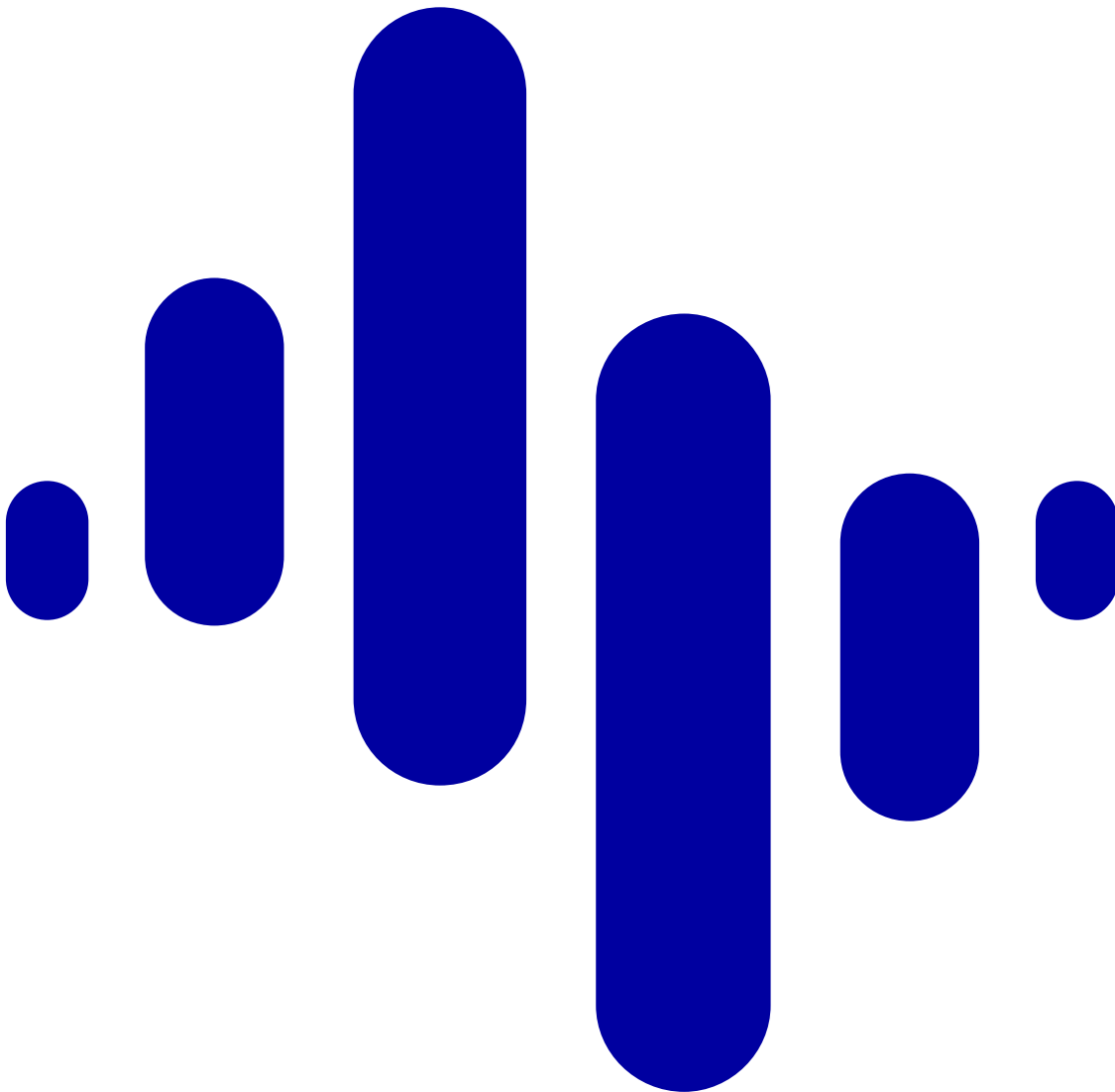


Nordea



Half-Year Financial Report 2020

Half-Year Financial Report 2020

Summary of the quarter:

- **Solid result – high activity resulted in revenues largely unchanged.** Profit before loan losses was 4% higher than last year. Net interest income increased by 2%, supported by volume growth, especially in mortgages, in all countries. Net fair value result recovered, increasing 12%, mainly from improved trading activities. However, the lockdowns and market turbulence had a negative financial impact, primarily affecting net fee and commission income which declined by 9%. Costs decreased by 8%. Operating profit was EUR 306m – significantly impacted by loan loss provisions.
- **Continued progress according to business plan.** Cost to income ratio improved to 52%, down from 58% in the same quarter last year. Return on equity was significantly impacted by increased loan loss provisions.
- **Strong financial position maintained.** Nordea entered the COVID-19 pandemic with a strong financial position, which is maintained. Common equity tier 1 ratio of 15.8%, which is 5.6%-points above the regulatory requirement. Nordea has undertaken an additional severe stress test confirming the ability to continue supporting customers, while maintaining dividend capacity.
- **Full year net loan losses estimated to be below EUR 1bn.** As communicated in the first quarter report, Nordea has updated macro-economic scenarios, analysed the impact of the economic downturn and concluded a thorough review of the loan book. As a result, Nordea also updated the credit quality outlook and estimates total net loan losses for the full year 2020 to be below EUR 1bn.
- **The credit quality of Nordea's loan book remains strong.** Underlying net loan losses were EUR 310m impacted by individual provisions, particularly for the Oil, Gas and Offshore sector, and updated macro-economic scenarios in the IFRS 9 provisioning models.
- **Significant buffer to cover for future loan losses.** Based on different models and scenarios, the management judgement buffer has been increased by EUR 388m leading to total Q2 net loan losses of EUR 698m. Nordea now has a management judgement buffer of EUR 650m in place to cover for future loan losses, IFRS 9 model improvements and the European Central Bank's new guidance on non-performing loans. Nordea deems this proactive approach to be prudent and provides predictability, given the current economic uncertainty.
- **Committed to delivering on business plan and financial targets for 2022.** It is too early to conclude on the longer-term consequences of the COVID-19 pandemic. Nordea remains committed to delivering on targets whilst supporting customers, employees and stakeholders through the crisis.

(For further viewpoints, see the CEO comment on page 2. For definitions, see page 58)

Group quarterly results and key ratios Q2 2020

excluding items affecting comparability¹

	Q2 2020	Q2 2019	Chg %	Q1 2020	Chg %	Jan-Jun 2020	Jan-Jun 2019	Chg %
EURm								
Net interest income	1,091	1,071	2	1,109	-2	2,200	2,127	3
Net fee and commission income	673	743	-9	765	-12	1,438	1,480	-3
Net fair value result	318	283	12	109		427	547	-22
Other income	10	44		18		28	102	
Total operating income	2,092	2,141	-2	2,001	5	4,093	4,256	-4
Total operating expense	-1,088	-1,180	-8	-1,248	-13	-2,336	-2,537	-8
Profit before loan losses	1,004	961	4	753	33	1,757	1,719	2
Net loan losses	-698	-61		-154		-852	-103	
Operating profit	306	900	-66	599	-49	905	1,616	-44
Cost/income ratio with amortised resolution fees, %	52	58		57		55	57	
Return on Equity with amortised resolution fees, %	3.0	8.5		6.9		4.9	8.3	
Diluted earnings per share, EUR	0.06	0.17		0.11		0.17	0.30	

Exchange rates used for Q2 2020 for income statement items are for DKK 7.4648, NOK 10.7413 and SEK 10.6616.

¹ Excluding items affecting comparability, see page 6 for further details.

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Nordea is a Nordic universal bank. We are helping our customers realise their dreams and aspirations – and we have done that for 200 years. We want to make a real difference for our customers and the communities where we operate – by being a strong and personal financial partner. 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 impacts of COVID-19 have become increasingly evident during the second quarter and the pandemic continues to severely affect individuals, businesses and societies. It is nevertheless encouraging that an increasing number of countries are starting to gradually re-open, and that business sentiment has recovered towards the end of the quarter, even though uncertainty still remains high.

During the past months, societies have adapted to new ways of living, working and consuming. As a bank we have witnessed an increasing trend for e-commerce, mobile payments and digital customer interaction. Most of our customer meetings have been online while we have been fully operational with more than 70% of our staff working remotely. The common denominator for our actions has remained clear – everything we do, we do to support our customers and employees. The dedication and engagement of our employees have been remarkable and I am proud to see their extraordinary efforts paying off through improving customer satisfaction in all business areas.

These challenging societal and economic conditions have furthermore tested and proven the resilience of our business model. In the second quarter we reported another solid result and continue the progress towards our 2022 targets.

Our high activity level has made it possible to keep revenues largely unchanged. Net interest income increased by 2%, supported by sound volume growth. Net fair value result recovered, increasing 12%, mainly from improved trading activities. However, the lockdowns and market turbulence had a negative financial impact, primarily affecting net fee and commission income which declined by 9%. Sizeable cost reductions led to profit before loan losses 4% higher than last year. All key activities to improve our operational efficiency are delivering on target. Costs decreased by 8% from the previous year resulting in a steady reduction in our cost to income ratio to 52%.

We entered the COVID-19 crisis with a strong financial position which we have maintained. At the end of the second quarter, our liquidity buffer was EUR 105bn, equivalent to a liquidity coverage ratio of 160% and our capital position remains very strong with a common equity tier 1 ratio of 15.8%, which is 5.6%-points above requirement. We have undertaken an additional severe stress test, reinforcing our confidence that our strong capital position enables us to continue supporting our customers while at the same time maintaining our dividend capacity.

The credit quality of our loan book remains strong. We have now updated our macro-economic scenarios, including our longer-term view of the expected impact of the economic downturn. Furthermore, we have concluded a thorough review of our loan book. Based on this analysis we project total net loan losses for the full year 2020 below EUR 1bn, equivalent to less than 41 bps.

In the quarter underlying net loan losses were EUR 310m. On top of that we have made additional management judgement allowances of EUR 388m leading to total Q2 net loan losses of EUR 698m.

Including earlier management judgement allowances we now have a total buffer of EUR 650m to cover for estimated future loan losses, IFRS 9 model improvements and the European Central Bank's new guidance on non-performing loans.

All in all, we deem this proactive approach to be prudent and appropriate given the current economic uncertainty.

The development in business areas remains promising, even though there are still further improvements to be made to reach our financial targets.

In Personal Banking, mortgage volume growth continued steadily in all four countries, and especially strong in Norway and Sweden. However, total revenues declined by 5% primarily due to lower payment fees and lower deposit margins. Our focus on improving operational efficiency continued and costs decreased by 5% leading to a decrease in the cost to income ratio by 3%-points to 54%.

In Business Banking, lending volumes increased and deposit volume growth was strong. Revenues decreased by 1%, due to the impact of lockdowns on fee and commission income. Costs declined by 5%, leading to an improved cost to income ratio to 48%.

Large Corporates and Institutions continued to execute on its re-positioning plan to create a focused, less complex and more profitable business. Revenues grew by 19%, driven by trading income, despite lower fee and commission income due to the market turmoil. Costs were significantly decreased by 14%. Economic capital was adversely affected by an increase in market volatility, impacting profitability. The cost to income ratio improved significantly to 44% and our focus remains on improving profitability.

In Asset and Wealth Management revenues declined 4% due to the market turmoil. High customer activity and market development with good net inflow increased assets under management by EUR 31bn compared to the previous quarter to EUR 311bn. Costs continued to decrease, and the cost to income ratio improved by 3%-points to 55%.

The Annual General Meeting on 28 May 2020 mandated the Board of Directors to decide on a dividend payment of a maximum of EUR 0.40 per share for the financial year 2019 to be distributed in one or several instalments. This authorisation will remain until the beginning of the next AGM. Clearly, our financial strength allows us to support our customers and pay a dividend. However, the Board of Directors intends to follow recommendations adopted by the European Central Bank and will refrain from deciding on a dividend payment based on the authorisation before 1 October 2020.

We are fully focused on fulfilling our social responsibility by supporting our customers, employees and stakeholders through this crisis. Our three key priorities are unchanged - to optimise operational efficiency, drive income growth initiatives and create great customer experiences.

The COVID-19 pandemic has created challenges for businesses, and it is too early to conclude on the longer-term consequences of the crisis. However, we remain committed to our plan and are ready to act to ensure we meet both our three key priorities and financial targets for 2022."

Frank Vang-Jensen
President and Group CEO

Outlook

Key priorities to succeed and meet the financial targets

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

Financial targets 2022

Nordea's financial targets for 2022 are:

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

Costs

In 2020, Nordea expects to reach a cost base of below EUR 4.7bn with planned continued net cost reductions beyond 2020.

Capital policy

A management buffer of 150-200 bps above the regulatory CET1 requirement, from 1 January 2020.

Dividend policy

Our dividend policy stipulates a dividend payout ratio of 60-70%, applicable to profit generated from 1 January 2020. Nordea will continuously assess the opportunity to use share buy-backs as a tool to distribute excess capital.

Credit quality

New: For the full year 2020, our projections point to total net loan losses below EUR 1bn corresponding to a loan loss level of less than 41 bps. In the first half of 2020, Nordea has reported total net loan losses of EUR 852m.

Previous: It is too early to give an outlook for loan losses, as the economic impact of the COVID-19 is still very uncertain.

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Income statement

	Q2 2020	Q2 2019	Chg %	Local curr. %	Q1 2020	Chg %	Local curr. %	Jan-Jun 2020	Jan-Jun 2019	Chg %	Local curr. %
EURm											
Net interest income	1,091	1,071	2	7	1,109	-2	0	2,200	2,127	3	8
Net fee and commission income	673	743	-9	-8	765	-12	-11	1,438	1,480	-3	-1
Net result from items at fair value	318	283	12	7	109			427	547	-22	-26
Profit from associated undertakings and joint ventures accounted for under the equity method	-10	24			-2			-12	38		
Other operating income	20	20	0	5	20	0	5	40	64	-38	-36
Total operating income	2,092	2,141	-2	0	2,001	5	6	4,093	4,256	-4	-2
Staff costs	-645	-727	-11	-10	-699	-8	-7	-1,344	-1,445	-7	-6
Other expenses	-303	-304	0	2	-419	-28	-27	-722	-898	-20	-18
Depreciation, amortisation and impairment charges of tangible and intangible assets	-140	-149	-6	-5	-130	8	8	-270	-289	-7	-5
Total operating expenses	-1,088	-1,180	-8	-6	-1,248	-13	-12	-2,336	-2,632	-11	-10
Profit before loan losses	1,004	961	4	8	753	33	35	1,757	1,624	8	12
Net loan losses	-698	-61			-154			-852	-103		
Operating profit	306	900	-66	-65	599	-49	-48	905	1,521	-40	-39
Income tax expense	-63	-219			-139	-55	-53	-202	-397	-49	-47
Net profit for the period	243	681	-64	-63	460	-47	-46	703	1,124	-37	-36

Business volumes, key items¹

	30 Jun 2020	30 Jun 2019	Chg %	Local curr. %	31 Mar 2020	Chg %	Local curr. %
EURbn							
Loans to the public	327.7	323.8	1	3	324.0	1	-1
Loans to the public, excl. repos	304.4	300.2	1	4	295.1	3	0
Deposits and borrowings from the public	188.5	176.5	7	8	174.0	8	6
Deposits from the public, excl. repos	180.7	167.0	8	10	169.2	7	4
Total assets	587.3	582.9	1		600.4	-2	
Assets under management	311.4	306.9	1		280.4	11	
Equity	31.8	31.1	2		31.5	1	

Ratios and key figures²

	Q2 2020	Q2 2019	Chg %	Q1 2020	Chg %	Jan-Jun 2020	Jan-Jun 2019	Chg %
Diluted earnings per share, EUR	0.06	0.17	-65	0.11	-45	0.17	0.27	-37
EPS, rolling 12 months up to period end, EUR	0.27	0.58	-53	0.38	-29	0.27	0.58	-53
Share price ¹ , EUR	6.15	6.39	-4	5.13	20	6.15	6.39	-4
Equity per share ¹ , EUR	7.86	7.69	2	7.79	1	7.86	7.69	2
Potential shares outstanding ¹ , million	4,050	4,050	0	4,050	0	4,050	4,050	0
Weighted average number of diluted shares, million	4,039	4,032	0	4,038	0	4,038	4,033	0
Return on Equity, %	3.1	9.1		5.9		4.5	7.2	
Return on tangible Equity, %	3.5	10.6		6.7		5.0	8.4	
Return on Risk Exposure Amount, %	0.6	1.7		1.2		0.9	1.4	
Return on Equity with amortised resolution fees, %	3.0	8.5		6.9		4.9	7.7	
Cost/income ratio, %	52	55		62		57	62	
Cost/income ratio with amortised resolution fees, %	52	58		57		55	59	
Net loan loss ratio, amortised cost, bps	115	10		26		70	9	
Common Equity Tier 1 capital ratio ^{1,3} , %	15.8	14.8		16.0		15.8	14.8	
Tier 1 capital ratio ^{1,3} , %	17.6	17.3		17.8		17.6	17.3	
Total capital ratio ^{1,3} , %	20.1	19.8		20.2		20.1	19.8	
Tier 1 capital ^{1,3} , EURbn	27.2	27.6	-1	27.1	0	27.2	27.6	-1
Risk exposure amount ¹ , EURbn	155	160	-3	152	2	155	160	-3
Number of employees (FTEs) ¹	27,954	29,550	-5	28,292	-1	27,954	29,550	-5
Economic capital ¹ , EURbn	24.2	27.8	-13	25.8	-6	24.2	27.8	-13

¹ End of period.

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

³ Including the result for the period.

Income statement

Excluding items affecting comparability^{1,2}

	Q2 2020	Q2 2019	Chg %	Local curr. %	Q1 2020	Chg %	Local curr. %	Jan-Jun 2020	Jan-Jun 2019	Chg %	Local curr. %
EURm											
Net interest income	1,091	1,071	2	7	1,109	-2	0	2,200	2,127	3	8
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Net result from items at fair value	318	283	12	7	109			427	547	-22	-26
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Other operating income	20	20	0	5	20	0	5	40	64	-38	-36
Total operating income	2,092	2,141	-2	0	2,001	5	6	4,093	4,256	-4	-2
Staff costs	-645	-727	-11	-10	-699	-8	-7	-1,344	-1,445	-7	-6
Other expenses	-303	-304	0	2	-419	-28	-27	-722	-803	-10	-8
Depreciation, amortisation and impairment charges of tangible and intangible assets	-140	-149	-6	-5	-130	8	8	-270	-289	-7	-5
Total operating expenses	-1,088	-1,180	-8	-6	-1,248	-13	-12	-2,336	-2,537	-8	-6
Profit before loan losses	1,004	961	4	8	753	33	35	1,757	1,719	2	5
Net loan losses	-698	-61			-154			-852	-103		
Operating profit	306	900	-66	-65	599	-49	-48	905	1,616	-44	-42
Income tax expense	-63	-219	-71	-70	-139	-55	-53	-202	-397	-49	-47
Net profit for the period	243	681	-64	-63	460	-47	-46	703	1,219	-42	-41

Ratios and key figures^{1,2}

	Q2 2020	Q2 2019	Chg %	Q1 2020	Chg %	Jan-Jun 2020	Jan-Jun 2019	Chg %
Diluted earnings per share, EUR	0.06	0.17	-65	0.11	-45	0.17	0.30	-43
EPS, rolling 12 months up to period end, EUR	0.48	0.62	-23	0.59	-19	0.48	0.62	-23
Return on Equity, %	3.1	9.1		5.9		4.5	7.8	
Return on tangible Equity, %	3.5	10.6		6.7		5.0	9.1	
Return on Risk Exposure Amount, %	0.6	1.7		1.2		0.9	1.5	
Return on Equity with amortised resolution fees, %	3.0	8.5		6.9		4.9	8.3	
Cost/income ratio, %	52	55		62		57	60	
Cost/income ratio with amortised resolution fees, %	52	58		57		55	57	
ROCAR, %	3.8	9.8		7.2		5.5	9.0	

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

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

Macro-economy and financial markets¹

Economic outlook and markets

The necessary protection measures ranging from social distancing, restrictions on activities, to lockdowns and closing of borders to contain the outbreak of COVID-19 have had a significant negative impact on economic activity. The world GDP is expected to fall by 5-6% this year according to the IMF and OECD. However, a swift monetary policy response has helped to stabilise financial markets. In addition, easing of fiscal policies, including the widespread use of loan guarantees, tax deferrals, work sharing and wage compensation in countries will help economies to avoid the worst and longer-term impact of the lockdowns. A U-shaped economic recovery scenario in which growth gradually returns after the summer and then accelerates into 2021 is currently considered the most likely but risks to the overall economic outlook remain high.

The US Federal Reserve and the European Central Bank (ECB) kept their policy rates unchanged in the second quarter, but further expanded their stimulus measure in the form of QE programmes. Risk appetite returned to the financial markets, and leading equity indices such as the S&P 500 and the STOXX have rebounded strongly since the bottom in late March. Credit spreads on bonds narrowed, and the EUR/USD strengthened. Oil prices rose sharply over the quarter on the back of a renewed risk appetite, a production cut by OPEC+ countries and increased demand. Volatility in the financial markets has fallen gradually but remains elevated compared to the pre- COVID-19 levels.

Denmark

Danish Q1 GDP fell by 2.0% compared to the previous quarter. We expect that the second quarter will be even worse although most indicators point to a relatively swift pickup in domestic demand after a gradual reopening of the society started in late April. However, export orders have fallen sharply, pointing to a significant drop in production within the manufacturing sector.

Finland

Finnish Q1 GDP fell by 0.9% compared to the previous quarter. We expect the second quarter GDP to fall by around 6-9% but will then gradually recover. The hit to the Finnish economy was hardest in March-April. More recently, the number of new virus cases has been minuscule, and consumption has already returned to pre-crisis levels. However, the number of temporarily laid-off employees remains high, which will weaken income growth in the coming months. Manufacturing, construction and foreign trade are all expected to suffer from the globally weak outlook and low level of risk-taking in the coming months.

Norway

Norwegian mainland Q1 GDP fell by 2.1% compared to the previous quarter. We expect the second quarter GDP to fall by some 5-6%. However, activity has started to recover quite significantly from May onwards in tandem with the reopening of the economy. Fiscal spending will stimulate activity ahead, while higher oil prices and the government's tax-relief package for the oil sector will support oil investments and manufacturing industries. The Norwegian krone has strengthened from very weak levels due to higher oil prices and better sentiment in financial markets. The rate cuts from Norges Bank from 1.5% to zero have been supportive for both household income and the housing market.

Sweden

Swedish Q1 GDP increased by 0.1% compared to the previous quarter. The Swedish economy showed resilience with rising exports and decent domestic demand. However, indicators suggest that second quarter GDP will fall due to the weakness of the domestic economy as well as the exports industry. The Riksbank kept its repo rate unchanged at 0.0% at the monetary policy meeting in July and signalled an unchanged repo rate for the coming years. However, the Riksbank has increased the bond purchase programme and launched other measures to support the economy. The trade-weighted Swedish krona weakened by 3.6% during the first quarter, but strengthened by just over 4% during the second quarter.

¹Source: Nordea Economic Research

Group results and performance

Second quarter 2020

Net interest income

Q2/Q2: Net interest income increased 7% in local currencies supported by continued lending volume growth and lower funding costs, partly offset by lower margins.

Q2/Q1: Net interest income was unchanged in local currencies driven by increased lending volumes while especially deposit margins in Norway had a negative impact.

Personal Banking

Q2/Q2: Net interest income decreased 2% in local currencies due to lower deposit margins in Finland and Norway and lending margins pressure, partly offset by higher mortgage volumes.

Lending volumes increased 4% in local currencies driven by an increase in mortgage volume growth of 6%. Deposit volumes increased 6% in local currencies in all countries.

Q2/Q1: Net interest income was down 2% in local currencies mainly driven by deposit margins in Norway.

Business Banking

Q2/Q2: Net interest income was up 2% in local currencies. The positive impact of lending growth was partly offset by pressure on deposit margins in Norway.

Q2/Q1: The net interest income was down 1% in local currencies as continued lending growth was offset by lower deposit margins from rate cut in Norway.

Large Corporates & Institutions

Q2/Q2: Net interest income was up 1% mainly driven by higher average lending volumes.

Q2/Q1: Net interest income was down 3% driven by higher average lending and deposit volumes offset by lower margins.

Asset & Wealth Management

Q2/Q2: Net interest income increased EUR 2m and amounted to EUR 16m, driven by lending volume growth in Private Banking.

Q2/Q1: Net interest income decreased by EUR 2m.

Group Functions and eliminations

Q2/Q2: Net interest income increased EUR 48m to EUR 25m, driven by FX hedges and positioning to lower rates.

Q2/Q1: Net interest income increased EUR 14m to EUR 25m, due to a lower elimination impact between NII and NFV.

Lending volumes

Q2/Q2: Loans to the public in local currencies, excluding repos, were up 4%. Average lending volumes in local currencies increased in all business areas.

Q2/Q1: Loans to the public in local currencies, excluding repos, remained unchanged. Average lending volumes in local currencies increased in all business areas.

Deposit volumes

Q2/Q2: Total deposits from the public in local currencies, excluding repos, were up 10%. Average deposit volumes increased in local currencies in all business areas.

Q2/Q1: Total deposits from the public in local currencies, excluding repos, were up 4%. Average deposit volumes increased in local currencies in all business areas.

Net interest income per business area

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Local currency Q2/Q2	Local currency Q2/Q1
EURm									
Personal Banking	500	517	523	539	529	-5%	-3%	-2%	-2%
Business Banking	339	346	346	338	343	-1%	-2%	2%	-1%
Large Corporates & Institutions	211	217	218	212	208	1%	-3%		
Asset & Wealth Management	16	18	13	13	14	14%	-11%	21%	-6%
Group Functions and eliminations	25	11	8	-19	-23				
Total Group	1,091	1,109	1,108	1,083	1,071	2%	-2%	7%	0%

Change in net interest income

	Q2/Q1	Jan-Jun 20/19
EURm		
NII beginning of period	1,109	2,127
Margin driven NII	-17	4
Lending margin	-8	-69
Deposit margin	-31	2
Cost of funds	22	71
Volume driven NII	18	94
Lending volume	22	105
Deposit volume	-4	-11
Day count	0	12
Other ^{1,2,3}	-19	-37
NII end of period	1,091	2,200
¹ of which FX	-20	-95
² of which Baltics	-	-1
³ of which DGS	2	-2

Net fee and commission income

Q2/Q2: Net fee and commission income decreased 8% in local currencies driven by lower average assets under management (AuM), subdued payments and cards fees following more moderate activity in both consumer and corporate segments and a decrease in brokerage and corporate finance fees.

Q2/Q1: Net fee and commission income decreased 11% in local currencies.

Savings and investment commissions

Q2/Q2: Net fee and commission income from savings and investments decreased by 9% in local currencies.

Q2/Q1: Net fee and commission income decreased 10% in local currencies to EUR 450m, driven by lower asset management fees due to lower average AuM. End of period AuM increased EUR 31bn to EUR 311bn driven by market performance and a net inflow of EUR 3.8bn driven by Private Banking and institutional sales and third party distribution.

Payments and cards and lending-related commissions

Q2/Q2: Lending-related net fee and commission income increased 2% in local currencies. Payments and cards net fee and commission income decreased 17% in local currencies.

Q2/Q1: Lending-related net fee and commission income decreased 4% in local currencies. Payments and cards net fee and commission income decreased by 15% in local currencies.

Personal Banking

Q2/Q2: Net fee and commission income decreased by 9% in local currencies driven by lower savings and payments and cards income.

Q2/Q1: Net fee and commission income decreased by 9% in local currencies driven by lower savings and payments and cards fees.

Business Banking

Q2/Q2: Net fee and commission income decreased by 2% in local currencies due to payment and cards fees that were negatively impacted by lower economic activity.

Q2/Q1: Net fee and commission income decreased by 16% in local currencies driven by lower payments, cards and savings as well as Debt Capital Markets (DCM) fees.

Large Corporates & Institutions

Q2/Q2: Net fee and commission income decreased by 22% driven by lower demand for corporate bonds, advisory services, equity trading and loan syndications.

Q2/Q1: Net fee and commission income decreased by 19% due to lower capital markets activities, including advisory services.

Asset & Wealth Management

Q2/Q2: Net fee and commission income decreased by 2% in local currencies driven by lower asset management fees.

Q2/Q1: Net fee and commission income decreased by 7% in local currencies.

Group Functions and eliminations

Q2/Q2: Net fee and commission income decreased EUR 8m.

Q2/Q1: Net fee and commission income decreased EUR 6m.

Net fee and commission income per business area

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Local currency	
								Q2/Q2	Q2/Q1
EURm									
Personal Banking	268	291	312	312	295	-9%	-8%	-9%	-9%
Business Banking	129	154	158	151	133	-3%	-16%	-2%	-16%
Large Corporates & Institutions	98	121	100	104	126	-22%	-19%		
Asset & Wealth Management	187	202	218	190	190	-2%	-7%	-2%	-7%
Group Functions and eliminations	-9	-3	-13	-1	-1				
Total Group	673	765	775	756	743	-9%	-12%	-8%	-11%

Net fee and commission income per category

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Local currency	
								Q2/Q2	Q2/Q1
EURm									
Savings and investments, net	450	503	513	473	495	-9%	-11%	-9%	-10%
Payments and cards, net	105	124	120	136	128	-18%	-15%	-17%	-15%
Lending-related, net	120	126	145	148	121	-1%	-5%	2%	-4%
Other commissions, net	-2	12	-3	-1	-1				
Total Group	673	765	775	756	743	-9%	-12%	-8%	-11%

Assets under Management (AuM), volumes and net inflow

	Q220	Q120	Q419	Q319	Q219	Net inflow Q220
EURbn						
Nordic Retail funds	63.2	55.6	65.5	62.5	62.3	-0.1
Private Banking	87.7	77.0	91.4	86.9	85.8	1.4
Institutional sales	108.5	101.7	114.7	113.6	108.6	2.0
Life & Pensions	51.9	46.1	53.1	51.3	50.2	0.5
Total	311.4	280.4	324.7	314.3	306.9	3.8

Net result from items at fair value

Q2/Q2: The net result from items at fair value increased 12% to EUR 318m driven by higher trading income in Markets and revaluations in Treasury. The result from the underlying customer business remained stable.

Q2/Q1: The net result from items at fair value increased EUR 209m due to higher results in Markets following tighter spreads and valuation adjustment recoveries from significant negative levels in the previous quarter.

Personal Banking

Q2/Q2: The net result from items at fair value increased 41% due to timing effects of revaluations.

Q2/Q1: The net result from items at fair value increased EUR 32m from EUR 13m.

Business Banking

Q2/Q2: The net result from items at fair value increased 7% driven by negative valuation adjustments in the second quarter of 2019.

Q2/Q1: The net result from items at fair value increased 3%.

Large Corporates & Institutions

Q2/Q2: The net result from items at fair value increased EUR 99m from EUR 57m, driven by continued high customer activity in Markets and higher trading income.

Q2/Q1: The net result from items at fair value increased EUR 89m from EUR 67m.

Asset & Wealth Management, excl. Life & Pensions

Q2/Q2: The net result from items at fair value decreased EUR 2m to EUR 4m.

Q2/Q1: The net result from items at fair value decreased EUR 3m.

Life & Pensions

Q2/Q2: The net result from items at fair value for Life & Pensions was up EUR 11m to EUR 21m. Q219 included negative periodisation effects of funds income.

Q2/Q1: The net result from items at fair value was down EUR 5m.

Group Functions and eliminations

Q2/Q2: The net result from items at fair value in Group Functions and eliminations decreased to EUR 20m from EUR 111m. In the second quarter of 2020, Nordea deferred recognised profits on embedded corporate collars. The deferral generated a negative impact of EUR 24m in the second quarter, and will instead be recognised as profit over the expected life of the instruments.

Q2/Q1: The net result from items at fair value in Group Functions and eliminations increased EUR 94m from EUR -74m driven by valuation increases across all asset classes offset by the above mentioned deferral.

Net result from items at fair value per area

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1
EURm							
Personal Banking	45	13	23	45	32	41%	
Business Banking	72	70	80	36	67	7%	3%
Large Corporates & Institutions	156	67	96	81	57		
Asset & Wealth Mgmt. excl. Life	4	7	4	7	6	-39%	-48%
Life & Pensions	21	26	32	5	10		-18%
Group Functions and eliminations	20	-74	31	37	111		
Total Group	318	109	266	211	283	12%	

Equity method

Q2/Q2: Income from companies accounted for under the equity method was EUR -10m, down from EUR 24m. Lower results in Luminor mainly drove the decrease.

Q2/Q1: Income from companies accounted for under the equity method was down EUR 8m from EUR -2m.

Other operating income

Q2/Q2: Other operating income was unchanged and amounted to EUR 20m.

Q2/Q1: Other operating income was unchanged and amounted to EUR 20m.

Total operating income

Q2/Q2: Total income was unchanged in local currencies and amounted to EUR 2,092m.

Q2/Q1: Total income was up 6% in local currencies.

Total operating income per business area

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Local currency Q2/Q2	Local currency Q2/Q1
EURm									
Personal Banking	814	823	857	900	855	-5%	-1%	-3%	0%
Business Banking	546	575	588	531	550	-1%	-5%	2%	-4%
Large Corporates & Institutions	465	405	414	397	392	19%	15%		
Asset & Wealth Management	226	259	269	237	236	-4%	-13%	-4%	-12%
Group Functions and eliminations	41	-61	166	20	108				
Total Group	2,092	2,001	2,294	2,085	2,141	-2%	5%	0%	6%
Total, excl items affecting comparability¹	2,092	2,001	2,156	2,085	2,141	-2%	5%	0%	6%

¹ Excl. items affecting comparability in Q4 2019: EUR 138m tax free gain related to sale of LR Realkredit.

Total expenses

Q2/Q2: Total expenses in the second quarter amounted to EUR 1,088m, down 6% in local currencies. When also adjusted for resolution fees, total expenses decreased by 10%.

Q2/Q1: Total expenses in the second quarter were down 12% in local currencies. When also adjusted for resolution fees, total expenses decreased by 4%.

Staff costs

Q2/Q2: Staff costs in local currencies were down 10% driven mainly by fewer employees (FTEs).

Q2/Q1: Staff costs in local currencies were down 7% driven primarily by fewer employees (FTEs) and slightly lower remuneration.

Other expenses

Q2/Q2: Other expenses in local currencies were up 2% from resolution fees of EUR 49m in the quarter. Excluding resolution fees, other expenses were down 14% driven by a decrease in travelling and reduced IT development.

Q2/Q1: Other expenses in local currencies were down 27% driven by lower resolution fees. Excluding resolution fees, other expenses were down 4% from lower travel.

Depreciations & amortisations

Q2/Q2: Depreciations amounted to EUR 140m, down from EUR 149m.

Q2/Q1: Depreciations were up EUR 10m, up 8% in local currencies driven by new amortisations starting in the second quarter of 2020.

FTEs

Q2/Q2: The number of employees (FTEs) was 27,954 at the end of the second quarter, which is a decrease of 5%.

Q2/Q1: The number of employees (FTEs) was 1% down driven by Nordic FTEs. The number of consultants decreased by 3%.

Cost to income ratio

Q2/Q2: Excluding IAC and with amortised resolution fees, the cost to income ratio was 52%, down from 58%.

Q2/Q1: Excluding IAC and with amortised resolution fees, the cost to income ratio was 52% down from 57%.

Total operating expenses

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Local currency Q2/Q2	Q2/Q1
EURm									
Staff costs	-645	-699	-648	-924	-727	-11%	-8%	-10%	-7%
Other expenses	-303	-419	-375	-366	-304	0%	-28%	2%	-27%
Depreciations	-140	-130	-156	-885	-149	-6%	8%	-5%	8%
Total Group	-1,088	-1,248	-1,179	-2,175	-1,180	-8%	-13%	-6%	-12%
Total, excl. items affecting comparability¹	-1,088	-1,248	-1,179	-1,161	-1,180	-8%	-13%	-6%	-12%

¹ Excl. items affecting comparability in Q3 2019: Expense of EUR 735m, before tax, related to impairment of capitalised IT systems, expense of EUR 204m, before tax, related to restructuring and EUR 75m non-deductible expense related to sale of Luminor.

Total operating expenses per business area

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Local currency Q2/Q2	Q2/Q1
EURm									
Personal Banking	-451	-470	-484	-501	-473	-5%	-4%	-3%	-3%
Business Banking	-257	-297	-267	-262	-271	-5%	-13%	-3%	-13%
Large Corporates & Institutions	-196	-268	-196	-204	-229	-14%	-27%		
Asset & Wealth Management	-124	-126	-127	-146	-138	-10%	-2%	-9%	0%
Group Functions and eliminations	-60	-87	-105	-1,062	-69				
Total Group	-1,088	-1,248	-1,179	-2,175	-1,180	-8%	-13%	-6%	-12%
Total, excl. items affecting comparability¹	-1,088	-1,248	-1,179	-1,161	-1,180	-8%	-13%	-6%	-12%

¹ Excl. items affecting comparability in Q3 2019: Expense of EUR 735m, before tax, related to impairment of capitalised IT systems, expense of EUR 204m, before tax, related to restructuring and EUR 75m non-deductible expense related to sale of Luminor.

Currency fluctuation effects

	Q2/Q2	Q2/Q1	Jan-Jun 20/19
%-points			
Income	-2	-1	-2
Expenses	-2	-1	-2
Operating profit	-1	-1	-2
Loan and deposit volumes	2	-2	2

Net loan losses

Nordea has conducted an extensive portfolio modelling and analysis resulting in a total net loan loss projection for the full year 2020 of below EUR 1bn. Three separate analyses to reach this estimate were conducted producing converging projections: an individual assessment of an extensive population of large customers in COVID-19 affected sectors, a bottom-up business area projection of loan losses and finally, Nordea's stress test model projection based on an updated baseline macro-economic scenario.

In the quarter, underlying net loan losses were EUR 310m. On top of that, additional management judgement allowances of EUR 388m have been made to cover estimated future loan losses leading to total Q2 net loan losses of EUR 698m.

Including earlier management judgement allowances we now have EUR 650m to cover estimated future loan losses, IFRS 9 model improvements including the European Central Bank's new guidance on non-performing loans coming into force in the fourth quarter of 2020.

Underlying net loan losses

The drivers of the EUR 310m underlying net loan losses for the quarter were individual provisions, particularly for the Oil, Gas and Offshore sector, and updated macro-economic scenarios in the IFRS 9 provisioning models. Net individual provisions (stage 3) amounted to EUR 217m and net modelled collective provisions (stages 1, 2 and 3) were EUR 93m.

Total gross modelled collective provisions were EUR 167m of which EUR 149m were due to the updated macro-economic scenarios. Reversals of existing management judgment of EUR 65m against corresponding individual provisions and benefit from a financial guarantee of EUR 9m lead to the net collective provisions of EUR 93m.

While the overall loss level is elevated from pre-COVID-19 levels, the underlying net loan losses in the quarter reflected Nordea's strong underlying credit portfolio, with limited exposure of 4% to the industries most affected by COVID-19 (Accommodation & Leisure, Air Transportation, Retail Trade, Maritime and Oil, Gas & Offshore).

EUR 150m of gross individual provisions (EUR 74m net) were made on top of substantial existing provisions in the Oil, Gas & Offshore and Maritime segments, leading to impairment coverage ratios of 54% and 44%, respectively.

Limited parts of the Commercial Real Estate portfolio have been affected by COVID-19, with additional provisions of EUR 18m.

Aside from these items, net loan losses were at a relatively low level of EUR 69m, 8 bps (EUR 61m in Q2 2019) with no significant deterioration in credit quality (rating downgrades or new defaults) observed in the quarter. Allowances and loan losses by industry can be found in Note 7.

By business areas, the underlying net loan losses stemmed mainly from customers within Large Corporates & Institutions (EUR 148m, 77 bps; EUR 12m in Q2 2019), primarily from Oil, Gas & Offshore. Net loan losses in Personal Banking (EUR 63m, 16 bps; EUR 25m in Q2 2019) and Business Banking (EUR 95m, 44 bps; EUR 27m in Q2 2019) were significantly driven by the updated macro-economic scenarios in the IFRS 9 model. The otherwise stable losses reflected the still limited actual rating downgrades and defaults during the quarter in Nordea's total credit portfolio and a positive impact from the active measures taken to support customers amid COVID-19 related liquidity shortages.

The macro-economic scenarios used for the net loan losses assessments by Nordea are detailed in Note 7. The base scenarios are, with a few minor exceptions in Finland and Norway, at least as conservative as the projections from the European Central Bank and central banks and ministries of finance in the Nordic countries.

Management judgement allowances

Based on the thorough portfolio analyses which has resulted in a full year loan loss forecast of less than EUR 1bn, Nordea has considered it prudent and appropriate to complement the outcome of the individual and modelled collective provisions with additional cyclical management judgements of EUR 278m to account for estimated loan losses following future expected rating downgrades not yet captured by the IFRS 9 collective provisioning models. In addition, a further structural management judgement of EUR 110m is included to cover the identified development needs in our IFRS 9 collective provisioning models.

This action was based on the substantial uncertainty in the macro-economic development as well as the need to account for estimated loan losses following future expected rating downgrades not yet appropriately captured by the IFRS 9 collective provisioning models.

The combined second-quarter additional management judgements totalling EUR 388m mean that Nordea has built up a total cumulative management judgement reserve of EUR 650m. This amount covers future estimated individual loan losses and estimated loan losses that are not yet covered by the IFRS 9 models (cyclical reserve at EUR 430m). It also provides for issues identified in the IFRS 9 models to be later covered in model updates of EUR 110m and further provisions of EUR 110m against the European Central Bank's new requirements on aged non-performing loans coming into force in the fourth quarter of 2020.

Nordea will take appropriate actions to release management judgements as respective losses are realised or captured by Nordea's models, while maintaining in place an adequate management judgement.

Severe bottom-up stress test

Nordea has also conducted a severe bottom-up stress test, with a macro-economic scenario that is clearly worse than the adverse scenario described in Note 7. In the most severe stress scenario the GDP would fall around 10% in 2020 and recovery would be postponed until 2022. Unemployment would increase significantly with a peak of approximately 12% in Sweden and Finland. The peak would be about 9% in Denmark and Norway. Net loan losses would peak during the first 12 months and would exceed the losses experienced during the financial crisis. Industries sensitive to the COVID-19 crisis would be hit particularly hard, especially in the Consumer Discretionary (Retail Trade, Accommodation & Leisure) and Maritime segments. The retail portfolio would experience historically severe losses, due to the prolonged high level of unemployment and a conservative assumption of the limited effectiveness of public and private sector mitigating actions in case of delayed recovery. Even in this extreme scenario Nordea would be able to absorb the losses stemming mainly from portfolio deterioration and defaults (total capital impact of 257 bps). The bank would not breach the Maximum Distributable Amount level, capital recovery indicators or consume any regulatory capital buffers. This position underlines the bank's capital strength to support the Nordic economies.

Net loan loss ratios

	Q220	Q120	Q419	Q319	Q3 excl. IAC	Q219
Basis points of loans¹						
Net loan loss ratios, amortised cost, Group	115	26	17	55	8	10
of which stage 1 and 2	66	2	1	14	-4	-2
of which stage 3	49	24	16	41	12	12
Net loan loss ratios, incl. fair value mortgage loans, annualised Group ²	91	19	13	41	6	7
Personal Banking total	70	11	7	8	5	6
Banking Denmark	88	13	7	41	7	3
Banking Finland	107	9	2	-55	1	11
Banking Norway	63	4	10	21	13	7
Banking Sweden	26	15	5	14	1	5
Business Banking	114	30	14	25	2	12
BB Denmark	62	-5	12	66	-8	39
BB Finland	153	121	36	21	12	-18
BB Norway	147	28	-12	17	-2	0
BB Sweden	88	20	10	15	7	10
BBD Nordic	179	10	34	-3	10	14
Large Corporates & Institutions	118	25	25	115	14	6
C&I Denmark	138	-16	-58	243	-31	118
C&I Finland	109	18	67	10	6	5
C&I Norway	318	161	66	400	37	-52
C&I Sweden	183	-6	86	59	51	90

¹ Negative amount are net reversals.

² Net loan loss ratio including fair value loans is calculated as net loan losses for the portfolio measured as amortised cost added the net loan losses calculated under local rules for fair value loans, both annualised, divided with total lending measured at amortised cost and loans measured at fair value.

Credit portfolio

Total lending to the public, excluding reverse repurchase agreements, increased by 1% in local currencies compared to the previous quarter and by 4% in local currencies compared to the second quarter of 2019. The increase compared to the previous quarter is driven by a slight increase in all Nordic countries, while the main increase compared to the second quarter of 2019 relates to the Norwegian corporate and household portfolio as well as the Finnish corporate portfolio.

Loans measured at fair value to the public, excluding repo transactions, amounted to EUR 61bn (EUR 58bn in the previous quarter). This measurement mainly consisted of the Danish mortgage lending, which is measured at a Fair Value of EUR 55bn (EUR 54bn in the previous quarter).

Lending to the public measured at an amortised cost increased to EUR 244bn (EUR 237bn in the previous quarter). EUR 4.42bn of this portfolio were impaired loans in stage 3 (EUR 4.52bn during the last quarter).

The gross impairment rate (stage 3) was 174 bps for loans at amortised cost (174 bps in the previous quarter). Allowances concerning impaired loans (stage 3) increased to 43.1% (38.7% during the last quarter). Impairment rate for fair valued assets was unchanged to 124 bps (124 bps in the previous quarter).

Profit

Operating profit

Q2/Q2: Operating profit decreased by 65% in local currencies to EUR 306m.

Q2/Q1: Operating profit decreased by 47% in local currencies to EUR 306m.

Taxes

Q2/Q2: Income tax expenses were EUR 63m, down from EUR 219m, corresponding to a 20.6% tax rate (24.4%).

Q2/Q1: Income tax expenses were down from EUR 139m, and tax rate was down from 23%.

Net profit

Q2/Q2: Net profit decreased by 63% in local currencies to EUR 243m. Return on equity was 3.1% including resolution fees, down from 9.1%. With amortised resolution fees, return on equity was 3.0%, down from 8.5%.

Q2/Q1: Net profit decreased by 46% in local currencies. Return on equity was 3.1% including resolution fees, down from 5.9%. With amortised resolution fees, return on equity was 3.0%, down from 6.9%.

Q2/Q2: Diluted earnings per share were EUR 0.06 compared to EUR 0.17.

Q2/Q1: Diluted earnings per share were EUR 0.06 compared to EUR 0.11.

Operating profit per business area

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Local currency	
EURm								Q2/Q2	Q2/Q1
Personal Banking	136	315	345	371	357	-62%	-57%	-60%	-56%
Business Banking	51	217	290	222	250	-80%	-76%	-79%	-76%
Large Corporates & Institutions	40	85	173	-44	151	-74%	-53%		
Asset & Wealth Management	100	133	144	90	96	4%	-25%	3%	-25%
Group Functions and eliminations	-21	-151	61	-1,060	46				
Total Group	306	599	1,013	-421	900	-66%	-49%	-65%	-48%
Total, excl. items affecting comparability¹	306	599	875	875	900	-66%	-49%	-65%	-48%

¹ Excl. items affecting comparability in Q4 2019: EUR 138m tax free gain related to sale of LR Realkredit. In Q3 2019: Expense of EUR 735m, before tax, related to impairment of capitalised IT systems, expense of EUR 204m, before tax, related to restructuring, EUR 75m non-deductible expense related to sale of Luminor and loss of EUR 282m, before tax, related to loan loss provisions due to model updates and dialogue with the ECB reflecting a more subdued outlook in certain sectors.

Capital position and risk exposure amount

Nordea Group's common equity tier 1 (CET1) capital ratio decreased to 15.8% at the end of the second quarter, compared to 16.0% in the first quarter of 2020. REA increased EUR 2.5bn, primarily stemming from increased undrawn corporate credit lines, higher market risk and FX translation effects offset partly by the implementation of the adjusted SME factor and increased provisioning. CET1 capital increased by EUR 0.1bn, mainly due to decreased regulatory deductions.

The Tier 1 capital ratio decreased to 17.6% in the second quarter from 17.8% in the first quarter of 2020, and the total capital ratio decreased to 20.1% from 20.2%.

At the end of the second quarter of 2020, the CET1 capital was EUR 24.5bn, the Tier 1 capital was EUR 27.2bn, and the Own Funds were EUR 31.0bn.

The capital requirement regulation (CRR) leverage ratio remained at 4.9% in the second quarter, compared to the previous quarter.

Economic Capital (EC) was EUR 24.2bn at the end of the second quarter, a decrease of EUR 1.6bn compared to the first quarter of 2020. This decrease was primarily driven by an update of the EC framework to reflect the new capital requirements due to the COVID-19 outbreak and to support business momentum. This decrease was partly offset by increased Pillar 1 credit risk and market risk.

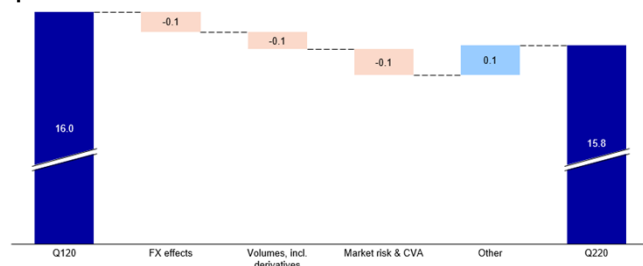
Capital ratios

	Q220	Q120	Q419	Q319	Q219
%					
CRR/CRDIV					
CET 1 capital ratio	15.8	16.0	16.3	15.4	14.8
Tier 1 capital ratio	17.6	17.8	18.3	17.4	17.3
Total capital ratio	20.1	20.2	20.8	20.0	19.8

Capital and dividend policy

From 1 January 2020, the intention is to hold a CET1 capital management buffer of 150-200 bps above the CET1 capital ratio requirement (MDA level). Nordea strives to maintain a strong capital position in line with our capital policy. From 1 January 2020, the ambition is to distribute 60-70% of the net profit for the year to shareholders. Excess capital in relation to capital targets will be used for organic growth and strategic business acquisitions as well as be subject to buy-back considerations.

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



Dividend for the financial year 2019

The Annual General Meeting held on 28 May 2020 resolved, in accordance with the proposal of the Board of Directors, to authorise the Board of Directors to decide on a dividend payment of a maximum of EUR 0.40 per share for the financial period 2019 to be distributed in one or several instalments. The authorisation remains in force and effect until the beginning of the next AGM. The Board of Directors intends to follow the recommendation adopted by the European Central Bank in light of the COVID-19 pandemic on 27 March 2020 and refrain from deciding on a dividend payment based on the authorisation before 1 October 2020.

Nordea will publish any possible decisions on dividend payment by the Board of Directors separately and simultaneously confirm the dividend record and payment dates. Given the authorisation to the Board of Directors, the maximum 2019 dividend amount will continue to be deducted from the capital position.

Regulatory development

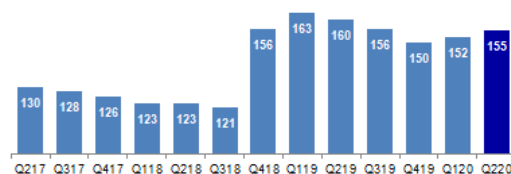
On 6 April, the Board of the Finnish FSA decided to remove the systemic risk buffer requirement (SRB) for all banks domiciled in Finland. Since the higher of SRB (previously 3% for Nordea) and the buffer for other systemically important institutions (O-SII, currently 2% for Nordea) is applicable, this means that Nordea is required to hold an O-SII buffer of 2%.

On 13 May, the ECB communicated that they, due to COVID-19, will take a more pragmatic approach to the next SREP assessment which envisages keeping P2R and P2G stable for the most part.

On 28 May, the European Commission adopted amendments to the RTS on prudent valuation, temporarily introduced a higher diversification factor of 66% for the aggregation of total additional valuation adjustments.

On 18 June, amendments to the CRR II (the so-called 'quick fix') was agreed. The quick fix was implemented to give banks further possibilities to support the economy. It includes earlier implementation of, e.g. the SME factor and the changes to the treatment of software. It also contains amendments to the transitional rules for IFRS 9, Non-Performing Loans (NPL) guaranteed by central governments and to the leverage ratio.

Risk exposure amount, REA (EURbn), quarterly



Risk Exposure Amount

	30 Jun 2020	31 Mar 2020	30 Jun 2019
EURm			
Credit risk	117,764	117,242	127,145
IRB	104,380	104,365	112,239
- sovereign			
- corporate	68,349	68,522	75,304
- advanced	57,026	57,014	63,163
- foundation	11,323	11,508	12,141
- institutions	5,420	6,293	6,364
- retail	26,933	25,468	26,268
- items representing securitisation positions	890	893	833
- other	2,788	3,189	3,470
Standardised	13,384	12,877	14,906
- sovereign	840	948	554
- retail	5,115	4,661	5,193
- other	7,429	7,268	9,160
Credit Value Adjustment Risk	934	674	728
Market risk	9,597	8,594	5,165
- trading book, Internal Approach	6,842	5,825	3,693
- trading book, Standardised Approach	653	865	1,049
- banking book, Standardised Approach	2,102	1,904	423
Settlement Risk	1	0	0
Operational risk	14,701	14,701	15,698
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR	452	735	663
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	11,151	10,162	10,330
Additional risk exposure amount due to Article 3 CRR			
Total	154,600	152,108	159,729

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

	30 Jun 2020	31 Mar 2020	30 Jun 2019
EURm			
Calculation of own funds			
Equity in the consolidated situation	28,064	28,080	28,378
Profit of the period	891	698	1,381
Proposed/actual dividend	-492	-322	-1,414
Common Equity Tier 1 capital before regulatory adjustments	28,463	28,456	28,345
Deferred tax assets	-240	-143	
Intangible assets	-3,401	-3,286	-4,170
IRB provisions shortfall (-)		-96	-90
Pension assets in excess of related liabilities	-71	-131	-137
Other items, net ¹	-290	-475	-307
Total regulatory adjustments to Common Equity Tier 1 capital	-4,002	-4,131	-4,703
Common Equity Tier 1 capital (net after deduction)	24,461	24,325	23,641
Additional Tier 1 capital before regulatory adjustments	2,787	2,833	3,957
Total regulatory adjustments to Additional Tier 1 capital	-24	-23	-8
Additional Tier 1 capital	2,763	2,810	3,948
Tier 1 capital (net after deduction)	27,224	27,135	27,590
Tier 2 capital before regulatory adjustments	4,240	4,382	4,906
IRB provisions excess (+)	626	294	180
Deductions for investments in insurance companies	-1,000	-1,000	-1,000
Other items, net	-62	-62	-63
Total regulatory adjustments to Tier 2 capital	-436	-768	-883
Tier 2 capital	3,804	3,614	4,023
Own funds (net after deduction)	31,028	30,749	31,613
¹ Other items, net based on profit inclusion.	-343	-475	-328

Own Funds excluding profit

	30 Jun ² 2020	31 Mar 2020	30 Jun 2019
EURm			
Common Equity Tier 1 capital	24,385	24,007	23,653
Tier 1 capital (net after deduction)	27,148	26,817	27,602
Total Own Funds	30,952	30,431	31,625

² Including Q1 profit, excluding Q2 profit.

Own Funds reported to ECB³

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

³ This table describes in text how profit has been included in the regulatory reporting of Own Funds to ECB for the relevant reporting periods.

Balance sheet

Total assets in the balance sheet in the quarter were EUR 13bn lower than in the previous quarter and amounted to EUR 587bn. Loans to the public, interest-bearing securities and other assets were higher while derivatives and loans to credit institutions were lower compared to the previous quarter.

Derivatives were EUR 10bn lower in the quarter and amounted to EUR 47bn while loans to credit institutions decreased by EUR 10bn to EUR 6bn from the previous quarter.

Balance sheet data

	Q220	Q120	Q419	Q319	Q219
EURbn					
Loans to credit institutions	6	16	9	20	18
Loans to the public	328	324	323	328	324
Derivatives	47	57	39	52	42
Interest-bearing securities	73	72	65	66	70
Other assets	133	131	119	120	129
Total assets	587	600	555	586	583
Deposits from credit inst.	46	63	32	45	44
Deposits from the public	188	174	169	168	177
Debt securities in issue	182	184	194	191	189
Derivatives	50	55	42	54	44
Other liabilities	89	93	86	97	98
Total equity	32	31	32	31	31
Total liabilities and equity	587	600	555	586	583

Nordea's funding and liquidity operations

Nordea issued approximately EUR 8.8bn in long-term funding in the second quarter (excluding Danish covered bonds), of which approximately EUR 1.8bn was issued in covered bonds, and EUR 7.0bn was issued in senior debt.

Public benchmark transactions during the quarter included a 7-year EUR 1.25bn fixed rate senior unsecured bond, a 5-year NOK 4bn floating rate senior unsecured bond, a 3-year SEK 1.5bn floating and fixed rate senior unsecured bond, a 6-year CHF 200m fixed rate senior unsecured bond and a 3-year USD 1bn fixed rate senior unsecured all issued by Nordea Bank Abp.

Nordea's long-term funding portion of total funding was approximately 77% 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 combined LCR, according to EBA Delegated Act rules for the Nordea Group, was 160% at the end of the second quarter. The Nordea Group LCR in EUR was 183% and in USD 202% at the end of the second quarter. The liquidity buffer is composed of highly liquid central bank eligible securities and cash as defined in the LCR regulation and amounted to EUR 105bn at the end of the second quarter (EUR 101bn at the end of the first quarter). The Net Stable Funding Ratio (NSFR) measures long-term liquidity risk. Ending the second quarter of 2020, Nordea's NSFR was 113.3% (109.7% at the end of the first quarter) according to the CRR II regulation.

Nordea has maintained a strong liquidity position throughout the COVID-19 market stress period. As part of the risk management activities, Nordea developed specific COVID-19 liquidity stress scenarios to capture relevant risk drivers. Also, contingency management structures were activated to ensure prudent management through market volatility.

Nordea has participated in different local central bank facilities, including the Targeted Longer-Term Refinancing Operations (TLTRO) provided by ECB to further support customer needs.

Funding and liquidity data

	Q220	Q120	Q419	Q319	Q219
Long-term funding portion	77%	78%	78%	79%	79%
LCR total	160%	182%	166%	188%	178%
LCR EUR	183%	234%	236%	185%	195%
LCR USD	202%	191%	146%	183%	291%

Market risk

Market risk in the trading book measured by Value at Risk (VaR) was EUR 29m. Compared to the previous quarter, total VaR decreased by EUR 31m, primarily as a result of lower credit spread, interest rate and equity risk. Interest rate risk was the main driver of market risk at the end of the quarter. Total VaR continues to be driven by market risk related to Nordic and other Northern European exposures.

Trading book

	Q220	Q120	Q419	Q319	Q219
EURm					
Total risk, VaR	29	60	21	15	14
Interest rate risk, VaR	27	53	18	11	13
Equity risk, VaR	5	24	6	9	3
Foreign exchange risk, VaR	3	3	2	2	3
Credit spread risk, VaR	9	27	4	5	3
Inflation risk	2	3	2	2	2
Diversification effect	38%	46%	34%	50%	40%

VaR for the banking book continued to be dominated by interest rate risk. Interest rate risk is a function of the overall balance sheet composition and volatility from the previous quarter. FX VaR also increased in the quarter – for SEK, NOK and GBP.

Banking book

	Q220	Q120	Q419	Q319	Q219
EURm					
Total risk, VaR	90	82	34	37	38
Interest rate risk, VaR	87	84	34	37	40
Equity risk, VaR	8	5	6	5	6
Foreign exchange risk, VaR	13	5	5	3	1
Credit spread risk, VaR	3	2	1	0	1
Diversification effect	19%	15%	26%	17%	18%

Nordea share and ratings

Nordea's share price and ratings as at the end of Q2 2020.

	Nasdaq STO (SEK)	Nasdaq COP (DKK)	Nasdaq HEL (EUR)
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
9/30/2019	69.81	48.49	6.5
12/31/2019	75.64	54.27	7.24
3/31/2020	56.08	38.06	5.13
6/30/2020	64.31	45.80	6.15

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

* Negative outlook

** Rating watch negative

Other information

Update on the acquisition of SG Finans

Nordea agreed with Société Générale to acquire all shares in SG Finans AS and intends to combine the business with Nordea's pan-Nordic finance companies, Nordea Finance. SG Finans is a Norwegian domiciled subsidiary of Société Générale and provides equipment finance and factoring solutions. SG Finans has 360 employees and operates in Norway, Denmark and Sweden.

The agreed purchase price for SG Finans values the company at a price-to-book multiple of 1.07x (2018). Changes in SG Finans' equity position between year-end 2018 and Closing will be reflected in the Closing balance sheet and consequently be an adjustment NOK for NOK to the purchase price.

Alongside the transaction, Nordea Finance and Société Générale Equipment Finance have entered into a commercial partnership agreement, to offer a wide range of equipment finance solutions and services to international vendors.

Competition and regulatory approvals have been received in all geographies. Closing is expected during Q4 2020.

Transfer of own shares pursuant to variable remuneration programmes

On 28 April 2020, the Board of Directors resolved, based on the authorisation granted by the Annual General Meeting in 2019, on a transfer of a maximum of 900,000 own shares with deviation from the shareholders' pre-emptive rights by way of a directed issue to executive officers, other material risk takers and other senior leaders belonging to the scope of the variable remuneration programmes to settle Nordea's commitments for payment of deferred instalments for the earning period 2019.

Pursuant to the above-mentioned Board resolution, on 4 May 2020, Nordea transferred 862,041 own shares to settle its commitments to participants of its variable remuneration programmes. Additionally, 178,709 own shares were transferred to participants of the LTIP 2012 programme to settle Nordea's commitments. Following the transfer of own shares, Nordea holds 8,198,144 treasury shares for remuneration purposes.

Long Term Incentive Programme 2020-2022

On 11 June 2020, the Board of Directors of Nordea Bank Abp decided to launch a Long-Term Incentive Programme (LTIP) including the CEO and eight other members of the Group Leadership Team (GLT) to further align top management's interest with the long-term interests of Nordea and its shareholders to enhance value creation.

The LTIP has a three-year performance period from 2020-2022 and the total maximum number of shares that can be granted under the programme is 675,000 Nordea shares, which will be nominally distributed among the participants in 2020. The potential grant of shares, based on Nordea's performance, will be granted to the participants in 2023, and delivered during 2023-2028, subject to deferral and retention periods according to regulation.

In order to rebalance variable pay remuneration for GLT members, the maximum outcome of the present annual short-term incentive programme has been reduced by 25%.

The aggregate maximum gross value of the LTIP, estimated based on the average share price on Nasdaq Helsinki on 30 June 2020, is approximately EUR 4.2m, however subject to performance.

The assessment of performance during the LTIP performance period will be based equally on the following performance criteria and subject to potential risk and compliance adjustments:

- Relative Total Shareholder Return (rTSR) measured against selected Nordic and European peer banks,
- Absolute Total Shareholder Return (Absolute TSR), and
- Absolute cumulative Earnings Per Share (Absolute EPS)

Decisions of Nordea's Annual General Meeting

The Annual General Meeting (AGM) of Nordea Bank Abp was held in Helsinki on 28 May 2020, by applying extraordinary meeting procedures due to COVID-19. The AGM supported all the Board's and the Shareholders' Nomination Board's proposals by at least 90 per cent of the votes cast. Furthermore, the AGM approved the financial statements for the financial period ending 31 December 2019, decided on an authorisation for the Board of Directors to decide on a dividend payment of a maximum of EUR 0.40 per share and considered the Remuneration Policy for Governing Bodies. The persons who had served as members of the Board of Directors, President and Group CEO and deputy Managing Director were discharged from liability for the financial period ending 31 December 2019. Torbjörn Magnusson was re-elected as chair of the Board of Directors, and Jonas Synnergren was elected as a new board member replacing Maria Varsellona.

Update on the Gjensidige Bank acquisition

On 12 June 2019, the Boards of Directors of Gjensidige Bank ASA (now Nordea Direct ASA) and Nordea Bank Abp signed the merger plan and decided to initiate the cross-border merger process between Nordea Bank Abp and Gjensidige Bank ASA. The merger was formally approved by the Board of Directors in October 2019 as announced by the Norwegian Business Registry.

The effective date of the merger is expected to occur in the first half of 2021.

Update on the divestment of Automatia

On 26 February 2020, together with the other owners, Nordea agreed with Loomis to divest the shares in Automatia, the leading cash handling and ATM provider in Finland. Nordea owns a third (approx. 33%) of the shares in Automatia.

The agreed purchase price is EUR 42m on a debt and cash-free basis and the transaction will have limited financial impact for Nordea.

The divestment of Automatia is subject to customary regulatory approvals and is expected to close during the second half of 2020.

Update on Sale of Nordea's shares in VP Securities

On 23 April 2020, Nordea together with the other majority owners agreed with Euronext to jointly sell approximately 70% of VP Securities, the Danish Central Securities Depository ("CSD"). Nordea holds 11.8% of the shares. The agreed purchase price for Nordea's 11.8% amounts to approximately EUR 18m. The increase in net fair value from the transaction of approximately EUR 9m was recorded in our second quarter financial results. The transaction was subject to regulatory approvals, which have now been received. Closing of the transaction is expected in the third quarter of 2020.

Nordea to acquire pension portfolios from Frende Forsikring in Norway

On 6 July 2020, Nordea announced the acquisition of the occupational and individual pension portfolios from the Norwegian company Frende Livsforsikring AS. The plan is to combine the business with our own Norwegian pension company Livforsikringsselskapet Nordea Liv Norge AS ("Nordea Liv"). The pension portfolios have total unit-linked assets of approximately NOK 4.2bn and around 5,600 corporate customers representing around 32,000 individual policyholders.

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

The acquisition is subject to customary regulatory approvals and is expected to close during the fourth quarter of 2020.

COVID-19 outbreak – Governance, operational risk measures and further disclosures

The COVID-19 outbreak spread quickly across the globe in the first months of 2020 and disrupted various markets, creating economic uncertainty worldwide. The impacts of COVID-19 have become increasingly evident during the second quarter and the pandemic continues to severely affect individuals, businesses and societies. At Nordea, we took prompt actions in order to strengthen our governance and mitigate operational risks by protecting both our customers and employees while at the same time being able to support our customers. A Global Crisis Management team was established for that purpose, and it has met on a frequent and regular basis to discuss and assess the situation and take the necessary actions, including temporary closure of branches in selected countries. During the second quarter, a slow and phased re-opening has taken place in accordance with the measures and recommendations by national authorities. We monitor the situation closely to enable prompt action if required.

More information on the impact of COVID-19 on the business development of each business area and related operational measures can be found under the heading "Impact of COVID-19" in the sections "Personal Banking", "Business Banking", "Large Corporates & Institutions" and "Asset & Wealth Management".

Information on the financial impacts of the COVID-19 outbreak on Nordea as well as on the measures taken to address these impacts has been provided in this report. See sections "CEO comment", "Outlook", "Net loan losses" and "Nordea's funding and liquidity operations", Note 1, "Accounting policies", Note 6, "Net loan losses" and Note 7, "Loans and impairment". Information on capital and liquidity can be found in sections "CEO comment", "Outlook", "Net loan losses" and "Other information".

We have also identified significant risks and uncertainties caused by the COVID-19 outbreak given the uncertainty of the economic impact on the markets in which Nordea operates. See Note 11, "Risks and uncertainties".

Due to COVID-19, Nordea Kredit Realkreditaktieselskab made a reassessment for the first quarter and a management judgement was recognised in the second quarter based on new macroeconomic scenarios and in line with DK FSA guidance. This had no impact on Group level provisioning.

Quarterly development, Group

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Jan-Jun 2020	Jan-Jun 2019
EURm							
Net interest income	1,091	1,109	1,108	1,083	1,071	2,200	2,127
Net fee and commission income	673	765	775	756	743	1,438	1,480
Net result from items at fair value	318	109	266	211	283	427	547
Profit from associated undertakings and joint ventures accounted for under the equity method	-10	-2	-1	13	24	-12	38
Other operating income	20	20	146	22	20	40	64
Total operating income	2,092	2,001	2,294	2,085	2,141	4,093	4,256
General administrative expenses:							
Staff costs	-645	-699	-648	-924	-727	-1,344	-1,445
Other expenses	-303	-419	-375	-366	-304	-722	-898
Depreciation, amortisation and impairment charges of tangible and intangible assets	-140	-130	-156	-885	-149	-270	-289
Total operating expenses	-1,088	-1,248	-1,179	-2,175	-1,180	-2,336	-2,632
Profit before loan losses	1,004	753	1,115	-90	961	1,757	1,624
Net loan losses	-698	-154	-102	-331	-61	-852	-103
Operating profit	306	599	1,013	-421	900	905	1,521
Income tax expense	-63	-139	-263	89	-219	-202	-397
Net profit for the period	243	460	750	-332	681	703	1,124
Diluted earnings per share (DEPS), EUR	0.06	0.11	0.19	-0.08	0.17	0.17	0.27
DEPS, rolling 12 months up to period end, EUR	0.27	0.38	0.38	0.32	0.58	0.27	0.58

Business areas

	Personal Banking		Business Banking		Large Corporates & Institutions		Asset & Wealth Management		Group Functions and eliminations		Nordea Group		
	Q2 2020	Q1 2020	Q2 2020	Q1 2020	Q2 2020	Q1 2020	Q2 2020	Q1 2020	Q2 2020	Q1 2020	Q2 2020	Q1 2020	Chg
EURm													
Net interest income	500	517	339	346	211	217	16	18	25	11	1,091	1,109	-2%
Net fee and commission income	268	291	129	154	98	121	187	202	-9	-3	673	765	-12%
Net result from items at fair value	45	13	72	70	156	67	25	33	20	-74	318	109	
Equity method & other income	1	2	6	5	0	0	-2	6	5	5	10	18	-44%
Total operating income	814	823	546	575	465	405	226	259	41	-61	2,092	2,001	5%
Total operating expenses	-451	-470	-257	-297	-196	-268	-124	-126	-60	-87	-1,088	-1,248	-13%
Net loan losses	-227	-38	-238	-61	-229	-52	-2	0	-2	-3	-698	-154	
Operating profit	136	315	51	217	40	85	100	133	-21	-151	306	599	-49%
Cost/income ratio, %	55	57	47	52	42	66	55	49			52	62	
ROCAR, %	5	12	2	9	2	3	21	25			4 ¹	7 ¹	
Economic capital (EC)	7,424	7,664	6,346	7,057	7,207	7,809	1,446	1,365	1,782	1,887	24,205	25,782	-6%
Risk exposure amount (REA)	45,695	43,140	41,375	41,902	47,863	46,897	5,587	5,450	14,080	14,719	154,600	152,108	2%
Number of employees (FTEs)	7,227	7,328	4,438	4,439	1,623	1,677	2,717	2,744	11,949	12,104	27,954	28,292	-1%
Volumes, EURbn:													
Total lending	155.9	149.5	85.4	83.0	77.3	82.8	8.8	8.4	0.3	0.3	327.7	324.0	1%
Total deposits	80.5	75.2	46.5	41.5	52.0	48.3	10.8	10.5	-1.3	-1.5	188.5	174.0	8%

¹ Excluding items affecting comparability

	Personal Banking		Business Banking		Large Corporates & Institutions		Asset & Wealth Management		Group Functions and eliminations		Nordea Group		
	Jan-Jun 2020	2019	Jan-Jun 2020	2019	Jan-Jun 2020	2019	Jan-Jun 2020	2019	Jan-Jun 2020	2019	Jan-Jun 2020	2019	Chg
EURm													
Net interest income	1,017	1,043	685	680	428	422	34	27	36	-45	2,200	2,127	3%
Net fee and commission income	559	579	283	282	219	230	389	378	-12	11	1,438	1,480	-3%
Net result from items at fair value	58	104	142	90	223	134	58	62	-54	157	427	547	-22%
Equity method & other income	3	-1	11	11	0	1	4	23	10	68	28	102	-73%
Total operating income	1,637	1,725	1,121	1,063	870	787	485	490	-20	191	4,093	4,256	-4%
Total operating expenses	-921	-1,002	-554	-585	-464	-531	-250	-285	-147	-229	-2,336	-2,632	-11%
Net loan losses	-265	-74	-299	-63	-281	32	-2	-2	-5	4	-852	-103	
Operating profit	451	649	268	415	125	288	233	203	-172	-34	905	1,521	-40%
Cost/income ratio, %	56	58	49	55	53	67	52	58			57	62	
ROCAR, %	9	11	6	10	3	5	23	18			6 ¹	9 ¹	
Economic capital (EC)	7,424	9,153	6,346	6,771	7,207	8,082	1,446	1,724	1,782	2,104	24,205	27,834	-13%
Risk exposure amount (REA)	45,695	45,415	41,375	45,840	47,863	48,117	5,587	5,542	14,080	14,815	154,600	159,729	-3%
Number of employees (FTEs)	7,227	7,950	4,438	4,468	1,623	1,856	2,717	2,798	11,949	12,478	27,954	29,550	-5%
Volumes, EURbn:													
Total lending	155.9	153.4	85.4	83.8	77.3	77.1	8.8	8.0	0.3	1.5	327.7	323.8	1%
Total deposits	80.5	77.2	46.5	41.1	52.0	46.8	10.8	10.5	-1.3	0.9	188.5	176.5	7%

¹ Excluding items affecting comparability



Personal Banking

Introduction

In Personal Banking, around 7,200 employees are working every day to deliver great customer experiences to more than 9 million household customers. We do this through a combination of physical and digital channels offering a full range of financial services and solutions.

To reflect the rapid changes in customer preferences, we continually expand our offering and services in digital channels, to deliver easy banking.

As a relationship bank, we aim to make customers feel that we are easy and convenient for their everyday banking needs as well as being there in their key life events through strong engagement and valuable advice.

Business development

Key business events and milestones

In the second quarter, we continued to see strong business momentum on mortgages, where we have delivered several digital services to improve customer experience. We quickly reacted to our customers' need for a smooth process to apply for instalment-free periods when the COVID-19 crisis hit the Nordic countries, and in less than two weeks, developed and implemented new services in the mobile bank app for it.

We continued to build on our digital services and leverage our scale through common platforms across the Nordics. Our mobile bank app is live in all countries, and we are adding new services to it continuously. The app won the Grand Prix prize for Best Digital Service in Finland in April. We have also launched the new Netbank platform in Finland and Sweden, with Denmark and Norway to follow.

We also launched an account aggregation feature in the mobile app in Sweden, which lets customers manage money across their accounts in any bank. The service was launched in partnership with Tink, and it provides us with even more insights into our customers' financial service needs.

During the quarter we have significantly improved our savings advisory experience to make it easier for our customers to start saving.

In consumer finance, our focus on strengthening our digital capabilities continued. A key achievement in the first half of 2020 was making the consumer loan application process smoother for customers through increased automation. During this period of turbulence, we have carefully and continuously reviewed our lending approach, to ensure that we provide the best possible support to our customers and maintain our firm position as a responsible lender.

In the quarter, customer satisfaction continued to increase for the third quarter in a row.

Impact of COVID-19

During the COVID-19 pandemic, our customers have experienced market turbulence and personal uncertainty due to lay-offs and lock-down measures. We have continued to support our customers through these difficult times by leveraging our online meeting capabilities and by shifting our operations to serve customers online and digitally.

Specifically, our first move was to offer instalment-free periods to our mortgage customers across the Nordic countries and we have so far approved more than 99% of the approximately 93,000 requests that we have received.

In savings, our focus has been on proactively advising our customers through the market turbulence. Volatility in the market resulted in a short period of outflow of funds, which was followed by a regain in customer investments.

Financial outcome

Total income decreased by 3% in local currencies compared to the same quarter last year. A higher level of revaluations only partly compensated lower net commission income as well as decreased net interest income.

Net interest income decreased by 2% in local currencies compared to the same quarter last year driven by lower deposit margins in Finland and Norway and lending margins pressure, partly offset by higher mortgage lending volumes.

Lending volumes increased by 4% in local currencies compared to the same quarter last year, and 2% compared to the previous quarter. The development was driven by a

significant increase in mortgage volume growth of 6% compared to the same quarter last year.

Deposit volumes increased by 6% in local currencies compared to the same quarter last year in all countries in line with the lending volume growth, as well as lower consumer spending.

Net fee and commission income decreased by 9% in local currencies compared to the same quarter last year, driven by lower savings and payments income due to COVID-19.

Net result from items at fair value increased significantly compared to the same quarter last year as well as the previous quarter due to the timing effects of re-valuations.

Total expenses decreased by 3% in local currencies compared to the same quarter last year due to strict cost management, not least lower staff costs.

Net loan losses increased by approximately EUR 200m in local currency compared to the same quarter last year on the back of modelled provisions driven by the macro-economic developments. Underlying loan losses remained low.

The second quarter was very much characterised by the COVID-19 pandemic and in some areas significantly subdued consumer activity. Nevertheless, mortgage lending volumes growth was very strong, while the cost level decreased. This resulted in a cost to income ratio of 54%, in line with the trajectory towards the 2022 target of approximately 50%.

Personal Banking Denmark

Net interest income decreased 5% compared to the same quarter last year mainly due to lending margins pressure and decline in non-mortgage volumes.

Lending volumes increased by 2% compared to the same quarter last year driven by mortgage lending growth. The market share of new mortgage lending remained at the same level compared to the previous quarter. Deposit volumes increased by 2% compared to the same quarter last year.

Net fee and commission income decreased by 6% compared to the same quarter last year. Net fee and commission income decreased 11% compared to the previous quarter, which was positively impacted by both a high mortgage conversion activity and the yearly booking of the insurance portfolio provision.

Net loan losses increased by EUR 47m compared to the same quarter last year, reflecting the modelled provisions in line with worsened macro-economic outlook. Underlying loan losses remained low.

Personal Banking Finland

Net interest income decreased by 11% compared to the same quarter last year mainly due to lower deposit margins driven by the lower EURIBOR rates.

Lending volumes increased by 3% compared to the same quarter last year and 1% compared to the previous quarter, mainly driven by mortgage volume growth. Market share of

new mortgage lending increased during the second quarter. Deposit volumes increased by 7% compared to the same quarter last year in line with the lending volume growth, as well as lower consumer spending.

Net fee and commission income decreased by 13% from the same quarter last year due to lower payments and savings income on the back of COVID-19.

Net loan losses increased by EUR 82m compared to the same quarter last year reflecting the modelled provisions in line with worsened macro-economic outlook. Underlying loan losses remained low.

Personal Banking Norway

Net interest income decreased 2% in local currency compared to the same quarter last year from decreased deposit margins partly compensated by increased lending margins as well as lending volumes growth. Net interest income in local currency was unchanged compared to the previous quarter.

Lending volumes increased in local currency by 6% compared to the same quarter last year and 3% compared to the previous quarter, mainly driven by mortgage volume growth. Market share of new mortgage lending improved during the second quarter. Deposit volumes increased by 1% compared to the same quarter last year.

Net fee and commission income decreased by 13% in local currency compared to the same quarter last year, mainly due to lower payments income on the back of COVID-19.

Net loan losses increased by EUR 50m in local currency compared to the same quarter last year, reflecting the modelled provisions in line with worsened macro-economic outlook. Underlying loan losses remained low.

Personal Banking Sweden

Net interest income increased by 1% in local currency compared to the same quarter last year driven by increased deposit margins as well as volume growth. Compared to the previous quarter, net interest income decreased by 2% in local currency as mortgage margins were under pressure from stressed STIBOR rates.

Lending volumes increased in local currency by 5% compared to the same quarter last year and 2% compared to the previous quarter, driven by mortgage lending growth. The market share of new mortgage lending remained at the same level compared to the previous quarter. Deposit volumes increased by 10% in local currency compared to the same quarter last year, due to inflow from the liquidation of investment funds as well as lower consumer spending in general.

Net fee and commission income decreased by 9% in local currency compared to the same quarter last year, mainly due to lower savings and payments income on the back of COVID-19.

Net loan losses increased by EUR 25m in local currency compared to the same quarter last year, reflecting the modelled provisions in line with worsened macro-economic outlook. Underlying loan losses remained low.

Personal Banking total

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Local curr.		Jan-Jun 20	Jan-Jun 19	Jan-Jun 20/19	
								Q2/Q2	Q2/Q1			EUR	Local
EURm													
Net interest income	500	517	523	539	529	-5%	-3%	-2%	-2%	1,017	1,043	-2%	0%
Net fee and commission income	268	291	312	312	295	-9%	-8%	-9%	-9%	559	579	-3%	-2%
Net result from items at fair value	45	13	23	45	32	41%		48%		58	104	-44%	-43%
Equity method & other income	1	2	-1	4	-1					3	-1		
Total income incl. allocations	814	823	857	900	855	-5%	-1%	-3%	0%	1,637	1,725	-5%	-3%
Total expenses incl. allocations	-451	-470	-484	-501	-473	-5%	-4%	-3%	-3%	-921	-1,002	-8%	-6%
Profit before loan losses	363	353	373	399	382	-5%	3%	-3%	3%	716	723	-1%	1%
Net loan losses	-227	-38	-28	-28	-25					-265	-74		
Operating profit	136	315	345	371	357	-62%	-57%	-60%	-56%	451	649	-31%	-29%
Cost/income ratio, %	55	57	57	56	55					56	58		
Cost/income ratio ¹ , %	54	55	58	57	57					55	56		
ROCAR, %	5	12	13	12	12					9	11		
Economic capital (EC)	7,424	7,664	7,988	8,831	9,153	-19%	-3%			7,424	9,153	-19%	
Risk exposure amount (REA)	45,695	43,140	45,870	45,376	45,415	1%	6%			45,695	45,415	1%	
Number of employees (FTEs)	7,227	7,328	7,498	7,722	7,950	-9%	-1%	-9%	-1%	7,227	7,950	-9%	-9%
Volumes, EURbn:													
Mortgage lending	134.1	127.8	133.2	130.4	130.2	3%	5%	6%	2%	134.1	130.2	3%	6%
Other lending	21.8	21.7	22.6	23.0	23.2	-6%	0%	-5%	-1%	21.8	23.2	-6%	-5%
Total lending	155.9	149.5	155.8	153.4	153.4	2%	4%	4%	2%	155.9	153.4	2%	4%
Total deposits	80.5	75.2	76.5	76.2	77.2	4%	7%	6%	5%	80.5	77.2	4%	6%

¹ Adjusted for resolution fees before tax.

Personal Banking

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Local curr.		Jan-Jun 20	Jan-Jun 19	Jan-Jun 20/19	
								Q2/Q2	Q2/Q1			EUR	Local
Net interest income, EURm													
PeB Denmark	137	140	143	141	144	-5%	-2%	-5%	-2%	277	283	-2%	-2%
PeB Finland	88	92	91	100	99	-11%	-4%	-11%	-4%	180	198	-9%	-9%
PeB Norway	105	112	123	129	122	-14%	-6%	-2%	0%	217	226	-4%	6%
PeB Sweden	171	174	171	170	169	1%	-2%	1%	-2%	345	341	1%	2%
PeB Other	-1	-1	-5	-1	-5					-2	-5		
Net commission income, EURm													
PeB Denmark	68	75	87	86	71	-4%	-9%	-6%	-11%	143	143	0%	-1%
PeB Finland	85	91	95	98	98	-13%	-7%	-13%	-7%	176	189	-7%	-7%
PeB Norway	25	27	27	26	31	-19%	-7%	-13%	-10%	52	58	-10%	-2%
PeB Sweden	90	99	102	100	99	-9%	-9%	-9%	-11%	189	197	-4%	-3%
PeB Other	0	-1	1	2	-4					-1	-8		
Net loan losses, EURm													
PeB Denmark	-52	-12	-10	-40	-5					-64	-2		
PeB Finland	-91	-8	-1	45	-9					-99	-40		
PeB Norway	-53	-3	-9	-19	-6					-56	-16		
PeB Sweden	-30	-16	-6	-16	-5					-46	-16		
PeB Other	-1	1	-2	2	0					0	0		
Volumes													
Personal Banking Denmark													
Mortgage lending	32.3	31.8	31.5	31.0	30.7	5%	2%	5%	1%	32.3	30.7	5%	5%
Other lending	9.6	9.8	9.8	10.2	10.4	-8%	-2%	-8%	-2%	9.6	10.4	-8%	-8%
Total lending	41.9	41.6	41.3	41.2	41.1	2%	1%	2%	0%	41.9	41.1	2%	2%
Total deposits	22.0	20.9	21.5	21.3	21.5	2%	5%	2%	5%	22.0	21.5	2%	2%
Personal Banking Finland													
Mortgage lending	27.7	27.3	27.1	26.7	26.5	5%	1%	5%	1%	27.7	26.5	5%	5%
Other lending	6.3	6.4	6.4	6.4	6.4	-2%	-2%	-2%	-2%	6.3	6.4	-2%	-2%
Total lending	34.0	33.7	33.5	33.1	32.9	3%	1%	3%	1%	34.0	32.9	3%	3%
Total deposits	23.8	22.9	22.4	22.5	22.3	7%	4%	7%	4%	23.8	22.3	7%	7%
Personal Banking Norway													
Mortgage lending	30.8	28.0	32.5	32.0	32.3	-5%	10%	7%	4%	30.8	32.3	-5%	7%
Other lending	2.6	2.4	3.0	3.0	3.0	-13%	8%	-7%	0%	2.6	3.0	-13%	-7%
Total lending	33.4	30.4	35.5	35.0	35.3	-5%	10%	6%	3%	33.4	35.3	-5%	6%
Total deposits	9.9	8.7	10.0	10.3	11.0	-10%	14%	1%	7%	9.9	11.0	-10%	1%
Personal Banking Sweden													
Mortgage lending	43.2	40.6	42.2	40.6	40.6	6%	6%	5%	2%	43.2	40.6	6%	5%
Other lending	3.3	3.2	3.4	3.4	3.4	-3%	3%	-3%	0%	3.3	3.4	-3%	-3%
Total lending	46.5	43.8	45.6	44.0	44.0	6%	6%	5%	2%	46.5	44.0	6%	5%
Total deposits	24.9	22.7	22.6	22.1	22.4	11%	10%	10%	5%	24.9	22.4	11%	10%



Business Banking

Introduction

Business Banking serves more than 500,000 corporate customers across the Nordics and consists of close to 4,500 employees. Business Banking also includes Transaction Banking, which provides payments and transaction services to customers across Nordea, and Nordea Finance, which provides asset-based lending, sales finance and receivable finance to both corporate and household customers.

We deliver great customer experience by serving our customers based on their complexity and needs. We offer support digitally, via online meetings or in person.

Business Banking's strategic direction is to protect and develop our people-intense business model and continue to develop a digital, scalable model for basic corporate needs – supporting Nordea's Group-wide priorities.

Business development

Key business events and milestones

In the second quarter, we saw continued growth in lending and deposit volumes, which were up 4% and 15% in local currencies, respectively, compared to the same quarter last year.

During the first half of the year, Business Banking has continued to welcome more customers to our digital solutions. The enhanced Netbank for corporate customers, 'Nordea Business', continues to be rolled out across the Nordic countries. More than 150,000 Swedish and Finnish customers are now able to use the new offer and further expansion to all Nordic countries is planned. A mobile version of the solution is now available in Finland and Denmark and for a majority of customers in Sweden.

We have also continued to develop our Digital Dashboard solution for corporate customers, which supports customers in cash planning and offers new overviews of transactions and upcoming payments. The platform currently has

approximately 1,800 users, and further scaling of the platform will enable us to welcome even more customers to use the service during the second half of the year.

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

The integration of SG Finans with Nordea Finance is progressing according to plan, and the acquisition is expected to be closed later this year. The acquisition will increase our competitiveness in the Nordic Equipment and Receivables finance market.

During the first half of the year, Business Banking's customer satisfaction has shown a positive trend compared to 2019 in all countries.

Impact of COVID-19

During the COVID-19 pandemic, Business Banking has maintained its focus on supporting our customers and employees. In the early phase, we actively reached out to our customers, which led to 20-30% more customer meetings compared to normal activity in the peak period. Most of the meetings were remotely.

To support our customers, we have granted more than 9,000 corporate instalment-free periods and more than EUR 200m of financing under the newly established government schemes across the Nordics.

Financial outcome

Total income increased 2% in local currency compared to the same quarter last year and was down by 4% compared to the previous quarter.

Net interest income was up 2% in local currency compared to the same quarter last year, as the positive impact of lending growth was partly offset by lower interest rates and pressure on deposit margins.

Lending growth continued, and volumes increased 4% in local currency compared to the same quarter last year while corporate deposits were up 15%.

Net fee and commission income decreased by 2% in local currencies compared to the same quarter last year as lower economic activity impacted especially payment and card fees negatively.

The net result from items at fair value increased 11% in local currencies compared to the same quarter last year and 3% compared to the previous quarter. The second quarter last year was negatively impacted by valuation adjustments.

Total expenses decreased 3% in local currencies compared to the same quarter last year from continued cost focus and lower travel and representation costs following the COVID-19 outbreak. Compared to the previous quarter, which included higher resolution fees, total expenses were down 13%.

Net loan losses were at EUR 238m. Excluding management judgements, net loan losses amounted to EUR 95m, reflecting the updated macro-economic scenarios in the IFRS9 provisioning model. Furthermore, the substantial uncertainty in the macro-economic development and the need to account for estimated losses following expected rating downgrades is covered by additional management judgements.

Operating profit was EUR 51m, down EUR 199m from the same quarter last year.

Return on capital at risk (ROCAR) was 2% in the second quarter and decreased 9%-points compared to the same quarter last year, driven by higher net loan losses.

Business Banking's 2022 cost to income target is 45%. The cost to income ratio in the second quarter was 48% and improved 4%-points from the same quarter last year.

Business Banking Denmark

Net interest income decreased 8% compared to the same quarter last year driven by lower lending margins and lower income accrual from Nordea Kredit.

Lending volumes decreased 2% compared to the same quarter last year, while deposit volumes increased 8%.

Net fee and commission income was flat compared to the same quarter last year where the lower economic activity was offset by high capital markets activity.

Net loan losses amounted to EUR 28m and were up EUR 5m compared to the same quarter last year.

Business Banking Finland

Net interest income increased 5% compared to the same quarter last year from increasing volumes.

Lending volumes increased 4% compared to the same quarter last year, while deposit volumes increased by 24%.

Net fee and commission income decreased 7% compared to the same quarter last year from lower economic activity.

Net loan losses amounted to EUR 54m, increased by EUR 61m compared to the same quarter last year.

Business Banking Norway

Net interest income increased 9% in local currency compared to the same quarter last year from increasing volumes partly offset by deposit margin pressure.

Lending volumes increased 14% in local currency compared to the same quarter last year, and deposit volumes increased by 11%.

Net fee and commission income was flat in local currency compared to the same quarter last year where the lower economic activity was offset by high capital markets activity.

Net loan losses amounted to EUR 62m and increased by EUR 62m compared to the same quarter last year.

Business Banking Sweden

Net interest income increased 12% in local currency compared to the same quarter last year from mainly volume increases.

Lending volumes increased 6% in local currency compared to the same quarter last year, and deposit volumes increased 24%.

Net fee and commission income decreased 10% in local currency compared to the same quarter last year due to low payment and cards income as a result of the low economic activity.

Net loan losses amounted to EUR 47m and increased by EUR 41m compared to the same quarter last year.

Business Banking Direct

Net interest income decreased 11% in local currency compared to the same quarter last year from lower deposit margins.

Lending volumes decreased 2% in local currency compared to the same quarter last year, and deposit volumes increased 9%.

Net fee and commission income decreased 2% in local currency compared to the same quarter last year.

Net loan losses amounted to EUR 52m and increased by EUR 50m compared to the same quarter last year.

Business Banking total

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Local curr.		Jan-Jun 20	Jan-Jun 19	Jan-Jun 20/19	
								Q2/Q2	Q2/Q1			EUR	Local
EURm													
Net interest income	339	346	346	338	343	-1%	-2%	2%	-1%	685	680	1%	3%
Net fee and commission income	129	154	158	151	133	-3%	-16%	-2%	-16%	283	282	0%	3%
Net result from items at fair value	72	70	80	36	67	7%	3%	11%	3%	142	90	58%	64%
Equity method & other income	6	5	4	6	7					11	11		
Total income incl. allocations	546	575	588	531	550	-1%	-5%	2%	-4%	1,121	1,063	5%	8%
Total expenses incl. allocations	-257	-297	-267	-262	-271	-5%	-13%	-3%	-13%	-554	-585	-5%	-3%
Profit before loan losses	289	278	321	269	279	4%	4%	7%	5%	567	478	19%	22%
Net loan losses	-238	-61	-31	-47	-29					-299	-63		
Operating profit	51	217	290	222	250	-80%	-76%	-79%	-76%	268	415	-35%	-34%
Cost/income ratio, %	47	52	45	49	49					49	55		
Cost/income ratio ¹ , %	48	47	48	52	52					47	52		
ROCAR, %	2	9	13	10	11					6	10		
Economic capital (EC)	6,346	7,057	7,035	6,525	6,771	-6%	-10%			6,346	6,771	-6%	
Risk exposure amount (REA)	41,375	41,902	42,703	45,737	45,840	-10%	-1%			41,375	45,840	-10%	
Number of employees (FTEs)	4,438	4,439	4,502	4,490	4,468	-1%	0%	-1%	0%	4,438	4,468	-1%	-1%
Volumes, EURbn:													
Total lending	85.4	83.0	84.8	82.8	83.8	2%	3%	4%	0%	85.4	83.8	2%	4%
Total deposits	46.5	41.5	41.7	40.2	41.1	13%	12%	15%	9%	46.5	41.1	13%	15%

¹ Adjusted for resolution fees before tax.

Business Banking

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Local curr.		Jan-Jun 20	Jan-Jun 19	Jan-Jun 20/19	
								Q2/Q2	Q2/Q1			EUR	Local
Net interest income, EURm													
Business Banking Denmark	72	75	77	74	78	-8%	-4%	-8%	-4%	147	153	-4%	-4%
Business Banking Finland	69	67	66	66	66	5%	3%	5%	3%	136	131	4%	4%
Business Banking Norway	69	74	74	72	72	-4%	-7%	9%	-1%	143	144	-1%	9%
Business Banking Sweden	76	77	71	69	69	10%	-1%	12%	-1%	153	138	11%	13%
Business Banking Direct	49	52	55	54	56	-13%	-6%	-11%	-8%	101	110	-8%	-6%
Other	4	1	3	3	2					5	4		
Net commission income, EURm													
Business Banking Denmark	20	25	25	26	20	0%	-20%	0%	-20%	45	42	7%	7%
Business Banking Finland	27	31	33	28	29	-7%	-13%	-7%	-13%	58	61	-5%	-5%
Business Banking Norway	20	22	24	23	22	-9%	-9%	0%	-9%	42	45	-7%	2%
Business Banking Sweden	35	41	41	36	39	-10%	-15%	-10%	-17%	76	80	-5%	-4%
Business Banking Direct	40	46	46	43	41	-2%	-13%	-2%	-13%	86	81	6%	6%
Other	-13	-11	-11	-5	-18					-24	-27		
Net loan losses, EURm													
Business Banking Denmark	-28	5	-7	-31	-23					-23	-24		
Business Banking Finland	-54	-42	-12	-7	7					-96	-8		
Business Banking Norway	-62	-11	5	-7	0					-73	-4		
Business Banking Sweden	-47	-10	-5	-8	-6					-57	-13		
Business Banking Direct	-52	-3	-10	1	-2					-55	-1		
Other	5	0	-2	5	-5					5	-13		
Lending, EURbn													
Business Banking Denmark	21.3	21.5	21.8	21.6	21.7	-2%	-1%	-2%	-1%	21.3	21.7	-2%	-2%
Business Banking Finland	14.1	13.9	13.4	13.4	13.6	4%	1%	4%	1%	14.1	13.6	4%	4%
Business Banking Norway	16.9	15.6	17.2	16.1	16.6	2%	8%	14%	2%	16.9	16.6	2%	14%
Business Banking Sweden	21.4	20.5	20.8	19.9	20.1	6%	4%	6%	0%	21.4	20.1	6%	6%
Business Banking Direct	11.6	11.5	11.6	11.8	11.8	-2%	1%	-2%	0%	11.6	11.8	-2%	-2%
Other	0.1	0	0	0	0					0.1	0		
Deposits, EURbn													
Business Banking Denmark	6.6	6.1	6.0	6.0	6.1	8%	8%	8%	8%	6.6	6.1	8%	8%
Business Banking Finland	9.7	8.9	8.3	7.8	7.8	24%	9%	24%	9%	9.7	7.8	24%	24%
Business Banking Norway	6.7	5.9	6.7	6.3	6.8	-1%	14%	11%	7%	6.7	6.8	-1%	11%
Business Banking Sweden	11.4	9.6	9.3	8.9	9.1	25%	19%	24%	13%	11.4	9.1	25%	24%
Business Banking Direct	12.1	11.0	11.4	11.1	11.3	7%	10%	9%	7%	12.1	11.3	7%	9%
Other	0	0	0	0.1	0					0	0		



Large Corporates & Institutions

Introduction

Large Corporates & Institutions provides financial solutions to large Nordic corporate and institutional customers. Approximately 3,000 customer groups are served by around 1,600 employees.

Our offering includes a focused range of financing, cash management and payment services, investment banking, capital markets and securities services in the Nordics and through our international branches.

We are the Nordic leader within sustainable finance and have the leading Large Corporate and Institutional customer franchise in the Nordics. Through Nordea Markets and International Division, we also service a broad range of Nordea customers.

Business development

Key business events and milestones

In the second quarter our proactive customer focus generated positive business momentum. This focus was reflected by the 19% increase in total income and 14% cost decrease from previous year, resulting in a significant cost to income ratio improvement to 44%, down from 63% in the same quarter last year.

During the quarter, we continued on our path towards a focused, less complex and more profitable business. We are progressing on our 2022 strategic plan but are currently behind on our capital reduction target.

In the quarter our economic capital in Markets increased due to capital markets volatility, widening credit spreads and increasing regulatory capital requirements. A number of mitigation actions to reduce capital consumption are ongoing to optimise, scale and deselect specific exposures and products.

The results in Markets reflected strong performance across the product franchises, seen in high customer activity and a solid trading result. The reaction to COVID-19 yielded significant challenges, especially for Credits in the first quarter, which have had a decisive rebound in the second quarter, primarily driven by the trading operation. Our

sustainability efforts increased further, and we have been part of several deals on both loans and bonds during 2020. Nordea is ranked No.1 both for all Nordic Sustainable Bonds and for Nordic Corporate Sustainable Bonds with 22% and 33% market share, respectively.

Positive customer relations development was reflected in high customer satisfaction ratings and several top rankings in the Kantar Sifo Prospera surveys, for example, within investment grade and high yield bonds.

Impact of COVID-19

During the pandemic, Large Corporates & Institutions demonstrated strong business resilience.

The increase in economic capital and higher loan loss provisions, on the back of COVID-19, have significantly impacted returns negatively in the short term. The high demand for lending facilities at the height of the crisis gradually came back to more normal levels during the second quarter. Lending volumes were largely unchanged compared to the same quarter last year.

Within Debt Capital Markets the pandemic and subsequent re-pricing of the market resulted in postponements in March, but market activity returned in April and May. The number of transactions was 111 compared to 95 in the same quarter last year.

Market conditions for M&A and ECM rebounded after a slow start to the quarter. Transaction activity was high, and our pipeline grew, with equity-raising being a key theme.

Customer activity in the shipping business decreased somewhat in the quarter as a result of lower activity in the industry. Lending in the Shipping, Offshore and Oil segment was muted and is deemed well provisioned at approximately 7% of gross lending. For Offshore, the activity has been muted during the first half of the year.

Capital markets rebounded strongly during the second quarter after the pandemic's negative impact on the economy throughout March and April. Despite the massive monetary and fiscal stimuli, the market remains fragile with volatility above pre-crisis levels.

Financial outcome

Large Corporates & Institutions total income of EUR 465m increased 19% compared to the same quarter last year and 15% compared to the previous quarter, driven by high activity in both the corporate and institutional customer segments.

Net interest income at EUR 211m increased by 1% compared to the same quarter last year and decreased by 3% compared to the previous quarter. Lending volumes decreased somewhat compared to the previous quarter, as markets normalised and drawdowns on new facilities were very limited.

Net fee and commission income at EUR 98m was down 22% compared to the same quarter last year and down 19% compared to the previous quarter. The development was mainly driven by lower demand for corporate bonds, advisory/ECM services, equity trading and loan syndications following COVID-19 related turmoil in the capital markets.

The net result from items at fair value at EUR 156m more than doubled compared to the same quarter last year and the previous quarter driven by a strong result in market making operations as well as high corporate and institutional customer activity.

Total expenses at EUR 196m were down 14% compared to the same quarter last year, supported by 20% lower staff cost.

Total income in the second quarter increased significantly while total costs were substantially reduced compared to the same quarter last year resulting in a much improved cost to income ratio of 44%.

Net loan losses increased to EUR 229m on the back of COVID-19, with higher individual provisions, especially in Oil, Gas and Offshore segments, updated macro scenarios and management judgements. The underlying credit quality of the loan book remains strong. As a consequence of the high loan losses, operating profit at EUR 40m was significantly down compared to both the same quarter last year and the previous quarter.

The economic capital in Markets increased compared to both the same quarter last year, and the previous quarter, predominantly driven by elevated market risk capital from the higher market volatility and mitigating actions are ongoing to address that. The significantly higher loan loss provisions negatively impacted return with ROCAR at 1%.

Large Corporates & Institutions total

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Jan-Jun 20	Jan-Jun 19	Jan-Jun 20/19
EURm										
Net interest income	211	217	218	212	208	1%	-3%	428	422	1%
Net fee and commission income	98	121	100	104	126	-22%	-19%	219	230	-5%
Net result from items at fair value	156	67	96	81	57			223	134	66%
Equity method & other income	0	0	0	0	1			0	1	
Total income incl. allocations	465	405	414	397	392	19%	15%	870	787	11%
Total expenses incl. allocations	-196	-268	-196	-204	-229	-14%	-27%	-464	-531	-13%
Profit before loan losses	269	137	218	193	163	65%	96%	406	256	59%
Net loan losses	-229	-52	-45	-237	-12			-281	32	
Operating profit	40	85	173	-44	151	-74%	-53%	125	288	-57%
Cost/income ratio, %	42	66	47	51	58			53	67	
Cost/income ratio ¹ , %	44	53	52	56	63			48	63	
ROCAR, %	2	3	7	-2	6			3	5	
ROCAR ¹ , %	1	6	6	-2	5			3	6	
Economic capital (EC)	7,207	7,809	7,418	7,852	8,082	-11%	-8%	7,207	8,082	-11%
Risk exposure amount (REA)	47,863	46,897	44,110	47,454	48,117	-1%	2%	47,863	48,117	-1%
Number of employees (FTEs)	1,623	1,677	1,711	1,833	1,856	-13%	-3%	1,623	1,856	-13%
Volumes, EURbn:										
Total lending	77.3	82.8	72.7	82.1	77.1	0%	-7%	77.3	77.1	5%
Total deposits	52.0	48.3	39.6	42.3	46.8	11%	8%	52.0	46.8	-5%

¹ Adjusted for resolution fees before tax.

Large Corporates & Institutions

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Jan-Jun 20	Jan-Jun 19	Jan-Jun 20/19
Net interest income, EURm										
Denmark	38	36	37	35	35	9%	6%	74	70	6%
Finland	35	33	32	31	30	17%	6%	68	61	11%
Norway	73	78	83	83	82	-11%	-6%	151	165	-8%
Sweden	55	58	60	58	56	-2%	-5%	113	116	-3%
Other	10	12	6	5	5			22	10	
Net loan losses, EURm										
Denmark	-31	4	14	-58	-29			-27	-19	
Finland	-26	-4	-14	-2	-1			-30	-1	
Norway	-108	-58	-24	-151	20			-166	28	
Sweden	-65	2	-30	-19	-32			-63	-34	
Other	1	4	9	-7	30			5	58	
Lending, EURbn										
Denmark	9.0	10.0	9.8	9.9	10.0	-10%	-10%	9.0	10.0	-10%
Finland	9.5	8.9	8.8	8.2	7.7	23%	7%	9.5	7.7	23%
Norway	13.6	14.4	14.7	15.1	14.8	-8%	-6%	13.6	14.8	-8%
Sweden	14.2	14.0	14.0	13.7	14.6	-3%	1%	14.2	14.6	-3%
Other	31.0	35.5	25.4	35.2	30.0			31.0	30.0	
Deposits, EURbn										
Denmark	10.1	7.5	7.0	6.5	6.9	46%	35%	10.1	6.9	46%
Finland	11.6	11.6	8.7	7.9	8.5	36%	0%	11.6	8.5	36%
Norway	8.0	9.2	8.8	8.9	9.1	-12%	-13%	8.0	9.1	-12%
Sweden	12.0	11.0	9.6	9.0	9.9	21%	9%	12.0	9.9	21%
Other	10.3	9.0	5.5	10.0	12.4			10.3	12.4	



Asset & Wealth Management

Introduction

Asset & Wealth Management is the largest provider of products and services within institutional asset management, private banking and life & pensions in the Nordic region.

With approximately 2,700 employees, of whom about 240 are employed outside the Nordic region, we offer Nordea's savings products through our own distribution network and our partners and provide financial advice to high net worth individuals and institutional investors.

Asset & Wealth management's vision is to be acknowledged as a leading European Asset Manager and the leading Wealth Manager in each Nordic market with global reach and capabilities.

Business development

Key business events and milestones

In the second quarter, Nordea's assets under management (AuM) increased by EUR 31bn and ended the first half of 2020 at EUR 311bn. Our investment performance increased AuM with EUR 27.2bn.

Asset Management's investment performance remains robust, with 75% of all composites outperforming benchmarks over three years, in line with our strategic priority to continue our strong investment performance.

Net flows in the second quarter were positive, with a total EUR 3.8bn. Private Banking had a solid quarter and generated strong Nordic flows of EUR 1.4bn as a result of a strengthened focus on high net worth individuals and capturing growth in the Swedish and Norwegian markets in line with our priorities. We have also continued to see good net flows on the Finnish market.

Asset Management attracted EUR 2.2bn net flows in total and thereby partly recovered the outflow in the previous quarter. Institutional and third-party fund distribution channels were in the lead with net flows of EUR 2bn. Nordea's channels attracted EUR 0.2bn in net flows. Life & Pensions attracted EUR 0.5m in the second quarter.

We continue to expand and diversify the product range and customer base in Asset Management. The focus for product expansion is mainly within risk premia strategies, sustainable products and liquid/illiquid alternatives. These products particularly attracted high investor interest this quarter. Third-party fund distributors also went back to credit strategy products during the second quarter.

In July, we announced the acquisition of pension portfolios from Frende Forsikring in Norway. We entered a long-term agreement to distribute pension products with the Norwegian savings banks that own Frende.

In Private Banking, customer satisfaction remains on a positive trajectory across all countries as a response to the increased emphasis on proactive customer service and outreach.

Impact of COVID-19

Despite the challenges brought by the COVID-19 outbreak, Asset & Wealth Management has a resilient business. We have been able to successfully execute on Life & Pensions' growth agenda within occupational pensions and focus on relationship management, pipeline management and sales while working remotely. We have closed several large corporate customer deals in Norway.

Asset Management was able to sustain portfolio management and operational processes during the most volatile period. Asset & Wealth Management and especially Private Banking has seen an increase in key digital interactions with customers during the crisis. Going forward, we will build on our experience to fully meet customers digitally as our customers drive this demand.

Financial outcome

Total income in the second quarter was EUR 226m, down 4% compared with the same quarter last year, and down 13% from the previous quarter.

Net interest income was at EUR 16m, up 14% compared to same quarter last year driven by increased deposits margins and lending volumes and down 11% compared to the previous quarter.

Net fee and commission income was at EUR 187m, down 2% compared to the same quarter last year and down 7% from the previous quarter following COVID-19 market turmoil.

Net result from items at fair value was EUR 25m, up 56% from the same quarter last year and down 24% from the previous quarter.

Total expenses decreased 10% from the same quarter last year driven by structural changes within the last year in Asset & Wealth Management.

Net loan losses were at EUR -2m, at par with the same quarter last year.

Operating profit in the second quarter was EUR 100m, up 4% from the same quarter last year, but down 25% compared to the previous quarter.

Cost to income ratio was at 55%, 3%-points lower compared to the same quarter last year.

Wealth Management

Total income was EUR 138m in the second quarter, down 1% from the same quarter last year and down 8% from the previous quarter. Cost was down 3% compared to the same quarter last year as well as from the previous quarter. Operating profit was EUR 57m.

Combined with strong inflows and positive market development, AuM in Private Banking was at EUR 87.8bn, up 2% from same period last year and 14% from previous quarter. AuM in Life & Pension was at EUR 46.9bn, up 2% from last year. The performance gave a RoE of 21.4%.

Driven by strong momentum in the bank distribution channels, Nordea Life and Pensions' gross written premium (GWP) reached EUR 1.1bn in the second quarter. Market return and risk products accounted for 99% of total GWP, up 1%-point from the same quarter last year and market return products' share of total AuM remained stable at 79% over the previous 12 months.

Asset Management

Asset Management income was EUR 89m in the second quarter, down 7% from the same quarter last year and down 14% from the previous quarter. Operating profit was EUR 48m, down 16% from the same quarter last year and down 24% from the previous quarter. AuM in Asset Management was at EUR 223.1bn, up 1% from same period last year.

Asset & Wealth Management total

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Local curr. Q2/Q2	Q2/Q1	Jan- Jun 20	Jan- Jun 19	Jan-Jun 20/19 EUR	Local
EURm													
Net interest income	16	18	13	13	14	14%	-11%	21%	-6%	34	27	26%	30%
Net fee and commission income	187	202	218	190	190	-2%	-7%	-2%	-7%	389	378	3%	2%
Net result from items at fair value	25	33	36	12	16	56%	-24%	53%	-21%	58	62	-6%	-3%
Equity method & other income	-2	6	2	22	16					4	23		
Total income incl. allocations	226	259	269	237	236	-4%	-13%	-4%	-12%	485	490	-1%	-1%
Total expenses incl. allocations	-124	-126	-127	-146	-138	-10%	-2%	-9%	0%	-250	-285	-12%	-12%
Profit before loan losses	102	133	142	91	98	4%	-23%	3%	-23%	235	205	15%	14%
Net loan losses	-2	0	2	-1	-2					-2	-2		
Operating profit	100	133	144	90	96	4%	-25%	3%	-25%	233	203	15%	14%
Cost/income ratio, %	55	49	47	62	58					52	58		
Cost/income ratio ¹ , %	55	48	48	62	58					51	58		
ROCAR, %	21	25	26	16	17					23	18		
Economic capital (EC)	1,446	1,365	1,767	1,708	1,724	-16%	6%	0%	0%	1,446	1,724	-16%	0%
Risk exposure amount (REA)	5,587	5,450	5,560	5,539	5,542	1%	3%	0%	0%	5,587	5,542	1%	
Number of employees (FTEs)	2,717	2,744	2,718	2,758	2,798	-3%	-1%	-3%	-1%	2,717	2,798	-3%	-3%
Volumes, EURbn:													
AuM	311.4	280.4	324.7	314.3	306.9	1%	11%	1%	11%	311.4	306.9	1%	1%
Total lending	8.8	8.4	8.5	8.2	8.0	10%	5%	10%	5%	8.8	8.0	10%	10%
Total deposits	10.8	10.5	10.5	10.6	10.5	3%	3%	3%	3%	10.8	10.5	3%	3%

¹ Adjusted for resolution fees before tax.

Assets under Management (AuM), volumes and net inflow

	Q220	Q120	Q419	Q319	Q219	Net inflow Q220
EURbn						
Nordic Retail funds	63.2	55.6	65.5	62.5	62.3	-0.1
Private Banking	87.7	77.0	91.4	86.9	85.8	1.4
Institutional sales	108.5	101.7	114.7	113.6	108.6	2.0
Life & Pensions	51.9	46.1	53.1	51.3	50.2	0.5
Total	311.4	280.4	324.7	314.3	306.9	3.8

Wealth Management

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Jan-Jun 20	Jan-Jun 19	Jan-Jun 20/19
EURm										
Net interest income	17	18	13	14	14	21%	-6%	35	28	25%
Net fee and commission income	94	100	107	90	95	-1%	-6%	194	185	5%
Net result from items at fair value	27	32	37	11	17	59%	-16%	59	63	-6%
Equity method & other income	0	0	0	16	13			0	17	
Total income incl. allocations	138	150	157	131	139	-1%	-8%	288	293	-2%
Total expenses incl. allocations	-78	-80	-73	-80	-80	-3%	-3%	-158	-163	-3%
Profit before loan losses	60	70	84	51	59	2%	-14%	130	130	0%
Net loan losses	-3	1	3	-2	-2			-2	-2	
Operating profit	57	71	87	49	57	0%	-20%	128	128	0%
Cost/income ratio, %	57	53	46	61	58			55	56	
Economic capital (EC)	1,255	1,166	1,514	1,381	1,373	-9%	8%	1,255	1,373	-9%
Risk exposure amount (REA)	4,657	4,533	4,435	4,390	4,417	5%	3%	4,657	4,417	5%
Number of employees (FTEs)	1,813	1,841	1,836	1,842	1,845	-2%	-2%	1,813	1,845	-2%
Volumes, EURbn:										
AuM PB	87.8	77.0	91.4	86.9	85.8	2%	14%	87.8	85.8	2%
AuM NLP	46.9	41.9	48.7	47.0	46.1	2%	12%	46.9	46.1	2%
Mortgage lending	6.8	6.4	6.5	6.2	6.1	11%	6%	6.8	6.1	11%
Consumer lending	2.0	2.0	2.0	2.0	1.9	6%	1%	2.0	1.9	6%
Total lending	8.8	8.4	8.5	8.2	8.0	10%	5%	8.8	8.0	10%
Total deposits	10.8	10.5	10.5	10.6	10.5	3%	3%	10.8	10.5	3%

Asset Management

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Jan-Jun 20	Jan-Jun 19	Jan-Jun 20/19
EURm										
Net interest income	-1	0	-1	0	0			-1	-1	
Net fee and commission income	94	101	110	102	95	-1%	-7%	195	193	1%
Net result from items at fair value	-2	1	-1	0	-1			-1	-1	
Equity method & other income	-2	1	3	1	2			-1	3	
Total income incl. allocations	89	103	111	103	96	-7%	-14%	192	194	-1%
Total expenses incl. allocations	-41	-40	-42	-44	-39	5%	3%	-81	-78	4%
Profit before loan losses	48	63	69	59	57	-16%	-24%	111	116	-4%
Net loan losses	0	0	0	0	0			0	0	
Operating profit	48	63	69	59	57	-16%	-24%	111	116	-4%
Cost/income ratio, %	46	39	38	43	41			42	40	
Economic capital (EC)	182	191	217	172	177	3%	-5%	182	177	3%
Risk exposure amount (REA)	914	899	1,014	978	954	-4%	2%	914	954	-4%
AuM, Nordic sales channels incl. Life, EURbn	114.6	102.3	120.4	115.5	113.9	1%	12%	114.6	113.9	1%
AuM, Ext. Inst. & 3rd part. dist., EURbn	108.5	101.7	114.7	113.6	108.6	0%	7%	108.5	108.6	0%
Net inf., Nordic sales channels incl. Life, EURbn	0.2	-1.9	1.0	0.6	0.8			0.2	0.8	
Net inf., Ext. Ins. & 3rd part. dis., EURbn	2.0	-2.8	-0.3	3.1	2.0			2.0	2.0	
Number of employees (FTEs)	871	877	869	858	851	2%	-1%	871	851	2%

Private Banking

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Jan-Jun 20	Jan-Jun 19	Jan-Jun 20/19
Net commission income, EURm										
PB Denmark	45	43	47	42	42	7%	5%	88	80	10%
PB Finland	34	37	41	40	38	-11%	-8%	71	75	-5%
PB Norway	5	8	8	6	8	-38%	-38%	13	15	-13%
PB Sweden	16	18	20	17	16	0%	-11%	34	33	3%
Private Banking	100	106	116	105	104	-4%	-6%	206	203	1%
AuM, EURbn										
PB Denmark	27.9	25.4	29.1	28.4	27.9	0%	10%	27.9	27.9	0%
PB Finland	29.8	26.5	31.8	30.2	30.0	-1%	12%	29.8	30.0	-1%
PB Norway	7.0	5.6	7.5	6.8	6.8	3%	25%	7.0	6.8	3%
PB Sweden	23.1	19.5	23.0	21.5	21.1	9%	18%	23.1	21.1	9%
Private Banking	87.8	77.0	91.4	86.9	85.8	2%	14%	87.8	85.8	2%
Lending, EURbn										
PB Denmark	3.5	3.4	3.4	3.3	3.3	6%	3%	3.5	3.3	6%
PB Finland	2.1	2.1	2.0	2.0	2.0	5%	0%	2.1	2.0	5%
PB Norway	1.2	1.1	1.2	1.2	1.1	9%	9%	1.2	1.1	9%
PB Sweden	2.0	1.8	1.9	1.7	1.6	25%	11%	2.0	1.6	25%
Private Banking	8.8	8.4	8.5	8.2	8.0	10%	5%	8.8	8.0	10%

Life & Pensions

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Jan-Jun 20	Jan-Jun 19	Jan-Jun 20/19
EURm										
AuM, EURbn	46.9	41.9	48.7	47.0	46.1	2%	12%	46.9	46.1	2%
Premiums	1,102	1,644	1,966	1,174	1,247	-12%	-33%	2,746	2,545	8%
Profit drivers										
Profit Traditional products	5	4	17	2	5	-5%	18%	9	9	-3%
Profit Market Return products	51	56	51	53	56	-8%	-8%	107	109	-2%
Profit Risk products	17	19	16	18	19	-13%	-13%	36	37	-4%
Total product result	73	79	84	73	80	-9%	-8%	152	155	-2%



Group Functions and eliminations

Introduction

Together with the results in the business areas, the results of Group Functions and eliminations add up to the reported result for the Group. The income primarily originates from Group Treasury & ALM.

Business development

The structure of the balance sheet remained conservative and well-balanced and appropriately adapted to the current economic and regulatory environment, also in terms of liquidity risk.

Short-term liquidity risk is measured using several metrics including the Liquidity Coverage Ratio (LCR) metric. The LCR for the Nordea Group was 160% at the end of the second quarter.

The LCR in EUR was 183% and in USD 202% at the end of the second quarter. The liquidity buffer is composed of highly liquid central bank eligible securities and cash as defined in the LCR regulation and amounted to EUR 105bn at the end of the second quarter (EUR 101bn at the end of the first quarter).

The Net Stable Funding Ratio (NSFR) measures long-term liquidity risk. Ending the second quarter of 2020, Nordea's NSFR was 113.3% (109.7% at the end of the first quarter) according to the CRR II regulation.

Nordea issued approximately EUR 8.8bn in long-term funding in the second quarter (excluding Danish covered bonds), of which EUR 1.8bn was issued in covered bonds, and EUR 7.0bn was issued in senior debt.

Nordea's long-term funding portion of total funding was approximately 77% at the end of the second quarter.

Financial outcome

Total operating income was EUR 41m in the second quarter, up from EUR -61m in the previous quarter, driven primarily by positive revaluations in Treasury.

The net interest income increased EUR 48m compared to the same quarter last year, mainly due to higher net interest income in the Treasury operations while it increased EUR 14m compared to the previous quarter.

The net result from items at fair value decreased by EUR 91m compared to the same quarter last year which was extraordinary high due to re-valuations in Treasury portfolio. It increased EUR 94m compared to the previous quarter driven by valuation increases across most asset classes.

Total operating expenses were EUR 60m, down EUR 9m compared to the same quarter last year and down EUR 27m compared to the previous quarter.

Group Functions & eliminations

	Q220	Q120	Q419	Q319	Q219	Q2/Q2	Q2/Q1	Jan-Jun 20	Jan-Jun 19
EURm									
Net interest income	25	11	8	-19	-23			36	-45
Net fee and commission income	-9	-3	-13	-1	-1			-12	11
Net result from items at fair value	20	-74	31	37	111			-54	157
Equity method & other income	5	5	140	3	21			10	68
Total operating income	41	-61	166	20	108			-20	191
Total operating expenses	-60	-87	-105	-1,062	-69			-147	-229
Profit before loan losses	-19	-148	61	-1,042	39			-167	-38
Net loan losses	-2	-3	0	-18	7			-5	4
Operating profit	-21	-151	61	-1,060	46			-172	-34
Economic capital (EC)	1,782	1,887	1,510	1,582	2,104			1,782	2,104
Risk exposure amount (REA)	14,080	14,719	11,972	12,243	14,815			14,080	14,815
Number of employees (FTEs)	11,949	12,104	12,571	12,666	12,478	-4%	-1%	11,949	12,478

Income statement

	Note	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
EURm						
Operating income						
Interest income calculated using the effective interest rate method		1,359	1,635	2,916	3,179	6,399
Other interest income		282	349	585	702	1,350
Negative yield on financial assets		-63	-89	-125	-146	-309
Interest expense		-549	-890	-1,288	-1,707	-3,334
Negative yield on financial liabilities		62	66	112	99	212
Net interest income		1,091	1,071	2,200	2,127	4,318
Fee and commission income		892	974	1,878	1,929	3,931
Fee and commission expense		-219	-231	-440	-449	-920
Net fee and commission income	3	673	743	1,438	1,480	3,011
Net result from items at fair value	4	318	283	427	547	1,024
Profit from associated undertakings and joint ventures accounted for under the equity method		-10	24	-12	38	50
Other operating income		20	20	40	64	232
Total operating income		2,092	2,141	4,093	4,256	8,635
Operating expenses						
General administrative expenses:						
Staff costs		-645	-727	-1,344	-1,445	-3,017
Other expenses	5	-303	-304	-722	-898	-1,639
Depreciation, amortisation and impairment charges of tangible and intangible assets		-140	-149	-270	-289	-1,330
Total operating expenses		-1,088	-1,180	-2,336	-2,632	-5,986
Profit before loan losses		1,004	961	1,757	1,624	2,649
Net loan losses	6	-698	-61	-852	-103	-536
Operating profit		306	900	905	1,521	2,113
Income tax expense		-63	-219	-202	-397	-571
Net profit for the period		243	681	703	1,124	1,542
Attributable to:						
Shareholders of Nordea Bank Abp		243	681	676	1,098	1,519
Additional Tier 1 capital holders		0	0	27	26	26
Non-controlling interests		-	-	-	-	-3
Total		243	681	703	1,124	1,542
Basic earnings per share, EUR		0.06	0.17	0.17	0.27	0.38
Diluted earnings per share, EUR		0.06	0.17	0.17	0.27	0.38

Statement of comprehensive income

	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
EURm					
Net profit for the period	243	681	703	1,124	1,542
Items that may be reclassified subsequently to the income statement					
Currency translation differences during the period	448	-69	-548	33	18
Tax on currency translation differences during the period	-	3	-	1	1
<i>Hedging of net investments in foreign operations:</i>					
Valuation gains/losses during the period	-302	28	321	-42	-62
Tax on valuation gains/losses during the period	-	-7	-	11	16
<i>Fair value through other comprehensive income:¹</i>					
Valuation gains/losses during the period, net of recycling	69	-30	-44	11	-16
Tax on valuation gains/losses during the period	-15	7	11	-2	2
<i>Cash flow hedges:</i>					
Valuation gains/losses during the period, net of recycling	-16	3	26	1	-18
Tax on valuation gains/losses during the period	3	0	-6	1	4
Other comprehensive income from companies accounted for under the equity method	8	0	8	0	1
Tax on other comprehensive income from companies accounted for under the equity method	-2	0	-2	0	0
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	-40	0	-3	-14	-15
Tax on valuation gains/losses during the period	9	0	2	2	2
<i>Defined benefit plans:</i>					
Remeasurement of defined benefit plans	-126	-98	-231	-257	-152
Tax on remeasurement of defined benefit plans	20	22	46	56	34
Other comprehensive income, net of tax	56	-141	-420	-199	-185
Total comprehensive income	299	540	283	925	1,357
Attributable to:					
Shareholders of Nordea Bank Abp	299	540	256	899	1,334
Additional Tier 1 capital holders	0	0	27	26	26
Non-controlling interests	-	-	-	-	-3
Total	299	540	283	925	1,357

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

Balance sheet

	Note	30 Jun 2020	31 Dec 2019	30 Jun 2019
EURm				
Assets	8			
Cash and balances with central banks		48,642	35,509	41,739
Loans to central banks	7	5,661	9,207	8,123
Loans to credit institutions	7	8,654	8,516	17,796
Loans to the public	7	327,732	322,740	323,783
Interest-bearing securities		72,520	64,930	69,633
Financial instruments pledged as collateral		6,448	7,151	6,557
Shares		13,368	14,184	14,969
Assets in pooled schemes and unit-linked investment contracts		29,854	30,799	28,111
Derivatives		47,039	39,111	41,647
Fair value changes of the hedged items in portfolio hedge of interest rate risk		356	217	316
Investments in associated undertakings and joint ventures		553	572	2,098
Intangible assets		3,661	3,695	4,328
Property and equipment		1,945	2,002	2,022
Investment properties		1,575	1,585	1,680
Deferred tax assets		500	487	114
Current tax assets		392	362	466
Retirement benefit assets		91	173	181
Other assets		17,282	12,543	18,228
Prepaid expenses and accrued income		1,014	1,065	1,084
Total assets		587,287	554,848	582,875
Liabilities	8			
Deposits by credit institutions		46,223	32,304	43,553
Deposits and borrowings from the public		188,451	168,725	176,543
Deposits in pooled schemes and unit-linked investment contracts		31,126	31,859	29,157
Liabilities to policyholders		17,888	19,246	18,997
Debt securities in issue		182,069	193,726	189,058
Derivatives		49,749	42,047	44,430
Fair value changes of the hedged items in portfolio hedge of interest rate risk		3,081	2,018	2,748
Current tax liabilities		146	742	223
Other liabilities		25,359	19,868	33,463
Accrued expenses and prepaid income		1,337	1,476	1,471
Deferred tax liabilities		464	481	637
Provisions		622	570	379
Retirement benefit obligations		561	439	555
Subordinated liabilities		8,452	9,819	10,607
Total liabilities		555,528	523,320	551,821
Equity				
Additional Tier 1 capital holders		750	748	750
Non-controlling interests		22	40	44
Share capital		4,050	4,050	4,050
Invested unrestricted equity		1,072	1,080	1,080
Other reserves		-2,488	-2,062	-2,075
Retained earnings		28,353	27,672	27,205
Total equity		31,759	31,528	31,054
Total liabilities and equity		587,287	554,848	582,875
Off balance sheet commitments				
Assets pledged as security for own liabilities		182,839	183,995	182,405
Other assets pledged		6,551	3,919	4,105
Contingent liabilities		18,564	17,792	17,842
Credit commitments ¹		85,443	75,330	77,178
Other commitments		1,703	1,733	1,359

¹ Including unutilised portion of approved overdraft facilities of EUR 32,720m (31 Dec 2019: EUR 28,871m, 30 Jun 2019: EUR 29,514m).

Statement of changes in equity

Attributable to shareholders of Nordea Bank Abp

EURm	Share capital ¹	Invested un-restricted equity	Translation of foreign operations	Cash flow hedges	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities classified as fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance at 1 Jan 2020	4,050	1,080	-1,941	-26	45	-135	-5	27,672	30,740	748	40	31,528
Net profit for the period	-	-	-	-	-	-	-	676	676	27	-	703
Other comprehensive income, net of tax	-	-	-227	20	-33	-185	-1	6	-420	-	-	-420
Total comprehensive income	-	-	-227	20	-33	-185	-1	682	256	27	-	283
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-27	-	-27
Change in additional AT1 capital	-	-	-	-	-	-	-	-	-	2	-	2
Share-based payments	-	-	-	-	-	-	-	-1	-1	-	-	-1
Purchase of own shares ²	-	-8	-	-	-	-	-	-	-8	-	-	-8
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-18	-18
Balance at 30 Jun 2020	4,050	1,072	-2,168	-6	12	-320	-6	28,353	30,987	750	22	31,759
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	-	-	-	-	-	-	-	1,519	1,519	26	-3	1,542
Other comprehensive income, net of tax	-	-	-27	-14	-14	-118	-13	1	-185	-	-	-185
Total comprehensive income	-	-	-27	-14	-14	-118	-13	1,520	1,334	26	-3	1,357
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-26	-	-26
Change in additional AT1 capital	-	-	-	-	-	-	-	-	-	-2	-	-2
Share-based payments	-	-	-	-	-	-	-	20	20	-	-	20
Dividend 2018	-	-	-	-	-	-	-	-2,788	-2,788	-	-	-2,788
Divestment of own shares ²	-	-	-	-	-	-	-	29	29	-	-	29
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	37	37
Balance at 31 Dec 2019	4,050	1,080	-1,941	-26	45	-135	-5	27,672	30,740	748	40	31,528
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 ²	-	-	-	-	-	-	-	-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

¹ Total shares registered were 4,050 million (31 Dec 2019: 4,050 million, 30 Jun 2019: 4,050 million). The number of own shares were 11.4 million (31 Dec 2019: 10.8 million, 30 Jun 2019: 16.6 million) which represents 0.3% (31 Dec 2019: 0.3%, 30 Jun 2019: 0.4%) of the total shares in Nordea Bank Abp. Each share represents one voting right.

² Refers to the change in the holding of own shares related to treasury shares held for remuneration purposes and to the trading portfolio. The number of treasury shares held for remuneration purposes were 8.2 million (31 Dec 2019: 9.2 million, 30 Jun 2019: 9.2 million).

Cash flow statement, condensed

	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
EURm			
Operating activities			
Operating profit	905	1,521	2,113
Adjustments for items not included in cash flow	1,543	3,600	5,024
Income taxes paid	-785	-714	-816
Cash flow from operating activities before changes in operating assets and liabilities	1,663	4,407	6,321
Changes in operating assets and liabilities	11,811	-2,219	-8,853
Cash flow from operating activities	13,474	2,188	-2,532
Investing activities			
Acquisition/sale of business operations	-	-569	-472
Acquisition/sale of associated undertakings and joint ventures	-	134	853
Acquisition/sale of property and equipment	-33	-34	-55
Acquisition/sale of intangible assets	-214	-244	-517
Cash flow from investing activities	-247	-713	-191
Financing activities			
Issued/amortised subordinated liabilities	-1,330	1,401	511
Divestment/repurchase of own shares including change in trading portfolio	-8	-6	29
Dividend paid	-	-2,788	-2,788
Paid interest on Additional Tier 1 capital	-27	-26	-26
Cash flow from financing activities	-1,365	-1,419	-2,274
Cash flow for the period	11,862	56	-4,997
Cash and cash equivalents	30 Jun 2020	30 Jun 2019	31 Dec 2019
EURm			
Cash and cash equivalents at beginning of the period	41,164	46,009	46,009
Translation difference	-94	-59	152
Cash and cash equivalents at end of the period	52,932	46,006	41,164
Change	11,862	56	-4,997
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	48,642	41,739	35,509
Loans to central banks	2,947	3,361	4,826
Loans to credit institutions	1,343	906	829
Total cash and cash equivalents	52,932	46,006	41,164

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

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

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

Notes to the financial statements

Note 1 Accounting policies

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

The report includes a condensed set of financial statements and is to be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2019. The accounting policies and methods of computation are unchanged in comparison with Note G1 in the Annual Report 2019, except for related to the items presented in the section "Changed accounting policies and presentation" below. For more information, see Note G1 in the Annual Report 2019.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea 1 January 2020.

Changed presentation of trading in own shares (treasury shares)

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

Changed presentation of operating segments

Nordea has, to reflect the current reporting and decision-making process in Nordea, changed the presentation of reportable operating segments and the definition of the chief operating decision-maker. For more information see, Note 2 "Segment reporting" section "Changes in basis of segmentation".

Other amendments

The following new and amended standards issued by IASB were implemented by Nordea 1 January 2020 but have not had any significant impact on Nordea's financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of business
- Amendments to IAS 1 and IAS 8: Definitions of material

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 a 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 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 reporting periods beginning on or after 1 January 2023 with earlier application permitted. The standard is not yet endorsed by the EU commission. Nordea does not currently intend early adoption of 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.

Critical judgements and estimation uncertainty

Nordea has applied significant critical judgements in the preparation of the interim report for the first half-year 2020, due to the significant uncertainties concerning the potential long-term impact of COVID-19 on Nordea's financial statements. More information on where critical judgements are generally applied and where estimation uncertainty exists can be found in the Annual Report 2019, Note G1 "Accounting policies", section 4. Areas particularly important in the first-half year 2020 are the fair value measurement of certain financial instruments, impairment testing of goodwill and loans to the public/credit institutions and assessment of expected lease terms.

Critical judgements are applied when determining the fair value of financial instruments that lack quoted prices or recently observed market prices. In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies. The fair values of financial assets and liabilities measured at fair value using a valuation technique, level 2 and 3 in the fair value hierarchy, amounted to EUR 195,514m and EUR 130,876m, respectively, at the end of Q2 2020 and EUR 185,148m and EUR 151,751m, respectively, at the end of Q4 2019. More information on financial instruments held at fair value on Nordea's balance sheet can be found in Note 10.

No impairment of goodwill has been identified in the first half-year, but significant estimation uncertainty exists in relation to the long-term impact on Nordea's financial statements, and the impairment need will be continuously reassessed. Nordea's total goodwill amounted to EUR 1,881m at the end of Q2 2020 and EUR 1,969m at the end of Q4 2019. Nordea has updated the cash flow projections in the second quarter to reflect the best estimate of the impact from COVID-19. Cash flows are projected for 2020 to 2023, and the long-term growth assumption is used for periods after that. The discount rate used for the test in the second quarter is on average 6.7% post-tax and the long term growth on average 1.5%. The Cash Generating Units have changed as a result of changes in operating segments in the first quarter. The test is now performed on the five operating segments, as described in Note 2. An increase in the discount rate of 1 percentage point or a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such changes would not result in any impairment.

Critical judgement has been applied in the assessment of when loans have experienced a significant increase in credit risk (staging) and the application of macro scenarios when estimating the increase in expected credit losses. More information on the impairment testing of loans to the public/credit institutions can be found on page 12 and in Note 7. Information on sensitivities to rating and scoring migrations can be found under the section "Sensitivities" in Note 7.

No changes in expected lease terms for premises lease contracts or impairments of right-of-use assets have been identified in the first half-year 2020, but the impact of COVID-19 on the future premises strategies will be closely monitored going forward. The carrying amount of right-of-use assets amounted to EUR 1,466m at the end of Q2 2020 and EUR 1,506m at the end of Q4 2019.

Exchange rates

	Jan-Jun 2020	Jan-Dec 2019	Jan-Jun 2019
EUR 1 = SEK			
Income statement (average)	10.6616	10.5848	10.5170
Balance sheet (at end of period)	10.4763	10.4563	10.5673
EUR 1 = DKK			
Income statement (average)	7.4648	7.4661	7.4651
Balance sheet (at end of period)	7.4527	7.4717	7.4639
EUR 1 = NOK			
Income statement (average)	10.7413	9.8499	9.7314
Balance sheet (at end of period)	10.8805	9.8463	9.7163
EUR 1 = RUB			
Income statement (average)	76.6952	72.4524	73.7485
Balance sheet (at end of period)	79.7526	69.7096	71.6536

Note 2

Segment reporting

Jan-Jun 2020	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Reconciliation	Total Group
Total operating income, EURm	1,660	1,137	886	488	-12	4,159	-66	4,093
- of which internal transactions ¹	-267	-124	-189	-9	589	0	-	-
Operating profit, EURm	460	272	127	234	-13	1,080	-175	905
Loans to the public ² , EURbn	156	86	50	9	1	302	26	328
Deposits and borrowings from the public, EURbn	79	48	41	11	1	180	8	188

Jan-Jun 2019

Total operating income, EURm	1,711	1,052	781	492	156	4,192	64	4,256
- of which internal transactions ¹	-249	-93	-216	-10	568	0	-	-
Operating profit, EURm	643	411	284	205	112	1,655	-134	1,521
Loans to the public ² , EURbn	150	82	49	8	1	290	34	324
Deposits and borrowings from the public, EURbn	75	42	35	10	1	163	14	177

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

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

Reconciliation between total operating segments and financial statements

	Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	Jan-Jun		Jan-Jun		Jan-Jun	
	2020	2019	2020	2019	2020	2019
Total operating segments	1,080	1,655	302	290	180	163
Group functions ¹	-118	-96	-	-	-	-
Unallocated items	-40	-54	30	32	9	13
Differences in accounting policies ²	-17	16	-4	2	-1	1
Total	905	1,521	328	324	188	177

¹ Consists of Group Business Support, Group Internal Audit, Chief of staff office, Group People, Group Legal and Group Risk & Compliance.

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

Measurement of operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as the Chief Executive Officer, who is supported by the other members of the Group Leadership Team. The main difference compared with the section "Business areas" in this report is that the information in Note 2 is prepared using plan exchange rates, as this is the basis used in the reporting to the CODM.

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

Changes in basis of segmentation

In order to reflect the current reporting to the Chief Operating Decision Maker (CODM), and the decision making process in Nordea, the main business areas have been defined as reportable operating segments as from the first quarter 2020. The breakdowns of the different main areas have thus been removed. Group Finance is in addition included in Other operating segments as it is below the threshold to be disclosed separately. Comparative figures have been restated accordingly, in line with the reporting to the CODM, including minor organisational changes, updates to current plan exchange rates and updates to current allocation principles.

The CODM has in addition been changed to the CEO, who is supported by the Group Leadership Team, to better reflect the current decision making process in Nordea. Up until 2019 the Group Leadership Team was defined as the CODM.

Note 3 Net fee and commission income

	Q2 2020	Q1 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
EURm						
Asset management commissions	340	359	361	699	708	1,455
Life & Pensions	61	68	61	129	123	251
Deposit products	6	7	5	13	10	23
Brokerage, securities issues and corporate finance	34	64	57	98	87	157
Custody and issuer services	10	5	11	15	14	41
Payments	69	77	77	146	163	307
Cards	36	47	50	83	107	220
Lending products	98	105	99	203	201	429
Guarantees	21	22	22	43	46	111
Other	-2	11	0	9	21	17
Total	673	765	743	1,438	1,480	3,011

Break-down Jan-Jun 2020

	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segment	Other and elimination	Nordea Group
EURm							
Asset management commissions	268	46	3	382	0	0	699
Life & Pensions	93	38	2	-4	0	0	129
Deposit products	3	10	0	0	0	0	13
Brokerage, securities issues and corporate finance	12	19	57	18	-1	-7	98
Custody and issuer services	2	2	11	2	-2	0	15
Payments	34	79	33	0	0	0	146
Cards	70	9	4	0	0	0	83
Lending products	60	63	76	1	3	0	203
Guarantees	4	12	27	0	0	0	43
Other	13	5	6	-10	-2	-3	9
Total	559	283	219	389	-2	-10	1,438

Break-down Jan-Jun 2019

	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segment	Other and elimination	Nordea Group
EURm							
Asset management commissions	267	47	2	392	0	0	708
Life & Pensions	99	37	2	-15	0	0	123
Deposit products	4	5	1	0	0	0	10
Brokerage, securities issues and corporate finance	8	16	44	17	2	0	87
Custody and issuer services	3	2	16	-4	-3	0	14
Payments	47	81	34	0	1	0	163
Cards	77	15	7	0	0	8	107
Lending products	57	56	87	0	1	0	201
Guarantees	4	14	26	0	2	0	46
Other	13	9	11	-12	2	-2	21
Total	579	282	230	378	5	6	1,480

Note 4 Net result from items at fair value

	Q2 2020	Q1 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
EURm						
Equity related instruments	150	-75	135	75	370	734
Interest related instruments and foreign exchange gains/losses	159	480	103	639	89	109
Other financial instruments (including credit and commodities)	-12	-322	35	-334	47	103
Life insurance ¹	21	26	10	47	41	77
Total	318	109	283	427	547	1,024

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 2020	Q1 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
EURm						
Equity related instruments	735	-1,226	223	-491	891	1,571
Interest related instruments and foreign exchange gains/losses	147	-91	91	56	241	283
Investment properties	18	11	28	29	48	123
Change in technical provisions ¹	-704	684	-425	-20	-1,112	-1,794
Change in collective bonus potential	-189	637	85	448	-45	-139
Insurance risk income	16	16	17	32	33	66
Insurance risk expense	-2	-5	-9	-7	-15	-33
Total	21	26	10	47	41	77

¹ Premium income amounts to EUR 29m for Q2 2020 and EUR 100m for Jan-Jun 2020 (Q2 2019: EUR 71m, Jan-Jun 2019: EUR 152m).

Note 5 Other expenses

	Q2 2020	Q1 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
EURm						
Information technology	-122	-120	-137	-242	-265	-530
Marketing and representation	-8	-9	-14	-17	-26	-59
Postage, transportation, telephone and office expenses	-13	-15	-17	-28	-35	-66
Rents, premises and real estate	-34	-27	-27	-61	-57	-150
Resolution fee	-49	-153	-1	-202	-208	-211
Other	-77	-95	-108	-172	-307	-623
Total	-303	-419	-304	-722	-898	-1,639

Note 6 Net loan losses

	Q2 2020	Q1 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
EURm						
Net loan losses, stage 1	-200	-23	14	-223	13	-18
Net loan losses, stage 2	-201	13	-3	-188	-12	-69
Net loan losses, non-defaulted	-401	-10	11	-411	1	-87
Stage 3, defaulted						
Net loan losses, individually assessed, collectively calculated	-80	-87	8	-167	1	-48
Realised loan losses	-125	-69	-144	-194	-229	-452
Decrease of provisions to cover realised loan losses	90	38	108	128	174	321
Recoveries on previous realised loan losses	6	31	7	37	14	47
Reimbursement right	0	-1	2	-1	16	3
New/increase in provisions	-253	-167	-119	-420	-199	-571
Reversals of provisions	65	111	66	176	119	251
Net loan losses, defaulted	-297	-144	-72	-441	-104	-449
Net loan losses	-698	-154	-61	-852	-103	-536

Key ratios

	Q2 2020	Q1 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
Net loan loss ratio, amortised cost, bps	115	26	10	70	9	22
- of which stage 1	33	4	-2	18	-1	1
- of which stage 2	33	-2	0	15	1	3
- of which stage 3	49	24	12	37	9	18

Note 7 Loans and impairment

	Total		
	30 Jun 2020	31 Dec 2019	30 Jun 2019
EURm			
Loans measured at fair value	90,934	83,624	98,312
Loans measured at amortised cost, not impaired (stage 1 and 2)	249,395	254,412	248,871
Impaired loans (stage 3)	4,421	4,610	4,493
- of which servicing	1,892	2,312	2,036
- of which non-servicing	2,529	2,298	2,456
Loans before allowances	344,750	342,646	351,676
-of which central banks and credit institution	14,333	17,737	25,937
Allowances for individually assessed impaired loans (stage 3)	-1,907	-1,686	-1,526
-of which servicing	-760	-783	-653
-of which non-servicing	-1,147	-903	-873
Allowances for collectively assessed impaired loans (stage 1 and 2)	-796	-497	-448
Allowances	-2,703	-2,183	-1,974
-of which central banks and credit institution	-18	-14	-18
Loans, carrying amount	342,047	340,463	349,702

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

	30 Jun 2020			
	Stage 1	Stage 2	Stage 3	Total
EURm				
Loans to central banks, credit institutions and the public	236,883	12,512	4,421	253,816
Interest-bearing securities ¹	37,782	-	-	37,782
Total	274,665	12,512	4,421	291,598

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

	30 Jun 2019			
	Stage 1	Stage 2	Stage 3	Total
EURm				
Loans to central banks, credit institutions and the public	234,640	14,231	4,493	253,364
Interest-bearing securities ¹	29,898	-	-	29,898
Total	264,538	14,231	4,493	283,262

¹ Of which EUR 685m relates to the balance sheet item Financial instruments pledged as collateral.

Allowances and provisions

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

	30 Jun 2019			
	Stage 1	Stage 2	Stage 3	Total
EURm				
Loans to central banks, credit institutions and the public	-137	-311	-1,526	-1,974
Interest-bearing securities	-2	-	-	-2
Provisions for off balance sheet items	-19	-44	-67	-130
Total allowances and provisions	-158	-355	-1,593	-2,106

Movements of allowance accounts for loans measured at amortised cost

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

Note 7 Continued

	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)	14	8	-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	-137	-311	-1,526	-1,974

Key ratios¹

	30 Jun 2020	31 Dec 2019	30 Jun 2019
Impairment rate (stage 3), gross, basis points	174	178	177
Impairment rate (stage 3), net, basis points	99	113	117
Total allowance rate (stage 1, 2 and 3), basis points	106	84	78
Allowances in relation to impaired loans (stage 3), %	43	37	34
Allowances in relation to loans in stage 1 and 2, basis points	32	20	18

¹ For definitions, see Glossary.

Forbearance

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

On 13 March 2020 Nordea announced that it would offer COVID-19 payment holidays to those personal and business customers in all Nordic countries who are in need of help due to the COVID-19 situation. The COVID-19 payments holidays were generally granted to customers experiencing only short-term liquidity issues due solely to COVID-19 and not valid for consumer financing facilities.

Nordea currently does not register COVID-19 payment holidays as forbearance, and consequentially does not automatically transfer the exposures to stage 2, since customers would not have asked for payment holidays had it not been for COVID-19. As stated under "Forward looking information", Nordea has assessed the risk of stage transfers at the time when the government support measures are discontinued and included the impact from there in the cyclical reserve to the extent not already covered by the IFRS 9 models.

The carrying amount of loans where Nordea had granted COVID-19 payment holidays at the end of Q2 2020 amounted to EUR 16bn, of which 93% are classified as stage 1 and 7% classified as stage 2.

Sensitivities

The provisions are sensitive to rating migration even if triggers are not reached. The table below shows the impact on provisions from a one notch downgrade on all exposures in the bank. It includes both the impact of the higher risk for all exposures as well as the impact of transferring exposures that reach the trigger from stage 1 to stage 2. It also includes the impact from the exposures with one rating grade above default becoming default, which is estimated at EUR 155m (EUR 141m at year-end 2019). This figure is based on calculations with the statistical model rather than individual estimates that would be the case in reality for material defaulted loans.

	30 Jun 2020		31 Dec 2019	
	Recognised provisions	Provisions if one notch downgrade	Recognised provisions	Provisions if one notch downgrade
EURm				
Personal Banking	556	717	412	566
Business Banking	1,328	1,501	1,038	1,184
Large Corporates & Institutions	1,060	1,153	868	945
Other	9	21	10	20
Group	2,953	3,392	2,328	2,715

Note 7 Continued**Forward-looking information**

Forward-looking information is used both for assessing significant increases in credit risk and the calculation of expected credit losses. Nordea uses three macroeconomic scenarios; a base scenario, a favourable scenario and an adverse scenario. For Q2 2020, the scenarios have been weighted into the final expected credit losses (ECL) using base 60%, adverse 20% and favourable 20%. The same weights were applied in 2019.

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

The macro-scenarios reflect Nordea's view of how the COVID-19 virus and lockdowns potentially can impact the economic outlook. The scenarios also reflect the macroeconomic effects of the government and central bank support measures. When developing the scenarios, Nordea has taken into account projections from Nordic governments and central banks, Nordea Research and the ECB's macroeconomic forecasts for the Euro area. Labour market support schemes have played a significant role in supporting the Nordic economies during the lockdown phase. With utilisation rates ranging between 7%-10% of the labour force in Denmark, Sweden and Norway, the support to household incomes and cost relief to companies from the labour market schemes has been substantial. Looking forward, it is expected that the phasing out of the labour market support schemes and other support measures in the second half of 2020 will start weighing on consumer confidence and could potentially lead to more business insolvencies and unemployment. This effect is expected to be most pronounced in the service industries and transportation, where Nordea data indicate that spending has not yet returned to normal. The rise in open unemployment associated with the end of the labour market schemes is likely to weigh on housing markets.

The adjustments to model-based provisions amount to EUR 672m, including management judgements amounting to EUR 650m and late corrections of EUR 22m. This management judgement covers projected loan losses not yet covered by the IFRS 9 model (cyclical reserve at EUR 430m) and identified issues in the IFRS 9 model to be later covered in model updates (structural reserve at EUR 220m). The cyclical reserve is supported by additional portfolio modelling, and triggered by the substantial uncertainty in the macroeconomic development as well as the need to account for future rating downgrades potentially underestimated by the IFRS 9 model through the updated macroeconomic scenarios.

One important source of information in the estimation of the cyclical reserve is the internal stress testing models, adjusted with the impact of government support schemes. For the retail portfolio, the most important public sector actions are the various forms of labour market support schemes, which are significantly decreasing the expected defaults and losses amongst households. Due to the extent of these schemes, Nordea decreased the modelled development of new defaults originally predicted by the internal stress testing models, leading to lower predicted loan losses. These models are based on historical observations and correlations. Thus, they are not capable of replicating the impact of the current government supporting schemes. With regards to the expected rating migration in the corporate portfolio, Nordea took into consideration the positive impact of the various government guarantee and support schemes, addressing primarily the liquidity shock caused by the lock downs and quarantines.

Furthermore, Nordea conducted a wide-scale bottom-up review of large counterparties in particularly sensitive industries (e.g. Retail trade, Accommodation and leisure and Air transportation), and incorporated the main findings into the scenario projections. Without the public sector measures, the modelled rating deterioration would have been more severe, and the predicted losses would have been higher.

The model-based scenario simulations were compared to the initial bottom-up loan loss forecast process, thus helped Nordea to ensure the conservativeness of the loan loss projections. The cyclical reserve decided on by management in Q2 2020 aims to adjust the outcome in the IFRS 9 models into the range of expected losses rather than the top range of the projections, and covers a substantial realisation of projected losses in the second half of the year.

More information on the estimation of the cyclical and structural reserve (adjustment to the IFRS 9 model-based provisions) can be found under "Net loan losses" on page 12.

Note 7 Continued

Scenarios and provisions

30 Jun 2020

		2020	2021	2022	Un-weighted ECL EURm	Probability weight	Model based provisions EURm	Adjustment model based provisions ¹ EURm	Individual provisions EURm	Total provisions EURm
Denmark										
Favourable scenario	GDP growth, %	-3.1	5.1	2.3	255	20%				
	Unemployment, %	5.1	4.3	4.0						
	Change in household consumption, %	-3.5	5.0	2.9						
	Change in house prices, %	-2.0	1.5	2.5						
Base scenario	GDP growth, %	-5.0	3.8	3.3	273	60%	277	184	420	881
	Unemployment, %	5.9	5.6	4.9						
	Change in household consumption, %	-4.1	3.2	1.3						
	Change in house prices, %	-5.3	2.7	2.6						
Adverse scenario	GDP growth, %	-8.0	1.0	4.7	313	20%				
	Unemployment, %	7.0	8.2	6.8						
	Change in household consumption, %	-5.9	1.5	3.8						
	Change in house prices, %	-6.3	-2.5	-0.3						
Finland										
Favourable scenario	GDP growth, %	-4.4	4.0	2.4	219	20%				
	Unemployment, %	8.1	7.2	6.9						
	Change in household consumption, %	-4.0	3.6	2.4						
	Change in house prices, %	-2.0	1.7	1.8						
Base scenario	GDP growth, %	-7.0	3.8	4.5	242	60%	247	171	265	683
	Unemployment, %	8.6	8.0	7.2						
	Change in household consumption, %	-5.5	3.6	2.1						
	Change in house prices, %	-4.7	2.3	2.3						
Adverse scenario	GDP growth, %	-10.0	2.0	4.0	291	20%				
	Unemployment, %	9.7	10.0	9.2						
	Change in household consumption, %	-7.7	3.5	2.1						
	Change in house prices, %	-5.6	-3.4	-1.4						
Norway										
Favourable scenario	GDP growth, %	-5.2	4.9	3.5	89	20%				
	Unemployment, %	6.8	5.2	4.4						
	Change in household consumption, %	-9.1	3.2	2.4						
	Change in house prices, %	-3.0	2.0	2.9						
Base scenario	GDP growth, %	-5.8	4.0	4.1	96	60%	96	201	369	666
	Unemployment, %	7.2	6.1	5.1						
	Change in household consumption, %	-9.2	2.6	1.5						
	Change in house prices, %	-7.3	3.6	3.6						
Adverse scenario	GDP growth, %	-6.7	2.2	3.1	106	20%				
	Unemployment, %	7.7	7.7	6.7						
	Change in household consumption, %	-10.0	1.9	-0.4						
	Change in house prices, %	-8.2	-7.7	-2.0						
Sweden										
Favourable scenario	GDP growth, %	-4.0	4.5	2.4	115	20%				
	Unemployment, %	7.9	8.5	7.7						
	Change in household consumption, %	-4.9	5.1	2.0						
	Change in house prices, %	-3.0	2.1	3.0						
Base scenario	GDP growth, %	-7.0	4.0	5.5	131	60%	133	116	189	438
	Unemployment, %	9.4	10.1	8.1						
	Change in household consumption, %	-7.9	3.7	3.3						
	Change in house prices, %	-7.6	3.9	3.8						
Adverse scenario	GDP growth, %	-10.0	1.0	5.5	156	20%				
	Unemployment, %	10.9	12.9	11.1						
	Change in household consumption, %	-10.8	1.7	3.5						
	Change in house prices, %	-8.6	-8.6	-4.0						
Non-Nordic							17	-	268	285
Total							770	672	1,511	2,953

¹ Includes management judgements of EUR 650m and late corrections to the model of EUR 22m.

Note 7 Continued

Scenarios and provisions

31 Dec 2019

					Un-weighted ECL	Probability	Model based provisions	Adjustment model based provisions	Individual provisions	Total provisions
		2020	2021	2022	EURm	weight	EURm	EURm	EURm	EURm
Denmark										
Favourable scenario	GDP growth, %	2.1	2.1	2.1	237	20%				
	Unemployment, %	3.5	3.2	3.0						
	Change in household consumption, %	1.7	1.5	1.8						
	Change in house prices, %	2.3	3.8	3.4						
Base scenario	GDP growth, %	1.4	1.7	2.0	239	60%	240	123	454	817
	Unemployment, %	3.8	3.8	3.7						
	Change in household consumption, %	1.4	1.6	1.9						
	Change in house prices, %	2.0	2.6	3.0						
Adverse scenario	GDP growth, %	0.9	0.9	1.4	245	20%				
	Unemployment, %	3.9	4.1	4.3						
	Change in household consumption, %	1.1	1.3	1.4						
	Change in house prices, %	1.8	2.1	1.8						
Finland										
Favourable scenario	GDP growth, %	1.5	1.7	1.3	182	20%				
	Unemployment, %	6.4	6.3	6.4						
	Change in household consumption, %	1.9	1.2	1.0						
	Change in house prices, %	1.1	1.3	1.5						
Base scenario	GDP growth, %	1.1	1.1	0.9	185	60%	185	26	262	473
	Unemployment, %	6.6	6.7	6.8						
	Change in household consumption, %	1.4	1.0	1.0						
	Change in house prices, %	0.9	1.1	1.1						
Adverse scenario	GDP growth, %	0.8	0.5	0.4	187	20%				
	Unemployment, %	6.6	6.7	7.0						
	Change in household consumption, %	1.1	0.9	1.1						
	Change in house prices, %	1.0	0.8	0.3						
Norway										
Favourable scenario	GDP growth, %	2.2	2.3	2.0	94	20%				
	Unemployment, %	3.3	3.0	2.7						
	Change in household consumption, %	2.6	1.8	1.8						
	Change in house prices, %	3.6	4.3	4.0						
Base scenario	GDP growth, %	2.0	1.8	1.7	97	60%	98	86	322	506
	Unemployment, %	3.4	3.4	3.3						
	Change in household consumption, %	2.3	2.0	1.8						
	Change in house prices, %	3.5	3.8	3.8						
Adverse scenario	GDP growth, %	1.3	1.0	1.3	104	20%				
	Unemployment, %	3.7	4.1	4.7						
	Change in household consumption, %	1.5	1.6	2.0						
	Change in house prices, %	2.3	0	1.7						
Sweden										
Favourable scenario	GDP growth, %	1.7	2.7	2.6	96	20%				
	Unemployment, %	6.7	6.3	5.7						
	Change in household consumption, %	1.8	2.6	2.1						
	Change in house prices, %	1.1	2.6	3.3						
Base scenario	GDP growth, %	1.4	1.9	2.3	97	60%	97	12	171	280
	Unemployment, %	6.9	6.7	6.3						
	Change in household consumption, %	1.4	2.0	2.2						
	Change in house prices, %	1.1	2.4	2.9						
Adverse scenario	GDP growth, %	1.1	1.3	1.7	98	20%				
	Unemployment, %	6.9	7.0	7.1						
	Change in household consumption, %	1.0	1.6	2.9						
	Change in house prices, %	1.0	1.8	2.9						
Non-Nordic							15	2	235	252
Total							635	249	1,444	2,328

Note 7 Continued

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

30 Jun 2020

EURm	Gross				Allowances				Loans carrying amount	Net loan losses ¹
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Financial institutions	10,781	493	136	11,410	27	25	70	122	11,288	-76
Agriculture	2,324	251	216	2,790	11	17	109	137	2,654	2
Crops, plantations and hunting	737	133	48	918	4	8	24	36	882	2
Animal husbandry	449	87	163	699	5	8	83	96	603	3
Fishing and aquaculture	1,138	31	4	1,173	2	1	2	4	1,169	-3
Natural resources	3,067	126	738	3,932	5	3	391	400	3,532	-145
Paper and forest products	1,584	75	33	1,692	4	3	16	23	1,670	-5
Mining and supporting activities	263	17	8	288	0	1	3	4	284	-1
Oil, gas and offshore	1,220	35	697	1,952	1	0	372	373	1,578	-138
Consumer staples	2,456	406	30	2,891	6	14	13	33	2,858	-22
Food processing and beverages	932	96	19	1,047	2	5	8	15	1,032	-10
Household and personal products	199	49	4	253	1	2	3	5	247	-2
Healthcare	1,324	261	7	1,592	3	7	3	13	1,579	-10
Consumer discretionary and services	6,323	789	229	7,340	16	50	130	196	7,144	-74
Consumer durables	1,308	168	68	1,544	3	10	39	52	1,493	-23
Media and entertainment	1,153	57	34	1,244	2	3	18	24	1,220	-8
Retail trade	2,410	224	101	2,735	8	25	54	86	2,648	-27
Air transportation	246	22	3	271	0	1	2	3	268	-1
Accommodation and leisure	594	111	23	728	2	5	16	23	705	-16
Telecommunication services	612	206	1	818	1	7	0	9	810	1
Industrials	27,294	2,610	743	30,647	72	116	350	538	30,109	-140
Materials	1,631	333	113	2,077	4	9	74	87	1,990	-8
Capital goods	3,304	316	116	3,736	6	15	55	77	3,659	-21
Commercial and professional services	9,562	667	242	10,471	26	29	72	128	10,343	-29
Construction	4,898	430	111	5,439	18	20	78	115	5,324	-38
Wholesale trade	4,790	558	95	5,444	10	29	44	83	5,361	-31
Land transportation	1,954	218	57	2,229	4	7	23	34	2,195	-11
IT services	1,154	88	9	1,251	3	6	5	14	1,238	-1
Maritime	6,717	184	625	7,525	17	5	272	294	7,232	-44
Ship building	217	3	11	230	0	0	10	11	220	-1
Shipping	6,267	179	613	7,059	16	4	261	282	6,777	-43
Maritime services	233	2	1	236	0	0	0	1	235	0
Utilities and public service	4,933	97	31	5,061	9	4	16	29	5,032	-5
Utilities distribution	2,275	40	26	2,341	5	1	12	18	2,324	-6
Power production	1,911	35	1	1,947	2	2	1	4	1,942	-3
Public services	746	22	4	773	2	1	4	7	766	3
Real estate	35,680	1,082	269	37,031	33	26	103	163	36,869	-67
Other industries and reimbursement rights	706	40	10	755	2	1	0	3	752	26
Total Corporate	100,280	6,076	3,028	109,384	200	260	1,455	1,915	107,469	-545
Housing loans	104,187	4,101	595	108,883	22	27	55	104	108,785	-75
Collateralised lending	16,348	1,177	440	17,966	60	63	206	329	17,630	-82
Non-collateralised lending	5,480	1,041	358	6,879	40	114	182	336	6,543	-150
Household	126,015	6,319	1,393	133,727	122	204	443	769	132,959	-307
Public sector	3,000	102	0	3,103	0	1	0	1	3,101	0
Lending to the public	229,295	12,498	4,421	246,214	322	465	1,898	2,685	243,529	-852

¹ The table shows net loan losses related to on- and off-balance sheet exposures YTD June 2020.

Note 7 Continued

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

31 Dec 2019

EURm	Gross				Allowances				Loans carrying amount	Net loan losses ¹
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Financial institutions	12,668	302	127	13,097	9	20	58	87	13,010	-27
Agriculture	2,562	178	285	3,024	4	20	138	161	2,863	-40
Crops, plantations and hunting	862	85	54	1,001	2	10	30	41	960	-16
Animal husbandry	499	69	193	760	2	10	108	119	642	-23
Fishing and aquaculture	1,201	24	37	1,263	0	1	0	1	1,261	0
Natural resources	3,349	124	791	4,264	2	3	317	323	3,942	-126
Paper and forest products	1,428	96	35	1,559	1	3	16	20	1,539	-3
Mining and supporting activities	447	11	10	468	0	0	3	4	464	6
Oil, gas and offshore	1,474	17	747	2,238	1	0	298	299	1,939	-129
Consumer staples	2,916	144	33	3,094	2	5	13	20	3,073	3
Food processing and beverages	1,068	60	25	1,153	1	2	9	11	1,142	7
Household and personal products	206	29	4	239	0	1	2	4	235	-1
Healthcare	1,642	55	4	1,701	1	2	2	5	1,696	-3
Consumer discretionary and services	6,878	526	189	7,593	7	29	104	140	7,453	-37
Consumer durables	1,276	135	47	1,458	1	6	22	29	1,429	-13
Media and entertainment	1,074	46	37	1,158	1	2	19	22	1,136	-8
Retail trade	2,677	221	88	2,985	4	17	49	69	2,917	-6
Air transportation	179	2	3	184	0	0	2	2	181	0
Accommodation and leisure	742	66	13	821	1	2	5	8	813	-3
Telecommunication services	930	56	1	987	1	1	7	9	978	-6
Industrials	26,967	1,815	787	29,568	24	70	370	463	29,105	-67
Materials	1,704	78	117	1,899	4	5	71	80	1,819	7
Capital goods	2,896	251	110	3,256	1	9	73	84	3,173	-6
Commercial and professional services	9,646	355	273	10,274	8	15	86	109	10,164	-35
Construction	5,294	399	119	5,812	5	12	74	91	5,721	-13
Wholesale trade	4,261	429	94	4,784	4	20	36	59	4,725	-4
Land transportation	2,028	210	57	2,295	1	4	22	27	2,268	-8
IT services	1,139	93	17	1,249	1	5	7	13	1,236	-8
Maritime	7,000	175	706	7,881	24	22	230	276	7,605	-62
Ship building	75	5	19	100	0	0	19	19	81	3
Shipping	6,702	167	686	7,555	24	22	211	257	7,299	-65
Maritime services	222	2	0	225	0	0	0	0	225	0
Utilities and public service	4,701	60	34	4,795	2	1	16	19	4,775	-7
Utilities distribution	1,909	26	30	1,964	0	0	13	14	1,950	-4
Power production	1,923	15	1	1,938	1	0	1	2	1,936	1
Public services	869	20	4	892	1	1	2	4	889	-4
Real estate	34,457	932	224	35,614	15	14	81	110	35,504	-7
Other industries and reimbursement rights	291	23	7	322	7	7	0	14	308	-8
Total Corporate	101,789	4,280	3,183	109,251	95	191	1,327	1,612	107,639	-377
Housing loans	103,768	4,047	630	108,446	10	13	29	52	108,393	29
Collateralised lending	16,569	1,221	444	18,233	26	48	186	260	17,973	-48
Non-collateralised lending	5,952	1,095	354	7,401	19	89	134	242	7,159	-138
Household	126,289	6,363	1,427	134,079	55	149	350	554	133,525	-157
Public sector	4,038	27	0	4,065	0	2	0	2	4,062	-1
Lending to the public	232,115	10,670	4,610	247,395	150	342	1,677	2,169	245,226	-536

¹ The table shows net loan losses related to on- and off-balance sheet exposures full year 2019.

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)		
EURm					
Financial assets					
Cash and balances with central banks	48,642	-	-	-	48,642
Loans to central banks	5,537	124	-	-	5,661
Loans to credit institutions	2,046	6,608	-	-	8,654
Loans to the public	243,530	84,202	-	-	327,732
Interest-bearing securities	3,163	31,645	3,901	33,811	72,520
Financial instruments pledged as collateral	-	5,643	-	805	6,448
Shares	-	13,368	-	-	13,368
Assets in pooled schemes and unit-linked investment contracts	-	29,322	223	-	29,545
Derivatives	-	47,039	-	-	47,039
Fair value changes of the hedged items in portfolio hedge of interest rate risk	356	-	-	-	356
Other assets	1,684	14,947	-	-	16,631
Prepaid expenses and accrued income	655	-	-	-	655
Total 30 Jun 2020	305,613	232,898	4,124	34,616	577,251
Total 31 Dec 2019	297,826	212,746	4,257	29,779	544,608

	Fair value through profit or loss (FVPL)				Total
	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)		
EURm					
Financial liabilities					
Deposits by credit institutions	27,216	19,007	-	-	46,223
Deposits and borrowings from the public	179,288	9,163	-	-	188,451
Deposits in pooled schemes and unit-linked investment contracts	-	-	31,126	-	31,126
Liabilities to policyholders	-	-	3,245	-	3,245
Debt securities in issue	127,736	-	54,333	-	182,069
Derivatives	-	49,749	-	-	49,749
Fair value changes of the hedged items in portfolio hedge of interest rate risk	3,081	-	-	-	3,081
Other liabilities ¹	7,206	16,645	-	-	23,851
Accrued expenses and prepaid income	241	-	-	-	241
Subordinated liabilities	8,452	-	-	-	8,452
Total 30 Jun 2020	353,220	94,564	88,704		536,488
Total 31 Dec 2019	339,266	69,872	93,680		502,818

¹ Of which lease liabilities classified into the category Amortised cost EUR 1,203m.

Note 9 Fair value of financial assets and liabilities

	30 Jun 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
EURm				
Financial assets				
Cash and balances with central banks	48,642	48,642	35,509	35,509
Loans	342,403	353,082	340,680	343,410
Interest-bearing securities	72,520	72,818	64,930	65,047
Financial instruments pledged as collateral	6,448	6,448	7,151	7,151
Shares	13,368	13,368	14,184	14,184
Assets in pooled schemes and unit-linked investment contracts	29,545	29,545	30,493	30,493
Derivatives	47,039	47,039	39,111	39,111
Other assets	16,631	16,631	11,857	11,857
Prepaid expenses and accrued income	655	655	693	693
Total	577,251	588,228	544,608	547,455
Financial liabilities				
Deposits and debt instruments	428,276	428,784	406,592	407,337
Deposits in pooled schemes and unit-linked investment contracts	31,126	31,126	31,859	31,859
Liabilities to policyholders	3,245	3,245	3,318	3,318
Derivatives	49,749	49,749	42,047	42,047
Other liabilities	22,648	22,648	17,562	17,562
Accrued expenses and prepaid income	241	241	215	215
Total	535,285	535,793	501,593	502,338

The determination of fair value is described in the Annual report 2019, Note G41 "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	-	-	124	-	-	-	124
Loans to credit institutions	-	-	6,608	-	-	-	6,608
Loans to the public	-	-	84,202	-	-	-	84,202
Interest-bearing securities ²	35,901	1,379	39,224	2,521	680	65	75,805
Shares	10,853	9,317	505	301	2,010	808	13,368
Assets in pooled schemes and unit-linked investment contracts	29,049	25,325	418	418	78	78	29,545
Derivatives	321	-	44,449	6	2,269	-	47,039
Other assets	-	-	14,916	-	31	30	14,947
Total 30 Jun 2020	76,124	36,021	190,446	3,246	5,068	981	271,638
Total 31 Dec 2019	61,634	37,800	181,494	3,353	3,654	963	246,782
Liabilities at fair value on the balance sheet¹							
Deposits by credit institutions	-	-	19,007	-	-	-	19,007
Deposits and borrowings from the public	-	-	9,163	-	-	-	9,163
Deposits in pooled schemes and unit-linked investment	-	-	31,126	27,004	-	-	31,126
Liabilities to policyholders	-	-	3,245	3,245	-	-	3,245
Debt securities in issue	44,734	-	8,061	-	1,538	-	54,332
Derivatives	178	-	47,007	2	2,564	-	49,749
Other liabilities	7,480	-	9,087	1	78	-	16,645
Total 30 Jun 2020	52,392	-	126,696	30,252	4,180	-	183,268
Total 31 Dec 2019	11,801	-	148,334	30,813	3,417	-	163,552

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

² Of which EUR 6,448m relates to the balance sheet item Financial instruments pledged as collateral.

Transfers between Level 1 and 2

During the first half-year, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 1,392m from Level 1 to Level 2 and EUR 12,674m from Level 2 to Level 1 of the fair value hierarchy. In addition, Nordea has transferred derivative liabilities of EUR 12m from Level 1 to Level 2 and EUR 7m from Level 2 to Level 1 and derivative assets of EUR 3m from Level 1 to Level 2 and EUR 1m from Level 2 to Level 1. Nordea has also transferred shares of EUR 137m from Level 1 to Level 2. Further Nordea transferred debt securities in issue of EUR 1,499m from Level 1 to Level 2 and EUR 37,352m from Level 2 to Level 1, other liabilities from Level 1 to Level 2 of EUR 266m and other liabilities of EUR 1,951m from Level 2 to Level 1. The main driver for the transfers in the first half-year is an update to the rules for categorisation of financial instruments into Level 1, 2 and 3. This update had a significant impact on the categorisation of "Interest bearing securities" and "Debt securities in issue" where the volume and frequency of trading for the individual ISIN are now considered. 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	Recognised 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	172	-1	1	-	353	-5	1	165	-6	-	680
- of which Life	13	-	-2	-	58	-4	-	-	-	-	65
Shares	2,034	27	13	-	193	-169	-15	12	-	-85	2,010
- of which Life	860	8	-36	-	41	-26	-15	-	-	-24	808
Assets in pooled schemes and unit-linked investment contracts	56	1	-4	-	28	-3	-1	1	-	-	78
- of which Life	56	1	-4	-	28	-3	-1	1	-	-	78
Derivatives (net)	174	-291	-295	-	-	-	291	-163	-11	-	-295
Other assets	35	-	-	-	-	-	-4	-	-	-	31
- of which Life	34	-	-	-	-	-	-4	-	-	-	30
Debt securities in issue	2,232	26	-593	-1	93	-7	-289	77	-	-	1,538
Other liabilities	2	-	-	-	85	-10	-	1	-	-	78
Total 2020, net	237	-290	308	1	396	-160	561	-63	-17	-85	888
Total 2019, net	-495	-84	304	6	5	-268	425	4	0	15	-88

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. The main driver for the transfers into and out of Level 3 in the first half-year is an update to the rules of categorisation of financial instruments into Level 1, 2 and 3. This mainly impacted the categorisation of "Derivatives", "Interest-bearing securities" and "Debt securities in issue" where the volume and frequency of trading for the individual instrument (ISIN) now are considered. 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 2019 Note G41 "Assets and liabilities at fair value".

Deferred day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to 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 2019 Note G1 "Accounting policies". The table below shows the aggregated difference yet to be recognised in the income statement at the beginning and end of the period. The table also shows a reconciliation of how this aggregated difference has changed during the period (movement of deferred Day 1 profit).

Deferred day 1 profit - Derivatives, net

	2020	2019
EURm		
Opening balance at 1 Jan	125	81
Deferred profit on new transactions	63	39
Recognised in the income statement during the period ¹	-107	-19
Closing balance at 30 Jun	81	101

¹ Of which EUR -9m (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					
Public bodies	161	29	Discounted cash flows	Credit spread	-13/13
Mortgage and other credit institutions	324	36	Discounted cash flows	Credit spread	-29/29
Corporates ²	195	-	Discounted cash flows	Credit spread	-19/19
Total 30 Jun 2020	680	65			-62/62
Total 31 Dec 2019	172	13			-16/16
Shares					
Private equity funds	806	447	Net asset value ³		-89/89
Hedge funds	82	79	Net asset value ³		-7/7
Credit funds	427	161	Net asset value/market consensus ³		-36/36
Other funds	249	114	Net asset value/Fund prices ³		-22/22
Other ⁵	524	85	-		-51/51
Total 30 Jun 2020	2,088	886			-205/205
Total 31 Dec 2019	2,090	916			-194/194
Derivatives, net					
Interest rate derivatives	231	-	Option model	Correlations Volatilities	-18/19
Equity derivatives	-43	-	Option model	Correlations Volatilities Dividends	-9/8
Foreign exchange derivatives	-44	-	Option model	Correlations Volatilities	0/0
Credit derivatives	-440	-	Credit derivative model	Correlations Volatilities Recovery rates	-41/41
Other	1	-	Option model	Correlations Volatilities	-0/0
Total 30 Jun 2020	-295	-			-68/68
Total 31 Dec 2019	174	-			-61/64
Debt securities in issue					
Issued structured bonds	1,538	-	Credit derivative model	Correlations Recovery rates Volatilities	-7/7
Total 30 Jun 2020	1,538	-			-7/7
Total 31 Dec 2019	2,232	-			-11/11
Other, net					
Other assets and Other liabilities, net	-47	30	-	-	4/-4
Total 30 Jun 2020	-47	30			4/-4
Total 31 Dec 2019	33	34			-4/4

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 are consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 45% of the private equity fund investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are a range of 2% 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 2019, Note G41 "Assets and liabilities at fair value".

⁵ Of which EUR 78m related to assets in pooled schemes and unit-linked investment.

Note 11 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. Such areas subject to investigation are investment advice, anti-money laundering (AML), trade regulation and sanctions adherence, external tax rules, competition law and governance and control and others. The outcome and timing of these inquiries and investigations are unclear and pending. 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.

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

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. Also, the group is investing in enhanced compliance standards, processes and resources in both the first and second lines of defence.

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

There are significant risks caused by the COVID-19 outbreak given the uncertainty of the economic impact on the markets in which Nordea operates. The extent of economic disruption caused by 'lock downs' is still not clear. Possibly extended or reintroduced 'lock downs' potentially for a considerable period of time, could cause further significant downside risks. The effect of these developments on Nordea's financial performance is also highly uncertain and could have an impact through further loan losses or reduction in income. Potential adverse income impacts from the COVID-19 outbreak could arise due to lower net interest income, market volatility and reduced business activity impacting transaction volumes and customer activity. Potential future credit risks are addressed in Note 7 and in Section "Net loan losses". Depending on the duration and magnitude of the situation, there is a possibility that the bank is not able to meet its financial targets.

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.

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.

Net loan loss ratio, amortised cost

Net loan losses (annualised) divided by quarterly closing balance of loans carrying amount 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, please see <https://www.nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports/> and the Annual Report 2019.

Nordea Bank Abp

Income statement

	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019
EURm				
Operating income				
Interest income	993	1,283	2,168	2,484
Interest expense	-353	-700	-892	-1,304
Net interest income	640	583	1,276	1,180
Fee and commission income	509	594	1,095	1,186
Fee and commission expense	-132	-139	-268	-272
Net fee and commission income	377	455	827	914
Net result from securities trading and foreign exchange dealing	271	254	348	482
Net result from securities at fair value through fair value reserve	-3	27	9	53
Net result from hedge accounting	-1	-16	6	-45
Net result from investment properties	0	0	0	0
Income from equity investments	353	38	706	703
Other operating income	115	88	220	173
Total operating income	1,752	1,429	3,392	3,460
Operating expenses				
Staff costs	-542	-620	-1,125	-1,221
Other administrative expenses	-191	-235	-394	-468
Other operating expenses	-128	-110	-375	-466
Depreciation, amortisation and impairment charges of tangible and intangible assets	-92	-111	-180	-213
Total operating expenses	-953	-1,076	-2,074	-2,368
Profit before loan losses	799	353	1,318	1,092
Net loan losses	-542	-38	-696	-24
Impairment on financial assets	0	0	0	0
Operating profit	257	315	622	1,068
Income tax expense	29	-78	13	-139
Net profit for period	286	237	635	929

Nordea Bank Abp

Balance sheet

	30 Jun 2020	31 Dec 2019	30 Jun 2019
EURm			
Assets			
Cash and balances with central banks	48,038	33,483	41,097
Debt securities eligible for refinancing with central banks	77,389	61,218	64,298
Loans to credit institutions	69,115	80,961	87,523
Loans to the public	147,075	144,077	147,891
Interest-bearing securities	8,898	4,695	5,213
Shares and participations	5,299	5,490	7,051
Investments in associated undertakings and joint ventures	92	87	1,058
Investments in group undertakings	13,942	14,190	13,326
Derivatives	47,413	39,371	41,963
Fair value changes of the hedged items in portfolio hedge of interest rate risk	98	71	82
Intangible assets	1,779	1,749	2,382
Tangible assets			
Properties and equipment	286	296	327
Investment properties	0	2	2
Deferred tax assets	462	453	78
Current tax assets	316	322	403
Retirement benefit assets	94	172	180
Other assets	16,984	13,140	17,627
Prepaid expenses and accrued income	1,093	1,202	1,162
Total assets	438,373	400,979	431,663
Liabilities			
Deposits by credit institutions and central banks	55,494	44,790	54,163
Deposits and borrowings from the public	195,241	175,286	181,133
Debt securities in issue	71,893	77,770	77,401
Derivatives	51,360	43,311	46,041
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,744	1,140	1,430
Current tax liabilities	16	596	22
Other liabilities	23,580	18,094	31,266
Accrued expenses and prepaid income	1,006	1,144	1,153
Deferred tax liabilities	0	14	182
Provisions	711	645	409
Retirement benefit obligations	482	375	486
Subordinated liabilities	8,434	9,789	10,575
Total liabilities	409,961	372,954	404,261
Equity			
Share capital	4,050	4,050	4,050
Additional Tier 1 capital holders	750	748	750
Invested unrestricted equity	1,072	1,080	1,080
Other reserves	-468	-321	-388
Retained earnings	22,373	21,030	20,981
Profit or loss for the period	635	1,438	929
Total equity	28,412	28,025	27,402
Total liabilities and equity	438,373	400,979	431,663
Off balance sheet commitments			
Commitments given to a third party on behalf of customers			
Guarantees and pledges	45,892	48,534	47,489
Other	1,127	1,120	1,344
Irrevocable commitments in favour of customers			
Securities repurchase commitments	-	-	-
Other	86,050	75,549	78,087

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 Decree of the Ministry of Finance on the financial statements and consolidated financial statements of credit institutions and investment firms as well as Finnish Financial Supervision Authority's Regulations.

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.

The accounting policies and methods of computation are unchanged in comparison with Note P1 in the Annual Report 2019, except for related to the items presented in the section "Changed accounting policies and presentation" below. For more information see Note P1 in the Annual Report 2019.

Changed accounting policies and presentation

The changes in accounting policies presented in the section "Changed accounting policies and presentation" in Note 1 for the Group and are, where applicable, relevant for the parent company.

Information on new and amended standards issued by IASB and implemented by Nordea on 1 January 2020 can be found in the subsection "Other amendments" in Note 1 for the Group. The conclusions within this section are also, where applicable, relevant for 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 amendments to IFRS are not assessed to have any significant impact on the financial statements of Nordea Bank Abp.

Critical judgements and estimation uncertainty

Nordea Bank Abp has applied significant critical judgements in the preparation of the income statement and balance sheet for the first half year 2020, due to the significant uncertainties concerning the potential long-term impact of COVID-19 on Nordea Bank Abp's financial statements. More information on where critical judgements are generally applied and where estimation uncertainty exists can be found in the Annual Report 2019, Note P1 "Accounting policies", section 4.

Areas particularly important in the first half year 2020 are the fair value measurement of certain financial instruments and impairment testing of loans to the public/credit institutions.

Critical judgements are applied when determining the fair value of financial instruments that lack quoted prices or recently observed market prices. In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies.

Critical judgement has been applied in the assessment of when loans have experienced a significant increase in credit risk (staging) and the application of macro scenarios when estimating the increase in expected credit losses. More information on the impairment testing of loans to the public/credit institutions can be found on page 12.

For further information

- An audio webcast for media, investors and equity analysts will be held on 17 July at 10.30 EET (09.30 CET), at which Frank Vang-Jensen, President and Group CEO, will present the results.
- To participate in the audio webcast, please use the [webcast link](#) or dial one of the following numbers: +44 333 300 0804, +46 8 566 426 51, +358 9 817 103 10, +45 35 44 55 77, confirmation code 86539724# no later than 10.20 EET.
- The webcast will be directly followed by a Q&A audio session for investors and analysts with Frank Vang-Jensen, Mark Kandborg, acting Group CFO, and Rodney Alfvén, Head of Investor Relations, starting at approximately 11.00 EET (10.00 CET).
- After the call an indexed on-demand replay will be available [here](#). The replay will be available until 7 August 2020. 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 301327311#.
- The event will be webcast live and the presentation slides will be posted on www.nordea.com/ir.
- The Q2 2020 report, investor presentations and fact book are available on www.nordea.com.

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Financial calendar

23 October 2020 – Third Quarter Report 2020 (Silent period starts 7 October 2020)

Helsinki 16 July 2020

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 2020

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 2020, 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 2020 and income statement for the six-month-period then ended. The Board of Directors and the Managing Director are responsible for the preparation of the condensed interim financial information in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union and with regulations governing the preparation of interim financial information in Finland. We will express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information of Nordea Bank Abp for the six months period ended on 30 June 2020 is not prepared, in all material respects, as regards the Group financial information, in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union and other regulation governing the presentation of interim financial information in Finland, and as regards the parent company financial information, in accordance with regulations governing the preparation of interim financial information in Finland.

Helsinki 16 July 2020

PricewaterhouseCoopers Oy

Authorised Public Accountants

Jukka Paunonen

Authorised Public Accountant (KHT)