

Risk management

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Nordea 



The least volatile Nordic bank

Factors driving risk down

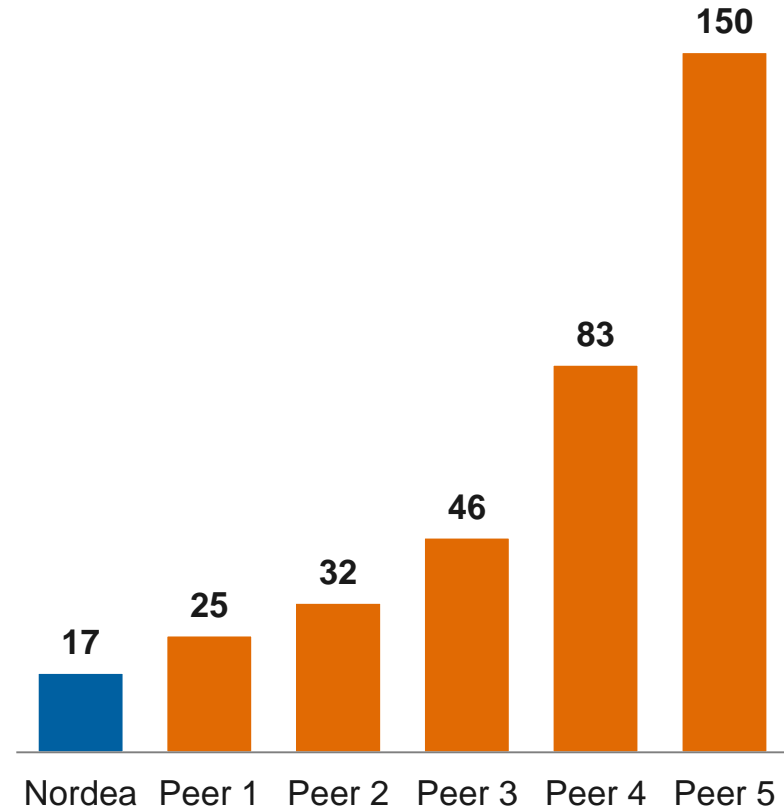
Large and diversified client base

Geographical diversification

Forward looking and holistic risk management

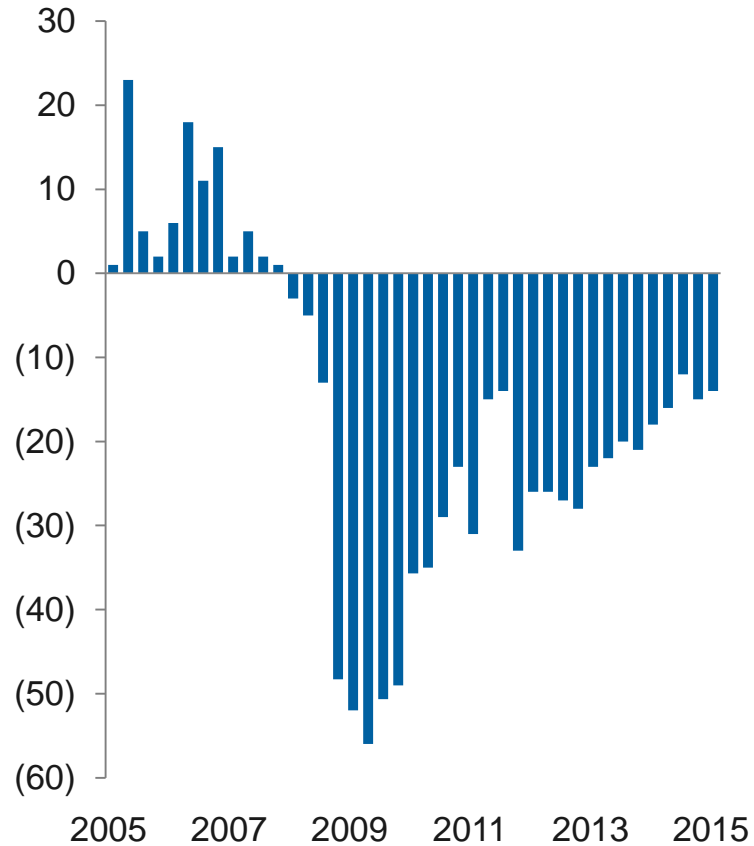
Nordea vs. peers 2006-Q1 2015, %

Quarterly net profit volatility

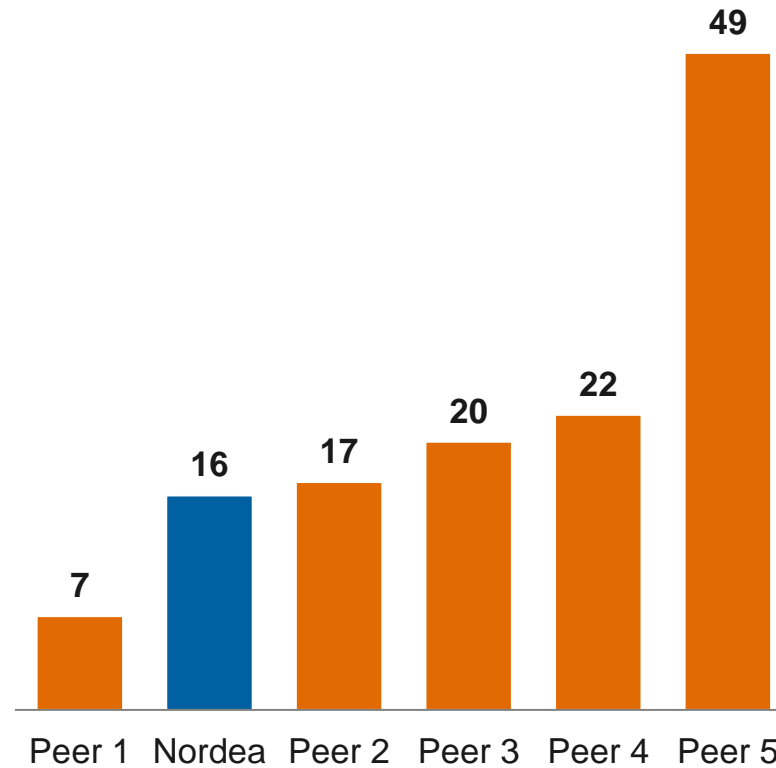


Sound risk profile with low loan losses over the cycle

Nordea loan losses per quarter, bps



Loan losses vs. peers, 10yr average, bps



Risk management has delivered on its 2015 plan

Commitments in 2015 plan

NORDEA 2013 CMD

- Loan loss situation is expected to improve reflecting improved asset quality
- Signs of impaired loans levelling off in Denmark
- Shipping, impaired loans likely to decrease following recovery
- Stable credit strategy – one Nordea approach ensured

Nordea

Nordea has delivered

Loan losses has decreased continuously since 2013 ✓

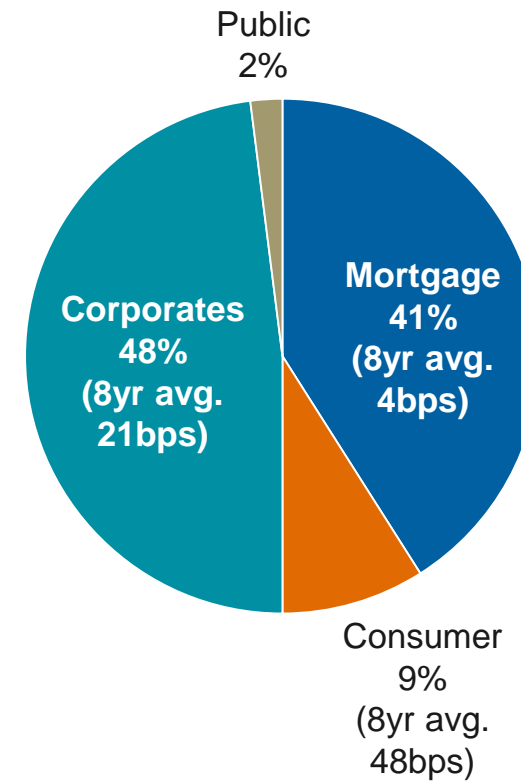
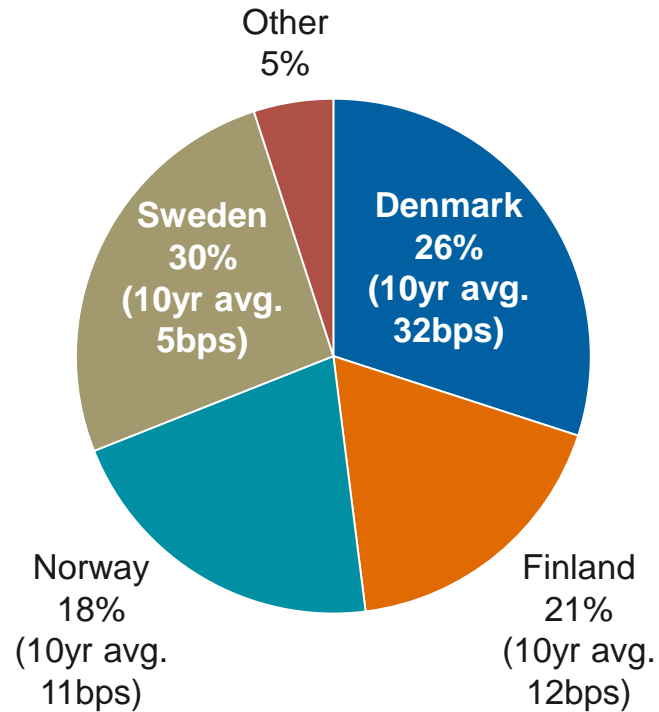
Credit quality in Denmark has improved ✓

Loan losses in Shipping has decreased significantly ✓

Credit framework set common standards, complemented with specific instructions where appropriate ✓

The credit portfolio is well diversified

Nordea credit portfolio, lending to the public excl. repos



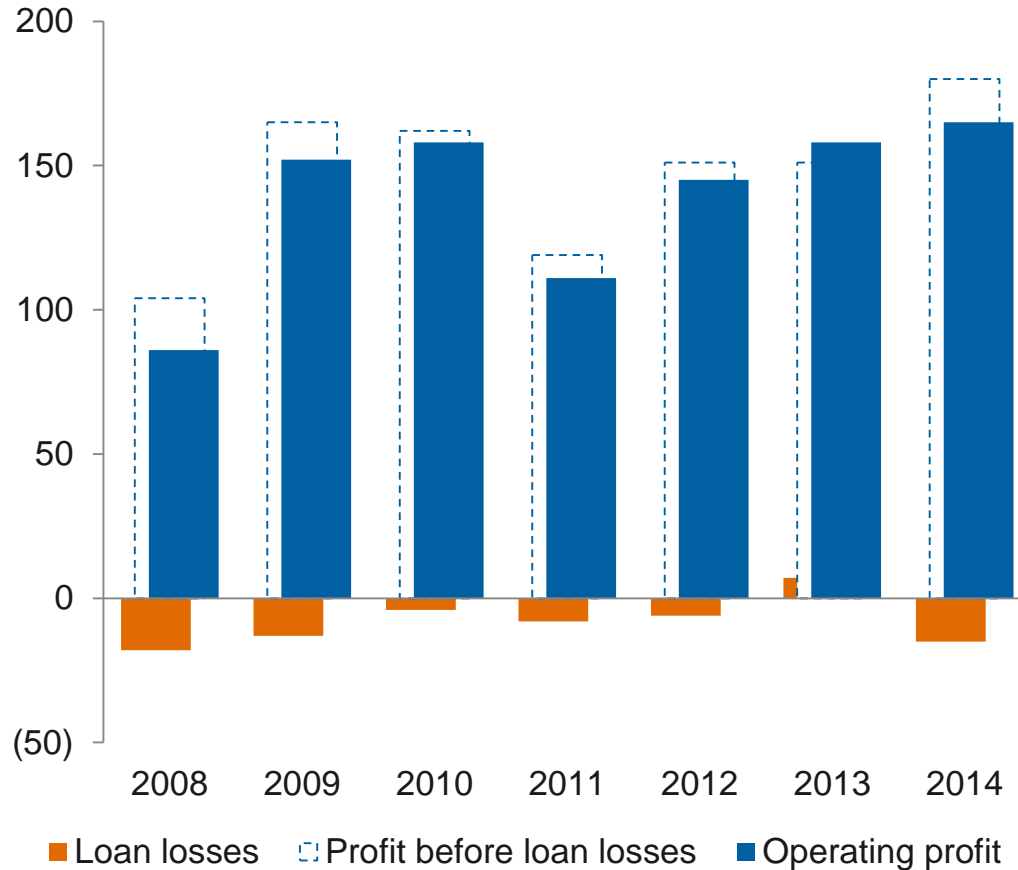
Note: Long term average loan losses

Nevertheless we have exposure to cyclical areas



Russia

Loan loss and Operating profit, EURm

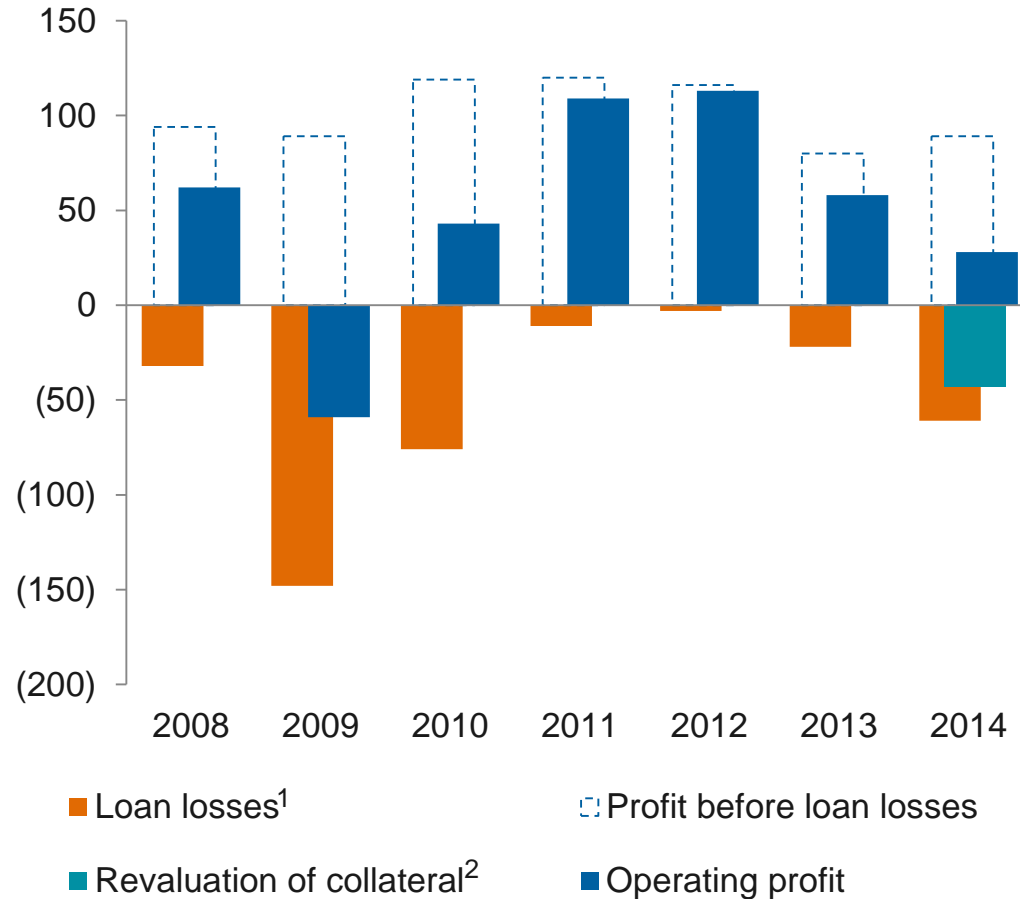


How we manage the risk

- Managed under same frameworks as Nordic business
- Specific risk appetite cap on exposure
 - Country concentration
 - CRE concentration cap
- Specific credit instructions for Russia. Dedicated credit team and experts
- Stress-testing of portfolio and individual borrower quality under different scenarios
- Closing down of retail business and strict management of corporate portfolio

Baltics

Loan loss and Operating profit, EURm



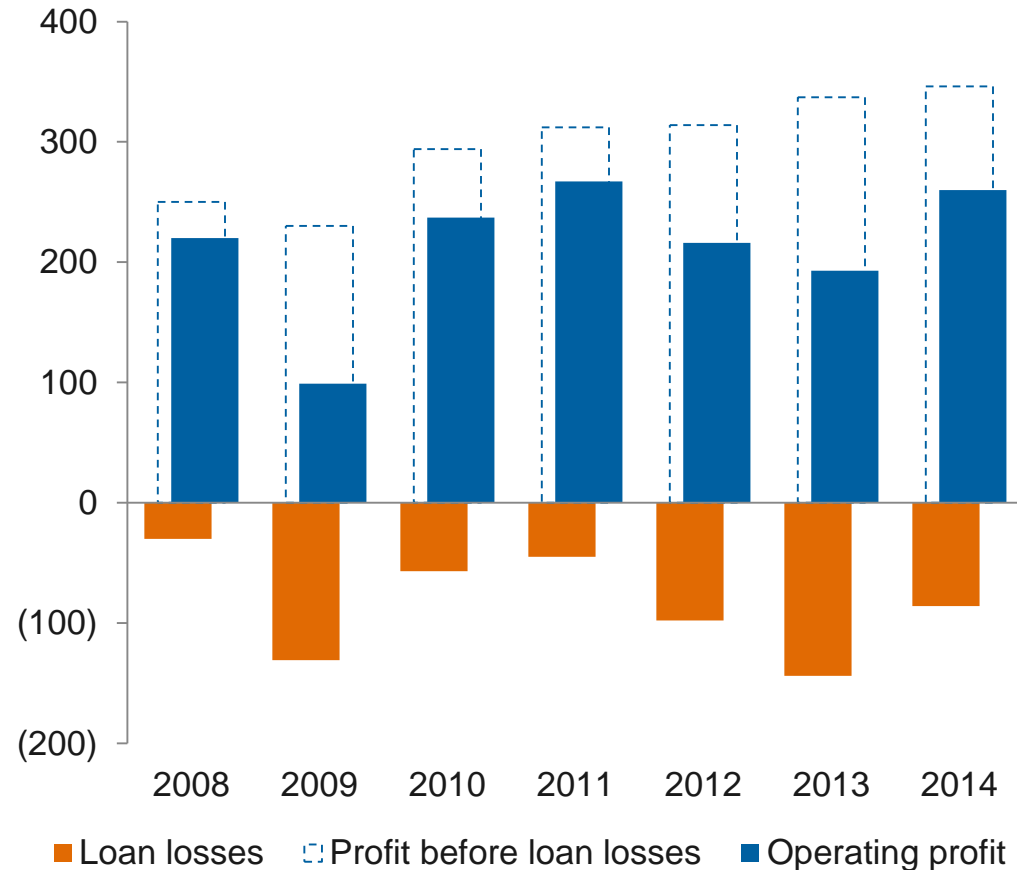
How we manage the risk

- Managed under same frameworks as Nordic business
- Sound exposure, business grown organically with strict customer selection
- Specific credit instructions for Baltics
- Customers are reviewed annually or semi-annually
- Portfolio is reviewed on a quarterly basis, Baltic Risk Reviews
- Local and experienced presence in the key positions of Risk Management

1) Loan losses including revaluation of collateral
 2) Estimate of the adjustment to the collateral values performed in 2014

Leveraged buyout (LBO)

Loan loss and Operating profit, EURm

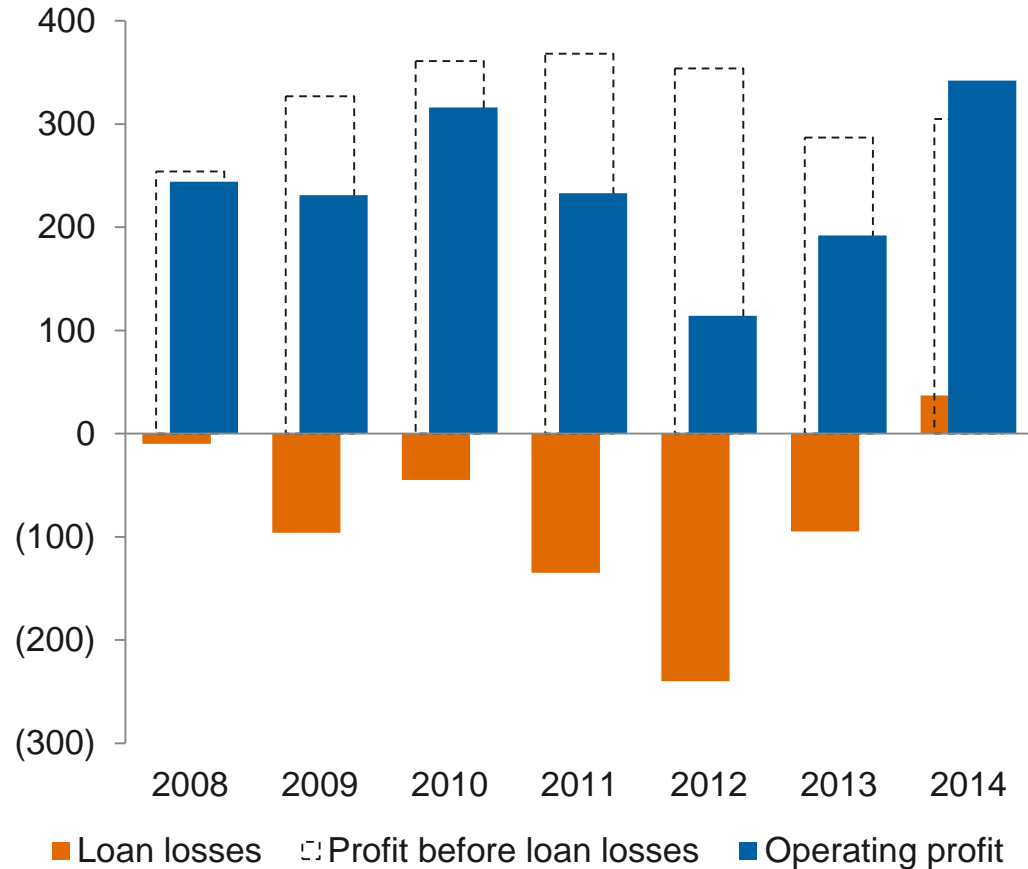


How we manage the risk

- Stick to proven model, outlined in the LBO Industry Policy
- Pro-active monitoring of all companies in the LBO portfolio
- Close co-operation between all relevant internal stakeholders
- Diversification over sectors
- Originating and syndicating, keeping part of the exposure
- Closely following market terms and ensuring market alignment
- Underwriting limits and close monitoring until completed distribution
- Bridge financing, short maturities

Shipping

Loan loss and Operating profit, EURm

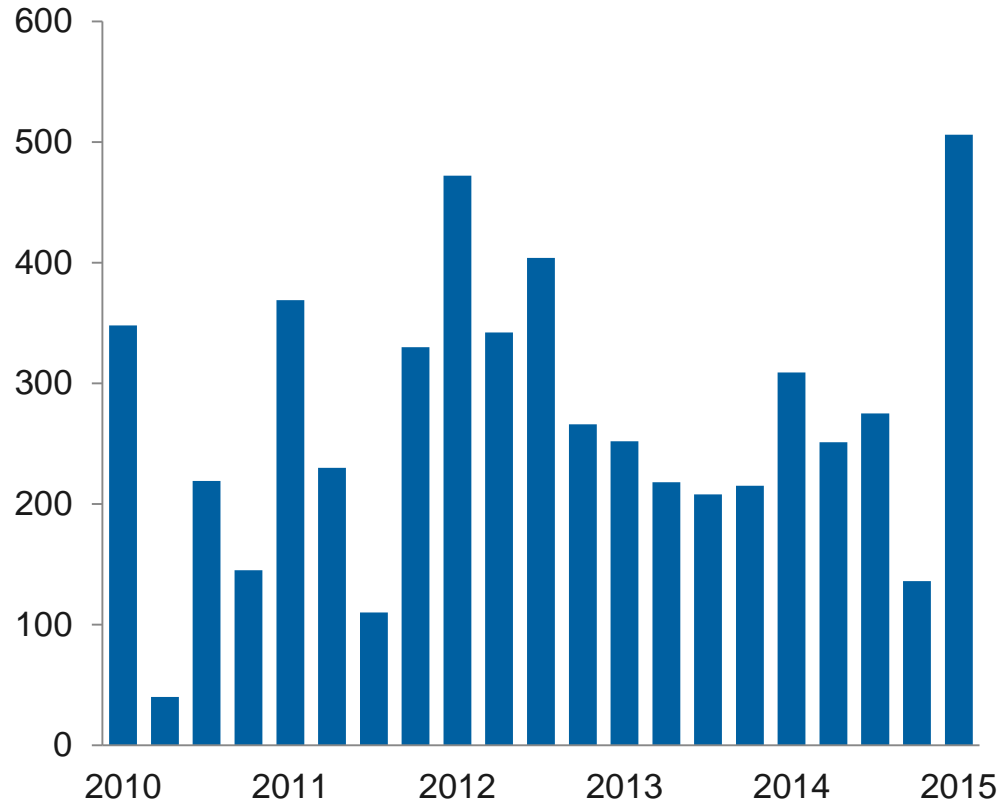


How we manage the risk

- Risk appetite cap on exposure
- Extensive in-house shipping expertise
- Well defined, long-term relationship strategy
- Business selection
- Specific industry policy governing shipping
- Dynamic Credit Parameters guide account managers
- Close follow-up of work-out cases & quarterly reporting
- Stress testing
- Underwrite and distribute exposure

Market risk, no lossmaking quarter

Market risk P/L (incl. HtM and AfS portfolios), EURm



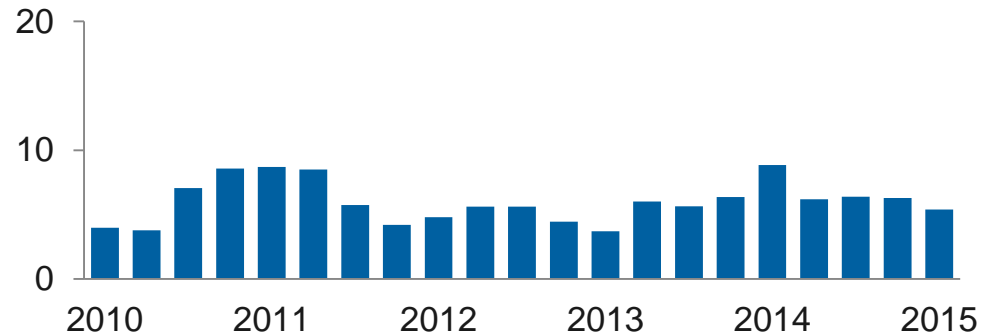
How we manage the risk

- Specific risk appetite cap on exposure
 - Market risk share of EC
 - Max loss per quarter
- Nordea Life and Pension is included in market risk framework
- Dynamic stop loss framework
- Stress Testing and dynamic 'what if' scenarios
- Daily risk to market moves to P&L explains – 'daily wrap ups'
- Deep dives into specific trading desks or risks e.g. tenor basis risk
- VaR to P&L back testing

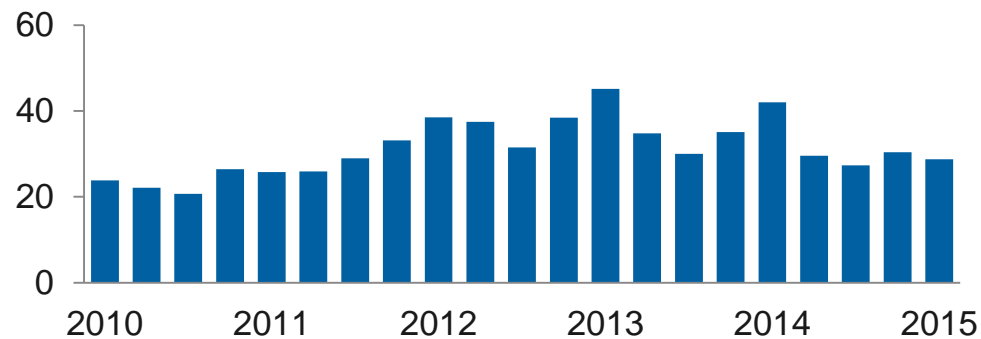
Operational risk and Compliance

Risk levels are stable

Operational risk loss, 4-quarter rolling average EURm



Customer complaints, thousands



How we manage the risk

- Nordea's operational risk framework is subject to continued enhancements, with the ambition to strengthen the execution and control of risk processes
- Specific Op-Risk focus areas for 2015 include:
 - Group Simplification
 - Business Continuity Management
 - Information Security
 - Third Party Risk Management
 - Risk Culture
- Strengthening Compliance focus, Group Compliance Officer made part of Group Executive Management

Risk appetite clearly defines Nordea's risk taking boundaries

Framework operational since 2011

- Facilitates holistic approach and increased risk awareness to ensure low earnings volatility
- 16 specific risk boundaries – across all risk types – defined at Group level
- Clear link between risk boundaries and Nordea's business strategies
- Dynamic framework – annual review
- Quarterly reporting and follow-up
 - Board level
 - Vs. the Business Units

Current Risk appetite framework

Credit risk	<ul style="list-style-type: none">■ Single customer concentration■ Industry concentration■ Geographic concentration■ Expected loss■ Loan loss
Market risk	<ul style="list-style-type: none">■ Market risk share of economic capital■ Maximum economic market risk loss per quarter
Operational risk	<ul style="list-style-type: none">■ Monitor top risks■ Operational risk loss■ Reputation, Non-Financial impact
Solvency	<ul style="list-style-type: none">■ CET1 capital ratio■ Leverage ratio
Liquidity risk	<ul style="list-style-type: none">■ Survival horizon■ Net balance of stable funding
Compliance & non-negotiable risks	<ul style="list-style-type: none">■ Regulatory requirements■ Internal policy and external regulatory breaches

Summary

