# Half-Year Financial Report 2019

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## CEO Casper von Koskull's comments on the results:

"The operating environment for Nordea remains stable with continued lending growth, pressurised margins and challenging conditions for our market making activities. Our actions from the past 12 months have, however, led to some encouraging signs of regaining market shares and future cost reductions but it will take time before these increased activity levels are fully reflected in the results.

That said, our performance is not satisfactory, and further actions are needed to strengthen the financial results. I am confident that the investments we have made in regulatory and systems infrastructure, together with our committed and skilful employees, will ensure a powerful future development for the bank.

Nordea has in recent years de-risked the bank, invested in our digital and compliance platforms, concentrated our operations to the Nordic markets and has entered a new phase of customer focus. The financial environment has also changed with expected lower rates for longer, and we will soon have more clarity on our capital requirements within the banking union. For these reasons Nordea will review its financial targets, including the capital and dividend policy with an expectation to present these after the release of the third quarter 2019 results.

As communicated on 30th June 2019, I have decided to retire from Nordea by the end of 2020 and the process to find a successor has been initiated. Further information on timing will be disclosed when available."

(For further viewpoints, see CEO comments on page 2)

**Summary key figures**

| EURm | Q2 2019 | Q1 2019 | Chg % | Local curr. % | Q2 2018 | Chg % | Local curr. % | Jan-Jun 2019 | Jan-Jun 2018 | Chg % | Local curr. % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 1,071 | 1,056 | 1 | 2 | 1,110 | -4 | -1 | 2,127 | 2,226 | -4 | -3 |
| Total operating income | 2,141 | 2,115 | 1 | 2 | 2,578 | -17 | -16 | 4,256 | 4,956 | -14 | -13 |
| Total operating income[1] | 2,141 | 2,115 | 1 | 2 | 2,229 | -4 | -3 | 4,256 | 4,472 | -5 | -4 |
| Total operating expense | -1,180 | -1,452 | -19 | -18 | -1,154 | 2 | 3 | -2,632 | -2,526 | 4 | 6 |
| Total operating expense[2] | -1,180 | -1,357 | -13 | -12 | -1,154 | 2 | 3 | -2,537 | -2,526 | 0 | 2 |
| Profit before loan losses | 961 | 663 | 45 | 45 | 1,424 | -33 | -32 | 1,624 | 2,430 | -33 | -32 |
| Net loan losses | -61 | -42 | 45 | 48 | -59 | 3 | 5 | -103 | -99 | 4 | 6 |
| Operating profit | 900 | 621 | 45 | 45 | 1,365 | -34 | -33 | 1,521 | 2,331 | -35 | -34 |
| Adj. Operating profit[1,2,3] | 848 | 872 | -3 | | 974 | -13 | | 1,720 | 1,930 | -11 | |
| Diluted earnings per share, EUR | 0.17 | 0.10 | | | 0.28 | | | 0.27 | 0.46 | | |
| Common Equity Tier 1 capital ratio, %[4,5] | 14.8 | 14.6 | | | 19.9 | | | 14.8 | 19.9 | | |
| Cost/income ratio, % | 55 | 69 | | | 45 | | | 62 | 51 | | |
| Cost/income ratio,[1,2] % | 55 | 64 | | | 52 | | | 60 | 56 | | |
| Loan loss ratio, basis points | 10 | 7 | | | 10 | | | 9 | 8 | | |
| ROE, % | 9.1 | 5.5 | | | 14.3 | | | 7.2 | 11.7 | | |
| ROE,[1,2,6] % | 8.5 | 8.1 | | | 9.4 | | | 8.3 | 9.2 | | |

Exchange rates used for Q2 2019 for income statement items are for DKK 7.4651, NOK 9.7314 and SEK 10.5170.

[1] Excl. Items affecting comparability in Q1 2018: EUR 135m gain from valuation model update in Denmark, EUR 105m after tax, Q2 2018: tax free gain related to divestment of shares in UC EUR 87m and tax free gain related to the sale of Nordea Liv & Pension Denmark EUR 262m.

[2] Excl. Items affecting comparability in Q1 2019: EUR 95m non-deductible expense related to provision for ongoing AML-related matters.

[3] Adjusted for resolution fees before tax: In Q2 2019 EUR -52m, in Q1 2019 EUR 155m, in Q2 2018 EUR -42m, in Jan-Jun 2019 EUR 103m and in Jan-Jun 2018 EUR 84m (amortised on a straight-line basis).

[4] Including profit for the period adjusted by accrued dividend.

[5] The capital ratios for 2018 have not been restated due to the changed recognition and presentation of resolution fees (see Note 1 for more information).

[6] Adjusted for resolution fees after tax: In Q2 2019 EUR -40m, in Q1 2019 EUR 118m, in Q2 2018 EUR -32m, in Jan-Jun 2019 EUR 78m and in Jan-Jun 2018 EUR 64m (amortised on a straight-line basis).

**For further information:**

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We build strong and close relationships through our engagement with customers and society. Whenever people strive to reach their goals and realise their dreams, we are there to provide relevant financial solutions. We are one of the largest banks in the Nordic region in terms of total market capitalization with around 10 million customers. The Nordea share is listed on the Nasdaq Helsinki, Nasdaq Copenhagen and Nasdaq Stockholm exchanges. Read more about us on nordea.com.

# CEO comment

The operating environment for Nordea remains stable with continued lending growth, pressurised margins and challenging conditions for our market making activities. Our actions from the past 12 months have, however, led to some encouraging signs of regaining market shares and future cost reductions. It is important to acknowledge, however, that it will take time before these increased activity levels are fully reflected in the results.

Revenues increased 1% this quarter compared to the first quarter and underlying revenues[1] increased 5% compared to the fourth quarter of 2018.

Net interest income is impacted positively from higher lending volumes, however, that is more than offset by continued lending margin pressure, mainly towards our household customers. Deposit margins were largely unchanged. Gjensidige contributed with EUR 18m in the quarter.

Net fee and commission income increased 1% in the quarter and has grown steadily since the third quarter of 2018. Asset management commissions and corporate advisory fees had a positive development, while cards and payments declined.

Net results from items at fair value increased 7% in the quarter with customer activity remaining at a good level with treasury improving due to performance in fixed income and positive movements in FX positions, while the operating environment for market making activities continued to be challenging.

Costs[2] were up 3% in local currencies, due to seasonality and higher depreciations.

Cost to income[3] ratio increased by 1% to 58% compared to the previous quarter and RoE[2] increased 40 bps to 8.5%.

Loan loss ratio increased 3 bps to 10 bps, as we did not have the same level of reversals in this quarter. We reiterate the guidance that credit quality will be largely unchanged in the coming quarters.

Capital position, expressed as Common equity Tier 1 ratio increased by 20 bps in the quarter, to 14.8%. The ratio is 120 bps above the nominal capital commitment of 13.6% and is well in line with Nordea's capital policy. On 18 July 2019, the ECB will publish Nordea's result of the Comprehensive Assessment (CA) exercise including the Asset Quality Review (AQR) and the ECB stress test. Overall results of the exercise confirm the resilient capital position of Nordea, exceeding all the thresholds defined by the ECB.

Personal Banking reports a lending growth of 1% compared to previous quarter in local currencies, and 5% compared to a year ago in local currencies. Revenues declined by 3% compared to previous quarter, where Gjensidige was a key contributor to growth but offset by lower fair value results. Costs[3] decreased by 1%. Cost to income ratio[3] increased 2 %-points to 62%. We see increasing market share of new mortgage sales in all countries especially in Sweden where we increased our market share of new lending in May to above 15%. Hence, our total market share also increased for the first time in three years. Furthermore, online customer meetings share continued to increase in all markets except Sweden.

In Commercial and Business Banking, lending grew 1% in the quarter and 3% compared to a year ago in local currencies. Revenues increased by 8% in local currencies. Costs[3] increased by 3% and cost to income ratio[3] decreased 2 %-points to 54%. Business momentum continues to improve, mainly illustrated by lending growth, strong markets income and continued focus on improving customer intensity.

Wholesale Banking reports a 3% increase in the lending towards Nordic customers, compared to previous year, while we continue to reduce exposure in Russia as planned. Revenues decreased 1% while costs[3], increased by 1%. Cost to income ratio[3] increased 1 %-point to 63%.

Asset & Wealth Management attracted new assets for the second quarter in a row. AuM increased to EUR 306.5bn by the end of Q2, up from EUR 300.2bn in Q1, of which EUR 3.8bn was net inflows, corresponding to 5% of assets under management annualised. AuM level is the highest ever adjusted for all divestments. Revenues decreased by 3% compared to previous quarter and costs[3] decreased by 1%. Cost to income ratio[3] was unchanged at 46%. The strong development in Private Banking that we had in Q1 continued into Q2 with Nordic flows of EUR 1.4bn and in addition, the net inflow in the Wholesale distribution recovered strongly with a net inflow of EUR 1.2bn. Nordea has recently won a large mandate in the US with John Hancock, one of the most well-known brands in the US retail markets for savings which supports our distribution strategy in Asset Management.

As our performance is not satisfactory, further actions are needed to strengthen the financial results. I am confident that the investments we have made in regulatory and systems platforms, together with our committed and skilful employees, will ensure a powerful future development for the bank.

Nordea has in recent years de-risked the bank, invested in our digital and compliance platforms, concentrated our operations to the Nordic markets and has entered a new phase of customer focus. Financial environments have also changed with expected lower rates for longer, and we will soon have more clarity on our capital requirements within the banking union. For these reasons Nordea will review its financial targets, including the capital and dividend policy with an expectation to present these after the release of the third quarter 2019 results.

As communicated on 30th June 2019, I have decided to retire from Nordea by the end of 2020 and the process to find a successor has been initiated. Further information on timing will be disclosed when available.

**Casper von Koskull**
President and Group CEO

[1]Adjusted for items affecting comparability
[2]Adjusted for resolution fees of EUR 207m in first quarter of 2019
[3]Resolution fees are periodised over 2019

# Outlook

## Key drivers of the outlook

Throughout Nordea, we are intensifying our efforts to increase business momentum and each business area has identified a number of initiatives to drive client value and revenue growth. Examples include investments in Private Banking in Norway and Sweden, the integration of Gjensidige Bank, new distribution channels within Asset Management and Wholesale Banking and actions to regain momentum on mortgages, where we are already starting to see results.

The key drivers behind the cost efficiency are increased usage of automation and robotics, the shift in our workforce composition through nearshoring to Poland and Estonia and increased use of outsourcing and partnerships of which the recent collaboration with John Hancock to distribute stable return products in the US is an example. We are also simplifying by harmonising products and services and leveraging scale by further consolidating common units, for instance global operations and services.

Nordea has in recent years de-risked the bank, invested in our digital and compliance platforms, concentrated the operations to the Nordic markets and has entered a new phase of customer focus. Financial environments have also changed with expected lower rates for longer, and we will soon have more clarity on our capital requirements within the banking union. For these reasons Nordea will review its financial targets, including the capital and dividend policy with an expectation to present these after the release of the third quarter 2019 results.

On 18 July 2019, the ECB will publish Nordea's result of the Comprehensive Assessment (CA) exercise including the Asset Quality Review (AQR) and the ECB stress test. Overall results of the exercise confirm the resilient capital position of Nordea, exceeding all the thresholds defined by the ECB. The outcome of the AQR presents a prudential assessment of current provisions. Nordea has reviewed the results and are comfortable with the current level of accounting provisions. Nordea expects that the prudential outcome of the AQR will be further assessed and discussed in the supervisory dialogue during H2 2019.

## Costs

For 2021, we expect the cost base in constant currencies to be approximately 3% below the 2018 cost base excluding items affecting comparability in 2018[1] and cash costs are expected to be down by up to 10% in constant currencies over the same period.

Costs for 2019 are expected to be lower in constant currencies compared to 2018 excluding items affecting comparability in 2018 and 2019[2] and the total cash cost is expected to be lower in constant currencies over the same period.

## Credit quality

Our expectation for the coming quarters is that net losses will remain low and around the average level for 2018.

## Capital policy

Given the implementation of transitional arrangements agreed with the ECB following Nordea's transfer to the Banking Union and with the aim to maintain the same nominal management buffer, the management buffer has been adjusted from a range of 50–150 bps to 40–120 bps. This is mainly a technical adjustment and hence the management buffer remains largely unchanged in nominal EUR amounts. The current level of the management buffer is approximately EUR 2.0bn (120 bps). Nordea aims to achieve a yearly increase in the dividend per share, while maintaining a strong capital position in line with the capital policy.

[1] Goodwill write-down of EUR 141m in Q4 2018
[2] Adjusted for the goodwill write-down of EUR 141m in 2018, transaction costs of EUR 90m in 2019, higher resolution fee in 2019 and provision of EUR 95m in Q1 2019

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# Income statement

| EURm | Q2 2019 | Q1 2019 | Chg % | Local curr. % | Q2 2018 | Chg % | Local curr. % | Jan-Jun 2019 | Jan-Jun 2018 | Chg % | Local curr. % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 1,071 | 1,056 | 1 | 2 | 1,110 | -4 | -1 | 2,127 | 2,226 | -4 | -3 |
| Net fee and commission income | 743 | 737 | 1 | 1 | 800 | -7 | -6 | 1,480 | 1,570 | -6 | -5 |
| Net result from items at fair value | 283 | 264 | 7 | 7 | 260 | 9 | 8 | 547 | 701 | -22 | -22 |
| Profit from associated undertakings and joint ventures accounted for under the equity method | 24 | 14 | 71 | 71 | 33 | -27 | -35 | 38 | 61 | -38 | -42 |
| Other operating income | 20 | 44 | -55 | -56 | 375 | -95 | -95 | 64 | 398 | -84 | -84 |
| **Total operating income** | **2,141** | **2,115** | **1** | **2** | **2,578** | **-17** | **-16** | **4,256** | **4,956** | **-14** | **-13** |
| Staff costs | -727 | -718 | 1 | 2 | -730 | 0 | 1 | -1,445 | -1,528 | -5 | -4 |
| Other expenses | -304 | -594 | -49 | -48 | -350 | -13 | -12 | -898 | -853 | 5 | 7 |
| Depreciation, amortisation and impairment charges of tangible and intangible assets | -149 | -140 | 6 | 7 | -74 | 101 | 104 | -289 | -145 | 99 | 101 |
| **Total operating expenses** | **-1,180** | **-1,452** | **-19** | **-18** | **-1,154** | **2** | **3** | **-2,632** | **-2,526** | **4** | **6** |
| **Profit before loan losses** | **961** | **663** | **45** | **45** | **1,424** | **-33** | **-32** | **1,624** | **2,430** | **-33** | **-32** |
| Net loan losses | -61 | -42 | 45 | 48 | -59 | 3 | 5 | -103 | -99 | 4 | 6 |
| **Operating profit** | **900** | **621** | **45** | **45** | **1,365** | **-34** | **-33** | **1,521** | **2,331** | **-35** | **-34** |
| Income tax expense | -219 | -178 | 23 | 23 | -250 | -12 | -12 | -397 | -479 | -17 | -16 |
| **Net profit for the period** | **681** | **443** | **54** | **53** | **1,115** | **-39** | **-38** | **1,124** | **1,852** | **-39** | **-39** |

# Business volumes, key items[1]

| EURbn | 30 Jun 2019 | 31 Mar 2019 | Chg % | Local curr. % | 30 Jun 2018 | Chg % | Local curr. % |
|---|---|---|---|---|---|---|---|
| Loans to the public | 323.8 | 325.6 | -1 | 0 | 314.8 | 3 | 4 |
| Loans to the public, excl. repos | 300.2 | 300.6 | 0 | 0 | 292.4 | 3 | 3 |
| Deposits and borrowings from the public | 176.5 | 176.3 | 0 | 1 | 176.5 | 0 | 1 |
| Deposits from the public, excl. repos | 167.0 | 166.6 | 0 | 1 | 166.3 | 0 | 1 |
| Total assets | 582.9 | 590.2 | -1 | | 570.1 | 2 | |
| Assets under management | 306.5 | 300.2 | 2 | | 307.0 | 0 | |
| Equity | 31.1 | 30.5 | 2 | | 31.9 | -3 | |

# Ratios and key figures[2]

| | Q2 2019 | Q1 2019 | Chg % | Q2 2018 | Chg % | Jan-Jun 2019 | Jan-Jun 2018 | Chg % |
|---|---|---|---|---|---|---|---|---|
| Diluted earnings per share, EUR | 0.17 | 0.10 | 70 | 0.28 | -39 | 0.27 | 0.46 | -41 |
| EPS, rolling 12 months up to period end, EUR | 0.58 | 0.68 | -15 | 0.82 | -29 | 0.58 | 0.82 | -29 |
| Share price[1], EUR | 6.39 | 6.80 | -6 | 8.26 | -23 | 6.39 | 8.26 | -23 |
| Total shareholders' return, % | 4.0 | 3.3 | | 3.7 | | -1.5 | -7.0 | |
| Equity per share[1], EUR | 7.69 | 7.55 | 2 | 7.90 | -3 | 7.69 | 7.90 | -3 |
| Potential shares outstanding[1], million | 4,050 | 4,050 | 0 | 4,050 | 0 | 4,050 | 4,050 | 0 |
| Weighted average number of diluted shares, mn | 4,032 | 4,033 | 0 | 4,037 | 0 | 4,032 | 4,037 | 0 |
| Return on equity, % | 9.1 | 5.5 | | 14.3 | | 7.2 | 11.7 | |
| Return on tangible equity, % | 10.6 | 6.4 | | 16.5 | | 8.4 | 13.4 | |
| Return on Risk Exposure Amount, % | 1.7 | 1.1 | | 3.6 | | 1.4 | 3.0 | |
| Return on Equity with periodised resolution fees, % | 8.5 | 7.0 | | 13.9 | | 7.7 | 12.1 | |
| Cost/income ratio, % | 55 | 69 | | 45 | | 62 | 51 | |
| Cost/income ratio with periodised resolution fees, % | 58 | 61 | | 46 | | 59 | 49 | |
| Loan loss ratio, basis points[3] | 10 | 7 | 43 | 10 | 0 | 9 | 8 | 13 |
| Common Equity Tier 1 capital ratio[1,4,5,6,7], % | 14.8 | 14.6 | | 19.9 | | 14.8 | 19.9 | |
| Tier 1 capital ratio[1,4,5,7], % | 17.3 | 17.1 | | 22.2 | | 17.3 | 22.2 | |
| Total capital ratio[1,4,5,7], % | 19.8 | 19.5 | | 25.4 | | 19.8 | 25.4 | |
| Tier 1 capital[1,4,7], EURbn | 27.6 | 27.8 | -1 | 27.2 | 1 | 27.6 | 27.2 | 1 |
| Risk exposure amount[4], EURbn | 160 | 163 | -2 | 123 | 30 | 160 | 123 | 30 |
| Number of employees (FTEs)[1] | 29,550 | 29,284 | 1 | 29,271 | 1 | 29,550 | 29,271 | 1 |
| Economic capital[1,7], EURbn | 27.8 | 28.2 | -1 | 26.5 | 5 | 27.8 | 26.5 | 5 |

[1] End of period.
[2] For more detailed information regarding ratios and key figures defined as Alternative performance measures, see www.nordea.com/en/investor-relations/.
[3] Including Loans to the public reported in Assets held for sale in Q1 2018.
[4] Including the result for the period.
[5] Changes to the applicable capital requirements regime (for more details, please see chapter Other information).
[6] Including profit for the period adjusted by accrued dividend.
[7] The capital ratios for 2018 have not been restated due to the changed recognition and presentation of resolution fees (see Note 1 for more information).

# Income statement Excluding items affecting comparability[1,2]

| EURm | Q2 2019 | Q1 2019 | Chg % | Local curr. % | Q2 2018 | Chg % | Local curr. % | Jan-Jun 2019 | Jan-Jun 2018 | Chg % | Local curr. % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 1,071 | 1,056 | 1 | 2 | 1,110 | -4 | -1 | 2,127 | 2,226 | -4 | -3 |
| Net fee and commission income | 743 | 737 | 1 | 1 | 800 | -7 | -6 | 1,480 | 1,570 | -6 | -5 |
| Net result from items at fair value | 283 | 264 | 7 | 7 | 260 | 9 | 8 | 547 | 566 | -3 | -4 |
| Profit from associated undertakings and joint ventures accounted for under the equity method | 24 | 14 | 71 | 71 | 33 | -27 | -35 | 38 | 61 | -38 | -42 |
| Other operating income | 20 | 44 | -55 | -56 | 26 | -23 | -20 | 64 | 49 | 31 | 33 |
| **Total operating income** | **2,141** | **2,115** | **1** | **2** | **2,229** | **-4** | **-3** | **4,256** | **4,472** | **-5** | **-4** |
| Staff costs | -727 | -718 | 1 | 2 | -730 | 0 | 1 | -1,445 | -1,528 | -5 | -4 |
| Other expenses | -304 | -499 | -39 | -38 | -350 | -13 | -12 | -803 | -853 | -6 | -4 |
| Depreciation, amortisation and impairment charges of tangible and intangible assets | -149 | -140 | 6 | 7 | -74 | 101 | 104 | -289 | -145 | 99 | 101 |
| **Total operating expenses** | **-1,180** | **-1,357** | **-13** | **-12** | **-1,154** | **2** | **3** | **-2,537** | **-2,526** | **0** | **2** |
| **Profit before loan losses** | **961** | **758** | **27** | **27** | **1,075** | **-11** | **-9** | **1,719** | **1,946** | **-12** | **-11** |
| Net loan losses | -61 | -42 | 45 | 48 | -59 | 3 | 5 | -103 | -99 | 4 | 6 |
| **Operating profit** | **900** | **716** | **26** | **26** | **1,016** | **-11** | **-10** | **1,616** | **1,847** | **-13** | **-12** |
| Income tax expense | -219 | -178 | 23 | 23 | -250 | -12 | -12 | -397 | -449 | -12 | -11 |
| **Net profit for the period** | **681** | **538** | **27** | **27** | **766** | **-11** | **-10** | **1,219** | **1,398** | **-13** | **-12** |

# Ratios and key figures[1,2]

| | Q2 2019 | Q1 2019 | Chg % | Q2 2018 | Chg % | Jan-Jun 2019 | Jan-Jun 2018 | Chg % |
|---|---|---|---|---|---|---|---|---|
| Diluted earnings per share, EUR | 0.17 | 0.13 | 31 | 0.19 | -11 | 0.30 | 0.34 | -12 |
| EPS, rolling 12 months up to period end, EUR | 0.62 | 0.64 | -3 | 0.71 | -13 | 0.62 | 0.71 | -13 |
| Return on equity, % | 9.1 | 6.7 | | 9.8 | | 7.8 | 8.8 | |
| Return on tangible equity, % | 10.6 | 7.7 | | 11.3 | | 9.1 | 10.1 | |
| Return on Risk Exposure Amount, % | 1.7 | 1.3 | | 2.5 | | 1.5 | 2.3 | |
| Return on Equity with periodised resolution fees, % | 8.5 | 8.1 | | 9.4 | | 8.3 | 9.2 | |
| Cost/income ratio, % | 55 | 64 | | 52 | | 60 | 56 | |
| Cost/income ratio with periodised resolution fees, % | 58 | 57 | | 54 | | 57 | 55 | |
| ROCAR, % | 9.8 | 8.1 | | 11.3 | | 9.0 | 10.4 | |

[1] Excl. items affecting comparability in Q1 2019: EUR 95m non-deductible expense related to provision for ongoing AML-related matters.
Q2 2018: tax free gain related to divestment of shares in UC EUR 87m and tax free gain related to the sale of Nordea Liv & Pension Denmark EUR 262m.
In Q1 2018: EUR 135m gain from valuation model update in Denmark, EUR 105m after tax.

[2] For more detailed information regarding ratios and key figures defined as Alternative performance measures, see www.nordea.com/en/investor-relations/.

# Macroeconomy and financial markets

The world economy remained fragile during Q2 2019 amid uncertainty about Brexit and the ongoing trade disputes. The manufacturing sector has been hit hard, while the service sector to a greater extent has been able to keep up production. Labour markets are still strong. However, inflation remains tame and recent statements from the major central banks point towards new monetary policy easing and low – even negative – rates for a long time. It is now widely expected among market participants that the Fed will cut rates, and the ECB has signaled that in the absence of improvement, such that the sustained return of inflation to the target is threatened, additional stimulus will be required. This has led to new lows for interest rates globally and helped stock markets rally. EUR/USD stayed relatively stable during Q2, while oil prices slipped on the back of a weaker economic outlook.

## Denmark

Growth in the Danish economy slowed in Q1 2019 due to a marked decline in exports of services. Growth is being held up by domestic demand with private consumption and investment as the main drivers. Consumer confidence is at solid levels, while sentiment in the manufacturing sector has been trending lower in line with weaker activity in the Euro area. Forward-looking indicators point to subdued growth over the coming quarters. The Danish central bank kept its deposit rate at -0.65% during Q2 2019.

## Finland

The Finnish economy grew at a decent pace in Q1 2019, but growth momentum is slowing faster than expected. Somewhat surprisingly, the export sector was the growth driver in Q1, while weak household demand and investment added to worries over Finland's growth prospects. Consumer and manufacturing confidence has continued declining, and the global slowdown is expected to continue to impact Finland resulting in the growth outlook being more downbeat.

## Norway

Economic growth in Norway slowed in Q1 held back by some temporary factors although domestic demand grew at a healthy pace and forward-looking indicators point towards strong growth over the coming quarters. Norges Bank raised its key policy rate to 1.25% in June and will probably hike one more time this year. The NOK moved sideways in Q2 but strengthened somewhat on Norges Bank's meeting.

## Sweden

The Swedish economy grew at a decent pace in Q1 2019 mainly driven by a rise in exports. Domestic demand was subdued due to stagnating household consumption and poor fixed investment performance. Inflation hovered around the 2% target, boosted by energy prices and a weak SEK. The Riksbank kept the repo rate unchanged at its April and July meetings, signaling a rate hike around the turn of the year. The trade-weighted SEK weakened during Q2.

# Group results and performance

## Second quarter 2019

### Net interest income
Net interest income in local currencies was up 2% from the previous quarter supported by the acquisition of Gjensidige and one more interest day. Lending volumes growth is improving whilst margins remained under pressure more than offsetting the increased growth.

### Personal banking
Net interest income was up 3% in local currencies from the previous quarter due to full implementation of the Gjensidige bank acquisition and one more interest day. Lending volumes grew in all countries while margin pressure trend persisted.

### Commercial and Business Banking
Net interest income was up 2% in local currencies from the previous quarter, driven by high customer activity in Norway and Sweden while lending margin pressure increased.

### Wholesale Banking
Net interest income was down 2% in local currencies from the previous quarter. Average lending volumes increased but offset by decreasing margins.

### Asset and Wealth Management
Net interest income in Asset & Wealth Management was up EUR 1m from the previous quarter.

### Group Functions and Other
Net interest income in Treasury was EUR 2m lower from previous quarter mainly driven by low activity, low spreads and intragroup transactions between net interest income and net results from items at fair value.

***Lending volumes***
Loans to the public in local currencies, excluding repos, were unchanged from the previous quarter. Average lending volumes in local currencies increased in Personal Banking mainly driven by higher volumes in Norway. In Commercial & Business Banking, volumes increased mainly driven by Business Banking Norway. In Wholesale Banking, average lending volumes increased in all Nordic countries.

***Deposit volumes***
Total deposits from the public in local currencies, excluding repos were 1% up from the previous quarter. Average deposit volumes increased in all business areas with exception in Wholesale Banking where average deposit volumes decreased driven by Corporate & Investment Banking.

**Net interest income per business area**

| | | | | | | | | Local currency | |
|---|---|---|---|---|---|---|---|---|---|
| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Q2/Q1 | Q2/Q2 |
| **EURm** | | | | | | | | | |
| Personal Banking | 532 | 517 | 535 | 507 | 520 | 3% | 2% | 3% | 3% |
| Commercial & Business Banking | 340 | 334 | 347 | 329 | 333 | 2% | 2% | 2% | 3% |
| Wholesale Banking | 208 | 213 | 230 | 234 | 234 | -2% | -11% | -2% | -10% |
| Asset & Wealth Management | 14 | 13 | 15 | 18 | 18 | 8% | -22% | 8% | -22% |
| Group Functions and other | -23 | -21 | 15 | 35 | 5 | - | - | - | - |
| **Total Group** | **1,071** | **1,056** | **1,142** | **1,123** | **1,110** | **1%** | **-4%** | **2%** | **-1%** |

**Change in Net interest income**

| | Q2/Q1 | Jan-Jun 19/18 |
|---|---|---|
| **EURm** | | |
| **NII beginning of period** | **1,056** | **2,226** |
| **Margin driven NII** | **-24** | **-147** |
| Lending margin | -35 | -215 |
| Deposit margin | 4 | 58 |
| Cost of funds | 7 | 10 |
| **Volume driven NII** | **27** | **88** |
| Lending volume | 28 | 96 |
| Deposit volume | -1 | -8 |
| Day count | 14 | 0 |
| Other[1,2,3] | -2 | -40 |
| **NII end of period** | **1,071** | **2,127** |
| [1] of which FX | -6 | -41 |
| [2] of which Baltics | - | -10 |
| [2] of which DGS | 0 | 19 |

## Net fee and commission income

Net fee and commission income increased by 1% in local currencies from the previous quarter supported by higher Asset Management volumes, increased brokerage and corporate finance fees driven by increased capital markets activity as well as higher custody fees due to semi-annual fees. Payment and card fees declined from the high level in the previous quarter.

### *Savings and investment commissions*

Net fee and commission income from savings and investments increased 11% in local currencies from the previous quarter to EUR 495m. Assets under Management (AuM) increased by EUR 6.3bn to EUR 306.5bn at the end of the quarter with highest inflow since Q3 2016 with all countries and channels contributing. Increased sales activity and new products in Institutional Sales also supported the momentum.

### *Payments and cards and lending-related commissions*

Lending-related net fee and commission income decreased from the previous quarter to EUR 121m (EUR 126m in Q1). Payments and cards net fee and commission income decreased to EUR 128m from a strong previous quarter (EUR 143m in Q1), which was positively impacted by few technical items.

### Personal Banking

Fees and commission increased by 4% from the previous quarter driven mainly by higher savings fees with increase in equity market and mortgage refinancing fees in Denmark.

### Commercial and Business Banking

Fees and commission decreased by 12% from a strong Q1 positively affected by strong corporate finance related activities and improved cash management results. The underlying development is stable.

### Wholesale Banking

Fees and commission increased by 24% in local currencies from the previous quarter driven by increased capital markets activity particularly in Corporate & Investment Banking, and lower commission expense in Markets.

### Asset and Wealth Management

Fees and commission increased by 4% from the previous quarter, positively impacted by higher AuM back at same level as per Q2 2018 with flow of EUR 4bn. Private Banking flows remained strong with contribution from all countries.

### Group Functions and Other

Fees and commission decreased by EUR 18m from the previous quarter which was positively impacted by increased card fees and higher commission expense in Q2.

**Net fee and commission income per business area**

| | | | | | | | | Local currency | |
|---|---|---|---|---|---|---|---|---|---|
| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Q2/Q1 | Q2/Q2 |
| **EURm** | | | | | | | | | |
| Personal Banking | 168 | 163 | 167 | 172 | 183 | 3% | -8% | 4% | -7% |
| Commercial & Business Banking | 106 | 121 | 112 | 105 | 110 | -12% | -4% | -12% | -3% |
| Wholesale Banking | 127 | 105 | 107 | 93 | 151 | 21% | -16% | 24% | -17% |
| Asset & Wealth Management | 349 | 337 | 342 | 342 | 362 | 4% | -4% | 4% | -4% |
| Group Functions and other | -7 | 11 | -8 | -9 | -6 | - | - | - | - |
| **Total Group** | **743** | **737** | **720** | **703** | **800** | **1%** | **-7%** | **1%** | **-6%** |

**Net fee and commission income per category**

| | | | | | | | | Local currency | |
|---|---|---|---|---|---|---|---|---|---|
| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Q2/Q1 | Q2/Q2 |
| **EURm** | | | | | | | | | |
| Savings and investments, net | 495 | 446 | 500 | 447 | 510 | 11% | -3% | 11% | -2% |
| Payments and cards, net | 128 | 143 | 121 | 130 | 139 | -10% | -8% | -10% | -7% |
| Lending-related, net | 121 | 126 | 114 | 129 | 142 | -4% | -15% | -4% | -14% |
| Other commissions, net | -1 | 22 | -15 | -3 | 9 | - | - | - | - |
| **Total Group** | **743** | **737** | **720** | **703** | **800** | **1%** | **-7%** | **1%** | **-6%** |

**Assets under Management (AuM), volumes and net inflow**

| | Q219 | Q119 | Q418 | Q318 | Q218 | Net inflow Q219 |
|---|---|---|---|---|---|---|
| **EURbn** | | | | | | |
| Nordic Retail funds | 62.3 | 61.2 | 56.3 | 61.1 | 60.0 | 0.1 |
| Private Banking | 85.4 | 84.1 | 80.7 | 98.0 | 96.3 | 1.4 |
| Institutional sales | 108.6 | 103.8 | 98.3 | 101.6 | 100.9 | 2.0 |
| Life & Pensions | 50.2 | 51.1 | 47.3 | 50.8 | 49.8 | 0.3 |
| **Total** | **306.5** | **300.2** | **282.6** | **311.5** | **307.0** | **3.8** |

## Net result from items at fair value

The net result from items at fair value increased by 7% from the previous quarter to EUR 283m with underlying customer activity remaining strong while trading income remained weak due to low interest rates, spreads and a flatter yield curve.

During the quarter, sales of collection portfolios generated a gain of EUR 16m in Personal Banking. Revaluations of Nordea's holding in Visa C shares, in Asiakastieto, in Euroclear and other private equity generated a total gain of EUR 50m in Group Functions and Other. In Commercial and Business Banking valuation effects had a negative impact of EUR 17m and in Wholesale banking the valuation effects had a negative impact of EUR 27m.

### *Capital Markets income for customers in Wholesale Banking, Personal Banking, Commercial & Business Banking and Private Banking*

The net fair value result for the business units was down and amounted to EUR 203m, as compared to EUR 217m in the previous quarter. Customer-driven capital markets activities were stable from the previous quarter. Fair value model change related to Danish mortgage valuation impacted positively Wholesale Banking with EUR 10m while it impacted negatively both Personal Banking and Commercial & Business Banking with EUR 2m and EUR 17m respectively.

### *Life & Pensions*

The net result from items at fair value for Life & Pensions decreased EUR 21m from the previous quarter to EUR 10m due to positive impact in Q1 of fair value adjustment in Nordea Kredit and move between income lines (from net fair value to other income) in Q2.

### *Market making activities*

The net fair value result for Market making activities, i.e. income from managing the risks inherent in customer transactions amounted to EUR -30m from EUR 0m in the previous quarter from challenging market conditions with low volatility, low rates, tight spreads and a flat yield curve. Valuation adjustments had a negative impact of EUR 27m driven by lower Euro rates, compared to a negative impact of EUR 42m in the previous quarter.

### *Group Functions and Other*

The net fair value result in Group Functions and Other increased to EUR 110m (from EUR 47m in the previous quarter). Improvement in Treasury was supported by performance in fixed income and positive movements in FX positions.

**Net result from items at fair value per area**

| EURm | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 |
|---|---|---|---|---|---|---|---|
| Personal Banking | 32 | 72 | 38 | 28 | 14 | -56% | - |
| Commercial & Business Banking | 67 | 23 | 72 | 48 | 57 | - | 18% |
| Wholesale Banking customer units | 87 | 77 | 79 | 56 | 91 | 13% | -4% |
| Wealth Mgmt. excl. Life | 7 | 14 | 7 | 7 | 12 | -50% | -42% |
| Wholesale Banking excl. Customer units | -30 | 0 | -53 | 55 | 18 | - | - |
| Life & Pensions | 10 | 31 | 26 | 23 | 26 | -68% | -62% |
| Group Functions and other | 110 | 47 | 13 | -12 | 42 | - | - |
| **Total Group** | **283** | **264** | **182** | **205** | **260** | **7%** | **9%** |
| **Total, excl. items affecting comparability[1]** | **283** | **264** | **132** | **205** | **260** | **7%** | **9%** |

[1] In Q4 2018: EUR 50m gain from revaluation of Euroclear. In Q1 2018: EUR 135m gain from valuation model update in Denmark.

## Equity method

Income from companies accounted for under the equity method was EUR 24m, up from EUR 14m in the previous quarter, with Luminor contributing EUR 10m (EUR 11m in Q1 2019) while income related to associated companies held by Nordea Life & Pension, reclassified from subsidiaries to associated companies during the quarter, had a positive impact of EUR 13m (EUR 4m in Q1 2019).

## Other operating income

Other operating income was EUR 20m, down from EUR 44m in the previous quarter.

## Total operating income

Total income was up 2% in local currencies from the previous quarter and amounted to EUR 2,141m.

**Total operating income per business area**

| | | | | | | | | Local currency | |
|---|---|---|---|---|---|---|---|---|---|
| EURm | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Q2/Q1 | Q2/Q2 |
| Personal Banking | 731 | 753 | 738 | 706 | 718 | -3% | 2% | -3% | 3% |
| Commercial & Business Banking | 520 | 483 | 537 | 487 | 510 | 8% | 2% | 8% | 3% |
| Wholesale Banking | 393 | 395 | 364 | 438 | 494 | -1% | -20% | 0% | -20% |
| Asset & Wealth Management | 393 | 404 | 405 | 400 | 426 | -3% | -8% | -3% | -8% |
| Group Functions and other | 104 | 80 | 75 | 66 | 430 | - | - | - | - |
| **Total Group** | **2,141** | **2,115** | **2,119** | **2,097** | **2,578** | **1%** | **-17%** | **2%** | **-16%** |
| **Total, excl items affecting comparability[1]** | **2,141** | **2,115** | **2,033** | **2,097** | **2,229** | **1%** | **-4%** | **2%** | **-3%** |

1 Excl. items affecting comparability in Q4 2018: EUR 50m gain from revaluation of Euroclear, EUR 38m after tax, and EUR 36m gain related to sale of Ejendomme. Q2 2018: tax free gain related to divestment of shares in UC EUR 87m and tax free gain related to the sale of Nordea Liv & Pension Denmark EUR 262m. In Q1 2018: EUR 135m gain from valuation model update in Denmark, EUR 105m after tax.

## Total expenses

Total expenses in the second quarter amounted to EUR 1,180m, down 18% in local currencies from the previous quarter and up 3% in local currencies from the second quarter of 2018 due to depreciations and seasonal effects.

Staff costs were up 2% in local currencies from the previous quarter due to seasonality and up 1% in local currencies from the same period in 2018.

Other expenses were down 48% in local currencies from the previous quarter as the first quarter was negatively impacted by both the change in the booking of the full year resolution fees (EUR 207m, and provision for ongoing AML-related matters (EUR 95m).

Depreciation was up 7% in local currencies from the previous quarter.

The number of employees (FTEs) at the end of the second quarter was 29,550, up 1% from the previous quarter and up 1% from the same quarter of 2018 due to build up and transfer of processes to near shoring to Poland and Estonia.

Expenses related to Group-related projects, compliance and risk that affected the P&L were EUR 116m, compared to EUR 112m in the previous quarter. In addition, EUR 42m was capitalised from Group projects up from EUR 40m in the previous quarter.

The cost/income ratio was down to 58% in the second quarter (down to 55% excluding items affecting comparability), compared to 61% in the previous quarter and 46% in the second quarter of 2018.

**Total operating expenses**

| | | | | | | | | Local currency | |
|---|---|---|---|---|---|---|---|---|---|
| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Q2/Q1 | Q2/Q2 |
| **EURm** | | | | | | | | | |
| Staff costs | -727 | -718 | -744 | -726 | -730 | 1% | 0% | 2% | 1% |
| Other expenses | -304 | -594 | -390 | -323 | -350 | -49% | -13% | -48% | -12% |
| Depreciations | -149 | -140 | -250 | -87 | -74 | 6% | 101% | 7% | 104% |
| **Total Group** | **-1,180** | **-1,452** | **-1,384** | **-1,136** | **-1,154** | **-19%** | **2%** | **-18%** | **3%** |
| **Total, excl. items affecting comparability[1]** | **-1,180** | **-1,357** | **-1,243** | **-1,136** | **-1,154** | **-13%** | **2%** | **-12%** | **3%** |

[1] Excl. items affecting comparability in Q1 2019: EUR 95m non-deductible expense related to provision for ongoing AML-related matters.
In Q4 2018: EUR 141m loss from impairment of goodwill in Russia.

**Total operating expenses per business area**

| | | | | | | | | Local currency | |
|---|---|---|---|---|---|---|---|---|---|
| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Q2/Q1 | Q2/Q2 |
| **EURm** | | | | | | | | | |
| Personal Banking | -438 | -500 | -459 | -450 | -447 | -12% | -2% | -12% | -1% |
| Commercial & Business Banking | -269 | -311 | -281 | -269 | -281 | -14% | -4% | -13% | -4% |
| Wholesale Banking | -230 | -300 | -235 | -217 | -213 | -23% | 8% | -23% | 10% |
| Asset & Wealth Management | -179 | -189 | -194 | -182 | -180 | -5% | -1% | -5% | -1% |
| Group Functions and other | -64 | -152 | -215 | -18 | -33 | - | - | - | - |
| **Total Group** | **-1,180** | **-1,452** | **-1,384** | **-1,136** | **-1,154** | **-19%** | **2%** | **-18%** | **3%** |
| **Total, excl. items affecting comparability[1]** | **-1,180** | **-1,357** | **-1,243** | **-1,136** | **-1,154** | **-13%** | **2%** | **-12%** | **3%** |

1 Excl. items affecting comparability in Q1 2019: EUR 95m non-deductible expense related to provision for ongoing AML-related matters.
In Q4 2018: EUR 141m loss from impairment of goodwill in Russia.

**Currency fluctuation effects**

| | Q2/Q1 | Q2/Q2 | Jan-Jun 19/18 |
|---|---|---|---|
| **%-points** | | | |
| Income | 0 | -1 | -1 |
| Expenses | -1 | -1 | -1 |
| Operating profit | 0 | -1 | -1 |
| Loan and deposit volumes | -1 | -1 | -1 |

## Net loan losses

Credit quality remained solid. Net rating migration in Q2 in the retail portfolio is positive, while the corporate portfolio migration was slightly negative.

Net loan provisions increased in Q2 to EUR 61m and the loan loss ratio increased to 10 bps (EUR 42m and 7 bps in the previous quarter). Loan losses in Q2 was due partly to a few significant provisions. This is partly offset by lowered provisions related to the US sanction risk towards Russia through reduced exposure, as well as some positive migration in Shipping, Oil and Offshore.

Under IFRS 9 all performing exposures are classified as either Stage 1 or 2. Stage 1 if credit quality is unchanged for the exposure and Stage 2 if it has deteriorated into higher risk but is still performing. All exposures in Stages 1 and 2 are subject to statistically calculated provisions. Impaired loans are classified as Stage 3. Provisions for larger Stage 3 exposures are measured on an individual basis, while provisions for smaller exposures in Stage 3 are calculated using a statistical model similar to that used for Stages 1 and 2.

Net loan losses for Stage 3 were EUR 72m and the net loan loss ratio was 12 bps, up from 5 bps in Q1. Exposures in Stages 1 and 2 had net reversals of EUR -11m and the net loan loss ratio ended at -2 bps for Stages 1&2, down from 2 bps in Q1.

**Loan loss ratios and impaired loans**

| | Q219 | Q119 | Q418 | Q318 | Q218 |
|---|---|---|---|---|---|
| **Basis points of loans[1]** | | | | | |
| Loan loss ratios annualised, Group | 10 | 7 | 5 | 8 | 10 |
| of which Stage 1 and 2 | -2 | 2 | -7 | 8 | 7 |
| of which Stage 3 | 12 | 5 | 12 | 0 | 3 |
| Personal Banking total | 9 | 18 | 7 | 3 | 11 |
| Banking Denmark | 51 | -35 | 51 | 40 | 65 |
| Banking Finland | 11 | 38 | 9 | -2 | 22 |
| Banking Norway | 7 | 11 | -1 | 1 | 3 |
| Banking Sweden | 5 | 11 | 5 | 5 | 2 |
| Commercial & Business Banking | 17 | 21 | 20 | 25 | -17 |
| BB Denmark | 215 | 9 | 147 | 258 | 10 |
| BB Finland | -18 | 42 | 27 | 15 | -12 |
| BB Norway | 0 | 10 | -15 | -5 | -56 |
| BB Sweden | 10 | 12 | 8 | 8 | -9 |
| BBD Nordic | 14 | 30 | 24 | 13 | 7 |
| Wholesale Banking | 10 | -35 | -11 | 4 | 53 |
| C&IB Denmark | 118 | -40 | 186 | - | - |
| C&IB Finland | 5 | 0 | -55 | - | - |
| C&IB Norway | -52 | -22 | -97 | - | - |
| C&IB Sweden | 90 | 6 | 3 | - | - |
| C&IB Total | 37 | -14 | 2 | 10 | -8 |
| Banking Russia | -622 | -240 | -305 | -118 | 1236 |

[1] Negative amount are net reversals.

Overall loan portfolio quality and outlook remain stable. Our expectation for the coming quarters is that net losses will remain low and around the average level for 2018. Mortgage lending in Denmark is measured at fair value and hence, according to IFRS9, not included in net loan losses but adjusted under fair value items.

## Credit portfolio

Total lending to the public, excluding reverse repurchase agreements, decreased very slightly to EUR 300.2bn from EUR 300.6bn in Q1. In local currencies, total lending was unchanged from Q1.

Loans measured at fair value to the public excluding repos were EUR 58bn, unchanged from Q1. This includes Danish mortgage lending at EUR 54bn, which is measured at fair value.

Lending to the public measured at amortised cost was unchanged at EUR 242bn, unchanged from Q1. Of this portfolio EUR 4.5bn is impaired loans in Stage 3, down from EUR 4.6bn in Q1.

The gross impairment rate (Stage 3) was 177 bps for loans at amortised cost (179 bps in Q1) and 112 bps for fair value lending (112 bps in Q1). Allowances in relation to impaired loans (Stage 3) for loans measured at amortised cost were 34%, down from 35% in Q1.

## Profit

### *Operating profit*

Operating profit increased to EUR 900m, up 45% in local currencies from the previous quarter, and down 33% in local currencies from the same quarter of 2018. Excluding items affecting comparability, operating profit increased in local currencies by 26% from the previous quarter and decreased by 10% from the same quarter in 2018.

### *Taxes*

Income tax expense was EUR 219m compared to EUR 178m in the previous quarter. The effective tax rate was 24.4%, compared to 28.6% in the previous quarter and 18.4% in the second quarter last year.

### *Net profit*

Net profit increased 53% in local currencies from the previous quarter to EUR 681m. Return on equity was 9.1%, up from 5.5% in the previous quarter.
Excluding items affecting comparability, net profit increased by 27% in local currency from the previous quarter to EUR 681m and return on equity was 9.1% up from 6.7% in the previous quarter.

Diluted earnings per share were EUR 0.17 (EUR 0.10 in the previous quarter).

**Operating profit per business area**

| | | | | | | | | Local currency | |
|---|---|---|---|---|---|---|---|---|---|
| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Q2/Q1 | Q2/Q2 |
| **EURm** | | | | | | | | | |
| Personal Banking | 268 | 202 | 259 | 249 | 241 | 33% | 11% | 33% | 12% |
| Commercial & Business Banking | 224 | 138 | 224 | 178 | 256 | 62% | -13% | 61% | -12% |
| Wholesale Banking | 151 | 139 | 142 | 216 | 216 | 9% | -30% | 9% | -32% |
| Asset & Wealth Management | 213 | 215 | 207 | 218 | 246 | -1% | -13% | -1% | -13% |
| Group Functions and other | 44 | -73 | -127 | 56 | 406 | - | - | - | - |
| **Total Group** | **900** | **621** | **705** | **917** | **1,365** | **45%** | **-34%** | **45%** | **-33%** |
| **Total, excl. items affecting comparability[1]** | **900** | **716** | **760** | **917** | **1,016** | **26%** | **-11%** | **26%** | **-10%** |

1 Excl. items affecting comparability in Q1 2019: EUR 95m non-deductible expense related to provision for ongoing AML-related matters. Q4 2018: EUR 50m gain from revaluation of Euroclear, EUR 38m after tax, EUR 36m gain related to sale of Ejendomme and EUR 141m loss from impairment of goodwill in Russia. Q2 2018: tax free gain related to divestment of shares in UC EUR 87m and tax free gain related to the sale of Nordea Liv & Pension Denmark EUR 262m. In Q1 2018: EUR 135m gain from valuation model update in Denmark, EUR 105m after tax.

# First half year 2019 compared to first half year 2018

Total income was down 13% in local currencies and down 14% in EUR from the prior year and operating profit was down 34% in local currencies and down 35% in EUR from the previous year.

## Income

Net interest income was down 3% in local currencies and 4% in EUR from 2018. Average lending volumes in business areas in local currencies were up by 3% compared to 2018 driven mainly by Personal Banking. Average deposit volumes were unchanged.

Net fee and commission income decreased 5% in local currencies and 6% in EUR from the previous year.

Net result from items at fair value decreased by 22% in both local currencies and EUR from the previous year.

## Expenses

Total expenses were up 6% in local currencies and 4% in EUR from the previous year and amounted to EUR 2,632m. Staff costs were down 4% in local currencies and down 5% in EUR.

## Net loan losses

Net loan loss provisions increased to EUR 103m (up from EUR 99m in the first half of 2018), corresponding to a loan loss ratio of 9 bps (up 1bp from the first half of 2018). Change in provisions compared to the first half of 2018 relates to both Personal Banking and Commercial & Business Banking.

## Net profit

Net profit decreased 39% in both local currencies and EUR and amounted to EUR 1,124m.

## Currency fluctuation impact

Currency fluctuations had a negative effect of 1%-point on income, expenses, operating profits as well as the loan and deposit volumes, compared to a year ago.

# Other information

## Capital position and risk exposure amount (REA)

Nordea Group's Common equity tier 1 (CET1) capital ratio including profit increased to 14.8% at the end of the second quarter 2019 compared to 14.6% at the end of the first quarter 2019. Risk exposure amount, REA, decreased by EUR 3.3bn. The decreased REA was mainly driven by decreased market risk, changed consolidation method of Luminor and decreased other assets, partly offset by increased business momentum. CET1 capital decreased by EUR 0.2bn, driven by dividend accrual as well movements in net defined pension obligations.

The tier 1 capital ratio increased to 17.3% from 17.1% in Q1 2019 and the total capital ratio increased to 19.8% from 19.5%.

At the end of the second quarter 2019, the CET1 capital was EUR 23.6bn, the Tier 1 capital was EUR 27.6bn and the Own Funds were EUR 31.6bn.

The CRR leverage ratio increased to 5.0%, compared to 4.9% in the previous quarter.

Economic Capital (EC) was EUR 27.8bn at the end of the second quarter, a decrease of EUR 0.4bn compared to the first quarter of 2019. Decreased P1 Credit and Market risks were partly offset by increased IRB floors, Nordea Life & Pension contribution and prudent valuation.

**Capital ratios**

| | Q219 | Q119 | Q418 | Q318 | Q218 |
|---|---|---|---|---|---|
| % | | | | | |
| **CRR/CRDIV** | | | | | |
| CET 1 cap. ratio | 14.8 | 14.6 | 15.5 | 20.3 | 19.9 |
| Tier 1 capital ratio | 17.3 | 17.1 | 17.3 | 22.6 | 22.2 |
| Total capital ratio | 19.8 | 19.5 | 19.9 | 26.3 | 25.4 |

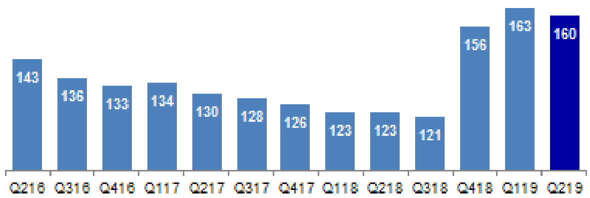
## Regulatory developments

On 7th of June, the Capital Requirements Regulation II (CRR II), Capital Requirements Directive V (CRD V) and the Bank Recovery and Resolution Directive II (BRRD II) were published in the EU Official Journal, which follows the adoption of the reforms by the European Council on 14 May 2019. The new legislations will enter into force on 27th of June 2019, that is twenty days following their publication in the EU Official Journal. The majority of the provisions related to CRR II will apply from Q2 2021 while the CRD V and BRRD II have to be implemented in national legislation by Q4 2020.

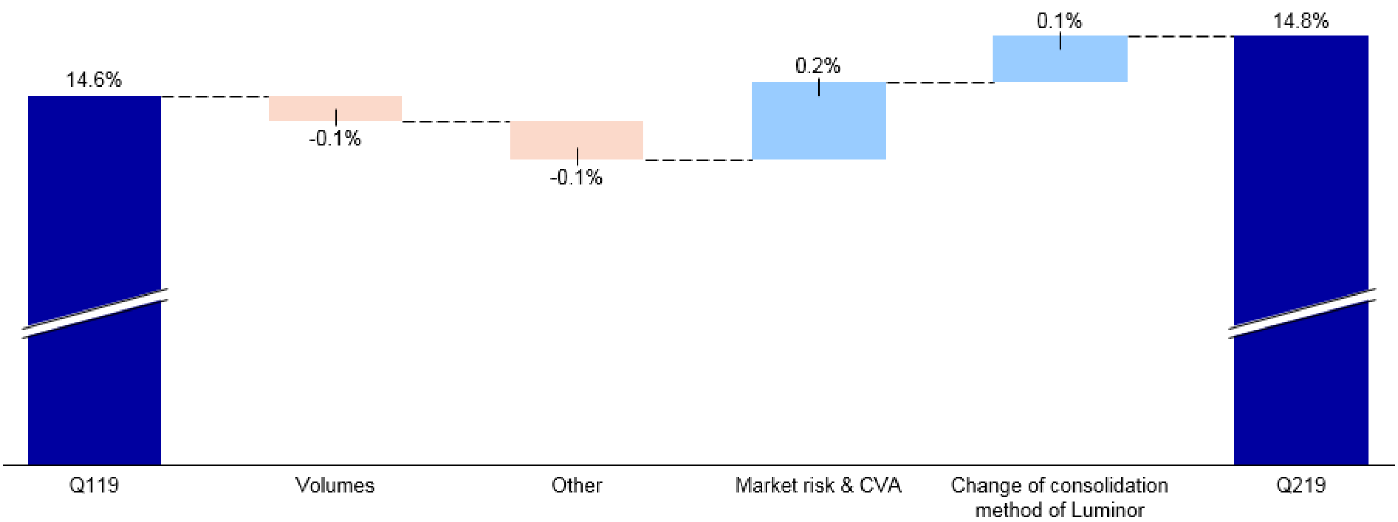
On 28 June, the Board of Finnish FSA decided to maintain the systemic risk buffer at 3% for Nordea.

Moreover, on the 4th of July, the Danish ministry of business decided to increase the countercyclical buffer rate to 1.5%. The amended buffer enters into force in Q2 2020.

**Risk exposure amount, REA (EURbn), quarterly**




**Common equity tier 1 (CET 1) capital ratio, changes in the quarter**



## Risk Exposure Amount

| EURm | 30 Jun 2019 | 31 Mar 2019 | 30 Jun 2018 |
|---|---|---|---|
| **Credit risk** | **127,145** | **128,172** | **100,604** |
| IRB | 112,239 | 111,858 | 88,453 |
| - sovereign | | | 2,012 |
| - corporate | 75,304 | 73,978 | 54,824 |
| - advanced | 63,163 | 62,063 | 44,851 |
| - foundation | 12,141 | 11,915 | 9,973 |
| - institutions | 6,364 | 6,129 | 6,297 |
| - retail | 26,268 | 26,004 | 21,747 |
| - items representing securitisation positions | 833 | 1,239 | 847 |
| - other | 3,470 | 4,508 | 2,726 |
| Standardised | 14,906 | 16,314 | 12,151 |
| - sovereign | 554 | 536 | 125 |
| - retail | 5,193 | 7,014 | 4,329 |
| - other | 9,160 | 8,764 | 7,698 |
| **Credit Value Adjustment Risk** | **728** | **1,099** | **793** |
| **Market risk** | **5,165** | **7,253** | **3,908** |
| - trading book, Internal Approach | 3,693 | 4,790 | 2,723 |
| - trading book, Standardised Approach | 1,049 | 1,044 | 1,185 |
| - banking book, Standardised Approach | 423 | 1,419 | |
| **Settlement Risk** | **0** | **1** | |
| **Operational risk** | **15,698** | **15,698** | **16,487** |
| **Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR** | **663** | **673** | **624** |
| **Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR** | **10,330** | **10,112** | |
| **Additional risk exposure amount due to Article 3 CRR** | | | **152** |
| **Total** | **159,729** | **163,007** | **122,568** |

## Summary of items included in own funds

| EURm | 30 Jun[3] 2019 | 31 Mar[2] 2019 | 30 Jun[2] 2018 |
|---|---|---|---|
| **Calculation of own funds** | | | |
| Equity in the consolidated situation | 28,378 | 29,219 | 30,329 |
| Proposed/actual dividend | | -707 | -1,394 |
| Common Equity Tier 1 capital before regulatory adjustments | 28,378 | 28,512 | 28,935 |
| Deferred tax assets | | | -61 |
| Intangible assets | -4,170 | -4,167 | -3,914 |
| IRB provisions shortfall (-) | -90 | -96 | -3 |
| Deduction for investments in credit institutions (50%) | | | |
| Pension assets in excess of related liabilities[1] | -137 | -148 | -212 |
| Other items, net | -328 | -275 | -331 |
| **Total regulatory adjustments to Common Equity Tier 1 capital** | **-4,725** | **-4,686** | **-4,521** |
| **Common Equity Tier 1 capital (net after deduction)** | **23,653** | **23,826** | **24,414** |
| Additional Tier 1 capital before regulatory adjustments | 3,957 | 4,002 | 2,836 |
| Total regulatory adjustments to Additional Tier 1 capital | -8 | -11 | -17 |
| **Additional Tier 1 capital** | **3,949** | **3,991** | **2,819** |
| **Tier 1 capital (net after deduction)** | **27,602** | **27,817** | **27,233** |
| Tier 2 capital before regulatory adjustments | 4,906 | 4,801 | 4,810 |
| IRB provisions excess (+) | 180 | 184 | 150 |
| Deduction for investments in credit institutions (50%) | | | |
| Deductions for investments in insurance companies | -1,000 | -1,000 | -1,000 |
| Pension assets in excess of related liabilities | | | |
| Other items, net | -63 | -49 | -60 |
| **Total regulatory adjustments to Tier 2 capital** | **-883** | **-865** | **-910** |
| **Tier 2 capital** | **4,023** | **3,936** | **3,900** |
| **Own funds (net after deduction)** | **31,625** | **31,753** | **31,133** |

[1] Based on conditional FSA approval.
[2] Including profit for the period.
[3] Excluding profit for the period.

## Balance sheet

Total assets in the balance sheet in the quarter were EUR 7bn lower than in the previous quarter and amounted to EUR 583bn. Loans to credit institutions and derivatives were higher from the previous period, while loans to the public, interest-bearing securities value as well as other assets were lower.

Loans to credit institutions were EUR 4bn higher in the quarter and amounted to EUR 18bn while loans to the public were EUR 2bn lower in the quarter and amounted to EUR 324bn.

Other assets decreased by EUR 11bn to EUR 129bn from the previous quarter.

**Balance sheet data**

| | Q219 | Q119 | Q418 | Q318 | Q218 |
|---|---|---|---|---|---|
| **EURbn** | | | | | |
| Loans to credit institutions | 18 | 14 | 11 | 16 | 13 |
| Loans to the public | 324 | 326 | 308 | 316 | 315 |
| Derivatives | 42 | 39 | 37 | 37 | 44 |
| Interest-bearing securities | 70 | 71 | 76 | 75 | 75 |
| Other assets | 129 | 140 | 119 | 129 | 123 |
| **Total assets** | **583** | **590** | **551** | **573** | **570** |
| Deposits from credit inst. | 44 | 52 | 42 | 52 | 50 |
| Deposits from the public | 177 | 176 | 165 | 174 | 176 |
| Debt securities in issue | 189 | 193 | 190 | 187 | 178 |
| Derivatives | 44 | 41 | 40 | 39 | 45 |
| Other liabilities | 98 | 98 | 81 | 88 | 89 |
| Total equity | 31 | 30 | 33 | 33 | 32 |
| **Total liabilities and equity** | **583** | **590** | **551** | **573** | **570** |

## Nordea's funding and liquidity operations

Nordea issued approximately EUR 5.2bn in long-term funding in the second quarter (excluding Danish covered bonds), of which approximately EUR 3.3bn was issued in covered bonds, EUR 1.6bn was issued in senior debt and EUR 0.3bn in subordinated debt.

Public benchmark transactions during the quarter included a Green 7-year EUR 750m fixed rate senior unsecured bond issued by Nordea Bank Abp, a 7-year NOK 1.5bn fixed rate covered bond issued by Nordea Eiendomskreditt and a 8-year EUR 1bn fixed rate covered bond issued by Nordea Mortgage Bank.

Nordea's long-term funding portion of total funding was approximately 79% at the end of the second quarter.

Short-term liquidity risk is measured using several metrics and the Liquidity Coverage Ratio (LCR) is one such metric. The LCR for the Nordea Group was, according to the CRR LCR definition, 178% at the end of the second quarter. The LCR in EUR was 195% and in USD 291% at the end of the second quarter. The liquidity buffer is composed of highly liquid central bank eligible securities and cash with characteristics like CRD IV high-quality liquid assets and amounted to EUR 104bn at the end of the second quarter (EUR 103bn at the end of the first quarter). The long-term liquidity risk is measured as Net Stable Funding Ratio (NSFR). At the end of the second quarter 2019, Nordea's NSFR was 103.7% (Q1 103,2%).

**Funding and liquidity data***

| | Q219 | Q119 | Q418 | Q318 | Q218 |
|---|---|---|---|---|---|
| Long-term funding portion | 79% | 79% | 77% | 79% | 84% |
| LCR total | 178% | 199% | 185% | 209% | 147% |
| LCR EUR | 195% | 274% | 257% | 253% | 154% |
| LCR USD | 291% | 230% | 214% | 240% | 160% |

*LCR figures calculated based on EU DA LCR starting from Q118; previous figures based on Swe LCR

## Market risk

Market risk in the trading book measured by Value at Risk was EUR 14m. Compared to the previous quarter the overall level of VaR decreased by EUR 4m driven by a lower contribution from interest rate VaR. Total VaR continues to be driven by market risk related to Nordic and other European exposures.

**Trading book**

| | Q219 | Q119 | Q418 | Q318 | Q218 |
|---|---|---|---|---|---|
| **EURm** | | | | | |
| Total risk, VaR | 14 | 19 | 18 | 15 | 12 |
| Interest rate risk, VaR | 13 | 19 | 16 | 15 | 11 |
| Equity risk, VaR | 3 | 3 | 2 | 4 | 2 |
| Foreign exchange risk, VaR | 3 | 1 | 2 | 2 | 2 |
| Credit spread risk, VaR | 3 | 5 | 6 | 3 | 4 |
| Inflation risk | 2 | 2 | 2 | 1 | - |
| Diversification effect | 40% | 40% | 38% | 43% | 40% |

Total market risk, measured as Value at Risk, in the banking book decreased to EUR 38m (EUR 47m in the previous quarter) mainly driven by lower net interest rates exposure over the period. The impact came mainly from DKK, where government bond exposure was reduced, and mortgage exposure increased over the period.

**Banking book**

| | Q219 | Q119 | Q418 | Q318 | Q218 |
|---|---|---|---|---|---|
| **EURm** | | | | | |
| Total risk, VaR | 38 | 47 | 38 | 49 | 38 |
| Interest rate risk, VaR | 40 | 48 | 39 | 49 | 38 |
| Equity risk, VaR | 6 | 4 | 5 | 5 | 3 |
| Foreign exchange risk, VaR | 1 | 1 | 1 | 2 | 1 |
| Credit spread risk, VaR | 1 | 0 | 1 | 1 | 1 |
| Diversification effect | 18% | 11% | 20% | 13% | 11% |

## Nordea share and ratings

Nordea's share price and ratings as at the end of Q2 2019.

| | Nasdaq STO (SEK) | Nasdaq COP (DKK) | Nasdaq HEL (EUR) |
|---|---|---|---|
| 9/30/2017 | 110.40 | 85.15 | 11.44 |
| 12/31/2017 | 99.30 | 75.20 | 10.1 |
| 3/31/2018 | 89.10 | 63.12 | 8.61 |
| 6/30/2018 | 86.28 | 61.38 | 8.25 |
| 9/30/2018 | 96.86 | 70.02 | 9.46 |
| 12/31/2018 | 74.58 | 54.23 | 7.27 |
| 3/31/2019 | 70.75 | 50.79 | 6.81 |
| 6/30/2019 | 67.42 | 47.74 | 6.39 |

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

## Update on the sale of Luminor

In 2018, Nordea and DNB have entered into an agreement to jointly sell 60 per cent of Luminor to a consortium led by private equity funds managed by Blackstone ("Blackstone"). The transaction is subject to customary regulatory approvals inter alia ECB's ownership assessment of the consortium.

The approval process involves regulatory authorities in several jurisdictions (local Baltic and ECB). The pre-filing process has been completed and Blackstone is now awaiting regulatory approval. Therefore, timing of the transaction is expected to be during the second half of 2019.
The upfront sale is expected to have a positive impact on Nordea's Common Equity Tier 1 ("CET1") ratio of approx. 20bps.

Nordea has already received approval from the ECB to treat the holding in Luminor, for prudential purposes, using the equity method. This approval has had a positive impact on CET1 of approx. 10bps, recorded in our Q2 financial results. The remaining CET1 impact of approx. 10bps will be realised upon completion of the transaction.
Pro-forma for the complete sale of Nordea's ownership in Luminor under the forward sale agreement and after Luminor has returned its funding to Nordea, the positive impact on Nordea's CET1 ratio is expected to be approx. 40-45bps.

## Nordea creates a joint KYC company in collaboration with five other Nordic banks

On 5 July 2019, Danske Bank A/S, DNB Bank ASA, Nordea Bank Abp, Skandinaviska Enskilda Banken AB (publ), Svenska Handelsbanken AB (publ) and Swedbank AB (publ) announced that they have established a joint venture company to develop a platform for handling KYC (Know Your Customer) data. The European Commission has given its approval in accordance with the EU merger control rules.

The joint venture company is preparing for its first commercial launch in 2020. The company is autonomous and will initially offer KYC services to the market concerning large and medium-sized companies based in the Nordic region.

The banks' top priority in collaborating has been to develop a Nordic platform with standardised processes for handling KYC data. The objective is to improve customer experience by simplifying the KYC processes for corporate customers while strengthening financial crime prevention in the Nordics.

The six banks will invest an equal share in the company.

## Update on sale of Nordea's holding in Velliv

Nordea has during the quarter divested 11% of the shares in Velliv, former Liv & Pension Denmark. The remaining holding amounts to 19% and the investment has consequently been reclassified from a holding in an associated company to a normal equity investment. Nordea has earlier agreed to sell the remaining 19% of the shares to Velliv Foreningen. The sale of 11% of the shares did not have any impact on the income statement, but the reclassification of the remaining holding will change the presentation in the income statement going forward.

## Results of the ECB Comprehensive Assessment

On 18 July 2019 the ECB will publish Nordea´s result of the Comprehensive Assessment (CA) exercise including the Asset Quality Review (AQR) and the ECB stress test. Overall results of the exercise confirm the resilient capital position of Nordea, exceeding all the thresholds defined by the ECB.

Nordea's AQR adjusted CET1 ratio in the baseline scenario amounts to 14.21%, which is above the 8% threshold. In addition, under the adverse stress scenario, the AQR adjusted CET1 ratio amounts to 9.23%, also above the 5.5% threshold set by the ECB. The application of the stress test methodology used by the ECB is more restrictive than in the 2018 EBA stress test exercise which in combination with the AQR impact explains why the estimated impact on Nordea is now larger than in the EBA stress test.

The exercise is based on ECB´s updated AQR manual, which is based on ECB's conservative and prudential interpretation of provisioning requirements in IFRS. The updated methodology differs from the earlier AQR manual as it introduces the new IFRS 9 standard and, in our view, it also implements ECB's expectations on staging triggers and measurement of expected credit losses in a more prescriptive and stringent way than before resulting in a conservative and prudential assessment.

The outcome of the AQR presents a prudential assessment of current provisions. Nordea has reviewed the results and are comfortable with the current level of accounting provisions. It is thereby Nordea's assessment, subject to additional analysis in H2 2019, that the outcome of the AQR will not have a material impact on Nordea's consolidated accounting based income statement or balance sheet. Nordea expects that the prudential outcome of the AQR will be further assessed and discussed in the supervisory dialogue during H2 2019.

## Update on sale of Nordea's shares in LR Realkredit

On 11 April, Nordea has together with the other owners, entered into an agreement to sell to Nykredit all shares of LR Realkredit, a Danish mortgage institution where Nordea holds 39 per cent of the shares.

The agreed purchase price for Nordea's 39 per cent amounts to approximately DKK 1 billion. The transaction will generate an estimated capital gain of EUR 129 million for Nordea, net of tax, at closing of the transaction which will have a marginally positive impact on the CET1 ratio.

While the transaction agreement has been signed, the completion remains subject to applicable regulatory approvals.

# Quarterly development, Group

| EURm | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Jan-Jun 2019 | Jan-Jun 2018 |
|---|---|---|---|---|---|---|---|
| Net interest income | 1,071 | 1,056 | 1,142 | 1,123 | 1,110 | 2,127 | 2,226 |
| Net fee and commission income | 743 | 737 | 720 | 703 | 800 | 1,480 | 1,570 |
| Net result from items at fair value | 283 | 264 | 182 | 205 | 260 | 547 | 701 |
| Profit from associated undertakings and joint ventures accounted for under the equity method | 24 | 14 | 15 | 48 | 33 | 38 | 61 |
| Other operating income | 20 | 44 | 60 | 18 | 375 | 64 | 398 |
| **Total operating income** | **2,141** | **2,115** | **2,119** | **2,097** | **2,578** | **4,256** | **4,956** |
| General administrative expenses: | | | | | | | |
| Staff costs | -727 | -718 | -744 | -726 | -730 | -1,445 | -1,528 |
| Other expenses | -304 | -594 | -390 | -323 | -350 | -898 | -853 |
| Depreciation, amortisation and impairment charges of tangible and intangible assets | -149 | -140 | -250 | -87 | -74 | -289 | -145 |
| **Total operating expenses** | **-1,180** | **-1,452** | **-1,384** | **-1,136** | **-1,154** | **-2,632** | **-2,526** |
| **Profit before loan losses** | **961** | **663** | **735** | **961** | **1,424** | **1,624** | **2,430** |
| Net loan losses | -61 | -42 | -30 | -44 | -59 | -103 | -99 |
| **Operating profit** | **900** | **621** | **705** | **917** | **1,365** | **1,521** | **2,331** |
| Income tax expense | -219 | -178 | -200 | -193 | -250 | -397 | -479 |
| **Net profit for the period** | **681** | **443** | **505** | **724** | **1,115** | **1,124** | **1,852** |
| Diluted earnings per share (DEPS), EUR | 0.17 | 0.10 | 0.13 | 0.18 | 0.28 | 0.27 | 0.46 |
| DEPS, rolling 12 months up to period end, EUR | 0.58 | 0.68 | 0.76 | 0.79 | 0.82 | 0.58 | 0.82 |

# Business areas

| | Personal Banking | | Commercial & Business Banking | | Wholesale Banking | | Asset & Wealth Management | | Group Functions, Other and Eliminations | | Nordea Group | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q2 2019 | Q1 2019 | Q2 2019 | Q1 2019 | Q2 2019 | Q1 2019 | Q2 2019 | Q1 2019 | Q2 2019 | Q1 2019 | Q2 2019 | Q1 2019 | *Chg* |
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 532 | 517 | 340 | 334 | 208 | 213 | 14 | 13 | -23 | -21 | 1,071 | 1,056 | *1%* |
| Net fee and commission income | 168 | 163 | 106 | 121 | 127 | 105 | 349 | 337 | -7 | 11 | 743 | 737 | *1%* |
| Net result from items at fair value | 32 | 72 | 67 | 23 | 57 | 77 | 17 | 45 | 110 | 47 | 283 | 264 | *7%* |
| Equity method & other income | -1 | 1 | 7 | 5 | 1 | 0 | 13 | 9 | 24 | 43 | 44 | 58 | |
| **Total operating income** | **731** | **753** | **520** | **483** | **393** | **395** | **393** | **404** | **104** | **80** | **2,141** | **2,115** | **1%** |
| **Total operating expenses** | **-438** | **-500** | **-269** | **-311** | **-230** | **-300** | **-179** | **-189** | **-64** | **-152** | **-1,180** | **-1,452** | **-19%** |
| Net loan losses | -25 | -51 | -27 | -34 | -12 | 44 | -1 | 0 | 4 | -1 | -61 | -42 | *45%* |
| **Operating profit** | **268** | **202** | **224** | **138** | **151** | **139** | **213** | **215** | **44** | **-73** | **900** | **621** | **45%** |
| Cost/income ratio, % | 60 | 66 | 52 | 64 | 59 | 76 | 46 | 47 | - | - | 55 | 69 | |
| ROCAR, % | 11 | 7 | 10 | 7 | 6 | 5 | 32 | 31 | - | - | 10[1] | 8[1] | |
| Economic capital (EC) | 8,838 | 8,740 | 6,652 | 6,483 | 8,082 | 8,309 | 2,017 | 1,968 | 2,245 | 2,716 | 27,834 | 28,216 | *-1%* |
| Risk exposure amount (REA) | 45,415 | 44,940 | 45,840 | 44,872 | 48,117 | 49,803 | 5,542 | 5,481 | 14,815 | 17,911 | 159,729 | 163,007 | *-2%* |
| Number of employees (FTEs) | 9,509 | 9,390 | 4,870 | 4,830 | 2,929 | 3,007 | 2,714 | 2,699 | 9,528 | 9,358 | 29,550 | 29,284 | *1%* |
| **Volumes, EURbn:** | | | | | | | | | | | | | |
| Lending to corporates[2] | 1.1 | 1.1 | 74.1 | 73.5 | 77.1 | 79.0 | - | - | 3.0 | 4.1 | 155.3 | 157.7 | *-2%* |
| Household mortgage lending[3] | 130.1 | 129.5 | 6.6 | 6.7 | 0 | 0 | 6.6 | 6.4 | - | - | 143.3 | 142.6 | *0%* |
| Consumer lending[3] | 21.5 | 21.6 | 1.8 | 1.9 | - | - | 1.9 | 1.8 | - | - | 25.2 | 25.3 | *0%* |
| **Total lending** | **152.7** | **152.2** | **82.5** | **82.1** | **77.1** | **79.0** | **8.5** | **8.2** | **3.0** | **4.1** | **323.8** | **325.6** | **-1%** |
| Corporate deposits[2] | 1.8 | 1.8 | 38.5 | 38.5 | 46.8 | 50.6 | - | - | -3.9 | -5.5 | 83.2 | 85.4 | *-3%* |
| Household deposits[3] | 78.6 | 76.7 | 2.8 | 2.8 | 0 | 0 | 11.9 | 11.4 | - | - | 93.3 | 90.9 | *3%* |
| **Total deposits** | **80.4** | **78.5** | **41.3** | **41.3** | **46.8** | **50.6** | **11.9** | **11.4** | **-3.9** | **-5.5** | **176.5** | **176.3** | **0%** |

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

| | Personal Banking | | Commercial & Business Banking | | Wholesale Banking | | Asset & Wealth Management | | Group Functions, Other and Eliminations | | Nordea Group | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan-Jun 2019 | Jan-Jun 2018 | Jan-Jun 2019 | Jan-Jun 2018 | Jan-Jun 2019 | Jan-Jun 2018 | Jan-Jun 2019 | Jan-Jun 2018 | Jan-Jun 2019 | Jan-Jun 2018 | Jan-Jun 2019 | Jan-Jun 2018 | *Chg* |
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 1,049 | 1,059 | 674 | 659 | 421 | 462 | 27 | 36 | -44 | 10 | 2,127 | 2,226 | *-4%* |
| Net fee and commission income | 331 | 363 | 227 | 224 | 232 | 269 | 686 | 723 | 4 | -9 | 1,480 | 1,570 | *-6%* |
| Net result from items at fair value | 104 | 102 | 90 | 177 | 134 | 271 | 62 | 102 | 157 | 49 | 547 | 701 | *-22%* |
| Equity method & other income | 0 | 0 | 12 | 19 | 1 | 0 | 22 | 12 | 67 | 420 | 102 | 459 | |
| **Total operating income** | **1,484** | **1,532** | **1,003** | **1,079** | **788** | **1,002** | **797** | **873** | **184** | **470** | **4,256** | **4,956** | **-14%** |
| **Total operating expenses** | **-938** | **-950** | **-580** | **-619** | **-530** | **-512** | **-368** | **-384** | **-216** | **-61** | **-2,632** | **-2,526** | **4%** |
| Net loan losses | -76 | -52 | -61 | 48 | 32 | -100 | -1 | 0 | 3 | 5 | -103 | -99 | *4%* |
| **Operating profit** | **470** | **530** | **362** | **508** | **290** | **390** | **428** | **489** | **-29** | **414** | **1,521** | **2,331** | **-35%** |
| Cost/income ratio, % | 63 | 62 | 58 | 57 | 67 | 51 | 46 | 44 | - | - | 62 | 51 | |
| ROCAR, % | 9 | 21 | 8 | 12 | 6 | 8 | 31 | 30 | - | - | 9[1] | 10[1] | |
| Economic capital (EC) | 8,838 | 7,732 | 6,652 | 6,236 | 8,082 | 7,741 | 2,017 | 2,440 | 2,245 | 2,385 | 27,834 | 26,534 | *5%* |
| Risk exposure amount (REA) | 45,415 | 27,245 | 45,840 | 33,097 | 48,117 | 39,196 | 5,542 | 5,518 | 14,815 | 17,512 | 159,729 | 122,568 | *30%* |
| Number of employees (FTEs) | 9,509 | 9,224 | 4,870 | 4,869 | 2,929 | 2,958 | 2,714 | 2,948 | 9,528 | 9,272 | 29,550 | 29,271 | *1%* |
| **Volumes, EURbn:** | | | | | | | | | | | | | |
| Lending to corporates[2] | 1.1 | 0.9 | 74.1 | 71.8 | 77.1 | 76.1 | - | - | 3.0 | 2.6 | 155.3 | 151.4 | *3%* |
| Household mortgage lending[3] | 130.1 | 124.2 | 6.6 | 6.9 | 0 | 0 | 6.6 | 6.4 | - | - | 143.3 | 137.5 | *4%* |
| Consumer lending[3] | 21.5 | 21.1 | 1.8 | 2.1 | - | - | 1.9 | 2.7 | - | - | 25.2 | 25.9 | *-3%* |
| **Total lending** | **152.7** | **146.2** | **82.5** | **80.8** | **77.1** | **76.1** | **8.5** | **9.1** | **3.0** | **2.6** | **323.8** | **314.8** | **3%** |
| Corporate deposits[3] | 1.8 | 2.4 | 38.5 | 37.4 | 46.8 | 48.6 | - | - | -3.9 | -2.0 | 83.2 | 86.4 | *-4%* |
| Household deposits[3] | 78.6 | 74.9 | 2.8 | 3.0 | 0 | 0.1 | 11.9 | 12.1 | - | - | 93.3 | 90.1 | *4%* |
| **Total deposits** | **80.4** | **77.3** | **41.3** | **40.4** | **46.8** | **48.7** | **11.9** | **12.1** | **-3.9** | **-2.0** | **176.5** | **176.5** | **0%** |

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

# Personal Banking

## Introduction

In Personal Banking, we are focused on delivering great customer experiences every day. We do this through a combination of physical and digital channels offering a full range of financial services and solutions to household customers.

The Personal Banking business area includes advisory and service staff, product development, back-office support and digital development – all combined under a common strategy, operating model and governance across markets.

We want to be the leading relationship bank in the Nordics, trusted by customers, partners and society. Through strong engagement and valuable advice, the aim is that customers entrust Nordea with all their banking business. Reflecting the rapid changes in customer preferences, the mobile bank is increasingly at the centre of Nordea's relationship with customers, providing access to all Nordea has to offer in digital solutions as well easy and fast access to personal advice and services.

## Updates on priorities

The key focus in Personal Banking is on increasing business momentum and driving structural cost efficiencies.

We are pursuing increased business momentum through improved customer experience and profitable growth. This will primarily be achieved by winning homeowners in each market, increasing savings business with our premium customers and leveraging consumer finance through digital channels.

We are seeing several positive indicators toward improved customer experience; Increasing customer interactions, sizeable reduction in complaints as well improved waiting time in call centres. Consequently, customer satisfaction is starting to increase and has risen to the highest level in six quarters.

Our aim to win the homeowners are materializing through increased market share of new sales in all countries. In Sweden, for the first time in three years, the total market share increased in the second quarter. Key activities across the Nordics include local customer events, leverage of referral partnerships, increased visibility through marketing campaigns and improved accessibility for our customers. Furthermore, we have expanded our sustainable offers with the introduction of green mortgages in Finland.

Within savings, both face to face advisory meetings and digital sessions are growing compared to last year. The main customer deliveries in the second quarter were the continued expansion of the Nora digital advisory offer and the introduction of a significantly easier and faster advisory experience for certain savings needs, such as monthly savings.

The focus within consumer finance remains on growing our digital offering and increasing digital sales traffic across all countries. As a key advancement in Q2, Gjensidige Bank's consumer finance platform was leveraged to provide all customers in Norway with faster and smoother access to consumer finance.

Structural cost efficiency is driven by leveraging our cost-efficient digital touchpoints for service and sales, together with the automation and simplification of our processes. Key developments in the quarter were the introduction of the new mobile bank application in Denmark and the continued scaling in customer interactions from our chatbot Nova.

## Financial outcome

Total income decreased 3% compared to the previous quarter due to one-off fair value adjustments in the first quarter. Net interest income was up 3% in local currencies compared to the previous quarter. In the second quarter, Gjensidige Bank was consolidated with a full quarter into Personal Banking Norway, compared to only one month in the first quarter.

Lending volumes in local currency have increased from the previous quarter in all countries. After a challenging period, the mortgage lending volume showed a positive trend across all countries.

Net fee and commission income increased 4% in local currencies compared to the previous quarter, driven by higher savings income, albeit partly offset by booked income from general insurance sales in the first quarter. The decrease in items at fair value stemmed from one-offs in Denmark in the first quarter.

Total expenses decreased 12% in local currencies from the previous quarter primarily due to the resolution fee being booked in the first quarter.

Loan losses decreased from the previous quarter due to the extraordinary reservations for unsecured consumer lending in Finland and Sweden in the first quarter.

## Personal Banking Denmark

Total income decreased 16% in local currency compared to the previous quarter, related to one-offs booked on items at net fair value last quarter. Net interest income increased 4% in local currency from the previous quarter.

Mortgage lending volume continued to increase during this quarter, while consumer lending remained stable in a highly liquid market. The increased activity level within housing, including the increased possibility for customers to get advice about mortgage lending outside of traditional opening hours, has led to an increase in mortgage volumes.

Net commission income was down 6% compared to the previous quarter, mainly due to income from general insurance sales being booked in the first quarter.

Total expenses were slightly down compared to the previous quarter due to a lower number of full-time employees.

Loan losses stayed at a low level.

## Personal Banking Finland

Total income increased 5**%** from the previous quarter on the back of a positive development in non-interest income. Net interest income stayed at the same level compared to previous quarter, the higher volume growth was mainly offset by margin pressure.

Lending volumes increased compared to the previous quarter with a record-high level of sales of mortgage lending. Market shares of new lending increased by 1,2%-point in May. Deposit volume growth continued, largely due to stock market turbulence.

Non-interest income was up from the previous quarter driven by a one-off from cash management, income from general insurance sales and increased cross-sales activities from housing loans.

Total expenses were down 6% compared to the previous quarter as a result of the resolution fee being booked in the first quarter, while the underlying cost development was stable.

Net loan losses were down compared to the previous quarter due to a one-off reservation made in the first quarter.

## Personal Banking Norway

Total income in local currency was up 19% in the second quarter, of which 14%-points derived from the consolidation of Gjensidige Bank (GB). Net interest income in local currency was unchanged from last quarter excluding GB. The income increase from volume growth was partly offset by margin pressure.

Lending volumes were up 1% in local currency, mainly driven by increase in mortgages. Deposit volumes increased 4% from last quarter driven by seasonal development.

Non-interest income increased from the previous quarter. The development was mainly driven by higher savings income, increased net result from items at fair value and high other income due to seasonal effects.

Total expenses in local currency decreased 13% from previous quarter due to the booked resolution fee in the first quarter. Compared to the same period last year expenses were up, 19 % coming from that GB was fully included in this quarter.

Loan losses decreased in the second quarter.

The integration of GB is progressing according to plan.

## Personal Banking Sweden

Total income was slightly down in local currency from the previous quarter mainly due to net interest income, which decreased 1% compared to the previous quarter due to lower lending margin, but partly offset by higher income from deposits.

Mortgage volumes continued to grow in local currency driven by an increased inflow of new mortgage customers, resulting in volume growth in line with the mortgage market. Lending margins were under pressure, following lower average prices on the mortgage market and higher funding costs.

Net commission income was stable in local currency compared to the previous quarter. Savings income has continued to increase during the year due to a positive net sale of total savings and improved market conditions. Increased savings income was offset by income from general insurance sales being booked in the first quarter.

Total expenses were down 23% compared to the previous quarter as a result of the resolution fee being booked in the first quarter, while the underlying cost development was stable.

Net loan losses were down compared to the previous quarter due to a one-off reservation made in the first quarter.

## Distribution agreement with Asset & Wealth Management

The result excluding the distribution agreement with Wealth Management is according to the principle that all income, expense and capital are allocated to the customer-responsible unit. This principle aligns with the internal management reporting and with the principle applied to all other product units in the Group.

## Personal Banking total

| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Local curr. Q2/Q1 | Local curr. Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan-Jun 19/18 EUR | Jan-Jun 19/18 Local |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 532 | 517 | 535 | 507 | 520 | 3% | 2% | 3% | 3% | 1,049 | 1,059 | -1% | 0% |
| Net fee and commission income | 168 | 163 | 167 | 172 | 183 | 3% | -8% | 4% | -7% | 331 | 363 | -9% | -8% |
| Net result from items at fair value | 32 | 72 | 38 | 28 | 14 | -56% | | -58% | | 104 | 102 | 2% | 3% |
| Equity method & other income | -1 | 1 | -2 | -1 | 1 | | | | | 0 | 0 | | |
| **Total income incl. allocations** | **731** | **753** | **738** | **706** | **718** | **-3%** | **2%** | **-3%** | **3%** | **1,484** | **1,532** | **-3%** | **-2%** |
| **Total expenses incl. allocations** | **-438** | **-500** | **-459** | **-450** | **-447** | **-12%** | **-2%** | **-12%** | **-1%** | **-938** | **-950** | **-1%** | **0%** |
| **Profit before loan losses** | **293** | **253** | **279** | **256** | **271** | **16%** | **8%** | **16%** | **10%** | **546** | **582** | **-6%** | **-4%** |
| Net loan losses | -25 | -51 | -20 | -7 | -30 | | | | | -76 | -52 | | |
| **Operating profit** | **268** | **202** | **259** | **249** | **241** | **33%** | **11%** | **33%** | **12%** | **470** | **530** | **-11%** | **-10%** |
| Cost/income ratio, % | 60 | 66 | 62 | 64 | 62 | | | | | 63 | 62 | | |
| ROCAR, % | 11 | 7 | 10 | 10 | 10 | | | | | 9 | 21 | | |
| Economic capital (EC) | 8,838 | 8,740 | 7,873 | 7,860 | 7,732 | 1% | 14% | 2% | 14% | 8,838 | 7,732 | 14% | 14% |
| Risk exposure amount (REA) | 45,415 | 44,940 | 41,489 | 27,511 | 27,245 | 1% | 67% | 2% | 68% | 45,415 | 27,245 | 67% | 68% |
| Number of employees (FTEs) | 9,509 | 9,390 | 9,114 | 9,085 | 9,224 | 1% | 3% | 1% | 3% | 9,509 | 9,224 | 3% | 3% |
| **Volumes, EURbn:** | | | | | | | | | | | | | |
| Lending to corporates[1] | 1.1 | 1.1 | 1.0 | 1.0 | 0.9 | 0% | 22% | 0% | 10% | 1.1 | 0.9 | 22% | 10% |
| Household mortgage lending | 130.1 | 129.5 | 125.0 | 125.3 | 124.2 | 0% | 5% | 1% | 6% | 130.1 | 124.2 | 5% | 6% |
| Consumer lending | 21.5 | 21.6 | 20.5 | 20.9 | 21.1 | 0% | 2% | 0% | 3% | 21.5 | 21.1 | 2% | 3% |
| **Total lending** | **152.7** | **152.2** | **146.5** | **147.2** | **146.2** | **0%** | **4%** | **1%** | **5%** | **152.7** | **146.2** | **4%** | **5%** |
| Corporate deposits[1] | 1.8 | 1.8 | 1.8 | 1.8 | 2.4 | 0% | -25% | 0% | -25% | 1.8 | 2.4 | -25% | -25% |
| Household deposits | 78.6 | 76.7 | 74.3 | 74.9 | 74.9 | 2% | 5% | 3% | 6% | 78.6 | 74.9 | 5% | 6% |
| **Total deposits** | **80.4** | **78.5** | **76.1** | **76.7** | **77.3** | **2%** | **4%** | **3%** | **5%** | **80.4** | **77.3** | **4%** | **5%** |

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

## Personal Banking total excl. Distribution agreement with Wealth Management

| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Local curr. Q2/Q1 | Local curr. Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan-Jun 19/18 EUR | Jan-Jun 19/18 Local |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 532 | 517 | 535 | 507 | 520 | 3% | 2% | 3% | 3% | 1,049 | 1,059 | -1% | 0% |
| Net fee and commission income | 289 | 282 | 281 | 297 | 305 | 2% | -5% | 5% | -3% | 571 | 613 | -7% | -5% |
| Net result from items at fair value | 32 | 72 | 38 | 28 | 14 | -56% | | -58% | | 104 | 102 | 2% | 3% |
| Equity method & other income | -1 | 1 | -2 | -1 | 1 | | | | | 0 | 0 | | |
| **Total income incl. allocations** | **852** | **872** | **852** | **831** | **840** | **-2%** | **1%** | **-2%** | **3%** | **1,724** | **1,782** | **-3%** | **-2%** |
| **Total expenses incl. allocations** | **-469** | **-534** | **-484** | **-477** | **-475** | **-12%** | **-1%** | **-12%** | **0%** | **-1,003** | **-1,007** | **0%** | **1%** |
| **Profit before loan losses** | **383** | **338** | **368** | **354** | **365** | **13%** | **5%** | **14%** | **6%** | **721** | **775** | **-7%** | **-5%** |
| Net loan losses | -25 | -51 | -18 | -8 | -30 | | | | | -76 | -52 | | |
| **Operating profit** | **358** | **287** | **350** | **346** | **335** | **25%** | **7%** | **26%** | **8%** | **645** | **723** | **-11%** | **-9%** |
| Cost/income ratio, % | 55 | 61 | 57 | 57 | 57 | | | | | 58 | 57 | | |
| ROCAR, % | 14 | 10 | 13 | 13 | 13 | | | | | 12 | 27 | | |
| Economic capital (EC) | 9,153 | 9,051 | 8,233 | 8,234 | 8,110 | 1% | 13% | -2% | 9% | 9,153 | 8,110 | 13% | 9% |
| Risk exposure amount (REA) | 45,415 | 44,940 | 41,489 | 27,511 | 27,245 | 1% | 67% | 2% | 68% | 45,415 | 27,245 | 67% | 68% |
| Number of employees (FTEs) | 9,509 | 9,390 | 9,114 | 9,085 | 9,224 | 1% | 3% | 1% | 3% | 9,509 | 9,224 | 3% | 3% |
| **Volumes, EURbn:** | | | | | | | | | | | | | |
| Lending to corporates[1] | 1.1 | 1.1 | 1.0 | 1.0 | 0.9 | 0% | 22% | 0% | 10% | 1.1 | 0.9 | 22% | 10% |
| Household mortgage lending | 130.1 | 129.5 | 125.0 | 125.3 | 124.2 | 0% | 5% | 1% | 6% | 130.1 | 124.2 | 5% | 6% |
| Consumer lending | 21.5 | 21.6 | 20.5 | 20.9 | 21.1 | 0% | 2% | 0% | 3% | 21.5 | 21.1 | 2% | 3% |
| **Total lending** | **152.7** | **152.2** | **146.5** | **147.2** | **146.2** | **0%** | **4%** | **1%** | **5%** | **152.7** | **146.2** | **4%** | **5%** |
| Corporate deposits[1] | 1.8 | 1.8 | 1.8 | 1.8 | 2.4 | 0% | -25% | 0% | -25% | 1.8 | 2.4 | -25% | -25% |
| Household deposits | 78.6 | 76.7 | 74.3 | 74.9 | 74.9 | 2% | 5% | 3% | 6% | 78.6 | 74.9 | 5% | 6% |
| **Total deposits** | **80.4** | **78.5** | **76.1** | **76.7** | **77.3** | **2%** | **4%** | **3%** | **5%** | **80.4** | **77.3** | **4%** | **5%** |

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

## Personal Banking Denmark

| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan/Jun 19/18 |
|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | | |
| Net interest income | 145 | 140 | 148 | 143 | 143 | 4% | 1% | 285 | 283 | 1% |
| Net fee and commission income | 48 | 51 | 48 | 51 | 50 | -6% | -4% | 99 | 107 | -7% |
| Net result from items at fair value | 14 | 54 | 15 | 15 | 0 | | | 68 | 80 | |
| Equity method & other income | -1 | 0 | -2 | 0 | 0 | | | -1 | -1 | |
| **Total income incl. allocations** | **206** | **245** | **209** | **209** | **193** | **-16%** | **7%** | **451** | **469** | **-4%** |
| **Total expenses incl. allocations** | **-134** | **-135** | **-145** | **-146** | **-147** | **-1%** | **-9%** | **-269** | **-291** | **-8%** |
| **Profit before loan losses** | **72** | **110** | **64** | **63** | **46** | **-35%** | **57%** | **182** | **178** | **2%** |
| Net loan losses | -4 | 3 | -5 | -4 | -7 | | | -1 | -15 | |
| **Operating profit** | **68** | **113** | **59** | **59** | **39** | **-40%** | **74%** | **181** | **163** | **11%** |
| Cost/income ratio, % | 65 | 55 | 69 | 70 | 76 | | | 60 | 62 | |
| ROCAR, % | 14 | 21 | 12 | 12 | 8 | | | 18 | 8 | |
| Economic capital (EC) | 1,670 | 1,651 | 1,479 | 1,497 | 1,503 | 1% | 11% | 1,670 | 1,503 | 11% |
| Risk exposure amount (REA) | 9,095 | 9,045 | 8,766 | 7,658 | 7,617 | 1% | 19% | 9,095 | 7,617 | 19% |
| Number of employees (FTEs) | 1,943 | 1,977 | 2,001 | 2,051 | 2,110 | -2% | -8% | 1,943 | 2,110 | -8% |
| **Volumes, EURbn:** | | | | | | | | | | |
| Lending to corporates | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0% | 0% | 0.2 | 0.2 | 0% |
| Household mortgage lending | 30.7 | 30.6 | 30.5 | 30.3 | 30.2 | 0% | 2% | 30.7 | 30.2 | 2% |
| Consumer lending | 9.0 | 9.1 | 9.2 | 9.5 | 9.8 | -1% | -8% | 9.0 | 9.8 | -8% |
| **Total lending** | **39.9** | **39.9** | **39.9** | **40.0** | **40.2** | **0%** | **-1%** | **39.9** | **40.2** | **-1%** |
| Corporate deposits | 1.6 | 1.5 | 1.6 | 1.6 | 2.1 | 7% | -24% | 1.6 | 2.1 | -24% |
| Household deposits | 23.3 | 22.9 | 22.9 | 23.3 | 23.5 | 2% | -1% | 23.3 | 23.5 | -1% |
| **Total deposits** | **24.9** | **24.4** | **24.5** | **24.9** | **25.6** | **2%** | **-3%** | **24.9** | **25.6** | **-3%** |

## Personal Banking Finland

| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan/Jun 19/18 |
|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | | |
| Net interest income | 102 | 102 | 106 | 103 | 108 | 0% | -6% | 204 | 210 | -3% |
| Net fee and commission income | 45 | 40 | 41 | 45 | 47 | 13% | -4% | 85 | 92 | -8% |
| Net result from items at fair value | 7 | 4 | 8 | 4 | 3 | | | 11 | 6 | |
| Equity method & other income | 0 | 0 | 0 | 0 | 0 | | | 0 | 1 | |
| **Total income incl. allocations** | **154** | **146** | **155** | **152** | **158** | **5%** | **-3%** | **300** | **309** | **-3%** |
| **Total expenses incl. allocations** | **-116** | **-123** | **-108** | **-107** | **-114** | **-6%** | **2%** | **-239** | **-232** | **3%** |
| **Profit before loan losses** | **38** | **23** | **47** | **45** | **44** | **65%** | **-14%** | **61** | **77** | **-21%** |
| Net loan losses | -9 | -31 | -7 | 2 | -18 | | | -40 | -29 | |
| **Operating profit** | **29** | **-8** | **40** | **47** | **26** | | **12%** | **21** | **48** | **-56%** |
| Cost/income ratio, % | 75 | 84 | 70 | 70 | 72 | | | 80 | 75 | |
| ROCAR, % | 7 | -2 | 8 | 9 | 5 | | | 2 | 2 | |
| Economic capital (EC) | 1,473 | 1,457 | 1,579 | 1,627 | 1,613 | 1% | -9% | 1,473 | 1,613 | -9% |
| Risk exposure amount (REA) | 8,017 | 7,948 | 7,762 | 8,085 | 8,084 | 1% | -1% | 8,017 | 8,084 | -1% |
| Number of employees (FTEs) | 2,260 | 2,178 | 2,103 | 2,036 | 2,154 | 4% | 5% | 2,260 | 2,154 | 5% |
| **Volumes, EURbn:** | | | | | | | | | | |
| Lending to corporates | 0 | 0 | 0 | 0 | 0 | | | 0 | 0 | |
| Household mortgage lending | 26.6 | 26.4 | 26.3 | 26.4 | 26.6 | 1% | 0% | 26.6 | 26.6 | 0% |
| Consumer lending | 6.2 | 6.2 | 6.3 | 6.3 | 6.3 | 0% | -2% | 6.2 | 6.3 | -2% |
| **Total lending** | **32.8** | **32.6** | **32.6** | **32.7** | **32.9** | **1%** | **0%** | **32.8** | **32.9** | **0%** |
| Corporate deposits | 0 | 0 | 0.1 | 0.1 | 0.1 | | | 0 | 0.1 | |
| Household deposits | 22.2 | 21.6 | 21.1 | 21.0 | 21.1 | 3% | 5% | 22.2 | 21.1 | 5% |
| **Total deposits** | **22.2** | **21.6** | **21.2** | **21.1** | **21.2** | **3%** | **5%** | **22.2** | **21.2** | **5%** |

## Personal Banking Norway

| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Local curr. Q2/Q1 | Local curr. Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan-Jun 19/18 EUR | Jan-Jun 19/18 Local |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 122 | 104 | 104 | 97 | 97 | 17% | 26% | 16% | 27% | 226 | 192 | 18% | 19% |
| Net fee and commission income | 19 | 16 | 22 | 23 | 22 | 19% | -14% | 25% | -5% | 35 | 40 | -13% | -8% |
| Net result from items at fair value | 9 | 7 | 2 | 5 | 6 | | | | | 16 | 8 | | |
| Equity method & other income | 1 | 0 | 0 | 0 | 1 | | | | | 1 | 3 | | |
| **Total income incl. allocations** | **151** | **127** | **128** | **125** | **126** | **19%** | **20%** | **19%** | **23%** | **278** | **243** | **14%** | **16%** |
| **Total expenses incl. allocations** | **-75** | **-85** | **-56** | **-64** | **-61** | **-12%** | **23%** | **-13%** | **25%** | **-160** | **-136** | **18%** | **19%** |
| **Profit before loan losses** | **76** | **42** | **72** | **61** | **65** | **81%** | **17%** | **83%** | **20%** | **118** | **107** | **10%** | **12%** |
| Net loan losses | -6 | -10 | 1 | -1 | -2 | | | | | -16 | -2 | | |
| **Operating profit** | **70** | **32** | **73** | **60** | **63** | | **11%** | | **13%** | **102** | **105** | **-3%** | **-2%** |
| Cost/income ratio, % | 50 | 67 | 44 | 51 | 48 | | | | | 58 | 56 | | |
| ROCAR, % | 12 | 6 | 14 | 12 | 13 | | | | | 9 | 5 | | |
| Economic capital (EC) | 2,067 | 2,050 | 1,610 | 1,590 | 1,552 | 1% | 33% | 1% | 38% | 2,067 | 1,552 | 33% | 38% |
| Risk exposure amount (REA) | 11,602 | 11,438 | 8,378 | 5,144 | 4,993 | 1% | | 2% | | 11,602 | 4,993 | | |
| Number of employees (FTEs) | 942 | 965 | 805 | 824 | 813 | -2% | 16% | -2% | 16% | 942 | 813 | 16% | 16% |
| **Volumes, EURbn:** | | | | | | | | | | | | | |
| Lending to corporates | 0 | 0 | 0 | 0 | 0 | | | | | 0 | 0 | | |
| Household mortgage lending | 32.3 | 31.9 | 26.9 | 27.9 | 27.3 | 1% | 18% | 2% | 21% | 32.3 | 27.3 | 18% | 21% |
| Consumer lending | 2.9 | 2.9 | 1.5 | 1.5 | 1.5 | 0% | 93% | 0% | 93% | 2.9 | 1.5 | 93% | 93% |
| **Total lending** | **35.2** | **34.8** | **28.4** | **29.4** | **28.8** | **1%** | **22%** | **1%** | **25%** | **35.2** | **28.8** | **22%** | **25%** |
| Corporate deposits | 0.2 | 0.1 | 0.1 | 0.1 | 0.2 | | | | | 0.2 | 0.2 | 0% | 0% |
| Household deposits | 10.8 | 10.5 | 8.0 | 8.6 | 8.8 | 3% | 23% | 3% | 26% | 10.8 | 8.8 | 23% | 26% |
| **Total deposits** | **11.0** | **10.6** | **8.1** | **8.7** | **9.0** | **4%** | **22%** | **4%** | **25%** | **11.0** | **9.0** | **22%** | **25%** |

## Personal Banking Sweden

| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Local curr. Q2/Q1 | Local curr. Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan-Jun 19/18 EUR | Jan-Jun 19/18 Local |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 168 | 172 | 180 | 168 | 176 | -2% | -5% | -1% | -2% | 340 | 376 | -10% | -6% |
| Net fee and commission income | 56 | 58 | 59 | 64 | 61 | -3% | -8% | 0% | -5% | 114 | 124 | -8% | -5% |
| Net result from items at fair value | 4 | 4 | 13 | 4 | 4 | | | | | 8 | 7 | 14% | 14% |
| Equity method & other income | 0 | 0 | 0 | 0 | 0 | | | | | 0 | 5 | | |
| **Total income incl. allocations** | **228** | **234** | **252** | **236** | **241** | **-3%** | **-5%** | **0%** | **-3%** | **462** | **512** | **-10%** | **-7%** |
| **Total expenses incl. allocations** | **-116** | **-156** | **-119** | **-115** | **-117** | **-26%** | **-1%** | **-23%** | **3%** | **-272** | **-275** | **-1%** | **2%** |
| **Profit before loan losses** | **112** | **78** | **133** | **121** | **124** | **44%** | **-10%** | **45%** | **-8%** | **190** | **237** | **-20%** | **-17%** |
| Net loan losses | -6 | -12 | -6 | -6 | -2 | | | | | -18 | -6 | | |
| **Operating profit** | **106** | **66** | **127** | **115** | **122** | **61%** | **-13%** | **64%** | **-11%** | **172** | **231** | **-26%** | **-23%** |
| Cost/income ratio, % | 51 | 67 | 47 | 49 | 49 | | | | | 59 | 54 | | |
| ROCAR, % | 13 | 7 | 13 | 12 | 14 | | | | | 10 | 7 | | |
| Economic capital (EC) | 2,800 | 2,761 | 2,971 | 2,897 | 2,726 | 1% | 3% | 3% | 1% | 2,800 | 2,726 | 3% | 1% |
| Risk exposure amount (REA) | 15,581 | 15,356 | 15,428 | 5,393 | 4,767 | | | | | 15,581 | 4,767 | | |
| Number of employees (FTEs) | 1,908 | 1,923 | 1,891 | 1,893 | 1,933 | -1% | -1% | -1% | -1% | 1,908 | 1,933 | -1% | -1% |
| **Volumes, EURbn:** | | | | | | | | | | | | | |
| Lending to corporates | 0.8 | 0.8 | 0.8 | 0.7 | 0.7 | 0% | 14% | 0% | 14% | 0.8 | 0.7 | 14% | 14% |
| Household mortgage lending | 40.6 | 40.7 | 41.1 | 40.8 | 40.0 | 0% | 2% | 1% | 3% | 40.6 | 40.0 | 2% | 3% |
| Consumer lending | 3.4 | 3.4 | 3.6 | 3.6 | 3.6 | 0% | -6% | 3% | -5% | 3.4 | 3.6 | -6% | -5% |
| **Total lending** | **44.8** | **44.9** | **45.5** | **45.1** | **44.3** | **0%** | **1%** | **1%** | **2%** | **44.8** | **44.3** | **1%** | **2%** |
| Corporate deposits | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0% | 0% | 0% | 0% | 0.1 | 0.1 | 0% | 0% |
| Household deposits | 22.3 | 21.9 | 22.2 | 22.0 | 21.4 | 2% | 4% | 4% | 5% | 22.3 | 21.4 | 4% | 5% |
| **Total deposits** | **22.4** | **22.0** | **22.3** | **22.1** | **21.5** | **2%** | **4%** | **4%** | **5%** | **22.4** | **21.5** | **4%** | **5%** |

**Personal Banking Other**

| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan/Jun 19/18 |
|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | | |
| Net interest income | -5 | -1 | -3 | -4 | -4 | | | -6 | -2 | |
| Net fee and commission income | 0 | -2 | -3 | -11 | 3 | | | -2 | 0 | |
| Net result from items at fair value | -2 | 3 | 0 | 0 | 1 | | | 1 | 1 | |
| Equity method & other income | -1 | 1 | 0 | -1 | 0 | | | 0 | 0 | |
| **Total income incl. allocations** | **-8** | **1** | **-6** | **-16** | **0** | | | **-7** | **-1** | |
| **Total expenses incl. allocations** | **3** | **-1** | **-31** | **-18** | **-8** | | | **2** | **-16** | |
| **Profit before loan losses** | **-5** | **0** | **-37** | **-34** | **-8** | | | **-5** | **-17** | |
| Net loan losses | 0 | -1 | -3 | 2 | -1 | | | -1 | 0 | |
| **Operating profit** | **-5** | **-1** | **-40** | **-32** | **-9** | | | **-6** | **-17** | |
| Economic capital (EC) | 828 | 821 | 234 | 249 | 338 | | | 828 | 338 | |
| Number of employees (FTEs) | 2,456 | 2,347 | 2,314 | 2,281 | 2,214 | 5% | 11% | 2,456 | 2,214 | 11% |

# Commercial & Business Banking

## Introduction

Commercial & Business Banking has a market leading position in the Nordic region and consists of Business Banking, Transaction Banking and Nordea Finance. We employ more than 4,800 people and serve close to 550,000 corporate customers through a combination of physical and digital channels which we use to deliver banking services from Nordea and partners to our corporate customers. We contribute to society by offering our banking ecosystem to entrepreneurs, scale-ups and established corporates. This, in turn, enables people and businesses to succeed with their Nordic ideas and to make a sustainable impact.

In Business Banking, large and medium-sized corporates are served in a relationship-driven model securing high availability and the ability to solve complex customer needs. Small corporates and their owners are served in a remote set-up in Business Banking Direct with a high level of flexibility to ensure fast response to changes in customer demands and market developments.

Transaction Banking serves all Nordea's customer segments, with payment and transaction services as well as driving Open Banking and Blockchain/DLT initiatives across all platforms in the bank. Transaction Banking consists of Cards, Trade Finance, Cash Management and Mobile & Ecommerce & co-Innovation and is an integral provider of the digital innovations enabling Nordea's customer vision.

Nordea Finance provides a wide range of products and services, spanning the simplest unsecured financing needs for household customers, to complex supply chain financing solutions for large corporate customers. Nordea Finance is responsible for the sales finance business and asset-based lending in Nordea, covering three different product groups; 1) investment credits, 2) working capital, and 3) consumer credits.

## Updates on priorities

Improving the satisfaction of our corporate customers remains a top priority for Commercial & Business Banking. Building on the positive trend from 2017 into 2018, several initiatives went live and accelerated in the first half of 2019.

The roll-out of the enhanced Netbank for corporates called 'Nordea Business' continues. In Sweden, close to 90,000 Swedish customers are now invited, while pilots in Denmark and Finland are ongoing. Nordea Business will be our new digital channel for serving our corporate customers and will enable easy access to products and self-service solutions.

In Denmark, we launched a partnership with CrediWire, offering customers a simple and visual overview of their economics in real time, while enabling the seamless exchange of financial information with Nordea and other stakeholders to free up time for customers.

We.trade is a blockchain-based platform that allows customers to make fast, easy, paperless international trades, and has now been launched in all Nordic markets. We.trade will streamline operations and digitise customer experience for our corporate customers when conducting cross-border trades.

Green car loans and leasing were introduced in Sweden and offer customers a sustainable financing alternative. The green option is available to finance cars which run on 100% electricity at a discount.

Open Banking is now live in all Nordic countries. We currently offer our customers two corporate application-programming interfaces (APIs): Instant Reporting (real-time account information) and Markets FX APIs (automated currency trading and risk management).

The underlying increase in business activity continues. Lending volumes grew at an annual rate of close to 3% in local currencies in the second quarter. We see broad based growth in all our markets and continue to be selective. Highest growth in Business Banking Norway and Sweden at 7% and 5% respectively. While volumes in Business Banking Denmark and Finland grew at an annual rate of 2%. In Business Banking Direct lending volumes decreased by 2% driven by household lending.

## Financial outcome

Total income increased by 8% compared to the first quarter. Adjusted for a fair value model adjustment related to a loan portfolio in Denmark in the first quarter, income decreased 1% in local currencies.

Net interest income increased by 2% in local currencies compared to the previous quarter. Lending volume growth continued and increased 3% in local currency compared to the second quarter last year. Price competition is intensifying in all markets.

Net fee and commission income decreased 12% from the high level in the first quarter while net result from items at fair value increased 191% as the first quarter included a negative impact of a fair value model adjustment on a loan portfolio in Denmark. Underlying net result from items at fair value was unchanged as high activity in hedging and foreign exchange was offset by negative valuation adjustments.

Total expenses decreased 13% from the previous quarter in local currencies. Resolution fees for the full year is included in the first quarter. Compared to the same quarter last year total expenses decreased 4%.

Operating profit was EUR 224m, down EUR 8m from the previous quarter when adjusting for resolution fees and fair value model adjustments.

The C/I ratio in the second quarter was 52% and improved 3%-points from the same quarter last year driven by both higher income and lower cost. ROCAR was 10% in the second quarter and decreased 3 %-points from the same quarter last year as higher income and lower cost was offset by a normalization of loan losses.

### Commercial & Business Banking total

| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Local curr. Q2/Q1 | Local curr. Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan-Dec 19/18 EUR | Jan-Dec 19/18 Local |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 340 | 334 | 347 | 329 | 333 | 2% | 2% | 2% | 3% | 674 | 659 | 2% | 3% |
| Net fee and commission income | 106 | 121 | 112 | 105 | 110 | -12% | -4% | -12% | -3% | 227 | 224 | 1% | 3% |
| Net result from items at fair value | 67 | 23 | 72 | 48 | 57 | | | | | 90 | 177 | | |
| Equity method & other income | 7 | 5 | 6 | 5 | 10 | | | | | 12 | 19 | | |
| **Total income incl. allocations** | **520** | **483** | **537** | **487** | **510** | **8%** | **2%** | **8%** | **3%** | **1,003** | **1,079** | **-7%** | **-6%** |
| **Total expenses incl. allocations** | **-269** | **-311** | **-281** | **-269** | **-281** | **-14%** | **-4%** | **-13%** | **-4%** | **-580** | **-619** | **-6%** | **-5%** |
| **Profit before loan losses** | **251** | **172** | **256** | **218** | **229** | **46%** | **10%** | **47%** | **11%** | **423** | **460** | **-8%** | **-7%** |
| Net loan losses | -27 | -34 | -32 | -40 | 27 | | | | | -61 | 48 | | |
| **Operating profit** | **224** | **138** | **224** | **178** | **256** | **62%** | **-13%** | **61%** | **-12%** | **362** | **508** | **-29%** | **-28%** |
| Cost/income ratio, % | 52 | 64 | 52 | 55 | 55 | | | | | 58 | 57 | | |
| ROCAR, % | 10 | 7 | 11 | 9 | 13 | | | | | 8 | 12 | | |
| Economic capital (EC) | 6,652 | 6,483 | 6,261 | 6,230 | 6,236 | 3% | 7% | 3% | 9% | 6,652 | 6,236 | 7% | 9% |
| Risk exposure amount (REA) | 45,840 | 44,872 | 44,310 | 33,143 | 33,097 | 2% | 39% | 3% | 39% | 45,840 | 33,097 | 39% | 39% |
| Number of employees (FTEs) | 4,870 | 4,830 | 4,820 | 4,825 | 4,869 | 1% | 0% | 1% | 0% | 4,870 | 4,869 | 0% | 0% |
| **Volumes, EURbn:** | | | | | | | | | | | | | |
| Lending to corporates | 74.1 | 73.5 | 72.7 | 73.0 | 71.8 | 1% | 3% | 1% | 4% | 74.1 | 71.8 | 3% | 4% |
| Household mortgage lending[1] | 6.6 | 6.7 | 6.7 | 6.8 | 6.9 | -1% | -4% | 0% | -4% | 6.6 | 6.9 | -4% | -4% |
| Consumer lending[1] | 1.8 | 1.9 | 2.0 | 2.1 | 2.1 | -5% | -14% | -5% | -14% | 1.8 | 2.1 | -14% | -14% |
| **Total lending** | **82.5** | **82.1** | **81.4** | **81.9** | **80.8** | **0%** | **2%** | **1%** | **3%** | **82.5** | **80.8** | **2%** | **3%** |
| Corporate deposits | 38.5 | 38.5 | 38.0 | 36.9 | 37.4 | 0% | 3% | 0% | 3% | 38.5 | 37.4 | 3% | 3% |
| Household deposits[1] | 2.8 | 2.8 | 2.8 | 2.8 | 3.0 | 0% | -7% | 4% | -3% | 2.8 | 3.0 | -7% | -3% |
| **Total deposits** | **41.3** | **41.3** | **40.8** | **39.7** | **40.4** | **0%** | **2%** | **0%** | **3%** | **41.3** | **40.4** | **2%** | **3%** |

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

### Commercial & Business Banking excl. Distribution agreement with Wealth Management

| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Local curr. Q2/Q1 | Local curr. Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan-Dec 19/18 EUR | Jan-Dec 19/18 Local |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 340 | 334 | 347 | 329 | 333 | 2% | 2% | 2% | 3% | 674 | 659 | 2% | 3% |
| Net fee and commission income | 133 | 148 | 137 | 131 | 135 | -10% | -1% | -9% | -1% | 281 | 294 | -4% | -3% |
| Net result from items at fair value | 67 | 23 | 72 | 48 | 57 | | | | | 90 | 177 | | |
| Equity method & other income | 7 | 5 | 6 | 5 | 10 | | | | | 12 | 19 | | |
| **Total income incl. allocations** | **547** | **510** | **562** | **513** | **535** | **7%** | **2%** | **8%** | **3%** | **1,057** | **1,149** | **-8%** | **-7%** |
| **Total expenses incl. allocations** | **-276** | **-320** | **-287** | **-275** | **-287** | **-14%** | **-4%** | **-13%** | **-3%** | **-596** | **-637** | **-6%** | **-5%** |
| **Profit before loan losses** | **271** | **190** | **275** | **238** | **248** | **43%** | **9%** | **43%** | **10%** | **461** | **512** | **-10%** | **-9%** |
| Net loan losses | -27 | -34 | -31 | -41 | 27 | | | | | -61 | 48 | | |
| **Operating profit** | **244** | **156** | **244** | **197** | **275** | **56%** | **-11%** | **55%** | **-11%** | **400** | **560** | **-29%** | **-28%** |
| Cost/income ratio, % | 50 | 63 | 51 | 54 | 54 | | | | | 56 | 55 | | |
| ROCAR, % | 11 | 7 | 12 | 9 | 13 | | | | | 9 | 13 | | |
| Economic capital (EC) | 6,771 | 6,606 | 6,393 | 6,364 | 6,363 | 2% | 6% | 3% | 9% | 6,771 | 6,363 | 6% | 9% |
| Risk exposure amount (REA) | 45,840 | 44,872 | 44,310 | 33,143 | 33,097 | 2% | 39% | 3% | 39% | 45,840 | 33,097 | 39% | 39% |
| Number of employees (FTEs) | 4,870 | 4,830 | 4,820 | 4,825 | 4,869 | 1% | 0% | 1% | 0% | 4,870 | 4,869 | 0% | 0% |
| **Volumes, EURbn:** | | | | | | | | | | | | | |
| Lending to corporates | 74.1 | 73.5 | 72.7 | 73.0 | 71.8 | 1% | 3% | 1% | 4% | 74.1 | 71.8 | 3% | 4% |
| Household mortgage lending[1] | 6.6 | 6.7 | 6.7 | 6.8 | 6.9 | -1% | -4% | 0% | -4% | 6.6 | 6.9 | -4% | -4% |
| Consumer lending[1] | 1.8 | 1.9 | 2.0 | 2.1 | 2.1 | -5% | -14% | -5% | -14% | 1.8 | 2.1 | -14% | -14% |
| **Total lending** | **82.5** | **82.1** | **81.4** | **81.9** | **80.8** | **0%** | **2%** | **1%** | **3%** | **82.5** | **80.8** | **2%** | **3%** |
| Corporate deposits | 38.5 | 38.5 | 38.0 | 36.9 | 37.4 | 0% | 3% | 0% | 3% | 38.5 | 37.4 | 3% | 3% |
| Household deposits[1] | 2.8 | 2.8 | 2.8 | 2.8 | 3.0 | 0% | -7% | 4% | -3% | 2.8 | 3.0 | -7% | -3% |
| **Total deposits** | **41.3** | **41.3** | **40.8** | **39.7** | **40.4** | **0%** | **2%** | **0%** | **3%** | **41.3** | **40.4** | **2%** | **3%** |

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

## Business Banking

| EURm | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Local curr. Q2/Q1 | Local curr. Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan-Dec EUR | 19/18 Local |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net interest income, EURm** | | | | | | | | | | | | | |
| Business Banking Denmark | 77 | 74 | 77 | 77 | 76 | 4% | 1% | 5% | 3% | 151 | 154 | -2% | -1% |
| Business Banking Finland | 65 | 65 | 66 | 64 | 64 | 0% | 2% | 0% | 2% | 130 | 125 | 4% | 4% |
| Business Banking Norway | 73 | 72 | 74 | 69 | 70 | 1% | 4% | -1% | 4% | 145 | 140 | 4% | 4% |
| Business Banking Sweden | 66 | 66 | 65 | 63 | 63 | 0% | 5% | 1% | 6% | 132 | 122 | 8% | 11% |
| Business Banking Direct | 55 | 54 | 55 | 50 | 53 | 2% | 4% | 4% | 6% | 109 | 104 | 5% | 6% |
| Other | 4 | 3 | 10 | 6 | 7 | | | | | 7 | 14 | | |
| **Net loan losses, EURm** | | | | | | | | | | | | | |
| Business Banking Denmark | -24 | -1 | -18 | -29 | -1 | | | | | -25 | -14 | | |
| Business Banking Finland | 6 | -14 | -9 | -5 | 4 | | | | | -8 | 25 | | |
| Business Banking Norway | 0 | -4 | 6 | 2 | 22 | | | | | -4 | 32 | | |
| Business Banking Sweden | -5 | -6 | -4 | -4 | 4 | | | | | -11 | 5 | | |
| Business Banking Direct | 2 | -3 | -1 | -1 | -1 | | | | | -1 | -1 | | |
| Other | -6 | -6 | -6 | -3 | -1 | | | | | -12 | 1 | | |
| **Lending, EURbn** | | | | | | | | | | | | | |
| Business Banking Denmark | 21.6 | 21.5 | 21.7 | 21.4 | 21.2 | 0% | 2% | 0% | 2% | 21.6 | 21.2 | 2% | 2% |
| Business Banking Finland | 13.4 | 13.2 | 13.2 | 13.4 | 13.2 | 2% | 2% | 2% | 2% | 13.4 | 13.2 | 2% | 2% |
| Business Banking Norway | 16.6 | 16.1 | 15.8 | 16.2 | 15.8 | 3% | 5% | 3% | 7% | 16.6 | 15.8 | 5% | 7% |
| Business Banking Sweden | 19.2 | 19.4 | 19.0 | 19.0 | 18.4 | -1% | 4% | 1% | 5% | 19.2 | 18.4 | 4% | 5% |
| Business Banking Direct | 11.8 | 11.9 | 11.7 | 11.9 | 12.0 | -1% | -2% | -1% | -2% | 11.8 | 12.0 | -2% | -2% |
| Other | -0.1 | 0 | 0 | 0 | 0.2 | | | | | -0.1 | 0.2 | | |
| **Deposits, EURbn** | | | | | | | | | | | | | |
| Business Banking Denmark | 6.2 | 6.1 | 6.1 | 6.2 | 6.1 | 2% | 2% | 2% | 2% | 6.2 | 6.1 | 2% | 2% |
| Business Banking Finland | 7.8 | 7.7 | 7.8 | 7.2 | 7.6 | 1% | 3% | 1% | 3% | 7.8 | 7.6 | 3% | 3% |
| Business Banking Norway | 6.7 | 7.0 | 6.6 | 6.7 | 6.6 | -4% | 2% | -3% | 5% | 6.7 | 6.6 | 2% | 5% |
| Business Banking Sweden | 9.0 | 9.3 | 9.1 | 8.6 | 9.0 | -3% | 0% | -1% | 1% | 9.0 | 9.0 | 0% | 1% |
| Business Banking Direct | 11.5 | 11.2 | 11.2 | 11.0 | 11.1 | 3% | 4% | 3% | 5% | 11.5 | 11.1 | 4% | 5% |
| Other | 0.1 | 0 | 0 | 0 | 0 | | | | | 0.1 | 0 | | |

# Wholesale Banking

## Introduction

Wholesale Banking serves Nordea's large corporate and institutional customers. The service offer includes a focused range of financing, cash management and payment services, investment banking, capital markets products and securities services.

Wholesale Banking is the Nordic leader in sustainable finance and has the leading large corporate and institutional customer franchise in the Nordics. Through Nordea Markets, a broad range of customers in Commercial & Business Banking, Asset & Wealth Management and Personal Banking are also serviced.

Customer satisfaction is a top priority and by combining the entire value chain from customer units to product units, Wholesale Banking can leverage the scale and quality of its franchise to deliver great customer experiences for Nordic as well as designated international customers. Our market leading solutions provide customers with access to financing in the capital markets and with tailored financial tools to optimise their business and manage their risks.

## Updates on priorities

A further strengthening of the Wholesale Banking franchise has resulted in positive momentum and an increase in customer satisfaction. Nordic lending volumes are trending up, we remain on top in Nordic corporate bond issues and our Markets offering to Commercial & Business Banking customers develops favorably.

Customers remained active in Q2 resulting in stable income compared to Q1.

Large corporate lending increased compared to 2018, reflecting increased activity and ambition levels within our C&IB service offer and supported by ending the conscious de-risking of our large corporate lending portfolio. A competitive market and a higher share of low-risk customers resulted in slightly lower lending margins.

The first half of 2019 marks one of the most active primary market periods on record for Nordea supporting our leading position and making us the dominant number 1 credit franchise house in the Nordics. Primary activity continued to be high across corporate and institutional clients with several landmark transactions in the first half of the year.

The equity market continued to be supportive of new issuance and Nordea participated in several primary equity transactions in both the corporate and the shipping sector. Mergers and acquisition (M&A) activity has also been strong, and we see strong interest from corporates in pursuing acquisitive growth. Nordea was involved in a number of transactions and acted amongst other as the financing provider and advisor on Tieto's merger with Evry, the sale of Logent for Adelis and the sale of Coromatic for EQT to E.ON.

The result in Markets is upheld by a strong performance in the underlying product franchises, and in particular within credit and rates. Also, structured bonds sales and structured credit trading showed a positive development compared to last year. Furthermore, Markets continued its positive customer relations development, which was manifested in strong customer satisfaction results.

The trading environment remained challenging with narrow spreads and further lowering of interest rates affecting market making activities and also resulting in continued negative valuation adjustments in the quarter.

Wholesale Banking's focus areas remained unchanged with continued prioritisation within capital optimisation. Progression was made within digitalisation as well as sustainability, e.g. green bonds.

## Financial outcome

Total income was EUR 393m, flat compared to Q1 2019, as higher commission income offset lower net fair value.

Net interest income was slightly down in Q2 2019 compared with Q1 2019. Net fee and commission improved 24% in local currencies from the previous quarter driven by a pick-up in mainly advisory and lending fees.

Customer-driven net fair value (NFV) activity held up well from the previous quarter. The net result on items at fair value was down 26% in the second quarter with continued negative valuation adjustments of EUR 27m (EUR 42m in Q1) and a challenging market making environment.

End of period Q2 large corporate lending decreased slightly compared to Q1 driven by Russia.

Total expenses decreased by 23% in Q2 compared with the previous quarter in the absence of resolution fee. Net loan losses amounted to EUR -12m in Q2 compared to net loan losses (recoveries) in Q1 of EUR 44m. Overall credit quality remained sound. Operating profit was EUR 151m, up 9% compared with Q1 2019.

Business area ROCAR ended at 6%, slightly up compared with Q1 2019.

**Wholesale Banking total**

| | | | | | | | | Local curr. | | | | Jan-Jun 19/18 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Q2/Q1 | Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | EUR | Local |
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 208 | 213 | 230 | 234 | 234 | -2% | -11% | -2% | -10% | 421 | 462 | -9% | -7% |
| Net fee and commission income | 127 | 105 | 107 | 93 | 151 | 21% | -16% | 24% | -17% | 232 | 269 | -14% | -14% |
| Net result from items at fair value | 57 | 77 | 26 | 111 | 109 | -26% | -48% | -26% | -49% | 134 | 271 | -51% | -51% |
| Equity method & other income | 1 | 0 | 1 | 0 | 0 | | | | | 1 | 0 | | |
| **Total income incl. allocations** | **393** | **395** | **364** | **438** | **494** | **-1%** | **-20%** | **0%** | **-20%** | **788** | **1,002** | **-21%** | **-21%** |
| **Total expenses incl. allocations** | **-230** | **-300** | **-235** | **-217** | **-213** | **-23%** | **8%** | **-23%** | **10%** | **-530** | **-512** | **4%** | **6%** |
| **Profit before loan losses** | **163** | **95** | **129** | **221** | **281** | **72%** | **-42%** | **74%** | **-43%** | **258** | **490** | **-47%** | **-48%** |
| Net loan losses | -12 | 44 | 13 | -5 | -65 | | | | | 32 | -100 | | |
| **Operating profit** | **151** | **139** | **142** | **216** | **216** | **9%** | **-30%** | **9%** | **-32%** | **290** | **390** | **-26%** | **-27%** |
| Cost/income ratio, % | 59 | 76 | 65 | 50 | 43 | | | | | 67 | 51 | | |
| ROCAR, % | 6 | 5 | 6 | 9 | 8 | | | | | 6 | 8 | | |
| Economic capital (EC) | 8,082 | 8,309 | 7,938 | 7,462 | 7,741 | -3% | 4% | | | 8,082 | 7,741 | 4% | |
| Risk exposure amount (REA) | 48,117 | 49,803 | 48,246 | 37,284 | 39,196 | -3% | 23% | | | 48,117 | 39,196 | 23% | |
| Number of employees (FTEs) | 2,929 | 3,007 | 2,981 | 3,006 | 2,958 | -3% | -1% | | | 2,929 | 2,958 | -1% | |
| **Volumes, EURbn:** | | | | | | | | | | | | | |
| Lending to corporates | 77.1 | 79.0 | 69.2 | 77.0 | 76.1 | -2% | 1% | | | 77.1 | 76.1 | 1% | |
| Lending to households | 0 | 0 | 0 | 0 | 0 | | | | | 0 | 0 | | |
| **Total lending** | **77.1** | **79.0** | **69.2** | **77.0** | **76.1** | **-2%** | **1%** | **-2%** | **1%** | **77.1** | **76.1** | **1%** | **1%** |
| Corporate deposits | 46.8 | 50.6 | 42.2 | 51.7 | 48.6 | -8% | -4% | | | 46.8 | 48.6 | -4% | |
| Household deposits | 0 | 0 | 0 | 0.1 | 0.1 | | | | | 0 | 0.1 | | |
| **Total deposits** | **46.8** | **50.6** | **42.2** | **51.8** | **48.7** | **-8%** | **-4%** | **-6%** | **-6%** | **46.8** | **48.7** | **-4%** | **-6%** |

## Wholesale Banking

| EURm | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan-Jun 19/18 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net interest income, EURm** | | | | | | | | | | |
| C&IB Denmark | 33 | 34 | 36 | 35 | 39 | -4% | -17% | 67 | 76 | -12% |
| C&IB Finland | 28 | 30 | 30 | 30 | 28 | -5% | 1% | 58 | 57 | 2% |
| C&IB Norway | 80 | 82 | 93 | 93 | 91 | -2% | -12% | 162 | 179 | -9% |
| C&IB Sweden | 53 | 55 | 56 | 55 | 53 | -4% | -1% | 108 | 105 | 3% |
| **Corporate & Investment Banking** | **194** | **201** | **215** | **213** | **211** | **-3%** | **-8%** | **395** | **417** | **-5%** |
| **Banking Russia** | **12** | **10** | **12** | **13** | **16** | **22%** | **-24%** | **22** | **33** | **-33%** |
| **Other** | **2** | **2** | **3** | **8** | **7** | **-16%** | **-76%** | **4** | **12** | **-69%** |
| | | | | | | | | | | |
| **Net loan losses, EURm** | | | | | | | | | | |
| C&IB Denmark | -29 | 10 | -46 | -17 | -3 | | | -19 | -31 | |
| C&IB Finland | -1 | 0 | 10 | 5 | 2 | | | -1 | 3 | |
| C&IB Norway | 19 | 8 | 35 | 1 | 10 | | | 27 | -2 | |
| C&IB Sweden | -31 | -2 | -1 | 1 | 0 | | | -33 | 1 | |
| **Corporate & Investment Banking** | **-42** | **16** | **-2** | **-11** | **9** | | | **-26** | **-29** | |
| **Banking Russia** | **28** | **12** | **16** | **7** | **-74** | | | **40** | **-70** | |
| **Other** | **2** | **16** | **-1** | **-1** | **0** | | | **18** | **-1** | |
| | | | | | | | | | | |
| **Lending, EURbn** | | | | | | | | | | |
| C&IB Denmark | 9.8 | 10.1 | 9.9 | 9.3 | 9.8 | -3% | 0% | 9.8 | 9.8 | 0% |
| C&IB Finland | 7.5 | 7.7 | 7.3 | 7.1 | 7.1 | -3% | 6% | 7.5 | 7.1 | 6% |
| C&IB Norway | 14.7 | 14.8 | 14.4 | 14.7 | 15.0 | -1% | -2% | 14.7 | 15.0 | -2% |
| C&IB Sweden | 13.8 | 13.3 | 12.9 | 12.6 | 12.7 | 4% | 9% | 13.8 | 12.7 | 9% |
| **Corporate & Investment Banking** | **45.8** | **45.9** | **44.5** | **43.7** | **44.6** | **0%** | **3%** | **45.8** | **44.6** | **3%** |
| **Banking Russia** | **1.8** | **2.0** | **2.1** | **2.3** | **2.4** | **-10%** | **-25%** | **1.8** | **2.4** | **-25%** |
| **Other** | **29.5** | **31.1** | **22.6** | **31.0** | **29.1** | **-5%** | **1%** | **29.5** | **29.1** | **1%** |
| | | | | | | | | | | |
| **Deposits, EURbn** | | | | | | | | | | |
| C&IB Denmark | 4.9 | 5.5 | 5.9 | 5.8 | 5.0 | -11% | -2% | 4.9 | 5.0 | -2% |
| C&IB Finland | 4.5 | 6.3 | 5.0 | 4.0 | 5.2 | -29% | -13% | 4.5 | 5.2 | -13% |
| C&IB Norway | 7.6 | 7.6 | 7.4 | 7.6 | 7.0 | 0% | 9% | 7.6 | 7.0 | 9% |
| C&IB Sweden | 7.2 | 6.4 | 6.5 | 7.2 | 6.1 | 13% | 18% | 7.2 | 6.1 | 18% |
| **Corporate & Investment Banking** | **24.2** | **25.8** | **24.8** | **24.6** | **23.3** | **-6%** | **4%** | **24.2** | **23.3** | **4%** |
| **Banking Russia** | **0.5** | **0.6** | **0.5** | **0.5** | **0.7** | **-17%** | **-29%** | **0.5** | **0.7** | **-29%** |
| **Other** | **22.1** | **24.2** | **16.9** | **26.7** | **24.7** | **-9%** | **-11%** | **22.1** | **24.7** | **-11%** |

# Asset & Wealth Management

## Introduction

Asset & Wealth Management (AWM) provides high-quality investment, savings and risk management solutions. It manages customers' accumulated wealth and assets. It also provides financial advice to high net worth individuals and institutional investors. Nordea's savings products are offered through its own distribution network and through partners.

The business area consists of the three businesses; 1) Private Banking, serving 93,000 customers from 67 branches in the Nordics, 2) Asset Management, responsible for actively managed investment funds and mandates and for institutional asset management customers, and 3) Life & Pensions, serving customers with a full range of pension, endowment and risk products.

With 2,700 employees (320 outside the Nordics), Nordea AWM is the largest service provider within Private Banking, Life & Pension and Wealth Management in the Nordic region, with a presence in Austria, Belgium, Chile, Denmark, Finland, France, Germany, Italy, Luxembourg, Singapore, Spain, Switzerland Norway, Sweden, the UK and the US.

## Updates on priorities

Our priority to increase business momentum driven by our growth ambition is showing results this quarter. Net flows were positive in Q2 with EUR 3.8bn, the best quarter since Q3 2016. Assets under Management (AuM) grew by 2% to EUR 306.5bn and despite challenging markets in May, our performance was satisfactory. AWM will continue its efforts to create positive customer experiences, increase its digital presence as well as its sustainable offers to further grow and increase business momentum.

The clear focus on high net worth customer segments in Private Banking – along with an enhanced focus on customer acquisition and optimisation of the service and advisory model – is generating promising growth momentum. Private Banking is experiencing increasing customer satisfaction and the strong development in Q1 continued into Q2 with strong Nordic net flows of EUR 1.4bn. This, combined with a lift from financial markets, led to an increase in Private Banking AuM to EUR 85.4bn.

Nordea Asset Management's investment performance remains strong with 81% of all composites outperforming benchmarks over three years.

Asset Management business momentum increased across all distribution channels and had a strong quarter for net flows, attracting EUR 2.8bn in total, up compared to the previous quarter. The third-party fund distribution channel was in the lead with net flows of EUR 1.2bn in a European market characterised by outflows and shift to passive. The net flow in Nordea bank channels turned positive and captured EUR 0.9bn, while mandates with traditional Life had slight negative net flow of EUR 0.1bn. Finally, Institutional Distribution entered a number of high margin mandates and the net flow for the quarter was EUR 0.8bn.

Asset Management won a mandate in the United States with the well-reputed John Hancock to be onboarded in Q3. The Stable Return strategy will be distributed in the US retail market with this new mandate. Asset Management will continue to pursue its growth ambition supporting business momentum.

Life & Pensions' gross written premiums reached EUR 1.2bn. Increased momentum in the bank distribution channels resulted in gross written premiums being 26% higher compared to the same quarter in 2018, whilst seasonal effects in previous quarter resulted in Q2 being 4% lower than Q1. The Nordea distribution network generated 88% of Market return premium sales.

Market return and risk products accounted for 98% of total gross written premiums at par with the same quarter previous year. Market return products amounted to 76% of total AuM in Life & Pensions, up from 75% in the previous year.

Nordea Life & Pensions (NLP) aims to be the leading bancassurer in each home market, tightly integrated with the rest of the Nordea Group to ensure seamless offerings to Nordea's customers in all key life events. NLP has a growth plan, with particularly strong growth potential in occupational pensions in Norway and Sweden, while creating new opportunities within the more saturated Finnish market.

Growth across the occupation pension markets in Norway and Sweden is approached through increased leverage of Nordea Group's distribution channels, new partnerships and acceleration of value propositions. Furthermore, there is continued strategic positioning and management of the transition into the Own Pension Account structure on the Norwegian market.

## Financial outcome

The financial markets were volatile in the past quarter and performance was in line with expectations. AWM attracted new assets during Q2 getting back on the growth path after a few difficult quarters.

Second quarter income is in line with expectations although decreased 3% compared to the previous quarter. The decrease is due to one-offs in Q1 and periodization's.

Underlining income growth is satisfactory. Costs decreased by 5% compared to previous quarter following our initiatives and focus on reducing structural costs.

Income in Private Banking was EUR 70m, a slight decrease compared to previous quarter. Adjusted for one-offs in Q1, Private Banking is showing solid underlying income growth. Costs are down despite investments in Norway and Sweden. Operating profit was EUR 3m, a slight decrease from the previous quarter.

Asset Management income was EUR 221m in the second quarter, in line with previous quarter. After a very strong first quarter for market appreciation, higher volatility was experienced in the second quarter. However, the quarter ended with a positive market appreciation of EUR 2.5bn. That together with positive net flow resulted in the AuM increased with EUR 5.3bn. Operating profit was EUR 148m, up 1% from the previous quarter.

Life & Pensions total income was EUR 99m, down 9%from the previous quarter due to investment losses on the owner portfolios Operating profit was EUR 74m, down 7% from the previous quarter and up 2% from the same quarter in 2018. Performance was good with 20% Return on Equity, a 25% increase compared to same quarter last year.

**Asset & Wealth Management total**

| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Local curr. Q2/Q1 | Local curr. Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan-Jun 19/18 EUR | Jan-Jun 19/18 Local |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 14 | 13 | 15 | 18 | 18 | 8% | -22% | 8% | -22% | 27 | 36 | -25% | -25% |
| Net fee and commission income | 349 | 337 | 342 | 342 | 362 | 4% | -4% | 4% | -4% | 686 | 723 | -5% | -5% |
| Net result from items at fair value | 17 | 45 | 33 | 30 | 38 | -62% | -55% | -62% | -55% | 62 | 102 | -39% | -39% |
| Equity method & other income | 13 | 9 | 15 | 10 | 8 | | | | | 22 | 12 | | |
| **Total income incl. allocations** | **393** | **404** | **405** | **400** | **426** | **-3%** | **-8%** | **-3%** | **-8%** | **797** | **873** | **-9%** | **-9%** |
| **Total expenses incl. allocations** | **-179** | **-189** | **-194** | **-182** | **-180** | **-5%** | **-1%** | **-5%** | **-1%** | **-368** | **-384** | **-4%** | **-3%** |
| **Profit before loan losses** | **214** | **215** | **211** | **218** | **246** | **0%** | **-13%** | **0%** | **-13%** | **429** | **489** | **-12%** | **-11%** |
| Net loan losses | -1 | 0 | -4 | 0 | 0 | | | | | -1 | 0 | | |
| **Operating profit** | **213** | **215** | **207** | **218** | **246** | **-1%** | **-13%** | **-1%** | **-13%** | **428** | **489** | **-12%** | **-11%** |
| Cost/income ratio, % | 46 | 47 | 48 | 46 | 42 | | | | | 46 | 44 | | |
| ROCAR, % | 32 | 31 | 28 | 28 | 31 | | | | | 31 | 30 | | |
| Economic capital (EC) | 2,017 | 1,968 | 2,276 | 2,207 | 2,440 | 2% | -17% | 2% | -18% | 2,017 | 2,440 | -17% | -18% |
| Risk exposure amount (REA) | 5,542 | 5,481 | 5,577 | 5,330 | 5,518 | 1% | 0% | 0% | -1% | 5,542 | 5,518 | 0% | -1% |
| Number of employees (FTEs) | 2,714 | 2,699 | 2,712 | 2,925 | 2,948 | 1% | -8% | 1% | -8% | 2,714 | 2,948 | -8% | -8% |
| **Volumes, EURbn:** | | | | | | | | | | | | | |
| AuM | 306.5 | 300.2 | 282.6 | 311.5 | 307.0 | 2% | 0% | 2% | 0% | 306.5 | 307.0 | 0% | 0% |
| Total lending | 8.5 | 8.2 | 8.1 | 9.2 | 9.1 | 4% | -7% | 4% | -7% | 8.5 | 9.1 | -7% | -7% |
| Total deposits | 11.9 | 11.4 | 11.2 | 12.7 | 12.1 | 4% | -2% | 4% | -2% | 11.9 | 12.1 | -2% | -2% |

**Assets under Management (AuM), volumes and net inflow**

| | Q219 | Q119 | Q418 | Q318 | Q218 | Q119 Net inflow |
|---|---|---|---|---|---|---|
| **EURbn** | | | | | | |
| Nordic Retail funds | 62.3 | 61.2 | 56.3 | 61.1 | 60.0 | 0.1 |
| Private Banking | 85.4 | 84.1 | 80.7 | 98.0 | 96.3 | 1.4 |
| Institutional sales | 108.6 | 103.8 | 98.3 | 101.6 | 100.9 | 2.0 |
| Life & Pensions | 50.2 | 51.1 | 47.3 | 50.8 | 49.8 | 0.3 |
| **Total*** | **306.5** | **300.2** | **282.6** | **311.5** | **307.0** | **3.8** |

* The divestment of 45 % stake in Nordea Life & Pensions Denmark has reduced Assets under Management by EUR 11bn in Q2 2018.

## Nordic Private Banking

| EURm | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan/Jun 19/18 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 15 | 14 | 14 | 15 | 16 | 7% | -6% | 29 | 32 | -9% |
| Net fee and commission income | 48 | 42 | 46 | 40 | 45 | 14% | 7% | 90 | 76 | 18% |
| Net result from items at fair value | 7 | 15 | 7 | 6 | 9 | -53% | -22% | 22 | 17 | 29% |
| Equity method & other income | 0 | 0 | 0 | 0 | 0 | | | 0 | 0 | |
| **Total income incl. allocations** | **70** | **71** | **67** | **61** | **70** | **-1%** | **0%** | **141** | **125** | **13%** |
| **Total expenses incl. allocations** | **-66** | **-67** | **-52** | **-53** | **-56** | **-1%** | **18%** | **-133** | **-113** | **18%** |
| **Profit before loan losses** | **4** | **4** | **15** | **8** | **14** | | | **8** | **12** | **-33%** |
| Net loan losses | -1 | 0 | 0 | 0 | 0 | | | -1 | 0 | |
| **Operating profit** | **3** | **4** | **15** | **8** | **14** | | | **7** | **12** | **-42%** |
| Cost/income ratio, % | 94 | 94 | 78 | 87 | 80 | | | 94 | 90 | |
| ROCAR, % | 2 | 3 | 12 | 6 | 10 | | | 3 | 4 | |
| Economic capital (EC) | 450 | 432 | 446 | 388 | 419 | 4% | 7% | 450 | 419 | 7% |
| Risk exposure amount (REA) | 2,507 | 2,421 | 2,506 | 1,912 | 2,051 | 4% | 22% | 2,507 | 2,051 | 22% |
| Number of employees (FTEs) | 876 | 850 | 848 | 850 | 885 | 3% | -1% | 876 | 885 | -1% |
| **Volumes, EURbn:** | | | | | | | | | | |
| AuM | 85.4 | 83.9 | 80.1 | 86.6 | 85.0 | 2% | 0% | 85.4 | 85.0 | 0% |
| Household mortgage lending | 6.6 | 6.4 | 6.3 | 6.1 | 5.9 | 3% | 12% | 6.6 | 5.9 | 12% |
| Consumer lending | 1.9 | 1.8 | 1.7 | 1.7 | 1.7 | 6% | 12% | 1.9 | 1.7 | 12% |
| **Total lending** | **8.5** | **8.2** | **8.0** | **7.8** | **7.6** | **4%** | **12%** | **8.5** | **7.6** | **12%** |
| Household deposits | 11.9 | 11.4 | 11.0 | 9.8 | 9.5 | 4% | 25% | 11.9 | 9.5 | 25% |
| **Total deposits** | **11.9** | **11.4** | **11.0** | **9.8** | **9.5** | **4%** | **25%** | **11.9** | **9.5** | **25%** |

## Asset Management

| EURm | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan/Jun 19/18 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 0 | -1 | 0 | -1 | -1 | | | -1 | -2 | |
| Net fee and commission income | 220 | 220 | 222 | 219 | 229 | 0% | -4% | 440 | 458 | -4% |
| Net result from items at fair value | -1 | 0 | 2 | -1 | 3 | | | -1 | 8 | |
| Equity method & other income | 2 | 1 | 5 | 1 | 2 | | | 3 | 3 | |
| **Total income incl. allocations** | **221** | **220** | **229** | **218** | **233** | **0%** | **-5%** | **441** | **467** | **-6%** |
| **Total expenses incl. allocations** | **-73** | **-73** | **-79** | **-72** | **-71** | **0%** | **3%** | **-146** | **-145** | **1%** |
| **Profit before loan losses** | **148** | **147** | **150** | **146** | **162** | **1%** | **-9%** | **295** | **322** | **-8%** |
| Net loan losses | 0 | 0 | 0 | 0 | 0 | | | 0 | 0 | |
| **Operating profit** | **148** | **147** | **150** | **146** | **162** | **1%** | **-9%** | **295** | **322** | **-8%** |
| Cost/income ratio, % | 33 | 33 | 34 | 33 | 30 | | | 33 | 31 | |
| Income/AuM in bp p.a. | 40 | 42 | 43 | 41 | 44 | | | 41 | 43 | |
| Economic capital (EC) | 263 | 262 | 261 | 266 | 266 | 0% | -1% | 263 | 266 | -1% |
| Risk exposure amount (REA) | 954 | 942 | 1,001 | 951 | 956 | 1% | 0% | 954 | 956 | 0% |
| AuM, Nordic sales channels incl. Life, EURbn | 113.9 | 113.4 | 106.5 | 115.2 | 112.5 | 0% | 1% | 113.9 | 112.5 | 1% |
| AuM, Ext. Inst. & 3rd part. dist., EURbn | 108.6 | 103.8 | 98.3 | 101.6 | 100.9 | 5% | 8% | 108.6 | 100.9 | 8% |
| Net inf., Nordic sales channels incl. Life, EURbn | 0.8 | -0.4 | -0.2 | 0.3 | -0.2 | | | 0.4 | -1.0 | |
| Net inf., Ext. Ins. & 3rd part. dis., EURbn | 2.0 | 0.1 | -1.2 | -0.4 | -4.3 | | | 2.1 | -5.9 | |
| Number of employees (FTEs) | 851 | 820 | 800 | 796 | 752 | 4% | 13% | 851 | 752 | 13% |

## Life & Pensions

| EURm | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan/Jun 19/18 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 0 | 0 | 0 | 0 | 0 | | | 0 | 0 | |
| Net fee and commission income | 77 | 74 | 75 | 75 | 76 | 4% | 1% | 151 | 168 | -10% |
| Net result from items at fair value | 10 | 31 | 26 | 23 | 26 | -68% | -62% | 41 | 75 | -45% |
| Equity method & other income | 12 | 4 | 10 | 8 | 5 | | | 16 | 8 | |
| **Total income incl. allocations** | **99** | **109** | **111** | **106** | **107** | **-9%** | **-7%** | **208** | **251** | **-17%** |
| **Total expenses incl. allocations** | **-25** | **-29** | **-33** | **-32** | **-34** | **-14%** | **-26%** | **-54** | **-86** | **-37%** |
| **Profit before loan losses** | **74** | **80** | **78** | **74** | **73** | **-8%** | **1%** | **154** | **165** | **-7%** |
| Net loan losses | 0 | 0 | 0 | 0 | 0 | | | 0 | 0 | |
| **Operating profit** | **74** | **80** | **78** | **74** | **73** | **-8%** | **1%** | **154** | **165** | **-7%** |
| Cost/income ratio, % | 25 | 26 | 30 | 30 | 32 | | | 26 | 34 | |
| Return on Equity, % | 20 | 21 | 19 | 18 | 16 | | | 21 | 17 | |
| Equity | 1,269 | 1,234 | 1,524 | 1,448 | 1,576 | | | 1,269 | 1,576 | |
| AuM, EURbn | 46.1 | 45.1 | 41.9 | 45.0 | 44.0 | 2% | 5% | 91.2 | 111.3 | -18% |
| Premiums | 1,247 | 1,298 | 961 | 932 | 987 | -4% | 26% | 1,247 | 987 | 26% |
| Risk exposure amount (REA) | 1,910 | 1,910 | 1,815 | 1,823 | 1,802 | 0% | 6% | 1,910 | 1,802 | 6% |
| Number of employees (FTEs) | 623 | 618 | 616 | 689 | 700 | 1% | -11% | 623 | 700 | -11% |
| **Profit drivers** | | | | | | | | | | |
| Profit Traditional products | 5 | 4 | 5 | 0 | -1 | | | 9 | 17 | -47% |
| Profit Market Return products | 56 | 53 | 52 | 56 | 53 | 6% | 6% | 109 | 116 | -6% |
| Profit Risk products | 19 | 18 | 18 | 18 | 18 | 6% | 6% | 37 | 41 | -10% |
| **Total product result** | **80** | **75** | **75** | **74** | **70** | **7%** | **14%** | **155** | **174** | **-11%** |
| Return on Shareholder equity, other profits and group adj. | -6 | 5 | 3 | 0 | 3 | | | -1 | -9 | |
| **Operating profit** | **74** | **80** | **78** | **74** | **73** | **-8%** | **1%** | **154** | **165** | **-7%** |

## Asset & Wealth Management Other

| EURm | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 | Jan/Jun 19/18 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | -1 | 0 | 1 | 4 | 3 | | | -1 | 6 | |
| Net fee and commission income | 4 | 1 | -1 | 8 | 12 | | | 5 | 21 | |
| Net result from items at fair value | 1 | -1 | -2 | 2 | 0 | | | 0 | 2 | |
| Equity method & other income | -1 | 4 | 0 | 1 | 1 | | | 3 | 1 | |
| **Total income incl. allocations** | **3** | **4** | **-2** | **15** | **16** | | | **7** | **30** | |
| **Total expenses incl. allocations** | **-15** | **-20** | **-30** | **-25** | **-19** | | | **-35** | **-40** | |
| **Profit before loan losses** | **-12** | **-16** | **-32** | **-10** | **-3** | | | **-28** | **-10** | |
| Net loan losses | 0 | 0 | -4 | 0 | 0 | | | 0 | 0 | |
| **Operating profit** | **-12** | **-16** | **-36** | **-10** | **-3** | | | **-28** | **-10** | |
| Economic capital (EC) | 35 | 40 | 45 | 105 | 179 | | | 35 | 179 | |
| Number of employees (FTEs) | 364 | 411 | 448 | 590 | 611 | -11% | -40% | 364 | 611 | -40% |
| **Volumes, EURbn:** | | | | | | | | | | |
| Total lending | 0 | 0 | 0.1 | 1.4 | 1.5 | | | 0 | 1.5 | |
| Total deposits | 0 | 0 | 0.2 | 2.9 | 2.6 | | | 0 | 2.6 | |

# Group Functions and other

## Introduction

The largest components of Group Functions and other are Group Corporate Centre (GCC), Group Finance & Treasury (GF&T) as well as Nordea's risk and compliance functions. Together with the financial results in the business areas, the results of Group Functions and other add up to the reported financial result for the Group. The main income in Group Functions and other originates from treasury activities in GF&T and is being allocated to business areas. Similarly, most of Group Functions costs are allocated to the business areas.

GCC has several Group responsibilities such as IT infrastructure and IT operations as well as IT development and maintenance, back-office operations and data management. Furthermore, being the Group's COO organisation, GCC is also responsible for ensuring one operating model in Nordea, by continuously harmonising processes and services in accordance with the Group's priorities to leverage commonalities and realise synergies.

GF&T is responsible for groupwide asset and liability management, capital management, treasury operations, financial reporting, controlling, performance management, investor relations and procurement services.

## Updates on priorities

The work with consolidating capabilities and integrating and aligning processes is proceeding according to plan, supporting operational efficiency. Key performance indicators (KPIs) on deliveries and cost efficiency are closely monitored and plans are continuously evaluated and updated to drive higher business momentum. Joint prioritisations are made across the value chain to achieve the highest possible efficiency.

There is a continued focus on securing IT stability. This also includes simplifying the system and application landscape by decommissioning old applications.

The Core Banking Programme continues to make steady progress according to plan, with the aim of delivering and enabling our new Nordic core banking platform. We are now live across the four Nordic countries, with staff pilots commencing in Denmark, Sweden and Norway. In Norway, we also finalised the migration to the new platform of all collateral data and collateral management processes.

Automation and robotics are playing a larger role in increasing operational efficiencies across Nordea. The number of tasks processed by robots during Q2 was ~1,400,000 – an increase of 2% from Q1 2019 – and we expect this development to continue in the coming quarter. Additionally, 67% of deployed processes brought non-cost-related benefits; this includes the contribution to compliance or higher quality and customer satisfaction. An important example of such non-financial benefits is the Know Your Customer (KYC) Transaction Dashboard rollout in Sweden, which significantly strengthened the groupwide solutions to fight financial crime. A further rollout of this solution is a high priority.

Strategic workforce planning continues to be a key priority contributing to Nordea's cost efficiency and is developing according to plan. As an example, an increasing share of processes in Group Functions is being conducted by Polish employees compared to the previous quarter.

## Financial outcome

Total operating income was EUR 104m in the second quarter, improving from EUR 80m in the previous quarter. Net interest income was EUR -23m, compared to EUR -21m in the previous quarter. The net result from items at fair value increased to EUR 110m compared to EUR 47m in the previous quarter.

Total operating expenses was EUR 64m (EUR 152m in Q1). Operating profit was EUR 44m, improving from -73m in the previous quarter which was impacted by a provision for ongoing AML-related matters.

## Group functions, Other & Eliminations

| | Q219 | Q119 | Q418 | Q318 | Q218 | Q2/Q1 | Q2/Q2 | Jan-Jun 19 | Jan-Jun 18 |
|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | |
| Net interest income | -23 | -21 | 15 | 35 | 5 | | | -44 | 10 |
| Net fee and commission income | -7 | 11 | -8 | -9 | -6 | | | 4 | -9 |
| Net result from items at fair value | 110 | 47 | 13 | -12 | 42 | | | 157 | 49 |
| Equity method & other income | 24 | 43 | 55 | 52 | 389 | | | 67 | 420 |
| **Total operating income** | **104** | **80** | **75** | **66** | **430** | | | **184** | **470** |
| **Total operating expenses** | **-64** | **-152** | **-215** | **-18** | **-33** | | | **-216** | **-61** |
| **Profit before loan losses** | **40** | **-72** | **-140** | **48** | **397** | | | **-32** | **409** |
| Net loan losses | 4 | -1 | 13 | 8 | 9 | | | 3 | 5 |
| **Operating profit** | **44** | **-73** | **-127** | **56** | **406** | | | **-29** | **414** |
| Economic capital (EC) | 2,245 | 2,716 | 2,237 | 2,560 | 2,385 | | | 2,245 | 2,385 |
| Risk exposure amount (REA) | 14,815 | 17,911 | 16,264 | 17,559 | 17,512 | | | 14,815 | 17,512 |
| Number of employees (FTEs) | 9,528 | 9,358 | 9,363 | 9,215 | 9,272 | 2% | 3% | 9,528 | 9,272 |

# Income statement

| EURm | Note | Q2 2019 | Q2 2018 | Jan-Jun 2019 | Jan-Jun 2018 | Full year 2018 |
|---|---|---|---|---|---|---|
| **Operating income** | | | | | | |
| Interest income calculated using the effective interest rate method | | 1,558 | 1,470 | 3,054 | 2,848 | 5,843 |
| Other interest income | | 337 | 350 | 681 | 698 | 1,410 |
| Interest expense | | -824 | -710 | -1,608 | -1,320 | -2,762 |
| **Net interest income** | | **1,071** | **1,110** | **2,127** | **2,226** | **4,491** |
| Fee and commission income | | 974 | 991 | 1,929 | 1,971 | 3,846 |
| Fee and commission expense | | -231 | -191 | -449 | -401 | -853 |
| **Net fee and commission income** | 3 | **743** | **800** | **1,480** | **1,570** | **2,993** |
| Net result from items at fair value | 4 | 283 | 260 | 547 | 701 | 1,088 |
| Profit from associated undertakings and joint ventures accounted for under the equity method | | 24 | 33 | 38 | 61 | 124 |
| Other operating income | | 20 | 375 | 64 | 398 | 476 |
| **Total operating income** | | **2,141** | **2,578** | **4,256** | **4,956** | **9,172** |
| **Operating expenses** | | | | | | |
| General administrative expenses: | | | | | | |
| Staff costs | | -727 | -730 | -1,445 | -1,528 | -2,998 |
| Other expenses | 5 | -304 | -350 | -898 | -853 | -1,566 |
| Depreciation, amortisation and impairment charges of tangible and intangible assets | | -149 | -74 | -289 | -145 | -482 |
| **Total operating expenses** | | **-1,180** | **-1,154** | **-2,632** | **-2,526** | **-5,046** |
| **Profit before loan losses** | | **961** | **1,424** | **1,624** | **2,430** | **4,126** |
| Net loan losses | 6 | -61 | -59 | -103 | -99 | -173 |
| **Operating profit** | | **900** | **1,365** | **1,521** | **2,331** | **3,953** |
| Income tax expense | | -219 | -250 | -397 | -479 | -872 |
| **Net profit for the period** | | **681** | **1,115** | **1,124** | **1,852** | **3,081** |
| **Attributable to:** | | | | | | |
| Shareholders of Nordea Bank Abp (Nordea Bank AB (publ)) | | 681 | 1,115 | 1,098 | 1,841 | 3,070 |
| Additional Tier 1 capital holders | | - | - | 26 | 7 | 7 |
| Non-controlling interests | | - | 0 | - | 4 | 4 |
| **Total** | | **681** | **1,115** | **1,124** | **1,852** | **3,081** |
| Basic earnings per share, EUR | | 0.17 | 0.28 | 0.27 | 0.46 | 0.76 |
| Diluted earnings per share, EUR | | 0.17 | 0.28 | 0.27 | 0.46 | 0.76 |

# Statement of comprehensive income

| EURm | Q2 2019 | Q2 2018 | Jan-Jun 2019 | Jan-Jun 2018 | Full year 2018 |
|---|---|---|---|---|---|
| **Net profit for the period** | **681** | **1,115** | **1,124** | **1,852** | **3,081** |
| **Items that may be reclassified subsequently to the income statement** | | | | | |
| Currency translation differences during the period | -69 | -22 | 33 | -123 | -240 |
| Tax on currency translation differences during the period | 3 | -17 | 1 | -1 | -2 |
| *Hedging of net investments in foreign operations:* | | | | | |
| Valuation gains/losses during the period | 28 | 12 | -42 | 16 | 67 |
| Tax on valuation gains/losses during the period | -7 | -5 | 11 | -5 | -19 |
| *Fair value through other comprehensive income:*[1] | | | | | |
| Valuation gains/losses during the period, net of recycling | -30 | -9 | 11 | -2 | -58 |
| Tax on valuation gains/losses during the period | 7 | 2 | -2 | 0 | 13 |
| *Cash flow hedges:* | | | | | |
| Valuation gains/losses during the period, net of recycling | 3 | 9 | 1 | 20 | 44 |
| Tax on valuation gains/losses during the period | 0 | -2 | 1 | -4 | -10 |
| **Items that may not be reclassified subsequently to the income statement** | | | | | |
| *Changes in own credit risk related to liabilities classified as fair value option:* | | | | | |
| Valuation gains/losses during the period | 0 | 4 | -14 | 9 | 20 |
| Tax on valuation gains/losses during the period | 0 | -1 | 2 | -2 | -4 |
| *Defined benefit plans:* | | | | | |
| Remeasurement of defined benefit plans | -98 | 35 | -257 | 0 | -173 |
| Tax on remeasurement of defined benefit plans | 22 | -8 | 56 | -1 | 36 |
| **Other comprehensive income, net of tax** | **-141** | **-2** | **-199** | **-93** | **-326** |
| **Total comprehensive income** | **540** | **1,113** | **925** | **1,759** | **2,755** |
| **Attributable to:** | | | | | |
| Shareholders of Nordea Bank Abp (Nordea Bank AB (publ)) | 540 | 1,113 | 899 | 1,748 | 2,744 |
| Additional Tier 1 capital holders | - | - | 26 | 7 | 7 |
| Non-controlling interests | - | 0 | - | 4 | 4 |
| **Total** | **540** | **1,113** | **925** | **1,759** | **2,755** |

[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 | 30 Jun 2019 | 31 Dec 2018 | 30 Jun 2018 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | | 41,739 | 41,578 | 33,690 |
| Loans to central banks | 7 | 8,123 | 7,642 | 6,732 |
| Loans to credit institutions | 7 | 17,796 | 11,320 | 13,351 |
| Loans to the public | 7 | 323,783 | 308,304 | 314,813 |
| Interest-bearing securities | | 69,633 | 76,222 | 74,987 |
| Financial instruments pledged as collateral | | 6,557 | 7,568 | 8,898 |
| Shares | | 14,969 | 12,452 | 15,568 |
| Assets in pooled schemes and unit-linked investment contracts | | 28,111 | 24,583 | 26,335 |
| Derivatives | | 41,647 | 37,025 | 43,719 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | | 316 | 169 | 165 |
| Investments in associated undertakings and joint ventures | | 2,098 | 1,601 | 1,577 |
| Intangible assets | | 4,328 | 4,035 | 4,064 |
| Property and equipment | | 2,022 | 546 | 594 |
| Investment properties | | 1,680 | 1,607 | 1,615 |
| Deferred tax assets | | 114 | 164 | 119 |
| Current tax assets | | 466 | 284 | 363 |
| Retirement benefit assets | | 181 | 246 | 265 |
| Other assets | | 18,228 | 14,749 | 20,237 |
| Prepaid expenses and accrued income | | 1,084 | 1,313 | 1,507 |
| Assets held for sale | 11 | - | - | 1,454 |
| **Total assets** | | **582,875** | **551,408** | **570,053** |
| **Liabilities** | | | | |
| Deposits by credit institutions | | 43,553 | 42,419 | 50,145 |
| Deposits and borrowings from the public | | 176,543 | 164,958 | 176,491 |
| Deposits in pooled schemes and unit-linked investment contracts | | 29,157 | 25,653 | 26,904 |
| Liabilities to policyholders | | 18,997 | 18,230 | 19,241 |
| Debt securities in issue | | 189,058 | 190,422 | 177,865 |
| Derivatives | | 44,430 | 39,547 | 44,519 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | | 2,748 | 1,273 | 1,272 |
| Current tax liabilities | | 223 | 414 | 599 |
| Other liabilities | | 33,463 | 23,315 | 27,394 |
| Accrued expenses and prepaid income | | 1,471 | 1,696 | 1,649 |
| Deferred tax liabilities | | 637 | 706 | 589 |
| Provisions | | 379 | 321 | 314 |
| Retirement benefit obligations | | 555 | 398 | 276 |
| Subordinated liabilities | | 10,607 | 9,155 | 8,573 |
| Liabilities held for sale | 11 | - | - | 2,331 |
| **Total liabilities** | | **551,821** | **518,507** | **538,162** |
| **Equity** | | | | |
| Additional Tier 1 capital holders | | 750 | 750 | 750 |
| Non-controlling interests | | 44 | 6 | 0 |
| Share capital | | 4,050 | 4,050 | 4,050 |
| Share premium reserve | | - | - | 1,080 |
| Invested unrestricted equity | | 1,080 | 1,080 | - |
| Other reserves | | -2,075 | -1,876 | -1,642 |
| Retained earnings | | 27,205 | 28,891 | 27,653 |
| **Total equity** | | **31,054** | **32,901** | **31,891** |
| **Total liabilities and equity** | | **582,875** | **551,408** | **570,053** |
| Assets pledged as security for own liabilities | | 182,405 | 171,899 | 173,526 |
| Other assets pledged | | 4,105 | 4,788 | 5,453 |
| Contingent liabilities | | 17,842 | 17,819 | 17,272 |
| Credit commitments[1] | | 77,178 | 73,287 | 74,422 |
| Other commitments | | 1,359 | 1,192 | 1,053 |

[1] Including unutilised portion of approved overdraft facilities of EUR 29,514m (31 Dec 2018: EUR 29,626m, 30 Jun 2018: EUR 28,891m).

# Statement of changes in equity

| | Attributable to shareholders of Nordea Bank Abp | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Other reserves: | | | | | | | | | |
| EURm | Share capital[1] | Invested unrestricted equity | Translation of foreign operations | Cash flow hedges | Fair value through other comprehensive income | Defined benefit plans | Changes in own credit risk related to liabilities classified as fair value option | Retained earnings | Total | Additional Tier 1 capital holders | Non-controlling interests | Total equity |
| **Balance 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 period | - | - | - | - | - | - | - | 1,098 | 1,098 | 26 | - | 1,124 |
| Other comprehensive income, net of tax | - | - | 3 | 2 | 9 | -201 | -12 | - | -199 | - | - | -199 |
| Total comprehensive income | - | - | 3 | 2 | 9 | -201 | -12 | 1,098 | 899 | 26 | - | 925 |
| Paid interest on AT1 capital | - | - | - | - | - | - | - | - | - | -26 | - | -26 |
| Share-based payments | - | - | - | - | - | - | - | 10 | 10 | - | - | 10 |
| Dividend 2018 | - | - | - | - | - | - | - | -2,788 | -2,788 | - | - | -2,788 |
| Purchase of own shares[1] | - | - | - | - | - | - | - | -6 | -6 | - | - | -6 |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | - | - | 38 | 38 |
| **Balance at 30 Jun 2019** | **4,050** | **1,080** | **-1,911** | **-10** | **68** | **-218** | **-4** | **27,205** | **30,260** | **750** | **44** | **31,054** |
| | | | | | | | | | | | | |
| **Balance at 1 Jan 2018** | **4,050** | **1,080** | **-1,720** | **-46** | **103** | **120** | **-** | **28,811** | **32,398** | **750** | **168** | **33,316** |
| Restatement due to changed accounting policy, net of tax[3] | - | - | - | - | 1 | - | -8 | -237 | -244 | - | - | -244 |
| **Restated opening balance at 1 Jan 2018** | **4,050** | **1,080** | **-1,720** | **-46** | **104** | **120** | **-8** | **28,574** | **32,154** | **750** | **168** | **33,072** |
| Net profit for the period | - | - | - | - | - | - | - | 3,070 | 3,070 | 7 | 4 | 3,081 |
| Other comprehensive income, net of tax | - | - | -194 | 34 | -45 | -137 | 16 | - | -326 | - | - | -326 |
| Total comprehensive income | - | - | -194 | 34 | -45 | -137 | 16 | 3,070 | 2,744 | 7 | 4 | 2,755 |
| Paid interest on AT1 capital | - | - | - | - | - | - | - | - | - | -7 | - | -7 |
| Dividend 2017 | - | - | - | - | - | - | - | -2,747 | -2,747 | - | - | -2,747 |
| Purchase of own shares[1] | - | - | - | - | - | - | - | -6 | -6 | - | - | -6 |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | - | - | -166 | -166 |
| **Balance at 31 Dec 2018** | **4,050** | **1,080** | **-1,914** | **-12** | **59** | **-17** | **8** | **28,891** | **32,145** | **750** | **6** | **32,901** |
| | | | | | | | | | | | | |
| **Balance at 1 Jan 2018** | **4,050** | **1,080** | **-1,720** | **-46** | **103** | **120** | **-** | **28,811** | **32,398** | **750** | **168** | **33,316** |
| Restatement due to changed accounting policy, net of tax[3] | - | - | - | - | 1 | - | -8 | -237 | -244 | - | - | -244 |
| **Restated opening balance at 1 Jan 2018** | **4,050** | **1,080** | **-1,720** | **-46** | **104** | **120** | **-8** | **28,574** | **32,154** | **750** | **168** | **33,072** |
| Net profit for the period | - | - | - | - | - | - | - | 1,841 | 1,841 | 7 | 4 | 1,852 |
| Other comprehensive income, net of tax | - | - | -113 | 16 | -2 | -1 | 7 | - | -93 | - | - | -93 |
| Total comprehensive income | - | - | -113 | 16 | -2 | -1 | 7 | 1,841 | 1,748 | 7 | 4 | 1,759 |
| Paid interest on AT1 capital | - | - | - | - | - | - | - | - | - | -7 | - | -7 |
| Dividend 2017 | - | - | - | - | - | - | - | -2,747 | -2,747 | - | - | -2,747 |
| Purchase of own shares[1] | - | - | - | - | - | - | - | -14 | -14 | - | - | -14 |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | - | - | -172 | -172 |
| **Balance at 30 Jun 2018** | **4,050** | **1,080** | **-1,833** | **-30** | **102** | **119** | **-1** | **27,654** | **31,141** | **750** | **0** | **31,891** |

[1] Total shares registered were 4,050 million (31 Dec 2018: 4,050 million, 30 Jun 2018: 4,050 million). The number of own shares were 16.9 million (31 Dec 2018: 15.9 million, 30 Jun 2018: 14.7 million) which represents 0.4% (31 Dec 2018: 0.4%, 30 Jun 2018: 0.4%) of the total shares in Nordea. Each shares represent one voting right.

[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 total holdings of own shares related to LTIP were 9.6 million (31 Dec 2018: 9.6 million, 30 Jun 2018: 10.2 million).

[3] Related to the implementation of IFRS 9 and IFRS 15, see Annual report 2018.

# Cash flow statement, condensed

| EURm | Jan-Jun 2019 | Jan-Jun 2018 | Full year 2018 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit | 1,521 | 2,331 | 3,953 |
| Adjustments for items not included in cash flow | 3,600 | 1,193 | 1,238 |
| Income taxes paid | -714 | -638 | -1,024 |
| **Cash flow from operating activities before changes in operating assets and liabilities** | **4,407** | **2,886** | **4,167** |
| Changes in operating assets and liabilities | -2,219 | -7,434 | -1,536 |
| **Cash flow from operating activities** | **2,188** | **-4,548** | **2,631** |
| **Investing activities** | | | |
| Acquisition/sale of business operations | -569 | 463 | 646 |
| Acquisition/sale of associated undertakings and joint ventures | 134 | 26 | 9 |
| Acquisition/sale of property and equipment | -34 | -16 | -18 |
| Acquisition/sale of intangible assets | -244 | -262 | -608 |
| Acquisition/sale of other financial fixed assets | - | -2 | - |
| **Cash flow from investing activities** | **-713** | **209** | **29** |
| **Financing activities** | | | |
| Issued/amortised subordinated liabilities | 1,401 | -500 | -28 |
| Repurchase of own shares including change in trading portfolio | -6 | -14 | -6 |
| Dividend paid | -2,788 | -2,747 | -2,747 |
| Paid interest on Additional Tier 1 capital | -26 | -7 | -7 |
| **Cash flow from financing activities** | **-1,419** | **-3,268** | **-2,788** |
| **Cash flow for the period** | **56** | **-7,607** | **-128** |

| **Cash and cash equivalents**<br>EURm | 30 Jun 2019 | 30 Jun 2018 | 31 Dec 2018 |
|---|---|---|---|
| Cash and cash equivalents at beginning of the period | 46,009 | 46,213 | 46,213 |
| Translation difference | 0 | 45 | -76 |
| Cash and cash equivalents at end of the period | 46,065 | 38,651 | 46,009 |
| **Change** | **56** | **-7,607** | **-128** |
| The following items are included in cash and cash equivalents: | | | |
| Cash and balances with central banks | 41,739 | 33,690 | 41,578 |
| Loans to central banks | 3,361 | 3,847 | 2,759 |
| Loans to credit institutions | 906 | 1,114 | 1,672 |
| **Total cash and cash equivalents** | **46,006** | **38,651** | **46,009** |

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal 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.

# Notes to the financial statements

## Note 1 Accounting policies

The consolidated interim financial statements are presented in accordance with IAS 34 "Interim Financial Reporting", as endorsed by the EU commission.

The accounting policies and methods of computation are unchanged in comparison with Note G1 in the Annual Report 2018, except for the changes presented in the section "Changed accounting policies and presentation" below. For more information see Note G1 in the Annual Report 2018.

### Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea 1 January 2019.

**IFRS 16 "Leases"**

The new standard IFRS 16 "Leases" changes the accounting requirements for lessees. All leases (except for short-term and small ticket leases) are accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments are recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. IFRS 16 was implemented by Nordea as from 1 January 2019. Nordea applied the modified retrospective approach, which means that IFRS 16 has been applied from 1 January 2019 with no restatement of comparative figures.

The main impact on Nordea's financial statements comes from the accounting of property leases. Such leasing contracts are under IFRS 16 accounted for on the balance sheet to a larger extent than under the earlier requirements. The right of use asset, presented as "Properties and equipment" on the balance sheet, amounted to EUR 1,521m at transition on 1 January 2019. The increase of total assets was EUR 1,163m considering also a reclassification of already existing prepaid lease expenses. There was no impact on equity at transition.

The impact on the CET1 ratio was negative by 12 basis points following an increase in REA. More information about the transition to IFRS 16 can be found in Note G49 in the Annual Report 2018.

The impact in 2019 can be found in the below table.

| | Q2 2019 | | | Jan-Jun 2019 | | |
|---|---|---|---|---|---|---|
| EURm | Old policy | Change | New policy | Old policy | Change | New policy |
| Interest expense | -821 | -3 | -824 | -1,602 | -6 | -1,608 |
| Other expenses | -350 | 46 | -304 | -987 | 89 | -898 |
| Depreciation, amortisation and impairment charges of tangible and intangible assets | -107 | -42 | -149 | -203 | -86 | -289 |
| Income tax expense | -219 | 0 | -219 | -398 | 1 | -397 |
| Impact on net profit for the period | | 1 | | | -2 | |

| | 30 Jun 2019 | | |
|---|---|---|---|
| EURm | Old policy | Change | New policy |
| Properties and equipment | 527 | 1,495 | 2,022 |
| Prepaid expenses and accrued income | 1,397 | -313 | 1,084 |
| Other liabilities | 32,278 | 1,185 | 33,463 |
| Current tax liabilities | 224 | -1 | 223 |
| Retained earnings | 27,207 | -2 | 27,205 |

**Changed recognition and presentation of resolution fees**

As from 1 January 2019 Nordea recognises resolution fees at the beginning of the year, when the legal obligation to pay arises, and presents the expense as "Other expenses". The earlier policy was to amortise these fees over the year and present the expense as "Interest expense". The change mainly reflects the change in the structure of the resolution fees following the re-domiciliation to Finland.

Comparative figures have been restated accordingly and the impact, together with the impact in 2019 can be found in the below table.

| | Q2 2019 | | | Q2 2018 | | | Jan-June 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| EURm | Old policy | Change | New policy | Old policy | Change | New policy | Old policy | Change | New policy |
| Interest expense | -876 | 52 | -824 | -747 | 37 | -710 | -1,712 | 104 | -1,608 |
| Other expenses | -304 | - | -304 | -350 | - | -350 | 691 | -207 | -898 |
| Income tax expense | -207 | -12 | -219 | -243 | -7 | -250 | -422 | 25 | -397 |
| Impact on net profit for the period | | 40 | | | 30 | | | -78 | |
| Impact on EPS/DEPS, EUR | | 0.01 | | | 0.01 | | | -0.02 | |

| | Jan-June 2018 | | | Full year 2018 | | |
|---|---|---|---|---|---|---|
| EURm | Old policy | Change | New policy | Old policy | Change | New policy |
| Interest expense | -1,420 | 100 | -1,320 | -2,929 | 167 | -2,762 |
| Other expenses | -686 | -167 | -853 | -1,399 | -167 | -1,566 |
| Income tax expense | -493 | 14 | -479 | -872 | - | -872 |
| Impact on net profit for the period | | -53 | | | - | |
| Impact on EPS/DEPS, EUR | | -0.01 | | | - | |

| | 30 Jun 2019 | | | 31 Dec 2018 | | | 30 Jun 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| EURm | Old policy | Change | New policy | Old policy | Change | New policy | Old policy | Change | New policy |
| Current tax liabilities | 248 | -25 | 223 | 414 | - | 414 | 613 | -14 | 599 |
| Accrued exp. and prepaid inc. | 1,368 | 103 | 1,471 | 1,696 | - | 1,696 | 1,582 | 67 | 1,649 |
| Retained earnings | 27,283 | -78 | 27,205 | 28,891 | - | 28,891 | 27,706 | -53 | 27,653 |

**Presentation of fair value adjustments**
As from 1 January 2019 Nordea presents all other valuation adjustment than DVA as an adjustment to derivatives with positive fair value and DVA as an adjustment to derivatives with negative fair value on the balance sheet. The impact as of 30 June 2019 was a decrease of derivatives with positive fair value and derivatives with negative fair value by EUR 296m. Comparative figures have not been restated.

**Other amendments**
The following new and amended standards issued by IASB were implemented by Nordea 1 January 2019 but have not had any significant impact on the financial statements of Nordea:

- Amendment to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendments, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle

## Changes in IFRSs not yet applied

**IFRS 17 "Insurance contracts"**
The IASB has published the new standard IFRS 17 "Insurance contracts". The new standard will change the accounting requirements for recognition, measurement, presentation and disclosure of insurance contracts.

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

IFRS 17 is effective for annual report period beginning on or after 1 January 2021 with earlier application permitted. However, due to comments from the global insurance industry, the IASB board has proposed to amend IFRS 17. The amendments include a one-year deferral of the effective date to 1 January 2022. The standard is not yet endorsed by the European Commission. Nordea does not currently intend to early adopt the standard. Nordea's current assessment is that the new standard will not have any significant impact on Nordea's capital adequacy or large exposures in the period of initial application. It is not yet possible to conclude on the impact on Nordea's financial statements.

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

## Acquisition of Gjensidige Bank

On 2 July 2018, Nordea entered into an agreement with Gjensidige Forsikring to acquire all shares in Gjensidige Bank. The transaction was closed on 1 March 2019, when Nordea received final approval from the Norwegian regulators. 1 March is the acquisition date and the date from which the acquired assets and liabilities are recognised on Nordea's balance sheet. Assets and liabilities acquired are disclosed in the table below.

The following purchase price allocation (PPA) has been established as of 1 March 2019.

| EURm | 1 Mar 2019 |
|---|---|
| Loans to the public[1] | 5,185 |
| Interest-bearing securities | 608 |
| Accruals and other assets | 93 |
| Deposits from the public | -2,315 |
| Debt securities in issue[1] | -3,022 |
| Accruals and other liabilities | -108 |
| Acquired net assets | 441 |
| | |
| Purchase price, settled in cash | 575 |
| Estimated additional purchase price | 1 |
| Cost of combination | 576 |
| | |
| Surplus value | 135 |
| | |
| *Allocation of surplus value:* | |
| Non-controlling interest | -46 |
| Customer intangible | 29 |
| Brands | 8 |
| Deferred tax liability | -6 |
| Goodwill | 150 |

1) Including adjustments to fair value for loans and debt securities in issue measured at amortised cost in Gjensidige

Nordea has identified a number of intangible assets in the acquisition. Two different customer related intangibles have been identified, one for deposit customers and one for lending customers. The value of the deposit customers is related to the funding they provide at interest rates lower than other funding. The customer intangible related to lending reflects the profit generated in specific portfolios. The amortisation of the deposit related intangible is made over eight years, while the intangible related to the loans is amortised over four years, reflecting the pace at which customers can be expected to leave. The consumer finance business in Gjensidige is distributed through the brand Oppfinans, which is included in the acquisition. The brand has been valued using a royalty rate of 3.5%. Goodwill arises mainly due to the synergies Nordea expects to achieve. Integrating the business in Gjensidige into Nordea will create cost synergies as well as some income synergies. The brand and the goodwill are expected to have indefinite lives and are consequently not amortised.

The Additional Tier 1 instrument accounted for as equity in Gjensidige will be reported as a non-controlling interest in the Nordea consolidated accounts.

The impact on Nordea's net profit for the year is insignificant.

## Exchange rates

| | Jan-Jun 2019 | Jan-Dec 2018 | Jan-Jun 2018 |
|---|---|---|---|
| **EUR 1 = SEK** | | | |
| Income statement (average) | 10.5170 | 10.2608 | 10.1553 |
| Balance sheet (at end of period) | 10.5673 | 10.2330 | 10.4530 |
| **EUR 1 = DKK** | | | |
| Income statement (average) | 7.4651 | 7.4533 | 7.4477 |
| Balance sheet (at end of period) | 7.4639 | 7.4672 | 7.4525 |
| **EUR 1 = NOK** | | | |
| Income statement (average) | 9.7314 | 9.6033 | 9.5953 |
| Balance sheet (at end of period) | 9.7163 | 9.9470 | 9.5115 |
| **EUR 1 = RUB** | | | |
| Income statement (average) | 73.7485 | 74.0484 | 71.9274 |
| Balance sheet (at end of period) | 71.6536 | 79.3826 | 73.1582 |

## Note 2 Segment reporting

| Jan-Jun 2019 | Personal Banking | Commercial & Business Banking | Wholesale Banking | Asset & Wealth Management | Group Finance & Treasury | Other operating segments | Total operating segments | Recon-ciliation | **Total Group** |
|---|---|---|---|---|---|---|---|---|---|
| | Operating segments | | | | | | | | |
| Total operating income, EURm | 1,739 | 1,066 | 794 | 803 | 109 | 52 | 4,563 | -307 | **4,256** |
| - of which internal transactions[1] | -321 | -132 | -241 | -12 | 330 | 376 | 0 | - | **-** |
| Operating profit, EURm | 656 | 403 | 291 | 428 | 81 | 39 | 1,898 | -377 | **1,521** |
| Loans to the public[2], EURbn | 151 | 83 | 50 | 7 | - | 0 | 291 | 33 | **324** |
| Deposits and borrowings from the public[2], EURbn | 74 | 42 | 35 | 10 | - | 0 | 161 | 16 | **177** |

| Jan-Jun 2018 | Personal Banking | Commercial & Business Banking | Wholesale Banking | Asset & Wealth Management | Group Finance & Treasury | Other operating segments | Total operating segments | Recon-ciliation | **Total Group** |
|---|---|---|---|---|---|---|---|---|---|
| Total operating income, EURm | 1,769 | 1,146 | 1,001 | 873 | 72 | 132 | 4,993 | -37 | **4,956** |
| - of which internal transactions[1] | -259 | -122 | -218 | -7 | 276 | 330 | 0 | - | **-** |
| Operating profit, EURm | 707 | 559 | 397 | 489 | 73 | 133 | 2,358 | -27 | **2,331** |
| Loans to the public[2], EURbn | 143 | 81 | 49 | 8 | - | 2 | 283 | 32 | **315** |
| Deposits and borrowings from the public[2], EURbn | 69 | 41 | 34 | 11 | - | 2 | 157 | 19 | **176** |

[1] IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined intersegment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Finance & Treasury.
[2] The volumes are only disclosed separately for operating segments if separately reported to the Chief Operating Decision Maker.

## Breakdown of Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management

| | Personal Banking Denmark | | Personal Banking Finland | | Personal Banking Norway | | Personal Banking Sweden | | Personal Banking Other | | **Personal Banking** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Jan-Jun** | | **Jan-Jun** | | **Jan-Jun** | | **Jan-Jun** | | **Jan-Jun** | | **Jan-Jun** | |
| | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Total operating income, EURm | 493 | 515 | 387 | 405 | 303 | 263 | 566 | 595 | -10 | -9 | **1,739** | **1,769** |
| - of which internal transactions | -128 | -85 | -51 | -44 | -72 | -78 | -73 | -53 | 3 | 1 | **-321** | **-259** |
| Operating profit, EURm | 211 | 202 | 94 | 129 | 117 | 120 | 235 | 289 | -1 | -33 | **656** | **707** |
| Loans to the public, EURbn | 37 | 37 | 33 | 33 | 35 | 28 | 46 | 45 | - | - | **151** | **143** |
| Deposits and borrowings from the public, EURbn | 18 | 18 | 22 | 21 | 11 | 8 | 23 | 22 | - | - | **74** | **69** |

| | Business Banking | | Business Banking Direct | | Commercial & Business Banking Other | | **Commercial & Business Banking** | |
|---|---|---|---|---|---|---|---|---|
| | **Jan-Jun** | | **Jan-Jun** | | **Jan-Jun** | | **Jan-Jun** | |
| | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Total operating income, EURm | 861 | 958 | 214 | 196 | -9 | -8 | **1,066** | **1,146** |
| - of which internal transactions | -134 | -120 | 2 | -4 | 0 | 2 | **-132** | **-122** |
| Operating profit, EURm | 381 | 557 | 84 | 50 | -62 | -48 | **403** | **559** |
| Loans to the public, EURbn | 71 | 69 | 12 | 12 | - | - | **83** | **81** |
| Deposits and borrowings from the public, EURbn | 31 | 30 | 11 | 11 | - | - | **42** | **41** |

## Note 2 Continued

| | Corporate & Investment Banking | | Financial Institutions & International Banks | | Banking Russia | | Capital Markets unallocated | | Wholesale Banking Other | | **Wholesale Banking** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan-Jun | | Jan-Jun | | Jan-Jun | | Jan-Jun | | Jan-Jun | | Jan-Jun | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Total operating income, EURm | 667 | 711 | 167 | 165 | 32 | 41 | -66 | 93 | -6 | -9 | **794** | **1,001** |
| - of which internal transactions | -174 | -157 | -15 | -20 | -28 | -27 | -22 | -9 | -2 | -5 | **-241** | **-218** |
| Operating profit, EURm | 392 | 418 | 32 | 52 | 55 | -48 | -156 | 23 | -32 | -48 | **291** | **397** |
| Loans to the public, EURbn | 46 | 44 | 2 | 2 | 2 | 3 | - | - | - | - | **50** | **49** |
| Deposits and borrowings from the public, EURbn | 24 | 22 | 10 | 11 | 1 | 1 | - | - | - | - | **35** | **34** |

| | Private Banking | | Asset Management | | Life & Pension unallocated | | Asset & Wealth Management Other | | **Asset & Wealth Management** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jan-Jun | | Jan-Jun | | Jan-Jun | | Jan-Jun | | Jan-Jun | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Total operating income, EURm | 265 | 288 | 444 | 468 | 215 | 251 | -121 | -134 | **803** | **873** |
| - of which internal transactions | -11 | -6 | 0 | 0 | 0 | 0 | -1 | -1 | **-12** | **-7** |
| Operating profit, EURm | 81 | 92 | 297 | 322 | 153 | 165 | -103 | -90 | **428** | **489** |
| Loans to the public, EURbn | 7 | 8 | - | - | - | - | - | - | **7** | **8** |
| Deposits and borrowings from the public, EURbn | 10 | 11 | - | - | - | - | - | - | **10** | **11** |

### Reconciliation between total operating segments and financial statements

| | Operating profit, EURm | | Loans to the public, EURbn | | Deposits and borrowings from the public, EURbn | |
|---|---|---|---|---|---|---|
| | Jan-Jun | | Jan-Jun | | Jan-Jun | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Total operating segments | 1,898 | 2,358 | 291 | 283 | 161 | 157 |
| Group functions[1] | -96 | -82 | - | - | - | - |
| Unallocated items | -51 | 302 | 36 | 33 | 18 | 20 |
| Differences in accounting policies[2] | -230 | -247 | -3 | -1 | -2 | -1 |
| **Total** | **1,521** | **2,331** | **324** | **315** | **177** | **176** |

[1] Consists of Group Business Risk Management, Group Internal Audit, Chief of staff office, Group Legal, Group Corporate Centre and Group Risk and Compliance.

[2] Impact from different classification of assets/liabilities held for sale, plan exchange rates and internal allocation principles used in the segment reporting.

**Measurement of operating segments' performance**

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as Group Executive Management. The main differences compared to the section "Business areas" in this report are that the information for CODM is prepared using plan exchange rates and to that different allocation principles between operating segments have been applied.

Financial results are presented for the main business areas Personal Banking, Commercial & Business Banking, Wholesale Banking and Wealth Management, with a further breakdown on operating segments, and the operating segment Group Finance & Treasury. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions (and eliminations) as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

## Note 3 Net fee and commission income

| EURm | Q2 2019 | Q1 2019 | Q2 2018 | Jan-Jun 2019 | Jan-Jun 2018 | Full year 2018 |
|---|---|---|---|---|---|---|
| Asset management commissions | 361 | 347 | 364 | 708 | 722 | 1,440 |
| Life & Pensions | 61 | 62 | 59 | 123 | 140 | 258 |
| Deposit Products | 5 | 5 | 5 | 10 | 10 | 23 |
| Brokerage, securities issues and corporate finance | 57 | 30 | 65 | 87 | 99 | 173 |
| Custody and issuer services | 11 | 3 | 17 | 14 | 24 | 49 |
| Payments | 77 | 86 | 82 | 163 | 157 | 302 |
| Cards | 50 | 57 | 58 | 107 | 112 | 218 |
| Lending products | 99 | 102 | 112 | 201 | 209 | 399 |
| Guarantees | 22 | 24 | 30 | 46 | 63 | 116 |
| Other | 0 | 21 | 8 | 21 | 34 | 15 |
| **Total** | **743** | **737** | **800** | **1,480** | **1,570** | **2,993** |

**Break-down**
**Jan-Jun 2019**

| EURm | Personal Banking | Commercial & Business Banking | Wholesale Banking | Asset & Wealth Management | Group Finance and Treasury | Other and elimination | Nordea Group |
|---|---|---|---|---|---|---|---|
| Asset management commissions | 88 | 16 | 2 | 602 | 0 | 0 | 708 |
| Life & Pensions | 29 | 13 | 2 | 79 | 0 | 0 | 123 |
| Deposit Products | 4 | 5 | 1 | 0 | 0 | 0 | 10 |
| Brokerage, securities issues and corporate finance | 8 | 16 | 46 | 17 | 0 | 0 | 87 |
| Custody and issuer services | 3 | 2 | 13 | 0 | -4 | 0 | 14 |
| Payments | 47 | 81 | 35 | 0 | 0 | 0 | 163 |
| Cards | 75 | 17 | 7 | 0 | 0 | 8 | 107 |
| Lending products | 60 | 53 | 87 | 1 | 0 | 0 | 201 |
| Guarantees | 6 | 14 | 26 | 0 | 0 | 0 | 46 |
| Other | 11 | 10 | 13 | -13 | 0 | 0 | 21 |
| **Total** | **331** | **227** | **232** | **686** | **-4** | **8** | **1,480** |

**Break-down**
**Jan-Jun 2018**

| EURm | Personal Banking | Commercial & Business Banking | Wholesale Banking | Asset & Wealth Management | Group Finance and Treasury | Other and elimination | Nordea Group |
|---|---|---|---|---|---|---|---|
| Asset management commissions | 89 | 20 | 11 | 602 | 0 | 0 | 722 |
| Life & Pensions | 31 | 11 | 2 | 96 | 0 | 0 | 140 |
| Deposit Products | 4 | 5 | 1 | 0 | 0 | 0 | 10 |
| Brokerage, securities issues and corporate finance | 16 | 11 | 57 | 15 | 0 | 0 | 99 |
| Custody and issuer services | 6 | 4 | 20 | 1 | -3 | -4 | 24 |
| Payments | 46 | 82 | 29 | 0 | 0 | 0 | 157 |
| Cards | 95 | 10 | 6 | 1 | 0 | 0 | 112 |
| Lending products | 59 | 48 | 102 | 0 | 0 | 0 | 209 |
| Guarantees | 3 | 22 | 38 | 0 | 0 | 0 | 63 |
| Other | 14 | 11 | 3 | 8 | 0 | -2 | 34 |
| **Total** | **363** | **224** | **269** | **723** | **-3** | **-6** | **1,570** |

## Note 4 Net result from items at fair value

| EURm | Q2 2019 | Q1 2019 | Q2 2018 | Jan-Jun 2019 | Jan-Jun 2018 | Full year 2018 |
|---|---|---|---|---|---|---|
| Equity related instruments | 135 | 235 | 200 | 370 | 155 | 226 |
| Interest related instruments and foreign exchange gains/losses | 103 | -14 | 25 | 89 | 429 | 684 |
| Other financial instruments (including credit and commodities) | 35 | 12 | 9 | 47 | 43 | 55 |
| Investment properties | 0 | 0 | 0 | 0 | -1 | 0 |
| Life insurance[1] | 10 | 31 | 26 | 41 | 75 | 123 |
| **Total** | **283** | **264** | **260** | **547** | **701** | **1,088** |

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

**Break-down of life insurance**

| EURm | Q2 2019 | Q1 2019 | Q2 2018 | Jan-Jun 2019 | Jan-Jun 2018 | Full year 2018 |
|---|---|---|---|---|---|---|
| Equity related instruments | 223 | 668 | 249 | 891 | -57 | -515 |
| Interest related instruments and foreign exchange gains/losses | 91 | 150 | 37 | 241 | -47 | -65 |
| Investment properties | 28 | 20 | 24 | 48 | 63 | 125 |
| Change in technical provisions[1] | -425 | -687 | -307 | -1,112 | -111 | 20 |
| Change in collective bonus potential | 85 | -130 | 8 | -45 | 202 | 512 |
| Insurance risk income | 17 | 16 | 17 | 33 | 59 | 91 |
| Insurance risk expense | -9 | -6 | -2 | -15 | -34 | -45 |
| **Total** | **10** | **31** | **26** | **41** | **75** | **123** |

[1] Premium income amounts to EUR 71m for Q2 2019 and EUR 152m for Jan-Jun 2019 (Q2 2018: EUR 66m, Jan-Jun 2018: EUR 710m).

## Note 5 Other expenses

| EURm | Q2 2019 | Q1 2019 | Q2 2018 | Jan-Jun 2019 | Jan-Jun 2018 | Full year 2018 |
|---|---|---|---|---|---|---|
| Information technology | -137 | -128 | -119 | -265 | -242 | -484 |
| Marketing and representation | -14 | -12 | -12 | -26 | -23 | -60 |
| Postage, transportation, telephone and office expenses | -17 | -18 | -22 | -35 | -44 | -83 |
| Rents, premises and real estate | -27 | -30 | -84 | -57 | -158 | -312 |
| Resolution fee | -1 | -207 | 0 | -208 | -167 | -167 |
| Other | -108 | -199 | -113 | -307 | -219 | -460 |
| **Total** | **-304** | **-594** | **-350** | **-898** | **-853** | **-1,566** |

## Note 6 Net loan losses

| EURm | Q2 2019 | Q1 2019 | Q2 2018 |
|---|---|---|---|
| Net loan losses, stage 1 | 14 | -1 | -10 |
| Net loan losses, stage 2 | -3 | -9 | -32 |
| **Net loan losses, non-defaulted** | **11** | **-10** | **-42** |
| **Stage 3, defaulted** | | | |
| Net loan losses, individually assessed, collectively calculated | 8 | -7 | 4 |
| Realised loan losses | -144 | -85 | -127 |
| Decrease of provisions to cover realised loan losses | 108 | 66 | 80 |
| Recoveries on previous realised loan losses | 7 | 7 | 14 |
| Reimbursement right | 2 | 14 | - |
| New/increase in provisions | -119 | -80 | -119 |
| Reversals of provisions | 66 | 53 | 131 |
| **Net loan losses, defaulted** | **-72** | **-32** | **-17** |
| **Net loan losses** | **-61** | **-42** | **-59** |

### Key ratios

| | Q2 2019 | Q1 2019 | Q2 2018 |
|---|---|---|---|
| Loan loss ratio, basis points | 10 | 7 | 10 |
| - of which stage 1 | -2 | 0 | 2 |
| - of which stage 2 | 0 | 2 | 5 |
| - of which stage 3 | 12 | 5 | 3 |

## Note 7 Loans and impairment

| | Total | | |
|---|---|---|---|
| | 30 Jun 2019 | 31 Dec 2018 | 30 Jun 2018 |
| **EURm** | | | |
| Loans measured at fair value | 98,312 | 77,521 | 86,298 |
| Loans measured at amortised cost, not impaired (stage 1 and 2) | 248,871 | 247,204 | 245,719 |
| Impaired loans (stage 3) | 4,493 | 4,581 | 5,127 |
| - of which servicing | 2,036 | 2,097 | 2,384 |
| - of which non-servicing | 2,456 | 2,484 | 2,743 |
| **Loans before allowances** | **351,676** | **329,306** | **337,144** |
| *-of which central banks and credit institution* | *25,937* | *18,977* | *14,152* |
| Allowances for individually assessed impaired loans (stage 3) | -1,526 | -1,599 | -1,801 |
| -of which servicing | -653 | -720 | -755 |
| -of which non-servicing | -873 | -879 | -1,046 |
| Allowances for collectively assessed impaired loans (stage 1 and 2) | -448 | -441 | -447 |
| **Allowances** | **-1,974** | **-2,040** | **-2,248** |
| *-of which central banks and credit institution* | *-18* | *-15* | *-1* |
| **Loans, carrying amount** | **349,702** | **327,266** | **334,896** |

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

| | 30 Jun 2019 | | |
|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 |
| **EURm** | | | |
| Loans to central banks, credit institutions and the public | 234,640 | 14,231 | 4,493 |
| Interest-bearing securities | 29,898 | - | - |
| **Total** | **264,538** | **14,231** | **4,493** |

| | 30 Jun 2018 | | |
|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 |
| **EURm** | | | |
| Loans to central banks, credit institutions and the public | 232,451 | 13,268 | 5,127 |
| Interest-bearing securities | 38,111 | - | - |
| **Total** | **270,562** | **13,268** | **5,127** |

### Allowances and provisions

| | 30 Jun 2019 | | |
|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 |
| **EURm** | | | |
| Loans to central banks, credit institutions and the public | -137 | -311 | -1,526 |
| Interest-bearing securities | -2 | - | - |
| Provisions for off balance sheet items | -19 | -44 | -67 |
| **Total allowances and provisions** | **-158** | **-355** | **-1,593** |

| | 30 Jun 2018 | | |
|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 |
| **EURm** | | | |
| Loans to central banks, credit institutions and the public | -134 | -313 | -1,801 |
| Interest-bearing securities | -1 | - | - |
| Provisions for off balance sheet items | -13 | -37 | -79 |
| **Total allowances and provisions** | **-148** | **-350** | **-1,880** |

### Movements of allowance accounts for loans measured at amortised cost

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **EURm** | | | | |
| **Balance as at 1 Jan 2019** | **-146** | **-295** | **-1,599** | **-2,040** |
| Changes due to origination and acquisition | -14 | -3 | -3 | -20 |
| Transfer from stage 1 to stage 2 | 6 | -73 | - | -67 |
| Transfer from stage 1 to stage 3 | 1 | - | -19 | -18 |
| Transfer from stage 2 to stage 1 | -11 | 41 | - | 30 |
| Transfer from stage 2 to stage 3 | - | 9 | -63 | -54 |
| Transfer from stage 3 to stage 1 | -2 | - | 17 | 15 |
| Transfer from stage 3 to stage 2 | - | -11 | 17 | 6 |
| Changes due to change in credit risk (net) | 15 | 7 | -51 | -29 |
| Changes due to repayments and disposals | 20 | 18 | 36 | 74 |
| Write-off through decrease in allowance account | - | - | 169 | 169 |
| Other changes | -5 | -5 | -28 | -38 |
| Translation differences | 0 | 0 | -2 | -2 |
| **Balance as at 30 Jun 2019** | **-136** | **-312** | **-1,526** | **-1,974** |
| **Balance as at 1 Jan 2018** | **-133** | **-360** | **-1,816** | **-2,309** |
| Changes due to origination and acquisition | -20 | -3 | -9 | -32 |
| Transfer from stage 1 to stage 2 | 6 | -75 | - | -69 |
| Transfer from stage 1 to stage 3 | 0 | - | -71 | -71 |
| Transfer from stage 2 to stage 1 | -12 | 43 | - | 31 |
| Transfer from stage 2 to stage 3 | - | 16 | -47 | -31 |
| Transfer from stage 3 to stage 1 | -3 | - | 11 | 8 |
| Transfer from stage 3 to stage 2 | - | -11 | 13 | 2 |
| Changes due to change in credit risk (net) | 16 | 55 | -45 | 26 |
| Changes due to repayments and disposals | 11 | 21 | 26 | 58 |
| Write-off through decrease in allowance account | - | - | 160 | 160 |
| Other changes | 1 | 0 | -23 | -22 |
| Translation differences | 0 | 1 | 0 | 1 |
| **Balance as at 30 Jun 2018** | **-134** | **-313** | **-1,801** | **-2,248** |

## Note 7 Continued

| Key ratios[1] | 30 Jun 2019 | 31 Dec 2018 | 30 Jun 2018 |
|---|---|---|---|
| Impairment rate (stage 3), gross, basis points | 177 | 182 | 204 |
| Impairment rate (stage 3), net, basis points | 117 | 118 | 133 |
| Total allowance rate (stage 1, 2 and 3), basis points | 78 | 81 | 90 |
| Allowances in relation to impaired loans (stage 3), % | 34 | 35 | 35 |
| Allowances in relation to loans in stage 1 and 2, basis points | 18 | 1 | 18 |

[1] For definitions, see Glossary.

## Note 8 Classification of financial instruments

| | | Fair value through profit or loss (FVPL) | | | | |
|---|---|---|---|---|---|---|
| **EURm** | **Amortised cost (AC)** | **Mandatorily** | **Designated at fair value through profit or loss (Fair value option)** | **Derivatives used for hedging** | **Fair value through other comprehensive income (FVOCI)** | **Total** |
| **Financial assets** | | | | | | |
| Cash and balances with central banks | 41,739 | - | - | - | - | 41,739 |
| Loans to central banks | 4,081 | 4,042 | - | - | - | 8,123 |
| Loans to credit institutions | 5,551 | 12,245 | - | - | - | 17,796 |
| Loans to the public | 241,758 | 82,025 | - | - | - | 323,783 |
| Interest-bearing securities | 3,496 | 36,350 | 4,072 | - | 25,715 | 69,633 |
| Financial instruments pledged as collateral | - | 5,872 | - | - | 685 | 6,557 |
| Shares | - | 14,969 | - | - | - | 14,969 |
| Assets in pooled schemes and unit-linked investment contracts | - | 27,719 | 166 | - | - | 27,885 |
| Derivatives | - | 38,748 | - | 2,899 | - | 41,647 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 316 | - | - | - | - | 316 |
| Other assets | 2,113 | 14,886 | - | - | - | 16,999 |
| Prepaid expenses and accrued income | 762 | - | - | - | - | 762 |
| **Total 30 Jun 2019** | **299,816** | **236,856** | **4,238** | **2,899** | **26,400** | **570,209** |
| Total 31 Dec 2018 | 296,819 | 200,342 | 7,287 | 3,110 | 33,564 | 541,122 |

| | | Fair value through profit or loss (FVPL) | | | |
|---|---|---|---|---|---|
| **EURm** | **Amortised cost (AC)** | **Mandatorily** | **Designated at fair value through profit or loss (Fair value option)** | **Derivatives used for hedging** | **Total** |
| **Financial liabilities** | | | | | |
| Deposits by credit institutions | 25,374 | 18,179 | - | - | 43,553 |
| Deposits and borrowings from the public | 164,800 | 11,743 | - | - | 176,543 |
| Deposits in pooled schemes and unit-linked investment contracts | - | - | 29,157 | - | 29,157 |
| Liabilities to policyholders | - | - | 3,310 | - | 3,310 |
| Debt securities in issue | 133,548 | - | 55,510 | - | 189,058 |
| Derivatives | - | 42,280 | - | 2,150 | 44,430 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 2,748 | - | - | - | 2,748 |
| Other liabilities | 5,061 | 26,486 | - | - | 31,547 |
| Accrued expenses and prepaid income | 273 | - | - | - | 273 |
| Subordinated liabilities | 10,607 | - | - | - | 10,607 |
| **Total 30 Jun 2019** | **342,411** | **98,688** | **87,977** | **2,150** | **531,226** |
| Total 31 Dec 2018 | 339,700 | 71,463 | 83,665 | 923 | 495,751 |

## Note 9 Fair value of financial assets and liabilities

| | 30 Jun 2019 | | 31 Dec 2018 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **EURm** | | | | |
| **Financial assets** | | | | |
| Cash and balances with central banks | 41,739 | 41,739 | 41,578 | 41,578 |
| Loans | 350,018 | 355,894 | 327,435 | 330,681 |
| Interest-bearing securities | 69,633 | 69,795 | 76,222 | 76,334 |
| Financial instruments pledged as collateral | 6,557 | 6,557 | 7,568 | 7,568 |
| Shares | 14,969 | 14,969 | 12,452 | 12,452 |
| Assets in pooled schemes and unit-linked investment contracts | 27,885 | 27,885 | 24,425 | 24,425 |
| Derivatives | 41,647 | 41,647 | 37,025 | 37,025 |
| Other assets | 16,999 | 16,999 | 13,428 | 13,428 |
| Prepaid expenses and accrued income | 762 | 762 | 989 | 989 |
| **Total** | **570,209** | **576,247** | **541,122** | **544,480** |
| | | | | |
| **Financial liabilities** | | | | |
| Deposits and debt instruments | 422,509 | 423,560 | 408,227 | 409,014 |
| Deposits in pooled schemes and unit-linked investment contracts | 29,157 | 29,157 | 25,653 | 25,653 |
| Liabilities to policyholders | 3,310 | 3,310 | 3,234 | 3,234 |
| Derivatives | 44,430 | 44,430 | 39,547 | 39,547 |
| Other liabilities | 31,547 | 31,547 | 18,817 | 18,817 |
| Accrued expenses and prepaid income | 273 | 273 | 273 | 273 |
| **Total** | **531,226** | **532,277** | **495,751** | **496,538** |

The determination of fair value is described in the Annual report 2018, Note G40 "Assets and liabilities at fair value".

## Note 10 Financial assets and liabilities held at fair value on the balance sheet

### Categorisation into the fair value hierarchy

| EURm | Quoted prices in active markets for the same instruments (Level 1) | *Of which Life* | Valuation technique using observable data (Level 2) | *Of which Life* | Valuation technique using non-observable data (Level 3) | *Of which Life* | Total |
|---|---|---|---|---|---|---|---|
| **Assets at fair value on the balance sheet**[1] | | | | | | | |
| Loans to central banks | - | - | 4,042 | - | - | - | 4,042 |
| Loans to credit institutions | - | - | 12,245 | - | - | - | 12,245 |
| Loans to the public | - | - | 82,025 | - | - | - | 82,025 |
| Interest-bearing securities[2] | 24,177 | *1,506* | 48,341 | *2,702* | 176 | *4* | 72,694 |
| Shares | 12,633 | *9,090* | 439 | *435* | 1,897 | *912* | 14,969 |
| Assets in pooled schemes and unit-linked investment contracts | 27,471 | *23,674* | 365 | *365* | 49 | *49* | 27,885 |
| Derivatives | 36 | - | 40,191 | *18* | 1,420 | - | 41,647 |
| Other assets | - | - | 14,846 | - | 40 | *34* | 14,886 |
| **Total 30 Jun 2019** | **64,317** | ***34,270*** | **202,494** | ***3,520*** | **3,582** | ***999*** | **270,393** |
| Total 31 Dec 2018 | 65,343 | *32,969* | 175,791 | *4,304* | 3,169 | *991* | 244,303 |
| **Liabilities at fair value on the balance sheet**[1] | | | | | | | |
| Deposits by credit institutions | - | - | 18,179 | - | - | - | 18,179 |
| Deposits and borrowings from the public | - | - | 11,743 | - | - | - | 11,743 |
| Deposits in pooled schemes and unit-linked investment | - | - | 29,157 | *24,944* | - | - | 29,157 |
| Liabilities to policyholders | - | - | 3,310 | *3,310* | - | - | 3,310 |
| Debt securities in issue | 5,101 | - | 47,960 | - | 2,449 | - | 55,510 |
| Derivatives | 22 | - | 43,188 | *2* | 1,220 | - | 44,430 |
| Other liabilities | 7,909 | - | 18,576 | - | 1 | - | 26,486 |
| **Total 30 Jun 2019** | **13,032** | **-** | **172,113** | ***28,256*** | **3,670** | **-** | **188,815** |
| Total 31 Dec 2018 | 19,639 | - | 132,748 | *25,003* | 3,664 | - | 156,051 |

[1] All items are measured at fair value on a recurring basis at the end of each reporting period.

[2] Of which EUR 6,557m relates to the balance sheet item Financial instruments pledged as collateral.

### Transfers between Level 1 and 2

During the period, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 773m from Level 1 to Level 2 and EUR 671m from Level 2 to Level 1 of the fair value hierarchy. In addition, Nordea has transferred derivative assets of EUR 13m and derivative liabilities of EUR 2m from Level 2 to Level 1. Further Nordea transferred debt securities in issue of EUR 5,795m from Level 1 to Level 2, other liabilities from Level 1 to Level 2 of EUR 2,710m and other liabilities of EUR 83m from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the period and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the reporting period.

## Note 10 Continued

### Movements in Level 3

| EURm | 1 Jan | Fair value gains/losses recognised in the income statement during the year: Realised | Fair value gains/losses recognised in the income statement during the year: Unrealised | Recognised in OCI | Purchases/ Issues | Sales | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Translation differences | 30 Jun |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Interest-bearing securities | 329 | 0 | -1 | - | 19 | -172 | 0 | 1 | - | 0 | 176 |
| *- of which Life* | *4* | - | 0 | - | - | - | *0* | *0* | - | *0* | *4* |
| Shares | 1,697 | 44 | 53 | - | 194 | -99 | -11 | 3 | - | 16 | 1,897 |
| *- of which Life* | *916* | *30* | *4* | - | *10* | *-33* | *-11* | *0* | - | *-4* | *912* |
| Assets in pooled schemes and unit-linked investment contracts | 31 | 9 | 4 | - | 17 | -10 | -2 | 0 | - | 0 | 49 |
| *- of which Life* | *31* | *9* | *4* | - | *17* | *-10* | *-2* | 0 | - | 0 | *49* |
| Derivatives (net) | 15 | -107 | 186 | - | - | 0 | 107 | 0 | 0 | -1 | 200 |
| Other assets | 74 | - | 0 | - | - | 0 | -34 | - | - | 0 | 40 |
| *- of which Life* | *40* | - | - | - | *0* | *0* | *-6* | - | - | 0 | *34* |
| Debt securities in issue | 2,627 | 30 | -62 | -6 | 225 | - | -365 | - | - | 0 | 2,449 |
| Other liabilities | 14 | - | - | - | - | -13 | - | - | - | - | 1 |
| **Total 2019, net** | **-495** | **-84** | **304** | **6** | **5** | **-268** | **425** | **4** | **0** | **15** | **-88** |
| Total 2018, net | -1,613 | 91 | 177 | -8 | 154 | -188 | 653 | -1 | -52 | -55 | -842 |

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. 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 reporting period. Fair value gains and losses in the income statement during the period are included in "Net result from items at fair value". Assets and liabilities related to derivatives are presented net.

**The valuation processes for fair value measurements in Level 3**

For information about valuation processes for fair value measurement in Level 3, see the Annual report 2018 Note G40 "Assets and liabilities at fair value".

**Deferred day 1 profit**

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see the Annual report 2018 Note G1 "Accounting policies". The table below shows the aggregated difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the period (movement of deferred Day 1 profit).

**Deferred day 1 profit - Derivatives, net**

| EURm | 2019 | 2018 |
|---|---|---|
| Opening balance at 1 Jan | 81 | 58 |
| Deferred profit on new transactions | 39 | 34 |
| Recognised in the income statement during the period[1] | -19 | -24 |
| **Closing balance at 30 Jun** | **101** | **68** |

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

## Note 10 Continued

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

| | Fair value | *Of which Life*[1] | Valuation techniques | Unobservable input | Range of fair value[4] |
|---|---|---|---|---|---|
| **EURm** | | | | | |
| **Interest-bearing securities** | | | | | |
| Mortgage and other credit institutions[2] | 171 | *0* | Discounted cash flows | Credit spread | -17/17 |
| Corporates | 5 | *4* | Discounted cash flows | Credit spread | 0/0 |
| **Total 30 Jun 2019** | **176** | ***4*** | | | **-17/17** |
| Total 31 Dec 2018 | 329 | *4* | | | -32/32 |
| **Shares** | | | | | |
| Private equity funds | 794 | *457* | Net asset value[3] | | -88/88 |
| Hedge funds | 95 | *90* | Net asset value[3] | | -8/8 |
| Credit funds | 413 | *175* | Net asset value/market consensus[3] | | -34/34 |
| Other funds | 321 | *184* | Net asset value/Fund prices[3] | | -29/29 |
| Other[5] | 323 | *55* | - | | -27/27 |
| **Total 30 Jun 2019** | **1,946** | ***961*** | | | **-186/186** |
| Total 31 Dec 2018 | 1,728 | *947* | | | -165/165 |
| **Derivatives, net** | | | | | |
| Interest rate derivatives | 275 | - | Option model | Correlations<br>Volatilities | -34/37 |
| Equity derivatives | 22 | - | Option model | Correlations<br>Volatilities<br>Dividends | -10/7 |
| Foreign exchange derivatives | -8 | - | Option model | Correlations<br>Volatilities | -0/0 |
| Credit derivatives | -94 | - | Credit derivative model | Correlations<br>Volatilities<br>Recovery rates | -25/21 |
| Other | 5 | - | Option model | Correlations<br>Volatilities | -0/0 |
| **Total 30 Jun 2019** | **200** | **-** | | | **-69/65** |
| Total 31 Dec 2018 | 15 | - | | | -59/55 |
| **Debt securities in issue** | | | | | |
| Issued structured bonds | 2,449 | - | Credit derivative model | Correlations<br>Recovery rates<br>Volatilities | -12/12 |
| **Total 30 Jun 2019** | **2,449** | **-** | | | **-12/12** |
| Total 31 Dec 2018 | 2,627 | - | | | -13/13 |
| **Other, net** | | | | | |
| Other assets and Other liabilities, net | 39 | *34* | - | - | -5/5 |
| **Total 30 Jun 2019** | **39** | ***34*** | | | **-5/5** |
| Total 31 Dec 2018 | 60 | 40 | | | -7/7 |

[1] Investments in financial instruments is a major part of the life insurance business, acquired to fulfill the obligations behind the insurance- and investments 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 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. 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 investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are a range of 7% to 100% compared to the values received from suppliers/custodians.

[4] The column "Range of fair value" shows the sensitivity of Level 3 financial instruments to changes in key assumptions. For more information see the Annual Report 2018, Note G40 "Assets and liabilities at fair value".

[5] Of which EUR 49m related to assets in pooled schemes and unit-linked investment.

## Note 11 Disposal group held for sale

**Balance sheet - Condensed**[1]

| EURm | 30 Jun 2019 | 31 Dec 2018 | 30 Jun 2018 |
|---|---|---|---|
| **Assets** | | | |
| Loans to the public | - | - | 1,387 |
| Derivatives | - | - | 10 |
| Other assets | - | - | 57 |
| **Total assets held for sale** | **-** | **-** | **1,454** |
| | | | |
| **Liabilities** | | | |
| Deposits and borrowings from the public | - | - | 2,322 |
| Derivatives | - | - | 5 |
| Other liabilities | - | - | 4 |
| **Total liabilities held for sale** | **-** | **-** | **2,331** |

[1] Includes the external assets and liabilities held for sale.

Assets and liabilites held for sale as of 30 June 2018 relate to Nordea´s earlier announced intention to divest part of its Luxembourg-based private banking busines to UBS. The transaction was closed, and the assets and liabilities held for sale derecognise from Nordea's balance sheet, during the fourth quarter 2018. The disposal group is included in "Private Banking" in Note 2 "Segment reporting".

## Note 12 Risks and uncertainties

Nordea is subject to various legal regimes and requirements, including but not limited to those of the Nordic countries, the European Union and the United States. Supervisory and governmental authorities that administer and enforce those regimes make regular inquiries and conduct investigations with regards to Nordea's compliance in many areas, such as 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 is unclear and pending, and accordingly, it cannot be excluded that these inquiries and investigations could lead to criticism against the bank, reputation loss, fines, sanctions, disputes and/or litigations.

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

Nordea has made significant investments to address the deficiencies highlighted by the investigations. Amongst other Nordea established in 2015 the Financial Crime Change Programme and has strengthened the organization significantly to enhance the AML and sanction management risk frameworks. Nordea has also established the Business Ethics and Values Committee and a culture transformation program to embed stronger ethical standards into our corporate culture. In addition, the group is investing in enhanced compliance standards, processes and resources in both the first and second lines of defense.

The Danish tax authorities are in addition investigating whether there is a basis for raising a claim for damages against Nordea relating to Nordea's assistance to a foreign bank in connection with the said bank's reclaim of dividend tax on behalf of one of its customers. At this point in time, it is not possible to assess the potential risk related to the case.

# Glossary

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

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

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

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

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

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

### Tier 1 capital ratio
Tier 1 capital as a percentage of Risk Exposure Amount. The Common Equity Tier 1 capital ratio is calculated as Common Equity Tier 1 capital as a percentage of Risk Exposure Amount.

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

### 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.

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

### 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.

### Allowance in relation to loans in stage 1 and 2
Allowances for not impaired loans (stage 1 and 2) divided by not impaired loans measured at amortised cost (stage 1 and 2) before allowances.

### Economic capital
Economic Capital is Nordea's internal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk, 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.

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

For a list of further Alternative Performance Measures and business definitions, http://www.nordea.com/en/investor-relations/reports-and-presentations/select-reports-and-presentations/ and the Annual Report.

# Nordea Bank Abp

# Income statement

| EURm | Reported Q2 2019 | Pre-decessor[1] Q2 2018 | Reported Jan-Jun 2019 | Pre-decessor[1] Jan-Jun 2018 | Combined[1] Full year 2018 | Reported[1] 15 month 2018 |
|---|---|---|---|---|---|---|
| **Operating income** | | | | | | |
| Interest income | 1,104 | 1,008 | 2,208 | 1,987 | 4,203 | 1,116 |
| Interest expense | -521 | -395 | -1,028 | -800 | -1,730 | -474 |
| **Net interest income** | **583** | **613** | **1,180** | **1,187** | **2,473** | **642** |
| Fee and commission income | 594 | 589 | 1,186 | 1,142 | 2,244 | 584 |
| Fee and commission expense | -139 | -94 | -272 | -195 | -457 | -157 |
| **Net fee and commission income** | **455** | **495** | **914** | **947** | **1,787** | **427** |
| Net result from securities trading and foreign exchange dealing | 254 | 241 | 482 | 511 | 868 | 199 |
| Net result from securities classified at fair value through other comprehensive income | 27 | 3 | 53 | 10 | 25 | 8 |
| Net result from hedge accounting | -16 | -21 | -45 | -36 | -61 | -55 |
| Net result from investment properties | 0 | -1 | 0 | -1 | -1 | 0 |
| Dividends | 38 | 197 | 703 | 196 | 1,735 | 1,167 |
| Other operating income | 88 | 90 | 173 | 195 | 377 | 94 |
| **Total operating income** | **1,429** | **1,617** | **3,460** | **3,009** | **7,203** | **2,482** |
| **Operating expenses** | | | | | | |
| General administrative expenses: | | | | | | |
| Staff costs | -620 | -611 | -1,221 | -1,264 | -2,478 | -616 |
| Other administrative expenses | -235 | -240 | -468 | -478 | -980 | -274 |
| Other operating expenses | -110 | -116 | -466 | -339 | -539 | -100 |
| Depreciation, amortisation and impairment charges of tangible and intangible assets | -111 | -76 | -213 | -150 | -355 | -115 |
| **Total operating expenses** | **-1,076** | **-1,043** | **-2,368** | **-2,231** | **-4,352** | **-1,105** |
| **Profit before loan losses** | **353** | **574** | **1,092** | **778** | **2,851** | **1,377** |
| Net loan losses | -38 | -52 | -24 | -68 | -122 | -12 |
| Impairment on financial assets | 0 | 0 | 0 | 0 | -239 | -21 |
| **Operating profit** | **315** | **522** | **1,068** | **710** | **2,490** | **1,344** |
| Income tax expense | -78 | -115 | -139 | -179 | -514 | -211 |
| **Net profit for period** | **237** | **407** | **929** | **531** | **1,976** | **1,133** |

[1] Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

Nordea Bank Abp reports under Finnish GAAP. The columns labelled "Predecessor" include restated income statements of the former parent company Nordea Bank AB (publ). The columns labelled "Combined" include combinations of Nordea Bank Abp's reported income statements and restated income statements for the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB (publ)'s income statements have been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IFRS, that changes to own credit risk on financial liabilities designated at fair value is recognised in Equity, as well as to that the presentation of the income statement complies with Finnish requirements.

# Nordea Bank Abp
# Balance sheet

| EURm | Reported 30 Jun 2019 | Reported 31 Dec 2018 | Predecessor[1] 30 Jun 2018 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | 41,097 | 39,562 | 33,101 |
| Debt securities eligible for refinancing with central banks | 64,298 | 72,677 | 71,376 |
| Loans to credit institutions | 87,523 | 64,772 | 65,617 |
| Loans to the public | 147,891 | 154,419 | 161,094 |
| Interest-bearing securities | 5,213 | 1,890 | 6,121 |
| Shares and participations | 7,051 | 4,813 | 7,338 |
| Investments is associated undertakings and joint ventures | 1,058 | 1,049 | 1,039 |
| Investments in group undertakings | 13,326 | 12,175 | 12,512 |
| Derivatives | 41,963 | 37,221 | 43,936 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 82 | 72 | 63 |
| Intangible assets | 2,382 | 2,331 | 2,209 |
| Tangible assets | | | |
| Properties and equipment | 327 | 338 | 367 |
| Investment properties | 2 | 4 | 3 |
| Deferred tax assets | 78 | 130 | 87 |
| Current tax assets | 403 | 234 | 308 |
| Retirement benefit assets | 180 | 243 | 272 |
| Other assets | 17,627 | 15,681 | 19,512 |
| Prepaid expenses and accrued income | 1,162 | 1,111 | 1,250 |
| **Total assets** | **431,663** | **408,722** | **426,205** |
| **Liabilities** | | | |
| Deposits by credit institutions and central banks | 54,163 | 51,427 | 61,677 |
| Deposits and borrowings from the public | 181,133 | 171,102 | 182,806 |
| Debt securities in issue | 77,401 | 82,667 | 69,865 |
| Derivatives | 46,041 | 40,591 | 45,643 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 1,430 | 536 | 404 |
| Current tax liabilities | 22 | 249 | 313 |
| Other liabilities | 31,266 | 21,257 | 26,781 |
| Accrued expenses and prepaid income | 1,153 | 1,330 | 1,263 |
| Deferred tax liabilities | 182 | 223 | 39 |
| Provisions | 409 | 352 | 384 |
| Retirement benefit obligations | 486 | 349 | 245 |
| Subordinated liabilities | 10,575 | 9,157 | 8,574 |
| **Total liabilities** | **404,261** | **379,240** | **397,994** |
| **Equity** | | | |
| Share capital | 4,050 | 4,050 | 4,050 |
| Additional Tier 1 capital holders | 750 | 750 | 750 |
| Invested unrestriced equity | 1,080 | 1,080 | 1,080 |
| Other reserves | -388 | -150 | 1,455 |
| Retained earnings | 20,981 | 22,619 | 20,345 |
| Profit or loss for the period[2] | 929 | 1,133 | 531 |
| **Total equity** | **27,402** | **29,482** | **28,211** |
| **Total liabilities and equity** | **431,663** | **408,722** | **426,205** |
| **Off balance sheet commitments** | | | |
| Commitments given to a third party on behalf of customers | | | |
| Guarantees and pledges | 47,489 | 50,026 | 50,813 |
| Other | 1,344 | 1,406 | 1,434 |
| Irrevocable commitments in favour of customers | | | |
| Securities repurchase commitments | - | - | - |
| Other | 78,087 | 80,102 | 77,342 |

[1] Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

[2] In 2018 including anticipated dividends of EUR 436m from its subsidiaries.

Nordea Bank Abp reports under Finnish GAAP. The column labelled "Predecessor" includes a restated balance sheet of the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB (publ)'s balance sheet has been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IFRS, that changes to own credit risk on financial liabilities designated at fair value is recognised in Equity, as well as to that the presentation of the balance sheet complies with Finnish requirements.

# Nordea Bank Abp

## Note 1 Accounting policies

The financial statements for the parent company, Nordea Bank Abp, are prepared in accordance with the Finnish Accounting Act, the Finnish Credit Institutions Act, the Decision of the Ministry of Finance on the financial statements and consolidated financial statements of credit institutions as well as Finnish Financial Supervision Authority's Regulations.

International Financial Reporting Standards (IFRS) as endorsed by the EU commission have been applied to the extent possible within the framework of Finnish accounting legislation and considering the close tie between financial reporting and taxation.

Nordea Group's consolidated interim financial statements are presented in accordance with IAS 34 "Interim Financial Reporting", as endorsed by the EU commission.

The accounting policies and methods of computation are unchanged in comparison with the Annual Report 2018, except for related to the items presented in the section "Changed accounting policies and presentation". For more information see Note P1 in the Annual Report 2018.

### Changed accounting policies and presentation

Information on new and amended IFRS standards implemented by Nordea on 1 January 2019 can be found in the section "Changed accounting policies and presentation" in Note 1 for the Group. The conclusions within this section are also, where applicable, relevant for the parent company. However, IFRS 16 "Leases" is not applied in the parent company.

Nordea Bank Abp has recognised the resolution fees at the beginning of the year, when the legal obligation to pay arises, and presents them as Other expenses in the income statement. Hence, there is no change in the accounting policy of resolution fees and no restatements are needed in the parent company.

### Changes in IFRSs not yet applied

Information on forthcoming changes in IFRS not yet implemented can be found in the section "Changes in IFRSs not yet applied" in Note 1 for the Group. The conclusions within this section are also, where applicable, relevant for the parent company. However, IFRS 17 "Insurance contracts" will not be applied in the parent company.

### Other amendments

Other amendment to IFRS are not assessed to have any significant impact on the financial statements of Nordea Bank Abp.

## For further information

- A webcast for media, investors and equity analysts will be held on 18 July at 09.00 EET (08.00 CET), at which Casper von Koskull, President and Group CEO, will present the results.
- To participate in the webcast (starting at 09:00 EET) please use the webcast link or dial +44 333 300 0804 or +46 8 566 426 51 or +358 9 817 103 10 or +45 35 44 55 77 PIN code 95885503# no later than 08.50 EET.
- The webcast will be directly followed by a Q&A audio session for investors and analysts with Christopher Rees, Group CFO and Rodney Alfvén, Head of Investor Relations starting at approximately 09.30 EET (08.30 CET).
- After the call an indexed on-demand replay will be available here. A replay will also be available until 7 August 2019. Please dial one of the following numbers +44 333 300 0819, +46 8-519 993 85, +358 9 817 105 15, +45 82 33 31 90, confirmation code 301291551#.
- An analyst and investor presentation will be held in London on 23 August at 08.00 local time (GMT+1) at ABG Sundal Collier, St. Martins Court, 10 Paternoster Row, EC4M 7EJ, London, (entrance on Newgate Street) in which Casper von Koskull, President and Group CEO, Christopher Rees, Group CFO, Rodney Alfvén, Head of Investor Relations and Axel Malgerud, Senior Investor Relations Officer will participate.
- The presentation, including Q&A, is expected to last approximately one hour.
- To attend please contact: Ann Crowley at ABG SC via e-mail: ann.crowley@abgsc.co.uk
- The Q2 2019 report, an investor presentation and a fact book are available on www.nordea.com.

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## Financial calendar

**24 October 2019** – Third Quarter Report 2019 (silent period starts 7 October 2019)

Helsinki 17 July 2019

Nordea Bank Abp

Board of Directors

This report is published in one additional language version, in Swedish. In the event of any inconsistencies between the Swedish language version and this English version, the Swedish version shall prevail.

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

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## Report on review of interim financial information of Nordea Bank Abp for the six months period ended 30 June 2019

To the Board of Directors of Nordea Bank Abp

**Introduction**
We have reviewed the condensed interim financial information of Nordea Bank Abp, which comprise the balance sheet as at 30 June 2019, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month-period then ended and notes, all consolidated, and parent company's balance sheet as at 30 June 2019 and income statement for the six-month-period then ended. The Board of Directors and the Managing Director are responsible for the preparation of the condensed interim financial information in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union. We will express a conclusion on this condensed interim financial information based on our review.

**Scope of Review**
We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope, than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**
Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information of Nordea Bank Abp for the six months period ended on 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union.

Helsinki 17 July 2019

**PricewaterhouseCoopers Oy**
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)