

Nordea



Half-Year Financial Report 2019

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CEO Casper von Koskull's comments on the results:

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

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

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

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

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

Summary key figures

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

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

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

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

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

⁴ Including profit for the period adjusted by accrued dividend.

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

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

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

CEO comment

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

Revenues increased 1% this quarter compared to the first quarter and underlying revenues¹ increased 5% compared to the fourth quarter of 2018.

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

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

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

Costs² were up 3% in local currencies, due to seasonality and higher depreciations.

Cost to income³ ratio increased by 1% to 58% compared to the previous quarter and RoE² increased 40 bps to 8.5%.

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

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

Personal Banking reports a lending growth of 1% compared to previous quarter in local currencies, and 5% compared to a year ago in local currencies. Revenues declined by 3% compared to previous quarter, where Gjensidige was a key contributor to growth but offset by lower fair value results. Costs³ decreased by 1%. Cost to income ratio³ increased 2 %-points to 62%. We see increasing market share of new mortgage sales in all countries especially in Sweden where we increased our market share of new lending in May to above 15%. Hence, our total market share also increased for the first time in three years. Furthermore, online customer meetings share continued to increase in all markets except Sweden.

In Commercial and Business Banking, lending grew 1% in the quarter and 3% compared to a year ago in local currencies. Revenues increased by 8% in local currencies. Costs³ increased by 3% and cost to income ratio³ decreased 2 %-points to 54%. Business momentum continues to improve, mainly illustrated by lending growth, strong markets income and continued focus on improving customer intensity.

Wholesale Banking reports a 3% increase in the lending towards Nordic customers, compared to previous year, while we continue to reduce exposure in Russia as planned. Revenues decreased 1% while costs³, increased by 1%. Cost to income ratio³ increased 1 %-point to 63%.

Asset & Wealth Management attracted new assets for the second quarter in a row. AuM increased to EUR 306.5bn by the end of Q2, up from EUR 300.2bn in Q1, of which EUR 3.8bn was net inflows, corresponding to 5% of assets under management annualised. AuM level is the highest ever adjusted for all divestments. Revenues decreased by 3% compared to previous quarter and costs³ decreased by 1%. Cost to income ratio³ was unchanged at 46%. The strong development in Private Banking that we had in Q1 continued into Q2 with Nordic flows of EUR 1.4bn and in addition, the net inflow in the Wholesale distribution recovered strongly with a net inflow of EUR 1.2bn. Nordea has recently won a large mandate in the US with John Hancock, one of the most well-known brands in the US retail markets for savings which supports our distribution strategy in Asset Management.

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

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

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



Casper von Koskull
President and Group CEO

¹Adjusted for items affecting comparability

²Adjusted for resolution fees of EUR 207m in first quarter of 2019

³Resolution fees are periodised over 2019

Outlook

Key drivers of the outlook

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

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

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

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

Costs

For 2021, we expect the cost base in constant currencies to be approximately 3% below the 2018 cost base excluding items affecting comparability in 2018¹ and cash costs are expected to be down by up to 10% in constant currencies over the same period.

Costs for 2019 are expected to be lower in constant currencies compared to 2018 excluding items affecting comparability in 2018 and 2019² and the total cash cost is expected to be lower in constant currencies over the same period.

Credit quality

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

Capital policy

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

¹ Goodwill write-down of EUR 141m in Q4 2018

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

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Income statement

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

Business volumes, key items¹

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

Ratios and key figures²

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

¹ End of period.

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

³ Including Loans to the public reported in Assets held for sale in Q1 2018.

⁴ Including the result for the period.

⁵ Changes to the applicable capital requirements regime (for more details, please see chapter Other information).

⁶ Including profit for the period adjusted by accrued dividend.

⁷ The capital ratios for 2018 have not been restated due to the changed recognition and presentation of resolution fees (see Note 1 for more information).

Income statement

Excluding items affecting comparability^{1,2}

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

Ratios and key figures^{1,2}

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

¹ Excl. items affecting comparability in Q1 2019: EUR 95m non-deductible expense related to provision for ongoing AML-related matters.

Q2 2018: tax free gain related to divestment of shares in UC EUR 87m and tax free gain related to the sale of Nordea Liv & Pension Denmark EUR 262m.

In Q1 2018: EUR 135m gain from valuation model update in Denmark, EUR 105m after tax.

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

Macroeconomy and financial markets

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

Denmark

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

Finland

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

Norway

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

Sweden

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

Group results and performance

Second quarter 2019

Net interest income

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

Personal banking

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

Commercial and Business Banking

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

Wholesale Banking

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

Asset and Wealth Management

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

Group Functions and Other

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

Lending volumes

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

Deposit volumes

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

Net interest income per business area

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

Change in Net interest income

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

Net fee and commission income

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

Savings and investment commissions

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

Payments and cards and lending-related commissions

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

Personal Banking

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

Commercial and Business Banking

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

Wholesale Banking

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

Asset and Wealth Management

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

Group Functions and Other

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

Net fee and commission income per business area

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

Net fee and commission income per category

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

Assets under Management (AuM), volumes and net inflow

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

Net result from items at fair value

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

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

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

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

Life & Pensions

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

Market making activities

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

Group Functions and Other

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

Net result from items at fair value per area

	Q219	Q119	Q418	Q318	Q218	Q2/Q1	Q2/Q2
EURm							
Personal Banking	32	72	38	28	14	-56%	-
Commercial & Business Banking	67	23	72	48	57	-	18%
Wholesale Banking customer units	87	77	79	56	91	13%	-4%
Wealth Mgmt. excl. Life	7	14	7	7	12	-50%	-42%
Wholesale Banking excl. Customer units	-30	0	-53	55	18	-	-
Life & Pensions	10	31	26	23	26	-68%	-62%
Group Functions and other	110	47	13	-12	42	-	-
Total Group	283	264	182	205	260	7%	9%
Total, excl. items affecting comparability¹	283	264	132	205	260	7%	9%

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

Equity method

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

Other operating income

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

Total operating income

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

Total operating income per business area

	Q219	Q119	Q418	Q318	Q218	Q2/Q1	Q2/Q2	Local currency	
								Q2/Q1	Q2/Q2
EURm									
Personal Banking	731	753	738	706	718	-3%	2%	-3%	3%
Commercial & Business Banking	520	483	537	487	510	8%	2%	8%	3%
Wholesale Banking	393	395	364	438	494	-1%	-20%	0%	-20%
Asset & Wealth Management	393	404	405	400	426	-3%	-8%	-3%	-8%
Group Functions and other	104	80	75	66	430	-	-	-	-
Total Group	2,141	2,115	2,119	2,097	2,578	1%	-17%	2%	-16%
Total, excl items affecting comparability¹	2,141	2,115	2,033	2,097	2,229	1%	-4%	2%	-3%

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

Total expenses

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

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

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

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

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

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

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

Total operating expenses

	Q219	Q119	Q418	Q318	Q218	Q2/Q1	Q2/Q2	Local currency	
								Q2/Q1	Q2/Q2
EURm									
Staff costs	-727	-718	-744	-726	-730	1%	0%	2%	1%
Other expenses	-304	-594	-390	-323	-350	-49%	-13%	-48%	-12%
Depreciations	-149	-140	-250	-87	-74	6%	101%	7%	104%
Total Group	-1,180	-1,452	-1,384	-1,136	-1,154	-19%	2%	-18%	3%
Total, excl. items affecting comparability¹	-1,180	-1,357	-1,243	-1,136	-1,154	-13%	2%	-12%	3%

¹ Excl. items affecting comparability in Q1 2019: EUR 95m non-deductible expense related to provision for ongoing AML-related matters.

In Q4 2018: EUR 141m loss from impairment of goodwill in Russia.

Total operating expenses per business area

	Q219	Q119	Q418	Q318	Q218	Q2/Q1	Q2/Q2	Local currency	
								Q2/Q1	Q2/Q2
EURm									
Personal Banking	-438	-500	-459	-450	-447	-12%	-2%	-12%	-1%
Commercial & Business Banking	-269	-311	-281	-269	-281	-14%	-4%	-13%	-4%
Wholesale Banking	-230	-300	-235	-217	-213	-23%	8%	-23%	10%
Asset & Wealth Management	-179	-189	-194	-182	-180	-5%	-1%	-5%	-1%
Group Functions and other	-64	-152	-215	-18	-33	-	-	-	-
Total Group	-1,180	-1,452	-1,384	-1,136	-1,154	-19%	2%	-18%	3%
Total, excl. items affecting comparability¹	-1,180	-1,357	-1,243	-1,136	-1,154	-13%	2%	-12%	3%

¹ Excl. items affecting comparability in Q1 2019: EUR 95m non-deductible expense related to provision for ongoing AML-related matters.

In Q4 2018: EUR 141m loss from impairment of goodwill in Russia.

Currency fluctuation effects

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

Net loan losses

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

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

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

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

Overall loan portfolio quality and outlook remain stable.

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

Mortgage lending in Denmark is measured at fair value and hence, according to IFRS9, not included in net loan losses but adjusted under fair value items.

Credit portfolio

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

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

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

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

Loan loss ratios and impaired loans

	Q219	Q119	Q418	Q318	Q218
Basis points of loans¹					
Loan loss ratios					
annualised, Group	10	7	5	8	10
of which Stage 1 and 2	-2	2	-7	8	7
of which Stage 3	12	5	12	0	3
Personal Banking total	9	18	7	3	11
Banking Denmark	51	-35	51	40	65
Banking Finland	11	38	9	-2	22
Banking Norway	7	11	-1	1	3
Banking Sweden	5	11	5	5	2
Commercial & Business					
Banking	17	21	20	25	-17
BB Denmark	215	9	147	258	10
BB Finland	-18	42	27	15	-12
BB Norway	0	10	-15	-5	-56
BB Sweden	10	12	8	8	-9
BBD Nordic	14	30	24	13	7
Wholesale Banking	10	-35	-11	4	53
C&IB Denmark	118	-40	186	-	-
C&IB Finland	5	0	-55	-	-
C&IB Norway	-52	-22	-97	-	-
C&IB Sweden	90	6	3	-	-
C&IB Total	37	-14	2	10	-8
Banking Russia	-622	-240	-305	-118	1236

¹ Negative amount are net reversals.

Profit

Operating profit

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

Taxes

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

Net profit

Net profit increased 53% in local currencies from the previous quarter to EUR 681m. Return on equity was 9.1%, up from 5.5% in the previous quarter.

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

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

Operating profit per business area

	Q219	Q119	Q418	Q318	Q218	Q2/Q1	Q2/Q2	Local currency	
								Q2/Q1	Q2/Q2
EURm									
Personal Banking	268	202	259	249	241	33%	11%	33%	12%
Commercial & Business Banking	224	138	224	178	256	62%	-13%	61%	-12%
Wholesale Banking	151	139	142	216	216	9%	-30%	9%	-32%
Asset & Wealth Management	213	215	207	218	246	-1%	-13%	-1%	-13%
Group Functions and other	44	-73	-127	56	406	-	-	-	-
Total Group	900	621	705	917	1,365	45%	-34%	45%	-33%
Total, excl. items affecting comparability¹	900	716	760	917	1,016	26%	-11%	26%	-10%

¹ Excl. items affecting comparability in Q1 2019: EUR 95m non-deductible expense related to provision for ongoing AML-related matters.

Q4 2018: EUR 50m gain from revaluation of Euroclear, EUR 38m after tax, EUR 36m gain related to sale of Ejendomme and EUR 141m loss from impairment of goodwill in Russia. Q2 2018: tax free gain related to divestment of shares in UC EUR 87m and tax free gain related to the sale of Nordea Liv & Pension Denmark EUR 262m. In Q1 2018: EUR 135m gain from valuation model update in Denmark, EUR 105m after tax.

First half year 2019 compared to first half year 2018

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

Income

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

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

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

Expenses

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

Net loan losses

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

Net profit

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

Currency fluctuation impact

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

Other information

Capital position and risk exposure amount (REA)

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

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

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

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

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

Capital ratios

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

Regulatory developments

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

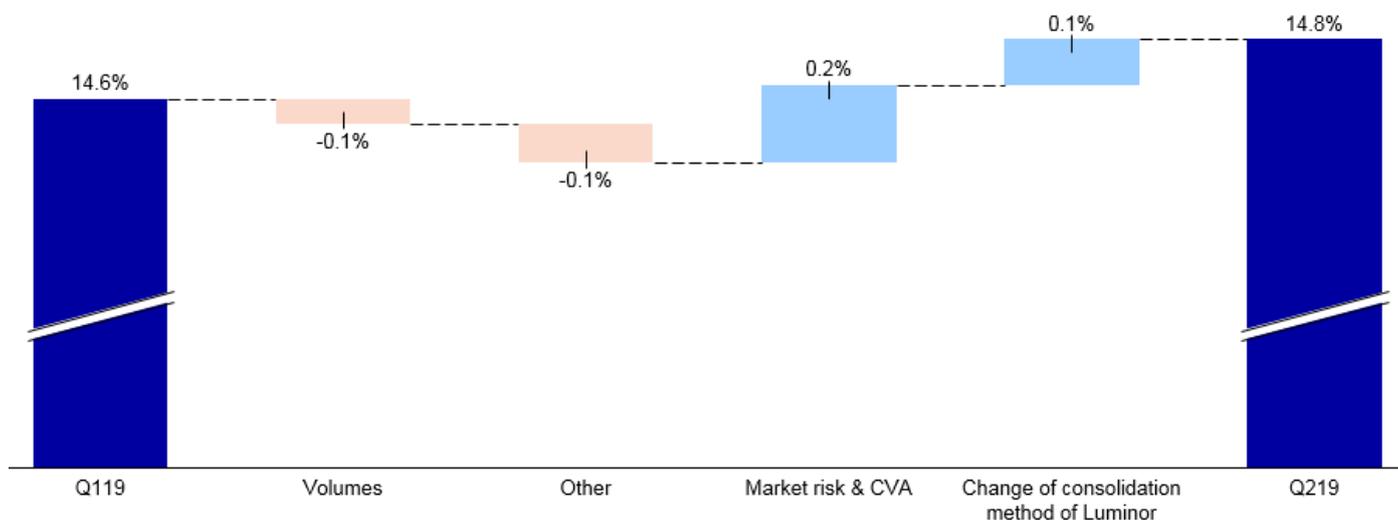
On 28 June, the Board of Finnish FSA decided to maintain the systemic risk buffer at 3% for Nordea.

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

Risk exposure amount, REA (EURbn), quarterly



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



Risk Exposure Amount

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

Summary of items included in own funds

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

¹ Based on conditional FSA approval.

² Including profit for the period.

³ Excluding profit for the period.

Balance sheet

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

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

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

Balance sheet data

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

Nordea's funding and liquidity operations

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

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

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

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

Funding and liquidity data*

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

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

Market risk

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

Trading book

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

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

Banking book

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

Nordea share and ratings

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

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

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

Update on the sale of Luminor

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

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

Nordea has already received approval from the ECB to treat the holding in Luminor, for prudential purposes, using the equity method. This approval has had a positive impact on CET1 of approx. 10bps, recorded in our Q2 financial results. The remaining CET1 impact of approx. 10bps will be realised upon completion of the transaction.

Pro-forma for the complete sale of Nordea's ownership in Luminor under the forward sale agreement and after Luminor has returned its funding to Nordea, the positive impact on Nordea's CET1 ratio is expected to be approx. 40-45bps.

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

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

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

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

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

Update on sale of Nordea's holding in Velliv

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

Results of the ECB Comprehensive Assessment

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

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

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

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

Update on sale of Nordea's shares in LR Realkredit

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

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

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

Quarterly development, Group

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

Business areas

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

¹ Excluding items affecting comparability

² For PeB: Corporate lending and deposits of some household customers is supplied by and reported in Personal Banking.

³ For CBB: Household lending and deposits of some corporate customers is supplied by and reported in Commercial & Business Banking.

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

¹ Excluding items affecting comparability

² For PeB: Corporate lending and deposits of some household customers is supplied by and reported in Personal Banking.

³ For CBB: Household lending and deposits of some corporate customers is supplied by and reported in Commercial & Business Banking.



Personal Banking

Introduction

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

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

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

Updates on priorities

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

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

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

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

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

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

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

Financial outcome

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

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

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

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

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

Personal Banking Denmark

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

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

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

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

Loan losses stayed at a low level.

Personal Banking Finland

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

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

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

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

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

Personal Banking Norway

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

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

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

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

Loan losses decreased in the second quarter.

The integration of GB is progressing according to plan.

Personal Banking Sweden

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

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

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

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

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

Distribution agreement with Asset & Wealth Management

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

Personal Banking total

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

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

Personal Banking total excl. Distribution agreement with Wealth Management

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

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

Personal Banking Denmark

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

Personal Banking Finland

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

Personal Banking Norway

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

Personal Banking Sweden

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

Personal Banking Other

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



Commercial & Business Banking

Introduction

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

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

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

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

Updates on priorities

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

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

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

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

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

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

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

Financial outcome

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

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

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

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

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

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

Commercial & Business Banking total

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

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

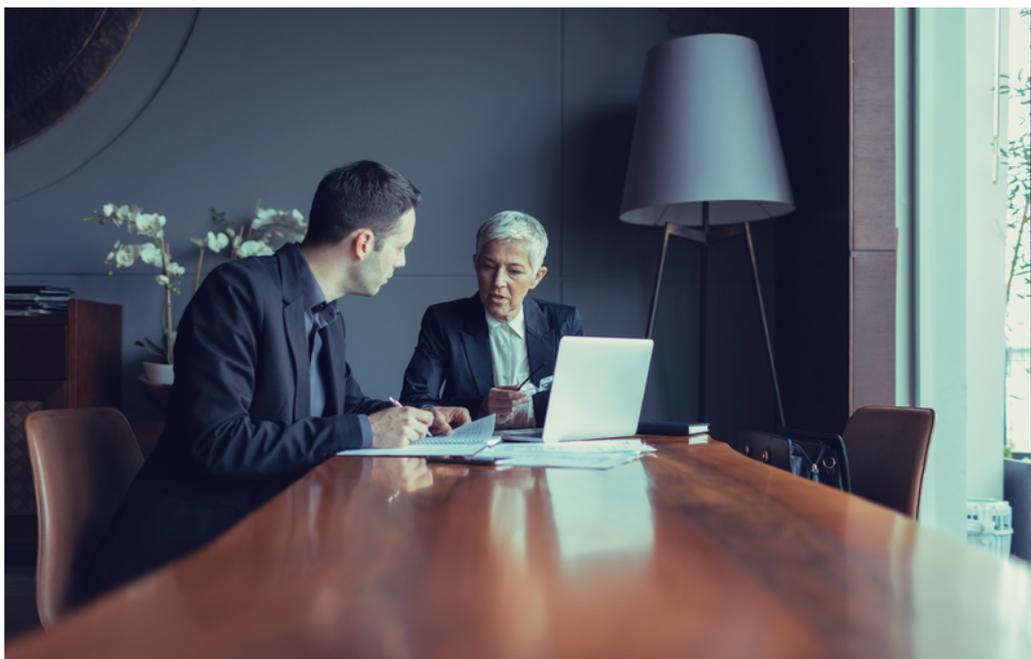
Commercial & Business Banking excl. Distribution agreement with Wealth Management

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

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

Business Banking

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



Wholesale Banking

Introduction

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

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

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

Updates on priorities

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

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

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

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

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

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

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

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

Financial outcome

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

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

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

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

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

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

Wholesale Banking total

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

Wholesale Banking

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



Asset & Wealth Management

Introduction

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

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

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

Updates on priorities

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

The clear focus on high net worth customer segments in Private Banking – along with an enhanced focus on customer acquisition and optimisation of the service and advisory model – is generating promising growth momentum. Private Banking is experiencing increasing customer satisfaction and the strong development in Q1 continued into Q2 with strong

Nordic net flows of EUR 1.4bn. This, combined with a lift from financial markets, led to an increase in Private Banking AuM to EUR 85.4bn.

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

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

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

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

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

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

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

Financial outcome

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

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

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

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

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

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

Asset & Wealth Management total

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

Assets under Management (AuM), volumes and net inflow

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

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

Nordic Private Banking

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

Asset Management

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

Life & Pensions

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

Asset & Wealth Management Other

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



Group Functions and other

Introduction

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

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

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

Updates on priorities

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

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

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

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

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

Financial outcome

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

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

Group functions, Other & Eliminations

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

Income statement

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

Statement of comprehensive income

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

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

Balance sheet

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

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

Statement of changes in equity

Attributable to shareholders of Nordea Bank Abp

EURm	Other reserves:											
	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 at 1 Jan 2019	4,050	1,080	-1,914	-12	59	-17	8	28,891	32,145	750	6	32,901
Net profit for the period	-	-	-	-	-	-	-	1,098	1,098	26	-	1,124
Other comprehensive income, net of tax	-	-	3	2	9	-201	-12	-	-199	-	-	-199
Total comprehensive income	-	-	3	2	9	-201	-12	1,098	899	26	-	925
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-26	-	-26
Share-based payments	-	-	-	-	-	-	-	10	10	-	-	10
Dividend 2018	-	-	-	-	-	-	-	-2,788	-2,788	-	-	-2,788
Purchase of own shares ¹	-	-	-	-	-	-	-	-6	-6	-	-	-6
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	38	38
Balance at 30 Jun 2019	4,050	1,080	-1,911	-10	68	-218	-4	27,205	30,260	750	44	31,054
Balance at 1 Jan 2018	4,050	1,080	-1,720	-46	103	120	-	28,811	32,398	750	168	33,316
Restatement due to changed accounting policy, net of tax ³	-	-	-	-	1	-	-8	-237	-244	-	-	-244
Restated opening balance at 1 Jan 2018	4,050	1,080	-1,720	-46	104	120	-8	28,574	32,154	750	168	33,072
Net profit for the period	-	-	-	-	-	-	-	3,070	3,070	7	4	3,081
Other comprehensive income, net of tax	-	-	-194	34	-45	-137	16	-	-326	-	-	-326
Total comprehensive income	-	-	-194	34	-45	-137	16	3,070	2,744	7	4	2,755
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-7	-	-7
Dividend 2017	-	-	-	-	-	-	-	-2,747	-2,747	-	-	-2,747
Purchase of own shares ¹	-	-	-	-	-	-	-	-6	-6	-	-	-6
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-166	-166
Balance at 31 Dec 2018	4,050	1,080	-1,914	-12	59	-17	8	28,891	32,145	750	6	32,901
Balance at 1 Jan 2018	4,050	1,080	-1,720	-46	103	120	-	28,811	32,398	750	168	33,316
Restatement due to changed accounting policy, net of tax ³	-	-	-	-	1	-	-8	-237	-244	-	-	-244
Restated opening balance at 1 Jan 2018	4,050	1,080	-1,720	-46	104	120	-8	28,574	32,154	750	168	33,072
Net profit for the period	-	-	-	-	-	-	-	1,841	1,841	7	4	1,852
Other comprehensive income, net of tax	-	-	-113	16	-2	-1	7	-	-93	-	-	-93
Total comprehensive income	-	-	-113	16	-2	-1	7	1,841	1,748	7	4	1,759
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-7	-	-7
Dividend 2017	-	-	-	-	-	-	-	-2,747	-2,747	-	-	-2,747
Purchase of own shares ¹	-	-	-	-	-	-	-	-14	-14	-	-	-14
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-172	-172
Balance at 30 Jun 2018	4,050	1,080	-1,833	-30	102	119	-1	27,654	31,141	750	0	31,891

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

² Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The total holdings of own shares related to LTIP were 9.6 million (31 Dec 2018: 9.6 million, 30 Jun 2018: 10.2 million).

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

Cash flow statement, condensed

	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
EURm			
Operating activities			
Operating profit	1,521	2,331	3,953
Adjustments for items not included in cash flow	3,600	1,193	1,238
Income taxes paid	-714	-638	-1,024
Cash flow from operating activities before changes in operating assets and liabilities	4,407	2,886	4,167
Changes in operating assets and liabilities	-2,219	-7,434	-1,536
Cash flow from operating activities	2,188	-4,548	2,631
Investing activities			
Acquisition/sale of business operations	-569	463	646
Acquisition/sale of associated undertakings and joint ventures	134	26	9
Acquisition/sale of property and equipment	-34	-16	-18
Acquisition/sale of intangible assets	-244	-262	-608
Acquisition/sale of other financial fixed assets	-	-2	-
Cash flow from investing activities	-713	209	29
Financing activities			
Issued/amortised subordinated liabilities	1,401	-500	-28
Repurchase of own shares including change in trading portfolio	-6	-14	-6
Dividend paid	-2,788	-2,747	-2,747
Paid interest on Additional Tier 1 capital	-26	-7	-7
Cash flow from financing activities	-1,419	-3,268	-2,788
Cash flow for the period	56	-7,607	-128
Cash and cash equivalents			
	30 Jun 2019	30 Jun 2018	31 Dec 2018
EURm			
Cash and cash equivalents at beginning of the period	46,009	46,213	46,213
Translation difference	0	45	-76
Cash and cash equivalents at end of the period	46,065	38,651	46,009
Change	56	-7,607	-128
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	41,739	33,690	41,578
Loans to central banks	3,361	3,847	2,759
Loans to credit institutions	906	1,114	1,672
Total cash and cash equivalents	46,006	38,651	46,009

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

- the central bank or the postal giro system is domiciled in the country where the institution is established.
- the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

Notes to the financial statements

Note 1 Accounting policies

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

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

Changed accounting policies and presentation

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

IFRS 16 "Leases"

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

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

EURm	Q2 2019		
	Old policy	Change	New policy
Interest expense	-876	52	-824
Other expenses	-304	-	-304
Income tax expense	-207	-12	-219
Impact on net profit for the period		40	
Impact on EPS/DEPS, EUR		0.01	

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

EURm	30 Jun 2019		
	Old policy	Change	New policy
Current tax liabilities	248	-25	223
Accrued exp. and prepaid inc.	1,368	103	1,471
Retained earnings	27,283	-78	27,205

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

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

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

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

Changed recognition and presentation of resolution fees

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

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

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

EURm	Full year 2018		
	Old policy	Change	New policy
Interest expense	-2,929	167	-2,762
Other expenses	-1,399	-167	-1,566
Income tax expense	-872	-	-872
Impact on net profit for the period		-	
Impact on EPS/DEPS, EUR		-	

EURm	31 Dec 2018			30 Jun 2018		
	Old policy	Change	New policy	Old policy	Change	New policy
Current tax liabilities	414	-	414	613	-14	599
Accrued exp. and prepaid inc.	1,696	-	1,696	1,582	67	1,649
Retained earnings	28,891	-	28,891	27,706	-53	27,653

Presentation of fair value adjustments

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

Other amendments

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

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

Changes in IFRSs not yet applied

IFRS 17 “Insurance contracts”

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

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

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

Other amendments to IFRS

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

Acquisition of Gjensidige Bank

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

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

EURm	1 Mar 2019
Loans to the public ¹	5,185
Interest-bearing securities	608
Accruals and other assets	93
Deposits from the public	-2,315
Debt securities in issue ¹	-3,022
Accruals and other liabilities	-108
Acquired net assets	441

Purchase price, settled in cash	575
Estimated additional purchase price	1
Cost of combination	576

Surplus value	135
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Allocation of surplus value:

Non-controlling interest	-46
Customer intangible	29
Brands	8
Deferred tax liability	-6
Goodwill	150

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

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

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

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

Exchange rates

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

Note 2 Segment reporting

Operating segments

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

Jan-Jun 2018

Total operating income, EURm	1,769	1,146	1,001	873	72	132	4,993	-37	4,956
- of which internal transactions ¹	-259	-122	-218	-7	276	330	0	-	-
Operating profit, EURm	707	559	397	489	73	133	2,358	-27	2,331
Loans to the public ² , EURbn	143	81	49	8	-	2	283	32	315
Deposits and borrowings from the public ² , EURbn	69	41	34	11	-	2	157	19	176

¹ IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined intersegment revenues as internal interest income and expense related to the funding of the operating segments by the internal bank in Group Finance & Treasury.

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

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

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

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

Note 2 Continued

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

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

Reconciliation between total operating segments and financial statements

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

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

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

Measurement of operating segments' performance

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

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

Note 3 Net fee and commission income

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

Break-down Jan-Jun 2019

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

Break-down Jan-Jun 2018

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

Note 4 Net result from items at fair value

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

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

Break-down of life insurance

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

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

Note 5 Other expenses

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

Note 6 Net loan losses

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

Key ratios

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

Note 7 Loans and impairment

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

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

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

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

Allowances and provisions

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

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

Movements of allowance accounts for loans measured at amortised cost

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

Note 7 Continued

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

¹ For definitions, see Glossary.

Note 8 Classification of financial instruments

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

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

Note 9 Fair value of financial assets and liabilities

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

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

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

Categorisation into the fair value hierarchy

	Quoted prices in active markets for the same instruments (Level 1)	Of which Life	Valuation technique using observable data (Level 2)	Of which Life	Valuation technique using non-observable data (Level 3)	Of which Life	Total
EURm							
Assets at fair value on the balance sheet¹							
Loans to central banks	-	-	4,042	-	-	-	4,042
Loans to credit institutions	-	-	12,245	-	-	-	12,245
Loans to the public	-	-	82,025	-	-	-	82,025
Interest-bearing securities ²	24,177	1,506	48,341	2,702	176	4	72,694
Shares	12,633	9,090	439	435	1,897	912	14,969
Assets in pooled schemes and unit-linked investment contracts	27,471	23,674	365	365	49	49	27,885
Derivatives	36	-	40,191	18	1,420	-	41,647
Other assets	-	-	14,846	-	40	34	14,886
Total 30 Jun 2019	64,317	34,270	202,494	3,520	3,582	999	270,393
Total 31 Dec 2018	65,343	32,969	175,791	4,304	3,169	991	244,303
Liabilities at fair value on the balance sheet¹							
Deposits by credit institutions	-	-	18,179	-	-	-	18,179
Deposits and borrowings from the public	-	-	11,743	-	-	-	11,743
Deposits in pooled schemes and unit-linked investment	-	-	29,157	24,944	-	-	29,157
Liabilities to policyholders	-	-	3,310	3,310	-	-	3,310
Debt securities in issue	5,101	-	47,960	-	2,449	-	55,510
Derivatives	22	-	43,188	2	1,220	-	44,430
Other liabilities	7,909	-	18,576	-	1	-	26,486
Total 30 Jun 2019	13,032	-	172,113	28,256	3,670	-	188,815
Total 31 Dec 2018	19,639	-	132,748	25,003	3,664	-	156,051

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

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

Transfers between Level 1 and 2

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

Note 10 Continued

Movements in Level 3

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

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. The reason for the transfer out of Level 3 was that observable market data became available. The reason for the transfer into Level 3 was that observable market data was no longer available. Transfers between levels are considered to have occurred at the end of the reporting period. Fair value gains and losses in the income statement during the period are included in "Net result from items at fair value". Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements in Level 3

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

Deferred day 1 profit

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

Deferred day 1 profit - Derivatives, net

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

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

Note 10 Continued

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

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

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

² Of which EUR 155m is priced at a credit spread (the difference between the discount rate and LIBOR) of 1.45% and a reasonable change of this credit spread would not affect the fair value due to callability features.

³ The fair values are based on prices and net asset values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are a range of 7% to 100% compared to the values received from suppliers/custodians.

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

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

Note 11 Disposal group held for sale

Balance sheet - Condensed¹

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

¹ Includes the external assets and liabilities held for sale.

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

Note 12 Risks and uncertainties

Nordea is subject to various legal regimes and requirements, including but not limited to those of the Nordic countries, the European Union and the United States. Supervisory and governmental authorities that administer and enforce those regimes make regular inquiries and conduct investigations with regards to Nordea's compliance in many areas, such as investment advice, anti-money laundering (AML), trade regulation and sanctions adherence, external tax rules, competition law and governance and control. The outcome and timing of these inquiries and investigations is unclear and pending, and accordingly, it cannot be excluded that these inquiries and investigations could lead to criticism against the bank, reputation loss, fines, sanctions, disputes and/or litigations.

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

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

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

Glossary

Return on equity

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

Return on tangible equity

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

Return on Risk Exposure Amount

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

Return on equity with amortised resolution fees

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

Total shareholders return (TSR)

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

Tier 1 capital

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

Tier 1 capital ratio

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

Loan loss ratio

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

Impairment rate (Stage 3), gross

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

Impairment rate (Stage 3), net

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

Total allowance rate (Stage 1, 2 and 3)

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

Allowances in relation to credit impaired loans (stage 3)

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

Allowance in relation to loans in stage 1 and 2

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

Economic capital

Economic Capital is Nordea's internal estimate of required capital and measures the capital required to cover unexpected losses in the course of its business with a certain probability. EC uses advanced internal models to provide a consistent measurement for Credit Risk, Market Risk, Operational Risk, Business Risk and Life Insurance Risk arising from activities in Nordea's various business areas. The aggregation of risks across the group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

ROCAR

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

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

Nordea Bank Abp

Income statement

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

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

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

Nordea Bank Abp

Balance sheet

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

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

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

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

Nordea Bank Abp

Note 1 Accounting policies

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

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

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

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

Changed accounting policies and presentation

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

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

Changes in IFRSs not yet applied

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

Other amendments

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

For further information

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

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Financial calendar

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

Helsinki 17 July 2019

Nordea Bank Abp

Board of Directors

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

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

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

To the Board of Directors of Nordea Bank Abp

Introduction

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

Scope of Review

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

Conclusion

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

Helsinki 17 July 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)