

Second Quarter Results 2017

CEO Casper von Koskull's comments on the results:

"In the second quarter, we have seen evenly distributed growth in our four Nordic home markets. The overall economic situation remains very solid although the geopolitical environment is increasingly unstable.

After a period of improved margins, we recently saw a stabilising margin trend, which we expect to continue. We are also seeing continued high activity in corporate advisory services and improved inflow in asset management operations. Customer activities in the capital markets have been lower this quarter due to low volatility. We have had very high activity in the quarter in our simplification and transformation projects, which has impacted the cost development. Credit quality is solid and we expect loan losses below the long-term average in coming quarters. We continue to build up and strengthen our capital position and the Common Equity Tier 1 ratio reached an all-time-high level of 19.2%.

As new initiatives have surfaced in Scandinavia about exploring to join the banking union, we would like to process this information before making a final decision in September about our domicile. The transformation programme is progressing according to plan, a key milestone has been reached in the Core Banking Programme, and approximately 28,000 Nordea employees have been engaged in the implementation of the new business culture."

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

Second quarter 2017 vs. Second quarter 2016 (Second quarter 2017 vs. First quarter 2017)

- Total operating income¹ 0%, in local currencies 1% (-2%, in local currencies -1%)
- Total expenses 7%, in local currencies 8% (4%, in local currencies 5%)
- Operating profit¹ -6%, in local currencies -6% (-8%, in local currencies -8%)
- Common equity tier 1 capital ratio 19.2%, up from 16.8% (up 40 bps from 18.8%)
- Cost/income ratio¹ 54% up from 50% (up 3%-points from 51%)
- Loan loss ratio of 13 bps, down from 15 bps (down 1 bps from 14 bps)
- Return on equity¹ 9.5%, down from 11.4% (down 0.8%-points from 10.3%)
- Diluted EPS EUR 0.18 vs. EUR 0.25 (EUR 0.18 vs. EUR 0.21)

Summary key figures EURm	Q2	Q1	Chg	Local	Q2	Chg	Local	Jan-Jun	Jan-Jun	Chg	Local
	2017	2017	%	curr. %	2016	%	curr. %	2017	2016	%	curr. %
Net interest income	1,175	1,197	-2	0	1,172	0	1	2,372	2,340	1	0
Total operating income ¹	2,407	2,461	-2	-1	2,405	0	1	4,868	4,700	4	3
Total operating income	2,407	2,461	-2	-1	2,556	-6	-5	4,868	4,851	0	0
Profit before loan losses	1,116	1,215	-8	-7	1,350	-17	-17	2,331	2,467	-6	-6
Net loan losses	-106	-113	-6	-4	-127	-17	-15	-219	-238	-8	-8
Operating profit ¹	1,010	1,102	-8	-8	1,072	-6	-6	2,112	2,078	2	1
Operating profit	1,010	1,102	-8	-8	1,223	-17	-17	2,112	2,229	-5	-6
Diluted earnings per share, EUR	0.18	0.21	-14		0.25	-28		0.39	0.44	-11	
ROE ¹ , %	9.5	10.3	-8		11.4	-17		9.9	10.7	-7	
ROE, %	9.5	10.3	-8		13.4	-29		9.9	11.7	-15	

Exchange rates used for Q2 2017 for income statement items are for DKK 7.4368, NOK 9.1771 and SEK 9.5961.

¹ Excl. non-recurring items in Q2 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax.

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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, 31,500 employees and 600 branch office locations. The Nordea share is listed on the Nasdaq Stockholm, Nasdaq Helsinki and Nasdaq Copenhagen exchanges. Read more about us on nordea.com.



CEO comment

In the second quarter of the year, we have seen evenly distributed growth throughout our four Nordic home markets. The overall economic situation remains very solid although the geopolitical environment is increasingly unstable. However, we are closely monitoring the trends specifically in the Swedish, Norwegian and Danish real estate markets, where we in some areas see price levels that could be unsustainable.

Financial outcome

The operating environment is stable in our home markets. We have in recent quarters managed to improve margins from very low levels, and we currently see a stabilising trend which we expect to continue. Although demand for corporate loans is low, we see a continued high activity level in our corporate advisory services, and Assets under Management is again reaching an all-time-high level of EUR 332bn. Customer activities in the capital markets have been lower this quarter due to low volatility.

There has been a very high activity level in the quarter in our simplification and transformation projects, which has impacted the costs as previously expected. Our decision to front load some investments in compliance activities and group projects, together with expenses related to the domicile review, leads us to now expect costs 3-5% higher in 2017 compared to 2016. We are confident that costs in 2018 will drop to the 2016 level.

Credit quality is solid and loan loss ratio decreased somewhat to 13 bps. Around one third of the total net loan losses in Q2 are related to the oil and offshore portfolio. Our expectation is that loan losses will be below the long-term average of 16 bps in the second half of the year.

We continue to build up and strengthen our capital position and the Common Equity Tier 1 ratio increased to 19.2%, compared to 18.8% at the end of the first quarter.

Adding Customer Value

Nordea mobile bank has approximately 40 million log-ins per month. A new mobile bank will be launched in Finland during the second half of 2017 and in the other Nordic countries in 2018. The focus is on more customer friendly solutions allowing easy access and enhanced availability to products and services.

We have recently partnered with the Stockholm FinTech Hub. This follows our recent partnership with Copenhagen FinTech Hub and with The Factory in Oslo, a start-up accelerator.

Through partnering with Estonian start-up Feelingstream, Nordea will be able to respond more quickly to customers and by using Artificial Intelligence (AI) to analyse texts, new opportunities for improving customers services will emerge.

Nordea issued its first-ever Green Bond on June 26. In addition to providing cost-efficient funding, the Green bond issuance is a natural step to manifest Nordea's heightened ambition level in the sustainability area.

Nordea has, as a joint book runner, facilitated the largest convertible bonds issuance in Denmark ever and thus has been an incremental part in opening up this alternative for our customers to finance growth.

Nordea Simplification work received the IT Innovation Award 2017 by Retail Banker International. The award recognised the extent of transformation that we have undertaken.

Risk and compliance

It has been a continued development in processes and capabilities to prevent financial crime. We are determined to handle financial crime risks in a reliable, responsible and effective way, thus making us an even safer choice for customers. The Financial Crime Change Programme (FCCP) Transition Plan, approved by the Board of Directors, aims to lead Nordea to a 2020 target state with fully implemented end-to-end solutions for sustainable anti-financial crime activity in the entire group.

Nordea business transformation

Our transformation programme which aims to free-up resources is progressing according to plan.

A key milestone has been reached in the Core Banking Programme (CBP) with the completion of a successful customer data upload (approx. 3.8 million Finnish household customer records) to the new Nordic core banking platform and a key software release to the production environment which will enable Nordea to launch the new deposits and savings product portfolio in Finland.

We recently launched a Nordea-wide competitiveness improvement effort which aims to support the overall strategic transformation of the bank with a coherent, transparent and sustainable common approach to efficiency and productivity gains. To get where we need to be, we are working towards becoming an efficient end-to-end digital organisation, operating with common processes, products, systems and with a shared culture and passion for customers and our long-term relationships. This will address the cost situation in the bank and we plan to communicate further information in the Q3 2017 report.

The implementation of a new business culture is developing well. We have for instance had 820 engagement sessions including approximately 28,000 employees discussing our culture from cross-functional perspectives and a leadership forum focused on the synergies between business and human transformation.

Nordea domicile

Nordea has during the spring reviewed where the headquarters should be domiciled to best secure a fair, stable and predictable regulatory environment on par with our European peers. As a multinational bank, operating in open economies, we view the banking union to be the single most important factor. As new initiatives have surfaced in Scandinavia about exploring to join the banking union, we would like to process this information before making a final decision in September.

Casper von Koskull
President and Group CEO

Income statement

EURm	Q2				Q1				Jan-Jun			
	2017	2017	Chg %	Local curr. %	2016	Chg %	Local curr. %	2017	2016	Chg %	Local curr. %	
Net interest income	1,175	1,197	-2	0	1,172	0	1	2,372	2,340	1	0	
Net fee and commission income	850	866	-2	-1	804	6	7	1,716	1,576	9	10	
Net result from items at fair value	361	375	-4	-5	405	-11	-10	736	737	0	2	
Profit from associated undertakings and joint ventures accounted for under the equity method	0	4			101			4	110	-96	-96	
Other operating income	21	19	11	11	74	-72	-72	40	88	-55	-55	
Total operating income	2,407	2,461	-2	-1	2,556	-6	-5	4,868	4,851	0	0	
Staff costs	-795	-799	-1	1	-756	5	6	-1,594	-1,496	7	7	
Other expenses	-433	-387	12	13	-396	9	11	-820	-782	5	5	
Depreciation, amortisation and impairment charges of tangible and intangible assets	-63	-60	5	5	-54	17	19	-123	-106	16	16	
Total operating expenses	-1,291	-1,246	4	5	-1,206	7	8	-2,537	-2,384	6	7	
Profit before loan losses	1,116	1,215	-8	-7	1,350	-17	-17	2,331	2,467	-6	-6	
Net loan losses	-106	-113	-6	-4	-127	-17	-15	-219	-238	-8	-8	
Operating profit	1,010	1,102	-8	-8	1,223	-17	-17	2,112	2,229	-5	-6	
Income tax expense	-267	-258	3	5	-227	18	19	-525	-451	16	16	
Net profit for the period	743	844	-12	-11	996	-25	-25	1,587	1,778	-11	-11	

Business volumes, key items¹

EURbn	30 Jun 2017				31 Mar 2017			
	2017	2017	Chg %	Local curr. %	2016	Chg %	Local curr. %	
Loans to the public	314.7	320.1	-2	0	344.6	-9	-8	
Loans to the public, excl. repos	297.9	299.2	0	1	308.9	-4	-2	
Deposits and borrowings from the public	189.5	190.9	-1	1	196.0	-3	-2	
Deposits from the public, excl. repos	176.2	178.1	-1	0	177.2	-1	1	
Total assets	642.8	650.3	-1	0	671.2	-4	-3	
Assets under management	332.1	330.1	1		300.2	11		
Equity	31.4	31.1	1		30.1	4		

Ratios and key figures²

	Q2			Q1			Jan-Jun		
	2017	2017	Chg %	2016	Chg %	2017	2016	Chg %	
Diluted earnings per share, EUR	0.18	0.21	-14	0.25	-28	0.39	0.44	-11	
EPS, rolling 12 months up to period end, EUR	0.88	0.95	-7	0.84	5	0.88	0.84	5	
Share price ¹ , EUR	11.12	10.73	4	7.52	48	11.12	7.52	48	
Total shareholders' return, %	10.7	6.7	60	-2.6		11.8	-18.6		
Equity per share ¹ , EUR	7.74	7.65	1	7.47	4	7.74	7.47	4	
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	4,039	4,039	0	4,036	0	4,040	4,035	0	
Return on equity, %	9.5	10.3	-8	13.4	-29	9.9	11.7	-15	
Cost/income ratio, %	54	51	6	47	14	52	49	6	
Loan loss ratio, basis points ³	13	14	-7	15	-13	14	14	0	
Common Equity Tier 1 capital ratio, excl. Basel I floor ^{1,4} , %	19.2	18.8	2	16.8	14	19.2	16.8	14	
Common Equity Tier 1 capital ratio, incl. Basel I floor ^{1,4} , %	12.0	11.9	1	11.0	9	12.0	11.0	9	
Tier 1 capital ratio, excl. Basel I floor ^{1,4} , %	21.4	21.0	2	18.9	13	21.4	18.9	13	
Total capital ratio, excl. Basel I floor ^{1,4} , %	24.6	24.3	1	22.1	11	24.6	22.1	11	
Tier 1 capital ^{1,4} , EURbn	27.7	28.1	-1	27.0	3	27.7	27.0	3	
Risk exposure amount excl. Basel I floor ⁴ , EURbn	130	134	-3	143	-9	130	143	-9	
Risk exposure amount incl. Basel I floor ⁴ , EURbn	209	214	-2	221	-6	209	221	-6	
Number of employees (FTEs) ¹	31,847	31,640	1	30,996	3	31,847	30,996	3	
Economic capital ¹ , EURbn	27.3	28.9	-5	27.3	0	27.3	27.3	0	

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.

⁴ Including the result for the period.

Income statement - Excluding non-recurring items¹

EURm	Q2	Q1	Chg	Local	Q2	Chg	Local	Jan-	Jan-	Chg	Local
	2017	2017	%	curr.	2016	%	curr.	Jun 2017	Jun 2016	%	curr.
Net interest income	1,175	1,197	-2	0	1,172	0	1	2,372	2,340	1	0
Net fee and commission income	850	866	-2	-1	804	6	7	1,716	1,576	9	10
Net result from items at fair value	361	375	-4	-5	405	-11	-10	736	737	0	2
Profit from associated undertakings and joint ventures accounted for under the equity method	0	4			8			4	17	-76	-76
Other operating income	21	19	11	11	16	31	31	40	30	33	33
Total operating income	2,407	2,461	-2	-1	2,405	0	1	4,868	4,700	4	3
Staff costs	-795	-799	-1	1	-756	5	6	-1,594	-1,496	7	7
Other expenses	-433	-387	12	13	-396	9	11	-820	-782	5	5
Depreciation, amortisation and impairment charges of tangible and intangible assets	-63	-60	5	5	-54	17	19	-123	-106	16	16
Total operating expenses	-1,291	-1,246	4	5	-1,206	7	8	-2,537	-2,384	6	7
Profit before loan losses	1,116	1,215	-8	-7	1,199	-7	-7	2,331	2,316	1	0
Net loan losses	-106	-113	-6	-4	-127	-17	-15	-219	-238	-8	-8
Operating profit	1,010	1,102	-8	-8	1,072	-6	-6	2,112	2,078	2	1
Income tax expense	-267	-258	3	5	-227	18	19	-525	-451	16	16
Net profit for the period	743	844	-12	-11	845	-12	-12	1,587	1,627	-2	-3

Ratios and key figures^{1,2}

	Q2	Q1	Chg	Q2	Chg	Jan-	Jan-	Chg
	2017	2017	%	2016	%	Jun 2017	Jun 2016	%
Diluted earnings per share, EUR	0.18	0.21	-12	0.21	-13	0.39	0.40	-3
EPS, rolling 12 months up to period end, EUR ³	0.86	0.89	-3	0.81	6	0.86	0.81	6
Return on equity, %	9.5	10.3	-8	11.4	-17	9.9	10.7	-7
Cost/income ratio, %	54	51	6	50	7	52	51	3
ROCAR, %	10.6	12.3	-14	12.5	-15	11.6	12.4	-6

¹ Excl. non-recurring items in Q2 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax.

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

³ Key figure is also effected by the non-recurring items in Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m before tax and additional gain related Visa Inc.'s acquisition of Visa Europe amounting to EUR 22m before tax, and in Q4 2015: gain from divestment of Nordea's merchant acquiring business to Nets of EUR176m before tax and restructuring charge of EUR 263m before tax.

Table of contents

Macroeconomy and financial markets	6
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Group results and performance

Second quarter 2017	7
Net interest income.....	7
Net fee and commission income	8
Net result from items at fair value	9
Total operating income	9
Total expenses	10
Net loan losses and credit portfolio.....	11
Profit.....	12
First half year 2017 compared to first half year 2016.....	12
Other information	13
Capital position and risk exposure amount (REA).....	13
Regulatory developments.....	13
Balance sheet.....	14
Funding and liquidity operations.....	14
Market risk.....	14
Baltics	14
Quarterly result development, Group.....	15

Business areas

Financial overview by business area	16
Personal Banking.....	17
Commercial and Business Banking	23
Wholesale Banking	27
Wealth Management.....	31
Group Functions and other	35

Financial statements

Nordea Group	36
Notes to the financial statements	40
Nordea Bank AB (publ).....	59



Macroeconomy and financial markets

The second quarter of 2017 saw continued resilience in the global economy. European sentiment data continued to surprise on the upside. The ECB revised their staff forecast higher at its June meeting, seeing risks to inflation and the economy as more balanced. Euro area inflation came down slightly from 1.5% to 1.3% (y/y) during the second quarter but was still at elevated levels compared to 2016. In the US, the Federal Reserve saw through the somewhat disappointing inflation figures in the lead-up to the June meeting and hiked interest rates, as widely expected. Employment data and financial conditions were deemed to be strong enough to motivate a tightening of monetary policy. The Federal Reserve also communicated its intention to wind down the balance sheet by reducing reinvestments of the bonds acquired during the QE-program after the financial crisis in 2008. In the UK, prime minister Theresa May called for a snap election in June. The outcome was a major disappointment for Mrs May and the conservatives who lost their majority and were forced to form a coalition with the Northern Irish DUP to retain power. The GBP weakened by 3.4% against the EUR during the quarter. In France, Emmanuel Macron and his newly established party first won the presidential election by beating runner-up Le Pen by a wide margin, and then secured the largest majority in parliament since 1968 in the legislative election in June. The yield spread between the French and German 10-year bonds consequently narrowed to 33bps, 40bps tighter compared to pre-election levels. In China, export growth and retail sales picked up during Q2. Economic growth remained steady but was still trending slower. In the Middle East, geopolitical tensions rose dramatically as Saudi Arabia and neighboring allies imposed a blockade on Qatar. Despite the increased tension, oil prices declined with Brent ending the quarter at USD 48.8 per barrel, down 10.9%. European equity markets performed strongly in April following the French election before edging lower and ended the quarter down 1.7%. Meanwhile, US equities ended the quarter on a positive note, rising 2.6% in Q2. The German 10-year yield increased by 14bps to 0.47% while the US 10-year yield decreased slightly by 8bps to 2.39%.

Denmark

The Danish economy expanded by 2.6% (y/y) in the first quarter of 2017. In that period household consumption rose by 1.9% while exports rose by 5.9%. Households benefited from the historically low interest rates, rising employment and positive real wage growth. Also, households' financial wealth and home equity levels increased. Danish exporters regained momentum in line with higher growth among main trading partners. Leading indicators pointed to growth above the long-term potential in Q2. In the housing market, prices increased by around 4% over the last year and housing turnover increased to the long-term average. Residential investment in Q1 rose by 4.3% (y/y). The Danish central bank maintained an unchanged key interest rate in Q2 and did not do any intervention in the FX-market. Danish equities rose by 6.0% during the quarter while the 10-year swap rate increased by 12bps to 1.13%.

Finland

The Finnish economy expanded by 2.7% (y/y) during the first quarter of 2017. Economic sentiment and consumer confidence improved rapidly and pointed to continued strong growth during Q2. Economic activity, long since boosted by domestic demand, found support from foreign trade. Demand picked up from the main trading partners and the export recovery appeared broad-based. Domestic demand was strong, driven by rapidly increasing residential and non-residential construction. Private consumption remained strong, but more moderate improvements in household sector purchasing power cast a shadow on consumption growth potential. Finnish equity markets gained more than 4% during the quarter. The Finnish 10-year yield ended the quarter 5bps higher at around 50bps.

Norway

Growth in Norway showed a further pick-up in momentum in Q1 2017, and survey data indicated a continuation of this trend in Q2 2017. The fall in oil investments abated and the activity level in the oil-related sectors stabilised. Unemployment continued to slowly decrease during the quarter. Low interest rates, NOK weakness and expansionary fiscal policy continued to positively affect the economy. The effect of past NOK weakening on imported inflation showed signs of fading. Core inflation dropped by about 2 percentage points over the past nine months and hovered above 1.5% during the first half of 2017. As widely anticipated, Norges Bank at its June meeting kept its key policy rate unchanged at 0.5%. But in a significant move, it raised the bottom of the rate path from 0.4% to 0.5%, on better than expected developments in the economy. The 2-year swap rate decreased by 5bps to 1.12% in Q2, while the 10-year swap rate increased by 5bps to 1.96%. The Norwegian krone was 2% weaker in trade-weighted terms in Q2. Norwegian equities were up by 1.1%.

Sweden

GDP growth slowed in Q1 to 0.4% (q/q) and 2.2% (y/y), mainly due to a drop in exports of services. Exports during Q2 showed signs of recovery and key economic indicators suggested that the healthy growth momentum in the domestic economy continued during the second quarter. Employment remained on a strong trend, while the unemployment rate fell only gradually due to the large inflow of labour. Consumer price inflation rose to around 2% (y/y), boosted by rising energy prices and the weak SEK. Long-term inflation expectations remained anchored at the 2% inflation target. The Riksbank, at its April meeting, left its key policy rate unchanged at -0.50%, while the bond purchase programme was extended by SEK 15bn for the second half of 2017. The trade-weighted SEK strengthened by 1% after a sharp appreciation by the end of Q2. Swedish equities rose by 1% during the quarter. 10-year government bond yields rose by 5bps to 0.65%, driven by expectations of higher growth and inflation globally.



Group results and performance

Second quarter 2017

Net interest income

Net interest income in local currencies was unchanged from the previous quarter. Lending margin was somewhat down while deposit margins improved compared to the previous quarter.

Net interest income for Personal Banking was unchanged in local currencies from the previous quarter.

Net interest income for Commercial & Business Banking was up 4% in local currencies from the previous quarter supported by pricing initiatives especially in lending operations.

Net interest income in Wholesale Banking was down 3% in local currencies from the previous quarter, mainly driven by lower lending volumes in Russia and periodisation effect. The underlying trend is stable.

Net interest income in Wealth Management was slightly down in the quarter and amounted to EUR 27m compared to EUR 29m in the previous quarter.

Net interest income in Other and eliminations was down 9% to EUR 118m compared to EUR 129m in the previous quarter. The decrease was EUR 11m mainly due to tightening of NIBOR spreads.

Lending volumes

Total lending to the public excluding reversed repurchase agreements, decreased slightly to EUR 298bn (adjusted for the reclassification of a EUR 2bn carve-out portfolio related to the Baltic operations remaining on Nordea's balance sheet). Average lending volumes in local currencies in business areas were somewhat up in Personal Banking and Commercial & Business Banking but slightly down in Wealth Management and Wholesale Banking.

Deposit volumes

Total deposits from the public in local currencies, excluding repos were unchanged from the previous quarter. Average deposit volumes in business areas were up in Personal Banking, Wealth Management and Wholesale Banking, but somewhat lower in Commercial & Business Banking.

Net interest income per business area

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local currency	
								Q2/Q1	Q2/Q2
Personal Banking	554	560	545	537	521	-1%	6%	0%	8%
Commercial & Business Banking	286	279	276	272	282	3%	1%	4%	2%
Wholesale Banking	190	200	203	204	209	-5%	-9%	-3%	-9%
Wealth Management	27	29	30	27	27	-7%	0%	-2%	4%
Other and eliminations	118	129	155	138	133	n.m	n.m	n.m	n.m
Total Group	1,175	1,197	1,209	1,178	1,172	-2%	0%	0%	1%

Change in Net interest income

EURm	Q2/Q1	Jan-Jun
		17/16
NII beginning of period	1,197	2,340
Margin driven NII	4	109
Lending margin	-3	63
Deposit margin	7	46
Volume driven NII	5	-14
Lending volume	4	-15
Deposit volume	1	1
Day count	14	-14
Other ¹	-45	-49
NII end of period	1,175	2,372
¹ of which FX	-20	25



Net fee and commission income

Net fee and commission income decreased 1% in local currencies from the previous quarter.

Savings and investment commissions

Net fee and commission income from savings and investments decreased 3% in local currencies from the previous quarter to EUR 539m. Fees were positively impacted by AuM that increased to EUR 332.1bn at the end of the quarter compared to EUR 330.1bn in previous quarter.

Net inflow increased to EUR 1.9bn compared to net inflow of EUR 1.3bn in the previous quarter. Fees were down approximately EUR 20m due to periodisation and lower securities brokerage and corporate finance fees.

Payments and cards and lending-related commissions

Lending-related net fee and commission income decreased 5% in local currencies to EUR 151m from the previous quarter. Payments and cards net fee and commission income was up 19% to EUR 148m from the previous quarter partly related to fees from Visa and Master Card.

Net fee and commission income per business area

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local currency	
								Q2/Q1	Q2/Q2
Personal Banking	189	194	184	178	175	-3%	8%	-2%	10%
Commercial & Business Banking	113	106	117	99	102	7%	11%	7%	12%
Wholesale Banking	133	167	159	145	163	-20%	-18%	-19%	-17%
Wealth Management	422	412	422	384	378	2%	12%	4%	13%
Other and eliminations	-7	-13	-15	-11	-14	n.m	n.m	n.m	n.m
Total Group	850	866	867	795	804	-2%	6%	-1%	7%

Net fee and commission income per category

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local currency	
								Q2/Q1	Q2/Q2
Savings and investments, net	539	556	547	498	489	-3%	10%	-3%	11%
Payments and cards, net	148	126	138	129	130	17%	14%	19%	15%
Lending-related, net	151	161	172	169	175	-6%	-14%	-5%	-12%
Other commissions, net	12	23	10	-1	10	n.m	n.m	n.m	n.m
Total Group	850	866	867	795	804	-2%	6%	-1%	7%

Assets under Management (AuM), volumes and net inflow

EURbn	Q217	Net inflow		Q117	Q416	Q316	Q216
		Q217	Q216				
Nordic Retail funds	60.6		0.3	60.7	59.2	56.6	54.1
Private Banking	102.9		0.3	101.6	100.2	97.6	93.2
Institutional sales	94.4		0.9	93.8	91.7	92.6	84.6
Life & Pensions	74.2		0.4	74.0	71.6	70.6	68.3
Total	332.1		1.9	330.1	322.7	317.4	300.2



Net result from items at fair value

The net result from items at fair value decreased 4% from the previous quarter to EUR 361m and decreased 11% from same quarter in 2016. Fair value adjustment had a positive impact of EUR 36m up from EUR 3m in Q1 2017.

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

Customer-driven capital markets activities generated lower income in the customer business than in the previous quarter. The net fair value result for the business units decreased to EUR 150m, from EUR 198m in the previous quarter. The decrease was partially explained by EUR 37m related to debt restructuring of customer exposure in Shipping, Oil and Offshore.

Life & Pensions

The net result from items at fair value for Life & Pensions decreased EUR 2m from the previous quarter to EUR 57m.

Wholesale Banking other

The net fair value result for Wholesale Banking other, i.e. income from managing the risks inherent in customer transactions, increased to EUR 135m compared to EUR 99m in the previous quarter.

Other and eliminations

The net fair value result in Group Functions and Others was unchanged compared to previous quarter and amounted to EUR 19m.

Net result from items at fair value per area

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2
Personal Banking	23	19	23	26	32	21%	-28%
Commercial & Business Banking	68	61	69	67	74	11%	-8%
Wholesale Banking excl. Other	43	92	111	79	90	-53%	-52%
Wealth Mgmt excl. Life	16	26	19	17	25	-38%	-36%
Wholesale Banking Other	135	99	183	147	80	36%	n.m
Life & Pensions	57	59	67	53	60	-3%	-5%
Other and eliminations	19	19	26	91	44	n.m	n.m
Total Group	361	375	498	480	405	-4%	-11%

Equity method

Income from companies accounted for under the equity method was EUR 0m, down from EUR 4m in the previous quarter.

Total operating income

Total income decreased by 1% in local currencies from the previous quarter to EUR 2,407m.

Other operating income

Other operating income was EUR 21m, up from EUR 19m in the previous quarter.

Total operating income per business area

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local currency	
								Q2/Q1	Q2/Q2
Personal Banking	772	775	753	744	730	0%	6%	1%	7%
Commercial & Business Banking	474	468	469	445	465	1%	2%	2%	3%
Wholesale Banking	501	562	655	576	542	-11%	-8%	-10%	-7%
Wealth Management	530	529	544	485	495	0%	7%	2%	8%
Other and eliminations	130	127	189	216	324	n.m	n.m	n.m	n.m
Total, incl. non-recurring items	2,407	2,461	2,610	2,466	2,556	-2%	-6%	-1%	-5%
Total, excl. non-recurring items¹	2,407	2,461	2,588	2,466	2,405	-2%	0%	-1%	1%

¹ Non-recurring items (Q4 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 22m before tax. Q2 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax).

Nordea

Total expenses

Total expenses in the second quarter amounted to EUR 1,291m, up 5% from the previous quarter and up 8% from the second quarter of 2016 in local currencies.

Staff costs were slightly up in local currencies from the previous quarter and up 6% in the same period in 2016 in local currencies.

Other expenses were up 13% in local currencies from the previous quarter, following higher IT and consulting costs.

Depreciations were up 5% from the previous quarter and up 19% from same quarter of 2016.

The number of employees (FTEs) at the end of the second quarter was 31,847 which is more or less unchanged from the previous quarter but up 3% from the same quarter of 2016. The increase from the second quarter of 2016 is mainly related to compliance and risk.

Expenses related to Group projects, Compliance and Risk that affected the P&L were EUR 149m, compared to EUR 128m in the previous quarter. In addition, EUR 80m was capitalised compared to EUR 74m in the previous quarter.

Provisions for performance-related salaries in the second quarter were EUR 65m, compared to EUR 81m in the previous quarter.

The cost/income ratio was up to 54% in the second quarter, compared to both the previous quarter (51%) and the second quarter of 2016 (47%).

As we have changed the scope and decided to front-load some of the investments in Compliance and Group Projects, we expect costs to be 3-5% higher 2017 compared to 2016. For 2018 we expect costs to fall to the 2016 level.

Total operating expenses

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local currency	
								Q2/Q1	Q2/Q2
Staff costs	-795	-799	-687	-743	-756	-1%	5%	1%	6%
Other expenses	-433	-387	-475	-389	-396	12%	9%	13%	11%
Depreciations	-63	-60	-71	-51	-54	5%	17%	5%	19%
Total, incl. non-recurring items	-1,291	-1,246	-1,233	-1,183	-1,206	4%	7%	5%	8%
Total, excl. non-recurring items¹	-1,291	-1,246	-1,319	-1,183	-1,206	4%	7%	5%	8%

¹ Non-recurring items (Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m).

Total operating expenses per business area

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local currency	
								Q2/Q1	Q2/Q2
Personal Banking	-453	-452	-445	-446	-425	0%	7%	1%	8%
Commercial & Business Banking	-275	-268	-281	-271	-295	3%	-7%	4%	-5%
Wholesale Banking	-228	-236	-267	-234	-243	-3%	-6%	-2%	-6%
Wealth Management	-248	-225	-225	-213	-212	10%	17%	12%	18%
Other and eliminations	-87	-65	-15	-19	-31	n.m	n.m	n.m	n.m
Total, incl. non-recurring items	-1,291	-1,246	-1,233	-1,183	-1,206	4%	7%	5%	8%
Total, excl. non-recurring items¹	-1,291	-1,246	-1,319	-1,183	-1,206	4%	7%	5%	8%

¹ Non-recurring items (Q4 2016: gain in staff costs related to change in pension agreement in Norway of EUR 86m).

Currency fluctuation effects

%-points	Q2/Q1	Q2/Q2	Jan-Jun 17/16
Income	-1	-1	0
Expenses	-1	-1	0
Operating profit	-1	0	0
Loan and deposit volumes	-1	-1	-1



Net loan losses

Credit quality remained solid, with positive net rating migration in Q2, both in the retail and corporate portfolio.

Net loan loss decreased to EUR 106m and the loan loss ratio improved to 13 basis points (EUR 113m and 14 bps in the previous quarter). Loan losses in Q2 are diversified between business areas with largest individual loan loss related to offshore portfolio.

Loan loss ratio for individual losses are 11 bps and for collective 2 bps (in Q1, the ratio for individual losses was 16 bps and for collective it was -2 bps).

Oil and offshore-related portfolio is still regarded as high risk and approx. one third of net loan losses in Q2 stem from this portfolio.

Our expectation is that loan losses will be below the long-term average of 16 bps in the second half of the year.

Credit portfolio

Total lending to the public excluding reversed repurchase agreements, decreased slightly to EUR 298bn (adjusted for the reclassification of a EUR 2bn carve-out portfolio related to the Baltic operations remaining on Nordea's balance sheet).

Total impaired loans gross increased by 6% to EUR 5,975m and impairment rate gross increased to 172 bps of total loans (162 bps in Q1) mainly related to few new impaired customers in Oil and Offshore and Consumer Durables. The new impaired customers have collateral coverage driving a decrease of the provisioning ratio to 40% (44% in Q1).

Loan loss ratios and impaired loans

Basis points of loans	Q217	Q117	Q416	Q316	Q216
Loan loss ratios					
annualised, Group	13	14	16	16	15
of which individual	11	16	15	7	13
of which collective	2	-2	1	9	2
Personal Banking total ¹	7	2	-1	4	9
Banking Denmark ¹	11	3	-10	6	10
Banking Finland ¹	4	1	3	3	6
Banking Norway ¹	0	1	0	1	3
Banking Sweden ¹	2	2	3	0	3
Banking Baltic countries ¹	9	-5	10	5	54
Commercial & Business Banking ¹	8	9	17	24	18
Commercial Banking ¹	12	23	19	22	6
Business Banking ¹	2	-12	15	26	29
Corporate & Institutional Banking (CIB) ¹	18	18	40	9	17
Shipping, Offshore & Oil Services ¹	146	200	163	200	80
Banking Russia ¹	88	162	90	30	120
Impaired loans ratio gross, Group (bps) ³	172	162	163	163	172
- servicing	64%	62%	58%	61%	60%
- non-servicing	36%	38%	42%	39%	40%
Total allowance ratio, Group (bps)	69	71	71	71	73
Provisioning ratio, Group ²	40%	44%	44%	44%	42%

¹ Negative amount are net reversals.

² Total allowances in relation to gross impaired loans.

³ In Q4 and Q3 2016 170bps, including Baltics operations reported as assets held for sale. The transaction is expected to close during Q4 2017.



Profit

Operating profit

Operating profit excluding non-recurring items decreased to EUR 1,010m, down 8% in local currencies compared to the previous quarter, and down 6% compared to the same quarter of 2016.

Taxes

Income tax expense was EUR 267m compared to EUR 258m in the previous quarter. The effective tax rate was 26.4%, compared to 23.4% in the previous quarter and 18.6% in the second quarter last year.

Net profit

Net profit decreased 11% in local currencies from the previous quarter to EUR 743m. Return on equity was 9.5%, down from 10.3% in the previous quarter.

Diluted earnings per share were EUR 0.18 (EUR 0.21 in the previous quarter).

Operating profit per business area

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local currency	
								Q2/Q1	Q2/Q2
Personal Banking	293	316	310	283	270	-7%	9%	-6%	11%
Commercial & Business Banking	183	183	154	125	134	0%	37%	1%	37%
Wholesale Banking	209	236	292	271	243	-11%	-14%	-11%	-15%
Wealth Management	282	304	319	272	283	-7%	0%	-5%	1%
Other and eliminations	43	63	173	197	293	n.m	n.m	n.m	n.m
Total, incl. non-recurring items	1,010	1,102	1,248	1,148	1,223	-8%	-17%	-8%	-17%
Total, excl. non-recurring items¹	1,010	1,102	1,140	1,148	1,072	-8%	-6%	-8%	-6%

¹ Non-recurring items (Q4 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 22m before tax and gain in staff costs related to change in pension agreement in Norway of EUR 86m. Q2 2016: gain related to Visa Inc.'s acquisition of Visa Europe amounting to EUR 151m net of tax).

First half year 2017 compared to first half year 2016

Total income was up 3% in local currencies and up 4% in EUR from the prior year and operating profit was up 1% in local currencies and up 2% in EUR from the previous year excluding non-recurring items.

Income

Net interest income was unchanged in local currencies (up 1% in EUR) from 2016. Average lending volumes in business areas in local currencies were slightly down by 1% compared to the first half year of 2016 while deposits volumes were slightly up by 1%.

Net fee and commission income increased 10% in local currencies (increased 9% in EUR) from the previous year.

Net result from items at fair value increased 2% in local currencies (unchanged in EUR) from 2016.

Expenses

Total expenses were up 7% in local currencies (6% in EUR) from the previous year excluding non-recurring items and amounted to EUR 2,537m. Staff costs were up 7% in local currencies excluding non-recurring items.

Net loan losses

Net loan loss provisions decreased to EUR 219m, corresponding to a loan loss ratio of 14 bps (unchanged from first half year 2016).

Net profit

Net profit excluding non-recurring items decreased 3% in local currencies (2% in EUR) to EUR 1,587m.

Currency fluctuation impact

Currency fluctuations had no effect on income and expenses but a negative effect of 1%-point on loan and deposit volumes compared to a year ago.



Other information

Capital position and risk exposure amount, REA

Nordea Group's Basel III Common equity tier 1 (CET1) capital ratio increased to 19.2% at the end of the second quarter 2017, compared to 18.8% at the end of the first quarter 2017. REA decreased EUR 3.9bn to EUR 129.7bn. The main drivers were foreign exchange effects, improved credit quality as well as reduced volumes. CET1 capital decreased EUR 0.2bn driven by foreign exchange effects, somewhat offset by the net profit for the period.

The tier 1 capital ratio increased to 21.4% compared to 21.0% in the previous quarter and the total capital ratio increased from 24.3% to 24.6%.

The CET1 capital was EUR 24.9bn, the Tier 1 capital was EUR 27.7bn and the Own Funds were EUR 31.8bn. The decrease of the Own funds was, in addition to the changes in CET1 capital, due to foreign exchange effects and regulatory amortisation of capital instruments. The capital requirement based on the Basel 1 transitional rules was EUR 16.7bn and the adjusted Own Funds EUR 32.0bn.

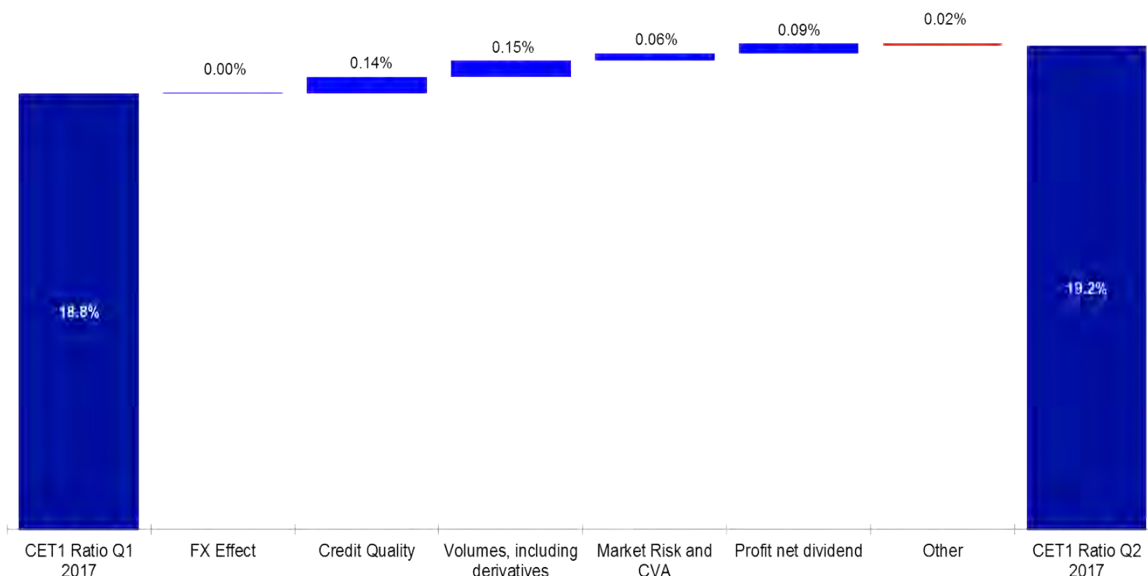
The CRR leverage ratio remained unchanged at 4.7% including profit, compared to the last quarter.

Capital ratios

%	Q217	Q117	Q416	Q316	Q216
CRR/CRDIV					
CET 1 cap. ratio	19.2	18.8	18.4	17.9	16.8
Tier 1 capital ratio	21.4	21.0	20.7	20.1	18.9
Total capital ratio	24.6	24.3	24.7	24.1	22.1

Economic Capital (EC) was at the end of the second quarter EUR 27.3bn, lower by EUR 1.5bn compared to the previous quarter. The main driver for the decline was the decreased credit risk.

Common equity tier 1 (CET1) capital ratio, changes in the quarter

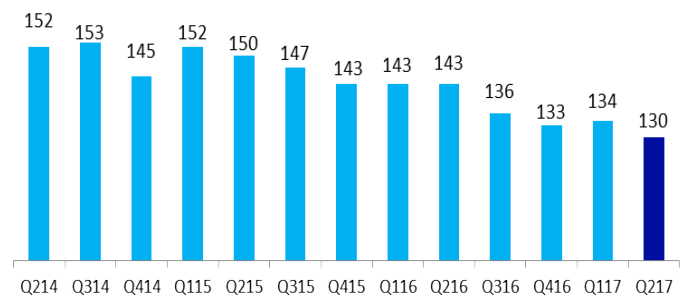


The Group's Internal Capital Requirement (ICR) was at the end of the second quarter EUR 13.6bn, a decrease of EUR 0.4bn compared to the previous quarter. The ICR should be compared to the own funds, which was EUR 31.8bn. The ICR is calculated based on a Pillar I plus Pillar II approach. For more detailed information about the ICR methodology see the Capital and Risk Management Report.

Regulatory developments

On 29 June the Swedish FSA published the capital assessment method for securitisations which the authority has decided to use within the Pillar 2 process. The document is in substance unchanged compared with the proposal which were submitted for consultation in December 2016. Nordea's outstanding securitisation transaction will not be affected by this method.

Risk exposure amount, REA (EURbn), quarterly





Balance sheet

Total assets in the balance sheet slightly decreased by EUR 7bn in the quarter and the asset values of derivatives were EUR 3bn lower than in the previous period.

Loans to the public decreased slightly to EUR 315bn in the quarter compared to EUR 320bn in the previous quarter.

Other assets increased by EUR 1bn in the quarter.

Balance sheet data

EURbn	Q217	Q117	Q416	Q316	Q216
Loans to credit institutions	21	19	9	13	10
Loans to the public	315	320	318	326	345
Derivatives	53	56	70	81	87
Interest-bearing securities	91	93	88	83	85
Other assets	163	162	131	155	144
Total assets	643	650	616	657	671
Deposits from credit inst.	70	70	38	58	64
Deposits from the public	190	191	174	187	196
Debt securities in issue	185	188	192	191	188
Derivatives	53	56	69	77	83
Other liabilities	114	114	111	112	110
Total equity	31	31	32	31	30
Total liabilities and equity	643	650	616	657	671

Nordea's funding and liquidity operations

Nordea issued approx. EUR 4.2bn in long-term funding in the second quarter excluding Danish covered bonds and subordinated notes, of which approx. EUR 0.9bn represented the issuance of Finnish, Swedish and Norwegian covered bonds in domestic and international markets. Notable benchmark transactions in the quarter was a USD 1.75bn dual tranche senior unsecured issuance in May in the form of a USD 1bn 3 year fixed and a USD 750m 3 year FRN bond, a SEK 4bn dual tranche senior unsecured issuance in June in the form of a SEK 3.250m 3 year fixed and a 750m 3 year FRN bond and finally in June a senior unsecured issuance in the form of a EUR 500m 5 year fixed rate Green Bond. The Green Bond was the first transaction of its kind from Nordea and was sold primarily to dedicated green bond investors.

Nordea's long-term funding portion of total funding, at the end of the second quarter was approx. 80%.

Short-term liquidity risk is measured using several metrics and the Liquidity Coverage Ratio (LCR) is one such metric. LCR for the Nordea Group was, according to the Swedish FSA's LCR definition, 141% at the end of the second quarter. The LCR in EUR was 203% and in USD 165% at the end of the second quarter. LCR for the Nordea Group according to CRR LCR definitions was 151% at the end of the second quarter. The liquidity buffer is composed of highly liquid central bank eligible securities with characteristics similar to Basel III/CRD IV liquid assets and amounted to EUR 65bn at the end of the second quarter (EUR 65bn also at the end of the first quarter).

Funding and liquidity data

	Q217	Q117	Q416	Q316	Q216
Long-term funding portion	80%	81%	82%	82%	82%
LCR total	141%	142%	159%	148%	155%
LCR EUR	203%	185%	334%	257%	270%
LCR USD	165%	150%	221%	253%	189%

Market risk

Total market risk, measured as Value at Risk, in the trading book was EUR 10m largely unchanged compared to the previous quarter (EUR 9m).

Trading book

EURm	Q217	Q117	Q416	Q316	Q216
Total risk, VaR	10	9	16	16	32
Interest rate risk, VaR	12	9	12	15	29
Equity risk, VaR	4	3	5	4	4
Foreign exchange risk, VaR	2	5	4	4	6
Credit spread risk, VaR	7	6	6	7	10
Diversification effect	59%	62%	42%	46%	36%

Total market risk, measured as Value at Risk, in the banking book was EUR 52m (EUR 63m in Q1 2017). The decrease is driven by reduction in interest rates exposure.

Banking book

EURm	Q217	Q117	Q416	Q316	Q216
Total risk, VaR	52	63	59	54	80
Interest rate risk, VaR	53	63	58	53	75
Equity risk, VaR	4	2	1	2	6
Foreign exchange risk, VaR	2	2	5	4	20
Credit spread risk, VaR	1	1	2	2	4
Diversification effect	14%	7%	10%	12%	25%

Nordea share and ratings

Nordea's share price as per end of Q2 2017

	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

Nordea ratings as per end of Q2 2017

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

Standard & Poor's (S&P) revised the outlook for Nordea Bank AB (publ) to stable from negative and at the same time affirmed the AA- / A-1+ ratings.

Baltics

In August 2016, Nordea and DNB announced that they will combine their operations in the Baltics. At the beginning of March this year, it was announced that Luminor will be the name of the joint Baltic bank. The merger is expected to be completed during the fourth quarter of 2017.



Quarterly development, Group

EURm	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Jan-Jun 2017	Jan-Jun 2016
Net interest income	1,175	1,197	1,209	1,178	1,172	2,372	2,340
Net fee and commission income	850	866	867	795	804	1,716	1,576
Net result from items at fair value	361	375	498	480	405	736	737
Profit from associated undertakings and joint ventures accounted for under the equity method	0	4	4	-2	101	4	110
Other operating income	21	19	32	15	74	40	88
Total operating income	2,407	2,461	2,610	2,466	2,556	4,868	4,851
General administrative expenses:							
Staff costs	-795	-799	-687	-743	-756	-1,594	-1,496
Other expenses	-433	-387	-475	-389	-396	-820	-782
Depreciation, amortisation and impairment charges of tangible and intangible assets	-63	-60	-71	-51	-54	-123	-106
Total operating expenses	-1,291	-1,246	-1,233	-1,183	-1,206	-2,537	-2,384
Profit before loan losses	1,116	1,215	1,377	1,283	1,350	2,331	2,467
Net loan losses	-106	-113	-129	-135	-127	-219	-238
Operating profit	1,010	1,102	1,248	1,148	1,223	2,112	2,229
Income tax expense	-267	-258	-148	-260	-227	-525	-451
Net profit for the period	743	844	1,100	888	996	1,587	1,778
Diluted earnings per share (DEPS), EUR	0.18	0.21	0.27	0.22	0.25	0.39	0.44
DEPS, rolling 12 months up to period end, EUR	0.88	0.95	0.93	0.87	0.84	0.88	0.84



Business areas

	Nordea Group												
	Personal Banking		Commercial & Business Banking		Wholesale Banking		Wealth Management		Group Functions, Other and Eliminations		Nordea Group		
	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Chg
	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	
EURm													
Net interest income	554	560	286	279	190	200	27	29	118	129	1,175	1,197	-2%
Net fee and commission income	189	194	113	106	133	167	422	412	-7	-13	850	866	-2%
Net result from items at fair value	23	19	68	61	178	191	73	85	19	19	361	375	-4%
Equity method & other income	6	2	7	22	0	4	8	3	0	-8	21	23	-9%
Total operating income	772	775	474	468	501	562	530	529	130	127	2,407	2,461	-2%
Total operating expenses	-453	-452	-275	-268	-228	-236	-248	-225	-87	-65	-1,291	-1,246	4%
Net loan losses	-26	-7	-16	-17	-64	-90	0	0	0	1	-106	-113	-6%
Operating profit	293	316	183	183	209	236	282	304	43	63	1,010	1,102	-8%
Cost/income ratio, %	59	58	58	57	46	42	47	42	-	-	54	51	
ROCAR, %	12	13	9	9	7	8	34	34	-	-	11 ¹	12 ¹	
Economic capital (EC)	7,395	7,633	6,330	6,153	8,462	9,226	2,534	2,639	2,615	3,233	27,336	28,884	-5%
Risk exposure amount (REA)	30,906	30,933	33,966	33,611	43,492	46,757	5,742	6,733	15,604	15,554	129,710	133,588	-3%
Number of employees (FTEs)	12,121	12,240	5,847	5,926	3,949	4,016	3,641	3,637	6,289	5,821	31,847	31,640	1%
Volumes, EURbn:													
Lending to corporates ²	6.2	6.4	70.9	70.6	75.1	82.1	-	-	-5.4	-8.1	146.8	151.0	-3%
Household mortgage lending ³	127.5	128.1	6.7	6.8	0	0	7.3	7.2	-	-	141.5	142.1	0%
Consumer lending ³	20.6	20.6	2.3	2.3	-	-	3.5	4.1	-	-	26.4	27.0	-2%
Total lending⁵	154.3	155.1	79.9	79.7	75.1	82.1	10.8	11.3	-5.4	-8.1	314.7	320.1	-2%
Corporate deposits ⁴	6.0	6.2	34.8	35.2	59.5	59.2	-	-	-3.1	-0.6	97.2	100.0	-3%
Household deposits ³	75.6	74.1	3.1	3.1	0.1	0.2	13.5	13.5	-	-	92.3	90.9	2%
Total deposits⁶	81.6	80.3	37.9	38.3	59.6	59.4	13.5	13.5	-3.1	-0.6	189.5	190.9	-1%

¹ Excluding non-recurring items.

² For PeB: EUR 5.4bn related to corporate customers in the Baltics in Q217 (Q117: EUR 5.4bn). The rest from customers in PeB which has both household and corporate business.

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

⁴ For PeB EUR 3.6bn related to corporate customers in the Baltics in Q217 (Q117: EUR 3.7bn). The rest from customers in PeB which has both household and corporate business.

⁵ For Group presented excluding Baltics, lending incl Baltics for Q217 EUR 321.2bn (Q117: EUR 328.4bn)

⁶ For Group presented excluding Baltics, deposits incl Baltics for Q217 EUR 194.4bn (Q117: EUR 195.8bn).

	Nordea Group												
	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	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Chg
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
EURm													
Net interest income	1,114	1,033	565	560	390	423	56	53	247	271	2,372	2,340	1%
Net fee and commission income	383	365	219	201	300	325	834	714	-20	-29	1,716	1,576	9%
Net result from items at fair value	42	54	129	143	369	283	158	194	38	63	736	737	0%
Equity method & other income	8	1	29	19	4	0	11	10	-8	168	44	198	-78%
Total operating income	1,547	1,453	942	923	1,063	1,031	1,059	971	257	473	4,868	4,851	0%
Total operating expenses	-905	-891	-543	-546	-464	-466	-473	-420	-152	-61	-2,537	-2,384	6%
Net loan losses	-33	-49	-33	-77	-154	-112	0	0	1	0	-219	-238	-8%
Operating profit	609	513	366	300	445	453	586	551	106	412	2,112	2,229	-5%
Cost/income ratio, %	59	61	58	59	44	45	47	43	-	-	52	49	
ROCAR, %	12	11	9	7	8	8	34	36	-	-	12 ¹	12 ¹	
Economic capital (EC)	7,395	7,171	6,330	6,364	8,462	9,109	2,534	2,459	2,615	2,244	27,336	27,347	0%
Risk exposure amount (REA)	30,906	30,760	33,966	37,964	43,492	53,440	5,742	5,579	15,604	15,170	129,710	142,913	-9%
Number of employees (FTEs)	12,121	12,291	5,847	6,115	3,949	4,046	3,641	3,673	6,289	4,871	31,847	30,996	3%
Volumes, EURbn:													
Lending to corporates ²	6.2	6.2	70.9	70.8	75.1	100.0	-	-	-5.4	0.1	146.8	177.1	-17%
Household mortgage lending ³	127.5	125.9	6.7	7.1	0	0.3	7.3	7.0	-	-	141.5	140.3	1%
Consumer lending ³	20.6	21.1	2.3	2.3	-	-	3.5	3.8	-	-	26.4	27.2	-3%
Total lending⁵	154.3	153.2	79.9	80.2	75.1	100.3	10.8	10.8	-5.4	0.1	314.7	344.6	-9%
Corporate deposits ⁴	6.0	5.8	34.8	36.0	59.5	60.7	-	-	-3.1	1.4	97.2	103.9	-6%
Household deposits ³	75.6	75.2	3.1	3.3	0.1	0.1	13.5	13.5	-	-	92.3	92.1	0%
Total deposits⁶	81.6	81.0	37.9	39.3	59.6	60.8	13.5	13.5	-3.1	1.4	189.5	196.0	-3%

¹ Excluding non-recurring items.

² For PeB: EUR 5.4bn related to corporate customers in the Baltics in Jun 17 (Jun 16: EUR 5.2bn). The rest from customers in PeB which has both household and corporate business.

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

⁴ For PeB EUR 3.6bn related to corporate customers in the Baltics in Jun 17 (Jun 16: EUR 3.1bn). The rest from customers in PeB which has both household and corporate business.

⁵ For Group presented excluding Baltics, lending incl Baltics for Jun 17 EUR 321.2bn (Jun 16: EUR 344.6bn)

⁶ For Group presented excluding Baltics, deposits incl Baltics for Jun 17 EUR 194.4bn (Jun 16: EUR 196.0bn).



Personal Banking

Personal Banking serves Nordea's household customers through various channels offering a full range of financial services and solutions. 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. Furthermore, IT and operations cover both the Personal Banking and Commercial & Business Banking business areas.

Personal Banking has the largest customer base in the Nordics. In Personal Banking some 12,000 employees serve approx. 10 million household customers across the Nordics and Baltics.

Nordea's Baltic operations, serving both household and corporate customers, are organised as a separate entity within Personal Banking.

Business development

Digital services for Household customers continued to increase and more customers prefer to obtain advice online. In the second quarter one in five meetings were held online, and the total number of online meetings increased 11% compared to Q2 last year.

The mobile bank is increasingly becoming the natural first point of entry to the bank for Nordea's customers in Personal Banking. Already today, customers log on to the mobile bank more than 40 million times a month.

During the second half of the year, Nordea will be launching a new user-friendly Mobile Bank with new functionalities. As one of a few banks in Europe, customers will be able to access a meeting with an adviser instantly through the mobile bank. And the customer will be able to apply for a loan directly via the app. The new mobile bank will replace the current one. It will be available for download to Finnish customers later this year and for other Nordic customers next year. A panel of customers is currently testing the new mobile bank app.

Result

Total income remained at the high level of the first quarter result. Compared to Q2 last year, income increased 7% in local currencies driven by both net interest income and net fee and commission income. The development was driven by margin increases and a higher level of activity in all countries.

Expenses increased 8% in local currencies compared to Q2 last year, as 2016 was positively impacted by non-recurring items.

Lending volumes in the second quarter continued to grow, in local currencies, though at a moderate rate which is in with market strategy. Deposit volumes are at a record high level following a 3% increase in local currencies from Q1.

Loan losses remained at a low level, amounting to 7 bps. of total lending volume.

Personal Banking Denmark

Total income decreased from the first quarter, due to income related to sales of general insurance in 2016 that was booked in Q1.

Net interest income decreased due to lower consumer lending volumes, which was only partly compensated by a slight increase in mortgage activity.

Deposit volume increased reflecting customers' receiving tax refunds and dividend payments.

Loan losses remained low, with an underlying improvement of credit quality.

An all-time-high level of customer meetings was recorded, as a result of the continued customer focus and activities of proactively reaching out.

Development in expenses was according to expectations.

Personal Banking Finland

Total income increased due to one-off while the underlying baseline remained on par with the first quarter.

Income development was positive compared to last year, mainly driven by cash management income and savings income.

Lending and deposits volumes increased steadily in the second quarter. Sales of new housing loans have been strong, both on a quarterly basis and compared to last year, mainly driven by growth in urban areas.

Total expenses were down from the previous year despite investments in digital transformation. The number of FTEs has increased compared to the first quarter due to investment in accessibility for customers.

Loan losses remained on low level.

Personal Banking Norway

Total income in local currency was up 11% in the second quarter, driven by both increasing net interest income and a very high growth rate in non-interest income.

The non-interest income growth was driven by increased activity and seasonal effects.

Lending volumes were up 2%. Deposit volumes were up 6%, due to seasonal effects.

An all-time-high 37% of all customer meetings during the quarter were remote meetings.

Development in expenses was according to expectations and loan losses were close to zero.



Personal Banking Sweden

Net interest income decreased in the second quarter, as a result of lower lending margins.

The second quarter showed slight growth in non-interest income. High activity in the savings business and favorable market conditions were the main drivers behind the development.

Both lending and deposit volumes increased compared to the first quarter.

Development in expenses was stable. Transformation of the branch network is progressing according to plan.

Banking Baltics

Total income increased 6% compared to the first quarter, with all the main income sources contributing to the growth.

Net interest income increased 3% driven by both business volumes and margins.

Net fee and commission income increased 12% on account of both savings and lending products, as well as daily banking services supported by growing usage of digital channels.

Total deposits increased 11% compared to last year, resulting from strong home-bank relationships.

Expenses increased due to both seasonal effects and continuous focus on rigorous compliance measures.

Distribution agreement with Wealth Management

The result excluding distribution agreement with wealth management is according to the principle that all income, expense, and capital is 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

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local curr.		H1 17	H1 16	H1 vs H1	
								Q2/Q1	Q2/Q2			EUR	Local
Net interest income	554	560	545	537	521	-1%	7%	0%	8%	1,114	1,033	8%	8%
Net fee and commission income	189	194	184	178	175	-2%	8%	-2%	10%	383	365	5%	6%
Net result from items at fair value	23	19	23	26	32	20%	-30%	22%	-30%	42	54	-24%	-23%
Equity method & other income	6	2	1	3	2					8	1		
Total income incl. allocations	772	775	753	744	730	0%	6%	1%	7%	1,547	1,453	6%	7%
Total expenses incl. allocations	-453	-452	-445	-446	-425	0%	7%	1%	8%	-905	-891	2%	2%
Profit before loan losses	319	323	308	298	305	-1%	5%	0%	6%	642	562	14%	15%
Net loan losses	-26	-7	2	-15	-35					-33	-49		
Operating profit	293	316	310	283	270	-7%	9%	-6%	11%	609	513	19%	19%
Cost/income ratio, %	59	58	59	60	58					59	61		
ROCAR, %	12	13	13	12	12					12	11		
Economic capital (EC)	7,395	7,633	7,197	7,073	7,171	-3%	3%	-2%	4%	7,395	7,171	3%	4%
Risk exposure amount (REA)	30,906	30,933	31,495	31,671	30,760	0%	0%	1%	1%	30,906	30,760	0%	1%
Number of employees (FTEs)	12,121	12,240	12,254	12,132	12,291	-1%	-1%	-1%	-1%	12,121	12,291	-1%	-1%
Volumes, EURbn:													
Lending to corporates ¹	6.2	6.4	6.3	6.3	6.2	0%	3%	1%	3%	6.2	6.2	3%	3%
Household mortgage lending	127.5	128.1	127.8	126.8	125.9	0%	1%	1%	3%	127.5	125.9	1%	3%
Consumer lending	20.6	20.6	20.8	21.0	21.1	-1%	-3%	0%	-2%	20.6	21.1	-3%	-2%
Total lending	154.3	155.1	154.9	154.1	153.2	0%	1%	1%	2%	154.3	153.2	1%	2%
Corporate deposits ²	6.0	6.2	6.0	5.6	5.8	-2%	4%	-2%	4%	6.0	5.8	4%	4%
Household deposits	75.6	74.1	74.5	74.4	75.2	2%	1%	3%	2%	75.6	75.2	1%	2%
Total deposits	81.6	80.3	80.5	80.0	81.0	2%	1%	3%	2%	81.6	81.0	1%	2%

¹ Of which EUR 5.4bn related to corporate customers in the Baltics in Q217 (Q117: EUR 5.4bn, Q416: EUR 5.3bn, Q316: EUR 5.4bn and Q216: EUR 5.2bn). The rest from customers in PeB which has both household and corporate business.

² Of which EUR 3.6bn related to corporate customers in the Baltics in Q217 (Q117: EUR 3.7bn, Q416: EUR 3.4bn, Q316: EUR 3.1bn and Q216: EUR 3.1bn). The rest from customers in PeB which has both household and corporate business.


Personal Banking total excl. Distribution agreement with Wealth Management

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local curr.		H1 17	H1 16	H1 vs H1	
								Q2/Q1	Q2/Q2			EUR	Local
Net interest income	554	560	545	537	521	-1%	7%	0%	8%	1,114	1,033	8%	8%
Net fee and commission income	312	317	312	294	292	-2%	7%	0%	9%	629	583	8%	9%
Net result from items at fair value	23	19	23	26	32	20%	-30%	22%	-30%	42	54	-24%	-23%
Equity method & other income	6	2	1	3	2					8	1		
Total income incl. allocations	895	898	881	860	847	0%	6%	1%	7%	1,793	1,671	7%	8%
Total expenses incl. allocations	-483	-484	-473	-474	-454	0%	6%	1%	8%	-967	-949	2%	3%
Profit before loan losses	412	414	408	386	393	0%	5%	1%	6%	826	722	14%	15%
Net loan losses	-26	-7	2	-15	-35					-33	-49		
Operating profit	386	407	410	371	358	-5%	8%	-4%	10%	793	673	18%	19%
Cost/income ratio, %	54	54	54	55	54					54	57		
ROCAR, %	15	16	17	15	15					15	14		
Economic capital (EC)	7,866	8,103	7,663	7,541	7,636	-3%	3%	-2%	4%	7,866	7,636	3%	4%
Risk exposure amount (REA)	30,906	30,933	31,495	31,671	30,760	0%	0%	1%	1%	30,906	30,760	0%	1%
Number of employees (FTEs)	12,121	12,240	12,254	12,132	12,291	-1%	-1%	-1%	-1%	12,121	12,291	-1%	-1%
Volumes, EURbn:													
Lending to corporates ¹	6.4	6.4	6.3	6.3	6.2	0%	3%	1%	3%	6.4	6.2	3%	3%
Household mortgage lending	127.5	128.1	127.8	126.8	125.9	0%	1%	1%	3%	127.5	125.9	1%	3%
Consumer lending	20.5	20.6	20.8	21.0	21.1	-1%	-3%	0%	-2%	20.5	21.1	-3%	-2%
Total lending	154.4	155.1	154.9	154.1	153.2	0%	1%	1%	2%	154.4	153.2	1%	2%
Corporate deposits ²	6.0	6.2	6.0	5.6	5.8	-2%	4%	-2%	4%	6.0	5.8	4%	4%
Household deposits	75.6	74.1	74.5	74.4	75.2	2%	1%	3%	2%	75.6	75.2	1%	2%
Total deposits	81.6	80.3	80.5	80.0	81.0	2%	1%	3%	2%	81.6	81.0	1%	2%

¹ Of which EUR 5.4bn related to corporate customers in the Baltics in Q217 (Q117: EUR 5.4bn, Q416: EUR 5.3bn, Q316: EUR 5.4bn and Q216: EUR 5.2bn). The rest from customers in PeB which has both household and corporate business.

² Of which EUR 3.6bn related to corporate customers in the Baltics in Q217 (Q117: EUR 3.7bn, Q416: EUR 3.4bn, Q316: EUR 3.1bn and Q216: EUR 3.1bn). The rest from customers in PeB which has both household and corporate business.

Nordea

Personal Banking Denmark

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	H1 17	H1 16	H1/H1
Net interest income	148	151	155	150	148	-2%	0%	299	297	1%
Net fee and commission income	39	45	40	37	32	-15%	21%	84	81	4%
Net result from items at fair value	2	2	3	3	2	10%	29%	4	3	51%
Equity method & other income	0	0	-1	0	-1			0	-1	
Total income incl. allocations	189	198	197	190	181	-5%	4%	387	380	2%
Total expenses incl. allocations	-129	-133	-134	-139	-140	-3%	-8%	-262	-277	-6%
Profit before loan losses	60	65	63	51	41	-9%	47%	125	103	22%
Net loan losses	-11	-3	10	-6	-10			-14	-4	
Operating profit	49	62	73	45	31	-23%	60%	111	99	14%
Cost/income ratio, %	68	67	68	73	77			68	73	
ROCAR, %	11	14	16	10	7			13	11	
Economic capital (EC)	1,261	1,426	1,370	1,391	1,428	-12%	-12%	1,261	1,428	-12%
Risk exposure amount (REA)	7,541	8,271	8,643	8,780	8,855	-9%	-15%	7,541	8,855	-15%
Number of employees (FTEs)	2,368	2,421	2,372	2,363	2,471	-2%	-4%	2,368	2,471	-4%
Volumes, EURbn:										
Lending to corporates	0.2	0.3	0.3	0.3	0.4	-11%	-27%	0.2	0.4	-27%
Household mortgage lending	29.5	29.5	29.5	29.5	29.5	0%	0%	29.5	29.5	0%
Consumer lending	9.2	9.4	9.6	9.9	9.9	-2%	-7%	9.2	9.9	-7%
Total lending	38.9	39.2	39.4	39.7	39.8	-1%	-2%	38.9	39.8	-2%
Corporate deposits	2.0	2.0	2.1	2.0	2.1	-1%	-7%	2.0	2.1	-7%
Household deposits	22.5	22.0	22.1	22.2	22.4	2%	1%	22.5	22.4	1%
Total deposits	24.5	24.0	24.2	24.2	24.5	2%	0%	24.5	24.5	0%

Personal Banking Finland

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	H1 17	H1 16	H1/H1
Net interest income	96	95	96	96	95	1%	2%	191	191	0%
Net fee and commission income	51	52	45	50	46	-3%	9%	103	92	12%
Net result from items at fair value	5	6	6	7	8	-3%	-36%	11	14	-24%
Equity method & other income	4	0	0	1	1			4	0	
Total income incl. allocations	156	153	147	154	150	2%	4%	309	297	4%
Total expenses incl. allocations	-108	-108	-109	-109	-113	0%	-5%	-216	-221	-2%
Profit before loan losses	48	45	38	45	37	7%	32%	93	76	23%
Net loan losses	-3	-1	-2	-2	-5			-4	-9	
Operating profit	45	44	36	43	32	3%	41%	89	67	32%
Cost/income ratio, %	69	71	74	71	75			70	74	
ROCAR, %	11	11	10	12	9			11	10	
Economic capital (EC)	1,317	1,174	1,173	1,147	1,112	12%	18%	1,317	1,112	18%
Risk exposure amount (REA)	6,876	5,900	6,235	6,280	6,267	17%	10%	6,876	6,267	10%
Number of employees (FTEs)	2,625	2,560	2,629	2,599	2,698	3%	-3%	2,625	2,698	-3%
Volumes, EURbn:										
Lending to corporates	0	0.1	0	0	0			0	0	
Household mortgage lending	26.3	26.0	26.0	25.9	25.8	1%	2%	26.3	25.8	2%
Consumer lending	5.5	5.4	5.4	5.4	5.4	1%	2%	5.5	5.4	2%
Total lending	31.8	31.5	31.4	31.3	31.2	1%	2%	31.8	31.2	2%
Corporate deposits	0.1	0.1	0.1	0.1	0.1	-8%	-33%	0.1	0.1	-33%
Household deposits	20.7	20.3	20.4	20.3	20.5	2%	1%	20.7	20.5	1%
Total deposits	20.8	20.4	20.5	20.4	20.6	2%	1%	20.8	20.6	1%



Personal Banking Norway

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local curr.		H1 17	H1 16	H1 vs H1	
								Q2/Q1	Q2/Q2			EUR	Local
Net interest income	90	87	77	76	80	2%	11%	6%	12%	177	151	17%	14%
Net fee and commission income	23	20	21	22	22	16%	6%	19%	3%	43	41	5%	1%
Net result from items at fair value	3	2	4	4	4	43%	-7%	48%	-8%	5	6	-3%	-5%
Equity method & other income	1	0	0	2	1					1	1		
Total income incl. allocations	117	109	102	104	107	7%	9%	11%	9%	226	199	14%	10%
Total expenses incl. allocations	-56	-62	-62	-61	-62	-9%	-9%	-4%	-8%	-118	-120	-1%	-3%
Profit before loan losses	61	47	40	43	45	27%	35%	32%	34%	108	79	36%	32%
Net loan losses	0	-1	0	-1	-2					-1	-3		
Operating profit	61	46	40	42	43	31%	42%	36%	41%	107	76	40%	36%
Cost/income ratio, %	48	57	61	59	58					52	60		
ROCAR, %	15	11	11	12	13					13	11		
Economic capital (EC)	1,187	1,306	1,158	1,138	1,054	-9%	13%	-5%	16%	1,187	1,054	13%	16%
Risk exposure amount (REA)	4,849	4,953	5,080	5,081	4,818	-2%	1%	2%	4%	4,849	4,818	1%	4%
Number of employees (FTEs)	843	899	922	934	944	-6%	-11%	-6%	-11%	843	944	-11%	-11%
Volumes, EURbn:													
Lending to corporates	0	0	0	0	0	-14%	-3%	-10%	0%	0	0	-3%	0%
Household mortgage lending	25.4	26.2	26.4	26.7	25.7	-3%	-1%	2%	2%	25.4	25.7	-1%	2%
Consumer lending	1.3	1.3	1.3	1.3	1.2	-2%	7%	2%	11%	1.3	1.2	7%	11%
Total lending	26.7	27.5	27.7	28.0	26.9	-3%	-1%	2%	2%	26.7	26.9	-1%	2%
Corporate deposits	0.2	0.3	0.3	0.4	0.3	-11%	-22%	-8%	-20%	0.2	0.3	-22%	-20%
Household deposits	8.5	8.3	8.5	8.7	8.8	2%	-3%	7%	0%	8.5	8.8	-3%	0%
Total deposits	8.7	8.6	8.8	9.1	9.1	2%	-4%	6%	-1%	8.7	9.1	-4%	-1%

Personal Banking Sweden

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local curr.		H1 17	H1 16	H1 vs H1	
								Q2/Q1	Q2/Q2			EUR	Local
Net interest income	176	183	179	180	169	-4%	4%	-2%	9%	359	334	7%	11%
Net fee and commission income	63	63	63	57	63	0%	-1%	1%	3%	126	128	-3%	0%
Net result from items at fair value	5	4	7	6	8	21%	-34%	23%	-31%	9	13	-27%	-24%
Equity method & other income	0	0	0	0	1					0	1		
Total income incl. allocations	244	250	249	243	241	-3%	1%	-1%	5%	494	476	4%	7%
Total expenses incl. allocations	-113	-124	-115	-113	-123	-9%	-9%	-8%	-5%	-237	-246	-4%	-1%
Profit before loan losses	131	126	134	130	118	4%	11%	6%	16%	257	230	12%	15%
Net loan losses	-2	-3	-4	0	-3					-5	-6		
Operating profit	129	123	130	130	115	5%	12%	7%	17%	252	224	12%	16%
Cost/income ratio, %	46	50	46	47	51					48	52		
ROCAR, %	16	15	17	18	17					15	16		
Economic capital (EC)	2,479	2,554	2,359	2,327	2,124	-3%	17%	-2%	19%	2,479	2,124	14%	19%
Risk exposure amount (REA)	4,956	5,215	4,977	5,312	4,917	-5%	1%	-4%	3%	4,956	4,917	1%	3%
Number of employees (FTEs)	2,064	2,075	2,119	2,121	2,171	-1%	-5%	-1%	-5%	2,064	2,171	-5%	-5%
Volumes, EURbn:													
Lending to corporates	0.6	0.6	0.6	0.5	0.6	5%	12%	6%	14%	0.6	0.6	12%	14%
Household mortgage lending	43.6	43.8	43.2	42.1	42.3	0%	3%	1%	6%	43.6	42.3	3%	6%
Consumer lending	4.1	4.0	4.1	4.1	4.2	1%	-4%	2%	-2%	4.1	4.2	-4%	-2%
Total lending	48.3	48.4	47.9	46.7	47.1	0%	3%	1%	5%	48.3	47.1	3%	5%
Corporate deposits	0.1	0	0.1	0.1	0.1	4%	3%	6%	5%	0.1	0.1	3%	5%
Household deposits	22.6	22.2	22.1	21.9	22.3	2%	1%	3%	4%	22.6	22.3	1%	4%
Total deposits	22.7	22.2	22.2	22.0	22.4	2%	1%	3%	4%	22.7	22.4	1%	4%

Nordea

Banking Baltic countries

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	H1 17	H1 16	H1/H1
Net interest income	38	38	37	38	38	3%	3%	76	74	3%
Net fee and commission income	10	9	11	9	9	12%	11%	19	17	13%
Net result from items at fair value	5	3	4	8	6	35%	-29%	8	11	-29%
Equity method & other income	0	0	1	0	0			0	0	
Total income incl. allocations	53	50	53	55	53	6%	1%	103	102	1%
Total expenses incl. allocations	-27	-26	-26	-22	-24	5%	16%	-53	-43	24%
Profit before loan losses	26	24	27	33	29	8%	-12%	50	59	-15%
Net loan losses	-2	1	-2	-1	-11			-1	-18	
Operating profit	24	25	25	32	18	-5%	31%	49	41	19%
Cost/income ratio, %	51	52	49	40	45			52	42	
ROCAR, %	8	9	9	13	7			8	8	
Economic capital (EC)	850	873	786	777	795	-3%	7%	850	795	7%
Risk exposure amount (REA)	4,994	4,943	4,831	4,849	5,051	1%	-1%	4,994	5,051	-1%
Number of employees (FTEs)	811	844	854	820	781	-4%	4%	811	781	4%
Volumes, EURbn:										
Lending to corporates	5.4	5.4	5.3	5.4	5.2	1%	4%	5.4	5.2	4%
Household mortgage lending	2.7	2.6	2.6	2.6	2.6	0%	3%	2.7	2.6	3%
Consumer lending	0.5	0.5	0.5	0.4	0.4	2%	7%	0.5	0.4	7%
Total lending	8.6	8.5	8.4	8.4	8.2	1%	4%	8.6	8.2	4%
Corporate deposits	3.6	3.7	3.4	3.1	3.1	-2%	15%	3.6	3.1	15%
Household deposits	1.3	1.3	1.4	1.3	1.3	0%	1%	1.3	1.3	1%
Total deposits	4.9	5.0	4.8	4.4	4.4	-1%	11%	4.9	4.4	11%

Personal Banking Other

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	H1 17	H1 16	H1/H1
Net interest income	6	6	1	-3	-9			12	-14	
Net fee and commission income	3	5	4	3	3			8	6	
Net result from items at fair value	3	2	-1	-2	4			5	7	
Equity method & other income	1	2	1	0	0			3	0	
Total income incl. allocations	13	15	5	-2	-2			28	-1	
Total expenses incl. allocations	-20	1	1	-2	37			-19	16	
Profit before loan losses	-7	16	6	-4	35			9	15	
Net loan losses	-8	0	0	-5	-4			-8	-9	
Operating profit	-15	16	6	-9	31			1	6	
Economic capital (EC)	301	300	351	293	658			301	658	
Number of employees (FTEs)	3,410	3,441	3,358	3,295	3,226	-1%	6%	3,410	3,226	6%



Commercial & Business Banking

Commercial & Business Banking consists of Commercial Banking, Business Banking, Transaction Banking and Digital Banking.

Commercial & Business Banking works with 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 for our customers.

More than 5,800 people work in the Commercial & Business Banking area.

Commercial Banking services large corporate customers and Business Banking services small and medium-sized corporate customers. Both units operate in Denmark, Sweden, Norway and Finland and service more than 600,000 corporate customers. The customers are served out of more than 300 physical and online branches across the Nordics.

The Commercial & Business Banking area also consists of Transaction Banking, which services both personal and corporate customers across the Nordea Group. The unit includes Cards, Trade Finance, Nordea Finance, and Cash Management.

Digital Banking consists of approximately 370 employees working with the digital experience for customers in both Personal Banking and Commercial & Business Banking.

Business development

This year so far has brought several new products and services to our customers. Our goal is to be the best financial partner to our customers through digital channels. Our first step in the journey to build a digital relationship is to make banking as easy as possible through a new Nordic online bank. We're focusing on improving our customers' experiences by creating simple, useful banking functionality that is essential for our customers.

With our new pan-Nordic Netbank, we are also creating the ability to roll-out of new, innovative experiences faster with a single platform that is continuously developed and tested with customers and experts from across the industry. During summer a group of Swedish customers will be testing a beta version of the new pan-Nordic Netbank. This platform has been developed in close cooperation with customers and is an example of agile development, not only for, but also in collaboration with, our customers."

To make it easier and more transparent to become a customer in Nordea a new product packages Nordea Business Start, Plus and Pro were launched in Denmark targeting Business Banking and Business Banking Direct customers. The packages are gaining traction.

The recently launched start-up & growth unit in Finland has gained good momentum among the target customer group. The unit is specialised in advising companies with high growth ambitions and has built a network of connections to investors, accelerators and other relevant actors. These connections are used in helping our customers in this

unique unit. The concept is appreciated by customers, which is evidenced by steady inflow of new customers.

We have in Q2 introduced robotics for certain processes, which is helping our customers by decreasing the answering time and increase the quality of these processes.

Transaction Banking

With a team of around 2,800 people across multiple regions, Transaction Banking (TxB) incorporates a full value-chain and provides services to household and corporate customers across the Nordics. The services include payment solutions, point-of-sale solutions, supply chain finance and working capital management: leasing, factoring and trade finance.

The TxB organisation also represents a major innovation hub within the bank. In the second quarter of 2017, Transaction Banking has especially focused on customer experience, innovation activities, compliance with new regulations, as well as the new Nordea culture. The clear ambition is to position Nordea as the leading TxB house in this increasingly important banking segment. For this we have also during the last quarter further strengthened our customer-centric culture and enhanced the cooperation across the different TxB products – for the benefit of customers who will increasingly receive one aligned TxB offering.

Furthermore several successful market launches have been executed, providing increase in simplicity and flexibility to our customers, such as the Nordea OpenBanking portal, the mobile payments solutions Siirto (Finland) and SamsungPay (Sweden), the contribution to Corda (R3' distributed ledger platform), as well as the increasingly interlinked WCM & Trade Finance offering. This successful road will be continued and we expect to launch new Consumer Finance functionalities during H2 2017 (invoice solutions and broker functionality).

Result

Total income increased 1% compared to the first quarter, driven by all main income lines. Total income in the first quarter was positively impacted by dividend pay-outs from an associated company.

Net interest income increased 2% from the previous quarter supported by pricing initiatives especially on the lending side. Lending volumes in local currency were slightly up compared to the first quarter while deposit volumes were flat.

Net fee and commission income, driven by payment commission income, increased by 6% from the previous quarter. Net result from items at fair value was up 11% driven by a few large transactions.

Total expenses up 3% from previous quarter, and down 7% compared to the same quarter last year. Loan losses were stable and operating profit increased 1% from the first quarter.

Economic capital (EC) increased 3% and Risk exposure

Nordea

amount (REA) increased 1% impacted by FIRB roll-out for Sovereign and Institutions. ROCAR was unchanged at 9%.

Commercial Banking – result

Total income decreased by 4% as the first quarter was positively impacted by dividend pay-out from an associated company. Income increased 1% compared to the same quarter last year.

Net interest income continued on an upward trend increased 2% in the quarter supported by pricing initiatives. Lending volumes increased 2% while deposit volumes were flat in local currency.

Net commission income was unchanged and net result from items at fair value increased 5% from the previous quarter.

Total expenses decreased 2% from the previous quarter and was unchanged compared to the same period last year. Net loan losses decreased 47% leading to a 6% increase in operating profit.

Economic capital (EC) increased 5% from the previous quarter and Risk exposure amount (REA) increased 2% leading to unchanged ROCAR from the previous quarter.

Business Banking – result

Total income increased by 3% from the previous quarter driven by net interest income and net result from items at fair value.

Net interest income increased 3% supported by pricing initiatives. Both lending and deposit volumes were stable in local currency.

Net commission income decreased 4% while net result of items at fair value increased 34% from the previous quarter and 10% compared to the same period last year.

Total expenses decreased 5% both compared to the previous quarter and the same period last year. Net loan losses increased compared to the first quarter that included large reversals, but were on a low level.

Operating profit decreased 1% in the quarter, but is 57% higher than the same quarter last year.

Economic capital (EC) and Risk exposure amount (REA) were unchanged from the previous quarter. The same for ROCAR which also was unchanged at 11%.

Credit quality

Net loan losses decreased 6% from the first quarter. The loan loss ratio was 8 basis points, down from 9 basis points in the first quarter. Credit quality remained solid.

Distribution agreement with Wealth Management

The result excluding distribution agreement with wealth management is according to the principle that all income, expense, and capital is 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

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local curr.		H1 17	H1 16	H1 vs H1	
								Q2/Q1	Q2/Q2			EUR	Local
Net interest income	286	279	276	272	282	2%	2%	4%	2%	565	560	1%	1%
Net fee and commission income	113	106	117	99	102	6%	10%	7%	12%	219	201	9%	10%
Net result from items at fair value	68	61	69	67	74	11%	-8%	12%	-7%	129	143	-10%	-9%
Equity method & other income	7	22	7	7	7					29	19		
Total income incl. allocations	474	468	469	445	465	1%	2%	2%	3%	942	923	2%	2%
Total expenses incl. allocations	-275	-268	-281	-271	-295	3%	-7%	4%	-5%	-543	-546	0%	0%
Profit before loan losses	199	200	188	174	170	-1%	17%	0%	17%	399	377	6%	5%
Net loan losses	-16	-17	-34	-49	-36					-33	-77		
Operating profit	183	183	154	125	134	0%	36%	1%	37%	366	300	22%	22%
Cost/income ratio, %	58	57	60	61	63					58	59		
ROCAR, %	9	9	8	6	6					9	7		
Economic capital (EC)	6,330	6,153	5,966	6,256	6,364	3%	-1%	0%	-3%	6,330	6,364	1%	-3%
Risk exposure amount (REA)	33,966	33,611	33,041	35,186	37,964	1%	-11%	2%	-9%	33,966	37,964	-11%	-9%
Number of employees (FTEs)	5,847	5,926	6,069	6,141	6,115	-1%	-4%	-1%	-4%	5,847	6,115	-4%	-4%
Volumes, EURbn:													
Lending to corporates	70.9	70.6	70.6	71.2	70.8	0%	0%	1%	1%	70.9	70.8	0%	1%
Household mortgage lending ¹	6.7	6.8	6.9	7.0	7.1	-2%	-6%	6%	2%	6.7	7.1	-6%	2%
Consumer lending ¹	2.3	2.3	2.3	2.4	2.3	-2%	-3%	-2%	-3%	2.3	2.3	-3%	-3%
Total lending	79.9	79.7	79.8	80.6	80.2	0%	0%	1%	1%	79.9	80.2	0%	1%
Corporate deposits	34.8	35.2	36.0	34.6	36.0	-1%	-3%	0%	-2%	34.8	36.0	-3%	-2%
Household deposits ¹	3.1	3.1	3.3	3.3	3.3	0%	-6%	1%	-5%	3.1	3.3	-6%	-5%
Total deposits	37.9	38.3	39.3	37.9	39.3	-1%	-4%	0%	-2%	37.9	39.3	-4%	-2%

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

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local curr.		H1 17	H1 16	H1 vs H1	
								Q2/Q1	Q2/Q2			EUR	Local
Net interest income	286	279	275	271	282	2%	2%	4%	2%	565	560	1%	1%
Net fee and commission income	142	134	142	124	130	6%	9%	7%	10%	276	245	12%	13%
Net result from items at fair value	68	61	69	67	74	11%	-8%	12%	-7%	129	143	-10%	-9%
Equity method & other income	7	22	7	7	7					29	19		
Total income incl. allocations	503	496	493	469	493	1%	2%	3%	3%	999	967	3%	3%
Total expenses incl. allocations	-284	-278	-288	-279	-302	2%	-6%	4%	-5%	-562	-560	0%	1%
Profit before loan losses	219	218	205	190	191	0%	15%	1%	15%	437	407	7%	7%
Net loan losses	-16	-17	-34	-49	-36					-33	-77		
Operating profit	203	201	171	141	155	1%	31%	2%	32%	404	330	23%	22%
Cost/income ratio, %	57	56	58	60	61					56	58		
ROCAR, %	10	10	8	7	7					9	8		
Economic capital (EC)	6,558	6,382	6,194	6,484	6,592	3%	-1%	4%	1%	6,558	6,592	-1%	1%
Risk exposure amount (REA)	33,966	33,611	33,041	35,186	37,964	1%	-11%	2%	-9%	33,966	37,964	-11%	-9%
Number of employees (FTEs)	5,847	5,926	6,069	6,141	6,115	-1%	-4%	-1%	-4%	5,847	6,115	-4%	-4%
Volumes, EURbn:													
Lending to corporates	70.9	70.6	70.6	71.2	70.8	0%	0%	1%	1%	70.9	70.8	0%	1%
Household mortgage lending ¹	6.7	6.8	6.9	7.0	7.1	-2%	-6%	6%	2%	6.7	7.1	-6%	2%
Consumer lending ¹	2.3	2.3	2.3	2.4	2.3	-2%	-3%	-2%	-3%	2.3	2.3	-3%	-3%
Total lending	79.9	79.7	79.8	80.6	80.2	0%	0%	1%	1%	79.9	80.2	0%	1%
Corporate deposits	34.8	35.2	36.0	34.6	36.0	-1%	-3%	0%	-2%	34.8	36.0	-3%	-2%
Household deposits ¹	3.1	3.1	3.3	3.3	3.3	0%	-6%	1%	-5%	3.1	3.3	-6%	-5%
Total deposits	37.9	38.3	39.3	37.9	39.3	-1%	-4%	0%	-2%	37.9	39.3	-4%	-2%

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

Commercial Banking

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local curr.		H1 17	H1 16	H1 vs H1	
								Q2/Q1	Q2/Q2			EUR	Local
Net interest income	127	125	118	114	119	2%	8%	3%	8%	252	234	8%	7%
Net fee and commission income	57	57	59	49	58	0%	-2%	1%	-1%	114	110	4%	4%
Net result from items at fair value	53	51	53	49	57	5%	-7%	6%	-6%	104	109	-4%	-4%
Equity method & other income	1	16	1	1	1					17	6		
Total income incl. allocations	238	249	231	213	235	-4%	1%	-3%	2%	487	459	6%	6%
Total expenses incl. allocations	-123	-126	-120	-122	-123	-2%	0%	-1%	2%	-249	-242	3%	3%
Profit before loan losses	115	123	111	91	112	-5%	4%	-5%	4%	238	217	9%	9%
Net loan losses	-13	-25	-20	-24	-7					-38	-24		
Operating profit	102	98	91	67	105	6%	-2%	5%	-2%	200	193	3%	3%
Cost/income ratio, %	52	51	52	57	52					51	53		
ROCAR, %	8	8	7	5	8					8	8		
Economic capital (EC)	3,999	3,826	3,645	3,884	3,922	5%	2%	3%	1%	3,999	3,922	2%	1%
Risk exposure amount (REA)	21,396	20,971	20,510	22,223	23,278	2%	-8%	4%	-6%	21,396	23,278	-8%	-6%
Number of employees (FTEs)	840	854	925	952	970	-2%	-13%	-2%	-13%	840	970	-13%	-13%
Volumes, EURbn:													
Lending to corporates	42.4	42.1	42.1	42.9	42.7	1%	-1%	2%	0%	42.4	42.7	-1%	0%
Household mortgage lending	0.3	0.2	0.2	0.2	0.2	93%	88%	139%	134%	0.3	0.2	88%	134%
Consumer lending	0.7	0.7	0.7	0.6	0.6	4%	13%	5%	14%	0.7	0.6	13%	14%
Total lending	43.4	43.0	43.0	43.7	43.5	1%	0%	2%	1%	43.4	43.5	0%	1%
Corporate deposits	16.1	16.3	17.0	16.6	17.8	-2%	-10%	0%	-9%	16.1	17.8	-10%	-9%
Household deposits	0.2	0.1	0.2	0.2	0.2	66%	33%	67%	33%	0.2	0.2	33%	33%
Total deposits	16.3	16.4	17.2	16.8	18.0	-1%	-10%	0%	-8%	16.3	18.0	-10%	-8%



Business Banking

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local curr.		H1 17	H1 16	H1 vs H1	
								Q2/Q1	Q2/Q2			EUR	Local
Net interest income	155	150	150	151	152	3%	2%	4%	3%	305	301	1%	1%
Net fee and commission income	62	65	67	62	65	-4%	-4%	-3%	-2%	127	129	-1%	0%
Net result from items at fair value	19	14	21	17	17	34%	10%	37%	11%	33	34	-4%	-4%
Equity method & other income	0	0	0	0	0					0	0		
Total income incl. allocations	236	229	238	230	234	3%	1%	4%	2%	465	464	0%	1%
Total expenses incl. allocations	-140	-147	-141	-142	-148	-5%	-5%	-3%	-3%	-287	-291	-1%	0%
Profit before loan losses	96	82	97	88	86	14%	10%	15%	10%	178	173	3%	2%
Net loan losses	-2	11	-14	-24	-27					9	-49		
Operating profit	94	93	83	64	59	-1%	57%	-1%	56%	187	124	52%	50%
Cost/income ratio, %	59	64	59	62	63					62	63		
ROCAR, %	11	11	10	8	7					12	8		
Economic capital (EC)	2,459	2,457	2,440	2,470	2,401	0%	2%	-4%	-1%	2,459	2,401	2%	-1%
Risk exposure amount (REA)	13,490	13,601	13,492	13,834	14,545	-1%	-7%	0%	-6%	13,490	14,545	-7%	-6%
Number of employees (FTEs)	1,759	1,784	1,829	1,876	1,864	-1%	-6%	-1%	-6%	1,759	1,864	-6%	-6%
Volumes, EURbn:													
Lending to corporates	28.5	28.4	28.3	28.3	28.1	0%	2%	0%	1%	28.5	28.1	2%	1%
Household mortgage lending	6.4	6.6	6.8	6.9	6.9	-4%	-8%	3%	-1%	6.4	6.9	-8%	-1%
Consumer lending	1.6	1.7	1.7	1.7	1.7	-5%	-9%	-5%	-9%	1.6	1.7	-9%	-9%
Total lending	36.5	36.7	36.8	36.9	36.7	-1%	-1%	0%	0%	36.5	36.7	-1%	0%
Corporate deposits	18.8	18.9	19.0	18.0	18.2	-1%	3%	1%	5%	18.8	18.2	3%	5%
Household deposits	2.9	3.0	3.1	3.1	3.1	-3%	-8%	-3%	-8%	2.9	3.1	-8%	-8%
Total deposits	21.7	21.9	22.1	21.1	21.3	-1%	2%	0%	3%	21.7	21.3	2%	3%

Commercial & Business Banking, other

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	H1 17	H1 16	H1/H1
										EUR
Net interest income	4	4	8	7	11			8	25	
Net fee and commission income	-6	-16	-9	-12	-21			-22	-38	
Net result from items at fair value	-4	-4	-5	1	0			-8	0	
Equity method & other income	6	6	6	6	6			12	13	
Total income incl. allocations	0	-10	0	2	-4			-10	0	
Total expenses incl. allocations	-12	5	-20	-7	-24			-7	-13	
Profit before loan losses	-12	-5	-20	-5	-28			-17	-13	
Net loan losses	-1	-3	0	-1	-2			-4	-4	
Operating profit	-13	-8	-20	-6	-30			-21	-17	
Economic capital (EC)	-128	-130	-119	-98	41			-128	41	
Risk exposure amount (REA)	-920	-961	-961	-871	141			-920	141	
Number of employees (FTEs)	3,248	3,288	3,315	3,313	3,281	-1%	-1%	3,248	3,281	-1%



Wholesale Banking

Wholesale Banking provides financial solutions to Nordea's largest corporate and institutional customers. The business area incorporates the entire value chain including customer and product units as well as supporting IT and infrastructure.

Wholesale Banking emphasises a return-driven culture through continuous improvements and disciplined cost and capital management. A relationship-driven customer service model and effective business selection support income development and capital allocation.

Business development

Customer activity was solid in the second quarter despite the continued challenging macroeconomic environment and the uncertainty surrounding the French election and Article 50 being triggered in UK.

Wholesale Banking was recognised for its leading markets capabilities, and the strong performance evidenced by several no. 1 rankings from Prospera and others. Additionally Nordea was rated number one in Nordic stock-picking for the sixth time in seven consecutive years. The nominations follow several market-leading league table positions.

Banking

Customer activity improved in Q2 compared to the first quarter in 2017 with emerging signs of increasing borrowing needs.

Loan market continued to feature high lending capacity and risk appetite among Nordic banks leading to aggressive pricing. Business selection principles are applied in order to match the balance sheet commitment and ancillary business.

Institutional customer activity was mixed during the second quarter with low volatility across asset classes and a somewhat reduced trading activity. Risk appetite for Nordic assets remains strong, in particular for fixed income products.

Customer activity in Shipping, Offshore & Oil Services was moderate during the quarter. Low oil price combined with lower exploration and production spending among oil and gas companies continues to negatively affect the offshore market.

In Russia, customer activity was moderate to low and contributed positively to the overall strategy of reducing exposures due to the geopolitical and economic environment.

Capital markets

FICC activity was influenced by several events which contributed to uncertainty in the market; particularly the French election, and UK's path to Brexit. Despite these uncertainties, markets were characterised by continued low interest rates and further compression of volatility driven by central banks' quantitative easing (QE).

Customer activity in the FICC business for FX and derivatives remained subdued during Q2 due to these challenging market conditions.

Nordea has enjoyed a strong run across the fixed income universe during the second quarter, with several notable mandates won and successfully executed. Nordea's position within Liability Management has proved to be an important enabler, in particular in the Blue Chip segment. During the quarter Nordea strengthened its market-leading position, evident by several number 1 league table positions.

On the back of favorable credit market conditions, activity has also been high in the Leveraged Finance space where the trend of converging loan and bond markets continued for larger transactions. Nordea has maintained its market leading position across the region and during the quarter executed a number of LBO-related loan and bond transactions. Strong equity and fixed income markets, and consequently numerous listings and refinancings away from the traditional bank market, kept overall LBO lending volume flat or lower than during previous quarters.

Activity in the Nordic ECM during the second quarter declined compared to the high level last year, mainly due to fewer large transactions. Nordea acted as book runner in the two largest Nordic ECM transactions (the Ahlsell placing and the Munters IPO) during the quarter underlining the market-leading position. In contrast to the increase seen in the broader European market, Nordic M&A activity declined in the quarter compared to second quarter last year, due to a lower number of announced transactions.

In general the Nordic equity markets gained from April through May under increasing volumes with tightening spreads. Momentum slowed in June, and the market stagnated. The spreads remained tight throughout the period.

Credit quality

Net loan losses decreased to EUR 64m, primarily reflecting lower net reservations in Shipping, Offshore & Oil Services. The loan loss ratio was 34 bps, down 10 bps from previous quarter.

Result

Total income was EUR 501m, down 11% from the previous quarter, mainly due to lower lending volumes in Russia affecting NII, higher commission expenses and debt restructuring of customer exposure in Shipping, Offshore & Oil Services negatively affecting items at fair value.

Total expenses decreased to EUR 228m in the second quarter, equivalent to a 6% decrease compared with the same quarter last year. Sustained strict resource management resulted in a competitive cost/income ratio of 46%.

Operating profit was EUR 209m and the business area ROCAR decreased by 1%-point from the previous quarter.

Nordea

Corporate & Institutional Banking

Total income was EUR 349m, down 1% from the previous quarter. Net interest income was EUR 134m up 6% from the previous quarter, reflecting somewhat higher margins.

Net fee and commission income was down 2% to EUR 138m and items at fair value decreased by EUR 7m from the previous quarter.

Lending volume decreased 2% from the previous quarter to EUR 37.5bn.

Institutional customer income fell slightly compared to the first quarter. Customers continued to focus on liquidity and high quality assets, combined with investments in alternative assets.

Corporate & Institutional Banking ROCAR for the second quarter was 12%, down 1%-points from the previous quarter.

Shipping, Offshore & Oil Services

Total income was EUR 35m, down 56% from the previous quarter, mainly due to negative fair value credit adjustments within the offshore portfolio.

Net interest income was down 3% reflecting lower average loan volumes and net fee and commission was down 9% compared to the previous quarter.

Net loan losses decreased to EUR 39m in the second quarter.

Banking Russia

Total income was EUR 31m, down 18% from the previous quarter following a decrease of EUR 0.5bn in lending volumes in Q2. Credit quality has remained stable despite the economic environment.

Wholesale Banking other (including Capital Markets unallocated)

Wholesale Banking other total income decreased with EUR 6m from the previous quarter, mainly due to increased commission expenses.

Wholesale Banking other is the residual result not allocated to customer units. This income includes the unallocated income from Capital Markets and International Division. It also includes the additional liquidity premium for the funding cost of long-term lending and deposits in Wholesale Banking.

Wholesale Banking other comprises all staff in Capital Markets as well as support units. The costs are to a large extent allocated to customer units.

Wholesale Banking total

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local curr.		H1 17	H1 16	H1 vs H1	
								Q2/Q1	Q2/Q2			EUR	Local
Net interest income	190	200	203	204	209	-5%	-9%	-3%	-9%	390	423	-8%	-11%
Net fee and commission income	133	167	159	145	163	-20%	-18%	-19%	-17%	300	325	-8%	-7%
Net result from items at fair value	178	191	294	226	170	-7%	5%	-8%	4%	369	283	30%	30%
Equity method & other income	0	4	-1	1	0					4	0		
Total income incl. allocations	501	562	655	576	542	-11%	-8%	-10%	-7%	1,063	1,031	3%	2%
Total expenses incl. allocations	-228	-236	-267	-234	-243	-3%	-6%	-2%	-6%	-464	-466	0%	-1%
Profit before loan losses	273	326	388	342	299	-16%	-9%	-16%	-9%	599	565	6%	5%
Net loan losses	-64	-90	-96	-71	-56					-154	-112		
Operating profit	209	236	292	271	243	-11%	-14%	-11%	-15%	445	453	-2%	-4%
Cost/income ratio, %	46	42	41	41	45					44	45		
ROCAR, %	7	8	11	9	8					8	8		
Economic capital (EC)	8,462	9,226	8,365	8,607	9,109	-8%	-7%			8,462	9,109	-7%	
Risk exposure amount (REA)	43,492	46,757	48,564	50,491	53,440	-7%	-19%			43,492	53,440	-19%	
Number of employees (FTEs)	3,949	4,016	4,059	4,089	4,046	-2%	-2%			3,949	4,046	-2%	
Volumes, EURbn:													
Lending to corporates	75.1	82.1	80.3	88.3	100.0	-8%	-25%			75.1	100.0	-25%	
Lending to households	0	0	0.2	0.2	0.3					0	0.3		
Total lending	75.1	82.1	80.5	88.5	100.3	-8%	-25%	-7%	-24%	75.1	100.3	-25%	-24%
Corporate deposits	59.5	59.2	47.1	58.1	60.7	1%	-2%			59.5	60.7	-2%	
Household deposits	0.1	0.2	0.1	0.1	0.1	-50%	0%			0.1	0.1	0%	
Total deposits	59.6	59.4	47.2	58.2	60.8	0%	-2%	2%	-1%	59.6	60.8	-2%	-1%

Nordea

Corporate & Institutional Banking

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	H1 17	H1 16	H1/H1
Net interest income	134	127	129	130	131	6%	2%	261	260	0%
Net fee and commission income	138	141	144	130	157	-2%	-12%	279	300	-7%
Net result from items at fair value	77	84	102	63	79	-8%	-3%	161	146	10%
Equity method & other income	0	0	0	0	0			0	0	
Total income incl. allocations	349	352	375	323	367	-1%	-5%	701	706	-1%
Total expenses incl. allocations	-132	-134	-143	-142	-146	-1%	-10%	-266	-290	-8%
Profit before loan losses	217	218	232	181	221	0%	-2%	435	416	5%
Net loan losses	-17	-17	-38	-9	-17			-34	-56	
Operating profit	200	201	194	172	204	0%	-2%	401	360	11%
Cost/income ratio, %	38	38	38	44	40			38	41	
ROCAR, %	12	13	13	11	13			13	12	
Economic capital (EC)	4,578	5,344	4,398	4,581	5,028	-14%	-9%	4,578	5,028	-9%
Risk exposure amount (REA)	23,930	27,126	26,750	28,018	30,807	-12%	-22%	23,930	30,807	-22%
Number of employees (FTEs)	167	169	168	171	168	-1%	-1%	167	168	-1%
Volumes, EURbn:										
Total lending	37.5	38.4	37.9	38.7	40.8	-2%	-8%	37.5	40.8	-8%
Total deposits	35.9	36.4	35.5	34.8	33.7	-1%	7%	35.9	33.7	7%

Shipping, Offshore & Oil Services

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	H1 17	H1 16	H1/H1
Net interest income	62	64	64	63	61	-3%	2%	126	125	1%
Net fee and commission income	10	11	14	15	14	-9%	-29%	21	28	-25%
Net result from items at fair value	-37	5	5	13	7			-32	13	
Equity method & other income	0	0	0	0	0			0	0	
Total income incl. allocations	35	80	83	91	82	-56%	-57%	115	166	-31%
Total expenses incl. allocations	-16	-16	-16	-16	-15	0%	7%	-32	-31	3%
Profit before loan losses	19	64	67	75	67	-70%	-72%	83	135	-39%
Net loan losses	-39	-58	-49	-59	-24			-97	-39	
Operating profit	-20	6	18	16	43			-14	96	
Cost/income ratio, %	46	20	19	18	18			28	19	
ROCAR, %	-3	1	4	3	9			-1	10	
Economic capital (EC)	1,831	1,701	1,595	1,528	1,537	8%	19%	1,831	1,537	19%
Risk exposure amount (REA)	9,931	9,399	9,697	9,355	9,390	6%	6%	9,931	9,390	6%
Number of employees (FTEs)	72	76	79	81	76	-5%	-5%	72	76	-5%
Volumes, EURbn:										
Total lending	10.7	11.6	12.0	11.8	12.0	-8%	-11%	10.7	12.0	-11%
Total deposits	5.1	5.7	5.1	4.7	4.6	-11%	11%	5.1	4.6	11%

Nordea

Banking Russia

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local curr.		H1 17	H1 16	H1/H1
								Q2/Q1	Q2/Q2			
Net interest income	25	30	39	41	45	-17%	-44%	-14%	-53%	55	93	-41%
Net fee and commission income	3	5	4	4	3	-40%	0%	-37%	3%	8	6	33%
Net result from items at fair value	3	3	4	3	4	0%	-25%	-41%	-34%	6	8	-25%
Equity method & other income	0	0	0	0	0					0	0	
Total income incl. allocations	31	38	47	48	52	-18%	-40%	-20%	-48%	69	107	-36%
Total expenses incl. allocations	-12	-15	-16	-14	-12	-20%	0%	-19%	-20%	-27	-25	8%
Profit before loan losses	19	23	31	34	40	-17%	-53%	-21%	-58%	42	82	-49%
Net loan losses	-7	-15	-9	-3	-15					-22	-19	
Operating profit	12	8	22	31	25	50%	-52%	41%	-55%	20	63	-68%
Cost/income ratio, %	39	39	34	29	23					39	23	
ROCAR, %	8	6	15	20	16					2	5	
Economic capital (EC)	428	457	430	459	484	-6%	-12%			428	484	-12%
Risk exposure amount (REA)	2,411	2,575	2,744	2,911	3,140	-6%	-23%			2,411	3,140	-23%
Number of employees (FTEs)	584	619	722	776	792	-6%	-26%			584	792	-26%
Volumes, EURbn:												
Lending to corporates	3.2	3.7	3.8	3.8	4.7	-14%	-32%			3.2	4.7	-32%
Lending to households	0.0	0.0	0.2	0.2	0.3					0.0	0.3	
Total lending	3.2	3.7	4.0	4.0	5.0	-14%	-36%	-9%	-34%	3.2	5.0	-36%
Corporate deposits	0.6	0.7	0.6	0.6	0.6	-14%	0%			0.6	0.6	0%
Household deposits	0.1	0.2	0.1	0.1	0.1	-50%	0%			0.1	0.1	0%
Total deposits	0.7	0.9	0.7	0.7	0.7	-22%	0%	-2%	0%	0.7	0.7	0%

Wholesale Banking Other

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	H1 17	H1 16	H1/H1
Net interest income	-31	-21	-29	-30	-28			-52	-55	
Net fee and commission income	-18	10	-3	-4	-11			-8	-9	
Net result from items at fair value	135	99	183	147	80			234	116	
Equity method & other income	0	4	-1	1	0			4	0	
Total income incl. allocations	86	92	150	114	41			178	52	
Total expenses incl. allocations	-68	-71	-92	-62	-70			-139	-120	
Profit before loan losses	18	21	58	52	-29			39	-68	
Net loan losses	-1	0	0	0	0			-1	2	
Operating profit	17	21	58	52	-29			38	-66	
Economic capital (EC)	1,625	1,724	1,942	2,039	2,060			1,625	2,060	
Risk exposure amount (REA)	7,220	7,657	9,373	10,207	10,103			7,220	10,103	
Number of employees (FTEs)	3,126	3,152	3,090	3,061	3,010	-1%	4%	3,126	3,010	4%
Volumes, EURbn:										
Total lending	23.7	28.4	26.6	34.0	42.5			23.7	42.5	
Total deposits	17.9	16.4	5.9	18.0	21.8			17.9	21.8	



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 and institutional investors. The area consists of the three businesses: Private Banking serving customers from 67 branches in the Nordics as well as from offices in Luxembourg and Singapore; Asset Management responsible for actively managed investment funds and mandates and for serving institutional asset management customers; Life & Pensions serving customers with a full range of pension, endowment and risk products. Wealth Management is the largest Nordic private bank, Life & Pensions provider and asset manager.

Business development

Financial markets rose against the backdrop of a sustained recovery and renewed business confidence in Europe. Geopolitical uncertainty persisted, especially around Brexit and threats of rising protectionism. Wealth Management consistently attracted assets, offering sturdy returns in an uncertain economic climate.

Nordea's Assets under Management (AuM) increased to EUR 332bn, up EUR 2bn or 1% from the previous quarter, and up 11% from the same quarter last year. The increase in AuM in the second quarter was due to market appreciation of EUR 0.1bn, and net inflow of EUR 1.9bn, ending the quarter with AuM at another all-time high.

In an environment of high market valuations and lower volatility there are signs that Private Banking clients are becoming more risk averse. This is in turn reflected in decreased trading activities.

Private Banking continues its efforts to enhance productivity. Initiatives include the simplification of IT systems, increased globalised processes and a transformation towards an Agile way of working. The transformation and simplification resulted in the closure of the Zurich branch in Switzerland and focus on Luxembourg as the international hub in Europe.

Asset Management maintains its strong momentum and realised strong revenue growth. Following record high sales in international 3rd party fund distribution in recent years, the focus in 2017 is to preserve the current asset base as net flow for Q2 of EUR 0.2bn is in line with expectations. Net flow in the institutional client segment picked up in the second quarter and amounted to EUR 0.7bn. Net flow in Nordic Retail funds was flat at EUR 0.3bn.

Nordea's Multi-Asset solutions remained popular among investors during the quarter, contributing the vast majority of net flows. Asset allocation in Fixed Income shifted within Institutional and 3rd party distribution where clients favoured Covered Bonds and Emerging Market Debt.

Asset Management registered the biggest increase in Total Brand Score in The Fund Brand 50 Report and is now in top 10 of the annual brand ranking of the European Asset Management Industry.

Investment performances are above target with 88% of all composites outperforming benchmarks over 3 years.

Life & Pensions' gross written premiums in second quarter reached EUR 1,889m, 23% higher than the same quarter last year and 6% lower than in the previous quarter. The Nordea distribution network generated 67% of the market return premiums sales in the second quarter.

In the second quarter, market return- and risk products accounted for 93% of total gross written premiums, in the same quarter last year the market return- and risk products accounted for 91%. Market return products continued to support the growth in AuM and amounted to 63% of total AuM in Life & Pensions at the end of the second quarter, in the same quarter last year the contribution from market return products was 58%.

Result

Second quarter income was EUR 530m, flat from the previous quarter and up 7% compared to the same quarter last year. The increase in the second quarter was mainly due to income growth in Asset Management.

Costs increased 10% from the previous quarter and 17% from the same quarter last year due to compliance related costs in Private Banking and higher staff costs in Asset Management. Operating profit in the second quarter was EUR 282m, down 7% from the previous quarter and flat from the same quarter last year.

Private Banking

Total income was EUR 133m during the second quarter, which is 4% lower than the same period last year. A decrease in trading activity had a negative effect on income in Private Banking. The cost increase can be largely attributed to extraordinary cost for regulatory remediation and business transformation. Operating profit stands at EUR 15m and ROCAR at 6%.

Asset Management

Asset Management income was EUR 243m in the second quarter, up 2% from the previous quarter and up 14% from the same quarter last year. The increase was mainly the result of an increase in average AuM. Operating profit was EUR 171m, up 1% from the previous quarter and up 13% from the same quarter last year.

Life & Pensions

Total income was EUR 154m in the second quarter, down 3% from the previous quarter and up 4% from the same quarter last year. Operating profit was EUR 101m, down 4% from the previous quarter and up 1% from the same quarter last year.

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

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	Local curr.		H1 17	H1 16	H1 vs H1	
								Q2/Q1	Q2/Q2			EUR	Local
Net interest income	27	29	30	27	27	-7%	0%	-2%	4%	56	53	6%	8%
Net fee and commission income	422	412	422	384	378	2%	12%	4%	13%	834	714	17%	12%
Net result from items at fair value	73	85	86	70	85	-14%	-14%	-14%	-14%	158	194	-19%	-19%
Equity method & other income	8	3	6	4	5					11	10		
Total income incl. allocations	530	529	544	485	495	0%	7%	2%	8%	1,059	971	9%	6%
Total expenses incl. allocations	-248	-225	-225	-213	-212	10%	17%	12%	18%	-473	-420	13%	9%
Profit before loan losses	282	304	319	272	283	-7%	0%	-5%	1%	586	551	6%	3%
Net loan losses	0	0	0	0	0					0	0		
Operating profit	282	304	319	272	283	-7%	0%	-5%	1%	586	551	6%	3%
Cost/income ratio, %	47	42	41	44	43					47	43		
ROCAR, %	34	34	36	33	36					34	36		
Economic capital (EC)	2,534	2,639	2,809	2,593	2,459	-4%	3%	-4%	3%	2,534	2,459	3%	3%
Risk exposure amount (REA)	5,742	6,733	5,977	5,730	5,579	-15%	3%	-15%	3%	5,742	5,579	3%	2%
Number of employees (FTEs)	3,641	3,637	3,640	3,692	3,673	0%	-1%	0%	-1%	3,641	3,673	-1%	0%
Volumes, EURbn:													
AuM	332.1	330.1	322.7	317.4	300.2	1%	11%	1%	11%	332.1	300.2	11%	7%
Total lending	10.8	11.3	11.5	11.0	10.8	-4%	0%	-4%	0%	10.8	10.8	0%	1%
Total deposits	13.5	13.5	13.5	13.3	13.5	0%	0%	0%	0%	13.5	13.5	0%	1%

Assets under Management (AuM), volumes and net inflow

EURbn	Q217	Q217 Net inflow	Q117	Q416	Q316	Q216
Nordic Retail funds	60.6	0.3	60.7	59.2	56.6	54.1
Private Banking	102.9	0.3	101.6	100.2	97.6	93.2
Institutional sales	94.4	0.9	93.8	91.7	92.6	84.6
Life & Pensions	74.2	0.4	74.0	71.6	70.6	68.3
Total	332.1	1.9	330.1	322.7	317.4	300.2

Nordea

Private Banking

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	H1 17	H1 16	H1/H1
Net interest income	27	28	30	27	27	-4%	0%	55	53	4%
Net fee and commission income	88	85	93	78	85	4%	4%	173	152	14%
Net result from items at fair value	17	23	21	16	23	-26%	-26%	40	46	-13%
Equity method & other income	1	1	3	3	3			2	6	
Total income incl. allocations	133	137	147	124	138	-3%	-4%	270	257	5%
Total expenses incl. allocations	-118	-102	-96	-101	-105	16%	12%	-220	-206	7%
Profit before loan losses	15	35	51	23	33	-57%	-55%	50	51	-2%
Net loan losses	0	0	0	0	0			0	0	
Operating profit	15	35	51	23	33	-57%	-55%	50	51	-2%
Cost/income ratio, %	89	75	66	81	76			89	76	
ROCAR, %	6	15	26	12	18			6	18	
Economic capital (EC)	615	785	624	595	563	-22%	9%	615	563	9%
Risk exposure amount (REA)	3,080	4,146	3,487	3,246	3,110	-26%	-1%	3,080	3,110	-1%
Number of employees (FTEs)	1,180	1,176	1,173	1,217	1,235	0%	-4%	1,180	1,235	-4%
Volumes, EURbn:										
AuM	102.9	101.6	100.2	97.6	93.2	1%	10%	102.9	93.2	10%
Household mortgage lending	7.3	7.2	7.2	7.1	7.0	1%	4%	7.3	7.0	4%
Consumer lending	3.5	4.1	4.3	3.9	3.8	-15%	-8%	3.5	3.8	-8%
Total lending	10.8	11.3	11.5	11.0	10.8	-4%	0%	10.8	10.8	0%
Household deposits	13.5	13.5	13.5	13.3	13.5	0%	0%	13.5	13.5	0%
Total deposits	13.5	13.5	13.5	13.3	13.5	0%	0%	13.5	13.5	0%

Asset Management

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	H1 17	H1 16	H1/H1
Net interest income	0	1	0	0	0			1	0	
Net fee and commission income	242	232	242	214	210	4%	15%	474	393	21%
Net result from items at fair value	-1	3	-2	1	2			2	2	0%
Equity method & other income	2	2	2	1	1			4	3	
Total income incl. allocations	243	238	242	216	213	2%	14%	481	398	21%
Total expenses incl. allocations	-72	-69	-68	-65	-62	4%	16%	-141	-121	17%
Profit before loan losses	171	169	174	151	151	1%	13%	340	277	23%
Net loan losses	0	0	0	0	0			0	0	
Operating profit	171	169	174	151	151	1%	13%	340	277	23%
Cost/income ratio, %	30	29	28	30	29			30	29	
Income/AuM in bp p.a.	44	44	45	42	43	0%	2%	44	43	2%
Economic capital (EC)	237	205	175	175	169	16%	40%	237	169	40%
Risk exposure amount (REA)	869	794	697	691	676	9%	29%	869	676	29%
AuM, Retail, PB and Life, EURbn	125.3	125.0	125.3	121.9	117.1	0%	7%	125.3	117.1	7%
AuM, Ext. Inst. & 3rd part. dist., EURbn	94.4	93.8	91.7	92.6	84.6	1%	12%	94.4	84.6	12%
Net inf., Retail, PB and Life, EURbn	0.3	0.2	1.1	1.8	-0.1			0.3	-0.1	
Net inf., Ext. Ins. & 3rd part. dis., EURbn	1.0	-0.2	-1.5	7.0	5.3			1.0	5.3	
Number of employees (FTEs)	688	669	660	651	634	3%	9%	688	634	9%

Nordea

Life & Pensions

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	H1 17	H1 16	H1/H1
Net interest income	0	0	0	0	0			0	0	
Net fee and commission income	92	95	87	91	83	-3%	11%	187	168	11%
Net result from items at fair value	57	59	67	53	60	-3%	-5%	116	146	-21%
Equity method & other income	5	5	4	4	5			10	10	
Total income incl. allocations	154	159	158	148	148	-3%	4%	313	324	-3%
Total expenses incl. allocations	-53	-54	-53	-48	-48	-2%	10%	-107	-97	10%
Profit before loan losses	101	105	105	100	100	-4%	1%	206	227	-9%
Net loan losses	0	0	0	0	0			0	0	
Operating profit	101	105	105	100	100	-4%	1%	206	227	-9%
Cost/income ratio, %	34	34	34	32	32					
Return on Equity, %	20	19	19	18	20					
Equity	1,624	1,592	1,961	1,780	1,687			1,624	1,687	
AuM, EURbn	68.0	68.0	65.7	64.8	62.7	0%	8%	68.0	62.7	8%
Premiums	1,889	1,982	1,668	1,558	1,532	-5%	23%	1,889	1,532	23%
Risk exposure amount (REA)	1,793	1,793	1,793	1,793	1,793	0%	0%	1,793	1,793	0%
Number of employees (FTEs)	1,129	1,135	1,155	1,167	1,160	-1%	-3%	1,129	1,160	-3%
Profit drivers										
Profit Traditional products	21	17	32	24	26	24%	-19%	38	67	-43%
Profit Market Return products	65	65	61	58	53	0%	23%	130	112	16%
Profit Risk products	20	23	22	20	21	-13%	-5%	43	39	10%
Total product result	106	105	115	102	100	1%	6%	211	218	-3%
Return on Shareholder equity, other profits and group adj.	-5	0	-10	-2	0			-5	9	
Operating profit	101	105	105	100	100	-4%	1%	206	227	-9%

Wealth Management Other

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	H1 17	H1 16	H1/H1
Net interest income	0	0	0	0	0			0	0	
Net fee and commission income	0	0	0	1	0			0	1	
Net result from items at fair value	0	0	0	0	0			0	0	
Equity method & other income	0	-5	-3	-4	-4			-5	-9	
Total income incl. allocations	0	-5	-3	-3	-4			-5	-8	
Total expenses incl. allocations	-5	0	-8	1	3			-5	4	
Profit before loan losses	-5	-5	-11	-2	-1			-10	-4	
Net loan losses	0	0	0	0	0			0	0	
Operating profit	-5	-5	-11	-2	-1			-10	-4	
Economic capital (EC)	58	57	49	43	40			58	40	
Number of employees (FTEs)	644	657	652	657	644	-2%	0%	644	644	0%



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 – Nordea’s funding, liquidity and market risk management

At the end of the second quarter, the proportion of long-term funding of total funding was approx. 80%, almost unchanged compared to the end of the first quarter.

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 Liquidity Coverage Ratio is one of the metrics. LCR for the Nordea Group was 141% at the end of the second quarter. The LCR in EUR was 203% and in USD 165% at the end of the second quarter. LCR for the Nordea Group according to CRR LCR definitions was 151% at the end of the fourth quarter. The liquidity buffer comprises highly liquid, primarily Nordic government and covered bonds which are all central bank eligible securities with characteristics similar to Basel III/CRD IV. The liquidity buffer amounted to EUR 65bn at the end of the second quarter (EUR 65bn also at the end of the first quarter).

The outstanding volume of short-term debt was at the end of the second quarter EUR 39bn.

Nordea issued approx. EUR 4.2bn in long-term funding in the fourth quarter excluding Danish covered bonds and subordinated notes, of which approx. EUR 0.9bn represented the issuance of Finnish, Swedish and Norwegian covered bonds in domestic and international markets. Notable benchmark transactions in the quarter was a USD 1.75bn dual tranche senior unsecured issuance in May in the form of a USD 1bn 3 year fixed and a USD 750m 3 year FRN bond, a SEK 4bn dual tranche senior unsecured issuance in June in the form of a SEK 3,250m 3-year fixed and a 750m 3 year FRN bond and finally in June a senior unsecured issuance in the form of a EUR 500m 5 year fixed rate Green Bond. The Green Bond was the first transaction of its kind from Nordea and was sold primarily to dedicated green bond investors.

The market risk on Group Treasury & ALM’s interest-rate positions, calculated as average VaR, was EUR 45m in the second quarter. The risk related to equities, calculated as VaR, was EUR 2m and the risk related to credit spreads (VaR) was EUR 1m. Interest rate risk increased slightly whereas equity and credit spread risk were stable compared to the first quarter.

Result

Total operating income was EUR 130m in the second quarter, up from EUR 127m in the previous quarter. Net interest income decreased to EUR 118m in the second quarter compared to EUR 129m in the previous quarter. The net result from items at fair value was unchanged compared to the previous quarter and amounted to EUR 19m. Operating profit in Q2 was EUR 43m (EUR 63m in Q1).

Group functions, Other & Eliminations

EURm	Q217	Q117	Q416	Q316	Q216	Q2/Q1	Q2/Q2	H1 17	H1 16
Net interest income	118	129	155	138	133	-9%	-11%	247	271
Net fee and commission income	-7	-13	-15	-11	-14	-46%	-50%	-20	-29
Net result from items at fair value	19	19	26	91	44		-57%	38	63
Equity method & other income	0	-8	23	-2	161			-8	168
Total operating income	130	127	189	216	324	2%	-60%	257	473
Total operating expenses	-87	-65	-15	-19	-31	34%		-152	-61
Profit before loan losses	43	62	174	197	293	-31%	-85%	105	412
Net loan losses	0	1	-1	0	0			1	0
Operating profit	43	63	173	197	293	-32%	-85%	106	412
Economic capital (EC)	2,615	3,233	2,010	1,831	2,244			2,615	2,244
Risk exposure amount (REA)	15,604	15,554	14,080	13,113	15,170			15,604	15,170
Number of employees (FTEs)	6,289	5,821	5,574	5,253	4,871	8%	29%	6,289	4,871

Nordea

Income statement

EURm	Note	Q2 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Operating Income						
Interest income		1,914	1,950	3,826	3,925	7,747
Interest expense		-739	-778	-1,454	-1,585	-3,020
Net interest income		1,175	1,172	2,372	2,340	4,727
Fee and commission income		1,068	999	2,150	1,993	4,098
Fee and commission expense		-218	-195	-434	-417	-860
Net fee and commission income	3	850	804	1,716	1,576	3,238
Net result from items at fair value	4	361	405	736	737	1,715
Profit from associated undertakings and joint ventures accounted for under the equity method		0	101	4	110	112
Other operating income		21	74	40	88	135
Total operating income		2,407	2,556	4,868	4,851	9,927
Operating expenses						
General administrative expenses:						
Staff costs		-795	-756	-1,594	-1,496	-2,926
Other expenses	5	-433	-396	-820	-782	-1,646
Depreciation, amortisation and impairment charges of tangible and intangible assets		-63	-54	-123	-106	-228
Total operating expenses		-1,291	-1,206	-2,537	-2,384	-4,800
Profit before loan losses		1,116	1,350	2,331	2,467	5,127
Net loan losses	6	-106	-127	-219	-238	-502
Operating profit		1,010	1,223	2,112	2,229	4,625
Income tax expense		-267	-227	-525	-451	-859
Net profit for the period		743	996	1,587	1,778	3,766
Attributable to:						
Shareholders of Nordea Bank AB (publ)		740	996	1,579	1,778	3,766
Non-controlling interests		3	-	8	-	-
Basic earnings per share, EUR		0.18	0.25	0.39	0.44	0.93
Diluted earnings per share, EUR		0.18	0.25	0.39	0.44	0.93

Statement of comprehensive income

EURm	Q2 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Net profit for the period	743	996	1,587	1,778	3,766
Items that may be reclassified subsequently to the income statement					
Currency translation differences during the period	-353	65	-286	220	438
Tax on currency translation differences during the period	-72	-	2	-	-
Hedging of net investments in foreign operations:					
Valuation gains/losses during the period	88	-1	106	-86	-219
Tax on valuation gains/losses during the period	-19	0	-23	19	48
Available for sale investments ¹ :					
Valuation gains/losses during the period, net of recycling	18	44	46	71	117
Tax on valuation gains/losses during the period	-4	-10	-11	-16	-27
Cash flow hedges:					
Valuation gains/losses during the period, net of recycling	-23	-5	-105	11	-44
Tax on valuation gains/losses during the period	5	1	24	-2	10
Items that may not be reclassified subsequently to the income statement					
Defined benefit plans:					
Remeasurement of defined benefit plans	-18	-114	0	-422	-205
Tax on remeasurement of defined benefit plans	5	25	1	95	47
Other comprehensive income, net of tax	-373	5	-246	-110	165
Total comprehensive income	370	1,001	1,341	1,668	3,931
Attributable to:					
Shareholders of Nordea Bank AB (publ)	367	1,001	1,333	1,668	3,931
Non-controlling interests	3	-	8	-	-

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

Nordea

Balance sheet

EURm	Note	30 Jun 2017	31 Dec 2016	30 Jun 2016
Assets				
Cash and balances with central banks		59,512	32,099	48,188
Loans to central banks	7	9,370	11,235	8,756
Loans to credit institutions	7	20,999	9,026	10,470
Loans to the public	7	314,680	317,689	344,580
Interest-bearing securities		90,592	87,701	84,976
Financial instruments pledged as collateral		5,505	5,108	8,989
Shares		28,692	21,524	21,197
Assets in pooled schemes and unit-linked investment contracts		24,772	23,102	22,040
Derivatives		53,385	69,959	87,240
Fair value changes of the hedged items in portfolio hedge of interest rate risk		140	178	160
Investments in associated undertakings and joint ventures		567	588	781
Intangible assets		3,991	3,792	3,444
Property and equipment		570	566	568
Investment properties		3,205	3,119	3,072
Deferred tax assets		84	60	124
Current tax assets		482	288	253
Retirement benefit assets		333	306	221
Other assets		17,387	18,973	24,619
Prepaid expenses and accrued income		1,638	1,449	1,558
Assets held for sale	12	6,852	8,897	-
Total assets		642,756	615,659	671,236
Liabilities				
Deposits by credit institutions		69,767	38,136	63,599
Deposits and borrowings from the public		189,534	174,028	195,960
Deposits in pooled schemes and unit-linked investment contracts		25,159	23,580	22,463
Liabilities to policyholders		41,773	41,210	39,159
Debt securities in issue		185,164	191,750	188,003
Derivatives		52,767	68,636	83,037
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,911	2,466	3,920
Current tax liabilities		295	487	432
Other liabilities		27,338	24,413	31,830
Accrued expenses and prepaid income		1,813	1,758	1,834
Deferred tax liabilities		927	830	849
Provisions		295	306	394
Retirement benefit obligations		268	302	473
Subordinated liabilities		9,333	10,459	9,140
Liabilities held for sale	12	5,017	4,888	-
Total liabilities		611,361	583,249	641,093
Equity				
Non-controlling interests		158	1	1
Share capital		4,050	4,050	4,050
Share premium reserve		1,080	1,080	1,080
Other reserves		-1,269	-1,023	-1,298
Retained earnings		27,376	28,302	26,310
Total equity		31,395	32,410	30,143
Total liabilities and equity		642,756	615,659	671,236
Assets pledged as security for own liabilities		199,422	189,441	194,572
Other assets pledged		5,437	8,330	6,065
Contingent liabilities		20,008	23,089	22,235
Credit commitments ¹		74,027	77,881	78,480
Other commitments		2,344	1,553	1,624

¹ Including unutilised portion of approved overdraft facilities of EUR 29,579m (31 Dec 2016: EUR 30,703m, 30 Jun 2016: EUR 32,148m).

Statement of changes in equity

EURm	Attributable to shareholders of Nordea Bank AB (publ)										
	Other reserves:									Non-controlling interests	Total equity
	Share capital ¹	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total			
Balance at 1 Jan 2017	4,050	1,080	-1,350	37	80	210	28,302	32,409	8	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	
<i>Total comprehensive income</i>	-	-	-201	-81	35	1	1,579	1,333	8	1,341	
Dividend for 2016	-	-	-	-	-	-	-2,625	-2,625	-	-2,625	
Repurchase of own shares ³	-	-	-	-	-	-	-2	-2	-	-2	
Other changes ⁴	-	-	-	-	-	-	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	

EURm	Attributable to shareholders of Nordea Bank AB (publ)										
	Other reserves:									Non-controlling interests	Total equity
	Share capital ¹	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total			
Balance at 1 Jan 2016	4,050	1,080	-1,617	71	-10	368	27,089	31,031	1	31,032	
Net profit for the period	-	-	-	-	-	-	3,766	3,766	-	3,766	
Other comprehensive income, net of tax	-	-	267	-34	90	-158	-	165	-	165	
<i>Total comprehensive income</i>	-	-	267	-34	90	-158	3,766	3,931	-	3,931	
Dividend for 2015	-	-	-	-	-	-	-2,584	-2,584	-	-2,584	
Disposal of own shares ³	-	-	-	-	-	-	31	31	-	31	
Balance at 31 Dec 2016	4,050	1,080	-1,350	37	80	210	28,302	32,409	1	32,410	

EURm	Attributable to shareholders of Nordea Bank AB (publ)										
	Other reserves:									Non-controlling interests	Total equity
	Share capital ¹	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total			
Balance at 1 Jan 2016	4,050	1,080	-1,617	71	-10	368	27,089	31,031	1	31,032	
Net profit for the period	-	-	-	-	-	-	1,778	1,778	-	1,778	
Other comprehensive income, net of tax	-	-	153	9	55	-327	-	-110	-	-110	
<i>Total comprehensive income</i>	-	-	153	9	55	-327	1,778	1,668	-	1,668	
Dividend for 2015	-	-	-	-	-	-	-2,584	-2,584	-	-2,584	
Disposal of own shares ³	-	-	-	-	-	-	27	27	-	27	
Balance at 30 Jun 2016	4,050	1,080	-1,464	80	45	41	26,310	30,142	1	30,143	

¹ Total shares registered were 4,050 million (31 Dec 2016: 4,050 million, 30 Jun 2016: 4,050 million).

² The total holding of own shares related to Long Term Incentive Programme (LTIP) is 10.2 million (31 Dec 2016: 10.9 million, 30 Jun 2016: 10.9 million).

³ 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 2017 was 12.7 million (31 Dec 2016: 13.3 million, 30 Jun 2016: 15.2 million).

⁴ Refers to the sale of 25% of Nordea Liv & Pension, Livforsikringselskab A/S in Denmark.



Cash flow statement, condensed

EURm	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
<i>Operating activities</i>			
Operating profit	2,112	2,229	4,625
Adjustments for items not included in cash flow	1,938	1,854	3,892
Income taxes paid	-856	-436	-952
Cash flow from operating activities before changes in operating assets and liabilities	3,194	3,647	7,565
Changes in operating assets and liabilities	28,435	14,518	-4,285
Cash flow from operating activities	31,629	18,165	3,280
<i>Investing activities</i>			
Properties and equipment	-43	-50	-104
Intangible assets	-342	-268	-656
Net investments in debt securities, held to maturity	-192	-83	-360
Other financial fixed assets	28	-9	186
Cash flow from investing activities	-549	-410	-934
<i>Financing activities</i>			
Issued/amortised subordinated liabilities	-750	-	1,000
Divestment/repurchase of own shares including change in trading portfolio	-2	27	31
Dividend paid	-2,625	-2,584	-2,584
Cash flow from financing activities	-3,377	-2,557	-1,553
Cash flow for the period	27,703	15,198	793
Cash and cash equivalents			
EURm	30 Jun 2017	30 Jun 2016	31 Dec 2016
Cash and cash equivalents at beginning of the period	41,860	40,200	40,200
Translation difference	-2,795	-498	867
Cash and cash equivalents at end of the period	66,768	54,900	41,860
Change	27,703	15,198	793
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	59,512	48,188	32,099
Loans to central banks	5,867	4,843	8,538
Loans to credit institutions	1,258	1,869	1,093
Assets held for sale	131	-	130
Total cash and cash equivalents	66,768	54,900	41,860

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

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

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



Notes to the financial statements

Note 1 Accounting policies

The consolidated interim financial statements are 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 2016, for more information see Note G1 in the Annual Report 2016. For changes implemented during 2017, see "Changed accounting policies and presentation" below.

Changed accounting policies and presentation

Amendments have been made in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). These amendments were implemented 1 January 2017 but have not had any significant impact on Nordea's financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for groups by issuing "RFR 1 Supplementary Accounting Rules for Groups – January 2017". These changes were implemented by Nordea 1 January 2017 but have not had any significant impact on Nordea's financial statements.

Changes in IFRSs not yet applied

IFRS 9 "Financial instruments"

IASB has completed the new standard for financial instruments, IFRS 9 "Financial instruments". IFRS 9 covers classification and measurement, impairment and general hedge accounting and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. The standard is endorsed by the EU-commission. Earlier application is permitted, but Nordea does not intend to early adopt the standard. Nordea does not either intend to restate the comparative figures for 2017 in the annual report 2018 due to IFRS 9.

Classification and measurement

The classification and measurement requirements in IFRS 9 state that financial assets should be classified as and measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

In order to assess the business model, Nordea has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea has taken the current business

area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

Nordea has analysed whether the cash flows from the financial assets held as of 31 December 2015 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group.

The business model assessment and SPPI analysis have not been finalised for Nordea Life & Pension as Nordea has awaited the IFRS 9 EU endorsement process. It is currently expected that the EU will postpone the implementation of IFRS 9 for insurance companies until 2021 when IFRS 17 "Insurance contracts" is implemented.

The analysis of the business model and the SPPI review described above have not resulted in any significant changes compared to how the financial instruments are measured under IAS 39. No significant impact is thus expected on Nordea's financial position, financial performance or equity in the period of initial application. No significant impact on the capital adequacy, large exposures, risk management or alternative performance measures is expected in the period of initial application. These tentative conclusions are naturally dependent on the financial instruments on Nordea's balance sheet at transition.

Impairment

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The scope of IFRS 9 impairment requirements is also broader than IAS 39. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as off-balance commitments including guarantees and loan commitments, to be included in the impairment test. Currently Nordea does not calculate collective provisions for off-balance sheet exposures or the financial instruments classified into the measurement category available for sale (AFS).

The assets to test for impairment will be divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 are tested for impairment on an individual basis, while for insignificant assets a collective assessment is performed. In stage 1, the provisions should equal the 12 month expected loss. In stage 2 and 3, the provisions should equal the lifetime expected losses.

Nordea

One important driver for the size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. Nordea has yet to decide how much relevant parameters used for identifying the increase in credit risk need to change in order to constitute a "significant increase". For assets held at transition, Nordea has tentatively decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets to be recognised going forward, changes to the lifetime Probability of Default (PD) will be used as the trigger. Nordea has concluded it is not possible to calculate the lifetime PDs without undue cost or effort and without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea has tentatively decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due will also be transferred to stage 2.

Nordea's current model for calculating collective provisions defines a loss event as a deterioration in rating/scoring, but it is not expected that the loss event in the current model will equal the triggering event for moving items from stage 1 to stage 2 under IFRS 9.

The provisions under IFRS 9 will be calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation will only be based on the coming 12 months, while it for assets in stage 2 will be based on the expected lifetime of the asset.

For assets where there has been a significant increase in credit risk, Nordea currently holds provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called "Emergence period", while IFRS 9 will require provisions equal to the lifetime expected loss.

When calculating lifetime losses under IFRS 9, including the staging assessment, the calculation should be based on probability weighted forward looking information. Nordea has tentatively decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios will be used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario will be recognised as provisions.

It is expected the new requirements will increase loan loss provisions and decrease equity in the period of initial application. It is not expected to have any material impact on large exposures. The impact on capital adequacy is not possible to determine as it is expected that the European Parliament and the Council will issue new rules for the transition to IFRS 9, but these are not yet final. It is furthermore expected that the long term effects, once the transitional rules become obsolete, will be negative on capital adequacy, as the reduction in equity is expected to reduce CET 1 capital. It is however not expected the full increase in provisions will decrease

CET 1 capital as there are offsetting effects, for instance the current shortfall deduction that is expected to be reduced when provisions are calculated under IFRS 9.

Impairment calculations under IFRS 9 will require more experienced credit judgements by the reporting entities than is required by IAS 39 today and a higher subjectivity is thus introduced. The inclusion of forward looking information adds complexity and makes provisions more dependent on management's view of the future economic outlook. It is expected that the impairment calculations under IFRS 9 will be more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward looking scenarios.

Hedge accounting

The main change to the general hedge accounting requirements is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea generally uses macro (portfolio) hedge accounting Nordea's assessment is that the new requirements will not have any significant impact on Nordea's financial statements, capital adequacy, large exposures, risk management or alternative performance measures in the period of initial application.

Nordea's tentative conclusion is to continue using the IAS 39 hedge accounting requirements also after IFRS 9 has been implemented, but that remains to be confirmed.

IFRS 15 "Revenue from Contracts with Customers"

The IASB published the new standard, IFRS 15 "Revenue from Contracts with Customers" in 2014. Clarifications to the standard were published in April 2016. The new standard 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 new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The standard was endorsed by the EU-commission in 2016 and the clarifications are expected to be endorsed in 2017.

The standard does not apply to financial instruments, insurance contracts or lease contracts. The current assessment is that the new standard will not have any significant impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application.

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contribution of assets between an investor and its associate or joint venture due to inconsistent treatment of gains and losses of such transactions in those standards. The IASB has thereafter proposed to defer indefinitely the effective date and permit earlier application. The amendments are not yet endorsed by the EU commission. Nordea does not currently intend to early adopt the amendments.

Nordea

The new requirements are not expected to have any impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application as the new requirements are in line with Nordea's current accounting policies.

IFRS 16 "Leases"

The IASB published the new standard, IFRS 16 "Leases" in 2016. The new standard changes the accounting requirements for lessees. All leases (except for short term- and small ticket 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 is expected to be endorsed by the EU in 2017 and 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. It is too early to comment on the impact on large exposures and capital adequacy as the relevant requirements are not yet final.

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 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, profit sharing 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 EU-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 2017	Jan-Dec 2016	Jan-Jun 2016
EUR 1 = SEK			
Income statement (average)	9.5961	9.4675	9.3019
Balance sheet (at end of period)	9.6398	9.5525	9.4242
EUR 1 = DKK			
Income statement (average)	7.4368	7.4453	7.4500
Balance sheet (at end of period)	7.4366	7.4344	7.4393
EUR 1 = NOK			
Income statement (average)	9.1771	9.2943	9.4214
Balance sheet (at end of period)	9.5713	9.0863	9.3008
EUR 1 = RUB			
Income statement (average)	62.7421	74.1913	78.3394
Balance sheet (at end of period)	67.5449	64.3000	71.5200

Nordea

Note 2 Segment reporting

	Operating segments							Recon- ciliation	Total Group
	Personal Banking	Commercial & Business Banking	Whole- sale Banking	Wealth Mana- gement	Group Corporate Centre	Other operating segments	Total operating segments		
Jan-Jun 2017									
Total operating income, EURm	1,787	999	1,062	1,063	280	11	5,202	-334	4,868
- of which internal transactions ¹	-340	-192	-217	-17	761	5	0	-	-
Operating profit, EURm	791	408	452	594	192	-26	2,411	-299	2,112
Loans to the public ² , EURbn	148	80	53	11	-	-	292	23	315
Deposits and borrowings from the public ² , EURbn	73	39	43	13	-	-	168	22	190
Jan-Jun 2016									
Total operating income, EURm	1,653	965	1,039	972	328	152	5,109	-258	4,851
- of which internal transactions ¹	-376	-201	-206	-14	791	6	0	-	-
Operating profit, EURm	675	335	464	554	270	124	2,422	-193	2,229
Loans to the public ² , EURbn	145	79	57	11	-	-	292	53	345
Deposits and borrowings from the public ² , EURbn	72	39	40	13	-	-	164	32	196

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 Corporate Centre.

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 Nordic Jan-Jun		Personal Banking Baltic countries Jan-Jun		Personal Banking Other Jan-Jun		Personal Banking Jan-Jun	
	2017	2016	2017	2016	2017	2016	2017	2016
Total operating income, EURm	1,852	1,726	103	101	-168	-174	1,787	1,653
- of which internal transactions	-306	-320	-14	-13	-20	-43	-340	-376
Operating profit, EURm	830	692	48	40	-87	-57	791	675
Loans to the public, EURbn	145	142	9	8	-6	-5	148	145
Deposits and borrowings from the public, EURbn	72	72	5	4	-4	-4	73	72

	Business Banking Jan-Jun		Commercial Banking Jan-Jun		Commercial & Business Banking Other Jan-Jun		Commercial & Business Banking Jan-Jun	
	2017	2016	2017	2016	2017	2016	2017	2016
Total operating income, EURm	555	536	555	517	-111	-88	999	965
- of which internal transactions	-56	-60	-146	-150	10	9	-192	-201
Operating profit, EURm	237	165	237	223	-66	-53	408	335
Loans to the public, EURbn	37	37	44	44	-1	-2	80	79
Deposits and borrowings from the public, EURbn	23	22	18	20	-2	-3	39	39

Nordea

Note 2, continued

	Corporate & Institutional Banking		Shipping, Offshore & Oil Services		Banking Russia		Capital Markets unallocated		Wholesale Banking Other		Wholesale Banking	
	Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Wholesale Banking Jan-Jun	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Total operating income, EURm	699	700	117	169	64	118	199	66	-17	-14	1,062	1,039
- of which internal transactions	-110	-102	-62	-61	-42	-38	34	40	-37	-45	-217	-206
Operating profit, EURm	399	360	-15	98	19	68	126	6	-77	-68	452	464
Loans to the public, EURbn	38	40	12	12	3	5	-	-	-	-	53	57
Deposits and borrowings from the public, EURbn	36	34	6	5	1	1	-	-	-	-	43	40

	Private Banking		Asset Management		Life & Pension unallocated		Wealth Management Other		Wealth Management	
	Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Wealth Management Jan-Jun	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Total operating income, EURm	442	401	488	395	311	324	-178	-148	1,063	972
- of which internal transactions	-18	-14	2	0	0	0	-1	0	-17	-14
Operating profit, EURm	185	170	372	291	228	236	-191	-143	594	554
Loans to the public, EURbn	11	11	-	-	-	-	-	-	11	11
Deposits and borrowings from the public, EURbn	13	13	-	-	-	-	-	-	13	13

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	
	2017	2016	2017	2016	2017	2016
Total operating segments	2,411	2,422	292	292	168	164
Group functions ¹	-65	5	-	-	-	-
Unallocated items	7	17	32	52	29	31
Differences in accounting policies ²	-241	-215	-9	1	-7	1
Total	2,112	2,229	315	345	190	196

¹ Consists of Group Risk Management, Group Internal Audit, Chief of staff office, Group Finance and Business Control 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 Corporate Centre. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions (and eliminations) as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.



Note 3 Net fee and commission income

EURm	Q2 2017	Q1 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Asset management commissions	393	381	340	774	654	1,369
Life & Pensions	74	79	67	153	142	306
Deposit Products	7	7	8	14	15	30
Brokerage, securities issues and corporate finance	48	76	56	124	104	226
Custody and issuer services	17	13	18	30	28	59
Payments	84	75	75	159	144	297
Cards	64	51	55	115	113	226
Lending Products	115	122	134	237	269	531
Guarantees	36	39	40	75	82	161
Other	12	23	11	35	25	33
Total	850	866	804	1,716	1,576	3,238

Note 4 Net result from items at fair value

EURm	Q2 2017	Q1 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Equity related instruments	-103	59	42	-44	88	-141
Interest related instruments and foreign exchange gains/losses	387	305	277	692	450	1,833
Other financial instruments (including credit and commodities)	20	-51	24	-31	49	-251
Investment properties	-2	-	0	-2	0	-1
Life insurance ¹	59	62	62	121	150	275
Total	361	375	405	736	737	1,715

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 2017	Q1 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Equity related instruments	56	573	148	629	-147	1,338
Interest related instruments and foreign exchange gains/losses	192	128	413	320	1,058	970
Other financial instruments	1	-	-	1	-	-
Investment properties	53	42	55	95	110	221
Change in technical provisions ¹	-179	-712	-783	-891	-1,216	-2,491
Change in collective bonus potential	-111	14	195	-97	339	177
Insurance risk income	33	49	34	82	82	168
Insurance risk expense	14	-32	0	-18	-76	-108
Total	59	62	62	121	150	275

¹ Premium income amounts to EUR 705m for Q2 2017 and EUR 1,440m for Jan-Jun 2017 (Q2 2016: EUR 614m, Jan-Jun 2016: EUR 1,271m).

Nordea

Note 5 Other expenses

EURm	Q2 2017	Q1 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Information technology	-157	-129	-138	-286	-266	-573
Marketing and representation	-16	-15	-18	-31	-33	-79
Postage, transportation, telephone and office expenses	-25	-28	-31	-53	-64	-125
Rents, premises and real estate	-76	-77	-78	-153	-155	-309
Other	-159	-138	-131	-297	-264	-560
Total	-433	-387	-396	-820	-782	-1,646

Note 6 Net loan losses

EURm	Q2 2017	Q1 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Loan losses divided by class						
Provisions	-1	-	0	-1	0	-1
Reversal of previous provisions	0	-	0	0	0	1
Loans to credit institutions	-1	-	0	-1	0	0
Realised loan losses	-111	-102	-119	-213	-250	-600
Allowances to cover realised loan losses	86	67	90	153	190	474
Recoveries on previous realised loan losses	14	11	12	25	24	57
Provisions	-215	-253	-248	-468	-488	-1,056
Reversal of previous provisions	147	171	148	318	300	639
Loans to the public	-79	-106	-117	-185	-224	-486
Realised loan losses	-1	-2	-2	-3	-4	-9
Allowances to cover realised loan losses	1	2	3	3	4	9
Provisions	-38	-22	-30	-60	-52	-96
Reversal of previous provisions	12	15	19	27	38	80
Off-balance sheet items	-26	-7	-10	-33	-14	-16
Net loan losses	-106	-113	-127	-219	-238	-502

Key ratios

	Q2 2017	Q1 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Loan loss ratio, basis points	13	14	15	14	14	15
- of which individual	11	16	13	14	13	12
- of which collective	2	-2	2	0	1	3

Nordea

Note 7 Loans and impairment

EURm	Total			
	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Jun 2016
Loans, not impaired	341,469	340,186	334,826	360,156
Impaired loans	5,975	5,618	5,550	6,308
-of which servicing	3,822	3,492	3,244	3,783
-of which non-servicing	2,153	2,126	2,306	2,525
Loans before allowances	347,444	345,804	340,376	366,464
Allowances for individually assessed impaired loans	-1,896	-1,951	-1,913	-2,192
-of which servicing	-1,156	-1,122	-1,054	-1,278
-of which non-servicing	-740	-829	-859	-914
Allowances for collectively assessed impaired loans	-499	-496	-513	-466
Allowances	-2,395	-2,447	-2,426	-2,658
Loans, carrying amount	345,049	343,357	337,950	363,806

EURm	Central banks and credit institutions				The public			
	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Jun 2016	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Jun 2016
Loans, not impaired	30,375	23,307	20,254	19,228	311,094	316,879	314,572	340,928
Impaired loans	0	0	9	-	5,975	5,618	5,541	6,308
-of which servicing	0	0	9	-	3,822	3,492	3,235	3,783
-of which non-servicing	-	-	-	-	2,153	2,126	2,306	2,525
Loans before allowances	30,375	23,307	20,263	19,228	317,069	322,497	320,113	347,236
Allowances for individually assessed impaired loans	0	-1	0	-	-1,896	-1,950	-1,913	-2,192
-of which servicing	0	-1	0	-	-1,156	-1,121	-1,054	-1,278
-of which non-servicing	-	0	-	-	-740	-829	-859	-914
Allowances for collectively assessed impaired loans	-6	-1	-2	-2	-493	-495	-511	-464
Allowances	-6	-2	-2	-2	-2,389	-2,445	-2,424	-2,656
Loans, carrying amount	30,369	23,305	20,261	19,226	314,680	320,052	317,689	344,580

Allowances and provisions

EURm	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Jun 2016
Allowances for items on the balance sheet	-2,395	-2,447	-2,426	-2,658
Provisions for off balance sheet items	-100	-76	-71	-76
Total allowances and provisions	-2,495	-2,523	-2,497	-2,734

Key ratios

	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Jun 2016
Impairment rate, gross, basis points	172	162	163	172
Impairment rate, net, basis points	117	106	107	112
Total allowance rate, basis points	69	71	71	73
Allowances in relation to impaired loans, %	32	35	34	35
Total allowances in relation to impaired loans, %	40	44	44	42
Non-servicing, not impaired, EURm	282	310	248	356

Note 8 Classification of financial instruments

EURm	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Total
Financial assets							
Cash and balances with central banks	59,512	-	-	-	-	-	59,512
Loans to central banks	8,659	-	711	-	-	-	9,370
Loans to credit institutions	6,831	-	14,168	-	-	-	20,999
Loans to the public	240,595	-	21,853	52,232	-	-	314,680
Interest-bearing securities	2	3,228	34,595	15,685	-	37,082	90,592
Financial instruments pledged as collateral	-	-	5,505	-	-	-	5,505
Shares	-	-	8,015	20,677	-	-	28,692
Assets in pooled schemes and unit-linked investment contracts	-	-	-	24,624	-	-	24,624
Derivatives	-	-	51,543	-	1,842	-	53,385
Fair value changes of the hedged items in portfolio hedge of interest rate risk	140	-	-	-	-	-	140
Other assets	6,296	-	10,320	-	-	-	16,616
Prepaid expenses and accrued income	1,070	-	-	-	-	-	1,070
Total 30 Jun 2017	323,105	3,228	146,710	113,218	1,842	37,082	625,185
Total 31 Dec 2016	294,923	3,095	150,912	112,688	2,521	32,295	596,434

EURm	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Total
Financial liabilities					
Deposits by credit institutions	21,119	-	-	48,648	69,767
Deposits and borrowings from the public	17,749	282	-	171,503	189,534
Deposits in pooled schemes and unit-linked investment contracts	-	25,159	-	-	25,159
Liabilities to policyholders, investment contracts	-	3,513	-	-	3,513
Debt securities in issue	5,380	48,637	-	131,147	185,164
Derivatives	51,841	-	926	-	52,767
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	1,911	1,911
Other liabilities	18,339	-	-	6,975	25,314
Accrued expenses and prepaid income	-	-	-	308	308
Subordinated liabilities	-	-	-	9,333	9,333
Total 30 Jun 2017	114,428	77,591	926	369,825	562,770
Total 31 Dec 2016	105,186	78,031	1,641	350,413	535,271

Note 9 Fair value of financial assets and liabilities

EURm	30 Jun 2017		31 Dec 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	59,512	59,512	32,099	32,099
Loans	345,189	345,280	338,128	337,442
Interest-bearing securities	90,592	90,787	87,701	87,892
Financial instruments pledged as collateral	5,505	5,505	5,108	5,108
Shares	28,692	28,692	21,524	21,524
Assets in pooled schemes and unit-linked investment contracts	24,624	24,624	22,963	22,963
Derivatives	53,385	53,385	69,959	69,959
Other assets	16,616	16,616	17,986	17,986
Prepaid expenses and accrued income	1,070	1,070	966	966
Total	625,185	625,471	596,434	595,939
Financial liabilities				
Deposits and debt instruments	455,709	457,122	416,839	417,528
Deposits in pooled schemes and unit-linked investment contracts	25,159	25,159	23,580	23,580
Liabilities to policyholders	3,513	3,513	3,527	3,527
Derivatives	52,767	52,767	68,636	68,636
Other liabilities	25,314	25,314	22,399	22,399
Accrued expenses and prepaid income	308	308	290	290
Total	562,770	564,183	535,271	535,960

The determination of fair value is described in the Annual report 2016, 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)		Valuation technique using observable data (Level 2)		Valuation technique using non-observable data (Level 3)		Total
		<i>Of which Life</i>		<i>Of which Life</i>		<i>Of which Life</i>	
Assets at fair value on the balance sheet¹							
Loans to central banks	-	-	711	-	-	-	711
Loans to credit institutions	-	-	14,168	-	-	-	14,168
Loans to the public	-	-	74,085	-	-	-	74,085
Interest-bearing securities ²	41,567	9,191	51,103	6,868	197	35	92,867
Shares	24,221	16,759	654	663	3,817	3,200	28,692
Assets in pooled schemes and unit-linked investment contracts	23,284	19,344	1,327	1,327	13	13	24,624
Derivatives	66	4	51,783	1,270	1,536	-	53,385
Other assets	-	-	10,320	35	-	-	10,320
Total 30 Jun 2017	89,138	45,298	204,151	10,163	5,563	3,248	298,852
Total 31 Dec 2016	90,045	45,689	202,677	9,185	5,694	3,239	298,416
Liabilities at fair value on the balance sheet¹							
Deposits by credit institutions	-	-	21,119	441	-	-	21,119
Deposits and borrowings from the public	-	-	18,031	-	-	-	18,031
Deposits in pooled schemes and unit-linked investment contracts	-	-	25,159	20,868	-	-	25,159
Liabilities to policyholders	-	-	3,513	3,513	-	-	3,513
Debt securities in issue ³	48,637	-	5,380	-	-	-	54,017
Derivatives ³	65	-	51,628	807	1,074	-	52,767
Other liabilities	6,268	-	12,071	259	-	-	18,339
Total 30 Jun 2017	54,970	-	136,901	25,888	1,074	-	192,945
Total 31 Dec 2016	55,417	8	128,158	24,651	1,283	-	184,858

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

² Of which EUR 5,505m relates to the balance sheet item Financial instruments pledged as collateral.

³ For structured bonds the host contract and the embedded derivative are presented separately. The host contract is presented on the balance sheet as "Debt securities in issue" and the embedded derivative on the balance sheet as "Derivatives". The total fair value of the structured bonds is EUR 5,623m, of which EUR 5,384m is categorised into Level 2 and a fair value of EUR 239m into Level 3 in the fair value hierarchy.

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

For information about valuation techniques and inputs used in the fair value measurement, see the Annual report 2016, 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 3,799m from Level 1 to Level 2 and EUR 1,615m from Level 2 to Level 1 of the fair value hierarchy. Nordea has also 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

EURm	1 Jan	Fair value gains/losses recognised in the income statement during the year					Settle-ments	Transfers into Level 3	Transfers out of Level 3	Transla-tion diff-erences	30 Jun
		Rea-lised	Un-realised	Purchases / Issues	Sales						
Interest-bearing securities	210	-	3	2	-11	-	-	-7	-	197	
- of which Life	38	-	-	-	-3	-	-	-	-	35	
Shares	3,785	14	-43	607	-593	-16	76	-	-13	3,817	
- of which Life	3,185	7	-69	529	-502	-15	76	-	-11	3,200	
Assets in pooled schemes and unit-linked investment contracts	16	-	-	-	-1	-2	-	-	-	13	
- of which Life	16	-	-	-	-1	-2	-	-	-	13	
Derivatives (net)	400	-122	108	-	-	122	-	-47	1	462	
Total 2017, net	4,411	-108	68	609	-605	104	76	-54	-12	4,489	
Total 2016, net	5,259	119	-722	1,039	-711	-10	41	137	13	5,165	

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 2016 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 2016 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

EURm	2017	2016
Opening balance at 1 Jan	23	34
Deferred profit on new transactions	39	5
Recognised in the income statement during the period ¹	-16	-18
Closing balance at 30 Jun	46	21

¹ Of which EUR -2m (EUR -14m) 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

EURm	Fair value	Of which Life ¹	Valuation techniques	Unobservable input	Range of fair value ⁴
Interest-bearing securities					
Mortgage and other credit institutions ²	160	-	Discounted cash flows	Credit spread	-1/1
Corporates	37	35	Discounted cash flows	Credit spread	-0/0
Total 30 Jun 2017	197	35			-1/1
Total 31 Dec 2016	210	38			-4/4
Shares					
Private equity funds	1,878	1,635	Net asset value ³		-220/220
Hedge funds	404	312	Net asset value ³		-33/33
Credit funds	1,304	1,134	Net asset value/market consensus ³		-82/82
Other funds	117	80	Net asset value/Fund prices ³		-12/12
Other ⁵	127	52	-		-11/11
Total 30 Jun 2017	3,830	3,213			-358/358
Total 31 Dec 2016	3,801	3,201			-363/363
Derivatives, net					
Interest rate derivatives	377	-	Option model	Correlations Volatilities	-13/14
Equity derivatives	67	-	Option model	Correlations Volatilities Dividends	-15/8
Foreign exchange derivatives	-8	-	Option model	Correlations Volatilities	-0/0
Credit derivatives	7	-	Credit derivative model	Correlations Volatilities Recovery rates	-14/11
Other	19	-	Option model	Correlations Volatilities	-0/0
Total 30 Jun 2017	462	-			-42/33
Total 31 Dec 2016	400	-			-51/38

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

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

³ The fair values are based on prices and net asset values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Less than 15% of the private equity fund investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are in a range of 17% 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 2016, Note G40 "Assets and liabilities at fair value".

⁵ Of which EUR 13m 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 2017	31 Dec ³ 2016	30 Jun ³ 2016
Calculation of own funds			
Equity in the consolidated situation	30,452	31,533	29,138
Proposed/actual dividend	-1,107	-2,625	-1,255
Common Equity Tier 1 capital before regulatory adjustments	29,345	28,908	27,883
Deferred tax assets			
Intangible assets	-3,633	-3,435	-3,100
IRB provisions shortfall (-)	-204	-212	-305
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities ¹	-262	-240	-104
Other items, net	-356	-483	-355
Total regulatory adjustments to Common Equity Tier 1 capital	-4,455	-4,370	-3,864
Common Equity Tier 1 capital (net after deduction)	24,890	24,538	24,019
Additional Tier 1 capital before regulatory adjustments	2,870	3,042	2,956
Total regulatory adjustments to Additional Tier 1 capital	-14	-25	-17
Additional Tier 1 capital	2,856	3,017	2,939
Tier 1 capital (net after deduction)	27,746	27,555	26,958
Tier 2 capital before regulatory adjustments	5,333	6,541	5,754
IRB provisions excess (+)	22	78	82
Deduction for investments in credit institutions (50%)			
Deductions for investments in insurance companies	-1,205	-1,205	-1,205
Pension assets in excess of related liabilities			
Other items, net	-52	-65	-59
Total regulatory adjustments to Tier 2 capital	-1,235	-1,192	-1,182
Tier 2 capital	4,098	5,349	4,572
Own funds (net after deduction)²	31,844	32,904	31,530

¹ Based on conditional FSA approval.

² Own Funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 32 026m by 30 Jun 2017.

³ Including profit of the period.

Own Funds, excluding profit

EURm	30 Jun 2017	31 Dec 2016	30 Jun 2016
Common Equity Tier 1 capital, excluding profit	24,222	23,167	23,317
Total Own Funds, excluding profit	31,176	31,533	30,828

Note 11, continued

Minimum capital requirement and REA

	30 Jun 2017	30 Jun 2017	31 Dec 2016	31 Dec 2016	30 Jun 2016	30 Jun 2016
	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
EURm						
Credit risk	8,485	106,058	8,601	107,512	9,326	116,573
- of which counterparty credit risk	579	7,242	759	9,489	850	10,626
IRB	7,526	94,073	7,517	93,958	8,237	102,962
- sovereign	179	2,236				
- corporate	4,719	58,995	4,977	62,212	5,635	70,430
- advanced	3,780	47,254	3,887	48,585	4,443	55,528
- foundation	939	11,741	1,090	13,627	1,192	14,902
- institutions	656	8,198	572	7,144	619	7,742
- retail	1,685	21,063	1,755	21,933	1,794	22,427
- secured by immovable property collateral	957	11,965	1,001	12,505	997	12,462
- other retail	728	9,098	754	9,428	797	9,965
- items representing securitisation positions	66	821	66	828		
- other	221	2,760	147	1,841	189	2,363
Standardised	959	11,985	1,084	13,554	1,089	13,611
- central governments or central banks	12	150	26	320	54	671
- regional governments or local authorities	0	0	21	266	27	340
- public sector entities	0	0	3	39	4	45
- multilateral development banks			2	32	2	31
- international organisations						
- institutions	18	229	40	498	27	334
- corporate	149	1,862	173	2,159	156	1,945
- retail	253	3,161	258	3,223	252	3,155
- secured by immovable property mortgages	208	2,598	229	2,863	227	2,838
- in default	9	110	9	114	9	118
- associated with particularly high risk	53	657	56	701	55	691
- covered bonds						
- institutions and corporates, ST credit assessment						
- collective investments undertakings (CIU)						
- equity	218	2,725	221	2,760	231	2,885
- other items	39	493	46	579	45	558
Credit Value Adjustment Risk	115	1,449	144	1,798	151	1,889
Market risk	272	3,396	358	4,474	526	6,578
- trading book, Internal Approach	170	2,118	236	2,942	255	3,188
- trading book, Standardised Approach	102	1,278	74	928	93	1,161
- banking book, Standardised Approach			48	604	178	2,229
Operational risk	1,345	16,809	1,350	16,873	1,350	16,873
Standardised	1,345	16,809	1,350	16,873	1,350	16,873
Additional REA due to Article 3 CRR	160	1,998	200	2,500	80	1,000
Sub total	10,377	129,710	10,653	133,157	11,433	142,913
Adjustment for Basel I floor						
Additional cap. req. according to Basel I floor	6,330	79,127	6,612	82,655	6,244	78,049
Total	16,707	208,837	17,265	215,812	17,677	220,962

Nordea

Note 11, continued

Percentage	Capital Buffers					Capital Buffers total ¹	Total
	Minimum cap. req.	CCoB	CCyB	SII	SRB		
Common Equity Tier 1 capital	4.5	2.5	0.7	2.0	3.0	6.2	10.7
Tier 1 capital	6	2.5	0.7	2.0	3.0	6.2	12.2
Own funds	8	2.5	0.7	2.0	3.0	6.2	14.2
EURm							
Common Equity Tier 1 capital	5,837	3,243	866		3,891	8,000	13,837
Tier 1 capital	7,783	3,243	866		3,891	8,000	15,783
Own funds	10,377	3,243	866		3,891	8,000	18,377

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

Percentage points of REA	30 Jun ¹ 2017	31 Dec ¹ 2016	30 Jun ¹ 2016
Common Equity Tier 1 capital	14.7	13.9	12.3

¹ Including profit for the period.

Capital ratios

Percentage	30 Jun 2017	31 Dec 2016	30 Jun 2016
Common Equity Tier 1 capital ratio, including profit	19.2	18.4	16.8
Tier 1 capital ratio, including profit	21.4	20.7	18.9
Total capital ratio, including profit	24.6	24.7	22.1
Common Equity Tier 1 capital ratio, excluding profit	18.7	17.4	16.3
Tier 1 capital ratio, excluding profit	20.9	19.7	18.4
Total capital ratio, excluding profit	24.0	23.7	21.6

Capital ratios including Basel I floor

Percentage	30 Jun 2017	31 Dec 2016	30 Jun 2016
Common Equity Tier 1 capital ratio, including profit	12.0	11.5	11.0
Tier 1 capital ratio, including profit	13.4	12.9	12.3
Total capital ratio, including profit	15.3	15.3	14.4
Common Equity Tier 1 capital ratio, excluding profit	11.7	10.8	10.7
Tier 1 capital ratio, excluding profit	13.1	12.2	12.0
Total capital ratio, excluding profit	15.0	14.7	14.1

Leverage Ratio

	30 Jun ¹ 2017	31 Dec ¹ 2016	30 Jun ¹ 2016
Tier 1 capital, transitional definition, EURm	27,746	27,555	26,958
Leverage ratio exposure, EURm	593,799	555,688	598,951
Leverage ratio, percentage	4.7	5.0	4.5

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	710	57	1,039	83			1,749	140
Equity risk	142	12	175	14			317	26
Foreign exchange risk	223	18					223	18
Commodity risk			54	4			54	4
Settlement risk			10	1			10	1
Diversification effect	-549	-44					-549	-44
Stressed Value-at-Risk	928	74					928	74
Incremental Risk Measure	299	24					299	24
Comprehensive Risk Measure	365	29					365	29
Total	2,118	170	1,278	102			3,396	272

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:	97,647	6,104	108,100	1,143	2.1
<i>of which</i>					
- rating grades 7	70,882	5,703	79,845	1,028	2.1
- rating grades 6	25,920	302	27,492	106	1.3
- rating grades 5	248	0	506	0	5.2
- rating grades 4	8	0	2	0	36.3
- rating grades 3	300	48	210	4	48.3
- rating grades 2	208	13	30	1	182.6
- rating grades 1	81	38	15	4	213.6
- unrated					
- defaulted					
Corporate, foundation IRB:	14,114	4,195	25,778	794	45.5
<i>of which</i>					
- rating grades 6	2,005	260	5,323	65	15.4
- rating grades 5	3,426	1,220	7,160	306	29.4
- rating grades 4	4,743	1,714	8,573	303	55.3
- rating grades 3	1,908	526	2,587	98	85.2
- rating grades 2	538	96	655	5	136.4
- rating grades 1	74	26	86	0	192.9
- unrated	927	279	709	10	114.8
- defaulted	493	74	685	7	
Corporate, advanced IRB:	102,521	57,076	128,086	28,180	36.9
<i>of which</i>					
- rating grades 6	15,097	5,856	17,807	2,966	9.1
- rating grades 5	24,032	23,341	36,161	12,049	21.6
- rating grades 4	43,716	21,887	53,093	10,639	35.8
- rating grades 3	10,001	4,008	11,532	1,911	56.5
- rating grades 2	2,837	638	2,966	270	100.4
- rating grades 1	584	137	591	61	120.6
- unrated	1,518	555	1,437	284	81.0
- defaulted	4,736	654	4,499	0	165.2
Institutions, foundation IRB:	37,306	3,387	45,378	650	18.1
<i>of which</i>					
- rating grades 6	16,589	383	18,499	149	8.3
- rating grades 5	16,632	2,061	21,458	344	16.1
- rating grades 4	3,894	567	5,113	80	54.5
- rating grades 3	122	322	204	62	117.6
- rating grades 2	32	41	38	13	212.2
- rating grades 1	1	7	2	2	256.8
- unrated	36	4	64	0	145.8
- defaulted	0	2	0	0	
Retail, of which secured by real estate:	140,088	10,144	146,637	6,550	8.2
<i>of which</i>					
- scoring grades A	96,612	8,185	102,103	5,491	3.4
- scoring grades B	26,216	1,165	26,925	709	7.8
- scoring grades C	10,608	402	10,797	189	16.6
- scoring grades D	3,062	210	3,150	88	31.7
- scoring grades E	1,316	151	1,374	57	66.0
- scoring grades F	816	22	824	9	88.3
- not scored	50	3	52	2	28.4
- defaulted	1,408	6	1,412	5	138.0

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: <i>of which</i>	24,294	12,815	32,502	8,076	28.0
- scoring grades A	7,906	7,408	12,577	4,660	9.0
- scoring grades B	5,958	2,787	7,754	1,764	17.9
- scoring grades C	3,509	1,361	4,466	899	29.1
- scoring grades D	2,487	631	2,913	409	34.4
- scoring grades E	2,079	250	2,247	162	39.5
- scoring grades F	1,412	118	1,488	74	53.9
- not scored	109	124	145	32	45.0
- defaulted	834	136	912	76	276.9
Other non credit-obligation assets:	3,603	41	3,284	7	84.0

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 - Condensed¹

EURm	30 Jun 2017	31 Dec 2016
Assets		
Loans to credit institutions	31	34
Loans to the public	6,514	8,556
Other assets	307	307
Total assets held for sale	6,852	8,897
Liabilities		
Deposits by credit institutions	21	22
Deposits and borrowings from the public	4,895	4,776
Other liabilities	101	90
Total liabilities held for sale	5,017	4,888

¹ Includes the external assets and liabilities held for sale. The external funding of the Baltic operations that will remain subsequent to the transaction is not included.

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 individual assets and liabilities will be derecognised from Nordea's balance sheet, and an investment in an associated company will be recognised, at closing. The scope of assets to be divested has decreased by approx. EUR 2bn during the quarter following a carve-out of part of the corporate lending that will remain on Nordea's balance sheet after the transaction. The transaction is expected to be completed in Q4 2017 and is subject to regulatory approvals. The disposal group is included in the segment "Personal Banking" in Note 2 "Segment reporting".

Nordea

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 regularly conduct investigations with regards to Nordea's regulatory compliance, including compliance with anti-money laundering (AML) and economic sanction requirements.

The SFSA has closed the investigation related to the 'Panama' papers without any sanctions.

As announced in the previous quarter, the Nordea Group is responding to inquiries from U.S. governmental authorities regarding historical compliance with certain U.S. financial sanctions during 2008 - 2013. The outcome of some investigations is pending and it cannot be excluded that these investigations could lead to criticism or sanctions.

Nordea has made significant investments to address the deficiencies highlighted by the investigations. The strengthening of the compliance governance framework has continued, and the Consequence Management Committee and the Product Oversight Committee have been established in Q1.

Nordea

Nordea Bank AB (publ)

At January 2, 2017 Nordea Bank AB (NBAB) merged with Nordea bank Finland Plc (NBF), Nordea Bank ASA (NBN) and Nordea Bank Denmark A/S (NBD). At the date NBAB has recognised the assets and liabilities and income statement as of 1 January 2017 of its former subsidiaries, as they are dissolved and have become branches to NBAB. For more information see Annual Report 2016, Note P20 "Investments in group undertakings being merged".

Income statement

EURm	Q2 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Operating income					
<i>Interest income</i>	1,059	357	2,103	718	1,403
<i>Interest expense</i>	-431	-241	-937	-488	-939
Net interest income	628	116	1,166	230	464
<i>Fee and commission income</i>	605	260	1,234	515	978
<i>Fee and commission expense</i>	-100	-33	-198	-67	-138
Net fee and commission income	505	227	1,036	448	840
Net result from items at fair value	304	45	631	90	216
Dividends	255	1	721	551	3,210
Other operating income	93	183	192	352	712
Total operating income	1,785	572	3,746	1,671	5,442
Operating expenses					
General administrative expenses:					
Staff costs	-693	-222	-1,377	-653	-1,113
Other expenses	-389	-240	-742	-469	-1,008
Depreciation, amortisation and impairment charges of tangible and intangible assets	-64	-39	-128	-75	-172
Total operating expenses	-1,146	-501	-2,247	-1,197	-2,293
Profit before loan losses	639	71	1,499	474	3,149
Net loan losses	-79	-67	-183	-94	-193
Impairment of securities held as financial non-current assets	-	-	-	0	-6
Operating profit	560	4	1,316	380	2,950
Appropriations	-	-	-	-	1
Income tax expense	-156	-15	-235	39	-51
Net profit for period	404	-11	1,081	419	2,900

Nordea

Nordea Bank AB (publ)

Balance sheet

EURm	30 Jun 2017	31 Dec 2016	30 Jun 2016
Assets			
Cash and balances with central banks	56,905	101	93
Treasury bills	21,188	6,583	5,567
Loans to credit institutions	78,279	88,375	85,851
Loans to the public	162,584	43,726	44,864
Interest-bearing securities	49,226	10,359	10,113
Financial instruments pledged as collateral	11,262	-	553
Shares	10,734	130	2,503
Derivatives	54,359	4,668	6,131
Fair value changes of the hedged items in portfolio hedge of interest rate risk	69	0	2
Investments in group undertakings	12,920	20,101	19,981
Investments in associated undertakings and joint ventures	78	12	7
Participating interest in other companies	24	1	1
Intangible assets	1,919	1,539	1,265
Property and equipment	334	132	131
Deferred tax assets	40	22	74
Current tax assets	428	204	97
Retirement benefit assets	143	-	-
Other assets	16,936	4,560	2,252
Prepaid expenses and accrued income	1,259	749	811
Total assets	478,687	181,262	180,296
Liabilities			
Deposits by credit institutions	80,429	20,374	21,046
Deposits and borrowings from the public	197,769	58,183	58,482
Debt securities in issue	78,732	63,162	62,171
Derivatives	55,988	3,612	4,354
Fair value changes of the hedged items in portfolio hedge of interest rate risk	828	1,008	1,843
Current tax liabilities	7	0	0
Other liabilities	26,097	3,279	4,185
Accrued expenses and prepaid income	1,364	670	932
Deferred tax liabilities	265	-	-
Provisions	387	307	296
Retirement benefit obligations	276	169	176
Subordinated liabilities	9,202	10,086	8,884
Total liabilities	451,344	160,850	162,369
Untaxed reserves	2	2	2
Equity			
Share capital	4,050	4,050	4,050
Development cost reserve	883	569	227
Share premium reserve	1,080	1,080	1,080
Other reserves	9	-2	-4
Retained earnings	21,319	14,713	12,572
Total equity	27,341	20,410	17,925
Total liabilities and equity	478,687	181,262	180,296
Assets pledged as security for own liabilities	37,698	1,080	3,205
Other assets pledged	5,437	11,750	9,772
Contingent liabilities	56,984	71,965	72,300
Commitments ¹	76,493	26,993	27,547

¹ Including unutilised portion of approved overdraft facilities of EUR 34,651m (31 Dec 2016: EUR 15,890m, 30 Jun 2016: EUR 16,695m).

Nordea

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.

This means that the same accounting policies and methods for computation are followed as compared with the Annual Report 2016, for more information see Note P1 in the Annual Report 2016. For changed accounting policies implemented during 2017, see "Changed accounting policies and presentation" below.

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 2017. The amendments have not had any significant impact on the financial statements.

The Swedish Financial Reporting Board has amended the accounting recommendation for legal entities by issuing "RFR 2 Accounting for Legal Entities – January 2017". These amendments were implemented 1 January 2017 but have not had any significant impact on the financial statements.

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.



Nordea Bank AB (publ)

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 2017	31 Dec ³ 2016	30 Jun 2016
Calculation of own funds			
Equity in the consolidated situation	26,287	20,411	17,508
Proposed/actual dividend		-2,625	
Common Equity Tier 1 capital before regulatory adjustments	26,287	17,786	17,508
Deferred tax assets			
Intangible assets	-1,919	-1,539	-1,265
IRB provisions shortfall (-)	-128		
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities ¹	-115		
Other items, net	-367	-97	-51
Total regulatory adjustments to Common Equity Tier 1 capital	-2,529	-1,636	-1,316
Common Equity Tier 1 capital (net after deduction)	23,758	16,150	16,192
Additional Tier 1 capital before regulatory adjustments	2,869	3,047	2,969
Total regulatory adjustments to Additional Tier 1 capital	-13	-30	-30
Additional Tier 1 capital	2,856	3,017	2,939
Tier 1 capital (net after deduction)	26,614	19,167	19,131
Tier 2 capital before regulatory adjustments	5,333	6,277	5,488
IRB provisions excess (+)	7	134	119
Deduction for investments in credit institutions (50%)			
Deductions for investments in insurance companies	-1,205	-1,205	-1,205
Pension assets in excess of related liabilities			
Other items, net	-51	-69	-58
Total regulatory adjustments to Tier 2 capital	-1,249	-1,140	-1,144
Tier 2 capital	4,084	5,137	4,344
Own funds (net after deduction)²	30,698	24,304	23,475

¹ Based on conditional FSA approval.

² Own Funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 30,818m by 30 Jun 2017.

³ Including profit of the period.

Own Funds, including profit

EURm	30 Jun 2017	31 Dec 2016	30 Jun 2016
Common Equity Tier 1 capital, including profit	24,852	16,150	16,633
Total Own Funds, including profit	31,792	24,304	23,916

Note 2, continued

Minimum capital requirement and REA

	30 Jun 2017	30 Jun 2017	31 Dec 2016	31 Dec 2016	30 Jun 2016	30 Jun 2016
EURm	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	8,870	110,877	6,120	76,502	6,229	77,858
- of which counterparty credit risk	579	7,238	266	3,329	190	2,378
IRB	6,335	79,190	2,485	31,061	2,685	33,562
- sovereign	166	2,079				
- corporate	4,329	54,118	2,062	25,772	2,216	27,694
- <i>advanced</i>	3,796	47,457	1,393	17,408	1,545	19,311
- <i>foundation</i>	533	6,661	669	8,364	671	8,383
- institutions	669	8,360	244	3,054	251	3,138
- retail	1,006	12,577	121	1,512	125	1,559
- <i>secured by immovable property collateral</i>	272	3,396	6	73	6	78
- <i>other retail</i>	734	9,181	115	1,439	118	1,481
- other	165	2,056	58	723	94	1,171
Standardised	2,535	31,687	3,635	45,441	3,544	44,296
- central governments or central banks	8	98	5	56	15	187
- regional governments or local authorities			2	23	2	24
- public sector entities						
- multilateral development banks			0	6	0	5
- international organisations						
- institutions	619	7,735	1,251	15,641	1,159	14,485
- corporate	325	4,070	137	1,707	134	1,672
- retail	21	261	18	231	25	310
- secured by immovable property mortgages	196	2,448	210	2,626	208	2,604
- in default	3	42	3	38	4	46
- associated with particularly high risk	53	657				
- covered bonds	64	801				
- institutions and corporates, ST credit assessment						
- collective investments undertakings (CIU)						
- equity	1,245	15,565	2,007	25,089	1,994	24,921
- other items	1	10	2	24	3	42
Credit Value Adjustment Risk	113	1,420	16	195	14	175
Market risk	832	10,399	450	5,628	255	3,187
- trading book, Internal Approach	170	2,118	13	165	8	97
- trading book, Standardised Approach	111	1,388				
- banking book, Standardised Approach	551	6,893	437	5,463	247	3,090
Operational risk	1,117	13,961	369	4,614	369	4,614
Standardised	1,117	13,961	369	4,614	369	4,614
Additional REA due to Article 3 CRR	74	923	8	102	16	204
Sub total	11,006	137,580	6,963	87,041	6,883	86,038
Adjustment for Basel I floor						
Additional cap. req. according to Basel I floor	578	7,225				
Total	11,584	144,805	6,963	87,041	6,883	86,038

Nordea

Note 2, continued

Minimum Capital Requirement & Capital Buffers

Percentage	Capital Buffers					Capital Buffers total	Total
	Minimum cap. req.	CCoB	CCyB	SII	SRB		
Common Equity Tier 1 capital	4.5	2.5	0.7			3.2	7.7
Tier 1 capital	6	2.5	0.7			3.2	9.2
Own funds	8	2.5	0.7			3.2	11.2
EURm							
Common Equity Tier 1 capital	6,191	3,440	903			4,343	10,534
Tier 1 capital	8,255	3,440	903			4,343	12,598
Own funds	11,006	3,440	903			4,343	15,349

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	30 Jun 2017	31 Dec ¹ 2016	30 Jun 2016
Common Equity Tier 1 capital	12.8	14.1	14.3

¹ Including profit for the period.

Capital ratios

Percentage	30 Jun 2017	31 Dec 2016	30 Jun 2016
Common Equity Tier 1 capital ratio, including profit	18.1	18.6	19.3
Tier 1 capital ratio, including profit	20.1	22.0	22.7
Total capital ratio, including profit	23.1	27.9	27.8
Common Equity Tier 1 capital ratio, excluding profit	17.3	18.2	18.8
Tier 1 capital ratio, excluding profit	19.3	21.7	22.2
Total capital ratio, excluding profit	22.3	27.6	27.3

Capital ratios including Basel I floor

Percentage	30 Jun 2017	31 Dec 2016	30 Jun 2016
Common Equity Tier 1 capital ratio, including profit	17.3	18.6	19.3
Tier 1 capital ratio, including profit	19.2	22.0	22.7
Total capital ratio, including profit	22.0	27.8	27.7
Common Equity Tier 1 capital ratio, excluding profit	16.5	18.2	18.8
Tier 1 capital ratio, excluding profit	18.5	21.7	22.2
Total capital ratio, excluding profit	21.3	27.5	27.1

Leverage ratio

	30 Jun 2017	31 Dec ¹ 2016	30 Jun 2016
Tier 1 capital, transitional definition, EURm	26,614	19,167	19,131
Leverage ratio exposure, EURm	523,133	216,455	213,773
Leverage ratio, percentage	5.1	8.9	8.9

¹ Including profit of the period.

Capital requirements for market risk

EURm	Trading book, IM		Trading book, SA		Banking book, SA		Total	
	Capital REA requirement	Capital	Capital REA requirement	Capital	Capital REA requirement	Capital	Capital REA requirement	
Interest rate risk & other ¹	710	57	1,149	92			1,859	149
Equity risk	142	12	175	14			317	26
Foreign exchange risk	223	18			6,893	551	7,116	569
Commodity risk			54	4			54	4
Settlement risk			10	1			10	1
Diversification effect	-549	-44					-549	-44
Stressed Value-at-Risk	928	74					928	74
Incremental Risk Measure	299	24					299	24
Comprehensive Risk Measure	365	29					365	29
Total	2,118	170	1,388	111	6,893	551	10,399	832

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:	93,509	6,235	103,819	1,657	2.0
<i>of which</i>					
- rating grades 7	67,144	5,821	75,951	1,529	2.0
- rating grades 6	25,711	314	27,296	119	1.6
- rating grades 5	248	0	507	0	5.2
- rating grades 4	8	0	1	0	37.1
- rating grades 3	109	48	19	4	100.0
- rating grades 2	208	13	30	1	182.6
- rating grades 1	81	39	15	4	213.6
- unrated					
- defaulted					
Corporate, foundation IRB:	5,044	1,496	16,569	621	40.2
<i>of which</i>					
- rating grades 6	1,176	69	4,250	15	14.9
- rating grades 5	1,805	750	5,315	285	29.3
- rating grades 4	1,137	464	4,864	203	55.7
- rating grades 3	324	184	1,041	104	89.1
- rating grades 2	59	11	182	4	159.8
- rating grades 1	8	2	22	0	198.2
- unrated	250	7	397	5	126.2
- defaulted	285	9	498	5	
Corporate, advanced IRB:	82,771	66,735	117,971	37,210	40.2
<i>of which</i>					
- rating grades 6	7,274	6,697	10,836	3,709	11.7
- rating grades 5	18,291	24,551	32,283	13,732	22.9
- rating grades 4	40,680	27,635	55,315	15,777	38.2
- rating grades 3	8,852	5,154	11,482	3,031	60.4
- rating grades 2	2,489	845	2,843	484	106.7
- rating grades 1	498	174	544	98	127.2
- unrated	870	642	1,062	379	82.0
- defaulted	3,817	1,037	3,606	0	170.6
Institutions, foundation IRB:	36,811	3,673	45,342	1,109	18.4
<i>of which</i>					
- rating grades 6	16,226	633	18,205	218	8.4
- rating grades 5	16,625	2,063	21,453	346	16.1
- rating grades 4	3,801	629	5,321	380	54.4
- rating grades 3	92	296	260	149	114.3
- rating grades 2	32	42	38	13	212.2
- rating grades 1	1	7	2	2	256.8
- unrated	34	3	63	0	145.7
- defaulted	0	2	1	0	
Retail, of which secured by real estate:	26,182	4,305	27,939	1,757	12.2
<i>of which</i>					
- scoring grades A	15,024	2,938	16,178	1,155	4.6
- scoring grades B	6,199	663	6,491	291	8.6
- scoring grades C	2,627	344	2,791	164	17.4
- scoring grades D	1,090	187	1,168	78	34.6
- scoring grades E	504	144	559	55	68.3
- scoring grades F	219	21	228	8	95.3
- not scored	24	3	25	2	36.8
- defaulted	495	5	499	4	120.8

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: <i>of which</i>	16,082	20,351	33,110	16,899	27.7
- scoring grades A	5,429	11,646	15,111	9,671	10.4
- scoring grades B	4,345	4,851	8,482	4,105	19.9
- scoring grades C	2,336	2,223	4,242	1,849	33.2
- scoring grades D	1,476	729	2,031	539	38.8
- scoring grades E	1,145	389	1,473	321	47.1
- scoring grades F	760	171	904	143	61.2
- not scored	47	81	89	39	48.3
- defaulted	544	261	778	232	313.7
Other non credit-obligation assets:	2,521	39	2,530	7	81.3

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.



Glossary

Return on equity

Net profit for the period excluding non-controlling interests as a percentage of average equity for the year. Average equity including net profit for the year and dividend until paid, non-controlling interests excluded.

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).

Impairment rate, gross

Individually assessed impaired loans before allowances divided by total loans before allowances.

Impairment rate, net

Individually assessed impaired loans after allowances divided by total loans before allowances.

Total allowance rate

Total allowances divided by total loans before allowances.

Allowances in relation to impaired loans

Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

Total allowances in relation to impaired loans (provisioning ratio)

Total allowances divided by total impaired loans before allowances.

Non-servicing, not impaired

Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

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 excl non-controlling interests and non-recurring items, 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.

**For further information:**

- A press conference with management will be held on 20 July at 8.30 CET, at Mäster Samuelsgatan17, 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 on www.nordea.com, where the presentation material will also be found.
- After the results presentation, there will be a Q&A session (starting at approximately 09.00 with Torsten Hagen Jørgensen, Group COO and Rodney Alfvén, Head of Investor Relations); please dial +44(0)20 3427 1910 or +46(0)8 5033 6539 confirmation code 9955905 no later than 08.20 CET.
- After the conference an indexed on-demand replay will be available on www.nordea.com. A replay will also be available until 27 July by dialing +44(0)20 3427 0598 or +46(0)8 5051 3897, access code 9955905.
- An analyst and investor presentation will be held in London on 21 July at 08.00 local time at Hyatt Regency London, 30 Portman Square, London W1H 7BH.
- This Interim report, an investor presentation and a fact book are available on www.nordea.com.



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Financial calendar

26 October 2017 – Third Quarter Report 2017 (silent period starts 7 October 2017)

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.

Stockholm 20 July 2017

Björn Wahlroos
Chairman

Lars G Nordström
Vice Chairman

Kari Ahola
Board member¹

Pernille Erenbjerg
Board member

Robin Lawther
Board member

Toni H. Madsen
Board member¹

Gerhard Olsson
Board member¹

Sarah Russell
Board member

Silvija Seres
Board member

Kari Stadigh
Board member

Birger Steen
Board member

Maria Varsellona
Board member

Lars Wollung
Board member

Casper von Koskull
President and Group CEO

¹ Employee representative

Nordea

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.

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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 2017 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, 20 July 2017

Öhrlings PricewaterhouseCoopers AB

Peter Clemedtson
Authorised Public Accountant
Lead Partner

Catarina Ericsson
Authorised Public Accountant