Nordea

Annual Report 2020

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

Contents

Who we are

Nordea is a Nordic universal bank with a clear purpose. **We help** our customers **realise their dreams and aspirations** – and have done so for 200 years.

We want to **make a real difference** for our customers and the communities in which we operate. When **our customers succeed**, we feel proud, because we have succeeded too.

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.

We recognise that we have a **responsibility** to help our customers and society shift to a **sustainable future**. We will **support** our customers in their transition, enabling them to make **sustainable choices**. We will also be an **active owner** and **drive change** through our **lending and investment** decisions.

Our purpose

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

Our vision

Our vision is to be a strong and personal financial partner.

Our customer promise

Everything we do starts with our customers. When they bank with Nordea, we want them to experience us as **easy to deal with**, **relevant and competent**, **anywhere and anytime**, **personal and digital**, and **safe and trusted**.

Our people and values

Our success depends on **highly competent teams** with a passion for serving customers and creating great customer experiences. Our employees are given **equal opportunities** to grow and become great at what they do.

A core set of values influences our culture and guides our behaviour:

Collaboration
For the common good

Ownership
It starts with me

Passion
To serve our customers

Courage
To do what is right

Dear shareholder,

As a strong and personal financial partner, we want to represent care and support for our customers – in both good and challenging times – and enable their dreams and everyday aspirations for a greater good.

The year 2020 was extraordinary for individuals, businesses and societies. The COVID-19 pandemic has challenged us to adapt to new and different ways of living, working and consuming. COVID-19 has not only been a health crisis. It has also had serious societal and economic consequences, which the world will need time to fully recover from.

This exceptional situation has truly shown our purpose as a bank. Over the past year, we have done our utmost to support our customers, keep our employees safe and maintain business continuity.

At the beginning of the pandemic we reacted quickly and offered instalment-free periods on loans. Even though we had to temporarily close the branch offices in some of our home markets, our advanced digital capabilities have enabled us to continuously support and connect with our customers. The majority of our customer meetings in 2020 were held online.

I am very happy to see that we made good progress in 2020. We improved our performance, delivered on our business plan and key priorities, and continued to progress towards our 2022 targets. Our business volumes grew and we gained market shares across the Nordics.

We improved customer satisfaction scores and reduced customer complaints by more than 20%. At the same time, we reduced our costs and increased operational efficiency. Our work to build a strong cost culture has started well and we are determined to continue on the same track.

Our full-year 2020 operating profit was EUR 2.96bn and our cost-to-income ratio improved to 54.8% – our target is 50% in 2022.

Our credit quality has remained strong throughout the pandemic. Our realised loan losses have been at low levels, but we have chosen to have a prudent approach to loan loss provisions, as the full economic impact of the pandemic remains uncertain. We have therefore retained our EUR 650m management buffer for 2021.

We entered the COVID-19 crisis with a robust capital position, which we have strengthened even further. Our capital position is among the best in Europe, with a CET1 ratio of 17.1%. Our financial strength means that we are well positioned to support our customers and the societies around us – and pay out dividends.

Dividends are important to our shareholders and benefit both them and society at large. However, we understand the reasoning behind the exceptional measures promoted by the European Central Bank (ECB) for the banking industry. We have followed the ECB's recommendations, even though they might be less relevant for us as a strongly capitalised bank.

Our capital and dividend policy is unchanged. We consider dividend payment to be a matter of timing only. Our Board has proposed a dividend of EUR 0.39 per share for 2020, in line with our dividend policy. Including the delayed 2019 dividend of EUR 0.40 per share, this would mean a total payout of EUR 0.79 per share in 2021.

One of the highlights of 2020 was our updated plan to fully integrate sustainability into our business strategy. The plan includes updated targets and a long-term objective to become a net zero emissions bank by 2050 at the latest.

We firmly believe that the increasing demand for sustainability-linked products and services is good for our business and for society. We want to make a difference for a greater good – and for generations to come.

We will deliver on our targets by working together with our customers towards a sustainable future. Successful implementation of our sustainability plan requires the entire bank to take an active role.

We believe that both our employees and culture are key to our sustainable value creation. We trust that diversity and inclusivity contribute to better collaboration and engagement, leading to better decisions and results.

I couldn't be any prouder of the efforts of our employees. First of all, they have done their utmost to support our customers. They have also implemented new ways of working – and they have engaged with local communities, assisting senior citizens in using digital banking services, guiding young people in developing financial skills and supporting start-ups.

I would like to take the opportunity to thank our dedicated and highly competent employees, who will also ensure our future success.

It is times like these that require us to be an even safer and more trusted partner to our customers. We are a strong, customer-centric and well-capitalised bank, even in the most turbulent times.

I believe that 2020 proved that nothing is certain but the unforeseen. In the months to come we will most likely be balancing recovery with some setbacks. The good news is that there are signs we are heading towards brighter times.

We are well on track and committed to delivering on our plan and financial targets. We will continue to focus on our three key priorities: to create great customer experiences, drive income growth initiatives and optimise operational efficiency. In doing so, we will create sustainable value for our customers, shareholders and societies as we move towards 2022 – and beyond.

"We are a strong, customer-centric and well-capitalised bank, even in the most turbulent times."

Best regards,

Frank Vang-Jensen
President and Group CEO

Nordea in society[1]

Customers, investors, regulators and policymakers increasingly expect banks to take responsibility and play their part in addressing the world's growing social and environmental challenges.

With a view to fulfilling our responsibility and becoming an even more sustainable bank than we are today, we have developed a long-term plan to fully integrate sustainability into our business strategy. Our focus is on reducing the negative impact and increasing the positive impact of our business activities and internal operations, and setting sustainability-linked targets and objectives in line with society's expectations. The plan, which is the culmination of intensive work throughout 2020, rests on four pillars: financial strength, climate action, social responsibility, and governance and culture.

Financial strength

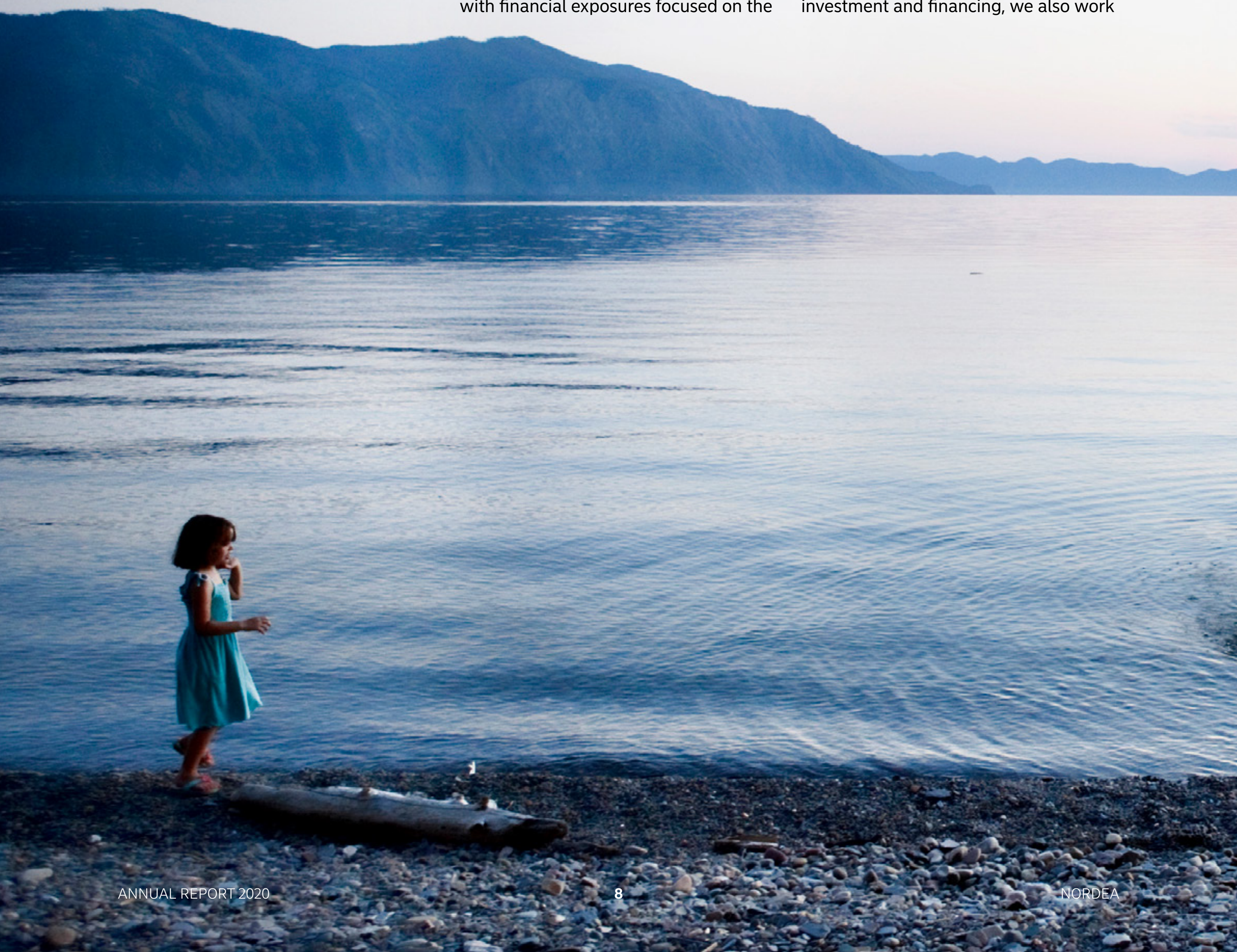
We are a financially strong bank: our business is well diversified, our credit quality is strong, and we have solid funding and a robust capital position. Our financial strength enables us to act on our responsibility to support our customers and society, including in tough times. In fact, it's when times get tough that we have an especially important role to play. During the COVID-19 pandemic, we were quick to offer instalment-free periods to Nordic retail and corporate customers who needed help overcoming temporary liquidity problems.

Managing risks related to environmental, social and governance (ESG) areas is key to maintaining our financial strength. In 2020 the materiality assessment for ESG-related risks associated with financial exposures focused on the impact of physical and transitional climate change factors on our corporate loan portfolio. The assessment concluded that ESG-related risks are material to our credit risk profile. We will therefore manage ESG-related risks in line with internal rules for all material risk types.

Climate action

Our commitments in relation to climate change are described in our Position Statement on Climate Change. In addition, we have several sector guidelines and investment policies which address the issue of climate change and clarify what we expect from customers and investee companies in terms of their commitment to the Paris Agreement.

While we achieve our greatest positive impact on the climate through investment and financing, we also work



to minimise the climate impact of our internal operations. We engage in various ways to reduce our carbon emissions from business travel, energy consumption, and physical mail and distribution, among other things. Despite our active efforts to reduce our carbon footprint, we have some emissions that are difficult to reduce. For these, we buy carbon offsets to ensure that we are carbon neutral.

Social responsibility

For us, social responsibility is about caring – for individuals, businesses and society. It's about taking sustainability issues like human rights, labour rights and equality into consideration across our entire value chain – empowering and supporting our customers, investing responsibly, having a sustainable supply chain and being an inclusive employer. It's also about engaging with local communities: we help young people across the Nordics to develop financial skills, assist senior citizens in accessing digital banking services and support start-ups through financing and advice.

Governance and culture

Leveraging the combined strength of our purpose-led culture and sound operating model will enable us to both support the economy in transitioning to a greener, more sustainable future and reduce sustainability-related risks.

We are therefore enhancing our existing governance and risk management structures to align with our long-term plan for integrating sustainability into our business strategy and meet regulatory requirements and stakeholder expectations. Going forward, our governance fora will facilitate the forthcoming integration of sustainability into our business strategy and oversight, emphasising the importance of a sustainable business model.

1) For more information about how Nordea works with sustainability, see the Non-Financial Statement in the Board of Directors' Report (pages 57-61) and our Sustainability Report 2020 at nordea.com.

Our priorities and financial targets

Our priorities

Drive income growth initiatives | **Create great customer experiences** | **Optimise operational efficiency**

Execution and accountability

A strong and personal financial partner

We are committed to delivering on our three key priorities to support our customers and society as a whole. Our priorities guide us in how we run the bank, helping us to ensure loyal and satisfied customers, improve our financial performance and become truly competitive.

We are creating a solid and consistent performance culture. We are focused on executing our business plan, and have given the business areas full accountability. Our aim is to deliver a little bit better every single day. This drives us to be a strong and personal financial partner for our customers, shareholders and society.

Our financial targets

50%
Cost-to-income ratio in FY22

>10%
Return on equity in FY22

We continue to progress towards our 2022 financial targets. Our cost-to-income ratio is improving in line with our 2022 target of 50%, decreasing to 55% in 2020 from 57% last year. Return on equity for 2020 was 7.1%, demonstrating good underlying progress towards the target of above 10%. Our financial strength means that we are well positioned to both support our customers and pay out dividends.

Our capital and dividend policies

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

Dividend policy
60–70%
payout of the net profit for the year to shareholders[1]; excess capital intended to be distributed to shareholders through buy-backs

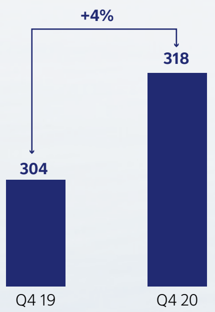
1) For 2020 Nordea proposes a dividend of EUR 0.39 per share.

Nordea as an investment

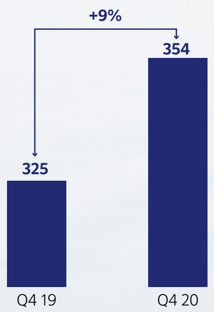
We are committed to continuously growing income faster than costs

Strong business momentum, driving income growth...

Loans to the public (EURbn)



Assets under management (EURbn)



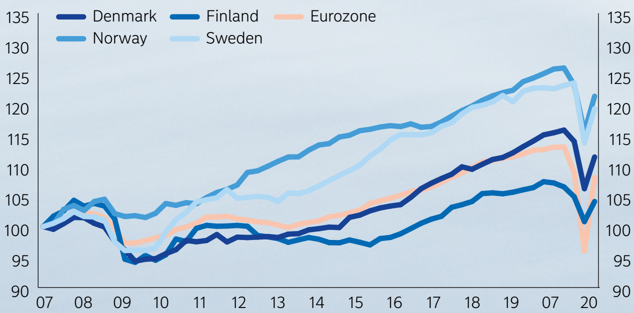
...together with cost discipline, means a sustainable business

Income and costs (indexed)

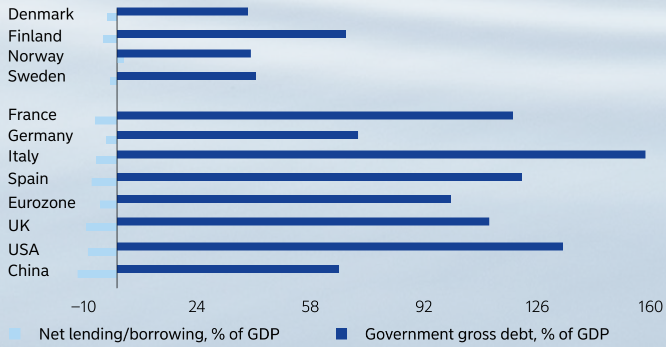
We are operating in structurally attractive, low-risk and digitalised Nordic economies

Solid GDP growth and public finances in all Nordic countries

GDP development (2007–2020)



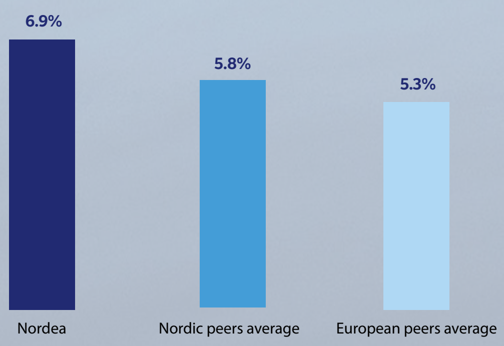
Fiscal balance and gross debt, % of GDP, 2021E



Our capital position is the strongest in the Nordics and among the best in Europe

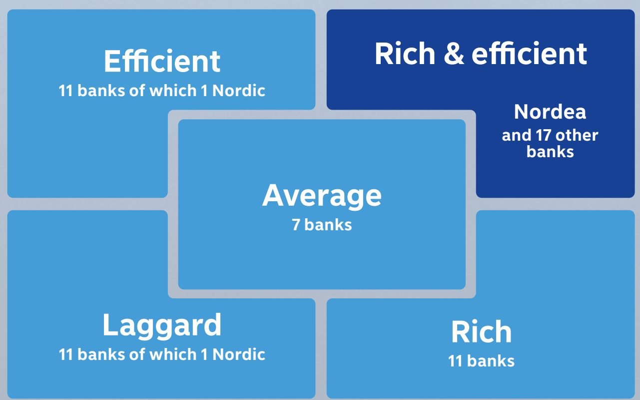
Significant excess capital provides attractive dividends, financial flexibility and opportunities to increase returns

Nordea's CET1 capital buffer vs peers'



We are ranked as a digital leader

Digital customer experience recently recognised for richness of features and efficiency of digital journey and contact channels



Positioning of EURO-58 banks in terms of the richness and/or efficiency of the digital proposition.
(Source: D-Rating 2020)

We are a trusted long-term financial partner with scale

We are a Nordic universal bank with a strong market position

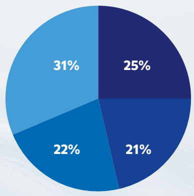
~9.2 million
Household customers

~540,000
Small & medium-sized companies

~2,350
Large corporates & institutions

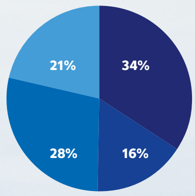
Credit portfolio per country as at December 2020

Denmark, Finland, Norway, Sweden



Assets under management distribution (EUR 354bn as at December 2020)

Retail, Private banking, Inst. sales, Life & pensions



We are a leader in sustainable banking

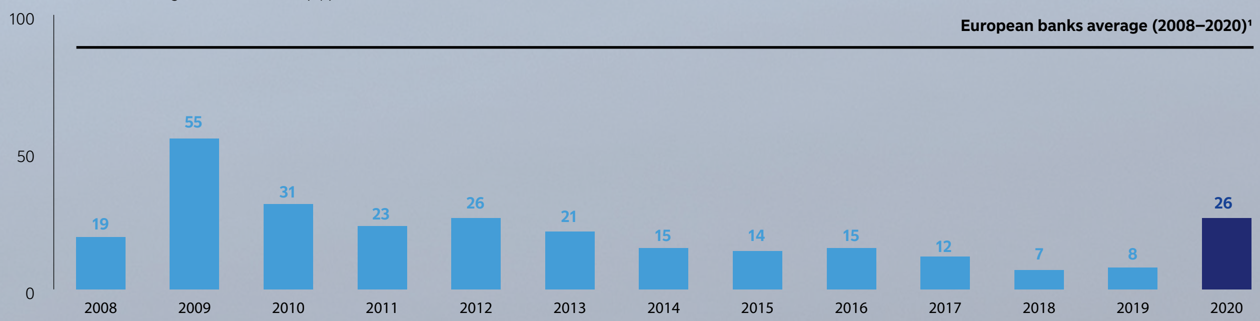
We are fully committed to making the financial sector more sustainable

AuM in sustainability-enhanced funds	Growth in green corporate loans	Increase in transaction volumes for sustainability-linked loans	Growth in green mortgages
EUR 36.3 bn	**EUR 1.2bn**	**EUR 15.5bn**	**EUR 207m**
(+265%)	(+110%)	(+256%)	(+143%)
FY 2020	FY 2020	FY 2020	FY 2020

We have had lower-than-average loan losses over the business cycle

Generating low credit losses over the business cycle means sustainable and low-risk growth
Track record of strong credit quality with diversified portfolio, de-risked over past ten years

Loan loss ratio including similar net result (bp)



1) Company data, Deutsche Bank Research.

Our people

Our purpose establishes a clear link between our daily efforts to help our customers fulfil their dreams and aspirations and our commitment to work for a greater good and be a sustainable part of the societies in which we operate.

Christina Gadeberg
Chief People Officer

Our values are a clear expression of the culture we want to build, where people can be passionate about customers, collaborate across the organisation, retain a true sense of ownership in their work and have the courage to speak up and challenge each other.

We continue to empower our people by creating a simpler and flatter organisation. This enables better communication and faster decision-making, and helps us to take ownership and be more adaptable, especially in a work environment that is increasingly virtual.

Learning organisation

Opportunities for learning and personal growth are a leading source of motivation for employees not only to join but also to remain with Nordea. To further support employee development, we are working towards a more modern learning offering via enhanced digital delivery channels. The latest learning evaluation data show higher satisfaction scores for virtual classes compared with in-person classes.

Our renewed focus on our internal job market means that talent development has become a very important lever to increase retention and accelerate professional growth. During 2020 we had almost 14,000 individual talent reviews, and analysis of the insights gained will form the basis of our 2021 talent strategy.

Future ways of working

The COVID-19 pandemic proved to be a fast track for Nordea to trial new practices for flexible work. We will monitor and assess the long-term impact of flexible working on well-being, performance, culture and productivity.

Remote leadership is becoming increasingly important in driving performance and sustaining engagement. Early on, we established instructions and e-learnings for leaders to guide them on how to manage the COVID-19 situation during the extended period of remote working. Transparent and frequent communication also contributed to increased engagement levels, according to our quarterly "People Pulse" survey results, with 91% of respondents "agreeing" or "partially agreeing" that they had received appropriate guidance and support from their leaders.

We took all these aspects into account when we started evaluating the flexible working practices in the fourth quarter of 2020.

Income development, digitalisation and automation will most likely continue to drive a need for adjustments to our organisation and how we work to help us reach our financial targets. In cases where this could lead to certain job changes, we will play a key role in securing the right strategic approach for engaging our people, while respecting labour market conditions. Together with the unions, we are committed to treating our people with respect and care.

Diversity and inclusion make us better

Our ability to grow sustainably depends on the people we employ, the environment we provide and the extent to which we succeed in achieving diversity of thought. We aim to attract and retain talent, regardless of gender, age, ethnicity, nationality, cultural affiliation, sexual orientation, physical ability or any other aspect.

We work to ensure equal opportunities for all our people, equal pay for equal work, and inclusive workplaces – and we condemn all forms of discrimination and harassment.

We are taking initiatives to raise awareness and support more diversity in our succession pipelines.

During 2020 we maintained the gender balance in our overall workforce. However, we have not yet reached this gender balance at the top leadership level.

In 2020 we launched our latest Employee Resource Group, which will focus on cross-generational aspects, since age diversity plays an important role in improving organisational performance and maximising productivity.

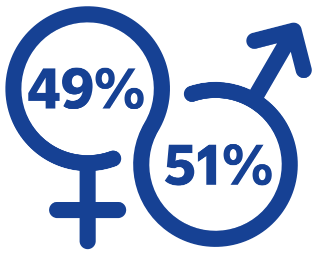
Our values

Collaboration • Ownership
Passion • Courage

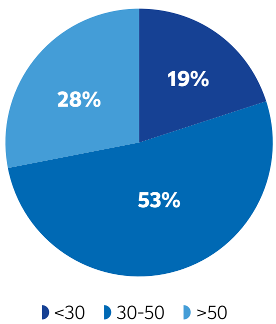
Number of employees (FTEs)

28,051

97
Nationalities across total workforce



Workforce age distribution



Business areas

Our four business areas support our relationship strategy for each customer segment. They 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 business area is individually accountable for its income, costs, risks, customer experience, investment decisions and capital management.

Personal Banking

- Serves Nordic household customers
- Offers full range of financial services through combination of physical and digital channels
- Strong digital capabilities and offering
- Leading market position

Business Banking

- Serves Nordic small and medium-sized corporate customers
- Offers financial solutions, digital services, and relevant and competent advice
- Strong digital capabilities and offering
- Leading market position

Large Corporates & Institutions

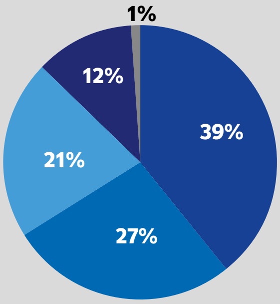
- Serves large corporate and institutional customers
- Offers range of financing, payment, investment banking and capital markets services
- Top ranked in large corporate customer satisfaction

Asset & Wealth Management

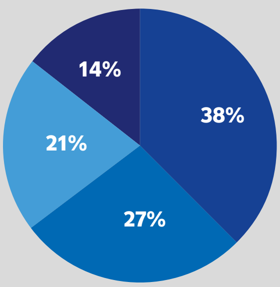
- Serves Nordic high net worth customers and institutional investors
- Offers full range of asset management and life and pensions products and services to all business areas
- Leading market position

Business areas and Group Functions contribution, 2020

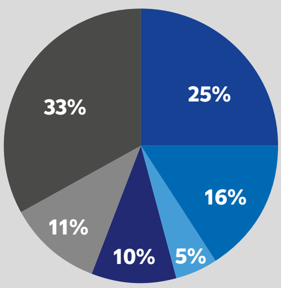
Operating income



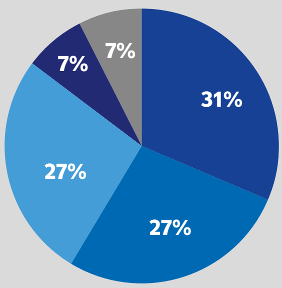
Operating profit



FTEs



Economic capital



Personal Banking · Business Banking · Large Corporates & Institutions · Asset & Wealth Management · Group Functions · Group Business Support

Personal Banking

In Personal Banking we strive to deliver great customer experiences to our household customers. We offer a full range of financial services and products through a combination of physical and digital channels, providing easy and convenient everyday banking, as well as sound advice.

Sara Mella
Head of Personal Banking

Business development

Throughout the year we saw strong business momentum in mortgages, resulting in higher market shares in all four Nordic countries compared with last year. We also launched several digital services to improve customer experience. For example, we launched a digital mortgage loan promise in Denmark and Norway. In Denmark, this has led to an initial reduction of more than 50% in the loan process handling time when customers use our digital solutions. Our customers say they find the new solution intuitive, easy to use and trustworthy.

We improved our savings advisory experience to make it easier for our customers to start saving, both through in-person advisory meetings and through the mobile bank app. The improvements have been well received by customers, resulting in a significant increase in the number of sessions held with our digital advisor, Nora (+120% compared with 2019).

In consumer finance we continued to focus on strengthening our digital capabilities. One of our key achievements was to make the consumer loan application process smoother for customers through increased automation. During the period of turbulence related to the COVID-19 pandemic, we carefully and continuously reviewed our lending approach to ensure that we provided the best possible support to our customers and maintained our position as a responsible lender.

With the new mobile bank app live in all countries, we continued to expand our common digital platforms by implementing the new netbank in Finland and Sweden. We launched an account aggregation service in our mobile app in Denmark, Norway and Sweden, enabling customers to get an overview of all their accounts, including those with other banks. The service, which was launched in partnership with the fintech Tink, will go live in Finland in the first quarter of 2021. We also upgraded our chatbot, Nova, to actively perform certain tasks on behalf of customers in Denmark, Finland and Sweden.

Customer satisfaction increased in all countries compared with 2019.

Results

Total income decreased by 2% in local currencies compared with last year due to lower payment and card fee income, which was attributable to the impact of COVID-19, and high conversion activity in the Danish mortgage market in 2019. However, we were able to partly mitigate the negative impact with a record-strong 6% annual growth in mortgage volumes.

Net interest income increased by 1% in local currencies across all countries, driven by the mortgage volume growth and increased deposit margins in Sweden. This development was somewhat offset by lower deposit margins in Finland and Norway resulting from rate changes. Furthermore, consumer lending volumes were negatively affected by the pandemic.

Net fee and commission income decreased by 6% in local currencies due to lower payment and card fee income in 2020 across all countries, as well as the high mortgage conversion activity in Denmark during 2019. Our underlying lending fee business development was strong throughout the year, and savings income reached the same level as last year despite the market turbulence caused by the pandemic.

Net result from items at fair value decreased by 29% in local currencies compared with last year, as 2019 included high positive revaluations booked in Denmark.

Total expenses decreased by 8% in local currencies compared with last year due to lower activity levels in general following the pandemic.

Net loan losses and similar net result increased significantly compared with last year due to the additional management judgement allowances booked in the second quarter. As a result, operating profit decreased by 10% compared with last year.

To support our household customers, we granted COVID-19-related instalment-free periods on loans for approximately 90,000 customers, equivalent to a total loan amount of EUR 13bn.

Strategic focus areas and value drivers

In Personal Banking our aim is to create great customer experiences and fulfil all customer banking needs. In particular, we focus on savings and mortgage advice. We leverage our Nordic scale and local market adaptability, driving cost efficiency and digital development.

Our strategy focuses on building strong and personal relationships with our customers, and establishing ourselves as a safe and trusted partner that truly cares for their financial well-being. We will ensure a caring and personal approach in all interactions, both digital and in-person, and intensify our engagement with customers through the effective use of digital channels.

We are also focusing on creating a great omnichannel experience for our customers, where they can obtain the same high-quality advice through multiple channels and perform an increasing number of tasks digitally. We want customers to have a consistent experience of us, regardless of the channel they use.

Sustainability offering

We continue to see an increase in customers who wish to save in a sustainable way. We also see more and more customers taking advantage of our green loan offerings, which include green mortgages, green car loans and energy renovation loans. Sales of sustainability-enhanced funds were up by around 300% and green mortgages were up by around 140% compared with last year.

We will continue to add new products to our sustainability offering. We are also entering into new partnerships to help our customers to be more sustainable. Most recently, we teamed up with a heating pump company to help customers in Denmark make more sustainable choices and increase the value of their homes by replacing boilers running on fossil fuels with energy-efficient heating pumps.

Our achievements in 2020

- Optimising operational efficiency by reducing cost-to-income ratio by 3 percentage points to 55%
- Driving income growth through 6% annual growth in mortgage volumes – highest growth rate since 2011
- Creating great customer experiences, resulting in increased customer satisfaction in all countries

Total income: EUR 3,319m
Costs: EUR -1,815m
Operating profit: EUR 1,233m
Cost-to-income ratio: 55%

Sales of sustainability-enhanced funds

+~300%

in 2020

2021 priorities

Optimise operational efficiency

- Leverage digital opportunities to increase cost efficiency
- Instil cost-conscious mindset across business area

Drive income growth initiatives

- Continue to increase mortgage volumes through speed and availability
- Accelerate savings income through targeted customer dialogues and effective use of digital channels
- Grow consumer finance by focusing on loans and credit cards, in particular through digital channels

Create great customer experiences

- Strengthen customer relationships through care and focus on financial well-being
- Leverage best of digital technologies and our people to create great customer experiences
- Engage and empower employees

Target 2022

Cost-to-income ratio

~50%

Business Banking

In Business Banking we offer banking and advisory products and services to our small and medium-sized corporate customers. Business Banking also includes Transaction Banking, which provides payment and transaction services, and Nordea Finance, which provides asset-based lending and receivables finance.

Nina Arkilahti
Head of Business Banking

Business development

In 2020 we continued to grow lending and deposit volumes, which were up 8% and 20% respectively compared with last year. We saw strong momentum in Norway and Sweden due to enhanced engagement with new and existing customers.

We onboarded more customers to our digital solutions, further rolling out our enhanced netbank for corporate customers, Nordea Business. More than 240,000 customers in Finland and Sweden are now able to use the enhanced service, which we also plan to expand to Denmark and Norway. Moreover, we now offer a mobile version of our enhanced netbank to customers in Denmark and Finland and the majority of customers in Sweden.

In April Nordea Startup & Growth arranged a hackathon together with one of Sweden's leading tech news sites, Breakit. More than 40 start-ups competed to come up with the best solution to help the elderly make use of digital solutions to overcome COVID-19-related isolation.

We also continued to develop our Digital Dashboard solution for corporate customers, which supports them in cash planning and provides overviews of transactions and upcoming payments. The platform currently has 20,000 users across the Nordics.

In the second quarter we started providing data insights for the greater good of societies through the launch of the Corona Barometer, a weekly report analysing the economic impact of the COVID-19 pandemic on different sectors, based on card transaction statistics. The Barometer is the first time we have utilised product statistics to analyse macroeconomic trends for markets and governments on a Nordic level. The news was well received by media, governments and markets, and was covered by 134 national media publications, reaching over four million people.

Customer satisfaction improved across all four home markets compared with 2019. Improving customer experience and satisfaction in Business Banking continues to be one of our key focus areas.

We finalised the acquisition of SG Finans in October and rebranded the company Nordea Finance Equipment (NFE). The integration of NFE is running according to plan. The acquisition supports our Group strategy to focus on core business in the Nordic market. In particular, it will increase our competitiveness in the equipment and receivables finance market.

Results

Total income increased by 4% in local currencies compared with last year due to good business momentum and high lending volume growth.

Net interest income increased by 6% in local currencies, mainly due to higher lending and deposit volumes. Lending volumes increased by 8% in local currencies, driven by strong growth in Norway and Sweden and the consolidation of NFE.

Net fee and commission income was unchanged in local currencies compared with 2019, as higher lending fee income and high equity market activity were offset by lower payment and card fee income and lower mortgage refinancing activity. Corporate card commissions in particular were negatively impacted by lower levels of economic activity related to the COVID-19 pandemic.

Net result from items at fair value decreased by 2% compared with 2019 due to low market product activity during the first wave of COVID-19 and lower income from interest rate products, which was partly offset by increased income from FX products.

Total expenses decreased by 2% in local currencies compared with last year, reflecting our continued drive for cost efficiency along the value chain, as well as lower travel and representation costs due to the pandemic.

Credit quality remained strong thanks to our well-diversified portfolio and limited exposure to vulnerable sectors. Net loan losses and similar net result totalled EUR 316m (34bp) and was driven by the management judgement buffer related to COVID-19. Operating profit amounted to EUR 894m, a decrease of 4% compared with 2019.

Return on capital at risk (ROCAR) decreased from 11% to 10% for the full year, driven by loan loss provisions, which were partly offset by higher income, lower costs and lower economic capital.

To support our corporate customers, we granted COVID-19-related instalment-free periods on loans, which totalled EUR 6bn. Approximately 9,000 customers benefited from this measure. The demand for payment holidays decreased throughout the year and we have now resumed our normal credit process for customers needing an instalment-free period or other relaxed terms. So far, the vast majority of customers have returned to normal amortisation schedules following the expiry of their payment holiday.

Strategic focus areas and value drivers

In Business Banking our aim is to be the leading bank for businesses and entrepreneurs in the Nordics, while achieving a cost-to-income ratio of around 45% by 2022.

Our strategy focuses on protecting and developing our customer relationships, developing digital and self-servicing options for our corporate customers, and increasing operational efficiency by simplifying and improving key processes.

We aim to create great customer experiences when interacting with our customers. In particular, we want our customers to feel valued and appreciated by our advisers, who understand their business and can provide access to a wide variety of specialists across the bank. We are therefore working on freeing up more time for our advisers to spend with customers by simplifying and improving our "know your customer" (KYC) and credit processes.

Freeing up time will also support us in further improving our financial performance, as it will enable our staff to be more proactive and carry out more targeted customer acquisitions and cross-selling.

Another key priority is to continue developing our digital solutions and self-servicing functionalities to enable simple and easy daily banking for our customers. This will improve our customer experience, digital offering and cost to serve.

Sustainability offering

In Business Banking we support customers seeking sustainable options by offering and raising awareness about sustainable financing and investment opportunities, for example green car leasing, green corporate loans and sustainability-enhanced investment products. In 2021 we will further enhance the focus on environmental, social and governance (ESG) guidance and develop ESG capabilities to meet customers' expectations.

Our achievements in 2020

- Optimising operational efficiency by reducing cost-to-income ratio by 3 percentage points to 47%
- Driving income growth through integration of Nordea Finance Equipement (NFE)
- Creating great customer experiences by launching Nordea Business Mobile in Denmark, Finland and Sweden

Total income: EUR 2,288m
Costs: EUR -1,078m
Cost-to-income ratio: 47%
Operating profit: EUR 894m
ROCAR: 10%

Green lending

+80%

in 2020

2021 priorities

Optimise operational efficiency

- Improve "know your customer" (KYC) processes
- Simplify credit processes

Drive income growth initiatives

- Increase profitability through targeted customer acquisitions
- Free up time for further cross-selling and business selection

Create great customer experiences

- Continue to provide competent advice, both digitally and in person
- Enhance use of self-servicing options to enable easy daily banking
- Continue roll-out of digital solutions and front ends

Target 2022

Cost-to-income ratio

~45%

Large Corporates & Institutions

In Large Corporates & Institutions (LC&I) we provide financial solutions to our large Nordic corporate and institutional customers. LC&I also services a broad range of Nordea customers through our Markets, Investment Banking and International Division.

Martin Persson
Head of Large Corporates & Institutions

Business development

In 2020 we achieved a clear improvement in return on capital at risk (ROCAR), from 4% to 7%, through higher income, lower costs and reduced capital.

The high demand for lending facilities at the height of the COVID-19 crisis gradually returned to normal levels during the second half of 2020. Lending volumes excluding repurchase agreements decreased by 8% and lending margins increased slightly compared with 2019, in line with our strategy to improve profitability.

We saw high levels of customer activity overall throughout the year. In Debt Capital Markets this was reflected across investment-grade and high-yield segments. For Nordic equity capital markets and mergers and acquisitions, an eventful year resulted in all-time-high Investment Banking revenues and the receipt of Euromoney's award for Best Investment Bank in Finland. Significant transactions with Nordea's involvement included rights issues in Finnair, the initial public offering of Hus-Compagniet, and the merger of Cargotec and Konecranes, among many others.

Customer satisfaction remained high during the intense business repositioning. In the 2020 Prospera customer satisfaction survey we were awarded #1 positions in Corporate Banking Denmark (third year in a row), Debt Capital Markets Investment Grade Issuers in the Nordics, Finland and Sweden, and Debt Capital Markets High Yield Issuers in Sweden.

We increased our focus on environmental, social and governance (ESG) areas and continue to be a leading platform within sustainable advisory services.

In 2020 we were the top arranger of Nordic corporate sustainable bonds, with a market share of 19%, and sustainability-linked financing increased significantly compared with 2019.

Nordea Markets saw increased customer activity and improved pricing levels during the pandemic, and maintained solid risk management throughout the year. Leveraging our size and diversification, we generated higher aggregated risk management income compared with 2019, most notably in the FX, rates and equity product franchises.

Results

Total income was EUR 1,790m, a 13% increase compared with 2019, mainly driven by high levels of business activity.

Net interest income amounted to EUR 877m, up 3% compared with last year. Lending volumes excluding repurchase agreements decreased by 8%, in line with our strategy.

Net fee and commission income increased by 3% to EUR 446m.

Net result from items at fair value amounted to EUR 467m, a 58% increase compared with last year, mainly due to continuous solid risk management throughout the COVID-19 pandemic.

Total expenses were EUR 841m, down 10% compared with 2019, driven by strict cost control: 2020 saw a 16% reduction in staff and significantly lower costs related to travel and marketing.

Operating profit amounted to EUR 681m, a 64% increase compared with last year, due to higher income and lower costs.

Economic capital continued to decrease, standing at EUR 6,305m, a 15% reduction compared with last year. The development was driven by lending-related efficiencies, a gradual reduction in unused commitments, reduced inventories and further normalised financial markets. Regulatory changes to the treatment of software assets also contributed to the reduction.

ROCAR increased from 4% in 2019 to 7% in 2020, driven by higher income, lower costs and reduced capital, despite having been significantly impacted by the COVID-19-related loan loss provisions booked in the first and second quarters.

Our achievements in 2020

- Optimising operational efficiency by reducing costs and ecomomic capital by EUR 90m and EUR 1,113m, respectively
- Driving income growth by maintaining #1 league table positions for Nordic corporate sustainable bonds and syndicated loans
- Creating great customer experiences, as evidenced by top ranking for large corporate customer satisfaction in Prospera survey

Total income: EUR 1,790m
Costs: EUR -841m
Cost-to-income ratio: 47%
Operating profit: EUR 681m
ROCAR: 7%

Green bond volumes

+61%

in 2020

Strategic focus areas and value drivers

In LC&I our aim is to create the leading large corporate and institutional franchise in the Nordics, significantly enhancing our current return profile, while positively contributing to the societies we operate in.

Our strategic direction is to create a more focused and more profitable business area, with reduced volatility of income and capital, and a ROCAR of more than 10% by 2022. This plan rests on four main pillars: reduce low-return assets, streamline the Markets business model, invest in ESG and LC&Ix (our digital incubator), and optimise the international footprint.

To further reduce our low-return assets, we are continuously refining our customer strategies, focusing on capital-light ancillary income and prioritising return requirements. In Markets we are redirecting the focus to the profitable core while continuing to reduce costs and capital through customer, product and geographical prioritisations.

Increasing customer ESG engagement and meeting regulatory ESG demands are key to further developing our leading sustainable finance platform. LC&Ix will continue to develop and scale AutoFX IQ, a new digital FX service for small and medium-sized enterprises.

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 and we will continue to wind down our Singapore operations and our Nordic desk in Russia, with minimal disturbance to existing services.

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

Sustainability offering

We have a strong sustainability focus and hold the lead league table position for Nordic corporate sustainable bonds in 2020. We will continue to further develop our sustainability offering for customers, focusing on ESG research and green loans.

2021 priorities

Optimise operational efficiency

- Reduce low-return assets
- Streamline Markets business model
- Optimise international footprint

Drive income growth initiatives

- Invest in ESG advisory services and further develop sustainable finance platform
- Develop new digital FX services for SMEs in Nordic region

Create great customer experiences

- Defend position as leading Nordic large corporate customer franchise
- Increase customer satisfaction
- Continue to focus on employee well-being and engagement, and talent management

Target 2022

ROCAR

>10%

Asset & Wealth Management

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

Snorre Storset
Head of Asset & Wealth Management

Business development

In 2020 our customers entrusted us with record-high assets under management (AuM), which exceeded EUR 350bn during the year. End-of-year AuM stood at EUR 353.8bn, an annual increase of EUR 29.1bn.

Customer investment appetite returned during a year that was heavily impacted by the COVID-19 pandemic. While investment markets experienced a downturn following the outbreak of the virus in the first quarter, a sharp recovery saw the rest of 2020 characterised by strong performance and a very strong flow of new investments.

Proactive customer service was at the top of the agenda in Private Banking. COVID-19-related uncertainties and market volatility called for even stronger ties between customers and advisers. Private Banking customer satisfaction remained high in all markets, and in November we were recognised as the Best Private Bank in Denmark, Finland, Norway and Sweden by Global Finance.

Institutional clients and third-party distributors of Nordea funds increased the number of mandates awarded to Asset Management. In particular, requests for responsible and sustainability-enhanced investment solutions grew throughout 2020. Our leading position within responsible investments was confirmed when Asset Management was announced winner of the ESG engagement initiative of the year 2020 by Environmental Finance.

Life & Pensions continued to grow business throughout 2020, focusing in particular on growing occupational pension business. As part of the growth strategy, Life & Pensions Norway acquired the pension portfolios of Frende Livsforsikring AS. The transaction included a long-term distribution agreement whereby customers of the Norwegian savings banks that own Frende will be offered Nordea pension products.

Results

Total income amounted to EUR 982m, on a par with 2019. Net interest income was EUR 67m, up 26% compared with last year, mainly driven by a 14% increase in lending volumes in Private Banking.

Net fee and commission income was EUR 810m, up 3% compared with last year, reflecting the increase in AuM. Net result from items at fair value was EUR 95m, a year-on-year decrease of 4%, due to the divestement of Velliv and lower return on own funds in Life & Pensions.

Total expenses decreased by 9%, year on year, mainly due to structural changes in Asset & Wealth Management and reduced travel.

Net loan losses and similar net result amounted to EUR 3m, compared with EUR -8m in 2019.

Operating profit was EUR 472m, up 10% compared with 2019. The cost-to-income ratio was 52%, 5 percentage points lower than last year.

Wealth Management

Total income was EUR 570m, a year-on-year increase of 1%. Total expenses were down 1% compared with last year and operating profit amounted to EUR 253m, down EUR 6m compared with 2019.

AuM in Private Banking stood at EUR 100.8bn, up 10% compared with the end of 2019. The client base increased by 8% to 99,406, compared with 91,873 at the end of last year. The increase was a result of improved sales capacity and a focus on client acquisition, especially across the growth markets in Norway and Sweden.

In Life & Pensions AuM amounted to EUR 53.2bn, up 9% compared with the end of last year. Life & Pensions' performance resulted in a return on equity of 20%, broadly unchanged from 2019.

Life & Pensions' gross written premium (GWP) reached EUR 5.7bn, on a par with 2019. Market return and risk products accounted for 99% of the total GWP, unchanged from last year, while market return products' share of total AuM remained stable at 81%.

Asset Management

Asset Management income amounted to EUR 405m, down 1% compared with 2019. Total expenses were up 2% compared with last year, primarily due to an increase in the number of employees.

Operating profit was EUR 238m, down 2% compared with last year. The cost-to-income ratio was 41%, 1 percentage point higher than last year.

AuM in Asset Management amounted to EUR 253.8bn, up 8% or EUR 18.7bn compared with the end of 2019. Improved business momentum in our internal channels generated net flows of EUR 3.3bn, while EUR 5.9bn was delivered by institutional and third-party fund distribution channels.

Our investment performance remains strong, with 75% of composites providing excess return on a three-year basis.

Strategic focus areas and value drivers

In Asset & Wealth Management our aim is to be the leading wealth manager in each Nordic market and a leading European asset manager, with global reach and capabilities.

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.

Sustainability offering

In Private Banking 55% of our clients stated a preference for their portfolios to be focused on our sustainability offering in 2020, an increase of 11 percentage points compared with 2019. In response, we are expanding our sustainable choice offerings, providing sustainable investment publications and developing webinars on sustainable finance topics.

In Asset Management we expanded our comprehensive range of sustainability-enhanced investment products, which accounted for around 29% of AuM. We saw continued significant inflow into our climate and environment equity strategy and, together with 29 other leading asset managers, we founded a global initiative to support the goal of net zero greenhouse gas emissions by 2050 at the latest.

In Life & Pensions sustainability continues to be a key priority. We are committed to transitioning Life & Pensions' investment portfolios to net zero emissions by no later than 2050. Interim targets for 2025 are being developed and will be communicated in the first quarter of 2021.

Our achievements in 2020

- Optimising operational efficiency by reducing cost-to-income ratio by 5 percentage points to 52%
- Driving income growth by swiftly recovering AuM following disruptions caused by COVID-19
- Creating great customer experiences, resulting in highest quarterly net inflow in four years

Total income: EUR 982m
Costs: EUR -507m
AuM: EUR 354bn
Net flows: EUR 13.6bn
Cost-to-income ratio: 52%
Operating profit: EUR 472m
ROCAR: 23%

AuM in sustainability -enhanced investment products

EUR 73.7bn

in 2020

2021 priorities

Optimise operational efficiency

- Leverage internal channels and strengthen product offering
- Grow digital presence and simplify client journey across channels

Drive income growth initiatives

- Increase and deepen distribution reach by expanding market presence and developing new markets
- Maintain strong investment performance through appropriate and suitable asset selection

Create great customer experiences

- Become a leading and transparent ESG provider
- Expand Life & Pensions' protection product range

Target 2022

Cost-to-income ratio

<50%

Group Functions

Erik Ekman
Head of Group Business Support

Group Business Support (GBS), role and responsibilities

GBS provides the business areas with the services, data and technology infrastructure needed for Nordea to be a strong and personal financial partner. It also provides the operational backbone for 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), role and responsibilities

CoSO supports the organisation in delivering on Group-wide priorities by providing advice and offering services in areas of common interest. CoSO enables sustainable value creation for the Group by coordinating and leading sustainable banking activities, ensuring proper internal governance, supporting on strategy-related topics and managing mergers and acquisitions.

Matthew Elderfield
Chief Risk Officer

Group Risk and Compliance (GRC), role and responsibilities

GRC represents Nordea's independent second line of defence function. It oversees the implementation of the Group's financial and non-financial risk policies, and monitors and controls the risk management framework, including the compliance risk framework. GRC thus oversees the identification, assessment, monitoring, management and reporting of key risks that Nordea is or could be exposed to.

Christina Gadeberg
Chief People Officer

Group People (GP), role and responsibilities

GP supports the employee lifecycle across the Group via dedicated services, including recruitment, onboarding, performance management, remuneration, professional development and off-boarding. Together with the business areas and other Group Functions, GP drives the Group's strategic agenda with respect to workforce planning, organisational setup and employee development.

James Graham
Chief Audit Executive

Group Internal Audit (GIA), role and responsibilities

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 assets, reputation and sustainability of the Nordea Group. 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. The Group Chief Audit Executive reports functionally to the Board and its Audit Committee and administratively to the Group CEO.

Jussi Koskinen
Chief Legal Officer

Group Legal (GL), role and responsibilities

GL is responsible for providing effective and high-quality legal advice within the Nordea Group, covering banking, business, contracts, mergers and acquisitions, litigation and many other legal areas that are relevant for Nordea. In addition, GL is responsible for corporate governance and regulatory management, including reporting to and interacting with authorities. GL is a strategic adviser and business partner, engaging with professionalism and integrity in all areas where Nordea operates.

Ulrika Romantschuk
Head of Brand, Communication and Marketing

Group Brand, Communication and Marketing (GBCM), role and responsibilities

GBCM's overall ambition is to grow the Group's brand and reputation, and increase its engagement, to make people passionate about Nordea. GBCM protects and develops the Nordea brand and is responsible for marketing activities across the Group, as well as all mass market communication and paid media. GBCM sets the direction on communication matters by providing advice and content in line with Group key priorities to both internal and external stakeholders.

Ian Smith
Chief Financial Officer

Group Finance (GF), role and responsibilities

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. Moreover, GF 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.

Board of Directors' report

Financial review 2020

Key figures and ratios

- Total operating income EUR 8,466m (0%, in local currencies 1%)
- Total operating expenses EUR 4,643m (-5%, in local currencies -4%)
- Operating profit EUR 2,963m (-12%, in local currencies -11%)
- Net loan loss ratio, amortised costs 35bp (22bp last year)
- Return on equity (ROE) 7.1% (last year 8.2%)
- Common Equity Tier 1 (CET1) capital ratio 17.1% (last year 16.3%)
- Assets under management (AuM) up 9% to EUR 353.8bn
- Proposed dividend authorisation EUR 0.72 per share, which includes a residual amount of EUR 0.33 from the 2020 AGM dividend mandate (dividend authorisation last year EUR 0.40 per share and payout of EUR 0.07 per share on 1 March 2021 at the earliest)

Results summary 2020

Total operating income in 2020 was up 1% in local currencies (unchanged in EUR) compared with 2019, excluding items affecting comparability. Total expenses were EUR 4,643m, a decrease of 4% in local currencies (down 5% in EUR) excluding items affecting comparability, in line with guidance. Net loan losses increased from last year to a level of 35 bp of loans (22 bp in 2019). Operating profit was down 11% in local currencies (down 12% in EUR) excluding items affecting comparability.

Income

Net interest income was up 7% in 2020 compared to 2019 in local currencies, driven by strong mortgage growth throughout the year. Net fee and commission income decreased by 1% in local currencies (2% in EUR) due to lower activity mainly in payments and cards following COVID-19. Savings-related net fee and commission income recovered during the second half of the year as markets stabilised and our AuM reached record levels. Trading income supported 2020 compared with 2019 but total net items at fair value decreased by 14% in local currencies.

Expenses

Total operating expenses were down 4% in local currencies (down 5% in EUR) compared to 2019 excluding items affecting comparability, in line with our guidance. Staff costs were down 1% in local currencies (2% in EUR), excluding items affecting comparability. Other expenses were down 11% in local currencies (12% in EUR), excluding items affecting comparability. Depreciation was up 4% in local currencies (2% in EUR), excluding items affecting comparability.

Net loan losses and similar net result

Net loan losses for 2020 were EUR 908m (EUR 536m), corresponding to an annual net loan loss ratio of 35bp for amortised cost. Including similar net result gains of EUR 48m, they amounted to EUR 860m, corresponding to 26bp (16bp). EUR 443m was due to increased management judgements mainly to cover for the uncertainty on future losses related to COVID-19. The individual provisions were driven by Oil, Gas and Offshore as well as Maritime mainly due to changed collateral values. There were also large net loan losses for consumer lending, but this was mainly related to the management judgements decided during the year. Net loan losses and similar net result for 2020 was on level with the 5-year average prior to the COVID-19 crisis.

Taxes

The effective tax rate in 2020 was 23.6% compared with 27% last year.

Net profit and return on equity (RoE)

Net profit decreased by 9% in local currencies (9% in EUR) to EUR 2,265m.

Return on equity (RoE) was 7.1% (last year 8.2%) excluding items affecting comparability.

Financial structure

Total assets decreased by EUR 2.7bn to EUR 552.2bn in 2020. Total liabilities decreased by EUR 4.9bn to EUR 518.4bn. All balance sheet items in foreign currencies are translated into euro at the year-end rates when consolidated into the Nordea Group. See Note G1 for more information on accounting policies and section 30 therein for the cross-currency rates used.

The euro strengthened against the Norwegian krone and weakened against the Swedish krona in 2020. The effect of changes in currency exchange rates amounted to a total decrease in the Group's assets of EUR 4bn and liabilities decreased by EUR 4bn.

Loans

Total lending decreased by EUR 4.8bn or 1%.

Securities

Investments in interest-bearing securities and shares decreased by EUR 4.0bn or 5%.

Deposits and borrowings

Deposits and borrowings increased by EUR 6.3bn or 3%. Total debt securities in issue as per the end of 2020 amounted to EUR 174.3bn.

Life insurance activities

Liabilities to policyholders decreased by EUR 1.1bn or 6%.

Derivatives

The balance sheet item "Derivatives" reflects the net present value of derivative contracts split into positive and negative fair values. The positive market value of derivatives increased from EUR 39bn to EUR 45bn and negative market values increased from EUR 42bn to EUR 47bn. For more information, see Notes G1 and G19.

Capital position

The CET1 capital ratio was 17.1% at the end of 2020, up from 16.3% last year while the nominal CET1 capital was EUR 26.6bn (EUR 24.4bn last year). The Group's total capital ratio was 20.5% and total own funds were EUR 31.7bn at the end of 2020.

A description of the capital position is available under Capital management on pages 38-41 and in the Capital and Risk Management Report at www.nordea.com.

Credit portfolio

Loans to the public excluding reverse repurchase agreements increased by 4% in local currencies (an increase of 4% in EUR) and amounted to EUR 317.6bn. The share of loans to corporate customers was 43%. The portfolio is well diversified across the Nordic countries. Overall credit quality remains solid with strongly-rated customers. Gross impaired loans measured at amortised cost in the Group ended at EUR 3,979m at the end of the year. 45% of gross impaired loans are servicing and 55% are non-servicing.

Nordea's funding operations

During 2020 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 maintained a strong liquidity position throughout the period of COVID-19-related market stress. Nordea Bank Abp issued approximately EUR 15.0bn in long-term funding. Throughout 2020, Nordea Bank Abp remained compliant with the liquidity coverage ratio (LCR) requirement in all currencies on a combined basis. Nordea Bank Abp has participated in different local central bank facilities, including the Targeted Longer-Term Refinancing Operations (TLTRO) provided by the ECB to further support customer needs. For more information, see Note P2.

The Group issued approximately EUR 23.4bn in new and extended long-term funding during the year, excluding Danish covered bonds and subordinated debt. Liquidity management is presented on pages 134-135. 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.

Authorisations held by the Board of Directors

The Annual General Meeting (AGM) held on 28 May 2020 decided in accordance with the Board of Directors' proposal to authorise the Board of Directors to decide on a dividend payment of a maximum of EUR 0.40 per share for the financial year 2019, to be distributed in one or several instalments.

Furthermore, the 2020 AGM authorised, for the period until the end of the next AGM, the Board of Directors to decide on the issuance of special rights entitling to shares, either new shares or treasury shares, against payment (convertibles). The maximum number of shares that may be issued based on this authorisation is 404,995,191 shares. The issuance of special rights by virtue of the authorisation may be made with or without preferential rights for existing shareholders and must be made on market terms.

The 2020 AGM authorised the Board of Directors to decide on the repurchase of not more than 225,000,000 shares. The shares may be repurchased on one or several occasions either through an offer to all shareholders on equal terms or through other means and in another proportion than that of the shares held by current shareholders (directed purchases). The company's own shares must be repurchased using the unrestricted equity of the company. The company's own shares must be repurchased at a price that does not exceed the market price prevailing on the relevant stock exchange at the time of the repurchase or otherwise at a price formed on the market. The authorisation is in full force and effect until the earlier of (i) the end of the next AGM or (ii) 18 months from the decision by the AGM.

The 2020 AGM authorised the Board of Directors to decide on the issuance of new shares or transfer of own shares in an amount of not more than 30,000,000 shares in total. The shares may be issued or transferred with deviation from the shareholders' pre-emptive rights (directed issues). The authorisation is in full force and effect until the earlier of (i) the end of the next AGM or (ii) 18 months from the decision by the AGM.

Share issue resolutions

The 2020 AGM resolved that Nordea, before the end of the 2021 AGM, 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 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, corresponding to approximately 4.32% of the company's shares.

For information on share-based incentive programmes see G8. Staff costs on pages 147-148.

Holding of own shares

As of 31 December 2020, Nordea Bank Abp held 11,862,171 shares (0.3% of the total number of shares) in Nordea, an increase of 1,052,361 shares compared to 31 December 2019. The total price paid for own shares held at 31 December 2020 amounted to EUR 33m.

Nordea holds treasury shares partly for remuneration purposes and partly for trading purposes in its securities trading business. See also "Share issue resolutions" above.

During 2020 aggregated amounts of 1,040,750 and 13,572 own shares held by Nordea were transferred without consideration to participants in Nordea's variable remuneration programmes in May and September, respectively.

See also "Statement of changes in equity" on pages 74-77.

Personnel

Personnel expenses, 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 on page 15, "Our people".

Profit sharing and share-based incentive systems

The three decided criteria for the goals for the Profit-Sharing Plan 2020 are: return on equity (RoE), cost-to-income ratio (C/I ratio) and a customer satisfaction goal. If performance goals are fully met, the cost will amount to approximately EUR 63m (EUR 68m in 2019). The provision for Nordea's Profit-Sharing Plan was EUR 32.4m compared with EUR 13m in 2019.

The profit-sharing scheme and the share-based incentive systems as well as other remuneration principles are presented in the chapter Remuneration on pages 63-66 and in Note G8.

Pension liabilities

The total pension obligation in defined benefit plans increased from EUR 3,790m to EUR 3,871m in 2020. The increase was mainly due to re-measurements from changes in financial assumptions, mainly following lower discount rates. The increase in Sweden was partly offset by a lower inflation and salary increase assumption.

Pensions paid have had a reducing effect on the pension obligation offset by new pension rights earned and discounting effects. The fair value of plan assets amounted to EUR 3,650m (EUR 3,524m). Despite challenging asset returns, particularly in equities, strong performance of fixed income assets and interest rate hedging instruments led to a positive total return. The net pension liability amounted to EUR 221m (EUR 266m). See Note G34 for more information.

Other information

Group structure, subsidiaries and foreign branches

The main legal structure of the Nordea Group, including its main subsidiaries, is presented on page 288.

The parent company has foreign branches in China, Denmark, Estonia, Norway, Poland, Singapore, Sweden, the United Kingdom and the United States. During 2020 Nordea's branch in Germany (Frankfurt) was closed and the process to close the Singapore branch is ongoing and is expected to be finalised in the second quarter of 2021.

Changes in group structure

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. The process has been initiated for the closing of the operations in Russia.

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 expected to be completed between 1 May 2021 and 1 July 2021, with 1 June 2021 as the target date, and is subject to regulatory approval.

Acquisition of pension portfolios from Frende Forsikring in Norway

On 6 July 2020 Nordea announced that it would be acquiring the occupational and individual pension portfolios of the Norwegian company Frende Livsforsikring AS. The acquisition was completed in the fourth quarter of 2020. The business was subsequently combined with Nordea's own Norwegian pension company, Livforsikringsselskapet Nordea Liv Norge AS ("Nordea Liv"). The pension portfolios have total unit-linked assets of approximately NOK 4.2bn and around 5,600 corporate customers, representing around 32,000 individual policyholders.

As part of the transaction, Nordea Liv entered into a long-term agreement to distribute pension products with the Norwegian savings banks which own Frende Livforsikring AS.

Acquisition of SG Finans

The acquisition of SG Finans, now Nordea Finance Equipment (NFE), was completed on 1 October 2020. The transaction will add around EUR 140m to the Nordea Group's total annual income.

The transaction will also result in a minor increase in the Nordea Group's earnings per share and return on equity.

See also Note G48 "Acquisitions" on page 195.

Divestment of Automatia

On 26 February 2020, together with the other owners, Nordea agreed with Loomis to divest all the shares in Automatia, the leading cash handling and ATM provider in Finland. Nordea owned a third (approximately 33%) of the shares in Automatia. The agreed purchase price was EUR 42m on a debt and cash-free basis. The divestment of Automatia was completed on 2 December 2020.

Sale of Nordea's shares in VP Securities

On 23 April 2020, together with the other majority owners, Nordea agreed with Euronext to jointly sell approximately 70% of VP Securities, the Danish central securities depository. Nordea held 11.8% of the shares. The agreed purchase price for Nordea's 11.8% amounted to approximately EUR 18m. The increase in net fair value of approximately EUR 9m from the transaction was recorded in our second quarter financial results. The transaction was completed on 3 August 2020.

Investments in IT

During 2020 Nordea continued to develop its digital offerings to household and corporate customers. The Open Banking Portal was further developed in order for third parties to safely and securely access our customers' payment accounts. Nordea further developed KYC solutions and improved cyber security, also focusing on anti-money laundering activities. Additionally, supporting requests from regulators and improving data management have been emphasised. Improving customer satisfaction, investing in digital solutions, and streamlining processes have been and will be in focus in the future.

See also Note G21 "Intangible assets" on page 163.

Financial crime prevention

Nordea continued to strengthen its financial crime defences in 2020. Significant compliance enhancements have been achieved within the areas of: i) governance, ii) IT support of customer due diligence processes, iii) acceleration of KYC files remediations, iv) transaction monitoring capabilities, v) updating Nordea's policies in the light of changes in regulation, and vi) strengthening of Nordea's sanctions programme.

During the year Nordea closely followed issued warnings from international advisory bodies and national Nordic regulators regarding the potential impact of the pandemic on financial crime (fraud, cybercrime, exploitation of government funds, etc.).

Nordea has also initiated proactive and reactive case reviews through a risk assessment process, looking into patterns and red flags in addition to existing controls (e.g. false/fraudulent claims of government aid, unusual transaction patterns during the lockdown period). Furthermore, Nordea has increased its cooperation with local financial intelligence units due to higher numbers of urgent inquiries from these.

See also Note G2 "Risk and liquidity management" on pages 102-135, and Non-Financial Statement on pages 57-61.

Impact of the COVID-19 pandemic

2020 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" below.

Annual General Meeting

The 2021 Annual General Meeting will be held in Helsinki on Wednesday 24 March 2021.

Further information is presented on page 290 of this Annual Report.

Outlook, risks and uncertainties

Outlook

Key priorities to meet 2022 financial targets

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

Financial targets 2022

Nordea's financial targets for 2022 are:

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

Costs

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

Capital policy

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

Dividend policy

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

2019 Capital Markets Day follow-up

In 2020, Nordea continued delivering on the plan as presented at the Capital Markets Day (CMD) in October 2019. The cost-to-income ratio improved to 55% in 2020, down from 57% in 2019, and is on track to reach the target of 50% in 2022. Return on equity fell to 7.1% in 2020, down from 8.2% in the same period last year, impacted by loan loss provisions made during the first two quarters of 2020 and a significantly larger equity base. The progress towards the 2022 target of a return on equity above 10% is on track.

Risks and uncertainties

Within the framework of its normal business operations, Nordea faces various risks and uncertainties. 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.

Further information see Note G2. "Risk and Liquidity management" on pages 102–135, Note G33 "Provisions" on page 168 and Note G38 "Contingent liabilities" on page 174.

Credit risk

Credit risk is defined as the potential for loss due to failure of a borrower(s) to meet their obligations to clear a debt in accordance with the agreed terms and conditions. The potential for loss is lowered by credit risk mitigation techniques. Credit risk stems mainly from various forms of lending, but also from issued guarantees and documentary credits and includes counterparty credit risk, transfer risk and settlement risk.

A description of credit risk is presented on pages 105-106.

Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterparty in an FX, interest rate, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterparty.

A description of counterparty credit risk is presented on page 125.

Market risk

Market risk is the risk of loss in 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.

A description of market risk is presented on pages 129–131.

Operational risk

Nordea defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

A description of operational risk is presented on pages 131-132.

Financial reporting risk

Financial reporting risk is defined as the risk of misstatements or deficiencies in financial reporting and regulatory reporting and disclosures. The risk arises from the erroneous interpretation and implementation of accounting standards and regulation, the use of judgement in reporting and inadequate governance and control frameworks around valuation and financial reporting.

A description of financial reporting risk is presented on page 132.

Liquidity risk

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

A description of liquidity risk is presented on pages 134-135.

Compliance risk

Nordea defines compliance risk as the risk of failure to comply with applicable regulations and related internal rules.

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 inquiries 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 inquiries and investigations are unclear and pending. Accordingly, it cannot be ruled out that these inquiries and investigations could lead to criticism against the bank, reputation loss, fines, sanctions, disputes and/or litigation.

In June 2015 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding AML. The outcome resulted in criticism and, in accordance with Danish administrative practice, the matter was handed over to the police for further handling and possible sanctions. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision of EUR 95m for ongoing AML-related matters.

There is a risk that the costs of dealing with these matters could be higher (or potentially lower) than the current provision, and that this could also impact Nordea's financial performance. In addition, some of these proceedings could lead to litigation. Given this uncertainty, Nordea will maintain the 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 the Financial Crime Change Programme in 2015 and has strengthened its organisation significantly to enhance its AML and sanction management risk frameworks. Nordea also established the Sustainability and Ethics Committee and a culture transformation programme to embed stronger ethical standards into its corporate culture. The Group is also investing in enhanced compliance standards, processes and resources in both the first and second lines of defence.

The Danish tax authorities have raised a claim for damages against Nordea of approximately DKK 900m relating to Nordea's provision of assistance to a foreign bank in connection with the said bank's reclaim of dividend tax on behalf of one of its customers. It is Nordea's assessment that it is not liable, and Nordea disputes the claim.

A description of compliance risk is presented on pages 132-133.

Claims in civil lawsuits

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.

Presently, none of the current disputes are considered likely to have any significant adverse effect on Nordea or its financial position.

See also Note G1 "Accounting policies" Note G2 "Risk and Liquidity Management, Note G33 "Provisions" and Note G38 "Contingent liabilities".

ESG risks

For information on environmental, social and governance ("ESG") risks see "Non-Financial Statement" on pages 57-61 and Note G2 "Risk and Liquidity management" on pages 102-135.

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

As a result of the COVID-19 pandemic, the world economy experienced a major decline in 2020. Economic activity is thus estimated to have fallen by 3.5% compared with last year as a result of societal shutdowns aimed at containing the spread of infection. However, as a result of a rapid, coordinated and very extensive easing of economic policy, much of the production losses were largely recovered as societies reopened over the summer. Towards the end of the year, however, the second wave of the pandemic hit and Europe in particular was hit by a new comprehensive shutdown. Again with great consequence for economic activity. The service sector in particular has been hit hard, while the manufacturing sector has improved during the crisis.

The Nordic countries have done relatively well during the pandemic. All countries experienced large declines in economic activity in the second quarter, but had a significant boom over the summer and autumn. When the second wave hit, however, it led to new restrictions, which limited activity towards the end of the year.

The recovery of the global economy is expected to continue during 2021, with pre-COVID-19 global gross domestic product (GDP) levels reached by the end of the year.

The Nordic countries have been among the best performing countries globally during the pandemic. They are all expected to grow in 2021 following a relatively weak end to 2020 due to new containment measures.

Denmark

Danish GDP decreased by 3.7% in 2020 – the biggest setback since the financial crisis in 2009. The main drag on GDP occurred in Q2 2020 as harsh restrictions were enforced to curb the spread of the coronavirus. However, in the second half of 2020 activity quickly rebounded, driven by a significant increase in household consumption. By the end of the year new containment measures were introduced, which slowed the economic recovery. The situation in the labour market has improved since the spike in the unemployment rate in May 2020. Despite the crisis, the housing market has been strong, with accelerating selling prices and a significantly higher number of housing sales than in previous years. In March 2020 Danmarks Nationalbank made an independent interest rate hike to safeguard the fixed-exchange regime. Since then the DKK has been strengthening against the EUR and the central bank has not intervened in the FX market. The monetary policy rate is not expected to be changed until 2023 at the earliest.

Finland

The Finnish economy survived the coronavirus crisis in 2020 better than expected. For the full year of 2020, Finnish GDP decreased by 3.2%. The economic recovery slowed towards the end of the year due to the second wave of COVID-19, and in the service sectors the situation continues to be dire. The export sector has fared relatively well during the COVID-19 pandemic and goods exports picked up clearly towards the end of the year as global trade recovered. The unemployment rate was 8.2% in December and the annual average was 7.8% in 2020. The impact of the COVID-19 pandemic on the Finnish housing market was short-lived and we saw a quick rebound in the second half of the year. Housing prices were 2.3% higher in December compared to the year before. The ECB's monetary policy rates are not expected to be changed until 2023 at the earliest.

Norway

Norwegian mainland GDP fell by 2.5% in 2020, making Norway one of the countries that has weathered the COVID-19 pandemic the best. The rebound was also evident in registered unemployment figures, which fell from above 10% during the second quarter to 3.9% at the end of 2020. During 2020, Norway had some of the lowest infection rates and least stringent containment measures compared to other developed economies. House prices staged a strong development throughout the year and rose 8.7%, year on year, in December 2020. Housing prices benefited greatly from Norges Bank's rate cuts from 1.5% to zero. The central bank has pencilled in the first rate hike during Q1 2022. However, given the latest vaccination outlook, we expect normalisation sooner than Norges Bank and look for the first rate hike during the fourth quarter of 2021. The Norwegian krone weakened considerably during the worst market panic in March. Since then the NOK has strengthened in tandem with rising oil prices.

Sweden

The Swedish economy performed relatively well during 2020, where GDP decreased by 2.8%. After a tough second quarter the recovery gained speed, driven by a strong increase in household consumption of goods. Exports of goods also grew strongly in line with the recovery of global trade and in some sectors the order intake approached record-high levels. Growth slowed by the end of last year due to the second wave of the COVID-19 pandemic and parts of the service sector are still in a very difficult situation. The unemployment rate averaged 8.3% for 2020 but ended the year higher at somewhat below 9%. Home prices increased by 12% in the course of 2020. Sveriges Riksbank kept its repo rate unchanged at 0% in December 2020 as well as in February 2021, and signalled that the repo rate would remain unchanged for the coming three years. The quantitative easing programme runs until end-2021. The trade-weighted Swedish krona strengthened by 7% in 2020

The Nordea share and ratings

Nordea's return on equity (ROE) target is to be above 10% in full-year 2022.

Nordea's market capitalisation at the end of 2020 was EUR 27.0bn (EUR 29.3bn at the end of 2019). 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 2020 the Nordea share price depreciated by approximately 8% on the Nasdaq Helsinki exchange from EUR 7.24 to EUR 6.67. The daily closing prices listed for the Nordea share in 2020 ranged between EUR 4.55 and EUR 8.15. In 2020, the Nasdaq OMXH index appreciated by approximately 10% and the STOXX Europe 600 Banks index depreciated by approximately 24%. Since 6 March 2000, the date of the merger between MeritaNordbanken and Unidanmark, the Nordea share has appreciated by 65%, clearly outperforming the STOXX Europe 600 Banks index (-68%) and the Nasdaq OMXH index (-41%).

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

Total shareholder return 2020

Total shareholder return (TSR) is the market value growth per share and reinvested dividends. Total shareholder return in 2020 was -7.8% (9.7% in 2019).

During 2020 the Board of Directors of Nordea decided to follow the ECB's recommendations to banks not to pay dividends or buy back shares in the light of the COVID-19 pandemic. Consequently, no dividends were paid to shareholders during 2020.

Turnover – the most liquid Nordic bank share

The Nordea share was the most liquid Nordic bank share in 2020, with an average daily trading volume of approximately EUR 135m, corresponding to approximately 21 million shares. Turnover on all exchanges combined totalled EUR 34bn in 2020, corresponding to 5 billion shares.

34% of the total volume traded in Nordea shares takes place over other exchanges such as Cboe Europe and Equities, Turquoise and Aquis. Out of the total number of Nordea shares traded in 2020 on Nasdaq, approximately 49% were SEK-denominated, 46% EUR-denominated and 3% DKK-denominated.

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 2020, the total number of shares in Nordea was 4,049,951,919. See also "Statement of changes in equity" on pages 74-77.

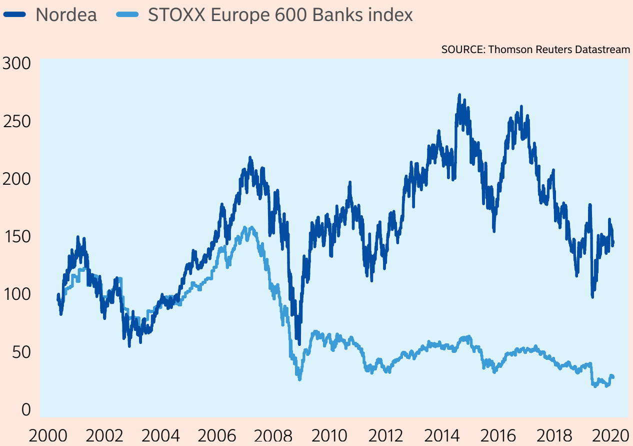
There are no restrictions in the Articles of Association regarding the right to transfer shares and Nordea is not aware of any agreements between shareholders in this respect. However, as Nordea is a credit institution, a direct or indirect acquisition of shares in Nordea, which results in the acquirer's 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 on (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 2020, Sampo plc was the largest individual shareholder with a holding of 15.9% and the only shareholder with holdings of more than 10%. A table showing the largest registered shareholders in Nordea as at the end of 2020 is provided on page 36.

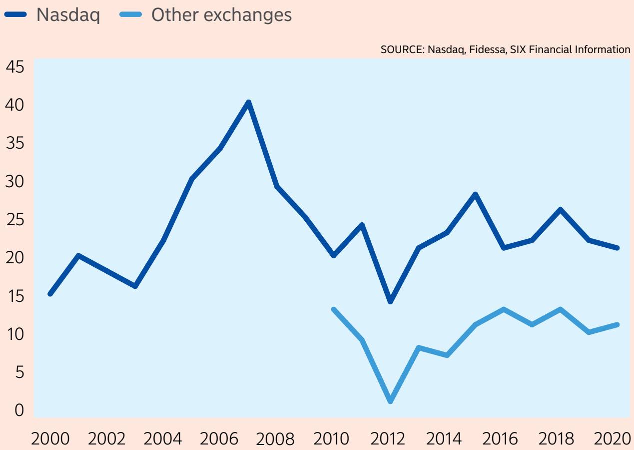
On 31 December 2020, employees had an indirect shareholding of 0.6% in Nordea through the Nordea Profit-Sharing Foundation and a minor indirect shareholding in Nordea through the pension foundation. The voting rights are in neither case exercised directly by the employees.

For information on share-based incentive programmes see note G8 "Staff costs" on pages 147-148.

Nordea share price performance compared to European banks, 2000–2020, %



Turnover of the Nordea share on exchanges, 2000–2020[1], EURbn



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

AT1 conversion notes and special rights entitling to shares

The AT1 conversion notes issued in 2019 by Nordea Bank Abp automatically convert into an aggregated maximum number of 194,099,378 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 shall be convertible into shares at a price not exceeding a specific nominal amount, subject to adjustments. Upon conversion of the notes into shares, Nordea's existing shareholders have preferential rights to all newly-issued Nordea shares.

There are no convertible bonds issued by Nordea that give option exercise rights for holders to acquire shares in Nordea.

Share capital

The share capital amounts to EUR 4,049,951,919, which equals the total number of shares in the company.

Dividend for 2019 and 2020

On 15 December 2020, the ECB issued an updated dividend recommendation to banks. The ECB in general expects 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 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 such dividend payment was 22 February and the payment date is 1 March 2021 or as soon as possible thereafter.

In addition, the Board has proposed that the 24 March 2021 AGM authorise it to decide on a dividend payment of a maximum of EUR 0.72 per share. The payment would be distributed based on the balance sheet to be adopted for the financial year ended 31 December 2020, in one or several instalments. The authorisation would remain in force until the beginning of the next AGM.

The proposed amount of EUR 0.72 maximum per share is in line with Nordea's dividend policy and includes the residual amount of the 2020 AGM dividend mandate (EUR 0.33 per share) as well as 70% of the net profit for the financial year 2020 (EUR 0.39 per share). The Board of Directors will refrain from deciding on a dividend payment based on the proposed authorisation before 1 October 2021 unless the ECB updates or revokes its current recommendation. The total dividend payment for 2020 would be EUR 2,907m. The dividend yield calculated on the share price at 31 December 2020 was 10.7%.

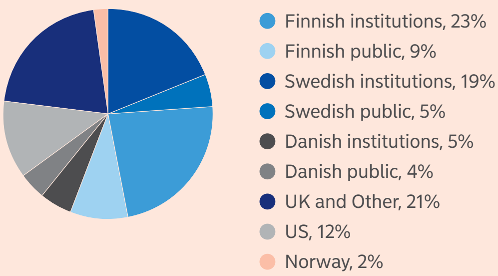
Nordea will publish any future decisions on dividend payment by the Board of Directors separately, and will simultaneously confirm the dividend record and payment dates.

Shareholders

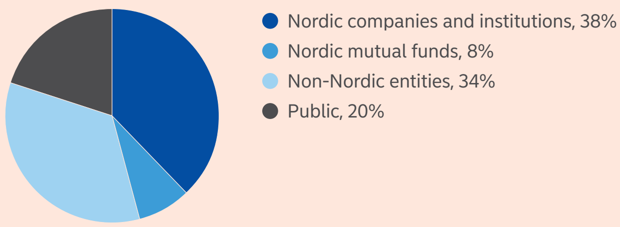
With approximately 575,000 registered shareholders at the end of 2020, Nordea has one of the largest shareholder bases of all Nordic companies. The number of shareholders in Finland is approximately 305,000, in Sweden approximately 145,000 and in Denmark approximately 125,000, largely unchanged from last year.

The largest shareholder category is Finnish institutions (including Sampo plc), with a 23% holding of Nordea shares. At year-end, Swedish institutional shareholders held 19% while non-Nordic shareholders held 34%. The largest individual shareholder is Sampo plc with a holding of 15.9%.

Shareholder structure, 31 Dec 2020



Shareholder structure, 31 Dec 2020

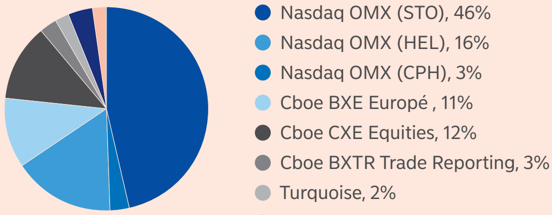


Largest registered shareholders in Nordea, 31 Dec 2020[1]

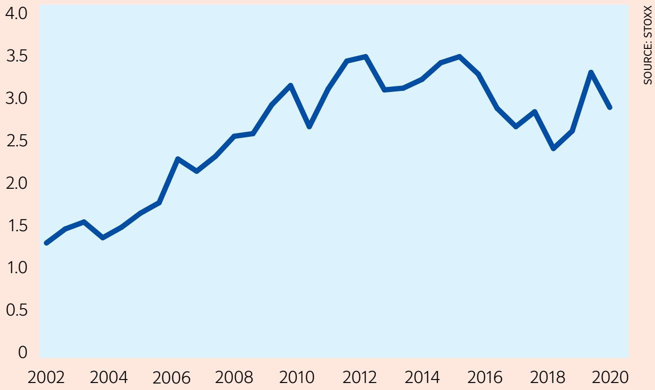
Shareholder	Number of shares, mil.	Percent of Nordea end Dec
Sampo Plc	642.9	15.9
BlackRock	202.2	5.0
Cevian Capital	178.4	4.4
Nordea Fonden	158.2	3.9
Alecta	115.7	2.9
Vanguard Funds	103.6	2.6
Swedbank Robur Funds	62.7	1.6
Varma Mutual Pension Insurance	60.2	1.5
Nordea Funds	49.7	1.2
Norwegian Petroleum Fund	43.9	1.1
First Swedish National Pension Fund	38.9	1.0
Ilmarinen	38.5	1.0
SHB Funds	37.8	0.9
Fidelity Investments	33.4	0.8
T. Rowe Price	29.1	0.7
Henderson Funds	29.0	0.7
Nordea Vinstandelsstiftelse	25.3	0.6
Government of Japan Pension Fund	25.0	0.6
Finnish State Pension Fund	24.5	0.6
SEB Funds	24.1	0.6
Other	2,126.6	52.4
Total number of potential outstanding shares	**4,049.9**	**100.0**

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 exchanges 2020



Nordea weighting in the STOXX Europe 600 Banks index, 2002–2020, %



Distribution of shares, 31 Dec 2020

Distribution of shares	Number of shareholders	Shareholders, %	Number of shares	Shares, %
1–1,000	438,294	76	115,966,933	3
1,001–10,000	125,692	22	337,458,498	8
10,001–100,000	10,110	2	238,497,695	6
100,001–1,000,000	740	0	214,832,227	5
1,000,001–	234	0	3,143,196,566	78
Total	**575,070**		**4,049,951,919**	

Share data past 5 years

	2020	2019	2018[4]	2017[4]	2016[4]
Share price (EUR)	6.67	7.24	7.27	10.09	10.60
High/Low (EUR)	8.19 / 4.39	8.22 / 5.37	10.54 / 7.25	11.75 / 9.74	10.93 / 6.94
Market capitalisation (EURbn)	27.0	29.3	29.8	40.9	42.8
Dividend (EUR)	0.72[1]	0.40[5]	0.69	0.68	0.65
Dividend yield[2] (%)	10.7	5.5	9.5	6.7	6.2
STOXX Europe 600 Banks index (%)	–24.5	8.2	–28.0	7.5	–6.8
P/E (actual)	12.1	19.1	9.6	13.5	11.4
Price-to-book	0.80	0.93	0.90	1.23	1.32
Equity per share (EUR)	8.35	7.80	8.15	8.21	8.03
Earnings per share[3] (EUR)	0.55	0.38	0.76	0.75	0.93
Total shares	**4,049,951,919**	**4,049,951,919**	**4,049,951,919**	**4,049,951,919**	**4,039,029,217**

1) Proposed dividend authorisation. 2020 includes the residual amount of the 2020 AGM dividend mandate (EUR 0.33 per share).
2) Dividend yield for 2016 to 2019 calculated at starting price on payment day and for 2020 calculated at price per 31 December 2020.
3) Diluted earnings per share, total operations.
4) Nordea Bank Abp replaced Nordea Bank AB (publ) as the parent company of the Nordea Group on 1 October 2018.
5) Proposed dividend authorisation. Dividend of EUR 0.07 per share to be paid on 1 March 2021 (at the earliest) based on the balance sheet for the financial year ended 31 December 2019.

Ratings

Nordea's credit ratings are some of the strongest among banks globally. During 2020, Nordea's ratings were reaffirmed at unchanged levels with a stable outlook from Moody's and were reaffirmed at unchanged levels with negative outlook on the long-term ratings from Standard & Poor's (S&P) and Fitch.

The long-term ratings for senior unsecured preferred debt for Nordea Bank Abp are all at the AA level: Standard & Poor's AA– (negative outlook), Moody's Aa3 (stable outlook) and Fitch AA (negative 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 negative outlook from Standard & Poor's and from Fitch mainly reflect Nordea's lower profitability in recent periods and relate to Nordea's ability to meet its new financial targets and improve profitability.

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' side 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 have been stable during the year, with the exception of the view on profitability as described above.

The senior non-preferred (SNP) bonds that Nordea has issued have received the following ratings: A (from Standard & Poor), Baa1 (from Moody's) and AA– (from Fitch).

Ratings, 31 Dec 2020

	Moody's Investors Service		Standard & Poor's		Fitch		DBRS	
	Short	Long	Short	Long	Short	Long	Short	Long
Nordea Bank Abp	P–1	Aa3	A–1 +	AA–[2]	F1+	AA–[2]	R–1 (mid)	AA (low)[2]
Senior Preferred issuances		Aa3		AA–[2]		AA[2]		
Senior Non-Preferred (SNP) issuances		Baa1		A[2]		AA–[2]		
AT1 in Sep 2014 issue rating			BBB[2]		BBB+[2]			
AT1 in March 2015 issue rating			BBB[2]		BBB+[2]			
AT1 in Nov 2017 issue rating			BBB[2]		BBB+[2]			
AT1 in March 2019 issue rating			BBB[2]		BBB+[2]			
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	A+[3]				
Nordea Direct Boligkreditt AS			AAA[1]					

1) Covered bond rating.
2) Negative outlook.
3) Positive outlook.

Capital management

Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to different asset, liability and risk categories. The goal is to enhance returns to shareholders while maintaining a prudent capital structure. The Board of Directors decides ultimately on the targets for capital ratios, the capital policy 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 being subject to buy-back considerations.

Minimum capital requirements

The calculation method for the Risk Exposure Amount (REA) depends on regulatory approval. Nordea had 87% of its credit risk exposure amount covered by the internal ratings-based (IRB) approach by the end of 2020. 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 (SREP). In November 2020, the ECB communicated that the total Pillar 2 requirement (P2R) of 1.75% would be maintained. Furthermore, as communicated by the ECB in March 2020, the P2R can partially be complied with using capital instruments that do not qualify as Common Equity Tier 1 capital, i.e. Additional Tier 1 or Tier 2 instruments. The P2R of 1.75% is also applicable to Nordea Bank Abp on solo level.

Internal capital requirement (ICR)

For internal risk and capital assessment purposes, Nordea uses the ICR. In line with Article 73 of CRD IV, 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 and it also ensures that data and processes are appropriately validated and governed.

Economic Capital (EC)

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.

EC is aligned with the Group's target CET1 level, which is set by future expected levels of the capital policy to ensure a sustainable long-term capitalisation for the Nordea Group. In addition, the EC framework also includes the following items:
- legal equity contribution of NLP
- certain capital deductions for which allocation keys have been agreed

EC (including Nordea Life & Pensions) was, at the end of 2020, EUR 23.5bn (EUR 25.7bn at the end of 2019). The decrease in EC during 2020 was primarily driven by an update of the EC framework to reflect the new capital requirements due to the COVID-19 outbreak and to support business momentum.

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 financial supervisory authority 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. Nordea Bank Abp, on the basis of its consolidated situation, quarterly provides Capital and Risk Management Report disclosures according to Part Eight of Regulation (EU) No 575/2013 (CRR). The disclosures constitute a comprehensive disclosure of risks, risk management and capital management. It includes disclosures, or references to other disclosures, required according to Part Eight of the CRR and by EBA guidelines and standards for 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, Nordea Eiendomskreditt AS, Nordea Direct Bank Group, Nordea Finans Norge AS and Nordea Finance Equipment AS.

Nordea and its subsidiaries have adopted a formal policy to assure 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 www.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 www.nordea.com.

Capital requirements and Risk Exposure Amount (REA), Nordea Group

	31 Dec 2020		31 Dec 2019	
EURm	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	**9,638**	**120,479**	**9,389**	**117,367**
- of which counterparty credit risk	449	5,609	496	6,199
IRB	**8,379**	**104,743**	**8,295**	**103,694**
- sovereign	–	–	–	–
- corporate	5,403	67,540	5,398	67,479
- advanced	4,613	57,670	4,568	57,103
- foundation	790	9,870	830	10,376
- institutions	379	4,738	491	6,135
- retail	2,181	27,256	2,100	26,248
- secured by immovable property collateral	1,474	18,424	1,386	17,329
- other retail	707	8,832	714	8,919
- items representing securitisation positions	70	880	70	874
- other	346	4,329	236	2,958
Standardised	**1,259**	**15,736**	**1,094**	**13,673**
- central governments or central banks	35	437	79	980
- regional governments or local authorities	7	83	5	67
- public sector entities	–	–	–	–
- multilateral development banks	–	–	–	–
- international organisations	–	–	–	–
- institutions	9	110	13	163
- corporate	178	2,228	131	1,629
- retail	300	3,747	296	3,704
- secured by mortgages on immovable properties	130	1,626	117	1,459
- in default	8	96	9	117
- associated with particularly high risk	91	1,145	75	938
- covered bonds	2	30	3	38
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	27	333	25	312
- equity	412	5,156	281	3,515
- other items	60	745	60	751
Credit Value Adjustment Risk	**52**	**648**	**64**	**795**
Market risk	**529**	**6,616**	**395**	**4,934**
- trading book, Internal Approach	294	3,671	330	4,126
- trading book, Standardised Approach	48	606	65	808
- banking book, Standardised Approach	187	2,339	–	–
Settlement Risk	**21**	**264**	**0**	**4**
Operational risk	**1,176**	**14,701**	**1,256**	**15,698**
Standardised	1,176	14,701	1,256	15,698
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR	**51**	**630**	**60**	**750**
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	**968**	**12,101**	**853**	**10,667**
Additional risk exposure amount due to Article 3 CRR	–	–	–	–
Total	**12,435**	**155,440**	**12,017**	**150,215**

Capital requirements and Risk Exposure Amount (REA), Nordea Bank Abp (Parent Company)

	31 Dec 2020		31 Dec 2019	
EURm	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	**9,224**	**115,302**	**9,428**	**117,849**
- of which counterparty credit risk	454	5,673	502	6,275
IRB	**6,326**	**79,071**	**6,551**	**81,884**
- sovereign	–	–	–	–
- corporate	4,789	59,856	5,013	62,665
- advanced	4,384	54,792	4,597	57,460
- foundation	405	5,064	416	5,205
- institutions	391	4,887	495	6,190
- retail	863	10,782	865	10,811
- secured by immovable property collateral	237	2,962	243	3,035
- other retail	626	7,820	622	7,776
- other	283	3,546	178	2,218
Standardised	**2,898**	**36,231**	**2,877**	**35,965**
- central governments or central banks	31	384	68	846
- regional governments or local authorities	5	66	5	62
- public sector entities	–	–	–	–
- multilateral development banks	–	–	–	–
- international organisations	–	–	–	–
- institutions	856	10,699	879	10,993
- corporate	361	4,509	397	4,963
- retail	11	137	11	135
- secured by mortgages on immovable properties	0	3	0	5
- in default	0	0	0	0
- associated with particularly high risk	91	1,145	75	938
- covered bonds	110	1,371	37	462
- institutions and corporates with a short-term credit assessment	–	–	–	–
- collective investments undertakings (CIU)	26	333	25	312
- equity	1,399	17,486	1,372	17,147
- other items	8	98	8	102
Credit Value Adjustment Risk	**51**	**637**	**64**	**790**
Market risk	**503**	**6,287**	**507**	**6,340**
- trading book, Internal Approach	294	3,671	330	4,126
- trading book, Standardised Approach	54	676	73	913
- banking book, Standardised Approach	155	1,940	104	1,301
Settlement Risk	**21**	**265**	**0**	**4**
Operational risk	**831**	**10,386**	**937**	**11,717**
Standardised	831	10,386	937	11,717
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	**6**	**74**	**9**	**108**
Additional risk exposure amount due to Article 3 CRR	**–**	**–**	**–**	**–**
Total	**10,636**	**132,950**	**10,945**	**136,808**

Summary of items included in own funds

EURm	Nordea Group[1]		Nordea Parent Company	
Calculation of own funds	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Equity in the consolidated situation	29,100	28,398	25,657	25,841
Profit of the period	2,288	1,658	–	–
Proposed/actual dividend	–1,585	–1,616	–	–
Common Equity Tier 1 capital before regulatory adjustments	29,802	28,441	25,657	25,841
Deferred tax assets	–252	–136	–249	–136
Intangible assets	–2,636	–3,451	–916	–1,749
IRB provisions shortfall (–)	–	–	–	–
Pension assets in excess of related liabilities[1]	–108	–130	–113	–134
Other items, net[2]	–253	–303	–223	–266
Total regulatory adjustments to Common Equity Tier 1 capital	–3,249	–4,020	–1,501	–2,285
Common Equity Tier 1 capital (net after deduction)	26,553	24,421	24,156	23,556
Additional Tier 1 capital before regulatory adjustments	**2,609**	**3,117**	**2,609**	**3,118**
Total regulatory adjustments to Additional Tier 1 capital	**–21**	**–20**	**–22**	**–20**
Additional Tier 1 capital	2,588	3,097	2,587	3,098
Tier 1 capital (net after deduction)	29,141	27,518	26,743	26,654
Tier 2 capital before regulatory adjustments	**2,745**	**4,559**	**2,746**	**4,559**
IRB provisions excess (+)	**628**	**220**	**474**	**275**
Deductions for investments in insurance companies	–650	–1,000	–650	–1,000
Other items, net	–63	–61	–63	–62
Total regulatory adjustments to Tier 2 capital	–85	–841	–239	–787
Tier 2 capital	**2,660**	**3,718**	**2,507**	**3,772**
Own funds (net after deduction)	**31,801**	**31,236**	**29,250**	**30,426**

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

Capital adequacy ratios, Nordea Group

Percentage	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 capital ratio, including profit	17.1	16.3
Tier 1 capital ratio, including profit	18.7	18.3
Total capital ratio, including profit	**20.5**	**20.8**
Common Equity Tier 1 capital ratio, excluding profit	17.0	16.2
Tier 1 capital ratio, excluding profit	18.7	18.3
Total capital ratio, excluding profit	**20.4**	**20.7**

Own Funds & Capital ratios (Financial conglomerate)[1]

	31 Dec 2020	31 Dec 2019
Financial conglomerates Own funds, EURm	33,537	33,687
The Own funds requirement of the financial conglomerate, EURm[2]	23,930	29,163
Capital adequacy of the financial conglomerate (Own funds surplus/deficit), EURm[2]	9,606	4,524
Financial conglomerates capital adequacy ratio, %[2]	140.1%	115.5%

1) The financial conglomerate consists of banking and insurance operations
2) Comparison figures for 2019 have been restated since publication of the annual report 2019

Capital adequacy ratios Nordea Parent Company

Percentage	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 capital ratio, including profit	18.4	17.1
Tier 1 capital ratio, including profit	20.4	19.3
Total capital ratio, including profit	22.3	22.1
Common Equity Tier 1 capital ratio, excluding profit	18.2	17.2
Tier 1 capital ratio, excluding profit	20.1	19.5
Total capital ratio, excluding profit	**22.0**	**22.2**

Life & Pensions – Solvency II position[1]

EURm	31 Dec 2020	31 Dec 2019
Required solvency	1,968	1,673
Actual solvency capital	3,020	2,682
Solvency buffer	1,052	1,010
Solvency in % of req	153%	160%

1) The annual dividend for 2019 was reflected in the solvency position at 31.12.2019. 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 31.12.2020.

Life & Pensions – Solvency II sensitivity[1]

EURm	31 Dec 2020	31 Dec 2019
Solvency in % of requirement	153%	160%
Equities drop 20%	153%	165%
Interest rates down 50bp	157%	160%
Interest rates up 50bp	152%	168%

1) The annual dividend for 2019 was reflected in the Solvency II sensitivities at 31.12.2019. 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 31.12.2020.

Five-year overview

Income statement

EURm	2020	2019	2018[1]	2017[1]	2016[1]
Net interest income	4,515	4,318	4,491	4,888	4,855
Net fee and commission income	2,959	3,011	2,993	3,369	3,238
Net result from items at fair value	900	1,012	1,088	1,328	1,715
Profit from associated undertakings and joint ventures accounted for under the equity method	–1	50	124	23	112
Other operating income	93	232	476	83	135
Total operating income	**8,466**	**8,623**	**9,172**	**9,691**	**10,055**
General administrative expenses:					
- Staff costs	–2,752	–3,017	–2,998	–3,212	–2,926
- Other expenses	–1,286	–1,639	–1,566	–1,844	–1,774
Depreciation, amortisation and impairment charges of tangible and intangible assets	–605	–1,330	–482	–268	–228
Total operating expenses	**–4,643**	**–5,986**	**–5,046**	**–5,324**	**–4,928**
Profit before loan losses	**3,823**	**2,637**	**4,126**	**4,367**	**5,127**
Net result on loans in hold portfolios mandatorily held at fair value	48	12	–	–	–
Net loan losses	–908	–536	–173	–369	–502
Operating profit	**2,963**	**2,113**	**3,953**	**3,998**	**4,625**
Income tax expense	–698	–571	–872	–950	–859
Net profit for the year	**2,265**	**1,542**	**3,081**	**3,048**	**3,766**

Balance sheet

EURm	31 Dec 2020	31 Dec 2019	31 Dec 2018[1]	31 Dec 2017[1]	31 Dec 2016[1]
Cash and balances with central banks	32,955	35,509	41,578	43,081	32,099
Loans to central banks and credit institutions	6,246	17,726	18,962	13,388	20,261
Loans to the public	329,765	323,091	308,304	310,158	317,689
Interest–bearing securities and pledged instruments	66,304	72,081	83,790	81,783	92,809
Assets in pooled schemes and unit–linked investment contracts	36,484	30,799	24,583	25,879	23,102
Derivatives	44,770	39,111	37,025	46,111	69,959
Other assets	35,636	36,531	37,166	39,026	50,843
Assets held for sale	–	–	–	22,186	8,897
Total assets	**552,160**	**554,848**	**551,408**	**581,612**	**615,659**
Deposits by credit institutions	23,939	32,304	42,419	39,983	38,136
Deposits and borrowings from the public	183,431	168,725	164,958	172,434	174,028
Deposits in pooled schemes and unit–linked investment contracts	37,534	31,859	25,653	26,333	23,580
Liabilities to policyholders	18,178	19,246	18,230	19,412	41,210
Debt securities in issue	174,309	193,726	190,422	179,114	191,750
Derivatives	47,033	42,047	39,547	42,713	68,636
Subordinated liabilities	6,941	9,819	9,155	8,987	10,459
Other liabilities	27,055	25,594	28,123	33,289	30,562
Liabilities held for sale	–	–	–	26,031	4,888
Equity	33,740	31,528	32,901	33,316	32,410
Total liabilities and equity	**552,160**	**554,848**	**551,408**	**581,612**	**615,659**

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

	2020	2019	2018[8]	2017[8]	2016[8]
Basic earnings per share, EUR	0.55	0.38	0.76	0.75	0.93
Diluted earnings per share, EUR	0.55	0.38	0.76	0.75	0.93
Share price[2], EUR	6.67	7.24	7.30	10.09	10.60
Proposed/actual dividend per share, EUR	0.39	0.40	0.69	0.68	0.65
Equity per share[2], EUR	8.35	7.80	8.15	8.21	8.03
Potential shares outstanding[2], million	4,050	4,050	4,050	4,050	4,050
Weighted average number of diluted shares, million	4,039	4,035	4,037	4,039	4,037
Return on equity, %	7.1	5.0	9.7	9.5	12.3
Assets under management[2], EURbn	353.8	324.7	280.1	330.4	322.7
Cost-to-income ratio[3], %	55	57	57	54	50
Net loan loss ratio, amortised cost, bp[4]	35	22	7	12	15
Common Equity Tier 1 capital ratio excluding Basel I floor[2,6,7], %	17.1	16.3	15.5	19.5	18.4
Tier 1 capital ratio, excluding Basel I floor[2,5,7], %	18.7	18.3	17.3	22.3	20.7
Total capital ratio, excluding Basel I floor[2,5,7], %	20.5	20.8	19.9	25.2	24.7
Tier 1 capital[2,5,7], EURbn	29.1	27.5	27.0	28.0	27.6
Risk exposure amount, excluding Basel I floor[2], EURbn	155	150	156	126	133
Number of employees (full-time equivalents)[2]	28,051	29,000	28,990	30,399	31,596
Economic capital[2], EURbn	23.5	25.7	26.6	26.7	26.3
Return on capital at risk[3], %	9.2	9.2	10.0	11.1	13.4

1) For more information regarding ratios and key figures defined as alternative performance measures, see https://www.nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports/. All key ratios reflect Nordea´s continuing operations.
2) End of the year.
3) Excluding items affecting comparability.
4) In 2016 and 2017 the ratio is including Loans to the public reported as assets held for sale.
5) Including result for the period.
6) Including the profit for the period adjusted by accrued dividend.
7) The ratios for 2016 to 2018 have not been restated due to the change recognition and presentation of resolution fees (see Note G1 for more information).
8) Nordea Bank Abp replaced Nordea Bank AB (publ) as the parent company of the Nordea Group on 1 October 2018.

Ratios and key figures, Parent company

	2020	2019	2018[1]
Return on equity, %	6.8	5.0	15.6
Return on assets, %	0.5	0.4	1.1
Cost-to-income ratio, %	57	72	45
Loan loss ratio, basis points	57	38	4
Common Equity Tier 1 capital ratio[2,3], %	18.5	17.1	16.0
Tier 1 capital ratio[2,3], %	20.4	19.3	17.9
Total capital ratio[2,3], %	22.3	22.1	20.6
Common Equity Tier 1 capital[2,3], EURm	24,156	23,556	24,059
Tier 1 capital[2,3], EURm	26,743	26,654	26,908
Risk exposure amount[3], EURm	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 & 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	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	%
Net interest income	2,091	2,105	1,418	1,364	877	852	67	53	62	–56	4,515	4,318	5
Net fee and commission income	1,113	1,208	587	594	446	433	810	783	–17	–7	2,959	3,011	–2
Net result from items at fair value	89	130	257	261	467	296	95	99	–8	226	900	1,012	–11
Equity method	0	0	0	0	0	0	–5	33	4	17	–1	50	–
Other operating income	6	2	26	21	0	1	15	14	46	194	93	232	–60
Total operating income	**3,319**	**3,445**	**2,288**	**2,240**	**1,790**	**1,582**	**982**	**982**	**87**	**374**	**8,466**	**8,623**	**–2**
Total operating expenses	**–1,815**	**–1,989**	**–1,078**	**–1,115**	**–841**	**–931**	**–507**	**–560**	**–402**	**–1,391**	**–4,643**	**–5,986**	**–22**
Net result on loans in hold portfolios mandatorily held at fair value	25	42	12	–55	9	15	1	10	1	0	48	12	–
Net loan losses	–296	–130	–328	–141	–277	–251	–4	–2	–3	–12	–908	–536	69
Operating profit	**1,233**	**1,368**	**894**	**929**	**681**	**415**	**472**	**430**	**–317**	**–1,029**	**2,963**	**2,113**	**40**
Cost-to-income ratio, %	55	58	47	50	47	59	52	57	–	–	55	69	–
Return on capital at risk, %	12	12	10	11	7	4	23	19	–	–	9[1]	9[1]	–
Volumes, EURbn													
Total lending	162.3	155.2	91.6	85.2	62.3	72.7	9.6	8.4	4.0	1.6	329.8	323.1	2
Total deposits	82.9	76.5	50.1	41.7	42.7	39.6	10.4	10.0	–2.7	0.9	183.4	168.7	9

1) Excluding items affecting comparability.

New regulations

The Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) entered into force on 1 January 2014 followed by the Bank Recovery and Resolution Directive (BRRD) on 15 May 2014. The CRR became applicable in all EU countries from 1 January 2014 while the CRD IV and BRRD were implemented through national law within all EU member states from 2014. From 31 December 2019, the CRR and CRD IV were also finally implemented in Norway.

In June 2019, the 'banking package' containing revisions to the BRRD, the CRD and the CRR was adopted. The revisions include 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) are to be applied from 28 December 2020, while the majority of the changes in the CRR (CRR II) are to be applied from 28 June 2021. The consultation on the "banking package" ended on 6 January 2021 in Norway and implementation is pending.

On 26 June, the so-called 'quick fix' was implemented with the intention to ensure that banks can continue to lend money to support the economy and help mitigate the significant economic impact of COVID-19. The package includes a few targeted "quick fix" amendments to the CRR with the intention to maximise the ability of banks to lend and absorb losses related to COVID-19. Among the changes, the quick fix implements the extended SME factor and the changed treatment of software at an earlier date than previously decided.

On 6 April, the Board of the Finnish FSA decided to remove the systemic risk buffer (SRB) and to adjust bank-specific requirements so that the buffer requirements for all Finnish banks fall by 1 percentage point. For Nordea, the 3% SRB was removed and instead the 2% buffer for other systemically important institutions (O-SII) became applicable, reducing the overall requirement for systemic risk from 3% to 2%. In the decision it is also stated that this promotes a smooth transition to coming changes in capital regulation (CRD V) that states that the buffers for SRB and O-SII will be additive.

On 12 March, the ECB announced that they will allow banks to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G) and the capital conservation buffer (CCoB). The ECB also stated that they will allow banks to partially use capital instruments, i.e. Additional Tier 1 (AT1) and Tier 2 (T2) capital, to meet the Pillar 2 Requirements (P2R), which is a measure that was expected to be applicable with the implementation of CRD V.

The ECB has during the year made three recommendations on dividends during the COVID-19 pandemic. The most recent recommendation on 15 December states that banks should refrain from or limit dividends until end-September 2021. The recommendation states that dividends are to remain below 15% of cumulated 2019–20 profits and not higher than 20 basis points of the CET1 ratio.

In March 2020, the countercyclical buffer rate was decreased in Sweden, Denmark and Norway due to COVID-19. The buffer rate in both Sweden and Denmark was decreased to 0%, while it was reduced to 1% in Norway. In Finland the buffer rate remains at 0%.

To mitigate the effect of the Norwegian implementation of the CRR and CRD IV, the Norwegian Ministry of Finance adopted changes in banks' capital requirements by changing the systemic risk buffer (SRB) from the current 3% for all Norwegian banks to 4.5% for all Norwegian exposures. The changes apply from 31 December 2020 to all banks' exposures in Norway that are currently subject to the Advanced Internal Rating Based (IRB) approach. For all other banks, the changes to the SRB enter into force from 31 December 2022. New risk weight floors for residential real estates to 20% and for commercial real estates to 35% according to article 458 of the CRR have also been adopted and apply from 31 December 2020. On 2 February 2021, the Norwegian Ministry of Finance requested the European Systematic Risk Board (ESRB) to issue a recommendation to other EEA states to reciprocate the measures. Nordea does not agree to the change in the systemic risk buffer and is raising its concerns with relevant decision-making bodies. If reciprocity is accepted by the Finnish FSA, the aforementioned measures would then also apply to the Nordea Group, leading to an estimated increase in the Group's CET1 capital ratio requirement of approximately 95 bp.

On 22 December 2020, the Commission delegated regulation on the deduction of software assets from Common Equity Tier 1 items was published in the EU Official Journal. The delegated regulation is applicable from 23 December and explains how prudently valued software assets which are not negatively affected by resolution, insolvency or liquidation are defined and calculated. Under this approach, the positive difference between the prudential and the accounting accumulated amortisation shall be fully deducted from CET1 capital, while the residual portion of the carrying amount of software shall be risk weighted to 100%. The prudential amortisation period is maximum three years and shall start from the date on which the software asset is available for use and begins to be amortised for accounting purposes.

The Swedish FSA has implemented a temporary risk weight floor for residential mortgages of 25%. The floor was implemented with effect from 31 December 2018 and was in December 2020 decided to be prolonged to also be valid during 2021. This has been reciprocated by the Finnish FSA and is therefore valid for the Nordea Group. The Finnish FSA has implemented a similar risk weight floor of 15% for residential mortgages with effect from 1 January 2018 until 31 December 2020 after which it is discontinued.

The new European Covered Bond Directive and Regulation has been finalised. The Directive entered into force on 8 January 2020; the national transposition period will last until 8 July 2021 and national measures must be applied by 8 July 2022. The Regulation will apply from 8 July 2022, in parallel with the deadline for the national measures of the Directive.

Finalisation of Basel III framework ("Basel IV")

Basel III is a global regulatory framework on bank capital adequacy, stress testing and liquidity risk. In December 2017, the 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, and includes revisions to credit risk, market risk, operational risk, credit valuation adjustment (CVA) risk, leverage ratio and introduces a new output floor.

On credit risk, the package includes revisions to both the IRB approach, where restrictions on the use of IRB for certain exposures are implemented, as well as on 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. On CVA risk, the internally modelled approach is removed, and the standardised approach is revised. The package also includes the implementation of a minimum leverage ratio requirement of 3% to be met with Tier 1 capital with an additional leverage ratio buffer requirement for global systemically important banks (G-SIBs) of half the size of the G-SIB capital buffer requirement.

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 2023 to be fully implemented at 72.5% from 1 January 2028.

Before being applicable to Nordea, the Basel IV package needs to be implemented into EU regulations and will therefore be subject to negotiations between the European Commission, Council and Parliament, which might change the implementation and potentially also the timetable. It is expected that the Commission will publish its proposal in mid-2021 after which negotiations in the Council and Parliament will begin.

Corporate Governance Statement 2020

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, approved by the Securities Market Association on 19 September 2019, (the "Code") and complies with all the recommendations of the Code apart from the appointment procedure for electing employee representatives to the Board (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 requirements of the Finnish Act on Credit Institutions, the Finnish Accounting Act, the Finnish Securities Market Act, the Ministry of Finance Decree on the obligation of securities issuers to disclose periodic information, and the Code.

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

Corporate governance at Nordea

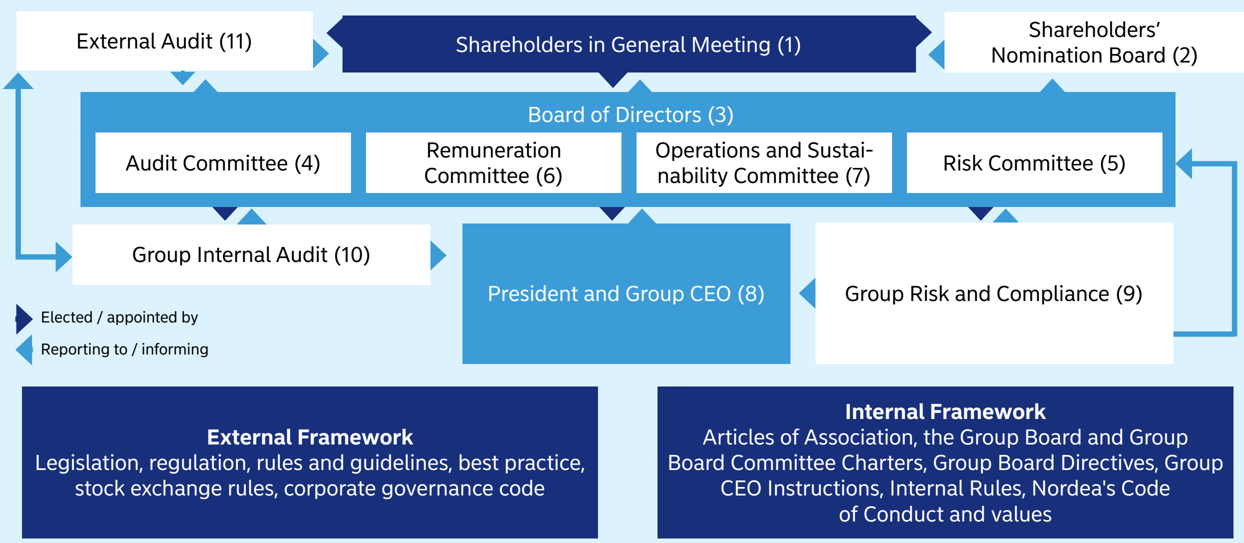
Nordea is a Finnish public limited liability company and the parent company of the Nordea Group (comprising the Company and its subsidiaries). The Company's shares are listed on the Nasdaq stock exchanges in Helsinki, Stockholm and Copenhagen and its American Depository Receipts (ADR) are traded in the US in US dollars. Furthermore, as part of its funding operations the Company issues long-term debt instruments on the capital markets, which 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 efficient management in accordance with prudent conduct of business principles. Furthermore, Nordea's commitment to 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"), 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 ("GL 12"), as well as national level laws, including the Finnish Companies Act, the Finnish Act on Credit Institutions, the Finnish Accounting Act and the relevant FIN-FSA regulations and guidelines. Nordea also complies with rules and guidelines issued by other relevant financial supervisory authorities, as well as EU legislation for the financial industry, stock exchange rules for each relevant stock exchange, and the rules and principles of the Code.

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

For information on Sustainability governance at Nordea see section "Non-Financial Statement" on pages 57-61.

Corporate Governance Structure



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 (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 annual accounts, dividend, election of the members of the Board and auditor, as well as remuneration for the Board members and auditor. In accordance with applicable laws and regulations, the Remuneration Policy for Governing Bodies and, as of 2021, the Remuneration Report for Governing Bodies will be presented and adopted through an advisory vote at the General Meeting. The Remuneration Policy for Governing Bodies and the Remuneration Report are available at www.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 pursuant to the temporary legislation initially adopted by the Finnish Parliament on 24 April 2020 (the "Temporary Legislation") for the Annual General Meeting ("AGM") 2020. The AGM was held on 28 May 2020 at the headquarters of the Company without physical participation and the shareholders could thus participate in the AGM and exercise their shareholders' rights by voting in advance or through a proxy representative, and by making counterproposals and asking questions in advance. Additionally, the shareholders had the possibility to follow the 2020 AGM through a live web stream. Due to the COVID-19 pandemic none of the members of the Board, the proposed new Board member, the President and Group CEO, the Company's auditor nor representatives of the Company's senior management were physically present at the 2020 AGM. Information on the decisions of the 2020 AGM and the minutes are available at www.nordea.com.

Due to the COVID-19 pandemic, also the 2021 AGM will be arranged in accordance with extraordinary meeting procedures pursuant to the Temporary Legislation at the headquarters of the Company on Wednesday 24 March 2021.

Voting rights

Nordea's Articles of Association do not contain any provisions on share classes or voting rights and 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 the full number of shares that he or she holds or represents. Nordea is not entitled to vote with its own shares at General Meetings in accordance with applicable legislation. More information about the Nordea share is presented in the section "The Nordea share and ratings" on pages 34-37 and in the "Financial Review 2020" on pages 28-29.

Articles of Association

The Articles of Association are available at www.nordea.com. Amendments to the Articles of Association are resolved by the General Meeting pursuant to 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 shall 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 and approved the charter of the Shareholders' Nomination Board. A revised charter of the Shareholders' Nomination Board was approved by the 2020 AGM according to which the Shareholders' Nomination Board is to prepare, annually and otherwise when appropriate, proposals to the General Meeting for the election and remuneration of the Chair and members of the Board, and present the proposals at the General Meeting. The Shareholders' Nomination Board shall 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 by the four largest shareholders in terms of voting rights on 31 August 2020, who wish to participate in the Shareholders' Nomination Board. Holders of nominee registered shares are taken into account when determining the members.

The composition of the Shareholders' Nomination Board was made public on 18 September 2020. Sampo plc had appointed Ricard Wennerklint, Nordea-fonden had appointed Lars Ingemann Nielsen, Alecta had appointed Ann Grevelius and Cevian Capital AB 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 2020, when determining the members of the Shareholders' Nomination Board, the members of the Shareholders' Nomination Board represented 31.1% of all shares in the Company.

Prior to the 2021 AGM the Shareholders' Nomination Board constituted in the autumn 2020 held six 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 preparations or decision-making regarding Board remuneration and other matters in which he was conflicted to participate due to his role as Chair of the Board.

Ricard Wennerklint, Chairman of the Shareholders' Nomination Board

Stockholm School of Economics (Business Administration and Finance and Executive Education, Advanced Management Programme)
Born 1969
Chief of Strategy, 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 & Management)
Born 1966
Non-Executive Director, Alecta

Niko Pakalén

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

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 284-285 for more information.

The proposals of the Shareholders' Nomination Board are presented in the notice of the 2021 AGM and are also available at www.nordea.com.

Nordea 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 framework.

Composition of the Board of Directors

According to the Articles of Association, the Board shall consist of not less than six and not more than fifteen 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, the fact that a Board member has served as a member for more than ten consecutive years shall be considered when conducting the overall evaluation of independence. Further, 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 of ensuring 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 shall be based on merit with the prime consideration being to maintain and enhance the Board's overall effectiveness. In order to fulfil this, a broad set of qualities and competencies is sought, and it is recognised that diversity – including age, gender, geographical provenance and educational and professional background – is an important factor to consider. Nordea's objective is to have a fair, equal and balanced representation of different genders and other diversifying factors on the Board collectively. The Board is to have a composition appropriate to the company's operations and phase of development and the Board members elected by the General Meeting are collectively to exhibit diversity and breadth of opinions, qualifications and experience.

During the nomination work before the 2021 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. 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 on the Board in accordance with the Suitability Policy and the Diversity Policy of the Company.

It is assessed that the Board collectively possesses the requisite knowledge 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 one deputy member. Of these Board members, ten (six men and four women) were elected by the AGM held on 28 May 2020, and three ordinary members and one deputy member (three men and one woman) were appointed by the employees of the Nordea Group. The Board members elected by the 2020 AGM are Torbjörn Magnusson (Chair), Kari Jordan (Vice Chair), Pernille Erenbjerg, Nigel Hinshelwood, Petra van Hoeken, Robin Lawther, John Maltby, Sarah Russell, Birger Steen, and Jonas Synnergren. Additionally, Maria Varsellona was a member of the Board until the end of the 2020 AGM.

As mentioned above, in addition to the members proposed by the Shareholders' Nomination Board and elected by the AGM, three ordinary members and one deputy member are appointed by the employees of the Nordea Group as employee representatives to the Board. The term of office for the employee representatives is one year. The employee representatives until the end of the 2021 AGM are Kari Ahola, Dorrit Groth Brandt, Gerhard Olsson and Hans Christian Riise (deputy member). 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 that at Nordea, employee representation is based on an agreement between Nordea and an employee representative body, which was entered into 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 re-domiciliation 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 in the table on page 52 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 284-285.

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. The Board considers all the members elected by the shareholders at the 2020 Annual General Meeting to be independent of the Company according to the Code, including Sarah Russell who has been Board member of the Company and its legal predecessors for over 10 consecutive years. Based on an overall evaluation, her independence is not compromised due to 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 2020 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, except for Torbjörn Magnusson, are furthermore independent in relation to the Company's significant shareholders according to the Code. Torbjörn Magnusson was during 2020 Managing Director of Sampo plc and Group CEO and President of Sampo Group. As Sampo plc owns more than 10 per cent of all shares in the Company, Torbjörn Magnusson is thus not considered independent of the Company's significant shareholders.

According to the Code, the majority of the Board members shall be independent of the company, and at least two Board members who are independent of the company shall also be independent of the significant shareholders of the company. Thus, the number of Board members independent in relation to the Company and independent in relation to the Company's significant shareholders, exceeds the minimum requirements of the Code.

The independence of each Board member is also shown in the table on page 52.

The 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 work procedures governing its work that also set forth the management and risk reporting to the Board (the "Charter") and separate work procedures for its work carried out in each of the Board Committees (the "Committee Charters"). For example, the Charter sets forth the Board's and the 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 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 framework and its Charter. The Board shall ensure that Nordea's legal and organisational structure is appropriate and transparent with a clear allocation of functions and areas of responsibility that ensure sound and efficient 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 for the governance and control on which it has decided. The Board is also reviewing the risk appetite and regularly follows up on the development of relevant risks, capital and liquidity. Significant organisational changes, certain senior management appointment as well as mergers and acquisitions and other resolutions of significance are other matters dealt with by the Board. In 2020 the Board dealt extensively with various aspects related to the pandemic caused by COVID-19. Additionally, the Board handled matters related to digitalisation, internal control and compliance, financial crime as well various remediation and implementation programmes.

Furthermore, the Board shall ensure that the Company's organisation in respect of accounting, management of funds and the Company's financial position in general includes satisfactory controls. The Board is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained. Group Internal Audit ("GIA") 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 53-55 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 Group Leadership Team ("GLT"). In addition, the auditor in charge regularly attends the meetings of the Board Audit Committee.

In 2020 the Board of the Company held 16 meetings, six of which were held as per capsulam meetings. For more information see the table on page 52.

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, ensure that the Board receives sufficient information and documentation and ensure 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 annually conducts a self-evaluation process, through which the performance and the work of the Board is evaluated for the purpose of continuously improving the Board work. The evaluation is based on methodology that includes questionnaires to evaluate the Board as a whole, the Chair and 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 members of the Board individually 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, belonging to the competence of the Board and to decide in matters delegated by the Board. The duties of the Board Committees, as well as working procedures, are defined in the Committee Charters. 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 respect of Board Committees.

The 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 providing recommendations or proposals to ensure their reliability (including efficiency of the internal control and risk management systems), monitoring the effectiveness of GIA, keeping itself informed as to the statutory audit of the annual and consolidated accounts, 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, prepares a recommendation of appointment of the Company's auditor, 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. Further information is presented in the separate section "Principles for related party transactions".

Members of the BAC are Sarah Russell (Chair), Petra van Hoeken, Pernille Erenbjerg and Jonas Synnergren. Generally, the Chief Audit Executive ("CAE") , the Chief Financial Officer ("CFO") and the Deputy Chief Risk Officer as well as 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 may not be the Chair of the Board or of any other Board Committee. None of the members of the BAC may be employed within the Nordea Group or participate in the day-to-day management of the Company or a company in the Nordea Group. The majority of the members of the BAC are to be independent of the Company. At least one of the members of the BAC who is independent of the Company shall also be independent of the Company's significant shareholders and have sufficient expertise in accounting and/or auditing. The committee members must have sufficient expertise and experience required for the performance of the responsibilities of the BAC. For more information, see the table on page 52.

The Board Risk Committee (5)

The Board Risk Committee ("BRIC") assists the Board in fulfilling its oversight responsibilities concerning management and control of the risks, risk frameworks, controls and processes associated with the Nordea Group's activities, including credit, market, liquidity, business, life and operational risks, 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, and 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 credit or credit limit 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), Petra van Hoeken, John Maltby and Birger Steen. The Chief Risk Officer ("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 102-135.

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 may not be the Chair of the Board or of any other Board Committee. The BRIC shall 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, are to be independent. Members of the BRIC shall, individually and collectively, have appropriate knowledge, skills and expertise concerning risk management and control practices. For more information, see the table on page 52.

The Board Remuneration Committee (6)

The Board Remuneration Committee ("BRC") 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 shall be considered.

At least annually, the BRC 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 BRC supports the Board with the preparation of the Remuneration Policy for Governing Bodies and the Remuneration Report for Governing Bodies. The BRC 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 heads of control functions. At the request of the Board, the BRC also prepares other issues of principle for the Board's consideration.

Members of the BRC are Torbjörn Magnusson (Chair), Kari Jordan, Robin Lawther and Gerhard Olsson (employee representative). Generally, the Chief People Officer and the President and Group CEO are present at 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 his or her respective employment terms and conditions.

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

The Chair and the majority of the members of the BRC shall 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 may not be members of the BRC. However, if employee representatives are appointed to the Board, at least one of them shall be appointed as a member of the BRC pursuant to the Finnish Credit Institutions Act. The members of BRC shall collectively have sufficient knowledge, expertise and experience in issues relating to risk management and remuneration. For more information, see the table on page 52.

Further information regarding remuneration at Nordea is presented in the separate section "Remuneration", on pages 63-66 and in Note G8, on pages 141-149.

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 as to the mentioned areas and assisting the Board in overseeing the implementation of that strategy by senior management. The relevant management committees (Sustainability and Ethics Committee, Digital Committee and the Data and Technology Committee) report regularly to the BOSC.

Members of the BOSC are Birger Steen (Chair), Pernille Erenbjerg, Nigel Hinshelwood, John Maltby and Jonas Synnergren. To the extent possible, the Head of Group Operational Risk attends when the committee deals with operational risks related to data and IT. The CAE may also participate in meetings to the extent possible and 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 shall be composed of members of the Board who do not perform any executive function in the Nordea Group. Members of the BOSC shall have sufficient collective knowledge, expertise and experience in issues relating to the work of the committee. For more information, see the table below.

Meetings, 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.

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 Nordea Group in accordance with the external and internal framework. 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 relation to the planning of Board meetings.

The President and Group CEO is accountable to the Board for managing Nordea Group's operations and organisation and he 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 102-135.

The President and Group CEO works together with certain senior officers within the Group in the GLT. 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 management of their respective business area's or group function's performance, operations, risks and resources and for the development of the business area or group function in the best interests 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 consulting with the other members of GLT. Notes of meetings, verified by the President and Group CEO, are kept.

At the end of 2020 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),

Board members' attendance and independence

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

	Board of Directors	Board Audit Committee	Board Risk Committee	Board Remuneration Committee	Board Operations and Sustainability Committee	Independence in relation to the Company[1]	Independence in relation to the significant shareholders[1]
Number of meetings (of which per capsulam)	16(6)	10(0)	12(0)	12(4)	8(0)		
Elected by shareholders at the AGM							
Torbjörn Magnusson (Chair)	16	4	–	12	–	Yes	No
Kari Jordan (Vice Chair)	15	–	–	11	–	Yes	Yes
Nigel Hinshelwood	16	–	12	–	8	Yes	Yes
Maria Varsellona (Board member until 28 May 2020)	9	–	3	–	–	Yes	Yes
Birger Steen	16	–	11	–	8	Yes	Yes
Sarah Russell	16	10	–	–	–	Yes	Yes
Robin Lawther	16	–	–	12	–	Yes	Yes
Pernille Erenbjerg	16	10	–	–	8	Yes	Yes
Petra van Hoeken	16	10	12	–	–	Yes	Yes
John Maltby	16	–	12	–	8	Yes	Yes
Jonas Synnergren (Board member as of 28 May 2020)	7	6	–	–	5	Yes	Yes
Appointed by employees							
Kari Ahola	14	–	–	–	–	No	Yes
Dorrit Groth Brandt	16	–	–	–	–	No	Yes
Gerhard Olsson	16	–	–	12	–	No	Yes
Hans Christian Riise (deputy member)	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 49.

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 Interim Deputy Managing Director), Ulrika Romantschuk (Head of Brand, Communication and Marketing) and Ian Smith (Group Chief Financial Officer).

Further biographical information about the President and Group CEO and the other GLT members is presented in the section "Group Leadership Team", on pages 286-287 and further information about business areas or group functions is presented on pages 16-26.

Internal control framework

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

The Internal Control Framework is designed to ensure effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, sound administrative and accounting procedures, reliability of financial and non-financial information reported or disclosed (both internally and externally) and that compliance risk is effectively managed. The internal control process is carried out by the Board and The President and Group CEO together with senior management, the control functions and other staff at Nordea.

The internal control process aims to create the necessary fundamentals for the entire organisation to contribute to the effectiveness and high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures. Roles and responsibilities with respect to internal control and risk management are divided into three lines of defence. 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 the third line of defence.

In the first line of defence, the business organisation and group corporate 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 and Compliance ("GRC"), which is responsible for maintaining and monitoring the implementation of the Risk Management Framework as a fundamental part of the Internal Control Framework. To ensure effective risk management GRC 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 the governance and risk and control framework, together with an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile.

Group Risk and Compliance (9)

GRC comprises the independent risk and compliance functions and is structured to carry out risk monitoring and control in line with Nordea's Internal Control Framework. As a second line of defence, the control functions are responsible 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 shall among other things ensure that all risks to which Nordea is or could become exposed are identified, assessed, monitored, managed and reported. The Chief Risk Officer ("CRO"), who is also a member of the GLT, has overall responsibility of GRC 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 BRIC and the Board on Nordea Group's risk exposure.

Group Compliance is responsible for creating a Compliance Risk Management Framework that ensures compliance with applicable laws, regulations, standards, supervisory requirements and related internal rules, as well as providing training, advice, monitoring and ensuring compliance matters are adequately communicated and adhered to by management. Group Compliance is responsible for identifying compliance risks and performing monitoring and control to ensure that the risks are managed by the relevant functions. Group Compliance activities shall be decided and conducted according to a risk-based approach. The Compliance function is headed by the CCO (Head of Group Compliance). The CCO has a functional reporting line to the CRO. The CCO is appointed, suspended, or dismissed by decision of the Board, after prior consultation with the President and Group CEO.

The responsibilities and mandates of GRC are described in more detail in the "Group Board Directive for the second line of defence risk function" and in the "Group Board Directive on Group Compliance".

Group internal audit (10)

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

The purpose of GIA is to support the Board and 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 shall operate free from interference in determining the scope of internal auditing, in performing its audit work and in communicating its results. This means for example that GIA, via the CAE, is authorised to inform the financial supervisory authorities 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, GLT, overall committees and for the Nordea Group and other key management decision-making fora when relevant and necessary.

External audit (11)
According to the Articles of Association, the auditor of the Company shall be an audit firm with the auditor-in-charge being an Authorised Public Accountant ("APA"). The term of office for the auditor expires at the end of the AGM following the election. The current auditor of the Company is PricewaterhouseCoopers Oy. Jukka Paunonen, APA, was the auditor in charge as of the 2020 AGM.

Further information about the fees paid for audit services and non-audit services is presented in Note G9 on page 149.

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

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

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

The primary governance principle is the adherence to the three lines of defence model which provides a 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 daily 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 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. The GRC, in the second line of defence, is responsible for monitoring the implementation of ICFR framework.

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 sits 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 should be performed. Examples of risk assessments are the reoccurring 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 judgment of a reasonable person relying upon 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 ("EWC's") are directive measures and governance bodies in place to set the standards for internal control, such as The Group Accounting Manual, Financial Control Principles and the Group Valuation Committee. The Group Accounting Manual ("GAM") holds information on the accounting policies to be used in the Group and contains detailed reporting instructions and the tools needed for producing the financial statements.

The ICFR control structure is based on Transaction Level Controls ("TLC") that are identified by analysing risks based on high level processes with an end-to-end product focus. After deciding on the TLCs an analysis is performed to determine which systems/applications are 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 associated with the reporting process.

Information and Communication
Group Finance ("GF") is responsible for ensuring that the GAM and the Financial Control Principles are up to date and that changes are communicated to the responsible units. These directive measures are supported by detailed guidelines and standard operating procedures in the responsible units.

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

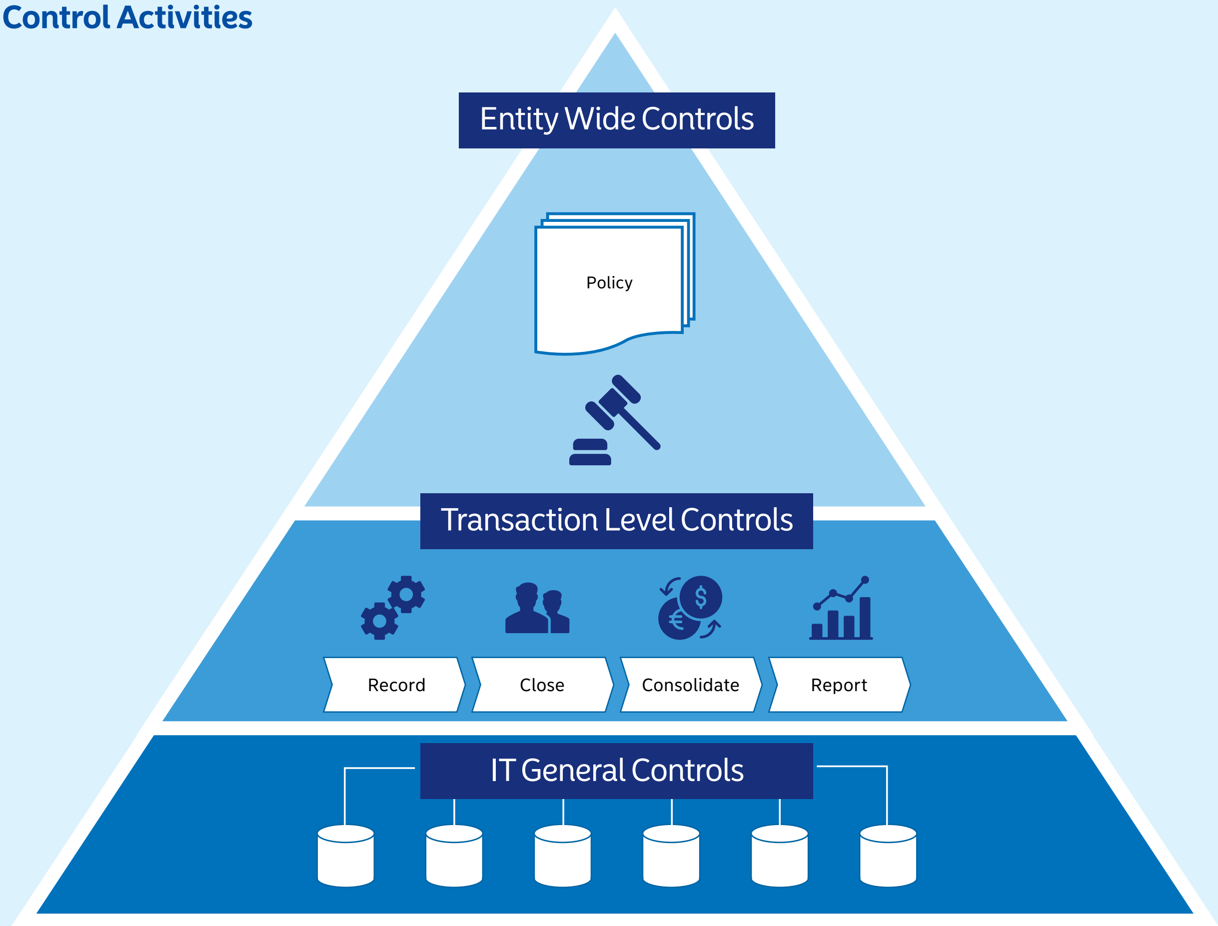
Nordea interacts with relevant subject-matter experts externally to keep up to date with changes in reporting expectations and ensure fulfilment of financial reporting objectives. Nordea actively participates in relevant national and international forums, such as those established by the financial supervisory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

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 risks to the BAC on a quarterly basis.

An independent risk control function resides in the second line of defence and is responsible for identifying, controlling and reporting on financial reporting risks. 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, BAC, BRIC, BOSC, GRC and GIA have important roles in respect of governance and oversight of the internal

Control Activities



Examples of control activities in Nordea:

Entity Wide Controls: 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, 4-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.

control of financial reporting at Nordea Group. For further information, see "The work of the Board of Directors (3)", "Board Audit Committee (4)", "Board Risk Committee (5)", "Board Operations and Sustainability Committee (7)", "Group Risk and Compliance (9)" and "Group Internal Audit (10)" in the previous pages.

Insider administration

Insider administration is organised according to the applicable EU and national level laws and regulations. The Board has approved groupwide 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 on 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 inside information, and the insider register is closed. Nordea does not maintain a permanent insider register under the EU Market Abuse Regulation No 596/2014 ("MAR").

The Company has also identified members of the Board and 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 publishes 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 before (and including) the date of the publication of a Nordea Group interim financial report, half-year report or a year-end report, as well as whenever such persons are in possession of inside information about Nordea.

For employees who participate in providing investment services or advice to clients, 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 Dealers 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 such persons in securities listed in Finland 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 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 is held by Group Compliance.

Principles for related party transactions

Applicable laws and regulations set requirements for monitoring, assessment, and decision-making concerning related party transactions as well as for 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 on 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 conflict of interests 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 client responsible units and 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 ensuring that credits and comparable financing granted to such persons, as well as any investments into an entity belonging to the close circle, are in accordance with applicable laws and rules.

Pursuant to the Company's conflict of interest policy, Nordea's employees, management and members of the Board may not handle matters on behalf of Nordea in cases where he/she 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 interests.

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 related thereto. The BAC shall assist the Board in respect of monitoring and assessing how related party transactions meet the requirements of ordinary activities and 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 of the Board to carry out the related party transaction, unless required otherwise based on 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 preparation and decision making have carefully considered the conflict of interest policy; and (iii) the preparation of related party transactions contain 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 on page 101 and Note G45 on page 192.

Non-Financial Statement

This report constitutes Nordea's non-financial statement for the financial year 2020. The report covers the parent company Nordea Bank Abp and its subsidiaries.

In 2020, Nordea was present in 22 countries, including our four Nordic home markets – Denmark, Finland, Norway and Sweden. Through our four business areas – Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management – we offer a wide range of products and services.

As a financial institution, our business model is to create value for our 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 concern, social responsibility, employee-related matters, respect for human rights and anti-corruption.

We believe we can do this through sustainable banking. As a leading bank, with a wide spectrum of customers and values deeply rooted in the Nordics, we recognise that we have a key role to play in the transition to a resilient economy. This entails mitigating environmental, social and governance ("ESG") risks by embedding sustainability throughout the bank, into our products and processes in our core areas of financing, investment and advice, and in our internal operations. It also entails inspiring and enabling our customers to make sustainable choices.

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.

We have developed a long-term plan to fully integrate sustainability into our business strategy focusing on the sustainability topics where Nordea can have a material impact, either through reducing our negative impact or increasing our positive impact. The material topics were identified through a combined materiality and impact analysis conducted in 2020. The analysis considered all of Nordea, which means all business areas, all products and services as well as internal operations. The identified material topics were grouped into four strategic pillars: financial strength, climate action, social responsibility, and governance and culture. These are connected to targets for 2023 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.

The short-term targets we set for 2020 were a continuation of the targets for 2019, focusing on aligning both with the Paris Agreement but with an even clearer focus on granularity and measurability. Most of the targets for 2019 and 2020 have been fulfilled now. Those that were not have been integrated with the new targets and objectives.

Financial strength

Managing ESG-related risk is key to maintaining our financial strength. In response to the heightened supervisory and regulatory expectations on ESG, a group-wide task force was established in June 2020 with the objective to assess how to comply with the ECB's Guide on Climate-Related and Environmental Risks and to address any required developments. The outcome of this work was presented to the Risk Committee ("RC"), the Business Ethics and Values Committee ("BEVC"), the GLT, and the Board Risk Committee ("BRIC"). This included a high-level five-year action plan to remediate identified gaps through clear allocation of roles and responsibilities across the three lines of defence and a proposal for a steady-state ESG-related risk governance.

Strategic management of ESG-related risks

We define ESG risk as the risk of negative financial impact over the short to longer term, stemming from the direct or indirect impact that environmental (including climate), social and governance issues may have on Nordea. These issues relate either to Nordea's internal operations (such as processes, people, systems and the functions supporting Nordea's internal operations such as outsourcing) or to its financial exposures such as issues relating to trading positions, the operations of Nordea's customers (including borrowers and trading counterparties) and those of the companies that Nordea has invested in.

Consequently, Nordea considers ESG factors as drivers of existing risk categories and will further incorporate them into existing risk management frameworks taking a proportionate and risk-based approach. Recent efforts have focused on integrating climate-related risks in the credit risk framework while integration to other financial risk frameworks is planned to start in 2021.

Managing ESG-related risk in relation to our customers

In relation to our customers, Nordea's Code of Conduct is the central steering document for our financing operations together with our principles on ESG in financing, investing and advice in our sustainability policy.

The ESG evaluation of large corporate borrowers is currently integrated into the credit process through the credit risk framework. There are different types of ESG evaluations performed depending on the type and size of the transaction and the customer's internal segmentation. In the needs analysis stage of the credit process for Large Corporates & Institutions, the customer responsible unit is responsible for the customer dialogue and for performing the initial credit risk screening of the customer. They must adhere to the guiding parameters and requirements for ESG in our industry-specific credit policies. 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.

In 2021, the credit risk framework will be updated to address regulatory requirements and supervisory expectations on the integration of climate and environmental factors in customer onboarding, evaluation and monitoring processes.

For household customers seeking mortgage funding, energy efficiency labels are increasingly one of the factors considered in credit decision-making.

ESG-related risk identification and materiality assessment

In 2020, the materiality assessment for ESG-related risks associated with financial exposures focused on the impact of physical and transitional climate change factors on our corporate loan portfolio. The assessment concluded that climate-related risks are material to our credit risk profile. We will therefore manage ESG-related risks in line with internal rules for all material risk types. By the end of 2023 we shall have risk assessments in place for the sectors and customers most vulnerable to climate risk.

The assessment of physical impacts of climate change was qualitative. For transitional impacts, stress testing was used by introducing uniform increases in the greenhouse gas emissions tax over a period of three years. The tax was applied as an increased cost to corporate borrowers using sector average statistics sourced from Eurostat for the intensity of emissions from fuel combustion.

Norwegian mortgage pilot

In 2020, we piloted physical risk identification for our Norwegian mortgage portfolio. The exercise highlighted the number of properties and total value of collateral exposures in the locations most vulnerable to flooding and risk of landslide. Out of the assessed mortgage portfolio, the largest concentrations of exposed collaterals were in zones at low risk of landslide (26.4%), in flood zones with a 1,000-year return interval (17.8%), in flood zones with 200-year return intervals (11.4%) and in zones at high risk of landslide (4.1%). Currently, damage from these hazards is covered by insurance in Norway. Recognising that property valuations may be impacted by market perception of heightened physical risk, we are considering proactive mitigation measures as a next step. Due to the materiality of mortgage exposures at group level, a working group was established to support Nordea's four mortgage banks in collecting and utilising comparable data for assessment of the physical and transitional impacts of climate change on collateral valuations.

Physical risk heatmapping

In 2020, we participated in phase II of the UN Environmental Programme Finance Initiative (UNEP FI) TCFD (Task Force on Climate-related Financial Disclosures) banking pilot. Leveraging on that participation, we adopted a bespoke method to classify sectors most vulnerable to physical hazards in our four home markets. The method has been scientifically reviewed from a climatological perspective in terms of its geographical applicability by the Swedish Meteorological and Hydrological Institute (SMHI). According to our classification, sectors vulnerable to physical hazards include animal husbandry, paper and forest products, oil, gas and offshore, fishing and aquaculture, materials, retail trade, mining and supporting activities, power production, accommodation and leisure and land transportation. The analysis considers also the vulnerability of mortgage exposures to physical hazards based on geographical location. The method will potentially guide more granular assessments and initiation of proactive mitigation measures.

Transition risk classification

In 2020, a bespoke approach was developed to classify economic activities according to their impact on the climate, accounting both for business models that are resilient and those that are vulnerable to market and policy changes in the Nordic market. According to our classification, sectors likely to be impacted by the transition to a low-carbon economy include oil, gas and offshore, animal husbandry, shipping, land transportation, utilities, distribution and waste management, materials, mining and supporting activities, capital goods, power production and construction. Subject to further development and testing, the classification will be integrated into the credit risk framework and processes in 2021.

Integrating climate risk in investment decision-making

In 2020, Nordea Life & Pension ("NLP") further advanced its models and capabilities for assessing and integrating climate risk into its investment decision-making and risk management processes. For listed equity and corporate debt exposures, NLP uses the MSCI Climate Value at Risk ("CVaR")[1] methodology to assess both transition (policy) and physical risks in various climate scenarios. As at the end of 2020, NLP's total listed equity exposure, measured against a 1.5°C trajectory, had a policy risk CVaR of -12% and a physical risk CVaR of -7.9%. For corporate debt exposure, the CVaR results were -3.5% for policy risk and -0.7% for physical risk. In the real estate portfolios, NLP uses the Carbon Risk Real Estate Monitor ("CRREM") to assess the risk of stranded assets from a transition to a low-carbon economy. NLP is a member of CRREM's European Investor Committee and has been involved in developing the model. During 2020, NLP made an initial assessment of the Swedish and Finnish real estate portfolios using CRREM's methodology and 1.5°C decarbonisation pathways on end-of-year 2019 data. The assessment showed an aggregated carbon value at risk of +0.4% and -0.6% respectively with the majority of buildings in both portfolios aligned with a 1.5°C trajectory up to 2030.

Climate action

Our climate action agenda is acting in line with our plan to deliver on our targets and enable our customers to choose sustainable solutions. As such, our objectives for our business are to achieve net zero emissions by the end of 2050 at the latest and to reduce carbon emissions from our lending and investment portfolios by 40-50% by the end of 2030 compared to 2019. To support our target setting and to deliver on our long-term objectives we joined The Partnership for Carbon Accounting Financials ("PCAF") in December 2020 and have accordingly measured our financed emissions on business loans, listed equity, corporate fixed income and commercial real estate investment asset classes.

Policies and guidelines

Our commitments in relation to climate change are described in our Position Statement on Climate Change. It states, among other things, our position in relation to thermal coal, coal mining and extraction of oil sands. In addition, we have several sector guidelines addressing the climate issue. In 2020, we updated our sector guidelines for the fossil fuels industry to allow for heightening demands on our climate work. These guidelines set out our expectations on customers and investee companies in the fossil fuels industry in terms of their commitment to fulfilling the objectives of the Paris Agreement and investing in and working towards the necessary energy transition. Among other things, the guidelines now explicitly states that we do not provide project financing dedicated to the extraction of unconventional oil and gas.

During the year, Nordea Asset Management ("NAM") published a policy relating to fossil fuel for the sustainability-enhanced funds, requiring all fossil fuel companies to demonstrate that they have a decarbonisation strategy that is consistent with 2 degrees global warming or lower. These companies are put on the Paris-Aligned Fossil Fuel list and are eligible for inclusion in any of Nordea's sustainability-enhanced funds. Companies that are not on the list are excluded from such funds.

Internal carbon footprint

Although Nordea's greatest impact on climate is through financing and investments, we also work with reducing climate impact from our internal operations. Our 2030 objective is to reduce carbon emissions from our internal operations by more than 50% compared to 2019, and with a 30% reduction by the end of 2023. Already in 2019 we reduced our carbon

1) Certain information ©2020 MSCI ESG Research LLC. Reproduced by permission.

footprint, despite an increase in scope in 2019 to also include postal services, paper and water. Following this reduction, our total emissions of 15,898 tonnes CO_2e[2] in 2020 marked a 62% reduction from 2019, even though waste was added to the scope in 2020. The reduction in carbon emissions was mainly due to Nordea's travel policy in response to the COVID-19 pandemic.

Social responsibility

Social responsibility is about taking sustainability issues such as human rights, labour rights, employment, gender equality and education into consideration throughout our entire value chain.

Human rights

Human rights are included in our Code of Conduct, Sustainability Policy, Responsible Investment Policy, Supplier Code of Conduct and in our Sector Guidelines as relevant for specific industries. To ensure adequate awareness of human rights as included in our ethical principles, all Nordea employees are required to complete annual Code of Conduct training as part of their Licence to Work. At Nordea, we address human rights in all parts of the organisation and due diligence processes. We have identified our most critical areas in terms of human rights as being within investing, financing, transactions and sourcing.

The ESG assessments included in our investment and financing decision-making processes include human and labour rights, as does the norm-based screening of all Nordea funds. As per December 2020, we have 10 companies on our exclusion list due to violations of human rights-related norms, including norms violation of the rights of indigenous peoples. From a financing perspective, identified adverse human rights violations might affect a customer's credit assessment.

Human rights is one perspective taken into account when monitoring customer transactions for a wide range of behaviours that can be indicative of potential financial crime risk. Individual transaction behaviour and monitoring scenarios such as transactions with certain high-risk jurisdictions or indications of funnel account behaviour can relate to many types of financial and predicate crime including modern slavery and human trafficking.

From a sourcing perspective, in 2020 we performed a preliminary assessment of the human rights risk picture of Nordea's supply chain based on country, sector and actual spend. The assessment revealed that 92% of our spend is placed in countries and sectors at low risk of human rights breaches. In 2021 onwards we will deep-dive into high-risk areas like modern slavery and conflict minerals, via engagement and collaboration with stakeholders. We have set a target, that by 2023, we will have a human rights impact assessment of our supply chain in place, where high-risk areas are identified and where appropriate actions have been taken to mitigate and manage these.

Inclusive work environment

Our ambition is to ensure that equality, being a fundamental human right, is embedded in our business and operation. This means that we work to ensure equal opportunities for all our people and that we offer a safe and inclusive workplace where all people are respected and can thrive and contribute to the development of Nordea.

Our ambition is to strive for gender balance in all parts of the organisation, in the total workforce as well as on every leadership level. During 2020, we have succeeded in maintaining the gender balance in the total workforce with 49% women (49%) and 51% (51%) men. In the GLT, the gender balance has improved to 36% (22%) women and 64% (78%) men during 2020. Four out of the five latest GLT appointments have been female. To further improve the gender balance at all senior manager levels, we are actively working to improve the balance in succession pipelines and when recruiting.

We have a broad definition of diversity and aim to attract and retain people of different gender, gender identity, age, ethnicity and national backgrounds, cultural affiliation, sexual orientation, physical ability and other aspects. Our Diversity and Inclusion Committee was established to discuss, monitor and influence the overall strategic direction and key efforts within the area of diversity and inclusion across Nordea and ensure anchoring in top executive management. We have also embedded bias awareness in leadership programmes to counter potential biases in people-related decisions and training activities that will continue to support our diversity and inclusion efforts.

Nordea is committed to ensure that all employees are subject to fair and unbiased remuneration decisions. We analyse annually potential equal pay gaps, and we continue to support people leaders through communication and training to mitigate risk of discrimination in remuneration or other employment terms.

At Nordea we condemn all forms of discrimination. We have zero tolerance for any form of harassment, bullying or victimisation. In 2020, 1% (2%) of the respondents to our People Pulse survey stated that they have been subjected to some sort of harassment or other mistreatment. We are happy to see that the number of incidents has decreased since 2019 and understand that our ongoing work with proactive measures to ensure safe and inclusive workplaces makes a difference and needs to continue. In 2020, 10 (28) harassment cases were reported through our whistleblowing function Raise Your Concern ("RYC").

Employment

Our employee survey, People Pulse, enables us to measure the engagement levels and wellbeing of our people and also to monitor signs of changing trends to enable taking swift action. The response rate to People Pulse increased to 81% in 2020 compared to 78% in 2019 with a positive trend in all questions. We encourage our people to be physically active and take care of their health and our leaders to take a genuine interest in the wellbeing of our people. This is particularly important now during the pandemic and in times of working from home and social distancing, as we know that the situation can be both physically and mentally challenging. Monitored quarterly, the sick leave rate of 3.02% shows a slight downward trend from 3.49% in 2019. 91% (91%) of our people feel they are always or often in good shape to carry out their work, with 80% (79%) feeling they have a good balance between work and other aspects of life.

Nordea continuously follows the development of the COVID-19 situation and reviews the guidelines from local, European and global health authorities. As the situation and mitigating actions vary between countries, local groups were set up in addition to the group level coordination team. To reduce the risks and protect both our employees and customers, Nordea took several measures such as restrictions in business travelling, general recommendation for remote work, planning office work in shifts, organised distance at the office, increased cleaning and disinfection at all Nordea prem-

2) The GHG accounting is performed according to the GHG Protocol, including scope 1–3 and the following sources: Scope 1 is mobile combustion of leased cars and stationary combustion from diesel generators. Scope 2 is purchased electricity, heating and cooling. Scope 3 is production of energy carriers, business travel, postal service, paper, water and waste.

ises. Extra communication efforts have been taken to ensure that the latest information is always available to our employees, and leaders have been offered training in remote leadership, wellbeing and communication.

The COVID-19 crisis proved to be a fast-track for Nordea to trial new practices for flexible work, with many of our colleagues finding new ways to collaborate and communicate both internally and with customers. While there are several positive indications, Nordea will need to monitor and assess the long-term impact of flexible working on wellbeing, performance, culture, innovation and productivity. Being a universal bank comes with specific conditions whereby some roles and tasks cannot be executed outside of company premises. This applies especially for employees in customer-facing roles, with financial transactions and/or working with sensitive data. All these aspects are taken into consideration as part of the flexible working initiatives started at the end of 2020, aiming to support Nordea in becoming a sustainable employer for the future.

As communicated in 2019, income development, digitalisation and automation will most likely drive a need for adjustments and changes in how we organise and how we work. In cases where this could lead to certain job changes, we will play a key role in securing the right strategic approach for engaging our people during times of change, while respecting labour market conditions. Together with the trade unions and through constructive discussions, we are committed to treating our people with respect and care, and we aim to support any affected people with developing the right skills and finding new job opportunities inside and outside Nordea.

Community engagement

Community engagement at Nordea is about creating positive change through our employees. In over 20 programmes and partnerships, we focus on building financial skills and fostering entrepreneurship, thus enabling our core competencies to have a positive impact in society. Between 2017 and 2019, volunteering at Nordea grew almost 250% to a participation rate (share of engaged employees) of 18%. For 2020, the ambition was to continue with a high level of engagement. However, after societies started to close down in March the number of volunteering opportunities fell significantly. Despite this, close to 1,500 Nordea employees delivered 6,000 hours of volunteering in 2020, corresponding to a little more than 25% of 2019 levels.

Governance and culture

Sound corporate governance means ensuring that companies are run sustainably, responsibly and as efficiently as possible on behalf of their shareholders. Confidence of legislators and the public in companies acting sustainably and responsibly is crucial if companies are to have the freedom to realise their strategies to create value.

Sustainability governance

To support the approach suggested by the task force on climate-related and environmental risks– to establish a steady-state ESG risk governance – we decided to transform our sustainability governance model to tie sustainability and risk closer together.

At Board level the Board Operations and Sustainability Committee ("BOSC") assists the Board in fulfilling its oversight responsibilities concerning sustainability, which includes the strategy, operational model, reporting and frameworks. The 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 risk).

At an executive level, in 2020 our governance structure included the group-wide BEVC as a sub-committee of the CEO's GLT. BEVC consisted of representatives from the business areas and group functions, including Group Risk and Compliance, and acted as an executive preparatory body for the President and Group CEO and the Board. BEVC monitored and reviewed relevant group policies related to sustainability. It was also responsible for recommending to the Group CEO participation in and exit from commitments to sustainability as well as approving external position statements and sector guidelines. The BEVC also had a role in preparing the sustainability strategy, targets and the Sustainability Report for the President and Group CEO and the Board. The RC also provided input for our sustainability agenda from the risk perspective. The role of the RC in relation to sustainability will remain in place in 2021, but BEVC will be replaced by the Sustainability and Ethics Committee ("SEC") in January 2021. SEC will have a stronger mandate to facilitate further integration of sustainability into our business strategy and to support the integration of ESG factors in 1st LoD risk management.

Business ethics

Nordea's Code of Conduct, together with Nordea's Sustainability Policy, defines the high-level principles that guide our business, how we treat our customers and the conduct expected from our employees. They underpin our culture and set the parameters 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 competition, anti-bribery and anti-corruption. The Code of Conduct is reviewed annually and was last updated in June 2020. Compliance with the Code of Conduct is monitored by way of regular reporting to the Chief Compliance Officer, Chief Risk Officer, President and Group CEO and the Board. All our employees are required to complete annual training on the Code of Conduct as part of their Licence to Work to ensure proper awareness and knowledge of the ethical principles. In 2020, 93.9 (98.5%) of all employees (excluding those on long-term leave) completed their Licence to Work during the year. The 2020 training also included security and financial crime in addition to the general Code of Conduct-related contents such as anti-corruption and bribery to mention some.

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. Tracking down and stopping the money flows from these activities is a key way to disrupt the criminals involved.

At Nordea, we are doing our utmost to ensure that our resources, products and services are not used to facilitate financial crime. We also commit to complying with the laws and regulations relevant to anti-money laundering ("AML"), counter terrorist financing ("CTF"), sanctions and bribery and corruption in the jurisdictions in which we operate. In addition, we have maintained and increased our continuous engagement with the regulators throughout the year, demonstrating progress made towards increasing our defences.

Over the years, we have significantly increased our focus to ensure we have the right people and effective tools in place to help combat financial crime, and have established strong risk management policies and practices to support our commitment to protect our customers and society from financial crime. With over EUR 850m invested since 2015, we have strengthened our risk and compliance platforms, providing vital support to our financial crime prevention efforts, and today we have more than 1,600 employees working on combatting money laundering and other types of financial crime. In addition, across the organisation, the culture of risk management has been accelerated the past couple of years through compulsory training for all employees and consultants.

Each year, approximately 2.5 billion transactions pass through Nordea, which are monitored through our systems and processes. To handle these volumes, we have strengthened our monitoring capabilities through investments in technology, more sophisticated assessment techniques and additional employees. From this monitoring, we investigate any concern identified and in cases where we detect suspicious activity, we report it to the authorities for them to take it forward. We also continuously strengthen our sanctions screening capabilities on both our customers and their transactions, each year expanding our coverage of sanctions lists and strengthening our automated controls. We also continuously develop our Know Your Customers (KYC) tools and processes to secure an understanding of our customers' behaviour and improve efficiency, all the while enhancing our customers' experience. Additionally, through increasingly sophisticated investigations and analytical capabilities, in 2020 we have conducted investigations on matters such as complex cross-border money laundering schemes, human trafficking and terrorist financing-related cases, and on suspicious transactions related to COVID-19.

For more information about how Nordea works with AML, see our Sustainability Report 2020 at nordea.com.

Cyber security

Nordea, like any other bank, is introducing new technologies and exploring new ways of doing business and connecting with customers. This enlarges the bank's attack surface. At the same time, entities that pose cyber threats are becoming better organised, resourced and experienced. Adding to this is the asymmetry of banks having to protect all assets appropriately, while entities engaged in cyber threats merely need to find one weak spot. This poses an unprecedented risk to the banking industry. Nordea is not just focusing on the adequacy of the basics of information security controls, but also enhancing cyber capabilities with security detection and response defences. We are investing in our cyber defence with new tools and functions, and we continue to focus on ensuring that our basic controls are operating effectively. Innovative security practices are developed to encompass new business demands such as robust mobile banking applications and proactive customer support for fraud detection and prevention.

The COVID-19 pandemic has resulted in a number of employees working remotely in order to continue servicing customers. In this situation, Nordea has continuously been assessing the risks and introduced remediation activities. This includes technical and organisational controls, as well as an increased focus on security awareness and training for all staff. Whilst we noticed many COVID-related cyber-attacks across the industry, Nordea has maintained the high resilience level in protecting customer data and services.

Whistleblowing

The whistleblowing function, RYC, ensures that all of Nordea's stakeholders, including customers, partners, affected communities as well as our 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 our 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.

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 Nordea's 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 and are reported to the Chief People Officer in addition to being included in the aforementioned regular management reports and reports to the Board.

For more information about how Nordea works with sustainability, see our Sustainability Report 2020 at nordea.com.

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 Preseident 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 regards 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.

Remuneration

Nordea has a clear remuneration policy, 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) will:

- Support Nordea's ability to recruit, develop and retain highly motivated, competent and performance-oriented employees and hence support the group strategy;
- Ensure that employees are offered a competitive and market-aligned total reward offering;
- Support 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; and
- Ensure 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 both 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 Committee ("BRC").

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 interim Deputy Managing Director and remains in force until the 2024 Annual General Meeting.

The BRC 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 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 BRC 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.

More information about the composition of the BRC and its responsibilities is provided in a separate section of the "Corporate Governance Statement", page 51.

Alignment with business strategy

Nordea has processes to align the 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 forecast and stretched targets are approved by the Board of Directors to ensure alignment with shareholders and business priorities. Hence, the main performance goals in variable remuneration for the Nordea Group in 2020 were financial goals and targets as well as customer satisfaction and employee engagement goals and targets.

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 (four-eyes 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) and 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 the risks of the business undertaken are fully 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 the fixed and the variable remuneration for Material Risk Takers was 200% in 2020 in accordance with the 2019 AGM's decision. In practice, however, a ratio between the fixed and the variable remuneration above 100% of their annual fixed remuneration only applies to a very limited number of employees due to the outcome from Nordea's variable remuneration plans being 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; and
- 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 and certain other categories of staff, 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 three to five years, with vesting and subsequent disbursement over the deferral period on a pro-rata basis. The first disbursement of deferred variable remuneration can take place one year into the deferral period at the earliest. Deviations may occur subject to local regulation.

For Material Risk Takers and certain other categories of staff, 50% of variable remuneration awards (both deferred and non-deferred amounts) is awarded in instruments (as a main rule in Nordea shares, alternatively linked to Nordea's price) and subject to a 12 month retention period. Variable remuneration awards for a limited number of staff are subject to a six-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 of selected staff in scope 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 BRC 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 2020, 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 on page 142.

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

By proposal of the BRC, the Board of Directors decides on the remuneration for the CEO and the members of the GLT, considering the adopted Remuneration Policy for Governing Bodies. This also applies to the Group Chief Audit Executive and the Chief Compliance Officer to be approved by the Board of Directors, even though they are not members of the GLT. This includes a decision on fixed and variable remuneration as well as pension and other employment terms and conditions.

Nordea maintains 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 in consideration of their leadership, expertise and strategic decision-making enabling 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 2020 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 to the CEO and the members of the GLT at Nordea. The remuneration to the CEO and the members of the GLT will be consistent with and promote sound and effective risk management and not encourage excessive risk-taking or counteract Nordea's long-term interests.

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

Variable remuneration to the members of the GLT

Variable remuneration to the members of the GLT was offered as participation in a short term incentive programme called Executive Incentive Programme ("EIP 2020"), and to the members of the GLT who are not independent control functions, a long term incentive programme called Long Term Incentive Programme 2020-2022 ("LTIP 2020-2022").

Executive Incentive Programme (EIP 2020) for GLT members has a one-year performance period and includes predetermined performance goals and targets at group, business area/group function ("BA/GF") and individual level. The effect on long-term results was considered when determining the targets.

The outcome from EIP 2020 has been based on the Board of Director's assessment of performance against the predetermined targets. The outcome from EIP 2020 will be paid over a five-year period in cash and in Nordea shares, and will be subject to forfeiture clauses. No dividends are paid during the deferral period. Nordea shares will be subject to 12 months' retention. The maximum outcome of EIP 2020 for GLT members participating in LTIP 2020-2022 was reduced from 100% of the annual fixed base salary to 75% as part of a rebalancing of the GLT's remuneration structure.

The CEO and the members of the GLT have been offered participation in programmes similar to EIP 2020 since 2013.

Performance goals at group level included financial goals measuring return on equity, income and cost/income ratio as well as non-financial goals measuring employee engagement and customer satisfaction. BA/GF goals included BA/GF-specific financial goals. At the individual level, performance was measured in relation to the individually agreed goals and targets including risk and compliance. The weight of group, BA/GF and individual goals are 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 2020 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 2020-2022
In 2020, the Board of Directors decided to launch LTIP 2020-2022 for GLT.

The main purpose of the LTIP 2020-2022 is to further align the GLT's interests with those of shareholders. The LTIP 2020-2022 has a three-year performance period from 1 January 2020 to 31 December 2022 and deferral and retention periods according to regulations.

The total maximum number of shares that can be granted under the LTIP 2020-2022 was nominally allocated to the participants in 2020 as conditional share awards. In 2023, based on Nordea's performance against pre-established performance criteria, the maximum number of shares or a proportion of the shares will be awarded to the participants.

The first portion of shares of the potential award will be delivered in 2023. The rest of the shares will be deferred and delivered annually in five equal portions during 2024-2028. Each share delivery is subject to a 12-month retention period.

Unvested shares will not be delivered where employment terminates before the award payment, however, subject to local regulations and leaver provisions. Share grants may be reduced in part or full subject to risk and compliance adjustments. The nominal allotment of conditional share awards in 2020 corresponded on average to approximately 75 % of the fixed base salary for the GLT.

The LTIP 2020-2022 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 shares 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 given to support the overall wellbeing of 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 insurances 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. 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 aims 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 thereof. 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
As of 2020, a group variable remuneration funding mechanism is used to fund variable remuneration programmes at Nordea, except for the Profit Sharing Plan and LTIP 2020-2022. The group variable remuneration funding mechanism is a pool-based approach which creates a strong link between Nordea's overall performance and the accrual of 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 BA/GFs based on their performance (scorecards). The final allocation is based on individual performance as per set individual goals under the individual variable remuneration programmes. With the group variable remuneration funding mechanism, Nordea ensures compliance with requirements

on variable remuneration and risk-adjustments under e.g. CRD IV and EBA Guidelines on Sound Remuneration Policies, including assessing prudential and risk.

In 2020, 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 2020 EIP 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 EIP are subject to a three-to-five-year pro-rata deferral period 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 2020 should normally not exceed a maximum outcome of 25% of the annual fixed salary, except for a few selected managers and specialists within specific areas of Nordea. Awards from VSP 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 from VSP are subject to at least three-year pro-rata deferral period 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 maintain cost flexibility for Nordea. Individual awards are determined based on detailed performance assessments covering a range of financial and non-financial goals. 2020 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 in a bonus scheme are subject to a three-to-five-year pro-rata deferral period 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. Material Risk Takers and 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 cost)

For EIP 2020 for GLT members EUR 3.2m is to be paid over a five-year period. The estimated maximum cost of EIP for GLT members in 2021 is EUR 5.7m and the estimated cost assuming 50% fulfilment of the performance goals is EUR 2.8m.

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

The actual cost of EIP, VSP and Bonus 2020 is EUR 181.8m 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 2020, a total of EUR 32.4m 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 2020 would have amounted to a maximum of approximately EUR 63.0m.

Other disclosures

See Note G8 "Staff costs" on pages 141-149 of this Annual Report 2020 for more details on remuneration.

See also Nordea's 2020 Remuneration Report for Governing Bodies. The Remuneration Report is issued in accordance with the requirements of the Finnish Finance Ministry Decree 608/2019 and the Finnish Corporate Governance Code 2020 from the Securities Market Association. The report will be presented for an advisory vote at the Annual General Meeting on 24 March 2021. The Remuneration Report is disclosed with other required information on Nordea's website on www.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 guideline for sound remuneration practices.

Further disclosures will be published on nordea.com one week before the ordinary Annual General Meeting on 24 March 2021.

Proposed distribution of earnings

On 31 December 2020, Nordea Bank Abp's distributable earnings, including profit for the financial year – after subtracting the dividend to be paid on 1 March 2021 (at the earliest) based on the balance sheet for the financial year ended 31 December 2019 and capitalised development expenses – were EUR 19,694,163,764.90[1] and other unrestricted equity amounted to EUR 4,573,347,620.91.

The Board of Directors has proposed that the 24 March 2021 Annual General Meeting (AGM) authorises it to decide on a dividend payment of a maximum of EUR 0.72 per share. The payment would be distributed based on the balance sheet to be adopted for the financial year ended 31 December 2020, in one or several instalments. The authorisation would remain in force until the beginning of the next AGM.

The Nordea Bank Abp's number of shares is 4,049,951,919. The total dividend amount calculated based on the maximum of EUR 0.72 per share, excluding dividend for treasury shares, would then be EUR 2,907,097,050.96 and it would be paid from retained earnings. After the maximum dividend pay-out, EUR 16,787,066,713.94[2] would be carried forward as distributable retained earnings.

The total amount of the dividend payment and the amount carried forward as distributable retained earnings after the dividend pay-out, will be adjusted based on the amount of treasury shares held by Nordea Bank Abp at the record date for the dividend payment.

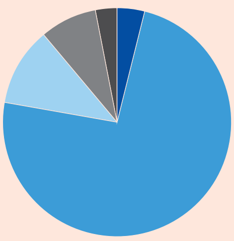
It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands with respect to the size of the Company's and the Group's equity, which are imposed by the nature, scope and risks, associated with the business, and the Company's and the Group's need for 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 Nordea Bank Abp 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, the unrestricted equity amounted to:

EUR	
Invested unrestricted equity	1,063,448,369.58
Retained earnings[1]	17,730,488,830.27
Other free funds	2,762,284,827.88
Net profit for the year	1,963,674,934.63
Additional Tier 1 capital holders	747,614,423.45
Total	**24,267,511,385.81**

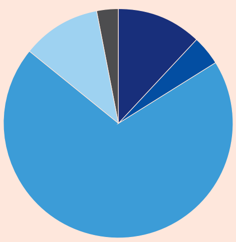
1) Dividend of EUR 282,634,435.51 (calculated based on treasury share amount of 12,317,126) to be paid based on the balance sheet for the financial year ending 31 December 2019 and capitalised development costs of EUR 1,607,876,577.10 has been subtracted.



The Board of Directors proposes that earnings be distributed as follows (calculated based on the maximum dividend of EUR 0.72 per share):

EUR	
Dividend paid to shareholders	2,907,097,050.96
Invested unrestricted equity	1,063,448,369.58
Retained earnings[2]	16,787,066,713.94
Other free funds	2,762,284,827.88
Additional Tier 1 capital holders	747,614,423.45
Total	**24,267,511,385.81**

2) Capitalised development costs of EUR 1,607,876,577.10 has been subtracted from Retained earnings.



Events after the financial period

On 15 December 2020 the European Central Bank ("ECB") issued an updated dividend recommendation to banks. The ECB in general expects 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 Bank Abp 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 has on 18 February 2021 decided to distribute a dividend of EUR 0.07 per share to shareholders in accordance with the mandate received from the AGM in 2020.

The dividend of EUR 0.07 per share is paid to shareholders who on the record date for the dividend payment on 22 February 2021 were recorded in Nordea's shareholders' register maintained by Euroclear Finland Oy in Finland, Euroclear Sweden AB in Sweden or VP Securities A/S in Denmark. The dividend payment date is 1 March 2021 or as soon as possible thereafter.

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 interal 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.

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

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

Return on equity
Net profit for the year as a percentage of average equity for the year. Additional Tier 1 capital, accounted for in equity, is 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 excludes non-controlling interests and Additional Tier 1 capital.

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

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

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 in 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 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	2020	2019
Operating income			
Interest income calculated using the effective interest rate method		5,536	6,399
Other interest income		1,071	1,350
Negative yield on financial assets		−280	−309
Interest expense		−2,013	−3,334
Negative yield on financial liabilities		201	212
Net interest income	**G4**	**4,515**	**4,318**
Fee and commission income		3,856	3,931
Fee and commission expense		−897	−920
Net fee and commission income	**G5**	**2,959**	**3,011**
Net result from items at fair value	G6	900	1,012
Profit from associated undertakings and joint ventures accounted for under the equity method	G20	−1	50
Other operating income	G7	93	232
Total operating income		**8,466**	**8,623**
Operating expenses			
General administrative expenses:			
Staff costs	G8	−2,752	−3,017
Other expenses	G9	−1,286	−1,639
Depreciation, amortisation and impairment charges of tangible and intangible assets	G10	−605	−1,330
Total operating expenses		**−4,643**	**−5,986**
Profit before loan losses		**3,823**	**2,637**
Net result on loans in hold portfolios mandatorily held at fair value	G6	48	12
Net loan losses	G11	−908	−536
Operating profit		**2,963**	**2,113**
Income tax expense	G12	−698	−571
Net profit for the year		**2,265**	**1,542**
Attributable to:			
Shareholders of Nordea Bank Abp		2,238	1,519
Additional Tier 1 capital holders		27	26
Non−controlling interests		–	−3
Total		**2,265**	**1,542**
Basic earnings per share, EUR	G13	0.55	0.38
Diluted earnings per share, EUR	G13	0.55	0.38

Statement of comprehensive income

EURm	Note	2020	2019
Net profit for the year		**2,265**	**1,542**
Items that may be reclassified subsequently to the income statement			
Currency translation differences		–196	18
Tax on currency translation differences		–	1
Hedging of net investments in foreign operations:	G19		
Valuation gains/losses		117	–62
Tax on valuation gains/losses		–	16
Fair value through other comprehensive income[1]:	G40		
Valuation gains/losses		48	21
Tax on valuation gains/losses		–8	–4
Transferred to the income statement		7	–37
Tax on transfers to the income statement		–1	6
Cash flow hedges:	G19		
Valuation gains/losses		–712	152
Tax on valuation gains/losses		135	–31
Transferred to the income statement		733	–170
Tax on transfers to the income statement		–140	35
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	–15
Tax on valuation gains/losses		3	2
Defined benefit plans:	G34		
Remeasurement of defined benefit plans		22	–152
Tax on remeasurement of defined benefit plans		–4	34
Other comprehensive income from companies accounted for under the equity method	G20	–1	1
Tax on other comprehensive income from companies accounted for under the equity method	G20	0	0
Other comprehensive income, net of tax		**–6**	**–185**
Total comprehensive income		**2,259**	**1,357**
Attributable to:			
Shareholders of Nordea Bank Abp		2,232	1,334
Additional Tier 1 capital holders		27	26
Non-controlling interests		–	–3
Total		**2,259**	**1,357**

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 2020	31 Dec 2019
Assets	G40		
Cash and balances with central banks		32,955	35,509
Loans to central banks	G14	3,123	9,207
Loans to credit institutions	G14	3,123	8,519
Loans to the public	G14	329,765	323,091
Interest-bearing securities	G15	62,509	64,930
Financial instruments pledged as collateral	G16	3,795	7,151
Shares	G17	12,649	14,184
Assets in pooled schemes and unit-linked investment contracts	G18	36,484	30,799
Derivatives	G19	44,770	39,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk		359	217
Investments in associated undertakings and joint ventures	G20	555	572
Intangible assets	G21	3,771	3,695
Properties and equipment	G22	1,931	2,002
Investment properties	G24	1,535	1,585
Deferred tax assets	G12	406	487
Current tax assets		300	362
Retirement benefit assets	G34	144	173
Other assets	G25	13,349	12,543
Prepaid expenses and accrued income	G26	637	711
Total assets		**552,160**	**554,848**
Liabilities	G40		
Deposits by credit institutions	G27	23,939	32,304
Deposits and borrowings from the public	G28	183,431	168,725
Deposits in pooled schemes and unit-linked investment contracts	G18	37,534	31,859
Liabilities to policyholders	G29	18,178	19,246
Debt securities in issue	G30	174,309	193,726
Derivatives	G19	47,033	42,047
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2,608	2,018
Current tax liabilities		305	742
Other liabilities	G31	21,341	19,868
Accrued expenses and prepaid income	G32	1,404	1,476
Deferred tax liabilities	G12	436	481
Provisions	G33	596	570
Retirement benefit liabilities	G34	365	439
Subordinated liabilities	G35	6,941	9,819
Total liabilities		**518,420**	**523,320**
Equity			
Additional Tier 1 capital holders		748	748
Non-controlling interests		9	40
Share capital		4,050	4,050
Invested unrestricted equity		1,063	1,080
Other reserves		−2,067	−2,062
Retained earnings		29,937	27,672
Total equity		**33,740**	**31,528**
Total liabilities and equity		**552,160**	**554,848**

Statement of changes in equity

2020

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3]	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 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	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3]	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
		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
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 at 31 Dec 2020		**4,050**	**1,063**	**–2,020**	**–10**	**91**	**–117**	**–11**	**29,937**	**32,983**	**748**	**9**	**33,740**

1) Total shares registered were 4,050 million. The number of own shares was 11.9 million which represents 0.3% of the total shares in Nordea. Each share represents one voting right.
2) The transfer is due to the hedged item affecting the income statement.
3) Relates to foreign exchange risk. Of the balance per 31 December 2020, EUR 639m relates to hedging relationship for which hedge accounting is applied and EUR –m relates 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.

Statement of changes in equity, cont.

2019

EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3]	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
		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
Balance at 1 Jan 2019		**4,050**	**1,080**	**–1,914**	**–12**	**59**	**–17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**
Net profit for the year		–	–	–	–	–	–	–	1,519	1,519	26	–3	1,542
Items that may be reclassified subsequently to the income statement													
Currency translation differences		–	–	18	–	–	–	–	–	18	–	–	18
Tax on currency translation differences		–	–	1	–	–	–	–	–	1	–	–	1
Hedging of net investments in foreign operations:	G19												
Valuation gains/losses		–	–	–62	–	–	–	–	–	–62	–	–	–62
Tax on valuation gains/losses		–	–	16	–	–	–	–	–	16	–	–	16
Fair value through other comprehensive income:	G40												
Valuation gains/losses		–	–	–	–	21	–	–	–	21	–	–	21
Tax on valuation gains/losses		–	–	–	–	–4	–	–	–	–4	–	–	–4
Transferred to the income statement		–	–	–	–	–37	–	–	–	–37	–	–	–37
Tax on transfers to the income statement		–	–	–	–	6	–	–	–	6	–	–	6
Cash flow hedges:	G19												
Valuation gains/losses		–	–	–	152	–	–	–	–	152	–	–	152
Tax on valuation gains/losses		–	–	–	–31	–	–	–	–	–31	–	–	–31
Transferred to the income statement[2]		–	–	–	–170	–	–	–	–	–170	–	–	–170
Tax on transfers to the income statement[2]		–	–	–	35	–	–	–	–	35	–	–	35

Statement of changes in equity, cont.

2019

		Attributable to shareholders of Nordea Bank Abp											
				Other reserves:									
EURm	Note	Share capital[1]	Invested unrestricted equity	Translation of foreign operations[3]	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		–	–	–	–	–	–	–15	–	–15	–	–	–15
Tax on valuation gains/losses		–	–	–	–	–	–	2	–	2	–	–	2
Defined benefit plans:	G34												
Remeasurement of defined benefit plans		–	–	–	–	–	–152	–	–	–152	–	–	–152
Tax on remeasurement of defined benefit plans		–	–	–	–	–	34	–	–	34	–	–	34
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		**–**	**–**	**–27**	**–14**	**–14**	**–118**	**–13**	**1**	**–185**	**–**	**–**	**–185**
Total comprehensive income		**–**	**–**	**–27**	**–14**	**–14**	**–118**	**–13**	**1,520**	**1,334**	**26**	**–3**	**1,357**
Paid interest on Additional Tier 1 capital		–	–	–	–	–	–	–	–	–	–26	–	–26
Change in Additional Tier 1 capital holders		–	–	–	–	–	–	–	–	–	–2	–	–2
Share-based payments	G8	–	–	–	–	–	–	–	20	20	–	–	20
Dividend for 2018		–	–	–	–	–	–	–	–2,788	–2,788	–	–	–2,788
Divestment of own shares[5]		–	–	–	–	–	–	–	29	29	–	–	29
Change in non-controlling interests		–	–	–	–	–	–	–	–	–	–	37	37
Balance at 31 Dec 2019		**4,050**	**1,080**	**–1,941**	**–26**	**45**	**–135**	**–5**	**27,672**	**30,740**	**748**	**40**	**31,528**

1) Total shares registered were 4,050 million. The number of own shares was 10.8 million which represents 0.3% of the total shares in Nordea. Each share represents one voting right.
2) The transfer is due to the hedged item affecting the income statement.
3) Relates to foreign exchange risk. Out of the balance per 31 December 2019, EUR 522m relates to hedging relationships for which hedge accounting is applied and EUR –m relates 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 9.2 million.

Cash flow statement

EURm	Note	2020	2019
Operating activities			
Operating profit		2,963	2,113
Adjustment for items not included in cash flow		2,074	5,005
Income taxes paid	G12	–987	–816
Cash flow from operating activities before changes in operating assets and liabilities		**4,050**	**6,302**
Changes in operating assets			
Change in loans to central banks	G14	3,605	413
Change in loans to credit institutions	G14	5,393	1,951
Change in loans to the public	G14	–3,595	–11,079
Change in interest-bearing securities	G15	2,942	10,485
Change in financial assets pledged as collateral	G16	3,400	402
Change in shares	G17	1,594	–1,379
Change in derivatives, net	G19	–643	1,281
Change in investment properties	G24	3	–36
Change in other assets	G25	–6,469	–3,921
Dividends received from associates	G20	7	19
Changes in operating liabilities			
Change in deposits by credit institutions	G27	–11,364	–10,339
Change in deposits and borrowings from the public	G28	13,801	2,050
Change in liabilities to policyholders	G29	3,807	5,229
Change in debt securities in issue	G30	–19,231	869
Change in other liabilities	G31	1,357	–4,639
Cash flow from operating activities		**–1,343**	**–2,392**
Investing activities			
Acquisition of business operations	G48	–552	–447
Sale of business operations		–	–25
Acquisition of associated undertakings and joint ventures	G20	–8	–26
Sale of associated undertakings	G20	18	879
Acquisition of property and equipment	G22	–69	–70
Sale of property and equipment	G22	19	15
Acquisition of intangible assets	G21	–418	–517
Cash flow from investing activities		**–1,010**	**–191**
Financing activities			
Issued subordinated liabilities	G35	–	1,401
Amortised subordinated liabilities	G35	–2,459	–890
Paid interest on Additional Tier 1 capital		–27	–26
Divestment/repurchase of own shares incl. change in trading portfolio		–17	29
Dividend paid		–	–2,788
Principal portion of lease payments		–143	–140
Cash flow from financing activities		**–2,646**	**–2,414**
Cash flow for the year		**–4,999**	**–4,997**
Cash and cash equivalents at beginning of year		41,164	46,009
Translation difference		38	152
Cash and cash equivalents at end of year		36,203	41,164
Change		**–4,999**	**–4,997**

Cash flow statement, cont.

Comments on the cash flow statement

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

Operating activities

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

EURm	2020	2019
Depreciation	553	558
Impairment charges	52	772
Loan losses	958	583
Net result on loans in hold portfolios mandatorily held at fair value	–48	–12
Unrealised gains/losses	–513	224
Capital gains/losses (net)	–24	–69
Change in accruals and provisions	276	–26
Translation differences	–308	198
Change in bonus potential to policyholders, Life & Pensions	–11	203
Change in technical reserves, Life & Pensions	792	1,794
Change in fair value on the hedge items, assets/liabilities (net)	429	705
Other	–82	75
Total	**2,074**	**5,005**

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

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

EURm	2020	2019
Interest payments received	6,367	7,395
Interest expenses paid	–2,033	–3,166

Investing activities

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

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2020	31 Dec 2019
Cash and balances with central banks	32,955	35,509
Loans to central banks, payable on demand	2,426	4,826
Loans to credit institutions, payable on demand	822	829
Total	**36,203**	**41,164**

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 9,819m (EUR 9,155m). During the period cash flows related to bonds were EUR –2,459m (EUR 511m) and the effects of FX changes and other was EUR –419m (EUR 153m), ending up in a closing balance of EUR 6,941m (EUR 9,819m).

The opening balance of lease liabilities was EUR 1,225m (at transition 1 January 2019 EUR 1,165m). During the period cash flows related to the liabilities amounted to EUR –143m (EUR –140m) and other changes from new, terminated and modified contracts and FX changes amounted to EUR 151m (EUR 200m).

G1. Accounting policies

Content for Note G1

1. Corporate information and basis of presentation

Nordea Bank Abp (business identity code 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 headquarters located in Helsinki, Finland at the following address: Hamnbanegatan (Fi: 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 Credit Institutions Act, the Financial Supervision Authority's Regulations and Guidelines and the Decree of the 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, the Capital Management section or in other parts of the Financial statements.

On 24 February 2021 the Board of Directors approved the financial statements, subject to final adoption by the Annual General Meeting on 24 March 2021.

The accounting policies, the basis for calculations and presentations are unchanged in comparison with the Annual Report 2019, except from the changed accounting policies and presentation described below in the section "Changed accounting policies and presentation".

All amounts are in euro million unless otherwise stated.

2. Changed accounting policies and presentation

The new accounting requirements implemented during 2020 and their impact on Nordea's financial statements are described below.

Net result on loans in hold portfolios mandatorily held at fair value

Changes have been made to the presentation of fair value adjustments to the margin component of loans in "hold" portfolios mandatorily held at fair value. The margin component is the interest paid by customers on top of the interest charged to compensate Nordea for the related funding cost. As from 2020, these adjustments are being presented separately on a new row in the income statement entitled "Net result on loans in hold portfolios mandatorily held at fair value". The earlier policy was to present such fair value adjustments to the row "Net result from items at fair value", together with fair value adjustments to instruments in "sell" and "hold and sell" portfolios. Loans in "hold" portfolios that are mandatorily held at fair value only due to their failing the solely payment of principal and interest (SPPI) test are more similar to amortised cost loans than to instruments in "sell" or "hold and sell" portfolios. For this reason, the presentation should to the extent possible be aligned with the presentation for loans held at amortised cost. Fair value adjustments to the margin component, which are largely driven by changes in credit risk, are therefore presented separately next to the row "Net loan losses" in the income statement, where similar adjustments to loans held at amortised cost are presented. Comparative figures have been restated accordingly. The impact on the income statement can be found in the table below.

G1. Accounting policies, cont.

	2020		
EURm	Old policy	Change	New policy
Net result from items at fair value	948	–48	900
Total operating income	**8,514**	**–48**	**8,466**
Net result on loans in hold portfolios mandatorily held at fair value	–	48	48
Operating profit	**2,963**	**–**	**2,963**
Net profit of the year	**2,265**	**–**	**2,265**
Impact on EPS/DEPS, EUR		–	

	2019		
EURm	Old policy	Change	New policy
Net result from items at fair value	1,024	–12	1,012
Total operating income	**8,635**	**–12**	**8,623**
Net result on loans in hold portfolios mandatorily held at fair value	–	12	12
Operating profit	**2,113**	**–**	**2,113**
Net profit of the year	**1,542**	**–**	**1,542**
Impact on EPS/DEPS, EUR		–	

Reclassification of accrued interest on loans

Accrued interest on loans has previously been presented on the line "Prepaid expenses and accrued income" on the balance sheet. As from 2020, accrued income on loans is presented together with the loans on the lines "Loans to credit institutions" and "Loans to the public" on the balance sheet. Comparative figures have been restated accordingly. The impact on the balance sheet can be found in the table below.

	31 Dec 2020		
EURm	Old policy	Change	New policy
Loans to credit institutions	3,123	–	3,123
Loans to the public	329,507	258	329,765
Prepaid expenses and accrued income	895	–258	637

	31 Dec 2019		
EURm	Old policy	Change	New policy
Loans to credit institutions	8,516	3	8,519
Loans to the public	322,740	351	323,091
Prepaid expenses and accrued income	1,065	–354	711

Changed presentation of trading in own shares (treasury shares)

From 1 January 2020 acquisitions of own shares have been reported as a reduction in "Invested unrestricted equity" and sales of own shares as an increase in "Invested unrestricted equity". Nordea's earlier policy was to present acquisitions and sales in "Retained earnings". Comparative figures have not been restated.

Changed presentation of reportable operating segments

To reflect its current reporting and decision-making processes, Nordea changed the presentation of reportable operating segments and the definition of the Chief Operating Decision-Maker. For more information see Note G3 "Segment reporting" in the section "Changes in basis of segmentation".

Other amended requirements

The following new and amended standards and interpretations were implemented by Nordea on 1 January 2020 but have not had any significant impact on the financial statements of Nordea:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of business
- Amendments to IAS 1 and IAS 8: Definition of material
- Annual Improvements to IFRS 16: Leases COVID-19-related rent concessions

Changes to the Finnish Accounting Act, the Finnish Credit Institutions Act, the Financial Supervision Authority's Regulations and Guidelines and the Decree of the 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.

3. Changes in IFRSs not yet applied

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

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

IFRS 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 the three measurement models Building Block Approach (BBA), Variable Fee Approach (VFA) and Premium Allocation Approach (PAA). The model application depends on the terms of the contracts (long term, long term with variable fee or short term). The three measurement models include consistent definitions of contractual cash flows, the risk adjustment margin and discounting. These definitions are based on principles similar to the measurement principles for technical provisions in the Solvency II capital requirements directives. Unearned future premiums will be recognised as a provision on the balance sheet and released to revenue when the insurance service is provided. Any unprofitable contracts will be recognised in the income statement at the time when the contract is signed and approved.

IFRS 17 is 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 Commission. Nordea does not currently intend to adopt the standard early. Nordea's current assessment is that the new standard will not have any significant impact on its capital adequacy or large exposures in the period of initial application. It is not yet possible to conclude on the impact on Nordea's financial statements.

G1. Accounting policies, cont.

Interest rate benchmark reform - Phase 2

The IASB has published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in "Interest Rate Benchmark Reform – Phase 2". Phase 2 of the IBOR reform includes three major areas: hedge accounting, modifications and disclosures.

The amendments clarify that hedge accounting does not have to be discontinued just because 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.

It is clarified that 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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted.

The amendments are expected to result in hedge relationships in Nordea being able to continue as before and no material modification gains or losses being recognised. For this reason the amendments are not assessed to have any significant impact on Nordea's financial statements, capital adequacy or large exposures in the period of initial application of the amendments in comparison with the current situation.

Other changes in IFRS

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

- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IFRS 3 Business Combinations
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Annual improvement 2018–2020
- Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9"

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:

- 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 andliabilities 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
- critical judgements emphasised by COVID-19.

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 fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices, such as unlisted equities. Those judgements relate to the following areas:

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

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

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. The fair value of financial assets and liabilities measured at fair value using a valuation technique, levels 2 and 3 in the fair value hierarchy, was EUR 167,700m (EUR 185,198m) and EUR 112,755m (EUR 151,751m), 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 value of financial instruments (including those measured at fair value through other comprehensive income) amount to EUR 224m (EUR 193m).

Sensitivity analysis disclosures covering fair values 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 is 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

G1. Accounting policies, cont.

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 and loss (FVPL). Interest-bearing securities and Financial instruments pledged as collateral in the liquidity buffer measured at FVOCI (the first portfolio) amount to EUR 33,726m (EUR 29,779m) and interest-bearing securities measured at FVPL (the second portfolio) amount to EUR 25,069m (EUR 34,725m).

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 of the new loan discounted by the original interest rate differs by more than 10% from the present value of the remaining expected cash flows of 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 402,315m (EUR 412,898m).

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 amortisation has not yet started is included in the impairment test and allocated to the CGUs. Nordea's total goodwill amounted to EUR 1,938m (EUR 1,969m) at the end of the year. Software for which amortisation has not yet started amounted to EUR 505m (EUR 768m) at the end of the year.

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

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

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 338,459m (EUR 343,000m) 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.

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, 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

G1. Accounting policies, cont.

assumptions. The defined benefit obligation was EUR 3,871m (EUR 3,790m) at the end of the year.

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

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

The insurance liability was EUR 15,792m (EUR 15,928m) at the end of the year. The carrying amount's sensitivity 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".

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

The carrying amounts of investment properties were EUR 1,535m (EUR 1,585m) 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".

Critical judgement has to be exercised as a lessee 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 for different types of real estate contracts are used as a guidance when making the estimate for banking branches. A more detailed analysis is performed for large head office contracts. The head office contracts are estimated to be more long term in nature than those of the branches where the environment is changing at a more rapid pace. The expected lease term of head office contracts is currently generally close to 25 years. The backstop rule of banking branches 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 it is likely that Nordea will 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 1,459m (EUR 1,506m) 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. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instrument.

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

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

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

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 406m (EUR 487m) 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 AML processes and procedures in the past and has made a provision for ongoing AML-related matters. Nordea cannot exclude the

G1. Accounting policies, cont.

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, Note G33 "Provisions" and Note G38 "Contingent liabilities".

Critical judgements emphasised by COVID-19

Nordea applied significant critical judgements in the preparation of the Annual Report 2020 due to significant uncertainty concerning the potential long-term impact of COVID-19 on Nordea's financial statements. Areas particularly important were the fair value measurement of certain financial instruments, impairment testing of goodwill and loans to the public/credit institutions, and assessment of expected lease terms.

Critical judgements are applied when determining the fair value of financial instruments that lack quoted prices or recently observed market prices. In all of these instances, decisions are based on professional judgement in accordance with Nordea's accounting and valuation policies. More information on financial instruments held at fair value on Nordea's balance sheet can be found in Note G41.

No impairment of goodwill was identified during the year, but significant estimation uncertainty exists in relation to the long-term impact on Nordea's financial statements and the impairment need will be continually reassessed. Nordea updated the cash flow projections to reflect the best estimate of the impact of COVID-19. Cash flows were projected up until the end of 2023 and the long-term growth assumption was used for subsequent periods. The discount rate used for the test in the fourth quarter was on average 5.8% post-tax and the long-term growth was on average 1.4%. 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 key assumptions. Such changes would not result in any impairment. More information on the impairment testing of goodwill can be found in Note G21 "Intangible assets".

Critical judgement was applied in the assessment of when loans had experienced a significant increase in credit risk (staging) and in the application of macro scenarios when estimating the increase in expected credit losses. More information on the impairment testing of loans to the public/credit institutions can be found in section 14 "Loans to the public/credit institutions" and in Note G2 "Risk and Liquidity management". Information on sensitivities to rating and scoring migrations can be found in the section "Sensitivities" in Note G2 "Risk and Liquidity management".

No changes in expected lease terms for premises lease contracts or impairments of right-of-use assets were identified during 2020, but the impact of the COVID-19 on the future premises strategies will be closely monitored going forward. More information on leasing can be found in Note G23 "Leasing".

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 decide control, see the section "Structured entities" below.

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

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

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

When the aggregate of the consideration transferred in a business combination and the amount recognised for non-controlling interest 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 from 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 ventures

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, which are classified as a venture capital organisations within Nordea, 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 does generally not have any sales or contribution of assets to or from associated undertakings or joint ventures. Other transactions between Nordea and its associated undertakings or joint ventures are not eliminated.

Note G20 "Investments in associated undertakings and

G1. Accounting policies, cont.

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 the management over the ongoing activities of a structured entity. The same consolidation requirements apply to these entities, but as voting rights do not decide whether control exists, other factors are used to determine control.

Power can exist due to agreements or other types of influence over a structured entity. Nordea normally has power over entities sponsored or established by Nordea. Nordea has created a number of structured entities to allow 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 creation 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 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 which assets to invest in, Nordea is considered to act as an agent and does thus not have control.

Further information about consolidated and unconsolidated structured entities is disclosed in Note 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 rates are calculated based on daily exchange rates divided by the number of banking 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.

Information on the most important exchange rates is disclosed in the separate section 30 "Exchange rates".

6. Recognition of operating income and impairment

Net interest income

Interest income and expense are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as 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 expenses from financial instruments are, with the exceptions described below, classified as "Net interest income".

Interest income and interest expense related to all balance sheet items held at fair value in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value" in the income statement. Also, interest on the net funding of operations in Markets and on assets measured at amortised cost in Nordea Life & Pensions is recognised on this line to ensure that income and expense within these operations are presented in a consistent manner.

The interest component in foreign exchange swaps, and interest paid and received in interest rate swaps plus changes in accrued interest, is classified as "Net result from items at fair value", except for derivatives used for hedging, including economic hedges of Nordea's funding, where such components are classified as "Net interest income".

The yield on financial assets is presented on three lines in the income statement, Interest income calculated using the effective interest rate method, Other interest income and Negative yield on financial assets. On the line Interest income calculated using the effective interest 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 on the income statement line "Other interest income", except negative yield on financial assets which is presented on a separate line. 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 part 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 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 that are based on relative performance compared with a benchmark are in asset management rare, and they are normally fixed and recognised at least each reporting date. Variable fees that are not fixed on the reporting date cannot generally be recognised as the outcome is uncertain and subject to market development.

G1. Accounting policies, cont.

Life & Pension commission income includes fee income, referred to as expense loading, from insurance contracts and investment contracts with policyholders. Investments contracts are contracts that do not include enough insurance risk to be classified as insurance contracts. The expense loading is the part of the premium income considered to be compensation for the 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 Payment commissions are recognised both over time and at a point of time dependent on when the performance obligations are satisfied. Brokerage, securities issues and corporate finance are mainly transactional driven for advising clients or for executing customer transactions in securities where the services are recognised at a point of time when the services related to the transaction 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 of a financial instrument are recognised at a point of time. The amount of 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 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 which are performed at a point in time, payments are generally made instantly when the services are performed. For services performed over time the service period 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 service period 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 items at fair value

Realised and unrealised gains and losses on financial instruments and investment properties measured at fair value through profit or loss are recognised in the item "Net result from items at fair value".

Realised and unrealised gains and losses derive from:

- Shares/participations and other share-related instruments
- Interest-bearing securities and other interest-related instruments
- Other financial instruments, including credit derivatives as well as commodity instruments/derivatives
- Foreign exchange gains/losses
- Investment properties, which include realised and unrealised income, for instance revaluation gains and losses. This line also includes realised results from disposals as well as the running property yield stemming from the holding of investment properties.

Interest income and interest expense related to all balance sheet items held at fair value in Markets and Nordea Life & Pensions are classified as "Net result from items at fair value" in the income statement. Also, interest on the net funding of operations in Markets and on assets measured at amortised cost in Nordea Life & Pensions is recognised on 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 are recognised in "Net result from items at fair value".

This item also includes realised gains and losses from financial instruments measured at amortised cost, such as interest compensation received and realised gains/losses on buybacks 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 portfolio hedge 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 on the row "Net result on loans in hold portfolios mandatorily held at fair value" (see below). Impairment losses from 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 "Shares/participations and other share-related instruments" in the note. Income is recognised in the period in which the right to receive payment is established.

The income recognition and descriptions of the lines relating to life insurance are described in section 7 "Income recognition life insurance" below.

Profit from companies accounted for under the equity method

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 in the income statement post-taxes. Consequently, the tax expense related to this profit is excluded from the income tax expense for Nordea.

Fair values are, at acquisition, allocated to the associated undertaking's and the joint venture's identifiable assets, liabilities and contingent liabilities. Any difference between Nordea's share of the fair values of the acquired identifiable net assets and the purchase price is goodwill or negative

G1. Accounting policies, cont.

goodwill. Goodwill is included in the carrying amount of the associated undertaking and the joint venture. Subsequently the investment in the associated undertaking and the joint venture increases/decreases with Nordea's share of the post-acquisition change in net assets in the associated undertaking and the joint venture and decreases through received dividends and impairment. An impairment charge can be reversed in a subsequent period.

The change in Nordea's share of the net assets is generally based on monthly reporting from the associated undertakings 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 the joint ventures and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated undertakings and the joint ventures is, if applicable, adjusted to comply with Nordea's accounting policies.

Also, impairment on investments in associated undertakings and joint ventures is classified as "Profit from companies 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 the joint venture is compared with the recoverable amount (higher of value in use and fair value less cost to sell) and the carrying amount is written down to the recoverable amount if required.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

Other operating income and other expenses

Net gains from divestments of shares in group undertakings, associated undertakings and joint ventures and net gains on sale of tangible assets as well as other operating income, not related to any other income line, are generally recognised when it is probable that the benefits associated with the transaction will flow to Nordea and if the significant risks and rewards have been transferred to the buyer (generally when the transactions are finalised).

Resolution fees are presented as other expenses in the income statement.

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. The 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 results from items at fair value".

Impairment losses from 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-sections "Net loan losses" below).

Net loan losses

Impairment losses from 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), on the line "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 result from these components is, except for the cost result and the risk and performance margin relating to unit-linked and investment contracts, included in "Net result from items at fair value".

The cost result is the result of expense loading from policyholders and is included in the item "Fee and commission income" together with the risk and performance margin relating to unit-linked and investment contracts. The related expenses are included in the items "Fee and commission expense" and "Operating expenses". The policyholders' part of a positive or negative cost result (profit sharing) is included on the note line "Change in technical provisions, Life insurance" within 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 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 the risk expenses are presented gross on the lines "Insurance risk income, Life insurance" and "Insurance risk expense, Life insurance" in Note G6 "Total net result from items at fair value". The policyholders' part of the result is included on the line "Change in technical provisions, Life insurance" in the note.

Gains and losses derived from investments at Nordea Life & Pensions are split between the relevant lines in Note G6 "Total net result from items at fair value" as for any other investment at Nordea. The lines include investment returns on assets held to cover liabilities to policyholders and return on

G1. Accounting policies, cont.

the additional capital allocated to Nordea Life & Pensions (shareholders capital in the Nordea Life & Pensions group).

The note line "Change in technical provisions, Life insurance" in Note 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), individually transferred to policyholders' accounts according to the contracts.
- Additional bonus (discretionary participation feature) to policyholders concerning traditional life insurance contracts or any other transfers to the policyholders to cover a periodical deficit between the investment result and any agreed minimum benefit to policyholders.
- The risk and performance margin regarding traditional life insurance products according to local allocation rules in each Nordea Life & Pensions unit and according to contracts with policyholders. The recognition of a risk and performance margin in the income statement is mainly conditional on a positive result for traditional life insurance contracts. Risk and performance margins not possible to recognise in the current period due to poor investment results can, in some countries, partly or wholly be deferred to years with higher returns.
- The policyholders' part of the cost- and risk result regarding traditional life insurance contracts or unit-linked contracts.

The note line "Change in collective bonus potential, Life insurance" in Note G6 "Total net result from items at fair value" relates only to traditional life insurance contracts. The line includes policyholders' share of investment returns not yet individualised. The line 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 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 of the new loan discounted by the original interest rate differs by more than 10% from the present value of the remaining expected cash flows of 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 risks and rewards from the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. If Nordea's 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 repays 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 collaterals".

9. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity (subsidiary or branch) is decided based upon the primary economic environment in which the entity operates. Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result from items at fair value".

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 Note G2 "Risk and Liquidity management" (the Market risk section) 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.

The EU carve-out version enables a group of derivatives (or proportions thereof) to be viewed in combination and be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

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

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be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item, as regards the hedged risk, can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125%.

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 fair value of a recognised asset or liability attributable to a specific risk in accordance with Nordea's risk management policies set out in Note G2 "Risk and Liquidity management" (the Market risk section) and Note G19 "Derivatives and hedge accounting". The risk of changes in fair value of assets and liabilities in Nordea's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the item "Net result from items at fair value". Given that the hedge is effective, the change in fair value of the hedged item and the hedging instrument will offset.

The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value changes of the hedged items held at amortised cost in a portfolio hedge of interest rate risks are reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet.

Fair value hedge accounting in Nordea is performed mainly on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net result from items at fair value".

Hedged items

A hedged item in a fair value hedge can be a recognised single asset or liability, an unrecognised firm commitment or a portion thereof. The hedged item can also be a group of assets, liabilities or firm commitments with similar risk characteristics. Hedged items in Nordea consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments

The hedging instruments used in Nordea are predominantly interest rate swaps and cross currency interest rate swaps, which are always held at fair value.

Hedge effectiveness

When assessing hedge effectiveness retrospectively, Nordea measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

If the hedging relationship does not fulfil 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 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 instrument or hedged items
- 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 Note G2 "Risk and Liquidity management" (the Market risk section) 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 and for hedging 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 in future payments of interest and principal in foreign currency and when hedging interest rate risk in lending with floating interest rates.

Hedging instruments

The hedging instruments used 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 in 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 fulfil 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

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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 remains 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 the Market risk section 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 from 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 on financial instruments that are designated hedging instruments in a hedge of a net investment in a group undertaking are recognised in other comprehensive income, to the extent that the hedge is effective. This is performed in order to offset the translation differences affecting other comprehensive income when consolidating the group undertaking into Nordea. 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".

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 for liquidity and volume required for a market to be considered active varies with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and, correspondingly, the age limit for the prices used for establishing fair value is higher.

The trade frequency and volume are monitored regularly in order to assess if markets are active or non-active. Nordea is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)
- Debt securities in issue (issued mortgage bonds in Nordea Kredit Realkreditaktieselskab)

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

Valuation techniques can range from simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible but can also make use of unobservable model parameters. The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, e.g. quoted prices from exchanges, the counterparty´s valuations, price data from consensus services etc.

Nordea is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- Loans to the public (mortgage loans in Nordea Kredit Realkreditaktieselskab)
- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (OTC derivatives)

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

Note G41 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:

- quoted prices in active markets for the same instrument (level 1),
- valuation technique using observable data (level 2), and
- valuation technique using non-observable data (level 3).

The valuation models applied by Nordea are consistent with accepted economic methodologies for pricing financial instruments and incorporate the factors that market participants consider when setting a price.

New valuation models are subject to approval by the Model Risk Committee and all models are reviewed on a regular basis.

For further information, see Note 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

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government authority, where 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 where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principle and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is 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.

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective 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 "Classification of financial instruments in Note G40", the classification of the financial instruments on Nordea's balance sheet into the different categories under IFRS 9 is presented.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see 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 consists of mainly all loans and deposits, except for reversed 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 & Pensions in Norway, subordinated liabilities and debt securities in issue, except for bonds issued in Nordea Kredit Realkreditaktieselskab and issued structured bonds in Markets.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from items at fair value". 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 contains mainly 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 issued bonds in Nordea Kredit Realkreditaktieselskab and assets and liabilities in Nordea Life & Pensions.

Liabilities in Nordea Kredit Realkreditaktieselskab are classified into the category Designated at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. When Nordea grants mortgage loans to customers in accordance with the Danish mortgage finance law Nordea at the same time issues bonds with matching terms, so-called "match funding". The customers can repay the loans either through repayments of the principal or by purchasing the issued bonds and returning them to Nordea as a settlement of the loan. The bonds play an important part in the Danish money market and Nordea consequently buys and sells own

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bonds in the market. The loans are measured at fair value through profit and loss because they fail the SPPI (Solely Payments of Principle 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 Nordea Life & Pensions 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 there is consequently no effect from changes in own credit risk in these contracts.

Nordea also applies the fair value option on issued structured bonds in Markets as these instruments include embedded derivatives not closely related to the host contract. The change in fair value 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 Nordea Life & Pensions are classified as "Net result from items at fair value".

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 values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through other comprehensive income. Interest is recognised in the item "Interest income", 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.

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The host, the zero-coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values of the embedded derivatives are recognised in the income statement in the item "Net result from items at fair value".

For 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 values are recognised in the income statement in the item "Net result from items at fair value" and presented as "Debt securities in issue" on the balance sheet.

Securities borrowing and lending agreements

Generally, securities borrowings 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 as "Loans to the public". Cash collateral received (securities lending) from counterparties is recognised on the balance sheet as "Deposits by credit institutions" or as "Deposits and borrowings from the public".

Repurchase and reverse repurchase agreements

Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In 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 as "Deposits and borrowings from the public". Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Loans to central banks", "Loans to credit institutions" or as "Loans to the public".

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

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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 total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result from items at fair value".

Offsetting of financial assets and liabilities
Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of 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 is 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 in scope for recognising impairment due to credit risk. This includes assets recognised on the balance sheet as "Loans to central banks", Loans to credit institutions", "Loans to the public" and "Interest-bearing securities". These balance sheet lines also include assets classified as Fair value through profit or loss, which are not in scope for impairment calculations. See section 13 above and Note G40 on "Classification of financial instruments".

Off-balance-sheet commitments, contingent liabilities and loan commitments are also in scope for impairment calculations.

Recognition and presentation
Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as "Net loan losses".

If the impairment loss is regarded as final, it is reported as a realised loss and the carrying amount of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor has filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea forgives its claims either through a legally based or voluntary reconstruction, or when Nordea, for other reasons, deem it unlikely that the claim will be recovered.

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses".

Assets classified as Fair value through other comprehensive income are recognised at fair value on the balance sheet. Impairment losses calculated in accordance with IFRS 9 are recognised in the income statement and classified as "Net 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 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 that have been individually identified as credit impaired, the measurement of the impairment loss is made on an individual basis. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is 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 measurement of 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 times the loss given default. For assets in stage 1 this calculation is only based on the coming 12

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months, while it for assets in stages 2 and 3 are based on the expected lifetime of the asset.

The provisions for exposures where there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). 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 PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) is used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, Nordea uses a mix of absolute and relative changes in PD as the transfer criterion.

- 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 45 bp 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 300 bp 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 20 bp are transferred to stage 2.
- Nonretail 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 400 bps are transferred to stage 2.

For assets where rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures 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.

Nordea does not use the "low credit risk exemption" in the banking operations but uses it for a minor portfolio of interest-bearing securities in the insurance operations.

When calculating provisions, including the staging assessment, the calculation is based on probability weighted forward-looking information. Nordea applies three 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 proceeds from the bankruptcy procedure and therefore estimated recoveries are 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

G1. Accounting policies, cont.

claims are reported on the same balance sheet line as similar assets already held by Nordea. For example, a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories "Fair value through profit or loss" and measured at fair value. Changes in fair values are recognised in the income statement under the line "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. 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 incentives received. Non-lease components are separated. The discount rate used to calculate the lease liability for each contract is the incremental borrowing rate at commencement of the contract. In significant premises contracts the rate implicit in the contract may be used if available.

The ROU assets are presented as similar owned assets and the lease liabilities as "Other liabilities" on the balance sheet. The depreciation policy is consistent with that of similar owned assets, but the depreciation period is normally capped at the end of the lease term. Impairment testing of the right-of-use assets is performed following the same principles as for 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 banking branches and headoffices. 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 leasing contract. If applicable, these assets are separated from the contract and accounted for as leased assets.

16. Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under Nordea's control, which means that Nordea has the power and rights to obtain the future economic benefits flowing from the underlying resource. The intangible assets in Nordea mainly consist of goodwill, IT development/computer software and customer-related intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking/joint venture at the date of acquisition. Goodwill on acquisition of group undertakings and joint ventures is included in "Intangible assets". Goodwill on acquisitions of associated undertaking is not recognised as a separate asset but included in "Investments in associated undertakings". Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings and joint ventures is not tested for impairment separately but included in the total carrying amount of

G1. Accounting policies, cont.

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.

17. Properties and equipment

Properties and equipment include own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of properties and equipment 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 leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

At each balance sheet date, Nordea assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the recoverable amount of the asset is estimated, and any impairment loss is recognised.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

18. Investment properties

Investment properties are primarily properties held to earn rent and/or capital appreciation. The majority of the properties in Nordea are attributable to Nordea Life & Pensions. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available, discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from items at fair value".

19. Liabilities to policyholders

Liabilities to policyholders include obligations according to insurance contracts and investment contracts with policyholders for all the companies in Nordea Life & Pensions, including companies in Sweden, Norway, Finland and Denmark.

An insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risks from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder".

Investment contracts are contracts with policyholders that have the legal form of insurance contracts but where the insurance risk transfer has been assessed to be insignificant.

The insurance risk is generally calculated as the risk sum payable as a percentage of the reserve behind the contract at the beginning of the contract period.

G1. Accounting policies, cont.

The contracts can be divided into the following classes:
- Insurance contracts:
  - Traditional life insurance contracts with and without discretionary participation feature
  - Unit-linked contracts with significant insurance risk
  - Health and personal accident
- Investment contracts:
  - Investment contracts with discretionary participation feature
  - Investment contracts without discretionary participation feature

Insurance contracts

The measurement principles under local GAAP have been maintained, consequently resulting in a non-uniform accounting policies method on consolidation.

The measurement of traditional life insurance provisions in Denmark and Finland are prepared by calculating the present value of future benefits, to which the policyholders are entitled. The calculation includes assumptions about market consistent discounting rates as well as expenses and life risk. The discount rate is based on the liabilities' current term. In Denmark, the provision also includes bonus potential on paid policies and on future premiums.

In Norway the traditional life insurance provisions are mainly calculated on the basis of a prospective method. The discount rate used is equal to the original tariff rates adjusted for assumptions about expenses and risk.

The accounting policy for each company is based on the local structure of the business and is related to the solvency rules and national 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. Nordea Life & Pensions has only 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.

Discretionary participating features (DPF)

Some traditional life insurance contracts and investment contracts include a contractual right for the policyholder to receive significant benefits in addition to guaranteed benefits. Nordea has discretion to pay these additional benefits as bonus on risk result, expense result and interest rate. These DPF-contracts (collective bonus potential) are classified as liabilities on the balance sheet.

Collective bonus potential includes amounts allocated but not attributed to the policyholders. In Finland, collective bonus potential includes the policyholder's part of the total unrealised investment gains and bonus potential on paid policies and future premiums (the difference between retrospective and market consistent prospective measurement principles of the insurance contracts). In Norway, collective bonus potential includes the policyholder's part of both the total unrealised investment gains and additional reserves. In Sweden and Denmark, the main valuation principle is fair value (insurance contracts). The policyholder's part of both realised and unrealised investment gains is therefore included on the balance sheet representing either "Change in technical provisions, Life insurance" and/or "Change in collective bonus potentials, Life insurance", depending on whether the investment result is allocated or not. Both the mentioned lines are included on the balance sheet line "Liabilities to policyholders".

Liability adequacy test

The adequacy of insurance provisions is assessed at each reporting date to ensure that the carrying amount of the liabilities is higher than the best estimate of future cash flows discounted with current interest rates. If needed, additional provisions are accounted for and recognised in the income statement.

20. Assets and deposits in pooled schemes and unit-linked investment contracts

Deposit in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the customers or the policyholders. The deposits are invested in different types of financial assets on behalf of the customers and policyholders.

Unit-Linked investment contracts include investment contracts written without any investment guarantees and that do not transfer sufficient insurance risk to be classified as insurance contracts.

The assets and deposits in these contracts are recognised and measured at fair value as described in section 13 "Financial instrument" above.

21. Taxes

The item "Income tax expense" in the income statement comprises current and deferred income tax. The income tax expense is recognised in the income statement, 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

G1. Accounting policies, cont.

not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings, associated undertakings and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 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 to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

22. 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 guarantees contract 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 within 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 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 the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short-term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea. Nordea has also issued share-based payment programmes, which are further described in section 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

G1. Accounting policies, cont.

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 contribution is 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 an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

Termination benefits are expensed when Nordea has an obligation to make the payment. An obligation arises when there is a formal plan committed to on the appropriate organisational level and when Nordea is without realistic possibility of withdrawal, which normally occurs when the plan has been communicated to the group affected or to their representatives.

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as "Salaries and remuneration" and post-employment benefits as "Pension costs" in Note G8 "Staff costs".

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 shall be classified as a financial liability. The inclusion of the subordinated loan in Tier 1 capital is decided by the regulators and is thus beyond the control of Nordea and the holders of the instrument. Nordea classifies the instruments as financial liabilities. Instruments without such clauses are classified as equity as there is no requirement for Nordea to pay interest or principal to the holders of the instrument.

Nordea determines payments on financial instrument classified as equity (i.e. Additional Tier 1 instruments) as distributions 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. Also acquisitions and sales of own shares are recognised under "Invested unrestricted equity", for more information 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. Acquisitions of treasury shares are recognised as a reduction in "Invested unrestricted equity" and sales of own shares as an increase in "Invested unrestricted equity". Also own shares in trading portfolios are classified as treasury shares.

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 received fee less amortisation, or an amount calculated in accordance with IFRS 9. Changes in

G1. Accounting policies, cont.

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 in 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 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 TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-based programmes. These programmes are fully vested when the payments of variable salaries are initially deferred, and the fair value of the obligation is remeasured on a continuous basis 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, 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 its 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 2020	Jan–Dec 2019
EUR 1 = SEK		
Income statement (average)	10.4889	10.5848
Balance sheet (at end of year)	10.0220	10.4563
EUR 1 = DKK		
Income statement (average)	7.4543	7.4661
Balance sheet (at end of year)	7.4405	7.4717
EUR 1 = NOK		
Income statement (average)	10.7291	9.8499
Balance sheet (at end of year)	10.4703	9.8463
EUR 1 = RUB		
Income statement (average)	82.6596	72.4524
Balance sheet (at end of year)	90.8041	69.7096

G2. Risk and Liquidity 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.

COVID-19 has been a major risk factor over the course of 2020 leading to increased volatility in markets and reduced liquidity in wholesale funding at the outset of the global lockdown. In addition, with anticipation of the impacts on the broader economy, banks made large increases in loan loss provisions with Nordea being no exception. Market volatility and expected credit migration arising from the impact of COVID-19 translated to an increase in Risk Exposure Amount (REA) for Nordea.

In response to the impact of COVID-19 on the economy, Central Banks and regulatory bodies reacted strongly with regulators reducing capital requirements through the so-called Capital Requirement Regulation (CRR) "Quick Fix". Central Banks cut interest rates, increased their quantitative easing (QE) activities and offered long-term financing facilities at low rates.

To protect its balance sheet, Nordea increased its loan loss provisions in the first half of the year and took advantage of term funding facilities from Central Banks. In addition, the Group Board followed the European Central Bank (ECB) direction to withhold payment of any dividends in 2020. With its strong financial position Nordea is able to continue to actively support its customers during this challenging time.

In order to continuously monitor potential adverse outcomes, Nordea has executed a number of internal stress tests during 2020 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.

Internal Control Framework

The Internal Control Framework covers the whole Group and it sets out the Group Board's and senior management's responsibilities towards 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 to have controls in place that aim to ensure compliance with internal and external requirements. As part of the Internal Control Framework, Nordea has established Group Control Functions with appropriate and sufficient authority, 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 the 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.

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 in Nordea. In addition, the CEO Credit Committee, the Executive Credit Committee and Business Area Credit Committees are the key bodies for Credit decision-making.

Group Board and Board Risk Committee

The Group Board has 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 dividend policy, which ensures adequate capital levels within the Group, on an ongoing and forward-looking basis in accordance with Nordea's business model, risk appetite and regulatory requirements and expectations.

Board Risk Committee (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, including credit, market, liquidity, business, life and operational risk, as well as conduct and compliance risk and related frameworks and processes.

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 Group 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 the 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

Asset and Liability Committee (ALCO) is sub-ordinated 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

Risk Committee (RC) is sub-ordinated to the Group CEO in GLT and chaired by the Chief Risk Officer (CRO). It has been established in order to manage the overall 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

G2. Risk and Liquidity management, cont.

Nordea's Risk Management Framework. Given the Group Board decided Risk Appetite Framework, 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 (1st LoD) is responsible for ensuring that limits are further cascaded and operationally implemented. 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:

- CEO Credit Committee is chaired by the Group CEO and its members include the members of the Executive Credit Committee.
- 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 and customer segmentation.

BRIC reviews decisions of the CEO Credit Committee and the Executive Credit Committee, as well as other strategic credit policy matters and development of the credit portfolio. BRIC confirms Industry Group Strategies approved by the RC.

All credit limits within the Nordea Group are based on credit decisions or authorizations made by an ultimate Decision-Making Authority with the right to decide upon that limit. Credit decisions include, inter alia, 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 decision makers, unless otherwise explicitly decided.

Subsidiary governance

At subsidiary level, the local Board of Director is responsible for approving risk appetite limits and capital actions. The proposals for such items are the joint responsibilities of relevant subsidiary management and Group Functions.

The subsidiary Board of Director 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 the subsidiary level and is responsible for the daily operations.

Governance of Risk Management and Compliance

Group Risk and Compliance (GRC) represents Nordea's independent second line of defence (2nd LoD) function. GRC 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 including the Compliance Risk Management Framework and oversees that risks that Nordea is or could be exposed to, are identified, assessed, monitored, managed and reported on. GRC is organised in divisions with individual risk type responsibility. 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 off-balance sheet risks and risks in a stressed situation. Detailed risk information covering all risks is regularly reported to the RC, GLT, BRIC and the Group Board. In addition to this Nordea's compliance with regulatory requirements is reported to the GLT and the Group Board. The Group Board and the CEO in each legal entity regularly receive local risk reporting.

The Risk Identification and Materiality Assessment Process starts with identifying risks to which Nordea is or could be exposed. Risks are then assessed for relevance, classified, and included in the Common Risk Taxonomy.

All risks within the Nordea Common Risk Taxonomy need to be classified as material or not material for risk management and capital purposes. Material risks are those assessed as having a material impact on Nordea's current and future financial position, its customers and stakeholders. These risks will typically, though not always, refer to a higher-level risk within the Risk Taxonomy which captures a number of underlying risks in which 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, in line with its business model, to achieve its strategic objectives. The Risk Appetite Statements (RAS) are the articulation of the Group Board approved risk appetite and comprises the qualitative statements and quantitative Limits and Triggers by main risk type, which are deemed appropriate to be able to operate with a prudent risk profile.

Credit concentration metrics cover e.g. sectors and geographic regions 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. 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 in line with the Risk Taxonomy. 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 inform the risk limits which are established and

G2. Risk and Liquidity management, cont.

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 alignment with local regulatory requirements and consistent with the Group Risk Limits.

- Controlling and monitoring risk exposures against risk limits: Regular controlling and monitoring of risk exposures compared to risk limits is carried out to ensure that risk-taking activity remains within risk appetite.
- Risk appetite limit breach management process: GRC oversees that any Risk Appetite Limit breaches are appropriately escalated to RC and BRIC. GRC 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 Risk Appetite Limit for all risk types covered by the RAS.

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.

Strengthened ESG Governance

At Nordea, the Group Board has a leading role in driving the climate strategy and is assisted by the Board Operations and Sustainability Committee (BOSC) in the fulfilment of its oversight responsibilities concerning sustainability, related frameworks and processes. The Group Board is also assisted by the BRIC 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 risks. Qualitative progress updates on the integration of ESG factors in the risk management frameworks form part of the regular Board Risk Appetite reporting. Organisationally, ESG is integrated in existing processes for decision-making, risk management and control, and escalation including committee structures.

In response to the heightened supervisory and regulatory expectations on ESG, a Group-wide Task Force led by the Head of Group Credit Risk Control as Chair was established in June reporting to Risk Committee and the Chief Risk Officer. The Task Force objectives were to assess Nordea's ability to comply with the ECB guide on Climate-Related and Environmental Risks and to address any required developments.

Disclosure requirements of the CRR – Capital and Risk Management Report 2020

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2020, in accordance with the Capital Requirements Regulation (CRR), which is based on the Basel III framework issued by the Basel Committee on Banking Supervision.

G2. Risk and Liquidity management, cont.

Credit Risk management

Credits granted within the Group shall 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. 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; and
- the three Lines of Defence (LoD), as further described in the Group Board Directive on Internal Governance.

Group Credit Management in 1st LoD is responsible for the credit process and Industry Credit Policies. Group Credit Risk Control in 2nd LoD is responsible for the credit risk frame- work, consisting of instructions and guidelines for the Group. Group Credit Risk Control is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process.

The basis of credit risk management in Nordea is allocating limits to customers and customer groups that 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 in the organisation constituting the maximum risk appetite on the customer in question. Individual credit decisions within the approved internal credit risk limit are taken within the customer responsible unit (CRU). The risk categorisation together with the exposure of the customer decides at what level the credit decision will be made. Responsibility for a credit risk lies with the customer responsible unit. Customers are risk-categorized by a rating or 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 1st LoD credit organization approve the rating independently.

Credit risk definition and identification

Credit risk is defined as the potential for loss due to failure of a borrower(s) to meet its obligations to clear a debt in accordance with agreed terms and conditions. The potential for loss is lowered by credit risk mitigation techniques. Credit risk stems mainly from various forms of lending, but also 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 in the portfolio and 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 emphasize the need to adjust the depth and scope of the assessment according to the risk. The same credit risk assessments are used as input for determining the internal ratings. Credit decisions in Nordea reflect Nordea's view of both the customer relationship and credit risk.

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 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 total credit risk assessment shall be a combined risk conclusion on the borrower's repayment capacity and recov-

Credit Committee Structure

G2. Risk and Liquidity management, cont.

ery position. The risk conclusion must be sufficiently forward-looking as compared to the risk profile of the customer and maturity of the transaction.

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

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

Credit risk mitigation

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collaterals is considered as well as the adequacy of covenants and other risk mitigations. Pledge of collateral is a fundamental credit risk mitigation technique in the bank and collaterals are always sought, when reasonable and possible, to minimize the potential for 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 from the strength of collateral position, the repayment capacity is the starting point in credit assessment and assigning 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 shall 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 values and should be based on a realistic assessment for the particular asset at that time. Risk transfer to other creditworthy parties, through guarantees and insurance, shall be based on legally enforceable documentation.

Collateral distribution

Distribution of collateral has remained stable during 2020, with the majority of the collateral stemming from residential and commercial real estate. The shares of financial collateral, receivables, and other physical collaterals have slightly decreased during 2020, while the share of real estate has increased by 1% in 2020.

	31 Dec 2020	31 Dec 2019
Financial Collateral	0.7%	0.8%
Receivables	0.7%	0.7%
Residential Real Estate	74.0%	73.2%
Commercial Real Estate	18.7%	18.7%
Other Physical Collateral	5.9%	6.6%
Total	**100.0%**	**100.0%**

Maximum exposure to credit risk

		31 Dec 2020		31 Dec 2019	
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	4,409	1,841	11,627	6,110
Loans to the public	G14	259,433	72,776	247,395	77,514
Interest-bearing securities	G15, G16	37,022	29,285	33,269	38,813
Derivatives	G19	–	44,770	–	39,111
Off-balance-sheet items	G38, G39	106,911	203	91,776	200
Total		**407,775**	**148,875**	**384,067**	**161,748**

Allowances for credit risk

EURm	Note	31 Dec 2020	31 Dec 2019
Loans to central banks and credit institutions	G14	4	14
Loans to the public	G14	2,444	2,169
Interest-bearing securities measured at fair value through other comprehensive income or amortised cost	G15	3	1
Off-balance-sheet items	G33	236	144
Total		**2,687**	**2,328**

G2. Risk and Liquidity management, cont.

Assets taken over for protection of claims

The table below presents assets taken over distributed by asset type. Lands and buildings make up 25% of the total assets taken over end of December 2020 and so do shares. 50% of the protection claimed are other types of assets. During 2020 the Assets taken over have been brought down by 11%.

Assets taken over for protection of claims[1]

EURm	31 Dec 2020	31 Dec 2019
Current assets, carrying amount:		
Land and buildings	2	8
Shares and other participations	2	0
Other assets	4	1
Total	**8**	**9**

1) In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets used as collateral for the loan are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are at the latest disposed when full recovery is reached.

Loan-to-value

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table, IRB retail mortgage exposures are distributed by LTV buckets based on the LTV ratio.

Loan-to-value

	31 Dec 2020		31 Dec 2019	
Retail mortgage exposure	EURbn	%	EURbn	%
<50%	121.5	81	113.6	81
50–70%	21.4	14	20.3	14
70–80%	4.6	3	4.5	3
80–90%	1.2	1	1.2	1
>90%	0.8	1	0.9	1
Total	**149.5**	**100**	**140.5**	**100**

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 where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk, and stage 3 includes defaulted assets. 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 provisions.

Nordea recognises only certain specific credit risk adjustments (SCRAs). 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.

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 collaterals taken into account).

Exposures with individually assigned provisions are credit Impaired and in stage 3. The size of the provision is equal to the estimated loss, which is the difference between the book value of the outstanding exposure and the discounted value of the expected future cash flow, including the value of pledged collateral.

Collective provisioning

The collective model is executed quarterly and assessed for each legal unit/branch. One important driver for provisions is the trigger for the transferring of 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 months expected loss. In stages 2 and 3, the provisions equal the lifetime expected loss. The output is complemented with an expert-based analysis process to ensure adequate provisioning. Defaulted customers without individual provisions have collective provisions.

Default

Customers with exposures that are past due more than 90 days, in bankruptcy or considered unlikely to pay are regarded as defaulted and non-performing. Such customers can be either servicing debt or non-servicing.

If a customer recovers from being in default, the customer is seen as cured. Typically, this situation occurs if the customer succeeds in creating a balance in financials. In order to be cured, the recovery should include the customer's total liabilities, an established satisfactory repayment plan and an assessment that the recovery is underway.

Forbearance

Forbearance is eased terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention with 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 Powers to Act and followed by impairment testing. Forborne exposures can be performing or non-performing. Individual loan loss provisions are recognised if necessary.

On 13 March 2020 Nordea announced that it would offer COVID-19-related instalment-free periods in all Nordic countries to those mortgage and car finance household customers and SMEs who were experiencing temporary liquidity problems due to the COVID-19 situation. Nordea did not register COVID-19- related instalment-free periods as forbearance, and consequently did not automatically transfer the exposures to stage 2, due to the temporary nature of the instalment-free periods and as interest continued to accrue. On 1 October 2020 Nordea ended all temporary amendments to the credit risk framework and returned to its standard credit processes, including normal forbearance registration procedures, while still continuing to support customers through the crisis.

The carrying amount of loans on which Nordea had granted COVID-19-related instalment-free periods at the end of 2020 amounted to EUR 18.6bn, of which 91.2% was classified as stage 1, 7.7% as stage 2 and 1.1% as stage 3.

G2. Risk and Liquidity management, cont.

Forbearance

EURm	31 Dec 2020	31 Dec 2019
Forborne loans	2,983	2,992
- of which defaulted	1,711	1,984
Allowances for individually assessed impaired and forborne loans	465	679
- of which defaulted	434	664

Key ratios	31 Dec 2020	31 Dec 2019
Forbearance ratio[1]	0.9%	0.9%
Forbearance coverage ratio[2]	16%	23%
- of which defaulted	25%	33%

1) Forborne loans/Loans before allowances.
2) Individual allowances on forborne loans/Forborne loans.

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 34m (EUR 38m) in scenario 1 and decreased by EUR 36m (EUR 44m) in scenario 2. For more information on the rating scale and average PDs, see table "Rating/scoring information on loans measured at amortised cost" on page 124.

The provisions are sensitive to rating migration even if triggers are not reached. The table below shows the impact on provisions from a one notch downgrade on all exposures in the bank. 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 from the exposures with one rating grade above default becoming default, which is estimated at EUR 139m (EUR 141m). 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.

Forward looking information

Forward-looking information is used both for assessing significant increases in credit risk and calculating expected credit losses. Nordea uses three macroeconomic scenarios: a baseline scenario, a favourable scenario and an adverse scenario. For the fourth quarter of 2020, the scenarios were weighted into the final expected credit losses (ECL) using baseline 50%, adverse 45% and favourable 5% (baseline 60%, adverse 20% and favourable 20% at year-end 2019). The weight on the adverse scenario was increased as of the third quarter and maintained in the fourth quarter of 2020 to give more weight to the downside risks surrounding the expiry of customer support measures and the continuation of the pandemic. The baseline scenario was still maintained as the most probable one.

The macroeconomic scenarios are provided by Group Risk and Compliance (GRC) 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, and for periods beyond, a long-term average is used in the ECL calculations.

Sensitivities

	2020		2019	
EURm	Recognised provisions	Provisions if one notch downgrade	Recognised provisions	Provisions if one notch downgrade
Personal Banking	492	646	412	566
Business Banking	1,307	1,447	1,038	1,184
Large Corporates & Institutions	874	950	868	945
Other	14	29	10	20
Group	**2,687**	**3,072**	**2,328**	**2,715**

G2. Risk and Liquidity management, cont.

The macroeconomic scenarios reflect Nordea's view of how the COVID-19 virus and lockdowns will potentially impact the economic outlook. The scenarios also reflect 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 ECB's macroeconomic forecasts for the euro area.

Following one of the largest contractions in output since the Second World War, the Nordic economies experienced a significant recovery in activity in the third quarter of 2020. Although the economic recovery during the second half of 2020 appeared to be relatively strong, growth in 2021 is predicted to be slow, as the outlook is still clouded by a very high level of uncertainty. The resurgence of the COVID-19 pandemic in the autumn of 2020, with renewed and widespread lockdowns in most of Europe, poses a serious threat to the export-dependent Nordic economies. The high level of uncertainty is also weighing on business investments. On the other hand, the eventual roll-out of vaccines, and the willingness of Nordic governments to extend special support measures for sectors hit by lockdowns, point to a continued but modest recovery in the baseline. This implies that the economic output of the Nordic countries will not return to pre-pandemic levels before 2022. The significant loss of output will continue to weigh on labour markets, leading to an additional rise in unemployment in 2021. The rise in unemployment and the impact on consumer confidence are also expected to weigh on housing markets in spite of the strong price increases seen in 2020 and the low interest rates.

Adjustments to model-based provisions amount to EUR 697m, including management judgements of EUR 650m and late corrections of EUR 47m. The management judgement is divided into two groups; cyclical and structural management judgements. The cyclical management judgement covers projected individual loan losses and expected loan losses that are not yet captured by the collective provisioning models, this amounts to EUR 450m end of the year. The cyclical reserve is supported by additional portfolio modelling and is 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.

One important source of information in the estimation of the cyclical reserve is 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 decreased 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 are not capable of replicating the impact of the current government support schemes.

The structural management judgement covers identified issues in the IFRS 9 model to be later covered in model updates (structural reserve) amounted to EUR 200m.

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 the industries affected by COVID-19. This was based on a widescale bottom-up review of large counterparties in particularly sensitive industries (e.g. Retail trade, Accommodation and leisure, and Air transportation), and incorporated the main findings into the scenario projections.

The stress test model-based scenario simulations supported loan loss forecasts by the business areas, and helped Nordea ensure that its loan loss projections are appropriately conservative. The cyclical reserve reflects management's expectation of future credit losses.

G2. Risk and Liquidity management, cont.

Scenarios and provisions 2020

Denmark		2021	2022	2023	Un-weighted 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	Un-weighted ECL, EURm	Probability weight	Model based provisions, EURm	Adjustment modelbased 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.

Scenarios and provisions 2019

Denmark		2020	2021	2022	Un-weighted ECL, EURm	Probability weight	Model based provisions, EURm	Adjustment model based provisions, EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	2.1	2.1	2.1	237	20%				
	Unemployment, %	3.5	3.2	3.0						
	Change in household consumption, %	1.7	1.5	1.8						
	Change in house prices, %	2.3	3.8	3.4						
Base scenario	GDP growth, %	1.4	1.7	2.0	239	60%	240	123	454	817
	Unemployment, %	3.8	3.8	3.7						
	Change in household consumption, %	1.4	1.6	1.9						
	Change in house prices, %	2.0	2.6	3.0						
Adverse scenario	GDP growth, %	0.9	0.9	1.4	245	20%				
	Unemployment, %	3.9	4.1	4.2						
	Change in household consumption, %	1.1	1.3	1.4						
	Change in house prices, %	1.8	2.1	1.8						
Finland										
Favourable scenario	GDP growth, %	1.5	1.7	1.3	182	20%				
	Unemployment, %	6.4	6.3	6.4						
	Change in household consumption, %	1.9	1.2	1.0						
	Change in house prices, %	1.1	1.3	1.5						
Base scenario	GDP growth, %	1.1	1.1	0.9	185	60%	185	26	262	473
	Unemployment, %	6.6	6.7	6.8						
	Change in household consumption, %	1.4	1.0	1.0						
	Change in house prices, %	0.9	1.1	1.1						
Adverse scenario	GDP growth, %	0.8	0.5	0.4	187	20%				
	Unemployment, %	6.6	6.7	7.0						
	Change in household consumption, %	1.1	0.9	1.1						
	Change in house prices, %	1.0	0.8	0.3						

G2. Risk and Liquidity management, cont.

Scenarios and provisions 2019, cont.

Norway		2020	2021	2022	Un-weighted ECL, EURm	Probability weight	Model based provisions, EURm	Adjustment modelbased provisions, EURm	Individual provisions, EURm	Total provisions, EURm
Favourable scenario	GDP growth, %	2.2	2.3	2.0	94	20%				
	Unemployment, %	3.3	3.0	2.7						
	Change in household consumption, %	2.6	1.8	1.8						
	Change in house prices, %	3.6	4.3	4.0						
Base scenario	GDP growth, %	2.0	1.8	1.7	97	60%	98	86	322	506
	Unemployment, %	3.4	3.4	3.3						
	Change in household consumption, %	2.3	2.0	1.8						
	Change in house prices, %	3.5	3.8	3.8						
Adverse scenario	GDP growth, %	1.3	1.0	1.3	104	20%				
	Unemployment, %	3.7	4.1	4.7						
	Change in household consumption, %	1.5	1.6	2.0						
	Change in house prices, %	2.3	0.0	1.7						
Sweden										
Favourable scenario	GDP growth, %	1.7	2.7	2.6	96	20%				
	Unemployment, %	6.7	6.3	5.7						
	Change in household consumption, %	1.8	2.6	2.1						
	Change in house prices, %	1.1	2.6	3.3						
Base scenario	GDP growth, %	1.4	1.9	2.3	97	60%	97	12	171	280
	Unemployment, %	6.9	6.7	6.3						
	Change in household consumption, %	1.4	2.0	2.2						
	Change in house prices, %	1.1	2.4	2.9						
Adverse scenario	GDP growth, %	1.1	1.3	1.7	98	20%				
	Unemployment, %	6.9	7.0	7.1						
	Change in household consumption, %	1.0	1.6	2.9						
	Change in house prices, %	1.0	1.8	2.9						
Non-Nordic							15	2	235	252
Total							**635**	**249**	**1,444**	**2,328**

G2. Risk and Liquidity management, cont.

Loans to the public measured at amortised cost, geographical breakdown[1]

	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**

	Gross[2]			Allowances			
31 Dec 2019, EURm	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Denmark	22,243	1,427	804	51	175	488	23,759
Finland	56,852	4,710	1,309	20	66	344	62,441
Norway	57,530	2,769	1,142	36	45	527	60,834
Sweden	79,460	1,426	429	16	35	187	81,077
Russia	1,005	1	44	1	0	40	1,009
US	1,835	14	4	2	1	0	1,850
Other	13,190	323	878	25	20	91	14,256
Total	**232,115**	**10,670**	**4,610**	**150**	**342**	**1,677**	**245,226**

1) Based on domicile of the customers.
2) Not restated for accrued interest.

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]	Outside Nordic[1]	Total
Financial institutions	2,608	2,063	1,912	8,434	0	724	15,741
Agriculture	5,642	312	1,583	224	0	6	7,768
Crops, plantations and hunting	3,385	191	93	134	0	6	3,809
Animal husbandry	2,214	114	107	89	0	0	2,524
Fishing and aquaculture	43	7	1,383	1	0	0	1,434
Natural resources	258	1,153	894	642	85	230	3,262
Paper and forest products	231	897	158	542	0	77	1,905
Mining and supporting activities	15	155	136	51	0	0	357
Oil, gas and offshore	12	100	600	50	85	153	1,000
Consumer staples	1,762	766	468	624	0	59	3,679
Food processing and beverages	305	319	254	310	0	19	1,206
Household and personal products	183	65	104	19	0	1	371
Healthcare	1,274	382	111	295	0	39	2,101
Consumer discretionary and services	2,241	2,198	1,132	3,077	0	123	8,771
Consumer durables	155	271	87	620	0	115	1,249
Media and entertainment	557	501	125	614	0	1	1,798
Retail trade	797	958	395	1,098	0	7	3,254
Air transportation	61	50	62	91	0	0	264
Accomodation and leisure	556	356	100	449	0	0	1,462
Telecommunication services	115	62	362	206	0	0	744
Industrials	8,219	7,336	9,519	7,750	693	364	33,881
Materials	230	416	196	329	468	9	1,648
Capital goods	612	1,633	168	794	0	104	3,311
Commercial and professional services	3,672	1,301	3,910	3,067	0	143	12,093
Construction	1,280	1,525	3,677	1,191	0	37	7,710
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	0	1	1,508
Maritime	298	196	4,806	56	0	1,054	6,411
Ship building	0	50	82	0	0	0	133
Shipping	160	57	4,613	45	0	1,054	5,929
Maritime services	138	89	111	11	0	0	349
Utilities and public service	1,627	2,414	1,324	2,793	0	2	8,160
Utilities distribution	1,124	1,134	657	556	0	1	3,471
Power production	125	1,176	496	104	0	1	1,903
Public services	378	103	171	2,133	0	0	2,785
Real estate	10,618	8,012	10,140	17,469	0	377	46,617
Commercial real estate	6,876	4,583	8,524	7,692	0	377	28,053
Tenant-owned associations and residential real estate companies	3,742	3,429	1,616	9,777	0	0	18,564
Other industries	1,457	247	128	407	0	0	2,240
Total Corporate	**34,731**	**24,697**	**31,906**	**41,476**	**778**	**2,941**	**136,528**
Housing loans	35,498	31,590	34,015	49,873	0	0	150,975
Collateralised lending	7,711	5,467	2,495	2,264	0	0	17,936
Non-collateralised lending	992	2,944	419	2,290	0	0	6,645
Household	**44,201**	**40,000**	**36,929**	**54,426**	**0**	**0**	**175,556**
Public sector	**1,100**	**639**	**20**	**3,766**	**0**	**0**	**5,526**
Reversed repurchase agreements	**0**	**12,154**	**0**	**0**	**0**	**0**	**12,154**
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**	**12,154**	**18**	**4,274**	**0**	**0**	**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 Outside Nordic respectively.

G2. Risk and Liquidity management, cont.

Loans measured at amortised cost and fair value to the public

31 Dec 2019, EURm	Denmark	Finland	Norway	Sweden[1]	Russia[1]	Outside Nordic[1]	Total
Financial institutions	2,992	2,055	1,996	7,510	231	644	15,428
Agriculture	5,809	290	1,250	170	0	7	7,527
Crops, plantations and hunting	3,410	171	21	90	0	7	3,698
Animal husbandry	2,358	111	9	79	0	0	2,558
Fishing and aquaculture	41	8	1,220	1	0	0	1,271
Natural resources	731	941	995	708	378	389	4,142
Paper and forest products	267	729	91	577	0	69	1,734
Mining and supporting activities	12	138	56	60	202	0	468
Oil, gas and offshore	451	74	848	71	176	320	1,940
Consumer staples	1,714	741	521	662	0	84	3,723
Food processing and beverages	270	271	314	296	0	30	1,181
Household and personal products	186	63	102	24	0	2	377
Healthcare	1,259	408	104	342	0	53	2,165
Consumer discretionary and services	2,367	2,173	1,135	3,183	2	177	9,038
Consumer durables	203	309	95	731	0	159	1,497
Media and entertainment	471	354	97	509	0	0	1,431
Retail trade	929	971	490	1,066	0	18	3,473
Air transportation	63	57	33	91	0	0	244
Accomodation and leisure	592	348	73	306	2	0	1,322
Telecommunication services	109	134	347	481	0	0	1,072
Industrials	8,293	6,791	7,777	7,744	750	627	31,982
Materials	266	459	236	378	533	5	1,877
Capital goods	617	1,583	151	648	128	135	3,262
Commercial and professional services	3,462	1,137	3,184	3,342	0	274	11,400
Construction	1,312	1,173	3,051	976	0	60	6,572
Wholesale trade	1,753	1,130	474	1,533	7	52	4,950
Land transportation	392	846	541	427	82	93	2,381
IT services	490	462	141	439	0	7	1,539
Maritime	396	246	4,864	106	0	2,113	7,726
Ship building	0	16	65	0	0	0	81
Shipping	249	149	4,696	95	0	2,113	7,301
Maritime services	148	82	103	10	0	0	343
Utilities and public service	1,224	1,868	1,036	3,561	84	56	7,829
Utilities distribution	642	638	588	666	0	2	2,536
Power production	139	1,124	397	187	84	54	1,984
Public services	443	107	51	2,708	0	0	3,309
Real estate	10,528	8,073	9,053	15,509	3	707	43,873
Commercial real estate	6,893	4,211	7,524	7,018	3	707	26,356
Tenant-owned associations and residential real estate companies	3,634	3,862	1,529	8,491	0	0	17,517
Other industries	1,165	0	451	94	0	0	1,709
Total Corporate	**35,219**	**23,179**	**29,079**	**39,248**	**1,447**	**4,804**	**132,976**
Housing loans	33,395	29,939	33,499	44,956	0	0	141,789
Collateralised lending	7,838	5,385	2,582	2,419	0	0	18,225
Non-collateralised lending	1,087	3,168	578	2,317	0	0	7,151
Household	**42,321**	**38,492**	**36,659**	**49,692**	**0**	**0**	**167,164**
Public sector	**1,131**	**1,331**	**28**	**1,572**	**0**	**0**	**4,062**
Reversed repurchase agreements	**0**	**18,889**	**0**	**0**	**0**	**0**	**18,889**
Loans to the public by country	**78,671**	**81,891**	**65,766**	**90,512**	**1,447**	**4,804**	**323,091**
Of which loans at fair value	**54,315**	**18,889**	**6**	**4,303**	**0**	**0**	**77,514**

1) Loans related to Russia (EUR 946m) and the Baltics (EUR 960m), accounted for in the Swedish Branch, have been moved to Russia and Outside Nordic 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 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
Accomodation 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
Ship building	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.

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

	Gross			Allowances				
31 Dec 2019, EURm	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net	Net loss
Financial institutions	12,668	302	127	9	20	58	13,010	−31
Agriculture	2,562	178	285	4	20	138	2,863	−40
Crops, plantations and hunting	862	85	54	2	10	30	960	−16
Animal husbandry	499	69	193	2	10	108	642	−23
Fishing and aquaculture	1,201	24	37	0	1	0	1,261	0
Natural resources	3,349	124	791	2	3	317	3,942	−126
Paper and forest products	1,428	96	35	1	3	16	1,539	−3
Mining and supporting activities	447	11	10	0	0	3	464	6
Oil, gas and offshore	1,474	17	747	1	0	298	1,939	−129
Consumer staples	2,916	144	33	2	5	13	3,073	3
Food processing and beverages	1,068	60	25	1	2	9	1,142	7
Household and personal products	206	29	4	0	1	2	235	−1
Healthcare	1,642	55	4	1	2	2	1,696	−3
Consumer discretionary and services	6,878	526	189	7	29	104	7,453	−37
Consumer durables	1,276	135	47	1	6	22	1,429	−13
Media and entertainment	1,074	46	37	1	2	19	1,136	−8
Retail trade	2,677	221	88	4	17	49	2,917	−6
Air transportation	179	2	3	0	0	2	181	0
Accomodation and leisure	742	66	13	1	2	5	813	−3
Telecommunication services	930	56	1	1	1	7	978	−6
Industrials	26,967	1,815	787	24	70	370	29,105	−67
Materials	1,704	78	117	4	5	71	1,819	7
Capital goods	2,896	251	110	1	9	73	3,173	-6
Commercial and professional services	9,646	355	273	8	15	86	10,164	−35
Construction	5,294	399	119	5	12	74	5,721	−13
Wholesale trade	4,261	429	94	4	20	36	4,725	−4
Land transportation	2,028	210	57	1	4	22	2,268	−8
IT services	1,139	93	17	1	5	7	1,236	−8
Maritime	7,000	175	706	24	22	230	7,605	−62
Ship building	75	5	19	0	0	19	81	3
Shipping	6,702	167	686	24	22	211	7,299	−65
Maritime services	222	2	0	0	0	0	225	0
Utilities and public service	4,701	60	34	2	1	16	4,775	−7
Utilities distribution	1,909	26	30	0	0	13	1,950	−4
Power production	1,923	15	1	1	0	1	1,936	1
Public services	869	20	4	1	1	2	889	−4
Real estate	34,457	932	224	15	14	81	35,504	−7
Other industries	642	23	7	7	7	0	659	−8
Corporate	**102,140**	**4,280**	**3,183**	**95**	**191**	**1,327**	**107,991**	**−377**
Housing loans	103,768	4,047	630	10	13	29	108,393	29
Collateralised lending	16,569	1,221	444	26	48	186	17,973	−48
Non-collateralised lending	5,952	1,095	354	19	89	134	7,159	−138
Household	**126,289**	**6,363**	**1,427**	**55**	**149**	**350**	**133,525**	**−157**
Public sector	**4,038**	**27**	**0**	**0**	**2**	**0**	**4,062**	**-1**
Loans to the public	**232,467**	**10,670**	**4,610**	**150**	**342**	**1,677**	**245,577**	**−536**
Loans to credit institutions and central banks	**11,551**	**79**	**0**	**3**	**1**	**10**	**11,616**	**0**
Total	**244,108**	**10,749**	**4,610**	**153**	**343**	**1,687**	**257,193**	**−536**

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	Russia	Outside Nordic	Total
Financial institutions	116	32	1	12	0	0	161
Agriculture	421	21	5	2	0	0	448
Crops, plantations and hunting	114	4	1	0	0	0	119
Animal husbandry	307	14	3	2	0	0	325
Fishing and aquaculture	0	3	1	0	0	0	5
Natural resources	20	21	256	0	0	271	569
Paper and forest products	20	18	2	0	0	0	41
Mining and supporting activities	0	3	1	0	0	0	4
Oil, gas and offshore	0	0	253	0	0	271	524
Consumer staples	11	10	12	2	0	0	35
Food processing and beverages	1	4	2	1	0	0	7
Household and personal products	5	2	7	0	0	0	14
Healthcare	6	4	3	1	0	0	14
Consumer discretionary and services	66	103	23	57	0	0	250
Consumer durables	33	5	0	23	0	0	62
Media and entertainment	3	22	2	9	0	0	36
Retail trade	23	47	11	21	0	0	101
Air transportation	0	11	1	2	0	0	14
Accomodation and leisure	6	18	9	2	0	0	35
Telecommunication services	0	0	0	1	0	0	1
Industrials	231	252	125	118	0	0	726
Materials	10	59	1	1	0	0	70
Capital goods	35	51	1	13	0	0	100
Commercial and professional services	68	28	34	81	0	0	211
Construction	55	62	28	12	0	0	156
Wholesale trade	42	25	14	8	0	0	89
Land transportation	12	22	47	2	0	0	83
IT services	10	5	0	1	0	0	16
Maritime	36	9	371	0	0	153	569
Ship building	0	7	0	0	0	0	7
Shipping	36	1	357	0	0	152	546
Maritime services	0	1	14	0	0	0	15
Utilities and public service	3	2	27	2	0	0	35
Utilities distribution	0	1	27	0	0	0	28
Power production	0	0	0	1	0	0	1
Public services	3	1	0	2	0	0	6
Real estate	217	149	58	3	0	0	426
Other industries	1	0	5	0	0	0	7
Corporate by industry	**1,121**	**600**	**883**	**196**	**0**	**424**	**3,225**
Housing loans	479	393	116	52	0	0	1,041
Collateralised lending	174	155	61	6	0	0	396
Non-collateralised lending	48	182	15	55	0	0	301
Household	**701**	**731**	**192**	**114**	**0**	**0**	**1,737**
Public sector	**37**	**0**	**0**	**0**	**0**	**0**	**37**
Total impaired loans	**1,859**	**1,331**	**1,075**	**310**	**0**	**424**	**4,999**
of which fair value	**1,007**	**0**	**14**	**0**	**0**	**0**	**1,020**

G2. Risk and Liquidity management, cont.

Impaired loans (stage 3) by country and industry (including loans at fair value)

31 Dec 2019, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Total
Financial institutions	92	16	14	14	0	0	136
Agriculture	524	15	38	1	0	0	578
Crops, plantations and hunting	131	2	0	0	0	0	133
Animal husbandry	393	13	1	1	0	0	407
Fishing and aquaculture	0	0	37	0	0	0	37
Natural resources	23	21	313	80	0	360	797
Paper and forest products	23	17	1	0	0	0	41
Mining and supporting activities	0	4	5	0	0	0	10
Oil, gas and offshore	0	0	307	79	0	360	747
Consumer staples	5	20	5	4	0	0	35
Food processing and beverages	0	16	4	4	0	0	25
Household and personal products	3	2	0	0	0	0	5
Healthcare	3	2	0	0	0	0	5
Consumer discretionary and services	85	67	9	33	0	0	194
Consumer durables	37	6	0	4	0	0	47
Media and entertainment	1	27	1	8	0	0	37
Retail trade	44	25	6	19	0	0	94
Air transportation	0	0	0	2	0	0	3
Accomodation and leisure	3	8	2	0	0	0	13
Telecommunication services	0	0	0	1	0	0	1
Industrials	141	282	143	155	0	82	803
Materials	9	67	6	42	0	0	123
Capital goods	22	74	1	15	0	0	112
Commercial and professional services	31	23	62	79	0	80	275
Construction	24	66	23	10	0	0	123
Wholesale trade	45	28	18	5	0	0	95
Land transportation	3	19	33	1	0	0	57
IT services	6	6	0	3	0	3	17
Maritime	49	6	406	0	0	245	706
Ship building	0	6	13	0	0	0	19
Shipping	49	0	392	0	0	244	686
Maritime services	0	0	0	0	0	0	0
Utilities and public service	2	2	28	2	0	0	35
Utilities distribution	0	1	28	0	0	0	30
Power production	0	0	0	0	0	0	1
Public services	1	1	0	2	0	0	4
Real estate	146	103	58	2	0	0	310
Other industries	3	0	4	0	0	0	7
Corporate by industry	**1,071**	**532**	**1,019**	**291**	**0**	**688**	**3,601**
Housing loans	304	440	134	56	0	0	934
Collateralised lending	188	182	67	7	0	0	444
Non-collateralised lending	49	178	71	56	0	0	354
Household	**541**	**799**	**272**	**119**	**0**	**0**	**1,731**
Public sector	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total impaired loans	**1,612**	**1,331**	**1,291**	**410**	**0**	**688**	**5,332**
of which fair value	**713**	**0**	**9**	**0**	**0**	**0**	**722**

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, bps	Impaired loans (stage 3)	Impairment ratio, bps	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
Accomodation 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
Ship building	–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.

Loans to the public measured at amortised cost

31 Dec 2019, EURm	Net loan losses[1]	Loan loss ratio, bps	Impaired loans (stage 3)	Impairment ratio, bps	Allowances total	Allowances (stage 1)	Allowances (stage 2)	Allowances (stage 3)	Coverage ratio, %	Loans mesured at amortised cost
Financial institutions	31	24	127	97	87	9	20	58	46	13,010
Agriculture	40	138	285	941	161	4	20	138	48	2,863
Crops, plantations and hunting	16	171	54	544	41	2	10	30	54	960
Animal husbandry	23	359	193	2,536	119	2	10	108	56	642
Fishing and aquaculture	0	1	37	295	1	0	1	0	1	1,261
Natural resources	126	319	791	1,856	323	2	3	317	40	3,942
Paper and forest products	3	21	35	223	20	1	3	16	47	1,539
Mining and supporting activities	–6	–131	10	203	4	0	0	3	34	464
Oil, gas and offshore	129	664	747	3,338	299	1	0	298	40	1,939
Consumer staples	–3	–10	33	107	20	2	5	13	40	3,073
Food processing and beverages	–7	–63	25	215	11	1	2	9	36	1,142
Household and personal products	1	47	4	175	4	0	1	2	59	235
Healthcare	3	17	4	24	5	1	2	2	48	1,696
Consumer discretionary and services	37	49	189	249	140	7	29	104	55	7,453
Consumer durables	13	92	47	320	29	1	6	22	48	1,429
Media and entertainment	8	72	37	322	22	1	2	19	51	1,136
Retail trade	6	21	88	295	69	4	17	49	55	2,917
Air transportation	0	17	3	161	2	0	0	2	67	181
Accomodation and leisure	3	33	13	156	8	1	2	5	41	813
Telecommunication services	6	66	1	11	9	1	1	7	687	978
Industrials	67	23	787	266	463	24	70	370	47	29,105
Materials	–7	–38	117	615	80	4	5	71	61	1,819
Capital goods	6	18	110	337	84	1	9	73	67	3,173
Commercial and professional services	35	34	273	266	109	8	15	86	32	10,164
Construction	13	23	119	205	91	5	12	74	62	5,721
Wholesale trade	4	9	94	197	59	4	20	36	38	4,725
Land transportation	8	35	57	249	27	1	4	22	38	2,268
IT services	8	65	17	133	13	1	5	7	43	1,236
Maritime	62	81	706	896	276	24	22	230	33	7,605
Ship building	–3	–328	19	1,934	19	0	0	19	97	81
Shipping	65	89	686	908	257	24	22	211	31	7,299
Maritime services	0	–15	0	17	0	0	0	0	15	225
Utilities and public service	7	14	34	71	19	2	1	16	47	4,775
Utilities distribution	4	20	30	151	14	0	0	13	45	1,950
Power production	–1	–5	1	4	2	1	0	1	69	1,936
Public services	4	42	4	43	4	1	1	2	60	889
Real estate	7	2	224	63	110	15	14	81	36	35,504
Other industries	8	131	7	115	14	7	7	0	0	659
Total Corporate	**381**	**35**	**3,183**	**290**	**1,612**	**95**	**191**	**1,327**	**42**	**107,991**
Housing loans	–29	–3	630	58	52	10	13	29	5	108,393
Collateralised lending	48	27	444	243	260	26	48	186	42	17,973
Non-collateralised lending	138	192	354	478	242	19	89	134	38	7,159
Household	**157**	**12**	**1,427**	**106**	**554**	**55**	**149**	**350**	**25**	**133,525**
Public sector	**1**	**3**	**0**	**0**	**2**	**0**	**2**	**0**	**38**	**4,062**
Loans to the public	**540**	**22**	**4,610**	**186**	**2,169**	**150**	**342**	**1,677**	**36**	**245,577**

1) Including provisions for off-balance sheet exposures.

G2. Risk and Liquidity management, cont.

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 557bn (EUR 546bn in 2019). Total credit exposure according to the CRR definition was at year end after Credit Conversion Factor EUR 481bn (EUR 467bn). 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 counterparts, 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 2.2% to EUR 330bn during 2020 (EUR 323bn). The corporate portfolio increased approximately 2.9%, the household portfolio inreased by 5.0%. The overall credit quality is solid with strongly rated customers. Close monitoring are done due to the COVID-19 crisis, but supported by the strong nordic economies and governmental support, the credit quality remained stable during 2020. Of the lending to the public portfolio, corporate customers accounted for 45.1% (46.9%), household customers for 53.2% (51.8%) and the public sector for 1.7% (1.3%). Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, decreased to EUR 6bn at the end of 2020 (EUR 18bn).

Impaired loans and ratios

	2020	2019
Gross impaired loans, amort., EURm	3,979	4,610
- of which servicing	1,788	2,312
- of which non-servicing	2,191	2,298
Impairment rate, (stage 3) gross, basis points	**151**	**178**
Impairment rate, (stage 3) net, basis points	**87**	**113**
Allowances in relation to loans, stages 1 and 2, basis points	**30**	**20**
Total allowance ratio (stages 1, 2 and 3), basis points	**93**	**84**
Allowances in relation to impaired loans (stage 3), %	**42**	**37**

Net loan losses and loan loss ratios

	2020	2019
Net loan losses, EURm	908	536
Net loan loss ratio, amortised cost, Group, basis points	35	22
- of which stage 3	21	18
- of which stages 1 & 2	14	4
Net loan loss ratio, including fair value mortgage loans, Group, basis points[1]	26	16
Net loan loss ratio, including fair value mortgage loans, Personal Banking, basis points	17	6
Net loan loss ratio, including fair value mortgage loans, Business Banking, basis points	34	23
Net loan loss ratio, including fair value mortgage loans, Large Corporates & Institutions, basis points	43	32

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.

Loans to corporate customers

Loans to corporate customers at the end of 2020 amounted to EUR 149bn (EUR 152bn). The sector that increased the most in 2020 was Real estate while Maritime 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 46.6bn (EUR 43.9bn). The Real Estate (commercial & residential) portfolio predominantly consists of relatively large and financially strong companies, with 93% (92%) of the exposure in rating grades 4– and higher. Loans to Maritime decreased to EUR 6.4bn (EUR 7.7bn) during the year. The distribution of loans to corporate customers by size of loans, seen in the table below, shows a high degree of diversification where approximately 64% (65%) of the corporate volume represents loans up to EUR 50m per customer.

Loans to corporate customers, by size of loans

	31 Dec 2020		31 Dec 2019	
Size in EURm	Loans EURbn	%	Loans EURbn	%
0–10	57.2	38	62.6	41
11–50	38.9	26	36.1	24
51–100	22.0	15	20.7	14
101–250	22.7	15	19.8	13
251–500	3.8	3	4.1	3
501–	4.1	3	8.2	5
Total	**148.7**	**100**	**151.5**	**100**

Loans to household customers

In 2020 lending to household customers increased by 5.0% to EUR 176bn (EUR 167bn). The increase was primarily driven by Sweden, but with increases in all countries. Mortgage lending increased to EUR 151bn (EUR 142bn) and consumer lending unchanged at EUR 25m (EUR 25bn). The proportion of mortgage lending of total household lending increased to 86% (85%).

Geographical distribution

The portfolio is geographically well diversified with no market accounting for more than 30% of total lending measured by the geography of the customer handling unit. Other EU countries represent the largest part of lending outside the Nordic countries. Lending to the public distributed by borrower domicile shows that the customers residing in the Nordic countries account for 93% (93%).

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 2020. 20% of the number of corporate customers migrated upwards (19%) while 23% was down-rated (33%). Exposure-wise, 17% (16%) of the corporate customer exposure migrated upwards while 18% (20%) was down-rated. 88% (87%) of the corporate exposure was rated 4– or higher, with an average rating for the portfolio of 4+.

G2. Risk and Liquidity management, cont.

Rating/scoring information for loans measured at amortised cost

EURm Rating/scoring grade[1]	Average PD[2] (%)	Gross carrying amount, 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total	Allowances
7	0.00	8,141	7	–	8,148	0
6 / A	0.04	92,525	256	5	92,786	14
5 / B	0.22	55,942	643	2	56,587	43
4 / C	0.79	57,057	2,447	6	59,510	140
3 / D	4.43	13,061	4,467	28	17,556	170
2 / E	15.57	1,767	2,517	14	4,298	141
1 / F	30.27	690	1,590	52	2,332	118
Standardised / Unrated	0.00	16,544[3]	1,657	463	18,664	327
0 (default)	100.00	296	256	3,409	3,961	1,495
Total		**246,023**	**13,840**	**3,979**	**263,842**	**2,448**

EURm Rating/scoring grade[1]	Average PD (%)	Gross carrying amount, 31 Dec 2019 Stage 1	Stage 2	Stage 3	Total	Allowances
7	0.00	8,922	23	–	8,945	2
6 / A	0.04	92,278	227	7	92,512	8
5 / B	0.20	56,651	883	46	57,580	29
4 / C	0.63	57,349	2,191	20	59,560	82
3 / D	5.23	13,593	3,198	58	16,849	124
2 / E	14.22	3,159	2,086	27	5,272	121
1 / F	30.56	1,152	1,439	73	2,664	97
Standardised / Unrated	0.01	9,333	1,484	184	11,001	51
0 (default)	100.00	278	167	4,195	4,640	1,669
Total		**242,715**	**11,698**	**4,610**	**259,023**	**2,183**

1) The stage classification and calculated provision for each exposure are based on the situation as per end of October 2020 (October 2019), while the exposure amount and rating grades are based on the situation as per end of December 2020 (December 2019). Some of the exposures in default according to the rating grade as per end of December were not in default as per end of October, and hence this is reflected in the stage classification.

2) Average PD excluding Nordea Finance Equipment AS.

3) The main driver for the increase from 2019 is the acquisition of Nordea Finance Equipment AS.

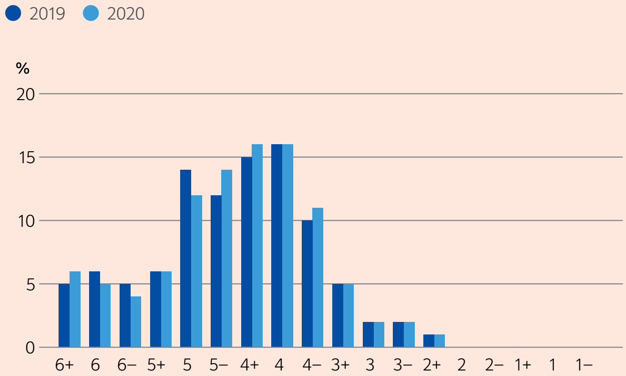
Rating/scoring information for off-balance-sheet items

EURm Rating/scoring grade	Nominal amount 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total	Provisions
7	5,796	–	–	5,796	0
6 / A	28,048	60	–	28,108	8
5 / B	32,567	119	1	32,687	19
4 / C	27,617	1,502	1	29,120	53
3 / D	4,744	2,332	2	7,078	41
2 / E	70	857	8	935	43
1 / F	25	336	0	361	28
Standardised / Unrated	1,948	437	2	2,387	24
0 (default)	–	–	642	642	20
Total	**100,815**	**5,643**	**656**	**107,114**	**236**

EURm Rating/scoring grade	Nominal amount 31 Dec 2019 Stage 1	Stage 2	Stage 3	Total	Provisions
7	4,542	–	–	4,542	2
6 / A	21,905	11	–	21,916	4
5 / B	28,970	23	1	28,994	10
4 / C	24,357	1,625	3	25,985	20
3 / D	4,479	1,723	6	6,208	33
2 / E	384	496	5	885	16
1 / F	45	250	2	297	10
Standardised / Unrated	2,001	464	4	2,469	5
0 (default)	–	–	679	679	44
Total	**86,683**	**4,592**	**700**	**91,975**	**144**

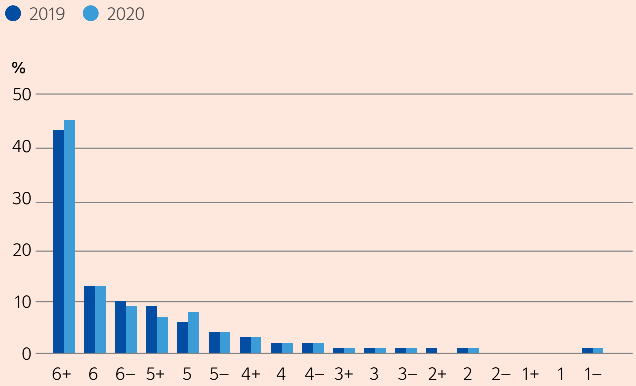
G2. Risk and Liquidity management, cont.

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.

Institutions and Retail customers on the other hand show a distribution that is biased towards the higher rating grades. 93% (92%) of the 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. 0.98% during the full year 2020.

Impaired loans (stage 3)

Impaired loans gross at amortised cost in the Group decreased to EUR 3,979m (EUR 4,610m), corresponding to 151 basis points of total loans. 45% of impaired loans gross are servicing and 55% are non-servicing. Impaired loans net, after allowances for Stage 3 loans amount to EUR 2,305m, corresponding to 87 basis points of total loans. Allowances for stage 3 loans amount to EUR 1,674m. Allowances for stages 1 & 2 loans amount to EUR 775m. The ratio of allowances in relation to impaired loans is 42% and the allowance ratio for loans in stages 1 & 2 is 30 basis points. The decrease in impaired loans was mainly related to Oil, gas and offshore and Shipping. This is mainly due to restructurings and write-offs. The portfolios with the largest impaired loan amounts were household 32%, industrials of 17%, Natural resources and Maritime of 14% each.

Past due loans

Past due loans, 6 days or more, for corporate customers make up EUR 909m, down from EUR 978m one year ago, and past due loans to household sum up to EUR 1,543m in 2020, down from EUR 2,229m 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. Past due loans to corporate customers, were at end of 2020 EUR 909m, down from EUR 978m one year ago, and past due loans for household customers decreased to EUR 1,543m from EUR 2,229m one year ago.

	31 Dec 2020		31 Dec 2019	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	344	576	405	1,054
31–60 days	115	204	127	273
61–90 days	34	78	84	144
>90 days	416	685	362	758
Total	**909**	**1,543**	**978**	**2,229**
Past due (incl. impaired) loans divided by loans to the public after allowances, %	0.67	0.88	0.63	1.33

Net loan losses

Net loan losses for 2020 was EUR 908m (EUR 536m), corresponding to an annual net loan loss ratio at 35 bps for amortised cost loans and when including loans held at fair value 26bps (16bp). EUR 443m is due to increased management judgements mainly to cover for the uncertainty on future losses related to COVID-19. The individual provisions are driven by Oil, Gas and Offshore as well as Maritime mainly due to changed collateral values. There are also large net loan losses for consumer lending, but this is mainly related to the management judgements decided during the year. Net loan losses increased in Personal Banking to EUR 296m (EUR 130m) and Business Banking to EUR 328m (EUR 141m) and in Large Corporates & Institutions to EUR 277m (EUR 251m). Of the net loan losses, EUR 547m relates to corporate customers (EUR 157m), and EUR 362m (EUR 377m) to household customers.

Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterpart in an FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. Current exposure net (after close-out netting and collateral reduction) represents EUR 7.3bn of which 28% was towards financial institutions. For information about financial instruments subject to master netting agreement, see Note G42 "Financial instruments set off on balance or subject to netting agreements".

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 2020[1]	**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	–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**

	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 2019	**15,258**	**30**	**0**	**15,288**	**217,160**	**14,691**	**4,646**	**236,497**	**232,418**	**14,721**	**4,646**	**251,785**
Origination and acquisition	2,088	0	–	2,088	59,495	1,000	422	60,917	61,583	1,000	422	63,005
Transfers between stage 1 and stage 2, (net)	–7	7	–	0	982	–982	–	0	975	–975	0	0
Transfers between stage 2 and stage 3, (net)	–	–	–	0	–	–213	213	0	0	–213	213	0
Transfers between stage 1 and stage 3, (net)	–	–	–	0	–357	–	357	0	–357	0	357	0
Repayments and disposals	–3,272	–16	–	–3,288	–52,422	–2,774	–613	–55,809	–55,694	–2,790	–613	–59,097
Write-offs	–	–	–	0	–	–	–437	–437	0	0	–437	–437
Other changes	–2,489	58	–	–2,431	8,150	–1,042	–4	7,104	5,661	–984	–4	4,673
Translation differences	–29	0	–	–29	–893	–9	25	–877	–922	–9	25	–906
Closing balance at 31 Dec 2019[1]	**11,549**	**79**	**0**	**11,628**	**232,115**	**10,671**	**4,609**	**247,395**	**243,664**	**10,750**	**4,609**	**259,023**

1) Opening balance for 2020 restated for accrued interest as explained in Note G1. Comparative figures for 2019 above are not restated.

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 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**

	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 2019	**–5**	**–8**	**–3**	**–16**	**–141**	**–287**	**–1,596**	**–2,024**	**–146**	**–295**	**–1,599**	**–2,040**
Origination and acquisition	–1	0	–	–1	–31	–9	–1	–41	–32	–9	–1	–42
Transfers from stage 1 to stage 2	0	0	–	0	6	–73	–	–67	6	–73	0	–67
Transfers from stage 1 to stage 3	–	–	–	0	1	–	–57	–56	1	0	–57	–56
Transfers from stage 2 to stage 1	0	0	–	0	–15	57	–	42	–15	57	0	42
Transfers from stage 2 to stage 3	–	–	–	0	–	13	–159	–146	0	13	–159	–146
Transfers from stage 3 to stage 1	–	–	–	0	–10	–	14	4	–10	0	14	4
Transfers from stage 3 to stage 2	–	–	–	0	–	–19	24	5	0	–19	24	5
Changes in credit risk without stage transfer	1	0	–5	–4	23	–12	–214	–203	24	–10	–221	–207
Repayments and disposals	1	6	–	7	23	32	52	107	24	37	53	114
Write-off through decrease in allowance account	–	–	–	0	–	–	312	312	0	0	312	312
Changes due to update in the institution's methodology for estimation (net)	–	–	–	0	0	–40	–13	–53	0	–40	–13	–53
Other changes	–	–	–	0	–5	–5	–28	–38	–5	–5	–28	–38
Translation differences	0	0	–2	–2	0	1	–10	–9	0	0	–11	–11
Closing balance at 31 Dec 2019	**–4**	**–2**	**–10**	**–16**	**–149**	**–342**	**–1,676**	**–2,167**	**–153**	**–344**	**–1,686**	**–2,183**

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.

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 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**

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	**18**	**41**	**62**	**121**
Origination and acquisition	5	2	0	7
Transfers from stage 1 to stage 2	0	21	–	21
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	2	–9	–	–7
Transfers from stage 2 to stage 3	–	0	3	3
Transfers from stage 3 to stage 1	0	–	–1	–1
Transfers from stage 3 to stage 2	–	0	–4	–4
Changes in credit risk without stage transfer	12	18	–21	9
Repayments and disposals	–4	–3	0	–7
Write-off through decrease in allowance account	–	–	–	0
Translation differences	0	0	0	0
Closing balance at 31 Dec 2019	**33**	**70**	**41**	**144**

G2. Risk and Liquidity management, cont.

Market risk

Market risk is the risk of loss in Nordea's positions in either the trading book or non-trading book as a result of changes in market rates and parameters that affect the 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 2nd LoD ensures that the risk appetite is appropriately translated through the Risk Committee into specific risk appetite limits for the Business Areas and Group Treasury and ALM (TALM).

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 the bank is exposed.

Traded market risk

Traded market risk arises mainly from client-driven trading activities and related hedges in Nordea Markets which is part of Nordea Large Corporates & Institutions.

Nordea Markets takes market risks as part of its business model to support corporate and institutional clients through a range of fixed income, equity, foreign exchange, commodity and structured products. The market risks Nordea Markets is exposed to include interest rate risk, credit spread risk, equity risk, foreign exchange risk, commodity risk and inflation risk.

Furthermore, Nordea is one of the major mortgage lenders in the Nordics and market makers in Nordic corporate and government bonds. Holding inventory is a consequence of providing secondary market liquidity. As a result, Nordea's business model naturally gives rise to a concentration in Nordic mortgage and corporate bonds as well as in local market currencies.

Non-traded market risk

Non-traded market risk arises from the core banking business of Nordea, related hedges and regulatory or other external requirements (e.g. liquid asset buffer).

TALM is responsible for the risk management of all non-traded market risk exposures in the Group's balance sheet. To ensure a clear division of responsibilities within TALM the banking book risk management is divided across several frameworks – each with a clear risk mandate and specific limits and controls.

The non-traded market risks that Nordea is exposed to are interest rate risk, credit spread risk, foreign exchange risk (both structural and non-structural) and equity risk.

Interest rate risk in the banking book (IRRBB) is the current or prospective risk to Nordea's capital and earnings arising from adverse movements in interest rates. Business Areas transfer their banking book risk exposures to TALM through an internal funds transfer pricing framework. The market risks are managed centrally and include gap risk, spread risks, basis risks, credit spread risk, behavioural risk and non-linear risks. These risks are delineated by currency.

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 with maturity matched IRS payer swaps and to a smaller degree with OIS 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 operates a running portfolio of tail hedges across listed equity futures and options, main credit indices and interest rate swaps and options.

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 metric, 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 to changes in the 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 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 Value-at-Risk, Stressed Value-at-Risk, Equity Event Risk, Incremental Risk Measure and the Comprehensive Risk Measure models were all approved by the bank'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 for calculating market risk exposures for commodity related products, specific risk for mortgage and government bonds, commercial papers, credit/rate hybrids and credit spread options, as well as for equity risk related to structured equity and Tier 1 and Tier 2 bonds.

Nordea Bank Abp is the only legal entity for which this model is in use. After the relocation to Finland in October 2018, Nordea is operating under a temporary tolerance decision from the ECB, allowing the bank 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, which was submitted in December 2020.

IRRBB is measured, monitored and managed using three key risk metrics:

- Economic Value (EV),
- Fair Value (FV), and
- 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 consider the change in the economic value of banking book assets, liabilities and interest-bearing derivative exposures resulting from interest rate movements, independently 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. Changes in the Economic Value of Equity of the banking book are measured using the six standardised scenarios defined by the Basel Committee on Banking Supervision (BCBS) plus a range of internal parallel shocks. The exposure limit under EV is measured against the worst outcome out of the six Basel scenarios measured. The EV Basel scenarios are estimated daily for management information

G2. Risk and Liquidity management, cont.

purposes, but fully calculated and monitored monthly against the risk appetite limits. The fair value risk stress measure considers the potential revaluation risk relating to positions held under fair value accounting classifications. Fair value sensitivities in the banking book are monitored against five severe but plausible market stress scenarios. The scenarios are calibrated to reflect severe events designed to test specific exposures that are or may be held under the approved mandate. The risk is measured daily, and a risk appetite limit is set against the worst outcome of the five scenarios. The FV scenarios are applied to both the banking book and trading book portfolios, and the Board risk appetite limit considers the combined impact across both. The FV stress metric is monitored daily.

The earnings risk metric measures the change in net interest income relative to a base scenario, creating 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 the non-maturing deposits and prepayments. Similarly to EV, SIIR is measured using the six standardised scenarios defined by the Basel Committee on Banking Supervision (BCBS) for management information, plus a range of internal parallel shocks. The SIIR risk appetite limit is set against a +/– 50bps parallel shock. 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 an option to change deposit rates, and customers have an option to withdraw non-maturing deposits (NMD) at any given day. Both embedded options are modelled using NMD models. Both assumptions are calculated based on historical average by core asset and liability class features. Assets and liabilities are grouped according to key metrics including product type, geography and customer segment. Assumptions are based on historically observed values. Regular back-testing and model monitoring are performed for both prepayment models and NMD 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 the bank's equity due to adverse movements in the MtM values of positions accounted for at Fair Value through Profit and Loss (FVTPL) or Fair Value through other comprehensive income (FVOCI). The Earnings Risk component covers the impact of rate changes on future earnings capacity, 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) and risk exposure amounts. CET1 is largely denominated in euro with the only significant non-euro equity amounts stemming from mortgage subsidiaries and Nordea Bank Russia. Changes in FX rates can therefore negatively impact Nordea's CET1 ratio.

Market risk analysis

The market risk for the Nordea trading book is presented in the table below.

The Market risk measured by VaR showed an average utilisation of EUR 31.6m in 2020 (average in 2019 was EUR 14.8m) and was primarily driven by interest rate VaR. Stressed VaR showed an average utilisation of EUR 46.7m which is similar to 2019 (average in 2019 was EUR 46.6m) and primarily driven by interest rate stressed VaR with additional contributions from credit spread stressed VaR. The highs in VaR and stressed VaR were reached in Q1 2020. VaR and stressed VaR are primarily driven by market risk in Northern European and Nordic countries.

The Incremental Risk Charge (IRC) at the end of 2020 was lower than at the end of 2019 which was driven by reduced default exposure. The lowest exposure occurred during Q2 2020, while IRC was the highest in Q1 2020. Average IRC increased by EUR 4.4m compared to the previous year, primarily driven by higher contribution from the migration component.

Comprehensive Risk Charge (CRC) at the end of 2020 was slightly higher than at the end of 2019. The lowest exposure occurred during Q1 2020, while CRC peaked during Q2 2020 at the start of the COVID-19 crisis. Average CRC for 2020

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, which equalled EUR 0.8m at end of 2020.

Market risk for the banking book figures

EURm	31 Dec 2020	2020 high	2020 low	2020 avg
Total VaR	88	113	32	73

G2. Risk and Liquidity management, cont.

Market risk figures for the trading book[1]

EURm	31 Dec 2019	2019 high	2019 low	2019 avg
Total VaR	21	23	10	15
Interest rate risk	18	21	8	14
Equity risk	6	10	1	3
Credit spread risk	4	11	3	5
Foreign exchange risk	2	6	1	3
Inflation risk	2	3	1	2
Diversification effect	34	58	34	46
Total Stressed VaR	67	86	28	47
Incremental Risk Charge (IRC)	21	41	7	16
Comprehensive Risk Charge (CRC)	17	29	9	20

1) Equity Event Risk, which equalled EUR 0.2m at end of 2019.

Market risk for the banking book figures

EURm	31 Dec 2019	2019 high	2019 low	2019 avg
Total VaR	34	58	27	42

increased by EUR 19.9m compared to 2019 as it was dragged up by the peak at the start of the COVID-19 crisis.

The VaR for Banking Book has increased materially during the year, driven by volatility relating to COVID-19. Volatility of underlying market movements is directly carried into the metrics used to model VaR. Overall Banking Book market risk, however, remains within appetite and no fundamental changes in the portfolio have taken place during the year to increase risk materially.

The exposure to long term illiquid investment holdings was EUR 1,268m at the end of 2020 (EUR 1,171m at the end of 2019), of which:

- private equity funds EUR 435m (EUR 347m),
- hedge funds EUR 1m (EUR 1m),
- credit funds EUR 300m (EUR 256m),
- seed-money investments EUR 192m (EUR 260m),
- unlisted equity investments of EUR 236m (EUR 262m),
- structured loans of EUR 42m (EUR 0m), and
- ventures EUR 62m (EUR 44m).

All types of investments, excluding structured loans, are spread over a number of funds.

Structural Interest Income Risk (SIIR)/EV

At the end of the year, the worst loss out of the six Basel scenarios for SIIR was driven by the Steepening Basel scenario, where the potential reduction of one year interest income due to interest rate movements was EUR 655m (against the worst case income reduction at the end of 2019 of EUR 1,030m, also taken from the Steepening Basel scenario). Nordea's balance sheet is structured such that net interest income would decrease if short term interest rates fall while long rates rise.

EV risk across all scenarios is currently zero, due to the beneficial impact of rate floors on assets and liabilities that apply due to the low/negative rate environment.

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 consideration of sub components of market risk 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 and by limits on capital drawdown. In addition, regular reviews of the schemes strategic asset allocation are undertaken to ensure the investment approach reflects Nordea's risk appetite. See Note G34 for more information.

Operational risk

Nordea defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

Operational risks are inherent in all of Nordea's businesses and operations. Managers throughout Nordea are accountable for the operational risks related to their mandate and for managing these risks within risk limits and risk appetite in accordance with the operational risk management framework.

Group Operational Risk (GOR) within Group Risk and Compliance (GRC) constitutes the second line of defence (2nd LoD) 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 (1st LoD). GOR monitors and controls that operational risks are appropriately identified, assessed and mitigated, follows-up risk exposures towards risk appetite and assesses the adequacy and effectiveness of the operational risk management framework and the implementation of the frameworks.

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 thereafter reports to the Chief Executive Officer (CEO) in Group Leadership Team (GLT), the Group Board and relevant committees.

G2. Risk and Liquidity management, cont.

While the COVID-19 crisis has presented Nordea with a heightened level of operational risk, this has not materialised in the form of increased losses due to operational risks for 2020. Events such as fraud, large scale processing errors and data breaches are all more likely given the current situation. However, the root cause of these may derive from a variety of different factors, including but not limited to employees working from home. As a preventive measure, the risk appetite limit for losses due to operational risk was temporarily increased in December 2020 to ensure the needed flexibility in Nordea's operations in light of the uncertain COVID-19 environment.

The risk appetite for losses is within appetite as of December 2020 based on the 4-quarter rolling loss number.

The Risk Appetite Statement (RAS) for operational risk is expressed in terms of:

- residual risk level in breach of risk appetite and requirements for mitigating actions for risks; and
- total loss amount from incidents and management of incidents.

Management of operational risk

Management of operational risk includes all activities aimed at identifying; assessing and measuring; responding and mitigating; controlling and monitoring; and reporting on risks. The risk management is supported by various processes including e.g. the 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 risks are included in the Operational and Compliance Risk section of the Capital and Risk Management Report 2020 published in accordance with the Capital Requirements Regulation (CRR).

Risk and Control Self-Assessment

The Risk and Control Self-Assessment (RCSA) process provides a risk-based view of operational and compliance risks across Nordea. The process improves risk awareness and enables effective assessment, control, and mitigation of identified risks. For risks identified in the RCSA 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.

Change Risk Management and Approval framework

The objective of the Change Risk Management and Approval (CRMA) 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 CRMA 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, the Incident Management shall secure timely notification to defined external bodies and parties, including relevant supervisory authorities.

Business Continuity and Crisis Management

The objective of the 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. 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 the Third Party Risk Management (TPRM) is to ensure that risks related to third parties and third party activities, including but not limited to outsourcing and intragroup outsourcing, are appropriately identified, assessed and managed before entering into, during, as well as when exiting a third party arrangement. TPRM shall ensure risks associated with third parties and third party activities are kept within risk appetite and risk limits.

Financial Reporting Risk

Financial reporting risk is defined as the risk of misstatements or deficiencies in financial reporting and regulatory reporting and disclosures. The risk arises from erroneous interpretation and implementation of accounting standards and regulation, the use of judgement in reporting, as well as from inadequate governance and control frameworks around financial reporting. The framework for managing financial reporting risk is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, which provides the structure and guidance 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 assertions over its financial statements. Group Risk and Compliance 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, and reports to Board Audit Committee on a quarterly basis.

Compliance Risk

Nordea defines compliance risk as the risk of failure to comply with applicable regulations and related internal rules.

Managers 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 within Group Risk and Compliance (GRC) constitutes the independent second line of defence (2nd LoD) compliance function and is responsible for developing and maintaining the risk management framework for compliance risks and for guiding the business in their implementation of and adherence to the framework.

Compliance activities are presented in the form of an annual compliance oversight plan to the President of Nordea Bank Abp and Chief Executive Officer of the Nordea Group (Group CEO) and the Board of Directors (Group Board). The annual compliance oversight plan represents the compliance activities of Nordea, combining Group Compliance's overall approach to key risk areas. The plan is comprised of detailed plans for Business Areas, Group Functions, consolidated Group subsidiaries, branches and for each risk area. Group

G2. Risk and Liquidity management, cont.

Compliance is responsible for regular reporting on their plans to the Group Board, the CEO in Group Leadership Team (GLT), branch management and relevant committees, at least quarterly.

In 2020, COVID-19 has had a massive impact on society at large including our customers and Nordea. In order to maintain service levels towards our customers and comply with government instructions regarding COVID-19, Nordea employees have increasingly operated remotely, which has had a bearing on current operating models and thus introduced potential new risks. Nordea has actively monitored these risks and implemented mitigating procedures to ensure that customers and markets remain as unaffected as possible. COVID-19 has also brought with it an increased volatility in financial markets, and Nordea has monitored activities closely to ensure fair treatment of our customers and integrity in the market. This has been largely supported by an increased focus on employee trainings and the enhancement of Nordea's market abuse surveillance capabilities.

Nordea's management of the COVID-19 situation meant that Nordea was also able to keep the financial crime prevention operational processes running as well. Development of COVID-19 was monitored from an early stage enabling a proactive approach as the situation developed. Accordingly Nordea was able to maintain the four main capability areas in financial crime prevention: Sanctions screening, Transaction monitoring, Know Your Customers (KYC) and Fraud management.

Nordea also continued to strengthen the compliance function and formally mobilised an enhancement programme to look to further reinforce the compliance risk management framework during 2020.

During 2020, 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 entire stage of the customer lifecycle. Nordea has also progressed in its development of the Conduct Risk Framework through improved reporting, risk identification and raised awareness. Nordea has established a committee to oversee the prudent management of compliance and conduct risks. Management of Conflicts of interest in relation to products and services has remained a key area of focus.

Nordea's Code of Conduct and corporate values underpin Nordea's culture and set the parameters for how Nordea's employees should conduct themselves. All Nordea's employees are required to complete annual training in the Code of Conduct to ensure proper awareness and knowledge of the ethical principles.

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, Raising Your Concern (RYC), ensures that all of Nordea's stakeholders, including customers, partners, affected communities as well as our 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 our operations, products or services.

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

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

There is a risk that, in the event the authorities issue fines, these could be higher (or potentially lower) than the current provision, and that this could also impact the Nordea's financial performance. In addition, some of these proceedings could lead to litigation. Given this uncertainty, Nordea will maintain the level of provision for ongoing AML-related matters while also 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 the AML and sanction management risk frameworks. Nordea has also established the Sustainability and Ethics Committee and a culture transformation programme to embed stronger ethical standards into its corporate culture. The Group is also investing in enhanced compliance standards, processes and resources in both the first and second lines of defence.

The Danish tax authorities have raised a claim for damages against Nordea of approximately DKK 900m relating to Nordea's provision of assistance to a foreign bank in connection with the said bank's reclaim of dividend tax on behalf of one of its customers. It is Nordea's assessment that it is not liable, and Nordea disputes the claim.

Financial Crime Prevention

Nordea continued to strengthen its financial crime defences in 2020. Significant compliance enhancements have been achieved within the areas of: i) governance, ii) IT support of customer due diligence processes, iii) acceleration of KYC files remediation, iv) transaction monitoring capabilities, v) updating Nordea's policies in light of changes in regulation, and vi) strengthening of Nordea's Sanctions programme.

During the year Nordea closely followed issued warnings from international advisory bodies and national Nordic regulators regarding potential impact of the pandemic on financial crime (fraud, cybercrime, exploitation of government funds etc.). Nordea has also initiated proactive and reactive case reviews through risk assessment process, looking into patters and reg flags in addition to existing controls (e.g. false/fraudulent claims of government aid, unusual transaction patterns during lockdown period). Furthermore, Nordea has increased its cooperation with local Financial Intelligent Units due to higher numbers of urgent inquiries from these.

Management of compliance risk

The Risk Appetite Statement (RAS) for compliance risk gives direction on the compliance risk management and defines at

G2. Risk and Liquidity management, cont.

which residual risk levels, risks would breach risk appetite and formulate requirements on 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 2020 published in accordance with the Capital Requirements Regulation (CRR).

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

The life insurance business of Nordea Life & Pensions (NLP) consists of a range of different life & health products, from endowments with duration of a few years to very long-term pension savings contracts, with durations of more than 40 years. Market return products (unit-linked products) clearly dominate NLP's business. Traditional products (participating savings and life insurance products) and health insurance take minor roles in NLP's business profile.

The main risks that NLP is exposed to are market risks and life & health insurance risks.

Market risks at NLP 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, the interest rate risk, equity risk, credit spread risk and currency risk are the most relevant risks.

Market risks are measured and monitored through exposure calculations and adequate limit setting. In addition, NLP regularly performs stress tests and macroeconomic scenario analyses to assess the need for future capitalisation. The results of stress tests and scenario analysis are monitored against limits specified in the internal policies.

Market risk is mitigated by applying hedging and asset allocation strategies.

Life & 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 risks are measured and monitored through calculations of the Solvency II capital requirements. To assess the resilience of the business to sudden changes in the lapse rate, regular sensitivity tests are performed at NLP group and local entity level. Life & 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.

Liquidity risk management

During 2020, 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 period of COVID-19-related market stress.

Nordea issued approximately EUR 23.4bn in long-term funding in 2020 (excluding Danish covered bonds), of which approximately EUR 8.4bn was issued in the form of covered bonds and EUR 15.0bn was issued as senior debt.

Throughout 2020, Nordea remained compliant with the requirement in Liquidity Coverage Ratio (LCR) in all currencies on a combined basis.

In the course of 2020, Nordea participated in ECB and local central bank facilities, for example the targeted longer-term refinancing operation (TLTRO III) provided by the ECB in the second quarter, to further support customer needs.

Nordea has borrowed EUR 7bn under the TLTRO III programme. The negative interest expense amounted to EUR 19m in 2020. Nordea recognises negative interest expense based on the current applicable interest rate fixed by the ECB. The interest rate on the funding is currently –0.5%, and may in the future decrease to –1% with retroactive impact. The interest rate on the liability depends on the rate fixed by the ECB and also on the development of the credit volume in a benchmark portfolio. If certain thresholds are reached, Nordea will receive a discount on the interest rate paid, at which time Nordea will alter the effective interest rate under IFRS 9. In 2020 Nordea did not include any such alteration of the effective interest rate, as it could not be assumed with adequate certainty that the thresholds would be reached. Any impact from an alteration of the effective interest rate will be recognised as "Net interest income".

Liquidity risk definition and identification

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

Management principles and control

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

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

The Second Line of Defence, Group Risk and Compliance, is responsible for providing independent oversight of and challenge to the first line of defence.

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

The Board of Directors defines the liquidity risk appetite by setting limits for applied liquidity risk metrics. The most central metric is the Liquidity Stress Horizon, which defines the risk appetite by setting a minimum survival 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 Nordea stays within various risk parameters including the risk appetite.

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

Liquidity risk management strategy

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

Policy statements stipulate that Nordea's liquidity management reflects a conservative attitude towards liquidity risk. Nordea strives to diversify its sources of funding and seeks to establish and maintain relationships with investors in order to ensure market access. A broad and diversified funding structure is reflected by the strong presence in the Group's four domestic markets in the form of a strong and stable retail

G2. Risk and Liquidity management, cont.

customer base and the variety of funding programmes. The funding programmes are both short-term (US – and European commercial paper, and Certificates of Deposits) and long-term (covered bonds, European medium-term notes, medium-term notes) and cover a range of currencies.

Trust is fundamental in the funding market; therefore, Nordea periodically publishes information on the liquidity situation of the Group. Furthermore, Nordea regularly performs stress testing of the liquidity risk position, e.g. Nordea developed specific COVID-19 liquidity stress scenarios to capture relevant risk drivers, and has put in place business contingency plans for liquidity crisis management.

Liquidity risk measurement

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

Liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. Liquidity risk is limited by the Board of Directors via Liquidity Stress Coverage 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 a market-wide stress similar to what many banks experienced in 2007–08; and an idiosyncratic stress corresponding to a three-notch credit rating downgrade. These metrics form the basis for Nordea's liquidity risk appetite, which is reviewed and approved by the Board at least annually.

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

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

Liquidity risk analysis

Nordea continues to have a strong and prudent liquidity risk profile with a strong funding base. As of year-end 2020, the total volume utilised under CD and CP programmes was EUR 33.7bn (EUR 44.3bn) with an average maturity of 0.4 (0.3) years. The total volume under long-term programmes was EUR 147.6bn (EUR 159.3bn) with an average maturity being 6.8 (6.3) years. Nordea's funding sources are presented in a table below.

The liquidity risk position remained at a low level throughout 2020. The Liquidity Stress Horizon was 530 days as of year-end 2020 (504 days as of year-end 2019) with a yearly average of 671 days (642 days) – the Group limit is not below 90 days.

The yearly average of the funding gap risk was EUR +35.8bn (EUR +29.7bn in 2019) against a limit of EUR –15bn. Nordea's liquidity buffer ranged between EUR 88.3bn and 129.8bn throughout 2020 (EUR 88.1bn and 108.2bn) with an average liquidity buffer of EUR 103.7bn (EUR 97.2bn).

The combined LCR according to EBA Delegated Act rules for the Nordea Group was at the end of 2020 158% (166%) with a yearly average of 166% (188%). At the end of 2020 the LCR in EUR was 278% (236%) and in USD 119% (146%), with yearly averages of 209% (201%) and 199% (187%), respectively. At the end of 2020 Nordea's NSFR was 110.3% (108.6%).

Funding sources, 31 December 2020

Liability type	Interest rate base	Average maturity (years)	EURm
Deposits by credit institutions			
Shorter than 3 months	Euribor, etc.	0.1	12,519
Longer than 3 months	Euribor, etc.	1.8	11,420
Deposits and borrowings from the public			
Deposits on demand	Administrative	0.0	174,843
Other deposits	Euribor, etc.	0.4	8,589
Debt securities in issue			
Certificates of deposits	Euribor, etc.	0.4	23,426
Commercial papers	Euribor, etc.	0.3	10,228
Mortgage covered bond loans	Fixed rate, market-based	8.0	113,032
Other bond loans	Fixed rate, market-based	2.7	27,623
Derivatives			47,033
Other non-interest-bearing items			64,587
Subordinated debt			
Tier 2 subordinated bond loans	Fixed rate, market-based	4.5	5,048
Additional Tier 1 subordinated bond loans (undated)	Fixed rate, market-based		1,893
Equity			33,740
Total			**533,981**
Liabilities to policyholders			18,178
Total, including life insurance operations			**552,159**

Net Stable Funding Ratio (NSFR), 31 December 2020

EURbn	31 Dec 2020	31 Dec 2019
Available stable funding	305,8	290,5
Required stable funding	277,2	267,6
Net stable funding	28,6	22,9
Net Stable Funding Ratio (NSFR)[1]	**110.3%**	**108.6%**

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. In 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. 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.

Changes in basis of segmentation in 2020

Up until 2019 the Group Leadership Team was defined as the CODM. In 2020 the CODM has been changed to the CEO, to better reflect the current decision making process in Nordea. The CEO is supported by the Group Leadership Team.

The operating segments, as well as the reportable operating segments, have also been changed as from 2020, in order to reflect the current reporting to the CODM and the decision making process in Nordea. The change is driven by the level of information reviewed by the CODM, which resulted in fewer operating segments than in 2019. The main business areas are, as from 2020, defined as reportable operating segments and the breakdowns of the different main areas disclosed in previous years have consequently been removed. Group Finance is in addition included in Other operating segments as it is below the threshold to be disclosed separately. Comparative figures have been restated accordingly, in line with the reporting to the CODM, including minor organisational changes, updates to current plan exchange rates and updates to current allocation principles.

Reportable Operating 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 internet bank, 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 solution. 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 2020

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other Operating segments[3]	Total operating segments	Reconciliation	Total Group
Net interest income	2,111	1,434	895	68	118	4,626	–111	4,515
Net fee and commission income	1,137	590	455	812	–6	2,988	–29	2,959
Net result from items at fair value	91	258	467	97	–17	896	4	900
Profit from associated undertakings accounted for under the equity method	0	4	0	–5	7	6	–7	–1
Other income	7	24	0	15	12	58	35	93
Total operating income	**3,346**	**2,310**	**1,817**	**987**	**114**	**8,574**	**–108**	**8,466**
- of which internal transactions[1]	–430	–182	–288	–26	926	0	–	–
Staff costs	–579	–408	–325	–420	–162	–1,894	–858	–2,752
Other expenses	–1,184	–656	–507	–74	128	–2,293	1,007	–1,286
Depreciation, amortisation and impairment charges of tangible and intangible assets	–65	–23	–19	–16	–2	–125	–480	–605
Total operating expenses	**–1,828**	**–1,087**	**–851**	**–510**	**–36**	**–4,312**	**–331**	**–4,643**
Profit before loan losses	**1,518**	**1,223**	**966**	**477**	**78**	**4,262**	**–439**	**3,823**
Net result on loans in hold portfolios mandatorily held at fair value	25	12	10	1	0	48	0	48
Net loan losses	–299	–332	–288	–4	–2	–925	17	–908
Operating profit	**1,244**	**903**	**688**	**474**	**76**	**3,385**	**–422**	**2,963**
Income tax expense	–298	–217	–165	–114	–18	–812	114	–698
Net profit for the year	**946**	**686**	**523**	**360**	**58**	**2,573**	**–308**	**2,265**
Balance sheet 31 Dec 2020[2], EURbn								
Loans to the public	160	90	46	**9**	1	306	24	330
Deposits and borrowings from the public	81	50	40	**10**	1	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.

G3. Segment reporting, cont.

Income statement 2019[3]

EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other Operating segments[3]	Total operating segments	Recon-ciliation	Total Group
Net interest income	2,093	1,355	847	53	–2	4,346	–28	4,318
Net fee and commission income	1,206	591	430	781	–1	3,007	4	3,011
Net result from items at fair value	129	260	298	98	194	979	33	1,012
Profit from associated undertakings accounted for under the equity method	0	2	0	33	19	54	–4	50
Other income	2	20	2	13	144	181	51	232
Total operating income	**3,430**	**2,228**	**1,577**	**978**	**354**	**8,567**	**56**	**8,623**
- of which internal transactions[1]	–545	–200	–426	–20	1,191	0	–	–
Staff costs	–620	–401	–344	–409	–315	–2,089	–928	–3,017
Other expenses	–1,299	–690	–571	–138	–28	–2,726	1,087	–1,639
Depreciation, amortisation and impairment charges of tangible and intangible assets	–63	–19	–15	–11	–743	–851	–479	–1,330
Total operating expenses	**–1,982**	**–1,110**	**–930**	**–558**	**–1,086**	**–5,666**	**–320**	**–5,986**
Profit before loan losses	**1,448**	**1,118**	**647**	**420**	**–732**	**2,901**	**–264**	**2,637**
Net result on loans in hold portfolios mandatorily held at fair value	42	–54	14	10	0	12	0	12
Net loan losses	–129	–141	–246	–1	2	–515	–21	–536
Operating profit	**1,361**	**923**	**415**	**429**	**–730**	**2,398**	**–285**	**2,113**
Income tax expense	–327	–221	–100	–103	179	–572	1	–571
Net profit for the year	**1,034**	**702**	**315**	**326**	**–551**	**1,826**	**–284**	**1,542**
Balance sheet 31 Dec 2019[2], EURbn								
Loans to the public	153	84	50	8	1	296	27	323
Deposits and borrowings from the public	75	42	35	10	1	163	6	169

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.

3) Comparable figures have been restated following the changes in reportable segments and the use of current year plan exchange rates.

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	
	2020	2019	2020	2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Total Operating segments	8,574	8,567	3,385	2,398	306	296	182	163
Group functions[1]	1	2	–290	–217	–	–	–	–
Unallocated items	–23	25	–100	–85	21	24	–1	5
Eliminations	–3	–8	0	0	–	–	–	–
Differences in accounting policies[2]	–83	37	–32	17	3	3	2	1
Total	**8,466**	**8,623**	**2,963**	**2,113**	**330**	**323**	**183**	**169**

1) Consists of Group Business Support, Group Internal Audit, Chief of Staff office, Group People, Group Legal, Group Risk & 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	2020	2019
Banking products	5,505	5,630
Capital Markets products	1,041	927
Savings products & Asset management	1,469	1,455
Life & Pensions	407	418
Other	44	193
Total	**8,466**	**8,623**

Banking products consists of three different product types. Account products includes account based products such as lending, deposits, cards and Netbank services. Transaction products consists of cash management as well as trade and project finance services. Financing products includes asset based financing through leasing, hire purchase and factoring as well as sales to finance partners such as dealers, vendors and retailers.

Capital Markets products contains financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds.

Savings products & Asset management includes Investment funds, Discretionary Management, Portfolio Advice, Equity Trading and Pension Accounts. Investment Funds is a bundled product where the fund company invests in stocks, bonds, derivatives or other standardised products on behalf of the fund's shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio Advise is a service provided to support the customers' investment decisions.

Life & Pensions includes life insurance and pension products and services.

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2020	2019	31 Dec 2020	31 Dec 2019
Sweden	2,348	2,232	150	139
Finland	1,644	1,726	116	127
Norway	1,564	1,684	101	97
Denmark	2,323	2,435	180	177
Other	587	546	5	15
Total	**8,466**	**8,623**	**552**	**555**

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 customers' 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	2020	2019
Interest income calculated using the effective interest rate method[1]	5,536	6,399
Other interest income	1,071	1,350
Negative yield on financial assets	–280	–309
Interest expense	–2,013	–3,334
Negative yield on financial liabilities	201	212
Net interest income	**4,515**	**4,318**

1) Of which contingent leasing income amounts to EUR 101m (EUR 78m). Contingent leasing income at Nordea consists of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases, there will be an offsetting impact from lower funding expenses. Interest income on the net investment in finance leases amounted to EUR 181m (155m).

Interest income calculated using the effective interest rate method

EURm	2020	2019
Loans to credit institutions	359	589
Loans to the public	4,837	5,345
Interest-bearing securities	205	254
Yield fees and interest on hedges of assets	135	211
Interest income calculated using the effective interest rate method	**5,536**	**6,399**

Other interest income

EURm	2020	2019
Loans at fair value to the public	969	1,177
Interest-bearing securities measured at fair value	101	181
Yield fees and other interest income on fair value assets	1	–8
Other interest income	**1,071**	**1,350**

Interest expense

EURm	2020	2019
Deposits by credit institutions	–153	–328
Deposits and borrowings from the public	–200	–523
Debt securities in issue	–1,842	–2,729
Subordinated liabilities	–336	–417
Other interest expenses[1]	518	663
Interest expense	**–2,013**	**–3,334**

1) The net interest income from derivatives, measured at fair value related to Nordea's funding. This can have both a positive and negative impact on other interest expenses, for further information see Note G1 "Accounting policies".

G4. Net interest income, cont.

Net interest income from categories of financial instruments

EURm	2020	2019
Financial assets at fair value through other comprehensive income	167	214
Financial assets at amortised cost	5,172	5,929
Financial assets at fair value through profit or loss (related to hedging instruments)	–56	–7
Financial assets at fair value through profit or loss	1,044	1,304
Financial liabilities at amortised cost	–1,824	–3,129
Financial liabilities at fair value through profit or loss	12	7
Net Interest Income	**4,515**	**4,318**

Interest on impaired loans amounted to an insignificant portion of interest income.

G5. Net fee and commission income

EURm	2020	2019
Asset management commissions	1,469	1,455
- of which income	1,772	1,748
- of which expense	–303	–293
Life and pension commissions	263	251
- of which income	273	259
- of which expense	–10	–8
Deposit products	27	23
- of which income	27	23
Brokerage, securities issues and corporate finance	204	157
- of which income	375	368
- of which expense	–171	–211
Custody and issuer services	34	41
- of which income	84	74
- of which expense	–50	–33
Payments	280	307
- of which income	393	413
- of which expense	–113	–106
Cards	168	220

G5. Net fee and commission income, cont.

EURm	2020	2019
- of which income	279	350
- of which expense	–111	–130
Lending products	424	429
- of which income	449	458
- of which expense	–25	–29
Guarantees	89	111
- of which income	122	131
- of which expense	–33	–20
Other	1	17
- of which income	82	107
- of which expense	–81	–90
Total	**2,959**	**3,011**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 412m (EUR 390m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 2,420m (EUR 2,375m). The corresponding amounts for fee expenses is EUR –10m (EUR –8m).

The fees on the different lines in Note G5 "Net fee and commission income" are accounted for as explained in Note G1 "Accounting Policies" section 6.

For information on contract assets and liabilities see Note G1 "Accounting Policies" section 6, item accrued income in Note G26 "Prepaid expenses and accrued income" and item prepaid income in Note G32 "Accrued expenses and prepaid income".

G5. Net fee and commission income, cont.

Break down by Business Areas

2020, EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other & Elimination	Nordea Group
Asset management commissions	566	95	7	801	0	0	1,469
Life and pension commissions	189	81	4	–11	0	0	263
Deposit products	9	17	1	0	0	0	27
Brokerage, securities issues and corporate finance	21	44	115	39	–2	–13	204
Custody and issuer services	4	4	24	4	–5	3	34
Payments	62	153	67	0	0	–2	280
Cards	141	21	6	0	0	0	168
Lending products	117	136	162	3	6	0	424
Guarantees	8	27	54	0	0	0	89
Other	16	9	6	–26	–4	0	1
Total	**1,133**	**587**	**446**	**810**	**–5**	**–12**	**2,959**

2019, EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Group Finance	Other & Elimination	Nordea Group
Asset management commissions	553	97	4	801	0	0	1,455
Life and pension commissions	200	78	5	–32	0	0	251
Deposit products	9	13	1	0	0	0	23
Brokerage, securities issues and corporate finance	23	29	72	33	0	0	157
Custody and issuer services	6	5	34	0	–6	2	41
Payments	83	161	67	1	2	–7	307
Cards	173	28	12	0	0	7	220
Lending products	132	137	154	3	3	0	429
Guarantees	9	35	66	1	0	0	111
Other	20	11	18	–24	1	–9	17
Total	**1,208**	**594**	**433**	**783**	**0**	**–7**	**3,011**

G6. Total net result from items at fair value

EURm	2020	2019
Net result from items at fair value	900	1,012
Net result on loans in hold portfolios mandatorily held at fair value	48	12
Total	**948**	**1,024**

EURm	2020	2019
Equity-related instruments	177	734
Interest-related instruments and foreign exchange gains/losses	715	110
Other financial instruments (including credit and commodities)	–24	103
Life & Pensions[1,2]	80	77
Total	**948**	**1,024**

1) Internal transactions not eliminated against other lines in the Note. The line Life & Pensions consequently provides the true impact from the life insurance operations.
2) Premium income amounts to EUR 227m (EUR 394m).

Breakdown of Life & Pensions

EURm	2020	2019
Equity-related instruments	397	1,571
Interest-related instruments and foreign exchange gains/losses	271	283
Investment properties	94	123
Change in technical provisions	–792	–1,794
Change in collective bonus potential	60	–139
Insurance risk income	64	66
Insurance risk expense	–14	–33
Total	**80**	**77**

G6. Total net result from items at fair value, cont.

Net result from categories of financial instruments

EURm	2020	2019
Financial assets at fair value through other comprehensive income	226	90
Financial assets designated at fair value through profit or loss	102	199
Financial liabilities designated at fair value through profit or loss	–1,698	–5,167
Financial assets and liabilities mandatorily at fair value through profit or loss[1]	2,930	7,651
Financial assets at amortised cost[2]	456	206
Financial liabilities at amortised cost[3]	–854	–732
Foreign exchange gains/losses excluding currency hedges	302	94
Non-financial assets and liabilities[4]	–516	–1,317
Total	**948**	**1,024**

1) Of which amortised deferred day one profit amounts to EUR 177m (EUR 41m).
2) This row includes gain or loss arising from derecognition of financial assets measured at amortised cost EUR 11m (EUR 65m) where EUR 11m (EUR 65m) is gains and EUR 0m (EUR 0m) is losses. The reason for derecognition is that the assets have been prepaid by the customer or sold. This row also includes fair value changes of hedged amortised cost assets in portfolio hedge of interest rate risk of EUR 343m (EUR 26m) and interest from amortised cost items in Life of EUR 103m (EUR 114m).
3) This row mainly includes fair value changes of hedged amortised cost liabilities in portfolio hedge of interest rate risk of EUR 839m (EUR 708m).
4) This row mainly consists changes in technical reserve in Life of EUR 724m (EUR 1,345m).

G7. Other operating income

EURm	2020	2019
Divestments of shares[1]	10	138
Income from real estate	2	3
Sale of tangible and intangible assets	12	9
Other	69	82
Total	**93**	**232**

1) 2020: Gain related to sale of Automatia EUR 10m. 2019: Gain related to sale of LR Realkredit EUR 138m.

G8. Staff costs

EURm	2020	2019
Salaries and remuneration (specification below)[1]	–2,148	–2,370
Pension costs (specification below)	–275	–269
Social security contributions	–400	–452
Other staff costs[2]	71	74
Total	**–2,752**	**–3,017**
Salaries and remuneration		
To executives[3]		
- Fixed compensation and benefits	–21	–19
- Performance-related compensation	–8	–7
Total	**–29**	**–26**
To other employees	–2,119	–2,344
Total	**–2,148**	**–2,370**

1) Of which allocation to profit sharing 2020 EUR 27m (EUR 10m), consisting of a new allocation of EUR 37m (EUR 22m) and an adjustment related to prior years of EUR 10m (EUR 12m).
2) Including capitalisation of IT projects with EUR 140m (EUR 166m).
3) Executives include the Board of Directors (including deputies), CEO, deputy CEO, executive vice presidents and 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, in the parent company and operating subsidiaries, are also included. Executives amount to 154 (152) individuals.

Pension costs[1]

EURm	2020	2019
Defined benefits plans (Note G34)[2]	–51	–37
Defined contribution plans	–224	–232
Total	**–275**	**–269**

1) Pension cost for executives, as defined in footnote 3 above, amounts to EUR 2m (EUR 4m) and pension obligations to EUR 11m (EUR 8m).
2) Excluding social security contributions. Including social security contributions EUR 61m (EUR 46m).

Remuneration for the Board of Directors, the CEO and Group Leadership Team

Board remuneration

The Annual General Meeting (AGM) 2020 decided on annual remuneration for the Board of Directors (the Board), for the Chair amounting to EUR 300,000, for the Vice-Chair EUR 145,000 and for other members EUR 95,000.

In addition, annual remuneration paid for board committee work on the Board Operations and Sustainability Committee, the Board Audit Committee and the Board Risk Committee amounts to EUR 60,000 for the committee chairs and EUR 30,000 for the other members. Annual remuneration for board committee work on the Board Remuneration Committee amounts to EUR 42,000 for the committee chair and EUR 26,000 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 of Directors all costs and expenses related to or arising from the Board membership. This e.g. includes travel, logistics and accommodation, related to board work. 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 2020.

No Board member earns variable remuneration and employee representatives are not included in the table below.

G8. Staff costs, cont.

Remuneration to the Board of Directors

EUR	2020	2019
Chairman of the Board:		
Torbjörn Magnusson[5]	345,500	267,000
Björn Wahlroos[1]	–	80,088
Vice Chairman of the Board:		
Kari Jordan[3]	171,000	128,250
Lars G Nordström[1]	–	42,725
Other Board members:		
Pernille Erenbjerg	155,000	146,638
Nigel Hinshelwood	185,000	181,300
Petra von Hoeken[3]	155,000	116,250
Robin Lawther	125,000	134,750
Torbjörn Magnusson[5]	–	30,388
John Maltby[3]	155,000	116,250
Sarah Russell	155,000	151,400
Silvija Seres[1]	–	30,388
Birger Steen	185,000	173,900
Jonas Synnergren[4]	116,250	–
Maria Varsellona[2]	31,250	124,138
Total	**1,779,000**	**1,723,465**

1) Resigned as member of the Board as from the AGM 2019.
2) Resigned as member of the Board as from the AGM 2020.
3) New member of the Board as from the AGM 2019.
4) New member of the Board as from the AGM 2020.
5) Elected as Chairman of the Board as from the AGM 2019.

Remuneration to the Chief Executive Officer (CEO) and Group Leadership Team (GLT)

The Board Remuneration Committee prepares alterations in salary levels and outcome of the Executive Incentive Programme (EIP) for GLT, grants of conditional shares from Long-Term Incentive Plan (LTIP) as well as other changes in the remuneration package for the Chief Executive Officer (CEO), the Interim Deputy Managing Director and the other members of Group Leadership Team (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 policy under IFRS applied in the Annual Report, specially related to LTIP.

Fixed remuneration

The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes holiday pay and car allowance where applicable.

Benefits includes primarily 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 agreements (DC) and pension rights earned during the year under defined benefit agreements (DBP)(Current service cost and Past service cost and settlements as defined in IAS 19).

Out of the total pension expense EUR 1,647,421 (EUR 1,436,414) relates to defined contribution agreements. Payments to statutory pension schemes (TyEL in Finland particularly) are reported as social costs and not included in the table below.

Remuneration to the Chief Executive Officer (CEO) and Group Leadership Team (GLT)

	Fixed salary		Pension expense DBP & DC schemes		Benefits		Total fixed remuneration	
EUR	2020	2019	2020	2019	2020	2019	2020	2019
Chief Executive Officer:								
Frank Vang-Jensen	1,252,912	408,314	375,788	122,494	211,989	7,844	1,840,689	538,652
Casper von Koskull	–	958,339	–	74,620	–	50,509	–	1,083,468
Interim Deputy Managing Director:								
Jussi Koskinen	462,771	131,729	–	–	23,172	4,414	485,943	136,143
Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	–	877,633	–	238,857	–	43,921	–	1,160,411
Group Leadership Team:								
9 (9) individuals excluding CEO and Interim Deputy Managing Director	6,236,460	5,232,982	1,027,375	905,302	89,443	86,786	7,353,278	6,225,070
Total	**7,952,143**	**7,608,997**	**1,403,163**	**1,341,273**	**324,604**	**193,474**	**9,679,910**	**9,143,744**
Former Chief Executive Officer:								
Casper von Koskull[1]	1,398,528	417,852	108,646	35,026	29,974	18,649	1,537,148	471,527
Former Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen[1]	497,697	302,702	182,914	96,893	1,425	833	682,036	400,428
Total	**9,848,368**	**8,329,551**	**1,694,723**	**1,473,192**	**356,003**	**212,956**	**11,899,094**	**10,015,699**

1) The disclosure includes the amounts paid in 2020, but the expense has been covered by provisions recognised in 2019.

G8. Staff costs, cont.

Variable remuneration
EIP 2020 for GLT is based on specific goals and targets and is capped at maximum 75% of fixed base salary. 40% of the EIP 2020 outcome will be paid out in 2021. The remaining 60% will be paid-out annually pro-rata over 5-years with 12% delivered each year. 50% of the EIP 2020 outcome is delivered in Nordea shares (excluding dividends) at each delivery event, which are subject to retention for 12 months when the deferral period ends.

The outcome from EIP 2020 has been expensed in full in 2020.

In 2020, the Board of Directors decided to launch a Long-Term Incentive Plan (LTIP) 2020–2022 to Nordea's Group Leadership Team in accordance with the remuneration policy for governing bodies adopted by an advisory vote at Nordea's 2020 Annual General Meeting.

The LTIP 2020–2022 has a three-year performance period from 1 January 2020 to 31 December 2022 and deferral and retention periods. The first portion of shares of the potential award is delivered in 2023, subject to the performance conditions. The rest of the shares are deferred and delivered annually in five equal portions during 2024–2028. Each share delivery is subject to a 12-month retention period.

Please refer to section below for further details on the LTIP 2020–2022.

The LTIP 2012 programme was fully expensed in May 2015. All shares in LTIP 2012 are fully vested and consequently not conditional. There are no outstanding shares for current GLT members as of 31 December 2020.

Variable remuneration

	Executive Incentive Programme		LTIP Conditional grants[1]		Total variable remuneration		Total remuneration Fixed and variable	
EUR	2020	2019	2020	2019	2020	2019	2020	2019
Chief Executive Officer:								
Frank Vang-Jensen	610,313	158,416	45,882	–	656,195	158,416	2,496,884	697,068
Casper von Koskull	–	229,145	–	–	–	229,145	–	1,312,613
Interim Deputy Managing Director:								
Jussi Koskinen	236,249	59,905	15,294	–	251,543	59,905	737,486	196,048
Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	–	214,972	–	–	–	214,972	–	1,375,383
Group Leadership Team:								
9 (9) individuals excluding CEO and Interim Deputy Managing Director	2,318,494	1,454,983	137,646	–	2,456,140	1,454,983	9,809,418	7,680,053
Total	**3,165,056**	**2,117,421**	**198,822**	**–**	**3,363,878**	**2,117,421**	**13,043,788**	**11,261,165**
Former Chief Executive Officer:								
Casper von Koskull	–	109,470	–	–	–	109,470	1,537,148	580,997
Former Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	–	–	–	–	–	–	682,036	400,428
Total	**3,165,056**	**2,226,891**	**198,822**	**–**	**3,363,878**	**2,226,891**	**15,262,972**	**12,242,590**

1) Defined as the expense calculated under IFRS 2.

Remuneration of CEO and Interim Deputy Managing Director

Chief Executive Officer (CEO)
Frank Vang-Jensen was appointed CEO on 5 September 2019. Remuneration for the CEO in 2020 consisted of the five components: Fixed salary, the Executive Incentive Programme (EIP), LTIP 2020–2022, pension costs and benefits.

The annual fixed base salary for the CEO remained at EUR 1,250,000 as of January 2020. The fixed salary includes holiday allowance.

The CEO is covered by a defined contribution pension plan. The pension contribution was 30% of the fixed base salary.

Benefits included primarily car benefits, housing and security and travelling related benefits as well as taxable costs for establishment in Finland and tax advice, amounting to EUR 211,989.

EIP 2020 was based on specific targets and could amount to a maximum of 75% of fixed base salary. For 2020, the outcome of the EIP amounted to EUR 610,313.

The LTIP 2020–2022 conditional grants for 2020 amounted to EUR 45,882.

Total earned remuneration for 2020, based on the five components amounted to EUR 2,496,884.

The CEO must hold a significant number of shares granted until the total value corresponds to 100% of the CEO's annual gross salary. Such shares must be held until the CEO steps down.

Interim Deputy Managing Director
Jussi Koskinen was appointed Interim Deputy Managing Director on 10 September 2019.

Remuneration for the Interim Deputy Managing Director consists of the five components: Fixed salary, the Executive Incentive Programme (EIP), LTIP 2020–2022, Finnish statutory pension scheme (reported as social costs) and benefits.

The annual fixed base salary for the Interim Deputy Managing Director remained EUR 450,000 including holiday allowance as of 1 January 2020.

The benefits for 2020 amounted to EUR 23,172 and included primarily car benefits.

EIP 2020 for GLT was based on specific targets and could amount to a maximum of 75% of fixed base salary. For 2020 the outcome of the EIP amounted to EUR 236,249.

The LTIP 2020–2022 conditional grants for 2020 amounted to EUR 15,294.

The Interim Deputy Managing Director is covered by the

G8. Staff costs, cont.

Finnish statutory pension scheme. According to the statutory pension rules the part of the EIP 2020 for GLT outcome paid or retained in 2021 is included in pensionable income.

The total earned remuneration for 2020, as Interim Deputy Managing Director, based on the four components (excluding pension) amounted to EUR 737,486.

The Interim Deputy Managing Director must hold a significant number of shares granted until the total value corresponds to 100% of the Interim Deputy Managing Director's annual gross salary. Such shares must be held until the Interim Deputy Managing Director steps down.

Remuneration of Group Leadership Team (GLT)

Remuneration to other GLT members is included for the period they have been appointed and eligible for EIP 2020. One GLT member left Nordea on 30 April 2020. Three new GLT members were appointed on 1 August 2020, 15 October 2020 and on 1 November 2020. Guaranteed variable remuneration (sign-off/buy-out) has been committed, amounting to EUR 1,500,000.

Remuneration of GLT members consists of five components: Fixed salary, EIP 2020 for GLT, LTIP 2020–2022, pension costs and benefits.

EIP 2020 for GLT was based on specific targets and can amount to a maximum of 75% of fixed base salary for GLT members offered LTIP 2020–2022 and 100% for others. For 2020 the outcome of the EIP amounted to EUR 2,318,494.

The LTIP 2020–2022 conditional grants for 2020 amounted to EUR 137,646. The Chief Risk Officer is not participating in the LTIP programme.

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

The pension agreements for the other nine GLT members vary according to local country practices. Pension agreements are defined contribution plans or a combination of defined contribution and defined benefit plans.

As of 31 December 2020, three members had pensions schemes in accordance with the Swedish collective agreement, BTP1 (defined contribution plan) and BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. The pension contribution was in total 30% of fixed salary.

One member had a defined contribution plan in accordance with local practices in Denmark. The pension contribution is in total 30% of fixed base salary.

Three members were covered by the Finnish statutory pension scheme (reported as social costs) and in addition had a defined contribution plan corresponding to 8,5% of fixed base salary.

Two members do not have a pension agreement with Nordea.

Remuneration of former CEO and former Deputy CEO

Former Chief Executive Officer (CEO)

Casper von Koskull was appointed CEO on 1 November 2015 and stepped down on 5 September 2019. Remuneration in 2020 for the former CEO consisted of three components: Fixed salary, pension costs and benefits (primarily car benefits, housing and tax advice).

The former CEO was covered by the Finnish statutory pension scheme and in addition had a defined contribution plan corresponding to 8.5% of fixed salary.

The total earned remuneration for 2020, as former CEO, based on the three components amounted to EUR 1,537,148 (covered by 2019 provision).

Former Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

Torsten Hagen Jørgensen was appointed Group COO and Deputy CEO on 1 November 2015 and stepped down on 10 September 2019. Remuneration for the former Group COO and Deputy CEO consisted of fixed salary, pension contributions and benefits. During the notice period the former Group COO and Deputy CEO had a defined contribution pension plan and a car allowance. The total earned remuneration for 2020, as former Group COO and Deputy CEO, based on the three components amounted to EUR 682,036 (covered by 2019 provision).

Deferred variable remuneration in Nordea Shares

Part of the outcome of EIP 2019 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 2020 can be found in the below table:

Nordea shares

	2020
Chief Executive Officer:	
Frank Vang-Jensen	19,425
Interim Deputy Managing Director:	
Jussi Koskinen	11,704
Group Leadership Team:	
9 individuals excl. CEO & Interim Deputy Managing Director:	56,607
Total	**87,736**
Former Chief Executive Officer:	
Casper von Koskull	20,483
Former Deputy Chief Executive Officer:	
Torsten Hagen Jørgensen	12,997
Total	**121,216**

Pension obligations

The pension plans are funded, meaning that the pension plan obligations are backed with plan assets with fair value generally on a similar level as the obligations.

The pension obligation (value of defined benefit pension plan liabilities) is calculated in accordance with IAS 19. The obligation is dependent on changes in actuarial assumptions and inter-annual variations can therefore be significant.

IAS 19 includes an assumption about future increases in salary, so that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement.

The pension obligation is the IAS 19 valuation on 31 December 2020.

EUR	2020	2019
Group Leadership Team (GLT):		
Value of pension liabilities toward three Swedish GLT members	1,137,129	1,004,303
Former Chairman of the Board, former CEOs and Deputy CEOs:		
Vesa Vainio[1]	4,932,945	5,118,594
Lars G Nordström	311,588	313,010
Casper von Koskull	427,026	399,536
Total	**6,808,688**	**6,835,443**

1) The pension obligation is mainly due to defined benefit pension rights earned at, and funded by, banks forming Nordea. The decrease compared to 2019 is mainly due to pay-out during the year.

G8. Staff costs, cont.

Notice period and severance pay

In accordance with the employment contract the CEO has a notice period of 12 months and Nordea a notice period of 12 months. The CEO has severance pay equal to 12 months' salary, to be reduced by any salary he receives from other employment during these 12 months.

The Interim Deputy Managing Director and nine GLT members have a notice period of six months and Nordea a notice period of 12 months. Severance pay of up to 12 months' salary is provided to be reduced by any salary the executive receives from other employment during the severance pay period.

No severance pay commitment has been agreed with members of GLT in 2020. Severance pay commitments to GLT members agreed and recognised in 2019 amounted to EUR 2,427,212.

Total remuneration paid in 2020 during the notice period amounted to EUR 3,599,889, of which EUR 1,537,148 related to the former CEO. The payments during the notice period have been included where relevant in the 2020 disclosure, but covered by provisions recognised in 2019 and consequently not recognised as an expense in 2020.

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 from 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. The indemnity is secondary to any other insurance coverage.

Loans and deposits to key management personnel

Loans to key management personnel (defined in Note G1 section 28) amount to EUR 3m (EUR 2m) and interest income on these loans amount to EUR 0m (EUR 0m). Deposits from key management personnel amount to EUR 14m (EUR 18m) and interest on these deposit amount to EUR 0m (EUR 0m). Loan commitments to key management personnel amount to EUR 0m (EUR 0m).

For key management personnel who are 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 30 basis points. In Denmark the employee interest rate for loans is variable and was 2.25 % at 31 December 2020. In Norway the employee interest rate for loans is variable and was 1.15% at 31 December 2020. 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 caps, the same terms apply as for premium customers. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea.

Share-based transactions

Nordea has several variable remuneration 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 separate Remuneration section on page 63 in the Board of Directors report and in more details below.

In 2020, Nordea introduced a new 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.

Up until 2018 Nordea in addition deferred variable pay using a Total Shareholder Return (TSR) indexation (excluding dividends). The programme was consequently all settled in cash and the portion indexed with Nordea's TSR was accounted for as a cash-settled share-based payment programme. As from the 2019 program it was changed so that 50% of the program is paid in cash and 50% settled in Nordea shares, which makes the portion paid in Nordea shares an equity-settled share-based programme.

Share-based transactions

Earning year	Equity- or cash settled	Delivery period	Expense 2020	Expense 2019	Liability 31 Dec 2020	Liability 31 Dec 2019	Outstanding rights
2020							
- LTIP	Equity-settled	2023–2028	0	–	–	–	Yes[1]
- EIP	Equity-settled	2021–2026	14	–	–	–	Yes[2]
- VSP & Bonus	Equity-settled	2021–2026	–	–	–	–	Yes[2]
- Buy-outs etc.	Equity-settled	2021–2022	–	–	–	–	Yes
2019							
- EIP	Equity-settled	2021–2025	–13	20	–	–	Yes
- VSP & Bonus	Equity-settled	2021–2025	5	–	–	–	Yes
- Buy-outs etc.	Equity-settled	2021–2025	0	–	–	–	Yes
Previous years	Cash-settled	2021–2025	–4	–11	32	74	No
Total			**2**	**9**	**32**	**74**	

1) Rights will be granted following the end of the 3-year performance period (2020–2022) over the delivery period (2023–2028).
2) Rights will be granted in 2021 based on performance during 2020.

G8. Staff costs, cont.

The 2019 variable remuneration plans were in 2019 expensed by EUR 20m for compensation to be paid in cash and EUR 20m for the share-based programme part. These have during 2020 been adjusted down to EUR 14m for the portion paid in cash and EUR 7m for the share-based programme part. In 2020 1,331,083 shares in Nordea were allotted to the participants in these programmes, equalling EUR 7m based on the share price at the award date. Another 1,219,284 shares were granted to the participants but deferred. These deferred shares had a fair value of EUR 6m based on the share price at the award date.

The following table covers all programs with share-based programme expenses recognised in 2020, or in the comparative figures for 2019. Figures for 2020 are based on expected 2020 outcome and all figures are excluding social security expenses. The expense for 2020 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

The Nordea Board decided on 11 June 2020 to issue a new LTIP for senior management (GLT). The plan delivers conditional share awards, i.e. a promise to deliver shares if certain conditions are met. The plan includes a three year performance period, from 1 January 2020 to 31 December 2022.

The maximum number of shares allocated to the participants was decided when the program was launched and the final number of shares to be awarded to each participant will be calculated in Q2 2023 based on the outcome of three performance criteria as per December 31 2022, where each criteria has a weight of 1/3:

- Absolute total shareholders return (aTSR),
- Relative total shareholders 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 9 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 participants salary.

40% of the shares awarded are delivered to the participants in Q2 2023. The remaining 60% will be delivered to the participants in equal numbers in the period of Q2 2024 to Q2 2028 if the participants are still employed in Nordea. All shares that have been delivered is 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 deteriorates or if the participant breaches internal policies, the awards to be given can be reduced or cancelled. There are also possibilities for clawbacks of deferred shares in similar situations. These conditions do not affect the assessment of the grant date being 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 part	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 historic daily share price volatility over a historical period of 3.0 years of 33.9% and has been adjusted for one-off events (COVID-19) which are not expected to be repeated in the future, i.e. the Company's historical volatility from pre March 2020 is used. Taking this into account Nordea has excluded the period of highest share price volatility from the calculation of the expected volatility at the 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%.

Conditional rights LTIP 2020–2022	aTSR	rTSR	EPS
Granted	216,667	216,667	216,667
Forfeited	–	–	–
Outstanding at the end of the year	**216,667**	**216,667**	**216,667**
Of which currently exercisable	–	–	–

G8. Staff costs, cont.

Expired Long Term Incentive Programmes – 2011/2012

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.

	2020			2019		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Rights LTIP 2012						
Outstanding at the beginning of the year	38,115	114,345	38,115	69,305	207,915	69,305
Granted[1]	–	–	–	6,925	20,775	6,925
Allotted	–35,742	–107,225	–35,742	–38,115	–114,345	–38,115
Outstanding at end of year[2]	**2,373**	**7,120**	**2,373**	**38,115**	**114,345**	**38,115**
Rights LTIP 2011						
Outstanding at the beginning of year	–	–	–	40,794	68,160	18,357
Granted[1]	–	–	–	4,072	6,803	1,832
Allotted	–	–	–	–44,866	–74,963	–20,189
Outstanding at end of year[2]	**–**	**–**	**–**	**–**	**–**	**–**

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.
2) Allotment of rights have been deferred following retention requirements by the Nordic FSAs. There is no exercise price for the deferred rights.

Share-based variable remuneration programmes – Other than LTIP programmes

This section covers the variable share-based programmes that were deferred with TSR indexation (cash-settled programme up until 2018) and in shares (equity-settled programme as from 2019). 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 in the beginning of the subsequent year.

In 2020, 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 GLT. Nordea introduced the EIP in 2013. The aim of EIP is to strengthen Nordea's capability to recruit, motivate and retain selected people leaders and key employees outside of GLT, and aims to reward strong performance. The aim is also to further stimulate these people whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP 2020 rewards performance meeting agreed predetermined targets on group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. EIP awards shall not exceed the fixed salary and is subject to deferral for all participants, and for Material Risk Takers forfeiture clauses and retention apply in line with relevant remuneration regulations.

In 2020, 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. In 2020, the VSP maximum outcome should normally not exceed a maximum outcome of 25% of the annual fixed salary, except for a few selected managers and specialists within specific areas of Nordea. 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 three-year pro-rata deferral period with forfeiture conditions applying during the deferral period.

In 2020, Bonus schemes were offered only to select 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 maintain cost flexibility for Nordea. Individual awards are determined based on detailed performance assessments covering a range of financial and non-financial goals. 2020 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 three-to-five-year pro-rata deferral period with forfeiture conditions applying during the deferral period.

Deferrals from EIP (including the EIP for GLT), VSP and Bonus programmes not yet delivered to the participants as of 31 December 2020 are summarized in the following tables, including deferrals from the LTV programme (offered in 2018 and 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.

G8. Staff costs, cont.

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	2020	2019
Opening balance	74	89
Deferred/earned during the year	1	40
TSR indexation during the year	–4	–11
Payments during the year	–37	–44
Translation differences	–2	–
Closing balance	**32**	**74**

The closing balances are expected to be settled the following years:

	2020	2019
2020	–	38
2021	17	19
2022	9	10
2023	3	3
2024	3	3
2025	0	1
Total	**32**	**74**

As from the 2019 programmes the deferrals were changed so that 50% of the programs was paid in cash and 50% settled in Nordea shares, making them equity-settled share-based programmes. The granting of shares in the programmes for 2020 is decided during spring 2021, and thus not included in the below tables, but in full recognised as an expense in the income statement in 2020. A provision of EUR 15m excl. social costs is made in 2020 for the portion to be paid in cash. EUR 14m was in addition recognised as an expense for the equity-settled share-based programme in the income statement and as an increase of equity.

2019 share linked deferrals (equity-settled)

Number of shares	2020
Outstanding at the beginning of the year	–
Granted[1]	2,550,367
Forfeited	–
Allotted[2]	–1,331,083
Outstanding at end of year	**1,219,284**
- of which currently exercisable	–

1) Granted rights are the number of shares from 2019 variable remuneration programmes granted in 2020. 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:

	2020
2021	336,228
2022	330,921
2023	401,399
2024	39,931
2025	110,805
Total	**1,219,284**

Additional disclosures on remuneration

The Board of Directors report includes a separate section on remuneration, page 63. 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 2021.

Gender distribution

In the parent company's Board of Directors, of the AGM elected Board members, 60% (50%) were men and 40% (50%) were women. In the Board of Directors of the Nordea Group companies, 68% (68%) were men and 32% (32%) were women. The corresponding numbers for other executives were 71% (74%) men and 29% (26%) women. Internal Boards consist mainly of management in Nordea, the employee representatives excluded.

G8. Staff costs, cont.

Average number of employees, full-time equivalents

	Total		Men		Women	
	2020	2019	2020	2019	2020	2019
Denmark	7,337	7,904	4,263	4,560	3,074	3,344
Sweden	6,265	6,712	3,060	3,294	3,205	3,418
Finland	5,968	6,368	2,342	2,448	3,626	3,920
Norway	2,830	2,952	1,528	1,599	1,302	1,353
Poland	4,412	4,006	2,495	2,274	1,917	1,732
Russia	228	335	87	123	141	212
Estonia	576	432	195	142	381	290
Luxembourg	191	254	108	141	83	113
United States	114	116	51	56	63	60
Singapore	54	64	22	28	32	36
United Kingdom	48	54	29	31	19	23
Germany	42	45	24	27	18	18
China	28	29	12	12	16	17
Switzerland	4	5	4	4	–	1
Italy	9	10	7	7	2	3
Spain	6	6	3	3	3	3
Brazil	0	0	0	0	–	–
France	3	3	3	3	–	–
Chile	3	3	2	2	1	1
Belgium	2	2	2	2	0	–
Portugal	2	0	1	–	1	–
Austria	1	0	1	–	–	–
Total average	**28,123**	**29,300**	**14,239**	**14,756**	**13,884**	**14,544**
Total number of employees (FTEs), end of period	**28,051**	**29,000**				

G9. Other expenses

EURm	2020	2019
Information technology	–490	–530
Marketing and representation	–46	–59
Postage, transportation, telephone and office expenses	–57	–66
Rents, premises and real estate	–128	–150
Resolution fee	–202	–211
Other	–363	–623
Total	**–1,286**	**–1,639**

Auditors' fees

EURm	2020	2019
PricewaterhouseCoopers		
Auditing assignments	–8	–9
Audit-related services[1]	–1	–1
Other assignments[1]	–1	–1
Total	**–10**	**–11**

1) Of which Audit-related services EUR 0.1m (EUR 0.1m) and Other assignments EUR 0.6m (EUR 0.4m) to PricewaterhouseCoopers Oy.

G10. Depreciation, amortisation and impairment charges of tangible and intangible assets

EURm	2020	2019
Depreciation/amortisation		
Properties and equipment	–255	–275
Intangible assets	–298	–283
Total	**–553**	**–558**
Impairment charges		
Properties and equipment	–7	–27
Intangible assets	–45	–745
Total	**–52**	**–772**
Total	**–605**	**–1,330**

G11. Net loan losses

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	0	−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 on previous 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**	**0**	**−553**
Net loan losses	**2**	**−810**	**−2**	**−98**	**−908**

2019, 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	2	−6	1	−15	−18
Net loan losses, stage 2	6	−46	0	−29	−69
Net loan losses, non-defaulted	**8**	**−52**	**1**	**−44**	**−87**
Stage 3, defaulted					
Net loan losses, individually assessed, collectively calculated[1]	1	−48	–	−1	−48
Realised loan losses	–	−443	–	−9	−452
Decrease in provisions to cover realised loan losses	–	312	–	9	321
Recoveries on previous realised loan losses	1	46	–	–	47
Reimbursement right	–	–	–	3	3
New/increase in provisions	–	−555	–	−16	−571
Reversals of provisions	–	223	–	28	251
Net loan losses, defaulted	**2**	**−465**	**0**	**14**	**−449**
Net loan losses	**10**	**−517**	**1**	**−30**	**−536**

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".

G12. Taxes

Income tax expense

EURm	2020	2019
Current tax	–652	–1,051
Deferred tax	–46	480
Total	**–698**	**–571**

For current and deferred tax recognised in Other comprehensive income, see Statement of comprehensive income.

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate in Finland as follows:

EURm	2020	2019
Profit before tax	2,963	2,113
Tax calculated at a tax rate of 20.0%	–593	–423
Effect of different tax rates in other countries	–73	–61
Income from associated undertakings	–2	–18
Tax-exempt income	38	53
Non-deductible expenses	–37	–70
Adjustments relating to prior years	47	–26
Utilization and origination of unrecognised tax assets	–76	–8
Change of tax rate	3	–2
Not creditable foreign taxes	–5	–16
Tax charge	**–698**	**–571**
Average effective tax rate	24%	27%

Movements in deferred tax assets and liabilities

EURm	1 Jan 2020	Charged to income statement	Charged to other comprehensive income	Charged directly to equity	Acquisitions and disposals	Foreign exchange	Other changes	31 Dec 2020
Deferred tax assets								
Tax losses carry-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**

G12. Taxes, cont.

EURm	1 Jan 2020	Charged to income statement	Charged to other comprehensive income	Charged directly to equity	Acquisitions and disposals	Foreign exchange	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
Foreign tax credits	193	88	–	–	–	–	–14	267
Other	26	–9	–	–	–	0	1	18
Netting between deferred tax assets and liabilities	–353	–55	–3	–22	–	0	–9	–442
Total	**481**	**25**	**2**	**–22**	**5**	**0**	**–55**	**436**

EURm	1 Jan 2019	Charged to income statement	Charged to other comprehensive income	Charged directly to equity	Acquisitions and disposals	Foreign exchange	Other changes	31 Dec 2019
Deferred tax assets								
Tax losses carry-forward	105	15	–	–	–	1	–3	118
Loans to the public	36	38	–	–	–	0	–	74
Derivatives	2	119	4	–	–	0	1	126
Retirement benefits	39	50	34	–	–	0	3	126
Liabilities/provisions	66	85	–	–	–	0	9	160
Foreign tax credits	101	124	–	–	–	–	–	225
Other	10	1	–	–	1	1	–2	11
Netting between deferred tax assets and liabilities	–195	–153	–3	–	–	–1	–1	–353
Total	**164**	**279**	**35**	**–**	**1**	**1**	**7**	**487**

EURm	1 Jan 2019	Charged to income statement	Charged to other comprehensive income	Charged directly to equity	Acquisitions and disposals	Foreign exchange	Other changes	31 Dec 2019
Deferred tax liabilities								
Loans to the public	363	18	–	–	6	–3	3	387
Derivatives	355	–305	–	–	–	2	–24	28
Intangible assets	63	32	–	–	–	–1	–	94
Investment properties	34	–	–	–	–	–	–30	4
Retirement benefits	30	16	–	–	–	–	–	46
Liabilities/provisions	32	–3	–	–	–	–2	29	56
Foreign tax credits	0	193	–	–	–	–	–	193
Other	24	1	–	–	–	1	–	26
Netting between deferred tax assets and liabilities	–195	–153	–3	–	–	–1	–1	–353
Total	**706**	**–201**	**–3**	**–**	**6**	**–4**	**–23**	**481**

G12. Taxes, cont.

Unrecognised deferred tax assets

EURm	31 Dec 2020	31 Dec 2019
Deductible temporary differences		
Unused tax losses carry-forward with no expiry date	3	54
Unused tax losses carry-forward	**3**	**54**
Unused tax credits expiring within 12 months	6	–
Unused tax credits expiring after 12 months	369	–
Unused tax credits	**375**	**334**
Total	**378**	**388**

The Nordea Group has EUR 406m (EUR 487m) deferred tax assets on the balance sheet at the end of 2020. The recognition of deferred tax assets is based on an assessment of the probability and amount of future taxable profits and on future reversals of existing taxable temporary differences, which include estimation uncertainty. The estimation uncertainties that are assessed to pose significant risks of resulting in material adjustments to the carrying amount of deferred tax assets are described below.

The balance includes a gross asset of EUR 104m (EUR 104m) recognised in relation to Danish tax losses of Nordea Bank Abp. These losses can be carried forward with no expiry. Management expects the tax losses to be utilised within the next three to four years based on estimated taxable profits available under currently applied capitalisation policies for tax purposes, and sooner if the company opts out from recognising expenses for tax purposes in excess of expenses under accounting rules. Furthermore, Nordea Bank Abp's head office in Finland has recognised a EUR 249m (EUR 225m) deferred tax asset in relation to unused foreign tax credits that management expects to be utilised within the expiry period of five years. This expectation is based on estimated future taxable profits from foreign operations, reversal of temporary differences and upfront taxation in Finland of certain types of income compared to relevant branch jurisdictions.

Additionally, the Group has unrecognised deferred tax assets of EUR 3m (EUR 54m) in relation to tax loss carry forwards in various entities as well as EUR 375m (EUR 334m) in relation to unused foreign tax credits in Nordea Bank Abp, Nordea Investment Management AB and Nordea Funds Ltd. 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 timing of taxation or tax base between head office and branches.

G13. Earnings per share

	2020	2019
Earnings:		
Profit attributable to shareholders of Nordea Bank Abp, EURm	2,238	1,519
Number of shares (in millions):		
Number of shares outstanding at beginning of year	4,050	4,050
Average number of own shares	–12	–15
Weighted average number of basic shares outstanding	**4,038**	**4,035**
Adjustment for diluted weighted average number of additional ordinary shares outstanding[1]	1	0
Weighted average number of diluted shares outstanding	**4,039**	**4,035**
Basic earnings per share, EUR	0.55	0.38
Diluted earnings per share, EUR	0.55	0.38

1) For 2020 related to Executive Incentive Program (EIP) and for 2019 related to the Long Term Incentive Programmes (LTIP). For further information on these programms, see Note G8 "Staff costs".

G14. Loans and impairment

EURm	31 Dec 2020	31 Dec 2019
Loans measured at fair value	74,616	83,674
Loans measured at amortised cost, not impaired (stages 1 and 2)	259,864	254,716
Impaired loans (stage 3)	3,979	4,610
- of which servicing	1,788	2,312
- of which non-servicing	2,191	2,298
Loans before allowances	**338,459**	**343,000**
- of which central banks and credit institutions	6,250	17,740
Allowances for individually assessed impaired loans (stage 3)	–1,674	–1,686
- of which servicing	–760	–783
- of which non-servicing	–914	–903
Allowances for collectively assessed impaired loans (stages 1 and 2)	–774	–497
Allowances	**–2,448**	**–2,183**
- of which central banks and credit institutions	–4	–14
Loans, carrying amount	**336,011**	**340,817**

Nordea has granted EUR 158 bn (EUR 148 bn) in mortgage credits. No intermediary credits or public sector credits has been granted.

G15. Interest-bearing securities

EURm	31 Dec 2020	31 Dec 2019
State, municipalities and other public bodies	16,810	15,528
Mortgage institutions	19,108	25,447
Other credit institutions	22,207	13,372
Corporates	2,261	8,282
Other	2,123	2,301
Total	**62,509**	**64,930**

Provisions for credit risks amount to EUR 3m (1m).

G16. Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified in the balance sheet to the item Financial instruments pledged as collateral.

EURm	31 Dec 2020	31 Dec 2019
Interest-bearing securities	3,795	7,151
Total	**3,795**	**7,151**

For information on transferred assets and reverse repos, see Note G43 "Transferred assets and obtained collaterals".

G17. Shares

EURm	31 Dec 2020	31 Dec 2019
Shares	2,533	3,285
Fund units, equity related	7,179	7,557
Fund units, interest related	2,937	3,342
Total	**12,649**	**14,184**

G18. Assets and deposits in pooled schemes and unit-linked investment contracts

EURm	31 Dec 2020	31 Dec 2019
Assets		
Interest-bearing securities	1,487	1,363
Shares	34,516	29,049
Properties	361	307
Other assets	120	80
Total	**36,484**	**30,799**
Liabilities		
Pooled schemes	4,421	4,377
Unit-linked investment contracts	33,113	27,482
Total	**37,534**	**31,859**

The Life Group and Nordea Denmark, branch of Nordea Bank Abp, have assets and liabilities included on their balance sheet for which customers bear the risk. Since the assets and liabilities legally belong to the entities, which also carries 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 either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. The table below shows the fair values of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

	Carrying amount		
31 Dec 2020, EURm	Positive	Negative	Total nom. 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**

	Carrying amount		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Derivatives not used for hedge accounting	36,784	40,298	6,534,534
Fair value hedges[1]	1,269	1,422	180,547
Cash flow hedges[1]	1,019	120	22,253
Net investment hedges	39	207	7,358
Total derivatives	**39,111**	**42,047**	**6,744,692**

1) Some cross currency interest rate swaps are used both as fair value hedges and cash flow hedges. The nominal amount of these instruments have been split on the rows fair value hedges and cash flow hedges in the table above based on the relative fair value of these hedging instruments. The total nominal amount of cross currency interest rate swaps amounts per 31 December 2020 to EUR 29,057m (EUR 24,296m).

Derivatives not used for hedge accounting

	Carrying amount		
31 Dec 2020, EURm	Positive	Negative	Total nom. 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**

	Carrying amount		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Interest rate derivatives			
Interest rate swaps	20,077	19,354	3,521,834
FRAs	7	28	1,353,157
Futures and forwards	13	13	126,999
Options	5,308	5,984	378,691
Total	**25,405**	**25,379**	**5,380,681**
Equity derivatives			
Equity swaps	68	93	6,399
Futures and forwards	1	35	1,018
Options	221	459	10,325
Total	**290**	**587**	**17,742**
Foreign exchange derivatives			
Currency and interest rate swaps	5,735	7,890	417,689
Currency forwards	4,242	5,290	555,046
Options	96	106	16,938
Total	**10,073**	**13,286**	**989,673**
Other derivatives			
Credit default swaps (CDS)	1,011	1,026	140,992
Commodity derivatives	0	0	5,284
Other derivatives	5	20	162
Total	**1,016**	**1,046**	**146,438**
Total derivatives not used for hedge accounting	**36,784**	**40,298**	**6,534,534**

G19. Derivatives and hedge accounting, cont.

Risk management

Nordea manages its identified market risks according to the risk management framework and strategy described in the Market risk section 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 performed in the Banking Book. The hedging instruments and risks hedged are further described below per 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 risk arises from mismatch of interest from interest-bearing liabilities and assets such as deposits, issued debt securities and loan portfolio.

As part of Nordea's risk management strategy, the Board has established limits on the non-trading interest rate gaps for the 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 the Market risk section in Note G2 "Risk and Liquidity management".

For hedge accounting relationships related to interest rate risk, the hedged item is the benchmark rate. The hedging ratio is established by matching the notional of the derivatives against the principal of the hedged item.

Interest risk arises from mismatch of interest from interest-bearing liabilities and assets such as deposits, issued debt securities, interest-bearing securities and loan portfolio. In order to hedge the risk, the Group uses the hedging instruments, which are interest rate derivatives to swap interest rate exposures into either fixed or variable rates, in order to manage the risk, and limit the impact on Nordea's margins, profit or loss, and equity.

The Group designates risk component of hedged items as follows:

- benchmark interest rate risk as a component of interest rate risk, such as the LIBOR and STIBOR. 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; and
- components of cashflows of hedged items.

The benchmark rate is determined as a change in present value of the future cash flows using benchmark rate 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

In order to reduce or eliminate changes in the fair value of financial assets and financial liabilities due to movements in interest rates, Nordea enters into fair value hedge relationships by transforming the fixed interest rate risk in recognised financial assets and financial liabilities to floating with interest rate swaps.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate assets or liabilities (i.e. notional amount, maturity, payment and reset dates). The hedged item notional amount is the core stable volume and its maturity is based on expected repricing dates, rather than contractual terms.

The below table 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	
EURm	2020	2019
Fair value hedges		
Carrying amount of hedged assets[1]	74,364	63,864
- of which accumulated amount of fair value hedge adjustment[3]	359	217
Carrying amount of hedged liabilities[2]	90,055	107,001
- of which accumulated amount of fair value hedge adjustment[3]	2,608	2,018

1) Presented on the balance sheet rows Loans to central banks, Loan to credit institutions, Loans to the public, Interest-bearing securities and Fair value changes of the hedged items in portfolio hedge of interest rate risk.
2) Presented on the balance sheet rows Deposit by credit institution, Deposit and borrowing from the public, Debt securities in issue and Fair value changes of the hedged items in portfolio hedge of interest rate risk.
3) Of which all relate to continuing portfolio hedges of interest rate risk.

The following table provides information about the hedging instruments included in the line item Derivatives on the balance sheet:

Hedging instruments

	Carrying amount		
31 Dec 2020, EURm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	2,416	667	188,799

	Carrying amount		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	1,269	1,422	180,547

G19. Derivatives and hedge accounting, cont.

The below table 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 on the row "Net result from items at fair value" in the income statement.

Hedge ineffectiveness

	Interest rate risk	
EURm	2020	2019
Fair value hedges		
Changes in fair value of hedging instruments	296	707
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–323	–688
Hedge ineffectiveness recognised in the income statement[1,2]	–27	19

1) Recognised on the row Net result from items at fair value.
2) When disclosing the hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) has not been considered.

Source of ineffectiveness include the following:
i) Mismatch between the reset frequency of the swap and the benchmark frequency
ii) The fair value of the floating leg of the swap on a date other than the reset date

Cash flow hedges

For Nordea's cash flow hedge 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 cashflows according to Nordea's policies and risk management strategy described in Note G1, section 10, and in the Market risk section in Note G2 "Risk and Liquidity management".

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swaps match the terms of the future interest cash flows (i.e. notional amount and expected payment date). Changes in the valuation of swaps that are part of effective cash flow hedge relationships are recognised in cash flow hedge reserves.

The below tables provide information about the hedging instruments as well as the outcome of the cash flow hedges addressing interest rate risk including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Hedging instruments

	Carrying amount		
31 Dec 2020, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Interest rate risk	38	14	2,134

	Carrying amount		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Interest rate risk	304	0	10,767

The below table specifies the fair value adjustments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year.

Hedge ineffectiveness

	Interest rate risk	
EURm	2020	2019
Cash flow hedges		
Changes in fair value of hedging instruments	8	14
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–8	–14
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	8	14

1) Recognised on the row "Net result from items at fair value".
2) When disclosing the hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) have not been considered.

Cash flow hedge reserve

	Interest rate risk	
EURm	2020	2019
Balance at 1 Jan	11	5
Cash flow hedges:		
Valuation gains/losses	8	14
Tax on valuation gains/losses	–2	–3
Transferred to the income statement	–6	–6
Tax on transfers to the income statement	1	1
Other comprehensive income, net of tax	1	6
Total comprehensive income	1	6
Balance at 31 Dec	**12**	**11**
of which relates to continuing hedges for which hedge accounting is applied	12	11
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) follows below:

Maturity profile of the nominal amount of hedging instruments

31 Dec 2020, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument 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**

31 Dec 2019, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	7,408	60,400	73,983	38,425	180,216
Total	**–**	**7,408**	**60,400**	**73,983**	**38,425**	**180,216**

Average rate of instruments hedging interest rate risk

The average interest rate on the fixed leg of instruments hedging interest rate risk per 31 December 2020 is 0.84% (0.78%).

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 (FX risk) from trading activities is limited through a VaR limit while FX risk from structural exposures as described below is limited through a stress loss limit for the CET1-ratio impact from FX fluctuations in a severed but plausible stress scenario (see the Market risk section 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 currency risk and the interest component as a fair value hedge of 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). Fluctuation of the spot exchange rates will cause Nordea's reported net investment in foreign operations to vary and the CET1-ratio to fluctuate from the currency mismatch between equity and Risk Exposure Amounts (REA). 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 hedging ratio is one-to-one and is established by matching the notional of the derivatives against the principal of the hedged item.

The currency component is determined as the change in 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

The below tables provide information about the hedging instruments as well as the outcome of the cash flow and net investment hedges addressing currency risks including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Hedging instruments

	Carrying amount		
31 Dec 2020, EURm	Positive	Negative	Total nom. 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**

	Carrying amount		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	715	120	11,486
Net investment hedges			
Foreign exchange risk	39	207	7,358
Total derivatives used for hedge accounting	**754**	**327**	**18,844**

G19. Derivatives and hedge accounting, cont.

The below table specifies the fair value adjustments arising from continuing hedge relationships, irrespective of whether there has been a change in hedge designation during the year.

Hedge ineffectiveness

EURm	Foreign exchange risk 2020	2019
Cash flow hedges		
Changes in fair value of hedging instruments	–720	138
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	720	–138
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	–720	138
Net investment hedges		
Changes in fair value of hedging instruments	117	–62
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–117	62
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in OCI	117	–62

1) Recognised on the row Net result from items at fair value.
2) When disclosing the hedge ineffectiveness, the valuation adjustments (CVA, DVA, FFVA) have not been considered.

Cash flow hedge reserve

EURm	Foreign exchange risk 2020	2019
Balance at 1 Jan	–37	–17
Cash flow hedges:		
Valuation gains/losses	–720	138
Tax on valuation gains/losses	137	–28
Transferred to the income statement	739	–164
Tax on transfers to the income statement	–141	34
Other comprehensive income, net of tax	15	–20
Total comprehensive income	15	–20
Balance at 31 Dec	**–22**	**–37**
of which relates to continuing hedges for which hedge accounting is applied	–22	–37
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 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**

31 Dec 2019, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instruments hedging foreign exchange risk	–	255	5,318	13,482	10,887	29,942
Total	**–**	**255**	**5,318**	**13,482**	**10,887**	**29,942**

G19. Derivatives and hedge accounting, cont.

Average rates of instruments hedging foreign exchange risk

The average forward exchange rates of instruments hedging foreign exchange risk per 31 December are presented in the table below.

31 Dec 2020	NOK	SEK	USD	RUB
EUR	10,57	10,30	1,14	90,11

31 Dec 2019	NOK	SEK	USD	RUB
EUR	10,08	10,68	1,10	71,53

The IBOR reform

The IBOR transition is a global reform with significant impact on the financial industry. It will affect a large variety of financial services and thus individuals, companies and institutions. The transition will influence 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 product and derivative contracts.

Current expectations are that some IBORs will be replaced, while others may continue to exist but with a reformed methodology. There is currently uncertainty as to the timing and the methods of transition for the different IBORs and whether some existing benchmarks will continue to be supported. EONIA (for EUR) as well as GBP, JPY, CHF and EUR LIBOR will likely cease to exist after 2021, USD LIBOR will likely cease to exist mid 2023, while EURIBOR and the Nordic IBORs are expected to be available beyond 2021 in reformed formats.

Nordea has established an IBOR Transition Programme sponsored by the CFO and Group Treasurer to prepare and coordinate Group-wide efforts to manage the operational impacts and financial risks caused by the transition from existing IBOR rates 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 in Business Areas and Group Functions to ensure a centralised Nordea strategy and senior management steering and oversight. 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.

Nordea has adopted the amendments to IFRS 7 and IAS 39 in Phase I and in the table below, nominal amounts of the hedging derivatives in scope for the relief are disclosed. Nordea has not yet adopted the amendments in Phase II.

Hedging derivatives with floating leg

Total nominal amount, EURm	31 Dec 2020	31 Dec 2019
CIBOR	13,808	9,122
STIBOR	67,020	17,810
NIBOR	20,702	12,767
EURIBOR	85,049	56,964
LIBOR	24,555	24,694
Other	–	22
Total	**211,134**	**121,379**

G20. Investments in associated undertakings and joint ventures

EURm	31 Dec 2020	31 Dec 2019
Acquisition value at beginning of year	593	1,603
Acquisitions	8	362
Sales	–8	–1,414
Share in earnings	–1	69
Share of other comprehensive income	–1	0
Dividend received	–7	–19
Translation differences	–8	–8
Acquisition value at end of year	**576**	**593**
Accumulated impairment charges at beginning of year	**–21**	**–2**
Impairment charges	–	–19
Accumulated impairment charges at end of year	**–21**	**–21**
Total	**555**	**572**

Nordea's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2020	31 Dec 2019
Total assets	3,379	4,259
Net profit for the year	12	45
Other comprehensive income	–1	1
Total comprehensive income	11	46

Nordea has one material associate, 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. In 2019 Nordea sold shares in Luminor and the current ownership is 19.9% of the shares in Luminor.

As communicated in connection with the announcement of the deal on 13 September 2018, Nordea and Blackstone have additionally entered into a forward sale agreement for the sale of Nordea's remaining 20 per cent stake. The forward sale is subject to certain conditions but is expected to complete over the next two financial years.

Luminor is included in the consolidated accounts of Nordea via the equity method. Luminor applies IFRS in its consolidated accounts and the balance sheet and income statements below are based on IFRS. The disclosed figures show the entire Luminor Group, not just Nordea's share. The full-year figures for 2020 were not available when this report was published.

G20. Investments in associated undertakings and joint ventures, cont.

Balance sheet Luminor Group

EURm	30 Sep 2020	30 Sep 2019
Assets		
Cash and balances with central banks	3,989	2,400
Loans to central banks and credit institutions	98	175
Loans to the public	9,627	10,760
Interest-bearing securities	292	222
Derivatives	50	74
Other assets	139	160
Total assets	**14,195**	**13,791**
Liabilities and equity		
Deposits by credit institutions	120	1,331
Deposits and borrowings from the public	11,070	9,923
Debt securities in issue	1,163	658
Derivatives	49	58
Other liabilities	146	186
Equity	1,647	1,635
Total liabilities and equity	**14,195**	**13,791**

Income statement Luminor Group

	9 months	9 months
EURm	2020	2019
Interest income	206	228
Interest expense	–36	–31
Net commission income	53	59
Net result from items at fair value	21	19
Other income	7	12
Total operating income	**251**	**287**
Staff costs	–72	–87
Other administrative expenses	–123	–123
Depreciation and amortisation	–9	–10
Net loan losses	–32	–12
Operating profit	**15**	**55**
Income tax expense	0	–5
Net profit for the year	**15**	**50**
Other comprehensive income	0	2
Total comprehensive income	**15**	**52**

Associated undertakings

31 Dec 2020	Registration number	Domicile	Carrying amount 2020, EURm	Carrying amount 2019, EURm	Voting power of holding %	Ownership %
Eksportfinans ASA	816521432	Oslo	142	153	23	23
Eiendomsverdi AS	881971682	Oslo	15	15	25	25
Suomen Luotto-osuuskunta	0201646-0	Helsinki	2	2	27	27
E-nettet Holding A/S	28308019	Copenhagen	3	3	18	18
Mandrague Capital Partners AB	556854-2780	Stockholm	0	14	–	40
Trill Impact AB	559196-0827	Stockholm	9	–	6	40
Automatia Pankkiautomaatit Oy	0974651-1	Helsinki	–	8	–	–
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	6	4	20	20
NF Fleet AS	988906808	Oslo	3	3	20	20
Bankomat AB	556817-9716	Stockholm	8	8	20	20
Luminor Holding AS	14723133	Estonia	333	327	20	20
P27Nordic Payments Platform AB[1]	559198-9610	Stockholm	–	11	–	–
Mondido Payments AB	556960-7129	Stockholm	4	4	14	14
Financial Transaction Service B.V.	68914016	Amsterdam	5	–	19	15
Invidem AB (former Nordic KYC Utility AB)[1]	559210-0779	Stockholm	–	2	–	–
Subaio ApS	37766585	Aalborg	1	1	25	25
Other			2	2		
Total			**548**	**572**		

Nordea's share of the joint ventures' aggregated balance sheets and income statements can be summarised as follows:

EURm	31 Dec 2020	31 Dec 2019
Total assets	12	–
Net profit for the year	1	–
Total comprehensive income	**1**	**–**

G20. Investments in associated undertakings and joint ventures, cont.

Joint ventures

	Registration number	Domicile	Carrying amount 2020, EURm	Carrying amount 2019, EURm	Voting power of holding %	Ownership %	Average number of FTE
Siirto Brand Oy	3102648-1	Helsinki	1	–	50	50	–
Invidem AB (former Nordic KYC Utility AB)[1]	559210-0779	Stockholm	2	–	17	17	18
P27Nordic Payments Platform AB[1]	559198-9610	Stockholm	7	–	17	17	28
Total			**7**	**–**			
Total associated undertakings and joint ventures			**555**	**572**			

1) Reclassified to Joint ventures during the year.

For information about investments in group undertakings and companies in which Nordea has unlimited responsibility, see Note P20 "Investments in group undertakings".

G21. Intangible assets

Cash-generating units, EURm	Goodwill[1] 31 Dec 2020	Computer software 31 Dec 2020	Total 31 Dec 2020	Goodwill[1] 31 Dec 2019	Computer software 31 Dec 2019	Total 31 Dec 2019
Personal Banking	1,040	588	1,628	1,055	780	1,835
Business Banking	732	536	1,268	741	440	1,181
Large Corporates & Institutions	166	352	518	173	247	420
Asset & Wealth Management	–	192	192	–	124	124
Total	**1,938**	**1,668**	**3,606**	**1,969**	**1,591**	**3,560**
Other intangible assets	–	–	165	–	–	135
Total intangible assets	**1,938**	**1,668**	**3,771**	**1,969**	**1,591**	**3,695**

1) Excluding goodwill in associated undertakings.

Movements in goodwill, EURm	31 Dec 2020	31 Dec 2019
Acquisition value at beginning of year	2,110	1,958
Acquisitions	15	150
Translation differences	−46	2
Acquisition value at end of year	**2,079**	**2,110**
Accumulated impairment charges at beginning of year	−141	−142
Translation differences	0	1
Accumulated impairment charges at end of year	**−141**	**−141**
Total	**1,938**	**1,969**

Movements in computer software, EURm	31 Dec 2020	31 Dec 2019
Acquisition value at beginning of year	2,782	2,788
Acquisitions	351	437
Sales/disposals	−574	−441
Transfers/reclassifications	–	14
Translation differences	21	−16
Acquisition value at end of year	**2,580**	**2,782**
Accumulated amortisation at beginning of year	−606	−548
Amortisation according to plan	−246	−246
Accumulated amortisation on sales/disposals	160	197
Transfers/reclassifications	–	−10
Translation differences	−6	1
Accumulated amortisation at end of year	**−698**	**−606**
Accumulated impairment charges at beginning of year	−585	−73
Accumulated impairment charges on sales/disposals	414	244
Impairment charges	−45	−742
Translation differences	2	−14
Accumulated impairment charges at end of year	**−214**	**−585**
Total	**1,668**	**1,591**

G21 . Intangible assets, cont.

Impairment testing of goodwill and computer software

A cash-generating unit, defined as the operating segment, is the basis for the impairment test.

The impairment test is performed for each cash generating unit by comparing the carrying amount of the net assets, including goodwill, with the recoverable amount. The recoverable amount is the value in use and is estimated based on discounted cash flows. Due to the long-term nature of the investments, cash flows are expected to continue indefinitely.

Cash flows 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 relevant countries. Based on these macro forecasts, 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 forecasted net result in these income statements, reduced by the capital needed to grow the business in accordance with the long term growth assumptions. The projections take into consideration the major projects initiated in Nordea, e.g. the transformation programme. There is also an allocation of central costs to business areas to make sure the cash flows for the CGUs include all indirect costs. Tax costs are estimated based on the 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 following growth rates and discount rates have been used:

	Discount rate[1]		Growth rate	
%	2020	2019	2020	2019
Sweden	5.6	6.4	1.5	1.8
Denmark	5.2	6.2	1.3	1.3
Finland	5.9	6.9	1.3	1.3
Norway	6.5	7.9	1.5	1.8

1) Post-tax.

The impairment tests conducted in 2020 did not indicate any need for goodwill impairment. See also Note G1 "Accounting policies" section 4 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 key assumptions. Such a change would not result in any impairment.

During the year Nordea recognised an impairment of non-core IT-systems following a decision to decommission or replace the functionality. The impairment amounted to EUR 45m and was recognised in Group Business Support, which is included in Group Functions in the reconciliation between total operating segments and financial statements in the segment reporting in Note G3. The carrying amounts after impairment for the IT assets are disclosed per CGU in the table above, based on the receiving unit.

G22. Properties and equipment

	31 Dec 2020			31 Dec 2019		
EURm	Owned	Right of use assets	Total	Owned	Right of use assets	Total
Equipment	424	15	439	447	19	466
Land and buildings	48	1,444	1,492	49	1,487	1,536
Total	**472**	**1,459**	**1,931**	**496**	**1,506**	**2,002**
Equipment						
Acquisition value at beginning of year	1,358	26	1,384	1,340	–	1,340
Adjustments to opening balance	–	–	–	2	8	10
Acquisitions	69	9	78	67	19	86
Sales/disposals	–60	–2	–62	–32	–1	–33
Transfers/reclassifications	–	–	–	–19	–	–19
Translation differences	–6	0	–6	0	0	0
Acquisition value at end of year	**1,361**	**33**	**1,394**	**1,358**	**26**	**1,384**
Accumulated depreciation at beginning of year	–895	–7	–902	–829	–	–829
Adjustments to opening balance	–	–	–	–2	–	–2
Accumulated depreciation on sales/disposals	44	2	46	18	0	18
Transfers/reclassifications	–	–	–	18	–	18
Depreciation according to plan	–84	–11	–95	–99	–7	–106
Translation differences	5	–2	3	–1	0	–1
Accumulated depreciation at end of year	**–930**	**–18**	**–948**	**–895**	**–7**	**–902**
Accumulated impairment charges at beginning of year	–16	–	–16	–5	–	–5
Accumulated impairment charges on sales/disposals	8	–	8	–	–	–
Impairment charges	0	–	0	–11	–	–11
Translation differences	1	–	1	0	–	0
Accumulated impairment charges at end of year	**–7**	**–**	**–7**	**–16**	**–**	**–16**
Total	**424**	**15**	**439**	**447**	**19**	**466**
Land and buildings						
Acquisition value at beginning of year	55	1,667	1,722	44	–	44
Adjustments to opening balance	–	–	–	–	1,515	1,515
Acquisitions	–	165	165	3	167	170
Sales/disposals	–3	–59	–62	0	–16	–16
Reclassifications	–	–	–	8	–	8
Translation differences	–1	1	0	0	1	1
Acquisition value at end of year	**51**	**1,774**	**1,825**	**55**	**1,667**	**1,722**
Accumulated depreciation at beginning of year	–5	–164	–169	–3	–	–3
Adjustments to opening balance	–	–	–	–	–2	–2
Accumulated depreciation on sales/disposals	2	18	20	0	6	6
Depreciation according to plan	0	–160	–160	–2	–167	–169
Translation differences	0	–1	–1	0	–1	–1
Accumulated depreciation at end of year	**–3**	**–307**	**–310**	**–5**	**–164**	**–169**
Accumulated impairment charges at beginning of year	–1	–16	–17	–1	–	–1
Impairment charges	–	–7	–7	–	–16	–16
Translation differences	1	0	1	0	0	0
Accumulated impairment charges at end of year	**0**	**–23**	**–23**	**–1**	**–16**	**–17**
Total	**48**	**1,444**	**1,492**	**49**	**1,487**	**1,536**

G23. Leasing

Nordea as a lessor

Finance leases

Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in "Loans to the public" (see Note G14) in an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

Reconciliation of gross investments and present value of future minimum lease payments:

EURm	31 Dec 2020	31 Dec 2019
Gross investments	10,155	6,803
Less unearned finance income	–982	–797
Net investments in finance leases	**9,173**	**6,006**
Less unguaranteed residual values accruing to the benefit of the lessor	–6	–3
Present value of future minimum lease payments receivable[1]	**9,167**	**6,003**
Accumulated allowance for uncollectible minimum lease payments receivable	–23	–11

1) Of which EUR 3,197m is related to the acquisition of Nordea Finance Equipment AS.

In Finance lease contracts the residual value risk is carried by the vendor or by the lessee according to the terms of the contract.

As of 31 December 2020 the gross investment and the net investment by remaining maturity was distributed as follows:

	31 Dec 2020	
EURm	Gross investment	Net investment
2021	2,848	2,559
2022	2,506	2,237
2023	2,245	2,025
2024	1,469	1,342
2025	565	524
Later years	522	486
Total	**10,155**	**9,173**

Operating leases

Assets subject to operating leases mainly comprise machinery and equipment. On the balance sheet they are reported as "Properties and equipment".

Under non-cancellable operating leases, the future minimum lease payments receivable are distributed as follows:

EURm	31 Dec 2020	31 Dec 2019
2020	–	1
2021	1	0
2022	0	0
2023	–	–
2024	–	–
2025	–	–
Later years	–	–
Total	**1**	**1**

Nordea as a lessee

EURm	2020	2019
Expense related to short-term leases	–12	–12
Expense related to low-value leases	0	–1
Expense related to variable payments	–32	–31
Interest expense	–11	–12
Sublease income	2	3
Total cash outflow on leases	–199	–196

Contractual maturity of undiscounted cash flows, lease liabilities

EURm	31 Dec 2020	31 Dec 2019
Less than one year	150	145
1–2 years	132	128
2–5 years	253	271
5–10 years	282	258
10–15 years	263	270
15–20 years	208	229
20–25 years	40	27
More than 25 years	–	–
Total	**1,328**	**1,328**

Other lease disclosures

See Note G22 "Properties and equipment" for further information related to Right of use assets.

See Note G44 "Maturity analysis for assets and liabilities" for further infromation on the maturity profile.

The lease liability does not include the future estimated cash flows for significant committed leases that have not yet commenced amounting to approximately EUR 100m.

Nordea operates in leased premises. The premises are mainly divided into head-office contracts, banking branches and other contracts.

The head office contracts in the different Nordic countries generally have fixed lease terms of 10–25 years. Usually these contracts have either continuation options or they are automatically continued unless separately terminated at the end of the lease term.

Banking branch 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 the premises contracts do not contain purchase options. The company car contracts generally have a fixed lease term of less than 5 years.

G24. Investment properties

EURm	31 Dec 2020	31 Dec 2019
Carrying amount at beginning of year	1,585	1,607
Acquisitions	129	102
Sales/disposals	–188	–157
Fair value adjustments	42	42
Transfers/reclassifications	–	–10
Translation differences	–33	1
Carrying amount at end of year	**1,535**	**1,585**

Amounts recognised in the income statement[1]

EURm	2020	2019
Fair value adjustments[2]	55	74
Rental income	58	69
Direct operating expenses that generate rental income	–17	–18
Direct operating expenses that did not generate rental income	–1	–1
Total	**95**	**124**

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.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties.

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers.

For further information regarding investment properties, see Note G41 "Assets and liabilities at fair value".

G25. Other assets

EURm	31 Dec 2020	31 Dec 2019
Claims on securities settlement proceeds	948	1,366
Cash/margin receivables	10,591	9,978
Other	1,810	1,199
Total	**13,349**	**12,543**

G26. Prepaid expenses and accrued income

EURm	31 Dec 2020	31 Dec 2019
Accrued income	345	372
Prepaid expenses	292	339
Total	**637**	**711**

G27. Deposits by credit institutions

EURm	31 Dec 2020	31 Dec 2019
Central banks	15,657	11,409
Banks	7,103	17,570
Other credit institutions	1,179	3,325
Total	**23,939**	**32,304**

G28. Deposits and borrowings from the public

EURm	31 Dec 2020	31 Dec 2019
Deposits[1]	182,064	166,426
Repurchase agreements	1,367	2,299
Total	**183,431**	**168,725**

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 containing insurance risk and contracts without insurance risk. The latter are pure investment contracts.

Insurance contract consists of Life insurance provisions and other insurance related items.

EURm	31 Dec 2020	31 Dec 2019
Traditional life insurance provisions	6,167	6,304
- of which guaranteed provisions	6,079	6,222
- of which non-guaranteed provisions	88	82
Collective bonus potential	2,001	2,113
Unit-linked insurance provisions	7,070	6,978
- of which guaranteed provisions	0	0
- of which non-guaranteed provisions	7,070	6,978
Insurance claims provision	468	461
Provisions, Health & personal accident	86	72
Total Insurance contracts	**15,792**	**15,928**
Investment contracts	2,386	3,318
- of which guaranteed provisions	2,386	3,318
- of which non-guaranteed provisions	–	–
Total	**18,178**	**19,246**

Life insurance contracts are measured and recognised in accordance with IFRS 4, i.e. the measurement and recognition principle under previous GAAP has been maintained consequently resulting in non-uniform accounting policies 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 2020, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus,potentials, beginning of year	**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 potentials, 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%	

31 Dec 2019, EURm	Traditional life insurance provisions	Collective bonus potentials	Unit-linked insurance provisions	Insurance claims provisions	Provisions, Health & personal accident and Life risk products	Investment contracts provisions	Total
Provisions/bonus potentials, beginning of year	**6,187**	**1,937**	**6,375**	**433**	**69**	**3,229**	**18,230**
Gross premiums written	87	–	441	–	–	156	684
Transfers	40	–	–43	–	–	–56	–59
Addition of interest/investment return	273	–	1,740	–	–	540	2,553
Claims and benefits	–280	–	–806	28	–	–234	–1,292
Expense loading including addition of expense bonus	–25	–	–41	–	–	–28	–94
Change in provisions/bonus potential	–298	200	98	–	3	–	3
Other	272	–	–790	–	–	–249	–767
Translation differences	48	–24	4	–	–	–40	–12
Provisions/bonus potentials, end of year	**6,304**	**2,113**	**6,978**	**461**	**72**	**3,318**	**19,246**
Provision relating to bonus schemes/ discretionary participation feature:	98%					69%	

Insurance risks

Insurance risk is described in Note G2 "Risk and Liquidity management". Additional quantitative information is found below.

Life insurance risk and market risks in the Life insurance operations, Sensitivities

	31 Dec 2020		31 Dec 2019	
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 life span of 1 year	23.4	–18.3	23.0	–17.7
Mortality – decrease in life span of 1 year	–0.3	0.3	–0.1	0.1
Disability – 10% increase	8.7	–6.8	8.3	–6.5
Disability – 10% decrease	–6.2	4.9	–5.7	4.4
50 bp increase in interest rates	–297.4	6.3	–286.0	6.7
50 bp decrease in interest rates	299.0	–6.3	287.3	–6.7
12% decrease in all share prices	–853.2	–0.1	–828.7	–0.1
8% decrease in property value	–117.4	–0.3	–114.8	–0.5
8% loss on counterparts	–0.1	0.0	–0.5	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 2020, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	7,160	396	2,954	2,170	1,973	970	15,623

31 Dec 2019, EURm	Non	0 pct.	0 to 2 pct.	2 to 3 pct.	3 to 4 pct.	Over 4 pct.	Total liabilities
Technical provision	7,060	1,426	2,827	2,228	2,170	889	16,600

Risk profiles on insurance

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 2020	31 Dec 2019
Certificates of deposit	23,426	22,094
Commercial papers	10,227	22,192
Covered bonds	113,043	115,361
Senior Non Preferred bonds	2,651	2,732
Senior unsecured bonds	24,922	31,307
Other	40	40
Total	**174,309**	**193,726**

G31. Other liabilities

EURm	31 Dec 2020	31 Dec 2019
Liabilities on securities settlement proceeds	1,083	921
Sold, not held, securities	8,103	9,111
Accounts payable	149	151
Cash/margin payables	6,133	4,675
Lease liabilities	1,233	1,225
Other	4,640	3,785
Total	**21,341**	**19,868**

G32. Accrued expenses and prepaid income

EURm	31 Dec 2020	31 Dec 2019
Accrued expenses	1,184	1,262
Prepaid income	220	214
Total	**1,404**	**1,476**

G33. Provisions

EURm	31 Dec 2020	31 Dec 2019
Restructuring	245	304
Guarantees/commitments	236	144
Other	115	122
- of which AML related matters	95	95
Total	**596**	**570**

Provisions for restructuring costs have been utilised by EUR 138m in 2020, and an increase of EUR 83m has been accounted for. The provision is related to staff restructuring (EUR 200m) and premises related obligations (EUR 45m). The staff related provision is related to the new Group business plan, including new financial targets. These activities were largely initiated already in 2019, but have continued also in 2020. Approximately EUR 150m of the EUR 245m is expected to be utilised in 2021. Staff related activities are expected to be executed on during 2021, but payments are expected to extend to 2022. Like for any other provision, there is uncertainty surrounding timing and amount. The uncertainty is expected to decrease as the plans are executed.

Loan loss provisions on off-balance sheet items amount to EUR 236m (EUR 144m). More information on these provisions can be found in Note G2 "Risk and Liquidity management".

The provision related to AML related matters (EUR 95m) remains unchanged compared with 2019.

	Restructuring		Other	
EURm	2020	2019	2020	2019
At beginning of year	304	193	122	7
New provisions made	83	246	21	124
Provisions utilised	–138	–117	–3	–5
Reversals	–3	0	–25	–4
Reclassifications	0	–16	0	0
Translation differences	–1	–2	0	0
At end of year	**245**	**304**	**115**	**122**

G34. Retirement benefit obligations

EURm	31 Dec 2020	31 Dec 2019
Retirement benefit assets	144	173
Retirement benefit liabilities	365	439
Net liability (–)/asset (+)	**–221**	**–266**

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 for new entrants; new employees are offered DCPs.

DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation.

In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway, plan assets are also held 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 in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation.

Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full, 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.

Defined benefit plans may impact Nordea via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), 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) to reduce 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]

	Swe	Nor	Fin	Den	UK
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	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]
2019					
Discount rate[2]	1.39%	2.20%	0.60%	0.76%	1.82%
Salary increase	2.75%	2.75%	1.75%	2.25%	–
Inflation	1.75%	1.75%	1.25%	–[3]	2.50%
Mortality	DUS14	FNH-K2013	Gompertz	FSA	S2PMA-L/S2PFA[4]

1) The assumptions disclosed for 2020 have an impact on the liability calculation by year-end 2020, while the assumptions disclosed for 2019 are used for calculating the pension expense in 2020.
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. The inflation has hence no impact on the DBO.
4) With CMI_2019 projections for 2020 calculations and CMI_2018 projections for 2019 calculations.

Sensitivities – Impact on Defined Benefit Obligation (DBO)

%	Swe	Nor	Fin	Den	UK
Discount rate – Increase 50bp	–11.2%	–8.1%	–6.4%	–4.9%	–8.7%
Discount rate – Decrease 50bp	11.8%	9.2%	7.1%	5.3%	10.0%
Salary increase – Increase 50bp	3.0%	0.4%	0.4%	4.7%	–
Salary increase – Decrease 50bp	–2.6%	–0.3%	–0.3%	–4.4%	–
Inflation – Increase 50bp	10.8%	8.4%	5.2%	–	1.4%
Inflation – Decrease 50bp	–9.6%	–8.0%	–4.8%	–	–1.2%
Mortality – Increase 1 year	6.4%	3.8%	4.9%	6.4%	5.0%
Mortality – Decrease 1 year	–6.0%	–5.0%	–4.8%	–6.2%	–4.8%

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 enables isolating one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. The sensitivity analysis includes the impact on the liabilities held for future SWT (special wage tax) or SSC (social security contributions) in Sweden and Norway, respectively.

As all pensions in Denmark are salary-indexed, inflation has no impact on the DBO in Denmark.

G34. Retirement benefit obligations, cont.

Net retirement benefit liabilities/assets

EURm	Swe 2020	Nor 2020	Fin 2020	Den 2020	UK 2020	Total 2020	Total 2019
Obligations	2,058	796	806	103	108	3,871	3,790
Plan assets	1,867	679	847	127	130	3,650	3,524
Net liability(–)/asset(+)	**–191**	**–117**	**41**	**24**	**22**	**–221**	**–266**
- of which retirement benefit assets	2	45	48	27	22	144	173
- of which retirement benefit liabilities	193	162	7	3	–	365	439

Movements in the obligation

2020, EURm	Swe	Nor	Fin	Den	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	–	9	–	–	–	9
Translation differences	87	–47	–	0	–6	34
Change in 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%

2019, EURm	Swe	Nor	Fin	Den	UK	Total
Opening balance	1,840	744	722	96	92	3,494
Current service cost	28	4	3	–	–	35
Interest cost	38	21	10	2	3	74
Pensions paid	–68	–37	–39	–6	–4	–154
Past service cost and settlements	4	–7	2	–	–	–1
Remeasurement from changes in demographic assumptions	–	–	0	–1	–1	–2
Remeasurement from changes in financial assumptions	210	71	95	9	14	399
Remeasurement from experience adjustments	–33	–13	–2	2	–	–46
Translation differences	–35	9	–	0	4	–22
Change in provision for SWT/SSC[1]	9	4	–	–	–	13
Closing balance	**1,993**	**796**	**791**	**102**	**108**	**3,790**
- of which relates to the active population	26%	11%	13%	–	–	19%

1) Change in provision for special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

The average duration of the obligation is 19 (20) years in Sweden, 15 (15) years in Norway, 13 (14) years in Finland, 11 (11) years in Denmark and 19 (20) years in the UK, based on discounted cash flows. The fact of all DBPs now being closed to new entrants gives a lower duration.

G34. Retirement benefit obligations, cont.

Movements in the fair value of plan assets

2020, EURm	Swe	Nor	Fin	Den	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 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**
2019, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Opening balance	1,604	681	824	122	111	3,342
Interest income (calculated using the discount rate)	34	19	13	2	3	71
Pensions paid	0	–19	–39	–6	–4	–68
Contributions by employer	–	4	–31	2	–	–25
Remeasurement (actual return less interest income)	105	18	78	6	17	224
Translation differences	–33	7	–	0	6	–20
Closing balance	**1,710**	**710**	**845**	**126**	**133**	**3,524**

Asset composition

The combined return on assets in 2020 was 4.8% (8.8%). Despite challenging asset returns, particularly in equities, strong performance of fixed income assets and interest rate hedging instruments led to a positive total return. 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 2m to its defined benefit plans in 2021.

Asset composition in funded schemes

%	Swe 2020	Nor 2020	Fin 2020	Den 2020	UK 2020	Total 2020	Total 2019
Bonds	78%	62%	62%	64%	88%	71%	74%
- sovereign	38%	38%	31%	37%	88%	38%	41%
- covered bonds	24%	18%	9%	27%	–	18%	18%
- corporate bonds	16%	6%	22%	–	–	15%	15%
- issued by Nordea entities	*2%*	*5%*	–	–	–	*2%*	*2%*
- with quoted market price in an active market	*78%*	*62%*	*62%*	*64%*	*88%*	*71%*	*74%*
Equity	19%	21%	19%	10%	12%	19%	19%
- domestic	4%	4%	4%	10%	4%	5%	5%
- European	4%	6%	5%	–	1%	4%	4%
- US	4%	6%	5%	–	5%	5%	5%
- emerging	3%	5%	5%	–	2%	3%	4%
- private equity	4%	–	–	–	–	2%	0%
- Nordea shares	–	–	–	–	–	*0%*	*0%*
- with quoted market price in an active market	*15%*	*21%*	*19%*	*10%*	*12%*	*17%*	*19%*
Real estate[1]	–	15%	15%	–	–	6%	6%
- occupied by Nordea	–	–	*5%*	–	–	*1%*	*1%*
Interest rate swaps	2%	0%	–	–	–	1%	0%
Insurance contracts	–	–	2%	7%	–	1%	0%
Cash and cash equivalents	1%	2%	2%	19%	0%	2%	1%

1) The geographical location of the 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 defined benefit plans recognised in the Group's income statement (as staff costs) for the year is EUR 61m (EUR 46m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note G8 "Staff costs").

Recognised in the income statement

2020, EURm	Swe	Nor	Fin	Den	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 cost on defined benefit plans (expense+/ income–)	**45**	**7**	**9**	**0**	**0**	**61**
2019, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Current service cost	28	4	3	–	–	35
Net interest	4	2	–3	0	0	3
Past service cost and settlements	4	–7	2	–	–	–1
SWT/SSC[1]	9	0	–	–	–	9
Pension cost on defined benefit plans (expense+/ income–)	**45**	**–1**	**2**	**0**	**0**	**46**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

Compared with the pension cost in 2019, excluding past service cost and related SWT and SSC, the pension cost remained largely unchanged in 2020.

Recognised in other comprehensive income

2020, EURm	Swe	Nor	Fin	Den	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 cost on defined benefit plans (expense+/income–)	**–59**	**30**	**3**	**2**	**2**	**–22**
2019, EURm	**Swe**	**Nor**	**Fin**	**Den**	**UK**	**Total**
Remeasurement from changes in demographic assumptions	–	–	0	–1	–1	–2
Remeasurement from changes in financial assumptions	210	71	95	9	14	399
Remeasurement from experience adjustments	–33	–13	–2	2	–	–46
Remeasurement of plan assets (actual return less interest income)	–105	–18	–78	–6	–17	–224
SWT/SSC[1]	17	8	–	–	–	25
Pension cost on defined benefit plans (expense+/income–)	**89**	**48**	**15**	**4**	**–4**	**152**

1) Cost related to special wage tax (SWT) in Sweden and social security contribution (SSC) in Norway.

G34. Retirement benefit obligations, cont.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The AFP plan gives the entitled employees a lifelong addition to 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 a 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 the member firms pay to the plan is determined to be sufficient to cover on-going pension expenses and provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2020 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 the average wages and average base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2020 amount to EUR 3m. Payments into the plan in 2020 covered 2,373 employees. The premium rate for 2020 will be 2.5% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The expected premiums in 2021 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 on windup of the plan or the withdrawal of entities 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 2020 were EUR 0m (EUR 0m). Complete information concerning key management personnel is disclosed in Note G8 "Staff costs".

G35. Subordinated liabilities

EURm	31 Dec 2020	31 Dec 2019
Additional Tier 1	1,893	2,409
Tier 2	5,048	7,410
Total	**6,941**	**9,819**

For more information, see Note P34 "Subordinated liabilities".

G36. Assets pledged as security for own liabilities

EURm	31 Dec 2020	31 Dec 2019
Assets pledged for own liabilities		
Securities etc	5,759	24,458
Loans to the public	156,029	146,615
Other assets pledged	14,576	12,922
Total	**176,364**	**183,995**
The above pledges pertain to the following liabilities		
Deposits by credit institutions	13,351	12,178
Deposits and borrowings from the public	3,050	5,569
Derivatives	10,804	4,676
Debt securities in issue	117,322	113,283
Other liabilities and commitments	2,497	2,464
Total	**147,024**	**138,170**

Assets recognised on the balance sheet and pledged as securities for Nordea's own liabilities are disclosed as "Assets pledged as securities 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 collaterals".

Assets pledged for own liabilities contain securities pledged as security in repurchase agreements and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

Securities in the Life operations are also pledged as security for the corresponding insurance liabilities.

Loans to the public have been registered as collateral for issued covered bonds and mortgage bonds in line with local legislation. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral.

Other assets pledged relate to certificates of deposits pledged by Nordea to comply with authority requirements.

G37. Other assets pledged

Assets recognised on the balance sheet and pledged on behalf of other items 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 securities for own liabilities". Securities borrowed and then used as collateral are reported in Note G43 "Transferred assets and obtained collaterals".

Other assets pledged are mainly related to securities, which include interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions in the amount of EUR 267m (EUR 20m). From 2020 only securities that are pledged for overnight liquidity are disclosed (pledged securities for intraday liquidity are excluded). Comparative figures have been restated. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities is also accounted for under this item.

G38. Contingent liabilities

EURm	31 Dec 2020	31 Dec 2019
Guarantees		
- Loan guarantees	3,521	2,791
- Other guarantees	14,802	13,855
Documentary credits	1,011	1,146
Other contingent liabilities	13	0
Total	**19,347**	**17,792**

In its normal business, Nordea issues various forms of guarantees in favour of its customers. Loan guarantees are given for customers to guarantee obligations in other credit and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export-related guarantees. Contingent liabilities also include unutilised irrevocable import documentary credits and confirmed export documentary credits. These transactions are part of the bank'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 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 member in 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 from 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. The indemnity is secondary to any other insurance coverage.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note G8 "Staff costs".

Claims in civil lawsuits and possible fines

Within the framework of its 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 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 2020	31 Dec 2019
Unutilised overdraft facilities	32,859	28,871
Loan commitments	55,932	46,459
Future payment obligations	325	222
Other commitments	1,444	1,511
Total	**90,560**	**77,063**

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on the settlement date. Nordea has as per 31 December 2020 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 per 31 December 2020. The net impact on the balance sheet is minor. These instruments have not been disclosed as commitments.

For information on credit commitments, see Note G1 "Accounting policies", section 26, about derivatives, see Note G19 "Derivatives and Hedge accounting" and about reverse repurchase agreements, see Note G43 "Transferred assets and obtained collaterals".

G40. Classification of financial instruments

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 the hedged items in portfolio hedge 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 the hedged items in portfolio hedge 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 EUR 1,233m.

G40. Classification of financial instruments, cont.

Assets

31 Dec 2019, 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 and associated undertakings/ joint ventures	Total
Cash and balances with central banks	35,509	–	–	–	–	35,509
Loans to central banks	5,889	3,318	–	–	–	9,207
Loans to credit institutions	5,727	2,792	–	–	–	8,519
Loans to the public	245,527	77,564	–	–	–	323,091
Interest-bearing securities	3,489	28,460	4,088	28,893	–	64,930
Financial instruments pledged as collateral	–	6,265	–	886	–	7,151
Shares	–	14,184	–	–	–	14,184
Assets in pooled schemes and unit-linked investment contracts	–	30,324	169	–	306	30,799
Derivatives	–	39,111	–	–	–	39,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk	217	–	–	–	–	217
Investments in associated undertakings and joint ventures	–	–	–	–	572	572
Intangible assets	–	–	–	–	3,695	3,695
Properties and equipment	–	–	–	–	2,002	2,002
Investment properties	–	–	–	–	1,585	1,585
Deferred tax assets	–	–	–	–	487	487
Current tax assets	–	–	–	–	362	362
Retirement benefit assets	–	–	–	–	173	173
Other assets	1,079	10,778	–	–	686	12,543
Prepaid expenses and accrued income	339	–	–	–	372	711
Total	**297,776**	**212,796**	**4,257**	**29,779**	**10,240**	**554,848**

Liabilities

31 Dec 2019, 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	23,330	8,974	–	–	32,304
Deposits and borrowings from the public	164,027	4,698	–	–	168,725
Deposits in pooled schemes and unit-linked investment contracts	–	–	31,859	–	31,859
Liabilities to policyholders	–	–	3,318	15,928	19,246
Debt securities in issue	135,223	–	58,503	–	193,726
Derivatives	–	42,047	–	–	42,047
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,018	–	–	–	2,018
Current tax liabilities	–	–	–	742	742
Other liabilities[1]	4,634	14,153	–	1,081	19,868
Accrued expenses and prepaid income	215	–	–	1,261	1,476
Deferred tax liabilities	–	–	–	481	481
Provisions	–	–	–	570	570
Retirement benefit liabilities	–	–	–	439	439
Subordinated liabilities	9,819	–	–	–	9,819
Total	**339,266**	**69,872**	**93,680**	**20,502**	**523,320**

1) Of which lease liabilities classified into the category Amortised cost EUR 1,225m.

G40. Classification of financial instruments, cont.

Financial assets designated at fair value through profit or loss

EURm	2020	2019
Carrying amount per end of year	4,431	4,257
Maximum exposure to credit risk per end of year	4,431	4,257

Assets designated at fair value through profit or loss (fair value option) consist of all assets in Nordea Life and Pension held under investment contracts, EUR 4,216m (EUR 4,088m). Also, assets in pooled schemes and unit-linked investment contracts in Life, EUR 215m (EUR 169m), 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 and the fair value change in related credit derivatives; as such, changes in value will directly result in essentially the same 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 credit risk of these assets in Life. For this reason Nordea does not either disclose the nominal amount of credit derivatives used to mitigate the maximum exposure to credit risk per end of the year.

Financial liabilities designated at fair value through profit or loss consist of issued bonds in the Danish group undertakings Nordea Kredit Realkreditaktieselskab, EUR 54,411m (EUR 55,766m), issued structured bonds in Markets operation, EUR 1,796m (EUR 2,737m), deposits linked to the investment return of separate assets, EUR 4,421m (EUR 4,377m) and investment contracts and pooled schemes in Life, EUR 35,499m (EUR 30,800m). For issued structured bonds in Markets, changes in fair value due to changes in own credit risk are recognised in other comprehensive income and Nordea calculates the change in own credit spread based on the change in Nordea's 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 issuance date and 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 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 in these contracts.

Changes in fair value due to changes in own credit risk of bonds issued in Nordea Kredit Realkreditaktieselskab, are calculated by determining the amount of changes in its fair value 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 issued mortgage bonds in Nordea Kredit Realkreditaktieselskab are not recognised in other comprehensive income as that would create an accounting missmatch with the corresponding change in fair value of the mortgage loans that is recognised in profit or loss. For this reason, the whole change in the fair value of issued mortgage bonds in Nordea Kredit Realkreditaktieselskab is recognised in the income statement. For the issued mortgage bonds, a change in the liability's credit risk and price will have a corresponding effect on the value of the loans 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

	2020			2019		
EURm	Liabilities for which changes in credit risk are presented in OCI	Liabilites for which changes in credit risk are presented in profit or loss	Total	Liabilities for which changes in credit risk are presented in OCI	Liabilites for which changes in credit risk are presented in profit or loss	Total
Carrying amount per end of the year	1,796	94,331	96,127	2,737	90,943	93,680
Amount to be paid at maturity[1]	1,829	97,269	99,098	2,737	93,317	96,054
Changes in fair value due to changes in own credit risk, during the year	–9	35	26	–15	94	79
Changes in fair value due to changes in own credit risk, accumulated	–14	–421	–435	–5	–456	–461

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 2020 Carrying amount	31 Dec 2020 Fair value	31 Dec 2019 Carrying amount	31 Dec 2019 Fair value
Financial assets				
Cash and balances with central banks	32,955	32,955	35,509	35,509
Loans	336,370	344,038	341,034	343,764
Interest-bearing securities	62,509	62,764	64,930	65,047
Financial instruments pledged as collateral	3,795	3,795	7,151	7,151
Shares	12,649	12,649	14,184	14,184
Assets in pooled schemes and unit-linked investment contracts	36,123	36,123	30,493	30,493
Derivatives	44,770	44,770	39,111	39,111
Other assets	12,645	12,645	11,857	11,857
Prepaid expenses and accrued income	292	292	339	339
Total	**542,108**	**550,031**	**544,608**	**547,455**

Fair value of financial assets and liabilities, cont.

EURm	31 Dec 2020 Carrying amount	31 Dec 2020 Fair value	31 Dec 2019 Carrying amount	31 Dec 2019 Fair value
Financial liabilities				
Deposits and debt instruments	391,228	392,214	406,592	407,337
Deposits in pooled schemes and unit-linked investment contracts	37,534	37,534	31,859	31,859
Liabilities to policyholders	2,386	2,386	3,318	3,318
Derivatives	47,033	47,033	42,047	42,047
Other liabilities	18,270	18,270	17,562	17,562
Accrued expenses and prepaid income	222	222	215	215
Total	**496,673**	**497,659**	**501,593**	**502,338**

For information about valuation of items measured at fair value on the balance sheet, see Note G1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet" below.

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 & Pensions	Valuation technique using observable data (Level 2)	– of which Life & Pensions	Valuation technique using non–observable data (Level 3)	– of which Life & Pensions	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.

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 2019, EURm	Quoted prices in active markets for the same instrument (Level 1)	- of which Life & Pensions	Valuation technique using observable data (Level 2)	- of which Life & Pensions	Valuation technique using non-observable data (Level 3)	- of which Life & Pensions	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	–	–	3,318	–	–	–	3,318
Loans to credit institutions	–	–	2,792	–	–	–	2,792
Loans to the public	–	–	77,564	–	–	–	77,564
Interest-bearing securities[2]	19,694	1,487	48,726	2,660	172	13	68,592
Shares	11,825	10,184	325	322	2,034	860	14,184
Assets in pooled schemes and unit-linked investment contracts	30,078	26,129	359	359	362	362	30,799
Derivatives	37	–	37,717	12	1,357	–	39,111
Investment properties	–	–	–	–	1,585	1,578	1,585
Other assets	–	–	10,743	–	35	34	10,778
Total	**61,634**	**37,800**	**181,544**	**3,353**	**5,545**	**2,847**	**248,723**
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	–	–	8,974	–	–	–	8,974
Deposits and borrowings from the public	–	–	4,698	–	–	–	4,698
Deposits in pooled schemes and unit-linked investment contracts	–	–	31,859	27,482	–	–	31,859
Liabilities to policyholders	–	–	3,318	3,318	–	–	3,318
Debt securities in issue	8,155	–	48,116	–	2,232	–	58,503
Derivatives	59	–	40,805	13	1,183	–	42,047
Other liabilities	3,587	–	10,564	–	2	–	14,153
Total	**11,801**	**–**	**148,334**	**30,813**	**3,417**	**–**	**163,552**

1) All items are measured at fair value on a recurring basis at the end of each reporting period.
2) Of which EUR 7,151m relates to the balance sheet item Financial instruments pledged as collateral.

Determination of fair values for items measured at fair value on the balance sheet
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, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or inputs prevailing at the balance sheet date and where any unobservable inputs have had an insignificant impact on the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/lent and other instruments where active markets supply the input to the valuation techniques or models.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities 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. These market prices and inputs 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 from 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 for establishing fair value. The models are usually in-house developed and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model 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 guideline "International Private Equity and Venture Capital Valuation Guidelines" issued by 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 finance law, Nordea at the same time issues debt securities with matching terms, so called "match funding". Fair value of the issued debt securities is based on quoted prices. As the borrowers have the right to purchase debt securities issued by Nordea in the market and return these as repayment for their loans, the fair value of the loans is the same as the fair value of the issued bonds (due to the revaluation of the repayment option embedded in the loan) adjusted for changes in the credit risk of the borrower and the fair value of the margin associated with each loan.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments. This calculation is supplemented by portfolio adjustments.

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA 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 and recovery rates, on a counterparty basis. Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, Nordea obtains credit spreads from the credit default swap (CDS) market, and probabilities of defaults (PDs) are inferred from this data. For counterparties that do not have a liquid CDS, PDs are estimated using a cross-sectional regression model, which calculates an appropriate proxy CDS spread given each counterparty's rating region and industry.

The impact of funding costs and funding benefits on valuation of uncollateralised and imperfectly collateralised derivatives is recognised as a funding fair valuation adjustment (FFVA). In addition, Nordea applies in its fair value measurement close-out-cost valuation adjustments and model risk adjustments for identified model deficiencies. Starting from Q2 2020, adjustments for IPV variances are also included in fair value.

The fair value measurement of the investment properties takes into account a market participant's ability to generate economic benefits by using the investment properties in its highest and best use, i.e. taking into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The current use of the investment properties in Nordea is in accordance with the highest and best use. The valuation of the investment properties is carried out taking into account the purpose and the nature of the property by using the most appropriate valuation methods. The primary valuation approach is a discounted cash flow model using current cash flows, market interest rates and the current yield requirements.

Transfers between Level 1 and 2

During the year, Nordea transferred "Interest-bearing securities" (including such financial instruments pledged as collateral) of EUR 1,113m (EUR 4,272m) from Level 1 to Level 2 and EUR 11,448m (EUR 701m) from Level 2 to Level 1 in the fair value hierarchy. Further Nordea transferred "Debt securities in issue" of EUR 735m (EUR 4,455m) from Level 1 to Level 2 and EUR 32,916m (EUR 0m) from Level 2 to Level 1. Nordea also transferred "Other liabilities" of EUR 10m (EUR 1,426m) from Level 1 to Level 2 and EUR 1,040m (EUR 1m) from Level 2 to Level 1. The main driver for the transfers during the year 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 for the individual instruments (ISINs) are now 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

2020, EURm	1 Jan 2020	Fair value gains/losses recognised in the income statement during the year		Recognised in OCI	Purchases/Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification[1]	Translation differences	31 Dec 2020
		Realised	Unrealised									
Interest-bearing securities	172	3	−2	–	641	−34	−3	421	−267	–	–	931
- of which Life & Pensions	13	–	−2	–	–	−4	–	60	–	–	–	67
Shares	2,034	93	−6	–	312	−283	−15	8	−92	−32	−50	1,969
- of which Life & Pensions	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 & Pensions	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 & Pensions	34	–	–	–	–	–	−4	–	–	–	–	30
Investment properties	1,585	49	−46	–	167	−188	–	–	–	–	−32	1,535
- of which Life & Pensions	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 early conversion of Visa C-shares into Visa A-shares.

Unrealised gains and losses relate to those assets and liabilities held at the end of the 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 for 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.

2019, EURm	1 Jan 2019	Fair value gains/losses recognised in the income statement during the year		Recognised in OCI	Purchases/Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification[1]	Translation differences	31 Dec 2019
		Realised	Unrealised									
Interest-bearing securities	329	−1	8	–	14	−180	2	–	–	–	–	172
- of which Life & Pensions	4	–	9	–	–	−1	1	–	–	–	–	13
Shares	1,697	123	51	–	358	−419	−19	169	−31	91	14	2,034
- of which Life & Pensions	916	42	−25	–	35	−221	−19	166	−31	–	−3	860
Assets in pooled schemes and unit-linked investment contracts	189	2	45	–	145	−22	2	1	–	–	–	362
- of which Life & Pensions	189	2	45	–	145	−22	2	1	–	–	–	362
Derivatives (net)	15	−121	200	–	−33	–	121	–	−8	–	–	174
Other assets	74	–	−5	–	–	–	−33	–	–	–	−1	35
- of which Life & Pensions	40	–	–	–	–	–	−6	–	–	–	–	34
Investment properties	1,607	2	39	–	103	−157	–	–	–	−10	1	1,585
- of which Life & Pensions	1,588	2	38	–	101	−145	–	–	–	−7	1	1,578
Debt securities in issue	2,627	54	−232	−8	422	–	−634	3	–	–	–	2,232
Other liabilities	14	–	–	–	1	−13	–	–	–	–	–	2

1) Due to deconsolidation of Nordea Bank S.A., shares in Level 3 increased by EUR 91m and Investment properties in Level 3 decreased by EUR 3m. In addition, investment properties in Level 3 of EUR 7m have been reclassified from Investment properties to Properties and equipment.

G41. Assets and liabilities at fair value, cont.

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data was no longer 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.

The valuation processes for fair value measurements

Financial instruments

The valuation process in Nordea consists of several steps. The first step is to determine the end-of-day (EOD) marking of mid-prices. It is the responsibility of the business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by a valuation control function within the 1st line of defence, which is independent from the risk-taking units in the front office. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by comparing the 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 for many products carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis.

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 unit Balance Sheet Risk Control (BSRC) are responsible for overseeing and independently assessing the valuations performed by the 1st line of defence. These teams are responsible for 2nd line of defence oversight for valuations, with independent reporting responsibilities towards the CRO and the BAC.

Investment properties

The main part of the investment properties in Nordea is held by Nordea Life and Pension (NLP). The valuation of the investment properties in NLP is performed quarterly by the real estate departments in each entity within NLP with full or partial assistance from external valuers. For the departments that use their own methodologies the changes in price levels of the properties are compared with valuations of similar properties assessed by external valuers. The result of the valuation is presented to, and approved by, the local management in each entity. The CFO in each entity within NLP is responsible for the approval of the concepts and for the values used. The principles used in all entities are in accordance with regulations provided by the local Financial Supervisory Authorities (FSA) which is in accordance with international valuation principles and in accordance with IFRS.

In addition there is an Investment Operation Committee (IOC) which is a joint forum focusing on valuation and accounting of investment operations issues within NLP. The entities within NLP report regularly to IOC and IOC reports quarterly to the Nordea Group Valuation Committee. Investment properties in NLP are backing the liabilities to policyholders in life insurance contracts, unit-linked contracts and investment contracts, which means that the impact on Nordea's income statement and on shareholders' equity depends on the financial buffers and the profit sharing agreements in the actual unit that owns the property.

G41. Assets and liabilities at fair value, cont.

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

31 Dec 2020, EURm	Fair value	Of which Life & Pensions[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[2]	687	63	Discounted cash flows	Credit spread	–64/64
Corporates	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, acquired to fulfil the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and 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 the 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 values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians, is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 50% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a 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.

G41. Assets and liabilities at fair value, cont.

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

31 Dec 2019, EURm	Fair value	Of which Life & Pensions[1]	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities					
Mortgage and other credit institutions[2]	164	9	Discounted cash flows	Credit spread	–16/16
Corporates	8	4	Discounted cash flows	Credit spread	–0/0
Total	**172**	**13**			**–16/16**
Shares					
Private equity funds	833	489	Net asset value[3]		–93/93
Hedge funds	87	83	Net asset value[3]		–8/8
Credit Funds	421	167	Net asset value/market consensus[3]		–35/35
Other funds	289	115	Net asset value/fund prices[3]		–26/26
Other[4]	460	62	–		–32/32
Total	**2,090**	**916**			**–194/194**
Derivatives					
Interest rate derivatives	265	–	Option model	Correlations	–31/35
				Volatilities	
Equity derivatives	–10	–	Option model	Correlations	–6/3
				Volatilities	
				Dividend	
Foreign exchange derivatives	–16	–	Option model	Correlations	–0/0
				Volatilities	
Credit derivatives	–69	–	Credit derivative model	Correlations	–24/26
				Recovery rates	
				Volatilities	
Other	4	–	Option model	Correlations	–0/0
				Volatilities	
Total	**174**	–			**–61/64**
Debt securities in issue					
Issued structured bonds	2,232	–	Credit derivative model	Correlations	–11/11
				Recovery rates	
				Volatilities	
Total	**2,232**	–			**–11/11**
Other, net					
Other assets and Other liabilities, net	33	34			–4/4
Total	**33**	**34**			**–4/4**

1) Investment in financial instruments is a major part of the life insurance business, acquired to fulfil the obligations behind the insurance- and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and 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 values are based on prices and net assets values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investment are internally adjusted/valued based the IPEV guidelines. These carrying amounts are in a range of 3% to 100% compared to the values received from suppliers/custodians.

4) Of which EUR 56m related to assets in pooled schemes and unit-linked investment.

The tables above shows, for each class of assets and liabilities categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilities the fair value sensitivity to changes in key assumptions.

The column "range of fair value" in the tables above shows the sensitivity of the fair values of Level 3 financial instruments to changes in key assumptions. Where the exposure to an unobservable parameter is offset across different instruments then only the net impact is disclosed in the table. The range disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

In order to calculate the sensitivity (range) in fair value of derivatives a range of different modelling approaches are applied to determine an uncertainty interval around the reported fair value. The different approaches applied target various aspects of derivatives pricing. Two common components of derivative valuation models are volatility of underlying risk factors and correlation between the relevant risk factors. Each of these is addressed by applying different assumptions to input and/or the choice of modelling

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 values of derivatives are presented as the net of assets and liabilities.

In order to calculate the sensitivity (range) in fair value of shares and interest-bearing securities the fair value was increased and decreased within a total range of 2–10 percentage units depending 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.

Investment properties

31 Dec 2020, EURm	Fair value[1]	Of which Life & Pensions	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	657	657	Discounted cash flows	Market rent		
				- Office	105–362 EUR/m²	224 EUR/m²
				- Other	106–287 EUR/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	138–228 EUR/m²	183 EUR/m²
				- Office	123–468 EUR/m²	296 EUR/m²
				- Apartment	189–300 EUR/m²	245 EUR/m²
				- Other	225–282 EUR/m²	254 EUR/m²
				Yield requirement		
				- Commercial	5.75%–7.25%	6.5%
				- Office	3.25%–8.25%	5.8%
				- Apartment	3.25%–4.75%	4.0%
				- Other	4.5%–6%	5.3%
Sweden	291	291	Discounted cash flows[2]	Market rent		
				- Commercial	68–217 EUR/m²	125 EUR/m²
				- Office	251–251 EUR/m²	251 EUR/m²
				- Apartment	176–188 EUR/m²	181 EUR/m²
				- Other	69–69 EUR/m²	69 EUR/m²
				Yield requirement		
				- Commercial	4.75%–7.10%	5.5%
				- Office	4.65%–4.65%	4.7%
				- Apartment	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 by external valuers.
3) Of which EUR 361m related to investment properties in pooled schemes and unit-linked investments in Life.

G41. Assets and liabilities at fair value, cont.

Investment properties

31 Dec 2019, EURm	Fair value[1]	Of which Life & Pensions	Valuation techniques	Unobservable input	Range of unobservable input	Weighted average of unobservable input
Norway	713	713	Discounted cash flows	Market rent		
				- Office	110–401 EUR/m²	280 EUR/m²
				- Other	128 EUR/m²	128 EUR/m²
				Yield requirement		
				- Office	4.0%–5.65%	4.6%
				- Other	6.5%–9.5%	7.1%
Finland[3]	933	933	Discounted cash flows[2]	Market rent		
				- Commercial	144–230 EUR/m²	187 EUR/m²
				- Office	189–306 EUR/m²	296 EUR/m²
				- Apartment	189–306 EUR/m²	248 EUR/m²
				- Other	231–291 EUR/m²	261 EUR/m²
				Yield requirement		
				- Commercial	5.75%–7.25%	6.5%
				- Office	4.5%–8.25%	5.8%
				- Apartment	3.25%–4.75%	4.0%
				- Other	4.5%–6%	5.3%
Sweden	238	238	Discounted cash flows[2]	Market rent		
				- Commercial	73–208 EUR/m²	124 EUR/m²
				- Office	226–231 EUR/m²	229 EUR/m²
				- Apartment	166–178 EUR/m²	172 EUR/m²
				- Other	65–66 EUR/m²	65 EUR/m²
				Yield requirement		
				- Commercial	5.10%–6.75%	5.8%
				- Office	4.5%–4.65%	4.6%
				- Apartment	3.73%–4.30%	3.9%
				- Other	6.75%–6.75%	6.8%
Other	7	–	Discounted cash flows	–	–	–
Total	**1,891**	**1,884**				

1) Split based on the valuation methodologies used in different countries.
2) The fair value is calculated by external valuers.
3) Of which EUR 306m related to investment properties in pooled schemes and unit-linked investments in Life.

The significant unobservable inputs used in the fair value measurement of the investment properties are market rent and yield requirement. Significant increases (decreases) in market rate or yield requirement in isolation would result in a significant lower (higher) fair value.

Movements in deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to 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 fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see Note G1 "Accounting policies". The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the year (movements in deferred Day 1 profit).

G41. Assets and liabilities at fair value, cont.

Deferred Day 1 profit – derivatives, net

EURm	2020	2019
Amount at beginning of year	125	81
Deferred profit/loss on new transactions	125	85
Recognised in the income statement during the year[1]	–177	–41
Amount at end of year	**73**	**125**

1) Of which EUR –10m (EUR –m) due to transfers of derivatives from Level 3 to Level 2.

Financial assets and liabilities not held at fair value on the balance sheet

	31 Dec 2020		31 Dec 2019		
EURm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	32,955	32,955	35,509	35,509	3
Loans	261,754	269,422	257,360	260,090	3
Interest-bearing securities	3,293	3,548	3,489	3,606	1,2,3
Other assets	1,425	1,425	1,079	1,079	3
Prepaid expenses and accrued income	292	292	339	339	3
Total	**299,719**	**307,642**	**297,776**	**300,623**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	329,311	330,297	334,417	335,162	3
Other liabilities	3,515	3,515	3,409	3,409	3
Accrued expenses and prepaid income	222	222	215	215	3
Total	**333,048**	**334,034**	**338,041**	**338,786**	

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 is 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 on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking, Commercial & Business Banking and Wholesale Banking respectively.

The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Interest bearing-securities
The fair value is EUR 3,548m (EUR 3,606m), of which EUR 136m (EUR 237m) is categorised in Level 1 and EUR 3,332m (EUR 3,369m) in Level 2 and EUR 80m (EUR –m) in Level 3. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

Other assets and prepaid expenses and accrued income
The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables. The fair value is therefore considered to equal the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments
The fair value of "Deposits by credit institutions", "Deposits and borrowings from the public", "Debt securities in issue" and "Subordinated liabilities" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk are based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk are calculated as the difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long-term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" and "Deposits and borrowing from the public" the changes in Nordea´s own credit risk related to these items are assumed not to be significant. This is also the case for short-term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities".

Other liabilities and accrued expenses and prepaid income
The balance sheet items "Other liabilities" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly liabilities on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is categorised into Level 3 in the fair value hierarchy.

G42. Financial instruments set off on balance or subject to netting agreements

31 Dec 2020, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			
				Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	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 the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			
				Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	130,447	–83,792	46,655	–30,587	–	–6,134	9,934
Repurchase agreements	15,698	–11,532	4,166	–	–4,166	–	0
Securities lending 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 repurchase agreements of EUR 1,020m which are measured at amortised cost.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

31 Dec 2019, EURm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			
				Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	126,040	–87,038	39,002	–27,317	–	–9,987	1,698
Reverse repurchase agreements	38,143	–9,965	28,178	–	–28,178	–	0
Securities borrowing agreements	4,324	–	4,324	–	–3,223	–	1,101
Variation margin	382	–382	0	–	–	–	0
Total	**168,889**	**–97,385**	**71,504**	**–27,317**	**–31,401**	**–9,987**	**2,799**

31 Dec 2019, EURm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements			
				Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	125,813	–84,423	41,390	–27,317	–	–4,676	9,397
Repurchase agreements	24,351	–9,965	14,386	–	–14,356	–	30
Securities lending agreements	2,500	–	2,500	–	–2,500	–	0
Variation margin	2,996	–2,997	0	–	–	–	0
Total	**155,660**	**–97,385**	**58,276**	**–27,317**	**–16,856**	**–4,676**	**9,427**

1) All amounts are measured at fair value , except for the reverse repurchase agreements of EUR 3,169m and repurchase agreements of EUR 3,211m which are measured at amortised cost.
2) Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

G42. Financial instruments set off on balance or subject to netting agreements, cont.

Enforceable master netting arrangements and similar agreements

The fact that financial instruments are accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions), would be subject to master netting agreements, and Nordea would consequently be able to benefit from netting, in the event of its counter-parties defaulting, in any calculations involving counterparty credit risk.

For a description of counterparty risk see the section Counterparty risk in Note G2 "Risk and Liquidity management".

G43. Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

Assets are considered to be transferred from Nordea if Nordea either transfer the contractual right to receive the cash flows from the asset or to retain 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 and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing whereby Nordea sells securities with an agreement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions result in the securities being returned to Nordea, all risks and rewards of the instruments transferred is retained by Nordea, although they are not available to Nordea during the period during which they are transferred. The counterpart in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea.

The securities still reported on the balance sheet and the corresponding liabilities are measured at fair value.

G43. Transferred assets and obtained collaterals, cont.

EURm	31 Dec 2020	31 Dec 2019
Repurchase agreements		
Interest-bearing securities	3,795	7,151
Total	**3,795**	**7,151**

Liabilities associated with the assets

EURm	31 Dec 2020	31 Dec 2019
Repurchase agreements	3,815	7,150
Total	**3,815**	**7,150**
Net	**–20**	**1**

Obtained collaterals that are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities upon 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 collaterals under other agreements which, under the terms of the agreements, can be sold or repledged. Those are mainly related to collaterals received under CSA agreements covering derivative transactions.

EURm	31 Dec 2020	31 Dec 2019
Reverse repurchase agreements		
Received collaterals that can be repledged or sold	24,458	36,218
- of which repledged or sold	11,709	15,791
Securities borrowing agreements		
Received collaterals that can be repledged or sold	3,177	5,680
- of which repledged or sold	712	2,612
Other agreements		
Received collaterals that can be repledged or sold	625	1,018
- of which repledged or sold	349	424
Total	**28,260**	**42,916**

G44. Maturity analysis for assets and liabilities

Expected maturity

		31 Dec 2020 Expected to be recovered or settled:			31 Dec 2019 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		32,955	–	32,955	35,509	–	35,509
Loans to central banks	G14	3,123	–	3,123	9,207	–	9,207
Loans to credit institutions	G14	2,599	524	3,123	7,632	887	8,519
Loans to the public	G14	74,660	255,105	329,765	72,345	250,746	323,091
Interest-bearing securities	G15	12,501	50,008	62,509	20,021	44,909	64,930
Financial instruments pledged as collateral	G16	113	3,682	3,795	–	7,151	7,151
Shares	G17	4,901	7,748	12,649	6,474	7,710	14,184
Assets in pooled schemes and unit-linked investment contracts	G18	27,492	8,992	36,484	22,371	8,428	30,799
Derivatives	G19	8,296	36,474	44,770	7,097	32,014	39,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk		131	228	359	44	173	217
Investments in associated undertakings and joint ventures	G20	–	555	555	–	572	572
Intangible assets	G21	5	3,766	3,771	4	3,691	3,695
Properties and equipment	G22	172	1,759	1,931	169	1,833	2,002
Investment properties	G24	658	877	1,535	715	870	1,585
Deferred tax assets	G12	16	390	406	23	464	487
Current tax assets		300	–	300	362	–	362
Retirement benefit assets	G34	–	144	144	–	173	173
Other assets	G25	13,281	68	13,349	11,944	599	12,543
Prepaid expenses and accrued income	G26	576	61	637	451	260	711
Total assets		**181,779**	**370,381**	**552,160**	**194,368**	**360,480**	**554,848**
Deposits by credit institutions	G27	16,310	7,629	23,939	32,117	187	32,304
Deposits and borrowings from the public	G28	178,382	5,049	183,431	159,446	9,279	168,725
Deposits in pooled schemes and unit-linked investment contracts	G18	6,400	31,134	37,534	6,188	25,671	31,859
Liabilities to policyholders	G29	2,146	16,032	18,178	1,056	18,190	19,246
Debt securities in issue	G30	58,807	115,502	174,309	65,196	128,530	193,726
Derivatives	G19	10,327	36,706	47,033	8,955	33,092	42,047
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,903	705	2,608	1,521	497	2,018
Current tax liabilities		300	5	305	742	–	742
Other liabilities[1]	G31	19,761	1,580	21,341	18,589	1,279	19,868
Accrued expenses and prepaid income	G32	1,394	10	1,404	1,471	5	1,476
Deferred tax liabilities	G12	4	432	436	95	386	481
Provisions	G33	203	393	596	228	342	570
Retirement benefit liabilities	G34	–	365	365	–	439	439
Subordinated liabilities	G35	3,298	3,643	6,941	2,512	7,307	9,819
Total liabilities		**299,235**	**219,185**	**518,420**	**298,116**	**225,204**	**523,320**
1) Of which lease liabilities		138	1,095	1,233	138	1,087	1,225

G44. Maturity analysis for assets and liabilities, cont.

Contractual undiscounted cash flows

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-derivatives 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 CPs	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

31 Dec 2019, 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	42,001	2,716	0	0	0	–	–	44,717
Loans to the public	61,696	15,139	33,184	30,699	63,730	55,641	133,187	393,276
Loans to credit institutions	8,080	2,963	1,402	397	494	73	–	13,409
Interest-bearing securities	1,097	1,353	16,297	13,806	33,057	7,998	1,939	75,547
Other non-derivative financial assets	–	–	–	–	–	–	57,445	57,445
Total non-derivatives financial assets	**112,874**	**22,171**	**50,883**	**44,902**	**97,281**	**63,712**	**192,571**	**584,394**
Deposits and borrowings from the public	164,609	1,695	3,959	1,134	1,224	1,501	968	175,090
Deposits by credit institutions	28,281	7,788	1,047	16	24	–	–	37,156
Debt securities in issue	22,343	11,958	40,453	27,117	66,091	17,370	18,013	203,345
- of which CDs and CPs	11,050	11,365	20,147	1,751	215	–	–	44,528
- of which covered bonds	9,664	333	12,850	19,362	54,022	11,755	17,852	125,838
- of which other bonds	1,629	260	7,456	6,004	11,854	5,615	161	32,979
Subordinated liabilities	0	1,497	1,332	3,655	2,263	2,230	281	11,258
Other non-derivative financial liabilities	83,211	9	107	128	271	258	526	84,510
Total non-derivative financial liabilities	**298,444**	**22,947**	**46,898**	**32,050**	**69,873**	**21,359**	**19,788**	**511,359**
Derivatives, cash inflows	346,370	222,804	151,980	94,069	143,136	70,177	17,389	1,045,925
Derivatives, cash outflow	346,961	221,249	153,460	93,574	143,733	70,362	16,654	1,045,993
Derivatives, net cash flows	**−591**	**1,555**	**−1,480**	**495**	**−597**	**−185**	**735**	**−68**
Credit commitments	75,330	–	–	–	–	–	–	75,330
Issued guarantees	16,646	–	–	–	–	–	–	16,646

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 a Nordea 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 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Assets				
Loans	92	143	2	–
Interest-bearing securities	–	–	5	92
Derivatives	1	3	109	51
Other assets	3	66	6	41
Total assets	**96**	**212**	**122**	**184**
Liabilities				
Deposits	14	8	571	524
Derivatives	12	8	16	10
Other liabilities	–	–	0	2
Total liabilities	**26**	**16**	**587**	**536**
Off-balance	**0**	**21**	**5**	**5**

	Associated undertakings		Other related parties[1]	
EURm	2020	2019	2020	2019
Net interest income	1	1	0	2
Net fee and commission income	3	3	0	–
Net result from items at fair value	–3	5	13	–12
Other operating income	–	1	–	–
Total operating expenses	0	0	0	–
Profit before loan losses	**1**	**10**	**13**	**–10**

1) Shareholders with significant influence (including its 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 consist mainly 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, all related party transactions are made on 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 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

The Viking ABCP Conduit (Viking) has been established with the purpose of supporting trade receivable or accounts payable securitisations to core Nordic customers. The SPEs purchase trade receivables from the approved sellers and fund the purchases either by issuing Commercial Papers (CP) via the established Asset Backed Commercial Papers programme or by drawing funds on the liquidity facilities available.

Nordea has provided liquidity facilities to a maximum of EUR 857m (EUR 952m) and at year-end EUR 755m (EUR 871m) was utilised. Total assets in the conduit were EUR 821m (EUR 904m) 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 81m (EUR 83m) was utilised. The entity holds assets of EUR 81m (EUR 84m) at year-end.

Unconsolidated structured entities

For structured entities in which Nordea has an interest but not control, disclosures are provided. To be considered to have an interest in such an entity, Nordea must be exposed to variability in returns on the investment in the structured entity. Investment funds are the only interests in unconsolidated structured entities Nordea currently holds. Variability in returns is assessed based on both fees received and revaluation of holdings in the funds.

There are several different products in which Nordea invests in investment funds:

a) on behalf of policyholders in Nordea Life & Pensions
b) on behalf of depositors where the return is based the investment
c) hedge exposures in structured products issued to customers
d) illiquid investments in private equity and credit funds

As Nordea is exposed to variability in returns on a gross basis, information about these funds is disclosed although the net exposure is considerably less. Any change in value on investment funds acquired on behalf of policyholders and depositors where the policyholder/depositor stands the investment risk are reflected in the value of the related liability and the maximum net exposure to losses is zero. The change in value in investment funds held on behalf of other policyholders is largely passed on to the policyholders, but as Nordea has issued guarantees in some of these products, Nordea is exposed to the changes in value.

G46. Interests in structured entities, cont.

Investment funds acquired to hedge exposures in structured products reduce the exposures and, to the extent hedges are effective, Nordea is not exposed to changes in value. Investments in illiquid private equity and credit funds are an integral part of managing balance sheet risks in Nordea. The maximum loss on these funds is estimated at EUR 735m (EUR 600m), equal to the investment in the funds.

Nordeas 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 2020	31 Dec 2019
Assets, carrying amount:		
Shares	10,085	10,899
Assets in pooled schemes and unit-linked investment contracts	33,232	26,653
Total assets	**43,317**	**37,552**
Liabilities, carrying amount:		
Deposits in pooled schemes and unit-linked investment contracts	33,232	26,653
Liabilities to policyholders	9,294	10,171
Total liabilities	**42,526**	**36,824**
Off-balance, nominal amount:		
Loan commitments	0	0

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 risk appetites, ranging from low-risk government bond funds to high-risk leveraged equity funds. Total assets in funds managed by Nordea are EUR 194bn (EUR 177bn). All funds are financed by deposits from units holders. The total assets in 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 sponsored two unconsolidated structured entities in which Nordea does not currently have an interest, Archean and Thulite. Nordea has established the entities but has no influence over them, and is thus considered to have sponsored them. During 2020, Nordea entered into a new transactions with Thulite, where Thulite issued a guarantee in favour of Nordea. Nordea also bought protection in the form of a CDS from Thulite in 2019. Nordea has not received any income from Thulite in 2019 or 2020. The guarantee issued by Archean has been terminated in 2020. Nordea has not received any compensation in 2020 from Archean (EUR 18m in 2019).

G47. Group structure

The specification below includes major directly owned subsidiaries and major subsidiaries to 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
Singapore branch	Singapore	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 Equipment Finance 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 the decision to wind down the operations in Russia. The legal process has been initiated for the closing of the subsidiaries.

There are different types of restriction in the way Nordea can access and transfer assets within the Group:

- Dividends are used to transfer excess capital in the subsidiaries of NBAbp to the parent company. 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, for dividends as well as projected changes in the entities' capital requirements and risk exposure amounts are incorporated in 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 restricts 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 for OTC derivative liabilities. Further information is disclosed in Notes G36 and G37.
- For banks under resolution, which is not applicable in Nordea at the balance sheet date, there are potential restrictions as the regulators would have far-reaching resolution tools they could 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. Acquisitions

Acquisition of SG Finance AS

On 1 October 2020 the acquisition of 100% of the shares in SG Finans AS (now Nordea Finance Equipment AS) was completed. Nordea Finance Equipment AS is a Norwegian domiciled company that provides equipment finance and factoring solutions. The company has 350 employees and operates in Denmark, Norway and Sweden. The acquisition of Nordea Finance Equipment AS supports Nordea's strategy to focus on core business in the Nordics. The acquisition is also aligned with the Group's priorities – to create great customer experiences, drive income growth initiatives and optimise operational efficiency.

A preliminary purchase price of EUR 604m was paid to Société Générale. The current estimate is that there will be an additional purchase price of NOK 5m (EUR 0m), to be paid in the first quarter of 2021. There is, in addition, a maximum contingent consideration of NOK 200m (EUR 19m, converted using the spot rate at 31 December 2020) to be paid if Nordea receives permission to use the IRB models in Nordea Finance Equipment AS before 1 October 2021. The preliminary purchase price allocation is disclosed below.

EURm	1 Oct 2020
Loans to the public[1]	3,676
Accruals and other assets	89
Deposits from credit institutions	–2,988
Accruals and other liabilities	–178
Acquired net assets	**599**
Purchase price, settled in cash	604
Purchase price, to be settled in cash	0
Contingent consideration	19
Cost of combination	**623**
Surplus value	**24**
Allocation of surplus value:	
Customer intangible	8
Technology	6
Deferred tax liability	–5
Goodwill[2]	15

1) Including fair value adjustments for loans measured at amortised cost.
2) Goodwill is not expected to be tax deductible.

The fair value of loans in the table above includes allowances for the contractual cash flows not expected to be collected. The allowances amount to EUR 49m.

Nordea identified two intangible assets in the acquisition. One intangible asset related to the customers and the distribution network acquired and the other related to technology. The customer intangible asset reflects the profit expected to be generated from extensions and renewals of acquired contracts due to the existing relationships Nordea Finance Equipment has with customers and distributors. The customer intangible will be amortised over twelve years, reflecting the pace at which customers can be expected to leave. The technology intangible consists of the value of the existing IT platform. Nordea plans to continue using it also in the future and to transfer existing contracts to the new platform. The development cost for the platform, has to a large degree, been expensed in the company and there is now a surplus value, as the replacement cost exceeds the carrying amount. The technology intangible asset will be amortised over five years. Goodwill is mainly related to the value of the assembled workforce, which cannot be accounted for as a separate intangible asset under IFRS 3. The goodwill is expected to have an indefinite life and will consequently not be amortised.

"Total operating income" for the three months during which the company was consolidated amounted to EUR 37m. "Operating profit" for the same period was EUR –15m including the recognition of restructuring provisions. The corresponding pro forma figures had the company been consolidated from 1 January 2020 onwards were EUR 140m and EUR 27m, respectively.

Financial statements, Parent company

Contents

Income statement

EURm	Note	2020	2019
Operating income			
Interest income		3,906	4,930
Interest expense		–1,390	–2,555
Net interest income	**P4**	**2,516**	**2,375**
Fee and commission income		2,223	2,354
Fee and commission expense		–525	–545
Net fee and commission income	**P5**	**1,698**	**1,809**
Net result from securities trading and foreign exchange dealing	P6	785	844
Net result from securities at fair value through fair value reserve	P6	13	77
Net result from hedge accounting	P6	–8	–31
Net result from investment properties	P23	0	–1
Income from equity investments	P7	1,681	1,746
Other operating income	P8	483	581
Total operating income		**7,168**	**7,400**
Operating expenses			
Staff costs	P9	–2,285	–2,544
Other administrative expenses	P10	–799	–956
Other operating expenses	P11	–593	–729
Depreciation, amortisation and impairment charges of tangible and intangible assets	P12	–417	–1,128
Total operating expenses		**–4,094**	**–5,357**
Profit before loan losses		**3,074**	**2,043**
Net loan losses	P13	–678	–464
Impairment on other financial assets	P13	–107	–16
Operating profit		**2,289**	**1,563**
Income tax expense	P14	–325	–125
Net profit for the year		**1,964**	**1,438**

Balance sheet

EURm	Note	31 Dec 2020	31 Dec 2019
Assets			
Cash and balances with central banks		32,380	33,483
Debt securities eligible for refinancing with central banks	P17	67,748	61,218
Loans to credit institutions	P15	64,364	80,961
Loans to the public	P16	135,873	144,077
Interest-bearing securities	P17	9,085	4,695
Shares and participations	P18	4,864	5,490
Investments in associated undertakings and joint ventures	P19	90	87
Investments in group undertakings	P20	14,686	14,190
Derivatives	P21	45,155	39,371
Fair value changes of the hedged items in portfolio hedge of interest rate risk		85	71
Intangible assets	P22	1,785	1,749
Tangible assets			
- Properties and equipment	P23	289	296
- Investment properties	P23	1	2
Deferred tax assets	P14	398	453
Current tax assets		193	322
Retirement benefit assets	P33	142	172
Other assets	P25	14,048	13,140
Prepaid expenses and accrued income	P26	1,012	1,202
Total assets		**392,198**	**400,979**
Liabilities			
Deposits by credit institutions and central banks	P27	32,278	44,790
Deposits and borrowings from the public	P28	190,649	175,286
Debt securities in issue	P29	60,745	77,770
Derivatives	P21	48,552	43,311
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,408	1,140
Current tax liabilities		181	596
Other liabilities	P30	19,537	18,094
Accrued expenses and prepaid income	P31	1,048	1,144
Deferred tax liabilities	P14	0	14
Provisions	P32	638	645
Retirement benefit obligations	P33	296	375
Subordinated liabilities	P34	6,888	9,789
Total liabilities		**362,220**	**372,954**
Equity			
Share capital		4,050	4,050
Additional Tier 1 capital holders		748	748
Invested unrestricted equity		1,063	1,080
Other reserves		–258	–321
Retained earnings		22,411	21,030
Profit or loss for the period		1,964	1,438
Total equity	**P35**	**29,978**	**28,025**
Total liabilities and equity		**392,198**	**400,979**
Off-balance-sheet commitments			
Commitments given to a third party on behalf of customer	P38		
- Guarantees and pledges		48,007	48,534
- Other		1,024	1,120
Irrevocable commitments in favour of customer	P39		
- Securities repurchase commitments		–	–
- Other		90,398	75,549

Cash flow statement

EURm	2020	2019
Operating activities		
Operating profit	2,289	1,563
Adjustment for items not included in cash flow	890	2,240
Income taxes paid	−549	−362
Cash flow from operating activities before changes in operating assets and liabilities	**2,630**	**3,441**
Changes in operating assets		
Change in debt securities eligible for refinancing with central banks	681	−1,074
Change in loans to central banks	3,568	388
Change in loans to credit institutions	9,847	−15,292
Change in loans to the public	6,957	9,699
Change in interest-bearing securities	−17,594	12,184
Change in financial assets pledged as collateral	7,009	−3,717
Change in shares and participations	685	−326
Change in derivatives, net	−703	1,386
Change in investment properties	1	3
Change in other assets	−956	2,501
Changes in operating liabilities		
Change in deposits by credit institutions and central banks	−12,310	−6,589
Change in deposits and borrowings from the public	14,216	4,859
Change in debt securities in issue	−15,871	−4,854
Change in other liabilities	1,369	−2,951
Cash flow from operating activities	**−471**	**−342**
Investing activities		
Acquisition of business operations	−706	−1,190
Sale of business operations	–	0
Investment in associated undertakings and joint ventures	−8	−26
Sale of associated undertakings and joint ventures	18	142
Acquisition of property and equipment	−31	−48
Sale of property and equipment	6	12
Acquisition of intangible assets	−403	−498
Cash flow from investing activities	**−1,124**	**−1,608**
Financing activities		
Issued/amortised subordinated liabilities	−2,901	632
Divestment/repurchase of own shares incl. changes in trading portfolio	−16	29
Paid interest on additional tier 1 capital	−26	−26
Other changes in equity	61	−125
Dividend paid	–	−2,788
Cash flow from financing activities	**−2,882**	**−2,278**
Cash flow for the year	**−4,477**	**−4,228**
Cash and cash equivalents at the beginning of year	−39,645	−43,750
Translation difference	−50	−123
Cash and cash equivalents at the end of year	35,218	39,645
Change	**−4,477**	**−4,228**

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

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

EURm	2020	2019
Depreciation, amortisation and impairment charges	373	403
Loan losses	856	1,221
Unrealised gains/losses	–588	178
Capital gains/losses (net)	–11	–190
Change in accruals and provisions	–9	–23
Translation differences	71	–57
Other	198	708
Total	**890**	**2,240**

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

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

EURm	2020	2019
Interest payments received	4,009	4,853
Interest expenses paid	–1,449	–2,613

Investing activities

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

Financing activities

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

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

EURm	31 Dec 2020	31 Dec 2019
Cash and balances with central banks	32,380	33,483
Loans to central banks, payable on demand	2,426	4,826
Loans to credit institutions, payable on demand	412	1,336
Total	**35,218**	**39,645**

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

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

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

P1. Accounting policies

Content for Note P1

Nordea Bank Abp (business identity code 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 headquarters located in Helsinki at the following address: Hamnbanegatan (Fi: 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 24 February 2021 the Board of Directors approved the financial statements, subject to final adoption by the Annual General Meeting on 24 March 2021.

1. Basis of preparation

The financial statements for Nordea Bank Abp, are prepared in accordance with the Finnish Accounting Act, the Finnish Credit Institutions Act, the Decree of the Ministry of Finance on the financial statements and consolidated financial statements of credit institutions and investment firms as well as Finnish Financial Supervision Authority's Regulations.

All amounts are expresses in euro million unless else expressed.

2. Accounting policies and presentation

The new accounting requirements and their impact on the financial statements are described below.

Changed presentation of trading in own shares (treasury shares)

Acquisitions of own shares are, as from 1 January 2020, reported as a deduction in "Invested unrestricted equity" and sales of own shares as an increase of "Invested unrestricted equity". The earlier policy was to present acquisitions and sales in "Retained earnings". Comparative figures have not been restated.

3. Recognition of operating income

Net interest income

Interest income and expense are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as 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.

Negative interest on liabilities is presented in the line item "Interest income" and negative interest on assets in "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 fair value reserve. This line items also includes the effect from hedge accounting relating to these assets.

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 is classified as "Net result from securities trading and foreign exchange dealing" in the income statement. Also, interest on the net funding of the operations in Markets is recognised on this line item.

Interest component in foreign exchange swaps, and interest paid and received in interest rate swaps plus changes in accrued interest, is classified as "Net result from securities trading and foreign exchange dealing", except for derivatives used for hedging, including economical hedges of Nordea Bank Abp's funding, where such components are classified as "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 either recognised as revenue when services are provided or in connection to the execution of a significant act. Fees received in connection to performed services are recognised as income in the period these services are provided.

Fees categorised as Deposit Products, Brokerage, securities issues and corporate finance, Custody and issuer service and Payment commissions are recognised both over time and at a point of time dependent on when the performance obligations are satisfied. Brokerage, securities issues and corporate finance are mainly transactional driven for advising customer

P1. Accounting policies, cont.

or for executing client transactions in securities where the services are recognised at a point of time when the services related to the transaction 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 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 of a financial instrument are recognised at a point of time. The amount of 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 on bilateral transactions are generally amortised as part of the effective interest 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 which are performed at a point of time, payments are generally made instantly when the services are performed. For services performed over time the service period 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 service period 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 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 is classified as "Net result from securities trading" in the income statement. Also, interest on the net funding of operations in Markets is recognised on this line.

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 buybacks 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 items "Net loan losses" or "Impairment on other financial assets" (see also the sub-sections "Net loan losses" and "Impairment on other financial assets" below).

Dividends received from trading shares are recognised in the income statement as "Net result from securities trading" and classified as "Shares/participations and other share related instruments" in the note. Income is recognised in the period in which the right to receive the 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 are 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

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 fair value reserve are recognised in "Net result from securities at fair value through fair value reserve".

Net result from hedge accounting

Income from hedge accounting is described in the 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 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 expenses

Net gains from divestments of shares in group undertakings, associated undertakings and joint ventures and net gains on the sale of tangible assets as well as other operating income, not related to any other income line item, 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 transactions are finalised).

Resolution fees are presented as "Other expenses" in the income statement.

P1. Accounting policies, cont.

4. Impairment

Net loan losses

Impairment losses from 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 losses on other financial assets

Impairment on investments in interest-bearing securities, classified into the category Financial assets at fair value through other comprehensive income (see section 11 "Financial instruments"), and impairments on investments in group undertakings, associated undertakings and joint ventures are presented in the line item "Impairment losses on 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 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 is 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 of the new loan discounted by the original interest rate is more than 10% different from the present value of the remaining expected cash flows of the old loan. The same principles apply to financial liabilities. 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 risks and rewards from the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet.

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 repays 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 collaterals".

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 at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the line item "Net result from securities trading and foreign exchange dealing".

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 banking 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 the separate section 26 "Exchange rates".

7. Hedge accounting

As a 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 Note P2 "Risk and liquidity management" (the Market risk section) 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.

The EU carve out version enables a group of derivatives (or proportions thereof) to be viewed in combination and be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

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

P1. Accounting policies, cont.

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 fair value of the hedged item, as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent.

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 fair value of a recognised asset or liability attributable to a specific risk in accordance with Nordea's risk management policies set out Note P2 "Risk and liquidity management" (the Market risk section) and Note P21 "Derivatives and hedge accounting". The risk of changes in 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 fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged are recognised separately in the income statement in the line item "Net income from hedge accounting". Given that the hedge is effective, the change in fair value of the hedged item and the hedging instrument will offset.

The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in a portfolio hedge of interest rate risks is presented separately from the portfolio in the line item "Fair value changes of the hedged items in portfolio hedge of interest rate risk" on the balance sheet and in the line item "Net income from hedge accounting" in the income statement.

Fair value hedge accounting in Nordea Bank Abp is performed mainly on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net income 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 in Nordea Bank Abp consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments

The hedging instruments used in 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 the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

If the hedging relationship does not fulfil 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 instrument or hedged items
- 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 Note P2 "Risk and liquidity management" (the Market risk section) 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 and for the hedging of 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 in future payments of interest and principal in foreign currency and when hedging interest rate risk in lending with floating interest rates.

Hedging instruments

The hedging instruments used in Nordea 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 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 fulfil 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

P1. Accounting policies, cont.

"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 remains 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 forecasted 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 for liquidity and volume required for a market to be considered active varies with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and, correspondingly, the age limit for the prices used for establishing fair value is higher.

The trade frequency and volume are monitored regularly in order to assess if markets are active or non-active. Nordea Bank Abp is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet line 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 simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible but can also make use of unobservable model parameters. The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, e.g. quoted prices from exchanges, the counterparty´s valuations, price data from consensus services etc.

Nordea Bank Abp is predominantly using 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, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea Bank Abp considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

Note P41 "Assets and liabilities at fair value" provides a breakdown of fair values of financial instruments measured on the basis of:

- quoted prices in active markets for the same instrument (level 1),
- valuation technique using observable data (level 2), and
- valuation technique using non-observable data (level 3).

The valuation models applied by Nordea 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, where 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)

P1. Accounting policies, cont.

- Financial assets at fair value through other comprehensive income, "FVOCI" (recognised through the fair value reserve in equity).

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 where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principle and interest (SPPI) are measured at fair value through profit 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 assess the business model, Nordea Bank Abp has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, 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 with the financial assets as well as for instance past sales behaviour and management compensation.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In the table "Classification of financial instruments" in Note P40, 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 repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see section 3 "Recognition of other operating income", subsection "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 consists of mainly all loans and deposits, except for reversed 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 in Markets.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from 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 contains mainly all assets in Markets, trading liabilities in Markets, interest-bearing securities included in part of the liquidity buffer, derivative instruments, shares 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. Assets in pooled schemes and unit-linked investments are presented in the respective line item in the balance sheet.

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 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 there is consequently no effect from changes in own credit risk in these contracts.

Nordea Bank Abp also applies the fair value option of issued structured bonds in 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 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 interest-bearing securities included in part of the liquidity buffer. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity. 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 on other financial assets" in the income statement. When an instrument is disposed of, the fair value changes that previously have been accumulated in the fair value reserve are removed from equity and recognised in the income statement in the item "Net result from securities clas-

P1. Accounting policies, cont.

sified 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.

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The host, the zero-coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item "Net result from securities trading and foreign exchange dealing".

For structured bonds issued by Markets Nordea Bank Abp applies the fair value option and the entire combined instrument, the host contract together with the embedded derivative, is measured at fair value through profit or loss. Changes in fair values 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 collaterals" and securities pledged as security in securities lending in Note P36 "Assets pledged as security for own liabilities".

Cash collateral advanced (securities borrowing) to the counterparts is recognised on the balance sheet as "Loans to credit institutions" or as "Loans to the public". Cash collateral received (securities lending) from the counterpart is recognised on the balance sheet as "Deposits by credit institutions and central banks" or as "Deposits and borrowings from the public".

Repurchase and reverse repurchase agreements
Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet.

Securities delivered under repurchase agreements are disclosed Note P43 "Transferred assets and obtained collaterals". Cash received under repurchase agreements is recognised on the balance sheet as "Deposits by credit institutions and central banks" or as "Deposits and borrowings from the public". Liabilities recognised from repurchase agreements are disclosed in Note P43 "Transferred assets and obtained collaterals".

Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Loans to credit institutions" or as "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 total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the 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 instruments are 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 is 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 transactions with central counterparties 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 the 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, net of transaction costs. 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 in scope for recognising impairment 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 also include assets classified as Fair value through profit or loss, which are not in scope for impairment calculations. See section 11 above and Note P40 "Classification of financial instruments" for more information.

Off-balance-sheet commitments, contingent liabilities and loan commitments are also in scope for impairment calculations.

P1. Accounting policies, cont.

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 Note P16 "Loans and impairment". Changes in the allowance account are recognised in the income statement and presented in "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 forgives its claims either through a legal based or voluntary reconstruction, or when Nordea Bank Abp, for other reasons, deem it unlikely that the claim will be recovered.

Provisions for off-balance-sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Net loan losses". See Note P32 "Provisions" for more information.

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 on 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 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 that have been individually identified as credit impaired, the measurement of the impairment loss is made on an individual basis. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is 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 measurement of the impairment loss is measured using the collective model described below but based on the fact that the exposures are already in default.

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 times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while it for assets in stages 2 and 3 are based on the expected lifetime of the asset.

The provisions for exposures where there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures where there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). 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. 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 PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) is used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, Nordea Bank Abp uses a mix of absolute and relative changes in the 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 45 bps 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 300 bps 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 20 bps 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 400 bps are transferred to stage 2.

For assets where rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures 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.

Nordea Bank Abp does not use the "low credit risk exemption" in the 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

P1. Accounting policies, cont.

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 proceeds from the bankruptcy procedure and therefore estimated recoveries are 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 distress (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognised in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession 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 Bank Abp. For example, a property taken over, not held for own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as "Net loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Investment properties are then measured at fair value. Financial assets that are foreclosed are generally classified into the categories Fair value through profit or loss and measured at fair value. Changes in fair values are recognised in the income statement under the line "Net result from 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 premise 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

The parent company's investments in group undertakings, associated undertakings and joint ventures are recognised under the cost model. At each balance sheet date, all shares in group undertakings, associated undertakings and joint ventures are reviewed for indications of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of each holding of shares is fully recoverable. The recoverable amount is the higher of fair value less costs to sell and the value in use. Any impairment charge is calculated as the difference between the carrying amount and the recoverable amount and is presented in the line item "Impairment losses on other financial assets" in the income statement.

The parent company applies fair value hedge accounting for the foreign exchange risk in investments in subsidiaries. Shares in subsidiaries are remeasured at each balance sheet date with regards to the hedged risk with a corresponding entry in the line item "Net result from securities trading and foreign exchange dealing". The change in fair value of the hedging instruments is also recognised in the income statement in the line item "Net result from securities trading and foreign exchange dealing".

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. The intangible assets in

P1. Accounting policies, cont.

Nordea Bank Abp mainly consist of goodwill as well as 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, in some circumstances for strategic infrastructure up to a maximum of 10 years. The useful lives of assets are reassessed on a yearly basis. Amortisations and write-downs on 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 licenses not related to the function of a tangible asset.

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 own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of properties and equipment 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 tangible assets are reassessed on a yearly basis. The current estimates of the useful lives are as follows:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings the shorter of 10 years and the remaining leasing term. New construction the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10–20 years and the remaining leasing term.

At each balance sheet date, Nordea 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 capital appreciation. Nordea Bank Abp applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar properties in the same location and condition. As these prices are rarely available discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as "Net result from investment properties".

18. Assets and deposits in pooled schemes and unit-linked investment contracts

Deposit in pooled schemes and unit-linked investment contracts are contracts with customers and policyholders where the total risk is born by the customers or the policyholders. The deposits are invested in different types of financial assets on behalf of the customers and policyholders. Unit-linked investment contracts include investment contracts written without any investment guarantees and that do not transfer sufficient insurance risk to be classified as insurance contracts. Since the assets and liabilities legally belong to Nordea Bank Abp, these assets and liabilities are recognised on the balance sheet.

Deposit in pooled schemes and unit-linked investment contracts are included in the respective balance sheet line item. The assets and deposits in 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 carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and

P1. Accounting policies, cont.

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 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 to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

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 the termination of the employment. Post-employment benefits in Nordea Bank Abp consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short-term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea Bank Abp. Nordea Bank Abp has also issued share-based payment programmes, which are further described in section 24 "Share-based payment".

More information on short-term benefits can be found in Note P9 "Staff costs".

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 obligations"). If not, the net amount is recognised as an asset ("Retirement benefit assets"). Non-funded pension plans are recognised as "Retirement benefit obligations ". All defined benefit pension plans are closed for new employees.

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.

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 fair value reserve.

When the calculation results in a benefit the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included on the balance sheet as "Retirement benefit obligations" or "Retirement benefit assets".

Discount rate in defined benefit pension plans

The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. In Sweden, Norway and Denmark the observed covered bond credit spreads over the swap curve is derived from the most liquid long dated covered bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves. In Finland the corporate bond credit spread over the government bond rate is extrapolated to the same duration as the pension obligation using the government bond curve.

Termination benefits

As mentioned above termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

Termination benefits are expensed when Nordea 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 monthly salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are presented in "Salaries and remuneration" and post-employment benefits in "Pension costs" in Note P9 "Staff costs".

P1. Accounting policies, cont.

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 shall be classified as a financial liability. The inclusion of the subordinated loan in tier 1 capital is decided by the regulators and is thus beyond the control of Nordea and the holders of the instrument. Nordea 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 instrument.

Nordea Bank Abp determines payments on financial instrument classified as equity (i.e. Additional Tier 1 instruments) as distributions 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. Transaction costs, net of tax, related to the issue have been deducted.

Also acquisitions and sales of own shares are recognised under invested unrestricted equity, for more information 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.

Retained earnings

Retained earnings include the undistributed profit from the previous years.

Dividends

Dividends paid to the shareholders of Nordea Bank Abp are recorded as a liability following the approval of the Annual General Meeting.

Treasury shares

Treasury shares are not accounted for as assets. Acquisitions of treasury shares are recognised as a reduction in "Invested unrestricted equity" and sales of own shares as an increase in "Invested unrestricted equity". Also own shares in trading portfolios are classified as treasury shares.

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 guarantees contract and 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 within 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 received fee 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 update.

The vesting period is the period over which the employees have to remain in service in 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 recognise expense for grants of equity instruments with market conditions irrespective of whether that market condition is satisfied.

P1. Accounting policies, cont.

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 Nordic FSA's regulations and general guidelines, as is also the case with the Executive Incentive Programme (EIP). The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these "programmes" are cash-settled share-based programmes. These programmes are fully vested when the payments of variable salaries are initially deferred and the fair value of the obligation is remeasured on a continuous basis 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:

- Group undertakings
- Associated undertakings and joint ventures
- Key management personnel
- Other related parties including shareholders with significant influence

All transactions with related parties are made on the same criteria and terms as those of comparable transactions with-external parties or 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".

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

Associated undertakings and joint ventures are defined as the associated companies and joint ventures of the parent company Nordea Bank Abp.

Further information on the associated undertakings and joint ventures is found in Note P19 "Investments in associated undertakings and joint ventures".

Key management personnel

Key management personnel include 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 include shareholders with significant influence which are shareholders that have the power to participate in the financial and operating decisions of Nordea Bank Abp but do not control those policies. Also entities controlled or jointly controlled by shareholders with significant influence are related parties to Nordea Bank Abp.

Other related parties comprise of close family members to individuals in key management personnel as well as companies controlled or jointly controlled by key management personnel by close family members to key management personnel. Other related parties also include Nordea's pension foundations.

26. Exchange rates

	2020	2019
EUR 1 = SEK		
Income statement (average)	10.4889	10.5848
Balance sheet (at end of year)	10.0220	10.4563
EUR 1 = DKK		
Income statement (average)	7.4543	7.4661
Balance sheet (at end of year)	7.4405	7.4717
EUR 1 = NOK		
Income statement (average)	10.7291	9.8499
Balance sheet (at end of year)	10.4703	9.8463

P2. Risk and liquidity management

The impact of COVID-19 on Nordea Bank Abp's risk and liquidity management has been described at the beginning of Note G2 "Risk and liquidity management" to the consolidated financial statements.

Internal Control Framework

Please see the section "Internal Control Framework" of Note G2 to the financial statements of the Group.

Governing bodies for risk, liquidity and capital management

Please see the section "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 the section "Governance of Risk Management and Compliance" of Note G2 to the financial statements of the Group.

Disclosure requirements of the CRR – Capital and Risk Management Report 2020

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2020, in accordance with the Capital Requirements Regulation (CRR), which is based on the Basel III framework issued by the Basel Committee on Banking Supervision. The report is available at www.nordea.com.

Credit risk

For credit risk management, credit risk definition and identification as well credit risk mitigation, please see the sections "Credit risk management", "Credit risk definition and identification" and "Credit risk mitigation" of Note G2 to the financial statements of the Group.

Collateral distribution

Distribution of collateral has remained stable between 2019 and 2020, with the majority of the collateral stemming from residential and commercial real estate. The shares other physical collaterals has slightly decreased during 2020, while the share of real estate has increased by 2% in 2020.

Collateral distribution

	31 Dec 2020	31 Dec 2019[1]
Financial Collateral	2.5%	2.5%
Receivables	0.8%	0.8%
Residential Real Estate	32.9%	34.5%
Commercial Real Estate	45.9%	42.5%
Other Physical Collateral	17.9%	19.7%
Total	**100.0%**	**100.0%**

1) Comparison figures for 2019 have been restated since publication of the annual report 2019

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 2020. 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 2020	31 Dec 2019
Current assets, carrying amount:		
Land and buildings	0	2
Shares and other participations	2	0
Total	**2**	**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 Ban 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 at the latest disposed of when full recovery is reached.

Maximum exposure to credit risk

		31 Dec 2020		31 Dec 2019	
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 centralbanks and credit institutions	P15, P16, P40	62,523	1,841	74,851	6,110
Loans to the public	P16, P40	119,122	16,751	120,687	23,390
Interest-bearing securities	P17, P40	48,880	27,953	28,950	36,962
Derivatives	P21, P40	0	45,155	0	39,371
Off-balance-sheet items	P38, P39	138,405	–	124,083	–
Total		**368,930**	**91,700**	**348,571**	**105,833**

Allowances for credit risk

EURm	Note	31 Dec 2020	31 Dec 2019
Loans to centralbanks and credit institutions	P16	4	14
Loans to the public	P16	2,032	1,907
Interest-bearing securities measured at fair value through fair value reserve or amortised cost	P17	3	1
Off-balance-sheet items	P16, P32	283	208
Total		**2,322**	**2,130**

P2. Risk and liquidity management, cont.

Loan-to-value

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table, IRB retail mortgage exposures are distributed by LTV buckets based on the LTV ratio.

Loan-to-value

	31 Dec 2020		31 Dec 2019	
Retail mortgage exposure	EURbn	%	EURbn	%
<50%	12.4	84.3	13.0	84.0
51–70%	1.6	10.7	1.7	10.8
71–80%	0.4	2.5	0.4	2.6
81–90%	0.2	1.2	0.2	1.3
>90%	0.2	1.3	0.2	1.3
Total	**14.8**	**100.0**	**15.5**	**100.0**

Individual and collective assesment of impairment

For individual and collective assessment of impairment, individual and collective provisioning as well as default, please see the section "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 with 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 Powers to Act and followed by impairment testing. Forborne exposures can be performing or non-performing. Individual loan loss provisions are recognised if necessary.

On 13 March 2020 Nordea Bank Abp announced that it would offer COVID-19-related instalment-free periods in all Nordic countries to those mortgage and car finance household customers and SMEs who were experiencing temporary liquidity problems due to the COVID-19 situation. Nordea Bank Abp did not register COVID-19- related instalment-free periods as forbearance, and consequently did not automatically transfer the exposures to stage 2, due to the temporary nature of the instalment-free periods and as interest continued to accrue. On 1 October 2020 Nordea Bank Abp ended all temporary amendments to the credit risk framework and returned to its standard credit processes, including normal forbearance registration procedures, while still continuing to support customers through the crisis.

The carrying amount of loans on which Nordea Bank Abp had granted COVID-19-related instalment-free periods at the end of 2020 amounted to EUR 4.6bn, of which 86.8% was classified as stage 1, 11.5% as stage 2 and 1.7% as stage 3.

Forbearance

EURm	31 Dec 2020	31 Dec 2019
Forborne loans	2,200	2,678
- of which defaulted	1,464	1,907
Allowances for individually assessed impaired and forborne loans	451	675
- of which defaulted	423	660

Key ratios	31 Dec 2020	31 Dec 2019
Forbearance ratio[1]	1%	1%
Forbearance coverage ratio[2]	20%	25%
- of which defaulted	29%	35%

1) Forborne loans/Loans before allowances.
2) Individual allowances on forborne loans/Forborne loans.

Loans to the public measured at amortised cost, geographical breakdown[1]

	Gross			Provisions			
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 domicile of the customers.

	Gross			Provisions			
31 Dec 2019, EURm	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Denmark	22,750	1,354	771	48	174	472	24,181
Finland	27,091	1,771	823	13	35	260	29,377
Norway	26,078	924	861	19	33	449	27,362
Sweden	22,385	680	355	9	33	183	23,195
Russia	490	0	44	0	0	40	494
US	1,818	13	3	2	1	0	1,831
Other	13,193	313	877	25	20	91	14,247
Total	**113,805**	**5,055**	**3,734**	**116**	**296**	**1,495**	**120,687**

1) Based on domicile of the customers.

P2. 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]	Outside Nordic[1]	Total
Financial institutions	4,347	3,364	1,906	8,236	–	724	18,577
Agriculture	821	282	1,274	98	–	6	2,481
Crops, plantations and hunting	450	173	15	39	–	6	683
Animal husbandry	343	104	6	58	–	–	511
Fishing and aquaculture	28	5	1,253	1	–	0	1,287
Natural resources	64	806	668	468	85	230	2,321
Paper and forest products	55	580	61	416	–	77	1,189
Mining and supporting activities	4	130	17	3	–	–	154
Oil, gas and offshore	5	96	590	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	1,409
Consumer discretionary and services	680	1,857	784	2,484	–	123	5,928
Consumer durables	80	204	76	577	–	115	1,052
Media and entertainment	232	442	91	475	–	1	1,241
Retail trade	285	834	169	850	–	7	2,145
Air transportation	1	9	23	70	–	–	103
Accomodation and leisure	57	314	68	330	–	–	769
Telecommunication services	25	54	357	182	–	–	618
Industrials	4,412	4,827	6,735	5,536	602	365	22,477
Materials	125	278	128	274	389	9	1,203
Capital goods	452	1,165	122	621	–	104	2,464
Commercial and professional services	2,203	994	3,232	2,503	–	143	9,075
Construction	222	1,112	2,613	490	–	37	4,474
Wholesale trade	1,112	800	285	1,227	164	19	3,607
Land transportation	102	192	151	109	49	52	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	124
Shipping	33	46	4,594	44	–	1,054	5,771
Maritime services	27	82	88	11	–	0	208
Utilities and public service	712	2,266	1,115	2,342	0	2	6,437
Utilities distribution	517	1,035	527	164	–	1	2,244
Power production	82	1,157	496	84	–	1	1,820
Public services	113	74	92	2,094	0	0	2,373
Real estate	2,284	6,222	10,064	6,940	–	378	25,888
Commercial real estate	1,268	4,593	8,402	6,400	–	378	21,041
Tenant-owned associations and residential real estate companies	1,016	1,629	1,662	540	–	–	4,847
Other industries	166	414	0	203	–	0	783
Total Corporate	**14,595**	**20,846**	**27,621**	**26,849**	**687**	**2,941**	**93,539**
Housing loans	–	5,803	4,054	0	–	–	9,857
Collateralised lending	6,921	4,214	314	957	–	0	12,406
Non-Collateralised lending	852	394	131	2,156	–	–	3,533
Total Household	**7,773**	**10,411**	**4,499**	**3,113**	**–**	**0**	**25,796**
Public sector	**1,101**	**415**	**20**	**2,848**	**–**	**–**	**4,384**
Reversed repurchase agreements	**–**	**12,154**	**–**	**–**	**–**	**–**	**12,154**
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	**–**	**12,441**	**18**	**4,292**	**–**	**–**	**16,751**

1) Loans related to Russia (EUR 687m) and the Baltics (EUR 482m), accounted for in the Swedish Branch, have been moved to Russia and Outside Nordic respectively.

P2. Risk and liquidity management, cont.

Loans measured at amortised cost and fair value to the public[1]

31 Dec 2019, EURm	Denmark	Finland	Norway	Sweden[1]	Russia[1]	Outside Nordic[1]	Total
Financial institutions	4,929	3,788	1,993	7,323	220	644	18,897
Agriculture	1,015	262	1,189	85	–	7	2,558
Crops, plantations and hunting	575	154	18	28	–	7	782
Animal husbandry	408	102	8	56	–	–	574
Fishing and aquaculture	32	6	1,163	1	–	–	1,202
Natural resources	514	582	933	566	362	389	3,346
Paper and forest products	62	404	77	487	–	69	1,099
Mining and supporting activities	3	108	12	9	186	–	318
Oil, gas and offshore	449	70	844	70	176	320	1,929
Consumer staples	1,021	602	460	568	–	84	2,735
Food processing and beverages	198	195	272	279	–	30	974
Household and personal products	42	51	95	17	–	2	207
Healthcare	781	356	93	272	–	52	1,554
Consumer discretionary and services	748	1,810	889	2,746	–	177	6,370
Consumer durables	130	239	88	695	–	159	1,311
Media and entertainment	170	294	88	413	–	–	965
Retail trade	354	832	276	872	–	18	2,352
Air transportation	0	7	29	77	–	–	113
Accomodation and leisure	79	311	64	217	–	0	671
Telecommunication services	15	127	344	472	–	–	958
Industrials	4,778	4,373	6,540	5,998	365	627	22,681
Materials	168	314	214	324	302	5	1,327
Capital goods	457	1,090	126	520	–	135	2,328
Commercial and professional services	1,979	840	2,767	2,871	–	274	8,731
Construction	427	784	2,708	517	–	60	4,496
Wholesale trade	1,437	761	321	1,227	0	53	3,799
Land transportation	127	168	278	156	63	93	885
IT services	183	416	126	383	–	7	1,115
Maritime	88	218	4,841	104	–	2,113	7,364
Ship building	0	6	62	0	–	0	68
Shipping	58	136	4,692	94	–	2,113	7,093
Maritime services	30	76	87	10	–	0	203
Utilities and public service	245	1,737	940	3,047	0	56	6,025
Utilities distribution	36	563	518	199	–	2	1,318
Power production	90	1,101	396	174	–	54	1,815
Public services	119	73	26	2,674	0	0	2,892
Real estate	2,242	6,092	9,017	6,299	–	707	24,357
Commercial real estate	1,162	3,677	7,488	5,356	–	707	18,390
Tenant-owned associations and residential real estate companies	1,080	2,415	1,529	943	–	–	5,967
Other industries	181	20	0	94	–	0	295
Total Corporate	**15,761**	**19,484**	**26,802**	**26,830**	947	**4,804**	**94,628**
Housing loans	–	6,271	4,528	0	–	–	10,799
Collateralised lending	7,098	4,266	274	1,131	–	0	12,769
Non-Collateralised lending	941	435	208	2,161	–	0	3,745
Total Household	**8,039**	**10,972**	**5,010**	**3,292**	**–**	**0**	**27,313**
Public sector	**1,131**	**1,090**	**28**	**832**	**–**	**–**	**3,081**
Reversed repurchase agreements	**–**	**19,055**	**–**	**–**	**–**	**–**	**19,055**
Loans to the public by country	**24,931**	**50,601**	**31,840**	**30,954**	**947**	**4,804**	**144,077**
Of which loans at fair value	**–**	**19,055**	**6**	**4,329**	**–**	**–**	**23,390**

1) Loans related to Russia (EUR 947m) and the Baltics (EUR 960m), accounted for in the Swedish Branch, have been moved to Russia and Outside Nordic 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 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
Accomodation 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 central banks and 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.

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

	Gross			Provisions				
31 Dec 2019, EURm	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net	Net Loan Loss
Financial institutions	16,776	279	126	9	20	57	17,095	–30
Agriculture	2,293	144	280	3	18	137	2,559	–40
Crops, plantations and hunting	702	66	54	2	9	29	782	–17
Animal husbandry	441	62	189	1	9	108	574	–23
Fishing and aquaculture	1,150	16	37	0	0	0	1,203	0
Natural resources	2,808	72	786	2	2	315	3,347	–132
Paper and forest products	1,034	52	31	1	2	14	1,100	–3
Mining and supporting activities	309	4	8	0	0	3	318	6
Oil, gas and offshore	1,465	16	747	1	0	298	1,929	–135
Consumer staples	2,630	93	29	2	4	11	2,735	4
Food processing and beverages	926	34	22	1	2	7	972	8
Household and personal products	183	23	4	0	1	2	207	–1
Healthcare	1,521	36	3	1	1	2	1,556	–3
Consumer discretionary and services	5,894	428	175	5	27	97	6,368	–33
Consumer durables	1,184	110	45	1	6	22	1,310	–14
Media and entertainment	924	27	31	1	2	15	964	–8
Retail trade	2,143	189	84	2	16	46	2,352	–3
Air transportation	113	0	3	0	0	2	114	0
Accomodation and leisure	618	48	11	0	2	5	670	–2
Telecommunication services	912	54	1	1	1	7	958	–6
Industrials	21,301	1,060	680	19	62	349	22,611	–62
Materials	1,263	49	92	3	5	69	1,327	7
Capital goods	2,170	138	101	1	8	72	2,328	–7
Commercial and professional services	8,312	224	251	7	14	83	8,683	–35
Construction	4,229	230	96	4	10	67	4,474	–10
Wholesale trade	3,470	300	85	3	19	34	3,799	–4
Land transportation	827	38	39	0	1	17	886	–5
IT services	1,030	81	16	1	5	7	1,114	–8
Maritime	6,776	160	703	24	22	229	7,364	–62
Ship building	68	1	19	0	0	19	69	3
Shipping	6,505	158	684	24	22	210	7,091	–65
Maritime services	203	1	0	0	0	0	204	0
Utilities and public service	3,882	30	5	2	1	3	3,911	–3
Utilities distribution	1,311	5	1	0	0	0	1,317	0
Power production	1,803	14	1	1	0	1	1,816	1
Public services	768	11	3	1	1	2	778	–4
Real estate	23,434	729	215	14	14	80	24,270	–4
Other industries	285	3	2	6	7	0	277	–9
Total Corporate	**86,079**	**2,998**	**3,001**	**86**	**177**	**1,278**	**90,537**	**–371**
Housing loans	9,934	608	278	1	3	17	10,799	7
Collateralised lending	11,440	966	347	17	45	166	12,525	–36
Non-collateralised lending	3,273	478	108	12	68	34	3,745	–66
Total Household	**24,647**	**2,052**	**733**	**30**	**116**	**217**	**27,069**	**–95**
Public sector	**3,079**	**4**	**0**	**0**	**2**	**0**	**3,081**	**–1**
Loans to the public	**113,805**	**5,054**	**3,734**	**116**	**295**	**1,495**	**120,687**	**–467**
Loans to central banks and credit institutions	**74,818**	**47**	**–**	**3**	**1**	**10**	**74,851**	**3**
Total	**188,623**	**5,101**	**3,734**	**119**	**296**	**1,505**	**195,538**	**–464**

P2. Risk and liquidity management, cont.

Impaired loans (stage 3) by country and industry (including loans held at fair value)

31 Dec 2020, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	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
Accomodation 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.

Impaired loans (stage 3) by country and industry (including loans held at fair value)

31 Dec 2019, EURm	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Total
Financial institutions	91	16	14	14	–	–	135
Agriculture	229	14	37	0	–	–	280
Crops, plantations and hunting	52	2	0	–	–	–	54
Animal husbandry	177	12	0	0	–	–	189
Fishing and aquaculture	0	0	37	–	–	–	37
Natural resources	17	16	314	79	–	360	786
Paper and forest products	17	13	1	0	–	–	31
Mining and supporting activities	0	3	5	–	–	–	8
Oil, gas and offshore	–	–	308	79	–	360	747
Consumer staples	4	17	4	4	–	–	29
Food processing and beverages	0	14	4	4	–	–	22
Household and personal products	2	2	0	0	–	–	4
Healthcare	2	1	0	0	–	–	3
Consumer discretionary and services	79	57	7	32	–	–	175
Consumer durables	37	5	0	3	–	–	45
Media and entertainment	1	21	1	8	–	–	31
Retail trade	38	24	4	18	–	–	84
Air transportation	0	0	–	2	–	–	2
Accomodation and leisure	3	7	2	0	–	–	12
Telecommunication services	–	0	0	1	–	–	1
Industrials	114	222	116	103	42	83	680
Materials	2	43	5	0	42	0	92
Capital goods	17	70	1	13	–	–	101
Commercial and professional services	24	17	52	78	–	80	251
Construction	20	55	16	5	–	–	96
Wholesale trade	43	25	13	4	–	–	85
Land transportation	3	7	29	0	–	–	39
IT services	5	5	0	3	–	3	16
Maritime	47	6	405	0	–	245	703
Ship building	–	6	13	–	–	0	19
Shipping	47	0	392	0	–	245	684
Maritime services	0	–	–	–	–	–	0
Utilities and public service	2	1	0	2	–	–	5
Utilities distribution	0	0	0	0	–	–	0
Power production	1	–	–	0	–	–	1
Public services	1	1	0	2	–	–	4
Real estate	60	95	58	2	–	–	215
Other industries	2	–	–	–	–	–	2
Total Corporate	**645**	**444**	**955**	**236**	**42**	**688**	**3,010**
Housing loans	–	232	47	–	–	–	279
Collateralised lending	182	158	2	4	–	–	346
Non-collateralised lending	39	9	6	54	–	–	108
Total Household	**221**	**399**	**55**	**58**	**–**	**–**	**733**
Public sector	**0**	**–**	**–**	**–**	**–**	**–**	**0**
Total impaired loans	**866**	**843**	**1,010**	**294**	**42**	**688**	**3,743**
Of which loans at fair value	**–**	**–**	**9**	**–**	**–**	**–**	**9**

P2. Risk and liquidity management, cont.

Loans measured at amortised cost to the public

31 Dec 2020, EURm	Net loan losses[1]	Net loan loss ratio, bps	Impaired loans, (stage 3)	Impair-ment rate, gross bps	Allow-ances	Allowances (stage 1)	Allowances (stage 2)	Allowances (stage 3)	Coverage ratio %	Loans measured at amor-tised 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
Accomodation 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 central banks and credit institutions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

1) Including provisions for off-balance sheet exposures

P2. Risk and liquidity management, cont.

Loans measured at amortised cost to the public

31 Dec 2019, EURm	Net loan losses[1]	Net loan loss ratio, bps	Impaired loans, (stage 3)	Impair-ment rate, gross bps	Allow-ances	Allowances (stage 1)	Allowances (stage 2)	Allowances (stage 3)	Coverage ratio %	Loans measured at amor-tised cost
Financial institutions	30	18	126	73	86	9	20	57	45	17,095
Agriculture	40	157	280	1,031	159	3	19	137	49	2,559
Crops, plantations and hunting	17	221	54	657	40	2	9	29	54	782
Animal husbandry	23	400	189	2,732	118	1	9	108	57	574
Fishing and aquaculture	0	1	37	309	1	0	1	0	1	1,203
Natural resources	132	393	786	2,145	319	2	2	315	40	3,347
Paper and forest products	3	25	31	278	17	1	2	14	45	1,100
Mining and supporting activities	–6	–187	8	264	3	0	0	3	38	318
Oil, gas and offshore	135	698	747	3,352	299	1	0	298	40	1,929
Consumer staples	–4	–15	29	107	17	1	5	11	40	2,735
Food processing and beverages	–8	–83	22	224	10	1	2	7	37	972
Household and personal products	1	49	4	186	3	0	1	2	45	207
Healthcare	3	19	3	22	4	0	2	2	53	1,556
Consumer discretionary and services	33	52	175	268	127	5	26	96	55	6,368
Consumer durables	14	105	45	337	29	1	6	22	49	1,310
Media and entertainment	8	79	31	317	17	1	1	15	47	964
Retail trade	3	12	84	346	63	2	16	45	54	2,352
Air transportation	0	27	3	253	2	0	0	2	67	114
Accomodation and leisure	2	34	11	161	7	0	2	5	42	670
Telecommunication services	6	67	1	7	9	1	1	7	1,068	958
Industrials	62	27	680	295	430	20	61	349	51	22,611
Materials	–7	–51	92	656	77	3	5	69	75	1,327
Capital goods	7	28	101	421	81	1	8	72	71	2,328
Commercial and professional services	35	40	251	286	104	7	14	83	33	8,683
Construction	10	22	96	211	81	4	10	67	70	4,474
Wholesale trade	4	12	85	220	55	3	18	34	41	3,799
Land transportation	5	53	39	432	19	1	1	17	44	886
IT services	8	71	16	139	13	1	5	7	45	1,114
Maritime	62	83	703	920	275	23	22	230	33	7,364
Ship building	–3	–387	19	2,165	19	0	0	19	99	69
Shipping	65	91	684	931	256	23	22	211	31	7,091
Maritime services	0	–20	0	2	0	0	0	0	5	204
Utilities and public service	3	7	5	12	6	2	1	3	58	3,911
Utilities distribution	0	0	1	7	0	0	0	0	6	1,317
Power production	–1	–4	1	4	2	1	0	1	69	1,816
Public services	4	47	3	41	4	1	1	2	69	778
Real estate	4	2	215	88	108	14	14	80	37	24,270
Other industries	9	324	2	64	13	6	7	0	3	277
Total Corporate	**371**	**41**	**3,001**	**326**	**1,540**	**85**	**177**	**1,278**	**43**	**90,537**
Housing loans	–7	–7	278	257	21	1	3	17	6	10,799
Collateralised lending	36	28	347	272	228	17	45	166	48	12,525
Non-Collateralised lending	66	178	108	279	114	12	68	34	31	3,745
Total Household	**95**	**35**	**733**	**267**	**363**	**30**	**116**	**217**	**30**	**27,069**
Public sector	**1**	**4**	**0**	**0**	**3**	**1**	**2**	**0**	**38**	**3,081**
Loans to the public	**467**	**39**	**3,734**	**305**	**1,906**	**116**	**295**	**1,495**	**40**	**120,687**
Loans to central banks and credit institutions	**–3**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

1) Including provisions for off-balance sheet exposures

P2. Risk and liquidity management, cont.

Credit portfolio

Including on- and off-balance-sheet exposures the total credit risk exposure at year-end was EUR 461bn (EUR 454bn in 2019). 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 counterparts, net after allowances. Credit risk exposure also includes the risk related to derivative contracts and securities financing.

Nordea Bank Abp's loans to the public decreased by 5.7% to EUR 136bn in 2020 (EUR 144bn in 2019). 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 2020. Of the lending to the public portfolio, corporate customers accounted for 68.8% (65.7%), reversed repurchase agreements for 8.9% (13.2%), household customers for 19.0% (19.0%) and the public sector for 3.2% (2.1%). Loans to central banks and credit institutions decreased to EUR 64bn at the end of 2020 (EUR 81bn).

Impaired loans and ratios

	2020	2019
Gross impaired loans, amort., EURm	3,055	3,734
- of which servicing	1,561	2,108
- of which non-servicing	1,494	1,626
Impairment rate, (stage 3) gross, basis points	**166**	**189**
Impairment rate, (stage 3) net, basis points	**87**	**113**
Allowances in relation to loans in stages 1 and 2, basis points	**33**	**21**
Total allowance rate (stages 1, 2 and 3), basis points	**111**	**97**
Allowances in relation to impaired loans (stage 3), %	**47**	**40**

Definitions, see Glossary in the Board of Directors' report.

Net loan losses and loan loss ratios

	2020	2019
Net loan losses, EURm	678	464
Net loan loss ratio, amortised cost, basis points	57	38
- of which (stage 3)	35	30
- of which (stages 1 & 2)	22	8
Net loan loss ratio, including fair value mortgage loans, basis points	57	38
Net loan loss ratio, including fair value mortgage loans, Personal Banking, basis points	32	37
Net loan loss ratio, including fair value mortgage loans, Business Banking, basis points	57	23
Net loan loss ratio, including fair value mortgage loans, Large Corporates & Institutions, basis points	63	57

Loans to corporate customers

Loans to corporate customers at the end of 2020 amounted to EUR 94bn (EUR 95bn). The sector that increased the most in 2020 was Real estate while Maritime decreased the most. The contribution of the two largest industries (Real estate and Industrials) is approximately 36% of total lending. Real Estate remains the largest industry in Nordea Bank Abp's lending portfolio, at EUR 26bn (EUR 24bn).

The distribution of loans to corporate customers by size of loans, seen in the table below, shows a high degree of diversification where approximately 55% (56%) of the corporate volume represents loans up to EUR 50m per customer.

Loans to corporate customers, by size of loans

	31 Dec 2020		31 Dec 2019	
Size of loan in EURm	Loans EURm	%	Loans EURm	%
0–10	27,735	26,2	29,832	26,2
11–50	30,814	29,2	33,762	29,7
51–100	19,096	18,1	20,399	17,9
101–250	20,719	19,6	20,709	18,2
251–500	3,515	3,3	3,829	3,4
501–	3,814	3,6	5,152	4,5
Total	**105,693**	**100,0**	**113,683**	**100,0**

Loans to household customers

In 2020 lending to household customers decreased to EUR 26bn (EUR 27bn). Mortgage lending decreased to EUR 10bn (EUR 11bn) and consumer lending decreased to EUR 16bn (EUR 17bn). The proportion of mortgage lending of total household lending decreased to 38% (40%).

Geographical distribution

The portfolio is geographically well diversified with no market accounting for more than 33% of total lending measured by the geography of the customer handling unit. Other EU countries represent the largest part of lending outside the Nordic countries. Lending to the public distributed by borrower domicile shows that the customers residing in the Nordic countries account for 88% (86%).

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. For the corporate rating the majority of the rating was allocated to 4+ and 4. For the retail rating grade the majority of the rating was found in A+.

Loan classes

The loan portfolio consists of two classes: loans measured at amortised cost of EUR 119bn and loans measured at fair value of EUR 17bn. For further information on loans measured at fair value, see note P40. Loans measured at amortised cost are the basis used for impaired loans, allowances and loan losses.

Impaired loans (stage 3)

Impaired loans gross in Nordea Bank Abp (amortised cost and FV) decreased to EUR 3,055m (EUR 3,734m), corresponding to 166 basis points of total loans. 51% of impaired loans gross are servicing and 49% are non-servicing. Impaired

P2. Risk and liquidity management, cont.

loans net, after allowances for Stage 3 loans amount to EUR 1,606m, corresponding to 87 basis points of total loans. Allowances for Stage 3 loans amount to EUR 1,449m. Allowances for Stages 1&2 loans amount to EUR 587m. The ratio of allowances in relation to impaired loans is 47% and the allowance ratio for loans in Stages 1&2 is 33 basis points. The decrease in impaired loans was mainly related to the Natural resources, Maritime and Industrials sector. The portfolios with the largest impaired loan amounts were also in the Natural resources, Maritime and Industrials sector.

Past due loans

Past due loans, 6 days or more, for corporate customers make up EUR 395m (554m), and past due loans to household sum up to EUR 468m in 2020 (687m). The table to the right 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 2020		31 Dec 2019	
EURm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	97	142	173	266
31–60 days	65	55	115	91
61–90 days	24	22	25	28
>90 days	209	249	241	302
Total	**395**	**468**	**554**	**687**
Past due (incl. impaired) loans divided by loans to the public after allowances, %	0.4	1.8	0.4	2.5

Rating/scoring information for loans measured at amortised cost

EURm		Gross carrying amount 31 Dec 2020				
Rating/scoring grade[1]	Average PD (%)	Stage 1	Stage 2	Stage 3	Total	Provisions
7	0.00%	6,825	0	–	6,825	0
6 / A	0.05%	16,045	98	1	16,144	10
5 / B	0.19%	32,240	179	1	32,420	38
4 / C	0.74%	43,203	1,134	3	44,340	131
3 / D	5.31%	8,139	2,924	24	11,087	156
2 / E	17.78%	542	1,593	9	2,144	128
1 / F	37.31%	270	801	25	1,096	100
Standardised / Unrated	0.00%	3,448	377	197	4,022	80
0 (default)	100.00%	122	146	2,795	3,063	1,393
Internal	–	62,541	–	–	62,541	–
Total		**173,374**	**7,252**	**3,055**	**183,681**	**2,036**

EURm		Gross carrying amount 31 Dec 2019				
Rating/scoring grade[1]	Average PD (%)	Stage 1	Stage 2	Stage 3	Total	Provisions
7	0.00%	7,820	3	–	7,823	2
6 / A	0.05%	19,735	94	4	19,833	7
5 / B	0.18%	35,175	300	42	35,517	26
4 / C	0.50%	44,514	1,031	16	45,562	75
3 / D	6.20%	9,220	1,782	49	11,051	110
2 / E	15.81%	1,466	1,122	21	2,609	109
1 / F	37.84%	572	677	35	1,284	81
Standardised / Unrated	0.02%	1,466	21	0	1,487	13
0 (default)	100.00%	176	71	3,567	3,814	1,498
Internal	–	68,479	–	–	68,479	–
Total		**188,624**	**5,101**	**3,734**	**197,459**	**1,921**

1) The stage classification and calculation provisioning for each exposure are based on the situation as per end of October 2020 (Oct 2019), while the exposure amount and rating grades are based on the situation as per end of December 2020 (Dec 2019). Some of the exposures in default according to the rating grade as per end of December were not in default as per end of October, and hence this is reflected in the stage classification.

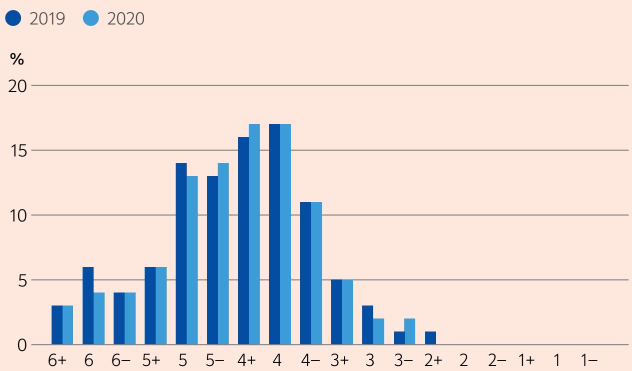
P2. Risk and liquidity management, cont.

Rating/scoring information for off–balance-sheet items

EURm Rating/scoring grade	Nominal amount 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total	Provisions
7	5,393	–	–	5,393	0
6 / A	17,927	59	0	17,986	8
5 / B	30,164	95	1	30,260	18
4 / C	25,565	1,335	1	26,901	51
3 / D	4,062	1,888	2	5,952	60
2 / E	53	692	4	749	42
1 / F	23	251	1	275	24
Standardised / Unrated	736	185	0	921	16
0 (default)	–	–	548	548	64
Internal	49,419	–	–	49,419	–
Total	**133,342**	**4,505**	**557**	**138,404**	**283**

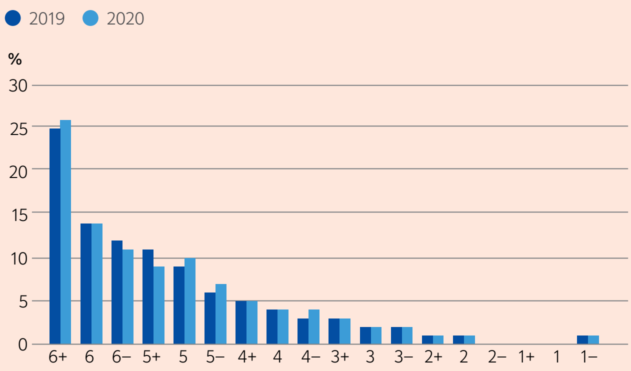
EURm Rating/scoring grade	Nominal amount 31 Dec 2019 Stage 1	Stage 2	Stage 3	Total	Provisions
7	4,344	–	–	4,344	2
6 / A	13,803	5	0	13,808	4
5 / B	27,104	7	1	27,112	12
4 / C	22,823	1,536	2	24,361	23
3 / D	3,720	1,517	6	5,243	39
2 / E	339	368	5	712	18
1 / F	41	185	2	228	12
Standardised / Unrated	262	296	2	560	1
0 (default)	–	–	576	576	97
Internal	47,139	–	–	47,139	–
Total	**119,575**	**3,914**	**594**	**124,083**	**208**

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.

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 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 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 2019	**61,143**	**31**	**–**	**61,174**	**122,646**	**8,826**	**3,889**	**135,361**	**183,789**	**8,857**	**3,889**	**196,535**
Origination and acquisition	17,980	0	–	17,980	24,068	424	301	24,793	42,048	424	301	42,773
Transfers between stage 1 and stage 2, (net)	3	−2	–	1	513	−513	–	0	516	−515	0	1
Transfers between stage 2 and stage 3, (net)	–	–	–	0	–	−102	102	0	0	−102	102	0
Transfers between stage 1 and stage 3, (net)	2	–	–	2	−247	–	248	1	−245	0	248	3
Repayments and disposals	−7,362	−16	–	−7,378	−43,279	−2,824	−515	−46,618	−50,641	−2,840	−515	−53,996
Write-offs	–	–	–	0	–	–	−373	−373	0	0	−373	−373
Other changes[1]	3,052	34	–	3,086	10,105	−756	81	9,430	13,157	−722	81	12,516
Translation differences	–	–	–	0	–	–	0	0	0	0	0	0
Closing balance at 31 Dec 2019	**74,818**	**47**	**–**	**74,865**	**113,806**	**5,055**	**3,733**	**122,594**	**188,624**	**5,102**	**3,733**	**197,459**

1) Other changes are mainly related to increased utilisation of credits granted earlier years.

P2. 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 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**

	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 2019	–5	–7	–3	–15	–117	–232	–1,466	–1,815	–122	–239	–1,469	–1,830
Origination and acquisition	–1	0	–	–1	–12	–4	–	–16	–13	–4	0	–17
Transfers from stage 1 to stage 2	0	0	–	0	5	–73	–	–68	5	–73	0	–68
Transfers from stage 1 to stage 3	–	–	–	0	1	–	–72	–71	1	0	–72	–71
Transfers from stage 2 to stage 1	0	0	–	0	–4	43	–	39	–4	43	0	39
Transfers from stage 2 to stage 3	–	–	–	0	–	11	–173	–162	0	11	–173	–162
Transfers from stage 3 to stage 1	–	–	–	0	–1	–	12	11	–1	0	12	11
Transfers from stage 3 to stage 2	–	–	–	0	–	–4	23	19	0	–4	23	19
Changes in credit risk without stage transfer	1	0	–5	–4	–3	–6	–114	–123	–2	–6	–119	–127
Repayments and disposals	1	7	0	8	19	26	32	77	20	33	32	85
Write-off through decrease in allowance account	–	–	–	0	–	–	289	289	0	0	289	289
Changes due to update in the institution's methodology for estimation (net)	–	–	–	–	–4	–57	–17	–78	–4	–57	–17	–78
Other changes	–	–	–	0	–	–	–	0	0	0	0	0
Translation differences	**0**	**0**	**–2**	**–2**	**0**	**0**	**–9**	**–9**	**0**	**0**	**–11**	**–11**
Closing balance at 31 Dec 2019	**–4**	**0**	**–10**	**–14**	**–116**	**–296**	**–1,495**	**–1,907**	**–120**	**–296**	**–1,505**	**–1,921**

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 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**

EURm	Stage 1	Stage 2	Stage 3	Total
Opening balance at 1 Jan 2019	19	51	131	201
Origination and acquisition	5	2	0	7
Transfers from stage 1 to stage 2	–1	23	–	22
Transfers from stage 1 to stage 3	0	–	2	2
Transfers from stage 2 to stage 1	1	–9	–	–8
Transfers from stage 2 to stage 3	–	0	3	3
Transfers from stage 3 to stage 1	0	–	–1	–1
Transfers from stage 3 to stage 2	–	0	–4	–4
Changes in credit risk without stage transfer	7	18	–24	1
Repayments and disposals	–3	–3	0	–6
Write-off through decrease in allowance account	–	–	–9	–9
Translation differences	0	0	0	0
Closing balance at 31 Dec 2019	**28**	**82**	**98**	**208**

Net loan losses

Net loan losses increased to EUR 678m (from EUR 464m in 2019), corresponding to an annual net loan loss ratio of 57bps. The change in the level of net loan losses compared to 2019 primarily related to net loan increased management judgements mainly to cover for the uncertainty on future losses related to COVID-19 and individual provisions in Oil, Gas and Offshore as well as Maritime mainly due to changed collateral values.

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. Current exposure net (after close-out netting and collateral reduction) represents EUR 7.3bn, of which 28% was towards financial institutions.

Market risk
Please see the section "Market risk" of Note G2 to the financial statements of the Group.

Market risk analysis
The market risk for the Nordea Bank Abp's trading book is presented in the table below.

The Market risk measured by VaR showed an average utilisation of EUR 31.6m in 2020 (average in 2019 was EUR 14.8m) and was primarily driven by interest rate VaR. Stressed VaR showed an average utilisation of EUR 46.7m which is similar to 2019 (average in 2019 was EUR 46.6m) and primarily driven by interest rate stressed VaR with additional contributions from credit spread stressed VaR. The highs in VaR and stressed VaR were reached in Q1 2020. VaR and stressed VaR are primarily driven by market risk in Northern European and Nordic countries.

The Incremental Risk Charge (IRC) at the end of 2020 was lower than at the end of 2019 which was driven by reduced default exposure. The lowest exposure occurred during Q2 2020, while IRC was the highest in Q1 2020. Average IRC increased by EUR 4.4m compared to the previous year, primarily driven by higher contribution from the migration component.

Comprehensive Risk Charge (CRC) at the end of 2020 was slightly higher than at the end of 2019. The lowest exposure occurred during Q1 2020, while CRC peaked during Q2 2020 at the start of the COVID-19 crisis. Average CRC for 2020 increased by EUR 19.9m compared to 2019 as it was dragged up by the peak at the start of the COVID-19 crisis.

Structural Interest Income Risk (SIIR)/EV
At the end of the year, the worst loss out of the six Basel scenarios for SIIR was driven by the Steepening Basel scenario, where the potential reduction of one year interest income due to interest rate movements was EUR 655m (against the worst case income reduction at the end of 2019 of EUR 1,030m, also taken from the Steepening Basel scenario). Nordea Bank Abp's balance sheet is structured such that net interest income would decrease if short term interest rates fall while long rates rise.

EV risk across all scenarios is currently zero, due to the beneficial impact of rate floors on assets and liabilities that apply due to the low/negative rate environment.

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.

Market risk figures for the trading book[1]

EURm	31 Dec 2019	2019 high	2019 low	2019 avg
Total VaR	21	23	10	15
Interest rate risk	18	21	8	14
Equity risk	6	10	1	3
Credit spread risk	4	11	3	5
Foreign exchange risk	2	6	1	3
Inflation risk	2	3	1	2
Diversification effect	34	58	34	46
Total Stressed VaR	67	86	28	47
Incremental Risk Charge (IRC)	21	41	7	16
Comprehensive Risk Charge (CRC)	17	29	9	20

1) Equity Event Risk, which equalled EUR 0.2m at end of 2019.

P2. Risk and liquidity management, cont.

Other market risks / Pension risk
Please see the section "Other market risk/Pension risk" of Note G2 to the financial statements of the Group.

Operational risk
Please see the section "Operational risk" of Note G2 to the financial statements of the Group.

Financial Reporting Risk
Please see the section "Financial reporting risk" of Note G2 to the financial statements of the Group.

Compliance Risk
Please see the section "Compliance Riski risk" of Note G2 to the financial statements of the Group.

Financial Crime Prevention
Please see the section "Financial Crime Prevention" of Note G2 to the financial statements of the Group.

Management of compliance risk
Please see the section "Management of compliance risk" of Note G2 to the financial statements of the Group.

Liquidity risk management
During 2020, 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 period of COVID-19-related market stress. Nordea Bank Abp issued approximately EUR 15.0bn in long-term funding. Throughout 2020, Nordea Bank Abp remained compliant with the requirement in Liquidity Coverage Ratio (LCR) in all currencies on a combined basis. Nordea Bank Apb has participated in different local central bank facilities, including the Targeted Longer-Term Refinancing Operations (TLTRO) provided by ECB to further support customer needs.

Liquidity risk definition and identification
Please see the section "Liquidit risk definition and identification" of Note G2 to the financial statements of the Group.

Management principles and control
Please see the section "Management principles and control" of Note G2 to the financial statements of the Group.

Liquidity risk management strategy
Please see the section "Liquidity risk management strategy" of Note G2 to the financial statements of the Group.

Liquidity risk measurement
Please see the section "Liquidit 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 2020, the total volume utilised under short-term, CD & CP programmes was EUR 33.7bn (EUR 44.3bn) with an average maturity of 0.4 (0.3) years. The total volume under long-term programmes was EUR 34.0bn (EUR 43.3bn) with an average maturity being 2.8 (2.7) years. Nordea Bank Abp's funding sources are presented in a table below.

The liquidity risk position throughout 2020 was robust and deemed adequate. The Liquidity Stress Horizon was > 3 years at year-end 2020 (> 3 years at year-end 2019) with a yearly average of 856 days (858 days).

The yearly average of the funding gap risk was EUR +35.4bn (EUR +28.8bn in 2019). Nordea Bank Abp's liquidity buffer ranged between EUR 79.6bn and 119.9bn throughout 2020 (EUR 76.7bn and 99.4bn) with an average liquidity buffer of EUR 94.6bn (EUR 86.6bn).

The combined LCR according to EBA Delegated Act rules for the Nordea Bank Abp was at the end of 2020 139% (157%) with a yearly average of 153% (182%). At the end of 2020 the LCR in EUR was 234% (216%) and in USD 119% (146%), with yearly averages of 195% (187%) and 200% (188%), respectively. At the end of 2020 Nordea Bank Abp's NSFR according to CRR2 regulation was 95.3%.

Funding sources

	31 Dec 2020		
Liability type	Interest rate base	Average maturity (years)	EURm
Deposits by credit institutions			32,278
Shorter than 3 months	Euribor etc.	0.1	21,157
Longer than 3 months	Euribor etc.	1.7	11,121
Deposits and borrowings from the public			190,649
Deposits on demand	Administrative	0.0	174,835
Other deposits	Euribor etc.	0.1	15,814
Debt securities in issue			60,745
Certificates of deposits	Euribor etc.	0.4	23,426
Commercial papers	Euribor etc.	0.3	10,228
Mortgage covered bond loans	Fixed rate, market-based	0.0	0
Other bond loans	Fixed rate, market-based	2.7	27,091
Derivatives		N/A	48,552
Other non-interest-bearing items		N/A	23,108
Subordinated debt			6,888
Tier 2 subordinated bond loans			
Additional Tier 1 subordinated bond loans (undated)	Fixed rate, market-based	4.5	4,995
Equity	Fixed rate, market-based	N/A	1,893
Total			**29,978**

Net Stable Funding Ratio (NSFR)

EURbn	31 December 2020
Available stable funding	202
Required stable funding	212
Net stable funding	–10
Net Stable Funding Ratio (NSFR)[1]	**95.3%**

1) According to CRR2 regulation.

P3. Segment reporting

Operating segments

Measurement of Operating segments' performance

Nordea Bank Abp reviews its business activities based on operating segments as in the Group. The measurement principles and allocation between the operating segments follow the information reported to Group Leadership Team.

Basis of segmentation

Financial results are presented for the three main business areas Personal Banking, Business Banking and Large Corporates & Institutions. 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.

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 internet bank, 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 solution. 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.

Income statement

2020, EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Other Operating Segments	Total Operating Segments	Reconciliation	Total
Net interest income	628	822	855	115	2,420	96	2,516
Net fee and commission income	1,182	533	443	4	2,162	–464	1,698
Net result from items at fair value	88	255	464	4	811	–26	785
Other income	198	53	1	16	268	1,901	2,169
Total operating income	**2,096**	**1,663**	**1,763**	**139**	**5,661**	**1,507**	**7,168**
Staff costs	–543	–313	–299	–162	–1,317	–968	–2,285
Other expenses	–1,116	–597	–498	120	–2,091	699	–1,392
Depreciation, amortisation and impairment charges of tangible and intangible assets	–63	–16	–15	–2	–96	–321	–417
Total operating expenses	**–1,722**	**–926**	**–812**	**–44**	**–3,504**	**–590**	**–4,094**
Profit before loan losses	**374**	**737**	**951**	**95**	**2,157**	**917**	**3,074**
Net loan losses	–171	–143	–267	–1	–582	– 96	–678
Impairment on other financial assets	–	–	–	–	–	–107	–107
Operating profit	**203**	**594**	**684**	**94**	**1,575**	**714**	**2,289**
Income tax expense	–	–	–	–	–	–325	–325
Net profit for the year	**203**	**594**	**684**	**94**	**1,575**	**389**	**1,964**
Balance sheet 31 Dec 2020, EURbn							
Loans to the public	22	46	58	7	133	3	136
Deposits and borrowings from the public	83	48	40	2	173	18	191

2019, EURm	Personal Banking	Business Banking	Large Corporates & Institutions	Other Operating Segments	Total Operating Segments	Reconciliation	Total
Net interest income	788	731	742	–121	2,140	235	2,375
Net fee and commission income	1,220	560	439	–1	2,218	–409	1,809
Net result from items at fair value	172	203	296	161	832	12	844
Other income	156	56	1	1,830	2,043	329	2,372
Total operating income	**2,336**	**1,550**	**1,478**	**1,869**	**7,233**	**167**	**7,400**
Staff costs	–588	–336	–332	–125	–1,381	–1,163	–2,544
Other expenses	–1,224	–614	–479	56	–2,261	576	–1,685
Depreciation, amortisation and impairment charges of tangible and intangible assets	–68	11	–11	–59	–127	–1,001	–1,128
Total operating expenses	**–1,880**	**–939**	**–822**	**–128**	**–3,769**	**–1,588**	**–5,357**
Profit before loan losses	**456**	**611**	**656**	**1,741**	**3,464**	**–1,421**	**2,043**
Net loan losses	–139	–60	–258	1	–456	–8	–464
Impairment on other financial assets	–	–	–	–8	–8	–8	–16
Operating profit	**317**	**551**	**398**	**1,734**	**3,000**	**–1,437**	**1,563**
Income tax expense	–	–	–	–	–	–125	–125
Net profit for the year	**317**	**551**	**398**	**1,734**	**3,000**	**–1,562**	**1,438**
Balance sheet 31 Dec 2019, EURbn							
Loans to the public	24	46	68	6	144	0	144
Deposits and borrowings from the public	76	40	36	8	160	15	175

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
	2020	2020	31 Dec 2020	31 Dec 2020
Total Operating segments	5,661	1,575	133	173
Eliminations	1,507	714	3	18
Total	**7,168**	**2,289**	**136**	**191**

	Total operating income, EURm	Operating profit, EURm	Loans to the public, EURbn	Deposits and borrowings from the public, EURbn
	2019	2019	31 Dec 2019	31 Dec 2019
Total Operating segments	7,233	3,000	144	160
Eliminations	167	–1,437	0	15
Total	**7,400**	**1,563**	**144**	**175**

Total operating income split into product groups

	Total operating Income, EURm	
EURm	2020	2019
Banking products	6,186	6,672
Capital Markets products	982	728
Total	**7,168**	**7,400**

Geographical information

	Total operating income, EURm		Assets, EURbn	
	2020	2019	31 Dec 2020	31 Dec 2019
Sweden	2,111	2,013	119	107
Finland	1,846	1,895	42	51
Norway	1,107	1,243	77	69
Denmark	1,711	1,877	134	137
Other	393	372	20	37
Total	**7,168**	**7,400**	**392**	**401**

Banking products consists of two different product types. Account products include account-based products such as lending, deposits, cards and Netbank services. Transaction products consists of cash management as well as trade and project finance services. Capital Markets products contain financial instruments, or arrangements for financial instruments, that are available in the financial marketplace, including currencies, commodities, stocks and bonds.

Nordea's main geographical markets comprise the Nordic countries.

P4. Net interest income

Interest income

EURm	2020	2019
Interest income calculated using the effective interest rate method	3,817	4,756
Other interest income	89	174
Interest income	**3,906**	**4,930**

EURm	2020	2019
Cash and balances with central banks	38	64
Debt securities eligible for refinancing with central banks	192	358
Loans to credit institutions	672	978
Loans to the public	2,630	3,190
Interest-bearing securities	162	91
Derivatives	–55	–11
Other interest income	267	260
Interest income	**3,906**	**4,930**
- of which negative interest on financial liabilities	206	261

Interest expense

EURm	2020	2019
Deposits by credit institutions and central banks	–407	–570
Deposits and borrowings from the public	–116	–433
Debt securities in issue	–797	–1,463
Derivatives	296	351
Subordinated liabilities	–336	–416
Other interest expenses[1]	–30	–24
Interest expense	**–1,390**	**–2,555**
- of which negative interest on financial assets	–341	–340
Net interest income	**2,516**	**2,375**

1) The net interest income from derivatives, measured at fair value and are related to Nordea's funding. This can have both a positive and negative impact on other interest expense, for further information see Note P1 "Accounting policies".

Interest on impaired loans amounted to an insignificant portion of interest income.

P5. Net fee and commission income

EURm	2020	2019
Asset management commissions	419	429
- of which income	426	435
- of which expense	–7	–6
Life & Pension	18	24
- of which income	18	24
Deposit Products	27	23
- of which income	27	23
Brokerage, securities issues and corporate finance	204	158
- of which income	374	368
- of which expense	–170	–210
Custody and issuer services	36	49
- of which income	83	79
- of which expense	–47	–30
Payments	288	315
- of which income	397	416
- of which expense	–109	–101
Cards	138	183
- of which income	245	309
- of which expense	–107	–126
Lending Products	333	330
- of which income	337	336
- of which expense	–4	–6
Guarantees	207	256
- of which income	234	268
- of which expense	–27	–12
Other	28	42
- of which income	81	95
- of which expense	–53	–53
Total	**1,698**	**1,809**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to EUR 364m (EUR 359m).

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amounts to EUR 818m (EUR 827m). The corresponding amount for fee expenses is EUR –224m (EUR –247m).

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	2020	2019
Net result from items at fair value, hedge accounting and foreing exchange dealing		
Equity related instruments[1]	**166**	**730**
- of which unrealised	–38	110
- of which realised	204	620
- of which through fair value reserve	–2	1
Interest related instruments	**468**	**–90**
- of which unrealised	987	–460
- of which realised	–519	370
- of which through fair value reserve	13	77
Foreign exchange gains/losses	**184**	**147**
- of which unrealised	2,155	–1 218
- of which realised	–1,971	1 365
Other financial instruments (including credit and commodities)	**-25**	**102**
- of which unrealised	–319	133
- of which realised	294	–31
Total	**793**	**889**
- of which financial instruments held for trading	316	615
- of which unrealised	281	–63
- of which realised	35	678

1) Of which EUR 38m (EUR 148m) is dividends from shares held for trading. Dividends from shares measured at fair value through fair value reserve is EUR 0m.

EURm	2020	2019
Net result from hedging instruments		
Financial instruments under fair value hedge accounting	**–8**	**2**
- of which unrealised	–8	16
- of which realised	0	–14
- of which through fair value reserve	0	–14
Net result on hedging instruments	**125**	**582**
- of which unrealised	125	596
- of which realised	0	–14
- of which through fair value reserve	0	–14
Net result on hedged items	**–133**	**–580**
- of which unrealised	–133	–580
- of which realised	0	0

P7. Income from equity investments

EURm	2020	2019
Dividends from group undertakings	1,165	1,251
Dividends from associated undertakings and joint ventures	3	0
Group Contributions	509	495
Divideds from shares measured at fair value through P/L, non-trading	4	–
Total	**1,681**	**1,746**

P8. Other operating income

EURm	2020	2019
Gains on sales of group and associated undertakings	13	198
Income from real estate	19	22
Other operational services	57	62
Other	394	299
Total	**483**	**581**

P9. Staff costs

EURm	2020	2019
Salaries and remuneration (specification below)[1]	–1,808	–2,061
Pension costs (specification below)	–240	–236
Social security contributions	–351	–405
Other staff costs[2]	114	158
Total	**–2,285**	**–2,544**
Salaries and remuneration		
To executives[3]		
- Fixed compensation and benefits	–12	–10
- Performance-related compensation	–3	–2
Total	**–15**	**–12**
To other employees	–1,793	–2,049
Total	**–1,808**	**–2,061**

1) Of which allocation to profit-sharing for 2020: EUR 25m (2019: EUR 8m).
2) Comprising of capitalisation of IT-projects with EUR 139m (2019 EUR 166m).
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 22 individuals.

Pension costs[1]

EURm	2020	2019
Defined benefits plans (Note P33)	–63	–30
Defined contribution plans	–177	–206
Total	**–240**	**–236**

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 CEO and Group Leadership Team

Board remuneration

The Annual General Meeting (AGM) 2020 decided on annual remuneration for the Board of Directors (the Board), for the Chair amounting to EUR 300,000, for the Vice-Chair EUR 145,000 and for other members EUR 95,000.

In addition, annual remuneration paid for board committee work on the Board Operations and Sustainability Committee, the Board Audit Committee and the Board Risk Committee amounts to EUR 60,000 for the committee chairs and EUR 30,000 for the other members. Annual remuneration for board committee work on the Board Remuneration Committee amounts to EUR 42,000 for the committee chair and EUR 26,000 for the other members.

Separate remuneration is not paid to members who are employees of Nordea Bank Abp.

Nordea Bank Abp covers or reimburses the members of the Board of Directors all costs and expenses related to or arising from the Board membership. This e.g. includes travel, logistics and accommodation, related to board work. 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 2020.

No Board member earns variable remuneration and employee representatives are not included in the table below.

Remuneration to the Board of Directors

EUR	2020	2019
Chairman of the Board:		
Torbjörn Magnusson[5]	345,500	267,000
Björn Wahlroos[1]	–	80,088
Vice Chairman of the Board:		
Kari Jordan[3]	171,000	128,250
Lars G Nordström[1]	–	42,725
Other Board members:		
Pernille Erenbjerg	155,000	146,638
Nigel Hinshelwood	185,000	181,300
Petra van Hoeken[3]	155,000	116,250
Robin Lawther	125,000	134,750
Torbjörn Magnusson[5]	–	30,388
John Maltby[3]	155,000	116,250
Sarah Russell	155,000	151,400
Silvija Seres[1]	–	30,388
Birger Steen	185,000	173,900
Jonas Synnergren[4]	116,250	–
Maria Varsellona[2]	31,250	124,138
Total	**1,779,000**	**1,723,465**

1) Resigned as member of the Board as from the AGM 2019.
2) Resigned as member of the Board as from the AGM 2020.
3) New member of the Board as from the AGM 2019.
4) New member of the Board as from the AGM 2020.
5) Elected as Chairman of the Board as from the AGM 2019.

Remuneration to the Chief Executive Officer (CEO) and Group Leadership Team (GLT)

The Board Remuneration Committee prepares alterations in salary levels and outcome of the Executive Incentive Programme (EIP) for GLT, grants of conditional shares from Long-Term Incentive Plan (LTIP) as well as other changes in the remuneration package for the Chief Executive Officer (CEO), the Interim Deputy Managing Director and the other members of Group Leadership Team (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 policy under IFRS applied in the Annual Report, specially related to LTIP.

Fixed remuneration

The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes holiday pay and car allowance where applicable.

Benefits includes primarily 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 agreements (DC) and pension rights earned during the year under defined benefit agreements (DBP).

Out of the total pension expense EUR 1,647,421 (EUR 1,436,414) relates to defined contribution agreements. Payments to statutory pension schemes (TyEL in Finland particularly) are reported as social costs and not included in the table below.

P9. Staff costs, cont.

Remuneration to the Chief Executive Officer (CEO) and Group Leadership Team (GLT)

	Fixed salary		Pension expense DBP & DC schemes		Benefits		Total fixed remuneration	
EUR	2020	2019	2020	2019	2020	2019	2020	2019
Chief Executive Officer:								
Frank Vang-Jensen	1,252,912	408,314	375,788	122,494	211,989	7,844	1,840,689	538,652
Casper von Koskull	–	958,339	–	74,620	–	50,509	–	1,083,468
Interim Deputy Managing Director:								
Jussi Koskinen	462,771	131,729	–	–	23,172	4,414	485,943	136,143
Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	–	877,633	–	238,857	–	43,921	–	1,160,411
Group Leadership Team:								
9 (9) individuals excluding CEO and Interim Deputy Managing Director	6,236,460	5,232,982	1,027,375	905,302	89,443	86,786	7,353,278	6,225,070
Total	**7,952,143**	**7,608,997**	**1,403,163**	**1,341,273**	**324,604**	**193,474**	**9,679,910**	**9,143,744**
Former Chief Executive Officer:								
Casper von Koskull[1]	1,398,528	417,852	108,646	35,026	29.974	18,649	1,537,148	471,527
Former Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen[1]	497,697	302,702	182,914	96,893	1,425	833	682,036	400,428
Total	**9,848,368**	**8,329,551**	**1,694,723**	**1,473,192**	**356,003**	**212,956**	**11,899,094**	**10,015,699**

1) The disclosure includes the amounts paid in 2020, but the expense has been covered by provisions recognised in 2019.

Variable remuneration

EIP 2020 for GLT is based on specific goals and targets and is capped at maximum 75% of fixed base salary. 40% of the EIP 2020 outcome will be paid out in 2021. The remaining 60% will be paid-out annually pro-rata over 5-years with 12% delivered each year. 50% of the EIP 2020 outcome is delivered in Nordea shares (excluding dividends) at each delivery event, which are subject to retention for 12 months when the deferral period ends.

The outcome from EIP 2020 has been expensed in full in 2020.

In 2020, the Board of Directors decided to launch a Long-Term Incentive Plan (LTIP) 2020–2022 to Nordea Bank Abp's Group Leadership Team in accordance with the remuneration policy for governing bodies adopted by an advisory vote at Nordea's 2020 Annual General Meeting.

The LTIP 2020–2022 has a three-year performance period from 1 January 2020 to 31 December 2022 and deferral and retention periods. The first portion of shares of the potential award is delivered in 2023, subject to the performance conditions. The rest of the shares are deferred and delivered annually in five equal portions during 2024–2028. Each share delivery is subject to a 12-month retention period.

Please refer to section below for further details on the LTIP 2020–2022.

The LTIP 2012 programme was fully expensed in May 2015. All shares in LTIP 2012 are fully vested and consequently not conditional. There are no outstanding shares for current GLT members as of 31 December 2020.

P9. Staff costs, cont.

Variable remuneration

EUR	Executive Incentive Programme		LTIP Conditional grants		Total variable remuneration		Total remuneration Fixed and variable	
	2020	2019	2020	2019	2020	2019	2020	2019
Chief Executive Officer:								
Frank Vang-Jensen	610,313	158,416	45,882	–	656,195	158,416	2,496,884	697,068
Casper von Koskull	–	229,145	–	–	–	229,145	–	1,312,613
Interim Deputy Managing Director:								
Jussi Koskinen	236,249	59,905	15,294	–	251,543	59,905	737,486	196,048
Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	–	214,972	–	–	–	214,972	–	1,375,383
Group Leadership Team:								
9 (9) individuals excluding CEO and Interim Deputy Managing Director	2,318,494	1,454,983	137,646	–	2,456,140	1,454,983	9,809,418	7,680,053
Total	**3,165,056**	**2,117,421**	**198,822**	**–**	**3,363,878**	**2,117,421**	**13,043,788**	**11,261,165**
Former Chief Executive Officer:								
Casper von Koskull	–	109,470	–	–	–	109,470	1,537,148	580,997
Former Group Chief Operating Officer and Deputy Chief Executive Officer:								
Torsten Hagen Jørgensen	–	–	–	–	–	–	682,036	400,428
Total	**3,165,056**	**2,226,891**	**198,822**	**–**	**3,363,878**	**2,226,891**	**15,262,972**	**12,242,590**

Remuneration of CEO and Interim Deputy Managing Director

Chief Executive Officer (CEO)

Frank Vang-Jensen was appointed CEO on 5 September 2019. Remuneration for the CEO in 2020 consisted of the five components: Fixed salary, the Executive Incentive Programme (EIP), LTIP 2020–2022, pension costs and benefits.

The annual fixed base salary for the CEO remained at EUR 1,250,000 as of January 2020. The fixed salary includes holiday allowance.

The CEO is covered by a defined contribution pension plan. The pension contribution was 30% of the fixed base salary.

Benefits included primarily car benefits, housing and security and travelling related benefits as well as taxable costs for establishment in Finland and tax advice, amounting to EUR 211,989.

EIP 2020 was based on specific targets and could amount to a maximum of 75% of fixed base salary. For 2020, the outcome of the EIP amounted to EUR 610,313.

The LTIP 2020–2022 conditional grants for 2020 amounted to EUR 45,882.

Total earned remuneration for 2020, based on the five components amounted to EUR 2,496,884.

The CEO must hold a significant number of shares granted until the total value corresponds to 100% of the CEO's annual gross salary. Such shares must be held until the CEO steps down.

Interim Deputy Managing Director

Jussi Koskinen was appointed Interim Deputy Managing Director on 10 September 2019.

Remuneration for the Interim Deputy Managing Director consists of the five components: Fixed salary, the Executive Incentive Programme (EIP), LTIP 2020–2022, Finnish statutory pension scheme (reported as social costs) and benefits.

The annual fixed base salary for the Interim Deputy Managing Director remained EUR 450,000 including holiday allowance as of 1 January 2020.

The benefits for 2020 amounted to EUR 23,172 and included primarily car benefits.

EIP 2020 for GLT was based on specific targets and could amount to a maximum of 75% of fixed base salary. For 2020 the outcome of the EIP amounted to EUR 236,249.

The LTIP 2020–2022 conditional grants for 2020 amounted to EUR 15,294.

The Interim Deputy Managing Director is covered by the Finnish statutory pension scheme. According to the statutory pension rules the part of the EIP 2020 for GLT outcome paid or retained in 2021 is included in pensionable income.

The total earned remuneration for 2020, as Interim Deputy Managing Director, based on the four components (excluding pension) amounted to EUR 737,486.

The Interim Deputy Managing Director must hold a significant number of shares granted until the total value corresponds to 100% of the Interim Deputy Managing Director's annual gross salary. Such shares must be held until the Interim Deputy Managing Director steps down.

Remuneration of Group Leadership Team (GLT)

Remuneration to other GLT members is included for the period they have been appointed and eligible for EIP 2020. One GLT member left Nordea Bank Abp on 30 April 2020. Three new GLT members were appointed on 1 August 2020, 15 October 2020 and on 1 November 2020. Guaranteed variable remuneration (sign-off/buy-out) has been committed, amounting to EUR 1,500,000.

Remuneration of GLT members consists of five components: Fixed salary, EIP 2020 for GLT, LTIP 2020–2022, pension costs and benefits.

P9. Staff costs, cont.

EIP 2020 for GLT was based on specific targets and can amount to a maximum of 75% of fixed base salary for GLT members offered LTIP 2020–2022 and 100% for others. For 2020 the outcome of the EIP amounted to EUR 2,318,494.

The LTIP 2020–2022 conditional grants for 2020 amounted to EUR 137,646. The Chief Risk Officer is not participating in the LTIP programme.

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

The pension agreements for the other nine GLT members vary according to local country practices. Pension agreements are defined contribution plans or a combination of defined contribution and defined benefit plans.

As of 31 December 2020, three members had pensions schemes in accordance with the Swedish collective agreement, BTP1 (defined contribution plan) and BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. The pension contribution was in total 30% of fixed salary.

One member had a defined contribution plan in accordance with local practices in Denmark. The pension contribution is in total 30% of fixed base salary.

Three members were covered by the Finnish statutory pension scheme (reported as social costs) and in addition had a defined contribution plan corresponding to 8,5% of fixed base salary.

Two members do not have a pension agreement with Nordea Bank Abp.

Remuneration of former CEO and former Deputy CEO

Former Chief Executive Officer (CEO)

Casper von Koskull was appointed CEO on 1 November 2015 and stepped down on 5 September 2019. Remuneration in 2020 for the former CEO consisted of three components: Fixed salary, pension costs and benefits (primarily car benefits, housing and tax advice).

The former CEO was covered by the Finnish statutory pension scheme and in addition had a defined contribution plan corresponding to 8.5% of fixed salary.

The total earned remuneration for 2020, as former CEO, based on the three components amounted to EUR 1,537,148 (covered by 2019 provision).

Former Group Chief Operating Officer and Deputy Chief Executive Officer (Group COO and Deputy CEO)

Torsten Hagen Jørgensen was appointed Group COO and Deputy CEO on 1 November 2015 and stepped down on 10 September 2019. Remuneration for the Group COO and Deputy CEO consisted of fixed salary, pension contributions and benefits. During the notice period the Former Group COO and Deputy CEO had a defined contribution pension plan and a car allowance. The total earned remuneration for 2020, as former Group COO and Deputy CEO, based on the three components amounted to EUR 682,036 (covered by 2019 provision).

Deferred variable remuneration in Nordea Shares

Part of the outcome of EIP 2019 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 2020 can be found in the below table:

Nordea shares

	2020
Chief Executive Officer:	
Frank Vang-Jensen	19,425
Interim Deputy Managing Director:	
Jussi Koskinen	11,704
Group Leadership Team:	
9 individuals excl. CEO & Interim Deputy Managing Director:	56,607
Total	**87,736**
Former Chief Executive Officer:	
Casper von Koskull	20,483
Former Deputy Chief Executive Officer:	
Torsten Hagen Jørgensen	12,997
Total	**121,216**

Pension obligations

The pension plans are funded, meaning that the pension plan obligations are backed with plan assets with fair value generally on a similar level as the obligations.

The pension obligation is dependent on changes in actuarial assumptions and inter-annual variations can therefore be significant.

The pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement.

The pension obligation is the valuation as per 31 December 2020.

EURm	2020	2019
Group Leadership Team (GLT):		
Value of pension liabilities toward three Swedish GLT members	1,137,129	1,004,303
Former Chairman of the Board, former CEOs and Deputy CEOs:		
Vesa Vainio[1]	4,932,945	5,118,594
Lars G Nordström	311,588	313,010
Casper von Koskull	427,026	399,536
Total	**6,808,688**	**6,835,443**

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 to 2019 is mainly due to pay-out during the year.

P9. Staff costs, cont.

Notice period and severance pay

In accordance with the employment contract the CEO has a notice period of 12 months and Nordea Bank Abp a notice period of 12 months. The CEO has severance pay equal to 12 months' salary, to be reduced by any salary he receives from other employment during these 12 months.

The Interim Deputy Managing Director and ten GLT members have a notice period of six months and Nordea Bank Abp a notice period of 12 months. Severance pay of up to 12 months' salary is provided to be reduced by any salary the executive receives from other employment during the severance pay period.

No severance pay commitment has been agreed with members of GLT in 2020. Severance pay commitments to GLT members agreed and recognised in 2019 amounted to EUR 2,427,212.

Total remuneration to be paid during the notice period amounted to EUR 3,599,899, of which EUR 1,540,425 related to the former CEO. The payments during the notice period have been included where relevant in the 2020 disclosure, but covered by provisions recognised in 2019 and consequently not recognised as an expense in 2020.

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 from 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. The indemnity is secondary to any other insurance coverageors decides otherwise on a case-by-case basis. The indemnity is secondary to any other insurance coverage.

Loans and deposits to key management personnel

Loans to key management personnel (defined in Note P1 section 25) amount to EUR 0m (EUR 2m) and interest income on these loans amount to EUR 0m (EUR 0m). Deposits from key management personnel amount to EUR 14m (EUR 18m) and interest on these deposit amount to EUR 0m (EUR 0m). Loan commitments to key management personnel amount to EUR 0m (EUR 0m).

For key management personnel who are 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 2020. In Norway the employee interest rate for loans is variable and was 1.15% at 31 December 2020. 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 caps, the same terms apply as for premium customers. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel who are not employed by Nordea Bank Abp.

Share-based transactions

Nordea Bank Abp has several variable remuneration 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 separate Remuneration section on page 60 in the Board of Directors report and in more details below.

Share-based transactions

Earning year	Equity- or cash settled	Delivery period	Expense 2020	Expense 2019	Liability 31 Dec 2020	Liability 31 Dec 2019	Outstanding rights
2020							
- LTIP	Equity-settled	2023–2028	0	–	–	–	Yes[1]
- EIP	Equity-settled	2021–2026	14	–	–	–	Yes[2]
- VSP & Bonus	Equity-settled	2021–2026	–	–	–	–	Yes[2]
- Buy-outs etc.	Equity-settled	2021–2022	–	–	–	–	Yes
2019							
- EIP	Equity-settled	2021–2025	–13	20	–	–	Yes
- VSP & Bonus	Equity-settled	2021–2025	5	–	–	–	Yes
- Buy-outs etc.	Equity-settled	2021–2025	0	–	–	–	Yes
Previous years	Cash-settled	2021–2025	–4	–11	32	74	No
Total			**2**	**9**	**32**	**74**	

1) Rights will be granted following the end of the 3-year performance period (2020–2022) over the delivery period (2023–2028).
2) Rights will be granted in 2021 based on performance during 2020.

In 2020, Nordea Bank Abp introduced a new 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.

Up until 2018 Nordea Bank Abp in addition deferred variable pay using a Total Shareholder Return (TSR) indexation (excluding dividends). The programme was consequently all settled in cash and the portion indexed with Nordea Bank Abp's TSR was accounted for as a cash-settled share-based payment programme.
As from the 2019 program it was changed so that 50% of the program is paid in cash and 50% settled in Nordea shares, which makes the portion paid in Nordea shares an equity-settled share-based programme.

The 2019 variable remuneration plans were in 2019 expensed by EUR 20m for compensation to be paid in cash and EUR 20m for the share-based programme part. These have during 2020 been adjusted down to EUR 14m for the portion paid in cash and EUR 7m for the share-based programme part. In 2020 1,331,083 shares in Nordea were allotted to the participants in these programmes, equalling EUR 7m based on the share price at the award date. Another 1,219,284 shares were granted to the participants but deferred. These deferred shares had a fair value of EUR 6m based on the share price at the award date.

The following table covers all programs with share-based programme expenses recognised in 2020, or in the comparative figures for 2019. Figures for 2020 are based on expected 2020 outcome and all figures are excluding social security expenses. The expense for 2020 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.

Expired Long Term Incentive Programmes – 2011/2012

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. The final distribution of shares were allotted in May 2020 and at year-end 2020 there are no outstanding shares nor any recognised liabilities.

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 that were deferred with TSR indexation (cash-settled programme up until 2018) and in shares (equity-settled programme as from 2019). 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. The EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea Bank Abp's website (www.nordea.com).

Long Term Incentive Programmes

	2020			2019		
	Matching Share	Performance Share I	Performance Share II	Matching Share	Performance Share I	Performance Share II
Rights LTIP 2012						
Outstanding at the beginning of the period	27,281	81,843	27,281	49,608	148,824	49,608
Granted[1]	–	–	–	4,954	14,862	4,954
Allotted	–24,908	–74,723	–24,908	–27,281	–81,843	–27,281
Outstanding at end of year[2]	**2,373**	**7,120**	**2,373**	**27,281**	**81,843**	**27,281**
Rights LTIP 2011						
Outstanding at the beginning of the period	–	–	–	31,563	52,736	14,203
Granted[1]	–	–	–	3,150	5,264	1,418
Allotted	–	–	–	–34,713	–58,000	–15,621
Outstanding at end of year[1]	–	–	–	–	–	–

1) Granted rights are compensation for dividend on the underlying Nordea share during the year.
2) Allotment of rights has been deferred following retention requirements by the Nordic FSAs. There is no exercise price for the deferred rights.

	Share linked deferrals	
EURm	31 Dec 2020	31 Dec 2019
Opening balance	65	77
Deferred/earned during the period	–	37
TSR indexation during the period	–3	–10
Payments during the period	–34	–39
Translation differences	–	0
Closing balance	**28**	**65**

Additional disclosures on remuneration

The Board of Directors report includes a separate section on remuneration, page 60. 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 2021.

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 2020, the number of Nordea shares held by the Board of Directors amounted to 173,968 (173,984) and shares held by the CEO and Group Leadership Team amounted to 168,857 (110,380), in total 342,825 (284,364), 0.008% (0.007%) of total shares. Key management personnel has no holdings of equity warrants or convertible bonds issued by Nordea Bank Abp.

Average number of employees

	Total		Men		Women	
Full-time equivalents	2020	2019	2020	2019	2020	2019
Finland	5,366	5,743	2,089	2,187	3,277	3,556
Sweden	5,634	6,112	2,763	3,006	2,871	3,106
Denmark	6,608	7,198	3,811	4,127	2,797	3,071
Norway	2,206	2,390	1,190	1,286	1,016	1,104
Poland	4,412	4,006	2,494	2,274	1,918	1,732
Other countries	841	715	319	277	522	438
Total average	**25,067**	**26,164**	**12,666**	**13,157**	**12,401**	**13,007**

Number of employees

	31 Dec 2020	31 Dec 2019	Change
Permanent Full time	23,282	23,164	118
Permanent Part time	1,179	1,342	–163
Fixed Term	372	1,455	–1,083
Total number of employees (FTEs), end of period	**24,833**	**25,961**	**–201**

Gender distribution

In the parent company's Board of Directors 60% were men and 40% were women. The corresponding numbers for Other executives were 64% men and 36% women. The employee representatives have been excluded.

P10. Other administrative expenses

EURm	2020	2019
Other personnel expenses	–64	–85
Travel	–12	–59
Information technology	–468	–502
Marketing and representation	–33	–45
Postage, transportation, telephone and office expenses	–46	–54
Other[1]	–176	–211
Total	**–799**	**–956**

1) Distributed as presented in the table below.

Auditor's fees

EURm	2020	2019
PricewaterhouseCoopers		
Auditing assignments	–6	–6
Audit-related services	0	0
Other assignments[1]	–1	–1
Total	**–7**	**–7**

1) Of which EUR 0,5m (EUR 0,5m) is related to the services provided by PricewaterhouseCoopers Oy.

P11. Other operating expenses

EURm	2020	2019
Rents, premises and real estate	–293	–327
Fees to authorities[1]	–264	–261
Other	–36	–141
Total	**–593**	**–729**

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	2020	2019
Properties and equipment (Note P23)		
Equipment	–28	–61
Properties	–1	–1
Total	**–29**	**–62**
Intangible assets (Note P22)		
Goodwill	–60	–67
Computer software	–238	–238
Other intangible assets	–45	–31
Total	**–343**	**–336**

Impairment charges

EURm	2020	2019
Properties and equipment (Note P23)		
Equipment	0	–10
Properties	–	0
Total	**0**	**–10**

Impairment charges

EURm	2020	2019
Intangible assets (Note P22)		
Computer software	–45	–720
Other intangible assets	–	0
Total	**–45**	**–720**
Total depreciation/amortisation and impairment charges	**–417**	**–1,128**

P13. Net loan losses

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, model based[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 on previous 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**

2019, EURm	Loans to credit institutions[2]	Loans to the public[2]	Off-balance-sheet items[3]	Total
Net loan losses, stage 1	2	0	–8	–6
Net loan losses, stage 2	5	–64	–31	–90
Net loan losses, non-defaulted	**7**	**–64**	**–39**	**–96**
Stage 3, defaulted				
Net loan losses, individually assessed, model based[1]	1	–11	2	–8
Realised loan losses	–	–372	–9	–381
Decrease in provisions to cover realised loan losses	–	289	9	298
Recoveries on previous realised loan losses	1	15	–	16
Reimbursement right	–	3	–	3
New/increase in provisions	–	–513	–42	–555
Reversals of provisions	–	197	62	259
Net loan losses, defaulted	**2**	**–392**	**22**	**–368**
Net loan losses	**9**	**–456**	**–17**	**–464**

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".

Impairment on other financial assets

	2020			2019		
EURm	Net loan losses from loans classified as fair value through fair value reserve	Impairments on shares and interests in group undertakings and associated undertakings	Total	Net loan losses from loans classified as fair value through fair value reserve	Impairments on shares and interests in group undertakings and associated undertakings	Total
Net loan losses, collectively assessed	–1	–	–1	0	–	0
Write-offs	–	–106	–106	–	–16	–16
Total	**–1**	**–106**	**–107**	**0**	**–16**	**–16**

P14. Taxes

Income tax expense

EURm	2020	2019
Current tax	–300	–614
Deferred tax	–25	489
Total	**–325**	**–125**

The tax on the operating profit differs from the theoretical amount that would arise using the tax rate in Finland as follows:

EURm	2020	2019
Profit before tax	2,289	1,563
Tax calculated at a tax rate of 20.0%	–458	–313
Effect of different tax rates in other countries	–35	–22
Tax-exempt income	259	301
Non-deductible expenses	–61	–65
Adjustment relating to prior years	41	–10
Utilisation and origination of unrecognised tax assets	–67	–9
Other	–4	–7
Tax charge	**–325**	**–125**
Average effective tax rate	14%	8%

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
EURm	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Tax loss carried forward	119	105	–	–
Loans to the public	60	57	23	12
Derivatives	129	125	0	14
Properties and equipment	–	9	1	8
Intangible assets	–	–	80	69
Retirement benefit assets/obligations	87	119	35	40
Liabilities/provisions	115	146	0	–
Foreign tax credits	249	225	267	193
Other	49	2	4	13
Netting between deferred tax assets and liabilites	–410	–335	–410	–335
Total[1]	**398**	**453**	**0**	**14**

1) Deferred tax assets booked through fair value reserve totals to EUR 64m (EUR 75m). Deferred tax liabilities booked through fair value reserve totals to EUR 27m (EUR 36m).

P15. Loans to credit institutions

	Carrying amount		On-demand		Non-demand	
EURm	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Central banks	3,121	9,159	2,426	4,826	695	4,333
Credit institutions	61,243	71,802	412	1,336	60,831	70,466
Total	**64,364**	**80,961**	**2,838**	**6,162**	**61,526**	**74,799**

P16. Loans and impairment

EURm	31 Dec 2020	31 Dec 2019
Loans measured at fair value	18,592	29,500
Loans measured at amortised cost, not impaired (stages 1 and 2)	180,626	193,725
Impaired loans (stage 3)	3,055	3,734
- of which servicing	1,561	2,108
- of which non-servicing	1,494	1,626
Loans before allowances	**202,273**	**226,959**
- of which central banks	3,121	9,159
- of which credit institutions	61,247	71,816
Allowances for individually assessed impaired loans (stage 3)	−1,449	−1,505
- of which servicing	−680	−766
- of which non-servicing	−769	−739
Allowances for collecetively assessed not impaired loans (stages 1 and 2)	−587	−416
Allowances	**−2,036**	**−1,921**
- of which central banks	0	0
- of which credit institutions	−4	−14
- of which to the public	−2,032	−1,907
Loans, carrying amount	**200,237**	**225,038**
Provisions for off-balance-sheet items[1]	**−283**	**−208**

1) Provisions for off-balance-sheet items are related to Loans to the public. More information in Note P32 "Provisions" as "Guarantees/commitments".

Loans to the public

EURm	31 Dec 2020	31 Dec 2019
On-demand	6,575	7,531
Non-demand	129,298	136,546
Total	**135,873**	**144,077**
- of which subordinated loans	913	1,266

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**

31 Dec 2019, EURm	Loans before allowances	Allowances	Loans carrying amount
Non-financial corporations	16,483	−259	16,224
Financial and insurance corporations	1,247	−1	1,246
General government	1,038	−1	1,037
Households	10,684	−39	10,645
Non-profit institutions serving households	299	−2	297
Foreign Countries	116,233	−1,605	114,628
Total	**145,984**	**−1,907**	**144,077**

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 2020	31 Dec 2019
States, municipalities and other public bodies	16,538	20,208
- of which held for trading	1,541	2,812
Banks and other credit institutions	54,919	41,429
-of which held for trading	8,228	11,232
Other	5,376	4,276
- of which held for trading	842	1,350
Total	**76,833**	**65,913**
- of which treasury bonds, notes and bills eligible for refinancing with central banks	11,712	17,305
- of which other bonds eligible for refinancing with central banks	56,036	43,913
- of which listed	32,100	20,151
- of which unlisted	44,733	45,762
- of which subordinated receivables	79	207

P18. Shares and participations

EURm	31 Dec 2020	31 Dec 2019
Shares measured at fair value through P/L	4,864	5,490
- of which listed	3,647	4,318
- of which unlisted	1,217	1,172
Carrying amount	**4,864**	**5,490**
- of which held for trading	1,755	2,394
- of which under securities lending	142	166
- of which in credit institutions	142	181

Shares borrowed amounting to EUR 957m (EUR 1,522m) are not recognised in the balance sheet and hence are not included in the total amount.

P19. Investments in associated undertakings and joint ventures

Associated undertakings

			Carrying amount		
	Registration number	Domicile	2020, EURm	2019, EURm	Shareholding, %
Eksportfinans ASA[1]	816521432	Oslo	42	42	23
Eiendomsverdi AS	881971682	Oslo	11	12	25
Suomen Luotto-osuuskunta	0201646-0	Helsinki	3	3	27
Automatia Pankkiautomaatit Oy [1,2]	0974651-1	Helsinki	–	5	–
Bankomat AB[1]	556817-9716	Stockholm	6	6	20
Mondido Payments AB	556960-7129	Stockholm	4	4	14
P27Nordic Payments Platform AB[4]	559198-9610	Stockholm	–	11	–
Nordic KYC Utility AB (renamed to Invidem AB)[4]	559210-0779	Stockholm	–	2	–
Financial Transaction Services B.V. [1,3]	68914016	Amsterdam	5	–	15
Subaio ApS	37766585	Aalborg	2	2	25
Other			1	0	–
Total			**74**	**87**	

Joint ventures

			Carrying amount		
	Registration number	Domicile	2020, EURm	2019, EURm	Shareholding, %
Siirto Brand Oy [3]	3102648-1	Helsinki	1	–	50
Invidem AB (former Nordic KYC Utility AB) [1,4]	559210-0779	Stockholm	4	–	17
P27Nordic Payments Platform AB [4]	559198-9610	Stockholm	11	–	17
Total			**16**	**–**	

1) Classified as CRR institutions.
2) Sold or liquidated during 2020.
3) Acquired during 2020.
4) Reclassified as joint ventures during the year.

All shares in associated companies 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 2020, EURm	Carrying amount 31 Dec 2019, 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	2,401	2,293	100.0	100.0
Nordea Eiendomskreditt AS[1]	971227222	Oslo	15,336,269	1,704	1,809	100.0	100.0
Fionia Asset Company A/S	31934745	Copenhagen	148,742,586	1,185	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	731	731	100.0	100.0
Nordea Life Holding AB	556742-3305	Stockholm	1,000	720	720	100.0	100.0
Nordea Direct ASA (former Gjensidige Bank ASA) [1]	990323429	Oslo	876,000	377	406	100.0	100.0
Nordea Finance Equipment AS[3]	987664398	Oslo	9,360,750	635	–	100.0	100.0
LLC Promyshlennaya Kompaniya Vestkon	1027700034185	Moscow	4,601,942,680	225	317	100.0	100.0
Nordea Finans Norge AS	924507500	Oslo	63,000	647	686	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	260	243	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	114	100.0	100.0
Nordea Essendropsgate Eiendomsforvaltning AS	986610472	Oslo	7,500	34	38	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	20	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	0	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	556653-5257	Stockholm	1,000	0	0	100.0	100.0
Nordea do Brasil Representações Ltda[2]	51.696.268/0001-40	São Paulo	116,215	–	0	–	–
First Card AS	963215371	Oslo	200	0	0	100.0	100.0
Bohemian Wrappsody AB	556847-8399	Stockholm	14,658,539	3	2	54.8	54.8
Nordea Vallila Fastighets Förvaltning Ab	1880368-8	Helsinki	1,000	0	0	100.0	100.0
Total				**14,686**	**14,190**		

1) Credit institutions.
2) Sold or liquidated 2020.
3) Acquired 2020. For more information about the acquisition of Nordea Finance Equipment AS (former SG-Finance AS) see Group Note G48.

P21. 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 include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. The table below shows the fair values of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year-end and are not indicative of either the market or credit risk.

	Carrying amount		Total nom.
31 Dec 2020, EURm	Positive	Negative	amount
Derivatives not used for hedge accounting	43,282	47,292	6,740,543
Fair value hedges[1]	1,065	268	87,785
Cash flow hedges[1]	808	992	24,222
Total derivatives	**45,155**	**48,552**	**6,852,550**

	Carrying amount		Total nom.
31 Dec 2019, EURm	Positive	Negative	amount
Derivatives not used for hedge accounting	37,213	42,956	6,723,544
Fair value hedges[1]	1,139	235	88,880
Cash flow hedge[1]	1,019	120	22,253
Total derivatives	**39,371**	**43,311**	**6,834,677**

1) Some cross currency interest rate swaps (CIRS) and interest rate swaps (IRS) are split into fair value hedges and cash flow hedges, and the nominal amounts are then reported on both lines. The table above is based on the relative fair value of these hedging instruments. The total nominal amount of cross currency interest rate swaps amounts per 31 December 2020 to EUR 25.385m (EUR 22.656m).

Derivatives not used for hedge accounting

	Carrying amount		Total nom.
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
Other	–	–	–
Total	**29,822**	**30,896**	**5,791,343**
- of which internal transactions	422	1,402	122,609
Equity derivatives			
Equity swaps	227	201	9,989
Futures and forwards	11	13	707
Options	142	518	6,890
Total	**380**	**732**	**17,586**
- of which internal transactions	–	–	–
Foreign exchange derivatives			
Currency and interest rate swaps	7,607	8,744	376,348
Currency forwards	4,581	5,756	381,770
Options	197	115	16,668
Total	**12,385**	**14,615**	**774,786**
- of which internal transactions	14	170	2,425
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**
- of which internal transactions	–	–	–
Total derivatives not used for hedge accounting	**43,282**	**47,292**	**6,740,543**
- of which internal transactions	436	1,527	125,034

	Carrying amount		Total nom.
31 Dec 2019, EURm	Positive	Negative	amount
Interest rate derivatives			
Interest rate swaps	20,270	21,409	3,673,059
FRAs	7	17	1,352,921
Futures and forwards	21	21	128,115
Options	5,484	6,069	405,963
Other	–	–	–
Total	**25,782**	**27,516**	**5,560,058**
- of which internal transactions	258	1,088	107,383
Equity derivatives			
Equity swaps	68	93	6,399
Futures and forwards	1	2	725
Options	221	459	10,325
Total	**290**	**554**	**17,449**
- of which internal transactions	0	–	–
Foreign exchange derivatives			
Currency and interest rate swaps	5,757	8,216	420,943
Currency forwards	4,272	5,518	561,716
Options	96	106	16,939
Total	**10,125**	**13,840**	**999,598**
- of which internal transactions	15	186	2,778
Other derivatives			
Credit default swaps (CDS)	1,011	1,026	140,992
Commodity derivatives	0	0	5,284
Other derivatives	5	20	163
Total	**1,016**	**1,046**	**146,439**
- of which internal transactions	–	–	–
Total derivatives not used for hedge accounting	**37,213**	**42,956**	**6,723,544**
- of which internal transactions	273	1,274	110,161

P21. Derivatives and hedge accounting, cont.

Hedge accounting

Hedge accounting framework and strategy used in fair value and cash flow hedges when hedging against interest and currency risks in Nordea are described more detailed in the sections "Risk management", "Interest rate risk" and "Currency Risk" in Group Note G19.

Interest rate 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

	Interest rate risk	
EURm	2020	2019
Fair value hedges		
Carrying amount of hedged assets[1]	35,299	31,248
- of which accumulated amount of fair value hedge adjustment[3]	85	70
Carrying amount of hedged liabilties[2]	45,060	61,624
- of which accumulated amount of fair value hedge adjustment[3]	1,408	1,140

1) Presented on the balance sheet rows Cash and balances with central banks, Debt securities eligible for refinancing with central banks, Loans to credit institutions, Loans to the public, Interest-bearing securities and Fair value changes of the hedged items in portfolio hedge of interest rate risk.
2) Presented on the balance sheet rows Deposits by credit institutions and central banks, Deposits and borrowing from the public, Debt securities in issue and Fair value changes of the hedged items in portfolio hedge of interest rate risk.
3) Of which all relates to continuing portfolio hedges of interest rate risk.

The following table provides information about the hedging instruments included in the line item Derivatives on the balance sheet:

Hedging instruments

	Carrying amount		
31 Dec 2020, EURm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	1 065	268	87 785
- of which internal transactions	–	–	–

	Carrying amount		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Fair value hedges			
Interest rate risk	1,139	235	88,880
- of which internal transactions	7	48	3,544

The table below presents the changes in the fair value of the hedged items and changes in the fair value of the hedging instruments used as the basis for recognising ineffectiveness. These changes are recognised on the row "Net result from hedge accounting" in the income statement.

Hedge ineffectiveness

	Interest rate risk	
EURm	2020	2019
Fair value hedges		
Changes in fair value of hedging instruments	124	595
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–133	–580
Hedge ineffectiveness recognised in the income statement[1]	–9	15

1) Recognised on the row Net result from hedge accounting.

The tables below provide information about the hedging instruments as well as the outcome of the cash flow hedges addressing interest rate risk including notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Hedging instruments

	Carrying amount		
31 Dec 2020, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Interest rate risk	10	0	1,310

	Carrying amount		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Interest rate risk	304	0	10,767

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.

Hedge ineffectiveness

	Interest rate risk	
EURm	2020	2019
Cash flow hedges		
Changes in fair value of hedging instruments	2	–
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	–2	–
Hedge ineffectiveness recognised in the income statement[1 2]	–	–
Hedging gains or losses recognised in fair value reserve	2	–

1) Recognised on the row 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.

Cash flow hedge reserve

	Interest rate risk	
EURm	2020	2019
Balance at 1 Jan	0	1
Cash flow hedges:		
- Valuation gains/losses	2	–
- Tax on valuation gains/losses	–1	–
- Transferred to the income statement	–2	–1
- Tax on transfers to the income statement	0	0
Fair value reserve, net of tax	0	–1
Total through cash-flow hedge reserve	0	–1
Balance at 31 Dec	**0**	**0**
- of which relates to continuing hedges for which hedge accounting is applied	0	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) follows below:

Maturity profile of the nominal amount of hedging instruments

31 Dec 2020, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	8,331	10,282	48,385	22,097	89,095
Total	**–**	**8,331**	**10,282**	**48,385**	**22,097**	**89,095**

31 Dec 2019, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging interest rate risk	–	3,976	13,199	47,620	25,396	90,191
Total	**–**	**3,976**	**13,199**	**47,620**	**25,396**	**90,191**

Average rate of instruments hedging interest rate risk

The average interest rate on the fixed leg of instruments hedging interest rate risk per 31 December 2020 is 1.06% (0.92%).

P21. Derivatives and hedge accounting, cont.

Currency risk

The tables below provide information about the hedging instruments as well as the outcome of the cash flow hedges addressing currency risks including the notional and the carrying amounts of the hedging instruments and the changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Hedging instruments

	Carrying amount		
31 Dec 2020, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	798	992	22,912
Total derivatives used for hedge accounting	**798**	**992**	**22,912**

	Carrying amount		
31 Dec 2019, EURm	Positive	Negative	Total nom. amount
Cash flow hedges			
Foreign exchange risk	715	120	11,486
Total derivatives used for hedge accounting	**715**	**120**	**11,486**

In the table below, the fair value adjustments arising from continuing hedge relationships, irrespective of whether there has been a change in hedge designation during the year, are specified.

Hedge ineffectiveness

	Foreign exchange risk	
EURm	2020	2019
Cash flow hedges		
Changes in fair value of hedging instruments	–780	–26
Changes in fair value of hedged items used as a basis for recognising hedge ineffectiveness	780	26
Hedge ineffectiveness recognised in the income statement[1,2]	–	–
Hedging gains or losses recognised in fair value reserve	–780	–26

1) Recognised on the row Net result from hedge accounting.
2) When disclosing the hedge ineffectiveness, the valuation adjustments CVA, DVA and FVA are not considered.

Cash flow hedge reserve

	Foreign exchange risk	
EURm	2020	2019
Cash flow hedges		
Balance at 1 Jan	**–36**	**–9**
Valuation gains/losses	–780	–26
Tax on valuation gains/losses	150	6
Transferred to the income statement	789	–9
Tax on transfers to the income statement	–152	2
Fair value reserve, net of tax	7	–27
Total through cash flow hedge reserve	**7**	**–27**
Balance at 31 Dec	**–29**	**–36**
- of which relates to continuing hedges for which hedge accounting is applied	–29	–36
- 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 2020, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging foreign exchange risk	–	4,025	7,706	8,364	2,817	22,912
Total	**–**	**4,025**	**7,706**	**8,364**	**2,817**	**22,912**

31 Dec 2019, EURm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Instrument hedging foreign exchange risk	–	108	4,478	13,115	3,243	20,944
Total	**–**	**108**	**4,478**	**13,115**	**3,243**	**20,944**

Average rate of instruments hedging foreign exchange risk

The average forward exchange rates of instruments hedging foreign exchange risk at 31 December 2020 are presented in the table below.

31 Dec 2020, EUR	NOK	SEK	USD	RUB
EUR	10.58	10.25	1.14	90.11

31 Dec 2019, EUR	NOK	SEK	USD	RUB
EUR	10.08	10.68	1.10	71.53

P22. Intangible assets

EURm	Goodwill	Computer software	Other intangible assets	Total
Acquisition value 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 31 Dec 2020	**319**	**2,400**	**378**	**3,097**
Accumulated amortisation and impairment 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 31 Dec 2020	**–256**	**–790**	**–266**	**–1,312**
Book value 31 Dec 2020	**63**	**1,610**	**112**	**1,785**

EURm	Goodwill	Computer software	Other intangible assets	Total
Acquisition value 1 Jan 2019	**318**	**2,652**	**228**	**3,198**
Acquisitions	–	422	81	503
Sales/disposals	–	–440	–1	–441
Reclassifications	–	–8	–	–8
Translation differences	–2	–18	–1	–21
Acquisition value 31 Dec 2019	**316**	**2,608**	**307**	**3,231**
Accumulated amortisation and impairment Jan 1 2019	**–124**	**–553**	**–190**	**–867**
Accumulated amortisation on sales/disposals	–	198	1	199
Amortisation according to plan	–67	–238	–31	–336
Accumulated impairment on sales/disposals	–	242	–	242
Impairment charges	–	–720	–	–720
Reclassifications	–	1	–	1
Translation differences	–	–3	2	**–1**
Accumulated amortisation and impairment 31 Dec 2019	**–191**	**–1,073**	**–218**	**– 1,482**
Book value 31 Dec 2019	**125**	**1,535**	**89**	**1,749**

P23. Tangible assets

Properties and equipment

EURm	Equipment	Land and Building	Total
Acquisition value 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 31 Dec 2020	**951**	**3**	**954**
Accumulated depreciation and impairment 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
Reclassifications	0	0	0
Translation differences	0	–	0
Accumulated depreciation and impairment 31 Dec 2020	**–663**	**–2**	**–665**
Book value 31 Dec 2020	**288**	**1**	**289**
- of which buildings in own use		1	1

EURm	Equipment	Land and Building	Total
Acquisition value 1 Jan 2019	**978**	**3**	**981**
Acquisitions	45	3	48
Sales/disposals	–31	0	–31
Reclassifications	–12	–	–12
Translation differences	–3	0	–3
Acquisition value 31 Dec 2019	**977**	**6**	**983**
Accumulated depreciation and impairment 1 Jan 2019	**–642**	**–1**	**–643**
Accumulated depreciation on sales/disposals	17	0	17
Depreciation according to plan	–61	0	–61
Accumulated impairment charges on disposals	–	–	0
Impairment charges	–10	–	–10
Through merger	–	–1	–1
Reclassifications	10	0	10
Translation differences	2	–1	1
Accumulated depreciation and impairment 31 Dec 2019	**–684**	**–3**	**–687**
Book value 31 Dec 2019	**293**	**3**	**296**
- of which buildings in own use		3	3

Investment properties

Carrying amount of investment properties at year-end was EUR 1m (EUR 2m). Sales during the year was EUR 1m (–). Amounts recognised in the income statement are insignificant.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from independent external valuers for parts of the investment properties

Approximately 75% of the investment properties are valued using internal models based on a rate of return calculation. For the remaining 25% of the investment properties, appraisals were obtained from independent external valuers.

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 2020	31 Dec 2019
Within		
1 year	179	184
2 years	150	147
3 years	126	121
4 years	87	100
5 years	74	62
Later years	897	770
Total	**1,513**	**1,384**

Total sublease payments expected to be received under non-cancellable subleases amounts to EUR 9m (EUR 10m).

Nordea operates in leased premise. The premises are mainly divided into head-office contracts, banking branches and other contracts.

The head-office contracts in the different Nordic countries generally have a fixed lease term and they are 10–25 years. Usually these contracts have either continuation options or they are automatically continued unless separately terminated at the end of the lease term.

Banking branch contracts do generally either have fixed lease term of 1–10 years or then they 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. The company car contracts generally have a fixed lease term of less than 5 years.

P25. Other assets

EURm	31 Dec 2020	31 Dec 2019
Cash items in process of collection	889	364
Claims on securities settlement proceeds	948	1,282
Cash/margin receivables related to derivatives	10,639	10,014
Other	1,572	1,480
Total	**14,048**	**13,140**

P26. Prepaid expenses and accrued income

EURm	31 Dec 2020	31 Dec 2019
Accrued interest income	194	302
Other accrued income	253	260
Prepaid expenses	565	640
Total	**1,012**	**1,202**

P27. Deposits by credit institutions and central banks

EURm	31 Dec 2020	31 Dec 2019
Central banks	15,610	11,409
Credit institutions	16,668	33,381
- of which on-demand	5,896	7,572
- of which non-demand	10,772	25,810
Total	**32,278**	**44,790**

P28. Deposits and borrowings from the public

	Carrying amount		On-Demand		Non-Demand	
EURm	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Deposits[1]	189,282	172,988	174,835	149,071	14,447	23,917
Other debts	1,367	2,298	–	–	1,367	2,298
Total	**190,649**	**175,286**	**174,835**	**149,071**	**15,814**	**26,215**

1) Deposits related to individual pension savings (IPS) are also included.

P29. Debt securities in issue

	Carrying amount		Nominal value	
EURm	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Certificates of deposit	23,426	22,094	23,411	21,970
Commercial papers	10,228	22,192	10,224	22,217
Bonds	27,051	33,445	26,890	33,044
Other	40	39	40	39
Total	**60,745**	**77,770**	**60,565**	**77,270**
- of which eligible liabilities under Act on the Resolution of Credit Institutions and Investment Firms	2,651	2,732	2,641	2,726

P29. Debt securities in issue, cont.

Bonds are transferable debt securities which normally are issued off an issuance programme. A bond's term can range from about one month to several years. A bond manifests a debt owed by the issuer as borrower to the investor as lender. The investor is normally entitled to a cash payment from the issuer on the maturity date. During the term of the bond there are, normally, coupon payments at fixed intervals but a bond can be issued as a "zero-coupon security" or with other terms as agreed between the issuer and the investor. Bonds are often listed for trading on a stock exchange. There are senior bonds and subordinated bonds. In the event of an issuer's default; the issuer will be required to pay the investors of senior bonds and meet its obligations to all its other creditors in full before it can make any payments on the subordinated bonds. A bond can be issued as secured or unsecured.

Certificates of Deposit ("CD") are transferable debt securities that manifests a debt owed by the issuer to the investor and the investor is entitled to a cash payment from the issuer on the maturity date. CD's are not issued off an issuance programme and are not listed on a stock exchange. The CD's term can range from 1 week to three years or longer. The CD's can be issued with coupon payments or without coupon payments. CD's are issued as unsecured.

Commercial Papers ("CP") are transferable debt securities and issued off an issuance programme. CPs can be issued from overnight to about 1 year. The CP manifests debt owed by the issuer to the investor and the investor is entitled to a cash payment from the issuer on the maturity date. Normally a CP is issued as a "zero-coupon security" with no coupon payments during the term of the CP. Typically CP's are not listed for trading on a stock exchange. A CP is usually issued as unsecured.

P30. Other liabilities

EURm	31 Dec 2020	31 Dec 2019
Liabilities on securities settlement proceeds	1,078	817
Sold, not held, securities	8,103	9,111
Cash items in process of collection	2,726	2,362
Accounts payable	17	71
Cash/margin payables related to derivatives	6,134	4,676
Other	1,479	1,057
Total	**19,537**	**18,094**

P31. Accrued expenses and prepaid income

EURm	31 Dec 2020	31 Dec 2019
Accrued interest	8	8
Other accrued expenses	867	988
Prepaid income	173	148
Total	**1,048**	**1,144**

P32. Provisions

EURm	31 Dec 2020	31 Dec 2019
Restructuring	251	317
Guarantees/commitments[1]	283	208
Other	104	120
- of which AML-related matters	95	95
Total	**638**	**645**

1) See Note P2 "Risk and liquidity management" for further information.

	Restructuring		Other	
EURm	2020	2019	2020	2019
At beginning of year	317	150	120	2
New provisions made	74	262	10	119
Provisions utilised	–136	–100	–1	–1
Reversals	–3	0	–25	0
Reclassifications	0	7	0	0
Translation differences	–1	–2	0	0
At end of year	**251**	**317**	**104**	**120**

New provisions for restructuring costs were recognised to EUR 74m (EUR 262m). The restructuring provision EUR 251m is for the biggest part related to staff restructuring, related to the new Group business plan, including new financial targets. Approximately EUR 167m of the EUR 355m is expected to be utilised in 2021 but as for any other provision there is uncertainty around timing and amount. The uncertainty is expected to decrease as the plans are being executed.

Loan loss provisions on off-balance-sheet items amount to EUR 283m (EUR 208m). More information on these provisions can be found in Note P2 "Risk and liquidity management".

Excluding AML linked matters, other provisions are mainly premises related obligations.

P33. Retirement benefit obligations

EURm	31 Dec 2020	31 Dec 2019
Retirement benefit assets	142	172
Retirement benefit liabilities	296	375
Net liability(–)/asset(+)	**–154**	**–203**

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 legislations, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all employer financed final salary and service based pension plans providing pension benefits on top of the statutory systems. All DBPs are closed for new entrants, new employees are offered DCPs.

DBPs in Sweden are mainly offered in accordance with collective agreements and follow the regulations in the Pension Obligations Vesting Act (Tryggandelagen). Plan assets are held in a separate pension foundation.

In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follow the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held by a separate pension fund.

In Finland Nordea provides additional pension benefits on top of the statutory system in accordance with the Nordea Finland occupational pension plan and follows the regulations in the Employees' Pension Act (TyEL). Plan assets are generally held in a separate pension foundation.

Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full or with a predefined surplus 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 made to monitor the likely level of future contributions.

Defined benefit plans 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 the obligation 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) to reduce the long term inflationary risk in liabilities.

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Furthermore, the scheme allows the employees to continue working while receiving AFP without this affecting their pension rights. The plan is founded on the basis of a tripartite cooperation between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense to the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms pay to the plan is determined to be sufficient to cover on-going pension expenses and provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. As a result the employer members have joint responsibility for two thirds of the payable pensions to the employees that at any given time meet the requirements for AFP. Any deficit or surplus on windup of the plan or entities' withdrawal from the plan will not have any impact on Nordea.

Key management personnel

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 2020	31 Dec 2019
Tier 2 subordinated loans	4,995	7,380
Additional Tier 1 subordinated loans	1,893	2,409
Total	**6,888**	**9,789**

Debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before hybrid capital loans. Within each respective category, the loans entitle lenders to equal payment rights.

The carrying amount at year-end representing revaluations in the fair value of the hedged part of subordinated liabilities is included in "Fair value changes of the hedged items in portfolio hedge of interest rate risk" under "Liabilities" and amounts to EUR 342m (EUR 274m).

The key terms of subordinated liabilities are specified below.

31 Dec 2020, 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	1,002	999	Fixed	Fixed 1.00%, until first call date, thereafter fixed 5-year mid swap +1.25%	EUR	07 Sep 2026	07 Sep 2021
Tier 2 loan	750	772	36	Fixed	4,00%	EUR	29 Mar 2021	–
Tier 2 loan	300	300	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	20,000	160	158	Fixed to floating	Fixed USD 3.75%, until first call date, thereafter floating 6-month JPY deposit +1.20%	JPY	04 Mar 2040	04 Mar 2035
Tier 2 loan	15,000	119	113	Fixed	1,16%	JPY	06 Oct 2025	–
Tier 2 loan	10,000	80	79	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	79	79	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	48	48	Floating	Floating 3-month NIBOR +1.40%	NOK	26 Sep 2028	26 Sep 2023
Tier 2 loan	1,750	175	175	Floating	Floating 3-month STIBOR +1.40%	SEK	26 Sep 2028	26 Sep 2023
Tier 2 loan	1,250	1,025	74	Fixed	4,88%	USD	13 May 2021	–
Tier 2 loan	1,000	823	280	Fixed	4,25%	USD	21 Sep 2022	–
Tier 2 loan	500	412	406	Fixed	Fixed 4.625%, until first call date, thereafter fixed 5-year mid swap +1.69%	USD	13 Sep 2033	13 Sep 2028
Additional Tier 1 loan	1,250	1,027	1,012	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	550	453	448	Fixed	Fixed 5.25%, until first call date, thereafter fixed 5-year mid swap +3.244%	USD	No maturity	13 Sep 2021
Additional Tier 1 loan	500	413	406	Fixed	Fixed 6.125%, until first call date, thereafter fixed 5-year mid swap +3.388%	USD	No maturity	23 Sep 2024

P35. Equity

	Restricted equity			Unrestricted equity				
EURm	Share capital[1]	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
Net investments in foreign operations:								
Valuation gains/losses, net of tax	–	–	13	–	–	–	–	13
Fair value measurement of financial assets at FVOCI								
Valuation gains/losses, net of tax	–	–	40	–	–	–	–	40
Transferred to the income statement, net of tax	–	–	6	–	–	–	–	6
Cash flow hedges[3]:								
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
Dividend for 2019	–	–	–	–	–	–	–	–
Disposal/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) The share capital amounts to EUR 4,049,951,919, which equals the total number of shares in Nordea Bank Abp. The Nordea share does not have any nominal value. All ordinary shares in Nordea carry voting rights, with one vote at General Meetings. Nordea is not entitled to vote for own shares at General Meetings.
The AT1 conversion notes issued in 2019 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 that give option exercise rights for holders to acquire shares in Nordea. The Annual General Meeting 2020 resolved that Nordea, before the end of the Annual General Meeting 2021, 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, which corresponds to approximately 4.32 per cent of all Nordea shares. For information on share-based incentive programmes see Note P9. "Staff costs" and for information on authorisations held by the Board of Directors see section Financial Review 2020,"Authorisations held by the Board of Directors", in the Bord of directors report.
Nordea had approximately 575,000 registered shareholders in the end of 2020. For further information see "The Nordea share and ratings".

2) Refers to the change in the holding of own shares related to treasury shares for remuneration purpose, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares was 11.9 million and the acquisition price was EUR 32.8 million. The total holding of own shares related to treasury shares for remuneration purpose was 8.2 million. See more information on own shares in section "Nordea Share" below.

3) For more detailed information, see note P21.

P35. Equity, cont.

	Restricted equity			Unrestricted equity				
EURm	Share capital[1]	Revaluation reserves	Fair value reserve	Invested unrestricted reserve	Other unrestricted reserves	Retained earnings	Additonal Tier 1 capital holders	Total equity
Balance at 1 Jan 2019	**4,050**	**–154**	**4**	**1,080**	**2,762**	**20,990**	**750**	**29,482**
Net profit for the year	–	–	–	–	–	1,438	–	1,438
Currency translation differences	–	–1	1	–	–	13	–	13
Net investments in foreign operations:								
Valuation gains/losses, net of tax	–	–	7	–	–	–	–	7
Fair value measurement of financial assets at FVOCI:								
Valuation gains/losses, net of tax	–	–	15	–	–	–	–	15
Transferred to the income statement, net of tax	–	–	–28	–	–	–	–	–28
Cash flow hedges[3]:								
Valuation gains/losses, net of tax	–	–	–20	–	–	–	–	–20
Transferred to the income statement, net of tax	–	–	–7	–	–	–	–	–7
Changes in own credit risk related to liabilities classified as fair value option:								
Valuation gains/losses, net of tax	–	–	–13	–	–	8	–	–5
Defined benefit plans:								
Remeasurement of defined benefit plans, net of tax	–	–	–101	–	–	–	–	–101
Share-based payments	–	–	–	–	–	19		19
Paid Interest on additional Tier 1 capital	–	–	–	–	–	–26		–26
Dividend for 2018	–	–	–	–	–	–2,788	–	–2,788
Disposal/Purchase of own shares[2]	–	–	–	–	–	29	–	29
Other changes	–	–24	–	–	–	23	–2	–3
Balance at 31 Dec 2019	**4,050**	**–179**	**–142**	**1,080**	**2,762**	**19,706**	**748**	**28,025**

1) The share capital amounts to EUR 4,049,951,919, which equals the total number of shares in Nordea Bank Abp. The Nordea share does not have any nominal value. All ordinary shares in Nordea carry voting rights, with one vote at General Meetings. Nordea is not entitled to vote for own shares at General Meetings.

The AT1 conversion notes issued in 2019 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 that give option exercise rights for holders to acquire shares in Nordea. The Annual General Meeting 2019 resolved that Nordea, before the end of the Annual General Meeting 2020, 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, which corresponds to approximately 4.32 per cent of Nordea shares. For information on share-based incentive programmes see Note P9. "Staff costs" and for information on authorisations held by the Board of Directors see section Financial Review ,"Authorisations held by the Board of Directors", in the Bord of directors report.

Nordea had approximately 580,000 registered shareholders in the end of 2019. For further information see "The Nordea share and ratings" in the Bord of directors report.

2) Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares was 10.8 million and the acquisition price was EUR 20.7m. The total holding of own shares related to LTIP was 9.2 million. See more information on own shares in section "Nordea Share" below.

3) For more detailed information, see note P21.

P35. Equity, cont.

Nordea shares

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.

	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.

	Acquisitions[1]			Sales[1]		
2019	Quantity	Average price, EUR	Amount, tEUR	Quantity	Average price, EUR	Amount, tEUR
January	3,487,706	7,60	26,501	–7,832,384	7,84	–61,403
February	39,285,904	7,96	312,907	–35,224,570	7,96	–280,388
March	12,772,686	7,76	99,105	–7,896,024	7,82	–61,754
April	3,098,196	7,24	22,424	–5,644,932	7,28	–41,109
May	6,787,443	6,79	46,088	–4,462,158	6,78	–30,244
June	6,898,312	6,47	44,649	–9,530,638	6,50	–61,987
July	10,603,125	6,39	67,705	–13,094,740	6,35	–83,213
August	10,642,434	5,64	59,973	–10,639,438	5,74	–61,071
September	14,409,721	6,42	92,518	–16,055,708	6,30	–101,101
October	9,782,867	6,63	64,882	–11,234,381	6,57	–73,860
November	10,592,249	6,62	70,087	–10,708,543	6,59	–70,554
December	5,824,278	6,76	39,362	–5,875,508	6,81	–39,990
	134,184,921		946,201	–138,199,024		–966,674

1) Excluding Nordea shares related to securities lending.

The trades had an insignificant effect on the shareholding and voting-power in Nordea Bank Abp. At year-end 2020 Nordea Bank Abp held 11.9 (10.8) million own shares (including own shares related to treasury shares for remuneration purpose). The Nordea share does not have any nominal value.

P36. Assets pledged as security for own liabilities

EURm	31 Dec 2020	31 Dec 2019
Assets pledged for own liabilities		
Securities etc[1]	24,207	26,114
Loans to the public	0	0
Other assets pledged	11,131	9,987
Total	**35,338**	**36,101**

EURm	31 Dec 2020	31 Dec 2019
The above pledges pertain to the following liabilities		
Deposits by credit institutions	19,834	13,839
Deposits and borrowings from the public	3,050	5,569
Derivatives	10,854	4,676
Other liabilities and commitments	231	277
Total	**33,969**	**24,361**

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 collaterals".

P36. Assets pledged as security for own liabilities, cont.

Assets pledged for own liabilities contain securities pledged as security in repurchase agreements and in securities lending. The transactions are conducted under standard agreements employed by financial markets participants. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months.

Other assets pledged relates to certificate of deposits pledged by Nordea to comply with authority requirements.

Nordea Bank Abp has not given any pledges or mortgages on behalf of Nordea's customers.

P37. Other assets pledged

Assets recognised on the balance sheet and pledged on behalf of other items than Nordea Bank Abp 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 securities for own liabilities". Securities borrowed and then used as collateral are reported in Note P43 "Transferred assets and obtained collaterals".

Other assets pledged are mainly related to securities which includes interest-bearing securities pledged as securities for payment settlements within the central banks and clearing institutions and amounted to EUR 267m (EUR 20m). From 2020 only securities that are pledged for overnight liquidity are disclosed (pledged securities for intraday liquidity are exluded). Comparative figures have been restated. Collateral pledged on behalf of other items other than the company´s own liabilities, e.g. on behalf of a third party or on behalf of the company´s own contingent liabilities are also accounted for under this item.

Collateral pledged on behalf of subsidiaries amounted to EUR 0m (EUR 0m) and on behalf of associated companies to EUR 0m (EUR 0m). Nordea Bank Abp has not pledged any assets or other collateral on behalf of any key management personnel or auditors.

P38. Contingent liabilities

EURm	31 Dec 2020	of which on behalf of group companies	31 Dec 2019	of which on behalf of group companies
Guarantees				
- Loan guarantees	31,722	28,209	33,758	31,009
- Other guarantees	16,285	1,516	14,776	967
Documentary credits	1,011	0	1,119	2
Other contingent liabilities	13	–	1	–
Total	**49,031**	**29,725**	**49,654**	**31,978**
- Of which on behalf of associated companies	–		–	

In its normal business, Nordea Bank Abp issues various forms of guarantees in favour of its customers. Loan guarantees are given for customers to guarantee obligations in other credit and pension institutions. Other guarantees consist mainly of commercialguarantees 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 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 member in 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 from 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. The indemnity is secondary to any other insurance coverage.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosures, see Note P9 "Staff costs".

Claims in civil lawsuits and possible fines

Within the framework of its 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 processes and procedures in the past. Presently, 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 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 2020	of which to group companies	31 Dec 2019	of which to group companies
Credit commitments	51,626	9,841	40,692	5,495
Unutilised overdraft facilities	38,772	9,826	34,857	9,364
Total	**90,398**	**19,667**	**75,549**	**14,859**
- of which to associated companies	–		21	

Reverse repurchase agreements are recognised on and derecognised from the balance sheet on settlement date. Nordea has as per 31 December 2020 signed reverse repurchase agreements that have not yet been settled and consequently are not recognised on the balance sheet. On settlement date these reverse repurchase agreements will, to the utmost extent, replace existing reverse repurchase agreements not yet derecognised as per 31 December 2020. 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 collaterals".

P40. Classification of financial instruments

Assets

		Financial assets at fair value through profit or loss (FVPL)				
31 Dec 2020, 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	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 parcitipations	–	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 the hedged items in portfolio hedge 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)		Non-financial liabilities	Total
		Mandatorily	Designated at fair value through profit or loss (fair value option)		
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 the hedged items in portfolio hedge 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**

Assets

31 Dec 2019, EURm	Amortised cost (AC)	Financial assets at fair value through profit or loss (FVPL)		Fair value through other comprehensive income (FVOCI)	Non-financial assets	Total
		Mandatorily	Designated at fair value through profit or loss			
Cash and balances with central banks	33,483	–	–	–	–	33,483
Loans to credit institutions	74,851	6,110	0	–	–	80,961
Loans to the public	120,687	23,390	–	–	–	144,077
Interest-bearing securities[1]	238	36,962	0	28,713	–	65,913
Shares and parcitipations	–	5,490	0	–	0	5,490
Investments in associated undertakings and joint ventures	–	–	–	–	87	87
Investments in group undertakings	–	–	–	–	14,190	14,190
Derivatives	–	39,371	0	0	–	39,371
Fair value changes of the hedged items in portfolio hedge of interest rate risk	71	–	–	–	–	71
Intangible assets	–	–	–	–	1,749	1,749
Properties and equipment	–	–	–	–	296	296
Investment properties	–	–	–	–	2	2
Deferred tax assets	–	–	–	–	453	453
Current tax assets	–	–	–	–	322	322
Retirement benefit assets	–	–	–	–	172	172
Other assets	936	10,795	–	–	1,410	13,140
Prepaid expenses and accrued income	942	0	0	0	260	1,202
Total	**231,208**	**122,118**	**0**	**28,713**	**18,941**	**400,979**

1) Including the balance sheet line item "Debt securities eligible for refinancing with central banks" amounting to EUR 61,218m.

P40. Classification of financial instruments, cont.

Liabilities

31 Dec 2019, 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		
Deposits by credit institutions and central banks	35,817	8,974	0	–	44,790
Deposits and borrowings from the public	166,210	4,698	4,378	0	175,286
Debt securities in issue	74,989	0	2,781	0	77,770
Derivatives	–	43,311	0	–	43,311
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,140	–	–	0	1,140
Current tax liabilities	–	–	–	596	596
Other liabilities	3,263	14,154	0	677	18,094
Accrued expenses and prepaid income	156	–	–	988	1,144
Deferred tax liabilities	–	–	–	14	14
Provisions	–	–	–	645	645
Retirement benefit liabilities	–	–	–	375	375
Subordinated liabilities	9,789	–	–	0	9,789
Total	**291,364**	**71,137**	**7,158**	**3,294**	**372,954**

Financial liabilities designated at fair value through profit or loss

31 Dec 2020, EURm	Liabilities for which changes in credit risk is presented in fair value reserve	Liabilities for which changes in credit risk is presented in profit or loss	Total
Carrying amount per end of the 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

31 Dec 2019, EURm	Liabilities for which changes in credit risk is presented in fair value reserve	Liabilities for which changes in credit risk is presented in profit or loss	Total
Carrying amount per end of the year	2,781	4,378	7,158
Amount to be paid at maturity	2,781	4,378	7,158
Changes in fair value due to changes in own credit risk, during the year	−15	–	−15
Changes in fair value due to changes in own credit risk, accumulated	−5	–	−5

Financial liabilities designated at fair value through profit or loss per 31 December 2020 consist of issued structured bonds in Markets operation, EUR 1,843m (EUR 2,781m) and deposits linked to the investment return of separate assets, EUR 4,421 m (EUR 4,378m). For issued structured bonds in Markets, changes in fair value are due to changes in own credit risk is recognised in fair value reserve and Nordea Bank Abp is calculating the change in own credit spread based on the change in Nordea Bank Abp 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 issuance date and 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 2020		31 Dec 2019	
Financial assets	Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with central banks	32,380	32,380	33,483	33,483
Loans to the credit institutions	64,364	64,402	80,961	80,961
Loans to the public[1]	135,958	138,757	144,148	144,415
Interest-bearing securities[2 4]	76,834	76,853	65,913	65,845
Shares and participations	4,864	4,864	5,490	5,490
Derivatives	45,155	45,155	39,371	39,371
Other assets	14,048	14,048	12,673	12,673
Total	**373,603**	**376,460**	**382,038**	**382,237**

EURm	31 Dec 2020		31 Dec 2019	
Financial liabilities	Carrying amount	Fair value	Carrying amount	Fair value
Deposits by credit institutions and central banks	32,278	32,278	44,790	44,790
Deposits and borrowings from the public[3]	192,057	192,057	176,426	176,426
Debt securities in issue	60,745	61,032	77,770	78,058
Derivatives	48,552	48,552	43,311	43,311
Other liabilities	18,274	18,274	17,573	17,573
Subordinated liabilities	6,888	6,888	9,789	9,789
Total	**358,794**	**359,081**	**369,659**	**369,947**

1) Comprises of the balance sheet line items "Loans to the public" and "Fair value changes of the hedged items in portfolio hedge of interest rate risk".
2) Including the balance sheet line item "Debt securities eligible for refinancing with central banks" amounting to EUR 67,748m (EUR 61,218m).
3) Comprises of the balance sheet line items "Deposits and borrowings from the public" and "Fair value changes of the hedged items in portfolio hedge of interest rate risk".
4) Including the balance sheet line item "Debt securities eligible for refinancing with central banks" amounting to EUR 67,748m (EUR 61,218m.

Fair value of financial assets and liabilities

For information about valuation of items measured at fair value on the balance sheet, see Note P1 and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet" below.

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)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to the credit institutions	–	1,841	–	1,841
Loans to the public[2]	–	16,751	–	16,751
Interest-bearing securities[3, 4]	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 items "Loans to the public" and "Fair value changes of the hedged items in portfolio hedge of interest rate risk".
3) Of which EUR 10,612m (EUR 17,570m) relates to financial instruments pledged as collateral.
4) Including the balance sheet line item "Debt securities eligible for refinancing with central banks" amounting to EUR 67,748 m (EUR 61,218m).

P41. Assets and liabilities at fair value, cont.

Categorisation into the fair value hierarchy, cont.

31 Dec 2019, EURm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to the credit institutions	–	6,110	–	6,110
Loans to the public[2]	–	23,390	–	23,390
Interest-bearing securities[3, 4]	20,152	45,340	184	65,675
Shares and participations	4,318	3	1,169	5,490
Derivatives	37	37,970	1,363	39,371
Other assets	5	10,791	0	10,796
Total	**24,512**	**123,603**	**2,716**	**150,831**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	0	8,974	–	8,974
Deposits and borrowings from the public	–	9,076	–	9,076
Debt securities in issue	–	512	2,269	2,781
Derivatives	59	42,026	1,226	43,311
Other liabilities	3,587	10,566	2	14,154
Total	**3,646**	**71,153**	**3,496**	**78,295**

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 items “Loans to the public” and “Fair value changes of the hedged items in portfolio hedge of interest rate risk”.
3) Of which EUR 10,612m (EUR 17,570m) relates to financial instruments pledged as collateral.
4) Including the balance sheet line item “Debt securities eligible for refinancing with central banks” amounting to EUR 67,748 m (EUR 61,218m).

Determination of fair values for items measured at fair value on the balance sheet

For information about of dermination of fair values for items measured at fair falue on the balance sheet, see section “Determination of fair value for item measured at fair value on balance sheet” in Group 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 Level 1 and 2

During the year, Nordea Bank Abp has transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 784m (EUR 4,197m) from Level 1 to Level 2 and EUR 14,161m (EUR 701m) from Level 2 to Level 1 of the fair value hierarchy. Nordea has transferred derivative liabilities EUR 4,005m from Level 2 to Level 1. In addition Nordea has also transferred other liabilities EUR 10,426m (EUR 1,426m) from Level 1 to Level 2 and EUR 1,040m from Level 2 to Level 1. The main driver for the transfer during the year 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 for the individual instruments (ISINs) are now considered. Transfers between levels are considered to have occured at the end of the reporting period.

Movements in Level 3

1 Jan 2020, EURm	Opening balance at 1 Jan 2020	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 2020
		Realised	Unrealised								
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**

Unrealised gains and losses relate to those 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 for the individual instruments (ISINs) are now considered. Transfers between levels are considered to have occured at the end of the reporting period. Fair value gains and losses in the income statement during the period are included in “Net result from items at fair value” (see note P6). Assets and liabilities related to derivatives are presented net.

P41. Assets and liabilities at fair value, cont.

31 Dec 2019, EURm	Opening balance at Jan 2019	Fair value gains/losses recognised in the income statement and fair value reserve during the year – Realised	Fair value gains/losses recognised in the income statement and fair value reserve during the year – Unrealised	Purchases/ Issues	Sales	Settle-ments	Issues	Transfers into level 3	Transfers out of level 3	Translation differences	31 Dec 2019
Interest-bearing securities	324	–1	0	30	–179	1	–	8	–	0	**184**
Shares and participations	775	80	78	322	–199	0	–	94	–	18	**1,169**
Derivatives (net)	–8	–121	153	0	0	121	–	0	–7	0	**138**
Other assets	28	–	0	–	–	–28	–	–	–	0	**0**
Debt securities in issue	2,627	46	–232	–	–	–634	461	–	–	–	**2,269**
Other liabilities	15	–	0	0	–14	–	–	–	–	0	**2**

The valuation processes for fair value measurements

For information about the valuation process for fair value measurements, see the section "The valuation processes for fair value measurements" in Note G41 to the financial statements of the Group.

However, the section "Investment properties" is not applicable for Nordea Bank Abp as main part of the investment properties in Nordea Group is held in the subsidiaries. Investment properties are insignificant for Nordea Bank Abp.

Valuation techniques and inputs used in the fair value measurements 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		–4/4
Mortgage and Other Credit institutions[1]	639	Discounted cash flows	Credit spread	–64/64
Corporates	200	Discounted cash flows	Credit spread	–20/20
Total	**879**			
Shares including participating interest 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[2]		–30/30
Other funds	84	Net asset value[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, Volatilities, Recovery rates	–32/38
Other	2	Option model	Correlations, Volatilities	–0/0
Total	**14**			
Other assets				
Credit institutions	–	–		–0/0
Total	**–**			
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, Volatilities, Recovery rates	–8/8
Total	**1 505**			
Other liabilities	32	–		–3/3
Total	**32**			

1) Of which EUR 155m 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 values are 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 development in assets behind the investments. All private equity fund investments are internally adjusted/valued based on the Private Equity and Venture Capital Valuation (IPEV) guidelines. These carrying amounts are in a range of 3% to 100% compared to the values received from suppliers/custodians.

P41. Assets and liabilities at fair value, cont.

31 Dec 2019, EURm	Fair value	Valuation techniques	Unobservable input	Range of fair value
Interest-bearing securities				
Public bodies	0			
Mortgage and Other Credit Institutions[1]	180	Discounted cash flows	Credit spread	–18/18
Corporates	4	Discounted cash flows	Credit spread	–0/0
Total	**184**			
Shares including participating interest in other companies				
Unlisted shares	391	Net asset value[2]		–24/24
Private equity funds	344	Net asset value[2]		–34/34
Hedge funds	5	Net asset value[2]		–0/0
Credit Funds	254	Net asset value[2]		–25/25
Other funds	174	Net asset value[2]		–17/17
Other	1	–		–0/0
Total	**1,169**			
Derivatives				
Interest rate derivatives	196	Option model	Correlations, Volatilities	–31/35
Equity derivatives	23	Option model	Correlations, Volatilities, Dividend	–9/6
Foreign exchange derivatives	–16	Option model	Correlations, Volatilities, Recovery rates	–0/0
Credit derivatives	–69	Credit derivative model	Correlations, Volatilities	–24/26
Other	4	Option model	Correlations, Volatilities	–0/0
Total	**138**			
Other assets				
Credit institutions	0	–	Credit spread	–0/0
Total	**0**			
Debt securities in issue				
Issued structured bonds	2,269	Credit derivative model	Correlation, Volatilities, Recovery rates	–11/11
Total	**2,269**			
Other liabilities	2	–		–0/0
Total	**2**			

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 values are 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 development in assets behind the investments. All private equity fund investments are internally adjusted/valued based on the Private Equity and Venture Capital Valuation (IPEV) guidelines. These carrying amounts are in a range of 5% 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 values of Level 3 financial instruments to changes in key assumptions. Where the exposure to an unobservable parameter is offset across different instruments then only the net impact is disclosed in the table. The range disclosed are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

In order to calculate the sensitivity (range) in fair value of derivatives a range of different modelling approaches are applied to determine an uncertainty interval around the reported fair value. The different approaches applied target various aspects of derivatives pricing. Two common components of derivative valuation models are volatility of underlying risk factors and correlation between the relevant risk factors. Each of these is addressed by applying different assumptions to input and/or the choice of modelling approach. Besides these common factors a number of asset class specific factors are addressed. These include equity dividend expectations, recovery assumptions for credit derivatives and inflation expectations. The fair values of derivatives are presented as the net of assets and liabilities.

In order to calculate the sensitivity (range) in fair value of shares and interest-bearing securities the fair value was increased and decreased within a total range of 2–10 percentage units depending of the valuation uncertainty and underlying assumptions. Higher ranges are applied to instruments with more uncertain valuations relative to actively traded instruments and underlying uncertainties in individual assumptions.

P41. Assets and liabilities at fair value, cont.

Movements in deferred Day 1 profit

For information about movements in defferred Day 1 profit, see section "Movements in deferred Day 1 profit" in Group Note 41 and Note P1 "Accounting policies".

The table below shows the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the year (movements in deferred Day 1 profit).

Deferred day 1 profit – derivatives, net

	2020	2019
Amount at beginning of year	125	81
Deferred profit/loss on new transactions	125	85
Recognised in the income statement during the year	–167	–41
Amount at end of year	**83**	**125**

Financial assets and liabilities not held at fair value on the balance sheet

EURm	31 Dec 2020		31 Dec 2019		
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	32,380	32,380	33,483	33,483	3
Loans to the credit institutions	62,523	62,561	74,851	74,850	3
Loans to the public[1]	119,206	122,006	120,758	121,025	3
Interest-bearing securities	16,118	16,138	238	170	1,2,3
Other assets	1,312	1,312	936	936	3
Prepaid expenses and accrued income	759	759	942	942	3
Total	**232,299**	**235,155**	**231,208**	**231,406**	
Liabilities not held at fair value on the balance sheet					
Deposits by credit institutions and central banks	29,409	29,409	35,817	35,817	3
Deposits and borrowings from the public[2]	184,795	184,795	167,350	167,350	3
Debt securities in issue	58,902	59,189	74,989	75,277	3
Other liabilities	3,336	3,336	3,263	3,263	3
Subordinated debt	6,888	6,888	9,789	9,789	3
Accrued expenses and prepaid income	182	182	156	156	3
Total	**283,511**	**283,799**	**291,364**	**291,652**	

1) Comprises of the balance sheet line item "Loans to the public" and "Fair value changes of the hedged items in portfolio hedge of interest rate risk".
2) Comprises of the balance sheet line items "Deposits and borrowings from the public" and "Fair value changes of the hedged items in portfolio hedge of interest rate risk".

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 to the financial statements of the Group.

However, the fair value of Interest-bearing securities of Nordea Bank Abp is EUR 16,118m (EUR 238m) of which EUR 136m (EUR 238m) is categorised in Level 1 and EUR 15,014m (EUR 0m) in Level 2 and EUR 988m (EUR 0m) in Level 3.

P42. Assets and liabilities in EUR and other currencies

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**

31 Dec 2019, EURm	EUR	Foreign currency	Total	of which group undertakings	of which associated undertakings
Loans to credit institutions	44,013	70,431	114,444	63,966	0
Loans to the public	46,744	97,333	144,077	4,513	95
Interest-bearing securities[1]	7,737	58,176	65,913	3,535	0
Derivatives	21,609	17,762	39,371	280	3
Other assets	27,596	9,578	37,174	1,971	64
Total	**147,699**	**253,280**	**400,979**	**74,266**	**162**
Deposits by credit institutions and central banks	14,731	30,059	44,790	12,550	0
Deposits and borrowings from the public	57,032	118,254	175,286	4,454	8
Debt securities in issue	25,666	52,104	77,770	215	0
Derivatives	23,611	19,700	43,311	1,322	8
Other liabilities	17,667	14,130	31,797	110	0
Total	**138,707**	**234,247**	**372,954**	**18,651**	**16**

1) Including Debt securities eligible for refinancing with central banks of EUR 67,748m (EUR 61,218m).

P43. Transferred assets and obtained collaterals

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 transfer the contractual right to receive the cash flows from the asset or retain 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 and securities lending 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 counterpart and receives a fee.

As both repurchase agreements and securities lending transactions results in the securities are returned to Nordea, all risks and rewards of the instruments transferred is retained by Nordea Bank Abp, although they are not available for Nordea during the period during which they are transferred. The counterpart in the transactions hold the securities as collateral, but have no recourse to other assets in Nordea Bank Abp.

The securities still reported on the balance sheet and the corresponding liabilities are measured at fair value.

EURm	31 Dec 2020	31 Dec 2019
Repurchase agreements[1]		
Debt securities eligible for refinancing with central banks	246	1,704
Interest-bearing securities	10,296	15,866
Total	10,542	17,570

1) In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. The counterpart receiving the collateral has the right to sell or repledge the assets.

Liabilities associated with the assets

EURm	31 Dec 2020	31 Dec 2019
Repurchase agreements		
Deposits by credit institutions and central banks	265	1,704
Deposits and borrowings from the public	10,296	12,492
Total	10,561	14,196
Net	–19	3,374

P43. Transferred assets and obtained collaterals, cont.

Obtained collaterals which are permitted to be sold or repledged

Nordea Bank Abp obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below. Nordea Bank Abp also obtains collaterals under other agreements which, under the terms of the agreements, can be sold or repledged. Those are mainly related to collaterals received under CSA agreements covering derivative transactions.

EURm	31 Dec 2020	31 Dec 2019
Reverse repurchase agreements		
Received collaterals which can be repledged or sold	24,458	36,218
- of which repledged or sold	11,708	15,791
Securities borrowing agreements		
Received collaterals which can be repledged or sold	3,319	5,680
- of which repledged or sold	793	2,612
Other agreements		
Received collaterals which can be repledged or sold	626	1,018
- of which repledged or sold	349	424
Total	**28,403**	**42,916**

EURm	31 Dec 2020	31 Dec 2019
Receivables related to reverse repurchase agreements		
Loans to credit institutions	2,514	10,038
Loans to the public	12,441	19,055
Total	**14,955**	**29,093**

P44. Maturity analysis for assets and liabilities

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**

P44. Maturity analysis for assets and liabilities, cont.

31 Dec 2019, 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	2,726	9,857	40,086	6,462	2,087	61,218
Loans to credit institutions	55,318	11,978	46,405	743	0	114,444
Loans to the public	46,820	14,243	53,987	11,850	17,177	144,077
Interest-bearing securities	466	497	2,425	447	860	4,695
Derivatives	4,460	2,652	6,519	7,847	17,893	39,371
Other assets	19,237	39	3,062	31	14,805	37,174
Total	**129,027**	**39,266**	**152,484**	**27,380**	**52,822**	**400,979**
Deposits by credit institutions and central banks	43,572	521	137	560	0	44,790
Deposits and borrowings from the public	163,491	2,505	4,828	1,085	3,377	175,286
Debt securities in issue	23,921	27,789	20,399	5,510	151	77,770
Subordinated liabilities	1,377	1,135	5,251	1,780	246	9,789
Derivatives	6,000	3,017	10,654	7,611	16,029	43,311
Other liabilities	20,935	233	440	25	375	22,008
Total	**259,296**	**35,200**	**41,709**	**16,571**	**20,178**	**372,954**

P45. Related-party transactions

The information below is presented from Nordea Bank Abp's perspective, meaning that the information shows the effect from related party transactions on Nordea Bank Abp's figures. For more information on definitions, see Note P1 "Accounting policies" section 25.

	2020			2019		
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	19,094	–	–	3,463	–	41
Loans to credit institutions	58,546	–	–	63,966	–	–
Loans to the public	4,017	34	0	4,513	95	4
Interest-bearing securities	964	–	5	72	–	50
Shares and participations	–	–	–	–	–	4
Derivatives	436	1	109	280	3	51
Other assets	1,471	3	6	1,354	64	3
Prepaid expenses and accrued income	513	–	0	617	–	0
Total assets	**85,041**	**38**	**120**	**74,265**	**162**	**153**

	31 Dec 2020			31 Dec 2019		
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	9,148	1	533	12,550	0	495
Deposits and borrowings from the public	4,135	13	37	4,454	8	29
Debt securities in issue	150	–	–	215	–	–
Derivatives	1,572	11	16	1,322	8	10
Other liabilities	132	–	0	71	–	1
Accrued expenses and deferred income	38	–	–	39	–	–
Provisions	0	3	–	0	0	–
Total liabilities	**15,175**	**28**	**586**	**18,651**	**16**	**535**
Off-balance-sheet items[1]	**190,711**	**147**	**1,783**	**267,922**	**336**	**1,284**

P45. Related-party transactions, cont.

EURm	2020 Group undertakings	2020 Associated undertakings and joint ventures	2020 Other related parties[2]	2019 Group undertakings	2019 Associated undertakings and joint ventures	2019 Other related parties[2]
Income statement						
Interest income	321	1	2	395	2	2
Interest expense	–323	0	–2	–433	–1	0
Net fee and commission income	473	0	0	523	2	0
Net result from items at fair value	–169	–3	13	–58	8	–12
Other operating income	427	–	0	351	6	0
Total operating expenses	–70	–	–	–71	0	–
Profit before loan losses	**659**	**–2**	**13**	**707**	**17**	**–10**

1) Including nominal values on derivatives.

2) Other related parties comprise of shareholders with significant influence over Nordea Bank Abp, close family members to key management personnel in Nordea Bank Abp as well as companies controlled or jointly controlled by key management personnel or by close family members to key management personnel in 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 comprises mainly of deposits and long-term investments in bonds issued by Nordea. The transactions with Sampo Plc and its subsidiaries includes also several on going derivative contracts. Other related parties includes Nordea's pension foundations. See more information on Note P1 section 25 "Related- party transactions".

With the exception of compensation, certain loans and other commitments to key management, all related party transactions are made on 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 2020	31 Dec 2019
Asset management	103,969	96,345
Custody assets	770,071	711,134
Total	**874,040**	**807,479**

Customers' long-term savings accounts (PS-accounts) were insignificant and amounted to EUR 5m (EUR 4m) as at 31 December 2020.

Customers' PS investments amounted to EUR 72m (EUR 60m).

Signing

Board of Directors' proposal for the distribution of earnings

On 31 December 2020, Nordea Bank Abp's distributable earnings, including profit for the financial year – after subtracting the dividend to be paid on 1 March 2021 (at the earliest) based on the balance sheet for the financial year ended 31 December 2019 and capitalised development expenses – were EUR 19,694,163,764.90* and other unrestricted equity amounted to EUR 4,573,347,620.91. The Board of Directors proposes that the 24 March 2021 Annual General Meeting (AGM) authorise it to decide on a dividend payment of a maximum of EUR 0.72 per share. The payment would be distributed based on the balance sheet to be adopted for the financial year ended 31 December 2020, in one or several instalments. The authorisation would remain in force until the beginning of the next AGM.

The total dividend amount calculated based on the maximum of EUR 0.72 per share, excluding dividend for treasury shares, would then be EUR 2,907,097,050.96** and it would be paid from retained earnings. After the maximum dividend pay-out, EUR 16,787,066,713.94 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 of the financial statements and the report of the Board of Directors for the year 2020

Helsinki, 24 February 2021

Torbjörn Magnusson
Chair

Kari Jordan
Vice Chair

Kari Ahola
Board member[1]

Dorrit Groth Brandt
Board member[1]

Pernille Erenbjerg
Board member

Nigel Hinshelwood
Board member

Petra van Hoeken
Board member

Robin Lawther
Board member

John Maltby
Board member

Gerhard Olsson
Board member[1]

Sarah Russell
Board member

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, 26 February 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)

1) Employee representative.
*) Calculated based on treasury share amount of 12,317,126.
**) The total amount of the dividend payment and the amount carried forward as distributable retained earnings after the dividend pay-out, will be adjusted based on the amount of treasury shares held by Nordea Bank Abp at the record date for the dividend payment.

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 2020. 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 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 centralized 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 judgment, 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. Given the increased volatility and widespread macro-economic uncertainty around the continuous impact of the global COVID-19 pandemic on economic activity, valuation of financial instruments continues to be an area of inherent risk. The valuation of Level II and III financial instruments utilise 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 and independent price verification • Model control and governance. We examined the Group's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and 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 judgment, 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 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 judgments over uncertain future outcomes. The value is based on models where significant judgment is applied in setting economic assumptions, actuarial assumptions as well as customer behavior. 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 operates 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 judgment and maintain professional skepticism 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 three 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 26 February 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)

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 Chairman 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: 13,968.[2]

Kari Jordan, *Vice Chair*

MSc (Economics)
Board member and Vice Chair since 2019[1]
Born 1956
Nationality: Finnish
Other assignments: Board Chairman of Outokumpu Oyj
Board member of Nokian Tyres Plc
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 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.[2]

Pernille Erenbjerg

MSc (Business Economics)
Board member since 2017[1]
Born 1967
Nationality: Danish
Other assignments: Board member of Nordic Entertainment Group AB (publ)
Board member of Nordic Connectivity AB (private) (Global Connect)
Deputy Chair of Millicom International Cellular SA (publ)
Deputy Chair of Genmab A/S (publ)

Previous positions:

2015–2018	Group CEO and President, TDC A/S
2011–2015	Group Chief Financial Officer, TDC A/S
2003–2010	Various management positions, TDC A/S
2002–2003	Partner, Deloitte Touche Tohmatsu
1987–2002	Auditor, Arthur Andersen

Shareholding in Nordea: 0.[2]

Petra van Hoeken

Master in Civil Law
Board member since 2019[1]
Born 1961
Nationality: Dutch
Other assignments: Board member of Oranje Fonds
Board member of Nederlandse Waterschapsbank NV

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.[2]

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 Technology and Transformation Committee of Lloyd's of London

Previous positions:

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 & Board Member for Asia Pacific, Capgemini
1997–2000	Partner, Ernst & Young
1996–1997	National Sales Director Australia, Sequent Computer Systems
1990–1996	Chief Operating Officer Asia Pacific and Head of Sales and Marketing, Policy Management Systems Corporation

Shareholding in Nordea: 0.[2]

Robin Lawther CBE

BA Honours (Economics) and MSc (Accounting & Finance)
Board member since 2014[1]
Born 1961
Nationality: American and British
Other assignments: Board member of Ashurst LLP and M&G Plc
Board member of UK Government Investments

Previous positions:

2016–2020	Board member, Oras Invest Ltd
2007–2011	Head, Nordics Investment Bank, UK, J.P. Morgan
2005–2007	Head, Mergers & Acquisitions Execution, European Financial Institutions, UK, J.P. Morgan
2003–2005	Head, 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.[2]

John Maltby

BSc Honours (Engineering Science)
Board member since 2019[1]
Born 1962
Nationality: British
Other assignments: Chairman of Allica
Board member of Simplyhealth Group
Board member of National Citizens Service (NCS) Trust
Board member of West Brom Building Society

Previous positions:

2018–2020	Chairman, Pepper Money (designate)
2015–2019	Board member, Bank of Ireland UK
2012–2019	Chairman, Good Energy Group Plc
2015–2018	Board member, Tandem Bank
2015–2017	Chairman, BlueStep Bank AS
2014–2014	Chief Executive Officer, Williams & Glyn
2012–2013	Senior Advisor, 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
1983–1989	Manager, Andersen Consulting

Shareholding in Nordea: 0.[2]

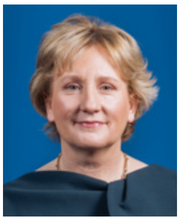
Birger Steen

MBA and MSc (Industrial Engineering, Computer Science)
Board member since 2015[1]
Born 1966
Nationality: Norwegian
Other assignments: Principal of Summa Equity AB
Board Chair of Nordic Semiconductor ASA and Pagero AB
Board member of Schibsted ASA
Commission member, Norge mot 2025
Member of the Board of Trustees, The National Nordic Museum in Seattle, USA

Previous positions:

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.[2]



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 NV
Member of Supervisory Board, Ostrum Asset Management, Paris, France

Previous positions:

2015–2019	Member, Supervisory Board, Nederlandse Investeringsintelling NV
2015–2019	Vice Chairman, Supervisory Board; member, 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 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.[2]

Jonas Synnergren

Msc (Economics and Business)
Board member since 2020
Born 1977
Nationality: Swedish
Other assignments: Board Member of Veoneer Inc
Member of the Nomination Committee at LM Ericsson AB
Senior Partner at Cevian Capital AB
Head of 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.[2]

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

2) Shareholdings as of 31 December 2020, also includes shares held by family members and closely affiliated legal entities.

Employee representatives

Kari Ahola

Datanome (Institute of Information Technology)
Board member since 2006[1] (deputy until 25 March 2020)
Born 1960
President Trade Union Unio &
President Nordea Union Nousu
Shareholding in Nordea: 0.[2]

Dorrit Groth Brandt

Finance Diploma Programme, Finansrådet, and various extensive internal banking courses during the time in Nordea
Board member since 2018[1]
Born 1967
President (Formand) of Finansforbundet in Nordea
Shareholding in Nordea: 605.[2]

Gerhard Olsson

MBA and Bachelor of Economics
Board member since 2016[1]
Born 1978
Professional in Nordea
Shareholding in Nordea: 0.[2]

Hans Christian Riise

MBA
Board member since 2013[1]
Born 1961
Head of trusted employee representatives
Shareholding in Nordea: 0.[2]

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. Organization & Leadership, Copenhagen Business School, Denmark. Finance & Credit, Copenhagen Business School, Denmark.

Shareholding in Nordea: 96,303.[1]

Previous positions:

2018–2019	Head of Personal Banking, Nordea Bank Abp
2017–2018	Head of Personal Banking Denmark, Country Senior Executive & 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.
Strategic Leader, Nordea Leadership Pipeline, London Business School, United Kingdom. Inter Alpha Programme, INSEAD Fontainebleau, France. Orchestrating Winning Performance, IMD Lausanne, Switzerland.
Finnish National Defence Course.

Shareholding in Nordea: 20,891.[1]

Nina Arkilahti

Head of Business Banking
Born 1967
Member of Group Leadership Team since 2020

Education: Master of Social Science, University of Turku, Finland, BSc in Economics and Business Administration, Aalto University School of Business, Finland, Advanced Management Program, INSEAD, France.

Shareholding in Nordea: 2,238.[1]

Martin A Persson

Head of Large Corporates & Institutions
Born 1975
Member of Group Leadership Team since 2016

Education: Bachelor of Business Administration, Accounting & Finance, University of Stockholm, Sweden. Bachelor of Business Administration, Accounting & Finance, Blekinge Tekniska Hög-skole, Sweden. Bachelor of Business Administration, Economics, Lund University, Sweden.

Shareholding in Nordea: 12,713.[1]

Snorre Storset

Head of Asset & Wealth Management
Born 1972
Member of Group Leadership Team since 2015

Education: MSc in Economics and Business Administration, Norwegian School of Economics, Bergen, Norway.

Shareholding in Nordea: 15,356.[1]

Erik Ekman

Head of Group Business Support
Born 1969
Member of Group Leadership Team since 2015

Education: PhD in Economics, Uppsala University, Sweden.

Shareholding in Nordea: 8,137.[1]

Matthew Elderfield

Chief Risk Officer
Born 1966
Member of Group Leadership Team since 2016

Education: Corporate Finance Programme, London Business School, United Kingdom. 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: 5,333.[1]

Christina Gadeberg

Chief People Officer
Born 1970
Member of Group Leadership Team since 2019

Education: Diploma in Finance (Finanssektorens Uddannelsescenter).

Graduate diploma (HD) in Business Administration, Organization & Leadership, Copenhagen Business School, Denmark.

Shareholding in Nordea: 3,530.[1]

Jussi Koskinen

Chief Legal Officer
Born 1973
Member of Group Leadership Team since 2018

Education: Master of Laws (LLM), University of Turku, School of Law, Finland. Executive Education, Global Business Consortium, London Business School, United Kingdom. Visiting Researcher, Louis D Brandeis School of Law, University of Louisville, United States. Specialization in Maritime Law, Nordisk Institutt for Sjørett, University of Oslo, Norway.

Shareholding in Nordea: 4,356.[1]

Ulrika Romantschuk

Head of Brand, Communications and Marketing
Born 1966
Member of Group Leadership Team since 2020

Education: Bachelor of Social Science, University of Helsinki, Finland.

Shareholding in Nordea: 0.[1]

Ian Smith

Group Chief Financial Officer
Born 1966
Member of Group Leadership Team since 2020

Education: MA in Economics, Aberdeen University, United Kingdom.

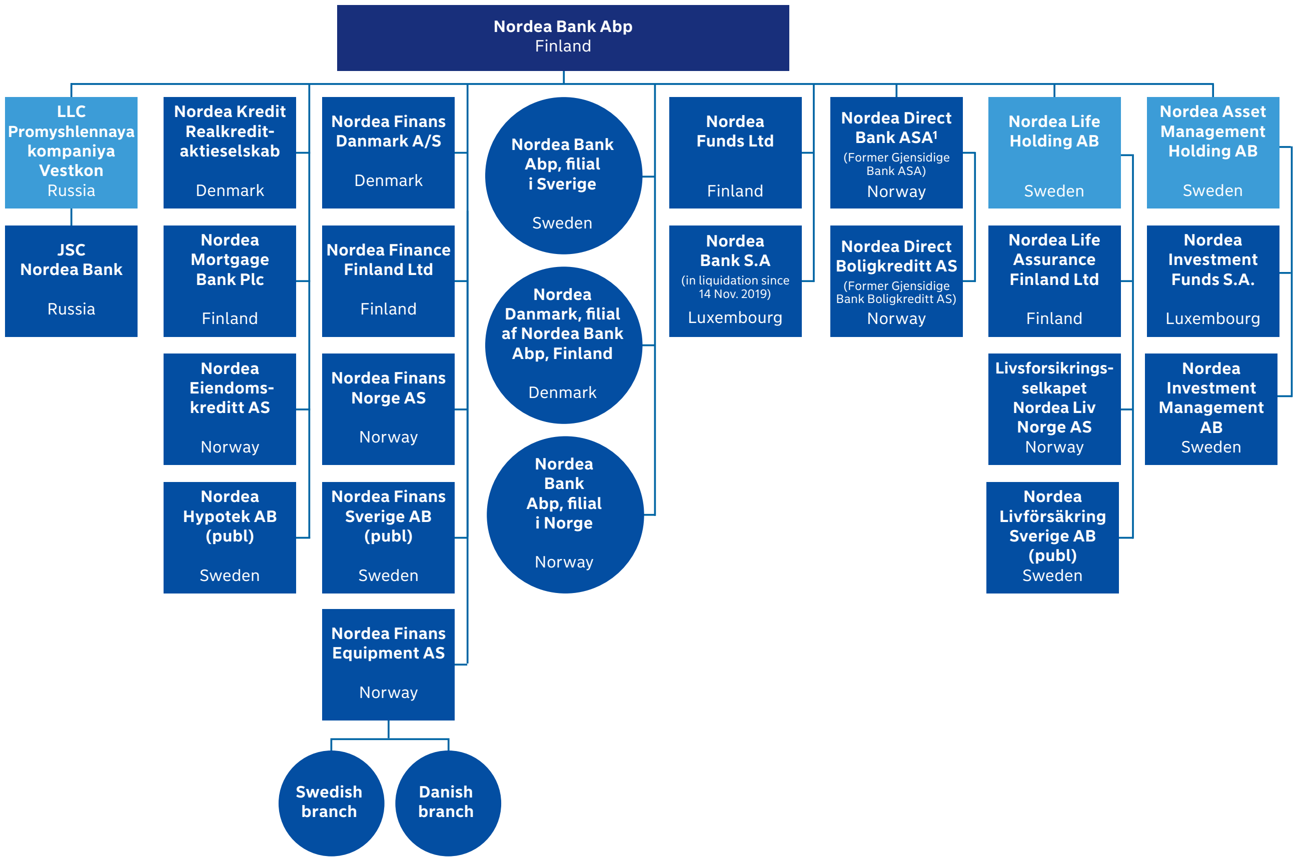
UK chartered accountant (1992)

Shareholding in Nordea: 0.[1]

1) Shareholdings, as of 31 December 2020, also include shares held by family members and closely affiliated legal entities.

Main legal structure

As of 1 January 2021



Branch - Nordea Bank Abp also operates brances in Estonia, Poland, London, New York, Shanghai and Singapore (The Frankfurt branch closed down by Dec 2020).

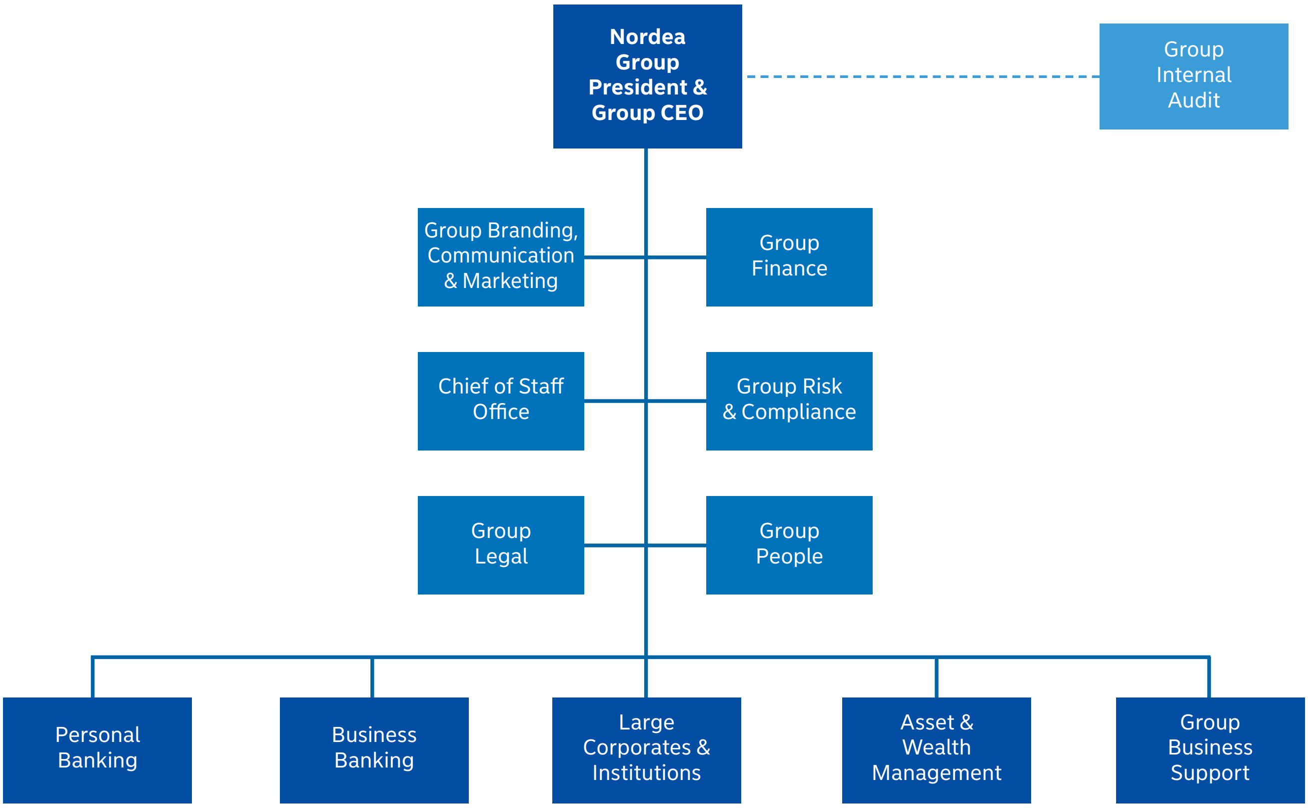
Legal entity

Holding company

1) Nordea Bank Abp and Nordea Direct Bank ASA (former Gjensidige ASA) have signed a merger plan on 12 June 2019. The merger of Nordea Direct Bank ASA (former Gjensidige Bank ASA) into Nordea Bank Abp is expected to be executed in the first half of 2021. The execution of the merger is subject to the neccessary authority approvals.

Group organisation

As of 1 January 2021



Annual General Meeting 24 March 2021

Nordea's Annual General Meeting 2021 will be held on Wednesday 24 March 2021 at 14.00 EET at the headquarters of Nordea, Hamnbanegatan 5, Helsinki, Finland.

Due to the COVID-19 pandemic and in order to ensure the health and safety of Nordea's shareholders, employees and other stakeholders, Nordea's Board of Directors has resolved on extraordinary meeting procedures pursuant to the temporary legislation (677/2020) which entered into force on 3 October 2020.

Participation and advance voting

In order to limit the spread of COVID-19 and to ensure the health and safety of the Nordea's shareholders, employees and other stakeholders, shareholders and their proxy representatives can only participate in the Annual General Meeting and exercise 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 shareholders' rights at the Annual General Meeting shall be registered as shareholders in the shareholders' register maintained by Euroclear Finland Oy in Finland, Euroclear Sweden AB in Sweden or VP Securities A/S in Denmark on 12 March 2021, at the latest. 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 holders of nominee registered shares are available at the website www.nordea.com/en/annual-general-meeting and in the Notice to the Annual General Meeting.

Webcast

Nordea will arrange a separate webcast for its shareholders after the Annual General Meeting on Wednesday 24 March 2021 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 made at the Annual General Meeting will be presented. Shareholders will also have the opportunity to ask questions on topics related to the Annual General Meeting from senior management. The webcast will not be part of the Annual General Meeting. Thus, questions referred to in Chapter 5, Section 25 of the Finnish Companies Act need to be asked in advance of the Annual General Meeting as described in the Notice. More information on the webcast and instructions on how to participate can be found on Nordea's website www.nordea.com/en/annual-general-meeting.

Financial calendar

Financial calendar 2021

Ex-dividend date	19 February
Record date for dividend EUR 0.07	22 February
Earliest payment for dividend EUR 0.07	1 March
Annual General Meeting	24 March
1st quarter results	29 April
2nd quarter results	21July
3rd quarter results	21 October

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Website

All reports, press and stock exchange releases are available on the Internet at: www.nordea.com. Financial reports published by the Nordea Group may be ordered on the website and via Investor Relations.

Nordea's report on Capital and risk management, in accordance with the Pillar III disclosure requirements according to the EU Capital Requirements Regulation, is presented on www.nordea.com.

The Annual Report 2020

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 288.

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 thereof. In the event of any inconsistencies between the Swedish and English versions, the former shall prevail. English and Swedish copies of this Annual Report are available at Aleksis Kivis gata 7, 00500 Helsinki and on Nordea's website at www.nordea.com.

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