



Individual Solvency Need 30 September 2022

Nordea Kredit Realkreditaktieselskab

Business registration number 15134275

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

Individual solvency need ratio excluding combined buffer requirement

10.14%

Unchanged from Q2 2022

Total capital ratio

30.44%

Increased from 28.58% in Q2 2022.

Capital situation

Nordea Kredit is adequately capitalised at end Q3 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

Increased from 10.9bn in Q2 2022

Excess capital above individual solvency need and combined buffer requirement

11.2bn

Unchanged from Q2 2022.

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 Risk exposure amount (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 Q3 2022 the total Pillar II add-on reflects the requirements stated by the DFSA in the 2021 Supervisory Review and Evaluation process (SREP) and Nordea Kredits own assessment. 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 (Systemic Important Financial Institute) buffer in the form of an O-SII (Other Systemically Important Institutions) buffer (1.5%) and the Countercyclical Capital Buffer (1.0%). 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 Q3 2022 the own funds held by Nordea Kredit resulted in a capital buffer above the individual solvency need and the combined buffer requirement of DKK 11.2bn in total, which is unchanged from Q2 2022.

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 Q3 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 Q3 2022

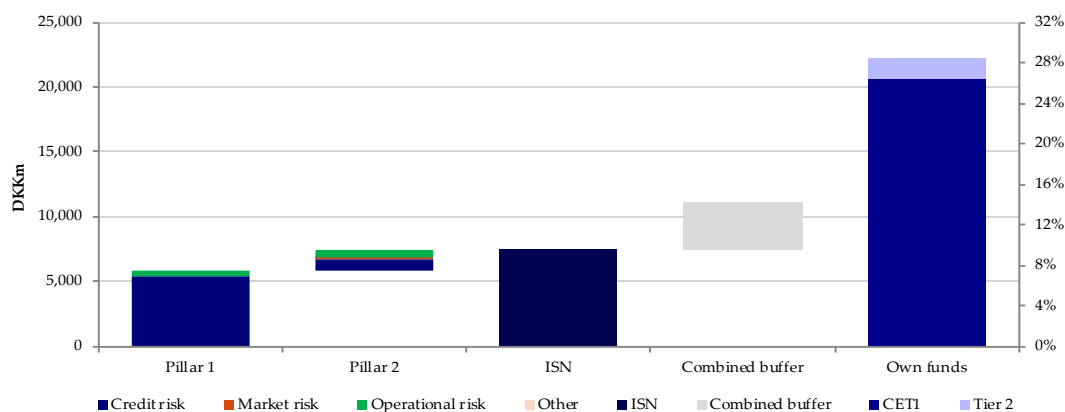


Table 1 Individual solvency need for Nordea Kredit at end Q3 2022

	Q3 2022	Q2 2022	Delta	Q3 2022	Q2 2022	Delta
DKKm / pct.						
Pillar I						
Credit risk	5,484	5,842	-358	7.52%	7.55%	-0.03%
Market risk	0	0	0	0.00%	0.00%	0.00%
Operational risk	347	347	0	0.48%	0.45%	0.03%
Other	0	0	0	0.00%	0.00%	0.00%
Total Pillar I	5,831	6,190	-358	8.00%	8.00%	0.00%
Pillar II						
Credit risk	962	1,020	-58	1.32%	1.32%	0.00%
Market risk	14	25	-11	0.02%	0.03%	-0.01%
Operational risk	588	610	-22	0.81%	0.79%	0.02%
Other	0	0	0	0.00%	0.00%	0.00%
Total Pillar II	1,563	1,655	-92	2.14%	2.14%	0.01%
Individual solvency need	7,395	7,845	-450	10.14%	10.14%	0.01%
Combined capital buffer requirement	3,641	3,096	546	5.00%	4.00%	0.99%
Individual solvency need and combined buffer	11,036	10,941	96	15.14%	14.14%	1.00%
Own funds	22,189	22,116	73	30.44%	28.58%	1.86%
Excess capital above individual solvency need and combined buffer	11,153	11,176	-22	15.30%	14.44%	0.86%

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 Q3 2022

	Q3 2022	Q2 2022	Delta	Q3 2022	Q2 2022	Delta
DKKm / pct.						
Common Equity Tier 1 capital	20,639	20,566	73	28.31%	26.58%	1.73%
Tier 1 capital	20,639	20,566	73	28.31%	26.58%	1.73%
Total own funds	22,189	22,116	73	30.44%	28.58%	1.86%
REA						
Total Risk Exposure Amount	72,893	77,370	-4,477			