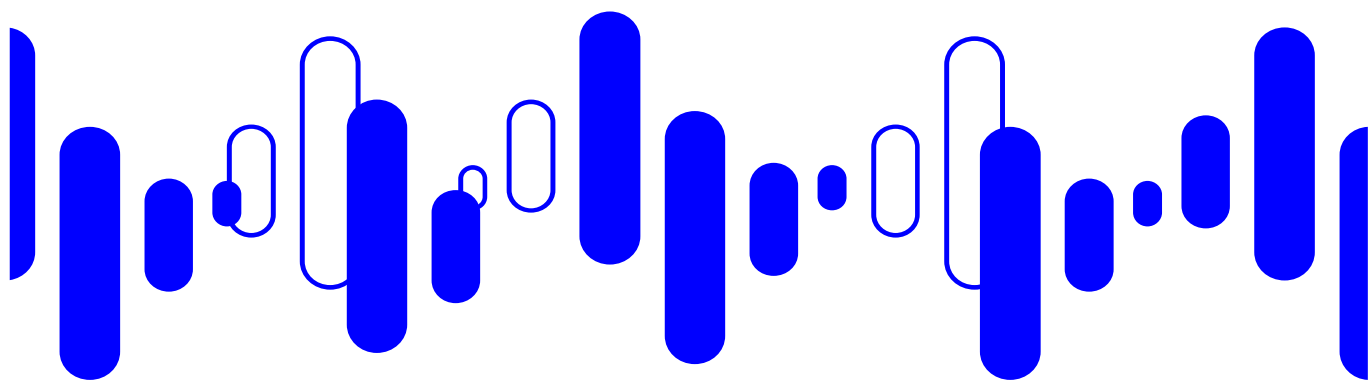


Nordea Capital and Risk Management Report

Second Quarter 2017

Provided by Nordea on the basis of its consolidated situation



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Summary of items included in own funds

Own funds decreased by EUR 684m (CET 1 EUR -193m, Additional Tier 1 EUR -142m, Tier 2 EUR -349m) in Q2 due to FX effects and amortisation on Tier 2 loans. The decrease due to FX-effects derive from the appreciation of the EUR conversion rate in the consolidation of the Nordea group, e.g. Euro value of own funds in SEK and NOK is reduced if the Euro appreciates towards SEK and NOK. In Q2, NOK depreciated 4% against the Euro and SEK 1%. Amortisation on Tier 2 loans is a regulatory requirement for loans with less than 5 years maturity, the amount allowed to be included in own funds is reduced by 20 percentage points per year even though the full amount is kept on the balance sheet.

Summary of items included in own funds

EURm	30 June 2017 ³	31 March 2017 ³
Calculation of own funds		
Equity in the consolidated situation	30,452	30,180
Proposed/actual dividend	-1,107	-588
Common Equity Tier 1 capital before regulatory adjustments	29,345	29,592
Deferred tax assets		
Intangible assets	-3,633	-3,577
IRB provisions shortfall (-)	-204	-252
Deduction for investments in credit institutions (50%)		
Pension assets in excess of related liabilities ¹	-262	-261
Other items, net	-356	-420
Total regulatory adjustments to Common Equity Tier 1 capital	-4,455	-4,509
Common Equity Tier 1 capital (net after deduction)	24,890	25,083
Additional Tier 1 capital before regulatory adjustments	2,870	3,016
Total regulatory adjustments to Additional Tier 1 capital	-14	-18
Additional Tier 1 capital	2,856	2,998
Tier 1 capital (net after deduction)	27,746	28,081
Tier 2 capital before regulatory adjustments	5,333	5,629
IRB provisions excess (+)	22	83
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	-52	-60
Total regulatory adjustments to Tier 2 capital	-1,235	-1,182
Tier 2 capital	4,098	4,447
Own funds (net after deduction)²	31,844	32,528

¹ Based on conditional FSA approval

² Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 32 026m by 30 Jun 2017

³ Including profit of the period

Own Funds excluding profit

EURm	30 June 2017	31 March 2017
Common Equity Tier 1 capital, excluding profit	24,222	24,553
Total Own Funds, excluding profit	31,176	31,998

EU OV1: Overview of REA

Total REA decreased by EUR 3,878m in Q2, mainly due to FX-developments, and decrease in counterparty credit risk. The decrease due to FX derives from a general appreciation of the Euro rate used to convert non-Euro (or non-Euro pegged) exposures in the consolidation of the Nordea Group. The decrease in counterparty credit risk can be derived to several sources, such as changes in the amount of derivatives, valuation, FX and collateral values.

	REA		Minimum capital requirements	
EURm	30 June 2017	31 March 2017	30 June 2016	31 June 2017
Credit risk (excluding CCR)	97,862	99,602	105,724	7,829
Of which standardised approach (SA) ¹	11,612	13,061	12,465	929
Of which foundation IRB (FIRB) approach	17,982	16,361	15,340	1,439
Of which advanced IRB (AIRB) approach	68,268	70,180	77,920	5,461
- of which AIRB	47,253	48,359	55,528	3,780
- of which Retail IRB	21,015	21,822	22,391	1,681
Of which Equity IRB under the simple risk-weight or the IMA				
Counterparty credit risk	8,691	10,190	12,515	695
Of which Marked to market ²	911	1,539	1,781	73
Of which Original exposure				
Of which standardised approach				
Of which internal model method (IMM)	5,249	6,106	7,964	420
Of which financial collateral simple method (for SFTs)	1,055	910	858	84
Of which exposure amount for contributions to the default fund of a CCP	27	27	22	2
Of which CVA	1,450	1,607	1,889	116
Settlement risk	10	0	1	1
Securitisation exposures in banking book (after the cap)	821	830		66
Of which IRB supervisory formula approach (SFA)	821	830		66
Market risk	3,386	3,635	6,578	271
Of which standardised approach (SA)	1,268	1,178	3,390	101
Of which IMA	2,118	2,457	3,188	169
Large exposures				
Operational risk	16,809	16,809	16,873	1,345
Of which Standardised Approach	16,809	16,809	16,873	1,345
Amounts below the thresholds for deduction (subject to 250% risk weight)	133	352	222	11
Article 3 CRR Buffer	1,998	2,170	1,000	160
Pillar 1 total	129,710	133,588	142,913	10,377
Floor adjustment	79,127	80,152	78,049	6,330
Regulatory total	208,837	213,740	220,962	16,707

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

² Excludes exposures to CCP

Capital ratios**Capital ratios**

%	30 June 2017	31 March 2017
Common Equity Tier 1 capital ratio, including profit	19.2	18.8
Tier 1 capital ratio, including profit	21.4	21.0
Total capital ratio, including profit	24.6	24.3
Common Equity Tier 1 capital ratio, excluding profit	18.7	18.4
Tier 1 capital ratio, excluding profit	20.9	20.6
Total capital ratio, excluding profit	24.0	24.0

Capital ratios including Basel I floor

%	30 June 2017	31 March 2017
Common Equity Tier 1 capital ratio, including profit	12.0	11.9
Tier 1 capital ratio, including profit	13.4	13.3
Total capital ratio, including profit	15.3	15.3
Common Equity Tier 1 capital ratio, excluding profit	11.7	11.6
Tier 1 capital ratio, excluding profit	13.1	13.0
Total capital ratio, excluding profit	15.0	15.0

Leverage Ratio

	30 June 2017	31 March 2017
Tier 1 capital, EURm	27,011	27,331
Tier 1 capital, transitional definition, EURm	27,746	28,081
Leverage ratio exposure, EURm	593,799	601,713
Leverage ratio, transitional definition, percentage	4.7	4.7
Leverage ratio, percentage	4.5	4.5

Figures include profit of the period

Credit risk

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EU CR2-A: Changes in stock of specific credit risk adjustments

The changes in specific credit risk adjustments in Q2 was ordinary low compared to outstanding amounts. Nordea uses IFRS accounting and has no general credit risk adjustments.

	Accumulated Specific credit risk adjustment
Opening balance	-2,426
Increases due to amounts set aside for estimated loan losses during the period	-469
Decreases due to amounts reversed for estimated loan losses during the period	318
Decreases due to amounts taken against accumulated credit risk adjustments	153
Transfers between credit risk adjustments	
Impact of exchange rate differences	22
Business combinations, including acquisitions and disposals of subsidiaries	7
Other adjustments	
Closing balance	-2,395
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	25
Specific credit risk adjustments recorded directly to the statement of profit or loss	-60

EU CR3: Credit risk mitigation techniques – overview

Unsecured exposures increased by EUR 29,441m in first half of 2017 resulting in a decrease of the secured-exposure ratio from 59% to 53%. The shift in the ratio is due to an increase in central bank exposures, which normally are unsecured due to their low risk nature.

EURm	Exposures unsecured - carrying amount	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Loans	148,657	233,119	211,221	9,894	
Total debt securities	58,255				
Total exposures	206,912	233,119	211,221	9,894	
Of which defaulted	2,513	5,108	4,049	337	

EU CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

In Q2 Nordea started to use internal models for calculating REA for Sovereign exposures (Central governments or central banks, regional governments or local authorities, public sector entities, multilateral development banks and international organisation), which led to a decrease in standardised sovereign exposures from EUR 82,901m end 2016, to EUR 958m end of first half 2017. In the remaining asset classes exposures have decreased due to FX-movements. The decrease due to FX derives from a general appreciation of the Euro rate used to convert non-Euro (or non-Euro pegged) exposures in the consolidation of the Nordea Group. EU CR4 exposure figures are net of provisions and write-offs (EUR 57m).

EURm	Exposures before CCF and CRM		Exposures post-CCF and CRM		REA	REA density
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
Asset classes						
Central governments or central banks	954		954		150	16%
Regional governments or local authorities	3		3		0	7%
Public sector entities		0		0	0	20%
Multilateral development banks						
International organisations						
Institutions	99	2	99	1	39	39%
Corporate	2,377	1,463	1,740	75	1,815	100%
Retail	4,316	2,409	4,198	92	3,157	74%
Secured by mortgages on immovable property	3,078	1,615	2,956	1,565	2,598	57%
Exposures in default	93	6	46	0	110	236%
Exposures associated with particularly high risk	438		438		657	150%
Covered bonds						
Institutions and corporates with a short-term credit assessment						
Collective investments undertakings (CIU)						
Equity	1,214		1,214		2,725	224%
Other items	840		838		493	59%
Total	13,412	5,495	12,487	1,734	11,745	83%

EU CR5: Standardised approach after application of CCF and CRM

Total credit risk treated under the Standardised Approach (SA) has decreased from EUR 97,758m to EUR 14,278m since Q4 2016. The decrease is primarily explained by a movement of sovereign exposures that were previously in the SA portfolio to the IRB portfolio.

EURm	Risk weight															Total exposures
Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	
Central governments or central banks	884									17		53				954
Regional governments or local authorities	2				1											3
Public sector entities banks					0											0
International organisations																
Institutions					76		0			24						100
Corporate										1,811		4				1,815
Retail									4,297							4,297
Secured by mortgages on immovable property						2,954	16			1,557						4,526
Exposures in default										55		36				92
Exposures associated with particularly high risk												438				438
Covered bonds with a short-term credit																
Collective investments undertakings (CIU)																
Equity										207		1,007				1,214
Other items	54				200					584						838
Total	940				278	2,954	16		4,297	4,256	478	1,060				14,278

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	
Sovereigns - FIRB												
0.00 to < 0.15	97,058	6,005	17%	100,635	0.00%	1,658	45%	2.3	1,879	2%	1	0
0.15 to < 0.25												
0.25 to < 0.50	187			187	0.29%	3	45%	1.2	79	42%	0	
0.50 to < 0.75	2	4	20%	3	0.61%	2	45%	1.6	2	69%	0	
0.75 to < 2.50	110	44	74%	19	1.26%	7	45%	2.5	20	106%	0	
2.50 to < 10.00	90	13	75%	12	3.70%	7	45%	2.5	18	142%	0	0
10.00 to < 100	200	39	75%	33	31.38%	5	45%	2.5	71	212%	5	
100 (Default)												
Total	97,647	6,104	17%	100,891	0.01%	1,682	45%	2.3	2,069	2%	6	0
Institutions - FIRB												
0.00 to < 0.15	31,872	2,088	17%	32,228	0.06%	823	15%	2.5	3,049	9%	3	0
0.15 to < 0.25	5,019	684	19%	5,162	0.22%	255	36%	2.5	2,132	41%	4	1
0.25 to < 0.50	87	80	22%	105	0.35%	149	45%	2.5	84	80%	0	0
0.50 to < 0.75	138	158	32%	188	0.55%	100	42%	2.5	153	81%	0	0
0.75 to < 2.50	122	322	23%	154	1.34%	190	45%	2.5	195	127%	1	0
2.50 to < 10.00	67	45	32%	73	5.20%	138	45%	2.5	135	185%	2	0
10.00 to < 100	1	7	23%	2	16.39%	19	42%	2.5	5	257%	0	0
100 (Default)	0	2	20%	0	100.00%	2	45%	2.5			0	
Sub-total	37,306	3,387	18%	37,912	0.10%	1,676	18%	2.5	5,754	15%	11	1
Corporate - FIRB and Specialised Lending												
0.00 to < 0.15	17			17	0.10%	1	45%	2.5	6	32%	0	
0.15 to < 0.25	8			8	0.25%	1	45%	2.5	4	52%	0	
0.25 to < 0.50												
0.50 to < 0.75												
0.75 to < 2.50	15			15	0.81%	1	45%	2.5	14	91%	0	
2.50 to < 10.00												
10.00 to < 100												
100 (Default)												
Sub-total	41			41	0.40%	3	45%	2.5	24	58%	0	
Corporate - AIRB and Specialised Lending												
0.00 to < 0.15	99	54	24%	112	0.06%	4	35%	1.8	16	15%	0	
0.15 to < 0.25	142	1	73%	143	0.23%	8	35%	1.9	46	32%	0	
0.25 to < 0.50	147	9	20%	150	0.35%	4	36%	4.0	102	68%	0	
0.50 to < 0.75	95	24	44%	89	0.55%	10	31%	2.6	41	46%	0	
0.75 to < 2.50	49			49	1.37%	6	36%	3.0	43	87%	0	
2.50 to < 10.00	41			41	7.91%	2	34%	2.5	44	105%	1	
10.00 to < 100												
100 (Default)	29	21	0%	29	100.00%	6	28%	2.2	62	210%	5	5
Sub-total	604	109	23%	614	5.65%	40	34%	2.6	354	58%	7	5

EURm

	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	
Corporate - FIRB, non-SME, Excluding Specialised Lending												
0.00 to < 0.15	3,420	685	29%	3,849	0.07%	1,564	42%	2.5	863	22%	1	3
0.15 to < 0.25	2,742	1,011	29%	2,969	0.21%	2,086	41%	2.5	1,287	43%	3	12
0.25 to < 0.50	1,060	452	12%	1,120	0.35%	1,233	42%	2.5	663	59%	2	3
0.50 to < 0.75	767	448	15%	787	0.55%	940	42%	2.5	578	73%	2	6
0.75 to < 2.50	1,225	338	25%	1,285	1.15%	1,565	41%	2.5	1,173	91%	6	28
2.50 to < 10.00	1,188	274	5%	842	4.55%	334	38%	2.5	1,065	126%	14	32
10.00 to < 100	28	3	10%	28	20.48%	60	42%	2.5	66	236%	2	14
100 (Default)	422	37	15%	397	100.00%	187	42%	2.5			169	222
Sub-total	10,853	3,248	22%	11,277	4.19%	7,969	42%	2.5	5,695	51%	199	319
Corporate - FIRB, SME, Excluding Specialised Lending												
0.00 to < 0.15	574	152	11%	776	0.08%	2,287	43%	2.5	156	20%	0	0
0.15 to < 0.25	726	211	9%	823	0.21%	3,088	42%	2.5	275	33%	1	1
0.25 to < 0.50	390	117	13%	442	0.35%	1,874	42%	2.5	199	45%	1	1
0.50 to < 0.75	470	118	6%	471	0.55%	1,756	42%	2.5	255	54%	1	2
0.75 to < 2.50	668	188	8%	664	1.27%	3,248	41%	2.5	456	69%	3	10
2.50 to < 10.00	277	100	1%	259	5.68%	1,192	40%	2.5	268	103%	6	14
10.00 to < 100	46	23	1%	44	20.57%	428	41%	2.5	73	165%	4	6
100 (Default)	70	38	5%	70	100.00%	310	40%	2.5			28	30
Sub-total	3,220	947	8%	3,549	3.07%	14,183	42%	2.5	1,683	47%	44	64
Corporate - AIRB, non-SME, Excluding Specialised Lending												
0.00 to < 0.15	12,660	17,532	52%	20,847	0.07%	3,500	32%	2.5	3,796	18%	5	0
0.15 to < 0.25	18,112	15,918	49%	24,626	0.21%	4,841	30%	2.7	7,909	32%	15	1
0.25 to < 0.50	10,933	6,784	49%	13,648	0.35%	3,220	28%	2.4	5,222	38%	13	3
0.50 to < 0.75	6,833	3,467	46%	7,737	0.55%	2,409	28%	2.8	3,963	51%	12	6
0.75 to < 2.50	5,179	3,038	47%	6,272	1.31%	3,494	29%	2.4	4,204	67%	24	41
2.50 to < 10.00	2,415	773	50%	2,320	5.49%	850	29%	3.3	2,560	110%	36	37
10.00 to < 100	198	66	50%	207	18.62%	167	29%	2.7	326	157%	11	9
100 (Default)	2,676	486	0%	2,535	100.00%	672	29%	2.8	4,728	187%	858	882
Sub-total	59,006	48,064	49%	78,191	3.76%	19,153	30%	2.6	32,708	42%	974	978
Corporate - AIRB, SME, Excluding Specialised Lending												
0.00 to < 0.15	15,299	3,082	51%	17,511	0.06%	12,469	24%	2.5	1,591	9%	3	0
0.15 to < 0.25	8,457	2,285	56%	10,686	0.21%	9,043	25%	2.5	2,271	21%	6	1
0.25 to < 0.50	5,822	1,138	56%	6,735	0.35%	5,287	25%	2.5	1,886	28%	6	1
0.50 to < 0.75	4,244	790	54%	4,778	0.55%	4,281	24%	2.5	1,610	34%	6	1
0.75 to < 2.50	4,773	970	56%	5,210	1.27%	7,084	25%	2.5	2,265	43%	16	8
2.50 to < 10.00	1,899	420	56%	2,042	5.86%	2,465	27%	2.6	1,538	75%	31	16
10.00 to < 100	386	71	45%	384	18.67%	730	25%	2.5	386	101%	18	12
100 (Default)	2,031	146	0%	1,935	100.00%	1,662	26%	2.5	2,644	137%	705	705
Sub-total	42,912	8,903	53%	49,281	4.61%	43,021	25%	2.5	14,191	29%	790	743

EURm

	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	
PD scale												
Retail - RIRB, secured by immovable property, non SME												
0.00 to < 0.15	81,987	7,384	68%	87,014	0.09%	644,267	14%	2.5	2,707	3%	10	0
0.15 to < 0.25	27,557	1,280	59%	28,318	0.19%	207,475	15%	2.5	1,657	6%	8	0
0.25 to < 0.50	12,785	624	61%	13,163	0.36%	100,029	14%	2.5	1,181	9%	7	1
0.50 to < 0.75	4,314	111	43%	4,362	0.60%	34,159	14%	2.5	573	13%	4	0
0.75 to < 2.50	8,248	319	43%	8,384	1.26%	64,233	14%	2.5	1,785	21%	15	2
2.50 to < 10.00	1,922	208	36%	1,998	4.91%	12,667	17%	2.5	1,186	59%	17	3
10.00 to < 100	803	21	38%	811	23.57%	7,149	15%	2.5	714	88%	27	3
100 (Default)	1,380	4	69%	1,382	100.00%	12,253	14%	2.5	1,894	137%	42	49
Sub-total	138,996	9,952	65%	145,431	1.36%	1,082,232	14%	2.5	11,698	8%	129	58
Retail - RIRB, secured by immovable property, SME												
0.00 to < 0.15	110	18	50%	119	0.11%	2,755	21%	2.5	5	4%	0	0
0.15 to < 0.25	302	24	50%	314	0.18%	5,512	21%	2.5	20	6%	0	0
0.25 to < 0.50	87	20	65%	100	0.37%	1,623	19%	2.5	10	10%	0	0
0.50 to < 0.75	99	27	65%	116	0.60%	2,036	20%	2.5	18	15%	0	0
0.75 to < 2.50	395	89	59%	447	1.30%	8,664	21%	2.5	116	26%	1	0
2.50 to < 10.00	57	12	71%	66	3.40%	1,086	20%	2.5	29	44%	0	0
10.00 to < 100	13	1	69%	14	31.66%	239	21%	2.5	14	98%	1	0
100 (Default)	28	2	73%	30	100.00%	676	22%	2.5	55	184%	5	5
Sub-total	1,092	192	59%	1,206	3.65%	22,591	21%	2.5	267	22%	7	5
Retail - RIRB, other, non -SME												
0.00 to < 0.15	5,940	6,031	63%	9,739	0.09%	1,180,764	33%	2.5	785	8%	3	0
0.15 to < 0.25	4,186	2,666	63%	5,878	0.19%	567,854	34%	2.5	809	14%	4	0
0.25 to < 0.50	3,666	1,399	62%	4,531	0.36%	438,946	33%	2.5	887	20%	5	1
0.50 to < 0.75	1,283	391	59%	1,515	0.60%	143,798	33%	2.5	385	25%	3	1
0.75 to < 2.50	2,977	956	64%	3,592	1.33%	432,487	32%	2.5	1,179	33%	13	4
2.50 to < 10.00	2,944	387	54%	3,153	4.89%	208,265	25%	2.5	1,148	36%	36	12
10.00 to < 100	1,323	101	59%	1,382	20.16%	79,667	25%	2.5	740	54%	63	16
100 (Default)	747	108	54%	805	100.00%	85,593	34%	2.5	2,199	273%	314	346
Sub-total	23,064	12,040	63%	30,595	4.35%	3,137,374	32%	2.5	8,131	27%	441	379
Retail - RIRB, other, SME												
0.00 to < 0.15	6	10	63%	12	0.10%	2,230	44%	2.5	1	9%	0	0
0.15 to < 0.25	24	13	63%	32	0.20%	3,392	42%	2.5	5	16%	0	0
0.25 to < 0.50	42	76	73%	97	0.39%	6,791	36%	2.5	20	21%	0	0
0.50 to < 0.75	54	95	80%	129	0.60%	7,508	33%	2.5	31	24%	0	0
0.75 to < 2.50	514	352	76%	781	1.42%	37,861	33%	2.5	259	33%	3	0
2.50 to < 10.00	414	185	56%	518	4.63%	29,539	33%	2.5	225	43%	7	3
10.00 to < 100	89	18	83%	104	21.15%	5,117	31%	2.5	62	59%	6	2
100 (Default)	87	28	62%	105	100.00%	6,421	36%	2.5	316	301%	29	32
Sub-total	1,230	776	70%	1,778	9.18%	98,859	33%	2.5	919	52%	47	38

EU CR7: Effect on REA of credit derivatives used as CRM techniques

The total amount of pre-credit derivatives REA at the end of Q2 2017 amounted to EUR 89,577m, corresponding to a gross REA relief of EUR 3,327m (EUR 2,506m net of REA held on securitised positions). By the end of 2016 pre-credit derivatives REA amounted to EUR 88,095m and the relief EUR 3,468m. Outside of the synthetic securitisation of certain corporate exposures, Nordea does not use credit derivatives as a credit risk mitigation technique in the banking book.

EURm	Pre-credit derivatives	
	REA	Actual REA
Exposures under Foundation IRB		
Central governments and central banks	2,069	2,069
Institutions	5,754	5,754
Corporates - SME	1,683	1,683
Corporates - Specialised Lending	24	24
Corporates - Other	5,695	5,695
Exposures under Advanced IRB		
Central governments and central banks		
Institutions		
Corporates - SME	15,045	14,190
Corporates - Specialised Lending	355	355
Corporates - Other	35,181	32,708
Retail - Secured by real estate SME	267	267
Retail - Secured by real estate non-SME	11,698	11,698
Retail - Qualifying revolving		
Retail - Other SME	919	919
Retail - Other non-SME	8,131	8,131
Equity IRB		
Other non credit-obligation assets	2,758	2,758
Total	89,577	86,250

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

Compared to Q1 2017, the total IRB REA decreased by EUR 301m. The main driver was favorable movements in FX, decreasing REA with EUR 1,521m. The decrease due to FX derive from a general appreciation of the Euro rate used to convert non-Euro (or non-Euro pegged) exposures in the consolidation of the Nordea Group. The REA increase due to Model updates is primarily explained by sovereign exposures moving from the Standardised Approach (SA) to the IRB approach.

EURm	REA amount	Capital require- ment
REA 2017 Q1	87,372	6,990
Asset size	-647	-52
Asset quality	-344	-28
Model updates	1,778	142
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	-1,521	-122
Other	434	35
REA 2017 Q2	87,071	6,966

Credit risk

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EU CCR1: Analysis of counterparty credit risk by approach

Nordea is using two methodologies when calculating the counterparty credit risk amounts. These methodologies are the mark to market and Internal Model Method (IMM). For Securities Financing Transactions (SFT) Nordea is using the financial collateral simple method.

Since last reporting period REA has decreased as a consequence of increasing EUR and Nordic rates as Nordea is structurally positioned towards a higher rates environment.

EURm	Notional	Replace- ment cost/ Current market value	Potential future value	EEPE	Multiplier	EAD post- CRM	REA
Mark to market		583	2,635			3,219	938
Original exposure							
Standardised approach							
Internal Model Method (for derivatives and SFTs)			8,094	12,089	1	16,925	5,249
Of which securities Financing Transactions							
Of which derivatives & Long Settlement Transactions			8,094	12,089	1	16,925	5,249
Of which from Contractual Cross Product Netting							
Financial collateral simple method (for SFTs)						9,745	1,055
Financial collateral comprehensive method (for SFTs)							
VaR for SFTs							
Total							7,242

EU CCR2: Credit valuation adjustment (CVA) capital charge

For credit valuation adjustment (CVA) capital charge, Nordea is using two different methodologies: advanced and standardised method. Around 71% of the CVA risk REA is calculated using the advanced method and the rest using the standardised method. The REA for advanced method comes from two components, where the VaR component counts for around 23% of the exposure and stressed VaR counts for the rest (77%). REA has decreased from EUR 1,798m end of 2016 to EUR 1,450m by the end of first half 2017, mainly due to increasing interest rates.

EURm	Exposure value	REA
Total portfolios subject to the Advanced Method	3,551	1,032
(i) VaR component (including the 3×multiplier)		244
(ii) Stressed VaR component (including the 3×multiplier)		788
All portfolios subject to the Standardised Method Based on Original Exposure Method	2,439	417
Total subject to the CVA capital charge	5,991	1,450

EU CCR3: Standardised approach - Counterparty credit risk exposures by regulatory portfolio and risk

Total counterparty credit risk treated under the Standardised Approach (SA) has decreased from EUR 12,775m to EUR 4,168m since Q4 2016. This decrease is mainly driven by an IRB roll-out, where sovereign exposures have moved from the SA portfolio to the IRB portfolio.

EURm	Risk weight												Total
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	Others	
Exposure classes													
Central governments or central banks													
Regional governments or local authorities													
Public sector entities													
Multilateral development banks													
International organisations													
Institutions	76	3,532			462							46	4,116
Corporate										47	0		47
Retail									5				5
Secured by mortgages on immovable property													
Exposures in default													
Exposures associated with particularly high risk													
Covered bonds													
Institutions and corporates with a short-term credit assessment													
Collective investments undertakings (CIU)													
Equity													
Other items													
Total	76	3,532			462				5	47	0	46	4,168

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

Compared to Q4 2016, the Sovereigns FIRB portfolio has been added due to model approval.

In the Institutions - FIRB portfolio, since Q4 2016 the EAD post CRM and post-CCF has increased by EUR 1,239m (20%), whereas the REA has increased by EUR 230m (10%), causing the REA density of the overall portfolio to decrease from 35.6% to 32.7%. The portfolio's average LGD was 42.0% in Q2 2017, an increase of 183bps, and the portfolio average maturity has decreased by 0.4 years. The highest PD scale segment increased in relative terms, from constituting 74% to 79% of the portfolio.

In the Corporate - FIRB, Non-SME, Excluding Specialised Lending portfolio, the EAD post CRM and post-CCF decreased by EUR 3 291m (-28%) since Q4 2016, with a corresponding REA reduction of EUR 1 780m (-34%), resulting in a lowered REA density, from 44.1% to 40.2%. This move was partly explained by a relative increase of the highest PD scale segment from 43% to 48% of the portfolio.

The Corporate - FIRB, SME, Excluding Specialised Lending portfolio remained relatively stable. EAD post CRM and post-CCF decreased by EUR 321 (-13%) and REA by EUR 125m (-13%) compared to Q4 2016. The REA density decreased from 38.1% to 37.9%. The overall portfolio LGD and maturity were stable between the periods, whereas the portfolio average PD was 47 bps lower in Q2 2017.

Sovereigns - FIRB

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	7,209	0	418	0	1.7	167	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							
10.00 to < 100							
100 (Default)							
Total	7,209	0.00%	418	45%	1.7	167	2%

Institutions - FIRB

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	5,918	0.07%	138	43%	1.8	1,582	27%
0.15 to < 0.25	462	0.18%	82	45%	2.2	232	50%
0.25 to < 0.50	976	0.35%	24	36%	1.8	516	53%
0.50 to < 0.75	31	0.55%	17	45%	2.4	29	95%
0.75 to < 2.50	50	0.87%	11	45%	0.9	45	89%
2.50 to < 10.00	29	2.70%	10	45%	0.9	39	134%
10.00 to < 100	0	20.71%	1	45%	2.5	0	254%
100 (Default)							
Sub-total	7,466	0.13%	283	42.0%	1.8	2,445	33%

Corporate - FIRB, 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	4,139	0.06%	886	45%	2.0	793	19%
0.15 to < 0.25	2,029	0.20%	683	45%	2.1	868	43%
0.25 to < 0.50	1,269	0.35%	390	45%	2.4	776	61%
0.50 to < 0.75	464	0.55%	333	45%	2.4	350	75%
0.75 to < 2.50	395	1.25%	362	45%	2.0	381	96%
2.50 to < 10.00	211	4.32%	113	45%	2.0	314	149%
10.00 to < 100	3	15.28%	10	45%	2.5	8	235%
100 (Default)	159	100.00%	40	45%	2.5		
Sub-total	8,669	2.16%	2,817	45%	2.1	3,489	40%

Corporate - FIRB, 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	905	0.05%	1,083	45%	2.3	135	15%
0.15 to < 0.25	395	0.21%	1,033	45%	2.5	149	38%
0.25 to < 0.50	329	0.35%	641	45%	2.5	167	51%
0.50 to < 0.75	263	0.55%	595	45%	2.0	141	53%
0.75 to < 2.50	228	1.17%	875	45%	2.5	180	79%
2.50 to < 10.00	52	5.88%	365	45%	2.5	61	118%
10.00 to < 100	10	16.38%	80	45%	2.5	18	179%
100 (Default)	59	100.00%	156	45%	2.5		
Sub-total	2,242	3.13%	4,828	45%	2.4	851	38%

CCR5-A: Impact of netting and collateral held on exposure values

A decrease in Counterparty Credit Risk gross and net exposures over the first half of 2017 have by nature decreased the absolute value of Nordea's netting benefit and called collateral. The main driver of the decrease in exposure over the period is increasing interest rates. Note that collateral held (d) is the residual between (c) and (e) why excess collateral received is not recognised. This reflects the actual risk mitigation coming from held collateral.

A different approach to calculate the gross positive fair value for securities finance transactions has been used compared to previous reporting period. The gross positive fair value now represents the asset side of the deal leg of the security finance transactions. The netting benefits represents the netting between the asset and liability side on the deal legs.

EURm	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	184,598	169,022	15,576	6,145	9,431
SFTs	59,841	23,667	36,175	35,018	1,156
Cross-product netting					
Total	244,439	192,688	51,751	41,164	10,587

CCR5-B: Composition of collateral for exposures to CCR

Collateral used in derivative transactions reflect the total amounts of posted and received collateral on the day of reporting. For the SFT's the trade collateral (the counterparties obligation in the transaction) is included as collateral. This has been changed in the last reporting period as explained in CCR5-A.

EURm	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Un-segregated	Segregated	Un-segregated		
Cash		7,287	0	9,411	60,175	56,470
Government bonds		467	165	2,489	34,198	42,228
Mortgage bonds		71		988	15,300	10,926
Bonds		92	5	5	10,177	6,151
Equity					1,959	1,906
Total		7,917	170	12,892	121,809	117,681

EU CCR8: Exposures to central counterparties

Total REA for exposures towards QCCPs decreased from EUR 457m end 2016 to EUR 190m end of first half 2017. Decrease in trade exposure for OTC derivatives is mainly due to close-down of clearing activities in Frankfurt. Increase seen for cleared SFT's is due to increased volume of cleared repo transactions and backloading activities. Nordea has no exposures to non-qualified CCPs.

EURm	EAD (post-CRM)	REA
Exposures to QCCPs (total)		190
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	3,994	163
(i) OTC derivatives	948	102
(ii) Exchange-traded derivatives	483	10
(iii) Securities financing transactions	2,563	51
(iv) Netting sets where cross-products netting has been approved		
Segregated initial margin	282	
Non-segregated initial margin		
Pre-funded default fund contribution	122	27
Alternative calculation of own funds requirements for exposures	0	0

Market risk

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EU MR1: Market risk under standardised approach

Compared to Q4 2016, the Interest rate risk increased with EUR 259m mainly due to increased positions in mortgage bonds. Furthermore, Equity risk and Commodity risk figures are in line with the Q4 2016 amounts. The Foreign exchange (FX) risk decreased with EUR 605m. No capital requirements has been calculated for the FX risk in Q2 2017 as the ratio between total open net positons and total own funds was under the 2% threshold specified in Article 351 of the Capital Requirements Regulation (CRR).

EURm	REA	Capital requirements
Outright products¹		
Interest rate risk (general and specific)	1,039	83
Equity risk (general and specific)	79	6
Foreign exchange risk		
Commodity risk	27	2
Options		
Simplified approach		
Delta-plus method		
Scenario approach	124	10
Securitisation		
Total	1,268	101

¹ Outright products refer to positions in products that are not optional

EU MR2-A: Market risk under the internal models approach

The decrease in total Value-at-Risk (VaR) REA of EUR 307m is primarily driven by the net interest rate exposure being at reduced levels throughout the first half of 2017. Total stressed Value at Risk (sVaR) REA decreased by EUR 22m, mainly stemming from interest rate sVaR. In addition, the Incremental Risk Method (IRM) decreased by EUR 47m in REA driven by the twelve week average. The change can be explained by reduced corporate exposures, primarily corporate bonds. Lastly, the Comprehensive Risk Method (CRM) REA decreased by EUR 448m. The decrease is driven by the twelve week average used in Q2 2017 versus a higher last measure in Q4 2016. Additionally, position changes mainly in Index CDS options also contributed to the REA decrease.

	a	b
EURm	REA	Capital requirements
1 VaR (higher of values a and b)	525	42
(a) Previous day's VaR (Article 365 (1)(VaRt-1))	123	10
(b) Average of daily VaR (article 365 (1)) on each of the preceding sixty business days (VaRavg) x multiplication factor ((mc) in accordance with article 366)	525	42
2 SVaR (higher of values a and b)	928	74
(a) Latest SVaR (Article 365 (2) (sVaRt-1))	316	25
(b) Average of the SVaR (article 365 (2)) during the preceding 60 business days (sVaRavg) x	928	74
3 Incremental risk charge - IRC (higher of values a and b)	300	24
(a) Most recent IRC value (incremental default and migration risks section 3 calculated in	243	19
(b) Average of the IRC number over the preceding 12 weeks	300	24
4 Comprehensive risk method - CRM (higher of values a,b and c)	365	29
(a) Most recent risk number for the correlation trading portfolio (article 377)	360	29
(b) Average of the risk numbers for the correlation trading portfolio over the preceding 12-weeks	365	29
(c) 8% of the own funds requirement in SA on most recent risk number for the correlation trading portfolio (Article 338 (4))	348	28
Total	2,118	169

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

Compared to Q1 2017 figures, the decrease in total Value at Risk (VaR) of EUR 129m is primarily driven by the net interest rate exposure being at a low level during Q2 2017. In addition, lower absolute net interest rate sensitivities during Q2 2017 contributed to lower total VaR. The increase of EUR 18m in total stressed Value at Risk (sVaR) is primarily stemming from interest rate sVaR. Furthermore, the decrease in Incremental Risk Method (IRM) is explained by the twelve week average used in Q2 2017 versus the last measure used in Q1 2017.

EURm	VaR	SVaR	IRM	CRM	Other	Total REA	Total capital requiremen
REA as at end of previous reporting period	654	910	405	488		2,457	197
Regulatory adjustment							
REA at end of day previous quarter	654	910	405	488		2,457	197
Movement in risk levels	-129	18	-106	-123		-338	-27
Model updates/changes							
Methodology and policy							
Aquisitions and disposals							
Foreign exchange movements							
Other							
REA at end of day previous quarter	525	928	300	365		2,118	169
Regulatory adjustment							
REA as at end of current reporting period	525	928	300	365		2,118	169

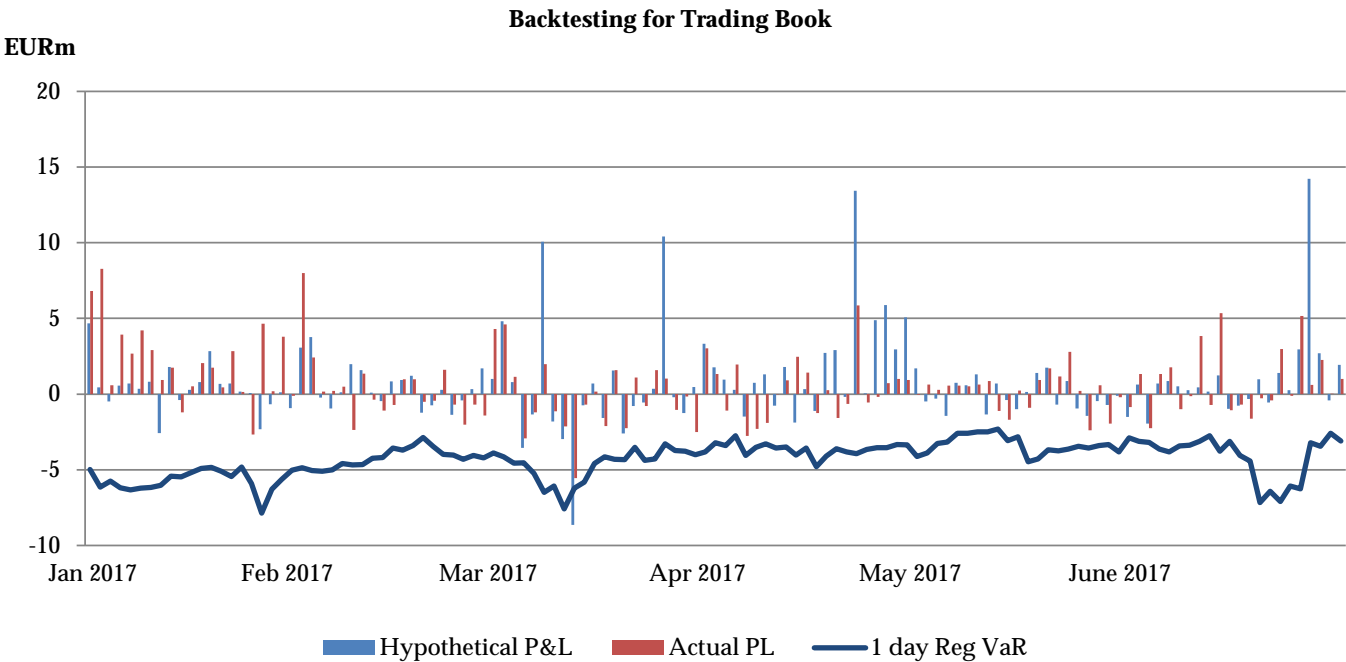
EU MR3: IMA values for trading portfolios

The Incremental Risk Charge (IRC) maximum value of EUR 45m is mainly driven by position changes during May 2017, primarily corporate bonds and near maturity options. The IRC average value of EUR 24m is driven by relatively high IRC levels throughout the second quarter, which decreased by the end of the period to EUR 19m. The Comprehensive Risk Capital Charge (CRC) maximum value of EUR 37m stems from position changes, mostly in index CDS options. The CRC period end value decreased towards the end of the Q2 2017 driven by new changes in CDO option trades. The difference between Maximum value for Q2 2017 versus Q4 2016 is due to a higher CRC during Q4 2016.

EURm	a
VaR (10 day 99%)	
Maximum value	23
Average value	12
Minimum value	7
Period end	10
SVaR (10 day 99%)	
Maximum value	38
Average value	22
Minimum value	10
Period end	25
IRC (10 day 99%)	
Maximum value	45
Average value	24
Minimum value	11
Period end	19
Comprehensive capital charge (99.9%)	
Maximum value	37
Average value	28
Minimum value	20
Period end	29

EU MR4: Comparison of VaR estimates with gains/losses

The figure shows the VaR backtest of the trading book for 2017. The VaR models are considered being of a satisfactory quality if less than five exceptions are recorded within the last 250 banking days. By the end of Q2 2017, both backtests based on actual profit/loss and hypothetical profit/loss were in the green zone with two exceptions during the last 250 days. The backtest deciding the capital multiplier is the one with the highest number of exceptions based on hypothetical profit/loss or actual profit/loss. One new backtest exception based on hypothetical profit/loss occurred in March 2017 bringing the total number of backtest exceptions up to two for the last 250 banking days.



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