Nordea

First Quarter 2018

Interim Management Statement
First Quarter Results 2018

CEO Casper von Koskull's comments on the results:

"2016 and 2017 were characterised by significant investments to improve our compliance and risk operations as well as a de-risking of the bank. These activities have had a meaningful impact on both revenues and costs. Furthermore, this has led to a situation where we have been more internally focused and we now need to get back to focusing more on our customer business. I am satisfied to say that we are now through the most important parts of the de-risking, the risk reduction in Russia, Shipping, Oil and Offshore progressing well, and our International Private Banking arm being divested.

In the first quarter of 2018 we delivered on our cost reductions, our credit quality is the strongest since 2007 and our capital ratios have never been higher. We are confident that net profit will grow in 2018 compared to 2017, as previously stated. As the underlying revenues in the first quarter were softer than expected it is more challenging to reach our full-year revenue guidance. We will therefore have an increased focus on improving the business momentum, while at the same time maintaining our risk and compliance discipline. We reiterate our cost target for 2018 of EUR 4.9bn."

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

First quarter 2018 vs. First quarter 2017

(First quarter 2018 vs. Fourth quarter 2017)

- Total operating income -6%, in local currencies -4% (+4%, in local currencies +4%)
- Total expenses -3%, in local currencies -1% (-11%, in local currencies -11%)
- Operating profit -3%, in local currencies -1% (+34%, in local currencies +35%)
- Common Equity Tier 1 capital ratio 19.8%, up from 18.8% (up from 19.5%)
- Cost/income ratio up to 52% from 51% (down 9% points from 61%)
- Loan loss ratio of 7 bps, down from 14 bps (down 2 bps from 9 bps)
- Return on equity 10.0%, down from 10.3% (up 2.3% points from 7.7%)
- Diluted EPS EUR 0.20 vs. EUR 0.21 (EUR 0.20 vs. EUR 0.15)

1,070
Total operating profit, Q1 2018 (EURm)

19.8
CET 1 capital ratio (%)

Summary key figures

EURm	Q1 2018	Q4 2017	Chg %	Local curr. %	Q1 2017	Chg %	Local curr. %
Net interest income	1,053	1,109	-5	-5	1,197	-12	-9
Total operating income	2,315	2,228	4	4	2,461	-6	-4
Profit before loan losses	1,110	867	28	28	1,215	-9	-7
Net loan losses	-40	-71	-44	-43	-113	-65	-63
Operating profit	1,070	796	34	35	1,102	-3	-1
Diluted earnings per share, EUR	0.20	0.15			0.21		
ROE, %	10.0	7.7			10.3		

Exchange rates used for Q1 2018 for income statement items are for DKK 7.4468, NOK 9.6366 and SEK 9.9765.

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

CEO comment

Economic environment
After an exceptionally stable situation on the financial markets in 2017, 2018 has started with higher volatility. The synchronised growth in the Nordic markets continued. Geopolitical factors continued to challenge globalisation trends, however, we have seen that geopolitical concerns start to create volatility in the market. Additionally, there are early signs that the business cycle is starting to reach a peak level, and just as in 2017, Nordea continues to focus on disciplined lending underwriting principles and we are well prepared to handle a situation with lower growth.

Financial outcome
Total revenues decreased 4% in local currencies compared to the first quarter of 2017 but increased 4% in local currencies compared to last quarter. Net interest income decreased 9% in local currencies compared to the first quarter of 2017 mainly due to de-risking, deconsolidation of the Baltics and lower revenues from Treasury. Fee and commission income was down 9% in local currencies compared to the first quarter of 2017, mainly driven by lower corporate and institutional activities and lower AuM. Net flow was negative at EUR 3.6bn compared to a positive net flow of EUR 1.3bn in the first quarter of 2017. The net result from items at fair value increased 17% in local currencies to EUR 441m from EUR 375m in the first quarter of 2017 and 90% in local currencies compared to last quarter.

Costs decreased by 1% compared to the first quarter of 2017 and total cash spending decreased by 7%. Credit quality continued to improve and our loan losses are at the lowest level since 2007. We reiterate our guidance on loan losses which are expected to be below the long-term average in the coming quarters.

Our reported Common Equity Tier 1 (CET1) ratio increased to 19.8%, compared to 18.8% a year ago, and the management buffer has again reached an all-time-high level of 230 bps, well above our target level of 50-150 bps. The Swedish Financial Supervisory Authority has proposed to change method for the application of the mortgage risk weight floors of 25% from Pillar 2 to Pillar 1. We think this is structurally right as it will then be possible to compare different banks' CET1 ratios. In the aftermath of this change, Nordea will have the highest CET1 ratio in Europe as well as the highest CET1 ratio requirements.

Delivering value to our customers
Of all our advisory meetings, 30% are held online and we expect this trend to continue. We have also launched our digital savings adviser Nora that provides customers with digital savings advice 24/7. 70% of the customers in Sweden who started to save through Nora have not previously saved with Nordea.

Nordea has joined the we.trade consortium as founding partner. The consortium is, in conjunction with IBM, developing a platform based on distributed ledger technology (DLT) that aims at making domestic and cross-border commerce easier, safer and more efficient for companies. This is the first blockchain-based trade finance platform as such, marking a milestone in the practical adoption of DLT in the financial industry.

Nordea Funds' performance has been acknowledged with awards in all Nordic markets. In Denmark Nordea Invest was the fund company receiving most awards in the annual Dansk Aktionærforening award ceremony. In Norway, Sweden and Finland the Nordea Nordic Small Cap funds were granted the best Nordic equity fund award.

Our corporate and investment banking franchise has shown a strong performance, leveraging its full service offering in the DKK 68bn public takeover offer for TDC, as well as the SEK 98bn merger of Tele2/Com Hem and furthermore in the three largest 2018 European IPOs to date. This is a testament to our increasing client centricity and confirmed our No 1 pan-Nordic service offering.

Delivering on our Group Transformation
On 15 March 2018, Nordea's shareholders approved the re-domiciliation of the parent company from Sweden to Finland with a large majority of 95.8% of the votes.

Our investment in strengthening compliance is delivering stronger control of financial crime risks, with the introduction of more rigorous standards, KYC quality assurance processes and sanctions screening capability. It also ensured we were well prepared for the implementation of the complex MIFID II legislation this past quarter. Overall, Nordea is significantly and systematically reducing its compliance risks: we anticipate that 2018 will see our most critical financial crime priorities achieved and related pending regulatory investigations resolved.

Since late February, new savings and term deposit accounts for Finnish household customers are being opened on the new core banking platform. The majority of the accounts are being opened online via Netbank and soon our customers will also have the ability to open these via the Nordea mobile app. Additionally, we have started the roll-out of a completely new mobile banking app with Finland as the first country. The roll-out is gradual and will proceed during April and May. Currently, the new app is available for 40% of Android customers in Google Pay and has been downloaded by more than 60,000 customers. The rollout will proceed during coming weeks and the app will be made available in App Store. Earlier this month, we migrated just under 250,000 existing savings accounts belonging to household customers onto the new core banking platform and the remaining accounts will be migrated in the coming weeks. In February, we also progressed the roll-out of our new and simplified collateral management module in Norway and have migrated collateral worth NOK 30bn onto the platform. Collateral migrations in Norway will continue throughout 2018. We are more compliant with all euro payments (SEPA Credit Transfer Interbank payments) which are now running on one Global Payment Engine. We have also reduced complexity by closing close to 190 applications linked to our data warehouse simplification stream. Local data warehouses in Norway have now been closed.

2016 and 2017 were characterised by significant investments to improve our compliance and risk operations as well as a de-risking of the bank. These activities have had a meaningful impact on both revenues and costs. In the first quarter of 2018 we delivered on our cost reductions, our credit quality is the strongest since 2007 and our capital ratios have never been higher. We are confident that net profit will grow in 2018 compared to 2017, as previously stated. As the underlying revenues in the first quarter were softer than expected it is more challenging to reach our full-year revenue guidance. We will therefore have an increased focus on improving the business momentum, while at the same time maintaining our risk and compliance discipline. We reiterate our cost target for 2018 of EUR 4.9bn.

Casper von Koskull
President and Group CEO

Income statement

	Q1 2018	Q4 2017	Chg %	Local curr. %	Q1 2017	Chg %	Local curr. %
EURm							
Net interest income	1,053	1,109	-5	-5	1,197	-12	-9
Net fee and commission income	770	839	-8	-8	866	-11	-9
Net result from items at fair value	441	235	88	90	375	18	17
Profit from associated undertakings and joint ventures accounted for under the equity method	28	16			4		
Other operating income	23	29	-21	-21	19	21	28
Total operating income	**2,315**	**2,228**	**4**	**4**	**2,461**	**-6**	**-4**
Staff costs	-798	-861	-7	-7	-799	0	2
Other expenses	-336	-425	-21	-20	-387	-13	-11
Depreciation, amortisation and impairment charges of tangible and intangible assets	-71	-75	-5	-5	-60	18	20
Total operating expenses	**-1,205**	**-1,361**	**-11**	**-11**	**-1,246**	**-3**	**-1**
Profit before loan losses	**1,110**	**867**	**28**	**28**	**1,215**	**-9**	**-7**
Net loan losses	-40	-71	-44	-43	-113	-65	-63
Operating profit	**1,070**	**796**	**34**	**35**	**1,102**	**-3**	**-1**
Income tax expense	-250	-167	50	58	-258	-3	0
Net profit for the period	**820**	**629**	**30**	**29**	**844**	**-3**	**-1**

Business volumes, key items[1]

	31 Mar 2018	31 Dec 2017	Chg %	Local curr. %	31 Mar 2017	Chg %	Local curr. %
EURbn							
Loans to the public	310.9	310.2	0	1	320.1	-3	1
Loans to the public, excl. repos	287.5	293.9	-2	-1	299.2	-4	0
Deposits and borrowings from the public	174.0	172.4	1	2	190.9	-9	-5
Deposits from the public, excl. repos	161.0	165.4	-3	-1	178.1	-10	-6
Total assets	580.2	581.6	0	0	650.3	-11	-9
Assets under management	320.1	330.4	-3		330.1	-3	
Equity	31.1	33.3	-7		31.1	0	

Ratios and key figures[2]

	Q1 2018	Q4 2017	Chg %	Q1 2017	Chg %
Diluted earnings per share, EUR	0.20	0.15	33	0.21	-5
EPS, rolling 12 months up to period end, EUR	0.74	0.75	-1	0.95	-22
Share price[1], EUR	8.66	10.09	-14	10.73	-19
Total shareholders' return, %	-3.9	-5.0	-22	6.7	
Equity per share[1], EUR	7.65	8.21	-7	7.65	0
Potential shares outstanding[1], million	4,050	4,050	0	4,050	0
Weighted average number of diluted shares, mn	4,038	4,039	0	4,039	0
Return on equity, %	10.0	7.7	30	10.3	-3
Cost/income ratio, %	52	61	-15	51	2
ROCAR[3], %	12.3	9.2	34	12.6	-2
Loan loss ratio, basis points[4]	7	9	-22	14	-50
Common Equity Tier 1 capital ratio, excl. Basel I floor[1,5], %	19.8	19.5	2	18.8	5
Tier 1 capital ratio, excl. Basel I floor[1,5], %	22.2	22.3	0	21.0	6
Total capital ratio, excl. Basel I floor[1,5], %	25.2	25.2	0	24.3	3
Tier 1 capital[1,5], EURbn	27.3	28.0	-3	28.1	-3
Risk exposure amount excl. Basel I floor[5], EURbn	123	126	-2	134	-8
Number of employees (FTEs)[1]	30,082	30,399	-1	31,640	-5
Economic capital[1], EURbn	26.2	26.7	-2	28.9	-9

[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] ROCAR Q1 2017 restated due to changed definition of average Economic Capital.
[4] Including Loans to the public reported in Assets held for sale in Q1.
[5] Including the result for the period.

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Macroeconomy and financial markets

The first quarter of 2018 started calmly and with a strong performance in equities, but volatility picked up sharply entering February, as developed market equities dropped on the back of higher US wage data and their implications for a tighter future monetary policy stance by the US Federal Reserve. Equity markets decreased further as the US announced they would impose trade tariffs, after which China responded with similar retaliatory measures, escalating fears of a global trade war. Geopolitical tensions on the Korean peninsula abated after North Korea opened up for talks with the US on denuclearisation, which the US accepted. The US Federal Reserve held its first meeting with new chairman Jerome Powell in March and hiked interest rates by 0.25% point in accordance with market expectations. US inflation rose to 1.6% in February, up from 1.5% in January. The 10-year US government bond yield increased from 2.41% to 2.79% over the quarter, while the US S&P 500 equity index eventually ended the quarter 1.22% lower, 8% below its intra-quarter highs. In Europe, the ECB left interest rates unchanged at the March meeting in accordance with market expectations. On 4 March, the Italian election resulted in a hung parliament and negotiations continued over the quarter's end. Markets interpreted the results as positive as none of the populist parties gained an outright majority. The Italian 10-year government bond yield tightened against the German 10-year government bond yield by 33 bps over the quarter. The Italian FTSE MIB equity index, consisting of the 40 most liquid and highly capitalised stocks listed on the Italian stock exchange, ended the quarter 1.45% lower. In Germany, a grand coalition was formed, which allowed Angela Merkel to continue as chancellor. On the data front Euro-zone inflation came in at 1.4% (y/y) in March, up from 1.1% (y/y) in February. The Eurostoxx 50 index declined 4.1% (q/q) and the German 10-year government bond yield decreased by 3 bps over the quarter to 0.49%. The EUR continued its strengthening trend against the USD, increasing from 1.201 to 1.230 over the quarter. In China, it was decided at the annual National People's Congress to cast aside presidential term limits from the constitution, effectively allowing President Xi Jinping to remain in office indefinitely. The MSCI Emerging Market Equities Index ended the quarter 0.93% higher. Brent crude oil rose 5.4% to USD 69.3/bbl.

Denmark

Danish GDP grew by 2.2% (y/y) in 2017. This was the highest annual growth rate since 2006. Employment continued to increase as a result of the healthy expansion in the Danish economy. However, average hourly earnings in the private sector increased by just below 2% (y/y) and inflation remained low. In 2017, prices for single-family houses increased by 3.9%, while owner-occupied flats were 5.9% higher. Residential investment increased by 6.2%. Leading indicators gave mixed signals on growth in Q1 2018. Exports have been falling which probably can be partly related to an appreciation of the trade-weighted DKK of around 5% since 2015. On the other hand, manufacturing production has been higher, and both consumer and business confidence indicators point to solid domestic demand. The Danish central bank maintained its -0.65% deposit rate in Q1 2018 and did not intervene in the foreign exchange market. Danish equities fell by 2.7% during the quarter while the 10-year swap rate increased by 8 bps to 1.14%.

Finland

The Finnish economy expanded by 2.7% (y/y) in 2017. Indicators pointed towards strong growth in the first quarter of 2018 as well. Demand among the main trading partners remained robust and the strong export growth continued. Domestic demand remained strong, mainly due to high consumer confidence, improving employment and low inflation. Growth in construction and machinery investment looked set to slow in Q1, from high levels. There was no sign of the economic expansion spilling over into price pressures during the quarter, as core inflation remained clearly below 1% (y/y). Finnish equity markets gained 1.3% despite the equity market turbulence. The Finnish 10-year government bond yield ended 3 bps lower at 0.60%.

Norway

The Norwegian economy continued to expand at a healthy pace in the fourth quarter of 2017. Growth continued on its trend through 2017 of 0.6-0.7% (q/q) and forward-looking indicators pointed towards a slight uptick in H1 2018. Employment growth picked up, which supported private consumption. Oil investments rose again and the still weak NOK meant that mainland export industries could take advantage of the synchronised global upswing. Unemployment continued to decrease throughout the country. Recent data also showed that the correction down in house prices was over. Norges Bank kept its key policy rate unchanged at 0.5% at its March meeting as widely anticipated, but the forecast for the first rate hike was moved forward from December to September this year. A lowering of the inflation target from 2.5% to 2 % contributed to this, as did a better outlook and higher forward rates abroad. The 2-year swap rate increased by 37 bps to 1.50% in Q1, while the 10-year swap rate increased by 30 bps to 2.24%. The NOK was 2.4% stronger in trade-weighted terms in Q1 and equities were down by 1%.

Sweden

The Swedish economy showed good growth in the fourth quarter of 2017 with GDP growing by 0.9% (q/q) and 3.3% (y/y). It was mainly net exports that contributed to growth, by 0.6% point (q/q), while private consumption added 0.3% point to GDP. On the other hand, investments in fixed capital fell by 1.3% (q/q), shaving off 0.3% point from GDP. Housing investments slowed markedly in the fourth quarter on the back of negative housing market developments. Indicators for GDP growth for the first quarter were mixed. Employment remained on the strong trend, rising 0.3% (q/q) in the fourth quarter, and the upturn has continued in the beginning of 2018, while unemployment has dropped. Higher energy prices have boosted CPIF inflation, which has been hovering around the 2% target in the first quarter. However, excluding energy the inflation trend remains modest. The Riksbank left the repo rate unchanged at -0.5% at the February meeting, but lowered its inflation forecast for the coming year. It did not change the repo rate path but changed the wording in the press release, postponing the first rate hike to the second half of 2018 from previously mid-2018. The trade-weighted SEK weakened by 4% and Swedish equities were down by 2.6% in the first quarter. The 10-year government bond yield declined to 0.67%, 10 bps lower compared to the previous quarter.

Group results and performance

First quarter 2018

Net interest income

Net interest income in local currencies decreased 5% from the previous quarter mainly due to higher deposit guarantee fees, a lower day count and lower mortgage margins. Lending margins decreased in Personal Banking and Commercial & Business Banking while deposit margins were up following market interest rate changes.

Net interest income for Personal Banking was down 4% in local currencies from the previous quarter, driven by higher deposit guarantee fees, decreased margins and fewer interest days.

Net interest income for Commercial & Business Banking was up 4% in local currencies from the previous quarter driven by a changed model for Fund Transfer Pricing between the business area and Treasury and slightly higher margins in Sweden.

Net interest income in Wholesale Banking was up 16% in local currencies from the previous quarter due to a changed model for Fund Transfer Pricing between the business area and Treasury and higher yield fees following IFRS 15.

Net interest income in Wealth Management was down 22% in the quarter from the previous quarter driven by lower lending volumes.

Net interest income in Group Functions and Other was EUR 55m compared to EUR 115m from the previous quarter due to a change in Fund Transfer Pricing model, slightly higher funding costs, as well as higher deposit guarantee and resolution fees.

Lending volumes

Loans to the public in local currencies, excluding repos, were down 2% from the previous quarter. Average lending volumes in local currencies were largely unchanged in Personal Banking as lower volumes in Sweden were offset by higher volumes in Norway and Finland. Volumes were slightly up in Commercial & Business Banking and down in Wholesale Banking and Wealth Management.

Deposit volumes

Total deposits from the public in local currencies, excluding repos, decreased by 1% from the previous quarter driven by lower volumes in Wholesale Banking. Average deposit volumes were down in all business areas with the exception of Commercial & Business Banking where deposit volumes were slightly up.

Net interest income per business area

								Local currency	
	Q118	Q417	Q317	Q217	Q117	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Personal Banking	498	525	537	520	527	-5%	-6%	-4%	-2%
Commercial & Business Banking	292	282	285	287	282	4%	4%	4%	6%
Wholesale Banking	190	164	185	190	200	16%	-5%	16%	1%
Wealth Management	18	23	24	25	25	-22%	-28%	-22%	-29%
Group Functions and other	55	115	154	153	163	-	-	-	-
Total Group	**1,053**	**1,109**	**1,185**	**1,175**	**1,197**	**-5%**	**-12%**	**-5%**	**-9%**

Change in Net interest income

	Q1/Q4	Jan-Mar 18/17
EURm		
NII beginning of period	**1,109**	**1,197**
Margin driven NII	**0**	**-25**
Lending margin	-8	-27
Deposit margin	8	2
Volume driven NII	**-4**	**-13**
Lending volume	-3	-11
Deposit volume	-1	-2
Day count	-28	0
Other[1,2]	-24	-106
NII end of period	**1,053**	**1,053**
[1] of which FX	-3	-40
[2] of which Baltics	-	-28

Net fee and commission income

Net fee and commission income decreased by 8% in local currencies from the previous quarter driven by lower asset management income due to performance fees in Q4, the transfer of yield fees to net interest income, lower volumes in assets under management and lower activity in Equity Capital Markets and advisory.

Savings and investment commissions

Net fee and commission income from savings and investments decreased by 11% in local currencies from the previous quarter to EUR 485m. AuM decreased to EUR 320.1bn at the end of the quarter.

Net flow was negative and amounted to EUR -3.6bn compared to EUR -1.0bn in the previous quarter. AuM in Q1 was impacted by negative stock markets, the transfer of customers to Personal Banking and seasonality.

Payments and cards and lending-related commissions

Lending-related net fee and commission income decreased 12% in local currencies from the previous quarter to EUR 129m in line with lending developments but also impacted by IFRS 15. Payments and cards net fee and commission income was up 5% in local currencies to EUR 130m from the previous quarter driven by higher customer activity in cash management.

Net fee and commission income per business area

								Local currency	
	Q118	Q417	Q317	Q217	Q117	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Personal Banking	172	160	177	182	187	8%	-8%	7%	-7%
Commercial & Business Banking	116	125	110	127	113	-7%	3%	-7%	5%
Wholesale Banking	121	132	140	133	167	-8%	-28%	-8%	-25%
Wealth Management	371	427	389	409	402	-13%	-8%	-13%	-8%
Group Functions and other	-10	-5	-2	-1	-3	-	-	-	-
Total Group	**770**	**839**	**814**	**850**	**866**	**-8%**	**-11%**	**-8%**	**-9%**

Net fee and commission income per category

								Local currency	
	Q118	Q417	Q317	Q217	Q117	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Savings and investments, net	485	547	524	539	556	-11%	-13%	-11%	-12%
Payments and cards, net	130	124	137	148	126	5%	3%	5%	6%
Lending-related, net	129	147	149	151	161	-12%	-20%	-12%	-17%
Other commissions, net	26	21	4	12	23	-	-	-	-
Total Group	**770**	**839**	**814**	**850**	**866**	**-8%**	**-11%**	**-8%**	**-9%**

Assets under Management (AuM), volumes and net inflow

	Q118	Q417	Q317	Q217	Q117	Net inflow Q118
EURbn						
Nordic Retail funds	58.6	61.5	61.2	60.6	60.7	-0.3
Private Banking	96.1	98.9	101.8	102.9	101.6	-1.3
Institutional sales	92.5	96.2	94.6	94.4	93.8	-2.0
Life & Pensions	72.9	73.8	73.3	74.2	74.0	0
Total	**320.1**	**330.4**	**330.9**	**332.1**	**330.1**	**-3.6**

Net result from items at fair value

The net result from items at fair value increased by 88% from the previous quarter to EUR 441m and increased 18% from the same quarter in 2017. A change of the margin reset frequency assumption in the fair value model covering a loan portfolio in Denmark had a positive impact of EUR 135m in the quarter. Other fair value adjustment had a zero impact (negative impact of EUR 41m in Q4 2017).

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

Customer-driven capital markets activities in the customer business were 63% higher than in the previous quarter. The net fair value result for the business units increased to EUR 292m, from EUR 179m in the previous quarter. The underlying business level in Q1 was negatively affected by new regulation (MiFID II) and lower customer activity.

Life & Pensions

The net result from items at fair value for Life & Pensions decreased EUR 13m from the previous quarter to EUR 49m.

Wholesale Banking other

The net fair value result for Wholesale Banking other, i.e. income from managing the risks inherent in customer transactions, increased to EUR 92m from EUR -16m in the previous quarter.

Group Functions and Other

The net fair value result in Group Functions and Other decreased to EUR 8m (from EUR 10m in the previous quarter).

Net result from items at fair value per area

	Q118	Q417	Q317	Q217	Q117	Q1/Q4	Q1/Q1
EURm							
Personal Banking	91	15	15	17	15		
Commercial & Business Banking	120	58	62	74	67		79%
Wholesale Banking customer units	69	99	70	51	100	-30%	-31%
Wealth Mgmt. excl. Life	12	7	6	10	21	71%	-43%
Wholesale Banking excl. Customer units	92	-16	103	127	91		1%
Life & Pensions	49	62	51	57	59	-21%	-17%
Group Functions and other	8	10	50	25	22	-	-
Total Group	**441**	**235**	**357**	**361**	**375**	**88%**	**18%**

Equity method

Income from companies accounted for under the equity method was EUR 28m, up from EUR 16m in the previous quarter with VISA amounting to EUR 4m (EUR 7m in Q4 2017) and Luminor contributing EUR 18m (EUR 2m in Q4 2017).

Other operating income

Other operating income was EUR 23m, down from EUR 29m in the previous quarter.

Total operating income

Total income increased by 4% in local currencies from the previous quarter to EUR 2,315m.

Total operating income per business area

								Local currency	
	Q118	Q417	Q317	Q217	Q117	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Personal Banking	769	699	729	725	730	10%	5%	11%	8%
Commercial & Business Banking	536	474	464	496	483	13%	11%	14%	14%
Wholesale Banking	472	379	498	501	562	25%	-16%	25%	-14%
Wealth Management	454	525	476	507	512	-14%	-11%	-14%	-11%
Group Functions and other	84	151	206	178	174	-	-	-	-
Total Group	**2,315**	**2,228**	**2,373**	**2,407**	**2,461**	**4%**	**-6%**	**4%**	**-4%**

Total expenses

Total expenses in the first quarter amounted to EUR 1,205m, down 11% from the previous quarter and down 1% from the first quarter of 2017 in local currencies. The first quarter included transformation costs of EUR 18m (EUR 146m in Q4 2017). Excluding these costs, the decrease from the previous quarter was 2% mostly due to periodisation.

Staff costs were down 7% in local currencies from the previous quarter and up 2% from the same period in 2017 in local currencies. The first quarter included transformation costs of EUR 18m compared to EUR 134m in Q4 2017.

Other expenses were down 20% in local currencies from the previous quarter, mainly driven by cost savings initiatives. No transformation costs were booked in the first quarter compared to EUR 11m in Q4 2017.

Depreciations was down 5% in local currencies from the previous quarter and up 20% from the same quarter of 2017. No transformation costs were booked in the first quarter compared to EUR 1m in Q4 2017.

The number of employees (FTEs) at the end of the first quarter was 30,082, which is a decrease of 1% or 317 from the previous quarter and down 5% from the same quarter of 2017. The decrease versus Q4 2017 stems from Personal Banking, Commercial & Business Banking and Wholesale Banking, which is offset by Group Corporate Centre and Wealth Management. The large decrease versus Q1 2017 stems from FTEs transferred to Luminor.

Expenses related to Group projects, Compliance and Risk that affected the P&L were EUR 118m, compared to EUR 143m in the previous quarter. In addition, EUR 62m was capitalised from Group projects compared to EUR 72m in the previous quarter.

Provisions for performance-related salaries in the first quarter were EUR 53m, compared to EUR 62m in the previous quarter.

The cost/income ratio was down to 52% in the first quarter, compared to the previous quarter (61%) but up compared to the first quarter of 2017 (51%).

Total operating expenses

								Local currency	
	Q118	Q417	Q317	Q217	Q117	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Staff costs	-798	-861	-757	-795	-799	-7%	0%	-7%	2%
Other expenses	-336	-425	-377	-433	-387	-21%	-13%	-20%	-11%
Depreciations	-71	-75	-70	-63	-60	-5%	18%	-5%	20%
Total Group	**-1,205**	**-1,361**	**-1,204**	**-1,291**	**-1,246**	**-11%**	**-3%**	**-11%**	**-1%**

Total operating expenses per business area

								Local currency	
	Q118	Q417	Q317	Q217	Q117	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Personal Banking	-429	-450	-409	-435	-426	-5%	1%	-4%	3%
Commercial & Business Banking	-286	-340	-284	-290	-289	-16%	-1%	-15%	2%
Wholesale Banking	-233	-247	-222	-228	-236	-6%	-1%	-6%	3%
Wealth Management	-213	-222	-207	-234	-216	-4%	-1%	-4%	-3%
Group Functions and other	-44	-102	-82	-104	-79	-	-	-	-
Total Group	**-1,205**	**-1,361**	**-1,204**	**-1,291**	**-1,246**	**-11%**	**-3%**	**-11%**	**-1%**

Currency fluctuation effects

	Q1/Q4	Q1/Q1	Jan-Mar 18/17
%-points			
Income	0	-2	-2
Expenses	0	-3	-3
Operating profit	0	-2	-2
Loan and deposit volumes	-1	-3	-3

Net loan losses

Credit quality remained solid with stable net rating migration in Q1 among both the retail portfolio and the corporate portfolio.

Net loan losses decreased to EUR 40m and the loan loss ratio improved to 7 bps (EUR 71m and 9 bps in the previous quarter). Loan losses in Q1 mainly stem from a new impaired corporate customer in Denmark as well as a few Oil and Offshore-related customers.

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

The loan loss ratio for losses in Stage 3 is 21 bps and for losses in Stages 1 and 2 the ratio is -14 bps. Reversals in loan losses for Stages 1 and 2 are partly driven by the implementation of the new provisioning model, as well as a part of the increased provisions in Stage 3.

Our expectation for the coming quarters is loan losses at a level below the long-term average for the last ten years.

Loan loss ratios and impaired loans

	Q118	Q417	Q317	Q217	Q117
Basis points of loans[1,2]					
Loan loss ratios annualised, Group	7	9	10	13	14
of which Stage 1 and 2	-14	-11	-2	2	-2
of which Stage 3	21	20	12	11	16
Personal Banking total	7	2	1	7	2
Banking Denmark[1]	75	-8	-1	11	3
Banking Finland	11	2	1	4	1
Banking Norway	0	0	4	0	1
Banking Sweden	1	3	2	2	2
Commercial & Business Banking	-10	15	12	8	9
Commercial Banking	-31	25	21	13	23
Business Banking	13	0	1	2	-12
Wholesale Banking[1]	31	20	22	34	44
Corporate & Investment Banking (CIB)	39	37	34	49	63
of which C&IB excl. SOO	23	24	11	15	14
of which Shipping, Offshore & Oil Services (SOO)	16	13	23	34	49
Banking Russia	-70	-87	62	88	162

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

Credit portfolio

Total lending to the public, excluding reverse repurchase agreements, decreased by 2% to EUR 288bn from EUR 294bn in Q4. In local currencies total lending decreased by 1% from Q4.

Total impaired loans (Stage 3) are EUR 5,212m.

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

Profit

Operating profit
Operating profit increased to EUR 1,070m, up 35% in local currencies compared to the previous quarter, and down 1% compared to the same quarter of 2017.

Taxes
Income tax expense was EUR 250m compared to EUR 167m in the previous quarter. The effective tax rate was 23.2%, compared to 20.8% in the previous quarter and 23.5% in the first quarter last year.

Net profit
Net profit increased 29% in local currencies from the previous quarter to EUR 820m. Return on equity was 10.0%, up from 7.7% in the previous quarter.

Diluted earnings per share were EUR 0.20 (EUR 0.15 in the previous quarter).

Operating profit per business area

								Local currency	
	Q118	Q417	Q317	Q217	Q117	Q1/Q4	Q1/Q1	Q1/Q4	Q1/Q1
EURm									
Personal Banking	321	240	315	266	297	34%	8%	35%	12%
Commercial & Business Banking	267	105	155	189	177	-	51%	-	53%
Wholesale Banking	204	97	236	209	236	-	-14%	-	-13%
Wealth Management	241	303	269	273	296	-20%	-19%	-20%	-19%
Group Functions and other	37	51	115	73	96	-	-	-	-
Total Group	**1,070**	**796**	**1,090**	**1,010**	**1,102**	**34%**	**-3%**	**35%**	**-1%**

First quarter 2018 compared to first quarter 2017

Total income was down 4% in local currencies and 6% in EUR from the prior year and operating profit was down 1% in local currencies and 3% in EUR from the previous year.

Income
Net interest income was down 9% in local currencies and 12% in EUR from 2017. Average lending volumes in business areas in local currencies were down by 4% compared to 2017 driven by lower volumes in Wholesale Banking and deposit volumes were down by 6% 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 increased in local currencies by 17% and by 18% in EUR from 2017.

Expenses
Total expenses were down 1% in local currencies and 3% in EUR from the previous year and amounted to EUR 1,205m.

Staff costs were up 2% in local currencies and unchanged in EUR.

Net loan losses
Net loan loss provisions decreased to EUR 40m, corresponding to a loan loss ratio of 7 bps (down from 14 bps in 2017).

Net profit
Net profit decreased 1% in local currencies and 3% in EUR and amounted to EUR 820m.

Currency fluctuation impact
Currency fluctuations had a negative effect on income and operating profit of 2% points and a negative effect of 3% points on expenses and on loan and deposit volumes compared to a year ago.

Other information

Capital position and risk exposure amount (REA)

The Nordea Group's Basel III Common Equity Tier 1 (CET1) capital ratio increased to 19.8% at the end of the first quarter 2018 compared to 19.5% at the end of the fourth quarter 2017. Risk exposure amount, REA, decreased by EUR 3.1bn. The decrease was mainly driven by improved credit quality in the IRB credit risk portfolio as well as effects due to FX movements. CET1 capital decreased EUR 0.2bn mainly due to FX effects. In total, the FX movements had a positive effect on the CET1 ratio.

The tier 1 capital ratio remained flat at 22.3% compared to the previous quarter and the total capital ratio remained flat at 25.2% compared to the previous quarter.

At the end of the first quarter 2018, the CET1 capital was EUR 24.3bn, the tier 1 capital was EUR 27.3bn and the own funds were EUR 30.9bn.

The CRR leverage ratio decreased to 5.1%, compared to 5.2% in the previous quarter.

Economic Capital (EC) was EUR 26.2bn at the end of the first quarter, a decrease by EUR 0.5bn compared to the fourth quarter last year. Decreases in the Nordea Life & Pension component, IRB shortfall and credit risk REA were somewhat offset by increases following the annual update of the framework.

The Group's Internal Capital Requirement (ICR) was at the end of the first quarter EUR 13.0bn. The decrease is mainly driven by a reduction of credit risk and updated stress test figures for 2018. The ICR should be compared to own funds, which were EUR 30.9bn. The ICR is calculated based on a Pillar I plus Pillar II approach. For more detailed information about the ICR methodology see the Capital and Risk Management Report.

Capital ratios

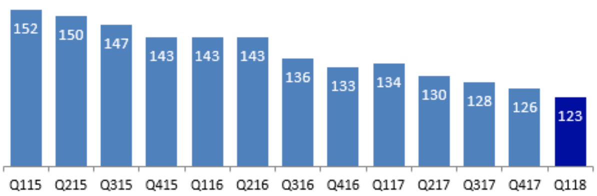
%	Q118	Q417	Q317	Q217	Q117
CRR/CRDIV					
CET 1 cap. ratio	19.8	19.5	19.2	19.2	18.8
Tier 1 capital ratio	22.3	22.3	21.4	21.4	21.0
Total capital ratio	25.2	25.2	24.5	24.6	24.3

Regulatory developments

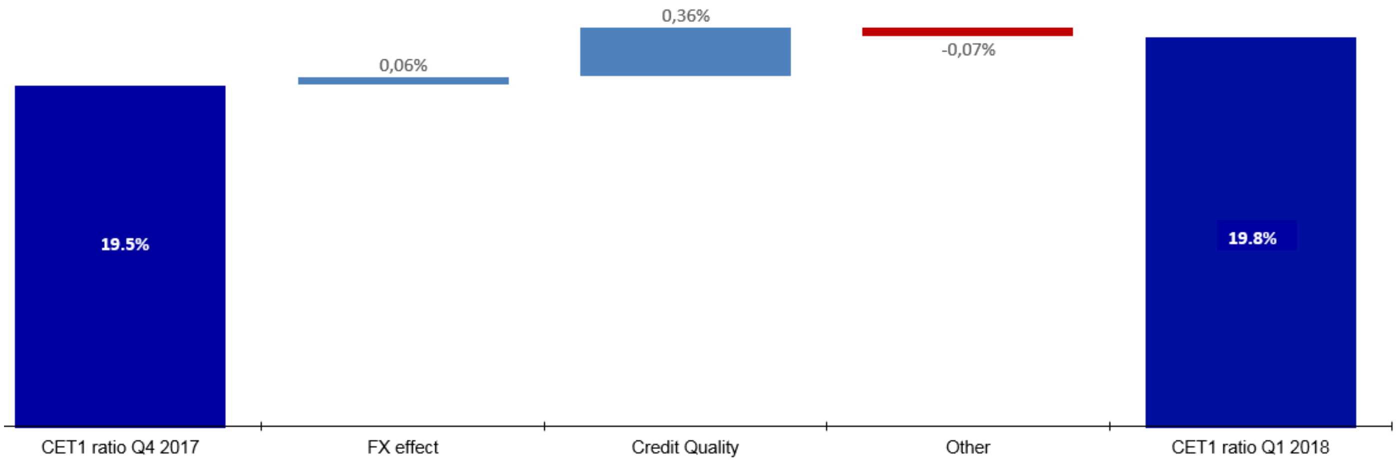
The Swedish FSA, on 31 January, issued a consultation paper on an amendment to its Pillar 2 method for the interest rate risk in the banking book. The amendment is, according to the Swedish FSA, a minor adjustment which removes own credit spreads from the calculation. The consultation period ended on 28 February.

On 28 March, the Swedish FSA published a consultation paper to change the method it currently uses to apply the current risk weight floor for Swedish mortgages through Pillar 2 by replacing it with a requirement in Pillar 1 within the framework of Article 458 of the CRR. The change is proposed to enter into force on 31 December 2018. The consultation period runs until 30 April 2018.

Risk exposure amount, REA (EURbn), quarterly



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



Balance sheet

Total assets in the balance sheet were unchanged and amounted to EUR 580bn in the quarter. Both loans to credit institutions and the asset values of derivatives were EUR 8bn and EUR 4bn, respectively, lower than in the previous period.

Loans to the public were unchanged in the quarter and amounted to EUR 311bn compared to EUR 310bn in the previous quarter.

Other assets decreased by EUR 5bn from the previous quarter.

Balance sheet data

	Q118	Q417	Q317	Q217	Q117
EURbn					
Loans to credit institutions	17	9	14	21	19
Loans to the public	311	310	314	315	320
Derivatives	42	46	49	53	56
Interest-bearing securities	73	75	88	91	93
Other assets	137	142	150	163	162
Total assets	**580**	**582**	**615**	**643**	**650**
Deposits from credit inst.	50	40	54	70	70
Deposits from the public	174	172	182	190	191
Debt securities in issue	175	179	183	185	188
Derivatives	38	43	45	53	56
Other liabilities	112	114	118	114	113
Total equity	31	33	32	31	31
Total liabilities and equity	**580**	**582**	**615**	**643**	**650**

Nordea's funding and liquidity operations

Nordea issued approximately EUR 7bn in long-term funding in the first quarter (excluding Danish covered bonds and subordinated notes), of which approximately EUR 5bn was issued in covered bonds and approximately EUR 2bn was issued in senior unsecured bonds. Public benchmark transactions during the quarter included a 4-year EUR 1bn floating rate senior unsecured bond issued by Nordea Bank AB, a EUR 2bn dual tranche (5-year and 15-year tenor) fixed rate covered bond issued by Nordea Mortgage Bank and a 5.25-year NOK 5bn floating rate covered bond issued by Nordea Eiendomskreditt.

Nordea's long-term funding portion of total funding was approximately 83% at the end of the first quarter.

The issuance of Senior Non-Preferred (SNP) debt is likely to commence during 2018. Should Nordea wish to start issuing SNP before the EU's Credit Hierarchy Directive is implemented either in Sweden or Finland, Nordea could use a contractual SNP solution that would ensure alignment with the local framework once implemented.

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, 174% at the end of the first quarter. The LCR in EUR was 192% and in USD 180% at the end of the first quarter. The liquidity buffer is composed of highly liquid central bank eligible securities and cash with characteristics similar to CRD IV high quality liquid assets and amounted to EUR 91bn at the end of the first quarter (EUR 99bn at the end of the fourth quarter).

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

Funding and liquidity data

	Q118	Q417	Q317	Q217	Q117
Long-term funding portion	83%	81%	81%	80%	81%
LCR total	174%	147%	143%	141%	142%
LCR EUR	192%	257%	187%	203%	185%
LCR USD	180%	170%	161%	165%	150%

Market risk

Total market risk, measured as Value at Risk, in the trading book was EUR 13m, an increase from the previous quarter (EUR 11m).

Trading book

	Q118	Q417	Q317	Q217	Q117
EURm					
Total risk, VaR	13	11	13	10	9
Interest rate risk, VaR	13	10	10	12	9
Equity risk, VaR	1	3	2	4	3
Foreign exchange risk, VaR	2	5	9	2	5
Credit spread risk, VaR	4	4	5	5	7
Diversification effect	39%	50%	48%	59%	62%

Total market risk, measured as Value at Risk, in the banking book decreased to EUR 37m (EUR 45m in the previous quarter) due mainly to a reduction in asset swap spread risk in the liquid asset buffer.

Banking book

	Q118	Q417	Q317	Q217	Q117
EURm					
Total risk, VaR	37	46	47	52	63
Interest rate risk, VaR	38	47	48	53	63
Equity risk, VaR	5	3	4	4	2
Foreign exchange risk, VaR	3	3	2	2	2
Credit spread risk, VaR	1	1	1	1	1
Diversification effect	20%	15%	14%	14%	7%

Nordea share and ratings

Nordea's share price as at the end of Q1 2018 and ratings as at the end of Q1 2018.

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

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

Update on Nordea to re-domicile to Banking union

On 6 September 2017, the Board of Directors of Nordea Bank AB (publ) initiated a process to re-domicile the parent company from Sweden to Finland. The Board of Directors of each of Nordea Bank AB (publ) and the newly established and wholly-owned Finnish company Nordea Holding Abp on 25 October 2017 signed a joint cross-border merger plan that was presented to the shareholders on 15 March 2018 at the AGM 2018 for their approval. The AGM 2018 voted in favour of the merger proposal with 95.8% of the votes.

The execution of the merger is further conditional upon e.g. receiving the requisite regulatory approvals. The merger, and consequently the re-domiciliation, is planned to be effected during the second half of 2018, tentatively on 1 October 2018. The merger plan and a prospectus can be found on www.nordea.com.

Update on sale of Nordea Liv & Pension Denmark

In Q4 2017, Nordea announced that Foreningen Norliv will purchase an additional 45% of the share capital in Danish Nordea Liv & Pension, livforsikringsselskab A/S conditional on approval by the Danish FSA and the antitrust authorities. The transaction was closed on 16 April 2018 and will generate a post-tax capital gain of EUR 142m to be recognised in Q2 2018. The remaining holding in the associated company (30%) will be remeasured to fair value and will lead to an additional post-tax gain of EUR 108m for the Nordea Group to be recognised in Q2 2018.

Update on sale of collection portfolio in Denmark

In Q4 2017 Nordea signed an agreement to divest a portfolio of non-performing loans in Denmark. The portfolio consists of around 40,000 claims, the principal value amounts to approximately EUR 500m and the transaction is expected to generate a capital gain of roughly EUR 40-50m. Should the loans not fulfil contractual terms, buyers will be compensated. The financial effects are expected to be accounted for in the income statement in 2018 as the loan documentation is transferred to the buyers. EUR 9m was recognised in “Net result from items at fair value” in Q1 2018.

Sale of International Private Banking in Luxembourg

Nordea has communicated the sale of certain assets and liabilities and the transfer of certain employees of its International Private Banking arm in Luxembourg to UBS. In the Q1 2018 report, assets and liabilities in scope are reclassified to “Assets/Liabilities held for sale”. The closing is scheduled for H2 2018.

IFRS 9: Final quantitative impact

From 1 January 2018, IFRS 9 “Financial instruments” covering classification and measurement, impairment and general hedge accounting is effective. The impact on the Common Equity Tier 1 capital ratio, after adjustment of the shortfall deduction and before transition rules, was insignificant. (More details in Note 1 on page 20.)

Divestment of shares in UC AB

The Finnish credit information company Asiakastieto Group Plc (“Asiakastieto”) listed on NASDAQ Helsinki has entered into an agreement with all owners of UC AB (“UC”), including Nordea, to acquire UC at a price amounting to approximately EUR 340m. Nordea owns 26.1 % of the shares in UC and will receive 2,303,315 shares in Asiakastieto, equivalent to 9.6 % of the shares in the company after completion of the transaction, and approximately EUR 26m in cash. The transaction results in a capital gain amounting to approximately EUR 86m for Nordea, expected to be recognised in the result in Q2 2018, based on Asiakastieto’s share price as at 23 April 2018 of 27.30 euro. The transaction is conditional on a decision by an extraordinary general meeting of Asiakastieto to, among other things, mandate the board of directors to issue new shares (to be subscribed for by Nordea and the other sellers), relevant approval from competition authorities and certain other conditions.

Quarterly development, Group

EURm	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Net interest income	1,053	1,109	1,185	1,175	1,197
Net fee and commission income	770	839	814	850	866
Net result from items at fair value	441	235	357	361	375
Profit from associated undertakings and joint ventures accounted for under the equity method	28	16	3	0	4
Other operating income	23	29	14	21	19
Total operating income	**2,315**	**2,228**	**2,373**	**2,407**	**2,461**
General administrative expenses:					
Staff costs	-798	-861	-757	-795	-799
Other expenses	-336	-425	-377	-433	-387
Depreciation, amortisation and impairment charges of tangible and intangible assets	-71	-75	-70	-63	-60
Total operating expenses	**-1,205**	**-1,361**	**-1,204**	**-1,291**	**-1,246**
Profit before loan losses	**1,110**	**867**	**1,169**	**1,116**	**1,215**
Net loan losses	-40	-71	-79	-106	-113
Operating profit	**1,070**	**796**	**1,090**	**1,010**	**1,102**
Income tax expense	-250	-167	-258	-267	-258
Net profit for the period	**820**	**629**	**832**	**743**	**844**
Diluted earnings per share (DEPS), EUR	0.20	0.15	0.21	0.18	0.21
DEPS, rolling 12 months up to period end, EUR	0.74	0.75	0.87	0.88	0.95

Income statement

EURm	Q1 2018	Q1 2017	Full year 2017
Operating income			
Interest income	1,726	1,912	7,575
Interest expense	-673	-715	-2,909
Net interest income	**1,053**	**1,197**	**4,666**
Fee and commission income	980	1,082	4,232
Fee and commission expense	-210	-216	-863
Net fee and commission income	**770**	**866**	**3,369**
Net result from items at fair value	441	375	1,328
Profit from associated undertakings and joint ventures accounted for under the equity method	28	4	23
Other operating income	23	19	83
Total operating income	**2,315**	**2,461**	**9,469**
Operating expenses			
General administrative expenses:			
Staff costs	-798	-799	-3,212
Other expenses	-336	-387	-1,622
Depreciation, amortisation and impairment charges of tangible and intangible assets	-71	-60	-268
Total operating expenses	**-1,205**	**-1,246**	**-5,102**
Profit before loan losses	**1,110**	**1,215**	**4,367**
Net loan losses	-40	-113	-369
Operating profit	**1,070**	**1,102**	**3,998**
Income tax expense	-250	-258	-950
Net profit for the period	**820**	**844**	**3,048**
Attributable to:			
Shareholders of Nordea Bank AB (publ)	809	839	3,031
Additional Tier 1 capital holders	7	-	-
Non-controlling interests	4	5	17
Total	**820**	**844**	**3,048**
Basic earnings per share, EUR	0.20	0.21	0.75
Diluted earnings per share, EUR	0.20	0.21	0.75

Statement of comprehensive income

EURm	Q1 2018	Q1 2017	Full year 2017
Net profit for the period	**820**	**844**	**3,048**
Items that may be reclassified subsequently to the income statement			
Currency translation differences during the period	-100	67	-511
Tax on currency translation differences during the period	16	74	3
Hedging of net investments in foreign operations:			
Valuation gains/losses during the period	4	18	175
Tax on valuation gains/losses during the period	0	-4	-37
Fair value through other comprehensive income[1]:			
Valuation gains/losses during the period, net of recycling	7	-	-
Tax on valuation gains/losses during the period	-2	-	-
Available for sale investments[1]:			
Valuation gains/losses during the period, net of recycling	-	28	31
Tax on valuation gains/losses during the period	-	-7	-8
Cash flow hedges:			
Valuation gains/losses during the period, net of recycling	11	-82	-107
Tax on valuation gains/losses during the period	-2	19	24
Items that may not be reclassified subsequently to the income statement			
Changes in own credit risk related to liabilities classified as fair value option:			
Valuation gains/losses during the period	5	-	-
Tax on valuation gains/losses during the period	-1	-	-
Defined benefit plans:			
Remeasurement of defined benefit plans	-35	18	-115
Tax on remeasurement of defined benefit plans	7	-4	25
Other comprehensive income, net of tax	**-90**	**127**	**-520**
Total comprehensive income	**730**	**971**	**2,528**
Attributable to:			
Shareholders of Nordea Bank AB (publ)	719	966	2,511
Additional Tier 1 capital holders	7	-	-
Non-controlling interests	4	5	17
Total	**730**	**971**	**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	31 Mar 2018	31 Dec 2017	31 Mar 2017
Assets			
Cash and balances with central banks	35,587	43,081	61,527
Loans to central banks	2,977	4,796	4,541
Loans to credit institutions	17,243	8,592	18,764
Loans to the public	310,926	310,158	320,052
Interest-bearing securities	73,198	75,294	93,211
Financial instruments pledged as collateral	9,618	6,489	5,263
Shares	17,176	17,180	27,942
Assets in pooled schemes and unit-linked investment contracts	25,750	25,879	24,382
Derivatives	42,306	46,111	56,204
Fair value changes of the hedged items in portfolio hedge of interest rate risk	150	163	154
Investments in associated undertakings and joint ventures	1,237	1,235	580
Intangible assets	3,971	3,983	3,935
Property and equipment	612	624	559
Investment properties	1,516	1,448	3,234
Deferred tax assets	138	118	168
Current tax assets	333	121	457
Retirement benefit assets	225	250	324
Other assets	14,253	12,441	18,692
Prepaid expenses and accrued income	1,495	1,463	1,561
Assets held for sale	21,478	22,186	8,722
Total assets	**580,189**	**581,612**	**650,272**
Liabilities			
Deposits by credit institutions	50,437	39,983	70,295
Deposits and borrowings from the public	173,985	172,434	190,855
Deposits in pooled schemes and unit-linked investment contracts	26,185	26,333	24,922
Liabilities to policyholders	19,165	19,412	41,831
Debt securities in issue	174,750	179,114	188,441
Derivatives	38,307	42,713	56,109
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,180	1,450	2,195
Current tax liabilities	595	389	649
Other liabilities	26,431	28,515	25,741
Accrued expenses and prepaid income	1,788	1,603	2,151
Deferred tax liabilities	614	722	772
Provisions	332	329	281
Retirement benefit obligations	283	281	274
Subordinated liabilities	8,320	8,987	9,603
Liabilities held for sale	26,761	26,031	5,076
Total liabilities	**549,133**	**548,296**	**619,195**
Equity			
Additional Tier 1 capital holders	750	750	-
Non-controlling interests	172	168	177
Share capital	4,050	4,050	4,050
Share premium reserve	1,080	1,080	1,080
Other reserves	-1,640	-1,543	-896
Retained earnings	26,644	28,811	26,666
Total equity	**31,056**	**33,316**	**31,077**
Total liabilities and equity	**580,189**	**581,612**	**650,272**
Assets pledged as security for own liabilities	195,207	198,973	193,653
Other assets pledged	5,038	4,943	4,835
Contingent liabilities	18,809	19,020	21,618
Credit commitments[1]	73,525	74,545	77,898
Other commitments	2,473	2,487	2,104

[1] Including unutilised portion of approved overdraft facilities of EUR 29,440m (31 Dec 2017: EUR 29,956m, 31 Mar 2017: EUR 30,588m).

Statement of changes in equity

	Attributable to shareholders of Nordea Bank AB (publ)											
			Other reserves:									
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Fair value through other comprehensive income[2]	Defined benefit plans	Changes in own credit risk related to liabilities classified as fair value option	Retained earnings	Total	Additional Tier 1 capital holders	Non-controlling interests	Total equity
Balance at 1 Jan 2018	**4,050**	**1,080**	**-1,720**	**-46**	**103**	**120**	**-**	**28,811**	**32,398**	**750**	**168**	**33,316**
Restatement due to changed accounting policy, net of tax[3]	-	-	-	-	1	-	-8	-237	-244	-	-	-244
Restated opening balance at 1 Jan 2018	**4,050**	**1,080**	**-1,720**	**-46**	**104**	**120**	**-8**	**28,574**	**32,154**	**750**	**168**	**33,072**
Net profit for the period	-	-	-	-	-	-	-	809	809	7	4	**820**
Other comprehensive income, net of tax	-	-	-80	9	5	-28	4	-	-90	-	-	**-90**
Total comprehensive income	-	-	-80	9	5	-28	4	809	719	7	4	**730**
Paid interest on AT1 capital	-	-	-	-	-	-	-	-	-	-7	-	**-7**
Dividend 2017	-	-	-	-	-	-	-	-2,747	-2,747	-	-	**-2,747**
Divestment of own shares[4]	-	-	-	-	-	-	-	8	8	-	-	**8**
Balance at 31 Mar 2018	**4,050**	**1,080**	**-1,800**	**-37**	**109**	**92**	**-4**	**26,644**	**30,134**	**750**	**172**	**31,056**

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

	Attributable to shareholders of Nordea Bank AB (publ)									
			Other reserves:							
EURm	Share capital[1]	Share premium reserve	Translation of foreign operations	Cash flow hedges	Available for sale investments	Defined benefit plans	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2017	**4,050**	**1,080**	**-1,350**	**37**	**80**	**210**	**28,302**	**32,409**	**1**	**32,410**
Net profit for the period	-	-	-	-	-	-	839	839	5	**844**
Other comprehensive income, net of tax	-	-	155	-63	21	14	-	127	-	**127**
Total comprehensive income	-	-	155	-63	21	14	839	966	5	**971**
Dividend for 2016	-	-	-	-	-	-	-2,625	-2,625	-	**-2,625**
Divestment of own shares[4]	-	-	-	-	-	-	28	28	-	**28**
Change in non-controlling interests[5]	-	-	-	-	-	-	122	122	171	**293**
Balance at 31 Mar 2017	**4,050**	**1,080**	**-1,195**	**-26**	**101**	**224**	**26,666**	**30,900**	**177**	**31,077**

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

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

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

[4] Refers to the change in the holding of own shares related to the Long Term Incentive Programme, trading portfolio and Nordea's shares within portfolio schemes in Denmark. The number of own shares at 31 Mar 2018 was 12.9 million (31 Dec 2017: 13.7 million, 31 Mar 2017: 11.0 million). The total holdings of own shares related to LTIP were 10.2 million (31 Dec 2017: 10.2 million, 31 Mar 2017: 10.9 million).

[5] Refers to the sale of 25% of Nordea Liv & Pension, Livforsikringsselskab A/S in Denmark.

Cash flow statement, condensed

EURm	Jan-Mar 2018	Jan-Mar 2017	Full year 2017
Operating activities			
Operating profit	1,070	1,102	3,998
Adjustments for items not included in cash flow	420	1,391	3,514
Income taxes paid	-378	-331	-950
Cash flow from operating activities before changes in operating assets and liabilities	**1,112**	**2,162**	**6,562**
Changes in operating assets and liabilities	-3,751	27,468	5,712
Cash flow from operating activities	**-2,639**	**29,630**	**12,274**
Investing activities			
Sale of business operations	-	-	228
Investments in/sale of associated undertakings and joint ventures	-	-	-937
Acqusition/sale of property and equipment	-13	-19	-118
Acqusition/sale of intangible assets	-119	-172	-643
Net investments in debt securities, held to maturity	-	-169	-8
Sale/acqusition of other financial fixed assets	-2	35	-21
Cash flow from investing activities	**-134**	**-325**	**-1,499**
Financing activities			
Amortised subordinated liabilities	-500	-750	-750
Divestment of own shares including change in trading portfolio	8	28	-12
Dividend paid	-2,747	-2,625	-2,625
Issued Additional Tier 1 capital	-	-	750
Paid interest on Additional Tier 1 capital	-7	-	-
Cash flow from financing activities	**-3,246**	**-3,347**	**-2,637**
Cash flow for the period	**-6,019**	**25,958**	**8,138**

Cash and cash equivalents EURm	31 Mar 2018	31 Mar 2017	31 Dec 2017
Cash and cash equivalents at beginning of the period	46,213	41,860	41,860
Translation difference	-1,298	-405	-3,785
Cash and cash equivalents at end of the period	38,896	67,413	46,213
Change	**-6,019**	**25,958**	**8,138**
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	35,587	61,527	43,081
Loans to central banks	1,827	3,937	2,004
Loans to credit institutions	942	1,815	779
Assets held for sale	540	134	349
Total cash and cash equivalents	**38,896**	**67,413**	**46,213**

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

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

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

Notes to the financial statements

Note 1 Accounting policies

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

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

Changed accounting policies and presentation

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

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

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

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

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

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

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

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

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

Disposal groups held for sale

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

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

Nordea has during the first quarter, 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 loan portfolio in Denmark. The change generated a pre-tax gain of EUR 135m accounted for as "Net result from items at fair value" in the income statement.

Exchange rates

	Jan-Mar 2018	Jan-Dec 2017	Jan-Mar 2017
EUR 1 = SEK			
Income statement (average)	9.9765	9.6378	9.5053
Balance sheet (at end of period)	10.2843	9.8438	9.5322
EUR 1 = DKK			
Income statement (average)	7.4468	7.4387	7.4352
Balance sheet (at end of period)	7.4530	7.4449	7.4379
EUR 1 = NOK			
Income statement (average)	9.6366	9.3317	8.9883
Balance sheet (at end of period)	9.6770	9.8403	9.1683
EUR 1 = RUB			
Income statement (average)	69.9590	65.9190	62.5730
Balance sheet (at end of period)	70.8897	69.3920	60.3130

Note 2 Net loan losses

EURm	Q1 2018[1]
Net loan losses, stage 1	11
Net loan losses, stage 2	70
Net loan losses, non-defaulted	**81**
Stage 3, defaulted	
Net loan losses, individually assessed, collectively calculated	-71
Realised loan losses	-108
Decrease of provisions to cover realised loan losses	82
Recoveries on previous realised loan losses	9
New/increase in provisions	-127
Reversals of provisions	94
Net loan losses, defaulted	**-121**
Net loan losses	**-40**

Key ratios

	Q1 2018[1]
Loan loss ratio, basis points	7
- of which stage 1	-2
- of which stage 2	-12
- of which stage 3	21

EURm	Q1 2017[2]	Jan-Dec 2017[2]
Realised loan losses	-104	-435
Decrease of provisions to cover realised loan losses	69	309
Recoveries on previous realised loan losses	11	54
New/increase in provisions	-275	-1,001
Reversal of provisions	186	704
Net loan losses	**-113**	**-369**

Key ratios

	Q1 2017[2]	Jan-Dec 2017[2]
Loan loss ratio, basis points	14	12
- of which individual	16	15
- of which collective	-2	-3

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

Note 3 Loans and impairment

	Total		
	31 Mar 2018[1]	31 Dec 2017[2]	31 Mar 2017[2]
EURm			
Loans measured at fair value	90,640	76,766	90,668
Loans measured at amortised cost, not impaired (stage 1 and 2)	237,574	243,045	249,518
Impaired loans (stage 3)	5,212	6,068	5,618
- of which servicing	2,539	3,593	3,492
- of which non-servicing	2,673	2,475	2,126
Loans before allowances	**333,426**	**325,879**	**345,804**
-of which central banks and credit institution	*20,243*	*13,389*	*23,307*
Allowances for individually assessed impaired loans (stage 3)	-1,877	-1,936	-1,951
-of which servicing	-866	-1,103	-1,122
-of which non-servicing	-1,011	-833	-829
Allowances for collectively assessed impaired loans (stage 1 and 2)	-403	-397	-496
Allowances	**-2,280**	**-2,333**	**-2,447**
-of which central banks and credit institution	*-24*	*-1*	*-2*
Loans, carrying amount	**331,146**	**323,546**	**343,357**

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

	31 Mar 2018[1]			31 Mar 2017[2]
	Stage 1	Stage 2	Stage 3	
EURm				
Loans to central banks, credit institutions and the public	222,687	14,887	5,212	249,518
Interest-bearing securities	37,790	-	-	39,082
Total[3]	**260,477**	**14,887**	**5,212**	**288,600**

Allowances and provisions

	31 Mar 2018[1]			31 Mar 2017[2]
	Stage 1	Stage 2	Stage 3	
EURm				
Loans to central banks, credit institutions and the public	-123	-280	-1,877	-2,447
Interest-bearing securities	-1	-	-	-
Provisions for off balance sheet items	-9	-34	-84	-76
Total allowances and provisions[3]	**-133**	**-314**	**-1,961**	**-2,523**

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	-2	-1	-2	-5
Changes due to change in credit risk (net)	4	68	-138	-66
Changes due to repayments and disposals	7	12	16	35
Write-off through decrease in allowance account	-	-	80	80
Other changes	1	0	-22	-21
Translation differences	0	1	5	6
Balance as at 31 Mar 2018	**-123**	**-280**	**-1,877**	**-2,280**

Key ratios[4]

	31 Mar 2018[1]
Impairment rate (stage 3), gross, basis points	215
Impairment rate (stage 3), net, basis points	137
Total allowance rate (stage 1, 2 and 3), basis points	94
Allowances in relation to impaired loans (stage 3), basis points	3,601
Allowances in relation to loans in stage 1 and 2, basis points	17

	31 Dec 2017[2]	31 Mar 2017[2]
Impairment rate, gross, basis points	186	162
Impairment rate, net, basis points	127	106
Total allowance rate, basis points	72	71
Allowances in relation to impaired loans, basis points	3,191	3,472
Total allowances in relation to impaired loans, basis points	3,845	4,356
Non-servicing, not impaired, EURm	253	310

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

Note 4 Classification of financial instruments

EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Fair value through profit or loss (FVPL) Designated at fair value through profit or loss (Fair value option)	Fair value through profit or loss (FVPL) Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Total
Financial assets						
Cash and balances with central banks	35,587	-	-	-	-	35,587
Loans to central banks	2,642	335	-	-	-	2,977
Loans to credit institutions	7,625	9,618	-	-	-	17,243
Loans to the public	230,239	80,687	-	-	-	310,926
Interest-bearing securities	3,247	27,645	7,764	-	34,542	73,198
Financial instruments pledged as collateral	-	9,618	-	-	-	9,618
Shares	-	17,176	-	-	-	17,176
Assets in pooled schemes and unit-linked investment contracts	-	25,160	437	-	-	25,597
Derivatives	-	40,550	-	1,756	-	42,306
Fair value changes of the hedged items in portfolio hedge of interest rate risk	150	-	-	-	-	150
Other assets	2,914	10,463	-	-	-	13,377
Prepaid expenses and accrued income	1,064	-	-	-	-	1,064
Total 31 Mar 2018	**283,468**	**221,252**	**8,201**	**1,756**	**34,542**	**549,219**
Total 1 Jan 2018[1]	295,746	208,039	8,331	1,696	36,342	550,154

EURm	Amortised cost (AC)	Fair value through profit or loss (FVPL) Mandatorily	Fair value through profit or loss (FVPL) Designated at fair value through profit or loss (Fair value option)	Fair value through profit or loss (FVPL) Derivatives used for hedging	Total
Financial liabilities					
Deposits by credit institutions	33,619	16,818	-	-	50,437
Deposits and borrowings from the public	157,185	16,800	-	-	173,985
Deposits in pooled schemes and unit-linked investment contracts	-	-	26,185	-	26,185
Liabilities to policyholders	-	-	3,359	-	3,359
Debt securities in issue	120,238	-	54,512	-	174,750
Derivatives	-	37,073	-	1,234	38,307
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,180	-	-	-	1,180
Other liabilities	2,304	22,539	-	-	24,843
Accrued expenses and prepaid income	352	-	-	-	352
Subordinated liabilities	8,320	-	-	-	8,320
Total 31 Mar 2018	**323,198**	**93,230**	**84,056**	**1,234**	**501,718**
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 5 Risks and uncertainties

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

The supervisory authorities have during 2016 conducted ongoing investigations with regards to Nordea's compliance in several areas, e.g. investment advice, AML, external tax rules, competition law and governance and control. The Nordea Group is also responding to inquiries from U.S. governmental authorities regarding historical compliance with certain U.S. financial sanctions during 2008-2014. The outcome of some investigations is pending and it cannot be excluded that these investigations could lead to criticism or sanctions.

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

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

Nordea Bank AB (publ)

Income statement

EURm	Q1 2018	Q1 2017	Full year 2017
Operating income			
Interest income	979	1,044	4,155
Interest expense	-504	-506	-1,824
Net interest income	**475**	**538**	**2,331**
Fee and commission income	553	629	2,409
Fee and commission expense	-101	-98	-407
Net fee and commission income	**452**	**531**	**2,002**
Net result from items at fair value	265	327	1,104
Dividends	-1	466	3,344
Other operating income	105	99	476
Total operating income	**1,296**	**1,961**	**9,257**
Operating expenses			
General administrative expenses:			
Staff costs	-694	-684	-2,768
Other expenses	-304	-353	-1,469
Depreciation, amortisation and impairment charges of tangible and intangible assets	-74	-64	-277
Total operating expenses	**-1,072**	**-1,101**	**-4,514**
Profit before loan losses	**224**	**860**	**4,743**
Net loan losses	-16	-104	-299
Impairment of financial non-current assets	-	-	-385
Operating profit	**208**	**756**	**4,059**
Appropriations	-	-	2
Income tax expense	-68	-79	-551
Net profit for period	**140**	**677**	**3,510**

Nordea Bank AB (publ)

Balance sheet

EURm	31 Mar 2018	31 Dec 2017	31 Mar 2017
Assets			
Cash and balances with central banks	35,194	42,637	61,118
Treasury bills	16,945	13,493	21,753
Loans to credit institutions	64,958	59,765	63,845
Loans to the public	156,948	152,739	171,877
Interest-bearing securities	41,994	47,950	51,652
Financial instruments pledged as collateral	17,106	12,430	10,288
Shares	8,106	7,883	10,369
Derivatives	43,444	47,688	57,259
Fair value changes of the hedged items in portfolio hedge of interest rate risk	67	85	73
Investments in group undertakings	12,531	12,532	13,007
Investments in associated undertakings and joint ventures	1,039	1,036	80
Participating interest in other companies	37	23	10
Intangible assets	2,140	2,114	1,822
Property and equipment	379	385	329
Deferred tax assets	99	84	125
Current tax assets	274	58	403
Retirement benefit assets	214	196	141
Other assets	14,750	15,316	18,815
Prepaid expenses and accrued income	1,217	1,128	1,204
Total assets	**417,442**	**417,542**	**484,170**
Liabilities			
Deposits by credit institutions	63,894	51,735	80,913
Deposits and borrowings from the public	179,607	176,231	198,649
Debt securities in issue	67,616	72,460	79,884
Derivatives	41,019	46,118	59,563
Fair value changes of the hedged items in portfolio hedge of interest rate risk	374	552	915
Current tax liabilities	336	158	417
Other liabilities	26,317	28,720	24,660
Accrued expenses and prepaid income	1,433	1,195	1,749
Deferred tax liabilities	52	174	161
Provisions	402	412	371
Retirement benefit obligations	263	262	282
Subordinated liabilities	8,321	8,987	9,476
Total liabilities	**389,634**	**387,004**	**457,040**
Untaxed reserves	**-**	**-**	**2**
Equity			
Additional Tier 1 capital holders	750	750	-
Share capital	4,050	4,050	4,050
Development cost reserve	1,314	1,205	721
Share premium reserve	1,080	1,080	1,080
Other reserves	67	166	104
Retained earnings	20,547	23,287	21,173
Total equity	**27,808**	**30,538**	**27,128**
Total liabilities and equity	**417,442**	**417,542**	**484,170**
Assets pledged as security for own liabilities	35,833	36,000	37,738
Other assets pledged	5,038	4,943	4,835
Contingent liabilities	53,408	54,130	58,647
Commitments[1]	74,310	77,870	80,425

[1] Including unutilised portion of approved overdraft facilities of EUR 32,455m (31 Dec 2017: EUR 34,725m, 31 Mar 2017: EUR 35,558m).

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.

For further information

- A press conference with management will be held on 25 April at 10.00 CET, at Smålandsgatan 17, Stockholm where Casper von Koskull, President and Group CEO, will present the results. The presentation will be conducted in English and can be viewed live (direct link). You can also find the presentation material at www.nordea.com/ir.
- After the results presentation, there will be a Q&A session (starting at approximately 10.30 with Christopher Rees, Group CFO and Rodney Alfvén, Head of Investor Relations); please dial +44(0) 330 336 9411 or +46(0) 8 5065 3942 or +358 (0)9 7479 0404 confirmation code 8903308 no later than 09.50 CET.
- After the conference an indexed on-demand replay will be available here. A replay will also be available until 2 May by dialing +44 (0) 207 660 0134 or +46 (0) 8 5199 3077 or +358 (0) 9 8171 0562, access code 8903308.
- An analyst and investor presentation will be held in London on 26 April at 08.00 local time at ABGSC Offices, St Martin`s Court, 25 Newgate Street, London, EC1A 7AW where Casper von Koskull, President and Group CEO, Christopher Rees, Group CFO, Rodney Alfvén, Head of Investor Relations and Pawel Wyszynski, Senior IR Officer, will participate.
- The presentation, including Q&A, is expected to last approximately one hour.
- To attend please contact: Rebecca Harris at ABG SC via e-mail: rebecca.harris@abgsc.co.uk
- This Interim management statement, an investor presentation and a fact book are available on www.nordea.com.

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Financial calendar

19 July 2018 – Second Quarter Report 2018 (silent period starts 6 July 2018)
24 October 2018 – Third Quarter Report 2018 (silent period starts 5 October 2018)

Stockholm 25 April 2018

Casper von Koskull
President and Group CEO

This Interim Management Statement has been prepared in accordance with the Nasdaq guidelines for preparing interim management statements.

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

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

The information in this report is such, which Nordea Bank AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 07.00 CET on 25 April 2018.

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

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