

Nordea Capital and Risk Management Report

First Quarter 2018

Provided by Nordea on the basis of its consolidated situation

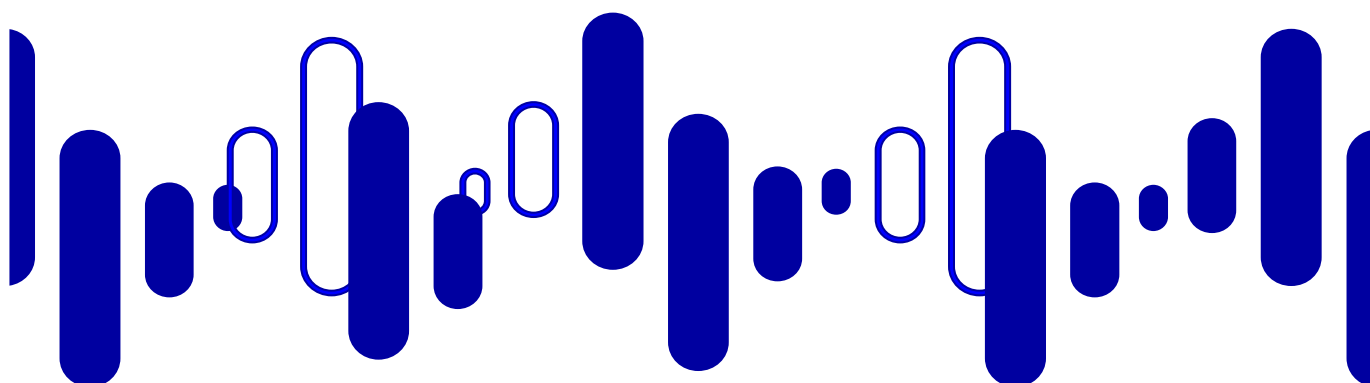


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Table 1.1 EU OV1: Overview of REA

Total REA decreased by EUR 3bn, mainly due risk mitigation activities leading to better credit quality in the corporate portfolio and reduced CVA-risk.

EURm	REA		Minimum capital requirement	
	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
Credit risk (excluding counterparty credit risk) (CCR)	93,871	95,532	7,510	7,643
Of which standardised approach (SA) ¹	13,194	13,391	1,055	1,071
Of which foundation IRB (FIRB) approach	14,008	14,115	1,121	1,129
Of which advanced IRB approach	66,670	68,025	5,334	5,442
Of which AIRB	45,264	47,173	3,621	3,774
Of which Retail RIRB	21,406	20,852	1,713	1,668
Of which Equity IRB under the simple risk-weight or the IMA				
Counterparty credit risk	6,896	7,303	552	584
Of which Marked to market ²	669	831	54	66
Of which Original exposure				
Of which standardised approach				
Of which internal model method (IMM)	4,542	4,717	363	377
Of which Financial collateral simple method (for SFTs)	888	526	71	42
Of which exposure amount for contributions to the default fund of a CCP	21	22	2	2
Of which CVA	776	1,208	62	97
Settlement risk	0	0	0	0
Securitisation exposures in banking book (after the cap)	801	850	64	68
Of which IRB supervisory formula approach (SFA)	801	850	64	68
Market risk	3,690	3,520	295	282
Of which standardised approach (SA)	1,408	1,075	113	86
Of which IMA	2,282	2,444	183	196
Large exposures				
Operational risk	16,487	16,809	1,319	1,345
Of which Standardised Approach	16,487	16,809	1,319	1,345
Amounts below the thresholds for deduction (subject to 250% risk weight)	150	265	12	21
Finnish risk weight floor in Pillar 1	631		51	
Article 3 CRR Buffer	152	1,500	12	120
Pillar 1 total	122,679	125,779	9,814	10,062

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

2) Excludes exposures to CCPs.

As of the 1st of January 2018, the Basel I floor is discontinued for Nordea Group.

Table 1.2 EU CR8: REA flow statements of credit risk exposures under IRB

Total credit risk IRB REA decreased by EUR 1.5bn during Q1. The decrease was mainly due to improved credit quality and foreign exchange effects in the corporate- (EUR -2.3bn) and instution portfolios (EUR -0.5bn). Model updates, mainly implementation of the Finnish risk weight floor, partly offset the REA decrease.

	REA	Capital requirement
REA 2017 Q4	82,141	6,571
Asset size	-79	-6
Asset quality	-2,086	-167
Model updates	795	64
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	-615	-49
Other	522	42
REA 2018 Q1	80,678	6,454

EURm	REA	Capital requirement
REA 2017 Q3	87,369	6,990
Asset size	-834	-67
Asset quality	-1,488	-119
Model updates		
Methodology and policy		
Acquisitions and disposals	-1,170	-94
Foreign exchange movements	-998	-80
Other	-738	-59
REA 2017 Q4	82,141	6,571

Table 1.3 EU CCR7: REA flow statements of CCR exposures under the IMM

IMM REA for the period decreased marginally (approximately EUR 175m), mainly driven by a weaker USD and increases in Euro and Nordic rates during the first quarter of the year. The credit quality of counterparties has remained fairly stable during the quarter. No model updates have occurred during the reporting period.

EURm	REA amounts	Capital requirements
REA 2017 Q4	4,717	377
Asset size	-14	-1
Credit quality of counterparties	13	1
Model updates (IMM only)	0	0
Methodology and policy (IMM only)	0	0
Aquisition and disposals	0	0
Foreign exchange movements	-121	-10
Interest rate movements	-40	-3
Other	-12	-1
REA 2018 Q1	4,542	363

EURm	REA amounts	Capital requirements
REA 2017 Q3	5,149	412
Asset size	-210	-17
Credit quality of counterparties	15	1
Model updates (IMM only)	0	0
Methodology and policy (IMM only)	0	0
Aquisition and disposals	0	0
Foreign exchange movements	-147	-12
Interest rate movements	-46	-4
Other	-43	-3
REA 2017 Q4	4,717	377

Table 1.4 EU MR2-B: REA flow statements of market risk exposures under the IMA

Market risk REA under IMA decreased by EUR 163m during 2018 Q1, mainly due to a decrease in the Incremental Risk Method (IRM) (EUR -164m) and in the Comprehensive Risk Method (CRM) (EUR -134m). The decrease was offset by an increase in Value at Risk (EUR 63m) and stressed Value at Risk (EUR 72m). The VaR and sVaR movements were mainly driven by increased interest rate risk.

EURm	VaR	SVaR	IRM	CRM	Total REA	Total capital requirements
REA before regulatory adjustments 2017 Q4	513	1,043	477	411	2,444	196
Regulatory adjustment						
REA 2017 Q4	513	1,043	477	411	2,444	196
Movement in risk levels	63	72	-164	-134	-163	-13
Model updates/changes						
Methodology and policy						
Aquisitions and disposals						
Foreign exchange movements						
Other						
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

EURm	VaR	SVaR	IRM	CRM	Total REA	Total capital requirements
REA before regulatory adjustments 2017 Q3	595	1,006	228	361	2,190	175
Regulatory adjustment						
REA 2017 Q3	595	1,006	228	361	2,190	175
Movement in risk levels	-82	20	250	51	239	19
Model updates/changes						
Methodology and policy	-1	16			16	1
Aquisitions and disposals						
Foreign exchange movements						
Other						
REA before regulatory adjustments 2017 Q4	513	1,043	477	411	2,444	196
Regulatory adjustment						
REA 2017 Q4	513	1,043	477	411	2,444	196

Table 1.5 Summary of items included in own funds

CET1 capital decreased by EUR 170m in Q1 2018, mainly as a result of unfavourable FX effects in retained earnings and a deferred tax asset deduction of EUR 61m. Increased provisions due to implementation of IFRS9 led to a decrease in the IRB provision shortfall.

Additional tier 1 Capital decreased by EUR 0.7bn, mainly due to a call of a AT1 instrument in March. Total own funds decreased by EUR 0.8bn. In addition to changes in Tier 1, the decrease was also driven by regulatory amortisation of Tier 2 contracts.

EURm	Q1 2018 ³	Q4 2017 ³
Calculation of own funds		
Equity in the consolidated situation	29,462	31,799
Proposed/actual dividend	-697	-2,747
Common Equity Tier 1 capital before regulatory adjustments	28,765	29,052
Deferred tax assets	-61	-0
Intangible assets	-3,823	-3,834
IRB provisions shortfall (-)	-85	-291
Deduction for investments in credit institutions (50%)		
Pension assets in excess of related liabilities ¹	-176	-152
Other items, net	-275	-259
Total regulatory adjustments to Common Equity Tier 1 capital	-4,420	-4,536
Common Equity Tier 1 capital (net after deduction)	24,345	24,515
Additional Tier 1 capital before regulatory adjustments	2,974	3,514
Total regulatory adjustments to Additional Tier 1 capital	-21	-21
Additional Tier 1 capital	2,953	3,493
Tier 1 capital (net after deduction)	27,298	28,008
Tier 2 capital before regulatory adjustments	4,656	4,903
IRB provisions excess (+)	211	95
Deduction for investments in credit institutions (50%)		
Deductions for investments in insurance companies	-1,205	-1,205
Pension assets in excess of related liabilities		
Other items, net	-54	-54
Total regulatory adjustments to Tier 2 capital	-1,049	-1,164
Tier 2 capital	3,608	3,738
Own funds (net after deduction)²	30,906	31,747

1) Based on conditional FSA approval.

2) Own Funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 30 780m by 31 Mar 2018.

3) Including profit of the period.

Own funds, excluding profit

EURm	Q1 2018	Q4 2017
Common Equity Tier 1 capital, excluding profit	24,302	23,854
Total own funds, excluding profit	30,863	31,086

Table 1.6 Capital ratios

The CET1 capital ratio, including profit, increased by 35 bps, due to lower REA.

Leverage ratio decreased slightly in 2018 Q1 due to a call of a AT1 instrument in March.

Capital ratios

%	Q1 2018	Q4 2017
Common Equity Tier 1 capital ratio, including profit	19.8	19.5
Tier 1 capital ratio, including profit	22.3	22.3
Total capital ratio, including profit	25.2	25.2
Common Equity Tier 1 capital ratio, excluding profit	19.8	19.0
Tier 1 capital ratio, excluding profit	22.2	21.7
Total capital ratio, excluding profit	25.2	24.7

Leverage Ratio

	Q1 2018	Q4 2017
Tier 1 capital, EURm ¹	27,070	27,286
Tier 1 capital, transitional definition, EURm ¹	27,298	28,008
Leverage ratio exposure, EURm	538,378	538,338
Leverage ratio, transitional definition, percentage	5.1	5.2
Leverage ratio, percentage	5.0	5.1

1) Figures include profit of the period.

Table 1.7 Minimum capital requirements for credit risk, split by exposure class

Table 1.7 displays a comprehensive overview of regulatory exposures and capital requirements split by exposure class. IRB exposures remain the largest component of REA, comprising EUR 86.6bn (87%) of a EUR 100.1bn total (compared to EUR 101.9bn at year-end 2017). The largest capital requirements result from corporate exposures under the IRB approach.

EURm	Original exposure	Exposure	Average risk weight	REA	Capital requirement
IRB exposure classes					
Sovereign	76,544	74,438	2%	1,808	145
Institution	45,483	43,905	14%	6,263	501
Corporate	174,924	141,569	39%	54,703	4,376
- of which advanced	151,635	121,515	37%	45,264	3,621
Retail	185,311	176,922	12%	21,436	1,715
- of which mortgage	145,697	142,508	8%	11,957	957
- of which other retail	36,315	31,460	27%	8,384	671
- of which SME	3,299	2,954	37%	1,095	88
Other non-credit obligation assets	3,260	2,949	83%	2,438	195
Total IRB approach	485,521	439,783	20%	86,648	6,932
Standardised exposure classes					
Central government and central banks	2,360	2,418	7%	164	13
Regional governments and local authorities	125	123	5%	7	1
Institution	2,845	2,743	6%	171	14
Corporate	5,468	3,177	99%	3,151	252
Retail	6,909	4,533	71%	3,213	257
Exposure secured by real estate	4,501	4,382	56%	2,432	195
Other ¹	3,103	2,947	148%	4,356	348
Total standardised approach	25,312	20,323	66%	13,494	1,080
Total	510,833	460,106	22%	100,142	8,011

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 1.8 EU CR6: Credit risk exposures by portfolio and PD scale (EU CR6)

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	Value adjustments EL and Provision	
Total												
0.00 to < 0.15	216,285	41,609	50%	240,735	0.06%	1,342,167	26.4%	2.28	15,004	6%	27	30
0.15 to < 0.25	46,860	12,155	55%	53,213	0.18%	603,036	21.8%	2.51	7,342	14%	21	10
0.25 to < 0.50	48,614	19,884	48%	57,778	0.35%	499,596	25.8%	2.53	17,218	30%	52	30
0.50 to < 0.75	18,179	5,013	45%	19,751	0.65%	173,570	25.6%	2.66	7,933	40%	33	25
0.75 to < 2.50	20,385	6,812	45%	22,755	1.29%	492,032	24.6%	2.48	9,921	44%	72	94
2.50 to < 10.00	10,992	2,534	43%	11,196	5.12%	253,383	27.0%	2.54	7,849	70%	155	182
10.00 to < 100	3,221	445	47%	3,168	21.59%	84,987	24.3%	2.53	2,733	86%	162	81
100 (Default)	6,546	843	10%	6,352	100.00%	98,050	25.7%	2.56	10,253	161%	1,688	1,937
Total	371,081	89,295	49%	414,948	2.04%	3,546,821	25.6%	2.38	78,254	19%	2,210	2,390
Sovereigns - FIRB (approach 03)												
0.00 to < 0.15	64,532	5,768	16%	68,603	0.00%	1,681	44.9%	1.72	1,537	2%	1	3
0.15 to < 0.25												
0.25 to < 0.50	178			178	0.29%	2	45.0%	1.45	80	45%	0	0
0.50 to < 0.75	1	4	36%	3	0.61%	3	45.0%	2.01	2	74%	0	0
0.75 to < 2.50	111	29	42%	4	1.26%	6	45.0%	2.50	5	106%	0	0
2.50 to < 10.00	87	3	130%	2	5.09%	202	45.0%	2.56	3	163%	0	0
10.00 to < 100	183	17	75%	17	28.59%	3	45.0%	2.50	36	206%	2	1
100 (Default)												
Sub-total	65,091	5,822	17%	68,807	0.01%	1,897	44.9%	1.72	1,663	2%	3	5
Institutions - FIRB (approach 03)												
0.00 to < 0.15	34,023	1,201	39%	34,508	0.05%	665	15.0%	2.50	3,219	9%	3	18
0.15 to < 0.25	1,636	218	47%	1,746	0.15%	89	14.5%	2.49	239	14%	0	3
0.25 to < 0.50	269	461	7%	300	0.31%	227	38.4%	2.50	185	62%	0	0
0.50 to < 0.75	189	120	23%	214	0.57%	78	44.4%	2.50	179	84%	1	0
0.75 to < 2.50	102	198	34%	145	1.48%	141	45.0%	2.50	184	127%	1	1
2.50 to < 10.00	81	82	28%	90	6.44%	351	44.8%	2.50	177	197%	3	1
10.00 to < 100	0	3	26%	1	15.20%	12	35.5%	2.50	2	214%	0	0
100 (Default)	0	0	20%	0	100.00%	1	45.0%	2.50			0	0
Sub-total	36,301	2,283	32%	37,005	0.09%	1,564	15.5%	2.50	4,186	11%	8	24
Corporate - FIRB (approach 03) and Specialised Lending												
0.00 to < 0.15												
0.15 to < 0.25												
0.25 to < 0.50	8			8	0.31%	1	45.0%	2.50	4	58%	0	
0.50 to < 0.75												
0.75 to < 2.50	12			12	1.04%	1	45.0%	2.50	12	99%	0	
2.50 to < 10.00												
10.00 to < 100												
100 (Default)												
Sub-total	20			20	0.75%	2	45.0%	2.50	16	83%	0	

Corporate - AIRB (approach 06) and Specialised Lending

0.00 to < 0.15	7	61	28%	25	0.08%	1	36.6%	4.95	9	36%	0	
0.15 to < 0.25	25	2	66%	26	0.18%	3	35.3%	2.50	7	27%	0	
0.25 to < 0.50	134	24	28%	124	0.39%	5	35.5%	4.34	88	71%	0	
0.50 to < 0.75	52	16	56%	61	0.67%	5	28.9%	1.93	29	47%	0	
0.75 to < 2.50	13			13	1.64%	1	36.6%	4.38	15	115%	0	
2.50 to < 10.00	24			24	5.26%	3	31.4%	2.50	20	84%	0	
10.00 to < 100												
100 (Default)	24	15		24	100.00%	4	23.0%	1.84	49	203%	4	4
Sub-total	280	119	29%	297	8.94%	22	32.9%	3.38	217	73%	5	4

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

0.00 to < 0.15	2,425	393	11%	2,701	0.07%	953	43.3%	2.50	666	25%	1	0
0.15 to < 0.25	494	301	9%	476	0.18%	443	42.0%	2.50	201	42%	0	0
0.25 to < 0.50	1,762	726	10%	1,783	0.35%	1,342	42.7%	2.50	1,056	59%	3	1
0.50 to < 0.75	582	325	8%	599	0.67%	571	43.0%	2.50	491	82%	2	0
0.75 to < 2.50	455	358	9%	474	1.17%	784	43.2%	2.50	469	99%	2	1
2.50 to < 10.00	865	367	5%	689	4.48%	2,191	40.7%	2.50	953	138%	13	4
10.00 to < 100	21	13	3%	21	17.56%	201	42.4%	2.50	48	226%	2	0
100 (Default)	89	32	0%	70	100.00%	85	44.2%	2.50			31	31
Sub-total	6,693	2,516	9%	6,812	1.81%	6,570	42.8%	2.50	3,884	57%	53	38

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

0.00 to < 0.15	931	178	7%	1,031	0.09%	1,607	42.0%	2.50	224	22%	0	3
0.15 to < 0.25	628	105	19%	659	0.18%	1,013	41.2%	2.50	206	31%	0	0
0.25 to < 0.50	830	231	5%	879	0.35%	2,986	41.6%	2.50	388	44%	1	0
0.50 to < 0.75	447	132	2%	453	0.67%	1,505	41.6%	2.50	268	59%	1	0
0.75 to < 2.50	466	146	3%	466	1.25%	2,162	41.5%	2.50	325	70%	2	1
2.50 to < 10.00	329	137	4%	318	5.03%	3,284	41.4%	2.50	314	99%	7	3
10.00 to < 100	78	50	0%	73	17.43%	1,025	40.9%	2.50	110	150%	5	2
100 (Default)	65	29	1%	65	100.00%	296	40.6%	2.50			26	10
Sub-total	3,774	1,009	6%	3,944	2.72%	13,878	41.6%	2.50	1,835	47%	44	18

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

0.00 to < 0.15	12,925	17,705	52%	20,823	0.09%	2,084	31.1%	2.50	4,073	20%	6	3
0.15 to < 0.25	7,911	5,960	52%	10,340	0.18%	1,253	29.8%	2.53	3,035	29%	5	3
0.25 to < 0.50	17,853	13,941	48%	23,556	0.35%	3,839	28.9%	2.56	9,568	41%	24	19
0.50 to < 0.75	6,058	3,040	46%	6,741	0.67%	1,654	28.1%	2.98	3,842	57%	13	14
0.75 to < 2.50	4,532	3,321	38%	5,318	1.25%	2,322	29.9%	2.41	3,669	69%	20	40
2.50 to < 10.00	2,246	854	51%	2,282	5.42%	5,132	29.6%	2.74	2,475	108%	36	76
10.00 to < 100	196	84	59%	204	17.66%	981	29.5%	2.97	327	161%	11	8
100 (Default)	2,351	452		2,192	100.00%	576	27.3%	2.69	3,254	148%	782	863
Sub-total	54,074	45,357	49%	71,455	3.61%	17,841	29.7%	2.58	30,244	42%	896	1,026

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

0.00 to < 0.15	15,482	2,651	50%	17,955	0.06%	10,282	25.4%	2.48	1,798	10%	3	1
0.15 to < 0.25	4,180	1,151	57%	5,172	0.18%	3,173	26.7%	2.51	1,077	21%	2	1
0.25 to < 0.50	10,696	2,203	55%	12,638	0.35%	9,452	25.3%	2.55	3,607	29%	11	5
0.50 to < 0.75	4,848	678	54%	5,239	0.67%	4,006	25.4%	2.48	1,995	38%	9	5
0.75 to < 2.50	3,601	740	55%	4,002	1.26%	4,906	25.7%	2.48	1,880	47%	13	16
2.50 to < 10.00	2,299	516	53%	2,384	5.33%	7,596	25.8%	2.47	1,579	66%	33	37
10.00 to < 100	519	141	43%	537	17.17%	2,050	26.4%	2.49	534	99%	24	19
100 (Default)	1,932	167		1,836	100.00%	1,339	27.3%	2.48	2,334	127%	622	654
Sub-total	43,558	8,248	53%	49,763	4.43%	42,804	25.6%	2.50	14,803	30%	718	738

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

0.00 to < 0.15	80,416	7,462	70%	85,625	0.09%	631,679	14.2%	-	2,788	3%	11	1
0.15 to < 0.25	27,577	1,253	61%	28,342	0.19%	208,152	15.9%	-	1,812	6%	8	1
0.25 to < 0.50	12,982	578	61%	13,334	0.36%	103,685	15.6%	-	1,345	10%	7	2
0.50 to < 0.75	4,463	147	63%	4,555	0.60%	34,987	15.7%	-	670	15%	4	2
0.75 to < 2.50	7,207	404	60%	7,449	1.30%	58,010	15.5%	-	1,790	24%	15	12
2.50 to < 10.00	1,106	30	92%	1,133	5.22%	8,118	15.7%	-	627	55%	9	3
10.00 to < 100	762	17	95%	777	26.55%	6,998	15.4%	-	723	93%	32	9
100 (Default)	1,290	3	62%	1,292	100.00%	11,749	16.0%	-	2,201	170%	27	69
Sub-total	135,803	9,894	68%	142,508	1.30%	1,063,378	14.8%	-	11,957	8%	114	98

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

0.00 to < 0.15	3	9	43%	7	0.09%	783	17.5%	-	0	3%	0	0
0.15 to < 0.25	360	21	40%	368	0.19%	6,502	17.6%	-	20	5%	0	0
0.25 to < 0.50	137	23	52%	149	0.36%	2,496	17.3%	-	13	9%	0	0
0.50 to < 0.75	79	16	56%	89	0.60%	1,417	16.8%	-	12	13%	0	0
0.75 to < 2.50	407	85	49%	449	1.28%	8,786	17.6%	-	99	22%	1	1
2.50 to < 10.00	57	8	54%	61	3.97%	1,228	17.3%	-	27	43%	0	0
10.00 to < 100	17	1	64%	18	29.17%	314	17.3%	-	15	84%	1	0
100 (Default)	25	2	66%	26	100.00%	648	18.0%	-	56	211%	1	3
Sub-total	1,086	166	50%	1,168	3.58%	22,174	17.5%	-	242	21%	4	4

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

0.00 to < 0.15	5,540	6,175	63%	9,453	0.09%	1,139,999	29.8%	-	690	7%	3	1
0.15 to < 0.25	4,039	3,134	65%	6,070	0.19%	557,017	29.7%	-	741	12%	3	2
0.25 to < 0.50	3,721	1,619	62%	4,734	0.36%	459,877	29.2%	-	866	18%	5	3
0.50 to < 0.75	1,410	459	61%	1,691	0.60%	152,848	29.8%	-	423	25%	3	3
0.75 to < 2.50	2,856	1,094	62%	3,536	1.35%	421,539	28.8%	-	1,193	34%	14	21
2.50 to < 10.00	3,543	424	53%	3,767	4.89%	208,214	25.6%	-	1,504	40%	48	55
10.00 to < 100	1,359	105	59%	1,421	21.19%	75,342	26.3%	-	885	62%	80	40
100 (Default)	682	111	54%	742	100.00%	86,598	30.6%	-	2,064	278%	170	272
Sub-total	23,148	13,120	63%	31,413	4.21%	3,101,434	28.9%	-	8,367	27%	325	395

Retail - RIRB (approach 06) - other, SME

0.00 to < 0.15	1	6	66%	5	0.10%	1,673	33.8%	-	0	8%	0	0
0.15 to < 0.25	8	10	61%	14	0.19%	1,395	33.9%	-	2	11%	0	0
0.25 to < 0.50	44	78	66%	95	0.38%	8,431	30.9%	-	17	18%	0	0
0.50 to < 0.75	49	75	75%	105	0.60%	6,998	28.0%	-	22	21%	0	0
0.75 to < 2.50	625	437	60%	889	1.49%	46,306	28.5%	-	281	32%	4	2
2.50 to < 10.00	355	112	80%	446	5.06%	26,866	28.1%	-	171	38%	6	4
10.00 to < 100	85	15	82%	98	21.83%	4,983	26.7%	-	53	54%	6	2
100 (Default)	87	31	54%	105	100.00%	6,662	29.0%	-	295	282%	25	32
Sub-total	1,255	764	65%	1,757	9.27%	103,314	28.5%	-	841	48%	40	40

Table 1.9 EU CCR4: Counterparty credit risk exposures by portfolio and PD scale

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	16,197	0.04%	2,447	44.8%	1.9	2,525	16%
0.15 to < 0.25	1,242	0.17%	890	44.8%	1.9	467	38%
0.25 to < 0.50	3,020	0.35%	1,936	44.0%	2.2	1,756	58%
0.50 to < 0.75	651	0.67%	854	44.9%	2.4	494	76%
0.75 to < 2.50	456	1.27%	1,395	44.5%	2.1	421	92%
2.50 to < 10.00	221	3.69%	797	44.7%	1.9	270	122%
10.00 to < 100	10	16.35%	195	44.1%	2.5	17	172%
100 (Default)	88	100.00%	197	44.8%	2.5	7	8%
Total	21,885	0.58%	8,711	44.6%	2.0	5,957	27%

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	5,631	0.00%	452	45.0%	1.9	145	3%
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							
10.00 to < 100							
100 (Default)							
Sub-total	5,631	0.00%	452	45.0%	1.9	145	3%

Institutions - FIRB (approach 03)

PD scale	EAD post		Number of obligors	Average LGD	Average maturity	REA	REA density
	CRM and post-CCF	Average PD					
0.00 to < 0.15	5,942	0.07%	146	44.3%	1.7	1,475	25%
0.15 to < 0.25	194	0.15%	39	44.3%	1.9	83	43%
0.25 to < 0.50	657	0.33%	67	40.6%	2.1	407	62%
0.50 to < 0.75	26	0.57%	16	45.0%	2.5	25	96%
0.75 to < 2.50	48	0.92%	11	45.0%	0.9	44	93%
2.50 to < 10.00	34	2.52%	5	45.0%	0.8	43	129%
10.00 to < 100							
100 (Default)							
Sub-total	6,900	0.11%	284	44.0%	1.7	2,077	30%

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

PD scale	EAD post		Number of obligors	Average LGD	Average maturity	REA	REA density
	CRM and post-CCF	Average PD					
0.00 to < 0.15	3,792	0.06%	782	45.0%	2.1	780	21%
0.15 to < 0.25	888	0.18%	252	45.0%	1.8	331	37%
0.25 to < 0.50	1,905	0.35%	640	45.0%	2.2	1,120	59%
0.50 to < 0.75	377	0.67%	248	45.0%	2.5	317	84%
0.75 to < 2.50	268	1.33%	220	45.0%	2.2	274	102%
2.50 to < 10.00	108	3.35%	133	45.0%	1.8	140	130%
10.00 to < 100	2	17.99%	14	45.0%	2.5	4	243%
100 (Default)	38	100.00%	28	45.0%	2.5		
Sub-total	7,377	0.79%	2,317	45.0%	2.1	2,966	40%

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

PD scale	EAD post		Number of obligors	Average LGD	Average maturity	REA	REA density
	CRM and post-CCF	Average PD					
0.00 to < 0.15	828	0.05%	977	45.0%	2.5	125	15%
0.15 to < 0.25	145	0.18%	452	45.0%	2.5	51	35%
0.25 to < 0.50	442	0.36%	1,108	45.0%	2.5	224	51%
0.50 to < 0.75	241	0.67%	527	45.0%	2.3	150	62%
0.75 to < 2.50	117	1.23%	582	45.0%	2.5	93	80%
2.50 to < 10.00	73	4.57%	448	45.0%	2.5	83	114%
10.00 to < 100	7	15.54%	138	45.0%	2.5	13	170%
100 (Default)	48	100.00%	146	45.0%	2.5		
Sub-total	1,901	3.04%	4,378	45.0%	2.5	739	39%

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	4	0.10%	103	35.0%	-	0	9%
0.15 to < 0.25	15	0.17%	147	35.2%	-	2	13%
0.25 to < 0.50	17	0.40%	121	35.1%	-	4	23%
0.50 to < 0.75	6	0.60%	63	35.2%	-	2	29%
0.75 to < 2.50	23	1.60%	582	36.2%	-	10	43%
2.50 to < 10.00	7	5.11%	198	36.1%	-	4	51%
10.00 to < 100	1	20.12%	43	35.4%	-	1	76%
100 (Default)	2	100.00%	23	35.1%	-	7	439%
Sub-total	76	3.61%	1,280	35.6%	-	30	39%

Table 1.10 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 two percentage points mainly due to decreased outflows from unsecured wholesale funding.

EURm	Total unweighted value (average)		Total weighted value (average)	
	Q1 2018	Q4 2017	Q1 2018	Q4 2017
Number of data points used in the calculation of averages	12	12	12	12
High-quality liquid assets				
Total high-quality liquid assets (HQLA)			108,146	114,046
Cash-outflows				
Retail deposits & deposits from small business customers	86,402	87,089	5,843	5,932
- Of which stable deposits	68,366	68,912	3,418	3,446
- Of which less stable deposits	18,036	18,177	2,425	2,486
Unsecured wholesale funding	115,714	120,755	56,976	60,725
- Of which Operational deposits (all counterparties) and deposits in networks of cooperative banks	44,306	44,693	10,115	10,211
- Of which Non-operational deposits (all counterparties)	59,099	62,871	34,553	37,324
- Of which unsecured debt	12,309	13,190	12,309	13,190
Secured wholesale funding			2,182	2,090
Additional requirements	51,515	51,197	12,331	12,715
- Of which outflows related to derivative exposures and other collateral requirements	9,776	10,506	8,625	9,021
- Of which Outflows related to loss of funding	-	-	-	-
- Of which credit and liquidity facilities	41,740	40,691	3,706	3,693
Other contractual funding obligations	3,680	3,152	3,289	2,761
Other contingent funding obligations	56,121	58,017	3,123	3,207
Total cash outflows			83,744	87,430
Cash inflows				
Secured lending (e.g. reverse repos)	31,540	32,746	2,036	1,923
Inflows from fully performing exposures	11,561	11,207	5,849	5,666
Other cash inflows	13,547	13,466	10,063	9,693
Total cash inflows	56,648	57,418	17,947	17,282
Inflows subject to 75% cap	56,648	57,418	17,947	17,282
Liquidity buffer			108,146	114,046
Total net cash outflows			65,797	70,148
Liquidity coverage ratio (%)			165%	163%

Table 1.11 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 Sweden. 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		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	161,618	43,200			380,227	102,263		
Equity instruments	2,155	0			4,573	0		
Debt securities	21,710	16,707	19,322	16,707	52,968	50,857	52,968	50,857
of which: covered bonds	6,448	5,616	6,448	5,616	28,938	27,423	28,938	28,091
of which: asset-backed securities	0	0	0	0	0	0	0	0
of which: issued by general governments	9,871	9,438	9,871	9,438	13,958	13,490	13,958	13,490
of which: issued by financial corporations	10,596	6,018	10,596	6,603	37,700	34,727	37,700	34,727
of which: issued by non-financial corporations	711	475	711	475	1,424	1,096	1,424	1,096
Other assets	24,395	24,395			53,759	0		

Collateral received

	Encumbered		Unencumbered	
	Fair value of encumbered collateral received or own debt securities issued	of which notionally eligible EHQLA and HQLA	Fair value of encumbered collateral received or own debt securities issued	of which notionally eligible EHQLA and HQLA
Collateral received by the reporting institution	16,826	16,329	43,961	40,300
Loans on demand	0	0	0	0
Equity instruments	1	0	1,502	0
Debt securities	16,825	16,329	15,574	13,309
of which: covered bonds	5,733	5,451	5,717	5,209
of which: asset-backed securities	0	0	0	0
of which: issued by general governments	10,137	10,122	8,297	7,841
of which: issued by financial corporations	5,733	5,449	6,022	5,205
of which: issued by non-financial corporations	804	758	893	682
Loans and advances other than loans on demand	0	0	22,454	22,454
Other collateral received	0	0	4,961	4,961
Own debt securities issued other than own covered bonds or asset-backed securities	1	0	18	0
Own covered bonds and asset-backed securities issued and not yet pledged			2,165	2,165
Total assets, collateral received and own debt securities issued	178,419	59,529		

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
Carrying amount of selected financial liabilities	161,910	176,019
of which: covered bonds issued	108,160	110,103

Nordea Bank AB (publ) with Swedish corporate registration number 516406-0120 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 AB 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.