

# Nordea



## **Capital and Risk Management Report** **Third quarter 2018**

Provided by Nordea Bank Abp on the basis of  
its consolidated situation

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## EU OV1: Overview of REA

Over the third quarter of 2018, total Pillar I REA decreased by EUR 1 741m. This was mainly driven by credit risk REA with a decrease of EUR 934m. The decrease in credit risk was mainly seen in the corporate portfolio with improved asset quality. Additionally, Counterparty Credit risk (CCR) further decreased REA with EUR 694m, as a result of a decrease in the market risk exposures under the Internal Model Method (IMM).

EURm	REA		Minimum capital requirement	
	30 Sep 2018	30 Jun 2018	30 Sep 2018	30 Jun 2018
<b>Credit risk (excluding counterparty credit risk) (CCR)</b>	<b>92,418</b>	<b>93,352</b>	<b>7,393</b>	<b>7,468</b>
Of which standardised approach (SA) <sup>1</sup>	11,819	11,860	946	949
Of which foundation IRB (FIRB) approach	14,421	14,949	1,154	1,196
Of which advanced IRB approach	66,178	66,543	5,294	5,323
Of which AIRB	44,353	44,852	3,548	3,588
Of which Retail RIRB	21,825	21,691	1,746	1,735
Of which Equity IRB under the simple risk-weight or the IMA				
<b>Counterparty credit risk</b>	<b>6,403</b>	<b>7,097</b>	<b>512</b>	<b>568</b>
Of which Marked to Market <sup>2</sup>	663	667	53	53
Of which original exposure				
Of which standardised approach				
Of which internal model method (IMM)	4,091	4,691	327	375
Of which Financial collateral simple method (for SFTs)	883	869	71	69
Of which exposure amount for contributions to the default fund of a CCP	38	78	3	6
Of which CVA	728	792	58	63
<b>Settlement risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Securitisation exposures in banking book (after the cap)</b>	<b>840</b>	<b>847</b>	<b>67</b>	<b>68</b>
Of which IRB supervisory formula approach (SFA)	840	847	67	68
<b>Market risk</b>	<b>3,812</b>	<b>3,908</b>	<b>305</b>	<b>313</b>
Of which standardised approach (SA)	1,093	1,185	87	95
Of which IMA	2,719	2,722	218	218
<b>Large exposures</b>				
<b>Operational risk</b>	<b>16,487</b>	<b>16,487</b>	<b>1,319</b>	<b>1,319</b>
Of which Standardised Approach	16,487	16,487	1,319	1,319
<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	<b>109</b>	<b>101</b>	<b>9</b>	<b>8</b>
Finnish risk weight floor in Pillar 1	607	624	49	50
Article 3 CRR Buffer	152	152	12	12
<b>Pillar 1 total</b>	<b>120,827</b>	<b>122,568</b>	<b>9,666</b>	<b>9,805</b>

1) Excluding amounts below the thresholds for deduction (subject to 250% risk weight).

2) Excludes exposures to CCPs.

Table 1

### EU CR8: REA flow statements of credit risk exposures under IRB

Over the third quarter of 2018, credit risk IRB REA decreased by EUR 893m, driven foremost by improved credit quality in the corporate portfolio. The improved asset quality was mainly influenced by de-risking in Russia and decreased exposures towards high risk weighted counterparties in Norwegian and Danish portfolios. In addition, increased provisioning and collateralisation on defaulted counterparties further decreased REA. This was partly offset by foreign currency effects stemming from the appreciation of the SEK, USD and NOK.

EURm	REA	Capital requirement
<b>REA 2018 Q2</b>	<b>81,492</b>	<b>6,519</b>
Asset size	-49	-4
Asset quality	-1,099	-88
Model updates		
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	268	21
Other	-13	-1
<b>REA 2018 Q3</b>	<b>80,599</b>	<b>6,448</b>

EURm	REA	Capital requirement
<b>REA 2018 Q1</b>	<b>80,678</b>	<b>6,454</b>
Asset size	846	68
Asset quality	-733	-59
Model updates	-43	-3
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	657	53
Other	88	7
<b>REA 2018 Q2</b>	<b>81,492</b>	<b>6,519</b>

Table 2

### EU CCR7: REA flow statements of CCR exposures under the IMM

The breakdown of REA movements into the components shown in the table is done on a best effort basis. Only exposures calculated under IMM are included in this breakdown. Change in the asset size represents decreased exposures during the quarter which has caused REA to decrease by approximately EUR 407m. Higher rates and FX movements for the quarter pushed REA down by approximately EUR 215m. Recalibration of the model during the quarter also caused REA to decrease by approximately EUR 21m.

EURm	REA amounts	Capital requirements
<b>REA 2018 Q2</b>	<b>4,691</b>	<b>375</b>
Asset size	-407	-33
Credit quality of counterparties	42	3
Model updates (IMM only)	-21	-2
Methodology and policy (IMM only)	0	0
Aquisition and disposals	0	0
Foreign exchange movements	-108	-9
Interest rate movements	-107	-9
Other	1	0
<b>REA 2018 Q3</b>	<b>4,091</b>	<b>327</b>

EURm	REA amounts	Capital requirements
<b>REA 2018 Q1</b>	<b>4,542</b>	<b>363</b>
Asset size	-369	-30
Credit quality of counterparties	-5	0
Model updates (IMM only)	0	0
Methodology and policy (IMM only)	0	0
Aquisition and disposals	0	0
Foreign exchange movements	170	14
Interest rate movements	312	25
Other	41	3
<b>REA 2018 Q2</b>	<b>4,691</b>	<b>375</b>

Table 3

### EU MR2-B: REA flow statements of market risk exposures under the IMA

By the end of the third quarter 2018, the REA amounted to 2719 EURm, which corresponded to a decrease of 3 EURm compared to Q2 2018. The increase in Value-at-Risk (VaR) of 4 EURm and stressed Value-at Risk (sVaR) of 232 EURm mainly stemmed from methodology changes. Additionally, the Incremental Risk Method (IRM) increased by 20 EURm and was primarily driven by increased migration risk. This was fully offset by a decrease in CRM as a result of changes in positions.

EURm	VaR	SVaR	IRM	CRM	Total REA	Total capital requirements
REA before regulatory adjustments 2018 Q2	520	1,248	271	684	2,722	218
Regulatory adjustment						
REA 2018 Q2	520	1,248	271	684	2,722	218
Movement in risk levels	-20	-66	20	-260	-3	0
Model updates/changes						
Methodology and policy	23	298			0	0
Aquisitions and disposals						
Foreign exchange movements						
Other						
REA before regulatory adjustments 2018 Q3	523	1,480	291	424	2,719	218
Regulatory adjustment						
REA 2018 Q3	523	1,480	291	424	2,719	218

EURm	VaR	SVaR	IRM	CRM	Total REA	Total capital requirements
REA before regulatory adjustments 2018 Q1	576	1,114	314	277	2,282	183
Regulatory adjustment						
REA 2018 Q1	576	1,114	314	277	2,282	183
Movement in risk levels	-57	134	-43	407	441	35
Model updates/changes						
Methodology and policy	0				0	0
Aquisitions and disposals						
Foreign exchange movements						
Other						
REA before regulatory adjustments 2018 Q2	520	1,248	271	684	2,722	218
Regulatory adjustment						
REA 2018 Q2	520	1,248	271	684	2,722	218

Table 4

### Summary of items included in own funds

CET1 capital increased by EUR 68m in the third quarter of 2018, mainly driven by NLP dividend and a decrease in deferred taxes. This was somewhat offset by increased intangible assets. Tier 1 capital increased by EUR 85m where the main driver was an FX effect related to USD and SEK relative to EUR appreciation. Total own funds increased by EUR 598m, driven by the increase in Tier 2 capital due to new issued T2 instruments. The impact was partially offset by the amortisation of Tier 2 contracts.

EURm	Q3 2018 <sup>3</sup>	Q2 2018 <sup>3</sup>
<b>Calculation of own funds</b>		
Equity in the consolidated situation	31,118	30,329
Proposed/actual dividend	-2,091	-1,394
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>29,027</b>	<b>28,935</b>
Deferred tax assets		-61
Intangible assets	-3,997	-3,914
IRB provisions shortfall (-)	-12	-3
Deduction for investments in credit institutions (50%)		
Pension assets in excess of related liabilities <sup>1</sup>	-191	-212
Other items, net	-346	-331
<b>Total regulatory adjustments to Common Equity Tier 1 capital</b>	<b>-4,545</b>	<b>-4,521</b>
<b>Common Equity Tier 1 capital (net after deduction)</b>	<b>24,482</b>	<b>24,414</b>
Additional Tier 1 capital before regulatory adjustments	2,858	2,836
Total regulatory adjustments to Additional Tier 1 capital	-22	-17
<b>Additional Tier 1 capital</b>	<b>2,836</b>	<b>2,819</b>
<b>Tier 1 capital (net after deduction)</b>	<b>27,318</b>	<b>27,233</b>
Tier 2 capital before regulatory adjustments	5,268	4,810
IRB provisions excess (+)	193	150
Deduction for investments in credit institutions (50%)		
Deductions for investments in insurance companies	-1,000	-1,000
Pension assets in excess of related liabilities		
Other items, net	-48	-60
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>-855</b>	<b>-910</b>
<b>Tier 2 capital</b>	<b>4,413</b>	<b>3,900</b>
<b>Own funds (net after deduction)<sup>2</sup></b>	<b>31,731</b>	<b>31,133</b>

1) Based on conditional FSA approval.

2) Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 31 550m by 30 Sep 2018

3) Including profit of the period.

### Own funds, excluding profit

EURm	Q3 2018	Q2 2018
Common Equity Tier 1 capital, excluding profit	24,165	24,217
Total own funds, excluding profit	31,413	30,937

### Capital ratios

Including profit, the CET1 capital ratio increased by 4 bps to 20.3%, driven by decreased Basel III REA. The amount of CET 1 capital remained fairly stable between Q3 and Q2 2018.

The leverage ratio following the transitional definition decreased 3 bps compared to Q2 2018, whereas fully loaded leverage ratio decreased by 3 bps also since there were no transitional adjustments. The main driver for the decreased leverage ratio was an increase in the total leverage ratio exposure due to increased exposures in central banks and loans to the public. At the end of Q3 2018 the leverage ratio amounted to 4.93%.

### Capital ratios

%	Q3 2018	Q2 2018
Common Equity Tier 1 capital ratio, including profit	20.3	19.9
Tier 1 capital ratio, including profit	22.6	22.2
Total capital ratio, including profit	26.3	25.4
Common Equity Tier 1 capital ratio, excluding profit	20.0	19.8
Tier 1 capital ratio, excluding profit	22.3	22.1
Total capital ratio, excluding profit	26.0	25.2

### Leverage Ratio

	Q3 2018	Q2 2018
Tier 1 capital, EURm <sup>1</sup>	27,318	27,233
Tier 1 capital, transitional definition, EURm <sup>1</sup>	27,318	27,233
Leverage ratio exposure, EURm	554,553	548,944
Leverage ratio, transitional definition, percentage	4.9	5.0
Leverage ratio, percentage	4.9	5.0

1) Figures include profit of the period.



### Minimum capital requirements for credit risk, split by exposure class

Over the third quarter 2018, total Exposure at Default (EAD) increased by EUR 9 848m, driven by an increase of EUR 9 455m in the IRB portfolio, while exposures under the Standardised Approach (SA) increased by EUR 393m. The total share of IRB exposures, in terms of EAD, was 96% (98% excluding Luminor Bank) at the end of the quarter.

In the IRB portfolio, the REA decrease of 1.2bn EUR stemmed from improved credit quality due to closed exposures towards high risk weighted counterparties as well as an increase in provisioning and collateralisation. In addition, decreased volumes further decreased REA by 0.6bn EUR. These effects were somewhat offset by the FX effects, which increased REA by EUR 0.3bn mainly stemming from FX effects due to SEK, USD and NOK appreciation against the EUR.

Sovereign exposures in the SA portfolio mainly consists of exposures with a corresponding 0% risk weight, the remaining part comprises of Deferred Tax Assets (DTAs) subject to risk weights of 100% and 250%.

EURm	Original exposure	Exposure	Average risk weight	REA	Capital requirement
<b>IRB exposure classes</b>					
Sovereign	87,440	85,089	2%	2,071	166
Institution	45,719	44,238	14%	6,137	491
Corporate	175,551	142,924	38%	53,612	4,289
- of which advanced	152,655	123,167	36%	44,353	3,548
Retail	190,377	181,024	12%	21,851	1,748
- of which mortgage	149,723	146,020	8%	12,157	973
- of which other retail	37,349	32,058	27%	8,544	684
- of which SME	3,305	2,946	39%	1,150	92
Other non-credit obligation assets	2,968	2,733	87%	2,375	190
<b>Total IRB approach</b>	<b>502,055</b>	<b>456,008</b>	<b>19%</b>	<b>86,046</b>	<b>6,884</b>
<b>Standardised exposure classes</b>					
Central government and central banks	2,178	2,202	6%	122	10
Regional governments and local authorities	116	114	7%	8	1
Institution	3,456	3,437	6%	207	17
Corporate	5,614	3,189	98%	3,138	251
Retail	6,956	4,624	71%	3,291	263
Exposure secured by real estate	3,132	3,006	35%	1,051	84
Other <sup>1</sup>	3,077	2,931	148%	4,338	347
<b>Total standardised approach</b>	<b>24,530</b>	<b>19,503</b>	<b>62%</b>	<b>12,154</b>	<b>972</b>
<b>Total</b>	<b>526,585</b>	<b>475,511</b>	<b>21%</b>	<b>98,200</b>	<b>7,856</b>

1) Includes exposures classes administrative bodies and non-commercial undertakings, past due items, items belonging to regulatory high-risk categories, other items and equity.

Table 7

## EU CR6: Credit risk exposures by portfolio and PD scale

In the IRB portfolio, compared to the second quarter-end of 2018, Exposure at Default (EAD) grew by EUR 11 952m, with a corresponding REA decrease of EUR 542m. Overall, REA density decreased by 64 bps during the period, mainly observed among the lower rating grades.

EURm

PD scale	Original on-balance sheet gross exposure	Off-balance exposure pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density	EL	Value adjustments and Provision
<b>Total</b>												
0.00 to < 0.15	231,735	44,000	51%	257,763	0.05%	1,357,720	27.0%	2.23	15,677	6%	28	39
0.15 to < 0.25	48,395	13,822	54%	55,812	0.18%	601,771	22.1%	2.50	7,866	14%	22	14
0.25 to < 0.50	49,371	18,019	47%	57,658	0.35%	489,761	25.5%	2.51	16,826	29%	52	64
0.50 to < 0.75	18,406	5,904	44%	20,195	0.65%	168,880	25.4%	2.62	7,968	39%	33	26
0.75 to < 2.50	19,966	5,645	51%	22,142	1.30%	487,444	24.3%	2.49	9,429	43%	70	100
2.50 to < 10.00	11,063	2,918	43%	11,287	4.92%	241,709	27.4%	2.70	7,791	69%	150	176
10.00 to < 100	3,435	400	48%	3,397	21.70%	83,573	25.0%	2.48	3,187	94%	179	120
100 (Default)	5,966	793	11%	5,774	100.00%	101,137	26.6%	2.70	9,481	164%	1,481	1,701
<b>Total</b>	<b>388,338</b>	<b>91,502</b>	<b>50%</b>	<b>434,027</b>	<b>1.83%</b>	<b>3,531,995</b>	<b>25.9%</b>	<b>2.35</b>	<b>78,224</b>	<b>18%</b>	<b>2,016</b>	<b>2,241</b>
<b>Sovereigns - FIRB (approach 03)</b>												
0.00 to < 0.15	75,886	5,894	15%	79,829	0.00%	1,682	44.3%	1.66	1,699	2%	1	3
0.15 to < 0.25												
0.25 to < 0.50	231			231	0.11%	2	45.0%	4.01	104	45%	0	0
0.50 to < 0.75	1	2	50%	2	0.26%	2	45.0%	2.88	1	58%	0	0
0.75 to < 2.50	110	24	41%	8	0.63%	4	45.0%	2.50	6	81%	0	0
2.50 to < 10.00	157	36	49%	60	3.53%	206	44.3%	2.51	84	140%	1	0
10.00 to < 100	139	17	74%	16	28.10%	3	45.0%	2.50	29	186%	2	1
100 (Default)												
<b>Sub-total</b>	<b>76,523</b>	<b>5,972</b>	<b>15%</b>	<b>80,144</b>	<b>0.01%</b>	<b>1,899</b>	<b>44.3%</b>	<b>1.67</b>	<b>1,923</b>	<b>2%</b>	<b>4</b>	<b>5</b>
<b>Institutions - FIRB (approach 03)</b>												
0.00 to < 0.15	35,230	974	41%	35,671	0.05%	651	15.7%	2.44	3,264	9%	3	12
0.15 to < 0.25	1,674	210	44%	1,771	0.15%	98	13.7%	2.50	228	13%	0	0
0.25 to < 0.50	727	501	5%	752	0.29%	234	19.8%	2.50	232	31%	0	0
0.50 to < 0.75	220	79	8%	226	0.57%	56	44.5%	2.50	181	80%	1	0
0.75 to < 2.50	120	198	33%	164	1.26%	121	45.0%	2.50	202	123%	1	0
2.50 to < 10.00	128	168	30%	164	5.62%	374	44.9%	15.61	317	193%	4	0
10.00 to < 100	0	1	27%	1	15.01%	9	42.5%	2.50	2	255%	0	0
100 (Default)	0			0	100.00%	1	45.0%	2.50			0	
<b>Sub-total</b>	<b>38,100</b>	<b>2,131</b>	<b>31%</b>	<b>38,750</b>	<b>0.09%</b>	<b>1,544</b>	<b>16.1%</b>	<b>2.50</b>	<b>4,427</b>	<b>11%</b>	<b>9</b>	<b>13</b>
<b>Corporate - FIRB (approach 03) and Specialised Lending</b>												
0.00 to < 0.15												
0.15 to < 0.25												
0.25 to < 0.50	7			7	0.40%	1	45.0%	2.50	5	66%	0	
0.50 to < 0.75												
0.75 to < 2.50	11			11	1.04%	1	45.0%	2.50	11	99%	0	
2.50 to < 10.00												
10.00 to < 100												
100 (Default)												
<b>Sub-total</b>	<b>18</b>			<b>18</b>	<b>0.79%</b>	<b>2</b>	<b>45.0%</b>	<b>2.50</b>	<b>16</b>	<b>87%</b>	<b>0</b>	

Table 8

**Corporate - AIRB (approach 06) and Specialised Lending**

0.00 to < 0.15	8	56	28%	24	0.12%	1	36.6%	4.93	11	45%	0	
0.15 to < 0.25	23	0	50%	23	0.18%	3	35.5%	2.50	6	27%	0	
0.25 to < 0.50	111	15	31%	100	0.39%	5	35.2%	4.04	69	69%	0	
0.50 to < 0.75	48	50	56%	76	0.67%	5	30.9%	3.57	55	73%	0	
0.75 to < 2.50	5			5	1.64%	1	31.6%	2.50	3	63%	0	
2.50 to < 10.00	15			15	6.47%	2	31.3%	2.50	14	90%	0	
10.00 to < 100												
100 (Default)	22	12		22	100.00%	4	22.2%	1.65	40	182%	4	4
<b>Sub-total</b>	<b>232</b>	<b>133</b>	<b>36%</b>	<b>265</b>	<b>8.98%</b>	<b>21</b>	<b>32.8%</b>	<b>3.54</b>	<b>197</b>	<b>74%</b>	<b>5</b>	<b>4</b>

**Corporate - FIRB (approach 03), Non-SME, Excluding Specialised Lending**

0.00 to < 0.15	2,451	372	11%	2,716	0.08%	1,002	43.4%	2.50	682	25%	1	1
0.15 to < 0.25	862	303	8%	838	0.18%	445	41.9%	2.50	347	41%	1	0
0.25 to < 0.50	1,459	635	6%	1,453	0.35%	1,320	42.0%	2.50	853	59%	2	1
0.50 to < 0.75	593	353	14%	627	0.67%	563	42.9%	2.50	511	82%	2	1
0.75 to < 2.50	347	304	8%	354	1.28%	760	42.9%	2.50	360	102%	2	1
2.50 to < 10.00	816	376	2%	638	3.27%	2,121	40.2%	2.50	794	124%	8	3
10.00 to < 100	19	18	16%	21	18.29%	188	42.6%	2.50	49	231%	2	1
100 (Default)	72	31	1%	54	100.00%	76	44.3%	2.50			24	23
<b>Sub-total</b>	<b>6,620</b>	<b>2,393</b>	<b>8%</b>	<b>6,701</b>	<b>1.44%</b>	<b>6,475</b>	<b>42.6%</b>	<b>2.50</b>	<b>3,595</b>	<b>54%</b>	<b>41</b>	<b>31</b>

**Corporate - FIRB (approach 03), SME, Excluding Specialised Lending**

0.00 to < 0.15	800	151	4%	892	0.09%	1,611	41.8%	2.50	186	21%	0	1
0.15 to < 0.25	844	121	18%	874	0.18%	957	41.3%	2.50	277	32%	1	1
0.25 to < 0.50	969	223	6%	1,022	0.35%	2,950	41.5%	2.50	453	44%	1	1
0.50 to < 0.75	443	126	3%	448	0.67%	1,438	41.3%	2.50	263	59%	1	0
0.75 to < 2.50	547	174	4%	548	1.24%	2,190	41.7%	2.50	386	70%	3	1
2.50 to < 10.00	389	130	2%	378	5.57%	3,464	41.4%	2.50	395	105%	9	3
10.00 to < 100	83	42	0%	79	18.61%	917	40.6%	2.50	124	158%	6	2
100 (Default)	55	24	2%	54	100.00%	252	41.7%	2.50			23	15
<b>Sub-total</b>	<b>4,130</b>	<b>990</b>	<b>6%</b>	<b>4,294</b>	<b>2.46%</b>	<b>13,779</b>	<b>41.5%</b>	<b>2.50</b>	<b>2,085</b>	<b>49%</b>	<b>44</b>	<b>24</b>

**Corporate - AIRB (approach 06), Non-SME, Excluding Specialised Lending**

0.00 to < 0.15	14,585	17,824	52%	22,419	0.09%	2,068	31.2%	2.48	4,424	20%	6	19
0.15 to < 0.25	7,812	7,321	50%	11,024	0.18%	1,284	30.0%	2.46	3,182	29%	6	8
0.25 to < 0.50	19,077	11,899	47%	23,119	0.35%	3,842	28.6%	2.48	9,190	40%	23	49
0.50 to < 0.75	6,178	3,580	40%	6,854	0.67%	1,603	27.5%	2.84	3,729	54%	13	13
0.75 to < 2.50	4,046	1,951	54%	4,581	1.27%	2,166	28.7%	2.43	3,062	67%	17	39
2.50 to < 10.00	2,147	1,136	53%	2,268	4.82%	5,031	30.4%	2.55	2,369	104%	33	57
10.00 to < 100	413	71	47%	407	17.75%	896	32.9%	2.41	720	177%	24	7
100 (Default)	2,078	442		1,915	100.00%	483	30.2%	3.13	2,698	141%	680	751
<b>Sub-total</b>	<b>56,336</b>	<b>44,224</b>	<b>49%</b>	<b>72,586</b>	<b>3.20%</b>	<b>17,373</b>	<b>29.6%</b>	<b>2.53</b>	<b>29,374</b>	<b>40%</b>	<b>801</b>	<b>943</b>

Table 8

**Corporate - AIRB (approach 06), SME, Excluding Specialised Lending**

0.00 to < 0.15	15,843	2,775	51%	18,314	0.06%	10,258	25.3%	2.48	1,848	10%	3	1
0.15 to < 0.25	4,499	861	58%	5,488	0.18%	3,011	26.1%	2.61	1,156	21%	3	1
0.25 to < 0.50	9,765	2,222	56%	12,405	0.36%	9,122	25.7%	2.53	3,641	29%	11	4
0.50 to < 0.75	4,936	953	57%	5,504	0.67%	3,904	25.2%	2.51	2,089	38%	9	6
0.75 to < 2.50	3,876	820	50%	4,254	1.25%	4,878	25.8%	2.50	2,032	48%	14	18
2.50 to < 10.00	2,236	486	49%	2,227	5.30%	7,584	25.7%	2.49	1,434	64%	30	40
10.00 to < 100	557	105	47%	555	18.12%	1,919	26.3%	2.45	567	102%	27	24
100 (Default)	1,666	131		1,569	100.00%	1,257	27.9%	2.48	2,015	128%	587	621
<b>Sub-total</b>	<b>43,378</b>	<b>8,353</b>	<b>53%</b>	<b>50,316</b>	<b>3.86%</b>	<b>41,933</b>	<b>25.6%</b>	<b>2.51</b>	<b>14,782</b>	<b>29%</b>	<b>684</b>	<b>715</b>

**Retail - RIRB (approach 06) - secured by immovable property, non SME**

0.00 to < 0.15	81,336	9,409	73%	88,238	0.09%	634,061	14.1%	2.50	2,855	3%	11	1
0.15 to < 0.25	28,173	1,593	60%	29,122	0.19%	207,644	16.1%	2.50	1,883	6%	9	2
0.25 to < 0.50	13,150	701	60%	13,570	0.36%	102,368	15.7%	2.50	1,379	10%	8	3
0.50 to < 0.75	4,410	186	60%	4,522	0.60%	34,325	15.9%	2.50	674	15%	4	2
0.75 to < 2.50	7,058	473	59%	7,338	1.30%	56,057	15.6%	2.50	1,776	24%	15	12
2.50 to < 10.00	1,109	34	94%	1,141	5.18%	8,012	15.8%	2.50	633	55%	9	3
10.00 to < 100	787	19	96%	806	26.74%	7,246	15.5%	2.50	754	94%	33	12
100 (Default)	1,280	4	64%	1,282	100.00%	11,831	16.0%	2.50	2,203	172%	24	64
<b>Sub-total</b>	<b>137,304</b>	<b>12,420</b>	<b>70%</b>	<b>146,020</b>	<b>1.27%</b>	<b>1,061,544</b>	<b>14.8%</b>	<b>2.50</b>	<b>12,157</b>	<b>8%</b>	<b>113</b>	<b>99</b>

**Retail - RIRB (approach 06) - secured by immovable property, SME**

0.00 to < 0.15	4	10	42%	8	0.09%	859	17.4%	2.50	0	3%	0	0
0.15 to < 0.25	367	24	41%	377	0.19%	6,644	17.6%	2.50	21	5%	0	0
0.25 to < 0.50	129	22	51%	141	0.36%	2,279	17.2%	2.50	12	9%	0	0
0.50 to < 0.75	72	17	56%	82	0.60%	1,330	16.6%	2.50	11	13%	0	0
0.75 to < 2.50	405	87	49%	448	1.29%	8,548	17.6%	2.50	100	22%	1	1
2.50 to < 10.00	58	9	53%	63	3.89%	1,192	17.4%	2.50	27	42%	0	0
10.00 to < 100	16	1	55%	17	28.88%	304	17.1%	2.50	14	82%	1	0
100 (Default)	28	3	63%	30	100.00%	673	18.0%	2.50	63	214%	1	2
<b>Sub-total</b>	<b>1,080</b>	<b>173</b>	<b>49%</b>	<b>1,165</b>	<b>3.81%</b>	<b>21,829</b>	<b>17.5%</b>	<b>2.50</b>	<b>248</b>	<b>21%</b>	<b>3</b>	<b>3</b>

**Retail - RIRB (approach 06) - other, non -SME**

0.00 to < 0.15	5,590	6,532	62%	9,648	0.09%	1,149,962	29.9%	2.50	707	7%	3	1
0.15 to < 0.25	4,132	3,379	64%	6,280	0.19%	555,338	29.5%	2.50	764	12%	4	3
0.25 to < 0.50	3,703	1,724	61%	4,764	0.36%	450,283	29.1%	2.50	871	18%	5	5
0.50 to < 0.75	1,457	483	60%	1,749	0.60%	149,215	29.3%	2.50	431	25%	3	4
0.75 to < 2.50	2,805	1,170	62%	3,534	1.36%	420,549	29.1%	2.50	1,206	34%	14	25
2.50 to < 10.00	3,665	432	55%	3,902	4.89%	198,001	25.6%	2.50	1,560	40%	49	65
10.00 to < 100	1,336	111	58%	1,400	21.30%	74,785	26.3%	2.50	875	62%	79	71
100 (Default)	675	111	56%	737	100.00%	89,563	30.5%	2.50	2,114	287%	125	196
<b>Sub-total</b>	<b>23,363</b>	<b>13,941</b>	<b>62%</b>	<b>32,014</b>	<b>4.13%</b>	<b>3,087,696</b>	<b>28.9%</b>	<b>2.50</b>	<b>8,528</b>	<b>27%</b>	<b>281</b>	<b>370</b>

**Retail - RIRB (approach 06) - other, SME**

0.00 to < 0.15	1	5	67%	4	0.10%	1,619	34.0%	2.50	1	13%	0	0
0.15 to < 0.25	8	10	61%	14	0.19%	1,415	34.1%	2.50	2	11%	0	0
0.25 to < 0.50	43	78	66%	95	0.38%	8,231	30.8%	2.50	17	18%	0	0
0.50 to < 0.75	49	75	75%	106	0.60%	6,728	28.2%	2.50	23	22%	0	0
0.75 to < 2.50	634	444	58%	896	1.50%	43,545	28.6%	2.50	284	32%	4	2
2.50 to < 10.00	343	110	80%	433	5.03%	25,404	28.2%	2.50	165	38%	6	5
10.00 to < 100	83	15	87%	96	23.46%	4,422	26.8%	2.50	53	55%	6	3
100 (Default)	92	34	54%	110	100.00%	6,884	29.6%	2.50	348	316%	15	23
<b>Sub-total</b>	<b>1,253</b>	<b>772</b>	<b>64%</b>	<b>1,754</b>	<b>9.63%</b>	<b>98,248</b>	<b>28.6%</b>	<b>2.50</b>	<b>892</b>	<b>51%</b>	<b>31</b>	<b>33</b>

Table 8

#### EU CCR4: Counterparty credit risk exposures by portfolio and PD scale

Since Q2 2018, on a total level EAD decreased by EUR 2 129m and REA decreased by EUR 667m, reflected by a decrease in average risk weight from 29% to 28%. The relatively low risk weight in the defaulted bucket stems from most of the CCR exposures being treated under the FIRB approach.

#### Total

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	13,866	0.04%	2,420	44.6%	1.9	2,109	15%
0.15 to < 0.25	1,096	0.17%	837	44.9%	2.1	437	40%
0.25 to < 0.50	2,674	0.34%	1,785	44.1%	2.1	1,522	57%
0.50 to < 0.75	740	0.67%	828	45.0%	2.1	544	74%
0.75 to < 2.50	592	1.25%	1,380	44.6%	1.9	542	92%
2.50 to < 10.00	210	3.98%	731	44.8%	2.1	271	129%
10.00 to < 100	9	17.97%	184	43.8%	2.5	15	178%
100 (Default)	61	100.00%	170	44.8%	2.5	6	10%
<b>Total</b>	<b>19,248</b>	<b>0.52%</b>	<b>8,335</b>	<b>44.6%</b>	<b>2.0</b>	<b>5,447</b>	<b>28%</b>

#### Sovereigns - FIRB (approach 03)

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	4,925	0.00%	441	45.0%	1.8	120	2%
0.15 to < 0.25							
0.25 to < 0.50							
0.50 to < 0.75							
0.75 to < 2.50							
2.50 to < 10.00	19	3.53%	17	45.0%	2.5	27	143%
10.00 to < 100							
100 (Default)							
<b>Sub-total</b>	<b>4,945</b>	<b>0.02%</b>	<b>458</b>	<b>45.0%</b>	<b>1.8</b>	<b>148</b>	<b>3%</b>

### Institutions - FIRB (approach 03)

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	4,516	0.07%	150	43.8%	1.8	1,127	25%
0.15 to < 0.25	272	0.15%	40	45.0%	2.1	120	44%
0.25 to < 0.50	602	0.33%	62	41.2%	2.0	370	61%
0.50 to < 0.75	20	0.57%	13	45.0%	2.5	18	92%
0.75 to < 2.50	74	0.95%	12	45.0%	0.9	70	94%
2.50 to < 10.00	4	2.50%	1	45.0%	2.5	6	139%
10.00 to < 100							
100 (Default)							
<b>Sub-total</b>	<b>5,488</b>	<b>0.12%</b>	<b>278</b>	<b>43.6%</b>	<b>1.8</b>	<b>1,710</b>	<b>31%</b>

### Corporate - FIRB (approach 03), Non-SME, Excluding Specialised Lending

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	3,601	0.06%	814	45.0%	2.1	743	21%
0.15 to < 0.25	675	0.18%	244	45.0%	2.1	267	40%
0.25 to < 0.50	1,669	0.35%	610	45.0%	2.1	955	57%
0.50 to < 0.75	483	0.67%	269	45.0%	2.0	377	78%
0.75 to < 2.50	393	1.29%	219	45.0%	1.9	381	97%
2.50 to < 10.00	134	3.40%	138	45.0%	1.9	177	132%
10.00 to < 100	1	19.29%	6	45.0%	2.5	3	248%
100 (Default)	25	100.00%	23	45.0%	2.5		
<b>Sub-total</b>	<b>6,980</b>	<b>0.67%</b>	<b>2,323</b>	<b>45.0%</b>	<b>2.1</b>	<b>2,903</b>	<b>42%</b>

### Corporate - FIRB (approach 03), SME, Excluding Specialised Lending

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	816	0.05%	905	45.0%	2.5	119	15%
0.15 to < 0.25	142	0.18%	423	45.0%	2.5	50	35%
0.25 to < 0.50	379	0.36%	1,008	45.0%	2.5	192	51%
0.50 to < 0.75	236	0.67%	501	45.0%	2.3	148	63%
0.75 to < 2.50	101	1.27%	569	45.0%	2.5	81	80%
2.50 to < 10.00	48	5.86%	415	45.0%	2.5	59	123%
10.00 to < 100	6	17.04%	129	45.0%	2.5	11	180%
100 (Default)	35	100.00%	124	45.0%	2.5		
<b>Sub-total</b>	<b>1,763</b>	<b>2.49%</b>	<b>4,074</b>	<b>45.0%</b>	<b>2.5</b>	<b>660</b>	<b>37%</b>

### Retail - RIRB (approach 06)

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	9	0.09%	110	35.0%	2.5	1	8%
0.15 to < 0.25	8	0.18%	130	35.4%	2.5	1	13%
0.25 to < 0.50	23	0.33%	105	35.0%	2.5	5	20%
0.50 to < 0.75	1	0.60%	45	36.1%	2.5	0	27%
0.75 to < 2.50	24	1.58%	580	36.2%	2.3	10	43%
2.50 to < 10.00	4	4.25%	160	36.2%	2.4	2	49%
10.00 to < 100	1	21.77%	49	35.1%	2.5	1	80%
100 (Default)	1	100.00%	23	34.9%	2.5	6	437%
<b>Sub-total</b>	<b>72</b>	<b>3.28%</b>	<b>1,202</b>	<b>35.5%</b>	<b>2.4</b>	<b>26</b>	<b>37%</b>

Table 9

## LIQ 1: LCR Disclosures

Nordea Group's short liquidity risk exposure measured by Liquidity Coverage Ratio (LCR) according to EBA Delegated act remained on good and stable levels. Quarterly average increased by seven percentage points was mainly due to decreased outflows from non-operational deposits and unsecured debt.

EURm	Total unweighted value (average)		Total weighted value (average)	
	Q3 2018	Q2 2018	Q3 2018	Q2 2018
Number of data points used in the calculation of averages	12	12	12	12
<b>High-quality liquid assets</b>				
Total high-quality liquid assets (HQLA)			97,381	101,208
<b>Cash-outflows</b>				
Retail deposits & deposits from small business customers	85,776	86,134	5,755	5,796
- Of which stable deposits	67,796	68,136	3,390	3,407
- Of which less stable deposits	17,980	17,998	2,366	2,389
Unsecured wholesale funding	108,197	112,372	50,908	54,086
- Of which Operational deposits (all counterparties) and deposits in networks of cooperative banks	43,549	43,858	9,927	10,015
- Of which Non-operational deposits (all counterparties)	53,359	56,057	29,692	31,613
- Of which unsecured debt	11,289	12,458	11,289	12,458
Secured wholesale funding			2,512	2,470
Additional requirements	50,443	51,699	11,591	12,320
- Of which outflows related to derivative exposures and other collateral requirements	8,697	9,531	7,949	8,630
- Of which Outflows related to loss of funding capacity	-	-	-	-
- Of which credit and liquidity facilities	41,746	42,168	3,642	3,689
Other contractual funding obligations	3,043	3,493	2,652	3,102
Other contingent funding obligations	53,342	54,457	2,918	3,027
<b>Total cash outflows</b>			<b>76,336</b>	<b>80,801</b>
<b>Cash inflows</b>				
Secured lending (e.g. reverse repos)	32,871	31,487	2,681	2,370
Inflows from fully performing exposures	12,135	11,774	5,976	5,912
Other cash inflows	13,812	14,056	10,167	10,518
<b>Total cash inflows</b>	<b>58,818</b>	<b>57,317</b>	<b>18,824</b>	<b>18,800</b>
Inflows subject to 75% cap	58,818	57,317	18,824	18,800
<b>Liquidity buffer</b>			<b>97,381</b>	<b>101,208</b>
<b>Total net cash outflows</b>			<b>57,512</b>	<b>62,000</b>
<b>Liquidity coverage ratio (%)</b>			<b>171%</b>	<b>164%</b>

Table 10

## Encumbered and unencumbered assets

The main source of encumbrance for Nordea is covered bond issuance programs where the required overcollateralization levels are defined according to the relevant statutory regimes. Other contributors to encumbrance are derivatives and repos where the activity is concentrated to Finland. Historically, the evolution of asset encumbrance for Nordea has been stable over time which illustrates the fact that the asset encumbrance for Nordea is a reflection of a structural phenomenon of the Scandinavian financial markets and savings behavior. Major part of the unencumbered assets are loans and the rest are equity instruments, debt securities and other assets.

	Carrying amount of encumbered assets of which EHQLA and HQLA		Fair value of encumbered assets of which EHQLA and HQLA		Carrying amount of unencumbered assets of which EHQLA and HQLA		Fair value of unencumbered assets of which EHQLA and HQLA	
<b>Assets of the reporting institution</b>	<b>161,438</b>	<b>41,439</b>			<b>369,421</b>	<b>89,228</b>		
Equity instruments	3,099	0			2,150	0		
Debt securities	19,178	14,407	19,178	14,407	54,700	45,713	54,699	45,713
of which: covered bonds	5,167	4,209	5,167	4,209	30,183	27,883	30,183	27,947
of which: asset-backed securities	0	0	0	0	0	0	0	0
of which: issued by general governments	11,078	10,165	11,078	10,165	9,041	8,612	9,041	8,612
of which: issued by financial corporations	7,087	4,286	7,087	5,191	41,567	35,837	41,567	35,837
of which: issued by non-financial corporations	761	435	761	435	1,367	828	1,367	828
Other assets	24,220	24,220			48,371	0		

## Collateral received

	Encumbered		Unencumbered	
	Fair value of encumbered collateral received or own debt securities issued		Fair value of unencumbered collateral received or own debt securities issued	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
<b>Collateral received by the reporting institution</b>	<b>18,896</b>	<b>16,672</b>	<b>44,140</b>	<b>39,836</b>
Loans on demand	0	0	0	0
Equity instruments	0	0	1,116	0
Debt securities	18,896	16,672	16,051	13,141
of which: covered bonds	6,500	5,685	6,123	4,779
of which: asset-backed securities	0	0	0	0
of which: issued by general governments	11,224	10,443	8,435	7,499
of which: issued by financial corporations	6,718	5,713	7,153	4,928
of which: issued by non-financial corporations	699	653	1,230	644
Loans and advances other than loans on demand	0	0	21,804	21,804
Other collateral received	0	0	4,636	4,636
Own debt securities issued other than own covered bonds or asset-backed securities	1	0	2	0
Own covered bonds and asset-backed securities issued and not yet pledged			2,323	2,323
<b>Total assets, collateral received and own debt securities issued</b>	<b>180,432</b>	<b>58,111</b>		

## Sources of encumbrance

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
<b>Carrying amount of selected financial liabilities</b>	<b>158,569</b>	<b>177,681</b>
of which: covered bonds issued	108,430	111,323

Table 11



Nordea Bank Abp, public limited company, with Business ID 2858394-9, Helsinki, Finnish Patent and Registration Office, provides these public disclosures according to Part Eight of Regulation (EU) No 575/2013, commonly referred to as the Capital Requirements Regulation (CRR), on the basis of its consolidated situation (hereinafter referred to as simply "Nordea"). Nordea Bank Abp and its subsidiaries have adopted a formal policy to assure compliance with the disclosure requirements and has established policies for assessing the appropriateness of these disclosures, including their verification and frequency. Nordea is part of the Sampo conglomerate and falls under the same supervisory authority (the Finnish FSA) as the Sampo Group in accordance to the Act on the Supervision of Financial and Insurance Conglomerates (2004/699), based on Directive 2002/87/EC.