Nordea

Third Quarter 2018

Third Quarter Results 2018

CEO Casper von Koskull's comments on the results:

"Third quarter was challenging, and we are not satisfied with the revenue development. Net interest income was stable, while fees and commission and specifically net fair value were weak, mainly due to difficult market conditions and lower corporate activity.

However, we continued to deliver on costs, credit quality remained strong and capital ratios improved to an all-time high.

Our customer satisfaction improved for the third consecutive quarter, especially in Sweden. Lending volumes are growing, and we see a more promising deal flow pipeline going into the fourth quarter.

This quarter was a historic quarter for Nordea, as we finalised our re-domiciliation into the Banking Union and Finland. The move is part of Nordea's overall strategic direction, enabling us to operate in an environment that offers stability, predictability and a level playing field. The business model for the Group will not be impacted by the move, but it will help us to increase our focus on further developing the bank, and becoming an even better bank for Nordea's customers, employees and shareholders.

On 13 September Nordea and DNB announced that Blackstone will acquire 60% of all shares in Luminor. Over the coming years, Nordea will sell its remaining 20% shares to Blackstone. On 15 October, the divestment of our Luxembourg-based private banking business was finalised.

I can say that Nordea is now repositioned to be a truly Nordic-focused bank with a very clear and simple structure, and a record-strong balance sheet, enabling us to be an even better bank for our customers while at the same time structurally bringing down costs and increasing efficiency."

Third quarter 2018 vs. Third quarter 2017

(Third quarter 2018 vs. Second quarter 2018)

- Total operating income -14%, in local currencies -12% (-19%, in local currencies -19%)
- Total expenses -6%, in local currencies -3% (-2%, in local currencies -1%)
- Operating profit -21%, in local currencies -19% (-35%, in local currencies -35%)
- Common Equity Tier 1 capital ratio 20.3% vs. 19.3% (20.3% vs. 19.9%)
- Cost/income ratio 56% vs. 51% (56% vs. 45%)
- Loan loss ratio of 8 bps vs. 10 bps (8 bps vs. 10 bps)
- Return on equity 8.7% vs. 10.5% (8.7% vs. 13.9%)
- Diluted EPS EUR 0.17 vs. EUR 0.21 (EUR 0.17 vs. EUR 0.27)

866
Total operating profit, Q3 2018 (EURm)

20.3
CET 1 capital ratio (%)

Summary key figures

EURm	Q3 2018	Q2 2018	Chg %	Local curr. %	Q3 2017	Chg %	Local curr. %	Jan-Sep 2018	Jan-Sep 2017	Chg %	Local curr. %
Net interest income	1,072	1,073	0	0	1,185	-10	-8	3,198	3,557	-10	-8
Total operating income	2,046	2,541	-19	-19	2,373	-14	-12	6,902	7,241	-5	-2
Profit before loan losses	910	1,387	-34	-34	1,169	-22	-21	3,407	3,500	-3	-1
Net loan losses	-44	-59	-25	-28	-79	-44	-44	-143	-298	-52	-50
Operating profit	866	1,328	-35	-35	1,090	-21	-19	3,264	3,202	2	4
Diluted earnings per share, EUR	0.17	0.27			0.21			0.64	0.60		
ROE, %	8.7	13.9			10.5			10.9	10.1		

Exchange rates used for Q3 2018 for income statement items are for DKK 7.4503, NOK 9.5900 and SEK 10.2414.

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

CEO comment

The economic environment remains solid despite geopolitical tensions in Europe and some emerging markets. We do expect a continued growth in the global economy although at a slower pace. The Nordics continue to show a healthy growth driven by private consumption and strong exports in most markets. The real estate market in Sweden has stabilised and we do not expect further downward correction as the demand is seemingly holding up. However, short-term volatility cannot be ruled out.

Third quarter revenues were disappointing and also characterised by seasonality. Growing lending volumes improved the net interest income but was offset by margin pressure mainly in household segment. Low activity has impacted our ancillary income, and low spreads, interest rates and volatility impacted capital markets income. Assets under management grew EUR 4.5bn from the previous quarter to EUR 311.5bn, driven by performance.

Our cost efficiency programmes continued to deliver in the quarter through both a lower number of staff and lower other costs. Credit quality remains very strong; in this quarter we have made some smaller collective provisions related to agriculture in Denmark.

CET 1 ratio improved by 40 bps to 20.3%, driven by a reduction in REA and an increase in the CET1 capital.

On 9 October the European Central Bank (ECB) informed Nordea Bank Abp of the minimum Pillar 2 levels of own funds applicable during the transition period (from 1 October 2018 until the ECB has issued a decision establishing prudential requirements prepared in accordance with the 2019 Joint Decision on Capital concerning Nordea Group, expected in Q4 2019). The forecasted CET1 ratio for the fourth quarter of 2018 will change to 15.4%, and similarly expected to reduce the associated transitional CET1 capital requirement to 13.7%, thus leaving the nominal management buffer at a largely unchanged level.

We are delivering on our cost plan and, for 2018, we expect to reach a cost base below EUR 4.8bn, to be further reduced in local currencies in 2019. For 2021, we expect the cost base in constant currencies to be approximately 3% below the 2018 cost base. Repeating revenues in 2018 are unlikely to reach the 2017 level, and we still expect to report higher net profit in 2018 versus 2017. Loan losses in the coming quarters are expected to be lower than the long-term average.

For three consecutive quarters, Nordea has seen customer satisfaction improve in Sweden with considerable improvements in the last two quarters. In Norway, Denmark and Finland the turnaround took place as a stepwise improvement during 2017, while 2018 has been a year of consolidation and small steps forward.

At this year’s PayTech Awards ceremony in London, Nordea Wallet was named ‘Best Mobile Payments Initiative’, while Open Banking enjoyed further success, winning ‘IT Team of the Year’. Winning a PayTech Award proves the value of Nordea’s technology investments and showcases our skills, commitment, creativity and excellent execution for the benefit of our customers.

Nordea’s Open Banking platform was launched at the end of 2017 when Finnish customer data was made available to third-party developers. Since the launch of Open Banking, more than 2,500 developers have registered to test Nordea’s application programming interface.

By moving forward with Sweden during this quarter, we are maintaining our position as a frontrunner in Open Banking and are the first bank to open up two countries in the Nordics on this scale.

As an essential initiative, Nordea aims to take a leadership position within sustainable finance, enabling our customers to transition to a sustainable future. Nordea recently hosted the Nordic Sustainable Finance Conference for a second year in a row. The demand for sustainable finance solutions is growing rapidly, both among our corporate customers and our investors. Nordea strongly supports this major shift by engaging actively to ensure that there is a market for these solutions, and that capital is allocated to them.

Nordea has acted in several areas, strengthening our impact on sustainable finance. Nordea Life & Pensions (NLP) has decided to improve the environmental profile of all its pension products and has already cut the carbon footprint of its traditionally managed equity portfolio by 70%. We expect that this portfolio will outperform its peers, as companies that are leaders in sustainability will outperform the laggards. More green pension products are to be launched in 2019.

Nordea is one of the first banks in Europe to implement a green loan product. Our pipeline of green corporate loans is strong, and we expect volumes to pick up fast. Furthermore, in September we launched a green mortgage for our personal customers in Sweden - a discounted mortgage for all customers living in climate-smart homes.

For the first time, Nordea is both the leading advisor in Merger & Acquisitions and the number one bank for Equity Capital Markets transactions in the Nordic region year to date. Nordea also remains the leader on Debt Capital Markets transaction with leading position in both corporate bonds and syndicated loans in the Nordics.

On 13 September Nordea and DNB announced that Blackstone will acquire 60% of all shares in Luminor and over the coming years, Nordea will sell its remaining 20% shares to Blackstone. On 15 October, the divestment of our Luxembourg-based private banking business was finalised.

This quarter was a historic quarter for Nordea, as we finalised our re-domiciliation into the Banking Union and Finland. This move is part of Nordea’s overall strategic direction, enabling us to operate in an environment that offers stability, predictability and a level playing field.

I can say that Nordea is now repositioned to be a truly Nordic-focused bank with a very clear and simple structure, a record-strong balance sheet, enabling us to be an even better bank for our customers while at the same time structurally bringing down costs and increasing efficiency.

Casper von Koskull
President and Group CEO

Income statement

EURm	Q3 2018	Q2 2018	Chg %	Local curr. %	Q3 2017	Chg %	Local curr. %	Jan-Sep 2018	Jan-Sep 2017	Chg %	Local curr. %
Net interest income	1,072	1,073	0	0	1,185	-10	-8	3,198	3,557	-10	-8
Net fee and commission income	703	800	-12	-12	814	-14	-11	2,273	2,530	-10	-8
Net result from items at fair value	205	260	-21	-21	357	-43	-40	906	1,093	-17	-15
Profit from associated undertakings and joint ventures accounted for under the equity method	48	33			3			109	7		
Other operating income	18	375			14			416	54		
Total operating income	**2,046**	**2,541**	**-19**	**-19**	**2,373**	**-14**	**-12**	**6,902**	**7,241**	**-5**	**-2**
Staff costs	-726	-730	-1	0	-757	-4	-2	-2,254	-2,351	-4	-2
Other expenses	-323	-350	-8	-7	-377	-14	-11	-1,009	-1,197	-16	-13
Depreciation, amortisation and impairment charges of tangible and intangible assets	-87	-74	18	17	-70	24	29	-232	-193	20	24
Total operating expenses	**-1,136**	**-1,154**	**-2**	**-1**	**-1,204**	**-6**	**-3**	**-3,495**	**-3,741**	**-7**	**-4**
Profit before loan losses	**910**	**1,387**	**-34**	**-34**	**1,169**	**-22**	**-21**	**3,407**	**3,500**	**-3**	**-1**
Net loan losses	-44	-59	-25	-28	-79	-44	-44	-143	-298	-52	-50
Operating profit	**866**	**1,328**	**-35**	**-35**	**1,090**	**-21**	**-19**	**3,264**	**3,202**	**2**	**4**
Income tax expense	-182	-243	-25	-24	-258	-29	-27	-675	-783	-14	-12
Net profit for the period	**684**	**1,085**	**-37**	**-37**	**832**	**-18**	**-17**	**2,589**	**2,419**	**7**	**9**

Business volumes, key items[1]

EURbn	30 Sep 2018	30 Jun 2018	Chg %	Local curr. %	30 Sep 2017	Chg %	Local curr. %
Loans to the public	316.5	314.8	1	0	313.7	1	3
Loans to the public, excl. repos	291.7	292.4	0	-1	296.6	-2	1
Deposits and borrowings from the public	174.2	176.5	-1	-2	182.2	-4	-2
Deposits from the public, excl. repos	160.5	166.3	-3	-4	173.1	-7	-5
Total assets	572.8	570.1	0	0	615.3	-7	-6
Assets under management	311.5	307.0	1		330.9	-6	
Equity	32.6	31.9	2		32.3	1	

Ratios and key figures[2]

	Q3 2018	Q2 2018	Chg %	Q3 2017	Chg %	Jan-Sep 2018	Jan-Sep 2017	Chg %
Diluted earnings per share, EUR	0.17	0.27	-37	0.21	-19	0.64	0.60	7
EPS, rolling 12 months up to period end, EUR	0.79	0.83	-5	0.87	-9	0.79	0.87	-9
Share price[1], EUR	9.40	8.26	14	11.44	-18	9.40	11.44	-18
Total shareholders' return, %	20.2	3.7		8.8		4.4	15.1	
Equity per share[1], EUR	8.08	7.92	2	7.95	2	8.08	7.95	2
Potential shares outstanding[1], million	4,050	4,050	0	4,050	0	4,050	4,050	0
Weighted average number of diluted shares, mn	4,037	4,037	0	4,039	0	4,037	4,039	0
Return on equity, %	8.7	13.9		10.5		10.9	10.1	
Cost/income ratio, %	56	45		51		51	52	
Loan loss ratio, basis points[3]	8	10		10		8	12	
Common Equity Tier 1 capital ratio[1,4], %	20.3	19.9		19.3		20.3	19.3	
Tier 1 capital ratio[1,4], %	22.3	22.2		21.4		22.3	21.4	
Total capital ratio[1,4], %	26.0	25.4		24.5		26.0	24.5	
Tier 1 capital[1,4], EURbn	27.0	27.2	-1	27.5	-2	27.0	27.5	-2
Risk exposure amount[4], EURbn	121	123	-1	128	-6	121	128	-6
Number of employees (FTEs)[1]	29,056	29,271	-1	31,918	-9	29,056	31,918	-9
Economic capital[1], EURbn	26.3	26.5	-1	26.7	-2	26.3	26.7	-2

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

Income statement Excluding items affecting comparability[1,2]

	Q3 2018	Q2 2018	Chg %	Local curr. %	Q3 2017	Chg %	Local curr. %	Jan-Sep 2018	Jan-Sep 2017	Chg %	Local curr. %
EURm											
Net interest income	1,072	1,073	0	0	1,185	-10	-8	3,198	3,557	-10	-8
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Net result from items at fair value	205	260	-21	-21	357	-43	-40	771	1,093	-29	-28
Profit from associated undertakings and joint ventures accounted for under the equity method	48	33			3			109	7		
Other operating income	18	26	-31	-32	14	29	46	67	54	24	33
Total operating income	**2,046**	**2,192**	**-7**	**-7**	**2,373**	**-14**	**-12**	**6,418**	**7,241**	**-11**	**-9**
Staff costs	-726	-730	-1	0	-757	-4	-2	-2,254	-2,351	-4	-2
Other expenses	-323	-350	-8	-7	-377	-14	-11	-1,009	-1,197	-16	-13
Depreciation, amortisation and impairment charges of tangible and intangible assets	-87	-74	18	17	-70	24	29	-232	-193	20	24
Total operating expenses	**-1,136**	**-1,154**	**-2**	**-1**	**-1,204**	**-6**	**-3**	**-3,495**	**-3,741**	**-7**	**-4**
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Net loan losses	-44	-59	-25	-28	-79	-44	-44	-143	-298	-52	-50
Operating profit	**866**	**979**	**-12**	**-12**	**1,090**	**-21**	**-19**	**2,780**	**3,202**	**-13**	**-12**
Income tax expense	-182	-243	-25	-24	-258	-29	-27	-645	-783	-18	-16
Net profit for the period	**684**	**736**	**-7**	**-7**	**832**	**-18**	**-17**	**2,135**	**2,419**	**-12**	**-10**

Ratios and key figures[1,2]

	Q3 2018	Q2 2018	Chg %	Q3 2017	Chg %	Jan-Sep 2018	Jan-Sep 2017	Chg %
Diluted earnings per share, EUR	0.17	0.18	-6	0.21	-19	0.53	0.60	-12
EPS, rolling 12 months up to period end, EUR	0.68	0.72	-6	0.85	-20	0.68	0.85	-20
Return on equity, %	8.7	9.4		10.5		9.0	10.1	
Cost/income ratio, %	56	53		51		54	52	
ROCAR, %	10.2	10.8		12.2		10.6	11.8	

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

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

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Macroeconomy and financial markets

The third quarter of 2018 saw positive developments for the US economy, while geopolitical tensions built up in Europe and some emerging markets. The US administration managed to sign a replacement for the North American Free Trade Agreement together with Mexico and Canada, which sent a strong positive signal for trade. The US economy grew by 4.2% (ann. q/q) in Q2, and leading indicators pointed towards further strong growth in Q3. The unemployment rate dropped to 3.7%, the lowest level for several decades, with moderate wage pressures. Core inflation remained close to 2% (y/y) over the quarter. The US Federal Reserve Bank raised interest rates by 0.25% at its September meeting, to 2.25%, and indicated it will continue to raise rates over the coming quarters. The US S&P 500 equity index rose by 7.2% over the quarter and the US 10-year government bond yield increased by 20 bps to 3.06%. Higher US interest rates continued to affect USD-financed emerging market countries. Notably, Turkey saw large capital outflows amid political turbulence, leading the Turkish lira to depreciate by 31% against the USD over the quarter, and forcing the Turkish central bank to increase its repo rate by 6.25%, from 17.75% to 24%. In Europe, turmoil on financial markets, driven by Italy, escalated once again towards the end of the quarter, as the Italian government presented a budget with a higher-than-expected deficit, igniting a conflict with the European Commission. The 10-year Italian government bond yield ended the quarter 29 bps higher at 3.06%. Euro area headline inflation stayed slightly above 2% (y/y) over the quarter, while core inflation remained subdued, hovering around 1% (y/y). The ECB kept its deposit rate unchanged at -0.4%, and at its September meeting further confirmed that the asset purchase programme will continue for the remainder of 2018 at a reduced pace of EUR 15bn per month. The purchase programme is still expected to fully end by 2019. The 10-year German government bond yield increased by 11 bps during the quarter, to 0.47%. The Eurostoxx 50 index ended the quarter almost unchanged, 0.11% higher, while the EUR decreased to 1.16 from 1.168 against the USD. In China, growth declined to 6.7% (y/y) in Q2 and leading indicators suggested growth around the same level in Q3. Inflation was 2.3% (y/y) in August, up from 1.9% (y/y) in June. The Shanghai CSI 300 equity index ended the quarter unchanged, while the USD continued to increase against the Chinese Yuan from 6.62 to 6.87 amid trade concerns. Brent crude oil rose 7.5% (q/q) to 82.73 USD/bbl.

Denmark

Danish GDP was unchanged in the first half of 2018 compared to the same period last year. Private consumption was the main tailwind (up by 1.9% y/y). On the other hand, exports contracted by 1.0% y/y caused by the adverse effect of a stronger Danish krone and a stagnation in global trade. Leading indicators pointed to solid growth in H2 with both business and consumer confidence at high levels. Employment continued to increase, led by the healthy expansion in the domestic part of the Danish economy. The number of employees was at an all-time high. In Q2, prices of single-family houses increased by 3.9% (y/y), while owner-occupied flats were up by 6.2% (y/y). However, the latest monthly data showed signs of falling prices. The Danish central bank maintained its -0.65% deposit rate in Q3 2018 and did not intervene in the foreign exchange market. Danish equities increased by 2.1% during the quarter while the 10-year swap rate increased by 10bp to 1.12%.

Finland

The Finnish economy expanded by 2.5% (y/y) in the second quarter of 2018. Forward-looking indicators pointed towards slightly higher growth in Q3. Export growth increased to 3.7% (y/y) in the second quarter of 2018, up from 0.3% (y/y) at the beginning of 2018. Domestic demand remained strong, mainly due to high consumer confidence, improving employment and low inflation. Inflation increased to 1.2% (y/y), up from 0.8% (y/y) in the second quarter of 2018. Finnish equity markets gained 2.2% and the Finnish 10-year government bond yield ended 13 bps higher at 0.70% in the third quarter.

Norway

The Norwegian economy expanded at a healthy pace in Q2 (0.5% q/q) and forward-looking indicators pointed towards growth of around 0.6-0.7% (q/q) in Q3. Employment increased during the quarter and unemployment decreased to 2.3% in September. Higher energy prices reduced household purchasing power, resulting in slightly weaker private consumption growth. Mainland export industries benefitted from the still weak NOK and the oil companies were expecting a large increase in oil investments next year. House prices were fairly stable during the third quarter, after increasing in H1 2018, especially in Oslo. Norges Bank raised its key policy rate from 0.5% to 0.75% at its September meeting, as widely anticipated, and the central bank confirmed its plan of further gradual rate hikes over the coming years. The 2-year swap rate increased by 11 bps to 1.55% in Q3, while the 10-year swap rate increased by 15 bps to 2.30%. The NOK was 0.9% stronger in trade-weighted terms in Q3 and equities were up by 6.4%.

Sweden

The Swedish economy grew by a robust 0.8% q/q in the second quarter of 2018 and by 2.5 % y/y. However, the first quarter was revised down to 2.8% y/y from previously stated 3.3%. The upswing in the second quarter was mainly due to stock building, contributing 0.6 percentage points to the third quarter growth. Private consumption increased by 0.9% q/q, thereby contributing another 0.4 percentage points to growth. Investments in fixed capital dropped. Housing investments continued to slow down on the back of lower housing sales. Exports grew by a modest 0.4% q/q after stagnating in the first quarter, brought down by reduced demand from major European trading partners. The unemployment rate was 6.1% in Q3. Higher energy prices boosted CPIF inflation, which stood at 2.2% (y/y) in July and August. However, excluding energy, inflation remained modest. The Riksbank left the repo rate unchanged at -0.5% at its September meeting, but noted its intentions to hike the repo rate in December or February. The trade-weighted SEK weakened by 2%, while Swedish equities were up by 6.8% in the third quarter. The 10-year government bond yield rose to 0.66% in Q3, 16 bps higher than the previous quarter.

Group results and performance

Third quarter 2018

Net interest income

Net interest income in local currencies was broadly unchanged from the previous quarter. The volume trend for corporates shows positive signs, while household remains subdued. We observe volume growth in Personal Banking and Commercial & Business Banking. Resolution fees were up due to a YTD correction and a refund booked in Q2.

Net interest income for Personal Banking was down 3% in local currencies from the previous quarter, mainly due to lower lending margins. Deposit margins are slightly positive overall.

Net interest income for Commercial & Business Banking was unchanged in local currencies from the previous quarter, driven by slightly higher lending volumes across all countries, but margins were rather flat. Deposit margins were up somewhat.

Net interest income in Wholesale Banking was down 1% in local currencies from the previous quarter driven partly by lower margins and YTD effect from lower resolution fees in Q2 boosting NII in Wholesale Banking.

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

Net interest income in Group Functions and Other was EUR 27m compared to EUR 8m in the previous quarter.

Lending volumes

Loans to the public in local currencies, excluding repos, were 1% down from the previous quarter. Average lending volumes in local currencies were up in all business areas. In Wholesale Banking, higher volumes in Corporate & Investment Banking as well as in FIG & International Banks offset lower volumes in Banking Russia. Higher volumes in Norway are driving the slight increase in Personal Banking while the increase in volumes for Commercial & Business Banking comes from Finland and Sweden.

Deposit volumes

Total deposits from the public in local currencies, excluding repos, decreased by 4% from the previous quarter. Average deposit volumes were up in Personal Banking driven by Norway and Sweden. The increase in Wholesale Banking is driven by Corporate & Investment Banking while in Asset & Wealth Management, the increase is driven by Nordic Private Banking. Deposit volumes in Commercial & Business Banking are slightly down.

Net interest income per business area

								Local currency	
	Q318	Q218	Q118	Q417	Q317	Q3/Q2	Q3/Q3	Q3/Q2	Q3/Q3
EURm									
Personal Banking	497	510	528	561	576	-3%	-14%	-3%	-11%
Commercial & Business Banking	315	318	308	313	316	-1%	0%	0%	3%
Wholesale Banking	216	219	204	193	214	-1%	1%	-1%	4%
Wealth Management	17	18	16	19	21	-6%	-19%	-6%	-17%
Group Functions and other	27	8	-3	23	58	-	-	-	-
Total Group	**1,072**	**1,073**	**1,053**	**1,109**	**1,185**	**0%**	**-10%**	**0%**	**-8%**

Change in Net interest income

	Q3/Q2	Jan-Sep 18/17
EURm		
NII beginning of period	**1,073**	**3,557**
Margin driven NII	**-20**	**-185**
Lending margin	-20	-202
Deposit margin	0	17
Volume driven NII	**7**	**-5**
Lending volume	8	2
Deposit volume	-1	-7
Day count	14	0
Other[1,2]	-2	-169
NII end of period	**1,072**	**3,198**
[1] of which FX	-2	-86
[2] of which Baltics	-	-114

Net fee and commission income

Net fee and commission income decreased by 12% in local currencies. Revenues from corporate advisory services came down from the unusually high level in the previous quarter due to seasonality.

Savings and investment commissions

Net fee and commission income from savings and investments decreased from the previous quarter to EUR 447m due to lower brokerage and corporate finance fees. Assets under Management (AuM) increased by EUR 4.5bn to EUR 311.5bn at the end of the quarter.

Net flow was negative and amounted to EUR -0.6bn compared to EUR -5.7bn in the previous quarter. For the first time since Q2 2017, we have seen positive net flow in Wholesale Distribution.

Payments and cards and lending-related commissions

Lending-related net fee and commission income decreased from the previous quarter to EUR 129m due to seasonality in the quarter, and with Q2 2018 driven by several large deals. Payments and cards net fee and commission income decreased to EUR 130m from the previous quarter due to lower payments activity.

Net fee and commission income per business area

								Local currency	
	Q318	Q218	Q118	Q417	Q317	Q3/Q2	Q3/Q3	Q3/Q2	Q3/Q3
EURm									
Personal Banking	164	177	173	176	166	-7%	-1%	-7%	2%
Commercial & Business Banking	107	108	113	124	110	-1%	-3%	-1%	-1%
Wholesale Banking	91	152	120	131	140	-40%	-35%	-39%	-31%
Asset and Wealth Management	352	368	369	411	396	-4%	-11%	-4%	-11%
Group Functions and other	-11	-5	-5	-3	2	-	-	-	-
Total Group	**703**	**800**	**770**	**839**	**814**	**-12%**	**-14%**	**-12%**	**-11%**

Net fee and commission income per category

								Local currency	
	Q318	Q218	Q118	Q417	Q317	Q3/Q2	Q3/Q3	Q3/Q2	Q3/Q3
EURm									
Savings and investments, net	447	510	485	547	524	-12%	-15%	-12%	-13%
Payments and cards, net	130	139	130	124	137	-6%	-5%	-6%	-2%
Lending-related, net	129	142	129	147	149	-9%	-13%	-9%	-10%
Other commissions, net	-3	9	26	21	4	-	-	-	-
Total Group	**703**	**800**	**770**	**839**	**814**	**-12%**	**-14%**	**-12%**	**-11%**

Assets under Management (AuM), volumes and net inflow

	Q318	Q218	Q118	Q417	Q317	Net inflow Q318
EURbn						
Nordic Retail funds	61.1	60.0	58.6	61.5	61.2	-0.2
Private Banking	98.0	96.3	96.1	98.9	101.8	0.1
Institutional sales	101.6	100.9	92.5	96.2	94.6	-0.5
Life & Pensions	50.8	49.8	72.9	73.8	73.3	0.1
Total	**311.5**	**307.0**	**320.1**	**330.4**	**330.9**	**-0.6**

Net result from items at fair value

The net result from items at fair value decreased by 21% from the previous quarter to EUR 205m and decreased 43% from the same quarter in 2017. Net fair value in Q3 was impacted by lower markets income due to low customer activity, low spreads, interest rates, volatility and fierce competition.

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

The net fair value result for the business units decreased to EUR 155m from EUR 188m in the previous quarter. Customer-driven capital markets activities were lower than in the previous quarter, mainly driven by low activity and volatility.

Life & Pensions

The net result from items at fair value for Life & Pensions decreased EUR 3m from the previous quarter to EUR 23m.

Wholesale Banking other

The net fair value result for Wholesale Banking other, i.e. income from managing the risks inherent in customer transactions, increased to EUR 55m from EUR 18m in the previous quarter mainly due to XVA effect.

Group Functions and Other

The net fair value result in Group Functions and Other decreased to EUR -11m (from EUR 43m in the previous quarter) mainly due to periodisation effects.

Net result from items at fair value per area

	Q318	Q218	Q118	Q417	Q317	Q3/Q2	Q3/Q3
EURm							
Personal Banking	28	14	88	12	12		
Commercial & Business Banking	48	57	120	57	61	-16%	-21%
Wholesale Banking customer units	56	91	70	99	70	-38%	-20%
Wealth Mgmt. excl. Life	6	11	14	11	9	-45%	-33%
Wholesale Banking excl. Customer units	55	18	92	-16	103		-47%
Life & Pensions	23	26	49	62	51	-12%	-55%
Group Functions and other	-11	43	8	10	51	-	-
Total Group	**205**	**260**	**441**	**235**	**357**	**-21%**	**-43%**
Total, excl. items affecting comparability[1]	**205**	**260**	**306**	**235**	**357**	**-21%**	**-43%**

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

Equity method

Income from companies accounted for under the equity method was EUR 48m, up from EUR 33m in the previous quarter, with Luminor contributing EUR 37m (EUR 25m in Q2 2018) while Nordea Life & Pension Denmark (NLP DK) had a positive impact of EUR 9m in the quarter.

Other operating income

There were no major extraordinary events in Q3 and other operating income was EUR 18m, down from EUR 375m in the previous quarter which was positively impacted by sales of units: sale of 45% of Nordea Life and Pension Denmark (EUR 262m in Q2) and divestment of shares in UC (EUR 87m in Q2).

Total operating income

Total income decreased by 7% in local currencies from the previous quarter to EUR 2,046m.

Total operating income per business area

								Local currency	
	Q318	Q218	Q118	Q417	Q317	Q3/Q2	Q3/Q3	Q3/Q2	Q3/Q3
EURm									
Personal Banking	689	703	797	748	754	-2%	-9%	-2%	-6%
Commercial & Business Banking	475	492	549	503	494	-3%	-4%	-4%	-1%
Wholesale Banking	418	480	486	407	527	-13%	-21%	-13%	-19%
Asset and Wealth Management	408	431	452	509	483	-5%	-16%	-6%	-15%
Group Functions and other	56	435	31	61	115	-	-	-	-
Total Group	**2,046**	**2,541**	**2,315**	**2,228**	**2,373**	**-19%**	**-14%**	**-19%**	**-12%**
Total, excl items affecting comparability[1]	**2,046**	**2,192**	**2,180**	**2,228**	**2,373**	**-7%**	**-14%**	**-7%**	**-12%**

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

Total expenses

Total expenses in the third quarter amounted to EUR 1,136m, down 1% in local currencies from the previous quarter and down 3% from the third quarter of 2017 in local currencies. The third quarter included transformation costs of EUR 8m (EUR 23m in Q2 2018).

Staff costs were unchanged in local currencies from the previous quarter and down 2% from the same period in 2017 in local currencies. The third quarter included transformation costs of EUR 6m compared to EUR 15m in Q2 2018.

Other expenses were down 7% in local currencies from the previous quarter mainly due to lower rent restructuring and seasonally lower marketing, travel, and consulting costs. The third quarter included transformation costs of EUR 3m related to branch closures (EUR 8m in Q2 2018).

Depreciation was up 17% in local currencies from the previous quarter and up 29% from the same quarter of 2017.

The number of employees (FTEs) at the end of the third quarter was 29,056, which is a decrease of 1% or 215 FTEs from the previous quarter and down 3% from the same quarter of 2017 adjusted for the deconsolidation of the Baltics operations and sale of Nordea Life & Pension Denmark (NLP DK). The decrease versus Q2 2018 is mostly due to continuing ramp-up in Poland and decline in Nordics FTEs.

Expenses related to Group related projects that affected the P&L were EUR 106m, compared to EUR 110m in the previous quarter. In addition, EUR 51m was capitalised from Group projects down from EUR 62m in the previous quarter.

The cost/income ratio was up to 56% in the third quarter, compared to 45% in the previous quarter and 51% in the third quarter of 2017.

Total operating expenses

								Local currency	
	Q318	Q218	Q118	Q417	Q317	Q3/Q2	Q3/Q3	Q3/Q2	Q3/Q3
EURm									
Staff costs	-726	-730	-798	-861	-757	-1%	-4%	0%	-2%
Other expenses	-323	-350	-336	-425	-377	-8%	-14%	-7%	-11%
Depreciations	-87	-74	-71	-75	-70	18%	24%	17%	29%
Total Group	**-1,136**	**-1,154**	**-1,205**	**-1,361**	**-1,204**	**-2%**	**-6%**	**-1%**	**-3%**

Total operating expenses per business area

								Local currency	
	Q318	Q218	Q118	Q417	Q317	Q3/Q2	Q3/Q3	Q3/Q2	Q3/Q3
EURm									
Personal Banking	-451	-448	-455	-472	-432	1%	4%	1%	8%
Commercial & Business Banking	-268	-282	-292	-343	-288	-5%	-7%	-4%	-4%
Wholesale Banking	-221	-208	-242	-249	-230	6%	-4%	7%	-1%
Asset and Wealth Management	-182	-180	-203	-217	-199	1%	-9%	4%	-8%
Group Functions and other	-14	-36	-13	-80	-55	-	-	-	-
Total Group	**-1,136**	**-1,154**	**-1,205**	**-1,361**	**-1,204**	**-2%**	**-6%**	**-1%**	**-3%**

Currency fluctuation effects

	Q3/Q2	Q3/Q3	Jan-Sep 18/17
%-points			
Income	0	-2	-2
Expenses	0	-3	-2
Operating profit	0	-2	-2
Loan and deposit volumes	1	-2	-2

Net loan losses

Credit quality remained solid with positive net rating migration in Q3 in both the retail and corporate portfolio.

Net loan provisions decreased slightly in Q3 to EUR 44m and the loan loss ratio decreased to 8 bps (EUR 59m and 10 bps in the previous quarter). Loan losses in Q3 were partly due to a collective provision on Danish Agriculture for covering the increased risk of losses related to the drought in summer of 2018.

Provisions also increased for some offshore customers, but this was offset by lowering collective provisions for this segment.

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

The net loan loss ratio for exposures in Stage 3 was 0 bps (Q2: 3bps). Exposures in Stages 1 and 2 had net loan losses at EUR 43m and the net loan loss ratio ended at 8 bps (Q2: 7 bps). A technical adjustment of a collective provision from Stage 3 to Stage 2 influenced this distribution.

Overall loan portfolio quality and outlook remain stable. Our expectation for the coming quarters is that net losses will remain moderate and below the long-term average for the last ten years.

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

Loan loss ratios and impaired loans

	Q318	Q218	Q118	Q417	Q317
Basis points of loans[1,2]					
Loan loss ratios annualised, Group	8	10	7	9	10
of which Stage 1 and 2	8	7	-14	-11	-2
of which Stage 3	0	3	21	20	12
Personal Banking total	3	11	7	2	1
Banking Denmark[1]	54	93	75	-8	-1
Banking Finland	-2	20	11	2	1
Banking Norway	1	3	0	0	4
Banking Sweden	5	1	1	3	2
Commercial & Business Banking	25	-17	-10	15	12
BB Denmark	55	2	26	3	7
BB Finland	15	-11	-61	40	27
BB Norway	-5	-55	-26	28	15
BB Sweden	9	-9	-3	16	14
BBD Nordic	3	4	0	-26	-7
Wholesale Banking[1]	4	53	31	20	22
Corporate & Investment Banking (CIB)	13	-8	39	37	34
of which C&IB excl. SOO	14	-22	23	24	11
of which Shipping, Offshore & Oil Services (SOO)	-1	14	16	13	23
Banking Russia	-118	1236	-70	-87	62

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

Credit portfolio

Total lending to the public, excluding reverse repurchase agreements, decreased slightly to EUR 291.7bn from EUR 292.4bn in Q2. In local currencies, total lending was unchanged from Q2.

Loans measured at fair value to the public excluding repos were EUR 57bn (Q2: EUR 58bn). This includes Danish mortgage lending at EUR 53bn, which is measured at fair value.

Lending to the public measured at amortised cost was EUR 234bn (Q2: EUR 234bn). Of this portfolio EUR 4.7bn is impaired loans in Stage 3 (Q2: EUR 5.13bn). The decrease from Q2 was 7% and the reduction was mainly related to decreased impaired exposure for Oil and Offshore, partly driven by one large write-off. Also, a correction from Q2 for a single customer into Stage 2 was behind the development (1.6% was related to this correction).

The gross impairment rate (Stage 3) was 188 bps for loans at amortised cost (Q2 204 bps) and 139 bps for fair value lending. Allowances in relation to impaired loans (Stage 3) for loans measured at amortised cost were 34% (Q2 35%).

Profit

Operating profit
Operating profit decreased to EUR 866m, down 35% in local currencies, compared to the previous quarter, and down 19% in local currencies compared to the same quarter of 2017.

Taxes
Income tax expense was EUR 182m compared to EUR 243m in the previous quarter. The effective tax rate was 21.1%, compared to 18.4% in the previous quarter and 23.7% in the third quarter last year.

Net profit
Net profit decreased 37% in local currencies from the previous quarter to EUR 684m. Return on equity was 8.7%, down from 13.9% in the previous quarter.

Diluted earnings per share were EUR 0.17 (EUR 0.27 in the previous quarter).

Operating profit per business area

								Local currency	
	Q318	**Q218**	**Q118**	**Q417**	**Q317**	**Q3/Q2**	**Q3/Q3**	**Q3/Q2**	**Q3/Q3**
EURm									
Personal Banking	229	226	323	268	318	1%	-28%	2%	-25%
Commercial & Business Banking	167	237	274	131	181	-30%	-8%	-30%	-5%
Wholesale Banking	192	207	210	123	256	-7%	-25%	-6%	-23%
Asset and Wealth Management	226	251	249	292	284	-10%	-20%	-11%	-21%
Group Functions and other	52	407	14	-18	51	-	-	-	-
Total Group	**866**	**1,328**	**1,070**	**796**	**1,090**	**-35%**	**-21%**	**-35%**	**-19%**
Total, excl. items affecting comparability[1]	**866**	**979**	**935**	**796**	**1,090**	**-12%**	**-21%**	**-11%**	**-19%**

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

First nine months of 2018 compared to first nine months of 2017

Total income was down 2% in local currencies and down 5% in EUR from the prior year and operating profit was up 4% in local currencies and 2% in EUR from the previous year.

Income
Net interest income was down 8% in local currencies and 10% in EUR from 2017. Average lending volumes in business areas in local currencies were down by 4% compared to 2017 driven by Wholesale Banking. Average deposit volumes were down by 6% predominantly in Wholesale Banking.

Net fee and commission income decreased 8% in local currencies and 10% in EUR from the previous year.

Net result from items at fair value decreased in local currencies by 15% and by 17% in EUR from 2017.

Expenses
Total expenses were down 4% in local currencies and 7% in EUR from the previous year and amounted to EUR 3,495m. Staff costs were down 2% in local currencies and down 4% in EUR.

Net loan losses
Net loan loss provisions decreased to EUR 143m (down from EUR 298m in first nine months of 2017), corresponding to a loan loss ratio of 8 bps (down from 12 bps in first nine months of 2017).

Net profit
Net profit increased 9% in local currencies and 7% in EUR and amounted to EUR 2,589m.

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

Other information

Capital position and risk exposure amount (REA)

Nordea Group's Basel III Common equity tier 1 (CET1) capital ratio increased to 20.3% at the end of the third quarter 2018 compared to 19.9% at the end of the second quarter 2018. Risk exposure amount, REA, decreased by EUR 1.7bn. The decrease was mainly driven by reduced average risk weight in the corporate portfolio and reduced counterparty credit risk. CET1 capital increased by EUR 0.1bn, mainly driven by a dividend pay-out from Nordea Life & Pension and decreased deductions for deferred tax assets. This was somewhat offset by an increase in deduction for intangible assets.

The Tier 1 capital ratio increased to 22.6% from 22.2% compared to the previous quarter and the total capital ratio increased to 26.3% from 25.4% compared to the previous quarter.

At the end of the third quarter 2018, the CET1 capital was EUR 24.5bn, the Tier 1 capital was EUR 27.3bn and the Own Funds were EUR 31.7bn.

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

Economic Capital (EC) was EUR 26.3n at the end of the third quarter, a decrease by EUR 0.2bn compared to the second quarter of the year. Decreases in Pillar I credit risk and Nordea Life & Pension were somewhat offset by increasing Intangibles and Pillar II credit risk.

The Group´s Internal Capital Requirement (ICR) was at the end of the third quarter EUR 12.8bn. This represents a decrease of EUR 0.2bn, driven by decreased credit risk. The ICR should be compared to the own funds, which was EUR 31.7bn. The ICR is calculated based on a Pillar I plus Pillar II approach. For more detailed information about the ICR methodology see the Capital and Risk Management Report.

Capital ratios

	Q318	Q218	Q118	Q417	Q317
%					
CRR/CRDIV					
CET 1 cap. ratio	20.3	19.9	19.8	19.5	19.2
Tier 1 capital ratio	22.6	22.2	22.3	22.3	21.4
Total capital ratio	26.3	25.4	25.2	25.2	24.5

Regulatory developments

The Swedish FSA, on 19 September, decided to raise the countercyclical buffer rate from 2% to 2.5%. The amended buffer enters into force on 19 September 2019.

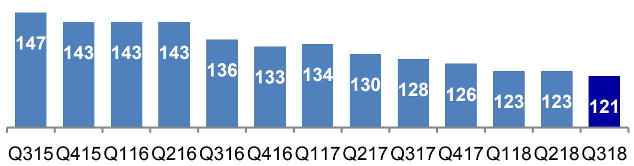
On 23 August the Swedish FSA decided to change the current method used for the risk weight floor for Swedish mortgages through Pillar 2 by replacing it with a corresponding requirement under Article 458 of the Capital Requirements Regulation. The new requirement will be included in the Pillar 1 requirements. The change will enter into force as of 31 December 2018 and will be in effect for two years.

On 25 September the Minister of Business in Denmark decided to increase the countercyclical buffer rate from 0.5% to 1.0%. The amended buffer enters into force on 30 September 2019.

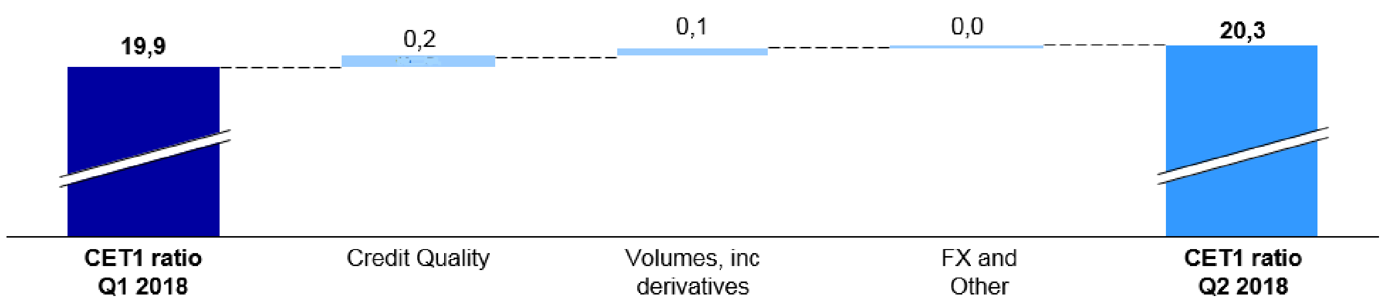
On 28 September 2018, Nordea received the 2018 joint decision on capital (JDC). Nordea has voluntary committed to maintain the CET1 capital requirement of EUR 21.7bn communicated in the 2018 JDC until Nordea receive the 2019 JDC. Based on the Q3 outcome and additional Pillar I REA stemming from the temporary use of internal models, the requirement corresponds to approx. 13.7% in Q4 2018.

The estimated REA increase of EUR 36bn (of which EUR 10.5bn stems from the Swedish residential real estate risk-weight floor) in Q4 2018 mainly stems from migration of existing items from Pillar II to Pillar I. The REA increase is due to the implementation of; updated IRB parameters, risk weight floors on residential real estate, risk weight floors on selected corporate portfolios and updates to market risk models.

Risk exposure amount, REA (EURbn), quarterly



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



Balance sheet

Total assets in the balance sheet in the quarter were slightly higher than in the previous quarter and amounted to EUR 573bn. Loans to credit institutions were EUR 3bn higher than in the previous period, while the asset values of derivatives were down EUR 7bn compared to the previous period due to increasing long interest rates and changes in foreign exchange rates.

Loans to the public were more or less unchanged in the quarter and amounted to EUR 316bn compared to EUR 315bn in the previous quarter.

Other assets increased by EUR 7bn from the previous quarter.

Balance sheet data

	Q318	Q218	Q118	Q417	Q317
EURbn					
Loans to credit institutions	16	13	17	9	14
Loans to the public	316	315	311	310	314
Derivatives	37	44	42	46	49
Interest-bearing securities	75	75	73	75	88
Other assets	129	123	137	142	150
Total assets	**573**	**570**	**580**	**582**	**615**
Deposits from credit inst.	52	50	50	40	54
Deposits from the public	174	176	174	172	182
Debt securities in issue	187	178	175	179	183
Derivatives	39	45	38	43	45
Other liabilities	88	89	112	114	118
Total equity	33	32	31	33	32
Total liabilities and equity	**573**	**570**	**580**	**582**	**615**

Nordea's funding and liquidity operations

Nordea issued approx. EUR 4.6bn in long-term funding in the third quarter excluding Danish covered bonds, of which approx. EUR 2.4bn represented the issuance of Swedish and Norwegian covered bonds in domestic markets. Public benchmark transactions during the quarter included a USD 500m 15yNC10y T2 and a SEK/NOK 2.25bn 10yNC5y T2 issued by Nordea Bank AB. Nordea continued issuing Senior Non-Preferred debt in Q3 with a USD 1bn 5-year fixed/floating rate note and a NOK 2bn floating rate note, both issued by Nordea Bank AB.

Nordea's long-term funding portion of total funding, at the end of the third quarter, was approx. 79%.

In September, Nordea was named "Best Euro Issuer" and "Best Global Deal" by Global Capital. The awarded transaction was Nordea Mortgage Bank's dual tranche 5-year and 15-year Covered Bond issued in February.

Short-term liquidity risk is measured using several metrics and the Liquidity Coverage Ratio (LCR) is one such metric. The LCR for the Nordea Group was, according to the CRR LCR definition, 209% at the end of the third quarter. The LCR in EUR was 253% and in USD 240% at the end of the third quarter. The liquidity buffer is composed of highly liquid central bank eligible securities and cash with characteristics similar to CRD IV high-quality liquid assets, and amounted to EUR 108bn at the end of the third quarter (EUR 96bn at the end of the second quarter.

The long-term liquidity risk is measured as Net Stable Funding Ratio (NSFR). At the end of the third quarter 2018, Nordea's NSFR was 107.1% (Q2 104.5%).

Funding and liquidity data

	Q318	Q118*	Q118	Q417	Q317
Long-term funding portion	79%	84%	83%	81%	81%
LCR total	209%	147%	174%	147%	143%
LCR EUR	253%	154%	192%	257%	187%
LCR USD	240%	160%	180%	170%	161%

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

Market risk

In Q3 2018 Nordea's supervisors approved the use of several additional risk factors in the Value-at-Risk (VaR) model used to calculate the regulatory capital requirement for Market Risk in the Trading Book. This disclosure represents the first reporting using the enhanced model for the Trading Book.

Total market risk, measured as Value at Risk, in the trading book was EUR 15m, an increase from the previous quarter (EUR 12m) mainly driven by the additional risk factors captured in VaR as well as increased interest rate risk.

Trading book

	Q318	Q218	Q118	Q417	Q317
EURm					
Total risk, VaR	15	12	13	11	13
Interest rate risk, VaR	15	11	13	10	10
Equity risk, VaR	4	2	1	3	2
Foreign exchange risk, VaR	2	2	2	5	9
Credit spread risk, VaR	3	4	4	4	5
Inflation risk	1				
Diversification effect	43%	40%	39%	50%	48%

Total market risk, measured as Value at Risk, in the banking book increased to EUR 49m (EUR 38m in the previous quarter) mostly due to a strategic decision to raise exposure to 'safe haven' fixed income assets.

Banking book

	Q318	Q218	Q118	Q417	Q317
EURm					
Total risk, VaR	49	38	37	46	47
Interest rate risk, VaR	49	38	38	47	48
Equity risk, VaR	5	3	5	3	4
Foreign exchange risk, VaR	2	1	3	3	2
Credit spread risk, VaR	1	1	1	1	1
Diversification effect	13%	11%	20%	15%	14%

Nordea share and ratings

Nordea's share price and ratings as at the end of Q3 2018.

	Nasdaq STO (SEK)	Nasdaq COP (DKK)	Nasdaq HEL (EUR)
3/31/2017	102.30	79.90	10.72
6/30/2017	107.20	83.15	11.14
9/30/2017	110.40	85.15	11.44
12/31/2017	99.30	75.20	10.10
3/31/2018	89.10	63.12	8.61
6/30/2018	86.28	61.38	8.25
9/30/2018	96.86	70.02	9.46

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

Update on Nordea's re-domiciliation to the Banking Union

As of 1 October 2018, the Nordea Group's parent company is domiciled in Finland, a member of the European Banking Union, following the execution of the cross-border reverse merger between Nordea Bank AB (publ) and Nordea Bank Abp as of the same date. As a result of the cross-border merger, the former parent company Nordea Bank AB (publ) has been dissolved, and all its assets and liabilities have been transferred to Nordea Bank Abp. Consequently, as of 1 October 2018, all Nordic banking business is carried out by Nordea Bank Abp.

Domiciling in a country that is a participant of the Banking Union is the best way to secure a fair, stable and predictable regulatory environment for Nordea, on a par with its peers.

Nordea expects its re-domiciliation to promote the interests of customers, shareholders and employees. Nordea will continue to be a trusted partner that aims to offer its customers the best service in the market anytime, anywhere, and no changes in the day-to-day operations are expected from a customer perspective.

Update on the sale of collection portfolios

In Q4 2017 Nordea signed an agreement to divest a portfolio of non-performing loans in Denmark. The portfolio consists of around 40,000 claims, the principal value amounts to approximately EUR 500m and the transaction is expected to generate a capital gain of roughly EUR 40-50m. In Q3 2018, the financial impact was EUR 15m and recognised in "Net result from items at fair value".

Furthermore, Nordea has entered into an agreement with the Norwegian company B2Holding to sell a portfolio of non-performing loans. A total of 12,000 non-performing customer accounts will be transferred to B2Holding, which operates the debt collection company Nordic Debt Collection in Denmark. The portfolio of close to 12,000 customer accounts represents total debt of EUR 388m. The transfer will take place on 31 October 2018, and also means that six employees will be transferred to Nordic Debt Collection at 1 December 2018. Upon completion of the transaction, Nordea is expected to generate a capital gain of approximately EUR 35-45m which will be included in the financial statements for 2019 as the loan documentation is transferred to the buyer.

On 12 October 2018, Nordea has signed an agreement to divest a Swedish non-performing loans portfolio. The transaction is expected to generate a capital gain of roughly EUR 6m and to be closed during Q4 2018.

Update on the sale of Nordea's Luxembourg-based private banking business

On 15 October 2018, UBS and Nordea announced that UBS has successfully acquired part of Nordea's Luxembourg-based private banking business. As announced in January 2018, the transaction covers the acquisition of part of the business and its integration onto UBS' platform, thereby providing clients access to its global offering and local expertise.

Assets and liabilities held for sale will be derecognised in the fourth quarter 2018. The capital gain/loss on closing in the fourth quarter 2018 is expected to be close to zero after transaction cost and the impact on the CET1 ratio is expected to be marginally positive.

Sale of Luminor

As part of Nordea's strategy to focus its operations to the Nordic core markets, Nordea, together with DNB, has entered into an agreement to jointly sell 60 per cent of Luminor to a consortium led by private equity funds managed by Blackstone ("Blackstone").

As a result of the transaction, each of Nordea and DNB will hold approx. 20 per cent of Luminor and maintain ongoing representation on Luminor's Board of Directors. Nordea and Blackstone have additionally entered into a forward sale agreement for the sale of Nordea's remaining 20 per cent stake. The forward sale is subject to certain conditions but is expected to complete over three financial years after completion of the transaction.

The decision for Nordea to sell the shares in Luminor is pursuant to Nordea's overall ambition to simplify and focus its operations to the Nordic core markets and become an even better bank for its customers. The sale is the natural next step following the establishment of Luminor in 2017 whereby Nordea and DNB created the third largest bank in the region.

The transaction is inter alia subject to customary regulatory approvals and is expected to close during H1 2019. The agreed purchase price in the upfront sale of the approx. 36 per cent stake divested by Nordea is EUR 0.6bn, valuing Luminor, which currently generates a mid-single digit normalised RoE, at approx. EUR 1.7bn, equivalent to 1.0x P/BV. The forward sale of Nordea's remaining 20 per cent stake will be carried out at a fixed valuation of 0.9x P/BV. This corresponds to an estimated blended sales multiple of 0.97x P/BV, excluding transaction costs and other Nordea-related accounting impacts, for the sale of Nordea's ownership in Luminor. In addition to the upfront sale and forward sale Nordea will continue to provide funding to Luminor over the medium term, together with transitional services until 2020.

At completion of the transaction Nordea is expected to realise a write down on the remaining equity stake, equal to the difference between current book value and the agreed forward sale price. Current estimate of the write-down is EUR 33m. Capitalised transaction cost from the Luminor merger and new transaction cost connected to the divestment to Blackstone will furthermore be expensed on closing. These transaction costs are estimated to be EUR 23m and EUR 10m respectively, in total EUR 33m. The final purchase price and financial impact will be settled upon closing, based on a locked box principle, and is therefore subject to the business performance in Luminor up until then.

On a pro-forma basis* and subject to regulatory capital treatment the upfront sale is expected to have a positive impact on Nordea's Common Equity Tier 1 ("CET1") ratio of approx. 20bps upon completion of the transaction. Pro-forma for the complete sale of Nordea's ownership in Luminor under the forward sale agreement and after Luminor has returned its funding to Nordea, the positive impact on Nordea's CET1 ratio is expected to be approx. 45bps.

Nordea's investment in Luminor Group AB continues to be reported as "Investments in associated undertakings and joint ventures" on Nordea's balance sheet, and continues to be consolidated using the equity method, as it is formally Luminor Group AB that divest the shares in the operating subsidiaries. Nordea's investment in Luminor Group AB is consequently not classified as "Assets held for sale".

Based on the current forecasted CET1 ratio for the fourth quarter in 2018 including the approval from ECB for continued use of existing internal models (as detailed in press release of 17 August 2018) and pro-forma for the acquisition of Gjensidige Bank (detailed in press release of 2 July 2018).

Nordea to sell Nordea Ejendomme

Nordea has entered into an agreement with the property management company DEAS A/S to sell the Danish property asset management company Nordea Ejendomme. The transaction is expected to be completed in Q4 2018.

Nordea Ejendomme, on behalf of Nordea Liv & Pension and other institutional investors, manages a property portfolio of approximately EUR 3 billion and is Denmark's largest provider of commercial leases with approximately 2,700 office, store and warehouse rentals and approximately 1,150 residential rentals.

The customers whose portfolios are currently managed by Nordea Ejendomme will be serviced by DEAS Asset Management A/S. With the acquisition, DEAS welcomes about 90 employees from Nordea Ejendomme. Upon completion of the transaction it is expected to result in a capital gain of approximately EUR 35m for Nordea, expected to be recognised in the line item Other operating income in the fourth quarter of 2018. Costs are reduced by approximately EUR 8m annually, revenues will decrease by approximately EUR 16m annually.

While the transaction agreement has been signed, the details of the transaction and its completion no later than the fourth quarter of 2018 remain subject to applicable regulatory approvals.

Acquisition of Gjensidige Bank

On 2 July this year Nordea entered into an agreement to acquire all shares in Gjensidige Bank. The acquisition has been approved by the Norwegian Competition Authority, but the approval from the Norwegian Ministry of Finance is still pending.

The agreement to acquire Gjensidige Bank will give Nordea Norway 170,000 new retail customers. As of today, Gjensidige Bank has a loan volume of approximately NOK 48bn in the Norwegian retail market. After the acquisition Nordea Norway will have a loan portfolio of approximately NOK 594bn. The acquisition is expected to close during Q1 2019, and the plan is to transition Gjensidige Bank customers to Nordea during 2019. Nordea will acquire Gjensidige Bank for NOK 5.5bn, including some agreed-upon adjustment mechanisms.

Quarterly development, Group

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Jan-Sep 2018	Jan-Sep 2017
EURm							
Net interest income	1,072	1,073	1,053	1,109	1,185	3,198	3,557
Net fee and commission income	703	800	770	839	814	2,273	2,530
Net result from items at fair value	205	260	441	235	357	906	1,093
Profit from associated undertakings and joint ventures accounted for under the equity method	48	33	28	16	3	109	7
Other operating income	18	375	23	29	14	416	54
Total operating income	**2,046**	**2,541**	**2,315**	**2,228**	**2,373**	**6,902**	**7,241**
General administrative expenses:							
Staff costs	-726	-730	-798	-861	-757	-2,254	-2,351
Other expenses	-323	-350	-336	-425	-377	-1,009	-1,197
Depreciation, amortisation and impairment charges of tangible and intangible assets	-87	-74	-71	-75	-70	-232	-193
Total operating expenses	**-1,136**	**-1,154**	**-1,205**	**-1,361**	**-1,204**	**-3,495**	**-3,741**
Profit before loan losses	**910**	**1,387**	**1,110**	**867**	**1,169**	**3,407**	**3,500**
Net loan losses	-44	-59	-40	-71	-79	-143	-298
Operating profit	**866**	**1,328**	**1,070**	**796**	**1,090**	**3,264**	**3,202**
Income tax expense	-182	-243	-250	-167	-258	-675	-783
Net profit for the period	**684**	**1,085**	**820**	**629**	**832**	**2,589**	**2,419**
Diluted earnings per share (DEPS), EUR	0.17	0.27	0.20	0.15	0.21	0.64	0.60
DEPS, rolling 12 months up to period end, EUR	0.79	0.83	0.74	0.75	0.87	0.79	0.87

Income statement

EURm	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
Operating income					
Interest income	1,849	1,915	5,395	5,741	7,575
Interest expense	-777	-730	-2,197	-2,184	-2,909
Net interest income	**1,072**	**1,185**	**3,198**	**3,557**	**4,666**
Fee and commission income	905	1,019	2,877	3,169	4,232
Fee and commission expense	-202	-205	-604	-639	-863
Net fee and commission income	**703**	**814**	**2,273**	**2,530**	**3,369**
Net result from items at fair value	205	357	906	1,093	1,328
Profit from associated undertakings and joint ventures accounted for under the equity method	48	3	109	7	23
Other operating income	18	14	416	54	83
Total operating income	**2,046**	**2,373**	**6,902**	**7,241**	**9,469**
Operating expenses					
General administrative expenses:					
Staff costs	-726	-757	-2,254	-2,351	-3,212
Other expenses	-323	-377	-1,009	-1,197	-1,622
Depreciation, amortisation and impairment charges of tangible and intangible assets	-87	-70	-232	-193	-268
Total operating expenses	**-1,136**	**-1,204**	**-3,495**	**-3,741**	**-5,102**
Profit before loan losses	**910**	**1,169**	**3,407**	**3,500**	**4,367**
Net loan losses	-44	-79	-143	-298	-369
Operating profit	**866**	**1,090**	**3,264**	**3,202**	**3,998**
Income tax expense	-182	-258	-675	-783	-950
Net profit for the period	**684**	**832**	**2,589**	**2,419**	**3,048**
Attributable to:					
Shareholders of Nordea Bank AB (publ)	684	828	2,578	2,407	3,031
Additional Tier 1 capital holders	-	-	7	-	-
Non-controlling interests	-	4	4	12	17
Total	**684**	**832**	**2,589**	**2,419**	**3,048**
Basic earnings per share, EUR	0.17	0.21	0.64	0.60	0.75
Diluted earnings per share, EUR	0.17	0.21	0.64	0.60	0.75

Statement of comprehensive income

EURm	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
Net profit for the period	**684**	**832**	**2,589**	**2,419**	**3,048**
Items that may be reclassified subsequently to the income statement					
Currency translation differences during the period	70	29	-52	-257	-511
Tax on currency translation differences during the period	-1	-3	-2	-1	3
Hedging of net investments in foreign operations:					
Valuation gains/losses during the period	-32	-26	-16	80	175
Tax on valuation gains/losses during the period	7	5	2	-18	-37
Fair value through other comprehensive income:[1]					
Valuation gains/losses during the period, net of recycling	-21	-	-23	-	-
Tax on valuation gains/losses during the period	5	-	5	-	-
Available for sale investments:[1]					
Valuation gains/losses during the period, net of recycling	-	9	-	55	31
Tax on valuation gains/losses during the period	-	-2	-	-13	-8
Cash flow hedges:					
Valuation gains/losses during the period, net of recycling	-10	-3	10	-108	-107
Tax on valuation gains/losses during the period	2	0	-2	24	24
Items that may not be reclassified subsequently to the income statement					
Changes in own credit risk related to liabilities classified as fair value option:					
Valuation gains/losses during the period	3	-	12	-	-
Tax on valuation gains/losses during the period	-1	-	-3	-	-
Defined benefit plans:					
Remeasurement of defined benefit plans	-58	57	-58	57	-115
Tax on remeasurement of defined benefit plans	13	-13	12	-12	25
Other comprehensive income, net of tax	**-23**	**53**	**-115**	**-193**	**-520**
Total comprehensive income	**661**	**885**	**2,474**	**2,226**	**2,528**
Attributable to:					
Shareholders of Nordea Bank AB (publ)	661	881	2,463	2,214	2,511
Additional Tier 1 capital holders	-	-	7	-	-
Non-controlling interests	-	4	4	12	17
Total	**661**	**885**	**2,474**	**2,226**	**2,528**

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

Balance sheet

EURm	30 Sep 2018	31 Dec 2017	30 Sep 2017
Assets			
Cash and balances with central banks	43,173	43,081	48,284
Loans to central banks	6,441	4,796	5,841
Loans to credit institutions	16,384	8,592	14,362
Loans to the public	316,494	310,158	313,706
Interest-bearing securities	74,900	75,294	87,580
Financial instruments pledged as collateral	9,807	6,489	7,279
Shares	15,061	17,180	29,540
Assets in pooled schemes and unit-linked investment contracts	26,829	25,879	25,472
Derivatives	36,713	46,111	48,637
Fair value changes of the hedged items in portfolio hedge of interest rate risk	131	163	143
Investments in associated undertakings and joint ventures	1,617	1,235	572
Intangible assets	4,146	3,983	4,071
Property and equipment	576	624	634
Investment properties	1,638	1,448	3,280
Deferred tax assets	63	118	81
Current tax assets	504	121	519
Retirement benefit assets	280	250	379
Other assets	15,233	12,441	16,305
Prepaid expenses and accrued income	1,442	1,463	1,620
Assets held for sale	1,335	22,186	6,972
Total assets	**572,767**	**581,612**	**615,277**
Liabilities			
Deposits by credit institutions	51,506	39,983	54,243
Deposits and borrowings from the public	174,191	172,434	182,247
Deposits in pooled schemes and unit-linked investment contracts	27,767	26,333	25,828
Liabilities to policyholders	19,331	19,412	42,471
Debt securities in issue	187,094	179,114	182,625
Derivatives	39,084	42,713	45,485
Fair value changes of the hedged items in portfolio hedge of interest rate risk	830	1,450	1,754
Current tax liabilities	714	389	565
Other liabilities	24,951	28,515	30,236
Accrued expenses and prepaid income	1,657	1,603	1,942
Deferred tax liabilities	615	722	823
Provisions	312	329	239
Retirement benefit obligations	340	281	246
Subordinated liabilities	9,181	8,987	9,181
Liabilities held for sale	2,566	26,031	5,094
Total liabilities	**540,139**	**548,296**	**582,979**
Equity			
Additional Tier 1 capital holders	750	750	-
Non-controlling interests	-	168	162
Share capital	4,050	4,050	4,050
Share premium reserve	1,080	1,080	1,080
Other reserves	-1,665	-1,543	-1,216
Retained earnings	28,413	28,811	28,222
Total equity	**32,628**	**33,316**	**32,298**
Total liabilities and equity	**572,767**	**581,612**	**615,277**
Assets pledged as security for own liabilities	176,734	198,973	201,479
Other assets pledged	4,218	4,943	5,400
Contingent liabilities	17,278	19,020	19,363
Credit commitments[1]	75,187	74,545	77,117
Other commitments	1,191	2,487	2,355

[1] Including unutilised portion of approved overdraft facilities of EUR 29,328m (31 Dec 2017: EUR 29,956m, 30 Sep 2017: EUR 31,697m).

Statement of changes in equity

	Attributable to shareholders of Nordea Bank AB (publ)											
			Other reserves:									
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Fair value through other comprehensive income[2]	Defined benefit plans	Changes in own credit risk related to liabilities classified as fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance at 1 Jan 2018	**4,050**	**1,080**	**-1,720**	**-46**	**103**	**120**	**-**	**28,811**	**32,398**	**750**	**168**	**33,316**
Restatement due to changed accounting policy, net of tax[3]	-	-	-	-	1	-	-8	-237	-244	-	-	-244
Restated opening balance at 1 Jan 2018	**4,050**	**1,080**	**-1,720**	**-46**	**104**	**120**	**-8**	**28,574**	**32,154**	**750**	**168**	**33,072**
Net profit for the period	-	-	-	-	-	-	-	2,578	2,578	7	4	**2,589**
Other comprehensive income, net of tax	-	-	-68	8	-18	-46	9	-	-115	-	-	**-115**
Total comprehensive income	-	-	-68	8	-18	-46	9	2,578	2,463	7	4	**2,474**
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-7	-	**-7**
Dividend 2017	-	-	-	-	-	-	-	-2,747	-2,747	-	-	**-2,747**
Divestment of own shares[4]	-	-	-	-	-	-	-	8	8	-	-	**8**
Change in non-controlling interests[5]	-	-	-	-	-	-	-	-	-	-	-172	**-172**
Balance at 30 Sep 2018	**4,050**	**1,080**	**-1,788**	**-38**	**86**	**74**	**1**	**28,413**	**31,878**	**750**	**-**	**32,628**

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

	Attributable to shareholders of Nordea Bank AB (publ)									
			Other reserves:							
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2017	**4,050**	**1,080**	**-1,350**	**37**	**80**	**210**	**28,302**	**32,409**	**1**	**32,410**
Net profit for the period	-	-	-	-	-	-	2,407	2,407	12	**2,419**
Other comprehensive income, net of tax	-	-	-196	-84	42	45	-	-193	-	**-193**
Total comprehensive income	-	-	-196	-84	42	45	2,407	2,214	12	**2,226**
Dividend for 2016	-	-	-	-	-	-	-2,625	-2,625	-	**-2,625**
Divestment of own shares[4]	-	-	-	-	-	-	16	16	-	**16**
Change in non-controlling interests[5]	-	-	-	-	-	-	122	122	149	**271**
Balance at 30 Sep 2017	**4,050**	**1,080**	**-1,546**	**-47**	**122**	**255**	**28,222**	**32,136**	**162**	**32,298**

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

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

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

[4] Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares at 30 Sep 2018 was 12.5 million (31 Dec 2017: 13.7 million, 30 Sep 2017: 11.1 million). The total holdings of own shares related to LTIP were 9.6 million (31 Dec 2017: 10.2 million, 30 Sep 2017: 10.2 million).

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

Cash flow statement, condensed

EURm	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
Operating activities			
Operating profit	3,264	3,202	3,998
Adjustments for items not included in cash flow	1,453	2,652	3,514
Income taxes paid	-769	-1,006	-950
Cash flow from operating activities before changes in operating assets and liabilities	**3,948**	**4,848**	**6,562**
Changes in operating assets and liabilities	1,543	14,809	5,712
Cash flow from operating activities	**5,491**	**19,657**	**12,274**
Investing activities			
Sale of business operations	463	-	228
Acquisition/sale of associated undertakings and joint ventures	20	-	-937
Acquisition/sale of property and equipment	-20	-102	-118
Acquisition/sale of intangible assets	-391	-447	-643
Net investments in debt securities, held to maturity	-	-10	-8
Sale/acqusition of other financial fixed assets	-2	-20	-21
Cash flow from investing activities	**70**	**-579**	**-1,499**
Financing activities			
Issued/Amortised subordinated liabilities	142	-750	-750
Divestment of own shares including change in trading portfolio	8	16	-12
Dividend paid	-2,747	-2,625	-2,625
Issued Additional Tier 1 capital	-	-	750
Paid interest on Additional Tier 1 capital	-7	-	-
Cash flow from financing activities	**-2,604**	**-3,359**	**-2,637**
Cash flow for the period	**2,957**	**15,719**	**8,138**

Cash and cash equivalents EURm	30 Sep 2018	30 Sep 2017	31 Dec 2017
Cash and cash equivalents at beginning of the period	46,213	41,860	41,860
Translation difference	1	-2,805	-3,785
Cash and cash equivalents at end of the period	49,171	54,774	46,213
Change	**2,957**	**15,719**	**8,138**
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	43,173	48,284	43,081
Loans to central banks	3,981	4,575	2,004
Loans to credit institutions	2,017	1,770	779
Assets held for sale	-	145	349
Total cash and cash equivalents	**49,171**	**54,774**	**46,213**

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

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

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

Notes to the financial statements

Note 1 Accounting policies

The information presented in this Interim Management Statement follows the guidelines for Interim Management Statements issued by Nasdaq OMX. This Interim Management Statement is not presented in accordance with IAS 34 "Interim Financial Reporting".

The accounting policies and methods of computation are largely the same as for the Annual Report 2017. For more information see Note G1 in the Annual Report 2017. For changes implemented during 2018, see "Changed accounting policies and presentation" below

Changed accounting policies and presentation

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

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

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

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

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

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

Other amendments

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

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

Amendments have been made in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). These amendments were implemented 1 January 2018 but have not had any significant impact on Nordea's financial statements. In addition, the Swedish Financial Supervisory Authority has amended the accounting regulation FFFS 2008:25 by issuing FFFS 2017:18 and the Swedish Financial Reporting Board has amended the accounting recommendation for groups by issuing "RFR 1 Supplementary Accounting Rules for Groups – January 2018". Those amendments were implemented by Nordea 1 January 2018 but have not had any significant impact on Nordea's financial statements.

Changes in IFRSs not yet applied

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

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

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

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

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

Disposal groups held for sale
For information about disposal groups held for sale, see Note G42 "Disposal groups held for sale" in the Annual Report for 2017. During the first quarter the disposal group related to Nordea's Luxembourg-based private banking business was reclassified to "Assets/Liabilities held for sale" on the balance sheet.

Determination of fair value for items measured at fair value on the balance sheet
During the first quarter Nordea, in comparison with the description in Note G40 in the Annual Report for 2017, changed the margin reset frequency assumption in the fair value model covering mortgage a loan portfolio in Denmark. The change generated a pre-tax gain of EUR 135m accounted for as "Net result from items at fair value" in the income statement.

Exchange rates

	Jan-Sep 2018	Jan-Dec 2017	Jan-Sep 2017
EUR 1 = SEK			
Income statement (average)	10.2414	9.6378	9.5833
Balance sheet (at end of period)	10.3090	9.8438	9.6490
EUR 1 = DKK			
Income statement (average)	7.4503	7.4387	7.4373
Balance sheet (at end of period)	7.4564	7.4449	7.4423
EUR 1 = NOK			
Income statement (average)	9.5900	9.3317	9.2361
Balance sheet (at end of period)	9.4665	9.8403	9.4125
EUR 1 = RUB			
Income statement (average)	73.3826	65.9190	64.9383
Balance sheet (at end of period)	76.1422	69.3920	68.2519

Note 2 Risks and uncertainties

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

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

In June 2015 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding anti-money laundering (AML). The outcome has resulted in criticism and the matter was, in accordance with Danish administrative practice, handed over to the police for further handling and possible sanctions.

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

Nordea Bank AB (publ)

Income statement

EURm	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
Operating income					
Interest income	1,099	1,056	3,086	3,159	4,155
Interest expense	-514	-445	-1,432	-1,382	-1,824
Net interest income	**585**	**611**	**1,654**	**1,777**	**2,331**
Fee and commission income	519	573	1,661	1,807	2,409
Fee and commission expense	-106	-93	-301	-291	-407
Net fee and commission income	**413**	**480**	**1,360**	**1,516**	**2,002**
Net result from items at fair value	195	300	692	931	1,104
Dividends	373	1	478	722	3,344
Other operating income	87	162	372	354	476
Total operating income	**1,653**	**1,554**	**4,556**	**5,300**	**9,257**
Operating expenses					
General administrative expenses:					
Staff costs	-626	-650	-1,955	-2,027	-2,768
Other expenses	-287	-342	-909	-1,084	-1,469
Depreciation, amortisation and impairment charges of tangible and intangible assets	-90	-71	-240	-199	-277
Total operating expenses	**-1,003**	**-1,063**	**-3,104**	**-3,310**	**-4,514**
Profit before loan losses	**650**	**491**	**1,452**	**1,990**	**4,743**
Net loan losses	-42	-55	-110	-238	-299
Impairment of financial non-current assets	-218	-3	-218	-3	-385
Operating profit	**390**	**433**	**1,124**	**1,749**	**4,059**
Appropriations	-	-	-	-	2
Income tax expense	-114	-104	-297	-339	-551
Net profit for period	**276**	**329**	**827**	**1,410**	**3,510**

Nordea Bank AB (publ)

Balance sheet

EURm	30 Sep 2018	31 Dec 2017	30 Sep 2017
Assets			
Cash and balances with central banks	42,585	42,637	47,922
Treasury bills	18,137	13,493	18,019
Loans to credit institutions	69,588	59,765	66,848
Loans to the public	162,275	152,739	161,864
Interest-bearing securities	41,472	47,950	47,373
Financial instruments pledged as collateral	16,152	12,430	14,004
Shares	6,784	7,883	10,849
Derivatives	36,803	47,688	49,106
Fair value changes of the hedged items in portfolio hedge of interest rate risk	58	85	60
Investments in group undertakings	12,320	12,532	13,162
Investments in associated undertakings and joint ventures	1,041	1,036	79
Participating interest in other companies	34	23	20
Intangible assets	2,274	2,114	2,010
Property and equipment	362	385	391
Deferred tax assets	19	84	37
Current tax assets	448	58	467
Retirement benefit assets	274	196	152
Other assets	14,837	15,316	15,854
Prepaid expenses and accrued income	1,226	1,128	1,264
Total assets	**426,689**	**417,542**	**449,481**
Liabilities			
Deposits by credit institutions	65,015	51,735	65,862
Deposits and borrowings from the public	180,825	176,231	189,797
Debt securities in issue	77,759	72,460	76,544
Derivatives	40,089	46,118	48,154
Fair value changes of the hedged items in portfolio hedge of interest rate risk	212	552	739
Current tax liabilities	344	158	190
Other liabilities	22,777	28,720	29,255
Accrued expenses and prepaid income	1,285	1,195	1,487
Deferred tax liabilities	54	174	139
Provisions	381	412	327
Retirement benefit obligations	269	262	259
Subordinated liabilities	9,183	8,987	9,035
Total liabilities	**398,193**	**387,004**	**421,788**
Untaxed reserves	**0**	**-**	**2**
Equity			
Additional Tier 1 capital holders	750	750	-
Share capital	4,050	4,050	4,050
Development cost reserve	1,559	1,205	1,033
Share premium reserve	1,080	1,080	1,080
Other reserves	52	166	10
Retained earnings	21,005	23,287	21,518
Total equity	**28,496**	**30,538**	**27,691**
Total liabilities and equity	**426,689**	**417,542**	**449,481**
Assets pledged as security for own liabilities	40,132	36,000	38,761
Other assets pledged	4,218	4,943	5,400
Contingent liabilities	50,543	54,130	54,162
Commitments[1]	75,807	77,870	83,556

[1] Including unutilised portion of approved overdraft facilities of EUR 31,647m (31 Dec 2017: EUR 34,725m, 30 Sep 2017: EUR 36,605m).

Glossary

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

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

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

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

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

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

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

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

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

Allowance in relation to loans in stage 1 and 2
Allowances for non-impaired loans (stage 1 and 2) divided by non-impaired loans measured at amortised cost (stage 1 and 2) before allowances.

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

ROCAR
ROCAR, % (Return on Capital at Risk) is defined as Net profit excluding items affecting comparability, as a percentage of Economic capital. For 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, http://www.nordea.com/en/investor-relations/reports-and-presentations/select-reports-and-presentations/ and the Annual Report.

For further information

- A press conference with management will be held on 24 October at 10.00 EET, Aleksis Kiven katu 7, Helsinki where Casper von Koskull, President and Group CEO, will present the results. The presentation will be conducted in English and can be viewed live (direct link). You can also find the presentation material at www.nordea.com/ir.
- After the results presentation, there will be a Q&A session (starting at approximately 10.30 with Christopher Rees, Group CFO and Rodney Alfvén, Head of Investor Relations); please dial +44(0) 330 336 9411 or +46(0) 8 5065 3942 or +358 (0) 9 7479 0404 or +45 35 15 81 21, confirmation code 1088187 no later than 09.50 EET.
- After the conference an indexed on-demand replay will be available here. A replay will also be available until 31 October by dialing +44 (0) 207 660 0134 or +46 (0) 8 5199 3077 or +358 (0) 9 8171 0562 or +45 70 14 50 87, confirmation code 1088187
- An analyst and investor presentation will be held in London on 26 October at 12.30 GMT at The Montcalm Royal London House, 22-25 Finsbury Square, London EC2A 1DX where Casper von Koskull, President and Group CEO, Christopher Rees, Group CFO, Rodney Alfvén, Head of Investor Relations and Pawel Wyszynski, Senior IR Officer, will participate.
- The presentation, including Q&A, is expected to last approximately one hour.
- To attend please contact: Jinnie Kane at Carnegie via e-mail: jinnie.kane@carnegie.co.uk
- This Interim Management Statement, an investor presentation and a fact book are available on www.nordea.com.

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Financial calendar

6 February 2019 – Fourth Quarter Report 2018 (silent period starts 8 January 2019)
28 March – Annual General Meeting
30 April 2019 – First Quarter Report 2019 (silent period starts 5 April 2019)
18 July 2019 – Second Quarter Report 2019 (silent period starts 5 July 2019)
24 October 2019 – Third Quarter Report 2019 (silent period starts 7 October 2019)

This Interim Management Statement has not been subject to review by the Auditors.

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

This Interim Management Statement 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 Interim Management Statement 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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