

Nordea



Third quarter 2020

Third quarter results 2020

Summary of the quarter:

- Strong result – continuing positive trend seen in previous quarters.** Operating profit increased by 24% compared with the third quarter of 2019, with record high operating profits in most business areas. Total income increased by 4%, with net interest income increasing by 6%, the highest growth rate since 2012, and net fair value result increasing by 30% due to high levels of business activity in Markets. However, net fee and commission income decreased by 4%, as card and payment fee income in particular continued to be negatively impacted by the lower levels of economic activity related to COVID-19.
- High levels of activity and increasing business volumes.** Income growth was driven by increased levels of customer activity. Mortgage lending volumes and market shares increased, and SME lending also increased. Furthermore, assets under management grew by 4% to a record high of EUR 326bn, supported by the ongoing recovery of the financial markets and solid net inflows. Savings income increased by 4%.
- Cost efficiency efforts generating expected results.** Total operating expenses (excluding items affecting comparability) were down 6%. Full-year 2020 costs are expected to be below EUR 4.7bn, including the costs from SG Finans.
- Good progress towards financial targets.** Nordea's cost-to-income ratio is decreasing in line with its 2022 target of 50%, improving to 52%, down from 58% in the same quarter last year. Return on equity was 10.1% for the quarter, demonstrating good progress towards the target of above 10% in 2022.
- Credit quality still strong and credit outlook unchanged.** Net loan losses amounted to a reversal of EUR 2m. The total management judgement buffer of EUR 650m has been retained, as the full economic impact of the pandemic remains uncertain. The credit outlook is unchanged: total full-year 2020 net loan losses are projected to be below EUR 1bn.
- Capital position top of the class in Europe – well positioned to pay out dividends.** Nordea's CET1 ratio is 16.4%, 6.2%-points above the regulatory requirement. Nordea's financial strength means that it is well positioned to both support its customers and pay dividends to its shareholders. Nordea intends to pay out a dividend for the financial year 2019. The Board of Directors will refrain from deciding on the 2019 dividend payment before 1 January 2021. Nordea will review the situation in the fourth quarter of 2020 in the light of any further European Central Bank communication.
- Continued commitment to 2022 financial targets.** One year after its Capital Markets Day, Nordea remains fully committed to delivering on its business plan and financial targets for 2022. All business areas have improved their cost-to-income ratios over the past year. The progress is clear, driven by focused execution, but further improvements are still needed.

(For further viewpoints, see the CEO comment on page 2. For definitions, see page 56)

Group quarterly results and key ratios Q3 2020 excluding items affecting comparability¹

	Q3 2020	Q3 2019	Chg %	Q2 2020	Chg %	Jan-Sep 2020	Jan-Sep 2019	Chg %
EURm								
Net interest income	1,146	1,083	6	1,091	5	3,346	3,210	4
Net fee and commission income	729	756	-4	673	8	2,167	2,236	-3
Net fair value result	274	211	30	318	-14	701	758	-8
Other income	23	35	-34	10		51	137	-63
Total operating income	2,172	2,085	4	2,092	4	6,265	6,341	-1
Total operating expenses	-1,089	-1,161	-6	-1,088	0	-3,425	-3,698	-7
Profit before loan losses	1,083	924	17	1,004	8	2,840	2,643	7
Net loan losses	2	-49		-698		-850	-152	
Operating profit	1,085	875	24	306		1,990	2,491	-20
Cost-to-income ratio with amortised resolution fees, %	52	58		52		54	58	
Return on equity with amortised resolution fees, %	10.1	8.4		3.0		6.7	8.3	
Diluted earnings per share, EUR	0.21	0.17		0.06		0.37	0.46	

Exchange rates used for the third quarter of 2020 for income statement items are for DKK 7.4581, NOK 10.7196 and SEK 10.5626.

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

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Nordea is a leading Nordic universal bank. We are helping our customers realise their dreams and aspirations – and we have done that for 200 years. We want to make a real difference for our customers and the communities where we operate – by being a strong and personal financial partner. The Nordea share is listed on the Nasdaq Helsinki, Nasdaq Copenhagen and Nasdaq Stockholm exchanges. Read more about us on nordea.com

CEO comment

“Over the past few quarters we have witnessed how individuals, businesses and societies have adapted to a new way of living due to the COVID-19 pandemic. We have seen a gradual recovery, but have also faced some setbacks. Although uncertainty remains, the risk of a renewed severe downturn has decreased. Thanks to our dedicated employees, strong balance sheet and high quality digital services, we have been able to support our customers and the societies around us, and will continue to do so.

We have seen clear performance improvements in all main areas in the third quarter. Our customer satisfaction levels are higher now than prior to the outbreak. We have launched new products and services for our customers. For example, we now offer green mortgages in our mobile bank app. Our business volumes have continued to increase in a range of areas, particularly in mortgages and savings. We have continuously taken steps in the right direction.

Consequently, the results in the quarter were strong. Operating profit increased by 24% compared with the third quarter of 2019, with income increasing by 4% and costs declining by 6%, which means we have taken a decisive step towards our cost-to-income target. Return on equity was 10.1%. Our return on equity was supported by very low net loan losses in the third quarter, but the underlying development is clearly positive.

Our income growth was driven by high customer activity. Our assessment is that we are growing faster than the market in several areas. Net interest income was 6% higher than in the third quarter of 2019, the highest growth rate since 2012, due to increased mortgage lending volumes and higher market shares, as well as increased SME lending. Net fee and commission income declined by 4%. This was mainly due to card and payment fee income continuing to be negatively impacted by the lower levels of economic activity related to COVID-19. Assets under management reached a record high of EUR 326bn and net inflows from all business areas were solid. Savings income increased by 4%. Typically, net fair value result is seasonally low in the third quarter, but our result increased by 30% compared with last year, mainly due to an improving performance in Markets.

Our efforts to improve cost efficiency continue to pay off. We have lowered our cost-to-income ratio to 52% from 58% within a year. There have been some temporary COVID-19-related effects, but the main driver was structural cost reductions: we have reduced levels of complexity in our operations and processes, and now have lower numbers of employees. We continue to expect that total costs for 2020 will be below EUR 4.7bn, including the costs from SG Finans.

Our credit quality remains strong. Net loan losses amounted to a reversal of EUR 2m. We have maintained our EUR 650m total management judgement, as the full economic impact of the pandemic remains uncertain. As previously stated, we project that total full-year 2020 net loan losses will be below EUR 1bn.

We continue to be among the best capitalised banks in Europe, with a CET1 ratio of 16.4%, which is 6.2%-points above the regulatory requirement. Our strong financial position means that we are well positioned to both support our customers and pay out dividends. We intend to pay a dividend for the financial year 2019. The Board of Directors will refrain from deciding on the 2019 dividend payment before 1 January

2021, and we will review the situation in the fourth quarter of 2020 in the light of any further European Central Bank communication. Moreover, we continue to deduct the 2020 dividend from our capital according to our dividend policy and have the financial strength to distribute it.

In the third quarter all four business areas made progress towards their 2022 targets. In Personal Banking we saw strong momentum in mortgages, with volumes and market shares increasing. Total lending volumes grew by 4% in local currencies. We also added new digital services to our mobile bank app and saw an increase in customer satisfaction compared with a year ago. Costs decreased by 13%, resulting in a cost-to-income ratio of 54%. Operating profit increased by 7% compared with the third quarter of last year.

In Business Banking we witnessed increasing business activity towards the end of the quarter. Lending volumes grew by 4% and deposit volume growth was very strong at 20% in local currencies. We also arranged an increasing number of bond issues for our customers during the quarter. Total income increased by 5% and costs decreased by 4%, leading to a cost-to-income ratio of 47%, down from 52% a year ago. Operating profit was at its highest ever level in the quarter. On 1 October we completed the acquisition of SG Finans, further strengthening our position in the Nordic market.

In Large Corporates & Institutions operating profit was at its highest level since the fourth quarter of 2016, with improvements across all income and cost lines. Total income increased by 21%, costs decreased by 11% and the cost-to-income ratio improved to 42%. Economic capital decreased by 13%, driven by lower market risk and a reduction in low-yielding assets. Return on capital at risk increased to 12%. Overall, we are progressing with the repositioning of Large Corporates and Institutions as a focused and more profitable business area.

In Asset & Wealth Management net inflows of EUR 4.6bn in the quarter and the ongoing recovery of the financial markets led to a 4% year-on-year increase in assets under management, which now total EUR 326bn. Customer satisfaction in Private Banking continued on a positive trajectory. Total income increased by 4% compared with the third quarter of 2019, while costs continued to decrease, resulting in a cost-to-income ratio of 50%, down from 62% a year ago.

In the third quarter of 2019 we published our financial targets for 2022 and updated our business plan. A year later we are seeing clear performance improvements. We have retaken lost ground in business, improved customer experience and increased efficiency. This will also be our direction for the coming years. We are committed to delivering on our plan and targets for 2022.

Our strategy for meeting our targets is clear. We will continue focusing on our three key priorities: to optimise operational efficiency, drive income growth initiatives and create great customer experiences. In doing so, we will continue to fulfil our responsibility towards our customers, employees and shareholders. This benefits both society and our business.”

Frank Vang-Jensen
President and Group CEO

Outlook

Key priorities to succeed and meet the financial targets

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

Financial targets 2022

Nordea's financial targets for 2022 are:

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

Costs (operating expenses)

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

Capital policy

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

Dividend policy

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

Credit quality

For the full year 2020, our projections point to total net loan losses below EUR 1bn, corresponding to a loan loss level of less than 41bp.

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Income statement

	Q3 2020	Q3 2019	Chg %	Local curr. %	Q2 2020	Chg %	Local curr. %	Jan-Sep 2020	Jan-Sep 2019	Chg %	Local curr. %
EURm											
Net interest income	1,146	1,083	6	8	1,091	5	2	3,346	3,210	4	8
Net fee and commission income	729	756	-4	-3	673	8	7	2,167	2,236	-3	-2
Net result from items at fair value	274	211	30	29	318	-14	-12	701	758	-8	-11
Profit from associated undertakings and joint ventures accounted for under the equity method	6	13	-54	-54	-10			-6	51		
Other operating income	17	22	-23	-23	20	-15	-19	57	86	-34	-33
Total operating income	2,172	2,085	4	5	2,092	4	2	6,265	6,341	-1	1
Staff costs	-686	-924	-26	-25	-645	6	6	-2,030	-2,369	-14	-13
Other expenses	-245	-366	-33	-33	-303	-19	-20	-967	-1,264	-23	-22
Depreciation, amortisation and impairment charges of tangible and intangible assets	-158	-885	-82	-82	-140	13	11	-428	-1,174	-64	-63
Total operating expenses	-1,089	-2,175	-50	-50	-1,088	0	-1	-3,425	-4,807	-29	-28
Profit before loan losses	1,083	-90			1,004	8	6	2,840	1,534	85	91
Net loan losses	2	-331			-698			-850	-434	96	
Operating profit	1,085	-421			306			1,990	1,100	81	86
Income tax expense	-248	89			-63			-450	-308	46	51
Net profit for the period	837	-332			243			1,540	792	94	100

Business volumes, key items¹

	30 Sep 2020	30 Sep 2019	Chg %	Local curr. %	30 Jun 2020	Chg %	Local curr. %
EURbn							
Loans to the public	320.2	328.3	-2	-1	327.7	-2	-2
Loans to the public, excluding repos	302.4	299.5	1	3	304.4	-1	0
Deposits and borrowings from the public	190.0	168.3	13	14	188.5	1	1
Deposits from the public, excluding repos	184.9	161.9	14	16	180.7	2	3
Total assets	574.8	585.9	-2		587.3	-2	
Assets under management	326.2	314.3	4		311.4	5	
Equity	32.6	30.5	7		31.8	3	

Ratios and key figures²

	Q3 2020	Q3 2019	Chg %	Q2 2020	Chg %	Jan-Sep 2020	Jan-Sep 2019	Chg %
Diluted earnings per share, EUR	0.21	-0.08		0.06		0.37	0.19	95
EPS, rolling 12 months up to period end, EUR	0.56	0.32	75	0.27		0.56	0.32	75
Share price ¹ , EUR	6.49	6.50	0	6.15	6	6.49	6.50	0
Equity per share ¹ , EUR	8.06	7.55	7	7.86	3	8.06	7.55	7
Potential shares outstanding ¹ , million	4,050	4,050	0	4,050	0	4,050	4,050	0
Weighted average number of diluted shares, million	4,040	4,036	0	4,039	0	4,039	4,034	0
Return on equity, %	10.6	-4.4		3.1		6.5	3.4	
Return on tangible equity, %	12.0	-5.0		3.5		7.4	3.9	
Return on risk exposure amount, %	2.2	-0.9		0.6		1.3	0.7	
Return on equity with amortised resolution fees, %	10.1	-5.0		3.0		6.7	3.6	
Cost-to-income ratio, %	50	104		52		55	76	
Cost-to-income ratio with amortised resolution fees, %	52	107		52		54	75	
Net loan loss ratio, amortised cost, bp	0	55		115		47	24	
Common Equity Tier 1 capital ratio ^{1,3} , %	16.4	15.4		15.8		16.4	15.4	
Tier 1 capital ratio ^{1,3} , %	18.2	17.4		17.6		18.2	17.4	
Total capital ratio ^{1,3} , %	19.9	20.0		20.1		19.9	20.0	
Tier 1 capital ^{1,3} , EURbn	27.4	27.3	1	27.2	1	27.4	27.3	1
Risk exposure amount ¹ , EURbn	151	156	-4	155	-3	151	156	-4
Number of employees (FTEs) ¹	27,880	29,469	-5	27,954	0	27,880	29,469	-5
Economic capital ¹ , EURbn	23.7	26.5	-11	24.2	-2	23.7	26.5	-11

¹ End of period.

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

³ Including the result for the period.

Income statement

Excluding items affecting comparability^{1,2}

	Q3 2020	Q3 2019	Chg %	Local curr. %	Q2 2020	Chg %	Local curr. %	Jan-Sep 2020	Jan-Sep 2019	Chg %	Local curr. %
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Profit from associated undertakings and joint ventures accounted for under the equity method	6	13	-54	-54	-10			-6	51		
Other operating income	17	22	-23	-23	20	-15	-19	57	86	-34	-33
Total operating income	2,172	2,085	4	5	2,092	4	2	6,265	6,341	-1	1
Staff costs	-686	-720	-5	-4	-645	6	6	-2,030	-2,165	-6	-5
Other expenses	-245	-291	-16	-16	-303	-19	-20	-967	-1,094	-12	-10
Depreciation, amortisation and impairment charges of tangible and intangible assets	-158	-150	5	13	-140	13	11	-428	-439	-3	1
Total operating expenses	-1,089	-1,161	-6	-5	-1,088	0	-1	-3,425	-3,698	-7	-6
Profit before loan losses	1,083	924	17	17	1,004	8	6	2,840	2,643	7	10
Net loan losses	2	-49			-698			-850	-152		
Operating profit	1,085	875	24	23	306			1,990	2,491	-20	-19
Income tax expense	-248	-204	22	21	-63			-450	-601	-25	-24
Net profit for the period	837	671	25	24	243			1,540	1,890	-19	-17

Ratios and key figures^{1,2}

	Q3 2020	Q3 2019	Chg %	Q2 2020	Chg %	Jan-Sep 2020	Jan-Sep 2019	Chg %
Diluted earnings per share, EUR	0.21	0.17	24	0.06		0.37	0.46	-20
EPS, rolling 12 months up to period end, EUR	0.53	0.60	-12	0.49	8	0.53	0.60	-12
Return on equity, %	10.6	8.9		3.1		6.5	8.1	
Return on tangible equity, %	12.0	10.2		3.5		7.4	9.2	
Return on risk exposure amount, %	2.2	1.7		0.6		1.3	1.6	
Return on equity with amortised resolution fees, %	10.1	8.4		3.0		6.7	8.3	
Cost-to-income ratio, %	50	56		52		55	58	
Cost-to-income ratio with amortised resolution fees, %	52	58		52		54	58	
Return on capital at risk, %	13.9	9.7		3.8		8.2	9.2	

¹ Excluding items affecting comparability in the third quarter of 2019: EUR 735m expense related to an impairment of capitalised IT systems (EUR 559m after tax), EUR 204m expense related to restructuring (EUR 155m after tax), EUR 75m non-deductible expense related to the sale of Luminor and EUR 282m loss related to loan loss provisions due to model updates and dialogue with the ECB reflecting a more subdued outlook in certain sectors (EUR 214m after tax). In the first quarter of 2019: EUR 95m non-deductible expense related to a provision for ongoing AML-related matters.

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

Macroeconomy and financial markets¹

Economic outlook

Global economic activity fell sharply during the first six months of the year as economies across the world were put into lockdown. However, there are now clear signs that activity is gaining momentum not least thanks to the significant monetary and fiscal easing implemented worldwide to mitigate the impact of the pandemic. Still, uncertainty in the overall economic outlook remains high.

The Nordic countries have so far been among the best performing countries globally during the pandemic. Likewise, they all experienced smaller-than-expected decreases in gross domestic product (GDP) in the second quarter.

Denmark

Danish GDP fell by 6.8% in the second quarter as both exports and domestic demand dropped sharply. Indicators signal that activity started to pick up in the late spring, mainly driven by private consumption. However, a sharp increase in the number of COVID-19 cases in September has led to new local containment restrictions, which risk slowing down the pace of the recovery. The situation in the labour market improved in the third quarter, with the unemployment rate falling below 5% in August. House prices have increased to record high levels. The turnover on holiday homes in particular has been much higher than in recent years. While the Danish krone has been trading on the strong side against the euro since the independent interest rate hike in March, Danmarks Nationalbank has not intervened in the FX-market.

Finland

Finnish GDP fell by 4.5% in the second quarter, which was the smallest decrease in GDP of any EU country in that period. Private consumption quickly recovered over the summer, but the increase in new virus cases in September is now slowing down the rebound. While foreign demand deteriorated over the summer, companies were able to

maintain their production owing to a large backlog of orders from before the crisis. However, the volume of new orders has decreased sharply. The number of temporarily laid-off employees declined in the third quarter but remains high. The unemployment rate stood at 8.4% in September. Housing prices have remained unchanged compared with last year.

Norway

Norwegian mainland GDP fell by 6.3% in the second quarter. However, activity started to recover from May onwards, in tandem with the reopening of the economy. Domestic demand was boosted by Norges Bank's rate cuts and Norwegians on "staycation". The rebound was most evident in registered unemployment figures, which fell from above 10% in the second quarter to below 4% in the third quarter. After a brief downturn, house prices increased markedly during the summer. Although it will take time before activity is back at normal levels, the expectation is that Norges Bank will be the first central bank in the world to hike rates. The Norwegian krone moved in tandem with the oil price over the quarter.

Sweden

Swedish GDP fell by 8.3% in the second quarter. The downturn was broad based. However, monthly data show that both foreign and domestic demand improved in the third quarter and manufacturing production bounced back to pre-COVID-19 levels in August. The situation in the labour market improved, with the unemployment rate falling slightly to 9.0% in September. House prices have increased markedly and were 8.9% higher in September 2020 than in the same month last year. Sveriges Riksbank kept its repo rate unchanged at 0.0% and signalled that it would remain unchanged for the coming years. No changes to the quantitative easing programme were announced. The trade-weighted Swedish krona remained roughly unchanged over the third quarter.

¹Source: Nordea Economic Research

Group results and performance

Third quarter 2020

Net interest income

Q3/Q3: Net interest income increased by 6%. The main driver for this was increased mortgage and SME lending volumes, which offset the impact of lower deposit margins.

Q3/Q2: Net interest income was up 5% to EUR 1,146m. This was mainly due to higher mortgage lending margins in Sweden, positive currency effects and one more interest day.

Personal Banking

Q3/Q3: Net interest income increased by 1% in local currencies. The growth in lending volumes was offset by lower deposit margins in Norway and Finland, in particular.

Q3/Q2: Net interest income increased by 6% in local currencies to EUR 540m due to higher lending volumes and improved margins, particularly in Sweden.

Business Banking

Q3/Q3: Net interest income increased by 6% in local currencies, driven by higher lending volumes.

Q3/Q2: Net interest income increased by 3% in local currencies to EUR 352m, driven mainly by day effect and income in Nordea Finans.

Large Corporates & Institutions

Q3/Q3: Net interest income was up 6% as higher lending margins compensated for lower lending volumes.

Q3/Q2: Net interest income was up 6% to EUR 224m due to higher lending margins.

Asset & Wealth Management

Q3/Q3: Net interest income increased by EUR 3m to EUR 16m.

Q3/Q2: Net interest income decreased by 6% in local currencies to EUR 16m.

Group Functions

Q3/Q3: Net interest income increased by EUR 33m to EUR 14m, mainly due to higher income from Treasury.

Q3/Q2: Net interest income decreased by EUR 9m to EUR 14m, mainly due to lower income from Treasury after a high level in the previous quarter.

Lending volumes

Q3/Q3: Loans to the public in local currencies, excluding repurchase agreements, were up 3%. Average lending volumes in local currencies increased in Personal Banking and Business Banking but decreased in Large Corporates & Institutions.

Q3/Q2: Loans to the public in local currencies, excluding repurchase agreements, were unchanged. Average lending volumes in local currencies increased in Personal Banking, were unchanged in Business Banking and decreased in Large Corporates & Institutions.

Deposit volumes

Q3/Q3: Total deposits from the public in local currencies, excluding repurchase agreements, were up 16%. Average deposit volumes increased in local currencies in all business areas.

Q3/Q2: Total deposits from the public in local currencies, excluding repurchase agreements, were up 3%. Average deposit volumes increased in local currencies in all business areas.

Net interest income per business area

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Local currency	
								Q3/Q3	Q3/Q2
EURm									
Personal Banking	540	501	517	523	539	0%	8%	1%	6%
Business Banking	352	339	346	346	338	4%	4%	6%	3%
Large Corporates & Institutions	224	211	217	218	212	6%	6%		
Asset & Wealth Management	16	17	18	13	13	23%	-6%	23%	-6%
Group Functions	14	23	11	8	-19				
Total Group	1,146	1,091	1,109	1,108	1,083	6%	5%	8%	2%

Change in net interest income (NII)

	Q3/Q2	Jan-Sep 20/19
EURm		
NII beginning of period	1,091	3,210
Margin driven NII	16	26
Lending margin	17	-67
Deposit margin	3	-16
Cost of funds	-4	109
Volume driven NII	-8	128
Lending volume	-4	146
Deposit volume	-4	-18
Day count	12	12
Other ^{1,2,3}	35	-30
NII end of period	1,146	3,346
¹ of which FX	29	-113
² of which Baltics	-	-1
³ of which DGS	0	-2

Net fee and commission income

Q3/Q3: Net fee and commission income decreased by 4%. Savings and investment fee and commission income increased by 4%. However, fee income from payments and cards decreased by 19%, mainly due to the impacts of COVID-19. In addition, lending-related fee and commission income decreased by 14%.

Q3/Q2: Net fee and commission income increased by 8% to EUR 729m. In all segments, growth was due to a recovery in economic activity after the second quarter of 2020.

Savings and investment commissions

Q3/Q3: Net fee and commission income from savings and investments increased by 4%.

Q3/Q2: Net fee and commission income increased by 10% to EUR 493m. End-of-period assets under management increased by 5%, or EUR 15bn, to EUR 326bn, with a net inflow of EUR 4.6bn during the quarter.

Payments and cards and lending-related commissions

Q3/Q3: Net fee and commission income from payments and cards decreased by 19%. Lending-related net fee and commission income decreased by 14%.

Q3/Q2: Net fee and commission income from payments and cards increased by 5% to EUR 110m. Lending-related net fee and commission income increased by 6% to EUR 127m.

Personal Banking

Q3/Q3: Net fee and commission income decreased by 12% in local currencies, mainly due to lower fee income from payments and cards.

Q3/Q2: Net fee and commission income increased by 3% in local currencies to EUR 278m, driven by higher savings and investment fees.

Business Banking

Q3/Q3: Net fee and commission income decreased by 7% in local currencies, mainly due to lower income from lending and guarantees and from payments and cards.

Q3/Q2: Net fee and commission income increased by 7% in local currencies to EUR 140m due to higher fee income from lending and guarantees and from payment and cards.

Large Corporates & Institutions

Q3/Q3: Net fee and commission income increased by 10%, driven by higher income from corporate finance and lending fees.

Q3/Q2: Net fee and commission income increased by 16% to EUR 114m, mainly due to higher income from corporate finance and lending fees.

Asset & Wealth Management

Q3/Q3: Net fee and commission income increased by 10% in local currencies, mainly due to increased assets under management.

Q3/Q2: Net fee and commission income increased by 9% in local currencies to EUR 204m, mainly due to increased assets under management.

Group Functions

Q3/Q3: Net fee and commission income decreased by EUR 4m.

Q3/Q2: Net fee and commission income decreased by EUR 1m.

Net fee and commission income per business area

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Local currency	
								Q3/Q3	Q3/Q2
EURm									
Personal Banking	278	266	292	313	314	-11%	5%	-12%	3%
Business Banking	140	129	154	161	151	-7%	9%	-7%	7%
Large Corporates & Institutions	114	98	121	100	104	10%	16%		
Asset & Wealth Management	204	186	201	216	190	7%	10%	10%	9%
Group Functions	-7	-6	-3	-15	-3				
Total Group	729	673	765	775	756	-4%	8%	-3%	7%

Net fee and commission income per category

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Local currency	
								Q3/Q3	Q3/Q2
EURm									
Savings and investments, net	493	450	503	513	473	4%	10%	5%	9%
Payments and cards, net	110	105	124	120	136	-19%	5%	-19%	4%
Lending-related, net	127	120	126	145	148	-14%	6%	-13%	5%
Other commissions, net	-1	-2	12	-3	-1				
Total Group	729	673	765	775	756	-4%	8%	-3%	7%

Assets under Management (AuM), volumes and net flow

	Q320	Q220	Q120	Q419	Q319	Net flow
						Q320
EURbn						
Nordic Retail funds	66.6	63.2	55.6	65.5	62.5	1.1
Private Banking	92.7	87.8	77.0	91.4	86.9	0.8
Institutional sales	112.7	108.5	101.7	114.7	113.6	2.2
Life & Pensions	54.2	51.9	46.1	53.1	51.3	0.5
Total	326.2	311.4	280.4	324.7	314.3	4.6

Net result from items at fair value

Q3/Q3: Net result from items at fair value increased by 30% to EUR 274m, driven mainly by higher trading income in Markets and revaluations in Treasury. The result from the underlying customer business remained stable.

Q3/Q2: Net result from items at fair value decreased by 14% to EUR 274m due to seasonally lower income from customer areas and lower revaluations in Treasury.

Personal Banking

Q3/Q3: Net result from items at fair value decreased by 69%, mainly due to income from the Nordea Kredit fair value model in the third quarter of 2019 and changes to the distribution of derivative income between Personal Banking and Large Corporate & Institutions during the quarter.

Q3/Q2: Net result from items at fair value decreased by 69% to EUR 14m due to lower valuation gains and changes to derivative income distribution between Personal Banking and Large Corporate & Institutions.

Business Banking

Q3/Q3: Net result from items at fair value increased by 67%, recovering from a low level partly attributable to the negative impact of the Nordea Kredit fair value model in the third quarter of 2019.

Q3/Q2: Net result from items at fair value decreased by 17% to EUR 60m due to seasonally lower activity.

Large Corporates & Institutions

Q3/Q3: Net result from items at fair value increased by 78% to EUR 144m, due to higher income in Markets.

Q3/Q2: Net result from items at fair value decreased by 8% to EUR 144m.

Asset & Wealth Management, excl. Life & Pensions

Q3/Q3: Net result from items at fair value decreased by 50% to EUR 3m.

Q3/Q2: Net result from items at fair value decreased by 25% to EUR 3m.

Life & Pensions

Q3/Q3: Net result from items at fair value increased by EUR 15m to EUR 20m.

Q3/Q2: Net result from items at fair value decreased by 5% to EUR 20m.

Group Functions

Q3/Q3: Net result from items at fair value decreased to EUR 33m from EUR 38m.

Q3/Q2: Net result from items at fair value increased to EUR 33m from EUR 20m.

Net result from items at fair value per business area

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2
EURm							
Personal Banking	14	45	13	23	45	-69%	-69%
Business Banking	60	72	70	80	36	67%	-17%
Large Corporates & Institutions	144	156	67	96	81	78%	-8%
Asset & Wealth Mgmt. excl. Life & Pensions	3	4	7	5	6	-50%	-25%
Life & Pensions	20	21	26	32	5		-5%
Group Functions	33	20	-74	30	38		
Total Group	274	318	109	266	211	30%	-14%

Equity method

Q3/Q3: Income from companies accounted for under the equity method was EUR 6m, down from EUR 13m.

Q3/Q2: Income from companies accounted for under the equity method was up EUR 16m from EUR -10m due to higher income from associated company Luminor.

Other operating income

Q3/Q3: Other operating income was down 23% and amounted to EUR 17m.

Q3/Q2: Other operating income was down 15%.

Total operating income

Q3/Q3: Total income was up 4% and amounted to EUR 2,172m.

Q3/Q2: Total income was up 4%.

Total operating income per business area

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Local currency	
								Q3/Q3	Q3/Q2
EURm									
Personal Banking	834	814	824	858	902	-8%	2%	-7%	1%
Business Banking	557	546	575	591	531	5%	2%	6%	1%
Large Corporates & Institutions	482	465	405	414	397	21%	4%		
Asset & Wealth Management	246	226	258	268	236	4%	9%	6%	8%
Group Functions	53	41	-61	163	19				
Total Group	2,172	2,092	2,001	2,294	2,085	4%	4%	5%	2%
Total, excl. items affecting comparability¹	2,172	2,092	2,001	2,156	2,085	4%	4%	5%	2%

¹ Excluding items affecting comparability in the fourth quarter of 2019: EUR 138m tax free gain related to the sale of LR Realkredit.

Total operating expenses

Q3/Q3: Total operating expenses were down 6%.

Q3/Q2: Total operating expenses in the third quarter were largely unchanged at EUR 1,089m. Adjusted for resolution fees, total expenses increased by 5%.

Staff costs

Q3/Q3: Staff costs were down 26%. Adjusted for the EUR 204m restructuring provision in the third quarter of 2019, staff costs were down 5%.

Q3/Q2: Staff costs were up 6% to EUR 686m due to a reversal of variable pay in the second quarter, as well as lower capitalised expenses in the third quarter.

Other expenses

Q3/Q3: Other expenses were down 33%. This was partly due to a EUR 26m VAT refund during the third quarter. Adjusted for the EUR 75m expense related to the sale of Luminor in the third quarter of 2019, other expenses were down 16%.

Q3/Q2: Other expenses were down 19% to EUR 245m. This was partly due to lower resolution fees and a EUR 26m VAT refund during the third quarter. Excluding resolution fees, other expenses were down 4%.

Depreciations and amortisations

Q3/Q3: Depreciations amounted to EUR 158m, down from EUR 885m, of which EUR 735m was related to an extraordinary IT write-down in the third quarter of 2019.

Q3/Q2: Depreciations were up EUR 18m or 13%, due to higher amortisation and impairment charges, and a premises-related write-down.

FTEs

Q3/Q3: The number of employees (FTEs) was 27,880 at the end of the third quarter, which is a decrease of 5%.

Q3/Q2: The number of employees (FTEs) was unchanged. The number of consultants increased by 4%.

Cost-to-income ratio

Q3/Q3: Excluding items affecting comparability (IAC) and with amortised resolution fees, the cost-to-income ratio was 52%, down from 58%.

Q3/Q2: Excluding IAC and with amortised resolution fees, the cost-to-income ratio was unchanged at 52%.

Total operating expenses

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Local currency	
								Q3/Q3	Q3/Q2
EURm									
Staff costs	-686	-645	-699	-648	-924	-26%	6%	-25%	6%
Other expenses	-245	-303	-419	-375	-366	-33%	-19%	-33%	-20%
Depreciations	-158	-140	-130	-156	-885	-82%	13%	-82%	11%
Total Group	-1,089	-1,088	-1,248	-1,179	-2,175	-50%	0%	-50%	-1%
Total, excl. items affecting comparability¹	-1,089	-1,088	-1,248	-1,179	-1,161	-6%	0%	-5%	-1%

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

Total operating expenses per business area

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Local currency	
								Q3/Q3	Q3/Q2
EURm									
Personal Banking	-439	-453	-471	-484	-502	-13%	-3%	-12%	-4%
Business Banking	-251	-257	-297	-268	-262	-4%	-2%	-4%	-4%
Large Corporates & Institutions	-182	-196	-268	-196	-204	-11%	-7%		
Asset & Wealth Management	-123	-125	-126	-128	-146	-16%	-2%	-15%	-2%
Group Functions	-94	-57	-86	-103	-1,061				
Total Group	-1,089	-1,088	-1,248	-1,179	-2,175	-50%	0%	-50%	-1%
Total, excl. items affecting comparability¹	-1,089	-1,088	-1,248	-1,179	-1,161	-6%	0%	-5%	-1%

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

Currency fluctuation effects

	Q3/Q3	Q3/Q2	Jan-Sep 20/19
%-points			
Income	-1	1	-2
Expenses	-2	1	-2
Operating profit	1	2	-1
Loan and deposit volumes	-2	-1	-2

Net loan losses

The Nordea Group's net loan losses for the third quarter were close to zero, amounting to a reversal of EUR 2m. This was also the case across all business areas, where net loan losses were below the levels of past quarters.

Allowances for expected credit losses were kept at the same increased levels as in the second quarter. The total management judgement allowance was unchanged at EUR 650m.

The quality of our credit portfolio remained strong throughout the quarter. We continue to project full-year 2020 net loan losses of below EUR 1bn.

Main drivers of underlying loan losses

Net loan losses on individual exposures (stage 3) amounted to EUR 59m, while collective provisions for the credit portfolio (stages 1, 2 and 3) were reversed by EUR 61m, mainly mirroring the increase in individual provisions. Underlying net loan losses amounted to a reversal of EUR 2m, which was equal to the total net loan losses for the Group, as the management judgement allowances were kept unchanged.

The main driver of the individual loan losses was increased provisions on Maritime and Oil, gas and offshore exposures in Large Corporates & Institutions. However, these were balanced by reversals, resulting in individual net loan losses of EUR 30m. In Personal Banking individual net loan losses amounted to EUR 7m and in Business Banking they amounted to EUR 26m (there was also a reversal of EUR 4m elsewhere in the Group).

Loan loss outlook

Portfolio credit quality was stable throughout the quarter, with even slightly positive net rating migration (upgrades exceeding downgrades) and a continued reduction in new defaults. However, we kept the longer-term outlook on loan losses largely unchanged. It can be expected that some customers will suffer further from the COVID-19 crisis after instalment-free periods and state support measures have expired. In general, loan losses can be expected to occur with a time lag, in line with the loan loss projections made in the second quarter.

Some adjustments were made to the IFRS9 collective provisions driven by macroeconomic scenarios (see Note 7 for more information). To maintain an adequate provisioning outcome in the light of continued macroeconomic uncertainty, the weight on the adverse scenario was increased to 45%. This was also done to give more weight to the downside risks related to the expiry of customer support measures and the continuation of the pandemic. The baseline scenario was maintained as the most probable one, with a 50% weight. Second, adjustments were made to the cyclical management judgements in order to maintain the overall level of allowances driven by the scenarios, as justified by the unchanged credit risk outlook. Last, the macroeconomic scenarios used were slightly updated to reflect the improved economic data, with no significant impact on the collective provisions.

We are closely monitoring the evolution of credit risk in the sectors affected by COVID-19 and the situation of the customers whose instalment-free periods expire. For corporate and household customers, around 50% of the instalment-free periods expire in September-October 2020

(see Note 7). These customers are being carefully assessed in line with the normal credit risk assessment process. Based on the information we have at the end of the quarter, so far, less than 5% of customers have been classified as forborne (or in default) following the expiry of their instalment-free period. However, a full assessment will only be possible at a later date.

Management judgement allowances

We retained a total management judgement allowance of EUR 650m, consisting of a cyclical management judgement allowance and a structural management judgement allowance.

The cyclical management judgement allowance covers expected individual loan losses and expected loan losses that are not yet captured by the collective provisioning models. We increased this allowance to EUR 440m from EUR 430m in the second quarter.

The structural management judgement allowance covers estimated provisioning needs stemming from planned updates to the collective provisioning models and the residual impact of the ECB's new provisioning rules relating to aged non-performing loans. We reduced this allowance to EUR 210m from EUR 220m in the second quarter.

We will take appropriate action to release management judgements as respective losses are realised or captured by models, while maintaining adequate provisioning coverage in a forward-looking manner.

Net loan losses by business area

Personal Banking had individual net loan losses of EUR 7m. Collective provisions increased by EUR 36m, partly reflecting the impact of data-related improvements made to the provisioning model used for the Danish mortgage portfolio. After adjusting for management judgement allowances, net loan losses in Personal Banking amounted to a reversal of EUR 2m (1bp²), compared with net loan losses of EUR 227m in the second quarter of 2020.

Business Banking had a decrease of EUR 48m in modelled collective provisions, corresponding to individual provisions made in the quarter. This was offset by individual net loan losses of EUR 26m, which were evenly spread across industries, without any particular increase attributable to COVID-19-affected industries. After adjusting for management judgement allowances, net loan losses in Business Banking came to EUR 2m (3bp²), compared with EUR 238m in the second quarter of 2020.

Large Corporates & Institutions had an increase in individual net loan losses of EUR 30m, which included EUR 48m in additional provisions on Maritime and Offshore exposures and a reversal of EUR 20m in the same sectors. Reductions in modelled collective provisions amounted to EUR 55m, corresponding to individual provisions made in the quarter. After adjusting for management judgement allowances, net loan losses in Large Corporates & Institutions amounted to a reversal of EUR 4m (-2bp²), compared with net loan losses of EUR 229m in the second quarter of 2020.

Asset & Wealth Management had net loan losses of EUR 3m, driven by changes in collective provisions. In Group Functions, there were reversals of EUR 1m.

Credit portfolio

Total lending to the public excluding reverse repurchase agreements decreased to EUR 302bn from EUR 304bn in the second quarter, corresponding to a decrease of 1% (unchanged in local currencies).

Loans to the public measured at fair value excluding reverse repurchase agreements decreased slightly to EUR 60bn from EUR 61bn in the second quarter. At the end of the quarter the fair value portfolio was mainly made up of Danish mortgage lending, which amounted to EUR 56bn, up from EUR 55bn in the second quarter.

Lending to the public measured at amortised cost decreased slightly to EUR 242bn from EUR 244bn in the second quarter. Of this 94% was classified as stage 1, 5% was stage 2 and 1% was stage 3. The distribution remained roughly unchanged from the last quarter, but with a slight increase in lending classified as stage 2.

The coverage ratio was 11bp for stage 1 (down from 14bp in the second quarter), 341bp for stage 2 (down from 372bp in the second quarter) and 43% for stage 3 (unchanged from the second quarter). The coverage ratios for the Maritime and Oil, gas and offshore portfolios were 48% and 47% respectively, compared with 44% and 54% in the second quarter. A large write-off is behind the decreased ratio for the Oil, gas and offshore portfolio.

The gross impairment rate (stage 3) improved to 169bp for loans at amortised cost from 174bp in the second quarter. The fair value impairment rate increased to 141bp from 124bp in the second quarter, mostly due to a decrease in reverse repurchase agreement lending.

Profit

Operating profit

Q3/Q3: Operating profit excluding IAC increased by 24% to EUR 1,085m.

Q3/Q2: Operating profit increased by EUR 779m to EUR 1,085m from EUR 306m.

Taxes

Q3/Q3: Income tax expenses amounted to EUR 248m, up from EUR -89m, corresponding to an increased tax rate of 22.9%, compared with 21.0% in the third quarter of 2019.

Q3/Q2: Income tax expenses were up from EUR 63m and the tax rate was up from 20.6%.

Net loan loss ratios

	Q320	Q220	Q120	Q419	Q319	Q3 excl. IAC
Basis points of loans¹						
Net loan loss ratios, amortised cost, Group	0	115	26	17	55	8
of which stages 1 and 2	-10	66	2	1	14	-4
of which stage 3	10	49	24	16	41	12
Net loan loss ratios, incl. fair value mortgage loans, annualised Group ²	1	91	19	13	41	6
Personal Banking total	1	70	11	7	8	5
PeB Denmark	5	88	13	7	41	7
PeB Finland	5	107	9	2	-55	1
PeB Norway	-11	63	4	10	21	13
PeB Sweden	3	26	15	5	14	1
Business Banking total	3	114	30	14	25	2
BB Denmark	20	65	-5	16	59	-9
BB Finland	6	175	91	44	2	19
BB Norway	-19	156	28	-11	17	-2
BB Sweden	-5	93	20	11	17	8
Large Corporates & Institutions total	-2	118	25	25	115	14
LC&I Denmark	5	138	-16	-58	243	-31
LC&I Finland	-22	109	18	67	10	6
LC&I Norway	109	318	161	66	400	37
LC&I Sweden	-113	183	-6	86	59	51

¹ Negative amounts are net reversals.

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

Net profit

Q3/Q3: Net profit excluding IAC increased by 25% to EUR 837m. Return on equity including resolution fees was 10.6%, up from 8.9%. With amortised resolution fees, return on equity was 10.1%, up from 8.4%.

Q3/Q2: Net profit increased by EUR 594m from EUR 243m. Return on equity including resolution fees was 10.6%, up from 3.1%. With amortised resolution fees, return on equity was 10.1%, up from 3.0%.

Q3/Q3: Diluted earnings per share were EUR 0.21 compared with EUR 0.17.

Q3/Q2: Diluted earnings per share were EUR 0.21 compared with EUR 0.06.

Operating profit per business area

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Local currency	
								Q3/Q3	Q3/Q2
EURm									
Personal Banking	397	135	315	346	372	7%		8%	
Business Banking	304	52	216	292	222	37%		40%	
Large Corporates & Institutions	304	40	85	173	-45				
Asset & Wealth Management	120	99	132	140	89	35%	21%	38%	19%
Group Functions	-40	-20	-149	62	-1,059				
Total Group	1,085	306	599	1,013	-421				
Total, excl. items affecting comparability¹	1,085	306	599	875	875	24%		23%	

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

Capital position and risk exposure amount

The Nordea Group's Common Equity Tier 1 (CET1) capital ratio increased to 16.4% at the end of the third quarter, compared with 15.8% in the second quarter of 2020. The risk exposure amount (REA) decreased by EUR 4.0bn, primarily due to decreased market risk, FX effects and the full phase-in of the revised SME supporting factor. CET1 capital increased by EUR 0.3bn, mainly due to profit accumulation net of dividend accrual.

The Group's Tier 1 capital ratio increased to 18.2% at the end of the quarter from 17.6% in the second quarter. The total capital ratio decreased to 19.9% in the third quarter, primarily driven by a reduction in Tier 2 capital instruments.

At the end of the third quarter, CET1 capital amounted to EUR 24.8bn, Tier 1 capital amounted to EUR 27.4bn and own funds amounted to EUR 29.9bn.

The leverage ratio increased to 5.3% at the end of the third quarter from 4.9% in the second quarter. The increase was primarily driven by a regulatory change allowing certain central bank exposures to be excluded from the calculation.

The Group's economic capital (EC) amounted to EUR 23.7bn at the end of the third quarter, a decrease of EUR 0.5bn compared with the second quarter. This was mainly driven by a decrease in Pillar 1 credit risk and market risk during the third quarter.

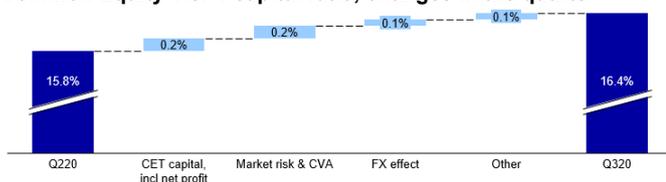
Capital ratios

	Q320	Q220	Q120	Q419	Q319
%					
CRR/CRDIV					
CET 1 capital ratio	16.4	15.8	16.0	16.3	15.4
Tier 1 capital ratio	18.2	17.6	17.8	18.3	17.4
Total capital ratio	19.9	20.1	20.2	20.8	20.0

Risk exposure amount, (EURbn), quarterly



Common Equity Tier 1 capital ratio, changes in the quarter



Capital and dividend policy

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

Dividend for the financial year 2019

The Annual General Meeting (AGM) held on 28 May 2020 resolved, in accordance with the proposal of the Board of Directors, to authorise the Board to decide on a dividend payment of a maximum of EUR 0.40 per share for the financial year 2019, to be distributed in one or several instalments. The authorisation will remain in force until the beginning of the next AGM.

On 27 July 2020 the European Central Bank (ECB) extended its recommendation for banks not to pay dividends or buy back shares until 1 January 2021, from 1 October 2020 previously. The Board of Directors has acknowledged the ECB's updated recommendation and decided on 10 September 2020 to refrain from deciding on a dividend payment for the financial year 2019 based on the authorisation before 1 January 2021.

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

Regulatory development

On 27 July the ECB extended its recommendation for banks not to pay dividends or buy back shares until 1 January 2021. The ECB also clarified that banks will not be required to start replenishing the capital buffers before the peak in capital depletion is reached. The exact timeline will be decided following the 2021 EU-wide stress test, and, as in every supervisory cycle, on a case-by-case basis according to the individual situation of each bank. The same applies for replenishing the liquidity coverage ratio (LCR). The ECB also committed to allow banks to operate below the Pillar 2 guidance (P2G) and the combined buffer requirement until at least end-2022, and below the LCR until at least end-2021, without automatically triggering supervisory actions.

On 17 September the ECB announced that euro area banks under its direct supervision may exclude certain central bank exposures from the leverage ratio. Banks may benefit from this measure until 27 June 2021.

On 16 September the Swedish Financial Supervisory Authority announced that it would be extending the 25% risk weight floor for Swedish mortgages for a period of one year, in accordance with Article 458 of the Capital Requirements Regulation (CRR). The current risk weight floor is valid until 31 December 2020. On 30 September the Finnish Financial Supervisory Authority announced that it did not intend to extend the current 15% risk weight floor due to expire on 1 January 2021. Hence the risk weight floor will apply in the third and fourth quarters of 2020, but not from the beginning of 2021 onwards.

The Nordic countries left their respective countercyclical capital buffers unchanged, i.e. at 0% in Finland, Denmark and Sweden, and at 1% in Norway. Denmark, Sweden and Norway reiterated that they do not expect to make a decision on whether or not to increase the buffer prior to 2021. This means that the buffers will remain in place until at least the first quarter of 2022, given that it takes 12 months for an increase to become applicable.

Risk exposure amount

	30 Sep 2020	30 Jun 2020	30 Sep 2019
EURm			
Credit risk	115,586	117,764	124,469
IRB	102,531	104,380	110,823
- sovereign			
- corporate	66,518	68,349	74,949
- advanced	55,965	57,026	62,301
- foundation	10,553	11,323	12,648
- institutions	5,283	5,420	5,507
- retail	26,927	26,933	26,203
- items representing securitisation positions	883	890	1,467
- other	2,920	2,788	2,697
Standardised	13,055	13,384	13,646
- sovereign	685	840	1,049
- retail	5,266	5,115	5,194
- other	7,104	7,429	7,403
Credit Value Adjustment Risk	633	934	844
Market risk	7,537	9,597	4,257
- trading book, Internal Approach	4,781	6,842	3,306
- trading book, Standardised Approach	598	653	951
- banking book, Standardised Approach	2,158	2,102	
Settlement risk	106	1	2
Operational risk	14,701	14,701	15,698
Additional risk exposure amount related to Finnish RW floor due to Article 458 of the CRR	546	452	711
Additional risk exposure amount related to Swedish RW floor due to Article 458 of the CRR	11,450	11,151	10,367
Additional risk exposure amount due to Article 3 of the CRR			
Total	150,559	154,600	156,349

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

	30 Sep 2020	30 Jun 2020	30 Sep 2019
EURm			
Calculation of own funds			
Equity in the consolidated situation	28,046	28,064	28,198
Profit of the period	1,665	891	988
Proposed/actual dividend	-1,078	-492	-1,212
Common Equity Tier 1 capital before regulatory adjustments	28,634	28,463	27,974
Deferred tax assets	-173	-240	
Intangible assets	-3,377	-3,401	-3,366
IRB provisions shortfall (-)			
Pension assets in excess of related liabilities	-56	-71	-117
Other items, net ¹	-272	-290	-384
Total regulatory adjustments to Common Equity Tier 1 capital	-3,878	-4,002	-3,867
Common Equity Tier 1 capital (net after deduction)	24,756	24,461	24,107
Additional Tier 1 capital before regulatory adjustments	2,704	2,787	3,181
Total regulatory adjustments to Additional Tier 1 capital	-26	-24	-27
Additional Tier 1 capital	2,678	2,763	3,154
Tier 1 capital (net after deduction)	27,434	27,224	27,261
Tier 2 capital before regulatory adjustments	3,669	4,240	4,789
IRB provisions excess (+)	615	626	216
Deductions for investments in insurance companies	-1,000	-1,000	-1,000
Other items, net	-812	-62	-61
Total regulatory adjustments to Tier 2 capital	-1,197	-436	-845
Tier 2 capital	2,472	3,804	3,944
Own funds (net after deduction)	29,906	31,028	31,205
¹ Other items, net based on profit inclusion.	-282	-290	-405

Own funds excluding profit

	30 Sep ² 2020	30 Jun 2020	30 Sep 2019
EURm			
Common Equity Tier 1 capital	24,558	24,385	24,311
Tier 1 capital (net after deduction)	27,236	27,148	27,466
Total own funds	29,708	30,952	31,409

² Including second quarter and first quarter profit, excluding third quarter (pending application).

Own funds reported to ECB³

	Including Q2 and Q1 profit, excluding Q3 profit (pending application)	Including profit	Excluding profit
Profit inclusion			

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

Balance sheet

Total assets in the quarter were EUR 12bn lower than in the previous quarter and amounted to EUR 575bn. Loans to the public, derivatives and interest-bearing securities were lower while other assets and loans to credit institutions were higher compared with the previous quarter.

Loans to credit institutions were EUR 1bn higher in the quarter and amounted to EUR 10bn, while loans to the public decreased by EUR 8bn to EUR 320bn, mainly driven by decreased repo activities.

Balance sheet data

	Q320	Q220	Q120	Q419	Q319
EURbn					
Loans to credit institutions	10	9	16	9	20
Loans to the public	320	328	324	323	328
Derivatives	45	47	57	39	52
Interest-bearing securities	68	73	72	65	66
Other assets	132	130	131	119	120
Total assets	575	587	600	555	586
Deposits from credit institutions	39	46	63	32	45
Deposits from the public	190	188	174	169	168
Debt securities in issue	180	182	184	194	191
Derivatives	45	50	55	42	54
Other liabilities	88	89	93	86	97
Total equity	33	32	31	32	31
Total liabilities and equity	575	587	600	555	586

Nordea's funding and liquidity operations

Nordea issued approximately EUR 4.4bn in long-term funding in the third quarter (excluding Danish covered bonds), of which approximately EUR 1.3bn was issued in the form of covered bonds and EUR 3.1bn was issued as senior debt.

Public benchmark transactions during the quarter included a five-year USD 1bn fixed rate senior unsecured bond issued by Nordea Bank Abp and a five-year NOK 6bn floating rate covered bond issued by Nordea Eiendoms kreditt.

At the end of the third quarter long-term funding accounted for approximately 78% of Nordea's total funding.

Short-term liquidity risk is measured using several metrics, including the LCR. The Nordea Group's combined LCR according to the EBA Delegated Act was 172% at the end of the third quarter. The Group's LCR in EUR was 269% and in USD was 198%. The liquidity buffer is composed of highly liquid central bank eligible securities and cash, as defined in the LCR regulation. At the end of the third quarter, the liquidity buffer amounted to EUR 106bn, compared with EUR 105bn at the end of the second quarter. The net stable funding ratio (NSFR) measures long-term liquidity risk. At the end of the third quarter Nordea's NSFR was 114.9%, compared with 113.3% at the end of the second quarter, due to higher volumes of deposits supporting the diversified funding structure and a reduced loan-to-deposit gap.

We maintained a strong liquidity position throughout the period of COVID-19-related market stress. In the third quarter the market situation became more normalised and we resumed business-as-usual liquidity management.

Nordea has participated in different local central bank facilities, including the targeted longer-term refinancing operations (TLTROs) in the second quarter of 2020 provided by the ECB, to further support customer needs.

Funding and liquidity data

	Q320	Q220	Q120	Q419	Q319
Long-term funding portion	78%	77%	78%	78%	79%
LCR total	172%	160%	182%	166%	188%
LCR EUR	269%	183%	234%	236%	185%
LCR USD	198%	202%	191%	146%	183%

Market risk

Market risk in the trading book measured by value at risk (VaR) was EUR 28m. Compared with the previous quarter, total VaR decreased by EUR 1m, primarily due to lower interest rate and equity risk being partially offset by higher credit spread risk. Interest rate risk was the main driver of market risk at the end of the quarter. Total VaR continues to be driven by market risk related to Nordic and other Northern European exposures.

Trading book

	Q320	Q220	Q120	Q419	Q319
EURm					
Total risk, VaR	28	29	60	21	15
Interest rate risk, VaR	25	27	53	18	11
Equity risk, VaR	3	5	24	6	9
Foreign exchange risk, VaR	4	3	3	2	2
Credit spread risk, VaR	12	9	27	4	5
Inflation risk, VaR	3	2	3	2	2
Diversification effect	39%	38%	46%	34%	50%

VaR for the banking book fell since the second quarter of 2020 due to reduced risk relating to liquid investments. The overall risk level remains elevated by historical standards due to the inclusion of historical volatility in the VaR modelling.

Banking book

	Q320	Q220	Q120	Q419	Q319
EURm					
Total risk, VaR	81	90	82	34	37
Interest rate risk, VaR	82	87	84	34	37
Equity risk, VaR	6	8	5	6	5
Foreign exchange risk, VaR	4	13	5	5	3
Credit spread risk, VaR	3	3	2	1	0
Diversification effect	15%	19%	15%	26%	17%

Nordea share and ratings

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

	Nasdaq STO (SEK)	Nasdaq COP (DKK)	Nasdaq HEL (EUR)
9/30/2018	96.86	70.02	9.46
12/31/2018	74.58	54.23	7.27
3/31/2019	70.75	50.79	6.81
6/30/2019	67.42	47.74	6.39
9/30/2019	69.81	48.49	6.5
12/31/2019	75.64	54.27	7.24
3/31/2020	56.08	38.06	5.13
6/30/2020	64.31	45.80	6.15
9/30/2020	68.31	48.60	6.49

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

* Negative outlook

Capital Markets Day follow-up

A year ago we published our financial targets for 2022 and updated our business plan. Despite a highly unusual year so far, we are delivering on our plan as presented at the Capital Markets Day (CMD) last year. Our cost-to-income ratio improved to 54% over the first nine months of 2020, down from 58% over the same period last year, and is on track to reach our target of 50% in 2022. Return on equity fell to 6.7% over the first nine months of 2020, down from 8.3% over the same period last year, impacted by loan loss provisions made during the first two quarters of 2020. During the third quarter return on equity improved to 10.1%, progressing towards our 2022 target of a return on equity above 10%.

Supporting the implementation of our business plan, we are seeing performance improvements in accordance with our three key priorities:

Create great customer experiences: Customer satisfaction increased by 3%-points in the household segment and 6%-points in the corporate segment compared with the same quarter last year.

Drive income growth initiatives: Lending growth during the past year has been driven by increased mortgage lending volumes (+6% in local currencies) and increased SME lending (+4% in local currencies). Moreover, for the first nine months of 2020 the annualised net flows amounted to 2.2% of assets under management. In October we completed the acquisition of SG Finans and we expect to finalise the purchase of the Frende portfolios during the fourth quarter of 2020.

Optimise operational efficiency: We have approximately 1,600 fewer employees, primarily in the Nordic countries, and approximately 500 fewer consultants compared with the same quarter last year. To streamline processes, more than 300 application components have been decommissioned. Furthermore, IT spending has been reduced according to plan.

More information on the CMD follow-up of each business area can be found under the heading "Capital Markets Day follow-up" in the sections "Personal Banking", "Business Banking", "Large Corporates & Institutions" and "Asset & Wealth Management".

Other information

Update on the acquisition of SG Finans

Nordea announced on 19 December 2019 that it had entered into an agreement with Société Générale to acquire all shares in SG Finans AS ("SG Finans") and combine the business with Nordea's Nordic finance business, Nordea Finance. As previously announced, the regulatory approvals have been received and the acquisition was completed on 1 October.

The transaction is expected to have a positive impact on the Nordea Group's total annual income of about EUR 140 million and to decrease its Common Equity Tier 1 ratio by around 35-40bp. The transaction is also expected to result in a minor increase in the Nordea Group's earnings per share and return on equity. (For more details, see Note 1 on page 39)

Update on the Nordea Direct merger

On 12 June 2019, the Boards of Directors of Nordea Direct Bank ASA (formerly Gjensidige Bank ASA) and Nordea Bank Abp signed the merger plan and resolved to initiate the cross-border merger between the two companies. The merger was formally approved by the Boards of Directors in October 2019, as announced by the Norwegian Register of Business Enterprises. The merger is expected to be completed between 1 May 2021 and 1 July 2021, with 1 June 2021 as the target date, and is subject to regulatory approval.

Update on the divestment of Automatia

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

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

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

Update on the sale of Nordea's shares in VP Securities

On 23 April 2020, together with the other majority owners, Nordea agreed with Euronext to jointly sell approximately 70% of VP Securities, the Danish Central Securities Depository. Nordea holds 11.8% of the shares. The agreed purchase price for Nordea's 11.8% amounts to approximately EUR 18m. The increase in net fair value of approximately EUR 9m from the transaction was recorded in our second quarter financial results. The transaction was closed on 3 August 2020.

Nordea to acquire pension portfolios from Frende Forsikring in Norway

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

As part of the transaction, Nordea Liv will also enter into a long-term agreement to distribute pension products with the Norwegian savings banks which own Frende Livsforsikring AS. The acquisition is subject to customary regulatory approvals and is expected to close during the fourth quarter of 2020.

Transfer of own shares pursuant to variable remuneration programmes

On 11 September 2020 the Board of Directors resolved, based on the authorisation granted by the Annual General Meeting in 2020, on a transfer of a maximum of 26,000 own shares with deviation from the shareholders' pre-emptive rights by way of a directed issuance to participants of variable pay programmes to settle Nordea's commitments for payment of part of variable pay in shares.

Pursuant to the above-mentioned Board resolution, on 14 September 2020, Nordea transferred 13,572 own shares to settle its commitments towards participants of its variable remuneration programmes. Following the transfer of own shares, Nordea holds 8,184,572 treasury shares for remuneration purposes.

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

The COVID-19 virus continued to spread across the globe in the third quarter of 2020. From the outset of the pandemic, we have taken prompt action in order to strengthen our governance and mitigate operational risks by protecting both our customers and employees. We established a Global Crisis Management team, which has met on a frequent and regular basis to discuss and assess the situation and take necessary action. This close monitoring continued throughout the third quarter, where the situation continued to develop somewhat differently in the different Nordic countries.

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

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

Quarterly development, Group

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Jan-Sep 2020	Jan-Sep 2019
EURm							
Net interest income	1,146	1,091	1,109	1,108	1,083	3,346	3,210
Net fee and commission income	729	673	765	775	756	2,167	2,236
Net result from items at fair value	274	318	109	266	211	701	758
Profit from associated undertakings and joint ventures accounted for under the equity method	6	-10	-2	-1	13	-6	51
Other operating income	17	20	20	146	22	57	86
Total operating income	2,172	2,092	2,001	2,294	2,085	6,265	6,341
General administrative expenses:							
Staff costs	-686	-645	-699	-648	-924	-2,030	-2,369
Other expenses	-245	-303	-419	-375	-366	-967	-1,264
Depreciation, amortisation and impairment charges of tangible and intangible assets	-158	-140	-130	-156	-885	-428	-1,174
Total operating expenses	-1,089	-1,088	-1,248	-1,179	-2,175	-3,425	-4,807
Profit before loan losses	1,083	1,004	753	1,115	-90	2,840	1,534
Net loan losses	2	-698	-154	-102	-331	-850	-434
Operating profit	1,085	306	599	1,013	-421	1,990	1,100
Income tax expense	-248	-63	-139	-263	89	-450	-308
Net profit for the period	837	243	460	750	-332	1,540	792
Diluted earnings per share (DEPS), EUR	0.21	0.06	0.11	0.19	-0.08	0.37	0.19
DEPS, rolling 12 months up to period end, EUR	0.56	0.27	0.38	0.38	0.32	0.56	0.32

Business areas

	Personal Banking		Business Banking		Large Corporates & Institutions		Asset & Wealth Management		Group Functions		Nordea Group		Chg
	Q3	Q2	Q3	Q2	Q3	Q2	Q3	Q2	Q3	Q2	Q3	Q2	
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	
EURm													
Net interest income	540	501	352	339	224	211	16	17	14	23	1,146	1,091	5%
Net fee and commission income	278	266	140	129	114	98	204	186	-7	-6	729	673	8%
Net result from items at fair value	14	45	60	72	144	156	23	25	33	20	274	318	-14%
Equity method & other income	2	2	5	6	0	0	3	-2	13	4	23	10	
Total operating income	834	814	557	546	482	465	246	226	53	41	2,172	2,092	4%
Total operating expenses	-439	-453	-251	-257	-182	-196	-123	-125	-94	-57	-1,089	-1,088	0%
Net loan losses	2	-226	-2	-237	4	-229	-3	-2	1	-4	2	-698	
Operating profit	397	135	304	52	304	40	120	99	-40	-20	1,085	306	
Cost-to-income ratio, %	53	56	45	47	38	42	50	55			50	52	
Return on capital at risk, %	16	5	15	2	13	2	24	21			14 ¹	4 ¹	
Economic capital (EC)	7,463	7,424	6,152	6,346	6,827	7,207	1,498	1,446	1,736	1,782	23,676	24,205	-2%
Risk exposure amount (REA)	46,062	45,695	40,055	41,375	45,027	47,863	5,625	5,587	13,790	14,080	150,559	154,600	-3%
Number of employees (FTEs)	7,100	7,282	4,255	4,266	1,600	1,623	2,737	2,735	12,188	12,048	27,880	27,954	0%
Volumes, EURbn:													
Total lending	156.0	155.0	84.9	85.7	68.8	77.2	9.0	8.8	1.5	1.0	320.2	327.7	-2%
Total deposits	80.8	80.5	47.4	46.5	52.3	52.0	10.6	10.8	-1.1	-1.3	190.0	188.5	1%

¹ Excluding items affecting comparability.

	Personal Banking		Business Banking		Large Corporates & Institutions		Asset & Wealth Management		Group Functions		Nordea Group		Chg
	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep		
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	
EURm													
Net interest income	1,558	1,582	1,037	1,018	652	634	51	40	48	-64	3,346	3,210	4%
Net fee and commission income	836	895	423	433	333	333	591	567	-16	8	2,167	2,236	-3%
Net result from items at fair value	72	149	202	126	367	215	81	72	-21	196	701	758	-8%
Equity method & other income	6	3	16	17	0	1	7	45	22	71	51	137	-63%
Total operating income	2,472	2,629	1,678	1,594	1,352	1,183	730	724	33	211	6,265	6,341	-1%
Total operating expenses	-1,363	-1,505	-805	-847	-646	-735	-374	-432	-237	-1,288	-3,425	-4,807	-29%
Net loan losses	-262	-102	-301	-110	-277	-206	-5	-2	-5	-14	-850	-434	96%
Operating profit	847	1,022	572	637	429	242	351	290	-209	-1,091	1,990	1,100	81%
Cost-to-income ratio, %	55	57	48	53	48	62	51	60			55	76	
Return on capital at risk, %	11	12	9	10	6	3	23	17			8 ¹	9 ¹	
Economic capital (EC)	7,463	8,831	6,152	6,525	6,827	7,852	1,498	1,708	1,736	1,582	23,676	26,498	-11%
Risk exposure amount (REA)	46,062	45,376	40,055	45,737	45,027	47,454	5,625	5,539	13,790	12,243	150,559	156,349	-4%
Number of employees (FTEs)	7,100	7,750	4,255	4,324	1,600	1,833	2,737	2,774	12,188	12,788	27,880	29,469	-5%
Volumes, EURbn:													
Total lending	156.0	152.4	84.9	83.1	68.8	82.0	9.0	8.1	1.5	2.7	320.2	328.3	-2%
Total deposits	80.8	76.2	47.4	40.2	52.3	42.3	10.6	10.0	-1.1	-0.4	190.0	168.3	13%

¹ Excluding items affecting comparability.

Personal Banking

Introduction

In Personal Banking we work to deliver great customer experiences to over nine million household customers. We offer a full range of financial services through a combination of physical and digital channels.

We aim to be a trusted and personal financial partner to our household customers and provide them with easy and convenient ways to fulfil their everyday banking needs, as well as sound advice to support them in the context of key life events.

Business development

Key business events and milestones

In the third quarter we continued to see strong business momentum in mortgages, resulting in increased market shares for both new sales and stock. We further improved the customer experience for home buyers and home owners in our mobile bank app and added more products. For example, we added green mortgages in Finland, Norway and Sweden.

We granted COVID-19-related instalment-free periods on loans for 86,000 household customers, equivalent to a total loan amount of EUR 13bn over the past six months. The demand for instalment-free periods has now decreased and we will resume our normal credit process for customers needing an instalment-free period or other eased terms. So far, around 12% of the instalment-free periods have ended and the vast majority of customers are returning to normalised amortisation schedules.

Throughout the quarter we continued to make it easier for our customers to start saving and encouraged 1.8 million non-savers to find out about savings possibilities through the mobile bank app. We also expanded the range of sustainable options on offer, responding to a significant increase in demand for these types of products.

We continued to leverage on our scale through common digital platforms across the Nordics, build on our digital services and expand our digital product offerings. In addition, we have upgraded our chatbot, Nova, to now actively perform tasks on behalf of customers in Denmark, Finland and Sweden. Our mobile bank app continues to increase in popularity: we have seen a 9% increase in users and 18% more log-ons compared with the third quarter of last year.

We continued to enter into new partnerships during the quarter. For example we teamed up with TestaViva, the leading Danish platform for drafting legal documents online, as we want to help customers safeguard the financial security of themselves and their families.

Customer satisfaction with online meetings has increased by 29%. According to the latest EPSI ratings, we are reducing the gap with our peers.

Capital Markets Day follow-up

We are on track to lower our cost-to-income ratio to approximately 50% in 2022, having reduced it to 55% over the first nine months of 2020, down from 57% in the same period in 2019. We have seen a 6% increase in mortgage volumes in local currencies since the third quarter of last year. We also increased the share of online meetings by 13%-points and the number of savings advisory sessions with our digital advisor by around 190%.

Financial outcome

Total income decreased by 8%, as 2019 saw unusually high positive revaluations booked on the net result from items at fair value. Underlying business continued to be impacted by the effects of COVID-19, resulting in lower payments income compared with last year. Compared with the previous quarter, total income increased by 2% as business activity gained momentum.

Net interest income was unchanged compared with the same quarter last year. Mortgage lending volumes increased by 4%, deposit margins increased in Sweden and mortgage margins increased in Norway. Lower deposit margins in Finland and Norway offset the positive development somewhat. Compared with the previous quarter, net interest income increased by 8%.

Lending volumes increased by 4% in local currencies compared with the same quarter last year and by 1% compared with the previous quarter.

Deposit volumes increased by 6% compared with the same quarter last year.

Net fee and commission income decreased by 11% compared with the same quarter last year, mainly driven by lower payments income. Compared with the previous quarter, net fee and commission income improved by 5% due to higher savings income.

Net result from items at fair value decreased significantly compared with the same quarter last year due to extraordinary income in 2019, as well as changes to income recognition principles for collar loans which were introduced after the second quarter of 2020.

Total expenses decreased by 13% compared with the same quarter last year, due in particular to lower staff costs. This resulted in a cost-to-income ratio of 54% (with amortised resolution fees).

Net loan losses decreased significantly compared with the same quarter last year.

Personal Banking Denmark

Net interest income decreased by 1% in local currency compared with the same quarter last year, mainly due to pressure on lending margins and a decline in non-mortgage volumes. Compared with the previous quarter, net interest income increased by 2% in local currency.

Compared with the same quarter last year, lending volumes increased by 2% in local currency, driven by mortgage volume growth. In the third quarter of 2020 mortgage volumes were growing faster than the market. Deposit volumes increased by 3% compared with the same quarter last year.

Net fee and commission income decreased by 21% in local currency compared with the same quarter last year due to the high mortgage conversion activity in 2019, as well as lower payments and cards income in 2020. Compared with the previous quarter, both lending and savings activity drove up fee and commission income.

Net result from items at fair value decreased significantly from the extraordinarily high levels of the same quarter last year.

Net loan losses decreased significantly compared with the same quarter last year.

Personal Banking Finland

Net interest income decreased by 12% compared with the same quarter last year, mainly due to lower credit card volumes as well as lower deposit margins. Net interest income remained stable compared with the previous quarter.

Lending volumes increased by 4% compared with the same quarter last year and by 1% compared with the previous quarter, driven by mortgage volume growth. Deposit volumes increased by 8% compared with the same quarter last year.

Net fee and commission income decreased by 9% compared with the same quarter last year, mainly due to lower payments and cards income. Changes to the pricing structure resulting from the Consumer Finance Act that came into force at the end of September 2019 are also adversely affecting the income level. Compared with the previous quarter, net fee and commission income increased by 5% due to higher savings and lending income.

Net result from items at fair value decreased significantly compared with both the same quarter last year and the previous quarter due to changed income recognition principles for collar loans which were introduced after the second quarter of 2020.

Net loan losses increased significantly compared with the same quarter last year, where the IFRS 9 model recalibration had resulted in reversals of loan loss provisions.

Personal Banking Norway

Net interest income decreased by 1% in local currency compared with the same quarter last year due to lower deposit margins. Net interest income in local currency was up 8% compared with the previous quarter due to increased deposit margins.

Lending volumes increased in local currency by 7% compared with the same quarter last year and by 2% compared with the previous quarter, driven by mortgage volume growth. Deposit volumes increased by 2% compared with the same quarter last year.

Net fee and commission income stayed at the same level in local currency as in the third quarter of last year, and decreased by 4% compared with the previous quarter.

Net loan losses decreased significantly compared with the same quarter last year.

Personal Banking Sweden

Net interest income increased by 10% in local currency compared with the same quarter last year, mainly driven by increased deposit margins, as well as volume growth. Compared with the previous quarter, net interest income increased by 10% in local currency.

Lending volumes increased in local currency by 5% compared with the same quarter last year and by 1% compared with the previous quarter, driven by mortgage lending growth. Deposit volumes increased by 10% in local currency compared with the same quarter last year.

Net fee and commission income decreased by 8% in local currency compared with the same quarter last year, mainly due to lower payments income. Compared with the previous quarter, net fee and commission income increased by 2%, driven by both savings and payments income.

Net loan losses decreased significantly compared with the same quarter last year.

Personal Banking total

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Local curr.		Jan-Sep 20	Jan-Sep 19	Jan-Sep 20/19	
								Q3/Q3	Q3/Q2			EUR	Local
EURm													
Net interest income	540	501	517	523	539	0%	8%	1%	6%	1,558	1,582	-2%	1%
Net fee and commission income	278	266	292	313	314	-11%	5%	-12%	3%	836	895	-7%	-6%
Net result from items at fair value	14	45	13	23	45	-69%	-69%	-67%	-67%	72	149	-52%	-50%
Equity method & other income	2	2	2	-1	4					6	3		
Total income incl. allocations	834	814	824	858	902	-8%	2%	-7%	1%	2,472	2,629	-6%	-4%
Total expenses incl. allocations	-439	-453	-471	-484	-502	-13%	-3%	-12%	-4%	-1,363	-1,505	-9%	-8%
Profit before loan losses	395	361	353	374	400	-1%	9%	-1%	8%	1,109	1,124	-1%	1%
Net loan losses	2	-226	-38	-28	-28					-262	-102		
Operating profit	397	135	315	346	372	7%		8%		847	1,022	-17%	-15%
Cost-to-income ratio, %	53	56	57	56	56					55	57		
Cost-to-income ratio ¹ , %	54	54	55	58	57					55	57		
Return on capital at risk, %	16	5	12	13	12					11	12		
Economic capital (EC)	7,463	7,424	7,664	7,988	8,831	-15%	1%			7,463	8,831	-15%	
Risk exposure amount (REA)	46,062	45,695	43,140	45,870	45,376	2%	1%			46,062	45,376	2%	
Number of employees (FTEs)	7,100	7,282	7,385	7,522	7,750	-8%	-2%			7,100	7,750	-8%	
Volumes, EURbn:													
Mortgage lending	135.4	134.1	127.7	133.3	130.5	4%	1%	6%	2%	135.4	130.5	4%	6%
Other lending	20.6	20.9	20.9	21.8	21.9	-6%	-1%	-5%	-1%	20.6	21.9	-6%	-5%
Total lending	156.0	155.0	148.6	155.1	152.4	2%	1%	4%	1%	156.0	152.4	2%	4%
Total deposits	80.8	80.5	75.2	76.5	76.2	6%	0%	7%	1%	80.8	76.2	6%	7%

¹ Adjusted for resolution fees before tax.

Personal Banking

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Local curr.		Jan- Sep 20	Jan- Sep 19	Jan-Sep 20/19	
								Q3/Q3	Q3/Q2			EUR	Local
Net interest income, EURm													
PeB Denmark	140	138	140	143	141	-1%	1%	-1%	2%	418	424	-1%	-2%
PeB Finland	88	88	92	91	100	-12%	0%	-12%	0%	268	298	-10%	-10%
PeB Norway	118	106	112	123	129	-9%	11%	-1%	8%	336	355	-5%	4%
PeB Sweden	193	171	174	171	170	14%	13%	10%	10%	538	511	5%	5%
Other	1	-2	-1	-5	-1					-2	-6		
Net fee and commission income, EURm													
PeB Denmark	69	67	76	89	87	-21%	3%	-21%	3%	212	232	-9%	-9%
PeB Finland	89	85	91	95	98	-9%	5%	-9%	5%	265	287	-8%	-8%
PeB Norway	24	24	27	26	27	-11%	0%	0%	-4%	75	85	-12%	-1%
PeB Sweden	96	89	99	102	100	-4%	8%	-8%	2%	284	297	-4%	-4%
Other	0	1	-1	1	2					0	-6		
Net loan losses, EURm													
PeB Denmark	0	-51	-12	-10	-40					-63	-42		
PeB Finland	-4	-91	-8	-1	45					-103	5		
PeB Norway	9	-53	-3	-9	-19					-47	-35		
PeB Sweden	-3	-30	-16	-6	-16					-49	-32		
Other	0	-1	1	-2	2					0	2		
Volumes													
Personal Banking Denmark													
Mortgage lending	32.9	32.3	31.8	31.6	31.0	6%	2%	5%	1%	32.9	31.0	6%	5%
Other lending	8.4	8.8	8.9	9.0	9.1	-8%	-5%	-8%	-3%	8.4	9.1	-8%	-8%
Total lending	41.3	41.1	40.7	40.6	40.1	3%	0%	2%	0%	41.3	40.1	3%	2%
Total deposits	22.0	22.0	20.9	21.5	21.3	3%	0%	3%	0%	22.0	21.3	3%	3%
Personal Banking Finland													
Mortgage lending	28.2	27.7	27.3	27.1	26.7	6%	2%	6%	2%	28.2	26.7	6%	6%
Other lending	6.3	6.3	6.4	6.4	6.4	-2%	0%	-2%	0%	6.3	6.4	-2%	-2%
Total lending	34.5	34.0	33.7	33.5	33.1	4%	1%	4%	1%	34.5	33.1	4%	4%
Total deposits	24.4	23.8	22.9	22.4	22.5	8%	3%	8%	3%	24.4	22.5	8%	8%
Personal Banking Norway													
Mortgage lending	30.8	30.8	28.0	32.4	32.0	-4%	0%	8%	2%	30.8	32.0	-4%	8%
Other lending	2.6	2.6	2.4	3.1	3.0	-13%	0%	-3%	4%	2.6	3.0	-13%	-3%
Total lending	33.4	33.4	30.4	35.5	35.0	-5%	0%	7%	2%	33.4	35.0	-5%	7%
Total deposits	9.5	9.9	8.7	10.0	10.3	-8%	-4%	2%	-3%	9.5	10.3	-8%	2%
Personal Banking Sweden													
Mortgage lending	43.6	43.2	40.6	42.2	40.6	7%	1%	6%	1%	43.6	40.6	7%	6%
Other lending	3.3	3.3	3.2	3.4	3.4	-3%	0%	-3%	0%	3.3	3.4	-3%	-3%
Total lending	46.9	46.5	43.8	45.6	44.0	7%	1%	5%	1%	46.9	44.0	7%	5%
Total deposits	24.8	24.9	22.7	22.6	22.1	12%	0%	10%	0%	24.8	22.1	12%	10%

Business Banking

Introduction

In Business Banking we provide more than 500,000 small, medium and large corporate customers with banking and advisory services, both online and in person.

Business Banking also includes Transaction Banking and Nordea Finance. Transaction Banking provides payment and transaction services to customers across the Nordea Group, while Nordea Finance provides asset-based lending, sales finance and receivables finance to both corporate and private customers.

We aim to be a trusted financial partner, maintaining and developing our customer relationships by providing competent advice and developing digital solutions for easy banking.

Business development

Key business events and milestones

In the third quarter we continued to see high lending and deposit volumes, which were up 4% and 20% respectively in local currencies compared with the same quarter last year.

We onboarded more customers to our digital solutions, further rolling out our enhanced Netbank for corporate customers, "Nordea Business". More than 240,000 customers in Finland and Sweden are now able to use the service, which we also plan to expand to Denmark and Norway. Moreover, we now offer a mobile version of our Netbank to customers in Denmark and Finland and the majority of customers in Sweden.

Customer satisfaction remained unchanged from the previous quarter, and was higher than in the third quarter of 2019 in all countries. Despite these positive developments, improving customer experience and satisfaction in Business Banking continues to be one of our key focus areas.

To support our corporate customers, we granted COVID-19-related instalment-free periods on loans, which totalled EUR 6bn over the past six months. Approximately 9,000 customers benefited from this measure. The demand for instalment-free periods has now decreased and we have resumed our normal credit process for customers needing an instalment-free period or other eased terms. So far, around one third of the instalment-free periods have ended and the vast majority of customers are returning to normalised amortisation schedules.

On 1 October we finalised the acquisition of SG Finans. The integration with Nordea Finance is progressing according to plan. Our acquisition of SG Finans supports our Group strategy to focus on core business in the Nordic market. In particular, it will increase our competitiveness in the equipment and receivables finance market.

Capital Markets Day follow-up

We continue to progress towards our 2022 targets. Our cost-to-income ratio improved to 47% over the first nine months of 2020, down from 52% in the same period of 2019, bringing us closer to our 2022 target of around 45%. Key achievements include a growth in lending of 4% compared with a year ago, a 12% increase in ancillary income and continued digitalisation of interactions, with more than 240,000 customers now able to use the enhanced Netbank.

Financial outcome

Total income increased by 5% compared with the same quarter last year and was up 2% compared with the previous quarter.

Net interest income was up 4% compared with the same quarter last year, mainly due to higher volumes.

Lending volumes were flat compared with the previous quarter but were up 4% in local currencies compared with the same quarter last year. Corporate deposits were up 20% in local currencies compared with the same quarter last year.

Net fee and commission income decreased by 7% compared with the same quarter last year due to lower income from mortgage refinancing fees and payment and card fees. The latter were negatively impacted by lower levels of economic activity. Compared with the previous quarter, net fee and commission income increased by 9%, driven by higher lending commissions and higher payment and card fee income.

Net result from items at fair value increased by 67% compared with the same quarter last year due to the positive valuation adjustment of Nordea Kredit in the third quarter of 2020 compared with negative adjustments in the same quarter last year. Compared with the previous quarter, net result from items at fair value decreased by 17% due to lower income from interest rate derivatives.

Total expenses decreased by 4% compared with the same quarter last year, reflecting our continued drive for cost efficiency along the value chain, as well as lower travel and representation costs due to COVID-19. Compared with the previous quarter, which included higher resolution fees, total expenses were down 2%.

Credit quality remained strong thanks to our well-diversified portfolio and limited exposure to vulnerable sectors. Underlying loan losses remained at low levels. Net loan losses totalled EUR 2m.

Operating profit amounted to EUR 304m, up EUR 82m compared with the same quarter last year, partly explained by valuation adjustments impacting the net result from items at fair value.

Return on capital at risk (ROCAR) amounted to 15% in the third quarter, an increase of 5%-points compared with the same quarter last year, driven by higher income, lower costs and lower capital.

Business Banking's 2022 cost-to-income target is 45%. The cost-to-income ratio in the third quarter was 47% (with amortised resolution fees), an improvement of 5%-points compared with the same quarter last year.

Business Banking Denmark

Net interest income decreased by 5% in local currency compared with the same quarter last year, driven by lower lending margins and lower income accrual from Nordea Kredit.

Lending volumes decreased by 5% in local currency compared with the same quarter last year, while deposit volumes were up 12%.

Net fee and commission income decreased by 24% in local currency compared with the same quarter last year due to the impact of lower economic activity on payment and card fee income, and lower mortgage refinancing fees.

Net loan losses amounted to EUR 8m and were down EUR 27m compared with the same quarter last year.

Business Banking Finland

Net interest income decreased by 1% compared with the same quarter last year due to lower deposit income.

Lending volumes increased by 3% compared with the same quarter last year, while deposit volumes increased by 18%.

Net fee and commission income increased by 2% compared with the same quarter last year, despite lower economic activity, due to increased bank lending commissions and deposit fee income.

Net loan losses amounted to EUR 3m, compared with around EUR 1m in the same quarter last year.

Business Banking Norway

Net interest income increased by 5% in local currency compared with the same quarter last year due to higher volumes, which were partially offset by pressure on deposit margins.

Lending volumes increased by 17% in local currency

compared with the same quarter last year, and deposit volumes increased by 16%.

Net fee and commission income decreased by 4% in local currency compared with the same quarter last year due to lower net commissions from corporate finance and lower income from payment and card fees.

Reversals exceeding new provisions resulted in positive net loan losses of EUR 8m.

Business Banking Sweden

Net interest income increased by 15% in local currency compared with the same quarter last year due to higher volumes, which were partially offset by pressure on deposit margins.

Lending volumes increased by 7% in local currency compared with the same quarter last year, and deposit volumes increased by 29%.

Net fee and commission income increased by 4% in local currency compared with the same quarter last year due to higher lending commissions, Life & Pension income and equity capital market commissions, which were partially offset by lower income from payment and card fees.

Reversals exceeding new provisions resulted in positive net loan losses of EUR 3m.

Business Banking total

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Local curr.		Jan-Sep 20	Jan-Sep 19	Jan-Sep 20/19	
								Q3/Q3	Q3/Q2			EUR	Local
EURm													
Net interest income	352	339	346	346	338	4%	4%	6%	3%	1,037	1,018	2%	4%
Net fee and commission income	140	129	154	161	151	-7%	9%	-7%	7%	423	433	-2%	-1%
Net result from items at fair value	60	72	70	80	36	67%	-17%	67%	-18%	202	126	60%	65%
Equity method & other income	5	6	5	4	6					16	17		
Total income incl. allocations	557	546	575	591	531	5%	2%	6%	1%	1,678	1,594	5%	7%
Total expenses incl. allocations	-251	-257	-297	-268	-262	-4%	-2%	-4%	-4%	-805	-847	-5%	-3%
Profit before loan losses	306	289	278	323	269	14%	6%	16%	5%	873	747	17%	19%
Net loan losses	-2	-237	-62	-31	-47					-301	-110		
Operating profit	304	52	216	292	222	37%		40%		572	637	-10%	-8%
Cost-to-income ratio, %	45	47	52	45	49					48	53		
Cost-to-income ratio ¹ , %	47	48	47	48	52					47	52		
Return on capital at risk, %	15	2	9	13	10					9	10		
Economic capital (EC)	6,152	6,346	7,057	7,035	6,525	-6%	-3%			6,152	6,525	-6%	
Risk exposure amount (REA)	40,055	41,375	41,902	42,703	45,737	-12%	-3%			40,055	45,737	-12%	
Number of employees (FTEs)	4,255	4,266	4,266	4,334	4,324	-2%	0%			4,255	4,324	-2%	
Volumes, EURbn:													
Total lending	84.9	85.7	83.3	85.1	83.1	2%	-1%	4%	0%	84.9	83.1	2%	4%
Total deposits	47.4	46.5	41.5	41.7	40.2	18%	2%	20%	2%	47.4	40.2	18%	20%

¹ Adjusted for resolution fees before tax.

Business Banking

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Local curr.		Jan- Sep 20	Jan- Sep 19	Jan-Sep EUR	2019 Local
								Q3/Q3	Q3/Q2				
Net interest income, EURm													
Business Banking Denmark	83	85	89	91	87	-5%	-2%	-5%	-2%	257	270	-5%	-5%
Business Banking Finland	90	92	91	90	91	-1%	-2%	-1%	-2%	273	272	0%	0%
Business Banking Norway	77	73	80	81	80	-4%	5%	5%	3%	230	238	-3%	6%
Business Banking Sweden	93	84	86	81	78	19%	11%	15%	7%	263	232	13%	13%
Other	9	5	0	3	2					14	6		
Net fee and commission income, EURm													
Business Banking Denmark	25	26	31	34	33	-24%	-4%	-24%	-4%	82	86	-5%	-5%
Business Banking Finland	49	47	53	54	48	2%	4%	2%	4%	149	147	1%	1%
Business Banking Norway	23	22	26	28	27	-15%	5%	-4%	4%	71	80	-11%	-3%
Business Banking Sweden	53	45	55	55	49	8%	18%	4%	11%	153	152	1%	1%
Other	-10	-11	-11	-10	-6					-32	-32		
Net loan losses, EURm													
Business Banking Denmark	-8	-36	5	-6	-35					-39	-59		
Business Banking Finland	-3	-87	-45	-21	-1					-135	-9		
Business Banking Norway	8	-67	-11	5	-7					-70	-11		
Business Banking Sweden	3	-54	-11	-6	-9					-62	-24		
Other	-2	7	0	-3	5					5	-7		
Lending, EURbn													
Business Banking Denmark	24.6	25.3	25.6	25.9	25.8	-5%	-3%	-5%	-3%	24.6	25.8	-5%	-5%
Business Banking Finland	19.8	19.9	19.7	19.2	19.3	3%	-1%	3%	-1%	19.8	19.3	3%	3%
Business Banking Norway	17.2	17.2	15.9	17.5	16.5	4%	0%	17%	2%	17.2	16.5	4%	17%
Business Banking Sweden	23.2	23.2	22.1	22.5	21.5	8%	0%	7%	1%	23.2	21.5	8%	7%
Other	0.1	0.1	0	0	0					0.1	0		
Deposits, EURbn													
Business Banking Denmark	9.1	8.8	8.1	8.1	8.1	12%	3%	12%	3%	9.1	8.1	12%	12%
Business Banking Finland	14.6	14.6	13.5	12.9	12.4	18%	0%	18%	0%	14.6	12.4	18%	18%
Business Banking Norway	8.1	8.2	7.2	8.2	7.8	4%	-1%	16%	0%	8.1	7.8	4%	16%
Business Banking Sweden	15.6	14.9	12.7	12.5	11.9	31%	5%	29%	5%	15.6	11.9	31%	29%
Other	0	0	0	0	0					0	0		

Large Corporates & Institutions

Introduction

In Large Corporates & Institutions (LC&I) we provide financial solutions to approximately 3,000 large Nordic corporate and institutional customers. LC&I also services a broad range of Nordea customers through our Markets, Investment Banking and International Division.

We offer a focused range of financing, cash management and payment services, as well as investment banking, capital markets and securities services, both in the Nordics and through our international branches.

We are a leading player within sustainable finance and the overall leading bank for large corporate and institutional customers in the Nordics.

Business development

Key business events and milestones

We continued on the path towards creating a more focused, less volatile and more profitable business area.

Customer activity picked up significantly in the third quarter, with several Nordea-led corporate transactions announced, including the public tender offer for Gunnebo AB, the merger of Altia of Finland and Arcus of Norway, the merger of Cargotec and Konecranes, and EQT's acquisition of Chr. Hansen's Natural Colours Division, among many others.

The initial COVID-19-related credit demand tapered off as markets rebounded, giving way to relatively muted demand for new lending facilities in the third quarter. Furthermore, customer activity within the shipping, offshore and oil services segment was moderate in the third quarter.

We continue to be a leading platform within sustainable advisory services, as demonstrated by our 21% market share for Nordic corporate issues year-to-date. In the third quarter we hosted our third annual sustainability conference, which was attended by more than 500 virtual participants.

Capital markets were strong, with high levels of customer activity and continued volatility. Leveraging our size and diversification, we have actively supported our customers during the pandemic. The results in Markets reflected strong performances across all major products, most notably within fixed income and equities, with total income up more than 30% year-to-date.

Capital Markets Day follow-up

The third quarter ROCAR of 12% demonstrates tangible progress towards enhancing returns in accordance with the repositioning plan. However, the year-to-date ROCAR of 6% remains short of our 2022 target of 10% due to the significant negative impact of COVID-19-related loan loss provisions in the first and second quarters of the year (EUR 281m in total).

Since June 2019, reported economic capital has decreased by a total of EUR 1.3bn, with a decrease of EUR 0.4bn in the third quarter, supporting our CMD commitment to achieve a gross reduction of EUR 1.5bn by 2022. The capital optimisation was driven by lending-related efficiencies, reduced inventories and further normalised financial markets, as well as updates to the economic capital framework.

Complexity was further reduced, and through strict cost control we reduced total expenses by EUR 89m or 12% year-to-date compared with the same period last year, despite an increase in resolution fees (EUR 17m).

Financial outcome

Income was up 21% while total costs were down 11% compared with the same quarter last year, resulting in a significantly improved cost-to-income ratio of 42% and ROCAR at 12%.

Total income for the quarter amounted to EUR 482m, a 21% increase compared with the same quarter last year and a 4% increase compared with the previous quarter.

Net interest income amounted to EUR 224m, a 6% increase compared with both the same quarter last year and the previous quarter. Lending volumes decreased somewhat compared with the previous quarter as markets further normalised.

Net fee and commission income was EUR 114m, up 10% compared with the same quarter last year and up 16% compared with the previous quarter. The development was driven by higher lending fee income and strong performances in Debt Capital Markets, Equity Capital Markets and Mergers and Acquisitions.

Net result from items at fair value amounted to EUR 144m, a 78% increase compared with the same quarter last year driven by high levels of market activity and continued strong risk management. Compared with the previous quarter, net result from items at fair value decreased by 8%.

Total expenses amounted to EUR 182m, an 11% decrease compared with the same quarter last year and a 7% decrease compared with the previous quarter, mainly driven by lower staff costs and reduced travel.

Net loan loss provisions amounted to EUR 4m, as reversals offset some further provisions in the offshore segment. The underlying credit quality of the loan book is deemed to be very strong, with the total provisioning level at approximately EUR 1bn or 200bp of total LC&I lending.

Operating profit amounted to EUR 304m, which was significantly higher than in the same quarter last year, driven by higher income, lower costs and lower loan loss provisions.

Large Corporates & Institutions total

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Jan-Sep 20	Jan-Sep 19	Jan-Sep 20/19
EURm										
Net interest income	224	211	217	218	212	6%	6%	652	634	3%
Net fee and commission income	114	98	121	100	104	10%	16%	333	333	0%
Net result from items at fair value	144	156	67	96	81	78%	-8%	367	215	71%
Equity method & other income	0	0	0	0	0			0	1	
Total income incl. allocations	482	465	405	414	397	21%	4%	1,352	1,183	14%
Total expenses incl. allocations	-182	-196	-268	-196	-204	-11%	-7%	-646	-735	-12%
Profit before loan losses	300	269	137	218	193	55%	12%	706	448	58%
Net loan losses	4	-229	-52	-45	-238			-277	-206	
Operating profit	304	40	85	173	-45			429	242	77%
Cost-to-income ratio, %	38	42	66	47	51			48	62	
Cost-to-income ratio ¹ , %	42	44	53	52	56			46	61	
Return on capital at risk, %	13	2	3	7	-2			6	3	
Return on capital at risk ¹ , %	12	1	6	6	-2			6	3	
Economic capital (EC)	6,827	7,207	7,809	7,418	7,852	-13%	-5%	6,827	7,852	-13%
Risk exposure amount (REA)	45,027	47,863	46,897	44,110	47,454	-5%	-6%	45,027	47,454	-5%
Number of employees (FTEs)	1,600	1,623	1,677	1,711	1,833	-13%	-1%	1,600	1,833	-13%
Volumes, EURbn:										
Total lending	68.8	77.2	82.7	72.6	82.0	-16%	-11%	68.8	82.0	-16%
Total deposits	52.3	52.0	48.3	39.6	42.3	24%	1%	52.3	42.3	24%

¹ Adjusted for resolution fees before tax.

Large Corporates & Institutions

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Jan-Sep 20	Jan-Sep 19	Jan-Sep 20/19
Net interest income, EURm										
Denmark	37	38	36	37	35	6%	-3%	111	105	6%
Finland	40	35	33	32	31	29%	14%	108	92	17%
Norway	73	73	78	83	83	-12%	0%	224	248	-10%
Sweden	64	55	58	60	58	10%	16%	177	174	2%
Other	9	10	12	6	5			31	15	
Net loan losses, EURm										
Denmark	-1	-31	4	14	-58			-28	-77	
Finland	5	-26	-4	-14	-2			-25	-3	
Norway	-35	-108	-58	-24	-151			-201	-123	
Sweden	38	-65	2	-30	-19			-25	-53	
Other	-3	1	4	9	-8			2	50	
Lending, EURbn										
Denmark	8.7	8.9	10.0	9.7	9.8	-11%	-2%	8.7	9.8	-11%
Finland	9.3	9.5	8.9	8.8	8.2	13%	-2%	9.3	8.2	13%
Norway	12.9	13.6	14.4	14.7	15.1	-15%	-5%	12.9	15.1	-15%
Sweden	13.5	14.2	14.0	14.0	13.7	-1%	-5%	13.5	13.7	-1%
Other	24.4	31.0	35.4	25.4	35.2			24.4	35.2	
Deposits, EURbn										
Denmark	10.0	10.1	7.5	7.0	6.5	54%	-1%	10.0	6.5	54%
Finland	11.9	11.6	11.6	8.7	7.9	51%	3%	11.9	7.9	51%
Norway	8.4	8.0	9.2	8.8	8.9	-6%	5%	8.4	8.9	-6%
Sweden	13.3	12.0	11.0	9.6	9.0	48%	11%	13.3	9.0	48%
Other	8.7	10.3	9.0	5.5	10.0			8.7	10.0	

Asset & Wealth Management

Introduction

In Asset & Wealth Management we offer savings products through internal and partners' distribution channels, and provide financial advice to high net worth individuals and institutional investors.

We are the largest provider of products and services within institutional asset management, private banking and life & pensions in the Nordic region.

Our aim is for Asset & Wealth Management to be acknowledged as the leading wealth manager in each of the Nordic markets and a leading European asset manager, with global reach and capabilities.

Business development

Key business events and milestones

In the third quarter, assets under management (AuM) increased by 4%, or EUR 12bn, to EUR 326bn compared with the same quarter last year. The increase in AuM was EUR 15bn (5%) compared with the previous quarter. Investment performance increased AuM by EUR 10.2bn and net flows in the quarter were positive, totalling EUR 4.6bn. This was the highest quarterly net flow since the third quarter of 2016.

In Private Banking we had a solid quarter, generating net flows of EUR 0.8bn thanks to continued implementation of our threefold strategy: strengthening the focus on high net worth individuals, capturing growth in the Norwegian and Swedish markets and optimising the product portfolio. In addition, the Finnish market generated strong net flows throughout the quarter.

Customer satisfaction in Private Banking continued on a positive trajectory, particularly among high net worth customers. Contributing factors include our continued high level of proactiveness towards customers and higher numbers of interactions with customers on market-related updates.

In Asset Management we attracted a total of EUR 3.7bn in net flows in the third quarter, bringing net flows for the year back into positive numbers. Improved business momentum in our internal channels generated EUR 1.5bn, while EUR 2.2bn was delivered by institutional and third-party fund distribution channels. Net flows continued to stem mainly from risk premia strategies, sustainable products and liquid/illiquid alternatives.

We launched a conservative fixed income fund in response to Nordea clients requesting an alternative to deposits. We also launched a new online client communication concept, enabling us to maintain good dialogue with clients while providing easy and timely access to information.

In Life & Pensions we moved forward with the growth agenda within occupational pensions, focusing on relationship management, pipeline management and sales. We attracted EUR 0.5m in net flows in the third quarter, unchanged from the previous quarter and EUR 0.2m more than in the third quarter of last year.

We continue to grow our share of occupational pensions in Norway and Sweden, with strong gross written premiums in the third quarter and several new large customers acquired. In addition, risk products continue to show healthy growth. In Sweden we launched a new corporate self-service portal giving counterparts easy access to information on their portfolio content and performance.

Capital Markets Day follow-up

We are progressing towards meeting the targets set a year ago. With a cost-to-income ratio of 51% for the first nine months of 2020, down from 59% for the same period last year, we are on course to reach our target of below 50% in 2022. Compared with the same quarter last year, total income during the first nine months has grown by 0.8%. Despite the market disruption created by the COVID-19 outbreak, we are recovering distribution in both internal and external channels, with annualised Asset Management net flows for the first nine months of -0.2% for internal channels (third quarter annualised net flow equals 5.0%) and 1.7% for external channels (third quarter annualised net flow equals 12.9%).

Financial outcome

Total income in the third quarter amounted to EUR 246m, up 4% compared with the same quarter last year and up 9% compared with the previous quarter. Net interest income was EUR 16m, up 23% compared with same quarter last year, driven by increased lending volumes in Private Banking, and down 6% compared with the previous quarter.

Net fee and commission income was EUR 204m, up 7% compared with the same quarter last year and up 10% compared with the previous quarter.

Net result from items at fair value was EUR 23m, up EUR 12m compared with the same quarter last year and down 8% compared with the previous quarter.

Total expenses decreased by 16% compared with the same quarter last year, mainly due to structural changes in Asset & Wealth Management within the past year and reduced travel.

Net loan losses amounted to EUR 3m, up from EUR 1m in the same quarter last year.

Operating profit in the third quarter was EUR 120m, up 35% compared with the same quarter last year and up 21% compared with the previous quarter.

The cost-to-income ratio was 50%, 12%-points lower compared with the same quarter last year.

Wealth Management

Total income was EUR 144m in the third quarter, a 12% increase compared with the same quarter last year and a 5% increase compared with the previous quarter. Total expenses were down 4% compared with the same quarter last year and down 3% compared with the previous quarter. Operating profit amounted to EUR 65m.

AuM in Private Banking stood at EUR 92.7bn, up 7% compared with the third quarter of last year and up 6% compared with the previous quarter. AuM in Life & Pensions amounted to EUR 50.0bn, up 6% compared with the third quarter of last year and up 7% compared with the previous quarter. The third quarter performance resulted in a return on equity of 21.4%, the same as in the second quarter.

Nordea Life & Pensions' gross written premium (GWP) reached EUR 1.1bn in the third quarter. Market return and risk products accounted for 99% of the total GWP, unchanged from the third quarter last year, while the share of total AuM made up of market return products remained stable at 79%.

Asset Management

Asset Management income amounted to EUR 100m in the third quarter, down 3% compared with the same quarter last year and up 12% compared with the previous quarter. Operating profit was EUR 58m, down 2% compared with the same quarter last year and up 18% compared with the previous quarter. AuM in Asset Management amounted to EUR 232.8bn, up 2% compared with the third quarter of last year.

Asset & Wealth Management total

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Local curr.		Jan-	Jan-	Jan-Sep 20/19	
EURm								Q3/Q3	Q3/Q2	Sep 20	Sep 19	EUR	Local
Net interest income	16	17	18	13	13	23%	-6%	23%	-6%	51	40	28%	28%
Net fee and commission income	204	186	201	216	190	7%	10%	10%	9%	591	567	4%	5%
Net result from items at fair value	23	25	33	37	11		-8%		-12%	81	72	13%	14%
Equity method & other income	3	-2	6	2	22					7	45		
Total income incl. allocations	246	226	258	268	236	4%	9%	6%	8%	730	724	1%	2%
Total expenses incl. allocations	-123	-125	-126	-128	-146	-16%	-2%	-15%	-2%	-374	-432	-13%	-13%
Profit before loan losses	123	101	132	140	90	37%	22%	41%	21%	356	292	22%	22%
Net loan losses	-3	-2	0	0	-1					-5	-2		
Operating profit	120	99	132	140	89	35%	21%	38%	19%	351	290	21%	22%
Cost-to-income ratio, %	50	55	49	48	62					51	60		
Cost-to-income ratio ¹ , %	50	56	48	48	62					51	59		
Return on capital at risk, %	24	21	25	25	16					23	17		
Economic capital (EC)	1,498	1,446	1,365	1,767	1,708	-12%	4%			1,498	1,708	-12%	
Risk exposure amount (REA)	5,625	5,587	5,450	5,560	5,539	2%	1%			5,625	5,539	2%	
Number of employees (FTEs)	2,737	2,735	2,764	2,740	2,774	-1%	0%			2,737	2,774	-1%	
Volumes, EURbn:													
AuM	326.2	311.4	280.4	324.7	314.3	4%	5%	4%	5%	326.2	314.3	4%	4%
Total lending	9.0	8.8	8.4	8.4	8.1	11%	2%	11%	2%	9.0	8.1	11%	11%
Total deposits	10.6	10.8	10.3	10.0	10.0	6%	-2%	6%	-2%	10.6	10.0	6%	6%

¹ Adjusted for resolution fees before tax.

Assets under Management (AuM), volumes and net flow

	Q320	Q220	Q120	Q419	Q319	Net flow Q320
EURbn						
Nordic Retail funds	66.6	63.2	55.6	65.5	62.5	1.1
Private Banking	92.7	87.8	77.0	91.4	86.9	0.8
Institutional sales	112.7	108.5	101.7	114.7	113.6	2.2
Life & Pensions	54.2	51.9	46.1	53.1	51.3	0.5
Total	326.2	311.4	280.4	324.7	314.3	4.6

Wealth Management

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Jan-Sep 20	Jan-Sep 19	Jan-Sep 20/19
EURm										
Net interest income	17	17	18	13	14	21%	0%	52	42	24%
Net fee and commission income	104	93	100	106	88	18%	12%	297	272	9%
Net result from items at fair value	23	27	32	37	11		-15%	82	74	11%
Equity method & other income	0	0	0	0	16			0	33	
Total income incl. allocations	144	137	150	156	129	12%	5%	431	421	2%
Total expenses incl. allocations	-76	-78	-80	-73	-79	-4%	-3%	-234	-244	-4%
Profit before loan losses	68	59	70	83	50	36%	15%	197	177	11%
Net loan losses	-3	-2	0	1	-1			-5	-2	
Operating profit	65	57	70	84	49	33%	14%	192	175	10%
Cost-to-income ratio, %	53	57	53	47	61			54	58	
Economic capital (EC)	1,307	1,255	1,166	1,514	1,381	-5%	4%	1,307	1,381	-5%
Risk exposure amount (REA)	4,693	4,657	4,533	4,435	4,390	7%	1%	4,693	4,390	7%
Number of employees (FTEs)	1,815	1,831	1,859	1,856	1,858	-2%	-1%	1,815	1,858	-2%
Volumes, EURbn:										
AuM PB	92.7	87.8	77.0	91.4	86.9	7%	6%	92.7	86.9	7%
AuM NLP	50.0	46.9	41.9	48.7	47.0	6%	7%	50.0	47.0	6%
Mortgage lending	6.9	6.8	6.4	6.5	6.2	11%	2%	6.9	6.2	11%
Consumer lending	2.1	2.0	2.0	2.0	2.0	6%	5%	2.1	2.0	6%
Total lending	9.0	8.8	8.4	8.4	8.1	11%	2%	9.0	8.1	11%
Total deposits	10.6	10.8	10.3	10.0	10.0	6%	-2%	10.6	10.0	6%

Asset Management

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Jan-Sep 20	Jan-Sep 19	Jan-Sep 20/19
EURm										
Net interest income	-2	0	0	-1	0			-2	-1	
Net fee and commission income	103	92	101	110	102	1%	12%	296	295	0%
Net result from items at fair value	-2	-1	1	-1	0			-2	-1	
Equity method & other income	1	-2	1	3	1			0	4	
Total income incl. allocations	100	89	103	111	103	-3%	12%	292	297	-2%
Total expenses incl. allocations	-42	-40	-40	-42	-44	-5%	5%	-122	-122	0%
Profit before loan losses	58	49	63	69	59	-2%	18%	170	175	-3%
Net loan losses	0	0	0	0	0			0	0	
Operating profit	58	49	63	69	59	-2%	18%	170	175	-3%
Cost-to-income ratio, %	42	45	39	38	43			42	41	
Economic capital (EC)	182	182	191	217	172	6%	0%	182	172	6%
Risk exposure amount (REA)	914	914	899	1,014	978	-7%	0%	914	978	-7%
AuM, Nordic sales channels incl. Life, EURbn	120.2	114.6	102.3	120.4	115.5	4%	5%	120.2	115.5	4%
AuM, ext. Inst. & 3rd part. dist., EURbn	112.7	108.5	101.7	114.7	113.6	-1%	4%	112.7	113.6	-1%
Net inf., Nordic sales channels incl. Life, EURbn	1.5	0.2	-1.9	1.0	0.6			1.5	0.6	
Net inf., ext. Ins. & 3rd part. dis., EURbn	2.2	2.0	-2.8	-0.3	3.1			2.2	3.1	
Number of employees (FTEs)	878	871	877	869	858	2%	1%	878	858	2%

Private Banking

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Jan-Sep 20	Jan-Sep 19	Jan-Sep 20/19
Net fee and commission income, EURm										
PB Denmark	41	45	43	47	42	-3%	-10%	129	122	5%
PB Finland	39	34	37	41	40	-3%	14%	110	115	-5%
PB Norway	8	5	8	8	6	29%	45%	21	21	3%
PB Sweden	18	16	18	19	16	6%	10%	51	50	3%
Private Banking	105	100	106	115	105	0%	4%	311	307	1%
AuM, EURbn										
PB Denmark	28.9	27.9	25.4	29.1	28.4	2%	4%	28.9	28.4	2%
PB Finland	31.8	29.8	26.5	31.8	30.2	5%	7%	31.8	30.2	5%
PB Norway	7.2	7.0	5.6	7.5	6.8	6%	3%	7.2	6.8	6%
PB Sweden	24.7	23.1	19.5	23.0	21.5	15%	7%	24.7	21.5	15%
Private Banking	92.7	87.8	77.0	91.4	86.9	7%	6%	92.7	86.9	7%
Lending, EURbn										
PB Denmark	3.5	3.5	3.4	3.4	3.4	6%	2%	3.5	3.4	6%
PB Finland	2.2	2.1	2.1	1.9	1.9	16%	2%	2.2	1.9	16%
PB Norway	1.3	1.2	1.1	1.2	1.2	7%	4%	1.3	1.2	7%
PB Sweden	2.0	2.0	1.8	1.8	1.7	22%	2%	2.0	1.7	22%
Private Banking	9.0	8.8	8.4	8.4	8.1	12%	2%	9.0	8.1	12%

Life & Pensions

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Jan-Sep 20	Jan-Sep 19	Jan-Sep 20/19
EURm										
AuM, EURbn	50.0	46.9	41.9	48.7	47.0	6%	7%	50.0	47.0	6%
Premiums	1,098	1,102	1,644	1,966	1,174	-7%	0%	3,844	3,720	3%
Profit drivers										
Profit traditional products	8	5	4	17	2		68%	17	11	55%
Profit market return products	53	51	56	51	53	-1%	2%	160	162	-1%
Profit risk products	21	17	19	16	18	14%	24%	56	55	1%
Total product result	81	73	79	84	73	11%	12%	232	228	2%

Group Functions

Introduction

In Group Functions we provide the four business areas with the services, subject matter expertise, data and technology infrastructure needed for Nordea to be a strong and personal financial partner. Group Functions consists of Group Business Support, Chief of Staff Office, Group Brand, Communication and Marketing, Group Risk and Compliance, Group People, Group Internal Audit, Group Legal and Group Finance.

Together with the results of the business areas, the results of Group Functions add up to the reported result for the Group. The income primarily originates from Group Treasury & ALM. The majority of both costs and income is distributed to the business areas.

Business development

In the third quarter we launched initiatives to further consolidate Operations-related processes across the Group. This will enable more nearshoring, further increase operational efficiency and strengthen our focus on automation in the coming period. Robotics is a key part of our toolkit at Nordea, and we are continually introducing new robots.

Our automation agenda is driven not only from Operations, but also from other key areas, such as Technology and Data. Here, analytics are used to support faster product and service handling and improve the experience of our customers.

Financial outcome

Total operating income amounted to EUR 53m in the third quarter, up from EUR 19m in the same quarter last year and up from EUR 41m in the previous quarter.

Net interest income increased by EUR 33m compared with the same quarter last year, mainly due to higher net interest income in Treasury operations, and decreased by EUR 9m compared with the previous quarter.

Net result from items at fair value decreased by EUR 5m compared with the same quarter last year, while it increased by EUR 13m compared with the previous quarter. In the second quarter net fair value result had been negatively impacted by a EUR 24m reduction related to embedded corporate collars.

Total operating expenses amounted to EUR 94m, significantly down compared with the same quarter last year, where total operating expenses had been impacted by impairment and restructuring costs, and up EUR 37m compared with the previous quarter.

Group Functions

	Q320	Q220	Q120	Q419	Q319	Q3/Q3	Q3/Q2	Jan-Sep 20	Jan-Sep 19
EURm									
Net interest income	14	23	11	8	-19			48	-64
Net fee and commission income	-7	-6	-3	-15	-3			-16	8
Net result from items at fair value	33	20	-74	30	38			-21	196
Equity method & other income	13	4	5	140	3			22	71
Total operating income	53	41	-61	163	19			33	211
Total operating expenses	-94	-57	-86	-103	-1,061			-237	-1,288
Profit before loan losses	-41	-16	-147	60	-1,042			-204	-1,077
Net loan losses	1	-4	-2	2	-17			-5	-14
Operating profit	-40	-20	-149	62	-1,059			-209	-1,091
Economic capital (EC)	1,736	1,782	1,887	1,510	1,582			1,736	1,582
Risk exposure amount (REA)	13,790	14,080	14,719	11,972	12,243			13,790	12,243
Number of employees (FTEs)	12,188	12,048	12,200	12,693	12,788	-5%	1%	12,188	12,788

Income statement

	Note	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
EURm						
Operating income						
Interest income calculated using the effective interest rate method		1,271	1,604	4,187	4,783	6,399
Other interest income		284	334	869	1,036	1,350
Negative yield on financial assets		-73	-62	-198	-208	-309
Interest expense		-384	-843	-1,672	-2,550	-3,334
Negative yield on financial liabilities		48	50	160	149	212
Net interest income		1,146	1,083	3,346	3,210	4,318
Fee and commission income		939	976	2,817	2,905	3,931
Fee and commission expense		-210	-220	-650	-669	-920
Net fee and commission income	3	729	756	2,167	2,236	3,011
Net result from items at fair value	4	274	211	701	758	1,024
Profit from associated undertakings and joint ventures accounted for under the equity method		6	13	-6	51	50
Other operating income		17	22	57	86	232
Total operating income		2,172	2,085	6,265	6,341	8,635
Operating expenses						
General administrative expenses:						
Staff costs		-686	-924	-2,030	-2,369	-3,017
Other expenses	5	-245	-366	-967	-1,264	-1,639
Depreciation, amortisation and impairment charges of tangible and intangible assets		-158	-885	-428	-1,174	-1,330
Total operating expenses		-1,089	-2,175	-3,425	-4,807	-5,986
Profit before loan losses		1,083	-90	2,840	1,534	2,649
Net loan losses	6	2	-331	-850	-434	-536
Operating profit		1,085	-421	1,990	1,100	2,113
Income tax expense		-248	89	-450	-308	-571
Net profit for the period		837	-332	1,540	792	1,542
Attributable to:						
Shareholders of Nordea Bank Abp		837	-332	1,513	766	1,519
Additional Tier 1 capital holders		0	0	27	26	26
Non-controlling interests		-	-	-	-	-3
Total		837	-332	1,540	792	1,542
Basic earnings per share, EUR		0.21	-0.08	0.37	0.19	0.38
Diluted earnings per share, EUR		0.21	-0.08	0.37	0.19	0.38

Statement of comprehensive income

	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
EURm					
Net profit for the period	837	-332	1,540	792	1,542
Items that may be reclassified subsequently to the income statement					
Currency translation differences	-153	-124	-701	-91	18
Tax on currency translation differences	-	-	-	1	1
<i>Hedging of net investments in foreign operations:</i>					
Valuation gains/losses	94	67	415	25	-62
Tax on valuation gains/losses	-	-13	-	-2	16
<i>Fair value through other comprehensive income:¹</i>					
Valuation gains/losses, net of recycling	57	-22	13	-11	-16
Tax on valuation gains/losses	-12	4	-1	2	2
<i>Cash flow hedges:</i>					
Valuation gains/losses, net of recycling	4	20	30	21	-18
Tax on valuation gains/losses	-1	-5	-7	-4	4
Other comprehensive income from companies accounted for under the equity method	-7	0	1	0	1
Tax on other comprehensive income from companies accounted for under the equity method	2	0	0	0	0
Items that may not be reclassified subsequently to the income statement					
<i>Changes in own credit risk related to liabilities classified as fair value option:</i>					
Valuation gains/losses	-4	1	-7	-13	-15
Tax on valuation gains/losses	0	1	2	3	2
<i>Defined benefit plans:</i>					
Remeasurement of defined benefit plans	-15	-185	-246	-442	-152
Tax on remeasurement of defined benefit plans	3	41	49	97	34
Other comprehensive income, net of tax	-32	-215	-452	-414	-185
Total comprehensive income	805	-547	1,088	378	1,357
Attributable to:					
Shareholders of Nordea Bank Abp	805	-547	1,061	352	1,334
Additional Tier 1 capital holders	0	0	27	26	26
Non-controlling interests	-	-	-	-	-3
Total	805	-547	1,088	378	1,357

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

Balance sheet

	Note	30 Sep 2020	31 Dec 2019	30 Sep 2019
EURm				
Assets				
	8			
Cash and balances with central banks		48,928	35,509	31,337
Loans to central banks	7	4,430	9,207	8,153
Loans to credit institutions	7	10,361	8,516	20,067
Loans to the public	7	320,186	322,740	328,268
Interest-bearing securities		68,185	64,930	66,202
Financial instruments pledged as collateral		6,510	7,151	6,092
Shares		12,794	14,184	14,919
Assets in pooled schemes and unit-linked investment contracts		32,730	30,799	29,350
Derivatives		45,434	39,111	51,791
Fair value changes of the hedged items in portfolio hedge of interest rate risk		373	217	372
Investments in associated undertakings and joint ventures		549	572	1,377
Intangible assets		3,637	3,695	3,595
Property and equipment		1,908	2,002	1,972
Investment properties		1,573	1,585	1,603
Deferred tax assets		394	487	334
Current tax assets		392	362	782
Retirement benefit assets		74	173	156
Other assets		15,301	12,543	18,316
Prepaid expenses and accrued income		1,015	1,065	1,169
Total assets		574,774	554,848	585,855
Liabilities				
	8			
Deposits by credit institutions		39,076	32,304	45,308
Deposits and borrowings from the public		189,971	168,725	168,326
Deposits in pooled schemes and unit-linked investment contracts		33,811	31,859	30,274
Liabilities to policyholders		17,199	19,246	19,051
Debt securities in issue		180,237	193,726	190,859
Derivatives		45,308	42,047	53,742
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2,934	2,018	3,248
Current tax liabilities		187	742	304
Other liabilities		22,663	19,868	30,688
Accrued expenses and prepaid income		1,409	1,476	1,578
Deferred tax liabilities		436	481	727
Provisions		615	570	612
Retirement benefit obligations		547	439	694
Subordinated liabilities		7,828	9,819	9,907
Total liabilities		542,221	523,320	555,318
Equity				
Additional Tier 1 capital holders		750	748	750
Non-controlling interests		9	40	43
Share capital		4,050	4,050	4,050
Invested unrestricted equity		1,070	1,080	1,080
Other reserves		-2,515	-2,062	-2,290
Retained earnings		29,189	27,672	26,904
Total equity		32,553	31,528	30,537
Total liabilities and equity		574,774	554,848	585,855
Off balance sheet commitments				
Assets pledged as security for own liabilities		175,339	183,995	182,238
Other assets pledged ¹		240	20	20
Contingent liabilities		18,880	17,792	17,687
Credit commitments ²		87,719	75,330	76,959
Other commitments		1,794	1,733	1,722

¹ Includes interest-bearing securities pledged as security for payment settlements with the central banks and clearing institutions. From the third quarter of 2020 only securities that are pledged for overnight liquidity are disclosed (pledged securities for intraday liquidity are excluded). Comparative figures have been restated.

² Including unutilised portion of approved overdraft facilities of EUR 34,277m (31 December 2019: EUR 28,871m, 30 September 2019: EUR 29,892m).

Statement of changes in equity

Attributable to shareholders of Nordea Bank Abp

EURm	Share capital ¹	Invested un-restricted equity	Translation of foreign operations	Cash flow hedges	Other reserves:			Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
					Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities classified as fair value option					
Balance at 1 Jan 2020	4,050	1,080	-1,941	-26	45	-135	-5	27,672	30,740	748	40	31,528
Net profit for the period	-	-	-	-	-	-	-	1,513	1,513	27	-	1,540
Other comprehensive income, net of tax	-	-	-286	23	12	-197	-5	1	-452	-	-	-452
Total comprehensive income	-	-	-286	23	12	-197	-5	1,514	1,061	27	-	1,088
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-27	-	-27
Change in additional AT1 capital	-	-	-	-	-	-	-	-	-	2	-	2
Share-based payments	-	-	-	-	-	-	-	3	3	-	-	3
Purchase of own shares ²	-	-10	-	-	-	-	-	-	-10	-	-	-10
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-31	-31
Balance at 30 Sep 2020	4,050	1,070	-2,227	-3	57	-332	-10	29,189	31,794	750	9	32,553
Balance at 1 Jan 2019	4,050	1,080	-1,914	-12	59	-17	8	28,891	32,145	750	6	32,901
Net profit for the period	-	-	-	-	-	-	-	1,519	1,519	26	-3	1,542
Other comprehensive income, net of tax	-	-	-27	-14	-14	-118	-13	1	-185	-	-	-185
Total comprehensive income	-	-	-27	-14	-14	-118	-13	1,520	1,334	26	-3	1,357
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-26	-	-26
Change in additional AT1 capital	-	-	-	-	-	-	-	-	-	-2	-	-2
Share-based payments	-	-	-	-	-	-	-	20	20	-	-	20
Dividend 2018	-	-	-	-	-	-	-	-2,788	-2,788	-	-	-2,788
Divestment of own shares ²	-	-	-	-	-	-	-	29	29	-	-	29
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	37	37
Balance at 31 Dec 2019	4,050	1,080	-1,941	-26	45	-135	-5	27,672	30,740	748	40	31,528
Balance at 1 Jan 2019	4,050	1,080	-1,914	-12	59	-17	8	28,891	32,145	750	6	32,901
Net profit for the period	-	-	-	-	-	-	-	766	766	26	-	792
Other comprehensive income, net of tax	-	-	-67	17	-9	-345	-10	-	-414	-	-	-414
Total comprehensive income	-	-	-67	17	-9	-345	-10	766	352	26	-	378
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-26	-	-26
Share-based payments	-	-	-	-	-	-	-	15	15	-	-	15
Dividend 2018	-	-	-	-	-	-	-	-2,788	-2,788	-	-	-2,788
Purchase of own shares ²	-	-	-	-	-	-	-	20	20	-	-	20
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	37	37
Balance at 30 Sep 2019	4,050	1,080	-1,981	5	50	-362	-2	26,904	29,744	750	43	30,537

¹ Total shares registered were 4,050 million (31 December 2019: 4,050 million, 30 September 2019: 4,050 million). The number of own shares was 11.5 million (31 December 2019: 10.8 million, 30 September 2019: 12.4 million), which represents 0.3% (31 December 2019: 0.3%, 30 September 2019: 0.3%) of the total shares in Nordea. Each share represents one voting right.

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

Cash flow statement, condensed

	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
EURm			
Operating activities			
Operating profit	1,990	1,100	2,113
Adjustments for items not included in cash flow	2,130	6,331	5,024
Income taxes paid	-910	-898	-816
Cash flow from operating activities before changes in operating assets and liabilities	3,210	6,533	6,321
Changes in operating assets and liabilities	12,169	-13,063	-8,853
Cash flow from operating activities	15,379	-6,530	-2,532
Investing activities			
Acquisition/sale of business operations	-	-447	-472
Acquisition/sale of associated undertakings and joint ventures	-6	710	853
Acquisition/sale of property and equipment	-41	-26	-55
Acquisition/sale of intangible assets	-296	-368	-517
Cash flow from investing activities	-343	-131	-191
Financing activities			
Issued/amortised subordinated liabilities	-1,709	511	511
Divestment/repurchase of own shares, including change in trading portfolio	-10	20	29
Dividend paid	-	-2,788	-2,788
Paid interest on Additional Tier 1 capital	-27	-26	-26
Cash flow from financing activities	-1,746	-2,283	-2,274
Cash flow for the period	13,290	-8,944	-4,997
Cash and cash equivalents			
	30 Sep 2020	30 Sep 2019	31 Dec 2019
EURm			
Cash and cash equivalents at beginning of the period	41,164	46,009	46,009
Translation difference	-547	457	152
Cash and cash equivalents at end of the period	53,907	37,522	41,164
Change	13,290	-8,944	-4,997
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	48,928	31,337	35,509
Loans to central banks	4,141	5,283	4,826
Loans to credit institutions	838	902	829
Total cash and cash equivalents	53,907	37,522	41,164

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

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

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

Notes to the financial statements

Note 1 Accounting policies

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

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

Changed accounting policies and presentation

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

Changed presentation of trading in own shares (treasury shares)

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

Changed presentation of reportable operating segments

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

Other amendments

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

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of business
- Amendments to IAS 1 and IAS 8: Definitions of material
- Amendments to IFRS 16: Leases COVID-19-related rent concessions

Changes in IFRS not yet applied

IFRS 17 "Insurance contracts"

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

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

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The standard is not yet endorsed by the EU Commission. Nordea does not currently intend to adopt the standard early. 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.

Interest rate benchmark reform – Phase 2

The IASB has published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in "Interest Rate Benchmark Reform – Phase 2". Phase 2 of the IBOR reform includes three major areas: hedge accounting, modifications and disclosures.

The amendment clarifies that hedge accounting does not have to be discontinued just because hedged items and hedging instruments are modified due to the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Any valuation adjustments resulting from the amendments are recognised as part of hedge ineffectiveness.

It is clarified that modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis are not accounted for as modifications for instruments measured at amortised cost. For such modifications, the effective interest rate is amended in line with the modified cash flows.

The amendment is effective for annual reporting periods beginning on or after 1 January 2021, with earlier application permitted. Nordea does not expect to adopt the amendment early.

The amendment is expected to result in hedge relationships in Nordea being able to continue as before and no material modification gains or losses being recognised. For this reason, the amendment is not assessed to have any significant impact on Nordea's financial statements, capital adequacy or large exposures in the period of initial application of the amendments in comparison with the current situation.

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 their initial application.

Critical judgements and estimation uncertainty

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

Critical judgements are applied when determining the fair value of financial instruments that lack quoted prices or recently observed market prices. In all of these instances, decisions are based on professional judgement in accordance with Nordea's accounting and valuation policies. The fair values of financial assets and liabilities measured at fair value using a valuation technique, levels 2 and 3 in the fair value hierarchy, amounted to EUR 184,767m and EUR 132,562m, respectively, at the end of the third quarter of 2020 and EUR 185,148m and EUR 151,751m, respectively, at the end of the fourth quarter of 2019. More information on financial instruments held at fair value on Nordea's balance sheet can be found in Note 10.

No impairment of goodwill has been identified in the period, but significant estimation uncertainty exists in relation to the long-term impact on Nordea's financial statements and the impairment need will be continuously reassessed. Nordea's total goodwill amounted to EUR 1,866m at the end of the third quarter of 2020 and EUR 1,969m at the end of the fourth quarter of 2019. Nordea has updated the cash flow projections in the third quarter to reflect the best estimate of the impact of COVID-19. Cash flows are projected for up until the end of 2023 and the long-term growth assumption is used for periods after that. The discount rate used for the test in the third quarter is on average 5.8% post-tax and the long term growth is on average 1.5%. The Cash Generating Units have changed as a result of changes in operating segments in the first quarter. The test is now performed on the five operating segments, as described in Note 2. An increase in the discount rate of 1%-point or a

reduction in the future growth rate of 1%-point are considered to be reasonably possible changes in key assumptions. Such changes would not result in any impairment.

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

No changes in expected lease terms for premises lease contracts or impairments of right-of-use assets have been identified in the first nine months 2020, but the impact of COVID-19 on the future premises strategies will be closely monitored going forward. The carrying amount of right-of-use assets amounted to EUR 1,440m at the end of the third quarter of 2020 and EUR 1,506m at the end of the fourth quarter of 2019.

Acquisition of SG Finans AS

On 1 October 2020 the acquisition of SG Finans AS was completed and a preliminary purchase price of EUR 604m was paid to Société Générale. There is in addition a maximum contingent consideration of NOK 244m (EUR 22m converted using spot rate at 30 September 2020) to be paid if Nordea receives permission to use the IRB models in SG Finans AS before 1 October 2021. The purchase price allocation will be disclosed in the Fourth Quarter Interim Report.

The transaction is expected to have a positive impact on the Nordea Group's total annual income of about EUR 140m and decrease the Common Equity Tier 1 ratio by approx. 35-40bp. The transaction is expected to result in a minor increase in the Nordea Group's earnings per share and return on equity.

Exchange rates

	Jan-Sep 2020	Jan-Dec 2019	Jan-Sep 2019
EUR 1 = SEK			
Income statement (average)	10.5626	10.5848	10.5660
Balance sheet (at end of period)	10.5448	10.4563	10.6985
EUR 1 = DKK			
Income statement (average)	7.4581	7.4661	7.4644
Balance sheet (at end of period)	7.4458	7.4717	7.4662
EUR 1 = NOK			
Income statement (average)	10.7196	9.8499	9.7720
Balance sheet (at end of period)	11.0665	9.8463	9.8937
EUR 1 = RUB			
Income statement (average)	79.9115	72.4524	73.1143
Balance sheet (at end of period)	91.0017	69.7096	70.7395

Note 2 Segment reporting

	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Reconciliation	Total Group
Jan-Sep 2020								
Total operating income, EURm	2,498	1,696	1,372	734	51	6,351	-86	6,265
- of which internal transactions ¹	-351	-154	-243	-18	766	0	-	-
Operating profit, EURm	857	580	432	352	39	2,260	-270	1,990
Loans to the public ² , EURbn	159	86	47	9	1	302	18	320
Deposits and borrowings from the public, EURbn	80	49	43	11	1	184	6	190

	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Reconciliation	Total Group
Jan-Sep 2019								
Total operating income, EURm	2,613	1,581	1,177	722	155	6,248	93	6,341
- of which internal transactions ¹	-391	-151	-325	-15	882	0	-	-
Operating profit, EURm	1,016	631	241	289	-919	1,258	-158	1,100
Loans to the public ² , EURbn	152	82	49	8	1	292	36	328
Deposits and borrowings from the public, EURbn	75	42	34	10	1	162	6	168

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

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

Reconciliation between total operating segments and financial statements

	Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	Jan-Sep		Jan-Sep		Jan-Sep	
	2020	2019	2020	2019	2020	2019
Total operating segments	2,260	1,258	302	292	184	162
Group functions ¹	-185	-136	-	-	-	-
Unallocated items	-58	-38	24	36	8	6
Differences in accounting policies ²	-27	16	-6	0	-2	0
Total	1,990	1,100	320	328	190	168

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

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

Measurement of operating segments' performance

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

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

Changes in basis of segmentation

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

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

Note 3 Net fee and commission income

	Q3 2020	Q2 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
EURm						
Asset management commissions	372	340	359	1,071	1,067	1,455
Life and pension commissions	64	61	62	193	185	251
Deposit products	6	6	6	19	16	23
Brokerage, securities issues and corporate finance	42	34	36	140	123	157
Custody and issuer services	7	10	10	22	24	41
Payments	68	69	70	214	233	307
Cards	41	36	67	124	174	220
Lending products	104	98	113	307	314	429
Guarantees	23	21	34	66	80	111
Other	2	-2	-1	11	20	17
Total	729	673	756	2,167	2,236	3,011

Breakdown Jan-Sep 2020

	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Other and elimination	Nordea Group
EURm							
Asset management commissions	408	71	5	587	0	0	1,071
Life and pension commissions	141	59	3	-10	0	0	193
Deposit products	5	13	1	0	0	0	19
Brokerage, securities issues and corporate finance	15	25	84	27	-2	-9	140
Custody and issuer services	3	2	20	1	-4	0	22
Payments	48	115	50	1	0	0	214
Cards	105	15	5	-1	0	0	124
Lending products	87	97	117	2	4	0	307
Guarantees	6	19	41	0	0	0	66
Other	18	7	7	-16	-3	-2	11
Total	836	423	333	591	-5	-11	2,167

Breakdown Jan-Sep 2019

	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Other and elimination	Nordea Group
EURm							
Asset management commissions	407	71	3	586	0	0	1,067
Life and pension commissions	149	56	3	-23	0	0	185
Deposit products	6	9	1	0	0	0	16
Brokerage, securities issues and corporate finance	14	22	61	24	2	0	123
Custody and issuer services	5	3	24	-4	-4	0	24
Payments	63	119	48	1	2	0	233
Cards	135	22	9	0	0	8	174
Lending products	92	96	123	2	1	0	314
Guarantees	6	27	48	0	0	-1	80
Other	18	8	13	-19	2	-2	20
Total	895	433	333	567	3	5	2,236

Note 4 Net result from items at fair value

	Q3 2020	Q2 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
EURm						
Equity-related instruments	28	150	58	103	428	734
Interest-related instruments and foreign exchange gains/losses	91	159	165	730	254	110
Other financial instruments (including credit and commodities)	135	-12	-17	-199	30	103
Life & Pensions ¹	20	21	5	67	46	77
Total	274	318	211	701	758	1,024

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

Break-down of Life & Pensions

	Q3 2020	Q2 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
EURm						
Equity-related instruments	400	735	343	-91	1,234	1,571
Interest-related instruments and foreign exchange gains/losses	81	147	16	137	257	283
Investment properties	55	18	40	84	88	123
Change in technical provisions ¹	-346	-704	-446	-365	-1,558	-1,794
Change in collective bonus potential	-184	-189	43	264	-2	-139
Insurance risk income	16	16	18	48	51	66
Insurance risk expense	-2	-2	-9	-10	-24	-33
Total	20	21	5	67	46	77

¹ Premium income amounts to EUR 44m for the third quarter of 2020 and EUR 144m for January-September 2020 (Third quarter of 2019: EUR 56m, January-September 2019: EUR 208m).

Note 5 Other expenses

	Q3 2020	Q2 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
EURm						
Information technology	-97	-122	-125	-339	-390	-530
Marketing and representation	-8	-8	-13	-25	-39	-59
Postage, transportation, telephone and office expenses	-13	-13	-15	-41	-50	-66
Rents, premises and real estate	-35	-34	-29	-96	-86	-150
Resolution fee	0	-49	-2	-202	-210	-211
Other	-92	-77	-182	-264	-489	-623
Total	-245	-303	-366	-967	-1,264	-1,639

Note 6 Net loan losses

	Q3 2020	Q2 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
EURm						
Net loan losses, stage 1	79	-200	-35	-144	-22	-18
Net loan losses, stage 2	-15	-201	-49	-203	-61	-69
Net loan losses, non-defaulted	64	-401	-84	-347	-83	-87
Stage 3, defaulted						
Net loan losses, individually assessed, collectively calculated	-3	-80	-40	-170	-39	-48
Realised loan losses	-151	-125	-75	-345	-304	-452
Decrease in provisions to cover realised loan losses	119	90	49	247	223	321
Recoveries on previous realised loan losses	7	6	8	44	22	47
Reimbursement right	0	0	-12	-1	4	3
New/increase in provisions	-90	-253	-222	-510	-421	-571
Reversals of provisions	56	65	45	232	164	251
Net loan losses, defaulted	-62	-297	-247	-503	-351	-449
Net loan losses	2	-698	-331	-850	-434	-536

Key ratios

	Q3 2020	Q2 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
Net loan loss ratio, amortised cost, bp	0	115	55	47	24	22
- of which stage 1	-13	33	6	8	1	1
- of which stage 2	3	33	8	11	3	3
- of which stage 3	10	49	41	28	20	18

Note 7 Loans and impairment

	Total		
	30 Sep 2020	31 Dec 2019	30 Sep 2019
EURm			
Loans measured at fair value	87,515	83,624	100,200
Loans measured at amortised cost, not impaired (stages 1 and 2)	245,777	254,412	253,808
Impaired loans (stage 3)	4,219	4,610	4,678
- of which servicing	1,740	2,312	2,175
- of which non-servicing	2,479	2,298	2,503
Loans before allowances	337,511	342,646	358,686
-of which central banks and credit institutions	14,802	17,737	28,235
Allowances for individually assessed impaired loans (stage 3)	-1,816	-1,686	-1,702
-of which servicing	-732	-783	-798
-of which non-servicing	-1,084	-903	-904
Allowances for collectively assessed impaired loans (stages 1 and 2)	-718	-497	-496
Allowances	-2,534	-2,183	-2,198
-of which central banks and credit institutions	-11	-14	-15
Loans, carrying amount	334,977	340,463	356,488

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

	30 Sep 2020			Total
	Stage 1	Stage 2	Stage 3	
EURm				
Loans to central banks, credit institutions and the public	232,201	13,576	4,219	249,996
Interest-bearing securities ¹	37,640	-	-	37,640
Total	269,841	13,576	4,219	287,636

¹ Of which EUR 774m relates to the balance sheet item Financial instruments pledged as collateral.

	30 Sep 2019			Total
	Stage 1	Stage 2	Stage 3	
EURm				
Loans to central banks, credit institutions and the public	242,819	10,989	4,678	258,486
Interest-bearing securities ¹	29,579	-	-	29,579
Total	272,398	10,989	4,678	288,065

¹ Of which EUR 2,552m relates to the balance sheet item Financial instruments pledged as collateral.

Allowances and provisions

	30 Sep 2020			Total
	Stage 1	Stage 2	Stage 3	
EURm				
Loans to central banks, credit institutions and the public	-255	-463	-1,816	-2,534
Interest-bearing securities	-2	-	-	-2
Provisions for off-balance-sheet items	-74	-149	-31	-254
Total allowances and provisions	-331	-612	-1,847	-2,790

	30 Sep 2019			Total
	Stage 1	Stage 2	Stage 3	
EURm				
Loans to central banks, credit institutions and the public	-160	-336	-1,702	-2,198
Interest-bearing securities	-2	-	-	-2
Provisions for off-balance-sheet items	-30	-67	-61	-158
Total allowances and provisions	-192	-403	-1,763	-2,358

Movements of allowance accounts for loans measured at amortised cost

	Stage 1	Stage 2	Stage 3	Total
EURm				
Balance as at 1 Jan 2020	-153	-344	-1,686	-2,183
Changes due to origination and acquisition	-47	-18	-10	-75
Transfer from stage 1 to stage 2	7	-137	-	-130
Transfer from stage 1 to stage 3	1	-	-77	-76
Transfer from stage 2 to stage 1	-19	48	-	29
Transfer from stage 2 to stage 3	-	16	-45	-29
Transfer from stage 3 to stage 1	-1	-	6	5
Transfer from stage 3 to stage 2	-	-28	35	7
Changes due to change in credit risk (net)	-60	-26	-327	-413
Changes due to repayments and disposals	12	20	28	60
Write-off through decrease in allowance account	-	-	190	190
Translation differences	5	6	70	81
Balance as at 30 Sep 2020	-255	-463	-1,816	-2,534

Note 7 Continued

	Stage 1	Stage 2	Stage 3	Total
EURm				
Balance as at 1 Jan 2019	-146	-295	-1,599	-2,040
Changes due to origination and acquisition	-25	-2	1	-26
Transfer from stage 1 to stage 2	5	-64	-	-59
Transfer from stage 1 to stage 3	1	-	-31	-30
Transfer from stage 2 to stage 1	-17	54	-	37
Transfer from stage 2 to stage 3	-	15	-86	-71
Transfer from stage 3 to stage 1	-8	-	28	20
Transfer from stage 3 to stage 2	-	-20	21	1
Changes due to change in credit risk (net)	15	-4	-260	-249
Changes due to repayments and disposals	19	25	48	92
Write-off through decrease in allowance account	-	-	216	216
Changes due to update in the methodology for estimation (net)	-	-40	-13	-53
Other changes	-5	-5	-28	-38
Translation differences	1	0	1	2
Balance as at 30 Sep 2019	-160	-336	-1,702	-2,198

Key ratios¹

	30 Sep 2020	31 Dec 2019	30 Sep 2019
Impairment rate (stage 3), gross, basis points	169	178	181
Impairment rate (stage 3), net, basis points	96	113	115
Total allowance rate (stages 1, 2 and 3), basis points	101	84	85
Allowances in relation to impaired loans (stage 3), %	43	37	36
Allowances in relation to loans in stages 1 and 2, basis points	29	20	20

¹ For definitions, see Glossary.

Forbearance

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

On 13 March 2020 Nordea announced that it would offer COVID-19 instalment-free periods to household and business customers in all Nordic countries who were in need of one due to the COVID-19 situation. The COVID-19 instalment-free periods were generally granted to customers experiencing only short-term liquidity issues due to COVID-19, and were offered only to SMEs and household customers, though not for consumer lending. Nordea did not register COVID-19 instalment-free periods as forbearance, and consequently did not automatically transfer the exposures to stage 2, due to the temporary nature of the instalment-free periods and as interest continued to accrue. On 1 October 2020 Nordea ended all temporary amendments to the credit risk framework and returned to the normal forbearance registration procedures, while still continuing to support customers through the crisis.

The carrying amount of loans where Nordea had granted COVID-19 related instalment-free periods at the end of the third quarter of 2020 amounted to EUR 18.5bn, of which 90.9% was classified as stage 1, 8.5% as stage 2 and 0.6% as stage 3 (EUR 16.3bn, of which 92.8% was classified as stage 1, 6.9% as stage 2 and 0.3% as stage 3, at the end of June 2020).

Sensitivities

The provisions are sensitive to rating migration even if staging triggers are not reached. The table below shows the impact on provisions from a one-notch downgrade on all exposures in the bank. It includes both the impact of the higher risk for all exposures as well as the impact of transferring exposures that reach the trigger from stage 1 to stage 2. It also includes the impact from the exposures with one rating grade above default becoming default, which is estimated at EUR 150m (EUR 141m at year-end 2019). This figure is based on calculations with the statistical model rather than individual estimates as would be the case in reality for material defaulted loans.

	30 Sep 2020		31 Dec 2019	
	Recognised provisions	Provisions if one notch downgrade	Recognised provisions	Provisions if one notch downgrade
EURm				
Personal Banking	539	703	412	566
Business Banking	1,259	1,410	1,038	1,184
Large Corporates & Institutions	990	1,064	868	945
Other	2	17	10	20
Group	2,790	3,194	2,328	2,715

Note 7 Continued**Forward-looking information**

Forward-looking information is used both for assessing significant increases in credit risk and the calculation of expected credit losses. Nordea uses three macroeconomic scenarios: a baseline scenario, a favourable scenario and an adverse scenario. For the third quarter of 2020, the scenarios have been weighted into the final expected credit losses (ECL) using baseline 50%, adverse 45% and favourable 5% (baseline 60%, adverse 20% and favourable 20% at year-end 2019). The weight on the adverse scenario was increased in the third quarter of 2020 to give more weight to the downside risks surrounding the expiry of customer support measures and the continuation of the pandemic. The baseline scenario was still maintained as the most probable one.

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

The macroeconomic scenarios reflect Nordea's view of how the COVID-19 virus and lockdowns will potentially impact the economic outlook. The scenarios also reflect the macroeconomic effects of government and central bank support measures. When developing the scenarios, Nordea took into account projections from Nordic governments and central banks, Nordea Research and the ECB's macroeconomic forecasts for the euro area.

During the third quarter of 2020 there was a significant recovery of activity in the relevant economies following an unprecedented downturn in the spring driven by the COVID-19 pandemic and lockdowns. However, international organisations predict that the remaining global recovery will be slow. In the Nordics, economic activity is expected to continue to pick up, but growth will be slow, partly due to sluggish global demand and because a further reopening of society has recently been put on hold or even reversed owing to rising infection rates. Unemployment is expected to remain elevated for an extended period of time and the number of business insolvencies is likely to increase. Going forward, the rise in unemployment is expected to weigh on housing markets. While the pandemic continues to dominate the risk outlook, a number of other risks have the potential to influence the economic outlook. The US-China trade war is threatening to escalate, the US presidential election is drawing closer and post-Brexit trade negotiation deadlines are looming.

The adjustments to model-based provisions amount to EUR 669m, including management judgements amounting to EUR 650m and late corrections of EUR 19m. This management judgement covers projected loan losses not yet covered by the IFRS 9 model. The cyclical reserve amounted to EUR 440m at the end of the third quarter of 2020 (EUR 430m at the end of the second quarter of 2020) and identified issues in the IFRS 9 model to be later covered in model updates (structural reserve) amounted to EUR 210m (EUR 220m at the end of the second quarter of 2020). The cyclical reserve is supported by additional portfolio modelling, and triggered by the substantial uncertainty in the macroeconomic development, as well as the need to account for future rating downgrades potentially underestimated by the IFRS 9 model through the updated macroeconomic scenarios.

The estimation of the cyclical reserve was largely unchanged in the third quarter of 2020 compared with the second quarter of 2020. One important source of information in the estimation of the cyclical reserve is the internal stress testing model, adjusted for the impact of government support schemes. For the retail portfolio, the most important public sector actions have been the various forms of labour market support schemes, which have significantly decreased the expected defaults and losses amongst households. Due to the wide scope of these schemes, Nordea decreased the modelled development of new defaults originally predicted by the internal stress testing models, leading to lower predicted loan losses. These models are based on historical observations and correlations. Thus, they are not capable of replicating the impact of the current government support schemes.

With regard to the expected rating migration in the corporate portfolio, Nordea took into consideration the positive impact of the various government guarantee and support schemes, addressing primarily the liquidity shock caused by the lockdowns and quarantines. At the same time, additional negative rating migration was assumed for the industries affected by COVID-19. This was based on a widescale bottom-up review of large counterparties in the particularly sensitive industries (e.g. Retail trade, Accommodation and leisure, and Air transportation), and incorporated the main findings into the scenario projections.

The stress test model-based scenario simulations were used to challenge the internal bottom-up loan loss forecasts by the business areas, which helped Nordea to ensure that the loan loss projections were sufficiently conservative. The cyclical reserve decided on by management aims to adjust the outcome in the IFRS 9 models so that it comprises the range of expected losses rather than the top range of the projections, and covers a substantial realisation of projected losses in the fourth quarter of 2020.

Note 7 Continued

Scenarios and allowances/provisions

30 Sep 2020

		2021	2022	2023	Unweighted ECL EURm	Probability weight	Model-based allowances/ provisions EURm	Adjustment model-based allowances/ provisions ¹ EURm	Individual allowances/ provisions EURm	Total allowances/ provisions EURm
Denmark										
Favourable scenario	GDP growth, %	4.7	2.4	1.9	235	5%				
	Unemployment, %	4.3	3.9	3.5						
	Change in household consumption, %	5.8	1.5	1.2						
	Change in house prices, %	-0.7	0.2	2.4						
Baseline scenario	GDP growth, %	3.0	2.5	2.5	245	50%	252	198	397	847
	Unemployment, %	5.6	4.8	4.2						
	Change in household consumption, %	4.3	1.0	1.3						
	Change in house prices, %	-2.8	0.5	2.7						
Adverse scenario	GDP growth, %	0	3.6	4.0	262	45%				
	Unemployment, %	7.5	6.8	6.0						
	Change in household consumption, %	2.4	2.2	2.5						
	Change in house prices, %	-6.0	-4.7	2.7						
Finland										
Favourable scenario	GDP growth, %	3.5	2.4	1.8	201	5%				
	Unemployment, %	7.2	6.7	6.3						
	Change in household consumption, %	2.5	1.9	2.1						
	Change in house prices, %	-1.0	-0.2	2.3						
Baseline scenario	GDP growth, %	2.5	2.0	2.2	220	50%	236	174	262	672
	Unemployment, %	8.0	7.7	7.2						
	Change in household consumption, %	1.9	1.0	1.9						
	Change in house prices, %	-2.7	0	2.5						
Adverse scenario	GDP growth, %	-1.9	3.4	3.3	258	45%				
	Unemployment, %	10.0	9.2	8.5						
	Change in household consumption, %	-1.5	2.2	2.2						
	Change in house prices, %	-6.7	-5.7	2.5						
Norway										
Favourable scenario	GDP growth, %	2.9	3.6	2.8	74	5%				
	Unemployment, %	5.1	4.2	3.9						
	Change in household consumption, %	2.4	2.9	2.4						
	Change in house prices, %	-0.7	-0.2	2.6						
Baseline scenario	GDP growth, %	1.9	4.0	2.9	78	50%	82	179	363	624
	Unemployment, %	6.1	5.1	4.3						
	Change in household consumption, %	1.8	3.1	1.9						
	Change in house prices, %	-2.9	0.2	3.0						
Adverse scenario	GDP growth, %	-0.3	3.1	3.7	88	45%				
	Unemployment, %	7.1	6.7	5.8						
	Change in household consumption, %	0.7	2.2	2.4						
	Change in house prices, %	-10.2	-9.3	3.2						
Sweden										
Favourable scenario	GDP growth, %	4.1	2.4	2.3	103	5%				
	Unemployment, %	8.3	7.7	6.8						
	Change in household consumption, %	2.8	2.3	2.1						
	Change in house prices, %	-2.5	-0.2	2.7						
Baseline scenario	GDP growth, %	1.8	5.4	3.0	112	50%	117	113	108	338
	Unemployment, %	10.0	8.1	7.3						
	Change in household consumption, %	0.6	5.0	2.5						
	Change in house prices, %	-4.6	-0.1	3.3						
Adverse scenario	GDP growth, %	-1.9	3.8	3.7	124	45%				
	Unemployment, %	11.5	11.1	10.2						
	Change in household consumption, %	-2.4	2.5	2.1						
	Change in house prices, %	-13.1	-11.1	3.9						
Non-Nordic							9	5	295	309
Total							696	669	1,425	2,790

¹ Includes management judgements of EUR 650m and late corrections to the model of EUR 19m.

Note 7 Continued

Scenarios and allowances/provisions

31 Dec 2019

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

Note 7 Continued

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

30 Sep 2020

EURm	Gross				Allowances				Loans carrying amount	Net loan losses ¹
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Financial institutions	10,682	301	126	11,109	18	16	76	110	10,999	-20
Agriculture	2,423	238	210	2,871	9	24	101	133	2,737	-21
Crops, plantations and hunting	800	98	46	944	4	9	22	35	909	-4
Animal husbandry	434	122	159	715	3	14	77	93	622	-12
Fishing and aquaculture	1,189	18	5	1,212	3	1	2	6	1,206	-5
Natural resources	3,038	118	638	3,794	6	3	296	305	3,489	-121
Paper and forest products	1,757	100	36	1,894	5	3	17	24	1,870	-7
Mining and supporting activities	238	16	7	261	0	0	2	3	258	-1
Oil, gas and offshore	1,042	2	595	1,638	1	0	277	278	1,361	-113
Consumer staples	2,387	435	18	2,840	6	20	11	37	2,803	-27
Food processing and beverages	904	118	4	1,026	3	6	3	11	1,015	-7
Household and personal products	176	56	5	236	1	1	6	8	229	-4
Healthcare	1,307	261	9	1,577	3	13	3	18	1,559	-16
Consumer discretionary and services	5,788	932	212	6,932	12	47	126	186	6,746	-74
Consumer durables	1,076	163	63	1,302	2	7	37	46	1,257	-21
Media and entertainment	1,094	77	29	1,200	2	3	20	25	1,176	-10
Retail trade	2,207	371	90	2,668	5	25	44	75	2,593	-26
Air transportation	225	28	3	256	0	0	8	9	247	0
Accommodation and leisure	547	156	25	727	1	6	16	24	703	-18
Telecommunication services	639	139	1	779	2	6	0	8	770	1
Industrials	26,411	2,527	723	29,662	67	107	348	522	29,140	-147
Materials	1,585	144	105	1,835	4	4	69	77	1,758	2
Capital goods	2,950	346	104	3,401	6	12	54	71	3,329	-15
Commercial and professional services	8,950	635	237	9,822	24	26	74	124	9,698	-36
Construction	5,507	546	115	6,168	17	21	76	114	6,055	-40
Wholesale trade	4,480	448	92	5,019	11	28	43	82	4,938	-34
Land transportation	1,738	312	56	2,106	3	11	25	38	2,068	-17
IT services	1,200	96	13	1,310	2	5	9	17	1,293	-7
Maritime	6,087	343	641	7,071	9	7	305	322	6,750	-88
Ship building	155	3	33	191	0	0	10	11	180	-1
Shipping	5,695	339	606	6,641	9	7	294	310	6,331	-86
Maritime services	237	1	1	240	0	0	0	1	239	0
Utilities and public service	5,277	190	31	5,498	4	5	16	25	5,473	-8
Utilities distribution	2,619	33	27	2,679	1	1	12	14	2,665	-2
Power production	1,892	33	0	1,925	1	2	0	4	1,921	-3
Public services	766	125	3	894	2	2	4	7	887	-4
Real estate	35,328	1,220	256	36,803	27	33	100	160	36,644	-70
Other industries and reimbursement rights	893	64	12	969	2	1	9	13	957	54
Total Corporate	98,314	6,369	2,865	107,548	161	262	1,388	1,811	105,737	-522
Housing loans	104,751	4,413	591	109,755	16	24	54	94	109,661	-72
Collateralised lending	16,120	1,425	405	17,950	46	67	189	301	17,649	-91
Non-collateralised lending	5,437	1,113	358	6,908	29	107	179	315	6,593	-165
Household	126,308	6,951	1,354	134,613	91	198	422	710	133,903	-328
Public sector	2,062	179	0	2,241	0	1	0	2	2,240	0
Lending to the public	226,684	13,499	4,219	244,402	252	461	1,810	2,523	241,879	-850
Lending to central banks and credit institutions	5,517	77	0	5,594	3	2	6	11	5,583	0
Total	232,201	13,576	4,219	249,996	255	463	1,816	2,534	247,462	-850

¹ The table shows net loan losses related to on- and off-balance-sheet exposures year-to-date September 2020.

Note 7 Continued

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

31 Dec 2019

EURm	Gross				Allowances				Loans carrying amount	Net loan losses ¹
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Financial institutions	12,668	302	127	13,097	9	20	58	87	13,010	-27
Agriculture	2,562	178	285	3,024	4	20	138	161	2,863	-40
Crops, plantations and hunting	862	85	54	1,001	2	10	30	41	960	-16
Animal husbandry	499	69	193	760	2	10	108	119	642	-23
Fishing and aquaculture	1,201	24	37	1,263	0	1	0	1	1,261	0
Natural resources	3,349	124	791	4,264	2	3	317	323	3,942	-126
Paper and forest products	1,428	96	35	1,559	1	3	16	20	1,539	-3
Mining and supporting activities	447	11	10	468	0	0	3	4	464	6
Oil, gas and offshore	1,474	17	747	2,238	1	0	298	299	1,939	-129
Consumer staples	2,916	144	33	3,094	2	5	13	20	3,073	3
Food processing and beverages	1,068	60	25	1,153	1	2	9	11	1,142	7
Household and personal products	206	29	4	239	0	1	2	4	235	-1
Healthcare	1,642	55	4	1,701	1	2	2	5	1,696	-3
Consumer discretionary and services	6,878	526	189	7,593	7	29	104	140	7,453	-37
Consumer durables	1,276	135	47	1,458	1	6	22	29	1,429	-13
Media and entertainment	1,074	46	37	1,158	1	2	19	22	1,136	-8
Retail trade	2,677	221	88	2,985	4	17	49	69	2,917	-6
Air transportation	179	2	3	184	0	0	2	2	181	0
Accommodation and leisure	742	66	13	821	1	2	5	8	813	-3
Telecommunication services	930	56	1	987	1	1	7	9	978	-6
Industrials	26,967	1,815	787	29,568	24	70	370	463	29,105	-67
Materials	1,704	78	117	1,899	4	5	71	80	1,819	7
Capital goods	2,896	251	110	3,256	1	9	73	84	3,173	-6
Commercial and professional services	9,646	355	273	10,274	8	15	86	109	10,164	-35
Construction	5,294	399	119	5,812	5	12	74	91	5,721	-13
Wholesale trade	4,261	429	94	4,784	4	20	36	59	4,725	-4
Land transportation	2,028	210	57	2,295	1	4	22	27	2,268	-8
IT services	1,139	93	17	1,249	1	5	7	13	1,236	-8
Maritime	7,000	175	706	7,881	24	22	230	276	7,605	-62
Ship building	75	5	19	100	0	0	19	19	81	3
Shipping	6,702	167	686	7,555	24	22	211	257	7,299	-65
Maritime services	222	2	0	225	0	0	0	0	225	0
Utilities and public service	4,701	60	34	4,795	2	1	16	19	4,775	-7
Utilities distribution	1,909	26	30	1,964	0	0	13	14	1,950	-4
Power production	1,923	15	1	1,938	1	0	1	2	1,936	1
Public services	869	20	4	892	1	1	2	4	889	-4
Real estate	34,457	932	224	35,614	15	14	81	110	35,504	-7
Other industries and reimbursement rights	291	23	7	322	7	7	0	14	308	-8
Total Corporate	101,789	4,280	3,183	109,251	95	191	1,327	1,612	107,639	-377
Housing loans	103,768	4,047	630	108,446	10	13	29	52	108,393	29
Collateralised lending	16,569	1,221	444	18,233	26	48	186	260	17,973	-48
Non-collateralised lending	5,952	1,095	354	7,401	19	89	134	242	7,159	-138
Household	126,289	6,363	1,427	134,079	55	149	350	554	133,525	-157
Public sector	4,038	27	0	4,065	0	2	0	2	4,062	-1
Lending to the public	232,115	10,670	4,610	247,395	150	342	1,677	2,169	245,226	-536
Lending to central banks and credit institutions	11,548	79	0	11,627	3	1	10	14	11,613	0
Total	243,663	10,749	4,610	259,022	153	343	1,687	2,183	256,839	-536

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

Note 8 Classification of financial instruments

	Fair value through profit or loss (FVPL)			Fair value through other comprehensive income (FVOCI)	Total
	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)		
EURm					
Financial assets					
Cash and balances with central banks	48,928	-	-	-	48,928
Loans to central banks	4,144	286	-	-	4,430
Loans to credit institutions	1,439	8,922	-	-	10,361
Loans to the public	241,879	78,307	-	-	320,186
Interest-bearing securities	3,143	27,256	4,065	33,721	68,185
Financial instruments pledged as collateral	-	5,736	-	774	6,510
Shares	-	12,794	-	-	12,794
Assets in pooled schemes and unit-linked investment contracts	-	32,001	377	-	32,378
Derivatives	-	45,434	-	-	45,434
Fair value changes of the hedged items in portfolio hedge of interest rate risk	373	-	-	-	373
Other assets	1,729	12,957	-	-	14,686
Prepaid expenses and accrued income	663	-	-	-	663
Total 30 Sep 2020	302,298	223,693	4,442	34,495	564,928
Total 31 Dec 2019	297,826	212,746	4,257	29,779	544,608

	Fair value through profit or loss (FVPL)			Total
	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	
EURm				
Financial liabilities				
Deposits by credit institutions	22,731	16,345	-	39,076
Deposits and borrowings from the public	181,953	8,018	-	189,971
Deposits in pooled schemes and unit-linked investment contracts	-	-	33,811	33,811
Liabilities to policyholders	-	-	2,297	2,297
Debt securities in issue	123,904	-	56,333	180,237
Derivatives	-	45,308	-	45,308
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,934	-	-	2,934
Other liabilities ¹	4,867	16,577	-	21,444
Accrued expenses and prepaid income	222	-	-	222
Subordinated liabilities	7,828	-	-	7,828
Total 30 Sep 2020	344,439	86,248	92,441	523,128
Total 31 Dec 2019	339,266	69,872	93,680	502,818

¹ Of which lease liabilities classified in the category Amortised cost EUR 1,192m.

Note 9 Fair value of financial assets and liabilities

	30 Sep 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
EURm				
Financial assets				
Cash and balances with central banks	48,928	48,928	35,509	35,509
Loans	335,350	344,629	340,680	343,410
Interest-bearing securities	68,185	68,492	64,930	65,047
Financial instruments pledged as collateral	6,510	6,510	7,151	7,151
Shares	12,794	12,794	14,184	14,184
Assets in pooled schemes and unit-linked investment contracts	32,378	32,378	30,493	30,493
Derivatives	45,434	45,434	39,111	39,111
Other assets	14,686	14,686	11,857	11,857
Prepaid expenses and accrued income	663	663	693	693
Total	564,928	574,514	544,608	547,455
Financial liabilities				
Deposits and debt instruments	420,046	420,727	406,592	407,337
Deposits in pooled schemes and unit-linked investment contracts	33,811	33,811	31,859	31,859
Liabilities to policyholders	2,297	2,297	3,318	3,318
Derivatives	45,308	45,308	42,047	42,047
Other liabilities	20,252	20,252	17,562	17,562
Accrued expenses and prepaid income	222	222	215	215
Total	521,936	522,617	501,593	502,338

The determination of fair value is described in the Annual Report 2019, Note G41 "Assets and liabilities at fair value".

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

Categorisation into the fair value hierarchy

	Quoted prices in active markets for the same instruments (Level 1)	Of which Life & Pensions	Valuation technique using observable data (Level 2)	Of which Life & Pensions	Valuation technique using non-observable data (Level 3)	Of which Life & Pensions	Total
EURm							
Assets at fair value on the balance sheet¹							
Loans to central banks	-	-	286	-	-	-	286
Loans to credit institutions	-	-	8,922	-	-	-	8,922
Loans to the public	-	-	78,307	-	-	-	78,307
Interest-bearing securities ²	35,488	1,150	35,271	2,918	793	57	71,552
Shares	10,519	8,758	389	266	1,886	816	12,794
Assets in pooled schemes and unit-linked investment contracts	31,743	27,890	551	551	84	84	32,378
Derivatives	113	-	42,729	1	2,592	-	45,434
Other assets	-	-	12,926	-	31	30	12,957
Total 30 Sep 2020	77,863	37,798	179,381	3,736	5,386	987	262,630
Total 31 Dec 2019	61,634	37,800	181,494	3,353	3,654	963	246,782
Liabilities at fair value on the balance sheet¹							
Deposits by credit institutions	-	-	16,345	-	-	-	16,345
Deposits and borrowings from the public	-	-	8,018	-	-	-	8,018
Deposits in pooled schemes and unit-linked investment contracts	-	-	33,811	29,627	-	-	33,811
Liabilities to policyholders	-	-	2,297	2,297	-	-	2,297
Debt securities in issue	38,909	-	15,603	-	1,821	-	56,333
Derivatives	89	-	42,873	12	2,346	-	45,308
Other liabilities	7,129	-	9,441	-	7	-	16,577
Total 30 Sep 2020	46,127	-	128,388	31,936	4,174	-	178,689
Total 31 Dec 2019	11,801	-	148,334	30,813	3,417	-	163,552

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

² Of which EUR 6,510m relates to the balance sheet item Financial instruments pledged as collateral.

Transfers between Levels 1 and 2

During the first nine months, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 2,241m from Level 1 to Level 2 and EUR 13,516m from Level 2 to Level 1 of the fair value hierarchy. In addition, Nordea transferred derivative liabilities of EUR 2m from Level 1 to Level 2 and EUR 6m from Level 2 to Level 1 and derivative assets of EUR 3m from Level 2 to Level 1. Nordea also transferred shares of EUR 28m from Level 1 to Level 2. Further Nordea transferred debt securities in issue of EUR 2,082m from Level 1 to Level 2 and EUR 32,921m from Level 2 to Level 1, other liabilities of EUR 83m from Level 1 to Level 2, other liabilities of EUR 2,862m from Level 2 to Level 1 and assets in pooled schemes and unit-linked investment contracts excluding investment properties of EUR 3m from Level 1 to Level 2. The main driver for the transfers in the first nine months was an update to the rules for categorisation of financial instruments into Levels 1, 2 and 3. This update had a significant impact on the categorisation of "Interest-bearing securities" and "Debt securities in issue", where the volume and frequency of trading for the individual instruments (ISINs) are now considered. Transfers between levels are considered to have occurred at the end of the reporting period.

Note 10 Continued

Movements in Level 3

	Fair value gains/losses recognised in the income statement during the year			Recognised in OCI	Purchases/Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification ¹	Translation differences	30 Sep
	1 Jan	Re-realised	Un-realised									
EURm												
Interest-bearing securities	172	-4	-1	-	402	-32	4	295	-43	-	-	793
- of which Life & Pensions	13	-	-2	-	50	-4	-	-	-	-	-	57
Shares	2,034	53	59	-	404	-291	-16	3	-231	-45	-84	1,886
- of which Life & Pensions	860	14	-27	-	54	-39	-16	-	-	-	-30	816
Assets in pooled schemes and unit-linked												
investment contracts	56	-	-2	-	38	-3	-6	1	-	-	-	84
- of which Life & Pensions	56	-	-2	-	38	-3	-6	1	-	-	-	84
Derivatives (net)	174	-406	57	-	-	-	406	4	11	-	-	246
Other assets	35	-	-	-	-	-	-4	-	-	-	-	31
- of which Life & Pensions	34	-	-	-	-	-	-4	-	-	-	-	30
Debt securities in issue	2,232	474	-728	-3	154	-	-683	375	-	-	-	1,821
Other liabilities	2	-	-11	-	18	-2	-	-	-	-	-	7
Total 2020, net	237	-831	852	3	672	-324	1,067	-72	-263	-45	-84	1,212
Total 2019, net	-495	-94	453	4	-52	-365	592	13	-19	0	8	45

¹ Reclassification related to early conversion of Visa C-shares into Visa A-shares.

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. The main driver for the transfers into and out of Level 3 in the first nine months was an update to the rules for categorisation of financial instruments into Levels 1, 2 and 3. This mainly impacted the categorisation of "Derivatives", "Interest-bearing securities", "Shares" and "Debt securities in issue", where the volume and frequency of trading for the individual instruments (ISINs) are now considered. Transfers between levels are considered to have occurred at the end of the reporting period. Fair value gains and losses in the income statement during the period are included in "Net result from items at fair value". Assets and liabilities related to derivatives are presented net.

The valuation processes for fair value measurements in Level 3

For information about valuation processes for fair value measurement in Level 3, see the Annual Report 2019, Note G41 "Assets and liabilities at fair value".

Deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to the fact that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information see the Annual Report 2019, Note G1 "Accounting policies". The table below shows the aggregated difference yet to be recognised in the income statement at the beginning and end of the period. The table also shows a reconciliation of how this aggregated difference has changed during the period (movement of deferred Day 1 profit).

Deferred Day 1 profit - Derivatives, net

	2020	2019
EURm		
Opening balance at 1 Jan	125	81
Deferred profit on new transactions	87	58
Recognised in the income statement during the period ¹	-133	-29
Closing balance at 30 Sep	79	110

¹ Of which EUR -9m (EUR -m) due to transfers of derivatives from Level 3 to Level 2.

Note 10 Continued

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

	Fair value	Of which Life & Pensions ¹	Valuation techniques	Unobservable input	Range of fair value ⁴
EURm					
Interest-bearing securities					
Public bodies	86	-	Discounted cash flows	Credit spread	-9/9
Mortgage and other credit institutions	504	53	Discounted cash flows	Credit spread	-46/46
Corporates ²	199	-	Discounted cash flows	Credit spread	-20/20
Other	4	4	Discounted cash flows	Credit spread	-0/0
Total 30 Sep 2020	793	57			-75/75
Total 31 Dec 2019	172	13			-16/16
Shares					
Private equity funds	878	459	Net asset value ³		-97/97
Hedge funds	82	79	Net asset value ³		-7/7
Credit funds	433	160	Net asset value/market consensus ³		-37/37
Other funds	223	111	Net asset value/Fund prices ³		-20/20
Other ⁵	354	91	-		-35/35
Total 30 Sep 2020	1,970	900			-196/196
Total 31 Dec 2019	2,090	916			-194/194
Derivatives, net					
Interest rate derivatives	445	-	Option model	Correlations Volatilities	-12/13
Equity derivatives	-43	-	Option model	Correlations Volatilities	-8/6
Foreign exchange derivatives	146	-	Option model	Dividends Correlations Volatilities	0/0
Credit derivatives	-303	-	Credit derivative model	Correlations Volatilities	-32/36
Other	1	-	Option model	Recovery rates Correlations Volatilities	-0/0
Total 30 Sep 2020	246	-			-52/55
Total 31 Dec 2019	174	-			-61/64
Debt securities in issue					
Issued structured bonds	1,821	-	Credit derivative model	Correlations Recovery rates Volatilities	-7/7
Total 30 Sep 2020	1,821	-			-7/7
Total 31 Dec 2019	2,232	-			-11/11
Other, net					
Other assets and Other liabilities, net	24	30	-	-	-3/3
Total 30 Sep 2020	24	30			-3/3
Total 31 Dec 2019	33	34			-4/4

¹ Investments in financial instruments are 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 consequently do 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 in this credit spread would not affect the fair value due to callability features.

³ The fair values are based on prices and net asset values provided by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 50% of the private equity fund investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are a range of 1% to 100% compared with the values received from suppliers/custodians.

⁴ The column "Range of fair value" shows the sensitivity of Level 3 financial instruments to changes in key assumptions. For more information, see the Annual Report 2019, Note G41 "Assets and liabilities at fair value".

⁵ Of which EUR 84m related to assets in pooled schemes and unit-linked investment contracts.

Note 11 Risks and uncertainties

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

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

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

Nordea has made significant investments to address the deficiencies highlighted by the investigations. Among other actions, Nordea established in 2015 the Financial Crime Change Programme and has strengthened its organisation significantly to enhance the AML and sanction management risk frameworks. Nordea has also established the Business Ethics and Values Committee and a culture transformation programme to embed stronger ethical standards into our corporate culture. Also, the Group is investing in enhanced compliance standards, processes and resources in both the first and second lines of defence.

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

There are significant risks caused by the COVID-19 outbreak given the uncertainty of the economic impact on the markets in which Nordea operates. Depending on future developments, potential adverse impacts on income could arise due to lower net interest income, market volatility and reduced business activity impacting transaction volumes and customer activity. Potential future credit risks are addressed in Note 7 and the section "Net loan losses". Depending on the duration and magnitude of the situation, there is a possibility that the bank will not be able to meet its financial targets in very adverse scenarios.

Glossary

Return on equity

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

Return on tangible equity

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

Return on risk exposure amount

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

Return on equity with amortised resolution fees

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

Tier 1 capital

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

Tier 1 capital ratio

Tier 1 capital as a percentage of risk exposure amount. The Common Equity Tier 1 capital ratio is calculated as Common Equity Tier 1 capital as a percentage of risk exposure amount.

Net loan loss ratio, amortised cost

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

Impairment rate (stage 3), gross

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

Impairment rate (stage 3), net

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

Total allowance rate (stages 1, 2 and 3)

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

Allowances in relation to credit impaired loans (stage 3)

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

Allowance in relation to loans in stages 1 and 2

Allowances for non-impaired loans (stages 1 and 2) divided by non-impaired loans measured at amortised cost (stages 1 and 2) before allowances.

Economic capital

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

Return on capital at risk

Return on capital at risk (ROCAR) is defined as net profit excluding items affecting comparability, as a percentage of economic capital. For the business areas it is defined as operating profit after standard tax as a percentage of economic capital.

For a list of further alternative performance measures and business definitions, please see <https://www.nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports/> and the Annual Report 2019.

Nordea Bank Abp

Income statement

	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019
EURm				
Operating income				
Interest income	881	1,200	3,049	3,691
Interest expense	-255	-629	-1,147	-1,940
Net interest income	626	571	1,902	1,751
Fee and commission income	533	570	1,629	1,755
Fee and commission expense	-117	-122	-386	-394
Net fee and commission income	416	448	1,243	1,361
Net result from securities trading and foreign exchange dealing	227	219	576	701
Net result from securities at fair value through fair value reserve	3	187	13	239
Net result from hedge accounting	1	-211	6	-256
Net result from investment properties	0	0	0	-1
Income from equity investments	1	27	707	730
Other operating income	110	101	330	277
Total operating income	1,384	1,342	4,777	4,802
Operating expenses				
Staff costs	-575	-812	-1,700	-2,032
Other administrative expenses	-165	-225	-559	-694
Other operating expenses	-117	-105	-493	-571
Depreciation, amortisation and impairment charges of tangible and intangible assets	-107	-817	-286	-1,030
Total operating expenses	-964	-1,959	-3,038	-4,327
Profit before loan losses	420	-617	1,739	475
Net loan losses	29	-350	-667	-373
Impairment on other financial assets	0	0	0	0
Operating profit	449	-967	1,072	102
Income tax expense	-116	221	-104	81
Net profit for period	333	-746	968	183

Nordea Bank Abp

Balance sheet

EURm	30 Sep 2020	31 Dec 2019	30 Sep 2019
Assets			
Cash and balances with central banks	48,358	33,483	30,670
Debt securities eligible for refinancing with central banks	74,873	61,218	62,268
Loans to credit institutions	70,884	80,961	87,243
Loans to the public	138,221	144,077	152,293
Interest-bearing securities	6,180	4,695	4,588
Shares and participations	5,379	5,490	6,873
Investments in associated undertakings and joint ventures	92	87	92
Investments in group undertakings	13,846	14,190	14,279
Derivatives	45,872	39,371	52,164
Fair value changes of the hedged items in portfolio hedge of interest rate risk	91	71	96
Intangible assets	1,756	1,749	1,676
Tangible assets			
Properties and equipment	282	296	316
Investment properties	0	2	2
Deferred tax assets	382	453	296
Current tax assets	335	322	722
Retirement benefit assets	74	172	155
Other assets	14,994	13,140	17,767
Prepaid expenses and accrued income	1,091	1,202	1,203
Total assets	422,710	400,979	432,703
Liabilities			
Deposits by credit institutions and central banks	49,043	44,790	57,929
Deposits and borrowings from the public	197,102	175,286	174,074
Debt securities in issue	68,193	77,770	75,408
Derivatives	46,890	43,311	55,575
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,630	1,140	1,725
Current tax liabilities	12	596	12
Other liabilities	21,056	18,094	28,770
Accrued expenses and prepaid income	1,071	1,144	1,234
Deferred tax liabilities	0	14	278
Provisions	684	645	650
Retirement benefit obligations	462	375	602
Subordinated liabilities	7,811	9,789	9,875
Total liabilities	393,954	372,954	406,132
Equity			
Share capital	4,050	4,050	4,050
Additional Tier 1 capital holders	750	748	750
Invested unrestricted equity	1,070	1,080	1,080
Other reserves	-451	-321	-504
Retained earnings	22,369	21,030	21,012
Profit or loss for the period	968	1,438	183
Total equity	28,756	28,025	26,571
Total liabilities and equity	422,710	400,979	432,703
Off balance sheet commitments			
Commitments given to a third party on behalf of customers			
Guarantees and pledges	46,642	48,534	47,683
Other	1,025	1,120	1,184
Irrevocable commitments in favour of customers			
Securities repurchase commitments	-	-	-
Other	87,607	75,549	79,672

Nordea Bank Abp

Note 1 Accounting policies

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

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

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

Changed accounting policies and presentation

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

Information on new and amended standards issued by IASB and implemented by Nordea on 1 January 2020 can be found in the subsection "Other amendments" in Note 1 for the Group. The conclusions within this section are also, where applicable, relevant for the parent company.

Changes in IFRSs not yet applied

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

Other amendments

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

Critical judgements and estimation uncertainty

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

Areas of particular importance in the first nine months 2020 are the fair value measurement of certain financial instruments and impairment testing of loans to the public/credit institutions.

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

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

Acquisition of SG Finans AS

On 1 October 2020, the acquisition of SG Finans AS was completed and EUR 604m was paid to Société Générale.

For further information

- An webcast for media, investors and equity analysts will be held on 23 October at 10.30 EET (09.30 CET), at which Frank Vang-Jensen, President and Group CEO, will present the results.
- To participate in the webcast, please use the [webcast link](#) or dial one of the following numbers: +44 333 300 0804, +46 8 566 426 51, +358 9 817 103 10, +45 35 44 55 77, confirmation code 87660449# no later than 10.20 EET.
- The webcast will be directly followed by a Q&A audio session for investors and analysts with Frank Vang-Jensen, Mark Kandborg, acting Group CFO, Matthew Elderfield, Chief Risk Officer and Head of Group Risk & Compliance, and Matti Ahokas, Head of Investor Relations.
- After the call an indexed on-demand replay will be available [here](#). The replay will be available until 6 November 2020. Please dial one of the following numbers: +44 333 300 0819, +46 8 519 993 85, +358 9 817 105 15, +45 82 33 31 90, confirmation code 301332515#.
- The event will be webcast live and the presentation slides will be posted on www.nordea.com/ir.
- The Q3 2020 report, investor presentations and fact book are available at www.nordea.com.

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Financial calendar

04 February 2021 – Fourth Quarter and Full Year Results 2020 (silent period starts on 11 January 2021)

24 March 2021 – Annual General Meeting

29 April 2021 – First Quarter Report 2021 (silent period starts on 9 April 2021)

21 July 2021 – Second Quarter and Half-Year Report 2021 (silent period starts on 7 July 2021)

21 October 2021 – Third Quarter Report 2021 (silent period starts on 7 October 2021)

Helsinki 22 October 2020

Nordea Bank Abp

Board of Directors

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

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

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Report on review of interim financial information of Nordea Bank Abp for the nine months period ended 30 September 2020

To the Board of Directors of Nordea Bank Abp

Introduction

We have reviewed the condensed interim financial information of Nordea Bank Abp, which comprise the balance sheet as at 30 September 2020, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the nine-month-period then ended and notes, all consolidated, and parent company's balance sheet as at 30 September 2020 and income statement for the nine-month-period then ended. The Board of Directors and the Managing Director are responsible for the preparation of the condensed interim financial information in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union and with regulations governing the preparation of interim financial information in Finland. We will express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

Helsinki 22 October 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)