Nordea

Fourth Quarter 2018

Fourth Quarter and Full Year Results 2018

CEO Casper von Koskull's comments on the results:

"2018 has been characterised by key deliveries in our transformation journey: Nordea is now a more focused, simpler and resilient bank – operating in the banking union – with a much improved risk and compliance platform following considerable investments. We are also delivering on the cost efficiency plans; credit quality remains strong and the balance sheet is robust. Thus, we are prepared to manage the bank successfully through the cycle.

At the same time, the results for 2018 are not where we want them to be, featuring a challenging revenue development; driven by margin pressure in household lending, muted volume growth, and pressure on savings and market making revenues. Towards the end of the year, margins stabilised, but the difficult market conditions in the fourth quarter further impacted our asset management and net fair value revenues negatively.

The Nordea Bank Board is going to propose a dividend per share of EUR 0.69.

For 2019, our priorities are very clear. We are now well placed to intensify our client efforts and increase business momentum while at the same time continuing to drive structural cost efficiency. It is now all about execution."

	Full year 2018 vs. Full year 2017		Q4 2018 vs. Q4 2017	
Total op. income, chg %	-5		-6	
Chg in local currency, %	*-3*		*-4*	
Total expenses, chg %	-4		2	
Chg in local currency, %	*-2*		*3*	
Operating profit, chg %	-1		-13	
Chg in local currency, %	*1*		*-13*	
CET 1 capital ratio, %	15.5	19.5	15.5	19.5
C/I ratio, %	54	54	66	61
Loan loss ratio, bps	7	12	5	9
ROE, %	9.7	9.5	6.1	7.7
Diluted EPS, EUR	0.76	0.75	0.12	0.15

3,953
Total operating profit, FY 2018 (EURm)

0.69
Dividend per share that the Nordea Bank Board is going to propose

Summary key figures

EURm	Q4 2018	Q3 2018	Chg %	Local curr. %	Q4 2017	Chg %	Local curr. %	Jan-Dec 2018	Jan-Dec 2017	Chg %	Local curr. %
Net interest income	1,126	1,072	5	6	1,109	2	3	4,324	4,666	-7	-5
Total operating income	2,103	2,046	3	3	2,228	-6	-4	9,005	9,469	-5	-3
Profit before loan losses	719	910	-21	-21	867	-17	-16	4,126	4,367	-6	-4
Net loan losses	-30	-44	-32	-32	-71	-58	-57	-173	-369	-53	-51
Operating profit	689	866	-20	-20	796	-13	-13	3,953	3,998	-1	1
Diluted earnings per share, EUR	0.12	0.17			0.15			0.76	0.75		
ROE, %	6.1	8.7			7.7			9.7	9.5		

Exchange rates used for Q4 2018 for income statement items are for DKK 7.4533, NOK 9.6033 and SEK 10.2608.

For further information:

Casper von Koskull, President and Group CEO, +358 503 821 391
Christopher Rees, Group CFO, +45 5547 2377

Rodney Alfvén, Head of Investor Relations, +46 72 235 05 15
Sara Helweg-Larsen, Head of Group Communications, +45 2214 0000

CEO comment

The macro development in the Nordics has been relatively healthy in 2018 but there are clear signs of increased uncertainty, especially Sweden that gradually lost steam on the back of uncertainty on housing market impacting investment and sluggish private consumption. In recent years, Nordea has proactively de-risked the bank, re-focused on core Nordic activities and maintained strict underwriting discipline in lending. This, combined with a record-strong balance sheet, makes us comfortable we can manage the bank successfully through the cycle.

2018 featured challenging revenue development. Net interest income was down 7% in 2018 compared to 2017 driven mainly by margin pressure and the deconsolidation of the Baltic operations. In recent quarters, the level has stabilised, and towards the end of the year, we saw volume growth and stabilising blended margins. The market making trading environment has been challenging throughout the year, and the worsening market conditions in the fourth quarter further weighted on net fair value as well as fees and commission.

We continue to deliver on our cost efficiency plans with costs below EUR4.8bn for 2018, excluding the goodwill impairment in Russia of EUR 141m. We are well on track to reach our 2021 target to reduce costs* by 3% compared to 2018 and in 2019 the target is to have lower costs than in 2018, adjusted for non-recurring costs in 2018 and 2019**. Credit quality remains strong and loan losses were 5bps in the fourth quarter 2018. Common Equity Tier 1 capital ratio was 15.5%, in line with our expectations and well above the required level of 13.9%. The Board is going to propose an increase in dividend per share from EUR 0.68 to EUR 0.69, in line with the capital policy.

Net profit for 2018 increased compared to 2017, also including the goodwill impairment in Russia.

Sustainability and responsible banking is at the heart of what Nordea wants to be and we are integrating sustainability into our day-to-day business at an increasing pace. Together with the United Nations and 27 other banks from around the world, Nordea was co-founder of the Principles for Responsible Banking, launched in Paris in November. For the second year in a row, Nordea was ranked as one of the top 100 most sustainable corporations in the world by the specialised media and investment research firm Corporate Knights and was the only Nordic bank to qualify among the top 100.

In 2018 we have made progress in Personal Banking in terms of increasing customer satisfaction particularly in Sweden where it has gone up to 67 from 60 during 2018. We also see a continued positive trend in both Private Banking and Business Banking, and we retain our very strong position in the large corporate sector.

In 2016–2018, Nordea carried out a significant transformation programme in line with the strategic priorities I communicated when I was appointed CEO in H2 2015. The transformation consisted of four key elements.

1. Risk and compliance – During the last three years, Nordea has invested more than EUR 730m within risk and compliance and resilience, recruited approximately 1,300 compliance professionals, and in 2018 12,000 front office staff members received 110,000 hours of training. These investments have significantly strengthened the risk and compliance platform and provide vital support to our financial crime prevention efforts, making Nordea a safer and more trusted bank.

2. Simplification – Nordea has created a streamlined legal structure with a Finnish parent company, with fully owned product companies and significant branches in the other Nordic countries. With this structure, we became a simpler bank and easier to scale. In the digital factory, Nordea has a completely new Group Common Data platform, all SEPA payments are now on a new platform with instant payments and significant progress has been made with the new Core Banking Platform. Our robots have now the same capacity as 1,500 FTEs. Following divestments of our non-Nordic private banking operations and the ongoing divesting of our Baltic operations, and a significant reduction in Russian and non-Nordic Shipping, Oil and Offshore lending, Nordea is now a more focused, simpler and resilient bank – operating in the banking union – with a much improved risk and compliance platform.

3. Digitalisation – In 2016–2018, Nordea invested above EUR 200m in digital solutions making us easier to deal with and accessible to even more customers. The most important outcomes of these investments are; a new mobile bank platform, a fully digital trade finance solution (We trade), online advisory meetings and launches of Apple Pay (as the only Nordic bank), Google Pay and Samsung Pay. We launched a new digital advisor, Nora, who has more than 115,000 advisory meetings in 2018 and around 30,000 advisory meetings in just January 2019. Corporate and Business Banking has also launched a new Digital Corporate Bank and in our Open Banking platform there are approximately 2,500 external developers forming part of our digital ecosystem, creating ideas and solutions for our customers.

4. Cost and capital efficiency – While the transformation undoubtedly led to cost increases in 2016–2017, Nordea now has a foundation for long-term cost efficiency improvement. Between 2017 and 2021, costs are expected to be reduced by 7% in constant currencies. In the same period, combined cash costs on both the profit & loss accounts and the balance sheet are expected to come down by approximately 15–20% in constant currencies. There is also potential to reduce costs beyond 2021 when the new Core Banking Platform is implemented, and we can start decommissioning the legacy systems. We also note that currently, the Nordic banking sector is phasing out relatively high cost inflation, driven by the same kind of investments made by Nordea in 2016–2017. Also, during 2016–2018, we created one of the strongest capitalised balance sheets in Europe.

For 2019, our priorities are very clear. We are now well placed to intensify our client efforts and increase business momentum while at the same time continuing to drive structural cost efficiency. Each business area has identified a number of initiatives to drive client value and revenue growth. Examples include investments in Private Banking in Norway and Sweden, acquisition of Gjensidige Bank, new distribution channels within Asset Management and Wholesale Banking and clear plans to regain momentum on mortgages where we already start to see results. On the cost side, we continue to drive operational excellence, frontline efficiency and simplification. At the end of the day, it is now all about execution.

Casper von Koskull
President and Group CEO

*Excluding EUR 141m in goodwill impairment in 2018 related to Russia
** EUR141m in goodwill impairment related to Russia in 2018 and approximately EUR 90m related to divestment of Luminor-shares and acquisition of Gjensidige Bank in 2019

Outlook

Throughout Nordea we are intensifying our efforts to increase business momentum and each business area has identified a number of initiatives to drive client value and revenue growth. Examples include investments in Private Banking in Norway and Sweden, acquisition of Gjensidige Bank, new distribution channels within Asset Management and Wholesale Banking and clear plans to regain momentum on mortgages where we already start to see results.

The key drivers behind the structural cost efficiency are increased usage of automation and robotics, ongoing ramp-up in Poland and Estonia and outsourcing of Group Technology mainframe to IBM. We are also simplifying through harmonizing products and services and leveraging scale by further consolidating common units, for instance global operations and services. At the end of the day, it is all about execution.

Cost

For 2021, we expect the cost base in constant currencies to be approximately 3% below the 2018 cost base excluding items affecting comparability in 2018* and cash costs are expected to be down 5-10% in constant currencies over the same period.

Costs for 2019 are expected to be lower in constant currencies compared to 2018 excluding items affecting comparability in 2018 and 2019** and total cash cost expected to be lower in constant currencies over the same period.

Credit quality

Our expectation for the coming quarters is that net losses will remain low and around the average level for 2018.

Capital policy

Given the implementation of transitional arrangements agreed with the ECB following Nordea's transfer to the Banking Union and with the aim to maintain the same nominal management buffer, Nordea Board of Directors decided to adjust the Groups capital policy to reflect the transitional capital regime on the meeting on 5 February 2019. The management buffer has been adjusted from 50-150bps to a range of 40 – 120 bps. This is mainly a technical adjustment therefore the management buffer remains largely unchanged in nominal EUR amounts. The current level of the management buffer is approximately EUR 2.5bn (160bps). The ambition is to achieve a yearly increase in the dividend per share, while maintaining a strong capital position in line with the capital policy.

*EUR141m in goodwill impairment in 2018 related to Russia
**EUR141m in goodwill impairment related to Russia in 2018 and approximately EUR 90m related to divestment of Luminor-shares and acquisition of Gjensidige Bank in 2019

Income statement

EURm	Q4 2018	Q3 2018	Chg %	Local curr. %	Q4 2017	Chg %	Local curr. %	Jan-Dec 2018	Jan-Dec 2017	Chg %	Local curr. %
Net interest income	1,126	1,072	5	6	1,109	2	3	4,324	4,666	-7	-5
Net fee and commission income	720	703	2	2	839	-14	-13	2,993	3,369	-11	-9
Net result from items at fair value	182	205	-11	-13	235	-23	-21	1,088	1,328	-18	-16
Profit from associated undertakings and joint ventures accounted for under the equity method	15	48			16			124	23		
Other operating income	60	18			29			476	83		
Total operating income	**2,103**	**2,046**	**3**	**3**	**2,228**	**-6**	**-4**	**9,005**	**9,469**	**-5**	**-3**
Staff costs	-744	-726	2	2	-861	-14	-12	-2,998	-3,212	-7	-5
Other expenses	-390	-323	21	20	-425	-8	-7	-1,399	-1,622	-14	-11
Depreciation, amortisation and impairment charges of tangible and intangible assets	-250	-87	187	185	-75	233	235	-482	-268	80	84
Total operating expenses	**-1,384**	**-1,136**	**22**	**21**	**-1,361**	**2**	**3**	**-4,879**	**-5,102**	**-4**	**-2**
Profit before loan losses	**719**	**910**	**-21**	**-21**	**867**	**-17**	**-16**	**4,126**	**4,367**	**-6**	**-4**
Net loan losses	-30	-44	-32	-32	-71	-58	-57	-173	-369	-53	-51
Operating profit	**689**	**866**	**-20**	**-20**	**796**	**-13**	**-13**	**3,953**	**3,998**	**-1**	**1**
Income tax expense	-197	-182	8	9	-167	18	28	-872	-950	-8	-5
Net profit for the period	**492**	**684**	**-28**	**-28**	**629**	**-22**	**-23**	**3,081**	**3,048**	**1**	**2**

Business volumes, key items[1]

EURbn	31 Dec 2018	30 Sep 2018	Chg %	Local curr. %	31 Dec 2017	Chg %	Local curr. %
Loans to the public	308.3	316.5	-3	-2	310.2	-1	1
Loans to the public, excl. repos	291.6	291.7	0	1	293.9	-1	1
Deposits and borrowings from the public	165.0	174.2	-5	-5	172.4	-4	-3
Deposits from the public, excl. repos	160.2	160.5	0	0	165.4	-3	-2
Total assets	551.4	572.8	-4		581.6	-5	
Assets under management	282.6	311.5	-9		330.4	-14	
Equity	32.9	32.6	1		33.3	-1	

Ratios and key figures[2]

	Q4 2018	Q3 2018	Chg %	Q4 2017	Chg %	Jan-Dec 2018	Jan-Dec 2017	Chg %
Diluted earnings per share, EUR	0.12	0.17	-29	0.15	-20	0.76	0.75	1
EPS, rolling 12 months up to period end, EUR	0.76	0.79	-4	0.75	1	0.76	0.75	1
Share price[1], EUR	7.30	9.40	-22	10.09	-28	7.30	10.09	-28
Total shareholders' return, %	-17.5	20.2		-5.0		-19.5	3.6	
Equity per share[1], EUR	8.15	8.08	1	8.21	-1	8.15	8.21	-1
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, %	6.1	8.7		7.7		9.7	9.5	
Cost/income ratio, %	66	56		61		54	54	
Loan loss ratio, basis points[3]	5	8		9		7	12	
Common Equity Tier 1 capital ratio[1,4,5], %	15.5	20.3		19.5		15.5	19.5	
Tier 1 capital ratio[1,4,5], %	17.3	22.6		22.3		17.3	22.3	
Total capital ratio[1,4,5], %	19.9	26.3		25.2		19.9	25.2	
Tier 1 capital[1,4], EURbn	27.0	27.3	-1	28.0	-4	27.0	28.0	-4
Risk exposure amount[4], EURbn	156	121	29	126	24	156	126	24
Number of employees (FTEs)[1]	28,990	29,056	0	30,399	-5	28,990	30,399	-5
Economic capital[1], EURbn	26.6	26.3	1	26.7	0	26.6	26.7	0

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

Income statement
Excluding items affecting comparability[1,2]

EURm	Q4 2018	Q3 2018	Chg %	Local curr. %	Q4 2017	Chg %	Local curr. %	Jan-Dec 2018	Jan-Dec 2017	Chg %	Local curr. %
Net interest income	1,126	1,072	5	6	1,109	2	3	4,324	4,666	-7	-5
Net fee and commission income	720	703	2	2	839	-14	-13	2,993	3,369	-11	-9
Net result from items at fair value	132	205	-36	-36	235	-44	-42	903	1,328	-32	-30
Profit from associated undertakings and joint ventures accounted for under the equity method	15	48			16			124	23		
Other operating income	24	18	33	21	29	-17	-21	91	83	10	15
Total operating income	**2,017**	**2,046**	**-1**	**-1**	**2,228**	**-9**	**-8**	**8,435**	**9,469**	**-11**	**-9**
Staff costs	-744	-726	2	2	-861	-14	-12	-2,998	-3,212	-7	-5
Other expenses	-390	-323	21	20	-425	-8	-7	-1,399	-1,622	-14	-11
Depreciation, amortisation and impairment charges of tangible and intangible assets	-109	-87	25	25	-75	45	47	-341	-268	27	30
Total operating expenses	**-1,243**	**-1,136**	**9**	**9**	**-1,361**	**-9**	**-7**	**-4,738**	**-5,102**	**-7**	**-5**
Profit before loan losses	**774**	**910**	**-15**	**-14**	**867**	**-11**	**-10**	**3,697**	**4,367**	**-15**	**-14**
Net loan losses	-30	-44	-32	-32	-71	-58	-57	-173	-369	-53	-51
Operating profit	**744**	**866**	**-14**	**-14**	**796**	**-7**	**-5**	**3,524**	**3,998**	**-12**	**-10**
Income tax expense	-185	-182	2	3	-167	11	20	-830	-950	-13	-10
Net profit for the period	**559**	**684**	**-18**	**-18**	**629**	**-11**	**-12**	**2,694**	**3,048**	**-12**	**-11**

Ratios and key figures[1,2]

	Q4 2018	Q3 2018	Chg %	Q4 2017	Chg %	Jan-Dec 2018	Jan-Dec 2017	Chg %
Diluted earnings per share, EUR	0.14	0.17	-18	0.15	-7	0.67	0.75	-11
EPS, rolling 12 months up to period end, EUR	0.67	0.68	-1	0.75	-11	0.67	0.75	-11
Return on equity, %	7.0	8.7		7.7		8.5	9.5	
Cost/income ratio, %	62	56		61		56	54	
ROCAR, %	8.3	10.2		9.2		10.0	11.1	

[1] Excl. items affecting comparability in Q4 2018: EUR 50m gain from revaluation of Euroclear, EUR 38m after tax, EUR 36m gain related to sale of Ejendomme and EUR 141m loss from impairment of goodwill in Russia. 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 gain from valuation model update in Denmark, EUR 105m after tax.

[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

While the third quarter saw some positive developments in global trade with the replacement of the North American Free Trade Agreement, the US remained at the centre of attention in the fourth quarter as trade negotiations with China continued. Following a cancelled meeting in September between US and Chinese officials, ultimately, at a post-G20 summit meeting in Buenos Aires in December, President Trump and President Xi agreed to a 90-day halt of new tariffs. The truce, however, was not enough to calm the quarter-long global equity rout, resulting in one of the worst years for equities since the onset of the financial crisis. Over the fourth quarter, S&P 500 and the German DAX index both fell by 14%, while the Japanese Nikkei index was down 17%. In line with its previous communication, following continued strong growth in the US (3.4% ann. q/q in Q3) and inflation in the range of 2.7–2.2%, the Federal Reserve Bank raised its interest rate to 2.50% at the December meeting. Ending an eventful quarter, the US government went into shut-down at the end of December as the Senate failed to agree on additional funding for a border wall between the US and Mexico. In Europe, the Italian government avoided EU sanctions as it ultimately reached a compromise with the European Commission to bring down the 2019 budget deficit target to 2.04% from 2.40% of GDP. The Italian 10-year government bond yield fell to 2.74% from 3.29% during the quarter. Over the same period, the German 10-year yield fell from 0.47% to 0.24%. The general decrease in yields came in the wake of a general slowing trend in global economic growth, and a European core inflation that continued to hover around the 1% mark. Despite the slowdowns, citing continued underpinning of inflation expectations from underlying demand, the ECB announced as expected the end of its asset purchase programme as per end of 2018. In Q4 we saw only limited movements in EURUSD as it fell slightly from 1.158 to 1.144. Oil dropped by 39% from 85 USD/bbl to 52 USD/bbl on the back of increased production in Saudi Arabia, the US selling from its reserves and spill-over from the risk-off mood in global equity markets.

Denmark

In Q3 2018 Danish GDP increased by 2.3% compared to the same period last year. Private consumption was the main driver (up by 3.2% y/y) but also net exports made a positive contribution. Leading indicators pointed to mixed outlook for 2019. Consumer confidence has weakened and business confidence in manufacturing has fallen. On the other hand, 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 Q3, prices of single-family houses increased by 3.0% (y/y), while owner-occupied flats were up by 3.4% (y/y). However, the latest monthly data showed signs of falling prices. The Danish central bank maintained its -0.65% deposit rate in Q4 2018 but in December they bought a total of DKK 11.6bn to strengthen the DKK against the EUR. This was the first intervention in the FX market since March 2017. Danish equities fell by 11.1% during the quarter while the 10-year swap rate decreased by 15bps to 0.97%.

Finland

The Finnish economy expanded by 2.4% (y/y) in the third quarter of 2018, but the growth was mainly driven by rapid accumulation of inventories. Thus, the risk of slowdown in the near term has increased and growth outlook has weakened faster than expected. Export growth decreased by -1.3% (y/y) in the third quarter of 2018, down from 2.1% (y/y) at the second quarter of 2018. Private consumption declined by 0.5% (q/q) in the third quarter and consumer confidence continued to fall. Inflation increased slightly to 1.3% (y/y), up from 1.2% (y/y) in the third quarter of 2018. Finnish equity markets dropped by 15% and the Finnish 10-year government bond yield ended 16bps lower at 0.54% in the fourth quarter.

Norway

The Norwegian economy grew by 0.3% q/q in Q3, down from the trend of 0.6–0.7% over the last quarters. Growth was dragged lower by temporary factors. For instance, agricultural production was heavily affected by the dry summer. Forward-looking indicators pointed towards growth of around 0.75% (q/q) in Q4. Employment increased at an annual rate of 1.5% during the quarter, in line with the recent trend, while registered unemployment continued to decrease. Higher energy prices reduced household purchasing power, resulting in slightly weaker private consumption growth. Mainland export industries benefited from a weaker NOK and the oil companies were still expecting a large increase in oil investments in 2019. House prices were stable in the fourth quarter. Norges Bank kept its key policy rate at 0.75% at its December meeting, as widely anticipated, and the central bank confirmed its plan to gradually hike rates over the coming years. The 2-year swap rate decreased by 3bps to 1.53% in Q4, while the 10-year swap rate decreased by 22bps to 2.10%. The NOK was 5% weaker in trade-weighted terms in Q4 and equities were down by 14.8%.

Sweden

Swedish GDP fell by 0.2% q/q in the third quarter of 2018 and was up by a mere 1.6% over the year. Private consumption decreased by 1% q/q, partly explained by temporary factors. However, there are reasons to believe that the consumption trend will be relatively weak going forward. Fixed investments rose in Q3 but much suggested that falling housing investments will weigh on investment growth during the coming quarters. Exports have been sluggish for most of 2018, reflecting stagnating demand from trading partners. The labour market continued to improve in 2018, despite the slowing GDP growth. The unemployment rate stood at 6.1% on average for October and November, 0.5% point lower than a year earlier. Higher energy prices continued to boost CPIF inflation, which stood at 2.1% (y/y) in November. The Riksbank hiked its rate for the first time in eight years in December, by 25bps to -0.25%. However, the Riksbank lowered the rate path and signalled fewer rate hikes, and the next rate hike was postponed to the second half of 2019. The trade-weighted SEK was unchanged, while Swedish equities fell by 18% during the third quarter. The 10-year government bond yield declined to 0.45% in Q3, 18bps lower than the previous quarter.

Group results and performance

Fourth quarter 2018

Net interest income

Net interest income in local currencies was up 6% from the previous quarter. Lending volumes continue to improve and contributed positively, while lending margins remain under pressure mainly in the household segment. We observe volume growth in Norway whereas in other countries volume growth remains subdued. Deposit margins were up, and Resolution fees and Deposit Guarantee fees decreased in the fourth quarter.

Net interest income for Personal Banking was up 5% in local currencies from the previous quarter, mainly due to a correction of deposit guarantee fees in the quarter. Lending volumes were stable from the previous quarter while lending margins continued to be under pressure especially in Finland and Norway.

Net interest income for Commercial & Business Banking was up 5% in local currencies from the previous quarter, driven by lower Deposit Guarantee fees. Deposit margins improved while lending margins came down. We saw volume growth and deposit volumes were also up 4% from the previous quarter.

Net interest income in Wholesale Banking was broadly unchanged in local currencies from the previous quarter. Margins were stable in the quarter as well as deposit volumes and lending volumes increased excluding repos.

Net interest income in Asset & Wealth Management was down EUR 2m from the previous quarter mainly due to the divestment of the International Private Banking.

Net interest income in Group Functions and Other was EUR 43m compared to EUR 27m in the previous quarter mostly driven by reduced Resolution fees.

Lending volumes

Loans to the public in local currencies, excluding repos, were 1% up from the previous quarter. Average lending volumes in local currencies increased in Personal Banking mainly driven by higher volumes in Norway. In Commercial & Business Banking, volumes increased mainly driven by Business Banking Norway. In Wholesale Banking, average lending volumes are unchanged with increased Nordic volumes offsetting somewhat lower volumes in Banking Russia.

Deposit volumes

Total deposits from the public in local currencies, excluding repos were unchanged from the previous quarter. Average deposit volumes in both Personal Banking and Asset & Wealth Management decreased while the volumes in Commercial & Business Banking increased. Deposit volumes in Wholesale Banking were stable.

Net interest income per business area

								Local currency	
	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4
EURm									
Personal Banking	520	497	510	528	561	5%	-7%	5%	-5%
Commercial & Business Banking	333	315	318	308	313	6%	6%	5%	8%
Wholesale Banking	215	216	219	204	193	0%	11%	-1%	13%
Asset & Wealth Management	15	17	18	16	19	-12%	-21%	-12%	-21%
Group Functions and other	43	27	8	-3	23	-	-	-	-
Total Group	**1,126**	**1,072**	**1,073**	**1,053**	**1,109**	**5%**	**2%**	**6%**	**3%**

Change in Net interest income

	Q4/Q3	Jan-Dec 18/17
EURm		
NII beginning of period	**1,072**	**4,666**
Margin driven NII	**-2**	**-253**
Lending margin	-8	-288
Deposit margin	6	35
Volume driven NII	**6**	**12**
Lending volume	6	23
Deposit volume	0	-11
Day count	0	0
Other[1,2,3]	50	-101
NII end of period	**1,126**	**4,324**
[1] of which FX	-9	-103
[2] of which Baltics	-	-120
[2] of which RF & DGS	59	5

Net fee and commission income

Net fee and commission income increased by 2% in local currencies. Brokerage & Corporate finance picked up after a weak third quarter of 2018. Payment and Cards fees are down due to normal seasonality. Lending-related fees were down mainly due to a change in accounting where expenses of EUR 10m were moved to net fee and commission income from net results from items at fair value.

Savings and investment commissions

Net fee and commission income from savings and investments increased from the previous quarter to EUR 500m due to higher brokerage and corporate finance fees.

Assets under Management (AuM) decreased by EUR 28.9bn to EUR 282.6bn at the end of the quarter. Performance related fees were EUR 3m (EUR 21m in Q4 2017).

The decrease was mainly due to the turmoil on the equity markets (EUR 17bn), divestment of the International Private Banking (EUR 10bn), market depreciation and net outflow of EUR 1.9bn (compared to EUR -0.6bn in the previous quarter).

Payments and cards and lending-related commissions

Lending-related net fee and commission income decreased from the previous quarter to EUR 114m. Payments and cards net fee and commission income decreased to EUR 121m from the previous quarter.

Net fee and commission income per business area

	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Local currency Q4/Q3	Local currency Q4/Q4
EURm									
Personal Banking	157	164	177	173	176	-4%	-11%	-5%	-10%
Commercial & Business Banking	109	107	108	113	124	2%	-12%	3%	-11%
Wholesale Banking	108	91	152	120	131	19%	-18%	18%	-15%
Asset & Wealth Management	354	352	368	369	411	1%	-14%	1%	-14%
Group Functions and other	-8	-11	-5	-5	-3	-	-	-	-
Total Group	**720**	**703**	**800**	**770**	**839**	**2%**	**-14%**	**2%**	**-13%**

Net fee and commission income per category

	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Local currency Q4/Q3	Local currency Q4/Q4
EURm									
Savings and investments, net	500	447	510	485	547	12%	-9%	12%	-8%
Payments and cards, net	121	130	139	130	124	-7%	-2%	-7%	-1%
Lending-related, net	114	129	142	129	147	-12%	-22%	-12%	-21%
Other commissions, net	-15	-3	9	26	21	-	-	-	-
Total Group	**720**	**703**	**800**	**770**	**839**	**2%**	**-14%**	**2%**	**-13%**

Assets under Management (AuM), volumes and net inflow

	Q418	Q318	Q218	Q118	Q417	Net inflow Q418
EURbn						
Nordic Retail funds	56.3	61.1	60.0	58.6	61.5	-0.6
Private Banking	80.7	98.0	96.3	96.1	98.9	0
Institutional sales	98.3	101.6	100.9	92.5	96.2	-1.2
Life & Pensions	47.3	50.8	49.8	72.9	73.8	-0.1
Total	**282.6**	**311.5**	**307.0**	**320.1**	**330.4**	**-1.9**

Net result from items at fair value

The net result from items at fair value decreased by 11% from the previous quarter to EUR 182m and decreased 23% from the same quarter in 2017. Whilst the customer business increased in the quarter (see below table) the overall net fair value result was impacted by the challenging FICC and equity markets. XVA had a negative impact of EUR 23m, compared to a positive impact of EUR 39m in the third quarter.

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 increased to EUR 223m from EUR 161m in the previous quarter. Customer-driven capital markets activities were stronger than in the previous quarter, mainly driven by improved underlying business in both Wholesale Banking and Commercial & Business Banking primarily on fixed income.

Life & Pensions

The net result from items at fair value for Life & Pensions increased EUR 3m from the previous quarter to EUR 26m.

Market making activities (Wholesale Banking other)

The net fair value result for Wholesale Banking other, i.e. income from managing the risks inherent in customer transactions, decreased to EUR -53m from EUR 55m in the previous quarter. Valuation adjustments turned negative in the fourth quarter, while being positive in the third quarter. In addition, the market-making activities in Nordea Markets faced challenging market conditions with fixed income trading inventory impacted by widening spreads.

Group Functions and Other

The net fair value result in Group Functions and Other increased to EUR 12m (from EUR -11m in the previous quarter) mainly due to revaluation of certain assets. Revaluation of Euroclear had a positive impact of EUR 50m.

Net result from items at fair value per area

EURm	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4
Personal Banking	39	28	14	88	12	39%	
Commercial & Business Banking	72	48	57	120	57	50%	26%
Wholesale Banking customer units	79	56	91	70	99	41%	-20%
Wealth Mgmt. excl. Life	7	6	11	14	11	17%	-36%
Wholesale Banking excl. Customer units	-53	55	18	92	-16		
Life & Pensions	26	23	26	49	62	13%	-58%
Group Functions and other	12	-11	43	8	10	0%	0%
Total Group	**182**	**205**	**260**	**441**	**235**	**-11%**	**-23%**
Total, excl. items affecting comparability[1]	**132**	**205**	**260**	**306**	**235**	**-36%**	**-44%**

[1] In Q4 2018: EUR 50m gain from revaluation of Euroclear. In Q1 2018: EUR 135m gain from valuation model update in Denmark.

Equity method

Income from companies accounted for under the equity method was EUR 15m, down from EUR 48m in the previous quarter, with Luminor contributing EUR 8m (EUR 37m in Q3 2018) while Nordea Life & Pension Denmark (NLP DK) had a positive impact of EUR 4m in the quarter (EUR 9m in Q3 2018).

Other operating income

Other operating income was EUR 60m, up from EUR 18m in the previous quarter. Q4 was positively impacted mainly by the sale of Eijendomme (EUR 36m).

Total operating income

Total income increased by 3% in local currencies from the previous quarter to EUR 2,103m.

Total operating income per business area

								Local currency	
EURm	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4
Personal Banking	714	689	703	797	748	4%	-5%	4%	-3%
Commercial & Business Banking	522	475	492	549	503	10%	4%	9%	5%
Wholesale Banking	349	418	480	486	407	-17%	-14%	-17%	-13%
Asset & Wealth Management	417	408	431	452	509	2%	-18%	2%	-18%
Group Functions and other	101	56	435	31	61	-	-	-	-
Total Group	**2,103**	**2,046**	**2,541**	**2,315**	**2,228**	**3%**	**-6%**	**3%**	**-4%**
Total, excl items affecting comparability[1]	**2,017**	**2,046**	**2,192**	**2,180**	**2,228**	**-1%**	**-9%**	**-1%**	**-8%**

1 Excl. items affecting comparability in Q4 2018: EUR 50m gain from revaluation of Euroclear, EUR 38m after tax, and EUR 36m gain related to sale of Eijendomme. 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 gain from valuation model update in Denmark, EUR 105m after tax.

Total expenses

Total expenses in the fourth quarter amounted to EUR 1,384m, up 21% in local currencies from the previous quarter and up 3% from the fourth quarter of 2017 in local currencies. The fourth quarter included a goodwill impairment of EUR 141m related to Russia and a transformation costs of EUR 24m (EUR 8m in Q3 2018). Excluding the goodwill impairment, total expenses are up 9% in local currencies from the previous quarter and down 7% from the fourth quarter of 2017 in local currencies.

Staff costs were up 2% in local currencies from the previous quarter and down 12% from the same period in 2017 in local currencies. The fourth quarter included transformation costs of EUR 18m compared to EUR 6m in the previous quarter.

Other expenses were up 20% in local currencies from the previous quarter due to seasonality. The fourth quarter included higher administrative expenses from several projects and year-end effects. Transformation costs were EUR 6m mainly related to branch closures (EUR 3m in the previous quarter).

Depreciation was up 185% in local currencies from the previous quarter and up 235% from the same quarter of 2017, driven mainly by the goodwill impairment related to Russia (EUR 141m) and higher depreciations due to high allocated costs in previous years.

The number of employees (FTEs) at the end of the fourth quarter was 28,990, largely unchanged 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).

Expenses related to Group-related projects, Compliance and Risk that affected the P&L were EUR 124m, compared to EUR 106m in the previous quarter. In addition, EUR 67m was capitalised from Group projects up from EUR 51m in the previous quarter.

The cost/income ratio was up to 66% in the fourth quarter (up to 62% excluding the goodwill impairment), compared to 56% in the previous quarter and 61% in the fourth quarter of 2017.

Total operating expenses

								Local currency	
	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4
EURm									
Staff costs	-744	-726	-730	-798	-861	2%	-14%	2%	-12%
Other expenses	-390	-323	-350	-336	-425	21%	-8%	20%	-7%
Depreciations	-250	-87	-74	-71	-75	187%	233%	185%	235%
Total Group	**-1,384**	**-1,136**	**-1,154**	**-1,205**	**-1,361**	**22%**	**2%**	**21%**	**3%**
Total, excl. items affecting comparability[1]	**-1,243**	**-1,136**	**-1,154**	**-1,205**	**-1,361**	**9%**	**-9%**	**9%**	**-7%**

[1] Excl. items affecting comparability in Q4 2018: EUR 141m loss from impairment of goodwill in Russia.

Total operating expenses per business area

								Local currency	
	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4
EURm									
Personal Banking	-440	-451	-448	-455	-472	-2%	-7%	-3%	-6%
Commercial & Business Banking	-277	-268	-282	-292	-343	3%	-19%	4%	-17%
Wholesale Banking	-230	-221	-208	-242	-249	4%	-8%	3%	-6%
Asset & Wealth Management	-194	-182	-180	-203	-217	7%	-11%	7%	-10%
Group Functions and other	-243	-14	-36	-13	-80	-	-	-	-
Total Group	**-1,384**	**-1,136**	**-1,154**	**-1,205**	**-1,361**	**22%**	**2%**	**21%**	**3%**
Total, excl. items affecting comparability[1]	**-1,243**	**-1,136**	**-1,154**	**-1,205**	**-1,361**	**9%**	**-9%**	**9%**	**-7%**

1 Excl. items affecting comparability in Q4 2018: EUR 141m loss from impairment of goodwill in Russia.

Currency fluctuation effects

	Q4/Q3	Q4/Q4	Jan-Dec 18/17
%-points			
Income	0	-1	-2
Expenses	0	-2	-2
Operating profit	-1	-1	-2
Loan and deposit volumes	-1	-1	-1

Net loan losses

Credit quality remained solid with positive net rating migration in Q4 in the retail portfolio and a minor negative rating migration in the corporate portfolio.

Net loan provisions decreased in Q4 to EUR 30m and the loan loss ratio decreased to 5bps (EUR 44m and 8bps in the previous quarter). Loan losses in Q4 were partly due to large provisions for two corporate customers in the retail segment, off-set by lowered management judgement related to the better outlook on US sanctions towards Russia based on available information at the end of Q4.

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 into higher risk but is still performing. All exposures in Stages 1 and 2 are subject to statistically calculated provisions. Impaired loans are classified as Stage 3. Provisions for larger Stage 3 exposures are measured on an individual basis, while provisions for smaller exposures in Stage 3 are calculated using a statistical model similar to that used for Stages 1 and 2.

Net loan losses for Stage 3 were EUR 69m and the net loan loss ratio was 12bps (0bps in the previous quarter). Exposures in Stages 1 and 2 had net reversals at EUR -39m and the net loan loss ratio ended at -7bps for Stages 1 and 2 (8bps in the previous quarter).

Overall loan portfolio quality and outlook remain stable. Brexit is expected to have a limited impact on the credit losses for Nordea. Our expectation for the coming quarters is that net losses will remain low and around the average level for 2018.

Loan loss ratios and impaired loans

	Q418	Q318	Q218	Q118	Q417
Basis points of loans[1,2]					
Loan loss ratios annualised, Group	5	8	10	7	9
of which Stage 1 and 2	-7	8	7	-14	-11
of which Stage 3	12	0	3	21	20
Personal Banking total	8	3	11	7	2
Banking Denmark[1]	102	54	93	75	-8
Banking Finland	12	-2	20	11	2
Banking Norway	0	1	3	0	0
Banking Sweden	5	5	1	1	3
Commercial & Business Banking	17	25	-17	-10	15
BB Denmark	139	265	10	102	2
BB Finland	28	15	-12	-65	43
BB Norway	-15	-4	-55	-27	27
BB Sweden	8	10	-9	-2	17
BBD Nordic	3	7	3	0	-23
Wholesale Banking[1]	-11	4	53	31	20
Corporate & Investment Banking (CIB)	3	13	-8	39	37
of which C&IB excl. SOO	23	14	-22	23	24
of which Shipping, Offshore & Oil Services (SOO)	-20	-1	14	16	13
Banking Russia	-305	-118	1236	-70	-87

[1] Including loans at fair value until Q4 2017. The change mainly relates to PeB DK, BB DK, Wholesale Banking and Nordea Group ratio. Stage 3 figures for Q417 and 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.

Mortgage lending in Denmark is measured at fair value and hence, according to IFRS13, not included in net loan losses but adjusted under fair value items. Net loan losses for Personal Banking Denmark thus primarily refers to consumer finance volumes.

Credit portfolio

Total lending to the public, excluding reverse repurchase agreements, is largely unchanged at EUR 291.6bn from EUR 291.7bn in the previous quarter. In local currencies, total lending was unchanged from the previous quarter.

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

Lending to the public measured at amortised cost was unchanged at EUR 234bn (EUR 234bn in the previous quarter). Of this portfolio EUR 4.6bn is impaired loans in Stage 3 (EUR 4.7bn in the previous quarter). The decrease from the previous quarter was 4%, partly due to customers written-off during the quarter.

The gross impairment rate (Stage 3) was 182bps for loans at amortised cost (188bps in the previous quarter) and 126bps for fair value lending (115bps in the previous quarter). Allowances in relation to impaired loans (Stage 3) for loans measured at amortised cost were 35% (34% in the previous quarter).

Profit

Operating profit
Operating profit decreased to EUR 689m, down 20% in local currencies, compared to the previous quarter, and down 13% in local currencies compared to the same quarter of 2017.

Taxes
Income tax expense was EUR 197m compared to EUR 182m in the previous quarter. The effective tax rate was 28.9%, compared to 21.1% in the previous quarter and 21.0% in the fourth quarter last year.

Net profit
Net profit decreased 28% in local currencies from the previous quarter to EUR 492m. Return on equity was 6.1%, down from 8.7% in the previous quarter.

Diluted earnings per share were EUR 0.12 (EUR 0.17 in the previous quarter).

Operating profit per business area

								Local currency	
	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4
EURm									
Personal Banking	252	229	226	323	268	10%	-6%	10%	-3%
Commercial & Business Banking	218	167	237	274	131	31%	66%	27%	63%
Wholesale Banking	132	192	207	210	123	-31%	7%	-31%	10%
Asset & Wealth Management	219	226	251	249	292	-3%	-25%	-3%	-24%
Group Functions and other	-132	52	407	14	-18	-	-	-	-
Total Group	**689**	**866**	**1,328**	**1,070**	**796**	**-20%**	**-13%**	**-20%**	**-13%**
Total, excl. items affecting comparability[1]	**744**	**866**	**979**	**935**	**796**	**-14%**	**-7%**	**-14%**	**-5%**

1 Excl. items affecting comparability in Q4 2018: EUR 50m gain from revaluation of Euroclear, EUR 38m after tax, EUR 36m gain related to sale of Ejendomme and EUR 141m loss from impairment of goodwill in Russia. 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 gain from valuation model update in Denmark, EUR 105m after tax.

Full year 2018 compared to full year 2017

Total income was down 3% in local currencies and down 5% in EUR from the prior year and operating profit was up 1% in local currencies and down 1% in EUR from the previous year.

Income
Net interest income was down 5% in local currencies and 7% in EUR from 2017. Average lending volumes in business areas in local currencies were down by 3% compared to 2017 driven by Wholesale Banking. Average deposit volumes were down by 4% predominantly in Wholesale Banking.

Net fee and commission income decreased 9% in local currencies and 11% in EUR from the previous year.

Net result from items at fair value decreased in local currencies by 16% and by 18% in EUR from 2017.

Expenses
Total expenses were down 2% in local currencies and 4% in EUR from the previous year and amounted to EUR 4,879m. Staff costs were down 5% in local currencies and down 7% in EUR.

Net loan losses
Net loan loss provisions decreased to EUR 173m (down from EUR 369m in 2017), corresponding to a loan loss ratio of 7bps (down from 12bps in 2017). The decrease is related to less new/increased provisions in 2018 for Stage 3 whereas the realized loan losses are on unchanged level (2018 at EUR 479m and 2017 at EUR 435m). Lower provisions compared to 2017 is related to corporate portfolios, where Shipping, Oil and Offshore has the highest decrease with net loan losses being almost 80% lower in 2018 compared to 2017. The impact from IFRS9 implementation has been limited over the year.

Net profit
Net profit increased 2% in local currencies and 1% in EUR and amounted to EUR 3,081m.

Currency fluctuation impact
Currency fluctuations had a negative effect of 2%-points on income, expenses and operating profits compared to a year ago. For the loan and deposit volumes, the currency fluctuations had a negative effect of 1%-point compared to a year ago.

Other information

Capital position and risk exposure amount (REA)

Nordea Group's common equity tier 1 (CET1) capital ratio decreased to 15.5% at the end of Q4 2018 compared to 20.3% at the end of the third quarter 2018. Risk exposure amount (REA) increased by EUR 35.1bn mainly due to the implementations of the Swedish mortgage floor in Pillar I and the ECB permission for continued use of the internal models[1] ("IRB floors") - *see more details and impact under capital requirements under Changes to the applicable capital requirements regime due to Nordea's re-domiciliation to Finland*. CET1 capital decreased by EUR 0.3bn, mainly driven by FX effects in retained earnings and dividend accrual.

The tier 1 capital ratio decreased to 17.3% from 22.6% compared to the previous quarter and the total capital ratio decreased to 19.9% from 26.3% compared to the previous quarter.

At the end of the fourth quarter 2018, the CET1 capital was EUR 24.1bn, the Tier 1 capital was EUR 27.0bn and the Own Funds were EUR 31.0bn.

The CRR leverage ratio increased to 5.1%, compared to 4.9% in the previous quarter.

Economic Capital (EC) was EUR 26.6bn at the end of the fourth quarter, an increase by EUR 0.3bn compared to the third quarter of the year. Increased PI Credit risk, PI Market risk and Nordea Life & Pension were somewhat offset by decreasing PII Credit risk and Prudent valuation.

Capital ratios

	Q418	Q318	Q218	Q118	Q417
%					
CRR/CRDIV					
CET 1 cap. ratio	15.5	20.3	19.9	19.8	19.5
Tier 1 capital ratio	17.3	22.6	22.2	22.3	22.3
Total capital ratio	19.9	26.3	25.4	25.2	25.2

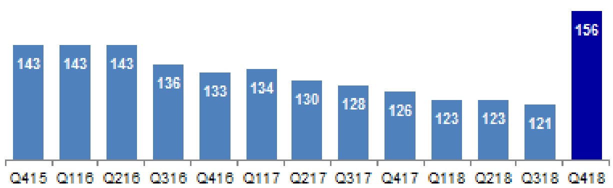
Regulatory developments

On 20 December, the Board of the Finnish FSA decided to remove the status of Nordea as globally important institution (G-SII) from 1 January 2020. The decision is based on the earlier removal from G-SIB list by the Financial Stability Board (FSB). This is not expected to impact the capital requirements due to the implementation of Other Systemic Important Institution (O-SII) buffer in Q1 2019 and the systemic risk buffer in Q3 2019.

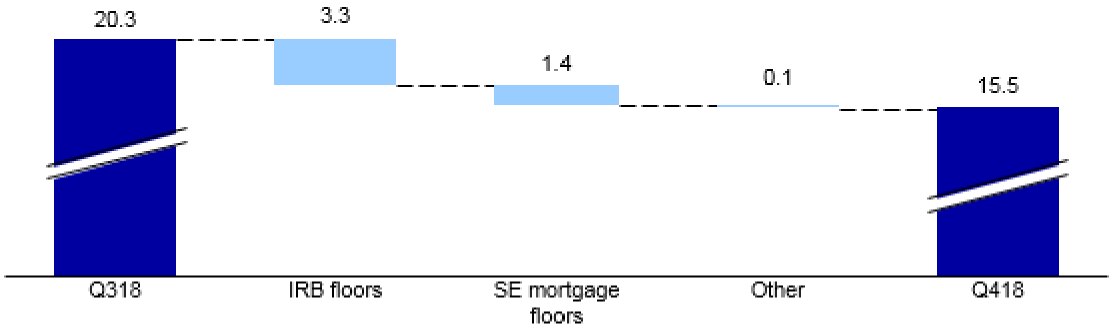
The Norwegian Ministry of Finance, on 13 December, decided to raise the countercyclical buffer rate from 2% to 2.5%. The amended buffer enters into force on 31 December 2019.

In Finland, the implementation of EU Creditor Hierarchy Directive (2017/2399) has been finalised and the changes in legislation was approved on 9 November 2018. The changes enable Nordea to issue so-called senior non-preferred (SNP) in statutory format, i.e. in the Terms & Conditions referring the ranking of SNP directly to the Finnish law. As a result of the changes in legislation, Nordea has aligned the SNP issued earlier in contractual format to statutory format.

Risk exposure amount, REA (EURbn), quarterly



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



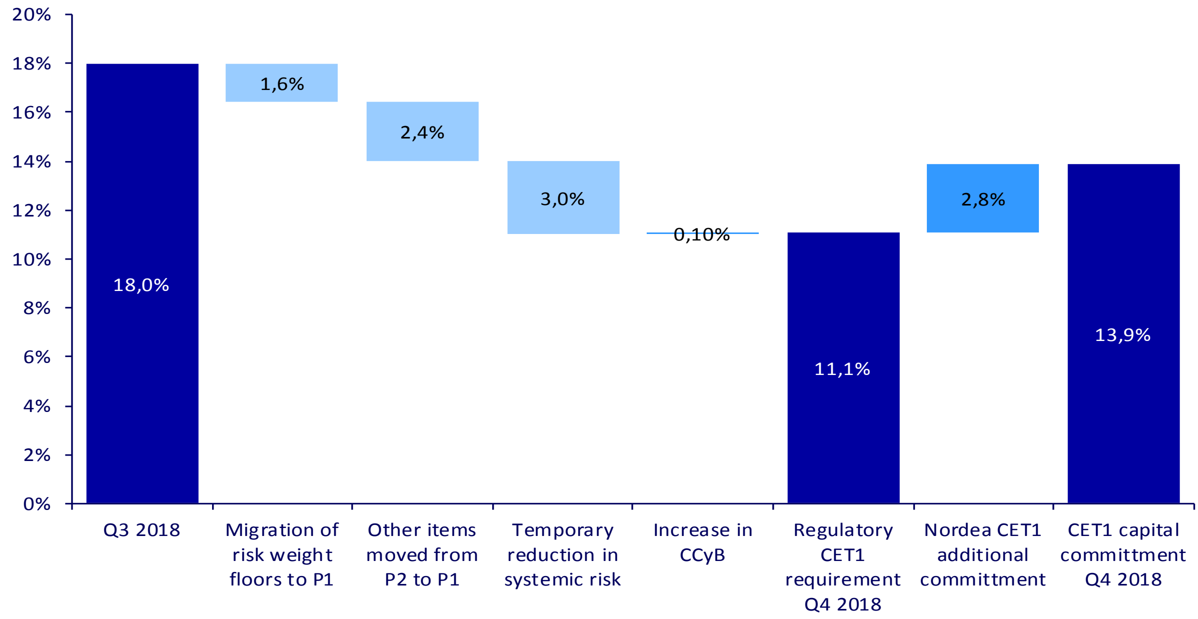
[1] https://www.nordea.com/en/press-and-news/news-and-press-releases/press-releases/2018/08-17-13h40-nordea-has-received-permission-for-continued-use-of-existing-internal-models-from-the-ecb.html

Changes to the applicable capital requirements regime due to Nordea's re-domiciliation to Finland

When Nordea Group, on 1 October 2018, changed the domicile of its parent company to Finland, the overall supervisory responsibility for the Nordea Group moved to the European Central Bank (ECB). As part of the ECB permission for continued use of the internal models for calculation of risk exposure amounts (REA), Nordea was required to migrate parts of the previous Pillar 2 add-ons into Pillar 1 REA and impose limitations to certain models within Credit and Market risk. The ECB decision included an updated PD-scale to include add-ons in the calculation imposed by the Swedish FSA. As a result, REA increased by approx. EUR 35.8bn while the CET1 capital add-ons in pillar 2 decreased approximately EUR 3.8bn. Consequently, the regulatory CET1 capital requirement including Pillar 2 decreased from 18.0% in Q3 2018 to 11.1% in Q4 2018. The regulatory CET1 capital requirement will increase by 2% in Q1 2019 when Finland will introduce a 2% buffer for systemic risk (O-SII). The CET1 capital requirement will further increase by 1% in Q3 2019 when the 3% systemic risk buffer (SRB) is implemented.

Due to the uncertainty on the future capital requirements for Nordea, also considering that Finland has not yet fully introduced the systemic risk buffer, Nordea has voluntarily committed to comply with nominal capital requirements from the 2018 Supervisory Review and Evaluation Process (SREP) until the ECB has issued its SREP decision in 2019. This commitment amounts to EUR 27.8bn in total capital and 21.7bn in CET1 capital or 13.9% of REA. Nordea expect to receive ECB's decision establishing prudential requirements in late 2019, effective from Q1 2020.

Development of Nordea's CET1 capital requirements



Balance sheet

Total assets in the balance sheet in the quarter were EUR 22bn lower than in the previous quarter and amounted to EUR 551bn. Both loans to credit institutions and to the public as well as other assets were lower than in the previous period, while the asset values of derivatives and interest-bearing securities were unchanged compared to the previous quarter.

Loans to the public were EUR 8bn lower in the quarter and amounted to EUR 308bn compared to EUR 316bn in the previous quarter.

Other assets decreased by EUR 10bn to EUR 119bn from the previous quarter.

Balance sheet data

	Q418	Q318	Q218	Q118	Q417
EURbn					
Loans to credit institutions	11	16	13	17	9
Loans to the public	308	316	315	311	310
Derivatives	37	37	44	42	46
Interest-bearing securities	76	75	75	73	75
Other assets	119	129	123	137	142
Total assets	**551**	**573**	**570**	**580**	**582**
Deposits from credit inst.	42	52	50	50	40
Deposits from the public	165	174	176	174	172
Debt securities in issue	190	187	178	175	179
Derivatives	40	39	45	38	43
Other liabilities	81	88	89	112	114
Total equity	33	33	32	31	33
Total liabilities and equity	**551**	**573**	**570**	**580**	**582**

Nordea's funding and liquidity operations

Nordea issued approx. EUR 0.9bn in long-term funding in the fourth quarter excluding Danish covered bonds and subordinated notes, of which approx. EUR 0.7bn represented issuance of Swedish and Norwegian covered bonds in domestic markets.

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

In December, Nordea was awarded Financial Issuer of the Year and Covered Bond of the year by International Financing Review.

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, 185% at the end of the fourth quarter. The LCR in EUR was 257% and in USD 214% at the end of the fourth quarter. The liquidity buffer is composed of highly liquid central bank eligible securities and cash with characteristics like CRD IV high-quality liquid assets and amounted to EUR 104bn at the end of the fourth quarter (EUR 108bn at the end of the third quarter). The long-term liquidity risk is measured as Net Stable Funding Ratio (NSFR). At the end of the fourth quarter 2018, Nordea's NSFR was 104.1% (Q3 107,1%).

Funding and liquidity data*

	Q418	Q318	Q218	Q118	Q417
Long-term funding portion	77%	79%	84%	83%	81%
LCR total	185%	209%	147%	174%	147%
LCR EUR	257%	253%	154%	192%	257%
LCR USD	214%	240%	160%	180%	170%

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

Market risk

From Q3, the reporting of the Trading Book uses the enhanced model in which several additional risk factors in the Value-at-Risk (VaR) model are used to calculate the regulatory capital requirement.

Total market risk, measured as Value at Risk, in the trading book was EUR 18m, an increase from the previous quarter (EUR 15m) mainly driven by interest rate risk and credit spread risk, primarily from market risk in Europe and Scandinavia.

Trading book

	Q418	Q318	Q218	Q118	Q417
EURm					
Total risk, VaR	18	15	12	13	11
Interest rate risk, VaR	16	15	11	13	10
Equity risk, VaR	2	4	2	1	3
Foreign exchange risk, VaR	2	2	2	2	5
Credit spread risk, VaR	6	3	4	4	4
Inflation risk	2	1	-	-	-
Diversification effect	38%	43%	40%	39%	50%

Total market risk, measured as Value at Risk, in the banking book decreased to EUR 38m (EUR 49m in the previous quarter) driven by lower interest rate exposure on the liquidity buffer.

Banking book

	Q418	Q318	Q218	Q118	Q417
EURm					
Total risk, VaR	38	49	38	37	46
Interest rate risk, VaR	39	49	38	38	47
Equity risk, VaR	5	5	3	5	3
Foreign exchange risk, VaR	1	2	1	3	3
Credit spread risk, VaR	1	1	1	1	1
Diversification effect	20%	13%	11%	20%	15%

Nordea share and ratings

Nordea's share price and ratings as at the end of Q4 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
12/31/2018	74.58	54.23	7.27

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

Nordea's re-domiciliation to the Banking Union

On 1 October 2018, Nordea executed the re-domiciliation of the parent company to Finland, a European banking union member state. The decision was part of Nordea's overall strategic direction, enabling us to operate in an environment that offers stability, predictability and a level playing field. At time of the decision, Nordea expected the net present value of the savings related to resolution fees, deposit guarantees and other transitional effects arising from the re-domiciliation to Finland to be approximately EUR 0.9 -1.2bn.

To the best of Nordea's knowledge, Nordea still expects the financial impact to be largely at the same level. The discussions with the regulators in the Single Supervisory Mechanism (SSM), also point to that the regulatory environment in the banking union offers stability, predictability and a level playing field.

Dividend

The Board of Directors is going to propose to the AGM a dividend of EUR 0.69 per share (EUR 0.68) and furthermore that the record date for dividend should be 1 April 2019. The dividend corresponds to a payout ratio of 91% of net profit. The total proposed dividend amounts to EUR 2,788m.

The ex-dividend date for the Nordea share is 29 March 2019. The dividend payments are scheduled to be made on 8 April 2019.

Update on the sale of Luminor

In 2018, Nordea and DNB entered into an agreement to jointly sell 60 per cent of Luminor to a consortium led by private equity funds managed by Blackstone ("Blackstone") at a valuation of 1.0x P/BV.

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. Following 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, carried out at a valuation of 0.9x P/BV. The forward sale is subject to certain conditions but is expected to complete over three financial years after completion of the transaction.

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. It is currently expected that the loss on closing will amount to approx. EUR 75m (driven by, in order of magnitude, the write down on the remaining equity stake, transaction costs related to the Luminor merger and sale to Blackstone and the business performance). 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.

Update on the acquisition of Gjensidige

On 2 July 2018, 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 plan is to transition Gjensidige Bank customers to Nordea during this year.

Profit sharing and Long-term incentives

The three decided criteria for the outcome of the profit share programme 2018 are; Return on Capital at Risk (ROCAR), Development of Return on Equity (ROE) against competitors and Customer Net Promoter Score (NPS). If performance criteria are fully met, the cost will amount to approx. EUR 93m.

The provision for Nordea's profit-sharing scheme and the LTIPs was EUR 57m compared to EUR 27m in 2017. The 2018 amount includes EUR 10m referring to a too low accrual in 2017 due to a higher than estimated NPS.

Performance related salaries

Performance-related salaries at Nordea include bonuses, variable salary parts and the executive incentive programmes. In order to attract and retain expertise in areas directly exposed to international competition – Capital Markets, Corporate & Investment Banking, Asset Management, Treasury and ALM – Nordea offers performance-related salaries in the form of bonuses to selected staff groups in these areas.

Nordea's ambition is to have competitive, but not market-leading, total remuneration offering.

The provisions for bonus in 2018 decreased to EUR 125m from EUR 181m in 2017. The decrease is mainly explained by lower performance in Capital Markets. The payout ratio – total staff costs including fixed salaries and bonuses in relation to total income – for the areas with bonus programmes was 14.0% in 2018 compared to 11.9% in 2017. The increase in payout ratio is related to both a generally lower income level as well as a changed income set-up in TALM where more income is distributed to business areas. The bonus in relation to total income decreased to 3.3% in 2018 compared to 3.6% in 2017.

Variable salary parts in other areas or units increased to EUR 73m in 2018 from EUR 59m in 2017. Nordea variable salary parts are capped – normally to 3 months' fixed salary.
The provisions in 2018 for executive incentive programmes amounted to EUR 40m (EUR 44m in 2017).
The provisions for performance-related salaries in the fourth quarter amounted to EUR 54m, (EUR 56m in the third quarter).

Closing of sale of Nordea Ejendomme

The sale of Nordea Ejendomme to the property management company DEAS A/S was closed in Q4 2018. The transaction resulted in a capital gain of approximately EUR 36m, recognised in the line item Other operating income.

Defined benefit pension plans

The discount rate used when discounting future pension payments is determined by reference to investment-grade corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists, the discount rate is determined by reference to government bond yields. In Sweden, Norway and Denmark the discount rate is determined with reference to covered bonds and in Finland with reference to corporate bonds. The discount rates used at the end of the fourth quarter were 2.17% for Sweden, 2.82% for Norway, 1.58% for Finland and 1.80% for Denmark. The total re-measurement loss on other comprehensive income amounted to EUR 115m before income tax in the fourth quarter.

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 Q4 2018, the financial impact was EUR 10m and recognised in “Net result from items at fair value”.

Furthermore, Nordea has in Q4 2018 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 took place on 31 October 2018, and also meant that six employees were 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.

Nordea has furthermore signed an agreement to divest a Swedish non-performing loans portfolio. The transaction generated a capital gain of approx. EUR 6m in Q4 2018.

Goodwill impairment following de-risking of Russian portfolio

Nordea has, as part of a conscious de-risking of the bank, reduced its loan book in Russia by more than 60% since 2014, including a divestment of the household loan book. As a consequence of this de-risking, Nordea has in the fourth quarter of 2018 impaired the goodwill related to Russia of EUR 141m, which will be reported as depreciation.

The goodwill impairment will not impact the cash flow or the Common Equity Tier 1 ratio and will have a marginally positive impact on the bank’s Return on Equity from 2019 onwards.

This goodwill impairment is excluded from Nordea’s guidance for 2018.

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

The sale of Nordea’s Luxembourg-based International private banking business to UBS was closed in Q4 2018. Assets and liabilities held for sale were consequently derecognised. The capital impact on closing was close to zero after transaction costs and the impact on the CET1 ratio marginally positive.

Update on outsourcing of mainframe computer operations to IBM

On 8 January 2019, Nordea and IBM entered a USD 540m Multi-Year Services Pact. A total of 117 Nordea employees in Sweden, Denmark, Finland, Norway and Poland will move as the bank outsources its IBM Z operations. In this highly specialised field of infrastructure technology, we foresee challenges recruiting in the long run. By outsourcing we are securing our operations over time. We believe that IBM, with their service model, can run the systems efficiently. IBM has the size, expertise and is currently a trusted supplier already.

Update on the ongoing Asset Quality review (AQR)

Nordea is currently undergoing an Asset Quality Review (AQR) which is standard practice for any new banks entering the eurozone. The purpose of the AQR is transparency, build confidence and identify any corrective actions needed, as well as building the new relationship with Nordeas new regulator.

The focus of the asset review is on complex and high-risk instruments as well as provisioning levels for credit exposures in terms of processes, credit files and models. Furthermore, an additional stress test is performed where focus is on analysis of solvency ratio given the Comprehensive Assessment scenarios. The AQR is currently ongoing and is expected to be finalized during H1-2019.

Annual General Meeting

The Annual General Meeting (AGM) will be held on Thursday 28 March at Finlandia Hall, Mannerheimintie 13 e, Helsinki at 13.00 EET.

Quarterly development, Group

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Jan-Dec 2018	Jan-Dec 2017
EURm							
Net interest income	1,126	1,072	1,073	1,053	1,109	4,324	4,666
Net fee and commission income	720	703	800	770	839	2,993	3,369
Net result from items at fair value	182	205	260	441	235	1,088	1,328
Profit from associated undertakings and joint ventures accounted for under the equity method	15	48	33	28	16	124	23
Other operating income	60	18	375	23	29	476	83
Total operating income	**2,103**	**2,046**	**2,541**	**2,315**	**2,228**	**9,005**	**9,469**
General administrative expenses:							
Staff costs	-744	-726	-730	-798	-861	-2,998	-3,212
Other expenses	-390	-323	-350	-336	-425	-1,399	-1,622
Depreciation, amortisation and impairment charges of tangible and intangible assets	-250	-87	-74	-71	-75	-482	-268
Total operating expenses	**-1,384**	**-1,136**	**-1,154**	**-1,205**	**-1,361**	**-4,879**	**-5,102**
Profit before loan losses	**719**	**910**	**1,387**	**1,110**	**867**	**4,126**	**4,367**
Net loan losses	-30	-44	-59	-40	-71	-173	-369
Operating profit	**689**	**866**	**1,328**	**1,070**	**796**	**3,953**	**3,998**
Income tax expense	-197	-182	-243	-250	-167	-872	-950
Net profit for the period	**492**	**684**	**1,085**	**820**	**629**	**3,081**	**3,048**
Diluted earnings per share (DEPS), EUR	0.12	0.17	0.27	0.20	0.15	0.76	0.75
DEPS, rolling 12 months up to period end, EUR	0.76	0.79	0.83	0.74	0.75	0.76	0.75

Business areas

	Personal Banking		Commercial & Business Banking		Wholesale Banking		Asset & Wealth Management		Group Functions, Other and Eliminations		Nordea Group		
	Q4 2018	Q3 2018	Q4 2018	Q3 2018	Q4 2018	Q3 2018	Q4 2018	Q3 2018	Q4 2018	Q3 2018	Q4 2018	Q3 2018	*Chg*
EURm													
Net interest income	520	497	333	315	215	216	15	17	43	27	1,126	1,072	*5%*
Net fee and commission income	157	164	109	107	108	91	354	352	-8	-11	720	703	*2%*
Net result from items at fair value	39	28	72	48	26	111	33	29	12	-11	182	205	*-11%*
Equity method & other income	-2	0	8	5	0	0	15	10	54	51	75	66	
Total operating income	**714**	**689**	**522**	**475**	**349**	**418**	**417**	**408**	**101**	**56**	**2,103**	**2,046**	**3%**
Total operating expenses	**-440**	**-451**	**-277**	**-268**	**-230**	**-221**	**-194**	**-182**	**-243**	**-14**	**-1,384**	**-1,136**	**22%**
Net loan losses	-22	-9	-27	-40	13	-5	-4	0	10	10	-30	-44	*-32%*
Operating profit	**252**	**229**	**218**	**167**	**132**	**192**	**219**	**226**	**-132**	**52**	**689**	**866**	**-20%**
Cost/income ratio, %	62	66	54	56	66	53	47	45	-	-	66	56	
ROCAR, %	10	9	10	8	5	8	30	29	-	-	8[1]	10[1]	
Economic capital (EC)	7,839	7,847	6,280	6,247	7,938	7,462	2,297	2,218	2,231	2,545	26,585	26,319	*1%*
Risk exposure amount (REA)	41,489	27,511	44,310	33,143	48,246	37,284	5,577	5,330	16,264	17,559	155,886	120,827	*29%*
Number of employees (FTEs)	10,344	10,391	4,806	4,811	3,637	3,637	2,712	2,925	7,491	7,292	28,990	29,056	*0%*
Volumes, EURbn:													
Lending to corporates[2]	1.1	1.0	72.9	73.1	69.0	76.9	-	-	5.0	3.0	148.0	154.0	*-4%*
Household mortgage lending[3]	125.0	125.6	6.7	6.8	0	0	5.7	5.9	-	-	137.4	138.3	*-1%*
Consumer lending[3]	18.9	19.2	2.0	2.1	-	-	2.1	2.9	-	-	23.0	24.2	*-5%*
Total lending	**145.0**	**145.8**	**81.6**	**82.0**	**69.0**	**76.9**	**7.7**	**8.8**	**5.0**	**3.0**	**308.3**	**316.5**	**-3%**
Corporate deposits[2]	1.8	1.9	38.0	36.9	42.3	51.7	-	-	-5.3	-7.3	76.8	83.2	*-8%*
Household deposits[3]	74.3	74.9	2.8	2.8	0	0.1	11.1	13.2	-	-	88.2	91.0	*-3%*
Total deposits	**76.1**	**76.8**	**40.8**	**39.7**	**42.3**	**51.8**	**11.1**	**13.2**	**-5.3**	**-7.3**	**165.0**	**174.2**	**-5%**

[1] Excluding items affecting comparability

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

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

	Personal Banking		Commercial & Business Banking		Wholesale Banking		Asset & Wealth Management		Group Functions, Other and Eliminations		Nordea Group		
	Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec		
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	*Chg*
EURm													
Net interest income	2,055	2,260	1,274	1,258	854	854	66	82	75	212	4,324	4,666	*-7%*
Net fee and commission income	671	730	437	483	471	571	1,443	1,586	-29	-1	2,993	3,369	*-11%*
Net result from items at fair value	169	48	297	261	408	625	162	287	52	107	1,088	1,328	*-18%*
Equity method & other income	8	6	30	45	0	4	37	23	525	28	600	106	
Total operating income	**2,903**	**3,044**	**2,038**	**2,047**	**1,733**	**2,054**	**1,708**	**1,978**	**623**	**346**	**9,005**	**9,469**	**-5%**
Total operating expenses	**-1,794**	**-1,808**	**-1,119**	**-1,219**	**-901**	**-952**	**-759**	**-847**	**-306**	**-276**	**-4,879**	**-5,102**	**-4%**
Net loan losses	-79	-44	-23	-88	-91	-229	-4	0	24	-8	-173	-369	*-53%*
Operating profit	**1,030**	**1,192**	**896**	**740**	**741**	**873**	**945**	**1,131**	**341**	**62**	**3,953**	**3,998**	**-1%**
Cost/income ratio, %	62	59	55	60	52	46	44	43	-	-	54	54	
ROCAR, %	10	13	11	9	7	8	30	32	-	-	10[1]	11[1]	
Economic capital (EC)	7,839	7,547	6,280	6,093	7,938	7,988	2,297	2,694	2,231	2,379	26,585	26,701	*0%*
Risk exposure amount (REA)	41,489	25,167	44,310	33,324	48,246	41,179	5,577	5,578	16,264	20,531	155,886	125,779	*24%*
Number of employees (FTEs)	10,344	10,949	4,806	5,270	3,637	3,659	2,712	3,402	7,491	7,119	28,990	30,399	*-5%*
Volumes, EURbn:													
Lending to corporates[2]	1.1	1.0	72.9	71.1	69.0	71.1	-	-	5.0	2.0	148.0	145.2	*2%*
Household mortgage lending[3]	125.0	125.1	6.7	7.1	0	0	5.7	7.3	-	-	137.4	139.5	*-1%*
Consumer lending[3]	18.9	19.8	2.0	2.2	-	-	2.1	3.5	-	-	23.0	25.5	*-10%*
Total lending	**145.0**	**145.9**	**81.6**	**80.4**	**69.0**	**71.1**	**7.7**	**10.8**	**5.0**	**2.0**	**308.3**	**310.2**	**-1%**
Corporate deposits[3]	1.8	2.3	38.0	37.3	42.3	46.9	-	-	-5.3	-4.0	76.8	82.5	*-7%*
Household deposits[3]	74.3	73.8	2.8	3.0	0	0.1	11.1	13.0	-	-	88.2	89.9	*-2%*
Total deposits	**76.1**	**76.1**	**40.8**	**40.3**	**42.3**	**47.0**	**11.1**	**13.0**	**-5.3**	**-4.0**	**165.0**	**172.4**	**-4%**

[1] Excluding items affecting comparability

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

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

Personal Banking

Nordea has the largest customer base of any bank in the Nordic region. In Personal Banking around 10,000 people are working every day to deliver greater customer experiences to more than 9 million household customers. We do this through a combination of physical and digital channels offering a full range of financial services and solutions.

The Personal Banking business area includes advisory and service staff, channels, product units, back office, digital development and IT under a common strategy, operating model and governance across markets.

Through strong engagement and valuable advice, the aim is that Personal Banking customers entrust Nordea with all their banking business. Reflecting the rapid changes in customer preferences, Personal Banking's relationship banking concept also encapsulates and integrates digital channels through constantly expanding the mobile offering.

In Personal Banking, we want to be the leading personal bank in the Nordics. We want to be known for being safe and trusted, by customers, partners and society at large alike. We leverage our Nordic presence and we continue to develop our agile ways of working. On the back of this, we aim to become the best among Nordic peers, on both profitability, customer satisfaction and employee satisfaction.

Business development

Personal Banking continues its significant transformation both in the distribution network and by means of an agile development operating model, to deliver on customers' expectations regarding digitalisation and service.

The influence of digitalisation changes what is expected from us, and we aim to deliver easy banking for our customers, seamlessly through multiple channels – anywhere, anytime, digitally and in person, while providing the most relevant and competent advisory service.

During 2018, we launched an array of new services and solutions for our customers, in addition to improving availability and accessibility.
For instance, we have:

- Improved our digital daily banking experience for customers via the launch of the completely redesigned mobile banking app in Finland and in Sweden in 2018. Denmark and Norway will follow in 2019. With the new app, the bank is available anywhere, any time and personalised to the customer's preferences. Within a month of the introduction in Sweden, 35% of mobile users had migrated to the new app. In Finland, 100% all mobile users now have the new user experience.
- Provided our customers with easy payment solutions. Our strong mobile payment suite now includes both Apple Pay and Google Pay – a Nordic first in the payment services landscape.
- Our service robot Nova helps our customers to instantly chat with their bank now in all markets. Robotics are also used widely in our backend functions, giving customers a smoother experience. For example, loan commitments are given to customers within minutes in Norway.
- Leveraged our scale and quality of solutions. Seamless and fully digitalised customer experiences enabled by the new Core Banking Platform have been introduced, now with 800 000 Finnish savings accounts up and running on the new platform.
- Continuously provided relevant and competent advisory in all channels – now also with our digital advisor Nora in all markets, allowing customers to receive investment advice on their own at any time. We have also developed digital and automated solutions to make it easier for our customers to manage their finances, for instance with a new finances calculator that enables a quick overview of the customer's financial situation.

Priorities for 2019

- We will increase business momentum though improved customer satisfaction, and by focusing on three key initiatives:
  - Winning home owners in each market
  - Increasing savings business with our Premium customers
  - Accelerating digitalisation and substantially increasing momentum within consumer finance

- We will also drive structural cost efficiency though:
  - Leveraging cost-efficient digital touchpoints for service and sales
  - Further automating and simplifying processes

Result

Total income increased 4% from the previous quarter, mainly driven by net interest income and net result from items at fair value. Net interest income was up 5% in local currencies compared to the previous quarter, mainly due to a correction of deposit guarantee fees in the fourth quarter.

Lending volumes in local currency were stable from the previous quarter and have increased 1% since last year, not least driven by solid growth in Norway. After a challenging beginning to the year in Sweden, mortgage lending returned to a slightly positive trend in the second half of the year leaving end year volumes at the same level as at the end of 2017. Denmark and Finland also showed a stable performance through 2018.

Net fee and commission income decreased 5% in local currencies compared to the previous quarter. This was driven by lower savings income due to turmoil in equities and lower payments income. The increase in items at fair value in the fourth quarter this year stemmed primarily from items affecting comparability.

Total expenses decreased 3% in local currencies from the previous quarter, 6% compared to the same period last year, in line with the continuous rightsizing of the organisation. The fourth quarter of 2017 thus carried a significant amount of transformation costs, compared to the same quarter this year.

Loan losses increased from the previous quarter due to a reversal in Finland in the third quarter. Compared to the same period last year loan losses appear significantly higher, due to model changes following from implementation of IFRS9 and IFRS13 at the beginning of the year, affecting significantly both Denmark and Finland.

Personal Banking Denmark

Total income decreased 2% compared to the previous quarter, primarily related to net fee and commission income. The development relates to a lower level of assets under management, reflecting unstable market rates, but also a reversal of card fees related to the implementation of the daily banking customer offering. Compared to the same period last year net fee and commission income is furthermore affected by the sale of Nordea Life & Pension in 2018.

Net interest income increased 3% from the previous quarter related to the correction of regulatory fees in the fourth quarter. Mortgage lending volume was stabilised and showed a positive trend over the year while consumer lending decreased due to low customer demand.

Total expenses were slightly down compared to previous period but ended 2% above the same period last year due to transformation costs booked throughout 2018.

Loan loss provisions were realised at a higher level than 2017, following from the implementation of IFRS 13. Actual loan losses remain at a low level.

In the fourth quarter, availability to serve customers' needs was expanded as the bank is now open for complex advisory from 8 a.m.–8 p.m. on weekdays and from 10 a.m.–6 p.m. at weekends. Furthermore, several new user-friendly customer solutions have been launched, e.g. Google pay and a service enabling customers to easily handle their subscriptions.

Personal Banking Finland

Total income increased 4% from the previous quarter, while decreasing 6% from the same period last year. Net interest income was up 3% mainly due to lower regulatory fees in the fourth quarter. Lending volumes were stable compared to the previous quarter and decreased 1% compared to the same period last year. The year ended on a positive trend for new sales of housing loans.

Other income increased compared to the previous quarter, mainly driven by a higher result on items at fair value.

Total expenses increased 2% from the previous quarter due to investments in improved service availability as well as customer communication. Total expenses decreased 8% compared to the same period last year due to transformation costs booked in 2017.

Loan losses were back to normal levels after reversals in the previous quarter.

Personal Banking Norway

Total income in local currency was up 2% in the fourth quarter, driven mainly by higher net interest income. Net interest income in local currency was up 7% due to change of fund transfer price, increased lending volumes, deposit margins and regulatory fees. Lending volumes were up 5% over the year. The growth was mainly driven by improved demand for mortgage lending.

Net fee and commission income in local currency decreased by 5% compared to the previous quarter on lower payment income and lower savings income due to turmoil in equities. Net result on items at fair value was down due to items affecting comparability booked in the previous quarter.

Total expenses in local currency decreased significantly by 14% from the previous quarter due to transformation costs booked in the third quarter primarily.

Loan losses were very low in the quarter and credit quality remained high.

Preparations for the closing of the acquisition of Gjensidige Bank continued according to plan.

Personal Banking Sweden

Total income in local currency increased 7% from the previous quarter.

Net interest income in local currency was up 7% compared to the previous quarter following higher lending margins and lower regulatory fees as lending volumes remained stable.

Other income increased compared to the previous quarter, mainly driven by a higher result on items at fair value.

Compared to the same period last year total income was down 4 % in local currency, following lower deposit and lending margins, reflecting the general price pressure on the Swedish mortgage market. Commission income in local currency increased by 4 % due to higher payment income.

Total expenses in local currency were up in the fourth quarter due to higher cost of anti-fraud and marketing campaigns.

The cost level was still lower than the same period last year though, as transformation costs were booked in 2017.

Loan losses remained stable and on a low level.

Green mortgage loans were implemented during the autumn.

Distribution agreement with Asset & Wealth Management

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

Personal Banking total

	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Local curr. Q4/Q3	Local curr. Q4/Q4	Jan-Dec 18	Jan-Dec 17	Jan-Dec 18/17 EUR	Jan-Dec 18/17 Local
EURm													
Net interest income	520	497	510	528	561	5%	-7%	5%	-5%	2,055	2,260	-9%	-6%
Net fee and commission income	157	164	177	173	176	-4%	-11%	-5%	-10%	671	730	-8%	-6%
Net result from items at fair value	39	28	14	88	12	39%		31%		169	48		
Equity method & other income	-2	0	2	8	-1					8	6		
Total income incl. allocations	**714**	**689**	**703**	**797**	**748**	**4%**	**-5%**	**4%**	**-3%**	**2,903**	**3,044**	**-5%**	**-2%**
Total expenses incl. allocations	**-440**	**-451**	**-448**	**-455**	**-472**	**-2%**	**-7%**	**-3%**	**-6%**	**-1,794**	**-1,808**	**-1%**	**1%**
Profit before loan losses	**274**	**238**	**255**	**342**	**276**	**15%**	**-1%**	**16%**	**3%**	**1,109**	**1,236**	**-10%**	**-7%**
Net loan losses	-22	-9	-29	-19	-8					-79	-44		
Operating profit	**252**	**229**	**226**	**323**	**268**	**10%**	**-6%**	**10%**	**-3%**	**1,030**	**1,192**	**-14%**	**-10%**
Cost/income ratio, %	62	66	64	57	63					62	59		
ROCAR, %	10	9	9	13	11					10	13		
Economic capital (EC)	7,839	7,847	7,705	7,636	7,547	0%	4%	1%	6%	7,839	7,547	4%	6%
Risk exposure amount (REA)	41,489	27,511	27,245	26,888	25,167	51%	65%	53%	67%	41,489	25,167	65%	67%
Number of employees (FTEs)	10,344	10,391	10,518	10,678	10,949	0%	-6%	0%	-6%	10,344	10,949	-6%	-6%
Volumes, EURbn:													
Lending to corporates[1]	1.1	1.0	0.8	1.0	1.0	10%	10%	0%	0%	1.1	1.0	10%	-10%
Household mortgage lending	125.0	125.6	124.4	123.6	125.1	0%	0%	0%	1%	125.0	125.1	0%	1%
Consumer lending	18.9	19.2	19.4	19.5	19.8	-2%	-5%	-1%	-4%	18.9	19.8	-5%	-4%
Total lending	**145.0**	**145.8**	**144.6**	**144.1**	**145.9**	**-1%**	**-1%**	**0%**	**1%**	**145.0**	**145.9**	**-1%**	**1%**
Corporate deposits[1]	1.8	1.9	2.5	2.4	2.3	-5%	-22%	-5%	-25%	1.8	2.3	-22%	-25%
Household deposits	74.3	74.9	74.7	73.2	73.8	-1%	1%	0%	2%	74.3	73.8	1%	2%
Total deposits	**76.1**	**76.8**	**77.2**	**75.6**	**76.1**	**-1%**	**0%**	**-1%**	**1%**	**76.1**	**76.1**	**0%**	**1%**

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

Personal Banking total excl. Distribution agreement with Wealth Management

	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Local curr. Q4/Q3	Local curr. Q4/Q4	Jan-Dec 18	Jan-Dec 17	Jan-Dec 18/17 EUR	Jan-Dec 18/17 Local
EURm													
Net interest income	522	495	510	528	561	5%	-7%	5%	-5%	2,055	2,256	-9%	-7%
Net fee and commission income	283	298	310	318	322	-5%	-12%	-5%	-10%	1,209	1,317	-8%	-6%
Net result from items at fair value	38	29	14	88	12					169	50		
Equity method & other income	-1	0	2	7	-1					8	7		
Total income incl. allocations	**842**	**822**	**836**	**941**	**894**	**2%**	**-6%**	**2%**	**-4%**	**3,441**	**3,630**	**-5%**	**-3%**
Total expenses incl. allocations	**-467**	**-478**	**-475**	**-484**	**-500**	**-2%**	**-7%**	**-3%**	**-6%**	**-1,904**	**-1,922**	**-1%**	**0%**
Profit before loan losses	**375**	**344**	**361**	**457**	**394**	**9%**	**-5%**	**9%**	**-2%**	**1,537**	**1,708**	**-10%**	**-6%**
Net loan losses	-23	-8	-30	-18	-9					-79	-45		
Operating profit	**352**	**336**	**331**	**439**	**385**	**5%**	**-9%**	**5%**	**-6%**	**1,458**	**1,663**	**-12%**	**-8%**
Cost/income ratio, %	55	58	57	51	56					55	53		
ROCAR, %	13	13	12	17	15					14	17		
Economic capital (EC)	8,212	8,218	8,095	8,092	7,980	0%	3%	1%	5%	8,212	7,980	3%	5%
Risk exposure amount (REA)	41,489	27,511	27,245	26,888	25,167	51%	65%	53%	67%	41,489	25,167	65%	67%
Number of employees (FTEs)	10,344	10,391	10,517	10,678	10,949	0%	-6%	0%	-6%	10,344	10,949	-6%	-6%
Volumes, EURbn:													
Lending to corporates[1]	1.1	1.0	0.8	1.0	1.0	10%	10%	0%	0%	1.1	1.0	10%	-10%
Household mortgage lending	125.0	125.6	124.4	123.6	125.1	0%	0%	0%	1%	125.0	125.1	0%	1%
Consumer lending	18.9	19.2	19.4	19.5	19.8	-2%	-5%	-1%	-4%	18.9	19.8	-5%	-4%
Total lending	**145.0**	**145.8**	**144.6**	**144.1**	**145.9**	**-1%**	**-1%**	**0%**	**1%**	**145.0**	**145.9**	**-1%**	**1%**
Corporate deposits[1]	1.8	1.9	2.5	2.4	2.3	-5%	-22%	-5%	-25%	1.8	2.3	-22%	-25%
Household deposits	74.3	74.9	74.7	73.2	73.8	-1%	1%	0%	2%	74.3	73.8	1%	2%
Total deposits	**76.1**	**76.8**	**77.2**	**75.6**	**76.1**	**-1%**	**0%**	**-1%**	**1%**	**76.1**	**76.1**	**0%**	**1%**

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

Personal Banking Denmark

	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Jan-Dec 18	Jan-Dec 17	Jan/Dec 18/17
EURm										
Net interest income	148	144	143	143	152	3%	-3%	578	638	-9%
Net fee and commission income	46	53	51	57	59	-13%	-22%	207	232	-11%
Net result from items at fair value	16	15	1	80	-1			112	-6	
Equity method & other income	-2	0	0	-1	-1			-3	-2	
Total income incl. allocations	**208**	**212**	**195**	**279**	**209**	**-2%**	**0%**	**894**	**862**	**4%**
Total expenses incl. allocations	**-145**	**-146**	**-147**	**-143**	**-142**	**-1%**	**2%**	**-581**	**-568**	**2%**
Profit before loan losses	**63**	**66**	**48**	**136**	**67**	**-5%**	**-6%**	**313**	**294**	**6%**
Net loan losses	-7	-4	-7	-8	8			-26	-5	
Operating profit	**56**	**62**	**41**	**128**	**75**	**-10%**	**-25%**	**287**	**289**	**-1%**
Cost/income ratio, %	70	69	75	51	68			65	66	
ROCAR, %	12	13	9	26	16			15	15	
Economic capital (EC)	1,475	1,499	1,499	1,490	1,501	-2%	-2%	1,475	1,501	-2%
Risk exposure amount (REA)	8,766	7,658	7,617	7,589	7,348	14%	19%	8,766	7,348	19%
Number of employees (FTEs)	2,001	2,051	2,110	2,173	2,245	-2%	-11%	2,001	2,245	-11%
Volumes, EURbn:										
Lending to corporates	0.2	0.2	0.2	0.2	0.2	0%	0%	0.2	0.2	0%
Household mortgage lending	30.5	30.5	30.4	30.1	30.1	0%	1%	30.5	30.1	1%
Consumer lending	8.2	8.4	8.6	8.8	8.9	-2%	-8%	8.2	8.9	-8%
Total lending	**38.9**	**39.1**	**39.2**	**39.1**	**39.2**	**-1%**	**-1%**	**38.9**	**39.2**	**-1%**
Corporate deposits	1.6	1.6	2.1	2.1	2.0	0%	-20%	1.6	2.0	-20%
Household deposits	22.9	23.3	23.4	23.0	22.9	-2%	0%	22.9	22.9	0%
Total deposits	**24.5**	**24.9**	**25.5**	**25.1**	**24.9**	**-2%**	**-2%**	**24.5**	**24.9**	**-2%**

Personal Banking Finland

	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Jan-Dec 18	Jan-Dec 17	Jan/Dec 18/17
EURm										
Net interest income	108	105	110	103	111	3%	-3%	426	442	-4%
Net fee and commission income	39	39	45	44	47	0%	-17%	167	192	-13%
Net result from items at fair value	7	4	3	3	5	75%	40%	17	21	-19%
Equity method & other income	0	0	0	1	0			1	4	
Total income incl. allocations	**154**	**148**	**158**	**151**	**163**	**4%**	**-6%**	**611**	**659**	**-7%**
Total expenses incl. allocations	**-109**	**-107**	**-114**	**-108**	**-119**	**2%**	**-8%**	**-438**	**-451**	**-3%**
Profit before loan losses	**45**	**41**	**44**	**43**	**44**	**10%**	**2%**	**173**	**208**	**-17%**
Net loan losses	-10	2	-18	-7	-5			-33	-11	
Operating profit	**35**	**43**	**26**	**36**	**39**	**-19%**	**-10%**	**140**	**197**	**-29%**
Cost/income ratio, %	71	72	72	72	73			72	68	
ROCAR, %	7	8	5	7	8			7	11	
Economic capital (EC)	1,554	1,611	1,596	1,590	1,500	-4%	4%	1,554	1,500	4%
Risk exposure amount (REA)	7,762	8,085	8,084	8,006	6,893	-4%	13%	7,762	6,893	13%
Number of employees (FTEs)	2,103	2,036	2,154	2,229	2,390	3%	-12%	2,103	2,390	-12%
Volumes, EURbn:										
Lending to corporates	0	0.1	0	0	0.1			0	0.1	
Household mortgage lending	26.4	26.4	26.6	26.6	26.6	0%	-1%	26.4	26.6	-1%
Consumer lending	5.7	5.7	5.7	5.7	5.6	0%	2%	5.7	5.6	2%
Total lending	**32.1**	**32.2**	**32.3**	**32.3**	**32.3**	**0%**	**-1%**	**32.1**	**32.3**	**-1%**
Corporate deposits	0.1	0.1	0.1	0.1	0.1	0%	0%	0.1	0.1	
Household deposits	21.1	21.0	21.1	20.8	20.7	0%	2%	21.1	20.7	2%
Total deposits	**21.2**	**21.1**	**21.2**	**20.9**	**20.8**	**0%**	**2%**	**21.2**	**20.8**	**2%**

Personal Banking Norway

								Local curr.				Jan-Dec 18/17	
	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4	Jan-Dec 18	Jan-Dec 17	EUR	Local
EURm													
Net interest income	100	95	95	93	97	5%	3%	7%	3%	383	385	-1%	2%
Net fee and commission income	21	22	22	18	20	-5%	5%	-5%	5%	83	82	1%	5%
Net result from items at fair value	2	5	6	2	2					15	10	50%	50%
Equity method & other income	0	0	1	2	0					3	1		
Total income incl. allocations	**123**	**122**	**124**	**115**	**119**	**1%**	**3%**	**2%**	**3%**	**484**	**478**	**1%**	**4%**
Total expenses incl. allocations	**-55**	**-64**	**-61**	**-66**	**-60**	**-14%**	**-8%**	**-14%**	**-8%**	**-246**	**-245**	**0%**	**3%**
Profit before loan losses	**68**	**58**	**63**	**49**	**59**	**17%**	**15%**	**20%**	**16%**	**238**	**233**	**2%**	**4%**
Net loan losses	0	-1	-2	0	0					-3	-4		
Operating profit	**68**	**57**	**61**	**49**	**59**	**19%**	**15%**	**22%**	**16%**	**235**	**229**	**3%**	**5%**
Cost/income ratio, %	45	53	49	57	50					51	51		
ROCAR, %	13	11	12	11	13					11	13		
Economic capital (EC)	1,609	1,590	1,551	1,490	1,392	1%	16%	7%	17%	1,609	1,392	16%	17%
Risk exposure amount (REA)	8,378	5,144	4,993	4,801	4,414	63%	90%	71%	92%	8,378	4,414	90%	92%
Number of employees (FTEs)	805	839	824	824	855	-4%	-6%	-2%	-6%	805	855	-6%	-6%
Volumes, EURbn:													
Lending to corporates	0	0	0	0.1	0					0	0		
Household mortgage lending	26.9	27.9	27.3	26.3	25.8	-4%	4%	1%	5%	26.9	25.8	4%	5%
Consumer lending	1.5	1.5	1.5	1.4	1.4	0%	7%	0%	7%	1.5	1.4	7%	7%
Total lending	**28.4**	**29.4**	**28.8**	**27.8**	**27.2**	**-3%**	**4%**	**1%**	**5%**	**28.4**	**27.2**	**4%**	**5%**
Corporate deposits	0.1	0.1	0.2	0.1	0.1	0%	0%	0%	0%	0.1	0.1	0%	0%
Household deposits	8.0	8.6	8.8	8.1	8.1	-7%	-1%	-2%	0%	8.0	8.1	-1%	0%
Total deposits	**8.1**	**8.7**	**9.0**	**8.2**	**8.2**	**-7%**	**-1%**	**-1%**	**1%**	**8.1**	**8.2**	**-1%**	**1%**

Personal Banking Sweden

								Local curr.				Jan-Dec 18/17	
	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4	Jan-Dec 18	Jan-Dec 17	EUR	Local
EURm													
Net interest income	172	160	167	190	199	8%	-14%	7%	-9%	689	796	-13%	-8%
Net fee and commission income	55	58	56	57	56	-5%	-2%	-5%	4%	226	231	-2%	4%
Net result from items at fair value	12	4	4	3	6					23	20	15%	20%
Equity method & other income	0	0	0	5	0					5	1		
Total income incl. allocations	**239**	**222**	**227**	**255**	**261**	**8%**	**-8%**	**7%**	**-4%**	**943**	**1,048**	**-10%**	**-4%**
Total expenses incl. allocations	**-120**	**-114**	**-117**	**-122**	**-125**	**5%**	**-4%**	**3%**	**1%**	**-473**	**-504**	**-6%**	**0%**
Profit before loan losses	**119**	**108**	**110**	**133**	**136**	**10%**	**-13%**	**11%**	**-7%**	**470**	**544**	**-14%**	**-8%**
Net loan losses	-6	-6	-2	-4	-5					-18	-17		
Operating profit	**113**	**102**	**108**	**129**	**131**	**11%**	**-14%**	**10%**	**-9%**	**452**	**527**	**-14%**	**-9%**
Cost/income ratio, %	50	51	52	48	48					50	48		
ROCAR, %	12	11	12	14	14					12	14		
Economic capital (EC)	2,963	2,897	2,721	2,738	2,838	2%	4%	2%	9%	2,963	2,838	4%	9%
Risk exposure amount (REA)	15,428	5,393	4,767	4,781	4,889					15,428	4,889		
Number of employees (FTEs)	1,891	1,890	1,929	1,941	1,945	0%	-3%	0%	-3%	1,891	1,945	-3%	-3%
Volumes, EURbn:													
Lending to corporates	0.7	0.7	0.6	0.7	0.7	0%	0%	14%	33%	0.7	0.7	0%	33%
Household mortgage lending	41.2	40.8	40.1	40.6	42.6	1%	-3%	0%	1%	41.2	42.6	-3%	1%
Consumer lending	3.6	3.6	3.6	3.6	3.9	0%	-8%	-3%	-8%	3.6	3.9	-8%	-8%
Total lending	**45.5**	**45.1**	**44.3**	**44.9**	**47.2**	**1%**	**-4%**	**0%**	**0%**	**45.5**	**47.2**	**-4%**	**0%**
Corporate deposits	0.1	0.1	0.1	0.1	0.1	0%	0%	0%	0%	0.1	0.1	0%	0%
Household deposits	22.2	22.0	21.4	21.3	22.1	1%	0%	0%	4%	22.2	22.1	0%	4%
Total deposits	**22.3**	**22.1**	**21.5**	**21.4**	**22.2**	**1%**	**0%**	**0%**	**4%**	**22.3**	**22.2**	**0%**	**4%**

Personal Banking Other

EURm	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Jan-Dec 18	Jan-Dec 17	Jan/Dec 18/17
Net interest income	-8	-7	-5	-1	2			-21	-1	
Net fee and commission income	-4	-8	3	-3	-6			-12	-7	
Net result from items at fair value	2	0	0	0	0			2	3	
Equity method & other income	0	0	1	1	0			2	2	
Total income incl. allocations	**-10**	**-15**	**-1**	**-3**	**-4**			**-29**	**-3**	
Total expenses incl. allocations	**-11**	**-20**	**-9**	**-16**	**-26**			**-56**	**-40**	
Profit before loan losses	**-21**	**-35**	**-10**	**-19**	**-30**			**-85**	**-43**	
Net loan losses	1	0	0	0	-6			1	-7	
Operating profit	**-20**	**-35**	**-10**	**-19**	**-36**			**-84**	**-50**	
Economic capital (EC)	238	250	338	328	316			238	316	
Number of employees (FTEs)	3,544	3,575	3,501	3,511	3,514	-1%	1%	3,544	3,514	1%

Commercial & Business Banking

Commercial & Business Banking consists of Business Banking, Transaction Banking and Nordea Finance and has a leading market position in the Nordic region. We employ 4,800 people and serve more than 550,000 corporate customers through a mix of physical and digital channels by delivering banking services from Nordea and partners to our corporate clients. We provide value and contribute to society by offering our ecosystem to entrepreneurs and scale-ups to make people and businesses succeed with their Nordic ideas and to make a sustainable impact.

In Business Banking, large and medium-sized corporates are served in a relationship-driven model securing high availability and ability to solve complex customer needs. Small corporates are served in a remote set-up in Business Banking Direct with a high level of flexibility to ensure fast response to changes in customer demand and market development.

Transaction Banking serves all Nordea's customer segments, providing payment and transaction services as well as driving Open Banking, and Blockchain/DLT initiatives across all platforms in the bank. Transaction Banking consists of Cards, Trade Finance, Cash Management and Mobile- & E-Commerce & co-Innovation and is an integral part of the Nordea ecosystem as a provider of the latest digital innovations to enable business beyond banking.

Nordea Finance provides a wide range of products and services, spanning the simplest unsecured financing needs for household customers to complex supply chain financing solutions for large corporates. Nordea Finance is responsible for the sales finance business and asset-based lending in Nordea covering three different product groups – investment credits, working capital and consumer credits.

Business development

The pace of change in the banking industry is increasing. In 2018, we both affirmed our regular product offerings and led the way in the adoption of new and innovative solutions, thereby expanding our ecosystem to provide Business Beyond Banking.

Business Banking

Commercial & Business Banking has launched an enhanced Corporate Netbank called Nordea Business. Swedish customers are currently being invited and the roll-out continues in 2019. Nordea Business will be the primary channel to serve our corporate customers remotely and will enable easy access to an eco-system of products and solutions for self-service.

We have launched pre-approved limits enabling customers to go straight through the credit application process as well as an initial version of the Online Finance Application in Sweden, enabling easy banking through quicker and smoother handling of customer enquiries.

Our expansion of tailored advice to startups and high-growth companies was extended from Finland to Denmark, Norway and Sweden in 2018. The concept has been well-received by our customers and we rapidly built a strong foundation in the market. The units also play a key role in supporting our social agenda, partnering with entities such as Norrsken, Maria01 and Cph Fintech. The units are an example of our strong belief that we need to be business partners and that employees who are happy and dedicated improve customer satisfaction.

A milestone in our sustainability effort was reached when Nordea, as the first bank in the Nordics, launched a Green Corporate Loan Product to small and medium-sized corporates.

Transaction Banking

Cash management has performed strongly with increasing customer activity. We have won several major customer deals and have a strong pipeline.

We delivered on our ambition to make payments more convenient and easy for our customers by improving existing solutions and introducing multiple new solutions in the second half of 2018.
Nordea Connect was launched in Finland and Sweden earlier this year and we are now ramping up our efforts to further enhance our solution to deliver greater customer experience.

We launched Google Pay, adding to our existing set of mobile solutions such as Nordea Wallet and Apple Pay, to name a few. These solutions provide a seamless and secure mobile spending experience whereby customers can use both private and corporate cards connected to our mobile solutions as a means of payment and enabling us to maintain a leading position in the digital payment area.

The development of Nordea's Open Banking platform is progressing, and we are now live in Finland, Sweden and Denmark. Throughout 2018 we saw increasing interest in Open Banking among corporate customers and are working on solutions together with them.

Nordea Finance

We have seen high activity in working capital, with demand for receivable finance remaining strong with an improved inflow of new deals for large corporates. 2018 also saw renewals of major agreements with car dealerships.

We have launched the Alfa Nordea Finance Leasing platform – a new and improved system that reduces complexity by harmonising processes and products focusing on leasing, hire purchase and loans. The Nordic roll-out of the platform is continuing through 2019–2020.

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

Priorities for 2019

- Develop and improve our business partner concept for Business Banking customers and our remote service offering for Business Banking Direct customers

- Further improve our compliance and credit processes

- Digital development of scalable solutions such as the Nordea Business net bank and the Alfa leasing platform

- Continuously improve and innovate in the payment- and mobile solutions space leveraging partnerships and customer co-creation

Result

Total income increased by 9% in local currencies compared to the third quarter, driven by Net result from items at fair value and Net interest income.

Net interest income increased by 5% in local currencies from the previous quarter. Lending volumes decreased slightly due to changes in exchange rates but increased in local currency. Compared to the fourth quarter last year lending increased 3% in local currencies. Deposit volumes increased 3% from the previous quarter

Net fee and commission income increased by 3% in local currencies from the third quarter while Net result from items at fair value increased 49% in local currencies as customer activity picked up in all countries, particularly in hedging and foreign exchange

Total expenses increased by 4% in local currencies from the previous quarter but decreased by 17% in local currencies from the same quarter last year, which included transformation costs of EUR 51m.

FTE declined slightly compared to the third quarter and by 9% compared to the same quarter last year.

Loan losses decreased by 33% from the third quarter which included provisions related to the summer drought. Operating profit increased by 27% in local currencies from the third quarter and 63% from the same quarter last year.

ROCAR increased 2% points compared to previous quarter.

Credit quality

The loan loss ratio was 17bps, down from 25bps in the third quarter. As expected and provisioned for in the third quarter, the fourth quarter saw increased risk in agriculture. Overall credit quality remained solid.

Distribution agreement with Asset & Wealth Management

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

Commercial & Business Banking total

	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Local curr. Q4/Q3	Local curr. Q4/Q4	Jan-Dec 18	Jan-Dec 17	Jan-Dec 18/17 EUR	Jan-Dec 18/17 Local
EURm													
Net interest income	333	315	318	308	313	6%	6%	5%	8%	1,274	1,258	1%	4%
Net fee and commission income	109	107	108	113	124	2%	-12%	3%	-11%	437	483	-10%	-8%
Net result from items at fair value	72	48	57	120	57	50%	26%	49%	27%	297	261	14%	17%
Equity method & other income	8	5	9	8	9					30	45		
Total income incl. allocations	**522**	**475**	**492**	**549**	**503**	**10%**	**4%**	**9%**	**5%**	**2,038**	**2,047**	**0%**	**2%**
Total expenses incl. allocations	**-277**	**-268**	**-282**	**-292**	**-343**	**3%**	**-19%**	**4%**	**-17%**	**-1,119**	**-1,219**	**-8%**	**-6%**
Profit before loan losses	**245**	**207**	**210**	**257**	**160**	**18%**	**53%**	**16%**	**51%**	**919**	**828**	**11%**	**13%**
Net loan losses	-27	-40	27	17	-29					-23	-88		
Operating profit	**218**	**167**	**237**	**274**	**131**	**31%**	**66%**	**27%**	**63%**	**896**	**740**	**21%**	**23%**
Cost/income ratio, %	54	56	57	53	68					55	60		
ROCAR, %	10	8	12	14	7					11	9		
Economic capital (EC)	6,280	6,247	6,250	6,139	6,093	1%	3%	2%	0%	6,280	6,093	3%	0%
Risk exposure amount (REA)	44,310	33,143	33,097	33,069	33,324	34%	33%	35%	28%	44,310	33,324	33%	28%
Number of employees (FTEs)	4,806	4,811	4,858	5,099	5,270	0%	-9%	0%	-9%	4,806	5,270	-9%	-9%
Volumes, EURbn:													
Lending to corporates	72.9	73.1	71.8	71.0	71.1	0%	3%	1%	4%	72.9	71.1	3%	4%
Household mortgage lending[1]	6.7	6.8	7.0	7.1	7.1	-1%	-6%	-1%	-4%	6.7	7.1	-6%	-4%
Consumer lending[1]	2.0	2.1	2.1	2.1	2.2	-5%	-9%	-3%	-7%	2.0	2.2	-9%	-7%
Total lending	**81.6**	**82.0**	**80.9**	**80.2**	**80.4**	**0%**	**1%**	**0%**	**3%**	**81.6**	**80.4**	**1%**	**3%**
Corporate deposits	38.0	36.9	37.4	36.3	37.3	3%	2%	4%	4%	38.0	37.3	2%	4%
Household deposits[1]	2.8	2.8	3.0	2.9	3.0	0%	-7%	0%	-8%	2.8	3.0	-7%	-8%
Total deposits	**40.8**	**39.7**	**40.4**	**39.2**	**40.3**	**3%**	**1%**	**4%**	**3%**	**40.8**	**40.3**	**1%**	**3%**

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

Commercial & Business Banking excl. Distribution agreement with Wealth Management

	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Local curr. Q4/Q3	Local curr. Q4/Q4	Jan-Dec 18	Jan-Dec 17	Jan-Dec 18/17 EUR	Jan-Dec 18/17 Local
EURm													
Net interest income	332	315	318	307	313	5%	6%	5%	8%	1,272	1,257	1%	4%
Net fee and commission income	136	133	135	159	170	2%	-20%	2%	-19%	563	659	-15%	-13%
Net result from items at fair value	72	48	57	120	57	50%	26%	49%	27%	297	261	14%	17%
Equity method & other income	6	5	10	9	9					30	45		
Total income incl. allocations	**546**	**501**	**520**	**595**	**549**	**9%**	**-1%**	**9%**	**1%**	**2,162**	**2,222**	**-3%**	**0%**
Total expenses incl. allocations	**-285**	**-274**	**-287**	**-303**	**-354**	**4%**	**-19%**	**4%**	**-18%**	**-1,149**	**-1,264**	**-9%**	**-7%**
Profit before loan losses	**261**	**227**	**233**	**292**	**195**	**15%**	**34%**	**15%**	**35%**	**1,013**	**958**	**6%**	**8%**
Net loan losses	-27	-40	27	17	-29					-23	-87		
Operating profit	**234**	**187**	**260**	**309**	**166**	**25%**	**41%**	**25%**	**42%**	**990**	**871**	**14%**	**16%**
Cost/income ratio, %	52	55	55	51	65					53	57		
ROCAR, %	11	9	12	15	8					12	10		
Economic capital (EC)	6,414	6,380	6,378	6,422	6,376	1%	1%	1%	-3%	6,414	6,376	1%	-3%
Risk exposure amount (REA)	44,310	33,143	33,097	33,069	33,324	34%	33%	35%	28%	44,310	33,324	33%	28%
Number of employees (FTEs)	4,806	4,858	4,858	5,099	5,271	-1%	-9%	0%	-9%	4,806	5,271	-9%	-9%
Volumes, EURbn:													
Lending to corporates	72.9	73.1	71.9	71.1	71.1	0%	3%	1%	4%	72.9	71.1	3%	4%
Household mortgage lending[1]	6.7	6.8	6.9	7.0	7.1	-1%	-6%	-1%	-4%	6.7	7.1	-6%	-4%
Consumer lending[1]	2.0	2.1	2.1	2.1	2.2	-5%	-9%	-3%	-7%	2.0	2.2	-9%	-7%
Total lending	**81.6**	**82.0**	**80.9**	**80.2**	**80.4**	**0%**	**1%**	**0%**	**3%**	**81.6**	**80.4**	**1%**	**3%**
Corporate deposits	38.0	36.9	37.4	36.3	37.3	3%	2%	4%	4%	38.0	37.3	2%	4%
Household deposits[1]	2.8	2.8	3.0	2.9	3.0	0%	-7%	0%	-8%	2.8	3.0	-7%	-8%
Total deposits	**40.8**	**39.7**	**40.4**	**39.2**	**40.3**	**3%**	**1%**	**4%**	**3%**	**40.8**	**40.3**	**1%**	**3%**

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

Business Banking

								Local curr.		Jan-Dec	Jan-Dec	Jan-Dec	18/17
	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4	18	17	EUR	Local
EURm													
Net interest income, EURm													
Business Banking Denmark	76	76	75	76	78	0%	-3%	0%	-1%	303	325	-7%	-6%
Business Banking Finland	61	60	58	56	55	2%	11%	2%	11%	235	215	9%	9%
Business Banking Norway	72	67	67	68	70	7%	3%	8%	4%	274	281	-2%	0%
Business Banking Sweden	61	60	59	54	54	2%	13%	3%	21%	234	210	11%	19%
Business Banking Direct	54	48	53	51	54	13%	0%	10%	0%	206	216	-5%	-4%
Other	9	4	6	3	2					22	11		
Net loan losses, EURm													
Business Banking Denmark	-18	-29	-1	-13	-1	-38%		-38%		-61	-4		
Business Banking Finland	-9	-5	4	21	-14	80%	-36%	80%	-36%	11	-28		
Business Banking Norway	6	2	22	10	-10					40	-38		
Business Banking Sweden	-4	-4	4	1	-8	0%	-50%	0%	-50%	-3	-18	-83%	-83%
Business Banking Direct	-1	-1	-1	0	7	0%		0%		-3	10		
Other	-1	-3	-1	-2	-3					-7	-10		
Lending, EURbn													
Business Banking Denmark	21.7	21.4	21.2	21.2	21.3	1%	2%	1%	2%	21.7	21.3	2%	2%
Business Banking Finland	13.3	13.5	13.3	13.0	12.8	-1%	4%	-1%	4%	13.3	12.8	4%	4%
Business Banking Norway	15.8	16.2	15.8	15.3	15.0	-2%	5%	3%	7%	15.8	15.0	5%	7%
Business Banking Sweden	19.0	19.1	18.4	18.6	19.0	-1%	0%	-1%	4%	19.0	19.0	0%	4%
Business Banking Direct	11.7	11.9	12.1	12.2	12.2	-2%	-4%	-1%	-3%	11.7	12.2	-4%	-3%
Other	0.1	-0.1	0.1	-0.1	0.1					0.1	0.1		
Deposits, EURbn													
Business Banking Denmark	6.1	6.2	6.1	6.1	6.4	-2%	-5%	0%	-3%	6.1	6.4	-5%	-3%
Business Banking Finland	7.8	7.4	7.8	7.1	6.9	5%	13%	5%	13%	7.8	6.9	13%	13%
Business Banking Norway	6.6	6.7	6.6	6.5	6.6	-1%	0%	5%	0%	6.6	6.6	0%	0%
Business Banking Sweden	9.1	8.6	9.0	8.8	9.3	6%	-2%	6%	2%	9.1	9.3	-2%	2%
Business Banking Direct	11.2	10.8	11.0	10.7	11.1	4%	1%	5%	2%	11.2	11.1	1%	2%
Other	0	0	-0.1	0	0					0	0		

Wholesale Banking

Wholesale Banking is servicing Nordea's large corporate and institutional customers. Service offering includes a focused range of financing, cash management and payment services, investment banking, capital markets products and securities services.

Wholesale Banking is the Nordic leader in sustainable finance and has the leading Large Corporate and Institutional customer franchise in the Nordics. Through Nordea Markets, a broad range of Nordea customers in Commercial & Business Banking, Asset & Wealth Management and Personal Banking are also serviced.

Business development

Customer activity picked up in the quarter compared to the previous quarter, which is reflected in both increased lending volume and income growth. Lending margins were largely in line with the previous quarter.

Large corporate lending increased compared to 2017, reflecting increased activity and ambition levels within our C&IB service offering. Conscious de-risking of our large corporate lending portfolio is also coming to an end.

Wholesale Banking was recognised for its leading large corporate and institutional customer satisfaction, and the strong performance is underpinned by an all-time high score in customer satisfaction for Nordic large corporates with a no. 1 ranking from Prospera in 2018 including no. 1 local country rankings in both Denmark and Finland.

Wholesale Banking's focus areas remained unchanged with continued prioritisation within capital optimisation and progression was made within digitalisation, robotics as well as sustainability, e.g. green bonds and loans.

Corporate and Investment Banking

In addition to the Nordic Prospera no. 1 ranking among our large corporates, Nordea was recognised for its strong performance through no. 1 position in Nordic Leveraged Finance.
In line with the rest of the world, the Nordic financial markets were relatively weak in the second half of the year and there were fewer IPOs and less M&A than in the first half. Despite this, we are very proud that Nordea ended the year as the leading Nordic Investment Bank, having secured the no. 1 Nordic position in the 2018 league tables for M&A, ECM, Corporate Bonds and Syndicated Loans.

This reflects Wholesale Banking's strong strategic position with a full product- and service-offering of debt, equity and advisory. Examples of this include servicing as advisor and financing provider for Mekonomen and Ahlström Munksjö in the fourth quarter.

Customer activity in the shipping business increased in the quarter as a result of higher activity in the industry in general, while it remained relatively low in the offshore business.

In Russia, we continued with our de-risking and customer activity remained moderate. Corporate lending portfolio was reduced further both in FY 2018 and in Q4 2018.

Capital Markets

Customer activity in Markets related products picked up in the fourth quarter and became the second strongest customer driven NFV income quarter in Markets for the year.

The fourth quarter was otherwise very challenging for any trading related activity and significantly affected by negative valuation adjustments due to higher funding costs and widening credit spreads. The difficult market environment accelerated toward the end of the quarter and has been visible throughout 2018 with negative impact from new regulation, negative interest rates, fierce competition, geopolitical turbulence and low market volatility, in especially Fixed Income. Difficult market conditions and negative valuation adjustments overshadowed in total the strong customer activity in the 4th quarter.

Nordea Markets has continued its journey with its transformation process in co-creating a more efficient and customer-centric organisation. Furthermore, as an important part of the transformation process, the focus is on shaping a dynamic and inclusive work environment with a strong diversity and well-being profile.

Priorities 2019

Wholesale Banking's four focus areas are Customer Centricity, People Dedication, Business Optimisation and Society Engagement. With that outset, Wholesale Banking's aim is to strengthen its market-leading customer satisfaction through a high degree of cross-selling in a combination with a continued focus on attracting and retaining the right people and making sure they grow, building a culture with the right behaviour to support business momentum.

Business optimisation will be driven by leveraging digital and automation opportunities and relevant use of the balance sheet to drive structural cost efficiency throughout 2019. In addition, Wholesale Banking has a focus on society engagement by developing and driving our Green offering in order to be the Nordic leader in sustainable finance.

Result

Total income was EUR 349m, down 17% in local currencies from Q4 2017, solely driven by Net Fair Value.

Net interest income was on a par with the previous quarter and up 13% in local currencies compared with Q4 2017 including IFRS 15 impact (positive impact year-on-year).

Net fee and commission improved 18% from the previous quarter driven by a pickup in especially brokerage and advisory driven customer activity. NCI was flat compared to 2017 for both Q4 2018 and FY 2018 adjusted for the divestment of NLP Denmark and IFRS 15 (negative impact year-on-year).

Net result on items at fair value down 69% in the fourth quarter from Q4 2017 mainly driven by negative valuation adjustments and difficult trading environment. Customer driven NFV activity picked up strongly from the previous quarter.

End of period Q4 large corporate lending volume was up EUR 1.1bn, or 2.3% from EOP Q3.

Total expenses decreased by 8% in the 4th quarter compared with same quarter last year and by 5% for the FY 2018 compared with FY 2017 driven by continued focus on structural cost efficiency.

Operating profit was EUR 132m, up EUR 9m compared to Q4 2017 with FY 2018 business area ROCAR at 7%, 1%-point lower from the FY 2017.

Credit quality

Credit quality continued to improve with net loan losses down due to net reversals for the Russian portfolio and to declining loan losses in the Nordic corporate and institutional portfolio for the fourth quarter. The loan loss ratio was -8bps in the quarter, down from 3bps in the previous quarter.

Wholesale Banking total

								Local curr.				Jan-Dec 18/17	
	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4	Jan-Dec 18	Jan-Dec 17	EUR	Local
EURm													
Net interest income	215	216	219	204	193	0%	11%	-1%	13%	854	854	0%	4%
Net fee and commission income	108	91	152	120	131	19%	-18%	18%	-15%	471	571	-18%	-14%
Net result from items at fair value	26	111	109	162	83	-77%	-69%	-76%	-69%	408	625	-35%	-35%
Equity method & other income	0	0	0	0	0					0	4		
Total income incl. allocations	**349**	**418**	**480**	**486**	**407**	**-17%**	**-14%**	**-17%**	**-13%**	**1,733**	**2,054**	**-16%**	**-13%**
Total expenses incl. allocations	**-230**	**-221**	**-208**	**-242**	**-249**	**4%**	**-8%**	**3%**	**-6%**	**-901**	**-952**	**-5%**	**-3%**
Profit before loan losses	**119**	**197**	**272**	**244**	**158**	**-40%**	**-25%**	**-39%**	**-23%**	**832**	**1,102**	**-25%**	**-23%**
Net loan losses	13	-5	-65	-34	-35					-91	-229		
Operating profit	**132**	**192**	**207**	**210**	**123**	**-31%**	**7%**	**-31%**	**10%**	**741**	**873**	**-15%**	**-13%**
Cost/income ratio, %	66	53	43	50	61					52	46		
ROCAR, %	5	8	8	8	5					7	8		
Economic capital (EC)	7,938	7,462	7,741	7,669	7,988	6%	-1%			7,938	7,988	-1%	
Risk exposure amount (REA)	48,246	37,284	39,196	38,529	41,179	29%	17%			48,246	41,179	17%	
Number of employees (FTEs)	3,637	3,637	3,591	3,589	3,659	0%	-1%			3,637	3,659	-1%	
Volumes, EURbn:													
Lending to corporates	69.0	76.9	76.0	74.7	71.1	-10%	-3%			69.0	71.1	-3%	
Lending to households	0	0	0	0	0					0	0		
Total lending	**69.0**	**76.9**	**76.0**	**74.7**	**71.1**	**-10%**	**-3%**	**-10%**	**-3%**	**69.0**	**71.1**	**-3%**	**-3%**
Corporate deposits	42.3	51.7	48.6	52.5	46.9	-18%	-10%			42.3	46.9	-10%	
Household deposits	0	0.1	0.1	0.1	0.1					0	0.1		
Total deposits	**42.3**	**51.8**	**48.7**	**52.6**	**47.0**	**-18%**	**-10%**	**-18%**	**-9%**	**42.3**	**47.0**	**-10%**	**-9%**

Wholesale Banking

	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Jan-Dec 18	Jan-Dec 17	Jan-Jun 18/17
EURm										
Net interest income, EURm										
C&IB excluding Shipping and Offshore Business	157	155	151	145	131	1%	20%	608	547	11%
Shipping and Offshore Business	51	53	51	50	55	-4%	-7%	205	243	-16%
Corporate & Investment Banking	**208**	**208**	**202**	**195**	**186**	**0%**	**12%**	**813**	**790**	**3%**
Banking Russia	**11**	**13**	**16**	**16**	**18**	**-15%**	**-39%**	**56**	**99**	**-43%**
Other	**-4**	**-5**	**1**	**-7**	**-11**	**-20%**	**-64%**	**-15**	**-35**	**-57%**
Net loan losses, EURm										
C&IB excluding Shipping and Offshore Business	-21	-13	25	-22	-27			-31	-72	
Shipping and Offshore Business	18	1	-16	-16	-14			-13	-136	
Corporate & Investment Banking	**-3**	**-12**	**9**	**-38**	**-41**			**-44**	**-208**	
Banking Russia	**16**	**7**	**-74**	**4**	**5**			**-47**	**-21**	
Other	**0**	**0**	**0**	**0**	**1**			**0**	**0**	
Lending, EURbn										
C&IB excluding Shipping and Offshore Business	35.6	35.1	35.7	33.9	34.5	1%	3%	35.6	34.5	3%
Shipping and Offshore Business	8.7	8.5	8.8	8.7	9.2	2%	-5%	8.7	9.2	-5%
Corporate & Investment Banking	**44.3**	**43.6**	**44.5**	**42.6**	**43.7**	**2%**	**1%**	**44.3**	**43.7**	**1%**
Banking Russia	**2.1**	**2.3**	**2.4**	**2.4**	**2.3**	**-9%**	**-9%**	**2.1**	**2.3**	**-9%**
Other	**22.6**	**31.0**	**29.1**	**29.7**	**25.1**	**-27%**	**-10%**	**22.6**	**25.1**	**-10%**
Deposits, EURbn										
C&IB excluding Shipping and Offshore Business	21.5	21.5	20.1	20.7	21.9	0%	-2%	21.5	21.9	-2%
Shipping and Offshore Business	3.3	3.1	3.2	3.1	3.6	6%	-8%	3.3	3.6	-8%
Corporate & Investment Banking	**24.8**	**24.6**	**23.3**	**23.8**	**25.5**	**1%**	**-3%**	**24.8**	**25.5**	**-3%**
Banking Russia	**0.5**	**0.5**	**0.7**	**0.8**	**0.8**	**0%**	**-38%**	**0.5**	**0.8**	**-38%**
Other	**17.0**	**26.7**	**24.7**	**28.0**	**20.7**	**-36%**	**-18%**	**17.0**	**20.7**	**-18%**

Asset & Wealth Management

Asset & Wealth Management provides high-quality investment, savings and risk management solutions. It manages customers' assets and provides financial advice to high net worth individuals and institutional investors. The area consists of the three businesses: Private Banking serving customers from 67 branches in the Nordics; Asset Management responsible for actively managed investment funds and mandates and for serving institutional asset management customers; Life & Pensions serving customers with a full range of pension, endowment and risk products. Asset & Wealth Management is the largest Nordic private bank, Life & Pensions provider and asset manager.

Business development

Volatility and uncertainty in the markets spike in the quarter leading to customers withdrawing money against the backdrop of a significant downturn in financial markets. The European fund industry suffered the biggest outflow since the financial crisis driven by concerns over slowing growth and continued geopolitical uncertainty.

Asset & Wealth Management focused on its stable and sustainable track while increasing customer centricity and introduced new digital tools and solutions in the quarter.

Nordea's Assets under Management (AuM) decreased to EUR 283bn, down EUR 30bn or 9% from the previous quarter, and down 14% from the same quarter last year. The decrease in AuM in the fourth quarter was mainly due to the divestment of our Private Banking International branch, market depreciation and net outflow of EUR 2.8bn.

Following a thorough strategic review, it was decided that the International Private Banking activities should be divested and concentrate Nordea's private banking activities in the Nordics. The aim is to better improve risk management, focus the business and deliver even better value to clients. Consequently, a part of the Luxembourg-based private banking business was sold to UBS in 2018. The transaction was successfully completed in October 2018.

Private Banking continues to focus on customer acquisition as well as optimising the service and advisory model to the needs of customers and regulatory changes in the market.

Net flow for Nordic Private Banking was flat in Q4 2018. We continued our re-focus of the business, transferring below-threshold customers to Personal Banking. We are sharpening our value proposition to better target growth segments such us (ultra) high net worth clients. The enhance focus on the Nordic markets enables Private Banking to further strengthen efforts in Nordic markets with large growth potential.

In Nordic Private Banking 4Q income was EUR 79m – a 7% increase compared to the same quarter last year, when income was limited by internal customer transfers and focus on regulatory requirements. Underlying business growth was satisfactory, and the cost decrease of 12% compared to same quarter last year can largely be attributed to prudent cost control and focus on Nordic synergies. Operating profit stands at EUR 27m and ROCAR at 19%.

In Asset Management, AuM was impacted by high market volatility that resulted in negative market movements as well as negative net flows of EUR 1.4bn. Negative net flow in Third Party Fund Distribution amounted to EUR 1.4bn and was mainly related to the Stable Return fund. Institutional Distribution had a slight positive net flow of EUR 0.2bn. Net flow in retail sales channels was negative in the amount of EUR 0.6bn and was mainly related to Sweden and Norway.

Investment performance in 2018 was negatively impacted by high market volatility, especially in equities, but long-term performance remains strong with 67% of all composites outperforming benchmarks over three years.

Life & Pensions' gross written premiums reached EUR 961m, 44% lower than same quarter of 2017 but 3% higher than the previous quarter. The sale of Nordea Life & Pension Denmark in April 2018 lowered the gross written premiums received in the quarter, compared to previous quarters when Nordea Life

& Pension Denmark was included. The Nordea distribution network generated 91% of Market return premium sales.

Market return- and risk products accounted for 98% of total gross written premiums compared to 91% in the same quarter previous year. Market return products amounted to 76% of total AUM in Life & Pensions up from 63% in the previous year.

Priorities for 2019

In 2019, Asset & Wealth Management has set out clear priorities to increase our presence in Norway and Sweden particularly in Private Banking and Life & Pensions. Asset Management is launching new products with a focus on building our presence in ESG, while exploring new partnerships to further strengthen international distribution channels. We are continuing our digital transformation and releasing new services such as sustainable pension advice through our robo advisor NORA and a new mobile savings offering across the Nordics.

Result

Fourth quarter income was EUR 417m, up 2% from the previous quarter and down 18% compared to the same quarter last year. The increase was mainly due to end of year fees.

Costs increased 7% from the previous quarter and were down 11% from the same quarter last year due to higher staff and research costs in Asset Management as well as one-off costs related to the establishment of functions in Luxembourg.

Operating profit in the fourth quarter was EUR 219m, down 3% from the previous quarter.

Private Banking

Total income was EUR 79m during the fourth quarter, which is 7% higher than the same period last year. Costs were flat compared to the previous quarter and down 12% compared to the same period last year. Operating profit stands at EUR 27m and ROCAR at 19%.

Asset Management

Asset Management income was EUR 229m in the fourth quarter, up 5% from the previous quarter and down 14% from the same quarter last year. The decrease from last year was mainly due to lower average AuM as well as in performance fees. Operating profit was EUR 150m, up 2% from the previous quarter and down 23% from the same quarter last year due to both lower income and higher costs.

Life & Pensions

Total income was EUR 111m, up 5% from the previous quarter and 27% down from same quarter in 2017, excluding the EUR 262m gain from selling Nordea Life & Pensions DK. Operating profit was EUR 78m, up 5% from the previous quarter and down 24% from the same quarter in 2017.

Asset & Wealth Management other

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

Asset & Wealth Management total

								Local curr.				Jan-Dec 18/17	
	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Q4/Q3	Q4/Q4	Jan-Dec 18	Jan-Dec 17	EUR	Local
EURm													
Net interest income	15	17	18	16	19	-12%	-21%	-12%	-21%	66	82	-20%	-18%
Net fee and commission income	354	352	368	369	411	1%	-14%	1%	-14%	1,443	1,586	-9%	-9%
Net result from items at fair value	33	29	37	63	73	14%	-55%	14%	-55%	162	287	-44%	-42%
Equity method & other income	15	10	8	4	6					37	23		
Total income incl. allocations	**417**	**408**	**431**	**452**	**509**	**2%**	**-18%**	**2%**	**-18%**	**1,708**	**1,978**	**-14%**	**-13%**
Total expenses incl. allocations	**-194**	**-182**	**-180**	**-203**	**-217**	**7%**	**-11%**	**7%**	**-10%**	**-759**	**-847**	**-10%**	**-10%**
Profit before loan losses	**223**	**226**	**251**	**249**	**292**	**-1%**	**-24%**	**-1%**	**-23%**	**949**	**1,131**	**-16%**	**-15%**
Net loan losses	-4	0	0	0	0					-4	0		
Operating profit	**219**	**226**	**251**	**249**	**292**	**-3%**	**-25%**	**-3%**	**-24%**	**945**	**1,131**	**-16%**	**-14%**
Cost/income ratio, %	47	45	42	45	43					44	43		
ROCAR, %	30	29	32	29	33					30	32		
Economic capital (EC)	2,297	2,218	2,452	2,386	2,694	4%	-15%	4%	-15%	2,297	2,694	-15%	-15%
Risk exposure amount (REA)	5,577	5,330	5,518	5,525	5,578	5%	0%	5%	0%	5,577	5,578	0%	0%
Number of employees (FTEs)	2,712	2,925	2,948	3,463	3,402	-7%	-20%	-7%	-20%	2,712	3,402	-20%	-20%
Volumes, EURbn:													
AuM	282.6	311.5	307.0	320.1	330.4	-9%	-14%	-9%	-14%	282.6	330.4	-14%	-14%
Total lending	7.7	8.8	8.9	9.0	10.8	-13%	-29%	-13%	-29%	7.7	10.8	-29%	-29%
Total deposits	11.1	13.2	13.0	12.5	13.0	-16%	-15%	-16%	-15%	11.1	13.0	-15%	-15%

Assets under Management (AuM), volumes and net inflow

EURbn	Q418	Q318	Q218	Q118	Q417	Q418 Net inflow
Nordic Retail funds	56.3	61.1	60.0	58.6	61.5	-0.6
Private Banking	80.7	98.0	96.3	96.1	98.9	0
Institutional sales	98.3	101.6	100.9	92.5	96.2	-1.2
Life & Pensions	47.3	50.8	49.8	72.9	73.8	-0.1
Total*	**282.6**	**311.5**	**307.0**	**320.1**	**330.4**	**-1.9**

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

Nordic Private Banking

	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Jan-Dec 18	Jan-Dec 17	Jan/Dec 18/17
EURm										
Net interest income	15	14	14	15	16	7%	-6%	58	66	-12%
Net fee and commission income	58	48	55	36	48	21%	21%	197	189	4%
Net result from items at fair value	6	6	8	8	10	0%	-40%	28	44	-36%
Equity method & other income	0	0	0	0	0			0	0	
Total income incl. allocations	**79**	**68**	**77**	**59**	**74**	**16%**	**7%**	**283**	**299**	**-5%**
Total expenses incl. allocations	**-52**	**-53**	**-57**	**-55**	**-59**	**-2%**	**-12%**	**-217**	**-233**	**-7%**
Profit before loan losses	**27**	**15**	**20**	**4**	**15**			**66**	**66**	**0%**
Net loan losses	0	0	0	0	0			0	0	
Operating profit	**27**	**15**	**20**	**4**	**15**			**66**	**66**	**0%**
Cost/income ratio, %	66	78	74	93	80			77	78	
ROCAR, %	19	11	14	3	11			12	12	
Economic capital (EC)	454	399	426	411	403	14%	13%	454	403	13%
Risk exposure amount (REA)	2,506	1,912	2,051	2,052	2,103	31%	19%	2,506	2,103	19%
Number of employees (FTEs)	848	850	885	893	847	0%	0%	848	847	0%
Volumes, EURbn:										
AuM	80.1	86.6	85.0	84.2	86.0	-8%	-7%	80.1	86.0	-7%
Household mortgage lending	5.6	5.5	5.4	5.6	6.8	2%	-18%	5.6	6.8	-18%
Consumer lending	2.0	1.9	2.0	2.0	2.6	5%	-23%	2.0	2.6	-23%
Total lending	**7.6**	**7.4**	**7.4**	**7.6**	**9.4**	**3%**	**-19%**	**7.6**	**9.4**	**-19%**
Household deposits	10.9	10.6	10.4	9.8	10.1	3%	8%	10.9	10.1	8%
Total deposits	**10.9**	**10.6**	**10.4**	**9.8**	**10.1**	**3%**	**8%**	**10.9**	**10.1**	**8%**

Asset Management

	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Jan-Dec 18	Jan-Dec 17	Jan/Dec 18/17
EURm										
Net interest income	-1	-1	-1	-1	-1			-4	0	
Net fee and commission income	224	220	229	229	264	2%	-15%	902	971	-7%
Net result from items at fair value	1	-1	3	5	0			8	0	
Equity method & other income	5	1	2	1	2			9	8	
Total income incl. allocations	**229**	**219**	**233**	**234**	**265**	**5%**	**-14%**	**915**	**979**	**-7%**
Total expenses incl. allocations	**-79**	**-72**	**-71**	**-74**	**-70**	**10%**	**13%**	**-296**	**-279**	**6%**
Profit before loan losses	**150**	**147**	**162**	**160**	**195**	**2%**	**-23%**	**619**	**700**	**-12%**
Net loan losses	0	0	0	0	0			0	0	
Operating profit	**150**	**147**	**162**	**160**	**195**	**2%**	**-23%**	**619**	**700**	**-12%**
Cost/income ratio, %	34	33	31	32	26			32	28	
Income/AuM in bp p.a.	43	41	43	43	48			43	45	
Economic capital (EC)	274	267	270	278	229	3%	20%	274	229	20%
Risk exposure amount (REA)	1,001	951	956	996	834	5%	20%	1,001	834	20%
AuM, Nordic sales channels incl. Life, EURbn	106.5	115.2	112.5	110.5	127.4	-8%	-16%	106.5	127.4	-16%
AuM, Ext. Inst. & 3rd part. dist., EURbn	98.3	101.6	100.9	105.3	96.2	-3%	2%	98.3	96.2	2%
Net inf., Nordic sales channels incl. Life, EURbn	-0.2	0.3	-0.2	-0.8	-0.8			-0.2	-0.8	
Net inf., Ext. Ins. & 3rd part. dis., EURbn	-1.2	-0.4	-4.3	-1.6	0.5			-1.2	0.5	
Number of employees (FTEs)	800	796	752	753	742	1%	8%	800	742	8%

Life & Pensions

EURm	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Jan-Dec 18	Jan-Dec 17	Jan/Dec 18/17
Net interest income	0	0	0	0	0			0	0	
Net fee and commission income	75	75	76	92	86	0%	-13%	318	373	-15%
Net result from items at fair value	26	23	26	49	62	13%	-58%	124	229	-46%
Equity method & other income	10	8	5	3	5			26	19	
Total income incl. allocations	**111**	**106**	**107**	**144**	**153**	**5%**	**-27%**	**468**	**621**	**-25%**
Total expenses incl. allocations	**-33**	**-32**	**-34**	**-52**	**-50**	**3%**	**-34%**	**-151**	**-208**	**-27%**
Profit before loan losses	**78**	**74**	**73**	**92**	**103**	**5%**	**-24%**	**317**	**413**	**-23%**
Net loan losses	0	0	0	0	0			0	0	
Operating profit	**78**	**74**	**73**	**92**	**103**	**5%**	**-24%**	**317**	**413**	**-23%**
Cost/income ratio, %	30	30	32	36	32			32	33	
Return on Equity, %	19	18	16	17	19			18	19	
Equity	1,524	1,448	1,576	1,526	1,810			1,524	1,810	
AuM, EURbn	41.9	45.0	44.0	67.3	68.0	-7%	-38%	41.9	68.0	-38%
Premiums	961	932	987	1,867	1,731	3%	-44%	961	1,731	-44%
Risk exposure amount (REA)	1,815	1,823	1,802	1,802	1,793	0%	1%	1,815	1,793	1%
Number of employees (FTEs)	616	689	700	1,184	1,164	-11%	-47%	616	1,164	-47%
Profit drivers										
Profit Traditional products	5	0	-1	18	28			22	90	-76%
Profit Market Return products	52	56	53	63	61	-7%	-15%	224	252	-11%
Profit Risk products	18	18	18	23	20	0%	-10%	77	84	-8%
Total product result	**75**	**74**	**70**	**104**	**109**	**1%**	**-31%**	**323**	**426**	**-24%**
Return on Shareholder equity, other profits and group adj.	3	0	3	-12	-6			-6	-13	
Operating profit	**78**	**74**	**73**	**92**	**103**	**5%**	**-24%**	**317**	**413**	**-23%**

Asset & Wealth Management Other

EURm	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Jan-Dec 18	Jan-Dec 17	Jan/Dec 18/17
Net interest income	1	4	5	2	4			12	16	
Net fee and commission income	-3	9	8	12	13			26	53	
Net result from items at fair value	0	1	0	1	1			2	14	
Equity method & other income	0	1	1	0	-1			2	-4	
Total income incl. allocations	**-2**	**15**	**14**	**15**	**17**			**42**	**79**	
Total expenses incl. allocations	**-30**	**-25**	**-18**	**-22**	**-38**			**-95**	**-127**	
Profit before loan losses	**-32**	**-10**	**-4**	**-7**	**-21**			**-53**	**-48**	
Net loan losses	-4	0	0	0	0			-4	0	
Operating profit	**-36**	**-10**	**-4**	**-7**	**-21**			**-57**	**-48**	
Economic capital (EC)	45	104	180	171	252			45	252	
Number of employees (FTEs)	448	590	611	633	649	-24%	-31%	448	649	-31%
Volumes, EURbn:										
Total lending	0.1	1.4	1.5	1.4	1.4			0.1	1.4	
Total deposits	0.2	2.6	2.6	2.7	2.9			0.2	2.9	

Group Functions and other

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

Business development

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

Short-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, 185% at the end of the fourth quarter. The LCR in EUR was 257% and in USD 214% at the end of the fourth quarter. The liquidity buffer is composed of highly liquid central bank eligible securities and cash with characteristics like CRD IV high-quality liquid assets and amounted to EUR 104bn at the end of the fourth quarter (EUR 108bn at the end of the third quarter).

The long-term liquidity risk is measured as Net Stable Funding Ratio (NSFR). At the end of the fourth quarter2018, Nordea's NSFR was 104.1% (Q3 107,1%).

Nordea issued approx. EUR 0.9bn in long-term funding in the fourth quarter excluding Danish covered bonds and subordinated notes, of which approx. EUR 0.7bn represented issuance of Swedish and Norwegian covered bonds in domestic markets.

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

Nordea received awards as Financial Issuer of the Year and for Covered Bond of the Year by International Financing Review in December.

The market risk on Group Treasury & ALM's interest-rate positions, calculated as average VaR, was EUR 39m in the fourth quarter. The risk related to equities (VaR) was EUR 5m and the risk related to credit spreads (VaR) was EUR 1m. Interest rate risk decreased whereas equity and credit spread risk increased slightly compared to the third quarter.

Result

Total operating income was EUR 101m in the fourth quarter, up from EUR 56m in the previous quarter. Net interest income increased to EUR 43m in the fourth quarter compared to EUR 27m in the previous quarter. The net result from items at fair value increased to EUR 12m compared to EUR -11m in the previous quarter. Operating profit in Q4 was EUR -132m (EUR 52m in Q3) due mainly to goodwill impairment in Russia.

Total operating expenses increased to EUR 243m (EUR 14m in the previous quarter) due mainly to goodwill impairment in Russia. The transformation costs were EUR 14m.

Group functions, Other & Eliminations

	Q418	Q318	Q218	Q118	Q417	Q4/Q3	Q4/Q4	Jan-Dec 18	Jan-Dec 17
EURm									
Net interest income	43	27	8	-3	23			75	212
Net fee and commission income	-8	-11	-5	-5	-3			-29	-1
Net result from items at fair value	12	-11	43	8	10			52	107
Equity method & other income	54	51	389	31	31			525	28
Total operating income	**101**	**56**	**435**	**31**	**61**			**623**	**346**
Total operating expenses	**-243**	**-14**	**-36**	**-13**	**-80**			**-306**	**-276**
Profit before loan losses	**-142**	**42**	**399**	**18**	**-19**			**317**	**70**
Net loan losses	10	10	8	-4	1			24	-8
Operating profit	**-132**	**52**	**407**	**14**	**-18**			**341**	**62**
Economic capital (EC)	2,231	2,545	2,386	2,394	2,379			2,231	2,379
Risk exposure amount (REA)	16,264	17,559	17,512	18,668	20,531			16,264	20,531
Number of employees (FTEs)	7,491	7,292	7,356	7,253	7,119	3%	5%	7,491	7,119

Income statement

EURm	Note	Q4 2018	Q4 2017	H2 2018	H2 2017	Jan-Dec 2018	Jan-Dec 2017
Operating income							
Interest income		1,858	1,834	3,707	3,749	7,253	7,575
Interest expense		-732	-725	-1,509	-1,455	-2,929	-2,909
Net interest income		**1,126**	**1,109**	**2,198**	**2,294**	**4,324**	**4,666**
Fee and commission income		969	1,063	1,875	2,082	3,846	4,232
Fee and commission expense		-249	-224	-452	-429	-853	-863
Net fee and commission income	3	**720**	**839**	**1,423**	**1,653**	**2,993**	**3,369**
Net result from items at fair value	4	182	235	387	592	1,088	1,328
Profit from associated undertakings and joint ventures accounted for under the equity method		15	16	63	19	124	23
Other operating income		60	29	78	43	476	83
Total operating income		**2,103**	**2,228**	**4,149**	**4,601**	**9,005**	**9,469**
Operating expenses							
General administrative expenses:							
Staff costs		-744	-861	-1,470	-1,618	-2,998	-3,212
Other expenses	5	-390	-425	-713	-802	-1,399	-1,622
Depreciation, amortisation and impairment charges of tangible and intangible		-250	-75	-337	-145	-482	-268
Total operating expenses		**-1,384**	**-1,361**	**-2,520**	**-2,565**	**-4,879**	**-5,102**
Profit before loan losses		**719**	**867**	**1,629**	**2,036**	**4,126**	**4,367**
Net loan losses	6	-30	-71	-74	-150	-173	-369
Operating profit		**689**	**796**	**1,555**	**1,886**	**3,953**	**3,998**
Income tax expense		-197	-167	-379	-425	-872	-950
Net profit for the period		**492**	**629**	**1,176**	**1,461**	**3,081**	**3,048**
Attributable to:							
Shareholders of Nordea Bank Abp		492	624	1,176	1,452	3,070	3,031
Additional Tier 1 capital holders		-	-	0	-	7	-
Non-controlling interests		-	5	0	9	4	17
Total		**492**	**629**	**1,176**	**1,461**	**3,081**	**3,048**
Basic earnings per share, EUR		0.12	0.15	0.29	0.36	0.76	0.75
Diluted earnings per share, EUR		0.12	0.15	0.29	0.36	0.76	0.75

Statement of comprehensive income

EURm	Q4 2018	Q4 2017	H2 2018	H2 2017	Jan-Dec 2018	Jan-Dec 2017
Net profit for the period	**492**	**629**	**1,176**	**1,461**	**3,081**	**3,048**
Items that may be reclassified subsequently to the income statement						
Currency translation differences during the period	-188	-254	-118	-225	-240	-511
Tax on currency translation differences during the period	0	4	-1	1	-2	3
Hedging of net investments in foreign operations:						
Valuation gains/losses during the period	83	95	51	69	67	175
Tax on valuation gains/losses during the period	-21	-19	-14	-14	-19	-37
Fair value through other comprehensive income:[1]						
Valuation gains/losses during the period, net of recycling	-35	-	-56	-	-58	-
Tax on valuation gains/losses during the period	8	-	13	-	13	-
Available for sale investments:[1]						
Valuation gains/losses during the period, net of recycling	-	-24	-	-15	-	31
Tax on valuation gains/losses during the period	-	5	-	3	-	-8
Cash flow hedges:						
Valuation gains/losses during the period, net of recycling	34	1	24	-2	44	-107
Tax on valuation gains/losses during the period	-8	0	-6	0	-10	24
Items that may not be reclassified subsequently to the income statement						
Changes in own credit riks related to liabilities classified as fair value option:						
Valuation gains/losses during the period	8	-	11	-	20	-
Tax on valuation gains/losses during the period	-1	-	-2	-	-4	-
Defined benefit plans:						
Remeasurement of defined benefit plans	-115	-172	-173	-115	-173	-115
Tax on remeasurement of defined benefit plans	24	37	37	24	36	25
Other comprehensive income, net of tax	**-211**	**-327**	**-234**	**-274**	**-326**	**-520**
Total comprehensive income	**281**	**302**	**942**	**1,187**	**2,755**	**2,528**
Attributable to:						
Shareholders of Nordea Bank Abp	281	297	942	1,178	2,744	2,511
Additional Tier 1 capital holders	-	-	-	-	7	-
Non-controlling interests	-	5	-	9	4	17
Total	**281**	**302**	**942**	**1,187**	**2,755**	**2,528**

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

Balance sheet

EURm	Note	31 Dec 2018	31 Dec 2017
Assets			
Cash and balances with central banks		41,578	43,081
Loans to central banks	7	7,642	4,796
Loans to credit institutions	7	11,320	8,592
Loans to the public	7	308,304	310,158
Interest-bearing securities		76,222	75,294
Financial instruments pledged as collateral		7,568	6,489
Shares		12,452	17,180
Assets in pooled schemes and unit-linked investment contracts		24,583	25,879
Derivatives		37,025	46,111
Fair value changes of the hedged items in portfolio hedge of interest rate risk		169	163
Investments in associated undertakings and joint ventures		1,601	1,235
Intangible assets		4,035	3,983
Property and equipment		546	624
Investment properties		1,607	1,448
Deferred tax assets		164	118
Current tax assets		284	121
Retirement benefit assets		246	250
Other assets		14,749	12,441
Prepaid expenses and accrued income		1,313	1,463
Assets held for sale	12	-	22,186
Total assets		**551,408**	**581,612**
Liabilities			
Deposits by credit institutions		42,419	39,983
Deposits and borrowings from the public		164,958	172,434
Deposits in pooled schemes and unit-linked investment contracts		25,653	26,333
Liabilities to policyholders		18,230	19,412
Debt securities in issue		190,422	179,114
Derivatives		39,547	42,713
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,273	1,450
Current tax liabilities		414	389
Other liabilities		23,315	28,515
Accrued expenses and prepaid income		1,696	1,603
Deferred tax liabilities		706	722
Provisions		321	329
Retirement benefit obligations		398	281
Subordinated liabilities		9,155	8,987
Liabilities held for sale	12	-	26,031
Total liabilities		**518,507**	**548,296**
Equity			
Additional Tier 1 capital holders		750	750
Non-controlling interests		6	168
Share capital		4,050	4,050
Share premium reserve		-	1,080
Invested unrestricted equity		1,080	-
Other reserves		-1,876	-1,543
Retained earnings		28,891	28,811
Total equity		**32,901**	**33,316**
Total liabilities and equity		**551,408**	**581,612**
Assets pledged as security for own liabilities		171,899	198,973
Other assets pledged		4,788	4,943
Contingent liabilities		17,819	19,020
Credit commitments[1]		73,287	74,545
Other commitments		1,192	2,487

[1] Including unutilised portion of approved overdraft facilities of EUR 29,626m (31 Dec 2017: EUR 29,956m).

Statement of changes in equity

	Attributable to shareholders of Nordea Bank Abp		Other reserves:									
EURm	Share capital[1]	Share premium reserve/ Invested un-restricted equity	Trans-lation of foreign opera-tions	Cash flow hedges	Fair value through other compre-hensive income[2]	Defined benefit plans	Changes in own credit risk related to liabilities classified as fair value option	Retained earnings	Total	Addi-tional Tier 1 capital holders	Non-cont-rolling 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[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	-	-	-	-	-	-	-	3,070	3,070	7	4	3,081
Other comprehensive income, net of tax	-	-	-194	34	-45	-137	16	-	-326	-	-	-326
Total comprehensive income	-	-	-194	34	-45	-137	16	3,070	2,744	7	4	2,755
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-7	-	-7
Dividend 2017	-	-	-	-	-	-	-	-2,747	-2,747	-	-	-2,747
Purchase of own shares[4]	-	-	-	-	-	-	-	-6	-6	-	-	-6
Change in non-controlling	-	-	-	-	-	-	-	-	-	-	-166	-166
Balance at 31 Dec 2018	**4,050**	**1,080**	**-1,914**	**-12**	**59**	**-17**	**8**	**28,891**	**32,145**	**750**	**6**	**32,901**

	Attributable to shareholders of Nordea Bank Abp		Other reserves:								
EURm	Share capital[1]	Share premium reserve	Trans-lation of foreign opera-tions	Cash flow hedges	Available for sale invest-ments	Defined benefit plans	Retained earnings	Total	Addi-tional Tier 1 capital holders	Non-cont-rolling 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	-	-	-	-	-	-	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**

[1] Total shares registered were 4,050 million (31 Dec 2017: 4,050 million).
[2] Due to implementation of IFRS9 the Available for sale (AFS) category do no longer exists and the assets are instead classified as Fair value throught 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 (LTIP), trading portfolio and Nordea's shares within schemes in Denmark. The number of own shares were 15.2 million (31 Dec 2017: 13.7 million). The total holding of own shares related to LTIP were 9.6 (31 Dec 2017: 10.2 million).
[5] Of which EUR -172m (EUR 150m) refers to the sale of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.

Cash flow statement, condensed

EURm	Jan-Dec 2018	Jan-Dec 2017
Operating activities		
Operating profit	3,953	3,998
Adjustments for items not included in cash flow	1,238	3,514
Income taxes paid	-1,024	-950
Cash flow from operating activities before changes in operating assets and liabilities	**4,167**	**6,562**
Changes in operating assets and liabilities	-1,536	5,712
Cash flow from operating activities	**2,631**	**12,274**
Investing activities		
Acquisition/sale of business operations	646	228
Acquisition/sale of associated undertakings and joint ventures	9	-937
Acquisition/sale of property and equipment	-18	-118
Acquisition/sale of intangible assets	-608	-643
Net investments in debt securities, held to maturity	-	-8
Acquisition/sale of other financial fixed assets	-	-21
Cash flow from investing activities	**29**	**-1,499**
Financing activities		
Issued/amortised subordinated liabilities	-28	-750
Divestment/repurchase of own shares including change in trading portfolio	-6	-12
Dividend paid	-2,747	-2,625
Issued additional tier 1 capital	-	750
Paid interest on additional tier 1 capital	-7	-
Cash flow from financing activities	**-2,788**	**-2,637**
Cash flow for the period	**-128**	**8,138**

Cash and cash equivalents EURm	31 Dec 2018	31 Dec 2017
Cash and cash equivalents at beginning of the period	46,213	41,860
Translation difference	-76	-3,785
Cash and cash equivalents at end of the period	46,009	46,213
Change	**-128**	**8,138**
The following items are included in cash and cash equivalents:		
Cash and balances with central banks	41,578	43,081
Loans to central banks	2,759	2,004
Loans to credit institutions	1,672	779
Assets held for sale	-	349
Total cash and cash equivalents	**46,009**	**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 giro systems under government authority, where the following conditions are fulfilled:
- the central bank or the postal giro system is domiciled in the country where the institution is established.
- the balance on the account is readily available at any time.

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

Notes to the financial statements

Note 1 Accounting policies

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

The accounting policies and methods of computation are unchanged in comparison with the Annual Report 2017, except from changed accounting policies and presentation described below in the section "Changed accounting policies and presentation". For more information see Note G1 in the Annual Report 2017.

Changed accounting policies and presentation

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

IFRS 9 "Financial instruments"
The new standard IFRS 9 "Financial instruments" covers classification and measurement, impairment and general hedge accounting and replaces the earlier requirements covering these areas in IAS 39. The classification, measurement and impairment requirements in IFRS 9 were implemented by Nordea as from 1 January 2018. Nordea has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 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

The change from Swedish complementary rules into corresponding Finnish rules has 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 small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The standard was endorsed by the EU-commission in 2017.

The main impact on Nordea's financial statements will come from the accounting of property leases. Such leasing contracts will be accounted for on the balance sheet to a larger extent than today. The right of use asset, presented as "Properties and equipment" on the balance sheet, will amount to EUR 1.5bn. The increase of total assets will be EUR 1.2bn considering also a reclassification of already existing prepaid lease expenses. There is no significant impact on the income statement or equity, although the presentation will change in the income statement. The impact on the CET1 ratio is negative by 12 basis points following an increase in REA.

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.

IFRS 17 is effective for annual report period beginning on or after 1 January 2021 with earlier application permitted. However, due to comments from the global insurance industry the IASB board has proposed to amend IFRS 17. The amendments include a one-year deferral of IFRS 17 effective date to 1 January 2022. The standard is not yet endorsed by the European Commission. Nordea does not currently intend to early adopt the standard. Nordea's current assessment is that the new standard will not have any significant impact on Nordea's capital adequacy or large exposures in the period of initial application. It is not yet possible to conclude on the impact on Nordea's financial statements.

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

Exchange rates

	Jan-Dec 2018	Jan-Dec 2017
EUR 1 = SEK		
Income statement (average)	10.2608	9.6378
Balance sheet (at end of period)	10.2330	9.8438
EUR 1 = DKK		
Income statement (average)	7.4533	7.4387
Balance sheet (at end of period)	7.4672	7.4449
EUR 1 = NOK		
Income statement (average)	9.6033	9.3317
Balance sheet (at end of period)	9.9470	9.8403
EUR 1 = RUB		
Income statement (average)	74.0484	65.9190
Balance sheet (at end of period)	79.3826	69.3920

Note 2 Segment reporting

Jan-Dec 2018	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Management	Group Finance & Treasury	Other operating segments	Total operating segments	Recon-ciliation	**Total Group**
	Operating segments								
Total operating income, EURm	3,464	2,170	1,741	1,714	110	218	9,417	-412	**9,005**
- of which internal transactions[1]	-538	-247	-473	-16	1,227	47	0	-	**-**
Operating profit, EURm	1,471	992	741	941	108	239	4,492	-539	**3,953**
Loans to the public[2], EURbn	143	82	49	7	-	1	282	26	**308**
Deposits and borrowings from the public[2], EURbn	69	41	36	9	-	1	156	9	**165**

Jan-Dec 2017	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Management	Group Finance & Treasury	Other operating segments	Total operating segments	Recon-ciliation	**Total Group**
Total operating income, EURm	3,561	2,180	2,010	1,966	164	175	10,056	-587	**9,469**
- of which internal transactions[1]	-479	-253	-311	-7	1,058	-8	0	-	**-**
Operating profit, EURm	1,627	855	853	1,134	177	17	4,663	-665	**3,998**
Loans to the public[2], EURbn	141	80	48	8	-	4	281	29	**310**
Deposits and borrowings from the public[2], EURbn	68	41	40	10	-	4	163	9	**172**

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

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

	Personal Banking Denmark		Personal Banking Finland		Personal Banking Norway		Personal Banking Sweden		Personal Banking Other		**Personal Banking**	
	Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Total operating income, EURm	997	992	809	856	513	498	1,171	1,214	-26	1	**3,464**	**3,561**
- of which internal transactions	-172	-113	-92	-73	-163	-179	-110	-116	-1	2	**-538**	**-479**
Operating profit, EURm	378	400	307	365	259	250	608	658	-81	-46	**1,471**	**1,627**
Loans to the public, EURbn	36	36	32	32	29	27	46	46	0	0	**143**	**141**
Deposits and borrowings from the public, EURbn	17	17	21	21	8	8	23	22	0	0	**69**	**68**

	Business Banking		Business Banking Direct		Commercial & Business Banking Other		**Commercial & Business Banking**	
	Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec	
	2018	2017	2018	2017	2018	2017	2018	2017
Total operating income, EURm	1,803	1,790	389	409	-22	-19	**2,170**	**2,180**
- of which internal transactions	-241	-258	-5	-3	-1	8	**-247**	**-253**
Operating profit, EURm	950	802	138	164	-96	-111	**992**	**855**
Loans to the public, EURbn	70	68	12	12	0	0	**82**	**80**
Deposits and borrowings from the public, EURbn	30	30	11	11	0	0	**41**	**41**

Note 2 Continued

	Corporate & Investment Banking		Financial Institutions & International Banks		Banking Russia		Capital Markets unallocated		Wholesale Banking Other		**Wholesale Banking**	
	Jan-Dec		**Jan-Dec**		**Jan-Dec**		**Jan-Dec**		**Jan-Dec**		**Jan-Dec**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Total operating income, EURm	1,359	1,316	296	334	79	123	49	256	-42	-19	**1,741**	**2,010**
- of which internal transactions	-314	-256	-42	-41	-54	-66	-58	55	-5	-3	**-473**	**-311**
Operating profit, EURm	840	628	85	108	-13	52	-77	130	-94	-65	**741**	**853**
Loans to the public, EURbn	45	44	2	2	2	2	-	-	-	-	**49**	**48**
Deposits and borrowings from the public, EURbn	25	27	10	12	1	1	-	-	-	-	**36**	**40**

	Private Banking		Asset Management		Life & Pension unallocated		Asset & Wealth Management Other		**Asset & Wealth Management**	
	Jan-Dec		**Jan-Dec**		**Jan-Dec**		**Jan-Dec**		**Jan-Dec**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Total operating income, EURm	533	594	918	975	470	614	-207	-217	**1,714**	**1,966**
- of which internal transactions	-13	-8	1	2	0	0	-4	-1	**-16**	**-7**
Operating profit, EURm	151	165	622	698	311	409	-143	-138	**941**	**1,134**
Loans to the public, EURbn	7	8	-	-	-	-	-	-	**7**	**8**
Deposits and borrowings from the public, EURbn	9	10	-	-	-	-	-	-	**9**	**10**

Reconciliation between total operating segments and financial statements

	Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	Jan-Dec		**Jan-Dec**		**Jan-Dec**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Total operating segments	4,492	4,663	282	281	156	163
Group functions[1]	-139	-203	-	-	-	-
Unallocated items	137	86	29	28	11	9
Differences in accounting policies[2]	-537	-548	-3	1	-2	0
Total	**3,953**	**3,998**	**308**	**310**	**165**	**172**

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

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

Measurement of operating segments' performance

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

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

Changes in basis of segmentation

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

Note 3 Net fee and commission income

EURm	Q4 2018	Q3 2018	Q4 2017	H2 2018	H2 2017	Jan-Dec 2018	Jan-Dec 2017
Asset management commissions	360	358	394	718	769	1,440	1,543
Life & Pensions	64	54	83	118	160	258	313
Deposit Products	7	6	6	13	13	23	27
Brokerage, securities issues and corporate finance	53	21	45	74	100	173	224
Custody and issuer services	15	10	19	25	29	49	59
Payments	72	73	73	145	148	302	307
Cards	49	57	51	106	113	218	228
Lending Products	92	98	115	190	228	399	465
Guarantees	22	31	32	53	68	116	143
Other	-14	-5	21	-19	25	15	60
Total	**720**	**703**	**839**	**1,423**	**1,653**	**2,993**	**3,369**

Break-down
Jan-Dec 2018

EURm	Personal Banking	Commercial & Business Banking	Wholesale Banking	Asset & Wealth Management	Group Finance and Treasury	Other and elimination	Nordea Group
Asset management commissions	160	34	11	1,235	0	0	1,440
Life & Pensions	51	22	4	181	0	0	258
Deposit Products	11	11	1	0	0	0	23
Brokerage, securities issues and corporate finance	25	20	102	31	-5	0	173
Custody and issuer services	8	7	35	9	-10	0	49
Payments	88	163	55	0	-4	0	302
Cards	181	22	15	0	0	0	218
Lending Products	118	100	181	0	0	0	399
Guarantees	6	40	70	0	0	0	116
Other	23	18	-3	-13	-1	-9	15
Total	**671**	**437**	**471**	**1,443**	**-20**	**-9**	**2,993**

Note 4 Net result from items at fair value

EURm	Q4 2018	Q3 2018	Q4 2017	H2 2018	H2 2017	Jan-Dec 2018	Jan-Dec 2017
Equity related instruments	52	19	45	71	414	226	370
Interest related instruments and foreign exchange gains/losses	119	136	101	255	20	684	712
Other financial instruments (including credit and commodities)	-16	28	26	12	51	55	20
Investment properties	0	1	1	1	-1	0	-3
Life insurance[1]	27	21	62	48	108	123	229
Total	**182**	**205**	**235**	**387**	**592**	**1,088**	**1,328**

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

Break-down of life insurance

EURm	Q4 2018	Q3 2018	Q4 2017	H2 2018	H2 2017	Jan-Dec 2018	Jan-Dec 2017
Equity related instruments	-605	147	516	-458	715	-515	1,344
Interest related instruments and foreign exchange gains/losses	-82	64	96	-18	395	-65	715
Other financial instruments	0	0	3	0	3	0	4
Investment properties	36	26	49	62	100	125	195
Change in technical provisions[1]	295	-164	-646	131	-1,165	20	-2,056
Change in collective bonus potential	373	-63	103	310	104	512	7
Insurance risk income	16	16	44	32	95	91	177
Insurance risk expense	-6	-5	-103	-11	-139	-45	-157
Total	**27**	**21**	**62**	**48**	**108**	**123**	**229**

[1] Premium income amounts to EUR 72m for Q4 2018 and EUR 840m for Jan-Dec 2018 (Q4 2017: EUR 674m, Jan-Dec 2017: EUR 2,833m).

Note 5 Other expenses

EURm	Q4 2018	Q3 2018	Q4 2017	H2 2018	H2 2017	Jan-Dec 2018	Jan-Dec 2017
Information technology	-120	-122	-128	-242	-279	-484	-565
Marketing and representation	-26	-11	-21	-37	-35	-60	-66
Postage, transportation, telephone and office expenses	-20	-19	-24	-39	-48	-83	-101
Rents, premises and real estate	-83	-71	-84	-154	-156	-312	-309
Other	-141	-100	-168	-241	-284	-460	-581
Total	**-390**	**-323**	**-425**	**-713**	**-802**	**-1,399**	**-1,622**

Note 6 Net loan losses

EURm	Q4 2018[1]	Q3 2018[1]	Jan-Dec 2018[1]
Net loan losses, stage 1	21	-38	-16
Net loan losses, stage 2	18	-5	51
Net loan losses, non-defaulted	**39**	**-43**	**35**
Stage 3, defaulted			
Net loan losses, individually assessed, collectively calculated	2	20	-45
Realised loan losses	-129	-115	-479
Decrease of provisions to cover realised loan losses	81	50	293
Recoveries on previous realised loan losses	13	8	44
New/increase in provisions	-150	-158	-554
Reversals of provisions	114	194	533
Net loan losses, defaulted	**-69**	**-1**	**-208**
Net loan losses	**-30**	**-44**	**-173**

Key ratios

	Q4 2018[1]	Q3 2018[1]	Jan-Dec 2018[1]
Loan loss ratio, basis points	5	8	7
- of which stage 1	-4	7	1
- of which stage 2	-3	1	-2
- of which stage 3	12	0	8

EURm	Q4 2017[2]	Jan-Dec 2017[2]
Realised loan losses	-102	-435
Decrease of provisions to cover realised loan losses	66	309
Recoveries on previous realised loan losses	13	54
New/increase in provisions	-268	-1,001
Reversal of provisions	220	704
Net loan losses	**-71**	**-369**

Key ratios

	Q4 2017[2]	Jan-Dec 2017[2]
Loan loss ratio, basis points	9	12
- of which individual	20	15
- of which collective	-11	-3

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

Note 7 Loans and impairment

	Total		
	31 Dec 2018[1]	30 Sep 2018[1]	31 Dec 2017[2]
EURm			
Loans measured at fair value	77,521	89,373	76,766
Loans measured at amortised cost, not impaired (stage 1 and 2)	247,204	247,307	243,045
Impaired loans (stage 3)	4,581	4,748	6,068
- of which servicing	2,097	2,310	3,593
- of which non-servicing	2,484	2,438	2,475
Loans before allowances	**329,306**	**341,428**	**325,879**
-of which central banks and credit institution	*18,977*	*22,827*	*13,389*
Allowances for individually assessed impaired loans (stage 3)	-1,599	-1,631	-1,936
-of which servicing	-720	-781	-1,103
-of which non-servicing	-879	-850	-833
Allowances for collectively assessed impaired loans (stage 1 and 2)	-441	-478	-397
Allowances	**-2,040**	**-2,109**	**-2,333**
-of which central banks and credit institution	*-15*	*-2*	*-1*
Loans, carrying amount	**327,266**	**339,319**	**323,546**

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

	31 Dec 2018[1]			31 Dec
	Stage 1	Stage 2	Stage 3	2017[2]
EURm				
Loans to central banks, credit institutions and the public	232,687	14,517	4,581	249,113
Interest-bearing securities[3]	36,951	-	-	39,434
Total	**269,638**	**14,517**	**4,581**	**288,547**

Allowances and provisions

	31 Dec 2018[1]			31 Dec
	Stage 1	Stage 2	Stage 3	2017[2]
EURm				
Loans to central banks, credit institutions and the public	-146	-295	-1,599	-2,333
Interest-bearing securities	-2	-	-	-
Provisions for off balance sheet items	-18	-41	-62	-91
Total allowances and provisions	**-166**	**-336**	**-1,661**	**-2,424**

Movements of allowance accounts for loans measured at amortised cost

	Stage 1	Stage 2	Stage 3	Total
EURm				
Balance as at 1 Jan 2018[1]	**-133**	**-360**	**-1,816**	**-2,309**
Changes due to origination and acquisition	-33	-21	-9	-63
Changes due to change in credit risk (net)	-1	48	-72	-25
Changes due to repayments and disposals	20	37	37	94
Write-off through decrease in allowance account	-	-	280	280
Other changes	1	-	-23	-22
Translation differences	-	1	4	5
Balance as at 30 Dec 2018	**-146**	**-295**	**-1,599**	**-2,040**

Key ratios[4]

	31 Dec 2018[1]
Impairment rate (stage 3), gross, basis points	182
Impairment rate (stage 3), net, basis points	118
Total allowance rate (stage 1, 2 and 3), basis points	81
Allowances in relation to impaired loans (stage 3), %	35
Allowances in relation to loans in stage 1 and 2, basis points	1

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

[1] Based on IFRS 9. EUR 177m reclassified from allowances on loans held at amortised cost at transition to IFRS 9. Remeasurement (increase) under IFRS 9 EUR 153m.

[2] Based on IAS 39. Comparative figures for 2017 include impaired loans and allowances for loans measured at fair value. For 2018, these are not disclosed as impaired loans or allowances but rather as adjustment to fair value through "Net result from on items at fair value" in the income statement.

[3] Including financial instruments pledged as collateral

[4] For definitions, see Glossary.

Note 8 Classification of financial instruments

EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL): Mandatorily	Fair value through profit or loss (FVPL): Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Total
Financial assets						
Cash and balances with central banks	41,578	-	-	-	-	41,578
Loans to central banks	6,446	1,196	-	-	-	7,642
Loans to credit institutions	8,827	2,493	-	-	-	11,320
Loans to the public	234,471	73,833	-	-	-	308,304
Interest-bearing securities	3,384	32,682	7,134	-	33,022	76,222
Financial instruments pledged as collateral	-	7,026	-	-	542	7,568
Shares	-	12,452	-	-	-	12,452
Assets in pooled schemes and unit-linked investment contracts	-	24,272	153	-	-	24,425
Derivatives	-	33,915	-	3,110	-	37,025
Fair value changes of the hedged items in portfolio hedge of interest rate risk	169	-	-	-	-	169
Other assets	955	12,473	-	-	-	13,428
Prepaid expenses and accrued income	989	-	-	-	-	989
Total 31 Dec 2018	**296,819**	**200,342**	**7,287**	**3,110**	**33,564**	**541,122**
Total 1 Jan 2018[1]	295,746	208,039	8,331	1,696	36,342	550,154

EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL): Mandatorily	Fair value through profit or loss (FVPL): Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Total
Financial liabilities					
Deposits by credit institutions	33,933	8,486	-	-	42,419
Deposits and borrowings from the public	158,433	6,525	-	-	164,958
Deposits in pooled schemes and unit-linked investment contracts	-	-	25,653	-	25,653
Liabilities to policyholders	-	-	3,234	-	3,234
Debt securities in issue	135,644	-	54,778	-	190,422
Derivatives	-	38,624	-	923	39,547
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,273	-	-	-	1,273
Other liabilities	989	17,828	-	-	18,817
Accrued expenses and prepaid income	273	-	-	-	273
Subordinated liabilities	9,155	-	-	-	9,155
Total 31 Dec 2018	**339,700**	**71,463**	**83,665**	**923**	**495,751**
Total 1 Jan 2018[1]	333,435	81,008	86,451	1,106	502,000

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

Note 9 Fair value of financial assets and liabilities

	31 Dec 2018		31 Dec 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
EURm				
Financial assets				
Cash and balances with central banks	41,578	41,578	43,081	43,081
Loans	327,435	330,681	323,709	325,372
Interest-bearing securities	76,222	76,334	75,294	75,473
Financial instruments pledged as collateral	7,568	7,568	6,489	6,489
Shares	12,452	12,452	17,180	17,180
Assets in pooled schemes and unit-linked investment contracts	24,425	24,425	25,728	25,728
Derivatives	37,025	37,025	46,111	46,111
Other assets	13,428	13,428	11,795	11,795
Prepaid expenses and accrued income	989	989	999	999
Total	**541,122**	**544,480**	**550,386**	**552,228**
Financial liabilities				
Deposits and debt instruments	408,227	409,014	401,968	403,488
Deposits in pooled schemes and unit-linked investment contracts	25,653	25,653	26,333	26,333
Liabilities to policyholders	3,234	3,234	3,486	3,486
Derivatives	39,547	39,547	42,713	42,713
Other liabilities	18,817	18,817	27,254	27,254
Accrued expenses and prepaid income	273	273	246	246
Total	**495,751**	**496,538**	**502,000**	**503,520**

The determination of fair value is described in the Annual report 2017, Note G40 "Assets and liabilities at fair value".

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

Categorisation into the fair value hierarchy

EURm	Quoted prices in active markets for the same instruments (Level 1)	*Of which Life*	Valuation technique using observable data (Level 2)	*Of which Life*	Valuation technique using non-observable data (Level 3)	*Of which Life*	Total
Assets at fair value on the balance sheet[1]							
Loans to central banks	-	-	1,196	-	-	-	1,196
Loans to credit institutions	-	-	2,493	-	-	-	2,493
Loans to the public	-	-	73,833	-	-	-	73,833
Interest-bearing securities[2]	30,947	*3,896*	49,130	*3,393*	329	*4*	80,406
Shares	10,159	*8,381*	596	*595*	1,697	*916*	12,452
Assets in pooled schemes and unit-linked investment contracts	24,167	*20,692*	227	*227*	31	*31*	24,425
Derivatives	70	-	35,917	*89*	1,038	-	37,025
Other assets	-	-	12,399	-	74	*40*	12,473
Total 31 Dec 2018	**65,343**	***32,969***	**175,791**	***4,304***	**3,169**	***991***	**244,303**
Total 31 Dec 2017	65,590	*32,575*	185,703	*8,283*	3,454	*1,123*	254,747
Liabilities at fair value on the balance sheet[1]							
Deposits by credit institutions	-	-	8,486	-	-	-	8,486
Deposits and borrowings from the public	-	-	6,525	-	-	-	6,525
Deposits in pooled schemes and unit-linked investment	-	-	25,653	*21,689*	-	-	25,653
Liabilities to policyholders	-	-	3,234	*3,234*	-	-	3,234
Debt securities in issue	12,405	-	39,746	-	2,627	-	54,778
Derivatives	42	-	38,482	*80*	1,023	-	39,547
Other liabilities	7,192	-	10,622	-	14	-	17,828
Total 31 Dec 2018	**19,639**	**-**	**132,748**	***25,003***	**3,664**	**-**	**156,051**
Total 31 Dec 2017	26,746	-	136,752	*25,519*	5,067	-	168,565

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

[2] Of which EUR 7,568m relates to the balance sheet item Financial instruments pledged as collateral.

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

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

Transfers between Level 1 and 2

During the period, Nordea transferred interest-bearing securities (including such financial instruments pledged as collateral) of EUR 6,778m from Level 1 to Level 2 and EUR 3,169m from Level 2 to Level 1 of the fair value hierarchy. Nordea has also transferred debt securities in issue of EUR 7,534m from Level 1 to Level 2 and EUR 384m from Level 2 to Level 1. In addition, Nordea has transferred derivative assets of EUR 4m and derivative liabilities of EUR 2m from Level 2 to Level 1. Further Nordea transferred other liabilities from Level 1 to Level 2 of EUR 1,494m and EUR 128m from Level 2 to Level 1. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the period and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the reporting period.

Note 10 Continued

Movements in Level 3

		Fair value gains/losses recognised in the income statement during the year										
	1 Jan	Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Reclassification	Translation differences	31 Dec
EURm												
Intererest-bearing securities	168	-2	2	-	169	-9	2	-	-	-	-1	329
- of which Life	*5*	-	-	-	-	-	-	-	-	-	*-1*	*4*
Shares	1,584	130	66	-	317	-333	-64	5	-	-3	-5	1,697
- of which Life	*927*	*84*	*12*	-	*103*	*-135*	*-64*	*5*	-	-	*-16*	*916*
Assets in pooled schemes and unit-linked investment contracts	191	4	-8	-	-61	-86	-3	-	-	-	-6	31
- of which Life	*191*	*4*	*-8*	-	*-61*	*-86*	*-3*	-	-	-	*-6*	*31*
Derivatives (net)	453	-264	-431	-	-	18	246	3	-10	-	0	15
Other assets	-	-	-	-	6	-	-	68	-	-	-	74
- of which Life	-	-	-	-	-	-	-	*40*	-	-	-	*40*
Debt securities in issue	4,009	3	-585	-23	437	-	-1,215	1	-	-	-	2,627
Other liabilities	-	-	-	-	-	-	-	14	-	-	-	14
Total 2018, net	**-1,613**	**-135**	**214**	**23**	**-6**	**-410**	**1,396**	**61**	**-10**	**-3**	**-12**	**-495**
Total 2017, net	4,411	-108	68	-	609	-605	104	76	-54	-	-12	4,489

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

The valuation processes for fair value measurements in Level 3

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

Deferred day 1 profit

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

Deferred day 1 profit - Derivatives, net

	2018	2017
EURm		
Opening balance at 1 Jan	58	23
Deferred profit on new transactions	62	89
Recognised in the income statement during the period[1]	-39	-54
Closing balance at 31 Dec	**81**	**58**

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

Note 10 Continued

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

EURm	Fair value	*Of which Life*[1]	Valuation techniques	Unobservable input	Range of fair value[4]
Interest-bearing securities					
Mortgage and other credit institutions[2]	323	-	Discounted cash flows	Credit spread	-32/32
Corporates	6	*4*	Discounted cash flows	Credit spread	0/0
Total 31 Dec 2018	**329**	***4***			**-32/32**
Total 31 Dec 2017	168	*5*			-1/1
Shares					
Private equity funds	745	*457*	Net asset value[3]		-84/84
Hedge funds	102	*83*	Net asset value[3]		-6/6
Credit funds	398	*176*	Net asset value/market consensus[3]		-33/33
Other funds	292	*183*	Net asset value/Fund prices[3]		-26/26
Other[5]	191	*48*	-		-16/16
Total 31 Dec 2018	**1,728**	***947***			**-165/165**
Total 31 Dec 2017	1,775	*1,118*			-152/152
Derivatives, net					
Interest rate derivatives	259	-	Option model	Correlations Volatilities	-13/14
Equity derivatives	-25	-	Option model	Correlations Volatilities Dividends	-12/8
Foreign exchange derivatives	-13	-	Option model	Correlations Volatilities	-0/0
Credit derivatives	-212	-	Credit derivative model	Correlations Volatilities Recovery rates	-34/33
Other	6	-	Option model	Correlations Volatilities	-0/0
Total 31 Dec 2018	**15**	**-**			**-59/55**
Total 31 Dec 2017	453	-			-41/33
Debt securities in issue					
Issued structured bonds	2,627	-	Credit derivative model	Correlations Recovery rates Volatilities	-13/13
Total 31 Dec 2018	**2,627**	**-**			**-13/13**
Total 31 Dec 2017	4,009	-			-20/20
Other, net					
Other assets and Other liabilities, net	60	*40*	-	-	-7/7
Total 31 Dec 2018	**60**	***40***			**-7/7**
Total 31 Dec 2017	-	-			-

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

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

[3] The fair values are based on prices and net asset values delivered by external suppliers/custodians. The prices are fixed by the suppliers/custodians on the basis of the development in assets behind the investments. For private equity funds the dominant measurement methodology used by the suppliers/ custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly called EVCA). Approximately 40% of the private equity fund investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are a range of 5% to 100% compared to the values received from suppliers/custodians.

[4] The column "Range of fair value" shows the sensitivity of Level 3 financial instruments to changes in key assumptions. For more information see the Annual Report 2017, Note G40 "Assets and liabilities at fair value".

[5] Of which EUR 31m related to assets in pooled schemes and unit-linked investment.

Note 11 Capital Adequacy

These figures are according to part 8 of CRR

Summary of items included in own funds

EURm	31 Dec[3] 2018	31 Dec[3] 2017
Calculation of own funds		
Equity in the consolidated situation	31,305	31,799
Proposed/actual dividend	-2,788	-2,747
Common Equity Tier 1 capital before regulatory adjustments	28,517	29,052
Deferred tax assets		
Intangible assets	-3,885	-3,835
IRB provisions shortfall (-)	-76	-291
Pension assets in excess of related liabilities[1]	-117	-152
Other items, net	-305	-259
Total regulatory adjustments to Common Equity Tier 1 capital	-4,383	-4,537
Common Equity Tier 1 capital (net after deduction)	24,134	24,515
Additional Tier 1 capital before regulatory adjustments	2,860	3,514
Total regulatory adjustments to Additional Tier 1 capital	-10	-21
Additional Tier 1 capital	2,850	3,493
Tier 1 capital (net after deduction)	26,984	28,008
Tier 2 capital before regulatory adjustments	4,960	4,903
IRB provisions excess (+)	135	95
Deduction for investments in credit institutions (50%)		
Deductions for investments in insurance companies	-1,000	-1,205
Pension assets in excess of related liabilities		
Other items, net	-51	-54
Total regulatory adjustments to Tier 2 capital	-916	-1,164
Tier 2 capital	4,044	3,739
Own funds (net after deduction)[2]	31,028	31,747

[1] Based on conditional FSA approval.
[2] Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 30969m by 31 Dec 2018.
[3] Including profit for the period.

Own Funds, excluding profit

EURm	31 Dec 2018	31 Dec 2017
Common Equity Tier 1 capital, excluding profit	24,147	23,854
Total Own Funds, excluding profit	31,041	31,086

Note 11 Continued

Minimum capital requirement and REA

EURm	31 Dec[1] 2018 Minimum Capital requirement	31 Dec[1] 2018 REA	31 Dec 2017 Minimum Capital requirement	31 Dec 2017 REA
Credit risk	9,678	120,969	8,219	102,743
- of which counterparty credit risk	534	6,671	488	6,096
IRB	8,611	107,635	7,104	88,808
- sovereign			149	1,869
- corporate	5,749	71,868	4,560	57,004
- advanced	*4,850*	*60,626*	*3,774*	*47,173*
- foundation	*899*	*11,242*	*786*	*9,831*
- institutions	477	5,953	493	6,163
- retail	2,078	25,979	1,671	20,888
- secured by immovable property collateral	*1,369*	*17,118*	*934*	*11,678*
- other retail	*709*	*8,861*	*737*	*9,210*
- items representing securitisation positions	132	1,648	68	850
- other	175	2,187	163	2,034
Standardised	1,067	13,334	1,115	13,935
- central governments or central banks	48	600	22	281
- regional governments or local authorities	7	86	1	7
- public sector entities	0	2	0	3
- multilateral development banks				
- international organisations				
- institutions	20	248	14	171
- corporate	312	3,904	261	3,264
- retail	259	3,243	258	3,225
- secured by mortgages on immovable properties	79	984	197	2,458
- in default	28	344	47	592
- associated with particularly high risk	65	811	60	754
- covered bonds				
- institutions and corporates with a short-term credit assessment				
- collective investments undertakings (CIU)				
- equity	198	2,472	208	2,598
- other items	51	640	47	582
Credit Value Adjustment Risk	74	931	96	1,207
Market risk	485	6,064	282	3,520
- trading book, Internal Approach	351	4,388	196	2,444
- trading book, Standardised Approach	86	1,070	86	1,076
- banking book, Standardised Approach	48	606		
Operational risk	1,319	16,487	1,345	16,809
Standardised	1,319	16,487	1,345	16,809
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR	53	657		
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	850	10,626		
Additional risk exposure amount due to Article 3 CRR	12	152	120	1,500
Sub total	12,471	155,886	10,062	125,779
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor			6,132	76,645
Total	12,471	155,886	16,194	202,424

1. Includes ECB decision on temporary tolerance for continued use of the internal models. For more information see under Other information.

Note 11 Continued

Minimum Capital Requirement & Capital Buffers

	Minimum Capital requirement	Capital Buffers: CCoB	CCyB	SII	SRB	Capital Buffers total[1]	Total
Percentage							
Common Equity Tier 1 capital	4.5	2.5	0.9			3.4	**7.9**
Tier 1 capital	6.0	2.5	0.9			3.4	**9.4**
Own funds	8.0	2.5	0.9			3.4	**11.4**
EURm							
Common Equity Tier 1 capital	7,015	3,897	1,421			5,318	**12,333**
Tier 1 capital	9,353	3,897	1,421			5,318	**14,671**
Own funds	12,471	3,897	1,421			5,318	**17,789**

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

Common Equity Tier 1 available to meet Capital Buffers

	31 Dec[1] 2018	31 Dec[1] 2017
Percentage points of REA		
Common Equity Tier 1 capital	11.0	15.0

[1] Including profit for the period.

Capital ratios

Percentage	31 Dec 2018	31 Dec 2017
Common Equity Tier 1 capital ratio, including profit	15.5	19.5
Tier 1 capital ratio, including profit	17.3	22.3
Total capital ratio, including profit	19.9	25.2
Common Equity Tier 1 capital ratio, excluding profit	15.5	19.0
Tier 1 capital ratio, excluding profit	17.3	21.7
Total capital ratio, excluding profit	19.9	24.7

Leverage Ratio

	31 Dec[1] 2018	31 Dec[1] 2017
Tier 1 capital, transitional definition, EURm	26,984	28,008
Leverage ratio exposure, EURm	528,163	538,338
Leverage ratio, percentage	5.1	5.2

[1] Including profit for the period.

Capital requirements for market risk

	Trading book, IM		Trading book, SA		Banking book, SA		Total	
	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
EURm								
Interest rate risk & other[1]	967	77	652	52			1,619	129
Equity risk	89	7	370	30			459	37
Foreign exchange risk	132	11			606	48	738	59
Commodity risk			32	3			32	3
Settlement risk			16	1			16	1
Diversification effect	-464	-37					-464	-37
Stressed Value-at-Risk	2,173	174					2,173	174
Incremental Risk Measure	1,066	85					1,066	85
Comprehensive Risk Measure	425	34					425	34
Total	4,388	351	1,070	86	606	48	6,064	485

[1] Interest rate risk Trading book IM includes both general and specific interest rate risk, elsewhere referred to as interest rate VaR and credit spread VaR.

Note 11 Continued

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

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm[1]	of which EAD for off-balance, EURm	Exposure-weighted average risk weight
Corporate, foundation IRB:	10,604	3,629	19,182	275	58.6
of which					
- rating grades 6	1,348	177	4,096	5	26.0
- rating grades 5	3,478	965	6,230	95	44.8
- rating grades 4	3,503	1,407	6,054	117	74.3
- rating grades 3	1,570	816	2,024	53	98.7
- rating grades 2	250	77	281	1	147.9
- rating grades 1	74	34	76	2	184.3
- unrated	261	104	250	2	113.5
- defaulted	120	49	171	0	26.9
Corporate, advanced IRB:	97,891	52,077	121,183	25,636	50.0
of which					
- rating grades 6	14,344	5,264	16,879	2,675	15.9
- rating grades 5	26,918	23,162	38,752	11,994	35.7
- rating grades 4	39,618	18,377	47,751	8,670	61.5
- rating grades 3	9,685	3,592	10,710	1,723	67.7
- rating grades 2	2,011	529	2,002	259	105.6
- rating grades 1	691	116	638	52	149.9
- unrated	886	530	947	263	79.3
- defaulted	3,738	507	3,504		105.5
Institutions, foundation IRB:	35,712	2,209	41,309	767	14.4
of which					
- rating grades 6	14,300	535	15,971	336	8.5
- rating grades 5	20,172	570	23,346	210	13.7
- rating grades 4	1,005	702	1,656	105	52.7
- rating grades 3	103	238	181	79	131.8
- rating grades 2	56	111	59	25	227.8
- rating grades 1	0	3	1	1	167.9
- unrated	76	50	95	11	153.5
- defaulted					
Retail, of which secured by real estate:	137,683	11,538	145,827	8,144	11.7
of which					
- scoring grades A	96,434	9,583	103,377	6,942	7.7
- scoring grades B	25,985	1,191	26,718	733	11.0
- scoring grades C	9,750	533	10,082	333	18.0
- scoring grades D	2,690	187	2,791	100	34.0
- scoring grades E	781	17	795	15	62.1
- scoring grades F	744	17	760	16	94.2
- not scored	33	3	34	1	34.6
- defaulted	1,266	7	1,270	4	173.3

Note 11 Continued

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

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm[1]	of which EAD for off-balance, EURm	Exposure-weighted average risk weight
Retail, of which other retail:	24,218	14,243	31,625	8,908	28.0
of which					
- scoring grades A	7,304	7,956	12,131	5,053	8.2
- scoring grades B	5,829	3,314	7,495	2,083	16.5
- scoring grades C	3,546	1,432	4,033	917	28.2
- scoring grades D	2,475	790	2,714	493	37.6
- scoring grades E	2,854	301	2,959	181	40.7
- scoring grades F	1,349	113	1,337	66	62.5
- not scored	112	194	156	36	42.9
- defaulted	749	143	800	79	295.4
Other non credit-obligation assets:	2,674		2,509		87.2

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

Note 12 Disposal group held for sale

Balance sheet - Condensed[1]

EURm	31 Dec 2018	31 Dec 2017
Assets		
Loans to credit institutions	-	394
Interest-bearing securities	-	6,051
Financial instruments pledged as collateral	-	1,477
Shares	-	10,361
Derivatives	-	1,184
Investments	-	267
Investment property	-	1,879
Other assets	-	573
Total assets held for sale	**-**	**22,186**
Liabilities		
Deposits by credit institutions	-	643
Liabilities to policyholders	-	23,316
Derivatives	-	810
Current tax	-	921
Other liabilities	-	341
Total liabilities held for sale	**-**	**26,031**

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

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

Note 13 Risks and uncertainties

Nordea is subject to various legal regimes and requirements, including those of the Nordic countries, the European Union and the United States. Governmental authorities that administer and enforce those regimes regularly conduct investigations with regards to Nordea's regulatory compliance, including 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.

The Danish tax authorities are in addition investigating whether there is a basis for raising a claim for damages against Nordea relating to Nordea's assistance to a foreign bank in connection with the said bank's reclaim of dividend tax on behalf of one of its customers. At this point in time, it is not possible to assess the potential risk related to the case.

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

Nordea Bank Abp

Income statement

	Reported		Pre-decessor	Com-bined	Pre-decessor	Com-bined	Pre-decessor
	Q4	15 months	Q4	H2	H2	Jan-Dec	Jan-Dec
	2018[1]	2018[1]	2017	2018	2017	2018	2017
EURm							
Operating income							
Interest income	1,116	1,116	996	2,215	2,052	4,203	4,155
Interest expense	-474	-474	-410	-930	-821	-1,730	-1,618
Net interest income	**642**	**642**	**586**	**1,285**	**1,231**	**2,473**	**2,537**
Fee and commission income	584	584	602	1,102	1,175	2,244	2,409
Fee and commission expense	-157	-157	-116	-262	-209	-457	-408
Net fee and commission income	**427**	**427**	**486**	**840**	**966**	**1,787**	**2,001**
Net result from securities trading and foreign exchange dealing	199	199	152	353	407	868	974
Net result from securities classified at fair value through other comprehensive	8	8	9	14	13	25	0
Net result from hedge accounting	-55	-55	12	-24	55	-61	133
Net result from investment properties	0	0	-1	1	-1	-1	-3
Dividends	1,167	1,167	2,624	1,539	2,624	1,735	3,346
Other operating income	94	94	116	183	278	377	470
Total operating income	**2,482**	**2,482**	**3,984**	**4,191**	**5,573**	**7,203**	**9,458**
Operating expenses							
Staff costs	-616	-616	-715	-1,215	-1,331	-2,478	-2,636
Other administrative expenses	-274	-274	-308	-498	-592	-980	-1,197
Other operating expenses	-100	-100	-136	-238	-250	-539	-581
Depreciation, amortisation and impairment charges of tangible and intangible	-115	-115	-78	-205	-149	-355	-277
Total operating expenses	**-1,105**	**-1,105**	**-1,237**	**-2,156**	**-2,322**	**-4,352**	**-4,691**
Net loan losses	-12	-12	-61	-54	-116	-122	-299
Impairment on financial assets	-21	-21	-377	-240	-381	-239	-380
Operating profit	**1,344**	**1,344**	**2,309**	**1,741**	**2,754**	**2,490**	**4,088**
Income tax expense	-211	-211	-210	-327	-316	-514	-555
Net profit for period	**1,133**	**1,133**	**2,099**	**1,414**	**2,438**	**1,976**	**3,533**

[1] Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.

Nordea Bank Abp reports under Finnish GAAP. The columns labelled "Predecessor" include restated income statements of the former parent company Nordea Bank AB (publ). The columns labelled "Combined" include combinations of Nordea Bank Abp's reported income statements and restated income statements for the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB (publ)'s income statements have been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IFRS, that changes to own credit risk on financial liabilities designated at fair value is recognised in Other comprehensive income, as well as to that the presentation of the income statement complies with Finnish requirements.

Nordea Bank Abp
Balance sheet

EURm	Reported 31 Dec 2018[1]	Predecessor 31 Dec 2017
Assets		
Cash and Balances with central banks	39,562	42,637
Debt securities eligible for refinancing with central banks	70,162	68,781
Loans to credit institutions	64,772	59,765
Loans to the public	154,419	152,766
Interest-bearing securities	4,405	5,093
Shares and participations	4,813	7,906
Investments in associated undertakings and joint ventures	1,049	1,036
Investments in group undertakings	12,175	12,532
Derivatives	37,221	47,688
Fair value changes of the hedged items in portfolio hedge of interest rate risk	72	85
Intangible assets	2,331	2,114
Tangible assets		
Properties and equipment	338	384
Investment properties	4	2
Deferred tax assets	130	84
Current tax assets	234	58
Retirement benefit assets	243	258
Other assets	15,681	15,287
Prepaid expenses and accrued income	1,111	1,128
Total assets	**408,722**	**417,604**
Liabilities		
Deposits by credit institutions and central banks	51,427	51,735
Deposits and borrowings from the public	171,102	176,231
Debt securities in issue	82,667	72,460
Derivatives	40,591	46,118
Fair value changes of the hedged items in portfolio hedge of interest rate risk	536	552
Current tax liabilities	249	158
Other liabilities	21,257	28,720
Accrued expenses and prepaid income	1,330	1,196
Deferred tax liabilities	223	189
Provisions	352	412
Retirement benefit obligations	349	254
Subordinated liabilities	9,157	8,987
Total liabilities	**379,240**	**387,012**
Equity		
Share capital	4,050	4,050
Addional Tier 1 capital holders	750	750
Invested unrestricted equity	1,080	1,080
Other reserves	-150	1,235
Retained earnings	22,619	19,944
Profit or loss for the period[2]	1,133	3,533
Total equity	**29,482**	**30,592**
Total liabilities and equity	**408,722**	**417,604**
Off balance sheet commitments		
Commitments given to a third party on behalf of customers		
Guarantees and pledges	50,026	52,558
Other	1,406	1,572
Irrevocable commitments in favour of customers		
Securities repurchase commitments	-	-
Other	80,102	77,870

[1] Nordea Bank Abp's financial period started 21 September 2017, with no business activities until 1 October 2018.
[2] Including anticipated dividends of EUR 436m from its subsidiaries.

Nordea Bank Abp reports under Finnish GAAP. The column labelled "Predecessor" includes a restated balance sheet of the former parent company Nordea Bank AB (publ). When the former parent company Nordea Bank AB (publ)'s balance sheet has been restated to comply with Finnish GAAP, adjustments have been made so that the pension plans in Sweden are accounted for under IFRS, that changes to own credit risk on financial liabilities designated at fair value is recognised in other comprehensive income, as well as to that the presentation of the balance sheet complies with Finnish requirements.

Nordea Bank Abp

Note 1 Accounting policies

The financial statements for the parent company, Nordea Bank Abp, are as from 1 October 2018 prepared in accordance with the the Finnish Accounting Act, the Finnish Credit Institutions Act, the Decision of the Ministry of Finance on the financial statements and consolidated financial statements of credit institutions as well as Finnish Financial Supervision Authority's Regulations.

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

Before 1 October 2018, the financial statements for the former parent company, Nordea Bank AB (publ), were prepared in accordance with the Swedish Annual Act for Credit Institutions and Securities Companies (1995:1559), the accounting regulations of the Swedish Financial Supervisory Authority (FFFF 2008:25 including amendments) and the accounting recommendation RFR 2 Accounting for legal entities issued by the Swedish Financial Reporting Board.

The change from SGAAP (Swedish Generally Accepted Accounting Principles) had not any significant impact on accounting or presentation of the parent's company financial statements.

Nordea Bank Abp and its financial statements

Nordea Bank Abp was established 21 September 2017 and had no business activities before the merger date 1 October 2018. Nordea Bank Abp is the parent company of the Nordea Group.

The income statement figures presented in the financial statements and in the notes to the financial statements refer to the period October-December 2018. No comparison figures are disclosed as Nordea Bank Abp started its banking operations 1 October 2018. The official accounting period of Nordea Bank Abp is 21 September 2017 - 31 December 2018 with no business activities until the merger date 1 October 2018.

An illustrative income statement of the former parent, Nordea Bank AB (publ), and the present parent company, Nordea Bank Abp, is disclosed in the Financial statements for the parent company Nordea Bank Abp, page 64. Nordea Bank AB's (publ) figures cover the period January-September 2018 and Nordea Bank Abp's the period October-December 2018, respectively. The balance sheet comparison figures for the year 2017 disclosed in the note on page 65 refer to Nordea Bank AB's (publ) adjusted balance sheet.

Changed accounting policies and presentation

Information on new and amended IFRS standards implemented by Nordea on 1 January 2018 can be found in the section "Changed accounting policies and presentation" in Note 1 for the Group. The conclusions within this section are also, where applicable, relevant for the parent company.

Changes in IFRSs not yet applied

Information on forthcoming changes in IFRS not yet implemented can be found in the section "Changes in IFRSs not yet applied" in Note 1 for the Group. The conclusions within this section are also, where applicable, relevant for the parent company. However, IFRS 16 "Leases" will not be applied in the parent company.

Other amendments

Other new and amended standards issued by IASB were implemented by Nordea 1 January 2018 but have not had any significant impact on the financial statements of Nordea Bank Abp.

Note 2 Capital Adequacy

These figures are according to part 8 of CRR

Summary of items included in own funds

EURm	31 Dec 2018
Calculation of own funds	
Equity in the consolidated situation	26,869
Proposed/actual dividend	
Common Equity Tier 1 capital before regulatory adjustments	26,869
Deferred tax assets	
Intangible assets	-2,331
IRB provisions shortfall (-)	
Deduction for investments in credit institutions (50%)	
Pension assets in excess of related liabilities[1]	-116
Other items, net	-363
Total regulatory adjustments to Common Equity Tier 1 capital	-2,810
Common Equity Tier 1 capital (net after deduction)	24,059
Additional Tier 1 capital before regulatory adjustments	2,860
Total regulatory adjustments to Additional Tier 1 capital	-11
Additional Tier 1 capital	2,849
Tier 1 capital (net after deduction)	26,908
Tier 2 capital before regulatory adjustments	4,960
IRB provisions excess (+)	111
Deduction for investments in credit institutions (50%)	
Deductions for investments in insurance companies	-1,000
Pension assets in excess of related liabilities	
Other items, net	-51
Total regulatory adjustments to Tier 2 capital	-940
Tier 2 capital	4,020
Own funds (net after deduction)[2]	30,928

[1] Based on conditional FSA approval.
[2] Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 30817m by 31 Dec 2018

Own Funds, including profit

EURm	31 Dec 2018
Common Equity Tier 1 capital, including profit	24,027
Total Own Funds, including profit	30,896

Note 2 Continued

Minimum capital requirement and REA

EURm	31 Dec[1] 2018 Minimum Capital requirement	31 Dec 2018 REA
Credit risk	9,899	123,740
- of which counterparty credit risk	539	6,741
IRB	7,089	88,619
- sovereign		
- corporate	5,359	66,992
- advanced	*4,875*	*60,935*
- foundation	*484*	*6,057*
- institutions	493	6,164
- retail	1,104	13,803
- secured by immovable property collateral	*449*	*5,617*
- other retail	*655*	*8,186*
- items representing securitisation positions		
- other	133	1,660
Standardised	2,810	35,121
- central governments or central banks	36	452
- regional governments or local authorities	6	76
- public sector entities		
- multilateral development banks		
- international organisations		
- institutions	1,061	13,259
- corporate	366	4,567
- retail	4	45
- secured by mortgages on immovable properties	1	9
- associated with particularly high risk	63	793
- covered bonds	49	617
- institutions and corporates with a short-term credit assessment		
- collective investments undertakings (CIU)		
- equity	1,223	15,285
- other items	1	18
Credit Value Adjustment Risk	73	922
Market risk	995	12,433
- trading book, Internal Approach	351	4,387
- trading book, Standardised Approach	87	1,084
- banking book, Standardised Approach	557	6,962
Operational risk	1,039	12,986
Standardised	1,039	12,986
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR		
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	10	123
Additional risk exposure amount due to Article 3 CRR	5	62
Total	12,021	150,266

1. Includes ECB decision on temporary tolerance for continued use of the internal models. For more Information see under Other models.

Note 2 Continued

Minimum Capital Requirement & Capital Buffers

	Minimum Capital requirement	Capital Buffers: CCoB	CCyB	SII	SRB	Capital Buffers total[1]	Total
Percentage							
Common Equity Tier 1 capital	4.5	2.5	0.9			3.4	**7.9**
Tier 1 capital	6.0	2.5	0.9			3.4	**9.4**
Own funds	8.0	2.5	0.9			3.4	**11.4**
EURm							
Common Equity Tier 1 capital	6,762	3,757	1,299			5,056	**11,818**
Tier 1 capital	9,016	3,757	1,299			5,056	**14,072**
Own funds	12,021	3,757	1,299			5,056	**17,077**

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

Common Equity Tier 1 available to meet Capital Buffers

	31 Dec 2018
Percentage points of REA	
Common Equity Tier 1 capital	11.5

Capital ratios

	31 Dec 2018
Percentage	
Common Equity Tier 1 capital ratio, including profit	16.0
Tier 1 capital ratio, including profit	17.9
Total capital ratio, including profit	20.6
Common Equity Tier 1 capital ratio, excluding profit	16.0
Tier 1 capital ratio, excluding profit	17.9
Total capital ratio, excluding profit	20.6

Leverage Ratio

	31 Dec 2018
Tier 1 capital, transitional definition, EURm	26,908
Leverage ratio exposure, EURm	453,689
Leverage ratio, percentage	5.9

Capital requirements for market risk

	Trading book, IM		Trading book, SA		Banking book, SA		Total	
	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
EURm								
Interest rate risk & other[1]	967	77	665	53			1,632	130
Equity risk	88	7	371	30			459	37
Foreign exchange risk	132	11			6,962	557	7,094	568
Commodity risk			32	3			32	3
Settlement risk			16	1			16	1
Diversification effect	-464	-37					-464	-37
Stressed Value-at-Risk	2,173	174					2,173	174
Incremental Risk Measure	1,066	85					1,066	85
Comprehensive Risk Measure	425	34					425	34
Total	4,387	351	1,084	87	6,962	557	12,433	995

[1] Interest rate risk Trading book IM includes both general and specific interest rate risk, elsewhere referred to as interest rate VaR and credit spread VaR.

Note 2 Continued

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

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm[1]	of which EAD for off-balance, EURm	Exposure-weighted average risk weight
Corporate, foundation IRB:	2,185	2	10,484	1	57.8
of which					
- rating grades 6	790	0	3,479	0	31.4
- rating grades 5	1,085	2	3,414	1	51.9
- rating grades 4	249		2,764	0	83.4
- rating grades 3	13		627		104.9
- rating grades 2	42		83		143.2
- rating grades 1			4		200.3
- unrated	6		45		127.5
- defaulted			68		67.8
Corporate, advanced IRB:	78,273	62,275	110,458	34,098	55.2
of which					
- rating grades 6	6,389	6,017	9,733	3,415	20.5
- rating grades 5	20,836	25,714	34,901	14,063	36.0
- rating grades 4	36,960	22,973	49,021	12,567	64.5
- rating grades 3	8,038	5,230	10,537	3,150	74.7
- rating grades 2	1,651	718	1,842	444	115.6
- rating grades 1	599	167	601	103	157.8
- unrated	684	650	932	356	88.3
- defaulted	3,116	806	2,891		102.2
Institutions, foundation IRB:	33,958	2,304	40,098	1,310	15.4
of which					
- rating grades 6	12,840	548	14,534	359	9.3
- rating grades 5	20,082	561	23,255	209	13.7
- rating grades 4	818	804	1,983	618	55.6
- rating grades 3	87	226	172	86	130.9
- rating grades 2	56	111	59	25	227.8
- rating grades 1	0	3	1	1	167.9
- unrated	75	51	94	12	153.9
- defaulted					
Retail, of which secured by real estate:	28,727	4,247	30,409	1,682	18.5
of which					
- scoring grades A	17,543	3,111	18,744	1,201	14.6
- scoring grades B	6,803	672	7,083	280	13.3
- scoring grades C	2,655	316	2,792	137	19.6
- scoring grades D	1,036	133	1,091	55	35.2
- scoring grades E	70	4	72	2	52.4
- scoring grades F	164	3	166	2	97.8
- not scored	22	2	23	1	38.1
- defaulted	434	6	438	4	181.7

Note 2 Continued

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

	On-balance exposure, EURm	Off-balance exposure, EURm	Exposure value (EAD), EURm[1]	of which EAD for off-balance, EURm	Exposure-weighted average risk weight:
Retail, of which other retail:	15,757	22,125	32,450	18,030	25.2
of which					
- scoring grades A	4,994	12,920	15,566	10,716	9.4
- scoring grades B	4,108	5,117	7,935	4,189	17.8
- scoring grades C	2,300	2,192	3,631	1,745	30.9
- scoring grades D	1,378	908	1,770	640	41.5
- scoring grades E	1,748	437	2,009	336	43.9
- scoring grades F	717	191	799	158	68.8
- not scored	43	126	97	46	43.0
- defaulted	469	234	643	200	307.3
Other non credit-obligation assets:	1,970		1,970		84.2

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

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

For further information

- A conference call for media, investors and equity analysts will be held on 6 February at 09.00 EET (08.00 CET), at which Casper von Koskull, President and Group CEO, will present the results.
- To participate in to the conference call (starting at 09:00 EET) and participate in the following Q&A session (starting at approximately 09.30) with Casper von Koskull, President and Group CEO, Christopher Rees, Group CFO and Rodney Alfvén, Head of Investor Relations; please use the webcast link or dial +44 333 300 0804 or +46 8 566 426 51 or +358 9 817 103 10 or +45 35 44 55 77 PIN code 44582087# no later than 08.50 EET.
- After the call an indexed on-demand replay will be available here. A replay will also be available until 28 February by dialing +44 333 300 0819 or +46 8 519 993 85 or +358 9 817 105 15 or +45 82 33 31 90, pin code 301275902#.
- An analyst and investor presentation will be held in London on 8 February at 08.00 local time at J.P. Morgan, Victoria Embankment, London EC4Y 0JP in which Casper von Koskull, President and Group CEO, and Rodney Alfvén, Head of Investor Relations will participate.
- The presentation, including Q&A, is expected to last approximately one hour.
- To attend please contact: Carolina Brikho at Nordea via e-mail: carolina.brikho@nordea.com
- This interim report, an investor presentation and a fact book are available on www.nordea.com.

Contacts

Casper von Koskull
President and Group CEO
+358 503 821 391

Christopher Rees
Group CFO
+45 55 47 23 77

Rodney Alfvén
Head of Investor Relations
+46 72 235 05 15

Sara Helweg-Larsen
Head of Group Communications
+45 22 14 00 00

Financial calendar

In week 9 – Annual report 2018 release, including the Board of Director's report and financial statements.
The annual report will be available at www.nordea.com/ir

30 April 2019 – First Quarter Report 2019 (silent period starts 2 April 2019)

18 July – Second Quarter Report 2019 (silent period starts 5 July 2019)

24 October 2019 – Third Quarter Report 2019 (silent period starts 7 October 2019)

Helsinki 6 February 2019

Casper von Koskull
President and Group CEO

This financial statement has not been subject to review by the Auditors.

This financial 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 financial 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 financial 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.

Nordea Bank Abp • Hamnbanegatan 5 • 00020 Helsinki • www.nordea.com/ir • Tel. +358 200 70000 • Business ID 2858394-9