Nordea

# Half-Year Financial Report 2021

# Half-year results 2021

## Summary of the quarter:

- **Strong result, with high income growth.** Operating profit increased to EUR 1,338m from EUR 306m in the same period last year, driven by a significant increase in total operating income, strong cost control and low loan losses. Net interest income grew by 13% and net fee and commission income increased by 30%. Net fair value result was solid and at a more normalised level than in the first quarter.
- **Continued strong growth in customer business volumes across Nordics.** Nordea drove high levels of business activity and gained market shares across the Nordics. Mortgage volumes continued to grow significantly, increasing by 6%, year on year, and SME lending increased by 8%. Assets under management increased by 24% to an all-time high of EUR 387bn, driven by strong performance and continued solid net inflows, especially into retail funds and Private Banking.
- **Underlying costs unchanged – outlook updated due to significantly higher business activity.** Total costs excluding resolution fees increased by 9% due to the inclusion of Nordea Finance Equipment, higher variable pay linked to strong performance and exchange rate effects. Adjusted for these items, costs were unchanged. Given this, costs for 2021 are now expected to be around EUR 4.6bn (previously below EUR 4.6bn).
- **Strong credit quality with net loan loss reversals.** Net loan losses and similar net result amounted to net reversals of EUR 51m or 6bp in the quarter, compared with a 85bp charge in the same quarter last year. Realised net loan losses remained at low levels. Net loan losses in 2021 are expected to be significantly below the 2020 level.
- **Cost-to-income ratio and profitability improving.** Nordea's cost-to-income ratio improved to 49% from 52% a year ago, supported by strong income growth and improved cost efficiency. Return on equity increased to 11.4%, despite the very high equity base arising from undistributed dividends and excess capital. Earnings per share increased to EUR 0.25 from EUR 0.06.
- **Strong capital generation – capital position among best in Europe.** Nordea’s CET1 ratio increased to 18.0% from 15.8% a year ago, even after the deduction of the unpaid dividends for 2019-20 and the accrued 2021 dividend. As previously disclosed, Nordea is ready to distribute the unpaid 2019-20 dividends (totalling EUR 0.72 per share) in October, after the current restrictions are repealed. Nordea also plans to start share buy-backs and has commenced the application process.
- **On track to meet 2022 financial targets.** Nordea continues to focus on its three key priorities: to create great customer experiences, drive income growth initiatives and optimise operational efficiency. Nordea is progressing well towards consistent delivery of its financial targets: a cost-to-income ratio of 50% and a return on equity above 10%.

(For further viewpoints, see the CEO comment on page 2. For definitions, see page 54).

## Group quarterly results and key ratios Q2 2021

| | Q2 2021 | Q2 2020 | Chg % | Q1 2021 | Chg % | Jan-Jun 2021 | Jan-Jun 2020 | Chg % |
|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | |
| Net interest income | 1,232 | 1,091 | 13 | 1,212 | 2 | 2,444 | 2,200 | 11 |
| Net fee and commission income | 878 | 673 | 30 | 827 | 6 | 1,705 | 1,438 | 19 |
| Net fair value result | 278 | 316 | -12 | 370 | -25 | 648 | 426 | 52 |
| Other income | 30 | 10 | | 11 | | 41 | 28 | 46 |
| Total operating income | 2,418 | 2,090 | 16 | 2,420 | 0 | 4,838 | 4,092 | 18 |
| Total operating expenses excluding resolution fees | -1,131 | -1,039 | 9 | -1,095 | 3 | -2,226 | -2,134 | 4 |
| Total operating expenses | -1,131 | -1,088 | 4 | -1,319 | -14 | -2,450 | -2,336 | 5 |
| Profit before loan losses | 1,287 | 1,002 | 28 | 1,101 | 17 | 2,388 | 1,756 | 36 |
| Net loan losses and similar net result | 51 | -696 | | -52 | | -1 | -851 | |
| Operating profit | 1,338 | 306 | | 1,049 | 28 | 2,387 | 905 | |
| Cost-to-income ratio with amortised resolution fees, % | 49 | 52 | | 48 | | 48 | 55 | |
| Return on equity with amortised resolution fees, % | 11.4 | 3.0 | | 11.0 | | 11.2 | 5.0 | |
| Diluted earnings per share, EUR | 0.25 | 0.06 | | 0.19 | | 0.44 | 0.17 | |

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# CEO comment

"Over the past few months we have witnessed Nordic societies gradually start to open up. Restrictions are easing, vaccination programmes are progressing well, and a return to more normal activity is under way. However, we still need to be mindful of potential setbacks due to unpredictable virus variants. At Nordea we continue to support our customers in transitioning to a post-pandemic environment. The fundamentals of our business are constant: everything we do starts and ends with our customers.

We are making good progress in developing our omnichannel banking model. The mobile bank app now has more than one billion logins annually and we are continually adding new functionalities. For example, customers can apply for a mortgage via the app and receive a digital loan promise within minutes. They can also sign mortgage agreements digitally and switch between variable and fixed interest periods with a few taps. Savings product sales through digital channels now correspond to 65% of all retail savings. On the corporate side, we have rolled out our new netbank to over 50% of customers and will consistently add new functionalities going forward.

In the second quarter we continued to grow business and customer activity significantly, and further increased market shares across the Nordics. Mortgage volumes increased by 6%, year on year, and lending to small and medium-sized enterprises increased by 8%. Assets under management (AuM) increased by 24% to EUR 387bn, supported by quarterly net inflows of EUR 1.8bn into retail funds and EUR 2.0bn into Private Banking, and solid market performance.

These positive developments led to strong quarterly results. Operating profit increased to EUR 1,338m from EUR 306m in the same period last year due to strong income growth, firm cost control and a significant decrease in net loan losses. Return on equity increased to 11.4%. Income grew by 16%, year on year, and net interest income increased by 13%, the highest growth rate in ten years. Net fee and commission income increased by 30%, mainly driven by higher savings and advisory commission income. Net fair value result was solid, supported by high levels of customer activity and valuation gains.

We remain focused on continuously growing revenues faster than costs. In the second quarter we made further progress, improving our cost-to-income ratio to 49% from 52% a year ago. The significantly higher business activity in the quarter led to higher revenues and profits, but also somewhat higher operating costs, including provisions for variable pay. Our full-year 2021 cost outlook is therefore now around, rather than below, EUR 4.6bn. Our prime focus is, and will remain, not on absolute costs but on costs relative to income.

Our credit quality remained strong in the second quarter. Realised loan losses were low and we recorded EUR 51m in net loan loss reversals. We expect net loan losses in 2021 to be significantly below the 2020 level. However, we have kept our management judgement buffer largely unchanged while the full impact of the pandemic on Nordea's customers remains uncertain.

We continue to implement our new sustainability strategy across the bank. Customer demand for sustainable banking services remains very strong. Drawing on our expertise as a leading bank for sustainability, we are advising and supporting our customers in transitioning to a more sustainable future. In particular, we are working with customers in sectors especially vulnerable to climate-related risks, developing detailed and time-bound transition plans.

All of our business areas are delivering strong performances. In Personal Banking we had high levels of business activity. Mortgage volumes continued to increase and market shares increased in all countries. Savings income grew by 24% due to very high customer activity and retail fund net inflows. The cost-to-income ratio improved to 49% from 54%.

In Business Banking customer lending volumes grew by 8%, year on year. Business activity was high, with particularly strong momentum in Norway and Sweden. We continued to develop our sustainability offering. Overall, our sustainability-linked lending grew by 20% in the second quarter of 2021. The ESG part of our portfolio now amounts to EUR 3bn. The cost-to-income ratio improved to 44% from 50%, its best level to date.

In Large Corporates & Institutions we are progressing well towards creating a more focused and profitable business area. We continued to see very high levels of customer activity across our focus segments, especially in our brokerage and advisory business. Return on capital at risk was 16%.

In Asset & Wealth Management customer activity remained at very high levels – especially in our internal channels. Net inflows into retail funds were strong, particularly in Denmark and Finland. In Private Banking we gained new customers and saw record-high net inflows, which amounted to EUR 2.0bn in the quarter. Interest in sustainability products was high among all customer groups. The cost-to-income ratio improved to 41% from 57%.

Capital generation continues to be strong. Our Group CET1 ratio increased by 220bp, year on year, to 18.0%. We have a buffer of 7.8 percentage points above the current regulatory requirement, even after having deducted the 2019-20 dividends and the accrued 2021 dividend, making us one of the best capitalised banks in Europe.

We remain committed to our capital and dividend policy, which includes pursuing an efficient capital structure. The Board is ready to decide on a dividend payment of a maximum of EUR 0.72 per share, to be distributed in October, after the current restrictions are repealed. Regarding share buy-backs, we intend to start the programme in the fourth quarter, and have commenced the application process.

Nordea is entering the post-pandemic environment in a position of strength. We are well on track to meet our financial targets for 2022. We are delivering smoother and better customer experiences, developing advanced digital capabilities, and keeping sustainability at the centre of our customer offerings and operations.

Our focus remains on our three key priorities: to create great customer experiences, drive income growth initiatives and optimise operational efficiency. We are determined to continuously improve our performance and do things a bit better every single day. That is our way forward. For the benefit of our customers, business, shareholders and society at large."

**Frank Vang-Jensen**
President and Group CEO

# Outlook

## Key priorities to meet 2022 financial targets

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

## Financial targets for 2022

Nordea's financial targets for 2022 are:

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

## Costs (operating expenses)

New: Total costs for 2021 are expected to be around EUR 4.6bn.

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

## Capital policy

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

## Dividend policy

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

## Credit quality

New: Net loan losses in 2021 are expected to be significantly below the 2020 level.

Previous: N/A

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# Income statement

| | Q2 2021 | Q2 2020 | Chg % | Local curr. % | Q1 2021 | Chg % | Local curr. % | Jan-Jun 2021 | Jan-Jun 2020 | Chg % | Local curr. % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | | | |
| Net interest income | 1,232 | 1,091 | 13 | 7 | 1,212 | 2 | 1 | 2,444 | 2,200 | 11 | 7 |
| Net fee and commission income | 878 | 673 | 30 | 27 | 827 | 6 | 6 | 1,705 | 1,438 | 19 | 16 |
| Net result from items at fair value | 278 | 316 | -12 | -9 | 370 | -25 | -25 | 648 | 426 | 52 | 59 |
| Profit from associated undertakings and joint ventures accounted for under the equity method | 3 | -10 | | | -14 | | | -11 | -12 | -8 | -17 |
| Other operating income | 27 | 20 | 35 | 35 | 25 | 8 | 13 | 52 | 40 | 30 | 28 |
| **Total operating income** | **2,418** | **2,090** | **16** | **12** | **2,420** | **0** | **0** | **4,838** | **4,092** | **18** | **16** |
| | | | | | | | | | | | |
| Staff costs | -705 | -645 | 9 | 7 | -682 | 3 | 3 | -1,387 | -1,344 | 3 | 1 |
| Other expenses | -262 | -303 | -14 | -17 | -486 | -46 | -47 | -748 | -722 | 4 | 1 |
| Depreciation, amortisation and impairment charges of tangible and intangible assets | -164 | -140 | 17 | 15 | -151 | 9 | 9 | -315 | -270 | 17 | 14 |
| **Total operating expenses** | **-1,131** | **-1,088** | **4** | **1** | **-1,319** | **-14** | **-14** | **-2,450** | **-2,336** | **5** | **3** |
| | | | | | | | | | | | |
| **Profit before loan losses** | **1,287** | **1,002** | **28** | **24** | **1,101** | **17** | **17** | **2,388** | **1,756** | **36** | **33** |
| | | | | | | | | | | | |
| Net loan losses and similar net result | 51 | -696 | | | -52 | | | -1 | -851 | | |
| **Operating profit** | **1,338** | **306** | | | **1,049** | **28** | **27** | **2,387** | **905** | | |
| | | | | | | | | | | | |
| Income tax expense | -313 | -63 | | | -261 | 20 | 19 | -574 | -202 | | |
| **Net profit for the period** | **1,025** | **243** | | | **788** | **30** | **30** | **1,813** | **703** | | |

# Business volumes, key items[1]

| | 30 Jun 2021 | 30 Jun 2020 | Chg % | Local curr. % | 31 Mar 2021 | Chg % | Local curr. % |
|---|---|---|---|---|---|---|---|
| **EURbn** | | | | | | | |
| Loans to the public | 338.4 | 328.0 | 3 | 1 | 333.6 | 1 | 1 |
| Loans to the public, excl. repos/securities borrowing | 317.2 | 299.0 | 6 | 3 | 314.5 | 1 | 1 |
| Deposits and borrowings from the public | 204.6 | 188.5 | 9 | 6 | 198.2 | 3 | 3 |
| Deposits from the public, excl. repos/securities lending | 196.2 | 179.6 | 9 | 7 | 191.5 | 2 | 2 |
| Total assets | 586.8 | 587.3 | 0 | | 591.1 | -1 | |
| Assets under management | 387.4 | 311.4 | 24 | | 371.7 | 4 | |
| Equity | 35.5 | 31.8 | 12 | | 34.5 | 3 | |

# Ratios and key figures[2]

| | Q2 2021 | Q2 2020 | Chg % | Q1 2021 | Chg % | Jan-Jun 2021 | Jan-Jun 2020 | Chg % |
|---|---|---|---|---|---|---|---|---|
| Diluted earnings per share (DEPS), EUR | 0.25 | 0.06 | 317 | 0.19 | 32 | 0.44 | 0.17 | 159 |
| EPS, rolling 12 months up to period end, EUR | 0.83 | 0.27 | 207 | 0.64 | 30 | 0.83 | 0.27 | 207 |
| Share price[1], EUR | 9.40 | 6.15 | 53 | 8.41 | 12 | 9.40 | 6.15 | 53 |
| Equity per share[1], EUR | 8.79 | 7.86 | 12 | 8.53 | 3 | 8.79 | 7.86 | 12 |
| Potential shares outstanding[1], million | 4,050 | 4,050 | 0 | 4,050 | 0 | 4,050 | 4,050 | 0 |
| Weighted average number of diluted shares, million | 4,041 | 4,039 | 0 | 4,040 | 0 | 4,040 | 4,038 | 0 |
| Return on equity, % | 11.9 | 3.1 | | 9.4 | | 10.7 | 4.5 | |
| Return on tangible equity, % | 13.4 | 3.5 | | 10.6 | | 12.0 | 5.1 | |
| Return on risk exposure amount, % | 2.7 | 0.6 | | 2.0 | | 2.4 | 0.9 | |
| Return on equity with amortised resolution fees, % | 11.4 | 3.0 | | 11.0 | | 11.2 | 5.0 | |
| Cost-to-income ratio, % | 47 | 52 | | 55 | | 51 | 57 | |
| Cost-to-income ratio with amortised resolution fees, % | 49 | 52 | | 48 | | 48 | 55 | |
| Net loan loss ratio, incl. loans held at fair value, bp | -6 | 85 | | 6 | | 0 | 52 | |
| Common Equity Tier 1 capital ratio[1,3], % | 18.0 | 15.8 | | 17.5 | | 18.0 | 15.8 | |
| Tier 1 capital ratio[1,3], % | 19.5 | 17.6 | | 19.2 | | 19.5 | 17.6 | |
| Total capital ratio[1,3], % | 21.3 | 20.1 | | 20.9 | | 21.3 | 20.1 | |
| Tier 1 capital[1,3], EURbn | 29.6 | 27.2 | 9 | 29.6 | 0 | 29.6 | 27.2 | 9 |
| Risk exposure amount[1], EURbn | 152.2 | 154.6 | -2 | 154.0 | -1 | 152.2 | 154.6 | -2 |
| Return on capital at risk, % | 17.7 | 3.8 | | 13.6 | | 15.7 | 5.5 | |
| Return on capital at risk with amortised resolution fees, % | 17.0 | 3.8 | | 15.8 | | 16.4 | 6.1 | |
| Number of employees (FTEs)[1] | 27,510 | 27,954 | -2 | 27,800 | -1 | 27,510 | 27,954 | -2 |
| Economic capital[1], EURbn | 23.2 | 24.2 | -4 | 23.4 | -1 | 23.2 | 24.2 | -4 |

[1] End of period.

[2] For more detailed information regarding ratios and key figures defined as alternative performance measures, see https://www.nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports.

[3] Including the result for the period.

# Macroeconomy and financial markets[1]

## Economic outlook

Prospects for the global economy are improving, with vaccine roll-outs gaining speed and societies gradually reopening. After a mixed first quarter, which saw new containment measures introduced in many countries, data indicates a strong recovery in the second quarter of 2021, particularly in the advanced economies. Fiscal and monetary policy continue to support the recovery, and global growth is expected to be close to 6% in 2021 as a whole.

Suppliers' delivery times in the manufacturing sector increased during the second quarter due to bottlenecks in various parts of the global value chain. At the same time, surging commodity prices and transportation costs led to sharp increases in producer and consumer prices. Ten-year government bond yields declined in the US and increased only slightly in the euro area amid dovish central bank rhetoric. Equity markets continued to perform strongly.

The Nordic countries have been among the best performing economies globally during the pandemic. While the four countries developed somewhat differently in the first quarter of 2021, data points to a strong recovery in all of them in the second quarter.

## Denmark

Danish GDP fell by 1.0%, quarter on quarter, in the first quarter of 2021. Household consumption contracted by 4.4% due to the harsh lockdown of society at the beginning of the year. On the other hand, exports increased by 3.9%, with particularly strong growth in goods exports. A gradual reopening of the Danish economy began on 1 March. This caused a sharp drop in the unemployment rate, which stood at 4.0% in May. House and apartment prices have increased markedly over the past 12 months and were 14.9% and 17.3% higher, respectively, in June 2021 than in the same month last year. Consumer price inflation (year on year) stood at 1.7% in June 2021, the highest level since 2012. The Danish krone has appreciated against the euro since the independent interest rate hike in March 2020. Consequently, Danmarks Nationalbank has been intervening in the foreign exchange market since February.

## Finland

Finnish GDP was broadly unchanged, down 0.1%, quarter on quarter, in the first quarter of 2021. Private consumption declined by 0.7% and the household savings rate jumped to 7% of disposable income due to a deterioration in the COVID-19 situation. However, investments in both construction and machinery grew for the first time in a year, reflecting an improved outlook for the industry sector and housing market. Unemployment is declining steadily. The rate stood at 7.6% in May, and job vacancies are already back at pre-pandemic levels. Apartment prices increased by 3.9%, year on year, in May. Consumer price inflation (year on year) stood at 2.0% in June. The surge in inflation has mainly been driven by higher energy prices.

## Norway

Norwegian mainland GDP fell by 1.0%, quarter on quarter, in the first quarter of 2021. However, mainland economic activity increased markedly during the second quarter, in tandem with the reopening of society. The normalisation of economic conditions is clearly visible in unemployment figures, which fell to 3.0% in June. House and apartment price growth has moderated lately. Prices were 10.1% higher in June 2021 than in the same month last year. Consumer price inflation (year on year) stood at 2.9% in June, driven higher by increased energy prices. Going forward, we expect inflation to moderate. Norges Bank has stated that the first rate hike will be in September. According to the central bank's latest rate path, the key interest rate will rise from 0.0% to 1.0% by next summer. We expect the Norwegian krone to strengthen moderately against the euro, supported by the rate hikes.

## Sweden

Swedish GDP grew by 0.8%, quarter on quarter, in the first quarter of 2021. Exports continued to perform well and domestic demand improved. Growth indicators for the coming quarters are upbeat. The situation in the labour market continued to improve, with the unemployment rate falling to 7.9% in June. House and apartment prices increased markedly and were 21.4% and 12.1% higher, respectively, in May 2021 than in the same month last year. Consumer price inflation (year on year) peaked in April at 2.2% before declining to 1.3% in June. Modest wage increases and a stronger krona are balancing rising commodity prices and higher transport costs globally. Sveriges Riksbank kept its repo rate unchanged at 0.0% and signalled that it would remain unchanged for the coming three years. The quantitative easing programme was maintained and will cover the remainder of 2021. The trade-weighted Swedish krona strengthened by 1% in the course of the second quarter.

[1] Source: Nordea Economic Research

# Group results and performance

## Second quarter 2021

### Net interest income

Q2/Q2: Net interest income increased by 13%. The main drivers were increased SME and mortgage lending volumes, and margins. Nordea Finance Equipment (NFE) contributed positively to net interest income, as did exchange rate effects, which had a positive impact of approximately EUR 57m.

Q2/Q1: Net interest income amounted to EUR 1,232m, up 2%, quarter on quarter. The main drivers were increased SME and mortgage lending volumes and the positive impact of a higher day count. These were partly offset by a lower benefit from the European Central Bank's targeted longer-term refinancing operation (TLTRO) than in the previous quarter.

#### *Lending volumes*

Q2/Q2: Loans to the public excluding repurchase agreements and securities borrowing were up 3% in local currencies. Lending volumes increased in local currencies in Personal Banking and Business Banking, and decreased as planned in Large Corporates & Institutions.

Q2/Q1: Loans to the public excluding repurchase agreements and securities borrowing were up 1% in local currencies. Lending volumes increased in local currencies in Personal Banking and Business Banking, and decreased as planned in Large Corporates & Institutions.

#### *Deposit volumes*

Q2/Q2: Total deposits from the public excluding repurchase agreements and securities lending were up 7% in local currencies. Deposit volumes increased in local currencies in Personal Banking, Business Banking and Large Corporates & Institutions.

Q2/Q1: Total deposits from the public excluding repurchase agreements and securities lending were up 2% in local currencies. Deposit volumes increased in local currencies in Personal Banking, Business Banking and Large Corporates & Institutions.

**Net interest income per business area**

| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Local currency Q2/Q2 | Local currency Q2/Q1 |
|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | |
| Personal Banking | 569 | 562 | 535 | 543 | 501 | 14% | 1% | 9% | 1% |
| Business Banking | 406 | 395 | 383 | 351 | 339 | 20% | 3% | 16% | 3% |
| Large Corporates & Institutions | 229 | 240 | 228 | 226 | 214 | 7% | -5% | | |
| Asset & Wealth Management | 19 | 19 | 16 | 16 | 17 | 12% | 0% | 12% | 0% |
| Group Functions | 9 | -4 | 7 | 10 | 20 | | | | |
| **Total Group** | **1,232** | **1,212** | **1,169** | **1,146** | **1,091** | **13%** | **2%** | **7%** | **1%** |

**Change in net interest income (NII)**

| | Q2/Q1 | Jan-Jun 21/20 |
|---|---|---|
| **EURm** | | |
| **NII beginning of period** | **1,212** | **2,200** |
| **Margin-driven NII** | **-7** | **146** |
| Lending margin | -5 | 44 |
| Deposit margin | 2 | 5 |
| Cost of funds | -4 | 97 |
| **Volume-driven NII** | **6** | **54** |
| Lending volume | 9 | 69 |
| Deposit volume | -3 | -15 |
| Day count | 12 | -12 |
| Other[1] | 9 | 56 |
| **NII end of period** | **1,232** | **2,444** |
| [1] of which FX | 6 | 88 |

## Net fee and commission income

Q2/Q2: Net fee and commission income increased by 30%. The main drivers were growth in net income from savings and investments and an increase in lending-related net fee and commission income. Payment and card fee income also contributed positively, having increased from the subdued levels seen in the second quarter of 2020.

Q2/Q1: Net fee and commission income increased by 6% to EUR 878m. The main driver was growth in savings and investment commission income.

### *Savings and investment commissions*

Q2/Q2**:** Net fee and commission income from savings and investments increased by 37%, mainly driven by growth in assets under management (AuM) and higher levels of customer activity in the brokerage and advisory business.

Q2/Q1: Net fee and commission income from savings and investments increased by 10% to EUR 617m, mainly driven by growth in AuM and higher levels of customer activity in the brokerage and advisory business. End-of-period AuM increased by 4%, or EUR 16bn, to EUR 387bn, with a net inflow of EUR 2.6bn during the quarter.

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

Q2/Q2**:** Net fee and commission income from payments and cards increased by 10%, up from the subdued levels seen in the second quarter of 2020, which were driven by COVID-19. Lending-related net fee and commission income increased by 20%, mainly due to higher levels of customer activity.

Q2/Q1**:** Net fee and commission income from payments and cards was unchanged at EUR 115m. Lending-related net fee and commission income decreased by 1% to EUR 144m.

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

| | | | | | | | | Local currency | |
|---|---|---|---|---|---|---|---|---|---|
| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Q2/Q2 | Q2/Q1 |
| **EURm** | | | | | | | | | |
| Personal Banking | 317 | 296 | 290 | 279 | 267 | 19% | 7% | 17% | 7% |
| Business Banking | 159 | 166 | 159 | 135 | 125 | 27% | -4% | 22% | -4% |
| Large Corporates & Institutions | 163 | 137 | 116 | 118 | 101 | 61% | 19% | | |
| Asset & Wealth Management | 244 | 235 | 228 | 204 | 186 | 31% | 4% | 30% | 3% |
| Group Functions | -5 | -7 | -1 | -7 | -6 | | | | |
| **Total Group** | **878** | **827** | **792** | **729** | **673** | **30%** | **6%** | **27%** | **6%** |

**Net fee and commission income per category**

| | | | | | | | | Local currency | |
|---|---|---|---|---|---|---|---|---|---|
| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Q2/Q2 | Q2/Q1 |
| **EURm** | | | | | | | | | |
| Savings and investments, net | 617 | 563 | 552 | 493 | 450 | 37% | 10% | 35% | 10% |
| Payments and cards, net | 115 | 115 | 110 | 110 | 105 | 10% | 0% | 7% | 0% |
| Lending-related, net | 144 | 146 | 140 | 127 | 120 | 20% | -1% | 17% | -1% |
| Other commissions, net | 2 | 3 | -10 | -1 | -2 | | | | |
| **Total Group** | **878** | **827** | **792** | **729** | **673** | **30%** | **6%** | **27%** | **6%** |

**Assets under management (AuM), volumes and net flow**

| | | | | | | Net flow |
|---|---|---|---|---|---|---|
| | Q221 | Q121 | Q420 | Q320 | Q220 | Q221 |
| **EURbn** | | | | | | |
| Nordic Retail funds | 83.8 | 78.5 | 73.9 | 66.6 | 63.2 | 1.8 |
| Private Banking | 114.2 | 107.2 | 100.8 | 92.7 | 87.8 | 2.0 |
| Institutional sales | 124.6 | 124.5 | 121.4 | 112.7 | 108.5 | -2.2 |
| Life & Pension | 64.8 | 61.6 | 57.6 | 54.2 | 51.9 | 1.0 |
| **Total** | **387.4** | **371.7** | **353.8** | **326.2** | **311.4** | **2.6** |

## Net result from items at fair value

Q2/Q2: Net result from items at fair value decreased by 12%, driven by lower trading income in Markets. This was partly offset by high activity in customer areas and higher investment valuations in Treasury.

Q2/Q1: Net result from items at fair value decreased by 25% to EUR 278m, driven by lower trading income in Markets following an exceptionally strong first quarter.

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

| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 |
|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | |
| Personal Banking | 33 | 15 | 22 | 14 | 48 | -31% | |
| Business Banking | 74 | 71 | 65 | 52 | 72 | 3% | 4% |
| Large Corporates & Institutions | 112 | 245 | 101 | 132 | 150 | -25% | -54% |
| Asset & Wealth Mgmt. excl. Life & Pension | 3 | 10 | 3 | 4 | 6 | -50% | -70% |
| Life & Pension | 26 | 28 | 13 | 20 | 21 | 24% | -7% |
| Group Functions | 30 | 1 | 13 | 35 | 19 | | |
| **Total Group** | **278** | **370** | **217** | **257** | **316** | **-12%** | **-25%** |

## Equity method

Q2/Q2: Income from companies accounted for under the equity method was EUR 3m, up from EUR -10m.

Q2/Q1: Income from companies accounted for under the equity method was EUR 3m, up from EUR -14m, driven by an impairment charge in the previous quarter.

## Other operating income

Q2/Q2: Other operating income increased by EUR 7m to EUR 27m, driven by gains on the disposal of minority investments.

Q2/Q1: Other operating income increased by EUR 2m to EUR 27m, driven by gains on the disposal of minority investments.

**Total operating income per business area**

| | | | | | | | | Local currency | |
|---|---|---|---|---|---|---|---|---|---|
| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Q2/Q2 | Q2/Q1 |
| **EURm** | | | | | | | | | |
| Personal Banking | 929 | 877 | 847 | 838 | 818 | 14% | 6% | 10% | 6% |
| Business Banking | 648 | 641 | 617 | 543 | 542 | 20% | 1% | 16% | 1% |
| Large Corporates & Institutions | 505 | 622 | 445 | 476 | 465 | 9% | -19% | | |
| Asset & Wealth Management | 292 | 292 | 263 | 247 | 228 | 28% | 0% | 27% | 0% |
| Group Functions | 44 | -12 | 47 | 51 | 37 | | | | |
| **Total Group** | **2,418** | **2,420** | **2,219** | **2,155** | **2,090** | **16%** | **0%** | **12%** | **0%** |

## Total operating expenses

Q2/Q2: Total operating expenses were up 4% due to the integration of NFE, higher provisions for variable pay and a write-down related to premises. These were partly offset by lower resolution fees. Adjusted for these items, and approximately EUR 30m from negative exchange rate effects, total costs were unchanged.

Q2/Q1: Total operating expenses decreased by 14% to EUR 1,131m due to lower resolution fees. These were partly offset by higher provisions for variable pay and a write-down related to premises. Adjusted for these items, and negative exchange rate effects, total costs were down 1%.

## Staff costs

Q2/Q2: Staff costs increased by 9%, driven by a EUR 38m increase in provisions for variable pay related to strong business performance, negative exchange rate effects, and the integration of NFE.

Q2/Q1: Staff costs increased by 3% to EUR 705m, driven by a EUR 38m increase in provisions for variable pay related to strong business performance.

## Other expenses

Q2/Q2: Other expenses decreased by 14% due to lower resolution fees. In 2020 part of the resolution fee (amounting to EUR 49m) had been recorded in the second quarter. Adjusted for resolution fees, other expenses increased by 3%, mainly due to marketing costs and negative exchange rate effects.

Q2/Q1: Other expenses decreased by 46% to EUR 262m due to lower resolution fees. Adjusted for resolution fees, other expenses were unchanged.

## Depreciation and amortisation

Q2/Q2: Depreciation and amortisation increased by 17%, driven by a EUR 12m write-down related to premises and an increased run rate.

Q2/Q1: Depreciation and amortisation increased by 9% to EUR 164m, driven by a EUR 12m write-down related to premises.

## FTEs

Q2/Q2: The number of employees (FTEs) was 27,510 at the end of the second quarter, a decrease of 2%. In the fourth quarter of 2020 353 FTEs had been added as a result of the NFE integration. Excluding the latter, the number of FTEs was down 3%.

Q2/Q1: The number of FTEs was down 1%.

### Total operating expenses

| | | | | | | | | Local currency | |
|---|---|---|---|---|---|---|---|---|---|
| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Q2/Q2 | Q2/Q1 |
| **EURm** | | | | | | | | | |
| Staff costs | -705 | -682 | -722 | -686 | -645 | 9% | 3% | 7% | 3% |
| Other expenses | -262 | -486 | -319 | -245 | -303 | -14% | -46% | -17% | -47% |
| Depreciation and amortisation | -164 | -151 | -177 | -158 | -140 | 17% | 9% | 15% | 9% |
| **Total Group** | **-1,131** | **-1,319** | **-1,218** | **-1,089** | **-1,088** | **4%** | **-14%** | **1%** | **-14%** |

### Total operating expenses per business area

| | | | | | | | | Local currency | |
|---|---|---|---|---|---|---|---|---|---|
| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Q2/Q2 | Q2/Q1 |
| **EURm** | | | | | | | | | |
| Personal Banking | -442 | -503 | -449 | -436 | -450 | -2% | -12% | -5% | -12% |
| Business Banking | -274 | -332 | -286 | -262 | -271 | 1% | -17% | -2% | -18% |
| Large Corporates & Institutions | -185 | -285 | -193 | -180 | -192 | -4% | -35% | | |
| Asset & Wealth Management | -119 | -126 | -136 | -126 | -129 | -8% | -6% | -9% | -6% |
| Group Functions | -111 | -73 | -154 | -85 | -46 | | | | |
| **Total Group** | **-1,131** | **-1,319** | **-1,218** | **-1,089** | **-1,088** | **4%** | **-14%** | **1%** | **-14%** |

### Exchange rate effects

| | Q2/Q2 | Q2/Q1 | Jan-Jun 21/20 |
|---|---|---|---|
| **percentage points** | | | |
| Income | 3 | 0 | 3 |
| Expenses | 3 | 0 | 2 |
| Operating profit | 4 | 0 | 3 |
| Loan and deposit volumes | 2 | 0 | 2 |

## Net loan losses and similar net result

The Nordea Group's net loan losses and similar net result for the second quarter amounted to net reversals of EUR 51m (6bp).

The performance of our credit portfolio remained strong in the quarter, despite the ongoing pandemic. We kept our total management judgement allowance largely unchanged at EUR 610m, thereby ensuring an adequate reserve to cover potential credit losses related to COVID-19.

*Main drivers of loan losses and similar net result*

Net loan losses on individual exposures (stage 3) amounted to EUR 50m. Individual provisions and write-offs were very low, apart from some additional individual provisions on the Shipping, oil and offshore portfolio. Collective provisions (stages 1, 2 and 3) were reduced by EUR 80m. Of this, EUR 50m was released to reflect more favourable macroeconomic scenarios and credit portfolio development and EUR 30m related to IFRS 9 model updates based on enhanced data and model methodology.

A revaluation gain of EUR 21m was recognised in relation to Nordea Kredit's mortgage portfolio, largely driven by increases in house prices. A gain of EUR 11m had been recognised in the first quarter of 2021.

Net loan losses and similar net result therefore amounted to net reversals in all business areas: EUR 2m in Personal Banking, EUR 30m in Business Banking, EUR 13m in Large Corporates & Institutions, EUR 3m in Asset & Wealth Management, and EUR 3m in Group Functions.

*COVID-19 impacts*

Portfolio credit quality was stable and strong throughout the quarter, with slightly positive net rating migration and a continued reduction in new defaults. It can still be expected that some customers will suffer from pandemic-related restrictions, especially where government support measures are no longer available to counter their impact. We continue to closely monitor the evolution of credit risk in the sectors affected by COVID-19 and maintain a close dialogue with the affected customers.

Nordea provided COVID-19-related instalment-free periods for more than 100,000 customers, mainly in 2020, equivalent to a total loan amount of EUR 19bn. More than half of these periods have now expired. Those remaining equate to a total loan amount of EUR 8.0bn, corresponding to 2% of Nordea's lending portfolio. Of this, EUR 7.7bn relates to mortgage loans in Sweden.

Less than 5% of the customers who were granted instalment-free periods due to the pandemic have been classified as forborne (or in default) following the expiry of their instalment-free period, according to our standard credit risk assessment criteria.

*Management judgement allowance*

The total cyclical management judgement allowance of EUR 455m remained unchanged.

The structural management judgement allowance was reduced by EUR 40m to EUR 155m. The release was used as planned to offset corresponding increases in provisions resulting from updates to the IFRS 9 model, particularly regarding the impact of time in default, in line with the European Central Bank's provisioning recommendations for non-performing loans.

Accordingly, the total management judgement allowance now stands at EUR 610m.

See Note 8 for further details.

## Credit portfolio

Total lending to the public excluding reverse repurchase agreements and securities borrowing increased to EUR 317bn from EUR 315bn in the first quarter of 2021, corresponding to an increase of 1% in local currencies.

Loans to the public measured at fair value excluding reverse repurchase agreements decreased to EUR 62bn from EUR 63bn in the first quarter of 2021. At the end of the second quarter of 2021 the fair value portfolio mainly comprised Danish mortgage lending, which amounted to EUR 57bn, unchanged from the first quarter.

Lending to the public measured at amortised cost before allowances increased to EUR 263bn from EUR 260bn in the first quarter of 2021. Of this, 94% was classified as stage 1, 5% was stage 2 and 1% was stage 3. Compared with the distribution in the previous quarter, stage 1 increased slightly and stages 2 and 3 decreased slightly. The decrease in lending classified as stage 2 mainly related to enhanced data and model methodology, while the decrease in stage 3 mainly related to active credit risk management decisions. Stage 3 loans at amortised cost decreased by 15%, year on year, to EUR 3.7bn (1.4% of lending measured at amortised cost), and decreased by 7%, quarter on quarter. Stage 2 loans amounted to EUR 12.8bn (4.9% of lending measured at amortised cost), down 11%, quarter on quarter.

The coverage ratio was 3.4% for stage 2 (unchanged from the previous quarter) and 44% for stage 3 (up from 42% in the previous quarter). The gross impairment rate (stage 3) decreased to 1.41% for loans at amortised cost from 1.53% in the first quarter of 2021. The fair value impairment rate decreased to 1.09% from 1.31%.

**Net loan loss ratios**

| | Q221 | Q121 | Q420 | Q320 | Q220 |
|---|---|---|---|---|---|
| **Basis points of loans, amortised cost[1]** | | | | | |
| Net loan loss ratios, annualised, Group | -5 | 10 | 9 | 0 | 115 |
| of which stages 1 and 2 | -21 | -2 | 1 | -10 | 66 |
| of which stage 3 | 16 | 12 | 8 | 10 | 49 |
| **Basis points of loans, total[1,2]** | | | | | |
| Net loan loss ratio, including loans held at fair value, annualised, Group | -6 | 6 | 3 | -2 | 85 |
| Personal Banking total | 0 | 2 | 3 | -1 | 58 |
| PeB Denmark | -30 | -12 | -11 | -3 | 50 |
| PeB Finland | 22 | 16 | 15 | 5 | 107 |
| PeB Norway | 0 | 2 | 9 | -11 | 63 |
| PeB Sweden | 6 | 6 | 2 | 3 | 26 |
| Business Banking total | -13 | 7 | 11 | -4 | 110 |
| BB Denmark | -38 | -2 | -2 | -3 | 55 |
| BB Finland | 14 | 22 | 16 | 8 | 175 |
| BB Norway | -21 | 0 | 23 | -16 | 155 |
| BB Sweden | -1 | 11 | 8 | -3 | 93 |
| Large Corporates & Institutions total | -8 | 17 | -1 | -6 | 117 |
| LC&I Denmark | -16 | -59 | -10 | -23 | 135 |
| LC&I Finland | 10 | 0 | -5 | -22 | 109 |
| LC&I Norway | -7 | 108 | 3 | 109 | 318 |
| LC&I Sweden | -19 | 5 | 22 | -113 | 183 |

[1] Negative amounts are net reversals.

[2] Net loan losses and net result on loans in hold portfolios mandatorily held at fair value divided by total lending at amortised cost and at fair value, basis points.

## Profit

### *Operating profit*

Q2/Q2: Operating profit increased by EUR 1,032m, or 337%, to EUR 1,338m.

Q2/Q1: Operating profit increased by EUR 289m, or 28%, to EUR 1,338m.

### *Taxes*

Q2/Q2: The income tax expense amounted to EUR 313m, up from EUR 63m, corresponding to a tax rate of 23.4%, compared with 20.6% in the second quarter of 2020.

Q2/Q1: The income tax expense increased by EUR 52m and the tax rate was 23.4%, down from 24.9%.

### *Net profit*

Q2/Q2: Net profit increased by EUR 782m to EUR 1,025m. Return on equity was 11.9%, up from 3.1%. With amortised resolution fees, return on equity was 11.4%, up from 3.0%.

Q2/Q1: Net profit increased by EUR 237m to EUR 1,025m. Return on equity was 11.9%, up from 9.4%. With amortised resolution fees, return on equity was 11.4%, up from 11.0%.

Q2/Q2: Diluted earnings per share were EUR 0.25, compared with EUR 0.06.

Q2/Q1**:** Diluted earnings per share were EUR 0.25, compared with EUR 0.19.

**Operating profit per business area**

| | | | | | | | | Local currency | |
|---|---|---|---|---|---|---|---|---|---|
| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Q2/Q2 | Q2/Q1 |
| **EURm** | | | | | | | | | |
| Personal Banking | 489 | 367 | 387 | 407 | 142 | | 33% | | 33% |
| Business Banking | 404 | 293 | 305 | 289 | 35 | | 38% | | 38% |
| Large Corporates & Institutions | 333 | 310 | 253 | 306 | 45 | | 7% | | |
| Asset & Wealth Management | 176 | 163 | 129 | 118 | 97 | 81% | 8% | 81% | 9% |
| Group Functions | -64 | -84 | -101 | -35 | -13 | | | | |
| **Total Group** | **1,338** | **1,049** | **973** | **1,085** | **306** | | **28%** | | **27%** |

## Capital position and risk exposure amount

The Nordea Group's Common Equity Tier 1 (CET1) capital ratio increased to 18.0% at the end of the second quarter from 17.5% in the first quarter of 2021. CET1 capital increased by EUR 0.5bn, mainly due to higher profit accumulation net of dividend accrual.

The risk exposure amount (REA) decreased by EUR 1.8bn, primarily due to favourable credit quality developments in the corporate and retail portfolios. Continued growth in retail mortgage lending and the final implementation of the Capital Requirements Regulation (CRR) II partly offset the REA decrease.

The Group's Tier 1 capital ratio increased to 19.5% at the end of the quarter from 19.2% in the first quarter. The total capital ratio increased to 21.3% from 20.9%.

At the end of the second quarter CET1 capital amounted to EUR 27.4bn, Tier 1 capital amounted to EUR 29.6bn and own funds amounted to EUR 32.4bn.

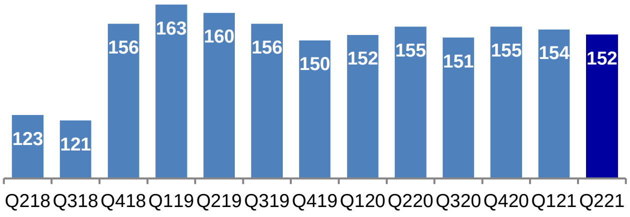
The leverage ratio decreased to 5.3% in the second quarter from 5.6% in the first quarter of 2021. The reduction was mainly driven by the reinclusion of central bank exposures in the leverage ratio calculation after the final implementation of the CRR II. This was partly offset by a decrease in cash balances with central banks. Tier 1 capital remained stable during the period.

The Group's economic capital amounted to EUR 23.2bn at the end of the second quarter, a decrease of EUR 0.2bn compared with the first quarter of 2021. The decrease was driven by a reduction in credit risk, which was mainly due to favourable credit quality effects.

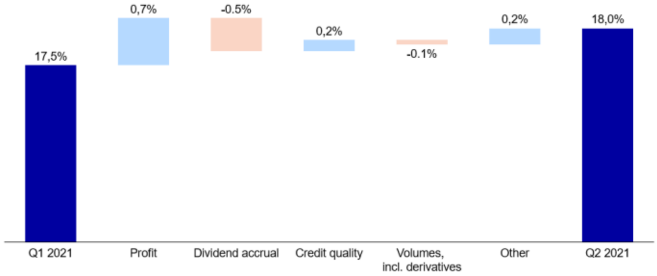
**Capital ratios**

| | Q221 | Q121 | Q420 | Q320 | Q220 |
|---|---|---|---|---|---|
| % | | | | | |
| **CRR/CRD IV** | | | | | |
| CET1 capital ratio | 18.0 | 17.5 | 17.1 | 16.4 | 15.8 |
| Tier 1 capital ratio | 19.5 | 19.2 | 18.7 | 18.2 | 17.6 |
| Total capital ratio | 21.3 | 20.9 | 20.5 | 19.9 | 20.1 |

**Risk exposure amount, EURbn, quarterly**



**Common Equity Tier 1 capital ratio, changes in the quarter**



## Capital and dividend policy

Nordea strives to maintain a strong capital position in line with its capital policy. Nordea's policy is to hold a CET1 capital management buffer of 150-200bp above the CET1 capital ratio requirement (restriction level for maximum distributable amount, MDA). Nordea's ambition is to distribute 60-70% of the net profit for the year to shareholders. Excess capital in relation to capital targets will be used for organic growth and strategic business acquisitions, as well as being subject to buy-back considerations.

## Regulatory developments

In June both Denmark and Norway decided to increase their respective countercyclical capital buffer rates. In Denmark, the buffer rate will be set at 1.0% from the third quarter of 2022, and in Norway, the rate will be increased to 1.5% from the second quarter of 2022. In Finland and Sweden, the buffer rates were left unchanged, i.e. at 0%.

On 11 June the European Systemic Risk Board's recommendation on the reciprocation of macroprudential measures in Norway was published in the EU Official Journal. The measures set the systemic risk buffer at 4.5% for Norwegian exposures and introduce risk weight floors of 20% for residential real estate and 35% for commercial real estate. Local supervisory authorities will decide how to respond to the recommendation. If they decide to reciprocate the measures, the risk weight floors should be implemented within three months and the systemic risk buffer within 18 months. The recommendation on the systemic risk buffer recognises the regulatory differences between Norway and the European Union and states that local supervisory authorities should ensure there are no overlaps in the different requirements when reciprocating. If the Finnish Financial Supervisory Authority (FSA) decides to reciprocate the measures, they would then also apply to the Nordea Group, leading to an estimated increase in the Group's CET1 capital ratio requirement of up to 95bp.

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

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

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

## Risk exposure amount

| EURm | 30 Jun 2021 | 31 Mar 2021 | 30 Jun 2020 |
|---|---|---|---|
| **Credit risk** | **120,285** | **122,321** | **117,764** |
| IRB | 103,569 | 106,082 | 104,380 |
| - sovereign | | | |
| - corporate | 66,792 | 68,381 | 68,349 |
| *- advanced* | *57,481* | *58,474* | *57,026* |
| *- foundation* | *9,311* | *9,907* | *11,323* |
| - institutions | 4,089 | 3,977 | 5,420 |
| - retail | 27,822 | 27,612 | 26,933 |
| - items representing securitisation positions | 878 | 882 | 890 |
| - other | 3,988 | 5,230 | 2,788 |
| Standardised | 16,716 | 16,239 | 13,384 |
| - sovereign | 418 | 560 | 840 |
| - retail | 5,562 | 5,522 | 5,115 |
| - other | 10,736 | 10,157 | 7,429 |
| **Credit valuation adjustment risk** | **645** | **696** | **934** |
| **Market risk** | **4,409** | **4,720** | **9,597** |
| - trading book, internal approach | 3,674 | 4,044 | 6,842 |
| - trading book, standardised approach | 735 | 676 | 653 |
| - banking book, standardised approach | | | 2,102 |
| **Settlement risk** | **0** | **1** | **1** |
| **Operational risk** | **14,306** | **14,306** | **14,701** |
| **Additional risk exposure amount related to Finnish RW floor due to Article 458 of the CRR** | | | **452** |
| **Additional risk exposure amount related to Swedish RW floor due to Article 458 of the CRR** | **12,577** | **11,993** | **11,151** |
| **Additional risk exposure amount due to Article 3 of the CRR** | | | |
| **Total** | **152,222** | **154,037** | **154,600** |

## Summary of items included in own funds including result (Banking Group)

| EURm | 30 Jun 2021 | 31 Mar 2021 | 30 Jun 2020 |
|---|---|---|---|
| **Calculation of own funds** | | | |
| Equity in the consolidated situation | 30,049 | 30,033 | 28,064 |
| Profit for the period | 1,814 | 789 | 891 |
| Proposed/actual dividend | -1,269 | -552 | -492 |
| Common Equity Tier 1 capital before regulatory adjustments | 30,594 | 30,270 | 28,463 |
| Deferred tax assets | -3 | -173 | -240 |
| Intangible assets | -2,685 | -2,666 | -3,401 |
| IRB provisions shortfall (-) | | | |
| Pension assets in excess of related liabilities | -170 | -160 | -71 |
| Other items, net[1] | -296 | -307 | -290 |
| **Total regulatory adjustments to Common Equity Tier 1 capital** | **-3,154** | **-3,306** | **-4,002** |
| **Common Equity Tier 1 capital (net after deduction)** | **27,440** | **26,964** | **24,461** |
| Additional Tier 1 capital before regulatory adjustments | 2,677 | 2,699 | 2,787 |
| Total regulatory adjustments to Additional Tier 1 capital | -489 | -27 | -24 |
| **Additional Tier 1 capital** | **2,188** | **2,672** | **2,763** |
| **Tier 1 capital (net after deduction)** | **29,628** | **29,636** | **27,224** |
| Tier 2 capital before regulatory adjustments | 3,938 | 2,631 | 4,240 |
| IRB provisions excess (+) | 520 | 604 | 626 |
| Deductions for investments in insurance companies | -650 | -650 | -1,000 |
| Other items, net | -1,064 | -63 | -62 |
| **Total regulatory adjustments to Tier 2 capital** | **-1,194** | **-109** | **-436** |
| **Tier 2 capital** | **2,744** | **2,522** | **3,804** |
| **Own funds (net after deduction)** | **32,372** | **32,158** | **31,028** |
| [1] Based on profit inclusion. | -296 | -307 | -290 |

## Own funds excluding profit

| EURm | 30 Jun[2] 2021 | 31 Mar 2021 | 30 Jun 2020 |
|---|---|---|---|
| Common Equity Tier 1 capital | 27,132 | 26,728 | 24,385 |
| Tier 1 capital (net after deduction) | 29,320 | 29,401 | 27,148 |
| **Total own funds** | **32,064** | **31,923** | **30,952** |

[2] Excluding second-quarter profit (pending application), including first-quarter profit.

## Own funds reported to ECB[3]

| | | | |
|---|---|---|---|
| Profit inclusion | Including Q1 profit, excluding Q2 profit (pending application) | Including profit | Including profit |

[3] Summary of items included in own funds is presented including result. This table describes in text how profit has been included in the regulatory reporting of own funds to the ECB for the relevant reporting period, and might be updated for later publication if application is approved.

## Balance sheet

Total assets in the quarter amounted to EUR 587bn, a quarter-on-quarter decrease of EUR 4bn. Loans to the public increased, quarter on quarter, while loans to credit institutions decreased. Interest-bearing securities decreased, other assets increased and derivatives decreased.

Loans to the public increased by EUR 4bn to EUR 338bn. Loans to credit institutions amounted to EUR 6bn, a quarter-on-quarter decrease of EUR 4bn. Other assets increased by EUR 2bn to EUR 146bn.

Deposits from the public increased by EUR 7bn to EUR 205bn. Deposits from credit institutions amounted to EUR 33bn, a quarter-on-quarter decrease of EUR 10bn.

**Balance sheet data**

| | Q221 | Q121 | Q420 | Q320 | Q220 |
|---|---|---|---|---|---|
| **EURbn** | | | | | |
| Loans to credit institutions | 6 | 10 | 3 | 10 | 9 |
| Loans to the public | 338 | 334 | 330 | 320 | 328 |
| Derivatives | 32 | 36 | 45 | 45 | 47 |
| Interest-bearing securities | 65 | 67 | 63 | 68 | 73 |
| Other assets | 146 | 144 | 111 | 132 | 130 |
| **Total assets** | **587** | **591** | **552** | **575** | **587** |
| Deposits from credit institutions | 33 | 43 | 24 | 39 | 46 |
| Deposits from the public | 205 | 198 | 183 | 190 | 188 |
| Debt securities in issue | 183 | 183 | 174 | 180 | 182 |
| Derivatives | 32 | 37 | 47 | 45 | 50 |
| Other liabilities | 98 | 96 | 90 | 88 | 89 |
| Total equity | 36 | 34 | 34 | 33 | 32 |
| **Total liabilities and equity** | **587** | **591** | **552** | **575** | **587** |

## Funding and liquidity operations

Nordea issued approximately EUR 6.5bn in long-term funding in the second quarter of 2021 (excluding Danish covered bonds), of which approximately EUR 2.1bn was issued in the form of covered bonds and EUR 4.4bn was issued as senior debt. In addition, Nordea issued approximately EUR 1.4bn in Tier 2 instruments during the quarter.

At the end of the second quarter long-term funding accounted for approximately 73% of Nordea’s total funding.

Short-term liquidity risk is measured using several metrics, including the liquidity coverage ratio (LCR). The Nordea Group’s combined LCR was 159% at the end of the second quarter. The Group’s LCR in EUR was 226% and in USD was 248%. The liquidity buffer is composed of highly liquid central bank eligible securities and cash, as defined in the LCR regulation. At the end of the second quarter the liquidity buffer amounted to EUR 106bn, compared with EUR 112bn at the end of the first quarter. The net stable funding ratio (NSFR) measures long-term liquidity risk. At the end of the second quarter Nordea’s NSFR was 113.6%, compared with 110.8% at the end of the first quarter.

Nordea maintained a strong liquidity position throughout the second quarter, and was able to continue business-as-usual liquidity management, as the market situation remained normal.

In the course of 2020 and the first half of 2021 Nordea participated in European Central Bank (ECB) and local central bank facilities, for example the targeted longer-term refinancing operations (TLTROs) provided by the ECB. To date, Nordea has borrowed EUR 12bn under the TLTRO III programme.

The negative interest expense amounted to EUR 28m in the second quarter. The interest rate on the liability depends on the rate fixed by the ECB and also on the development of the credit lending volume in a benchmark portfolio. If certain thresholds are reached, Nordea will receive a 0.5% discount on the interest rate paid. In the first quarter of 2021 Nordea altered the effective interest rate relevant for the first year of the facility, as it could be assumed with adequate certainty that the thresholds had been reached. In the second quarter Nordea accrued net interest income using an effective interest rate of -1%.

**Funding and liquidity data**

| | Q221 | Q121 | Q420 | Q320 | Q220 |
|---|---|---|---|---|---|
| Long-term funding portion | 73% | 75% | 81% | 78% | 77% |
| LCR total | 159% | 159% | 158% | 172% | 160% |
| LCR EUR | 226% | 220% | 278% | 269% | 183% |
| LCR USD | 248% | 206% | 119% | 198% | 202% |

## Market risk

Market risk in the trading book measured by value at risk (VaR) was EUR 18.8m. Quarter on quarter, VaR decreased by EUR 7.9m, primarily as a result of lower credit spread risk. Interest rate risk was the main driver of total VaR at the end of the quarter. Total trading book VaR continues to be driven by market risk related to Nordic and other Northern European exposures.

**Trading book**

| | Q221 | Q121 | Q420 | Q320 | Q220 |
|---|---|---|---|---|---|
| **EURm** | | | | | |
| Total risk, VaR | 19 | 27 | 17 | 28 | 29 |
| Interest rate risk, VaR | 24 | 24 | 18 | 25 | 27 |
| Equity risk, VaR | 4 | 4 | 4 | 3 | 5 |
| Foreign exchange risk, VaR | 2 | 2 | 3 | 4 | 3 |
| Credit spread risk, VaR | 9 | 14 | 12 | 12 | 9 |
| Inflation risk, VaR | 2 | 2 | 3 | 3 | 2 |
| Diversification effect | 53% | 42% | 58% | 39% | 38% |

Market risk in the banking book measured by VaR increased by EUR 5.4m, quarter on quarter, to EUR 98.5m. Total banking book VaR continues to be driven by interest rate risk associated with government and mortgage-related exposures, mainly within the liquidity buffer and pledge collateral portfolios. The quarterly increase in VaR was mainly driven by higher interest rate risk related to short-term funding. Foreign exchange risk decreased, driven by lower exposure in Scandinavian currencies, although this was partially offset by a higher USD position.

**Banking book**

| | Q221 | Q121 | Q420 | Q320 | Q220 |
|---|---|---|---|---|---|
| **EURm** | | | | | |
| Total risk, VaR | 98 | 93 | 88 | 81 | 90 |
| Interest rate risk, VaR | 100 | 98 | 89 | 82 | 87 |
| Equity risk, VaR | 4 | 4 | 7 | 6 | 8 |
| Foreign exchange risk, VaR | 4 | 7 | 5 | 4 | 13 |
| Credit spread risk, VaR | 2 | 3 | 3 | 3 | 3 |
| Diversification effect | 11% | 17% | 15% | 15% | 19% |

## Nordea share and ratings

Nordea’s share price and ratings as at the end of the second quarter of 2021.

| | Nasdaq STO (SEK) | Nasdaq COP (DKK) | Nasdaq HEL (EUR) |
|---|---|---|---|
| 30/06/2019 | 67.42 | 47.74 | 6.39 |
| 30/09/2019 | 69.81 | 48.49 | 6.5 |
| 31/12/2019 | 75.64 | 54.27 | 7.24 |
| 31/03/2020 | 56.08 | 38.06 | 5.13 |
| 30/06/2020 | 64.31 | 45.80 | 6.15 |
| 30/09/2020 | 68.31 | 48.60 | 6.49 |
| 31/12/2020 | 67.22 | 49.38 | 6.67 |
| 31/03/2021 | 86.00 | 62.47 | 8.41 |
| 30/06/2021 | 95.26 | 69.60 | 9.40 |

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

* Negative outlook

# Other information

## Closure of Nordea's branch in Singapore

Nordea's Singapore branch was closed before the end of June 2021, according to plan.

## Nordea Direct merger process ongoing

The merger between Nordea Direct Bank ASA (formerly Gjensidige Bank ASA) and Nordea Bank Abp is ongoing, with the target completion date to be determined. The completion is subject to regulatory approval.

## Update on the decision to close down Nordea's operations in Russia

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

## Referral agreement with Citi for sub-custody services

On 24 February 2021 Nordea announced that it would be exiting its Nordic sub-custody business and had entered into a strategic client referral agreement with Citi. Nordea recommends that its sub-custody clients appoint Citi as their new provider. Nordea is committed to ensuring that clients who do not migrate to Citi will be supported via an orderly transition to a service provider of their choice.

## COVID-19 pandemic – governance, operational risk measures and further disclosures

COVID-19 infection rates continued to fluctuate in the first half of 2021. Nordea's Global Crisis Management team monitored the situation in each of the Nordic countries throughout this period.

Information on the financial and operational impacts of the COVID-19 pandemic on Nordea, as well as the measures taken to address these impacts, has been provided in this report. See “CEO comment”, “Outlook”, “Net loan losses and similar net result”, “Funding and liquidity operations”, “Other information”, “Business areas”, Note 1, “Accounting policies”, Note 7, “Net loan losses” and Note 8, “Loans and impairment”.

Nordea has also identified risks caused by the COVID-19 pandemic given the uncertainty of the economic impact on the markets in which the Group operates. See Note 12, “Risks and uncertainties”.

## Transfer of own shares pursuant to variable remuneration programmes

Nordea transferred 1,063,981 and 10,593 own shares in April and May, respectively, without consideration, to participants in its variable remuneration programmes to settle its commitments.

The transfers were based on the resolution of the Board of Directors announced on 24 March 2021. Following the transfer of own shares, Nordea holds 7,112,244 treasury shares for remuneration purposes.

# Quarterly development, Group

| | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Jan-Jun 2021 | Jan-Jun 2020 |
|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | |
| Net interest income | 1,232 | 1,212 | 1,169 | 1,146 | 1,091 | 2,444 | 2,200 |
| Net fee and commission income | 878 | 827 | 792 | 729 | 673 | 1,705 | 1,438 |
| Net result from items at fair value | 278 | 370 | 217 | 257 | 316 | 648 | 426 |
| Profit from associated undertakings and joint ventures accounted for under the equity method | 3 | -14 | 5 | 6 | -10 | -11 | -12 |
| Other operating income | 27 | 25 | 36 | 17 | 20 | 52 | 40 |
| **Total operating income** | **2,418** | **2,420** | **2,219** | **2,155** | **2,090** | **4,838** | **4,092** |
| General administrative expenses: | | | | | | | |
| Staff costs | -705 | -682 | -722 | -686 | -645 | -1,387 | -1,344 |
| Other expenses | -262 | -486 | -319 | -245 | -303 | -748 | -722 |
| Depreciation, amortisation and impairment charges of tangible and intangible assets | -164 | -151 | -177 | -158 | -140 | -315 | -270 |
| **Total operating expenses** | **-1,131** | **-1,319** | **-1,218** | **-1,089** | **-1,088** | **-2,450** | **-2,336** |
| **Profit before loan losses** | **1,287** | **1,101** | **1,001** | **1,066** | **1,002** | **2,388** | **1,756** |
| Net loan losses and similar net result | 51 | -52 | -28 | 19 | -696 | -1 | -851 |
| **Operating profit** | **1,338** | **1,049** | **973** | **1,085** | **306** | **2,387** | **905** |
| Income tax expense | -313 | -261 | -248 | -248 | -63 | -574 | -202 |
| **Net profit for the period** | **1,025** | **788** | **725** | **837** | **243** | **1,813** | **703** |
| Diluted earnings per share (DEPS), EUR | 0.25 | 0.19 | 0.18 | 0.21 | 0.06 | 0.44 | 0.17 |
| DEPS, rolling 12 months up to period end, EUR | 0.83 | 0.64 | 0.55 | 0.56 | 0.27 | 0.83 | 0.27 |

# Business areas

| | Personal Banking | | Business Banking | | Large Corporates & Institutions | | Asset & Wealth Management | | Group Functions | | Nordea Group | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q2 2021 | Q1 2021 | Q2 2021 | Q1 2021 | Q2 2021 | Q1 2021 | Q2 2021 | Q1 2021 | Q2 2021 | Q1 2021 | Q2 2021 | Q1 2021 | *Chg* |
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 569 | 562 | 406 | 395 | 229 | 240 | 19 | 19 | 9 | -4 | 1,232 | 1,212 | *2%* |
| Net fee and commission income | 317 | 296 | 159 | 166 | 163 | 137 | 244 | 235 | -5 | -7 | 878 | 827 | *6%* |
| Net result from items at fair value | 33 | 15 | 74 | 71 | 112 | 245 | 29 | 38 | 30 | 1 | 278 | 370 | *-25%* |
| Equity method & other income | 10 | 4 | 9 | 9 | 1 | 0 | 0 | 0 | 10 | -2 | 30 | 11 | |
| **Total operating income** | **929** | **877** | **648** | **641** | **505** | **622** | **292** | **292** | **44** | **-12** | **2,418** | **2,420** | **0%** |
| **Total operating expenses** | **-442** | **-503** | **-274** | **-332** | **-185** | **-285** | **-119** | **-126** | **-111** | **-73** | **-1,131** | **-1,319** | **-14%** |
| Net loan losses and similar net result | 2 | -7 | 30 | -16 | 13 | -27 | 3 | -3 | 3 | 1 | 51 | -52 | |
| **Operating profit** | **489** | **367** | **404** | **293** | **333** | **310** | **176** | **163** | **-64** | **-84** | **1,338** | **1,049** | **28%** |
| Cost-to-income ratio[1], % | 49 | 52 | 44 | 45 | 41 | 34 | 41 | 42 | | | 49 | 48 | |
| Return on capital at risk[1], % | 19 | 17 | 18 | 15 | 16 | 19 | 31 | 33 | | | 17 | 16 | |
| Economic capital (EC) | 7,759 | 7,603 | 6,734 | 6,740 | 5,802 | 6,102 | 1,731 | 1,639 | 1,141 | 1,289 | 23,167 | 23,373 | *-1%* |
| Risk exposure amount (REA) | 47,008 | 46,464 | 44,014 | 43,698 | 40,518 | 42,095 | 8,552 | 8,294 | 12,130 | 13,486 | 152,222 | 154,037 | *-1%* |
| Number of employees (FTEs) | 7,017 | 6,976 | 4,446 | 4,572 | 1,330 | 1,398 | 2,744 | 2,718 | 11,973 | 12,136 | 27,510 | 27,800 | *-1%* |
| **Volumes, EURbn[2]:** | | | | | | | | | | | | | |
| **Total lending** | **167.3** | **164.6** | **95.2** | **94.0** | **43.5** | **45.0** | **10.6** | **10.1** | **0.6** | **0.8** | **317.2** | **314.5** | **1%** |
| **Total deposits** | **85.8** | **83.5** | **52.8** | **50.6** | **48.4** | **43.4** | **11.0** | **10.5** | **-1.8** | **3.5** | **196.2** | **191.5** | **2%** |

[1] With amortised resolution fees.

[2] Excluding repurchase agreements and security lending/borrowing agreements.

| | Personal Banking | | Business Banking | | Large Corporates & Institutions | | Asset & Wealth Management | | Group Functions | | Nordea Group | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan-Jun | | Jan-Jun | | Jan-Jun | | Jan-Jun | | Jan-Jun | | Jan-Jun | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | *Chg* |
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 1,131 | 1,016 | 801 | 686 | 469 | 435 | 38 | 35 | 5 | 28 | 2,444 | 2,200 | *11%* |
| Net fee and commission income | 613 | 562 | 325 | 275 | 300 | 225 | 479 | 386 | -12 | -10 | 1,705 | 1,438 | *19%* |
| Net result from items at fair value | 48 | 64 | 145 | 144 | 357 | 212 | 67 | 62 | 31 | -56 | 648 | 426 | *52%* |
| Equity method & other income | 14 | 4 | 18 | 11 | 1 | 0 | 0 | 4 | 8 | 9 | 41 | 28 | *46%* |
| **Total operating income** | **1,806** | **1,646** | **1,289** | **1,116** | **1,127** | **872** | **584** | **487** | **32** | **-29** | **4,838** | **4,092** | **18%** |
| **Total operating expenses** | **-945** | **-918** | **-606** | **-579** | **-470** | **-459** | **-245** | **-259** | **-184** | **-121** | **-2,450** | **-2,336** | **5%** |
| Net loan losses and similar net result | -5 | -265 | 14 | -298 | -14 | -280 | 0 | -2 | 4 | -6 | -1 | -851 | |
| **Operating profit** | **856** | **463** | **697** | **239** | **643** | **133** | **339** | **226** | **-148** | **-156** | **2,387** | **905** | |
| Cost-to-income ratio[1], % | 51 | 54 | 45 | 50 | 37 | 47 | 42 | 53 | | | 48 | 55 | |
| Return on capital at risk[1], % | 18 | 9 | 17 | 6 | 18 | 4 | 32 | 26 | | | 16 | 6 | |
| Economic capital (EC) | 7,759 | 7,700 | 6,734 | 6,525 | 5,802 | 7,020 | 1,731 | 1,249 | 1,141 | 1,711 | 23,167 | 24,205 | *-4%* |
| Risk exposure amount (REA) | 47,008 | 45,695 | 44,014 | 41,375 | 40,518 | 47,863 | 8,552 | 5,587 | 12,130 | 14,080 | 152,222 | 154,600 | *-2%* |
| Number of employees (FTEs) | 7,017 | 7,282 | 4,446 | 4,269 | 1,330 | 1,649 | 2,744 | 2,735 | 11,973 | 12,019 | 27,510 | 27,954 | *-2%* |
| **Volumes, EURbn[2]:** | | | | | | | | | | | | | |
| **Total lending** | **167.3** | **154.8** | **95.2** | **85.8** | **43.5** | **48.9** | **10.6** | **8.8** | **0.6** | **0.7** | **317.2** | **299.0** | **6%** |
| **Total deposits** | **85.8** | **80.5** | **52.8** | **47.0** | **48.4** | **42.3** | **11.0** | **11.1** | **-1.8** | **-1.3** | **196.2** | **179.6** | **9%** |

[1] With amortised resolution fees.

[2] Excluding repurchase agreements and security lending/borrowing agreements.

# Personal Banking

## Introduction

In Personal Banking we strive to deliver great customer experiences to household customers. We offer a full range of financial services and products through a combination of physical and digital channels.

We are a trusted and personal financial partner to our household customers and provide them with easy and convenient ways to fulfil their everyday banking needs, as well as sound advice to support them in the context of key life events.

## Business development

In the second quarter we saw lending volumes increase by 5% in local currencies, year on year, driven by strong mortgage activity: mortgage volumes were up 6%. We continued to grow our mortgage market shares across the Nordics, focusing on customer service, speed, availability and disciplined pricing. Other lending volumes, including consumer loans, increased by 1%, year on year, supported by a slight pickup during the quarter. Deposit volumes increased by 4%.

We continue to strengthen our omnichannel banking model to deliver better customer experiences. We started the migration to the new netbank platform in Denmark and Norway and saw the first features go live for customers during the second quarter. The new platform provides customers with easier and more convenient access to our services and support. We also extended our account aggregation service to customers in Finland, enabling them to get an overview of all their accounts, including those outside Nordea. Our mobile bank app now has more than one billion logins annually and we are continually adding new functionalities.

During the quarter we made it easier for customers to manage their mortgages through digital channels. For example, around 44% of all online loan promise applications submitted by customers in Sweden are now approved within minutes. New features in the mobile bank also enable Swedish customers to adjust their loan repayments through the app. In Denmark, we began transitioning to a seamless loan promise application process across multiple channels, where advisers can start, take over and approve customer applications quickly and efficiently. This has reduced the loan handling time from days to minutes.

The strong savings and investments momentum continued in the second quarter, with further increases in monthly savings (up 25%, year on year). Customer advisory sessions with our robot adviser, Nora, increased by 77%, year on year, and monthly inflows were up 59%.

After a very positive result in the first quarter, customer satisfaction decreased somewhat in the second quarter. Customer satisfaction in Sweden remained stable, but decreased in the other countries. The drivers in each market are well understood. For example, in Denmark, the decrease was expected following changes to the threshold for negative interest rates on deposits. Improving customer satisfaction in each of the Nordic countries remains a key focus area for Personal Banking.

## Financial outcome

Total income increased by 14%, year on year, driven by continued strong mortgage lending growth and increased savings income.

Net interest income increased by 14%, year on year, driven by strong mortgage volume growth across all countries, higher deposit margins in Denmark and Norway, and higher lending margins in Sweden. Quarter on quarter, net interest income increased by 1% due to mortgage volume growth and higher lending margins in Norway. These developments were partly offset by lower lending margins in Sweden.

Net fee and commission income increased by 19%, year on year, due to higher savings and investment income.

Net result from items at fair value decreased by 31%, year on year, due to changes to income recognition principles for collar loans which took effect in the third quarter of 2020.

Total expenses decreased by 2%, year on year. In 2020 part of the resolution fee had been booked in the second quarter. Adjusted for resolution fees, total expenses were unchanged, as lower staff costs were offset by higher depreciation and amortisation. This resulted in an improved cost-to-income ratio of 49%, down from 54% in the second quarter of 2020.

Total net loan losses and similar net result amounted to net reversals of EUR 2m (0bp), compared with net losses of EUR 226m in the same quarter last year. The lower level was mainly due to the 2020 management judgement allowances made in anticipation of both potential COVID-19-related losses and the impact of the IFRS 9 model implementation.

The strong business momentum and lower net loan losses contributed to a significant year-on-year increase in operating profit, which amounted to EUR 489m. Return on capital at risk was 19%, compared with 6% in the same quarter last year.

### Personal Banking Denmark

Net interest income increased by 5% in local currency, year on year, driven by mortgage volume growth and higher deposit margins.

Lending volumes increased by 6% in local currency, year on year, driven by a 6% increase in mortgage lending. Deposit volumes were unchanged.

Net fee and commission income increased by 24% in local currency, year on year, mainly due to higher savings and investment income and higher lending fee income.

Net loan losses and similar net result amounted to net reversals of EUR 33m (30bp), driven by IFRS 9 model updates and the positive revaluation of Nordea Kredit’s mortgage portfolio. Individual loan losses remained at low levels. Year on year, net loan losses and similar net result improved significantly, as management judgement allowances had been booked in the second quarter of 2020.

## Personal Banking Finland

Net interest income increased by 11%, year on year, driven by mortgage volume growth and improved mortgage margins.

Lending volumes increased by 5%, year on year, driven by a 6% increase in mortgage volumes. Deposit volumes increased by 8%.

Net fee and commission income increased by 8%, year on year, mainly due to higher savings and investment income. This was partly offset by lower payment fee income.

Net loan losses and similar net result amounted to EUR 20m (22bp), mainly driven by IFRS 9 model updates. Individual loan losses remained at the same level as the previous year. Year on year, net loan losses and similar net result improved significantly, as management judgement allowances had been booked in the second quarter of 2020.

## Personal Banking Norway

Net interest income increased by 13% in local currency, year on year, due to higher deposit margins and mortgage volume growth. Quarter on quarter, net interest income increased by 9%, mainly due to improved lending margins.

Lending volumes increased by 4% in local currency, year on year, driven by a 5% increase in mortgage volumes. Deposit volumes increased by 3%.

Net fee and commission income increased by 17%, year on year, mainly due to higher savings and investment income.

Net loan losses and similar net result amounted to EUR 0m. Year on year, net loan losses and similar net result improved significantly, as management judgement allowances had been booked in the second quarter of 2020.

## Personal Banking Sweden

Net interest income increased by 10% in local currency, year on year, due to mortgage volume growth and increased lending margins.

Lending volumes increased by 6% in local currency, year on year, driven by a 6% increase in mortgage volumes. Deposit volumes increased by 6%.

Net fee and commission income increased by 17%, year on year, mainly due to higher savings and investment income.

Net loan losses and similar net result amounted to EUR 8m (6bp), driven by the implementation of updated write-off guidelines for consumer lending. Year on year, net loan losses and similar net result improved significantly, as management judgement allowances had been booked in the second quarter of 2020.

**Personal Banking total**

| | | | | | | | | Local curr. | | | | Jan-Jun 21/20 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Q2/Q2 | Q2/Q1 | Jan-Jun 21 | Jan-Jun 20 | EUR | Local |
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 569 | 562 | 535 | 543 | 501 | 14% | 1% | 9% | 1% | 1,131 | 1,016 | 11% | 8% |
| Net fee and commission income | 317 | 296 | 290 | 279 | 267 | 19% | 7% | 17% | 7% | 613 | 562 | 9% | 7% |
| Net result from items at fair value | 33 | 15 | 22 | 14 | 48 | -31% | | -31% | | 48 | 64 | -25% | -28% |
| Equity method & other income | 10 | 4 | 0 | 2 | 2 | | | | | 14 | 4 | | |
| **Total income incl. allocations** | **929** | **877** | **847** | **838** | **818** | **14%** | **6%** | **10%** | **6%** | **1,806** | **1,646** | **10%** | **7%** |
| **Total expenses incl. allocations** | **-442** | **-503** | **-449** | **-436** | **-450** | **-2%** | **-12%** | **-5%** | **-12%** | **-945** | **-918** | **3%** | **0%** |
| **Profit before loan losses** | **487** | **374** | **398** | **402** | **368** | **32%** | **30%** | **29%** | **30%** | **861** | **728** | **18%** | **15%** |
| Net loan losses and similar net result | 2 | -7 | -11 | 5 | -226 | | | | | -5 | -265 | | |
| **Operating profit** | **489** | **367** | **387** | **407** | **142** | | **33%** | | **33%** | **856** | **463** | **85%** | **79%** |
| Cost-to-income ratio[1], % | 49 | 52 | 55 | 54 | 54 | | | | | 51 | 54 | | |
| Return on capital at risk[1], % | 19 | 17 | 14 | 15 | 6 | | | | | 18 | 9 | | |
| Economic capital (EC) | 7,759 | 7,603 | 7,652 | 7,739 | 7,700 | 1% | 2% | | | 7,759 | 7,700 | 1% | |
| Risk exposure amount (REA) | 47,008 | 46,464 | 47,200 | 46,062 | 45,695 | 3% | 1% | | | 47,008 | 45,695 | 3% | |
| Number of employees (FTEs) | 7,017 | 6,976 | 7,070 | 7,100 | 7,282 | -4% | 1% | | | 7,017 | 7,282 | -4% | |
| **Volumes, EURbn:** | | | | | | | | | | | | | |
| Mortgage lending | 146.1 | 143.5 | 141.4 | 135.5 | 134.1 | 9% | 2% | 6% | 2% | 146.1 | 134.1 | 9% | 6% |
| Other lending | 21.2 | 21.1 | 21.1 | 20.8 | 20.7 | 2% | 0% | 1% | 1% | 21.2 | 20.7 | 2% | 1% |
| **Total lending** | **167.3** | **164.6** | **162.5** | **156.3** | **154.8** | **8%** | **2%** | **5%** | **2%** | **167.3** | **154.8** | **8%** | **5%** |
| **Total deposits** | **85.8** | **83.5** | **82.9** | **80.8** | **80.5** | **7%** | **3%** | **4%** | **3%** | **85.8** | **80.5** | **7%** | **4%** |

[1] With amortised resolution fees.

## Personal Banking

| | | | | | | | | Local curr. | | | | Jan-Jun 21/20 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Q2/Q2 | Q2/Q1 | Jan-Jun 21 | Jan-Jun 20 | EUR | Local |
| **Net interest income, EURm** | | | | | | | | | | | | | |
| PeB Denmark | 145 | 145 | 139 | 141 | 138 | 5% | 0% | 5% | 0% | 290 | 278 | 4% | 4% |
| PeB Finland | 98 | 99 | 87 | 88 | 88 | 11% | -1% | 10% | -2% | 197 | 180 | 9% | 9% |
| PeB Norway | 130 | 119 | 115 | 120 | 106 | 23% | 9% | 13% | 9% | 249 | 216 | 15% | 9% |
| PeB Sweden | 199 | 201 | 201 | 192 | 171 | 16% | -1% | 10% | -2% | 400 | 345 | 16% | 10% |
| Other | -3 | -2 | -7 | 2 | -2 | | | | | -5 | -3 | | |
| **Net fee and commission income, EURm** | | | | | | | | | | | | | |
| PeB Denmark | 83 | 74 | 83 | 69 | 67 | 24% | 12% | 24% | 12% | 157 | 143 | 10% | 9% |
| PeB Finland | 94 | 92 | 89 | 91 | 87 | 8% | 2% | 9% | 3% | 186 | 181 | 3% | 3% |
| PeB Norway | 29 | 26 | 25 | 26 | 24 | 21% | 12% | 17% | 8% | 55 | 51 | 8% | 6% |
| PeB Sweden | 111 | 104 | 100 | 96 | 89 | 25% | 7% | 17% | 8% | 215 | 188 | 14% | 8% |
| Other | 0 | 0 | -7 | -3 | 0 | | | | | 0 | -1 | | |
| **Net loan losses and similar net result, EURm** | | | | | | | | | | | | | |
| PeB Denmark | 33 | 13 | 12 | 3 | -51 | | | | | 46 | -64 | | |
| PeB Finland | -20 | -14 | -13 | -4 | -91 | | | | | -34 | -99 | | |
| PeB Norway | 0 | -2 | -8 | 9 | -53 | | | | | -2 | -56 | | |
| PeB Sweden | -8 | -7 | -3 | -3 | -30 | | | | | -15 | -46 | | |
| Other | -3 | 3 | 1 | 0 | -1 | | | | | 0 | 0 | | |
| **Volumes, EURbn** | | | | | | | | | | | | | |
| **Personal Banking Denmark** | | | | | | | | | | | | | |
| Mortgage lending | 34.5 | 33.9 | 33.4 | 32.9 | 32.3 | 7% | 2% | 6% | 2% | 34.5 | 32.3 | 7% | 6% |
| Other lending | 8.8 | 8.8 | 8.7 | 8.6 | 8.5 | 4% | 0% | 4% | 0% | 8.8 | 8.5 | 4% | 4% |
| **Total lending** | **43.3** | **42.7** | **42.1** | **41.5** | **40.8** | **6%** | **1%** | **6%** | **1%** | **43.3** | **40.8** | **6%** | **6%** |
| **Total deposits** | **21.9** | **22.1** | **21.9** | **22.0** | **22.0** | **0%** | **-1%** | **0%** | **-1%** | **21.9** | **22.0** | **0%** | **0%** |
| **Personal Banking Finland** | | | | | | | | | | | | | |
| Mortgage lending | 29.6 | 29.2 | 28.7 | 28.2 | 27.8 | 6% | 1% | 6% | 1% | 29.6 | 27.8 | 6% | 6% |
| Other lending | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 0% | 0% | 0% | 0% | 6.3 | 6.3 | 0% | 0% |
| **Total lending** | **35.9** | **35.5** | **35.0** | **34.5** | **34.1** | **5%** | **1%** | **5%** | **1%** | **35.9** | **34.1** | **5%** | **5%** |
| **Total deposits** | **25.7** | **25.0** | **24.6** | **24.4** | **23.8** | **8%** | **3%** | **8%** | **3%** | **25.7** | **23.8** | **8%** | **8%** |
| **Personal Banking Norway** | | | | | | | | | | | | | |
| Mortgage lending | 34.5 | 34.5 | 32.8 | 30.8 | 30.8 | 12% | 0% | 5% | 2% | 34.5 | 30.8 | 12% | 5% |
| Other lending | 2.6 | 2.6 | 2.7 | 2.6 | 2.6 | 0% | 0% | -4% | 0% | 2.6 | 2.6 | 0% | -4% |
| **Total lending** | **37.1** | **37.1** | **35.5** | **33.4** | **33.4** | **11%** | **0%** | **4%** | **2%** | **37.1** | **33.4** | **11%** | **4%** |
| **Total deposits** | **10.9** | **10.4** | **9.9** | **9.5** | **9.9** | **10%** | **5%** | **3%** | **6%** | **10.9** | **9.9** | **10%** | **3%** |
| **Personal Banking Sweden** | | | | | | | | | | | | | |
| Mortgage lending | 47.4 | 46.0 | 46.4 | 43.6 | 43.3 | 9% | 3% | 6% | 2% | 47.4 | 43.3 | 9% | 6% |
| Other lending | 3.6 | 3.4 | 3.5 | 3.3 | 3.3 | 9% | 6% | 3% | 3% | 3.6 | 3.3 | 9% | 3% |
| **Total lending** | **51.0** | **49.4** | **49.9** | **46.9** | **46.6** | **9%** | **3%** | **6%** | **2%** | **51.0** | **46.6** | **9%** | **6%** |
| **Total deposits** | **27.3** | **26.0** | **26.4** | **24.8** | **24.9** | **10%** | **5%** | **6%** | **4%** | **27.3** | **24.9** | **10%** | **6%** |

# Business Banking

## Introduction

In Business Banking we provide small and medium-sized corporate customers with banking and advisory products and services, both online and in person.

Business Banking also includes Transaction Banking and Nordea Finance. Transaction Banking provides payment and transaction services to customers across the Nordea Group, while Nordea Finance provides asset-based lending, sales finance and receivables finance to both corporate and private customers.

We are a trusted financial partner, maintaining and developing our customer relationships by providing competent advice and developing digital solutions for easy banking.

## Business development

In the second quarter we continued to see high lending and deposit volumes, which were up 8% and 10%, respectively, in local currencies, year on year. Momentum in Norway and Sweden remained strong, driven by higher engagement with new and existing customers. The increase in volumes was also supported by the acquisition of Nordea Finance Equipment (NFE). Besides good growth in the lending space, we continued to see high equity and debt capital market activity, especially in Sweden.

More than 275,000 customers in Denmark, Finland and Sweden are now able to use Nordea Business, the new netbank for small and medium-sized businesses, which we also plan to expand to Norway. In May the mobile netbank app received its highest score since it was launched. The app is currently available to all customers in Denmark and Finland and the majority of customers in Sweden.

During the quarter we further improved our digital offering to help customers fulfil their daily banking needs quickly and conveniently. For example, customers can now sign agreements on more than 80% of our loan products using digital signatures. We continued to provide customers with advice and support via remote meetings, which accounted for three out of four meetings in the quarter.

We also launched a new mobile logon solution for Corporate Netbank, the netbank for our larger corporate customers. A fully digital authentication process now enables customers to log on anywhere, any time and with the same level of security as before, but without the inconvenience of expiring key cards. The new solution has already attracted 25,000 users.

To create better customer experiences, we started migrating Nordea-issued cards to a new IT platform. The move will result in customers being able to access enhanced digitalised services and self-service functionalities. We have already completed the process for Norwegian debit cards.

We continued to develop our sustainability offering. Overall, our sustainability-linked lending grew by 20% in the second quarter, with the strongest growth in Norway and Sweden. The environmental, social and governance (ESG) part of our portfolio now amounts to EUR 3bn.

After consecutive quarters with improving or stable customer satisfaction, we experienced a dip in the previous quarter. We will continue to focus on improving customer satisfaction in all countries by providing personal and proactive customer service and further developing our digital solutions.

## Financial outcome

Total income increased by 20%, year on year. Excluding the impact of NFE, which was consolidated in the results from the fourth quarter of 2020, total income increased by 13%.

Net interest income increased by 20%, year on year, driven by higher volumes and the benefit of funding received from the European Central Bank (ECB) under the third targeted longer-term refinancing operations programme (TLTRO III).

Net fee and commission income increased by 27%, year on year, primarily driven by high equity and debt capital market activity. Savings and investment income and payment and card fee income also contributed positively, having increased from the subdued levels seen in the second quarter of 2020.

Net result from items at fair value increased by 3%, year on year, driven by higher income from foreign exchange products. The increase was partly offset by lower income from interest rate products.

Total expenses increased by 1%, year on year, reflecting the consolidation of NFE and higher restructuring costs. Adjusted for resolution fees, restructuring costs and the impact of the NFE integration, total expenses decreased by 2%. The cost-to-income ratio in the second quarter was 44%, the best level to date and an improvement of 6 percentage points on the same quarter last year.

Net loan losses and similar net result amounted to net reversals of EUR 30m (13bp) due to low new provisions, reversals reflecting an improvement in portfolio quality, and a gain from the revaluation of Nordea Kredit’s mortgage portfolio.

Operating profit increased by EUR 369m, year on year, to EUR 404m. Return on capital at risk was 18%, compared with 1% in the same quarter last year.

### Business Banking Denmark

Net interest income remained stable in local currency, year on year, as the impact of lower lending margins was offset by volume growth and higher deposit margins. The lower lending margins were mainly attributable to the de-risking of the Agriculture portfolio.

Lending volumes increased by 3% in local currency, year on year. Excluding the impact of the NFE integration, the volumes were unchanged. Deposit volumes remained unchanged.

Net fee and commission income increased by 4% in local currency, year on year, driven by higher savings and investment income.

Net loan losses and similar net result amounted to net reversals of EUR 25m (38bp), up from a net loss of EUR 35m in the same quarter last year. This was due to net loan loss reversals and positive valuation adjustments in the mortgage portfolio during the quarter.

## Business Banking Finland

Net interest income increased by 14%, year on year, driven by improved lending margins and the benefit of funding received from the ECB under the TLTRO III programme.

Lending volumes decreased by 1%, year on year, while deposit volumes increased by 1%.

Net fee and commission income increased by 15%, year on year, driven by savings and investment income and payment and card fee income.

Net loan losses and similar net result amounted to EUR 7m (14bp), down from EUR 87m in the same quarter last year. This was due to the COVID-19-related management judgement allowances made in the second quarter of 2020.

## Business Banking Norway

Net interest income increased by 34% in local currency, year on year, driven by higher volumes, which were partly attributable to NFE.

Lending volumes increased by 22% in local currency, year on year. Excluding the impact of the NFE integration, lending volumes increased by 9%. Deposit volumes increased by 13%.

Net fee and commission income increased by 22% in local currency, year on year, driven by high equity and debt capital market activity.

Net loan losses and similar net result amounted to net reversals of EUR 12m (21bp), up from a net loss of EUR 67m in the same quarter last year. This was due to the COVID-19-related management judgement allowances made in the second quarter of 2020.

## Business Banking Sweden

Net interest income increased by 14% in local currency, year on year, driven by higher volumes.

Lending volumes increased by 11% in local currency, year on year. Excluding the impact of the NFE integration, the increase was 8%. Deposit volumes increased by 22%.

Net fee and commission income increased by 39% in local currency, year on year, driven by high capital markets activity. Increases in savings and investment fee income and payment and card fee income also contributed.

Net loan losses and similar net result amounted to net reversals of EUR 1m (1bp), up from a net loss of EUR 54m in the same quarter last year. This was due to the COVID-19-related management judgement allowances made in the second quarter of 2020.

### Business Banking total

| | | | | | | | | Local curr. | | Jan- | Jan- | Jan-Jun 21/20 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Q2/Q2 | Q2/Q1 | Jun 21 | Jun 20 | EUR | Local |
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 406 | 395 | 383 | 351 | 339 | 20% | 3% | 16% | 3% | 801 | 686 | 17% | 14% |
| Net fee and commission income | 159 | 166 | 159 | 135 | 125 | 27% | -4% | 22% | -4% | 325 | 275 | 18% | 15% |
| Net result from items at fair value | 74 | 71 | 65 | 52 | 72 | 3% | 4% | 0% | 3% | 145 | 144 | 1% | -1% |
| Equity method & other income | 9 | 9 | 10 | 5 | 6 | | | | | 18 | 11 | | |
| **Total income incl. allocations** | **648** | **641** | **617** | **543** | **542** | **20%** | **1%** | **16%** | **1%** | **1,289** | **1,116** | **16%** | **12%** |
| **Total expenses incl. allocations** | **-274** | **-332** | **-286** | **-262** | **-271** | **1%** | **-17%** | **-2%** | **-18%** | **-606** | **-579** | **5%** | **2%** |
| **Profit before loan losses** | **374** | **309** | **331** | **281** | **271** | **38%** | **21%** | **33%** | **21%** | **683** | **537** | **27%** | **24%** |
| Net loan losses and similar net result | 30 | -16 | -26 | 8 | -236 | | | | | 14 | -298 | | |
| **Operating profit** | **404** | **293** | **305** | **289** | **35** | | **38%** | | **38%** | **697** | **239** | | |
| Cost-to-income ratio[1], % | 44 | 45 | 48 | 51 | 50 | | | | | 45 | 50 | | |
| Return on capital at risk[1], % | 18 | 15 | 13 | 13 | 1 | | | | | 17 | 6 | | |
| Economic capital (EC) | 6,734 | 6,740 | 6,602 | 6,331 | 6,525 | 3% | 0% | | | 6,734 | 6,525 | 3% | |
| Risk exposure amount (REA) | 44,014 | 43,698 | 43,125 | 40,055 | 41,375 | 6% | 1% | | | 44,014 | 41,375 | 6% | |
| Number of employees (FTEs) | 4,446 | 4,572 | 4,608 | 4,260 | 4,269 | 4% | -3% | | | 4,446 | 4,269 | 4% | |
| **Volumes, EURbn:** | | | | | | | | | | | | | |
| Total lending | 95.2 | 94.0 | 92.0 | 85.4 | 85.8 | 11% | 1% | 8% | 1% | 95.2 | 85.8 | 11% | 8% |
| Total deposits | 52.8 | 50.6 | 50.3 | 47.8 | 47.0 | 12% | 4% | 10% | 4% | 52.8 | 47.0 | 12% | 10% |

[1] With amortised resolution fees.

## Business Banking

| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Local curr. Q2/Q2 | Local curr. Q2/Q1 | Jan-Jun 21 | Jan-Jun 20 | Jan-Jun 21/20 EUR | Jan-Jun 21/20 Local |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net interest income, EURm** | | | | | | | | | | | | | |
| Business Banking Denmark | 85 | 85 | 88 | 84 | 85 | 0% | 0% | 0% | 0% | 170 | 174 | -2% | -2% |
| Business Banking Finland | 105 | 108 | 93 | 91 | 92 | 14% | -3% | 14% | -3% | 213 | 183 | 16% | 16% |
| Business Banking Norway | 108 | 102 | 95 | 77 | 73 | 48% | 6% | 34% | 4% | 210 | 153 | 37% | 29% |
| Business Banking Sweden | 101 | 99 | 99 | 92 | 84 | 20% | 2% | 14% | 3% | 200 | 170 | 18% | 11% |
| Other | 7 | 1 | 8 | 7 | 5 | | | | | 8 | 6 | | |
| **Net fee and commission income, EURm** | | | | | | | | | | | | | |
| Business Banking Denmark | 27 | 32 | 30 | 24 | 26 | 4% | -16% | 4% | -16% | 59 | 57 | 4% | 4% |
| Business Banking Finland | 54 | 53 | 52 | 49 | 47 | 15% | 2% | 15% | 2% | 107 | 99 | 8% | 8% |
| Business Banking Norway | 29 | 31 | 27 | 23 | 22 | 32% | -6% | 22% | -7% | 60 | 47 | 28% | 21% |
| Business Banking Sweden | 62 | 61 | 63 | 49 | 42 | 48% | 2% | 39% | 2% | 123 | 93 | 32% | 25% |
| Other | -13 | -11 | -13 | -10 | -12 | | | | | -24 | -21 | | |
| **Net loan losses and similar net result, EURm** | | | | | | | | | | | | | |
| Business Banking Denmark | 25 | 1 | 1 | 2 | -35 | | | | | 26 | -31 | | |
| Business Banking Finland | -7 | -11 | -8 | -4 | -87 | | | | | -18 | -132 | | |
| Business Banking Norway | 12 | 0 | -12 | 7 | -67 | | | | | 12 | -78 | | |
| Business Banking Sweden | 1 | -7 | -5 | 2 | -54 | | | | | -6 | -65 | | |
| Other | -1 | 1 | -2 | 1 | 7 | | | | | 0 | 8 | | |
| **Lending, EURbn** | | | | | | | | | | | | | |
| Business Banking Denmark | 26.1 | 26.5 | 26.0 | 25.0 | 25.3 | 3% | -2% | 3% | -1% | 26.1 | 25.3 | 3% | 3% |
| Business Banking Finland | 19.8 | 19.7 | 19.6 | 19.8 | 19.9 | -1% | 1% | -1% | 1% | 19.8 | 19.9 | -1% | -1% |
| Business Banking Norway | 22.6 | 22.5 | 20.9 | 17.3 | 17.3 | 31% | 0% | 22% | 2% | 22.6 | 17.3 | 31% | 22% |
| Business Banking Sweden | 26.7 | 25.3 | 25.4 | 23.3 | 23.3 | 15% | 6% | 11% | 4% | 26.7 | 23.3 | 15% | 11% |
| Other | 0 | 0 | 0.1 | 0 | 0 | | | | | 0 | 0 | | |
| **Deposits, EURbn** | | | | | | | | | | | | | |
| Business Banking Denmark | 9.5 | 9.1 | 9.5 | 9.6 | 9.4 | 1% | 4% | 0% | 4% | 9.5 | 9.4 | 1% | 0% |
| Business Banking Finland | 14.7 | 14.4 | 14.5 | 14.6 | 14.6 | 1% | 2% | 1% | 2% | 14.7 | 14.6 | 1% | 1% |
| Business Banking Norway | 9.9 | 9.7 | 8.9 | 8.1 | 8.2 | 21% | 2% | 13% | 3% | 9.9 | 8.2 | 21% | 13% |
| Business Banking Sweden | 18.7 | 17.4 | 17.4 | 15.4 | 14.8 | 26% | 7% | 22% | 6% | 18.7 | 14.8 | 26% | 22% |
| Other | 0 | 0 | 0 | 0.1 | 0 | | | | | 0 | 0 | | |

# Large Corporates & Institutions

## Introduction

In Large Corporates & Institutions (LC&I) we provide financial solutions to large Nordic corporate and institutional customers. We also provide services to customers across the Nordea Group through our Markets, Investment Banking & Equities and International units.

We are a leading player within sustainable finance and a leading bank for large corporate and institutional customers in the Nordics.

We offer a focused and dedicated range of products and services covering financing, cash management and payments, as well as investment banking and capital markets solutions.

## Business development

In the second quarter we took further steps towards creating a more customer-centric, focused and profitable business area. This was reflected in improved returns, higher net fee and commission income, and reductions in costs and economic capital.

We actively supported our customers through the ongoing pandemic and drove services earning capital-light revenues. Bond volumes for Nordic corporate issuers increased by 64%, year on year, while lending volumes decreased by 11% and lending margins increased, in line with our strategy.

During the quarter we saw very high levels of customer activity across all segments, especially within Investment Banking & Equities. In Debt Capital Markets this was particularly reflected in event-related transactions. We retained our position as the largest arranger of capital markets funding for Nordic issuers. For equity capital markets and mergers and acquisitions, we continue to hold leading market positions across the Nordic region and have a strong mandated project pipeline. Significant transactions with our involvement included Corem’s public offer for Klövern, the initial public offerings of Hemnet and Oatly, and EQT’s acquisition of Chr. Hansen’s Natural Colors Division, among many others.

We further increased our focus on ESG products and continue to be a leading platform for ESG advisory services. By the end of the second quarter we ranked number one for Nordic sustainable bonds overall and for Nordic corporate sustainable bonds, where we held 15% and 21% market shares, respectively. During the quarter we launched an extensive training programme to further strengthen our staff’s sustainability competencies. We also continued to support large corporate customers in designing low-carbon transition plans. We are committed to meeting our 2030 target to reduce carbon emissions from our lending and investment portfolios by 40-50% relative to 2019 levels.

Markets followed up the very strong start to the year with a solid risk management performance in the second quarter, and customer activity levels increased. We actively supported our customers while maintaining our focus on economic capital efficiency. Markets’ results in the second quarter reflected a normalisation of risk management revenues following the exceptionally high levels seen earlier in the pandemic. At the same time, our digitalisation efforts further progressed. Corporate use of AutoFX, our tool for managing foreign currency flows, more than doubled, year on year, to approximately 10%. The increase in use follows enhancements to the tool’s functionality, for example within hedging and liquidity management.

## Financial outcome

Total income was up 9%, year on year, driven by the highest net fee and commission income in 14 quarters. Return on capital at risk (ROCAR) was 16%. The average ROCAR for the past four quarters stands at 15%, demonstrating our sustained repositioning of the business.

Net interest income increased by 7%, year on year, driven by higher lending margins and higher yield fee income. Lending volumes decreased by 11%, year on year, due to a reduction in COVID-19-related facilities, active repositioning and high investor demand for corporate bonds.

Net fee and commission income increased by 61%, year on year, primarily driven by very high customer activity in the capital markets areas, which resulted in elevated income from bond issuance, and solid corporate finance income.

Net result from items at fair value decreased by 25% due to a lower result from risk management following the particularly strong quarter last year.

Total expenses were down 4%, year on year, driven by lower resolution fees and continued strict cost management. In 2020 part of the resolution fee had been booked in the second quarter. These factors were partly offset by higher provisions for variable pay. Adjusted for resolution fees, total expenses were stable.

Net loan losses and similar net result amounted to net reversals of EUR 13m (8bp) due to low new provisions and reversals reflecting an improvement in portfolio quality. The underlying credit quality of the loan book is strong. The total provisioning level now stands at approximately EUR 780m or 1.77% of LC&I lending.

Operating profit increased significantly, year on year, to EUR 333m.

Economic capital continued to decrease, standing at EUR 5,802m, a year-on-year reduction of 17%, driven by strong capital discipline, a focus on more capital-light business and lower market risk capital.

## Large Corporates & Institutions total

| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Jan-Jun 21 | Jan-Jun 20 | Jan-Jun 21/20 |
|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | | |
| Net interest income | 229 | 240 | 228 | 226 | 214 | 7% | -5% | 469 | 435 | 8% |
| Net fee and commission income | 163 | 137 | 116 | 118 | 101 | 61% | 19% | 300 | 225 | 33% |
| Net result from items at fair value | 112 | 245 | 101 | 132 | 150 | -25% | -54% | 357 | 212 | 68% |
| Equity method & other income | 1 | 0 | 0 | 0 | 0 | | | 1 | 0 | |
| **Total income incl. allocations** | **505** | **622** | **445** | **476** | **465** | **9%** | **-19%** | **1,127** | **872** | **29%** |
| **Total expenses incl. allocations** | **-185** | **-285** | **-193** | **-180** | **-192** | **-4%** | **-35%** | **-470** | **-459** | **2%** |
| **Profit before loan losses** | **320** | **337** | **252** | **296** | **273** | **17%** | **-5%** | **657** | **413** | **59%** |
| Net loan losses and similar net result | 13 | -27 | 1 | 10 | -228 | | | -14 | -280 | |
| **Operating profit** | **333** | **310** | **253** | **306** | **45** | | **7%** | **643** | **133** | |
| Cost-to-income ratio[1], % | 41 | 34 | 48 | 42 | 44 | | | 37 | 47 | |
| Return on capital at risk[1], % | 16 | 19 | 11 | 13 | 1 | | | 18 | 4 | |
| Economic capital (EC) | 5,802 | 6,102 | 6,093 | 6,619 | 7,020 | -17% | -5% | 5,802 | 7,020 | -17% |
| Risk exposure amount (REA) | 40,518 | 42,095 | 42,280 | 45,027 | 47,863 | -15% | -4% | 40,518 | 47,863 | -15% |
| Number of employees (FTEs) | 1,330 | 1,398 | 1,467 | 1,624 | 1,649 | -19% | -5% | 1,330 | 1,649 | -19% |
| **Volumes, EURbn[2]:** | | | | | | | | | | |
| Total lending | 43.5 | 45.0 | 46.1 | 46.9 | 48.9 | -11% | -3% | 43.5 | 48.9 | -11% |
| Total deposits | 48.4 | 43.4 | 39.9 | 43.7 | 42.3 | 14% | 12% | 48.4 | 42.3 | 14% |

[1] With amortised resolution fees.

[2] Excluding repurchase agreements and security lending/borrowing agreements.

## Large Corporates & Institutions

| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Jan-Jun 21 | Jan-Jun 20 | Jan-Jun 21/20 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net interest income, EURm** | | | | | | | | | | |
| Denmark | 35 | 36 | 38 | 37 | 38 | -8% | -3% | 71 | 74 | -4% |
| Finland | 41 | 50 | 39 | 40 | 35 | 17% | -18% | 91 | 68 | 34% |
| Norway | 72 | 73 | 74 | 73 | 73 | -1% | -1% | 145 | 151 | -4% |
| Sweden | 74 | 71 | 69 | 64 | 55 | 35% | 4% | 145 | 113 | 28% |
| Other | 7 | 10 | 8 | 12 | 13 | | | 17 | 29 | |
| **Net fee and commission income, EURm** | | | | | | | | | | |
| Denmark | 51 | 35 | 31 | 30 | 25 | | | 86 | 55 | |
| Finland | 43 | 33 | 27 | 34 | 22 | | | 76 | 55 | |
| Norway | 31 | 35 | 27 | 29 | 25 | | | 66 | 55 | |
| Sweden | 48 | 40 | 47 | 37 | 31 | | | 88 | 79 | |
| Other | -10 | -6 | -16 | -12 | -2 | | | -16 | -19 | |
| **Net loan losses and similar net result, EURm** | | | | | | | | | | |
| Denmark | 3 | 11 | 2 | 5 | -30 | | | 14 | -26 | |
| Finland | -2 | 0 | 1 | 5 | -26 | | | -2 | -30 | |
| Norway | 2 | -35 | -1 | -35 | -108 | | | -33 | -166 | |
| Sweden | 7 | -2 | -8 | 38 | -65 | | | 5 | -63 | |
| Other | 3 | -1 | 7 | -3 | 1 | | | 2 | 5 | |
| **Lending, EURbn[1]** | | | | | | | | | | |
| Denmark | 7.4 | 7.5 | 8.3 | 8.7 | 8.9 | -17% | -1% | 7.4 | 8.9 | -17% |
| Finland | 7.8 | 8.4 | 8.7 | 9.3 | 9.5 | -18% | -7% | 7.8 | 9.5 | -18% |
| Norway | 12.1 | 13.0 | 12.8 | 12.9 | 13.6 | -11% | -7% | 12.1 | 13.6 | -11% |
| Sweden | 14.7 | 14.7 | 14.3 | 13.5 | 14.2 | 4% | 0% | 14.7 | 14.2 | 4% |
| Other | 1.5 | 1.4 | 2.0 | 2.5 | 2.7 | | | 1.5 | 2.7 | |
| **Deposits, EURbn[1]** | | | | | | | | | | |
| Denmark | 9.4 | 7.1 | 7.2 | 10.0 | 10.1 | -7% | 32% | 9.4 | 10.1 | -7% |
| Finland | 13.4 | 12.5 | 12.3 | 11.9 | 11.6 | 16% | 7% | 13.4 | 11.6 | 16% |
| Norway | 10.2 | 8.7 | 8.1 | 8.4 | 8.0 | 28% | 17% | 10.2 | 8.0 | 28% |
| Sweden | 15.3 | 14.8 | 12.3 | 13.3 | 12.0 | 28% | 3% | 15.3 | 12.0 | 28% |
| Other | 0.1 | 0.3 | 0 | 0.1 | 0.6 | | | 0.1 | 0.6 | |

[1] Excluding repurchase agreements and security lending/borrowing agreements.

# Asset & Wealth Management

## Introduction

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

Our aim is to be acknowledged as the leading wealth manager in each Nordic market and a leading European asset manager, with global reach and capabilities. We are also working towards becoming a leading and transparent ESG provider, with a comprehensive range of sustainability-enhanced investment products.

## Business development

In the second quarter assets under management (AuM) increased by EUR 15.7bn to a record high of EUR 387.4bn. Investment return increased AuM by EUR 13.1bn and net flows in the quarter were solid, totalling EUR 2.6bn. Investment performance in Asset Management remained strong, with 89% of composites providing excess return on a three-year basis.

In Asset Management we attracted a total of EUR 0.9bn in net flows in the second quarter. Of these, EUR 3.0bn were delivered through our internal channels, where the strong momentum seen in previous quarters continued. Net outflows from institutional and third-party fund distribution channels amounted to EUR 2.2bn, impacted by an outflow of EUR 3.7bn from mandates related to the divestment of Nordea Life & Pensions Denmark in 2018.

We continued to digitalise our trading processes in order to manage increased business volumes without increased cost. We currently expect to implement the first fully automated processes for executing interest rate, credit and listed derivative products by the end of 2021.

Investor interest in our sustainability product offerings remained strong within all sales channels. Sustainability products continue to be the primary driver of our growth, generating net flows of EUR 2.4bn or over 90% of the net flows in the quarter. In institutional distribution net flows mainly stemmed from customers in Germany, Southern Europe and the United Kingdom. We also won several large new business mandates outside Europe.

Our ESG engagement, competencies and strategies are widely recognised. We were ranked fourth for sustainability by fund selectors in the Fund Brand 50 annual survey of European third-party asset managers. Moreover, our Emerging Stars Bond Fund was named ESG fixed income fund of the year by Environmental Finance in their Sustainable Investment Awards 2021.

In Wealth Management we continued to generate record-high net flows (EUR 2.0bn in the quarter) and all countries delivered positive net flows. Inflows were driven by continued customer acquisition and focus on proactive customer engagement across all markets. Private Banking customer satisfaction, already high, increased further in the quarter.

We saw a strong increase in Private Banking customers' use of our digital services, with 20% more logins into the mobile bank app than a year ago. Furthermore, digital fund purchases increased by 19%, year on year. In the second quarter 20% of all fund purchases were made digitally. Although this trend was accelerated by COVID-19, we expect it to continue after the pandemic.

As in previous quarters, we saw strong inflows into retail funds. Finland and Norway remained in the lead with annualised flow rates above 20%. In Denmark, we are now the biggest retail fund provider.

In Life & Pension we attracted EUR 1.0bn in net flows in the second quarter, EUR 0.5bn more than in the same period last year.

We continue to grow our occupational pension business in Norway and Sweden, focusing on relationship management, pipeline management and sales. ESG remains a priority area for Life & Pension, a co-founder of the UN's Net-Zero Asset Owner Alliance. In May the Alliance announced interim climate targets for 2025 requiring asset managers to set net-zero carbon emission targets by 2024 at the latest.

With our improved digital distribution capabilities, we are progressing towards becoming the leading bancassurer in the Nordics. We are focusing in particular on digitalising sales within Life & Pension.

## Financial outcome

Total income in the second quarter was EUR 292m, up 28%, year on year. This was mainly driven by higher income due to a 26% increase in average AuM.

Net interest income was EUR 19m, up 12%, year on year, driven by increased lending volumes.

Net fee and commission income amounted to EUR 244m, a year-on-year increase of 31%, reflecting the positive AuM development.

Net result from items at fair value was EUR 29m, up 7%, year on year, mainly due to a higher risk result in Nordea Life & Pension.

Total expenses decreased by 8%, year on year, driven by a decrease in staff expenses and lower business support costs.

Net loan losses and similar net result amounted to net reversals of EUR 3m, compared with a loss of EUR 2m in the same quarter last year.

Operating profit in the second quarter was EUR 176m, a year-on-year increase of 81%.

The cost-to-income ratio was 41%, an improvement of 16 percentage points on the same quarter last year.

## Asset & Wealth Management total

| | | | | | | | | Local curr. | | Jan- | Jan- | Jan-Jun 21/20 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Q2/Q2 | Q2/Q1 | Jun 21 | Jun 20 | EUR | Local |
| **EURm** | | | | | | | | | | | | | |
| Net interest income | 19 | 19 | 16 | 16 | 17 | 12% | 0% | 12% | 0% | 38 | 35 | 9% | 9% |
| Net fee and commission income | 244 | 235 | 228 | 204 | 186 | 31% | 4% | 30% | 3% | 479 | 386 | 24% | 23% |
| Net result from items at fair value | 29 | 38 | 16 | 24 | 27 | 7% | -24% | 4% | -22% | 67 | 62 | 8% | 5% |
| Equity method & other income | 0 | 0 | 3 | 3 | -2 | | | | | 0 | 4 | | |
| **Total income incl. allocations** | **292** | **292** | **263** | **247** | **228** | **28%** | **0%** | **27%** | **0%** | **584** | **487** | **20%** | **19%** |
| **Total expenses incl. allocations** | **-119** | **-126** | **-136** | **-126** | **-129** | **-8%** | **-6%** | **-9%** | **-6%** | **-245** | **-259** | **-5%** | **-7%** |
| **Profit before loan losses** | **173** | **166** | **127** | **121** | **99** | **75%** | **4%** | **75%** | **5%** | **339** | **228** | **49%** | **48%** |
| Net loan losses and similar net result | 3 | -3 | 2 | -3 | -2 | | | | | 0 | -2 | | |
| **Operating profit** | **176** | **163** | **129** | **118** | **97** | **81%** | **8%** | **81%** | **9%** | **339** | **226** | **50%** | **50%** |
| Cost-to-income ratio[1], % | 41 | 42 | 52 | 51 | 57 | | | | | 42 | 53 | | |
| Return on capital at risk[1], % | 31 | 33 | 29 | 27 | 24 | | | | | 32 | 26 | | |
| Economic capital (EC) | 1,731 | 1,639 | 1,445 | 1,301 | 1,249 | 39% | 6% | | | 1,731 | 1,249 | 39% | |
| Risk exposure amount (REA) | 8,552 | 8,294 | 7,401 | 5,625 | 5,587 | 53% | 3% | | | 8,552 | 5,587 | 53% | |
| Number of employees (FTEs) | 2,744 | 2,718 | 2,741 | 2,737 | 2,735 | 0% | 1% | | | 2,744 | 2,735 | 0% | |
| **Volumes, EURbn:** | | | | | | | | | | | | | |
| AuM | 387.4 | 371.7 | 353.8 | 326.2 | 311.4 | 24% | 4% | | | 387.4 | 311.4 | 24% | |
| Total lending | 10.6 | 10.1 | 9.6 | 9.0 | 8.8 | 20% | 5% | 18% | 5% | 10.6 | 8.8 | 20% | 18% |
| Total deposits | 11.0 | 10.5 | 10.7 | 10.9 | 11.1 | -1% | 5% | -3% | 5% | 11.0 | 11.1 | -1% | -3% |

[1] With amortised resolution fees.

### Assets under Management (AuM), volumes and net flow

| | Q221 | Q121 | Q420 | Q320 | Q220 | Net flow Q221 |
|---|---|---|---|---|---|---|
| **EURbn** | | | | | | |
| Nordic Retail funds | 83.8 | 78.5 | 73.9 | 66.6 | 63.2 | 1.8 |
| Private Banking | 114.2 | 107.2 | 100.8 | 92.7 | 87.8 | 2.0 |
| Institutional sales | 124.6 | 124.5 | 121.4 | 112.7 | 108.5 | -2.2 |
| Life & Pension | 64.8 | 61.6 | 57.6 | 54.2 | 51.9 | 1.0 |
| **Total** | **387.4** | **371.7** | **353.8** | **326.2** | **311.4** | **2.6** |

## Wealth Management

|  | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Jan-Jun 21 | Jan-Jun 20 | Jan-Jun 21/20 |
|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** |  |  |  |  |  |  |  |  |  |  |
| Net interest income | 21 | 20 | 18 | 17 | 17 | 24% | 5% | 41 | 35 | 17% |
| Net fee and commission income | 122 | 114 | 113 | 103 | 93 | 31% | 7% | 236 | 192 | 23% |
| Net result from items at fair value | 33 | 36 | 19 | 26 | 28 | 18% | -8% | 69 | 62 | 11% |
| Equity method & other income | 0 | 0 | 0 | 0 | 0 |  |  | 0 | 0 |  |
| **Total income incl. allocations** | **176** | **170** | **150** | **146** | **138** | **28%** | **4%** | **346** | **289** | **20%** |
| **Total expenses incl. allocations** | **-76** | **-83** | **-86** | **-82** | **-84** | **-10%** | **-8%** | **-159** | **-171** | **-7%** |
| **Profit before loan losses** | **100** | **87** | **64** | **64** | **54** | **85%** | **15%** | **187** | **118** | **58%** |
| Net loan losses and similar net result | 3 | -3 | 2 | -3 | -2 |  |  | 0 | -2 |  |
| **Operating profit** | **103** | **84** | **66** | **61** | **52** | **98%** | **23%** | **187** | **116** | **61%** |
| Cost-to-income ratio[1], % | 43 | 48 | 58 | 57 | 61 |  |  | 46 | 59 |  |
| Economic capital (EC) | 1,564 | 1,469 | 1,279 | 1,110 | 1,058 | 48% | 6% | 1,564 | 1,058 | 48% |
| Risk exposure amount (REA) | 7,328 | 7,053 | 6,459 | 4,693 | 4,657 | 57% | 4% | 7,328 | 4,657 | 57% |
| Number of employees (FTEs) | 1,798 | 1,775 | 1,798 | 1,817 | 1,822 | -1% | 1% | 1,798 | 1,822 | -1% |
| **Volumes, EURbn:** |  |  |  |  |  |  |  |  |  |  |
| AuM PB | 114.2 | 107.2 | 100.8 | 92.7 | 87.8 | 30% | 7% | 114.2 | 87.8 | 30% |
| AuM NLP | 60.1 | 57.0 | 53.2 | 48.8 | 46.9 | 28% | 5% | 60.1 | 46.9 | 28% |
| Mortgage lending | 8.2 | 7.7 | 7.3 | 6.9 | 6.7 | 22% | 6% | 8.2 | 6.7 | 22% |
| Consumer lending | 2.4 | 2.4 | 2.3 | 2.1 | 2.1 | 16% | 1% | 2.4 | 2.1 | 16% |
| **Total lending** | **10.6** | **10.1** | **9.6** | **9.0** | **8.8** | **20%** | **5%** | **10.6** | **8.8** | **20%** |
| **Total deposits** | **11.0** | **10.5** | **10.7** | **10.9** | **11.1** | **-1%** | **5%** | **11.0** | **11.1** | **-1%** |

[1] With amortised resolution fees.

## Asset Management

|  | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Jan-Jun 21 | Jan-Jun 20 | Jan-Jun 21/20 |
|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** |  |  |  |  |  |  |  |  |  |  |
| Net interest income | -1 | -1 | -1 | -1 | 0 |  |  | -2 | 0 |  |
| Net fee and commission income | 122 | 120 | 116 | 101 | 92 | 33% | 2% | 242 | 193 | 25% |
| Net result from items at fair value | -4 | 2 | -4 | -1 | -1 |  |  | -2 | 0 |  |
| Equity method & other income | 1 | 0 | 2 | 1 | -2 |  |  | 1 | -1 |  |
| **Total income incl. allocations** | **118** | **121** | **113** | **100** | **89** | **33%** | **-2%** | **239** | **192** | **24%** |
| **Total expenses incl. allocations** | **-41** | **-42** | **-45** | **-41** | **-40** | **3%** | **-2%** | **-83** | **-80** | **4%** |
| **Profit before loan losses** | **77** | **79** | **68** | **59** | **49** | **57%** | **-3%** | **156** | **112** | **39%** |
| Net loan losses and similar net result | 0 | 0 | 0 | 0 | 0 |  |  | 0 | 0 |  |
| **Operating profit** | **77** | **79** | **68** | **59** | **49** | **57%** | **-3%** | **156** | **112** | **39%** |
| Cost-to-income ratio, % | 35 | 35 | 40 | 41 | 45 |  |  | 35 | 42 |  |
| Economic capital (EC) | 155 | 157 | 156 | 181 | 182 | -15% | -1% | 155 | 182 | -15% |
| Risk exposure amount (REA) | 1,199 | 1,215 | 924 | 915 | 914 | 31% | -1% | 1,199 | 914 | 31% |
| AuM, Nordic sales channels incl. Life, EURbn | 149.7 | 141.1 | 131.5 | 119.2 | 113.7 | 32% | 6% | 149.7 | 113.7 | 32% |
| AuM, ext. Inst. & 3rd part. dist., EURbn | 124.6 | 124.5 | 122.3 | 113.6 | 109.4 | 14% | 0% | 124.6 | 109.4 | 14% |
| Net inf., Nordic sales channels incl. Life, EURbn | 3.0 | 2.9 | 3.6 | 1.5 | 0.2 |  |  | 5.9 | -1.7 |  |
| Net inf., ext. Inst. & 3rd part. dist., EURbn | -2.2 | -1.0 | 4.4 | 2.2 | 1.7 |  |  | -3.2 | -1.1 |  |
| Number of employees (FTEs) | 905 | 900 | 901 | 878 | 871 | 4% | 1% | 905 | 871 | 4% |

## Private Banking

| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Jan-Jun 21 | Jan-Jun 20 | Jan-Jun 21/20 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net fee and commission income, EURm** | | | | | | | | | | |
| PB Denmark | 52 | 48 | 50 | 40 | 43 | 20% | 8% | 100 | 86 | 17% |
| PB Finland | 46 | 44 | 42 | 40 | 35 | 32% | 6% | 90 | 74 | 22% |
| PB Norway | 9 | 10 | 9 | 8 | 5 | 74% | -8% | 19 | 13 | 47% |
| PB Sweden | 26 | 24 | 22 | 20 | 18 | 41% | 7% | 50 | 39 | 29% |
| **Private Banking** | **133** | **126** | **122** | **108** | **104** | **28%** | **6%** | **260** | **214** | **21%** |
| | | | | | | | | | | |
| **AuM, EURbn** | | | | | | | | | | |
| PB Denmark | 34.0 | 32.4 | 30.8 | 28.9 | 27.9 | 22% | 5% | 34.0 | 27.9 | 22% |
| PB Finland | 38.4 | 36.0 | 34.2 | 31.8 | 29.8 | 29% | 7% | 38.4 | 29.8 | 29% |
| PB Norway | 9.8 | 9.3 | 8.3 | 7.2 | 7.0 | 39% | 5% | 9.8 | 7.0 | 39% |
| PB Sweden | 32.1 | 29.5 | 27.5 | 24.7 | 23.1 | 39% | 9% | 32.1 | 23.1 | 39% |
| **Private Banking** | **114.2** | **107.2** | **100.8** | **92.7** | **87.8** | **30%** | **7%** | **114.2** | **87.8** | **30%** |
| | | | | | | | | | | |
| **Lending, EURbn** | | | | | | | | | | |
| PB Denmark | 3.8 | 3.8 | 3.7 | 3.6 | 3.5 | 10% | 1% | 3.8 | 3.5 | 10% |
| PB Finland | 2.5 | 2.3 | 2.3 | 2.2 | 2.1 | 14% | 5% | 2.5 | 2.1 | 14% |
| PB Norway | 1.7 | 1.5 | 1.4 | 1.3 | 1.2 | 38% | 7% | 1.7 | 1.2 | 38% |
| PB Sweden | 2.6 | 2.4 | 2.3 | 2.0 | 2.0 | 31% | 9% | 2.6 | 2.0 | 31% |
| **Private Banking** | **10.6** | **10.1** | **9.6** | **9.0** | **8.8** | **19%** | **5%** | **10.6** | **8.8** | **19%** |

## Life & Pension

| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Jan-Jun 21 | Jan-Jun 20 | Jan-Jun 21/20 |
|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | | |
| AuM, EURbn | 60.1 | 57.0 | 53.2 | 48.8 | 46.9 | 28% | 5% | 60.1 | 46.9 | 28% |
| Premiums | 2,081 | 1,919 | 1,852 | 1,098 | 1,102 | 89% | 8% | 4,001 | 2,746 | 46% |
| **Profit drivers** | | | | | | | | | | |
| Profit traditional products | 6 | 7 | 11 | 8 | 5 | 35% | -10% | 13 | 9 | 48% |
| Profit market return products | 66 | 63 | 54 | 53 | 51 | 28% | 5% | 129 | 107 | 20% |
| Profit risk products | 22 | 21 | 15 | 20 | 17 | 33% | 6% | 43 | 35 | 22% |
| **Total product result** | **94** | **91** | **81** | **81** | **73** | **30%** | **4%** | **185** | **151** | **22%** |

# Group Functions

## Introduction

In Group Functions we provide the four business areas with the services, subject matter expertise, data and technology infrastructure needed for Nordea to be a strong and personal financial partner. Group Functions consists of Group Business Support; Chief of Staff Office; Group Brand, Communication and Marketing; Group Risk and Compliance; Group People; Group Legal; Group Finance; and Group Internal Audit.

Together with the results of the business areas, the results of Group Functions add up to the reported result for the Group. The income primarily originates from Group Treasury. The majority of both costs and income are distributed to the business areas.

## Business development

In the second quarter we continued with initiatives to further consolidate Operations-related processes across the Group. This will enable more nearshoring and outsourcing, further increase operational efficiency and strengthen our focus on automation.

## Financial outcome

Total operating income amounted to EUR 44m, up from EUR 37m in the same quarter last year.

Net interest income decreased by EUR 11m, year on year, driven by tighter interbank and overnight spreads.

Net result from items at fair value increased by EUR 11m, year on year, driven by higher investment valuations in Treasury.

Total operating expenses amounted to EUR 111m, a year-on-year increase of EUR 65m, driven by higher provisions for variable pay and a write-down related to premises.

**Group Functions**

| | Q221 | Q121 | Q420 | Q320 | Q220 | Q2/Q2 | Q2/Q1 | Jan-Jun 21 | Jan-Jun 20 |
|---|---|---|---|---|---|---|---|---|---|
| **EURm** | | | | | | | | | |
| Net interest income | 9 | -4 | 7 | 10 | 20 | | | 5 | 28 |
| Net fee and commission income | -5 | -7 | -1 | -7 | -6 | | | -12 | -10 |
| Net result from items at fair value | 30 | 1 | 13 | 35 | 19 | | | 31 | -56 |
| Equity method & other income | 10 | -2 | 28 | 13 | 4 | | | 8 | 9 |
| **Total operating income** | **44** | **-12** | **47** | **51** | **37** | | | **32** | **-29** |
| **Total operating expenses** | **-111** | **-73** | **-154** | **-85** | **-46** | | | **-184** | **-121** |
| **Profit before loan losses** | **-67** | **-85** | **-107** | **-34** | **-9** | | | **-152** | **-150** |
| Net loan losses and similar net result | 3 | 1 | 6 | -1 | -4 | | | 4 | -6 |
| **Operating profit** | **-64** | **-84** | **-101** | **-35** | **-13** | | | **-148** | **-156** |
| Economic capital (EC) | 1,141 | 1,289 | 1,710 | 1,686 | 1,711 | | | 1,141 | 1,711 |
| Risk exposure amount (REA) | 12,130 | 13,486 | 15,434 | 13,790 | 14,080 | | | 12,130 | 14,080 |
| Number of employees (FTEs) | 11,973 | 12,136 | 12,165 | 12,159 | 12,019 | 0% | -1% | 11,973 | 12,019 |

# Income statement

| EURm | Note | Q2 2021 | Q2 2020 | Jan-Jun 2021 | Jan-Jun 2020 | Full year 2020 |
|---|---|---|---|---|---|---|
| **Operating income** | | | | | | |
| Interest income calculated using the effective interest rate method | | 1,227 | 1,359 | 2,536 | 2,916 | 5,536 |
| Other interest income | | 256 | 282 | 508 | 585 | 1,071 |
| Negative yield on financial assets | | -4 | -63 | -86 | -125 | -280 |
| Interest expense | | -330 | -549 | -717 | -1,288 | -2,013 |
| Negative yield on financial liabilities | | 83 | 62 | 203 | 112 | 201 |
| **Net interest income** | | **1,232** | **1,091** | **2,444** | **2,200** | **4,515** |
| Fee and commission income | | 1,130 | 892 | 2,188 | 1,878 | 3,856 |
| Fee and commission expense | | -252 | -219 | -483 | -440 | -897 |
| **Net fee and commission income** | 3 | **878** | **673** | **1,705** | **1,438** | **2,959** |
| Net result from items at fair value | 4 | 278 | 316 | 648 | 426 | 900 |
| Profit from associated undertakings and joint ventures accounted for under the equity method | | 3 | -10 | -11 | -12 | -1 |
| Other operating income | | 27 | 20 | 52 | 40 | 93 |
| **Total operating income** | | **2,418** | **2,090** | **4,838** | **4,092** | **8,466** |
| **Operating expenses** | | | | | | |
| General administrative expenses: | | | | | | |
| Staff costs | | -705 | -645 | -1,387 | -1,344 | -2,752 |
| Other expenses | 5 | -262 | -303 | -748 | -722 | -1,286 |
| Depreciation, amortisation and impairment charges of tangible and intangible assets | 6 | -164 | -140 | -315 | -270 | -605 |
| **Total operating expenses** | | **-1,131** | **-1,088** | **-2,450** | **-2,336** | **-4,643** |
| **Profit before loan losses** | | **1,287** | **1,002** | **2,388** | **1,756** | **3,823** |
| Net result on loans in hold portfolios mandatorily held at fair value | | 21 | 2 | 32 | 1 | 48 |
| Net loan losses | 7 | 30 | -698 | -33 | -852 | -908 |
| **Operating profit** | | **1,338** | **306** | **2,387** | **905** | **2,963** |
| Income tax expense | | -313 | -63 | -574 | -202 | -698 |
| **Net profit for the period** | | **1,025** | **243** | **1,813** | **703** | **2,265** |
| **Attributable to:** | | | | | | |
| Shareholders of Nordea Bank Abp | | 1,025 | 243 | 1,787 | 676 | 2,238 |
| Additional Tier 1 capital holders | | 0 | 0 | 26 | 27 | 27 |
| **Total** | | **1,025** | **243** | **1,813** | **703** | **2,265** |
| Basic earnings per share, EUR | | 0.25 | 0.06 | 0.44 | 0.17 | 0.55 |
| Diluted earnings per share, EUR | | 0.25 | 0.06 | 0.44 | 0.17 | 0.55 |

# Statement of comprehensive income

| EURm | Q2 2021 | Q2 2020 | Jan-Jun 2021 | Jan-Jun 2020 | Full year 2020 |
|---|---|---|---|---|---|
| **Net profit for the period** | **1,025** | **243** | **1,813** | **703** | **2,265** |
| **Items that may be reclassified subsequently to the income statement** | | | | | |
| Currency translation differences | -38 | 448 | 112 | -548 | -196 |
| *Hedging of net investments in foreign operations:* | | | | | |
| Valuation gains/losses | 16 | -302 | 17 | 321 | 117 |
| *Fair value through other comprehensive income:*[1] | | | | | |
| Valuation gains/losses, net of recycling | 13 | 69 | -12 | -44 | 55 |
| Tax on valuation gains/losses | -3 | -15 | 2 | 11 | -9 |
| *Cash flow hedges:* | | | | | |
| Valuation gains/losses, net of recycling | -10 | -16 | -51 | 26 | 21 |
| Tax on valuation gains/losses | 3 | 3 | 11 | -6 | -5 |
| **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 | -2 | -40 | -3 | -3 | -9 |
| Tax on valuation gains/losses | 0 | 9 | 0 | 2 | 3 |
| *Defined benefit plans:* | | | | | |
| Remeasurement of defined benefit plans | 47 | -126 | 245 | -231 | 22 |
| Tax on remeasurement of defined benefit plans | -10 | 20 | -48 | 46 | -4 |
| Other comprehensive income from companies accounted for under the equity method | 0 | 8 | 0 | 8 | -1 |
| Tax on other comprehensive income from companies accounted for under the equity method | 0 | -2 | 0 | -2 | 0 |
| **Other comprehensive income, net of tax** | **16** | **56** | **273** | **-420** | **-6** |
| **Total comprehensive income** | **1,041** | **299** | **2,086** | **283** | **2,259** |
| **Attributable to:** | | | | | |
| Shareholders of Nordea Bank Abp | 1,041 | 299 | 2,060 | 256 | 2,232 |
| Additional Tier 1 capital holders | 0 | 0 | 26 | 27 | 27 |
| **Total** | **1,041** | **299** | **2,086** | **283** | **2,259** |

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

# Balance sheet

| EURm | Note | 30 Jun 2021 | 31 Dec 2020 | 30 Jun 2020 |
|---|---|---|---|---|
| **Assets** | 9 | | | |
| Cash and balances with central banks | | 51,769 | 32,955 | 48,642 |
| Loans to central banks | 8 | 1,501 | 3,123 | 5,661 |
| Loans to credit institutions | 8 | 6,181 | 3,123 | 8,649 |
| Loans to the public | 8 | 338,410 | 329,765 | 328,023 |
| Interest-bearing securities | | 65,424 | 62,509 | 72,520 |
| Financial instruments pledged as collateral | | 1,792 | 3,795 | 6,448 |
| Shares | | 23,720 | 12,649 | 13,368 |
| Assets in pooled schemes and unit-linked investment contracts | | 42,795 | 36,484 | 29,854 |
| Derivatives | | 32,365 | 44,770 | 47,039 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | | 179 | 359 | 356 |
| Investments in associated undertakings and joint ventures | | 547 | 555 | 553 |
| Intangible assets | | 3,807 | 3,771 | 3,661 |
| Properties and equipment | | 1,809 | 1,931 | 1,945 |
| Investment properties | | 1,638 | 1,535 | 1,575 |
| Deferred tax assets | | 87 | 406 | 500 |
| Current tax assets | | 397 | 300 | 392 |
| Retirement benefit assets | | 337 | 144 | 91 |
| Other assets | | 13,270 | 13,349 | 17,282 |
| Prepaid expenses and accrued income | | 784 | 637 | 728 |
| **Total assets** | | **586,812** | **552,160** | **587,287** |
| | | | | |
| **Liabilities** | 9 | | | |
| Deposits by credit institutions | | 32,983 | 23,939 | 46,223 |
| Deposits and borrowings from the public | | 204,627 | 183,431 | 188,451 |
| Deposits in pooled schemes and unit-linked investment contracts | | 43,482 | 37,534 | 31,126 |
| Liabilities to policyholders | | 19,101 | 18,178 | 17,888 |
| Debt securities in issue | | 182,670 | 174,309 | 182,069 |
| Derivatives | | 32,470 | 47,033 | 49,749 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | | 1,659 | 2,608 | 3,081 |
| Current tax liabilities | | 110 | 305 | 146 |
| Other liabilities | | 25,048 | 21,341 | 25,359 |
| Accrued expenses and prepaid income | | 1,250 | 1,404 | 1,337 |
| Deferred tax liabilities | | 473 | 436 | 464 |
| Provisions | | 520 | 596 | 622 |
| Retirement benefit obligations | | 290 | 365 | 561 |
| Subordinated liabilities | | 6,601 | 6,941 | 8,452 |
| **Total liabilities** | | **551,284** | **518,420** | **555,528** |
| | | | | |
| **Equity** | | | | |
| Additional Tier 1 capital holders | | 749 | 748 | 750 |
| Non-controlling interests | | 9 | 9 | 22 |
| | | | | |
| Share capital | | 4,050 | 4,050 | 4,050 |
| Invested unrestricted equity | | 1,066 | 1,063 | 1,072 |
| Other reserves | | -1,794 | -2,067 | -2,488 |
| Retained earnings | | 31,448 | 29,937 | 28,353 |
| **Total equity** | | **35,528** | **33,740** | **31,759** |
| | | | | |
| **Total liabilities and equity** | | **586,812** | **552,160** | **587,287** |
| | | | | |
| **Off-balance sheet commitments** | | | | |
| Assets pledged as security for own liabilities | | 175,906 | 176,364 | 182,839 |
| Other assets pledged[1] | | 266 | 267 | 240 |
| Contingent liabilities | | 20,810 | 19,347 | 18,564 |
| Credit commitments[2] | | 90,713 | 88,791 | 85,443 |
| Other commitments | | 1,502 | 1,769 | 1,703 |

[1] Includes interest-bearing securities pledged as security for payment settlements with central banks and clearing institutions. From the third quarter of 2020 only securities pledged for overnight liquidity have been disclosed (securities pledged for intraday liquidity have been excluded). Comparative figures have been restated.

[2] Including unutilised portion of approved overdraft facilities of EUR 32,788m (31 December 2020: EUR 32,859m; 30 June 2020: EUR 32,720m).

# 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 as at 1 Jan 2021** | **4,050** | **1,063** | **-2,020** | **-10** | **91** | **-117** | **-11** | **29,937** | **32,983** | **748** | **9** | **33,740** |
| Net profit for the period | - | - | - | - | - | - | - | 1,787 | 1,787 | 26 | - | 1,813 |
| Other comprehensive income, net of tax | - | - | 129 | -40 | -10 | 197 | -3 | 0 | 273 | - | - | 273 |
| Total comprehensive income | - | - | 129 | -40 | -10 | 197 | -3 | 1,787 | 2,060 | 26 | - | 2,086 |
| Paid interest on AT1 capital | - | - | - | - | - | - | - | - | - | -26 | - | -26 |
| Change in additional AT1 capital | - | - | - | - | - | - | - | - | - | 1 | - | 1 |
| Share-based payments | - | - | - | - | - | - | - | 7 | 7 | - | - | 7 |
| Dividend 2020 | - | - | - | - | - | - | - | -283 | -283 | - | - | -283 |
| Divestment of own shares[2] | - | 3 | - | - | - | - | - | - | 3 | - | - | 3 |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | - | - | 0 | 0 |
| **Balance as at 30 Jun 2021** | **4,050** | **1,066** | **-1,891** | **-50** | **81** | **80** | **-14** | **31,448** | **34,770** | **749** | **9** | **35,528** |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 Jan 2020** | **4,050** | **1,080** | **-1,941** | **-26** | **45** | **-135** | **-5** | **27,672** | **30,740** | **748** | **40** | **31,528** |
| Net profit for the period | - | - | - | - | - | - | - | 2,238 | 2,238 | 27 | - | 2,265 |
| Other comprehensive income, net of tax | - | - | -79 | 16 | 46 | 18 | -6 | -1 | -6 | - | - | -6 |
| Total comprehensive income | - | - | -79 | 16 | 46 | 18 | -6 | 2,237 | 2,232 | 27 | - | 2,259 |
| Paid interest on AT1 capital | - | - | - | - | - | - | - | - | - | -27 | - | -27 |
| Change in additional AT1 capital | - | - | - | - | - | - | - | - | - | 0 | - | 0 |
| Share-based payments | - | - | - | - | - | - | - | 6 | 6 | - | - | 6 |
| Purchase of own shares[2] | - | -17 | - | - | - | - | - | - | -17 | - | - | -17 |
| Other changes | - | - | - | - | - | - | - | 22 | 22 | - | - | 22 |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | - | - | -31 | -31 |
| **Balance as at 31 Dec 2020** | **4,050** | **1,063** | **-2,020** | **-10** | **91** | **-117** | **-11** | **29,937** | **32,983** | **748** | **9** | **33,740** |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 Jan 2020** | **4,050** | **1,080** | **-1,941** | **-26** | **45** | **-135** | **-5** | **27,672** | **30,740** | **748** | **40** | **31,528** |
| Net profit for the period | - | - | - | - | - | - | - | 676 | 676 | 27 | - | 703 |
| Other comprehensive income, net of tax | - | - | -227 | 20 | -33 | -185 | -1 | 6 | -420 | - | - | -420 |
| Total comprehensive income | - | - | -227 | 20 | -33 | -185 | -1 | 682 | 256 | 27 | - | 283 |
| Paid interest on AT1 capital | - | - | - | - | - | - | - | - | - | -27 | - | -27 |
| Change in additional AT1 capital | - | - | - | - | - | - | - | - | - | 2 | - | 2 |
| Share-based payments | - | - | - | - | - | - | - | -1 | -1 | - | - | -1 |
| Purchase of own shares[2] | - | -8 | - | - | - | - | - | - | -8 | - | - | -8 |
| Change in non-controlling interests | - | - | - | - | - | - | - | - | - | - | -18 | -18 |
| **Balance as at 30 Jun 2020** | **4,050** | **1,072** | **-2,168** | **-6** | **12** | **-320** | **-6** | **28,353** | **30,987** | **750** | **22** | **31,759** |

[1] Total shares registered were 4,050 million (31 December 2020: 4,050 million; 30 June 2020: 4,050 million). The number of own shares was 10.6 million (31 December 2020: 11.9 million; 30 June 2020: 11.4 million), which represents 0.3% (31 December 2020: 0.3%; 30 June 2020: 0.3%) of the total shares in Nordea. Each share represents one voting right.

[2] Refers to the change in the holding of own shares related to treasury shares held for remuneration purposes and to the trading portfolio. The number of treasury shares held for remuneration purposes was 7.1 million (31 December 2020: 8.2 million; 30 June 2020: 8.2 million).

# Cash flow statement, condensed

| EURm | Jan-Jun 2021 | Jan-Jun 2020 | Full year 2020 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit | 2,387 | 905 | 2,963 |
| Adjustments for items not included in cash flow | 536 | 1,543 | 2,074 |
| Income taxes paid | -544 | -785 | -987 |
| **Cash flow from operating activities before changes in operating assets and liabilities** | **2,379** | **1,663** | **4,050** |
| Changes in operating assets and liabilities | 15,946 | 11,883 | -5,393 |
| **Cash flow from operating activities** | **18,325** | **13,546** | **-1,343** |
| **Investing activities** | | | |
| Acquisition/sale of business operations | 7 | - | -552 |
| Acquisition/sale of associated undertakings and joint ventures | - | - | 10 |
| Acquisition/sale of properties and equipment | -4 | -33 | -50 |
| Acquisition/sale of intangible assets | -185 | -214 | -418 |
| **Cash flow from investing activities** | **-182** | **-247** | **-1,010** |
| **Financing activities** | | | |
| Issued/amortised subordinated liabilities | -392 | -1,330 | -2,459 |
| Divestment/repurchase of own shares, including change in trading portfolio | 3 | -8 | -17 |
| Dividend paid | -283 | - | - |
| Paid interest on Additional Tier 1 capital | -26 | -27 | -27 |
| Amortisation of the principal part of lease liabilities | -71 | -72 | -143 |
| **Cash flow from financing activities** | **-769** | **-1,437** | **-2,646** |
| **Cash flow for the period** | **17,374** | **11,862** | **-4,999** |

| **Cash and cash equivalents**<br>EURm | 30 Jun 2021 | 30 Jun 2020 | 31 Dec 2020 |
|---|---|---|---|
| Cash and cash equivalents at beginning of the period | 36,203 | 41,164 | 41,164 |
| Translation difference | 173 | -94 | 38 |
| Cash and cash equivalents at end of the period | 53,750 | 52,932 | 36,203 |
| **Change** | **17,374** | **11,862** | **-4,999** |
| The following items are included in cash and cash equivalents: | | | |
| Cash and balances with central banks | 51,769 | 48,642 | 32,955 |
| Loans to central banks | 5 | 2,947 | 2,426 |
| Loans to credit institutions | 1,976 | 1,343 | 822 |
| **Total cash and cash equivalents** | **53,750** | **52,932** | **36,203** |

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

- the central bank or 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 prepared in accordance with International Accounting Standard (IAS) 34, “Interim Financial Reporting”, as endorsed by the European Union (EU).

The report includes a condensed set of financial statements and is to be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2020. The accounting policies and methods of computation are unchanged from Note G1 in the Annual Report 2020, except for those relating to the items presented in the section “Changed accounting policies and presentation” below. For more information, see Note G1 in the Annual Report 2020.

### Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea on 1 January 2021.

**Interest Rate Benchmark Reform – Phase 2**

In 2020 the International Accounting Standards Board (IASB) published amendments to International Financial Reporting Standard (IFRS) 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in “Interest Rate Benchmark Reform – Phase 2”. Phase 2 of the interbank offered rate (IBOR) reform includes three major areas: hedge accounting, modifications and disclosures. The amendments were implemented by Nordea on 1 January 2021. Hedge relationships in Nordea have been able to continue as before and no material modification gains or losses have been recognised.

The amendments clarify that hedge accounting does not have to be discontinued in the event that hedged items and hedging instruments are modified due to the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Any valuation adjustments resulting from the amendments are recognised as part of hedge ineffectiveness.

Modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis are not accounted for as modifications to instruments measured at amortised cost. For such modifications, the effective interest rate is amended in line with the modified cash flows.

**Other amendments**

The following amended standard issued by the IASB was implemented by Nordea on 1 January 2021, but has not had any significant impact on Nordea’s financial statements.

- Amendments to IFRS 4, “Insurance Contracts” – deferral of IFRS 9

### Changes in IFRS not yet applied

**IFRS 17, “Insurance contracts”**

The new standard IFRS 17, “Insurance contracts”, will change the accounting requirements for the recognition, measurement, presentation and disclosure of insurance contracts.

The measurement principles will change from a non-uniform accounting policy based on the local accounting policies in the life insurance subsidiaries to a uniform accounting policy based on three measurement models: the Building Block Approach (BBA), the Variable Fee Approach (VFA) and the Premium Allocation Approach (PAA). The model application depends on the terms of the contracts (long term, long term with a variable fee or short term). The three measurement models include consistent definitions of contractual cash flows, the risk adjustment margin and discounting. These definitions are based on principles similar to those for calculating technical provisions in the Solvency II capital requirements directive. 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 the contract is signed and approved.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The standard is not yet endorsed by the EU. Nordea does not currently intend to adopt the standard early. It is not yet possible to conclude on the impact of the new standard on Nordea’s financial statements or capital adequacy in the period of initial application.

**Amendments to IAS 12, “Income Taxes”: “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”**

In 2021 the IASB published amendments to IAS 12, “Income Taxes”, in “Deferred Tax related to Assets and Liabilities arising from Single Transaction”.

The amendments require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to taxable and deductible temporary differences of equal amounts. Such a requirement may apply on the initial recognition of a lease liability and the corresponding right-of-use asset at the commencement of a lease. The requirement also applies in the context of decommissioning, restoration and similar liabilities where the corresponding amounts are recognised as part of the cost of the related asset.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The standard is not yet endorsed by the EU and Nordea does not currently intend to adopt it early. The gross deferred tax assets and liabilities will be disclosed, but will be set off on the balance sheet if such requirements are met. Nordea’s current assessment is that the new standard will not have any significant impact on its capital adequacy in the period of initial application.

**Other amendments to IFRS**

Other amendments to IFRS are not assessed to have any significant impact on Nordea’s financial statements or capital adequacy in the period of their initial application.

## Critical judgements and estimation uncertainty

Nordea applied significant critical judgements in the preparation of this interim report due to significant uncertainty concerning the potential long-term impact of COVID-19 on its financial statements (see “Critical judgements emphasised by COVID 19” in section 4 of Note G1, “Accounting policies”, in the Annual Report 2020). More information on where critical judgements are generally applied and where estimation uncertainty exists can be found in section 4 of Note G1, “Accounting policies”, in the Annual Report 2020.

No impairment of goodwill was identified during the second quarter, but significant estimation uncertainty exists in relation to the long-term impact on Nordea’s financial statements and the impairment need will be continuously reassessed. Both an increase in the discount rate of 1 percentage point and a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such changes would not result in any impairment.

## Exchange rates

| | Jan-Jun 2021 | Jan-Dec 2020 | Jan-Jun 2020 |
|---|---|---|---|
| **EUR 1 = SEK** | | | |
| Income statement (average) | 10.1303 | 10.4889 | 10.6616 |
| Balance sheet (at end of period) | 10.1118 | 10.0220 | 10.4763 |
| **EUR 1 = DKK** | | | |
| Income statement (average) | 7.4368 | 7.4543 | 7.4648 |
| Balance sheet (at end of period) | 7.4361 | 7.4405 | 7.4527 |
| **EUR 1 = NOK** | | | |
| Income statement (average) | 10.1761 | 10.7291 | 10.7413 |
| Balance sheet (at end of period) | 10.1813 | 10.4703 | 10.8805 |
| **EUR 1 = RUB** | | | |
| Income statement (average) | 89.5212 | 82.6596 | 76.6952 |
| Balance sheet (at end of period) | 86.5411 | 90.8041 | 79.7526 |

## Note 2 Segment reporting

| Jan-Jun 2021 | Personal Banking | Business Banking | Large Corporates & Institutions | Asset & Wealth Management | Other operating segments | Total operating segments | Recon-ciliation | Total Group |
|---|---|---|---|---|---|---|---|---|
| Total operating income, EURm | 1,785 | 1,272 | 1,114 | 581 | 103 | 4,855 | -17 | **4,838** |
| - of which internal transactions[1] | -111 | -26 | -67 | -15 | 219 | 0 | - | **-** |
| Operating profit, EURm | 846 | 688 | 637 | 338 | 87 | 2,596 | -209 | **2,387** |
| Loans to the public[2], EURbn | 164 | 93 | 43 | 10 | 0 | 310 | 28 | **338** |
| Deposits and borrowings from the public, EURbn | 84 | 53 | 46 | 11 | 0 | 194 | 11 | **205** |

| Jan-Jun 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total operating income, EURm | 1,672 | 1,130 | 878 | 489 | -23 | 4,146 | -54 | **4,092** |
| - of which internal transactions[1] | -262 | -120 | -183 | -9 | 574 | 0 | - | **-** |
| Operating profit, EURm | 473 | 242 | 136 | 227 | -23 | 1,055 | -150 | **905** |
| Loans to the public[2], EURbn | 156 | 86 | 50 | 9 | 0 | 301 | 27 | **328** |
| Deposits and borrowings from the public, EURbn | 80 | 48 | 41 | 11 | 0 | 180 | 8 | **188** |

[1] IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined intersegment revenues as internal interest related to the funding of the reportable operating segments by the internal bank in Group Finance, included in "Other operating segments".

[2] The volumes are only disclosed separately for operating segments if separately reported to the Chief Operating Decision-Maker.

## 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 | | 30 Jun | | 30 Jun | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Total operating segments | 2,596 | 1,055 | 310 | 301 | 194 | 180 |
| Group Functions[1] | -10 | -112 | - | - | - | - |
| Unallocated items | -228 | -24 | 23 | 31 | 9 | 10 |
| Differences in accounting policies[2] | 29 | -14 | 5 | -4 | 2 | -2 |
| **Total** | **2,387** | **905** | **338** | **328** | **205** | **188** |

[1] Consists of Group Business Support, Group Internal Audit, Chief of Staff Office, Group People, Group Legal and Group Risk & Compliance.

[2] Impact from plan exchange rates 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 the Chief Executive Officer, who is supported by the other members of the Group Leadership Team. The main difference compared with the section "Business areas" in this report is that the information in Note 2 is prepared using plan exchange rates, as this is the basis used in the reporting to the CODM.

Financial results are presented for the main business areas Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management. These are identified as reportable operating segments and are reported separately, as they are above the quantitative thresholds in IFRS 8. Other operating segments below the thresholds are included in Other operating segments. Group Functions (and eliminations), as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

There have been no changes in the basis of segmentation during the year.

## Note 3 Net fee and commission income

| EURm | Q2 2021 | Q1 2021 | Q2 2020 | Jan-Jun 2021 | Jan-Jun 2020 | Full year 2020 |
|---|---|---|---|---|---|---|
| Asset management commissions | 441 | 416 | 340 | 857 | 699 | 1,469 |
| Life and pension commissions | 68 | 64 | 61 | 132 | 129 | 263 |
| Deposit products | 6 | 6 | 6 | 12 | 13 | 27 |
| Brokerage, securities issues and corporate finance | 88 | 77 | 34 | 165 | 98 | 204 |
| Custody and issuer services | 15 | 0 | 10 | 15 | 15 | 34 |
| Payments | 73 | 80 | 69 | 153 | 146 | 280 |
| Cards | 42 | 35 | 36 | 77 | 83 | 168 |
| Lending products | 121 | 121 | 98 | 242 | 203 | 424 |
| Guarantees | 23 | 25 | 21 | 48 | 43 | 89 |
| Other | 1 | 3 | -2 | 4 | 9 | 1 |
| **Total** | **878** | **827** | **673** | **1,705** | **1,438** | **2,959** |

### Breakdown
**Jan-Jun 2021**

| EURm | Personal Banking | Business Banking | Large Corporates & Institutions | Asset & Wealth Manage-ment | Other operating segments | Other and elimination | Nordea Group |
|---|---|---|---|---|---|---|---|
| Asset management commissions | 316 | 52 | 2 | 487 | 0 | 0 | 857 |
| Life and pension commissions | 109 | 42 | 2 | -21 | 0 | 0 | 132 |
| Deposit products | 3 | 9 | 0 | 0 | 0 | 0 | 12 |
| Brokerage, securities issues and corporate finance | 10 | 27 | 118 | 19 | 0 | -9 | 165 |
| Custody and issuer services | 1 | 2 | 10 | 2 | -3 | 3 | 15 |
| Payments | 35 | 82 | 37 | 1 | 0 | -2 | 153 |
| Cards | 65 | 9 | 3 | 0 | 0 | 0 | 77 |
| Lending products | 63 | 82 | 93 | 3 | 1 | 0 | 242 |
| Guarantees | 4 | 13 | 30 | 0 | 1 | 0 | 48 |
| Other | 7 | 7 | 5 | -12 | -3 | 0 | 4 |
| **Total** | **613** | **325** | **300** | **479** | **-4** | **-8** | **1,705** |

### Breakdown
**Jan-Jun 2020**

| EURm | Personal Banking | Business Banking | Large Corporates & Institutions | Asset & Wealth Manage-ment | Other operating segments | Other and elimination | Nordea Group |
|---|---|---|---|---|---|---|---|
| Asset management commissions | 273 | 46 | 3 | 377 | 0 | 0 | 699 |
| Life and pension commissions | 93 | 34 | 2 | 0 | 0 | 0 | 129 |
| Deposit products | 3 | 10 | 0 | 0 | 0 | 0 | 13 |
| Brokerage, securities issues and corporate finance | 10 | 15 | 63 | 18 | 0 | -8 | 98 |
| Custody and issuer services | 2 | 2 | 11 | 2 | -2 | 0 | 15 |
| Payments | 34 | 79 | 33 | 0 | 0 | 0 | 146 |
| Cards | 71 | 9 | 3 | 0 | 0 | 0 | 83 |
| Lending products | 60 | 63 | 76 | 1 | 3 | 0 | 203 |
| Guarantees | 4 | 12 | 27 | 0 | 0 | 0 | 43 |
| Other | 12 | 5 | 7 | -12 | -3 | 0 | 9 |
| **Total** | **562** | **275** | **225** | **386** | **-2** | **-8** | **1,438** |

## Note 4 Net result from items at fair value

| EURm | Q2 2021 | Q1 2021 | Q2 2020 | Jan-Jun 2021 | Jan-Jun 2020 | Full year 2020 |
|---|---|---|---|---|---|---|
| Equity-related instruments | 183 | 189 | 150 | 372 | 75 | 177 |
| Interest-related instruments and foreign exchange gains/losses | 80 | 102 | 157 | 182 | 638 | 667 |
| Other financial instruments (including credit and commodities) | -11 | 52 | -12 | 41 | -334 | -24 |
| Life & Pension[1] | 26 | 27 | 21 | 53 | 47 | 80 |
| **Total** | **278** | **370** | **316** | **648** | **426** | **900** |

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

### Breakdown of Life & Pension

| EURm | Q2 2021 | Q1 2021 | Q2 2020 | Jan-Jun 2021 | Jan-Jun 2020 | Full year 2020 |
|---|---|---|---|---|---|---|
| Equity-related instruments | 448 | 544 | 735 | 992 | -491 | 397 |
| Interest-related instruments and foreign exchange gains/losses | 38 | -34 | 147 | 4 | 56 | 271 |
| Investment properties | 47 | 66 | 18 | 113 | 29 | 94 |
| Change in technical provisions[1] | -319 | -180 | -704 | -499 | -20 | -792 |
| Change in collective bonus potential | -202 | -381 | -189 | -583 | 448 | 60 |
| Insurance risk income | 19 | 17 | 16 | 36 | 32 | 64 |
| Insurance risk expense | -5 | -5 | -2 | -10 | -7 | -14 |
| **Total** | **26** | **27** | **21** | **53** | **47** | **80** |

[1] Premium income amounts to EUR 70m for the second quarter of 2021 and EUR 165m for January-June 2021 (Second quarter of 2020: EUR 29m; January-June 2020: EUR 100m).

## Note 5 Other expenses

| EURm | Q2 2021 | Q1 2021 | Q2 2020 | Jan-Jun 2021 | Jan-Jun 2020 | Full year 2020 |
|---|---|---|---|---|---|---|
| Information technology | -122 | -124 | -122 | -246 | -242 | -490 |
| Marketing and representation | -12 | -7 | -8 | -19 | -17 | -46 |
| Postage, transportation, telephone and office expenses | -13 | -14 | -13 | -27 | -28 | -57 |
| Rents, premises and real estate | -27 | -26 | -34 | -53 | -61 | -128 |
| Resolution fee | - | -224 | -49 | -224 | -202 | -202 |
| Other | -88 | -91 | -77 | -179 | -172 | -363 |
| **Total** | **-262** | **-486** | **-303** | **-748** | **-722** | **-1,286** |

## Note 6 Depreciation, amortisation and impairment charges of tangible and intangible assets

| EURm | Q2 2021 | Q1 2021 | Q2 2020 | Jan-Jun 2021 | Jan-Jun 2020 | Full year 2020 |
|---|---|---|---|---|---|---|
| **Depreciation/amortisation** | | | | | | |
| Properties and equipment | -62 | -63 | -64 | -125 | -131 | -255 |
| Intangible assets | -89 | -86 | -76 | -175 | -134 | -298 |
| **Total** | **-151** | **-149** | **-140** | **-300** | **-265** | **-553** |
| **Impairment charges** | | | | | | |
| Properties and equipment | -13 | -2 | 0 | -15 | 0 | -7 |
| Intangible assets | 0 | 0 | 0 | 0 | -5 | -45 |
| **Total** | **-13** | **-2** | **0** | **-15** | **-5** | **-52** |
| **Total** | **-164** | **-151** | **-140** | **-315** | **-270** | **-605** |

## Note 7 Net loan losses

| EURm | Q2 2021 | Q1 2021 | Q2 2020 | Jan-Jun 2021 | Jan-Jun 2020 | Full year 2020 |
|---|---|---|---|---|---|---|
| Net loan losses, stage 1 | 91 | -6 | -200 | 85 | -223 | -155 |
| Net loan losses, stage 2 | 44 | 16 | -201 | 60 | -188 | -200 |
| **Net loan losses, non-credit-impaired assets** | **135** | **10** | **-401** | **145** | **-411** | **-355** |
| **Stage 3, credit-impaired assets** | | | | | | |
| Net loan losses, individually assessed, collectively calculated | -58 | 10 | -80 | -48 | -167 | -127 |
| Realised loan losses | -145 | -102 | -125 | -247 | -194 | -573 |
| Decrease in provisions to cover realised loan losses | 73 | 64 | 90 | 137 | 128 | 377 |
| Recoveries on previous realised loan losses | 17 | 7 | 6 | 24 | 37 | 50 |
| Reimbursement right | 3 | 0 | 0 | 3 | -1 | 0 |
| New/increase in provisions | -89 | -211 | -253 | -300 | -420 | -601 |
| Reversals of provisions | 94 | 159 | 65 | 253 | 176 | 321 |
| **Net loan losses, credit-impaired assets** | **-105** | **-73** | **-297** | **-178** | **-441** | **-553** |
| **Net loan losses** | **30** | **-63** | **-698** | **-33** | **-852** | **-908** |

### Key ratios

| | Q2 2021 | Q1 2021 | Q2 2020 | Jan-Jun 2021 | Jan-Jun 2020 | Full year 2020 |
|---|---|---|---|---|---|---|
| Net loan loss ratio, amortised cost, bp | -5 | 10 | 115 | 3 | 70 | 35 |
| - of which stage 1 | -14 | 1 | 33 | -7 | 18 | 6 |
| - of which stage 2 | -7 | -3 | 33 | -5 | 15 | 8 |
| - of which stage 3 | 16 | 12 | 49 | 15 | 37 | 21 |

## Note 8 Loans and impairment

| | Total | | |
|---|---|---|---|
| | 30 Jun 2021 | 31 Dec 2020 | 30 Jun 2020 |
| **EURm** | | | |
| Loans measured at fair value | 82,122 | 74,616 | 90,938 |
| Loans measured at amortised cost, not impaired (stages 1 and 2) | 262,532 | 259,864 | 249,676 |
| Impaired loans (stage 3) | 3,750 | 3,979 | 4,421 |
| - of which servicing | 1,680 | 1,788 | 1,892 |
| - of which non-servicing | 2,070 | 2,191 | 2,529 |
| **Loans before allowances** | **348,404** | **338,459** | **345,036** |
| *- of which central banks and credit institutions* | *7,685* | *6,250* | *14,329* |
| Allowances for individually assessed impaired loans (stage 3) | -1,651 | -1,674 | -1,907 |
| - of which servicing | -696 | -760 | -760 |
| - of which non-servicing | -955 | -914 | -1,147 |
| Allowances for collectively assessed impaired loans (stages 1 and 2) | -661 | -774 | -796 |
| **Allowances** | **-2,312** | **-2,448** | **-2,703** |
| *- of which central banks and credit institutions* | *-3* | *-4* | *-18* |
| **Loans, carrying amount** | **346,092** | **336,011** | **342,333** |

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

| | 30 Jun 2021 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **EURm** | | | | |
| Loans to central banks, credit institutions and the public | 249,689 | 12,843 | 3,750 | 266,282 |
| Interest-bearing securities[1] | 36,522 | - | - | 36,522 |
| **Total** | **286,211** | **12,843** | **3,750** | **302,804** |

[1] Of which EUR 0m relates to the balance sheet item Financial instruments pledged as collateral.

| | 30 Jun 2020 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **EURm** | | | | |
| Loans to central banks, credit institutions and the public | 237,164 | 12,512 | 4,421 | 254,097 |
| Interest-bearing securities[1] | 37,782 | - | - | 37,782 |
| **Total** | **274,946** | **12,512** | **4,421** | **291,879** |

[1] Of which EUR 805m relates to the balance sheet item Financial instruments pledged as collateral.

### Allowances and provisions

| | 30 Jun 2021 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **EURm** | | | | |
| Loans to central banks, credit institutions and the public | -228 | -433 | -1,651 | -2,312 |
| Interest-bearing securities | -3 | -1 | - | -4 |
| Provisions for off-balance sheet items | -42 | -134 | -26 | -202 |
| **Total allowances and provisions** | **-273** | **-568** | **-1,677** | **-2,518** |

| | 30 Jun 2020 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **EURm** | | | | |
| Loans to central banks, credit institutions and the public | -328 | -468 | -1,907 | -2,703 |
| Interest-bearing securities | -2 | - | - | -2 |
| Provisions for off-balance sheet items | -85 | -131 | -32 | -248 |
| **Total allowances and provisions** | **-415** | **-599** | **-1,939** | **-2,953** |

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

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **EURm** | | | | |
| **Balance as at 1 Jan 2021** | **-284** | **-490** | **-1,674** | **-2,448** |
| Changes due to origination and acquisition | -38 | -9 | -4 | -51 |
| Transfer from stage 1 to stage 2 | 7 | -86 | - | -79 |
| Transfer from stage 1 to stage 3 | 0 | - | -6 | -6 |
| Transfer from stage 2 to stage 1 | -5 | 78 | - | 73 |
| Transfer from stage 2 to stage 3 | - | 21 | -113 | -92 |
| Transfer from stage 3 to stage 1 | -1 | - | 59 | 58 |
| Transfer from stage 3 to stage 2 | - | -4 | 13 | 9 |
| Changes due to change in credit risk (net) | 67 | 2 | -96 | -27 |
| Changes due to repayments and disposals | 28 | 56 | 49 | 133 |
| Write-off through decrease in allowance account | - | - | 135 | 135 |
| Translation differences | -2 | -1 | -14 | -17 |
| **Balance as at 30 Jun 2021** | **-228** | **-433** | **-1,651** | **-2,312** |

Note 8 Continued

| EURm | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Balance as at 1 Jan 2020** | **-153** | **-344** | **-1,686** | **-2,183** |
| Changes due to origination and acquisition | -43 | -4 | -4 | -51 |
| Transfer from stage 1 to stage 2 | 7 | -117 | - | -110 |
| Transfer from stage 1 to stage 3 | 1 | - | -86 | -85 |
| Transfer from stage 2 to stage 1 | -16 | 40 | - | 24 |
| Transfer from stage 2 to stage 3 | - | 15 | -44 | -29 |
| Transfer from stage 3 to stage 1 | -5 | - | 20 | 15 |
| Transfer from stage 3 to stage 2 | - | -21 | 13 | -8 |
| Changes due to change in credit risk (net) | -132 | -60 | -304 | -496 |
| Changes due to repayments and disposals | 9 | 15 | 20 | 44 |
| Write-off through decrease in allowance account | - | - | 124 | 124 |
| Translation differences | 4 | 8 | 40 | 52 |
| **Balance as at 30 Jun 2020** | **-328** | **-468** | **-1,907** | **-2,703** |

| **Key ratios**[1] | 30 Jun 2021 | 31 Dec 2020 | 30 Jun 2020 |
|---|---|---|---|
| Impairment rate (stage 3), gross, basis points | 141 | 151 | 174 |
| Impairment rate (stage 3), net, basis points | 79 | 87 | 99 |
| Total allowance rate (stages 1, 2 and 3), basis points | 87 | 93 | 106 |
| Allowances in relation to impaired loans (stage 3), % | 44 | 42 | 43 |
| Allowances in relation to loans in stages 1 and 2, basis points | 25 | 30 | 32 |

[1] For definitions, see Glossary.

## Forbearance

Forbearance refers to eased terms or restructuring of credit terms and conditions due to the borrower experiencing financial difficulties. The intention of granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of eased terms are changes to amortisation profile, repayment schedule and customer margin, or eased financial covenants. Forbearance is undertaken on an individual basis, according to internal guidelines, and followed by impairment testing. Forborne exposures can be performing or non-performing. Loan loss provisions are recognised if necessary. Customers with forbearance measures are transferred to stage 2, unless already identified as credit impaired (stage 3).

From March 2020 to October 2020 Nordea supported customers affected by the COVID-19 crisis by offering instalment-free periods. At the end of the second quarter of 2021 the carrying amount of loans on which Nordea had granted COVID-19-related instalment-free periods was EUR 17.2bn, of which 90.8% was classified as stage 1, 8.0% as stage 2 and 1.2% as stage 3 (EUR 18.6bn, of which 91.2% was classified as stage 1, 7.7% as stage 2 and 1.1% as stage 3 at the end of December 2020). Loans corresponding to EUR 8.0bn (of the aforementioned EUR 17.2bn) were still subject to instalment-free periods at the end of the quarter. The majority of the loans which still have COVID-19 instalment-free periods relate to the Swedish mortgage portfolio (due to regulatory requirements, the instalment-free periods on these loans can last until the end of August 2021). The instalment-free periods have thus expired on more than half of the total carrying amount of loans on which they were originally granted, and customers have returned to normal payment schedules.

## Sensitivities

The provisions are sensitive to rating migration even if staging triggers are not reached. The table below shows the impact on provisions of a one-notch downgrade on all exposures in the bank. It includes both the impact of the higher risk for all exposures and the impact of transferring exposures that reach the trigger from stage 1 to stage 2. It also includes the impact of exposures with one rating grade above default becoming default, which is estimated at EUR 154m (EUR 139m at the end of December 2020 and EUR 134m at the end of March 2021). This figure is based on calculations using the statistical model rather than individual estimates, as would be the case in reality for material defaulted loans.

| | 30 Jun 2021 | | 31 Dec 2020 | |
|---|---|---|---|---|
| EURm | Recognised provisions | Provisions if one notch downgrade | Recognised provisions | Provisions if one notch downgrade |
| Personal Banking | 438 | 546 | 492 | 646 |
| Business Banking | 1,203 | 1,275 | 1,307 | 1,447 |
| Large Corporates & Institutions | 869 | 879 | 874 | 950 |
| Other | 8 | 19 | 14 | 29 |
| **Group** | **2,518** | **2,719** | **2,687** | **3,072** |

## Note 8 Continued

### Forward-looking information

Forward-looking information is used both for assessing significant increases in credit risk and calculating expected credit losses. Nordea uses three macroeconomic scenarios: a baseline scenario, a favourable scenario and an adverse scenario. For the second quarter of 2021, the scenarios were weighted into the final expected credit losses (ECL) as follows: baseline 60%, adverse 20% and favourable 20% (baseline 50%, adverse 45% and favourable 5% at the end of both December 2020 and March 2021). The change in weighting reflects reduced uncertainty regarding the impact of the pandemic, reduced downside risks following progress in COVID-19 vaccination programmes, and the ongoing easing of restrictions in society and the economy.

The macroeconomic scenarios are provided by Group Risk and Compliance in Nordea, based on the Oxford Economics Model. The forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model has been built to give a good description of the historical relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years. For periods beyond, a long-term average is used in the ECL calculations.

The macroeconomic scenarios reflect Nordea’s view of how the COVID-19 virus and lockdowns will potentially impact the economic outlook. The scenarios also reflect the macroeconomic effects of government and central bank support measures. When developing the scenarios, Nordea took into account projections made by Nordic governments and central banks, Nordea Research and the European Central Bank’s macroeconomic forecasts for the euro area.

Economic projections from the Nordic central banks and the European Central Bank are used as a basis for the baseline scenario. Activity in the Nordic economies picked up strongly after the sharp fall in the spring of 2020, but higher COVID-19 infection rates and stricter containment measures held back the recovery at the beginning of 2021. In recent months infection rates have declined, the pace of vaccination has accelerated and society has begun to reopen. As a result, economic activity has picked up again, although some service industries remain under pressure. There is still substantial uncertainty surrounding the recovery ahead, but expansionary fiscal and monetary policy, high household savings and pent-up demand provide a sound basis for a sharp further increase in activity when the economies are less constrained by restrictions. Activity is expected to have recovered towards the end of 2021. Following strong housing market activity over the past year, the development of house prices is expected to become more subdued in the future.

At the end of the second quarter of 2021 adjustments to model-based allowances/provisions amounted to EUR 605m, including management judgements. The management judgements cover expected credit losses not yet covered by the IFRS 9 model. The cyclical reserve amounted to EUR 455m at the end of the second quarter of 2021 (EUR 455m at the end of the first quarter of 2021) and the reserve covering issues identified in the IFRS 9 model to be later covered in model updates (structural reserve) amounted to EUR 155m (EUR 195m at the end of the first quarter of 2021). The cyclical reserve was supported by additional portfolio modelling and was triggered by the substantial uncertainty in the macroeconomic development, as well as the need to account for future rating downgrades potentially underestimated by the IFRS 9 model through the updated macroeconomic scenarios.

The estimation was supported by the use of the internal stress testing model, adjusted for the impact of government support schemes. For the retail portfolio, the most important public sector actions have been the various forms of labour market support schemes, which have significantly decreased expected defaults and losses among households. Due to the wide scope of these schemes, Nordea decreased the modelled development of new defaults originally predicted by the internal stress testing models, leading to lower predicted loan losses. These models are based on historical observations and correlations. Thus, they do not replicate the impact of the current government support schemes.

With regard to the expected rating migration in the corporate portfolio, Nordea took into consideration the positive impact of the various government guarantee and support schemes, primarily addressing the liquidity shock caused by the lockdowns and quarantines. At the same time, additional negative rating migration was assumed for industries affected by COVID-19. This was based on an updated view of particularly sensitive industries (e.g. Retail trade, Accommodation and leisure, and Air transportation), and incorporated the main findings into the scenario projections.

The stress test model-based scenario simulations support the loan loss forecasts made by the business areas, and help Nordea ensure that its loan loss projections are appropriate.

## Note 8 Continued

### Scenarios and allowances/provisions

**30 Jun 2021**

| **Denmark** | | 2021 | 2022 | 2023 | Unweighted ECL EURm | Probability weight | Model-based allowances/ provisions EURm | Adjustments to model-based allowances/ provisions EURm | Individual allowances/ provisions EURm | Total allowances/ provisions EURm |
|---|---|---|---|---|---|---|---|---|---|---|
| Favourable scenario | GDP growth, % | 3.3 | 5.8 | 1.9 | 206 | 20% | | | | |
| | Unemployment, % | 4.0 | 3.1 | 3.1 | | | | | | |
| | Change in household consumption, % | 2.6 | 8.9 | 2.8 | | | | | | |
| | Change in house prices, % | 11.4 | 5.2 | 2.7 | | | | | | |
| Baseline scenario | GDP growth, % | 1.4 | 4.5 | 2.2 | 207 | 60% | 208 | 195 | 323 | 726 |
| | Unemployment, % | 4.4 | 4.3 | 4.1 | | | | | | |
| | Change in household consumption, % | 1.3 | 7.7 | 2.5 | | | | | | |
| | Change in house prices, % | 9.7 | 3.0 | 2.3 | | | | | | |
| Adverse scenario | GDP growth, % | -0.4 | 3.5 | 2.2 | 213 | 20% | | | | |
| | Unemployment, % | 6.3 | 6.2 | 6.0 | | | | | | |
| | Change in household consumption, % | 0 | 7.6 | 2.5 | | | | | | |
| | Change in house prices, % | 4.2 | -6.3 | -0.9 | | | | | | |
| **Finland** | | | | | | | | | | |
| Favourable scenario | GDP growth, % | 3.5 | 3.4 | 1.7 | 266 | 20% | | | | |
| | Unemployment, % | 8.1 | 7.4 | 7.0 | | | | | | |
| | Change in household consumption, % | 4.1 | 4.4 | 2.6 | | | | | | |
| | Change in house prices, % | 4.1 | 3.7 | 2.0 | | | | | | |
| Baseline scenario | GDP growth, % | 2.6 | 2.7 | 1.2 | 271 | 60% | 275 | 137 | 195 | 607 |
| | Unemployment, % | 8.3 | 7.7 | 7.4 | | | | | | |
| | Change in household consumption, % | 3.6 | 4.0 | 1.8 | | | | | | |
| | Change in house prices, % | 1.5 | 1.3 | 1.4 | | | | | | |
| Adverse scenario | GDP growth, % | -0.1 | 1.1 | 2.2 | 297 | 20% | | | | |
| | Unemployment, % | 10.0 | 9.2 | 8.5 | | | | | | |
| | Change in household consumption, % | 1.0 | 2.8 | 2.3 | | | | | | |
| | Change in house prices, % | 0 | -4.8 | -1.1 | | | | | | |
| **Norway** | | | | | | | | | | |
| Favourable scenario | GDP growth, % | 4.6 | 4.1 | 2.0 | 93 | 20% | | | | |
| | Unemployment, % | 4.1 | 2.8 | 2.6 | | | | | | |
| | Change in household consumption, % | 4.8 | 9.5 | 4.3 | | | | | | |
| | Change in house prices, % | 11.8 | 7.4 | 2.3 | | | | | | |
| Baseline scenario | GDP growth, % | 3.8 | 3.4 | 1.2 | 94 | 60% | 95 | 175 | 422 | 692 |
| | Unemployment, % | 4.2 | 3.2 | 3.2 | | | | | | |
| | Change in household consumption, % | 4.1 | 9.0 | 3.2 | | | | | | |
| | Change in house prices, % | 10.1 | 3.0 | 1.2 | | | | | | |
| Adverse scenario | GDP growth, % | 0.9 | 2.4 | 2.2 | 100 | 20% | | | | |
| | Unemployment, % | 5.4 | 4.8 | 4.6 | | | | | | |
| | Change in household consumption, % | 1.1 | 8.7 | 4.1 | | | | | | |
| | Change in house prices, % | 3.0 | -6.3 | -0.9 | | | | | | |
| **Sweden** | | | | | | | | | | |
| Favourable scenario | GDP growth, % | 4.4 | 4.8 | 2.1 | 85 | 20% | | | | |
| | Unemployment, % | 8.1 | 7.2 | 7.0 | | | | | | |
| | Change in household consumption, % | 5.2 | 5.6 | 2.7 | | | | | | |
| | Change in house prices, % | 10.9 | 4.1 | 2.0 | | | | | | |
| Baseline scenario | GDP growth, % | 3.6 | 3.7 | 2.3 | 87 | 60% | 89 | 92 | 93 | 274 |
| | Unemployment, % | 8.6 | 7.7 | 7.4 | | | | | | |
| | Change in household consumption, % | 4.7 | 4.7 | 2.5 | | | | | | |
| | Change in house prices, % | 9.0 | 1.5 | 1.7 | | | | | | |
| Adverse scenario | GDP growth, % | 0 | 2.8 | 3.0 | 98 | 20% | | | | |
| | Unemployment, % | 10.7 | 10.7 | 10.3 | | | | | | |
| | Change in household consumption, % | 0.8 | 3.9 | 2.3 | | | | | | |
| | Change in house prices, % | 3.9 | -10.1 | -3.4 | | | | | | |
| Non-Nordic | | | | | | | 2 | 6 | 211 | 219 |
| **Total** | | | | | | | **669** | **605** | **1,244** | **2,518** |

## Note 8 Continued

### Scenarios and allowances/provisions

**31 Dec 2020**

| Denmark | | 2021 | 2022 | 2023 | Unweighted ECL EURm | Probability weight | Model-based allowances/ provisions EURm | Adjustments to model-based allowances/ provisions EURm | Individual allowances/ provisions EURm | Total allowances/ provisions EURm |
|---|---|---|---|---|---|---|---|---|---|---|
| Favourable scenario | GDP growth, % | 4.7 | 2.4 | 1.9 | 244 | 5% | | | | |
| | Unemployment, % | 4.3 | 3.9 | 3.5 | | | | | | |
| | Change in household consumption, % | 6.3 | 2.5 | 2.0 | | | | | | |
| | Change in house prices, % | -0.6 | 0.3 | 2.4 | | | | | | |
| Baseline scenario | GDP growth, % | 3.0 | 2.5 | 2.5 | 251 | 50% | 262 | 195 | 395 | 852 |
| | Unemployment, % | 5.6 | 4.8 | 4.2 | | | | | | |
| | Change in household consumption, % | 5.0 | 1.7 | 1.8 | | | | | | |
| | Change in house prices, % | -2.6 | 0.6 | 2.7 | | | | | | |
| Adverse scenario | GDP growth, % | -0.5 | 3.6 | 4.0 | 277 | 45% | | | | |
| | Unemployment, % | 7.5 | 6.8 | 6.0 | | | | | | |
| | Change in household consumption, % | 3.1 | 2.0 | 3.0 | | | | | | |
| | Change in house prices, % | -5.6 | -4.6 | 2.6 | | | | | | |
| **Finland** | | | | | | | | | | |
| Favourable scenario | GDP growth, % | 3.5 | 2.4 | 1.8 | 191 | 5% | | | | |
| | Unemployment, % | 7.2 | 6.7 | 6.3 | | | | | | |
| | Change in household consumption, % | 4.3 | 2.8 | 2.7 | | | | | | |
| | Change in house prices, % | -0.9 | 1.3 | 2.3 | | | | | | |
| Baseline scenario | GDP growth, % | 2.5 | 2.0 | 2.2 | 201 | 50% | 217 | 159 | 262 | 638 |
| | Unemployment, % | 8.0 | 7.7 | 7.2 | | | | | | |
| | Change in household consumption, % | 3.8 | 1.9 | 2.5 | | | | | | |
| | Change in house prices, % | -2.5 | 1.4 | 2.5 | | | | | | |
| Adverse scenario | GDP growth, % | -2.3 | 3.4 | 3.3 | 237 | 45% | | | | |
| | Unemployment, % | 10.0 | 9.2 | 8.5 | | | | | | |
| | Change in household consumption, % | -0.2 | 3.1 | 2.8 | | | | | | |
| | Change in house prices, % | -5.2 | -5.5 | 2.5 | | | | | | |
| **Norway** | | | | | | | | | | |
| Favourable scenario | GDP growth, % | 2.9 | 3.2 | 2.8 | 65 | 5% | | | | |
| | Unemployment, % | 5.1 | 4.2 | 3.9 | | | | | | |
| | Change in household consumption, % | 4.3 | 2.6 | 2.8 | | | | | | |
| | Change in house prices, % | -1.0 | -0.3 | 2.5 | | | | | | |
| Baseline scenario | GDP growth, % | 1.9 | 3.3 | 2.9 | 67 | 50% | 72 | 213 | 347 | 632 |
| | Unemployment, % | 6.1 | 5.1 | 4.3 | | | | | | |
| | Change in household consumption, % | 3.6 | 2.5 | 2.3 | | | | | | |
| | Change in house prices, % | -3.2 | 0 | 3.0 | | | | | | |
| Adverse scenario | GDP growth, % | -0.7 | 3.1 | 3.7 | 78 | 45% | | | | |
| | Unemployment, % | 7.1 | 6.7 | 5.8 | | | | | | |
| | Change in household consumption, % | 2.2 | 2.4 | 2.8 | | | | | | |
| | Change in house prices, % | -10.5 | -9.3 | 3.2 | | | | | | |
| **Sweden** | | | | | | | | | | |
| Favourable scenario | GDP growth, % | 4.1 | 2.1 | 2.3 | 100 | 5% | | | | |
| | Unemployment, % | 8.3 | 7.7 | 6.8 | | | | | | |
| | Change in household consumption, % | 2.4 | 2.2 | 2.3 | | | | | | |
| | Change in house prices, % | -2.8 | -0.3 | 2.7 | | | | | | |
| Baseline scenario | GDP growth, % | 1.8 | 5.0 | 3.0 | 109 | 50% | 114 | 129 | 71 | 314 |
| | Unemployment, % | 10.0 | 8.1 | 7.3 | | | | | | |
| | Change in household consumption, % | 0.1 | 5.2 | 2.7 | | | | | | |
| | Change in house prices, % | -3.5 | -0.1 | 1.6 | | | | | | |
| Adverse scenario | GDP growth, % | -2.3 | 3.8 | 3.7 | 121 | 45% | | | | |
| | Unemployment, % | 11.5 | 11.1 | 10.2 | | | | | | |
| | Change in household consumption, % | -3.2 | 2.9 | 2.3 | | | | | | |
| | Change in house prices, % | -13.5 | -11.1 | 3.8 | | | | | | |
| Non-Nordic | | | | | | | 9 | 1 | 241 | 251 |
| **Total** | | | | | | | **674** | **697** | **1,316** | **2,687** |

## Note 8 Continued

### Loans to the public measured at amortised cost, broken down by sector and industry

**30 Jun 2021**

| | Gross | | | | Allowances | | | | Loans carrying amount | Net loan losses[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | | |
| Financial institutions | 13,135 | 315 | 88 | 13,538 | 11 | 18 | 37 | 66 | 13,472 | 18 |
| Agriculture | 3,224 | 200 | 148 | 3,573 | 5 | 11 | 84 | 101 | 3,473 | 4 |
| Crops, plantations and hunting | 1,007 | 86 | 42 | 1,135 | 2 | 5 | 23 | 30 | 1,105 | -1 |
| Animal husbandry | 674 | 97 | 103 | 875 | 2 | 6 | 60 | 67 | 808 | 2 |
| Fishing and aquaculture | 1,543 | 17 | 3 | 1,563 | 1 | 0 | 2 | 3 | 1,560 | 3 |
| Natural resources | 2,407 | 253 | 559 | 3,220 | 3 | 5 | 330 | 338 | 2,882 | 54 |
| Paper and forest products | 1,380 | 191 | 36 | 1,607 | 2 | 4 | 19 | 25 | 1,582 | 7 |
| Mining and supporting activities | 293 | 29 | 4 | 326 | 0 | 1 | 2 | 3 | 323 | 1 |
| Oil, gas and offshore | 734 | 34 | 519 | 1,287 | 0 | 0 | 309 | 310 | 977 | 45 |
| Consumer staples | 3,164 | 153 | 22 | 3,340 | 3 | 13 | 12 | 28 | 3,312 | 8 |
| Food processing and beverages | 1,326 | 89 | 6 | 1,421 | 1 | 5 | 4 | 11 | 1,411 | 1 |
| Household and personal products | 227 | 21 | 11 | 259 | 0 | 1 | 5 | 7 | 253 | 0 |
| Healthcare | 1,611 | 42 | 6 | 1,659 | 2 | 6 | 2 | 10 | 1,649 | 7 |
| Consumer discretionary and services | 6,594 | 1,059 | 302 | 7,955 | 9 | 45 | 185 | 239 | 7,716 | -91 |
| Consumer durables | 1,446 | 184 | 37 | 1,667 | 1 | 10 | 17 | 28 | 1,639 | 0 |
| Media and entertainment | 1,147 | 81 | 21 | 1,250 | 2 | 4 | 14 | 19 | 1,231 | 6 |
| Retail trade | 2,489 | 268 | 205 | 2,963 | 4 | 18 | 127 | 149 | 2,814 | -86 |
| Air transportation | 178 | 65 | 12 | 255 | 0 | 3 | 7 | 10 | 244 | -2 |
| Accommodation and leisure | 710 | 451 | 26 | 1,186 | 2 | 10 | 20 | 31 | 1,155 | -9 |
| Telecommunication services | 624 | 9 | 1 | 635 | 1 | 1 | 1 | 2 | 633 | 1 |
| Industrials | 26,847 | 2,547 | 590 | 29,984 | 47 | 109 | 286 | 441 | 29,542 | 58 |
| Materials | 1,201 | 178 | 46 | 1,425 | 1 | 5 | 16 | 22 | 1,404 | 53 |
| Capital goods | 2,560 | 387 | 96 | 3,043 | 3 | 13 | 42 | 58 | 2,985 | 0 |
| Commercial and professional services | 8,681 | 525 | 145 | 9,351 | 17 | 30 | 56 | 103 | 9,248 | 10 |
| Construction | 6,784 | 653 | 138 | 7,575 | 14 | 21 | 88 | 123 | 7,451 | -14 |
| Wholesale trade | 4,049 | 486 | 71 | 4,605 | 6 | 28 | 36 | 70 | 4,535 | 13 |
| Land transportation | 2,284 | 241 | 82 | 2,606 | 4 | 7 | 42 | 53 | 2,553 | -8 |
| IT services | 1,289 | 78 | 12 | 1,378 | 2 | 4 | 6 | 12 | 1,366 | 3 |
| Maritime | 5,542 | 458 | 593 | 6,592 | 8 | 8 | 242 | 258 | 6,335 | -17 |
| Ship building | 203 | 4 | 5 | 212 | 1 | 0 | 5 | 6 | 206 | 6 |
| Shipping | 5,098 | 452 | 587 | 6,137 | 6 | 8 | 237 | 251 | 5,886 | -23 |
| Maritime services | 241 | 2 | 0 | 243 | 0 | 0 | 0 | 1 | 243 | 0 |
| Utilities and public service | 5,227 | 129 | 34 | 5,390 | 3 | 4 | 20 | 27 | 5,364 | -2 |
| Utilities distribution | 2,471 | 54 | 29 | 2,553 | 1 | 2 | 17 | 20 | 2,533 | -5 |
| Power production | 1,872 | 24 | 1 | 1,897 | 1 | 1 | 0 | 2 | 1,895 | 2 |
| Public services | 885 | 51 | 4 | 940 | 1 | 2 | 3 | 5 | 935 | 1 |
| Real estate | 37,531 | 1,139 | 232 | 38,902 | 27 | 44 | 96 | 166 | 38,735 | 2 |
| Other industries and reimbursement rights | 508 | 161 | 9 | 678 | 8 | 1 | 1 | 10 | 669 | -1 |
| **Total Corporate** | **104,179** | **6,414** | **2,577** | **113,171** | **124** | **256** | **1,293** | **1,673** | **111,498** | **34** |
| Housing loans | 115,236 | 3,972 | 520 | 119,728 | 18 | 37 | 76 | 131 | 119,597 | -44 |
| Collateralised lending | 17,202 | 1,292 | 378 | 18,871 | 62 | 58 | 170 | 290 | 18,582 | 19 |
| Non-collateralised lending | 5,993 | 1,023 | 239 | 7,255 | 22 | 82 | 110 | 214 | 7,040 | 26 |
| **Household** | **138,430** | **6,287** | **1,137** | **145,854** | **102** | **177** | **356** | **635** | **145,219** | **0** |
| **Public sector** | **3,645** | **118** | **36** | **3,798** | **0** | **0** | **2** | **2** | **3,796** | **0** |
| **Lending to the public** | **246,255** | **12,819** | **3,750** | **262,824** | **226** | **433** | **1,651** | **2,310** | **260,514** | **33** |
| **Lending to central banks and credit institutions** | **3,434** | **24** | **0** | **3,458** | **2** | **0** | **0** | **2** | **3,456** | **0** |
| **Total** | **249,689** | **12,843** | **3,750** | **266,282** | **228** | **433** | **1,651** | **2,312** | **263,970** | **33** |

[1] The table shows net loan losses related to on- and off-balance sheet exposures for June 2021, year to date.

## Note 8 Continued

### Loans to the public measured at amortised cost, broken down by sector and industry

**31 Dec 2020**

| | Gross | | | | Allowances | | | | Loans carrying amount | Net loan losses[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| **EURm** | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | | |
| Financial institutions | 12,622 | 509 | 158 | 13,289 | 18 | 16 | 150 | 185 | 13,105 | -25 |
| Agriculture | 3,054 | 265 | 185 | 3,504 | 11 | 17 | 95 | 122 | 3,381 | -13 |
| Crops, plantations and hunting | 1,027 | 112 | 49 | 1,188 | 4 | 7 | 23 | 34 | 1,154 | -3 |
| Animal husbandry | 631 | 123 | 131 | 885 | 3 | 9 | 70 | 82 | 803 | -4 |
| Fishing and aquaculture | 1,396 | 30 | 5 | 1,431 | 4 | 0 | 2 | 7 | 1,424 | -5 |
| Natural resources | 2,673 | 188 | 564 | 3,425 | 5 | 4 | 282 | 291 | 3,134 | -126 |
| Paper and forest products | 1,612 | 132 | 36 | 1,780 | 3 | 4 | 21 | 28 | 1,752 | -15 |
| Mining and supporting activities | 330 | 22 | 4 | 356 | 0 | 0 | 2 | 3 | 353 | -1 |
| Oil, gas and offshore | 730 | 34 | 524 | 1,288 | 1 | 0 | 258 | 260 | 1,028 | -111 |
| Consumer staples | 2,821 | 219 | 27 | 3,067 | 5 | 20 | 15 | 40 | 3,027 | -25 |
| Food processing and beverages | 1,083 | 85 | 7 | 1,175 | 2 | 5 | 4 | 11 | 1,164 | -5 |
| Household and personal products | 165 | 59 | 11 | 235 | 1 | 2 | 5 | 8 | 227 | -5 |
| Healthcare | 1,572 | 75 | 10 | 1,657 | 2 | 13 | 5 | 21 | 1,636 | -15 |
| Consumer discretionary and services | 6,336 | 902 | 236 | 7,474 | 15 | 42 | 144 | 201 | 7,273 | -77 |
| Consumer durables | 973 | 197 | 61 | 1,231 | 1 | 9 | 41 | 51 | 1,180 | -26 |
| Media and entertainment | 1,409 | 79 | 34 | 1,522 | 2 | 4 | 25 | 31 | 1,492 | -13 |
| Retail trade | 2,386 | 367 | 93 | 2,846 | 5 | 23 | 46 | 75 | 2,771 | -21 |
| Air transportation | 167 | 33 | 14 | 214 | 0 | 1 | 9 | 10 | 204 | -2 |
| Accommodation and leisure | 751 | 216 | 32 | 998 | 2 | 5 | 22 | 29 | 969 | -20 |
| Telecommunication services | 651 | 9 | 1 | 662 | 4 | 0 | 0 | 5 | 657 | 6 |
| Industrials | 27,619 | 3,020 | 666 | 31,304 | 65 | 127 | 254 | 446 | 30,858 | -160 |
| Materials | 1,190 | 384 | 63 | 1,637 | 3 | 7 | 29 | 38 | 1,599 | 9 |
| Capital goods | 2,795 | 403 | 97 | 3,295 | 5 | 13 | 51 | 69 | 3,226 | -17 |
| Commercial and professional services | 10,031 | 605 | 189 | 10,825 | 26 | 30 | 0 | 56 | 10,768 | -28 |
| Construction | 6,138 | 628 | 139 | 6,905 | 16 | 26 | 92 | 133 | 6,772 | -56 |
| Wholesale trade | 4,234 | 556 | 85 | 4,874 | 9 | 35 | 43 | 86 | 4,788 | -41 |
| Land transportation | 2,125 | 338 | 81 | 2,544 | 4 | 11 | 31 | 46 | 2,498 | -19 |
| IT services | 1,106 | 106 | 12 | 1,224 | 3 | 6 | 9 | 18 | 1,207 | -7 |
| Maritime | 5,620 | 362 | 555 | 6,537 | 16 | 9 | 226 | 251 | 6,286 | -87 |
| Ship building | 129 | 4 | 7 | 140 | 0 | 0 | 7 | 7 | 133 | 2 |
| Shipping | 5,254 | 357 | 546 | 6,157 | 15 | 9 | 218 | 242 | 5,915 | -88 |
| Maritime services | 237 | 1 | 1 | 239 | 0 | 0 | 1 | 1 | 238 | 0 |
| Utilities and public service | 5,444 | 127 | 32 | 5,603 | 4 | 6 | 16 | 26 | 5,577 | -9 |
| Utilities distribution | 2,833 | 60 | 28 | 2,921 | 2 | 1 | 13 | 15 | 2,906 | -2 |
| Power production | 1,833 | 33 | 1 | 1,866 | 1 | 3 | 0 | 4 | 1,863 | -3 |
| Public services | 778 | 34 | 3 | 815 | 1 | 2 | 3 | 7 | 808 | -4 |
| Real estate | 36,515 | 1,570 | 253 | 38,338 | 32 | 33 | 111 | 177 | 38,161 | -81 |
| Other industries and reimbursement rights | 549 | 90 | 7 | 646 | 10 | 1 | 1 | 12 | 634 | 55 |
| **Total Corporate** | **103,253** | **7,249** | **2,684** | **113,186** | **181** | **274** | **1,295** | **1,750** | **111,436** | **-547** |
| Housing loans | 111,086 | 3,927 | 561 | 115,574 | 16 | 24 | 57 | 97 | 115,477 | -77 |
| Collateralised lending | 16,425 | 1,401 | 396 | 18,222 | 55 | 70 | 192 | 317 | 17,905 | -107 |
| Non-collateralised lending | 5,545 | 1,077 | 301 | 6,923 | 30 | 120 | 128 | 278 | 6,645 | -178 |
| **Household** | **133,056** | **6,404** | **1,258** | **140,719** | **101** | **214** | **377** | **692** | **140,027** | **-362** |
| **Public sector** | **5,363** | **129** | **37** | **5,529** | **0** | **0** | **2** | **2** | **5,526** | **0** |
| **Lending to the public** | **241,672** | **13,782** | **3,979** | **259,433** | **282** | **489** | **1,674** | **2,444** | **256,989** | **-908** |
| **Lending to central banks and credit institutions** | **4,352** | **58** | **0** | **4,409** | **3** | **1** | **0** | **4** | **4,405** | **0** |
| **Total** | **246,023** | **13,840** | **3,979** | **263,843** | **285** | **490** | **1,674** | **2,448** | **261,394** | **-908** |

[1] The table shows net loan losses related to on- and off-balance sheet exposures for the full year 2020.

## Note 9 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)** | **Fair value through other comprehensive income (FVOCI)** | **Total** |
| **Financial assets** | | | | | |
| Cash and balances with central banks | 51,769 | - | - | - | 51,769 |
| Loans to central banks | 900 | 601 | - | - | 1,501 |
| Loans to credit institutions | 2,556 | 3,625 | - | - | 6,181 |
| Loans to the public | 260,514 | 77,896 | - | - | 338,410 |
| Interest-bearing securities | 3,383 | 24,874 | 4,032 | 33,135 | 65,424 |
| Financial instruments pledged as collateral | - | 1,792 | - | - | 1,792 |
| Shares | - | 23,720 | - | - | 23,720 |
| Assets in pooled schemes and unit-linked investment contracts | - | 42,088 | 327 | - | 42,415 |
| Derivatives | - | 32,365 | - | - | 32,365 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 179 | - | - | - | 179 |
| Other assets | 2,915 | 9,742 | - | - | 12,657 |
| Prepaid expenses and accrued income | 337 | - | - | - | 337 |
| **Total 30 Jun 2021** | **322,553** | **216,703** | **4,359** | **33,135** | **576,750** |
| Total 31 Dec 2020 | 299,719 | 204,232 | 4,431 | 33,726 | 542,108 |

| | | Fair value through profit or loss (FVPL) | | |
|---|---|---|---|---|
| **EURm** | **Amortised cost (AC)** | **Mandatorily** | **Designated at fair value through profit or loss (fair value option)** | **Total** |
| **Financial liabilities** | | | | |
| Deposits by credit institutions | 25,009 | 7,974 | - | 32,983 |
| Deposits and borrowings from the public | 195,930 | 8,697 | - | 204,627 |
| Deposits in pooled schemes and unit-linked investment contracts | - | - | 43,482 | 43,482 |
| Liabilities to policyholders | - | - | 2,261 | 2,261 |
| Debt securities in issue | 127,353 | - | 55,317 | 182,670 |
| Derivatives | - | 32,470 | - | 32,470 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 1,659 | - | - | 1,659 |
| Other liabilities[1] | 6,211 | 17,080 | - | 23,291 |
| Accrued expenses and prepaid income | 238 | - | - | 238 |
| Subordinated liabilities | 6,601 | - | - | 6,601 |
| **Total 30 Jun 2021** | **363,001** | **66,221** | **101,060** | **530,282** |
| Total 31 Dec 2020 | 334,281 | 67,498 | 96,127 | 497,906 |

[1] Of which lease liabilities classified in the category Amortised cost EUR 1,170m.

## Note 10 Fair value of financial assets and liabilities

| | 30 Jun 2021 | | 31 Dec 2020 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **EURm** | | | | |
| **Financial assets** | | | | |
| Cash and balances with central banks | 51,769 | 51,769 | 32,955 | 32,955 |
| Loans | 346,271 | 349,519 | 336,370 | 344,038 |
| Interest-bearing securities | 65,424 | 65,609 | 62,509 | 62,764 |
| Financial instruments pledged as collateral | 1,792 | 1,792 | 3,795 | 3,795 |
| Shares | 23,720 | 23,720 | 12,649 | 12,649 |
| Assets in pooled schemes and unit-linked investment contracts | 42,415 | 42,415 | 36,123 | 36,123 |
| Derivatives | 32,365 | 32,365 | 44,770 | 44,770 |
| Other assets | 12,657 | 12,657 | 12,645 | 12,645 |
| Prepaid expenses and accrued income | 337 | 337 | 292 | 292 |
| **Total** | **576,750** | **580,183** | **542,108** | **550,031** |
| | | | | |
| **Financial liabilities** | | | | |
| Deposits and debt instruments | 428,540 | 429,140 | 391,228 | 392,214 |
| Deposits in pooled schemes and unit-linked investment contracts | 43,482 | 43,482 | 37,534 | 37,534 |
| Liabilities to policyholders | 2,261 | 2,261 | 2,386 | 2,386 |
| Derivatives | 32,470 | 32,470 | 47,033 | 47,033 |
| Other liabilities | 22,121 | 22,121 | 18,270 | 18,270 |
| Accrued expenses and prepaid income | 238 | 238 | 222 | 222 |
| **Total** | **529,112** | **529,712** | **496,673** | **497,659** |

The determination of fair value is described in the Annual Report 2020, Note G41, "Assets and liabilities at fair value".

## Note 11 Financial assets and liabilities held at fair value on the balance sheet

### Categorisation in the fair value hierarchy

| EURm | Quoted prices in active markets for the same instruments (Level 1) | *Of which Life & Pension* | Valuation technique using observable data (Level 2) | *Of which Life & Pension* | Valuation technique using non-observable data (Level 3) | *Of which Life & Pension* | Total |
|---|---|---|---|---|---|---|---|
| **Assets at fair value on the balance sheet[1]** | | | | | | | |
| Loans to central banks | - | - | 601 | - | - | - | 601 |
| Loans to credit institutions | - | - | 3,625 | - | - | - | 3,625 |
| Loans to the public | - | - | 77,896 | - | - | - | 77,896 |
| Interest-bearing securities[2] | 25,363 | *1,162* | 37,872 | *2,847* | 598 | *63* | 63,833 |
| Shares | 21,058 | *10,373* | 452 | *208* | 2,210 | *970* | 23,720 |
| Assets in pooled schemes and unit-linked investment contracts | 41,819 | *37,465* | 467 | *467* | 129 | *129* | 42,415 |
| Derivatives | 78 | - | 30,936 | *1* | 1,351 | - | 32,365 |
| Other assets | - | - | 9,711 | - | 31 | *30* | 9,742 |
| **Total 30 Jun 2021** | **88,318** | ***49,000*** | **161,560** | ***3,523*** | **4,319** | ***1,192*** | **254,197** |
| Total 31 Dec 2020 | 74,689 | *42,072* | 162,906 | *3,733* | 4,794 | *1,024* | 242,389 |
| **Liabilities at fair value on the balance sheet[1]** | | | | | | | |
| Deposits by credit institutions | - | - | 7,974 | - | - | - | 7,974 |
| Deposits and borrowings from the public | - | - | 8,697 | - | - | - | 8,697 |
| Deposits in pooled schemes and unit-linked investment contracts | - | - | 43,482 | *39,137* | - | - | 43,482 |
| Liabilities to policyholders | - | - | 2,261 | *2,261* | - | - | 2,261 |
| Debt securities in issue | 41,290 | - | 12,479 | - | 1,548 | - | 55,317 |
| Derivatives | 102 | - | 31,207 | *42* | 1,161 | - | 32,470 |
| Other liabilities | 6,663 | - | 10,396 | - | 21 | - | 17,080 |
| **Total 30 Jun 2021** | **48,055** | **-** | **116,496** | ***41,440*** | **2,730** | **-** | **167,281** |
| Total 31 Dec 2020 | 50,870 | - | 109,333 | *35,501* | 3,422 | - | 163,625 |

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

[2] Of which EUR 1,792m relates to the balance sheet item Financial instruments pledged as collateral.

### Transfers between Levels 1 and 2

During the period Nordea transferred "Interest-bearing securities" (including such financial instruments pledged as collateral) of EUR 1,926m from Level 1 to Level 2 and of EUR 919m from Level 2 to Level 1 in the fair value hierarchy. Furthermore, Nordea transferred "Debt securities in issue" of EUR 7,369m from Level 1 to Level 2 and of EUR 3,797m from Level 2 to Level 1. Nordea also transferred "Other liabilities" of EUR 242m from Level 1 to Level 2 and of EUR 141m from Level 2 to Level 1. The transfers from Level 1 to Level 2 were due to the instruments ceasing to be actively traded during the period, which meant that fair values were obtained using valuation techniques with observable market inputs. The transfers from Level 2 to Level 1 were due to the instruments again being actively traded during the period, which meant that reliable quoted prices were obtained in the market. Transfers between levels are considered to have occurred at the end of the reporting period.

## Note 11 Continued

### Movements in Level 3

| | | Fair value gains/losses recognised in the income statement during the year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 Jan | Realised | Unrealised | Recognised in OCI | Purchases/ Issues | Sales | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Translation differences | 30 Jun |
| **EURm** | | | | | | | | | | | |
| Interest-bearing securities | 931 | -20 | -72 | - | 112 | -40 | 21 | 119 | -460 | 7 | 598 |
| *- of which Life & Pension* | *67* | *-* | *-7* | *-* | *-* | *-2* | *-* | *53* | *-50* | *2* | *63* |
| Shares | 1,969 | 187 | 80 | - | 178 | -148 | -15 | - | - | -41 | 2,210 |
| *- of which Life & Pension* | *835* | *45* | *66* | *-* | *84* | *-49* | *-15* | *-* | *-* | *4* | *970* |
| Assets in pooled schemes and unit-linked investment contracts | 92 | 11 | 19 | - | 15 | -12 | -1 | 10 | -5 | - | 129 |
| *- of which Life & Pension* | *92* | *11* | *19* | *-* | *15* | *-12* | *-1* | *10* | *-5* | *-* | *129* |
| Derivatives (net) | 162 | 22 | -45 | - | - | - | -22 | - | 72 | 1 | 190 |
| Other assets | 31 | - | - | - | - | - | - | - | - | - | 31 |
| *- of which Life & Pension* | *30* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *30* |
| Debt securities in issue | 1,781 | 696 | -816 | -3 | 529 | - | -169 | 64 | -534 | - | 1,548 |
| Other liabilities | 32 | - | -1 | - | 20 | -30 | - | - | - | - | 21 |
| **Total 2021, net** | **1,372** | **-496** | **799** | **3** | **-244** | **-170** | **152** | **65** | **141** | **-33** | **1,589** |
| Total 2020, net | 237 | -290 | 308 | 1 | 396 | -160 | 561 | -63 | -17 | -85 | 888 |

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. The transfers out of Level 3 were due to observable market data becoming available. The transfer into Level 3 were due to that the observable market data no longer being 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.

**Valuation processes for fair value measurements in Level 3**

For information about the valuation processes for fair value measurement in Level 3, see the Annual Report 2020, Note G41, "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 the fact 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 2020, 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. The table also shows a reconciliation of how this aggregated difference changed during the period (movement of deferred Day 1 profit).

**Deferred Day 1 profit – derivatives, net**

| | 2021 | 2020 |
|---|---|---|
| **EURm** | | |
| Opening balance as at 1 Jan | 73 | 125 |
| Deferred profit on new transactions | 30 | 63 |
| Recognised in the income statement during the period[1] | -27 | -107 |
| **Closing balance as at 30 Jun** | **76** | **81** |

[1] Of which EUR -4m (EUR -9m) due to transfers of derivatives from Level 3 to Level 2.

## Note 11 Continued

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

| | Fair value | *Of which Life & Pension*[1] | Valuation techniques | Unobservable input | Range of fair value[4] |
|---|---|---|---|---|---|
| **EURm** | | | | | |
| **Interest-bearing securities** | | | | | |
| Public bodies | 41 | - | Discounted cash flows | Credit spread | -4/4 |
| Mortgage and other credit institutions | 380 | *58* | Discounted cash flows | Credit spread | -33/33 |
| Corporates[2] | 177 | *5* | Discounted cash flows | Credit spread | -17/17 |
| **Total 30 Jun 2021** | **598** | ***63*** | | | **-54/54** |
| Total 31 Dec 2020 | 931 | *67* | | | -88/88 |
| **Shares** | | | | | |
| Private equity funds | 1,093 | *562* | Net asset value[3] | | -121/121 |
| Hedge funds | 75 | *74* | Net asset value[3] | | -7/7 |
| Credit funds | 511 | *168* | Net asset value/market consensus[3] | | -44/44 |
| Other funds | 242 | *165* | Net asset value/Fund prices[3] | | -20/20 |
| Other[5] | 418 | *130* | - | | -43/43 |
| **Total 30 Jun 2021** | **2,339** | ***1,099*** | | | **-235/235** |
| Total 31 Dec 2020 | 2,061 | *927* | | | -199/199 |
| **Derivatives, net** | | | | | |
| Interest rate derivatives | 253 | - | Option model | Correlations<br>Volatilities | -9/9 |
| Equity derivatives | -76 | - | Option model | Correlations<br>Volatilities<br>Dividends | -10/5 |
| Foreign exchange derivatives | 22 | - | Option model | Correlations<br>Volatilities | 0/0 |
| Credit derivatives | -11 | - | Credit derivative model | Correlations<br>Volatilities<br>Recovery rates | -23/22 |
| Other | 2 | - | Option model | Correlations<br>Volatilities | -0/0 |
| **Total 30 Jun 2021** | **190** | **-** | | | **-42/36** |
| Total 31 Dec 2020 | 162 | - | | | -52/55 |
| **Debt securities in issue** | | | | | |
| Issued structured bonds | 1,548 | - | Credit derivative model | Correlations<br>Recovery rates<br>Volatilities | -7/7 |
| **Total 30 Jun 2021** | **1,548** | **-** | | | **-7/7** |
| Total 31 Dec 2020 | 1,781 | - | | | -7/7 |
| **Other, net** | | | | | |
| Other assets and other liabilities, net | 10 | *30* | - | - | -2/2 |
| **Total 30 Jun 2021** | **10** | ***30*** | | | **-2/2** |
| Total 31 Dec 2020 | -1 | *30* | | | -1/1 |

[1] Investments in financial instruments are 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 consequently do not affect Nordea's equity.

[2] Of which EUR 155m is priced at a credit spread (the difference between the discount rate and the LIBOR) of 1.45%. A reasonable change in 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 provided by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in the 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 EVCA). Approximately 50% of the private equity fund investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are in a range of 3% to 100% compared with 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 2020, Note G41, "Assets and liabilities at fair value".

[5] Of which EUR 129m related to assets in pooled schemes and unit-linked investment contracts.

## 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. The supervisory and governmental authorities administering and enforcing these regimes make regular enquiries and conduct investigations with regard to Nordea's compliance. Areas subject to investigation include investment advice, anti-money laundering (AML), trade regulation and sanctions adherence, external tax rules, competition law, and governance and control. The outcome and timing of these enquiries and investigations are unclear and pending. Accordingly, it cannot be ruled out that these enquiries and investigations could lead to criticism against the bank, reputation loss, fines, sanctions, disputes and/or litigation.

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

There is a risk that, in the event the authorities issue fines, these could be higher (or potentially lower) than the current provision, and that this could also impact Nordea's financial performance. In addition, some of these proceedings could lead to litigation. Given this uncertainty, Nordea will maintain the level of provision for ongoing AML-related matters while continuing the dialogue with the Danish Authorities regarding their allegations concerning historical AML weaknesses.

Nordea has made significant investments to address the deficiencies highlighted by the investigations. Among other actions, Nordea established in 2015 the Financial Crime Change Programme, and has strengthened its organisation significantly to enhance its AML and sanction management risk frameworks. Nordea also established the Sustainability and Ethics Committee and a culture transformation programme to embed stronger ethical standards into its corporate culture. The Group is also investing in enhanced compliance standards, processes and resources in both the first and second lines of defence.

Within the framework of normal business operations, Nordea faces a number of claims related to the provision of banking and investment services and other areas in which it operates. Some of these claims have led or could lead to disputes and/or litigation. Currently, such claims are mainly related to lending and insolvency situations, various investment services, and sub-custody and withholding taxation matters. At present, none of the current claims are considered likely to have any significant adverse effect on Nordea or its financial position.

There are significant risks caused by the COVID-19 pandemic given the uncertainty of the economic impact on the markets in which Nordea operates. Depending on future developments, potential adverse impacts on income could arise due to lower net interest income, market volatility and reduced business activity impacting transaction volumes and customer activity. Potential future credit risks are addressed in Note 8 and the section "Net loan losses and similar net result". Depending on the duration and magnitude of the situation, there is a possibility that Nordea will not be able to meet its financial targets in very adverse scenarios.

# Glossary

### Allowances in relation to credit-impaired loans (stage 3)

Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.

### Allowances in relation to loans in stages 1 and 2

Allowances for non-impaired loans (stages 1 and 2) divided by non-impaired loans measured at amortised cost (stages 1 and 2) before allowances.

### Economic capital

Economic capital is Nordea's internal estimate of required capital. It measures the capital required to cover unexpected losses in the course of Nordea's business with a certain probability. Economic capital uses advanced internal models to provide a consistent measurement for credit risk, market risk, operational risk, business risk and life insurance risk arising from activities in Nordea's various business areas. The aggregation of risks across the Group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

### Impairment rate (stage 3), gross

Impaired loans (stage 3) before allowances divided by total loans measured at amortised cost before allowances.

### Impairment rate (stage 3), net

Impaired loans (stage 3) after allowances divided by total loans measured at amortised cost before allowances.

### Net loan loss ratio, amortised cost

Net loan losses (annualised) divided by the quarterly closing balance of the carrying amount of loans to the public (lending) measured at amortised cost.

### Return on capital at risk

Return on capital at risk (ROCAR) is defined as net profit excluding items affecting comparability as a percentage of economic capital. For the business areas it is defined as operating profit after standard tax as a percentage of economic capital.

### Return on capital at risk with amortised resolution fees

ROCAR with amortised resolution fees is defined as net profit adjusted for the effect of resolution fees on an amortised basis after tax and excluding items affecting comparability as a percentage of economic capital. For the business areas it is defined as operating profit adjusted for the effect of resolution fees on an amortised basis after standard tax as a percentage of economic capital.

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

### 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 classified as a financial liability in the calculation. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued), 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.

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

### Tier 1 capital

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

### Tier 1 capital ratio

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

### Total allowance rate (stages 1, 2 and 3)

Total allowances divided by total loans measured at amortised cost before allowances.

For a list of further alternative performance measures and business definitions, please see https://www.nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports/ and the Annual Report 2020.

# Nordea Bank Abp

# Income statement

| EURm | Q2 2021 | Q2 2020 | Jan-Jun 2021 | Jan-Jun 2020 | Jan-Dec 2020 |
|---|---|---|---|---|---|
| **Operating income** | | | | | |
| Interest income | 820 | 993 | 1,750 | 2,168 | 3,906 |
| Interest expense | -152 | -353 | -425 | -892 | -1,390 |
| **Net interest income** | **668** | **640** | **1,325** | **1,276** | **2,516** |
| Fee and commission income | 635 | 509 | 1,232 | 1,095 | 2,223 |
| Fee and commission expense | -131 | -132 | -257 | -268 | -525 |
| **Net fee and commission income** | **504** | **377** | **975** | **827** | **1,698** |
| Net result from securities trading and foreign exchange dealing | 287 | 271 | 663 | 348 | 785 |
| Net result from securities at fair value through fair value reserve | -29 | -3 | -20 | 9 | 13 |
| Net result from hedge accounting | -3 | -1 | 1 | 6 | -8 |
| Net result from investment properties | 0 | 0 | 0 | 0 | 0 |
| Income from equity investments | 5 | 353 | 467 | 706 | 1,681 |
| Other operating income[1] | 370 | 115 | 481 | 220 | 483 |
| **Total operating income** | **1,802** | **1,752** | **3,892** | **3,392** | **7,168** |
| **Operating expenses** | | | | | |
| Staff costs | -585 | -542 | -1,147 | -1,125 | -2,285 |
| Other administrative expenses | -196 | -191 | -392 | -394 | -799 |
| Other operating expenses | -106 | -128 | -392 | -375 | -593 |
| Depreciation, amortisation and impairment charges of tangible and intangible assets | -113 | -92 | -212 | -180 | -417 |
| **Total operating expenses** | **-1,000** | **-953** | **-2,143** | **-2,074** | **-4,094** |
| **Profit before loan losses** | **802** | **799** | **1,749** | **1,318** | **3,074** |
| Net loan losses | 88 | -542 | 49 | -696 | -678 |
| Impairment on other financial assets | 0 | 0 | -1 | 0 | -107 |
| **Operating profit** | **890** | **257** | **1,797** | **622** | **2,289** |
| Income tax expense | -220 | 29 | -351 | 13 | -325 |
| **Net profit for period** | **670** | **286** | **1,446** | **635** | **1,964** |

[1] From 1 January 2021 the transfer pricing method applied to internal sales and distribution services provided by Nordea Bank Abp to the mortgage companies of the Group has been updated to be in line with the development of OECD guidelines on transfer pricing and local tax practice. The updated methodology has entailed pricing adjustments to sales and distribution fees. Accrued income for 2021 is reflected in Q2, increasing Other operating income by EUR 261 million.

# Nordea Bank Abp

# Balance sheet

| EURm | 30 Jun 2021 | 31 Dec 2020 | 30 Jun 2020 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | 51,092 | 32,380 | 48,038 |
| Debt securities eligible for refinancing with central banks | 58,963 | 67,748 | 77,389 |
| Loans to credit institutions | 79,625 | 64,364 | 69,115 |
| Loans to the public | 139,459 | 135,873 | 147,075 |
| Interest-bearing securities | 15,466 | 9,085 | 8,898 |
| Shares and participations | 15,152 | 4,864 | 5,299 |
| Investments in associated undertakings and joint ventures | 90 | 90 | 92 |
| Investments in group undertakings | 15,010 | 14,686 | 13,942 |
| Derivatives | 32,701 | 45,155 | 47,413 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 62 | 85 | 98 |
| Intangible assets | 1,785 | 1,785 | 1,779 |
| Tangible assets | | | |
| Properties and equipment | 259 | 289 | 286 |
| Investment properties | 1 | 1 | 0 |
| Deferred tax assets | 81 | 398 | 462 |
| Current tax assets | 259 | 193 | 316 |
| Retirement benefit assets | 335 | 142 | 94 |
| Other assets | 12,890 | 14,048 | 16,984 |
| Prepaid expenses and accrued income | 1,265 | 1,012 | 1,093 |
| **Total assets** | **424,495** | **392,198** | **438,373** |
| | | | |
| **Liabilities** | | | |
| Deposits by credit institutions and central banks | 40,985 | 32,278 | 55,494 |
| Deposits and borrowings from the public | 211,212 | 190,649 | 195,241 |
| Debt securities in issue | 75,433 | 60,745 | 71,893 |
| Derivatives | 33,433 | 48,552 | 51,360 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 833 | 1,408 | 1,744 |
| Current tax liabilities | 2 | 181 | 16 |
| Other liabilities | 22,927 | 19,537 | 23,580 |
| Accrued expenses and prepaid income | 960 | 1,048 | 1,006 |
| Deferred tax liabilities | 22 | 0 | 0 |
| Provisions | 561 | 638 | 711 |
| Retirement benefit obligations | 242 | 296 | 482 |
| Subordinated liabilities | 6,591 | 6,888 | 8,434 |
| **Total liabilities** | **393,201** | **362,220** | **409,961** |
| | | | |
| **Equity** | | | |
| Share capital | 4,050 | 4,050 | 4,050 |
| Additional Tier 1 capital holders | 749 | 748 | 750 |
| Invested unrestricted equity | 1,066 | 1,063 | 1,072 |
| Other reserves | -68 | -258 | -468 |
| Retained earnings | 24,051 | 22,411 | 22,373 |
| Profit or loss for the period | 1,446 | 1,964 | 635 |
| **Total equity** | **31,294** | **29,978** | **28,412** |
| | | | |
| **Total liabilities and equity** | **424,495** | **392,198** | **438,373** |
| | | | |
| **Off-balance sheet commitments** | | | |
| Commitments given to a third party on behalf of customers | | | |
| Guarantees and pledges | 48,136 | 48,007 | 45,892 |
| Other | 936 | 1,024 | 1,127 |
| Irrevocable commitments in favour of customers | | | |
| Securities repurchase commitments | - | - | - |
| Other | 93,136 | 90,398 | 86,050 |

# 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 Act on Credit Institutions, the Decree of the Ministry of Finance on the financial statements and consolidated financial statements of credit institutions and investment firms, and the regulations of the Finnish Financial Supervisory Authority.

International Financial Reporting Standards (IFRS) as endorsed by the European 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.

The accounting policies and methods of computation are unchanged in comparison with Note P1 in the Annual Report 2020, except for those relating to the items presented in the section “Changed accounting policies and presentation” below. For more information, see Note P1 in the Annual Report 2020.

### Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea Bank Abp on 1 January 2021.

**Interest Rate Benchmark Reform – Phase 2**

In 2020 the International Accounting Standards Board (IASB) published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in “Interest Rate Benchmark Reform – Phase 2”. Phase 2 of the interbank offered rate (IBOR) reform includes three major areas: hedge accounting, modifications and disclosures. The amendments were implemented by Nordea Bank Abp on 1 January 2021. Hedge relationships in Nordea Bank Abp have been able to continue as before and no material modification gains or losses have been recognised.

The amendments clarify that hedge accounting does not have to be discontinued in the event that hedged items and hedging instruments are modified due to the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Any valuation adjustments resulting from the amendments are recognised as part of hedge ineffectiveness.

Modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis are not accounted for as modifications to instruments measured at amortised cost. For such modifications, the effective interest rate is amended in line with the modified cash flows.

## For further information

- A webcast for media, investors and equity analysts will be held on 21 July at 10.30 EET (09.30 CET), during which Frank Vang-Jensen, President and Group CEO, will present the results.
- To participate in the webcast, please use the webcast link or dial one of the following numbers: +44 333 300 0804, +46 8 566 426 51, +358 9 8171 03 10, +45 35 44 55 77, confirmation code 63886311#, no later than 10.20 EET (09.20 CET).
- The webcast will be directly followed by a Q&A audio session for investors and analysts with Frank Vang-Jensen, Ian Smith, Group CFO, and Matti Ahokas, Head of Investor Relations.
- The event will be webcast live and the presentation slides will be posted on www.nordea.com/ir.
- The Q2 2021 report, investor presentations and fact book are available at www.nordea.com.

## Contacts

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## Financial calendar

**21 October 2021** – Third-quarter report 2021 (silent period starts on 7 October 2021)

Helsinki 20 July 2021

Nordea Bank Abp

Board of Directors

**Nordea Bank Abp •** Satamaradankatu 5 • 00020 Helsinki • www.nordea.com/ir • Tel. +358 200 70000 • Business ID 2858394-9

## Report on review of interim financial information of Nordea Bank Abp for the six months period ended 30 June 2021

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 2021, 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 2021 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 and with regulations governing the preparation of interim financial information in Finland. 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 2021 is not prepared, in all material respects, as regards the Group financial information, in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union and other regulation governing the presentation of interim financial information in Finland, and as regards the parent company financial information, in accordance with regulations governing the preparation of interim financial information in Finland.

Helsinki 20 July 2021

**PricewaterhouseCoopers Oy**
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)