

Nordea



Half-Year Financial Report

2022

Half-year results 2022

Summary of the quarter:

- Continued growth in lending volumes led by strong performance in the corporate sector.** Continued high business activity and increased market shares led to a 6% growth in mortgage and 7% growth in SME lending volumes. With high activity and customer demand, large corporate lending grew by 16% compared with the same period last year. Assets under management (AuM) decreased by 9% in the quarter due to the financial market downturn. However, Nordea generated a positive savings net inflow in the second quarter.
- Increased income and higher operating profit despite weakening markets.** Second-quarter operating profit increased by 2% to EUR 1,361m compared with the record levels of the second quarter of 2021. Total income increased by 1%. Net interest income increased by 6% supported by strong growth in lending. Net commission income decreased by 5%, with lower AuM and significantly lower capital market transactions compared with last year. Net fair value result was up by 1%. Costs increased by 1% but costs excluding regulatory fees decreased by 1% year on year.
- Strong credit quality with 6bp net loan loss reversals.** Net loan losses and similar net result amounted to reversals of EUR 56m or 6bp in the quarter. Realised loan losses remained very low as in previous quarters. In addition, EUR 45m was released from the COVID-19 management judgement buffer in response to lower credit risk in sectors affected by the pandemic.
- Return on equity 13.3% and cost-to-income ratio 49%.** Nordea's return on equity (RoE) increased to 13.3% from 11.4%, year on year. Cost-to-income ratio was stable compared with the second quarter of 2021, at 49%. Excluding regulatory fees, however, it decreased to 46% from 47% a year ago. Earnings per share increased by 12% to EUR 0.28 from EUR 0.25.
- Strong capital – new buy-back programme approved.** Nordea's CET1 ratio increased to 16.6% from 16.3% in the previous quarter and is 6.3 percentage points above the regulatory requirement. As previously stated, Nordea is implementing an efficient capital structure and to date has distributed EUR 4.5bn to shareholders during 2022. In addition, Nordea received approval from the European Central Bank to start a new EUR 1.5bn share buy-back programme and Nordea's Board of Directors has today decided to launch the programme.
- Outlook maintained – Nordea very well positioned for the future, even in uncertain times.** The Nordic countries face increased macroeconomic uncertainty following higher inflation and lowered GDP forecasts. However, Nordea has a resilient business model and is very well-positioned and committed to reach its financial target for 2025 of a RoE above 13%. The full-year 2022 outlook is unchanged: RoE above 11% and a cost-to-income ratio of 49–50%.

(For further viewpoints, see the CEO comment on page 2. For definitions, see page 55).

Group quarterly results and key ratios Q2 2022

	Q2 2022	Q2 2021	Chg %	Q1 2022 ¹	Chg %	Jan-Jun 2022 ¹	Jan-Jun 2021	Chg %
EURm								
Net interest income	1,308	1,232	6	1,308	0	2,616	2,444	7
Net fee and commission income	838	878	-5	870	-4	1,708	1,705	0
Net fair value result	282	278	1	295	-4	577	648	-11
Other income	16	30		17		33	41	
Total operating income	2,444	2,418	1	2,490	-2	4,934	4,838	2
Total operating expenses excluding regulatory fees	-1,122	-1,131	-1	-1,116	1	-2,237	-2,226	0
Total operating expenses	-1,139	-1,131	1	-1,388	-18	-2,527	-2,450	3
Profit before loan losses	1,305	1,287	1	1,102	18	2,407	2,388	1
Net loan losses and similar net result	56	51		12		68	-1	
Operating profit	1,361	1,338	2	1,114	22	2,475	2,387	4
Cost-to-income ratio excluding regulatory fees, %	46	47		45		45	46	
Cost-to-income ratio with amortised resolution fees, %	49	49		48		49	48	
Return on equity with amortised resolution fees, %	13.3	11.4		12.5		12.9	11.2	
Diluted earnings per share, EUR	0.28	0.25	12	0.22	27	0.49	0.44	11

¹ Excluding items affecting comparability. See page 5 for further details.

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We are a universal bank with a 200-year history of supporting and growing the Nordic economies – enabling dreams and aspirations for a greater good. Every day, we work to support our customers' financial development, delivering best-in-class omnichannel customer experiences and driving sustainable change. The Nordea share is listed on the Nasdaq Helsinki, Nasdaq Copenhagen and Nasdaq Stockholm exchanges. Read more about us at nordea.com.

CEO comment

In the second quarter we maintained our strong business momentum, improved customer satisfaction and continued to make further progress in line with our business plan and key priorities.

We grew our mortgage lending volumes by 6% and again increased our market shares across the Nordics. Activity slowed in the Nordic housing market due to increased economic uncertainty and the acceleration of interest rate hikes. However, customer demand remains at historically good levels.

Demand for corporate loans – especially among larger corporates – has increased and our pan-Nordic platform is well positioned to meet this demand. Large corporate lending grew by 16% and SME lending by 7%. Corporate customers are turning to Nordea to meet their financing needs, and we expect this trend to continue.

Our operating profit increased by 2% to EUR 1,361m, exceeding the record levels of the second quarter of 2021. Our cost-to-income ratio excluding regulatory fees improved to 46% from 47% a year ago. Return on equity (RoE) was 13.3%, with income and operating profit up despite challenging markets and regulatory pressure. We reconfirm our outlook for 2022: RoE above 11% and a cost-to-income ratio of 49–50%.

In the second quarter we faced a changed operating environment. The continued war in Ukraine and higher inflation led to rising interest rates, lower expectations for economic growth, lower consumer confidence and weaker financial markets. We can expect continued volatility and uncertainty in the coming quarters. Higher interest rates will dampen economic activity, but should also be seen as a healthy adjustment that gradually returns us to more normalised market conditions. For Nordea, this will mean a more balanced mix of income, as we will once again be generating income from our large deposit base.

Our credit quality remains strong. We have the most diversified portfolio among the banks in the Nordic region – both in terms of countries and sectors. Net loan losses amounted to reversals of 6 basis points. Individual losses remained very low across sectors.

We have released EUR 45m of the COVID-19 management judgement buffer. This follows an updated assessment of the credit risk in sectors significantly affected by the pandemic. It is in line with our statements at Capital Markets Day in February, where we said that if conditions permit, we can expect to start releasing the buffer in 2022.

Our Business Areas continue to drive strong performance. In Personal Banking we continued to engage extensively with our customers through our omnichannel model, and especially through our highly ranked digital channels, to drive increased activity and market shares. Mortgage lending volumes grew by 5% in line with previous quarters – despite lower housing market transaction volumes across the region. Mortgage margins decreased slightly due to rapidly increasing funding costs, mainly in Sweden.

Business Banking showed strong results especially in Norway and Sweden, which helped drive 7% higher lending volumes. We continued to win market shares across the region. Deposit margins improved and we saw strong customer demand for hedging solutions. In Sweden, we were ranked first in Prospera's customer satisfaction survey on Small Corporate

Banking and our mobile app received its highest ever ratings in Finland and Sweden.

Large Corporates and Institutions grew lending volumes by 16% as corporates increasingly turned to us for their financing needs. This was mainly driven by high activity towards customers, the increased credit demand and higher corporate bond market yields. We also kept our leading role in climate transition finance and were once again ranked first for Nordic sustainable bonds.

In Asset and Wealth Management customer satisfaction remained high, driven by our proactivity, close customer relationships, large expertise and digital services. We expanded the ESG product range and won several large mandates with international institutional clients during the quarter. Financial market turbulence had a negative impact on AuM, down 9% during the quarter, but our net inflow remained positive. In Private Banking net flows were at record-high levels across the Nordics, despite the market turbulence.

Our capital position continues to be among the best in Europe. Our CET ratio was 16.6%, 6.3 percentage points above the regulatory requirement. As promised we are implementing an efficient capital structure and continue to distribute excess capital to our shareholders. In addition to the dividend of EUR 0.69 per share paid in April, we completed our EUR 1bn follow-on buy-back programme in June, which led to a total capital distribution of EUR 4.5bn or EUR 1.2 per share in the first half of the year. I'm happy that we recently received an approval for further buy-backs of up to EUR 1.5bn and that today our Board has announced its decision to launch the programme.

We continue to deliver our 2025 business plan and key priorities: creating the best omnichannel customer experience, driving focused and profitable growth and increasing operational and capital efficiency. We have sustainability at the core of our business plan and continued to support our customers to make sustainable choices and make progress towards our Sustainability targets. We aim to be a true digital leader and the number of active and engaged customers keeps rising. During the quarter we had 300m digital customer logins and 4.1m digitally active customers – both all-time records. We continued to develop our digital channels and added many new service features and products. This development ensures that we can fulfil all banking needs efficiently and smoothly – whenever and wherever our customers want.

Overall, Nordea performed very well in the second quarter and we progressed as planned in executing our business plan. However, I am sure that increased economic uncertainty, rising inflation and lower GDP forecasts will challenge our customers and broader society during the coming quarters. We are well placed to weather more difficult economic conditions and support our customers. We expect to benefit from the strength and breadth of our business as well as from the higher interest rates, and we are committed to reach our financial target for 2025 of a RoE above 13%.

That is our way forward – to be the preferred partner for customers in need of a broad range of financial services. In both good and challenging times.

Frank Vang-Jensen
President and Group CEO

Outlook (unchanged)

Financial target for 2025

Nordea's financial target for 2025 is a return on equity above 13%.

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

Financial outlook for 2022

Nordea expects a return on equity of above 11% and a cost-to-income ratio of 49–50% for 2022.

Capital policy

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

Dividend policy

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

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Income statement

Excluding items affecting comparability¹

	Q2		Q2		Q1		Jan-Jun		Jan-Jun		Local	
	2022	2021	Chg %	curr. %	2022	Chg %	curr. %	2022	2021	Chg %	curr. %	
EURm												
Net interest income	1,308	1,232	6	7	1,308	0	0	2,616	2,444	7	7	
Net fee and commission income	838	878	-5	-4	870	-4	-4	1,708	1,705	0	1	
Net result from items at fair value	282	278	1	1	295	-4	-6	577	648	-11	-10	
Profit or loss from associated undertakings and joint ventures accounted for under the equity method	-4	3			0			-4	-11	-64	-64	
Other operating income	20	27	-26	-26	17	18	18	37	52	-29	-29	
Total operating income	2,444	2,418	1	2	2,490	-2	-2	4,934	4,838	2	2	
Staff costs	-699	-705	-1	0	-703	-1	-1	-1,402	-1,387	1	2	
Other expenses	-265	-262	1	2	-266	0	0	-531	-524	1	1	
Regulatory fees	-17	-			-273	-94	-94	-290	-224	29	29	
Depreciation, amortisation and impairment charges of tangible and intangible assets	-158	-164	-4	-3	-146	8	7	-304	-315	-3	-3	
Total operating expenses	-1,139	-1,131	1	1	-1,388	-18	-18	-2,527	-2,450	3	4	
Profit before loan losses	1,305	1,287	1	2	1,102	18	18	2,407	2,388	1	1	
Net loan losses and similar net result	56	51	10	6	12			68	-1			
Operating profit	1,361	1,338	2	2	1,114	22	22	2,475	2,387	4	4	
Income tax expense	-307	-313	-2	-2	-246	25	24	-553	-574	-4	-4	
Net profit for the period	1,054	1,025	3	3	868	21	22	1,922	1,813	6	6	

¹ Excluding the following items affecting comparability in the first quarter of 2022: a non-deductible loss from the recycling of EUR 529m in accumulated foreign exchange losses related to operations in Russia and EUR 8m (EUR 6m after tax) in losses on fund investments in Russia, recognised in "Net result from items at fair value"; and EUR 76m (EUR 64m after tax) in credit losses on direct exposures to Russian counterparties, recognised in "Net loan losses and similar net result". There was no impact on equity, own funds or capital from the recycling of the accumulated foreign exchange losses, as a corresponding positive item was recorded in "Other comprehensive income". Consequently, this item has no impact on Nordea's dividend or share buy-back capacity.

Ratios and key figures¹

Excluding items affecting comparability²

	Q2		Q2		Q1		Jan-Jun		Jan-Jun	
	2022	2021	Chg %		2022	Chg %	2022	2021	Chg %	
Diluted earnings per share (DEPS), EUR	0.28	0.25	12		0.22	27	0.49	0.44	11	
EPS, rolling 12 months up to period end, EUR	1.00	0.83	20		0.98	2	1.00	0.83	20	
Return on equity, %	14.0	11.9			10.7		12.3	10.7		
Return on tangible equity, %	15.9	13.4			12.1		13.9	12.0		
Return on risk exposure amount, %	2.8	2.7			2.2		2.5	2.4		
Return on equity with amortised resolution fees, %	13.3	11.4			12.5		12.9	11.2		
Cost-to-income ratio, %	47	47			56		51	51		
Cost-to-income ratio with amortised resolution fees, %	49	49			48		49	48		
Cost-to-income ratio excluding regulatory fees, %	46	47			45		45	46		
Net loan loss ratio, incl. loans held at fair value, bp	-6	-6			-1		-4	0		
Return on capital at risk, %	18.2	17.7			15.1		16.6	15.7		
Return on capital at risk with amortised resolution fees, %	17.3	17.0			17.7		17.5	16.4		

¹ 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>.

² Excluding the following items affecting comparability in the first quarter of 2022: a non-deductible loss from the recycling of EUR 529m in accumulated foreign exchange losses related to operations in Russia and EUR 8m (EUR 6m after tax) in losses on fund investments in Russia, recognised in "Net result from items at fair value"; and EUR 76m (EUR 64m after tax) in credit losses on direct exposures to Russian counterparties, recognised in "Net loan losses and similar net result". There was no impact on equity, own funds or capital from the recycling of the accumulated foreign exchange losses, as a corresponding positive item was recorded in "Other comprehensive income". Consequently, this item has no impact on Nordea's dividend or share buy-back capacity.

Business volumes, key items¹

	30 Jun		30 Jun		31 Mar		Local	
	2022	2021	Chg %	curr. %	2022	Chg %	curr. %	
EURbn								
Loans to the public	347.6	338.4	3	5	351.9	-1	1	
Loans to the public, excl. repos/securities borrowing	328.5	317.2	4	6	333.1	-1	1	
Deposits and borrowings from the public	223.0	204.6	9	11	221.1	1	3	
Deposits from the public, excl. repos/securities lending	210.6	196.2	7	9	212.0	-1	1	
Total assets	611.0	586.8	4		624.5	-2		
Assets under management	355.5	384.2	-7		389.4	-9		
Equity	30.7	35.5	-14		30.9	-1		

¹ End of period.

Income statement

Including items affecting comparability

	Q2 2022	Q2 2021	Chg %	Local curr. %	Q1 2022	Chg %	Local curr. %	Jan-Jun 2022	Jan-Jun 2021	Chg %	Local curr. %
EURm											
Net interest income	1,308	1,232	6	7	1,308	0	0	2,616	2,444	7	7
Net fee and commission income	838	878	-5	-4	870	-4	-4	1,708	1,705	0	1
Net result from items at fair value	282	278	1	1	-242			40	648	-94	-93
Profit or loss from associated undertakings and joint ventures accounted for under the equity method	-4	3			0			-4	-11	-64	-64
Other operating income	20	27	-26	-26	17	18	18	37	52	-29	-29
Total operating income	2,444	2,418	1	2	1,953	25	25	4,397	4,838	-9	-9
Staff costs	-699	-705	-1	0	-703	-1	-1	-1,402	-1,387	1	2
Other expenses	-265	-262	1	2	-266	0	0	-531	-524	1	1
Regulatory fees	-17	-			-273	-94	-94	-290	-224	29	29
Depreciation, amortisation and impairment charges of tangible and intangible assets	-158	-164	-4	-3	-146	8	7	-304	-315	-3	-3
Total operating expenses	-1,139	-1,131	1	1	-1,388	-18	-18	-2,527	-2,450	3	4
Profit before loan losses	1,305	1,287	1	2	565			1,870	2,388	-22	-22
Net loan losses and similar net result	56	51	10	6	-64			-8	-1		
Operating profit	1,361	1,338	2	2	501			1,862	2,387	-22	-22
Income tax expense	-307	-313	-2	-2	-232	32	32	-539	-574	-6	-6
Net profit for the period	1,054	1,025	3	3	269			1,323	1,813	-27	-27

Ratios and key figures¹

Including items affecting comparability

	Q2 2022	Q2 2021	Chg %	Q1 2022	Chg %	Jan-Jun 2022	Jan-Jun 2021	Chg %
EURm								
Diluted earnings per share (DEPS), EUR	0.28	0.25	12	0.06	367	0.34	0.44	-23
EPS, rolling 12 months up to period end, EUR	0.84	0.83	1	0.82	2	0.84	0.83	1
Share price ² , EUR	8.40	9.40	-11	9.38	-10	8.40	9.40	-11
Equity per share ² , EUR	8.18	8.79	-7	8.04	2	8.18	8.79	-7
Potential shares outstanding ² , million	3,753	4,050	-7	3,860	-3	3,753	4,050	-7
Weighted average number of diluted shares, million	3,792	4,041	-6	3,894	-3	3,850	4,040	-5
Return on equity, %	14.0	11.9		3.3		8.4	10.7	
Return on tangible equity, %	15.9	13.4		3.7		9.6	12.0	
Return on risk exposure amount, %	2.8	2.7		0.7		1.7	2.4	
Return on equity with amortised resolution fees, %	13.3	11.4		5.1		9.1	11.2	
Cost-to-income ratio, %	47	47		71		57	51	
Cost-to-income ratio with amortised resolution fees, %	49	49		61		55	48	
Net loan loss ratio, incl. loans held at fair value, bp	-6	-6		7		0	0	
Common Equity Tier 1 capital ratio ^{2,3} , %	16.6	18.0		16.3		16.6	18.0	
Tier 1 capital ratio ^{2,3} , %	18.8	19.5		18.4		18.8	19.5	
Total capital ratio ^{2,3} , %	20.9	21.3		20.5		20.9	21.3	
Tier 1 capital ^{2,3} , EURbn	28.4	29.6	-4	28.3	0	28.4	29.6	-4
Risk exposure amount ² , EURbn	150.7	152.2	-1	154.0	-2	150.7	152.2	-1
Return on capital at risk, %	18.2	17.7		4.7		11.5	15.7	
Return on capital at risk with amortised resolution fees, %	17.3	17.0		7.2		12.3	16.4	
Number of employees (FTEs) ²	27,350	27,510	-1	27,076	1	27,350	27,510	-1
Economic capital ² , EURbn	22.8	23.2	-2	23.4	-3	22.8	23.2	-2

¹ 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>.

² End of period.

³ Including the result for the period.

Macroeconomy and financial markets¹

Global

After a strong 2021, global growth is now projected to slow this year as the world economy has been hit hard by new COVID-19 lockdowns and the war in Ukraine. The supply shocks in commodities and energy have caused prices to rise and delivery times are long for many goods and materials. Inflationary pressures have increased and many central banks have tightened monetary policy in efforts to curb escalation and anchor inflation expectations to around 2%.

The uncertain economic environment has led to high volatility in the financial markets. Interest rates have risen sharply while stock markets have seen a marked decline. S&P 500 and STOXX were both down by 20% during the first six months of the year, representing the worst performance in 50 years. The global aggregate bond index was down by 14%.

The Nordic countries have been among the best-performing economies globally during the pandemic. All four countries' GDP and employment levels are now well above pre-pandemic levels. The outlook remains uncertain as the economies are hit by lower growth, high inflation and higher interest rates.

Denmark

Danish GDP contracted by 0.5%, quarter on quarter, in the first quarter of 2022. Both household consumption and exports decreased in the first quarter while fixed investments increased. During the second quarter consumer sentiment dropped and business sentiment also fell. However, the labour market remained strong and employment rates reached an all-time high in April. The unemployment rate stood at 2.5% in May, the lowest it has been since 2008, but wage growth has remained subdued. House and apartment prices were 6.5% and 4.7% higher, respectively, in the first quarter than in the same quarter last year. Year-on-year consumer price inflation stood at 7.4% in May, the highest level since 1983. The Danish krone remained strong against the euro in the second quarter, but Danmarks Nationalbank did not intervene in the foreign exchange market. The Nationalbank is expected to raise its monetary policy rates in line with the European Central Bank's (ECB) rate hikes in July and September. Further rate hikes can be expected going forward.

Finland

Finnish GDP grew by 0.5% during the first quarter of 2022. The swift economic recovery has led to rapid improvement in the labour market, with the unemployment rate declining to 6.1% in May 2022. Housing transaction volumes are normalising from the record levels seen last year. Apartment prices increased by 1.5%, year on year, in May. Higher energy and other import prices are slowing down private consumption as the purchasing power of households weakens. In May, year-on-year consumer price inflation stood at 7.0%. Service consumption is still recovering, showing strong monthly growth rates, whereas retail sales are softening under price pressures. The ECB is expected to hike the monetary policy rates by 25bp in July and another 50bp in September. Further rate hikes can be expected going forward.

Norway

Norwegian mainland GDP fell by 0.6% during the first quarter of 2022 due to Omicron-related lockdowns at the start of the year. However, economic development has been strong since. The seasonally adjusted unemployment rate fell to 1.6% in June, the lowest level since 2008. So far, housing prices have risen this year and were 6.4% higher in June 2022 than in the same month last year. Year-on-year consumer price inflation stood at 5.7% in May, driven by increased energy prices and imported goods. Norges Bank is hiking interest rates due to the developments in the Norwegian economy and rising inflation. They increased the key rate by 50bp to 1.25% in June 2022 and stated that it will be raised to 1.5% in August. Moreover, the rate path signals 25bp rate hikes at all consecutive meetings and a key rate of around 3% by next summer. The Norwegian krone weakened broadly during the second quarter on the back of high financial market uncertainty.

Sweden

Swedish GDP declined by 0.8% during the first quarter of 2022. Domestic demand declined as some COVID-19 restrictions remained in place while exports rose. The labour market continued to improve, with the unemployment rate falling to 6.7% in May 2022 according to the Swedish Public Employment Service. House and apartment prices have started to decline but were still 2.5% and 3.6% higher, respectively, in May 2022 than in the same month last year. Home prices are expected to decline further due to the rise in interest rates. Year-on-year consumer price inflation stood at 7.3% in May. The upturn was broad-based and inflation is expected to rise further in the near term. Wage increases have remained modest in the first half of 2022 but are expected to rise. Sveriges Riksbank hiked its steering rate by 50bp to 0.75% in June 2022 and signalled that it would be raised rapidly going forward. The Riksbank will start to reduce its balance sheet in the second half of 2022. The trade-weighted Swedish krona weakened by 2.8% over the course of the second quarter.

¹Source: Nordea Economic Research

Group results and performance

Second quarter 2022

Net interest income

Q2/Q2: Net interest income increased by 6%. The main drivers were increased lending volumes and improved deposit margins in all business areas. These were partly offset by lower lending margins. Exchange rate effects had a negative impact of approximately EUR 8m.

Q2/Q1: Net interest income was stable. The main drivers were increased lending volumes, improved deposit margins and a higher day count. These were offset by lower lending margins, including a lower benefit from the European Central Bank's targeted longer term refinancing operation. Exchange rate effects had a negative impact of approximately EUR 3m.

Lending volumes

Q2/Q2: Loans to the public excluding repurchase agreements and securities borrowing were up 6% in local currencies. Lending volumes increased in Personal Banking (5% in local currencies), Business Banking (7% in local currencies) and Large Corporates & Institutions (16% in EUR).

Q2/Q1: Loans to the public excluding repurchase agreements and securities borrowing were up 1% in local currencies. Lending volumes increased in Personal Banking (1% in local currencies), Business Banking (2% in local currencies) and Large Corporates & Institutions (2% in EUR).

Deposit volumes

Q2/Q2: Total deposits from the public excluding repurchase agreements and securities lending were up 9% in local currencies. Deposit volumes increased in Personal Banking (5% in local currencies), Business Banking (9% in local currencies) and Large Corporates & Institutions (5% in EUR).

Q2/Q1: Total deposits from the public excluding repurchase agreements and securities lending were up 1% in local currencies. Deposit volumes increased in Personal Banking (3% in local currencies) and Business Banking (7% in local currencies). Deposit volumes decreased in Large Corporates & Institutions (11% in EUR).

Net interest income per business area

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Local currency	
								Q2/Q2	Q2/Q1
EURm									
Personal Banking	571	565	556	573	569	0%	1%	1%	1%
Business Banking	445	440	416	395	405	10%	1%	10%	1%
Large Corporates & Institutions	262	267	247	228	231	13%	-2%		
Asset & Wealth Management	28	26	20	19	19	47%	8%	47%	8%
Group functions	2	10	16	11	8				
Total Group	1,308	1,308	1,255	1,226	1,232	6%	0%	7%	0%

Change in net interest income (NII)

	Q2/Q1	Q2/Q2	Jan-Jun 22/21
EURm			
NII beginning of period	1,308	1,232	2,444
Margin-driven NII	-63	-22	5
Lending margin	-58	-101	-156
Deposit margin	35	76	119
Cost of funds	-40	3	42
Volume-driven NII	36	88	147
Lending volume	38	94	160
Deposit volume	-2	-6	-13
Day count	12	0	0
Other ¹	15	10	20
NII end of period	1,308	1,308	2,616
¹ of which foreign exchange.	-3	-8	-7

Net fee and commission income

Q2/Q2: Net fee and commission income decreased by 5%, driven by lower net income from savings and investments. This was partly offset by higher income from payments and cards, which reached pre-pandemic levels.

Q2/Q1: Net fee and commission income decreased by 4%, driven by lower net income from savings and investments. This was partly offset by higher income from payments and cards.

Savings and investment commissions

Q2/Q2: Net fee and commission income from savings and investments decreased by 9%, as financial market turbulence led to lower customer activity in the brokerage and advisory business and a decrease in assets under management (AuM).

Q2/Q1: Net fee and commission income from savings and investments decreased by 6%, mainly driven by a decrease in AuM and lower brokerage and advisory fee income. End-of-period AuM decreased by 9%, or EUR 34bn, to EUR 356bn, with a net inflow of EUR 1.3bn during the quarter.

Payments and cards and lending-related commissions

Q2/Q2: Net fee and commission income from payments and cards increased by 23% and reached pre-pandemic levels. Lending-related net fee and commission income decreased by 1%.

Q2/Q1: Net fee and commission income from payments and cards increased by 8%. Lending-related net fee and commission income decreased by 3% due to lower levels of customer activity.

Net fee and commission income per business area

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Local currency	
								Q2/Q2	Q2/Q1
EURm									
Personal Banking	302	301	324	316	301	0%	0%	1%	0%
Business Banking	161	164	170	161	153	5%	-2%	6%	-2%
Large Corporates & Institutions	112	129	119	115	167	-33%	-13%		
Asset & Wealth Management	272	283	311	287	262	4%	-4%	4%	-4%
Group functions	-9	-7	-4	-9	-5				
Total Group	838	870	920	870	878	-5%	-4%	-4%	-4%

Net fee and commission income per category

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Local currency	
								Q2/Q2	Q2/Q1
EURm									
Savings and investments, net	559	595	654	613	617	-9%	-6%	-9%	-6%
Payments and cards, net	141	131	127	130	115	23%	8%	24%	8%
Lending-related, net	143	147	151	138	144	-1%	-3%	-1%	-3%
Other commissions, net	-5	-3	-12	-11	2				
Total Group	838	870	920	870	878	-5%	-4%	-4%	-4%

Assets under management (AuM), volumes and net flow

	Q222	Q122	Q421	Q321	Q221	Net flow
						Q222
EURbn						
Nordic Retail funds	72.6	81.7	87.4	82.4	80.6	-1.0
Private Banking	106.1	115.4	122.7	116.1	114.2	2.8
Institutional sales	115.9	124.8	131.3	128.0	124.6	-0.9
Life & Pension	60.8	67.4	69.9	66.3	64.8	0.3
Total	355.5	389.4	411.3	392.9	384.2	1.3

Net result from items at fair value

Q2/Q2: Net result from items at fair value increased by 1% due to high customer activity and gains related to the restructuring of our Offshore portfolio. These were partly offset by lower investment valuation increases in Treasury.

Q2/Q1: Comparable net result from items at fair value decreased by 4%, driven by lower trading income in Markets and lower investment valuation increases in Treasury. These were partly offset by high customer activity and the gains related to the restructuring of our Offshore portfolio. The first quarter of 2022 had included two items affecting comparability (IAC): the recycling of accumulated foreign exchange translation differences of EUR 529m, previously recognised in "Other comprehensive income", and EUR 8m related to a write-down of Russia-related fund investments.

Net result from items at fair value per business area

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1
EURm							
Personal Banking	30	57	34	32	51	-41%	-47%
Business Banking	94	101	89	70	77	22%	-7%
Large Corporates & Institutions	164	133	86	91	107	53%	23%
Asset & Wealth Mgmt. excl. Life & Pension	15	8	6	10	6		99%
Life & Pension	-4	-11	6	3	8		
Group functions	-17	7	26	18	29		
Total Group	282	295	247	224	278	1%	-4%
Total, incl. items affecting comparability¹	282	-242	247	224	278	1%	

¹ Items affecting comparability in the first quarter of 2022: a non-deductible loss from the recycling of EUR 529m in accumulated exchange losses related to operations in Russia and EUR 8m (EUR 6m after tax) in losses on fund investments in Russia, recognised in "Net result from items at fair value".

Equity method

Q2/Q2: Income from companies accounted for under the equity method was approximately EUR -4m, down from EUR 3m.

Q2/Q1: Income from companies accounted for under the equity method was approximately EUR -4m, down from EUR 0m.

Other operating income

Q2/Q2: Other operating income was EUR 20m, down from EUR 27m. The second quarter of 2021 had been positively affected by gains on the disposal of minority investments.

Q2/Q1: Other operating income was EUR 20m, up from EUR 17m.

Total operating income per business area

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Local currency	
								Q2/Q2	Q2/Q1
EURm									
Personal Banking	906	925	913	922	931	-3%	-2%	-2%	-2%
Business Banking	710	715	682	635	644	10%	-1%	11%	0%
Large Corporates & Institutions	541	529	454	434	505	7%	2%		
Asset & Wealth Management	311	306	346	319	295	5%	2%	6%	2%
Group functions	-24	15	43	34	43				
Total Group	2,444	2,490	2,438	2,344	2,418	1%	-2%	2%	-2%
Total, incl. items affecting comparability¹	2,444	1,953	2,438	2,344	2,418	1%	25%	2%	25%

¹ Items affecting comparability in the first quarter of 2022: a non-deductible loss from the recycling of EUR 529m in accumulated foreign exchange losses related to operations in Russia and EUR 8m (EUR 6m after tax) in losses on fund investments in Russia, recognised in "Net result from items at fair value".

Total operating expenses

Q2/Q2: Total operating expenses were up 1% due to higher regulatory fees, which included the Swedish bank tax. Adjusted for this, total operating expenses decreased by 1%, mainly driven by lower staff costs and lower depreciation and amortisation. Exchange rate effects had a positive impact of approximately EUR 8m.

Q2/Q1: Total operating expenses were down 18% due to lower resolution fees. Adjusted for these, total operating expenses increased by 1%, as higher depreciation and amortisation was partly offset by lower staff costs. Exchange rate effects had a positive impact of approximately EUR 1m.

Staff costs

Q2/Q2: Staff costs decreased by 1%, driven by lower provisions for variable pay.

Q2/Q1: Staff costs decreased by 1%, driven by lower provisions for variable pay.

Other expenses

Q2/Q2: Other expenses increased by 1% due to higher travel and IT expenses.

Q2/Q1: Other expenses were stable quarter on quarter.

Regulatory fees

Q2/Q2: Regulatory fees amounted to EUR 17m, compared with EUR 0m, and included the Swedish bank tax.

Q2/Q1: Regulatory fees amounted to EUR 17m, compared with EUR 273m in the first quarter of 2022. The first quarter of 2022 had included the annual resolution fees.

Depreciation and amortisation

Q2/Q2: Depreciation and amortisation decreased by 4% due to a lower run rate of asset and project amortisation.

Q2/Q1: Depreciation and amortisation increased by 8% to EUR 158m, driven by higher impairment charges.

FTEs

Q2/Q2: The number of employees (FTEs) was 27,350 at the end of the second quarter, a decrease of 1%.

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

Total operating expenses

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Local currency	
								Q2/Q2	Q2/Q1
EURm									
Staff costs	-699	-703	-670	-702	-705	-1%	-1%	0%	-1%
Other expenses	-265	-266	-241	-237	-262	1%	0%	2%	0%
Regulatory fees	-17	-273	0	0	0		-94%		-94%
Depreciation and amortisation	-158	-146	-190	-159	-164	-4%	8%	-3%	7%
Total Group	-1,139	-1,388	-1,101	-1,098	-1,131	1%	-18%	1%	-18%

Total operating expenses per business area

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Local currency	
								Q2/Q2	Q2/Q1
EURm									
Personal Banking	-449	-509	-455	-451	-447	0%	-12%	2%	-11%
Business Banking	-291	-350	-295	-290	-278	5%	-17%	6%	-16%
Large Corporates & Institutions	-189	-275	-175	-173	-174	9%	-31%		
Asset & Wealth Management	-131	-139	-143	-149	-120	9%	-6%	11%	-5%
Group functions	-79	-115	-33	-35	-112				
Total Group	-1,139	-1,388	-1,101	-1,098	-1,131	1%	-18%	1%	-18%

Exchange rate effects

	Q2/Q2	Q2/Q1	Jan-Jun 22/21
Percentage points			
Income	-1	0	0
Expenses	-1	0	-1
Operating profit	0	0	0
Loan and deposit volumes	-2	-2	-2

Net loan losses and similar net result

Nordea Group's credit portfolio quality remained strong in the second quarter of 2022, despite the adverse developments in the macroeconomic environment following Russia's invasion of Ukraine. Net loan losses and similar net result amounted to net reversals of EUR 56m (6bp), or EUR 40m excluding gains on loans held at fair value. In the first quarter of 2022 the comparable reversals were EUR 12m (1bp), or EUR 4m excluding gains on loans held at fair value.

Main drivers of comparable loan losses and similar net result

The net reversals of loan losses were driven by continued exits in the Shipping and Oil, gas and offshore segments, resulting in reversals of related allowances. As new provisions on corporate or retail customers were generally low, individual net reversals amounted to EUR 2m.

Collective allowances increased by EUR 7m. The impact of the worsened macroeconomic outlook was mostly offset by the continued improvement in overall credit portfolio quality. Updated macroeconomic scenarios with reduced growth projections were used and the weight of the adverse scenario was increased to 40% (compared with 20% in the first quarter of 2022), reflecting the deterioration of macroeconomic outlook during the quarter.

Nordea's exposure to COVID-19-affected industries and sectors has been significantly reduced and the credit portfolio has continued to be resilient. The cyclical management judgement allowance, originally established to cover the expected increase in credit losses following COVID-19, was reduced by EUR 45m as the COVID-19-related credit risk was assessed to be reduced.

Net loan losses and similar net result amounted to net reversals of EUR 14m in Large Corporates and Institutions, EUR 36m in Business Banking and EUR 7m in Personal Banking. Net loan losses and similar net result amounted to EUR 1m for other portfolios.

A revaluation gain of EUR 16m was recognised in relation to Nordea Kredit's Danish mortgage portfolio reported at fair value.

Management judgement allowance

The cyclical management judgement allowance was reduced by EUR 45m to EUR 410m. The structural management judgement allowance of EUR 155m was kept unchanged. Accordingly, the total management judgement allowance decreased to EUR 565m from EUR 610m. This allowance continues to ensure a strong reserve to cover both expected credit losses related to the pandemic and planned improvements to provisioning models and processes.

See Note 9 for further details.

Credit portfolio

Lending to the public excluding reverse repurchase agreements and securities borrowing decreased to EUR 329bn from EUR 333bn in the first quarter of 2022, corresponding to an increase of 1% in local currencies.

Loans to the public measured at fair value excluding reverse repurchase agreements and securities borrowing decreased to EUR 54bn from EUR 57bn. At the end of the second quarter of 2022 the fair value portfolio mainly comprised Danish mortgage lending, which amounted to EUR 54bn, down from EUR 56bn in the first quarter of 2022.

Lending to the public measured at amortised cost before allowances decreased to EUR 276bn from EUR 279bn in the first quarter of 2022. Of this, 94% was classified as stage 1, 5% as stage 2 and 1% as stage 3, with the distribution unchanged from the first quarter. Quarter on quarter, stage 1 loans were unchanged, stage 2 loans decreased by 3% and stage 3 loans decreased by 15%. Stage 2 loans amounted to EUR 13.1bn, up 2%, year on year. Stage 3 loans amounted to EUR 2.7bn, down 29%, year on year.

The provision coverage ratio was 3.1% for stage 2 (unchanged from the previous quarter) and 45% for stage 3 (up from 42% in the previous quarter, mainly due to decreasing impaired loans in the Shipping and Oil, gas and offshore portfolios). The fair value impairment rate decreased to 0.76% from 0.85% in the previous quarter, driven by a decrease in impaired Danish mortgage lending.

Net loan loss ratio, excluding IAC¹

	Q222	Q122	Q421	Q321	Q221
Basis points of loans, amortised cost²					
Net loan loss ratios, annualised, Group					
of which stages 1 and 2	-6	0	12	1	-5
of which stage 3	-6	5	-11	1	-21
	0	-5	23	0	16
Basis points of loans, total^{2,3}					
Net loan loss ratio, including loans held at fair value, annualised, Group					
Personal Banking total	-6	-1	7	-3	-6
PeB Denmark	-2	3	2	0	0
PeB Finland	-7	-8	-18	-16	-31
PeB Norway	14	15	22	10	22
PeB Sweden	-2	1	5	4	0
Business Banking total	-9	5	3	3	6
BB Denmark	-15	4	11	-7	-13
BB Finland	-22	-11	3	-23	-39
BB Norway	-23	29	54	-4	14
BB Sweden	-27	-3	-8	10	-21
Large Corporates & Institutions total	3	13	1	-9	-2
LC&I Denmark	-8	-17	7	-6	-7
LC&I Finland	-4	0	-27	-27	-16
LC&I Norway	0	-30	48	-33	10
LC&I Sweden	-42	-58	7	3	-3
	9	-9	7	3	-19

² Information about IAC is available on page 5.

² Negative amounts are net reversals.

³ 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 2% to EUR 1,361m, driven by growth in total income and lower loan losses. These were partly offset by higher total costs, driven by higher regulatory fees.

Q2/Q1: Comparable operating profit increased by 22% to EUR 1,361m, due to lower resolution fees and lower loan losses. The first quarter of 2022 had included items affecting comparability (IAC) totalling EUR 613m, of which EUR 537m was recognised in "Net result from items at fair value" and EUR 76m in "Net loan losses and similar net result".

Taxes

Q2/Q2: Income tax expense amounted to EUR 307m, down from EUR 313m, corresponding to a tax rate of 22.6%, down from 23.4% in the second quarter of 2021.

Q2/Q1: Comparable income tax expense amounted to EUR 307m, up from EUR 246m, corresponding to a tax rate of 22.6%, up from 22.1% in the previous quarter. The first quarter of 2022 included IAC, which reduced income tax expenses by EUR 14m.

Net profit

Q2/Q2: Net profit increased by 3% to EUR 1,054m. Return on equity was 14.0%, up from 11.9%. Return on equity with amortised resolution fees was 13.3%, up from 11.4%.

Q2/Q1: Comparable net profit increased by 21% to EUR 1,054m. Comparable return on equity was 14.0%, up from 10.7%. Comparable return on equity with amortised resolution fees was 13.3%, up from 12.5%.

Q2/Q2: Diluted earnings per share were EUR 0.28, compared with EUR 0.25.

Q2/Q1: Diluted earnings per share were EUR 0.28, compared with EUR 0.22, excluding IAC.

Operating profit per business area

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Local currency	
								Q2/Q2	Q2/Q1
EURm									
Personal Banking	464	403	448	470	486	-5%	15%	-4%	15%
Business Banking	455	354	360	361	396	15%	29%	15%	28%
Large Corporates & Institutions	366	283	267	271	343	7%	29%		
Asset & Wealth Management	176	166	203	170	178	-1%	6%	-2%	5%
Group functions	-100	-92	3	-4	-65				
Total Group	1,361	1,114	1,281	1,268	1,338	2%	22%	2%	22%
Total, incl. items affecting comparability¹	1,361	501	1,281	1,268	1,338	2%		2%	

¹ Items affecting comparability in the first quarter of 2022: a non-deductible loss from the recycling of EUR 529m in accumulated foreign exchange losses related to operations in Russia and EUR 8m (EUR 6m after tax) in losses on fund investments in Russia, recognised in "Net result from items at fair value"; and EUR 76m (EUR 64m after tax) in credit losses on direct exposures to Russian counterparties, recognised in "Net loan losses and similar net result".

Capital position and risk exposure amount

The Nordea Group's Common Equity Tier 1 (CET1) capital ratio increased to 16.6% at the end of the second quarter from 16.3% in the first quarter of 2022. CET1 capital decreased by EUR 0.1bn, mainly due to foreign exchange (FX) effects. These were partly offset by profit generation net of dividend accrual. Following an increase of the Norwegian countercyclical buffer to 1.5% from 1.0%, Nordea Group's CET1 capital requirement now stands at 10.3% compared with 10.2% in the first quarter of 2022.

The risk exposure amount (REA) decreased by EUR 3.3bn, primarily driven by improved credit quality in the corporate portfolio and retail portfolios. The REA decrease was partly offset by increased corporate and mortgage lending.

The Group's Tier 1 capital ratio increased to 18.8% at the end of the quarter from 18.4% in the first quarter. The total capital ratio increased to 20.9% from 20.5%.

At the end of the second quarter CET1 capital amounted to EUR 25.0bn, Tier 1 capital amounted to EUR 28.4bn and own funds amounted to EUR 31.5bn.

The Nordea Group's ratio for the subordinated minimum requirements for own funds and eligible liabilities (MREL) was 26.0% of the REA and 6.8% of the leverage ratio exposure (LRE), compared with the current requirements of 20.90% of the REA and 5.98% of the LRE. The MREL ratio was 33.1% of the REA and 8.6% of the LRE, compared with the current requirements of 27.55% of the REA and 5.98% of the LRE.

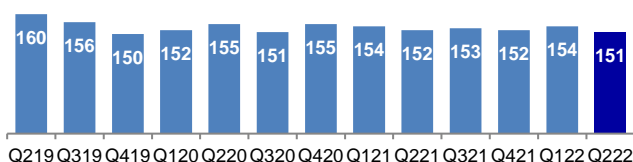
The leverage ratio increased to 4.9% during the second quarter from 4.8% in the first quarter of 2022. The increase was mainly driven by decreased loans to the public due to FX effects.

The Group's economic capital decreased to EUR 22.8bn in the second quarter, mainly due to lower credit risk.

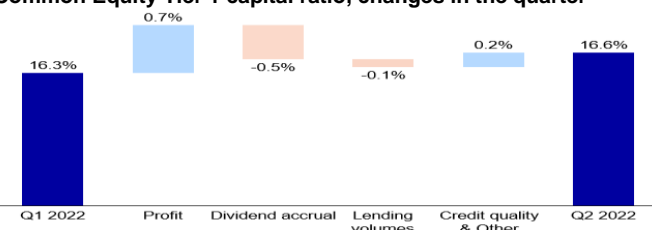
Capital ratios

	Q222	Q122	Q421	Q321	Q221
%					
CRR/CRD IV					
CET1 capital ratio	16.6	16.3	17.0	16.9	18.0
Tier 1 capital ratio	18.8	18.4	19.1	18.9	19.5
Total capital ratio	20.9	20.5	21.2	21.0	21.3

Risk exposure amount, EURbn, quarterly



Common Equity Tier 1 capital ratio, changes in the quarter



Capital and dividend policies

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.

Share buy-backs and dividend decision

A follow-on share buy-back programme of EUR 1.0bn was launched on 16 March 2022 and completed on 14 June 2022. A further share buy-back programme of up to EUR 1.5bn was approved by the Board of Directors on 18 July 2022. The programme will commence on 20 July 2022 or as soon as possible thereafter and end no later than 29 March 2023. The European Central Bank's approval for the buybacks was announced on 8 July.

Nordea's share buy-backs are aimed at pursuing an efficient capital structure and improving shareholder returns by reducing the bank's capital. Nordea will continue to distribute excess capital to shareholders in the future in line with its capital and dividend policies.

Regulatory developments

On 21 June the Swedish Financial Supervisory Authority (FSA) decided to increase the countercyclical buffer to 2.0% from the second quarter of 2023. They had previously decided to increase the current buffer of 0% to 1.0% from the third quarter of 2022.

On 27 June the Finnish FSA decided to increase the other systemically important institutions (O-SII) buffer for Nordea to 2.5% from the current 2%. This change will take effect from 1 January 2023.

During the second quarter Nordea received the Single Resolution Board's decision on the updated MREL requirements for the Group. The current requirements are unchanged. From 1 January 2024, the MREL targets communicated by the Single Resolution Board are 22.97% of the REA plus the combined buffer requirement (CBR) and 7.12% of the LRE, and the subordination targets are 19.03% of the REA plus the CBR and 7.12% of the LRE. The Single Resolution Board will assess and update the targets annually.

Risk exposure amount

	30 Jun 2022	31 Mar 2022	30 Jun 2021
EURm			
Credit risk	116,542	120,143	120,285
IRB	101,083	103,431	103,569
- sovereign	-	-	-
- corporate	65,492	67,327	66,792
- advanced	57,516	59,499	57,481
- foundation	7,976	7,828	9,311
- institutions	4,218	4,148	4,089
- retail	27,016	27,686	27,822
- items representing securitisation positions	1,152	878	878
- other	3,205	3,392	3,988
Standardised	15,459	16,712	16,716
- sovereign	177	1,015	418
- retail	5,351	5,590	5,562
- other	9,932	10,108	10,736
Credit valuation adjustment risk	990	1,008	645
Market risk	5,841	5,334	4,409
- trading book, internal approach	5,189	4,663	3,674
- trading book, standardised approach	652	671	735
- banking book, standardised approach	-	-	-
Settlement risk	0	0	0
Operational risk	15,025	15,025	14,306
Additional risk exposure amount related to Finnish RW floor due to Article 458 of the CRR	-	-	-
Additional risk exposure amount related to Swedish RW floor due to Article 458 of the CRR	12,325	12,529	12,577
Additional risk exposure amount due to Article 3 of the CRR	-	-	-
Total	150,723	154,039	152,222

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

	30 Jun 2022	31 Mar 2022	30 Jun 2021
EURm			
Calculation of own funds			
Equity in the consolidated situation ²	28,592	29,889	30,049
Profit for the period ²	1,326	271	1,814
Proposed/actual dividend	-1,297	-559	-1,269
Common Equity Tier 1 capital before regulatory adjustments	28,621	29,602	30,594
Deferred tax assets	-4	-4	-3
Intangible assets	-2,771	-2,905	-2,685
IRB provisions shortfall (-)	-	-	-
Pension assets in excess of related liabilities	-280	-251	-170
Other items including buy-back deduction, net ¹	-535	-1,312	-296
Total regulatory adjustments to Common Equity Tier 1 capital	-3,590	-4,472	-3,154
Common Equity Tier 1 capital (net after deduction)	25,031	25,130	27,440
Additional Tier 1 capital before regulatory adjustments	3,375	3,214	2,677
Total regulatory adjustments to Additional Tier 1 capital	-27	-27	-489
Additional Tier 1 capital	3,348	3,187	2,188
Tier 1 capital (net after deduction)	28,379	28,317	29,628
Tier 2 capital before regulatory adjustments	3,334	3,400	3,938
IRB provisions excess (+)	531	589	520
Deductions for investments in insurance companies	-650	-650	-650
Other items, net	-64	-64	-1,064
Total regulatory adjustments to Tier 2 capital	-183	-125	-1,194
Tier 2 capital	3,151	3,275	2,744
Own funds (net after deduction)	31,530	31,592	32,372
¹ Other items, net if reported excluding profit.	-488	-1,312	-296

² "Profit for the period" includes a non-deductible loss from the recycling of EUR 529m in accumulated foreign exchange losses related to operations in Russia. There was no impact on capital, as a corresponding positive item was recorded in "Equity in the consolidated situation". Consequently, this item has no impact on Nordea's dividend or share buy-back capacity.

Own funds excluding profit

	30 Jun ³ 2022	31 Mar 2022	30 Jun 2021
EURm			
Common Equity Tier 1 capital	25,049	25,453	27,132
Tier 1 capital (net after deduction)	28,397	28,640	29,320
Total own funds	31,548	31,915	32,064

³ Excluding second-quarter profit (pending application), including first-quarter profit.

Own funds reported to ECB⁴

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

⁴ 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

Balance sheet data

	Q222	Q122	Q421	Q321	Q221
EURbn					
Loans to credit institutions	6	13	2	7	6
Loans to the public	348	352	345	343	338
Derivatives	38	31	30	30	32
Interest-bearing securities	65	68	63	64	65
Other assets	154	160	130	171	146
Total assets	611	624	570	615	587
Deposits from credit institutions	37	45	27	43	33
Deposits from the public	223	221	206	211	205
Debt securities in issue	190	193	176	191	183
Derivatives	39	35	31	32	32
Other liabilities	91	99	96	101	98
Total equity	31	31	34	37	36
Total liabilities and equity	611	624	570	615	587

Funding and liquidity operations

Nordea issued approximately EUR 8.7bn in long-term funding in the second quarter of 2022 (excluding Danish covered bonds), of which approximately EUR 2.9bn was issued in the form of covered bonds and EUR 5.8bn was issued as senior debt. Notable transactions during the quarter included a EUR 1bn 7-year senior non-preferred bond in May, a USD 1bn 3-year senior preferred bond in May and a CHF 200m 5-year senior non-preferred bond in June.

At the end of the second quarter long-term funding accounted for approximately 69% of Nordea's total wholesale funding.

Short-term liquidity risk is measured using several metrics, including the liquidity coverage ratio (LCR). The Nordea Group's combined LCR was 147% at the end of the second quarter. 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 124bn, unchanged compared with 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 112.8%, compared with 112.4% at the end of the first quarter.

Nordea maintained a strong liquidity position throughout the second quarter despite increased volatility in global markets, driven by Russia's invasion of Ukraine, macroeconomic uncertainties and tightening monetary policies.

During 2021 Nordea participated in European Central Bank (ECB) and local central bank facilities, including the ECB's targeted longer-term refinancing operations (TLTROs). To date, Nordea has borrowed EUR 12bn under the TLTRO III programme.

The ECB applies a negative interest rate to the TLTRO III funding, and Nordea accordingly recognises negative interest expense in connection with its TLTRO III borrowing. The interest rate used for accruing negative interest during the second quarter is -1.0% and added EUR 29m to Nordea's net interest income. In the first quarter of 2022 the negative

interest expense added EUR 62m to Nordea's net interest income. Of this, EUR 47m was released when Nordea was able to conclude with adequate certainty that the 2021 lending threshold had been reached. Nordea altered the effective interest rate accordingly, and retroactively applied the additional 0.5% discount on the interest rate paid as of 24 June 2021.

Funding and liquidity data

	Q222	Q122	Q421	Q321	Q221
Long-term funding portion	69%	71%	79%	71%	73%
LCR total	147%	153%	160%	168%	159%
LCR EUR	141%	194%	143%	239%	226%
LCR USD	202%	239%	169%	269%	248%

Market risk

Market risk in the trading book measured by value at risk (VaR) was EUR 29.5m. Quarter on quarter, VaR increased by EUR 4.6m, primarily as a result of higher interest rate risk. Interest rate risk was also the main driver of VaR at the end of the second quarter. Trading book VaR continues to be driven by market risk related to Nordic and other Northern European exposures.

Trading book

	Q222	Q122	Q421	Q321	Q221
EURm					
Total risk, VaR	29	25	35	30	19
Interest rate risk, VaR	27	23	37	27	24
Equity risk, VaR	2	3	3	14	4
Foreign exchange risk, VaR	2	1	1	1	2
Credit spread risk, VaR	8	9	4	7	9
Inflation risk, VaR	2	2	2	2	2
Diversification effect	29%	35%	24%	42%	53%

Nordea share and ratings

Nordea's share price and ratings as at the end of the second quarter of 2022.

	Nasdaq STO (SEK)	Nasdaq COP (DKK)	Nasdaq HEL (EUR)
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	9.4
30/09/2021	113.10	82.37	11.24
31/12/2021	110.50	80.39	10.79
31/03/2022	97.30	70.20	9.38
30/06/2022	90.00	62.24	8.40

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

Other information

Nordea to acquire Topdanmark Life

Nordea has entered into an agreement with Topdanmark Forsikring to acquire all shares in Topdanmark Liv Holding A/S. Topdanmark Life is a life and pensions company operating in Denmark. At the end of 2021 the company had assets under management of around EUR 12bn and approximately 225,000 customers.

The agreed price for Topdanmark Life is approximately EUR 270m. The price will be adjusted for earnings accrued up to closing. The transaction is expected to absorb up to 2bp of CET1 capital and will deliver a small increase in Nordea Group's earnings per share and return on equity.

The transaction is subject to regulatory approval and the aim is to complete it in the second half of 2022.

Sale of shares in Luminor

In 2018 when Nordea and DNB sold around 60% of their combined interest in Luminor to Blackstone, Nordea entered into a forward sale agreement with Blackstone to sell its remaining 19.95% holding over the coming years, subject to certain conditions. On 22 December 2021 Nordea and Blackstone closed the first transaction under the forward sale agreement. Nordea's current holding in Luminor is approximately 11.6%.

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 of 1 November 2022.

Increase to the Danish corporate income tax for financial institutions enacted in June

In June 2022 the Danish Parliament enacted an increase in the Danish corporate income tax (CIT) rate for financial institutions to 25.2% in 2023 and to 26% in 2024. The new CIT rate is, all other variables unchanged, expected to add approximately one percentage point to the annual effective tax rate (ETR) of the Nordea Group from 2023 onwards.

Deferred taxes on the balance sheet were remeasured to the new CIT rate in the second quarter of 2022, which added 2 percentage points to the ETR. The ETR for the second quarter ended up at 22.6% following an offsetting positive impact, primarily from the utilisation of earlier unrecognised tax loss carryforwards.

Impacts from Russia's invasion of Ukraine

During the second quarter of 2022 Nordea continued to closely monitor and assess its direct exposure to Russian counterparties. There were no significant developments or changes made to the EUR 76m provision for credit losses recognised in "Net loan losses and similar net result" in the first quarter. The direct credit exposure, after provisions, is now less than EUR 100m. The first quarter of the year had also included a EUR 8m write-down of Russia-related fund investments. In March Nordea Asset Management decided to exit all fund investments connected to Russia.

The uncertainty regarding the broader impact of the war – including higher energy, food and commodity prices – on the global and Nordic economies has been further assessed in the second quarter. As a result, Nordea updated its macroeconomic forecasts used in updated

financial forecasts, stress tests and International Financial Reporting Standard (IFRS) 9 expected credit loss modelling. Nordea will continue to follow developments closely in the coming quarters.

Information on the financial and operational impacts of the war on Nordea, as well as the measures taken to address these impacts, has been provided in this report. See "CEO comment", "Macroeconomy and financial markets", "Net loan losses and similar net result", "Funding and liquidity operations", "Other information", "Business areas", Note 1 "Accounting policies", Note 8 "Net loan losses", Note 9 "Loans and impairment" and Note 13 "Risks and uncertainties".

Closure of Nordea's operations in Russia

In accordance with its strategy, Nordea is focusing on its business in the Nordic region. This has entailed the Group winding down its operations in Russia. On 24 March 2021 the Extraordinary General Meeting of JSC Nordea Bank decided to initiate the voluntary liquidation process, which was approved by the Central Bank of Russia on 16 April 2021. The voluntary liquidation process of JSC Nordea Bank was completed on 21 April 2022, following its deregistration from the trade register by the Russian tax authorities. The final steps to liquidate the remaining Russian subsidiaries are pending.

As required by International Financial Reporting Standards (IFRSs), Nordea had accumulated foreign exchange (FX) losses on the investment in its banking operations in Russia in equity through "Other comprehensive income" (OCI) since the acquisition of JSC Nordea Bank in 2007. In the first quarter of 2022 Nordea repatriated capital and in substance ceased all operations in Russia. In accordance with the IFRSs, Nordea recycled the accumulated FX losses from OCI into the income statement. The recycling impact was recognised in "Net result from items at fair value" and was treated as an item affecting comparability. There was no impact on equity, own funds or capital, as a corresponding positive item was recorded in OCI. Consequently, this item has no impact on Nordea's dividend or share buy-back capacity.

Share buy-back programmes

Nordea completed its follow-on share buy-back programme on 14 June 2022. The repurchases began on 16 March 2022. During this period Nordea repurchased a total of 107,254,529 of its own shares at an average price per share of EUR 9.33. The programme reduced the company's unrestricted equity by EUR 1,002m and the repurchased shares were cancelled on a monthly basis. Nordea's inaugural programme had been completed in the first quarter of 2022.

The company's Annual General Meeting (AGM) held on 24 March 2022 authorised the Board of Directors to decide on repurchases of own shares in accordance with the terms of the AGM decision. A further share buy-back programme of up to EUR 1.5bn was approved by the Board of Directors on 18 July 2022. The programme will commence on 20 July 2022 or as soon as possible thereafter. The European Central Bank's approval on the buybacks was announced on 8 July 2022.

Share cancellations

Nordea cancelled aggregated amounts of 21,558,763, 49,243,777 and 36,451,989 treasury shares in April, May and June, respectively. During the first quarter Nordea had cancelled 105,243,827 shares. The shares cancelled during the first half of the year were held for capital optimisation purposes and acquired through buy-backs.

Share transfers

Based on the decision of the Board of Directors on 24 March 2022, Nordea transferred 1,036,582 own shares held by the company in April and 2,011 own shares held by the company in May to settle its commitments to participants in its variable remuneration programmes.

Dividend payment

The Board of Directors decided on 24 March 2022 to distribute an ordinary dividend of EUR 0.69 per share to shareholders, in accordance with the mandate received from the 2022 AGM. The dividend of EUR 0.69 per share was paid in April 2022 to those shareholders who, on the record date for the dividend payment (28 March 2022), were recorded in Nordea's shareholders' register maintained by Euroclear Finland Oy in Finland, Euroclear Sweden AB in Sweden and VP Securities A/S in Denmark.

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

The COVID-19 situation developed over the first half of the year and restrictions were gradually lifted across the Nordic countries. In the second quarter Nordea's Global Crisis Management team and country crisis management teams ended their extraordinary monitoring efforts after having successfully managed Nordea's pandemic-associated challenges. Nordea continues to monitor developments and stands ready to activate crisis management efforts should the situation worsen.

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", "Macroeconomy and financial markets", "Net loan losses and similar net result", "Funding and liquidity operations", "Other information", "Business areas", Note 1 "Accounting policies", Note 8 "Net loan losses" and Note 9 "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 13 "Risks and uncertainties".

Quarterly development, Group

Excluding items affecting comparability

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Jan-Jun 2022	Jan-Jun 2021
EURm							
Net interest income	1,308	1,308	1,255	1,226	1,232	2,616	2,444
Net fee and commission income	838	870	920	870	878	1,708	1,705
Net result from items at fair value	282	295	247	224	278	577	648
Profit from associated undertakings and joint ventures accounted for under the equity method	-4	0	-4	9	3	-4	-11
Other operating income	20	17	20	15	27	37	52
Total operating income	2,444	2,490	2,438	2,344	2,418	4,934	4,838
General administrative expenses:							
Staff costs	-699	-703	-670	-702	-705	-1,402	-1,387
Other expenses	-265	-266	-241	-237	-262	-531	-524
Regulatory fees	-17	-273	-	-	-	-290	-224
Depreciation, amortisation and impairment charges of tangible and intangible assets	-158	-146	-190	-159	-164	-304	-315
Total operating expenses	-1,139	-1,388	-1,101	-1,098	-1,131	-2,527	-2,450
Profit before loan losses	1,305	1,102	1,337	1,246	1,287	2,407	2,388
Net loan losses and similar net result	56	12	-56	22	51	68	-1
Operating profit	1,361	1,114	1,281	1,268	1,338	2,475	2,387
Income tax expense	-307	-246	-264	-267	-313	-553	-574
Net profit for the period	1,054	868	1,017	1,001	1,025	1,922	1,813
Diluted earnings per share (DEPS), EUR	0.28	0.22	0.26	0.25	0.25	0.49	0.44
DEPS, rolling 12 months up to period end, EUR	1.00	0.98	0.95	0.87	0.83	1.00	0.83

Business areas

Excluding items affecting comparability

	Personal Banking		Business Banking		Large Corporates & Institutions		Asset & Wealth Management		Group functions		Nordea Group		
	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Chg
	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	
EURm													
Net interest income	571	565	445	440	262	267	28	26	2	10	1,308	1,308	0%
Net fee and commission income	302	301	161	164	112	129	272	283	-9	-7	838	870	-4%
Net result from items at fair value	30	57	94	101	164	133	11	-3	-17	7	282	295	-4%
Equity method & other income	3	2	10	10	3	0	0	0	0	5	16	17	-6%
Total operating income	906	925	710	715	541	529	311	306	-24	15	2,444	2,490	-2%
Total operating expenses	-449	-509	-291	-350	-189	-275	-131	-139	-79	-115	-1,139	-1,388	-18%
Net loan losses and similar net result	7	-13	36	-11	14	29	-4	-1	3	8	56	12	
Operating profit	464	403	455	354	366	283	176	166	-100	-92	1,361	1,114	22%
Cost-to-income ratio ¹ , %	51	50	42	42	38	38	42	45			49	48	
Return on capital at risk ¹ , %	18	18	20	18	18	19	34	30			17	18	
Economic capital (EC)	7,659	7,909	6,799	6,894	5,868	5,942	1,550	1,606	938	1,065	22,814	23,416	-3%
Risk exposure amount (REA)	45,284	46,968	42,800	43,424	42,979	43,477	8,477	8,335	11,183	11,835	150,723	154,039	-2%
Number of employees (FTEs)	6,937	6,893	4,009	4,037	1,216	1,213	2,769	2,725	12,419	12,208	27,350	27,076	1%
Volumes, EURbn²:													
Total lending	171.7	174.0	99.0	99.9	51.0	49.8	11.8	11.7	-5.0	-2.3	328.5	333.1	-1%
Total deposits	88.1	86.8	56.0	53.9	50.8	56.9	12.8	11.6	2.9	2.8	210.6	212.0	-1%

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	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Chg
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
EURm													
Net interest income	1,136	1,130	885	799	529	471	54	38	12	6	2,616	2,444	7%
Net fee and commission income	603	583	325	313	241	307	555	514	-16	-12	1,708	1,705	0%
Net result from items at fair value	87	83	195	151	297	345	8	37	-10	32	577	648	-11%
Equity method & other income	5	14	20	18	3	1	0	0	5	8	33	41	-20%
Total operating income	1,831	1,810	1,425	1,281	1,070	1,124	617	589	-9	34	4,934	4,838	2%
Total operating expenses	-958	-956	-641	-614	-464	-448	-270	-247	-194	-185	-2,527	-2,450	3%
Net loan losses and similar net result	-6	-5	25	15	43	-15	-5	0	11	4	68	-1	
Operating profit	867	849	809	682	649	661	342	342	-192	-147	2,475	2,387	4%
Cost-to-income ratio ¹ , %	51	51	42	46	38	35	43	42			49	48	
Return on capital at risk ¹ , %	18	18	19	16	19	19	32	31			17	16	
Economic capital (EC)	7,659	7,759	6,799	6,838	5,868	5,580	1,550	1,785	938	1,205	22,814	23,167	-2%
Risk exposure amount (REA)	45,284	47,008	42,800	44,014	42,979	40,518	8,477	8,552	11,183	12,130	150,723	152,222	-1%
Number of employees (FTEs)	6,937	7,007	4,009	4,213	1,216	1,326	2,769	2,744	12,419	12,220	27,350	27,510	-1%
Volumes, EURbn²:													
Total lending	171.7	167.0	99.0	94.5	51.0	43.9	11.8	10.5	-5.0	1.3	328.5	317.2	4%
Total deposits	88.1	85.8	56.0	52.7	50.8	48.5	12.8	11.0	2.9	-1.8	210.6	196.2	7%

¹ With amortised resolution fees.

² Excluding repurchase agreements and security lending/borrowing agreements.

Personal Banking

Introduction

In Personal Banking we offer household customers easy and convenient everyday banking and advice.

We strive to create great omnichannel experiences by providing a full range of financial services and products through a combination of digital channels and in-person interactions.

Business development

In the second quarter we continued to drive strong mortgage lending growth, up 5%, year on year, although we are now seeing lower market activity. We once again grew our market share across the Nordics, particularly in Sweden where our mortgage volumes grew by 8%. Total lending volumes increased by 5% in local currencies, driven by the mortgage growth. Other lending volumes, including consumer loans, increased by 2% and deposit volumes increased by 5%.

As a result of current market uncertainty we saw a reduction in customer demand for savings products this quarter.

We continued to develop our digital channels for improved customer experiences. This included expanding chatbot features to offer our customers even better support in our digital channels.

In Denmark, Norway and Sweden, we launched a new version of our mobile bank app, providing customers with further tools to manage their finances and delivering a smoother banking experience. The new app will be launched in Finland later this year. During the quarter we also launched the new netbank for our customers in Norway. Digital customer engagement remains high. Logins to the private mobile banking app are now approaching 100 million per month, up 8% year on year.

This quarter, in their annual benchmark review on branch banking digitalisation, research provider Autonomous ranked Nordea as one of the top digital leaders globally. The rating company D-rating also acknowledged our strong digital performance and innovative features such as personalisation and appointment scheduling. In Sweden, D-rating specifically highlighted our digital customer customisation features.

Despite the market turbulence and its overall impact on savings, customers continue to value our ESG product offering. During the second quarter the ESG share of gross inflow to funds was 29%. Our customers continued to show an interest in making a positive impact through their mortgages, with green mortgage lending up 42%, year on year, mainly in Sweden.

Financial outcome

Total income decreased by 3%, year on year, as the second quarter of last year had included the revaluation of an ownership stake. Underlying total income increased by 1%, mainly driven by mortgage volume growth, higher deposit margins and higher payment and card fee income. These were partly offset by lower savings and investment income

and lower mortgage margins resulting from higher funding costs.

Net interest income remained at the same level, year on year, as strong mortgage volume growth across all countries and improved deposit margins in Denmark, Norway and Sweden were offset by exchange rate effects and lower mortgage margins in Norway and Sweden.

Net fee and commission remained at the same level, year on year, as the higher payment and card fee income following the reopening of society was partly offset by exchange rate effects and lower savings and investment income due to market turbulence.

Net result from items at fair value decreased by 41%, year on year, as the second quarter of last year had included the revaluation of an ownership stake.

Total expenses remained at the same level, year on year, as higher regulatory fees, which included the Swedish bank tax, were offset by strong cost management and exchange rate effects. The higher regulatory fees and a lower level of income led to a cost-to-income ratio with amortised resolution fees of 51%, up from 49% in the second quarter of 2021. Adjusted for the revaluation of an ownership stake and the increased regulatory fees, the underlying ratio was stable.

Total net loan losses and similar net result amounted to net reversals of EUR 7m (2bp), due to the positive impact from the revaluation of Nordea Kredit's mortgage portfolio, the recoveries made from portfolio sales as well as the release from the COVID-19 management judgement buffer. Underlying loan losses remained low.

Operating profit decreased by 5%, year on year, to EUR 464m. Return on capital at risk (ROCAR) was 18% compared with 19% in the same quarter last year.

Personal Banking Denmark

Total income increased by 5% in local currency, year on year.

Net interest income increased by 9% in local currency, year on year, primarily driven by mortgage volume growth and somewhat higher deposit margins.

Lending volumes increased by 5% in local currency, year on year, driven by a 6% increase in mortgage lending. Deposit volumes remained at the same level.

Net fee and commission income remained at the same level in local currency, year on year, as lower savings and investment income was offset by higher payment and card fee income.

Net loan losses and similar net result amounted to net reversals of EUR 8m (7bp), driven by the positive impact from the revaluation of Nordea Kredit's mortgage portfolio, which offset the underlying loan losses.

Personal Banking Finland

Total income increased by 1%, year on year.

Net interest income increased by 4%, year on year, mainly driven by mortgage volume growth. This was partly offset by higher funding costs.

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

Net fee and commission income increased by 2%, year on year, due to improved payment and card fee income. This was partly offset by lower savings and investment income.

Net loan losses and similar net result amounted to EUR 13m (14bp), driven by write-offs related to consumer loans.

Personal Banking Norway

Total income decreased by 8% in local currency, year on year.

Net interest income decreased by 12% in local currency, year on year. As expected, lending margins declined due to a higher NIBOR and the notification period for changing customer prices following Norges Bank's interest rate hikes. The decrease in lending margins was partly offset by mortgage volume growth and higher deposit margins.

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

Net fee and commission income increased by 18%, year on year, due to improved payment and card fee income and higher savings and investment income.

Net loan losses and similar net result amounted to net reversals of EUR 2m (2bp). This was primarily driven by a release of provisions in response to lower credit risk in sectors affected by the pandemic. Underlying loan losses remained low.

Personal Banking Sweden

Total income increased by 1% in local currency, year on year.

Net interest income increased by 2% in local currency, year on year, due to strong mortgage volume growth and higher deposit margins. These were partly offset by lower lending margins driven by higher funding costs.

Lending volumes increased by 8% in local currency, year on year, driven by an 8% increase in mortgage volumes. Deposit volumes increased by 9%.

Net fee and commission income remained at the same level in local currency, year on year, as improved payment and card fee income was offset by lower savings and investment income.

Net loan losses and similar net result amounted to net reversals of EUR 11m (9bp) due to the recoveries made from portfolio sales. Underlying loan losses remained low.

Personal Banking total

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Local curr.		Jan- Jun 22	Jan- Jun 21	Jan-Jun 22/21	
								Q2/Q2	Q2/Q1			EUR	Local
EURm													
Net interest income	571	565	556	573	569	0%	1%	1%	1%	1,136	1,130	1%	1%
Net fee and commission income	302	301	324	316	301	0%	0%	1%	0%	603	583	3%	5%
Net result from items at fair value	30	57	34	32	51	-41%	-47%	-39%	-45%	87	83	5%	4%
Equity method & other income	3	2	-1	1	10					5	14		
Total income incl. allocations	906	925	913	922	931	-3%	-2%	-2%	-2%	1,831	1,810	1%	2%
Total expenses incl. allocations	-449	-509	-455	-451	-447	0%	-12%	2%	-11%	-958	-956	0%	1%
Profit before loan losses	457	416	458	471	484	-6%	10%	-5%	10%	873	854	2%	3%
Net loan losses and similar net result	7	-13	-10	-1	2					-6	-5		
Operating profit	464	403	448	470	486	-5%	15%	-4%	15%	867	849	2%	3%
Cost-to-income ratio ¹ , %	51	50	52	51	49					51	51		
Return on capital at risk ¹ , %	18	18	17	18	19					18	18		
Economic capital (EC)	7,659	7,909	7,750	7,769	7,759	-1%	-3%			7,659	7,759	-1%	
Risk exposure amount (REA)	45,284	46,968	46,603	46,937	47,008	-4%	-4%			45,284	47,008	-4%	
Number of employees (FTEs)	6,937	6,893	6,839	6,950	7,007	-1%	1%			6,937	7,007	-1%	
Volumes, EURbn:													
Mortgage lending	150.6	152.9	150.6	148.5	146.1	3%	-2%	5%	1%	150.6	146.1	3%	5%
Other lending	21.1	21.1	20.9	21.1	20.9	1%	0%	2%	1%	21.1	20.9	1%	2%
Total lending	171.7	174.0	171.5	169.6	167.0	3%	-1%	5%	1%	171.7	167.0	3%	5%
Total deposits	88.1	86.8	85.5	85.7	85.8	3%	1%	5%	3%	88.1	85.8	3%	5%

¹ With amortised resolution fees.

Personal Banking

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Local curr.		Jan- Jun 22	Jan- Jun 21	Jan-Jun 22/21	
								Q2/Q2	Q2/Q1			EUR	Local
Net interest income, EURm													
PeB Denmark	158	155	153	153	145	9%	2%	9%	2%	313	290	8%	8%
PeB Finland	102	108	97	101	98	4%	-6%	4%	-6%	210	197	7%	7%
PeB Norway	116	121	109	121	130	-11%	-4%	-12%	-3%	237	249	-5%	-7%
PeB Sweden	195	186	202	199	198	-2%	5%	2%	5%	381	399	-5%	-1%
Other	0	-5	-5	-1	-2					-5	-5		
Net fee and commission income, EURm													
PeB Denmark	82	75	83	84	83	-1%	9%	0%	9%	157	157	0%	1%
PeB Finland	92	94	98	97	90	2%	-2%	2%	-2%	186	178	4%	4%
PeB Norway	27	25	27	23	23	17%	8%	18%	8%	52	45	16%	14%
PeB Sweden	104	107	116	113	106	-2%	-3%	0%	-5%	211	205	3%	6%
Other	-3	0	0	-1	-1					-3	-2		
Net loan losses and similar net result, EURm													
PeB Denmark	8	9	20	18	33					17	46		
PeB Finland	-13	-14	-20	-9	-20					-27	-34		
PeB Norway	2	-1	-5	-4	0					1	-2		
PeB Sweden	11	-6	-4	-4	-8					5	-15		
Other	-1	-1	-1	-2	-3					-2	0		
Volumes, EURbn													
Personal Banking Denmark													
Mortgage lending	36.5	36.3	35.9	35.2	34.5	6%	1%	6%	1%	36.5	34.5	6%	6%
Other lending	8.8	8.6	8.5	8.6	8.5	4%	2%	4%	2%	8.8	8.5	4%	4%
Total lending	45.3	44.9	44.4	43.8	43.0	5%	1%	5%	1%	45.3	43.0	5%	5%
Total deposits	21.9	21.4	21.4	21.5	21.9	0%	2%	0%	2%	21.9	21.9	0%	0%
Personal Banking Finland													
Mortgage lending	31.0	30.7	30.4	30.0	29.6	5%	1%	5%	1%	31.0	29.6	5%	5%
Other lending	6.2	6.2	6.2	6.3	6.3	-2%	0%	-2%	0%	6.2	6.3	-2%	-2%
Total lending	37.2	36.9	36.6	36.3	35.9	4%	1%	4%	1%	37.2	35.9	4%	4%
Total deposits	26.9	26.3	25.9	26.1	25.7	5%	2%	5%	2%	26.9	25.7	5%	5%
Personal Banking Norway													
Mortgage lending	34.9	37.0	35.7	35.0	34.5	1%	-6%	3%	1%	34.9	34.5	1%	3%
Other lending	2.6	2.7	2.7	2.7	2.6	0%	-4%	0%	0%	2.6	2.6	0%	0%
Total lending	37.5	39.7	38.4	37.7	37.1	1%	-6%	3%	1%	37.5	37.1	1%	3%
Total deposits	11.2	11.3	10.8	10.7	10.9	3%	-1%	5%	6%	11.2	10.9	3%	5%
Personal Banking Sweden													
Mortgage lending	48.2	49.0	48.5	48.2	47.4	2%	-2%	8%	2%	48.2	47.4	2%	8%
Other lending	3.5	3.6	3.6	3.6	3.6	-3%	-3%	6%	3%	3.5	3.6	-3%	6%
Total lending	51.7	52.6	52.1	51.8	51.0	1%	-2%	8%	2%	51.7	51.0	1%	8%
Total deposits	28.1	27.9	27.4	27.4	27.3	3%	1%	9%	4%	28.1	27.3	3%	9%

Business Banking

Introduction

In Business Banking we provide small and medium-sized enterprises (SMEs) with banking and advisory products and services, both online and in person.

Business Banking also includes the product and specialist units Transaction Banking, which provides payment and transaction services, and Nordea Finance, which provides asset-based lending and receivables finance.

We are a trusted financial partner, providing competent advice and developing digital solutions to support sustainable growth for our customers.

Business development

In the second quarter we continued to enhance our customer experience and maintained strong financial performance despite continued macroeconomic uncertainty. Lending and deposit volumes were up 7% and 9%, respectively, in local currencies, year on year, and were driven by our growth markets Sweden and Norway. We also saw increased demand for our hedging products. Savings income remained subdued due to volatility in the market.

In April Business Banking Sweden ranked first in Prospera's customer satisfaction survey on Small Corporate Banking in Sweden. The customers rated banks in ten categories, of which Nordea ranked first in six: Personal contacts, Financial competence, Coordination offering & specialists, Strategic advice, Proactive and Senior management attention. The results reflect our efforts to increase responsiveness and proactivity towards our customers, and we will continue our work to further improve customer experience.

In the second quarter we saw a 27% year-on-year increase in the user base for our Nordea Business mobile app. The app also received high app store ratings, with the overall average Nordic score reaching 4.4 out of 5, solidifying our position as a digital leader. We will continue our efforts to develop the Nordea Business mobile app and netbank to deliver effortless everyday banking for businesses across the Nordics.

In order to provide SME customers with easier access to our products and services, we continued to expand our Nordea Business online store by adding new products to the selection. During the first half of 2022 the online store attracted over 150,000 visits across the Nordics, with growing sales volumes. The store is currently available in Denmark, Finland and Sweden.

Our focus on sustainability continues. We have extended our green deposit pilot in Norway and are preparing for full-scale launch – first in Norway, then in the other countries. We continued deep-dive assessments where we engage with customers in sectors potentially vulnerable to transition risks. We also finalised deep dives in the utilities distribution and power production sectors.

Financial outcome

Total income in the second quarter increased by 10%, year on year, driven by higher lending volumes, improved deposit margins and higher net result from items at fair value.

Net interest income increased by 10%, year on year, driven by higher lending and deposit volumes and improved deposit margins, and partly offset by lower lending margins. Deposit margin increases in Norway and Sweden were linked to interest rate hikes.

Net fee and commission income grew by 5%, year on year, driven by higher payment and card fee income, lending fee income and higher equity capital markets activity. These were partly offset by lower savings income following continued market turbulence. While equity capital markets activity increased during the quarter, the overall market outlook remains uncertain.

Net result from items at fair value increased by 22%, year on year, driven by higher income from interest rate and foreign exchange products. The growth was partly attributable to continued high customer demand for our hedging solutions.

Total expenses increased by 5%, year on year, due to higher regulatory fees, which included the Swedish bank tax. Excluding these, total expenses increased by 1%. The cost-to-income ratio with amortised resolution fees was 42%, an improvement of 3 percentage points on the same quarter last year.

Net loan losses and similar net result amounted to net reversals of EUR 36m (15bp) and included a EUR 35m release from the COVID-19 management judgement buffer.

Operating profit increased by 15%, year on year, to EUR 455m, mainly driven by higher income. Return on capital at risk (ROCAR) was 20%, compared with 17% in the same quarter last year.

Business Banking Denmark

Net interest income increased by 9% in local currency, year on year, driven by higher deposit volumes and improved deposit margins that followed repricing in 2021.

Lending volumes were unchanged in local currency, year on year. Deposit volumes increased by 7%.

Net fee and commission income increased by 4% in local currency, year on year, driven by higher payment and card fee income and lending fee income.

Net loan losses and similar net result amounted to net reversals of EUR 14m (22bp). The amount included the release of EUR 10m from the COVID-19 management judgement buffer.

Business Banking Finland

Net interest income decreased by 2%, year on year, driven by lower lending margins. This was partly offset by lending volume growth.

Lending volumes increased by 4%, year on year, while deposit volumes increased by 7%.

Net fee and commission income increased by 4%, year on year, driven by higher payment and card fee income and lending fee income. These were partly offset by lower savings and investment income.

Net loan losses and similar net result amounted to net reversals of EUR 12m (23bp) and reflected the release of EUR 15m from the COVID-19 management judgement buffer.

Business Banking Norway

Net interest income increased by 16% in local currency, year on year, driven by higher lending and deposit volumes and the improved deposit margins that followed interest rate hikes during the year.

Lending volumes increased by 9% in local currency, year on year. Deposit volumes increased by 6%.

Net fee and commission income increased by 7% in local currency, year on year, driven by higher payment and card fee income and lending fee income.

Net loan losses and similar net result amounted to net reversals of EUR 16m (27bp). The amount included the release of EUR 10m from the COVID-19 management judgement buffer.

Business Banking Sweden

Net interest income increased by 21% in local currency, year on year. The increase was driven by higher lending and deposit volumes and the improved deposit margins that followed Riksbank's interest rate hike during the quarter.

Lending volumes increased by 13% in local currency, year on year. Deposit volumes increased by 12%.

Net fee and commission income increased by 9% in local currency, year on year, driven by higher payment and card fee income, lending fee income and higher equity capital markets activity. These were partly offset by lower savings income.

Net loan losses and similar net result amounted to EUR 2m (3bp), compared with net reversals of EUR 1m in the same quarter last year.

Business Banking total

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Local curr.		Jan- Jun 22	Jan- Jun 21	Jan-Jun 22/21	
EURm								Q2/Q2	Q2/Q1			EUR	Local
Net interest income	445	440	416	395	405	10%	1%	10%	1%	885	799	11%	11%
Net fee and commission income	161	164	170	161	153	5%	-2%	6%	-2%	325	313	4%	5%
Net result from items at fair value	94	101	89	70	77	22%	-7%	25%	-6%	195	151	29%	31%
Equity method & other income	10	10	7	9	9					20	18		
Total income incl. allocations	710	715	682	635	644	10%	-1%	11%	0%	1,425	1,281	11%	12%
Total expenses incl. allocations	-291	-350	-295	-290	-278	5%	-17%	6%	-16%	-641	-614	4%	5%
Profit before loan losses	419	365	387	345	366	14%	15%	15%	15%	784	667	18%	18%
Net loan losses and similar net result	36	-11	-27	16	30					25	15		
Operating profit	455	354	360	361	396	15%	29%	15%	28%	809	682	19%	19%
Cost-to-income ratio ¹ , %	42	42	45	48	45					42	46		
Return on capital at risk ¹ , %	20	18	15	15	17					19	16		
Economic capital (EC)	6,799	6,894	6,867	6,785	6,838	-1%	-1%			6,799	6,838	-1%	
Risk exposure amount (REA)	42,800	43,424	43,200	43,707	44,014	-3%	-1%			42,800	44,014	-3%	
Number of employees (FTEs)	4,009	4,037	4,070	4,124	4,213	-5%	-1%			4,009	4,213	-5%	
Volumes, EURbn:													
Total lending	99.0	99.9	97.8	96.0	94.5	5%	-1%	7%	2%	99.0	94.5	5%	7%
Total deposits	56.0	53.9	55.9	53.1	52.7	6%	4%	9%	7%	56.0	52.7	6%	9%

¹ With amortised resolution fees.

Business Banking

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Local curr.		Jan- Jun 22	Jan- Jun 21	Jan-Jun EUR	22/21 Local
								Q2/Q2	Q2/Q1				
Net interest income, EURm													
Business Banking Denmark	93	91	92	91	85	9%	2%	9%	2%	184	170	8%	8%
Business Banking Finland	103	121	98	96	105	-2%	-15%	-2%	-15%	224	213	5%	5%
Business Banking Norway	125	120	115	104	107	17%	4%	16%	5%	245	208	18%	16%
Business Banking Sweden	117	104	108	100	100	17%	13%	21%	13%	221	198	12%	15%
Other	7	4	3	4	8					11	10		
Net fee and commission income, EURm													
Business Banking Denmark	28	33	31	30	27	4%	-15%	4%	-15%	61	60	2%	2%
Business Banking Finland	54	53	55	55	52	4%	2%	4%	2%	107	103	4%	4%
Business Banking Norway	31	32	31	29	29	7%	-3%	7%	-3%	63	60	5%	3%
Business Banking Sweden	61	60	64	57	58	5%	2%	9%	3%	121	116	4%	8%
Other	-13	-14	-11	-10	-13					-27	-26		
Net loan losses and similar net result, EURm													
Business Banking Denmark	14	7	-2	15	25					21	26		
Business Banking Finland	12	-15	-27	2	-7					-3	-18		
Business Banking Norway	16	2	5	-6	12					18	12		
Business Banking Sweden	-2	-9	-1	6	1					-11	-6		
Other	-4	4	-2	-1	-1					0	1		
Lending, EURbn													
Business Banking Denmark	25.9	25.7	26.3	25.9	25.8	0%	1%	0%	1%	25.9	25.8	0%	0%
Business Banking Finland	20.6	20.4	20.1	19.9	19.8	4%	1%	4%	1%	20.6	19.8	4%	4%
Business Banking Norway	24.1	25.1	24.0	23.1	22.4	8%	-4%	9%	3%	24.1	22.4	8%	9%
Business Banking Sweden	28.3	28.6	27.4	27.1	26.5	7%	-1%	13%	2%	28.3	26.5	7%	13%
Other	0.1	0.1	0	0	0					0.1	0		
Deposits, EURbn													
Business Banking Denmark	10.3	9.2	9.6	9.6	9.6	7%	12%	7%	12%	10.3	9.6	7%	7%
Business Banking Finland	15.7	15.5	15.5	14.5	14.7	7%	1%	7%	1%	15.7	14.7	7%	7%
Business Banking Norway	10.3	10.8	10.8	10.3	9.8	5%	-5%	6%	3%	10.3	9.8	5%	6%
Business Banking Sweden	19.7	18.4	19.9	18.6	18.6	6%	7%	12%	10%	19.7	18.6	6%	12%
Other	0	0	0.1	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 the product and specialist units Markets and Investment Banking & Equities, and our international corporate branches.

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

The second quarter was characterised by high volatility stemming from substantially increased inflationary pressure, rapid interest rate hikes and general uncertainty about macroeconomic development. With widening credit spreads and reduced liquidity, we have seen an increase in Nordic corporate demand for short-term liquidity facilities and a general increased need for comprehensive financial advice among our LC&I customer base.

Debt Capital Markets experienced a more muted second quarter and market conditions remain challenging. We are still seeing a continuous deal flow and highlights of the quarter included the largest ever inaugural Nordic corporate bond issue, a EUR 2.2bn 3-tranche issue for Coloplast arranged in May.

The activity level for Mergers & Acquisitions and Equity Capital Markets weakened compared with last year and several transactions were postponed. Highlights included the acquisition of Frontmatec by KKR's portfolio company Bettcher, the merger of Electra and Elon, and Millicom's rights issue.

During the quarter Nordea Markets saw continued high customer activity. Financial markets were very illiquid across all major asset classes, but our strong diversification and prudent risk management helped us deliver a solid performance despite the macroeconomic and geopolitical turmoil.

Nordea was awarded Global Finance's 2022 Sustainable Finance Award for Denmark, Sweden and Finland. We remain on track with our target to facilitate EUR 200bn in sustainable financing by 2025 and continue to improve our operating processes, data foundation and staff training. We also launched the Nordea sustainability-linked loan funding framework to further advance the market for sustainable finance instruments.

Financial outcome

Total income was up 7% in the second quarter, driven by strong growth in net interest income as well as items at net fair value.

Net interest income increased by 13%, year on year, primarily driven by higher lending and deposit volumes and higher deposit margins. Yield fees also grew from last year.

Net fee and commission income was down by 33%, year on year. The decrease was primarily due to lower corporate finance income and weaker debt capital markets as investor risk appetite declined.

Net result from items at fair value increased by 53%, primarily due to high customer activity and gains related to the restructuring of our Offshore portfolio.

Total expenses were up 9%, mainly due to higher regulatory fees, which included the Swedish bank tax. Cost-to-income ratio with amortised resolution fees improved by 1 percentage point, year on year, to 38%.

Net loan losses and similar net result amounted to net reversals of EUR 14m (8bp). The total provisioning level has decreased to approximately EUR 476m or 0.9% of LC&I lending following restructuring within the Offshore portfolio.

Operating profit amounted to EUR 366m, a year-on-year increase of 7%, supported by solid income growth and loan loss reversals.

Economic capital increased by 5%, year on year, despite lending volumes that were 16% higher, supported by strong capital discipline and a focus on highly rated customers.

Return on capital at risk (ROCAR) was 18% in the second quarter, up 1 percentage point from last year. In the first half of 2022 ROCAR was 19%, reflecting LC&I's diversification and financial strength. This strong performance was supported by significant bridge financing, the gains related to the restructuring of our Offshore portfolio and generally high market activity.

Large Corporates & Institutions total

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Jan-Jun 22	Jan-Jun 21	Jan-Jun 22/21
EURm										
Net interest income	262	267	247	228	231	13%	-2%	529	471	12%
Net fee and commission income	112	129	119	115	167	-33%	-13%	241	307	-21%
Net result from items at fair value	164	133	86	91	107	53%	23%	297	345	-14%
Equity method & other income	3	0	2	0	0			3	1	
Total income incl. allocations	541	529	454	434	505	7%	2%	1,070	1,124	-5%
Total expenses incl. allocations	-189	-275	-175	-173	-174	9%	-31%	-464	-448	4%
Profit before loan losses	352	254	279	261	331	6%	39%	606	676	-10%
Net loan losses and similar net result	14	29	-12	10	12			43	-15	
Operating profit	366	283	267	271	343	7%	29%	649	661	-2%
Cost-to-income ratio ¹ , %	38	38	44	46	39			38	35	
Return on capital at risk ¹ , %	18	19	13	13	17			19	19	
Economic capital (EC)	5,868	5,942	5,655	5,505	5,580	5%	-1%	5,868	5,580	5%
Risk exposure amount (REA)	42,979	43,477	41,333	40,509	40,518	6%	-1%	42,979	40,518	6%
Number of employees (FTEs)	1,216	1,213	1,210	1,291	1,326	-8%	0%	1,216	1,326	-8%
Volumes, EURbn²:										
Total lending	51.0	49.8	46.5	43.7	43.9	16%	2%	51.0	43.9	16%
Total deposits	50.8	56.9	49.8	49.8	48.5	5%	-11%	50.8	48.5	5%

¹ With amortised resolution fees.

² Excluding repurchase agreements and security lending/borrowing agreements.

Large Corporates & Institutions

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Jan-Jun 22	Jan-Jun 21	Jan-Jun 22/21
Net interest income, EURm										
Denmark	51	39	38	34	36	42%	31%	90	71	27%
Finland	39	48	36	36	41	-5%	-19%	87	91	-4%
Norway	78	72	73	71	73	7%	8%	150	147	2%
Sweden	89	97	89	83	75	19%	-8%	186	146	27%
Other	5	11	11	4	6			16	16	
Net fee and commission income, EURm										
Denmark	32	31	33	23	51	-37%	3%	63	82	-23%
Finland	31	35	29	29	43	-28%	-11%	66	77	-14%
Norway	23	26	26	23	28	-18%	-12%	49	64	-23%
Sweden	46	41	54	37	50	-8%	12%	87	90	-3%
Other	-20	-4	-23	3	-5			-24	-6	
Net loan losses and similar net result, EURm										
Denmark	1	0	5	5	3			1	14	
Finland	0	6	-10	6	-2			6	-2	
Norway	13	18	-2	-1	1			31	-34	
Sweden	-4	4	-3	-1	7			0	5	
Other	4	1	-2	1	3			5	2	
Lending, EURbn¹										
Denmark	10.8	10.7	7.4	7.5	7.4	46%	1%	10.8	7.4	46%
Finland	8.4	7.9	8.4	7.3	7.8	8%	6%	8.4	7.8	8%
Norway	12.3	12.4	12.1	12.1	12.2	1%	-1%	12.3	12.2	1%
Sweden	17.9	17.3	16.9	15.3	14.9	20%	3%	17.9	14.9	20%
Other	1.6	1.5	1.7	1.5	1.6			1.6	1.6	
Deposits, EURbn¹										
Denmark	7.4	8.0	7.8	8.8	9.4	-21%	-8%	7.4	9.4	-21%
Finland	13.7	15.5	16.1	15.0	13.4	2%	-12%	13.7	13.4	2%
Norway	11.2	12.3	10.7	9.2	10.2	10%	-9%	11.2	10.2	10%
Sweden	18.3	20.7	15.2	16.5	15.4	19%	-12%	18.3	15.4	19%
Other	0.2	0.4	0	0.3	0.1			0.2	0.1	

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 external distribution channels, and provide financial advice to high net worth individuals and corporate and institutional investors.

We are the leading Nordic private bank, asset manager and life and pensions business, with global reach and a globally competitive sustainability offering.

Business development

The second quarter saw increased uncertainty in the macroeconomic environment with sharp increases in interest rates. This led to high volatility in the financial markets, with both the equity and fixed income markets negatively impacted as a result. S&P 500 and STOXX were both down by 20% during the first six months of the year, representing the worst performance in 50 years. The global aggregate bond index was also down by 14%.

Driven by the continued financial market turbulence, assets under management (AuM) decreased by 7%, year on year, to EUR 356bn. During the second quarter investment return decreased AuM by EUR 35.2bn. Net flows amounted to EUR 1.3bn and were supported by all-time-high net flows in Private Banking. The second quarter included an outflow of EUR 0.5bn from mandates related to the divestment of Nordea Life & Pensions Denmark in 2018.

In Asset Management we continued to broaden the range of products with ESG strategies and launched a Global Climate Engagement fund designed to curb real CO2 emissions. At the end of the quarter approximately 65% of total AuM were in ESG products. Asset Management attracted new business from several large mandates with international institutional clients during the quarter. Investment performance in Asset Management remained strong, with 86% of aggregated composites providing excess return on a 3-year basis. Net flows in the second quarter were negative at EUR 1.8bn.

In Private Banking customer satisfaction remained high, driven by our proactivity, personal customer relationships and innovative digital services. We generated all-time-high net flows of EUR 2.8bn across the Nordic region during the quarter, despite the market turbulence. Sweden was the main driver with record net flows of EUR 1.6bn. In the second quarter 13% of all fund purchases in Private Banking were made digitally.

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

To accelerate our strategic ambitions within the savings area, this quarter we continued to work towards the completion of the acquisition of Topdanmark's life and pensions business, which we announced in March. The process is progressing as planned and the aim is to complete it in the second half of 2022.

Gross written premiums amounted to EUR 1.4bn. Despite market volatility net flows in the quarter remained positive at EUR 0.3bn but were 66% lower, year on year.

Financial outcome

Total income in the second quarter was up 6%, year on year. The increase was mainly driven by increased deposit income and a change in product mix which drove higher margins.

Net interest income was up 47%, year on year, mainly driven by higher deposit margins and increased lending volumes.

Net fee and commission income increased by 4%, year on year, mainly driven by higher margins due to the change in product mix.

Net result from items at fair value amounted to EUR 11m, down 21%, year on year, mainly due to losses on shareholders' equity portfolios in Life & Pension.

Total expenses increased by 11%, year on year, driven by higher staff, travel and IT costs. The cost-to-income ratio with amortised resolution fees was up 1 percentage point, year on year, at 42%.

Net loan losses and similar net result amounted to EUR 4m, compared with net reversals of EUR 3m in the same quarter last year.

Operating profit in the second quarter was EUR 176m, a year-on-year decrease of 2%. Our return on capital at risk (ROCAR) improved 3 percentage points, year on year, and stood at 34%.

Asset & Wealth Management total

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Local curr.		Jan- Jun 22	Jan- Jun 21	Jan-Jun 22/21	
								Q2/Q2	Q2/Q1			EUR	Local
EURm													
Net interest income	28	26	20	19	19	47%	8%	47%	8%	54	38	42%	42%
Net fee and commission income	272	283	311	287	262	4%	-4%	4%	-4%	555	514	8%	8%
Net result from items at fair value	11	-3	12	13	14	-21%		-21%		8	37	-78%	-76%
Equity method & other income	0	0	3	0	0					0	0		
Total income incl. allocations	311	306	346	319	295	5%	2%	6%	2%	617	589	5%	5%
Total expenses incl. allocations	-131	-139	-143	-149	-120	9%	-6%	11%	-5%	-270	-247	9%	10%
Profit before loan losses	180	167	203	170	175	3%	8%	2%	7%	347	342	1%	1%
Net loan losses and similar net result	-4	-1	0	0	3					-5	0		
Operating profit	176	166	203	170	178	-1%	6%	-2%	5%	342	342	0%	0%
Cost-to-income ratio ¹ , %	42	45	41	47	41					43	42		
Return on capital at risk ¹ , %	34	30	31	28	31					32	31		
Economic capital (EC)	1,550	1,606	2,003	1,885	1,785	-13%	-3%			1,550	1,785	-13%	
Risk exposure amount (REA)	8,477	8,335	9,251	8,841	8,552	-1%	2%			8,477	8,552	-1%	
Number of employees (FTEs)	2,769	2,725	2,711	2,727	2,744	1%	2%			2,769	2,744	1%	
Volumes, EURbn:													
AuM	355.5	389.4	411.3	392.9	384.2	-7%	-9%			355.5	384.2	-7%	
Total lending	11.8	11.7	11.3	10.9	10.5	12%	1%	13%	2%	11.8	10.5	12%	13%
Total deposits	12.8	11.6	11.6	11.3	11.0	16%	10%	19%	13%	12.8	11.0	16%	19%

¹ With amortised resolution fees.

Assets under Management (AuM), volumes and net flow

	Q222	Q122	Q421	Q321	Q221	Q222
EURbn						
Nordic Retail funds	72.6	81.7	87.4	82.4	80.6	-1.0
Private Banking	106.1	115.4	122.7	116.1	114.2	2.8
Institutional sales	115.9	124.8	131.3	128.0	124.6	-0.9
Life & Pension	60.8	67.4	69.9	66.3	64.8	0.3
Total	355.5	389.4	411.3	392.9	384.2	1.3

Asset Management - Asset under management and Net flow¹

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Jan- Jun 22	Jan- Jun 21	Jan- Jun 22/21
EURbn										
AuM, internal channels	131.8	148.2	161.2	153.2	149.7	-12%	-11%	131.8	149.7	-12%
AuM, external channels	115.9	124.8	131.3	128.0	124.6	-7%	-7%	115.9	124.6	-7%
AuM, total	247.7	273.0	292.5	281.2	274.3	-10%	-9%	247.7	274.3	-10%
- whereof ESG AuM ²	161.1	175.2	194.6	176.9	173.9	-7%	-8%	161.1	173.9	-7%
Net inflow, internal channels	-0.9	-1.3	2.5	1.8	3.0		-27%	-2.2	5.9	
Net inflow, external channels	-0.9	-2.1	0.4	2.0	-2.2	-61%	-59%	-2.9	-3.2	-9%
Net inflow, total	-1.8	-3.4	2.9	3.8	0.9		-46%	-5.2	2.8	
- whereof ESG net inflow ²	-1.1	-2.0	2.9	3.9	2.4		-44%	-3.1	4.8	

¹ External channels include "Institutional sales" while internal channels include all other assets management by Asset Management.

² Articles 8 and 9 of the Sustainable Finance Disclosure Regulation.

Net fee and commission income	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Jan-Jun 22	Jan-Jun 21	Jan-Jun 22/21
EURm										
PB Denmark	46	46	54	48	52	-12%	0%	92	100	-8%
PB Finland	43	46	48	48	46	-7%	-7%	89	90	-1%
PB Norway	13	14	12	11	9	44%	-7%	27	19	42%
PB Sweden	26	28	32	29	27	-4%	-7%	54	52	4%
Asset Management	131	131	154	143	122	7%	0%	262	242	8%
Other	13	18	11	8	6		-28%	31	11	
Total	272	283	311	287	262	4%	-4%	555	514	8%

Private Banking	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Jan-Jun 22	Jan-Jun 21	22/21
AuM, EURbn										
PB Denmark	30.9	33.7	35.8	34.3	34.0	-9%	-8%	30.9	34.0	-9%
PB Finland	35.3	37.9	40.4	38.6	38.4	-8%	-7%	35.3	38.4	-8%
PB Norway	10.0	11.0	10.9	10.0	9.8	3%	-9%	10.0	9.8	3%
PB Sweden	29.8	32.9	35.7	33.2	32.1	-7%	-9%	29.8	32.1	-7%
Private Banking	106.1	115.4	122.7	116.1	114.2	-7%	-8%	106.1	114.2	-7%
Lending, EURbn										
PB Denmark	4.2	4.1	4.0	3.8	3.8	11%	2%	4.2	3.8	11%
PB Finland	2.8	2.7	2.6	2.5	2.5	12%	4%	2.8	2.5	12%
PB Norway	1.8	1.9	1.8	1.8	1.6	13%	-5%	1.8	1.6	13%
PB Sweden	3.0	3.0	2.9	2.8	2.6	15%	0%	3.0	2.6	15%
Private Banking	11.8	11.7	11.3	10.9	10.5	12%	1%	11.8	10.5	12%

Life & Pension

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Jan-Jun 22	Jan-Jun 21	Jan-Jun 22/21
EURm										
AuM, EURbn	56.5	62.8	65.1	61.6	60.1	-6%	-10%	56.5	60.1	-6%
Premiums	1,425	1,957	2,242	1,764	2,081	-32%	-27%	3,382	4,001	-15%
Profit drivers										
Profit traditional products	4	4	9	7	6	-42%	-5%	8	13	-43%
Profit market return products	65	67	70	66	66	-2%	-4%	132	129	3%
Profit risk products	23	20	19	20	22	2%	14%	42	43	-1%
Total product result	91	91	99	93	94	-3%	0%	182	185	-1%

Group functions

Introduction

Our Group functions provide the four business areas with the services, subject matter expertise, data and technology infrastructure needed for Nordea to be the preferred financial partner in the Nordics. The Group functions consist of Group Business Support; Chief of Staff Office; Group Brand, Communication and Marketing; Group Risk; Group Compliance; Group People; Group Legal; Group Finance; and Group Internal Audit.

Together with the results of the business areas, the results of the 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 first 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.

During the quarter we published our new sustainability-linked loan funding framework, which will enable a new class of ESG issuance to complement our green issuance. This will support the increasing importance of sustainable financing in line with our 2025 business plan.

Financial outcome

Total operating income in the second quarter amounted to EUR -24m, down from EUR 43m in the same quarter last year.

Net interest income decreased by EUR 6m, year on year.

Net result from items at fair value decreased by EUR 46m, year on year, due to high volatility in fixed income markets and lower investment valuation increases in Treasury.

Total operating expenses amounted to EUR 79m, a year-on-year decrease of EUR 33m, primarily due to one-time effects.

Group functions

	Q222	Q122	Q421	Q321	Q221	Q2/Q2	Q2/Q1	Jan-Jun 22	Jan-Jun 21
EURm									
Net interest income	2	10	16	11	8			12	6
Net fee and commission income	-9	-7	-4	-9	-5			-16	-12
Net result from items at fair value	-17	7	26	18	29			-10	32
Equity method & other income	0	5	5	14	11			5	8
Total operating income	-24	15	43	34	43			-9	34
Total operating expenses	-79	-115	-33	-35	-112			-194	-185
Profit before loan losses	-103	-100	10	-1	-69			-203	-151
Net loan losses and similar net result	3	8	-7	-3	4			11	4
Operating profit	-100	-92	3	-4	-65			-192	-147
Economic capital (EC)	938	1,065	942	1,181	1,205			938	1,205
Risk exposure amount (REA)	11,183	11,835	11,519	12,569	12,130			11,183	12,130
Number of employees (FTEs)	12,419	12,208	12,064	12,034	12,220	2%	2%	12,419	12,220

Income statement

	Note	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
EURm						
Operating income						
Interest income calculated using the effective interest rate method		1,519	1,227	2,865	2,536	5,116
Other interest income		178	204	362	397	784
Negative yield on financial assets		-47	-4	-112	-86	-219
Interest expense		-452	-278	-771	-606	-1,167
Negative yield on financial liabilities		110	83	272	203	411
Net interest income		1,308	1,232	2,616	2,444	4,925
Fee and commission income		1,077	1,130	2,184	2,188	4,472
Fee and commission expense		-239	-252	-476	-483	-977
Net fee and commission income	3	838	878	1,708	1,705	3,495
Net result from items at fair value	4	282	278	40	648	1,119
Profit or loss from associated undertakings and joint ventures accounted for under the equity method		-4	3	-4	-11	-6
Other operating income		20	27	37	52	87
Total operating income		2,444	2,418	4,397	4,838	9,620
Operating expenses						
General administrative expenses:						
Staff costs		-699	-705	-1,402	-1,387	-2,759
Other expenses	5	-265	-262	-531	-524	-1,002
Regulatory fees	6	-17	-	-290	-224	-224
Depreciation, amortisation and impairment charges of tangible and intangible assets	7	-158	-164	-304	-315	-664
Total operating expenses		-1,139	-1,131	-2,527	-2,450	-4,649
Profit before loan losses		1,305	1,287	1,870	2,388	4,971
Net result on loans in hold portfolios mandatorily held at fair value		16	21	24	32	83
Net loan losses	8	40	30	-32	-33	-118
Operating profit		1,361	1,338	1,862	2,387	4,936
Income tax expense		-307	-313	-539	-574	-1,105
Net profit for the period		1,054	1,025	1,323	1,813	3,831
Attributable to:						
Shareholders of Nordea Bank Abp		1,055	1,025	1,299	1,787	3,805
Additional Tier 1 capital holders		0	0	26	26	26
Non-controlling interests		-1	-	-2	-	-
Total		1,054	1,025	1,323	1,813	3,831
Basic earnings per share, EUR		0.28	0.25	0.34	0.44	0.95
Diluted earnings per share, EUR		0.28	0.25	0.34	0.44	0.95

Statement of comprehensive income

	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
EURm					
Net profit for the period	1,054	1,025	1,323	1,813	3,831
Items that may be reclassified subsequently to the income statement					
Currency translation differences	-540	-38	-348	112	160
Currency translation differences transferred to the income statement	-	-	660	-	-
Tax on currency translation differences	-	-	-	-	-2
<i>Hedging of net investments in foreign operations:</i>					
Valuation gains/losses	130	16	102	17	-1
Valuation gains/losses transferred to the income statement, net of tax	-	-	-131	-	-
<i>Fair value through other comprehensive income:¹</i>					
Valuation gains/losses, net of recycling	-121	13	-204	-12	38
Tax on valuation gains/losses	27	-3	42	2	-8
<i>Cash flow hedges:</i>					
Valuation gains/losses, net of recycling	99	-10	114	-51	50
Tax on valuation gains/losses	-20	3	-23	11	-10
Items that may not be reclassified subsequently to the income statement					
<i>Changes in own credit risk related to liabilities classified as fair value option:</i>					
Valuation gains/losses	8	-2	17	-3	-2
Tax on valuation gains/losses	-3	0	-5	0	1
<i>Defined benefit plans:</i>					
Remeasurement of defined benefit plans	38	47	196	245	49
Tax on remeasurement of defined benefit plans	-9	-10	-46	-48	-9
Other comprehensive income from companies accounted for under the equity method	1	0	2	0	0
Tax on other comprehensive income from companies accounted for under the equity method	0	0	0	0	0
Other comprehensive income, net of tax	-390	16	376	273	266
Total comprehensive income	664	1,041	1,699	2,086	4,097
Attributable to:					
Shareholders of Nordea Bank Abp	665	1,041	1,675	2,060	4,071
Additional Tier 1 capital holders	0	0	26	26	26
Non-controlling interests	-1	-	-2	-	-
Total	664	1,041	1,699	2,086	4,097

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

Balance sheet

	Note	30 Jun 2022	31 Dec 2021	30 Jun 2021
EURm				
Assets				
	10			
Cash and balances with central banks		71,134	47,495	51,769
Loans to central banks	9	197	409	1,501
Loans to credit institutions	9	6,431	1,983	6,181
Loans to the public	9	347,596	345,050	338,410
Interest-bearing securities		65,283	63,383	65,424
Financial instruments pledged as collateral		4,740	1,668	1,792
Shares		18,672	15,217	23,720
Assets in pooled schemes and unit-linked investment contracts		40,501	46,912	42,795
Derivatives		38,383	30,200	32,365
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-1,547	-65	179
Investments in associated undertakings and joint ventures		216	207	547
Intangible assets		3,698	3,784	3,807
Properties and equipment		1,698	1,745	1,809
Investment properties		1,770	1,764	1,638
Deferred tax assets		58	218	87
Current tax assets		253	272	397
Retirement benefit assets		371	221	337
Other assets		10,463	8,830	13,270
Prepaid expenses and accrued income		858	880	784
Assets held for sale		185	180	-
Total assets		610,960	570,353	586,812
Liabilities				
	10			
Deposits by credit institutions		37,158	26,961	32,983
Deposits and borrowings from the public		223,038	205,801	204,627
Deposits in pooled schemes and unit-linked investment contracts		41,800	48,201	43,482
Liabilities to policyholders		17,459	19,595	19,101
Debt securities in issue		189,752	175,792	182,670
Derivatives		39,476	31,485	32,470
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-4,298	805	1,659
Current tax liabilities		203	354	110
Other liabilities		26,313	18,485	25,048
Accrued expenses and prepaid income		1,141	1,334	1,250
Deferred tax liabilities		567	535	473
Provisions		374	414	520
Retirement benefit obligations		295	369	290
Subordinated liabilities		6,993	6,719	6,601
Total liabilities		580,271	536,850	551,284
Equity				
Additional Tier 1 capital holders		749	750	749
Non-controlling interests		-	9	9
Share capital		4,050	4,050	4,050
Invested unrestricted equity		1,096	1,090	1,066
Other reserves		-1,427	-1,801	-1,794
Retained earnings		26,221	29,405	31,448
Total equity		30,689	33,503	35,528
Total liabilities and equity		610,960	570,353	586,812
Off-balance sheet items				
Assets pledged as security for own liabilities		185,245	183,984	175,906
Other assets pledged ¹		253	253	266
Contingent liabilities		22,067	22,786	20,810
Credit commitments ²		86,833	86,238	90,713
Other commitments		2,686	2,747	1,502

¹ Includes interest-bearing securities pledged as security for payment settlements with central banks and clearing institutions.

² Including unutilised portion of approved overdraft facilities of EUR 28,616m (31 December 2021: EUR 28,263m; 30 June 2021: EUR 32,788m).

Statement of changes in equity

Attributable to shareholders of Nordea Bank Abp												
Other reserves:												
EURm	Share capital ¹	Invested un-restricted equity	Trans-lation 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 2022	4,050	1,090	-1,863	30	121	-77	-12	29,405	32,744	750	9	33,503
Net profit for the period	-	-	-	-	-	-	-	1,299	1,299	26	-2	1,323
Other comprehensive income, net of tax	-	-	283	91	-162	150	12	2	376	-	-	376
Total comprehensive income	-	-	283	91	-162	150	12	1,301	1,675	26	-2	1,699
Paid interest on Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-26	-	-26
Change in Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-1	-	-1
Share-based payments	-	-	-	-	-	-	-	6	6	-	-	6
Dividend	-	-	-	-	-	-	-	-2,655	-2,655	-	-	-2,655
Sale/purchase of own shares ²	-	6	-	-	-	-	-	-1,836	-1,830	-	-	-1,830
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-7	-7
Balance as at 30 Jun 2022	4,050	1,096	-1,580	121	-41	73	0	26,221	29,940	749	-	30,689
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	-	-	-	-	-	-	-	3,805	3,805	26	-	3,831
Other comprehensive income, net of tax	-	-	157	40	30	40	-1	0	266	-	-	266
Total comprehensive income	-	-	157	40	30	40	-1	3,805	4,071	26	-	4,097
Paid interest on Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-26	-	-26
Change in Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	2	-	2
Share-based payments	-	-	-	-	-	-	-	18	18	-	-	18
Dividend	-	-	-	-	-	-	-	-3,192	-3,192	-	-	-3,192
Sale/purchase of own shares ²	-	27	-	-	-	-	-	-1,163	-1,136	-	-	-1,136
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	0	0
Balance as at 31 Dec 2021	4,050	1,090	-1,863	30	121	-77	-12	29,405	32,744	750	9	33,503
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 Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-26	-	-26
Change in Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	1	-	1
Share-based payments	-	-	-	-	-	-	-	7	7	-	-	7
Dividend	-	-	-	-	-	-	-	-283	-283	-	-	-283
Sale 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

¹ Total shares registered were 3,753 million (31 December 2021: 3,966 million; 30 June 2021: 4,050 million). The number of own shares was 6.1 million (31 December 2021: 32.8 million; 30 June 2021: 10.6 million), which represents 0.2% (31 December 2021: 0.8%; 30 June 2021: 0.3%) of the total shares in Nordea. Each share represents one voting right.

² The change in the holding of own shares related to treasury shares held for remuneration purposes and to the trading portfolio was accounted for as an increase in "Invested unrestricted equity". The number of treasury shares held for remuneration purposes was 6.1 million (31 December 2021: 7.1 million; 30 June 2021: 7.1 million). The share buy-back amounted to EUR 1,832m (31 December 2021: EUR 1,160m) and was accounted for as a reduction in "Retained earnings". The transaction cost in relation to the share buy-back amounted to EUR 4m (31 December 2021: EUR 3m).

Cash flow statement, condensed

	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
EURm			
Operating activities			
Operating profit	1,862	2,387	4,936
Adjustments for items not included in cash flow	-4,952	536	2,263
Income taxes paid	-513	-544	-759
Cash flow from operating activities before changes in operating assets and liabilities	-3,603	2,379	6,440
Changes in operating assets and liabilities	31,607	15,946	11,152
Cash flow from operating activities	28,004	18,325	17,592
Investing activities			
Acquisition/sale of business operations	-	7	7
Acquisition/sale of associated undertakings and joint ventures	-16	-	2
Acquisition/sale of property and equipment	0	-4	-5
Acquisition/sale of intangible assets	-176	-185	-384
Cash flow from investing activities	-192	-182	-380
Financing activities			
Issued/amortised subordinated liabilities	-	-392	-437
Sale/repurchase of own shares, including change in trading portfolio	-1,830	3	-1,136
Dividend paid	-2,655	-283	-3,192
Paid interest on Additional Tier 1 capital	-26	-26	-26
Amortisation of the principal part of lease liabilities	-63	-71	-140
Cash flow from financing activities	-4,574	-769	-4,931
Cash flow for the period	23,238	17,374	12,281
Cash and cash equivalents			
	30 Jun 2022	30 Jun 2021	31 Dec 2021
EURm			
Cash and cash equivalents at beginning of the period	48,628	36,203	36,203
Translation differences	391	173	144
Cash and cash equivalents at end of the period	72,257	53,750	48,628
Change	23,238	17,374	12,281
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	71,134	51,769	47,495
Loans to central banks	4	5	6
Loans to credit institutions	1,119	1,976	1,127
Total cash and cash equivalents	72,257	53,750	48,628

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 2021. The accounting policies and methods of computation are unchanged from Note G1 in the Annual Report 2021, 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 2021.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea on 1 January 2022.

Changed presentation of regulatory fees

As from 1 January 2022 Nordea began presenting resolution fees and the Swedish bank tax separately on the new row "Regulatory fees" in the income statement. The earlier policy was to present similar expenses on the row "Other expenses". The new presentation provides a more transparent view of Nordea's underlying performance and the impact of regulatory fees. Resolution fees will continue to be recognised in full in the first quarter, while the Swedish bank tax will be amortised linearly over the course of the year.

Comparative figures have been restated accordingly and the impact in the second quarter of 2022 can be found in the table below.

EURm	Q2 2022			Q2 2021		
	Old policy	Chg	New policy	Old policy	Chg	New policy
General administrative expenses:						
Other expenses	-282	17	-265	-262	-	-262
Regulatory fees	-	-17	-17	-	-	-
Total operating expenses	-1,139	-	-1,139	-1,131	-	-1,131
Impact on EPS/DEPS, EUR						

EURm	Jan-Jun 2022			Jan-Jun 2021		
	Old policy	Chg	New policy	Old policy	Chg	New policy
General administrative expenses:						
Other expenses	-821	290	-531	-748	224	-524
Regulatory fees	-	-290	-290	-	-224	-224
Total operating expenses	-2,527	-	-2,527	-2,450	-	-2,450
Impact on EPS/DEPS, EUR						

EURm	Full year 2021		
	Old policy	Chg	New policy
General administrative expenses:			
Other expenses	-1,226	224	-1,002
Regulatory fees	-	-224	-224
Total operating expenses	-4,649	-	-4,649
Impact on EPS/DEPS, EUR			

Other amendments

The following amended standards issued by the International Accounting Standards Board (IASB) were implemented by Nordea on 1 January 2022, but have not had any significant impact on Nordea's financial statements.

- Amendments to International Financial Reporting Standard (IFRS) 3 Business Combinations: Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
- Annual improvements to IFRS Standards 2018–2020

Changes in IFRSs not yet applied

IFRS 17 Insurance Contracts

The IASB has published the new standard IFRS 17 Insurance Contracts. The new standard will change the accounting requirements for 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 General Measurement Model (GMM), the Variable Fee Approach (VFA) and the Premium Allocation Approach (PAA). The model application depends on the terms of the contract (long term, long term with a variable fee or short term). The three measurement models include consistent definitions of contractual cash flows, the risk adjustment margin and discounting. These definitions are based on principles similar to those for calculating the technical provisions in the Solvency II Directive. Unearned margins related to premiums from profitable contracts will be recognised as a provision on the balance sheet and released to revenue when the service is provided. Losses related to unprofitable contracts will be recognised in the income statement at initial recognition.

Nordea is in the process of implementing the changes required by IFRS 17. It is currently expected that approximately EUR 2.6bn will be reclassified from insurance to investment contracts (based on insurance liabilities as per year-end 2021). This relates mainly to newer unit-linked endowment contracts where the insurance risk has been assessed to be insignificant.

Nordea will apply all three measurements models, but currently expects that the VFA model will be applied for more than 95% of the insurance contracts (based on liabilities as per year-end 2021).

Nordea plans to use the EU carve-out for annual cohorts for two portfolios of approximately EUR 6.3bn. Nordea does currently not expect to use the option to disaggregate insurance finance income and expense between profit and loss and other comprehensive income.

Different transition methods will be applied based on the data available at the time of transition. Nordea does not have enough information to be able to apply the full or modified retrospective approach for the majority of the contracts, and will thus apply the fair value approach. The modified retrospective approaches will be applied for the majority of the remaining contracts. Nordea expects to use the fair value approach for approximately 90% of the insurance contracts (based on liabilities as per year-end 2021). The application of the fair value approach in Nordea is expected to result in a higher contractual service margin compared with the retrospective approaches, and consequently a larger reduction in equity at transition, as the fair value approach generally requires an additional margin that a potential third-party acquirer would require. This margin is not required in the retrospective approaches. It also means that the contractual service margin to be amortised in the future is higher under the fair value approach compared with the retrospective approaches.

IFRS 17 has been endorsed by the EU and is effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. Nordea will not adopt the standard early. It is not yet possible to conclude on the impact on Nordea's financial statements or capital adequacy, but it is currently expected that the impacts on equity and the CET1 ratio will be negative at the time of transition.

The above description is valid for the insurance contracts currently held by Nordea. As explained on page 17, Nordea is in the process of acquiring Topdanmark Life. Nordea currently has no detailed information on how these contracts will be impacted by IFRS 17.

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

In 2021 the IASB published amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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

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

Other amendments to IFRSs

Other amendments to IFRSs 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 affected by the war in Ukraine

Nordea applied critical judgements in the preparation of this interim report due to the uncertainty concerning the potential long-term impact of the war in Ukraine on Nordea's financial statements. Areas particularly important during the second quarter of 2022 were the impairment testing of goodwill and loans to the public/credit institutions. 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 2021.

No impairment of goodwill was identified during the second quarter of 2022, but estimation uncertainty exists in relation to the long-term impact on Nordea's financial statements and the impairment need will be continuously reassessed. Nordea's total goodwill amounted to EUR 1,940m at the end of the second quarter of 2022 and EUR 1,975m at the end of 2021. Nordea updated the cash flow projections in the second quarter to reflect the best estimate of the future cash flow development. Cash flows were projected up until the end of 2025 and the long-term growth assumption was used for subsequent periods. The discount rate used for the test in the second quarter was 8.5% post tax and the long-term growth was 2.3%. 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.

Critical judgement was also applied in the assessment of when loans had experienced a significant increase in credit risk (staging) and in the application of macro scenarios when estimating the increase in expected credit losses. When calculating allowances for individually significant impaired loans, critical judgement was exercised to estimate the amount and timing of the expected cash flows to be received from the customers under different scenarios, and to value any collateral received. Critical judgement was further applied when assigning the likelihood of the different scenarios occurring. More information on the impairment testing of loans to the public/credit institutions can be found under "Net loan losses and similar net result" on page 12, in Note 9 "Loans and impairment", and under "Other information" on page 17. Information on sensitivities to rating and scoring migrations can be found in the section "Sensitivities" in Note 9.

Exchange rates

	Jan-Jun 2022	Jan-Dec 2021	Jan-Jun 2021
EUR 1 = SEK			
Income statement (average)	10.4734	10.1460	10.1303
Balance sheet (at end of period)	10.7105	10.2913	10.1118
EUR 1 = DKK			
Income statement (average)	7.4400	7.4370	7.4368
Balance sheet (at end of period)	7.4387	7.4364	7.4361
EUR 1 = NOK			
Income statement (average)	9.9746	10.1655	10.1761
Balance sheet (at end of period)	10.3285	10.0185	10.1813
EUR 1 = RUB			
Income statement (average)	85.5736	87.1828	89.5212
Balance sheet (at end of period)	56.5562	85.0140	86.5411

Note 2 Segment reporting

Jan-Jun 2022	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Reconciliation	Total Group
Total operating income, EURm	1,835	1,423	1,069	617	7	4,951	-554	4,397
– of which internal transactions ¹	-201	-48	-47	-4	300	0	-	-
Operating profit, EURm	869	805	647	342	24	2,687	-825	1,862
Loans to the public ² , EURbn	174	99	51	12	0	336	12	348
Deposits and borrowings from the public, EURbn	88	57	51	13	0	209	14	223

Jan-Jun 2021 ³	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Reconciliation	Total Group
Total operating income, EURm	1,798	1,274	1,122	588	105	4,887	-49	4,838
– of which internal transactions ¹	-114	-27	-70	-15	226	0	-	-
Operating profit, EURm	843	680	659	342	89	2,613	-226	2,387
Loans to the public ² , EURbn	165	93	44	10	0	312	26	338
Deposits and borrowings from the public, EURbn	84	53	46	11	0	194	11	205

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 (CODM).

³ Comparable figures have been restated to reflect updated plan exchange rates in the reporting to CODM. See Annual Report 2021 Note G3 for further information.

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	
	2022	2021	2022	2021	2022	2021
Total operating segments	2,687	2,613	336	312	209	194
Group functions ¹	-16	-9	-	-	-	-
Unallocated items ³	-815	-229	17	24	17	10
Differences in accounting policies ²	6	12	-5	2	-3	1
Total	1,862	2,387	348	338	223	205

¹ Consists of Group Business Support, Group Internal Audit, Chief of Staff Office, Group People, Group Legal, Group Risk, Group Compliance and Group Brand, Communication and Marketing.

² Impact from plan exchange rates used in the segment reporting.

³ Operating segments are presented excluding items affecting comparability (IAC). IAC of EUR 613m are included in "Unallocated items".

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

	Q2 2022	Q1 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
EURm						
Asset management commissions	433	451	441	884	857	1,845
Life and pension commissions	69	74	68	143	132	273
Deposit products	6	6	6	12	12	25
Brokerage, securities issues and corporate finance	51	62	88	113	165	269
Custody and issuer services	0	2	15	2	15	35
Payments	62	63	59	125	123	236
Cards	79	68	56	147	107	250
Lending products	118	119	121	237	242	478
Guarantees	26	27	23	53	48	102
Other	-6	-2	1	-8	4	-18
Total	838	870	878	1,708	1,705	3,495

Breakdown Jan-Jun 2022

	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Other and elimination	Nordea Group
EURm							
Asset management commissions	288	44	4	548	0	0	884
Life and pension commissions	103	40	2	-2	0	0	143
Deposit products	2	10	0	0	0	0	12
Brokerage, securities issues and corporate finance	11	29	63	16	-2	-4	113
Custody and issuer services	2	3	4	1	-4	-4	2
Payments	8	78	40	1	0	-2	125
Cards	121	21	5	0	0	0	147
Lending products	58	82	95	2	0	0	237
Guarantees	4	13	35	0	0	1	53
Other	6	5	-7	-11	-1	0	-8
Total	603	325	241	555	-7	-9	1,708

Breakdown Jan-Jun 2021

	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Other and elimination	Nordea Group
EURm							
Asset management commissions	285	47	2	523	0	0	857
Life and pension commissions	108	40	2	-18	0	0	132
Deposit products	3	9	0	0	0	0	12
Brokerage, securities issues and corporate finance	9	33	113	19	0	-9	165
Custody and issuer services	1	2	10	2	-5	5	15
Payments	13	74	37	1	0	-2	123
Cards	88	16	3	0	0	0	107
Lending products	63	73	105	3	1	-3	242
Guarantees	4	13	30	0	1	0	48
Other	9	6	5	-16	-2	2	4
Total	583	313	307	514	-5	-7	1,705

Note 4 Net result from items at fair value

	Q2 2022	Q1 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
EURm						
Equity-related instruments ¹	110	45	183	155	372	570
Interest-related instruments and foreign exchange gains/losses ²	304	-287	80	17	182	395
Other financial instruments (including credit and commodities)	-145	-7	-11	-152	41	57
Nordea Life & Pension ³	13	7	26	20	53	97
Total	282	-242	278	40	648	1,119

¹ Includes EUR 8m in losses on fund investments in Russia in the first quarter of 2022.

² Includes EUR 529m in recycled accumulated foreign exchange losses related to operations in Russia in the first quarter of 2022.

³ Internal transactions not eliminated against other lines in the Note. The line item "Nordea Life & Pension" consequently provides the true impact from the life insurance operations.

Breakdown of Nordea Life & Pension

	Q2 2022	Q1 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
EURm						
Equity-related instruments	-825	-527	448	-1,352	992	1,724
Interest-related instruments and foreign exchange gains/losses	-212	-120	38	-332	4	-29
Investment properties	15	37	47	52	113	198
Change in technical provisions ¹	715	514	-319	1,229	-499	-863
Change in collective bonus potential	307	88	-202	395	-583	-987
Insurance risk income	20	19	19	39	36	73
Insurance risk expense	-7	-4	-5	-11	-10	-19
Total	13	7	26	20	53	97

¹ Premium income amounts to EUR 51m for the second quarter of 2022 and EUR 120m for January-June 2022 (second quarter of 2021: EUR 70m; January-June 2021: EUR 165m).

Note 5 Other expenses

	Q2 2022	Q1 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
EURm						
Information technology ¹	-128	-125	-122	-253	-246	-522
Marketing and representation	-12	-11	-12	-23	-19	-44
Postage, transportation, telephone and office expenses	-11	-12	-13	-23	-27	-48
Rents, premises and real estate	-25	-31	-27	-56	-53	-97
Professional services ¹	-24	-26	-29	-50	-60	-104
Market data services	-22	-23	-22	-45	-44	-84
Other	-43	-38	-37	-81	-75	-103
Total	-265	-266	-262	-531	-524	-1,002

¹ "Information technology" includes IT consultancy fees.

Note 6 Regulatory fees

	Q2 2022	Q1 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
EURm						
Resolution fees	-	-256	-	-256	-224	-224
Bank tax	-17	-17	-	-34	-	-
Total	-17	-273	-	-290	-224	-224

Note 7 Depreciation, amortisation and impairment charges of tangible and intangible assets

	Q2 2022	Q1 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
EURm						
Depreciation/amortisation						
Properties and equipment	-54	-55	-62	-109	-125	-244
Intangible assets	-92	-90	-89	-182	-175	-361
Total	-146	-145	-151	-291	-300	-605
Impairment charges						
Properties and equipment	-	-	-13	-	-15	-19
Intangible assets	-12	-1	0	-13	0	-40
Total	-12	-1	-13	-13	-15	-59
Total	-158	-146	-164	-304	-315	-664

Note 8 Net loan losses

	Q2 2022	Q1 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
EURm						
Net loan losses, stage 1	21	-20	91	1	85	112
Net loan losses, stage 2	18	-15	44	3	60	103
Net loan losses, non-credit-impaired assets	39	-35	135	4	145	215
Stage 3, credit-impaired assets						
Net loan losses, individually assessed, collectively calculated	3	56	-58	59	-48	-68
Realised loan losses	-109	-367	-145	-476	-247	-493
Decrease in provisions to cover realised loan losses	50	323	73	373	137	264
Recoveries on previous realised loan losses	22	16	17	38	24	53
Reimbursement right	-4	4	3	0	3	1
New/increase in provisions	-34	-166	-89	-200	-300	-409
Reversals of provisions	73	97	94	170	253	319
Net loan losses, credit-impaired assets	1	-37	-105	-36	-178	-333
Net loan losses	40	-72	30	-32	-33	-118

Key ratios

	Q2 2022	Q1 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
Net loan loss ratio, amortised cost, bp	-6	10	-5	2	3	4
- of which stage 1	-3	3	-14	0	-7	-4
- of which stage 2	-3	2	-7	0	-5	-4
- of which stage 3	0	5	16	2	15	12

Note 9 Loans and impairment

	Total		
	30 Jun 2022	31 Dec 2021	30 Jun 2021
EURm			
Loans measured at fair value	77,448	75,772	82,122
Loans measured at amortised cost, not impaired (stages 1 and 2)	275,915	270,364	262,532
Impaired loans (stage 3)	2,687	3,512	3,750
- of which servicing	1,378	1,642	1,680
- of which non-servicing	1,309	1,870	2,070
Loans before allowances	356,050	349,648	348,404
- of which central banks and credit institutions	6,666	2,395	7,685
Allowances for individually assessed impaired loans (stage 3)	-1,215	-1,610	-1,651
- of which servicing	-553	-800	-696
- of which non-servicing	-662	-810	-955
Allowances for collectively assessed impaired loans (stages 1 and 2)	-611	-596	-661
Allowances	-1,826	-2,206	-2,312
- of which central banks and credit institutions	-38	-3	-3
Loans, carrying amount	354,224	347,442	346,092

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

	30 Jun 2022			
	Stage 1	Stage 2	Stage 3	Total
EURm				
Loans to central banks, credit institutions and the public	262,820	13,095	2,687	278,602
Interest-bearing securities ¹	39,009	-	-	39,009
Total	301,829	13,095	2,687	317,611

¹ Of which EUR 1,138m relates to the balance sheet item "Financial instruments pledged as collateral".

	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 -m relates to the balance sheet item "Financial instruments pledged as collateral".

Allowances and provisions

	30 Jun 2022			
	Stage 1	Stage 2	Stage 3	Total
EURm				
Loans to central banks, credit institutions and the public	-202	-409	-1,215	-1,826
Interest-bearing securities	-3	-	-	-3
Provisions for off-balance sheet items	-42	-112	-28	-182
Total allowances and provisions	-247	-521	-1,243	-2,011

	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

Movements of allowance accounts for loans measured at amortised cost

	Stage 1	Stage 2	Stage 3	Total
EURm				
Balance as at 1 Jan 2022	-197	-399	-1,610	-2,206
Changes due to origination and acquisition	-43	-21	-9	-73
Transfer from stage 1 to stage 2	8	-159	-	-151
Transfer from stage 1 to stage 3	1	-	-136	-135
Transfer from stage 2 to stage 1	-8	106	-	98
Transfer from stage 2 to stage 3	-	15	-73	-58
Transfer from stage 3 to stage 1	-1	-	26	25
Transfer from stage 3 to stage 2	-	-11	58	47
Changes due to change in credit risk (net)	3	4	34	41
Changes due to repayments and disposals	33	52	97	182
Write-off through decrease in allowance account	-	-	370	370
Translation differences	2	4	28	34
Balance as at 30 Jun 2022	-202	-409	-1,215	-1,826

Note 9 **Continued**

	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

Key ratios¹

	30 Jun 2022	31 Dec 2021	30 Jun 2021
Impairment rate (stage 3), gross, basis points	96	128	141
Impairment rate (stage 3), net, basis points	53	70	79
Total allowance rate (stages 1, 2 and 3), basis points	66	81	87
Allowances in relation to impaired loans (stage 3), %	45	46	44
Allowances in relation to loans in stages 1 and 2, basis points	22	22	25

¹ For definitions, see Glossary.

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 of 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 111m (EUR 147m at the end of March 2022). 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 2022		31 Dec 2021	
	Recognised provisions	Provisions if one notch downgrade	Recognised provisions	Provisions if one notch downgrade
EURm				
Personal Banking	414	525	409	532
Business Banking	1,029	1,152	1,148	1,265
Large Corporates & Institutions	518	547	813	846
Other	50	64	34	75
Group	2,011	2,288	2,404	2,718

Note 9 Continued**Forward-looking information**

Forward-looking information is used for both assessing significant increases in credit risk and calculating expected credit losses. Nordea uses three macroeconomic scenarios: a baseline scenario, a favourable scenario and an adverse scenario. For the second quarter of 2022, the scenarios were weighted into the final expected credit losses (ECL) as follows: baseline 50%, adverse 40% and favourable 10% (baseline 60%, adverse 20% and favourable 20% at the end of March 2022). The weightings reflected increasing downside risks to the macroeconomic projections during the second quarter.

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

The macroeconomic scenarios reflect Nordea's view of how the Nordic economies might develop in light of Russia's invasion of Ukraine and the associated sanctions and countersanctions on trade with Russia. This includes consideration of the high level of energy prices seen after the invasion, continued supply chain disruptions and an expectation of significantly higher interest rates in response to the strong inflationary pressures. When developing the scenarios, Nordea took into account projections made by Nordic central banks, Nordea Research and the European Central Bank.

Nordea's baseline scenario is based on economic projections from the Nordic central banks and the European Central Bank. All of the central bank forecasts used as input for the baseline scenario were published after Russia's invasion of Ukraine. Even so, the risks around the baseline forecast are clearly tilted towards the downside. These forecasts generally predict continued growth, although at a considerably slower pace than in 2021, when the Nordic economies were recovering from COVID-19. The slower growth is driven by the squeeze on household disposable incomes from high energy and food prices, the general uncertainty related to the war and the effect of higher interest rates. This strong headwind is partially mitigated by large household savings and strong labour markets following the recovery from COVID-19. The outlook for housing markets is expected to be much more subdued going forward, as the higher level of interest rates reduce housing affordability.

Nordea's two alternative macroeconomic scenarios cover a range of plausible risk factors which may cause growth to deviate from the baseline projection. The recent surge in energy prices may depress growth more than expected through weaker consumption growth. In addition, the conflict between Russia and Ukraine could potentially cause energy prices to rise even higher, leading to slower than expected growth in private consumption and investments. A reversal of these risk factors could on the other hand lead to a more positive outcome.

At the end of the second quarter of 2022 adjustments to model-based allowances/provisions amounted to EUR 556m, including management judgements. The management judgements cover expected credit losses not yet covered by the IFRS 9 model. The cyclical reserve amounted to EUR 410m at the end of the second quarter of 2022 (EUR 455m at the end of the first quarter of 2022) 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 155m at the end of the first quarter of 2022). The cyclical reserve was triggered by the substantial uncertainty in the macroeconomic development related to COVID-19, as well as the need to account for future rating downgrades potentially underestimated by the IFRS 9 model through the updated macroeconomic scenarios. During the second quarter of 2022 Nordea assessed that the risks triggering the cyclical reserve have decreased and consequently the amount has been reduced by EUR 45m. This has been supported by the assessment that the risks related to sectors significantly affected by COVID-19 have decreased.

Note 9 Continued

Scenarios and allowances/provisions

30 Jun 2022

		2022	2023	2024	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
Denmark										
Favourable scenario	GDP growth, %	2.6	2.5	2.2	177	10%				
	Unemployment, %	2.5	2.4	2.3						
	Change in household consumption, %	2.7	1.9	2.3						
	Change in house prices, %	3.8	3.0	2.6						
Baseline scenario	GDP growth, %	2.1	2.1	1.7	178	50%	181	158	254	593
	Unemployment, %	2.5	2.7	2.8						
	Change in household consumption, %	2.3	1.9	1.8						
	Change in house prices, %	3.6	1.7	2.1						
Adverse scenario	GDP growth, %	0.5	0.5	1.6	186	40%				
	Unemployment, %	3.0	3.8	4.0						
	Change in household consumption, %	1.4	0	1.0						
	Change in house prices, %	-1.2	-4.8	0						
Finland										
Favourable scenario	GDP growth, %	2.4	2.2	1.8	230	10%				
	Unemployment, %	6.7	6.6	6.5						
	Change in household consumption, %	2.2	2.4	2.0						
	Change in house prices, %	1.8	1.8	2.4						
Baseline scenario	GDP growth, %	2.0	1.5	1.3	233	50%	237	167	225	629
	Unemployment, %	6.8	6.8	6.8						
	Change in household consumption, %	1.9	1.8	1.4						
	Change in house prices, %	1.1	0	2.0						
Adverse scenario	GDP growth, %	0.1	0.2	1.4	245	40%				
	Unemployment, %	7.1	7.6	7.5						
	Change in household consumption, %	0.3	0.4	0.8						
	Change in house prices, %	0	-1.9	0.3						
Norway										
Favourable scenario	GDP growth, %	4.9	2.9	2.0	81	10%				
	Unemployment, %	3.2	2.8	2.8						
	Change in household consumption, %	6.3	4.2	2.6						
	Change in house prices, %	4.7	1.7	1.6						
Baseline scenario	GDP growth, %	4.6	2.0	1.3	83	50%	85	145	229	459
	Unemployment, %	3.3	3.1	3.3						
	Change in household consumption, %	6.0	3.4	1.7						
	Change in house prices, %	4.4	-0.8	0.9						
Adverse scenario	GDP growth, %	2.6	1.7	0.9	88	40%				
	Unemployment, %	3.7	4.0	4.1						
	Change in household consumption, %	4.6	2.9	0.6						
	Change in house prices, %	0.6	-6.2	-1.2						
Sweden										
Favourable scenario	GDP growth, %	3.0	2.5	2.0	88	10%				
	Unemployment, %	7.6	7.2	7.0						
	Change in household consumption, %	3.5	1.8	2.7						
	Change in house prices, %	4.9	0.8	1.8						
Baseline scenario	GDP growth, %	2.8	1.6	1.5	90	50%	91	69	149	309
	Unemployment, %	7.6	7.4	7.4						
	Change in household consumption, %	3.4	1.4	1.6						
	Change in house prices, %	4.3	-3.0	2.0						
Adverse scenario	GDP growth, %	2.0	0.5	0.7	93	40%				
	Unemployment, %	7.9	8.1	8.2						
	Change in household consumption, %	2.9	0.4	0						
	Change in house prices, %	1.6	-8.2	-1.9						
Non-Nordic ¹							4	17	0	21
Total							598	556	857	2,011

¹ Defined as allowances/provisions accounted for in legal entities/branches outside the Nordics. Provisions/allowances defined as items affecting comparability, EUR 76m in the first quarter of 2022, are presented within the Nordic-based entities.

Note 9 Continued

Scenarios and allowances/provisions

31 Dec 2021

		2022	2023	2024	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
Denmark										
Favourable scenario	GDP growth, %	4.7	2.7	2.3	198	20%				
	Unemployment, %	2.7	2.4	2.4						
	Change in household consumption, %	7.3	2.5	2.1						
	Change in house prices, %	5.3	3.3	2.3						
Baseline scenario	GDP growth, %	3.1	2.4	2.4	200	60%	200	163	303	666
	Unemployment, %	3.2	3.1	3.1						
	Change in household consumption, %	6.1	2.1	2.0						
	Change in house prices, %	4.6	1.2	3.0						
Adverse scenario	GDP growth, %	1.3	2.3	2.0	205	20%				
	Unemployment, %	4.1	4.0	4.0						
	Change in household consumption, %	5.1	1.5	1.3						
	Change in house prices, %	-4.4	-1.9	1.4						
Finland										
Favourable scenario	GDP growth, %	4.0	1.8	1.2	238	20%				
	Unemployment, %	6.7	6.4	6.2						
	Change in household consumption, %	5.5	1.7	1.6						
	Change in house prices, %	3.1	2.7	2.0						
Baseline scenario	GDP growth, %	2.8	1.3	1.0	242	60%	244	177	197	618
	Unemployment, %	6.9	6.7	6.6						
	Change in household consumption, %	4.6	1.3	1.2						
	Change in house prices, %	1.5	1.6	1.4						
Adverse scenario	GDP growth, %	0.6	1.2	0.9	255	20%				
	Unemployment, %	7.7	7.5	7.2						
	Change in household consumption, %	2.9	0.6	0.6						
	Change in house prices, %	-2.0	-0.3	0.5						
Norway										
Favourable scenario	GDP growth, %	4.6	1.7	1.4	82	20%				
	Unemployment, %	3.5	3.3	3.3						
	Change in household consumption, %	10.2	4.0	2.3						
	Change in house prices, %	3.9	2.5	2.4						
Baseline scenario	GDP growth, %	3.8	1.3	0.9	84	60%	84	180	360	624
	Unemployment, %	3.7	3.6	3.7						
	Change in household consumption, %	9.6	3.6	1.5						
	Change in house prices, %	1.7	1.2	3.0						
Adverse scenario	GDP growth, %	1.2	1.2	1.1	89	20%				
	Unemployment, %	4.8	4.6	4.5						
	Change in household consumption, %	8.0	2.7	1.1						
	Change in house prices, %	-4.6	-3.0	1.4						
Sweden										
Favourable scenario	GDP growth, %	5.2	2.4	1.8	93	20%				
	Unemployment, %	7.2	6.7	6.7						
	Change in household consumption, %	6.2	2.8	2.4						
	Change in house prices, %	4.6	2.5	2.4						
Baseline scenario	GDP growth, %	3.6	2.2	1.8	96	60%	96	70	98	264
	Unemployment, %	7.6	7.2	7.1						
	Change in household consumption, %	4.6	2.6	2.1						
	Change in house prices, %	2.1	1.8	3.0						
Adverse scenario	GDP growth, %	1.4	1.7	2.0	101	20%				
	Unemployment, %	8.3	8.1	7.9						
	Change in household consumption, %	2.9	1.2	1.6						
	Change in house prices, %	-4.7	-3.7	1.2						
Non-Nordic							4	6	222	232
Total							628	596	1,180	2,404

Note 9 Continued

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

30 Jun 2022

EURm	Gross				Allowances				Loans carrying amount	Net loan losses ¹
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Financial institutions	15,025	196	58	15,279	8	14	22	44	15,235	-25
Agriculture	4,255	204	110	4,569	5	14	59	78	4,491	0
Crops, plantations and hunting	1,003	72	20	1,095	2	5	9	16	1,079	5
Animal husbandry	672	119	90	881	1	9	50	60	821	-5
Fishing and aquaculture	2,580	13	0	2,593	2	0	0	2	2,591	0
Natural resources	2,778	186	58	3,022	3	4	26	33	2,989	16
Paper and forest products	1,886	160	30	2,076	2	3	15	20	2,056	0
Mining and supporting activities	398	24	3	425	1	1	1	3	422	-1
Oil, gas and offshore	494	2	25	521	0	0	10	10	511	17
Consumer staples	4,985	182	23	5,190	7	8	13	28	5,162	-2
Food processing and beverages	1,871	96	12	1,979	3	3	7	13	1,966	-4
Household and personal products	615	25	9	649	0	1	5	6	643	0
Healthcare	2,499	61	2	2,562	4	4	1	9	2,553	2
Consumer discretionary and services	10,808	966	294	12,068	13	50	175	238	11,830	-8
Consumer durables	2,450	145	52	2,647	2	5	25	32	2,615	-12
Media and entertainment	1,955	121	15	2,091	3	6	9	18	2,073	0
Retail trade	4,285	258	187	4,730	6	18	113	137	4,593	-1
Air transportation	107	44	11	162	0	2	7	9	153	-4
Accommodation and leisure	1,319	385	22	1,726	2	18	15	35	1,691	6
Telecommunication services	692	13	7	712	0	1	6	7	705	3
Industrials	30,712	2,478	656	33,846	44	95	327	466	33,380	-41
Materials	2,029	189	88	2,306	4	6	52	62	2,244	-36
Capital goods	3,646	459	101	4,206	5	17	39	61	4,145	5
Commercial and professional services	5,641	394	67	6,102	7	18	32	57	6,045	-5
Construction	8,394	690	150	9,234	13	24	101	138	9,096	-4
Wholesale trade	6,312	463	68	6,843	8	20	44	72	6,771	-6
Land transportation	2,665	208	110	2,983	4	5	42	51	2,932	4
IT services	2,025	75	72	2,172	3	5	17	25	2,147	1
Maritime	5,764	442	383	6,589	10	6	149	165	6,424	7
Ship building	216	4	0	220	1	0	0	1	219	1
Shipping	5,177	435	382	5,994	9	6	148	163	5,831	6
Maritime services	371	3	1	375	0	0	1	1	374	0
Utilities and public service	6,574	156	9	6,739	6	4	6	16	6,723	11
Utilities distribution	3,470	127	2	3,599	2	3	1	6	3,593	11
Power production	2,556	9	1	2,566	3	0	1	4	2,562	-2
Public services	548	20	6	574	1	1	4	6	568	2
Real estate	35,326	886	151	36,363	22	38	93	153	36,210	18
Other industries and reimbursement rights	254	269	6	529	5	1	0	6	523	3
Total Corporate	116,481	5,965	1,748	124,194	123	234	870	1,227	122,967	-21
Housing loans	117,742	4,569	434	122,745	15	40	93	148	122,597	-15
Collateralised lending	17,870	1,577	284	19,731	40	53	130	223	19,508	26
Non-collateralised lending	5,357	887	173	6,417	19	81	88	188	6,229	-25
Household	140,970	7,032	891	148,893	74	174	311	559	148,334	-14
Public sector	3,265	90	33	3,388	0	0	2	2	3,386	3
Lending to the public	260,716	13,087	2,672	276,475	197	408	1,183	1,788	274,687	-32
Lending to central banks and credit institutions	2,104	8	15	2,127	5	1	32	38	2,089	0
Total	262,820	13,095	2,687	278,602	202	409	1,215	1,826	276,776	-32

¹ The table shows net loan losses related to on- and off-balance sheet exposures for June 2022, year to date.

Note 9 Continued

Loans to the public measured at amortised cost, broken down by sector and industry¹

31 Dec 2021

EURm	Gross				Allowances				Loans carrying amount	Net loan losses ²
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Financial institutions	12,972	186	59	13,217	6	8	24	38	13,179	29
Agriculture	4,124	204	136	4,464	5	12	82	99	4,365	16
Crops, plantations and hunting	970	79	25	1,074	2	5	15	22	1,052	2
Animal husbandry	670	101	109	880	1	7	66	74	806	8
Fishing and aquaculture	2,484	24	2	2,510	2	0	1	3	2,507	6
Natural resources	2,606	184	575	3,365	4	4	345	353	3,012	-15
Paper and forest products	1,777	155	32	1,964	2	4	16	22	1,942	8
Mining and supporting activities	329	26	3	358	1	0	1	2	356	2
Oil, gas and offshore	500	3	540	1,043	1	0	328	329	714	-25
Consumer staples	4,239	142	17	4,398	4	11	10	25	4,373	13
Food processing and beverages	1,131	76	5	1,212	2	3	4	9	1,203	4
Household and personal products	701	18	10	729	1	1	4	6	723	1
Healthcare	2,407	48	2	2,457	1	7	2	10	2,447	8
Consumer discretionary and services	9,376	1,075	263	10,714	11	55	166	232	10,482	-81
Consumer durables	2,166	126	30	2,322	2	6	13	21	2,301	6
Media and entertainment	1,394	127	18	1,539	1	8	10	19	1,520	6
Retail trade	3,796	256	178	4,230	5	17	118	140	4,090	-74
Air transportation	131	62	5	198	1	2	2	5	193	6
Accommodation and leisure	1,242	499	25	1,766	2	22	16	40	1,726	-25
Telecommunication services	647	5	7	659	0	0	7	7	652	0
Industrials	27,346	2,333	682	30,361	41	95	324	460	29,901	32
Materials	1,722	156	59	1,937	3	5	30	38	1,899	35
Capital goods	3,148	415	124	3,687	3	16	58	77	3,610	-7
Commercial and professional services	4,779	353	48	5,180	7	15	27	49	5,131	18
Construction	7,837	685	200	8,722	13	30	101	144	8,578	-19
Wholesale trade	5,452	434	77	5,963	7	17	43	67	5,896	29
Land transportation	2,596	218	106	2,920	4	6	48	58	2,862	-15
IT services	1,812	72	68	1,952	4	6	17	27	1,925	-9
Maritime	5,757	480	505	6,742	7	7	152	166	6,576	-12
Ship building	248	6	0	254	2	0	0	2	252	4
Shipping	5,043	472	505	6,020	5	7	151	163	5,857	-17
Maritime services	466	2	0	468	0	0	1	1	467	1
Utilities and public service	7,546	154	45	7,745	4	7	29	40	7,705	-11
Utilities distribution	3,540	116	29	3,685	2	5	17	24	3,661	-6
Power production	3,326	20	1	3,347	0	1	1	2	3,345	2
Public services	680	18	15	713	2	1	11	14	699	-7
Real estate	35,664	1,029	182	36,875	24	42	117	183	36,692	-44
Other industries and reimbursement rights	427	196	8	631	5	1	0	6	625	0
Total Corporate	110,057	5,983	2,472	118,512	111	242	1,249	1,602	116,910	-73
Housing loans	118,361	4,287	477	123,125	15	38	88	141	122,984	-72
Collateralised lending	17,270	1,308	310	18,888	47	48	161	256	18,632	27
Non-collateralised lending	5,708	1,054	219	6,981	21	71	110	202	6,779	4
Household	141,339	6,649	1,006	148,994	83	157	359	599	148,395	-41
Public sector	4,436	101	34	4,571	0	0	2	2	4,569	-4
Lending to the public	255,832	12,733	3,512	272,077	194	399	1,610	2,203	269,874	-118
Lending to central banks and credit institutions	1,785	14	0	1,799	3	0	0	3	1,796	0
Total	257,617	12,747	3,512	273,876	197	399	1,610	2,206	271,670	-118

¹ The segmentation was improved in the first quarter of 2022. Comparative figures have been restated to ensure comparability.

² The table shows net loan losses related to on- and off-balance sheet exposures for the full year 2021.

Note 10 Classification of financial instruments

	Fair value through profit or loss (FVPL)			Fair value through other comprehensive income (FVOCI)	Total
	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (fair value option)		
EURm					
Financial assets					
Cash and balances with central banks	71,134	-	-	-	71,134
Loans to central banks	5	192	-	-	197
Loans to credit institutions	2,084	4,347	-	-	6,431
Loans to the public	274,687	72,909	-	-	347,596
Interest-bearing securities	3,488	23,797	3,618	34,380	65,283
Financial instruments pledged as collateral	-	3,602	-	1,138	4,740
Shares	-	18,672	-	-	18,672
Assets in pooled schemes and unit-linked investment contracts	-	39,472	330	-	39,802
Derivatives	-	38,383	-	-	38,383
Fair value changes of hedged items in portfolio hedge of interest rate risk	-1,547	-	-	-	-1,547
Other assets	1,572	8,299	-	-	9,871
Prepaid expenses and accrued income	537	-	-	-	537
Total 30 Jun 2022	351,960	209,673	3,948	35,518	601,099
Total 31 Dec 2021	323,986	198,032	4,363	33,972	560,353

	Fair value through profit or loss (FVPL)			Total
	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (fair value option)	
EURm				
Financial liabilities¹				
Deposits by credit institutions	24,786	12,372	-	37,158
Deposits and borrowings from the public	210,593	12,445	-	223,038
Deposits in pooled schemes and unit-linked investment contracts	-	-	41,800	41,800
Debt securities in issue	139,409	-	50,343	189,752
Derivatives	-	39,476	-	39,476
Fair value changes of hedged items in portfolio hedge of interest rate risk	-4,298	-	-	-4,298
Other liabilities ²	5,031	19,425	-	24,456
Accrued expenses and prepaid income	15	-	-	15
Subordinated liabilities	6,993	-	-	6,993
Total 30 Jun 2022	382,529	83,718	92,143	558,390
Total 31 Dec 2021	356,432	49,312	106,208	511,952

¹ Liabilities to policyholders are as from the second quarter classified as insurance contracts and excluded from the disclosure. Comparative figures have been restated accordingly.

² Of which lease liabilities classified in the category "Amortised cost" EUR 1,096m.

Note 11 Fair value of financial assets and liabilities

	30 Jun 2022		31 Dec 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
EURm				
Financial assets				
Cash and balances with central banks	71,134	71,134	47,495	47,495
Loans	352,677	354,613	347,377	349,382
Interest-bearing securities	65,283	65,098	63,383	63,495
Financial instruments pledged as collateral	4,740	4,740	1,668	1,668
Shares	18,672	18,672	15,217	15,217
Assets in pooled schemes and unit-linked investment contracts	39,802	39,802	46,310	46,310
Derivatives	38,383	38,383	30,200	30,200
Other assets	9,871	9,871	8,094	8,094
Prepaid expenses and accrued income	537	537	609	609
Total	601,099	602,850	560,353	562,470
Financial liabilities				
Deposits and debt instruments	452,643	452,130	416,078	416,770
Deposits in pooled schemes and unit-linked investment contracts	41,800	41,800	48,201	48,201
Derivatives	39,476	39,476	31,485	31,485
Other liabilities	23,360	23,360	15,033	15,033
Accrued expenses and prepaid income	15	15	8	8
Total	557,294	556,781	510,805	511,497

The determination of fair value is described in Note G41 "Assets and liabilities at fair value" in the Annual Report 2021.

Note 12 Financial assets and liabilities held at fair value on the balance sheet

Categorisation in the fair value hierarchy

	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
EURm							
Assets at fair value on the balance sheet¹							
Loans to central banks	-	-	192	-	-	-	192
Loans to credit institutions	-	-	4,347	-	-	-	4,347
Loans to the public	-	-	72,909	-	-	-	72,909
Interest-bearing securities ²	28,367	1,046	37,681	2,645	417	40	66,465
Shares ³	15,826	8,802	415	76	2,501	1,085	18,742
Assets in pooled schemes and unit-linked investment contracts	39,146	35,149	428	428	227	227	39,802
Derivatives	277	-	36,330	8	1,776	-	38,383
Other assets	-	-	8,263	-	36	28	8,299
Total 30 Jun 2022	83,616	44,997	160,565	3,157	4,957	1,380	249,139
Total 31 Dec 2021	79,031	53,165	153,018	3,665	4,318	1,282	236,367
Liabilities at fair value on the balance sheet¹							
Deposits by credit institutions	-	-	12,372	-	-	-	12,372
Deposits and borrowings from the public	-	-	12,445	-	-	-	12,445
Deposits in pooled schemes and unit-linked investment contracts	-	-	41,800	37,485	-	-	41,800
Debt securities in issue	35,940	-	13,435	-	968	-	50,343
Derivatives	562	-	37,286	107	1,628	-	39,476
Other liabilities	6,268	-	13,010	1	147	-	19,425
Total 30 Jun 2022	42,770	-	130,348	37,593	2,743	-	175,861
Total 31 Dec 2021	42,952	-	109,917	43,371	2,651	-	155,520

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

² Of which EUR 4,670m relates to the balance sheet item "Financial instruments pledged as collateral".

³ Of which EUR 70m 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 1,572m from Level 1 to Level 2 and of EUR 2,882m from Level 2 to Level 1 in the fair value hierarchy. Furthermore, Nordea transferred "Debt securities in issue" of EUR 6,811m from Level 1 to Level 2 and of EUR 6,625m from Level 2 to Level 1. Nordea also transferred "Other liabilities" of EUR 219m from Level 1 to Level 2 and of EUR 587m 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 12 Continued

Movements in Level 3

	Fair value gains/losses recognised in the income statement during the year			Recognised in OCI	Purchases/Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	30 Jun
	1 Jan	Rea-lised	Un-realised								
EURm											
Interest-bearing securities	703	-1	-21	-	36	-200	-8	53	-141	-4	417
- of which Life & Pension	97	1	-1	-	-	-33	-	2	-23	-3	40
Shares	2,246	40	159	-	275	-208	-6	1	-	-6	2,501
- of which Life & Pension	1,001	19	64	-	85	-50	-6	-	-	-28	1,085
Assets in pooled schemes and unit-linked investment contracts	156	14	21	-	76	-39	3	3	-2	-5	227
- of which Life & Pension	156	14	21	-	76	-39	3	3	-2	-5	227
Derivatives (net)	167	-66	-283	-	7	-	66	229	28	-	148
Other assets	29	-	-1	-	8	-	-	-	-	-	36
- of which Life & Pension	28	-	-	-	-	-	-	-	-	-	28
Debt securities in issue	1,588	32	-312	-	167	-377	-252	31	91	-	968
Other liabilities	46	-	81	-	24	-4	-	-	-	-	147
Total 2022, net	1,667	-45	106	-	211	-66	307	255	-206	-15	2,214
Total 2021, net	1,372	173	130	3	-244	-170	152	65	141	-33	1,589

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 transfers into Level 3 were due to 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 Note G41 "Assets and liabilities at fair value" in the Annual Report 2021.

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 Note G1 "Accounting policies" in the Annual Report 2021. 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

	2022	2021
EURm		
Opening balance as at 1 Jan	77	73
Deferred profit on new transactions	33	30
Recognised in the income statement during the period ¹	-26	-27
Closing balance as at 30 Jun	84	76

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

Note 12 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	29	-	Discounted cash flows	Credit spread	-3/3
Mortgage and other credit institutions	193	40	Discounted cash flows	Credit spread	-16/16
Corporates ²	195	-	Discounted cash flows	Credit spread	-4/4
Total 30 Jun 2022	417	40			-23/23
Total 31 Dec 2021	703	97			-62/62
Shares					
Private equity funds	1,430	703	Net asset value ³		-163/163
Hedge funds	69	68	Net asset value ³		-6/6
Credit funds	546	109	Net asset value/market consensus ³		-50/50
Other funds	301	191	Net asset value/fund prices ³		-25/25
Other ⁵	382	241	-		-41/41
Total 30 Jun 2022	2,728	1,312			-285/285
Total 31 Dec 2021	2,402	1,157			-247/247
Derivatives, net					
Interest rate derivatives	462	-	Option model	Correlations Volatilities	-19/20
Equity derivatives	-19	-	Option model	Correlations Volatilities Dividends	-6/1
Foreign exchange derivatives	2	-	Option model	Correlations	0/0
Credit derivatives	-290	-	Credit derivative model	Correlations Volatilities Recovery rates	-18/31
Other	-7	-	Option model	Correlations Volatilities	-0/0
Total 30 Jun 2022	148	-			-43/52
Total 31 Dec 2021	167	-			-43/47
Debt securities in issue					
Issued structured bonds	-968	-	Credit derivative model	Correlations Recovery rates Volatilities	-5/5
Total 30 Jun 2022	-968	-			-5/5
Total 31 Dec 2021	-1,588	-			-7/7
Other, net					
Other assets and other liabilities, net	-111	28	-	-	-11/11
Total 30 Jun 2022	-111	28			-11/11
Total 31 Dec 2021	-17	28			-1/1

¹ Investments in financial instruments are a major part of the life insurance business, acquired to fulfil the obligations behind the insurance and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and consequently do not affect Nordea's equity.

² Of which EUR 150m is priced at a credit spread (the difference between the discount rate and the EURIBOR) 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 based on 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 1% 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 Note G41 "Assets and liabilities at fair value" in the Annual Report 2021.

⁵ Of which EUR 227m relates to assets in pooled schemes and unit-linked investment contracts.

Note 13 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 this could also impact Nordea's financial performance. In addition, some of these proceedings could lead to litigation. Given this uncertainty, Nordea will maintain a sufficient level of provision for ongoing AML-related matters while continuing the dialogue with the Danish Authorities regarding their allegations concerning historical AML weaknesses.

Nordea has made significant investments to address the deficiencies highlighted by the investigations. Among other actions, Nordea established in 2015 the Financial Crime Change Programme, and has strengthened its organisation significantly to enhance its AML and sanction management risk frameworks. Nordea also established the Sustainability and Ethics Committee and has worked 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 related to the macroeconomic environment due to geopolitical developments (including the impact of higher energy, food and commodity prices), broader inflationary pressures and continuing uncertainty regarding the long-term impact of the COVID-19 pandemic. Depending on future developments, there may be increased credit risk in Nordea's portfolio. Furthermore, 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 9 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.

In addition, Nordea recognises an increase in cyber risk as a consequence of the war in Ukraine. Nordea has made significant investments in its cyber defence capabilities in the past and will continue to do so.

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 2021.

Nordea Bank Abp

Income statement

	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
EURm					
Operating income					
Interest income ¹	1,083	767	2,017	1,637	3,351
Interest expense ¹	-313	-99	-501	-312	-659
Net interest income	770	668	1,516	1,325	2,692
Fee and commission income	587	635	1,197	1,232	2,435
Fee and commission expense	-130	-131	-257	-257	-521
Net fee and commission income	457	504	940	975	1,914
Net result from securities trading and foreign exchange dealing	324	287	643	663	1,110
Net result from securities at fair value through fair value reserve	-22	-29	-36	-20	-28
Net result from hedge accounting	-26	-3	-40	1	-12
Net result from investment properties	0	0	0	0	0
Income from equity investments	856	5	1,865	467	1,347
Other operating income ²	244	370	481	481	966
Total operating income	2,603	1,802	5,369	3,892	7,989
Operating expenses					
Staff costs	-563	-585	-1,122	-1,147	-2,256
Other administrative expenses	-201	-196	-399	-392	-813
Other operating expenses	-102	-106	-207	-211	-354
Regulatory fees	-11	-	-234	-181	-181
Depreciation, amortisation and impairment charges of tangible and intangible assets	-112	-113	-211	-212	-463
Total operating expenses	-989	-1,000	-2,173	-2,143	-4,067
Profit before loan losses	1,614	802	3,196	1,749	3,922
Net loan losses	52	88	-2	49	17
Impairment of other financial assets	-841	0	-954	-1	-26
Operating profit	825	890	2,240	1,797	3,913
Income tax expense	-167	-220	-291	-351	-681
Net profit for period	658	670	1,949	1,446	3,232

¹ Comparative figures for the first quarter of 2021 have been restated. For more information see the section "Changed accounting policies and presentation" in Note P1 "Accounting policies" in the Annual Report 2021.

² 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 from the beginning of 2021 were reflected in second quarter, increasing Other operating income by EUR 261m.

Nordea Bank Abp

Balance sheet

	30 Jun 2022	31 Dec 2021	30 Jun 2021
EURm			
Assets			
Cash and balances with central banks	70,502	45,256	51,092
Debt securities eligible for refinancing with central banks	61,503	62,654	58,963
Loans to credit institutions	85,343	78,274	79,625
Loans to the public	145,875	139,086	139,459
Interest-bearing securities	17,784	9,813	15,466
Shares and participations	11,478	6,314	15,152
Investments in associated undertakings and joint ventures	104	88	90
Investments in group undertakings	14,309	15,101	15,010
Derivatives	40,145	30,514	32,701
Fair value changes of hedged items in hedges of interest rate risk	-284	1	62
Intangible assets	1,682	1,736	1,785
Tangible assets	247	253	260
Deferred tax assets	20	165	81
Current tax assets	127	166	259
Retirement benefit assets	353	218	335
Other assets	10,147	9,448	12,890
Prepaid expenses and accrued income	1,098	1,165	1,265
Total assets	460,433	400,252	424,495
Liabilities			
Deposits by credit institutions and central banks	45,456	35,532	40,985
Deposits and borrowings from the public	229,199	213,547	211,212
Debt securities in issue	88,412	64,264	75,433
Derivatives	40,961	32,347	33,433
Fair value changes of hedged items in hedges of interest rate risk	-2,698	342	833
Current tax liabilities	82	201	2
Other liabilities	23,983	16,518	22,927
Accrued expenses and prepaid income	795	927	960
Deferred tax liabilities	105	60	22
Provisions	405	463	561
Retirement benefit obligations	244	300	242
Subordinated liabilities	6,984	6,709	6,591
Total liabilities	433,928	371,210	393,201
Equity			
Share capital	4,050	4,050	4,050
Additional Tier 1 capital holders	749	750	749
Invested unrestricted equity	1,096	1,090	1,066
Other reserves	16	-65	-68
Retained earnings	18,645	19,985	24,051
Profit or loss for the period	1,949	3,232	1,446
Total equity	26,505	29,042	31,294
Total liabilities and equity	460,433	400,252	424,495
Off-balance sheet commitments			
Commitments given to a third party on behalf of customers			
Guarantees and pledges	48,881	49,959	48,136
Other	691	846	936
Irrevocable commitments in favour of customers			
Securities repurchase commitments	-	-	-
Other	86,189	91,056	93,136

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 Finnish Ministry of Finance on the financial statements and consolidated financial statements of credit institutions and investment firms, and the regulations and guidelines of the Finnish Financial Supervisory Authority.

International Financial Reporting Standards (IFRSs) 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 2021, 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 2021.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea Bank Abp on 1 January 2022.

Changed presentation of regulatory fees

In the first quarter of 2022 Nordea Bank Abp began presenting resolution fees and the Swedish bank tax separately on the new row "Regulatory fees" in the income statement. The earlier policy was to present similar expenses on the row "Other operating expenses". The new presentation provides a more transparent view of Nordea Bank Abp's underlying performance and the impact of regulatory fees. Resolution fees will continue to be recognised in full in the first quarter, while the Swedish bank tax will be amortised linearly over the course of the year.

Comparative figures have been restated accordingly. The impact in the second quarter of 2022 can be found in the table below.

	Q2 2022			Q2 2021		
	Old policy	Chg	New policy	Old policy	Chg	New policy
EURm						
Other operating expenses	-113	11	-102	-106	-	-106
Regulatory fees	-	-11	-11	-	-	-
Total operating expenses	-989	-	-989	-1,000	-	-1,000

	Jan-Jun 2022			Jan-Jun 2021		
	Old policy	Chg	New policy	Old policy	Chg	New policy
EURm						
Other operating expenses	-441	234	-207	-392	181	-211
Regulatory fees	-	-234	-234	-	-181	-181
Total operating expenses	-2,173	-	-2,173	-2,143	-	-2,143

	Full year 2021		
	Old policy	Chg	New policy
EURm			
Other operating expenses	-535	181	-354
Regulatory fees	-	-181	-181
Total operating expenses	-4,067	-	-4,067

For further information

- A webcast for media, investors and equity analysts will be held on 18 July at 11.00 EET (10.00 CET), during which Frank Vang-Jensen, President and Group CEO, will present the results 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.
- To participate in the webcast, please use the [webcast link](#) or dial one of the following numbers: +44 33 3300 0804, +46 8 5664 2651, +358 9 8171 0310, +45 35 445 577, confirmation code 13359084, no later than 10.50 EET (09.50 CET).
- The event will be webcast live and the presentation slides will be posted on www.nordea.com/ir.
- The Q2 2022 report, investor presentations and fact book are available at www.nordea.com.

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Financial calendar

20 October 2022 – Third-quarter and January to September results 2022

Helsinki 18 July 2022

Nordea Bank Abp

Board of Directors

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

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Auditor's report on review of interim financial information of Nordea Bank Abp for the six-month-period ended 30 June 2022

To the Board of Directors of Nordea Bank Abp

Introduction

We have reviewed the condensed interim financial information of Nordea Bank Group, which comprise the balance sheet as of 30 June 2022, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month-period then ended and notes. The interim financial information also comprises the parent company Nordea Bank Abp's balance sheet as of 30 June 2022 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 2022 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 18 July 2022

PricewaterhouseCoopers Oy

Authorised Public Accountants

Jukka Paunonen

Authorised Public Accountant (KHT)