Nordea

Second Quarter 2018

Second Quarter Results 2018

CEO Casper von Koskull's comments on the results:

"This quarter we have started to see our efforts to increase customer satisfaction bearing fruit and we see signs of improving momentum across our various businesses among both corporate and household customers. We are delivering on cost, compliance, capital and credit quality, which is the foundation for continuing to be the stable, safe and trusted banking partner of our customers today and tomorrow.

In recent years, Nordea has simplified and focused its business on its core Nordic markets and customers. The planned acquisition of Gjensidige Bank is a further step on that journey. It is a profitable, growing, digital bank, and together with our strategic partnership with Gjensidige, we are creating opportunities to strengthen our position in one of our core Nordic franchises and take part of a profitable growth.

We have achieved another major milestone in our transformation journey with the European Central Bank granting a banking licence to Nordea Bank Abp, our new parent company upon re-domiciliation. The licence is essential for Nordea to be able to operate within the Banking Union in order to achieve stability, predictability and a level playing field.

This quarter we have seen signs that business momentum is improving in some of our core markets, lending volumes have stabilised and are picking up in certain sectors and we have a good momentum in our capital markets and advisory businesses, whilst the savings related fees and commissions remain challenged and household lending margins continue to be under pressure. Although we expect some modest growth for the remainder of the year, given the slower first half of 2018, it is unlikely that the repeating revenues in 2018 will reach the 2017 level* but we still expect to report higher net profit in 2018 versus 2017. We are on track to meet our cost guidance of EUR4.9bn for 2018 and loan losses in the coming quarters are expected to be lower than the long-term average."

*2017 revenues adjusted for the deconsolidation of the Baltic operations and Nordea Life and Pension in Denmark.

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

Second quarter 2018 vs. Second quarter 2017

(Second quarter 2018 vs. First quarter 2018)

- Total operating income +6%, in local currencies +8% (+10%, in local currencies +10%)
- Total expenses -11%, in local currencies -8% (-4%, in local currencies -3%)
- Operating profit +31%, in local currencies +34% (+24%, in local currencies +24%)
- Common Equity Tier 1 capital ratio 19.9%, up from 19.2% (up from 19.8%)
- Cost/income ratio down to 45% from 54% (down 7%-points from 52%)
- Loan loss ratio of 10 bps, down from 13 bps (up 3 bps from 7bps)
- Return on equity 13.9%, up from 9.5% (up 3.9%-points from 10.0%)
- Diluted EPS EUR 0.27 vs. EUR 0.18 (EUR 0.27 vs. EUR 0.20)

1,328
Total operating profit, Q2 2018 (EURm)

19.9
CET 1 capital ratio (%)

Summary key figures

	Q2 2018	Q1 2018	Chg %	Local curr. %	Q2 2017	Chg %	Local curr. %	Jan-Jun 2018	Jan-Jun 2017	Chg %	Local curr. %
EURm											
Net interest income	1,073	1,053	2	2	1,175	-9	-7	2,126	2,372	-10	-8
Total operating income	2,541	2,315	10	10	2,407	6	8	4,856	4,868	0	2
Profit before loan losses	1,387	1,110	25	25	1,116	24	27	2,497	2,331	7	9
Net loan losses	-59	-40	48	53	-106	-44	-41	-99	-219	-55	-52
Operating profit	1,328	1,070	24	24	1,010	31	34	2,398	2,112	14	16
Diluted earnings per share, EUR	0.27	0.20			0.18			0.47	0.39		
ROE, %	13.9	10.0			9.5			12.0	9.9		

Exchange rates used for Q2 2018 for income statement items are for DKK 7.4477, NOK 9.5953 and SEK 10.1553.

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We build strong and close relationships through our engagement with customers and society. Whenever people strive to reach their goals and realise their dreams, we are there to provide relevant financial solutions. We are the largest bank in the Nordic region and among the ten largest financial groups in Europe in terms of total market capitalisation with around 11 million customers. The Nordea share is listed on the Nasdaq Stockholm, Nasdaq Helsinki and Nasdaq Copenhagen exchanges. Read more about us on nordea.com.

CEO comment

Economic environment

The market conditions that we saw at the beginning of 2018 have continued, characterised by persisting historically low interest rates, relatively low market volatility and with a further accentuation of macroeconomic and political tensions, especially with the escalating trade war between the USA and China as well as Europe creating more uncertainty in the global economy. In the Nordics we are seeing signs that the economic cycle is starting to reach a peak level. As always, we maintain our risk discipline and business selection with a long-term perspective and hence feel comfortable in delivering, whether in a weak or strong economic cycle.

Financial outcome

Business momentum gradually started to improve during the first half of this year. Net interest income stabilised and improved over the quarter. Margins remain under pressure in the household segment, but we see improving volume growth, both among corporates and households. In net fee and commission income, we had a very strong start to the year within the corporate advisory and capital markets businesses while we had an outflow within the asset management operations.

Costs decreased by 8% in local currencies compared to the second quarter of 2017 and 3% compared to the previous quarter. This is a direct result of the cost initiatives we have embarked on. In addition, total cash spending decreased by 13% compared to the second quarter of 2017.

Credit quality continued to be strong with a loan loss level of 10 bps. As sanctions towards Russia may negatively impact the financial situation of some counterparties we have made a collective provision of EUR 69m in respect of the Russian credit portfolio.

Our reported Common Equity Tier 1 (CET1) ratio has again reached an all-time-high level of 19.9% and our management buffer is at 2.4%, well above our target level of 0.5-1.5%.

Delivering value to our customers

In order to meet our customers' demands, we have over the last years been hiring thousands of digital and IT specialists and I am proud to see the innovative and customer-focused work they are delivering. For example, almost 30% of our customer meetings are digital and we have more than 300 robots working for our customers. This is an effective and simple way for us to easily and better serve our customers.

Our efforts on focusing on customers and increasing commercial intensity are starting to show results with not only signs of increasing business momentum but also an upward trend in customer satisfaction surveys especially in Personal Banking Sweden.

In recent years, we have focused our business on our core Nordic markets and customers, aiming to create a simple, safe, trusted, digital and personal Nordic financial services champion. As such, we have deconsolidated the Baltics and are divesting Luxembourg whilst investing in our Nordic business. Our planned acquisition of Gjensidige Bank in Norway is an example of this strategy and our ambition is to continue to grow with our core Nordic markets. The strong capital position that we have built up allows us this possibility.

We are pleased that the European Central Bank recently granted a banking licence to Nordea Bank Abp, Nordea Group's new parent company upon re-domiciliation.

Our aim is to secure a fair, stable and predictable regulatory environment and by domiciling in a country within the Banking Union, we expect this to be achieved as we will be subject to the same regulatory framework as our European peers.

Our technological advancement is continuing to yield tangible results. In Finland, over 750,000 household customers' saving and term deposit accounts are now operating on the new core banking platform. Our customers in Finland can now receive instant payments from friends and business partners across Europe in seconds, around the clock, any day of the year. This is now possible through a new pan-European SEPA Instant payment scheme and Nordea is the first Nordic bank to offer this breakthrough service to customers. Many more achievements have been made including a new integrated credit risk solution which is now operational in the banking business.

33,000 customers have already interacted with our robot saving advisor Nora; 63% of these customers have not saved with Nordea before.

We have launched the blockchain-based platform we.trade in collaboration with eight European banks. we.trade will allow companies to trade in a fast, easy and transparent way and has been named as the "Most innovative use of Blockchain in the Financial Sector 2018" by The Blocks.

Our Open Banking Developer Portal, open for external developers, enables us to develop, in collaboration and partnership, the best possible services and products to our customers in a shorter time. This portal now has 2,000 registered developers and we are a top three bank in the industry in this area.

Our development within the asset management segment continues and the Nordea Global Stars Fund, with enhanced ESG focus, delivered a better performance than any traditional equity fund from the large and leading fund houses, according to independent research from the Danish media Økonomisk Ugebrev.

We have also accelerated our sustainability plan by being the first Nordic bank to introduce a Green corporate loan product to small and medium-sized enterprises. This is offered to customers undertaking initiatives that have a clear environmental impact. The product has been launched in Sweden and will soon be available in Finland, Denmark and Norway.

Within Wholesale Banking we have confirmed our leading pan-Nordic platform as shown in league table positions and recent first place customer rankings for our Nordic debt capital market business. The Telenor cash management mandate highlights the integrated service model and strength of Nordea's transaction banking offering.

All in all, we see that our hard work with the transformation is starting to pay off and we now continue to focus on further improving services and products for our customers.

Casper von Koskull
President and Group CEO

Income statement

EURm	Q2 2018	Q1 2018	Chg %	Local curr. %	Q2 2017	Chg %	Local curr. %	Jan-Jun 2018	Jan-Jun 2017	Chg %	Local curr. %
Net interest income	1,073	1,053	2	2	1,175	-9	-7	2,126	2,372	-10	-8
Net fee and commission income	800	770	4	5	850	-6	-4	1,570	1,716	-9	-7
Net result from items at fair value	260	441	-41	-39	361	-28	-25	701	736	-5	-3
Profit from associated undertakings and joint ventures accounted for under the equity method	33	28			0			61	4		
Other operating income	375	23			21			398	40		
Total operating income	**2,541**	**2,315**	**10**	**10**	**2,407**	**6**	**8**	**4,856**	**4,868**	**0**	**2**
Staff costs	-730	-798	-9	-8	-795	-8	-6	-1,528	-1,594	-4	-2
Other expenses	-350	-336	4	5	-433	-19	-17	-686	-820	-16	-14
Depreciation, amortisation and impairment charges of tangible and intangible assets	-74	-71	4	6	-63	17	21	-145	-123	18	21
Total operating expenses	**-1,154**	**-1,205**	**-4**	**-3**	**-1,291**	**-11**	**-8**	**-2,359**	**-2,537**	**-7**	**-5**
Profit before loan losses	**1,387**	**1,110**	**25**	**25**	**1,116**	**24**	**27**	**2,497**	**2,331**	**7**	**9**
Net loan losses	-59	-40	48	53	-106	-44	-41	-99	-219	-55	-52
Operating profit	**1,328**	**1,070**	**24**	**24**	**1,010**	**31**	**34**	**2,398**	**2,112**	**14**	**16**
Income tax expense	-243	-250	-3	-2	-267	-9	-8	-493	-525	-6	-4
Net profit for the period	**1,085**	**820**	**32**	**33**	**743**	**46**	**49**	**1,905**	**1,587**	**20**	**22**

Business volumes, key items[1]

EURbn	30 Jun 2018	31 Mar 2018	Chg %	Local curr. %	30 Jun 2017	Chg %	Local curr. %
Loans to the public	314.8	310.9	1	1	314.7	0	2
Loans to the public, excl. repos	292.4	287.5	2	2	297.9	-2	1
Deposits and borrowings from the public	176.5	174.0	1	1	189.5	-7	-5
Deposits from the public, excl. repos	166.3	161.0	3	3	176.2	-6	-3
Total assets	570.1	580.2	-2	-2	642.8	-11	-10
Assets under management	307.0	320.1	-4		332.1	-8	
Equity	31.9	31.1	3		31.4	2	

Ratios and key figures[2]

	Q2 2018	Q1 2018	Chg %	Q2 2017	Chg %	Jan-Jun 2018	Jan-Jun 2017	Chg %
Diluted earnings per share, EUR	0.27	0.20	35	0.18	50	0.47	0.39	21
EPS, rolling 12 months up to period end, EUR	0.83	0.74	12	0.88	-6	0.83	0.88	-6
Share price[1], EUR	8.26	8.66	-5	11.12	-26	8.26	11.12	-26
Total shareholders' return, %	3.7	-3.9		10.7		-7.0	11.8	
Equity per share[1], EUR	7.92	7.65	4	7.74	2	7.92	7.74	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, mn	4,037	4,038	0	4,039	0	4,037	4,040	0
Return on equity, %	13.9	10.0		9.5		12.0	9.9	
Cost/income ratio, %	45	52		54		49	52	
Loan loss ratio, basis points[3]	10	7		13		8	14	
Common Equity Tier 1 capital ratio[1,4], %	19.9	19.8		19.2		19.9	19.2	
Tier 1 capital ratio[1,4], %	22.2	22.2		21.4		22.2	21.4	
Total capital ratio[1,4], %	25.4	25.2		24.6		25.4	24.6	
Tier 1 capital[1,4], EURbn	27.2	27.3	0	27.7	-2	27.2	27.7	-2
Risk exposure amount[4], EURbn	123	123	0	130	-5	123	130	-5
Number of employees (FTEs)[1]	29,271	30,082	-3	31,847	-8	29,271	31,847	-8
Economic capital[1], EURbn	26.5	26.2	1	27.3	-3	26.5	27.3	-3

[1] End of period.
[2] For more detailed information regarding ratios and key figures defined as Alternative performance measures, see www.nordea.com/en/investor-relations/.
[3] Including Loans to the public reported in Assets held for sale in Q1 2018.
[4] Including the result for the period.

Income statement
Excluding items affecting comparability[1,2]

EURm	Q2 2018	Q1 2018	Chg %	Local curr. %	Q2 2017	Chg %	Local curr. %	Jan-Jun 2018	Jan-Jun 2017	Chg %	Local curr. %
Net interest income	1,073	1,053	2	2	1,175	-9	-7	2,126	2,372	-10	-8
Net fee and commission income	800	770	4	5	850	-6	-4	1,570	1,716	-9	-7
Net result from items at fair value	260	306	-15	-13	361	-28	-25	566	736	-23	-22
Profit from associated undertakings and joint ventures accounted for under the equity method	33	28			0			61	4		
Other operating income	26	23	13	22	21	24	33	49	40	23	28
Total operating income	**2,192**	**2,180**	**1**	**1**	**2,407**	**-9**	**-7**	**4,372**	**4,868**	**-10**	**-8**
Staff costs	-730	-798	-9	-8	-795	-8	-6	-1,528	-1,594	-4	-2
Other expenses	-350	-336	4	5	-433	-19	-17	-686	-820	-16	-14
Depreciation, amortisation and impairment charges of tangible and intangible assets	-74	-71	4	6	-63	17	21	-145	-123	18	21
Total operating expenses	**-1,154**	**-1,205**	**-4**	**-3**	**-1,291**	**-11**	**-8**	**-2,359**	**-2,537**	**-7**	**-5**
Profit before loan losses	**1,038**	**975**	**6**	**7**	**1,116**	**-7**	**-5**	**2,013**	**2,331**	**-14**	**-12**
Net loan losses	-59	-40	48	53	-106	-44	-41	-99	-219	-55	-52
Operating profit	**979**	**935**	**5**	**5**	**1,010**	**-3**	**-1**	**1,914**	**2,112**	**-9**	**-8**
Income tax expense	-243	-220	10	11	-267	-9	-8	-463	-525	-12	-10
Net profit for the period	**736**	**715**	**3**	**3**	**743**	**-1**	**1**	**1,451**	**1,587**	**-9**	**-7**

Ratios and key figures[1,2]

	Q2 2018	Q1 2018	Chg %	Q2 2017	Chg %	Jan-Jun 2018	Jan-Jun 2017	Chg %
Diluted earnings per share, EUR	0.18	0.18	0	0.18	0	0.36	0.39	-8
EPS, rolling 12 months up to period end, EUR	0.72	0.72	0	0.86	-16	0.72	0.86	-16
Return on equity, %	9.4	8.7		9.5		9.1	9.9	
Cost/income ratio, %	53	55		54		54	52	
ROCAR, %	10.8	10.8		10.6		10.8	11.6	

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

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

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Macroeconomy and financial markets

The second quarter of 2018 was eventful in terms of geopolitics and saw an escalation of trade tensions. The US administration imposed more tariffs on Chinese goods, while China followed suit and retaliated by imposing tariffs on US products, particularly targeting the US agricultural sector. This caused some temporary declines in equity markets, but over the quarter the US S&P 500 equity index increased by 2.93%. Moreover, macroeconomic data in the US came in on the strong side. US core inflation reached 1.96% in May, up from 1.82% in March, and the US unemployment rate decreased to 3.9%, down from 4.1% in March. On the back of this positive data, the US Federal Reserve Bank was not discouraged by trade disputes and raised interest rates in June by 0.25% to 2.0%, which was in line with expectations. Simultaneously, two additional hikes were indicated, exceeding market expectations. The 10-year US government bond yield rose 12 bps (q/q) to 2.86%. In Europe, the two euro-sceptic parties The League and The Five Star Movement formed a majority government in Italy, causing turmoil in financial markets. The 2-year Italian government bond yield started the quarter at a level of -0.23% but reached highs of 2.56% in May and recorded its largest intraday move ever in the process, before ending the quarter at 0.69%. In Germany, Chancellor Angela Merkel's CDU was confronted on immigration by its long-time coalition partner, CSU. Due to the political concerns in Europe, the Eurostoxx 50 index ended the quarter 1.01% higher, down from intra-quarter gains of close to 7%. The 10-year German government bond yield decreased 19 bps to 0.30%, benefiting from safe-haven flows. The ECB disregarded the political noise and announced its intention to end quantitative easing by the end of the year. This did not cause interest rates to rise, however, as the ECB also declared its intention to leave interest rates unchanged until the fall of 2019. Euro-area HICP inflation rose to 1.9% (y/y) in May while the EUR decreased to 1.168 from 1.230 against the USD (q/q). In China, the Shanghai CSI 300 equity index declined 9.84% (q/q), while the USD increased against the Chinese Yuan from 6.290 to 6.621 amid trade concerns. Brent crude oil rose 16.7% (q/q) to 79.23 USD/bbl.

Denmark

Danish GDP grew by 0.4% in the first quarter of 2018. Private consumption was the main driver (up by 0.8% q/q). On the other hand, exports contracted by 0.8% q/q caused by the adverse effect of a stronger Danish krone and a stagnation in global trade. Employment continued to increase as a result of the healthy expansion in the Danish economy. The number of employees was at an all-time high. In Q1, prices of one-family houses increased by 4.9% y/y, while owner-occupied flats were up by 7.2%. Leading indicators pointed to an ongoing expansion in Q2. In May, retail sales increased sharply and consumer confidence was at the highest level since mid-2015. Business surveys were more mixed, again probably related to rising uncertainty about increased protectionism in global trade. The Danish central bank maintained its -0.65% deposit rate in Q2 2018 and did not intervene in the foreign exchange market. Danish equities fell by 1.6% during the quarter, while the 10-year swap rate fell by 11 bps to 1.02%.

Finland

The Finnish economy expanded by 3.0% (y/y) in the first quarter of 2018. Export growth decreased to 0.3% (y/y) in the first quarter of 2018, down from 7.8% (y/y) at the end of 2017. Domestic demand remained strong, mainly due to high consumer confidence, improving employment and low inflation. Core inflation increased to 1.1% (y/y), up from 0.9% (y/y) in the first quarter of 2018. Finnish equity markets gained 4.2%. The Finnish 10-year government bond yield ended 12 bps lower at 0.48%.

Norway

The Norwegian economy expanded at a healthy pace in the first quarter of 2018. Growth continued its trend through 2017 of 0.6-0.7% (q/q) and forward-looking indicators pointed towards a continuation of this trend in H2 2018. Employment was growing at a brisk pace supporting consumption growth, oil investments were on the rise again and the mainland export industries took advantage of the still weak NOK. Unemployment continued to decrease towards normal levels. The drop in unemployment was the strongest in counties where oil-related activities are important. House prices rose in 2018 after the decline in 2017. Norges Bank kept its key policy rate unchanged at 0.5% at its June meeting as widely anticipated, and the central bank confirmed its plan of a first rate hike in September this year. The 2-year swap rate decreased by 5 bps to 1.45% in Q2, while the 10-year swap rate decreased by 8 bps to 2.16%. The NOK was 1.5% stronger in trade-weighted terms in Q2 and equities were up by 9%.

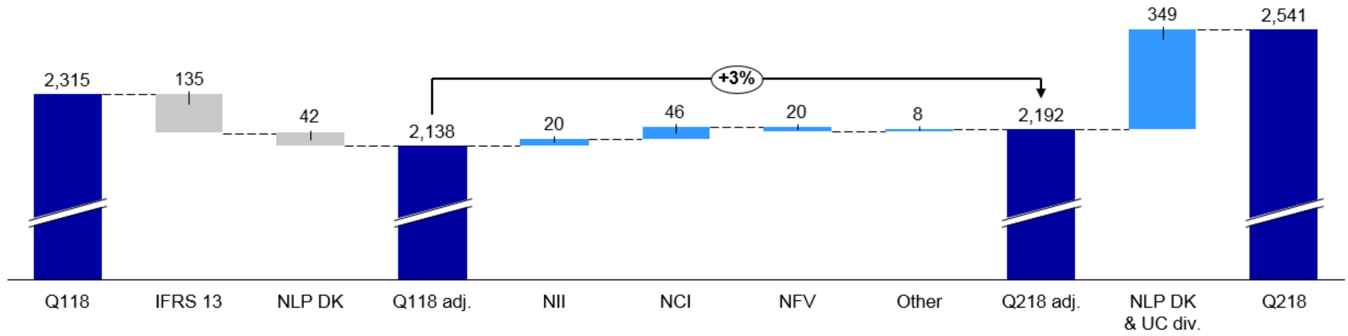
Sweden

The Swedish economy continued to grow in the first quarter of 2018 with GDP growing by 0.7% (q/q) and 3.3% (y/y). Investments in fixed capital grew by 2.8% (q/q) and household consumption expenditures rose by 0.8% (q/q), while net exports decreased by 1.2% (q/q). The decline in exports coincided with a slowdown in GDP growth in the euro area, the US and the UK, key markets for Swedish exports. Housing investments continued to slow down in the first quarter, on the back of a decline in housing prices that reduced margins for housebuilders. Indicators for GDP growth for the second quarter indicated a slowdown in growth. Weak performance in exports and falling housing investments were the main causes of the decline, while employment increased strongly. The unemployment rate was at 6.2% in Q1. Higher energy prices boosted CPIF inflation, which stood at 2.1% in the second quarter. However, excluding energy the inflation trend remained modest. The Riksbank left the repo rate unchanged at -0.5% at the April meeting, and increased its CPIF inflation forecast for the coming year to 1.9%. The trade-weighted SEK weakened by 1%, and Swedish equities were up by 1.56% in the second quarter. The 10-year government bond yield declined to 0.51%, 16 bps lower compared to the previous quarter.

Group results and performance

Second quarter 2018

Total operating income



Total revenues impacted by non-recurring revenues in both Q1 and Q2 2018. The underlying revenues are up 3%. Both net interest income and net fee and commission income are somewhat higher while net fair value is somewhat lower.

Net interest income

Net interest income in local currencies increased 2% from the previous quarter mainly due to a refund of resolution fees in Finland and a lower fee in Sweden. Lending margins decreased in Personal Banking (Sweden and Norway) and in Wealth Management while they were unchanged in Commercial & Business Banking and slightly down in Wholesale Banking. Deposit margins were largely unchanged.

Net interest income for Personal Banking was down 2% in local currencies from the previous quarter, mainly due to lower lending margins in Sweden (list price change and higher funding cost) and in Norway (increased average NIBOR).

Net interest income for Commercial & Business Banking was up 5% in local currencies from the previous quarter driven by a positive impact from state guarantee fees and day effect.

Net interest income in Wholesale Banking was up 8% in local currencies from the previous quarter driven by lower resolution fees and lower funding costs combined with slightly higher average lending.

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

Net interest income in Group Functions and Other was EUR 64m compared to EUR 55m in the previous quarter due to unallocated resolution fees.

Lending volumes

Loans to the public in local currencies, excluding repos, were up 2% from the previous quarter. Average lending volumes in local currencies were up in Personal Banking mostly driven by Norway as well as in Commercial & Business Banking and Wholesale Banking driven by Corporate & Investment Banking. Volumes were down in Wealth Management driven by Private Banking.

Deposit volumes

Total deposits from the public in local currencies, excluding repos, increased by 3% from the previous quarter. Average deposit volumes were up in all business areas except for Wholesale Banking where deposit volumes were down.

Net interest income per business area

								Local currency	
	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Q2/Q1	Q2/Q2
EURm									
Personal Banking	483	498	525	537	520	-3%	-7%	-2%	-5%
Commercial & Business Banking	303	292	282	285	287	4%	6%	5%	8%
Wholesale Banking	204	190	164	185	190	7%	7%	8%	12%
Wealth Management	19	18	23	24	25	6%	-24%	6%	-24%
Group Functions and other	64	55	115	154	153	-	-	-	-
Total Group	**1,073**	**1,053**	**1,109**	**1,185**	**1,175**	**2%**	**-9%**	**2%**	**-7%**

Change in Net interest income

	Q2/Q1	Jan-Jun 18/17
EURm		
NII beginning of period	**1,053**	**2,372**
Margin driven NII	**-38**	**-96**
Lending margin	-38	-104
Deposit margin	0	8
Volume driven NII	**7**	**-17**
Lending volume	9	-13
Deposit volume	-2	-4
Day count	14	0
Other[1,2]	37	-133
NII end of period	**1,073**	**2,126**
[1] of which FX	-3	-63
[2] of which Baltics	-	-57

Net fee and commission income

Net fee and commission income increased by 5% in local currencies from the previous quarter driven by brokerage and lending net commission income mainly in Wholesale Banking supported by several large deals.

Savings and investment commissions

Net fee and commission income from savings and investments increased from the previous quarter to EUR 510m. AuM decreased to EUR 307.0bn at the end of the quarter.

Net flow was negative and amounted to EUR -5.7bn compared to EUR -3.6bn in the previous quarter. AuM in Q2 was impacted mainly by the sale of 45% of Nordea Life and Pension Denmark as well as negative flow in both Wholesale Distribution and Nordic Institutional Sales.

Payments and cards and lending-related commissions

Lending-related net fee and commission income increased from the previous quarter to EUR 142m. Payments and cards net fee and commission income increased to EUR 139m from the previous quarter due to lower commission expenses.

Net fee and commission income per business area

								Local currency	
	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Q2/Q1	Q2/Q2
EURm									
Personal Banking	176	172	160	177	182	2%	-3%	5%	1%
Commercial & Business Banking	112	116	125	110	127	-3%	-12%	-3%	-9%
Wholesale Banking	152	121	132	140	133	26%	14%	28%	19%
Wealth Management	358	371	427	389	409	-4%	-12%	-4%	-12%
Group Functions and other	2	-10	-5	-2	-1	-	-	-	-
Total Group	**800**	**770**	**839**	**814**	**850**	**4%**	**-6%**	**5%**	**-4%**

Net fee and commission income per category

								Local currency	
	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Q2/Q1	Q2/Q2
EURm									
Savings and investments, net	510	485	547	524	539	5%	-5%	6%	-5%
Payments and cards, net	139	130	124	137	148	7%	-6%	8%	-4%
Lending-related, net	142	129	147	149	151	10%	-6%	11%	-4%
Other commissions, net	9	26	21	4	12	-	-	-	-
Total Group	**800**	**770**	**839**	**814**	**850**	**4%**	**-6%**	**5%**	**-4%**

Assets under Management (AuM), volumes and net inflow

	Q218	Q118	Q417	Q317	Q217	Net inflow Q218
EURbn						
Nordic Retail funds	60.0	58.6	61.5	61.2	60.6	-0.8
Private Banking	96.3	96.1	98.9	101.8	102.9	-0.6
Institutional sales	100.9	92.5	96.2	94.6	94.4	-4.3
Life & Pensions	49.8	72.9	73.8	73.3	74.2	0
Total	**307.0**	**320.1**	**330.4**	**330.9**	**332.1**	**-5.7**

Net result from items at fair value

The net result from items at fair value decreased by 41% from the previous quarter to EUR 260m and decreased 28% from the same quarter in 2017. Net fair value in Q2 was negatively impacted by soft trading environment and sale of 45% of Nordea Life and Pension Denmark. However, revenues from customer areas improved.

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

The net fair value result for the business units decreased to EUR 191m from EUR 292m in the previous quarter. Q1 included a positive EUR 135m valuation impact related to Danish mortgages (IFRS 13). Customer-driven capital markets activities in the customer business were higher than in the previous quarter mainly driven by Corporate and Investment Banking. The underlying business level in Q2 was negatively affected by margin pressure and continued low volatility in the capital markets.

Life & Pensions

The net result from items at fair value for Life & Pensions decreased EUR 23m from the previous quarter to EUR 26m mainly impacted by sale of 45% of Nordea Life and Pension Denmark.

Wholesale Banking other

The net fair value result for Wholesale Banking other, i.e. income from managing the risks inherent in customer transactions, decreased to EUR 18m from EUR 92m in the previous quarter mainly due to continued low market volatility and lower spreads.

Group Functions and Other

The net fair value result in Group Functions and Other increased to EUR 25m (from EUR 8m in the previous quarter).

Net result from items at fair value per area

EURm	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2
Personal Banking	16	91	15	15	17	-82%	-6%
Commercial & Business Banking	58	120	58	62	74	-52%	-22%
Wholesale Banking customer units	91	69	99	70	51	32%	79%
Wealth Mgmt. excl. Life	26	12	7	6	10		
Wholesale Banking excl. Customer units	18	92	-16	103	127	-80%	-86%
Life & Pensions	26	49	62	51	57	-47%	-54%
Group Functions and other	25	8	10	50	25	-	-
Total Group	**260**	**441**	**235**	**357**	**361**	**-41%**	**-28%**
Total, excl. items affecting comparability[1]	**260**	**306**	**235**	**357**	**361**	**-15%**	**-28%**

[1] In Q1 2018: EUR 135m one-off gain from valuation model update in Denmark.

Equity method

Income from companies accounted for under the equity method was EUR 33m, up from EUR 28m in the previous quarter with VISA amounting to EUR 3m (EUR 4m in Q1 2018) and Luminor contributing EUR 25m (EUR 18m in Q1 2018).

Other operating income

Other operating income was EUR 375m, up from EUR 23m in the previous quarter mostly driven by sales of units: sale of 45% of Nordea Life and Pension Denmark (EUR 262m in Q2) and divestment of shares in UC (EUR 87m in Q2).

Total operating income

Total income increased by 10% in local currencies from the previous quarter to EUR 2,541m.

Total operating income per business area

								Local currency	
EURm	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Q2/Q1	Q2/Q2
Personal Banking	677	769	699	729	725	-12%	-7%	-11%	-4%
Commercial & Business Banking	483	536	474	464	496	-10%	-3%	-9%	0%
Wholesale Banking	465	472	379	498	501	-1%	-7%	-1%	-4%
Wealth Management	437	454	525	476	507	-4%	-14%	-3%	-14%
Group Functions and other	479	84	151	206	178	-	-	-	-
Total Group	**2,541**	**2,315**	**2,228**	**2,373**	**2,407**	**10%**	**6%**	**10%**	**8%**
Total, excl items affecting comparability[1]	**2,192**	**2,180**	**2,228**	**2,373**	**2,407**	**1%**	**-9%**	**-5%**	**-7%**

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

Total expenses

Total expenses in the second quarter amounted to EUR 1,154m, down 3% in local currencies from the previous quarter and down 8% from the second quarter of 2017 in local currencies. The second quarter included transformation costs of EUR 23m (EUR 18m in Q1 2018).

Staff costs were down 8% in local currencies from the previous quarter and down 6% from the same period in 2017 in local currencies. The second quarter included transformation costs of EUR 15m compared to EUR 18m in Q1 2018.

Other expenses were up 6% in local currencies from the previous quarter. The second quarter included transformation costs of EUR 8m related to closing of branches (EUR 0m in Q1 2018). Also, marketing and travelling costs were slightly up.

Depreciations were up 4% in local currencies from the previous quarter and up 19% from the same quarter of 2017.

The number of employees (FTEs) at the end of the second quarter was 29,271, which is a decrease of 3% or 811 FTEs (of which 479 FTEs are from deconsolidation of Nordea Life and Pension Denmark) from the previous quarter and down 8% from the same quarter of 2017. The decrease versus Q1 2018 stems from all business areas. Group Corporate Centre shows a slightly increase in FTEs.

Expenses related to Group projects, compliance and risk that affected the P&L were EUR 110m, compared to EUR 118m in the previous quarter. In addition, EUR 62m was capitalised from Group projects unchanged from the previous quarter.

The cost/income ratio was down to 45% in the second quarter, compared to 52% in the previous quarter and 54% in the second quarter of 2017.

Total operating expenses

								Local currency	
	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Q2/Q1	Q2/Q2
EURm									
Staff costs	-730	-798	-861	-757	-795	-9%	-8%	-8%	-6%
Other expenses	-350	-336	-425	-377	-433	4%	-19%	6%	-17%
Depreciations	-74	-71	-75	-70	-63	4%	17%	4%	19%
Total Group	**-1,154**	**-1,205**	**-1,361**	**-1,204**	**-1,291**	**-4%**	**-11%**	**-3%**	**-8%**

Total operating expenses per business area

								Local currency	
	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Q2/Q1	Q2/Q2
EURm									
Personal Banking	-423	-429	-450	-409	-435	-1%	-3%	0%	0%
Commercial & Business Banking	-275	-286	-340	-284	-290	-4%	-5%	-3%	-3%
Wholesale Banking	-202	-233	-247	-222	-228	-13%	-11%	-13%	-9%
Wealth Management	-188	-213	-222	-207	-234	-12%	-20%	-11%	-19%
Group Functions and other	-66	-44	-102	-82	-104	-	-	-	-
Total Group	**-1,154**	**-1,205**	**-1,361**	**-1,204**	**-1,291**	**-4%**	**-11%**	**-3%**	**-8%**

Currency fluctuation effects

	Q2/Q1	Q2/Q2	Jan-Jun 18/17
%-points			
Income	-1	-2	-2
Expenses	-1	-2	-2
Operating profit	0	-2	-2
Loan and deposit volumes	0	-2	-4

Net loan losses

Credit quality remained solid with positive net rating migration in Q2 in the retail portfolio and a slightly negative migration in the corporate portfolio.

Net loan losses increased slightly in Q2 to EUR 59m and the loan loss ratio increased to 10 bps (EUR 40m and 7 bps in the previous quarter). Loan losses in Q2 mainly stem from a collective provision on Russian exposures for covering possible losses related to the sanctions imposed by the US, as well as increased collective provisions for household customers. There were net reversals in losses for small and large corporate customers.

Under IFRS 9 all performing exposures are classified as either Stage 1 or 2. Stage 1 if the credit quality is unchanged for the exposure and Stage 2 if the credit quality has deteriorated. All exposures in Stages 1 and 2 are subject to statistically calculated provisions. Credit impaired loans are classified as Stage 3. Provisions for significant Stage 3 exposures are measured on an individual basis, while provisions for insignificant exposures in Stage 3 are measured using a statistical model similar to the one used for Stages 1 and 2.

The net loan loss ratio for exposures in Stage 3 improved to 3 bps (Q1: 21bps). Exposures in Stages 1 and 2 had net loan losses at EUR 42m and the net loan loss ratio ended at 7 bps (Q1: -14 bps).

The overall loan portfolio quality and outlook continue to be stable. Our expectation for the coming quarters is that net losses remain moderate and below the long-term average for the last ten years.

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

	Q218	Q118	Q417	Q317	Q217
Basis points of loans[1,2]					
Loan loss ratios annualised, Group	10	7	9	10	13
of which Stage 1 and 2	7	-14	-11	-2	2
of which Stage 3	3	21	20	12	11
Personal Banking total	11	7	2	1	7
Banking Denmark[1]	93	75	-8	-1	11
Banking Finland	20	11	2	1	4
Banking Norway	3	0	0	4	0
Banking Sweden	1	1	3	2	2
Commercial & Business Banking	-17	-10	15	12	8
Wholesale Banking[1]	53	31	20	22	34
Corporate & Investment Banking (CIB)	-8	39	37	34	49
of which C&IB excl. SOO	-22	23	24	11	15
of which Shipping, Offshore & Oil Services (SOO)	14	16	13	23	34
Banking Russia	1236	-70	-87	62	88

[1] Including loans at fair value until Q4 2017. The change mainly relates to PeB DK, Wholesale Banking and Nordea Group ratio. Stage 3 figures for Q417 earlier are individual losses defined under IAS39 as individual. Stages 1 & 2 figures for Q417 and earlier are collective losses defined under IAS39.
[2] Negative amount are net reversals.

Credit portfolio

Total lending to the public, excluding reverse repurchase agreements, increased by 2% to EUR 292bn from EUR 288bn in Q1. In local currencies, total lending increased by 1% from Q1. Lending to households remained unchanged, whereas both corporate lending and public sector lending increased during the quarter.

Loans measured at fair value to the public excl. repos were EUR 58bn (Q1: EUR 57bn). This includes the Danish mortgage lending which is measured at fair value.

Lending to the public measured at amortised cost was EUR 234bn (Q1: EUR 230bn). Of this portfolio EUR 5.13bn is impaired loans in Stage 3 (Q1: EUR 5.21bn). The decrease from Q1 is 2% and the reduction was related to the household sector in all four Nordic countries whereas the level was unchanged for corporates.

The gross impairment rate (Stage 3) is 204 bps for loans at amortised cost (Q1 215 bps). Allowances in relation to impaired loans (Stage 3) are 35% (Q1 36%).

Profit

Operating profit
Operating profit increased to EUR 1,328m, up 24% in local currencies compared to the previous quarter, and up 34% in local currencies compared to the same quarter of 2017.

Taxes
Income tax expense was EUR 243m compared to EUR 250m in the previous quarter. The effective tax rate was 18.4%, compared to 23.2% in the previous quarter and 26.4% in the second quarter last year.

Net profit
Net profit increased 33% in local currencies from the previous quarter to EUR 1,085m. Return on equity was 13.9%, up from 10.0% in the previous quarter.

Diluted earnings per share were EUR 0.27 (EUR 0.20 in the previous quarter).

Operating profit per business area

								Local currency	
	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Q2/Q1	Q2/Q2
EURm									
Personal Banking	224	321	240	315	266	-30%	-16%	-30%	-13%
Commercial & Business Banking	235	267	105	155	189	-12%	24%	-12%	26%
Wholesale Banking	199	204	97	236	209	-2%	-5%	-3%	-3%
Wealth Management	249	241	303	269	273	3%	-9%	4%	-8%
Group Functions and other	421	37	51	115	73	-	-	-	-
Total Group	**1,328**	**1,070**	**796**	**1,090**	**1,010**	**24%**	**31%**	**24%**	**34%**
Total, excl. items affecting comparability[1]	**979**	**935**	**796**	**1,090**	**1,010**	**5%**	**-3%**	**5%**	**-1%**

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

First half year 2018 compared to first half year 2017

Total income was up 2% in local currencies and unchanged in EUR from the prior year and operating profit was up 16% in local currencies and 14% in EUR from the previous year.

Income
Net interest income was down 8% in local currencies and 10% in EUR from 2017. Average lending volumes in business areas in local currencies were down by 5% compared to 2017 driven by lower volumes in Wholesale Banking. Average deposit volumes were also down by 9% predominantly in Wholesale Banking.

Net fee and commission income decreased 7% in local currencies and 9% in EUR from the previous year.

Net result from items at fair value decreased in local currencies by 3% and by 5% in EUR from 2017.

Expenses
Total expenses were down 5% in local currencies and 7% in EUR from the previous year and amounted to EUR 2,359m. Staff costs were down 2% in local currencies and down 4% in EUR.

Net loan losses
Net loan loss provisions decreased to EUR 99m (down from EUR 219m in first half year 2017), corresponding to a loan loss ratio of 8 bps (down from 14 bps in first half year 2017).

Net profit
Net profit increased 22% in local currencies and 20% in EUR and amounted to EUR 1,905m.

Currency fluctuation impact
Currency fluctuations had a negative effect on income, expenses and operating profit of 2% points and a negative effect of 4% points on loan and deposit volumes compared to a year ago.

Other information

Capital position and risk exposure amount (REA)

The Nordea Group's Basel III common equity tier 1 (CET1) capital ratio increased to 19.9% at the end of the second quarter 2018 compared to 19.8% at the end of the first quarter 2018. Risk exposure amount, REA, decreased by EUR 0.1bn. The decrease was mainly driven by reduced credit risk, mainly due to lower standardised exposures and a lower average risk weight in the corporate portfolio, partly offset by increased market risk. CET1 capital increased EUR 0.1bn. The increase was driven by net profit generated during the period including a EUR 100m dividend payment from Nordea's life and pension operations, somewhat offset by larger intangible assets and pension deductions.

The tier 1 capital ratio decreased to 22.2% from 22.3% compared to the previous quarter and the total capital ratio increased to 25.4% from 25.2% compared to the previous quarter.

At the end of the second quarter 2018, the CET1 capital was EUR 24.4bn, the tier 1 capital was EUR 27.2bn and the Own Funds were EUR 31.1bn.

The CRR leverage ratio decreased to 5.0%, compared to 5.1% in the previous quarter.

Economic Capital (EC) was EUR 26.5bn at the end of the second quarter, an increase of EUR 0.3bn compared to the first quarter of the year. The increase stems from increased market risk in Pillar II, increased Intangibles and Nordea Life & Pension components, somewhat offset by a decreased IRB shortfall.

The Group´s Internal Capital Requirement (ICR) was at the end of the second quarter EUR 13.0bn. The decreased credit risk was fully offset by increased pension risk. The ICR should be compared to the own funds, which were EUR 31.1bn. The ICR is calculated based on a Pillar I plus Pillar II approach. For more detailed information about the ICR methodology see the Capital and Risk Management Report.

Capital ratios

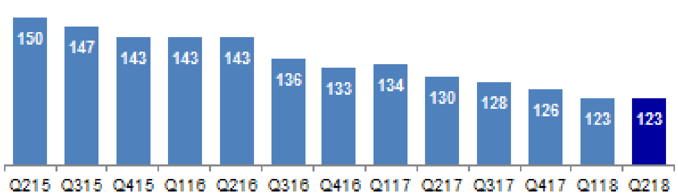
%	Q218	Q118	Q417	Q317	Q217
CRR/CRDIV					
CET 1 cap. ratio	19.9	19.8	19.5	19.2	19.2
Tier 1 capital ratio	22.2	22.3	22.3	21.4	21.4
Total capital ratio	25.4	25.2	25.2	24.5	24.6

Regulatory developments

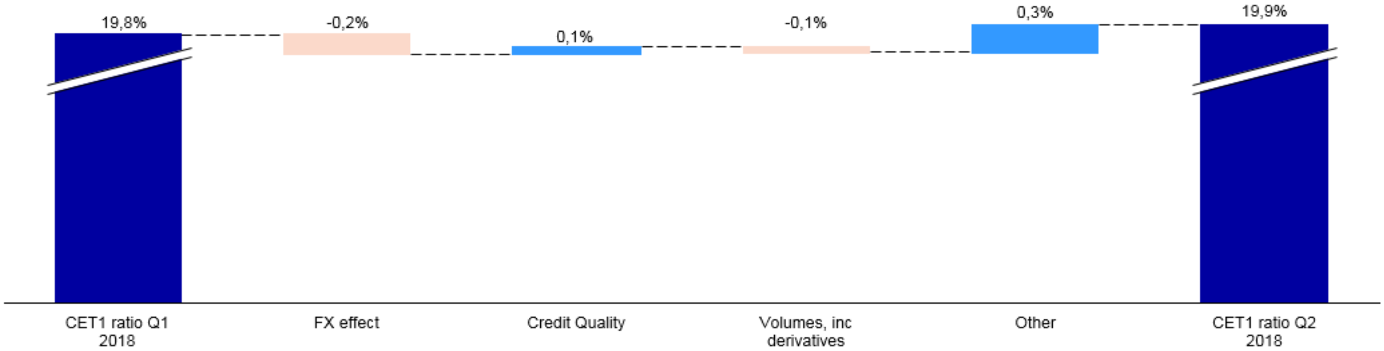
On 31 May, the Swedish FSA issued a memo on an amendment to its Pillar 2 method for the interest rate risk in the banking book. The amendment is, according to the Swedish FSA (SFSA), a minor adjustment which removes own credit spreads from the calculation.

On 29 June, the Finnish FSA decided to activate the systemic risk buffer (SRB) in Finland. For the Nordea Group the SRB requirement is set at 3% to be met by common equity tier 1 capital and will be applicable from 1 July 2019. In addition, the Finnish FSA (FIN-FSA) also decided to activate the other systemically important institutions buffer (O-SII) as well as the global systemically important credit institution buffer (G-SII). The O-SII buffer for the Nordea Group is set at 2% and will be applicable from 1 January 2019 while the G-SII buffer is set at 1% and will be applicable from 1 January 2020; both buffers are to be met with common equity tier 1 capital. However, the higher of SRB and G-SII/O-SII is applicable. Hence, from 1 January to 30 June 2019 the buffer will be 2% (based on the O-SII), from the 1 July 2019 the buffer will be increased to 3% since the SRB will then be the higher of the buffers. A condition for the decisions to enter into effect, valid for all three buffers, is that the SFSA does not oppose the merger of Nordea Bank AB with Nordea Bank Abp.

Risk exposure amount, REA (EURbn), quarterly



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



Balance sheet

Total assets in the balance sheet decreased by 1% in local currencies and amounted to EUR 570.1bn in the quarter. Loans to credit institutions were EUR 4bn lower than in the previous period, while the asset values of derivatives and interest-bearing securities were slightly higher than in the previous period.

Loans to the public were slightly up in the quarter and amounted to EUR 315bn compared to EUR 311bn in the previous quarter.

Other assets decreased by EUR 14bn from the previous quarter.

Balance sheet data

	Q218	Q118	Q417	Q317	Q217
EURbn					
Loans to credit institutions	13	17	9	14	21
Loans to the public	315	311	310	314	315
Derivatives	44	42	46	49	53
Interest-bearing securities	75	73	75	88	91
Other assets	123	137	142	150	163
Total assets	**570**	**580**	**582**	**615**	**643**
Deposits from credit inst.	50	50	40	54	70
Deposits from the public	176	174	172	182	190
Debt securities in issue	178	175	179	183	185
Derivatives	45	38	43	45	53
Other liabilities	89	112	114	118	114
Total equity	32	31	33	32	31
Total liabilities and equity	**570**	**580**	**582**	**615**	**643**

Nordea's funding and liquidity operations

Nordea issued approx. EUR 10.2bn in long-term funding in the second quarter excluding Danish covered bonds and subordinated notes, of which approx. EUR 5.9bn represented the issuance of Finnish, Swedish and Norwegian covered bonds in domestic and international markets. Public benchmark transactions during the quarter included a EUR 1bn 7-year fixed rate Covered Bond issued by Nordea Mortgage Bank and a GBP 300m 5-year floating rate Covered Bond issued by Nordea Eiendomskreditt.

Nordea has commenced issuance of Senior Non-Preferred debt in Q2 with a EUR 1bn 5-year fixed rate note and a SEK 3bn 5-year dual tranche fixed and floating rate note, both issued by Nordea Bank AB. Nordea has used a contractual Senior Non-Preferred solution that ensures alignment with the EU's Credit Hierarchy Directive once implemented in Sweden or Finland.

Nordea's long-term funding portion of total funding at the end of the second quarter was approx. 84%.

Nordea was awarded "Most Impressive Financial Institution Borrower" by Global Capital in May and received the "Awards for Excellence: 2018 Best Euro Deal: Core" in June from The Covered Bond Report for Nordea Mortgage Bank's dual tranche 5-year and 15-year Covered Bond issued in February.

Short-term liquidity risk is measured using several metrics and the Liquidity Coverage Ratio (LCR) is one such metric. The LCR for the Nordea Group was, according to the CRR LCR definition, 147% at the end of the second quarter. The LCR in EUR was 154% and in USD 160% at the end of the first quarter. The liquidity buffer is composed of highly liquid central bank eligible securities and cash with characteristics like CRD IV high-quality liquid assets and amounted to EUR 96bn at the end of the second quarter (EUR 91bn at the end of the first quarter).

The long-term liquidity risk is measured as Net Stable Funding Ratio (NSFR). At the end of the second quarter 2018, Nordea's NSFR was 104.5% (Q1 103.5%).

Funding and liquidity data

	Q218	Q118*	Q417	Q317	Q217
Long-term funding portion	84%	83%	81%	81%	80%
LCR total	147%	174%	147%	143%	141%
LCR EUR	154%	192%	257%	187%	203%
LCR USD	160%	180%	170%	161%	165%

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

Market risk

Total market risk, measured as Value at Risk, in the trading book was EUR 12m, a small decrease from the previous quarter (EUR 13m).

Trading book

	Q218	Q118	Q417	Q317	Q217
EURm					
Total risk, VaR	12	13	11	13	10
Interest rate risk, VaR	11	13	10	10	12
Equity risk, VaR	2	1	3	2	4
Foreign exchange risk, VaR	2	2	5	9	2
Credit spread risk, VaR	4	4	4	5	5
Diversification effect	40%	39%	50%	48%	59%

Total market risk, measured as Value at Risk, in the banking book slightly increased to EUR 38m (EUR 37m in the previous quarter).

Banking book

	Q218	Q118	Q417	Q317	Q217
EURm					
Total risk, VaR	38	37	46	47	52
Interest rate risk, VaR	38	38	47	48	53
Equity risk, VaR	3	5	3	4	4
Foreign exchange risk, VaR	1	3	3	2	2
Credit spread risk, VaR	1	1	1	1	1
Diversification effect	11%	20%	15%	14%	14%

Nordea share and ratings

Nordea's share price and ratings as at the end of Q2 2018.

	Nasdaq STO (SEK)	Nasdaq COP (DKK)	Nasdaq HEL (EUR)
12/30/2016	101.30	78.65	10.60
3/31/2017	102.30	79.90	10.72
6/30/2017	107.20	83.15	11.14
9/30/2017	110.40	85.15	11.44
12/31/2017	99.30	75.20	10.1
3/31/2018	89.10	63.12	8.61
6/30/2018	86.28	61.38	8.25

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

Update on Nordea to re-domicile to Banking Union

On 25 October 2017, the Board of Directors of each of Nordea Bank AB (publ) and Nordea Holding Abp signed a joint cross-border merger plan that was presented to the shareholders on 15 March 2018 at the AGM 2018 for their approval. The AGM 2018 voted in favour of the merger proposal with 95.8% of the votes.

On 27 June 2017, the European Central Bank granted to Nordea Holding Abp a banking licence. The received banking licence is part of the preparation for Nordea's move into the Banking Union and the merger of Nordea Bank AB (publ) into Nordea Holding Abp. The execution of the merger is further conditional upon e.g. receiving the requisite regulatory approvals. The merger, and consequently the re-domiciliation, is planned to be effected during the second half of 2018, tentatively on 1 October 2018. The merger plan and a prospectus can be found on www.nordea.com.

Update on sale of Nordea Liv & Pension Denmark

In Q4 2017, Nordea announced that Foreningen Norliv will purchase an additional 45% of the share capital in Danish Nordea Liv & Pension, livforsikringsselskab A/S conditional on approval by the Danish FSA and the antitrust authorities. The transaction was closed on 16 April 2018 and generated a post-tax capital gain of EUR 138m in Q2 2018. The remaining holding in the associated company (30%) was remeasured to fair value and led to an additional post-tax gain of EUR 124m for the Nordea Group in Q2 2018.

Update on sale of collection portfolio in Denmark

In Q4 2017 Nordea signed an agreement to divest a portfolio of non-performing loans in Denmark. The portfolio consists of around 40,000 claims, the principal value amounts to approximately EUR 500m and the transaction is expected to generate a capital gain of roughly EUR 40-50m. Should the loans not fulfil contractual terms, buyers will be compensated. The financial effects are expected to be accounted for in the income statement in 2018 as the loan documentation is transferred to the buyers. EUR 5m was recognised in "Net result from items at fair value" in Q2 2018.

Update on sale of International Private Banking in Luxembourg

Nordea has communicated the sale of certain assets and liabilities and the transfer of certain employees of its International Private Banking arm in Luxembourg to UBS. From the Q1 2018 report, assets and liabilities in scope are reclassified to "Assets/Liabilities held for sale" and amounted to EUR 1.5bn/EUR 2.3bn in Q2. The closing is scheduled for H2 2018.

Divestment of shares in UC AB

The Finnish credit information company Asiakastieto Group Plc ("Asiakastieto") listed on NASDAQ Helsinki has acquired UC AB ("UC") from the earlier owners, including Nordea, for a purchase price amounting to approximately EUR 340m. Nordea owned 26.1 % of the shares in UC. The transaction was closed on 29 June and Nordea received 2,303,315 shares in Asiakastieto, equivalent to 9.6% of the shares in the company, and approximately EUR 26m in cash. The transaction resulted in a capital gain amounting to EUR 87m for Nordea, which was recognised as "Other operating income" in Q2 2018.

Acquisition of Gjensidige Bank

Nordea has entered into an agreement with Gjensidige Forsikring ASA to acquire all shares in Gjensidige Bank ASA. The agreement also includes a long-term strategic mutual distribution cooperation with Gjensidige Forsikring ASA in Norway.

Gjensidige Bank is one of Norway's leading online banks. The bank offers private individuals a suite of digital banking services, mortgages, car financing, unsecured loans and savings and investments distributed online and through a network of strong partners.

Nordea plans to acquire Gjensidige Bank for an estimated cash consideration of NOK 5,500m (EUR 578m) that will be adjusted for the equity generated by Gjensidige Bank until closing of the transaction. The planned acquisition, which is subject to e.g. regulatory and other approvals, is expected to close in the first quarter of 2019. Furthermore, the planned acquisition is expected to have a positive impact on Nordea's earnings per share from year one, a return on investment of approximately 16% by 2022 and reduce Nordea's CET1 capital ratio by approximately 60 bps.

Quarterly development, Group

EURm	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Jan-Jun 2018	Jan-Jun 2017
Net interest income	1,073	1,053	1,109	1,185	1,175	2,126	2,372
Net fee and commission income	800	770	839	814	850	1,570	1,716
Net result from items at fair value	260	441	235	357	361	701	736
Profit from associated undertakings and joint ventures accounted for under the equity method	33	28	16	3	0	61	4
Other operating income	375	23	29	14	21	398	40
Total operating income	**2,541**	**2,315**	**2,228**	**2,373**	**2,407**	**4,856**	**4,868**
General administrative expenses:							
Staff costs	-730	-798	-861	-757	-795	-1,528	-1,594
Other expenses	-350	-336	-425	-377	-433	-686	-820
Depreciation, amortisation and impairment charges of tangible and intangible assets	-74	-71	-75	-70	-63	-145	-123
Total operating expenses	**-1,154**	**-1,205**	**-1,361**	**-1,204**	**-1,291**	**-2,359**	**-2,537**
Profit before loan losses	**1,387**	**1,110**	**867**	**1,169**	**1,116**	**2,497**	**2,331**
Net loan losses	-59	-40	-71	-79	-106	-99	-219
Operating profit	**1,328**	**1,070**	**796**	**1,090**	**1,010**	**2,398**	**2,112**
Income tax expense	-243	-250	-167	-258	-267	-493	-525
Net profit for the period	**1,085**	**820**	**629**	**832**	**743**	**1,905**	**1,587**
Diluted earnings per share (DEPS), EUR	0.27	0.20	0.15	0.21	0.18	0.47	0.39
DEPS, rolling 12 months up to period end, EUR	0.83	0.74	0.75	0.87	0.88	0.83	0.88

Business areas

	Personal Banking		Commercial & Business Banking		Wholesale Banking		Wealth Management		Group Functions, Other and Eliminations		Nordea Group		
	Q2 2018	Q1 2018	Q2 2018	Q1 2018	Q2 2018	Q1 2018	Q2 2018	Q1 2018	Q2 2018	Q1 2018	Q2 2018	Q1 2018	*Chg*
EURm													
Net interest income	483	498	303	292	204	190	19	18	64	55	1,073	1,053	*2%*
Net fee and commission income	176	172	112	116	152	121	358	371	2	-10	800	770	*4%*
Net result from items at fair value	16	91	58	120	109	161	52	61	25	8	260	441	*-41%*
Equity method & other income	2	8	10	8	0	0	8	4	388	31	408	51	
Total operating income	**677**	**769**	**483**	**536**	**465**	**472**	**437**	**454**	**479**	**84**	**2,541**	**2,315**	**10%**
Total operating expenses	**-423**	**-429**	**-275**	**-286**	**-202**	**-233**	**-188**	**-213**	**-66**	**-44**	**-1,154**	**-1,205**	**-4%**
Net loan losses	-30	-19	27	17	-64	-35	0	0	8	-3	-59	-40	*48%*
Operating profit	**224**	**321**	**235**	**267**	**199**	**204**	**249**	**241**	**421**	**37**	**1,328**	**1,070**	**24%**
Cost/income ratio, %	62	56	57	53	43	49	43	47	-	-	45	52	
ROCAR, %	9	14	12	14	8	8	32	29	-	-	11[1]	11[1]	
Economic capital (EC)	7,352	7,200	6,063	5,986	7,505	7,442	2,429	2,342	3,185	3,254	26,534	26,224	*1%*
Risk exposure amount (REA)	27,245	26,888	33,097	33,069	39,196	38,529	5,518	5,525	17,512	18,668	122,568	122,679	*0%*
Number of employees (FTEs)	10,580	10,746	4,862	5,150	3,464	3,489	3,267	3,759	7,098	6,938	29,271	30,082	*-3%*
Volumes, EURbn:													
Lending to corporates[2]	0.8	1.1	71.8	70.9	76.0	74.7	-	-	5.0	3.1	153.6	149.8	*3%*
Household mortgage lending[3]	123.9	123.0	7.0	7.1	0	0	5.9	6.7	-	-	136.8	136.8	*0%*
Consumer lending[3]	19.4	19.4	2.1	2.1	-	-	2.9	2.8	-	-	24.4	24.3	*0%*
Total lending	**144.1**	**143.5**	**80.9**	**80.1**	**76.0**	**74.7**	**8.8**	**9.5**	**5.0**	**3.1**	**314.8**	**310.9**	**1%**
Corporate deposits[2]	2.4	2.3	37.6	36.1	48.6	52.5	-	-	-2.5	-3.3	86.1	87.6	*-2%*
Household deposits[3]	74.2	72.5	3.0	3.0	0.1	0.1	13.0	10.8	-	-	90.3	86.4	*5%*
Total deposits	**76.6**	**74.8**	**40.6**	**39.1**	**48.7**	**52.6**	**13.0**	**10.8**	**-2.5**	**-3.3**	**176.4**	**174.0**	**1%**

[1] Excluding items affecting comparability

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

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

	Personal Banking		Commercial & Business Banking		Wholesale Banking		Wealth Management		Group Functions, Other and Eliminations		Nordea Group		
	Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	*Chg*
EURm													
Net interest income	981	1,047	595	569	394	390	37	50	119	316	2,126	2,372	*-10%*
Net fee and commission income	348	369	228	240	273	300	729	811	-8	-4	1,570	1,716	*-9%*
Net result from items at fair value	107	32	178	141	270	369	113	147	33	47	701	736	*-5%*
Equity method & other income	10	7	18	29	0	4	12	11	419	-7	459	44	
Total operating income	**1,446**	**1,455**	**1,019**	**979**	**937**	**1,063**	**891**	**1,019**	**563**	**352**	**4,856**	**4,868**	**0%**
Total operating expenses	**-852**	**-861**	**-561**	**-579**	**-435**	**-464**	**-401**	**-450**	**-110**	**-183**	**-2,359**	**-2,537**	**-7%**
Net loan losses	-49	-31	44	-34	-99	-154	0	0	5	0	-99	-219	*-55%*
Operating profit	**545**	**563**	**502**	**366**	**403**	**445**	**490**	**569**	**458**	**169**	**2,398**	**2,112**	**14%**
Cost/income ratio, %	59	59	55	59	46	44	45	44	-	-	49	52	
ROCAR, %	11	13	13	9	8	8	30	32	-	-	11[1]	12[1]	
Economic capital (EC)	7,352	6,532	6,063	6,330	7,505	8,462	2,429	2,541	3,185	3,471	26,534	27,336	*-3%*
Risk exposure amount (REA)	27,245	25,912	33,097	33,965	39,196	43,492	5,518	5,742	17,512	20,599	122,568	129,710	*-6%*
Number of employees (FTEs)	10,580	11,614	4,862	5,480	3,464	3,949	3,267	3,607	7,098	7,197	29,271	31,847	*-8%*
Volumes, EURbn:													
Lending to corporates[2]	0.8	1.0	71.8	71.0	76.0	75.1	-	-	5.0	1.8	153.6	148.9	*3%*
Household mortgage lending[3]	123.9	125.3	7.0	7.2	0	0	5.9	7.3	-	-	136.8	139.8	*-2%*
Consumer lending[3]	19.4	20.2	2.1	2.3	-	-	2.9	3.5	-	-	24.4	26.0	*-6%*
Total lending	**144.1**	**146.5**	**80.9**	**80.5**	**76.0**	**75.1**	**8.8**	**10.8**	**5.0**	**1.8**	**314.8**	**314.7**	**0%**
Corporate deposits[3]	2.4	2.5	37.6	36.5	48.6	59.5	-	-	-2.5	-0.1	86.1	98.4	*-13%*
Household deposits[3]	74.2	74.4	3.0	3.1	0.1	0.1	13.0	13.5	-	-	90.3	91.1	*-1%*
Total deposits	**76.6**	**76.9**	**40.6**	**39.6**	**48.7**	**59.6**	**13.0**	**13.5**	**-2.5**	**-0.1**	**176.4**	**189.5**	**-7%**

[1] Excluding items affecting comparability

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

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

Personal Banking

Nordea has the largest customer base of any bank in the Nordic region. In Personal Banking 10,500 people serve close to 10 million household customers offering a full range of financial services and solutions through a combination of physical and digital channels. The business area includes advisory and service staff, channels, product units, back office and IT under a common strategy, operating model and governance across markets.

Through strong engagement and valuable advice, the aim is that Personal Banking customers entrust Nordea with all their banking business. Reflecting the rapid changes in customer preferences, Personal Banking's relationship banking concept is increasingly focused around digital and mobile offering, accompanying physical and assisted channels.

Business development

Personal Banking continues with its significant transformation, both in the distribution network and by delivering on the customer expectations on digitalisation and service. While transforming, intense efforts to improve customer satisfaction are bearing fruit, with improvement in Sweden and a stable upward trend overall in the Nordics.

The influence of digitalisation changes what customers expect from Personal Banking. More and more customers prefer to obtain advice online. In the second quarter 26% of total customer meetings were held online and the total number of online meetings increased by 10% compared to same quarter last year.

During the second quarter, Personal Banking launched a new improved user experience in the Nordea mobile banking app and a fully digitalised sales process for savings accounts, utilising the core banking platform in Finland that more than 750,000 saving and term deposit accounts have also been migrated to. Nora, our robot advisor, now serves customers both in Sweden and Finland ensuring convenient access to investment advice. During the second quarter a new cooperation agreement with NITO, a union with 86,000 members was signed in Norway.

The Nordic launch of Apple Pay was completed by introducing the service as the first bank in Norway and the strategy of actively developing new services through partnerships was continued with the investment into the Danish start-up Subaio, which offers a solution for easy overview of subscriptions. It is expected that the service will be available to Danish customers through Nordea Wallet in September.

At the beginning of July, we announced the planned acquisition of Gjensidige Bank, and strategic partnership with Gjensidige. This will improve Nordea's presence in the Norwegian household market and our capabilities within consumer lending, as well as our long-term growth opportunities.

Result

Total income decreased 11% compared to the previous quarter in local currencies, due to revaluation of a loan portfolio in the first quarter.

Net interest income was down 2% in local currencies compared to the previous quarter, as lending margins decreased mainly due to higher funding cost in Norway and Sweden in addition to a reduction of list prices of mortgages in Sweden. Lending volumes were up 1% from the previous quarter and up 1% compared to the same period last year, on the back of good momentum in the mortgage market in both Denmark and Norway. The Swedish mortgage portfolio is also showing encouraging signs that the negative trend has turned, and that volumes should be growing in the upcoming months, taking the time lag between loan applications and signed loans into account.

Net fee and commission income increased 5% compared to the previous quarter in local currencies. This was driven by increased payments and savings income, following from sound growth in savings-related activities and an increasing number of customer meetings.

Expenses decreased slightly from the previous quarter due to lower staff costs and were stable compared to last year, despite transformation costs of EUR 10m booked in the second quarter.

Personal Banking Denmark

Total income decreased 30% compared to the first quarter primarily due to the revaluation of a loan portfolio, following implementation of IFRS 9 at the beginning of the year.

Net interest income increased 2% following business momentum within the housing market that has led to a positive volume development, which compensated for slightly decreasing income from consumer lending.

Net fee and commission income decreased 2% compared to the previous quarter due to income from general insurance sales being booked in the first quarter.

Total expenses increased from the previous quarter due to transformation costs. The number of FTEs decreased from last quarter.

Loan losses remained at the same level as in the previous quarter.

Personal Banking Finland

Total income increased 5% from the previous quarter while decreased 8% from the same period last year.

Net interest income was up 8% from the first quarter due to decreased funding costs whereas net commission income increased driven by the savings income development and annually booked income from the sale of general insurance. Lending volumes increased 1% from the same period last year while the development was stable from the previous quarter.

Total expenses increased 6% from the previous quarter and 2% compared to the same period last year due to transformation costs. The number of FTEs decreased compared to the previous quarter and the same quarter last year.

Loan losses increased EUR 7m in the second quarter due to an increased provisioning level, driven by IFRS 9 statistical model changes. The increase in economic capital is driven by the raised risk weight level of mortgage loans.

Personal Banking Norway

Total income in local currency was up 6% in the second quarter, driven mainly by higher net fee and commission income and net result from items at fair value. Net interest income in local currency was unchanged from last quarter. Income increase from volume growth was offset by increased 3 months NIBOR. Non-interest income increased 17% from the previous quarter. The development was mainly driven by seasonal increase in card income and income from sale of general insurance. Lending volumes were up 2% in local currency, driven by improved mortgage lending and consumer lending. Deposit volumes increased 7% from last quarter driven by seasonal development.

Total expenses in local currency decreased by 8% from the previous quarter due to transformation cost booked in the first quarter.

Loan losses remained low in the quarter.

Personal Banking Sweden

Total income was down 5% in local currency from the same period last year and 8% down compared to previous quarter.

Net interest income decreased 9% from the previous quarter mainly due to lower margin on both deposit and lending. Lending margin decreased during the quarter due to changed pricing on mortgage loans and higher funding cost. The mortgage portfolio showed encouraging signs of business momentum picking up, and lending volume increased during the second quarter following a higher inflow of new mortgage loans and new household customers. Deposit volumes were up 3% in local currency compared to the second quarter last year and 2% compared to the previous quarter.

Net fee and commission income increased 2% in local currencies compared to the previous quarter due to growth in both lending and payment commission income.

Total expenses were down 2% in local currency from the same period last year following the ongoing structural change in the branch network.

Net loan losses remained at a low level.

Credit quality

Loan losses increased by EUR 11m mainly due to IFRS 9 statistical model changes made in Finland.

Distribution agreement with Wealth Management

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

Personal Banking total

								Local curr.				Jan-Jun 18/17	
	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Q2/Q1	Q2/Q2	Jan-Jun 18	Jan-Jun 17	EUR	Local
EURm													
Net interest income	483	498	525	537	520	-3%	-7%	-2%	-5%	981	1,047	-6%	-3%
Net fee and commission income	176	172	160	177	182	2%	-3%	5%	1%	348	369	-6%	-3%
Net result from items at fair value	16	91	15	15	17	-82%	-6%	-82%	-11%	107	32	0%	0%
Equity method & other income	2	8	-1	0	6					10	7		
Total income incl. allocations	**677**	**769**	**699**	**729**	**725**	**-12%**	**-7%**	**-11%**	**-4%**	**1,446**	**1,455**	**-1%**	**2%**
Total expenses incl. allocations	**-423**	**-429**	**-450**	**-409**	**-435**	**-1%**	**-3%**	**0%**	**0%**	**-852**	**-861**	**-1%**	**2%**
Profit before loan losses	**254**	**340**	**249**	**320**	**290**	**-25%**	**-12%**	**-24%**	**-10%**	**594**	**594**	**0%**	**3%**
Net loan losses	-30	-19	-9	-5	-24					-49	-31		
Operating profit	**224**	**321**	**240**	**315**	**266**	**-30%**	**-16%**	**-30%**	**-13%**	**545**	**563**	**-3%**	**0%**
Cost/income ratio, %	62	56	64	56	60					59	59		
ROCAR, %	9	14	11	15	12					11	13		
Economic capital (EC)	7,352	7,200	7,013	6,755	6,532	2%	13%	2%	16%	7,352	6,532	13%	16%
Risk exposure amount (REA)	27,245	26,888	25,167	25,393	25,912	1%	5%	1%	7%	27,245	25,912	5%	7%
Number of employees (FTEs)	10,580	10,746	11,022	11,403	11,614	-2%	-9%	-2%	-9%	10,580	11,614	-9%	-9%
Volumes, EURbn:													
Lending to corporates[1]	0.8	1.1	1.1	1.1	1.0	-27%	-20%	-9%	11%	0.8	1.0	-20%	11%
Household mortgage lending	123.9	123.0	124.2	126.3	125.3	1%	-1%	1%	1%	123.9	125.3	-1%	1%
Consumer lending	19.4	19.4	19.8	20.2	20.2	0%	-4%	0%	-3%	19.4	20.2	-4%	-3%
Total lending	**144.1**	**143.5**	**145.1**	**147.6**	**146.5**	**0%**	**-2%**	**1%**	**1%**	**144.1**	**146.5**	**-2%**	**1%**
Corporate deposits[1]	2.4	2.3	2.3	2.3	2.5	4%	-4%	0%	-4%	2.4	2.5	-4%	-4%
Household deposits	74.2	72.5	73.1	74.2	74.4	2%	0%	3%	2%	74.2	74.4	0%	2%
Total deposits	**76.6**	**74.8**	**75.4**	**76.5**	**76.9**	**2%**	**0%**	**3%**	**2%**	**76.6**	**76.9**	**0%**	**2%**

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

Personal Banking total excl. Distribution agreement with Wealth Management

								Local curr.				Jan-Jun 18/17	
	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Q2/Q1	Q2/Q2	Jan-Jun 18	Jan-Jun 17	EUR	Local
EURm													
Net interest income	482	499	522	535	518	-3%	-7%	-2%	-5%	981	1,043	-6%	-3%
Net fee and commission income	296	293	289	302	303	1%	-2%	2%	0%	589	611	-4%	-1%
Net result from items at fair value	16	91	16	16	18	-82%	-11%	-82%	-11%	107	33	0%	0%
Equity method & other income	2	7	-1	1	6					9	7		
Total income incl. allocations	**796**	**890**	**826**	**854**	**845**	**-11%**	**-6%**	**-10%**	**-3%**	**1,686**	**1,694**	**0%**	**2%**
Total expenses incl. allocations	**-453**	**-462**	**-480**	**-441**	**-465**	**-2%**	**-3%**	**-1%**	**0%**	**-915**	**-923**	**-1%**	**2%**
Profit before loan losses	**343**	**428**	**346**	**413**	**380**	**-20%**	**-10%**	**-19%**	**-7%**	**771**	**771**	**0%**	**3%**
Net loan losses	-30	-18	-9	-4	-24					-48	-32		
Operating profit	**313**	**410**	**337**	**409**	**356**	**-24%**	**-12%**	**-23%**	**-9%**	**723**	**739**	**-2%**	**0%**
Cost/income ratio, %	57	52	58	52	55					54	54		
ROCAR, %	12	16	14	18	15					14	16		
Economic capital (EC)	7,741	7,689	7,491	7,252	7,015	1%	10%	1%	14%	7,741	7,015	10%	14%
Risk exposure amount (REA)	27,245	26,888	25,167	25,393	25,912	1%	5%	1%	7%	27,245	25,912	5%	7%
Number of employees (FTEs)	10,580	10,746	11,022	11,403	11,614	-2%	-9%	-2%	-9%	10,580	11,614	-9%	-9%
Volumes, EURbn:													
Lending to corporates[1]	0.8	1.1	1.1	1.1	1.0	-27%	-20%	-9%	11%	0.8	1.0	-20%	11%
Household mortgage lending	123.9	123.0	124.2	126.3	125.3	1%	-1%	1%	1%	123.9	125.3	-1%	1%
Consumer lending	19.4	19.4	19.8	20.2	20.2	0%	-4%	0%	-3%	19.4	20.2	-4%	-3%
Total lending	**144.1**	**143.5**	**145.1**	**147.6**	**146.5**	**0%**	**-2%**	**1%**	**1%**	**144.1**	**146.5**	**-2%**	**1%**
Corporate deposits[1]	2.4	2.3	2.3	2.3	2.5	4%	-4%	0%	-4%	2.4	2.5	-4%	-4%
Household deposits	74.2	72.5	73.1	74.2	74.4	2%	0%	3%	2%	74.2	74.4	0%	2%
Total deposits	**76.6**	**74.8**	**75.4**	**76.5**	**76.9**	**2%**	**0%**	**3%**	**2%**	**76.6**	**76.9**	**0%**	**2%**

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

Personal Banking Denmark

EURm	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Jan-Jun 18	Jan-Jun 17	Jan/Jun 18/17
Net interest income	131	129	138	143	146	2%	-10%	260	295	-12%
Net fee and commission income	46	47	35	42	44	-2%	5%	93	94	-1%
Net result from items at fair value	3	83	2	2	2	-96%		86	4	0%
Equity method & other income	0	-1	-1	-1	0			-1	0	
Total income incl. allocations	**180**	**258**	**174**	**186**	**192**	**-30%**	**-6%**	**438**	**393**	**11%**
Total expenses incl. allocations	**-136**	**-132**	**-132**	**-131**	**-131**	**3%**	**4%**	**-268**	**-264**	**2%**
Profit before loan losses	**44**	**126**	**42**	**55**	**61**	**-65%**	**-28%**	**170**	**129**	**32%**
Net loan losses	-7	-8	8	1	-11			-15	-14	
Operating profit	**37**	**118**	**50**	**56**	**50**	**-69%**	**-26%**	**155**	**115**	**35%**
Cost/income ratio, %	76	51	76	70	68			61	64	
ROCAR, %	8	26	12	14	12			16	16	
Economic capital (EC)	1,463	1,416	1,354	1,280	1,258	3%	16%	1,463	1,258	16%
Risk exposure amount (REA)	7,617	7,589	7,348	7,363	7,541	0%	1%	7,617	7,541	1%
Number of employees (FTEs)	2,110	2,162	2,233	2,353	2,368	-2%	-11%	2,110	2,368	-11%
Volumes, EURbn:										
Lending to corporates	0.2	0.3	0.3	0.3	0.3	-33%	-33%	0.2	0.3	-33%
Household mortgage lending	29.9	29.5	29.3	29.4	29.5	1%	1%	29.9	29.5	1%
Consumer lending	8.6	8.7	8.9	9.1	9.2	-1%	-7%	8.6	9.2	-7%
Total lending	**38.7**	**38.5**	**38.5**	**38.8**	**39.0**	**1%**	**-1%**	**38.7**	**39.0**	**-1%**
Corporate deposits	2.0	2.1	2.1	1.9	2.0	-5%	0%	2.0	2.0	0%
Household deposits	22.9	22.3	22.2	22.4	22.6	3%	1%	22.9	22.6	1%
Total deposits	**24.9**	**24.4**	**24.3**	**24.3**	**24.6**	**2%**	**1%**	**24.9**	**24.6**	**1%**

Personal Banking Finland

EURm	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Jan-Jun 18	Jan-Jun 17	Jan/Jun 18/17
Net interest income	95	88	99	101	96	8%	-1%	183	191	-4%
Net fee and commission income	47	46	47	50	52	2%	-10%	93	104	-11%
Net result from items at fair value	3	3	5	5	5	0%	-40%	6	11	-45%
Equity method & other income	0	1	0	0	4			1	4	
Total income incl. allocations	**145**	**138**	**151**	**156**	**157**	**5%**	**-8%**	**283**	**310**	**-9%**
Total expenses incl. allocations	**-110**	**-104**	**-116**	**-105**	**-108**	**6%**	**2%**	**-214**	**-217**	**-1%**
Profit before loan losses	**35**	**34**	**35**	**51**	**49**	**3%**	**-29%**	**69**	**93**	**-26%**
Net loan losses	-16	-9	-2	-1	-3			-25	-4	
Operating profit	**19**	**25**	**33**	**50**	**46**	**-24%**	**-59%**	**44**	**89**	**-51%**
Cost/income ratio, %	76	75	77	67	69			76	70	
ROCAR, %	4	5	8	12	11			4	11	
Economic capital (EC)	1,495	1,488	1,372	1,302	1,315	0%	14%	1,495	1,315	14%
Risk exposure amount (REA)	8,084	8,006	6,893	6,858	6,876	1%	18%	8,084	6,876	18%
Number of employees (FTEs)	2,154	2,234	2,395	2,471	2,625	-4%	-18%	2,154	2,625	-18%
Volumes, EURbn:										
Lending to corporates	0	0	0.1	0.1	0			0	0	
Household mortgage lending	26.6	26.6	26.6	26.5	26.3	0%	1%	26.6	26.3	1%
Consumer lending	5.7	5.7	5.6	5.6	5.6	0%	2%	5.7	5.6	2%
Total lending	**32.3**	**32.3**	**32.3**	**32.2**	**31.9**	**0%**	**1%**	**32.3**	**31.9**	**1%**
Corporate deposits	0.1	0.1	0.1	0.1	0.1	0%		0.1	0.1	
Household deposits	21.1	20.8	20.7	20.6	20.7	1%	2%	21.1	20.7	2%
Total deposits	**21.2**	**20.9**	**20.8**	**20.7**	**20.8**	**1%**	**2%**	**21.2**	**20.8**	**2%**

Personal Banking Norway

								Local curr.				Jan-Jun 18/17	
	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Q2/Q1	Q2/Q2	Jan-Jun 18	Jan-Jun 17	EUR	Local
EURm													
Net interest income	87	86	92	95	90	1%	-3%	0%	0%	173	178	-3%	3%
Net fee and commission income	22	18	21	22	23	22%	-4%	17%	-5%	40	43	-7%	-5%
Net result from items at fair value	6	2	2	3	3	0%	0%	0%	0%	8	5	60%	60%
Equity method & other income	1	2	0	0	1					3	1		
Total income incl. allocations	**116**	**108**	**115**	**120**	**117**	**7%**	**-1%**	**6%**	**2%**	**224**	**227**	**-1%**	**4%**
Total expenses incl. allocations	**-58**	**-62**	**-57**	**-56**	**-57**	**-6%**	**2%**	**-8%**	**4%**	**-120**	**-120**	**0%**	**5%**
Profit before loan losses	**58**	**46**	**58**	**64**	**60**	**26%**	**-3%**	**24%**	**0%**	**104**	**107**	**-3%**	**2%**
Net loan losses	-2	0	0	-3	0					-2	-1		
Operating profit	**56**	**46**	**58**	**61**	**60**	**22%**	**-7%**	**20%**	**-4%**	**102**	**106**	**-4%**	**1%**
Cost/income ratio, %	50	57	50	47	49					54	53		
ROCAR, %	12	11	14	15	15					11	13		
Economic capital (EC)	1,468	1,404	1,312	1,293	1,185	5%	24%	3%	23%	1,468	1,185	24%	23%
Risk exposure amount (REA)	4,993	4,801	4,414	4,539	4,849	4%	3%	2%	2%	4,993	4,849	3%	2%
Number of employees (FTEs)	824	816	846	859	843	1%	-2%	1%	-3%	824	843	-2%	-3%
Volumes, EURbn:													
Lending to corporates	0	0.1	0	0	0	0%	0%	0%	0%	0	0	0%	0%
Household mortgage lending	27.3	26.3	25.8	26.7	25.9	4%	5%	2%	5%	27.3	25.9	5%	5%
Consumer lending	1.5	1.4	1.4	1.4	1.3	7%	15%	0%	8%	1.5	1.3	15%	8%
Total lending	**28.8**	**27.8**	**27.2**	**28.1**	**27.2**	**4%**	**6%**	**2%**	**5%**	**28.8**	**27.2**	**6%**	**5%**
Corporate deposits	0.2	0.1	0.1	0.2	0.3	100%	-33%	100%	-33%	0.2	0.3	-33%	-33%
Household deposits	8.8	8.1	8.1	8.4	8.5	9%	4%	6%	2%	8.8	8.5	4%	2%
Total deposits	**9.0**	**8.2**	**8.2**	**8.6**	**8.8**	**10%**	**2%**	**7%**	**1%**	**9.0**	**8.8**	**2%**	**1%**

Personal Banking Sweden

								Local curr.				Jan-Jun 18/17	
	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Q2/Q1	Q2/Q2	Jan-Jun 18	Jan-Jun 17	EUR	Local
EURm													
Net interest income	150	172	183	187	176	-13%	-15%	-9%	-9%	322	360	-11%	-5%
Net fee and commission income	62	63	61	64	62	-2%	0%	2%	7%	125	125	0%	5%
Net result from items at fair value	4	3	6	5	5	33%	-20%	33%	-20%	7	9	-22%	-22%
Equity method & other income	0	5	0	1	0					5	0		
Total income incl. allocations	**216**	**243**	**250**	**257**	**243**	**-11%**	**-11%**	**-8%**	**-5%**	**459**	**494**	**-7%**	**-2%**
Total expenses incl. allocations	**-107**	**-111**	**-116**	**-116**	**-117**	**-4%**	**-9%**	**1%**	**-2%**	**-218**	**-237**	**-8%**	**-3%**
Profit before loan losses	**109**	**132**	**134**	**141**	**126**	**-17%**	**-13%**	**-15%**	**-8%**	**241**	**257**	**-6%**	**-1%**
Net loan losses	-1	-1	-4	-2	-2					-2	-5		
Operating profit	**108**	**131**	**130**	**139**	**124**	**-18%**	**-13%**	**-15%**	**-8%**	**239**	**252**	**-5%**	**0%**
Cost/income ratio, %	50	46	46	45	48					48	48		
ROCAR, %	13	15	15	17	15					14	15		
Economic capital (EC)	2,586	2,565	2,660	2,572	2,473	1%	5%	2%	14%	2,586	2,473	5%	14%
Risk exposure amount (REA)	4,767	4,781	4,889	4,948	4,956	0%	-4%	1%	4%	4,767	4,956	-4%	4%
Number of employees (FTEs)	1,929	1,933	1,936	1,978	2,058	0%	-6%	-1%	-7%	1,929	2,058	-6%	-7%
Volumes, EURbn:													
Lending to corporates	0.6	0.7	0.7	0.7	0.7	-14%	-14%	-14%	0%	0.6	0.7	-14%	0%
Household mortgage lending	40.1	40.6	42.5	43.7	43.6	-1%	-8%	0%	0%	40.1	43.6	-8%	0%
Consumer lending	3.6	3.6	3.9	4.1	4.1	0%	-12%	3%	-5%	3.6	4.1	-12%	-5%
Total lending	**44.3**	**44.9**	**47.1**	**48.5**	**48.4**	**-1%**	**-8%**	**0%**	**-1%**	**44.3**	**48.4**	**-8%**	**-1%**
Corporate deposits	0.1	0	0	0.1	0.1	0%	0%	0%	0%	0.1	0.1	0%	0%
Household deposits	21.4	21.3	22.1	22.8	22.6	0%	-5%	2%	3%	21.4	22.6	-5%	3%
Total deposits	**21.5**	**21.3**	**22.1**	**22.9**	**22.7**	**1%**	**-5%**	**2%**	**3%**	**21.5**	**22.7**	**-5%**	**3%**

Personal Banking Other

	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Jan-Jun 18	Jan-Jun 17	Jan/Jun 18/17
EURm										
Net interest income	20	23	13	11	12			43	23	
Net fee and commission income	-1	-2	-4	-1	1			-3	3	
Net result from items at fair value	0	0	0	0	2			0	3	
Equity method & other income	1	1	0	0	1			2	2	
Total income incl. allocations	**20**	**22**	**9**	**10**	**16**			**42**	**31**	
Total expenses incl. allocations	**-12**	**-20**	**-29**	**-1**	**-22**			**-32**	**-23**	
Profit before loan losses	**8**	**2**	**-20**	**9**	**-6**			**10**	**8**	
Net loan losses	-4	-1	-11	0	-8			-5	-7	
Operating profit	**4**	**1**	**-31**	**9**	**-14**			**5**	**1**	
Economic capital (EC)	340	327	315	309	301			340	301	
Number of employees (FTEs)	3,563	3,601	3,612	3,742	3,720	-1%	-4%	3,563	3,720	-4%

Commercial & Business Banking

Commercial & Business Banking consists of Business Banking, Transaction Banking and Nordea Finance.

Commercial & Business Banking applies a relationship-driven customer service model with a customer-centric value proposition for our corporate customers. Our strategy is to be trusted, relevant and easy to deal with.

Close to 4,900 people work in the Commercial & Business Banking area.

In Business Banking, large and medium-sized corporates are served in a relationship-driven model securing high availability and ability to solve complex customer needs. Small corporates are served in a remote set-up in Business Banking Direct with increased flexibility in the organisation to ensure fast response to changes in customer demand and market development. Business Banking operates in Denmark, Sweden, Norway and Finland serving more than 550,000 corporate customers from close to 100 locations across the Nordics.

Transaction Banking is an integral division of Nordea serving all customer segments. The product and service offering includes cash management, cards, trade finance and the newly established business unit Mobile- & E-Commerce and co-innovation. Nordea's Open Banking and Blockchain/DLT initiatives are also managed by Transaction Banking.

Nordea Finance is responsible for sales finance business and asset-based lending in Nordea covering three different product groups – investment credits, working capital and consumer credits.

Business development

The pace of change in the banking industry is increasing. Our customers' expectations are formed through digital experiences in their daily lives creating high demands on Commercial & Business Banking to deliver great, innovative customer experiences to meet these expectations.

Business Banking

In our quest to meet the high expectations from our customers we transformed during H1 into a more customer-centric and efficient organisational set-up with a clear focus on customer needs and relevance.

To increase availability to our customers we are digitalising and simplifying key processes. During the first half of 2018 we launched pre-approved limits enabling customers to go straight through the credit application process. In addition, we released an initial version of the Online Finance Application in Sweden enabling customers to apply for loans online.

Our work to provide relevant and competent advice to start-ups and high-growth companies has been further expanded to Sweden with the launch of the Start-up & Growth unit adding to our present units in Denmark, Norway and Finland. The concept is appreciated by our customers evidenced by the steady inflow of new customers to these units.

Focus on simplification and automation to free-up valuable time for advisors to spend with customers continues. An example in this area is our KYC robots eliminating manual work and ensuring consistency and quality in customer data.

A milestone in our sustainability work was reached when Nordea as the first bank in the Nordics launched a Green Corporate Loan Product to small and medium sized corporates. This will help our customers take their sustainability work one step further.

Transaction Banking

There has been a strong momentum in the cash management space with increasing customer activity. We have won several major customer deals as of late and have many interesting prospects going forward.

Nordea Connect was launched in Finland and Sweden improving the online buying experience for both consumers and merchants. It is now easier than ever to pay and get paid and as such it is a big step forward for Nordea in the e-commerce arena.

We delivered on our ambition of making payments more convenient and easy for our customers by offering instant euro payments across borders through the SEPA Instant payments scheme as the first bank in the Nordics.

Customers in Norway can now use Apple Pay like customers in the rest of the Nordic countries, both with their private card and using their corporate card (First Card), which was also added to Apple Pay in all countries.

A pilot for the blockchain-based platform, we.trade - developed in collaboration with eight other European banks was launched. we.trade will allow companies to trade in a fast, easy and transparent way and has been named the "Most innovative use of Blockchain in the Financial Sector 2018" by The Blocks.

Nordea Finance

We have seen high activity in working capital, where the demand for receivable finance continues to be strong with improved inflow of new deals for large corporates. The quarter also saw renewals of major agreements with car dealerships.

In consumer finance, customers in Norway can now obtain Nordea financing through a broker, following the successful implementation in Denmark and Finland.

Car loans via the bank channel has been launched in Denmark, as well as an unsecured loan solution in Norway. Both initiatives are giving faster and easier access to financing for consumer customers.

Result

Total income decreased 10% compared to the first quarter, driven by an extraordinary fair value gain in the comparison period related to a new valuation model covering a loan portfolio in Denmark. Excluding this item income increased 2% from the previous quarter.

Net interest income increased 4% from the previous quarter. Lending volumes increased 1% and were broadly based. Deposit volumes increased 4%.

Net fee and commission income decreased by 3% from the first quarter driven by minor nonrepeating items in the first quarter. Underlying business activity has been stable.

Net result from items at fair value decreased 52% from the first quarter which included a model related fair value gain. Excluding this item, net result from items at fair value decreased 2%.

Total expenses decreased 4% from the previous quarter driven by a reduction of the number of employees (FTE) by 6% compared to the previous quarter and by 11% compared to the same quarter last year.

Loan losses decreased further in the second quarter as reversals continued to exceed new provisions. Operating profit decreased 12% from the first quarter; excluding the extraordinary fair value gain in the first quarter operating profit increased 14%. Operating profit was up 24% compared to the same quarter last year.

Economic capital (EC) decreased 5% and Risk Exposure Amount (REA) decreased 2% in local currencies. ROCAR increased 3% points compared to the same quarter last year.

Credit quality

The loan loss ratio was -17 bps, down from -10 bps in the first quarter. The risk development in the portfolio has been positive reflecting broad improvements in the economic conditions across our home markets.

Distribution agreement with Wealth Management

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

Commercial & Business Banking total

	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Local curr. Q2/Q1	Local curr. Q2/Q2	Jan-Jun 18	Jan-Jun 17	Jan-Jun 18/17 EUR	Jan-Jun 18/17 Local
EURm													
Net interest income	303	292	282	285	287	4%	6%	5%	8%	595	569	5%	7%
Net fee and commission income	112	116	125	110	127	-3%	-12%	-3%	-9%	228	240	-5%	-3%
Net result from items at fair value	58	120	58	62	74	-52%	-22%	-52%	-20%	178	141	26%	29%
Equity method & other income	10	8	9	7	8					18	29		
Total income incl. allocations	**483**	**536**	**474**	**464**	**496**	**-10%**	**-3%**	**-9%**	**0%**	**1,019**	**979**	**4%**	**7%**
Total expenses incl. allocations	**-275**	**-286**	**-340**	**-284**	**-290**	**-4%**	**-5%**	**-3%**	**-3%**	**-561**	**-579**	**-3%**	**-1%**
Profit before loan losses	**208**	**250**	**134**	**180**	**206**	**-17%**	**1%**	**-17%**	**3%**	**458**	**400**	**15%**	**17%**
Net loan losses	27	17	-29	-25	-17					44	-34		
Operating profit	**235**	**267**	**105**	**155**	**189**	**-12%**	**24%**	**-12%**	**26%**	**502**	**366**	**37%**	**39%**
Cost/income ratio, %	57	53	72	61	59					55	59		
ROCAR, %	12	14	5	8	9					13	9		
Economic capital (EC)	6,063	5,986	5,921	5,956	6,330	1%	-4%	-3%	-5%	6,063	6,330	-4%	-5%
Risk exposure amount (REA)	33,097	33,069	33,324	34,075	33,965	0%	-3%	-5%	-2%	33,097	33,965	-3%	-2%
Number of employees (FTEs)	4,862	5,150	5,318	5,575	5,480	-6%	-11%	-6%	-11%	4,862	5,480	-11%	-11%
Volumes, EURbn:													
Lending to corporates	71.8	70.9	70.5	71.8	71.0	1%	1%	1%	3%	71.8	71.0	1%	3%
Household mortgage lending[1]	7.0	7.1	7.1	7.1	7.2	-1%	-3%	0%	-1%	7.0	7.2	-3%	-1%
Consumer lending[1]	2.1	2.1	2.2	2.2	2.3	0%	-9%	-2%	-8%	2.1	2.3	-9%	-8%
Total lending	**80.9**	**80.1**	**79.8**	**81.1**	**80.5**	**1%**	**0%**	**1%**	**3%**	**80.9**	**80.5**	**0%**	**3%**
Corporate deposits	37.6	36.1	36.9	36.6	36.5	4%	3%	4%	6%	37.6	36.5	3%	6%
Household deposits[1]	3.0	3.0	3.1	3.0	3.1	0%	-3%	3%	-2%	3.0	3.1	-3%	-2%
Total deposits	**40.6**	**39.1**	**40.0**	**39.6**	**39.6**	**4%**	**3%**	**4%**	**5%**	**40.6**	**39.6**	**3%**	**5%**

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

Commercial & Business Banking excl. Distribution agreement with Wealth Management

	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Local curr. Q2/Q1	Local curr. Q2/Q2	Jan-Jun 18	Jan-Jun 17	Jan-Jun 18/17 EUR	Jan-Jun 18/17 Local
EURm													
Net interest income	304	291	282	285	286	4%	6%	5%	8%	595	569	5%	7%
Net fee and commission income	135	156	167	151	168	-13%	-20%	-12%	-17%	291	322	-10%	-7%
Net result from items at fair value	58	120	58	62	74	-52%	-22%	-52%	-20%	178	141	26%	29%
Equity method & other income	10	9	9	7	9					19	29		
Total income incl. allocations	**507**	**576**	**516**	**505**	**537**	**-12%**	**-6%**	**-11%**	**-4%**	**1,083**	**1,061**	**2%**	**5%**
Total expenses incl. allocations	**-279**	**-295**	**-349**	**-293**	**-299**	**-5%**	**-7%**	**-4%**	**-4%**	**-574**	**-597**	**-4%**	**-1%**
Profit before loan losses	**228**	**281**	**167**	**212**	**238**	**-19%**	**-4%**	**-19%**	**-3%**	**509**	**464**	**10%**	**12%**
Net loan losses	27	17	-29	-25	-16					44	-33		
Operating profit	**255**	**298**	**138**	**187**	**222**	**-14%**	**15%**	**-14%**	**17%**	**553**	**431**	**28%**	**30%**
Cost/income ratio, %	55	51	68	58	56					53	56		
ROCAR, %	13	15	7	9	10					14	10		
Economic capital (EC)	6,156	6,216	6,151	6,186	6,533	-1%	-6%	-5%	-6%	6,156	6,533	-6%	-6%
Risk exposure amount (REA)	33,097	33,069	33,324	34,074	33,966	0%	-3%	-5%	-2%	33,097	33,966	-3%	-2%
Number of employees (FTEs)	4,862	5,150	5,319	5,575	5,480	-6%	-11%	-6%	-11%	4,862	5,480	-11%	-11%
Volumes, EURbn:													
Lending to corporates	71.8	71.0	70.5	71.7	71.0	1%	1%	1%	3%	71.8	71.0	1%	3%
Household mortgage lending[1]	7.0	7.0	7.1	7.1	7.2	0%	-3%	0%	-1%	7.0	7.2	-3%	-1%
Consumer lending[1]	2.1	2.1	2.2	2.3	2.3	0%	-9%	-2%	-8%	2.1	2.3	-9%	-8%
Total lending	**80.9**	**80.1**	**79.8**	**81.1**	**80.5**	**1%**	**0%**	**1%**	**3%**	**80.9**	**80.5**	**0%**	**3%**
Corporate deposits	37.6	36.1	36.9	36.6	36.4	4%	3%	4%	6%	37.6	36.4	3%	6%
Household deposits[1]	3.0	3.0	3.1	3.0	3.1	0%	-3%	3%	-2%	3.0	3.1	-3%	-2%
Total deposits	**40.6**	**39.1**	**40.0**	**39.6**	**39.5**	**4%**	**3%**	**4%**	**5%**	**40.6**	**39.5**	**3%**	**5%**

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

Wholesale Banking

Wholesale Banking provides financial services to Nordea's large corporate and institutional customers. The offering includes a diverse range of financial services within Investment Banking, Markets, Debt & Risk Solutions, Financing, Cash Management and Payment Services.

Wholesale Banking has the leading Large Corporate and Institutional customer franchise in the Nordics and, through Nordea Markets, serves a broad range of Nordea's Commercial & Business Banking, Asset and Wealth Management and Personal Banking customers.

Business development

Customer activity was solid in the first half year with especially Investment Banking-related activities being strong. Challenging general market conditions and implementation of new regulation, e.g. MiFID2 and Global FX Code, provided some headwinds.

Lending volumes are starting to stabilise, reflecting higher customer activity in especially Norway, with somewhat improved market conditions within oil-related sectors, and Sweden in general.

Wholesale Banking was again recognised for its leading large corporate and institutional customer capabilities, and the strong performance is evident from several no. 1 Nordic rankings from external surveys such as Prospera and Extel.

The integration of Wholesale Banking's service model and a higher prioritisation within capital optimisation continued and progress was made within digitalisation, robotics as well as sustainability, e.g. green bonds and loans.

Corporate and Investment Banking

Customer activity improved in the second quarter compared to the previous quarter, reflecting some increased corporate investments and activity in larger event-driven transactions.

Competition remains fierce in the Nordic large corporate segment, resulting in continued pressure on lending margins for new transactions. Customer satisfaction continues to improve towards our clear no. 1 ambition in all our individual local Nordic markets.

Corporate M&A was back on the agenda for many large clients and Nordea acted as adviser to DFDS in their acquisition of U.N. Ro-Ro. Nordea led the IPO of Kojamo in Finland, the largest Finish IPO for more than a decade, and executed several equity share placings in the Norwegian market, including the sale of the Norwegian State's 9.9% stake in SAS.

Further, Nordea's leading advisory and underwriting role in the acquisition of TDC, the largest LBO as of late in the Nordic region, was concluded in the second quarter. The transaction reflects Nordea's broad advisory, financing and product offering and ability to manage complex customer needs.

Customer activity in the shipping business increased during the quarter whilst it remained moderate within the offshore business. Exploration and production spending among oil and gas companies is still low, negatively affecting the offshore market.

In Russia, customer activity continued to be moderate to low despite positive macroeconomic data. The sanctions situation is closely monitored. Customer exposures remained flat in line with the overall strategy of de-risking and focusing on core large corporate customers.

Capital Markets

Capital Markets activity continued to be high in Q2, with supportive equity and debt markets and a high level of deal activity across Nordea's customer base. Strong loan to bond migration in the Nordics continued in the second quarter with Nordea being the no. 1 Nordic provider of bond issuance for our core Nordic corporate and institutional customers.

Wholesale Banking was engaged in several significant Markets-related transactions within both ECM, DCM and FX and showed strong performance in Q2. Nordea Credit Research was awarded no. 1 in Prospera Nordic High Yield Investors survey, one of many leading capital markets awards in the second quarter.

FX volatility was low and hedging activity was therefore modest among our core customers. The FX/MM were negatively affected by the introduction of the FX Global Code. Aggressive price competition continued from local and international banks among the largest corporate and institutional customers.

Sentiment in fixed income markets oscillated between upbeat tones from central banks and the Italian crisis. The latter has had a greater impact on rate levels, with flatter curves, wider credit spreads and higher volatility as a result. Overall, market activity has picked up somewhat, following slightly more volatile markets.

For corporate derivatives, momentum picked up during second quarter of 2018, after a weak first quarter. Nordea's Equities franchise continued to perform well in the second quarter with further selective investments in institutional equity research and sales to cement our Nordic no. 1 ambition. Nordea Research has successfully positioned itself in the new category of commissioned research where we see opportunities to support our core customers.

Result

Total income was EUR 465m, down 1% in local currencies from the previous quarter, mainly due to lower net result from items of fair value. Net interest income was up 8% driven by lower resolution fees and funding cost combined with slightly higher average lending volume.

Net fee and commission was up 28% compared to a weak first quarter driven by significant advisory mandates and event-driven transactions. Net result on items at fair value was down 32% from a strong first quarter, reflecting moderate market activity and compressed margins.

Total expenses decreased significantly in the second quarter and were 9% lower than the corresponding quarter last year. This follows further integration of Wholesale Banking's service model and effective cost management.

Operating profit was EUR 199m, down 5m from the previous quarter, and the business area ROCAR was 8%, unchanged from previous quarter and up 1% from same period last year.

Credit quality

Net loan losses were up due to a general provision for our Russian credit portfolio in view of US sanctions. Loan losses in the shipping and offshore segment were largely unchanged whereas the remaining corporate and institutional portfolio posted net reversals in the second quarter. The loan loss ratio was 53 bps, up 22 bps from the first quarter. For the period Jan-Jun, net loan losses decreased by 36% compared to last year

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Wholesale Banking total

								Local curr.				Jan-Jun 18/17	
	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Q2/Q1	Q2/Q2	Jan-Jun 18	Jan-Jun 17	EUR	Local
EURm													
Net interest income	204	190	164	185	190	7%	7%	8%	12%	394	390	1%	6%
Net fee and commission income	152	121	132	140	133	26%	14%	28%	19%	273	300	-9%	-5%
Net result from items at fair value	109	161	83	173	178	-32%	-39%	-32%	-38%	270	369	-27%	-27%
Equity method & other income	0	0	0	0	0					0	4		
Total income incl. allocations	**465**	**472**	**379**	**498**	**501**	**-1%**	**-7%**	**-1%**	**-4%**	**937**	**1,063**	**-12%**	**-9%**
Total expenses incl. allocations	**-202**	**-233**	**-247**	**-222**	**-228**	**-13%**	**-11%**	**-13%**	**-9%**	**-435**	**-464**	**-6%**	**-3%**
Profit before loan losses	**263**	**239**	**132**	**276**	**273**	**10%**	**-4%**	**11%**	**0%**	**502**	**599**	**-16%**	**-14%**
Net loan losses	-64	-35	-35	-40	-64					-99	-154		
Operating profit	**199**	**204**	**97**	**236**	**209**	**-2%**	**-5%**	**-3%**	**-3%**	**403**	**445**	**-9%**	**-8%**
Cost/income ratio, %	43	49	65	45	46					46	44		
ROCAR, %	8	8	4	9	7					8	8		
Economic capital (EC)	7,505	7,442	7,763	8,113	8,462	1%	-11%			7,505	8,462	-11%	
Risk exposure amount (REA)	39,196	38,529	41,179	43,417	43,492	2%	-10%			39,196	43,492	-10%	
Number of employees (FTEs)	3,464	3,489	3,727	3,958	3,949	-1%	-12%			3,464	3,949	-12%	
Volumes, EURbn:													
Lending to corporates	76.0	74.7	71.1	72.4	75.1	2%	1%			76.0	75.1	1%	
Lending to households	0	0	0	0	0					0	0		
Total lending	**76.0**	**74.7**	**71.1**	**72.4**	**75.1**	**2%**	**1%**	**1%**	**3%**	**76.0**	**75.1**	**1%**	**3%**
Corporate deposits	48.6	52.5	46.9	54.0	59.5	-7%	-18%			48.6	59.5	-18%	
Household deposits	0.1	0.1	0.1	0.1	0.1	0%	0%			0.1	0.1	0%	
Total deposits	**48.7**	**52.6**	**47.0**	**54.1**	**59.6**	**-7%**	**-18%**	**-7%**	**-16%**	**48.7**	**59.6**	**-18%**	**-16%**

Wholesale Banking

EURm	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Jan-Jun 18	Jan-Jun 17	Jan-Jun 18/17
Net interest income, EURm										
C&IB excluding Shipping and Offshore Business	143	137	124	132	132	4%	8%	280	260	8%
Shipping and Offshore Business	48	47	52	56	62	2%	-23%	95	126	-25%
Corporate & Investment Banking	**191**	**184**	**176**	**188**	**194**	**4%**	**-2%**	**375**	**386**	**-3%**
Banking Russia	**15**	**15**	**17**	**25**	**25**	**0%**	**-40%**	**30**	**54**	**-44%**
Other	**-2**	**-9**	**-29**	**-28**	**-29**	**-78%**	**-93%**	**-11**	**-50**	**-78%**
Net loan losses, EURm										
C&IB excluding Shipping and Offshore Business	25	-22	-26	-12	-16			3	-33	
Shipping and Offshore Business	-16	-16	-15	-25	-39			-32	-97	
Corporate & Investment Banking	**9**	**-38**	**-41**	**-37**	**-55**			**-29**	**-130**	
Banking Russia	**-74**	**4**	**4**	**-4**	**-7**			**-70**	**-22**	
Other	**1**	**-1**	**2**	**1**	**-2**			**0**	**-2**	
Lending, EURbn										
C&IB excluding Shipping and Offshore Business	35.7	33.9	34.5	34.3	35.0	5%	2%	35.7	35.0	2%
Shipping and Offshore Business	8.8	8.7	9.2	9.9	10.7	1%	-18%	8.8	10.7	-18%
Corporate & Investment Banking	**44.5**	**42.6**	**43.7**	**44.2**	**45.7**	**4%**	**-3%**	**44.5**	**45.7**	**-3%**
Banking Russia	**2.4**	**2.4**	**2.3**	**2.6**	**3.2**	**0%**	**-25%**	**2.4**	**3.2**	**-25%**
Other	**29.1**	**29.7**	**25.1**	**25.6**	**26.2**	**-2%**	**11%**	**29.1**	**26.2**	**11%**
Deposits, EURbn										
C&IB excluding Shipping and Offshore Business	20.1	20.7	21.9	23.5	22.1	-3%	-9%	20.1	22.1	-9%
Shipping and Offshore Business	3.2	3.1	3.6	3.8	5.1	3%	-37%	3.2	5.1	-37%
Corporate & Investment Banking	**23.3**	**23.8**	**25.5**	**27.3**	**27.2**	**-2%**	**-14%**	**23.3**	**27.2**	**-14%**
Banking Russia	**0.7**	**0.8**	**0.8**	**0.7**	**0.8**	**-13%**	**-13%**	**0.7**	**0.8**	**-13%**
Other	**24.7**	**28.0**	**20.7**	**26.1**	**31.6**	**-12%**	**-22%**	**24.7**	**31.6**	**-22%**

Wealth Management

Wealth Management provides high-quality investment, savings and risk management solutions. It manages customers' assets and provides financial advice to high net worth individuals as well as institutional investors. The area consists of three businesses: Private Banking serving customers from 68 branches in the Nordics; Asset Management actively managing investment funds and mandates as well as serving institutional asset management customers; Life & Pensions serving customers with a full range of pension, endowment and risk products. Wealth Management is the largest Private Bank and Asset Manager as well as one of the biggest Life & Pensions providers in the Nordics.

Business development

Rising protectionism and fear of escalating trade tensions affected the financial markets and consumer behaviour over the most recent quarter. Volatility in equity markets remained high, as the global business cycle is losing momentum with signs of softening growth in 2018. Wealth Management continues to attract assets, offering sturdy returns in an uncertain economic climate.

Nordea's Assets under Management (AuM) decreased to EUR 307bn, down EUR 13.1bn or 4% from the previous quarter, and down 8% from the same quarter last year. Positive market appreciation contributed EUR 3.6bn but was offset by outflow and strategic divestments. The sale of the majority stake in NLP Denmark to Norliv reduced AuM by EUR 11bn.

Net flow in Private Banking amounted to EUR -0.6bn this quarter, as we continue to move customers below threshold to the Premium segment in Personal Banking; adjusted net flow is EUR 0.4bn supported by a clear focus on high net worth customer segments. Second quarter income was EUR 75m, a 6% decrease compared to last quarter, due to declining margins, internal customer transfers and a sharpened focus on regulatory requirements. Underlying business growth was close to expectations. The cost decrease of 17% compared to last year can largely be attributed to extraordinary bookings in Private Banking International in Q2 2017.

Private Banking is focused on enhanced customer acquisition as well as optimising its service and advisory model. Wealth planning services continue to grow in importance, as the complexity of the regulatory environment requires more attention. Renewed uncertainty in the financial markets during the second quarter slowed down private banking customer activities, consequently affecting net flow and performance.

Asset Management realised revenue growth of close to 5%. Following significant AuM growth, there is a clear focus on preserving and building on the current asset base. During the most recent quarter negative net flows were recorded in all distribution channels with overall EUR -4.9bn. Negative net flow in 3rd Party Fund Distribution amounted to EUR 3.1bn and EUR 1.3bn in Institutional Distribution (includes NLP Denmark). The vast majority of the outflow in 3rd Party Fund Distribution is related to the Stable Return fund. In Institutional Distribution it is mainly due to the loss of a small number of institutional mandates due to customers' decision to insource the portfolio management. Net flow in Retail was slightly negative with EUR 0.5bn and was mainly related to Sweden and Luxembourg.

Investment performance remains strong with 85% of all composites outperforming benchmarks over 3 years.

Life & Pensions' gross written premiums reached EUR 987m, which is 51% lower than same quarter of 2017 and 47% lower than the previous quarter. The sale of 45% of Nordea Life and Pension Denmark in April 2018 has lowered the gross written premiums received in Q2 2018, compared to previous quarters. Overall, 91% of market return premium sales were generated by the Nordea distribution network.

Overall, market return and risk products accounted for 94% of total gross written premiums, compared to 90% in the same quarter last year. Market return products amounted to 76% of total AuM in Life & Pensions, increasing from 63% last year.

Result
Second quarter income was EUR 437m, down 4% from the previous quarter and down 14% compared to the same quarter last year.

Costs decreased 12% from the previous quarter and 20% from the same quarter last year due to sale of 45% of Nordea Life and Pension Denmark and extraordinary costs last year in Private Banking international. This offset the higher cost base in Asset Management due to an increase in staff and research costs. Operating profit in the second quarter was EUR 249m, up 3% from the previous quarter and down 9% from the same quarter last year.

Private Banking
Total income was EUR 75m during the second quarter, which is 33% lower than the same period last year. A decrease in trading activity had a negative effect on income in Private Banking. The cost decrease can largely be attributed to extraordinary bookings in Q2 2017. Operating profit stands at EUR -11m and ROCAR at -7%.

Asset Management
Asset Management income was EUR 255m in the second quarter, up 11% from the previous quarter and up 5% from the same quarter last year. The increase was mainly due to positive currency impact that offset the effect from the slight decrease in average AuM. Operating profit was EUR 184m, up 18% from the previous quarter and up 8% from the same quarter last year.

Life & Pensions
Total income was EUR 107m, down 26% from the previous quarter and 31% down from same quarter in 2017. Operating profit was EUR 73m, down 21% from the previous quarter and down 28% from the same quarter in 2017, mainly reflecting the sale of the majority stake in NLP DK.

Wealth Management other
Wealth Management other consists of income and costs related to the Wealth Management business area, but not allocated to the business units.

Wealth Management total

	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Local curr. Q2/Q1	Local curr. Q2/Q2	Jan-Jun 18	Jan-Jun 17	Jan-Jun 18/17 EUR	Jan-Jun 18/17 Local
EURm													
Net interest income	19	18	23	24	25	6%	-24%	6%	-24%	37	50	-26%	-26%
Net fee and commission income	358	371	427	389	409	-4%	-12%	-4%	-12%	729	811	-10%	-10%
Net result from items at fair value	52	61	69	57	67	-15%	-22%	-14%	-21%	113	147	-23%	-23%
Equity method & other income	8	4	6	6	6					12	11		
Total income incl. allocations	**437**	**454**	**525**	**476**	**507**	**-4%**	**-14%**	**-3%**	**-14%**	**891**	**1,019**	**-13%**	**-12%**
Total expenses incl. allocations	**-188**	**-213**	**-222**	**-207**	**-234**	**-12%**	**-20%**	**-11%**	**-19%**	**-401**	**-450**	**-11%**	**-10%**
Profit before loan losses	**249**	**241**	**303**	**269**	**273**	**3%**	**-9%**	**4%**	**-8%**	**490**	**569**	**-14%**	**-13%**
Net loan losses	0	0	0	0	0					0	0		
Operating profit	**249**	**241**	**303**	**269**	**273**	**3%**	**-9%**	**4%**	**-8%**	**490**	**569**	**-14%**	**-13%**
Cost/income ratio, %	43	47	42	43	46					45	44		
ROCAR, %	32	29	35	32	32					30	32		
Economic capital (EC)	2,429	2,342	2,685	2,598	2,541	4%	-4%	4%	-4%	2,429	2,541	-4%	-4%
Risk exposure amount (REA)	5,518	5,525	5,578	5,525	5,742	0%	-4%	0%	-4%	5,518	5,742	-4%	-4%
Number of employees (FTEs)	3,267	3,759	3,690	3,632	3,607	-13%	-9%	-13%	-9%	3,267	3,607	-9%	-9%
Volumes, EURbn:													
AuM	307.0	320.1	330.4	330.9	332.1	-4%	-8%	-4%	-8%	307.0	332.1	-8%	-8%
Total lending	8.8	9.5	10.0	10.5	10.8	-7%	-19%	-7%	-19%	8.8	10.8	-19%	-19%
Total deposits	13.0	10.8	12.9	12.9	13.5	20%	-4%	20%	-4%	13.0	13.5	-4%	-4%

Assets under Management (AuM), volumes and net inflow

	Q218	Q118	Q417	Q317	Q217	Q218 Net inflow
EURbn						
Nordic Retail funds	60.0	58.6	61.5	61.2	60.6	-0.8
Private Banking	96.3	96.1	98.9	101.8	102.9	-0.6
Institutional sales	100.9	92.5	96.2	94.6	94.4	-4.3
Life & Pensions	49.8	72.9	73.8	73.3	74.2	0
Total	**307,0***	**320.1**	**330.4**	**330.9**	**332.1**	**-5.7**

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

Private Banking

EURm	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Jan-Jun 18	Jan-Jun 17	Jan/Jun 18/17
Net interest income	20	20	24	25	25	0%	-20%	40	50	-20%
Net fee and commission income	47	53	76	56	75	-11%	-37%	100	151	-34%
Net result from items at fair value	6	6	7	7	11	0%	-45%	12	28	-57%
Equity method & other income	2	1	0	2	1			3	2	
Total income incl. allocations	**75**	**80**	**107**	**90**	**112**	**-6%**	**-33%**	**155**	**231**	**-33%**
Total expenses incl. allocations	**-86**	**-85**	**-102**	**-95**	**-103**	**1%**	**-17%**	**-171**	**-190**	**-10%**
Profit before loan losses	**-11**	**-5**	**5**	**-5**	**9**			**-16**	**41**	**-139%**
Net loan losses	0	0	0	0	0			0	0	
Operating profit	**-11**	**-5**	**5**	**-5**	**9**			**-16**	**41**	**-139%**
Cost/income ratio, %	115	106	95	106	92			110	82	
ROCAR, %	-7	-3	2	-2	4			-5	8	
Economic capital (EC)	523	491	570	574	609	7%	-14%	523	609	-14%
Risk exposure amount (REA)	2,760	2,726	2,951	2,903	3,080	1%	-10%	2,760	3,080	-10%
Number of employees (FTEs)	1,249	1,278	1,229	1,193	1,203	-2%	4%	1,249	1,203	4%
Volumes, EURbn:										
AuM	96.3	96.1	98.9	101.8	102.9	0%	-6%	96.3	102.9	-6%
Household mortgage lending	5.9	6.7	6.7	7.0	7.3	-12%	-19%	5.9	7.3	-19%
Consumer lending	2.9	2.8	3.3	3.5	3.5	4%	-17%	2.9	3.5	-17%
Total lending	**8.8**	**9.5**	**10.0**	**10.5**	**10.8**	**-7%**	**-19%**	**8.8**	**10.8**	**-19%**
Household deposits	13.0	10.8	12.9	12.9	13.5	20%	-4%	13.0	13.5	-4%
Total deposits	**13.0**	**10.8**	**12.9**	**12.9**	**13.5**	**20%**	**-4%**	**13.0**	**13.5**	**-4%**

Asset Management

EURm	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Jan-Jun 18	Jan-Jun 17	Jan/Jun 18/17
Net interest income	-1	-1	-1	0	0			-2	1	
Net fee and commission income	234	225	267	231	242	4%	-3%	459	474	-3%
Net result from items at fair value	20	5	0	-2	-1			25	2	
Equity method & other income	2	1	3	2	2			3	4	
Total income incl. allocations	**255**	**230**	**269**	**231**	**243**	**11%**	**5%**	**485**	**481**	**1%**
Total expenses incl. allocations	**-71**	**-74**	**-71**	**-66**	**-72**	**-4%**	**-1%**	**-145**	**-141**	**3%**
Profit before loan losses	**184**	**156**	**198**	**165**	**171**	**18%**	**8%**	**340**	**340**	**0%**
Net loan losses	0	0	0	0	0			0	0	
Operating profit	**184**	**156**	**198**	**165**	**171**	**18%**	**8%**	**340**	**340**	**0%**
Cost/income ratio, %	28	32	26	29	30			30	29	
Income/AuM in bp p.a.	47	42	48	42	44			45	44	
Economic capital (EC)	263	261	240	250	249	1%	6%	263	249	6%
Risk exposure amount (REA)	956	997	834	829	869	-4%	10%	956	869	10%
AuM, Retail, PB and Life, EURbn	112.5	124.0	127.4	126.8	125.3	-9%	-10%	112.5	125.3	-10%
AuM, Ext. Inst. & 3rd part. dist., EURbn	100.9	92.5	96.2	94.7	94.4	9%	7%	100.9	94.4	7%
Net inf., Retail, PB and Life, EURbn	-0.6	-0.3	-0.8	-0.1	0.3			-0.6	0.3	
Net inf., Ext. Ins. & 3rd part. dis., EURbn	-4.3	-2.0	0.5	0.4	1.0			-4.3	1.0	
Number of employees (FTEs)	752	711	742	711	688	6%	9%	752	688	9%

Life & Pensions

	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Jan-Jun 18	Jan-Jun 17	Jan/Jun 18/17
EURm										
Net interest income	0	0	0	0	0			0	0	
Net fee and commission income	76	92	86	100	92	-17%	-17%	168	187	-10%
Net result from items at fair value	26	49	62	51	57	-47%	-54%	75	116	-35%
Equity method & other income	5	3	5	4	5			8	10	
Total income incl. allocations	**107**	**144**	**153**	**155**	**154**	**-26%**	**-31%**	**251**	**313**	**-20%**
Total expenses incl. allocations	**-34**	**-52**	**-50**	**-51**	**-53**	**-35%**	**-36%**	**-86**	**-107**	**-20%**
Profit before loan losses	**73**	**92**	**103**	**104**	**101**	**-21%**	**-28%**	**165**	**206**	**-20%**
Net loan losses	0	0	0	0	0			0	0	
Operating profit	**73**	**92**	**103**	**104**	**101**	**-21%**	**-28%**	**165**	**206**	**-20%**
Cost/income ratio, %	32	36	32	33	34			34	34	
Return on Equity, %	16	17	19	19	20			16	19	
Equity	1,576	1,526	1,810	1,711	1,624			1,576	1,624	
AuM, EURbn	44.0	67.3	68.0	67.3	68.0	-35%	-35%	44.0	68.0	-35%
Premiums	987	1,867	1,731	1,600	1,889	-47%	-48%	2,854	3,871	-26%
Risk exposure amount (REA)	1,802	1,802	1,793	1,793	1,793	0%	1%	1,802	1,793	1%
Number of employees (FTEs)	700	1,184	1,164	1,127	1,129	-41%	-38%	700	1,129	-38%
Profit drivers										
Profit Traditional products	-1	18	28	24	21			17	38	-55%
Profit Market Return products	53	63	61	61	65	-16%	-18%	116	130	-11%
Profit Risk products	18	23	20	21	20	-22%	-10%	41	43	-5%
Total product result	**70**	**104**	**109**	**106**	**106**	**-33%**	**-34%**	**174**	**211**	**-18%**
Return on Shareholder equity, other profits and group adj.	3	-12	-6	-2	-5			-9	-5	
Operating profit	**73**	**92**	**103**	**104**	**101**	**-21%**	**-28%**	**165**	**206**	**-20%**

Wealth Management Other

	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Jan-Jun 18	Jan-Jun 17	Jan/Jun 18/17
EURm										
Net interest income	0	-1	0	-1	0			-1	-1	
Net fee and commission income	1	1	-2	2	0			2	-1	
Net result from items at fair value	0	1	0	1	0			1	1	
Equity method & other income	-1	-1	-2	-2	-2			-2	-5	
Total income incl. allocations	**0**	**0**	**-4**	**0**	**-2**			**0**	**-6**	
Total expenses incl. allocations	**3**	**-2**	**1**	**5**	**-6**			**1**	**-12**	
Profit before loan losses	**3**	**-2**	**-3**	**5**	**-8**			**1**	**-18**	
Net loan losses	0	0	0	0	0			0	0	
Operating profit	**3**	**-2**	**-3**	**5**	**-8**			**1**	**-18**	
Economic capital (EC)	67	64	65	63	59			67	59	
Number of employees (FTEs)	566	586	555	601	587	-3%	-4%	566	587	-4%

Group Functions and other

Together with the results in the business areas, the results of Group Functions & other add up to the reported result for the Group. The main income originates from Group Treasury & ALM together with Capital Account Centre, through which capital is allocated to business areas.

Business development

The structural liquidity risk of Nordea is measured and limited through an internal model which conceptually resembles the proposed Net Stable Funding Ratio (NSFR), but applies internal-based assumptions for the stability of assets and liabilities. The structure of the balance sheet is considered conservative and well-balanced and appropriately adapted to the current economic and regulatory environment, also in terms of structural liquidity risk.

Short-term liquidity risk is measured using several metrics and the Liquidity Coverage Ratio (LCR) is one such metric. The LCR for the Nordea Group was, according to the CRR LCR definition, 147% at the end of the second quarter. The LCR in EUR was 154% and in USD 160% at the end of the first quarter. The liquidity buffer is composed of highly liquid central bank eligible securities and cash with characteristics like CRD IV high quality liquid assets and amounted to EUR 96bn at the end of the second quarter (EUR 91bn at the end of the first quarter).

The long-term liquidity risk is measured as Net Stable Funding Ratio (NSFR). At the end of the second quarter 2018, Nordea's NSFR was 104.5% (Q1 103.5%).

Nordea issued approx. EUR 10.2bn in long-term funding in the second quarter excluding Danish covered bonds and subordinated notes, of which approx. EUR 5.9bn represented the issuance of Finnish, Swedish and Norwegian covered bonds in domestic and international markets. Public benchmark transactions during the quarter included a EUR 1bn 7-year fixed rate Covered Bond issued by Nordea Mortgage Bank and a GBP 300m 5-year floating rate Covered Bond issued by Nordea Eiendomskreditt.

Nordea has commenced issuance of Senior Non-Preferred debt in Q2 with a EUR 1bn 5-year fixed rate note and a SEK 3bn 5-year dual tranche fixed and floating rate note, both issued by Nordea Bank AB. Nordea has used a contractual Senior Non-Preferred solution that ensures alignment with EU's Credit Hierarchy Directive once implemented in Sweden or Finland.

Nordea's long-term funding portion of total funding, at the end of the second quarter was approx. 84%.

Nordea was awarded "Most Impressive Financial Institution Borrower" by Global Capital in May and received the "Awards for Excellence: 2018 Best Euro Deal: Core" in June from The Covered Bond Report for Nordea Mortgage Bank's dual tranche 5-year and 15-year Covered Bond issued in February.

The market risk on Group Treasury & ALM's interest-rate positions, calculated as average VaR, was EUR 43m in the second quarter. The risk related to equities, calculated as VaR, was EUR 5m and the risk related to credit spreads (VaR) was EUR 1m. Interest rate risk and credit spread risk decreased slightly whereas equity risk increased compared to the first quarter.

Result

Total operating income was EUR 479m in the second quarter, up from EUR 84m in the previous quarter. Net interest income increased to EUR 64m in the second quarter compared to EUR 55m in the previous quarter. The net result from items at fair value increased to EUR 25m compared to EUR 8m in the previous quarter. Operating profit in Q2 was EUR 421m (EUR 37m in Q1).

Total operating expenses increased to EUR 66m (EUR 44m in the previous quarter). The transformation costs were EUR 8m all of which are related to staff costs.

Group functions, Other & Eliminations

EURm	Q218	Q118	Q417	Q317	Q217	Q2/Q1	Q2/Q2	Jan-Jun 18	Jan-Jun 17
Net interest income	64	55	115	154	153			119	316
Net fee and commission income	2	-10	-5	-2	-1			-8	-4
Net result from items at fair value	25	8	10	50	25			33	47
Equity method & other income	388	31	31	4	1			419	-7
Total operating income	**479**	**84**	**151**	**206**	**178**			**563**	**352**
Total operating expenses	**-66**	**-44**	**-102**	**-82**	**-104**			**-110**	**-183**
Profit before loan losses	**413**	**40**	**49**	**124**	**74**			**453**	**169**
Net loan losses	8	-3	2	-9	-1			5	0
Operating profit	**421**	**37**	**51**	**115**	**73**			**458**	**169**
Economic capital (EC)	3,185	3,254	3,319	3,318	3,471			3,185	3,471
Risk exposure amount (REA)	17,512	18,668	20,531	19,893	20,599			17,512	20,599
Number of employees (FTEs)	7,098	6,938	6,642	7,350	7,197	2%	-1%	7,098	7,197

Income statement

EURm	Note	Q2 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Operating income						
Interest income		1,820	1,914	3,546	3,826	7,575
Interest expense		-747	-739	-1,420	-1,454	-2,909
Net interest income		**1,073**	**1,175**	**2,126**	**2,372**	**4,666**
Fee and commission income		991	1,068	1,971	2,150	4,232
Fee and commission expense		-191	-218	-401	-434	-863
Net fee and commission income	3	**800**	**850**	**1,570**	**1,716**	**3,369**
Net result from items at fair value	4	260	361	701	736	1,328
Profit from associated undertakings and joint ventures accounted for under the equity method		33	0	61	4	23
Other operating income		375	21	398	40	83
Total operating income		**2,541**	**2,407**	**4,856**	**4,868**	**9,469**
Operating expenses						
General administrative expenses:						
Staff costs		-730	-795	-1,528	-1,594	-3,212
Other expenses	5	-350	-433	-686	-820	-1,622
Depreciation, amortisation and impairment charges of tangible and intangible assets		-74	-63	-145	-123	-268
Total operating expenses		**-1,154**	**-1,291**	**-2,359**	**-2,537**	**-5,102**
Profit before loan losses		**1,387**	**1,116**	**2,497**	**2,331**	**4,367**
Net loan losses	6	-59	-106	-99	-219	-369
Operating profit		**1,328**	**1,010**	**2,398**	**2,112**	**3,998**
Income tax expense		-243	-267	-493	-525	-950
Net profit for the period		**1,085**	**743**	**1,905**	**1,587**	**3,048**
Attributable to:						
Shareholders of Nordea Bank AB (publ)		1,085	740	1,894	1,579	3,031
Additional Tier 1 capital holders		-	-	7	-	-
Non-controlling interests		0	3	4	8	17
Total		**1,085**	**743**	**1,905**	**1,587**	**3,048**
Basic earnings per share, EUR		0.27	0.18	0.47	0.39	0.75
Diluted earnings per share, EUR		0.27	0.18	0.47	0.39	0.75

Statement of comprehensive income

EURm	Q2 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Net profit for the period	**1,085**	**743**	**1,905**	**1,587**	**3,048**
Items that may be reclassified subsequently to the income statement					
Currency translation differences during the period	-22	-353	-122	-286	-511
Tax on currency translation differences during the period	-17	-72	-1	2	3
Hedging of net investments in foreign operations:					
Valuation gains/losses during the period	12	88	16	106	175
Tax on valuation gains/losses during the period	-5	-19	-5	-23	-37
Fair value through other comprehensive income:[1]					
Valuation gains/losses during the period, net of recycling	-9	-	-2	-	-
Tax on valuation gains/losses during the period	2	-	0	-	-
Available for sale investments:[1]					
Valuation gains/losses during the period, net of recycling	-	18	-	46	31
Tax on valuation gains/losses during the period	-	-4	-	-11	-8
Cash flow hedges:					
Valuation gains/losses during the period, net of recycling	9	-23	20	-105	-107
Tax on valuation gains/losses during the period	-2	5	-4	24	24
Items that may not be reclassified subsequently to the income statement					
Changes in own credit risk related to liabilities classified as fair value option:					
Valuation gains/losses during the period	4	-	9	-	-
Tax on valuation gains/losses during the period	-1	-	-2	-	-
Defined benefit plans:					
Remeasurement of defined benefit plans	35	-18	0	0	-115
Tax on remeasurement of defined benefit plans	-8	5	-1	1	25
Other comprehensive income, net of tax	**-2**	**-373**	**-92**	**-246**	**-520**
Total comprehensive income	**1,083**	**370**	**1,813**	**1,341**	**2,528**
Attributable to:					
Shareholders of Nordea Bank AB (publ)	1,083	367	1,802	1,333	2,511
Additional Tier 1 capital holders	-	-	7	-	-
Non-controlling interests	0	3	4	8	17
Total	**1,083**	**370**	**1,813**	**1,341**	**2,528**

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

Balance sheet

EURm	Note	30 Jun 2018	31 Dec 2017	30 Jun 2017
Assets				
Cash and balances with central banks		33,690	43,081	59,512
Loans to central banks	7	6,732	4,796	9,370
Loans to credit institutions	7	13,351	8,592	20,999
Loans to the public	7	314,813	310,158	314,680
Interest-bearing securities		74,987	75,294	90,592
Financial instruments pledged as collateral		8,898	6,489	5,505
Shares		15,568	17,180	28,692
Assets in pooled schemes and unit-linked investment contracts		26,335	25,879	24,772
Derivatives		43,719	46,111	53,385
Fair value changes of the hedged items in portfolio hedge of interest rate risk		165	163	140
Investments in associated undertakings and joint ventures		1,577	1,235	567
Intangible assets		4,064	3,983	3,991
Property and equipment		594	624	570
Investment properties		1,615	1,448	3,205
Deferred tax assets		119	118	84
Current tax assets		363	121	482
Retirement benefit assets		265	250	333
Other assets		20,237	12,441	17,387
Prepaid expenses and accrued income		1,507	1,463	1,638
Assets held for sale	12	1,454	22,186	6,852
Total assets		**570,053**	**581,612**	**642,756**
Liabilities				
Deposits by credit institutions		50,145	39,983	69,767
Deposits and borrowings from the public		176,491	172,434	189,534
Deposits in pooled schemes and unit-linked investment contracts		26,904	26,333	25,159
Liabilities to policyholders		19,241	19,412	41,773
Debt securities in issue		177,865	179,114	185,164
Derivatives		44,519	42,713	52,767
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,272	1,450	1,911
Current tax liabilities		613	389	295
Other liabilities		27,394	28,515	27,338
Accrued expenses and prepaid income		1,581	1,603	1,813
Deferred tax liabilities		589	722	927
Provisions		314	329	295
Retirement benefit obligations		276	281	268
Subordinated liabilities		8,573	8,987	9,333
Liabilities held for sale	12	2,331	26,031	5,017
Total liabilities		**538,108**	**548,296**	**611,361**
Equity				
Additional Tier 1 capital holders		750	750	-
Non-controlling interests		-	168	158
Share capital		4,050	4,050	4,050
Share premium reserve		1,080	1,080	1,080
Other reserves		-1,642	-1,543	-1,269
Retained earnings		27,707	28,811	27,376
Total equity		**31,945**	**33,316**	**31,395**
Total liabilities and equity		**570,053**	**581,612**	**642,756**
Assets pledged as security for own liabilities		173,526	198,973	199,422
Other assets pledged		5,453	4,943	5,437
Contingent liabilities		17,272	19,020	20,008
Credit commitments[1]		74,422	74,545	74,027
Other commitments		1,053	2,487	2,344

[1] Including unutilised portion of approved overdraft facilities of EUR 28,891m (31 Dec 2017: EUR 29,956m, 30 Jun 2017: EUR 29,579m).

Statement of changes in equity

EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Fair value through other comprehensive income[2]	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
	Attributable to shareholders of Nordea Bank AB (publ)											
			Other reserves:									
Balance at 1 Jan 2018	**4,050**	**1,080**	**-1,720**	**-46**	**103**	**120**	**-**	**28,811**	**32,398**	**750**	**168**	**33,316**
Restatement due to changed accounting policy, net of tax[3]	-	-	-	-	1	-	-8	-237	-244	-	-	-244
Restated opening balance at 1 Jan 2018	**4,050**	**1,080**	**-1,720**	**-46**	**104**	**120**	**-8**	**28,574**	**32,154**	**750**	**168**	**33,072**
Net profit for the period	-	-	-	-	-	-	-	1,894	1,894	7	4	**1,905**
Other comprehensive income, net of tax	-	-	-112	16	-2	-1	7	-	-92	-	-	**-92**
Total comprehensive income	-	-	-112	16	-2	-1	7	1,894	1,802	7	4	**1,813**
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-7	-	**-7**
Dividend 2017	-	-	-	-	-	-	-	-2,747	-2,747	-	-	**-2,747**
Purchase of own shares[4]	-	-	-	-	-	-	-	-14	-14	-	-	**-14**
Change in non-controlling interests[5]	-	-	-	-	-	-	-	-	-	-	-172	**-172**
Balance at 30 Jun 2018	**4,050**	**1,080**	**-1,832**	**-30**	**102**	**119**	**-1**	**27,707**	**31,195**	**750**	**-**	**31,945**

EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank AB (publ)										
			Other reserves:								
Balance at 1 Jan 2017	**4,050**	**1,080**	**-1,350**	**37**	**80**	**210**	**28,302**	**32,409**	**-**	**1**	**32,410**
Net profit for the period	-	-	-	-	-	-	3,031	3,031	-	17	**3,048**
Other comprehensive income, net of tax	-	-	-370	-83	23	-90	-	-520	-	-	**-520**
Total comprehensive income	-	-	-370	-83	23	-90	3,031	2,511	-	17	**2,528**
Issuance of Additional Tier 1 capital	-	-	-	-	-	-	-6	-6	750	-	**744**
Dividend for 2016	-	-	-	-	-	-	-2,625	-2,625	-	-	**-2,625**
Purchase of own shares[4]	-	-	-	-	-	-	-12	-12	-	-	**-12**
Change in non-controlling interests[5]	-	-	-	-	-	-	121	121	-	150	**271**
Balance at 31 Dec 2017	**4,050**	**1,080**	**-1,720**	**-46**	**103**	**120**	**28,811**	**32,398**	**750**	**168**	**33,316**

EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to shareholders of Nordea Bank AB (publ)									
			Other reserves:							
Balance at 1 Jan 2017	**4,050**	**1,080**	**-1,350**	**37**	**80**	**210**	**28,302**	**32,409**	**1**	**32,410**
Net profit for the period	-	-	-	-	-	-	1,579	1,579	8	**1,587**
Other comprehensive income, net of tax	-	-	-201	-81	35	1	-	-246	-	**-246**
Total comprehensive income	-	-	-201	-81	35	1	1,579	1,333	8	**1,341**
Dividend for 2016	-	-	-	-	-	-	-2,625	-2,625	-	**-2,625**
Purchase of own shares[4]	-	-	-	-	-	-	-2	-2	-	**-2**
Change in non-controlling interests[5]	-	-	-	-	-	-	122	122	149	**271**
Balance at 30 Jun 2017	**4,050**	**1,080**	**-1,551**	**-44**	**115**	**211**	**27,376**	**31,237**	**158**	**31,395**

[1] Total shares registered were 4,050 million (31 Dec 2017: 4,050 million, 30 Jun 2017: 4,050 million).

[2] Due to the implementation of IFRS 9 the Available for sale (AFS) category does no longer exists and the assets are instead classified as Fair value through other comprehensive income (FVOCI). Hence, the opening balance 2018 for the FVOCI-reserve is the closing balance 2017 for the AFS-reserve.

[3] Related to IFRS 9 and IFRS 15. See Note 1 for more information.

[4] Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares at 30 Jun 2018 was 14.7 million (31 Dec 2017: 13.7 million, 30 Jun 2017: 12.7 million). The total holdings of own shares related to LTIP were 10.2 million (31 Dec 2017: 10.2 million, 30 Jun 2017: 10.2 million).

[5] Refers to the sale of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.

Cash flow statement, condensed

EURm	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Operating activities			
Operating profit	2,398	2,112	3,998
Adjustments for items not included in cash flow	1,126	1,938	3,514
Income taxes paid	-638	-856	-950
Cash flow from operating activities before changes in operating assets and liabilities	**2,886**	**3,194**	**6,562**
Changes in operating assets and liabilities	-7,434	28,435	5,712
Cash flow from operating activities	**-4,548**	**31,629**	**12,274**
Investing activities			
Sale of business operations	463	-	228
Acquisition/sale of associated undertakings and joint ventures	26	-	-937
Acquisition/sale of property and equipment	-16	-43	-118
Acquisition/sale of intangible assets	-262	-342	-643
Net investments in debt securities, held to maturity	-	-192	-8
Sale/acqusition of other financial fixed assets	-2	28	-21
Cash flow from investing activities	**209**	**-549**	**-1,499**
Financing activities			
Amortised subordinated liabilities	-500	-750	-750
Divestment of own shares including change in trading portfolio	-14	-2	-12
Dividend paid	-2,747	-2,625	-2,625
Issued Additional Tier 1 capital	-	-	750
Paid interest on Additional Tier 1 capital	-7	-	-
Cash flow from financing activities	**-3,268**	**-3,377**	**-2,637**
Cash flow for the period	**-7,607**	**27,703**	**8,138**

Cash and cash equivalents EURm	30 Jun 2018	30 Jun 2017	31 Dec 2017
Cash and cash equivalents at beginning of the period	46,213	41,860	41,860
Translation difference	45	-2,795	-3,785
Cash and cash equivalents at end of the period	38,651	66,768	46,213
Change	**-7,607**	**27,703**	**8,138**
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	33,690	59,512	43,081
Loans to central banks	3,847	5,867	2,004
Loans to credit institutions	1,114	1,258	779
Assets held for sale	-	131	349
Total cash and cash equivalents	**38,651**	**66,768**	**46,213**

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

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

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

Notes to the financial statements

Note 1 Accounting policies

The consolidated interim financial statements are presented in accordance with IAS 34 “Interim Financial Reporting”. In addition, certain complementary rules in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board have been applied.

The same accounting policies and methods of computation are followed as compared to the Annual Report 2017, considering also the section “Changed accounting policies and presentation” below. For more information see Note G1 in the Annual Report 2017.

Changed accounting policies and presentation

The following new and amended standards were implemented by Nordea 1 January 2018:

IFRS 9 ”Financial instruments”

The new standard IFRS 9 “Financial instruments” covers classification and measurement, impairment and general hedge accounting and replaces the earlier requirements covering these areas in IAS 39. The classification, measurement and impairment requirements in IFRS 9 were implemented by Nordea as from 1 January 2018. Nordea continues to use the IAS 39 hedge accounting requirements.

The total negative impact on equity from IFRS 9 amounts to EUR 183m after tax and was recognised as an opening balance adjustment 1 January 2018. For more information about the IFRS 9 transition impact on 1 January 2018, and the accounting principles applied by Nordea as from 1 January 2018 for classification, measurement and impairment of financial instruments, see Note G49 in the Annual Report for 2017. Nordea has not restated the comparative figures for 2017.

IFRS 15 “Revenue from Contracts with Customers”

The new standard IFRS 15 “Revenue from Contracts with Customers” outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 “Revenue”. The standard does not apply to financial instruments, insurance contracts or lease contracts.

The standard was implemented by Nordea as from 1 January 2018 using the modified retrospective approach, meaning that the cumulative effect of the change was recognised as an adjustment to equity in the opening balance 2018. Comparable figures for 2017 are not restated.

The new standard had an impact on Nordea’s accounting policies for loan origination fees, as such fees are amortised as part of the effective interest of the loans to a larger extent than before. The total negative impact on equity from IFRS 15 amounts to EUR 61m after tax and was recognised as an opening balance adjustment 1 January 2018.

Nordea earns commission income from different services provided to customers. The recognition of commission income depends on the purpose for which the fees are received.

The major part of the revenues classified as “Commission income” constitutes revenue from contracts with customers according to IFRS 15. Fee income is recognised either when or as performance obligations are satisfied.

Asset management commissions are generally recognised over time as services are performed and are normally based on assets under management. These fees are recognised based on the passage of time as the amount, and the right to the fee, corresponds to the value received by the customer. Variable fees that are based on relative performance compared with a benchmark are in asset management rare and they are normally fixed and recognised at least each reporting date. Variable fees that are not fixed at the reporting date cannot generally be recognised as the outcome is uncertain and subject to market development.

Life & Pension commission income includes fee income, referred to as expense loading, from insurance contracts and investment contracts with policyholders. Investments contracts are contracts that do not include enough insurance risk to be classified as insurance contracts. The expense loading is the part of the premium income considered to be compensation for the contract administration. The fee income is recognised over time when the services are performed. These contracts do generally not include any up-front fees.

Fees categorised as Deposit Products, Brokerage, securities issues and corporate finance, Custody and issuer service and Payment commissions are recognised both over time and at a point of time dependent on when the performance obligations are satisfied. Card fees are categorised as interchange fees that are recognised at a point of time, when the customer uses the services, and cardholder fees that are recognised over time or at a point of time if the fee is transaction based.

Lending fees that are not part of the effective interest of a financial instrument are recognised at a point of time. The amount of loan syndication fees, as well as other transaction based fees, received are recognised at a point when the performance obligation is satisfied, i.e. when the syndication or transaction has been performed. Fees received on bilateral transactions are generally amortised as part of the effective interest of the financial instruments recognised.

Income from issued financial guarantees, and expenses for bought financial guarantees, are amortised over the duration of the instruments and classified as “Fee and commission income” and “Fee and commission expense” respectively. Other fee income is generally transaction based.

Commission expenses are normally transaction based and recognised in the period when the services are received.

Initial contract costs for obtaining contracts are recognised as an asset and amortised if the costs are expected to be recovered.

Other amendments
The following new and amended standards issued by IASB were implemented by Nordea 1 January 2018 but have not had any significant impact on the financial statements of Nordea:

- Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IFRS 2: Classification and Measurement of Share based Payment Transactions
- Amendments to IAS 40: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle

Amendments have been made in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). These amendments were implemented 1 January 2018 but have not had any significant impact on Nordea's financial statements.

In addition, the Swedish Financial Supervisory Authority has amended the accounting regulation FFFS 2008:25 by issuing FFFS 2017:18 and the Swedish Financial Reporting Board has amended the accounting recommendation for groups by issuing "RFR 1 Supplementary Accounting Rules for Groups – January 2018". Those amendments were implemented by Nordea 1 January 2018 but have not had any significant impact on Nordea's financial statements.

Changes in IFRSs not yet applied

IFRS 16 "Leases"
The IASB has published the new standard, IFRS 16 "Leases". The new standard changes the accounting requirements for lessees. All leases (except for short term and low value leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The standard was endorsed by the European Commission in 2017. Nordea does not intend to early adopt the standard.

The main impact on Nordea's financial statements is expected to come from the accounting of property leases. Such leasing contracts will be accounted for on the balance sheet to a larger extent than today. No significant impact is currently expected on the income statement or equity, although the presentation is expected to change in the income statement. The assessment of the impact on capital adequacy and large exposures is not yet finalised.

IFRS 17 "Insurance contracts"

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

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

The new standard is effective for the annual period beginning on or after 1 January 2021 and earlier application is permitted. The standard is not yet endorsed by the European Commission. Nordea does not currently intend to early adopt the standard. Nordea's current assessment is that the new standard will not have any significant impact on Nordea's capital adequacy or large exposures in the period of initial application. It is not yet possible to conclude on the impact on Nordea's financial statements.

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

Exchange rates

	Jan-Jun 2018	Jan-Dec 2017	Jan-Jun 2017
EUR 1 = SEK			
Income statement (average)	10.1553	9.6378	9.5961
Balance sheet (at end of period)	10.4530	9.8438	9.6398
EUR 1 = DKK			
Income statement (average)	7.4477	7.4387	7.4368
Balance sheet (at end of period)	7.4525	7.4449	7.4366
EUR 1 = NOK			
Income statement (average)	9.5953	9.3317	9.1771
Balance sheet (at end of period)	9.5115	9.8403	9.5713
EUR 1 = RUB			
Income statement (average)	71.9274	65.9190	62.7421
Balance sheet (at end of period)	73.1582	69.3920	67.5449

Note 2 Segment reporting

Jan-Jun 2018	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Management	Group Finance & Treasury	Other operating segments	Total operating segments	Recon-ciliation	Total Group
	Operating segments								
Total operating income, EURm	1,690	1,083	939	895	180	108	4,895	-39	**4,856**
- of which internal transactions[1]	-309	-153	-246	-10	680	38	0	-	**-**
Operating profit, EURm	725	550	401	489	115	118	2,398	0	**2,398**
Loans to the public[2], EURbn	138	81	49	8	-	2	278	37	**315**
Deposits and borrowings from the public[2], EURbn	68	41	34	11	-	2	156	20	**176**

Jan-Jun 2017	Personal Banking	Commercial & Business Banking	Wholesale Banking	Wealth Management	Group Finance & Treasury	Other operating segments	Total operating segments	Recon-ciliation	Total Group
Total operating income, EURm	1,657	1,047	1,035	1,000	262	113	5,114	-246	**4,868**
- of which internal transactions[1]	-313	-188	-208	-8	725	-8	0	-	**-**
Operating profit, EURm	724	431	440	563	192	21	2,371	-259	**2,112**
Loans to the public[2], EURbn	137	79	51	9	-	14	290	25	**315**
Deposits and borrowings from the public[2], EURbn	67	39	41	11	-	14	172	18	**190**

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

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

	Personal Banking Denmark Jan-Jun 2018	Personal Banking Denmark Jan-Jun 2017	Personal Banking Finland Jan-Jun 2018	Personal Banking Finland Jan-Jun 2017	Personal Banking Norway Jan-Jun 2018	Personal Banking Norway Jan-Jun 2017	Personal Banking Sweden Jan-Jun 2018	Personal Banking Sweden Jan-Jun 2017	Personal Banking Other Jan-Jun 2018	Personal Banking Other Jan-Jun 2017	**Personal Banking Jan-Jun 2018**	**Personal Banking Jan-Jun 2017**
Total operating income, EURm	489	448	380	405	241	230	551	559	29	15	**1,690**	**1,657**
- of which internal transactions	-87	-60	-59	-51	-91	-103	-73	-73	1	-26	**-309**	**-313**
Operating profit, EURm	129	91	125	169	116	112	296	299	59	53	**725**	**724**
Loans to the public, EURbn	36	36	32	32	28	26	43	43	-1	0	**138**	**137**
Deposits and borrowings from the public, EURbn	17	17	21	21	8	8	22	21	0	0	**68**	**67**

	Business Banking Jan-Jun 2018	Business Banking Jan-Jun 2017	Business Banking Direct Jan-Jun 2018	Business Banking Direct Jan-Jun 2017	Commercial & Business Banking Other Jan-Jun 2018	Commercial & Business Banking Other Jan-Jun 2017	**Commercial & Business Banking Jan-Jun 2018**	**Commercial & Business Banking Jan-Jun 2017**
Total operating income, EURm	913	899	191	193	-21	-45	**1,083**	**1,047**
- of which internal transactions	-149	-160	-7	-6	3	-22	**-153**	**-188**
Operating profit, EURm	539	426	72	63	-61	-58	**550**	**431**
Loans to the public, EURbn	70	69	11	11	0	-1	**81**	**79**
Deposits and borrowings from the public, EURbn	31	30	10	10	0	-1	**41**	**39**

Note 2 Continued

	Corporate & Investment Banking		Financial Institutions & International Banks		Banking Russia		Capital Markets unallocated		Wholesale Banking Other		**Wholesale Banking**	
	Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Total operating income, EURm	671	648	150	171	41	63	103	199	-26	-46	**939**	**1,035**
- of which internal transactions	-178	-145	-21	-23	-29	-41	-14	33	-4	-32	**-246**	**-208**
Operating profit, EURm	418	287	45	56	-49	19	39	140	-52	-62	**401**	**440**
Loans to the public, EURbn	44	46	2	2	3	3	-	-	-	-	**49**	**51**
Deposits and borrowings from the public, EURbn	22	27	11	13	1	1	-	-	-	-	**34**	**41**

	Private Banking		Asset Management		Life & Pension unallocated		Wealth Management Other		**Wealth Management**	
	Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Total operating income, EURm	309	363	487	479	251	307	-152	-149	**895**	**1,000**
- of which internal transactions	-10	-9	0	2	0	0	0	-1	**-10**	**-8**
Operating profit, EURm	93	135	341	339	161	210	-106	-121	**489**	**563**
Loans to the public, EURbn	8	9	-	-	-	-	-	-	**8**	**9**
Deposits and borrowings from the public, EURbn	11	11	-	-	-	-	-	-	**11**	**11**

Reconciliation between total operating segments and financial statements

	Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	Jan-Jun		Jan-Jun		Jan-Jun	
	2018	2017	2018	2017	2018	2017
Total operating segments	2,398	2,371	278	290	156	172
Group functions[1]	-54	-54	-	-	-	-
Unallocated items	283	10	40	20	22	15
Differences in accounting policies[2]	-229	-215	-3	5	-2	3
Total	**2,398**	**2,112**	**315**	**315**	**176**	**190**

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

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

Measurement of operating segments' performance

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

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

Changes in basis of segmentation

During the second quarter changes to the basis of segmentation were made following the decision to reorganise the segment Business & Commercial Banking into new operating segments and to merge Shipping into CIB. Business & Commercial Banking consists of the two new operating segments Business Banking and Business Banking Direct, instead of the earlier operating segments Commercial Banking and Business Banking. These changes are reflected in the reporting to the Chief Operating Decision Maker (CODM) and are consequently part of the segment reporting in Note 2. Comparative figures have been restated accordingly.

Note 3 Net fee and commission income

EURm	Q2 2018	Q1 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Asset management commissions	364	358	393	722	774	1,543
Life & Pensions	59	81	74	140	153	313
Deposit Products	5	5	7	10	14	27
Brokerage, securities issues and corporate finance	65	34	48	99	124	224
Custody and issuer services	17	7	17	24	30	59
Payments	82	76	84	157	159	307
Cards	58	54	64	112	115	228
Lending Products	112	97	115	209	237	465
Guarantees	30	33	36	63	75	143
Other	8	26	12	34	35	60
Total	**800**	**770**	**850**	**1,570**	**1,716**	**3,369**

Break-down Jan-Jun 2018

EURm	Personal Banking	Commercial and Business Banking	Wholesale Banking	Wealth Management	Group Finance and Treasury	Other and elimination	Nordea Group
Asset management commissions	76	4	1	641	0	0	722
Life & Pensions	26	33	12	69	0	0	140
Deposit Products	4	5	1	0	0	0	10
Brokerage, securities issues and corporate finance	6	10	62	24	-3	0	99
Custody and issuer services	3	4	16	4	-3	0	24
Payments	50	81	28	-2	0	0	157
Cards	92	11	6	3	0	0	112
Lending Products	59	47	103	0	0	0	209
Guarantees	3	22	38	0	0	0	63
Other	29	11	6	-10	0	-2	34
Total	**348**	**228**	**273**	**729**	**-6**	**-2**	**1,570**

Note 4 Net result from items at fair value

EURm	Q2 2018	Q1 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Equity related instruments	200	-45	-103	155	-44	370
Interest related instruments and foreign exchange gains/losses	25	404	387	429	692	712
Other financial instruments (including credit and commodities)	9	34	20	43	-31	20
Investment properties	0	-1	-2	-1	-2	-3
Life insurance[1]	26	49	59	75	121	229
Total	**260**	**441**	**361**	**701**	**736**	**1,328**

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

Break-down of life insurance

EURm	Q2 2018	Q1 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Equity related instruments	249	-306	56	-57	629	1,344
Interest related instruments and foreign exchange gains/losses	37	-84	192	-47	320	715
Other financial instruments	0	0	1	0	1	4
Investment properties	24	39	53	63	95	195
Change in technical provisions[1]	-307	196	-179	-111	-891	-2,056
Change in collective bonus potential	8	194	-111	202	-97	7
Insurance risk income	17	42	33	59	82	177
Insurance risk expense	-2	-32	14	-34	-18	-157
Total	**26**	**49**	**59**	**75**	**121**	**229**

[1] Premium income amounts to EUR 66m for Q2 2018 and EUR 710m for Jan-Jun 2018 (Q2 2017: EUR 705m, Jan-Jun 2017: EUR 1,440m).

Note 5 Other expenses

EURm	Q2 2018	Q1 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Information technology	-119	-123	-157	-242	-286	-565
Marketing and representation	-12	-11	-16	-23	-31	-66
Postage, transportation, telephone and office expenses	-22	-22	-25	-44	-53	-101
Rents, premises and real estate	-84	-74	-76	-158	-153	-309
Other	-113	-106	-159	-219	-297	-581
Total	**-350**	**-336**	**-433**	**-686**	**-820**	**-1,622**

Note 6 Net loan losses

EURm	Q2 2018[1]	Q1 2018[1]	Jan-Jun 2018[1]
Net loan losses, stage 1	-10	11	1
Net loan losses, stage 2	-32	70	38
Net loan losses, non-defaulted	**-42**	**81**	**39**
Stage 3, defaulted			
Net loan losses, individually assessed, collectively calculated	4	-71	-67
Realised loan losses	-127	-108	-235
Decrease of provisions to cover realised loan losses	80	82	162
Recoveries on previous realised loan losses	14	9	23
New/increase in provisions	-119	-127	-246
Reversals of provisions	131	94	225
Net loan losses, defaulted	**-17**	**-121**	**-138**
Net loan losses	**-59**	**-40**	**-99**

Key ratios

	Q2 2018[1]	Q1 2018[1]	Jan-Jun 2018[1]
Loan loss ratio, basis points	10	7	8
- of which stage 1	2	-2	0
- of which stage 2	5	-12	-4
- of which stage 3	3	21	12

EURm	Q2 2017[2]	Jan-Jun 2017[2]	Jan-Dec 2017[2]
Realised loan losses	-112	-216	-435
Decrease of provisions to cover realised loan losses	87	156	309
Recoveries on previous realised loan losses	14	25	54
New/increase in provisions	-254	-529	-1,001
Reversal of provisions	159	345	704
Net loan losses	**-106**	**-219**	**-369**

Key ratios

	Q2 2017[2]	Jan-Jun 2017[2]	Jan-Dec 2017[2]
Loan loss ratio, basis points	13	14	12
- of which individual	11	14	15
- of which collective	2	0	-3

[1] Based on IFRS 9.
[2] Based on IAS 39.

Note 7 Loans and impairment

	Total		
	30 Jun 2018[1]	31 Dec 2017[2]	30 Jun 2017[2]
EURm			
Loans measured at fair value	86,298	76,766	88,965
Loans measured at amortised cost, not impaired (stage 1 and 2)	245,719	243,045	252,504
Impaired loans (stage 3)	5,127	6,068	5,975
- of which servicing	2,384	3,593	3,822
- of which non-servicing	2,743	2,475	2,153
Loans before allowances	**337,144**	**325,879**	**347,444**
-of which central banks and credit institution	*14,152*	*13,389*	*30,375*
Allowances for individually assessed impaired loans (stage 3)	-1,801	-1,936	-1,896
-of which servicing	-755	-1,103	-1,156
-of which non-servicing	-1,046	-833	-740
Allowances for collectively assessed impaired loans (stage 1 and 2)	-447	-397	-499
Allowances	**-2,248**	**-2,333**	**-2,395**
-of which central banks and credit institution	*-1*	*-1*	*-6*
Loans, carrying amount	**334,896**	**323,546**	**345,049**

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

	30 Jun 2018[1]			30 Jun 2017[2]
	Stage 1	Stage 2	Stage 3	
EURm				
Loans to central banks, credit institutions and the public	232,451	13,268	5,127	258,479
Interest-bearing securities	38,111	-	-	40,309
Total[3]	**270,562**	**13,268**	**5,127**	**298,788**

Allowances and provisions

	30 Jun 2018[1]			30 Jun 2017[2]
	Stage 1	Stage 2	Stage 3	
EURm				
Loans to central banks, credit institutions and the public	-134	-313	-1,801	-2,395
Interest-bearing securities	-1	-	-	-
Provisions for off balance sheet items	-13	-37	-79	-100
Total allowances and provisions[3]	**-148**	**-350**	**-1,880**	**-2,495**

Movements of allowance accounts for loans measured at amortised cost

	Stage 1	Stage 2	Stage 3	Total
EURm				
Balance as at 1 Jan 2018[1]	**-133**	**-360**	**-1,816**	**-2,309**
Changes due to origination and acquisition	-20	-3	-9	-32
Changes due to change in credit risk (net)	7	28	-139	-104
Changes due to repayments and disposals	11	21	26	58
Write-off through decrease in allowance account	-	-	160	160
Other changes	1	0	-23	-22
Translation differences	0	1	0	1
Balance as at 30 Jun 2018	**-134**	**-313**	**-1,801**	**-2,248**

Key ratios[4]

	30 Jun 2018[1]
Impairment rate (stage 3), gross, basis points	204
Impairment rate (stage 3), net, basis points	133
Total allowance rate (stage 1, 2 and 3), basis points	90
Allowances in relation to impaired loans (stage 3), %	35
Allowances in relation to loans in stage 1 and 2, basis points	18

	31 Dec 2017[2]	30 Jun 2017[2]
Impairment rate, gross, basis points	186	172
Impairment rate, net, basis points	127	117
Total allowance rate, basis points	72	69
Allowances in relation to impaired loans, %	32	32
Total allowances in relation to impaired loans, %	38	40
Non-servicing, not impaired, EURm	253	282

[1] Based on IFRS 9.
[2] Based on IAS 39. Comparative figures for 2017 include impaired loans and allowances for loans measured at fair value. For 2018, these are not disclosed as impaired loans or allowances but rather as adjustment to fair value through "Net result from on items at fair value" in the income statement.
[3] EUR 177m reclassified from allowances on loans held at amortised cost at transition to IFRS 9.
[4] For definitions, see Glossary.

Note 8 Classification of financial instruments

EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL): Mandatorily	Fair value through profit or loss (FVPL): Designated at fair value through profit or loss (Fair value option)	Fair value through profit or loss (FVPL): Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Total
Financial assets						
Cash and balances with central banks	33,690	-	-	-	-	33,690
Loans to central banks	5,619	1,113	-	-	-	6,732
Loans to credit institutions	8,510	4,841	-	-	-	13,351
Loans to the public	234,469	80,344	-	-	-	314,813
Interest-bearing securities	3,298	29,764	7,113	-	34,812	74,987
Financial instruments pledged as collateral	-	8,898	-	-	-	8,898
Shares	-	15,568	-	-	-	15,568
Assets in pooled schemes and unit-linked investment contracts	-	25,846	330	-	-	26,176
Derivatives	-	41,770	-	1,949	-	43,719
Fair value changes of the hedged items in portfolio hedge of interest rate risk	165	-	-	-	-	165
Other assets	5,884	13,142	-	-	-	19,026
Prepaid expenses and accrued income	1,092	-	-	-	-	1,092
Total 30 Jun 2018	**292,727**	**221,286**	**7,443**	**1,949**	**34,812**	**558,217**
Total 1 Jan 2018[1]	295,746	208,039	8,331	1,696	36,342	550,154

EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL): Mandatorily	Fair value through profit or loss (FVPL): Designated at fair value through profit or loss (Fair value option)	Fair value through profit or loss (FVPL): Derivatives used for hedging	Total
Financial liabilities					
Deposits by credit institutions	34,993	15,152	-	-	50,145
Deposits and borrowings from the public	163,915	12,576	-	-	176,491
Deposits in pooled schemes and unit-linked investment contracts	-	-	26,904	-	26,904
Liabilities to policyholders	-	-	3,300	-	3,300
Debt securities in issue	123,225	-	54,640	-	177,865
Derivatives	-	43,579	-	940	44,519
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,272	-	-	-	1,272
Other liabilities	4,812	17,939	-	-	22,751
Accrued expenses and prepaid income	312	-	-	-	312
Subordinated liabilities	8,573	-	-	-	8,573
Total 30 Jun 2018	**337,102**	**89,246**	**84,844**	**940**	**512,132**
Total 1 Jan 2018[1]	333,435	81,008	86,451	1,106	502,000

[1] In Note G49 "Classification of asset and liabilities under IFRS 9" in the Annual report 2017, the assets and liabilities per 1 January 2018 were presented in accordance with IFRS 9 and as stated the classification of the decrease of net tax liabilities of EUR 46m due to IFRS 9 on assets and liabilities remained to be confirmed. The correct classification has now been determined and resulted in an increase of Deferred tax assets and Deferred tax liabilities, both classified as non financial asset/liabilities, of EUR 41m compared to the amounts presented in Note G49. In addition, the effect on the opening balance 1 January 2018 due to IFRS 15 has been added and resulted in a decrease of Loans classified at amortised cost of EUR 79m, an increase of Deferred tax assets of EUR 15m and a decrease of Deferred tax liabilities of EUR 3m, both classified as non financial assets/liabilities, compared to the amounts presented in Note G49.

Note 9 Fair value of financial assets and liabilities

	30 Jun 2018		31 Dec 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
EURm				
Financial assets				
Cash and balances with central banks	33,690	33,690	43,081	43,081
Loans	335,061	339,133	323,709	325,372
Interest-bearing securities	74,987	75,121	75,294	75,473
Financial instruments pledged as collateral	8,898	8,898	6,489	6,489
Shares	15,568	15,568	17,180	17,180
Assets in pooled schemes and unit-linked investment contracts	26,176	26,176	25,728	25,728
Derivatives	43,719	43,719	46,111	46,111
Other assets	19,026	19,026	11,795	11,795
Prepaid expenses and accrued income	1,092	1,092	999	999
Total	**558,217**	**562,423**	**550,386**	**552,228**
Financial liabilities				
Deposits and debt instruments	414,346	415,645	401,968	403,488
Deposits in pooled schemes and unit-linked investment contracts	26,904	26,904	26,333	26,333
Liabilities to policyholders	3,300	3,300	3,486	3,486
Derivatives	44,519	44,519	42,713	42,713
Other liabilities	22,751	22,751	27,254	27,254
Accrued expenses and prepaid income	312	312	246	246
Total	**512,132**	**513,431**	**502,000**	**503,520**

The determination of fair value is described in the Annual report 2017, Note G40 "Assets and liabilities at fair value". The fair value has for loans been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking, Commercial & Business Banking and Wholesale Banking respectively.

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

Categorisation into the fair value hierarchy

EURm	Quoted prices in active markets for the same instruments (Level 1)	*Of which Life*	Valuation technique using observable data (Level 2)	*Of which Life*	Valuation technique using non-observable data (Level 3)	*Of which Life*	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	-	-	1,113	-	-	-	1,113
Loans to credit institutions	-	-	4,841	-	-	-	4,841
Loans to the public	-	-	80,344	-	-	-	80,344
Interest-bearing securities[2]	30,292	*3,353*	49,925	*4,032*	370	*4*	80,587
Shares	12,390	*8,426*	1,592	*1,385*	1,586	*922*	15,568
Assets in pooled schemes and unit-linked investment contracts	24,422	*20,603*	1,578	*1,578*	176	*176*	26,176
Derivatives	67	-	42,544	*158*	1,108	-	43,719
Other assets	-	-	13,142	-	-	-	13,142
Total 30 Jun 2018	**67,171**	***32,382***	**195,079**	***7,153***	**3,240**	***1,102***	**265,490**
Total 31 Dec 2017	65,590	*32,575*	185,703	*8,283*	3,454	*1,123*	254,747
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	-	-	15,152	-	-	-	15,152
Deposits and borrowings from the public	-	-	12,576	-	-	-	12,576
Deposits in pooled schemes and unit-linked investment	-	-	26,904	*22,670*	-	-	26,904
Liabilities to policyholders	-	-	3,300	*3,300*	-	-	3,300
Debt securities in issue	15,583	-	35,850	-	3,207	-	54,640
Derivatives	44	-	43,600	*47*	875	-	44,519
Other liabilities	5,218	-	12,721	-	-	-	17,939
Total 30 Jun 2018	**20,845**	**-**	**150,103**	***26,017***	**4,082**	**-**	**175,030**
Total 31 Dec 2017	26,746	-	136,752	*25,519*	5,067	-	168,565

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

[2] Of which EUR 8,898m relates to the balance sheet item Financial instruments pledged as collateral.

Determination of fair values for items measured at fair value on the balance sheet

Nordea has during the first half year, in comparison with the description in Note G40 in the Annual Report for 2017, changed the margin reset frequency assumption in the fair value model covering a mortgage loan portfolio in Denmark. The change generated a pre-tax gain of EUR 135m accounted for as “Net result from items at fair value” in the income statement. For more information about valuation techniques and inputs used in the fair value measurement, see the Annual report 2017, Note G40 "Assets and liabilities at fair value".

Transfers between Level 1 and 2

During the period, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 1,910m from Level 1 to Level 2 and EUR 1,077m from Level 2 to Level 1 of the fair value hierarchy. Nordea has also transferred debt securities in issue of EUR 2,827m from Level 1 to Level 2 and EUR 432m from Level 2 to Level 1. In addition, Nordea has transferred derivative assets of EUR 23m and derivative liabilities of EUR 17m from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the period and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the reporting period.

Note 10 Continued

Movements in Level 3

	1 Jan	Fair value gains/losses recognised in the income statement during the year: Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	30 Jun
EURm											
Intererest-bearing securities	168	-3	5	-	208	-6	-1	0	0	-1	370
- of which Life	*5*	-	-	-	*0*	-	-	-	*0*	*-1*	*4*
Shares	1,584	43	40	-	108	-153	-25	0	0	-11	1,586
- of which Life	*927*	*42*	*23*	-	*17*	*-52*	*-24*	*0*	*0*	*-11*	*922*
Assets in pooled schemes and unit-linked investment contracts	191	3	-8	-	28	-29	0	0	-	-9	176
- of which Life	*191*	*3*	*-8*	-	*28*	*-29*	*0*	*0*	-	*-9*	*176*
Derivatives (net)	453	-130	-135	1	0	0	130	0	-52	-34	233
Debt securities in issue	4,009	-178	-275	9	190	0	-549	1	-	-	3,207
Total 2018, net	**-1,613**	**91**	**177**	**-8**	**154**	**-188**	**653**	**-1**	**-52**	**-55**	**-842**
Total 2017, net	4,411	-108	68	-	609	-605	104	76	-54	-12	4,489

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

The valuation processes for fair value measurements in Level 3

For information about valuation processes for fair value measurement in Level 3, see the Annual report 2017 Note G40 "Assets and liabilities at fair value".

Deferred day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see the Annual report 2017 Note G1 "Accounting policies". The table below shows the aggregated difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of how this aggregated difference has changed during the period (movement of deferred Day 1 profit).

Deferred day 1 profit - Derivatives, net

	2018	2017
EURm		
Opening balance at 1 Jan	58	23
Deferred profit on new transactions	34	39
Recognised in the income statement during the period[1]	-24	-16
Closing balance at 30 Jun	**68**	**46**

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

Note 10 Continued

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

	Fair value	*Of which Life*[1]	Valuation techniques	Unobservable input	Range of fair value[4]
EURm					
Interest-bearing securities					
Mortgage and other credit institutions[2]	335	*-*	Discounted cash flows	Credit spread	-18/18
Corporates	35	*4*	Discounted cash flows	Credit spread	-3/3
Total 30 Jun 2018	**370**	***4***			**-21/21**
Total 31 Dec 2017	168	*5*			-1/1
Shares					
Private equity funds	716	*465*	Net asset value[3]		-81/81
Hedge funds	49	*34*	Net asset value[3]		-4/4
Credit funds	410	*209*	Net asset value/market consensus[3]		-33/33
Other funds	225	*158*	Net asset value/Fund prices[3]		-19/19
Other[5]	362	*232*	-		-22/22
Total 30 Jun 2018	**1,762**	***1,098***			**-159/159**
Total 31 Dec 2017	1,775	*1,118*			-152/152
Derivatives, net					
Interest rate derivatives	281	-	Option model	Correlations Volatilities	-13/12
Equity derivatives	48	-	Option model	Correlations Volatilities Dividends	-11/6
Foreign exchange derivatives	-17	-	Option model	Correlations Volatilities	-0/0
Credit derivatives	-79	-	Credit derivative model	Correlations Volatilities	-24/29
Total 30 Jun 2018	**233**	**-**			**-48/47**
Total 31 Dec 2017	453	-			-41/33
Debt securities in issue					
Issued structured bonds	3,207	-	Credit derivative model	Correlations Recovery rates Volatilities	-16/16
Total 30 Jun 2018	**3,207**	**-**			**-16/16**
Total 31 Dec 2017	4,009	-			-20/20

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

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

[3] The fair values are based on prices and net asset values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/ custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 35% of the private equity fund investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are a range of 13% 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 2017, Note G40 "Assets and liabilities at fair value".

[5] Of which EUR 176m related to assets in pooled schemes and unit-linked investment.

Note 11 Capital Adequacy

These figures are according to part 8 of CRR, in Sweden implemented in FFFS 2014:12

Summary of items included in own funds

EURm	30 Jun[3] 2018	31 Dec[3] 2017	30 Jun[3] 2017
Calculation of own funds			
Equity in the consolidated situation	30,329	31,799	30,452
Proposed/actual dividend	-1,394	-2,747	-1,107
Common Equity Tier 1 capital before regulatory adjustments	28,935	29,052	29,345
Deferred tax assets	-61	0	
Intangible assets	-3,914	-3,835	-3,633
IRB provisions shortfall (-)	-3	-291	-204
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities[1]	-212	-152	-262
Other items, net	-331	-259	-356
Total regulatory adjustments to Common Equity Tier 1 capital	-4,521	-4,537	-4,455
Common Equity Tier 1 capital (net after deduction)	24,414	24,515	24,890
Additional Tier 1 capital before regulatory adjustments	2,836	3,514	2,870
Total regulatory adjustments to Additional Tier 1 capital	-17	-21	-14
Additional Tier 1 capital	2,819	3,493	2,856
Tier 1 capital (net after deduction)	27,233	28,008	27,746
Tier 2 capital before regulatory adjustments	4,810	4,903	5,333
IRB provisions excess (+)	150	95	22
Deduction for investments in credit institutions (50%)			
Deductions for investments in insurance companies	-1,000	-1,205	-1,205
Pension assets in excess of related liabilities			
Other items, net	-60	-54	-52
Total regulatory adjustments to Tier 2 capital	-910	-1,164	-1,235
Tier 2 capital	3,900	3,739	4,098
Own funds (net after deduction)[2]	31,133	31,747	31,844

[1] Based on conditional FSA approval.
[2] Own Funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 30 986m by 30 Jun 2018.
[3] Including profit of the period.

Own Funds, excluding profit

EURm	30 Jun 2018	31 Dec 2017	30 Jun 2017
Common Equity Tier 1 capital, excluding profit	24,217	23,854	24,222
Total Own Funds, excluding profit	30,937	31,086	31,176

Note 11 Continued

Minimum capital requirement and REA

EURm	30 Jun 2018 Minimum Capital requirement	30 Jun 2018 REA	31 Dec 2017 Minimum Capital requirement	31 Dec 2017 REA	30 Jun 2017 Minimum Capital requirement	30 Jun 2017 REA
Credit risk	8,048	100,604	8,219	102,743	8,485	106,058
- of which counterparty credit risk	504	6,305	488	6,096	579	7,242
IRB	7,076	88,453	7,104	88,808	7,526	94,073
- sovereign	161	2,012	149	1,869	179	2,236
- corporate	4,386	54,824	4,560	57,004	4,719	58,995
- advanced	*3,588*	*44,851*	*3,774*	*47,173*	*3,780*	*47,254*
- foundation	*798*	*9,973*	*786*	*9,831*	*939*	*11,741*
- institutions	504	6,297	493	6,163	656	8,198
- retail	1,739	21,747	1,671	20,888	1,685	21,063
- secured by immovable property collateral	*981*	*12,266*	*934*	*11,678*	*957*	*11,965*
- other retail	*758*	*9,481*	*737*	*9,210*	*728*	*9,098*
- items representing securitisation positions	68	847	68	850	66	821
- other	218	2,726	163	2,034	221	2,760
Standardised	972	12,151	1,115	13,935	959	11,985
- central governments or central banks	9	114	22	281	12	150
- regional governments or local authorities	1	8	1	7	0	0
- public sector entities	0	3	0	3	0	0
- multilateral development banks						
- international organisations						
- institutions	15	192	14	171	18	229
- corporate	255	3,188	261	3,264	149	1,862
- retail	261	3,266	258	3,225	253	3,161
- secured by immovable property mortgages	85	1,062	197	2,458	208	2,598
- in default	26	325	47	592	9	110
- associated with particularly high risk	65	807	60	754	53	657
- covered bonds						
- institutions and corporates, ST credit assessment						
- collective investments undertakings (CIU)						
- equity	206	2,578	208	2,598	218	2,725
- other items	49	608	47	582	39	493
Credit Value Adjustment Risk	63	793	96	1,207	115	1,449
Market risk	313	3,908	282	3,520	272	3,396
- trading book, Internal Approach	218	2,723	196	2,444	170	2,118
- trading book, Standardised Approach	95	1,185	86	1,076	102	1,278
- banking book, Standardised Approach						
Operational risk	1,319	16,487	1,345	16,809	1,345	16,809
Standardised	1,319	16,487	1,345	16,809	1,345	16,809
Additional REA related to Finnish RW floor	50	624				
Additional REA due to Article 3 CRR	12	152	120	1,500	160	1,998
Sub total	9,805	122,568	10,062	125,779	10,377	129,710
Adjustment for Basel I floor						
Additional cap. req. according to Basel I floor[1]			6,132	76,645	6,330	79,127
Total	9,805	122,568	16,194	202,424	16,707	208,837

[1] The Basel I floor is no longer applicable due to the expiration of CRR Article 500 on December 31st 2017

Note 11 Continued

Minimum Capital Requirement & Capital Buffers

	Minimum cap. req.	CCoB	CCyB	SII	SRB	Capital Buffers total[1]	Total
		Capital Buffers					
Percentage							
Common Equity Tier 1 capital	4.5	2.5	0.7	2.0	3.0	6.2	**10.7**
Tier 1 capital	6.0	2.5	0.7	2.0	3.0	6.2	**12.2**
Own funds	8.0	2.5	0.7	2.0	3.0	6.2	**14.2**
EURm							
Common Equity Tier 1 capital	5,516	3,064	909		3,677	7,651	**13,166**
Tier 1 capital	7,354	3,064	909		3,677	7,651	**15,005**
Own funds	9,805	3,064	909		3,677	7,651	**17,456**

[1] Only the maximum of the SRB and SII is used in the calculation of the total capital buffers.

Common Equity Tier 1 available to meet Capital Buffers

	30 Jun[1] 2018	31 Dec[1] 2017	30 Jun[1] 2017
Percentage points of REA			
Common Equity Tier 1 capital	15.4	15.0	14.7

[1] Including profit for the period.

Capital ratios

	30 Jun 2018	31 Dec 2017	30 Jun 2017
Percentage			
Common Equity Tier 1 capital ratio, including profit	19.9	19.5	19.2
Tier 1 capital ratio, including profit	22.2	22.3	21.4
Total capital ratio, including profit	25.4	25.2	24.6
Common Equity Tier 1 capital ratio, excluding profit	19.8	19.0	18.7
Tier 1 capital ratio, excluding profit	22.1	21.7	20.9
Total capital ratio, excluding profit	25.2	24.7	24.0

Leverage Ratio

	30 Jun[1] 2018	31 Dec[1] 2017	30 Jun[1] 2017
Tier 1 capital, transitional definition, EURm	27,233	28,008	27,746
Leverage ratio exposure, EURm	548,944	538,338	593,799
Leverage ratio, percentage	5.0	5.2	4.7

[1] Including profit of the period.

Capital requirements for market risk

	Trading book, IM		Trading book, SA		Banking book, SA		Total	
	REA	Cap. req.	REA	Cap. req.	REA	Cap. req.	REA	Cap. req.
Interest rate risk & other[1]	689	55	972	78			1,661	133
Equity risk	118	9	139	11			257	20
Foreign exchange risk	169	13					169	13
Commodity risk			74	6			74	6
Settlement risk			0	0			0	0
Diversification effect	-456	-36					-456	-36
Stressed Value-at-Risk	1,248	100					1,248	100
Incremental Risk Measure	271	22					271	22
Comprehensive Risk Measure	684	55					684	55
Total	**2,723**	**218**	**1,185**	**95**			**3,908**	**313**

[1] Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Note 11 Continued

Credit risk exposures for which internal models are used, split by rating grade

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm[1]	of which EAD for off-balance, EURm	Exposure-weighted average risk weight
Sovereign, foundation IRB:	66,419	5,515	75,218	990	2.7
of which					
- rating grades 7	53,929	4,959	59,553	676	2.3
- rating grades 6	11,672	447	15,044	249	2.0
- rating grades 5	60		91	19	4.6
- rating grades 4	160	0	154	0	11.5
- rating grades 3	305	27	204	2	27.7
- rating grades 2	177	5	21	1	166.2
- rating grades 1	86	17	7	2	142.7
- unrated	30	60	144	41	134.7
- defaulted					
Corporate, foundation IRB:	11,182	3,175	20,980	257	47.5
of which					
- rating grades 6	1,375	172	4,510	3	15.5
- rating grades 5	3,614	720	6,774	96	31.9
- rating grades 4	3,550	1,272	6,554	106	59.9
- rating grades 3	1,709	759	2,070	38	93.0
- rating grades 2	412	94	447	7	160.1
- rating grades 1	65	39	72	4	185.1
- unrated	307	68	347	2	119.1
- defaulted	150	51	206	1	
Corporate, advanced IRB:	99,497	52,932	122,254	25,307	36.7
of which					
- rating grades 6	13,996	4,953	16,460	2,573	8.9
- rating grades 5	27,431	23,275	38,734	11,442	22.7
- rating grades 4	40,393	19,410	48,523	9,010	39.2
- rating grades 3	10,034	3,568	11,167	1,779	60.7
- rating grades 2	2,325	445	2,197	201	108.5
- rating grades 1	451	124	431	55	117.5
- unrated	727	504	855	247	88.2
- defaulted	4,140	653	3,887		132.6
Institutions, foundation IRB:	38,277	2,000	45,481	702	13.8
of which					
- rating grades 6	16,456	468	18,301	272	7.8
- rating grades 5	21,153	747	25,603	303	14.3
- rating grades 4	429	493	1,212	42	61.3
- rating grades 3	123	216	236	69	117.6
- rating grades 2	56	72	63	16	217.2
- rating grades 1	0	2	1	0	229.1
- unrated	60	2	65	0	74.6
- defaulted					
Retail, of which secured by real estate:	137,020	12,375	145,410	8,391	8.4
of which					
- scoring grades A	95,831	10,133	102,878	7,047	3.6
- scoring grades B	25,934	1,373	26,752	818	8.7
- scoring grades C	9,713	616	10,088	375	17.6
- scoring grades D	2,636	204	2,745	110	33.5
- scoring grades E	771	20	789	18	61.8
- scoring grades F	783	21	802	19	93.3
- not scored	44	3	45	1	35.2
- defaulted	1,308	5	1,311	3	172.1

Note 11 Continued

Credit risk exposures for which internal models are used, split by rating grade

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm[1]	of which EAD for off-balance, EURm	Exposure-weighted average risk weight
Retail, of which other retail:	24,951	14,372	34,109	9,059	27.8
of which					
- scoring grades A	7,822	8,139	13,014	5,170	8.2
- scoring grades B	5,899	3,350	8,040	2,118	16.4
- scoring grades C	3,564	1,408	4,499	921	28.1
- scoring grades D	2,524	748	3,011	481	37.4
- scoring grades E	2,805	291	2,990	180	40.8
- scoring grades F	1,435	125	1,515	78	62.2
- not scored	128	171	176	36	42.9
- defaulted	774	140	864	75	286.1
Other non credit-obligation assets:	3,289		3,101		87.9

Nordea does not have the following IRB exposure classes: equity exposures and qualifying revolving retail.
[1] Includes EAD for on-balance, off-balance, derivatives and securities financing.

Note 12 Disposal group held for sale

Balance sheet - Condensed[1]

	30 Jun 2018	31 Dec 2017	30 Jun 2017
EURm			
Assets			
Loans to credit institutions	-	394	31
Loans to the public	1,387	-	6,514
Interest-bearing securities	-	6,051	57
Financial instruments pledged as collateral	-	1,477	0
Shares	-	10,361	0
Derivatives	10	1,184	3
Investments	-	267	5
Investment property	-	1,879	37
Other assets	57	573	205
Total assets held for sale	**1,454**	**22,186**	**6,852**
Liabilities			
Deposits by credit institutions	-	643	21
Deposits and borrowings from the public	2,322	-	4,895
Liabilities to policyholders	-	23,316	0
Derivatives	5	810	1
Current tax	-	921	13
Other liabilities	4	341	87
Total liabilities held for sale	**2,331**	**26,031**	**5,017**

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

Assets and liabilities held for sale as of 30 June 2018 relate to Nordea´s earlier announced intention to divest part of its Luxembourg-based private banking business to UBS. The closing of the transaction is expected during the second half of 2018 and remain subject to applicable regulatory approvals and a number of conditions. The assets and liabilities held for sale will be derecognised from Nordea's balance sheet when all approvals have been received and the transaction has been closed. The disposal group is included in "Private Banking" in Note 2 "Segment reporting".

Assets and liabilities held for sale as of 31 December 2017 relate to Nordea's earlier announced decision to sell an additional 45 per cent of the shares in Danish Nordea Liv & Pension, livsforsikringsselskab A/S. The transaction was closed, and the assets and liabilities held for sale derecognise from Nordea's balance sheet, during the second quarter 2018. The disposal group is included in "Life & Pension unallocated" in Note 2 "Segment reporting".

Assets and liabilities held for sale as of 30 June 2017 relate to Nordea's earlier announced decision to combine its Baltic operations with the Baltic operations of DNB. The assets and liabilities held for sale were derecognised from Nordea's balance sheet during the fourth quarter 2017. The disposal group is included in "Other operating segments" in Note 2 "Segment reporting".

Note 13 Risks and uncertainties

Nordea is subject to various legal regimes and requirements, including those of the Nordic countries, the European Union and the United States. Governmental authorities that administer and enforce those regimes are regularly conducting investigations with regards to Nordea's regulatory compliance, including the compliance with anti-money laundering (AML) and economic sanction requirements.

The supervisory authorities have conducted ongoing investigations with regards to Nordea's compliance in several areas, e.g. investment advice, AML, external tax rules, competition law and governance and control. The Nordea Group is also responding to inquiries from U.S. governmental authorities regarding historical compliance with certain U.S. financial sanctions during 2008-2014. The outcome of some investigations is pending and it cannot be excluded that these investigations could lead to criticism or sanctions.

In June 2015 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding anti-money laundering (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.

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 have strengthened the organisation significantly to enhance the AML and sanction management risk frameworks. Nordea has also established the Business Ethics and Values Committee and a culture transformation programme to embed stronger ethical standards into our corporate culture. In addition, the group is investing in enhanced compliance standards, processes and resources in both first and second line of defence.

Glossary

Return on equity
Net profit for the period as a percentage of average equity for the year. 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.

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

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

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

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

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

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

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

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

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

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

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

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

Nordea Bank AB (publ)

Income statement

EURm	Q2 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Operating income					
Interest income	1,008	1,059	1,987	2,103	4,155
Interest expense	-414	-431	-918	-937	-1,824
Net interest income	**594**	**628**	**1,069**	**1,166**	**2,331**
Fee and commission income	589	605	1,142	1,234	2,409
Fee and commission expense	-94	-100	-195	-198	-407
Net fee and commission income	**495**	**505**	**947**	**1,036**	**2,002**
Net result from items at fair value	232	304	497	631	1,104
Dividends	106	255	105	721	3,344
Other operating income	180	93	285	192	476
Total operating income	**1,607**	**1,785**	**2,903**	**3,746**	**9,257**
Operating expenses					
General administrative expenses:					
Staff costs	-635	-693	-1,329	-1,377	-2,768
Other expenses	-318	-389	-622	-742	-1,469
Depreciation, amortisation and impairment charges of tangible and intangible assets	-76	-64	-150	-128	-277
Total operating expenses	**-1,029**	**-1,146**	**-2,101**	**-2,247**	**-4,514**
Profit before loan losses	**578**	**639**	**802**	**1,499**	**4,743**
Net loan losses	-52	-79	-68	-183	-299
Impairment of financial non-current assets	-	-	-	-	-385
Operating profit	**526**	**560**	**734**	**1,316**	**4,059**
Appropriations	-	-	-	-	2
Income tax expense	-115	-156	-183	-235	-551
Net profit for period	**411**	**404**	**551**	**1,081**	**3,510**

Nordea Bank AB (publ)

Balance sheet

EURm	30 Jun 2018	31 Dec 2017	30 Jun 2017
Assets			
Cash and balances with central banks	33,101	42,637	56,905
Treasury bills	16,694	13,493	21,188
Loans to credit institutions	65,617	59,765	78,279
Loans to the public	161,065	152,739	162,584
Interest-bearing securities	46,421	47,950	49,226
Financial instruments pledged as collateral	14,382	12,430	11,262
Shares	7,312	7,883	10,734
Derivatives	43,936	47,688	54,359
Fair value changes of the hedged items in portfolio hedge of interest rate risk	63	85	69
Investments in group undertakings	12,512	12,532	12,920
Investments in associated undertakings and joint ventures	1,039	1,036	78
Participating interest in other companies	26	23	24
Intangible assets	2,209	2,114	1,919
Property and equipment	370	385	334
Deferred tax assets	81	84	40
Current tax assets	308	58	428
Retirement benefit assets	235	196	143
Other assets	19,542	15,316	16,936
Prepaid expenses and accrued income	1,250	1,128	1,259
Total assets	**426,163**	**417,542**	**478,687**
Liabilities			
Deposits by credit institutions	61,677	51,735	80,429
Deposits and borrowings from the public	182,806	176,231	197,769
Debt securities in issue	69,865	72,460	78,732
Derivatives	45,643	46,118	55,988
Fair value changes of the hedged items in portfolio hedge of interest rate risk	404	552	828
Current tax liabilities	321	158	7
Other liabilities	26,781	28,720	26,097
Accrued expenses and prepaid income	1,225	1,195	1,364
Deferred tax liabilities	28	174	265
Provisions	384	412	387
Retirement benefit obligations	254	262	276
Subordinated liabilities	8,574	8,987	9,202
Total liabilities	**397,962**	**387,004**	**451,344**
Untaxed reserves	**-**	**-**	**2**
Equity			
Additional Tier 1 capital holders	750	750	-
Share capital	4,050	4,050	4,050
Development cost reserve	1,444	1,205	883
Share premium reserve	1,080	1,080	1,080
Other reserves	61	166	9
Retained earnings	20,816	23,287	21,319
Total equity	**28,201**	**30,538**	**27,341**
Total liabilities and equity	**426,163**	**417,542**	**478,687**
Assets pledged as security for own liabilities	37,296	36,000	37,698
Other assets pledged	5,453	4,943	5,437
Contingent liabilities	52,224	54,130	56,984
Commitments[1]	77,342	77,870	76,493

[1] Including unutilised portion of approved overdraft facilities of EUR 32,056m (31 Dec 2017: EUR 34,725m, 30 Jun 2017: EUR 34,651m).

Nordea Bank AB (publ)

Note 1 Accounting policies

The interim financial statements for the parent company, Nordea Bank AB (publ) are presented in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25 including amendments) and the accounting recommendation for legal entities (RFR 2) issued by the Swedish Financial Reporting Board.

The same accounting policies and methods for computation are followed as compared with the Annual Report 2017, considering also the section "Changed accounting policies and presentation" below. For more information see Note P1 in the Annual Report 2017.

Changed accounting policies and presentation

Amendments have been made to the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). These amendments were implemented on 1 January 2018. The amendments have not had any significant impact on the financial statements.

In addition, the Swedish Financial Supervisory Authority has amended the accounting regulation FFFS 2008:25 by issuing FFFS 2017:18 and the Swedish Financial Reporting Board has amended the accounting recommendation for legal entities by issuing "RFR 2 Accounting for Legal Entities – January 2018". Those amendments were implemented by Nordea 1 January 2018 but have not had any significant impact on Nordea's financial statements.

Information on new and amended IFRS standards implemented on 1 January 2018 can be found in the section "Changed accounting policies and presentation" in Note 1 for the Group. The conclusions within this section are also, where applicable, relevant for the parent company. Changes in own credit risk related to issued structured bonds in Markets are in the parent company recognised in the income statement and not, as stated in Note 1 for the Group, in Other comprehensive income.

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 16 "Leases" will not be applied in the parent company. Nordea will from 1 January 2019 apply the new requirements in RFR 2 for leasing contracts. The new requirements in RFR 2 will not have any significant impact on the financial statements, capital adequacy or large exposures in the period of initial application, as these policies are already applied by the parent company.

Note 2 Capital Adequacy

These figures are according to part 8 of CRR, in Sweden implemented in FFFS 2014:12

Summary of items included in own funds

EURm	30 Jun 2018	31 Dec[3] 2017	30 Jun 2017
Calculation of own funds			
Equity in the consolidated situation	26,939	29,800	26,287
Proposed/actual dividend		-2,747	
Common Equity Tier 1 capital before regulatory adjustments	26,939	27,053	26,287
Deferred tax assets	-61		
Intangible assets	-2,209	-2,114	-1,919
IRB provisions shortfall (-)	-99	-210	-128
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities[1]	-214	-151	-115
Other items, net	-314	-262	-367
Total regulatory adjustments to Common Equity Tier 1 capital	-2,897	-2,737	-2,529
Common Equity Tier 1 capital (net after deduction)	24,042	24,316	23,758
Additional Tier 1 capital before regulatory adjustments	2,836	3,514	2,869
Total regulatory adjustments to Additional Tier 1 capital	-17	-21	-13
Additional Tier 1 capital	2,819	3,493	2,856
Tier 1 capital (net after deduction)	26,861	27,809	26,614
Tier 2 capital before regulatory adjustments	4,810	4,903	5,333
IRB provisions excess (+)	74	58	7
Deduction for investments in credit institutions (50%)			
Deductions for investments in insurance companies	-1,000	-1,205	-1,205
Pension assets in excess of related liabilities			
Other items, net	-59	-54	-51
Total regulatory adjustments to Tier 2 capital	-985	-1,201	-1,249
Tier 2 capital	3,825	3,702	4,084
Own funds (net after deduction)[2]	30,686	31,511	30,698

[1] Based on conditional FSA approval.
[2] Own Funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 30 710m by 30 Jun 2018.
[3] Including profit of the period.

Own Funds, including profit

EURm	30 Jun 2018	31 Dec 2017	30 Jun 2017
Common Equity Tier 1 capital, including profit	24,036	24,316	24,852
Total Own Funds, including profit	30,679	31,511	31,792

Note 2 Continued

Minimum capital requirement and REA

	30 Jun 2018 Minimum Capital requirement	30 Jun 2018 REA	31 Dec 2017 Minimum Capital requirement	31 Dec 2017 REA	30 Jun 2017 Minimum Capital requirement	30 Jun 2017 REA
EURm						
Credit risk	8,082	101,024	8,292	103,656	8,870	110,877
- of which counterparty credit risk	507	6,343	477	5,963	579	7,238
IRB	5,808	72,601	5,884	73,553	6,335	79,190
- sovereign	153	1,916	141	1,759	166	2,079
- corporate	4,009	50,112	4,170	52,127	4,329	54,118
- advanced	*3,632*	*45,403*	*3,785*	*47,318*	*3,796*	*47,457*
- foundation	*377*	*4,709*	*385*	*4,809*	*533*	*6,661*
- institutions	518	6,479	510	6,379	669	8,360
- retail	975	12,188	955	11,942	1,006	12,577
- secured by immovable property collateral	*279*	*3,494*	*245*	*3,065*	*272*	*3,396*
- other retail	*696*	*8,694*	*710*	*8,877*	*734*	*9,181*
- other	153	1,906	108	1,346	165	2,056
Standardised	2,274	28,423	2,408	30,103	2,535	31,687
- central governments or central banks	5	64	17	209	8	98
- regional governments or local authorities						
- public sector entities						
- multilateral development banks						
- international organisations						
- institutions	651	8,132	581	7,259	619	7,735
- corporate	256	3,195	323	4,035	325	4,070
- retail	3	40	3	42	21	261
- secured by immovable property mortgages	0	0	114	1,420	196	2,448
- in default	0	0			3	42
- associated with particularly high risk	62	773	58	728	53	657
- covered bonds	55	692	56	705	64	801
- institutions and corporates, ST credit assessment						
- collective investments undertakings (CIU)						
- equity	1,241	15,508	1,255	15,687	1,245	15,565
- other items	1	19	1	18	1	10
Credit Value Adjustment Risk	62	782	94	1,182	113	1,420
Market risk	325	4,056	947	11,831	832	10,399
- trading book, Internal Approach	218	2,722	196	2,444	170	2,118
- trading book, Standardised Approach	107	1,334	94	1,179	111	1,388
- banking book, Standardised Approach			657	8,208	551	6,893
Operational risk	1,039	12,986	1,117	13,961	1,117	13,961
Standardised	1,039	12,986	1,117	13,961	1,117	13,961
Additional REA related to Finnish RW floor	0	0				
Additional REA due to Article 3 CRR	5	62			74	923
Sub total	9,513	118,910	10,450	130,630	11,006	137,580
Adjustment for Basel I floor						
Additional cap. req. according to Basel I floor[1]			538	6,720	578	7,225
Total	9,513	118,910	10,988	137,350	11,584	144,805

[1] The Basel I floor is no longer applicable due to the expiration of CRR Article 500 on December 31st 2017

Note 2 Continued

Minimum Capital Requirement & Capital Buffers

	Minimum cap. req.	Capital Buffers: CCoB	CCyB	SII	SRB	Capital Buffers total[1]	Total
Percentage							
Common Equity Tier 1 capital	4.5	2.5	0.8			3.3	**7.8**
Tier 1 capital	6.0	2.5	0.8			3.3	**9.3**
Own funds	8.0	2.5	0.8			3.3	**11.3**
EURm							
Common Equity Tier 1 capital	5,351	2,973	930			3,903	**9,254**
Tier 1 capital	7,135	2,973	930			3,903	**11,037**
Own funds	9,513	2,973	930			3,903	**13,415**

[1] Only the maximum of the SRB and SII is used in the calculation of the total capital buffers.

Common Equity Tier 1 available to meet Capital Buffers

	30 Jun[1] 2018	31 Dec[1] 2017	30 Jun[1] 2017
Percentage points of REA			
Common Equity Tier 1 capital	15.7	14.1	12.8

[1] Including profit for the period.

Capital ratios

	30 Jun 2018	31 Dec 2017	30 Jun 2017
Percentage			
Common Equity Tier 1 capital ratio, including profit	20.2	18.6	18.1
Tier 1 capital ratio, including profit	22.6	21.3	20.1
Total capital ratio, including profit	25.8	24.1	23.1
Common Equity Tier 1 capital ratio, excluding profit	20.2	18.0	17.3
Tier 1 capital ratio, excluding profit	22.6	20.7	19.3
Total capital ratio, excluding profit	25.8	23.5	22.3

Leverage Ratio

	30 Jun[1] 2018	31 Dec[1] 2017	30 Jun[1] 2017
Tier 1 capital, transitional definition, EURm	26,861	27,809	26,614
Leverage ratio exposure, EURm	472,158	463,779	523,133
Leverage ratio, percentage	5.7	6.0	5.1

[1] Including profit of the period.

Capital requirements for market risk

	Trading book, IM		Trading book, SA		Banking book, SA		Total	
	REA	Cap. req.	REA	Cap. req.	REA	Cap. req.	REA	Cap. req.
Interest rate risk & other[1]	688	55	1,121	90			1,809	145
Equity risk	118	9	139	11			257	20
Foreign exchange risk	169	13					169	13
Commodity risk			74	6			74	6
Settlement risk			0	0			0	0
Diversification effect	-456	-36					-456	-36
Stressed Value-at-Risk	1,248	100					1,248	100
Incremental Risk Measure	271	22					271	22
Comprehensive Risk Measure	684	55					684	55
Total	**2,722**	**218**	**1,334**	**107**			**4,056**	**325**

[1] Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Note 2 Continued

Credit risk exposures for which internal models are used, split by rating grade

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm[1]	of which EAD for off-balance, EURm	Exposure-weighted average risk weight
Sovereign, foundation IRB:	63,620	5,643	72,555	1,502	2.6
of which					
- rating grades 7	51,750	5,235	57,527	1,176	2.3
- rating grades 6	11,256	294	14,591	249	2.0
- rating grades 5	60	0	91	19	4.6
- rating grades 4	160	0	155	0	11.6
- rating grades 3	110	27	12	3	77.0
- rating grades 2	176	5	22	1	164.4
- rating grades 1	86	16	10	2	205.2
- unrated	22	66	147	52	135.3
- defaulted					
Corporate, foundation IRB:	2,435	20	11,999	11	39.2
of which					
- rating grades 6	775	0	3,872	0	15.5
- rating grades 5	1,225	13	4,047	7	31.4
- rating grades 4	284	7	3,194	4	60.7
- rating grades 3	23		569		99.5
- rating grades 2	38		81		156.1
- rating grades 1			5		206.3
- unrated	90		151		129.1
- defaulted			80		
Corporate, advanced IRB:	80,349	63,793	113,337	35,144	40.1
of which					
- rating grades 6	6,299	5,709	9,645	3,372	11.4
- rating grades 5	21,560	25,856	35,723	14,112	23.9
- rating grades 4	37,191	24,924	50,159	13,770	41.0
- rating grades 3	8,958	4,832	11,296	2,978	64.6
- rating grades 2	1,946	711	2,100	464	116.7
- rating grades 1	351	170	382	102	125.0
- unrated	580	639	818	346	95.0
- defaulted	3,464	952	3,214		130.7
Institutions, foundation IRB:	37,813	2,417	45,450	1,134	14.3
of which					
- rating grades 6	16,051	844	17,992	368	7.9
- rating grades 5	21,141	738	25,590	302	14.3
- rating grades 4	396	525	1,498	360	60.6
- rating grades 3	90	185	210	76	119.1
- rating grades 2	56	72	63	16	217.2
- rating grades 1	0	2	1	0	229.1
- unrated	79	51	96	12	102.1
- defaulted					
Retail, of which secured by real estate:	28,086	5,062	30,059	1,973	11.6
of which					
- scoring grades A	17,197	3,696	18,600	1,402	4.8
- scoring grades B	6,575	819	6,909	334	9.6
- scoring grades C	2,611	386	2,777	167	18.9
- scoring grades D	975	146	1,036	60	34.8
- scoring grades E	60	4	62	3	51.6
- scoring grades F	176	4	179	3	96.8
- not scored	30	2	31	1	39.0
- defaulted	462	5	465	3	179.4

Note 2 Continued

Credit risk exposures for which internal models are used, split by rating grade

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm[1]	of which EAD for off-balance, EURm	Exposure-weighted average risk weight:
Retail, of which other retail:	16,615	21,537	34,174	17,466	25.4
of which					
- scoring grades A	5,513	12,775	16,046	10,512	9.3
- scoring grades B	4,215	4,987	8,293	4,055	17.5
- scoring grades C	2,325	2,034	3,957	1,619	30.0
- scoring grades D	1,405	796	1,968	558	40.0
- scoring grades E	1,821	411	2,142	317	43.4
- scoring grades F	781	194	943	161	67.4
- not scored	47	104	101	42	43.0
- defaulted	508	236	724	202	299.0
Other non credit-obligation assets:	2,251		2,251		84.7

Nordea does not have the following IRB exposure classes: equity exposures and qualifying revolving retail.

[1] Includes EAD for on-balance, off-balance, derivatives and securities financing

For further information

- A press conference with management will be held on 19 July at 09.00 CET, at Smålandsgatan 17, Stockholm where Casper von Koskull, President and Group CEO, will present the results. The presentation will be conducted in English and can be viewed live (direct link). You can also find the presentation material at www.nordea.com/ir.
- After the results presentation, there will be a Q&A session (starting at approximately 09.30 with Christopher Rees, Group CFO and Rodney Alfvén, Head of Investor Relations); please dial +44(0) 330 336 9411 or +46(0) 8 5065 3942 or +358 (0) 9 7479 0404 confirmation code 3698162 no later than 08.50 CET.
- After the conference an indexed on-demand replay will be available here. A replay will also be available until 26 July by dialing +44 (0) 207 660 0134 or +46 (0) 8 5199 3077 or +358 (0) 9 8171 0562, access code 3698162.
- An analyst and investor presentation will be held in London on 20 July at 12.30 local time at Nordea Offices, 5 Aldermanbury Square, London, EC2V 7AZ where Casper von Koskull, President and Group CEO, Christopher Rees, Group CFO, Rodney Alfvén, Head of Investor Relations and Pawel Wyszynski, Senior IR Officer, will participate.
- The presentation, including Q&A, is expected to last approximately one hour.
- To attend please contact: Ruby Megran at Nordea via e-mail: ruby.megran@nordea.com
- This Interim report, an investor presentation and a fact book are available on www.nordea.com.

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Financial calendar

24 October 2018 – Third Quarter Report 2018 (silent period starts 5 October 2018)

The Board of Directors and the President and Group CEO certify that this interim report provides a fair overview of the Parent Company's and the Group's operations, their financial position and result, and describes material risks and uncertainties that the Parent Company and other companies in the Group are facing.

Björn Wahlroos
Chairman

Lars G Nordström Vice Chairman	Dorrit Groth Brandt Board member[1]	Pernille Erenbjerg Board member
Nigel Hinshelwood Board member	Robin Lawther Board member	Torbjörn Magnusson Board member
Gerhard Olsson Board member[1]	Hans Christian Riise Board member[1]	Sarah Russell Board member
Silvija Seres Board member	Birger Steen Board member	Maria Varsellona Board member

19 July 2018

Casper von Koskull
President and Group CEO

[1] Employee representative

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 English version shall prevail.

The information provided in this press release is such, which Nordea is required to disclose pursuant to the Swedish Financial Instruments Trading Act (1991:980) and/or the Swedish Securities Markets Act (2007:528).

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.

Nordea Bank AB (publ) • Smålandsgatan 17 • SE-105 71 Stockholm • www.nordea.com/ir • Tel. 08 614 7800 • Corporate registration No. 516406-0120

Report of Review of Interim Financial Information

Introduction
We have reviewed the condensed interim financial information of Nordea Bank AB (publ) as of 30 June 2018 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this half-year interim report based on our review.

Scope of Review
We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review 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, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do 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 half-year interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, regarding the Group, and with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, regarding the parent company.

Stockholm, 19 July 2018
Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant
Lead Partner

Catarina Ericsson
Authorised Public Accountant