balance as at 31 Dec 2021		**4,050**	**1,090**	**-1,863**	**30**	**121**	**-77**	**-12**	**29,405**	**32,744**	**750**	**9**	**33,503**

1) The total number of shares registered was 3,966 million. The number of own shares was 32.8 million, representing 0.8% of the total number of shares in Nordea. Each share carries one voting right.
2) Transferred to the income statement as this is affected by the hedged items.
3) Relates to foreign exchange risk. Of the balance as at 31 December 2021, EUR 638m related to hedging relationships for which hedge accounting is applied and EUR –m related to hedging relationships for which hedge accounting is no longer applied.
4) For more detailed information see Note G19.
5) The change in the holding of own shares related to treasury shares held for remuneration purposes and to the trading portfolio was accounted for as an increase in "Invested unrestricted equity". At the end of the year the number of treasury shares held for remuneration purposes was 7.1 million. The separately announced share buy-back amounted to EUR 1,160m and was accounted for as a reduction in "Retained earnings". The transaction cost in relation to the share buy-back amounted to EUR 3m.

Statement of changes in equity, cont.

2020

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3,4]	Cash flow hedges[4]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance as at 1 Jan 2020		4,050	1,080	-1,941	-26	45	-135	-5	27,672	30,740	748	40	31,528
Net profit for the year		–	–	–	–	–	–	–	2,238	2,238	27	–	2,265
Items that may be reclassified subsequently to the income statement													
Currency translation differences		–	–	-196	–	–	–	–	–	-196	–	–	-196
Hedging of net investments in foreign operations:	G19												
Valuation gains/losses		–	–	117	–	–	–	–	–	117	–	–	117
Fair value through other comprehensive income:	G40												
Valuation gains/losses		–	–	–	–	48	–	–	–	48	–	–	48
Tax on valuation gains/losses		–	–	–	–	-8	–	–	–	-8	–	–	-8
Transferred to the income statement		–	–	–	–	7	–	–	–	7	–	–	7
Tax on transfers to the income statement		–	–	–	–	-1	–	–	–	-1	–	–	-1
Cash flow hedges:	G19												
Valuation gains/losses		–	–	–	-712	–	–	–	–	-712	–	–	-712
Tax on valuation gains/losses		–		–	135	–	–	–	–	135	–	–	135
Transferred to the income statement[2]		–	–	–	733	–	–	–	–	733	–	–	733
Tax on transfers to the income statement[2]		–	–	–	-140	–	–	–	–	-140	–	–	-140

Statement of changes in equity, cont.

2020

EURm	Note	Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
		Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3,4]	Cash flow hedges[4]	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities at fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Items that may not be reclassified subsequently to the income statement													
Changes in own credit risk related to liabilities classified as fair value option:	G40												
Valuation gains/losses		–	–	–	–	–	–	-9	–	-9	–	–	-9
Tax on valuation gains/losses		–	–	–	–	–	–	3	–	3	–	–	3
Defined benefit plans:	G34												
Remeasurement of defined benefit plans		–	–	–	–	–	22	–	–	22	–	–	22
Tax on remeasurement of defined benefit plans		–	–	–	–	–	-4	–	–	-4	–	–	-4
Other comprehensive income from companies accounted for under the equity method	G20	–	–	–	–	–	–	–	-1	-1	–	–	-1
Tax on other comprehensive income from companies accounted for under the equity method	G20	–	–	–	–	–	–	–	0	0	–	–	0
Other comprehensive income, net of tax		**–**	**–**	**-79**	**16**	**46**	**18**	**-6**	**-1**	**-6**	**–**	**–**	**-6**
Total comprehensive income		**–**	**–**	**-79**	**16**	**46**	**18**	**-6**	**2,237**	**2,232**	**27**	**–**	**2,259**
Paid interest on Additional Tier 1 capital		–	–	–	–	–	–	–	–	–	-27	–	-27
Share-based payments	G8	–	–	–	–	–	–	–	6	6	–	–	6
Purchase of own shares[5]		–	-17	–	–	–	–	–	–	-17	–	–	-17
Other changes		–	–	–	–	–	–	–	22	22	–	–	22
Change in non-controlling interests		–	–	–	–	–	–	–	–	–	–	-31	-31
Balance as at 31 Dec 2020		**4,050**	**1,063**	**-2,020**	**-10**	**91**	**-117**	**-11**	**29,937**	**32,983**	**748**	**9**	**33,740**

1) The total number of shares registered was 4,050 million. The number of own shares was 11.9 million, representing 0.3% of the total number of shares in Nordea. Each share carries one voting right.
2) Transferred to the income statement as this is affected by the hedged items.
3) Relates to foreign exchange risk. Of the balance as at 31 December 2020, EUR 639m related to hedging relationships for which hedge accounting is applied and EUR –m related to hedging relationships for which hedge accounting is no longer applied.
4) For more detailed information see Note G19.
5) Refers to the change in the holding of own shares related to treasury shares held for remuneration purposes and to the trading portfolio. The number of treasury shares held for remuneration purposes was 8.2 million.

Cash flow statement

EURm	Note	2021	2020
Operating activities			
Operating profit		4,936	2,963
Adjustment for items not included in cash flow		2,263	2,074
Income taxes paid	G12	-759	-987
Cash flow from operating activities before changes in operating assets and liabilities		**6,440**	**4,050**
Changes in operating assets			
Change in loans to central banks	G14	308	3,605
Change in loans to credit institutions	G14	1,450	5,393
Change in loans to the public	G14	-14,770	-3,595
Change in interest-bearing securities	G15	98	2,942
Change in financial assets pledged as collateral	G16	2,135	3,400
Change in shares	G17	-2,360	1,594
Change in derivatives, net	G19	-2,474	-643
Change in investment properties	G24	-354	3
Change in other assets	G25	915	-6,469
Dividends received from associates	G20	13	7
Changes in operating liabilities			
Change in deposits by credit institutions	G27	2,823	-11,364
Change in deposits and borrowings from the public	G28	22,543	13,801
Change in liabilities to policyholders	G29	3,319	3,807
Change in debt securities in issue	G30	807	-19,231
Change in other liabilities	G31	-3,301	1,357
Cash flow from operating activities		**17,592**	**-1,343**
Investing activities			
Acquisition of business operations[1]		–	-552
Sale of business operations		7	–
Acquisition of associated undertakings and joint ventures	G20	-3	-8
Sale of associated undertakings	G20	5	18
Acquisition of property and equipment	G22	-34	-69
Sale of property and equipment	G22	29	19
Acquisition of intangible assets	G21	-384	-418
Cash flow from investing activities		**-380**	**-1,010**
Financing activities			
Issued subordinated liabilities	G35	2,810	–
Amortised subordinated liabilities	G35	-3,247	-2,459
Paid interest on Additional Tier 1 capital		-26	-27
Sale/repurchase of own shares incl. change in trading portfolio		-1,136	-17
Dividend paid		-3,192	–
Principal portion of lease payments		-140	-143
Cash flow from financing activities		**-4,931**	**-2,646**
Cash flow for the year		**12,281**	**-4,999**
Cash and cash equivalents at beginning of year		36,203	41,164
Translation differences		144	38
Cash and cash equivalents at end of year		48,628	36,203
Change		**12,281**	**-4,999**

1) Acquisition of business operations in 2020 related to the acquisition of Nordea Finance Equipment AS. See Note G48 in the Annual Report 2020 for more information.

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

Cash flows from operating activities, which are the principal revenue-producing activities, are mainly derived from profits during the year adjusted for items not included in cash flows and income taxes paid. Adjustment for items not included in cash flows includes:

EURm	2021	2020
Depreciation	605	553
Impairment charges	59	52
Loan losses	171	958
Net result on loans in hold portfolios mandatorily held at fair value	-83	-48
Unrealised gains/losses	825	-513
Capital gains/losses (net)	-50	-24
Change in accruals and provisions	-249	276
Translation differences	340	-308
Change in bonus potential to policyholders, Life & Pension	1,061	-11
Change in technical reserves, Life & Pension	863	792
Change in fair value of hedged items, assets/liabilities (net)	-1,375	429
Other	96	-82
Total	**2,263**	**2,074**

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

Cash flows from operating activities include interest payments received and interest expenses paid in the following amounts:

EURm	2021	2020
Interest payments received	5,648	6,367
Interest expenses paid	-1,032	-2,033

Investing activities

Investing activities include acquisition and disposal of non-current assets such as property and equipment and intangible and financial assets.

Financing activities

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

Cash and cash equivalents

The following items are included in “Cash and cash equivalents”:

EURm	31 Dec 2021	31 Dec 2020
Cash and balances with central banks	47,495	32,955
Loans to central banks payable on demand	6	2,426
Loans to credit institutions payable on demand	1,127	822
Total	**48,628**	**36,203**

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

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

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

Reconciliation of liabilities arising from financing activities

The opening balance of subordinated liabilities was EUR 6,941m (EUR 9,819m). Cash flows during the period were EUR -437m (EUR -2,459m) and the effects of FX and other changes were EUR 215m (EUR -419m), resulting in a closing balance of EUR 6,719m (EUR 6,941m).

The opening balance of lease liabilities was EUR 1,233m (EUR 1,225m). During the period cash flows related to the liabilities amounted to EUR -140m (EUR -143m) and other changes from new, terminated and modified contracts and FX changes amounted to EUR 54m (EUR 151m).

G1. Accounting policies

CONTENT FOR NOTE G1

1. Corporate information and basis of presentation

Nordea Bank Abp (Business ID 2858394-9), together with its consolidated subsidiaries (the Nordea Group), is a leading universal bank in the Nordic markets. The parent company, Nordea Bank Abp, is a public limited liability company organised under the laws of Finland with its head office located in Helsinki, Finland at the following address: Hamnbanegatan (Satamaradankatu) 5, FI-00020 Nordea, Helsinki, Finland. Nordea Bank Abp's ordinary shares are listed on Nasdaq Nordic, the stock exchanges in Helsinki (in euro), Stockholm (in Swedish krona) and Copenhagen (in Danish krone) and its American Depository Receipts (ADR) are traded in the US in US dollars.

The Nordea Group offers a comprehensive range of banking and financial products and services to household and corporate customers, including financial institutions. The Nordea Group's products and services comprise a broad range of household banking services, including mortgages and consumer loans, credit and debit cards, and a wide selection of savings, life insurance and pension products. In addition, the Nordea Group offers a wide range of corporate banking services, including business loans, cash management, payment and account services, risk management products and advisory services, debt and equity-related products for liquidity and capital raising purposes, as well as corporate finance, institutional asset management services and corporate life and pension products. The Nordea Group also distributes general insurance products.

Nordea's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. In addition, certain complementary rules in the Finnish Accounting Act, the Finnish Act on Credit Institutions, the Finnish Financial Supervisory Authority's regulations and guidelines and the Decree of the Finnish Ministry of Finance on the financial statements and consolidated statements of credit institutions and investment firms have also been applied.

The disclosures, required in the standards, recommendations and legislation above, have been included in the notes or in other parts of the financial statements.

On 23 February 2022 the Board of Directors approved the financial statements, subject to final adoption by the Annual General Meeting on 24 March 2022.

The accounting policies, methods of computation and presentations are unchanged in comparison with the Annual Report 2020, except for the items presented in "Changed accounting policies and presentation" below.

All amounts are in euro million unless otherwise stated.

2. Changed accounting policies and presentation

Changes to the Finnish Accounting Act, the Finnish Act on Credit Institutions, the Finnish Financial Supervisory Authority's regulations and guidelines and the Decree of the Finnish Ministry of Finance on the financial statements and consolidated statements of credit institutions and investment firms have not had any significant impact on Nordea's financial statements.

The new accounting requirements implemented during 2021 and their impact on Nordea's financial statements are described below.

Changed presentation of interest from derivatives used in economic hedges

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

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

G1. Accounting policies, cont.

Interest Rate Benchmark Reform – Phase 2

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

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

Modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis are not accounted for as modifications to instruments measured at amortised cost. For such modifications, the effective interest rate is amended in line with the modified cash flows. For more information, see note G48 "IBOR reform".

Other amended requirements

IASB has published the following amendments which were implemented by Nordea on 1 January 2021 but have not had any significant impact on Nordea's financial statements:

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9
- Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions.

3. Changes to IFRSs not yet applied

IFRS 17 Insurance Contracts

The IASB has published the new standard IFRS 17 Insurance Contracts. The new standard will change the accounting requirements for the recognition, measurement, presentation and disclosure of insurance contracts.

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

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

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

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

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

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In 2021 the IASB published amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The amendments require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to taxable and deductible temporary differences of equal amounts. Such a requirement may apply on the initial recognition of a lease liability and the corresponding right of use asset at the commencement of a lease. The requirement also applies in the context of decommissioning, restoration and similar liabilities where the corresponding amounts are recognised as part of the cost of the related asset.

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

Other admendments to IFRS

The IASB has published the following new or amended standards that are assessed not to have any significant impact on Nordea's financial statements or capital adequacy in the period of initial application:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current as well as Classification of Liabilities as Current or Non-current – Deferral of Effective Date
- Amendments to IFRS 3 Business Combinations: Reference to Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
- Annual improvements to IFRS Standards 2018–2020
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting estimates
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies.

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. The actual outcome can later, to some extent, differ from the estimates and the assumptions made. In this section a description is made of:

G1. Accounting policies, cont.

- 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 impact 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 classification of financial assets
- the derecognition of financial assets
- the impairment testing of:
  - goodwill and other intangible assets and
  - loans to the public/credit institutions
- the amortisation period for capitalised software
- 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 assessment of expected lease terms and classification of leases
- the classification of Additional Tier 1 instruments
- assessing control for consolidation purposes
- the valuation of deferred tax assets
- claims in civil lawsuits and possible fines.

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 G41 "Assets and liabilities at fair value". Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining the fair value of OTC derivatives and other financial instruments that lack quoted prices or where recently observed market prices are not available, such as unlisted equities. The judgements relate to the following areas:

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

The critical judgements required when determining the fair value of financial instruments that lack quoted prices or where recently observed market prices are not available also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based on professional judgement in accordance with Nordea's accounting and valuation policies. The fair value of financial assets and liabilities measured at fair value using a valuation technique, levels 2 and 3 in the fair value hierarchy, was EUR 157,336m (EUR 167,700m) and EUR 114,726m (EUR 112,755m), respectively, at the end of the year. Valuation adjustments (CVA, DVA, FFVA, NFVA, close-out cost adjustment, model risk adjustment and IPV variance) made when determining the fair value of financial instruments (including those measured at fair value through other comprehensive income) amounted to EUR 121m (EUR 224m).

Sensitivity analysis disclosures covering the fair value of financial instruments with significant unobservable inputs can be found in Note G41 "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.

Classification of financial assets

Nordea classifies financial assets based on Nordea's business model for managing the assets. When determining the business model for the bonds within the liquidity buffer Nordea makes critical judgements. The bonds within the liquidity buffer are split in two portfolios. For the first portfolio Nordea has determined that the business model is to keep the bonds and collect contractual cash flows and to sell financial assets. For the second portfolio, Nordea has determined that the business model is to manage the bonds with the objective of realising cash flows through sale. The bonds within the first portfolio are measured at fair value through other comprehensive income (FVOCI) and the bonds within the second portfolio are measured at fair value through profit or loss (FVPL). "Interest-bearing securities" including "Financial instruments pledged as collateral" in the liquidity buffer measured at FVOCI (the first portfolio) and FVPL (the second portfolio) amounted to EUR 33,972m (EUR 33,726m) and EUR 23,548m (EUR 25,069m), respectively.

Nordea also classifies financial assets based on whether or not the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Some loan contracts at Nordea include terms linking contractual cash flows to the customer's achievement of environmental, social and governance (ESG) targets. This is the case for all Swedish mortgage loans, where customers have the right to a discount if certain climate targets are met, and some corporate loans. Nordea considers these loans to be compliant with the SPPI requirements to the extent that the targets are entity specific. Nordea consequently judges a change in contractual cash flows to be a reflection of the change in credit risk triggered by the customer's fulfilment, or failure to fulfil, an ESG target.

Derecognition of financial assets

Loans and other financial assets where cash flows are modified, or part of a restructuring, are derecognised, and a new loan recognised, if the terms and conditions of the new loan are substantially different from the old loan. Nordea applies judgements to determine if the terms and conditions of the new loan are substantially different from the old loan. Nordea considers the terms and conditions to be substantially different if the present value of the cash flows for the new loan discounted by the original interest rate differs by more than 10% from the present value of the remaining expected cash flows for the old loan or if the modified cash flows are SPPI, but the original cash flows were not SPPI and vice versa. The carrying amount of loans, interest-bearing securities and financial instruments pledged as collateral on the asset side of the balance sheet amounts to EUR 412,493m (EUR 402,315m).

Impairment testing of goodwill and other intangible assets

Nordea's accounting policy for goodwill is described in section 16 "Intangible assets" and Note G21 "Intangible assets" lists the cash-generating units (CGUs) to which goodwill has been allocated. Also internally developed software for which

G1. Accounting policies, cont.

amortisation has not yet started is included in the impairment test and allocated to the CGUs. Nordea's total goodwill amounted to EUR 1,975m (EUR 1,938m) at the end of the year. Software for which amortisation has not yet started amounted to EUR 446m (EUR 505m) 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 derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements.

For information on the sensitivity to changes in relevant parameters, see Note G21 "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. Nordea's total lending before impairment allowances was EUR 349,648m (EUR 338,459m) at the end of the year. For more information, see Note G14 "Loans and impairment".

When calculating allowances for individually significant impaired loans, judgement is exercised to estimate the amount and timing of the expected cash flows to be received from the customers under different scenarios, including the valuation of any collateral received. Judgement is also applied when assigning the likelihood of the different scenarios occurring.

Judgement is exercised to assess when an exposure has experienced a significant increase in credit risk. If this is the case, the provision should reflect the lifetime expected losses, as opposed to a 12-month expected loss for exposures not having increased significantly in credit risk. Judgement is also exercised in the choice of modelling approaches covering other parameters used when calculating the expected losses, such as the expected lifetime used in stage 2 as well as in the assessment of whether the parameters based on historical experience are relevant for estimating future losses.

The statistical models used to calculate provisions are based on macroeconomic scenarios, which requires management to exercise judgement when identifying such scenarios and when assigning the likelihood of the different scenarios occurring. Judgement is also exercised in the assessment of to what extent the parameters for the different scenarios, based on historical experience, are relevant for estimating future losses. Nordea adjusts its collectively calculated provisions if the historical data does not adequately reflect management's view regarding expected credit losses. Estimating post-model adjustments requires management to exercise critical judgements.

The amortisation period for capitalised software

Internally developed software is capitalised and amortised over the useful life of the software. As the IT landscape develops rapidly, management exercises judgment to estimate the useful life of the software, which affects the yearly amortisation charge.

Effectiveness testing of cash flow hedges

Nordea's accounting policy for cash flow hedges is described in section 10 "Hedge accounting".

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

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

Actuarial calculations of pension liabilities and plan assets related to employees

Nordea's accounting policy for post-employment benefits is described in section 24 "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 and 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 G34 "Retirement benefit obligations" together with a description of the sensitivity to changes in assumptions. The defined benefit obligation was EUR 3,801m (EUR 3,871m) at the end of the year.

Actuarial calculations of insurance contracts

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

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

The insurance liability was EUR 17,438m (EUR 15,792m) at the end of the year. The sensitivity of the carrying amount to different assumptions is disclosed in Note G29 "Liabilities to policyholders".

Valuation of investment properties

Nordea's accounting policy for investment properties is described in section 18 "Investment properties".

G1. Accounting policies, cont.

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

The carrying amounts of investment properties were EUR 2,366m (EUR 1,896m) at the end of the year. See Note G24 "Investment properties" for more information on amounts and parameters used in these models.

Assessment of expected lease terms and classification of leases

Nordea's accounting policy for leases is described in section 15 "Leasing".

For a lessee, critical judgement has to be exercised when estimating the expected lease term by considering all facts and circumstances that create an economic incentive to exercise an extension or termination option. The expected lease term for contracts with no end date is estimated in the same way. Backstop rules on the average expected lifetime of different types of real estate contracts are used as a guidance when making the estimate for branch offices. A more detailed analysis is performed for large contracts. The head office contracts are estimated to be more long term in nature than those of the branch offices where the environment is changing at a more rapid pace. The expected lease term of the head office contracts is currently generally close to 25 years. The backstop rule of branch offices is currently limiting the expected lease term of contracts with no end date, or contracts with extension options, to 5 years. It is possible to deviate from the backstop rule if the circumstances show that Nordea is likely to stay for a longer/shorter period.

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

The carrying amount of right of use assets was EUR 1,331m (EUR 1,459m) at the end of the year.

More information on lease contracts can be found in Note G23 "Leasing".

Classification of Additional Tier 1 instruments

Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. Some of these instruments also include a requirement for Nordea to pay interest if the instruments are no longer allowed to be included in Tier 1 capital. If there is a requirement to pay interest based on the occurrence or non-occurrence of an uncertain future event that is beyond the control of both the issuer and the holder of the instrument, the instrument will 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, and Nordea consequently classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instruments.

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 if Nordea is also the investment manager and thus has influence over the return produced by the structured entity.

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

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

Valuation of deferred tax assets

Nordea's accounting policy for the recognition of deferred tax assets is described in section 21 "Taxes" and Note G12 "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 218m (EUR 406m) at the end of the year.

Claims in civil lawsuits and possible fines

Within the framework of normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts, as well as possible fines due to e.g. weak anti-money laundering processes and procedures in the past. Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. As previously stated, Nordea expects to be fined in Denmark for weak anti-money laundering (AML) processes and procedures in the past and has made a provision for ongoing AML-related matters. Nordea cannot exclude the possibility of fines which could impact the bank's financial performance. In addition, some of these proceedings could lead to litigation. See also Note G2 "Risk and liquidity management", section 6 "Compliance Risk", Note G33 "Provisions" and Note G38 "Contingent liabilities".

Critical judgements emphasised by COVID-19

Nordea's assessment was that no significant critical judgements needed to be applied in the preparation of this annual report due to COVID-19, in addition to the critical judgements described above.

5. Principles of consolidation

Consolidated entities

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

G1. Accounting policies, cont.

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

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

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

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

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

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

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

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

Note G47 "Group structure" lists the major group undertakings of the Nordea Group.

Investments in associated undertakings and joint venture

The equity method of accounting is used for associated undertakings where the share of voting rights is between 20% and 50% and/or where Nordea has significant influence. Significant influence is the power to participate in the financial and operating 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 (classified as part of Nordea's venture capital organisation) are measured at fair value in accordance with the rules set out in IAS 28 and IFRS 9. 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 is not generally involved in any sale 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 G20 "Investments in associated undertakings and joint ventures" lists the major associated undertakings of 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 management over the ongoing activities of a structured entity. The same consolidation requirements apply to these entities, but as voting rights do not determine whether control exists, other factors are used to determine control.

Power can exist due to agreements or other types of influence over a structured entity. Nordea normally has power over entities sponsored or established by Nordea. Nordea has created a number of structured entities to allow customers 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 establishment of the structured entity, or because it acts as an investment manager, a 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 to give control. Variability is measured as the sum of fees received and revaluation of assets held. For unit-linked and other contracts where the policyholder/depositor decides both the amount and in which assets to invest, Nordea is considered to act as an agent and does thus not have control.

Further information about consolidated and unconsolidated structured entities is disclosed in Note G46 "Interests in structured entities".

Currency translation of foreign entities/branches

The consolidated financial statements are presented in euro (EUR). When translating the financial statements of foreign entities and branches into EUR from their functional currency, the assets and liabilities of foreign entities and branches have been translated at the closing rates, while items in the income statement and the statement of comprehensive income are translated at the average exchange rate for the year. The average exchange rate is calculated based on daily exchange rates divided by the number of business days in the period. Translation differences are recognised in other comprehensive income and are accumulated in the translation reserve in equity.

Goodwill and fair value adjustments arising from the acquisition of group undertakings are treated as items in the same functional currency as the cash-generating unit to which they belong and are also translated at the closing rate.

Any remaining equity in foreign branches is converted at the closing rates with translation differences recognised in other comprehensive income.

G1. Accounting policies, cont.

Information on the most important exchange rates is disclosed in section 30 "Exchange rates".

6. Recognition of operating income and impairment

Net interest income

Interest income and expense are calculated and recognised using the effective interest rate method or, if considered appropriate, a method that provides a reasonable approximation in line with the effective interest rate method as the basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate equals the rate that discounts the estimated future cash flows to the net carrying amount of the financial asset or financial liability.

Interest income and expense from financial instruments are, with the exceptions described below, classified as "Net interest income".

Interest income and interest expense related to all balance sheet items held at fair value in Markets and Life & Pension are classified as "Net result from items at fair value" in the income statement. Also, interest on the net funding of operations in Markets and on assets measured at amortised cost in Life & Pension is recognised in this line item to ensure that income and expense within these operations are presented in a consistent manner.

The interest component of derivatives is classified as "Net result from items at fair value", except for derivatives used for hedging purposes. In accounting hedges the interest component of derivatives is classified as "Interest income calculated using the effective interest rate method" if the derivative is used to hedge an asset and as "Interest expense" if the derivative is used to hedge a liability. In economic hedges the interest component of derivatives is classified as "Other interest income" if the derivative is used to hedge an asset and as "Interest expense" if the derivative is used to hedge a liability.

The yield on financial assets is presented in three line items in the income statement: "Interest income calculated using the effective interest rate method", "Other interest income" and "Negative yield on financial assets". In the line item "Interest income calculated using the effective interest rate method", Nordea presents interest income from financial assets measured at amortised cost or at fair value through other comprehensive income. This line item also includes the effect from hedge accounting relating to these assets. All other interest income is presented in the income statement line item "Other interest income", except negative yield on financial assets which is presented in a separate line item. Negative yield on financial liabilities is also disclosed separately in the income statement.

Net fee and commission income

Nordea earns commission income from different services provided to customers. The recognition of commission income depends on the purpose for which the fees are received.

The major share of the revenues classified as "Commission income" constitutes revenue from contracts with customers according to IFRS 15. Fee income is recognised either when or as performance obligations are satisfied.

Asset management commissions are generally recognised over time as services are performed and are normally based on assets under management. These fees are recognised based on the passage of time as the amount (and the right to receive the fee) corresponds to the value received by the customer. The fees are recognised monthly when the market value of the assets under management is determined. Variable fees based on the relative performance versus a benchmark are rare. The uncertainty relating to the variable consideration is normally resolved at least at each reporting date and the fee income can be recognised. The amount cannot generally be recognised if the outcome is still uncertain and subject to market developments.

Life & Pension commission income includes fee income, referred to as expense loading, from insurance and investment contracts with policyholders. Investment contracts are contracts that do not transfer enough insurance risk to be classified as insurance contracts. The expense loading is the part of the premium income considered to be compensation for contract administration. The fee income is recognised over time when the services are performed. These contracts do generally not include any upfront fees.

Fees categorised as "Deposit Products", "Brokerage, securities issues and corporate finance", "Custody and issuer service" and "Payments" are recognised both over time and at a point of time depending on when the performance obligations are satisfied. Brokerage, securities issues and corporate finance are mainly transactional driven in relation to advising customers or executing customer transactions in securities where the services are recognised at a point of time when the services related to the transactions are completed. Payment commissions include fees for cash management and payment solutions that are recognised over time and transaction-based fees for services like domestic and foreign payments that are recognised at a point of time. Card fees are categorised as interchange fees which are recognised at a point of time when the customer uses the services, or as cardholder fees which are recognised over time or at a point of time if the fee is transaction based.

Lending fees that are not part of the effective interest rate of a financial instrument are recognised at a point of time. Loan syndication fees as well as other transaction-based fees received are recognised at a point of time when the performance obligation is satisfied, i.e. when the syndication or transaction has been performed. Fees received for bilateral transactions are generally amortised as part of the effective interest rate of the financial instruments recognised.

Income from issued financial guarantees, and expenses for bought financial guarantees, are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense", respectively. Other fee income is generally transaction based.

For transactional services performed at a point of time, payments are generally made instantly when the services are performed. For services performed over time the period of service is normally short. Examples of such services are monthly payment services and monthly or quarterly asset management services. For the services performed over time, the right to payment generally arises at the end of the period of service when the performance obligations are completed and it is highly probable that no significant reversal of the consideration will occur. However, for some services with fixed monthly fees, the right to payment arises in advance. Account receivables are recognised as "Other assets" while unbilled receivables for satisfied performance obligations and contract assets are recognised as "Prepaid expenses and accrued income". Short-term advances received where the performance obligations have not yet been satisfied are recognised as "Accrued expenses and prepaid income".

Commission expenses are normally transaction based and recognised in the period when the services are received.

Initial contract costs for obtaining contracts are recognised as an asset and amortised if the costs are expected to be recovered.

G1. Accounting policies, cont.

Net result from items at fair value

Realised and unrealised gains and losses on financial instruments and investment properties measured at fair value through profit or loss are recognised in the line 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 item 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 Life & Pension are classified as "Net result from items at fair value" in the income statement. Furthermore, the interest component of derivatives including changes in accrued interest, is classified as "Net result from items at fair value", except for derivatives used for hedging purposes, including economic hedges where such components are classified in the same income statement line as the interest from the hedged asset and liability. Also, interest on the net funding of operations in Markets and on assets measured at amortised cost in Life & Pension is recognised in this line to ensure that income and expense within these operations are presented in a consistent manner. 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 "Financial assets at fair value through other comprehensive income" is 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" also includes fair value changes of hedged assets and liabilities at amortised cost in hedges of interest rate risk.

"Net result from items at fair value" also includes losses from counterparty risk on instruments classified into the category "Financial assets at fair value through profit or loss", except for loans in "hold" portfolios mandatorily held at fair value (SPPI fails) which are presented in the line item "Net result on loans in hold portfolios mandatorily held at fair value" (see below). Impairment losses on instruments within other categories are recognised in the item "Net loan losses" (see also the sub-section "Net loan losses" below).

Dividends received are recognised in the income statement as "Net result from items at fair value" and classified as "Equity-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 line items relating to life insurance are described in section 7 "Income recognition life insurance" below.

Profit from companies accounted for under the equity method

Profit from companies accounted for under the equity method is defined as the post-acquisition change in Nordea's share of net assets in associated undertakings and joint ventures. Nordea's share of items accounted for in other comprehensive income in associated undertakings and joint ventures is accounted for in other comprehensive income in Nordea. Profit from companies accounted for under the equity method is, as stated in section 5 "Principles of consolidation", reported post taxes in the income statement. Consequently, the tax expense related to this profit is excluded from the income tax expense for Nordea.

Fair value is, at acquisition, allocated to the identifiable assets, liabilities and contingent liabilities of associated undertakings and joint ventures. Any difference between Nordea's share of the fair value of the acquired identifiable net assets and the purchase price is goodwill or negative goodwill. Goodwill is included in the carrying amount of the associated undertakings and joint ventures. Subsequently, the investments in associated undertakings and joint ventures increase/decrease with Nordea's share of the post-acquisition change in the net assets of the associated undertakings and joint ventures and decrease through dividends received 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 and joint ventures. For some associated undertakings and joint ventures not individually significant the change in Nordea's share of the net assets is based on the external reporting of the associated undertakings and joint ventures and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated undertakings and joint ventures is, if applicable, adjusted to comply with Nordea's accounting policies.

Also, impairment of investments in associated undertakings and joint ventures is classified as "Profit from associated undertakings and joint ventures accounted for under the equity method" in the income statement. The policies covering impairment of financial assets classified into the category "Amortised cost" 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 a 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 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.

Other operating income and other expenses

Net gains from divestment of shares in group undertakings, associated undertakings and joint ventures and net gains from the sale of tangible assets as well as other 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 transaction is finalised).

Resolution fees are presented as "Other expenses" in the income statement.

G1. Accounting policies, cont.

Net result on loans in hold portfolios mandatorily held at fair value

The item "Net result on loans in hold portfolios mandatorily held at fair value" includes fair value adjustments of the margin component on loans in "hold" portfolios mandatorily held at fair value (SPPI fails). The loans are classified into the category "Financial assets at fair value through profit or loss" and presented in the item "Loans to the public" on the balance sheet. Fair value adjustments are largely driven by changes in credit risk.

Losses from counterparty risk on other instruments classified into the category "Financial assets at fair value through profit or loss" are presented as "Net result from items at fair value".

Impairment losses on instruments within other categories than the category "Financial assets at fair value through profit or loss" are recognised in the item "Net loan losses" (see also the sub-section "Net loan losses" below).

Net loan losses

Impairment losses on financial assets classified into the categories "Amortised cost" and "Fair value through other comprehensive income" (see section 13 "Financial instruments"), in the items "Loans to central banks", "Loans to credit institutions", "Loans to the public" and "Interest-bearing securities" on the balance sheet, are reported as "Net loan losses" together with losses from financial guarantees. Losses are reported net of any collateral and other credit enhancements. Nordea's accounting policies 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, are reported under "Net result from items at fair value" or, if related to loans in "hold" portfolios mandatorily held at fair value (SPPI fails), in the line item "Net result on loans in hold portfolios mandatorily held at fair value", see above.

7. Income recognition life insurance

Premiums received, and repayments to policyholders, related to the savings part of 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 results from these components are, except for the cost result and the risk and performance margin relating to unit-linked and investment contracts, included in "Net result from items at fair value".

The cost result is the result of expense loading from policyholders and is included in the 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 policyholders' part of a positive or negative cost result (profit sharing) is included in the "Change in technical provisions" row of Note G6 "Total 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 the insurance risk is released. A large part of the unbundled risk result from traditional life insurance is subject to profit sharing, which means that the policyholders receive part of the net income or net deficit. Risk income and risk expenses are presented gross in the "Insurance risk income" and "Insurance risk expense" row of Note G6 "Total net result from items at fair value". The policyholders' part of the result is included in the "Change in technical provisions" row of the note.

Gains and losses derived from investments at Life & Pension are split between the relevant rows of Note G6 "Total net result from items at fair value" as are any other investments at Nordea. The rows include investment returns on assets held to cover liabilities to policyholders and return on the additional capital allocated to Life & Pension (shareholders' capital in Life & Pension).

The row "Change in technical provisions" in the table "Breakdown of Nordea Life & Pension" in Note G6 "Total 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), transferred individually to policyholders' accounts according to their contracts.
- Additional bonuses (discretionary participation feature) to policyholders concerning traditional life insurance contracts or any other transfers to the policyholders to cover a periodical deficit between the investment result and any agreed minimum benefit to policyholders.
- The risk and performance margin regarding traditional life insurance products according to local allocation rules in each Life & Pension unit and according to contracts with policyholders. The recognition of risk and performance margins in the income statement is mainly conditional on a positive 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 results regarding traditional life insurance contracts or unit-linked contracts.

The "Change in collective bonus potential" row of Note G6 "Total net result from items at fair value" relates only to traditional life insurance contracts. The row includes policyholders' share of investment returns not yet individualised. The row also includes additional bonus (discretionary participation feature) and amounts needed to cover a periodical deficit between the investment result and any minimum benefits to the policyholders.

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 from (and an asset or a liability is recognised as "Other assets" or "Other liabilities" on the balance sheet between the trade date and the settlement date) the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on the settlement date.

Financial assets, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial assets expire or are transferred to another party. The rights to the cash flows normally expire or are transferred

G1. Accounting policies, cont.

when the counterparty has performed by e.g. repaying a loan to Nordea, i.e. on the settlement date.

Loans and other financial assets where cash flows are modified, or part of a restructuring, are derecognised, and a new loan recognised, if the terms and conditions of the new loan are substantially different from the old loan. This is normally the case if the present value of the cash flows for the new loan discounted by the original interest rate differs by more than 10% from the present value of the remaining expected cash flows for the old loan. The same principles apply to financial liabilities. The terms and conditions are also considered to be significantly different for financial assets where the modified cash flows are SPPI, but the original cash flows were not SPPI and vice versa.

In some cases, Nordea enters into transactions where it transfers assets that are recognised on the balance sheet but retains either all or a portion of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. If Nordea's counterparty can sell or repledge the transferred assets, the assets are reclassified to 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 returns a deposit to the counterparty, i.e. on the settlement date. Financial liabilities under trade date accounting are generally derecognised and a liability is recognised as "Other liabilities" on the balance sheet on the 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 collateral".

9. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity (subsidiary or branch) is determined based on the primary economic environment in which the entity operates. Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those on the date of the transactions, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the line item "Net result from items at fair value".

Exchange differences arising on internal long-term loans to foreign operations for which settlement is neither planned nor likely to occur in the future (i.e., in substance, part of Nordea's net investment in that foreign operation) are recognised in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

10. Hedge accounting

As part of Nordea's risk management policy, Nordea has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in section 4 "Market risk" in Note G2 "Risk and liquidity management" and Note G19 "Derivatives and hedge accounting".

When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39, Nordea applies one of three types of hedge accounting:

- fair value hedge accounting
- cash flow hedge accounting
- hedges of net investments.

Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve-out version of IAS 39.

Under the EU carve-out version of IAS 39, fair value macro hedge accounting may for instance, in comparison with IAS 39 as issued by the IASB, be applied to on-demand (core) deposits, and hedge ineffectiveness in a hedge of assets with prepayment options is only recognised when the revised estimate of the amount of cash flows falls below the designated bottom layer.

At inception, Nordea formally documents how the hedging relationship meets the hedge accounting criteria, including the economic relationship between the hedged item and the hedging instrument, the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship on an ongoing basis.

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in the fair value of the hedged item, as regards the hedged risk, can be essentially offset by changes in the fair value of the hedging instrument. The result should be within a range of 80–125%.

Transactions that are entered into in accordance with Nordea's hedging objectives but do not qualify for hedge accounting, are economic hedge relationships.

Fair value hedge accounting

Fair value hedge accounting is applied when derivatives are hedging changes in the fair value of a recognised asset or liability attributable to a specific risk in accordance with Nordea's risk management policies set out in section 4 "Market risk" in Note G2 "Risk and liquidity management" and Note G19 "Derivatives and hedge accounting". The risk of changes in the 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 the fair value of derivatives as well as changes in the fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the line item "Net result from items at the fair value". Given that the hedge is effective, the change in the fair value of the hedged item will be offset by the change in fair value of the hedging instrument.

The changes in the fair value of the hedged item attributable to the risks being hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value changes of the hedged items held at amortised cost in hedges of interest rate risks are reported separately in the balance sheet item "Fair value changes of hedged items in hedges of interest rate risk".

Fair value hedge accounting at Nordea is performed both at a micro level and on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net result from items at fair value".

G1. Accounting policies, cont.

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 at Nordea consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments
The hedging instruments used at Nordea are predominantly interest rate swaps and cross-currency interest rate swaps, which are always held at fair value.

Hedge effectiveness
When assessing hedge effectiveness retrospectively, Nordea measures the fair value of a hedging instrument and compares the change in the fair value of the hedging instrument to the change in the fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

If the hedging relationship does not meet the hedge accounting requirements, hedge accounting is discontinued. For fair value hedges, the hedging instrument is measured at fair value through profit and loss and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

Hedge ineffectiveness can arise from:

- differences in timing of cash flows of hedged items and hedging instruments
- different interest rate curves applied to discount the hedged items and hedging instruments
- the effect of changes in Nordea's or a counterparty's credit risk on the fair value of the hedging instruments
- disparity between expected and actual prepayments of the loan portfolio.

Cash flow hedge accounting
In accordance with Nordea's risk management policies set out in section 4 "Market risk" in Note G2 "Risk and liquidity management" and Note G19 "Derivatives and hedge accounting", cash flow hedge accounting is applied when hedging the exposure to variability in future interest payments on instruments with variable interest rates as well as currency exposures. The portion of the gain or loss on the hedging instrument, determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value" in the income statement.

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 on future payments of interest and principal (both from issued debt in foreign currency and/or intra-group lending) and when hedging interest rate risk on lending with floating interest rates.

Hedging instruments
The hedging instruments used at Nordea are predominantly cross-currency interest rate swaps, which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. When hedging the interest rate risk on lending with floating interest rates, Nordea uses interest rate derivatives as hedging instruments, which are always held at fair value.

Hedge effectiveness
The hypothetical derivative method is used when measuring the effectiveness retrospectively of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedging relationship does not meet the hedge accounting requirements, hedge accounting is discontinued. Changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net result from items at fair value" in the income statement if the expected transaction is no longer expected to occur.

If the expected transaction is no longer highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective will remain in other comprehensive income until the transaction occurs or is no longer expected to occur.

The possible sources of ineffectiveness for cash flow hedges are generally the same as for those for fair value hedges described above. However, for cash flow hedges, prepayment risk is less relevant, and the causes of hedging ineffectiveness arise from the changes in the timing and the amount of forecast future cash flows.

Hedges of net investments
In accordance with Nordea's risk management policies set out in section 4 "Market risk" in Note G2 "Risk and liquidity management" and Note G19 "Derivatives and hedge accounting", Nordea hedges its foreign currency translation risk. Translation risk is defined as the risk of loss on investments in foreign operations which have a functional currency different from that of the Group reporting currency (EUR). The hedging instruments used by Nordea are foreign exchange forwards where only the spot component is designated in the hedging relationship.

Translation differences in financial instruments that are designated as hedging instruments in a hedge of a net investment in a group undertaking are recognised in other comprehensive income, to the extent that the hedge is effective. This is to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea, including the revaluation of any extended net investments. Hedge ineffectiveness can arise to the extent that the hedging instruments exceed in nominal terms the risk exposure from foreign operations. Any ineffectiveness is recognised in the income statement in the item "Net result from items at fair value".

See also section 9 "Translation of assets and liabilities denominated in foreign currencies".

G1. Accounting policies, cont.

11. Determination of fair value of financial instruments

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 ongoing basis. The absolute level of liquidity and volume required for a market to be considered active varies depending on the class of instruments. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and, correspondingly, the age limit for the prices used to establish fair value is higher.

The trade frequency and volume are monitored regularly in order to assess if markets are active or not active. Nordea predominantly uses 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 (mortgage bonds issued by 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 a simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible but can also make use of unobservable model parameters. The adequacy of the valuation model is assessed by measuring its ability to match market prices. This is done by comparing calculated prices with relevant benchmark data, e.g. quoted prices from exchanges, the counterparty's valuations, price data from consensus services etc.

Nordea predominantly uses valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- Loans to the public (mortgage loans in Nordea Kredit Realkreditaktieselskab)
- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC derivatives).

For financial instruments whose fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. Nordea considers data from observable markets to be data that can be collected from generally available external sources and which is deemed to represent realistic market prices. If unobservable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the unobservable data becomes observable.

Note G41 "Assets and liabilities at fair value" provides a breakdown of the fair values of financial instruments measured on the basis of:

- quoted prices in active markets for the same instrument (Level 1),
- a valuation technique using observable data (Level 2)
- a valuation technique using unobservable 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 G41 "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 when the following conditions are fulfilled:

- The central bank or the postal giro system is domiciled in the country where the institutions are established.
- The balance 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:

- Amortised cost
- Financial assets at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option)
- Financial assets at fair value through other comprehensive income.

Financial liabilities:

- Amortised cost
- Financial liabilities at fair value through profit or loss:
  - Mandatorily measured at fair value through profit and loss
  - Designated at fair value through profit or loss (fair value option).

The classification of a financial asset is dependent on the business model for the portfolio in which the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principal and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is both to keep the instruments to collect the contractual cash flows and to sell the instruments are measured at fair value through other comprehensive income. Financial assets included in any other business model are measured at fair value through profit and loss.

G1. Accounting policies, cont.

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

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In the table in Note G40 "Classification of financial instruments", the classification of the financial instruments on Nordea's balance sheet into the different categories under IFRS 9 is presented.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see section 6, "Net interest income". For information about impairment under IFRS 9, see section 14 below.

Interest on assets and liabilities classified at amortised cost is recognised in the items "Interest income" and "Interest expense" in the income statement.

This category mainly consists of all loans and deposits, except for reverse repurchase/repurchase agreements and securities borrowing/lending agreements in Markets and mortgage loans in Nordea Kredit Realkreditaktieselskab. This category also includes interest bearing securities mainly related to a portfolio of interest-bearing securities in Life & Pension in Norway, subordinated liabilities and debt securities in issue, except for bonds issued by Nordea Kredit Realkreditaktieselskab and structured bonds issued by Markets.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair value are recognised directly in the income statement in the item "Net result from items at fair value". However, fair value adjustments of the margin component on loans in "hold" portfolios mandatorily held at fair value (SPPI fails) are recognised in the income statement on the line "Net result on loans in hold portfolios mandatorily held at fair value".

The category consists of two sub-categories: "Mandatorily measured at fair value through profit and loss" and "Designated at fair value through profit or loss (fair value option)".

The sub-category "Mandatorily measured at fair value through profit and loss" mainly contains all assets in Markets, trading liabilities in Markets, interest-bearing securities included in part of the liquidity buffer, derivative instruments, shares, mortgage loans in the Danish subsidiary Nordea Kredit Realkreditaktieselskab and financial assets under "Assets in pooled schemes and unit-linked investment contracts". Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the policyholders. The deposits are invested in different types of financial assets on behalf of customers and policyholders.

The major parts of the financial assets/liabilities classified into the category "Designated at fair value through profit or loss" are bonds issued by Nordea Kredit Realkreditaktieselskab and assets and liabilities in Life & Pension.

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 Danish mortgage legislation Nordea at the same time issues bonds with matching terms, so-called "match funding". The customers can repay the loans either through repayment of the principal or by purchasing the issued bonds and returning them to Nordea settling the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own bonds in the market. The loans are measured at fair value through profit and loss because they fail the SPPI (Solely Payments of Principal and Interest) criteria, and if the bonds were measured at amortised cost, this would give rise to an accounting mismatch. To avoid such an accounting mismatch Nordea measures the bonds at fair value with all changes in fair value including changes in credit risk recognised in profit or loss.

All assets in Life & Pension held under investment contracts are classified into the category "Designated at fair value through profit or loss" to eliminate or significantly reduce an accounting mismatch with the liabilities to the policyholders that are measured at fair value. The investment contracts (unit-linked) classified as "Liabilities to policyholders" on the balance sheet are managed at fair value and consequently classified into the category "Designated at fair value through profit or loss". Changes in own credit risk are recognised in profit and loss as recognising such changes in other comprehensive income would create an accounting mismatch. Assets held under insurance contracts (defined in section 19 "Liabilities to policyholders"), except for a portfolio of interest-bearing securities in Norway, are classified into the category "Designated at fair value through profit or loss" to reduce an accounting mismatch with the liabilities to policyholders that are generally measured at current value.

Also, assets in pooled schemes and unit-linked investment contracts that are not mandatorily measured at fair value through profit and loss are classified into the category "Designated at fair value through profit or loss" to avoid an accounting mismatch with the related deposits. Deposits in pooled schemes and unit-linked investment contracts are managed at fair value and consequently also classified into the category "Designated at fair value through profit or loss". The value of these deposits is directly linked to assets in the contacts and changes in own credit risk consequently have no impact on these contracts.

Nordea also applies the fair value option on structured bonds issued by Markets as these instruments include embedded derivatives not closely related to the host contract. The change in fair value of these issued structured bonds is recognised in profit and loss except for the changes in credit risk that are recognised in other comprehensive income.

Interest income and interest expense related to all balance sheet items held at fair value through profit and loss in Markets and Life & Pension are classified as "Net result from items at fair value".

G1. Accounting policies, cont.

Financial asset at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are initially measured at fair value plus transaction costs. This category mainly consists of the interest-bearing securities included in part of the liquidity buffer. Changes in fair value, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income", foreign exchange effects in "Net result from items at fair value" and impairment losses in the item "Net loan losses" in the income statement. When an instrument is disposed of, the fair value changes previously accumulated in the fair value reserve in other comprehensive income are removed from equity and recognised in the income statement in the item "Net result from items at fair value". For information about impairment under IFRS 9, see section 14 below.

Hybrid (combined) financial instruments

Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds and loans with embedded collars and caps.

For structured bonds issued by Markets, Nordea applies the fair value option, and the entire combined instrument, the host contract together with the embedded derivative, is measured at fair value through profit or loss. Changes in fair value are recognised in the income statement in the item "Net result from items at fair value" and presented as "Debt securities in issue" on the balance sheet.

Securities borrowing and lending agreements

Generally, securities borrowing and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not recognised on or derecognised from the balance sheet. In cases where the counterparty 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 counterparties is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or "Loans to the public". Cash collateral received (securities lending) from counterparties is recognised on the balance sheet as "Deposits by credit institutions" or "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 cases where the counterparty has the right to resell or repledge the securities, the securities are reclassified to the balance sheet line "Financial instruments pledged as collateral".

Securities delivered under repurchase agreements 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 "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 "Loans to the public".

A sale of a security not owned by Nordea is defined as a short sale and triggers the recognition of a trading liability ("Sold, not held, securities") presented as "Other liabilities" on the balance sheet. The short sale is generally covered through a Securities Financing Transaction (SFT), normally a reverse repurchase agreement or other forms of securities borrowing agreements.

Derivatives

All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with a positive fair value, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with a negative fair value, 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 default, bankruptcy and insolvency of Nordea and the counterparties, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously.

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, derivative liabilities, cash collateral receivables and cash collateral liabilities against central counterparty clearing houses are offset on the balance sheet if the transaction currency and the central counterparty are the same. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities related to bilateral OTC derivative transactions are not offset on the balance sheet.

In addition, loans and deposits related to repurchase and reverse repurchase transaction with CCP are offset on the balance sheet if the assets and liabilities relate to the same central counterparty, are settled in the same currency and have the same maturity date. Loans and deposits related to repurchase and reverse repurchase transactions that are made in accordance with the Global Master Repurchase Agreement (GMRA) are offset on the balance sheet if the assets and liabilities relate to the same counterparty, are settled in the same currency, have the same maturity date and are settled through the same settlement institution.

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

Scope

Financial instruments classified as "Amortised cost" or "Fair value through other comprehensive income" are subject to impairment testing due to credit risk. This includes assets recognised on the balance sheet as "Loans to central banks",

G1. Accounting policies, cont.

Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". Loans to the public includes finance leases, which also are subject to impairment testing. These balance sheet lines also include assets classified as Fair value through profit or loss, which are not subject to impairment testing. See section 13 above and Note G40 "Classification of financial instruments".

Off-balance sheet commitments, contingent liabilities and loan commitments are also subject to impairment testing.

Recognition and presentation

Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as "Net loan losses".

If the impairment loss is regarded as final, it is reported as a realised loss and the carrying amount of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor has filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea waives its claims either through a legally based or voluntary reconstruction, or when Nordea, for other reasons, deems it unlikely that the claim will be recovered. See also section "Write-offs" below.

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses".

Assets classified as "Fair value through other comprehensive income" are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Net loan losses". Any fair value adjustments are recognised in "Other comprehensive income".

Impairment testing

Nordea classifies all exposures into stages on an individual basis. Stage 1 includes assets where there has been no significant increase in credit risk since initial recognition, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 (impaired loans) includes defaulted assets. Nordea monitors whether there are indicators of exposures being credit impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in Note G2 "Risk and liquidity management". Exposures without individually calculated allowances will be covered by the model-based impairment calculation.

For significant exposures where a credit event has been identified, the exposure is tested for impairment on an individual basis. If the exposure is found impaired, an individual provision is recognised. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is higher, the difference is recognised as an impairment loss. The expected cash flows are discounted with the original effective interest rate and include the fair value of the collateral and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the impairment loss is measured using the model described below but based on the fact that the exposures are already in default.

Model-based allowance calculation

For exposures not impaired on an individual basis, a statistical model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default (PD) times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while for assets in stages 2 and 3 it is based on the expected lifetime of the asset.

The provisions for exposures for which there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures for which there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). This is also the case for the insignificant credit impaired exposures in stage 3.

Nordea uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held at transition on 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea has concluded that it is not possible to calculate the lifetime (PD) at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime PD are used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PD, Nordea uses a mix of absolute and relative changes in PD as the transfer criterion.

- Retail customers with an initial 12-month PD below 1%:
  Exposures with a relative increase in lifetime PD above 100% and an absolute increase in 12-month PD above 45bp are transferred to stage 2.
- Retail customers with an initial 12-month PD above or equal to 1%:
  Exposures with a relative increase in lifetime PD above 100% or an absolute increase in 12-month PD above 300bp are transferred to stage 2.
- Nonretail customers with an initial 12-month PD below 0.5%:
  Exposures with a relative increase in lifetime PD above 150% and an absolute increase in 12-month PD above 20bp are transferred to stage 2.
- Non-retail customers with an initial 12-month PD above or equal to 0.5%:
  Exposures with a relative increase in lifetime PD above 150% or an absolute increase in 12-month PD above 400bp are transferred to stage 2.

For assets for which rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures with forbearance measures will stay in stage 2 for a probation period of 24 months from when the measures were introduced. Once transferred back to stage 1, after the probation period, the exposures are treated as any other stage 1 exposure when assessing significant increase in credit risk. Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence that the customer is not in default. Such exposures will be classified as stage 2. Rated exposures classified as "high risk", i.e. with a rating grade of 2 or below will also be transferred to stage 2.

G1. Accounting policies, cont.

Nordea does not use the "low credit risk exemption" in its banking operations but uses it for a minor portfolio of interest-bearing securities in its insurance operations.

When calculating provisions, including the staging assessment, the calculation is based on probability-weighted forward-looking information. Nordea applies three macroeconomic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability-weighted average of the expected losses under each scenario is recognised as provisions. The model is based on data collected before the reporting date, requiring Nordea to identify events that should affect the provisions after the data is sourced to the model calculation. Management evaluates these events and adjusts the provisions if deemed necessary.

Write-offs

A write-off is a derecognition of a loan or receivable from the balance sheet and a final realisation of a credit loss provision. When assets are considered as uncollectable, they should be written off as soon as possible, regardless of whether the legal claim remains or not. A write-off can take place before legal actions against the borrower to recover the debt have been concluded in full. Although an uncollectable asset is removed or written off from the balance sheet, the customer remains legally obligated to pay the outstanding debt. When assessing the recoverability of non-performing loans and determining if write-offs are required, exposures with the following characteristics are in particular focus (the list is not exhaustive):

- Exposures past due more than 90 days. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it is written off.
- Exposures under insolvency procedure where the collateralisation of the exposure is low.
- Exposures where legal expenses are expected to absorb the proceeds from the bankruptcy procedure and estimated recoveries are therefore expected to be low.
- A partial write-off may be warranted where there is reasonable financial evidence to demonstrate an inability of the borrower to repay the full amount, i.e. a significant level of debt which cannot be reasonably demonstrated to be recoverable following forbearance treatment and/or the execution of collateral.
- Restructuring cases.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans and modifications

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to their financial difficulties and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. In the event of a recovery, the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial difficulties (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquires an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar 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 category "Fair value through profit or loss" and measured at fair value. Changes in fair value are recognised in the income statement in the line item "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. The item "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

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 based on 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

At inception Nordea assesses whether a contract is or contains a lease. A lease is a contract that conveys the user the right to control the use of an asset for a period of time in exchange for consideration.

The right to use an asset in a lease contract is recognised on the commencement date as a right of use (ROU) asset and the obligation to pay lease payments is recognised as a lease liability. The ROU asset is initially measured as the present value of the lease payments plus initial direct costs and the cost of obligations to refurbish the asset less any lease incen-

G1. Accounting policies, cont.

tives received. Non-lease components are separated. The discount rate used to calculate the lease liability for each contract is the incremental borrowing rate at commencement of the contract. In significant premises contracts the rate implicit in the contract may be used if available.

The ROU assets are presented as similar owned assets and the lease liabilities as "Other liabilities" on the balance sheet. The depreciation policy is consistent with that of similar owned assets, but the depreciation period is normally capped at the end of the lease term. Impairment testing of the ROU assets is performed according to the same principles that apply to similar owned assets. Interest expense on lease liabilities is presented as "Interest expense" in the income statement.

The assets are classified as "Land and buildings" and "Equipment". Equipment mainly comprises vehicles and IT hardware. Nordea applies the practical expedient for short-term contracts (with a contract term of 12 months or less) both for Land and buildings and for Equipment. The practical expedient for low value assets is applied to Equipment. Short-term and low-value contracts are not recognised on the balance sheet and the payments are recognised as expenses in the income statement as "Other expenses" on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea's benefit.

Leases are mainly related to office premises contracts but also to company cars, IT hardware and other assets normal to the business. The premises are mainly divided into branch offices and head offices. The premises contracts are actively managed with focus on the effective use of the premises and the changes in the business environment. The lease payments generally include fixed payments and especially in premises contracts also variable payments that depend on an index. Residual value guarantees or purchase options are generally not used.

The lease term is the expected lease term. This comprises the non-cancellable period of lease contracts and any options that Nordea is reasonably certain to exercise. The length of contracts with no end date is estimated by considering all facts and circumstances.

The expected lease term of most of the premises contracts is 1–10 years whereas the expected lease term of the main head office contracts in the Nordic countries is 15–25 years. These contracts generally have renewal options.

Embedded leases

Agreements can contain a right to use an asset in return for a payment, or a series of payments, although the agreement is not in the legal form of a lease contract. If applicable, these assets are separated from the contract and accounted for as leased assets.

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. Nordea's intangible assets mainly consist of goodwill, IT development/computer software and customer-related intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking/joint venture at the date of acquisition. Goodwill on acquisitions of group undertakings and joint ventures is included in "Intangible assets". Goodwill on acquisitions of associated undertakings is not recognised as a separate asset but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings and joint ventures is not tested for impairment separately but included in the total carrying amount of the associated undertakings and the joint ventures. The policies covering impairment testing of associated undertakings and joint ventures are disclosed in 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 also includes acquired software licences not related to the function of a tangible asset.

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 5 years, and in some circumstances for strategic infrastructure up to a maximum of 10 years.

Customer-related intangible assets

In business combinations a portion of the purchase price is normally allocated to a customer-related intangible 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, licensed, rented or exchanged. The asset is amortised over its useful life, generally over 10 years.

Impairment

Goodwill and IT development not yet taken into use are not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. 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 generate 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. If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note G21 "Intangible assets" for more information on the impairment testing.

G1. Accounting policies, cont.

17. Properties and equipment
Properties and equipment include properties for own use, leasehold improvements, IT equipment, furniture and other equipment. Items of properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment comprises its purchase price as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Properties and equipment are depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis. Below follow the current estimates:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining lease term. New construction the shorter of the principles used for owned buildings and the remaining lease term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining lease term.

At each balance sheet date, Nordea 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.

18. Investment properties
Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of Nordea's property are attributable to Life & Pension. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of fair value is normally quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available, discounted cash flow projection models based on reliable estimates of future cash flows are also used.

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 Life & Pension, including companies in Sweden, Norway and Finland.

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 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 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 regulations concerning profit sharing and other requirements about collective bonus potential (not allocated provisions that protect the policyholders).

Unit-linked contracts represent life insurance provisions relating to unit-linked policies written either with or without an investment guarantee. Unit-linked contracts classified as insurance contracts include the same insurance risk elements as traditional insurance contracts. These contracts are mainly recognised and measured at fair value on the basis of:
- the fair value of the assets linked to the unit-linked contracts, and
- the estimated present value of the insurance risk which is calculated in the same way as traditional insurance contracts considering the impact on every risk element included in the cash flows.

Health and personal accident provisions include premium reserves and claims outstanding. This item is recognised and measured on deferred basis, the same principle as used for general insurance contracts.

Investment contracts
Contracts classified as investment contracts are contracts with policyholders which do not transfer sufficient insurance risk to be classified as insurance contracts and are written with an investment guarantee or a discretionary participation feature.

Investment contracts with discretionary participation features are, in line with IFRS 4, accounted for as insurance contracts using local accounting principles. Life & Pension only has a small number of these contracts.

Investment contracts without discretionary participation features are recognised and measured at fair value in accordance with IFRS 9 "Financial Instruments: Recognition and Measurement", equal to 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.

G1. Accounting policies, cont.

Discretionary participating features (DPF)
Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus. These DPF-contracts, including collective bonus potential, are classified as liabilities on the balance sheet.

Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market-consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional regulatory reserves. In Sweden, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included on the balance sheet representing either "Change in technical provisions, life insurance" and/or "Change in collective bonus potentials, life insurance", depending on whether the investment result is allocated or attributed. Both the mentioned lines are included in the balance sheet line item "Liabilities to policyholders".

Liability adequacy test
The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabilities is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

20. Assets and deposits in pooled schemes and unit-linked investment contracts
Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the 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 which do not transfer sufficient insurance risk to be classified as insurance contracts.

The assets and deposits under these contracts are recognised and measured at fair value as described in section 13 "Financial instrument" above.

21. Taxes
The item "Income tax expense" in the income statement comprises current and deferred income tax. The income tax expense is recognised in the income statement unless 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 carried forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax positions are regularly reviewed to identify situations where it is not probable that the relevant tax authorities will accept the treatment used in the tax filings. Uncertain tax positions are considered independently or as a group, depending on which approach better predicts the resolution of the uncertainty. If Nordea concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty is reflected when determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. This is done by using either the most likely amount or the expected value, depending on which method better predicts the outcome of the uncertainty. Uncertain tax treatment can affect both current tax and deferred tax.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea intends to either settle the tax asset and the tax liability net or recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

22. Provisions
Provisions (which are presented as a liability) are recognised when Nordea has a present obligation (legal or constructive) as a result of a past event if it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Provisions relating to employee benefits are further described in section 24 and provisions relating to financial guarantee contracts and credit commitments are described in section 26.

Contingent liabilities are not recognised as liabilities on the balance sheet but disclosed in Note G38 "Contingent liabilities" unless the possibility of an outflow is remote. A contingent liability is a possible obligation whose existence will be confirmed only by future event(s) not wholly within Nordea's control or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

23. Earnings per share
Basic earnings per share are calculated by dividing the profit or loss attributable to shareholders of Nordea Bank Abp by

G1. Accounting policies, cont.

the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are 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 and contracts on Nordea shares that can be settled in Nordea shares, i.e. derivatives such as options and warrants and their equivalents. Such contracts affect diluted earnings per share when and only when the average price of ordinary shares during the period exceeds the exercise price of the options or warrants (i.e. they are in the money).

The potential ordinary shares are only considered to be dilutive on the balance sheet date, if all performance conditions are fulfilled and if a conversion to ordinary shares would decrease earnings per share. The rights are furthermore considered dilutive only when the exercise price, with the addition of future services, is lower than the period's average share price.

24. 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 termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if 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 27 "Share-based payment".

More information can be found in Note G8 "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 G34 "Retirement benefit obligations").

When establishing the present value of the obligation and the fair value of any plan assets, remeasurement effects may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The remeasurement effects are recognised immediately in equity through other comprehensive income.

When the calculation results in a benefit, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contributions are calculated and accounted for based on the net recognised surplus or deficit by plan and are included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

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 are 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 obligations using the government bond curve.

Termination benefits

As mentioned above, termination benefits normally arise if employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits 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 G8 "Staff costs".

G1. Accounting policies, cont.

25. Equity

Non-controlling interests

Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank Abp.

For each business combination, Nordea measures the non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets.

Additional Tier 1 capital holders

Nordea has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea and non-accumulating. Some of these instruments also include a requirement for Nordea to pay interest if the instruments are no longer allowed to be included in Tier 1 capital. 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 is classified as a financial liability. The inclusion of the subordinated loan in Tier 1 capital is decided by the regulators and is thus beyond the control of Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instruments.

Nordea determines payments on financial instrument classified as equity (i.e. Additional Tier 1 instruments) as distribution of profits and for that reason such payments are accounted for as dividends.

Invested unrestricted equity

The reserve consists of the difference between the subscription price and the quota value of the shares in Nordea's rights issue in 2009. Transaction costs in connection with the rights issue have been deducted. For acquisitions and sales of own shares see section 25 "Treasury shares".

Other reserves

Other reserves comprise income and expenses, net of tax effects, which are reported in equity through other comprehensive income. These reserves include reserves for cash flow hedges, financial assets classified into the category "Financial assets at fair value through other comprehensive income" and accumulated remeasurements of defined benefit pension plans as well as a reserve for translation differences.

Retained earnings

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, but as a reduction of equity. Acquisitions of treasury shares as part of the Markets trading operations are recognised as a reduction in "Invested unrestricted equity" and sales of own shares in the trading operations as an increase in "Invested unrestricted equity". Treasury shares acquired to optimise the capital structure are recognised as a reduction in "Retained earnings". There is no impact on the financial statements when shares are cancelled. Transaction costs related to repurchasing of treasury shares are also recognised in equity.

Contracts on Nordea shares that can be settled net in cash, i.e. derivatives such as options and warrants and their equivalents, are either presented as financial assets or financial liabilities.

26. 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 fee received less amortisation or an amount calculated in accordance with IFRS 9. 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, net of any provisions. Financial guarantees are disclosed in the item "Contingent liabilities" and irrevocable credit commitments in the item "Commitments".

27. Share-based payment

Equity-settled programmes

Nordea has annually issued programmes where 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 grant date fair value of these rights is expensed on a straight-line basis over the vesting period. The fair value per right is estimated at grant date and not subsequently updated. The vesting period is the period over which the employees have to remain in service at Nordea in order for their rights to vest.

For rights with non-market performance conditions, the amount expensed is the grant date fair value per right multiplied by the best estimate of rights that will eventually vest, which is reassessed at each reporting date. For rights with market performance conditions, the total fair value is estimated based on the fair value of each right times the maximum number of rights at grant date. Market conditions are taken into account when estimating the fair value of the equity instruments granted. Therefore, if all other vesting conditions (e.g. service condition) are met, Nordea recognises the expense for grants of equity instruments with market conditions irrespective of whether that market condition is satisfied.

Social security costs are also allocated over the vesting period. The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note G8 "Staff costs".

Cash-settled programmes

Nordea has to defer payment of variable salaries under the Nordic FSAs' 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 Total Shareholders' Return (TRS) and these programmes are

G1. Accounting policies, cont.

cash-settled share-based programmes. These programmes are fully vested when the payment of variable salaries is initially deferred, and the fair value of the obligation is remeasured on a continuous basis over the deferral period using the Nordea TSR. 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 G8 "Staff costs".

28. Related party transactions

Nordea defines related parties as:
- shareholders with significant influence
- associated undertakings and joint ventures
- key management personnel
- other related parties.

All transactions with related parties are made on the same criteria and terms as those of comparable transactions with external parties of similar standing, apart from loans granted to employees as well as certain other commitments to key management personnel, see Note G8 "Staff costs" and Note G38 "Contingent liabilities".

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.

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 G20 "Investments in associated undertakings and joint ventures".

Key management personnel

Key management personnel includes the following positions:
- Board of Directors
- Chief Executive Officer (CEO)
- Group Leadership Team (GLT).

For information about compensation, pensions and other transactions with key management personnel, see Note G8 "Staff costs".

Other related parties

Other related parties comprise shareholders with significant influence (including their subsidiaries) and close family members of key management personnel at Nordea as well as companies controlled or jointly controlled by key management personnel or by close family members of key management personnel at Nordea. Information concerning transactions between Nordea and other related parties is found in Note G45 "Related party transactions".

29. Presentation of disposal groups held for sale

If applicable, assets and liabilities related to disposal groups are presented on the separate balance sheet lines "Assets held for sale" and "Liabilities held for sale", respectively, as from the classification date. Financial instruments continue to be measured under IFRS 9, while non-financial assets are held at the lower of carrying amount and fair value. Comparative figures are not restated.

30. Exchange rates

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

G2. Risk and liquidity management

CONTENT FOR NOTE G2

1. Risk governance

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

In 2021 COVID-19 continued to have a considerable impact on society at large. Nordea has continued to focus on maintaining service levels towards our customers, complying at all times with the government instructions regarding COVID-19. Market volatility has persisted due to the pandemic, and Nordea has continued to run full-scale risk management capabilities to ensure fair treatment of our customers and integrity in the market. With its strong financial position, Nordea is able to continue to actively support its customers during this challenging time. Nordic governments have supported the economies with a range of COVID-related support packages targeted at individuals and companies. As the pandemic prolonged in 2021, the measures were extended and new ones established. However, the support measures are coming to an end and possible cliff-edge effects could materialise related to deferred payments since there is a risk that support measures have enabled non-viable businesses to continue operating. Termination of instalment-free schemes and downscaling of governmental support measures have not had practical implications on the household portfolio quality and the Nordic housing markets have performed strongly. A downside risk exists, in particular due to the possible spread of new COVID-19 variants. In order to continuously monitor potential adverse outcomes, Nordea has executed a number of internal stress tests with focus on the COVID-19 situation. In these stress tests, Nordea's capital and liquidity situation has shown good resilience even in the most severe scenarios.

1.1 Internal Control Framework

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

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

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

1.2 Governing bodies for risk, liquidity and capital management

The Group Board, the Board Risk Committee (BRIC), the Group CEO in Group Leadership Team (GLT), the Asset and Liability Committee (ALCO) and the Risk Committee (RC) are the key decision-making bodies for risk, liquidity and capital management at Nordea. In addition, the CEO Credit Committee, the Executive Credit Committee and business area credit committees are the key bodies for credit decision-making.

G2. Risk and liquidity management, cont.

Group Board and Board Risk Committee
The Group Board has the following overarching risk management responsibilities:
- It decides on the Group risk strategy and the Risk Appetite Framework, including the risk appetite statements, with annual reviews and additional updates when needed.
- It oversees and monitors the implementation of the Risk Strategy, Risk Appetite Framework and Risk Management Framework, including breaches of risk appetite.

The Group Board decides on the Group Board Directive on Capital including the dividend policy. The directive ensures that the Group maintains adequate capital levels on an ongoing and forward-looking basis in accordance with Nordea's business model, risk appetite and regulatory requirements and expectations.

BRIC assists the Group Board in fulfilling its oversight responsibilities concerning management and control of the risk, risk frameworks, controls and processes associated with the Group's operations.

President and Chief Executive Officer
The Group CEO is responsible to the Group Board for the overall management of the Group's operations and risks. Responsibilities include ensuring that the risk strategy and risk management decided by the Group Board is implemented, the necessary practical measures are taken and risks are monitored and limited. The Group CEO is supported in decision-making by senior management within the GLT.

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

Asset and Liability Committee
The Asset and Liability Committee (ALCO) is subordinate to the Group CEO in GLT and chaired by the Chief Financial Officer (CFO). ALCO decides on changes to the financial operations and the risk profile of the balance sheet, including asset and liability management (ALM), balance sheet management and liquidity management. ALCO also decides on certain issuances and capital injections for all wholly-owned legal entities within the Group. ALCO has established sub-committees for its work and decision-making within specific risk areas.

Risk Committee
The Risk Committee (RC) is subordinate to the Group CEO in GLT and chaired by the Chief Risk Officer. The RC manages the overarching Risk Management Framework and prepares or provides guidance regarding proposals to the Group CEO in GLT and/or the relevant Board of Directors on issues of major importance concerning Nordea's Risk Management Framework. Based on the Risk Appetite Framework decided by the Group Board, the RC decides on the allocation of cascaded risks limits to risk-taking units and on actions relating to the management of all risks. The first line of defence is responsible for ensuring that limits are allocated and implemented across business. The RC has established sub-committees for its work and decision-making within specific risk areas.

Credit decision-making bodies
The governing bodies for credit risk and/or the Credit Risk Management Framework are the Group Board and BRIC. The Group Board and the local Board of Directors delegate credit decision-making according to the powers to act as described in the Group Board Directive for Risk:
- The CEO Credit Committee is chaired by the Group CEO and its members include the members of the Executive Credit Committee.
- The Executive Credit Committee is chaired by the Head of Group Credit Management, and BRIC appoints the members of the Executive Credit Committee.
- The Executive Credit Committee establishes credit committees for each business area as required by organisational needs and customer segmentation.

BRIC confirms industry group strategies approved by the RC.

All credit limits within the Nordea Group are based on credit decisions or authorisations made by an ultimate decision-making authority with the right to decide upon that limit. Credit decisions include pricing, risk mitigation and any terms and conditions related to the limit or expected utilisation. Credit decisions also serve to delegate decision-making within the approved limit to lower-level decision-makers unless otherwise explicitly decided.

Subsidiary governance
At subsidiary level, the subsidiary's Board of Directors is responsible for approving risk appetite limits and capital actions. These proposals are the joint responsibility of the relevant subsidiary management and Group functions. The subsidiary Board of Directors has oversight responsibilities concerning the management and control of risk, risk management frameworks as well as the processes associated with the subsidiary's operations. In addition, there are risk management functions responsible for the risk management framework and processes within the subsidiary. The subsidiary CEO is part of the decision-making process at subsidiary level and is responsible for the daily operations.

1.3 Governance of risk management and compliance
Group Risk and Group Compliance constitute Nordea's independent second line of defence functions. Group Risk oversees the implementation of the Group risk policies (excluding compliance risk) and, according to a risk-based approach, monitors and controls the Risk Management Framework. Group Compliance oversees the implementation of the Compliance Risk Management Framework, which is a part of the overarching Risk Management Framework. These frameworks ensure that the risks that Nordea is or could be exposed to are identified, assessed, monitored, managed and reported. The second line of defence is organised in divisions with individual responsibility for different types of risk. The Risk Management Framework ensures consistent processes for identifying, assessing and measuring, responding to and mitigating, controlling and monitoring and reporting risks to enable informed decisions on risk-taking.

The Risk Management Framework encompasses all risks to which Nordea is or could be exposed, including ESG as drivers of existing risks, off-balance sheet risks and risks in a stressed situation. Detailed risk information covering all risks is regularly reported to the RC, the GLT, BRIC and the Group Board. In addition to this, Nordea's compliance with regulatory requirements is reported to the RC, the GLT, BRIC and the Group Board. The Group Board and the CEO in each legal entity regularly receive local risk reporting.

The Risk Identification and Materiality Assessment Process starts with identifying risks to which Nordea is or could be exposed. Risks are then assessed for relevance, classified and included in the Common Risk Taxonomy.

All risks within the Nordea Common Risk Taxonomy need to be classified as material or not material for risk management and capital purposes. Material risks are those assessed as having a material impact on Nordea's current and future financial position, its customers and stakeholders. These risks

G2. Risk and liquidity management, cont.

will typically refer to a higher level within the risk taxonomy, which captures a number of underlying risks where losses arise from a common source.

Risk appetite

The Risk Appetite Framework (RAF) supports effective risk management and a sound risk culture by enabling informed decisions on risk-taking, with the objective of ensuring that risk-taking activities are conducted within the organisation's risk appetite and that emerging risks are identified and addressed in a timely way.

Risk capacity is the maximum level of risk Nordea is deemed able to assume given its capital (own funds), its risk management and control capabilities and its regulatory constraints. Risk appetite is the aggregate level and types of risk Nordea is willing to assume within its risk capacity and in line with its business model to achieve its strategic objectives.

The risk appetite statements are the articulation of the Group Board approved risk appetite and comprise the qualitative statements and quantitative limits and triggers by main risk type deemed appropriate to be able to operate with a prudent risk profile.

Credit concentration metrics cover e.g. sectors and geographic regions of size or importance. Stress test metrics are applied to credit, market and liquidity risk metrics to ensure a forward-looking approach to risk management. Operational risk metrics cover both residual risk levels and requirements for mitigating actions as well as limits for incidents and losses.

Risk appetite processes

The RAF contains all processes and controls to establish, monitor and communicate Nordea's risk appetite:

- Risk capacity setting based on capital position: On at least an annual basis, the Group's overall risk capacity is aligned with the financial and capital planning process, based on Nordea's risk strategy. The risk capacity is set in line with Nordea's capital position, including an appropriate shock-absorbing capacity.
- Risk appetite allocation by risk type: Risk appetite includes risk appetite limits for the main risk types that Nordea is or could be exposed to. Risk appetite triggers are also set for these main risk types, to act as early indicators for key decision-makers that the risk profile for a particular risk type is approaching its risk appetite limit.
- Risk limit setting: Measurable risk limits are established and set at an appropriate level to manage risk-taking effectively. Risk appetite limits are set by the Group Board. These form the basis for setting the risk limits which are established and approved at lower decision-making levels at Nordea, including RC and sub-RC levels, and also other levels as appropriate. Subsidiary risk limits must be set by the appropriate governing body in accordance with local regulatory requirements and Group risk limits.
- Controlling and monitoring risk exposures against risk limits: Regular controlling and monitoring of risk exposures compared to risk limits are carried out to ensure that risk-taking activity remains within the risk appetite.
- Risk appetite limit breach management process: Group Risk and Group Compliance oversee that any risk appetite limit breaches are appropriately escalated to the RC and BRIC. The second line of defence reports monthly on any breaches of the risk appetite to the Group Board and other relevant governing bodies including a follow-up on the status of actions to be taken, until the relevant risk exposure is within appetite. The reporting includes a consistent status indicator to communicate the current risk exposure compared to the risk appetite limit for all risk types covered by the risk appetite statements.

Embedding risk appetite in business processes

The end-to-end risk appetite process cycle is aligned with other strategic processes, including the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan.

Moreover, the risk appetite is embedded in business processes and communicated across the organisation in order to meet Nordea's objectives of maintaining a sound risk culture. This includes but is not limited to ensuring a strong link between the assessed risk appetite and the business plans and budgets, the capital and liquidity position, the systemic risk profile, the recoverability and resolvability assessments as well as the incentive structures and remuneration framework.

Environmental, Social and Governance (ESG) Governance

At Nordea, the Group Board has a leading role in driving the sustainability strategy and is assisted by the Board Operations and Sustainability Committee in the fulfilment of its oversight responsibilities concerning sustainability, related frameworks and processes. The Group Board is also assisted by BRIC in the fulfilment of its oversight responsibilities concerning the management of risks, related frameworks, controls and processes (including ESG factors as drivers of existing risks). Qualitative progress updates on the integration of ESG factors in the underlying risk management frameworks form part of the regular Board Risk Appetite reporting. The Board Audit Committee is responsible for overseeing the reporting and disclosure policies.

At Group Leadership Team level, the Sustainability and Ethics Committee is mandated to facilitate the implementation of the sustainability targets and objectives and support the integration of ESG factors in operational credit risk management. The Risk Committee (RC) is responsible for overseeing the implementation of the risk strategy including in relation to embedding ESG factors as drivers of existing risks.

Organisationally, ESG is integrated in existing processes for decision-making, risk management and control as well as escalation, including committee structures. The first line of defence is responsible for managing sustainability and financial impacts while the second line of defence is accountable for developing the ESG-related risk management framework.

In 2021, Nordea appointed the Chief of Staff to coordinate and facilitate the Group-wide integration of ESG factors in the Risk Management Framework and business processes. Consequently, a new ESG implementation programme was launched under a newly established operational steering committee. The programme, which integrates first and second line of defence efforts, aims at ensuring an efficient and consistent implementation of both the sustainability targets and objectives as well as the ESG-related risk management frameworks across key areas including credit processes, risk scoring of customers, reporting and regulatory compliance.

1.4 Disclosure requirements of the Capital Requirements Regulation – Capital and Risk Management Report 2021

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2021, in accordance with the Capital Requirements Regulation.

G2. Risk and liquidity management, cont.

2. Credit risk

Credits granted within the Group must conform to the common principles established for the Group. Nordea strives to have a well-diversified credit portfolio that is adapted to the structure of its home markets and economies. Nordea's loan portfolio is split by type of exposure classes (corporate and retail) or by sector, then further broken down by segment, industry and geography and reported monthly, quarterly and annually.

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

- risk-based approach, i.e. the risk management functions should be aligned to the nature, size and complexity of Nordea's business, ensuring that efforts undertaken are proportional to the risks in question
- independence, i.e. the risk control function should be independent of the business it controls
- three lines of defence, as further described in the Group Board Directive on Internal Governance.

Group Credit Management is the first line of defence and is responsible for the credit process and Industry Credit Policies. Group Credit Risk Control and Model Validation is the second line of defence and is responsible for the credit risk framework, consisting of instructions and guidelines for the Group. Group Credit Risk Control and Model Valuation is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process.

The basis of credit risk management at Nordea is allocating limits to customers and customer groups which are aggregated and assigned to units responsible for their continuous monitoring and development. In addition to the procedures for allocating customer and customer group limits, Nordea's credit risk management framework also includes the credit RAF which provides a comprehensive and risk-based portfolio perspective through relevant asset quality and concentration risk measures. Each division/unit is primarily responsible for managing the credit risks in its operations within the applicable framework and limits, including identification, control and reporting.

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

2.1 Credit risk definition and identification

Credit risk is defined as the potential for loss due to failure of a borrower to meet its obligations to pay a debt in accordance with the agreed terms and conditions. The potential for loss is lowered by credit risk mitigation techniques. Credit risk mainly stems from various forms of lending, as well as from issued guarantees and documentary credits and includes counterparty credit risk, transfer risk and settlement risk.

Nordea's loan portfolio is furthermore broken down by segment, industry and geography. Industry credit policies are established for those industries that have a significant weight

Credit committee structure

Level 1	Board of Directors / Board Risk Committee						
Level 2	Chief Executive Officer (CEO) Credit Committee / Executive Credit Committee						
Level 3	Leverage Buyout and Mergers and Acquisitions Credit Committee	Real Estate Management Industry and Construction Credit Committee	Corporate Large Corporations and Institutions Credit Committee	Corporate Business Banking Credit Committee	Int. Banks Countries, and Financial Institutions Credit Committee	Shipping and Offshore Credit Committee	Retail Nordic Credit Committee
Level 4	Six eyes decisions (rated customers)				Four eyes decisions (scored customers) – two senior decision makers from Group Credit Management		
Level 5	Four eyes decisions						
Level 6	Personal powers to act						

G2. Risk and liquidity management, cont.

in the portfolio and/or are either highly cyclical or volatile or require special industry competencies.

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

The ESG evaluation of large corporate borrowers is currently integrated in the credit process through the Nordea Group credit risk framework.

There are different types of ESG evaluations performed dependent on the type and size of the transaction and the customer's internal segmentation.

ESG-related risks identified in the ESG evaluation process are integrated into the credit risk assessment. A credit memorandum is produced, which contains a conclusion on the level of ESG-related risk associated with the customer. Approval follows the established credit decision-making process. For customers classified as having high ESG-related risk, the decision is escalated to the Executive Credit Committee (ECC).

The overall credit risk assessment is a combined risk conclusion on the borrower's repayment capacity and recovery position. The risk conclusion must be sufficiently forward-looking in relation to the risk profile of the customer and maturity of the transaction.

In addition to the credit risk assessment made in connection with a new or changed exposure in relation to a customer, an annual or ongoing credit review process is in place. The review process is an important part of the ongoing credit assessment process.

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

2.2 Credit risk mitigation

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collateral is considered as well as the adequacy of covenants and other risk mitigations. A fundamental credit risk mitigation technique used by Nordea is to obtain collateral. Collateral is always required, when reasonable and possible, to minimise the risk of credit losses.

In corporate exposures, the main collateral types are real estate, floating charges and leasing objects. Collateral coverage should generally be higher for exposures of financially weaker customers than for those who are financially strong.

Independent of the strength of collateral position, the repayment capacity is the starting point for the credit assessment and the assignment of credit limits. Regarding large exposures, syndication of loans is the primary tool for managing concentration risk, while credit risk mitigation using credit default swaps is applied to a limited extent. Covenants included in credit agreements are complementary to collateral protection.

Most exposures of substantial size and complexity include appropriate covenants. Covenants provide early warning signs that enable Nordea to detect, and react on, a deterioration in the borrower's credit quality or overall performance. Covenant breaches allow Nordea to cancel the credit facility and demand repayment of the outstanding credits.

The collateral value should always be based on the market value. The market value is defined as the estimated amount for which the asset or liability would exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. From this market value, a haircut is applied. The haircut is defined as a percentage by which the asset's market value is reduced ensuring a margin against loss. The margin reflects the adjustments needed to assess the cash proceeds when the collateral is liquidated in a forced sale situation. A minimum haircut is set for each collateral type. In addition to the haircut, potential higher-ranking claims are also deducted from the market value when calculating the maximum collateral value.

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

2.3 Collateral distribution

Distribution of collateral has remained stable during 2021, with the majority of the collateral stemming from residential and commercial real estate with 93% (93%). The shares of commercial real estate declined to 18% (19%), while residential real estate increased to 75% (74%). Other collateral groups remained roughly at the same shares during 2021.

Maximum exposure to credit risk

		31 Dec 2021		31 Dec 2020	
EURm	Note	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss
Loans to central banks and credit institutions	G14	1,799	596	4,409	1,841
Loans to the public	G14	272,077	75,176	259,433	72,776
Interest-bearing securities	G15, G16	37,435	27,631	37,022	29,285
Derivatives	G19	–	30,200	–	44,770
Off-balance sheet items	G38, G39	107,815	366	106,911	203
Total		**419,126**	**133,969**	**407,775**	**148,875**

G2. Risk and liquidity management, cont.

	31 Dec 2021	31 Dec 2020
Financial collateral	0.7%	0.7%
Receivables	0.8%	0.7%
Residential real estate	75.2%	74.0%
Commercial real estate	17.7%	18.7%
Other physical collateral	5.6%	5.9%
Total	**100.0%**	**100.0%**

Allowances for credit risk

EURm	Note	31 Dec 2021	31 Dec 2020
Loans to central banks and credit institutions	G14	3	4
Loans to the public	G14	2,203	2,444
Interest-bearing securities measured at fair value through other comprehensive income or amortised cost	G15	15	3
Off-balance sheet items	G33	183	236
Total		**2,404**	**2,687**

2.4 Assets taken over for protection of claims

The table below presents assets taken over distributed by asset type. Lands and buildings make up 29% of the total assets taken over at the end of December 2021 and shares and other participations make up 57%. During 2021 assets taken over were brought down by 12%.

Assets taken over for protection of claims[1]

EURm	31 Dec 2021	31 Dec 2020
Current assets, carrying amount:		
Land and buildings	2	2
Shares and other participations	4	2
Other assets	1	4
Total	**7**	**8**

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local banking business acts wherever Nordea is located. Assets used as collateral for the loan are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are disposed at the latest when full recovery is reached.

2.5 Loan-to-value

The loan-to-value (LTV) ratio is considered a useful measure to evaluate quality of collateral, i.e. the credit extended divided by the market value of the collateral. In the table, IRB retail mortgage exposures are distributed by LTV buckets based on the LTV ratio.

Loan-to-value

	31 Dec 2021		31 Dec 2020	
Retail mortgage exposure	EURbn	%	EURbn	%
<50%	130.9	83	121.5	81
50–70%	20.7	13	21.4	14
70–80%	4.0	3	4.6	3
80–90%	1.1	1	1.2	1
>90%	0.8	0	0.8	1
Total	**157.5**	**100**	**149.5**	**100**

2.6 Individual and collective assessment of impairment

Requirements for impairment are set forth in IFRS 9 and are based on an expected credit loss model.

Impairment testing (individual and collective) applies to three forward-looking and weighted scenarios where assets tested for impairment are divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets with no significant increase in credit risk, stage 2 includes assets with a significant increase in credit risk (SICR), and stage 3 includes defaulted assets (credit impaired). All assets are assessed individually for staging. Significant assets in stage 3 are assessed for impairment individually. Assets in stage 1, stage 2 and insignificant assets in stage 3 are assessed for impairment collectively.

Throughout the process of identifying and mitigating credit impairment, Nordea continuously reviews the quality of credit exposures. Weak and credit impaired exposures are closely monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for individual provisions.

Specific Credit Risk Adjustments (SCRAs) comprise individually and collectively assessed provisions. SCRAs in the profit and loss statement are referred to as loan losses, while SCRAs in the balance sheet are referred to as allowances and provisions. SCRAs that comprise individually assessed provisions are a trigger for default.

Individual provisioning

A need for individual provisioning is recognised if, based on credit events and observable data, a negative impact is likely on the customer's expected future cash flow to the extent that full repayment is unlikely (pledged collateral taken into account).

Exposures with individually assigned provisions are credit Impaired and in stage 3 (defaulted). The size of the provision is equal to the estimated loss, which is the difference between the book value of the outstanding exposure and the discounted value of the expected future cash flow, including the value of pledged collateral.

Collective provisioning

The collective model is executed quarterly and assessed for each legal unit/branch. One important driver for provisions is the trigger for transferring assets from stage 1 to stage 2. For assets recognised from 1 January 2018, changes to the lifetime probability of default (PD) are used as the trigger. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2. In stage 1, the provisions equal the 12-month expected losses. In stages 2 and 3, the provisions equal the lifetime expected losses. The output is complemented by an expert-based analysis process to ensure adequate provisioning. Defaulted customers without individual provisions have collective provisions.

Default

Customers with exposures that are past due more than 90 days, in bankruptcy or considered unlikely to pay (UTP) are regarded as defaulted and non-performing. Such customers can be either servicing debt or non-servicing.

If a customer recovers from being in default, the customer is seen as cured. Typically, this situation occurs if the customer succeeds in creating a balance in financials. In order to be cured, the recovery should include the customer's total liabilities, an established satisfactory repayment plan and an assessment that the recovery is underway.

G2. Risk and liquidity management, cont.

2.7 Forbearance

Forbearance is eased terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention of granting forbearance for a limited time period is to ensure full repayment of the outstanding debt. Examples of eased terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of financial covenants. Forbearance is undertaken on a selective and individual basis, approved according to the powers to act. Individual loan loss provisions are recognised if necessary. Forborne exposures can be performing or non-performing.

From March 2020 to October 2020 Nordea supported customers affected by the COVID-19 crisis by offering instalment-free periods. On 1 October 2020 Nordea ended all temporary amendments to the credit risk framework and returned to its normal forbearance registration procedures, while still continuing to support customers through the crisis. All COVID-19-related instalment-free periods expired during the third quarter of 2021. At this time only 3% of the customers who were granted instalment-free periods due to the pandemic were classified as forborne (or in default).

Forbearance

EURm	31 Dec 2021	31 Dec 2020
Forborne loans	3,270	2,983
- of which defaulted	1,905	1,711
Allowances for individually assessed impaired and forborne loans	497	465
- of which defaulted	448	434

Key ratios	31 Dec 2021	31 Dec 2020
Forbearance ratio[1]	0.9%	0.9%
Forbearance coverage ratio[2]	15%	16%
- of which defaulted	24%	25%

1) Forborne loans/Loans before allowances.
2) Individual allowances on forborne loans/Forborne loans.

2.8 Sensitivities

One important factor in estimating expected credit losses in accordance with IFRS 9 is to assess what constitutes a significant increase in credit risk. To understand the sensitivities to these triggers, Nordea has calculated model-based provisions under two different scenarios:

	Triggers	Scenario 1	Scenario 2
Retail portfolios			
Relative threshold	100%	50%	150%
Absolute 12-month threshold	45 bp	35 bp	55 bp
Absolute lifetime threshold	300 bp	250 bp	350 bp
Notching[1]	1–6	1 less	1 more
Non-retail portfolios			
Relative threshold	150%	100%	200%
Absolute 12-month threshold	20 bp	15 bp	25 bp
Absolute lifetime threshold	400 bp	350 bp	450 bp
Notching[1]	1–6	1 less	1 more

1) For exposures with initial recognition before the transition to IFRS 9 (1 Jan 2018), stage classification is decided based on changes in rating grades. The trigger in scenario 1 is set at one notch less than in the model actually used and in scenario 2 the trigger is set at one notch more than in the model used.

The provisions would have increased by EUR 24m (EUR 34m) in scenario 1 and decreased by EUR 22m (EUR 36m) in scenario 2. For more information on the rating scale and average PDs, see tables "Rating/scoring information on loans mea- sured at amortised cost" on page 150.

The provisions are sensitive to rating migration even if the triggers are not reached. The table below shows the impact on provisions from a one notch downgrade of all Nordea's exposures. It includes both the impact of the higher risk for all exposures as well as the impact of transferring exposures from stage 1 to stage 2 that reach the trigger. It also includes the impact of exposures with one rating grade above default going into default, which is estimated at EUR 152m (EUR 139m). This figure is based on calculations with the statistical model rather than individual estimates that would be the case in reality for material defaulted loans.

Sensitivities

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

G2. Risk and liquidity management, cont.

2.9 Forward looking information

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

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

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

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

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

At the end of 2021 adjustments to model-based allowances/provisions amounted to EUR 596m, including management judgements. The management judgements cover expected credit losses not yet covered by the IFRS 9 model. The cyclical reserve amounted to EUR 455m at the end of 2021 (EUR 450m) and the reserve covering issues identified in the IFRS 9 model to be later covered in model updates (structural reserve) amounted to EUR 155m (EUR 200m). The cyclical reserve was supported by additional portfolio modelling and was triggered by the substantial uncertainty in the macroeconomic development, as well as the need to account for future rating downgrades potentially underestimated by the IFRS 9 model through the updated macroeconomic scenarios.

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

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

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

G2. Risk and liquidity management, cont.

Scenarios and provisions 2021

Denmark		2022	2023	2024	Unweighted ECL, EURm	Probability weight	Model-based provisions, EURm	Adjustment model-based provisions[1], EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	4.7	2.7	2.3	198	20%				
	Unemployment, %	2.7	2.4	2.4						
	Change in household consumption, %	7.3	2.5	2.1						
	Change in house prices, %	5.3	3.3	2.3						
Base scenario	GDP growth, %	3.1	2.4	2.4	200	60%	200	163	303	666
	Unemployment, %	3.2	3.1	3.1						
	Change in household consumption, %	6.1	2.1	2.0						
	Change in house prices, %	4.6	1.2	3.0						
Adverse scenario	GDP growth, %	1.3	2.3	2.0	205	20%				
	Unemployment, %	4.1	4.0	4.0						
	Change in household consumption, %	5.1	1.5	1.3						
	Change in house prices, %	-4.4	-1.9	1.4						
Finland										
Favourable scenario	GDP growth, %	4.0	1.8	1.2	238	20%				
	Unemployment, %	6.7	6.4	6.2						
	Change in household consumption, %	5.5	1.7	1.6						
	Change in house prices, %	3.1	2.7	2.0						
Base scenario	GDP growth, %	2.8	1.3	1.0	242	60%	244	177	197	618
	Unemployment, %	6.9	6.7	6.6						
	Change in household consumption, %	4.6	1.3	1.2						
	Change in house prices, %	1.5	1.6	1.4						
Adverse scenario	GDP growth, %	0.6	1.2	0.9	255	20%				
	Unemployment, %	7.7	7.5	7.2						
	Change in household consumption, %	2.9	0.6	0.6						
	Change in house prices, %	-2.0	-0.3	0.5						

G2. Risk and liquidity management, cont.

Scenarios and provisions 2021, cont.

Norway		2022	2023	2024	Unweighted ECL, EURm	Probability weight	Model-based provisions, EURm	Adjustment model-based provisions[1], EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	4.6	1.7	1.4	82	20%				
	Unemployment, %	3.5	3.3	3.3						
	Change in household consumption, %	10.2	4.0	2.3						
	Change in house prices, %	3.9	2.5	2.4						
Base scenario	GDP growth, %	3.8	1.3	0.9	84	60%	84	180	360	624
	Unemployment, %	3.7	3.6	3.7						
	Change in household consumption, %	9.6	3.6	1.5						
	Change in house prices, %	1.7	1.2	3.0						
Adverse scenario	GDP growth, %	1.2	1.2	1.1	89	20%				
	Unemployment, %	4.8	4.6	4.5						
	Change in household consumption, %	8.0	2.7	1.1						
	Change in house prices, %	-4.6	-3.0	1.4						
Sweden										
Favourable scenario	GDP growth, %	5.2	2.4	1.8	93	20%				
	Unemployment, %	7.2	6.7	6.7						
	Change in household consumption, %	6.2	2.8	2.4						
	Change in house prices, %	4.6	2.5	2.4						
Base scenario	GDP growth, %	3.6	2.2	1.8	96	60%	96	70	98	264
	Unemployment, %	7.6	7.2	7.1						
	Change in household consumption, %	4.6	2.6	2.1						
	Change in house prices, %	2.1	1.8	3.0						
Adverse scenario	GDP growth, %	1.4	1.7	2.0	101	20%				
	Unemployment, %	8.3	8.1	7.9						
	Change in household consumption, %	2.9	1.2	1.6						
	Change in house prices, %	-4.7	-3.7	1.2						
Non-Nordic							4	6	222	232
Total							**628**	**596**	**1,180**	**2,404**

1) Includes management judgements of EUR 610m and late corrections to the model of EUR -14m.

G2. Risk and liquidity management, cont.

Scenarios and provisions 2020

Denmark		2021	2022	2023	Unweighted ECL, EURm	Probability weight	Model-based provisions, EURm	Adjustment model-based provisions[1], EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	4.7	2.4	1.9	244	5%				
	Unemployment, %	4.3	3.9	3.5						
	Change in household consumption, %	6.3	2.5	2.0						
	Change in house prices, %	-0.6	0.3	2.4						
Base scenario	GDP growth, %	3.0	2.5	2.5	251	50%	262	195	395	852
	Unemployment, %	5.6	4.8	4.2						
	Change in household consumption, %	5.0	1.7	1.8						
	Change in house prices, %	-2.6	0.6	2.7						
Adverse scenario	GDP growth, %	-0.5	3.6	4.0	277	45%				
	Unemployment, %	7.5	6.8	6.0						
	Change in household consumption, %	3.1	2.0	3.0						
	Change in house prices, %	-5.6	-4.6	2.6						
Finland										
Favourable scenario	GDP growth, %	3.5	2.4	1.8	191	5%				
	Unemployment, %	7.2	6.7	6.3						
	Change in household consumption, %	4.3	2.8	2.7						
	Change in house prices, %	-0.9	1.3	2.3						
Base scenario	GDP growth, %	2.5	2.0	2.2	201	50%	217	159	262	638
	Unemployment, %	8.0	7.7	7.2						
	Change in household consumption, %	3.8	1.9	2.5						
	Change in house prices, %	-2.5	1.4	2.5						
Adverse scenario	GDP growth, %	-2.3	3.4	3.3	237	45%				
	Unemployment, %	10.0	9.2	8.5						
	Change in household consumption, %	-0.2	3.1	2.8						
	Change in house prices, %	-5.2	-5.5	2.5						

G2. Risk and liquidity management, cont.

Scenarios and provisions 2020, cont.

Norway		2021	2022	2023	Unweighted ECL, EURm	Probability weight	Model-based provisions, EURm	Adjustment model-based provisions[1], EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	2.9	3.2	2.8	65	5%				
	Unemployment, %	5.1	4.2	3.9						
	Change in household consumption, %	4.3	2.6	2.8						
	Change in house prices, %	-1.0	-0.3	2.5						
Base scenario	GDP growth, %	1.9	3.3	2.9	67	50%	72	213	347	632
	Unemployment, %	6.1	5.1	4.3						
	Change in household consumption, %	3.6	2.5	2.3						
	Change in house prices, %	-3.2	0.0	3.0						
Adverse scenario	GDP growth, %	-0.7	3.1	3.7	78	45%				
	Unemployment, %	7.1	6.7	5.8						
	Change in household consumption, %	2.2	2.4	2.8						
	Change in house prices, %	-10.5	-9.3	3.2						
Sweden										
Favourable scenario	GDP growth, %	4.1	2.1	2.3	100	5%				
	Unemployment, %	8.3	7.7	6.8						
	Change in household consumption, %	2.4	2.2	2.3						
	Change in house prices, %	-2.8	-0.3	2.7						
Base scenario	GDP growth, %	1.8	5.0	3.0	109	50%	114	129	71	314
	Unemployment, %	10.0	8.1	7.3						
	Change in household consumption, %	0.1	5.2	2.7						
	Change in house prices, %	-3.5	-0.1	1.6						
Adverse scenario	GDP growth, %	-2.3	3.8	3.7	121	45%				
	Unemployment, %	11.5	11.1	10.2						
	Change in household consumption, %	-3.2	2.9	2.3						
	Change in house prices, %	-13.5	-11.1	3.8						
Non-Nordic							9	1	241	251
Total							**674**	**697**	**1,316**	**2,687**

1) Includes management judgements of EUR 650m and late corrections to the model of EUR 47m.

G2. Risk and liquidity management, cont.

2.10 Credit portfolio

Including on- and off-balance sheet exposures and exposures related to securities and life insurance operations, the total credit risk exposure at year end was EUR 553bn (EUR 557bn in 2020). The total credit exposure according to the Capital Requirements Regulation definition was at year end after Credit Conversion Factor EUR 506bn (EUR 481bn). Credit risk is measured, monitored and segmented in different ways. On-balance lending consists of amortised cost lending and fair value lending and constitutes the major part of the credit portfolio. Amortised cost lending is the basis for impaired loans, allowances and loan losses.

Credit risk in lending is measured and presented as the principal amount of on-balance-sheet claims, i.e. loans to credit institutions and to the public, and off-balance sheet potential claims on customers and counterparties, net after allowances. Credit risk exposure also includes the risk related to derivative contracts and securities financing. Nordea's loans to the public increased by 4.6% to EUR 345bn during 2021 (EUR 330bn). The corporate portfolio increased approximately 2.7%, while the household portfolio increased by 6.9%. The overall credit quality is solid with strongly rated customers. Close monitoring is performed due to the COVID-19 crisis, but supported by the strong Nordic economies and governmental support, the credit quality remained stable during 2021. Of the lending to the public portfolio, corporate customers accounted for 44.3% (45.1%), household customers for 54.4% (53.2%) and the public sector for 1.3% (1.7%). Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, decreased to EUR 2bn at the end of 2021 (EUR 6bn).

2.11 Loans to corporate customers

Loans to corporate customers at the end of 2021 amounted to EUR 153bn (EUR 149bn). The sector that increased the most in 2021 was Consumer discretionary and services, while Industrials decreased the most. The contribution of the three largest industries (Real estate, Financial institutions and Industrials) is approximately 70% of total corporate lending. Real estate remains the largest industry in Nordea's lending portfolio, at EUR 46.5bn (EUR 46.5bn). The real estate (commercial and residential) portfolio predominantly consists of relatively large and financially strong companies, with 94% (93%) of the exposure in rating grades 4– and higher. The distribution of loans to corporate customers by size of loans, seen in the table below, shows a high degree of diversification with approximately 68% (64%) of the corporate volume representing loans up to EUR 50m per customer.

Loans to corporate customers, by size of loans

	31 Dec 2021		31 Dec 2020	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	65.5	43	57.2	38
11–50	37.7	25	38.9	26
51–100	18.8	12	22.0	15
101–250	19.6	13	22.7	15
251–500	5.1	3	3.8	3
501–	6.0	4	4.1	3
Total	**152.7**	**100**	**148.7**	**100**

2.12 Loans to household customers

In 2021 lending to household customers increased by 6.9% to EUR 188bn (EUR 176bn). The increase was seen in all the Nordic countries, primarily driven by mortgage loans. Mortgage lending increased to EUR 162bn (EUR 151bn) and consumer lending was unchanged at EUR 25bn (EUR 25bn). The proportion of mortgage lending of total household lending remained at 86% (86%).

G2. Risk and liquidity management, cont.

Loans measured at amortised cost and fair value to the public

31 Dec 2021, EURm	Denmark	Finland	Norway	Sweden[1]	Russia[1]	Other[1]	Total
Financial institutions	2,641	2,206	2,216	7,714	–	1,192	15,969
Agriculture	5,435	339	2,147	239	–	5	8,166
Crops, plantations and hunting	3,189	197	102	145	–	5	3,640
Animal husbandry	2,211	138	122	92	–	–	2,562
Fishing and aquaculture	35	5	1,923	2	–	–	1,964
Natural resources	210	938	722	543	–	210	2,622
Paper and forest products	180	764	160	475	–	94	1,672
Mining and supporting activities	18	157	135	49	–	–	359
Oil, gas and offshore	12	17	427	19	–	116	591
Consumer staples	1,223	1,094	716	867	–	66	3,965
Food processing and beverages	229	291	463	326	–	20	1,329
Household and personal products	166	56	136	19	–	2	378
Healthcare	827	747	117	522	–	45	2,258
Consumer discretionary and services	1,920	2,212	1,350	4,345	–	25	9,850
Consumer durables	142	381	87	1,411	–	21	2,043
Media and entertainment	406	413	131	643	–	–	1,592
Retail trade	664	975	652	1,433	–	4	3,727
Air transportation	58	44	63	127	–	–	292
Accommodation and leisure	566	372	143	479	–	–	1,560
Telecommunication services	84	27	273	252	–	–	637
Industrials	7,460	6,658	10,077	8,394	94	271	32,954
Materials	377	386	206	374	57	15	1,415
Capital goods	523	1,368	113	918	–	113	3,034
Commercial and professional services	3,376	1,148	3,023	2,990	–	108	10,644
Construction	1,153	1,189	4,802	1,400	–	1	8,546
Wholesale trade	1,371	1,229	790	1,674	–	23	5,087
Land transportation	276	971	822	551	36	8	2,664
IT services	384	367	321	487	–	4	1,563
Maritime	369	160	5,451	46	–	443	6,470
Shipbuilding	0	29	202	0	–	–	230
Shipping	222	44	5,079	36	–	443	5,825
Maritime services	147	87	170	9	–	–	414
Utilities and public service	1,650	3,215	1,595	2,182	–	1	8,642
Utilities distribution	1,153	1,546	779	650	–	–	4,128
Power production	51	1,574	622	908	–	1	3,156
Public services	446	95	194	623	–	–	1,358
Real estate	9,897	7,932	10,585	17,902	–	151	46,467
Commercial real estate	6,539	4,537	8,945	7,990	–	151	28,163
Tenant-owned associations and residential real estate companies	3,358	3,394	1,640	9,912	–	–	18,304
Other industries	253	0	127	456	–	1	837
Total corporate	**31,058**	**24,754**	**34,985**	**42,686**	**94**	**2,365**	**135,942**
Housing loans	39,332	33,317	37,249	52,417	–	–	162,316
Collateralised lending	8,181	5,513	2,647	2,293	–	–	18,633
Non-collateralised lending	1,013	2,922	408	2,434	–	–	6,779
Household	**48,527**	**41,753**	**40,304**	**57,144**	**–**	**–**	**187,728**
Public sector	**1,168**	**781**	**19**	**2,600**	**–**	**–**	**4,568**
Reverse repurchase agreements	**–**	**16,812**	**–**	**–**	**–**	**–**	**16,812**
Loans to the public by country	**80,753**	**84,100**	**75,308**	**102,430**	**94**	**2,365**	**345,050**
Of which loans at fair value	**58,347**	**16,812**	**17**	**–**	**–**	**–**	**75,176**

1) Loans related to Russia (EUR 94m) and the Baltics (EUR 162m), accounted for in the Swedish Branch, have been moved to Russia and Other respectively.

G2. Risk and liquidity management, cont.

Loans measured at amortised cost and fair value to the public

31 Dec 2020, EURm	Denmark	Finland	Norway	Sweden[1]	Russia[1]	Other[1]	Total
Financial institutions	2,608	2,025	1,912	6,344	–	724	13,613
Agriculture	5,642	312	1,583	224	–	6	7,768
Crops, plantations and hunting	3,385	191	93	134	–	6	3,809
Animal husbandry	2,214	114	107	89	–	–	2,524
Fishing and aquaculture	43	7	1,383	1	–	–	1,434
Natural resources	258	1,153	894	642	85	230	3,262
Paper and forest products	231	897	158	542	–	77	1,905
Mining and supporting activities	15	155	136	51	–	–	357
Oil, gas and offshore	12	100	600	50	85	153	1,000
Consumer staples	1,762	766	468	624	–	59	3,679
Food processing and beverages	305	319	254	310	–	19	1,206
Household and personal products	183	65	104	19	–	1	371
Healthcare	1,274	382	111	295	–	39	2,101
Consumer discretionary and services	2,241	2,198	1,132	3,077	–	123	8,771
Consumer durables	155	271	87	620	–	115	1,249
Media and entertainment	557	501	125	614	–	1	1,798
Retail trade	797	958	395	1,098	–	7	3,254
Air transportation	61	50	62	91	–	–	264
Accommodation and leisure	556	356	100	449	–	–	1,462
Telecommunication services	115	62	362	206	–	–	744
Industrials	8,219	7,336	9,519	7,698	693	364	33,828
Materials	230	416	196	329	468	9	1,648
Capital goods	612	1,633	168	794	–	104	3,311
Commercial and professional services	3,672	1,301	3,910	3,037	–	143	12,063
Construction	1,280	1,525	3,677	1,168	–	37	7,688
Wholesale trade	1,585	1,236	552	1,454	165	19	5,010
Land transportation	323	895	756	514	61	51	2,601
IT services	516	330	260	402	–	1	1,508
Maritime	298	196	4,806	56	–	1,054	6,411
Shipbuilding	0	50	82	0	–	–	133
Shipping	160	57	4,613	45	–	1,054	5,929
Maritime services	138	89	111	11	–	–	349
Utilities and public service	1,627	2,414	1,324	1,097	–	2	6,464
Utilities distribution	1,124	1,134	657	556	–	1	3,471
Power production	125	1,176	496	104	–	1	1,903
Public services	378	103	171	437	–	–	1,089
Real estate	10,618	8,012	10,140	17,335	–	377	46,483
Commercial real estate	6,876	4,583	8,524	7,559	–	377	27,919
Tenant-owned associations and residential real estate companies	3,742	3,429	1,616	9,777	–	–	18,564
Other industries	1,457	0	128	407	–	–	1,992
Total corporate	**34,731**	**24,411**	**31,906**	**37,504**	**778**	**2,941**	**132,271**
Housing loans	35,498	31,590	34,015	49,873	–	–	150,975
Collateralised lending	7,711	5,467	2,495	2,232	–	–	17,905
Non-collateralised lending	992	2,944	419	2,290	–	–	6,645
Household	**44,201**	**40,000**	**36,929**	**54,395**	**–**	**–**	**175,525**
Public sector	**1,100**	**639**	**20**	**3,766**	**–**	**–**	**5,526**
Reverse repos/securities borrowing	**–**	**12,440**	**–**	**4,003**	**–**	**–**	**16,443**
Loans to the public by country	**80,032**	**77,491**	**68,855**	**99,669**	**778**	**2,941**	**329,765**
Of which loans at fair value	**56,330**	**12,440**	**18**	**4,006**	**–**	**–**	**72,776**

1) Loans related to Russia (EUR 687m) and the Baltics (EUR 482m), accounted for in the Swedish Branch, have been moved to Russia and Other respectively.

G2. Risk and liquidity management, cont.

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

	Gross			Allowances				
31 Dec 2021, EURm	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net	Net loss
Financial institutions	14,962	336	67	9	15	28	15,313	28
Agriculture	3,621	206	133	5	12	81	3,863	4
Crops, plantations and hunting	1,014	87	34	2	5	19	1,109	0
Animal husbandry	673	93	98	1	6	61	795	-1
Fishing and aquaculture	1,934	26	1	2	0	0	1,958	5
Natural resources	2,076	200	573	2	4	343	2,499	-18
Paper and forest products	1,407	140	29	1	4	14	1,557	5
Mining and supporting activities	328	24	3	1	0	1	354	1
Oil, gas and offshore	341	35	541	0	0	328	589	-25
Consumer staples	3,239	134	19	3	10	10	3,369	12
Food processing and beverages	1,216	75	5	1	3	4	1,288	4
Household and personal products	220	18	10	0	1	4	241	1
Healthcare	1,804	41	4	2	6	2	1,840	8
Consumer discretionary and services	7,489	961	244	9	45	148	8,492	-58
Consumer durables	1,817	161	30	2	6	13	1,986	7
Media and entertainment	1,221	84	19	1	6	10	1,306	6
Retail trade	3,044	260	170	4	16	108	3,345	-69
Air transportation	173	62	3	0	2	2	234	6
Accommodation and leisure	683	390	21	1	14	14	1,064	-10
Telecommunication services	551	4	1	0	1	1	555	1
Industrials	28,090	2,349	697	41	98	342	30,655	5
Materials	1,245	142	58	1	5	29	1,410	38
Capital goods	2,576	351	102	3	12	51	2,963	-7
Commercial and professional services	9,065	536	132	14	28	69	9,622	-3
Construction	7,145	596	176	13	25	97	7,783	-25
Wholesale trade	4,454	435	52	5	16	30	4,890	27
Land transportation	2,318	218	108	3	6	49	2,587	-15
IT services	1,286	71	68	2	6	18	1,400	-9
Maritime	5,633	373	508	7	7	154	6,346	-7
Shipbuilding	227	4	0	1	0	0	230	7
Shipping	5,106	367	507	6	6	153	5,814	-15
Maritime services	300	2	0	0	0	0	302	0
Utilities and public service	7,185	81	35	3	4	21	7,273	-3
Utilities distribution	3,091	40	29	1	2	17	3,140	-5
Power production	3,108	20	1	1	1	1	3,127	2
Public services	986	21	5	1	1	3	1,006	0
Real estate	37,233	1,145	189	24	48	122	38,373	-34
Other industries	531	196	7	6	1	0	727	-2
Corporate	**110,058**	**5,983**	**2,471**	**110**	**242**	**1,249**	**116,911**	**-73**
Housing loans	118,361	4,287	477	15	38	88	122,984	-72
Collateralised lending	17,270	1,308	311	48	48	161	18,632	27
Non-collateralised lending	5,708	1,054	219	21	71	110	6,779	4
Household	**141,339**	**6,649**	**1,007**	**84**	**157**	**359**	**148,395**	**-41**
Public sector	**4,435**	**101**	**34**	**0**	**0**	**2**	**4,568**	**-4**
Loans to the public	**255,832**	**12,733**	**3,512**	**194**	**399**	**1,610**	**269,874**	**-118**
Loans to credit institutions and central banks	**1,785**	**14**	**0**	**3**	**0**	**0**	**1,796**	**0**
Total	**257,617**	**12,747**	**3,512**	**197**	**399**	**1,610**	**271,670**	**-118**

G2. Risk and liquidity management, cont.

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

	Gross			Allowances				
31 Dec 2020, EURm	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net	Net loss
Financial institutions	12,622	509	158	18	16	150	13,105	-25
Agriculture	3,054	265	185	11	17	95	3,381	-13
Crops, plantations and hunting	1,027	112	49	4	7	23	1,154	-3
Animal husbandry	631	123	131	3	9	70	803	-4
Fishing and aquaculture	1,396	30	5	4	0	2	1,424	-5
Natural resources	2,673	188	564	5	4	282	3,134	-126
Paper and forest products	1,612	132	36	3	4	21	1,752	-15
Mining and supporting activities	330	22	4	0	0	2	353	-1
Oil, gas and offshore	730	34	524	1	0	258	1,028	-111
Consumer staples	2,821	219	27	5	20	15	3,027	-25
Food processing and beverages	1,083	85	7	2	5	4	1,164	-5
Household and personal products	165	59	11	1	2	5	227	-5
Healthcare	1,572	75	10	2	13	5	1,636	-15
Consumer discretionary and services	6,336	902	236	15	42	144	7,273	-77
Consumer durables	973	197	61	1	9	41	1,180	-26
Media and entertainment	1,409	79	34	2	4	25	1,492	-13
Retail trade	2,386	367	93	5	23	46	2,771	-21
Air transportation	167	33	14	0	1	9	204	-2
Accommodation and leisure	751	216	32	2	5	22	969	-20
Telecommunication services	651	9	1	4	0	0	657	6
Industrials	27,619	3,020	666	65	127	254	30,858	-160
Materials	1,190	384	63	3	7	29	1,599	9
Capital goods	2,795	403	97	5	13	51	3,226	-17
Commercial and professional services	10,031	605	189	26	30	0	10,768	-28
Construction	6,138	628	139	16	26	92	6,772	-56
Wholesale trade	4,234	556	85	9	35	43	4,788	-41
Land transportation	2,125	338	81	4	11	31	2,498	-19
IT services	1,106	106	12	3	6	9	1,207	-7
Maritime	5,620	362	555	16	9	226	6,286	-87
Shipbuilding	129	4	7	0	0	7	133	2
Shipping	5,254	357	546	15	9	218	5,915	-88
Maritime services	237	1	1	0	0	1	238	0
Utilities and public service	5,444	127	32	4	6	16	5,577	-9
Utilities distribution	2,833	60	28	2	1	13	2,906	-2
Power production	1,833	33	1	1	3	0	1,863	-3
Public services	778	34	3	1	2	3	808	-4
Real estate	36,515	1,570	253	32	33	111	38,161	-81
Other industries	549	90	7	10	1	1	634	55
Corporate	**103,253**	**7,249**	**2,684**	**180**	**274**	**1,295**	**111,436**	**-547**
Housing loans	111,086	3,927	561	16	24	57	115,477	-77
Collateralised lending	16,425	1,401	396	55	70	192	17,905	-107
Non-collateralised lending	5,545	1,077	301	30	120	128	6,645	-178
Household	**133,056**	**6,404**	**1,258**	**101**	**214**	**377**	**140,027**	**-362**
Public sector	**5,363**	**129**	**37**	**0**	**0**	**2**	**5,526**	**0**
Loans to the public	**241,672**	**13,782**	**3,979**	**281**	**489**	**1,674**	**256,989**	**-908**
Loans to credit institutions and central banks	**4,351**	**58**	**0**	**3**	**1**	**0**	**4,405**	**0**
Total	**246,023**	**13,840**	**3,979**	**284**	**490**	**1,674**	**261,394**	**-908**

G2. Risk and liquidity management, cont.

Impaired loans (stage 3) by country and industry (including loans at fair value)

31 Dec 2021, EURm	Denmark	Finland	Norway	Sweden	Outside Nordic	Total
Financial institutions	48	4	11	12	–	76
Agriculture	305	18	4	2	1	330
Crops, plantations and hunting	75	3	2	1	1	81
Animal husbandry	230	14	2	1	–	247
Fishing and aquaculture	0	1	0	0	–	1
Natural resources	15	14	207	0	337	573
Paper and forest products	15	11	4	0	–	30
Mining and supporting activities	0	2	1	0	–	3
Oil, gas and offshore	0	1	202	0	337	541
Consumer staples	5	7	9	1	–	22
Food processing and beverages	1	3	1	1	–	5
Household and personal products	2	1	8	0	–	11
Healthcare	2	3	0	0	–	6
Consumer discretionary and services	103	38	14	96	–	251
Consumer durables	3	4	0	23	–	30
Media and entertainment	3	11	2	4	–	20
Retail trade	94	13	7	62	–	175
Air transportation	0	0	1	1	–	3
Accommodation and leisure	3	10	5	4	–	22
Telecommunication services	0	0	0	1	–	1
Industrials	176	252	181	114	–	724
Materials	16	43	0	0	–	59
Capital goods	47	39	13	5	–	105
Commercial and professional services	44	20	47	30	–	140
Construction	38	71	62	15	–	186
Wholesale trade	21	22	4	8	–	55
Land transportation	7	47	54	2	–	109
IT services	4	10	1	54	–	70
Maritime	28	1	490	0	–	518
Shipbuilding	0	0	0	0	–	0
Shipping	28	1	479	0	–	507
Maritime services	0	0	11	0	–	11
Utilities and public service	3	3	29	3	–	38
Utilities distribution	0	1	28	0	–	29
Power production	0	0	0	1	–	1
Public services	3	1	1	2	–	7
Real estate	99	99	53	10	–	262
Other industries	1	0	4	2	–	7
Corporate by industry	**781**	**437**	**1,004**	**240**	**338**	**2,800**
Housing loans	346	354	81	43	–	824
Collateralised lending	129	138	41	3	–	311
Non-collateralised lending	31	132	24	31	–	218
Household	**506**	**624**	**146**	**77**	**–**	**1,353**
Public sector	**34**	**0**	**0**	**0**	**–**	**34**
Total impaired loans	**1,321**	**1,061**	**1,150**	**317**	**338**	**4,187**
of which fair value	**658**	**0**	**17**	**0**	**–**	**675**

G2. Risk and liquidity management, cont.

Impaired loans (stage 3) by country and industry (including loans at fair value)

31 Dec 2020, EURm	Denmark	Finland	Norway	Sweden	Outside Nordic	Total
Financial institutions	116	32	1	12	–	161
Agriculture	421	21	5	2	–	448
Crops, plantations and hunting	114	4	1	0	–	119
Animal husbandry	307	14	3	2	–	325
Fishing and aquaculture	0	3	1	0	–	5
Natural resources	20	21	256	0	271	569
Paper and forest products	20	18	2	0	–	41
Mining and supporting activities	0	3	1	0	–	4
Oil, gas and offshore	0	0	253	0	271	524
Consumer staples	11	10	12	2	–	35
Food processing and beverages	1	4	2	1	–	7
Household and personal products	5	2	7	0	–	14
Healthcare	6	4	3	1	–	14
Consumer discretionary and services	66	103	23	57	–	250
Consumer durables	33	5	0	23	–	62
Media and entertainment	3	22	2	9	–	36
Retail trade	23	47	11	21	–	101
Air transportation	0	11	1	2	–	14
Accommodation and leisure	6	18	9	2	–	35
Telecommunication services	0	0	0	1	–	1
Industrials	231	252	125	118	–	726
Materials	10	59	1	1	–	70
Capital goods	35	51	1	13	–	100
Commercial and professional services	68	28	34	81	–	211
Construction	55	62	28	12	–	156
Wholesale trade	42	25	14	8	–	89
Land transportation	12	22	47	2	–	83
IT services	10	5	0	1	–	16
Maritime	36	9	371	0	153	569
Shipbuilding	0	7	0	0	–	7
Shipping	36	1	357	0	152	546
Maritime services	0	1	14	0	–	15
Utilities and public service	3	2	27	2	–	35
Utilities distribution	0	1	27	0	–	28
Power production	0	0	0	1	–	1
Public services	3	1	0	2	–	6
Real estate	217	149	58	3	–	426
Other industries	1	0	5	0	–	7
Corporate by industry	**1,121**	**600**	**883**	**196**	**424**	**3,225**
Housing loans	479	393	116	52	–	1,041
Collateralised lending	174	155	61	6	–	396
Non-collateralised lending	48	182	15	55	–	301
Household	**701**	**731**	**192**	**114**	**–**	**1,737**
Public sector	**37**	**0**	**0**	**0**	**–**	**37**
Total impaired loans	**1,859**	**1,331**	**1,075**	**310**	**424**	**4,999**
of which fair value	**1,007**	**0**	**14**	**0**	**–**	**1,020**

G2. Risk and liquidity management, cont.

Loans to the public measured at amortised cost

31 Dec 2021, EURm	Net loan losses[1]	Loan loss ratio, bp	Impaired loans (stage 3)	Impairment ratio, bp	Allowances total	Allowances (stage 1)	Allowances (stage 2)	Allowances (stage 3)	Coverage ratio, %	Loans mesured at amortised cost
Financial institutions	28	18	67	44	52	9	15	28	18	15,313
Agriculture	4	10	133	336	98	5	12	81	210	3,863
Crops, plantations and hunting	0	0	34	300	26	2	5	19	171	1,109
Animal husbandry	-1	-13	98	1,136	68	1	6	61	767	795
Fishing and aquaculture	5	26	1	5	2	2	0	0	0	1,958
Natural resources	-18	-72	573	2,012	349	2	4	343	1,373	2,499
Paper and forest products	5	32	29	184	19	1	4	14	90	1,557
Mining and supporting activities	1	28	3	84	2	1	0	1	28	354
Oil, gas and offshore	-25	-424	541	5,900	328	0	0	328	5,569	589
Consumer staples	12	36	19	56	23	3	10	10	30	3,369
Food processing and beverages	4	31	5	39	8	1	3	4	31	1,288
Household and personal products	1	41	10	407	5	0	1	4	166	241
Healthcare	8	43	4	22	10	2	6	2	11	1,840
Consumer discretionary and services	-58	-68	244	281	202	9	45	148	174	8,492
Consumer durables	7	35	30	149	21	2	6	13	65	1,986
Media and entertainment	6	46	19	144	17	1	6	10	77	1,306
Retail trade	-69	-206	170	489	128	4	16	108	323	3,345
Air transportation	6	256	3	126	4	0	2	2	85	234
Accommodation and leisure	-10	-94	21	192	29	1	14	14	132	1,064
Telecommunication services	1	18	1	18	2	0	1	1	18	555
Industrials	5	2	697	224	481	41	98	342	112	30,655
Materials	38	270	58	401	35	1	5	29	206	1,410
Capital goods	-7	-24	102	337	66	3	12	51	172	2,963
Commercial and professional services	-3	-3	132	136	111	14	28	69	72	9,622
Construction	-25	-32	176	222	135	13	25	97	125	7,783
Wholesale trade	27	55	52	105	51	5	16	30	61	4,890
Land transportation	-15	-58	108	408	58	3	6	49	189	2,587
IT services	-9	-64	68	477	26	2	6	18	129	1,400
Maritime	-7	-11	508	780	168	7	7	154	243	6,346
Shipbuilding	7	304	0	0	1	1	0	0	0	230
Shipping	-15	-26	507	848	165	6	6	153	263	5,814
Maritime services	0	0	0	0	0	0	0	0	0	302
Utilities and public service	-3	-4	35	48	28	3	4	21	29	7,273
Utilities distribution	-5	-16	29	92	20	1	2	17	54	3,140
Power production	2	6	1	3	3	1	1	1	3	3,127
Public services	0	0	5	49	5	1	1	3	30	1,006
Real estate	-34	-9	189	49	194	24	48	122	32	38,373
Other industries	-2	-28	7	95	7	6	1	0	0	727
Total corporate	**-73**	**-6**	**2,472**	**209**	**1,601**	**110**	**242**	**1,249**	**107**	**116,911**
Housing loans	-72	-6	477	39	141	15	38	88	7	122,984
Collateralised lending	27	14	311	165	257	48	48	161	86	18,632
Non-collateralised lending	4	6	219	314	202	21	71	110	162	6,779
Household	**-41**	**-3**	**1,007**	**68**	**600**	**84**	**157**	**359**	**24**	**148,395**
Public sector	**-4**	**-9**	**34**	**74**	**2**	**0**	**0**	**2**	**4**	**4,568**
Loans to the public	**-118**	**-4**	**3,512**	**129**	**2,203**	**194**	**399**	**1,610**	**60**	**269,874**

1) Including provisions for off-balance sheet exposures.

G2. Risk and liquidity management, cont.

Loans to the public measured at amortised cost

31 Dec 2020, EURm	Net loan losses[1]	Loan loss ratio, bp	Impaired loans (stage 3)	Impairment ratio, bp	Allowances total	Allowances (stage 1)	Allowances (stage 2)	Allowances (stage 3)	Coverage ratio, %	Loans mesured at amortised cost
Financial institutions	24	19	158	119	185	18	16	150	95	13,105
Agriculture	13	38	185	528	122	11	17	95	51	3,381
Crops, plantations and hunting	3	26	49	413	34	4	7	23	46	1,154
Animal husbandry	4	53	131	1,485	82	3	9	70	54	803
Fishing and aquaculture	5	38	5	32	7	4	0	2	41	1,424
Natural resources	126	404	564	1,647	291	5	4	282	50	3,134
Paper and forest products	15	86	36	201	28	3	4	21	60	1,752
Mining and supporting activities	1	20	4	110	3	0	0	2	62	353
Oil, gas and offshore	111	1,076	524	4,071	260	1	0	258	49	1,028
Consumer staples	25	82	27	89	40	5	20	15	55	3,027
Food processing and beverages	5	43	7	59	11	2	5	4	64	1,164
Household and personal products	5	203	11	464	8	1	2	5	49	227
Healthcare	15	93	10	58	21	2	13	5	56	1,636
Consumer discretionary and services	77	105	236	315	201	15	42	144	61	7,273
Consumer durables	26	217	61	497	51	1	9	41	67	1,180
Media and entertainment	13	90	34	226	31	2	4	25	73	1,492
Retail trade	21	77	93	326	75	5	23	46	50	2,771
Air transportation	2	81	14	668	10	0	1	9	60	204
Accommodation and leisure	20	208	32	317	29	2	5	22	70	969
Telecommunication services	-6	-85	1	20	5	4	0	0	34	657
Industrials	160	52	666	213	446	65	127	254	38	30,858
Materials	-9	-57	63	385	38	3	7	29	45	1,599
Capital goods	17	52	97	293	69	5	13	51	53	3,226
Commercial and professional services	28	26	189	175	56	26	30	0	0	10,768
Construction	56	83	139	201	133	16	26	92	66	6,772
Wholesale trade	41	86	85	174	86	9	35	43	50	4,788
Land transportation	19	77	81	319	46	4	11	31	38	2,498
IT services	7	59	12	102	18	3	6	9	73	1,207
Maritime	87	138	555	849	251	16	9	226	41	6,286
Shipbuilding	-2	-121	7	532	7	0	0	7	93	133
Shipping	88	149	546	887	242	15	9	218	40	5,915
Maritime services	0	8	1	56	1	0	0	1	46	238
Utilities and public service	9	16	32	58	26	4	6	16	50	5,577
Utilities distribution	2	8	28	97	15	2	1	13	45	2,906
Power production	3	15	1	4	4	1	3	0	40	1,863
Public services	4	46	3	39	7	1	2	3	101	808
Real estate	81	21	253	66	177	32	33	111	44	38,161
Other industries	-55	-872	7	103	12	10	1	1	21	634
Total corporate	**546**	**49**	**2,684**	**237**	**1,750**	**180**	**274**	**1,295**	**48**	**111,436**
Housing loans	77	7	561	49	97	16	24	57	10	115,477
Collateralised lending	107	60	396	218	317	55	70	192	48	17,905
Non-collateralised lending	178	268	301	434	278	30	120	128	43	6,645
Household	**362**	**26**	**1,258**	**89**	**692**	**101**	**214**	**377**	**30**	**140,027**
Public sector	**0**	**0**	**37**	**67**	**2**	**0**	**0**	**2**	**6**	**5,526**
Loans to the public	**908**	**35**	**3,979**	**153**	**2,444**	**281**	**489**	**1,674**	**42**	**256,989**

1) Including provisions for off-balance sheet exposures.

G2. Risk and liquidity management, cont.

2.13 Geographical distribution

The portfolio is geographically well-diversified with no market accounting for more than 36% of total lending measured by the geographical location of the customer handling unit. Other EU countries represent the largest part of lending outside the Nordic countries. Lending to the public distributed by the country of domicile of borrowers shows that the customers residing in the Nordic countries account for 94% (93%).

Loans to the public measured at amortised cost, geographical breakdown[1]

	Gross			Allowances			
31 Dec 2021, EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**
Denmark	20,486	1,478	595	44	151	381	21,983
Finland	60,652	5,878	1,054	30	118	437	66,999
Norway	66,214	2,704	842	82	67	302	69,309
Sweden	94,266	2,260	316	28	53	123	96,638
Russia	100	1	1	0	0	0	102
US	1,892	2	3	1	1	1	1,894
Other	12,222	410	701	9	9	366	12,949
Total	**255,832**	**12,733**	**3,512**	**194**	**399**	**1,610**	**269,874**

	Gross			Allowances			
31 Dec 2020, EURm	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**
Denmark	21,275	1,615	712	72	209	438	22,883
Finland	58,160	6,082	1,317	32	112	449	64,966
Norway	60,279	3,011	838	104	85	338	63,601
Sweden	88,971	2,345	366	46	71	148	91,417
Russia	245	244	1	1	1	0	488
US	1,668	109	3	4	3	1	1,772
Other	11,074	376	742	22	8	300	11,862
Total	**241,672**	**13,782**	**3,979**	**281**	**489**	**1,674**	**256,989**

1) Based on domicile of the customers.

2.14 Rating and scoring distribution

One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as risk grades for scored household and small business customers, i.e. retail exposures. The average credit quality was stable in both the corporate and retail portfolios in 2021. Exposure-wise, 34% (17%) of corporate customer exposures migrated upwards while 19% (18%) was down-rated. 89% (88%) of corporate exposures was rated 4– or higher, with an average rating for the portfolio of 5–.

Institutions and retail customers on the other hand show a distribution that is biased towards the higher rating grades. 94% (93%) of retail exposures is scored C– or higher, which indicates a probability of default of 1% or lower. The total effect on credit risk exposure amount (REA) from migration was an increase of approx. 0.88% during the full year 2021.

G2. Risk and liquidity management, cont.

Rating information for loans measured at amortised cost

EURm Rating grade[1]	Average PD[2] (%)	Gross carrying amount, 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Allowances
7	0.00	4,228	2	0	4,230	0
6	0.01	17,558	10	0	17,568	1
5	0.05	33,730	218	0	33,948	12
4	0.12	46,967	689	2	47,658	57
3	3.17	8,098	1,959	3	10,060	107
2	13.70	110	1,466	97	1,673	75
1	33.91	88	1,435	16	1,539	85
Standardised / Unrated	0.02	16,044	794	208	17,046	153
0 (default)	100.00	23	87	2,340	2,450	1,222
Total		**126,846**	**6,660**	**2,666**	**136,172**	**1,712**

EURm Rating grade[1]	Average PD[2] (%)	Gross carrying amount, 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total	Allowances
7	0.00	8,206	6	0	8,211	0
6	0.02	16,072	115	0	16,187	3
5	0.11	30,302	66	0	30,368	21
4	0.45	46,516	1,073	1	47,591	112
3	3.88	8,665	3,141	16	11,822	144
2	17.09	203	1,733	5	1,941	89
1	38.13	47	727	3	777	48
Standardised / Unrated	0.00	12,523	1,098	254	13,875	194
0 (default)	100.00	41	95	2,664	2,800	1,281
Total		**122,575**	**8,054**	**2,943**	**133,572**	**1,892**

Scoring information for loans measured at amortised cost

EURm Scoring grade[1]	Average PD[2] (%)	Gross carrying amount, 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Allowances
A	0.03	86,165	199	6	86,370	8
B	0.28	26,758	544	3	27,305	17
C	1.75	11,159	1,624	5	12,788	31
D	5.50	4,405	1,717	7	6,129	40
E	13.71	1,461	932	4	2,397	41
F	23.30	618	941	28	1,587	59
0 (default)	100.00	204	131	793	1,128	298
Total		**130,770**	**6,088**	**846**	**137,704**	**494**

EURm Scoring grade[1]	Average PD[2] (%)	Gross carrying amount, 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total	Allowances
A	0.04	79,217	172	5	79,394	12
B	0.30	26,471	615	3	27,088	24
C	1.79	10,675	1,568	5	12,248	37
D	5.19	4,600	1,458	13	6,071	45
E	14.25	1,577	909	9	2,494	60
F	23.99	650	903	53	1,607	74
0 (default)	100.00	258	162	947	1,367	304
Total		**123,448**	**5,786**	**1,036**	**130,270**	**557**

1) The stage classification and calculated provision for each exposure are based on the situation as at the end of October 2021 (October 2020), while the exposure amount and rating grades are based on the situation as at the end of December 2021 (December 2020). Some of the exposures in default according to the rating grade as at the end of December were not in default as at the end of October, which is reflected in the stage classification.

2) Average PD excluding Nordea Finance Equipment AS.

G2. Risk and liquidity management, cont.

Rating information for off-balance sheet items

EURm Rating grade	Nominal amount 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Provisions
7	8,420	0	0	8,420	0
6	8,787	1	0	8,788	0
5	32,660	14	0	32,674	4
4	25,785	479	3	26,267	13
3	4,666	1,415	3	6,084	20
2	0	808	0	808	18
1	0	630	1	631	32
Standardised / Unrated	2,187	108	2	2,297	8
0 (default)	0	0	287	287	0
Total	**82,505**	**3,455**	**296**	**86,256**	**95**

EURm Rating grade	Nominal amount 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total	Provisions
7	6,669	0	0	6,669	0
6	8,827	0	0	8,827	1
5	30,272	108	0	30,380	8
4	30,064	1,153	1	31,218	33
3	4,102	1,924	1	6,027	22
2	0	697	7	705	21
1	0	244	0	244	13
Standardised / Unrated	2,146	560	2	2,708	22
0 (default)	0	0	531	531	-3
Total	**82,079**	**4,687**	**543**	**87,310**	**116**

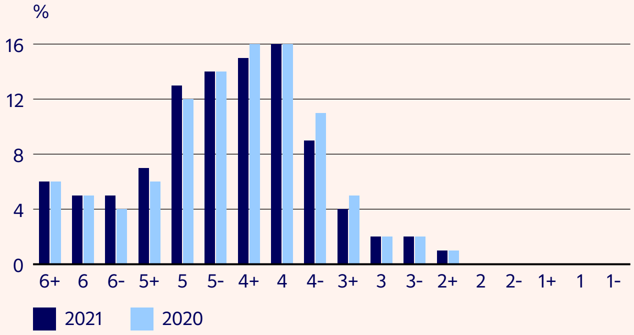
Scoring information for off-balance sheet items

EURm Scoring grade	Nominal amount 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Provisions
A	13,355	4	0	13,359	4
B	4,718	5	0	4,723	6
C	1,778	419	0	2,197	15
D	796	470	1	1,268	17
E	61	145	0	206	15
F	26	80	0	106	11
0 (default)	0	0	67	67	20
Total	**20,734**	**1,123**	**68**	**21,925**	**88**

EURm Scoring grade	Nominal amount 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total	Provisions
A	11,223	15	0	11,238	7
B	4,675	7	1	4,682	11
C	1,676	324	0	2,000	20
D	1,061	367	1	1,429	19
E	71	149	0	220	22
F	25	79	0	105	13
0 (default)	0	0	130	130	28
Total	**18,731**	**941**	**132**	**19,804**	**119**

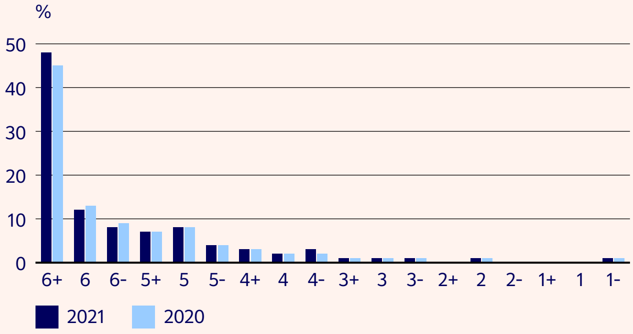
G2. Risk and liquidity management, cont.

Rating distribution IRB Corporate customers[1]



1) Defaulted loans are not included in the rating distribution.

Risk grade distribution IRB Retail customers[1]



1) Defaulted loans are not included in the risk grade distribution.

2.15 Impaired loans (stage 3)

Impaired loans gross at amortised cost in the Group decreased to EUR 3,512m (EUR 3,979m), corresponding to 128bp of total loans. 47% of impaired loans gross are servicing and 53% are non-servicing. Impaired loans net, after allowances for stage 3 loans amount to EUR 1,902m, corresponding to 69bp of total loans. Allowances for stage 3 loans amount to EUR 1,610m. Allowances for stages 1 and 2 loans amount to EUR 596m. The ratio of allowances in relation to impaired loans is 46% and the allowance ratio for loans in stages 1 and 2 is 22bp. The decrease in impaired loans was mainly related to the household portfolio. The portfolios with the largest impaired loan amounts were Household, Industrials, Natural resources and Maritime.

Impaired loans and ratios

	2021	2020
Gross impaired loans, amort., EURm	3,512	3,979
- of which servicing	1,641	1,788
- of which non-servicing	1,871	2,191
Impairment rate, (stage 3) gross, bp	**128**	**151**
Impairment rate, (stage 3) net, bp	**70**	**87**
Allowances in relation to loans, stages 1 and 2, bp	**22**	**30**
Total allowance ratio (stages 1, 2 and 3), bp	**81**	**93**
Allowances in relation to impaired loans (stage 3), %	**46**	**42**

2.16 Past due loans

Past due loans, 6 days or more, for corporate customers amounted to EUR 864m, down from EUR 909m one year ago, and past due loans to household totalled EUR 1,440m in 2021, down from EUR 1,543m one year ago. The table below shows loans past due 6 days or more, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date.

	31 Dec 2021		31 Dec 2020	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	428	595	344	576
31–60 days	87	199	115	204
61–90 days	32	75	34	78
>90 days	317	571	416	685
Total	**864**	**1,440**	**909**	**1,543**
Past due (incl. impaired) loans divided by loans to the public after allowances, %	0.5	0.8	0.7	0.9

G2. Risk and liquidity management, cont.

2.17 Allowances

Total allowances for 2021 were EUR 2,404m, down from EUR 2,687m in 2020. On balance allowances for 2021 were EUR 2,206m, down from EUR 2,448m in 2020. This was driven by stage 3 releases in Financial institutions and overall in the household portfolio. Of this, stage 1 accounted for EUR 197m (down from EUR 284m one year ago), stage 2 for EUR 399m (down from EUR 490m one year ago) and stage 3 for EUR 1,610m (down from 1,674m in 2020). The coverage ratio was 0.08% for stage 1 (down from 0.12% in 2020), 3.1% for stage 2 (down from 3.5% in 2020) and 46% for stage 3 (up from 42% one year ago). This was driven by a decrease in impaired loans of EUR 467m (12%), while allowances decreased by 4%. The corporate coverage ratio increased from 48% to 50% while it increased from 30% to 36% in the household portfolio.

2.18 Net loan losses

Net loan losses for 2021 were low at EUR 118m (EUR 908m), corresponding to an annual net loan loss ratio of 4bp for amortised cost loans. Including fair value gains on the Danish mortgage portfolio of EUR 83m, net loan losses and similar net result amounted to EUR 35m, corresponding to 1bp (26bp). The net loan losses were related to stage 3, whereas there was reversals in stage 1 and 2 during the year reflecting strong credit quality. The individual provisions were coming from a number of industries with some concentration in Oil, gas and offshore as well as Retail trade. EUR 40m of management judgements was released during the year to cover for few individual provisions as well as executed improvements in the IFRS 9 ECL model. The main part of the management judgement reserve of EUR 610m remains in place for expected future losses. Of the net loan losses, EUR 73m relates to corporate customers (EUR 547m) and EUR 41m (EUR 362m) to household customers and EUR 4m (EUR 0m) to the public sector.

Net loan losses and loan loss ratios

	2021	2020
Net loan losses, EURm	118	908
Net loan loss ratio, amortised cost, Group, bp	4	35
- of which stage 3	12	21
- of which stages 1 & 2	-8	14
Net loan loss ratio, including fair value mortgage loans, Group, bp[1]	1	26
Net loan loss ratio, including fair value mortgage loans, Personal Banking, bp	1	17
Net loan loss ratio, including fair value mortgage loans, Business Banking, bp	0	34
Net loan loss ratio, including fair value mortgage loans, Large Corporates & Institutions, bp	2	43

1) Net loan losses and net result on loans in hold portfolios mandatorily held at fair value divided by total lending at amortised cost and at fair value, basis points.

G2. Risk and liquidity management, cont.

Carrying amount of loans measured at amortised cost, before allowances

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2021	4,351	58	0	4,409	241,672	13,782	3,979	259,433	246,023	13,840	3,979	263,842
Origination and acquisition	377	0	–	377	68,158	1,326	83	69,567	68,535	1,326	83	69,944
Transfers between stage 1 and stage 2, (net)	0	0	–	–	-341	341	–	-	-341	341	–	-
Transfers between stage 2 and stage 3, (net)	–	–	–	–	–	-266	266	–	–	-266	266	–
Transfers between stage 1 and stage 3, (net)	–	–	–	–	-152	–	152	–	-152	–	152	–
Repayments and disposals	-1,231	-50	-2	-1,283	-63,728	-2,669	-443	-66,840	-64,959	-2,719	-445	-68,123
Write-offs	–	–	–	–	–	–	-490	-490	–	–	-490	-490
Other changes[1]	-1,601	6	2	-1,593	9,854	165	-85	9,934	8,253	171	-83	8,341
Translation differences	-111	0	–	-111	369	53	50	473	258	54	50	362
Closing balance at 31 Dec 2021	**1,785**	**14**	**0**	**1,799**	**255,832**	**12,733**	**3,512**	**272,077**	**257,617**	**12,747**	**3,512**	**273,876**

1) Other changes are mainly related to increased utilisation of credits granted in earlier years.

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2020	11,552	79	0	11,631	232,466	10,670	4,610	247,745	244,018	10,749	4,610	259,376
Origination and acquisition	1,042	1	–	1,043	63,435	1,742	924	66,101	64,477	1,743	924	67,144
Transfers between stage 1 and stage 2, (net)	4	-4	–	–	-3,220	3,220	–	–	-3,216	3,216	–	–
Transfers between stage 2 and stage 3, (net)	–	–	–	–	–	-84	84	–	–	-84	84	–
Transfers between stage 1 and stage 3, (net)	5	–	-5	–	-229	–	229	–	-224	–	224	–
Repayments and disposals	-5,805	-20	–	-5,825	-52,778	-1,901	-1,056	-55,735	-58,583	-1,921	-1,056	-61,560
Write-offs	–	–	–	–	–	–	-566	-566	–	–	-566	-566
Other changes[1]	-2,592	1	5	-2,586	2,058	183	-224	2,017	-534	184	-219	-569
Translation differences	145	1	–	146	-60	-47	-22	-129	85	-46	-22	17
Closing balance at 31 Dec 2020	**4,351**	**58**	**0**	**4,409**	**241,672**	**13,782**	**3,979**	**259,433**	**246,023**	**13,840**	**3,979**	**263,842**

1) Other changes are mainly related to increased utilisation of credits granted in earlier years.

G2. Risk and liquidity management, cont.

Movements in allowance accounts for loans measured at amortised cost

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2021	**-3**	**-1**	**0**	**-4**	**-281**	**-489**	**-1,674**	**-2,444**	**-284**	**-490**	**-1,674**	**-2,448**
Origination and acquisition	-2	0	–	-2	-51	-22	-8	-81	-53	-22	-8	-83
Transfers from stage 1 to stage 2	0	0	–	0	9	-108	–	-99	9	-108	–	-99
Transfers from stage 1 to stage 3	0	–	–	0	1	–	-33	-32	1	–	-33	-32
Transfers from stage 2 to stage 1	0	0	–	0	-3	100	–	97	-3	100	–	97
Transfers from stage 2 to stage 3	–	–	–	–	–	28	-152	-124	–	28	-152	-124
Transfers from stage 3 to stage 1	–	–	–	–	-1	–	22	21	-1	–	22	21
Transfers from stage 3 to stage 2	–	–	–	–	–	-1	38	37	–	-1	38	37
Changes in credit risk without stage transfer	0	0	0	0	97	22	-125	-6	97	22	-125	-6
Repayments and disposals	2	1	–	3	37	72	89	198	39	73	89	201
Write-off through decrease in allowance account	–	–	–	–	–	–	260	260	–	–	260	260
Translation differences	0	0	–	0	-2	-1	-27	-30	-2	-1	-27	-30
Closing balance at 31 Dec 2021	**-3**	**0**	**0**	**-3**	**-194**	**-399**	**-1,610**	**-2,203**	**-197**	**-399**	**-1,610**	**-2,206**

	Central banks and credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2020	**-4**	**-2**	**-10**	**-16**	**-149**	**-342**	**-1,676**	**-2,167**	**-153**	**-344**	**-1,686**	**-2,183**
Origination and acquisition	–	–	–	–	-86	-32	-48	-166	-86	-32	-48	-166
Transfers from stage 1 to stage 2	–	–	–	–	6	-136	–	-130	6	-136	–	-130
Transfers from stage 1 to stage 3	–	–	–	–	1	–	-78	-77	1	–	-78	-77
Transfers from stage 2 to stage 1	–	–	–	–	-4	54	–	50	-4	54	0	50
Transfers from stage 2 to stage 3	–	–	–	–	–	17	-64	-47	–	17	-64	-47
Transfers from stage 3 to stage 1	–	–	–	–	-1	–	9	8	-1	–	9	8
Transfers from stage 3 to stage 2	–	–	–	–	–	-12	67	55	–	-12	67	55
Changes in credit risk without stage transfer	–	–	8	8	-63	-65	-324	-452	-63	-65	-316	-444
Repayments and disposals	1	1	2	4	14	27	57	98	15	28	59	102
Write-off through decrease in allowance account	–	–	–	–	–	–	369	369	–	–	369	369
Translation differences	–	–	–	–	1	–	14	15	1	–	14	15
Closing balance at 31 Dec 2020	**-3**	**-1**	**0**	**-4**	**-281**	**-489**	**-1,674**	**-2,444**	**-284**	**-490**	**-1,674**	**-2,448**

The tables show the changes in exposure/allowances for each stage during the year. If an exposure is moved to stage 2 from stage 1, there will be a reversal in stage 1 and an increase in stage 2.

G2. Risk and liquidity management, cont.

Movements in provisions for off-balance sheet items

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2021	**72**	**138**	**26**	**236**
Origination and acquisition	7	7	0	14
Transfers from stage 1 to stage 2	-2	48	–	46
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	0	-44	–	-44
Transfers from stage 2 to stage 3	–	-2	8	6
Transfers from stage 3 to stage 1	0	–	-2	-2
Transfers from stage 3 to stage 2	–	1	-3	-2
Changes in credit risk without stage transfer	-27	-3	-5	-35
Repayments and disposals	-15	-17	-3	-35
Write-off through decrease in allowance account	–	–	-3	-3
Translation differences	0	0	0	0
Closing balance at 31 Dec 2021	**35**	**128**	**20**	**183**

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2020	**33**	**70**	**41**	**144**
Origination and acquisition	17	8	1	26
Transfers from stage 1 to stage 2	-1	44	–	43
Transfers from stage 1 to stage 3	0	–	1	1
Transfers from stage 2 to stage 1	1	-20	–	-19
Transfers from stage 2 to stage 3	–	-1	8	7
Transfers from stage 3 to stage 1	0	–	-2	-2
Transfers from stage 3 to stage 2	–	1	-7	-6
Changes in credit risk without stage transfer	27	39	-7	59
Repayments and disposals	-5	-4	0	-9
Write-off through decrease in allowance account	–	–	-9	-9
Translation differences	0	1	0	1
Closing balance at 31 Dec 2020	**72**	**138**	**26**	**236**

3. Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterparty to an FX, interest rate, commodity, equity or credit derivative contract defaults prior to the maturity of the contract and that Nordea at that time has a claim on the counterparty. Counterparty credit risk may also exist in repurchase agreements and other securities financing transactions. The current net exposure (after close-out netting and collateral reduction) represents EUR 4.4bn of which 32% was towards financial institutions. For information about financial instruments subject to master netting agreement, see Note G42 "Financial instruments set off on the balance sheet or subject to netting agreements".

4. Market risk

Market risk is the risk of loss on Nordea's positions in either the trading book or the non-trading book as a result of changes in market rates and parameters that affect market values or net interest income flows. Market risk exists irrespective of the accounting treatment of the positions.

The market risk appetite for the Group is expressed through risk appetite statements issued by the Board of Directors. The statements are defined for trading and banking books.

The second line of defence ensures that the risk appetite is appropriately translated by the Risk Committee into specific risk appetite limits for the business areas and Group Treasury.

As part of the overall Risk Appetite Framework (RAF), holistic and bespoke stress tests are used to measure the market risk appetite and calibrate limits to monitor and control the full set of material market risk factors to which Nordea is exposed.

4.1 Traded market risk

Traded market risk mainly arises from customer-driven trading activities and related hedges in Nordea Markets, which is part of Large Corporates & Institutions.

Nordea Markets takes on market risks as part of its business model when offering corporate and institutional customers a range of fixed income, equity, foreign exchange, commodity and structured products. The market risks to which Nordea Markets is exposed include interest rate risk, credit spread risk, equity risk, foreign exchange risk, commodity risk and inflation risk.

Furthermore, Nordea is a major mortgage lender in the Nordic countries and a major market maker in Nordic corporate and government bonds. Holding inventory is necessary to be able to provide secondary market liquidity. As a result, Nordea's business model gives rise to a concentration of Nordic mortgage and corporate bonds as well as local market currencies.

4.2 Non-traded market risk

The non-traded market risks that Nordea is exposed to are interest rate risk, customer behavioural risk, credit spread risk, foreign exchange risk (both structural and non-structural) and equity risk. Non-traded market risk arises from the core

G2. Risk and liquidity management, cont.

banking business of Nordea, related hedges and regulatory or other external requirements (e.g. the liquid asset buffer).

Group Treasury is responsible for the risk management of all non-traded market risk exposures on the Group's balance sheet. To ensure a clear division of responsibilities within Group Treasury the banking book risk management is divided across several frameworks – each with a clear risk mandate and specific limits and controls.

Interest rate risk in the banking book (IRRBB) is the current or prospective risk to Nordea's capital and/or income arising from adverse movements in interest rates and customer behaviour. Business areas transfer their banking book risk exposures to Group Treasury through an internal funds transfer pricing framework. Market risks are managed centrally and include gap risk, spread risks, basis risks, credit spread risk, behavioural risk and non-linear risks. The effectiveness of hedging risk exposures from core banking activities, e.g. loans and deposits, may be adversely impacted by the discretion held by customers in respect of their contractual obligations with Nordea.

Liquid assets are managed in accordance with the liquidity buffer and pledge/collateral frameworks. Most of the directional interest rate risk arising from bond holdings is hedged primarily using maturity-matched IR payer swaps and to a smaller degree overnight indexed payer swaps. Forward rate agreements and listed futures contracts are also used to hedge credit spread and interest rate fixing risks.

The tail hedging framework comprises a running portfolio of tail hedges across listed equity futures and options, the main credit indices and interest rate swaps and options.

4.3 Measurement of market risk

Nordea uses several quantitative risk measurement methods for traded market risk: Value-at-risk (VaR), stress testing, sensitivity analysis, parametric methods and Monte Carlo simulation.

VaR is based on historical scenarios and is the primary market risk measurement, complemented by stress testing. Nordea calculates VaR using historical simulation. The current portfolio is revalued based on historical daily changes in market prices, rates and other market risk factors observed during the last 500 business days and translated into changes in current market risk factors. Nordea uses absolute, relative and mixed translation methods for different risk categories. The revaluation of the current portfolio is performed for each position using either a linear approximation method or a full revaluation method, depending on the nature of the position.

Parametric methods are used to capture equity event risk including the impact of defaults on equity-related positions (these risks are part of the specific equity risk).

Monte Carlo simulation is used in the incremental risk measure model and the comprehensive risk measure model to capture the default and migration risks.

The VaR, stressed VaR, equity event risk, incremental risk measure and comprehensive risk measure models were all approved by the Nordea's previous regulator, the Swedish FSA, for use in calculating market risk own funds requirements under the internal model approach (IMA). The same models, with same calibration and settings, as used for regulatory capital requirements are used for internal risk management purposes.

The standardised approach is applied to risk exposure which is not covered by the IMA. It is used to calculate the market risk exposures for commodity-related products, the specific risk for mortgage and government bonds, commercial papers, credit/rate hybrids and credit spread options. Furthermore, the standardised approach is used to calculate equity risk related to structured equity and Tier 1 and Tier 2 bonds.

After the relocation to Finland in October 2018, Nordea is operating under a temporary tolerance decision from the ECB, what allows Nordea to continue to use its IMA, approved by the Swedish FSA. The ECB's temporary tolerance is conditioned on Nordea applying to the ECB for a new permanent IMA approval. An updated application was submitted in March 2021 and an internal model investigation subsequently conducted by the ECB. The ECB's decision is expected during the first half-year of 2022.

IRRBB is measured, monitored and managed using three key risk metrics:

- Economic value (EV)
- Fair value (FV)
- Structural interest income risk (SIIR).

The three different risk metrics are used to assess differing aspects of the manifestation of interest rate risk. These are described in more detail below.

Economic value (EV) of equity stress tests considers the change in the EV of banking book assets, liabilities and interest-bearing derivative exposures resulting from interest rate movements, independent of accounting classification and ignoring credit spreads and commercial margins. The model assumes a run-off balance sheet and includes behavioural modelling for non-maturing deposits and prepayments.

The earnings risk metric measures the change in net interest income relative to a base scenario, resulting in a structural interest income risk (SIIR) value over a one-year horizon. The model uses a constant balance sheet assumption, implied forward rates and behavioural modelling for non-maturing deposits and prepayments.

The fair value stress loss (FVSL) risk measure considers the potential revaluation risk relating to positions held under fair value accounting classifications.

FVSL, EV and SIIR sensitivities are measured using internally defined Risk Appetite Framework (RAF) scenarios, the six standardised scenarios defined by the Basel Committee on Banking Supervision (BCBS) as well as a range of parallel and non-parallel shocks. The exposure limit is measured against the worst outcome from the internal scenarios defined under the Risk Appetite Framework (RAF). The RAF scenarios are calibrated to reflect severe but plausible events and are designed to test specific exposures that are, or may be held, under the approved mandate. The scenarios are aligned across the risk types EV, SIIR and FVSL.

The FV RAF scenarios are applied to both the banking book and the trading book portfolios, and the Board risk appetite limit considers the combined impact across both. The FV stress metric is monitored daily. A range of EV scenarios are estimated daily for management information purposes, but fully calculated and monitored monthly against risk appetite limits. The SIIR earnings metric is monitored monthly.

The measurement of IRRBB is dependent on key assumptions applied in the models. The most material assumptions relate to the modelling of embedded behavioural options in both assets and liabilities. The behavioural option held by Nordea's lending customers to execute early loan prepayments is estimated using prepayment models. On the liability side, Nordea has a choice to change deposit rates, and customers have a choice to withdraw non-maturing deposits on any given day. Both embedded options are modelled using non-maturing deposit models. Both assumptions are calculated based on the historical average by core asset and liability class features. Assets and liabilities are grouped according

G2. Risk and liquidity management, cont.

to key metrics including product type, geography and customer segment. Assumptions are based on historically observed values. Regular back-testing and model monitoring are performed for both prepayment models and non-maturing deposit models to ensure that the models remain accurate.

The Pillar 2 IRRBB capital allocations consist of a fair value risk component and an earnings risk component. The fair value risk component covers the impact on Nordea's equity due to adverse movements in the monthly revaluation of positions accounted for at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). The earnings risk component covers the impact of rate changes on the future earnings capacity through modelled impacts to net interest income, and the resulting implications for internal capital buffer levels.

Nordea is exposed to structural FX risk, defined as the mismatch between the currency composition of its Common Equity Tier 1 (CET1) capital and risk exposure amounts. The CET1 capital is largely denominated in euro with the only significant non-euro equity amounts stemming from mortgage subsidiaries. Therefore, changes in FX rates can negatively impact Nordea's CET1 ratio.

4.4 Market risk analysis

The market risk in Nordea´s trading book is presented in the table below.

The average market risk measured by VaR was EUR 24.7m in 2021 (the average in 2020 was EUR 31.6m) and was primarily driven by interest rate risk. Stressed average VaR was EUR 38.0m in 2021 (the average in 2020 was EUR 46.7m) and primarily driven by interest rate risk with additional contributions from credit spread risk. The peak in VaR was reached in the first quarter while the peak in stressed VaR was reached in the fourth quarter. VaR and stressed VaR are primarily driven by market risk in the Northern European and Nordic countries.

At the end of 2021 the incremental risk charge (IRC) was slightly lower than at the end of 2020, driven by reduced sovereign bond exposure. The lowest exposure occurred during the fourth quarter of 2021, while the IRC was highest in the second quarter of 2021. The average IRC decreased marginally compared to the previous year, mainly driven by a lower contribution from the migration component.

At the end of 2021 the comprehensive risk charge (CRC) was higher than at the end of 2020. The lowest exposure occurred during the second quarter of 2021, while the CRC peaked during the fourth quarter of 2021. The average CRC

Market risk figures for the trading book[1]

EURm	31 Dec 2021	2021 high	2021 low	2021 avg
Total VaR	35	46	15	25
Interest rate risk	37	47	14	26
Equity risk	3	22	2	5
Credit spread risk	4	19	3	10
Foreign exchange risk	1	7	1	2
Inflation risk	2	4	1	2
Diversification effect	24	65	22	45
Total stressed VaR	44	72	23	38
Incremental risk charge (IRC)	17	33	12	20
Comprehensive risk charge (CRC)	23	37	10	19

1) Equity event risk, corresponding to EUR 0.3m at end-2021.

Market risk figures for the banking book

EURm	31 Dec 2021	2021 high	2021 low	2021 avg
Total VaR	69	122	61	88

Market risk figures for the trading book[1]

EURm	31 Dec 2020	2020 high	2020 low	2020 avg
Total VaR	17	70	12	32
Interest rate risk	18	60	12	29
Equity risk	4	31	1	5
Credit spread risk	12	54	4	13
Foreign exchange risk	3	11	1	3
Inflation risk	3	4	2	3
Diversification effect	58	67	25	41
Total stressed VaR	40	95	26	47
Incremental risk charge (IRC)	18	40	12	21
Comprehensive risk charge (CRC)	18	150	15	39

1) Equity event risk, corresponding to EUR 0.8m at end-2020.

Market risk figures for the banking book

EURm	31 Dec 2020	2020 high	2020 low	2020 avg
Total VaR	88	113	32	73

G2. Risk and liquidity management, cont.

for 2021 decreased by EUR 20.3m compared with 2020 due to the sharp increase at the start of the coronavirus crisis.

Total VaR in the banking book, which follows IR VaR closely, decreased over the year driven by de-risking in the liquid asset securities portfolio. FX risk in the banking book instead increased driven by a long dollar position that built up over the year, however with limited impact on total VaR due to diversification effects. The overall banking book market risk remains within Nordea's risk appetite.

The exposure to long-term illiquid investment holdings was EUR 1,375m at the end of 2021 (EUR 1,268m at the end of 2020), of which:
- private equity funds EUR 604m (EUR 435m)
- hedge funds EUR 1m (EUR 1m)
- credit funds EUR 388m (EUR 300m)
- seed-money investments EUR 199m (EUR 192m)
- unlisted equity investments EUR 122 (EUR 236m)
- structured loans EUR 61m (EUR 42m).

All types of investments, excluding structured loans, are spread over a number of funds.

4.5 Structural Interest Income Risk (SIIR)/economic value
At the end of the year, the worst loss according to the internal RAF scenarios for SIIR was driven by the RAF scenario European Debt Crisis, where the potential reduction during one year in net interest income due to interest rate movements was EUR 214m. Nordea's balance sheet is structured such that net interest income would decrease if short-term interest rates fall. The worst loss out of the internal RAF scenarios for EV risk was EUR 106m.

4.6 Other market risks/pension risk
Pension risk (including market and longevity risks) arises from Nordea-sponsored defined benefit pension schemes for past and current employees. The ability of the pension schemes to meet the projected pension payments is maintained through investments and ongoing scheme contributions.

Pension risks can manifest through increases in the value of liabilities or through falls in the values of assets. These risks are regularly reported and monitored and include market risk sub-components such as interest rate, inflation, credit spread, real estate and equity risk. To minimise the risks to Nordea, limits are imposed on potential losses under severe but plausible stress events as well as on capital drawdowns. In addition, regular reviews of the schemes' strategic asset allocation are undertaken to ensure that the investment approach reflects Nordea's risk appetite. See note G34 for more information.

5. Operational risk
At Nordea operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

Operational risk is inherent in all Nordea's businesses and operations. Managers throughout Nordea are accountable for the operational risks related to their mandate and for managing these risks within the risk limits and risk appetite of the operational risk management framework.

Group Operational Risk (GOR) within Group Risk constitutes the second line of defence risk control function for operational risk and is responsible for developing and maintaining the overall operational risk management framework as well as for monitoring and controlling the operational risk management of the first line of defence. GOR is responsible for monitoring and controlling appropriate identification, assessment and mitigation of operational risk and for following up on risk exposures relative to risk appetite and assessing the adequacy and effectiveness of the operational risk management framework and the implementation of the framework.

The focus areas of the monitoring and control work performed by GOR are decided during an annual planning process that includes business areas, key risk areas and operational risk processes. GOR is responsible for preparing and submitting regular risk reports on all material risk exposures, including risk appetite limit utilisation and incidents to the Chief Risk Officer (CRO), who reports to the Chief Executive Officer (CEO) in Group Leadership Team (GLT), the Group Board and the relevant committees.

Due to the COVID-19 pandemic, and local restrictions, Nordea promoted remote working in 2021 to continue serving customers. Preventive measures taken focused on e.g. awareness communications and training activities, and preventive and compensating controls were put in place to mitigate operational risk related to remote working. In response to the accelerating remote working trend in society, a number of activities supporting the transformation to a hybrid working model post-COVID-19 were initiated.

While the COVID-19 crisis presented Nordea with an elevated risk level, this did not materialise as increased operational losses. To address the elevated risk level, the risk appetite loss limit was temporarily increased. The increase was partly but not fully rolled back given the uncertainty still surrounding COVID-19.

The Risk Appetite Statement (RAS) for operational risk sets out:
- the residual risk level in breach of risk appetite and requirements for mitigating actions for risks
- the total loss amount from incidents.

5.1 Management of operational risk
Management of operational risk includes all activities aimed at identifying, assessing and measuring, responding to and mitigating, controlling and monitoring as well as reporting on risks. Risk management is supported by various processes and instructions including Risk and Control Self-Assessment, Change Risk Management and Approval, Incident Management, Scenario Analysis, Business Continuity and Crisis Management, Information Security Management, Technology and Data Risk Management, Third Party Risk Management, insurance-related risk diversification and Significant Operating Processes.

Some of these processes are described below and additional details on processes for managing and controlling operational risk are included in the "Operational and Compliance Risk" section of the Capital and Risk Management Report 2021 published in accordance with the Capital Requirements Regulation.

Risk and Control Self-Assessment
The Risk and Control Self-Assessment process provides an overview and assessment of operational and compliance risks across Nordea. The process improves risk awareness and enables the effective assessment, control, and mitigation of identified risks. In the Risk and Control Self-Assessment process the level of inherent risk and the controls in place to mitigate the inherent risks are assessed. If mitigating actions are required to reduce the risk exposure, these are identified and implemented.

G2. Risk and liquidity management, cont.

Change Risk Management and Approval
The objective of the Change Risk Management and Approval Framework is to ensure that there is a full understanding of both financial and non-financial risks arising from the change, and that risks have been adequately managed consistent with Nordea's risk strategy, risk appetite and corresponding risk limits before a change is approved, executed or implemented.

Changes in scope of the Change Risk Management and Approval Framework include e.g. new or significant changes to products, services, markets, processes and IT systems as well as exceptional transactions and decommissioning.

Incident Management
The objective of Incident Management is to ensure appropriate handling and reporting of detected incidents to minimise the impact on Nordea and its customers. Incident Management is designed to prevent reoccurrence and to reduce the probability and impact of future incidents. In addition, Incident Management is to ensure timely notification to defined external bodies and parties, including relevant supervisory authorities.

Business Continuity and Crisis Management
The objective of Business Continuity and Crisis Management is the overall risk management under which Nordea ensures building and maintaining the appropriate levels of resiliency, readiness, response and management of extraordinary events and crises. The Business Continuity Plan sets out the procedures to respond, recover, resume and restore operations following an extraordinary event. Crisis Management provides the governance to execute plans and enhance decision-making during a crisis.

Third Party Risk Management
The objective of Third Party Risk Management is to ensure that risks related to third parties and third party activities, including but not limited to outsourcing, are appropriately identified, assessed and managed before entering into, during, as well as when exiting a third party arrangement. Third Party Risk Management is to ensure that risks associated with third parties and third party activities are kept within risk appetite and risk limits.

Information and Communication Technology Risk Management
The objective of Information and Communication Technology Risk Management is to ensure that information and communication technology and data management risks are appropriately identified, assessed and managed. This also includes the independent validation of risk data aggregation and risk reporting.

5.2 Financial reporting risk management
Financial reporting risk is defined as the risk of misstatements or deficiencies in financial reporting, regulatory reporting and disclosures. An internal control framework for managing financial reporting risk is in place, providing the structure and standards for designing, operating and evaluating the system of internal control over financial reporting across the Group. The framework is the mechanism through which management expresses its various financial statements assertions. Group Risk is the risk control function for financial reporting risk and is responsible for the independent monitoring, assessment and oversight of the risks and the Group's implementation of the framework. Group Risk reports to the Risk Committee and the Board Audit Committee on a quarterly basis.

6. Compliance risk
Nordea defines compliance risk as the risk of failure to comply with applicable regulations and related internal rules.

Employees throughout Nordea are accountable for the compliance risks related to their mandate and for managing these risks within risk limits and risk appetite in accordance with the Compliance Risk Management Framework.

Group Compliance constitutes the independent second line of defence compliance function and is responsible for developing and maintaining the Risk Management Framework for compliance risks and for guiding the business in its implementation of and adherence to the framework.

Compliance activities are presented in the form of an annual compliance plan to the President of Nordea Bank Abp and Chief Executive Officer of the Nordea Group and the Board of Directors. The annual compliance plan provides an overview of Nordea´s compliance activities, combining Group Compliance's overall approach to key risk areas. The plan consists of detailed plans for the business areas, the Group functions, the consolidated group subsidiaries, the branches and for each risk area. Group Compliance is responsible for the regular reporting on its plans to the Group Board, the CEO in GLT, branch management and the relevant committees, at least quarterly.

In 2021 COVID-19 continued to have a considerable impact on society at large. Nordea continued to focus on maintaining service levels to its customers, complying at all times with the government instructions regarding COVID-19. Market volatility persisted due to the pandemic, and Nordea continued to run full-scale risk management capabilities to ensure fair treatment of its customers and integrity in the market. For the major part of the year Nordea employees worked remotely, and Nordea continued to actively monitor the associated risks. More recently, however, Nordea has embarked on a gradual return to the office, based on government recommendations in each country. A hybrid working model (a mix of working from the office and home) has been implemented, acknowledging the different needs within Nordea units and with due consideration to the impact on processes and customers. To reduce the risks and protect its customers and employees Nordea has taken several actions internally, including guidance for employees, instructions for customer interaction and restrictions on cross-border business travel. Nordea will continue to follow the situation closely and take further actions as needed.

During 2021 Nordea's enhancement programme for compliance risk management continued and resulted in various updates to Nordea's Compliance Risk Management Framework. Alongside this, Nordea continued to work on ensuring that Nordea's culture and behaviours are consistent with Nordea's values and that Nordea delivers fair outcomes for its customers throughout the customer lifecycle. Nordea also further developed its Conduct Risk Framework in terms of improved reporting, risk identification and raised awareness. The Compliance, Conduct and Product Committee that oversees the prudent management of compliance and conduct risk continued its work during 2021. The committee focused on key areas such as the management of conflicts of interest in relation to products and services, information to customers as well as further strengthening the processes in relation to product governance and the provision of investment services.

Nordea's Code of Conduct defines the high-level principles that guide our business, how we treat our customers and the conduct expected from our employees. It contains our purpose and values and sets the standards for our conduct in areas such as care for the environment, labour rights, how we treat our customers, human rights, the right to privacy, fair

G2. Risk and liquidity management, cont.

competition, anti-bribery and anti-corruption. The Code of Conduct is reviewed annually and was last updated in June 2021. Compliance with the Code of Conduct is monitored by way of regular reporting to the Chief Compliance Officer, the Chief Risk Officer, the CEO and the Board. All employees are required to complete annual Code of Conduct training courses as part of their Licence to Work. 95.98% of all employees (excluding those on long-term leave) completed their Licence to Work during the year.

Nordea is committed to conducting business with the highest ethical standards and according to applicable laws, rules and regulations. Nordea's internal controls and operating procedures are designed to detect and prevent misconduct and fraudulent actions.

Nordea's whistleblowing function Raise Your Concern (RYC) ensures that all stakeholders, including customers, partners, affected communities as well as employees, have the right to speak up and always feel safe in doing so if they have concerns about suspected misconduct such as breaches of human rights, or irregularities such as fraudulent, inappropriate, dishonest, illegal or negligent activity or behaviour in our operations, products or services. This includes any action that constitutes a violation of laws or regulations, or of our internal policies, instructions or guidelines. We offer the possibility to report openly, by providing name and contact details, as all reports are handled with strict confidentiality. However, we also provide an electronic reporting channel, WhistleB, which is managed by an external party. The system is separate from our IT systems and does not track IP addresses or other data that could identify the sender of a message. Reports can be in Danish, English, Finnish, Norwegian and Swedish. Cases reported through RYC form part of the monitoring of compliance with the Code of Conduct but are also reported to the Chief People Officer in addition to being included in management reports and reports to the Board.

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

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

6.1 ESG-related risk management

Nordea continued strengthening its set-up in the ESG area and implemented the Sustainable Finance Disclosure Regulation during 2021 in the savings and investment area. This means that investment funds produced and distributed by the Group were categorised according to their ESG objectives and that disclosure to investors was further developed. In addition, procedures and governance for investment product and manager selection were strengthened. Investment processes and risk management procedures were further developed to support individual investment decision-making and close monitoring of the individual securities in the investment funds. The investment advice process was strengthened to include customer preference for sustainable investment in the advice given and advisers, key personnel and senior management were instructed and further trained in the area of ESG and sustainable investments.

6.2 Financial crime prevention

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

Nordea handles and monitors on an annual basis more than 2.8 billion payments and has more than nine million customers. In order to manage such high volumes, Nordea continued to strengthen its financial crime defences in 2021 within the following areas i) IT support of customer due diligence processes, ii) KYC files, iii) transaction monitoring capabilities, iv) Nordea's policies which were updated in light of changes to regulations, v) Nordea's sanctions programme and vi) relevant training to ensure that all employees continue to maintain the right skills and competencies.

Nordea's close cooperation with regulators continued during 2021 with ongoing engagement with all four Nordic regulators covering various aspects of Nordea's financial crime programme.

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

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

Nordea has made significant investments to address the deficiencies highlighted by the investigations. Among other actions, Nordea established in 2015 the Financial Crime Change Programme, and has strengthened its organisation significantly to enhance its AML and sanction management risk frameworks.

6.3 Management of compliance risk

The Risk Appetite Statement for compliance risk gives direction on compliance risk management and defines the residual risk levels, at which risk appetite would be breached and formulates requirements for mitigation of compliance risk.

Details on key processes for managing and controlling compliance risks are included in the "Operational and Compliance Risk" section of the Capital and Risk Management Report 2021 published in accordance with the Capital Requirements Regulation.

7. Life insurance risk and market risks in the Life & Pension operations

The life insurance business of Life & Pension consists of a range of different life and health products, from endowments

G2. Risk and liquidity management, cont.

with duration of a few years to pension savings contracts with durations of more than 40 years. Market return products (unit-linked products) clearly dominate the business, whereas traditional products (participating savings and life insurance products) and health insurance only account for a minor share.

The main risks of Life & Pension are market risks and life and health insurance risks.

Market risks at Life & Pension arise from the sensitivity of the values of assets and liabilities to changes in the level or volatility of market prices or interest rates. Within market risk, interest rate risk, equity risk, credit spread risk are the most relevant risks. Life & Pension also recognises that sustainability risk is an emerging risk that will primarily materialise as market risk, i.e. through changes in the market values of its investments.

Market risk is measured and monitored by calculating the exposure and setting adequate limits. In addition, Life & Pension regularly performs stress tests and macroeconomic scenario analyses to assess the need for future capitalisation. The results of the stress tests and scenario analyses are monitored against limits specified in the internal policies.

Market risk is mitigated by applying hedging and asset allocation strategies.

Life and health insurance risk is the risk of unexpected losses due to changes in the level, trend or volatility of mortality, longevity, disability and surrender/ lapse rates. The risk is measured and monitored by calculating the Solvency II capital requirements. To assess the resilience of the business to sudden changes in the lapse rate, regular sensitivity tests are performed by Life & Pension and at local entity level. Life and health insurance risk is mitigated using actuarial methods, i.e. through tariffs, rules for acceptance of customers, reinsurance contracts, stress tests and setting up adequate provisions for risks.

8. Liquidity risk management

During 2021 Nordea continued to benefit from its prudent liquidity risk management, in terms of maintaining a diversified and strong funding base and a diversified liquidity buffer. Nordea maintained a strong liquidity position throughout the year.

Nordea issued approximately EUR 21.3bn in long-term funding in 2021 (excluding Danish covered bonds), of which approximately EUR 7.6bn was issued in the form of covered bonds and EUR 13.7bn as senior debt.

Throughout 2021 Nordea remained compliant with the liquidity coverage ratio (LCR) requirement in all currencies on a combined basis, as well as the net stable funding ratio (NFSR).

During 2021 Nordea participated in the ECB's targeted longer-term refinancing operations (TLTROs). To date, Nordea has borrowed EUR 12bn under the TLTRO III programme. The ECB applies a negative interest rate to the TLTRO III funding. Nordea accordingly recognised the negative interest expense in connection with its TLTRO III borrowing. In 2021 the negative interest expense added EUR 95m (EUR 19m) to Nordea's net interest income. If Nordea's eligible lending reached a certain threshold, measured at the end of the first quarter of 2021 and the end of the fourth quarter of 2021, the interest rate would decrease to -1% with retroactive impact. Nordea changes the effective interest rate in accordance with IFRS 9 if the threshold is reached and recognises the impact under net interest income. In 2021 Nordea reached the lending threshold at the end of the first quarter and altered the effective interest rate with retroactive impact. Nordea did not change the effective interest rate for the third and fourth quarters, as it could not yet be concluded with adequate certainty that the threshold at the end of the fourth quarter 2021 had been reached.

8.1 Liquidity risk definition and identification

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

8.2 Management principles and control

Liquidity risk at Nordea is managed across three lines of defence:

The first line of defence consists of Group Treasury and the business areas. Group Treasury is responsible for the day-to-day management of the Group's liquidity positions, liquidity buffers, external and internal funding including the mobilisation of cash across the Group, and funds transfer pricing.

The second line of defence, Group Risk, is responsible for providing independent oversight of and challenge to the first line of defence.

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

The Board of Directors defines the liquidity risk appetite by setting limits for the liquidity risk metrics applied. The most central metric is the liquidity stress horizon, which defines the risk appetite by setting a minimum survival period of 90 days under institution-specific and market-wide stress scenarios with limited mitigation actions.

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

A funds transfer pricing (FTP) framework is in place which takes into account that liquidity is a scarce and costly resource. By quantifying and allocating liquidity and funding costs and benefits to the respective business areas, behaviours and strategic decisions are appropriately incentivised.

8.3 Liquidity risk management strategy

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

According to its policy statements, Nordea's attitude to liquidity risk management is conservative. Nordea strives to diversify its sources of funding and seeks to establish and maintain relationships with investors in order to ensure market access. A broad and diversified funding structure is reflected by the strong presence in the Group's four domestic markets in the form of a strong and stable retail customer base and a variety of funding programmes. The funding consists of both short-term (US and European commercial paper as well as certificates of deposits) and long-term (covered bonds, European medium-term notes and medium-term notes) programmes and covers a range of currencies.

Trust is fundamental in the funding market. Therefore Nordea periodically publishes information on the Group´s liquidity situation. Furthermore, Nordea regularly performs stress testing of its liquidity risk position to capture relevant risk drivers, and has put business contingency plans in place for liquidity crisis management.

G2. Risk and liquidity management, cont.

8.4 Liquidity risk measurement

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

Liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. Liquidity risk is limited by the Board of Directors via the liquidity stress coverage ratio and liquidity stress horizon metrics stipulating that the liquidity buffer needs to be sufficient to cover peak cumulative stressed outflows experienced over the first 90 days of a combined stress event, whereby Nordea is subject to market-wide stress similar to that experienced by many banks in 2007–08 as well as idiosyncratic stress corresponding to a three-notch credit rating downgrade. These metrics form the basis for Nordea's liquidity risk appetite, which is reviewed and approved by the Board at least annually.

Furthermore, short-term funding risk is measured via the liquidity coverage ratio (LCR) and a funding gap risk metric. The funding gap risk metric expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Funding gap risk is measured and limited for each currency and as a total figure for all currencies combined.

Nordea´s structural liquidity risk is measured by many metrics of which the net stable funding ratio (NSFR) and the internally defined net balance of stable funding are very important. Furthermore, the loan to deposit ratio is closely monitored together with the wholesale funding refinancing profile and rating agency metrics.

8.5 Liquidity risk analysis

Nordea continues to have a strong and prudent liquidity risk profile with a strong funding base. As of year-end 2021, the total volume utilised under CD and CP programmes was EUR 38.2bn (EUR 33.7bn) with an average maturity of 0.4 (0.4) years. The total volume under long-term programmes was EUR 144.3bn (EUR 147.6bn) with an average maturity of 7.3 (6.8) years. Nordea's funding sources are presented in the table below.

The liquidity risk position remained at a low level throughout 2021. The liquidity stress horizon was 1,095 days as of year-end 2021 (530 days as of year-end 2020) with an annual average of 753 days (671 days) – the Group limit is not below 90 days.

The annual average of the funding gap risk was EUR +44.9bn (EUR +35.8bn in 2020) against a limit of EUR -15bn. Nordea's liquidity buffer ranged between EUR 92.1bn and 145.2bn throughout 2021 (EUR 88.3bn and EUR 129.8bn) with an average liquidity buffer of EUR 122.8bn (EUR 103.7bn).

The combined LCR according to the EBA Delegated Act rules for the Nordea Group was 160% at the end of 2021 (158%) with an annual average of 152% (166%). At the end of 2021 the LCR in EUR was 143% (278%) and in USD 169% (119%), with annual averages of 228% (209%) and 174% (199%), respectively. At the end of 2021 Nordea's NSFR was 111.1% (110.3%).

Funding sources, 31 December 2021

Liability type	Interest rate base	Average maturity (years)	EURm
Deposits by credit institutions			
Shorter than 3 months	Euribor, etc.	0.1	13,518
Longer than 3 months	Euribor, etc.	1.7	13,444
Deposits and borrowings from the public			
Deposits on demand	Administrative	0.0	188,595
Other deposits	Euribor, etc.	1.1	17,206
Debt securities in issue			
Certificates of deposits	Euribor, etc.	0.4	26,863
Commercial papers	Euribor, etc.	0.3	11,336
Mortgage covered bond loans	Fixed rate, market-based	8.4	111,159
Other bond loans	Fixed rate, market-based	2.9	26,434
Derivatives			31,485
Other non-interest-bearing items			70,496
Subordinated debt			
Tier 2 subordinated bond loans	Fixed rate, market-based	7.3	4,826
Additional Tier 1 subordinated bond loans (undated)	Fixed rate, market-based		1,893
Equity			33,503
Total			**550,758**
Liabilities to policyholders			19,595
Total, including life insurance operations			**570,353**

Net stable funding ratio

EURbn	31 Dec 2021	31 Dec 2020
Available stable funding	311.8	305.8
Required stable funding	280.5	277.2
Net stable funding	31.2	28.6
Net stable funding ratio [1]	**111.1%**	**110.3%**

1) According to CRR2 regulation.

G3. 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. At Nordea the CODM has been defined as the Chief Executive Officer (CEO), who is supported by the other members of the Group Leadership Team.

The main difference between the segment reporting in Note G3 and "Business areas" presented elsewhere in this report is that the information in Note G3 follows the reporting to the CODM prepared using plan exchange rates, while the reporting under "Business areas" is prepared using actual FX rates. Nordea applies the use of static planning rates in order to avoid currency rate-related fluctuations in the reporting to the CODM. The same exchange rates (e.g. SEK, NOK, RUB vs EUR) are used for the current and comparable year. The planning rates used are set during December the preceding year and calculated as the average spot rates the first five banking days in December the preceding year. The comparatives are annually restated to reflect the plan exchange rates for the current period as reflected in the internal reporting used by the CODM.

Basis of segmentation

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

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

Reportable segments

Personal Banking serves Nordea's household customers. Personal Banking offers customers a full range of financial services that fulfil the customers' day-to-day financial needs. Personal Banking serves our customers through the netbank, the mobile bank, over the phone, via online meetings and at Nordea's branch offices. The business area includes advisory and service staff, channels and product units under a common strategy, operating model and governance across markets.

Business Banking serves, advises and partners with corporate customers, covering all their business needs through a full range of services, including payments, cash management, cards, working capital management and finance solutions. Business Banking also provides services such as payments, cards and finance solutions to personal customers.

Large Corporates & Institutions provides financial solutions to large Nordic and international corporates and institutional customers. The offering includes a diverse range of financing, cash management and payment services, investment banking, capital markets products and securities services.

Asset & Wealth Management provides high-quality investment, savings and risk management solutions to high net worth individuals and institutional investors and delivers savings solutions to all Nordea customer segments.

Income statement 2021

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Reconciliation	Total Group
Net interest income	2,230	1,594	923	76	-18	4,805	120	4,925
Net fee and commission income	1,279	655	515	1,042	-10	3,481	14	3,495
Net result from items at fair value	75	294	544	123	236	1,272	-153	1,119
Profit from associated undertakings accounted for under the equity method	0	1	0	1	-5	-3	-3	-6
Other income	14	34	3	3	6	60	27	87
Total operating income	**3,598**	**2,578**	**1,985**	**1,245**	**209**	**9,615**	**5**	**9,620**
- of which internal transactions[1]	-246	-74	-131	-32	483	0	–	–
Staff costs	-574	-439	-314	-454	-93	-1,874	-885	-2,759
Other expenses	-1,172	-690	-493	-60	184	-2,231	1,005	-1,226
Depreciation, amortisation and impairment charges of tangible and intangible assets	-80	-36	-20	-18	-5	-159	-505	-664
Total operating expenses	**-1,826**	**-1,165**	**-827**	**-532**	**86**	**-4,264**	**-385**	**-4,649**
Profit before loan losses	**1,772**	**1,413**	**1,158**	**713**	**295**	**5,351**	**-380**	**4,971**
Net result on loans in hold portfolios mandatorily held at fair value	47	30	4	1	0	82	1	83
Net loan losses	-62	-28	-17	-1	-9	-117	-1	-118
Operating profit	**1,757**	**1,415**	**1,145**	**713**	**286**	**5,316**	**-380**	**4,936**
Income tax expense	-422	-340	-275	-171	-69	-1,277	172	-1,105
Net profit for the year	**1,335**	**1,075**	**870**	**542**	**217**	**4,039**	**-208**	**3,831**
Balance sheet 31 Dec 2021[2], EURbn								
Loans to the public	169	96	44	11	–	320	25	345
Deposits and borrowings from the public	84	55	49	12	–	200	6	206

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 Finance.

2) The CODM reviews "Loans to the public" and "Deposits and borrowings from the public" as measures of reportable segments' total assets and liabilities and these line items are consequently separately reported.

G3. Segment reporting, cont.

Income statement 2020

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,116	1,434	888	69	104	4,611	-96	4,515
Net fee and commission income	1,142	570	463	823	-4	2,994	-35	2,959
Net result from items at fair value	100	263	443	104	-24	886	14	900
Profit from associated undertakings accounted for under the equity method	0	4	0	-5	7	6	-7	-1
Other income	6	23	2	15	11	57	36	93
Total operating income	**3,364**	**2,294**	**1,796**	**1,006**	**94**	**8,554**	**-88**	**8,466**
- of which internal transactions[1]	-423	-172	-283	-25	903	0	–	–
Staff costs	-578	-407	-323	-420	-160	-1,888	-864	-2,752
Other expenses	-1,175	-704	-492	-86	129	-2,328	1,042	-1,286
Depreciation, amortisation and impairment charges of tangible and intangible assets	-66	-23	-18	-16	-2	-125	-480	-605
Total operating expenses	**-1,819**	**-1,134**	**-833**	**-522**	**-33**	**-4,341**	**-302**	**-4,643**
Profit before loan losses	**1,545**	**1,160**	**963**	**484**	**61**	**4,213**	**-390**	**3,823**
Net result on loans in hold portfolios mandatorily held at fair value	25	13	10	1	0	49	-1	48
Net loan losses	-298	-330	-279	-4	0	-911	3	-908
Operating profit	**1,272**	**843**	**694**	**481**	**61**	**3,351**	**-388**	**2,963**
Income tax expense	-305	-202	-166	-115	-15	-803	105	-698
Net profit for the year	**967**	**641**	**528**	**366**	**46**	**2,548**	**-283**	**2,265**
Balance sheet 31 Dec 2020[2], EURbn								
Loans to the public	160	90	46	9	–	305	25	330
Deposits and borrowings from the public	81	50	40	11	–	182	1	183

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 Finance.
2) The CODM reviews "Loans to the public" and "Deposits and borrowings from the public" as measures of reportable segments' total assets and liabilities and these line items are consequently separately reported.

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	
	2021	2020	2021	2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Total operating segments	9,615	8,554	5,316	3,351	320	305	200	182
Group functions[1]	-2	2	-59	-293	–	–	–	–
Unallocated items	-99	-22	-380	-68	21	22	4	-1
Eliminations	-2	-3	0	0	–	–	–	–
Differences in accounting policies[2]	108	-65	59	-27	4	3	2	2
Total	**9,620**	**8,466**	**4,936**	**2,963**	**345**	**330**	**206**	**183**

1) Consists of Group Business Support, Group Internal Audit, Chief of Staff Office, Group People, Group Legal, Group Risk, Group Compliance and Group Brand, Communication & Marketing.
2) Impact from using plan exchange rates in the segment reporting.

G3. Segment reporting, cont.

Total operating income split on product groups

EURm	2021	2020
Banking products	6,189	5,505
Capital markets products	1,089	1,041
Savings products and asset management	1,845	1,469
Life and pension	473	407
Other	24	44
Total	**9,620**	**8,466**

Banking products consists of three different product types. Account products include account-based products such as lending, deposits, cards and Netbank services. Transaction products consist of cash management as well as trade and project finance services. Financing products include asset-based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers.

Capital markets products comprise financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds.

Savings products and asset management include investment funds, discretionary management, portfolio advice, equity trading and pension accounts. An investment fund is a bundled product where the fund company invests in stocks, bonds, derivatives or other standardised products on behalf of the fund's shareholders. Discretionary management is a service providing the management of an investment portfolio on behalf of the customer and portfolio advice is a service provided to support customers' investment decisions.

Life and pension includes life insurance and pension products and services.

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2021	2020	31 Dec 2021	31 Dec 2020
Sweden	2,741	2,348	163	150
Finland	1,741	1,644	140	116
Norway	1,879	1,564	107	101
Denmark	2,789	2,323	151	180
Other	470	587	9	5
Total	**9,620**	**8,466**	**570**	**552**

Nordea's main geographical markets comprise the Nordic countries. Revenues and assets (current and non-current assets) are distributed to geographical areas based on the location of the customer operations. Goodwill is allocated to different countries based on the location of the business activities of the acquired entities.

G4. Net interest income

Net interest income

EURm	2021	2020
Interest income calculated using the effective interest rate method[1]	5,116	5,536
Other interest income[2]	784	837
Negative yield on financial assets	-219	-280
Interest expense[2]	-1,167	-1,779
Negative yield on financial liabilities	411	201
Net interest income	**4,925**	**4,515**

1) Of which contingent leasing income amounted to EUR 175m (EUR 101m). Contingent leasing income at Nordea consists of variable interest rates, excluding fixed margins. If the contingent leasing income decreases, there will be an offsetting impact from lower funding expenses. Interest income from net investment in finance leases amounted to EUR 260m (EUR 181m).

2) Comparative figures have been restated. See Note G1 "Accounting policies", section 2 "Changed accounting policies and presentation" for more information.

Interest income calculated using the effective interest rate method

EURm	2021	2020
Loans to credit institutions	93	359
Loans to the public	4,729	4,837
Interest-bearing securities	182	205
Yield fees	231	191
Net interest paid or received on derivatives in accounting hedges of assets	-119	-56
Interest income calculated using the effective interest rate method	**5,116**	**5,536**

Other interest income

EURm	2021	2020
Loans at fair value to the public	955	969
Interest-bearing securities measured at fair value	60	101
Yield fees and other interest income on fair value assets	1	1
Net interest paid or received on derivatives in economic hedges of assets	-232	-234
Other interest income	**784**	**837**

Interest expense

EURm	2021	2020
Deposits by credit institutions	-35	-153
Deposits and borrowings from the public	-166	-200
Debt securities in issue	-1,275	-1,842
Subordinated liabilities	-255	-336
Other interest expense	-14	-16
Net interest paid or received on derivatives in hedges of liabilities	578	768
Interest expense	**-1,167**	**-1,779**

G4. Net interest income, cont.

Net interest income from categories of financial instruments

EURm	2021	2020
Financial assets at fair value through other comprehensive income	119	167
Financial assets at amortised cost	4,903	5,172
Financial assets at fair value through profit or loss	659	754
Financial liabilities at amortised cost	-838	-1,824
Financial liabilities at fair value through profit or loss	82	246
Net interest income	**4,925**	**4,515**

Interest on impaired loans accounted for an insignificant portion of interest income.

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounted to EUR 460m (EUR 412m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounted to EUR 2,936m (EUR 2,420m). The corresponding amount for fee expenses was EUR -25m (EUR -10m).

The fees in the different line items in Note G5 "Net fee and commission income" are accounted for as explained in section 6 of Note G1 "Accounting policies".

For information on contract assets and liabilities see section 6 of Note G1 "Accounting policies", the line item "Accrued income" in Note G26 "Prepaid expenses and accrued income" and the line item "Prepaid income" in Note G32 "Accrued expenses and prepaid income".

G5. Net fee and commission income

EURm	2021	2020
Asset management commissions	1,845	1,469
- of which income	2,216	1,772
- of which expense	-371	-303
Life and pension commissions	273	263
- of which income	299	273
- of which expense	-26	-10
Deposit products	25	27
- of which income	25	27
Brokerage, securities issues and corporate finance	269	204
- of which income	421	375
- of which expense	-152	-171
Custody and issuer services	35	34
- of which income	88	84
- of which expense	-53	-50
Payments[1]	236	236
- of which income	362	349
- of which expense	-126	-113
Cards[1]	250	212
- of which income	349	323
- of which expense	-99	-111
Lending products	478	424
- of which income	505	449
- of which expense	-27	-25
Guarantees	102	89
- of which income	138	122
- of which expense	-36	-33
Other	-18	1
- of which income	69	82
- of which expense	-87	-81
Total	**3,495**	**2,959**

1) Comparative figures in the line items "Payments" and "Cards" have been restated to reflect product categorisation changes.

G5. Net fee and commission income, cont.

Breakdown by business area

2021, EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other & elimination	Nordea Group
Asset management commissions	668	105	4	1,068	0	0	1,845
Life and pension commissions	226	85	4	-42	0	0	273
Deposit products	7	17	1	0	0	0	25
Brokerage, securities issues and corporate finance	21	69	162	37	-1	-19	269
Custody and issuer services	4	5	22	3	-8	9	35
Payments	15	151	75	1	0	-6	236
Cards	203	41	6	0	0	0	250
Lending products	125	153	194	5	1	0	478
Guarantees	9	27	64	0	2	0	102
Other	11	9	-7	-27	-4	0	-18
Total	**1,289**	**662**	**525**	**1,045**	**-10**	**-16**	**3,495**

2020, EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other & elimination	Nordea Group
Asset management commissions	566	93	7	803	0	0	1,469
Life and pension commissions	189	69	4	2	0	-1	263
Deposit products	9	17	1	0	0	0	27
Brokerage, securities issues and corporate finance	18	46	117	38	0	-15	204
Custody and issuer services	4	4	24	4	-7	5	34
Payments	29	142	67	0	0	-2	236
Cards	176	30	6	0	0	0	212
Lending products	118	126	173	3	5	-1	424
Guarantees	8	28	53	0	0	0	89
Other	14	10	6	-28	-3	2	1
Total	**1,131**	**565**	**458**	**822**	**-5**	**-12**	**2,959**

G6. Total net result from items at fair value

EURm	2021	2020
Net result from items at fair value	1,119	900
Net result on loans in hold portfolios mandatorily held at fair value	83	48
Total	**1,202**	**948**

EURm	2021	2020
Equity-related instruments	570	177
Interest-related instruments and foreign exchange gains/losses	478	715
Other financial instruments (including credit and commodities)	57	-24
Nordea Life & Pension[1,2]	97	80
Total	**1,202**	**948**

1) Internal transactions not eliminated against other line items in the note. The line item "Nordea Life & Pension" consequently provides the true impact from the life insurance operations.

2) Premium income amounted to EUR 306m (EUR 227m).

Breakdown of Nordea Life & Pension

EURm	2021	2020
Equity-related instruments	1,724	397
Interest-related instruments and foreign exchange gains/losses	-29	271
Investment properties	198	94
Change in technical provisions	-863	-792
Change in collective bonus potential	-987	60
Insurance risk income	73	64
Insurance risk expense	-19	-14
Total	**97**	**80**

G6. Total net result from items at fair value, cont.

Net result from categories of financial instruments

EURm	2021	2020
Financial assets at fair value through other comprehensive income	-331	226
Financial assets designated at fair value through profit or loss	-4	102
Financial liabilities designated at fair value through profit or loss	-5,179	-1,698
Financial assets and liabilities mandatorily at fair value through profit or loss[1]	6,726	2,930
Financial assets at amortised cost[2]	-403	456
Financial liabilities at amortised cost[3]	1,947	-854
Foreign exchange gains/losses excluding currency hedges	208	302
Non-financial assets and liabilities[4]	-1,762	-516
Total	**1,202**	**948**

1) Of which amortised deferred day 1 profit amounted to EUR 54m (EUR 177m).
2) This row includes gains arising from derecognition of financial assets measured at amortised cost of EUR 9m (EUR 11m) and losses of EUR 0m (EUR 0m). The reason for derecognition is that the assets were prepaid by the customer or sold. This row also includes fair value changes of hedged amortised cost assets in hedges of interest rate risk of EUR -522m (EUR 343m) and interest from amortised cost items in Life & Pension of EUR 110m (EUR 103m).
3) This row mainly includes fair value changes of hedged amortised cost liabilities in hedges of interest rate risk of EUR 1,966m (EUR -839m).
4) This row mainly includes changes in the technical reserves in Life & Pension of EUR -1,004m (EUR -724m) and changes in the bonus potential to policyholders in Life & Pension of EUR -1,061m (EUR 10m).

G7. Other operating income

EURm	2021	2020
Divestment of shares	6	10
Income from real estate	2	2
Sale of tangible and intangible assets	34	12
Other	45	69
Total	**87**	**93**

G8. Staff costs

EURm	2021	2020
Salaries and remuneration (specification below)[1]	-2,145	-2,148
Pension costs (specification below)	-279	-275
Social security contributions	-402	-400
Other staff costs[2]	67	71
Total	**-2,759**	**-2,752**
Salaries and remuneration		
To executives[3]		
- Fixed compensation and benefits	-22	-21
- Performance-related compensation	-8	-8
Total	**-30**	**-29**
To other employees	-2,115	-2,119
Total	**-2,145**	**-2,148**

1) Of which allocation to profit sharing for 2021 amounted to EUR 57m (EUR 27m), consisting of a new allocation of EUR 62m (EUR 32m) and an adjustment related to prior years of EUR -5m (EUR -5m).
2) Including capitalisation of IT projects with EUR 138m (EUR 140m).
3) Executives include the Board of Directors (including deputies), the CEO, the Deputy CEO, executive vice presidents and the Group Leadership Team 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 of the parent company and operating subsidiaries are also included. Executives amount to 162 (154) individuals.

Pension costs[1]

EURm	2021	2020
Defined benefit plans (Note G34)[2]	-44	-51
Defined contribution plans	-235	-224
Total	**-279**	**-275**

1) Pension costs for executives, as defined in footnote 3 above, amounted to EUR 2m (EUR 2m) and pension obligations to EUR 8m (EUR 11m).
2) Excluding social security contributions. Including social security contributions EUR 55m (EUR 61m).

Remuneration for the Board of Directors, the Chief Executive Officer and the Group Leadership Team

Board remuneration

The Annual General Meeting (AGM) 2021 decided on annual remuneration for the Board of Directors (the Board), for the Chair amounting to EUR 312,000, for the Vice Chairman EUR 150,800 and for other members EUR 98,800.

In addition, annual remuneration paid for board committee work on the Board Operations and Sustainability Committee, the Board Audit Committee and the Board Risk Committee amounts to EUR 62,400 for the committee chairs and EUR 31,200 for the other members. Annual remuneration for board committee work on the Board Remuneration and People Committee amounts to EUR 43,700 for the committee chair and EUR 27,000 for the other members.

Separate remuneration is not paid to members who are employees of the Nordea Group.

Nordea covers or reimburses the members of the Board for all costs and expenses related to or arising from the Board membership. Any benefits are included at taxable values.

There are no commitments for severance pay, pension or other remuneration for the members of the Board at 31 December 2021.

No Board member earns variable remuneration and employee representatives are not included in the table below.

G8. Staff costs, cont.

Remuneration for the Board of Directors

EUR	2021	2020
Chairman of the Board:		
Torbjörn Magnusson	352,275	345,500
Vice Chairman of the Board:		
Kari Jordan	176,100	171,000
Other Board members:		
Birger Steen	190,550	185,000
Claudia Dill[1]	120,900	–
John Maltby	183,050	155,000
Jonas Synnergren[2]	159,650	116,250
Maria Varsellona[3]	–	31,250
Nigel Hinshelwood	190,550	185,000
Pernille Erenbjerg[4]	38,750	155,000
Petra von Hoeken	159,650	155,000
Robin Lawther	124,600	125,000
Sarah Russell	156,500	155,000
Total	**1,852,575**	**1,779,000**

1) New member of the Board as from the AGM 2021.
2) New member of the Board as from the AGM 2020.
3) Resigned as a member of the Board as from the AGM 2020.
4) Resigned as a member of the Board as from the AGM 2021.

Remuneration of the Chief Executive Officer and the Group Leadership Team

The Board Remuneration and People Committee prepares changes in salary levels and the outcome of the Executive Incentive Programme (EIP) for the Group Leadership Team (GLT), for the granting of conditional shares under the Long Term Incentive Plan (LTIP) as well as for other changes in the remuneration package for the Chief Executive Officer (CEO), the Deputy Managing Director and the other members of GLT, for resolution by the Board.

The presentation of remuneration used in the Remuneration Report for Governing Bodies is different from the presentation and accounting policies under IFRS applied in the Annual Report, especially related to the LTIP.

Fixed remuneration

The fixed salary is paid in local currencies and converted into euro based on the average exchange rate each year. The fixed salary includes holiday pay and car allowance where applicable.

Benefits primarily include car benefits, tax consultation and housing. Benefits are included at taxable values after salary deductions (if any).

The pension expense is related to pension premiums paid under defined contribution plans (DCP) and pension rights earned during the year under defined benefit plans (DBP) (current service cost and past service cost and settlements as defined in IAS 19).

EUR 1,901,643 (EUR 2,309,931) of the total pension expense relates to DCPs, corresponding to 96.6% (98.0%).

Variable remuneration

The EIP 2021 for the GLT is based on specific goals and targets and is capped at maximum 75% of the fixed base salary. 40% of the EIP 2021 outcome will be paid out in 2022. The remaining 60% will be paid annually on a pro rata basis over five years with 12% vesting each year. 50% of the EIP 2021 outcome is delivered in Nordea shares (excluding dividends) at each transfer event. The shares are subject to retention for 12 months when the deferral period ends. The outcome of the EIP 2021 has been expensed in full in 2021.

In 2021 the Board decided to launch a share-based LTIP for the new performance period 2021–23. It was launched in

Remuneration for the Chief Executive Officer and the Group Leadership Team

	Fixed salary		Pension expense (DCP & DBP)[1]		Benefits		Total fixed remuneration	
EUR	2021	2020	2021	2020	2021	2020	2021	2020
Chief Executive Officer:								
Frank Vang-Jensen	1,361,329	1,252,912	386,405	375,788	109,392	211,989	1,857,126	1,840,689
Deputy Managing Director:								
Jussi Koskinen	481,447	462,771	139,623	92,667	21,634	23,172	642,704	578,610
Group Leadership Team:								
10 (9) individuals excluding Chief Executive Officer and Deputy Managing Director	6,292,854	6,236,460	1,441,569	1,340,701	155,467	89,443	7,889,890	7,666,604
Total	**8,135,630**	**7,952,143**	**1,967,597**	**1,809,156**	**286,493**	**324,604**	**10,389,720**	**10,085,903**
Former Chief Executive Officer:								
Casper von Koskull	–	1,398,528	–	365,163	–	29,974	–	1,793,665
Former Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	–	497,697	–	182,914	–	1,425	–	682,036
Total	**8,135,630**	**9,848,368**	**1,967,597**	**2,357,233**	**286,493**	**356,003**	**10,389,720**	**12,561,604**

1) As from 2021 also payments under the TyEL insurance in Finland are reported as pension cost in DCPs. Comparative figures have been restated accordingly.

G8. Staff costs, cont.

accordance with the "Remuneration Policy for Governing Bodies" adopted by an advisory vote at Nordea's 2020 AGM and applicable until AGM 2024. The LTIP 2021–2023 includes the GLT members and a maximum of 50 additional senior leaders.

The LTIP 2021–2023 covers a three-year performance period from 1 January 2021 to 31 December 2023 with deferral and retention periods. The first portion of shares of the potential award will be delivered in 2024 subject to the performance conditions. The rest of the shares are deferred and delivered annually in five equal portions during 2025–29. Each share delivery is subject to a 12-month retention period.

See below for further details on the LTIP 2021–2023.

In 2020 the Board decided to launch the LTIP 2020–2022 for the GLT covering a three-year performance period from 1 January 2020 to 31 December 2022 with deferral and retention periods. The first portion of shares of the potential award will be delivered in 2023 subject to the performance conditions. The rest of the shares are deferred and delivered annually in five equal portions during 2024–28. Each share delivery is subject to a 12-month retention period.

See below for further details on the LTIP 2020–2022.

In 2021 the GLT earned conditional grants from both the LTIP 2020–2022 and the LTIP 2021–2023.

Variable remuneration

	EIP		LTIP conditional grants[1]		Total variable remuneration		Total remuneration – fixed and variable	
EUR	2021	2020	2021	2020	2021	2020	2021	2020
Chief Executive Officer:								
Frank Vang-Jensen	849,509	610,313	201,724	45,882	1,051,233	656,195	2,908,359	2,496,884
Deputy Managing Director:								
Jussi Koskinen	314,137	236,249	67,241	15,294	381,378	251,543	1,024,082	830,153
Group Leadership Team:								
10 (9) individuals excluding Chief Executive Officer and Deputy Managing Director	3,829,690	2,318,494	685,649	137,646	4,515,339	2,456,140	12,405, 229	10,122,744
Total	**4,993,336**	**3,165,056**	**954,614**	**198,822**	**5,947,950**	**3,363,878**	**16,337,670**	**13,449,781**
Former Chief Executive Officer:								
Casper von Koskull	–	–	–	–	–	–	–	1,793,665
Former Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	–	–	–	–	–	–	–	682,036
Total	**4,993,336**	**3,165,056**	**954,614**	**198,822**	**5,947,950**	**3,363,878**	**16,337,670**	**15,925,482**

1) Defined as the expense calculated under IFRS 2.

Remuneration of Chief Executive Officer

Frank Vang-Jensen was appointed CEO on 5 September 2019. Remuneration for the CEO in 2021 consisted of the following components: fixed salary, EIP 2021, LTIP 2020–2022, LTIP 2021–2023, pension costs and benefits.

The annual fixed base salary for the CEO amounts to EUR 1,287,500 as from January 2021.

The CEO was covered by a DCP scheme with a pension contribution of 30% of the fixed base salary.

Benefits primarily included car benefits, housing, security and travelling-related benefits as well as tax advice, amounting to EUR 109,392.

The EIP 2021 was based on specific targets and capped at a maximum of 75% of the fixed base salary. For 2021, the outcome of the EIP amounted to EUR 849,509.

The LTIP 2020–2022 IFRS 2 expense amounted to EUR 81,007 in 2021. The LTIP 2021–2023 IFRS 2 expense amounted to EUR 120,717 in 2021.

The CEO must hold a significant number of the shares transferred under the LTIP 2020–2022 and LTIP 2021–2023 until the total value of shareholdings corresponds to 100% of the CEO's annual gross salary. Such shares must be held until the CEO steps down.

The total earned remuneration for 2021 amounted to EUR 2,908,359.

Remuneration of Deputy Managing Director

Jussi Koskinen was appointed Deputy Managing Director on 10 September 2019.

Remuneration for the Deputy Managing Director in 2021 consisted of the following components: fixed salary, EIP 2021, LTIP 2020–2022, LTIP 2021–2023, a DCP with a pension contribution amounting to 8.5% of the fixed base salary in addition to the Finnish statutory pension scheme and benefits.

The annual fixed base salary for the Deputy Managing Director amounts to EUR 476,100 as from 1 January 2021.

The benefits for 2021 amounted to EUR 21,634 and primarily included car benefits.

The EIP 2021 was based on specific targets and could amount to a maximum of 75% of the fixed base salary. For 2021 the outcome of the EIP amounted to EUR 314,137.

The LTIP 2020–2022 IFRS 2 expense amounted to EUR 27,002 in 2021. The LTIP 2021–2023 IFRS 2 expense amounted to EUR 40,239 in 2021.

The Deputy Managing Director must hold a significant number of the shares transferred under the LTIP 2020–2022 and LTIP 2021–2023 until the total value of shareholdings corresponds to 100% of the Deputy Managing Director's annual gross salary. Such shares must be held until the Deputy Managing Director steps down from the GLT position.

G8. Staff costs, cont.

The Deputy Managing Director is covered by the Finnish statutory pension scheme. According to the statutory pension rules, the part of the EIP 2021 for the GLT outcome paid in cash in 2022 must be included in pensionable income.

The total earned remuneration for 2021 amounted to EUR 1,024,082.

Remuneration of Group Leadership Team

Remuneration for other GLT members is included for the period they have been appointed and eligible for the EIP 2021.

One new GLT member was appointed on 1 October 2021.

No guaranteed variable remuneration (sign-off/buy-out) was committed in 2021.

Remuneration for the GLT members consisted of the following components: fixed salary, EIP 2021 for the GLT, LTIP 2020–2022, LTIP 2021–2023, pension costs and benefits.

The EIP 2021 was based on specific targets and capped at a maximum of 75% of the fixed base salary for the GLT members offered the LTIP 2021–2023 and 100% for others. For 2021 the outcome of the EIP amounted to EUR 3,829,690.

The LTIP 2020–2022 IFRS 2 expense amounted to EUR 243,021 in 2021.

The LTIP 2021–2023 IFRS 2 expense amounted to EUR 442,628 in 2021. The Chief Risk Officer and the Chief Compliance Officer are not participating in these two LTIP programmes.

The GLT members must hold a significant number of the shares transferred under the LTIP 2020–2022 and LTIP 2021–2023 until the total value of shareholdings corresponds to 100% of the GLT member's annual gross salary. Such shares must be held until the GLT member steps down from the GLT position.

The pension agreements for the ten GLT members vary according to local country practices. Pension agreements are DCPs or a combination of DCP and DBPs.

As of 31 December 2021, three members had pension schemes in accordance with the Swedish collective agreement, BTP1 (DCP) and BTP2 (DPB), with complementing DCPs on top of the collective agreement. The pension contributions totalled 30% of their fixed salary.

One member had a DCP, in accordance with local practices in Denmark. The pension contribution is in total 30% of the fixed base salary.

Four members were covered by the Finnish statutory pension scheme and in addition had a DCP corresponding to 8.5% of their fixed base salary.

Two members do not have a pension agreement paid by Nordea.

Remuneration of former Chief Executive Officer

Casper von Koskull was appointed CEO on 1 November 2015 and stepped down on 5 September 2019.

No remuneration was earned in 2021 as former CEO.

Remuneration of former Group Chief Operating Officer and Deputy Chief Executive Officer

Torsten Hagen Jørgensen was appointed Group COO and Deputy CEO on 1 November 2015 and stepped down on 10 September 2019.

No remuneration was earned in 2021 as former Group COO and Deputy CEO.

Deferred variable remuneration in Nordea shares

Part of the outcome of the EIP 2019 and the EIP 2020 for the GLT has been deferred and will be paid in the future by delivering Nordea shares. The number of granted and deferred shares as of 31 December 2021 can be found in the table below.

Nordea shares

	2021	2020
Chief Executive Officer:		
Frank Vang-Jensen	45,001	19,425
Deputy Managing Director:		
Jussi Koskinen	21,604	11,704
Group Leadership Team:		
10(9) individuals excl. Chief Executive Officer and Deputy Managing Director:	227,775	56,607
Total	**294,380**	**87,736**
Former Chief Executive Officer:		
Casper von Koskull	20,483	20,483
Former Deputy Chief Executive Officer:		
Torsten Hagen Jørgensen	12,997	12,997
Total	**327,860**	**121,216**

Defined benefit pension obligations

The pension plans are funded, meaning that the pension plan obligations are backed by plan assets with the fair value generally being at a level similar to that of the obligations.

The pension obligations (value of DBP liabilities) are calculated in accordance with IAS 19. The obligations depend on changes in actuarial assumptions and interannual variations can therefore be significant.

IAS 19 includes an assumption about future increases in salary, so that the pension obligations disclosed are the pension rights earned calculated using the expected salary levels at retirement.

The pension obligations in the below table reflect the valuation under IAS 19 as of 31 December 2021 and 2020, respectively.

EUR	2021	2020
Group Leadership Team:		
3 (3) individuals in Sweden	1,241,536	1,137,129
Former Chairman of the Board, former CEOs and Deputy CEOs:		
Vesa Vainio[1]	4,667,760	4,932,945
Lars G Nordström	289,220	311,588
Casper von Koskull	428,311	427,026
Total	**6,626,827**	**6,808,688**

1) The pension obligation is mainly due to defined benefit pension rights earned at, and funded by, banks forming Nordea. The decrease compared with 2020 is mainly due to pension payments during the year, and that higher discount rates were used in the measurement of the pension obligations at the end of 2021.

G8. Staff costs, cont.

Notice period and severance pay

In accordance with the service contract, the CEO has a notice period of 12 months and Nordea a notice period of 12 months. The CEO is paid severance pay equal to 12 months' salary, to be reduced by any salary received from other employment during these 12 months.

The Deputy Managing Director and ten GLT members have a notice period of 6 months and Nordea a notice period of 12 months. Severance pay of up to 12 months' salary is provided and will be reduced by any salary received from other employment during the severance pay period.

No severance pay commitment was agreed with members of the GLT in 2020 or 2021.

Payments to the former CEO and other former members of the GLT amounted to EUR 1,493,434 in 2021, in full covered by provisions recognised in 2019.

Indemnification

Nordea Bank Abp has undertaken to indemnify the members of the GLT against legal expenses incurred in relation to legal advice in defending or disputing certain claims or investigations by third parties, excluding crimes or actions made with intent or gross negligence. For each GLT member, the indemnity is capped at an aggregate amount of EUR 37.5m, unless the Board decides otherwise on a case-by-case basis. Nordea purchases D&O insurance which provides cover for liability assumed by the bank following the indemnification undertaking.

Loans to and deposits from key management personnel

Loans to key management personnel (defined in section 28 of Note G1) amounted to EUR 3m (EUR 3m) and interest income on these loans amounted to EUR 0m (EUR 0m). Deposits from key management personnel amounted to EUR 12m (EUR 14m) and interest on these deposit amounted to EUR 0m (EUR 0m). Loan commitments to key management personnel amounted to EUR 0m (EUR 0m).

For key management personnel employed by Nordea the same credit terms apply as for other employees. In Finland the employee interest rate for loans corresponds to Nordea's funding cost with a margin of 30bp. In Denmark the employee interest rate for loans is variable and was 2.25% at 31 December 2021, but special terms are applied for car loans and mortgage loans. The interest rate on car loans without collateral is variable and was 1.50%. The interest rate on mortgage loans up to 80% of the valuation of the property was 1.50%. In Norway the variable interest rate on loans for employees was 1.40% at 31 December 2021. Mortgage loans with fixed interest rates are offered with the same rates as mortgage loans to Premium customers. In Sweden the employee interest rate on fixed and variable interest rate loans is 215bp lower than the corresponding interest rate for external customers (with a lower limit of 50bp). There is currently a cap of 57 Swedish price base amounts both on fixed and variable interest rate loans. For interest on loans above the defined cap, the same terms apply as for Premium customers. Loans to family members of key management personnel are granted on normal market terms, as are loans to key management personnel who are not employed by Nordea.

Share-based transactions

Nordea has several variable pay programmes for selected Nordea employees (participants). The terms of the programmes vary depending on the target group. Disclosures related to the share-based programmes can be found below. All remuneration programmes are also described in the section "Remuneration" on page 83 of the Board of Directors' report and in further detail below.

In 2020 Nordea introduced a new Long Term Incentive Plan (LTIP) for GLT members, which is an equity-settled plan. For more information on this plan, see "Long Term Incentive Plan 2020–2022" below.

In 2021 Nordea decided to continue the share-based Long Term Incentive Plan (LTIP) implemented in 2020 for a new performance period 2021–2023. It includes the GLT members and a maximum of 50 additional senior leaders. For more information on this plan, see "Long Term Incentive Plan 2021–2023" below.

Until the end of the performance year 2018, Nordea's share-based variable pay programmes were partly in the form of cash-linked total shareholder return (TSR) indexation (excluding dividends) and partly in the form of cash. The programmes were consequently all settled in cash and the portion indexed with Nordea's TSR was accounted for as a cash-settled share-based payment programme. The TSR indexation resulted in the expense of EUR 16m in 2021. Starting from the 2019 performance year, share-based variable pay programmes are partly in the form of cash and partly in the form of Nordea shares, which makes the portion paid in Nordea shares an equity-settled share-based programme. TSR indexation may be used for share-based variable pay programmes,

Share-based transactions

Programme year	Equity settled or cash settled	Delivery period	Expense 2021	Expense 2020	Liability 31 Dec 2021	Liability 31 Dec 2020	Outstanding rights
2021							
- LTIP	Equity settled	2024–2029	1	–	–	–	Yes[1]
- EIP	Equity settled	2022–2027	16	–	–	–	Yes[2]
- VSP and Bonus	Equity settled	2022–2027	–	–	–	–	Yes[2]
- Buy-outs etc.	Equity settled	2022–2023	–	–	–	–	Yes
2020							
- LTIP	Equity settled	2023–2028	0	0	–	–	Yes[3]
- EIP	Equity settled	2021–2026	-5	14	–	–	Yes
- VSP and Bonus	Equity settled	2021–2026	7	–	–	–	Yes
- Buy-outs etc.	Equity settled	2021–2026	–	–	–	–	Yes
Previous years	Cash settled	2022–2025	16	-4	24	32	No
	Equity settled	2022–2025	-1	-8	–	–	Yes
Total			**34**	**2**	**24**	**32**	

1) Rights will be granted following the end of the three-year performance period (2021–2023) over the delivery period (2024–2029).
2) Rights will be granted in 2022 based on the performance in 2021.
3) Rights will be granted following the end of the 3-year performance period (2020–2022) over the delivery period (2023–2028).

G8. Staff costs, cont.

subject to operational, administrative or tax issues as well as applicable regulation in certain legal entities.

In EIP 2020, EUR 15m was expensed for variable remuneration to be paid in cash and EUR 14m to be paid in shares. In 2021 these were adjusted to EUR 12m for the portion delivered in shares and another EUR 3m were converted to cash. In 2021 1,780,627 shares in Nordea were allotted to the participants in these programmes, corresponding to EUR 15m based on the share price at the award date. Another 1,646,791 shares were granted to the participants but deferred. These deferred shares had a fair value of EUR 14m based on the share price at the award date.

The table above covers all programmes with share-based programme expenses recognised in 2021, as well as the comparative figures for 2020. Figures for 2021 are based on the expected 2021 outcome and all figures are excluding social security expenses. The expense for 2021 is based on an assumption about the number of shares that will be granted and deferred for delivery in later years.

Long Term Incentive Plan 2020–2022

The Nordea Board decided on 11 June 2020 to launch a new LTIP for the CEO and eight other members of the Group Leadership Team (GLT) for a three-year performance period, from 1 January 2020 to 31 December 2022. The plan delivers conditional share awards, i.e. a promise to deliver shares if certain conditions are met.

The maximum number of shares allocated to the participants was decided when the plan was launched and the final number of shares to be awarded to each participant will be determined in the second quarter 2023. The assessment of performance during the LTIP performance period will be based equally on the following performance criteria:

- absolute total shareholder return (aTSR)
- relative total shareholder return (rTSR)
- cumulative earnings per share (EPS).

	LTIP 2020–2022
Service condition	Employed within the Nordea Group during the 3–8-year vesting period.
Performance condition aTSR	Absolute growth in the Nordea share price (with dividends reinvested).
	Maximum allotment for aTSR above EUR 12.00. No allotment for aTSR below EUR 6.85.
Performance condition rTSR	Growth in the Nordea share price (with dividends reinvested) compared to a group of nine peers.
	Maximum allotment for rTSR if Nordea is first among peers. No allotment for rTSR if Nordea is 6th or lower among peers.
Performance condition EPS	Total earnings per share for the period 2021–2022.
	Maximum allotment for EPS above EUR 1.80. No allotment for EPS below EUR 1.20.
Cap	Total allocation cannot exceed 200% of the participants' salary.

40% of the potential share award is delivered to the participants in the second quarter of 2023. The remaining 60% will be delivered annually in five equal portions during the second quarter of 2024 to the second quarter of 2028 if the participants are still employed in Nordea. All delivered shares are subject to a 12-month retention period, where the participant cannot access or sell the shares. Unvested shares will not be delivered if the employment is terminated before the award payment, however, subject to local regulations and leaver provisions, unless the criteria for a "good leaver" is fulfilled.

If the financial circumstances of Nordea deteriorate or if the participant breaches internal policies, the awards to be given can be reduced or cancelled. There is also the possibility of clawbacks of deferred shares in similar situations. These conditions do not affect the assessment that the grant date is 11 June 2020 as the likelihood is low and all participants are aware of these conditions from the start.

General conditions

	LTIP 2020–2022
Ordinary share per right	1.0
Grant date	11 June 2020
Vesting period	3–8 years
Contractual life	8 years
First day of access for the first portion	Q2 2024

Fair value at grant date

	Vesting date					
	Q2 2023	Q2 2024	Q2 2025	Q2 2026	Q2 2027	Q2 2028
Maximum number of shares	260,000	78,000	78,000	78,000	78,000	78,000
Award life, years	3	4	5	6	7	8
aTSR	1.40	1.31	1.23	1.16	1.09	1.02
rTSR	1.83	1.71	1.61	1.51	1.41	1.33
EPS	4.74	4.46	4.19	3.94	3.70	3.48

The fair values of the rights are calculated using a Monte Carlo simulation (rTSR and aTSR) and Black & Scholes formula (EPS) using the following parameters:

Weighted average share price at grant date, EUR	6.41
Exercise price, EUR	–
Expected volatility	29.1%
Award life	See above
Expected dividends	6.2%
Risk-free interest rate	0%

The expected volatility is based on Nordea's historical daily share price volatility over a historical period of three years of 33.9% and has been adjusted for one-off events (COVID-19) which are not expected to be repeated in the future, i.e. the Company's historical volatility from pre-March 2020 is used.

Conditional rights LTIP 2020–2022	aTSR		rTSR		EPS	
	2021	2020	2021	2020	2021	2020
Outstanding at the beginning of the year	216,667	–	216,667	–	216,667	–
Granted	–	216,667	–	216,667	–	216,667
Forfeited	–	–	–	–	–	–
Outstanding at the end of the year	216,667	216,667	216,667	216,667	216,667	216,667
- of which currently exercisable	–	–	–	–	–	–

G8. Staff costs, cont.

Taking this into account Nordea has excluded the period of highest share price volatility from the calculation of the expected volatility at the grant date (being the period from 9 March 2020 to 25 March 2020). Removing this period results in a historical share price volatility of 29.1%.

Long Term Incentive Plan 2021–2023

The Nordea Board decided on 31 March 2021 to continue the share-based LTIP implemented in 2020 for a new performance period, from 1 January 2021 to 31 December 2023. The plan includes the CEO and nine other members of the Group Leadership Team (GLT) and a maximum of 50 additional senior leaders. The plan delivers conditional share awards, i.e. a promise to deliver shares if certain conditions are met.

The maximum number of shares allocated to the participants was decided when the plan was launched and the final number of shares to be awarded to each participant will be determined in the second quarter of 2024. The assessment of performance during the LTIP performance period will be based equally on the following performance criteria:

- absolute total shareholder return (aTSR)
- relative total shareholder return (rTSR)
- cumulative earnings per share (EPS).

	LTIP 2021–2023
Service condition	Employment contract is not terminated before the confirmation of the award.
Performance condition aTSR	Absolute growth in the Nordea share price (with dividends reinvested).
	Maximum allotment for aTSR above EUR 13.10. No allotment for aTSR below EUR 7.60.
Performance condition rTSR	Growth in the Nordea share price (with dividends reinvested) compared to a group of nine peers.
	Maximum allotment for rTSR if Nordea is first among peers. No allotment for rTSR if Nordea is 6th or lower among peers.
Performance condition EPS	Total earnings per share for the period 2021–2023.
	Maximum allotment for EPS above EUR 2.56. No allotment for EPS below EUR 2.00.
Cap	Total allocation cannot exceed 200% of the participants' salary.

40% of the potential share award is delivered to the participants in the second quarter of 2024. The remaining 60% will be delivered annually in five equal portions during the second quarter of 2025 to the second quarter of 2029 if the participants employment contracts are not terminated before the confirmation of the award. All delivered shares are subject to a 12-month retention period, where the participant cannot access or sell the shares. Unvested shares will not be delivered if the employment is terminated before the award payment, however, subject to local regulations and leaver provisions, unless the criteria for a "good leaver" is fulfilled.

If the financial circumstances of Nordea deteriorate or if the participant breaches internal policies, the awards to be given can be reduced or cancelled. There is also the possibility of clawbacks of deferred shares in similar situations. These conditions do not affect the assessment that the grant date is 31 March 2021 as the likelihood is low and all participants are aware of these conditions from the start.

General conditions

	LTIP 2021–2023
Ordinary share per right	1.0
Grant date	31 March 2021
Vesting period	3–8 years
Contractual life	8 years
First day of access for the first portion	Q2 2025

Fair value at grant date

	Vesting date					
	Q2 2024	Q2 2025	Q2 2026	Q2 2027	Q2 2028	Q2 2029
Maximum number of shares	586,000	175,800	175,800	175,800	175,800	175,800
Award life, years	3	4	5	6	7	8
aTSR	2.90	2.77	2.64	2.52	2.41	2.30
rTSR	2.38	2.27	2.16	2.06	1.97	1.88
EPS	6.45	6.16	5.89	5.62	5.37	5.13

The fair values of the rights are calculated using a Monte Carlo simulation (rTSR and aTSR) and Black & Scholes formula (EPS) using the following parameters:

Weighted average share price at grant date, EUR	8.41
Exercise price, EUR	–
Expected volatility	31.3%
Award life	See above
Expected dividends	4.6%
Risk-free interest rate	0.0%

The expected volatility is based on Nordea's historical daily share price volatility over a historical period of three years.

Conditional rights LTIP 2021–2023	aTSR	rTSR	EPS
	2021	2021	2021
Granted	488,333	488,333	488,333
Forfeited	–	–	–
Outstanding at the end of the year	488,333	488,333	488,333
- of which currently exercisable	–	–	–

Expired Long Term Incentive Programmes – 2012

The LTIP 2012 was fully expensed in May 2015. All shares in the LTIP 2012 are fully vested and consequently not conditional. 60% of the vested shares were deferred with forfeiture clauses in line with regulatory requirements and allotted over a five-year period, for the LTIP 2012 starting in May 2015.

Rights – LTIP 2012

	2021			2020		
	Matching share	Performance share I	Performance share II	Matching share	Performance share I	Performance share II
Outstanding at beginning of year	2,203	6,608	2,203	37,945	113,833	37,945
Allotted	–	–	–	-35,742	-107,225	-35,742
Outstanding at end of year[1]	**2,203**	**6,608**	**2,203**	**2,203**	**6,608**	**2,203**

1) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no exercise price for the deferred rights.

G8. Staff costs, cont.

Share-based variable remuneration programmes other than LTIP programmes

This section covers the variable share-based programmes where the instruments TSR indexation (cash-settled programme up until 2018) and shares (equity-settled programme as from 2019) are used for deferral/retention. The programmes are classified as: the Executive Incentive Programme (EIP), Variable Salary Part (VSP) and Bonus schemes.

The programmes are annual plans with a service condition for the respective years and are fully expensed in the year when they are earned (one-year vesting period). The individual allocations are awarded at the beginning of the subsequent year.

In 2021, participation in the EIP programme was offered to up to approx. 300 selected people leaders and key employees within the Nordea Group, including members of the GLT. Nordea introduced the EIP in 2013. The aim of the EIP is to strengthen Nordea's capability to recruit, motivate and retain selected people leaders and key employees outside of the GLT, as well as reward strong performance. The aim is also to further stimulate these people whose efforts have a direct impact on Nordea's results, profitability and long-term value growth. EIP 2021 rewards performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long-term results is to be considered when determining the targets. EIP awards will not exceed the fixed salary and are subject to deferral for all participants, and for material risk takers forfeiture clauses and retention apply in line with relevant remuneration regulations.

Variable Salary Part (VSP) is generally capped at 50% of fixed remuneration and offered to selected positions where variable remuneration is widespread market practice. VSP aims to reward strong performance and efforts. The assessment of individual performance is based on a predetermined set of well-defined financial as well as non-financial goals. Awards from VSP will not exceed the annual fixed salary and are paid in cash. For material risk takers, VSP awards are partly delivered in shares with subsequent retention. Parts of the awards for material risk takers in VSP are subject to at least a four-year pro rata deferral period with forfeiture conditions applying during the deferral period.

In 2021, bonus schemes were offered only to selected groups of employees in specific business areas or units as approved by the Board, e.g. in Large Corporates & Institutions, Nordea Asset Management, in Nordea Funds and within Treasury in Group Finance. The aim is to ensure strong performance and maintain cost flexibility for Nordea. Individual awards are determined based on detailed performance assessments covering a range of financial and non-financial goals. 2021 bonus awards from bonus schemes are paid in cash. For material risk takers, awards are partly delivered in shares with subsequent retention. Parts of the awards for material risk takers in a bonus scheme are subject to a four-to five-year pro rata deferral period with forfeiture conditions applying during the deferral period.

Deferrals from the EIP (including the EIP for GLT), VSP and bonus programmes not yet delivered to the participants as of 31 December 2021 are summarised in the following tables, including deferrals from the LTV programme (offered in 2018–2019) and deferrals stemming from compensation for contracts in previous employments (buy-outs). Such agreements can be offered only in exceptional cases, in the context of hiring new staff, limited to the first year of employment.

The table below shows the remaining liabilities for the cash-settled share-based programmes used 2014–2018.

2014–2018 share-linked deferrals (cash-settled)

EURm	2021	2020
Opening balance	32	74
Deferred/earned during the year	1	1
TSR indexation during the year	16	-4
Payments during the year	-25	-37
Translation differences	0	-2
Closing balance	**24**	**32**

The closing balances are expected to be settled the following years:

EURm	2021	2020
2021	–	17
2022	17	9
2023	3	3
2024	3	3
2025	1	0
2026	0	0
2027	0	–
Total	**24**	**32**

Starting from the 2019 performance year, share-based variable pay programmes are partly in the form of cash and partly in the form of Nordea shares, which makes the portion paid in Nordea shares an equity-settled share-based programme. The granting of shares in the programmes for 2021 is decided during spring 2022 and thus not included in the below tables, but in full recognised as an expense in the income statement in 2021. A provision of EUR 17m excl. social costs is made in 2021 for the portion to be paid in cash. EUR 16m was in addition recognised as an expense for the equity-settled share-based 2021 programme in the income statement and as an increase of equity.

Deferred awards with initial grant value EUR 1m earned before 1 Oct 2020 were carried over from Société Générale as part of acquisition of SG Finans A/S and replaced with similar instruments linked to Nordea share price. Fair value of these awards was EUR 1m at conversion period during Q1 2021. Of these awards EUR 0m were cash-based and EUR 1m is indexed to share price. EUR 0m of awards were paid according to the original vesting schedule during 2021. Fair value of the remaining liability is EUR 1m and is fully linked to Nordea share price as of 31 December 2021. The liability will mature during 2022–2024. These awards are not included in 2021 figures presented in the above tables.

G8. Staff costs, cont.

2019–2020 share-linked deferrals (equity-settled)

Number of shares	2021	2020
Outstanding at the beginning of the year	1,219,284	–
Granted[1]	3,108,905	2,550,367
Forfeited	-23,899	–
Allotted[2]	-1,780,627	-1,331,083
Outstanding at end of year	**2,523,663**	**1,219,284**
- of which currently exercisable		

1) Granted rights in 2021 are the number of shares from 2020 variable remuneration programmes granted in 2021. Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no exercise price for the deferred rights.

2) Allotted rights are subject to a one-year retention period after allotment to participants. Includes shares that have been allotted to participants but withheld to cover income taxes or social charges.

The outstanding rights are expected to be allotted the following years:

	2021	2020
2021	–	336,228
2022	807,845	330,921
2023	879,090	401,399
2024	520,251	39,931
2025	213,764	110,805
2026	102,713	–
Total	**2,523,663**	**1,219,284**

Additional disclosures on remuneration

The Board of Directors' report includes a separate section on remuneration, see page 83. Additional aggregated disclosures for executives, material risk takers and all Nordea employees will be published in a separate report on www.nordea.com no later than one week before the Annual General Meeting on 24 March 2022.

Gender distribution

In the parent company's Board of Directors, 60% (60%) of the AGM elected Board members are men and 40% (40%) are women. In the Board of Directors of Nordea Group companies, 68% (68%) are men and 32% (32%) are women. The corresponding numbers for other executives are 71% (71%) men and 29% (29%) women. Internal boards mainly consist of Nordea´s management, employee representatives excluded.

Average number of employees, full-time equivalents

	Total		Men		Women	
	2021	2020	2021	2020	2021	2020
Denmark	6,854	7,337	3,981	4,263	2,873	3,074
Sweden	6,049	6,265	2,960	3,060	3,089	3,205
Finland	5,818	5,968	2,316	2,342	3,502	3,626
Poland	4,586	4,412	2,544	2,495	2,042	1,917
Norway	2,864	2,830	1,535	1,528	1,329	1,302
Estonia	718	576	244	195	474	381
Luxembourg	190	191	104	108	86	83
United States	111	114	50	51	61	63
Russia	74	228	29	87	45	141
United Kingdom	38	48	25	29	13	19
China	27	28	13	12	14	16
Germany	16	42	12	24	4	18
Singapore	13	54	5	22	8	32
Portugal	13	2	5	1	8	1
Italy	11	9	8	7	3	2
Spain	6	6	4	3	2	3
Switzerland	4	4	4	4	–	–
France	4	3	3	3	1	–
Belgium	3	2	2	2	1	–
Chile	2	3	2	2	–	1
Austria	1	1	1	1	–	–
Total average	**27,402**	**28,123**	**13,847**	**14,239**	**13,555**	**13,884**
Total number of employees (FTEs), end of period	**26,894**	**28,051**				

G9. Other expenses

EURm	2021	2020
Information technology[1]	-522	-490
Marketing and representation	-44	-46
Postage, transport, telephone and office expenses	-48	-57
Rent, premises and real estate	-97	-128
Resolution fees	-224	-202
Professional services[2]	-104	-123
Market data services	-84	-89
Other	-103	-151
Total	**-1,226**	**-1,286**

Auditor's fees

EURm	2021	2020
PricewaterhouseCoopers		
Auditing assignments	-8	-8
Audit-related services[3]	-1	-1
Other assignments[3]	-1	-1
Total	**-10**	**-10**

1) "Information technology" includes IT consultancy fees.
2) "Professional services" includes the fees for the auditor.
3) PricewaterhouseCoopers Oy accounted for EUR 0.1m (EUR 0.1m) of "Audit-related services" and for EUR 0.6m (EUR 0.6m) of "Other assignments".

G10. Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2021	2020
Depreciation/amortisation		
Properties and equipment	-244	-255
Intangible assets	-361	-298
Total	**-605**	**-553**
Impairment charges, net		
Properties and equipment	-19	-7
Intangible assets	-40	-45
Total	**-59**	**-52**
Total	**-664**	**-605**

G11. Net loan losses

2021, EURm	Loans to central banks and credit institutions[2]	Loans to the public[2]	Interest-bearing securities	Off-balance sheet items[3]	Total
Net loan losses, stage 1	0	91	-12	33	112
Net loan losses, stage 2	1	92	–	10	103
Net loan losses, non-defaulted	**1**	**183**	**-12**	**43**	**215**
Stage 3, defaulted					
Net loan losses, individually assessed, collectively calculated[1]	–	-68	–	–	-68
Realised loan losses	–	-490	–	-3	-493
Decrease in provisions to cover realised loan losses	–	261	–	3	264
Recoveries of previously realised loan losses	1	52	–	–	53
Reimbursement right	–	–	–	1	1
New/increase in provisions	–	-399	–	-10	-409
Reversals of provisions	–	307	–	12	319
Net loan losses, defaulted	**1**	**-337**	**–**	**3**	**-333**
Net loan losses	**2**	**-154**	**-12**	**46**	**-118**

2020, EURm	Loans to central banks and credit institutions[2]	Loans to the public[2]	Interest-bearing securities	Off-balance sheet items[3]	Total
Net loan losses, stage 1	1	-119	-2	-35	-155
Net loan losses, stage 2	-1	-136	–	-63	-200
Net loan losses, non-defaulted	**0**	**-255**	**-2**	**-98**	**-355**
Stage 3, defaulted					
Net loan losses, individually assessed, collectively calculated[1]	2	-123	–	-6	-127
Realised loan losses	–	-564	–	-9	-573
Decrease in provisions to cover realised loan losses	–	368	–	9	377
Recoveries of previously realised loan losses	–	50	–	–	50
New/increase in provisions	–	-590	–	-11	-601
Reversals of provisions	–	304	–	17	321
Net loan losses, defaulted	**2**	**-555**	**–**	**0**	**-553**
Net loan losses	**2**	**-810**	**-2**	**-98**	**-908**

1) Includes individually identified assets for which the provision has been calculated based on statistical models.
2) Provisions included in Note G14 "Loans and impairment".
3) Provisions included in Note G2 "Risk and liquidity management" section 2 "Credit risk".

G12. Taxes

Income tax expense

EURm	2021	2020
Current tax	-824	-652
Deferred tax	-281	-46
Total	**-1,105**	**-698**

For total tax recognised in other comprehensive income, see Statement of comprehensive income.

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate in Finland as follows:

EURm	2021	2020
Profit before tax	4,936	2,963
Tax calculated at a tax rate of 20.0%	-987	-593
Effect of different tax rates in other countries	-97	-73
Income from associated undertakings	-7	-2
Tax-exempt income	27	24
Income subject to yield taxation	18	14
Non-deductible expenses	-45	-37
Prior year adjustments, current tax	90	47
Prior year adjustments, deferred tax	-78	-80
Utilisation and origination of unrecognised tax assets	2	5
Change of tax rate	0	3
Not creditable foreign taxes	-28	-6
Tax charge	**-1,105**	**-698**
Average effective tax rate	22.4%	23.6%

Movements in deferred tax assets and liabilities

EURm	1 Jan 2021	Charged to income statement	Charged to other comprehensive income	Translation differences	Other changes	31 Dec 2021
Deferred tax assets						
Tax losses carried forward	123	-114	–	1	-2	8
Loans to the public	76	17	-17	0	1	77
Derivatives	129	-40	3	6	–	98
Retirement benefits	94	-6	4	2	–	94
Liabilities/provisions	154	-57	–	1	–	98
Foreign tax credits	249	-249	–	–	–	0
Other	23	10	–	–	5	38
Netting between deferred tax assets and liabilities	-442	258	-11	–	–	-195
Total	**406**	**-181**	**-21**	**10**	**4**	**218**

G12. Taxes, cont.

EURm	1 Jan 2021	Charged to income statement	Charged to other comprehensive income	Translation differences	Other changes	31 Dec 2021
Deferred tax liabilities						
Loans to the public	399	2	5	–	1	407
Shares	54	-15	–	–	-1	38
Derivatives	11	3	–	1	–	15
Intangible assets	77	42	–	1	–	120
Properties and equipment	–	11	–	–	–	11
Investment properties	11	-3	–	–	-6	2
Retirement benefits	41	5	8	2	–	56
Liabilities/provisions	0	1	–	–	–	1
Other	18	-1	–	–	4	21
Elimination of temporary differences existing in multiple jurisdictions	267	-203	-4	-1	–	59
Netting between deferred tax assets and liabilities	-442	258	-11	–	–	-195
Total	**436**	**100**	**-2**	**3**	**-2**	**535**

EURm	1 Jan 2020	Charged to income statement	Charged to other comprehensive income	Charged directly to equity	Translation differences	Other changes	31 Dec 2020
Deferred tax assets							
Tax losses carried forward	118	25	–	–	0	-20	123
Loans to the public	74	2	–	–	0	–	76
Derivatives	126	14	–	–	-7	-4	129
Retirement benefits	126	-24	-4	–	-1	-3	94
Liabilities/provisions	160	-31	–	22	-1	4	154
Foreign tax credits	225	24	–	–	0	–	249
Other	11	24	–	–	-1	-11	23
Netting between deferred tax assets and liabilities	-353	-55	-3	-22	1	-10	-442
Total	**487**	**-21**	**-7**	**0**	**-9**	**-44**	**406**

EURm	1 Jan 2020	Charged to income statement	Charged to other comprehensive income	Charged directly to equity	Acquisitions and disposals	Translation differences	Other changes	31 Dec 2020
Deferred tax liabilities								
Loans to the public	387	20	–	–	2	0	-10	399
Shares	–	-10	–	–	–	–	64	54
Derivatives	28	-18	5	–	–	-1	-3	11
Intangible assets	94	9	–	–	3	1	-30	77
Investment properties	4	6	–	–	–	–	1	11
Retirement benefits	46	-5	–	–	–	0	0	41
Liabilities/provisions	56	-1	–	–	–	0	-55	0
Other	26	-9	–	–	–	0	1	18
Elimination of temporary differences existing in multiple jurisdictions	193	88	–	–	–	–	-14	267
Netting between deferred tax assets and liabilities	-353	-55	-3	-22	–	0	-9	-442
Total	**481**	**25**	**2**	**-22**	**5**	**0**	**-55**	**436**

G12. Taxes, cont.

Unrecognised deferred tax assets

EURm	31 Dec 2021	31 Dec 2020
Deductible temporary differences		
Unused tax losses carried forward with no expiry date	1	3
Unused tax losses carried forward	**1**	**3**
Unused tax credits expiring within 12 months	4	6
Unused tax credits expiring after 12 months	556	369
Unused tax credits	**560**	**375**
Total	**561**	**378**

The Nordea Group's deferred tax assets on the balance sheet amounted to EUR 218m (EUR 406m) at the end of 2021. The recognition and measurement of deferred tax assets is based on an assessment of the probability and amount of future taxable profits as well as on future reversals of existing taxable temporary differences.

Additionally, the Group has unrecognised deferred tax assets of EUR 1m (EUR 3m) in relation to tax loss carry forwards in various entities as well as EUR 560m (EUR 375m) in relation to unused foreign tax credits. Unrecognised deferred tax assets relating to tax losses may be recovered in the event of extraordinary taxable income arising in the relevant entities. Unrecognised deferred tax assets relating to foreign tax credits may be recovered in the event of unexpected differences in the timing of taxation or the tax base between the head office and branches.

G13. Earnings per share

	2021	2020
Earnings:		
Profit attributable to shareholders of Nordea Bank Abp, EURm	3,805	2,238
Number of shares (millions):		
Number of shares outstanding at beginning of year	4,050	4,050
Average number of repurchased shares under the share buy-back programme	-13	–
Average number of shares held for remuneration purposes or in the trading portfolio	-14	-12
Weighted average number of basic shares outstanding	**4,023**	**4,038**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	2	1
Weighted average number of diluted shares outstanding	**4,025**	**4,039**
Basic earnings per share, EUR	0.95	0.55
Diluted earnings per share, EUR	0.95	0.55

1) Related to the Executive Incentive Programme (EIP) in 2021 and to the Long Term Incentive Programmes (LTIP). For further information on these programmes, see Note G8 "Staff costs".

G14. Loans and impairment

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

Nordea has granted EUR 170bn (EUR 158bn) in mortgage credits. No intermediary credits or public sector credits have been granted.

G15. Interest-bearing securities

EURm	31 Dec 2021	31 Dec 2020
State, municipalities and other public bodies	19,228	16,810
Mortgage institutions	21,412	19,108
Other credit institutions	18,245	22,207
Corporates	2,433	2,261
Other	2,065	2,123
Total	**63,383**	**62,509**

Provisions for credit risks amounted to EUR 15m (3m).

G16. Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterparty receiving the collateral has the right to sell or repledge the assets, the assets are reclassified on the balance sheet to the item "Financial instruments pledged as collateral".

EURm	31 Dec 2021	31 Dec 2020
Interest-bearing securities	1,668	3,795
Total	**1,668**	**3,795**

For information on transferred assets and reverse repurchase agreements, see Note G43 "Transferred assets and obtained collateral".

G17. Shares

EURm	31 Dec 2021	31 Dec 2020
Shares	3,713	2,533
Fund units, equity related	7,967	7,179
Fund units, interest related	3,537	2,937
Total	**15,217**	**12,649**

G18. Assets and deposits in pooled schemes and unit-linked investment contracts

EURm	31 Dec 2021	31 Dec 2020
Assets		
Interest-bearing securities	1,431	1,487
Shares	44,748	34,516
Properties	602	361
Other assets	131	120
Total	**46,912**	**36,484**
Liabilities		
Pooled schemes	4,857	4,421
Unit-linked investment contracts	43,344	33,113
Total	**48,201**	**37,534**

Life & Pension and Nordea Denmark, branch of Nordea Bank Abp, have assets and liabilities included on their balance sheets for which customers bear the risk. Since the assets and liabilities legally belong to the entities, which also carry the risks and rewards, these assets and liabilities are included on the Group's balance sheet.

G19. Derivatives and hedge accounting

Nordea enters into derivatives for trading and risk management purposes. Nordea may take positions with the expectation of profiting from favourable movements in prices, rates or indices. The trading portfolio is treated as trading risk for risk management purposes. Derivatives held for risk management purposes include hedges that meet the hedge accounting requirements and hedges that are economic hedges, but do not meet the hedge accounting requirements.

Fair value in this note represents derivatives after assets and liabilities have been set off on the balance sheet. Derivatives set off on the balance sheet are in this note presented as a reduction in derivatives held for the same purpose, i.e. derivatives used for the purpose of hedge accounting are set off against other derivatives used for hedge accounting and derivatives not used for hedge accounting are set off against other derivatives not used for hedge accounting.

The table below shows the fair value of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of market risk nor credit risk.

	Fair value		Nominal
31 Dec 2021, EURm	Positive	Negative	amount
Derivatives not used for hedge accounting	28,139	30,186	6,303,553
Fair value hedges[1]	1,320	608	259,426
Cash flow hedges[1]	481	503	22,757
Net investment hedges	260	188	3,749
Total derivatives	**30,200**	**31,485**	**6,589,485**

	Fair value		Nominal
31 Dec 2020, EURm	Positive	Negative	amount
Derivatives not used for hedge accounting	41,323	45,012	6,526,630
Fair value hedges[1]	2,416	667	188,799
Cash flow hedges[1]	903	1,005	25,591
Net investment hedges	128	349	6,463
Total derivatives	**44,770**	**47,033**	**6,747,483**

1) Some cross-currency interest rate swaps are used both as fair value hedges and cash flow hedges. The nominal amounts of these instruments have been split between the rows "Fair value hedges" and "Cash flow hedges" in the table above based on the relative fair value of these hedging instruments. As at 31 December 2021 the total nominal amount of cross-currency interest rate swaps amounted to EUR 27,932m (EUR 29,057m).

Derivatives not used for hedge accounting

	Fair value		Nominal
31 Dec 2021, EURm	Positive	Negative	amount
Interest rate derivatives			
Interest rate swaps	15,438	16,166	3,629,671
FRAs	31	51	1,220,039
Futures and forwards	10	36	80,269
Options	3,364	3,808	409,479
Total	**18,843**	**20,061**	**5,339,458**
Equity derivatives			
Equity swaps	210	273	16,315
Futures and forwards	1	19	1,210
Options	137	563	9,015
Total	**348**	**855**	**26,540**
Foreign exchange derivatives			
Currency and interest rate swaps	4,875	5,570	368,437
Currency forwards	3,028	2,541	382,221
Options	105	121	15,179
Total	**8,008**	**8,232**	**765,837**
Other derivatives			
Credit default swaps (CDS)	934	987	171,167
Commodity derivatives	4	42	499
Other derivatives	2	9	52
Total	**940**	**1,038**	**171,718**
Total derivatives not used for hedge accounting	**28,139**	**30,186**	**6,303,553**

	Fair value		Nominal
31 Dec 2020, EURm	Positive	Negative	amount
Interest rate derivatives			
Interest rate swaps	21,844	22,450	3,509,766
FRAs	18	26	1,506,776
Futures and forwards	13	16	132,448
Options	6,319	6,624	439,317
Total	**28,194**	**29,116**	**5,588,307**
Equity derivatives			
Equity swaps	227	201	9,989
Futures and forwards	11	46	1,000
Options	142	519	6,890
Total	**380**	**766**	**17,879**
Foreign exchange derivatives			
Currency and interest rate swaps	7,275	8,258	366,130
Currency forwards	4,581	5,708	380,818
Options	197	115	16,668
Total	**12,053**	**14,081**	**763,616**
Other derivatives			
Credit default swaps (CDS)	693	1,036	153,917
Commodity derivatives	0	0	2,833
Other derivatives	3	13	78
Total	**696**	**1,049**	**156,828**
Total derivatives not used for hedge accounting	**41,323**	**45,012**	**6,526,630**

G19. Derivatives and hedge accounting, cont.

Risk management

Nordea manages its identified market risks according to the risk management framework and strategy described in section 4 "Market risk" in Note G2 "Risk and liquidity management".

Nordea classifies its exposures to market risk into either trading (the trading book) or non-trading (the banking book) portfolios that are managed separately.

The trading book consists of all positions in financial instruments held by Nordea either with trading intent or in order to hedge positions held with trading intent. Positions held with trading intent are those held intentionally for short-term resale or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations.

The banking book comprises all positions not held in the trading book. All hedges qualifying for hedge accounting are treated as banking book instruments. The hedging instruments and risks hedged are further described below by risk and hedge accounting type.

Interest rate risk

Nordea's primary business model is to collect deposits and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on Nordea's margins, profit or loss and equity. Interest rate risk arises from mismatches between interest-bearing assets and interest-bearing liabilities.

As part of Nordea's risk management strategy, the Board has established limits on the non-trading interest rate gaps for interest rate sensitivities. These limits are consistent with Nordea's risk appetite and Nordea aligns its hedge accounting objectives to keep exposures within those limits. Nordea's policy is to monitor positions on a daily basis. For further information on measurement of risks, see section 4 "Market risk" in Note G2 "Risk and liquidity management".

For hedge accounting relationships related to interest rate risk, the hedged risk is the change in the fair value of the hedged item due to changes in benchmark interest rates. The hedge ratio is established by matching the notional of the derivatives against the principal of the hedged items.

In order to hedge and manage the risk and limit the impact on Nordea's margins, profit or loss and equity, Nordea uses hedging instruments to swap interest rate exposures into either fixed or variable rates.

The risk components of hedged items designated by the Group consist of:

- Benchmark interest rate risk as a component of interest rate risk, i.e. IBORs which also include new alternative reference rates (ARR) such as SOFR, ESTR or SONIA. Using the benchmark interest rate risk can result in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship.
- Components of cashflows of hedged items.

The benchmark rate is determined as a change in the present value of the future cash flows using benchmark discount curves. The benchmark rate is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Fair value hedges

Nordea enters into interest rate swaps and cross-currency interest rate swaps in order to reduce or eliminate changes in the fair value of the hedged items due to interest rate risk.

Hedged items are fixed rate financial assets and liabilities in both local and foreign currencies such as loans, FVOCI debt securities, deposits and debt securities in issue.

Hedging instruments are interest rate swaps and cross-currency interest rate swaps (the portion related to interest rate risk is designated in fair value hedge relationships).

Nordea applies fair value hedge accounting both at micro level at which one hedged item is hedged using one or several hedging instruments and at portfolio level where groups of items are hedged using multiple hedging instruments. Nordea applies fair value hedge accounting at micro level for hedging fixed-rate FVOCI debt securities and fixed-rate debt securities in issue.

Portfolio fair value hedge accounting is applied for hedging loans and deposits, where fixed-rate loans and term deposits are initially offset and the residual exposure hedged using a portfolio of interest rate swaps up to the designated portion of either the net asset or liability in a given time bucket. For hedge effectiveness testing Nordea uses both critical terms matching (for prospective effectiveness testing) and regression analysis (for retrospective effectiveness testing).

The table below presents the accumulated fair value adjustments arising from continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

Hedged items

	Interest rate risk 2021		Interest rate risk 2020	
EURm	Carrying amount of hedged assets/ liabilities[1]	of which accumulated amount of fair value hedge adjustment[2]	Carrying amount of hedged assets/ liabilities[1]	of which accumulated amount of fair value hedge adjustment[2]
Fair value hedges				
Loans to the public	94,177	-65	56,209	359
Interest-bearing securities[3]	14,732	0	18,155	–
Assets	**108,909**	**-65**	**74,364**	**359**
Deposits and borrowings from the public	18,109	81	16,987	534
Debt securitites in issue	62,166	619	66,481	1,736
Subordinated liabilities	5,714	105	6,587	338
Liabilities	**85,989**	**805**	**90,055**	**2,608**

1) The balance sheet row "Fair value changes of hedged items in hedges of interest rate risk" has been split between the individual rows in this column.
2) Of which all relate to continuing hedges of interest rate risk.
3) This row includes "Financial instruments pledged as collateral".

G19. Derivatives and hedge accounting, cont.

The following table provides information about the hedging instruments.

Hedging instruments

31 Dec 2021, EURm	Fair value Positive	Fair value Negative	Nominal amount
Fair value hedges			
Interest rate risk	1,320	608	259,426

31 Dec 2020, EURm	Fair value Positive	Fair value Negative	Nominal amount
Fair value hedges			
Interest rate risk	2,416	667	188,799

The table below presents the changes in the fair value of the hedging instruments and the changes in the fair value of the hedged item used as the basis for recognising ineffectiveness. These changes are recognised in the line item "Net result from items at fair value" in the income statement.

Hedge ineffectiveness

EURm	Interest rate risk 2021	Interest rate risk 2020
Fair value hedges		
Changes in fair value of hedging instruments	-1,189	296
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	1,162	-323
Hedge ineffectiveness recognised in the income statement[1,2]	-27	-27

1) Recognised in the line item "Net result from items at fair value".
2) When disclosing hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) have not been considered.

Sources of ineffectiveness include the following:
- A mismatch between the reset frequency of the swap and the benchmark frequency.
- The fair value of the floating leg of the swap on a date other than the reset date.

Cash flow hedges

Nordea's cash flow hedges of interest rate risk relate to exposures to the variability in future interest payments and receipts due to the movement of benchmark interest rates on forecast transactions and on recognised financial assets and financial liabilities. This variability in cash flows is hedged by interest rate swaps, fixing the hedged cash flows according to Nordea's policies and risk management strategy described in section 10 "Hedge accounting" in Note G1 and in section 4 "Market risk" in Note G2 "Risk and liquidity management".

The hypothetical derivative method is used for effectiveness testing. The hypothetical derivative represents the characteristics of the hedged items (variable rate loans) in terms of the hedged volume, repricing and interest payment periods. Hedge effectiviness is calculated on a cumulative basis by comparing changes in a portfolio of interest rate swaps (hedging instruments) and hypothetical derivatives. Changes in the valuation of the hedging instruments that are part of effective cash flow hedge relationships are recognised in the cash flow hedge reserve accumulated in equity through other comprehensive income.

The tables below provide information about the hedging instruments in hedges of interest rate risk, including the notional and the fair value of the hedging instruments.

Hedging instruments

31 Dec 2021, EURm	Fair value Positive	Fair value Negative	Nominal amount
Cash flow hedges			
Interest rate risk	22	–	750

31 Dec 2020, EURm	Fair value Positive	Fair value Negative	Nominal amount
Cash flow hedges			
Interest rate risk	38	14	2,134

The table below specifies the changes in fair value of hedging instruments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year. The table also presents changes in value of hedged items used to measure hedge ineffectiveness, separately showing the effective and ineffective portions.

Hedge ineffectiveness

EURm	Interest rate risk 2021	Interest rate risk 2020
Cash flow hedges		
Changes in fair value of hedging instruments	-2	8
Changes in value of hedged items used as basis for recognising hedge ineffectiveness	2	-8
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	-2	8

1) Recognised in the line item "Net result from items at fair value".
2) When disclosing hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) have not been considered.

Cash flow hedge reserve

EURm	Interest rate risk 2021	Interest rate risk 2020
Balance at 1 Jan	12	11
Cash flow hedges:		
Valuation gains/losses	-2	8
Tax on valuation gains/losses	0	-2
Transferred to the income statement	-8	-6
Tax on transfers to the income statement	2	1
Other comprehensive income, net of tax	-8	1
Total comprehensive income	-8	1
Balance at 31 Dec	4	12
of which relates to continuing hedges for which hedge accounting is applied	4	12
of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

G19. Derivatives and hedge accounting, cont.

The maturity profile of Nordea's hedging instruments used to hedge interest rate risk (both fair value and cash flow hedge accounting) is shown below:

Maturity profile of the nominal amount of hedging instruments

31 Dec 2021, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging interest rate risk	–	34,387	49,215	130,206	46,368	260,176
Total	**–**	**34,387**	**49,215**	**130,206**	**46,368**	**260,176**

31 Dec 2020, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging interest rate risk	–	10,698	19,668	113,978	46,589	190,933
Total	**–**	**10,698**	**19,668**	**113,978**	**46,589**	**190,933**

Average interest rate of instruments hedging interest rate risk

The average interest rate of the fixed leg of instruments hedging interest rate risk as at 31 December 2021 was 0.37% (0.84%).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk from trading activities is limited through a VaR limit, while foreign exchange risk from structural exposures as described below is limited through a stress loss limit for the CET1 ratio impact from foreign exchange fluctuations in a severe but plausible stress scenario, see section 4 "Market risk" in Note G2 "Risk and liquidity management".

Nordea's issuance of credits and borrowing can be denominated in the currency of the borrower or investor. Borrowing, investing and lending are not always executed in the same currency, thus exposing Nordea to a foreign exchange risk. Differences in exposures to individual currencies that exist between different transactions are predominantly matched by entering into cross-currency interest rate swaps. The currency component is designated as a cash flow hedge of the currency risk and the interest component as a fair value hedge of the interest rate risk.

In addition to the above, Nordea also has exposure to structural foreign currency risk through its foreign operations that have a functional currency other than Nordea's presentation currency, EUR (i.e. a translation risk). Fluctuations in spot exchange rates will cause Nordea's reported net investment in foreign operations to vary and the CET1 ratio to fluctuate due to the currency mismatch between equity and risk exposure amounts. Nordea applies hedge accounting when it hedges its investments in fully consolidated foreign operations whose functional currency is not EUR.

For hedge accounting relationships related to currency risk, the hedged item is a foreign currency component. The hedge ratio is one to one and is established by matching the notional of the derivatives against the principal of the hedged items.

The currency component is determined as the change in the present value of the future cash flows using foreign exchange curves. The foreign currency component is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Cash flow and net investment hedges

Hedged items in cash flow hedges of currency risk are (1) issuance in foreign currencies as well as (2) intra-group lending in foreign currencies where the foreign exchange impact is not eliminated on consolidation. Nordea uses cross-currency interest rate swaps, both float to float and fixed to float, of which the portion related to foreign currency risk, including the cross currency basis impact, is designated as a cash flow hedge. Hedging relationships are established at micro level where each hedged item is hedged using one hedging instrument or a portfolio of hedging instruments.

For net investment hedges Nordea uses short-term foreign exchange swaps as hedging instruments, and changes to the spot rate are designated as the hedged risk.

The tables below provide information about the hedging instruments in hedges of currency risks, including the notional and the fair value of the hedging instruments.

Hedging instruments

	Fair value		
31 Dec 2021, EURm	Positive	Negative	Nominal amount
Cash flow hedges			
Foreign exchange risk	459	503	22,007
Net investment hedges			
Foreign exchange risk	260	188	3,749
Total derivatives used for hedge accounting	**719**	**691**	**25,756**

	Fair value		
31 Dec 2020, EURm	Positive	Negative	Nominal amount
Cash flow hedges			
Foreign exchange risk	865	991	23,457
Net investment hedges			
Foreign exchange risk	128	349	6,463
Total derivatives used for hedge accounting	**993**	**1,340**	**29,920**

The table below specifies the changes in fair value of hedging instruments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year. The table also presents changes in value of hedged items used to measure hedge ineffectiveness, separately showing the effective and ineffective portions.

G19. Derivatives and hedge accounting, cont.

Hedge ineffectiveness

	Foreign exchange risk	
EURm	2021	2020
Cash flow hedges		
Changes in fair value of hedging instruments	45	-720
Changes in value of hedged items used as basis for recognising hedge ineffectiveness	-45	720
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	45	-720
Net investment hedges		
Changes in fair value of hedging instruments	-1	117
Changes in value of hedged items used as basis for recognising hedge ineffectiveness	1	-117
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	-1	117

1) Recognised in the line item "Net result from items at fair value".
2) When disclosing hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) have not been considered.

Cash flow hedge reserve

	Foreign exchange risk	
EURm	2021	2020
Balance at 1 Jan	-22	-37
Cash flow hedges:		
Valuation gains/losses	45	-720
Tax on valuation gains/losses	-3	137
Transferred to the income statement	15	739
Tax on transfers to the income statement	-9	-141
Other comprehensive income, net of tax	48	15
Total comprehensive income	48	15
Balance at 31 Dec	**26**	**-22**
of which relates to continuing hedges for which hedge accounting is applied	26	-22
of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

Maturity profile of the nominal amount of hedging instruments

31 Dec 2021, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging foreign exchange risk	–	1,450	1,888	15,275	7,143	25,756
Total	–	**1,450**	**1,888**	**15,275**	**7,143**	**25,756**

31 Dec 2020, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging foreign exchange risk	–	4,138	14,182	8,690	2,910	29,920
Total	–	**4,138**	**14,182**	**8,690**	**2,910**	**29,920**

Average forward exchange rates of instruments hedging foreign exchange risk

The average forward exchange rates of instruments hedging foreign exchange risk as at 31 December are presented in the table below.

31 Dec 2021	NOK	SEK	USD	RUB
EUR	10,17	10,14	1,17	83,90

31 Dec 2020	NOK	SEK	USD	RUB
EUR	10,57	10,30	1,14	90,11

G20. Investments in associated undertakings and joint ventures

EURm	31 Dec 2021	31 Dec 2020
Acquisition value at beginning of year	576	593
Acquisitions	3	8
Sales	–	-8
Share in earnings	13	-1
Share of other comprehensive income	0	-1
Dividend received	-13	-7
Reclassifications	-342	–
Translation differences	10	-8
Acquisition value at end of year	**247**	**576**
Accumulated impairment charges at beginning of year	-21	-21
Impairment charges	-19	–
Translation differences	0	0
Accumulated impairment charges at end of year	**-40**	**-21**
Total	**207**	**555**

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2021[1]	31 Dec 2020
Total assets	462	3,379
Net profit for the year	7	12
Other comprehensive income	0	-1
Total comprehensive income	7	11

1) Excluding Luminor Holding AS.

In 2020 Nordea had one material associated undertaking, Luminor Holding AS. The company is the result of the merger of Nordea's and DnB's operations in the Baltics. In 2018 the investment was classified as a joint venture as Nordea held 50.0% of the voting rights. Nordea sold shares in Luminor in 2019 and the holding was classified as an associated undertaking. In 2021 additional shares were sold and Nordea currently holds 11.6% of the shares in Luminor.

As communicated on 13 September 2018, Nordea and Blackstone have entered into an agreement to sell Nordea's remaining holding in Luminor. The holding was reclassified to "Assets held for sale" on 30 September 2021 when Nordea concluded that the requirements in IFRS 5 had been fulfilled as the sale of the remaining shares was expected within one year. Income from Luminor was recognised using the equity method and presented as "Profit from associated undertakings and joint ventures accounted for under the equity method" up until 30 September 2021. During the fourth quarter Nordea accounted for the holding as shares held at fair value as Nordea no longer has any significant influence over Luminor. The fair value of the shares in Luminor equals Nordea´s share of the equity of Luminor. As the expected sales price according to the forward sale agreement is 90% of the equity of Luminor, the difference is recognised as a derivative with negative fair value.

Luminor applies IFRS in its consolidated financial statements, and the balance sheet and income statement below are based on IFRS. The disclosed figures show the entire Luminor Group, not just Nordea's share. As Luminor was not an associated undertaking on 31 December 2021, no balance sheet figures are disclosed for this date. The income statement shows the result for the period when Luminor was an associated undertaking in 2021, i.e. until 30 September.

Luminor Group – balance sheet

EURm	31 Dec 2021	31 Dec 2020
Assets		
Cash and balances with central banks	–	4,927
Loans to central banks and credit institutions	–	104
Loans to the public	–	9,431
Interest-bearing securities	–	287
Derivatives	–	43
Other assets	–	132
Total assets	**–**	**14,924**
Liabilities and equity		
Deposits by credit institutions	–	47
Deposits and borrowings from the public	–	11,822
Debt securities in issue	–	1,201
Derivatives	–	51
Other liabilities	–	138
Equity	–	1,665
Total liabilities and equity	**–**	**14,924**

Luminor Group – income statement

	9 months	12 months
EURm	2021	2020
Interest income	198	274
Interest expense	-23	-47
Net fee and commission income	55	74
Net result from items at fair value	15	28
Other income	2	7
Total operating income	**247**	**336**
Staff costs	-72	-100
Other administrative expenses	-124	-170
Depreciation and amortisation	-9	-12
Net loan losses	17	-18
Operating profit	**59**	**36**
Income tax expense	-5	-3
Net profit for the year	**54**	**33**
Other comprehensive income	0	0
Total comprehensive income	**54**	**33**

G20. Investments in associated undertakings and joint ventures, cont.

Associated undertakings

31 Dec 2021	Registration number	Domicile	Carrying amount 2021, EURm	Carrying amount 2020, EURm	Voting power of holding %	Ownership %
Eksportfinans ASA	816521432	Oslo	133	142	23	23
Eiendomsverdi AS	881971682	Oslo	14	14	25	25
Suomen Luotto-osuuskunta	0201646-0	Helsinki	1	2	27	27
E-nettet Holding A/S	28308019	Copenhagen	3	3	18	18
Trill Impact AB	559196-0827	Stockholm	10	9	6	40
NF Fleet Oy	2006935-5	Espoo	9	9	20	20
NF Fleet AB	556692-3271	Stockholm	6	6	20	20
NF Fleet A/S	29185263	Copenhagen	5	5	20	20
NF Fleet AS	988906808	Oslo	3	3	20	20
Bankomat AB	556817-9716	Stockholm	9	8	20	20
Luminor Holding AS[1]	14723133	Estonia	–	333	–	–
Mondido Payments AB	556960-7129	Stockholm	–	4	14	14
Financial Transaction Service B.V.	68914016	Amsterdam	4	5	19	15
Subaio ApS	37766585	Aalborg	1	1	25	25
Other			1	2		
Total			**199**	**546**		

1) Reclassified to "Assets held for sale" during 2021.

Nordea's share of the joint ventures' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2021	31 Dec 2020
Total assets	5	12
Net profit for the year	-5	1
Total comprehensive income	**-5**	**1**

Joint ventures

	Registration number	Domicile	Carrying amount 2021, EURm	Carrying amount 2020, EURm	Voting power of holding %	Ownership %	Average number of FTE
Siirto Brand Oy	3102648-1	Helsinki	1	0	50	50	–
Invidem AB	559210-0779	Stockholm	1	2	17	17	36
P27Nordic Payments Platform AB	559198-9610	Stockholm	6	7	17	17	44
Total			**8**	**9**			
Total associated undertakings and joint ventures			**207**	**555**			

For information about investments in group undertakings and companies for which Nordea has unlimited responsibility, see Note P20 "Investments in group undertakings".

G21. Intangible assets

Cash-generating units, EURm	Goodwill[1] 31 Dec 2021	Computer software 31 Dec 2021	Total 31 Dec 2021	Goodwill[1] 31 Dec 2020	Computer software 31 Dec 2020	Total 31 Dec 2020
Personal Banking	1,053	590	1,643	1,040	588	1,628
Business Banking	751	522	1,273	732	536	1,268
Large Corporates & Institutions	171	336	507	166	352	518
Asset & Wealth Management	–	195	195	–	192	192
Total	**1,975**	**1,643**	**3,618**	**1,938**	**1,668**	**3,606**
Other intangible assets	–	–	166	–	–	165
Total intangible assets	**1,975**	**1,643**	**3,784**	**1,938**	**1,668**	**3,771**

1) Excluding goodwill in associated undertakings.

Movements in goodwill, EURm	31 Dec 2021	31 Dec 2020
Acquisition value at beginning of year	2,079	2,110
Acquisitions	–	15
Translation differences	37	-46
Acquisition value at end of year	**2,116**	**2,079**
Accumulated impairment charges at beginning of year	-141	-141
Accumulated impairment charges at end of year	**-141**	**-141**
Total	**1,975**	**1,938**

Movements in computer software, EURm	31 Dec 2021	31 Dec 2020
Acquisition value at beginning of year	2,580	2,782
Acquisitions	331	351
Sales/disposals	-103	-574
Translation differences	-14	21
Acquisition value at end of year	**2,794**	**2,580**
Accumulated amortisation at beginning of year	-698	-606
Amortisation according to plan	-307	-246
Accumulated amortisation on sales/disposals	48	160
Translation differences	2	-6
Accumulated amortisation at end of year	**-955**	**-698**
Accumulated impairment charges at beginning of year	-214	-585
Accumulated impairment charges on sales/disposals	55	414
Impairment charges	-40	-45
Translation differences	3	2
Accumulated impairment charges at end of year	**-196**	**-214**
Total	**1,643**	**1,668**

Impairment testing of goodwill and computer software

A cash-generating unit (CGU), defined as the operating segment, is the basis for the impairment test.

The impairment test is performed for each CGU by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount. The recoverable amount is the value in use and is estimated based on the discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

Cash flows for the coming three years are based on financial forecasts. The forecasts are based on Nordea's macroeconomic outlook, including information on GDP growth, inflation and benchmark rates for the relevant countries. Based on these macro forecasts, the business areas project how margins, volumes, sales and costs will develop over the coming years. Credit losses are estimated using the long-term average for the different business areas. This results in an income statement for each year. The projected cash flow for each year is the forecast net result in these income statements, reduced by the capital needed to grow the business in accordance with the long-term growth assumptions. For CGUs with more capital than the Group's CET1 target, the expected dividends are included in the cash flows generated by the CGUs down to the Group's CET1 target over a three-year period. The projections take into consideration the major projects initiated at Nordea. There is also an allocation of central costs to business areas to make sure that the cash flows for the CGUs include all indirect costs. Tax costs are estimated based on the standard tax rate. Cash flows for the period beyond the forecasting period are based on estimated sector growth rates. Growth rates are based on historical data, updated to reflect the current situation.

The derived cash flows are discounted at a rate based on the market's long-term risk-free rate of interest and yield requirements. The discount rate used in 2021 was 6.8% and the growth rate 1.6%. For 2020 the average discount rate was 5.8% and the average growth rate was 1.4%. The CGUs cover all Nordic currencies. As from 2021 Nordea discounts the future estimated cash flows using one EUR rate for all CGUs. In 2020 Nordea used a weighted average of discount rates in the different currencies.

The impairment tests conducted in 2021 did not indicate any need for goodwill impairment. See also section 4 of Note G1 "Accounting policies" for more information.

Both an increase in the discount rate of 1 percentage point and a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in the key assumptions. Such a change would not result in any impairment.

G22. Properties and equipment

	31 Dec 2021			31 Dec 2020		
EURm	Owned	Right of use assets	Total	Owned	Right of use assets	Total
Equipment	363	6	369	424	15	439
Land and buildings	51	1,325	1,376	48	1,444	1,492
Total	**414**	**1,331**	**1,745**	**472**	**1,459**	**1,931**
Equipment						
Acquisition value at beginning of year	1,361	33	1,394	1,358	26	1,384
Acquisitions	33	3	36	69	9	78
Sales/disposals	-47	-22	-69	-60	-2	-62
Reclassifications	-7	–	-7	–	–	–
Translation differences	3	0	3	-6	0	-6
Acquisition value at end of year	**1,343**	**14**	**1,357**	**1,361**	**33**	**1,394**
Accumulated depreciation at beginning of year	-930	-18	-948	-895	-7	-902
Accumulated depreciation on sales/disposals	31	19	50	44	2	46
Reclassifications	7	–	7	–	–	–
Depreciation according to plan	-78	-9	-87	-84	-11	-95
Translation differences	-2	0	-2	5	-2	3
Accumulated depreciation at end of year	**-972**	**-8**	**-980**	**-930**	**-18**	**-948**
Accumulated impairment charges at beginning of year	-7	–	-7	-16	–	-16
Accumulated impairment charges on sales/disposals	12	–	12	8	–	8
Impairment charges, net	-13	–	-13	0	–	0
Translation differences	–	–	–	1	–	1
Accumulated impairment charges at end of year	**-8**	**–**	**-8**	**-7**	**–**	**-7**
Total	**363**	**6**	**369**	**424**	**15**	**439**
Land and buildings						
Acquisition value at beginning of year	51	1,774	1,825	55	1,667	1,722
Acquisitions	1	54	55	–	165	165
Sales/disposals	–	-49	-49	-3	-59	-62
Translation differences	3	-2	1	-1	1	0
Acquisition value at end of year	**55**	**1,777**	**1,832**	**51**	**1,774**	**1,825**
Accumulated depreciation at beginning of year	-3	-307	-310	-5	-164	-169
Accumulated depreciation on sales/disposals	–	26	26	2	18	20
Depreciation according to plan	–	-157	-157	0	-160	-160
Translation differences	-1	0	-1	0	-1	-1
Accumulated depreciation at end of year	**-4**	**-438**	**-442**	**-3**	**-307**	**-310**
Accumulated impairment charges at beginning of year	–	-23	-23	-1	-16	-17
Accumulated impairment charges on sales/disposals	–	16	16	–	–	–
Impairment charges, net	–	-6	-6	–	-7	-7
Translation differences	–	-1	-1	1	0	1
Accumulated impairment charges at end of year	**–**	**-14**	**-14**	**–**	**-23**	**-23**
Total	**51**	**1,325**	**1,376**	**48**	**1,444**	**1,492**

G23. Leasing

Nordea as a lessor

Finance leases

Nordea owns assets leased to customers under finance leases. Finance leases are reported as receivables from the lessee included in "Loans to the public" (see Note G14) at an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

The table below shows a reconciliation of gross investments and the present value of future minimum lease payments.

EURm	31 Dec 2021	31 Dec 2020
Gross investments	10,183	10,155
Less unearned finance income	-989	-982
Net investments in finance leases	**9,194**	**9,173**
Less unguaranteed residual values accruing to the benefit of the lessor	-7	-6
Present value of future minimum lease payments receivable	**9,187**	**9,167**
Accumulated allowance for uncollectible minimum lease payments receivable	-17	-23

The residual value risk of finance leases is carried by the vendor or by the lessee according to the terms of the contract.

As at 31 December 2021 the gross investment and the net investment by remaining maturity were distributed as follows:

	31 Dec 2021	
EURm	Gross investment	Net investment
2022	2,879	2,584
2023	2,544	2,273
2024	2,249	2,031
2025	1,471	1,333
2026	540	497
Later years	500	476
Total	**10,183**	**9,194**

Operating leases

Assets subject to operating leases mainly comprise machinery and equipment. On the balance sheet they are reported as "Properties and equipment".

The future minimum lease payments receivable under non-cancellable operating leases are distributed as follows:

EURm	31 Dec 2021	31 Dec 2020
2021	–	1
2022	0	0
Later years	–	–
Total	**0**	**1**

Nordea as a lessee

EURm	2021	2020
Expense related to short-term leases	-12	-12
Expense related to low-value leases	0	0
Expense related to variable payments	-16	-32
Interest expense	-9	-11
Sub-lease income	2	2
Total cash outflow for leases	-176	-199

The table below shows the contractual maturity of undiscounted cash flows on lease liabilities.

EURm	31 Dec 2021	31 Dec 2020
Less than one year	132	150
1–2 years	122	132
2–5 years	228	253
5–10 years	288	282
10–15 years	267	263
15–20 years	174	208
20–25 years	25	40
Total	**1,236**	**1,328**

More information on right of use assets and the maturity profile can be found in Note G22 "Properties and equipment" and in Note G44 "Maturity analysis of assets and liabilities".

The lease liability does not include future estimated cash flows for significant committed leases not yet commenced, amounting to approximately EUR 100m.

Nordea operates from leased premises. The premises are mainly divided into head office contracts, branch office contracts and other contracts.

The head office contracts in the different Nordic countries generally have fixed lease terms of 10–25 years. Usually these contracts either have continuation options or are automatically prolonged unless separately terminated at the end of the lease term.

Branch office contracts generally either have fixed lease terms of 1–10 years or are without an end date with the right to terminate. The termination clauses are generally 6–24 months. The main principle is that premises contracts do not contain purchase options. Company car contracts generally have a fixed lease term of less than 5 years.

G24. Investment properties

EURm	31 Dec 2021	31 Dec 2020
Carrying amount at beginning of year	1,535	1,585
Acquisitions	280	129
Sales/disposals	-2	-188
Fair value adjustments	133	42
Transfers/reclassifications	-204	–
Translation differences	22	-33
Carrying amount at end of year	**1,764**	**1,535**

Amounts recognised in the income statement[1]

EURm	2021	2020
Fair value adjustments[2]	151	55
Rental income	59	58
Direct operating expenses that generated rental income	-12	-17
Direct operating expenses that did not generate rental income	-7	-1
Total	**191**	**95**

1) Included in "Net result from items at fair value".
2) Including also fair value adjustments on investment properties presented as "Assets in pooled schemes and unit-linked investments contracts" on the balance sheet.

All investment properties are valued using discounted cash flow models. The fair value is calculated, or model parameters provided, by external independent valuers covering 84% of the investment properties.

For further information regarding investment properties, see Note G41 "Assets and liabilities at fair value".

G25. Other assets

EURm	31 Dec 2021	31 Dec 2020
Claims on securities settlement proceeds	1,228	948
Cash/margin receivables	6,578	10,591
Other	1,024	1,810
Total	**8,830**	**13,349**

G26. Prepaid expenses and accrued income

EURm	31 Dec 2021	31 Dec 2020
Accrued income	608	345
Prepaid expenses	272	292
Total	**880**	**637**

G27. Deposits by credit institutions

EURm	31 Dec 2021	31 Dec 2020
Central banks	15,998	15,657
Banks	10,002	7,103
Other credit institutions	961	1,179
Total	**26,961**	**23,939**

G28. Deposits and borrowings from the public

EURm	31 Dec 2021	31 Dec 2020
Deposits[1]	204,496	182,064
Repurchase agreements	1,305	1,367
Total	**205,801**	**183,431**

1) Deposits related to individual pension savings (IPS) are also included.

G29. Liabilities to policyholders

Liabilities to policyholders are obligations related to insurance contracts. These contracts are divided into contracts with insurance risk and contracts without insurance risk, with the latter being investment contracts only.

Insurance contracts consist of life insurance provisions and other insurance-related items.

EURm	31 Dec 2021	31 Dec 2020
Traditional life insurance provisions	6,299	6,167
- of which guaranteed provisions	6,194	6,079
- of which non-guaranteed provisions	105	88
Collective bonus potential	2,800	2,001
Unit-linked insurance provisions	7,711	7,070
- of which guaranteed provisions	0	0
- of which non-guaranteed provisions	7,711	7,070
Insurance claims provision	535	468
Provisions, health and personal accident	93	86
Total insurance contracts	**17,438**	**15,792**
Investment contracts	2,157	2,386
- of which guaranteed provisions	2,157	2,386
- of which non-guaranteed provisions	–	–
Total	**19,595**	**18,178**

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 a non-uniform accounting policies methodology on consolidation. Each market represented by Nordic and European entities measures and recognises insurance contracts using local accounting policies.

G29. Liabilities to policyholders, cont.

31 Dec 2021, EURm	Traditional life insurance provisions	Collective bonus potential	Unit-linked insurance provisions	Insurance claims provisions	Provisions, health and personal accident and life risk products	Investment contracts provisions	Total
Provisions/bonus potential, beginning of year	**6,167**	**2,001**	**7,070**	**468**	**86**	**2,386**	**18,178**
Gross premiums written	61	–	383	–	–	58	502
Transfers	49	–	-52	–	–	0	-3
Addition of interest/investment return	195	–	1,007	–	–	391	1,593
Claims and benefits	-235	–	-469	64	4	-202	-838
Expense loading including addition of expense bonus	-23	–	-40	–	–	-20	-83
Change in provisions/bonus potential	-580	806	-226	–	–	0	0
Other	463	–	17	–	–	-393	87
Translation differences	202	-7	21	3	3	-63	159
Provisions/bonus potential, end of year	**6,299**	**2,800**	**7,711**	**535**	**93**	**2,157**	**19,595**
Provision relating to bonus schemes/ discretionary participation feature:	99%					100%	

31 Dec 2020, EURm	Traditional life insurance provisions	Collective bonus potential	Unit-linked insurance provisions	Insurance claims provisions	Provisions, health and personal accident and life risk products	Investment contracts provisions	Total
Provisions/bonus potential, beginning of year	**6,304**	**2,113**	**6,978**	**461**	**72**	**3,318**	**19,246**
Gross premiums written	62	–	294	–	–	134	490
Transfers	40	–	-43	–	–	-1,017	-1,020
Addition of interest/investment return	185	–	362	–	–	141	688
Claims and benefits	-266	–	-472	8	–	-235	-965
Expense loading including addition of expense bonus	-23	–	-38	–	–	-26	-87
Change in provisions/bonus potential	-2	-135	138	–	16	–	17
Other	149	–	-123	–	–	32	58
Translation differences	-282	23	-26	-1	-2	39	-249
Provisions/bonus potential, end of year	**6,167**	**2,001**	**7,070**	**468**	**86**	**2,386**	**18,178**
Provision relating to bonus schemes/ discretionary participation feature:	98%					100%	

Insurance risks

Insurance risk is described in section 7 in Note G2 "Risk and liquidity management". Additional quantitative information is found below.

Life insurance risk and market risk of life insurance operations – sensitivities

	31 Dec 2021		31 Dec 2020	
Sensitivities, EURm	Effect on policyholders' liabilities[1]	Effect on Nordea's equity[2]	Effect on policyholders' liabilities[1]	Effect on Nordea's equity[2]
Mortality – increase in lifespan of 1 year	22.9	-17.4	23.4	-18.3
Mortality – decrease in lifespan of 1 year	-0.1	0.1	-0.3	0.3
Disability – 10% increase	8.4	-6.4	8.7	-6.8
Disability – 10% decrease	-6.1	4.7	-6.2	4.9
50 bp increase in interest rates	-367.9	7.2	-297.4	6.3
50 bp decrease in interest rates	370.2	-7.3	299.0	-6.3
12% decrease in all share prices	-1,176.1	-0.3	-853.2	-0.1
8% decrease in property value	-130.8	-0.2	-117.4	-0.3
8% loss on counterparts	-0.6	0.0	-0.1	0.0

1) + (plus) indicates that policyholders' liabilities increase.
2) - (minus) indicates that equity decreases.

G29. Liabilities to policyholders, cont.

Liabilities to policyholders by guarantee levels (technical interest rate)

31 Dec 2021, EURm	Non	0%	0 to 2%	2 to 3%	3 to 4%	Over 4%	Total liabilities
Technical provision	7,815	346	2,836	2,241	2,005	924	16,167

31 Dec 2020, EURm	Non	0%	0 to 2%	2 to 3%	3 to 4%	Over 4%	Total liabilities
Technical provision	7,160	396	2,954	2,170	1,973	970	15,623

Insurance – risk profiles

Product	Risk types	Material effect
Traditional	Mortality	Yes
	Disability	Yes
	Return guarantees	Yes
Unit-linked	Mortality	Yes
	Disability	Yes
	Return guarantees	No
Health and personal accident	Mortality	No
	Disability	Yes
	Return guarantees	No
Financial contract	Mortality	No
	Disability	No
	Return guarantees	Yes

G30. Debt securities in issue

EURm	31 Dec 2021	31 Dec 2020
Certificates of deposit	26,863	23,426
Commercial paper	11,336	10,227
Covered bonds	111,171	113,043
Senior Non Preferred bonds	6,182	2,651
Senior unsecured bonds	20,204	24,922
Other	36	40
Total	**175,792**	**174,309**

G31. Other liabilities

EURm	31 Dec 2021	31 Dec 2020
Liabilities on securities settlement proceeds	1,154	1,083
Sold, not held, securities	7,906	8,103
Accounts payable	139	149
Cash/margin payables	3,506	6,133
Lease liabilities	1,147	1,233
Other	4,633	4,640
Total	**18,485**	**21,341**

G32. Accrued expenses and prepaid income

EURm	31 Dec 2021	31 Dec 2020
Accrued expenses	1,177	1,184
Prepaid income	157	220
Total	**1,334**	**1,404**

G33. Provisions

EURm	31 Dec 2021	31 Dec 2020
Restructuring	127	245
Guarantees/commitments	183	236
Other	104	115
Total	**414**	**596**

Provisions for restructuring costs were utilised by EUR 107m in 2021, and new provisions amounting to EUR 26m were accounted for. The provisions are related to staff restructuring (EUR 109m) and premises-related obligations (EUR 18m). The staff-related provision is mainly related to the new Group business plan, including new financial targets, initiated in 2019 but where payments remain to be executed. Approximately EUR 50m out of the EUR 127m is expected to be utilised/paid out in 2022. All staff-related activities are expected to be executed on in 2022, but payments are expected to extend into 2023. As for any other provision, there is uncertainty surrounding the timing and the amount to be finally paid. The uncertainty is expected to decrease as the plans are executed.

Loan loss provisions on off-balance sheet items amounted to EUR 183m (EUR 236m). More information on these provisions can be found in Note G2 "Risk and liquidity management", section 2 "Credit risk".

More information on the provision for AML-related matters can be found in Note G2 "Risk and liquidity management", section 6.2 "Financial Crime Prevention".

	Restructuring		Other	
EURm	2021	2020	2021	2020
At beginning of year	245	304	115	122
New provisions made	26	83	13	21
Provisions utilised	-107	-138	-20	-3
Reversals	-38	-3	-9	-25
Reclassifications	–	0	5	0
Translation differences	1	-1	0	0
At end of year	**127**	**245**	**104**	**115**

G34. Retirement benefit obligations

EURm	31 Dec 2021	31 Dec 2020
Retirement benefit assets	221	144
Retirement benefit liabilities	369	365
Net liability (-)/asset (+)	**-148**	**-221**

Nordea sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 ensures 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 legislation, 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 to new entrants; new employees are offered DCPs.

In Sweden DBPs are mainly offered in accordance with collective agreements and subject to the regulations of 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 subject to the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held in a separate pension fund.

In Finland Nordea provides additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations of 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 will be covered in full with a predefined surplus or alternatively safeguarded by a credit insurance contract (Sweden only). Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are performed to monitor the likely level of future contributions.

DBPs may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in obligations are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), inflation, 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) reducing the long-term inflationary risk in liabilities.

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]

	SE	NO	FI	DK	UK
2021					
Discount rate[2]	1.44%	1.96%	0.65%	1.05%	1.53%
Salary increase	3.00%	2.25%	2.25%	2.25%	–
Inflation	2.00%	1.50%	1.75%	–[3]	3.00%
Mortality	DUS14	K2013BE	Gompertz	FSA	S3PMA_L/ S3PFA[4]
2020					
Discount rate[2]	1.06%	1.80%	0.15%	0.31%	1.29%
Salary increase	2.50%	1.75%	1.75%	2.25%	–
Inflation	1.50%	1.50%	1.25%	–[3]	2.50%
Mortality	DUS14	K2013BE	Gompertz	FSA	S2PMA_L/ S2PFA[4]

1) The assumptions disclosed for 2021 have an impact on the liability calculations by year-end 2021, while the assumptions disclosed for 2020 are used for calculating the pension expense in 2021.
2) More information on the discount rate can be found in Note G1 "Accounting policies", section 24. The sensitivities to changes in the discount rate are provided below.
3) All pensions in Denmark are salary indexed. Inflation thus does not have any impact on the defined benefit obligations (DBOs).
4) Based on the base tables and mortality projection model published by the Continuous Mortality Investigation (CMI), with CMI_2020 projections for 2021 calculations and CMI_2019 projections for 2020 calculations.

Sensitivities – impact on defined benefit obligations

%	SE	NO	FI	DK	UK
Discount rate – Increase 50bp	-10.6%	-7.7%	-6.2%	-4.8%	-9.4%
Discount rate – Decrease 50bp	11.8%	8.6%	7.0%	5.2%	10.4%
Salary increase – Increase 50bp	2.5%	0.2%	0.3%	5.8%	–
Salary increase – Decrease 50bp	-2.5%	-0.2%	-0.3%	-5.4%	–
Inflation – Increase 50bp	10.3%	8.4%	5.1%	–	1.7%
Inflation – Decrease 50bp	-9.3%	-8.0%	-4.7%	–	-1.7%
Mortality – Increase 1 year	5.1%	3.7%	5.0%	6.5%	5.0%
Mortality – Decrease 1 year	-5.1%	-4.9%	-4.8%	-6.3%	-4.5%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach because the actuarial assumptions are usually correlated. However, it makes it possible to isolate one effect from another. The method used for calculating the impact on the obligations is the same as when calculating the obligations accounted for in the financial statements. The sensitivity analyses include the impact on the liabilities held for future special wage tax (SWT) or social security contributions (SSC) in Sweden and Norway, respectively.

As all pensions in Denmark are salary indexed, inflation has no impact on the DBOs in Denmark.

G34. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	SE 2021	NO 2021	FI 2021	DK 2021	UK 2021	Total 2021	Total 2020
Obligations	2,033	830	744	88	106	3,801	3,871
Plan assets	1,858	723	823	112	137	3,653	3,650
Net liability(-)/asset(+)	**-175**	**-107**	**79**	**24**	**31**	**-148**	**-221**
- of which retirement benefit assets	1	77	84	28	31	221	144
- of which retirement benefit liabilities	176	184	5	4	–	369	365

Movements in obligations

2021, EURm	SE	NO	FI	DK	UK	Total
Opening balance	2,058	796	806	103	108	3,871
Current service cost	32	4	3	–	–	39
Interest cost	22	14	1	0	1	38
Pensions paid	-71	-30	-41	-5	-7	-154
Past service cost and settlements	1	–	0	0	–	1
Remeasurement from changes in demographic assumptions	–	–	0	0	-1	-1
Remeasurement from changes in financial assumptions	52	-14	-13	-7	-4	14
Remeasurement from experience adjustments	-5	23	-12	-3	1	4
Acquisitions/reclassifications	–	3	–	–	–	3
Translation differences	-54	36	–	0	8	-10
Change in provision for SWT/SSC[1]	-2	-2	–	–	–	-4
Closing balance	**2,033**	**830**	**744**	**88**	**106**	**3,801**
- of which relates to the active population	26%	12%	13%	–	–	19%

2020, EURm	SE	NO	FI	DK	UK	Total
Opening balance	1,993	796	791	102	108	3,790
Current service cost	30	4	3	–	–	37
Interest cost	27	16	4	1	2	50
Pensions paid	-68	-28	-44	-6	-6	-152
Past service cost and settlements	3	–	7	–	–	10
Remeasurement from changes in demographic assumptions	–	–	–	0	0	0
Remeasurement from changes in financial assumptions	31	45	48	5	10	139
Remeasurement from experience adjustments	-26	-5	-3	1	–	-33
Acquisitions/reclassifications	–	9	–	–	–	9
Translation differences	87	-47	–	0	-6	34
Change in the provision for SWT/SSC[1]	-19	6	–	–	–	-13
Closing balance	**2,058**	**796**	**806**	**103**	**108**	**3,871**
- of which relates to the active population	26%	10%	12%	–	–	19%

1) Change in the provision for SWT in Sweden and SSC in Norway.

The average duration of the obligations is 18 (19) years in Sweden, 14 (15) years in Norway, 13 (13) years in Finland, 11 (11) years in Denmark and 20 (19) years in the UK based on discounted cash flows. The fact that all DBPs are now closed to new entrants results in lower duration.

G34. Retirement benefit obligations, cont.

Movements in the fair value of plan assets

2021, EURm	SE	NO	FI	DK	UK	Total
Opening balance	1,867	679	847	127	130	3,650
Interest income (calculated using the discount rate)	19	12	1	0	2	34
Pensions paid	–	-23	-41	-5	-7	-76
Contributions/refunds by employer	1	3	-21	0	–	-17
Remeasurement (actual return less interest income)	21	20	37	-10	2	70
Translation differences	-50	32	–	0	10	-8
Closing balance	**1,858**	**723**	**823**	**112**	**137**	**3,653**

2020, EURm	SE	NO	FI	DK	UK	Total
Opening balance	1,710	710	845	126	133	3,524
Interest income (calculated using the discount rate)	24	14	5	1	2	46
Pensions paid	–	-20	-45	-6	-5	-76
Contributions/refunds by employer	1	2	0	2	–	5
Remeasurement (actual return less interest income)	53	15	42	4	8	122
Translation differences	79	-42	–	0	-8	29
Closing balance	**1,867**	**679**	**847**	**127**	**130**	**3,650**

Asset composition

The combined return on assets in 2021 was 2.9% (4.8%). The positive total asset return primarily stemmed from equity and alternative investments, while nominal fixed income assets and interest rate hedging instruments had an adverse effect.

At the end of the year, the equity exposure in Nordea´s pension funds/foundations represented 19% (19%) of total assets.

The Group expects to contribute EUR 3m to its DBPs in 2022.

Asset composition in funded schemes

%	SE 2021	NO 2021	FI 2021	DK 2021	UK 2021	Total 2021	Total 2020
Bonds	75%	61%	62%	69%	90%	70%	71%
- sovereign	36%	38%	31%	30%	90%	37%	38%
- covered bonds	24%	16%	9%	39%	–	19%	18%
- corporate bonds	15%	7%	22%	–	–	14%	15%
- issued by Nordea entities	*2%*	*5%*	–	–	–	*2%*	*2%*
- with quoted market price in an active market	*75%*	*61%*	*62%*	*69%*	*90%*	*70%*	*71%*
Equity	22%	22%	19%	10%	9%	19%	19%
- domestic	4%	5%	5%	10%	3%	5%	5%
- European	5%	6%	5%	–	1%	4%	4%
- US	5%	6%	5%	–	3%	5%	5%
- emerging	4%	5%	4%	–	2%	3%	3%
- private equity	4%	–	–	–	–	2%	2%
- Nordea shares	–	–	–	–	–	*0%*	*0%*
- with quoted market price in an active market	*18%*	*22%*	*19%*	*10%*	*9%*	*17%*	*17%*
Real estate[1]	–	15%	17%	–	–	7%	6%
- occupied by Nordea	–	–	*5%*	–	–	*1%*	*1%*
Interest rate swaps	0%	–	–	–	–	0%	1%
Insurance contracts	–	–	1%	7%	–	1%	1%
Cash and cash equivalents	3%	2%	1%	14%	1%	3%	2%

1) The geographical location of real estate follows the geographical location of the relevant pension plan.

G34. Retirement benefit obligations, cont.

Defined benefit pension cost

The total net pension cost related to DBPs recognised in the Group's income statement (as staff costs) for the year amounted to EUR 55m (EUR 61m). Total pension costs comprise defined benefit pension costs as well as costs related to DCPs (see specification in Note G8 "Staff costs").

Recognised in the income statement

2021, EURm	SE	NO	FI	DK	UK	Total
Current service cost	32	4	3	–	–	39
Net interest	3	2	0	0	-1	4
Past service cost and settlements	1	–	0	–	–	1
SWT/SSC[1]	10	1	–	–	–	11
Pension costs related to DBPs (expense+/income-)	**46**	**7**	**3**	**0**	**-1**	**55**
2020, EURm	**SE**	**NO**	**FI**	**DK**	**UK**	**Total**
Current service cost	30	4	3	–	–	37
Net interest	3	2	-1	0	0	4
Past service cost and settlements	3	–	7	–	–	10
SWT/SSC[1]	9	1	–	–	–	10
Pension costs related to DBPs (expense+/income-)	**45**	**7**	**9**	**0**	**0**	**61**

1) Cost related to SWT in Sweden and SSC in Norway.

Pension costs related to DBPs, excluding past service cost and related SWT and SSC, remained largely unchanged in 2021 compared with 2020.

Recognised in other comprehensive income

2021, EURm	SE	NO	FI	DK	UK	Total
Remeasurement from changes in demographic assumptions	–	–	0	0	-1	-1
Remeasurement from changes in financial assumptions	52	-14	-13	-7	-4	14
Remeasurement from experience adjustments	-5	23	-12	-3	1	4
Remeasurement of plan assets (actual return less interest income)	-21	-20	-37	10	-2	-70
SWT/SSC[1]	6	-2	–	–	–	4
Pension costs related to DBPs (expense+/income-)	**32**	**-13**	**-62**	**0**	**-6**	**-49**
2020, EURm	**SE**	**NO**	**FI**	**DK**	**UK**	**Total**
Remeasurement from changes in demographic assumptions	–	–	–	0	0	0
Remeasurement from changes in financial assumptions	31	45	48	5	10	139
Remeasurement from experience adjustments	-26	-5	-3	1	–	-33
Remeasurement of plan assets (actual return less interest income)	-53	-15	-42	-4	-8	-122
SWT/SSC[1]	-11	5	–	–	–	-6
Pension costs related to DBPs (expense+/income-)	**-59**	**30**	**3**	**2**	**2**	**-22**

1) Cost related to SWT in Sweden and SSC in Norway.

G34. Retirement benefit obligations, cont.

Multi-employer 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 multi-employer 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 AFP plan has to be accounted for as a DCP in accordance with IAS 19. Information on the funded status of the plan is not available.

The AFP plan gives the entitled employees a lifelong addition to their regular pensions from the age of 62. Furthermore, the scheme allows employees to continue working while receiving AFP without this affecting their pension rights. The plan is founded on the basis of the tripartite cooperation between employer organisations, employee organisations and the Norwegian government. The government covers one-third of the pension expense for the AFP plan, while the member companies collectively cover the remaining two-thirds of the pension expense. The premium paid by the member companies to the plan is determined to be sufficient to cover ongoing pension expenses and provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient capital to cover expected future pension obligations.

The premium rate for 2021 was 2.5% of 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 average wages and average base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2021 amounted to EUR 3m. Payments into the plan in 2021 covered 2,288 employees.

The premium rate for 2022 will be 2.6% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The expected premiums in 2022 will amount to EUR 3m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. Consequently, the employer members have joint responsibility for two-thirds of the pensions payable to employees who at any given time meet the requirements for AFP. Any deficit or surplus in the event that the plan is wound up or entities withdraw from the plan will not have any impact on Nordea.

Key management personnel

The Group's total pension obligations regarding key management personnel amounted to EUR 7m (EUR 7m) at the end of the year. These obligations are largely 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 2021 were EUR 0m (EUR 0m). Complete information concerning key management personnel is disclosed in Note G8 "Staff costs".

G35. Subordinated liabilities

EURm	31 Dec 2021	31 Dec 2020
Additional Tier 1	2,447	1,893
Tier 2	4,272	5,048
Total	**6,719**	**6,941**

For more information, see Note P34 "Subordinated liabilities".

G36. Assets pledged as security for own liabilities

EURm	31 Dec 2021	31 Dec 2020
Assets pledged as security for own liabilities		
Securities etc	6,058	5,759
Loans to the public	164,956	156,029
Other assets pledged	12,970	14,576
Total	**183,984**	**176,364**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	16,531	13,351
Deposits and borrowings from the public	1,386	3,050
Derivatives	8,791	10,804
Debt securities in issue	117,764	117,322
Other liabilities and commitments	2,479	2,497
Total	**146,951**	**147,024**

Assets recognised on the balance sheet and pledged as security for Nordea's own liabilities are disclosed as "Assets pledged as security for own liabilities". Assets recognised on the balance sheet and pledged for other than own liabilities are reported in Note G37 "Other assets pledged". Securities borrowed and then used as collateral are reported in Note G43 "Transferred assets and obtained collateral".

Assets pledged as security for own liabilities contain securities pledged as security under repurchase agreements and under securities lending agreements. The transactions are conducted under standard agreements employed by financial market participants. Counterparties to the transactions are credit institutions and the public. The transactions are typically short term and mature within three months.

Securities related to life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other assets pledged relate to certificates of deposit pledged by Nordea to comply with the authorities' requirements.

G37. Other assets pledged

Assets recognised on the balance sheet and pledged for items other than Nordea's liabilities are disclosed as "Other assets pledged". Assets recognised on the balance sheet and pledged for own liabilities are disclosed in Note G36 "Assets pledged as security for own liabilities". Securities borrowed and then used as collateral are reported in Note G43 "Transferred assets and obtained collateral".

Other assets pledged mainly relate to interest-bearing securities pledged as security for payment settlements within central banks and clearing institutions and amounted to EUR 253m (EUR 267m). Only securities pledged for overnight liquidity are disclosed (securities pledged for intraday liquidity are excluded). Collateral pledged for items other than Nordea´s own liabilities, e.g. for a third party or for Nordea´s own contingent liabilities, is also presented for under this item.

G38. Contingent liabilities

EURm	31 Dec 2021	31 Dec 2020
Loan guarantees	4,259	3,521
Other guarantees	17,684	14,802
Documentary credits	830	1,011
Other contingent liabilities	13	13
Total	**22,786**	**19,347**

In its normal business, Nordea issues various forms of guarantees in favour of its customers. Loan guarantees are provided for customers to guarantee obligations in other credit and pension institutions. Other guarantees mainly consist of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export-related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank's services and support Nordea´s customers. Guarantees and documentary credits are off-balance sheet items, unless there is a need for a provision to cover a probable loan loss which is based on the assessment that reimbursement will not be received. The table above includes all issued guarantees, also those for which the possibility of an outflow of resources is considered remote.

Nordea Bank Abp has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against these individuals in their capacity of managing directors or board members of group undertakings of Nordea Bank Abp.

Nordea Bank Abp has undertaken to indemnify the members of the GLT against legal expenses incurred in relation to legal advice in defending or disputing certain claims or investigations by third parties, excluding crimes or actions made with intent or gross negligence. For each GLT member, the indemnity is capped at an aggregate amount of EUR 37.5m, unless the Board decides otherwise on a case-by-case basis. Nordea purchases D&O insurance which provides cover for liability assumed by the bank following the indemnification undertaking.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further information, see Note G8 "Staff costs".

Claims in civil lawsuits and possible fines

Within the framework of normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts, as well as possible fines due to e.g. weak AML processes and procedures in the past. At present, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters. Nordea cannot exclude the possibility of fines, which could impact the bank's financial performance. In addition, some of these proceedings could lead to litigation. See also Note G2 "Risk and liquidity management" and Note G33 "Provisions".

G39. Commitments

EURm	31 Dec 2021	31 Dec 2020
Unutilised overdraft facilities	28,263	32,859
Loan commitments	57,975	55,932
Future payment obligations	997	325
Other commitments	1,750	1,444
Total	**88,985**	**90,560**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on the settlement date. As at 31 December 2021 Nordea had signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On the settlement date, these reverse repurchase agreements will, as far as possible, replace existing reverse repurchase agreements not yet derecognised as at 31 December 2021. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information on credit commitments, see section 26 "Financial guarantee contracts and credit commitments" in Note G1 "Accounting policies", for derivatives, see Note G19 "Derivatives and hedge accounting" and for reverse repurchase agreements, see Note G43 "Transferred assets and obtained collateral".

G40. Classification of financial instruments

Assets

31 Dec 2021, EURm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL)		Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/ joint ventures	Assets held for sale	Total
		Mandatorily	Designated at fair value through profit or loss (fair value option)				
Cash and balances with central banks	47,495	–	–	–	–	–	47,495
Loans to central banks	5	404	–	–	–	–	409
Loans to credit institutions	1,791	192	–	–	–	–	1,983
Loans to the public	269,874	75,176	–	–	–	–	345,050
Interest-bearing securities	3,448	21,880	4,083	33,972	–	–	63,383
Financial instruments pledged as collateral	–	1,668	–	–	–	–	1,668
Shares	–	15,217	–	–	–	–	15,217
Assets in pooled schemes and unit-linked investment contracts	–	46,030	280	–	602	–	46,912
Derivatives	–	30,200	–	–	–	–	30,200
Fair value changes of hedged items in hedges of interest rate risk	-65	–	–	–	–	–	-65
Investments in associated undertakings and joint ventures	–	–	–	–	207	–	207
Intangible assets	–	–	–	–	3,784	–	3,784
Properties and equipment	–	–	–	–	1,745	–	1,745
Investment properties	–	–	–	–	1,764	–	1,764
Deferred tax assets	–	–	–	–	218	–	218
Current tax assets	–	–	–	–	272	–	272
Retirement benefit assets	–	–	–	–	221	–	221
Other assets	829	7,265	–	–	736	–	8,830
Prepaid expenses and accrued income	609	–	–	–	271	–	880
Assets held for sale	–	–	–	–	–	180	180
Total	**323,986**	**198,032**	**4,363**	**33,972**	**9,820**	**180**	**570,353**

Liabilities

31 Dec 2021, EURm	Amortised cost (AC)	Financial liabilities at fair value through profit or loss (FVPL)		Non-financial liabilities	Liabilities held for sale	Total
		Mandatorily	Designated at fair value through profit or loss (fair value option)			
Deposits by credit institutions	23,646	3,315	–	–	–	26,961
Deposits and borrowings from the public	203,162	2,639	–	–	–	205,801
Deposits in pooled schemes and unit-linked investment contracts	–	–	48,201	–	–	48,201
Liabilities to policyholders	–	–	2,158	17,437	–	19,595
Debt securities in issue	117,785	–	58,007	–	–	175,792
Derivatives	–	31,485	–	–	–	31,485
Fair value changes of hedged items in hedges of interest rate risk	805	–	–	–	–	805
Current tax liabilities	–	–	–	354	–	354
Other liabilities[1]	4,307	11,873	–	2,305	–	18,485
Accrued expenses and prepaid income	8	–	–	1,326	–	1,334
Deferred tax liabilities	–	–	–	535	–	535
Provisions	–	–	–	414	–	414
Retirement benefit liabilities	–	–	–	369	–	369
Subordinated liabilities	6,719	–	–	–	–	6,719
Total	**356,432**	**49,312**	**108,366**	**22,740**	**–**	**536,850**

1) Of which lease liabilities classified into the category "Amortised cost" amounted to EUR 1,147m.

G40. Classification of financial instruments, cont.

Assets

31 Dec 2020, EURm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL)		Fair value through other comprehensive income (FVOCI)	Non-financial assets and associated undertakings/ joint ventures	Total
		Mandatorily	Designated at fair value through profit or loss (fair value option)			
Cash and balances with central banks	32,955	–	–	–	–	32,955
Loans to central banks	2,965	158	–	–	–	3,123
Loans to credit institutions	1,441	1,682	–	–	–	3,123
Loans to the public	256,989	72,776	–	–	–	329,765
Interest-bearing securities	3,293	21,960	4,216	33,040	–	62,509
Financial instruments pledged as collateral	–	3,109	–	686	–	3,795
Shares	–	12,649	–	–	–	12,649
Assets in pooled schemes and unit-linked investment contracts	–	35,908	215	–	361	36,484
Derivatives	–	44,770	–	–	–	44,770
Fair value changes of hedged items in hedges of interest rate risk	359	–	–	–	–	359
Investments in associated undertakings and joint ventures	–	–	–	–	555	555
Intangible assets	–	–	–	–	3,771	3,771
Properties and equipment	–	–	–	–	1,931	1,931
Investment properties	–	–	–	–	1,535	1,535
Deferred tax assets	–	–	–	–	406	406
Current tax assets	–	–	–	–	300	300
Retirement benefit assets	–	–	–	–	144	144
Other assets	1,425	11,220	–	–	704	13,349
Prepaid expenses and accrued income	292	–	–	–	345	637
Total	**299,719**	**204,232**	**4,431**	**33,726**	**10,052**	**552,160**

Liabilities

31 Dec 2020, EURm	Amortised cost (AC)	Financial liabilities at fair value through profit or loss (FVPL)		Non-financial liabilities	Total
		Mandatorily	Designated at fair value through profit or loss (fair value option)		
Deposits by credit institutions	21,070	2,869	–	–	23,939
Deposits and borrowings from the public	180,590	2,841	–	–	183,431
Deposits in pooled schemes and unit-linked investment contracts	–	–	37,534	–	37,534
Liabilities to policyholders	–	–	2,386	15,792	18,178
Debt securities in issue	118,102	–	56,207	–	174,309
Derivatives	–	47,033	–	–	47,033
Fair value changes of hedged items in hedges of interest rate risk	2,608	–	–	–	2,608
Current tax liabilities	–	–	–	305	305
Other liabilities[1]	4,748	14,755	–	1,838	21,341
Accrued expenses and prepaid income	222	–	–	1,182	1,404
Deferred tax liabilities	–	–	–	436	436
Provisions	–	–	–	596	596
Retirement benefit liabilities	–	–	–	365	365
Subordinated liabilities	6,941	–	–	–	6,941
Total	**334,281**	**67,498**	**96,127**	**20,514**	**518,420**

1) Of which lease liabilities classified into the category "Amortised cost" amounted to EUR 1,233m.

G40. Classification of financial instruments, cont.

Financial assets designated at fair value through profit or loss

EURm	2021	2020
Carrying amount at end of year	4,363	4,431
Maximum exposure to credit risk at end of year	4,363	4,431

Assets designated at fair value through profit or loss (fair value option) consist of all assets in Life & Pension held under investment contracts, EUR 4,083m (EUR 4,216m). Also, assets in pooled schemes and unit-linked investment contracts in Life & Pension, EUR 280m (EUR 215m), are designated at fair value through profit or loss. For more information see Note G1, section 13. Nordea does not disclose the effect of changes in credit risk on the fair values of these assets, as any such change in value will directly result in essentially the opposite change in the carrying amount of the corresponding liabilities to policyholders. There is thus no significant impact on the income statement or equity due to changes in the credit risk of these assets in Life & Pension. For this reason Nordea does not disclose the nominal amount of credit derivatives used to mitigate the maximum exposure to credit risk at the end of the year.

Financial liabilities designated at fair value through profit or loss consist of bonds issued by the Danish group undertaking Nordea Kredit Realkreditaktieselskab, EUR 56,439m (EUR 54,411m), structured bonds issued by Markets, EUR 1,568m (EUR 1,796m), deposits linked to the investment return on separate assets, EUR 4,857m (EUR 4,421m), and investment contracts and pooled schemes in Life & Pension, EUR 45,502m (EUR 35,499m). For structured bonds issued by Markets, changes in fair value due to changes in own credit risk are recognised in other comprehensive income, and Nordea calculates the change in its own credit spread based on the change in its funding spread by assuming that the liquidity premium for the issuance is constant over time. The change in the credit spread is estimated by comparing the value of the trades using the initial funding spread on the issuance date and the actual funding spread on the reporting date. This model is assessed to provide the best estimate of the impact of own credit risk. The value of the investment contracts in Life & Pension and asset-linked deposits is directly linked to the assets in the contracts and there is consequently no effect from changes in own credit risk of these contracts.

Changes in fair value due to changes in own credit risk of bonds issued by Nordea Kredit Realkreditaktieselskab are calculated by determining the amount of fair value changes that are not attributable to changes in market conditions. The method used to estimate the amount of changes in market conditions is based on relevant benchmark interest rates which are the average yields on Danish and German (EUR) government bonds. This model is assessed to provide the best estimate of the impact of own credit risk. The changes in own credit risk on mortgage bonds issued by Nordea Kredit Realkreditaktieselskab are not recognised in other comprehensive income as that would create an accounting mismatch with the corresponding change in the fair value of the mortgage loans that are recognised in profit or loss. For this reason, the fair value change in mortgage bonds issued by Nordea Kredit Realkreditaktieselskab is recognised in the income statement. For the mortgage bonds issued, a change in the credit risk and price of the liability will have a corresponding effect on the value of the loans as a change in the price of the bonds will be offset by the opposite change in the value of the prepayment option of the loans.

Financial liabilities designated at fair value through profit or loss

	2021			2020		
EURm	Liabilities for which changes in credit risk are presented in OCI	Liabilities for which changes in credit risk are presented in profit or loss	Total	Liabilities for which changes in credit risk are presented in OCI	Liabilities for which changes in credit risk are presented in profit or loss	Total
Carrying amount at end of year	1,568	106,798	108,366	1,796	94,331	96,127
Amount to be paid at maturity[1]	1,568	110,220	111,788	1,829	97,269	99,098
Changes in fair value due to changes in own credit risk, during the year	-2	-119	-121	-9	35	26
Changes in fair value due to changes in own credit risk, accumulated	-16	-540	-556	-14	-421	-435

1) Liabilities to policyholders have no fixed maturities and there is no fixed amount to be paid. For these liabilities, the amount disclosed to be paid at maturity has been set at the carrying amount.

G41. Assets and liabilities at fair value

Fair value of financial assets and liabilities

EURm	31 Dec 2021 Carrying amount	31 Dec 2021 Fair value	31 Dec 2020 Carrying amount	31 Dec 2020 Fair value
Financial assets				
Cash and balances with central banks	47,495	47,495	32,955	32,955
Loans	347,377	349,382	336,370	344,038
Interest-bearing securities	63,383	63,495	62,509	62,764
Financial instruments pledged as collateral	1,668	1,668	3,795	3,795
Shares	15,217	15,217	12,649	12,649
Assets in pooled schemes and unit-linked investment contracts	46,310	46,310	36,123	36,123
Derivatives	30,200	30,200	44,770	44,770
Other assets	8,094	8,094	12,645	12,645
Prepaid expenses and accrued income	609	609	292	292
Total	**560,353**	**562,470**	**542,108**	**550,031**

Fair value of financial assets and liabilities, cont.

EURm	31 Dec 2021 Carrying amount	31 Dec 2021 Fair value	31 Dec 2020 Carrying amount	31 Dec 2020 Fair value
Financial liabilities				
Deposits and debt instruments	416,078	416,770	391,228	392,214
Deposits in pooled schemes and unit-linked investment contracts	48,201	48,201	37,534	37,534
Liabilities to policyholders	2,158	2,158	2,386	2,386
Derivatives	31,485	31,485	47,033	47,033
Other liabilities[1]	15,033	15,033	18,270	18,270
Accrued expenses and prepaid income	8	8	222	222
Total	**512,963**	**513,655**	**496,673**	**497,659**

1) Lease liabilities presented on the row "Other liabilities" in Note G40 "Classification of financial instruments" are exluded in this table.

For information about the valuation of items measured at fair value on the balance sheet, see Note G1 and the section "Determination of the fair value of items measured at fair value on the balance sheet" below. For information about the 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.

Assets and liabilities held at fair value on the balance sheet
Categorisation into the fair value hierarchy

31 Dec 2021, EURm	Quoted prices in active markets for the same instrument (Level 1)	– of which Life & Pension	Valuation technique using observable data (Level 2)	– of which Life & Pension	Valuation technique using unobservable data (Level 3)	– of which Life & Pension	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	404	–	–	–	404
Loans to credit institutions	–	–	192	–	–	–	192
Loans to the public	–	–	75,176	–	–	–	75,176
Interest-bearing securities[2]	20,746	1,143	40,154	2,894	703	97	61,603
Shares	12,456	10,543	515	353	2,246	1,001	15,217
Assets in pooled schemes and unit-linked investment contracts	45,743	41,479	411	411	758	758	46,912
Derivatives	86	–	28,930	7	1,184	–	30,200
Investment properties	–	–	–	–	1,764	1,763	1,764
Other assets	–	–	7,236	–	29	28	7,265
Total	**79,031**	**53,165**	**153,018**	**3,665**	**6,684**	**3,647**	**238,733**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	3,315	–	–	–	3,315
Deposits and borrowings from the public	–	–	2,639	–	–	–	2,639
Deposits in pooled schemes and unit-linked investment contracts	–	–	48,201	43,344	–	–	48,201
Liabilities to policyholders	–	–	2,158	2,158	–	–	2,158
Debt securities in issue	38,760	–	17,659	–	1,588	–	58,007
Derivatives	176	–	30,292	27	1,017	–	31,485
Other liabilities	4,016	–	7,811	–	46	–	11,873
Total	**42,952**	**–**	**112,075**	**45,529**	**2,651**	**–**	**157,678**

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

G41. 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 2020, EURm	Quoted prices in active markets for the same instrument (Level 1)	– of which Life & Pension	Valuation technique using observable data (Level 2)	– of which Life & Pension	Valuation technique using unobservable data (Level 3)	– of which Life & Pension	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	158	–	–	–	158
Loans to credit institutions	–	–	1,682	–	–	–	1,682
Loans to the public	–	–	72,776	–	–	–	72,776
Interest-bearing securities[2]	28,676	1,161	33,404	3,073	931	67	63,011
Shares	10,280	9,302	400	280	1,969	835	12,649
Assets in pooled schemes and unit-linked investment contracts	35,679	31,609	352	352	453	453	36,484
Derivatives	54	–	42,945	28	1,771	–	44,770
Investment properties	–	–	–	–	1,535	1,534	1,535
Other assets	–	–	11,189	–	31	30	11,220
Total	**74,689**	**42,072**	**162,906**	**3,733**	**6,690**	**2,919**	**244,285**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	2,869	–	–	–	2,869
Deposits and borrowings from the public	–	–	2,841	–	–	–	2,841
Deposits in pooled schemes and unit-linked investment contracts	–	–	37,534	33,113	–	–	37,534
Liabilities to policyholders	–	–	2,386	2,386	–	–	2,386
Debt securities in issue	45,548	–	8,878	–	1,781	–	56,207
Derivatives	84	–	45,340	2	1,609	–	47,033
Other liabilities	5,238	–	9,485	–	32	–	14,755
Total	**50,870**	**–**	**109,333**	**35,501**	**3,422**	**–**	**163,625**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 3,795m relates to the balance sheet item "Financial instruments pledged as collateral".

Determination of the fair value of 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 ongoing basis. This category includes listed derivatives, listed equities, government bonds in developed countries as well as most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

Level 2 in the fair value hierarchy consists of assets and liabilities where directly quoted market prices are not available in active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or inputs prevailing at the balance sheet date and where any unobservable inputs have not had a significant impact on the fair values. 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 assets and liabilities for which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds, hedge funds, investment properties, more complex OTC derivatives where unobservable input has 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 inputs.

All valuation models, both complex and simple models, make use of market prices and inputs, which comprise interest rates, volatilities, correlations etc. Some of these prices and inputs are observable while others are not. For most non-exotic currencies, the interest rates are all observable, and implied volatilities and the correlations of the interest rates and FX rates may be observable through option prices up to a certain maturity. Implied volatilities and correlations may also be observable for the most liquid equity instruments. For less liquid equity names, the option market is fairly illiquid, and hence implied volatilities and correlations are unobservable.

For interest-bearing securities, the categorisation into the three levels is based on the internal valuation methodology.

G41. Assets and liabilities at fair value, cont.

The valuation of these instruments can either be based on direct quotes in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). If the impact of unobservable parameters on the valuation of the bond is significant, the bond is categorised as Level 3 in the fair value hierarchy.

For OTC derivatives, valuation models are used to establishing fair value. The models are usually developed in-house and based on assumptions about the behaviour of the underlying asset and on statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy, implying that all significant model inputs are observable in active markets.

Valuations of private equity funds, credit funds and unlisted equity instruments are by nature more uncertain than valuations of more actively traded equity instruments. Emphasis is put on using a consistent approach across all assets and over time. The methods used are consistent with the International Private Equity and Venture Capital Valuation Guidelines issued by the IPEV Board. The guidelines are considered as best practice in the industry. For US-based funds, similar methods are applied.

Furthermore Nordea holds loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab at fair value. When Nordea grants mortgage loans to borrowers, in accordance with the Danish mortgage legislation, Nordea at the same time issues debt securities with matching terms, so-called match funding. The fair value of the debt securities issued is based on quoted prices. As borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the bonds issued (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower and the fair value of the margin associated with each loan.

The fair value of financial assets and liabilities is generally calculated as the theoretical net present value of the individual instruments. This calculation is supplemented by portfolio adjustments.

Nordea incorporates credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) into derivative valuations. CVAs and DVAs reflect the impact on fair value from the counterparty´s credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default (PD) and recovery rates on a counterparty basis. Generally, exposure at default for CVAs and DVAs is based on the expected exposure and estimated through the simulation of underlying risk factors. Where possible, Nordea obtains credit spreads from the credit default swap (CDS) market, and PD is inferred from this data. For counterparties that do not have a liquid CDS, the PD is estimated using a cross-sectional regression model, which calculates an appropriate proxy CDS spread based on each counterparty's rating region and industry.

The impact of funding costs and funding benefits on the valuation of uncollateralised and imperfectly collateralised derivatives is recognised as a funding fair valuation adjustment (FFVA). In addition, Nordea applies its fair value measurement close-out-cost valuation adjustments and model risk adjustments for identified model deficiencies. Adjustments for IPV variances are also included in fair value.

Nordea's pricing models are calibrated to the market, and if climate risk has any impact on a particular market, it will already be taken into consideration by other market participants. Hence, Nordea has not implemented any changes to its pricing models to take climate risk into account and no critical valuation adjustments have been made. Going forward, Nordea will monitor areas in the valuation space where climate risk could have an impact on the models (e.g. in relation to credit valuation adjustment).

The fair value measurement of investment properties takes into account a market participant's ability to generate economic benefits through the highest and best use of the property, i.e. taking into account the use of the property in a way that is physically possible, legally permissible and financially feasible. The current use of the investment properties of 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 properties by using the most appropriate valuation methods. The primary valuation approach is a discounted cash flow model using current cash flows, market interest rates and the current yield requirements.

Transfers between Levels 1 and 2

During the year Nordea transferred "Interest-bearing securities" (including such financial instruments pledged as collateral) of EUR 2,341m (EUR 1,113m) from Level 1 to Level 2 and EUR 439m (EUR 11,448m) from Level 2 to Level 1 as well as "Shares" of EUR 152m (EUR 5m) from Level 1 to Level 2 in the fair value hierarchy. Furthermore, Nordea transferred "Debt securities in issue" of EUR 10,701m (EUR 735m) from Level 1 to Level 2 and EUR 4,954m (EUR 32,916m) from Level 2 to Level 1. Nordea also transferred "Other liabilities" of EUR 256m (EUR 10m) from Level 1 to Level 2 and EUR 269m (EUR 1,040m) from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the year and reliable quoted prices are obtained in the market. The main driver for the transfers during 2020 was an update to the rules for categorisation of financial instruments into Levels 1, 2 and 3. This update had a significant impact on the categorisation of "Interest-bearing securities" and "Debt securities in issue" where the volume and frequency of trading of the individual instruments (ISINs) were considered. Transfers between levels are considered to have occurred at the end of the year.

G41. Assets and liabilities at fair value, cont.

Movements in Level 3

2021, EURm	1 Jan 2021	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unrealised	Recognised in OCI	Purchases/issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Dec 2021
Interest-bearing securities	931	-4	14	–	273	-155	4	67	-439	12	703
- of which Life & Pension	67	–	-1	–	46	-25	1	43	-37	3	97
Shares	1,969	56	292	–	324	-340	-5	–	–	-50	2,246
- of which Life & Pension	835	45	96	–	220	-193	-5	–	–	3	1,001
Assets in pooled schemes and unit-linked investment contracts	453	22	48	–	61	-26	-4	212	-5	-3	758
- of which Life & Pension	453	22	48	–	61	-26	-4	212	-5	-3	758
Derivatives (net)	162	-26	-75	–	–	–	40	-6	72	–	167
Other assets	31	–	–	–	–	–	-2	–	–	–	29
- of which Life & Pension	30	–	–	–	–	–	-2	–	–	–	28
Investment properties	1,535	120	1	–	293	-2	–	–	-205	22	1,764
- of which Life & Pension	1,534	120	1	–	292	–	–	–	-205	21	1,763
Debt securities in issue	1,781	782	-457	1	401	–	-472	31	-479	–	1,588
Other liabilities	32	-11	–	–	33	-8	–	–	–	–	46

Unrealised gains and losses relate to the 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 available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from items at fair value" (see Note G6). Assets and liabilities related to derivatives are presented net.

2020, EURm	1 Jan 2020	Fair value gains/losses recognised in the income statement during the year: Realised	Fair value gains/losses recognised in the income statement during the year: Unrealised	Recognised in OCI	Purchases/issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification[1]	Translation differences	31 Dec 2020
Interest-bearing securities	172	3	-2	–	641	-34	-3	421	-267	–	–	931
- of which Life & Pension	13	–	-2	–	–	-4	–	60	–	–	–	67
Shares	2,034	93	-6	–	312	-283	-15	8	-92	-32	-50	1,969
- of which Life & Pension	860	25	-48	–	103	-93	-15	4	–	–	-1	835
Assets in pooled schemes and unit-linked investment contracts	362	–	44	–	52	-8	-1	3	–	–	1	453
- of which Life & Pension	362	–	44	–	52	-8	-1	3	–	–	1	453
Derivatives (net)	174	434	-49	–	–	–	-434	47	-10	–	–	162
Other assets	35	–	–	–	–	–	-4	–	–	–	–	31
- of which Life & Pension	34	–	–	–	–	–	-4	–	–	–	–	30
Investment properties	1,585	49	-46	–	167	-188	–	–	–	–	-32	1,535
- of which Life & Pension	1,578	49	-46	–	166	-182	–	–	–	–	-31	1,534
Debt securities in issue	2,232	652	-980	-4	189	–	-651	347	-4	–	–	1,781
Other liabilities	2	–	-1	–	30	–	–	1	–	–	–	32

1) Reclassification related to the early conversion of Visa C-shares into Visa A-shares.

G41. Assets and liabilities at fair value, cont.

Unrealised gains and losses relate to the assets and liabilities held at the end of the year. The main driver for the transfers into and out of Level 3 during the year was an update to the rules for categorisation of financial instruments into Levels 1, 2 and 3. This mainly impacted the categorisation of "Derivatives", "Interest-bearing securities", "Shares" and "Debt securities in issue" where the volume and frequency of trading of the individual instruments (ISINs) are now considered. 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 G6). Assets and liabilities related to derivatives are presented net.

The valuation process for fair value measurements

Financial instruments

The valuation process at Nordea consists of several steps. The first step is to determine the end-of-day mid-prices. It is the responsibility of the business areas to determine the correct prices for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by a valuation control function within the first line of defence, which is independent from the risk-taking units of the front office. The cornerstone of the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by comparing end-of-day mid-prices to independently sourced data. The result of the IPV is analysed and any findings are escalated as appropriate. Also, adjustments for IPV variances are included in fair value. The verification of the correctness of prices and inputs is as a minimum carried out on a monthly basis and is carried out daily for many products. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis.

The valuation adjustment at portfolio level and the 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.

Specialised teams within the risk organisation (CRO) are responsible for overseeing and independently assessing the valuations and controls performed by the business areas and Group Finance (the first line of defence). These teams are responsible for the second line of defence oversight of valuations, with independent reporting responsibilities towards the CRO and the Board Audit Committee.

Investment properties

The main part of the investment properties of Nordea is held by Life & Pension. The valuation of the investment properties of Life & Pension is performed quarterly by the real estate units of each entity within Life & Pension with full or partial assistance from external valuers. For investment properties where units use their own methodologies, the changes in price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuations is presented to, and approved by, the local management of each entity. The CFO of each entity within Life & Pension is responsible for the approval of the concepts and for the values used. The principles used by all entities are in accordance with regulations provided by the local financial supervisory authorities, which is in accordance with international valuation principles and in accordance with the IFRS.

In addition, there is an investment operation committee (IOC) which is a joint forum focusing on the valuation and accounting of investment operations issues within Life & Pension. The entities within Life & Pension report regularly to the IOC and the IOC reports quarterly to the Nordea Group Valuation Committee.

Life & Pension's investment properties 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 is based on the profit structure on the portfolio of contracts backed by the investments.

G41. Assets and liabilities at fair value, cont.

Valuation techniques and inputs used in fair value measurements of financial instruments in Level 3

31 Dec 2021, EURm	Fair value	Of which Life & Pension[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Public bodies	40	–	Discounted cash flows	Credit spread	-4/4
Mortgage and other credit institutions	491	92	Discounted cash flows	Credit spread	-41/41
Corporates[2]	172	5	Discounted cash flows	Credit spread	-17/17
Total	**703**	**97**			**-62/62**
Shares					
Private equity funds	938	633	Net asset value[3]		-111/111
Hedge funds	72	71	Net asset value[3]		-6/6
Credit Funds	498	115	Net asset value/market consensus[3]		-45/45
Other funds	512	168	Net asset value/fund prices[3]		-46/46
Other[4]	382	170	–		-39/39
Total	**2,402**	**1,157**			**-247/247**
Derivatives					
Interest rate derivatives	216	–	Option model	Correlations	-12/12
				Volatilities	
Equity derivatives	-74	–	Option model	Correlations	-11/8
				Volatilities	
				Dividend	
Foreign exchange derivatives	41	–	Option model	Correlations	0/0
				Volatilities	
Credit derivatives	-18	–	Credit derivative model	Correlations	-20/27
				Recovery rates	
				Volatilities	
Other	2	–	Option model	Correlations	-0/0
				Volatilities	
Total	**167**	**–**			**-43/47**
Debt securities in issue					
Issued structured bonds	1,588	–	Credit derivative model	Correlations	-7/7
				Recovery rates	
				Volatilities	
Total	**1,588**	–			**-7/7**
Other, net					
Other assets and Other liabilities, net	-17	28	–	–	1/-1
Total	**-17**	**28**			**1/-1**

1) Investment in financial instruments is a major part of the life insurance business. The financial instruments are acquired to fulfil insurance and investment contract obligations. 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 reasonable change of this credit spread would not affect fair value due to callability features.

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

4) Of which EUR 156m related to assets in pooled schemes and unit-linked investment contracts.

G41. Assets and liabilities at fair value, cont.

Valuation techniques and inputs used in fair value measurements of financial instruments in Level 3

31 Dec 2020, EURm	Fair value	Of which Life & Pension[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Public bodies	39	–	Discounted cash flows	Credit spread	-4/4
Mortgage and other credit institutions	687	63	Discounted cash flows	Credit spread	-64/64
Corporates[2]	201	–	Discounted cash flows	Credit spread	-20/20
Other	4	4	Discounted cash flows	Credit spread	-0/0
Total	**931**	**67**			**-88/88**
Shares					
Private equity funds	948	470	Net asset value[3]		-104/104
Hedge funds	81	79	Net asset value[3]		-7/7
Credit Funds	464	163	Net asset value/market consensus[3]		-40/40
Other funds	199	115	Net asset value/fund prices[3]		-17/17
Other[4]	369	100	–		-31/31
Total	**2,061**	**927**			**-199/199**
Derivatives					
Interest rate derivatives	274	–	Option model	Correlations	-10/10
				Volatilities	
Equity derivatives	-37	–	Option model	Correlations	-10/7
				Volatilities	
				Dividend	
Foreign exchange derivatives	88	–	Option model	Correlations	-0/0
				Volatilities	
Credit derivatives	-165	–	Credit derivative model	Correlations	-32/38
				Recovery rates	
				Volatilities	
Other	2	–	Option model	Correlations	-0/0
				Volatilities	
Total	**162**	**–**			**-52/55**
Debt securities in issue					
Issued structured bonds	1,781	–	Credit derivative model	Correlations	-7/7
				Recovery rates	
				Volatilities	
Total	**1,781**	–			**-7/7**
Other, net					
Other assets and Other liabilities, net	-1	30	–	–	-1/1
Total	**-1**	**30**			**-1/1**

1) Investment in financial instruments is a major part of the life insurance business. The financial instruments are acquired to fulfil insurance and investment contract obligations. 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 reasonable change of this credit spread would not affect the fair value due to callability features.

3) The fair value is based on prices and net asset values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the performance of the assets underlying the investments. For private equity funds, the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines issued by Invest Europe (formerly EVCA). Approximately 50% of the private equity fund investments are internally adjusted/valued based the IPEV Guidelines. The carrying amounts are in the range of 3% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 92m related to assets in pooled schemes and unit-linked investment contracts.

The tables above show, for each class of assets and liabilities categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and, for financial assets and liabilities, the fair value sensitivity to changes in key assumptions.

The column "Range of fair value" in the tables above shows the sensitivity of the fair value of Level 3 financial instruments to changes in key assumptions. In case the exposure to an unobservable parameter is offset across different instruments, only the net impact is disclosed in the table. The range disclosed is likely to be greater than the true uncertainty in determining the fair value of these instruments as all unobservable parameters are in practice unlikely to be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

In order to calculate the sensitivity (range) of the fair value of derivatives, a range of different modelling approaches is 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 the volatility of underlying risk factors and the correlation between the relevant risk factors. Each of these is addressed by applying different assumptions to input and/or the choice of modelling

G41. Assets and liabilities at fair value, cont.

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 value of derivatives is presented as the net of assets and liabilities.

In order to calculate the sensitivity (range) of the fair value of shares and interest-bearing securities, the fair value is increased and decreased within a total range of 2–10 percentage points depending on the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

Valuation techniques and inputs used in fair value measurements of investment properties in Level 3

31 Dec 2021, EURm	Fair value[1]	Of which Life & Pension	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	991	991	Discounted cash flows[2]	Market rent		
				- Commercial	EUR 120–140/m²	124 EUR/m²
				- Office	EUR 108–403/m²	250 EUR/m²
				- Other	EUR 115–314/m²	229 EUR/m²
				Yield requirement		
				- Commercial	5.25–5.25%	5.25%
				- Office	3.25–4.90%	4.0%
				- Other	3.60–7.25%	4.0%
Finland[3]	1,041	1,041	Discounted cash flows[2]	Market rent		
				- Commercial	EUR 144–222/m²	183 EUR/m²
				- Office	EUR 123–474/m²	299 EUR/m²
				- Flat	EUR 189–300/m²	245 EUR/m²
				- Other	EUR 98–242/m²	170 EUR/m²
				Yield requirement		
				- Commercial	4.50–7.0%	5.8%
				- Office	3.25–10.25%	6.8%
				- Flat	3.0–4.75%	3.9%
				- Other	4.5–8.25%	6.4%
Sweden	333	333	Discounted cash flows	Market rent		
				- Commercial	EUR 69–217/m²	123 EUR/m²
				- Office	EUR 248–277/m²	266 EUR/m²
				- Flat	EUR 178–185/m²	180 EUR/m²
				Yield requirement		
				- Commercial	4.25–5.85%	5.0%
				- Office	4.0–4.65%	4.4%
				- Flat	3.51–3.60%	3.6%
Other	1	–	Discounted cash flows	–	–	–
Total	**2,366**	**2,365**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated, or model parameters provided, by external valuers.
3) Of which EUR 602m related to investment properties in pooled schemes and unit-linked investments in Life & Pension.

G41. Assets and liabilities at fair value, cont.

Valuation techniques and inputs used in fair value measurements of investment properties in Level 3

31 Dec 2020, EURm	Fair value[1]	Of which Life & Pension	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	657	657	Discounted cash flows	Market rent		
				- Office	EUR 105–362/m²	224 EUR/m²
				- Other	EUR 106–287/m²	220 EUR/m²
				Yield requirement		
				- Office	3.90–5.60%	4.5%
				- Other	4.1–9.5%	4.4%
Finland[3]	946	946	Discounted cash flows[2]	Market rent		
				- Commercial	EUR 138–228/m²	183 EUR/m²
				- Office	EUR 123–468/m²	296 EUR/m²
				- Flat	EUR 189–300/m²	245 EUR/m²
				- Other	EUR 225–282/m²	254 EUR/m²
				Yield requirement		
				- Commercial	5.75–7.25%	6.5%
				- Office	3.25–8.25%	5.8%
				- Flat	3.25–4.75%	4.0%
				- Other	4.5–6%	5.3%
Sweden	291	291	Discounted cash flows	Market rent		
				- Commercial	EUR 68–217/m²	125 EUR/m²
				- Office	EUR 251–251/m²	251 EUR/m²
				- Flat	EUR 176–188/m²	181 EUR/m²
				- Other	EUR 69–69/m²	69 EUR/m²
				Yield requirement		
				- Commercial	4.75–7.10%	5.5%
				- Office	4.65–4.65%	4.7%
				- Flat	3.67–3.80%	3.8%
				- Other	6.53–6.53%	6.5%
Other	2	1	Discounted cash flows	–	–	–
Total	**1,896**	**1,895**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated, or model parameters provided, by external valuers.
3) Of which EUR 361m related to investment properties in pooled schemes and unit-linked investments in Life & Pension.

The significant unobservable inputs used in the fair value measurement of the investment properties are market rent and yield requirement. Significant increases (decreases) in the market rate or yield requirement would in isolation result in a significantly lower (higher) fair value.

Movements in deferred day 1 profit

In some cases, the transaction price for financial instruments differs from the fair value at initial recognition measured using a valuation model, mainly due to the transaction price not beeing established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and the fair value at initial recognition measured using a valuation model (day 1 profit) is deferred. 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 aggregate difference has changed during the year (movements in deferred day 1 profit).

Deferred day 1 profit – derivatives, net

EURm	2021	2020
Amount at beginning of year	73	125
Deferred profit/loss on new transactions	58	125
Recognised in the income statement during the year[1]	-54	-177
Amount at end of year	**77**	**73**

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

G41. Assets and liabilities at fair value, cont.

Financial assets and liabilities not held at fair value on the balance sheet

	31 Dec 2021		31 Dec 2020		
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	47,495	47,495	32,955	32,955	3
Loans	271,605	273,610	261,754	269,422	3
Interest-bearing securities	3,448	3,560	3,293	3,548	1,2,3
Other assets	829	829	1,425	1,425	3
Prepaid expenses and accrued income	609	609	292	292	3
Total	**323,986**	**326,103**	**299,719**	**307,642**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	352,117	352,809	329,311	330,297	3
Other liabilities[1]	3,160	3,160	3,515	3,515	3
Accrued expenses and prepaid income	8	8	222	222	3
Total	**355,285**	**355,977**	**333,048**	**334,034**	

1) Lease liabilities presented on the row "Other liabilities" in Note G40 "Classification of financial instruments" are excluded in this table.

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" has been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used in the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking, 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 3,560m (EUR 3,548m), of which EUR –m (EUR 136m) is categorised into Level 1 and EUR 2,154m (EUR 3,332m) into Level 2 and EUR 1,406m (EUR 80m) into Level 3. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

Other assets and prepaid expenses and accrued income

The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables. The fair value is therefore considered to equal the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments

The fair value of the balance sheet rows "Deposits by credit institutions", "Deposits and borrowings from the public", "Debt securities in issue" and "Subordinated liabilities" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk are based on changes in relevant interest rates compared with the corresponding nominal interest rates of the portfolios. The fair value changes in credit risk are calculated as the difference between the credit spread of the nominal interest rate and the current spread observed in the market. This calculation is performed on an aggregated level for all long-term issuance recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" and "Deposits and borrowings from the public", the changes in Nordea´s own credit risk related to these items are assumed not to be significant. This is also the case for short-term issuance recognised in the balance sheet line items "Debt securities in issue" and "Subordinated liabilities".

Other liabilities and accrued expenses and prepaid income

The balance sheet items "Other liabilities" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly liabilities 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.

G42. Financial instruments set off on the balance sheet or subject to netting agreements

31 Dec 2021, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on balance sheet	Net carrying amount on balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives[3]	93,939	-63,743	30,196	-21,687	–	-6,591	1,918
Reverse repurchase agreements	21,739	-9,172	12,567	–	-12,567	–	0
Securities borrowing agreements	4,798	–	4,798	–	-4,798	–	0
Variation margin	213	-213	0	–	–	–	0
Total	**120,689**	**-73,128**	**47,561**	**-21,687**	**-17,365**	**-6,591**	**1,918**

31 Dec 2021, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on balance sheet	Net carrying amount on balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives[3]	93,016	-61,543	31,473	-21,687	–	-3,507	6,279
Reverse repurchase agreements	12,890	-9,172	3,718	–	-3,718	–	0
Securities borrowing agreements	2,235	–	2,235	–	-2,235	–	0
Variation margin	2,413	-2,413	0	–	–	–	0
Total	**110,554**	**-73,128**	**37,426**	**-21,687**	**-5,953**	**-3,507**	**6,279**

1) All amounts are measured at fair value.

2) Reverse repurchase agreements and securities borrowing agreements are classified as "Loans to central banks", "Loans to credit institutions" or "Loans to the public" on the balance sheet. Repurchase agreements and securities lending agreements are classified as "Deposits by credit institutions" or "Deposits and borrowings from the public" on the balance sheet.

3) Including derivatives in pooled schemes and investment contracts.

31 Dec 2020, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on balance sheet	Net carrying amount on balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives[3]	130,816	-86,082	44,734	-30,587	–	-10,603	3,544
Reverse repurchase agreements	25,529	-11,532	13,997	–	-13,997	–	0
Securities borrowing agreements	4,292	–	4,292	–	-1,672	–	2,620
Variation margin	685	-685	0	–	–	–	0
Total	**161,322**	**-98,299**	**63,023**	**-30,587**	**-15,669**	**-10,603**	**6,164**

31 Dec 2020, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on balance sheet	Net carrying amount on balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives[3]	130,447	-83,792	46,655	-30,587	–	-6,134	9,934
Reverse repurchase agreements	15,698	-11,532	4,166	–	-4,166	–	0
Securities borrowing agreements	1,548	–	1,548	–	-1,548	–	0
Variation margin	2,975	-2,975	0	–	–	–	0
Total	**150,668**	**-98,299**	**52,369**	**-30,587**	**-5,714**	**-6,134**	**9,934**

1) All amounts are measured at fair value, except for the reverse repurchase agreements of EUR 1,021m and the repurchase agreements of EUR 1,020m which are measured at amortised cost.

2) Reverse repurchase agreements and securities borrowing agreements are classified as "Loans to central banks", "Loans to credit institutions" or "Loans to the public" on the balance sheet. Repurchase agreements and securities lending agreements are classified as "Deposits by credit institutions" or "Deposits and borrowings from the public" on the balance sheet.

3) Including derivatives in pooled schemes and investment contracts.

G42. Financial instruments set off on the balance sheet or subject to netting agreements, cont.

Enforceable master netting arrangements and similar agreements

The fact that financial instruments are accounted for on a gross basis on the balance sheet, does not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repurchase agreements and securities lending transactions) are subject to master netting agreements, and Nordea is consequently able to benefit from netting, in the event of default by its counterparties, in any calculations involving counterparty credit risk.

For a description of counterparty risk see also Note G2 "Risk and liquidity management", section 3 "Counterparty risk".

G43. Transferred assets and obtained collateral

Transferred assets that are not derecognised in their entirety and associated liabilities

Assets are considered to be transferred from Nordea if Nordea either transfers the contractual right to receive the cash flows from the assets or retains that right but has a contractual obligation to pay the cash flows to one or more entities.

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, securities lending transactions and derivative transactions.

Repurchase agreements are a form of collateral borrowing where Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. 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 counterparty and receives a fee.

In derivative transactions Nordea delivers collateral which, under the terms of the agreements, can be sold or repledged. Such transactions are mainly related to collateral delivered under CSA agreements.

As both repurchase agreements and securities lending transactions result in the securities being returned to Nordea, all risks and rewards associated with the instruments transferred are retained by Nordea although they are not available to Nordea during the period during which they are transferred. The counterparties to the transactions hold the securities as collateral but have no recourse to other assets in Nordea.

The securities are still reported on the balance sheet and the corresponding liabilities are measured at fair value or at amortised cost.

Only transferred shares and bonds reported on the balance sheet are reported in the table below.

G43. Transferred assets and obtained collateral, cont.

EURm	31 Dec 2021	31 Dec 2020
Repurchase agreements		
Interest-bearing securities	1,668	3,795
Total	**1,668**	**3,795**

Liabilities associated with the assets

EURm	31 Dec 2021	31 Dec 2020
Repurchase agreements	1,669	3,815
Total	**1,669**	**3,815**
Net	**-1**	**-20**

Obtained collateral permitted to be sold or repledged

Nordea obtains collateral under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial market participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under the standard terms of most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements is disclosed below. Nordea also obtains collateral under other agreements which, under the terms of the agreements, can be sold or repledged. Such collateral is mainly received under CSA agreements covering derivative transactions. The received collaterals presented in the table below is not recognised on the balance sheet.

EURm	31 Dec 2021	31 Dec 2020
Reverse repurchase agreements		
Collateral received that can be repledged or sold	20,594	24,458
- of which repledged or sold	9,540	11,709
Securities borrowing agreements		
Collateral received that can be repledged or sold	2,786	3,177
- of which repledged or sold	183	712
Other agreements		
Collateral received that can be repledged or sold	864	625
- of which repledged or sold	202	349
Total	**24,244**	**28,260**

G44. Maturity analysis of assets and liabilities

Expected maturity

		31 Dec 2021 Expected to be recovered or settled:			31 Dec 2020 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		47,495	–	47,495	32,955	–	32,955
Loans to central banks	G14	409	–	409	3,123	–	3,123
Loans to credit institutions	G14	1,411	572	1,983	2,599	524	3,123
Loans to the public	G14	76,607	268,443	345,050	74,660	255,105	329,765
Interest-bearing securities	G15	19,963	43,420	63,383	12,501	50,008	62,509
Financial instruments pledged as collateral	G16	7	1,661	1,668	113	3,682	3,795
Shares	G17	4,943	10,274	15,217	4,901	7,748	12,649
Assets in pooled schemes and unit-linked investment contracts	G18	36,125	10,787	46,912	27,492	8,992	36,484
Derivatives	G19	5,029	25,171	30,200	8,296	36,474	44,770
Fair value changes of hedged items in hedges of interest rate risk	G19	-95	30	-65	131	228	359
Investments in associated undertakings and joint ventures	G20	–	207	207	–	555	555
Intangible assets	G21	5	3,779	3,784	5	3,766	3,771
Properties and equipment	G22	132	1,613	1,745	172	1,759	1,931
Investment properties	G24	0	1,764	1,764	658	877	1,535
Deferred tax assets	G12	11	207	218	16	390	406
Current tax assets	G12	272	–	272	300	–	300
Retirement benefit assets	G34	–	221	221	–	144	144
Other assets	G25	1,373	7,457	8,830	13,281	68	13,349
Prepaid expenses and accrued income	G26	801	79	880	576	61	637
Assets held for sale	G20	180	–	180	–	–	–
Total assets		**194,668**	**375,685**	**570,353**	**181,779**	**370,381**	**552,160**
Deposits by credit institutions	G27	13,480	13,481	26,961	16,310	7,629	23,939
Deposits and borrowings from the public	G28	200,554	5,247	205,801	178,382	5,049	183,431
Deposits in pooled schemes and unit-linked investment contracts	G18	2,865	45,336	48,201	6,400	31,134	37,534
Liabilities to policyholders	G29	4,564	15,031	19,595	2,146	16,032	18,178
Debt securities in issue	G30	66,829	108,963	175,792	58,807	115,502	174,309
Derivatives	G19	4,757	26,728	31,485	10,327	36,706	47,033
Fair value changes of hedged items in hedges of interest rate risk	G19	453	352	805	1,903	705	2,608
Current tax liabilities	G12	354	–	354	300	5	305
Other liabilities[1]	G31	6,790	11,695	18,485	19,761	1,580	21,341
Accrued expenses and prepaid income	G32	1,210	124	1,334	1,394	10	1,404
Deferred tax liabilities	G12	64	471	535	4	432	436
Provisions	G33	88	326	414	203	393	596
Retirement benefit liabilities	G34	–	369	369	–	365	365
Subordinated liabilities	G35	891	5,828	6,719	3,298	3,643	6,941
Total liabilities		**302,899**	**233,951**	**536,850**	**299,235**	**219,185**	**518,420**
1) Of which lease liabilities		101	1,046	1,147	138	1,095	1,233

G44. Maturity analysis of assets and liabilities, cont.

Contractual undiscounted cash flows

31 Dec 2021, EURm	< 1 month	1–3 months	3–12 months	1–2 years	2–5 years	5–10 years	>10 years	Total
Cash and balances with central banks and loans to central banks	47,904	–	–	–	–	–	–	47,904
Loans to the public	52,876	16,081	35,432	33,465	67,770	58,619	160,444	424,687
Loans to credit institutions	1,702	104	114	115	–	–	–	2,035
Interest-bearing securities	9,935	2,268	9,422	11,890	19,089	6,723	9,282	68,609
Other non-derivative financial assets	–	–	–	–	–	–	70,008	70,008
Total non-derivative financial assets	**112,417**	**18,453**	**44,968**	**45,470**	**86,859**	**65,342**	**239,734**	**613,243**
Deposits and borrowings from the public	191,347	13,662	2,150	332	499	319	99	208,408
Deposits by credit institutions	8,900	4,702	600	7,201	5,346	100	–	26,849
Debt securities in issue	5,264	16,497	47,089	26,596	53,925	13,353	22,813	185,537
- of which CDs and CP	1,593	14,863	21,131	582	–	–	–	38,169
- of which covered bonds	3,625	92	21,061	20,395	43,818	8,825	22,657	120,473
- of which other bonds	46	1,542	4,897	5,619	10,107	4,528	156	26,895
Subordinated liabilities	–	125	1,012	437	4,617	2,250	264	8,705
Other non-derivative financial liabilities	98,994	22	99	122	228	288	466	100,219
Total non-derivative financial liabilities	**304,505**	**35,008**	**50,950**	**34,688**	**64,615**	**16,310**	**23,642**	**529,718**
Derivatives, cash inflows	209,021	203,073	117,682	76,794	142,869	71,000	17,383	837,822
Derivatives, cash outflows	208,571	202,669	118,160	74,371	143,766	72,137	16,897	836,571
Derivatives, net cash flows	**450**	**404**	**-478**	**2,423**	**-897**	**-1,137**	**486**	**1,251**
Credit commitments	86,238	–	–	–	–	–	–	86,238
Issued guarantees	21,943	–	–	–	–	–	–	21,943

31 Dec 2020, EURm	< 1 month	1–3 months	3–12 months	1–2 years	2–5 years	5–10 years	>10 years	Total
Cash and balances with central banks and loans to central banks	36,078	–	–	–	–	–	–	36,078
Loans to the public	46,552	13,361	32,777	31,462	67,954	55,301	141,430	388,837
Loans to credit institutions	2,272	470	236	98	53	4	–	3,133
Interest-bearing securities	3,302	1,270	7,550	13,871	25,163	7,190	9,505	67,851
Other non-derivative financial assets	–	–	–	–	–	–	61,718	61,718
Total non-derivative financial assets	**88,204**	**15,101**	**40,563**	**45,431**	**93,170**	**62,495**	**212,653**	**557,617**
Deposits and borrowings from the public	180,419	645	2,311	55	25	4	1	183,460
Deposits by credit institutions	8,298	4,217	3,710	117	7,404	72	–	23,818
Debt securities in issue	8,990	12,097	36,132	32,039	54,088	11,571	27,483	182,400
- of which CDs and CP	4,809	8,761	18,837	1,297	–	–	–	33,704
- of which covered bonds	3,274	1,261	13,918	23,706	43,228	7,204	27,324	119,915
- of which other bonds	907	2,075	3,377	7,036	10,860	4,367	159	28,781
Subordinated liabilities	–	897	2,659	1,020	1,499	1,687	282	8,044
Other non-derivative financial liabilities	94,787	9	110	132	253	282	511	96,084
Total non-derivative financial liabilities	**292,494**	**17,865**	**44,922**	**33,363**	**63,269**	**13,616**	**28,277**	**493,806**
Derivatives, cash inflows	214,682	242,307	148,591	84,940	167,630	94,302	43,867	996,319
Derivatives, cash outflows	215,304	243,152	148,887	84,263	167,111	93,259	43,008	994,984
Derivatives, net cash flows	**-622**	**-845**	**-296**	**677**	**519**	**1,043**	**859**	**1,335**
Credit commitments	88,791	–	–	–	–	–	–	88,791
Issued guarantees	18,323	–	–	–	–	–	–	18,323

The table is based on contractual maturities. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities as derivatives are managed on a net basis. For contractual lease liabilities, see Note G23 "Leasing". For further information about remaining maturity, see also Note G2 "Risk and liquidity management".

G45. Related party transactions

The information below is presented from Nordea's perspective, meaning that the information shows the effect from related party transactions on the Nordea figures.

	Associated undertakings		Other related parties[1]	
EURm	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Assets				
Loans	86	92	2	2
Interest-bearing securities	–	–	2	5
Derivatives	15	1	26	109
Other assets	4	3	6	6
Total assets	**105**	**96**	**36**	**122**
Liabilities				
Deposits	11	14	1,113	571
Derivatives	31	12	2	16
Other liabilities	0	–	0	0
Total liabilities	**42**	**26**	**1,115**	**587**
Off-balance sheet items	**0**	**0**	**5**	**5**

	Associated undertakings		Other related parties[1]	
EURm	2021	2020	2021	2020
Net interest income	0	1	-4	0
Net fee and commission income	3	3	0	0
Net result from items at fair value	1	-3	-1	13
Other operating income	–	–	0	–
Total operating expenses	0	0	0	0
Profit before loan losses	**4**	**1**	**-5**	**13**

1) Shareholders with significant influence (including their subsidiaries) and close family members of key management personnel at Nordea as well as companies controlled or jointly controlled by key management personnel or by close family members of key management personnel at Nordea are considered to be related parties to Nordea. This group of related parties includes Sampo Plc, which has a significant influence over Nordea, and the subsidiaries of Sampo Plc. Liabilities to Sampo Plc and its subsidiaries mainly consist of deposits and long-term investments in bonds issued by Nordea. The transactions with Sampo Plc and its subsidiaries also include several ongoing derivative contracts. Other related parties also include Nordea's pension foundations.

With the exception of compensation, certain loans and other commitments to key management personnel, all related party transactions are subject to the same criteria and terms as those of comparable transactions with external parties of similar standing.

Compensation, loans and deposits to key management personnel

Compensation, loans, deposits and loan commitments to key management personnel are specified in Note G8 "Staff costs". Certain other commitments to key management personnel are noted in Note G38 "Contingent liabilities".

G46. 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

Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisation transactions to core Nordic customers. The SPE purchases trade receivables from approved sellers and funds the purchases either by issuing commercial paper (CP) via the established asset-backed commercial paper programme or by drawing funds under the liquidity facilities available.

Nordea has provided liquidity facilities to a maximum of EUR 964m (EUR 857m) and at year end EUR 856m (EUR 755m) was utilised. The total assets of the conduit amounted to EUR 1,007m (EUR 821m) at 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 the payments being dependent on the rate at which Viking releases its assets.

AR Finance invests in notes backed by trade receivables. Nordea has provided liquidity facilities to a maximum of EUR 125m (EUR 125m) and at year end EUR 121m (EUR 81m) was utilised. The entity held assets of EUR 122m (EUR 81m) at year end.

Unconsolidated structured entities

For structured entities in which Nordea has an interest but over which Nordea has no 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 currently held by Nordea. Variability in returns is assessed based on both fees received and revaluations of holdings in the funds.

Nordea invests in investment funds
a) on behalf of policyholders in Nordea Life & Pension
b) on behalf of depositors where the return is based on the investment
c) to hedge exposures to structured products issued to customers
d) that are illiquid private equity and credit funds.

As Nordea is exposed to variability in returns on a gross basis, information about these funds is disclosed although the net exposure is considerably less. Any change in the value of investment funds acquired on behalf of policyholders and depositors where the policyholder/depositor stands the investment risk is reflected in the value of the related liability and the maximum net exposure to losses is zero. The change in the value of investment funds held on behalf of other policyholders is largely passed on to the policyholders, but as Nordea has issued guarantees in respect of some of these products, Nordea is exposed to value changes.

G46. Interests in structured entities, cont.

Investment funds acquired to hedge exposures to structured products reduce the exposures and, to the extent hedges are effective, Nordea is not exposed to value changes. Investments in illiquid private equity and credit funds are an integral part of managing balance sheet risks at Nordea. The maximum loss on these funds is estimated at EUR 875m (EUR 735m), equal to the investments in the funds.

Nordea's interests in unconsolidated structured entities and any related liability are disclosed in the table below. The carrying amount is the maximum exposure to credit loss before considering any hedges. Income related to these investments is recognised in “Net result from items at fair value”.

EURm	31 Dec 2021	31 Dec 2020
Assets, carrying amount:		
Shares	11,504	10,085
Assets in pooled schemes and unit-linked investment contracts	43,898	33,232
Total assets	**55,402**	**43,317**
Liabilities, carrying amount:		
Deposits in pooled schemes and unit-linked investment contracts	43,898	33,232
Liabilities to policyholders	10,495	9,294
Total liabilities	**54,393**	**42,526**
Off-balance sheet, nominal amount:		
Loan commitments	–	–

Nordea holds approximately 2,500 different funds that are classified as unconsolidated structured entities, approximately 400 of which are managed by Nordea. These have different investment mandates and types of risk appetite, ranging from low risk government bond funds to high risk leveraged equity funds. The total assets of funds managed by Nordea are EUR 233bn (EUR 194bn). All funds are financed by deposits from unit holders. The total assets of investment funds not managed by Nordea are not considered meaningful for the purpose of understanding the related risks and are thus not disclosed.

Nordea has established two unconsolidated structured entities, Archean and Thulite, in which Nordea does not currently have an interest. As Nordea does not control them, they are considered to have been sponsored by Nordea. Nordea did not enter into any new transaction with Thulite during 2021. Previously Nordea bought protection in the form of a CDS and a financial guarantee from Thulite. Nordea received less than EUR 1m in income from Thulite in 2020 and 2021. All transactions with Archean were terminated in 2020 and the entity is now dormant.

G47. Group structure

The specification below includes major directly owned subsidiaries and major subsidiaries of the directly owned companies.

Company	Domicile	Shareholding, %	Voting power of holding, %
Nordea Bank Abp	Helsinki	N/A	N/A
Denmark branch	Copenhagen	N/A	N/A
Estonia branch	Tallinn	N/A	N/A
London branch	London	N/A	N/A
New York branch	New York	N/A	N/A
Norway branch	Oslo	N/A	N/A
Poland branch	Łódź	N/A	N/A
Shanghai branch	Shanghai	N/A	N/A
Sweden branch	Stockholm	N/A	N/A
Nordea Kredit RealKreditaktieselskab	Copenhagen	100.0	100.0
Nordea Hypotek AB (publ)	Stockholm	100.0	100.0
Nordea Eiendomskreditt AS	Oslo	100.0	100.0
Nordea Mortgage Bank Plc	Helsinki	100.0	100.0
Nordea Finance Finland Ltd	Helsinki	100.0	100.0
Nordea Finans Danmark A/S	Høje Taastrup	100.0	100.0
Nordea Finans Sverige AB (publ)	Stockholm	100.0	100.0
Nordea Finans Norge AS	Oslo	100.0	100.0
Nordea Direct Bank ASA	Oslo	100.0	100.0
Nordea Direct Boligkreditt AS	Oslo	100.0	100.0
Nordea Finance Equipment AS	Oslo	100.0	100.0
LLC Promyshlennaya Kompaniya Vestkon[1]	Moscow	100.0	100.0
JSC Nordea Bank[1]	Moscow	100.0	100.0
Nordea Funds Ltd	Helsinki	100.0	100.0
Nordea Asset Management Holding AB	Stockholm	100.0	100.0
Nordea Investment Funds S.A.	Luxembourg	100.0	100.0
Nordea Investment Management AB	Stockholm	100.0	100.0
Nordea Life Holding AB	Stockholm	100.0	100.0
Nordea Life Assurance Finland Ltd	Helsinki	100.0	100.0
Livforsikringsselskapet Nordea Liv Norge AS	Bergen	100.0	100.0
Nordea Livförsäkring Sverige AB (publ)	Stockholm	100.0	100.0

1) In December 2020 Nordea announced its decision to wind down its operations in Russia. The legal process has been initiated to close down the subsidiaries.

There are different types of restrictions on how Nordea can access and transfer assets within the Group.

Dividends are used to transfer excess capital from the parent's subsidiaries to the parent company, Nordea Bank Abp. The specific dividend amount is determined for each legal entity based on distributable funds, capital adequacy regulations and ratios, capital and business planning, local tax considerations and Group-internal policies. Regulatory restrictions, both general and local, on dividends as well as projected changes in the entities' capital requirements and risk exposure amounts are incorporated into the analysis regarding the dividend decisions.

The CRR requires credit institutions to hold liquid assets, the sum of the values of which covers the liquidity outflows less the liquidity inflows under stressed conditions so as to ensure that institutions maintain levels of liquidity buffers which are adequate. There are also local liquidity requirements that restrict the movement of funds between legal entities.

The Group has pledged assets to collateralise its obligations under repurchase agreements, securities financing transactions, collateralised loan obligations and for margining purposes of OTC derivative liabilities. Further information is disclosed in Notes G36 and G37.

For banks under resolution, which was not applicable to Nordea at the balance sheet date, there are potential restrictions as the regulators have far-reaching resolution tools they can impose if deemed necessary.

Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interests might restrict the ability of the Group to access and transfer assets freely to or from other entities within the Group and to settle liabilities of the Group. Since the Group did not have any material non-controlling interests at the balance sheet date, any protective rights associated with these did not give rise to significant restrictions.

G48. IBOR reform

The IBOR transition is a global reform with significant impact on the financial industry. It affects a large variety of financial products and services and thus individuals, companies and institutions. The transition influences products, market liquidity, risk management, data and technology infrastructure as well as financials and the balance sheet. IBORs are embedded in a vast range of financial instruments, including loans, mortgages, bonds, trading products and derivative contracts.

In March 2021 the British Financial Conduct Authority and ICE Benchmark Administration (the administrator of LIBOR) announced that sterling, euro, Swiss franc and Japanese yen LIBOR rates, as well as 1-week and 2-month US dollar LIBOR rates, will cease at end-2021, with the remaining US dollar LIBOR rates ceasing at end-June 2023.

In May 2019 the European Money Markets Institute (EMMI, the administrator of EONIA) announced a change in EONIA's methodology. From October 2019 EONIA has been calculated as €STR plus a spread. EMMI further announced it would provide EONIA under the changed methodology until 3 January 2022 after which date it would be discontinued.

Other IBORs, such as EURIBOR and Nordic IBORs, have already or are currently undergoing reforms and are expected to continue to be published in the foreseeable future.

As LIBOR and EONIA will not be available after their respective cessation dates, market participants need to remove their dependency on these rates. This includes enabling capability to reference new benchmark rates in financial contracts (such as €STR instead of EONIA, SONIA instead of GBP LIBOR and SOFR instead of USD LIBOR) and to transition legacy contracts to new benchmark rates.

Nordea has established an IBOR Transition Programme sponsored by the CFO to prepare and coordinate Group-wide efforts to manage the operational impacts and financial risks caused by the transition from existing IBORs to alternative near risk-free rates. An IBOR Transition Office is responsible for the Group-wide coordination of transition activities and reports to a steering committee with participation from senior management of the business areas and Group functions to ensure a centralised Nordea strategy and senior management steering and oversight. The business areas and Group functions are responsible for and drive the execution of changes required for a successful transition to alternative near risk-free rates.

As of 31 December 2021 Nordea continues to have exposure to USD LIBOR, while all contracts referencing other LIBOR rates and EONIA have been or will on 1 January 2022 be transitioned to new rates through the use of contractual fallbacks or otherwise mitigated.

The remaining legacy USD LIBOR contracts will either mature or be transitioned to new benchmark rates, or otherwise mitigated, before or on the USD LIBOR cessation date on 30 June 2023.

The new near risk-free rates lack the credit spread component present in current IBORs. This means that due to changes in credit spreads Nordea may be less able to pass on changes in funding costs, which have historically been passed on automatically through IBORs. This risk is considered manageable within the current risk management strategy.

Nordea has adopted the Phase I and Phase II amendments to IFRS 7 and IAS 39. Disclosures on financial instruments with IBORs that remain to be transitioned can be found in the below table (only USD LIBOR).

	Carrying amount		
EURm	Assets	Liabilities	Notional amount
Non-derivative financial instruments	5,255	3,319	
Derivatives			310,566
Not used in hedge accounting			287,947
Used in hedge accounting			22,618
Fair value hedges			17,548
Cash flow hedges			5,070

Financial statements
Parent company

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Income statement

EURm	Note	2021	2020
Operating income			
Interest income[1]		3,351	3,679
Interest expense[1]		-659	-1,163
Net interest income	**P4**	**2,692**	**2,516**
Fee and commission income		2,435	2,223
Fee and commission expense		-521	-525
Net fee and commission income	**P5**	**1,914**	**1,698**
Net result from securities trading and foreign exchange dealing	P6	1,110	785
Net result from securities at fair value through fair value reserve	P6	-28	13
Net result from hedge accounting	P6	-12	-8
Net result from investment properties	P23	0	0
Income from equity investments	P7	1,347	1,681
Other operating income	P8	966	483
Total operating income		**7,989**	**7,168**
Operating expenses			
Staff costs	P9	-2,256	-2,285
Other administrative expenses	P10	-813	-799
Other operating expenses	P11	-535	-593
Depreciation, amortisation and impairment charges of tangible and intangible assets	P12	-463	-417
Total operating expenses		**-4,067**	**-4,094**
Profit before loan losses		**3,922**	**3,074**
Net loan losses	P13	17	-678
Impairment of other financial assets	P13	-26	-107
Operating profit		**3,913**	**2,289**
Income tax expense	P14	-681	-325
Net profit for the year		**3,232**	**1,964**

1) Comparative figures have been restated. See “Changed accounting policies and presentation” in Note P1 “Accounting policies” for more information.

Balance sheet

EURm	Note	31 Dec 2021	31 Dec 2020
Assets			
Cash and balances with central banks		45,256	32,380
Debt securities eligible for refinancing with central banks	P17	62,654	67,748
Loans to credit institutions	P15	78,274	64,364
Loans to the public	P16	139,086	135,873
Interest-bearing securities	P17	9,813	9,085
Shares and participations	P18	6,314	4,864
Investments in associated undertakings and joint ventures	P19	88	90
Investments in group undertakings	P20	15,101	14,686
Derivatives	P21	30,514	45,155
Fair value changes of hedged items in hedges of interest rate risk		1	85
Intangible assets	P22	1,736	1,785
Tangible assets	P23	253	290
Deferred tax assets	P14	165	398
Current tax assets		166	193
Retirement benefit assets	P33	218	142
Other assets	P25	9,448	14,048
Prepaid expenses and accrued income	P26	1,165	1,012
Total assets		**400,252**	**392,198**
Liabilities			
Deposits by credit institutions and central banks	P27	35,532	32,278
Deposits and borrowings from the public	P28	213,547	190,649
Debt securities in issue	P29	64,264	60,745
Derivatives	P21	32,347	48,552
Fair value changes of hedged items in hedges of interest rate risk		342	1,408
Current tax liabilities		201	181
Other liabilities	P30	16,518	19,537
Accrued expenses and prepaid income	P31	927	1,048
Deferred tax liabilities	P14	60	0
Provisions	P32	463	638
Retirement benefit obligations	P33	300	296
Subordinated liabilities	P34	6,709	6,888
Total liabilities		**371,210**	**362,220**
Equity			
Share capital		4,050	4,050
Additional Tier 1 capital holders		750	748
Invested unrestricted equity		1,090	1,063
Other reserves		-65	-258
Retained earnings		19,985	22,411
Profit or loss for the period		3,232	1,964
Total equity	P35	**29,042**	**29,978**
Total liabilities and equity		**400,252**	**392,198**
Off-balance sheet commitments			
Commitments given to a third party on behalf of customer	P38		
- Guarantees and pledges		49,959	48,007
- Other		846	1,024
Irrevocable commitments in favour of customer	P39		
- Securities repurchase commitments		–	–
- Other		91,056	90,398

Cash flow statement

EURm	Note	2021	2020
Operating activities			
Operating profit		3,913	2,289
Adjustment for items not included in cash flow		184	890
Income taxes paid	P14	-370	-549
Cash flow from operating activities before changes in operating assets and liabilities		**3,727**	**2,630**
Changes in operating assets			
Change in debt securities eligible for refinancing with central banks		83	681
Change in loans to credit institutions	P15	-15,387	13,415
Change in loans to the public	P16	-2,467	6,957
Change in interest-bearing securities	P17	4,517	-10,585
Change in shares and participations	P18	-603	685
Change in derivatives, net	P21	-2,567	-703
Change in investment properties		0	1
Change in other assets	P25	4,586	-956
Changes in operating liabilities			
Change in deposits by credit institutions and central banks	P27	3,096	-12,310
Change in deposits and borrowings from the public	P28	22,557	14,216
Change in debt securities in issue	P29	2,640	-15,871
Change in other liabilities	P30	-3,513	1,369
Cash flow from operating activities		**16,669**	**-471**
Investing activities			
Investment in and capital contribution to group undertakings	P20	-388	-706
Sale of group undertakings	P20	0	–
Investments in associated undertakings and joint ventures	P19	-3	-8
Sale of associated undertakings and joint ventures	P19	1	18
Acquisition of property and equipment	P23	-21	-31
Sale of property and equipment	P23	0	6
Acquisition of intangible assets	P22	-370	-403
Cash flow from investing activities		**-781**	**-1,124**
Financing activities			
Issued subordinated liabilities	P34	2,810	–
Amortised subordinated liabilities	P34	-3,247	-2,901
Sale/repurchase of own shares incl. changes in trading portfolio	P35	-1,133	-16
Paid interest on Additional Tier 1 capital	P35	-26	-26
Other changes in equity		–	61
Dividend paid	P35	-3,192	–
Cash flow from financing activities		**-4,788**	**-2,882**
Cash flow for the year		**11,100**	**-4,477**
Cash and cash equivalents at beginning of year		35,218	39,645
Translation differences		157	50
Cash and cash equivalents at end of year		46,475	35,218
Change		**11,100**	**-4,477**

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 Bank Abp's cash flow statement has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

Operating activities
Cash flows from operating activities, which are the principal revenue-producing activities, are mainly derived from profits during the year adjusted for items not included in cash flows and income taxes paid. Adjustment for items not included in cash flows includes:

EURm	2021	2020
Depreciation, amortisation and impairment charges	463	373
Loan losses	41	856
Unrealised gains/losses	637	-588
Capital gains/losses (net)	-2	-11
Change in accruals and provisions	-55	-9
Translation differences	-3	71
Change in fair value of hedged items, assets/liabilities (net)	-982	250
Other	85	-52
Total	**184**	**890**

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

Cash flows from operating activities include interest payments received and interest expenses paid with the following amounts:

EURm	2021	2020
Interest payments received	3,340	4,009
Interest expenses paid	-736	-1,449

Investing activities
Investing activities include acquisition and disposal of non-current assets such as property and equipment and intangible and financial assets.

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

Cash and cash equivalents
The following items are included in "Cash and cash equivalents":

EURm	31 Dec 2021	31 Dec 2020
Cash and balances with central banks	45,256	32,380
Loans to central banks payable on demand	6	2,426
Loans to credit institutions payable on demand	1,213	412
Total	**46,475**	**35,218**

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

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

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

P1. Accounting policies

CONTENT FOR NOTE P1

Nordea Bank Abp (Business ID 2858394-9) is the parent company of the Nordea Group. Nordea Bank Abp is a public limited liability company organised under the laws of Finland with its head office located in Helsinki, Finland at the following address: Hamnbanegatan (Satamaradankatu) 5, FI-00020 Nordea, Helsinki, Finland. Nordea Bank Abp's ordinary shares are listed on Nasdaq Nordic, the stock exchanges in Helsinki (in euro), Stockholm (in Swedish krona) and Copenhagen (in Danish krone) and its American Depository Receipts (ADR) are traded in the US in US dollars.

On 23 February 2022 the Board of Directors approved the financial statements, subject to final adoption by the Annual General Meeting on 24 March 2022.

1. Basis of preparation

The financial statements for Nordea Bank Abp are prepared in accordance with the Finnish Accounting Act, the Finnish Act on Credit Institutions, the Decree of the Finnish Ministry of Finance on the financial statements and consolidated financial statements of credit institutions and investment firms as well as the Finnish Financial Supervisory Authority's regulations and guidelines.

The accounting policies, methods of computation and presentations are unchanged in comparison with the Annual Report 2020, except for the items presented in "Changed accounting policies and presentation" below.

All amounts are in euro million unless otherwise stated.

2. Changed accounting policies and presentation

The new accounting requirements implemented during 2021 and their impact on Nordea Bank Abp's financial statements are described below.

Changed presentation of interest from derivatives used in economic hedges

As of 1 January 2021 the interest components of derivatives hedging assets in economic hedges have been classified as "Interest income" and the interest component of derivatives hedging liabilities in economic hedges have been classified as "Interest expense" in the income statement. Previously, both types of interest component were classified as "Interest expense". The new principle better reflects the economic substance of hedging transactions.

Comparative figures have been restated accordingly and the impacts in 2021 and 2020, can be found in the table below.

	Full year 2021		
EURm	Old policy	Change	New policy
Interest income	3,583	-232	3,351
Interest expense	-891	232	-659
Net interest income	**2,692**	**–**	**2,692**

	Full year 2020		
EURm	Old policy	Change	New policy
Interest income	3,906	-227	3,679
Interest expense	-1,390	227	-1,163
Net interest income	**2,516**	**–**	**2,516**

Interest Rate Benchmark Reform – Phase 2

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

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

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

3. Recognition of operating income

Net interest income

Interest income and expense are calculated and recognised using the effective interest rate method or, if considered appropriate, a method that provides a reasonable approximation in line with the effective interest rate method as the basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate equals the rate that dis-

P1. Accounting policies, cont.

counts the estimated future cash flows to the net carrying amount of the financial asset or financial liability.

Negative interest on liabilities is presented in the line item “Interest income” and negative interest on assets in the line item “Interest expense”. In the line item “Interest income”, Nordea Bank Abp presents interest income from financial assets measured at amortised cost or at fair value through the fair value reserve. This line item also includes the effect from hedge accounting relating to these assets.

Interest income and interest expense from financial instruments are, with the exceptions described below, classified as “Net interest income”.

Interest income and interest expense related to all balance sheet items held at fair value in Markets are classified as “Net result from securities trading and foreign exchange dealing” in the income statement. Also, interest on the net funding of operations in Markets are recognised in this line item to ensure that income and expense within these operations are presented in a consistent manner.

The interest component of derivatives is classified as “Net result from securities trading and foreign exchange dealing” except for derivatives used for hedging purposes. In accounting hedges the interest component of derivatives is classified as “Interest income calculated using the effective interest rate method” if the derivative is used to hedge an asset and as “Interest expense” if the derivative is used to hedge a liability in Note P4 “Net interest income”. In economic hedges the interest component of derivatives is classified as “Other interest income” if the derivative is used to hedge an asset and as “Interest expense” if the derivative is used to hedge a liability in Note P4 “Net interest income”.

Net fee and commission income

Nordea Bank Abp earns commission income from different services provided to customers and other group companies. Asset management commissions and Life & Pension commissions are mainly generated from the services provided to other group companies.

The recognition of commission income depends on the purpose for which the fees are received. Fees are recognised as revenue when services are provided or in connection with the execution of a significant act. Fees received in connection with performed services are recognised as income in the period when these services are provided.

Fees categorised as “Deposit products”, “Brokerage, securities issues and corporate finance”, “Custody and issuer service”, “Payments" and “Cards” are recognised both over time and at a point of time depending on when the performance obligations are satisfied. Brokerage, securities issues and corporate finance are mainly transactional driven in relation to advising customers or executing customer transactions in securities where the services are recognised at a point of time when the services related to the transactions are completed. Payment commissions include fees for cash management and payment solutions that are recognised over time and transactions-based fees for services like domestic and foreign payments that are recognised at a point of time. Card fees are categorised as interchange fees which are recognised at a point of time when the customer uses the services, or as cardholder fees which are recognised over time or at a point of time if the fee is transaction based.

Lending fees that are not part of the effective interest rate of a financial instrument are recognised at a point of time. Loan syndication fees, as well as other transaction-based fees received are recognised at a point when the performance obligation is satisfied, i.e. when the syndication or transaction has been performed. Fees received for bilateral transactions are generally amortised as part of the effective interest rate of the financial instruments recognised.

Income from issued financial guarantees, and expenses for bought financial guarantees, are amortised over the duration of the instruments and classified as “Fee and commission income” and “Fee and commission expense”, respectively. Other fee income is generally transaction based.

For transactional services performed at a point of time, payments are generally made instantly when the services are performed. For services performed over time, the period of service is normally short. Examples of such services are monthly payment services and monthly or quarterly asset management services. For the services performed over time, the right to payment generally arises at the end of the period of service when the performance obligations are completed and it is highly probable that no significant reversal of the consideration will occur. However, for some services with fixed monthly fees, the right to payment arises in advance. Account receivables are recognised as “Other assets”, while unbilled receivables for satisfied performance obligations and contract assets are recognised as “Prepaid expenses and accrued income”. Short-term advances received where the performance obligations have not yet been satisfied are recognised as “Accrued expenses and prepaid income”.

Commission expenses are normally transaction based and recognised in the period when the services are received.

Initial contract costs for obtaining contracts are recognised as an asset and amortised if the costs are expected to be recovered.

Net result from securities trading and foreign exchange dealing

Realised and unrealised gains and losses on financial instruments measured at fair value through profit or loss are recognised in the line item “Net result from securities trading and foreign exchange dealing”. 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.

Net result from securities trading

Interest income and interest expense related to all balance sheet items held at fair value in Markets are classified as “Net result from securities trading” in the income statement. Furthermore, the interest component of derivatives, including changes in accrued interest, is classified as “Net result from securities trading”, except for derivatives used for hedging purposes, including economic hedges where such components are classified in the same income statement line as the interest from the hedged asset and liability.

Also, interest on the net funding of operations in Markets is recognised in this line to ensure that income and expense within these operations are presented in a consistent manner. This line 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 securities trading” also includes losses from counterparty risk on instruments classified into the category “Financial assets at fair value through profit or loss”. Impairment losses from instruments within other categories are recognised in the line items “Net loan losses” or “Impairment of other financial assets” (see also the subsections “Net

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loan losses" and "Impairment of other financial assets" below).

Dividends received from trading shares are recognised in the income statement as "Net result from securities trading" and classified as "Equity-related instruments" in the note. Income is recognised in the period in which the right to receive payment is established.

Net result from foreign exchange dealing

Net gains and losses on trading in foreign currencies and the positive and negative exchange differences arising from translation into euro of assets, liabilities and the principal of currency swaps are recognised in "Net result from foreign exchange dealing". The period's proportion of gains and losses on measurement of forward foreign exchange contracts, currency futures and currency options is also included in this item. Foreign exchange differences arising from non-monetary held-for-sale assets are recognised in the fair value reserve under equity.

Net result from securities at fair value through fair value reserve

Recycled gains and losses on financial instruments classified into the category "Financial assets at fair value through other comprehensive income" are recognised in "Net result from securities at fair value through fair value reserve".

Net result from hedge accounting

Changes in the fair value of hedging instruments and hedged items under fair value hedges are classified as "Net result from hedge accounting". The ineffective portion of the gain or loss on the hedging instrument under cash flow hedge is recycled to the line item "Net result from hedge accounting". Hedge accounting is described in section 7 "Hedge Accounting".

Net result from investment properties

Income and expenses from investment properties, such as rental income and expenses and sales gains and losses, regardless of whether the property is measured using the fair value method or the acquisition cost less depreciation and impairment loss are recognised in "Net result from investment properties". This item also includes items recognisable in profit or loss due to the measurement method (depreciation according to plan and impairments, reversals of impairment or fair value changes).

Income from equity investments

Dividends received from other than trading shares as well as group contributions are recognised in the income statement as "Income from equity investments". Income is recognised in the period in which the right to receive payment is established.

Other operating income and other operating and administrative expenses

Net gains from divestment of shares in group undertakings, associated undertakings and joint ventures and net gains from the sale of tangible assets as well as other 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 Bank Abp and if the significant risks and rewards have been transferred to the buyer (generally when the transaction is finalised).

A resolution fee is presented as "Other operating expenses" in the income statement.

4. Impairment

Net loan losses

Impairment losses on financial assets classified into the category "Amortised cost" (see section 11 "Financial instruments"), in the line items "Loans to credit institutions" and "Loans to the public" on the balance sheet, are reported as "Net loan losses" in the income statement together with losses from financial guarantees. Losses are reported net of any collateral and other credit enhancements. Nordea Bank Abp's accounting policies for the calculation of impairment losses on loans can be found in section 12 "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, are reported under "Net result from securities trading".

Impairment of other financial assets

Impairment of investments in interest-bearing securities, classified into the category "Financial assets at fair value through other comprehensive income" (see section 11 "Financial instruments"), and impairment of investments in group undertakings, associated undertakings and joint ventures are presented in the line item "Impairment of other financial assets" in the income statement. The policies covering impairment of financial assets classified into the category "Amortised cost" are disclosed in section 11 "Financial instruments" and section 12 "Loans to the public/credit institutions".

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.

5. Recognition and derecognition of financial instruments on the balance sheet

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised from (and an asset or a liability is recognised as "Other assets" or "Other liabilities" on the balance sheet between the trade date and the settlement date) the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on the settlement date.

Financial assets, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial assets expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterparty has performed by e.g. repaying a loan to Nordea Bank Abp, i.e. on the settlement date.

Loans and other financial assets where cash flows are modified or part of a restructuring are derecognised, and a new loan recognised if the terms and conditions of the new loan are substantially different from the old loan. This is normally the case if the present value of the cash flows for the new loan discounted by the original interest rate differs by more than 10% from the present value of the remaining expected cash flows for the old loan. The same principles apply to financial liabilities. The terms and conditions are also considered to be significantly different for financial assets where the modified cash flows are SPPI, but the original cash flows were not SPPI and vice versa.

In some cases, Nordea Bank Abp enters into transactions where it transfers assets that are recognised on the balance sheet but retains either all or a portion of the risks and

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rewards of the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea Bank Abp performs, for example when Nordea Bank Abp returns a deposit to the counterparty, i.e. on the settlement date. Financial liabilities under trade date accounting are generally derecognised and a liability is recognised as "Other liabilities" on the balance sheet on the trade date.

For further information, see sections "Securities borrowing and lending agreements" and "Repurchase and reverse repurchase agreements" within section 11 "Financial instruments" as well as Note P43 "Transferred assets and obtained collateral".

6. Translation of assets and liabilities denominated in foreign currencies

Nordea Bank Abp presents its financial statements in euro (EUR). Foreign currency is defined as any currency other than euro. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those on the date of the transactions, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the line item "Net result from securities trading and foreign exchange dealing".

Currency translation of foreign entities/branches

The assets and liabilities of foreign branches have been translated at the closing rates, while items in the income statement are translated at the average exchange rate for the year. The average exchange rates are calculated based on daily exchange rates divided by the number of business days in the period. Translation differences are recognised in the fair value reserve in equity.

Any remaining equity in foreign branches is converted at the closing rates with translation differences recognised in equity.

Information on the most important exchange rates is disclosed in section 26 "Exchange rates".

7. Hedge accounting

As part of Nordea's risk management policy, Nordea Bank Abp has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in section "Market risk" in Note P2 "Risk and liquidity management" and Note P21 "Derivatives and hedge accounting".

When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39, Nordea Bank Abp applies two types of hedge accounting:

- fair value hedge accounting
- cash flow hedge accounting.

Nordea Bank Abp has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve-out version of IAS 39.

Under the EU carve-out version of IAS 39, fair value macro hedge accounting may for instance, in comparison with IAS 39 as issued by the IASB, be applied to core deposits and hedge ineffectiveness in a hedge of assets with prepayment options is only recognised when the revised estimate of the amount of cash flows falls below the designated bottom layer.

At inception, Nordea Bank Abp formally documents how the hedging relationship meets the hedge accounting criteria, including the economic relationship between the hedged item and the hedging instrument, the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship on an ongoing basis.

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in the fair value of the hedged item, as regards the hedged risk, can be essentially offset by changes in the fair value of the hedging instrument. The result should be within a range of 80–125 %.

Transactions that are entered into in accordance with Nordea Bank Abp's hedging objectives but do not qualify for hedge accounting, are economic hedge relationships.

Fair value hedge accounting

Fair value hedge accounting is applied when derivatives are hedging changes in the fair value of a recognised asset or liability attributable to a specific risk in accordance with Nordea's risk management policies set out in section "Market risk" in Note P2 "Risk and liquidity management" (the Market risk section) and Note P21 "Derivatives and hedge accounting". The risk of changes in the fair value of assets and liabilities in Nordea Bank Abp's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in the fair value of derivatives as well as changes in the fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the line item "Net income from hedge accounting". Given that the hedge is effective, the change in the fair value of the hedged item will be offset by the change in the fair value of the hedging instrument.

The changes in the fair value of the hedged item attributable to the risks being hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value changes of the hedged items held at amortised cost in hedges of interest rate risks are reported separately in the balance sheet item "Fair value changes of hedged items in hedges of interest rate risk".

Fair value hedge accounting at Nordea Bank Abp is performed both at a micro level and on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net result from hedge accounting".

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 at Nordea Bank Abp consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments

The hedging instruments used at Nordea Bank Abp are predominantly interest rate swaps and cross currency interest rate swaps, which are always held at fair value.

Hedge effectiveness

When assessing hedge effectiveness retrospectively, Nordea Bank Abp measures the fair value of a hedging instrument and compares the change in the fair value of the hedging instrument to the change in the fair value of the hedged item.

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The effectiveness measurement is made on a cumulative basis.

If the hedging relationship does not meet the hedge accounting requirements, hedge accounting is discontinued. For fair value hedges, the hedging instrument is measured at fair value through profit or loss and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

Hedge ineffectiveness can arise from:
- differences in timing of cash flows of hedged items and hedging instruments
- different interest rate curves applied to discount the hedged items and hedging instruments
- the effect of changes in Nordea Bank Abp's or a counterparty's credit risk on the fair value of the hedging instruments
- disparity between expected and actual prepayments of the loan portfolio.

Cash flow hedge accounting

In accordance with Nordea's risk management policies set out in section "Market risk" in Note P2 "Risk and liquidity management" and Note P21 "Derivatives and hedge accounting", cash flow hedge accounting is applied when hedging the exposure to variability in future interest payments on instruments with variable interest rates as well as currency exposures. The portion of the gain or loss on the hedging instrument, determined to be an effective hedge, is recognised in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from hedge accounting" in the income statement.

Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity are recycled and recognised in the income statement in the same period as the hedged item affects profit or loss, normally in the period 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 Bank Abp uses cash flow hedges when hedging currency risk on future payments of interest and principal (from issued debt in in foreign currency) and when hedging interest rate risk on lending with floating interest rates.

Hedging instruments

The hedging instruments used at Nordea Bank Abp are predominantly cross currency interest rate swaps, which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. When hedging the interest rate risk on lending with floating interest rates Nordea Bank Abp uses interest rate derivatives as hedging instruments, which are always held at fair value.

Hedge effectiveness

The hypothetical derivative method is used when measuring the effectiveness retrospectively of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedging relationship does not meet the hedge accounting requirements, hedge accounting is discontinued. Changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity from the period when the hedge was effective is reclassified from equity to "Net result from hedge accounting" in the income statement if the expected transaction is no longer expected to occur.

If the expected transaction is no longer highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity from the period when the hedge was effective will remain in the cash flow hedge reserve until the transaction occurs or is no longer expected to occur.

The possible sources of ineffectiveness for cash flow hedges are generally the same as for those for fair value hedges described above. However, for cash flow hedges, prepayment risk is less relevant, and the causes of hedging ineffectiveness arise from the changes in the timing and the amount of forecast future cash flows.

8. Determination of fair value of financial instruments

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 ongoing basis. The absolute level of liquidity and volume required for a market to be considered active varies depending on the class of instruments. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and, correspondingly, the age limit for the prices used to establish fair value is higher.

The trade frequency and volume are monitored regularly in order to assess if markets are active or not active. Nordea Bank Abp predominantly uses published price quotations to establish fair value for items disclosed under the following balance sheet items:
- Debt securities eligible for refinancing with central banks
- Interest-bearing securities
- Shares (listed)
- Derivatives (listed).

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

Valuation techniques can range from a simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible but can also make use of unobservable model parameters. The adequacy of the valuation model is assessed by measuring its ability to match market prices. This is done by comparing calculated prices with relevant benchmark data, e.g. quoted prices from

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exchanges, the counterparty´s valuations, price data from consensus services etc.

Nordea Bank Abp predominantly uses valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- Debt securities eligible for refinancing with central banks (when quoted prices in an active market are not available)
- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC derivatives).

For financial instruments whose fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. Nordea Bank Abp considers data from observable markets to be data that can be collected from generally available external sources and which is deemed to represent realistic market prices. If unobservable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the unobservable data becomes observable.

Note P41 "Assets and liabilities at fair value" provides a breakdown of the fair value of financial instruments measured on the basis of:

- quoted prices in active markets for the same instrument (Level 1)
- a valuation technique using observable data (Level 2) and
- a valuation technique using unobservable data (Level 3).

The valuation models applied by Nordea Bank Abp 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 P41 "Assets and liabilities at fair value".

9. 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 when the following conditions are fulfilled:

- The central bank or the postal giro system is domiciled in the country where the institutions are established.
- The balance is readily available at any time.

10. Debt securities eligible for refinancing with central banks

Debt securities eligible as collateral in central bank monetary operations are recognised as "Debt securities eligible for refinancing with central banks". Debt securities are recognised in this line item based on the nature of the securities and not based on whether the entity itself is eligible for refinancing with central banks.

Debt securities eligible for refinancing with central banks can be classified as financial assets as amortised cost, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income.

11. Financial instruments

Classification of financial instruments

Each financial instrument has been classified into one of the following categories:

Financial assets:

- Amortised cost
- Financial assets at fair value through profit or loss:
  - Mandatorily measured at fair value through profit or loss
  - Designated at fair value through profit or loss (fair value option)
- Financial assets at fair value through other comprehensive income.

Financial liabilities:

- Amortised cost
- Financial liabilities at fair value through profit or loss:
  - Mandatorily measured at fair value through profit or loss
  - Designated at fair value through profit or loss (fair value option).

The classification of a financial asset is dependent on the business model for the portfolio in which the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principal and interest (SPPI) are measured at fair value through profit or loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is both to keep the instruments to collect the contractual cash flows and to sell the instruments are measured at fair value through the fair value reserve in equity. Financial assets included in any other business model are measured at fair value through profit or loss.

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

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In the table in Note P40 "Classification of financial instruments", the classification of the financial instruments on Nordea Bank Abp's balance sheet into the different categories under IFRS 9 is presented.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repay-

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ments plus or minus the cumulative amortisation using the effective interest rate method, of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see section "Net interest income". For information about impairment under IFRS 9, see section 12 below.

Interest on assets and liabilities classified at amortised cost is recognised in the line items "Interest income" and "Interest expense" in the income statement.

This category mainly consists of all loans and deposits, except for reverse repurchase/repurchase agreements and securities borrowing/lending agreements in Markets. This category also includes subordinated liabilities and debt securities in issue, except for issued structured bonds issued by Markets.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair value are recognised directly in the income statement in the item "Net result from securities trading and foreign exchange dealing".

The category consists of two sub-categories: "Mandatorily measured at fair value through profit or loss" and "Designated at fair value through profit or loss (fair value option)".

The sub-category "Mandatorily measured at fair value through profit or loss" mainly contains all assets in Markets, trading liabilities in Markets, interest-bearing securities included in part of the liquidity buffer, derivative instruments, shares and assets in pooled schemes and unit-linked investment contracts. Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the policyholders. The deposits are invested in different types of financial assets on behalf of customers and policyholders.

Also, assets in pooled schemes and unit-linked investment contracts that are not mandatorily measured at fair value through profit or loss are classified into the category "Designated at fair value through profit or loss". The value of these deposits is directly linked to assets in the contacts and changes in own credit risk consequently have no impact on these contracts.

Nordea Bank Abp also applies the fair value option on structured bonds issued by Markets as these instruments include embedded derivatives not closely related to the host contract. The change in the fair value of these issued structured bonds is recognised in profit or loss except for the changes in credit risk that are recognised through the fair value reserve in equity.

Interest income and interest expense related to all balance sheet items held at fair value through profit or loss in Markets are classified as "Net result from securities trading and foreign exchange dealing".

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are initially measured at fair value plus transaction costs. This category mainly consists of the interest-bearing securities included in part of the liquidity buffer. Changes in fair value, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity. Interest is recognised in the item "Interest income", foreign exchange effects in "Net result from securities trading and foreign exchange dealing" and impairment losses in the item "Impairment of other financial assets" in the income statement. When an instrument is disposed of, the fair value changes previously accumulated in the fair value reserve are removed from equity and recognised in the income statement in the item "Net result from securities at fair value through fair value reserve". For information about impairment under IFRS 9, see section 12 below.

Hybrid (combined) financial instruments

Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds and loans with embedded collars and caps.

Other structured bonds issued by Markets, Nordea Bank Abp applies the fair value option and the entire combined instrument, the host contract together with the embedded derivative, is measured at fair value through profit or loss. Changes in fair value are recognised in the income statement in the item "Net result from securities trading and foreign exchange dealing" and presented as "Debt securities in issue" on the balance sheet.

Securities borrowing and lending agreements

Generally, securities borrowing and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not recognised on or derecognised from the balance sheet. Securities in securities lending transactions are disclosed in Note P43 "Transferred assets and obtained collateral" and securities pledged as security in securities lending in Note P36 "Assets pledged as security for own liabilities".

Cash collateral advanced (securities borrowing) to counterparties is recognised on the balance sheet as "Loans to credit institutions" or "Loans to the public". Cash collateral received (securities lending) from counterparties is recognised on the balance sheet as "Deposits by credit institutions and central banks" or "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.

Securities delivered under repurchase agreements are disclosed in Note P43 "Transferred assets and obtained collateral". Cash received under repurchase agreements is recognised on the balance sheet as "Deposits by credit institutions and central banks" or "Deposits and borrowings from the public". Liabilities recognised from repurchase agreements are disclosed in Note P43 "Transferred assets and obtained collateral".

Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Loans to credit institutions" or "Loans to the public".

A sale of a security not owned by Nordea Bank Abp is defined as a short sale and triggers the recognition of a trading liability (Sold, not held securities) presented as "Other liabilities" on the balance sheet. The short sale is generally covered through a Securities Financing Transaction (SFT), normally a reverse repurchase agreement or other forms of securities borrowing agreements.

Derivatives

All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with a positive fair value, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with a nega-

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tive fair value, 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 line item "Net result from securities trading and foreign exchange dealing".

Offsetting of financial assets and liabilities

Nordea Bank Abp offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of default, bankruptcy and insolvency of Nordea Bank Abp and the counterparties, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously.

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, derivative liabilities, cash collateral receivables and cash collateral liabilities against central counterparty clearing houses are offset on the balance sheet if the transaction currency and the central counterparty are the same. Derivative assets, derivative liabilities, cash collateral receivables and cash collateral liabilities related to bilateral OTC derivative transactions are not offset on the balance sheet.

In addition, loans and deposits related to repurchase and reverse repurchase transaction with CCP are offset on the balance sheet if the assets and liabilities relate to the same central counterparty, are settled in the same currency and have the same maturity date. Loans and deposits related to repurchase and reverse repurchase transactions that are made in accordance with the Global Master Repurchase Agreement (GMRA) are offset on the balance sheet if the assets and liabilities relate to the same counterparty, are settled in the same currency, have the same maturity date and are settled through the same settlement institution.

Issued debt and equity instruments

A financial instrument issued by Nordea Bank Abp is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual arrangement results in Nordea Bank Abp having a present obligation to either deliver cash or another financial asset or a variable number of equity instruments to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and classified as equity. Where issued financial instruments contain both liability and equity components, these are accounted for separately.

12. Loans to the public/credit institutions

Scope

Financial instruments classified as "Amortised cost" or "Fair value through other comprehensive income" are subject to impairment testing due to credit risk. This includes assets recognised on the balance sheet as "Cash and balances with central banks", "Debt securities eligible for refinancing with central banks", "Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet line items include assets classified as "Fair value through profit or loss", which are not subject to impairment testing. See section 11 above and Note P40 "Classification of financial instruments".

Off-balance sheet commitments, contingent liabilities and loan commitments are also subject to impairment testing.

Recognition and presentation

Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as "Net loan losses".

If the impairment loss is regarded as final, it is reported as a realised loss and the carrying amount of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor has filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea Bank Abp waives its claims either through a legally based or voluntary reconstruction, or when Nordea Bank Abp, for other reasons, deems it unlikely that the claim will be recovered. See also section "Write-offs" below.

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses".

Assets classified as "Fair value through other comprehensive income" are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Impairment of other financial assets". Any fair value adjustments are recognised in equity.

Impairment testing

Nordea Bank Abp classifies all exposures into stages on an individual basis. Stage 1 includes assets where there has been no significant increase in credit risk since initial recognition, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 (impaired loans) includes defaulted assets. Nordea Bank Abp monitors whether there are indicators of exposures being credit impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea Bank Abp applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in Note P2 "Risk and liquidity management". Exposures without individually calculated allowances will be covered by the model-based impairment calculation.

For significant exposures where a credit event has been identified, the exposure is tested for impairment on an individual basis. If the exposure is found impaired, an individual provision is recognised. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is higher, the difference is recognised as an impairment loss. The expected cash flows are discounted with the original effective interest rate and include the fair value of the collateral and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the impairment loss is measured using the model described below but based on the fact that the exposures are already in default.

Model-based allowance calculation

For exposures not impaired on an individual basis, a statistical model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default (PD) times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while for assets in stages 2 and 3 it is based on the expected lifetime of the asset.

The provisions for exposures for which there has been no significant increase in credit risk since initial recognition are

P1. Accounting policies, cont.

based on the 12-month expected loss (stage 1). Provisions for exposures for which there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). This is also the case for the insignificant credit impaired exposures in stage 3.

Nordea Bank Abp uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held at transition on 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not. Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea Bank Abp has concluded that it is not possible to calculate the lifetime PD at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime PD are used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PD, Nordea Bank Abp uses a mix of absolute and relative changes in PD as the transfer criterion:

- Retail customers with an initial 12-month PD below 1%: Exposures with a relative increase in lifetime PD above 100% and an absolute increase in 12-month PD above 45bp are transferred to stage 2.
- Retail customers with an initial 12-month PD above or equal to 1%: Exposures with a relative increase in lifetime PD above 100% or an absolute increase in 12-month PD above 300bp are transferred to stage 2.
- Non-retail customers with an initial 12-month PD below 0.5%: Exposures with a relative increase in lifetime PD above 150% and an absolute increase in 12-month PD above 20bp are transferred to stage 2.
- Non-retail customers with an initial 12-month PD above or equal to 0.5%: Exposures with a relative increase in lifetime PD above 150% or an absolute increase in 12-month PD above 400bp are transferred to stage 2.

For assets for which rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2 unless already identified as credit impaired (stage 3). Exposures with forbearance measures will stay in stage 2 for a probation period of 24 months from when the measures were introduced. Once transferred back to stage 1, after the probation period, the exposures are treated as any other stage 1 exposure when assessing significant increase in credit risk. Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence that the customer is not in default. Such exposures will be classified as stage 2. Rated exposures classified as "high risk", i.e. with a rating grade of 2 or below will also be transferred to stage 2.

Nordea Bank Abp does not use the "low credit risk exemption" in its banking operations.

When calculating provisions, including the staging assessment, the calculation is based on probability-weighted forward looking information. Nordea Bank Abp applies three macroeconomic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability-weighted average of the expected losses under each scenario is recognised as provisions. The model is based on data collected before the reporting date requiring Nordea Bank Abp to identify events that may affect the provisions after the data is sourced to the model calculation. Management evaluates these events and adjusts the provisions if deemed necessary.

Write-offs

A write-off is a derecognition of a loan or receivable from the balance sheet and a final realisation of a credit loss provision. When assets are considered as uncollectable, they should be written off as soon as possible, regardless of whether the legal claim remains or not. A write-off can take place before legal actions against the borrower to recover the debt have been concluded in full. Although an uncollectable asset is removed or written off from the balance sheet, the customer remains legally obligated to pay the outstanding debt. When assessing the recoverability of non-performing loans and determining if write-offs are required, exposures with the following characteristics are in particular focus (the list is not exhaustive):

- Exposures past due more than 90 days. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it is written off.
- Exposures under insolvency procedure where the collateralisation of the exposure is low.
- Exposures where legal expenses are expected to absorb the proceeds from the bankruptcy procedure, and estimated recoveries are therefore expected to be low.
- A partial write-off may be warranted where there is reasonable financial evidence to demonstrate an inability of the borrower to repay the full amount, i.e. a significant level of debt which cannot be reasonably demonstrated to be recoverable following forbearance treatment and/or the execution of collateral.
- Restructuring cases.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans and modifications

In this context a restructured loan is defined as a loan where Nordea Bank Abp has granted concessions to the obligor due to their financial difficulties and where this concession has resulted in an impairment loss for Nordea Bank Abp. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. In the event of a recovery, the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial difficulties (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquires an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of

P1. Accounting policies, cont.

claims are reported on the same balance sheet line as similar assets already held by Nordea Bank Abp. For example, a property taken over, not held for Nordea Bank Abp's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised 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 category "Fair value through profit or loss" and measured at fair value. Changes in fair value are recognised in the income statement in line item "Net result from securities trading and foreign exchange dealing".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the presentation policies for the appropriate asset. The line item "Net loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

13. Leasing

Leases

Leases are not recognised on Nordea Bank Abp's balance sheet. 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 Bank Abp's benefit. The lease terms normally range between 3 to 25 years. Leases are mainly related to office premises contracts and office equipment contracts normal to the business. Future minimum lease payments for non-cancellable leases are presented in Note P24 "Leasing".

14. Investments in group undertakings, associated undertakings and joint ventures

Group undertakings are the entities that Nordea Bank Abp controls. Control is generally achieved when Nordea Bank Abp, holds directly or indirectly through group undertakings, more than 50% of the voting rights. Associated undertakings are the entities where Nordea Bank Abp's share of voting rights is between 20% and 50% and/or where Nordea Bank Abp has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies. Joint ventures are the entities where Nordea Bank Abp has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Nordea Bank Abp's investments in 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 presented in the line item "Impairment losses of other financial assets" in the income statement.

Nordea Bank Abp applies fair value hedge accounting for the foreign exchange risk in its investments in foreign operations. Under fair value hedge accounting, the gain or loss on the hedging instrument is recognised in profit or loss along with the associated movement in the foreign currency risk on the designated portion of the investment in foreign operations. All changes in the fair value of the hedged item and hedging instruments are recognised in the income statement in the line item "Net result from securities trading and foreign exchange dealing". Exchange differences arising on internal long-term loans to foreign operations for which settlement is neither planned nor likely to occur in the future are recognised in equity and reclassified from equity to profit or loss on disposal of the investment.

15. Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under Nordea Bank Abp's control, which means that Nordea Bank Abp has the power and rights to obtain the future economic benefits flowing from the underlying resource. Nordea Bank Abp's intangible assets mainly consist of goodwill, IT development and computer software.

Goodwill and other intangible assets are recognised at cost less amortisation and any write-downs. These assets are amortised on a straight-line basis over their useful economic lives, which is normally 5–10 years for goodwill and 3–5 years for IT development and computer software and in some circumstances for strategic infrastructure up to a maximum of 10 years. The useful lives of assets are reassessed on a yearly basis. Amortisation and write-downs of intangible assets are presented in "Depreciation, amortisation and impairment charges of tangible and intangible assets" in the income statement.

Goodwill is typically recognised when Nordea Bank Abp acquires an asset or business or in connection with the merger of a subsidiary.

IT development and computer software

Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with the ability to generate future economic benefits, are recognised as intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software also includes acquired software licences not related to the function of a tangible asset.

Impairment

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.

16. Properties and equipment

Properties and equipment include properties for own use, leasehold improvements, IT equipment, furniture and other equipment. Items of properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equip-

P1. Accounting policies, cont.

ment comprises its purchase price as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Properties and equipment are depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis. Below follow the current estimates:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining lease term. New construction the shorter of the principles used for owned buildings and the remaining lease term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining lease term.

At each balance sheet date, Nordea Bank Abp assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, and any impairment loss is recognised.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

17. Investment properties

Investment properties are primarily properties held to earn rent and/or for capital appreciation. Nordea Bank Abp applies the fair value model for subsequent measurement of investment properties. The best evidence of fair value is normally quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available, discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from investment properties".

18. Assets and deposits in pooled schemes and unit-linked investment contracts

Deposits in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the 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 which do not transfer sufficient insurance risk to be classified as insurance contracts.. The assets and deposits under these contracts are recognised and measured at fair value as described in section 11 "Financial instruments" above.

19. Taxes

The line item "Income tax expense" in the income statement comprises current and deferred income tax. The income tax expense is recognised in the income statement unless the tax effect relates to items recognised directly in equity, in which case the tax effect is recognised in the applicable line item included in equity.

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 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 carried forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax positions are regularly reviewed to identify situations where it is not probable that the relevant tax authorities will accept the treatment used in the tax filings. Uncertain tax positions are considered independently or as a group, depending on which approach better predicts the resolution of the uncertainty. If Nordea Bank Abp concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty is reflected when determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. This is done by using either the most likely amount or the expected value, depending on which method better predicts the outcome of the uncertainty. Uncertain tax treatment can affect both current tax and deferred tax.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea Bank Abp intends to either settle the tax asset and the tax liability net or recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

20. Employee benefits

All forms of consideration given by Nordea Bank Abp 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 termination of the employment. Post-employment benefits in Nordea Bank Abp consist only of pensions. Termination benefits normally arise if 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 Bank Abp. Nordea Bank Abp has also issued share-based payment programmes, which are further described in section 24 "Share-based payment".

More information can be found in Note P9 "Staff costs".

P1. Accounting policies, cont.

Post-employment benefits

Pension plans

Nordea Bank Abp has 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 Bank Abp 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 Bank Abp.

All defined benefit pension plans are closed for new employees. Nordea Bank Abp 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 Bank Abp'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 P33 "Retirement benefit obligations").

When establishing the present value of the obligation and the fair value of any plan assets, remeasurement effects may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The remeasurement effects are recognised immediately in equity through the fair value reserve.

When the calculation the 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 contributions are calculated and accounted for based on the net recognised surplus or deficit by plan and are included on the balance sheet as "Retirement benefit liabilities" or "Retirement benefit assets".

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 are 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 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 Bank Abp 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 Bank Abp 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 P9 "Staff costs".

21. Equity

Additional Tier 1 capital holders

Nordea Bank Abp has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of Nordea Bank Abp and non-accumulating. Some of these instruments also include a requirement for Nordea Bank Abp to pay interest if the instruments are no longer allowed to be included in Tier 1 capital. 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 is 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 Bank Abp and the holders of the instrument. Nordea Bank Abp classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea Bank Abp to pay interest or principal to the holders of the instruments.

Nordea Bank Abp determines payments on financial instrument classified as equity (i.e. Additional Tier 1 instruments) as distribution of profits and for that reason such payments are accounted for as dividends.

Invested unrestricted equity

Invested unrestricted equity consists of the subscription price of the shares in Nordea Bank Abp's share issue or rights issue which has not been recorded in "Share capital". For acquisitions and sales of own shares, see section 21 "Treasury shares".

Other reserves

Other reserves comprise revaluation reserve and fair value reserve.

Fair value reserves include reserves for cash flow hedges, fair value measurement of financial assets classified into the category "Financial assets at fair value through other comprehensive income" and accumulated remeasurements of defined benefit pension plans as well as a reserve for translation differences.

P1. Accounting policies, cont.

Retained earnings

Retained earnings include the undistributed profit from the previous years.

Treasury shares

Treasury shares are not accounted for as assets, but as a reduction of equity. Acquisitions of treasury shares as part of the Markets trading operations are recognised as a reduction in "Invested unrestricted equity" and sales of own shares in the trading operations as an increase in "Invested unrestricted equity". Treasury shares acquired to optimise the capital structure are recognised as a reduction in "Retained earnings". There is no impact on the financial statements when shares are cancelled. Transaction costs related to repurchasing of treasury shares are recognised in the income statement in the line item "Other operating expenses".

Contracts on Nordea shares that can be settled net in cash, i.e. derivatives such as options and warrants and their equivalents, are either presented as financial assets or financial liabilities.

22. Provisions

Provisions (which are presented as a liability) are recognised when Nordea Bank Abp has a present obligation (legal or constructive) as a result of a past event if it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Provisions relating to employee benefits are further described in section 20 and provisions relating to financial guarantee contracts and to credit commitments are described in section 23.

Contingent liabilities are not recognised as liabilities on the balance sheet but disclosed in Note P38 "Contingent liabilities" unless the possibility of an outflow is remote. A contingent liability is a possible obligation whose existence will be confirmed only by future event(s) not wholly within Nordea Bank Abp's control or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

23. 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 fee received less amortisation, or an amount calculated in accordance with IFRS 9. Changes in provisions are recognised in the income statement in the line item "Net loan losses".

Premiums received for financial guarantees are, as stated in section 3 "Recognition of operating income", 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, net of any provisions. Financial guarantees are disclosed in the item "Contingent liabilities" and irrevocable credit commitments in the item "Commitments".

24. Share-based payment

Equity-settled programmes

Nordea Bank Abp has annually issued programmes where 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 Bank Abp at a significant discount compared to the share price at grant date.

The grant date fair value of these rights is expensed on a straight-line basis over the vesting period. The fair value per right is estimated at grant date and not subsequently updated. The vesting period is the period over which the employees have to remain in service at Nordea Bank Abp in order for their rights to vest.

For rights with non-market performance conditions, the amount expensed is the grant date fair value per right multiplied by the best estimate of rights that will eventually vest, which is reassessed at each reporting date. For rights with market performance conditions, the total fair value is estimated based on the fair value of each right times the maximum number of rights at grant date. Market conditions are taken into account when estimating the fair value of the equity instruments granted. Therefore, if all other vesting conditions (e.g. service condition) are met, Nordea Bank Abp recognises the expense for grants of equity instruments with market conditions irrespective of whether that market condition is satisfied.

Social security costs are also allocated over the vesting period. The provision for social security costs is reassessed on each reporting date to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Note P9 "Staff costs".

Cash-settled programmes

Nordea Bank Abp has to defer payment of variable salaries under the Nordic Supervisory Financial Authorities' 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 total shareholder return (TSR) and these programmes are cash-settled share-based programmes. These programmes are fully vested when the payment of variable salaries is initially deferred and the fair value of the obligation is remeasured on a continuous basis over the deferral period using the Nordea TSR. The remeasurements are, together with the related social charges, recognised in the income statement in the item "Net result from securities trading and foreign exchange dealing".

For more information see Note P9 "Staff costs".

25. Related party transactions

Nordea Bank Abp defines related parties as:

- shareholders with significant influence
- group undertakings
- associated undertakings and joint ventures
- key management personnel
- other related parties.

All transactions with related parties are made on the same criteria and terms as those of comparable transactions with external parties of similar standing, apart from loans granted to employees as well as certain other commitments to key management personnel, see Note P9 "Staff costs" and Note P38 "Contingent liabilities".

Information concerning transactions between Nordea Bank Abp and its subsidiaries, associated undertakings and joint ventures as well as other related parties is found in Note P45 "Related party transactions".

P1. Accounting policies, cont.

Shareholders with significant influence
Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of Nordea Bank Abp but do not control those policies.

Group undertakings
Group undertakings are defined as the subsidiaries of the parent company, Nordea Bank Abp. Further information on the undertakings owned by Nordea Bank Abp is found in Note P20 "Investments in group undertakings".

Transactions between Nordea Bank Abp and its subsidiaries are performed according to arm's length principles in conformity with OECD requirements on transfer pricing.

Associated undertakings and joint ventures
For the definition of associated undertakings and joint ventures, see section 14 "Investments in group undertakings, associated undertakings and joint ventures". Further information on associated undertakings and joint ventures is found in Note P19 "Investments in associated undertakings and joint ventures".

Key management personnel
Key management personnel includes the following positions in Nordea Bank Abp:
- Board of Directors
- Chief Executive Officer (CEO)
- Group Leadership Team (GLT).

For information about compensation, pensions and other transactions with key management personnel, see Note P9 "Staff costs".

Other related parties
Other related parties comprise shareholders with significant influence including their subsidiaries and close family members of key management personnel at Nordea Bank Abp as well as companies controlled or jointly controlled by key management personnel or by close family members of key management personnel. Information concerning transactions between Nordea Bank Abp and other related parties is found in Note P45 "Related party transactions".

26. Exchange rates

	Jan–Dec 2021	Jan–Dec 2020
EUR 1 = SEK		
Income statement (average)	10,1460	10.4889
Balance sheet (at end of year)	10,2913	10.0220
EUR 1 = DKK		
Income statement (average)	7,4370	7.4543
Balance sheet (at end of year)	7,4364	7.4405
EUR 1 = NOK		
Income statement (average)	10,1655	10.7291
Balance sheet (at end of year)	10,0185	10.4703

P2. Risk and liquidity management

Risk governance

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

The impact of COVID-19 on Nordea Bank Abp's risk and liquidity management has been described in section 1. "Risk governance" of Note G2 to the financial statements of the Group.

Internal Control Framework

Please see section 1.1. "Internal Control Framework" of Note G2 to the financial statements of the Group.

Governing bodies for risk, liquidity and capital management

Please see section 1.2. "Governing bodies for risk, liquidity and capital management" of Note G2 to the financial statements of the Group.

Governance of Risk Management and Compliance

Please see section 1.3. "Governance of Risk Management and Compliance" of Note G2 to the financial statements of the Group.

Disclosure requirements of the Capital Requirements Regulation – Capital and Risk Management Report 2021

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2021, in accordance with the Capital Requirements Regulation.

Credit risk

For credit risk management, credit risk definition and identification as well as credit risk mitigation, please see sections 2. "Credit risk", 2.1. "Credit risk definition and identification" and 2.2. "Credit risk mitigation" of Note G2 to the financial statements of the Group.

Collateral distribution

Distribution of collateral remained stable during 2021, with the majority of the collateral stemming from residential and commercial real estate. The share of commercial real estate increased by 3% and the share of Residential Real Estate decreased by 4% in 2021.

Collateral distribution

	31 Dec 2021	31 Dec 2020
Financial collateral	2.7 %	2.5%
Receivables	0.8 %	0.8%
Residential real estate	31.6 %	32.9%
Commercial real estate	47.4 %	45.9%
Other physical collateral	17.5 %	17.9%
Total	**100.0 %**	**100.0%**

Assets taken over for protection of claims

The table below presents assets taken over distributed by asset type. Shares and other participations make up the total assets taken over as at the end of December 2021. The level of assets taken over is at a low level, and this has been the case for several years.

Assets taken over for protection of claims[1]

EURm	31 Dec 2021	31 Dec 2020
Current assets, carrying amount:		
Land and buildings	0	0
Shares and other participations	4	2
Total	**4**	**2**

1) In accordance with Nordea Bank Abp's policy for taking over assets for the protection of claims, which is in compliance with the local banking business acts wherever Nordea Bank Abp is located. Assets used as collateral for the loan are generally taken over when the customer is not able to fulfil its obligations towards Nordea Bank Abp. The assets taken over are disposed at the latest when full recovery is reached.

Maximum exposure to credit risk

		31 Dec 2021		31 Dec 2020	
EURm	Note	Amortised cost and fair value through fair value reserve	Financial assets at fair value through profit or loss	Amortised cost and fair value through fair value reserve	Financial assets at fair value through profit or loss
Loans to credit institutions	P15, P16, P40	76,688	1,586	62,523	1,841
Loans to the public	P16, P40	122,300	16,786	119,122	16,751
Interest-bearing securities[1]	P17, P40	47,722	24,745	48,880	27,953
Derivatives	P21, P40	–	30,514	–	45,155
Off-balance sheet items	P38, P39	141,015	–	138,405	–
Total		**387,725**	**73,631**	**368,930**	**91,700**

1) Including the balance sheet line item "Debt securities eligible for refinancing with central banks".

Allowances for credit risk

EURm	Note	31 Dec 2021	31 Dec 2020
Loans to credit institutions	P16	3	4
Loans to the public	P16	1,786	2,032
Interest-bearing securities measured at fair value through fair value reserve or amortised cost[1]	P17	15	3
Off-balance sheet items	P16, P32	216	283
Total		**2,020**	**2,322**

1) Including the balance sheet line item "Debt securities eligible for refinancing with central banks".

P2. Risk and liquidity management, cont.

Loan-to-value

The loan-to-value (LTV) ratio is considered a useful measure to evaluate quality of collateral, i.e. the credit extended divided by the market value of the collateral. In the table, IRB retail mortgage exposures are distributed by LTV buckets based on the LTV ratio.

Loan-to-value

	31 Dec 2021		31 Dec 2020	
Retail mortgage exposure	EURbn	%	EURbn	%
<50%	12.1	84.7	12.4	84.3
51–70%	1.5	10.6	1.6	10.7
71–80%	0.3	2.4	0.4	2.5
81–90%	0.2	1.1	0.2	1.2
>90%	0.2	1.2	0.2	1.3
Total	**14.3**	**100.0**	**14.8**	**100.0**

Individual and collective assessment of impairment

For individual and collective assessment of impairment, individual and collective provisioning as well as default, please see section 2.6. "Individual and collective assessment of impairment" of Note G2 to the financial statements of the Group.

Forbearance

Forbearance is eased terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention of granting forbearance for a limited time period is to ensure full repayment of the outstanding debt.

Examples of eased terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of financial covenants. Forbearance is undertaken on a selective and individual basis, approved according to the powers to act. Individual loan loss provisions are recognised if necessary. Forborne exposures can be performing or non-performing.

From March 2020 to October 2020 Nordea supported customers affected by the COVID-19 crisis by offering instalment-free periods. On 1 October 2020 Nordea ended all temporary amendments to the credit risk framework and returned to its normal forbearance registration procedures, while still continuing to support customers through the crisis.

All COVID-19-related instalment-free periods expired by the third quarter 2021. At this time, only 6.6% of the customers who were granted instalment-free periods due to the pandemic were classified as forborne (or in default).

Forbearance

EURm	31 Dec 2021	31 Dec 2020
Forborne loans	2,553	2,200
- of which defaulted	1,729	1,464
Allowances for individually assessed impaired and forborne loans	473	451
- of which defaulted	428	423

Key ratios	31 Dec 2021	31 Dec 2020
Forbearance ratio[1]	1%	1%
Forbearance coverage ratio[2]	19%	20%
- of which defaulted	25%	29%

1) Forborne loans/Loans before allowances.
2) Individual allowances on forborne loans/Forborne loans.

Credit portfolio

Including on- and off-balance sheet exposures the total credit risk exposure at year-end was EUR 461bn (EUR 461bn in 2020). Credit risk is measured, monitored and segmented in different ways. On-balance lending consists of amortised cost lending and fair value lending and constitutes the major part of the credit portfolio. Amortised cost lending is the basis for impaired loans, allowances and loan losses.

Credit risk in lending is measured and presented as the principal amount of on-balance sheet claims, i.e. loans to credit institutions and to the public, and off-balance sheet potential claims on customers and counterparties, net after allowances. Credit risk exposure also includes the risk related to derivative contracts and securities financing. The overall credit quality is solid with strongly rated customers. Close monitoring is done due to the COVID-19 crisis, but supported by the strong Nordic economies and governmental support, the credit quality remained stable during 2021.

Nordea Bank Abp's loans to the public increased by 2.4% to EUR 139bn in 2021 (EUR 136bn). Of the lending to the public portfolio, corporate customers accounted for 67.0% (68.8%), reverse repurchase agreements for 12.1% (8.9%), household customers for 18.4% (19.0%) and the public sector for 2.6% (3.2%). Loans to credit institutions increased to EUR 78bn at the end of 2021 (EUR 64bn).

Loans to corporate customers

Loans to corporate customers at the end of 2021 amounted to EUR 110bn (EUR 106bn). The sector that increased the most in 2021 was financial institutions while industrials decreased the most. The contribution of the two largest industries (Real estate and Industrials) is approximately 51% of total corporate lending. Real estate remains the largest industry in Nordea Bank Abp's lending portfolio, at EUR 26bn (EUR 26bn).

The distribution of loans to corporate customers by size of loans, seen in the table below, shows a high degree of diversification where approximately 54% (55%) of the corporate volume represents loans up to EUR 50m per customer.

Loans to corporate customers, by size of loans

	31 Dec 2021		31 Dec 2020	
Size of loan in EURm	Loans EURm	%	Loans EURm	%
0–10	27,120	25	27,735	26
11–50	32,317	29	30,814	29
51–100	18,066	16	19,096	18
101–250	20,716	19	20,719	20
251–500	5,166	5	3,515	3
501–	6,505	6	3,814	4
Total	**109,890**	**100**	**105,693**	**100**

Loans to household customers

In 2021 lending to household customers remained at EUR 26bn (EUR 26bn). Mortgage lending decreased to EUR 9bn (EUR 10bn) and consumer lending increased to EUR 17bn (EUR 16bn). The proportion of mortgage lending of total household lending decreased to 35% (38%).

P2. Risk and liquidity management, cont.

Loans measured at amortised cost and fair value to the public

31 Dec 2021, EURm	Denmark	Finland	Norway	Sweden[1]	Russia[1]	Other[1]	Total
Financial institutions	4,045	3,173	2,210	7,580	–	1,192	18,200
Agriculture	707	305	1,801	96	0	5	2,914
Crops, plantations and hunting	391	176	17	41	–	5	630
Animal husbandry	291	125	8	54	–	–	478
Fishing and aquaculture	25	4	1,776	1	–	–	1,806
Natural resources	47	483	492	365	0	210	1,597
Paper and forest products	40	336	57	342	–	94	869
Mining and supporting activities	2	133	18	5	–	–	158
Oil, gas and offshore	5	14	417	18	–	116	570
Consumer staples	565	959	582	719	0	66	2,891
Food processing and beverages	148	226	397	306	–	19	1,096
Household and personal products	25	44	119	11	–	2	201
Healthcare	392	689	66	402	–	45	1,594
Consumer discretionary and services	499	1,868	1,057	3,674	0	25	7,123
Consumer durables	79	301	76	1,367	–	21	1,844
Media and entertainment	102	357	94	513	–	–	1,066
Retail trade	253	847	483	1,170	–	4	2,757
Air transportation	–	13	29	113	–	–	155
Accommodation and leisure	64	330	107	295	–	–	796
Telecommunication services	1	20	268	216	–	–	505
Industrials	4,254	3,855	7,130	6,109	94	271	21,713
Materials	290	206	130	316	58	15	1,015
Capital goods	371	793	63	743	–	113	2,083
Commercial and professional services	2,040	851	2,285	2,420	–	108	7,704
Construction	234	766	3,670	648	–	1	5,319
Wholesale trade	1,040	712	507	1,447	–	23	3,729
Land transportation	81	208	216	134	36	8	683
IT services	198	319	259	401	–	3	1,180
Maritime	59	125	5,409	44	0	443	6,080
Ship building	–	16	198	–	–	–	214
Shipping	25	30	5,065	35	–	443	5,598
Maritime services	34	79	146	9	–	–	268
Utilities and public service	241	3,095	1,375	1,718	0	1	6,430
Utilities distribution	121	1,462	649	240	–	–	2,472
Power production	13	1,566	622	893	–	1	3,095
Public services	107	67	104	585	–	–	863
Real estate	1,792	6,206	10,505	7,213	0	151	25,867
Commercial real estate	1,095	4,431	8,764	6,392	–	151	20,833
Tenant-owned associations and residential real estate companies	697	1,775	1,741	821	–	–	5,034
Other industries	130	–	–	175	–	1	306
Total corporate	**12,339**	**20,069**	**30,561**	**27,693**	**94**	**2,365**	**93,121**
Housing loans	–	5,369	3,611	–	–	–	8,980
Collateralised lending	7,400	4,212	300	1,004	–	–	12,916
Non-collateralised lending	876	437	122	2,317	–	–	3,752
Total household	**8,276**	**10,018**	**4,033**	**3,321**	**0**	**0**	**25,648**
Public sector	**1,168**	**560**	**19**	**1,801**	**–**	**–**	**3,548**
Reverse repurchase agreements	**–**	**16,770**	**–**	**–**	**–**	**–**	**16,770**
Loans to the public by country	**21,783**	**47,417**	**34,613**	**32,815**	**94**	**2,365**	**139,087**
of which loans at fair value	**–**	**16,770**	**17**	**–**	**–**	**–**	**16,787**

1) Loans related to Russia (EUR 94m) and the Baltics (EUR 162m), accounted for under the Swedish branch, have been moved to Russia and Other, respectively.

P2. Risk and liquidity management, cont.

Loans measured at amortised cost and fair value to the public[1]

31 Dec 2020, EURm	Denmark	Finland	Norway	Sweden[1]	Russia[1]	Other[1]	Total
Financial institutions	4,347	3,364	1,906	6,146	–	724	16,487
Agriculture	821	282	1,274	98	–	6	2,481
Crops, plantations and hunting	450	172	15	39	–	6	683
Animal husbandry	343	105	6	58	–	–	511
Fishing and aquaculture	28	5	1,253	1	–	0	1,287
Natural resources	64	805	668	468	85	230	2,320
Paper and forest products	55	580	61	416	–	77	1,189
Mining and supporting activities	4	130	16	3	–	–	154
Oil, gas and offshore	6	96	591	49	85	153	978
Consumer staples	1,049	634	315	487	–	59	2,544
Food processing and beverages	222	248	170	289	–	19	948
Household and personal products	36	52	87	11	–	1	187
Healthcare	791	334	58	187	–	39	1,410
Consumer discretionary and services	680	1,857	784	2,483	–	123	5,928
Consumer durables	80	204	76	577	–	115	1,052
Media and entertainment	232	442	90	475	–	1	1,241
Retail trade	285	834	169	850	–	7	2,144
Air transportation	1	10	23	70	–	–	103
Accommodation and leisure	57	314	68	330	–	–	769
Telecommunication services	25	54	357	182	–	–	618
Industrials	4,413	4,827	6,735	5,484	602	364	22,425
Materials	125	278	128	273	389	9	1,203
Capital goods	452	1,165	123	621	–	104	2,464
Commercial and professional services	2,203	994	3,231	2,474	–	143	9,045
Construction	222	1,112	2,613	468	–	37	4,451
Wholesale trade	1,113	800	285	1,227	164	19	3,607
Land transportation	102	192	151	109	49	51	655
IT services	196	286	204	312	–	1	999
Maritime	60	174	4,760	55	–	1,054	6,103
Ship building	0	46	78	0	–	0	125
Shipping	33	46	4,594	44	–	1,054	5,771
Maritime services	27	82	88	11	–	0	208
Utilities and public service	711	2,266	1,115	647	0	2	4,741
Utilities distribution	516	1,035	527	164	–	1	2,244
Power production	82	1,157	495	84	–	1	1,820
Public services	113	74	92	398	0	0	677
Real estate	2,284	6,222	10,064	6,807	–	377	25,754
Commercial real estate	1,268	4,593	8,402	6,027	–	377	20,668
Tenant-owned associations and residential real estate companies	1,016	1,629	1,662	780	–	–	5,087
Other industries	167	128	0	203	–	0	498
Total corporate	**14,595**	**20,560**	**27,620**	**22,877**	**687**	**2,941**	**89,281**
Housing loans	–	5,803	4,055	0	–	–	9,857
Collateralised lending	6,922	4,214	314	925	–	0	12,375
Non-collateralised lending	852	394	130	2,156	–	–	3,533
Total household	**7,773**	**10,411**	**4,499**	**3,082**	**–**	**0**	**25,765**
Public sector	**1,100**	**415**	**20**	**2,848**	**–**	**–**	**4,384**
Reverse repurchase agreements	**–**	**12,440**	**–**	**4,003**	**–**	**–**	**16,443**
Leoans to the public by country	**23,469**	**43,826**	**32,140**	**32,810**	**687**	**2,941**	**135,873**
of which loans at fair value	**–**	**12,727**	**18**	**4,006**	**–**	**–**	**16,751**

1) Loans related to Russia (EUR 687m) and the Baltics (EUR 482m), accounted for under the Swedish branch, have been moved to Russia and Other, respectively.

P2. Risk and liquidity management, cont.

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

	Gross			Allowances				
31 Dec 2021, EURm	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net	Net loan loss
Financial institutions	18,065	311	66	9	15	28	18,390	-28
Agriculture	2,750	133	120	3	10	76	2,914	-2
Crops, plantations and hunting	572	52	28	1	5	17	629	-1
Animal husbandry	384	67	92	1	5	59	478	1
Fishing and aquaculture	1,794	14	–	1	–	–	1,807	-2
Natural resources	1,314	63	562	1	2	338	1,598	19
Paper and forest products	840	21	21	1	2	11	868	-6
Mining and supporting activities	148	10	1	–	–	–	159	-1
Oil, gas and offshore	326	32	540	–	–	327	571	26
Consumer staples	2,817	82	8	2	8	6	2,891	-10
Food processing and beverages	1,054	45	2	1	2	2	1,096	-3
Household and personal products	190	12	2	–	1	2	201	-1
Healthcare	1,573	25	4	1	5	2	1,594	-6
Consumer discretionary and services	6,361	723	221	6	39	137	7,123	66
Consumer durables	1,717	119	28	1	5	13	1,845	-8
Media and entertainment	1,009	59	12	1	5	8	1,066	-5
Retail trade	2,521	194	164	3	15	104	2,757	69
Air transportation	138	18	1	–	1	1	155	–
Accommodation and leisure	474	330	15	1	13	10	795	11
Telecommunication services	502	3	1	–	–	1	505	-1
Industrials	20,508	1,079	547	27	73	290	21,744	-32
Materials	993	47	30	1	3	21	1,045	-43
Capital goods	1,935	112	95	2	8	50	2,082	6
Commercial and professional services	7,345	345	110	11	24	60	7,705	5
Construction	5,010	281	140	7	19	86	5,319	12
Wholesale trade	3,537	189	47	4	12	28	3,729	-28
Land transportation	602	54	58	1	2	28	683	7
IT services	1,086	51	67	1	5	17	1,181	9
Maritime	5,553	176	507	6	6	153	6,071	8
Ship building	214	1	–	1	–	–	214	-7
Shipping	5,072	174	507	5	6	153	5,589	15
Maritime services	267	1	–	–	–	–	268	–
Utilities and public service	6,356	49	5	3	3	3	6,401	-1
Utilities distribution	2,456	18	1	1	1	–	2,473	1
Power production	3,077	18	1	1	1	1	3,093	-1
Public services	823	13	3	1	1	2	835	-1
Real estate	24,962	907	182	23	44	119	25,865	27
Other industries	107	–	–	–	–	–	107	3
Total corporate	**88,793**	**3,523**	**2,218**	**80**	**200**	**1,150**	**93,104**	**50**
Housing loans	8,443	424	171	2	8	48	8,980	28
Collateralised lending	11,852	1,023	240	14	42	144	12,915	-62
Non-collateralised lending	3,297	486	66	9	56	31	3,753	-33
Total household	**23,592**	**1,933**	**477**	**25**	**106**	**223**	**25,648**	**-67**
Public sector	**3,418**	**98**	**34**	**–**	**–**	**2**	**3,548**	**0**
Loans to the public	**115,803**	**5,554**	**2,729**	**105**	**306**	**1,375**	**122,300**	**-17**
Loans to credit institutions	**76,677**	**14**	**–**	**3**	**–**	**–**	**76,688**	**–**
Total	**192,480**	**5,568**	**2,729**	**108**	**306**	**1,375**	**198,988**	**-17**

P2. Risk and liquidity management, cont.

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

	Gross			Allowances				
31 Dec 2020, EURm	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net	Net loan loss
Financial institutions	16,138	501	158	18	16	143	16,620	-24
Agriculture	2,238	184	172	6	15	91	2,482	-1
Crops, plantations and hunting	603	67	42	2	7	20	683	1
Animal husbandry	371	94	126	2	8	69	512	1
Fishing and aquaculture	1,264	23	4	2	0	2	1,287	-3
Natural resources	1,996	84	552	4	2	275	2,351	-118
Paper and forest products	1,136	45	28	3	2	16	1,188	-6
Mining and supporting activities	146	8	2	0	0	2	154	0
Oil, gas and offshore	714	31	522	1	0	257	1,009	-112
Consumer staples	2,402	158	13	3	20	6	2,544	-21
Food processing and beverages	903	49	3	1	5	2	947	-4
Household and personal products	135	52	4	0	2	2	187	-2
Healthcare	1,364	57	6	2	13	2	1,410	-15
Consumer discretionary and services	5,193	712	190	12	37	118	5,928	-71
Consumer durables	882	161	59	1	8	41	1,052	-25
Media and entertainment	1,189	51	24	2	3	19	1,240	-13
Retail trade	1,816	312	82	3	22	40	2,145	-20
Air transportation	102	1	2	0	0	2	103	-1
Accommodation and leisure	589	181	22	2	4	16	770	-18
Telecommunication services	615	6	1	4	0	0	618	6
Industrials	20,494	1,667	511	45	101	225	22,301	-124
Materials	972	222	43	2	4	27	1,204	12
Capital goods	2,222	217	88	3	10	50	2,464	-14
Commercial and professional services	8,419	400	150	22	26	0	8,921	-22
Construction	4,161	300	98	9	20	79	4,451	-46
Wholesale trade	3,243	364	78	6	31	41	3,607	-37
Land transportation	555	82	43	1	5	19	655	-10
IT services	922	82	11	2	5	9	999	-7
Maritime	5,442	345	553	16	8	225	6,091	-87
Ship building	123	2	7	0	0	7	125	2
Shipping	5,111	343	546	16	8	218	5,758	-89
Maritime services	208	0	0	0	0	0	208	0
Utilities and public service	4,654	63	4	3	6	3	4,709	-8
Utilities distribution	2,233	12	1	1	1	0	2,244	-2
Power production	1,794	29	1	1	3	0	1,820	-3
Public services	627	22	2	1	2	3	645	-3
Real estate	24,395	1,287	243	31	31	109	25,754	-81
Other industries	189	4	1	1	0	1	192	64
Total corporate	**83,141**	**5,005**	**2,397**	**139**	**236**	**1,196**	**88,972**	**-471**
Housing loans	9,167	516	218	2	6	35	9,858	-33
Collateralised lending	11,254	1,075	302	23	65	168	12,375	-68
Non-collateralised lending	3,120	472	101	15	97	48	3,533	-106
Total household	**23,541**	**2,063**	**621**	**40**	**168**	**251**	**25,766**	**-207**
Public sector	**4,223**	**126**	**37**	**–**	**–**	**2**	**4,384**	**0**
Loans to the public	**110,905**	**7,194**	**3,055**	**179**	**404**	**1,449**	**119,122**	**-678**
Loans to credit institutions	**62,469**	**58**	**–**	**3**	**1**	**–**	**62,523**	**–**
Total	**173,375**	**7,252**	**3,055**	**182**	**405**	**1,449**	**181,646**	**-678**

P2. Risk and liquidity management, cont.

Impaired loans (stage 3) by country and industry (including loans at fair value)

31 Dec 2021, EURm	Denmark	Finland	Norway	Sweden	Russia	Other	Total
Financial institutions	45	4	11	12	–	–	72
Agriculture	101	17	0	1	0	0	119
Crops, plantations and hunting	24	3	–	–	–	–	27
Animal husbandry	77	14	–	1	–	–	92
Fishing and aquaculture	–	–	–	–	–	–	0
Natural resources	14	9	202	0	0	338	563
Paper and forest products	14	7	–	–	–	–	21
Mining and supporting activities	–	1	–	–	–	–	1
Oil, gas and offshore	–	1	202	–	–	338	541
Consumer staples	1	6	0	1	0	0	8
Food processing and beverages	–	1	–	1	–	–	2
Household and personal products	1	1	–	–	–	–	2
Healthcare	–	4	–	–	–	–	4
Consumer discretionary and services	96	32	3	91	0	0	222
Consumer durables	3	3	–	23	–	–	29
Media and entertainment	2	8	1	1	–	–	12
Retail trade	89	12	1	62	–	–	164
Air transportation	–	–	–	1	–	–	1
Accommodation and leisure	2	9	1	3	–	–	15
Telecommunication services	–	–	–	1	–	–	1
Industrials	132	170	143	101	0	0	546
Materials	9	21	–	–	–	–	30
Capital goods	42	36	13	4	–	–	95
Commercial and professional services	34	14	37	25	–	–	110
Construction	26	59	45	10	–	–	140
Wholesale trade	18	20	2	7	–	–	47
Land transportation	–	10	46	1	–	–	57
IT services	3	10	–	54	–	–	67
Maritime	28	0	490	0	0	0	518
Ship building	–	–	–	–	–	–	0
Shipping	28	–	490	–	–	–	518
Maritime services	–	–	–	–	–	–	0
Utilities and public service	0	2	0	2	0	0	4
Utilities distribution	–	1	–	–	–	–	1
Power production	–	–	–	1	–	–	1
Public services	–	1	–	1	–	–	2
Real estate	26	94	52	10	–	–	182
Other industries	–	–	–	–	–	–	0
Total corporate	**443**	**334**	**901**	**218**	0	**338**	**2,234**
Housing loans	–	150	21	–	–	–	171
Collateralised lending	124	113	2	2	–	–	241
Non-collateralised lending	25	8	3	30	–	–	66
Total household	**149**	**271**	**26**	**32**	0	**0**	**478**
Public sector	**34**	**–**	**–**	**–**	**–**	**–**	**34**
Total impaired loans	**626**	**605**	**927**	**250**	0	**338**	**2,746**
of which loans at fair value	**–**	**–**	**17**	**–**	–	**–**	**17**

P2. Risk and liquidity management, cont.

Impaired loans (stage 3) by country and industry (including loans at fair value)

31 Dec 2020, EURm	Denmark	Finland	Norway	Sweden	Russia	Other	Total
Financial institutions	113	32	1	12	–	–	158
Agriculture	148	19	2	2	–	–	171
Crops, plantations and hunting	39	3	–	–	–	–	42
Animal husbandry	109	13	1	2	–	–	125
Fishing and aquaculture	0	3	1	–	–	–	4
Natural resources	14	15	252	0	–	271	552
Paper and forest products	14	13	1	0	–	–	28
Mining and supporting activities	0	2	–	–	–	–	2
Oil, gas and offshore	–	0	251	0	–	271	522
Consumer staples	3	7	1	2	–	–	13
Food processing and beverages	0	2	0	1	–	–	3
Household and personal products	2	1	1	0	–	–	4
Healthcare	1	4	–	1	–	–	6
Consumer discretionary and services	51	83	4	52	–	–	190
Consumer durables	33	4	0	22	–	–	59
Media and entertainment	1	17	0	6	–	–	24
Retail trade	14	46	2	20	–	–	82
Air transportation	–	0	–	2	–	–	2
Accommodation and leisure	3	16	2	1	–	–	22
Telecommunication services	0	0	–	1	–	–	1
Industrials	154	192	62	103	–	–	511
Materials	1	41	–	1	–	–	43
Capital goods	31	47	1	9	–	–	88
Commercial and professional services	43	22	7	78	–	–	150
Construction	35	48	9	6	–	–	98
Wholesale trade	37	22	12	7	–	–	78
Land transportation	1	8	33	1	–	–	43
IT services	6	4	–	1	–	–	11
Maritime	36	8	370	0	–	152	566
Ship building	–	7	–	–	–	0	7
Shipping	36	1	370	–	–	152	559
Maritime services	–	–	0	–	–	–	0
Utilities and public service	1	2	0	2	–	–	5
Utilities distribution	0	1	0	0	–	–	1
Power production	0	0	–	1	–	–	1
Public services	1	1	–	1	–	–	3
Real estate	43	143	56	2	–	–	244
Other industries	1	0	–	–	–	–	1
Total corporate	**564**	**501**	**748**	**175**	**–**	**423**	**2,411**
Housing loans	–	184	34	–	–	–	218
Collateralised lending	166	130	2	3	–	–	301
Non-collateralised lending	36	9	3	54	–	–	102
Total household	**202**	**323**	**39**	**57**	**–**	**–**	**621**
Public sector	**37**	**0**	**–**	**–**	**–**	**–**	**37**
Total impaired loans	**803**	**824**	**787**	**232**	**–**	**423**	**3,069**
of which loans at fair value	**–**	**–**	**14**	**–**	**–**	**–**	**14**

P2. Risk and liquidity management, cont.

Loans to the public measured at amortised cost

31 Dec 2021, EURm	Net loan losses[1]	Net loan loss ratio, bp	Impaired loans, (stage 3)	Impairment rate, gross bp	Allowances	Allowances (stage 1)	Allowances (stage 2)	Allowances (stage 3)	Coverage ratio %	Loans measured at amortised cost
Financial institutions	28	15	66	36	52	9	15	28	15	18,390
Agriculture	2	7	120	400	89	3	10	76	264	2,913
Crops, plantations and hunting	1	16	28	429	23	1	5	17	270	629
Animal husbandry	–1	–21	92	1,691	65	1	5	59	1,255	477
Fishing and aquaculture	2	11	–	–	1	1	–	–	–	1,807
Natural resources	–19	–119	562	2,898	341	1	2	338	2,123	1,598
Paper and forest products	6	69	21	238	14	1	2	11	127	868
Mining and supporting activities	1	63	1	63	0	–	–	–	–	159
Oil, gas and offshore	–26	–455	540	6,007	327	–	–	327	5,744	571
Consumer staples	10	35	8	28	16	2	8	6	17	2,891
Food processing and beverages	3	18	2	18	5	1	2	2	18	1,096
Household and personal products	1	50	2	98	3	–	1	2	100	201
Healthcare	6	38	4	25	8	1	5	2	13	1,594
Consumer discretionary and services	–66	–93	221	303	182	6	39	137	191	7,123
Consumer durables	8	43	28	150	19	1	5	13	70	1,845
Media and entertainment	5	47	12	111	14	1	5	8	75	1,066
Retail trade	–69	–250	164	570	122	3	15	104	377	2,757
Air transportation	–	–	1	64	2	–	1	1	65	155
Accommodation and leisure	–11	–138	15	183	24	1	13	10	126	795
Telecommunication services	1	20	1	20	1	–	–	1	20	505
Industrials	32	15	546	247	389	26	73	290	133	21,744
Materials	43	411	30	280	25	1	3	21	201	1,045
Capital goods	–6	–29	95	444	60	2	8	50	240	2,082
Commercial and professional services	–5	–6	110	141	94	10	24	60	78	7,705
Construction	–12	–23	139	258	112	7	19	86	162	5,319
Wholesale trade	28	75	47	125	44	4	12	28	75	3,729
Land transportation	–7	–103	58	813	31	1	2	28	411	683
IT services	–9	–76	67	557	23	1	5	17	144	1,181
Maritime	–8	–13	507	813	166	7	6	153	254	6,071
Ship building	7	327	–	–	1	1	–	–	–	214
Shipping	–15	–27	507	881	165	6	6	153	274	5,589
Maritime services	–	–	–	–	0	–	–	–	–	268
Utilities and public service	1	2	5	8	9	3	3	3	5	6,401
Utilities distribution	–1	–4	1	4	2	1	1	–	–	2,473
Power production	1	6	1	3	3	1	1	1	3	3,093
Public services	1	12	3	36	4	1	1	2	24	835
Real estate	–27	–10	182	70	186	23	44	119	46	25,865
Other industries	–3	–278	–	–	0	–	–	–	–	107
Total corporate	**–50**	**–5**	**2,217**	**235**	**1,430**	**80**	**200**	**1,150**	**124**	**93,103**
Housing loans	–28	–31	171	189	58	2	8	48	53	8,980
Collateralised lending	62	49	241	184	200	14	42	144	111	12,915
Non-collateralised lending	33	88	66	172	96	9	56	31	83	3,754
Total household	**67**	**26**	**478**	**184**	**354**	**25**	**106**	**223**	**87**	**25,649**
Public sector	**0**	**–**	**34**	**96**	**2**	**–**	**–**	**2**	**6**	**3,548**
Loans to the public	**17**	**1**	**2,729**	**220**	**1,786**	**105**	**306**	**1,375**	**112**	**122,300**
Loans to credit institutions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

1) Including provisions for off-balance sheet exposures.

P2. Risk and liquidity management, cont.

Loans to the public measured at amortised cost

31 Dec 2020, EURm	Net loan losses[1]	Net loan loss ratio, bp	Impaired loans, (stage 3)	Impairment rate, gross bp	Allowances	Allowances (stage 1)	Allowances (stage 2)	Allowances (stage 3)	Coverage ratio %	Loans measured at amortised cost
Financial institutions	24	15	158	94	177	18	16	143	91	16,620
Agriculture	1	5	171	661	113	6	15	92	53	2,482
Crops, plantations and hunting	-1	-19	42	594	30	2	7	21	49	683
Animal husbandry	-1	-18	125	2,126	79	2	8	69	55	512
Fishing and aquaculture	3	26	4	28	4	2	0	2	50	1,287
Natural resources	118	499	552	2,099	280	3	3	274	50	2,351
Paper and forest products	6	53	28	234	21	2	3	16	57	1,188
Mining and supporting activities	0	28	2	115	2	0	0	2	109	154
Oil, gas and offshore	112	1,097	522	4,122	257	1	0	256	49	1,009
Consumer staples	21	84	13	50	29	3	20	6	54	2,544
Food processing and beverages	4	42	3	35	8	1	5	2	64	947
Household and personal products	2	132	4	201	4	0	2	2	60	187
Healthcare	15	106	6	39	17	2	13	2	43	1,410
Consumer discretionary and services	71	120	190	311	167	12	37	118	62	5,928
Consumer durables	25	235	59	534	50	1	8	41	69	1,052
Media and entertainment	13	107	24	191	24	2	3	19	78	1,240
Retail trade	20	95	82	371	65	3	22	40	49	2,145
Air transportation	1	87	2	201	2	0	0	2	102	103
Accommodation and leisure	18	231	22	273	22	2	4	16	74	770
Telecommunication services	-6	-92	1	15	4	4	0	0	44	618
Industrials	124	55	511	226	371	45	101	225	44	22,301
Materials	-12	-97	43	344	33	2	4	27	64	1,204
Capital goods	14	58	88	349	63	3	10	50	56	2,464
Commercial and professional services	22	24	150	167	48	22	26	0	0	8,921
Construction	46	104	98	215	108	9	20	79	80	4,451
Wholesale trade	37	102	78	212	78	6	31	41	52	3,607
Land transportation	10	151	43	633	25	1	5	19	45	655
IT services	7	66	11	113	16	2	5	9	78	999
Maritime	87	143	553	872	249	16	8	225	41	6,091
Ship building	-2	-131	7	547	7	0	0	7	96	125
Shipping	89	154	546	909	242	16	8	218	40	5,758
Maritime services	0	0	0	0	0	0	0	0	22	208
Utilities and public service	8	17	4	9	11	3	5	3	85	4,709
Utilities distribution	2	8	1	5	2	1	1	0	34	2,244
Power production	3	15	1	4	3	1	2	0	40	1,820
Public services	3	53	2	34	6	1	2	3	127	645
Real estate	81	31	244	94	171	31	31	109	45	25,754
Other industries	-64	-3,248	1	41	2	1	0	1	107	192
Total corporate	**471**	**53**	**2,397**	**265**	**1,570**	**138**	**236**	**1,196**	**50**	**88,972**
Housing loans	33	34	218	220	43	2	6	35	16	9,858
Collateralised lending	68	55	301	239	256	23	65	168	56	12,375
Non-collateralised lending	106	301	102	276	161	15	98	48	47	3,533
Total household	**207**	**80**	**621**	**237**	**460**	**40**	**169**	**251**	**40**	**25,766**
Public sector	**0**	**0**	**37**	**85**	**2**	**0**	**0**	**2**	**6**	**4,384**
Loans to the public	**678**	**57**	**3,055**	**252**	**2,032**	**178**	**405**	**1,449**	**47**	**119,122**
Loans to credit institutions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

1) Including provisions for off-balance sheet exposures

P2. Risk and liquidity management, cont.

Geographical distribution

The portfolio is geographically well diversified with no market accounting for more than 24% of total lending measured by the geographical location of the customer handling unit.

Other EU countries represent the largest part of lending outside the Nordic countries. Lending to the public distributed by the country of domicile of borrowers shows that the customers residing in the Nordic countries account for 88% (88%).

Loans to the public measured at amortised cost, geographical breakdown[1]

	Gross			Allowances			
31 Dec 2021, EURm	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Denmark	20,173	1,090	558	31	144	361	21,285
Finland	27,318	2,174	598	21	62	305	29,702
Norway	27,270	1,025	618	30	44	226	28,613
Sweden	27,099	869	251	13	47	115	28,044
Russia	91	0	1	0	0	0	92
US	1,862	1	3	1	1	2	1,862
Other	11,991	393	700	9	8	365	12,702
Total	**115,804**	**5,552**	**2,729**	**105**	**306**	**1,374**	**122,300**

	Gross			Allowances			
31 Dec 2020, EURm	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Denmark	21,107	1,404	662	56	203	414	22,500
Finland	27,081	2,419	812	22	68	339	29,883
Norway	25,397	1,388	549	47	58	257	26,972
Sweden	24,464	1,347	288	26	65	139	25,869
Russia	221	163	1	1	0	0	384
US	1,648	107	2	4	3	1	1,749
Other	10,986	366	741	22	7	299	11,765
Total	**110,904**	**7,194**	**3,055**	**178**	**404**	**1,449**	**119,122**

1) Based on the customers' country of domicile.

Rating and scoring distribution

One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as across risk grades for scored household and small business customers, i.e. retail exposures. The majority of rated corporates was allocated a rating of 4+ and 4. The majority of scored retail exposures was allocated a score of A+.

P2. Risk and liquidity management, cont.

Rating information for loans measured at amortised cost

EURm Rating grade[1]	Average PD (%)	Gross carrying amount 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Provisions
7	0.00	2,877	1	–	2,877	0
6	0.01	8,513	4	–	8,516	1
5	0.05	29,421	46	0	29,467	11
4	0.12	40,763	367	2	41,132	53
3	3.83	6,191	1,456	3	7,650	96
2	13.68	193	1,099	2	1,294	47
1	35.60	64	461	16	540	58
Standardised/Unrated	0.00	26	0	0	26	4
0 (default)	100.00	13	2	2,181	2,197	1,108
Internal	n.a.	80,122	–	–	80,122	–
Total		**168,181**	**3,436**	**2,204**	**173,821**	**1,379**

EURm Rating grade[1]	Average PD (%)	Gross carrying amount 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total	Provisions
7	0.00	3,865	0	–	3,865	0
6	0.02	7,517	24	–	7,540	1
5	0.12	24,561	30	0	24,591	18
4	0.50	39,946	649	1	40,597	100
3	4.57	6,639	2,362	16	9,017	118
2	17.31	247	1,340	5	1,592	74
1	41.69	22	475	2	499	32
Standardised/Unrated	0.00	3,650	5	0	3,655	30
0 (default)	100.00	16	46	2,353	2,415	1,156
Internal	n.a.	62,541	–	–	62,541	–
Total		**149,003**	**4,932**	**2,378**	**156,314**	**1,529**

1) The stage classification and calculation provisioning for each exposure are based on the situation at the end of October 2021 (Oct 2020), while the exposure amount and rating grades are based on the situation at the end of December 2021 (Dec 2020). Some of the exposures in default according to the rating grade at the end of December were not in default at the end of October, which is reflected in the stage classification.

P2. Risk and liquidity management, cont.

Scoring information for loans measured at amortised cost

EURm Scoring grade[1]	Average PD (%)	Gross carrying amount 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Provisions
A	0.04	11,466	45	2	11,513	4
B	0.29	6,766	148	1	6,915	12
C	2.05	3,766	528	2	4,295	23
D	7.38	1,587	596	3	2,187	30
E	17.76	447	378	1	827	34
F	24.76	252	410	16	678	48
0 (default)	100.00	16	26	500	541	259
Total		**24,300**	**2,130**	**526**	**26,956**	**410**

EURm Scoring grade[1]	Average PD (%)	Gross carrying amount 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total	Provisions
A	0.06	10,837	49	2	10,888	9
B	0.30	7,383	179	2	7,564	20
C	1.98	3,770	615	2	4,387	32
D	7.37	1,600	611	9	2,220	39
E	18.82	476	414	4	893	57
F	23.95	278	412	27	718	68
0 (default)	100.00	26	39	631	697	283
Total		**24,370**	**2,320**	**677**	**27,367**	**507**

1) The stage classification and calculation provisioning for each exposure are based on the situation at the end of October 2021 (Oct 2020), while the exposure amount and rating grades are based on the situation at the end of December 2021 (Dec 2020). Some of the exposures in default according to the rating grade at the end of December were not in default at the end of October, which is reflected in the stage classification.

P2. Risk and liquidity management, cont.

Rating information for off-balance sheet items

EURm	Nominal amount 31 Dec 2021				
Rating grade	Stage 1	Stage 2	Stage 3	Total	Provisions
7	7,351	–	–	7,351	0
6	7,818	1	0	7,818	0
5	29,410	1	0	29,411	4
4	22,653	457	3	23,113	13
3	3,867	1,292	1	5,160	35
2	0	724	0	724	17
1	0	308	0	308	29
Standardised/Unrated	625	61	0	686	0
0 (default)	–	0	276	276	29
Internal	50,264	–	–	50,264	–
Total	**121,988**	**2,843**	**281**	**125,112**	**129**

EURm	Nominal amount 31 Dec 2020				
Rating grade	Stage 1	Stage 2	Stage 3	Total	Provisions
7	5,547	–	–	5,547	0
6	7,833	0	0	7,833	1
5	26,774	85	0	26,859	7
4	25,996	1,089	1	27,087	32
3	3,284	1,605	1	4,890	41
2	1	609	4	614	21
1	0	206	0	207	11
Standardised/Unrated	689	306	0	995	12
0 (default)	0	–	501	501	40
Internal	49,419	–	–	49,419	–
Total	**119,544**	**3,900**	**508**	**123,952**	**165**

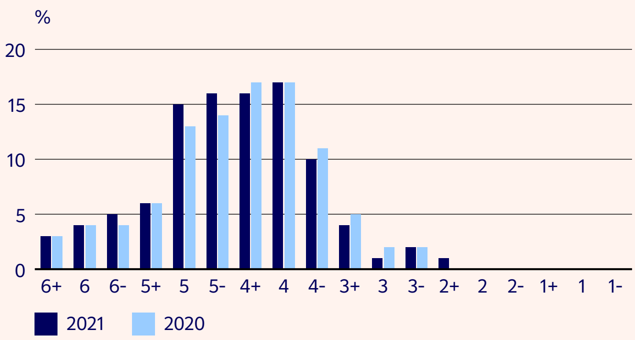
P2. Risk and liquidity management, cont.

Scoring information for off-balance sheet items

EURm Scoring grade	Nominal amount 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Provisions
A	9,050	2	0	9,051	4
B	3,687	3	0	3,690	6
C	1,463	343	0	1,806	15
D	691	381	1	1,073	17
E	45	99	0	144	15
F	23	55	0	78	11
0 (default)	–	0	61	61	20
Total	**14,959**	**883**	**62**	**15,903**	**88**

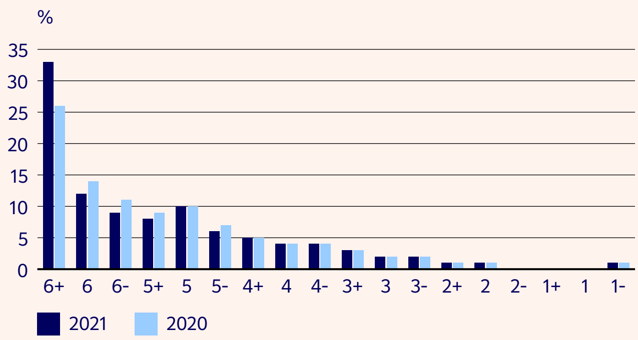
EURm Scoring grade	Nominal amount 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total	Provisions
A	7,788	14	0	7,802	7
B	3,526	6	1	3,532	11
C	1,335	252	0	1,588	19
D	944	284	1	1,229	19
E	54	102	0	157	22
F	23	51	0	75	13
0 (default)	–	–	70	70	28
Total	**13,672**	**709**	**72**	**14,453**	**118**

Rating distribution IRB Corporate customers[1]



1) Defaulted loans are not included in the rating distribution.

Risk grade distribution IRB Retail customers[1]



1) Defaulted loans are not included in the risk grade distribution.

P2. Risk and liquidity management, cont.

Impaired loans (stage 3)

Impaired loans gross in Nordea Bank Abp decreased to EUR 2,729m (EUR 3,055m), corresponding to 136bp of total loans. 53% of impaired loans gross are servicing and 47% are non-servicing. Impaired loans net, after allowances for stage 3 loans, amount to EUR 1,355m, corresponding to 67bp of total loans. On balance allowances for stage 3 loans amount to EUR 1,375m. On balance allowances for stages 1 and 2 loans amount to EUR 414m. The ratio of allowances for loans in stage 3 in relation to impaired loans is 50% and the allowance ratio for loans in stages 1 and 2 is 21bp. The decrease in impaired loans was mainly related to the Households, Financial institutions and Real estate sectors. The portfolios with the largest impaired loan amounts were in the Natural resources, Maritime and Industrials sector.

Impaired loans and ratios

	2021	2020
Gross impaired loans, amort., EURm	2,729	3,055
- of which servicing	1,458	1,561
- of which non-servicing	1,271	1,494
Impairment rate, (stage 3) gross, bp	**136**	**166**
Impairment rate, (stage 3) net, bp	**67**	**87**
Allowances in relation to loans in stages 1 and 2, bp	**21**	**33**
Total allowance rate (stages 1, 2 and 3), bp	**89**	**111**
Allowances in relation to impaired loans (stage 3), %	**50**	**47**

Definitions, see Glossary in the Board of Directors' report.

Past due loans

Past due loans, 6 days or more, for corporate customers amounted to EUR 378m (395m), and past due loans to household totaled EUR 447m in 2021 (468m). The table below shows loans past due 6 days or more, split by corporate and household customers. Past due is defined as a loan payment that has not been made as of its due date.

	31 Dec 2021		31 Dec 2020	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	109	123	97	142
31–60 days	32	50	65	55
61–90 days	17	21	24	22
>90 days	219	253	209	249
Total	**377**	**447**	**395**	**468**
Past due (incl. impaired) loans divided by loans to the public after allowances, %	0.4	1.7	0.4	1.8

Allowances

Total allowances for 2021 were EUR 2,020m, down from EUR 2,322m in 2020 and on balance allowances for 2021 were EUR 1,789m, down from EUR 2,036m in 2020. This was driven by stage 3 releases in Financial institutions and overall in the household portfolio. Of the change, stage 1 accounted for EUR 108m (down from 182m one year ago), stage 2 for EUR 306m (down from 405m one year ago) and stage 3 for EUR 1,375m (down from EUR 1,449m in 2020). The coverage ratio was 0.06% for stage 1 (down from 0.10% in 2020), 5.5% for stage 2 (down from 5.6% in 2020) and 50% for stage 3 (up from 47% in 2020). This was driven by a significant decrease in impaired loans, mainly related to the Danish and Finnish portfolio.

Net loan losses

Net loan losses amounted to reversals of EUR 17m (from EUR 678m in 2020), corresponding to an annual net loan loss ratio of -1bp. Reversals mainly related to the household portfolio, which saw reversals of EUR 67m mainly related to Denmark, while the corporate portfolio had net loan losses of EUR 50m mainly driven by one retail trade customer.

Net loan losses and loan loss ratios

	2021	2020
Net loan losses, EURm	-17	678
Net loan loss ratio, amortised cost, bp	-1	57
- of which (stage 3)	17	35
- of which (stages 1 and 2)	-18	22
Net loan loss ratio, bp[1]	0	57
Net loan loss ratio, Personal Banking, bp[1]	-1	32
Net loan loss ratio, Business Banking, bp[1]	-1	57
Net loan loss ratio, Large Corporates & Institutions, bp[1]	-3	63

1) Net loan losses including loan losses from loans at fair value recognised through fair value reserve divided by total lending at amortised cost and at fair value, basis points.

P2. Risk and liquidity management, cont.

Carrying amount of loans measured at amortised cost, before allowances

	Credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2021	**62,470**	**58**	**0**	**62,528**	**110,904**	**7,194**	**3,055**	**121,153**	**173,374**	**7,252**	**3,055**	**183,681**
Origination and acquisition	21,514	0	–	21,514	31,675	429	65	32,169	53,189	429	65	53,683
Transfers between stage 1 and stage 2, (net)	0	0	–	–	7	-7	–	0	7	-7	–	0
Transfers between stage 2 and stage 3, (net)	–	–	–	–	–	-176	176	–	–	-176	176	–
Transfers between stage 1 and stage 3, (net)	–	–	–	–	-94	0	94	–	-94	–	94	–
Repayments and disposals	-14,237	-50	-2	-14,289	-36,937	-1,639	-299	-38,875	-51,174	-1,689	-301	-53,164
Write-offs	–	–	–	–	–	–	-362	-362	–	–	-362	-362
Other changes[1]	6,742	6	2	6,750	9,740	-278	-42	9,420	16,482	-272	-40	16,170
Translation differences	188	0	0	188	510	29	41	580	698	29	41	768
Closing balance at 31 Dec 2021	**76,677**	**14**	**0**	**76,691**	**115,805**	**5,552**	**2,729**	**124,086**	**192,481**	**5,566**	**2,729**	**200,777**

1) Other changes are mainly related to increased utilisation of credits granted in earlier years.

	Credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2020	**74,818**	**47**	**–**	**74,865**	**113,806**	**5,055**	**3,733**	**122,594**	**188,624**	**5,102**	**3,733**	**197,459**
Origination and acquisition	12,631	1	–	12,632	26,364	799	800	27,963	38,995	800	800	40,595
Transfers between stage 1 and stage 2, (net)	3	-3	–	0	-2,329	2,329	0	0	-2,326	2,326	0	0
Transfers between stage 2 and stage 3, (net)	–	–	–	0	–	-10	10	0	0	-10	10	0
Transfers between stage 1 and stage 3, (net)	5	–	-5	0	-148	–	148	0	-143	0	143	0
Repayments and disposals	-15,905	-20	–	-15,925	-29,505	-1,010	-900	-31,415	-45,410	-1,030	-900	-47,340
Write-offs	–	–	–	0	–	–	-447	-447	0	0	-447	-447
Other changes[1]	-8,871	33	5	-8,833	3,340	39	-280	3,099	-5,531	72	-275	-5,734
Translation differences	-211	0	0	-211	-624	-8	-9	-641	-835	-8	-9	-852
Closing balance at 31 Dec 2020	**62,470**	**58**	**0**	**62,528**	**110,904**	**7,194**	**3,055**	**121,153**	**173,374**	**7,252**	**3,055**	**183,681**

1) Other changes are mainly related to increased utilisation of credits granted in earlier years.

P2. Risk and liquidity management, cont.

Movements in allowance accounts for loans measured at amortised cost

	Credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2021	-3	-1	0	-4	-178	-405	-1,449	-2,032	-181	-406	-1,449	-2,036
Origination and acquisition	-2	0	–	-2	-29	-16	-7	-52	-31	-16	-7	-54
Transfers from stage 1 to stage 2	0	0	–	0	8	-110	–	-102	8	-110	–	-102
Transfers from stage 1 to stage 3	0	–	–	0	1	–	-38	-37	1	–	-38	-37
Transfers from stage 2 to stage 1	0	0	–	0	-5	92	–	87	-5	92	–	87
Transfers from stage 2 to stage 3	–	–	–	–	–	27	-170	-143	–	27	-170	-143
Transfers from stage 3 to stage 1	–	–	–	–	0	–	19	19	0	–	19	19
Transfers from stage 3 to stage 2	–	–	–	–	–	-5	36	31	–	-5	36	31
Changes in credit risk without stage transfer	0	0	0	0	66	44	-42	68	66	44	-42	68
Repayments and disposals	2	1	–	3	33	66	81	180	34	68	81	183
Write-off through decrease in allowance account	–	–	–	–	–	–	220	220	–	–	220	220
Changes due to update in the institution's methodology for estimation (net)	–	–	–	–	–	–	–	–	–	–	–	–
Other changes	–	–	–	–	–	–	–	–	–	–	–	–
Translation differences	0	0	0	0	0	-1	-24	-25	-1	-1	-24	-25
Closing balance at 31 Dec 2021	**-3**	**0**	**0**	**-3**	**-105**	**-306**	**-1,375**	**-1,786**	**-108**	**-306**	**-1,375**	**-1,789**

	Credit institutions				The public				Total			
EURm	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2020	-4	0	-10	-14	-116	-296	-1,495	-1,907	-120	-296	-1,505	-1,921
Origination and acquisition	-1	0	0	-1	-43	-30	-13	-86	-44	-30	-13	-87
Transfers from stage 1 to stage 2	0	0	–	0	6	-146	–	-140	6	-146	0	-140
Transfers from stage 1 to stage 3	0	–	0	0	1	–	-88	-87	1	0	-88	-87
Transfers from stage 2 to stage 1	0	0	–	0	-5	49	–	44	-5	49	0	44
Transfers from stage 2 to stage 3	–	0	0	0	–	16	-81	-65	0	16	-81	-65
Transfers from stage 3 to stage 1	–	–	0	0	-1	–	8	7	-1	0	8	7
Transfers from stage 3 to stage 2	–	-1	0	-1	–	-12	66	54	0	-13	66	53
Changes in credit risk without stage transfer	1	0	8	9	-31	-9	-239	-279	-30	-9	-231	-270
Repayments and disposals	1	0	2	3	12	24	28	64	13	24	30	67
Write-off through decrease in allowance account	–	–	–	0	–	–	355	355	0	0	355	355
Changes due to update in the institution's methodology for estimation (net)	–	–	–	–	–	–	–	0	0	0	0	0
Other changes	–	–	–	0	–	–	–	0	0	0	0	0
Translation differences	0	0	0	0	-1	-1	10	8	-1	-1	10	8
Closing balance at 31 Dec 2020	**-3**	**-1**	**0**	**-4**	**-178**	**-405**	**-1,449**	**-2,032**	**-181**	**-406**	**-1,449**	**-2,036**

The tables shows the changes in exposure/allowances for each stage during the year. If an exposure moves into stage 2 from stage 1, there will be a reversal for stage 1 and an increase for stage 2.

P2. Risk and liquidity management, cont.

Movements in provisions for off-balance sheet items

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2021	61	153	69	283
Origination and acquisition	7	7	1	14
Transfers from stage 1 to stage 2	-2	49	–	47
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	1	-44	–	-43
Transfers from stage 2 to stage 3	–	-2	8	6
Transfers from stage 3 to stage 1	0	–	-2	-2
Transfers from stage 3 to stage 2	–	1	-3	-1
Changes in credit risk without stage transfer	-23	-9	-19	-51
Repayments and disposals	-15	-17	-3	-34
Write-off through decrease in allowance account	–	–	-3	-3
Translation differences	0	0	0	0
Closing balance at 31 Dec 2021	**28**	**138**	**50**	**216**

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2020	28	82	98	208
Origination and acquisition	16	8	1	25
Transfers from stage 1 to stage 2	-1	46	–	45
Transfers from stage 1 to stage 3	0	–	1	1
Transfers from stage 2 to stage 1	1	-19	–	-18
Transfers from stage 2 to stage 3	–	-1	8	7
Transfers from stage 3 to stage 1	0	–	-2	-2
Transfers from stage 3 to stage 2	–	1	-7	-6
Changes in credit risk without stage transfer	22	39	-21	40
Repayments and disposals	-5	-4	0	-9
Write-off through decrease in allowance account	–	–	-9	-9
Translation differences	0	1	0	1
Closing balance at 31 Dec 2020	**61**	**153**	**69**	**283**

P2. Risk and liquidity management, cont.

Counterparty credit risk
Counterparty credit risk is the risk that Nordea Bank Abp's counterpart in an FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea Bank Abp at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. The current net exposure (after close-out netting and collateral reduction) represents EUR 4.4bn, of which 32% was towards financial institutions.

Market risk
Please see section 4. "Market risk" of Note G2 to the financial statements of the Group.

Market risk analysis
The market risk for the Nordea Bank Abp trading book is presented in the table below.

The average market risk measured by VaR was EUR 24.7m in 2021 (the average in 2020 was EUR 31.6m) and was primarily driven by interest rate risk. Stressed average VaR was EUR 38.0m in 2021 (average in 2020 was EUR 46.7m) and primarily driven by interest rate risk with additional contributions from credit spread risk. The peak in VaR was reached in the first quarter while the peak in stressed VaR was reached in the fourth quarter. VaR and stressed VaR are primarily driven by market risk in the Northern European and Nordic countries.

The Incremental Risk Charge (IRC) at the end of 2021 was slightly lower compared to the end of 2020, which was driven by reduced sovereign bond exposure. The lowest exposure occurred during the fourth quarter of 2021, while the IRC was the highest in the second quarter of 2021. The average IRC decreased marginally compared to the previous year, mainly driven by a lower contribution from the migration component.

The Comprehensive Risk Charge (CRC) at the end of 2021 was higher than at the end of 2020. The lowest exposure occurred during second quarter of 2021, while the CRC peaked during the fourth quarter of 2021. The average CRC for 2021 decreased by EUR 20.3m compared to 2020 as the average for 2020 was driven higher by peaks at the start of the COVID-19 pandemic.

Structural interest income risk (SIIR)/economic value (EV)
At the end of the year the worst loss out of the internal RAF scenarios for SIIR was driven by the RAF scenario European Debt Crisis, where the potential reduction of one year's net interest income due to interest rate movements was EUR 214m. Nordea Bank Abp's balance sheet is structured so that net interest income would decrease if interest rates fall. The worst loss out of the internal RAF scenarios for EV risk was EUR 106m.

Other market risks / Pension risk
Please see section 4.6. "Other market risk/Pension risk" of Note G2 to the financial statements of the Group.

Operational risk
For operational risk, management of operational risk and financial reporting risk management please see section 5. "Operational risk" of Note G2 to the financial statements of the Group.

Market risk figures for the trading book[1]

EURm	31 Dec 2021	2021 high	2021 low	2021 avg.
Total VaR	35	46	15	25
Interest rate risk	36	47	14	26
Equity risk	3	22	2	5
Credit spread risk	4	19	3	10
Foreign exchange risk	1	7	1	2
Inflation risk	2	4	1	2
Diversification effect	24	65	22	44
Total Stressed VaR	44	72	23	38
Incremental Risk Charge (IRC)	17	33	12	20
Comprehensive Risk Charge (CRC)	23	37	9	19

1) Equity Event Risk was EUR 0.3m at end of 2021.

Market risk figures for the trading book[1]

EURm	31 Dec 2020	2020 high	2020 low	2020 avg.
Total VaR	17	70	12	32
Interest rate risk	18	60	12	29
Equity risk	4	31	1	5
Credit spread risk	12	54	4	13
Foreign exchange risk	3	11	1	3
Inflation risk	3	4	2	3
Diversification effect	58	67	25	41
Total Stressed VaR	40	95	26	47
Incremental Risk Charge (IRC)	18	40	12	21
Comprehensive Risk Charge (CRC)	18	150	15	39

1) Equity Event Risk was EUR 0.8m at end of 2020.

P2. Risk and liquidity management, cont.

Compliance Risk
For compliance risk, ESG-related risk management, financial crime prevention as well as management of compliance risk please see section 6. "Compliance Risk" of Note G2 to the financial statements of the Group.

Liquidity risk management
During 2021, Nordea Bank Abp continued to benefit from its prudent liquidity risk management, in terms of maintaining a diversified and strong funding base and a diversified liquidity buffer. Nordea Bank Abp maintained a strong liquidity position throughout the year.

Nordea Bank Abp issued approximately EUR 13.7bn in long-term funding in 2021, of which all was issued in the form of senior debt.

Throughout 2021, Nordea Bank Abp remained compliant with the liquidity coverage ratio (LCR) requirement in all currencies on a combined basis, as well as the net stable funding ratio (NFSR).

During 2021 Nordea Bank Abp has participated in ECB's targeted longer-term refinancing operations (TLTROs). To date, Nordea Bank Abp has borrowed EUR 12bn under the TLTRO III programme. The ECB applies a negative interest rate to the TLTRO III funding. Nordea Bank Abp accordingly recognises negative interest expense in connection with its TLTRO III borrowing. In 2021 the negative interest expense added EUR 95m (EUR 19m) to Nordea Bank Abp's net interest income. If Nordea Bank Abp's eligible lending reached a certain threshold, measured at the end of the first quarter 2021 and the end of the fourth quarter 2021, the interest rate decreased to -1% with retroactive impact. Nordea Bank Abp alters the effective interest rate if the threshold is reached, and recognises the impact under net interest income. In 2021 Nordea Bank Abp reached the lending threshold at the end of the first quarter and altered the effective interest rate with retroactive impact.

Nordea Bank Abp did not alter the effective interest rate for the third and fourth quarters, as it could not yet be concluded with adequate certainty that the threshold at the end of the fourth quarter 2021 had been reached.

Liquidity risk definition and identification
Please see section 8.1. "Liquidity risk definition and identification" of Note G2 to the financial statements of the Group.

Management principles and control
Please see section 8.2. "Management principles and control" of Note G2 to the financial statements of the Group.

Liquidity risk management strategy
Please see section 8.3. "Liquidity risk management strategy" of Note G2 to the financial statements of the Group.

Liquidity risk measurement
Please see the section 8.4. "Liquidity risk measurement" of Note G2 to the financial statements of the Group.

Liquidity risk analysis
Nordea Bank Abp continues to have a strong and prudent liquidity risk profile with a strong funding base. As of year-end 2021, the total volume utilised under CD and CP programmes was EUR 38.2bn (EUR 33.7bn) with an average maturity of 0.4 (0.4)years. The total volume under long-term programmes was EUR 32.8bn (EUR 34bn) with an average maturity of 3.2 (2.8) years. Nordea Bank Abp's funding sources are presented in the table below.

The liquidity risk position remained at a low level throughout 2021. The liquidity stress horizon was 1095 days as of year-end 2021 (1095 days as of year-end 2020) with an annual average of 1095 days (856 days). The annual average of the funding gap risk was EUR +44.2bn (EUR +35.4bn in 2020). Nordea Bank Abp's liquidity buffer ranged between EUR 82.7bn and 137.3bn throughout 2021 (EUR 79.6bn and EUR 119.9bn) with an average liquidity buffer of EUR 114.3bn (EUR 94.6bn). The combined LCR according to the EBA Delegated Act rules for the Nordea Bank Abp was 148% at the end of 2021 (139%) with an annual average of 141% (153%). At the end of 2021 the LCR in EUR was 137% (234%) and in USD 169% (119%), with annual averages of 210% (195%) and 176% (200%), respectively. At the end of 2021 Nordea Abp's NSFR was 105.9% (95.3%).

Funding sources

		31 Dec 2021	
Liability type	**Interest rate base**	**Average maturity (years)**	**EURm**
Deposits by credit institutions			35,532
Shorter than 3 months	Euribor etc.	0.1	20,715
Longer than 3 months	Euribor etc.	1.6	14,817
Deposits and borrowings from the public			213,547
Deposits payable on demand	Administrative	0.0	193,218
Other deposits	Euribor etc.	0.8	20,329
Debt securities in issue			64,264
Certificates of deposits	Euribor etc.	0.4	26,863
Commercial papers	Euribor etc.	0.3	11,336
Mortgage covered bond loans	Fixed rate, market-based	0.0	0
Other bond loans	Fixed rate, market-based	2.9	26,065
Derivatives		n.a.	32,347
Other non-interest-bearing items		n.a.	18,811
Subordinated debt			6,709
Tier 2 subordinated bond loans	Fixed rate, market-based	7.3	4,262
Additional Tier 1 subordinated bond loans (undated)	Fixed rate, market-based	n.a.	2,447
Equity			29,042
Total			**400,252**

Net Stable Funding Ratio (NSFR)

EURbn	31 December 2021	31 December 2020
Available stable funding	214.7	202.1
Required stable funding	202.7	212.1
Net stable funding	12.0	-10.0
Net Stable Funding Ratio (NSFR)[1]	**105.9%**	**95.3 %**

1) According to CRR2 regulation.

P3. Business area and geographical information

Business areas

Nordea Bank Abp presents the financial results of the three main business areas: Personal Banking, Business Banking and Large Corporates & Institutions. Group functions and eliminations as well as the results that are not fully allocated to any of the main business areas are shown separately as reconciling items.

Personal Banking serves Nordea Bank Abp's household customers, providing a full range of financial services to meet the customers' day-to-day financial needs. The customers are served through the netbank, the mobile banking application, over the phone, via online meetings and at Nordea Bank Abp's branch offices. The business area includes advisory and service staff, channels and product units under a common strategy, operating model and governance across markets.

Business Banking serves, advises and partners with corporate customers, covering all their business needs through a full range of services, including payments, cash management, cards, working capital management and financial solutions. Business Banking also provides services such as payments, cards and financial solutions to personal customers.

Large Corporates & Institutions provides financial solutions to large Nordic and international corporates and institutional customers. The offering includes a diverse range of financing, cash management and payment services, investment banking, capital markets products and securities services.

Income statement

2021, EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Total business areas	Reconciliation	Total
Net interest income	673	949	930	2,552	140	2,692
Net fee and commission income	1,351	596	523	2,470	-556	1,914
Net result from items at fair value[1]	75	297	545	917	1,500	2,417
Other income	467	27	1	495	471	966
Total operating income	**2,566**	**1,869**	**1,999**	**6,434**	**1,555**	**7,989**
Staff costs	-546	-321	-312	-1,179	-1,077	-2,256
Other expenses	-1,114	-638	-494	-2,246	898	-1,348
Depreciation, amortisation and impairment charges of tangible and intangible assets	-79	-18	-19	-116	-347	-463
Total operating expenses	**-1,739**	**-977**	**-825**	**-3,541**	**-526**	**-4,067**
Profit before loan losses	**827**	**892**	**1 174**	**2 893**	**1 029**	**3 922**
Net loan losses	-41	64	-16	7	10	17
Impairment of other financial assets	–	–	–	–	-26	-26
Operating profit	**786**	**956**	**1 158**	**2 900**	**1 013**	**3 913**

1) Including the income statement line items "Net result from securities trading and foreign exchange dealing", "Net result from securities at fair value through fair value reserve", "Net result from hedge accounting" and "Net result from investment properties".

Balance sheet 31 Dec 2021, EURbn						
Loans to the public	22	51	59	132	7	139
Deposits and borrowings from the public	85	53	49	187	27	214

P3. Business area and geographical information, cont.

Income statement

2020, EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Total business areas	Reconciliation	Total
Net interest income	628	822	855	2,305	211	2,516
Net fee and commission income	1,182	533	443	2,158	-460	1,698
Net result from items at fair value[1]	88	255	464	807	-17	790
Other income	198	53	1	252	1,912	2,164
Total operating income	**2,096**	**1,663**	**1,763**	**5,522**	**1,646**	**7,168**
Staff costs	-543	-313	-299	-1,155	-1,130	-2,285
Other expenses	-1,116	-597	-498	-2,211	819	-1,392
Depreciation, amortisation and impairment charges of tangible and intangible assets	-63	-16	-15	-94	-323	-417
Total operating expenses	**-1,722**	**-926**	**-812**	**-3,460**	**-634**	**-4,094**
Profit before loan losses	**374**	**737**	**951**	**2,062**	**1,012**	**3,074**
Net loan losses	-171	-143	-267	-581	- 97	-678
Impairment of other financial assets	–	–	–	–	-107	-107
Operating profit	**203**	**594**	**684**	**1,481**	**808**	**2,289**

1) Including the income statement line items "Net result from securities trading and foreign exchange dealing", "Net result from securities at fair value through fair value reserve", "Net result from hedge accounting" and "Net result from investment properties".

Balance sheet 31 Dec 2020, EURbn						
Loans to the public	22	46	58	126	10	136
Deposits and borrowings from the public	83	48	40	171	20	191

Geographical information

Nordea Bank Abp's main geographical markets comprise the Nordic countries.

	Total operating income, EURm		Operating profit, EURm		Assets, EURbn		Liabilities, EURbn	
	2021	2020	2021	2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Sweden	2,387	1,925	1,191	743	102	95	98	84
Finland	2,111	2,353	965	957	117	102	104	121
Norway	1,351	796	763	430	73	69	71	32
Denmark	2,002	1,703	943	170	99	121	89	107
Other	138	391	51	-11	9	5	9	18
Total	**7,989**	**7,168**	**3,913**	**2,289**	**400**	**392**	**371**	**362**

The presentation of the geographical information was changed in 2021. Previously eliminations related to intercompany transactions at Nordea Bank Abp were presented as part of the Finnish operations. From 1 January 2021 eliminations are presented as part of the geographical area where the intercompany transactions originate from. The comparative figures 2020 have been adjusted to reflect the new presentation.

P4. Net interest income

Interest income

EURm	2021	2020
Interest income calculated using the effective interest rate method	3,528	3,817
Financial assets at fair value through profit and loss	54	89
Net interest paid or received on derivatives in economic hedges of assets[1]	-231	-227
Interest income[2]	**3,351**	**3,679**

EURm	2021	2020
Cash and balances with central banks	118	38
Debt securities eligible for refinancing with central banks	58	192
Loans to credit institutions	385	672
Loans to the public	2,518	2,630
Interest-bearing securities	262	162
Derivatives	-86	-55
Yield fees	217	177
Other interest income	110	90
Net interest paid or received on derivatives in economic hedges of assets[1]	-231	-227
Interest income[2]	**3,351**	**3,679**
- of which negative interest on financial liabilities	426	206

Interest expense

EURm	2021	2020
Deposits by credit institutions and central banks	-229	-407
Deposits and borrowings from the public	-88	-116
Debt securities in issue	-449	-797
Derivatives[1]	284	350
Subordinated liabilities	-255	-336
Other interest expense[1]	-9	-30
Net interest paid or received on derivatives in economic hedges of liabilities[1]	87	173
Interest expense	**-659**	**-1,163**
- of which negative interest on financial assets	-318	-341
Net interest income	**2,692**	**2,516**

1) Comparative figures have been restated. See “Changed accounting policies and presentation” in Note P1 “Accounting policies” for more information.
2) Interest on impaired loans accounted for an insignificant share of interest income.

P5. Net fee and commission income

EURm	2021	2020
Asset management commissions	475	419
- of which income	482	426
- of which expense	-7	-7
Life & Pension commissions	26	18
- of which income	26	18
Deposit products	25	27
- of which income	25	27
Brokerage, securities issues and corporate finance	269	204
- of which income	421	374
- of which expense	-152	-170
Custody and issuer services	38	36
- of which income	88	83
- of which expense	-50	-47
Payments[1]	243	288
- of which income	366	397
- of which expense	-123	-109
Cards[1]	222	138
- of which income	318	246
- of which expense	-96	-108
Lending products	370	333
- of which income	374	337
- of which expense	-4	-4
Guarantees	241	207
- of which income	268	234
- of which expense	-27	-27
Other	5	28
- of which income	67	81
- of which expense	-62	-53
Total	**1 ,914**	**1,698**

1) Comparative figures in the line items “Payments” and “Cards” have been restated to reflect product categorisation changes.

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounted to EUR 399m (EUR 364m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounted to EUR 929m (EUR 818m). The corresponding amount for fee expenses was EUR -159m (EUR -224m).

P6. Net result from items at fair value, hedge accounting and foreign exchange dealing

This note includes the specifications for the income statement line items "Net result from securities trading and foreign exchange dealing", "Net result from securities at fair value through fair value reserve" and "Net result from hedge accounting".

EURm	2021	2020
Net result from items at fair value, hedge accounting and foreign exchange dealing		
Equity-related instruments[1]	**608**	**166**
- of which unrealised	92	-38
- of which realised	516	204
- of which through fair value reserve	-12	-2
Interest-related instruments	**172**	**468**
- of which unrealised	-964	987
- of which realised	1,135	-519
- of which through fair value reserve	-28	13
Foreign exchange gains/losses	**240**	**184**
- of which unrealised	-2,359	2,155
- of which realised	2,599	-1,971
Other financial instruments (including credit and commodities)	**57**	**-25**
- of which unrealised	221	-319
- of which realised	-164	294
Total	**1,077**	**793**
- of which financial instruments held for trading	1,086	316
- of which unrealised	-310	281
- of which realised	1,396	35

1) Of which EUR 183m (EUR 38m) is dividends from shares held for trading. Dividends from shares measured at fair value through fair value reserve is EUR 0m (EUR 0m)

EURm	2021	2020
Net result from hedging instruments		
Financial instruments under fair value hedge accounting	**-9**	**-8**
- of which unrealised	-13	-8
- of which realised	4	0
- of which through fair value reserve	0	0
Net result on hedging instruments	**-730**	**125**
- of which unrealised	-734	125
- of which realised	4	0
- of which through fair value reserve	0	0
Net result on hedged items	**721**	**-133**
- of which unrealised	721	-133
- of which realised	0	0

P7. Income from equity investments

EURm	2021	2020
Dividends from group undertakings	932	1,165
Dividends from associated undertakings and joint ventures	8	3
Group contributions	400	509
Dividends from shares measured at fair value through profit or loss, non-trading	7	4
Total	**1,347**	**1,681**

P8. Other operating income

EURm	2021	2020
Income from services provided to Nordea entities	925	410
Gains on sales of group and associated undertakings	6	13
Income from real estate	15	19
Other	20	41
Total	**966**	**483**

Other operating income from Nordea entities increased by EUR 569m. From 1 January 2021 the transfer pricing method applied to the internal sales and distribution services provided by Nordea Bank Abp to the mortgage banks of the Group has been updated to align with the development of the OECD guidelines on transfer pricing and local tax practice. The updated methodology has entailed pricing adjustments to sales and distribution fees, increasing the income.

P9. Staff costs

EURm	2021	2020
Salaries and remuneration (specification below)[1]	-1,752	-1,808
Pension costs (specification below)	-240	-240
Social security contributions	-350	-351
Other staff costs[2]	86	114
Total	**-2,256**	**-2,285**
Salaries and remuneration		
To executives[3]		
- Fixed compensation and benefits	-12	-12
- Performance-related compensation	-5	-3
Total	**-17**	**-15**
To other employees	-1,735	-1,793
Total	**-1,752**	**-1,808**

1) Of which allocation to profit-sharing for 2021 EUR 52m (EUR 25m).
2) Including capitalisation of IT-projects with EUR 137m (EUR 139m).
3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and Group Leadership Team in the parent company. Former board members (including deputies), CEOs, deputy CEOs, managing directors and executive vice presidents in the parent company are included. Executives amount to 23 individuals.

Pension costs[1]

EURm	2021	2020
Defined benefit plans (Note P33)	-57	-63
Defined contribution plans	-183	-177
Total	**-240**	**-240**

1) Pension cost for executives, as defined in footnote 3 above, amounts to EUR 2m (EUR 2m) and pension obligations to EUR 17m (EUR 17m).

Remuneration for the Board of Directors, the Chief Executive Officer and the Group Leadership Team

The information on remuneration for the Board of Directors the CEO and the Leadership Team of Nordea Bank Abp is the same as for the Group. For further details on their remuneration please see the section 'Remuneration for the Board of Directors, the CEO and Group Leadership Team' of Note G8 to the financial statements of the Group.

Remuneration to the Board of Directors

EUR	2021	2020
Chairman of the Board:		
Torbjörn Magnusson	352,275	345,500
Vice Chairman of the Board:		
Kari Jordan	176,100	171,000
Other Board members:		
Birger Steen	190,550	185,000
Claudia Dill[1]	120,900	–
John Maltby	183,050	155,000
Jonas Synnergren[2]	159,650	116,250
Maria Varsellona[3]	–	31,250
Nigel Hinshelwood	190,550	185,000
Pernille Erenbjerg[4]	38,750	155,000
Petra van Hoeken	159,650	155,000
Robin Lawther	124,600	125,000
Sarah Russell	156,500	155,000
Total	**1,852,575**	**1,779,000**

1) New member of the Board as from the AGM 2021.
2) New member of the Board as from the AGM 2020.
3) Resigned as member of the Board as from the AGM 2020
4) Resigned as member of the Board as from the AGM 2021.

P9. Staff costs, cont.

Remuneration to the Chief Executive Officer and Group Leadership Team

	Fixed salary		Pension expense (DCP & DBP)[1]		Benefits		Total fixed remuneration	
EUR	2021	2020	2021	2020	2021	2020	2021	2020
Chief Executive Officer:								
Frank Vang-Jensen	1,361,329	1,252,912	386,405	375,788	109,392	211,989	1,857,126	1,840,689
Deputy Managing Director:								
Jussi Koskinen	481,447	462,771	139,623	92,667	21,634	23,172	642,704	578,610
Group Leadership Team:								
10 (9) individuals excluding CEO and Deputy Managing Director	6,292,854	6,236,460	1,441,569	1,340,701	155,467	89,443	7,889,890	7,666,604
Total	**8,135,630**	**7,952,143**	**1,967,597**	**1,809,156**	**286,493**	**324,604**	**10,389,720**	**10,085,903**
Former Chief Executive Officer:								
Casper von Koskull	–	1,398,528	–	365,163	–	29.974	–	1,793,665
Former Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	–	497,697	–	182,914	–	1,425	–	682,036
Total	**8,135,630**	**9,848,368**	**1,967,597**	**2,357,233**	**286,493**	**356,003**	**10,389,720**	**12,561,604**

1) As from 2021 also payments under the TyEL insurance in Finland are reported as pension cost in DCPs. Comparative figures have been restated accordingly.

Variable remuneration

	Executive Incentive Programme		LTIP conditional grants		Total variable remuneration		Total remuneration - fixed and variable	
EUR	2021	2020	2021	2020	2021	2020	2021	2020
Chief Executive Officer:								
Frank Vang-Jensen	849,509	610,313	201,724	45,882	1,051,233	656,195	2,908,359	2,496,884
Deputy Managing Director:								
Jussi Koskinen	314,137	236,249	67,241	15,294	381,378	251,543	1,024,082	830,153
Group Leadership Team:								
10 (9) individuals excluding CEO and Deputy Managing Director	3,829,690	2,318,494	685,649	137,646	4,515,339	2,456,140	12,405, 229	10,122,744
Total	**4,993,336**	**3,165,056**	**954,614**	**198,822**	**5,947,950**	**3,363,878**	**16,337,670**	**13,449,781**
Former Chief Executive Officer:								
Casper von Koskull	–	–	–	–	–	–	–	1,793,665
Former Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	–	–	–	–	–	–	–	682,036
Total	**4,993,336**	**3,165,056**	**954,614**	**198,822**	**5,947,950**	**3,363,878**	**16,337,670**	**15,925,482**

P9. Staff costs, cont.

Deferred variable remuneration in Nordea Shares

Part of the outcome of the Executive Incentive Programme (EIP) 2019 and the EIP 2020 for GLT has been deferred to be paid in the future by delivering Nordea Shares. The number of granted and deferred shares as of 31 December 2021 can be found in the table below.

Nordea shares

	2021	2020
Chief Executive Officer:		
Frank Vang-Jensen	45,001	19,425
Deputy Managing Director:		
Jussi Koskinen	21,604	11,704
Group Leadership Team:		
10 (9) individuals excl. CEO and Deputy Managing Director	227,775	56,607
Total	**294,380**	**87,736**
Former Chief Executive Officer:		
Casper von Koskull	20,483	20,483
Former Group Chief Operating Officer and Deputy Chief Executive Officer		
Torsten Hagen Jørgensen	12,997	12,997
Total	**327,860**	**121,216**

Defined benefit pension obligations

The pension plans are funded, meaning that the pension plan obligations are backed by plan assets with the fair value generally being at a level similar to that of the obligations.

The obligations depend on changes in actuarial assumptions and interannual variations can therefore be significant.

The pension obligations disclosed are the pension rights earned calculated using the expected salary levels at retirement.

The pension obligation in the below table is the valuation as per 31 December 2021 and 2020 respectively.

EURm	2021	2020
Group Leadership Team (GLT):		
3 (3) individuals in Sweden	1,241,536	1,137,129
Former Chairman of the Board, former CEOs and Deputy CEOs:		
Vesa Vainio[1]	4,667,760	4,932,945
Lars G Nordström	289,220	311,588
Casper von Koskull	428,311	427,026
Total	**6,626,827**	**6,808,688**

1) The pension obligation is mainly due to defined benefit pension rights earned at, and funded by, banks forming Nordea Bank Abp. The decrease compared with 2020 is mainly due to pension payments during the year, and that higher discount rates were used in the measurement of the pension obligations at the end of 2021.

Notice period and severance pay

For further details on the notice period and severance pay please see the section 'Notice period and severance pay' of Note G8 to the financial statements of the Group.

Indemnification

Nordea Bank Abp has undertaken to indemnify the members of the GLT against legal expenses incurred in relation to legal advice in defending or disputing certain claims or investigations by third parties, excluding crimes or actions made with intent or gross negligence. For each GLT member, the indemnity is capped at an aggregate amount of EUR 37.5m, unless the Board of Directors decides otherwise on a case-by-case basis. Nordea purchases D&O insurance which provides cover for liability assumed by the bank following the indemnification undertaking.

Loans to and deposits from key management personnel

Loans to key management personnel (defined in Note P1 section 25) amount to EUR 0m (EUR 0m) and interest income on these loans amounted to EUR 0m (EUR 0m). Deposits from key management personnel amounted to EUR 12m (EUR 14m) and interest on these deposit amounted to EUR 0m (EUR 0m). Loan commitments to key management personnel amounted to EUR 0m (EUR 0m).

For key management personnel employed by Nordea Bank Abp the same credit terms apply as for other employees. In Finland the employee interest rate for loans corresponds to Nordea Bank Abp's funding cost with a margin of 30 basis points. In Denmark the employee interest rate for loans is variable and was 2.25 % at 31 December 2021, but special terms are applied for car loans and mortgage loans. The interest rate on car loans without collateral is variable and was 1.50%. The interest rate on mortgage loans up to 80% of the valuation of the property was 1.50%. In Norway the variable interest rate on loans for employees was 1.40% at 31 December 2021. Mortgage loans with fixed interest rates are offered with the same rates as mortgage loans to Premium customers. In Sweden the employee interest rate on fixed and variable interest rate loans is 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. For interest on loans above the defined cap, the same terms apply as for Premium customers. Loans to family members of key management personnel are granted on normal market terms, as are loans to key management personnel who are not employed by Nordea Bank Abp.

The loan quality for the key management personnel and their family members is good with no significant increase in credit risk. Loan loss provisions for key management personnel are included in the collectively assessed allowances shown in Note 16 'Loans and impairment'.

P9. Staff costs, cont.

Share-based transactions

Nordea Bank Abp has several variable pay programmes for selected Nordea Bank Abp employees (participants). The terms of the programmes vary depending on the target group. Disclosures related to the share-based programmes can be found below. All remuneration programmes are also described in the section 'Remuneration' on page 83 of the Board of Directors' report and in further detail below.

In 2020, Nordea Bank Abp introduced a Long Term Incentive Plan (LTIP) for GLT members, which is an equity settled plan. For more info on this plan, see "Long Term Incentive Plan 2020–2022" below.

In 2021, Nordea Bank Abp decided to continue the share-based Long Term Incentive Plan (LTIP) implemented in 2020 for a new performance period 2021–2023. It includes the GLT members and a maximum of 50 additional senior leaders. For more info on this plan, see "Long Term Incentive Plan 2021–2023" below.

Until the end of performance year 2018, Nordea's share-based variable pay programmes were partly in the form of cash-linked total shareholder return (TSR) indexation (excluding dividends) and partly in the form of cash. The programmes were consequently all settled in cash and the portion indexed with Nordea's TSR was accounted for as a cash-settled share based payment programme.

Starting from the 2019 performance year, share-based variable pay programmes are partly in the form of cash and partly in the form of Nordea shares, which makes the portion paid in Nordea shares an equity-settled share-based programme. TSR indexation may be used for share-based variable pay programmes, subject to operational, administrative or tax issues as well as applicable regulation in certain legal entities.

In 2020 EUR 13m were expensed for variable remuneration to be paid in cash and EUR 13m to be paid in shares. In 2021 these were adjusted to EUR 14m for the portion paid in cash and to EUR 11m for the portion delivered in shares. In 2021 1,579,402 shares in Nordea were allotted to the participants in these programmes, corresponding to EUR 13m based on the share price at the award date. Another 1,419,138 shares were granted to the participants but deferred. These deferred shares had a fair value of EUR 12m based on the share price at the award date.

The following table covers all programs with share-based programme expenses recognised in 2021, as well as the comparative figures for 2020. Figures for 2021 are based on expected 2021 outcome and all figures are excluding social security expenses. The expense for 2021 is based on an assumption on the number of shares that will be granted and deferred for delivery in later years.

Long Term Incentive Plan 2020–2022

Please see the section "Long Term Incentive Plan 2020–2022" of Note G8 to the financial statements of the Group.

Long Term Incentive Plan 2021–2023

Please see the section "Long Term Incentive Plan 2021–2023" of Note G8 to the financial statements of the Group.

Share-based transactions

Programme year	Equity- or cash settled	Delivery period	Expense 2021	Expense 2020	Liability 31 Dec 2021	Liability 31 Dec 2020	Outstanding rights
2021							
- LTIP	Equity-settled	2024–2029	1	–	–	–	Yes[1]
- EIP	Equity-settled	2022–2027	15	–	–	–	Yes[2]
- VSP & Bonus	Equity-settled	2022–2027	–	–	–	–	Yes[2]
- Buy-outs etc.	Equity-settled	2022–2023	–	–	–	–	Yes
2020							
- LTIP	Equity-settled	2023–2028	0	0	–	–	Yes[3]
- EIP	Equity-settled	2021–2026	-5	13	–	–	Yes
- VSP & Bonus	Equity-settled	2021–2026	6	–	–	–	Yes
- Buy-outs etc.	Equity-settled	2021–2022	–	–	–	–	Yes
Previous years	Cash-settled	2022–2025	13	-3	22	28	No
	Equity-settled	2022–2025	-1	-8	–	–	Yes
Total			**29**	**2**	**22**	**28**	

1) Rights will be granted following the end of the three-year performance period (2021–2023) over the delivery period (2024–2029).
2) Rights will be granted in 2022 based on the performance during 2021.
3) Rights will be granted following the end of the three-year performance period (2020–2022) over the delivery period (2023–2028).

Rights – LTIP 2012

	2021			2020		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Rights LTIP 2012						
Outstanding at beginning of year	2,203	6,608	2,203	37,945	113,833	37,945
Allotted	–	–	–	-35,742	-107,225	-35,742
Outstanding at end of year[1]	**2,203**	**6,608**	**2,203**	**2,203**	**6,608**	**2,203**

1) Allotment of rights has been deferred following retention requirements by the Nordic FSAs. There is no exercise price for the deferred rights.

P9. Staff costs, cont.

Expired Long Term Incentive Programmes – 2012

LTIP 2012 was fully expensed in May 2015. All shares in LTIP 2012 are fully vested and consequently not conditional. 60% of the vested shares were deferred with forfeiture clauses in line with regulatory requirements and allotted over a five-year period, for LTIP 2012 starting May 2015.

Share-based variable remuneration programmes other than LTIP programmes

Please see the section "Share-based variable remuneration programmes (other than LTIP programmes)" of Note G8 to the financial statements of the Group for more information on the variable share-based programmes where the instruments TSR indexation (cash-settled programme up until 2018) and shares (equity-settled programme as from 2019) are used for deferral/retention. The programmes are classified as: the Executive Incentive Programme (EIP), Variable Salary Part (VSP) and Bonus schemes.

The Share linked deferrals table only includes deferred amounts indexed with Nordea TSR.

	Share linked deferrals	
EURm	2021	2020
Opening balance	28	65
Deferred/earned during the period	1	–
TSR indexation during the period	13	-3
Payments during the period	-21	-34
Translation differences	0	–
Closing balance	**22**	**28**

Additional disclosures on remuneration

The Board of Directors report includes a separate section on remuneration, page 83. Additional aggregated disclosures for executives, Material Risk Takers and all Nordea Bank Abp employees will be published in a separate report on www.nordea.com no later than one week before the Annual General Meeting on 24 March 2022.

Guarantees and other off-balance sheet commitments

Nordea Bank Abp has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any key management personnel or auditors.

Nordea shares held by the Board of Directors, CEO and Group Executive Management

At the end of 2021, the number of Nordea shares held by the Board of Directors amounted to 176,579 (173,968) and shares held by the CEO and Group Leadership Team amounted to 251,657 (168,857), in total 428,236 (342,825), 0.011% (0.008%) of total shares. Key management personnel has no holdings of equity warrants or convertible bonds issued by Nordea Bank Abp.

Average number of employees, full-time equivalents

	Total		Men		Women	
	2021	2020	2021	2020	2021	2020
Denmark	6,071	6,608	3,492	3,811	2,579	2,797
Sweden	5,403	5,634	2,650	2,763	2,753	2,871
Finland	5,217	5,366	2,062	2,089	3,155	3,277
Poland	4,587	4,412	2,545	2,494	2,042	1,918
Norway	2,116	2,206	1,140	1,190	976	1,016
Other countries	911	841	337	319	574	522
Total average	**24,305**	**25,067**	**12,226**	**12,666**	**12,079**	**12,401**

Number of employees

	31 Dec 2021	31 Dec 2020	Change
Permanent Full time	22,468	23,282	-814
Permanent Part time	1,093	1,179	-86
Fixed Term	367	372	-5
Total number of employees (FTEs), end of period	**23,928**	**24,833**	**-905**

Gender distribution

In the parent company's Board of Directors 60% (60%) were men and 40% (40%) were women. The corresponding numbers for Other executives were 67% (64%) men and 33% (36%) women. The employee representatives have been excluded.

P10. Other administrative expenses

EURm	2021	2020
Other personnel expenses	-64	-64
Travelling	-6	-12
Information technology[1]	-491	-468
Marketing and representation	-30	-33
Postage, transport, telephone and office expenses	-39	-46
Professional services[2]	-101	-95
Market data services	-57	-63
Other	-25	-18
Total	**-813**	**-799**

Auditor's fees

EURm	2021	2020
PricewaterhouseCoopers		
Auditing assignments	-6	-6
Audit-related services[3]	0	0
Other assignments[3]	0	-1
Total	**-6**	**-7**

1) "Information techology" includes IT consultancy fees.
2) "Professional services" includes fees for the auditor.
3) PricewaterhouseCoopers Oy accounted for EUR 0,1m (EUR 0,1m) of "Audit-related services" and for EUR 0,5m (EUR 0,6m) "Other assignments".

P11. Other operating expenses

EURm	2021	2020
Rent, premises and real estate	-253	-293
Fees to authorities[1]	-290	-264
Other	8	-36
Total	**-535**	**-593**

1) Including resolution fee, deposit guarantee fees, supervisory fees, administrative fees to authorities as well as membership fees to banking associations.

P12. Depreciation, amortisation and impairment charges of tangible and intangible assets

Depreciation/amortisation

EURm	2021	2020
Properties and equipment (Note P23)		
Equipment	-42	-28
Properties	0	-1
Total	**-42**	**-29**
Intangible assets (Note P22)		
Goodwill	-24	-60
Computer software	-299	-238
Other intangible assets	-46	-45
Total	**-369**	**-343**

Impairment charges

EURm	2021	2020
Properties and equipment (Note P23)		
Equipment	-12	0
Total	**-12**	**0**

Impairment charges

EURm	2021	2020
Intangible assets (Note P22)		
Computer software	-40	-45
Total	**-40**	**-45**
Total depreciation/amortisation and impairment charges	**-463**	**-417**

P13. Net loan losses

2021, EURm	Loans to credit institutions[2]	Loans to the public[2]	Off-balance sheet items[3]	Total
Net loan losses, stage 1	0	70	33	103
Net loan losses, stage 2	1	100	14	115
Net loan losses, non-defaulted	**1**	**170**	**47**	**218**
Stage 3, defaulted				
Net loan losses, individually assessed, collectively calculated[1]	0	-25	-1	-26
Realised loan losses	–	-362	-3	-365
Decrease in provisions to cover realised loan losses	–	220	3	223
Reimbursement right	–	1	–	1
Recoveries of previously realised loan losses	1	31	–	32
New/increase in provisions	–	-352	-21	-373
Reversals of provisions	–	269	38	307
Net loan losses, defaulted	**1**	**-218**	**16**	**-201**
Net loan losses	**2**	**-48**	**63**	**17**

2020, EURm	Loans to credit institutions[2]	Loans to the public[2]	Off-balance sheet items[3]	Total
Net loan losses, stage 1	1	-54	-32	-85
Net loan losses, stage 2	-1	-103	-69	-173
Net loan losses, non-defaulted	**0**	**-157**	**-101**	**-258**
Stage 3, defaulted				
Net loan losses, individually assessed, collectively calculated[1]	2	-105	4	-99
Realised loan losses	–	-447	-9	-456
Decrease in provisions to cover realised loan losses	–	355	9	364
Reimbursement right	–	0	–	0
Recoveries of previously realised loan losses	0	26	–	26
New/increase in provisions	–	-543	-30	-573
Reversals of provisions	–	273	45	318
Net loan losses, defaulted	**2**	**-441**	**19**	**-420**
Net loan losses	**2**	**-598**	**-82**	**-678**

1) Includes individually identified assets where the provision has been caclulated based on statistical models.
2) Provisions included in Note P16 "Loans and impairment".
3) Provisions included in Note P2 "Risk and liquidity management" section "Credit risk".

Impairment of other financial assets

	2021			2020		
EURm	Net loan losses from loans recognised at fair value through fair value reserve	Impairment of shares and interests in group undertakings and associated undertakings	Total	Net loan losses from loans recognised at fair value through fair value reserve	Impairment of shares and interests in group undertakings and associated undertakings	Total
Net loan losses, collectively assessed	-12	–	-12	-1	–	-1
Write-offs	–	-14	-14	–	-106	-106
Total	**-12**	**-14**	**-26**	**-1**	**-106**	**-107**

P14. Taxes

Income tax expense

EURm	2021	2020
Current tax	-409	-300
Deferred tax	-272	-25
Total	**-681**	**-325**

The tax on operating profit differs from the theoretical amount that would arise using the tax rate in Finland as follows:

EURm	2021	2020
Profit before tax	3,913	2,289
Tax calculated at a tax rate of 20.0%	-783	-458
Effect of different tax rates in other countries	-60	-35
Tax-exempt income	208	259
Non-deductible expenses	-30	-61
Adjustment relating to prior years	0	41
Utilisation and origination of unrecognised tax assets	–	-67
Other	-16	-4
Tax charge	**-681**	**-325**
Average effective tax rate	17%	14%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Tax losses carried forward	2	119	–	–
Loans to the public	50	60	30	23
Derivatives and bonds	94	129	–	0
Properties and equipment	–	–	12	1
Intangible assets	–	–	81	80
Retirement benefit assets/obligations	84	87	50	35
Liabilities/provisions	79	115	0	0
Foreign tax credits	–	249	–	–
Elimination of temporary differences existing in multiple jurisdictions	–	–	59	267
Other	35	49	7	4
Netting between deferred tax assets and liabilities	-179	-410	-179	-410
Total[1]	**165**	**398**	**60**	**0**

1) Deferred tax assets booked through fair value reserve totalled EUR 63m (EUR 64m). Deferred tax liabilities booked through fair value reserve totalled EUR 52m (EUR 27m).

P15. Loans to credit institutions

	Carrying amount		Payable on demand		Not payable on demand	
EURm	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Central banks	409	3,121	6	2,426	403	695
Credit institutions	77,865	61,243	1,213	412	76,652	60,831
Total	**78,274**	**64,364**	**1,219**	**2,838**	**77,055**	**61,526**

P16. Loans and impairment

EURm	31 Dec 2021	31 Dec 2020
Loans measured at fair value	18,372	18,592
Loans measured at amortised cost, not impaired (stages 1 and 2)	198,048	180,626
Impaired loans (stage 3)	2,730	3,055
- of which servicing	1,459	1,561
- of which non-servicing	1,271	1,494
Loans before allowances	**219,150**	**202,273**
- of which central banks	409	3,121
- of which credit institutions	77,868	61,247
Allowances for individually assessed impaired loans (stage 3)	-1,375	-1,449
- of which servicing	-654	-680
- of which non-servicing	-721	-769
Allowances for collectively assessed not impaired loans (stages 1 and 2)	-415	-587
Allowances	**-1,790**	**-2,036**
- of which central banks	0	0
- of which credit institutions	-3	-4
- of which to the public	-1,786	-2,032
Loans, carrying amount	**217,360**	**200,237**
Provisions for off-balance sheet items[1]	**-216**	**-283**

1) More information on these provisions can be found in Note P32 "Provisions" and in Note P2 "Risk and liquidity management".

Loans to the public

EURm	31 Dec 2021	31 Dec 2020
Payable on demand	6,766	6,575
Not payable on demand	132,320	129,298
Total	**139,086**	**135,873**
- of which subordinated loans	650	913

31 Dec 2021, EURm	Loans before allowances	Allowances	Loans carrying amount
Non-financial corporations	17,974	-294	17,680
Financial and insurance corporations	1,226	-2	1,224
General government	784	0	784
Households	9,739	-88	9,651
Non-profit institutions serving households	400	-4	396
Foreign countries	110,751	-1,400	109,351
Total	**140,874**	**-1,788**	**139,086**

31 Dec 2020, EURm	Loans before allowances	Allowances	Loans carrying amount
Non-financial corporations	18,222	-334	17,888
Financial and insurance corporations	1,255	-2	1,253
General government	369	0	369
Households	10,198	-82	10,116
Non-profit institutions serving households	303	-3	300
Foreign countries	107,561	-1,614	105,947
Total	**137,908**	**-2,035**	**135,873**

P17. Interest-bearing securities

This note includes the specifications of the balance sheet line items “Interest-bearing securities” and “Debt securities eligible for refinancing with central banks”.

	Carrying amount	
EURm	31 Dec 2021	31 Dec 2020
States, municipalities and other public bodies	23,072	16,538
- of which held for trading	1,398	1,541
Banks and other credit institutions	40,034	54,919
-of which held for trading	5,288	8,228
Other	9,360	5,376
- of which held for trading	751	842
Total	**72,467**	**76,833**
- of which treasury bonds, notes and bills eligible for refinancing with central banks	9,045	11,712
- of which other bonds eligible for refinancing with central banks	53,609	56,036
- of which listed	22,586	32,100
- of which unlisted	49,881	44,733
- of which subordinated receivables	74	79

P18. Shares and participations

EURm	31 Dec 2021	31 Dec 2020
Shares measured at fair value through profit or loss	6,314	4,864
- of which listed	4,907	3,647
- of which unlisted	1,407	1,217
Carrying amount	**6,314**	**4,864**
- of which held for trading	2,940	1,755
- of which under securities lending	347	142
- of which in credit institutions	41	142

Shares borrowed amounting to EUR 933m (EUR 957m) are not recognised in the balance sheet and thus not included in the total amount.

P19. Investments in associated undertakings and joint ventures

Associated undertakings

			Carrying amount		
	Registration number	Domicile	2021, EURm	2020, EURm	Shareholding, %
Eksportfinans ASA[1]	816521432	Oslo	42	42	23
Eiendomsverdi AS	881971682	Oslo	11	11	25
Suomen Luotto-osuuskunta	0201646-0	Helsinki	3	3	27
Bankomat AB[1]	556817-9716	Stockholm	6	6	20
Mondido Payments AB	556960-7129	Stockholm	0	4	14
Financial Transaction Services B.V.[1]	68914016	Amsterdam	5	5	15
Subaio ApS	37766585	Aalborg	2	2	25
Other			1	1	
Total			**70**	**74**	

Joint ventures

			Carrying amount		
	Registration number	Domicile	2021, EURm	2020, EURm	Shareholding, %
Siirto Brand Oy	3102648-1	Helsinki	0	1	50
Invidem AB (former Nordic KYC Utility AB)[1]	559210-0779	Stockholm	7	4	17
P27 Nordic Payments Platform AB	559198-9610	Stockholm	11	11	17
Total			**18**	**16**	

1) Classified as CRR institutions.

All shares in associated undertakings or joint ventures are unlisted.

P20. Investments in group undertakings

Specification

This specification includes all directly owned group undertakings.

	Registration number	Domicile	Number of shares	Carrying amount 31 Dec 2021, EURm	Carrying amount 31 Dec 2020, EURm	Shareholding, %	Voting power of holding, %
Nordea Kredit RealKreditaktieselskab[1]	15134275	Copenhagen	17,172,500	2,950	2,950	100.0	100.0
Nordea Hypotek AB (publ)[1]	556091-5448	Stockholm	100,000	2,657	2,401	100.0	100.0
Nordea Eiendomskreditt AS[1]	971227222	Oslo	15,336,269	1,749	1,704	100.0	100.0
Fionia Asset Company A/S	31934745	Copenhagen	148,742,586	1,186	1,185	100.0	100.0
Nordea Finance Finland Ltd[1]	0112305-3	Helsinki	1,000,000	1,067	1,067	100.0	100.0
Nordea Baltic AB	559220-4688	Stockholm	1,000	1,001	1,001	100.0	100.0
Nordea Mortgage Bank Plc[1]	2743219-6	Helsinki	257,700,000	831	731	100.0	100.0
Nordea Life Holding AB	556742-3305	Stockholm	1,000	720	720	100.0	100.0
Nordea Direct ASA[1]	990323429	Oslo	876,000	385	377	100.0	100.0
Nordea Finance Equipment AS	987664398	Oslo	9 360 750	636	635	100.0	100.0
LLC Promyshlennaya Kompaniya Vestkon	1027700034185	Moscow	4,601,942,680	221	225	100.0	100.0
Nordea Finans Norge AS	924507500	Oslo	63,000	663	647	100.0	100.0
Nordea Funds Ltd	1737785-9	Helsinki	3,350	385	385	100.0	100.0
Nordea Asset Management Holding AB	559104-3301	Stockholm	500	252	260	100.0	100.0
Nordea Finans Danmark A/S	89805910	Høje Taastrup	20,006	188	188	100.0	100.0
Nordea Finans Sverige AB (publ)[1]	556021-1475	Stockholm	1,000,000	116	116	100.0	100.0
Nordea Essendropsgate Eiendomsforvaltning AS	986610472	Oslo	7,500	35	34	100.0	100.0
Nordea Markets Holding Company INC	36-468-1723	New York	1,000	22	22	100.0	100.0
Nordic Baltic Holding (NBH) AB	556592-7950	Stockholm	1,000	21	21	100.0	100.0
Privatmegleren AS	986386661	Oslo	12,000,000	10	10	100.0	100.0
Tomteutvikling Norge AS	999222862	Oslo	300	2	2	100.0	100.0
danbolig a/s	13186502	Copenhagen	1	1	1	100.0	100.0
Structured Finance Servicer A/S	24606910	Copenhagen	2	1	1	100.0	100.0
Nordea Hästen Fastighetsförvaltning AB	556653-6800	Stockholm	1,000	0	0	100.0	100.0
Nordea Putten Fastighetsförvaltning AB[2]	556653-5257	Stockholm	1,000	–	0	100.0	100.0
First Card AS	963215371	Oslo	200	0	0	100.0	100.0
Bohemian Wrappsody AB	556847-8399	Stockholm	14,658,539	3	3	54.8	54.8
Nordea Vallila Fastighetsförvaltning Ab	1880368-8	Helsinki	1,000	0	0	100.0	100.0
Total				**15,101**	**14,686**		

1) Credit institutions.
2) Sold during 2021.

P21. Derivatives and hedge accounting

Nordea Bank Abp enters into derivatives for trading and risk management purposes. Nordea Bank Abp may take positions with the expectation of profiting from favourable movements in prices, rates or indices. The trading portfolio is treated as trading risk for risk management purposes. Derivatives held for risk management purposes include hedges that meet the hedge accounting requirements and hedges that are economic hedges but do not meet the hedge accounting requirements.

Fair value in this note represents derivatives after assets and liabilities have been set off on the balance sheet. Derivatives set off on the balance sheet are in this note presented as a reduction in derivatives held for the same purpose, i.e. derivatives used for the purpose of hedge accounting are set off against other derivatives used for hedge accounting and derivatives not used for hedge accounting are set off against other derivatives not used for hedge accounting.

The table to the right shows the fair value of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of market risk nor credit risk.

	Fair value		Nominal
31 Dec 2021, EURm	**Positive**	**Negative**	**amount**
Derivatives not used for hedge accounting	29,382	31,416	6,530,958
Fair value hedges[1]	763	435	151,603
Cash flow hedges[1]	369	496	20,176
Total derivatives	**30,514**	**32,347**	**6,702,737**

	Fair value		Nominal
31 Dec 2020, EURm	**Positive**	**Negative**	**amount**
Derivatives not used for hedge accounting	43,154	46,942	6,734,080
Fair value hedges[1]	1,193	618	94,248
Cash flow hedges[1]	808	992	24,222
Total derivatives	**45,155**	**48,552**	**6,852,550**

1) Some cross-currency interest rate swaps are used both as fair value hedges and cash flow hedges. The nominal amounts of these instruments have been split between the rows "Fair value hedges" and "Cash flow hedges" in the table above based on the relative fair value of these hedging instruments. As at 31 December 2021 the total nominal amount of cross-currency interest rate swaps amounted to EUR 23,413m (EUR 25.385m).

Derivatives not used for hedge accounting

	Fair value		Nominal
31 Dec 2021, EURm	**Positive**	**Negative**	**amount**
Interest rate derivatives			
Interest rate swaps	16,338	16,901	3,818,963
FRAs	30	51	1,220,039
Futures and forwards	26	37	83,298
Options	3,515	4,150	437,346
Total	**19,909**	**21,139**	**5,559,646**
Equity derivatives			
Equity swaps	210	273	16,315
Futures and forwards	1	1	1,047
Options	137	563	9,015
Total	**349**	**837**	**26,378**
Foreign exchange derivatives			
Currency and interest rate swaps	5,047	5,736	375,344
Currency forwards	3,032	2,544	382,693
Options	104	121	15,179
Total	**8,183**	**8,402**	**773,216**
Other derivatives			
Credit default swaps (CDS)	934	987	171,167
Commodity derivatives	4	42	499
Other derivatives	3	9	52
Total	**941**	**1,038**	**171,718**
Total derivatives not used for hedge accounting	**29,382**	**31,416**	**6,530,958**
- of which transactions between Nordea Bank Abp and Nordea group undertakings	326	920	133,953

	Fair value		Nominal
31 Dec 2020, EURm	**Positive**	**Negative**	**amount**
Interest rate derivatives			
Interest rate swaps	23,138	24,057	3,680,797
FRAs	18	26	1,506,776
Futures and forwards	23	23	133,420
Options	6,643	6,790	470,350
Total	**29,822**	**30,896**	**5,791,343**
Equity derivatives			
Equity swaps	227	201	9,989
Futures and forwards	11	13	707
Options	142	518	6,890
Total	**380**	**732**	**17,586**
Foreign exchange derivatives			
Currency and interest rate swaps	7,607	8,744	376,348
Currency forwards	4,453	5,406	375,307
Options	197	115	16,668
Total	**12,257**	**14,265**	**768,323**
Other derivatives			
Credit default swaps (CDS)	693	1,037	153,917
Commodity derivatives	0	0	2,833
Other derivatives	2	12	78
Total	**695**	**1,049**	**156,828**
Total derivatives not used for hedge accounting	**43,154**	**46,942**	**6,734,080**
- of which transactions between Nordea Bank Abp and Nordea group undertakings	436	1,527	125,034

P21. Derivatives and hedge accounting, cont.

Hedge accounting
The hedge accounting framework and strategy used in fair value and cash flow hedges when hedging interest rate and currency risks at Nordea Bank Abp are described in more detail in "Risk management", "Interest rate risk" and "Currency risk" in Note G19.

Hedge accounting for particular hedging strategies is consistently applied in Nordea Bank Abp's financial statements. These hedge accounting are applied in accordance with the relevant accounting policies used in preparing the Group's consolidated financial statements (Note G19). Foreign currency risks arise from investments in foreign operations. Foreign exchange forwards are designated as hedging instruments to mitigate these risks. The net investment hedge model is applied to these foreign exchange forwards in the Group consolidated financial statements, whereas the fair value hedge model is applied to the hedged portion of investments in foreign operations in Nordea Bank Abp's financial statements. Comparative figures have been restated accordingly.

Interest rate risk
The table below presents the accumulated fair value adjustments arising from continuing hedge relationships, irrespective whether there has been a change in hedge designation during the year.

Hedged items

	Interest risk 2021		Interest risk 2020	
EURm	Carrying amount of hedged assets/liabilities[1]	of which accumulated amount of fair value hedge adjustment[2]	Carrying amount of hedged assets/liabilities[1]	of which accumulated amount of fair value hedge adjustment[2]
Fair value hedges				
Loans to the public	45,563	1	17,838	85
Interest-bearing securities[3]	14,151	0	17,461	–
Assets	**59,714**	**1**	**35,299**	**85**
Deposits and borrowings from the public	18,109	81	16,987	534
Debt securities in issue	20,582	157	21,486	536
Subordinated liabilities	5,714	105	6,587	338
Liabilities	**44,405**	**342**	**45,060**	**1,408**

1) The balance sheet line item "Fair value changes of hedged items in hedges of interest rate risk" has been split between the individual rows in this column.
2) Of which all relate to continuing hedges of interest rate risk.
3) This row includes the instruments presented in the balance sheet line item "Debt securities eligible for refinancing with central banks".

The following table provides information about the hedging instruments.

Hedging instruments

	Fair value		
31 Dec 2021, EURm	Positive	Negative	Nominal amount
Fair value hedges			
Interest rate risk	503	246	147,855

	Fair value		
31 Dec 2021, EURm	Positive	Negative	Nominal amount
Fair value hedges			
Interest rate risk	1,065	268	87,785

The table below presents the changes in the fair value of the hedged items and the changes in the fair value of the hedging instruments used as the basis for recognising ineffectiveness. These changes are recognised in the line item "Net result from hedge accounting" in the income statement.

Hedge ineffectiveness

	Interest rate risk	
EURm	2021	2020
Fair value hedges		
Changes in fair value of hedging instruments	-734	124
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	722	-133
Hedge ineffectiveness recognised in the income statement[1 2]	-12	-9

1) Recognised in the line item "Net result from hedge accounting".
2) When disclosing hedge ineffectiveness, the valuation adjustments (CVA, DVA, FVA) have not been considered.

P21. Derivatives and hedge accounting, cont.

The tables below provide information about the hedging instruments in hedges of interest rate risk, including the notional and the fair values of the hedging instruments.

Hedging instruments

31 Dec 2021, EURm	Fair value Positive	Fair value Negative	Nominal amount
Cash flow hedges			
Interest rate risk	6	–	190

31 Dec 2020, EURm	Fair value Positive	Fair value Negative	Nominal amount
Cash flow hedges			
Interest rate risk	10	–	1,310

The table below specifies the fair value adjustments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year.

The table also presents the changes in fair value of the hedged items used to measure hedge ineffectiveness separately, showing the effective and ineffective portions.

Hedge ineffectiveness

EURm	Interest rate risk 2021	Interest rate risk 2020
Cash flow hedges		
Changes in fair value of hedging instruments	-4	2
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	4	-2
Hedge ineffectiveness recognised in the income statement[1] [2]	–	–
Hedging gains or losses recognised in fair value reserve	-4	2

1) Recognised in the line item "Net result from hedge accounting".
2) When disclosing hedge ineffectiveness, the valuation adjustments (CVA, DVA, FVA) have not been considered.

Cash flow hedge reserve

EURm	Interest rate risk 2021	Interest rate risk 2020
Balance at 1 Jan	**0**	**0**
Cash flow hedges		
Valuation gains/losses	-4	2
Tax on valuation gains/losses	1	-1
Transferred to the income statement	-2	-2
Tax on transfers to the income statement	0	0
Fair value reserve, net of tax	-5	0
Total through cash flow hedge reserve	-5	0
Balance at 31 Dec	**-5**	**0**
- of which relates to continuing hedges for which hedge accounting is applied	-5	0
- of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

The maturity profile of Nordea Bank Abp's hedging instruments used to hedge interest rate risk (both fair value and cash flow hedge accounting) is shown below:

Maturity profile of the nominal amount of hedging instruments

Instruments hedging interest rate risk, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
31 Dec 2021	–	30,483	26,253	65,164	26,144	148,045
31 Dec 2020	–	8,331	10,282	48,385	22,097	89,095

Average interest rate of instruments hedging interest rate risk

The average interest rate on the fixed leg of instruments hedging interest rate risk as at 31 December 2021 was 0.386% (1.06%).

P21. Derivatives and hedge accounting, cont.

Currency risk

The table below presents the accumulated fair value adjustments arising from continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

Hedged items

	Foreign exchange risk 2021		Foreign exchange risk 2020	
EURm	Carrying amount of hedged assets	of which accumulated amount of fair value hedge adjustment	Carrying amount of hedged assets	of which accumulated amount of fair value hedge adjustment
Fair value hedges				
Investments in foreign operations	4,008	-344	6,680	-346

The tables below provide information about the hedging instruments in hedges of currency risks, including the notional and the fair values of the hedging instruments.

Hedging instruments

	Fair value		
31 Dec 2021, EURm	Positive	Negative	Nominal amount
Foreign exchange risk			
Fair value hedges	260	189	3,749
Cash flow hedges	363	496	19,986
Total derivatives used for hedge accounting	**623**	**685**	**23,735**

	Fair value		
31 Dec 2020, EURm	Positive	Negative	Nominal amount
Foreign exchange risk			
Fair value hedges	128	350	6,463
Cash flow hedges	798	992	22,912
Total derivatives used for hedge accounting	**926**	**1,342**	**29,375**

The table below specifies the fair value adjustments arising from continuing hedge relationships, irrespective of whether there has been a change in hedge designation during the year. The table also presents the changes in fair value used to measure hedge ineffectiveness separately showing the effective and ineffective portions.

Hedge ineffectiveness

	Foreign exchange risk	
EURm	2021	2020
Fair value hedges		
Changes in fair value of hedging instruments	-1	117
Changes in fair value of hedged items used as a basis for recognising hedge ineffectiveness	1	-117
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Cash flow hedges		
Changes in fair value of hedging instruments	-24	-780
Changes in fair value of hedged items used as a basis for recognising hedge ineffectiveness	24	780
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in fair value reserve	-24	-780

1) Recognised in the line item "Net result from hedge accounting".
2) When disclosing hedge ineffectiveness, the valuation adjustments CVA, DVA and FVA have not been considered.

Cash flow hedge reserve

	Foreign exchange risk	
EURm	2021	2020
Balance at 1 Jan	**-29**	**-36**
Cash flow hedges		
Valuation gains/losses	-24	-780
Tax on valuation gains/losses	5	150
Transferred to the income statement	115	789
Tax on transfers to the income statement	-23	-152
Fair value reserve, net of tax	72	7
Total through cash flow hedge reserve	72	7
Balance at 31 Dec	**43**	**-29**
- of which relates to continuing hedges for which hedge accounting is applied	43	-29
- of which relates to hedging relationships for which hedge accounting is no longer applied	–	–

P21. Derivatives and hedge accounting, cont.

Maturity profile of the nominal amount of hedging instruments

Instruments hedging foreign exchange risk, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
31 Dec 2021	–	1,450	1,886	13,340	7,058	23,735
31 Dec 2020	–	4,025	7,706	8,364	2,817	22,912

Average forward exchange rates of instruments hedging foreign exchange risk

The average forward exchange rates of instruments hedging foreign exchange risk are presented in the table below.

EUR	NOK	SEK	USD	RUB
31 Dec 2021	10,17	10,01	1,17	83,90
31 Dec 2020	10.58	10.25	1.14	90.11

P22. Intangible assets

EURm	Goodwill	Computer software	Other intangible assets	Total
Acquisition value at 1 Jan 2021	**319**	**2,400**	**378**	**3,097**
Acquisitions	–	322	49	371
Sales/disposals	–	-103	-3	-106
Reclassifications	–	0	–	0
Translation differences	-2	-15	-2	-19
Acquisition value at 31 Dec 2021	**317**	**2,604**	**422**	**3,343**
Accumulated amortisation and impairment at 1 Jan 2021	**-256**	**-790**	**-266**	**-1,312**
Accumulated amortisation on sales/disposals	–	52	3	55
Amortisation according to plan	-23	-301	-45	-369
Accumulated impairment on sales/disposals	–	50	–	50
Impairment charges	–	-40	–	-40
Translation differences	2	6	1	9
Accumulated amortisation and impairment at 31 Dec 2021	**-277**	**-1,023**	**-307**	**-1,607**
Book value at 31 Dec 2021	**40**	**1,581**	**115**	**1,736**

EURm	Goodwill	Computer software	Other intangible assets	Total
Acquisition value at 1 Jan 2020	**316**	**2,608**	**307**	**3,231**
Acquisitions	0	337	67	404
Sales/disposals	-2	-575	0	-577
Reclassifications	–	–	0	0
Translation differences	5	30	4	39
Acquisition value at 31 Dec 2020	**319**	**2,400**	**378**	**3,097**
Accumulated amortisation and impairment at 1 Jan 2020	**-191**	**-1,073**	**-218**	**-1,482**
Accumulated amortisation on sales/disposals	0	162	0	162
Amortisation according to plan	-60	-239	-44	-343
Accumulated impairment on sales/disposals	–	414	0	414
Impairment charges	–	-45	–	-45
Reclassifications	–	-1	–	-1
Translation differences	-5	-8	-4	-17
Accumulated amortisation and impairment at 31 Dec 2020	**-256**	**-790**	**-266**	**-1,312**
Book value at 31 Dec 2020	**63**	**1,610**	**112**	**1,785**

P23. Tangible assets

Properties and equipment

EURm	Equipment	Land and buildings	Total
Acquisition value at 1 Jan 2021	**951**	**3**	**954**
Acquisitions	20	1	21
Sales/disposals	-46	–	-46
Reclassifications	-7	–	-7
Translation differences	0	0	0
Acquisition value at 31 Dec 2021	**918**	**4**	**922**
Accumulated depreciation and impairment at 1 Jan 2021	**-663**	**-2**	**-665**
Accumulated depreciation on sales/disposals	30	–	30
Depreciation according to plan	-42	0	-42
Accumulated impairment charges on disposals	13	–	13
Impairment charges	-12	0	-12
Reclassifications	7	–	7
Translation differences	0	0	0
Accumulated depreciation and impairment at 31 Dec 2021	**-667**	**-2**	**-669**
Book value at 31 Dec 2021	**251**	**2**	**253**
- of which buildings for own use		2	2

EURm	Equipment	Land and buildings	Total
Acquisition value at 1 Jan 2020	**977**	**6**	**983**
Acquisitions	31	0	31
Sales/disposals	-57	-3	-60
Reclassifications	0	0	0
Translation differences	0	–	0
Acquisition value at 31 Dec 2020	**951**	**3**	**954**
Accumulated depreciation and impairment at 1 Jan 2020	**-684**	**-3**	**-687**
Accumulated depreciation on sales/disposals	42	1	44
Depreciation according to plan	-29	0	-29
Accumulated impairment charges on disposals	8	0	8
Impairment charges	0	0	0
Reclassifications	0	0	0
Translation differences	0	–	0
Accumulated depreciation and impairment at 31 Dec 2020	**-663**	**-2**	**-665**
Book value at 31 Dec 2020	**288**	**1**	**289**
- of which buildings for own use		1	1

Investment properties

The carrying amount of investment properties at year end was EUR 1m (EUR 1m).

The method applied when calculating fair value is a rate of return calculation based on internal models. As a supplement to these values, appraisals are obtained from independent external valuers for part 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 are obtained from independent external valuers. The amounts regonised in the income statement are insignificant.

P24. Leasing

Nordea Bank Abp as a lessee

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

EURm	31 Dec 2021	31 Dec 2020
Within		
1 year	157	179
2 years	151	150
3 years	100	126
4 years	74	87
5 years	58	74
Later years	776	897
Total	**1,316**	**1,513**

Total sub-lease payments expected to be received under non-cancellable sub-leases amounted to EUR 12m (EUR 9m).

Nordea Bank Abp operates from leased premises. The premises are mainly divided into head office contracts, branch office contracts and other contracts.

The head office contracts in the different Nordic countries generally have a fixed lease term of 10–25 years. Usually these contracts either have continuation options or are automatically prolonged unless separately terminated at the end of the lease term.

Branch office contracts generally have fixed lease term of 1–10 years or are without an end date with the right to terminate. The termination clauses are generally 6–24 months. The main principle is that the premises contracts do not contain purchase options. Company car contracts generally have a fixed lease term of less than 5 years.

P25. Other assets

EURm	31 Dec 2021	31 Dec 2020
Cash items in process of collection	168	889
Claims on securities settlement proceeds	1,228	948
Cash/margin receivables related to derivatives	6,591	10,639
Other	1,461	1,572
Total	**9,448**	**14,048**

P26. Prepaid expenses and accrued income

EURm	31 Dec 2021	31 Dec 2020
Accrued interest income	208	194
Other accrued income	480	253
Prepaid expenses	477	565
Total	**1,165**	**1,012**

P27. Deposits by credit institutions and central banks

EURm	31 Dec 2021	31 Dec 2020
Central banks	15,998	15,610
Credit institutions	19,534	16,668
- of which payable on demand	6,126	5,896
- of which not payable on demand	13,408	10,772
Total	**35,532**	**32,278**

P28. Deposits and borrowings from the public

	Carrying amount		Payable on demand		Not payable on demand	
EURm	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Deposits[1]	212,243	189,282	193,218	174,835	19,025	14,447
Other debt	1,304	1,367	–	–	1,304	1,367
Total	**213,547**	**190,649**	**193,218**	**174,835**	**20,329**	**15,814**

1) Deposits related to individual pension savings (IPS) are also included.

P29. Debt securities in issue

	Carrying amount		Nominal value	
EURm	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Certificates of deposit	26,863	23,426	26,719	23,411
Commercial paper	11,336	10,228	11,305	10,224
Bonds	26,029	27,051	25,931	26,890
Other	36	40	36	40
Total	**64,264**	**60,745**	**63,991**	**60,565**
- of which eligible liabilities under the Finnish Act on the Resolution of Credit Institutions and Investment Firms	6,181	2,651	6,174	2,641

P29. Debt securities in issue, cont.

Bonds are transferable debt securities which are normally issued off an issuance programme. A bond's term to maturity can range from about one month to several years. A bond is a debt obligation issued by the borrower to the investor or lender. The investor is normally entitled to a cash payment from the issuer on the maturity date. During the term to maturity, coupon payments are normally made at fixed intervals, but a bond can be issued as a "zero coupon debt instrument" or be subject to other terms as agreed by the issuer and the investor. Bonds are often listed for trading on a stock exchange. There are senior bonds and subordinated bonds. In the event that an issuer defaults, the issuer will be required to pay the investors of senior bonds and meet all other creditor obligations in full before the issuer can make any payments on the subordinated bonds. Bonds can be issued as secured or unsecured debt.

Certificates of deposit (CDs) are transferable debt securities issued by the borrower to the investor who is entitled to a cash payment from the issuer on the maturity date. CDs are not issued off an issuance programme and are not listed on a stock exchange. CDs usually have maturities ranging from one week to three years or longer. CDs can be issued with coupon payments or without coupon payments. CDs are issued as unsecured debt.

Commercial paper (CP) is a transferable debt instrument and issued off an issuance programme. CP is issued with maturities ranging overnight to about one year. CP is debt owed by the issuer to the investor who is entitled to a cash payment from the issuer on the maturity date. CP is normally issued as zero coupon debt instrument with no coupon payments during the maturity of the CP. Typically CP is not listed for trading on a stock exchange. CP is usually issued as unsecured debt.

P30. Other liabilities

EURm	31 Dec 2021	31 Dec 2020
Liabilities on securities settlement proceeds	1,152	1,078
Sold, not held, securities	7,906	8,103
Cash items in process of collection	2,175	2,726
Accounts payable	11	17
Cash/margin payables related to derivatives	3,507	6,134
Other	1,767	1,479
Total	**16,518**	**19,537**

P31. Accrued expenses and prepaid income

EURm	31 Dec 2021	31 Dec 2020
Accrued interest	4	8
Other accrued expenses	820	867
Prepaid income	103	173
Total	**927**	**1,048**

P32. Provisions

EURm	31 Dec 2021	31 Dec 2020
Restructuring	143	251
Guarantees/commitments[1]	216	283
Other	104	104
Total	**463**	**638**

1) See Note P2 "Risk and liquidity management" for further information.

	Restructuring		Other	
EURm	**2021**	**2020**	**2021**	**2020**
At beginning of year	251	317	104	120
New provisions made	25	74	12	10
Provisions utilised	-104	-136	-17	-1
Reversals	-30	-3	-1	-25
Reclassifications	–	0	5	0
Translation differences	1	-1	0	0
At end of year	**143**	**251**	**103**	**104**

Provisions for restructuring costs were utilised by EUR 104m in 2021, and new provisions amounting to EUR 25m were accounted for. The restructuring provision of EUR 143m is mainly related to staff restructuring in connection with the new Group business plan, including new financial targets. These activities were largely initiated in 2019 but where payments remain to be executed on.

Approximately EUR 52m of the EUR 246m is expected to be utilised/paid out in 2022. All staff-related activities are expected to be executed on in 2022, but payments are expected to extend into 2023. As for any other provision,there is uncertainty surrounding the timing and the amount to be finally paid. The uncertainty is expected to decrease as the plans are being executed.

Loan loss provisions on off-balance sheet items amounted to EUR 216m (EUR 283m). More information on these provisions can be found in Note P2 "Risk and liquidity management".

Other provisions were mainly premises-related obligations and provisions on AML-related matters. More information on AML-related matters can be found in Note G2 "Risk and liquidity management", section 6.2. "Financial Crime Prevention".

P33. Retirement benefit obligations

EURm	31 Dec 2021	31 Dec 2020
Retirement benefit assets	218	142
Retirement benefit liabilities	300	296
Net liability(-)/asset(+)	**-82**	**-154**

Nordea Bank Abp sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). 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 legislation, local practice and, where applicable, collective agreements. Nordea Bank Abp'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 to new entrants, new employees are offered DCPs.

In Sweden DBPs are mainly offered in accordance with collective agreements and subject to the regulations of 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 Bank Abp Norway occupational pension plan and subject to the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held in a separate pension fund.

In Finland Nordea Bank Abp provides additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations of 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 will be covered in full with a predefined surplus or alternatively safeguarded by a credit insurance contract (Sweden only). Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are performed to monitor the likely level of future contributions.

DBPs may impact Nordea Bank Abp via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in obligations are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), inflation, 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, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) reducing the long-term inflationary risk in liabilities.

Multi-employer 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 multi-employer 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). Information on the funded status of the plan is not available.

The AFP plan gives the entitled employees a lifelong addition to their regular pensions from the age of 62. Furthermore, the scheme allows employees to continue working while receiving AFP without this affecting their pension rights. The plan is founded on the basis of the tripartite cooperation between employer organisations, employee organisations and the Norwegian government. The government covers one-third of the pension expense for the AFP plan, while the member companies collectively cover the remaining two-thirds of the pension expense. The premium paid by the member companies to the plan is determined to be sufficient to cover ongoing pension expenses and provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient capital to cover expected future pension obligations.

The premium rate for 2021 was 2.5% of 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 average wages and average base amounts from the previous year, excluding employees over the age of 61.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. Consequently, the employer members have joint responsibility for two-thirds of the pensions payable to employees who at any given time meet the requirements for AFP. Any deficit or surplus in the event that the plan is wound up or entities withdraw from the plan will not have any impact on Nordea Bank Abp.

Key management personnel

Nordea Bank Abp's total pension obligations regarding key management personnel amounted to EUR 7m (EUR 7m) at the end of the year. Complete information concerning key management personnel is disclosed in Note P9 "Staff costs".

P34. Subordinated liabilities

EURm	31 Dec 2021	31 Dec 2020
Tier 2 subordinated loans	4,262	4,995
Additional Tier 1 subordinated loans	2,447	1,893
Total	**6,709**	**6,888**

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 of the fair value of the hedged part of subordinated liabilities, is included in "Fair value changes of the hedged items in hedges of interest rate risk" under "Liabilities" and amounted to EUR 131m (EUR 342m).

The key terms of subordinated liabilities are specified below.

31 Dec 2021, EURm

Classification in capital adequacy	Nominal value	Carrying amount	Of which used for capital adequacy	Interest rate (coupon)	Interest rate%	Currency	Original maturity date	First optional call date
Tier 2 loan	1 000	997	995	Fixed	Fixed 0.625% until 18-Aug-2026. Thereafter fixed 5-year mid-swap +0.92%	EUR	18 Aug 2031	18 May 2026
Tier 2 loan	300	301	299	Fixed	Fixed 1.00%, until first call date. Thereafter fixed 5-year mid-swap +1.30%	EUR	27 Jun 2029	27 Jun 2024
Tier 2 loan	500	593	592	Fixed	Fixed 1.625% until 9-Dec-2027. Thereafter fixed 5-year UK Treasury rate +1.30%	GBP	9 Dec 2032	9 Sept 2027
Tier 2 loan	20 000	155	153	Fixed to floating	Fixed USD 3.75%, until first call date. Thereafter floating 6-month JPY deposit +1.20%	JPY	4 Mar 2040	4 Mar 2035
Tier 2 loan	15 000	115	87	Fixed	1.16%	JPY	6 Oct 2025	–
Tier 2 loan	10 000	77	77	Fixed to floating	Fixed USD 3.84%, until first call date. Thereafter floating 6-month JPY deposit +1.20%	JPY	12 Oct 2040	12 Oct 2035
Tier 2 loan	10 000	78	77	Fixed to floating	Fixed USD 4.51% to call date. Thereafter floating rate equivalent to 6-month JPY deposit +1.10%	JPY	26 Feb 2034	26 Feb 2029
Tier 2 loan	500	50	50	Floating	Floating 3-month NIBOR +1.40%	NOK	26 Sept 2028	26 Sept 2023
Tier 2 loan	1 750	170	170	Floating	Floating 3-month STIBOR +1.40%	SEK	26 Sept 2028	26 Sept 2023
Tier 2 loan	3 000	291	291	Floating	Floating 3-month STIBOR +0.98%	SEK	18 Aug 2031	18 May 2026
Tier 2 loan	1 000	97	97	Fixed to floating	Fixed 1.385% until 18-Aug-2026. Thereafter floating 3-month STIBOR +0.98%	SEK	18 Aug 2031	18 May 2026
Tier 2 loan	1 000	892	127	Fixed	4.25%	USD	21 Sept 2022	–
Tier 2 loan	500	446	440	Fixed	Fixed 4.625%, until first call date. Thereafter fixed 5-year mid-swap +1.69%	USD	13 Sept 2033	13 Sept 2028
Additional Tier 1 loan	1 250	1,115	1,096	Fixed	Fixed 6.625%, until first call date. Thereafter fixed 5-year US Treasury +4.11%	USD	No maturity	26 Mar 2026
Additional Tier 1 loan	1 000	885	874	Fixed	Fixed 3.750% until 1 September 2029. Thereafter fixed 5-year CMT rate +2.602%	USD	No maturity	1 Mar 2029
Additional Tier 1 loan	500	447	440	Fixed	Fixed 6.125%, until first call date. Thereafter fixed 5-year mid-swap +3.388%	USD	No maturity	23 Sept 2024

P35. Equity

	Restricted equity			Unrestricted equity				
EURm	Share capital	Revaluation reserves	Fair value reserve	Invested unrestricted reserve	Other unrestricted reserves	Retained earnings	Additonal Tier 1 capital holders	Total equity
Balance at 1 Jan 2021	4,050	-129	-129	1,063	2,762	21,613	748	29,978
Net profit for the year	–	–	–	–	–	3,232	–	3,232
Currency translation differences	–	-3	–	–	–	-6	–	-9
Investments in foreign operations:								
Valuation gains/losses, net of tax	–	–	35	–	–	–	–	35
Fair value measurement of financial assets:								
Valuation gains/losses, net of tax	–	–	42	–	–	–	–	42
Transferred to the income statement, net of tax	–	–	-13	–	–	–	–	-13
Cash flow hedges[1]:								
Valuation gains/losses, net of tax	–	–	-23	–	–	–	–	-23
Transferred to the income statement, net of tax	–	–	90	–	–	–	–	90
Changes in own credit risk related to liabilities classified as fair value option:								
Valuation gains/losses, net of tax	–	–	-1	–	–	–	–	-1
Defined benefit plans:								
Remeasurement of defined benefit plans during the year, net of tax	–	–	42	–	–	–	–	42
Share-based payments	–	–	–	–	–	18	–	18
Paid interest on Additional Tier 1 capital	–	–	–	–	–	-26	–	-26
Dividend	–	–	–	–	–	-3,192	–	-3,192
Sale/purchase of own shares[2]	–	–	–	27	–	-1,160	–	-1,133
Other changes	–	25	–	–	–	-25	2	2
Balance at 31 Dec 2021	4,050	-107	43	1,090	2,762	20,454	750	29,042

1) For more detailed information, see Note P21.
2) Refers to the change in the holding of own shares related to treasury shares capital optimisation purposes, the trading portfolio and Nordea's shares within portfolio schemes in Denmark.

	Restricted equity			Unrestricted equity				
EURm	Share capital	Revaluation reserves	Fair value reserve	Invested unrestricted reserve	Other unrestricted reserves	Retained earnings	Additonal Tier 1 capital holders	Total equity
Balance at 1 Jan 2020	4,050	-179	-142	1,080	2,762	19,706	748	28,025
Net profit for the year	–	–	–	–	–	1,964	–	1,964
Currency translation differences	–	5	-46	–	–	7	–	-34
Investments in foreign operations:								
Valuation gains/losses, net of tax	–	–	13	–	–	–	–	13
Fair value measurement of financial assets:								
Valuation gains/losses, net of tax	–	–	40	–	–	–	–	40
Transferred to the income statement, net of tax	–	–	6	–	–	–	–	6
Cash flow hedges[1]:								
Valuation gains/losses, net of tax	–	–	-628	–	–	–	–	-628
Transferred to the income statement, net of tax	–	–	635	–	–	–	–	635
Changes in own credit risk related to liabilities classified as fair value option:								
Valuation gains/losses, net of tax	–	–	-6	–	–	-1	–	-7
Defined benefit plans:								
Remeasurement of defined benefit plans during the year, net of tax	–	–	-1	–	–	–	–	-1
Share-based payments	–	–		–	–	6	–	6
Paid interest on Additional Tier 1 capital	–	–	–	–	–	-26	–	-26
Sale/purchase of own shares[2]	–	–	–	-17	–	–	–	-17
Other changes	–	45	–	–	–	-43	–	2
Balance at 31 Dec 2020	4,050	-129	-129	1,063	2,762	21,613	748	29,978

1) For more detailed information, see Note P21.
2) Refers to the change in the holding of own shares related trading portfolio and Nordea's shares within portfolio schemes in Denmark.

P35. Equity, cont.

Distributable funds

EUR	31 Dec 2021	31 Dec 2020
Invested unrestricted equity	1,089,835,752.45	1,063,448,369.58
Other free funds	2,762,284,827.88	2,762,284,827.88
Additional Tier 1 capital holders	749,948,944.27	747,614,423.45
Retained earnings	17,226,214,097.67	19,338,365,407.37[1]
Net profit for the year	3,232,094,522.07	1,963,674,934.63
Total	**25,060,378,144.34**	**25,875,387,962.91**
Capitalised development cost	-1,580,682,406.02	-1,607,876,577.10
Total distributable funds	**23,479,695,738.32**	**24,267,511,385.81**

1) Dividend of EUR 282,634,435.51, which was paid in April 2021 based on the balance sheet for the financial year ending 31 December 2019, was subtracted from "Retained earnings" as at 31 December 2020.

Nordea shares

Nordea Bank Abp's Articles of Associations do not contain any provisions on shares classes or voting rights. Consequently, Nordea Bank Abp has one class of shares (Nordea shares) and all shares in Nordea Bank Abp are ordinary shares. Each share confers one vote at Nordea Bank Abp's general meetings as well as an equal right to any dividend. Nordea Bank Abp is not entitled to vote its own shares at general meetings. The Nordea share does not have any nominal value.

At the Annual General Meeting 2021, the Board of Directors was authorised to decide on the repurchase of an aggregate of not more than 500,000,000 own shares, which corresponding to approximately 12.35% of all the Nordea shares, subject to the condition that the number of own shares held by Nordea Bank Abp together with its subsidiaries at any given time do not exceed 10% of all the Nordea shares. In September 2021 Nordea Bank Abp received approval from the European Central Bank for a share buy-back of up to EUR 2.0bn. The buy-back was initiated in October and will end no later than 30 April 2022. After the financial period ending 31 December 2021, Nordea Bank Abp has further acquired 56 million shares from its shareholders. Moreover, aggregated amounts of 34,726,349 and 37,851,662 treasury shares, which were held for capital optimisation purposes and acquired through share buy-backs, were cancelled in January and February, respectively.

The AT1 conversion notes issued in 2019 and 2021 automatically convert into shares if the CET1 ratio of either the issuer on a solo basis or the Nordea Group on a consolidated basis falls below a specific trigger level.

There are no convertible bond loans issued by Nordea Bank Abp that give holders the right to exercise an option to acquire shares in Nordea Bank Abp.

For information on share-based incentive programmes, see Note P9 "Staff costs", and for information on authorisations held by the Board of Directors, see “Share issue resolution” under “The Nordea Shares and Ratings” in the Board of Directors report.

	2021	2020
Total number of Nordea shares		
Total numbers of shares at 1 January	4,049,951,919	4,049,951,919
Cancelled own shares during the year	-84,390,759	–
Total number of Nordea shares at 31 December	**3,965,561,160**	**4,049,951,919**
Number of outstanding Nordea shares		
Number of outstanding Nordea shares at 1 January	4,038,089,748	4,039,142,109
Repurchased own shares	-108,865,776	–
Shares granted in remuneration programmes for Nordea Bank Abp's management	1,072,328	1,054,322
Trading portfolio and Nordea Bank Abp's shares within portfolio schemes in Denmark	2,483,827	-2,106,683
Number of outstanding Nordea shares at 31 December	**3,932,780,127**	**4,038,089,748**

Number of own shares	31 Dec 2021	31 Dec 2020
Holdings of own shares related to treasury shares, trading portfolio and Nordea Bank Abp's shares within portfolio schemes in Denmark[1]	32,781,033	11,862,171
– of which treasury shares for remuneration purposes	7,112,244	8,184,572

1) Total acquistion price for holdings of own shares at 31 December 2021 was EUR 284.2 EURm (32.8 EURm)

P35. Equity, cont.

Nordea Bank Abp has bought and sold its own shares as part of its normal trading and market-making activities. The trades are specified in the table below.

The Annual General Meeting 2021 resolved that Nordea Bank Abp, before the end of the Annual General Meeting 2022, may transfer own shares in the ordinary course of its securities trading business, with deviation from the shareholders' pre-emptive rights, by way of a directed share issuance. The number of own shares to be transferred may not exceed 175,000,000 shares.

	Acquisitions[1]			Sales[1]		
2021	**Quantity**	**Average price, EUR**	**Amount, tEUR**	**Quantity**	**Average price, EUR**	**Amount, tEUR**
January	4,272,200	6.83	-29,183	-4,273,974	6.80	29,082
February	7,981,276	7.17	-57,229	-8,035,997	7.21	57,907
March	5,437,516	8.07	-43,871	-6,325,626	8.09	51,158
April	3,027,956	8.47	-25,657	-2,392,563	8.50	20,341
May	7,956,337	8.61	-68,471	-8,227,090	8.69	71,512
June	6,702,601	9.11	-61,080	-6,368,864	9.16	58,349
July	5,598,106	9.51	-53,242	-5,710,724	9.52	54,363
August	4,598,631	9.82	-45,152	-4,160,633	9.97	41,494
September	8,201,393	10.61	-86,996	-8,680,830	10.63	92,258
October	13,810,616	10.53	-145,477	-14,756,042	10.41	153,675
November	5,410,658	10.77	-58,251	-6,530,936	10.64	69,493
December	5,065,365	10.48	-53,083	-5,082,211	10.53	53,513
	78,062,655		-727,692	-80,545,490		753,146

1) Excluding Nordea shares related to securities lending.

	Acquisitions[1]			Sales[1]		
2020	**Quantity**	**Average price, EUR**	**Amount, tEUR**	**Quantity**	**Average price, EUR**	**Amount, tEUR**
January	4,891,751	7,47	-36,564	-4,463,853	7,34	32,783
February	3,002,508	7,88	-23,671	-3,469,350	7,95	27,587
March	24,444,922	5,93	-144,991	-22,138,975	5,80	128,472
April	9,204,341	5,51	-50,713	-11,289,482	5,27	59,546
May	8,542,460	6,16	-52,659	-7,082,289	5,99	42,426
June	6,908,486	6,79	-46,911	-6,875,187	6,68	45,960
July	4,654,673	6,70	-31,209	-4,442,325	6,71	29,798
August	4,932,582	6,89	-33,963	-4,235,394	6,87	29,107
September	6,035,940	6,69	-40,371	-6,868,017	6,64	45,614
October	7,678,003	7,08	-54,393	-8,063,751	7,00	56,424
November	10,192,236	7,27	-74,061	-9,646,370	7,29	70,320
December	5,904,917	6,94	-40,989	-5,717,366	6,99	39,978
	96,392,819		-630,496	-94,292,359		608,016

1) Excluding Nordea shares related to securities lending.

P36. Assets pledged as security for own liabilities

EURm	31 Dec 2021	31 Dec 2020
Assets pledged for own liabilities		
Securities etc[1]	23,499	24,207
Other assets pledged	9,253	11,131
Total	**32,752**	**35,338**

EURm	31 Dec 2021	31 Dec 2020
The above pledges pertain to the following liabilities		
Deposits by credit institutions	22,065	19,834
Deposits and borrowings from the public	1,386	3,050
Derivatives	8,819	10,854
Other liabilities and commitments	314	231
Total	**32,584**	**33,969**

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 P43 "Transferred assets and obtained collateral".

P36. Assets pledged as security for own liabilities, cont.

Assets recognised on the balance sheet and pledged as securitiy for Nordea Bank Abp's own liabilities are disclosed as "Assets pledged as security for own liabilities". Assets recognised on the balance sheet and pledged for other than own liabilities are reported in Note P37 "Other assets pledged". Securities borrowed and then used as collateral are reported in Note P43 "Transferred assets and obtained collateral".

Assets pledged as security for own liabilities contain securities pledged as security under repurchase agreements and in securities lending. The transactions are conducted under standard agreements employed by financial market participants. Counterparties in those transactions are credit institutions and the public. The transactions are typically short term and mature within three months.

Other assets pledged relate to certificates of deposit pledged by Nordea Bank Abp to comply with authorities' requirements in 2021. Nordea Bank Abp has not provided any pledges or mortgages on behalf of its customers.

P37. Other assets pledged

Assets recognised on the balance sheet and pledged for items other than Nordea Bank Abp's liabilities are disclosed as "Other assets pledged". Assets recognised on the balance sheet and pledged for own liabilities are disclosed in Note P36 "Assets pledged as security for own liabilities". Securities borrowed and then used as collateral are reported in Note P43 "Transferred assets and obtained collateral".

Other assets pledged mainly relate to interest-bearing securities pledged as security for payment settlements within central banks and clearing institutions and amounted to EUR 253m (EUR 267m). Only securities pledged for overnight liquidity are disclosed (securities pledged for intraday liquidity are excluded). Collateral pledged for items other than Nordea Bank Abp's own liabilities, e.g. for a third party or for Nordea Bank Abp's own contingent liabilities, is also accounted for under this item.

Collateral pledged for group undertakings amounted to EUR 0m (EUR 0m) and for associated undertakings to EUR 0m (EUR 0m).

Nordea Bank Abp has not pledged any assets or other collateral for any key management personnel or auditors.

P38. Contingent liabilities

EURm	31 Dec 2021	of which on behalf of group undertakings	31 Dec 2020	of which on behalf of group undertakings
Guarantees				
- Loan guarantees	31,404	27,144	31,722	28,209
- Other guarantees	18,555	897	16,285	1,516
Documentary credits	833	3	1,011	0
Other contingent liabilities	13	–	13	–
Total	**50,805**	**28,044**	**49,031**	**29,725**
- Of which on behalf of associated undertakings	–		–	

In its normal business, Nordea Bank Abp issues various forms of guarantees in favour of its customers. Loan guarantees are provided for customers to guarantee obligations in other credit and pension institutions. Other guarantees mainly consist of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export-related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank's services and support Nordea Bank Abp'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 for which the possibility of an outflow of resources is considered remote.

Nordea Bank Abp has undertaken, in relation to certain individuals and on certain conditions, to be responsible for the potential payment liability against them in their capacity of managing directors or board members of group undertakings of Nordea Bank Abp.

Nordea Bank Abp has undertaken to indemnify the members of the GLT against legal expenses incurred in relation to legal advice in defending or disputing certain claims or investigations by third parties, excluding crimes or actions made with intent or gross negligence. For each GLT member, the indemnity is capped at an aggregate amount of EUR 37.5m, unless the Board of Directors decides otherwise on a case-by-case basis.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further information, see Note P9 "Staff costs".

Claims in civil lawsuits and possible fines

Within the framework of normal business operations, Nordea Bank Abp faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts, as well as possible fines due to e.g. weak anti-money laundering (AML) processes and procedures in the past. At present, none of the current disputes are considered likely to have any significant adverse effect on Nordea Bank Abp or its financial position. As previousy stated, Nordea Bank Abp expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters. Nordea Bank Abp cannot exclude the possibility of fines, which could impact the bank's financial performance.

In addition, some of these proceedings could lead to litigation. See also Note G2 "Risk and liquidity management" and Note G33 "Provisions".

P39. Commitments

EURm	31 Dec 2021	of which to group undertakings	31 Dec 2020	of which to group undertakings
Credit commitments	55,429	12,150	51,626	9,841
Unutilised overdraft facilities	35,627	10,073	38,772	9,826
Total	**91,056**	**22,223**	**90,398**	**19,667**
- of which to associated undertakings	–		–	

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on the settlement date.

As at 31 December 2021 Nordea Bank Abp had signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On the settlement date these reverse repurchase agreements will, as far as possible, replace existing reverse repurchase agreements that were not derecognised as at 31 December 2021. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information about credit commitments, see Note P1 “Accounting policies”, section 23, about derivatives, see Note P21 “Derivatives and hedge accounting” and about reverse repurchase agreements, see Note P43 “Transferred assets and obtained collateral”.

P40. Classification of financial instruments

Assets

		Financial assets at fair value through profit or loss (FVPL)				
31 Dec 2021, EURm	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (fair value option)	Fair value through other comprehensive income (FVOCI)	Non-financial assets	Total
Cash and balances with central banks	45,256	–	–	–	–	45,256
Loans to credit institutions	76,688	1,586	–	–	–	78,274
Loans to the public	122,300	16,786	–	–	–	139,086
Interest-bearing securities[1]	14,213	24,745	–	33,509	–	72,467
Shares and participations	–	6,314	–	–	–	6,314
Investments in associated undertakings and joint ventures	–	–	–	–	88	88
Investments in group undertakings	–	–	–	–	15,101	15,101
Derivatives	–	30,514	–	–	–	30,514
Fair value changes of hedged items in hedges of interest rate risk	1	–	–	–	–	1
Intangible assets	–	–	–	–	1,736	1,736
Properties and equipment	–	–	–	–	252	252
Investment properties	–	–	–	–	1	1
Deferred tax assets	–	–	–	–	165	165
Current tax assets	–	–	–	–	166	166
Retirement benefit assets	–	–	–	–	218	218
Other assets	784	7,286	–	–	1,378	9,448
Prepaid expenses and accrued income	689	1	–	–	475	1,165
Total	**259,931**	**87,232**	**–**	**33,509**	**19,580**	**400,252**

1) Including the balance sheet line item “Debt securities eligible for refinancing with central banks” amounting to EUR 62,654m.

P40. Classification of financial instruments, cont.

Liabilities

31 Dec 2021, EURm	Amortised cost (AC)	Financial liabilities at fair value through profit or loss (FVPL): Mandatorily	Financial liabilities at fair value through profit or loss (FVPL): Designated at fair value through profit or loss (fair value option)	Non-financial liabilities	Total
Deposits by credit institutions and central banks	32,218	3,315	–	–	35,532
Deposits and borrowings from the public	206,051	2,639	4,857	–	213,547
Debt securities in issue	62,627	–	1,637	–	64,264
Derivatives	–	32,347	–	–	32,347
Fair value changes of hedged items in hedges of interest rate risk	342	–	–	–	342
Current tax liabilities	–	–	–	201	201
Other liabilities	2,911	11,874	–	1,732	16,518
Accrued expenses and prepaid income	7	0	–	920	927
Deferred tax liabilities	–	–	–	60	60
Provisions	–	–	–	463	463
Retirement benefit liabilities	–	–	–	300	300
Subordinated liabilities	6,709	–	–	–	6,709
Total	**310,865**	**50,175**	**6,494**	**3,676**	**371,210**

Assets

31 Dec 2020, EURm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL): Mandatorily	Financial assets at fair value through profit or loss (FVPL): Designated at fair value through profit or loss (fair value option)	Fair value through other comprehensive income (FVOCI)	Non-financial assets	Total
Cash and balances with central banks	32,380	–	–	–	–	32,380
Loans to credit institutions	62,523	1,841	0	–	–	64,364
Loans to the public	119,122	16,751	–	–	–	135,873
Interest-bearing securities[1]	16,118	27,953	0	32,762	–	76,833
Shares and participations	–	4,864	0	–	0	4,864
Investments in associated undertakings and joint ventures	–	0	0	0	90	90
Investments in group undertakings	0	0	0	0	14,686	14,686
Derivatives	–	45,155	0	0	–	45,155
Fair value changes of hedged items in hedges of interest rate risk	85	0	0	0	0	85
Intangible assets	0	0	0	0	1,785	1,785
Properties and equipment	–	–	–	–	289	289
Investment properties	–	–	–	–	1	1
Deferred tax assets	–	–	–	–	398	398
Current tax assets	–	–	–	–	193	193
Retirement benefit assets	–	–	–	–	142	142
Other assets	1,312	11,248	–	–	1,488	14,048
Prepaid expenses and accrued income	759	0	0	0	253	1,012
Total	**232,299**	**107,813**	**0**	**32,762**	**19,324**	**392,198**

1) Including the balance sheet line item "Debt securities eligible for refinancing with central banks" amounting to EUR 67,748m.

P40. Classification of financial instruments, cont.

Liabilities

31 Dec 2020, EURm	Amortised cost (AC)	Financial liabilities at fair value through profit or loss (FVPL) Mandatorily	Designated at fair value through profit or loss (fair value option)	Non-financial liabilities	Total
Deposits by credit institutions and central banks	29,409	2,869	0	–	32,278
Deposits and borrowings from the public	183,387	2,841	4,421	0	190,649
Debt securities in issue	58,902	0	1,843	0	60,745
Derivatives	–	48,552	0	–	48,552
Fair value changes of hedged items in hedges of interest rate risk	1,408	–	–	0	1,408
Current tax liabilities	–	–	–	181	181
Other liabilities	3,336	14,756	0	1,445	19,537
Accrued expenses and prepaid income	182	–	–	867	1,048
Deferred tax liabilities	–	–	–	0	0
Provisions	–	–	–	638	638
Retirement benefit liabilities	–	–	–	296	296
Subordinated liabilities	6,888	–	–	0	6,888
Total	**283,511**	**69,017**	**6,264**	**3,427**	**362,220**

Financial liabilities designated at fair value through profit or loss

31 Dec 2021, EURm	Liabilities for which changes in credit risk are presented in fair value reserve	Liabilities for which changes in credit risk are presented in profit or loss	Total
Carrying amount at end of year	1,637	4,857	6,495
Amount to be paid at maturity	1,637	4,857	6,495
Changes in fair value due to changes in own credit risk, during the year	-4	–	-4
Changes in fair value due to changes in own credit risk, accumulated	2	–	2

31 Dec 2020, EURm	Liabilities for which changes in credit risk are presented in fair value reserve	Liabilities for which changes in credit risk are presented in profit or loss	Total
Carrying amount at end of year	1,843	4,421	6,264
Amount to be paid at maturity	1,878	4,421	6,298
Changes in fair value due to changes in own credit risk, during the year	-6	0	-6
Changes in fair value due to changes in own credit risk, accumulated	9	0	9

Financial liabilities designated at fair value through profit or loss consist of structured bonds issued by Markets, EUR 1,637m (EUR 1,843m) and deposits linked to the investment return on separate assets, EUR 4,857m (EUR 4,421m). For structured bonds issued by Markets, changes in fair value due to changes in own credit risk are recognised in fair value reserve and Nordea Bank Abp calculates the change in its own credit spread based on the change in its funding spread by assuming the liquidity premium for the issuance to be constant over time. The change in the credit spread is estimated by comparing the value of the trades using the initial funding spread on the issuance date and the actual funding spread on the reporting date. This model is assessed to provide the best estimate of the impact of own credit risk.

P41. Assets and liabilities at fair value

Fair value of financial assets and liabilities

EURm	31 Dec 2021		31 Dec 2020	
Financial assets	Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with central banks	45,256	45,256	32,380	32,380
Loans[1]	217,360	217,711	200,322	203,159
Interest-bearing securities[2]	72,467	72,520	76,834	76,853
Shares and participations	6,314	6,314	4,864	4,864
Derivatives	30,514	30,514	45,155	45,155
Other assets	9,448	9,448	14,048	14,048
Prepaid expenses and accrued income	1,165	1,165	1,012	1,012
Total	**382,524**	**382,928**	**374,615**	**377,472**

EURm	31 Dec 2021		31 Dec 2020	
Financial liabilities	Carrying amount	Fair value	Carrying amount	Fair value
Deposits and debt securities in issue[3]	320,052	320,242	291,968	292,255
Derivatives	32,347	32,347	48,552	48,552
Other liabilities	16,518	16,518	18,274	18,274
Accrued expenses and prepaid income	927	927	1,048	1,048
Total	**369,844**	**370,034**	**359,842**	**360,129**

1) Consists of the balance sheet line items "Loans to the public", "Loans to credit institutions" and "Fair value changes of hedged items in hedges of interest rate risk".
2) Including the balance sheet line item "Debt securities eligible for refinancing with central banks" amounting to EUR 62,654m (EUR 67,748m).
3) Consists of the balance sheet line items "Deposits and borrowings from the public", "Deposits by credit institutions and central banks", "Fair value changes of hedged items in hedges of interest rate risk", "Debt securities in issue" and "Subordinated liabilities".

For information about the valuation of items measured at fair value on the balance sheet, see Note P1 and the section "Determination of the fair value of items measured at fair value on the balance sheet" in G41. 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.

Assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2021, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using unobservable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to credit institutions	–	1,586	–	1,586
Loans to the public	–	16,787	–	16,787
Interest-bearing securities[2]	25,464	32,161	629	58,254
Shares and participations	4,907	117	1,290	6,314
Derivatives	86	29,235	1,193	30,514
Other assets	22	7,264	0	7,286
Total	**30,479**	**87,150**	**3,111**	**120,741**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	5,953	–	5,953
Deposits and borrowings from the public	–	2,639	–	2,639
Debt securities in issue	–	246	1,392	1,637
Derivatives	176	31,105	1,065	32,347
Other liabilities	4,016	7,812	46	11,873
Total	**4,192**	**47,755**	**2,503**	**54,450**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Including the balance sheet line item "Debt securities eligible for refinancing with central banks".

P41. Assets and liabilities at fair value, cont.

Categorisation into the fair value hierarchy, cont.

31 Dec 2020, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using unobservable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to credit institutions	–	1,841	–	1,841
Loans to the public	–	16,751	–	16,751
Interest-bearing securities[2]	32,100	27,737	879	60,716
Shares and participations	3,647	89	1,128	4,864
Derivatives	54	43,318	1,784	45,155
Other assets	10	11,238	0	11,248
Total	**35,811**	**100,974**	**3,791**	**140,576**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	–	2,869	0	2,869
Deposits and borrowings from the public	–	2,841	–	2,841
Debt securities in issue	–	338	1,505	1,843
Derivatives	84	46,697	1,770	48,552
Other liabilities	5,238	9,486	32	14,756
Total	**5,322**	**62,231**	**3,307**	**70,861**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Including the balance sheet line item "Debt securities eligible for refinancing with central banks".

Determination of the fair value of items measured at fair value on the balance sheet

For information about determination of the fair value of items measured at fair value on the balance sheet, see the section "Determination of the fair value of items measured at fair value on the balance sheet" in Note G41. However, the section concerning loans and issued debt securities in the subsidiary Nordea Kredit Realkreditaktieselskab is not applicable to Nordea Bank Abp.

Transfers between Levels 1 and 2

During the year Nordea Bank Abp transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 2,356m (EUR 784m) from Level 1 to Level 2 and EUR 473m (EUR 14,161m) from Level 2 to Level 1 in the fair value hierarchy. Nordea Bank Abp also transferred other liabilities of EUR 258m (EUR 10,426m) from Level 1 to Level 2 and EUR 269m (EUR 1,040m) from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the year and reliable quoted prices are obtained in the market. The main driver for the transfers during 2020 was an update to the rules for categorisation of financial instruments into Levels 1, 2 and 3. This update had a significant impact on the categorisation of "Interest-bearing securities" and "Debt securities in issue" where the volume and frequency of trading of the individual instruments (ISINs) were considered. Transfers between levels are considered to have occurred at the end of the year.

Movements in Level 3

1 Jan 2021, EURm	1 Jan 2021	Fair value gains/losses recognised in the income statement and fair value reserve during the year		Purchases/ issues	Sales	Settle-ments	Issues	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Dec 2021
		Realised	Unrealised								
Interest-bearing securities	**879**	-4	14	231	-131	4	–	40	-413	9	**629**
Shares and participations	**1,128**	10	246	104	-147	–	–	0	–	-52	**1,290**
Derivatives (net)	**14**	-27	45	0	–	27	–	-6	74	0	**128**
Other assets	**0**	–	–	–	–	–	–	–	–	0	**0**
Debt securities in issue	**1,505**	781	-827	0	0	-503	435	–	–	–	**1,392**
Other liabilities	**32**	-11	–	34	-8	–	–	–	–	0	**46**

Unrealised gains and losses relate to the 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 available. Transfers between levels are considered to have occurred at the end of the year. Fair value gains and losses in the income statement during the year are included in "Net result from securities trading and foreign exchange dealing" (see Note P6). Assets and liabilities related to derivatives are presented net.

P41. Assets and liabilities at fair value, cont.

1 Jan 2020, EURm	1 Jan 2020	Fair value gains/losses recognised in the income statement and fair value reserve during the year: Realised	Unrealised	Purchases/ issues	Sales	Settlements	Issues	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Dec 2020
Interest-bearing securities	**184**	3	-1	643	-30	-3	–	384	-302	0	**879**
Shares and participations	**1,169**	67	43	208	-189	0	–	-29	-92	-49	**1,128**
Derivatives (net)	**138**	434	-132	0	0	-434	–	18	-10	0	**14**
Other assets	**0**	0	0	0	0	0	–	0	0	0	**0**
Debt securities in issue	**2,269**	651	-993	0	0	-651	204	26	-1	0	**1,506**
Other liabilities	**2**	0	-1	30	0	0	–	1	0	0	**32**

The valuation process for fair value measurements

For information about the valuation process for fair value measurements, see the section "The valuation process for fair value measurements" in Note G41. However, the section "Investment properties" is not applicable for Nordea Bank Abp as main part of the investment properties of Nordea Group is held by its subsidiaries. Investment properties are insignificant for Nordea Bank Abp.

Valuation techniques and inputs used in fair value measurements of financial instuments in Level 3

31 Dec 2021, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Public bodies	40	Discounted cash flows	Credit spread	-4/4
Mortgage and other credit institutions	422	Discounted cash flows	Credit spread	-42/42
Corporates[1]	168	Discounted cash flows	Credit spread	-17/17
Total	**629**			
Shares including participating interests in other companies				
Unlisted shares	207	Net asset value[2]		-21/21
Private equity funds	355	Net asset value[2]		-35/35
Hedge funds	1	Net asset value[2]		0/0
Credit funds	383	Net asset value/market consensus[2]		-38/38
Other funds	344	Net asset value/fund prices[2]		-34/34
Other	0	–		0/0
Total	**1,290**			
Derivatives				
Interest rate derivatives	158	Option model	Correlations, volatitilites	-13/13
Equity derivatives	-56	Option model	Correlations, Volatilities, Dividend	-13/9
Foreign exchange derivatives	42	Option model	Correlations, Volatilities	0/0
Credit derivatives	-18	Credit derivative model	Correlations, Recovery rates, Volatilities	-20/27
Other	2	Option model	Correlations, Volatilities	0/0
Total	**128**			
Debt securities in issue				
Issued structured bonds	1,392	Credit derivative model	Correlation, Recovery rates, Volatilities	-7/7
Total	**1,392**			
Other, net				
Other assets and other liabilities, net	46	–		-5/5
Total	**46**			

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.

2) The fair value is based on prices and net asset values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the performance of the assets underlying the investments. For private equity funds, the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines issued by Invest Europe (formerly EVCA). The carrying amounts are in the range of 1% to 100% compared to the values received from suppliers/custodians.

P41. Assets and liabilities at fair value, cont.

Valuation techniques and inputs used in fair value measurements of financial instuments in Level 3

31 Dec 2020, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Public bodies	39	Discounted cash flows	Credit spread	-4/4
Mortgage and other credit institutions	639	Discounted cash flows	Credit spread	-64/64
Corporates[1]	200	Discounted cash flows	Credit spread	-20/20
Total	**879**			
Shares including participating interests in other companies				
Unlisted shares	192	Net asset value[2]		-19/19
Private equity funds	479	Net asset value[2]		-48/48
Hedge funds	2	Net asset value[2]		-0/0
Credit Funds	300	Net asset value/market consensus[2]		-30/30
Other funds	84	Net asset value/fund prices[2]		-17/17
Other	155	Net asset value[2]		-9/9
Total	**1,212**			
Derivatives				
Interest rate derivatives	93	Option model	Correlations, Volatilities	-11/11
Equity derivatives	-3	Option model	Correlations, Volatilities, Dividend	-14/11
Foreign exchange derivatives	88	Option model	Correlations, Volatilities	-0/0
Credit derivatives	-165	Credit derivative model	Correlations, Recovery rates, Volatilities	-32/38
Other	2	Option model	Correlations, Volatilities	-0/0
Total	**14**			
Deposits by credit institutions and central banks				
Credit institutions	0	–		-0/0
Total	**0**			
Debt securities in issue				
Issued structured bonds	1,505	Credit derivative model	Correlation, Recovery rates, Volatilities	-8/8
Total	**1,505**			
Other, net				
Other assets and other liabilities, net	32	–		-3/3
Total	**32**			

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.

2) The fair value is based on prices and net asset values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the performance of the assets underlying the investments. For private equity funds, the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines issued by Invest Europe (formerly EVCA). The carrying amounts are in the range of 3% to 100% compared to the values received from suppliers/custodians.

The tables above show, for each class of assets and liabilities categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and, for financial assets and liabilities, the fair value sensitivity to changes in key assumptions.

The column "Range of fair value" in the tables above shows the sensitivity of the fair value of Level 3 financial instruments to changes in key assumptions. In case the exposure to an unobservable parameter is offset across different instruments, only the net impact is disclosed in the table. The range disclosed is likely to be greater than the true uncertainty in determining the fair value of these instruments as all unobservable parameters are in practice unlikely to be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

In order to calculate the sensitivity (range) of the fair value of derivatives, a range of different modelling approaches is 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 the volatility of underlying risk factors and the 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 value of derivatives is presented as the net of assets and liabilities.

In order to calculate the sensitivity (range) of the fair value of shares and interest-bearing securities, the fair value is increased and decreased within a total range of 2–10 per-

P41. Assets and liabilities at fair value, cont.

centage points depending on the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

Movements in deferred day 1 profit

For information about movements in deferred day 1 profit, see the section "Movements in deferred day 1 profit" in Note G41 and Note P1 "Accounting policies".

The table below shows the aggregated difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregate difference has changed during the year (movements in deferred day 1 profit).

Deferred day 1 profit – derivatives, net

EURm	2021	2020
Amount at beginning of year	73	125
Deferred profit/loss on new transactions	58	125
Recognised in the income statement during the year	-54	-177
Amount at end of year	**77**	**73**

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

Financial assets and liabilities not held at fair value on the balance sheet

EURm	31 Dec 2021		31 Dec 2020		
Assets not held at fair value on the balance sheet	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Level in fair value hierarchy**
Cash and balances with central banks	45,256	45,256	32,380	32,380	3
Loans[1]	198,989	199,340	181,730	184,567	3
Interest-bearing securities[2]	14,213	14,266	16,118	16,138	1, 2, 3
Other assets	784	784	1,312	1,312	3
Prepaid expenses and accrued income	689	689	759	759	3
Total	**259,931**	**260,335**	**232,299**	**235,155**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt securities in issue[3]	307,946	308,137	279,994	280,281	3
Other liabilities	2,911	2,911	3,336	3,336	3
Accrued expenses and prepaid income	7	7	182	182	3
Total	**310,864**	**311,055**	**283,511**	**283,799**	

1) Consists of the balance sheet line item "Loans to the public", "Loans to credit institutions" and "Fair value changes of the hedged items in hedges of interest rate risk".
2) Including the balance sheet line item "Debt securities eligible for refinancing with central banks"
3) Consists of the balance sheet line items "Deposits and borrowings from the public", "Deposits by credit institutions and central banks", "Fair value changes of hedged items in hedges of interest rate risk", "Debt securities in issue" and "Subordinated liabilities".

Financial assets and liabilities not held at fair value on the balance sheet

For information about financial assets and liabilities not held 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 G41.

However, the fair value of the interest-bearing securities of Nordea Bank Abp is EUR 14,266m (EUR 16,138m), of which EUR 0m (EUR 136m) is categorised in Level 1, EUR 11,736m (EUR 15,014m) in Level 2 and EUR 2,530m (EUR 988m) in Level 3.

P42. Assets and liabilities in EUR and other currencies

31 Dec 2021, EURm	EUR	Foreign currency	Total	of which group undertakings	of which associated undertakings
Loans to credit institutions	47,013	76,517	123,530	76,669	–
Loans to the public	45,216	93,870	139,086	3,416	33
Interest-bearing securities[1]	19,270	53,197	72,467	17,326	–
Derivatives	15,571	14,943	30,514	326	15
Other assets	24,508	10,147	34,655	1,655	3
Total	**151,578**	**248,674**	**400,252**	**99,392**	**51**
Deposits by credit institutions and central banks	18,092	17,440	35,532	9,127	–
Deposits and borrowings from the public	71,128	142,419	213,547	4,203	11
Debt securities in issue	27,001	37,263	64,264	150	–
Derivatives	17,039	15,308	32,347	920	31
Other liabilities	14,755	10,765	25,520	165	0
Total	**148,015**	**223,195**	**371,210**	**14,565**	**42**

31 Dec 2020, EURm	EUR	Foreign currency	Total	of which group undertakings	of which associated undertakings
Loans to credit institutions	41,638	55,106	96,744	58,546	0
Loans to the public	44,274	91,600	135,873	4,017	34
Interest-bearing securities[1]	15,287	61,547	76,834	20,058	0
Derivatives	26,936	18,219	45,155	436	1
Other assets	28,829	8,763	37,592	1,983	3
Total	**156,964**	**235,234**	**392,198**	**85,041**	**38**
Deposits by credit institutions and central banks	12,116	20,162	32,278	9,148	1
Deposits and borrowings from the public	62,401	128,248	190,649	4,135	13
Debt securities in issue	23,868	36,877	60,745	150	0
Derivatives	27,872	20,680	48,552	1,572	11
Other liabilities	18,188	11,808	29,996	170	0
Total	**144,445**	**217,775**	**362,220**	**15,175**	**26**

1) Including "Debt securities eligible for refinancing with central banks" of EUR 62,654m (EUR 67,748m).

P43. Transferred assets and obtained collateral

Transferred assets that are not derecognised in their entirety and associated liabilities

Assets are considered to be transferred from Nordea Bank Abp if Nordea Bank Abp either transfers the contractual right to receive the cash flows from the assets or retains that right but has a contractual obligation to pay the cash flows to one or more entities.

All assets transferred continue to be recognised on the balance sheet if Nordea Bank Abp is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements, securities lending transactions and derivative transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea Bank Abp 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 Bank Abp lends securities it holds to a counterparty and receives a fee.

In derivative transactions Nordea Bank Abp delivers collateral which, under the terms of the agreements, can be sold or repledged. Such transactions are mainly related to collateral delivered under CSA agreements.

As both repurchase agreements and securities lending transactions result in the securities being returned to Nordea Bank Abp, all risks and rewards associated with the instruments transferred are retained by Nordea Bank Abp although they are not available to Nordea Bank Abp during the period which they are transferred. The counterparties to the transactions hold the securities as collateral but have no recourse to other assets in Nordea Bank Abp.

The securities are still reported on the balance sheet and the corresponding liabilities are measured at fair value or at amortised cost.

Only transferred shares and bonds reported on the balance sheet are reported in the table in the following page.

P43. Transferred assets and obtained collateral, cont.

EURm	31 Dec 2021	31 Dec 2020
Repurchase agreements		
Interest-bearing securities	7,452	10,542
Total	**7,452**	**10,542**

Liabilities associated with the assets

EURm	31 Dec 2021	31 Dec 2020
Repurchase agreements	7,452	10,561
Total	**7,452**	**10,561**
Net	**0**	**-19**

Obtained collateral permitted to be sold or repledged

Nordea Bank Abp obtains collateral under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial market participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under the standard terms of most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements is disclosed below. Nordea Bank Abp also obtains collateral under other agreements which, under the terms of the agreements, can be sold or repledged. Such collateral is mainly received under CSA agreements covering derivative transactions. The received collateral presented in the table below are not recognised on the balance sheet.

EURm	31 Dec 2021	31 Dec 2020
Reverse repurchase agreements		
Received collateral which can be repledged or sold	20,595	24,458
- of which repledged or sold	9,540	11,708
Securities borrowing agreements		
Received collateral which can be repledged or sold	2,786	3,319
- of which repledged or sold	183	793
Other agreements		
Received collateral which can be repledged or sold	842	626
- of which repledged or sold	202	349
Total	**24,223**	**28,403**

Receivables related to reverse repurchase agreements

EURm	31 Dec 2021	31 Dec 2020
Loans to credit institutions	2,358	2,514
Loans to the public	12,027	12,441
Total	**14,385**	**14,955**

Liabilities related to repurchase agreements

EURm	31 Dec 2021	31 Dec 2020
Deposits by credit institutions and central banks	7,970	9,309
Deposits and borrowings from the public	1,304	1,367
Total	**9,274**	**10,676**

P44. Maturity analysis of assets and liabilities

31 Dec 2021, EURm	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Debt securities eligible for refinancing with central banks	9,496	15,633	32,595	3,940	990	62,654
Loans to credit institutions	51,354	28,907	42,981	288	–	123,530
Loans to the public	45,632	15,798	51,169	10,912	15,575	139,086
Interest-bearing securities	421	702	5,279	2,724	687	9,813
Derivatives	3,007	2,042	5,832	7,197	12,436	30,514
Other assets	7,611	2	11,262	1	15,779	34,655
Total	**117,521**	**63,084**	**149,118**	**25,062**	**45,467**	**400,252**
Deposits by credit institutions and central banks	21,456	442	13,634	0	–	35,532
Deposits and borrowings from the public	200,811	2,900	4,972	1,258	3,606	213,547
Debt securities in issue	18,048	26,069	15,451	4,545	151	64,264
Subordinated liabilities	–	891	3,587	2,001	230	6,709
Derivatives	2,535	2,245	9,915	6,060	11,592	32,347
Other liabilities	7,288	438	10,650	109	326	18,811
Total	**250,138**	**32,985**	**58,209**	**13,973**	**15,905**	**371,210**

31 Dec 2020, EURm	Under 3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Debt securities eligible for refinancing with central banks	1,377	10,914	47,938	5,575	1,945	67,748
Loans to credit institutions	43,404	13,695	39,316	329	0	96,744
Loans to the public	45,386	15,467	53,591	8,226	13,203	135,873
Interest-bearing securities	2,749	239	3,215	2,133	749	9,085
Derivatives	5,076	3,198	6,782	9,564	20,535	45,155
Other assets	20,089	72	2,493	1	14,938	37,593
Total	**118,081**	**43,585**	**153,334**	**25,828**	**51,370**	**392,198**
Deposits by credit institutions and central banks	20,454	4,295	7,525	4	0	32,278
Deposits and borrowings from the public	184,293	1,296	4,834	226	0	190,649
Debt securities in issue	16,321	21,875	18,159	4,239	151	60,745
Subordinated liabilities	773	2,482	1,875	1,521	237	6,888
Derivatives	6,842	3,649	11,016	8,269	18,776	48,552
Other liabilities	21,936	189	653	114	216	23,108
Total	**250,619**	**33,786**	**44,062**	**14,373**	**19,380**	**362,220**

P45. Related party transactions

The information below is presented from Nordea Bank Abp's perspective, meaning that the information shows the effect of related party transactions on Nordea Bank Abp's figures. For more information on definitions, see section 25 of Note P1 "Accounting policies".

	2021			2020		
EURm	Group undertakings	Associated undertakings and joint ventures	Other related parties[2]	Group undertakings	Associated undertakings and joint ventures	Other related parties[2]
Assets						
Debt securities eligible for refinancing with central banks	14,514	–	–	19,094	–	–
Loans to credit institutions	76,669	–	–	58,546	–	–
Loans to the public	3,416	33	0	4,017	34	0
Interest-bearing securities	2,812	–	2	964	–	5
Derivatives	326	15	26	436	1	109
Other assets	1,047	3	6	1,471	3	6
Prepaid expenses and accrued income	608	–	–	513	–	0
Total assets	**99,392**	**51**	**34**	**85,041**	**38**	**120**

	31 Dec 2021			31 Dec 2020		
EURm	Group undertakings	Associated undertakings and joint ventures	Other related parties[2]	Group undertakings	Associated undertakings and joint ventures	Other related parties[2]
Deposits by credit institutions and central banks	9,127	–	1,076	9,148	1	533
Deposits and borrowings from the public	4,203	11	38	4,135	13	37
Debt securities in issue	150	–	–	150	–	–
Derivatives	920	31	2	1,572	11	16
Other liabilities	150	–	0	132	–	0
Accrued expenses and deferred income	15	–	–	38	–	–
Provisions	0	0	–	0	3	–
Total liabilities	**14,565**	**42**	**1,116**	**15,175**	**28**	**586**
Off-balance sheet items[1]	**185,466**	**23**	**852**	**190,711**	**147**	**1,783**

	2021			2020		
EURm	Group undertakings	Associated undertakings and joint ventures	Other related parties[2]	Group undertakings	Associated undertakings and joint ventures	Other related parties[2]
Income statement						
Interest income	335	0	0	321	1	2
Interest expense	-370	0	-4	-323	0	-2
Net fee and commission income	522	0	0	473	0	0
Net result from items at fair value[3]	535	0	-2	-169	-3	13
Other operating income	939	–	0	427	–	0
Total operating expenses	-71	–	–	-70	–	–
Profit before loan losses	**1,890**	**0**	**-6**	**659**	**-2**	**13**

1) Including nominal values of derivatives.

2) Shareholders with significant influence (including their subsidiaries) and close family members of key management personnel at Nordea Bank Abp as well as companies controlled or jointly controlled by key management personnel or by close family members of key management personnel at Nordea Bank Abp are considered to be related parties to Nordea Bank Abp. This group of related parties includes Sampo Plc, which has a significant influence over Nordea Bank Abp, and the subsidiaries of Sampo Plc. Liabilities to Sampo Plc and its subsidiaries mainly consist of deposits and long-term investments in bonds issued by Nordea Bank Abp. The transactions with Sampo Plc and its subsidiaries also include several ongoing derivative contracts. Other related parties also include Nordea Bank Abp's pension foundations.

3) Including the income statement line items "Net result from securities trading and foreign exchange dealing", "Net result from securities at fair value through fair value reserve", "Net result from hedge accounting" and "Net result from investment properties".

With the exception of compensation, certain loans and other commitments to key management personnel, all related party transactions are sublejct to the same criteria and terms as those of comparable transactions with external parties of similar standing.

Key management personnel

Compensation, loans, deposits and loan commitments to key management personnel as well as certain other commitments to key management personnel are disclosed in Note P9 "Staff costs" and Note P38 "Contingent liabilities".

P46. Customer assets under management

EURm	31 Dec 2021	31 Dec 2020
Asset management	127,110	103,969
Custody assets	452,222	770,071
Total	**579,332**	**874,040**

The decrease in custody assets is mainly due to a decision by Nordea Bank Abp to exit its Nordic sub-custody business.

Long-term savings accounts held by customers (PS accounts) amounted to EUR 6m (EUR 5m) as at 31 December 2021.

Investments from long-term savings accounts held by customers to EUR 91m (EUR 72m).

Signing

Board of Directors' proposal for the distribution of earnings

On 31 December 2021 Nordea Bank Abp's distributable earnings, including profit for the financial year – after subtracting capitalised development expenses – were EUR 18,877,626,213.72 and other unrestricted equity amounted to EUR 4,602,069,524.60. The Board of Directors proposes that the 24 March 2022 Annual General Meeting (AGM) authorise it to decide on a dividend payment of a maximum of EUR 2,681,667,380.00* in one or several instalments. The payment would be distributed based on the balance sheet to be adopted for the financial year ended 31 December 2021 and the authorisation would remain in force until the beginning of the next AGM.

The dividend would be paid from retained earnings. After a maximum dividend payout, EUR 16,195,958,833.72 would be carried forward as distributable retained earnings.

In the opinion of the Board of Directors, the proposed distribution of earnings does not risk the solvency of Nordea Bank Abp. Further information can be found in the section "Proposed distribution of earnings" in the Board of Directors' Report.

Signatures to the financial statements and the report of the Board of Directors for the year 2021

Helsinki, 23 February 2022

Torbjörn Magnusson
Chair

Kari Jordan
Vice Chair

Claudia Dill
Board member

Nigel Hinshelwood
Board member

Petra van Hoeken
Board member

Joanna Koskinen
Board member[1]

Robin Lawther
Board member

John Maltby
Board member

Gerhard Olsson
Board member[1]

Sarah Russell
Board member

Hans Christian Riise
Board member[1]

Birger Steen
Board member

Jonas Synnergren
Board member

Frank Vang-Jensen
President and Group CEO

The Auditor's Note

A report on the audit performed has been issued today.

Helsinki, 28 February 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)

1) Employee representative.

*) On 31 December 2021 the total number of shares in Nordea Bank Abp was 3,932,780,127. The dividend per share will be determined based on the total number of outstanding shares on the dividend decision date. Dividend will not be paid to shares held by Nordea on the dividend record date.

Auditor’s report

(Translation of the Swedish original)

To the Annual General Meeting of Nordea Bank Abp

Report on the Audit of the Financial Statements

Opinion

In our opinion
- the consolidated financial statements give a true and fair view of the Group’s financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Nordea Bank Abp (business identity code 2858394-9) for the year ended 31 December 2021. The financial statements comprise:
- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company’s balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in Note G9 Other expenses/Auditors’ fees to the consolidated financial statements.

Our Audit Approach

Overview

- Overall group materiality: € 200 million, which represents 0.65% of equity

- The group audit scope encompassed all significant group companies, as well as a number of smaller group companies in Nordic countries, covering the vast majority of revenue, assets and liabilities

- Impairment of loans to customers
- Valuation of financial instruments held at fair value
- Actuarial assumptions related to the Life business
- IT systems supporting processes over financial reporting

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 200 million
How we determined it	0.65% of equity
Rationale for the materiality benchmark applied	We chose equity as the benchmark because, in our view, it is the benchmark against which the capital resources of the bank are most commonly measured by users and is a generally accepted benchmark. We chose 0,65% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Nordea Group, the accounting processes and controls, and the industry in which the Group operates.

We determined the type of work that needed to be performed at group companies by us, as the group engagement team, or by component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we issued specific instructions to reporting component auditors which included our risk analysis, materiality and audit approach to centralised systems. Audits were performed in group companies which were considered significant either because of their individual financial significance or due to their specific nature, covering the majority of revenue, assets and liabilities of the Group.

By performing the procedures above at group companies, combined with additional procedures at the group level, we have obtained sufficient and appropriate evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the Group	How our audit addressed the key audit matter
Impairment of loans to customers	
Refer to the Note G1 – Accounting policies (Critical judgements and estimation uncertainty), Note G11 – Net loan losses and Note G14 – Loans and impairment to the consolidated financial statements. A high level of judgement is involved in determining the appropriate impairment loss to be recognised. For individually assessed loans, judgement is involved in determining whether a loan has a loss event and in assessing the loan loss amount. Expected credit losses (ECL) are calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. Nordea categorises loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. For loans without significant increase in credit risk, stage 1, expected credit losses are calculated for estimated defaults within 12 months. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, a lifetime of expected losses are calculated. The COVID-19 global pandemic has impacted management's determination of the ECL. To address the uncertainties inherent in the current and future environment and to reflect all relevant risk factors not captured in the Nordea's modelled results, management developed post-model adjustments. Additionally, Nordea uses adjustments to the model-driven ECL results to address impairment model limitations. This is also a key audit matter with respect to our audit of the parent company financial statements.	Our audit included a combination of testing of internal controls over financial reporting and substantive testing. We obtained an understanding of the loan origination process, credit risk management and the impairment allowances for loans and advances to customers. We had a special focus on post-model adjustments developed as a result of the COVID-19 global pandemic and the credit risk development for large customers. Based on risk, we selected individual loans and performed detailed credit file reviews and assessed its credit risk. For ECL models, we involved our modelling specialists to assess the methodology, challenge the underlying assumptions and to independently reperform the calculation for a sample of loans. We evaluated the appropriateness of the assumptions and accuracy of underlying data used to develop post-model adjustments and reviewed that governance procedures have been performed. We have also assessed the disclosures related to impairment of loans.
Valuation of financial instruments held at fair value	
Refer to the Note G1 – Accounting policies (Critical judgements and estimation uncertainty), Note G19 – Derivatives and hedge accounting, Note G40 – Classification of financial instruments and Note G41 – Assets and liabilities at fair value to the consolidated financial statements. Increased volatility and widespread macroeconomic uncertainty due to the pandemic continue to be a key theme across most major markets. The challenging valuation environment emphasises the importance of robust valuation and reporting controls and the valuation of financial instruments continues to be an area of inherent risk. The valuation of Level II and III financial instruments utilises observable and unobservable inputs respectively, for recurring fair value measurements. Significant portfolios of financial instruments are valued based on models and certain assumptions that are not observable by third parties. Important areas in valuation of financial instruments held at fair value relate to: • Framework and policies relating to models and valuation; • Internal controls relating to fair value adjustments, price testing, fair value hierarchy and model control & governance; and • Disclosures of financial instruments. This is also a key audit matter with respect to our audit of the parent company financial statements.	We assessed and tested the design and operating effectiveness of the controls over: • The identification, measurement and oversight of valuation of financial instruments • Fair value adjustments, independent price verification and fair value hierarchy • Model control and governance. We examined the Group's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and fair value hierarchy and the Group's governance and reporting processes and controls. For the valuations dependent on unobservable inputs or which involve a higher degree of judgement, we assessed the assumptions, methodologies and models used by the Group. We performed an independent valuation of a sample of positions. In respect of fair value adjustments, specifically Credit, Debt and Funding fair value adjustments (CVA, DVA and FFVA) for derivatives we assessed the methodology applied, underlying models and assumptions made by the Group and compared it with our knowledge of current industry practice. We tested the controls over the data inputs to the underlying models and on a sample basis tested underlying transactions back to supporting evidence. We have also assessed the disclosures related to valuation of financial instruments held at fair value.

Actuarial assumptions related to the Life business

Refer to the Note G1 – Accounting policies (Critical judgements and estimation uncertainty) and Note G29 – Liabilities to policyholders to the consolidated financial statements.

Technical provisions involve subjective judgements over uncertain future outcomes. The value is based on models where significant judgement is applied in setting economic assumptions, actuarial assumptions as well as customer behaviour. Changes in these assumptions can materially impact the valuation of technical provisions.

We assessed the design and tested operating effectiveness of the controls over the process for calculating provisions within the Life business.

Our audit also included assessments of applied methods, models and assumptions used in calculating the provisions. We have on a sample basis performed recalculations of the provisions. The audit was carried out involving PwC actuaries.

IT systems supporting processes over financial reporting

Due to the significant number of transactions that are processed, the Group's financial reporting is highly dependent on IT systems supporting automated accounting and reconciliation procedures. To ensure complete and accurate financial records it is important that controls over appropriate access rights, program development and changes are designed and operate effectively.

This is also a key audit matter with respect to our audit of the parent company financial statements.

We have tested the design and operating effectiveness for controls related to the IT systems relevant for financial reporting. Our assessment included, access to program and data as well as program development and changes.

For logical access to program and data, audit activities included testing of addition of access rights, removal of access rights and monitoring of appropriateness as well as appropriate segregation of duties. Other areas tested included monitoring of IT systems and controls over changes to IT systems.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the Group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment
As set forth in the Memorandum of Association of Nordea Bank Abp, we have acted as the auditor as of 21 September 2017. Our appointment represents a total period of uninterrupted engagement of four financial years.

Other Information
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion
- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Other Statements

We support the proposal that the financial statements are adopted. The proposal by the Board of Directors regarding the distribution of profits is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 28 February 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)

Sustainability notes

Contents

Sustainability notes

S1. Financial strength

Medium-term targets	Status	Comment
Risk management framework for ESG risks in place by the end of 2023.	Challenges identified	Challenges relate to complete documentation of Nordea's ESG policy framework.
Risk assessments in place for the sectors and customers most vulnerable to climate risk by the end of 2023.	Challenges identified	Challenges relate to data coverage and methods for assessing long-term physical climate-related risks.

In order for us to maintain our financial strength and achieve our ambitions as a bank it is crucial that we understand and manage risks related to environmental, social and governance (ESG) areas. Our Code of Conduct and the principles for financing, investing and advice in our Sustainability Policy govern our operations.

Strategic management of ESG-related risks

ESG-related credit risk is defined in Nordea's risk taxonomy as the risk of credit losses from the current or prospective impacts of ESG factors. Consequently, ESG is integrated into the credit process through the Group credit risk framework.

Nordea has redeveloped aspects of the corporate customer ESG assessment to systematically integrate transitional risk considerations into the credit decision process. Our new climate risk assessment tool was developed relying on a set of questions that consider our customer group's greenhouse gas emissions and transition planning robustness as well as the impact on repayment capacity from transition-related changes in policies, market demand, technology improvements, costs and capital expenditures. Identified climate-related risks are integrated into the credit risk assessment and the conclusions are documented in the credit memorandum.

In the household sector the main ESG-related risks are within mortgage lending, where energy efficiency and physical hazard risks are our focus areas. We are preparing to embed these risk elements in our mortgage process.

From a market risk perspective, ESG principles are being continuously developed and incorporated into the framework for long-term illiquid asset investments. Due to the developing nature of both global challenges and our response, new strategy and governance developments are incorporated as soon as practically possible after they have been developed, to guide the management of current and future impacts of ESG factors as well as to support and promote companies that are seeking to become, or already are, positive-impact contributors. The ESG and impact principles guiding investment decisions include the introduction of concrete ESG criteria, which fund managers seeking to secure investments from Nordea are expected to either satisfy at the outset or strive to satisfy as soon as practically possible. The principles also include the requirement of monitoring the progress of ESG performance within the portfolio, with plans to develop KPIs for stronger tracking and reporting on performance.

Integrating climate-related risks into investment decisions

Fulfilling our mission to deliver returns responsibly requires us to manage the exposure to climate-related risks in our investment portfolios. Since 2020 we have estimated and tracked key climate metrics across a number of possible scenarios for climate change and climate policy outcomes.

Investment teams in Nordea Asset Management (NAM) have access to a proprietary ESG data platform, allowing them to integrate climate-related analyses into the investment research process. To equip portfolio managers and other investment professionals with an adequate understanding of climate-related risks and their financial implications, an extensive climate risk workshop concept was developed in 2021.

At Nordea Life & Pension (NLP) we also continued the work to further develop and enhance our capabilities to integrate climate-related risks and opportunities into the investment processes. In 2021 our climate data capabilities, including backward- and forward-looking metrics and scenario analysis, were significantly strengthened.

Assessing transition and physical risks in investments

In both NAM and NLP the MSCI Climate Value-at-Risk (Climate VaR) model is used for listed equities and corporate bonds to assess transition risks (policy risk) and physical risks (extreme weather risk) in different climate scenarios. In addition, NLP has continued to use the Carbon Risk Real Estate Monitor to assess transition risk in the real estate portfolio. For other illiquid asset classes, where retrieving granular reported data is still a challenge, we aim during 2022 to use a simplified approach where proxy data on sector emissions is applied to the portfolio's sector exposure distribution.

S1. Financial strength, cont.

Policy risk

For policy risk, MSCI Climate VaR includes three scenarios from the Network for Greening the Financial System: 1.5°C Orderly; 2°C Disorderly; and 3°C. The 1.5°C Orderly scenario assumes that new climate policies are introduced early and gradually become more stringent to limit warming. The 2°C Disorderly scenario assumes that most new climate policies are delayed until 2030, which means that emissions reductions need to be sharper and more drastic than in the Orderly scenario. The 3°C scenario mostly represents already announced but not yet implemented climate policy efforts and hence assumes that some climate policies are implemented in some jurisdictions, but that global efforts are insufficient to halt significant global warming. In the table below we disclose policy risk according to these three scenarios for listed equities and corporate bonds for both NAM and NLP.

Policy risk is defined as being zero in a business-as-usual scenario where global warming amounts to 4°C. In lower-temperature scenarios the policy risk is defined as a differential relative to this baseline. It is measured by translating climate-related policy costs into valuation impacts on companies and their publicly tradable securities. Hence, the values in the table below express the aggregated potential impact on market valuations of investment portfolios as a result of the climate policies associated with each scenario. Please note that the table only includes downside risk and therefore does not include transition-related upside opportunities associated with these scenarios.

Extreme weather risks

For extreme weather risk, financial damages resulting from extreme heat and cold; heavy precipitation and snow; coastal and fluvial flooding; and wind gusts and tropical cyclones over the next 80 years are considered. The MSCI Climate VaR model estimates physical risk in a 4°C scenario, which represents a continuation of business-as-usual and is modelled using a combination of short-term projections of historical climate data and a high-emissions long-term scenario. In the table below we disclose extreme weather risk in this scenario for listed equities and corporate bonds for both NAM and NLP.

Extreme weather risk is defined as being zero in a scenario where there is no future change in the frequency and severity of extreme weather events, and in the 4°C scenario extreme weather risk is defined as a differential relative to this baseline. It is measured by translating extreme weather-related damages to physical assets into valuation impacts on companies and their publicly tradable securities. For extreme weather risk, the model uses a stochastic approach to estimating damages, where the 50th percentile represents an "Average" 4°C scenario and the 95th percentile represents an "Aggressive" 4°C scenario. This means that the "Aggressive" scenario explores the less likely but more extreme potential damages in a 4°C global warming scenario. The values in the table below express the aggregated potential impact on market valuations of investment portfolios as a result of the extreme weather damages associated with each scenario.

Policy risk Climate VaR as of end 2021	1.5°C Orderly	2.0°C Disorderly	3.0°C
Nordea Asset Management			
Listed equities (%)	-6.84	-17.57	-0.58
Corporate bonds (%)	-0.97	-4.18	-0.02
Nordea Life & Pension			
Listed equities (%)	-5.77	-14.79	-0.68
Corporate bonds (%)	-1.35	-4.7	-0.02

Extreme weather risk Climate VaR as of end 2021	Average	Aggressive
Nordea Asset Management		
Listed equities (%)	-6.33	-8.03
Corporate bonds (%)	-0.28	-0.46
Nordea Life & Pension		
Listed equities (%)	-5.82	-7.37
Corporate bonds (%)	-0.43	-0.71

S2. Climate action

Long-term targets	Status	Comment
Achieve net-zero emissions by the end of 2050 at the latest.	On track	–
Shipping portfolio to have at least 25% lower emissions than the global fleet by the end of 2050.	On track	–
Reduce carbon emissions across our lending and investment portfolios by 40–50% by the end of 2030 compared to 2019.	On track	–
Reduce carbon emissions from our internal operations by more than 50% by the end of 2030 compared to 2019 and achieve net positive carbon contribution (through offsetting).	On track	–

Medium-term targets	Status	Comment
Facilitate more than EUR 200bn in sustainable financing by the end of 2025.	New target	Replaces and strengthens the previous target to increase green and transitioning financing.
Ensure that 90% of our exposure to large corporate customers in climate-vulnerable sectors to be covered by transition plans by the end of 2025.	New target	Replaces and strengthens the previous target that large corporate customers in carbon-intensive industries shall increasingly have low carbon transition plans that align with EU and local climate targets.
Being the leading provider of sustainability products for large corporates in our home markets.	n/a	Will not be a separate target going forward, but an action to achieve an increase in sustainable financing.
Growing the share of EU taxonomy-aligned assets and income and meet disclosure requirements.	n/a	Will not be a separate target going forward, but an action to achieve an increase in sustainable financing.
By 2025, ensure that 80% of the top 200 emitters in Nordea Asset Management's portfolios are either aligned with the Paris Agreement or else are subject to active engagement to become aligned.	New target	–
Double the share of net-zero-committed AuM by 2025.	New target	The net-zero-committed share of AuM was 17.5% by the end of 2021.
Grow gross inflows from the Sustainable Choice universe to account for 33% of total fund gross inflows by the end of 2025.	On track	Revised target that replaces the previous target of 25% of gross inflow for savings in sustainable products by the end of 2023.
Reduce the carbon footprint from Nordea Life & Pension's listed equity, corporate bond and real estate portfolios by at least 25% by the end of 2024.	On track	–
All asset managers[1] managing assets on behalf of Nordea Life & Pension must commit, no later than 2024, to transition their assets under management to net-zero by 2050.	New target	–
All savings advisory sessions contain the topic of a sustainable choice for our customers to invest in.	n/a	Will not be a separate target going forward, but an action to achieve an increased gross inflow into the Sustainable Choice universe.
Total carbon reduction from internal operations of 30% compared to 2019 by the end of 2023.	On track	–
All relevant requests for proposal among suppliers to have requirements that are aligned with the Paris Agreement to achieve a carbon reduction in the supply chain by the end of 2023.	On track	–

1) All managers in liquid asset classes and selected managers in illiqid asset classes.

S2. Climate action, cont.

Financed emissions

In accordance with the Partnership for Carbon Accounting Financials (PCAF) we attribute a share of our clients' emissions, for example, corresponding to the value of the business loan or investment provided by us, divided by the corporate customer's value, to our own scope 3 carbon footprint.

In 2021 we started to estimate our financed emissions for the asset classes: business loans; road motor vehicles loans; mortgages; listed equities; corporate fixed income; and commercial real estate investment. 2021 disclosures are provided for business loans to oil and gas exploration and production; business loans to the shipping sector; and investments in listed equities for Nordea Asset Management (NAM) and Nordea Life & Pension (NLP) as well as directly held real estate for NLP. Business loans are calculated for 2020. Investments in listed equities are calculated for the years 2019 to 2021, and directly held real estate for the years 2019 and 2020.

Data quality

Our financed emissions are based on data from our clients when available, which is increasingly the case as companies are setting up accounting of scope 1 and 2 emissions. This has helped us in our internal prioritisation of sectors and regions selected for targeted emissions reductions and risk management. For lending customers who have yet to calculate their emissions, we estimate the financed emissions by applying general emission factors at sector level from the PCAF database while controlling for sector proxy data quality.

To calculate financed emissions we are reliant on available greenhouse gas (GHG) emissions data from our clients. This is not available at end of year like the financial data is. Therefore we must handle a data access delay. For our lending portfolio where financed emissions is a target metric we await reported data from clients and therefore disclose 2020 financed emissions data based on clients' GHG emissions and financial data for the same year with one year delay. For 2021 reporting of financed emissions on investments we use 2021 financial data, but the GHG emissions data from clients is mainly GHG emissions data from year 2020.

The data quality varies between asset classes and is generally better for larger assets like listed equities and corporate bonds than for business loans to smaller customers, which constitute the majority of our corporate lending portfolio. Over the year we collected GHG emissions data on approximately half of the large corporate exposures (PCAF score 1 or 2 depending on whether they are verified or not) and we retrieved the publicly available energy performance certificates (PCAF score 3) for residential real estate covering close to one-third of our total mortgage portfolio.

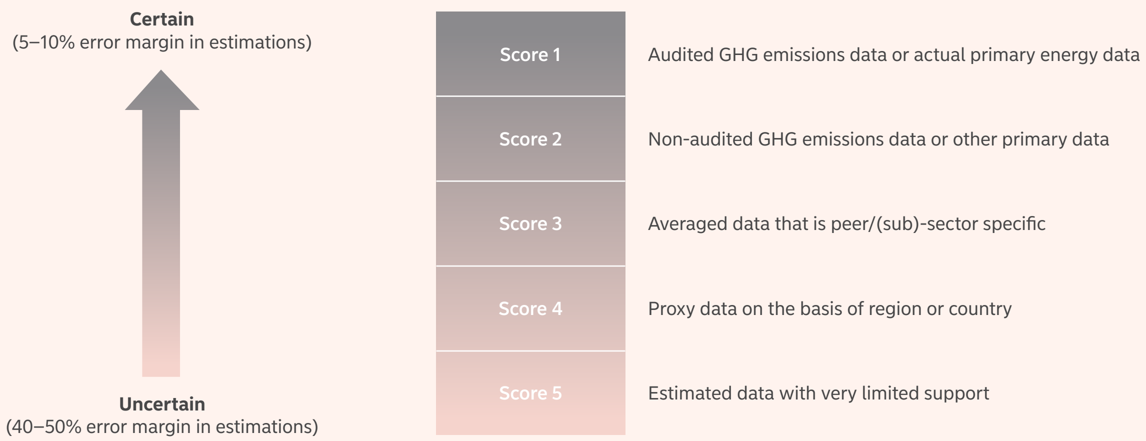
As we are continuously improving the basis of our financed emissions through higher quality data, we believe it will become more meaningful to disclose the absolute scope 1 and 2 emissions for our full lending portfolio across the target scope of business loans, road motor vehicles, mortgages and commercial real estate once a significant share of customer level information has been incorporated. We will also expand the scope to include emissions from our portfolio of leased road motor vehicles.

To improve the quality of our lending portfolio data we have developed a plan stretching from 2021 to 2023 in order to move from estimates at score 5 of the PCAF data quality hierarchy (see the figure below) towards scores 1, 2 and 3. In this first year of financed emissions disclosure of the lending portfolio we focused on oil and gas exploration and production as well as shipping, which are sectors where we have customer level data and financed emission asset class models through PCAF and Finance Denmark's CO_2 Model.

For our investment portfolios we primarily collect information on investee companies via data providers. For companies in our investment portfolios that do not publicly report their scope 1 and 2 emissions and therefore obtain PCAF scores 1 or 2, we use MSCI estimation models. The MSCI's production model (E.PROD) is used for electric utilities where the type of fuel is known as equivalent to PCAF score 2. The MSCI company-specific intensity model (E.CSI) is used for companies where we have historical but not current emissions data as equivalent to PCAF score 3. The MSCI industry segment-specific intensity model (E.Segmt) is based on sector averages for companies that have not made any disclosures and equivalent to PCAF score 4.

For NLP's directly held real estate portfolio we use supplier-specific reported data corresponding to score 1 in PCAF's data quality hierarchy for commercial real estate.

Data quality hierarchy according to PCAF



S2. Climate action, cont.

Lending portfolio

Initial industries covered by a deep dive in 2021 were oil, gas and offshore; shipping; and mining and supporting activities portfolios. The deep dives involved quantifying financed emissions and assessing customers' alignment to the anticipated GHG emissions reduction pathway required to fulfil our sustainability targets and objectives. The aim of the deep dives was to identify climate-related transition risks and opportunities in these industries in preparation for setting our industry targets from 2022. Deep dives into exposures to the remaining transition-vulnerable industries will continue from 2022 onwards.

Oil and gas

In September 2021 we updated our Sector Guideline for the Fossil Fuel-based Industries to phase out unconventional oil and gas as well as drilling in sensitive areas of the Arctic region. During the year we analysed the oil, gas and offshore sector. We improved the emissions data quality and now have customer-level data covering more than 80% of our exposure. We expect the financed emissions in our carefully selected oil, gas and offshore portfolio to decline to support our 2030 emissions reduction target.

We are committed to contributing to the global net-zero emissions goal. To that end we will continue to engage directly with clients to encourage them to have credible Paris-aligned transition plans. This year is the first time we disclose the scope 1 and scope 2 financed emissions of the exploration and production segment of our oil and gas portfolio as well as scope 3 following the PCAF Global Standard for financed emissions accounting recommendations.

Oil and gas exploration and production (2020)	Financed emissions (tCO_2e)
Scope 1 and 2[1]	427,542
Scope 3[2]	3,592,726

1) Portfolio coverage is 100% of this oil, gas and offshore sector subsegment. Average PCAF data quality score is 1.4.

2) Portfolio coverage is 100% of this oil, gas and offshore sector subsegment. Average PCAF data quality score is 1.5.

Shipping

In addition to the work ongoing within the Net-Zero Banking Alliance, we are working to promote a cleaner and more responsible shipping industry through other partnerships. The International Maritime Organization (IMO) is targeting a 50% reduction in global carbon emissions from international shipping by 2050, relative to 2008 levels. The results of our second year as a signatory to the Poseidon Principles, i.e. 2020, show that our shipping portfolio was 1.1% lower than the global target trajectory. At year-end 2019 it was 6.7% higher than the trajectory. We calculated our alignment using high-quality data, as the climate data reporting rate for our shipping customers is close to 100%. This year, we disclose the financed emissions of our shipping portfolio for the first time.

Shipping (2020)	Financed emissions (tCO_2e)	Portfolio alignment with IMO global target trajectory (% below or above trajectory)
Scope 1[1]	4,922,390	-1.1

1) Portfolio coverage is 99% of this shipping sector subsegment eligible for the Poseidon Principles at shipping vessel level. GHG emissions data is based on fuel use by each vessel so the average PCAF data quality score is 2.0. Financed emissions are calculated using Finance Denmark's CO_2 model for shipping as an asset class and using current market value at the end of the emissions reporting year, i.e. 31 December 2020.

We are also committed to the Responsible Ship Recycling Standards (RSRS) for banks. The RSRS is aimed at promoting responsible ship recycling and minimising the dangers associated with hazardous materials onboard. In 2021 100% (97%) of new loan agreements for Nordea-financed vessels included a clause relating to responsible recycling. Over time, we aim to continue including a responsible recycling clause in all new loan agreements for Nordea-financed vessels in the shipping sector. For our complete reporting according to the RSRS requirements, see nordea.com/sustainability.

Mining and supporting activities

During 2021 we analysed the mining and supporting activities sector. In our view, the metallic minerals, non-metallic minerals and energy minerals segments have very different transition risk and opportunity profiles in terms of enabling the global and EU roadmap towards a net-zero emissions economy. To reduce emissions sufficiently the transition requires a large increase in the supply of metallic minerals such as nickel, copper and lithium, which are used in renewable energy technologies and electric vehicle batteries. Non-metallic minerals such as sand, gravel and limestone are central to enabling infrastructure and the construction of buildings, roads and bridges, while energy minerals such as thermal coal and thermal peat must be phased out. We no longer have any lending exposure towards thermal coal mining. We will continue to support metallic and non-metallic clients that have credible Paris-aligned transition plans. Our analysis also improved our financed emissions data quality for mining. We will continue to gather more and better customer level emissions data prior to disclosing sector financed emissions of sufficiently good quality.

Investment portfolio

While NAM's financed emissions for equity have increased from 2019 to 2021, our carbon footprint has seen an overall decrease. NLP's financed emissions, adjusted for the increase in data coverage, increased by 8% between 2019 and 2021, driven by portfolio growth. In the table below, the figures are coverage-adjusted. Securities for which no data is available are assumed to be at the average of the sector. This is done to avoid excluding those securities and thereby undercounting financed emissions.

S2. Climate action, cont.

Financed emissions (tCO_2e)	2021	2020	2019
Nordea Asset Management			
Listed equities total (scope 1 & 2)[1]	**6,376,771**	**4,690,264**	**4,987,354**
Basic materials[2]	1,866,719	816,015	746,044
Communications	123,817	139,160	140,101
Consumer, cyclical	207,814	330,747	291,553
Consumer, non-cyclical	482,947	534,528	469,936
Energy[2]	327,928	417,100	845,757
Financials	62,955	81,802	81,393
Industrial	1,651,087	1,048,065	907,399
Technology	239,438	185,750	111,559
Utilities	1,391,472	1,083,415	1,301,696
Diversified	22,588	53,677	91,909
Other	7	3	8
Nordea Life & Pension			
Listed equities total (scope 1 & 2)[3]	**782,721**	**729,964**	**722,431**
Basic materials[4]	350,023	250,992	252,531
Communications	15,595	17,087	13,650
Consumer, cyclical	29,894	56,809	46,208
Consumer, non-cyclical	62,157	65,436	56,626
Energy[4]	39,187	51,584	88,782
Financials	9,439	12,153	12,431
Industrial	129,455	118,800	111,383
Technology	23,678	28,636	14,697
Utilities	119,136	124,034	118,694
Diversified	2,577	3,750	5,415
Other	1,579	684	2,015
Directly held real estate (scope 1–3)[5]	**—**	**10,567**	**12,054**

1) Total portfolio coverage: 96% in 2019; 97% in 2020; and 97% in 2021. For 2019 and 2020 we use EVIC (enterprise value including cash) data retrieved from MSCI as of July 2021, and for 2021 we use EVIC data retrieved as of 31 Dec 2021. Average PCAF data quality score: 2.4 in 2019; 2.4 in 2020; and 2.3 in 2021.

2) Financed emissions scope 3 in 2021 of the oil and gas sector with 99% portfolio coverage was 2,660,991 tCO_2e. For mining with 100% portfolio coverage it was 1,221,432 tCO_2e. Average PCAF data quality score for these scope 3 emissions was 3.5 in 2021.

3) Total portfolio coverage: 85% in 2019; 87% in 2020; 97% in 2021. Average PCAF data quality score: 2.3 in 2019; 2.3 in 2020; and 2.2 in 2021.

4) Financed emissions scope 3 in 2021 with 100% portfolio coverage for the oil and gas sector was 485,634 tCO_2e. For mining, also with 100% portfolio coverage, it was 349,468 tCO_2e. Average PCAF data quality score for these scope 3 emissions was 3.5 in 2021.

5) Scope 3 only includes tenant-related emissions. Location-based approach applied for all emissions. 2021 data will be ready during the first quarter of 2022. Total energy consumption decreased by 2.6% between 2020 and 2019.

Weighted average carbon intensity

NAM has set a target to reduce the weighted average carbon intensity (WACI) of listed equities and corporate bonds by 50% before 2030, compared to a 2019 baseline. 2021 saw a 15% decrease in WACI for corporate bonds and listed equities compared to 2019.

NLP's WACI for corporate bonds and listed equities decreased by 19% between 2019 and 2021. The increase in WACI for corporate bonds in 2021 compared to 2020 was driven in part by an increased exposure to utilities with higher intensity.

Weighted average carbon intensity (tCO_2e/USDm in revenue)	2021	2020	2019
Nordea Asset Management			
Listed equities[1]	114.8	103.0	132.4
Corporate bonds[2]	119.0	120.4	144.9
Nordea Life & Pension			
Listed equities[3]	87.4	94.4	120.0
Corporate bonds[4]	109.9	73.6	93.9

1) Portfolio coverage: 98% in 2019; 99% in 2020; and 97% in 2021.
2) Portfolio coverage: 88% in 2019; 86% in 2020; and 88% in 2021.
3) Portfolio coverage: 86.1% in 2019; 87.5% in 2020; and 97.3% in 2021.
4) Portfolio coverage: 31.6% in 2019; 31.6% in 2020; and 69.6% in 2021.

Carbon footprint

In 2021 NAM developed fund-specific carbon footprint targets in accordance with the Net Zero Investment Framework. NAM's equity carbon footprint saw a significant decrease from 2019 to 2020, driven in part by a reduction in exposure to the energy and utility sectors and a switch to less carbon-intensive companies within these sectors. The slight increase in carbon footprint from 2020 to 2021 follows a relative increase in exposure to basic materials, industrials and utilities.

In May 2021 we communicated NLP's 2025 targets, which were developed in accordance with the principles of the Net-Zero Asset Owner Alliance's Inaugural Target Setting Protocol. The targets include a reduction of at least 25% in the carbon footprint for listed equities, corporate bonds and directly held real estate. Indicative figures for 2021 show that NLP's carbon footprint for listed equities, corporate bonds and real estate decreased by 25.9% between 2019 and 2021. The decrease was driven in part by the introduction of NLP's new Climate Policy with stricter criteria for fossil fuels, which resulted in lower exposure to primarily the energy and utility sectors.

Carbon footprint (tCO_2e/USDm invested)	2021	2020	2019
Nordea Asset Management			
Listed equities[1]	41.0	37.2	49.8
Nordea Life & Pension			
Listed equities, corporate bonds and real estate[2]	34.9	41.2	47.1

1) Portfolio coverage: 96% in 2019; 97% in 2020; and 97% in 2021. PCAF data quality score: 2.4 in 2019; 2.4 in 2020; and 2.3 in 2021.

2) Portfolio coverage for listed equities: 85% in 2019; 87% in 2020; and 97% in 2021. Average PCAF data quality score for listed equities: 2.3 in 2019; 2.3 in 2020; and 2.2 in 2021. 2020 figures are used for the real estate carbon footprint for 2020 as well as for 2021 in this reporting which means that the reduction figures in 2021 are indicative only at the time of reporting.

Climate action at Nordea

Although our greatest impact on the climate is through financing and investments, we also work to reduce the climate impact from our internal operations.

New ways of working

The travel restrictions due to the COVID-19 pandemic resulted in a significant decrease in travelling – 92% for air travel – in 2021 compared with 2019. Being unable to travel has resulted in new ways of working together and in natural adjustments to our travel guidelines. We can now rely much more on digital meetings, which means that we will not return to pre-pandemic travel levels. In addition to reducing travel overall, the updated travel guidelines also require us to travel more by train to further reduce our carbon footprint. In 2020 we introduced a new company car policy and from 2021 we have only allowed electric and plug-in hybrid company cars. This has been well received by our employees, with plug-in hybrids accounting for 61% of all new company cars. The trend towards low-emission mobility was strongest in Finland, where 48% of all new registrations were fully electric company cars.

We are also working towards making our workplace more sustainable. For example by offering more vegetarian options and serving local and seasonal produce as much as possible. In 2021 we introduced beehives and urban gardens on the rooftops of several Nordea headquarters (HQ). We aim to inspire our employees to reduce their own carbon footprint. To this end, we hosted sustainability events for employees and facilitated discussions in branches and HQ. As well as being a way to share ongoing initiatives, these events were also forums for discussing and developing new ideas to create positive change.

S2. Climate action, cont.

Resource efficiency

Using resources efficiently is not only a matter of cost but is also key to reducing our environmental impact. In 2021 we decreased our energy consumption by 7% compared with 2020. While the reduction was primarily driven by employees working remotely, it was also a result of ongoing system improvements, such as the redesign of the ventilation system at our Finnish HQ and a general move towards LED lights and motion-activated lighting. The majority of our large HQ offices are LEED- or BREEAM-certified to ensure energy efficiency. To reduce our carbon footprint associated with energy consumption, we purchase 100% renewable electricity through Guarantees of Origin equal to our electricity consumption in Denmark, Finland, Norway, Sweden, Estonia, Poland and Luxembourg.

One of the main drivers of our energy consumption is the data centres which make our digital services possible. To minimise energy consumption, we work to keep our servers up to date and running as efficiently as possible. A side effect of the high activity level in the data centres is the generation of excess heat. Since 2020 we have had a large heat pump installed. This distributes excess heat to private households in the community, limiting the need for additional cooling of the servers and helping us to significantly reduce our electricity consumption.

We have taken a structured approach, replacing physical letters with customer-friendly digital solutions through our Paperless Banking Programme. Since 2017 the programme has digitalised approximately 50% of all customer letters, enabling a reduction in carbon emissions associated with distribution.

Optimising water and waste management is also important for ensuring resource efficiency. In 2021 our total water consumption was down on the 2020 level at 74,353 (110,369) cubic metres, most likely driven by the COVID-19 pandemic and lockdowns. We continuously strive to reduce the amount of waste we generate in our operations.

Internal carbon footprint

Each year, we strive to make our carbon reporting more complete. In 2019 we added postal services, paper and water to our internal carbon footprint. In 2020 we included emissions from waste for the first time. Despite the wider scope of our carbon footprint, we have managed to reduce the emissions from our internal operations for two years running. Our total emissions of 11,327 (15,898) tonnes of CO_2e in 2021 marked a

Internal carbon footprint	2021	2020	2019
Fuel and energy consumption			
- fuel consumption for diesel generators (litres)[1]	25,643	27,480	25,855
- fuel consumption for leased cars (litres)[2]	656,836[3]	674,547[3]	653,103
- electricity (MWh)[4]	57,783	62,356	67,431
- district heating (MWh)	29,933	29,128	32,362
- district cooling (MWh)	4,943	5,893	6,269
Energy intensity (MWh/EURm of total operating income)[5]	9.63	11.50	12.28
CO_2e emissions from fuel and energy consumption (tonnes)			
- diesel generators (scope 1)	68	73	66
- leased cars (scope 1)[2, 6]	1,378[7]	1,382	1,572
- electricity (scope 1 and 2)	0[8]	0	0
- district heating (scope 2)	3,112	3,904	4,512
- district cooling (scope 2)	199	889	882
- fuel- and energy-related activities not included in scope 1 and 2 (scope 3)	2,060	3,336	3,872
CO_2e emissions from business travel (tonnes)			
- air travel (scope 3)	1,123	2,553	20,864
- own car (scope 3)	646	909	2,047
- taxi (scope 3)	77	73	485
- hotels (scope 3)	179	357	1,618
Other CO_2e emissions (tonnes)			
- postal services (scope 3)[9]	2,189	1,892	4,994
- paper (scope 3)	239	377	668
- water (scope 3)	32	116	163
- waste (scope 3)[9]	25	37	42
Total CO_2e emissions (tonnes)	**11,327**	**15,898**	**41,785**
CO_2e emission intensity (total tonnes CO_2e emissions/EURm of total operating income)	1.18	1.88	4.84

1) Includes EcoPar A of 1,800 litres in 2021; 1,800 litres in 2020; and 1,800 litres in 2019.
2) Covers all employees in Denmark, Finland, Norway, Sweden, Poland and Estonia regardless of location/office corresponding to approximately 99% of the total number of employees.
3) Input data for CNG consumption corresponds to 641 kg in 2021 and 680 kg in 2020, not litres.
4) 224 (234) MWh of electricity consumption in 2021 (2020) originated from own rooftop solar energy production.
5) Calculated based on reported consumption of electricity, district heating and district cooling.
6) Biogenic emissions from E85 corresponded to 0.41 tonnes CO_2e in 2021; 0.02 tonnes CO_2e in 2020; and 0.04 tonnes CO_2e in 2019.
7) Includes emissions from leased electric cars corresponding to 3,052 kWh.
8) Location-based scope 2 emissions were 6,848 tonnes CO_2e in 2021.
9) Excluding Poland, Estonia and Luxembourg.

S2. Climate action, cont.

73% reduction from the 2019 baseline. We buy offsets corresponding to our total emissions.

Our internal carbon footprint includes carbon emissions from our operations in Denmark, Finland, Norway, Sweden, Poland, Estonia and Luxembourg because this is where we have our main operations and where we have operational control. This covers 99% of our employees.

GHG accounting is performed according to the GHG Protocol, including scope 1–3 and the following sources: mobile combustion of leased cars and stationary combustion from diesel generators (scope 1); purchased electricity, heating and cooling (scope 2); and emissions from production of energy carriers, business travel, postal services, paper and water consumption (scope 3). In 2020 we added waste as well as energy use and business travel for our Luxembourg operations. Still excluded from the scope are train and ferry travel and rental cars as well as purchased goods and services, IT equipment, etc.

Carbon emissions from electricity in the table on the previous page are disclosed as market-based, i.e. after buying 100% renewable electricity through Guarantees of Origin. Renewable energy equals our electricity consumption of 57,783 MWh and 1,800 litres of EcoPar of our fuel consumption. All emissions are stated in tonnes of CO_2-equivalent (CO_2e). The calculations cover the relevant GHGs, namely CO_2, CH_4 and N_2O. We disclose the emissions factors that we have used as a basis for our calculations in relation to each source of emission in a separate table below. Applied Global Warming Potentials (GWP) based on IPCC Fourth Assessment Report (AR4) (2007) are: CO_2 – 1, CH_4 – 25 and N_2O – 298.

The base year for our carbon footprint is 2019 as the scope of our GHG accounting by then also included the additional sources we could retrieve data for and was as such complete. Furthermore, in 2019 we had fairly normal temperatures in the Nordics, making that year suited to serve as our base year to track progress.

Source of emission	Emission factor used
Diesel generators	2021: Swedish EPA, 2021. 2020: Swedish EPA, 2019. 2019: Swedish EPA, 2018.
Leased cars	2021: Swedish EPA, 2021; Swedish Transport Administration, 2021; El.se, 2020; Ecoinvent v3.8; IEA for electricity. 2020: BEIS, 2020; Swedish EPA, 2019. 2019: Swedish EPA, 2018; Swedish Petroleum and Biofuels Institute, 2018; DEFRA, 2019.
Electricity	2021: IPCC, 2014; IEA, 2014; El.se 2020; Ecoinvent v3.8. 2020: Vattenfall, 2015; IPCC, Technology-specific Cost and Performance Parameters; IEA, 2019. 2019: Vattenfall, 2015; IPCC, Technology-specific Cost and Performance Parameters; IEA, 2019.
District heating	2021: Euroheat & Power, 2017; Euroheat & Power, 2013; Finnish Energy Statistics, 2020; Fortum, 2020; Swedenergy, 2020. 2020: Dansk Fjernvarme, 2017; IEA, 2017; NYLAND; Finnish Energy, 2017; Average of collected Norwegian Efs; Euroheat & Power, 2015; Energiföretagen, 2020; Euroheat & Power, 2013; Vuositaulukot_19_ENG. 2019: Dansk Fjernvarme, 2017; IEA, 2017; Euroheat & Power, 2013; Finnish Energy, 2017; Average of collected Norwegian Efs; Euroheat & Power, 2015; Energiföretagen, 2019; Energiföretagen 2020; Energiföretagen, 2021.
District cooling	2021: Hofors; Ecoinvent v3.8; Average from Finnish and Swedish district cooling suppliers. 2020: See District heating; Multiple, Swedish average. 2019: Euroheat & Power, 2013; Finnish Energy, 2017; IEA, 2017; Euroheat & Power, 2015; Multiple, Swedish average.
Air travel and taxi	2021: BEIS, 2021; Swedish EPA, 2021. 2020: BEIS, 2020. 2019: DEFRA, 2019.
Own car	2021: BEIS, 2021; Swedish Transport Administration, 2021. 2020: BEIS 2020; Swedish Transport Administration, 2020. 2019: Swedish Transport Administration, 2019; DEFRA, 2019.
Hotel	2021: CHSB Index 2019; Cornell Hotel Sustainability Benchmarking 2019. 2020: CHSB Index 2019; Cornell Hotel Sustainability Benchmarking 2019. 2019: CHSB Index 2019; Cornell Hotel Sustainability Benchmarking 2019.
Postal service	2021: PostNord's environmental calculator. 2020: PostNord's environmental calculator. 2019: PostNord's environmental calculator.
Paper and water	2021: BEIS, 2021. 2020: BEIS, 2020. 2019: DEFRA, 2019.
Waste	2021: BEIS, 2021. 2020: BEIS, 2020. 2019: BEIS, 2020.

S3. Social responsibility

Medium-term targets	Status	Comment
Deliver a new diversity and inclusion strategy, targets and a milestone plan by the end of 2021.	Fulfilled	A new strategy including targets was developed in 2021.
Each gender has at least 40% representation at the top three leadership levels[1] combined by the end of 2025.	New target	–
With a minimum average index score of 92, respondents[2] feel they have been treated fairly regardless of gender, gender identity, age, ethnicity, sexual orientation, religious affiliation, (dis)ability, etc. by the end of 2023.	New target	–
All investee companies in funds managed by Nordea Asset Management assessed against the minimum safeguards in the area of human rights (in line with the EU taxonomy) by the end of 2023.	On track	–
Human rights impact assessment of the supply chain in place by the end of 2023.	On track	–

1) Group Leadership Team (GLT), GLT-1 and GLT-2.
2) To Nordea's employee engagement survey.

Supporting human rights

We support the Universal Declaration on Human Rights and include human rights in our Code of Conduct, Sustainability Policy, Responsible Investment Policy, Supplier Code of Conduct and sector guidelines as relevant for specific industries. Furthermore, we address human rights as a sustainability issue in all parts of our organisation and in our due diligence processes. We have identified our most critical human rights areas as being within financing, investments, transactions and sourcing. A couple of years ago we conducted an independent human rights assessment and identified a need to continue working on embedding human rights in our processes in these areas. In 2021 we initiated the work to develop a position statement on human rights in order to further embed them in our internal operations, governance, financing and investments and supply chain management.

Integrating human rights in investments and financing

In line with our 2023 target that all investee companies in funds managed by Nordea Asset Management (NAM) are assessed against the minimum safeguards in the area of human rights (in line with the EU taxonomy), NAM further strengthened the investment assessment process regarding human rights in 2021. The process of assessing investee companies against the minimum safeguards in the area of human rights through norm-based screening continued and the monitoring of principal adverse impact indicators was introduced. Based on this, NAM engaged with companies on their human rights performance and disclosures where relevant.

Also from a financing perspective, we started to investigate how we could apply minimum social safeguards, including human rights, in our environmental, social and governance analysis of credit customers, in line with the EU taxonomy.

Monitoring customer transactions for human rights breaches

Individual transaction behaviour captured through our monitoring scenarios, such as transactions involving certain high-risk jurisdictions or indications of funnel account behaviour, can be linked to many types of financial and predicate crime, including modern slavery and human trafficking.

Human trafficking causes tremendous harm and, as such, we treat human trafficking risk as a priority in our crime detection and prevention efforts. The Nordic region is primarily a destination for victims trafficked from other countries. However, the recruitment, transportation and exploitation of people can also happen within the Nordic countries. Financial products and services can be abused by organised crime networks and individual perpetrators to finance crime, receive revenue from criminal activities or launder criminal proceeds.

In 2020 we undertook an extensive intelligence gathering exercise regarding human trafficking typologies in the Nordics. In 2021 we conducted a pilot exercise which applied the knowledge and investigative experience gained to our data analytics capabilities. The pilot succeeded in helping us to proactively identify potential human trafficking activity, which we reported to the relevant authorities. We are continuing our efforts to further develop this initiative.

Suppliers screened for human rights risks

We integrate human rights risks into our supplier screening and monitoring processes. We aim to achieve an even more in-depth understanding of the human rights risks in our supply chain when we by 2023 have a human rights impact assessment of our supply chain in place.

S3. Social responsibility, cont.

Community engagement

Our community engagement strategy is about creating positive change through our employees with focus on building financial skills and fostering entrepreneurship.

Financial skills

Our long-standing partnership with Me & My City – a learning environment for sixth- and ninth-grade students in Finland offering insights into society, working life and entrepreneurship – was run as a hybrid model this year, combining classroom-based and online events. In Sweden and Norway we continued to run our own financial skills training programme, Ekonomipejl and Økonomipeil. In Denmark we developed a new financial skills programme "Økonomiundervisning til skoleelever". These programmes target upper-secondary and high school students and are offered as both classroom-based and online sessions throughout each country. In Poland we continued to participate in the programme "Internet does not forget", where our employees train children in banking-related cyber security.

To further foster the financial inclusion of immigrants and other marginalised groups we also support and mentor young people through several different partnerships, including Plan International, Startup Refugees and Vamos in Finland and Integrationspakten in Sweden.

In 2021 our training of senior citizens in digital banking was somewhat limited due to the challenges of offering training through digital channels to people who have yet to become digital. Nevertheless, we did run online workshops on digital safety for seniors in Finland.

Entrepreneurship

We have several partnerships across the Nordics with an entrepreneurship focus, such as with Fonden for Entreprenørskab in Denmark, Kasvu Open and 4H in Finland, Ungt Entreprenørskap in Norway and Norrsken Foundation and Antler in Sweden.

At Nordic level we are also a main partner of Slush, one of the biggest startup events globally. The theme for Slush 2021 was "Entrepreneurship redefined" through diversity and inclusion, purpose-driven change and revolutionary innovation.

Our own matchmaking programme, Investor Speed Dating, generated a total of 784 curated meetings for local and global investors and Nordic founders. In 2021 our campaign centred around investor speed dating and mentoring – We Grow Startups – was elected sustainability campaign of the year by the Finnish sponsorship and event marketing association, SPOT. During the year more than 400 startup founders had matchmaking meetings with our vast network of investors.

Our people

Employee engagement

In 2021 the response rate to our employee engagement survey, the People Pulse, increased to 83% from 81% in 2020. We continued to see good results in relation to both overall engagement and communication and information. The latter has been instrumental in helping us to manage the organisation during the pandemic and the reopening of our offices.

According to the People Pulse, our people generally experienced clear and truthful leadership communication from the senior management of the respective business area or Group function (index 77). Moreover, feeling valued as an employee was overall stable in 2021 (index 76) and the likelihood of employees recommending Nordea as a workplace was high, with an employee net promoter score of 30.

Equal opportunities

Our work to counter unconscious bias is ongoing and we have further strengthened our training and tools to enhance the inclusiveness of our workplaces, leadership and recruitment processes. All employees are subject to fair and unbiased remuneration decisions. We analyse potential equal pay gaps annually and, through communication and training, continue to support people leaders in mitigating the risk of discrimination regarding remuneration and other employment terms. In 2021 we implemented new guidelines offering rainbow parents equal opportunities for parental leave, including in locations where legislation does not yet cover this option.

We encourage our people to speak up

In 2021 1.2% (1.3%) of People Pulse respondents stated that they had been subjected to some form of harassment or other mistreatment. 27 (10) harassment cases were reported through various channels, including our whistleblowing function and Raise Your Concern where our people are encouraged to report any suspected illegal or unethical actions.

The increase in cases compared with 2020 was expected as we continued to strengthen diversity and inclusion within Nordea, indicating that our people feel confident about reporting cases. We take mistreatment of any kind very seriously and continue our ongoing work, proactively implementing measures to ensure safe and inclusive workplaces for all employees.

Sick leave

At 3.11% (3.02%), our sick leave rate showed a slight increase but remains on an acceptable level. Our people said they felt good about the workload in their job, returning an average index score of 73. As societies reopened, influenza and other seasonal epidemics expectedly had a greater impact on the sick leave rate in 2021 than in 2020.

S3. Social responsibility, cont.

Learning and development

Opportunities for learning and personal growth are a leading source of motivation for our employees not only to join Nordea but also to remain with us. We aspire to be an employer of choice and thus offer equal opportunities for our people to learn and grow. Performance development and talent management are fundamental in this respect.

Our learning framework is based on a 70-20-10 framework: 70% learning by doing; 20% learning from others; and 10% formal learning. The average number of formal learning hours in 2021 (9.4 hours) increased relative to 2020 (8.9 hours). In addition, our people spent on average 2.1 hours on other virtual training through our learning marketplace.

To prevent time-consuming remuneration processes for both employees and people leaders, we are working on simplifying reward structures and processes. Going forward, we will apply greater focus to supporting performance, development and engagement through meaningful goal setting, continuous feedback and holistic performance evaluation within our Performance and Learning Dialogues (PLDs). In 2021 91% (90%) of our people had a PLD.

Talent management continues to be a focus area. The post-pandemic job market is heated, and we have seen an increase in our employee turnover rate (8.8% in 2021, compared with 6.7% in 2020). Our internal job market and development opportunities are key to retaining our people and developing our workforce. Through a systemised and digital approach we can now reach most of the organisation to identify talent and areas for development. Succession management also remains a key focus area.

Changes in the workforce

As communicated in 2020, digitalisation and automation continue to drive a need for adjustments and changes to the way we work and how we are organised. In cases where this could lead to certain jobs changing, we will play a key role in securing the right strategic approach for engaging our people, while respecting labour market conditions. Together with the trade unions, with whom we maintain constructive discussions, we are committed to treating our people with respect and care and aim to support those affected by changes in developing skills and finding new job opportunities inside and outside Nordea. In 2021 85.2% (89.2%) of all our employees were covered by collective bargaining agreements.

People data

The majority of our people are employed by Nordea. The number of employees in the tables below is reported as headcounts, which is different from the employee-related information in the financial notes where employees are disclosed as full-time equivalents.

Number of employees	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Nordea Group	14,188	15,051	29,239	14,829	15,605	30,434	15,434	16,214	31,648
Permanent contract	13,980	14,860	28,840	14,646	15,437	30,083	14,632	15,346	29,978
- full-time	13,529	13,502	27,031	14,169	13,955	28,124	14,083	13,725	27,808
- part-time	451	1,358	1,809	477	1,482	1,959	549	1,621	2,170
Temporary contract	208	191	399	183	168	351	802	868	1,670

Employees by country of operations	2021			2020			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Nordea Group	14,188	15,051	29,239	14,829	15,605	30,434	15,434	16,214	31,648
Denmark	4,113	3,232	7,345	4,409	3,456	7,865	4,797	3,776	8,573
Finland	2,460	3,908	6,368	2,433	3,994	6,427	2,536	4,269	6,805
Norway	1,535	1,427	2,962	1,648	1,537	3,185	1,644	1,465	3,109
Sweden	3,091	3,447	6,538	3,208	3,562	6,770	3,402	3,787	7,189
Poland	2,467	2,290	4,757	2,594	2,251	4,845	2,495	2,079	4,574
Estonia	290	546	836	220	446	666	183	362	545
Russia	0	0	0	51	112	163	100	219	319
International offices	232	201	433	266	247	513	277	257	534

Composition of governance bodies	2021					2020					2019				
	Men	Women	Age <30	Age 30–50	Age >50	Men	Women	Age <30	Age 30–50	Age >50	Men	Women	Age <30	Age 30–50	Age >50
Board of Directors	6	4	0	1	9	6	4	0	1	9	5	5	0	1	9
Group Leadership Team	8	4	0	4	8	7	4	0	4	7	7	2	0	6	3
People leaders	1,835	1,306	79	2,133	929	1,937	1,317	90	2,184	980	2,030[1]	1,327[1]	109	2,244[1]	1,004[1]
Employees	12,345	13,741	5,396	13,671	7,019	12,885	14,284	5,906	13,923	7,340	13,390	14,883	6,537	14,139	7,597

1) Restated due to a minor calculation error.

S4. Governance and culture

Medium-term targets	Status	Comment
100% of new suppliers screened for sustainability issues.	On track	–
Integrate sustainability into people processes covering purpose and values, employee value proposition and variable pay goals by the end of 2023.	Challenges identified	This target has been rephrased since 2020 to be more explicit. In 2021 we made good progress in implementing sustainability goals into remuneration plans for 2022 but experienced delays relating to the integration of sustainability into the employee engagement survey.
Sustainability targets integrated into remuneration programmes (starting 2022).	Fulfilled	Decision taken to integrate further sustainability goals into variable remuneration plans for executives, effective 1 Jan 2022.

Sustainability governance

At the Board level, the Board Operations and Sustainability Committee (BOSC) assists the Group Board in fulfilling its oversight responsibilities concerning sustainability, which encompass strategy, operational model, reporting and frameworks. The BOSC is updated on a quarterly basis on the integration of sustainability into our business strategy. With the integration of the Sustainability Report into the Annual Report, the Board Audit Committee (BAC) now reviews and monitors our sustainability reporting as part of our annual reporting.

The Board is also assisted by the Board Risk Committee in the fulfilment of its oversight responsibilities concerning the management of risks, related frameworks, controls and processes including environmental, social and governance (ESG) factors as drivers of existing risk. To ensure a high level of awareness with respect to sustainability and ESG matters, in 2021 the entire Board received training on the key sustainability factors in our business environment that impact our business model, and the BOSC and the BAC were also trained in the EU taxonomy.

In 2021 we appointed a Group Accountable Executive for ESG risks. We established a new executive-level Group-wide committee – the Sustainability and Ethics Committee (SEC) – as a sub-committee of the CEO's Group Leadership Team (GLT). The SEC consists of representatives from the business areas and Group functions, including Group Risk, Group Credit Management and Group Finance, and supports the Group CEO, the GLT, the BOSC and the Group Board in their oversight responsibilities concerning sustainability. Compared with its predecessor committee, the Business Ethics and Values Committee, the new committee has a stronger mandate to facilitate the integration of sustainability into our business strategy and support the integration of ESG factors into our risk management. It is tasked with recommending to the Group CEO a long-term plan for fully integrating sustainability into our business strategy and ensuring appropriate implementation to achieve Group-level targets. It is also responsible for influencing and following the Group's status and progress regarding ethics and culture, in line with our purpose and values. This involves advising the Group CEO to participate in or withdraw from voluntary commitments related to sustainability and providing guidance to the business areas regarding ethical business dilemmas.

The executive-level Group Risk Committee (RC) promotes interaction and coordination within the Group on risk matters. With respect to sustainability, the RC is responsible for overseeing the implementation of ESG factors as embedded drivers of existing risks and approving sector guidelines and position statements. In addition to the RC, the SEC also monitors and, when relevant, supports the business areas and Group functions in risk management activities related to the long-term plan for fully integrating sustainability into our business strategy and the associated targets.

To ensure that sustainability is integrated into all business areas and Group functions, we have established a Group-wide implementation programme with dedicated work streams and an Operational Steering Committee. The programme's progress is monitored by the SEC on a quarterly basis. Starting in 2022, we will integrate sustainability targets into our remuneration programmes to support the integration of sustainability into all internal processes.

Responsible taxpayer

Our tax policy is constituted by the Group CEO Instructions on Tax, which are aimed at ensuring that we manage tax in an efficient and compliant way. The CEO Instructions on Tax defines our overall tax governance, including roles and responsibilities in connection with tax charges and related reporting to the tax authorities. The Tax Policy on Customer Advice states that we do not accept being used as a platform for tax evasion or facilitate aggressive tax planning. It also states that we comply with international standards such as the US Foreign Account Tax Compliance Act (FATCA), the OECD Common Reporting Standard and the EU DAC6 Directive as implemented in national laws, as well as national requirements for customer tax reporting.

We are a substantial corporate income taxpayer in our main countries of operation – Denmark, Finland, Norway and Sweden – and pay corporate income tax, social security contributions and bank levies, i.e. contributions to deposit guarantee schemes and resolution funds, in all our countries of operation as required by law. Statutory tax rates, contributions and levies vary in our countries of operation, as does the size of our business operations. In any given year the total amount of tax paid in each country is determined by a combination of these variables. We are also a net payer of value-added tax (VAT), since VAT is generally not recoverable for banks.

S4. Governance and culture, cont.

Tax payments

Tax payments (EURm)	2021	2020	2019
Total	1,731	1,300[1]	1,234[1]
By country			
Denmark	452	271	205
Finland	439	319	283
Norway	316	242[1]	260
Sweden	395	390[1]	367[1]
Others	129	78	119
By tax type			
Corporate income tax	1,105	698	571
Social security fees	402	400[1]	452[1]
Bank levies	224	202	211

1) Restated to align with was has been reported as social security fee in Note G8 "Staff costs".

For more information about taxes, please see Note G12 "Taxes". In addition, we also report tax on a country-by-country basis in an appendix, which is available at nordea.com.

Data privacy

Keeping our personal data safe is part of our commitment to being a safe and trusted bank. Data privacy is therefore an integral part of our business and operations and an important element of our digital strategy. In 2021 we continued to enhance our ability to ensure compliance with applicable privacy laws in the jurisdictions where we operate. We streamlined relevant process elements, improved the governance structure and assigned more employees to data privacy operations. Our privacy units continued their important work on topics related to the General Data Protection Regulation (GDPR). This included providing training, advice and support and carrying out assurance activities on privacy-related issues. All employees are obliged to complete training courses on the GDPR. During the year we updated these courses to incorporate the latest developments in the area of data privacy.

Cyber security

Introducing new technologies, exploring new ways of doing business and connecting with customers widen banks' attack surface. At the same time, entities that pose cyber threats are becoming more organised, resourceful and experienced. Banks must also deal with the asymmetry of having to protect all assets, while entities engaged in cyber threats merely need to find one weak spot. Combined, these factors pose an unprecedented risk to the banking industry.

In the normal course of business, we focus not only on maintaining effective basic information security controls but also on enhancing our cyber defence with new tools and functions for security, detection and response. We develop innovative security practices to meet new business demands, such as robust mobile banking applications and proactive customer support for fraud detection and prevention. We develop our information security practice based on recognised industry best practices such as the ISO 27000 series standards and the frameworks provided by the National Institute of Standards and Technology (NIST) in the US. Furthermore, Nordea needs to comply with financial industry legislation, for example European Banking Authority guidelines and other European legislation introducing specific information security requirements.

At the height of the COVID-19 pandemic many employees worked remotely from their homes. We addressed the potentially increased cyber risk resulting from this situation with mitigating measures at technical and organisational levels. We did not see an unusually high impact on Nordea from cyber events in this period. Going forward, we expect that part of our business will continue to be carried out remotely, even when COVID-19-related restrictions are completely lifted. Drawing on what we have learnt during the pandemic, we will continue to enhance our cyber capabilities to address the "new normal".

Sustainable procurement

In 2021 we fully integrated sustainability screenings and engagements into the daily practices of our sourcing managers, and all suppliers (old and new) in our central database with whom we have an active agreement are now subject to screening and continuous monitoring. Any alerts regarding social issues, such as human rights or labour rights, environmental issues or anti-corruption issues, result in a more in-depth due diligence process before initiating engagement.

During the year we further enhanced our ongoing monitoring process for existing suppliers and have anchored the continuous oversight of suppliers with our contract management team. If risks are identified, we will continue to engage in dialogues with the suppliers in question in order to determine the appropriate course of action. We believe that engaging in a partner-to-partner spirit will lead to the best outcome and consider terminating agreements only as a last resort.

In 2021 we continued to build on the supplier reviews conducted in 2020. The revision of our marketing guideline in 2020 has led to 70% of gifts and giveaways now fulfilling a set of predefined sustainability criteria regarding certifications and circularity. This means that we are well on course to reach our 2022 target for 100% of these products to meet the criteria.

Our follow-up dialogues on previously conducted reviews show that suppliers are progressing satisfactorily with the implementation of recommended actions. This includes setting specific sustainability targets and publicly disclosing progress towards these, developing and implementing an anti-corruption policy and aligning product offerings with agreed sustainability principles.

In 2021 we reviewed one supplier of IT consultants, one IT hardware supplier and one supplier of financial services. While no severe findings were identified in connection with the individual companies, the reviews identified country- and sector-specific structural issues on working hours, a low maturity of integrating human rights due diligence into the business and an absence of sustainability processes and policies based on internationally recognised standards.

IT continues to be our biggest spend area, representing 27% (31%) of the total spend. We have therefore maintained our seat on the Atea Sustainability Focus (ASF) Advisory Board, through which we cooperate with other large IT buyers to steer the IT sector in a more sustainable direction. Each year the ASF Advisory Board provides several concrete recommendations made by Nordic IT buyers directly to the management of the Responsible Business Alliance (RBA). With 140 members, six million employees and thousands of sub-suppliers, the RBA is the world's leading coalition for sustainability in the IT industry.

S4. Governance and culture, cont.

Supply chain data

In the table below, supply chain data for 2020 and 2021 include Denmark, Finland, Norway, Sweden, Poland, Luxembourg and Estonia. The 2019 data only included the four Nordic countries. There were no significant changes to our supply chain in 2021.

Supply chain	2021	2020	2019
Total spend in EURm	2,114	2,056	2,148
Total number of suppliers	9,857	11,159	13,654
Estimated number of active contracted suppliers	1,555	1,533	1,535
One-time suppliers	4,275	4,779	6,438
Suppliers with multiple interactions	5,582	6,380	7,216
Number of new suppliers	145	92	127
Spend by supplier category (%)			
IT	27.1	31.4	32.9
People, insurance, legal	18.9	17.4	16.1
Out of scope[1]	17.9	16.3	16.4
Premises & facility management	14.1	12.9	12.3
Transaction banking	8.6	8.2	7.3
Data	6.3	5.9	5.1
Marketing and representation	2.3	2.5	2.4
Distribution	1.8	2.0	2.0
Technology	0.8	1.0	1.0
ATM and cash handling	0.9	0.8	1.0
Travel	0.3	0.5	2.5
Trading	0.5	0.5	0.4
Debt collection	0.4	0.3	0.2
Other[2]	0.2	0.2	0.3
Environmental assessments			
New suppliers screened for environmental issues (%)	100	98	95
Number of suppliers assessed for environmental impacts	84	80	42
Number of suppliers identified as having significant actual and potential negative environmental impacts	0	0	0
Suppliers identified as having significant actual and potential negative environmental impacts and with whom improvements were agreed as a result of assessment (%)	n/a	n/a	n/a
Suppliers identified as having significant actual and potential negative environmental impacts and with whom relationships were terminated as a result of assessment (%)	n/a	n/a	n/a
Social assessments			
New suppliers screened for social issues (%)	100	98	95
Number of suppliers assessed for social impacts	84	80	42
Number of suppliers identified as having significant actual and potential negative social impacts	0	0	0
Suppliers identified as having significant actual and potential negative social impacts and with whom improvements were agreed as a result of assessment (%)	n/a	n/a	n/a
Suppliers identified as having significant actual and potential negative social impacts and with whom relationships were terminated as a result of assessment (%)	n/a	n/a	n/a

1) Non-negotiable spend such as government fees or regulatory expenses.
2) Non-categorised spend such as other administrative expenses.

S5. Sustainability offering

Financing

We have introduced several sustainable finance products and solutions over the last few years to support our customers in addressing climate change and other sustainability issues in their financing. We continue to develop our product offering and reporting as the market matures. Some of the products are targeted at our household customers and others at our corporate and institutional customers.

Nordea's green financing products follow the criteria of the Nordea Green Bond Framework (October 2021) based on the Green Bond Principles published by the International Capital Markets Association.

Financing	2021	2020	2019
Green, social and sustainability bonds			
Number of bonds we arranged	109	90[1]	67[1]
Total apportioned deal value bonds in EURbn	5.83	4.86[1,2]	3.40[1,2]
Share in relation to total market value (%)	0.66	1.1[1]	1.21[1]
Sustainability-linked loans[3]			
Number of sustainability-linked loans	60	13[4]	11[4]
Nordea's take-and-hold volume in EURm	7,520	1,487[4]	745[4]
Green corporate loans			
Number of customers granted green loans	389	358	178
Volume of green loans in EURm	5,229	2,277	1,083
Green mortgages			
Number of green mortgages	4,895	3,232	1,465
Volume of green mortgages in EURm	547	352	145
Green car loans			
Number of green car loan transactions	481	214	20
Volume of green car loans in EURm	17.4	8.78	0.85
Green car financing			
Number of green car lease agreements[5]	150	78	36
Volume of green car lease agreements in EURm[5]	5.52	2.02	1.44

1) Data for 2020 and 2019 has been restated due to deals being retagged in 2021.
2) Restated due to a change in the reporting currency in 2021, now stated in EURbn.
3) Excluding leveraged buyout transactions.
4) Restated to align with Nordea's take-and-hold volume and account for the year when a loan was tagged as sustainability-linked.
5) Includes single contracts, frame agreements etc.

Investments

We offer a variety of investments in environmental, social and governance (ESG) products to our customers and the range is growing to meet increasing demand. The scope of investments in ESG products will continue to develop as the market matures and new funds or funds that have been converted are added. The funds subject to positive ESG screening equal EUR 53.3bn of assets under management (AuM), i.e. 18% in relation to total AuM in Nordea Asset Management.

Investments	2021	2020	2019
Investments in ESG products (SFDR Article 8)			
AuM in EURm	180,007	152,886	[1]
Share in relation to total AuM in Nordea Asset Management (%)[2]	61.5	60.2	[1]
Investments in ESG products (SFDR Article 9)			
AuM in EURm	14,568	7,274	[1]
Share in relation to total AuM in Nordea Asset Management (%)[2]	5	2.9	[1]
Sustainable Choice in Nordea Bank distribution			
AuM in EURm	59,048	36,302	9,945
Share in relation to total AuM in Nordea Asset Management (%)[2]	20.2	14.3	4.2
Other			
Share of equity funds with carbon footprint (%)	100	100	100
Number of companies we have engaged with on environmental and social issues[3]	456	452	387
Share of companies we have engaged with on environmental and social issues (%)[3]	11	10.4	6.3

1) The SFDR came into force in 2021.
2) Total AuM in Nordea Asset Management amounted to EUR 292.5bn in 2021, to EUR 253.8bn in 2020 and to EUR 235.1bn in 2019.
3) More than one engagement may have been conducted with one company.

S6. Materiality and impact analysis

As a member of the core group of founding banks and a signatory to the Principles for Responsible Banking (PRB), we are committed to the objectives of the Sustainable Development Goals (SDGs) and the Paris Agreement. In 2020 we ramped up our efforts and conducted a combined materiality and impact analysis of our activities, fulfilling the requirements set out in the Global Reporting Initiative (GRI) Standards and in the PRB. The purpose of the analysis was to identify our most significant sustainability impacts to use as input for our long-term plan for how to integrate sustainability into our business strategy that was adopted in 2021. The combined analysis was undertaken at two levels in parallel:

- A strategic level looking at the SDGs, the Paris Agreement as well as international, regional and national regulations and frameworks to identify material sustainability topics.
- An impact level using the UNEP FI Portfolio Impact Analysis Tool for Banks to identify specific targets to drive alignment with and contribution to the sustainability areas identified as significant at the strategic level.

The materiality and impact analysis was revisited in 2021 and deemed still to be valid without any adjustments and work with our areas of most impact continued, for example through deep dives in a couple of our most climate-vulnerable sectors: oil, gas and offshore; shipping; mining and supporting activities. See Note S2 “Climate action” for details about the deep dives.

Below is a detailed description of the steps in the materiality and impact analysis conducted in 2020.

Materiality analysis at a strategic level

At the strategic level, we used the SDGs as a basis for identifying potentially relevant material sustainability topics since the Paris Agreement and most of the other relevant regulations and frameworks relate to topics that are accommodated in the SDGs.

The whole of Nordea was considered in the analysis, which means all business areas, all products and services as well as internal operations. In order to identify the SDGs most material to us, we assessed which topics could have an impact on us as well as the topics that we can impact. This resulted in the identification of topics relating to eight SDGs that are of significance to us from either a direct or an indirect impact perspective: quality education; gender equality; affordable and clean energy; decent work and economic growth; industry, innovation and infrastructure; reduced inequalities; responsible consumption and production; and climate action.

Impact analysis

The impact analysis conducted in parallel with the strategic analysis focused on lending and our balance sheet and took specific country needs and scale of exposure into consideration. It covered three of our four business areas: Personal Banking, Business Banking and Large Corporates & Institutions. Our fourth business area, Asset & Wealth Management, was excluded from the analysis in 2020 as the impact analysis methodology did not then cover investments/asset management. A tool covering investments – the Investment Portfolio Impact Analysis Tool – was launched in 2021, and we have consequently initiated work to conduct an impact analysis of our investments that we expect to finalise in 2022.

Since we are a Nordic bank with most of our lending in four of the Nordic countries, the impact analysis covered Denmark, Finland, Norway and Sweden. We populated the UNEP FI Portfolio Impact Analysis Tool with exposure at default (EAD) in the second quarter of 2020. For consumer banking (Personal Banking) the data covered mortgages. For corporate banking (Large Corporates & Institutions) and business banking (Business Banking) the data covered our top ten sectors (according to the tool guidance).

At an overall level, in 2020 we had our largest lending to households (55%) followed by corporates (43%) and the public sector (2%). Within corporate lending, our largest exposure was to Real estate (34%), Industrials (25%) and Financial institutions (12%). In addition, we had some country-specific lending to Agriculture in Denmark (16%), to Utilities and public service in Finland (10%), to Maritime in Norway (15%) and to Consumer discretionary and services in Sweden (7%). The figures are more or less the same for 2021. For a full list of the exact exposure per sector and country for 2021, see Note G2 “Risk and liquidity management”.

When populating the impact tool with our data, we could conclude that the same SDGs we had identified at a strategic level were also relevant from a portfolio perspective. In addition, the tool helped us determine that our financing also has an impact on biodiversity and resource efficiency. As a result, we identified two more SDGs of significance to us – life below water and life on land.

Feeding analysis results into the strategy

All in all, the combined materiality and impact analysis identified ten SDGs that are of significance to Nordea from an impact perspective – either negative or positive. The ten SDGs were grouped into three strategic pillars: financial strength, climate action and social responsibility. We also work with upholding peace, justice and strong institutions as part of a strong foundation and we work in partnerships to achieve the goals. These make up our fourth strategic pillar: governance and culture. In the table on the next page we describe the rationale and impact of each significant SDG and map them towards a strategic pillar.

All four pillars are connected to medium-term targets – some, such as for shipping, are sector specific as a result of the materiality and impact analysis among other things – and climate action also to long-term objectives as presented in the relevant sections of the report: in the Sustainable banking chapter on pages 28-40 and on pages 315-328 in Note S1 "Financial strength", Note S2 "Climate action", Note S3 "Social responsibility" and Note S4 "Governance and culture".

Stakeholder interaction

When conducting the materiality and impact analysis in 2020, we worked closely with internal stakeholders from all levels and parts of the organisation and we also had a dedicated group of Board members as an advisory board who were consulted on several occasions. In addition, we sought input from external stakeholders such as academia, NGOs, investors and customers. The purpose was to obtain their input and to put our suggested strategy into a holistic context to challenge it and put us to the test, ensuring that we had taken all relevant impacts into consideration.

UNEP FI Portfolio Impact Analysis Tool for Banks in brief

The impact analysis was performed using the UNEP FI Portfolio Impact Analysis Tool for Banks which covers the four requirements for undertaking impact analysis: scope, scale of exposure, context and relevance and scale and intensity/salience. They are described in the PRB Reporting and Self-Assessment Template included in a separate indices document available at nordea.com/sustainability.

S6. Materiality and impact analysis, cont.

Significant SDGs

Significant SDG	Rationale and impact	Strategic pillar
4 Quality education	Our community engagement activities contribute positively to increasing the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. Furthermore, we have a possibility, and an obligation, to increase awareness among our customers to ensure that they acquire the skills needed to promote sustainable development by offering and advising them on our sustainability-enhanced funds and other products that will contribute to sustainability.	Social responsibility
5 Gender equality	Our diversity efforts have gender balance as a starting point with the aim to positively impact it. We work to ensure equal access to job opportunities for women and men, we support women in leadership, we are committed to ensuring equal remuneration for all employees and we have zero tolerance of violence and harassment in the workplace.	Social responsibility
7 Affordable and clean energy	Together with all other players in the financial sector, we have a key role to play in the creation of a low-carbon and climate-resilient economy by redirecting capital flows towards more sustainable technologies and businesses through both financing and investments. Through our green bonds, we can have a positive impact by ensuring access to affordable and clean energy for all as proceeds are allocated to, for example, renewable energy.	Climate action
8 Decent work and economic growth	We are a large employer primarily in the Nordic countries and Poland and as such have a positive impact on the societies in which we operate. We employ young people, both temporarily during the summer and new graduates. However, the digital transformation is leading to redundancy of certain jobs, which has a negative impact on employment. Within our own operations, but primarily through our financing and investments, we work to abolish forced labour, human trafficking, modern slavery and child labour with policies, guidelines, assessments and through transaction monitoring to help reduce our negative impact. Ensuring access to financial services for everyone is part of our banking licence; hence our impact is positive.	Social responsibility
9 Industry, innovation and infrastructure	Helping entrepreneurs to build sustainably successful businesses is one of the best ways for a bank to engage in society and have a positive impact. We support entrepreneurs on their entire journey, from start-up to large company, with the aim of providing them with financing, networks and the requisite skills.	Social responsibility
10 Reduced inequalities	Our ability to grow sustainably depends on the people we employ, the environment we provide and how well we succeed in including diversity of thought. We aim to attract and retain talent irrespective of not only gender, but also of age, ethnicity, sexual orientation, religion or any other aspect, hence positively contributing to reducing inequalities.	Social responsibility
12 Responsible consumption and production	In the four Nordic countries where we have the majority of our business, living standards are high, which results in unsustainable consumption patterns with a large amount of waste and a negative impact on the environment. Here we have a role to play, working primarily with our corporate customers towards a circular economy. We also have an impact on the circular economy through our own operations, mainly through procurement but also through our own facility management. Furthermore, we create awareness about sustainable development and responsible consumption with our retail customers in advisory meetings and by offering them products and services focused on sustainability.	Climate action
13 Climate action	Through our significant exposure to sectors with high greenhouse gas emissions, such as real estate, shipping and agriculture, we have a negative impact on climate change. Although we have the greatest impact on the climate through financing and investments, we also work to reduce the climate impact of our internal operations, such as business travel and energy consumption.	Financial strength Climate action
14 Life below water	Through our exposure to the shipping industry, we have a negative impact on the marine environment through for example ballast water and noise pollution.	Climate action
15 Life on land	Through our exposure to the agricultural sector, we have a negative impact on biodiversity loss with expanding impacts due to changing consumption patterns and growing populations.	Climate action
16 Peace, justice and strong institutions	We fully recognise the threat that societies face from human trafficking, terrorism, corruption, drug smuggling, tax evasion and other forms of illegal activities. Tracking down and stopping the money flows from these activities is a key way to disrupt the criminals involved. We, like any other financial institution, are uniquely positioned to be part of the solution and contribute to reducing the negative impact on societies.	Governance and culture
17 Partnerships for the goals	We recognise the importance of participating in and supporting international commitments that enable businesses to collectively address the global sustainability challenges and work towards the objectives of the SDGs and the Paris Agreement.	Governance and culture

S7. Our stakeholders

We are committed to building and sustaining strong and long-lasting relationships with our stakeholders. We continually seek insights into their needs and expectations, and respond in a timely manner with relevant actions and engagement.

In 2016 we performed a thorough stakeholder analysis to identify the stakeholders to engage with from a sustainability perspective. The analysis is revisited every year to ensure that it is accurate. In 2021 we fine-tuned the analysis further, clustering our stakeholders into six major stakeholder groups as displayed in the table below.

Who they are	What they need/expect	Our actions in 2021
Customers		
– Households – Small and medium-sized enterprises – Large corporates and institutions – High net worth individuals	• Convenient and easy access to expert advice • Broad range of competitive financial products and services • Sustainability advice and sustainable choices • Personal approach	• Customer feedback systematically collected through various channels, continually adjusting services in response • Met customers' need for safety and flexibility during the pandemic by increasing and enhancing remote interaction, launching new digital services and providing instalment-free periods on loans • Provided dedicated training in local communities to support customers with less digital experience • Responded to growing customer demand for sustainability-linked products by further expanding Sustainable Choice offering • Held close dialogues with corporate customers to support them in navigating the new European Union (EU) Taxonomy Regulation
Employees		
– Almost 30,000 employees from all over the world	• Fair employment terms • Professional development opportunities • Productive working environment • Safe and inclusive workplace • Recognition	• Closely tracked employee well-being and engagement through quarterly People Pulse surveys • Held regular Performance and Learning Dialogues to support professional development • Introduced a new flexible working model, enabling employees to work from home for up to two days a week where possible • Set targets to improve gender balance at senior leadership levels
Shareholders		
– More than 500,000 private individuals across the Nordics – Large institutional investors	• Long-term business strategy • Timely and transparent communication • Sustainable practices and sustainability commitments	• Held investor meetings, ran questionnaires and hosted Annual General Meeting to gain insights into expectations and needs • Incorporated additional environmental, social and governance (ESG) disclosures into quarterly and annual reporting
Suppliers		
– Close to 10,000 suppliers	• Adherence to contractual terms • Timely payment • Being a responsible buyer	• Supported companies under financial strain during the pandemic by paying supplier invoices as soon as they were registered and approved in the central payment system • Continued to agree and work towards common targets in areas such as climate impact, human rights and labour rights • Integrated sustainability screenings into daily outsourcing practices
Authorities		
– Government bodies – Market authorities – National supervisory authorities – European Central Bank – Wide spectrum of political and economic interest groups	• Accurate and professional implementation of regulatory and supervisory requirements • Incorporation of ESG into regulatory requirements • Strategic approach to climate-related and environmental risks • Expert contributions to policy discussions	• Confirmed resilience through participation in EU-wide stress test • Followed European Central Bank recommendation to limit dividend payments and share buy-backs at height of the pandemic
Society at large		
– General public – Media – Non-governmental organisations – Educational institutions – Aspiring entrepreneurs	• Taking responsibility for impact of operations • Presence in society and dialogue with our stakeholders • Support to improve financial and digital literacy • Entrepreneurship support	• Was a substantial taxpayer in our main countries of operation and also paid social security contributions and bank levies in our countries of operation • Helped build financial skills and foster entrepreneurship through participation in over 20 programmes and partnerships • Continued to develop position statements and sector guidelines to support and challenge customers and investees needing to transition to a more sustainable future • Established phase-out policies for most climate-vulnerable sectors

S8. Position statements and sector guidelines

Our Sustainability Policy sets out our principles for ensuring the long-term sustainability of our operations and, in so doing, strengthens our long-term customer relationships and contribution to a greater good. In addition to the policy, we have position statements and sector guidelines that provide guidance and principles for dealing with both business opportunities and risk mitigation.

Our stated expectations describe what we consider to be best practice and should be seen as guidance for companies in areas where such issues are considered material. The guidelines also provide information on the requirements and thresholds that we apply to different sectors in addition to compliance with national laws and regulations.

Sector guideline	Published
Agricultural industry	September 2020
Defence industry	September 2018
Forestry industry	November 2019
Fossil fuel based industry	May 2021
Gambling industry	August 2019
Mining industry	September 2020
Real estate industry	November 2019
Shipping industry	November 2018

Position statement	Published
Climate Change	May 2019
Tax	April 2020

S9. Directives, instructions and policies

In this note we present a list of our Group Board directives, Group CEO instructions and policies.

1. Internal governance

Group Board directives, Group CEO instructions and policies	Approval	Latest update	Disclosure
Directive on Internal Governance	Group Board	2021	Not public
Directive on rules of procedure for the Group Board	Group Board	2021	Not public
Directive for the Board Audit Committee	Group Board	2021	Not public
Directive for the Board Remuneration and People Committee	Group Board	2021	Not public
Directive for the Board Risk Committee	Group Board	2021	Not public
Directive for the Board Operations and Sustainability Committee	Group Board	2021	Not public
Directive for the Group CEO	Group Board	2021	Not public
Instructions for the Asset & Liability Committee	Group CEO	2020	Not public
Instructions for the Risk Committee	Group CEO	2020	Not public
Instructions for the Sustainability and Ethics Committee	Group CEO	2021	Not public
Instructions for the Data & Technology Committee	Group CEO	2021	Not public
Instructions for the Digital Committee	Group CEO	2021	Not public
Instructions for the Financial Steering Committee	Group CEO	2021	Not public
Directive for the Consequence Management Committee	Group Board	2021	Not public
Instructions for the Heads of Business Areas and Group Functions and the Quarterly Review Meetings	Group CEO	2021	Not public
Instructions for Group Business Support	Group CEO	2021	Not public
Instructions for Group Finance	Group CEO	2021	Not public
Instructions for Group People	Group CEO	2021	Not public
Instructions for Chief of Staff Office	Group CEO	2020	Not public
Directive for the second line of defence risk function	Group Board	2021	Not public
Directive for Group Compliance	Group Board	2021	Not public
Directive for Group Internal Audit	Group Board	2021	Not public
Instructions for Group Legal	Group CEO	2021	Not public
Instructions for the Nordic Branch Managers and Country Senior Executives	Group CEO	2020	Not public
Instructions on Technology Strategy	Group CEO	2020	Not public
Instructions on Technology Governance	Group CEO	2020	Not public
Supplier Code of Conduct	Group Board	2021	Public
Directive on selection of external auditors and pre-approval of services provided by external auditors	Group Board	2021	Not public
Directive on Data Governance	Group Board	2021	Not public
Directive on Suitability	Group Board	2021	Not public
Group CEO Instructions on Executive Accountability	Group CEO	2021	Not public
Directive on Promotion Gender Balance	Group Board	2021	Not public
Directive on Product Governance Arrangements	Group Board	2021	Not public

S9. Directives, instructions and policies, cont.

2. Risk and credit

Group Board directives, Group CEO instructions and policies	Approval	Latest update	Disclosure
Directive on Risk	Group Board	2021	Not public
Directive on Risk Appetite	Group Board	2021	Not public
Instructions on Operational Risk	Group CEO	2021	Not public
Instructions on management of Reputational Risk	Group CEO	2020	Not public
Instructions on Market Risk	Group CEO	2021	Not public
Instructions on Liquidity Risk	Group CEO	2021	Not public
Instructions on Counterparty Credit Risk	Group CEO	2021	Not public
Instructions on Credit Risk	Group CEO	2021	Not public
Instructions on the IRB Approach	Group CEO	2020	Not public
Instructions on Model Governance	Group CEO	2021	Not public
Instructions on Information Security	Group CEO	2020	Not public
Directive on Interest Rate Risk in the Banking Book Strategy	Group Board	2021	Not public
Directive on Significant Risk Transfer	Group Board	2021	Not public
Directive on funding and liquidity strategy	Group Board	2021	Not public
Directive on Deposit funding strategy	Group Board	2021	Not public

3. Compliance, AML, sanctions and complaints

Group Board directives, Group CEO instructions and policies	Approval	Latest update	Disclosure
Directive on Compliance Risk	Group Board	2021	Not public
Anti-Money Laundering/Counter Terrorist Financing/Anti-tax Evasion Policy Statement	Group Board	2021	Public
Sanctions Risk Management Policy Statement	Group Board	2021	Public
Instructions on Global Know Your Customer Standards	Group CEO	2021	Not public
Instructions on Global Financial Crime Enterprise Risk Assessment Standards	Group CEO	2020	Not public
Instructions on Complaints Handling	Group CEO	2021	Not public
Instructions on interaction with authorities	Group CEO	2021	Not public

4. Capital, financial and tax

Group Board directives, Group CEO instructions and policies	Approval	Latest update	Disclosure
Directive on Capital	Group Board	2021	Not public
Instructions on Financial Control	Group CEO	2021	Not public
Directive on disclosure of capital adequacy and liquidity risk information	Group Board	2021	Not public
Nordea Position Statement on Tax	Group CEO	2021	Public
Instructions on Transfer Pricing	Group CEO	2020	Not public
Policy statement (extract from Tax Policy on Customer advice)	Group CEO	2021	Public
Directive on ICAAP and ILAAP	Group Board	2021	Not public

5. Information, trading and inside information

Group Board directives, Group CEO instructions and policies	Approval	Latest update	Disclosure
Directive on Information handling	Group Board	2020	Not public
Directive on Trading for Leading Officials	Group Board	2021	Not public
Directive on Personal Account Dealing in financial instruments	Group Board	2021	Not public
Instructions on Inside Information handling	Group CEO	2021	Not public
Instructions on knowledge and competence requirements for investment advisers and persons giving information	Group CEO	2020	Not public
Instructions on Record Keeping for Investment Services and Activities, as well as Ancillary Services	Group CEO	2020	Not public
Instructions on Customer Handling in the provision of Investment Services	Group CEO	2020	Not public

6. Business conduct and CSR

Group Board directives, Group CEO instructions and policies	Approval	Latest update	Disclosure
Code of Conduct	Group Board	2021	Public
Conflict of Interest Policy	Group Board	2021	Public
Anti-bribery & Corruption Policy	Group Board	2021	Public
Instructions on Gifts and Hospitality	Group CEO	2021	Not public
Sustainability Policy	Group Board	2021	Public
Instructions on Competition	Group CEO	2021	Not public
Instructions on Community Engagement	Group CEO	2020	Not public
Instructions on Raising Your Concern	Group CEO	2021	Not public
Directive on Data Privacy	Group Board	2020	Not public

S9. Directives, instructions and policies, cont.

7. People and remuneration

Group Board directives, Group CEO instructions and policies	Approval	Latest update	Disclosure
Directive on Remuneration	Group Board	2021	Not public
Remuneration Policy for Governing Bodies	Group Board	2020	Public
Instructions on Pension and Insurances	Group CEO	2021	Not public
Instructions on Benefits	Group CEO	2021	Not public
Instructions on Variable Salary Part	Group CEO	2021	Not public
Instructions on Recognition Scheme	Group CEO	2021	Not public

S10. About the sustainability disclosures

Nordea has reported on environmental and sustainability performance on an annual basis since 2002. In 2021, for the first time, the sustainability reporting was integrated into Nordea's Annual Report and therefore a separate Sustainability Report is no longer being published. Nordea's sustainability reporting for 2021 constitutes sustainability disclosures found (i) throughout the front section, but mainly in the Sustainable banking chapter on pages 28–40, (ii) in the Non-financial statement (incl. our EU taxonomy reporting) on pages 89–92, (iii) in the Corporate Governance Statement 2021 on page 67, (iv) on pages 160–162 in Note G2 "Risk and liquidity management" and (v) in the Sustainability notes on pages 313–337 which provide supplementary and more in-depth information and data related to the disclosures presented elsewhere in the Annual Report. We also present information about our materiality and impact analysis in the Sustainability notes. In addition, indices referring to our reporting in relation to the Principles for Responsible Banking (PRB), the Task Force on Climate-related Financial Disclosures (TCFD) and the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) are published as a separate appendix available at nordea.com/sustainability.

As all other disclosures in the Annual Report, the sustainability disclosures refer to the period 1 January to 31 December 2021, i.e. Nordea's financial year. The previous report was a stand-alone sustainability report covering our 2020 financial year and published in March 2020.

The sustainability disclosures have been prepared in accordance with the GRI Standards: Core option. Our GRI Content Index, including omission statements, is published at nordea.com/sustainability. For disclosures of financed emissions, we also use the Global GHG Accounting and Reporting Standard for the Financial Industry provided by the Partnership for Carbon Accounting Financials (PCAF).

An independent third party, PricewaterhouseCoopers Oy, has provided assurance on the sustainability information provided in this report. The scope of the assured information is indicated in the Independent practitioner's limited assurance report on page 337.

The Annual Report is available for downloading at nordea.com. If you have any questions about the sustainability disclosures, you are welcome to address them to sustainability@nordea.com. Additional information on sustainability and also an SASB index are available at nordea.com/sustainability.

Scope of the sustainability disclosures

Similar to the financial statements, the sustainability disclosures in this Annual Report cover the parent company, Nordea Bank Abp, and its subsidiaries, i.e. the Nordea Group. Data in the report has been gathered from all business areas and Group functions in our four Nordic countries, Poland, Estonia and Luxembourg, unless otherwise stated. This is indicated in conjunction with the presented data where we also present restatements.

Disclosure in relation to commitments and initiatives

The Annual Report is our disclosure in relation to several of the commitments and initiatives we participate in:

- Together with the PRB Reporting and Self-Assessment Template at nordea.com, this is where we report on the implementation of the PRB.
- We report climate-related information in line with the TCFD recommendations. See the TCFD Index at nordea.com/sustainability for references.
- It is our Communication on Progress submission to the UN Global Compact (UNGC). See references to the UNGC Principles in the GRI Content Index at nordea.com/sustainability.
- The report serves as a description of our actions to mitigate climate change in accordance with the commitment made by Finance Finland to promoting actions aimed at limiting global warming to below 2°C in our work. For a list of our association memberships, see nordea.com/sustainability.
- The Annual Report considers Finance Denmark's best practice in disclosures relating to the AML area.
- The sustainability information in the report partly fulfils the reporting requirements of the Equator Principles (EP). For full EP reporting, see Nordea Equator Principles Reporting at nordea.com/sustainability.
- The sustainability information in the report partly fulfils the reporting requirements set out in the Responsible Ship Recycling Standards (RSRS). In addition, we publish a separate RSRS report at nordea.com/sustainability.
- The sustainability information in the report partly fulfils the reporting requirements of the UK Modern Slavery Act. In addition, we publish a separate modern slavery and human trafficking statement at nordea.com/sustainability.

Glossary

B

BREEAM – BREEAM (Building Research Establishment Environmental Assessment Method) is an international scheme that provides independent third-party certification of the assessment of the sustainability performance of individual buildings, communities and infrastructure projects. Assessment and certification can take place at a number of stages in the built environment life cycle, from design and construction through to operation and refurbishment.

C

Climate VaR – Climate VaR (Climate Value at Risk) is a methodology designed to provide a forward-looking and return-based valuation assessment to measure climate-related risks and opportunities in an investment portfolio.

COP – COP (Communication on Progress) is the report that all signatories to the UN Global Compact have to submit every year.

E

ESG – The term ESG refers to how environmental, social and governance issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and over time). ESG screenings are used in evaluations of partners and suppliers.

G

GHG Protocol – GHG Protocol (the Greenhouse Gas Protocol) establishes global standardised frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions. It is the most widely used greenhouse gas accounting standard in the world.

GDPR – GDPR (the General Data Protection Regulation) is a regulation in EU law on data protection and privacy for all individual citizens of the EU and the European Economic Area (EEA). The GDPR primarily aims to provide individuals with control over their personal data and to simplify the regulatory environment for international business by unifying regulation within the EU.

GRI Standards – GRI Standards (GRI Sustainability Reporting Standards) are provided by the Global Reporting Initiative (GRI) and used for sustainability disclosures. The GRI Standards create a common language for organisations and stakeholders, with which the economic, environmental and social impacts of organisations can be communicated and understood. The GRI Standards are designed to enhance the global comparability and quality of information on these impacts, thereby enabling greater transparency and accountability of organisations.

I

IPCC – IPCC (the Intergovernmental Panel on Climate Change) is the United Nations body for assessing the science related to climate change. In October 2019 the IPCC released a special report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development and efforts to eradicate poverty.

L

LEED – LEED (Leadership in Energy and Environmental Design) is an internationally recognised green building certification system, providing third-party verification that a building or community was designed and built using strategies aimed at improving performance across all the metrics that matter most: energy savings, water efficiency, CO_2 emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts.

M

MSCI – Morgan Stanley Capital International (MSCI) is an investment research firm that provides stock indexes, portfolio risk and performance analytics and governance tools to institutional investors and hedge funds.

P

Paris Agreement – At COP 21 in Paris, on 12 December 2015, parties to the United Nations Framework Convention on Climate Change (UNFCCC) reached a landmark agreement to combat climate change and to accelerate and intensify the actions and investments needed for a sustainable low-carbon future. The Paris Agreement brings all nations into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects, with enhanced support to assist developing countries to do so.

S

SDGs – SDGs (the Sustainable Development Goals) are a collection of 17 global goals set by the United Nations General Assembly in 2015. The goals are an urgent call for action by all countries – developed and developing – in a global partnership. They recognise that ending poverty and other deprivations must go hand in hand with strategies that improve health and education, reduce inequality and spur economic growth – all the while tackling climate change and working to preserve oceans and forests.

Independent practitioner's limited assurance report

To the Management of Nordea Bank Abp

We have been engaged by the Management of Nordea Bank Abp (hereinafter also the "Company") to perform a limited assurance engagement on consolidated sustainability disclosures for the reporting period of 1 January 2021 to 31 December 2021, disclosed in Nordea Bank Abp's Annual Report 2021 in the Sustainable banking chapter on pages 28–40, in the Sustainability notes on pages 313–337 and on its website in the document Nordea Sustainability Indices 2021 (hereinafter Sustainability information).

Furthermore, with regard to the Sustainability information, the assurance engagement has covered disclosures on financed emissions for the reporting periods of 1 January 2019 to 31 December 2019 and 1 January 2020 to 31 December 2020.

Additionally, with regard to the Company's self-assessments/assertions of its commitments as a signatory of the Principles for Responsible Banking in the Nordea Sustainability Indices 2021, the assurance engagement has covered the following areas:

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Plans for Target Implementation and Monitoring
- 2.4 Progress on Implementing Targets
- 5.3 Governance Structure for Implementation of the Principles
- 6.1 Progress on Implementing the Principles for Responsible Banking.

Management's responsibility

The Management of Nordea Bank Abp is responsible for preparing the Sustainability information in accordance with the Reporting criteria as set out in Nordea Bank Abp reporting instructions described in Nordea Bank Abp's Annual Report 2021, the GRI Sustainability Reporting Standards of the Global Reporting Initiative, the Global GHG Accounting and Reporting Standard for the Financial Industry (2020) of the Partnership for Carbon Accounting Financials (PCAF) and in the Principles for Responsible Banking. The Management of Nordea Bank Abp is also responsible for such internal control as the management determines is necessary to enable the preparation of the Sustainability information that is free from material misstatement, whether due to fraud or error.

Practitioner's independence, other ethical requirements and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PricewaterhouseCoopers Oy applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) *"Assurance Engagements Other than Audits or Reviews of Historical Financial Information"*. This Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Sustainability information is free from material misstatement.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other Sustainability information. The procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the Sustainability information.

Our work consisted of, amongst others, the following procedures:

- Interviewing a representative of senior management of the Company.
- Interviewing employees responsible for collecting and reporting Sustainability information at the Group level.
- Assessing how Group employees apply the reporting instructions and procedures of the Company.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.
- Considering the disclosure and presentation of the Sustainability information.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Nordea Bank Abp's Sustainability information for the reporting period ended 31 December 2021 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

When reading our limited assurance report, the inherent limitations to the accuracy and completeness of Sustainability information should be taken into consideration.

Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Nordea Bank Abp for our work, for this report, or for the conclusions that we have reached.

Helsinki, 28 February 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Tiina Puukkoniemi
Partner, Authorised Public Accountant (KHT)
Sustainability Assurance and Reporting Lead

Jukka Paunonen
Partner, Authorised Public Accountant (KHT)
Lead Financial Audit Partner

Annual General Meeting
24 March 2022

Nordea's Annual General Meeting (AGM) 2022 will be held on Thursday 24 March 2022 at 14.00 EET at the head office of Nordea, Hamnbanegatan 5, Helsinki, Finland.

Due to the COVID-19 pandemic, the Company's Board of Directors has resolved on extraordinary meeting procedures pursuant to the temporary legislation (375/2021) which entered into force on 8 May 2021, in order to ensure the health and safety of the Company's shareholders, employees and other stakeholders and to organise the meeting in a predictable manner allowing equal means for shareholders to participate in the meeting.

Participation and advance voting

Due to the prevailing COVID-19 pandemic, shareholders and their proxy representatives can only participate in the AGM and exercise their shareholders' rights by voting in advance and by making counterproposals and asking questions in advance. It is not possible to attend the meeting in person.

Shareholders who wish to exercise their shareholders' rights at the AGM must be registered as shareholders in the shareholder register maintained by Euroclear Finland Oy in Finland, Euroclear Sweden AB in Sweden and VP Securities A/S in Denmark by 14 March 2022.

Further information, schedules and detailed instructions for participants holding shares registered with Euroclear Finland Oy in Finland, Euroclear Sweden AB in Sweden or VP Securities A/S in Denmark as well as for holders of nominee registered shares are available at nordea.com/en/annual-general-meeting no later than 3 March 2022 and in the notice to the AGM.

Webcast

Nordea will arrange a separate webcast for its shareholders after the AGM on Thursday 24 March 2022 at 16.00 EET where the shareholders will be able to follow the presentations of the Chair of the Board of Directors as well as the President and Group CEO and where the resolutions of the AGM will be presented. Shareholders will also have the opportunity to take part in a Q&A session with senior management.

The webcast will not be part of the AGM. Thus, questions referred to in Chapter 5, Section 25 of the Finnish Companies Act need to be asked in advance of the AGM as described in the notice to the meeting. More information on the webcast and instructions on how to participate can be found at nordea.com/en/annual-general-meeting no later than 3 March 2022.

Financial calendar

Financial calendar 2022

Annual General Meeting	24 March
First-quarter results	28 April
Second-quarter results	18 July
Third-quarter results	20 October

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All reports and press and stock exchange releases are available at nordea.com. Financial reports published by the Nordea Group may be ordered at nordea.com and via Investor Relations.

Nordea's report on capital and risk management, in accordance with the Pillar III disclosure requirements according to the EU Capital Requirements Regulation, is presented at nordea.com.

Annual Report 2021

Nordea Bank Abp is the parent company of the Nordea Group and domiciled in Helsinki, Finland. This Annual Report covers Nordea Bank Abp and pertains to the operations of the Nordea Group whose main legal structure is presented on page 51.

In this Annual Report, the Nordea Group presents income statements and other financial data quoted in euro (EUR).

The original Annual Report is in Swedish. This is an English version of the Annual Report. In the event of any inconsistencies between the Swedish and English versions, the former will prevail.

English and Swedish copies of this Annual Report are available at Aleksis Kivis gata 7, 00500 Helsinki and at nordea.com.

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