



Nordea

Individual Solvency Need

Nordea Kredit Realkreditaktieselskab

31 March 2022

1. Introduction

This report presents the individual solvency need (tilstrækkelig basiskapital og solvensbehov for pengeinstitutter) for Nordea Kredit Realkreditaktieselskab (Nordea Kredit). This report fulfils external disclosure requirements regarding the solvency need according to EU regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and the Danish Financial Business Act ("Lov om finansiel virksomhed jf. lovbekendtgørelse nr. 406 af 29. marts 2022") and Danish Executive Order no. 2155 of 3 December 2020 ("Bekendtgørelse om opgørelse af risikoeksponeringer, kapitalgrundlag og solvensbehov").

The individual solvency need is updated and published each quarter. Details about Nordea Kredit's risk profile and key exposures are available in the annually disclosed Capital and Risk Management (Pillar 3) report for Nordea Kredit, starting from 2016. Both reports are available on Nordea's Investor Relations website (nordea.com/en/investor-relations/) and links can be found on Nordea Kredit's website. Reference to the individual solvency need reporting is made in the annual report and the interim report for Nordea Kredit. The Internal Capital Adequacy Assessment Process (ICAAP) results report for Nordea Kredit is produced on an annual basis with quarterly follow-up. The results reports and the follow-up material are approved by the Board of Directors and presented to the Danish Financial Supervisory Authority (DFSA).

All amounts are in DKK unless stated otherwise.

Main conclusions

ISN ratio excluding combined buffer requirement

9.70%

Decreased from 10.50% in Q4 2021.

Total capital ratio

27.60%

Increased from 26.57% in Q4 2021.

Capital situation

Nordea Kredit is adequately capitalised at end Q1 2022 and has access to available capital from the parent company if deemed necessary.

Stress Testing

Nordea Kredit conducts capital adequacy stress testing in collaboration with the Nordea Group to ensure that adequate capital is available in the

event of, for instance, severe credit losses or changes in regulatory capital requirements. Stress testing is also conducted using DFSA scenarios and methods.

Individual solvency need and combined buffer requirement

11.0bn

Decreased from 12.1bn in Q4 2021.

Excess capital above individual solvency need and combined buffer requirement

11.1bn

increased from 10.0bn in Q4 2021.

2. Description of the individual solvency need

Approach

Nordea Kredit uses a Pillar I plus Pillar II approach in calculating the individual solvency need. Each component and its capital requirement are shown graphically on page 3 in Figure 1, along with the Individual Solvency Need in Table 1, and the Own Funds and REA in Table 2.

This methodology uses the Pillar I capital requirements for credit risk, Credit Value Adjustment (CVA), market risk and operational risk as outlined in the Capital Requirements Regulation (CRR) as the starting point for its risk assessment. For each of these types, the risk is measured solely according to models and processes approved by the DFSA for use in the calculation of legal capital requirements.

Pillar II add-ons

In addition to Pillar I, Pillar II risks, i.e. risks not included in the CRR or not adequately covered, are considered.

At the end of Q1 2022 the total Pillar II add-on reflects the requirements stated by the DFSA in the 2021 Supervisory Review and Evaluation process (SREP). Concentration risk and interest rate risk in the banking book (IRRBB) are included in the total Pillar II add-on.

Combined buffer requirement

The combined buffer requirement consists of the Capital Conversation Buffer (2.5%), the SIFI buffer in the form of an O-SII buffer (1.5%) and the Countercyclical Capital Buffer (0%). The combined buffer requirement is not included in the individual solvency need ratio set by the Nordea Kredit Board of Directors.

Excess capital above requirements

At the end of Q1 2022 the own funds held by Nordea Kredit resulted in a capital buffer above the individual solvency need and combined buffer requirement of DKK 11.1bn in total, which increased from DKK 10.0bn in Q4 2021.

3. Individual solvency need, own funds and REA

The components of the capital requirement are shown in Figure 1. The individual solvency need, the own funds and the total risk exposure amounts for Nordea Kredit at end Q1 2022 are presented in detail in Tables 1 and 2 below.

Figure 1 Individual solvency need and combined buffer requirement as well as actual capital for Nordea Kredit at end Q1 2022

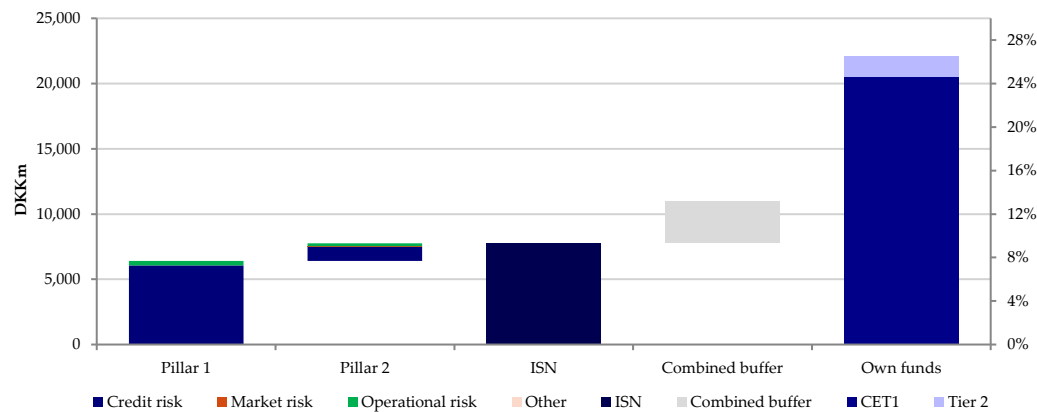


Table 1 Individual solvency need for Nordea Kredit at end Q1 2022

DKKm / pct.	Q1 2022	Q4 2021	Delta	Q1 2022	Q4 2021	Delta
Pillar I						
Credit risk	6.052	6.316	-264	7,57%	7,60%	-0,03%
Market risk	0	0	0	0,00%	0,00%	0,00%
Operational risk	347	332	15	0,43%	0,40%	0,03%
Other	0	0	0	0,00%	0,00%	0,00%
Total Pillar I	6.399	6.648	-249	8,00%	8,00%	0,00%
Pillar II						
Credit risk	1.126	1.174	-49	1,41%	1,41%	-0,01%
Market risk	13	19	-6	0,02%	0,02%	-0,01%
Operational risk	223	0	223	0,28%	0,00%	0,28%
Other	0	884	-884	0,00%	1,06%	-1,06%
Total Pillar II	1.362	2.077	-716	1,70%	2,50%	-0,80%
Individual solvency need	7.761	8.725	-965	9,70%	10,50%	-0,80%
Combined capital buffer requirement	3.200	3.325	-124	4,00%	4,00%	0,00%
Individual solvency need and combined buffer requirement	10.961	12.050	-1.089	13,70%	14,50%	-0,80%
Own funds	22.073	22.076	-3	27,60%	26,57%	1,03%
Excess capital above individual solvency need and combined buffer	11.112	10.026	1.086	13,89%	12,07%	1,83%

Pillar II add-ons, not included or adequately covered in the CRR, consist of

	Credit	Market	Operational	Other
Concentration risk	x			
IRRBB		x		
Add-ons related to SREP	x		x	

Table 2 Own funds and total risk exposure amount for Nordea Kredit at end Q1 2022

DKKm / pct.	Q1 2022	Q4 2021	Delta	Q1 2022	Q4 2021	Delta
Common Equity Tier 1 capital	20.523	20.526	-3	25,66%	24,70%	0,96%
Tier 1 capital	20.523	20.526	-3	25,66%	24,70%	0,96%
Total own funds	22.073	22.076	-3	27,60%	26,57%	1,03%
REA						
Total Risk Exposure Amount	79.987	83.099	-3.112			