

Copenhagen, Helsinki, Oslo, Stockholm, 17 August 2018

## Nordea has received permission for continued use of existing internal models from the ECB

**As part of the planned re-domiciliation to Finland, Nordea Bank Abp (“Nordea”) reached another milestone in the transition from the Swedish FSA (“SFSA”) regulatory framework to the banking union regulatory framework by being granted temporary use of internal models for calculation of risk exposure amounts (“REA”) from the European Central Bank (“ECB”). The decision, as expected, implies a migration of Pillar 2 capital add-ons into Pillar 1 REA and an unchanged nominal capitalisation level.**

As previously communicated, Nordea has voluntarily committed to comply with the SFSA 2018 Supervisory College Joint Decision as of 1 October 2018 until the ECB has issued a decision establishing prudential requirements prepared in accordance with the 2019 Supervisory Review and Evaluation Process (“SREP”) expected late 2019.

During this transition, the ECB decision, including the already announced implementation of the Swedish residential real estate risk-weight floor, reduces the forecasted Common Equity Tier 1 (“CET1”) ratio for the fourth quarter of 2018 to approximately 15.5 per cent and similarly reduces the associated transitional CET1 capital requirement<sup>1</sup> to approximately 13.7 per cent (of which 3 per cent relates to Pillar 2)<sup>2</sup>. Thus, the management buffer in nominal terms is expected to remain largely unchanged. Nordea expects to communicate the final capital requirements after 1 October 2018 following the SFSA 2018 Joint Capital Decision.

Nordea remains equally strongly capitalised and Nordea’s capital and dividend policy will remain unchanged. The decision does not change Nordea’s business model or risk profile and Nordea is committed to maintain its AA rating after the change of domicile.

As part of the decision for temporary use of internal models, Nordea has committed to a model improvement development plan with applications expected no later than 2020.

### **For further information:**

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<sup>1</sup> For clarity the transitional CET1 capital requirement is set by the SFSA 2018 joint capital decision and applies from 1 October 2018 to when the ECB issues their 2019 Joint Capital Decision expected late 2019.

<sup>2</sup> This can be compared to the current forecasted CET1 ratio, for the fourth quarter in 2018, under the Swedish regulatory capital framework, including the announced implementation of the Swedish residential real estate risk-weight floor, of approximately 18.5 per cent and similarly a forecasted CET1 requirement of approximately 16.5 per cent. Nordea’s reported CET1 as of Q2 was 19.9 per cent with a requirement of 17.6 per cent.