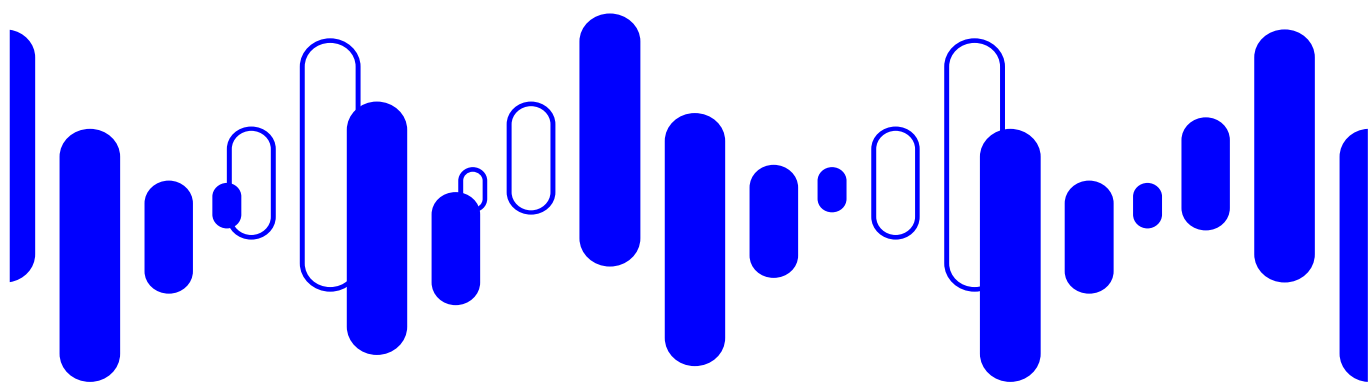


Nordea Capital and Risk Management Report

Third Quarter 2017

Provided by Nordea on the basis of its consolidated situation



Summary of items included in own funds

CET1 capital decreased with EUR 0.2bn, partly explained by increased deduction for intangible assets. At the end of the third quarter, the CET1 capital was EUR 24.7bn, the Tier 1 capital was EUR 27.5bn and the Own Funds were EUR 31.4bn.

Summary of items included in own funds

EURm	30 September 2017 ³	30 June 2017 ³
Calculation of own funds		
Equity in the consolidated situation	31 263	30 452
Proposed/actual dividend	-2 005	-1 107
Common Equity Tier 1 capital before regulatory adjustments	29 259	29 345
Deferred tax assets		
Intangible assets	-3 754	-3 633
IRB provisions shortfall (-)	-223	-204
Deduction for investments in credit institutions (50%)		
Pension assets in excess of related liabilities ¹	-279	-262
Other items, net	-323	-356
Total regulatory adjustments to Common Equity Tier 1 capital	-4 579	-4 455
Common Equity Tier 1 capital (net after deduction)	24 679	24 890
Additional Tier 1 capital before regulatory adjustments	2 809	2 869
Total regulatory adjustments to Additional Tier 1 capital	-19	-14
Additional Tier 1 capital	2 790	2 855
Tier 1 capital (net after deduction)	27 470	27 746
Tier 2 capital before regulatory adjustments	5 119	5 333
IRB provisions excess (+)	90	22
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	-51	-51
Total regulatory adjustments to Tier 2 capital	-1 166	-1 235
Tier 2 capital	3 953	4 098
Own funds (net after deduction) ²	31 423	31 844

¹ Based on conditional FSA approval

² Own Funds adjusted for IRB provision, i.e. adjusted own funds equal EUR 31 556m by 30 Sep 2017

³ Including profit of the period

Own Funds excluding profit

EURm	30 September 2017	30 June 2017
Common Equity Tier 1 capital, excluding profit	24 160	24 222
Total Own Funds, excluding profit	30 903	31 176

EU OV1 - Overview of REA

REA decreased with EUR 1.4bn. The main drivers were improved credit quality and lower volumes in the corporate portfolio, somewhat offset by the PD/ADF implementation.

	REA		Minimum capital requirements	
EURm	30 Sep 2017	30 Jun 2017	30 Sep 2016	30 Sep 2017
Credit risk (excluding CCR)	98 975	97 862	100 385	7 918
Of which standardised approach (SA) ¹	11 606	11 612	12 635	929
Of which foundation IRB (FIRB) approach	17 598	17 982	14 663	1 408
Of which advanced IRB (AIRB) approach	69 770	68 268	73 088	5 582
- of which AIRB	48 747	47 253	51 109	3 900
- of which Retail IRB	21 023	21 015	21 979	1 682
Of which Equity IRB under the simple risk-weight or the IMA				
Counterparty credit risk	8 409	8 691	11 855	673
Of which Marked to market ²	884	911	1 779	71
Of which Original exposure				
Of which standardised approach				
Of which internal model method (IMM)	5 149	5 249	7 285	412
Of which financial collateral simple method (for SFTs)	1 119	1 055	946	90
Of which exposure amount for contributions to the default fund of a CCP	19	27	17	2
Of which CVA	1 238	1 450	1 828	99
Settlement risk	3	10	0	0
Securitisation exposures in banking book (after the cap)	836	821	823	67
Of which IRB supervisory formula approach (SFA)	836	821	823	67
Market risk	3 142	3 386	4 758	251
Of which standardised approach (SA)	953	1 268	1 149	76
Of which IMA	2 190	2 118	3 609	175
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)	128	133	496	10
Article 3 CRR Buffer		1 998	1 000	
Pillar 1 total	128 303	129 710	136 191	10 264
Floor adjustment	78 077	79 127	81 873	6 246
Regulatory total	206 380	208 837	218 064	16 510

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

² Excludes exposures to CCP

Capital ratios

Capital ratios

%	30 September 2017	30 June 2017
Common Equity Tier 1 capital ratio, including profit	19.2	19.2
Tier 1 capital ratio, including profit	21.4	21.4
Total capital ratio, including profit	24.5	24.6
Common Equity Tier 1 capital ratio, excluding profit	18.8	18.7
Tier 1 capital ratio, excluding profit	21.0	20.9
Total capital ratio, excluding profit	24.1	24.0

Capital ratios including Basel I floor

%	30 September 2017	30 June 2017
Common Equity Tier 1 capital ratio, including profit	12.1	12.0
Tier 1 capital ratio, including profit	13.4	13.4
Total capital ratio, including profit	15.3	15.3
Common Equity Tier 1 capital ratio, excluding profit	11.8	11.7
Tier 1 capital ratio, excluding profit	13.2	13.1
Total capital ratio, excluding profit	15.0	15.0

Leverage Ratio

	30 September 2017	30 June 2017
Tier 1 capital, EURm	26 744	27 011
Tier 1 capital, transitional definition, EURm	27 470	27 746
Leverage ratio exposure, EURm	563 768	593 799
Leverage ratio, transitional definition, percentage	4.9	4.7
Leverage ratio, percentage	4.7	4.5

Figures include profit of the period

EU CR6: Credit risk exposures by portfolio and PD scale (EU CR6), excluding CCR
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
Sovereigns - FIRB												
0.00 to < 0.15	80 689	6 075	17%	84 860	0.00%	1 745	44.8%	1.6	1 708	2%	1	0
0.15 to < 0.25												
0.25 to < 0.50	209			209	0.29%	3	45.0%	1.1	87	42%	0	
0.50 to < 0.75	0	7	26%	2	0.61%	2	45.0%	2.6	2	82%	0	0
0.75 to < 2.50	110	41	32%	8	1.27%	6	45.0%	2.5	9	106%	0	0
2.50 to < 10.00	128	5	69%	44	5.26%	24	45.0%	2.5	72	162%	1	
10.00 to < 100	194	31	37%	18	23.58%	4	45.0%	2.5	38	211%	2	1
100 (Default)												
Total	81 330	6 160	17%	85 141	0.01%	1 784	44.8%	1.6	1 915	2%	4	1
Institutions - FIRB												
0.00 to < 0.15	31 219	2 051	18%	31 605	0.05%	800	15.5%	2.5	2 936	9%	3	0
0.15 to < 0.25	1 385	182	35%	1 462	0.15%	110	14.4%	2.5	199	14%	0	0
0.25 to < 0.50	2 656	447	7%	2 688	0.27%	271	44.6%	2.5	1 535	57%	3	1
0.50 to < 0.75	173	108	39%	214	0.57%	102	42.8%	2.5	175	82%	1	0
0.75 to < 2.50	110	340	23%	176	1.59%	179	45.0%	2.5	229	130%	1	0
2.50 to < 10.00	135	64	27%	140	3.91%	134	44.9%	2.5	135	96%	2	0
10.00 to < 100	1	7	22%	2	16.66%	21	43.4%	2.5	6	266%	0	0
100 (Default)	0	2	20%	0	100.00%	2	45.0%	2.5			0	
Sub-total	35 679	3 203	19%	36 289	0.10%	1 619	18.0%	2.5	5 214	14%	11	1
Corporate - FIRB and Specialised Lending												
0.00 to < 0.15	0			0		1	45.0%	2.5	0	35%		
0.15 to < 0.25												
0.25 to < 0.50	8			8	0.31%	1	45.0%	2.5	5	58%	0	
0.50 to < 0.75												
0.75 to < 2.50	14			14	1.04%	1	45.0%	2.5	14	99%	0	
2.50 to < 10.00												
10.00 to < 100												
100 (Default)												
Sub-total	22			22	0.76%	3	45.0%	2.5	19	84%	0	
Corporate - AIRB and Specialised Lending												
0.00 to < 0.15	91	63	29%	109	0.06%	3	32.4%	2.0	16	15%	0	
0.15 to < 0.25	28	2	69%	30	0.18%	3	35.1%	2.5	8	27%	0	
0.25 to < 0.50	201	9	20%	203	0.37%	8	33.5%	3.2	117	58%	0	
0.50 to < 0.75	92	29	47%	88	0.67%	9	29.6%	2.6	42	48%	0	
0.75 to < 2.50	70			70	1.56%	5	32.6%	3.0	55	79%	0	
2.50 to < 10.00	14			14	7.14%	2	31.2%	2.5	13	93%	0	
10.00 to < 100												
100 (Default)	25	18		25	100.00%	5	23.3%	2.1	48	192%	4	4
Sub-total	521	120	28%	539	5.33%	35	32.1%	2.7	300	56%	6	4
Corporate - FIRB, non-SME, Excluding Specialised Lending												
0.00 to < 0.15	3 308	796	28%	3 763	0.08%	1 683	43.7%	2.5	946	25%	1	0
0.15 to < 0.25	1 076	578	23%	1 179	0.18%	1 197	42.5%	2.5	486	41%	1	1
0.25 to < 0.50	2 908	991	23%	3 102	0.34%	1 874	42.9%	2.5	1 823	59%	4	3
0.50 to < 0.75	848	416	12%	862	0.69%	901	42.8%	2.5	698	81%	2	2
0.75 to < 2.50	756	321	15%	784	1.14%	1 190	42.2%	2.5	751	96%	4	6
2.50 to < 10.00	1 175	372	9%	866	5.25%	597	39.2%	2.5	1 181	136%	17	9
10.00 to < 100	19	16	3%	18	20.15%	98	40.9%	2.5	41	224%	1	3
100 (Default)	407	35	12%	383	100.00%	189	41.7%	2.5			160	153
Sub-total	10 495	3 526	20%	10 958	4.22%	7 729	42.7%	2.5	5 925	54%	190	175
Corporate - FIRB, SME, Excluding Specialised Lending												
0.00 to < 0.15	583	175	12%	748	0.08%	2 340	42.3%	2.5	158	21%	0	0
0.15 to < 0.25	350	105	15%	384	0.18%	1 909	42.2%	2.5	119	31%	0	0
0.25 to < 0.50	779	224	10%	867	0.35%	3 073	42.1%	2.5	392	45%	1	1
0.50 to < 0.75	467	128	7%	484	0.67%	1 794	41.6%	2.5	283	58%	1	0
0.75 to < 2.50	499	133	4%	503	1.24%	2 556	41.2%	2.5	354	70%	3	1
2.50 to < 10.00	378	151	6%	362	4.74%	1 734	40.8%	2.5	350	97%	7	3
10.00 to < 100	73	36	0%	71	17.55%	591	40.5%	2.5	113	160%	5	4
100 (Default)	73	36	5%	74	100.00%	304	40.8%	2.5			30	26
Sub-total	3 204	987	9%	3 493	3.37%	14 301	41.8%	2.5	1 768	51%	48	36

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
Corporate - AIRB, non-SME, Excluding Specialised Lending												
0.00 to < 0.15	12 545	17 958	53%	20 604	0.08%	3 476	30.9%	2.5	3 848	19%	6	2
0.15 to < 0.25	7 883	6 901	52%	10 905	0.18%	3 128	30.2%	2.5	3 240	30%	6	5
0.25 to < 0.50	18 776	14 825	50%	24 923	0.35%	4 638	28.8%	2.5	9 968	40%	25	15
0.50 to < 0.75	7 129	3 674	45%	7 892	0.67%	2 320	28.7%	2.9	4 520	57%	15	11
0.75 to < 2.50	3 907	2 427	47%	4 763	1.27%	2 899	29.9%	2.2	3 248	68%	21	24
2.50 to < 10.00	3 154	1 073	50%	3 163	4.81%	1 220	29.5%	2.8	3 288	104%	44	92
10.00 to < 100	290	77	50%	271	17.46%	235	29.9%	2.8	443	163%	14	23
100 (Default)	2 734	467	0%	2 633	100.00%	649	30.0%	2.9	4 921	187%	893	944
Sub-total	56 419	47 401	50%	75 154	4.09%	18 565	29.7%	2.6	33 477	45%	1 025	1 118
Corporate - AIRB, SME, Excluding Specialised Lending												
0.00 to < 0.15	15 314	2 968	50%	17 673	0.06%	12 725	24.7%	2.5	1 716	10%	3	0
0.15 to < 0.25	3 698	1 161	53%	4 842	0.18%	5 105	26.1%	2.6	1 024	21%	2	0
0.25 to < 0.50	10 439	2 269	56%	12 732	0.35%	9 320	25.3%	2.5	3 630	29%	11	3
0.50 to < 0.75	4 787	896	51%	5 315	0.67%	4 256	25.2%	2.5	2 025	38%	9	6
0.75 to < 2.50	3 481	711	54%	3 853	1.25%	5 548	25.6%	2.5	1 787	46%	12	19
2.50 to < 10.00	2 589	532	55%	2 724	5.09%	3 810	25.7%	2.5	1 797	66%	36	26
10.00 to < 100	488	118	38%	488	17.79%	1 050	25.4%	2.5	480	98%	22	23
100 (Default)	1 916	132	0%	1 828	100.00%	1 441	27.1%	2.5	2 512	137%	593	637
Sub-total	42 713	8 787	52%	49 456	4.45%	43 255	25.3%	2.5	14 971	30%	688	714
Retail - RIRB, secured by immovable property, non SME												
0.00 to < 0.15	83 770	7 081	67%	88 504	0.09%	643 609	13.9%	2.5	2 803	3%	11	0
0.15 to < 0.25	27 755	1 185	59%	28 459	0.19%	205 831	15.4%	2.5	1 768	6%	8	1
0.25 to < 0.50	12 669	569	61%	13 015	0.36%	99 296	15.0%	2.5	1 262	10%	7	1
0.50 to < 0.75	4 339	104	44%	4 385	0.60%	33 658	15.2%	2.5	623	14%	4	0
0.75 to < 2.50	7 761	242	45%	7 870	1.23%	60 806	15.0%	2.5	1 748	22%	14	2
2.50 to < 10.00	1 157	7	67%	1 162	5.22%	8 165	15.1%	2.5	618	53%	9	1
10.00 to < 100	765	3	75%	767	23.49%	7 047	15.0%	2.5	665	87%	26	2
100 (Default)	1 392	4	61%	1 395	100.00%	12 119	15.4%	2.5	2 154	154%	38	53
Sub-total	139 610	9 194	65%	145 556	1.33%	1 070 531	14.4%	2.5	11 641	8%	118	60
Retail - RIRB, secured by immovable property, SME												
0.00 to < 0.15	83	15	43%	90	0.11%	2 296	17.6%	2.5	3	4%	0	0
0.15 to < 0.25	335	24	41%	345	0.18%	5 966	17.6%	2.5	18	5%	0	0
0.25 to < 0.50	90	21	59%	102	0.37%	1 629	17.2%	2.5	9	9%	0	0
0.50 to < 0.75	98	28	61%	114	0.60%	1 998	17.2%	2.5	15	13%	0	0
0.75 to < 2.50	401	88	52%	447	1.30%	8 654	17.8%	2.5	100	22%	1	0
2.50 to < 10.00	66	9	54%	71	3.59%	1 301	17.2%	2.5	27	38%	0	0
10.00 to < 100	18	1	59%	18	27.87%	344	17.4%	2.5	14	77%	1	0
100 (Default)	28	2	70%	29	100.00%	666	18.1%	2.5	49	165%	3	4
Sub-total	1 119	189	52%	1 217	3.68%	22 854	17.6%	2.5	236	19%	5	4
Retail - RIRB, other, non -SME												
0.00 to < 0.15	5 847	5 975	71%	10 074	0.09%	1 187 504	30.4%	2.5	746	7%	3	0
0.15 to < 0.25	4 124	2 730	72%	6 097	0.19%	574 182	30.6%	2.5	772	13%	4	0
0.25 to < 0.50	3 747	1 412	69%	4 724	0.36%	446 612	29.5%	2.5	874	18%	5	1
0.50 to < 0.75	1 287	384	69%	1 552	0.60%	141 759	29.9%	2.5	389	25%	3	1
0.75 to < 2.50	3 070	930	72%	3 743	1.37%	424 099	28.3%	2.5	1 237	33%	14	3
2.50 to < 10.00	3 519	434	57%	3 767	4.80%	212 837	25.3%	2.5	1 482	39%	46	12
10.00 to < 100	1 317	96	68%	1 383	19.96%	77 297	25.8%	2.5	820	59%	70	17
100 (Default)	726	106	65%	794	100.00%	85 914	30.7%	2.5	2 046	258%	334	385
Sub-total	23 636	12 066	70%	32 133	4.20%	3 150 204	29.2%	2.5	8 365	26%	479	419
Retail - RIRB, other, SME												
0.00 to < 0.15	5	9	70%	11	0.10%	2 188	34.2%	2.5	1	7%	0	0
0.15 to < 0.25	25	13	61%	33	0.21%	3 502	36.8%	2.5	5	14%	0	0
0.25 to < 0.50	40	78	74%	98	0.39%	7 005	30.9%	2.5	18	18%	0	0
0.50 to < 0.75	55	95	82%	133	0.60%	7 430	27.9%	2.5	28	21%	0	0
0.75 to < 2.50	524	340	76%	785	1.42%	37 435	27.9%	2.5	235	30%	3	0
2.50 to < 10.00	405	186	54%	507	4.66%	29 580	28.5%	2.5	198	39%	7	2
10.00 to < 100	85	18	85%	101	21.05%	4 880	26.4%	2.5	54	53%	5	2
100 (Default)	86	28	55%	102	100.00%	6 398	28.5%	2.5	243	239%	23	30
Sub-total	1 226	767	70%	1 770	8.98%	98 418	28.4%	2.5	781	44%	38	35

EU CR8 - REA flow statements of credit risk exposures under IRB, excluding CCR

Compared to Q2 2017, total on and off balance IRB REA increased by EUR 1,134m. This increase was mainly driven by model updates. The largest driver among the model updates was an updated PD-scale for corporates, followed by annual validations of PD, LGD and CCF. Asset size and asset quality offset the REA increase, mainly through volume reductions in the corporate portfolio.

EURm	REA amount	Capital require- ment
REA as at previous reporting period	87 071	6 966
Asset size	-1 631	-130
Asset quality	-1 309	-105
Model updates	4 383	351
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	-301	-24
Other	-9	-1
REA as at current reporting period	88 205	7 056

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

Compared to Q2 2017, the increase in total Value at Risk (VaR) of EUR 70m is primarily driven by increased interest rate risk from mid August going forward. The increase in total stressed Value at Risk (sVaR) of EUR 78m is mainly driven by increased credit spread risk and foreign exchange risk. The decrease of EUR 72m in Incremental Risk Measure (IRM) is driven by the last measure used in Q3 compared to twelve weeks average in Q2. In general, the IRM has remained at lower and more stable levels during the third quarter.

EURm	VaR	SVaR	IRM	CRM	Other	Total REA	Total capital requirements
REA as at previous reporting period	525	928	300	365		2 118	169
Movement in risk levels	70	78	-72	-5		72	6
Model updates/changes							
Methodology and policy							
Aquisitions and disposals							
Foreign exchange movements							
Other							
REA as at current reporting period	595	1 006	228	361		2 190	175

EU CCR7 - REA flow statements of CCR exposures under the IMM

REA for CCR exposures decreased by EUR 100m. Main drivers are FX movements (-EUR 334m), related to weakening of the USD against the EUR and the Nordic currencies, and REA decrease for interest rate derivatives (-EUR 111m) related to stronger EUR. The decrease was partly offset by downgrades and re-assessment of probabilities of default, leading to due an overall decrease in credit quality (REA effect, EUR 115m). In addition, asset size increased in Q3 based on new and maturing trades (REA effect EUR 218m).

EURm	REA amounts	Capital requirements
REA as at previous reporting period	5 249	420
Asset size	218	17
Credit quality of counterparties	115	9
Model updates (IMM only)	0	0
Methodology and policy (IMM only)	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	-334	-27
Interest rate movements	-111	-9
Other	11	1
REA as at current reporting period	5 149	412

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 (also referred to as "Nordea"). This disclosure is based on EBA guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013, ITS with regards to the disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013, Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013. In addition to regulatory disclosures this disclosure includes information encouraged by EBA guidelines to be disclosed more frequently by large institutions. Disclosure required in the ITS on disclosure of leverage ratio for institutions with reference to CRR article 433 and 437 Regulation (EU) No 575/2013, is presented in the Nordea interim report for the period. disclosure required by regulation.