

# Nordea



## **Capital and Risk Management Report 2023**

Provided by Nordea Bank Ab on the basis of its consolidated situation

Updated on Oct 31st, 2024

# Nordea Board of Directors' risk statement

Nordea's business model is well-diversified with the largest risks being credit and liquidity risks.

## The Nordea Group

The Nordea Group is the largest financial services institution in the Nordic region and a major European bank. As at 31 December 2023 Nordea had a market capitalisation of approximately EUR 39.6bn, total assets of EUR 585bn and a Common Equity Tier 1 (CET1) capital ratio of 17.0%. Nordea has a strong market position within its four business areas: Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management.

## Economic uncertainty and volatile interest rates

The current economic environment is characterised by persistent geopolitical uncertainty. Central bank attempts to contain inflation within target levels are creating uncertainty as to when interest rates will peak, and have real economy implications.

While economic activity in Europe and the Nordic region is showing signs of a material slowdown, core inflation remains elevated and labour markets continue to be resilient. As a result, interest rates could remain elevated for longer. This may in turn impact economic growth and cause a more severe downturn, affecting core markets, including residential and commercial real estate prices.

The uncertainty related to the economic outlook is interwoven with continued geopolitical instability. Geopolitical risk is elevating the risk profile across most risk types, further emphasising the importance of timely and measured risk management. Furthermore, the physical impacts of climate change are becoming increasingly evident and, together with the transitional impacts, are material risk drivers for the Group. Both are being embedded into Nordea's risk management framework.

In order to continuously probe its vulnerabilities and potential related adverse outcomes, Nordea has carried out a number of internal stress tests based on geopolitical developments and renewed financial instability as observed in the spring of 2023 following the collapse of several financial institutions. Several of these stress tests also consider climate-related physical and transition risks. Nordea's capital and liquidity positions have shown resilience under a variety of scenarios and targeted stresses. The Group's capacity to maintain a solid earnings profile and curtail losses through quality risk management remains a key feature of its strong financial performance through economic cycles.

## Risk appetite

Nordea operates within a defined risk capacity, which is the maximum level of risk the Group is deemed able to assume given its capital (own funds), risk management, control capabilities and regulatory constraints. The risk capacity is assessed and evaluated at least once a year.

Nordea's risk appetite is the aggregate level and types of risk the Group is willing to assume to achieve its strategic objectives. Nordea's risk appetite is calibrated to its risk capacity and ensures that it operates within available capital and liquidity constraints with headroom.

Nordea monitors and reports risk exposures against its

limits to ensure that risk-taking activities remain within its risk appetite and capacity.

## Key risks in Nordea's operations

Nordea's Board of Directors sets the strategy for managing risks in alignment with the Group's business strategy. Strategic business decisions are informed by independent risk assessments to ensure sound decision-making. This supports the goal of driving business growth and operational and capital efficiency while delivering ongoing risk management and compliance improvements.

Nordea has a well-diversified universal banking business model. Risks are spread across the Nordic countries and across industries and customer types. Material risks to the Group derive from business activities that include banking, trading, insurance provision and asset management.

Nordea operates within various business areas and provides a variety of services to its customers. Personal Banking serves households and individuals, Business Banking serves small and medium-sized entities, and Large Corporates & Institutions serves large corporate and institutional customers. The Group's offerings, which are primarily linked to lending to households and corporates within the Nordics, give rise to credit risk. This is Nordea's main financial risk, representing approximately 85% of its total risk exposure amount (REA).

Nordea strives to maintain a well-diversified credit portfolio and, in recent years, has exited segments and markets where the risk has not fallen within its appetite. The Group's credit risk appetite statement is defined in terms of credit risk concentration (limits for individual names, sectors and geographies) and asset quality (limits for expected loss, loan losses under plausible stress scenarios and the non-performing loan ratio in line with the regulatory definition). It also addresses specific sub-portfolios and financing structures.

Internal ratings-based (IRB) corporate and retail exposures currently represent 43% and 27% of Nordea's total REA, respectively. The quality of the Group's credit portfolio remained stable throughout 2023. Nordea expects its new IRB retail models to go live in the second half of 2024, pending the final decision of the European Central Bank.

Nordic central banks' macroeconomic forecasts anticipate weak or slightly negative growth in the Nordics in 2024, triggered by high interest rates and elevated inflation. In subsequent years the recovery is expected to be slow and gradual. Nordic housing markets should see modest price growth following the significant downward correction in house prices after the peak in 2022. The risks around the baseline forecast are skewed to the downside.

Nordea's two alternative macroeconomic scenarios cover a range of plausible risk factors which may cause growth to deviate from the baseline scenario. The potential effects of the geopolitical conflict in the Middle East, such as high energy prices, may lead to a deeper and longer recession due to weaker growth in private consumption and investment. In addition, house prices may see a renewed decline due to the high interest rate levels and a tightening of household purchasing power.

Nordea's credit quality remains strong. The Group had low credit risk losses in 2023 (EUR 167m, corresponding to 5bps). The REA attributable to credit risk was EUR 117.9bn as at the end of the

fourth quarter.

In 2023 Nordea continued to work with its customers to reduce environmental risk. Since the baseline year (2019), Nordea has lowered its financed emissions by approximately 25%, demonstrating good progress towards reaching its 40–50% reduction target by 2030. Nordea continues to support customers in industries that face increasing green transition demands, such as power production and shipping. The Group has also progressed in identifying, mitigating, managing and monitoring material environmental, social and governance (ESG)-related risk exposures as part of a multi-year programme to align with its voluntary commitments and meet supervisory and regulatory requirements. Looking to the year ahead, Nordea will continue steering towards a more sustainable business mix by enhancing the measurement and management of ESG-associated impacts and transitional and physical risks.

Operational risk is inherent in all Nordea's activities. In 2023 total net losses due to operational risk amounted to approximately EUR 27.1m and capital held for operational risk amounted to EUR 1,284m. As at the end of the fourth quarter the REA attributable to operational risk was EUR 16bn or 11.6% of the Group's total REA. Nordea's risk appetite statement for operational risk is expressed in terms of (i) effective risk management, with requirements concerning the number and type of operational risk areas in breach of their respective limits, and (ii) limits for total loss amounts related to operational and compliance risk incidents and for numbers of large loss events.

Nordea closely monitored geopolitical developments, such as the war in Ukraine, in 2023, and continues to do so. Over the past year Nordea has observed elevated risks in the areas of cyber security and physical security, and an increase in fraudulent activity across the Nordics. Nordea has evaluated these risks and taken action to address the increase in inherent risk.

As a leading financial services provider in the Nordic region, Nordea plays a critical role in helping society detect and prevent financial crime. The risk of Nordea's infrastructure being used to facilitate financial crime remains a key inherent risk. In 2023 Nordea continued to invest in new technologies and resources to further strengthen its compliance programme. As in 2022, several bodies continued to introduce new sanctions in response to Russia's war in Ukraine. Nordea has implemented the applicable sanctions rules introduced by European Union (EU), United States (US) and United Kingdom (UK). The sanctions currently include asset freezes, deposit restrictions, restrictions on economic relations with certain regions of Ukraine, restrictions related to the energy and finance sectors, import and export restrictions, and overflight bans. Against this backdrop, sanctions evasion has become a key focus area for EU, US and UK sanctions regulators and Nordea's home regulators. As sanctions measures continue to curb the ability to support and finance the war in Ukraine, the sanctioned parties and facilitators are finding more creative ways to circumvent them. In addition to traditional techniques, such as wire stripping, regulators have highlighted an increased use of cryptocurrencies and third countries as common circumvention methods.

Nordea's trading book gives rise to a range of market-related risks. Market factors may also influence the value of the Group's banking book assets and affect future income. Market risk is one of the smallest contributors to the Group's regulatory capital requirements, representing 3% of its total REA. Nordea's Pillar 2 capital requirement for banking book market risk is

addressed within its Pillar 2 framework. Market risks are governed in Nordea's risk appetite framework by way of limits on key risk and capital metrics such as value at risk (VaR), stressed losses on the trading and banking books, market risk REA, structural foreign exchange and economic value.

Liquidity risk represents a material risk for Nordea, although it does not carry a direct regulatory capital requirement. Nordea's liquidity risk management framework defines the Group's liquidity risk tolerance and limit-setting and adheres to regulatory requirements for the monitoring and reporting of liquidity risk positions, including the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) requirements. This ensures that the Group holds sufficient liquidity to be able to meet its cash flow needs, including on an intraday basis, across market cycles and during periods of stress. Specifically, Nordea's liquidity risk appetite requires it to hold a liquidity buffer (i) sufficient to be able to survive at least 90 days under combined institution-specific and market-wide liquidity stress, (ii) sufficient to ensure a liquidity stress coverage ratio based on internal stress tests of at least 105% under a combined scenario, (iii) sufficient to ensure an LCR of at least 115%, and (iv) denominated in currencies that can be readily converted to meet regulatory LCR net cash outflows in all significant currencies. Nordea maintained a strong liquidity position and remained within its liquidity risk appetite throughout 2023.

#### Material related party transactions

In 2023 there were no intragroup transactions or transactions with related parties that had a material impact on the risk profile of the consolidated Nordea Group.

#### Board of Directors' approval of the risk statement

Nordea's Board of Directors has approved this risk statement and acknowledges that the Group's risk management arrangement is adequate and well adapted to its business model, risk appetite and capital position.

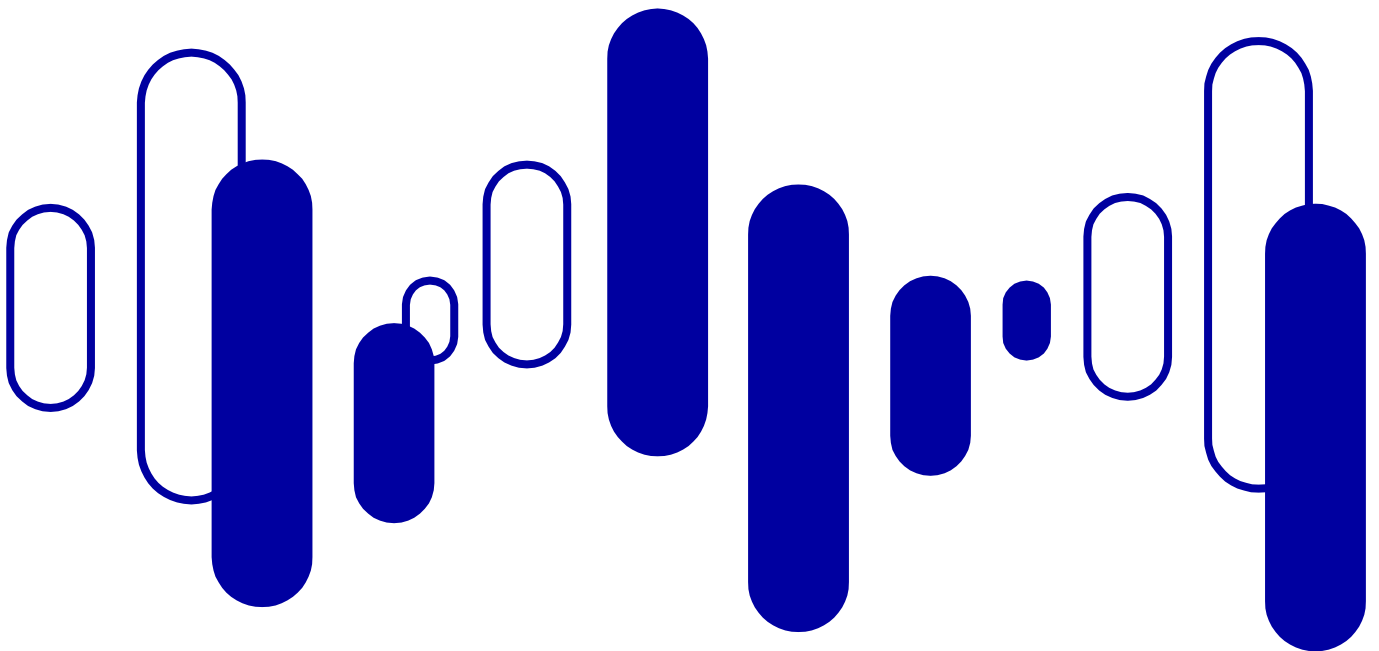
Key risks: distribution of the Nordea Group's exposure at default (EAD), risk exposure amount (REA), Pillar 1 capital requirement (CAR) and economic capital (EC) across business areas

EURbn		EAD	%	REA	CAR	%	EC	%
<b>Total Nordea Group</b>	Credit risk <sup>1)</sup>	490.5	100%	117.9	9.4	85%	16.6	76%
	Market risk			4.8	0.4	3%	1.0	4%
	Operational risk			16.0	1.3	12%	2.2	10%
	Nordea Life & Pension						0.8	4%
	Other <sup>2)</sup>						1.3	6%
	<b>Total</b>	<b>490.5</b>	<b>100%</b>	<b>138.7</b>	<b>11.1</b>	<b>100%</b>	<b>21.9</b>	<b>100%</b>
Personal Banking	Credit risk <sup>1)</sup>	177.8	36%	36.5	2.9	86%	5.3	72%
	Market risk			0.0	0.0		0.0	1%
	Operational risk			5.7	0.5	14%	0.8	11%
	Nordea Life & Pension						0.3	5%
	Other <sup>2)</sup>						0.8	11%
	<b>Total</b>	<b>177.8</b>	<b>36%</b>	<b>42.3</b>	<b>3.4</b>	<b>30%</b>	<b>7.3</b>	<b>33%</b>
Business Banking	Credit risk <sup>1)</sup>	106.4	22%	36.5	2.9	88%	5.2	75%
	Market risk			0.0	0.0		0.0	0%
	Operational risk			4.8	0.4	12%	0.7	9%
	Nordea Life & Pension						0.1	1%
	Other <sup>2)</sup>						1.0	14%
	<b>Total</b>	<b>106.4</b>	<b>22%</b>	<b>41.3</b>	<b>3.3</b>	<b>30%</b>	<b>7.0</b>	<b>32%</b>
Large Corporates & Institutions	Credit risk <sup>1)</sup>	92.1	19%	30.8	2.5	78%	4.5	79%
	Market risk			4.8	0.4	12%	0.7	12%
	Operational risk			4.0	0.3	10%	0.6	10%
	Nordea Life & Pension						0.0	0%
	Other <sup>2)</sup>						-0.1	-1%
	<b>Total</b>	<b>92.1</b>	<b>19%</b>	<b>39.7</b>	<b>3.2</b>	<b>29%</b>	<b>5.7</b>	<b>26%</b>
Asset & Wealth Management	Credit risk <sup>1)</sup>	15.0	3%	4.5	0.4	74%	0.4	34%
	Market risk			0.0	0.0		0.0	1%
	Operational risk			1.6	0.1	26%	0.2	19%
	Nordea Life & Pension						0.3	29%
	Other <sup>2)</sup>						0.2	17%
	<b>Total</b>	<b>15.0</b>	<b>3%</b>	<b>6.1</b>	<b>0.5</b>	<b>4%</b>	<b>1.2</b>	<b>5%</b>
Group functions, other and eliminations	Credit risk <sup>1)</sup>	99.2	20%	9.4	0.8	100%	1.3	157%
	Market risk			0.0	0.0	0%	0.2	26%
	Operational risk			0.0	0.0	0%	0.0	0%
	Nordea Life & Pension						0.0	0%
	Other <sup>2)</sup>						-0.7	-82%
	<b>Total</b>	<b>99.2</b>	<b>20%</b>	<b>9.4</b>	<b>0.8</b>	<b>7%</b>	<b>0.8</b>	<b>4%</b>

<sup>1)</sup> Includes securitisation positions and the REA related to the Swedish risk weight floor due to Article 458 of the Capital Requirements Regulation.

<sup>2)</sup> Capital deductions and internal allocations.

## Part 1: Risk methodologies and governance



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# Executive summary

With high profitability and a strong balance sheet, Nordea is well placed to manage volatility throughout the economic cycle. In 2023 the Group maintained stable business volumes in all countries and posted an 8% increase in profit before loan losses (EUR 6.5bn) and a return on equity of 16.9% (13.8% in 2022). Credit quality remained strong, supported by Nordea's overall low-risk profile and de-risking activities in recent years. Nordea's Common Equity Tier 1 (CET1) ratio was 17.0% at the end of 2023, 4.9% above the regulatory requirement. Nordea remains committed to maintaining an AA- level rating, with a focus on profitability, a well-diversified credit portfolio, a strong capital position and a diversified funding base.

## Common Equity Tier 1 capital ratio

**17.0%**

Capital strength was well maintained during 2023, with a CET1 ratio of 17.0% (16.4%).

## Very strong capital position; continued share buy-backs

At the end of 2023 the CET1 ratio was 17.0%, 4.9% above the regulatory requirement. This is well above Nordea's updated capital policy, which targets a management buffer of 150bps above the regulatory CET1 requirement. Nordea's ambition is to distribute 60–70% of the net profit for the year to shareholders. Nordea's Board of Directors has proposed a dividend per share of EUR 0.92 for 2023 – a 15% increase on the EUR 0.80 for 2022. This represents a 66% payout ratio, in line with Nordea's dividend policy range. Including the share buy-backs during the year, the total distribution to shareholders will amount to EUR 1.27 per share.

## Total capital ratio

**22.2%**

The Nordea Group's total capital ratio increased from 20.7%.

At the end of 2023 Nordea was subject to a Pillar 2 requirement of 1.60%, of which 0.90% had to be met with CET1 capital and 0.70% could be met with Additional Tier 1 and/or Tier 2 capital. Including regulatory buffers, Nordea's total CET1 requirement is currently 12.1%.

## MREL ratio

**38.6%**

The MREL ratio increased from 34.6%.

The total capital ratio at the end of 2023 was 22.2%, 6.0% above the regulatory requirement. The leverage ratio was 5.0%, well above the requirement of 3%. The minimum requirements for own funds and eligible liabilities (MREL) ratio was 38.6%, 9.2% above the requirement of 29.4%. The subordinated MREL ratio was 31.2%, 8.5% above the requirement of 22.7%. Expressed as percentage of the leverage ratio exposure, Nordea's MREL was 10.0%, 4.0% above the requirement of 5.98%. Nordea's subordinated MREL was 8.1%, 2.1% above the requirement of 5.98%.

## Net loan loss ratio (including all customer loans)

**10bps**

The net loan loss ratio including loans held at fair value was 10bps (7bps last year).

## Continued strong credit quality; solid management judgement buffer

Nordea's credit quality remained strong in 2023 and was supported by a well-diversified loan book and stable portfolio quality. The net loan loss ratio including loans held at fair value was 10bps (7bps in 2022). Credit quality was strong in all customer sectors and de-risking continued in selected portfolios.

The regulatory requirement to automatically provide in full for aged non-performing retail loans was implemented during the fourth quarter. As a result, EUR 74m was transferred from the structural management judgement buffer to collective provisions, as planned. Overall provisioning levels and coverage were maintained, and the total management judgement buffer now stands at EUR 495m. At the end of the year total allowances amounted to EUR 1.8bn. Stage 3 (impaired) loans increased by 8.96% during 2023 and the impaired loans ratio increased to 0.89% (0.81% in 2022), while credit risk exposure decreased to EUR 490.5bn (EUR 511bn in 2022).

## Credit risk exposure change

**-4%**

Credit risk exposure decreased to EUR 490.5bn (EUR 511bn last year).

## Strong funding and liquidity positions; all credit ratings at AA- level

Nordea maintained its strong liquidity position and reputation in the funding markets. The Group used all its funding programmes in 2023, issuing approximately EUR 26.4bn in long-term debt (excluding capital instruments and Nordea Kredit covered bonds), compared with EUR 32.8bn last year. Nordea maintained a strong liquidity coverage ratio, with a year-end ratio of 165% at the Group level.

Nordea's issuer credit ratings are at AA- level, with a stable outlook, according to Moody's (Aa3), S&P (AA-) and Fitch (AA-).

## Liquidity coverage ratio

**165%**

The LCR was 165% at the end of 2023 (162% at the end of 2022).

## Further integration of sustainability into business strategy

In 2023 Nordea made significant progress in identifying, mitigating, managing and monitoring the material environmental, social and governance (ESG) factors impacting its business strategy and risk profile. These are presented in a dedicated ESG section in this report which also includes insights into Nordea's climate change-related risk management, corresponding to further ESG-related disclosures in the 2023 Annual Report. For the first time, Nordea has presented a quantitative estimate of its Green Asset Ratio (see Table 67 below).



## EU KM1 - Key metrics template

During the fourth quarter of 2023 Nordea's Own Funds increased by EUR 1.7bn. CET1 capital increased by EUR 0.6bn, Additional Tier 1 (AT1) capital decreased by EUR 0.1bn and Tier 2 (T2) capital increased by EUR 1.1bn. The increase in CET1 capital was mainly driven by profit generation net of dividend accrual. AT1 capital decreased due to FX effects in AT1 instruments, and T2 capital increased mainly due to T2 issuance and changed treatment of capital instruments to Nordea Life & Pension. The Risk Exposure Amount (REA) decreased by EUR 2.2bn, mainly due to increased credit protection following the launch of a new securitisation transaction and the receipt of regulatory approval to align the capital treatment of Nordea Life & Pension (NLP). Leverage ratio (LR) increased from 4.7% to 5.0% due to reduced leverage exposure and increased Tier 1 capital.

		a	b	c	d	e
	Available own funds (amounts), EURm	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
1	Common Equity Tier 1 (CET1) capital	23,645	23,004	22,393	22,279	23,872
2	Tier 1 capital	26,845	26,318	25,626	25,514	27,154
3	Total capital	30,815	29,164	28,643	28,542	30,213
	<b>Risk-weighted exposure amounts, EURm</b>					
4	Total risk exposure amount	138,719	140,925	140,023	141,976	145,299
	<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>					
5	Common Equity Tier 1 ratio (%)	17.0%	16.3%	16.0%	15.7%	16.4%
6	Tier 1 ratio (%)	19.4%	18.7%	18.3%	18.0%	18.7%
7	Total capital ratio (%)	22.2%	20.7%	20.5%	20.1%	20.8%
	<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.6%	1.6%	1.6%	1.6%	1.8%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.9%	0.9%	0.9%	0.9%	1.0%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.2%	1.2%	1.2%	1.2%	1.3%
EU 7d	Total SREP own funds requirements (%)	9.6%	9.6%	9.6%	9.6%	9.8%
	<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>					
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%	0.0%	0.0%	0.0%
9	Institution specific countercyclical capital buffer (%)	1.7%	1.6%	1.6%	1.3%	1.1%
EU 9a	Systemic risk buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10	Global Systemically Important Institution buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 10a	Other Systemically Important Institution buffer (%)	2.5%	2.5%	2.5%	2.5%	2.0%
11	Combined buffer requirement (%)	6.7%	6.6%	6.6%	6.3%	5.6%
EU 11a	Overall capital requirements (%)	16.3%	16.2%	16.2%	15.9%	15.3%
12	CET1 available after meeting the total SREP own funds requirements (%)	11.6%	10.9%	10.9%	10.5%	11.0%
	<b>Leverage ratio</b>					
13	Total exposure measure	533,497	558,509	552,620	557,817	549,761
14	Leverage ratio (%)	5.0%	4.7%	4.6%	4.6%	4.9%
	<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
	<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>					
EU 14d	Leverage ratio buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14e	Overall leverage ratio requirement (%)	3.0%	3.0%	3.0%	3.0%	3.0%
	<b>Liquidity Coverage Ratio</b>					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	113,628	117,525	119,650	122,033	122,292
EU 16a	Cash outflows - Total weighted value	86,686	88,420	90,461	92,852	94,416
EU 16b	Cash inflows - Total weighted value	15,149	14,808	15,061	15,017	15,309
16	Total net cash outflows (adjusted value)	71,537	73,612	75,400	77,835	79,107
17	Liquidity coverage ratio (%) <sup>1)</sup>	159%	160%	159%	157%	155%
	<b>Net Stable Funding Ratio</b>					
18	Total available stable funding	316,784	314,357	313,104	313,743	313,478
19	Total required stable funding	266,889	266,269	263,968	269,712	271,119
20	NSFR ratio (%)	118.7%	118.1%	118.6%	116.3%	115.6%

<sup>1)</sup> The LCR reported in this table is the average of 12 end of month ratios.



# Regulatory development

This section provides an overview of the recent regulatory developments relevant to Nordea's capital and liquidity requirements. Nordea constantly monitors the regulatory landscape and is highly involved in consultations and advocacy towards regulators, both nationally and internationally. The main changes to currently applicable and future regulations are summarised below.

## Current regulatory framework

The Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) entered into force in January 2014, followed by the Bank Recovery and Resolution Directive (BRRD) and Single Resolution Mechanism Regulation (SRMR) in May 2014. The CRR became applicable in all European Union (EU) countries in January 2014, while the Directives were implemented into national law within all EU member states from 2014. In Norway, the BRRD, the Deposit Guarantee Scheme (DGS) as well as Minimum Requirement for own funds and Eligible Liabilities (MREL) rules were implemented on 1 January 2019, whereas the CRR and CRD were implemented on 31 December 2019.

In June 2019, the 'banking package' was adopted in EU which contained revisions to the BRRD, the SRMR, the CRD and the CRR. The revised CRD and BRRD became applicable from 28 December 2020 and entered into force in Finnish law from 1 April 2021. It included revised MREL rules, changes to the macroprudential buffers and introduced a split of Pillar 2 add-ons into Pillar 2 Requirements (P2R) and Pillar 2 Guidance (P2G). On 28 June 2021, a majority of the changes in CRR entered into force which, among other things, introduced a binding Leverage Ratio requirement of 3% to be met by Tier 1 capital, as well as a binding Net Stable Funding Ratio (NSFR) requirement of 100%.

In Norway, the 'banking package' was largely implemented 1 June 2022, however, parts of the package are still under implementation.

## Regulatory minimum requirements

The CRR requires banks to comply with the following minimum own funds requirements in relation to total risk weighted assets:

- CET1 capital ratio of 4.5%
- Tier 1 capital ratio of 6%
- Total capital ratio of 8%

In addition, banks are required to maintain a Leverage Ratio of 3%. The leverage ratio is a non-risk-based measure calculated as the Tier 1 capital divided by an exposure measure, comprising of on-balance and off-balance sheet exposures with adjustments for certain items such as derivatives and securities financing transactions.

Banks also need to meet MREL and subordination requirements as decided by their resolution authorities, expressed in terms of total Risk Exposure Amount (REA) and leverage ratio exposure (LRE). Banks should meet the MREL requirement with own funds and MREL eligible liabilities, and subordination requirement with own funds and subordinated MREL eligible liabilities such as senior non-preferred liabilities.

The CRR requires institutions to comply with a 100% NSFR requirement, i.e. to finance their long-term activities (assets and off-balance sheet items) with stable funding. Furthermore, the Liquidity Coverage Ratio (LCR) needs to be maintained above 100%, which means that banks should hold high-quality liquid assets in excess of expected cash outflows over 30 days.

## Capital buffers

In addition to the minimum requirements, the CRD contains capital buffer requirements. The application and the levels are regulated and based on the institutions contribution to systemic risk and/or general macro prudential justifications. Each Member State decides the capital buffer levels applicable to the institutions within their jurisdiction. The capital buffer requirements are expressed in relation to REA to be covered by Common Equity Tier 1 (CET1) capital and represent capital to be maintained in addition to minimum regulatory requirements. The combined capital buffer comprises the capital conservation buffer (CCoB) of 2.5% applicable to all institutions. Depending on the characteristics of the institution and/or macroprudential justifications, the following capital buffers may also be required: A countercyclical capital buffer (CCyB), a buffer for globally systemically important institutions (G-SII), a buffer for other systemically important institutions (O-SIIs), as well as a systemic risk buffer (SyRB).

The institution-specific CCyB will, under normal circumstances, be in the range of 0-2.5%, depending on the buffer rate in the countries where the institution has its relevant exposures. The O-SII buffer can be set up to 3% and the SyRB can be set up to 5% for all exposures or up to 10% for specific sectors or domestic exposures. In aggregate the SyRB cannot exceed 5%. All of these buffers are included in the so-called combined buffer requirement (CBR). The CBR is the sum of the CCoB, CCyB, SyRB and the highest of the O-SII and G-SII buffer.

Breaching the combined buffer requirement will restrict banks' capital distribution, such as the payment of dividends, share buybacks, remuneration and coupon payments on Additional Tier 1 (AT1) instruments, in accordance with the regulations on maximum distributable amount (MDA).

## Nordic implementation

Both the CRD/CRR and the BRRD allow for national implementation of certain provisions, which is why there may be some national differences in the implementation in the different countries.

## Finland

On 27 June 2022, the Finnish FSA decided to increase the O-SII buffer for Nordea to 2.5% from the previous 2.0%. The change took effect on 1 January 2023.

The Finnish FSA decided on 19 December 2023 to maintain the CCyB rate at 0%.

In the beginning of 2023, the Finnish FSA concluded that the sector's macroprudential buffers were below the assessed structural risks after the reduction in buffer requirements due to COVID-19. As a result, on 29 March 2023, the Finnish FSA decided to impose a requirement on Finnish credit institutions to maintain a SyRB of 1.0%. The decision on the SyRB is applicable to Nordea and will enter into force after a transitional period on 1 April 2024.

The Finnish FSA decided on 27 September 2023 to reciprocate the risk weight floor applicable to Swedish Corporate loans secured by real estate (35% on commercial real estates and 25% on residential real estates) and on 19 December 2023 the reciprocation of the risk weight floor applicable to

Swedish residential mortgages was extended.

In May 2023, Nordea received the Single Resolution Board's decision on the updated minimum requirements for own funds and eligible liabilities (MREL). The interim requirements for the Group remain unchanged. From 1 January 2024, the Group must meet MREL requirements of the sum of 23.30% of REA and the CBR, and in parallel 7.19% of LRE. The Group must also meet subordination requirements of the sum of 20.66% of REA and the CBR, and in parallel 7.19% of the LRE.

The MREL requirements will be assessed by the Single Resolution Board and updated annually.

### Denmark

The Minister of Industry, Business and Financial Affairs decided on 30 March 2022 to increase the CCyB to 2.5% from 31 March 2023.

As part of the implementation of BRRD in Denmark, mortgage institutions such as Nordea Kredit Realkreditaktieselskab, must hold a debt buffer requirement of 2% based on outstanding mortgage loans. The debt buffer requirement is comparable to an MREL requirement and can be met with CET1, AT1 or Tier 2 capital instruments as well as senior non-preferred instruments that fulfil certain criteria.

If the mortgage institute belongs to an international financial group, which is the case for Nordea Kredit, where the MREL requirement of 8% is fulfilled, the debt buffer requirement can be kept at 2%. If the 8% MREL requirement is not fulfilled, the debt buffer requirement is set to a minimum of 2%, and the debt buffer requirement and own funds in total have to be minimum 8% of the total liabilities and own funds in the mortgage institution.

Nordea Kredit Realkreditaktieselskab was in January 2017 identified as a systemically important financial institution (SIFI) and is subject to a 1.5% O-SII requirement. The requirement was confirmed on 18 December 2023.

On 3 October, the Systemic Risk Council in Denmark announced that the Council recommends to the Minister of Industry, Business and Financial Affairs to activate a SyRB of 7% for exposures to real estate companies applicable from 30 June 2024. However, the buffer needs to be decided by the Minister and approved by the EU Commission before it comes into force in Denmark and further be reciprocated by the Finnish FSA before becoming applicable to Nordea Group.

### Norway

A SyRB of 4.5% was implemented from 31 December 2020 for banks using the Advanced Internal Ratings Based (AIRB) Approach. On 16 December 2022, the Ministry of Finance prolonged the phasing-in period to increase the SyRB from 3% to 4.5% by one year, until 31 December 2023 for banks using Standardised (SA) and Foundation Internal Ratings Based (FIRB) Approach. On 28 June 2023, the Board of the Finnish FSA decided to approve a partial reciprocation of the Norwegian SyRB requirement at the level of 3.5% (full Norwegian measure 4.5%) to be applied on Norwegian exposures from 1 July 2024.

The latest decision to increase the CCyB from 2.0% to 2.5% was made in March 2022 with effect from 31 March 2023 by Norges Bank.

On 29 September 2023, the Ministry of Finance decided that four banks should continue to be identified as systemically important institutions, of which Nordea Eiendoms kreditt is identified with an unchanged O-SII buffer of 1%.

### Sweden

On 22 June 2022, the Swedish FSA decided to increase the CCyB to 2.0%. The increase to 2.0% applied from Q2 2023.

On 13 December 2023 Swedish FSA decided to extend the current risk weight floor of 25% on Swedish residential mortgages in accordance with article 458 of the CRR, until 30 December 2025.

On 13 September 2023 the Swedish FSA communicated that the Pillar 2 risk weight floor for commercial real estate exposure from 30 September 2023 will be replaced by Pillar 1 risk weight floor. The floor is set to 35% average risk weight for commercial real estate exposure with collateral, and 25% average risk weight on commercial residential real estate exposure.

On 31 May 2023 the Swedish FSA announced a new and updated approach for assessing the size of the Pillar 2 Guidance. The updated method contains in part new intervals and an upper limit on how much the outcome of the sensitivity-based stress test can contribute to the final guidance.

### EU implementation of finalised Basel III framework ("Basel IV")

Basel III is a global regulatory framework for bank capital adequacy, stress testing and liquidity risk. In December 2017 the finalised Basel III framework, often referred to as the Basel IV package, was published. It includes revisions to credit risk, market risk, operational risk, credit valuation adjustment (CVA) risk as well as the leverage ratio, and introduces a new output floor.

Before being applicable to Nordea, the Basel IV package needs to be implemented into EU regulations. The negotiations between the EU Commission, EU Council and EU Parliament have finalised and the final approval on the CRR3 regulation is expected in the 1<sup>st</sup> half of 2024. The new regulation is expected to come into force on 1 January 2025.

On credit risk, the proposal includes revisions to both the IRB Approach, where restrictions on the use of IRB for certain exposures are implemented, as well as on the standardised approach. For market risk the internal model approach and the standardised approach have been revised. For operational risk, the three existing approaches will be removed and replaced by one standardised approach to be used by all banks. For CVA risk, the internally modelled approach is removed and the standardised approach is revised.

The output floor is to be set at 72.5% of the standardised approaches on an aggregate level. This means that the capital requirement will be floored to 72.5% of the total Pillar 1 REA calculated with the standardised approaches for credit, market and operational risk. The floor is expected to be phased in, starting with 50% from 1 January 2025 and to be fully implemented at 72.5% from 1 January 2030 with transitional rules for the calculation of the REA for the output floor will extending to end-2032.

### Regulatory development on ESG

For ESG factors, key regulatory developments in 2023 were the Progress Report on Greenwashing from the European Supervisory Authorities, the European Union's European Sustainability Reporting Standards and Corporate Sustainability Due Diligence Directive agreements, the European Banking Authority's (EBA) Report on the role of environmental and social risks in the prudential framework of credit institutions and investment firms, as well as the continued implementation of the Pillar 3 Implementing Technical Standards (ITS), and the Corporate Sustainability Reporting Directive. Nordea monitors future developments, as the regulatory frameworks develop

beyond 2023. Key forthcoming changes include the CRD, the CRR, and final reports on key topics. In the interim, Nordea continues to align with the ECB's expectations in this area.

# Governance of risk, liquidity and capital management

The chapter introduces Nordea's governance of risk, liquidity and capital management.

## Internal Control Framework

The Internal Control Framework covers the whole Group and includes the Group Board, Group Chief Executive Officer (Group CEO) and senior executive management responsibilities towards internal control, all Group Functions and Business Areas including outsourced activities and distribution channels. Under the Internal Control Framework, all Business Areas, Group Functions and units are responsible for managing the risks they incur when conducting their activities and to have controls in place that aim to ensure compliance with internal and external requirements. As part of the Internal Control Framework, Nordea has established Group Control Functions with appropriate and sufficient authority, independence and access to the Group Board to fulfil their mission. Within the Internal Control Framework the Group Board has established Nordea's Risk Management Framework and Compliance Risk Management Framework.

The Internal Control Framework ensures effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, sound administrative and accounting procedures, reliability of financial and non-financial information (both internal and external) and compliance with applicable laws, regulations, standards, supervisory requirements and the Group internal rules.

## Three lines of defence model

The primary governance principle in Nordea for internal control is the adherence to the three lines of defence model.

- First line of defence (1<sup>st</sup> LoD) is responsible for risk management and for compliance with applicable rules in its day-to-day work
- Second line of defence (2<sup>nd</sup> LoD) is responsible for maintaining and monitoring the implementation of Nordea's Risk Management and Compliance Risk Management Frameworks
- Third line of defence (3<sup>rd</sup> LoD) is responsible for independent assurance and advisory activities related to the Internal Control Framework

Table: Three Lines of Defence (LoD)

1 <sup>st</sup> LoD	2 <sup>nd</sup> LoD	3 <sup>rd</sup> LoD
Business Areas and Group Functions	Group Risk and Group Compliance	Group Internal Audit (GIA)
First line of defence refers to all units and employees that are neither in the second nor in the third line of defence. The first line of defence is responsible for the daily risk management and for compliance with applicable rules. All employees in the first line of defence have a role of understanding and adhering to prudent risk management and for compliance with external and Group Internal Rules as part of performing their tasks. All managers are fully responsible for the risks and for compliance within their respective area of responsibility. Hence, they are responsible for ensuring that the appropriate organisation, procedures and support systems are implemented to ensure a sufficient system of internal controls.	Second line of defence consists of Group Risk and Group Compliance which are responsible for monitoring the implementation of the Internal Control Framework. The second line of defence implements the financial and the non-financial risk policies and according to a risk-based approach, monitors and controls the Risk Management Framework and the Compliance Risk Management Framework and shall among other things ensure that all risks that Nordea is or could be exposed to, are identified, assessed, monitored, managed and reported on.	Third line of defence consists of GIA being an independent internal audit function. GIA conducts risk-based and general audits and reviews that the Internal Governance arrangements, processes and mechanisms are sound and effective, implemented and consistently applied. GIA is also in charge of the independent review of the first two lines of defence including ensuring that the segregation of duties are defined and established between risk management (first line) and risk control (second line).

### Decision-making bodies for risk and capital management

The Group Board, the Board Risk Committee (BRIC), the Group CEO in the Group Leadership Team (GLT), the Asset and Liability Committee (ALCO) and the Risk Committee (RC) are the key decision-making bodies for risk and capital management in Nordea. In addition, the CEO Credit Committee, the Executive Credit Committee and Business Area Credit Committees are the key bodies for Credit decision making.

### Group Board

The Group Board has the following overarching risk management responsibilities:

- Decide on the Group's risk strategy, Risk Management Framework, and Risk Appetite Framework, including the Risk Appetite Statement, with at least annual reviews and additional updates when needed
- Oversee and monitor the implementation of the risk strategy, Risk Appetite Framework, and Risk Management Framework and regularly evaluates whether the Group has effective and appropriate controls to manage the risks
- Monitor and oversee the development of the Group's risk profile against the Group Board approved Risk Appetite Statement

The Group Board decides on capital policy including dividend policy to ensure adequate capital and liquidity levels within the Group on an ongoing and forward-looking basis, consistent with Nordea's business model, risk appetite and regulatory requirements and expectations.

### Board Risk Committee (BRIC)

BRIC assists the Group Board in fulfilling its oversight responsibilities concerning management and control of the risks, risk frameworks, controls and processes associated with the Group's operations. BRIC met on 10 occasions during 2023.

### Group CEO

The Group CEO is responsible to the Group Board for the overall management of the Group's operations and risks. Responsibilities include ensuring that the risk strategy and risk management framework decided by the Group Board is implemented, the necessary practical measures are taken and risks are monitored and limited.

The Group CEO is supported in decision-making by senior management within the Group Leadership Team (GLT). Matters that are to be decided by the Group Board and matters of principle or otherwise of particular importance that are to be decided by the Boards of Directors of the major subsidiaries of Nordea Bank Abp, shall first be presented to the Group CEO in GLT for discussion and recommendation.

Group-wide committees have been established by the Group CEO to promote coordination within the Group, thus ensuring commitment to and ownership of Group-wide prioritisations, decisions and implementation. The composition and areas of responsibility of each committee are established in the Group

CEO Instructions for the respective committees.

### Asset and Liability Committee (ALCO)

Asset and Liability Committee is subordinated to the Group CEO in GLT and chaired by the Group Chief Financial Officer (CFO). ALCO decides on changes to the financial operations and the risk profile of the balance sheet, including asset and liability management (ALM), balance sheet management and liquidity management. ALCO also decides on certain issuances and capital injections for all wholly-owned legal entities within the Group. ALCO has established sub-committees for its work and decision-making within specific risk areas. ALCO met on 12 occasions during 2023.

### Risk Committee (RC)

RC is subordinated to the Group CEO in GLT and chaired by the Group Chief Risk Officer (CRO). RC manages the overarching Risk Management Framework and prepares or provides guidance regarding proposals to the Group CEO in GLT and/or the Group Board on issues of major importance concerning Nordea's Risk Management Framework. The Group Board decides on the Risk Appetite Framework. The RC allocates the risk appetite to the risk-taking units, and the 1<sup>st</sup> LoD is responsible for ensuring that limits are further cascaded and operationally implemented. RC has established sub-committees for its work and decision-making within specific risk areas. RC met on 20 occasions during 2023.

### Credit decision-making bodies

The governing bodies for credit risk and/or the Credit Risk Management Framework are the Group Board, BRIC and RC. The Group Board and the local Boards of Directors delegate credit decision-making according to the Powers to Act as described in the Group Board Directive on Risk.

- CEO Credit Committee is chaired by the Group CEO and the members of the Executive Credit Committee are included
- Executive Credit Committee is chaired by the Head of Group Credit Management. The CEO appoints the members of the Executive Credit Committee
- Business Area Credit Committees: The Executive Credit Committee establishes credit committees for each Business Area as required by organisational and customer segmentation

### Sustainability and Ethics Committee

Sustainability and Ethics Committee (SEC) is subordinated to the Group CEO in GLT and chaired by the Head of Business Banking. The SEC is mandated to facilitate the integration of sustainability into Nordea's business strategy and supports the integration of ESG factors into the risk management framework. It is tasked with recommending to the Group CEO a long-term plan for fully integrating sustainability into the business strategy and ensuring appropriate implementation to achieve Group level targets. Part of this is to approve sector and thematic guidelines. SEC met on 12 occasions during 2023.



Table: Governing bodies for risk and capital management

Board of Directors Board Risk Committee			
Group CEO			
<b>Asset and Liability Committee (ALCO)</b> (Chairman: CFO)	<b>Risk Committee (RC)</b> (Chairman: CRO)	<b>CEO Credit Committee</b> (Chairman: CEO) <b>Executive Credit Committee</b> (Chairman: Head of Group Credit Management) <b>Business Area Credit Committees</b> (Chairman: Head of Credit)	<b>Sustainability and Ethics Committee (SEC)</b> (Chairman: Head of Business Banking)

### Subsidiary governance

The subsidiary Board of Directors (BoD) is responsible for approving Risk Appetite Limits and capital actions within the overarching framework set by the Group Board. The proposals for such items are the responsibility of relevant subsidiary management which is supported by Group Functions.

Subsidiaries must adhere to the Internal Control Framework of the Group including Nordea's Risk Management and Compliance Risk Management Frameworks, unless local legal or supervisory requirements determine otherwise. The subsidiary BoD has oversight responsibilities concerning the management and control of risk, and the implementation of risk management frameworks as well as the processes associated with the subsidiary's operations. In addition, there are risk management functions responsible for the risk management framework and processes within the subsidiary.

The subsidiary CEO is part of the decision-making process at the subsidiary level and is responsible for its daily operations.

### Risk management processes

The Risk Management Framework ensures consistent processes for identifying, assessing and measuring, responding to and mitigating, controlling, monitoring and reporting risks to enable informed decisions on risk-taking.

The Risk Management Framework encompasses all risks to which Nordea is or could be exposed, including off-balance sheet risks. Detailed risk information covering all types of risk is regularly reported to the RC, GLT, BRIC and the Group Board. In addition to this, Nordea's compliance with regulatory requirements is reported to the GLT and the Group Board. The BoD and the CEO in each legal entity regularly receive local risk reporting.

The Risk Identification Process starts with identifying potential risks to which Nordea is or could be exposed. Risks are then assessed for relevance, classified, and included in the Common Risk Taxonomy. All risks within Nordea's Common Risk Taxonomy need to be classified as material or not material, where material risks are those assessed as having a material impact on Nordea's current and/or future financial position, its customers and stakeholders.

### Risk appetite

The Risk Appetite Framework (RAF) supports effective risk management and a sound risk culture by enabling informed decisions on risk-taking, with the objective of ensuring that risk-taking activities are conducted within the organisation's risk capacity. Risk capacity is the maximum level of risk Nordea is deemed able to assume given its capital (own funds), its risk management and control capabilities and its regulatory constraints. Risk appetite is the aggregate level and types of risk Nordea is willing to assume within its risk capacity, in line with its business model, to achieve its strategic objectives.

The Risk Appetite Statement (RAS) is the articulation of the Group Board approved risk appetite and comprises the qualitative Statements and quantitative Limits and Triggers by main risk type, which are deemed appropriate to be able to operate with a prudent risk profile.

Credit concentration metrics cover e.g. sectors and geographic regions of size or importance. Stress test metrics are applied to credit, market and liquidity risk metrics to ensure a forward-looking approach to risk management. Operational risk metrics cover both residual risk levels and requirements for mitigating actions as well as limits for incident losses. Model risk is defined as the risk of adverse effects on capital adequacy, financial loss, poor business and strategic decision making and damage to Nordea's reputation, from the use of models.

Table: Group Board approved risk appetite statements

Risk type	Risk Appetite Statement
Credit Risk	Non-performing loan ratio
	Expected loss
	Stressed loan loss
	Sector limit framework
	Geographic concentration limits
	Top 25 Client Groups limit
	Single Name Concentration
	LBO limit
	Securitisation Risk
Counterparty credit Risk	Credit portfolio loss
	Max settlement limit
Market Risk	Market Risk REA
	Market Risk Capacity
	Regulatory VaR
	Fair Value stress loss
	Banking book stress loss
	Staff Pension stress loss
	Structural FX (CET1 ratio)
	Structural FX (OCI)
	Valuation Risk
Liquidity Risk	Liquidity Position
	Structural Funding
	Currency Convertibility
Model Risk	Qualitative and quantitative model risk assessment
Capital Risk	CET 1 capital ratio
	Total capital ratio
	Leverage ratio
	MREL TREA
	MREL Subordinated TREA
	MREL LRE
	MREL Subordinated LRE
	Profitability
	NLP Solvency Ratio
Operational Risk	Operational risks
	Incident losses
Compliance Risk	Compliance Risk
ESG Risk	ESG-related Risks

### Risk appetite processes

The RAF contains all processes and controls to establish, monitor and communicate Nordea's risk appetite:

- **Risk capacity setting based on capital and liquidity position:** On an annual basis, the Group's overall risk capacity is aligned with the financial and capital planning process, based on Nordea's risk strategy. Risk capacity is set in line with Nordea's capital and liquidity position, including an appropriate shock absorbing capacity.
- **Risk appetite allocation by risk type:** Risk appetite includes Risk Appetite Limits for the main risk types that Nordea is exposed to. Risk Appetite Triggers are also set for these main risk types, to act as early indicators for key decision-makers that the risk profile for a particular risk type is approaching its Risk Appetite Limit.
- **Risk limit setting:** Measurable risk limits are established and set at an appropriate level to manage risk-taking effectively. Risk Appetite Limits are set by the Group Board. These inform the risk limits which are established and approved at lower decision-making levels. The RAF is calibrating to ensure consistency throughout the framework. Subsidiary Risk Appetite Limits must be set by the appropriate governing body in alignment with local regulatory requirements and consistent with the Group risk limits.
- **Controlling and monitoring risk exposures against risk limits:** Regular controlling and monitoring of risk exposures compared to risk limits is carried out to ensure that risk-taking activity remains within risk appetite.
- **Risk Appetite Limit breach management process:** Group Risk (GR) and Group Compliance (GC) oversee that Risk Appetite Limit breaches are appropriately escalated to RC and BRIC. GR and GC reports monthly on any breaches of the risk appetite to the Group Board and other relevant governing bodies including a follow-up on the status of actions to be taken, until the relevant risk exposure is within appetite. The reporting includes a consistent status indicator to communicate the current risk exposure compared to Risk Appetite Limit for all risk types covered by the Risk Appetite Statements (RAS).

### Embedding risk appetite in business processes

The end-to-end risk appetite process cycle is aligned with other strategic processes, including the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan.

The risk appetite is embedded in business processes and communicated across the organisation in order to meet Nordea's objectives of maintaining a sound risk culture. This includes but is not limited to ensuring a strong link between the assessed risk appetite and the business plans and budgets as well as capital and liquidity position. Risk appetite is also considered in the Group recoverability and resolvability assessments as well as the incentive structures and remuneration framework.



# Credit risk

Credit risk is defined as the risk of loss due to failure of counterparties to meet their obligations to clear a debt in accordance with agreed terms and conditions. The risk of loss is lowered by means of credit risk mitigation techniques, such as guarantees or collaterals. The risk stems mainly from various forms of lending, but also from issued guarantees and documentary credits. Credit risk includes counterparty credit risk, transfer risk and settlement risk. This chapter discusses the governance, management and measurement of credit risk in broad terms.

## Management of credit risk

Credits granted within Nordea conform to established common principles. The fundamental principles are outlined in the credit guidelines for Nordea. The key principles for managing Nordea's risk exposures are:

- a risk-based approach, i.e. the risk management functions should be aligned to the nature, size and complexity of Nordea's business, ensuring that efforts undertaken are proportional to the risks in question;
- independence, i.e. the risk control function should be independent of the business it controls; and
- the three LoDs, as further described in the Group Board Directive on Internal Governance.

The basis of credit risk management in Nordea is credit risk limits that are set for individual customer and customer groups. In addition, Nordea uses concentration risk limits for e.g. industries, and geographies. These limits provide an aggregated view and are assigned to units that are responsible for their continuous monitoring and development.

Credit decision making is delegated from the Board of Directors (BoD) down to various sub-levels of credit decision making bodies. All internal credit risk limits within Nordea are based on credit decisions or authorisations made by a relevant decision-making authority, with the right to decide upon that limit as evidenced in Nordea's powers to act.

Nordea's credit customers are continuously assessed and periodically reviewed based on internal rules dependent on segment, limit amounts and level of risk.

If credit weakness defined as high risk is identified in relation to a customer exposure it receives special attention in terms of more frequent review as well as testing the need for individual provisions when a credit event is identified. In addition to continuous monitoring, an action plan is established outlining how to minimise the potential credit loss. If necessary, a special work-out team is set up to support the customer responsible units (CRU).

Individual workout cases are followed by the dedicated high risk credit management units continuously, as well as regularly in the provisioning, rating and credit decision making and review processes.

Table: Credit decision making structure for main operations

Level 1	Board of Directors / Board Risk Committee						
Level 2	Chief Executive Officer (CEO) Credit Committee / Executive Credit Committee						
Level 3	Leverage Buyout and Mergers and Acquisitions Credit Committee	Real Estate Management Industry and Construction Credit Committee	Corporate Large Corporations and Institutions Credit Committee	Corporate Business Banking Credit Committee	Int. Banks, Countries, and Financial Institutions Group Credit Committee	Shipping and Offshore Credit Committee	Nordic Household Credit Committee
Level 4	Six eyes decisions (rated customers)			Four eyes decisions (scored customers) – two senior decision makers from Group Credit Management			
Level 5	Four eyes decisions						
Level 6	Personal powers to act						

Nordea has specific industry credit policies in place to monitor the distribution of the credit portfolio and to limit credit risk. Concentration risk in specific industries is monitored by industry groups. Industry credit policies are established for industries where at least two of the following criteria are fulfilled:

- Significant weight in the Nordea loan portfolio
- High cyclical and/or volatility of the industry
- assessed as vulnerable to climate-related risks
- Special skills and knowledge required

Nordea has currently implemented industry credit policies, all of which are approved annually by the Risk Committee:

- Animal husbandry, Crops, Plantation and Hunting
- Fishing and Aquaculture
- Banks
- CCPs
- Funds
- Housing Loans
- Insurance
- Leveraged Buy Out
- Leveraged Transactions
- Oil, Gas and Offshore
- Private Equity Fund Financing
- Real Estate Management Industry (REMI)
- Shipping
- TOA/Housing Cooperatives
- Underwriting
- Unsecured Consumer Finance
- Utilities and Power Production

### Credit risk appetite

For credit risk, Nordea strives to have a well-diversified credit portfolio that is adapted to the structure of Nordea home markets and economies, and this is reflected in the RAF limit setting. Credit risk appetite statements cover the following key areas:

- Credit risk concentration (limits for single names, industries and geographies)
- Long-term credit portfolio quality (expected loss) and forward-looking credit portfolio quality (loan losses under severe-but-plausible stress scenarios)
- Non-performing loans
- Limits addressing specific sub-portfolios and financing structures

Furthermore, the principles of Nordea sustainability policy guide the choice of which customers to serve and what transactions to finance.

### Governance of credit risk

Nordea has an internal framework for credit risk which is approved independently of business decision-making and financial performance. The framework is approved by senior management and the BoD and aligns the risk appetite with the credit risk strategy of the bank.

### 1<sup>st</sup> LoD – Group Credit Management (GCM)

GCM is an independent credit risk management function. The main areas of responsibility for GCM are to:

- Own and ensure a harmonised, aligned and efficient end-to-end credit process decreasing lead times and enabling great customer experience
- Act as a competence center, enabling high quality and maintaining the strong and compliant credit risk

management in Nordea

- Meet the changes in the competitive environment and enable business opportunities through the digitalised market
- Take prudent credit decisions together with the BAs
- Optimise the credit risk profile of the bank
- Review and approve rating assignment independently from Business Areas (BAs)

### 2<sup>nd</sup> LoD – Group Credit Risk Control (GCRC) and Risk Models

GCRC and Risk Models together comprise Nordea's independent credit risk control units. The main areas of responsibility for GCRC and Risk Models are to:

- Perform independent oversight, monitor and control of credit risk
- Develop and maintain the credit risk framework
- Propose credit risk metrics and limits in RAF
- Advise on interpretation and implementation of existing and upcoming credit risk regulations
- Develop, maintain and monitor Internal Rating Based (IRB) parameters and internal models for rating and scoring. Credit related model development efforts are validated in a separate process governed by Model Risk & Validation.
- Assessing materiality of changes to the IRB approach

### Measurement of credit risk

GCRC is responsible for supporting prudent risk management and credit processes within the established credit risk appetite, models, policies and frameworks by providing an independent source of information for credit risk reporting.

Additionally, the Credit Portfolio Analysis unit in GCRC is responsible for independently analysing and reporting the status and development of the credit risk in Nordea's portfolio and in the credit processes both internally and externally.

Credit risk reports, provided by 2<sup>nd</sup> LoD, are included in the monthly holistic Group Risk Report to the Group Leadership Team (GLT) and Board of Directors (BoD), as well as in the Chief Risk Officer (CRO) quarterly reports to the BoDs in the relevant subsidiaries. Furthermore, credit risk-focused Credit Portfolio Quality Report (CPQR) is provided to the Risk Committee and BoD quarterly. The Risk Appetite Framework (RAF) limits set by the BoD are regularly followed up in reporting.

Credit risk is measured, monitored and segmented in several dimensions. Credit risk in lending is measured and presented as on-balance sheet loans as well as off-balance sheet items on customers' and counterparts' net after allowances. Credit risk is measured utilising internal credit risk IRB models for a large portion of the portfolios. Standardised Approach (SA) is used for the remaining portfolios not covered by the IRB models. Nordea's loan portfolio is broken down by segment, industry and geography and reported monthly, quarterly and annually.

### ESG-related credit risk

ESG factors are assessed as a material or potentially material driver of credit risk. Nordea provides an in-depth summary of the materiality assessment outcomes and identification, mitigation, management, capital adequacy and response to the ESG factors as a risk driver in the section "ESG factors in Business strategy, Governance and Risk Management Framework".

For corporate borrowers, ESG assessments are performed according to the size and type of the transaction and the

customer's internal segmentation. ESG-assessments are performed on new customers, in ordinary reviews of existing customers and when the ESG-related risk(s) or credit-exposure on existing customers significantly change. ESG-related risks identified qualitatively as material at customer level provide input to the credit risk assessment to reach conclusions on the customer group's risk level included in the credit memorandum. Approvals are made according to the established credit decision-making process. For customers associated with a high ESG-related risk-level(s), decisions are escalated to higher-level credit committees in line with the Groups Credit Governance where relevant.

When conducting ESG-assessments related to credit risks, a dedicated process which includes identifying both a customer's vulnerability and resilience towards material ESG issues are used. The process has been updated during 2023 to further improve integration into the credit process. To support these analyses, external data-bases are used to assess performance on specific ESG-related risks and to assess if the company has been or is involved in ESG-related controversies.

Climate-related transition and physical risks are assessed with an enhanced focus for Nordea's larger customers. The key components of the assessment include counterparties' greenhouse gas (GHG) emissions intensity developments,

corresponding quality of their transition planning and the resulting impact of climate-related transition and physical risks on customer repayment capacity. This analysis is aligned with the Group targets on financed GHG emissions reductions and transition plan coverage.

For certain customers, there is an enhanced focus on environmental and social risks. The process includes e.g. ensuring sufficient policies and programs are in place to reduce potential harmful impacts on, for example, the environment, communities, health and safety issues and indigenous rights. Additionally, Nordea follows applicable valuation standards and regulatory requirements, which includes taking ESG factors into account in applying market values for collateralised Real Estate assets, when available and/or relevant.

ESG-related considerations in the credit process are further guided by the internal Industry Credit Policies, which include ESG-related exclusion criteria from exposure to harmful or controversial economic activities and requirements on engagement and monitoring of climate-related transition plans.

In addition to these processes, where relevant, Nordea carries out an environmental and social impact assessment when financing large infrastructure and industrial projects, as part of the Group's commitment to the Equator Principles.

## Credit risk in the capital adequacy framework

### *Standardised Approach (SA)*

Nordea uses the SA to calculate own funds requirements for exposures towards central governments and central banks, equity exposures in the banking book and non-profit organisations.

### *Internal Ratings Based Approach (IRB)*

#### *Approval status for IRB approaches*

After the move of the headquarters to Finland in October 2018, Nordea is operating under a temporary tolerance decision from the ECB, allowing the bank to continue to use its Internal Rating Based (IRB) models approved by the bank's previous regulator, the Swedish Financial Supervisory Authority. The ECB's temporary tolerance is conditioned on Nordea applying to the ECB for a new permanent IRB approval. Nordea is expecting the final decision from the ECB on submitted retail models during the first half of 2024.

#### *Exposures in the IRB Approach*

##### *Institutions*

Nordea uses the Foundation Internal Ratings Based (FIRB) approach to calculate own funds requirements for exposures towards institutional customers.

##### *Corporate*

For exposures towards corporate customers, the main approach used to calculate own funds requirement is the Advanced IRB (AIRB) approach. However, for minor parts of the portfolio, FIRB approach or SA approach is used. The AIRB approach covers banking and mortgage exposures in general in the Nordic countries and the international units. FIRB approach is used for derivatives and securities lending exposures as well as exposures in the Finance companies. SA approach is used for a small segment of non-profit organisation customers in Denmark. Exposures to corporates includes exposures towards rated Small and Medium-sized Enterprises (SMEs) and specialised lending.

##### *Retail*

Nordea uses the AIRB approach to calculate own funds requirements for banking and mortgage exposures towards retail customers in the Nordic countries, as well as in Nordea Finance Finland. Other entities use the SA approach to calculate own funds requirements for retail exposures.

### *Managing and recognising credit risk mitigation (CRM)*

CRM is an inherent part of the credit decision process. In every credit decision and review, the market value of collaterals is considered as well as the adequacy of covenants and other risk mitigation techniques. The market value of a collateral is defined as the estimated amount for which the asset would exchange between a buyer and seller under current market conditions. On this market value, a haircut is applied. The haircut is defined as a percentage by which the asset's market value is reduced ensuring a margin against loss. The haircut shall reflect the volatility in market value of the asset, liquidity and cost of liquidation. A maximum collateral ratio is set for each collateral type. The same principles of calculation are used for all exposures.

Credit risk concentrations within CRM may arise in relation to pools of receivables, in which case a conservative margin on the collateral value is applied. Credit risk concentration may also arise with respect to significantly large exposures, to which syndication of loans is the primary tool for managing concentration risk.

Covenants in credit agreements are an important CRM add-on. Most exposures of substantial size and complexity include appropriate covenants. Covenants are designed to react to early warning signs and are carefully monitored.

Nordea has permission to use credit risk mitigation techniques for the computation of minimal capital requirements in both FIRB and AIRB approaches (including retail) within the limitations of the regulation.

### *Link between the balance sheet and credit risk exposure*

This section deals with the link between the loan portfolio as defined by accounting standards and exposure as defined in the Capital Requirements Regulation (CRR). The main differences are outlined in this section to illustrate the link between the different reporting methods.

Original exposure is the exposure before substitution effects stemming from CRM, Credit Conversion Factors for off-balance sheet exposure and allowances within the SA. Exposure is defined as exposure at default (EAD) for IRB exposures and as exposure value for SA exposures. In accordance with the CRR, credit risk exposures are divided into exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees, credit commitments and unutilised lines of credit)
- Securities financing (e.g. repurchase agreements and securities lending)
- Derivatives

Items presented in the Annual Report (AR) are divided as follows (in accordance with accounting standards):

- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities)
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit)

### *On-balance sheet items excluded from the capital requirement reporting*

The following items are excluded from the balance sheet when on-balance sheet exposure is calculated in accordance with the CRR:

- Balance sheet items not governed by the CRR, such as Nordea Life and Pension (NLP)
- Market risk related items in the trading book, such as certain interest-bearing securities and pledged instruments
- Other, mainly allowances and intangible assets

### *Off-balance sheet items*

The following off-balance sheet items are excluded when off-balance sheet exposure is calculated in accordance with the CRR:

- Non CRR related items, these items are not part of the consolidated situation of CRR, e.g. NLP
- Assets pledged as security for own liabilities and other assets pledged (apart from leasing), these transactions are reported as securities financing (i.e. a separate exposure type)
- Derivatives

### *Derivatives and securities financing*

The fair value of derivatives is recognised on the balance sheet, while the nominal amount on derivatives are reported off-balance sheet in accordance with accounting standards. However, in the CRR, derivatives and securities financing are reported as separate exposure types. Also, repurchase agreements and securities lending/borrowing transactions are included in the balance sheet calculated based on nominal value. In the CRR, estimation of these exposure types is performed net of collateral.

### *Rating and scoring definition*

Rating and scoring of customers are used for rank ordering of the customers according to their respective default risk. Rating and scoring serve as the base for the Probability of Default (PD) estimation and are used as integrated parts of the credit risk management and decision-making process, including but not limited to:

- The credit approval process
- Calculation of own funds requirements
- Calculation of Economic Capital (EC) and Expected Loss (EL)
- Monitoring and reporting of credit risk
- Performance measurement using the Economic Profit (EP) framework
- Input for collective impairment

### *Rating*

Rating is used for corporate and institutional customers. The rating is a rank ordering estimate that reflects the creditworthiness of a customer. The rating scale consists of 18 distinct grades for non-defaulted customers; from 6+ to 1- and three grades for defaulted customers from 0+ to 0-. The default risk of each rating grade is quantified as a one-year PD. Rating grades 2+ and lower are considered as high risk indicating financial difficulties for the customer and require special attention in the credit process. The consistency and transparency of the ratings are ensured using rating models. A rating model employs a set of specified and distinct rating criteria to produce a rating. These are called input factors and are, together with the criteria for assigning a customer to a specific rating model, the fundamental building blocks of a rating model. Typical input factors are financial factors, customer factors and qualitative factors.

Nordea has different rating models for different customer segments, e.g. real estate management, shipping and financial institutions. Depending on the segment, different methods, ranging from statistical to expert-based, have been used when developing rating models.

A rating is assigned in conjunction with credit proposals, reviews and the annual review of customers, approved

independently by representatives from 1<sup>st</sup> LoD credit organisation. However, a customer is assigned a new rating as soon as new information indicates the need for it. If the calculated rating is assessed and deemed to not reflect the risk of default, specific override arguments or exception rules can be used within the model to adjust the calculated rating.

Controls and monitoring in connection to rating models are done within GCRC and Risk Models including the following:

- Monitoring of overrides/exceptions on rating models
- Monitoring of unrated and outdated exposures
- Conducting annual control reviews on rating practices
- Evaluating model level use of overrides/exceptions on rating models

### *Exposures by credit quality step*

Nordea applies the SA primarily for exposures to central and regional governments, central banks and equity holdings. In this approach, the rating from an eligible rating agency is converted to a credit quality step (mapping as defined by the financial supervisory authorities). Each credit quality step corresponds to a fixed risk weight, according to standard association published by the European Banking Authority (EBA). Nordea uses Standard & Poor's (S&P) as eligible rating agency. Table 19 in "Part 2: Year-end analysis and results" of this report presents the exposures for which the S&P's rating is used to arrive at regulatory credit quality steps. Exposures in the remaining standardised exposure classes are either immaterial or the risk weight is defined by the regulation.

### *Scoring*

Scoring is used for retail customers. The score is a rank ordering estimate that reflects the creditworthiness of a customer. The risk grade scale for scored customers consists of 18 grades; A+ to F- for non-defaulted customers, and three grades from 0+ to 0- for defaulted customers.

The credit scoring models are statistically derived and based on internal Nordea data. To predict the future performance of customers, certain characteristics are defined based on the customer's previous performance, the products held and behavioural information. The models also take policy requirements and credit processes into account. The customers' credit risk behaviour scores and corresponding risk grades are recalculated monthly.

The models are used to support business processes, the credit approval process and the risk management process, including monitoring of various portfolio risks. In the credit process, for example, credit bureau information is used as a supplement.

Scoring in Nordea uses a customer level approach, as opposed to a product-oriented approach. To calculate the score, the customer status as well as the customer's behaviour on all accounts/products, including potential joint commitments, is taken into consideration. The corresponding risk grade is assigned across all the customer's facilities in Nordea.

The scorecards are tailored to country specific variations, taking country specific product features, customer behaviour, macroeconomic development, debt collection process and national legislation into account. Different scorecards are used to score the household and SME portfolios, as these portfolios exhibit different payment and behavioural patterns. The household portfolio is in turn segmented into smaller sub-populations based upon product combinations held by the customer.



The scorecards are segmented according to the following dimensions:

- Country
- Household / SME
- Product combination (mortgage, revolving credits, other retail exposure)
- Delinquency (depending on volumes), which in this context refers to the customers that are not up to date with the account specific payment terms and conditions

#### Rating and scoring migration

The rating and scoring distribution changes mainly due to three factors:

- Changes in rating/scoring for existing customers (migration)
- Different rating/scoring distribution of new customers compared to customers leaving Nordea
- Changes in exposure per rating/scoring for existing customers

The rating distribution is affected by macroeconomic developments, industry sector developments, changes in business opportunities and changes to customers' financial situation and other company-specific factors. Scoring distribution is among other things affected by macroeconomic development and the customers' behaviour. The rating models are hybrid models having characteristics of both through-the-cycle (TTC) and point-in-time (PIT), whereas the scoring models are closer to PIT. Following this, the migration due to cyclicity is greater for the scored customers than for the rated customers which is also reflected through changes in the own funds requirements.

#### Collateral

Collateral management principles are governed through the Collateral Guideline owned by GCRC in the 2<sup>nd</sup> LoD. There is a

strong relationship between the data used for collateral management and the data used in calculating capital requirements.

Pledge of collateral is a fundamental CRM technique used by the bank. In Nordea, the main collateral types are real estate, floating charges and leasing objects. Collateral coverage should generally be higher for exposures to financially weaker customers than for those who are financially strong.

#### *Collateral in the capital requirements calculation*

CRM constitutes techniques used by a credit institution to reduce the credit risk associated with an exposure which the credit institution continues to hold. CRM techniques can be divided into unfunded credit protection, such as guarantees and derivatives, and funded credit protection, such as real estate, other physical assets, financial collateral and receivables.

The collateral management in Nordea follows the specific collateral eligibility requirements in CRR and related guidelines, as well as national regulations, and includes valuation principles of collaterals, legal certainty, and other qualitative requirements that are connected to each collateral type.

#### *Collateral Principles*

Collaterals in Nordea must fulfil a number of regulatory requirements to be eligible in the capital calculation. Eligibility requirements vary per collateral type. The following are key eligibility requirements:

- Collateral shall be valued based on current market values.
- There is a sufficiently liquid market for the collateral.
- The value of the collateral should be regularly monitored. Frequency of monitoring is dependent on collateral type. More frequent monitoring shall be carried out when the market is subject to significant changes in conditions.
- All collateral arrangements must be legally effective and enforceable in relevant jurisdictions.

### *Models in the IRB framework*

Nordea's rating models for corporate and institutional exposure classes are hybrid models, having characteristics of both TTC and PIT ratings, whereas the scoring models used for the retail exposure class exhibit more PIT characteristics as explained above.

The PD, Loss Given Default (LGD) and Credit Conversion Factor (CCF) parameters are re-estimated and validated annually using both quantitative and qualitative assessments. The quantitative assessment includes statistical tests to ensure that the estimates remain valid when new data is added. The validation is performed by Credit Risk Model Validation (CRMV), which is organisationally independent from the model owners.

PD estimates are based on observed default frequency in available internal data that are adjusted to long term default frequencies through an add-on. The adjustment for the length of historical internal data available considers that the rating models used for the corporate and institutional exposure classes, have a higher degree of TTC, whereas the scoring models used for the retail exposure class are closer to PIT. The adjustment for the length of internal data available is embedded in the margin of conservatism, which also includes an add-on to compensate for statistical uncertainty in the estimation.

LGD estimates are based on historical losses. LGD measures the net present value of the expected loss including costs caused by a customer's default. The LGD estimates are adjusted to reflect a downturn period and include a safety margin for statistical uncertainty in the estimation.

CCF is a statistical multiplier used to calculate EAD by predicting the drawdown of an off-balance exposure. The CCF estimates for retail exposure class are based on internal data on drawings prior to default, whereas drawings after default are included in the LGD. The CCF estimates for corporate exposure class are also based on internal data but include both drawings prior to and after default. The CCF estimates are adjusted to reflect a downturn period and include a safety margin for statistical uncertainty in the estimation. For regulatory purposes, downturn LGDs and CCFs are used.

### *Organisation of the IRB control mechanism*

Nordea's Group Risk, including the Risk Models function, support the Chief Risk Officer in executing the responsibility covering the IRB Approach. Group Risk is responsible for the rating systems, their design, implementation and testing as well as validation by an independent unit. The Credit Risk Control Unit in Nordea, comprising of Risk Models and Group Credit Risk Control functions, is responsible for executing the credit risk control activities covering the IRB Approach in accordance with Article 190 (2) of the CRR. The Credit Risk Control Unit is independent from the personnel and management functions responsible for originating or reviewing exposures in accordance with Article 190 (1) of the CRR. Risk Models executes the responsibility covering the IRB framework and is organised in teams, dedicated to specific roles that are embedded in organisational units, which are not involved in credit granting.

### *IRB monitoring and reporting*

Risk Models actively participates in the implementation of the IRB Approach, by developing, maintaining and ensuring performance of Nordea's internal risk models for credit risk.

### *Reporting*

Internal reporting on the IRB Approach and the Group's credit risk portfolio to Nordea's Group Leadership Team and Group Board is carried out on a regular basis. This ensures that management is regularly and adequately informed of the functioning of the rating systems, hence providing basis for supporting sound decisions on credit risk management.

The Credit Portfolio Quality Report (CPQR) is the Group's key management report on credit risk. The report covers developments in the Group's credit risk portfolio and the main business areas, including developments in key risk indicators across business areas. Developments in the portfolio quality is analysed on a segment level, including industry and product type segments. The credit risk indicators used in the report include the main IRB and IFRS metrics. In addition to analysis on lending activity and portfolio quality developments, portfolio monitoring related to credit process controls on rating overrides, unrated customers and outdated ratings are covered in the report.

The CPQR report is prepared quarterly by GCRC and submitted to the Credit Risk Sub-Committee (CRSC), RC, Group Leadership Team (GLT) and Board Risk Committee (BRIC).

The status and overview of IRB related findings, recommendations and issues from internal and external stakeholders are presented in the IRB Operational Oversight Report (OO) prepared by Risk Models on a quarterly basis. Moreover, progress on model development activities and roll-out plans are covered in the report, as well as IRB related changes and Financial Supervisory Authority (FSA) applications. In addition to the OO, the model monitoring function within Risk Models issues regular reports on IRB model performance covering aspects such as accuracy, stability and representativeness, across the range of IRB models. The regular model specific reports are consolidated into an overarching IRB Model Performance Report (MPR). The OO and the MPR are submitted to the CRSC, a sub-committee of the Risk Committee, which also decides on proposed mitigating actions to key issues identified during the model performance monitoring process. On a bi-annual basis the reports are presented to Risk Committee.

### *Validation and review of credit risk models*

In accordance with Nordea's model risk management framework, validation of rating methodologies and credit risk parameters is performed on a regular basis to verify that the models perform as intended. Validation is the main component of identifying model risk in the IRB framework and plays an important role in the adjustment and development of models. The current validation scope for IRB models encompasses the rank ordering and PD models for rating and scoring customers, as well as models for LGD and CCF parameters. The validation process consists of quantitative analysis of internal historical data enriched by qualitative assessments, especially in cases where validation data is not statistically adequate to give reliable validation results. The quantitative validation of rank ordering models focuses on the discriminatory power of the models, whereas the validation of risk parameters; PD, LGD and CCF, focuses on the predictive power of the parameters in comparison to the historical default and loss experiences, as well as the customers drawing behaviour.

The risk parameters; PD, LGD and CCF, as well as the rank ordering models are reviewed annually in accordance to Nordea's standards and in line with the requirements defined in



the CRR. Initial validation is performed on all new models as well as for material changes or extension to the scope of use of models already in scope. Annual validations are performed on models in use according to a pre-defined annual plan. A recalibration of specific parameter estimates setting is triggered based on testing results if deemed necessary. In Nordea Group, the validation of IRB models used for measurement of credit risk is conducted by Credit Risk Model Validation team within the Model Risk and Validation unit, which owns the validation process and methodologies. Independence in respect to the units owning the IRB model development is ensured through separate reporting lines and an escalation process to the committee structure and Chief Risk Officer. All validations of credit risk models are presented to the Model Risk Committee (MRC).

#### *Audit of IRB models*

Group Internal Audit assesses whether all significant risks are identified, adequately controlled and appropriately reported by management and the risk functions to the Group Board, its committees and GLT. This includes verifying the integrity of the processes ensuring the reliability of the methods and techniques and the assumptions and sources of information used in its models.

#### *Changes to the IRB framework*

Nordea Group has adopted an internal governance structure covering all changes to the IRB Approach, to ensure correct and adequate level of attention is given to the respective IRB changes by the management. The materiality of the individual changes to the IRB approach determines the level of evaluation. A specific Unit in Nordea Group has been appointed as the materiality assessment process owner for the IRB models. The unit acts as one point of entry for performing materiality assessments of all potential changes to the IRB approach in accordance with Commission Delegated Regulation (EU) No 529/2014.

#### *Use of internal estimates*

Nordea uses the IRB components and risk estimates such as ratings and PD for internal purposes besides calculation of regulatory capital. Internal ratings and risk estimates play an important role in Nordea's risk management and decision-making process by supporting credit decisions pertaining to credit approval, risk management, internal capital allocation and credit risk reporting. They also serve as an input in the calculation of expected credit losses governed by the IFRS 9 requirements.

#### *Definition and methodology of impairment*

Impairment requirements in Nordea are based on the IFRS 9 expected credit loss model where assets are divided into three groups depending on the "stage" of credit deterioration: Stage 1 includes assets where there has been no significant increase in credit risk; stage 2 includes assets where there has been a significant increase in credit risk; and stage 3 includes defaulted assets. All assets are assessed individually for staging. Significant assets in stage 3 are assessed for impairment individually. Assets in stage 1, stage 2 and insignificant assets in stage 3 are calculated for provisions collectively. Three forward looking and weighted scenarios are applied.

Throughout the process of identifying and mitigating credit impairment, Nordea continuously reviews the quality of credit exposures. Weak/high risk exposures and credit impaired

exposures are closely monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity, and the possible need for provisions.

#### *Individual provisioning*

A need for individual provisioning is recognised if, based on credit events and forward-looking scenarios, a negative impact is expected on the customer's expected future cash flow to the extent that full repayment is unlikely (collaterals taken into account). The forward-looking scenarios include "Most likely case", "Positive case" and "Worst case" with standard probabilities of 60%, 20% and 20%.

Exposures with individually assigned provisions are credit impaired, defaulted and in stage 3. The size of the provision is equal to the estimated loss, which is the difference between the book value of the outstanding exposure and the discounted value of the expected future cash flow, including the value of pledged collateral.

Nordea recognises specific credit risk adjustments (SCRAs). SCRAs comprise individually and collectively assessed provisions. SCRAs during the year are referred to as loan losses, while SCRAs in the balance sheet are referred to as allowances and provisions.

#### *Collective provisioning*

The collective provisioning model is executed quarterly and assessed for each legal unit/branch. One important driver for provisions is the trigger for the transferring of assets from stage 1 to stage 2. For assets recognised from 1 January 2018, changes to the lifetime PD are used as the trigger. In addition, customers with forbearance measures and customers with payments more than 30 days past due are also transferred to stage 2. In stage 1, the provisions equal the 12 months expected loss. In stages 2 and 3, the provisions equal the lifetime expected loss. The model output is complemented with an expert-based analysis process to ensure adequate provisioning. Defaulted customers without individual provisions have collective provisions.

#### *Default*

Customers with exposures that are past due more than 90 days, in bankruptcy or considered unlikely to pay are defaulted and can be either servicing or non-servicing debt. Defaulted customers (non-performing) are in stage 3.

If a customer recovers from being in default, the customer is seen as cured. Typically, this situation occurs if the customer succeeds in creating a balance in financials. In order to be cured, the recovery should include the customer's total liabilities, an established satisfactory repayment plan and an assessment that the recovery is underway.

#### *Forbearance*

Forbearance is eased terms including restructuring due to the customer experiencing or about to experience financial difficulties. The intention of granting forbearance for a limited period is to help the customer return to a sustainable financial situation ensuring full repayment of the outstanding debt. Examples of eased terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of covenants. Forbearance is undertaken on a selective and individual basis and followed by impairment testing (corporate customers) being a credit event. Loan loss provisions are recognised, if necessary.

Forbearance measures that include debt forgiveness, write-

offs and reduced customer margin lead to default while other forbearance measures can be related to both defaulted and non- defaulted customers.

# Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterparty in a derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterparty. In addition, counterparty credit risk also appears in repurchasing agreements and other securities financing contracts.

Derivative contracts are financial instruments, such as futures, forwards, swaps or options that derive their value from underlying interest rates, currencies, equities, credit spreads or commodity prices. The derivative contracts are often traded over-the-counter (OTC), which means the terms connected to the specific contract are individually defined and agreed on with the counterparty.

Nordea enters into derivative contracts based on customer demand, both directly and in order to hedge positions that arise through such activities. Interest rate swaps and other derivatives are used in hedging activities of asset and liability mismatches in the balance sheet. Furthermore, Nordea may, within clearly defined risk limits, use derivatives to take open positions in the bank's operations. Derivatives affect counterparty credit risk, market risk as well as operational and liquidity risk.

Counterparty credit risk, including that towards Central counterparties (CCPs), is subject to credit limits like other credit exposures and is treated accordingly. To assess the counterparty credit risk towards CCPs, clearing limits are based on the potential size of the clearing related exposure on each CCP, taking regulatory requirements and the market development into account.

## Pillar 1 method for counterparty credit risk

In July 2021, Nordea received ECB's permission to use the Internal Model Method (IMM) for the calculation of the own funds requirement for credit risk of positions subject to counterparty credit risk in accordance with Article 283 of the Counterparty Credit Risk (CCR). After the relocation to Finland in October 2018, Nordea was operating under a temporary tolerance decision from the European Central Bank (ECB), allowing the bank to continue to use its IMM Approach approved by the bank's previous regulator, the Swedish Financial Supervisory Authority. The method is used for standard foreign exchange (FX), interest rate and certain inflation products, which constitute the predominant share of Nordea's CCR exposure.

The expected IMM exposure is calculated by simulating a large set of future scenarios for underlying price factors and then revaluing the contracts in each scenario at different time horizons. In these calculations, netting is done of the exposure on contracts within the same legally enforceable netting agreement.

Nordea uses a stressed calibration of the IMM for calculation of the counterparty credit risk internal exposures. For regulatory exposures Nordea uses the calibration that provides the highest own funds requirement calculated on the basis of Effective EPE in order to comply with Article 284 (3). Under the IMM approach, simulated exposure is subject to a regulatory multiplier of 1.4 to reflect the potential for correlation in risk

across the portfolio. An additional 0.15 add-on was introduced in 2021.

For the part of the portfolio not covered by IMM, Nordea uses the Standardised Approach to capture the Counterparty Credit Risk (SA-CCR). SA-CCR - Exposure at Default (EAD) is used for regulatory capital on both the Default Risk Charge and the Credit Valuation Adjustment (CVA) Risk Charge. EAD under SA-CCR consists of the replacement cost (RC), potential future exposure (PFE) and alpha factor.

The potential future exposure (PFE) is an estimate reflecting possible changes in the future market value of the individual contract during the remaining life of the contract and is measured as the notional principal amount multiplied by an add-on factor. The size of the CRR add-on factor, depends on contracts' underlying asset and time to maturity.

Credit value adjustment (CVA) represents the market cost of hedging counterparty credit risk and the capital requirement, CVA risk charge, reflects the variability in CVA. Calculation of the CVA risk charge is based on either IMM exposure curves that are used in the advanced CVA risk charge calculation or in line with SA-CCR for the standardised CVA risk charge calculation (non-IMM exposures).

## Mitigation of counterparty credit risk exposure

Nordea employs risk mitigation techniques. The most significant one is the use of legally enforceable closeout netting agreements, which allows Nordea to net positive and negative market values on contracts within the same agreement in the event of default of the counterparty. It is Nordea's policy to have legally enforceable closeout netting agreements in place with all trading counterparties, and thereby being able to fully account for netting. The validity, legality and enforceability of the netting provisions are substantiated by generic close-out netting legal opinions for all relevant jurisdictions.

In addition, Nordea mitigates the exposure mainly towards banks, institutional counterparties and hedge funds primarily with financial collateral agreements, where collateral is placed or received to protect the current net exposure. The collateral is mainly cash (EUR, USD, SEK, NOK, DKK and GBP), but also government bonds and to a lesser extent mortgage bonds. Most of the non-cash collateral received stems from highly rated European government bonds as well as Nordic mortgage bonds. Separate credit guidelines are in place for handling financial collateral agreements.

Nordea's financial collateral agreements do not normally contain any trigger dependent features, e.g. rating triggers. Certain agreements contain clauses that may require collateral postings in case of a Nordea downgrading; however, these would not impose any material impact on Nordea's liquidity and collateral preparedness.

Overall, Nordea's credit risk mitigation via collateral is considered highly diversified in terms of underlying instruments and most of Nordea's collateralised exposure stems from investment grade counterparties.

In order to reduce bilateral counterparty credit risk, CCPs are increasingly used for clearing of OTC derivatives. CCPs were mainly used by Nordea to clear interest rate derivatives, repo transactions and to a lesser extent credit derivatives. Nordea continues to assess the possibility to clear more derivative volumes through CCPs in order to further reduce bilateral counterparty credit risk and to comply with the clearing obligation. Nordea's policy is to use CCPs if possible.

As well as exposure risk mitigation methods described above, Nordea employs credit default swap protection to hedge CVA risk. Protection for regulatory CVA purposes is bought from large inter-bank counterparties where most of the protection is being cleared by qualified central counterparties which ultimately reduces bilateral risk.

#### Wrong Way Risk exposures

Nordea undertakes systematic analysis and reporting of general wrong way risk (GWWR). GWWR is identified as performing historical trend analysis to highlight correlations within the portfolio between the counterparty's exposure and rating.

Moreover, automatic identification procedures are in place to identify potential specific wrong-way risk (SWWR), i.e. situations where the future exposure to a counterparty is positively correlated to the counterparty's PD for a reason that is specific to the counterparty. Transactions that are assessed to have 1) significant degree of SWWR and 2) legal connection, are named Eligible SWWR transactions and are subject to tightened monitoring and increased capital requirements as defined in the CRR.

#### Counterparty credit risk and settlement risk for internal credit limit purposes

Counterparty credit risk for internal credit limit purposes is for the main part of the portfolio calculated using IMM.

Nordea covers counterparty credit risk under its credit risk framework, limits and exposure is included in the overall credit risk appetite and individual limits are independently monitored and controlled.

The exposures included in IMM are subject to periodic stress tests with the aim to identify adverse scenarios affecting exposures on counterparty, industry and country level.

Settlement risk is a type of risk arising during the process of settling a contract or executing a payment.

The risk amount is the principal of the transaction, and a loss could occur if a counterpart was to default after Nordea has given irrevocable instructions for a transfer of a principal amount or security, but before receipt of the corresponding payment or security.

The settlement risk on individual counterparts is restricted by settlement risk limits. Each counterpart is assessed in the credit process and clearing agents, correspondent banks and custodians are selected with a view to minimise settlement risk. Nordea is a member of CLS (Continuous Linked Settlement), which is the global FX clearing system that centralises and mitigates settlement risk for FX trades in 18 different currencies between eligible counterparties in CLS.

# Market risk

Market risk is the risk of loss in Nordea's positions in either the trading book or non-trading book as a result of change in market rates and parameters that affect the market values or net interest income flows. Market risk exists irrespective of the accounting treatment of the positions.

## Market risk management principles

The management of risk in Nordea is governed by principles and procedures which are stated in the Group's internal rules and are adhered to throughout the organisation. This includes the three lines of defence (LoD) model.

More specifically, market risk is managed based on guiding principles and overall rules set out in the "Group CEO Instructions on Market Risk". These instructions are supplemented by Protocols issued by the 2<sup>nd</sup> LoD and relevant 1<sup>st</sup> LoD unit Guideline. Key elements of market risk management in Nordea are summarised below:

- *Risk identification and measurement*
  - The Group uses a range of measures to capture the material aspects of market risk
  - Stress tests are carried out on a regular basis to estimate the possible losses that may occur under severe, but plausible, market conditions
- *Market risk mitigation and management*
  - Market risk is managed through clearly defined risk mandates in terms of limits and restrictions on which instruments may be traded and by which desk
  - Hedging strategies (or use of alternative methods of mitigation) are monitored
  - The framework for the approval and valuation of traded financial instruments requires the analysis and documentation of each instrument's features and risk factors
- *Risk limits and monitoring*
  - Traded market risks are controlled through daily monitoring of profit and loss, and all market risks are subject to daily measurement and control of risk exposures and monitoring of market risk appetite limits

## Governance of market risk

The market risk governing bodies are the Group Board of Directors (BoD), Board Risk Committee (BRIC), Risk Committee (RC) and Asset and Liability Committee (ALCO). Additional decision-making bodies with responsibilities specific to market risk are shown in the Figure below.

### 1<sup>st</sup> LoD responsibilities - BAs and GFs

Relevant 1<sup>st</sup> LoD Business Areas (BAs) and Group Functions (GFs) are responsible for providing sufficient information in their business plan on the expected future risk profile of their business so that this can be used as an input to the independent determination of the risk appetite by the 2<sup>nd</sup> LoD. In addition, the 1<sup>st</sup> LoD is responsible for implementing the risk framework as designed by the 2<sup>nd</sup> LoD.

### 2<sup>nd</sup> LoD responsibilities - GR

Group Risk (GR) provides all relevant risk-related information to the BoD to enable it to set the market risk strategy and risk appetite. GR is also responsible for overseeing appropriate risk identification and monitoring in the business through the design of the Risk Management Framework. Furthermore, GR is responsible for overseeing that the risk framework is appropriately implemented by the 1<sup>st</sup> LoD.

### 3<sup>rd</sup> LoD responsibilities - GIA

Group Internal Audit (GIA) is an audit function and provides additional assurance to the BoD and Group Leadership Team (GLT) on the adequacy of internal controls and risk management processes, thereby constituting the 3<sup>rd</sup> LoD.

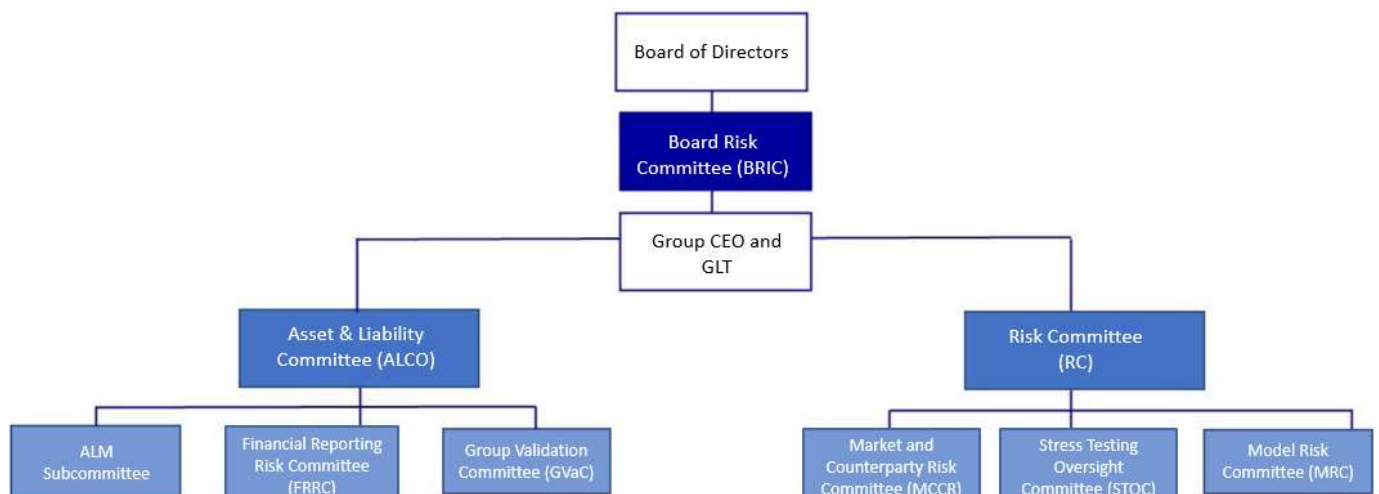
## Traded market risk

Traded market risk arises mainly from client-driven trading activities and related hedges in Nordea Markets which is part of Large Corporates & Institutions.

## Traded market risk management

Nordea Markets takes market risks as part of its business model to support corporate and institutional clients through a range of fixed income, equity, foreign exchange and structured products. The market risks Nordea Markets is exposed to include interest rate risk, credit spread risk, equity risk, foreign exchange risk, commodity risk and inflation risk.

Furthermore, Nordea is one of the major Nordic mortgage lenders and market makers in Nordic corporate and government bonds. Holding inventory is a consequence of providing secondary market liquidity.





### *Traded market risk measurement*

Nordea uses several quantitative risk measurement methods for market risk: Value-at-Risk, stress testing, sensitivity analysis, parametric methods and Monte Carlo simulation.

Value-at-Risk is based on historical scenarios and is the primary market risk measurement metric, complemented by stress testing.

Parametric methods are used to capture equity event risk including the impact of defaults on equity related positions (these risks are part of specific equity risk).

Monte Carlo simulation is used in the Incremental Risk Measure model and the Comprehensive Risk Measure model to capture the default and migration risks.

The Value-at-Risk, Stressed Value-at-Risk, Equity Event Risk, Incremental Risk Measure and the Comprehensive Risk Measure models are approved by the bank's regulator, the ECB, for use in calculating market risk own funds requirements under the Internal Model Approach (IMA). The same models, with same calibration and settings, as used for regulatory capital requirements are used for internal risk management purposes.

Standardised approach (SA) is applied to risk exposures which are not covered by the IMA.

### *Value-at-Risk (VaR)*

Nordea's Value-at-Risk (VaR) model is based on the expected shortfall measure (ES) instead of a quantile-based VaR measure.

Nordea calculates VaR using historical simulation. The current portfolio is revalued based on historical daily changes in market prices, rates and other market risk factors observed during the last 500 business days and translated to changes in the current market risk factors. Nordea uses absolute, relative and mixed translation methods for different risk categories.

The revaluation of the current portfolio is performed for each position using either a linear approximation method or a full revaluation method, depending on the nature of the position.

The historical data window is updated every business day to cover the last 500 business days. From the empirical distribution of returns, ES is used to calculate a VaR number as the average of the 6 worst outcomes from the distribution of portfolio value changes. The resulting ES confidence level is 98.8%. The quality of the approximation depends on the magnitude of the worst observed losses (i.e. the heaviness of the tail of the portfolio loss distribution), which is reassessed periodically as part of Nordea's risk model maintenance processes. The mixed translation method scales historical returns to take into account the dependencies that exist between risk factor levels and changes in these levels. No weighting method is used for historically simulated returns. The one-day VaR number is subsequently scaled to a 10-day number using the square root of time method.

The total VaR number used for regulatory capital requirements includes interest rate, credit spread, foreign exchange rate, equity and inflation risks in a single model. This allows for diversification amongst all these risk categories including general and specific risk factors in scope for the VaR model.

### *Stressed Value-at-Risk (Stressed VaR)*

The Stressed VaR number is calculated using a similar methodology to the VaR. However, whereas the VaR model is based on data from the last 500 business days, the Stressed VaR is based on a specific historical 250-business day period with considerable stress in financial markets. In addition, Stressed

VaR is calculated as the average of the 3 worst returns of the empirical distribution of portfolio value changes. The ES confidence level is 98.8%. Since the relevant period with stressed markets will depend on the current portfolio composition, the level of Stressed VaR in relation to the VaR is monitored daily and the stress period can be changed if deemed necessary to adequately measure the risk in a stressed market environment. The specific historical 250-business day period to be used is reviewed at least annually. Currently, the stress period covers a period during the latest global financial crisis.

### *Incremental Risk Measure (IRM)*

The Incremental Risk Measure (IRM) model measures the risk of losses due to credit migration or defaults of issuers of tradable debt in bond and credit derivative positions held in the trading book (excluding the correlation trading portfolio which is covered by the Comprehensive Risk Measure model). The model uses a Monte Carlo simulation approach based on a Gaussian copula model. The correlation structure between issuers is specified via a factor model. The liquidity horizon is one year, over which a constant portfolio is assumed, in line with CRR Article 374.

The model is based on transition matrices, where the elements are probabilities of migration from the current rating class to another rating class. The probabilities are obtained from a single source, a major rating agency.

For each simulation and each issuer, a rating migration is generated either to a new rating class, unchanged rating class or default. In case of a simulated default, the portfolio loss is calculated based on the recovery rate of the issuer assuming deterministic recovery rates. For a simulated unchanged rating class, the portfolio loss is zero. In case of a simulated migration to another (non-default) rating class, the portfolio loss is calculated using a grid-based revaluation method (interpolation between pre-calculated portfolio net present values, where full revaluation is used in the pre-calculations). A spread multiplier matrix is then used to translate each simulated migration to a new credit spread.

For each simulation, portfolio losses are aggregated across issuers, such that each simulation corresponds to one total portfolio loss. The IRM number is based on ES. The model uses 50,000 simulated scenarios and the average of the 100 worst simulated total portfolio losses is the output of the model, corresponding to an ES confidence level of 99.8%. The transition matrices and spread multiplier matrices are recalibrated annually.

The IRM is calculated and monitored daily.

### *Comprehensive Risk Measure (CRM)*

The Comprehensive Risk Measure (CRM) model measures the correlation risk, credit spread risk, default risk, recovery rate risk and index credit default swap basis risk in the correlation trading portfolio. The model is based on Monte Carlo simulation. The liquidity horizon is one year, over which a constant portfolio is assumed (consistent with the IRM model).

The approach for default simulation is the same as that used in the IRM model (Gaussian copula model). In case of default, the realised recovery rate is simulated to determine the loss given default. In case of non-default, a credit spread move is simulated based on another Gaussian copula model component (which shares the same driving random variables with the default model component, i.e. the random sources of the default model also drive the credit spread model). The marginal distribution for each single issuer spread move is given by a

lognormal distribution and the recovery rates used in the valuation are simulated assuming a beta distribution. The index Credit default swap (CDS) basis is simulated as a lognormally distributed multiplier to the CDS index hazard rate curve that is implied by the spreads of the individual issuers. The resulting CDS index hazard rate curve, including the multiplier, is then used to derive the CDS index spread curve. Base correlations for Collateralised Debt Obligation (CDOs) and correlations for Nth-to-default baskets are simulated via a function of Gaussian random variables. The function is applied to keep the resulting correlations in the interval between zero and one.

For each simulation, a full revaluation method is used, and the results for each issuer are aggregated to determine the portfolio loss. The model uses 25,000 simulated scenarios and a sampling scheme that samples high loss scenarios more frequently, effectively producing the same tail scenarios as a method based on 50,000 simulated scenarios without the sampling scheme. The CRM number is calculated as the average of the 100 worst portfolio loss scenarios, corresponding to a 99.8% ES confidence level. The transition matrices and other model parameters are calibrated annually.

The CRM is calculated and monitored weekly.

#### *Equity Event Risk (EER)*

The Equity Event Risk (EER) model is part of Nordea's IMA framework. The EER model captures two different parts of specific equity risk: equity jump risk and equity related losses due to defaults.

The equity jump risk component measures the risk of losses that are specific to each single stock and beyond the VaR model's confidence level. The jump risk is calculated based on a parametric model for the single stock returns. The confidence level corresponds to the worst 10-business day return occurring at a frequency of once every 500 business days.

The equity default risk component measures equity related portfolio loss due to the default of a company. An intensity model with constant 10-business day intensity is assumed.

The EER is calculated and monitored daily.

#### *Standardised Approach (SA)*

SA is used for calculating market risk own funds requirement for commodity risk, gold, specific risk for callable mortgage bonds, commercial paper, credit/rate hybrids and credit spread options, as well as for equity risk related to structured products, Tier 1 and Tier 2 bonds.

#### *Back-testing*

Back-testing of the VaR model is performed daily using both hypothetical profit and loss (P&L) and actual P&L. Hypothetical P&L is the P&L that would have been realised if the positions in the portfolio had been held constant during the following trading day. The actual P&L also includes intra-day trading. The P&L numbers are compared to one-day VaR numbers (98.8% ES confidence level). Overshootings are defined as the historical days where either the actual and/or the hypothetical losses are worse than the 1-day VaR number. The largest of the number of actual P&L overshootings and hypothetical P&L overshootings in the last 12 months determines the capital multiplier addend according to the red/amber/green colour zones specified in the CRR.

#### *Non-traded market risk*

Non-traded market risk principally arises from the core banking business of Nordea, related hedges and regulatory or other external requirements (e.g. liquid asset buffer).

#### *Non-traded market risk management*

Group Treasury is responsible for the comprehensive risk management of all non-traded market risk exposures in the Group's balance sheet. For transparency and a clear division of responsibilities within Group Treasury, banking book risk management is divided across several frameworks – each with a clear risk mandate, specific limits and controls including hedges implemented to reduce risks across frameworks.

The non-traded market risks that Nordea is exposed to are interest rate risk, credit spread risk, foreign exchange risk (both structural and non-structural) and equity risk.

Interest rate risk in the banking book (IRRBB) is the current or prospective risk to Nordea's capital and earnings arising from adverse movements in interest rates. BAs transfer their banking book exposures to Group Treasury through a funds transfer pricing framework. Market risks are then managed centrally and include gap risk, basis risks, credit spread risk, behavioural risks and non-linear risks. These risks are also delineated by currency.

Due to the lending structure in Nordea's home markets, most of the contractual interest rate exposures are floating rate. Consequently, wholesale funding is also swapped to floating rate. The resulting repricing gap risk is managed on an aggregated basis by currency and, where applicable, by legal entity (primarily the mortgage companies). The net outright interest rate risk stemming from the repricing gaps, together with the limited fixed interest rate risk, is hedged with interest rate swaps (IRS) and overnight index swaps (OIS). As described further below, non-contractual non-maturing deposits (NMDs) give rise to directional interest rate risk. The behavioural NMD risk is partially hedged with standard IRS under an ALCO mandate specifying a target hedge ratio.

Liquid assets are managed in accordance with the Liquidity Buffer and Pledge/Collateral frameworks. Most of the directional interest rate risk arising from bond holdings is hedged primarily with maturity matched IRS payer swaps and, to a smaller degree, with OIS payer swaps. Forward Rate Agreements and listed futures contracts are also used to hedge credit spread and interest rate fixing risks.

#### *Interest Rate Risk in the Banking Book*

IRRBB is measured, monitored and managed using three key risk metrics including Economic value risk, Fair value (FV) risk, and Net Interest Income (NII) risk; FV and NII risk are also measured together as Earnings risk (ER).

As IRRBB is seen as a material risk the three risk metrics are monitored, limited and reported on Board level. The three different risk metrics are used to assess differing aspects of the manifestation of interest rate risk. These are described in more detail below.

The Economic Value (EV) risk metric considers the change in the economic value of banking book assets, liabilities and interest-bearing derivative exposures resulting from interest rate movements, independently of accounting classification and ignoring credit spreads and commercial margins. The metric assumes a run-off balance sheet and includes behavioural modelling for non-maturing deposits (NMDs) and prepayments as well as assumptions on floors embedded in customer loans and deposits.

Changes in the Economic Value (EV) of the banking book are



measured using a range of internal stress scenarios and the six standardised scenarios defined by the Basel Committee on Banking Supervision (BCBS). The exposure risk appetite limit under EV risk is measured against the worst outcome from the internal stress scenarios. EV scenario outcomes are estimated daily for management information purposes, but fully calculated and monitored monthly against risk appetite limits.

The Fair Value (FV) risk metric considers the potential revaluation risk relating to positions held under fair value accounting classifications. Fair value sensitivities in the banking book are monitored against internal stress scenarios. The scenarios are calibrated to reflect severe but plausible events designed to test specific risks that are or may result from the exposures under fair value accounting. The risk is measured daily and a risk appetite limit is set against the worst outcome of the scenarios. The FV scenarios are applied to both the banking book and trading book portfolios, and the Board risk appetite limit considers the combined impact across both. The FV risk metric is monitored daily.

The Net Interest Income (NII) risk metric considers the potential change in NII resulting from interest rate movements over a one-year horizon. The model uses a constant balance sheet assumption, implied forward rates and behavioural modelling for NMDs and prepayments as well as assumptions on floors embedded in customer loans and deposits. Similar to EV risk, NII risk is measured using a range of internal stress scenarios and the standardised up/down scenarios defined by the BCBS. The exposure risk appetite limit under NII risk is measured against the worst outcome generated from a range of internal stress scenarios. The NII risk metric is monitored monthly.

The measurement of IRRBB is dependent on key assumptions applied in the models. The most material assumptions relate to loan prepayments, NMDs and customer floors. The internal models for prepayments and NMDs are based on historical customer behaviour and Nordea's historically observed pricing behaviour. Nordea's NMD model estimates a stable non-interest sensitive portion of the deposits that is available for hedging. Importantly, the NMD modelling segregates the linear interest rate risk and floors. Modelling of behavioural interest rate risk introduces model risk and Nordea therefore applies haircuts to the modelled NMD sensitivities. Regular back-testing and model monitoring is performed for both prepayment models and NMD models to ensure that the models remain accurate. Nordea's average and maximum modelled durations for NMDs are currently 3.7 and 15 years, respectively. The average duration for the core retail deposits amounts to 4.2 years and for core non-financial wholesale deposits to 2.2 years. Including non-core deposits, average durations fall to 2.3 years for retail and 0.3 years for non-financial wholesale.

Nordea capitalises IRRBB under Pillar 2. The Pillar 2 IRRBB capital allocations consist of a Fair Value risk component and an NII risk component. The Fair Value risk component covers the impact on the bank's equity due to adverse movements in the mark-to-market values of positions accounted for at fair value through profit and loss or fair value through other comprehensive income, excluding long term illiquid assets, which are separately capitalised. The NII risk component covers the impact of rate changes on future earnings capacity, and the resulting implications for internal capital buffer levels.

IRRBB is managed centrally in Group Treasury against EV, FV and NII risk limits. Risk is managed in various frameworks but overall risk is coordinated and measured against overall EV, FV

and NII risk limits capturing all banking book exposures. When managing IRRBB, Group Treasury tries to make use of natural risk offsets from cash products with different directional exposures by for example offsetting floating rate loan book exposure with short-term funding or deposits. In many areas natural offsets do not exist or are inefficient to use and therefore risks stemming from NMDs, liquidity buffer bond holdings and issued long-term funding are hedged stand-alone with derivatives. Derivatives hedges are also used to hedge residual risks in frameworks where natural offsets exist but are incomplete. The most commonly used derivatives are linear plain vanilla instruments like Interest rate swap (IRS), Overnight Index swap (OIS), cross-currency swaps, Forex (FX) forwards/swaps and bond futures. For non-linear risks stemming from explicit caps and collars embedded in or associated with customer loans, the non-linear option risk is hedged in an automated setup with the trading book. Otherwise derivative hedges are done both with external counterparties and Nordea's trading book to ensure full market access. Derivative hedges are to a large degree under hedge accounting relationship but short-dated FX derivatives and futures are under fair value accounting.

### *Structural foreign exchange*

Nordea is exposed to structural FX risk defined as the mismatch between the currency composition of its Common Equity Tier 1 (CET1) and risk exposure amount (REA).

CET1 is largely denominated in EUR, with the only significant non-EUR equity amounts stemming from mortgage subsidiaries. On the other hand, due to Nordea's cross-border activities, REA is denominated in SEK, NOK, DKK, EUR and USD. As a result, changes in FX rates can negatively impact Nordea's CET1 ratio.

This risk is monitored on a daily basis through a stress test that translates the BoD's risk appetite into a limit that measures the CET1 ratio sensitivity to fluctuations in FX rates.

Since 2021, Nordea runs a structural FX hedging program with permission from the European Central Bank (ECB) to exclude, from the calculation of the net open currency position, structural positions in NOK, SEK and USD that are deliberately taken to hedge against variation of the CET1 ratio caused by exchange rate fluctuations. Nordea partially hedges the sensitivity of the CET1 ratio by taking open positions in SEK, NOK and USD, partially aligning the currency compositions of equity and REA. This stabilises the CET1 ratio but increases volatility in the value of Nordea's equity in reporting currency EUR from movements in FX.

### *Validation of risk models*

#### *Independent model validation*

All models including pricing and valuation models (both vendor and proprietary), are governed by a group-wide common model governance framework. This framework outlines standards for the model risk management throughout the model life cycle including the development process and the processes for independent model validation and periodic review.

As part of the model governance framework, all market risk models are subject to independent model validation. This includes models used for regulatory capital purposes for both traded and non-traded market risk. Validation activities are carried out by Model Risk & Validation, which is independent and organisationally separate from the risk-taking units and the market risk model developers.

Market risk models are validated both prior to use and on an ongoing basis to ensure that they remain sound and are used and perform in line with the design objectives. Model Risk & Validation compiles the results of validation activities in reports that are presented at the Model Risk Committee (MRC), including a summary of validation activities, a list of identified validation findings and assessment of their severity as well as potential mitigations to be implemented by the model owners.

Validation elements include confirmation of the conceptual soundness, verification of the model implementation in Information Technology (IT) systems and outcome analysis, including internal back-testing. Ongoing validation furthermore involves assessment of the adequacy and effectiveness of the model control setup and model performance monitoring. The implementation of model risk mitigations, as recommended in model validation reports and agreed in the MRC, is monitored on a regular basis and progress is tracked through implementation.

The model validation is carried out both on an aggregate level, through annual reviews of the models, as well as on a more granular model component level. The scope for this includes:

- Risk factor models
- Pricing models, including both full revaluation models and approximations (e.g. based on sensitivities)
- Compliance of risk measure
- Choice and adequacy of proxies
- Model assumptions, including correlation modelling in IRM and CRM
- Model calibration, including assessing the choice of stress period for Stressed VaR
- Evaluation of model performance through measures such as internal back-testing analysis
- Robustness of models across scenarios

#### *Validation by the developers*

Stress tests of the IRM input parameters (main scenarios involve shifts to probabilities of default and correlation parameters) are conducted annually, as part of the validation processes performed by Risk Models (RIMO) in the 2<sup>nd</sup> LoD (the unit responsible for the development of risk models).

Other validation processes performed by Risk Models include proxy control, market data input controls and stress testing to assess the adequacy of the VaR and Stressed VaR numbers. Stress testing covering the VaR and Stressed VaR scope is performed weekly based on the following scenarios: Market Liquidity Freeze, Nordic Financial Crisis, Abrupt Volatility Spike, Speculation on DKK Peg, Stress Testing of Proxies and Event Risk (Jump-to-Default). Three levels of severity are used in the definition of the scenarios: a 10-business day shock occurring once a year (moderate), once in 5 years (large) and once in 10 years (severe). The shocks are calibrated to historical data using a parametric model to ensure consistency in the size of the shocks across all risk factors.

### **Market risk monitoring and control**

#### *Market risk appetite*

The market risk appetite for the Group is expressed through risk appetite statements issued by the BoD. The statements are defined for the trading and banking books.

The 2<sup>nd</sup> LoD ensures that the risk appetite is appropriately translated into specific Risk Appetite Statements. They review and monitor that risk limits proposed by 1<sup>st</sup> LoD are set

appropriately to ensure that risk-taking remains within Nordea's risk appetite. 2<sup>nd</sup> LoD performs independent assessment of any risk appetite breaches.

#### *Stress testing*

As part of the overall risk appetite framework (RAF), holistic and bespoke stress tests are used to measure the market risk appetite and calibrate limits to monitor and control the full set of material market risk factors to which the bank is exposed. The RAF scenarios cover six severe, but plausible, macroeconomic events that can foreseeably affect both trading and banking book positions. The scenarios cover different risk factors, products, tenors and geographical regions. The six macroeconomic events relate to:

- a Monetary Policy Error,
- a Nordic housing crisis scenario,
- a Global Financial Stress,
- a Risk-On scenario,
- Covid-19
- a European Debt Crisis scenario

The Nordic housing crisis is considered the most banking book focused (and typically the most impactful stress), while other scenarios have a more distributed impact across the trading and banking books. The RAF stress tests are run and validated frequently in line with the regulatory requirement and are calibrated at least annually to ensure appropriate risk factor coverage and to focus on areas to which Nordea's treasury and trading activity is particularly sensitive.

#### *Additional controls*

Markets & Treasury Financial Control within the 1<sup>st</sup> LoD is responsible for the design and performance of comprehensive controls in line with the risk management framework.

GR monitors and controls traded market risk on a daily basis. The process includes analysis and reporting of risk sensitivities related to e.g. interest rates, credit spreads, FX and equity exposures and capital measures.

Furthermore, GR is responsible for monitoring market risk appetite statements and adherence and for the escalation of breaches in line with internal guidelines for limit monitoring and oversight.

#### *Inclusion in the trading book*

For regulatory purposes, all positions must be assigned to either the trading book or the banking book. This classification impacts the regulatory treatment of positions, in particular regulatory capital requirements. The criteria for the allocation of positions to either the trading book or banking book are set out in the internal trading book/banking book boundary guideline, applicable to all entities included in Nordea's consolidated position.

The Group includes in the trading book all positions in financial instruments held either with trading intent, or to hedge positions held with trading intent.

Positions assigned to the trading book are either free of restrictions on their tradability or able to be hedged. Any position not defined as a trading book position is assigned to the banking book. The trading strategy for the trading book and the investment and funding guideline for the banking book mandate activities and positions in the respective books that ensure compliance with the boundary guideline and regulatory requirements. The 1<sup>st</sup> LoD performs controls to verify that activities carried out are compliant with the trading strategy and investment and funding guideline and that they

receive the appropriate book classification. GR oversees and regularly challenges the control activities of the 1<sup>st</sup> LoD in this regard. Any position in breach of the mandated activities is reclassified. The decision is taken within the senior governance body of the business areas where the 2<sup>nd</sup> LoD is represented.

#### *Requirements for prudent valuation*

Nordea's valuation framework, including standards for prudent valuation, covers all positions held at fair value across the Nordea Group including both trading and banking books.

#### *Policies, procedures and reporting lines*

Nordea's valuation framework consists of policies and procedures that outline the different valuation related processes. This includes the overall principles for calculation of fair value and valuation adjustments as well as definitions of the responsibilities, a price source hierarchy, the frequency of independent price verification and the timing of closing prices.

Operational valuation controls including independent price verification are performed by a valuation control function within the 1<sup>st</sup> LoD, which is independent from the risk-taking units in the front office. An independent valuation control unit within the 2<sup>nd</sup> LoD has the responsibility for independent review, further monitoring and analysis of the valuations and controls performed by the 1<sup>st</sup> LoD and provides independent assessment and reporting on any identified risks.

#### *Daily revaluations*

Positions in the regulatory trading book are revalued on a daily basis.

Whenever possible, Nordea marks its positions to market using observable prices. However, for many assets and liabilities, observable market transactions and market information might not be available. When a price for an identical asset or liability is not observable and hence marking to market is not possible, Nordea applies a mark to model approach.

Nordea marks to mid-market prices (average of bid and ask) but applies a portfolio adjustment, referred to as close-out-cost valuation adjustment, to adjust the net open market risk exposures from mid-market prices to ask or bid prices (depending on the net position).

#### *Independent price verification*

The independent price verification (IPV) comprises verification of the correctness of valuations by comparing the prices to independently sourced data. The result of the IPV is analysed and any findings are escalated as appropriate. The verification of the correctness of prices and inputs is at a minimum carried out on a monthly basis and for many products it is carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis.

#### *Valuation adjustments in fair value*

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments. This calculation is supplemented by portfolio adjustments as detailed below.

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value from the counterparty's credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis. Generally, exposure at default for CVA and DVA is based on expected exposure and is estimated through the simulation of underlying risk factors. Where possible, Nordea obtains credit spreads from the CDS market, and probabilities of default (PDs) are inferred from this data. For counterparties that do not have a liquid CDS market, PDs are estimated using a cross sectional regression model, which calculates an appropriate proxy CDS spread given each counterparty's rating, region and industry.

The impact of funding costs and funding benefits on the valuation of uncollateralised and imperfectly collateralised derivatives is partly reflected in the calculated net present value through the applied discounting curve and partly through the addition of a separate funding fair valuation adjustment (FFVA). In addition, Nordea applies in its fair value measurement, close adjustments and model risk adjustments for identified model deficiencies (including possibly incorrect parameter calibration).

#### *Valuation model governance*

All models, including pricing and valuation models (both vendor and proprietary), are governed by a group wide common model governance framework.

Proprietary models are developed in the 1<sup>st</sup> LoD. Independent model validation of all valuation models is conducted by the 2<sup>nd</sup> LoD before final approval in the bank's MRC and Group Valuation Committee. For the intended use of a model, the independent validation includes confirmation of the appropriateness of model assumptions, the mathematics of the model and alignment with market practice, where such exist, as well as verification of the software implementation and outcome analysis.

### Additional valuation adjustments

In addition to the valuation adjustments that are directly applied in fair value, Nordea calculates a number of additional valuation adjustments to account for valuation uncertainty. This includes additional valuation adjustments for:

- Market price uncertainty
- Close-out costs (covering uncertainty in the close-out cost valuation adjustment)
- Model risk (including adjustments due to unobservable parameters)
- Unearned credit spreads (covering uncertainty in the CVA)
- Investing and funding costs (covering uncertainty in the FFVA)
- Concentrated positions
- Future administrative costs
- Early termination cost
- Operational risks

The additional valuation adjustments are calculated and aggregated in accordance with the Commission Delegated Regulation (EU) 2016/101 and are deducted from the CET1 capital in the calculation of Nordea's capital ratios.

### Pillar 1 market risk own funds requirement

The table below summarises the scope of the IMA approval in the context of the Pillar 1 market risk own funds requirement. Commodity risk and gold are under SA.

Table: Pillar 1 market risk own funds

Measure	General risk	Specific risk
VaR model	Interest rate risk Equity risk ** Foreign ex- change risk Inflation risk	Specific interest rate risk * Specific equity risk **
Stressed VaR model	Interest rate risk Equity risk ** Foreign ex- change risk Inflation risk	Specific interest rate risk * Specific equity risk **
EER model	No general risk	Event risk of equities **
IRM model	No general risk	Event risk of debt instruments *
CRM model	No general risk	Specific risk of correlation trading *

\* IMA excludes specific risk on Tier 1 and Tier 2 bonds, callable mortgage bonds, commercial paper, credit options and related hedges and credit/interest rate hybrids. Specific interest rate risk for these products are included under SA.

\*\* IMA excludes both general and specific equity risk for structured equity risk and fund-linked derivatives. The excluded general and specific equity risk is included under SA.

### Other risks

#### Pension risk

Pension risk (including market and longevity risks) arises from Nordea-sponsored defined benefit pension schemes for past and current employees. The ability of the pension schemes to meet the projected pension payments is maintained through investments and ongoing scheme contributions. Pension risks can manifest through increases in the value of liabilities or through falls in the value of assets. These risks are regularly reported and monitored and include consideration of subcomponents of market risk such as interest rate, inflation, credit spread, real estate and equity risk. To minimise the risks to Nordea, limits are imposed on potential losses under severe but plausible stress events and by limits on capital drawdown. In addition, regular reviews of the schemes' strategic asset allocation are undertaken to ensure the investment approach reflects Nordea's risk appetite.

On a day-to-day basis, Group Treasury has first line responsibility for the schemes with GR providing second line oversight and support. The overall responsibility within Nordea for the management of defined benefit pension schemes lies with the Asset and Liability Committee (ALCO).



# Operational risk and compliance risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Compliance risk is defined as the risk of failure to comply with applicable regulations and related internal rules.

Operational and compliance risks are inherent in all of Nordea's businesses and operations. Employees throughout Nordea are accountable for the operational and compliance risks related to their mandate and for managing these risks within risk limits and risk appetite in accordance with the operational and compliance risk management frameworks.

Group Risk (GR) and Group Compliance (GC) together constitute the second line of defence (2<sup>nd</sup> LoD) for operational and compliance risks respectively.

Operational risk control functions within GR are responsible for developing and maintaining the overall operational risk management framework as well as for monitoring and overseeing the operational risk management of the first line of defence (1<sup>st</sup> LoD). The independent risk control functions monitors and oversees that operational risks are appropriately identified, assessed and mitigated; follows up risk exposures towards risk appetite; and assesses the adequacy and effectiveness of the operational risk management framework and the implementation of the framework.

The focus areas of the monitoring and control work performed are decided during an annual planning process that includes business areas, key risk areas and operational risk processes. GR is responsible for preparing and submitting regular risk reports on all material risk exposures including risk appetite utilisation and incidents to the Chief Risk Officer (CRO), who thereafter reports to the Chief Executive Officer (CEO) in the Group Leadership Team (GLT), the Group Board and relevant committees.

The Risk Appetite Statement (RAS) for operational risk is expressed in terms of:

- Operational risks in breach of risk appetite and effective risk management; and
- Total loss amounts from incidents as well as number of occurrences of large loss events

GC constitutes the independent 2<sup>nd</sup> LoD compliance function and is responsible for developing and maintaining the risk management framework for compliance risks and for guiding the business in their implementation of and adherence to the framework.

Compliance activities are presented in the form of an annual compliance plan to the President of Nordea Bank Abp and Chief Executive Officer of the Nordea Group (Group CEO) and the Board of Directors (Group Board). The annual compliance activities represents the compliance activities of Nordea, combining GC's overall approach to key risk areas. The plan is comprised of detailed plans for business areas, Group functions, consolidated Group subsidiaries, branches and for each Compliance risk area.

GC is responsible for regular reporting on their plans to the Group Board, the CEO in GLT, branch management and relevant committees, at least quarterly. GC reports on the status and development of Nordea's compliance risks including information on major deficiencies along with consequence analyses. Regular reporting also contains information on emerging risks as well as risk trends and status and key

observations from monitoring and testing activities and investigations.

Nordea's Compliance Risk Appetite is expressed with qualitative statements giving clear direction for the management of compliance risk by stating which risks are outside risk appetite and articulating key requirements for the risk management of compliance risk. The Risk Appetite is underpinned by quantitative Metrics and Key Risk Indicators that compliance risks are measured and monitored against, informing on the risk profile.

## Management of operational and compliance risks

Nordea's Group Board Directives on Risk, Risk Appetite and Internal Governance set out the principles for the management of risks in Nordea. Based on these principles, Nordea has established supporting internal rules for operational and compliance risk that form the overall operational and compliance risk management frameworks. Management of operational and compliance risk includes all activities aimed at identifying, assessing and measuring, responding to and mitigating, controlling and monitoring and reporting on risks.

Risks are identified through various processes, for example risk assessment processes, approval of changes as well as the reporting of incidents. Risks are identified on a holistic basis and includes the identification of emerging or latent risks.

Risk assessment and measurement is done by applying Nordea's common risk assessment grid for operational and compliance risks, which assigns probability of the risks occurring and the impact in case of materialisation.

Response to risks is decided in line with risk appetite. The types of risk response include mitigation, avoidance and for operational risk: transfer and acceptance.

Risk control and monitoring is performed to ensure that risks are appropriately identified, assessed and responded to; that risk exposures are kept within limits; and that risk management procedures are efficient and adhere to internal and external rules.

The regulatory change management process ensures that new and amended rules and regulations are identified. The impact of the rules and regulations is assessed, and appropriate implementation measures are taken to ensure timely implementation.

The Operational Risk Committee (ORC) has been appointed by the executive Risk Committee for decision making related to and supporting group-wide prudent management of operational risks.

The Compliance, Conduct and Product Committee (CCPC) also appointed by the Risk Committee is responsible for decision making related to and supporting group-wide prudent management of compliance risks.



## Key operational and compliance risk management processes

### *Risk and Control Self-Assessment*

The Risk and Control Self-Assessment (RCSA) process ensures overview and assessment of operational and compliance risks across Nordea. The process improves risk awareness and enables effective assessment, control and mitigation of identified risks. Furthermore, the RCSA process and its results provide the basis and input for risk reporting in Nordea.

### *Compliance Independent Risk Assessment*

The objective of the Compliance Independent Risk Assessment (CIRA) process is to provide an independent assessment of compliance risk exposure and to challenge and advise the 1<sup>st</sup> LoD on implementation of an effective risk management framework. The CIRA process is the independent 2<sup>nd</sup> LoD risk assessment conducted across Nordea, using the common risk assessment grid for non-financial risks.

### *Financial Crime Enterprise Risk Assessment*

The Financial Crime Enterprise Risk Assessment (FCERA) is an internal annual process (with quarterly updates) enabling Nordea to (i) identify and assess the inherent financial crime risks which Nordea is exposed to, (ii) to evaluate the effectiveness of the control environment to manage these risks, and ultimately, (iii) to derive the residual risk. Based on the identified inherent and residual risks FCERA enables Nordea to implement a risk-based approach to its financial crime risk management activities.

### *Change Risk Management and Approval*

The Change Risk Management and Approval (CRMA) process ensures that there is an understanding of the risks arising from a change and that risks are managed consistent with Nordea's risk appetite framework before a change is approved or implemented.

The CRMA process must be applied to all types of change and development initiatives including, but not limited to, changes e.g. involving new or changed processes, organisational changes, Information Communication and Technology "ICT" changes, new outsourcing arrangements and exceptional transactions.

### *Product Approval Process*

The Product Approval Process (PAP) framework governs new or significant changes to products or services, decommissioning, changes in target markets or distribution channels, and non-standard product related New Transactions. The PAP framework aims to ensure financial and non-financial risks are assessed in scope of PAP, for which final approval is governed by the Compliance, CCPC or relevant delegated business area.

### *Issue Management*

Issues are defined as deficiencies in the control environment, i.e. defects and/or quality matters within the internal control environment for managing risk. When such deficiencies are discovered they must be reported as issues. In practice, the Issue Management Framework consists of multiple processes across all three LoDs identified in different risk management processes and they together fall under the purpose of Issues and action management.

### *Incident Management*

The Incident Management Framework ensures appropriate handling and reporting of detected incidents to minimise the impact on Nordea and its customers, prevent reoccurrence, and, reduce the impact of future incidents. When incidents occur they are immediately assessed to determine their severity. Depending on the nature of the incident and the severity assessed, different requirements on stakeholder involvement and external reporting applies, including incident notification to relevant authorities.

### *Scenario Analysis*

Scenario Analysis is performed in order to identify and assess operational and compliance risks with severe financial or non-financial impacts with low probability of materialisation, so called "tail risks", through the analysis of a broad range of internal and external events and indicators. Analysing tail risks contributes to increased understanding of the key impacts from, and preparedness for, unusual risk events should they materialise, and to identify and close possible control gaps in Nordea.

### *Business Continuity and Crisis Management (BC & CM)*

The BC & CM framework in Nordea ensures the capability to handle extraordinary events and crises and assure the continued delivery and recovery of prioritised products, services and processes to predefined acceptable levels. Extraordinary events and crises situations are timely and appropriately escalated and responded to through pre-established structures.

The capabilities are validated by testing and exercising the organisation and established plans to ensure to protect its resources (e.g. people, premises, technology and information), supply chain, interested parties and reputation, before a disruptive incident occurs.

This includes ensuring that roles and responsibilities are clear, known and communicated to all involved.

### *Information and Communication Technology Risk Management*

The objective of Information and Communication Technology risk management is to ensure that information and communication technology and data management risks are appropriately identified, assessed and managed.

Nordea maintains an Information Security Management System for implementation of the principles and requirements for information security, with the overall objective to preserve the confidentiality, integrity and availability of Nordea's information, and information entrusted to Nordea, by applying a risk-based methodology.

### *Significant Operating Processes*

The objective of the Significant Operating Processes (SiOPs) process is to ensure that SiOPs are identified and documented to ensure risks and controls in the most important processes are assessed and managed for these processes to operate as intended, which includes ensuring Nordea's customers are offered products and services in a compliant, safe and timely manner.

### *Raising Your Concern*

The objective of the Raising Your Concern (RYC or “whistle blowing”) process is to ensure that all Nordea stakeholders, including customers, partners, affected communities as well as Nordea’s own employees, have the right to speak up and always feel safe in doing so if they have concerns about suspected misconduct such as breaches of human rights, or irregularities such as fraudulent, inappropriate, dishonest, illegal or negligent activity or behaviour in Nordea’s operations, products or services.

### *Third Party Risk Management (TPRM)*

The objective of Third Party Risk Management (TPRM) is to ensure that risks related to third parties and third party activities, including but not limited to outsourcing are appropriately identified, assessed and managed before entering into, during, as well as when exiting a third party arrangement. TPRM ensures risks associated with third parties and third party activities are kept within Risk Appetite and risk limits.

### *Complaints Handling*

The objective of the Complaints Handling process is to ensure that customer complaints relating to Nordea’s services or products are handled appropriately and promptly, in an independent and consistent manner. Customer complaints are considered individually to ensure fair customer outcomes and the process includes identifying and acting to address the root causes of the complaints to rectify and/or mitigate systematic risks and problems.

### *Minimum own funds requirement for operational risk*

Nordea’s own funds requirements for operational risk are calculated according to the Standardised Approach. In this approach, the own funds requirement is calculated by dividing the institution’s activities into eight standardised business lines and taking the gross income-based indicator for each business line and multiplying it by a predefined beta coefficient. The consolidated own funds requirement for operational risk is calculated as the average of the last three years’ own funds requirement.

# Liquidity risk and ILAAP

Liquidity risk is the risk that Nordea can only meet its liquidity commitments at an unsustainably high price or, ultimately, is unable to meet its obligations as they come due. Nordea is exposed to liquidity risk in lending, investment, funding and other activities which could result in negative cash flow mismatches and an inability to liquidate assets or obtain adequate funding. The internal liquidity adequacy and assessment process (ILAAP) is a process for the identification, measurement and monitoring of liquidity risk and it aims to ensure that Nordea is able to cover all liquidity risks over the foreseeable future including during periods of stress. The level of liquidity needs to be adequate from an internal perspective, from the perspective of regulators, as well as market participants and depositors.

## Objective of liquidity risk management

The objective of liquidity risk management is to ensure that Nordea can meet cash flow obligations, including on an intra-day basis, across market cycles and during periods of stress.

## Management of liquidity risk

Nordea's liquidity management and strategy is based on a Group Board Directive on Liquidity Risk and group CEO Instructions on Liquidity Risk resulting in various liquidity risk measures, limits and organisational procedures. Group Treasury (GT) is responsible for the daily management of the Group's liquidity positions, liquidity buffers, external and internal funding including the mobilisation of cash around the Group, and Funds Transfer Pricing (FTP).

Nordea, including the Group and individual subsidiaries and branches, is subject to various liquidity regulations. On a consolidated level, the Group is regulated by the Financial Supervisory Authority (FSA) in Finland and must comply with Finnish regulatory requirements. Significant branches in Denmark, Sweden, and Norway are subject to local oversight by the local regulators, while still being subject to FSA requirements on a consolidated basis. Other subsidiaries and branches are also subject to local jurisdictional requirements on a stand-alone basis. These regulations are intended to measure and monitor levels of liquidity risk and cover both short-term liquidity risk and long-term structural risk.

Liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. To ensure funding in situations where Nordea is in urgent need of cash and normal funding sources do not suffice, Nordea holds a liquidity buffer. The buffer's size is linked to liquidity stress testing results which form the basis of the liquidity risk appetite. The liquidity buffer consists of central bank cash and central bank eligible high-quality liquid securities that can be readily sold or used as collateral in funding operations.

A key objective of the funding strategy is to secure continuous access to stable and competitive wholesale funding whilst considering external requirements (e.g. regulatory requirements), and internal requirements, as well as secure prudent liquidity management. Moreover, the strategy considers market conditions such as market capacity and Nordea's double-A credit rating. To that end the strategy strives to preserve Nordea's strong credit rating enabling access to wholesale funding both in periods of stress and at an attractive cost. Competitive access to wholesale funding is further enhanced by the diversified business model of Nordea resulting in low volatility in earnings and capital supporting low volatility in secondary market spreads.

Intraday liquidity risk arises from intraday timing mismatches of payments. Nordea mitigates the intra-day risk by effective operational management of intraday liquidity risk

including position monitoring, reporting and controls, forecasting of intra-day liquidity, payment and collateral management, and client and product management. In addition, intraday liquidity risk can be mitigated by having access to a surplus of intraday liquidity, such as balances at central banks, unencumbered liquid assets that can be converted to intraday liquidity by pledging with the central banks, or balances with other banks that can be used for intraday settlement.

A robust infrastructure of systems and controls is in place which enables the timely production of reports, as well as the appropriate levels of analysis needed to assess Nordea's liquidity position on an ongoing basis.

## Liquidity stress testing

Liquidity stress testing is carried out to identify liquidity risk drivers and stress scenarios which could impair Nordea's ability to meet cash-flow obligations when they come due, either because of scarce liquidity resources or significant increased costs in funding needed to generate liquidity. Liquidity stress testing is an important tool for evaluating the impact of exceptional but plausible events on the liquidity and funding position of the Group, as well as individual subsidiaries and branches. Liquidity stress testing in Nordea is done regularly on standard scenarios complemented by ad-hoc stress testing, including cyber-attack and climate risk scenarios.

The standard scenarios in daily use assess the cash-flow impact of the following specific liquidity stresses over various time horizons:

- 1) Market-wide stress, characterised by events comparable to those experienced in 2007-09. Although Nordea and other financial institutions are affected by these events, Nordea is not subject to a unique institution specific stress
- 2) Idiosyncratic stress, characterised by an institution specific event whereby Nordea's credit rating is downgraded. Other institutions and the markets overall are not in a stressed condition.
- 3) Combined stress, characterised by a Market-wide and Idiosyncratic stress occurring simultaneously.

## Pricing of liquidity risk

Appropriate transfer pricing mechanisms are maintained within the internal FTP framework to ensure that transactions are subject to market-based charges and benefits that incentivise behaviours that ultimately aim at driving the Group's balance sheet and liquidity profile in accordance with Group goals. GT administers this process by applying interest rate charges and liquidity premiums to transactions and profit centres. It is based on the levels of funding taken, the cost of maintaining a liquidity buffer and other underlying interest rate and liquidity risk generated therein. The FTP is based on regulatory

requirements and observed liquidity behaviours where assumptions are formally set each year in advance of the coming year. This aligns with funding and liquidity planning and overall management target setting processes for the coming year within the Rolling Financial Forecasting process.

### Liquidity contingency planning

The Liquidity Contingency Plan addresses a framework for recognising a possible liquidity crisis well in advance with a set of liquidity early warning signals and the strategy for managing such liquidity crisis. The objective of the plan is to mitigate the impact of a stress event by assuring continuous access to a minimum level of liquidity needed to accommodate critical business activities. The Liquidity Contingency Plan is triggered by a breach of an early warning signal, or as part of a proactive move in anticipation of a financial or liquidity stress by the liquidity First Response Team (FRT). Upon activation, FRT is responsible for notifying all relevant internal and external stakeholders, including the business areas, Asset & Liability Committee (ALCO), Group Risk and Investor Relations as well as the authorities.

### Liquidity risk appetite

For liquidity risk, the risk appetite is anchored to liquidity stress testing results over specified time horizons as well as regulatory requirements and has implications for nature and scope of activities undertaken by Nordea. In addition, the liquidity risk appetite determines the size of Nordea's liquidity buffers. The risk appetite framework and supporting liquidity risk limits and thresholds will secure prudent hedging activities and mitigate the overall liquidity risk in Nordea. This framework is also used in monitoring the effectiveness of the liquidity risk management.

Nordea adheres to the following risk appetite statements approved by the Board in December 2023:

- Nordea should maintain overall liquidity levels in support of its business strategy and to maintain the confidence of markets both in normal and dislocated markets
- Nordea should target an appropriate structural composition of its assets, liabilities and off-balance sheet commitments in support of its business strategy and regulatory requirements
- Nordea should manage and control currency dimensions arising from currency mismatches in its asset-liability mix, with particular focus on significant currencies supporting the local businesses, while considering the key liquidity metrics, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Liquidity Stress Coverage (LSC)

### Governance of liquidity risk

Nordea operates under a three lines of defence (LoD) model for the governance of liquidity risk. GT, in its role as 1<sup>st</sup> LoD, is responsible for pursuing Nordea's liquidity and funding strategy in compliance with the liquidity risk appetite. GT manages and executes liquidity risk management processes, which include issuing funding and capital, managing liquidity buffers, and defining the principles for pricing liquidity risk.

The Business Areas also play a key role in providing 1<sup>st</sup> LoD liquidity risk management, including identifying and assessing the liquidity risk impact of their activities, including new product initiatives, and assessing liquidity risk mitigation strategies in conjunction with GT.

Group Risk (GR), in its role as 2<sup>nd</sup> LoD, provides

independent risk oversight of liquidity risk management at Nordea and is responsible for establishing the internal rules framework for managing liquidity risk and performing independent liquidity stress testing. This includes developing and maintaining risk management processes and reporting processes, as well as reviewing and providing input to the liquidity risk appetite framework. Further, GR also verifies that all material liquidity risks have been identified by the 1<sup>st</sup> LoD and regularly performs reviews to assess the effectiveness and efficiency of the liquidity risk management framework.

### Measurement of liquidity risk

Key internal measures are the Liquidity Survival Horizon and Liquidity Stress Coverage, that defines the risk appetite by requiring that Nordea maintains sufficient liquidity to survive at least three months under a combined institution specific and market-wide liquidity stress scenario with limited mitigation actions.

Key regulatory metrics are the LCR and the NSFR, also defining the risk appetite. The LCR is a ratio measuring the amount of qualifying highly rated assets (i.e. cash with central banks, highly rated sovereigns, otherwise known as High Quality Liquid Assets (HQLA) available to cover potential cash outflows during the first 30 days of a severe liquidity stress event, as prescribed by regulations. The Group as well as its bank subsidiaries based in Europe must, at a minimum, comply with the LCR standards prescribed by the EU's Capital Requirements Regulation (CRR) and further clarified through the European Commission's Delegated Acts. The NSFR requires that banks, including Nordea, hold sufficient levels of stable funding, given the duration and stability of their assets. The NSFR aligns NSFR governance, compliance and supervisory actions with the LCR.

Additional metrics are in place for monitoring the liquidity and funding profiles at a more detailed level across Nordea as well as its subsidiaries and branches.

A framework of liquidity risk limits is in place to gauge and assess whether the liquidity risk profile of the Group and its subsidiaries and branches remain within the parameters of the liquidity risk appetites. GT will drive any actions needed to remediate any liquidity risk limit breach. The nature of the escalation and actions required in the event of a breach depend upon the limit hierarchy.

### ILAAP

The Internal Liquidity Adequacy Assessment Process (ILAAP) is a continuous process for the Nordea Group as well as its eligible subsidiaries. The ILAAP provides an assessment of liquidity adequacy through a comprehensive analysis of liquidity risk management practices in the respective entities.

In the ILAAP, the Board concludes in the Liquidity Adequacy Statement that Nordea has adequate liquidity to support current and projected business activities under both normal and stressed conditions, underpinned by a robust liquidity risk management framework as well as adequate systems and controls. The major basis of this adequacy assessment is that Nordea has rigorously adhered to regulatory and internal risk appetite limits.



# Securitisation and credit derivatives

Securitisations or risk sharing transactions as they are also referred to, are part of Nordea's strategic balance sheet toolbox allowing for diversification of its capital sourcing, optimisation of the capital position without impacting Nordea's business practices nor client relationships, and reducing the bank's exposure to credit tail risk events.

## Introduction to securitisation and credit derivatives trading

The Securitisation Regulation<sup>1</sup> (SR) defines securitisation as a transaction, whereby the credit risk associated with an exposure or pool of exposures is tranching, payments in the transaction are dependent upon the performance of the exposure or pool of exposures and the subordination of tranches determines the distribution of losses during the ongoing life of the transaction. In a traditional securitisation, the ownership of the assets is transferred to a Securitisation Special Purpose Entity (SSPE), which in turn issues securities backed by these assets. In a synthetic securitisation, ownership of these assets does not change, however the credit risk is transferred to the investor using credit derivatives or financial guarantees. As for synthetic securitisations, an SSPE may be used to facilitate the structure.

Banks can play several roles in securitisation. First, banks can act as originators by having assets they themselves originated as underlying exposures. Second, banks can act as sponsors in which role they establish and manage securitisations of assets from third party entities. Third, through their credit trading activity, banks can themselves invest in or make market for these securities as well as create these exposures in credit derivatives markets.

Nordea is active within the securitisation space in several capacities. For the Group's Nordic clients Nordea may act as an arranger, structurer and/or placement agent, in the credit derivatives market Nordea may act as an intermediary with focus on Nordic names and Nordea may also trade Collateralised Debt Obligation (CDO) tranches as a way of hedging credit risk related to high exposures on single exposures. Nordea may also invest in the senior tranches of securitisations.

## Risk transfer transactions

Risk sharing transactions constitute a core part of the balance sheet toolbox enabling Nordea to tap into complementary sources of capital for redeployment into its core business. Under these transactions, investors agree to provide credit protection through issued Credit Linked Notes (CLN), linked to the junior or mezzanine credit risk of a referenced portfolio.

Given the weight attached to the client relationship, Nordea typically achieves risk transfer through a so-called synthetic securitisation, performed through a collateralised financial guarantee structure where the referenced assets remain on Nordea's balance sheet. Under these agreements, the buyers of the notes agree to cover a pre-agreed amount of incurred credit losses related to the reference portfolio structured in a manner in accordance with the relevant regulations so that Significant Risk Transfer (SRT) is achieved.

## Relevant policies, regulations and assorted risks

This section describes the risks associated with these types of transactions and the management of said risks. More broadly, Nordea's Significant Risk Transfer (SRT) Directive outlines the

principles for the effective and robust assessment, monitoring and management of such transactions in Nordea under relevant regulations. Furthermore, risk limits are articulated outlining Nordea's appetite in terms of associated Risk Exposure Amount ("REA") in relation to Nordea's credit risk REA and to flowback risks arising when the credit risk flows back to the bank and consequently becomes subject to a higher capital need.

## Monitoring of securitisation risks

Securitisation risks are monitored according to the internal rules established in Nordea, as per assets are recorded in the regulatory banking book (via credit risk and counterparty risk), and to specific governance processes for securitisations. Nordea's 'Guideline for 2<sup>nd</sup> LoD Monitoring and Control of SRTs and certain other transactions' provides a framework to ensure that transactions are monitored on an ongoing basis and compliant with all regulatory requirements before they are recognised.

Flow-back risks, structural risks and foreign exchange risks associated with securitisation activities are monitored in the same way as for other Nordea assets.

Any associated liquidity risk linked to securitisation activities is reflected centrally through the measure of the impact of these activities on the Nordea's liquidity ratios, stress tests and liquidity gaps. Securitisation operational risks follow-ups are considered in Nordea's operational risks framework.

The term securitisation refers to a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranching, having the following characteristics:

- the transaction achieves SRT, in case of origination,
- payments in the transaction or scheme are contingent on the performance of the exposure or pool of exposures,
- the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or risk transfer scheme and
- does not create exposures which possess all characteristics of being classified as specialised lending.

Securitisation positions are subject to the regulatory accounting treatment defined in the International Financial Reporting Standard ("IFRS") and the capital treatment by the Capital Requirements Regulation ("CRR"). Such positions held in the regulatory banking book or trading book are currently given weightings ranging from 10% to 1250% depending on their credit quality and subordination rank. In the role as originator, Nordea follows the development of the securitisation regulation framework continuously to ensure strict adherence to regulation and, as appropriate, guidance.

<sup>1</sup> Regulation (EU) 2017/2402 of the European Parliament and of the council of 12 December 2017 a general framework for securitisation and creating a specific framework for simple, transparent and

standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012



#### Accounting policies related to securitisation transactions

Financial assets are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterparty has performed and repaid its obligation (e.g. repaying a loan to Nordea). Gains and losses are recognised if and when the assets are derecognised by comparing the carrying amount to the proceeds received.

Synthetic securitisations are generally defined as transactions where an institution buys protection using financial guarantees or credit derivatives where the exposures are not derecognised from the balance sheet. For Nordea's transactions, they typically follow accounting recognition rules specific to guarantees.

For loans not derecognised, provisions are recognised for the expected losses on the loans without considering the protection bought. The protection is recognised separately, either as a derivative or as a reimbursement right for guarantees.

#### Traditional securitisations where Nordea acts as sponsor

Nordea sponsors a limited number of SSPEs. These SSPEs have been established to facilitate or secure customer transactions, either to enable investments in structured credit products or with the purpose of supporting trade receivable or account

payable securitisation for Nordea corporate customers. In these instances, Nordea may invest in the senior tranche of the securitisation.

#### Credit derivative trading

Nordea acts as an intermediary in the credit derivatives market, mainly in Nordic names. Nordea also may use credit derivatives to hedge positions in corporate bonds and synthetic CDOs.

When Nordea sells protection in a CDO transaction, it carries the risk of losses in the reference portfolio if a credit event occurs. When Nordea buys protection in a CDO transaction, any losses in the reference portfolio triggered by a credit event are carried by the seller of protection.

It is Nordea's policy that CDO positions are held in the trading book and booked at fair value in accordance with IFRS 13, meaning that they are either mark-to-market or mark-to-model depending on the availability of external prices. Model prices are derived based on standard industry methods. Inputs are available market prices and assumptions primarily relate to correlation.

Credit derivative transactions create counterparty credit risk in a similar manner to other derivative transactions.

Counterparties in these transactions are typically subject to a financial collateral agreement, where the exposure is covered daily by collateral placements.

# ICAAP, stress testing and capital allocation

The main objective of Nordea's internal capital adequacy assessment process (ICAAP) is to ensure that Nordea and its legal entities are adequately capitalised to cover all risk incurred by the business over a foreseeable future, including during periods of stress. The level of capital needs to be adequate from an internal perspective, a regulatory perspective, as well as from a market participant perspective.

## ICAAP

The purpose of the ICAAP is to review the management, mitigation and measurement of material risks within the business environment to determine an internal capital requirement, reflecting the risks of the institution and to assess the adequacy of capitalisation. Likewise, the ICAAP is a continuous process increasing awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions.

As a key part of the ICAAP, stress testing is an important tool for understanding capital and risk under stressed conditions in a firm-wide perspective on a regular and ad-hoc basis, and for specific areas as well as segments. The ICAAP includes a regular dialogue with supervisory authorities, ratings agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used.

The capital ratios, capital forecasts and capital requirement for Nordea and its subsidiaries are regularly monitored. The current capital position and forecasts are reported to The Asset and Liability Committee (ALCO), Risk Committee (RC), Group Leadership Team (GLT) and Group Board (BoD) as well as Boards of subsidiaries. Capital requirements and capital adequacy are thoroughly reviewed and documented annually in Nordea's ICAAP submission to supervisory authorities, which includes the Capital Adequacy Statement, and is ultimately decided on and signed by BoD.

## Key Interactions within ICAAP

Nordea's rolling financial forecast (RFF) incorporates strategy, market conditions and risk through loss projections, the risk appetite framework (RAF), stress testing results as well as expectations for future capital requirements. The RAF sets risk tolerance, principles and maximum exposure levels for the forward looking portfolio.

The risk appetite statements are set considering material risks and are the articulation of how much risk Nordea is willing to assume. The risk appetite is defined under both ordinary and stressed circumstances and furthermore aligned to the recovery indicators in the Group Recovery Plan. Stress testing permits evaluation of vulnerabilities and the appropriateness of the risk appetite statements and the recovery indicators.

## Capital planning

The objective of the capital planning process is to ensure that Nordea and its subsidiaries have a sound mechanism of budgeting financial resources and forecasting the future needs of long-term plans and targets. The process includes forecasts of capital requirements, available capital as well as the impact of new regulations. Capital planning is based on key components of the Nordea Financial Planning Framework, which includes lending volume growth by customer segment and country as well as forecasts of net profit, including assumptions of future loan losses. The capital planning process also considers macro-economic forecasts to reflect the future impact of credit risk

migration on the capital situation of Nordea. An active capital planning process ensures that Nordea can make necessary capital arrangements to accommodate strategic and business objectives, regardless of the state of the economy or the introduction of new capital adequacy regulations.

## Pillar 2 Requirement (P2R)

On 30 November 2023 the European Central Bank (ECB) decided to maintain Nordea's Pillar 2 Requirement (P2R) at 1.60% of own funds.

## Capital and dividend Policy

Nordea is maintaining a strong capital position in line with its capital policy. Nordea targets a management buffer of 150bp above the regulatory CET1 requirement. This is an adjustment compared with the previous policy and reflects the bank's strong capital generation. The new target enables Nordea to manage capital efficiently while maintaining a solid buffer above requirements. Nordea's ambition is to distribute 60–70% of the net profit for the year as dividends to shareholders. Excess capital will be used for organic growth and strategic business acquisitions, as well as being subject to buy-back considerations.

## Dividend for 2023

Nordea's Board of Directors has decided to propose that the Annual General Meeting (AGM) of 21 March 2024 authorise it to decide on a dividend payment of a maximum of EUR 0.92 per share. This corresponds to approximately 66% of the net profit for the year. The intention is for the Board to decide on a dividend payment in a single instalment based on the authorisation immediately after the AGM. The dividend will not be paid for shares held by Nordea on the dividend record date.

## Capital transferability and restrictions

Nordea may transfer capital within the Group without operational or legal impediments. However, transfers are subject to the general conditions for entities considered solvent and with sufficient liquidity under national legislation and sometimes subject to approval from the local supervisor. Internal transfers of capital between legal entities are of importance in governing the capital positions of the Nordea Group and its legal entities.

## Internal capital requirement (ICR) methodology

As part of ICAAP, Nordea defines the ICR as the internal capital requirement for all material risks from an internal economic perspective, taking into account the regulatory, normative through-the-cycle perspective, adequate to withstand periods of stress.

Based on the normative Pillar 1 risks as regulatory prescribed, Nordea calculates an internal Pillar 1 equivalent. For all other risks identified as material and that are determined to be covered by capital, internally assessed and approved add-ons are then quantified to arrive at a total capital requirement for ICR purposes. Examples of such risks include interest rate risk in the

banking book, concentration risk and pension risk. From 2023, capital is also held for ESG factors relating to credit risk.

In addition to calculating capital for its various risk types, Nordea conducts comprehensive capital adequacy stress tests to analyse the effects of a series of both global and local shock scenarios. The results of the stress tests are considered in Nordea's ICR as buffers for economic stress.

### Stress testing

Nordea's resilience to stress plays an important role in assessing the required capital to run Nordea's business and execute the Group's strategy. Therefore Nordea's stress testing approach and framework is subject to rigorous governance. Key responsibilities include Group Leadership Team (GLT), Board Risk Committee (BRIC) and the subsidiary BoDs engagement in the ICAAP stress testing. In addition, ALCO and RC review in detail, the stress tests performed and potential implications for Nordea's future capital position. Detailed reviews and discussions on methodologies, scenarios and results take place in the Stress Test Oversight Committee, a sub-committee of the RC. Ultimately, scenarios and key stress design features are decided on by the RC.

Nordea carries out stress testing at least annually during the first fiscal quarter, using end-of-year positions. Ad-hoc stress testing is carried out throughout the year when deemed necessary. To assess Nordea's capital adequacy resilience the stress testing is done using a range of scenarios with plausible risk stresses, to probe potential specific and general vulnerabilities in Nordea's operations and financial position.

The key metric for determining the stress test resilience is the impact on the CET1 ratio under each scenario. The stress test capital impact is defined as the percentage point drop in the CET1 ratio in the year with the highest stress. In addition, the stress test capital add-on, defined as the CET1 capital needed to compensate for the increase in Risk Exposure Amount (REA) and for the reduction in capital due to negative net profit in the stress scenarios, is included as a capital buffer in the bank's internal capital requirement. The outcome of the stress test is analysed and assessed in relation to Nordea's capital policy, regulatory buffers and internal capital requirements.

As part of the ICAAP and the capital planning process, firm-wide stress tests are used as an important risk management tool to determine how severe but plausible unexpected changes in the business and macro environment will affect Nordea's need for capital. The stress tests reveal how the capital need varies during a stress scenario, where the income statements, balance sheet, regulatory capital requirements and capital ratios are impacted. Nordea carries out reverse stress tests of various recovery environments in relation to the development of the Group Recovery Plan. Reverse stress testing is also used to challenge the scenarios used in the annual ICAAP exercise. Several stand-alone stress tests for each risk type such as market risk and liquidity risk are also carried out.

Nordea continuously refines its stress testing methodologies and practices to ensure a forward-looking element.

The general stress test process can be divided into the following three steps:

- Scenario development
- Calculation
- Analysis and reporting

### Stress tests performed

During 2023 Nordea performed internal stress tests in the ICAAP process based on relevant stress scenarios. In addition, Nordea participated in the European Banking Authority (EBA) EU-wide Stress Test. The results of this exercise was published in July 2023. In combination, the outcome of these tests confirmed Nordea's strong capital and liquidity positions as being more than adequate to withstand rare, but plausible shocks to Nordea as a bank and the wider macroeconomies in which Nordea operates.

### Stress test scenarios development

The annual ICAAP stress test is based on three-year global macroeconomic scenarios including select ESG components and relevant stress test design elements. The scenarios are designed to replicate shocks that are particularly relevant in the current macroeconomic environment and for stressing the risk profile of Nordea.

While the annual stress test is based on comprehensive macroeconomic scenarios that involve estimates of several macroeconomic factors, ad hoc stress tests can also be based on direct estimates of risk parameter changes or on changes of a few selected macroeconomic variables. This enables senior management to define scenarios and evaluate their impact in support of capital planning.

After a scenario is developed and quantified, impacts are translated to relevant parameters and simulated. Advanced models in combination with stress test methodologies supported by expert judgment from Business Areas are used to determine the effect of the scenario.

### Stress test calculation

The stressed figures and parameters from the scenario are used to calculate the effects on the regulatory capital requirements and the financial statements. The regulatory capital requirement is calculated based on risk exposure amounts for credit risk, market risk and operational risk. The calculations for each risk type are aggregated and expressed in terms of total capital requirement.

Stressed figures for loan losses are calculated bottom-up, based on stressed rating migrations and collateral values. Stressed point-in-time Probability of Defaults (PD) that are functions of the downturn scenarios, are used in the calculation of loan losses. The loan loss calculation also covers idiosyncratic losses related to the exposure to single customers and industries. The loan loss model covers both specific and collective provisions. The stressed impact on other main items on the income statement, such as net interest income and net fee and commission income, is also calculated. The resulting impact on net profit after dividend is used to calculate the impact on the own funds components. Own funds are set in relation to the stressed REA and leverage exposures to calculate the impact on relevant ratios during a stress scenario.

### Capital allocation

Economic Capital (EC) is a framework to allocate capital held by Nordea to its business areas and is a central component in the Value Creation Framework (VCF). The VCF supports the operational decision-making process in Nordea to enhance performance management and ensure shareholder value creation.

EC aligns to Nordea's target CET1 ratio level which is set by the capital policy to ensure a sustainable long-term capitalisation for Nordea Group. In addition, the EC framework also includes the following items:

- Equity contribution of the insurance business
- Certain capital deductions



# ESG factors in Business strategy, Governance and Risk Management Framework

## BUSINESS STRATEGY AND PROCESSES

### ESG factors in the business strategy

Setting and aligning sustainability objectives in Nordea's business strategy with ESG-related risk management and strategies is based on a systematic identification and mapping of Environmental, Social and Governance (ESG) factors via their transmission channels to Nordea's business operations and model and Nordea's risk profile (Figure 1). Identification relies on the concept of 'double materiality', indicating material positive or negative impacts on the planet and society and their potential feedback to Nordea and its counterparties.

Sustainability is a core part of Nordea's business strategy and rests on four pillars: (1) financial strength, (2) climate action, (3) social responsibility, and (4) governance and culture (see Sustainability Notes S1). Within each pillar, Nordea has identified twelve Sustainable Development Goals (SDGs) of significance (see Sustainability Notes S6). These four pillars are integrated to Nordea's business strategy through measurable long-term and medium-term objectives, 2023-2025 targets, and internal policies. As a guide to operationalisation and steering of sustainability within the Group, Nordea is committed to enabling customers to make sustainable choices and contributing to societal goals through financing, investments, and internal operations across all pillars (see Sustainability Notes S2 and S3).

The resilience of Nordea's business model is dependent on sustainability in counterparties' business models. One key objective for Nordea's sustainability steering is alignment of selected on-balance sheet lending and investments with the Paris Agreement, especially through financed Greenhouse Gas (GHG) emissions reductions –decreasing 40-50% by 2030 and achieving net zero latest by 2050 (see Sustainability Notes S3). Nordea has set interim targets on selected portfolios to support active net zero steering and to align Nordea's balance sheet with Nordea's business environment, external policy, and industry best practices for identified material sustainability dimensions. These are embedded in Nordea's lending and investment policies and management practices through engagement with Principles for Responsible Banking (PRB), UN Global Compact, Equator Principles, Poseidon Principles and other key benchmarks (see Sustainability Notes S1). For sustainability

steering in Nordea's internal operations, such commitments are embedded in Nordea's policy frameworks, including for third-party procurement, travel and employee conduct (see Sustainability Notes S3 and S9). Nordea also approved a position on biodiversity and nature-related impacts in 2023, to be incorporated into Nordea's strategy, governance and risk management toward 2025.

For the purposes of this report, Nordea's strategic sustainability ambition and management of material ESG-related risks are cross-mapped to the respective components of Nordea's ESG factor taxonomy, as detailed in corresponding sub-sections.

### EU Taxonomy-aligned Financing

In accordance with the EU taxonomy (EU Taxonomy Regulation 2020/852), Nordea is required to disclose its exposures related to taxonomy-aligned activities for financial year 2023. The Green Asset Ratio (GAR) KPIs communicate the proportion of exposures related to taxonomy-aligned activities compared to Nordea's total covered assets. The implementation of the EU taxonomy is described in the Annual Report, alongside the exposures to taxonomy-eligible and taxonomy-aligned activities and the related taxonomy KPIs as well as in Part II quantitative disclosures, GAR templates 6, 7 and 8.

The assets in scope for disclosures for 2023 are retail exposures as set out in the Taxonomy, exposures to undertakings falling under the Non-financial Reporting Directive (NFRD) including financial and non-financial undertakings, local governments financing, collateral obtained by taking possession (residential and commercial immovable properties), and off-balance sheet exposures.

Nordea has made sustainability an integral part of its business strategy and in 2021 introduced new measurable long-term and medium-term objectives and 2023–2025 targets. An alignment of assets and income to the EU taxonomy is seen as an action to achieve these targets.

For the previous year-end in its Annual Report, Nordea disclosed taxonomy-eligibility disclosures. Eligible activities are those identified in the EU taxonomy, with the potential to meet the Technical Screening Criteria, and which serves as the first step towards assessing the alignment of economic activities with the EU taxonomy.

**Figure 1: Overall approach to alignment of ESG-related objectives, targets and limits in Nordea's business and risk strategies**





## GOVERNANCE

### ESG factors in Governance

#### Group governance

Nordea embeds oversight of strategic steering for material ESG factor impacts within its Group governance model (Figure 2). The Nordea Bank Board (NBB) sets out Nordea's purpose and values on which the sustainability approach is built and their expectations for how sustainability should be strategically driven and implemented. NBB is responsible for overseeing the integration of sustainability into Nordea's strategic priorities and business plan as well as ensuring that the strategy is compatible with the transition to a sustainable and climate-neutral economy.

The Board Operations and Sustainability Committee ("BOSC") assists the Group Board in overseeing the sustainability impacts, including development, decision and oversight of the strategic priorities and related targets and objectives that is presented for review and input. On the recommendation of BOSC, the NBB approves the strategic sustainability priorities. The Board Risk Committee ("BRIC"), oversees the financial impacts of ESG factors on Nordea and reviews the Group risk profile and key risk issues including significant development with regards to environmental, social and governance risks. The Board Audit Committee ("BAC") oversees the reporting of matters related to Nordea's sustainability strategy. This predominantly refers to the Annual report, including the quantitative regulatory disclosures and the control environment of the sustainability reporting process.

At the Group Leadership Team (GLT) level, the Group CEO is responsible for proposing the strategic sustainability priorities and deciding on the related targets and objectives. The Sustainability & Ethics Committee (SEC) oversees implementation of sustainability in the business strategy and facilitates operational ESG-related risk management, the Risk Committee (RC) has oversight of the implementation of ESG-related risk strategy and policy framework, and the Asset & Liability Committee (ALCO) monitors and decides on principles for the performance management framework and the financial planning framework. A new sub-committee of ALCO, the ESG Reporting Sub-committee ("ESGR") was created in 2023 to support in preparation of sustainability disclosures and oversee the methodologies; especially for financed emissions used in the risk appetite framework. Additionally, Risk Committee sub-committees opine on ESG-related topics within their mandates.

Figure 2: Overview of ESG-related governance model



A suitability assessment of the individual Board members and of the Board as a whole is completed annually and its outcome is taken into account in the annual training plan. NBB and GLT trainings for 2023 covered biodiversity and nature-related impacts, regulatory developments with a focus on double materiality, and social responsibility.

Specifically concerning ESG-related risks in the credit process, these are governed according to the delegated Powers to Act and approvals follow the established decision-making responsibilities and accountabilities. For customers associated with a high level of ESG-related risk, decisions are escalated to higher-level credit committees as relevant.

#### Project governance

A Group-wide ESG programme was established in 2021 with the objective to ensure efficient and consistent implementation of ESG factors in the business and risk strategies across 1<sup>st</sup> and 2<sup>nd</sup> Lines of Defence (LoD) and delivering on relevant regulatory changes. The programme is overseen by an Operational Steering Committee (OSC), co-chaired by the Chief of Staff and Head of Group Credit Risk Control (GCRC), and involves all relevant Business Areas (Bas) and Group Functions (GFs), as well as relevant Risk Areas (Ras), Group Financial Management and Risk Control. A key focus of the programme is establishing an ESG Data Foundation (EDF), supporting data driven portfolio steering, risk management, disclosures and management oversight.

#### ESG factors in organizational structure and reporting

ESG is integrated as a component of existing processes for decision-making, risk management and control, escalation and reporting across the three LoDs. The 1<sup>st</sup> LoD is responsible and accountable for setting and implementing the strategic response and mitigation of ESG-related impacts and risks. The Chief of Staff is accountable for ensuring coordination and facilitation of this mandate. The 2<sup>nd</sup> LoD is responsible and accountable for developing the Sustainability and ESG policy framework and provides oversight to 1<sup>st</sup> LoD implementation of the business and risk strategies. The Head of GCRC is responsible for coordinating and facilitating this mandate as the Policy Framework Owner. The 3<sup>rd</sup> LoD provides independent and objective assurance and advice related to ESG-related risks.

Within each LoD, a function and its associated head are assigned as an ESG coordinator and ambassador within their LoD and toward the other LoDs. Group Sustainability (GS) is responsible for 1<sup>st</sup> LoD coordination and GCRC is responsible for 2<sup>nd</sup> LoD coordination. Group Internal Audit (GIA) coordinates ESG assurance and advice activities based on GIA's risk assessment in order to provide sufficient and relevant audit coverage. Coordination between risk areas is mandated for on key topics, such as greenwashing, and processes, such as the aggregation of ESG-related reporting, to ensure coherent and consistent implementation of the Sustainability and ESG policy framework.

Nordea has a three layer approach to increase ESG competence and awareness throughout the Group: (1) General training to all employees in mandatory Code of Conduct training that embeds also ESG-related principles and two general non-mandatory e-learning. Regulatory changes are also implemented with relevant training to employees impacted by the change as needed; (2) Tailored training for identified groups of employees that work directly with ESG; and (3) In-depth training for selected groups. Tailored and in-depth training for

Group Risk have prioritised continued enhancement of greenwashing risk management and financed emissions accounting for strategic oversight. Employees in Group Compliance have had mandatory targeted ESG-themed learnings on ESG-regulatory requirements, terminology and the EU taxonomy regulation.

During 2023, ESG management and risk reporting were strengthened further within 1<sup>st</sup> and 2<sup>nd</sup> LoDs respectively to cover key climate-related aspects of the business strategy and environmentally-related aspects of risk management. Reporting is subject to quarterly discussions by senior management.

Aggregated and quarterly ESG-specific reporting to NBB includes:

- ESG Programme monitoring of strategic implementation progress, including progress against sustainability targets, voluntary and supervisory commitments, through a Sustainability Roadmap;
- ESG Management report includes an overview of the Group, Business Areas, sectors and products, especially where strategic targets and KPIs are in place. Historical and forecasted financed emissions are presented, as well as historical development of EU Taxonomy eligible and aligned assets and business volumes for sustainable finance, -funding, and -savings products. The ESG management reporting includes data quality indicators and monitoring of progress, which are reported in risk reporting;
- Group Risk Report risk appetite monitoring includes metrics and developments, as relevant, to cover Compliance, Operational, Liquidity, Market, Capital and Credit risks;
- Other risk reports to NBB include financed emissions developments across Business Areas, geographies, industries and customers, climate-related physical and nature-related risk exposure concentration monitoring, for geographies and industries respectively, and the status and coverage of relevant risk mitigation measures

Non-ESG specific reporting is also conducted as an embedded component of ICAAP, including capital adequacy, stress testing and scenario analysis (see section ICAAP, stress testing and capital allocation) and 2<sup>nd</sup> LoD functions report as relevant on embedment of ESG and monitoring metrics such as in the Group Compliance Report for NBB.

#### ESG in remuneration policy

In 2023, Nordea has integrated ESG goals in all Group variable pay plans, extending it from the GLT and other senior leaders across the Nordea Group to variable pay participants through introduction of ESG-related goals to the Group Pool funding mechanism and broader to all employees by adding green financing, defined in accordance with Nordea's Green Funding Framework, and Sustainability Roadmap goals in the profit sharing plan. Furthermore, ESG scorecards supporting Nordea's ambitions towards 2025 have been included in the long-term incentive plan. As such ESG goals can be considered fully embedded into Nordea's remuneration framework. The ESG goals in senior leaders' remuneration in 2023 aim to support Nordea in fulfilling its sustainability and climate objectives in three key areas: (1) progress in relation to Nordea's Sustainability Roadmap, (2) volume increase for green financing, and (3) gender balance improvement in senior leadership levels. These are in addition to the non-financial KPIs on employee engagement, customer satisfaction and risk, compliance and conduct priorities, as well as goals supporting

Nordea's financial targets. This means that a material portion of the GLT's and senior leaders' non-financial goals for remuneration measured at Group-level are linked to ESG factors.

## RISK MANAGEMENT FRAMEWORK

### Policy framework for ESG factors

Nordea defines ESG factors as environmental, social or governance characteristics that may have a positive or negative impact in the short, medium or long term on the financial performance or solvency of Nordea or its counterparties across the value chain. The Sustainability and ESG policy framework provides the common definitions and sets their operationalisation through Nordea's strategic and risk management approaches – the two pillars of “double materiality”. The framework was enhanced in 2023, consolidating Sustainability and ESG concepts into a single framework to consistently address double materiality measurement and management. Continued development of the framework in 2024 will focus on the enhancement of impact and risk identification and materiality assessment. Such activities include identifying new quantification approaches, extending the response and mitigation actions to address material risks and enhancing the monitoring and control framework.

Within the framework, the Group Board Directive (GBD) on Sustainability sets out the principles for impact materiality embedment in the business strategy and associated governance, while, the GBD on Risk sets out the principles for financial materiality embedment in risk management and associated governance. A new CEO Instruction (CEOI) on ESG Factors, approved in 2023, is the starting point for all assessments of ESG-related materiality, impact and financial, across the Group. Further cascading for business strategy and risk management embedment are found in the relevant subordinate documentation in 1<sup>st</sup> and 2<sup>nd</sup> LoDs.

Within the CEOI, a ESG factor taxonomy is defined, first developed in 2021 and updated in 2023, and shown in the respective tables in this report, see section Environmental, Social and Governance Factors. Nordea's ESG factor taxonomy aims toward alignment with the EU Taxonomy environmental objectives, Global Reporting Initiative 300 Disclosures guidance, Sustainability Accounting Standards Board materiality guidance, European Banking Authority's guidance, ECB Guide on Climate-related and Environmental Risks, Corporate Sustainability Reporting Directive (CSRD) European Sustainability Reporting Standards (ESRS) and other relevant sources.

### Approach to the assessment of materiality of ESG factors

Since 2023, ESG factors are applied in the identification of potential impacts (i.e. risk identification) for all risk categories using a common transmission channel logic. ESG factors are considered to potentially drive credit, market, liquidity, compliance, operational and capital risks variably over some or all of these durations.

Transmission channels used in risk identification for ESG are defined as the causal chains that explain how factors impact Nordea through its counterparties, invested assets, third parties or its own operations. Transmission channels can be further divided into macro-economic transmissions impacting the real economy and financial transmissions impacting a portion of Nordea's risk profile. Economic transmissions are either direct or

indirect micro-economic effects, such as disruptions to economic activities from severe weather events, or macro-economic effects, such as productivity changes due to investments in climate change mitigation, and they map the impact on the level of the whole economy. Financial transmissions are channelled to Nordea through the risk categories, such as through higher probabilities of default in credit risk resulting from a negative impact of a climate-related transition in the real economy. For the purpose of risk identification, economic transmission channels are mapped to respective Common Risk Taxonomy at Level 2 or 3.

Transmission channel relationships, between economic effects and financial effects, are classified according to direct effects on Nordea and the Group's own operations, predominately managed through strength of Nordea's internal governance and control framework, and indirect effects on Nordea's third-parties and financial counterparties, predominately managed through strength of Nordea's business and risk strategies and risk management for business activities. For the purposes of risk identification, a gross risk approach is applied (i.e. before management and mitigation). Nordea also defines the potential duration of the impact. Short term is defined as less than one year, medium term as one to five years, long-term as five to ten years, and very long-term as ten years or above.

As a supporting component of the risk identification approach, Nordea has developed heatmaps to identify industries, and for physical-related risks countries and/or regions, that are potentially vulnerable to certain environmental factors. Heatmaps can only provide the starting point for assessment of risk materiality, indicating where to assess in more detail. Heatmaps are used, at least, for credit, market, and operational risk areas to help risk identification, incl. portfolio classification, and materiality assessment.

Assessment of risk materiality is conducted within Nordea's Internal Capital and Liquidity Adequacy Assessment Processes (ICAAP and ILAAP respectively) according to the risk category. Where ESG factors and their transmission channels are assessed as material under ICAAP and ILAAP thresholds, ESG-related risks must be embedded in the Common Risk Taxonomy and corresponding framework documentation. ESG-related risks are defined as Level 2 risks under credit, market, capital and liquidity risks. For operational and compliance risks, several ESG-specific Level 3 risks are defined under selected categories; including for financial reporting, reputational, outsourcing and third party, physical security, technology, conduct and customer outcomes, governance and people risk.

This assessment is reviewed annually. Nordea is currently making significant changes to the financial materiality assessment method and framework, which support Nordea's preparations for CSRD reporting for year-end 2024.

### ESG factors in risk appetite framework

As Nordea has identified, quantified, assessed the impacts and specifies the materiality of ESG factors on its risk profile,

Nordea's risk appetite framework has been periodically updated. Nordea first introduced a qualitative Board approved ESG-related Risk Appetite Statement (RAS) in 2019 setting the ESG-related boundaries within which Business Areas can operate. The current RAS requires prudent management of material ESG-related risk exposures across risk types and engagement with customers to align with the Paris Agreement and Nordea's reduction in associated financed emissions exposure over time.

The Sustainability and ESG policy framework sets guidance for the ESG RAS criteria and governance for limit monitoring, reporting, and breach escalation. Board approved limits were also introduced, with a Key Risk Indicator (KRIs) for limiting the financed emissions levels attributed to loans to the public in 2021. Continued development of the RAS and KRIs in 2023 resulted in a cascading of the Group Level 1 limit to Business Areas with lending exposure accounting for their 2019 baseline levels and 2030 targets.

Lending and investment strategies for selected portfolios and/or industries also include limits on Nordea's exposure to harmful or controversial economic activities that Nordea refrains from financing. Sector Guidelines, which are publicly available, outline those activities that Nordea either refrains from financing or investing in and provide guidance in terms of requirements or recommendations for Nordea's customers. The Sector Guidelines also describe how Nordea will engage with customers who are committed to reducing their emission in line with the Paris Agreement. Nordea publishes such requirements in Sector Guidelines for forestry<sup>2</sup>, real estate<sup>3</sup>, shipping<sup>4</sup>, agriculture<sup>5</sup>, gambling<sup>6</sup>, fossil fuel based<sup>7</sup>, defence<sup>8</sup>, and mining<sup>9</sup> (see Sustainability Notes S8).

These requirements apply under credit, market and liquidity exposures as relevant for the risk profile. For lending exposures, Industry Credit Policies (ICPs) provide internal guidance, as a part of the credit risk assessment and loan origination processes, embeds the requirements as disclosed in the Sector Guidelines. For the investment strategy concerning the Long-term Illiquid Asset (LITA) portfolio, there is a detailed ESG analysis and separate ESG rating applied in the due diligence phase that is aligned towards Nordea's minimum requirements and long term targets. Further Level 2 and 3 limits associated with specific ESG factors and risk categories are specified in this report, in sub-sections for Environmental, Social and Governance Factors.

<sup>2</sup> <https://www.nordea.com/en/doc/nordea-sector-guideline-for-the-forestry-industry.pdf>

<sup>3</sup> <https://www.nordea.com/en/doc/nordea-sector-guideline-for-the-real-estate-industry.pdf>

<sup>4</sup> <https://www.nordea.com/en/doc/nordea-sector-guideline-for-the-shipping-industries.pdf>

<sup>5</sup> <https://www.nordea.com/en/doc/sector-guideline-agricultural-industry.pdf>

<sup>6</sup> <https://www.nordea.com/en/doc/nordea-sector-guideline-for-the-gambling-industry.pdf>

<sup>7</sup> <https://www.nordea.com/en/doc/nordea-sector-guideline-for-fossil-fuel-based-industries.pdf>

<sup>8</sup> <https://www.nordea.com/en/doc/nordea-sector-guideline-for-the-defence-industry5.pdf>

<sup>9</sup> <https://www.nordea.com/en/doc/sector-guideline-mining-industry.pdf>

# Environmental, Social and Governance Factors

## ENVIRONMENTAL FACTORS

**Figure 3: Mapping of double materiality assessment scope for environmental factors, covering sustainability impacts and materiality for financial risks**

Environmental Factors		Strategic ambition set for...		Financial materiality assessed for...							
		selected own operations	selected financial counterparts	Credit risk		Market risk		Liquidity risk		Capital risk (Incl. business model risk)	
				2022	2023	2022	2023	2022	2023	2022	2023
Climate-related changes	Physical effects										
	Transitional effects	✓	✓								
Nature-related changes*	Physical effects										
	Transitional effects	✓	✓								

Legend

- Qualitative factor mapping methodology applied, assessed as a potentially material driver of risk category
- Qualitative factor impact methodology applied, assessed as a material driver of risk category
- Quantitative factor impact methodology applied, assessed as a material driver of risk category
- Quantitative or qualitative factor impact methodology applied, assessed as a non-material driver of risk category
- Assessment of factor as a driver of the risk category planned, not yet documented
- Assessment of factor as a driver of the risk category not in current planning scope, dependent on further regulatory guidance

\*Includes biodiversity loss, state of species, extent and condition of ecosystems, ecosystem services, water consumption, withdrawal, & discharges in the ocean, extraction and use of marine resources, pollution, and non climate-related environmental hazards.

## ENVIRONMENTAL FACTORS IN BUSINESS STRATEGY AND PROCESSES

### Investment and Credit strategies: targets, objectives and limits

Climate and nature-related factors are key for Nordea, as the Group has published positions for both and long-term objectives on climate change to 2030 and 2050. For achieving sustainable impact on environmental factors, the SDGs identified as material include SDG 7, Affordable and clean energy, and SDGs 12-15, Responsible production and consumption, Climate action, Life below water, and Life on land (see Sustainability Notes S6). Climate action has so far been prioritised with the objective to become a net-zero emissions bank by 2050 at the latest, and Nordea has committed to support the Group's customers to address their impacts while also reducing Nordea's own impact (see Sustainability Notes S3 and S6). This strategic ambition is implemented through various internal and external policies concerning selected own operations and financial counterparties, which have been aligned with international and European policy frameworks and benchmarks (see Sustainability Notes S3).

### Climate-related transition risks

Nordea issued a first position statement in 2019 outlining key commitments including support for the Task Force on Climate-related Financial Disclosure (TCFD) recommendations and development of financed emissions reporting aligned with the GHG Protocol and Partnership for Carbon Accounting Financials (PCAF) Standard. Business Area strategies towards 2025 are set to engage with counterparties to reduce financed emissions and to grow sustainable financing to support the 2030 objective.

Sector-specific financed emission reduction targets were set during 2022-23 covering shipping, agriculture, power production, oil, gas and offshore, residential real estate (household mortgages and tenant-owner associations), and thermal peat mining outlining how these portfolios must evolve over time to meet long-term objectives (see further information on targets in Sustainability Notes S3).

To inform industry-level credit strategies, available customer-level emissions data is collected and assessed through climate-related transition deep dives, already covering by end 2023 to animal husbandry; crops, plantation and hunting; fishing and aquaculture; land transportation; mining and supporting services; oil, gas and offshore; power production; shipping; and utilities, waste, and water management as well as commercial and residential real estate (see Sustainability Notes S3). These industry deep dives involve business environment scanning, to quantifying each portfolios' alignment of three scenarios of policy-driven transition pathways and Nordea's 2030 objectives. A comparative transition policy analysis, covering international, European, Nordic and peer benchmarks, was also completed to support the identification of mitigative actions, as relevant, and inform toward portfolio steering. This process is being enhanced in 2024, towards broader portfolio coverage and expanding the parameters of the analysis to more comprehensively cover all relevant ESG factors. Credit strategies were updated in 2022 and 2023 taking into account deep dive outcomes, linking the business and risk strategies and developing criteria for assessing counterparties' transition planning in credit decisioning where relevant.

A quantitative financed emissions limit, set by the Board in 2021 and renewed annually, backstops Nordea's 2030 objective



and operates as a “carbon budget” for retail and corporate lending. The limit is comprised of the financed emissions stemming from lending, covering the Scope 1 and 2 carbon dioxide equivalent GHG emissions of Nordea’s counterparties. The limit is measured in relative terms to the 2019 year-end level. Cascading of the limit to Business Areas was completed in 2023, to ensure a link between the Group objective and industry level targets which are steered at a Business Area level. Allocations and steering are conducted using estimated 2019 baseline and 2030 forecasts for financed emissions developments, which are supported in steering through the use of granulated financed emissions data and customer’s transition plans. During 2023, Nordea also adjusted its limits and thresholds on lending to specific activities in fossil fuel-based industries covering coal mining, oil and gas fields, thermal coal and thermal peat.

To ensure that portfolio steering accounts for quantified climate-related objectives, Nordea has integrated financed emissions developments to the Rolling Financial Forecast (RFF) to 2030 and initiated high level outlooks to 2050, using policy-driven decarbonisation targets and client specific reduction targets and lending volume forecasts. The implied trajectory towards financed emission targets and utilisation of limits indicated by the forecast are monitored on quarterly basis and discussed at least semi-annually by senior management including GLT.

#### *Climate-related physical risks*

Nordea also performed deep dives for selected vulnerable portfolios, including residential and commercial real estate and agriculture during 2022-23. Both acute and chronic hazard impacts on immovable property were assessed, with risks associated with flooding currently identified as potentially most relevant in the period to 2030. Nordea publishes the Group’s gross risk exposure to climate-related physical hazards, chronic and acute, in Table 66. The identified risks are currently considered managed and mitigated through a range of private and public, municipal and national actions. These include, but are not limited to, private insurance coverage requirements for certain portfolios, national natural hazard insurance funds, municipal and national climate-related adaptation planning, and national actions under the European Union Floods Directive. During 2023, Nordea set an initial risk appetite approach for climate-related physical risks, which focuses on enhancing the existing monitoring of natural hazard insurance coverage for residential real estate in the Nordics.

#### *Nature-related risks*

Nordea published the Group’s first position on biodiversity and nature-related impacts and risks in 2023. This guiding document outlines Nordea’s approach, and the commitments to incorporate biodiversity into the Group’s business strategy, governance and risk management toward 2025. Nordea has an implementation plan to execute on these commitments during 2024, including a progressive approach to setting targets. Initial steps have been taken on training as a key enabler for Nordea’s strategic approach. Introductory biodiversity training has been provided to key functions and leadership teams, i.e. NBB, GLT, SEC, ESG-teams across business areas, and sustainable procurement.

Although the position is forward-looking, Nordea already has several commitments in place to address nature-related changes. One action is the implementation of the Equator Principles for project finance. For shipping, Nordea is also

signatory to the Responsible Ship Recycling Standards (RSRS) and Poseidon Principles (PP) with the aim to minimising the dangers associated with dismantling of vessels including labour conditions and environmental impact. By following the UN Global Compact together with RSRS, the Equator Principles and PP, specific commitments are in place for selected financial counterparties for recycling, pollution prevention and mitigating climate related risk in shipping and project finance. Mitigation of fresh water stress, resource scarcity and water, air and land contamination are also addressed in Nordea’s current strategic ambition. Nordea also set an initial risk appetite approach for nature-related risks during 2023, which focuses on ensuring the identification, monitoring and mitigation of nature-related risks for large corporate counterparties in vulnerable industries.

Concerning environmental impacts by Nordea’s own operations (see Sustainability Notes S3), the Code of Conduct sets out the importance of employees acting in a manner conducive to caring for the environment and the third-party procurement process assesses selected environmental impacts. Finally, Nordea has developed an internal carbon reduction plan to 2030 (see Sustainability Notes S3).

## ENVIRONMENT-RELATED RISK MANAGEMENT

### *Definitions*

Nordea defines the Group’s environmental factor taxonomy taking into account supervisory guidance, the European Banking Authority’s report on management and supervision of ESG risks for credit institutions and investment firms (EBA/REP/2021/18), the EU’s Regulation (EU) 2020/852, the ESRS and other relevant sources. During 2023, the environmental factor taxonomy was consolidated from six secondary factors (e.g. climate change, biodiversity loss) toward two secondary factors: climate and nature-related changes. These are subsequently divided into physical and transitional effects and their corresponding constituent hazards as relevant in the context of Nordea’s business environment.

### *Risk identification and assessment*

#### *Capital and business model risks*

An assessment of the top 15 horizon risks was performed in 2021 for the period 2022-2025, defined as emerging or existing risks, with impacts on profitability or the bank’s strategy. ‘Faster Climate Risk Transition’ was identified in the highest risk category. The analysis impacts created greater transparency of the risk at the Board level.

In response, Nordea’s business model risk self-assessment considers climate-related impacts on Business Area strategies and their operationalisation since 2021. In 2023, Business Areas accounted for progress on Nordea’s 2030 objective on financed emissions reductions and stress testing results. In the short- to medium term horizon, the key themes were challenges related to increasing climate-related transitional regulatory pressure (see section “Regulatory developments”), changing demand patterns and differing transition planning schedules across the customer base. Data limitations continue to impact granular portfolio steering. The growth of sustainability-related products and support for customers’ transitions in high emitting sectors are areas with prioritised action, as outlined in Sustainability Notes S2 and S3). In the longer term, Nordea’s business model is exposed to risks relating to the adaptation of new technologies and greater asset stranding than today and may not be



economically viable. The same assessment was performed at the end of 2023, with results to be finalised in 2024.

### *Credit risk*

Since 2022, Nordea has assessed the potential materiality of all environmental factors on the credit risk profile. Nordea's Credit risk appetite framework industries are assessed using industry and geography heatmaps based on an externally validated methodology and scientific literature review. The outcomes indicate potentially vulnerable subsets of the credit portfolio requiring further investigation through concentration analyses, supporting portfolio deep dive and scenario analysis, business environment scanning on a forward-looking perspective, and short and long-term stress testing in the ICAAP framework. Results from each subset of the materiality assessment are triangulated toward the final result and reported to BRIC within the relevant channels.

Climate-related transitional risks were assessed as potentially material in the short to long terms; especially for those counterparties where the potential for transition is affected by a higher dependencies on fossil fuels. Identification is based on an external climate-related transitional risk heatmapping methodology. The heatmap was validated through external scientific review and analysis of transitional hazard impacts across the Nordic region on industry level. This includes potentially vulnerable portfolios, at this time: oil, gas and offshore, shipping, mining and supporting activities, utilities, distribution and waste management, power production, material, paper and forest products, animal husbandry, fishing and aquaculture, crops, plantation and hunting, air transportation, land transportation, capital goods, construction, and real estate (see further description of deep dive outcomes in Sustainability Notes S3). Supportive of the conclusion, in 2023, Nordea also analysed the relationship between Energy Performance Certificates and residential real estate market values in selected Finnish municipalities. The results demonstrated there is a meaningful relationship between property market values and the type of energy source.

Climate-related physical risks were assessed as potentially material in the short to long terms, especially for those counterparties where impacts are uninsured or not mitigated. Mitigation measures are currently assessed as predominately in place, at least in the short-term but the long-term coverage is less certain. This includes potentially vulnerable portfolios, at this time: real estate, paper and forest products, animal husbandry, fishing and aquaculture, crops, plantation and hunting and power production. Identification is based on a bespoke internal climate-related physical risk heatmapping methodology, validated through external scientific review and analysis of physical hazard impacts across the Nordic region on postal code level, supplemented by assessments on individual geographies and hazards for Norway and Denmark. See also section "ICAAP, stress testing and capital allocation" for more information on the climate-related stress testing framework.

Nature-related transition and physical risks were first assessed in 2023 through application of the globally oriented ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool to determine potential exposure. Thereafter, Nordea has re-assessed the Group's potential exposure using the World Wildlife Fund (WWF) Biodiversity Risk Filter at industry and country levels – which leverages the ENCORE outcomes in a regional context. The portfolios potentially exposed to nature-related transitional risks include, at this time:

air transportation; animal husbandry; construction; crops, plantation and hunting; land transportation; maritime services; mining and supporting activities; oil, gas and offshore; power production; paper and forest products; real estate; ship building; and shipping. For nature-related physical risks, at this time: animal husbandry; crops, plantation and hunting; fishing and aquaculture; and paper and forest products.

Rankings in all cases, for climate and nature-related transition and physical risks, are pre-mitigation. In 2024 the ESG-related credit risk assessment is expected to become increasingly driven by counterparty assessment, as the continued development of quantitative counterparty analysis for selected factors will be implemented.

### *Market and liquidity risks*

Descriptions of environmental-related stress testing performed for Market and Liquidity risks are provided in section for Market Risk on ICAAP and for Liquidity Risk on ILAAP. Transmission channels for market risk arising from ESG factors are primarily assessed via stress testing to identify and quantify drivers of potential losses associated with the transition to a low-carbon economy and associated physical effects from climate change. The transmission channels assessed for liquidity-related short-term climate and environmental impacts include Nordea's exposures to GHG emission intensive sectors and the value of the underlying collateral of lending exposures.

### *Operational and reputational risks*

Operational risk areas that are impacted by the environmental, as well as social and governance, factors were identified to determine the areas most materially impacted within the operational risk taxonomy. As introduced in section ESG factors in Business strategy, Governance and Risk Management Framework, ESG-related sub-risks are included under existing Level 2 risks accordingly.

The assessment was reviewed and updated in 2023 based on a qualitative assessment approach, prior to mitigation, according to the following steps:

1. Relevant ESG-factors were mapped to each Level 2 risk
2. Factor impact assessment on the Level 2 risks were performed considering short-term and long-term effect
3. The assessment was based on professional judgement and supported with rationales and relevant risk data, if any

Based on the ESG factor impact assessment, environmental factors were assessed as having a high potential material impact across some Level 2 in the taxonomy, particularly in relation to climate change contribution/mitigation. The assessment is being updated for 2024.

### *Risk response and mitigation*

#### *Loans to the Public*

ESG factors affecting business selection decisions, be it through established sector targets, sector guidelines or decisions on individual credits risk, are increasingly reflected in the customer selection, capital allocation, collateral valuation and pricing decisions.

At a global level, Nordea analysed the relationship between companies' GHG emissions intensities levels and their probabilities of default indicating that a quantified GHG emissions reduction target related to lower probabilities of default. The results have informed the update to Nordea's

customer risk assessment approach, including the development of a credit risk rating override framework, in 2023. Accounting for such responses can mitigate potential exposure to climate-related transitional effects, by improving the identification, monitoring, assessment and reporting for the most vulnerable portfolios and customers and their associated transition capacity. ESG factors can also be reflected in the margin of certain sustainable lending products, such as green loans and sustainability-linked loans where the margin is tied to the financed assets or the customer's ESG performance. Nordea's strategic loan pricing frameworks currently reflect choices in Nordea's business selection and risk appetite, including established targets for risk-adjusted returns on allocated credit risk capital. For transitional effects linked to collaterals, Nordea reevaluates external shipping appraisers and collects available EPC data for real estate on a quarterly basis. Monitoring on the EPC data developments are also carried out quarterly.

Climate-related physical risks as currently assessed, in the context of real estate, are considered potentially mitigated through measures including, insurance coverage requirements for counterparties, municipal, regional and national building regulation and adaptation measures, monitoring by policy makers through early warning indicator systems, Nordea's monitoring for real estate indexed market values and corresponding revaluation approach, and Nordea's current Loan-to-Value (LTV) requirements.

Potential impacts from nature-related risks are mitigated through counterparty certification systems such as those for forestry management and sustainable real estate. The vulnerability to other environmental hazards, such as landslides, are partially mitigated through insurance and municipal, regional and national control systems for water and land-based engineering risks. Freshwater stress, resource scarcity and water, air and land contamination are mitigated through municipal, regional and national water quality assessment and monitoring, plastic and non-renewable materials substitution planning (i.e. transition planning) and counterparties' environmental performance management systems, permitting and certifications.

Monitoring of Nordea's own mitigation measures is conducted in the credit risk management processes, and especially customer ESG assessment, as relevant and material for climate and nature-related risks. The newly developed credit risk rating override framework from 2023 will begin implementation starting in 2024. Nordea's approach is to integrate ESG factors into existing pricing components as relevant according to the ESG factor and its impact on credit risk.

#### *Long Term Illiquid Assets*

Within Nordea's Long Term Illiquid Assets (LTIA) portfolio, monitoring and tracking of several metrics and data points across ESG factors are conducted. Current and future impacts and risks are assessed, and companies are supported and prompted to seek to become, if not already, positive-impact contributors. The principles guiding investment decisions include establishment of a minimum level of ESG-related qualifying criteria for fund managers seeking to secure investment from Nordea. This also includes securing legal Sector Guideline protections ahead of future investments. The principles also include the requirement for monitoring progress – on a yearly basis – of ESG factor impacts within the portfolio including the current tracking of financed emissions. The principles aim to further improve for stronger tracking and

reporting on these developments including quarterly checks against Sector Guideline restrictions for the existing portfolio.

### *Risk management*

#### *Capital and business model risks*

Nordea's medium-term portfolio-wide target to reduce emissions in the lending portfolio with 40-50% by 2030 has been cascaded to individual portfolios deemed material in regard to financed emissions. The first round of individual portfolio targets (i.e. sector targets) were set in 2022 as per Nordea's commitment to the Net-Zero Banking Alliance (NZBA), covering the residential real estate, shipping, oil & gas, offshore and thermal coal and peat mining portfolios. During 2023, additional sector targets were developed and targets for agriculture and power production approved. Medium-term portfolio targets are set based on relevant benchmark scenarios and methodologies to align towards science-based and policy-based decarbonization pathways and cover a majority of the financed emissions in the lending portfolio, ensuring an alignment between Nordea's strategic ambition and the external policy environment through Nordea's own transition plan.

Published sector targets are available at Nordea.com with references to benchmark scenarios used and published in the Annual Report. In addition, Nordea's business areas, Large Corporates & Institutions, Business Banking and Personal Banking have set medium-term business area specific financed emission targets to steer overall portfolio emissions and the progress is monitored by internal reporting and part of the financed emission forecasting to assess deviations to the pathways. Targets are measured and monitored internally and progress on setting targets is disclosed annually in Nordea's Annual Report. The strategic ambition is backstopped by the risk appetite framework while being monitored via the RFF.

#### *Credit risk*

Nordea continues to re-develop aspects of the credit customer ESG assessment process to systematically integrate ESG-related considerations in the credit process. For corporate borrowers, ESG assessments are performed according to the size and type of the transaction and the customer's internal segmentation. ESG-assessments are performed both on new customers, in ordinary reviews of existing customers and when the ESG-related risk(s) or credit-exposure on existing customers significantly change. ESG-related risks identified qualitatively as material at customer group level inform the credit risk assessment, with conclusions on the customer group's risk level included to the credit memorandum. The purpose of the assessments is to conclude on ESG-related risk components relevant to credit customers' repayment capacity. Approvals are made according to the established credit decision-making process. For customers associated with a high ESG-related risk-level(s), decisions are escalated to higher-level credit committees as relevant.

2023 saw the further development of ESG risk management at the level of individual corporate customers. Taxonomy based ESG credit risk definitions were established which form the basis for identifying ESG risks in the credit process. The ambition is to screen corporate customers for whom individual ESG risks could materially impact their credit risk. This will be accomplished by a semi-automated tool, supplemented by human oversight to flag customers that require enhanced ESG assessments by dedicated ESG analysts with focus on identifying and assessing

both customers' vulnerability and resilience towards material ESG issues. To support these analyses, external data-bases are used to assess performance on specific ESG-related risks and to assess if the company has been or is involved in ESG-related controversies.

Climate-related transition risks are assessed with an enhanced focus for larger customers. The key components of the assessment include counterparties' greenhouse gas (GHG) emissions intensity developments, corresponding quality of their transition planning and the resulting impact of climate-related transition and physical risks on customer repayment capacity. This analysis is aligned with the Group targets on financed GHG emissions reductions and transition plan coverage by the Business Areas (described in Sustainability Notes S3).

For certain customers, there is an enhanced focus on nature-related risks. The process includes e.g. ensuring sufficient policies and programs are in place to reduce potential harmful impacts on the environment. ESG-related considerations in the credit process are further guided by the internal ICPs, which can include ESG-related exclusion criteria from exposure to harmful or controversial economic activities and requirements on engagement and monitoring of climate-related transition plans. In addition to these processes, where relevant, Nordea conducts environmental and social impact assessments when financing large infrastructure and industrial projects, as part of Nordea's commitment to the Equator Principles.

#### *Market risk*

Nordea is applying the PCAF methodology for measuring financed emissions in the listed equity and corporate bond portfolios. This has strengthened the bank's ability to measure, report and steer the carbon footprint linked to fair-value investments in the trading and banking book portfolios. Mitigation of the liquidity related risks takes place via corresponding credit strategies and policies. Improvement in classifying equities based on their sector are a focus for Nordea as the assessment is updated in 2024 for market risk activities.

#### *Operational and reputational risks*

ESG is embedded in the operational risk taxonomy, to support the identification and assessment of environment-related risks, (as well as social and governance). The ESG-related risks in the taxonomy inform risk management tools including:

- Scenario Analysis, to identify and assess "tail risks"
- Risk and Control Self-Assessment (RCSA), to assess associated risks and controls across Nordea
- Change Risk Management and Approval (CRMA) process, to ensure an understanding of change-related risks before they are operationalised
- Third Party Risk Management (TPRM), to ensure that third-party associated risks are appropriately managed
- Incident Management Framework, to ensure appropriate incident handling and reporting.

Specifically concerning reputational risk, which is defined under operational risk in Nordea's risk taxonomy, the negative reputational impact stemming from regular business activities are considered and managed as relevant. This includes business activities that might have, or bring, increased ESG-related risks.

## *Capital adequacy*

### *ICAAP*

Capital adequacy assessment coverage for Environmental-related impacts was initiated in 2020 and extended in 2021 to cover all capitalised risk categories. As data and methods to quantify such impacts are still developing, Nordea's approach to capitalising for environmental-related risks is still developing, with an explicit allocation expected in ICAAP 2024. However, Nordea notes that not all risk categories are materially driven by environmental factors, as evidenced by Nordea's climate-related transitional impact assessments for market risk in 2021 and 2022 (see below in this section), and some aspects of environmental factor impacts are already implicitly integrated to risk exposure quantification, as evidenced by Nordea's climate-related physical exposure analyses.

Nordea applies climate-related stress testing, to inform how transmission of transitional effects may affect trading and banking book exposures, Nordea's liquidity position and the resilience of the business strategy. Credit-related stress tests since 2020 have assessed the short-term impact of increases in a tax on GHG emissions which was simulated over a 3-year period using Nordea's credit risk stress testing models consistently indicating a material impact. The GHG emissions tax scenarios were applied as an increased cost for corporate borrowers to measure the impact on Nordea's credit losses and REA. Methodological improvements were undertaken during that period, including the use of available corporate customer data for Scope 1 and 2 GHG emissions and the attribution of industry level proxies, where customer data is not available. Stress testing on climate-related physical risks since 2021 have focused on drought and flooding impacts at different levels of granularity within the Nordic region. Long-term stress testing have also assessed the potential to continue remaining aligned to a net zero pathway under uncertainties related to global implementation of the Paris Agreement. The results demonstrated significant methodological uncertainties in long-term stress testing and a material dependency on the transition actions of external stakeholders such as customers and policy makers. The results indicated that climate-related credit risks are material in the short and long-terms, for both transitional and physical effects.

For market-related stress testing the potential climate-related transitional impacts on the trading and banking book portfolios were first applied in 2021. The 2021 scenario was modelled upon inputs from scenarios published by Banque de France, Netherlands Bank and Bank of England and covered Fair Value stress on banking and trading books, Counterparty Credit Risk, and Defined Benefits Pension Risk. Results from the analysis indicated that climate-related transitional impacts on market risk were non-material for Nordea, in line with the results of the Banque de France in its April 2021 assessment. To assess the potential climate-related physical risk, focusing on the trading and banking book portfolios, stress testing scenarios were applied in 2022 covering the most relevant physical risk events for Nordea, given its location and operations. The type of physical risks and their severity for the Nordics have been retrieved from sources such as ThinkHazard and the IPCC interactive Atlas. Most relevant risks have been assessed as flood and fire. The results indicated that climate-related market risks, both transitional and physical effects, were non-material for Nordea in the short-term.

Nordea continues to develop its stress testing capabilities to quantify the potential impacts of climate and nature-related changes. From 2023, Nordea has integrated climate-related stress testing into the ICAAP. During ICAAP 2024 credit-related stress testing has included a short-term climate-related transitional scenario built into one of the main ICAAP scenarios, a more comprehensive flood risk scenario, long-term portfolio projections under different transition risk scenarios and, for the first time, an analysis of Nordea's sensitivity to a loss of biodiversity. Embedding climate change stress testing within the ICAAP has an explicit learning purpose and will include information and features from other parts of Nordea's climate-related activities. This will help further anchoring the stress test activities as part of the overall climate-related activities and informing those with regards to stress test requirements and results.

#### *ILAAP*

Environmental-related liquidity risk impacts were quantified in 2022 in a Group level assessment and the process was revisited in 2023. The scope was short-term climate climate-related transitional risk and physical risk (flooding) scenarios. The outcome informed the Group level assessments of climate aspects within the ESG-related liquidity risks. Climate change was assessed as a material driver of asset liquidity risk, deposit risk and off-balance sheet risk on the basis of outflows identified. In all cases, the potential impact was assessed as low.

#### *Data adequacy*

During 2023, Nordea has continued its efforts in improving data quality and accuracy in order to conduct effective risk management of environmental factors. The following section details the data improvement for each quantitative template for climate-related transitional and physical risk and mitigation actions subject to Q4 2023 reporting:

- GHG emissions data collection increasing the customer level data for financed emissions reducing reliance on industry proxy data;
- Increased data coverage for EPCs;
- Improved methodology for identification of exposures subject to climate and nature-related physical hazards in Nordea's operating environment to cover both acute and chronic hazards and taking into account impact assessment;
- Alignment of lending and investment exposures to the EU taxonomy for sustainable activities;
- Outstanding lending and funding exposures according to Nordea's Green Funding Framework and Sustainability Linked Funding Framework criteria, other than EU Taxonomy aligned but still supporting counterparties in the climate change transition and adaptation process

In order to manage the challenge with securing data availability, manual data collection and data quality controls are in place to improve the availability and accuracy in the short to medium-term while disclosure by customers is expected increase in the long-term. Further, Nordea has sought to approximate missing information through common proxies, such as those provided through PCAF, or internally derived estimates.

## SOCIAL FACTORS

**Figure 4: Mapping of double materiality assessment scope for social factors, covering sustainability impacts and materiality for financial risks**

Social Factors	Strategic ambition set for...		Financial materiality assessed for...							
	selected own operations	selected financial counterparts	Credit risk		Market risk		Liquidity risk		Capital risk	
			2022	2023	2022	2023	2022	2023	2022	2023
Communities	✓									
Workers in own workforce and value chain	✓	✓								
Customer relationships	✓	✓								

Legend	
	Qualitative factor mapping methodology applied, assessed as a potentially material driver of risk category
	Qualitative factor impact methodology applied, assessed as a material driver of risk category
	Quantitative factor impact methodology applied, assessed as a material driver of risk category
	Quantitative or qualitative factor impact methodology applied, assessed as a non-material driver of risk category
	Assessment of factor as a driver of the risk category planned, not yet documented
	Assessment of factor as a driver of the risk category not in current planning scope, dependent on further regulatory guidance

## SOCIAL FACTORS IN BUSINESS STRATEGY AND PROCESSES

### Investment and Credit strategies: targets, objectives and limits

Nordea sees human rights as the foundation for the work within the Group's social responsibility strategy and fundamental to ensuring continued business growth and a social license to operate. To further support the Group's strategy, Nordea has in 2023 assessed and identified thematic focus areas to leverage Nordea's market position and size to make a positive contribution to society (see Sustainability Notes S4).

Similar to environmental factors, the strategic ambition on social factors is implemented through various internal and external policies concerning own operations and financial counterparties, which have been aligned with international standards and guidelines. SDGs identified as material for achieving sustainable impact on social objectives include SDGs 4-5, Quality education and Gender equality, and SDGs 8-10, Decent work and inclusive growth, Industry, innovation and infrastructure, and Reduced inequalities (see Sustainability Notes S6).

Nordea is guided by the UN Guiding Principles on Business and Human Rights and sets out financing principles concerning social factor impacts through the UN Global Compact, and, for project finance, the Equator Principles. Nordea sets requirements, as part of the strategy to limit human rights impacts. Nordea recognises that some sectors are more exposed to human rights risks and take this into account in the sector guidelines. Nordea's internal policies on sanctions indirectly address potential social impacts, such as on human rights, through implementation in the relevant activities and portfolios. Nordea provides a full list of the Group's stakeholders and the Group's actions to build and sustain strong and long-lasting relationships with them in Nordea's Sustainability Notes S7 "Our stakeholders".

Concerning selected internal operations, Nordea's Code of Conduct contains principles on considerations of stakeholder

impacts, customer relationships, promoting equality and diversity, human rights, labour rights, and a commitment to control and manage financial crime. An annual training is mandatory for all staff on the Code of Conduct. Nordea also sets policies concerning gender balance, non-discrimination, and third-party procurement.

## SOCIALLY-RELATED RISK MANAGEMENT

### Definitions

Nordea defines the list of socially-related factors accounting for guidance provided by the European Banking Authority's report on management and supervision of ESG risks for credit institutions and investment firms (EBA/REP/2021/18) and the CSRD ESRS. The social taxonomy was reduced from four to three identified factors at Level 2 at the end of 2023 based on the ESRS, with human rights now considered across the remaining three factors. For financial risks, Nordea has assessed the materiality of social factors as potentially driving credit risk as outlined in Figure 4. Further analyses are expected in 2024 as part of Nordea's implementation of CSRD.

### Risk identification and assessment

#### Credit risk

Nordea performed an assessment of potential materiality of all social factors on the credit risk profile in 2022 and initiated a deep dive on human rights-related aspects in general during 2023. The assessment was performed based on the previous social taxonomy consisting of four identified factors at Level 2. Nordic countries were reviewed in terms of operating environment and regulatory framework, and counterparties therein, for social risk management, including protection of human, consumer and labour rights, minimizes the potential materiality of social factors for Nordea's credit risk in the short term. Potential social-related credit risks are most likely to come



via the global value chain (i.e. slavery) or direct impacts (i.e. sanctions), especially in potentially vulnerable industries and for selected counterparties.

Potential materiality impacts on credit risk of human rights violations were qualitatively assessed as medium and community relationship development gaps assessed as low. For customer and employee relationship and rights, associated risks are potentially material in the medium and long terms due to increased operational and financial costs of doing business and recent macroeconomic trends (e.g. energy crisis, high inflation, war in Ukraine), especially for customer facing and labour intensive industries. Industries classified as potentially globally vulnerable and material in the Nordic context to social factors are, at this time, banks and other financial institutions, commercial and professional services, funds, construction, retail trade, capital goods, animal husbandry, paper and forest products, food processing and beverages, public services, IT services, and telecommunication services.

#### *Operational and reputational risks*

A qualitative assessment of the potential impact of each social factor was made for all Level 2 risks, in the operational risk taxonomy, indicating that all factors were considered relevant. Based on the ESG factor impact assessment, social factors were assessed as having a moderate potential material impact across some Level 2 (L2) risks in the taxonomy. See detailed description under section "Environment-related risk management."

#### *Compliance risk*

A qualitative assessment of the potential impact of social factors was made on all L2 Compliance risks. Several social factors were identified to be relevant and having high potential impact on data privacy risk, people risk, conduct & customer outcomes risk.

### **Risk response and mitigation**

#### *Credit risk*

For credit risks, social factor impacts are primarily mitigated through the socially-related business strategy and social risk control systems, permitting and certification for selected financial counterparties. These are monitored through a process which include documenting counterparties' controls to manage or mitigate adverse social impacts.. Further, the customer selection process (Know Your Customer) and Equator Principles for project finance are examples of due diligence processes in place to mitigate the potential socially-related credit risks.

Nordea also considers that the social factors for employee relationships and rights misconduct are covered by counterparty credit risk and management risk via the current customer credit risk assessment and rating processes.

### **Risk management**

#### *Credit risk*

Within the credit customers' ESG assessment process, described under section "Environment-related risk management," Nordea assesses also the social aspects related to counterparties' operations. For certain customers with supply chains outside the EU, there is an enhanced focus on social risks.. The process includes documenting counterparties' controls to manage or mitigate adverse social impacts. These controls can be general mitigating controls such as commitments to international conventions and specific mitigating controls related to e.g. health and safety issues, labour rights, human rights, indigenous rights and child labour. In addition to these processes, where relevant, Nordea carries out an environmental and social impact assessment when financing large infrastructure and industrial projects, as part of Nordea's commitment to the Equator Principles.

#### *Operational and reputational risks*

Operational risk management tools are updated to further support the identification of ESG-related risks – see detailed description under section "Environment-Related Risk Management".

#### *Compliance risk*

All ESG-related compliance risks are subject to Compliance Risk Management Framework, which is a set of compliance processes for identifying, assessing and measuring, responding to and mitigating, controlling and monitoring, and reporting compliance risks. In addition, the Product Approval process must be applied when new products and services are introduced, or when making changes to existing ones with the aim to ensure adequate descriptions and assessments of the related risks, mitigating actions and possible risk acceptances. During 2023, the product approval process was enhanced with ESG-related materiality assessment (ESG pre-screening). Whenever ESG-related risks are assessed to be relevant, the product must undergo full approval process including quality and risk analysis.

## GOVERNANCE FACTORS

**Figure 5: Mapping of double materiality assessment scope for governance factors, covering sustainability impacts and materiality for financial risks**

Governance Factors	Strategic ambition set for...		Financial materiality assessed for...							
	selected own operations	selected financial counterparts	Credit risk		Market risk		Liquidity risk		Capital risk (incl. business model risk)	
			2022	2023	2022	2023	2022	2023	2022	2023
Ethical considerations, e.g. values and ethics, conduct framework, bribery and corruption	✓	✓								
Sound risk management that considers environmental and social factors	✓	✓								
Supply Chain Management	✓									
Organization and functioning of the management body	✓	✓								
Transparency of ESG-related risks in reporting	✓	✓								
Legend:										
	Qualitative factor mapping methodology applied, assessed as a potentially material driver of risk category									
	Qualitative factor impact methodology applied, assessed as a material driver of risk category									
	Quantitative factor impact methodology applied, assessed as a material driver of risk category									
	Quantitative or qualitative factor impact methodology applied, assessed as a non-material driver of risk category									
	Assessment of factor as a driver of the risk category planned, not yet documented									
	Assessment of factor as a driver of the risk category not in current planning scope, dependent on further regulatory guidance									

## GOVERNANCE FACTORS IN BUSINESS STRATEGY AND PROCESSES

### Investment and Credit strategies: targets, objectives and limits

Strong sustainability governance gives the clarity and speed to execute Nordea's strategic sustainability agenda for the greater good (see Sustainability Notes S5). Similar to environmental and social factors, the strategic ambition is implemented through various internal and external policies concerning selected own operations and financial counterparties, which have been aligned with international standards and guidelines and benchmarks. SDGs identified as material for achieving sustainable impact on sustainable governance objectives include SDGs 16-17, Peace, justice and strong institutions and Partnerships for the goals (see Sustainability Notes S6).

Nordea is guided by UN guiding principles on business and human rights and sets out financing principles concerning governance factor impacts through the UN Global Compact, and, for project finance, the Equator Principles. Nordea sets requirements, as part of the strategy to limit ethical and risk management impacts, on financing of the gambling industry in a corresponding Sector Guideline. Position statements on tax also contain commitments on ethical conduct and transparency in reporting. Specific requirements on reporting transparency and sound risk management are also set for the oil, gas and offshore industry. Nordea's internal policies on sanctions, money laundering, terrorist financing and tax evasion are also aimed at reducing governance factor impacts associated to the relevant activities and portfolios. Nordea provides a more in-depth disclosure of tax policy in the Sustainability Notes S5 "Governance and culture" and more broadly on all available policies in S9 "Directives, instructions and policies".

Concerning selected internal operations, Nordea's Code of Conduct contains principles on considerations of acting ethically, and compliance with the regulatory framework. Specific policies are issued addressing e.g. conflicts of interest, bribery and corruption as well as concerning taxation and third-party procurement.

Risk metrics and limits were set and implemented during

2022 for Financial Reporting Risk, including risks related to misstatements or deficiencies in ESG-related financial reporting information as provided in financial, regulatory reporting and related disclosures, covering also the risk of greenwashing.

## GOVERNANCE-RELATED RISK MANAGEMENT

### Definitions

Nordea defines the list of governance-related factors accounting for guidance provided by the European Banking Authority's report on management and supervision of ESG risks for credit institutions an investment firms (EBA/REP/2021/18) and the CSRD ESRS. The governance taxonomy, as applied in the context of materiality assessment performed, included five identified factors. Nordea has assessed the materiality of governance factors as potentially driving credit, liquidity, operational and compliance risks since 2022. For financial risks, these are as outlined in Figure 5, covering sustainability impacts and materiality for financial risks. Two additional factors were added to the governance taxonomy at the end of 2023 for the 2024 assessment under the CSRD.

### Risk identification and assessment

#### Credit risk

Nordea performed a first assessment of potential materiality of all governance factors on the credit risk profile in 2022, with the approach to be revised in 2024 in accordance with the CSRD ESRS. The scope of governance risk included ethical considerations, sound risk management, supply chain management, organization and functioning of the management body and transparency of ESG-related risks in financial and non-financial reporting.

In Nordea's portfolio context governance risks are partly material at counterparty specific level linked to individual governance arrangements, for example for single names where failures in certification or permitting controls or overreliance on value chain suppliers and counterparties subject to governance risk. Nordic countries were reviewed in terms of operating environment and regulatory framework, and counterparties therein, for social risk management, including corruption and ethical behaviour, minimizes the potential materiality of social factors for Nordea's credit risk in the short term.

#### *Liquidity risk*

During 2023, the ESG-related liquidity risk related to climate risk was revisited and governance factors for ethical considerations and transparency of ESG-related risks were quantified on Group level. Reputational risk as a liquidity risk driver and the subset of greenwashing risk informed the materiality assessment and is seen as a material driver of liquidity risk types within wholesale funding risk and deposit risk. The reputational liquidity risk were assessed as low.

#### *Operational, reputational, and compliance risks*

A qualitative assessment of the potential impact of each governance factor was made for all Level 2 risks in the operational risk taxonomy, indicating that all factors were considered relevant. Based on the ESG factor impact assessment, governance factors were assessed as having a high potential impact across some Level 2 risks in the taxonomy, particularly in relation to supply chain management and sound risk management. See detailed description under section "Environment-related risk management." The assessment was also performed for compliance risks.

## **Risk management**

### *Credit risk*

Within the credit customers' ESG assessment process, described under the Environmental Credit risk section, Nordea assesses also the governance aspects related to counterparties' operations. For customers with supply chains outside the EU, there is an enhanced focus also on some governance risks. The process includes documenting counterparties' controls to manage or mitigate adverse impacts from corruption and bribery. Further, the customer selection process (Know Your Customer) and Equator Principles for project finance are examples of due diligence processes in place to mitigate potential risks. Governance-related credit risks (except sound risk management and supply risk management) may be partly covered by counterparty credit risk and management risk via rating process.

### *Operational, reputational, and compliance risks*

Operational risk management tools are updated to further support the identification of ESG-related risks – see detailed description under section "Environment-Related Risk Management.

# Nordea Life and Pensions (NLP)

The nature of life insurance leads NLP to take risks that are somewhat different from those faced in the banking operation. Those differences relate mainly to market and liquidity risks and life & health insurance risks. In addition to those risks, NLP is also exposed to other risks such as compliance and operational events.

## Governance

The Boards of Directors of Nordea Life Holding AB (NLH AB)<sup>10</sup> and its subsidiaries are responsible for the management of the holding functions and the legal entities. The Boards ensure that NLP's organisational structure is appropriate and transparent with a clear division of duties and areas of responsibility ensuring effective and sound governance.

As a part of Nordea Group, NLP and its employees are governed by Nordea Group Directives. In addition, NLP has implemented NLP Group policies, instructions, guidelines and charters as appropriate to meet the specific NLP business needs or regulatory requirements. The local entities have additional policies, guidelines, processes and procedures in place as needed to comply with local legislation and local business requirements. The risk management system is embedded in this governance framework by the NLP Risk Management Strategy, NLP Risk Management Policy and the Risk Appetite Framework.

NLP's system of governance is based on a "three lines of defence" model with a clear division of roles and responsibilities throughout the organisation. The 1<sup>st</sup> line of defence is represented by the business. It is responsible for business operation and day-to-day management of risks. The second line of defence consists of the NLP group and local risk management functions, actuaries, and the NLP compliance function. Together, they represent independent control and risk functions which support the first line of defence and verify effective risk management. As part of the second line of defence, NLP perform a detailed annual Own Risk and Solvency Assessment (ORSA) at Group level. Corresponding local ORSA processes are performed for local entities. The third line of defence is represented by Group Internal Audit, which assesses the internal control framework and processes for risk identification, control and reporting.

## Risk and capital management

The key principles underlying the NLP Risk Management Strategy are:

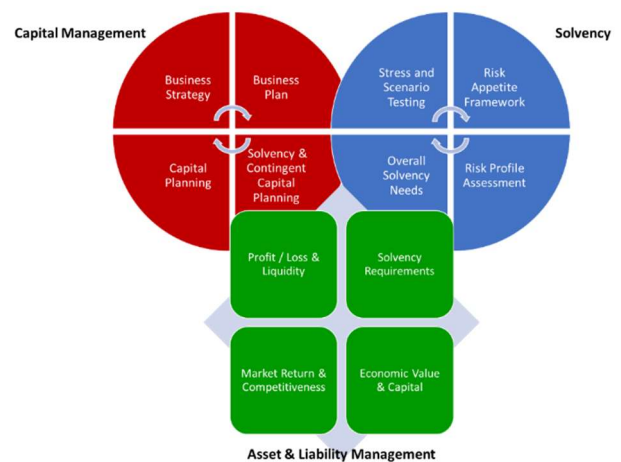
- Risks to be taken on must be within the Risk Appetite Framework and its expression as limits, thresholds and targets. The risks must comply with NLP's return considerations and business strategy
- Risks should only be taken if they are understood and can be managed, monitored and reported. Other risks must be avoided
- The risk strategy, risk appetite, risk management and the control framework must be coherent and consistent at both global and local level.
- The risk management function acts as a risk partner for the business
- The risk management strategy must meet present regulatory requirements. It must also acknowledge expected future regulatory requirements and pursue a swift course of alignment

The risk management system is implemented using the well-known cycle of risk identification, risk measurement, risk monitoring, risk and capital management and risk reporting.

NLP follows a capital management process which covers all risks taken over the business planning period and assesses them under normal circumstances and stress scenarios covering macroeconomic risk, business risk and emerging risk developments.

NLP's key principle is that the level of capital must be adequate from an internal and regulatory perspective under all considered scenarios. This principle is the essence of the connection between risk management, capital management and asset & liability management.

Figure: Relating the capital management process to ORSA and Asset and Liability Management



The capital management process is based on key components of NLP's business plan and financial forecast. It ensures that NLP is prepared to make the necessary capital arrangements depending on the state of the economy, developments regarding capital adequacy regulation and changing strategic and business objectives.

Capital management is governed by the NLP Capital Policy which specifies the internal solvency ratio limit for NLP. The policy is supplemented by the NLP Capital Contingency Plan which specifies measures to restore the solvency position to acceptable levels in case of any breaches of the internal or regulatory limits.

## Business profile

The life and pensions business of NLP consists of a range of different life and health products, from endowments with duration of a few years to very long-term pension savings contracts with durations exceeding 40 years. The products are categorised into different lines of business in accordance with the terminology applied in the Quantitative Reporting Templates. The following lines of business exist within NLP:

- Participating savings products
- Unit-linked products
- Other life insurance
- Health insurance

<sup>10</sup> NLH AB is the holding company of Nordea Life and Pensions

Market return products (unit-linked products) are clearly dominating NLP's new business. Traditional products (participating savings and life insurance products) and health insurance take minor roles in NLP's new business profile but remain at about 18% of the overall NLP assets under management.

#### **Risk profile and risk management**

The main risks that NLP is exposed to are market risks and life & health insurance risks. The risks are measured continuously by solvency capital requirements, exposure measurement on investment assets, and stress and sensitivity analysis. The risks are monitored against the risk appetite and existing limits.

On 1<sup>st</sup> December 2022, NLP acquired Topdanmark Livsforsikring A/S which is currently undergoing integration into NLP. The acquisition did not lead to significant changes in the risk profile of NLP.

#### **Market risk**

Market risk at NLP arises from the sensitivity of the values of assets and liabilities to changes in the level or volatility of market prices or interest rates. Main exposures to market risk originate from participating savings products and unit-linked savings products. Of these two product types, participating savings products are the main source of market risk. Buffers are maintained for this product portfolio in order to stabilise the Solvency II position and ensure stable returns to policy holders. Within market risk, the interest rate risk, equity risk and credit spread risk are the most relevant risks.

NLP recognises that environmental, social and governance risks (ESG risks) are likely to manifest in the form of market risk. Sustainability considerations in particular have developed into a focus area and influence NLP's business strategy, investment decisions and risk processes. NLP assesses the materiality of climate-related market risk by means of quantitative methods. For 2023, the assessment concluded that climate-related market risk is not material for NLP. It may, however, represent a risk for NLP customers with a long-term investment horizon in unit-linked savings products. This is due to the fact that climate-related market risk is expected to manifest and reduce investment returns over a time period of several decades. For further details on NLP's ESG-related risk strategy and management, please refer to the sustainability notes in the Annual Report of Nordea Bank Abp.

#### **Life & health insurance risk**

Life & health insurance risk is the risk of unexpected losses due to changes in the level, trend or volatility of mortality, longevity, disability and surrender/ lapse rates. The largest life insurance risks for NLP group are lapse risk and life expense risk.

Lapse risk is the most important insurance risk. It is primarily caused by unit-linked savings products and risk products, where the present value of future profits contributes positively to own funds under Solvency II.

Expense risk is the second most important insurance risk and arises from employment costs, cost of commissions, IT development and infrastructure.

#### **Capital management**

##### **Managing the solvency position**

NLP is regulated under Solvency II. The solvency position is calculated according to the Solvency II standard formula. The calculation of the solvency position makes use of long-term guaranteed adjustments and transitional measures. Their

impacts are calculated, monitored and reported on an ongoing basis to ensure full transparency of the reliefs they provide and to consider their effect on management decisions.

NLP's Risk Appetite Framework and capital policy set a solvency ratio limit of 125% and NLP aims to operate above this. The solvency ratio limit is set well above the regulatory limit of 100%. This reflects NLP's decision to manage the business by defining a required buffer on top of the 100% regulatory solvency ratio as protection against volatility in the Solvency II balance sheet. This ensures that capital management can be performed in a planned and structured way rather than by inefficient ad-hoc measures.

#### **Financial buffers**

For participating savings products, the financial buffers provide NLP with the ability to generate stable returns for policyholders. Through this, NLP maintains sufficient financial buffers and effectively secure stable returns. For NLP's shareholder, Nordea, this represents P&L protection against insufficient returns on their investment.

#### **Continuous monitoring and risk mitigation**

##### **Market risk**

Market risk and its risk sub-types are measured and monitored through calculations of the Solvency II capital requirements and investment limits for risky exposures. In addition, NLP regularly performs stress tests with standalone equity and interest rate shocks and combined shocks. NLP also performs more specific macroeconomic scenarios to assess the need for future capitalisation.

The results of stress tests and scenario analyses are monitored against limits prescribed by the NLP Capital Policy.

Market risk is mitigated by applying hedging and asset allocation strategies.

##### **Life & health insurance risk**

Lapse and longevity risks are measured and monitored through calculations of the Solvency II capital requirements.

To assess the resilience of the business to sudden changes in the lapse rate, a regular sensitivity test is performed at NLP group and local entity level. As lapse risk is linked to the behaviour of policy holders, it is mitigated through ensuring that NLP offers products which are attractive, competitive and meet customer needs.

Longevity risk is primarily controlled through adequate product pricing and adjusting life parameters for trends and life expectancy. The vast majority of longevity risk is attached to products no longer on sale. Mortality rates and life expectancies are updated and benchmarked annually.

Life expense risk is managed through cost control and cost efficiency. Increased process automation and shared services are contributing to an improvement of the cost/income ratio.



# Risk terminology and measures

## Advanced IRB (AIRB) approach

See Internal Ratings Based approach (IRB).

## Business Model Risk

The risk associated with failing to adopt an appropriate business model, set appropriate goals and targets in the bank strategy, or adapt to external developments.

## Capital risk

The risk of insufficient capital to meet internal and external capital requirements.

## Compliance risk

The risk of failure to comply with applicable regulations and related internal rules.

## Comprehensive Risk Charge (CRC)

CRC captures risks related to positions in credit correlation products, covering structured credit trading operations. This includes the risk of losses due to credit migration or default of issuers of tradable debt and other risk factors specifically relevant for correlation products.

## Concentration risk

The risk of losses arising due to concentrations in the exposures of the credit portfolio, e.g. when the portfolio is largely exposed to a few individual borrowers.

## Correlation risk

The risk arising from a disparity between the estimated and actual correlation between two assets, currencies, derivatives, instruments or markets.

## Counterparty credit risk

The risk that counterparties fail to fulfil financial contractual commitments to Nordea related to a derivative transaction, repurchasing agreement or other securities financing contracts.

## Credit risk

The risk of potential for loss due to failure of a borrower to meet its obligations to clear a debt in accordance with agreed terms and conditions.

## Default risk

The risk that a counterparty is unable to make the required payments on their debt obligations.

## ESG related Credit Risk

The risk of credit losses from the current or prospective impacts of ESG factors.

## ESG related Capital Risk

The risk to Nordea's cost of capital or its ability to raise capital due to changes in market perceptions of Nordea's long-term resilience specifically related to climate risk, whether transitional or physical in nature.

## ESG related Market Risk

The risk of loss related to changes in market values or net interest income from the current or prospective impacts of ESG factors.

## ESG related Liquidity Risk

Defined as the risk to Nordea meeting its liquidity commitments from the impact ESG factors may have on the existing liquidity risks.

## Expected exposure

The Expected Exposure is the expected average exposure on a future target date conditional on positive market values. Expected exposure is calculated for Internal Model Method (IMM) approved contracts by simulating a large set of future scenarios for the underlying price factors and then revaluating the contracts in each scenario at different time horizons. In these calculations, netting is done of the exposure on contracts within the same legally enforceable netting agreement.

## Foreign exchange (FX) risk

FX risk arises when a company engages in financial transactions denominated in a currency other than the currency where that company is based. Any appreciation/depreciation of the base currency or the depreciation/appreciation of the denominated currency will affect the cash flows emanating from that transaction.

## Foundation IRB (FIRB)

See Internal Ratings Based approach (IRB).

## General Wrong Way Risk (GWWR)

GWWR occurs when the trade position is affected by factors like interest rates, inflation, or political tension in a particular region and most often appears on portfolio level.

## Incremental Risk Charge (IRC)

IRC measures the risk of losses due to credit migration or defaults of issuers of tradable debt in bond and credit derivative positions held in the trading book.

### Internal Model Method (IMM)

IMM exposure is calculated by simulating future scenarios for underlying price factors and revaluing the contracts in each scenario at different time horizons. Netting is done of the exposure on contracts within the same legally enforceable netting agreement. Nordea uses a stressed calibration of the IMM for calculation of the counterparty credit risk (CCR) exposures. Under IMM, simulated exposure is subject to a regulatory multiplier of 1.4 to reflect the potential for correlation in risk across the portfolio. Nordea has approval to use the IMM to calculate the regulatory CCR exposures in accordance with the credit risk framework in the Capital Requirements Regulation (CRR). The method is used for standard FX and interest rate products which constitute the predominant share of the exposure.

### Internal Ratings Based approach (IRB)

Subject to approval by their supervisor, banks are allowed to calculate their own funds requirements for credit risk capital using an internally developed approach, the IRB, rather than the Standardised Approach. The bank may be authorised to use the Foundation IRB (FIRB), the Advanced IRB (AIRB) or a combination of the two with FIRB used for calculating own funds requirements for some exposures and AIRB for others. With an FIRB approval, banks are permitted to use internal estimates for probability of default (PD). An AIRB approval permits banks to use internal estimates for Loss Given Default (LGD) and Credit Conversion Factors (CCF) in addition to internal estimates for PD as permitted by an FIRB approval.

### Insurance risk

The risk of unexpected losses due to changes in the level, trend or volatility of lapse rates, mortality rates, longevity rates, disability rates, or expenses.

### Interest rate risk

The risk that the value of a position will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship.

### Interest rate risk in the Banking Book (IRRBB)

The risk to earnings or to the economic value of the banking book arising from changes in interest rates and credit or funding spreads.

### Lapse risk

Risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders.

### Liquidity risk

Liquidity risk is the risk that Nordea can only meet its liquidity commitments at an unsustainably high price or, ultimately, is unable to meet its obligations as they come due.

### Longevity risk

Risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities.

### Market risk

The risk of loss in Nordea's positions in either the trading book or non-trading book as a result of changes in market rates and parameters that affect the market values or net interest income flows. Market risk exists irrespective of the accounting treatment of the positions.

### Mark to Market Method

For the part of the portfolio not covered by IMM, Nordea uses the Mark to Market method for calculating the regulatory exposure, which is essentially the sum of current net exposure and potential future exposure. The potential future exposure is an estimate reflecting possible changes in the future market value of the individual contract during the remaining life of the contract and is measured as the notional principal amount multiplied by an add-on factor. The size of the CRR add-on factor, depends on the contracts' underlying asset and time to maturity.

### Model risk

The risk of adverse effects on capital adequacy, financial loss, poor business and strategic decision-making and damage to Nordea's reputation, from the use of models.

### Operational risk

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

### Pension risk

The risk that Nordea-sponsored defined benefit pension plans become underfunded.

### Point-in-Time (PIT) methodology

Used for model calibration. A PIT rating system uses all currently available obligor-specific and aggregate information to assign obligors to risk grades. In a PIT rating system, an obligor's rating is expected to change as its economic prospects change.

### Probability of Default (PD)

The likelihood that a loan will not be repaid and will fall into default.

### Rating model

A rating model employs a set of specified and distinct rating criteria to produce a rating. These are called input factors and are, together with the criteria for assigning a customer to a specific rating model, the fundamental building blocks of a rating model. Typical input factors are financial factors, customer factors and qualitative factors.

#### Recovery rate risk

The risk that following a default, contracts of the defaulting entity cannot be honoured in full, thereby leading to financial loss to Nordea.

#### Reputational risk

The risk of damage to trust in Nordea from the Group's customers, employees, authorities, investors, partners and general public with the potential for adverse economic impact.

#### Risk appetite

The aggregate level and types of risk Nordea is willing to assume within its risk capacity, and in line with its business model, to achieve its strategic objectives.

#### Risk capacity

The maximum level of risk Nordea is deemed able to assume given its capital, its risk management and control capabilities, and its regulatory constraints. Risk capacity is set in line with Nordea's capital position, including an appropriate shock absorbing capacity.

#### Risk grade

Risk grade is calculated based on the customer's behaviour on all accounts/products including potential joint commitments. The corresponding risk grade is assigned across all of the customer's facilities in Nordea.

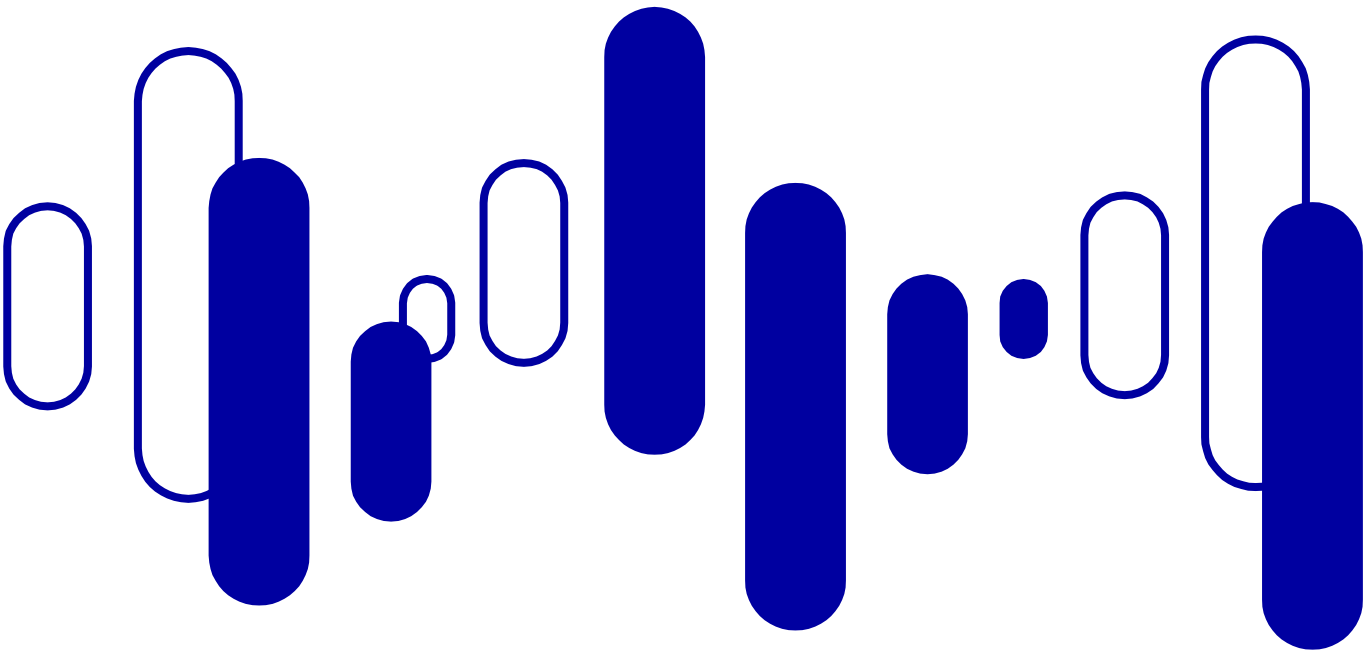
#### Settlement risk

Settlement risk is a type of risk arising during the process of settling a contract or executing a payment. The risk amount is the principal of the transaction, and a loss could occur if a counterpart was to default after Nordea has given irrevocable instructions for a transfer of a principal amount or security, but before receipt of the corresponding payment or security.

#### Standardised Approach (SA)

The risk weights in the SA are set by the regulation and are based on external rating and exposure class. Some exposure classes are derived from the type of counterparty, while others are based on asset type, product type, collateral type or exposure size. Currently in Nordea, the SA remains in use for some smaller portfolios as well as sovereign and equity portfolios.

# Part 2: Year-end analysis and results



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**Table 1 - Summary of items included in own funds including profit**

Nordea's Own Funds as of Q4 2023 amounted to EUR 30.8bn (EUR 30.2bn in Q4 2022), of which CET1 capital constituted EUR 23.6bn (EUR 23.9bn in Q4 2022), Additional Tier 1 capital EUR 3.2bn (EUR 3.3bn in Q4 2022) and Tier 2 capital EUR 4.0bn (EUR 3.1bn in Q4 2022). Compared to Q4 2022, the decreased CET1 capital was mainly driven by the deduction of the fourth buy-back programme and decreased retained earnings, partly offset by profit generation net of dividend accrual.

EURm	Q4 2023	Q4 2022
<b>Calculation of own funds</b>		
Equity in the consolidated situation	25,534	27,048
Profit of the period	4,927	3,598
Proposed/actual dividend	-3,240	-2,887
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>27,222</b>	<b>27,759</b>
Deferred tax assets	-34	-4
Intangible assets	-2,678	-2,776
IRB provisions shortfall (-)		
Pension assets in excess of related liabilities	-160	-126
Other items including buy-back deduction, net	-705	-980
<b>Total regulatory adjustments to Common Equity Tier 1 capital</b>	<b>-3,577</b>	<b>-3,886</b>
<b>Common Equity Tier 1 capital (net after deduction)</b>	<b>23,645</b>	<b>23,872</b>
Additional Tier 1 capital before regulatory adjustments	3,225	3,307
Total regulatory adjustments to Additional Tier 1 capital	-25	-25
<b>Additional Tier 1 capital</b>	<b>3,200</b>	<b>3,282</b>
<b>Tier 1 capital (net after deduction)</b>	<b>26,845</b>	<b>27,154</b>
Tier 2 capital before regulatory adjustments	3,466	3,231
IRB provisions excess (+)	554	542
Deductions for investments in insurance companies		-650
Other items, net	-50	-64
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>504</b>	<b>-172</b>
<b>Tier 2 capital</b>	<b>3,970</b>	<b>3,059</b>
<b>Own funds (net after deduction)</b>	<b>30,815</b>	<b>30,213</b>

**Table 2 - Drivers behind development of the CET1 capital ratio**

During 2023 the CET1 ratio increased by 62bps mainly driven by profit generation net of dividend accrual (+1.21%), partly offset by capital deduction of the fourth share buy-back programme (-0.69%).

	CET1 ratio
Q4 2022	16.43%
Profit	3.54%
Dividend accrual	-2.33%
Share buy-backs	-0.69%
FX effects	-0.07%
Credit quality	-0.02%
Volumes, incl derivatives	0.02%
Regulatory changes	0.00%
Other	0.17%
Q4 2023	17.05%

Table 3 - Bridge between IFRS equity and CET1 capital

The following table discloses a bridge between IFRS equity and CET1 capital as per the end of Q4 2023 and Q4 2022.

EURm	2023	2022
Balance sheet equity	31,225	31,404
Valuation adjustment for non-CRR companies	-20	-8
Other adjustments	-809	-814
Sub-total	30,396	30,582
Dividend	-3,240	-2,887
Goodwill	-1,683	-1,786
Intangible assets	-995	-990
Shortfall deduction		
Pension deduction	-160	-126
Prudential filters	-380	-428
Transitional adjustments		
Other deductions	-293	-492
Common Equity Tier 1 capital	23,645	23,872

Table 4 - EU CC1 - Composition of regulatory own funds

At the end of the fourth quarter of 2023, CET1 after regulatory adjustments was EUR 23.6bn (compared to EUR 22.4bn in Q2 2023). The main drivers for the higher CET1 compared to the second quarter was profit generation net of dividend accrual and decreased regulatory deductions. This was partly offset by decreased retained earnings and accumulated other comprehensive income. AT1 capital after regulatory adjustments remained stable at EUR 3.2bn. Tier 2 capital after regulatory adjustments increased to EUR 4.0bn (compared to EUR 3.0bn in Q2 2023).

EURm

	(a)	(b)
	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
1 Capital instruments and the related share premium accounts	4,050	11, 12
<i>of which: Instrument type 1</i>	<i>4,050</i>	
<i>of which: Instrument type 2</i>		
<i>of which: Instrument type 3</i>		
2 Retained earnings	20,804	13, 14, 18
3 Accumulated other comprehensive income (and other reserves)	727	15
EU-3a Funds for general banking risk		
4 Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium		
5 Minority interests (amount allowed in consolidated CET1)		
EU-5a Independently reviewed interim profits net of any foreseeable charge or dividend	1,687	17
<b>6 Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>27,269</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>		
7 Additional value adjustments (negative amount)	-252	
8 Intangible assets (net of related tax liability) (negative amount)	-2,678	1
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-34	2, 4
11 Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-65	16
12 Negative amounts resulting from the calculation of expected loss amounts		
13 Any increase in equity that results from securitised assets (negative amount)		
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-4	
15 Defined-benefit pension fund assets (negative amount)	-160	3
16 Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-47	20
17 Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
19 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
EU-20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-14	
EU-20b <i>of which: qualifying holdings outside the financial sector (negative amount)</i>		
EU-20c <i>of which: securitisation positions (negative amount)</i>	-14	
EU-20d <i>of which: free deliveries (negative amount)</i>		
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		
22 Amount exceeding the 17,65% threshold (negative amount)		
23 <i>of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities</i>		
24 Not applicable		
25 <i>of which: deferred tax assets arising from temporary differences</i>		
EU-25a Losses for the current financial year (negative amount)		
EU-25b Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		
26 Not applicable		
27 Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		
27a Other regulatory adjustments	-370	
<b>28 Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-3,624</b>	
<b>29 Common Equity Tier 1 (CET1) capital</b>	<b>23,645</b>	



	(a)	(b)
	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Additional Tier 1 (AT1) capital: instruments</b>		
30 Capital instruments and the related share premium accounts	3,225	5
31 <i>of which: classified as equity under applicable accounting standards</i>	749	19
32 <i>of which: classified as liabilities under applicable accounting standards</i>	2,476	
33 Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1		6
EU-33a Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
EU-33b Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		
34 Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		
35 <i>of which: instruments issued by subsidiaries subject to phase out</i>		
36 Additional Tier 1 (AT1) capital before regulatory adjustments	3,225	
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>		
37 Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	0	7
38 Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
39 Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
40 Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
42 Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		
42a Other regulatory adjustments to AT1 capital	-25	
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	-25	
44 Additional Tier 1 (AT1) capital	3,200	
45 Tier 1 capital (T1 = CET1 + AT1)	26,845	
<b>Tier 2 (T2) capital: instruments</b>		
46 Capital instruments and the related share premium accounts	3,466	8
47 Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR		9
EU-47a Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2		
EU-47b Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2		
48 Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		
49 <i>of which: instruments issued by subsidiaries subject to phase out</i>		
50 Credit risk adjustments	554	
51 Tier 2 (T2) capital before regulatory adjustments	4,020	

	(a)	(b)
	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Tier 2 (T2) capital: regulatory adjustments</b>		
52 Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)		10
53 Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
54 Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
55 Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
EU-56a Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
EU-56b Other regulatory adjustments to T2 capital	-50	
57 Total regulatory adjustments to Tier 2 (T2) capital	-50	
58 Tier 2 (T2) capital	3,970	
59 Total capital (TC = T1 + T2)	30,815	
60 Total Risk exposure amount	138,719	
<b>Capital ratios and requirements including buffers</b>		
61 Common Equity Tier 1 capital	17.0%	
62 Tier 1 capital	19.4%	
63 Total capital	22.2%	
64 Institution CET1 overall capital requirements	12.1%	
65 of which: capital conservation buffer requirement	2.5%	
66 of which: countercyclical capital buffer requirement	1.7%	
67 of which: systemic risk buffer requirement		
EU-67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	2.5%	
EU-67b of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.9%	
68 Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	11.6%	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
72 Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	9	
73 Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	133	
75 Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	72	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach		
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach		
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	625	
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	554	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)</b>		
80 Current cap on CET1 instruments subject to phase out arrangements		
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82 Current cap on AT1 instruments subject to phase out arrangements		
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84 Current cap on T2 instruments subject to phase out arrangements		
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

Table 5 - Table EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

At the end of the fourth quarter of 2023 the difference between regulatory own funds and audited financial statements was EUR 73.5bn. On the asset side, the difference was mainly arising from assets in pooled schemes and unit-linked investment contracts and shares. On the liabilities side, the difference was mainly arising from Deposits in pooled schemes and unit-linked investment contracts and Liabilities to policyholders.

EURm

	a	b	c
	Balance sheet as in published financial statements <sup>1)</sup>	Under regulatory scope of consolidation <sup>2)</sup>	Reference
	As of Q4 2023	As of Q4 2023	
<b>Assets - Breakdown by asset classes according to the balance sheet in the published financial statements</b>			
1 Cash and balances with central banks	50,622	50,553	
2 Loans to central banks	1,909	1,909	
3 Loans to credit institutions	2,363	2,070	
4 Loans to the public	344,828	346,289	
5 Interest bearing securities	68,000	58,094	
6 Shares	22,158	6,589	
7 Assets in pooled schemes and unit-linked investment contracts	50,531	4,017	
8 Derivatives	26,525	26,464	
9 Fair value changes of the hedged items in portfolio hedge of interest rate risk	-871	-871	
10 Investments in associated undertakings and joint ventures	481	1,319	
11 Intangible assets	3,826	3,240	
<i>of which: Goodwill and other intangible assets</i>	3,263	2,678	8
12 Properties and equipment	1,653	1,587	
13 Investment properties	2,199	8	
14 Deferred tax assets	254	106	
<i>of which: Deferred tax assets that rely on future profitability excluding those arising from temporary differences</i>	44	34	10 <sup>3)</sup>
15 Current tax assets	217	190	
16 Retirement benefit assets	225	225	
<i>of which: Retirement benefit assets net of tax</i>	160	160	15
17 Other assets	8,921	8,619	
18 Prepaid expenses and accrued income	755	734	
19 Assets held for sale	106	106	
<b>Total assets</b>	<b>584,702</b>	<b>511,248</b>	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements</b>			
1 Deposits by credit institutions	29,504	29,496	
2 Deposits and borrowings from the public	210,062	211,247	
3 Deposits in pooled schemes and unit-linked investment contracts	51,573	4,251	
4 Liabilities to policyholders	27,568		
5 Debt securities in issue	182,548	183,220	
6 Derivatives	30,794	30,787	
7 Fair value changes of the hedged items in portfolio hedge of interest rate risk	-869	-869	
8 Current tax liabilities	413	375	
9 Other liabilities	13,728	13,408	
10 Accrued expenses and prepaid income	1,274	1,270	
11 Deferred tax liabilities	505	498	
12 Provisions	371	368	
13 Retirement benefit obligations	287	272	
14 Subordinated liabilities	5,720	5,720	
<i>of which: AT1 Capital instruments and the related share -premium accounts</i>	3,225	3,225	30
<i>of which: T2 Capital instruments and the related share -premium accounts</i>	3,466	3,466	33
15 Liabilities held for sale			
<b>Total liabilities</b>	<b>553,477</b>	<b>480,043</b>	
<b>Shareholders' Equity</b>			
1 Additional Tier 1 capital holders	750	750	
2 Share capital	4,050	4,050	
3 Invested unrestricted equity	1,063	1,063	
<i>of which: Capital instruments and the related share -premium accounts</i>	1,080	1,080	
4 Other reserves	-2,345	-2,318	
<i>of which: Accumulated other comprehensive income</i>	-390	-353	
<i>of which: Fair value reserves related to gains or losses on cash flow hedges</i>	65	65	
5 Retained earnings	27,707	27,661	
<b>Total shareholders' equity</b>	<b>31,225</b>	<b>31,205</b>	
<b>Total liabilities and shareholders' equity</b>	<b>584,702</b>	<b>511,248</b>	

<sup>1)</sup> Nordea Group is the accounting group as disclosed in the Annual Report

<sup>2)</sup> Nordea consolidated situation in accordance with CRR

<sup>3)</sup> Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities.

Table 6 - EU OV1 - Overview of total risk exposure amounts

The following table provides an overview of total REA in Q4 2023 where credit risk accounted for the largest risk type with approximately 83% of Pillar I REA. Operational risk and market risk accounted for the second and third largest risk types. REA decreased by EUR 2.2bn in the fourth quarter of 2023, mainly stemming from lower credit risk (EUR -3.1bn).

EURm

	Total risk exposure amounts (TREA)		Total own funds requirements
	a	b	c
	Q4 2023	Q3 2023	Q4 2023
1 Credit risk (excluding CCR)	100,741	103,854	8,059
2 <i>Of which the standardised approach</i>	11,072	12,609	886
3 <i>Of which the Foundation IRB (F-IRB) approach</i>	10,543	10,498	843
4 <i>Of which slotting approach</i>			
EU 4a <i>Of which equities under the simple riskweighted approach</i>			
5 <i>Of which the Advanced IRB (A-IRB) approach</i>	79,127	80,747	6,330
6 Counterparty credit risk - CCR	3,370	3,565	270
7 <i>Of which the standardised approach</i>	1,604	566	128
8 <i>Of which internal model method (IMM)</i>		1,845	
EU 8a <i>Of which exposures to a CCP</i>	90	80	7
EU 8b <i>Of which credit valuation adjustment - CVA</i>	596	654	48
9 <i>Of which other CCR</i>	1,080	420	86
15 Settlement risk	0		0
16 Securitisation exposures in the non-trading book (after the cap)	2,162	1,638	173
17 <i>Of which SEC-IRBA approach</i>	2,094	1,569	167
18 <i>Of which SEC-ERBA (including IAA)</i>	22	22	2
19 <i>Of which SEC-SA approach</i>	47	47	4
EU 19a <i>Of which 1250% / deduction</i>			
20 Position, foreign exchange and commodities risks (Market risk)	4,805	4,470	384
21 <i>Of which the standardised approach</i>	733	763	59
22 <i>Of which IMA</i>	4,072	3,707	326
EU 22a Large exposures			
23 Operational risk	16,048	16,048	1,284
EU 23a <i>Of which basic indicator approach</i>			
EU 23b <i>Of which standardised approach</i>	16,048	16,048	1,284
EU 23c <i>Of which advanced measurement approach</i>			
24 Amounts below the thresholds for deduction (subject to 250% risk weight)	513	3,822	41
29 Total	127,126	129,575	10,170
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR			
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	11,592	11,350	927
Article 3 CRR Buffer			
Pillar 1 total	138,719	140,925	11,097

Table 7 - EU CR1 - Performing and non-performing exposures and related provisions

Total gross carrying amount of performing and non-performing loans and advances amounted to EUR 329bn at the end of Q4 2023, of which non-performing amounted to EUR 2.9bn. Stage 2 loans increased by 16%, mainly driven by changes in IFRS 9 models. Allowances in stage 3 for non-performing loans and advances were EUR 1.1bn at the end of Q4 2023. During the second half of the year 2023, the coverage ratio according to IFRS9 for non-performing exposures at amortised cost decreased to 42.2% from 44.5% at the end of Q2 2023. Lower Stage 3 coverage ratio reflects reduced provisioning need on defaulted exposures. Including loans and advances fair value through profit and loss (FV through PL), the coverage ratio was 37%.

EURm	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On non-performing exposures	On non-performing exposures
		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
Q4 2023															
005	Cash balances at central banks and other demand deposits	50,861	50,859	1	4	4									
010	Loans and advances	326,490	310,297	16,193	2,853	2,853	-616	-207	-409	-1,067		-1,067		240,039	1,315
020	Central banks	1,621	1,621				-1	-1							
030	General governments	3,956	3,948	8	27	27	-0	-0	-0	-2		-2		1,462	26
040	Credit institutions	586	579	8	15	15	-1	-1	-0	-15		-15		585	0
050	Other financial corporations	10,996	10,871	125	55	55	-10	-4	-6	-29		-29		3,061	2
060	Non-financial corporations	129,129	122,128	7,000	1,477	1,477	-363	-132	-231	-670		-670		76,887	555
070	Of which SMEs	50,352	46,854	3,498	690	690	-166	-35	-132	-354		-354		41,292	252
080	Households	180,203	171,151	9,052	1,278	1,278	-240	-68	-172	-352		-352		158,043	732
090	Debt securities	47,064	47,064				-4	-4							
100	Central banks	122	122												
110	General governments	13,262	13,262				-0	-0							
120	Credit institutions	31,887	31,887				-1	-1							
130	Other financial corporations	1,463	1,463				-0	-0							
140	Non-financial corporations	330	330				-3	-3							
150	Off-balance-sheet exposures	105,082	100,985	4,096	361	361	-145	-51	-94	-22		-22		13,648	4
160	Central banks	0	0												
170	General governments	7,486	7,484	1			-0	-0	-0					358	
180	Credit institutions	1,732	1,724	8			-4	-3	-0	-4		-4		54	
190	Other financial corporations	7,909	7,868	41	6	6	-4	-2	-2	-0		-0		390	0
200	Non-financial corporations	62,270	59,034	3,235	334	334	-91	-32	-59	-15		-15		10,656	3
210	Households	25,684	24,874	810	22	22	-46	-14	-33	-4		-4		2,190	1
220	Total	529,496	509,206	20,291	3,218	3,218	-765	-262	-503	-1,090		-1,090		253,687	1,319



EURm	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions									
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	Collaterals and financial guarantees received	
		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		On performing exposures	On non-performing exposures
Q2 2023 <sup>1</sup>															
005 Cash balances at central banks and other demand deposits	61,886	61,879	7	7		7									
010 Loans and advances	318,548	304,534	14,014	2,676		2,676	-600	-215	-385	-1,039		-1,039	-0	232,635	1,148
020 <i>Central banks</i>	3	3					-0	-0							
030 <i>General governments</i>	3,676	3,583	93	33		33	-1	-1	-0	-2		-2		3,374	31
040 <i>Credit institutions</i>	1,604	1,597	7	19		19	-1	-1	-0	-19		-19		45	
050 <i>Other financial corporations</i>	6,823	6,649	174	52		52	-8	-3	-5	-22		-22		3,245	3
060 <i>Non-financial corporations</i>	133,101	126,621	6,481	1,452		1,452	-354	-150	-205	-686		-686		74,444	454
070 <i>Of which SMEs</i>	49,234	46,460	2,775	732		732	-136	-37	-99	-351		-351		40,100	275
080 <i>Households</i>	173,341	166,082	7,260	1,121		1,121	-236	-60	-176	-311		-311		151,528	660
090 Debt securities	47,070	47,070	0				-3	-3	-0						
100 <i>Central banks</i>	2,257	2,257													
110 <i>General governments</i>	14,225	14,225	0				-1	-1	-0						
120 <i>Credit institutions</i>	29,063	29,063					-1	-1							
130 <i>Other financial corporations</i>	756	756					-0	-0							
140 <i>Non-financial corporations</i>	769	769					-0	-0							
150 Off-balance-sheet exposures	105,045	100,995	4,050	276		276	-149	-49	-100	-19		-19		11,309	4
160 <i>Central banks</i>															
170 <i>General governments</i>	6,926	6,795	131	0		0	-1	-1	-0	-0		-0		2	
180 <i>Credit institutions</i>	3,233	3,157	76				-4	-2	-2	-4		-4		11	
190 <i>Other financial corporations</i>	4,152	4,116	37	2		2	-3	-1	-2	-0		-0		275	0
200 <i>Non-financial corporations</i>	63,822	60,802	3,019	230		230	-102	-36	-66	-12		-12		9,137	3
210 <i>Households</i>	26,912	26,124	787	44		44	-40	-10	-31	-4		-4		1,883	1
220 Total	532,549	514,477	18,072	2,959		2,959	-753	-267	-486	-1,058		-1,058		243,943	1,152

<sup>1</sup> Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions for off-balance sheet exposures have been improved after Q2 2023. Comparative figures have been restated to ensure comparability.

Table 8 - EU CR1-A - Maturity of exposures

The following table discloses net exposure values for on-balance and off-balance sheet exposures. For exposures classified as loans and advances, approximately 55% were within the >5 years maturity range, whereas for exposures classified as debt securities, approximately 69% were within the >1<=5 years maturity range. Total exposure amount for both groups in Q4 2023 amounted to EUR 477.3bn.

EURm	a	b	c	d	e	f
	Net exposure value					Total
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	
1 Loans and advances	7,553	73,875	105,924	237,583	3,802	428,736
2 Debt securities		8,345	33,326	6,918		48,589
3 Total	7,553	82,220	139,250	244,501	3,802	477,325

Table 9 - EU CR2 - Changes in the stock of non-performing loans and advances

The final stock of non-performing loans and advances amounted to EUR 2.9bn at the end of 2023. The net increase of EUR 0.1bn during 2023 was driven by inflows (EUR 1.4bn). This was partly offset by outflows of EUR 1.3bn, of which EUR 0.2bn was driven by write-offs.

EURm	a
Q4 2023	Gross carrying amount
010 Initial stock of non-performing loans and advances	2,725
020 Inflows to non-performing portfolios	1,436
030 Outflows from non-performing portfolios	-1,308
040 <i>Outflows due to write-offs</i>	-245
050 <i>Outflow due to other situations</i>	-1,063
060 Final stock of non-performing loans and advances	2,853

EURm	a
Q2 2023	Gross carrying amount
010 Initial stock of non-performing loans and advances	2,725
020 Inflows to non-performing portfolios	910
030 Outflows from non-performing portfolios	-960
040 <i>Outflows due to write-offs</i>	-121
050 <i>Outflow due to other situations</i>	-839
060 Final stock of non-performing loans and advances	2,676

Table 10 – EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

In comparison to the last reported quarter (Q2 2023) there are no significant changes for loans and advances and debt securities. In Q4 2023, 56% of Nordea total exposures have at least one Credit Risk Mitigation (CRM) mechanism (collateral, financial guarantees), of which the majority are secured by real estate collaterals.

EURm

		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	138,854	241,354	230,562	10,792	
2	Debt securities	47,060				
3	Total	185,914	241,354	230,562	10,792	
4	Of which non-performing exposures	1,786	1,315	1,186	129	
EU-5	Of which defaulted					

Table 11 - EU CR4 – standardised approach – Credit risk exposure and CRM effects

The total exposure amount before CCF and CRM for the standardised approach amounted to EUR 97bn in Q4 2023. The on-balance sheet exposure amounted to EUR 87bn (compared to EUR 98bn in Q2 2023). The decrease in on-balance exposure was mainly driven by lower exposure to central governments or central banks. The REA density remained stable at 12% .

EURm	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
	a	b	c	d	e	f
Q4 2023						
1 Central governments or central banks	69,244	1,020	73,178	693	209	0%
2 Regional government or local authorities	3,743	6,803	4,359	1,063	20	0%
3 Public sector entities						0%
4 Multilateral development banks	1,200	20	1,200			0%
5 International organisations	732		732			0%
6 Institutions	242	1	242	0	67	28%
7 Corporates	1,450	411	1,448	93	1,453	94%
8 Retail	3,855	646	3,837	245	3,025	74%
9 Secured by mortgages on immovable property	2,720	204	2,720	43	968	35%
10 Exposures in default	47	3	44	1	66	147%
11 Exposures associated with particularly high risk						0%
12 Covered bonds						0%
13 Institutions and corporates with a short-term credit assessment						0%
14 Collective investment undertakings	1,194	526	1,194	263	2,423	166%
15 Equity	2,243		2,243		2,442	109%
16 Other items	485		477		399	84%
17 Total	87,153	9,633	91,674	2,401	11,072	12%

EURm	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
	a	b	c	d	e	f
Q4 2022						
1 Central governments or central banks	83,848	894	87,690	913	168	0%
2 Regional government or local authorities	3,299	6,195	3,941	1,029	23	0%
3 Public sector entities						
4 Multilateral development banks	1,059	20	1,060	2		
5 International organisations	606		606			
6 Institutions	156	0	156	0	31	20%
7 Corporates	1,660	428	1,658	85	1,614	93%
8 Retail	4,498	725	4,476	208	3,473	74%
9 Secured by mortgages on immovable property	4,267	303	4,267	14	1,499	35%
10 Exposures in default	49	2	45	0	64	141%
11 Exposures associated with particularly high risk						
12 Covered bonds						
13 Institutions and corporates with a short-term credit assessment						
14 Collective investment undertakings	1,078	601	1,078	300	2,150	156%
15 Equity	2,291		2,291		4,968	217%
16 Other items	641		631		482	76%
17 Total	103,452	9,168	107,900	2,552	14,472	13%



Table 12 - EU CR5 - Standardised approach

At the end of Q4 2023, the total exposure amount treated under standardised approach was EUR 94.1bn. The most predominant change was seen in the 0% risk-weight bucket in the central governments or central banks exposures, mainly driven by lower checking account volumes and bonds.

Q4 2023	Risk weight															Total	Of which
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		unrated
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1 Central governments or central banks	73,740				38					22		72				73,871	0
2 Regional government or local authorities	5,323				99											5,422	
3 Public sector entities																-	
4 Multilateral development banks	1,200															1,200	
5 International organisations	732															732	
6 Institutions	0				217		4			22						242	
7 Corporates							0			1,539	1					1,540	0
8 Retail exposures									4,082							4,082	4,082
9 Exposures secured by mortgages on immovable property						2,734	30									2,764	2,764
10 Exposures in default										2	42					45	45
11 Exposures associated with particularly high risk																	
12 Covered bonds																	
13 Exposures to institutions and corporates with a short-term credit assessment																	
14 Units or shares in collective investment undertakings											1,240			6	210	1,457	1,457
15 Equity exposures										2,109		133				2,243	2,243
16 Other items										83					395	477	477
17 Total	80,994				354	2,734	34		4,082	3,777	1,283	205		6	605	94,074	11,067

EURm	Risk weight															Total	Of which
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	p	unrated
Q2 2023	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o		q
1 Central governments or central banks	85,450				40					8		79				85,577	0
2 Regional government or local authorities	4,652				99											4,751	
3 Public sector entities	99															99	
4 Multilateral development banks	1,073															1,073	
5 International organisations	687															687	
6 Institutions	0				183		1									184	
7 Corporates					15		1			1,591	2					1,608	13
8 Retail exposures									4,216							4,216	4,216
9 Exposures secured by mortgages on immovable property						3,182	29									3,211	3,211
10 Exposures in default										2	37					39	39
11 Exposures associated with particularly high risk																	
12 Covered bonds																	
13 Exposures to institutions and corporates with a short-term credit assessment																	
14 Units or shares in collective investment undertakings											1,169			2	228	1,398	1,398
15 Equity exposures										379		1,318				1,696	1,696
16 Other items									81						446	527	527
17 Total	91,962				337	3,182	31		4,216	2,060	1,208	1,397		2	674	105,068	11,101

Table 13 - EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range

The following tables include comprehensive overview of statistics and inputs used to define the exposure classes under the IRB approach, such as EAD, average PD and average LGD. CR6 tables are presented excluding Counterparty Credit Risk (CCR), and the exposures are broken down by exposure class and obligor grade.

EURm													
	PD range	On-balance sheet exposures	Off-balance- sheet exposures pre- CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
AIRB Central governments and central banks - Total	0.00 to <0.15												
	<i>0.00 to &lt;0.10</i>												
	<i>0.10 to &lt;0.15</i>												
	0.15 to <0.25												
	0.25 to <0.50												
	0.50 to <0.75												
	0.75 to <2.50												
	<i>0.75 to &lt;1.75</i>												
	<i>1.75 to &lt;2.5</i>												
	2.50 to <10.00												
	<i>2.5 to &lt;5</i>												
	<i>5 to &lt;10</i>												
	10.00 to <100.00												
	<i>10 to &lt;20</i>												
	<i>20 to &lt;30</i>												
	<i>30.00 to &lt;100.00</i>												
	100.00 (Default)												
	Sub-total												
AIRB Institutions - Total	0.00 to <0.15												
	<i>0.00 to &lt;0.10</i>												
	<i>0.10 to &lt;0.15</i>												
	0.15 to <0.25												
	0.25 to <0.50												
	0.50 to <0.75												
	0.75 to <2.50												
	<i>0.75 to &lt;1.75</i>												
	<i>1.75 to &lt;2.5</i>												
	2.50 to <10.00												
	<i>2.5 to &lt;5</i>												
	<i>5 to &lt;10</i>												
	10.00 to <100.00												
	<i>10 to &lt;20</i>												
	<i>20 to &lt;30</i>												
	<i>30.00 to &lt;100.00</i>												
	100.00 (Default)												
	Sub-total												

EURm

	PD range	On-balance sheet exposures	Off-balance- sheet exposures pre- CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
AIRB Corporates - Total	0.00 to <0.15	42,678	28,465	50.5%	56,725	0.09%	12,021	29.1%	2.3	15,232	27.5%	131	-574
	0.00 to <0.10	29,153	15,484	49.5%	36,539	0.05%	8,855	27.2%	2.4	8,739	21.3%	121	-573
	0.10 to <0.15	13,525	12,981	52.0%	20,185	0.15%	3,166	32.1%	1.9	6,493	38.9%	10	-1
	0.15 to <0.25	13,612	8,360	46.1%	17,305	0.22%	4,357	28.4%	2.2	6,600	38.1%	11	
	0.25 to <0.50	32,882	12,216	48.0%	38,943	0.44%	8,992	26.4%	2.3	17,133	47.8%	45	
	0.50 to <0.75			56.9%		0.75%		34.7%	2.9		6.1%		
	0.75 to <2.50	15,813	7,008	49.3%	18,992	1.08%	16,520	26.1%	2.3	10,197	51.3%	58	-0
	0.75 to <1.75	13,966	5,824	48.8%	16,695	0.97%	5,923	26.0%	2.4	8,736	51.5%	46	
	1.75 to <2.5	1,848	1,184	53.7%	2,297	2.04%	10,597	27.1%	2.1	1,461	50.1%	13	-0
	2.50 to <10.00	957	415	49.6%	1,166	3.61%	21,180	27.3%	2.5	689	73.3%	10	
	2.5 to <5	957	415	49.6%	1,166	3.61%	20,524	27.3%	2.5	689	73.3%	10	
	5 to <10			56.5%			656		2.4				
	10.00 to <100.00	2,427	1,053	50.8%	2,966	21.29%	25,082	26.1%	2.7	2,801	78.3%	134	-1
	10 to <20	1,458	582	51.2%	1,724	11.53%	6,953	26.1%	2.4	1,596	71.8%	50	
	20 to <30	233	67	39.5%	261	23.31%	401	28.0%	2.5	250	100.8%	12	
	30.00 to <100.00	736	404	52.4%	982	36.19%	17,728	25.5%	3.0	955	83.7%	72	-1
	100.00 (Default)	1,100	322	0.0%	1,129	100.00%	1,760	29.1%	2.4	963	86.7%	411	-559
	Sub-total	109,469	57,840	49.0 %	137,227	1.64%	89,912	27.7 %	2.3	53,614	39.1 %	801	-1,133
AIRB Corporates - SME	0.00 to <0.15	20,228	2,015	52.2%	21,282	0.06%	9,944	22.7%	2.7	3,858	18.1%	61	-192
	0.00 to <0.10	17,830	1,057	61.8%	18,484	0.04%	7,786	22.4%	2.7	3,216	17.4%	60	-192
	0.10 to <0.15	2,398	958	41.7%	2,798	0.16%	2,158	24.4%	2.5	641	22.9%	1	
	0.15 to <0.25	4,182	871	57.8%	4,686	0.25%	2,980	23.8%	2.5	1,339	28.6%	4	
	0.25 to <0.50	14,061	2,331	56.0%	15,369	0.49%	6,588	23.2%	2.4	5,432	35.3%	17	
	0.50 to <0.75												
	0.75 to <2.50	7,228	1,525	49.5%	7,986	1.26%	13,101	23.6%	2.5	3,370	42.2%	21	
	0.75 to <1.75	6,426	1,328	48.5%	7,072	1.12%	4,218	23.5%	2.5	2,944	41.6%	16	
	1.75 to <2.5	803	197	55.8%	913	2.34%	8,883	24.5%	2.4	426	46.6%	4	
	2.50 to <10.00	683	148	54.8%	764	4.12%	19,335	23.6%	2.0	352	46.1%	6	
	2.5 to <5	683	148	54.8%	764	4.04%	19,335	23.6%	2.0	352	46.1%	6	
	5 to <10												
	10.00 to <100.00	1,071	456	52.3%	1,311	23.51%	15,707	24.4%	2.5	868	66.2%	61	-1
	10 to <20	584	206	50.9%	689	13.56%	5,904	23.9%	2.4	440	63.9%	18	
	20 to <30	107	42	43.0%	125	25.39%	328	24.5%	2.5	95	76.5%	7	
	30.00 to <100.00	379	208	55.5%	497	36.83%	9,475	25.1%	2.5	333	66.9%	36	-1
	100.00 (Default)	593	104	8.7%	602	100.00%	1,393	27.4%	2.5	611	101.5%	211	-275
	Sub-total	48,045	7,450	52.9 %	52,001	2.19%	69,048	23.2 %	2.5	15,831	30.4 %	379	-468

EURm														
	PD range	On-balance sheet exposures	Off-balance- sheet exposures pre- CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions	
	a	b	c	d	e	f	g	h	i	j	k	l	m	
AIRB Corporates - Specialised lending	0.00 to <0.15	20			20	0.11%	2	36.3%	4.3	7	35.4%	0	-0	
	0.00 to <0.10	14			14	0.10%	1	36.6%	5.1	6	40.6%	0	-0	
	0.10 to <0.15	6			6	0.15%	1	35.7%	2.5	1	23.1%	0		
	0.15 to <0.25	7			7	0.22%	1	35.6%	2.5	3	38.9%	0		
	0.25 to <0.50													
	0.50 to <0.75													
	0.75 to <2.50		36	56.5%	21	1.29%		32.7%	5.1	16	79.3%	0		
	0.75 to <1.75		36	56.5%	21	1.29%		32.7%	5.1	16	79.3%	0		
	1.75 to <2.5													
	2.50 to <10.00													
	2.5 to <5													
	5 to <10													
	10.00 to <100.00													
	10 to <20													
	20 to <30													
	30.00 to <100.00													
	100.00 (Default)													
	Sub-total	27	36	56.5 %	48	0.64%	3	34.7 %	4.4	26	54.9 %	0	0	
AIRB Corporates - Other	0.00 to <0.15	22,430	26,450	49.1%	35,422	0.11%	2,075	32.2%	2.1	11,367	32.1%	69	-381	
	0.00 to <0.10	11,309	14,427	46.6%	18,041	0.07%	1,068	31.3%	2.4	5,517	30.6%	61	-381	
	0.10 to <0.15	11,121	12,023	52.0%	17,381	0.16%	1,007	33.0%	1.7	5,850	33.7%	9	-1	
	0.15 to <0.25	9,423	7,489	42.5%	12,612	0.27%	1,376	28.0%	2.3	5,258	41.7%	8		
	0.25 to <0.50	18,820	9,885	48.0%	23,574	0.50%	2,404	28.0%	2.0	11,701	49.6%	29		
	0.50 to <0.75													
	0.75 to <2.50	8,585	5,446	44.0%	10,986	1.31%	3,419	28.0%	2.2	6,810	62.0%	37	-0	
	0.75 to <1.75	7,540	4,459	46.2%	9,603	1.14%	1,705	27.8%	2.2	5,775	60.1%	29		
	1.75 to <2.5	1,045	987	34.1%	1,383	2.48%	1,714	29.8%	1.9	1,035	74.8%	8	-0	
	2.50 to <10.00	274	267	47.5%	402	4.47%	1,845	31.9%	2.3	336	83.7%	4		
	2.5 to <5	274	267	47.5%	402	4.47%	1,189	31.9%	2.3	336	83.7%	4		
	5 to <10						656							
	10.00 to <100.00	1,356	597	45.7%	1,655	20.19%	9,375	27.2%	2.4	1,932	116.8%	74	-0	
	10 to <20	874	375	42.5%	1,034	12.86%	1,049	27.5%	2.0	1,156	111.7%	31		
	20 to <30	125	25	41.7%	136	24.06%	73	22.3%	2.4	155	113.6%	6		
	30.00 to <100.00	356	197	52.1%	484	34.76%	8,253	28.1%	3.3	622	128.5%	37	-0	
	100.00 (Default)	507	218	8.9%	527	100.00%	367	30.1%	2.3	352	66.8%	200	-284	
	Sub-total	61,397	50,353	47.1 %	85,178	1.43%	20,861	29.7 %	2.1	37,757	44.3 %	421	-666	
TOTAL AIRB		109,469	57,840	49.0 %	137,227	1.64%	89,912	27.7 %	2.3	53,614	39.1 %	801	-1,133	



EURm													
	PD range	On-balance sheet exposures	Off-balance- sheet exposures pre- CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
RIRB Retail - Total	0.00 to <0.15	111,172	15,998	59.4%	120,515	0.08%	1,897,915	15.9%		10,093	8.4%	37	-427
	0.00 to <0.10	89,599	13,184	59.7%	97,343	0.08%	1,486,076	15.7%		8,003	8.2%	32	-427
	0.10 to <0.15	21,573	2,814	57.8%	23,172	0.11%	411,839	17.2%		2,090	9.0%	5	-0
	0.15 to <0.25	29,015	3,668	60.4%	31,246	0.18%	637,793	17.9%		3,247	10.4%	11	-0
	0.25 to <0.50	14,073	1,913	58.6%	15,243	0.36%	421,591	18.6%		2,049	13.4%	10	-0
	0.50 to <0.75	3,853	524	57.7%	4,161	0.60%	143,035	19.8%		748	18.0%	5	
	0.75 to <2.50	10,781	1,748	62.9%	11,868	1.28%	361,786	19.8%		3,084	26.0%	31	-0
	0.75 to <1.75	9,397	1,445	63.4%	10,306	1.10%	311,546	19.6%		2,501	24.3%	23	-0
	1.75 to <2.5	1,384	303	60.5%	1,562	2.30%	50,240	21.1%		583	37.3%	8	
	2.50 to <10.00	4,381	513	49.0%	4,632	4.25%	164,848	23.7%		1,880	40.6%	47	-1
	2.5 to <5	3,613	450	47.8%	3,828	3.57%	130,663	23.5%		1,529	39.9%	32	-1
	5 to <10	767	63	56.9%	804	7.35%	34,185	24.4%		351	43.7%	14	-0
	10.00 to <100.00	1,726	326	24.3%	1,808	23.37%	67,469	22.6%		1,358	75.1%	94	-0
	10 to <20	501	33	49.4%	518	15.29%	22,500	22.8%		292	56.3%	18	-0
	20 to <30	967	283	20.5%	1,026	26.77%	43,259	22.4%		849	82.8%	56	-0
	30.00 to <100.00	258	10	51.6%	263	33.82%	1,710	25.4%		217	82.3%	20	
	100.00 (Default)	1,277	37	49.9%	1,298	100.00%	58,778	21.3%		3,053	235.2%	44	-45
	Sub-total	176,278	24,726	59.0 %	190,771	1.22%	3,753,215	17.1 %		25,513	13.4 %	278	-473
RIRB Retail - SME secured by immovable property	0.00 to <0.15	166	19	39.4%	174	0.11%	3,649	17.1%		6	3.6%	0	-5
	0.00 to <0.10	3	10	39.1%	6	0.08%	764	16.9%		0	2.9%	0	-5
	0.10 to <0.15	163	10	39.6%	167	0.11%	2,885	17.1%		6	3.7%	0	
	0.15 to <0.25	234	20	40.0%	242	0.18%	3,889	17.0%		12	5.0%	0	
	0.25 to <0.50	95	12	43.1%	100	0.38%	1,403	16.8%		9	9.4%	0	
	0.50 to <0.75	41	17	53.9%	50	0.60%	900	17.1%		7	13.1%	0	
	0.75 to <2.50	324	72	43.9%	355	1.46%	6,426	17.1%		84	23.7%	1	
	0.75 to <1.75	243	56	45.0%	268	1.19%	4,775	16.9%		55	20.7%	1	
	1.75 to <2.5	81	16	39.9%	87	2.30%	1,651	18.0%		29	33.0%	0	
	2.50 to <10.00	42	9	44.8%	46	3.78%	1,009	16.5%		20	43.2%	0	
	2.5 to <5	40	9	44.7%	44	3.62%	963	16.9%		18	41.2%	0	
	5 to <10	2	0	54.7%	2	6.79%	46	9.8%		2	80.4%	0	
	10.00 to <100.00	11	1	52.1%	12	28.88%	256	15.0%		12	101.6%	1	
	10 to <20					37.17%							
	20 to <30	8	1	53.6%	8	23.90%	121	14.0%		9	108.8%	0	
	30.00 to <100.00	3	0	49.6%	3	39.21%	135	17.6%		3	83.8%	0	
	100.00 (Default)	14	1	55.5%	14	100.00%	343	17.7%		31	217.2%	0	-0
	Sub-total	927	151	44.1 %	993	2.62%	17,875	17.0 %	0.0	182	18.3 %	2	-5

EURm													
	PD range	On-balance sheet exposures	Off-balance- sheet exposures pre- CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
RIRB Retail - SME other	0.00 to <0.15	2	3	43.2%	4	0.11%	2,157	32.5%		0	7.2%	3	-21
	0.00 to <0.10	0	1	42.7%	1	0.08%	1,922	30.5%		0	6.0%	3	-21
	0.10 to <0.15	2	2	43.8%	3	0.11%	235	33.0%		0	7.6%	0	
	0.15 to <0.25	17	7	57.3%	21	0.20%	3,464	36.9%		3	14.5%	0	
	0.25 to <0.50	21	32	55.6%	39	0.37%	3,806	34.4%		8	19.4%	0	
	0.50 to <0.75	15	53	61.6%	48	0.60%	3,325	30.2%		11	23.6%	0	
	0.75 to <2.50	341	262	64.7%	513	1.58%	29,184	28.4%		157	30.7%	4	-0
	0.75 to <1.75	192	217	66.3%	338	1.22%	21,703	27.8%		95	28.1%	2	-0
	1.75 to <2.5	148	45	57.1%	175	2.30%	7,481	29.6%		62	35.6%	2	
	2.50 to <10.00	321	91	48.6%	367	4.60%	21,180	30.1%		144	39.3%	6	
	2.5 to <5	228	73	45.8%	263	3.51%	17,210	30.2%		102	38.6%	3	
	5 to <10	93	18	60.2%	104	7.33%	3,970	29.8%		43	41.1%	2	
	10.00 to <100.00	126	124	11.2%	140	22.15%	7,453	31.6%		97	69.6%	10	-0
	10 to <20	46	4	56.4%	49	14.02%	1,846	29.8%		24	50.4%	2	
	20 to <30	66	119	8.7%	77	24.04%	4,032	33.4%		63	82.3%	6	-0
	30.00 to <100.00	13	2	73.9%	15	39.21%	1,575	28.4%		10	66.4%	2	
	100.00 (Default)	53	9	65.7%	59	100.00%	3,701	29.8%		208	352.5%	2	-3
	Sub-total	896	581	49.8%	1,190	9.70%	74,270	29.8%		629	52.8%	24	-24
RIRB Retail - non- SME secured by immovable property	0.00 to <0.15	104,294	7,162	66.8%	109,082	0.08%	705,490	14.3%		9,283	8.5%	9	-214
	0.00 to <0.10	84,830	6,404	66.7%	89,099	0.08%	579,835	14.1%		7,459	8.4%	6	-214
	0.10 to <0.15	19,464	759	68.4%	19,983	0.11%	125,655	15.5%		1,824	9.1%	4	-0
	0.15 to <0.25	25,285	949	68.5%	25,936	0.18%	159,012	15.8%		2,602	10.0%	8	-0
	0.25 to <0.50	11,328	470	68.0%	11,648	0.36%	74,315	15.4%		1,386	11.9%	6	-0
	0.50 to <0.75	2,781	110	69.4%	2,857	0.60%	19,293	15.1%		420	14.7%	3	
	0.75 to <2.50	7,993	376	64.2%	8,234	1.21%	48,205	15.3%		1,845	22.4%	15	-0
	0.75 to <1.75	7,136	330	65.9%	7,354	1.07%	42,315	15.2%		1,533	20.8%	12	-0
	1.75 to <2.5	857	46	52.2%	881	2.30%	5,890	15.7%		313	35.5%	3	
	2.50 to <10.00	874	36	88.2%	906	4.22%	7,022	14.6%		422	46.6%	6	-0
	2.5 to <5	755	29	86.9%	781	3.89%	6,317	15.0%		357	45.7%	5	-0
	5 to <10	119	7	93.9%	125	7.21%	705	12.3%		65	52.2%	1	
	10.00 to <100.00	702	18	88.5%	717	27.08%	6,148	15.0%		649	90.5%	29	-0
	10 to <20	107	6	95.0%	112	16.50%	613	12.4%		79	70.1%	2	-0
	20 to <30	427	11	85.6%	436	24.04%	5,535	15.8%		424	97.2%	17	-0
	30.00 to <100.00	168	0	67.0%	169	39.21%		14.6%		147	86.9%	10	
	100.00 (Default)	809	2	46.2%	810	100.00%	8,295	15.4%		1,422	175.5%	15	-15
	Sub-total	154,067	9,123	67.1%	160,191	0.83%	1,027,780	14.7%		18,030	11.3%	90	-230

EURm													
	PD range	On-balance sheet exposures	Off-balance- sheet exposures pre- CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
RIRB Retail - Qualifying revolving	0.00 to <0.15												
	0.00 to <0.10												
	0.10 to <0.15												
	0.15 to <0.25												
	0.25 to <0.50												
	0.50 to <0.75												
	0.75 to <2.50												
	0.75 to <1.75												
	1.75 to <2.5												
	2.50 to <10.00												
	2.5 to <5												
	5 to <10												
	10.00 to <100.00												
	10 to <20												
	20 to <30												
30.00 to <100.00													
100.00 (Default)													
	Sub-total												
RIRB Retail - non- SME other	0.00 to <0.15	6,709	8,813	51.6%	11,255	0.09%	1,186,619	28.9%		803	7.1%	24	-187
	0.00 to <0.10	4,766	6,769	51.3%	8,237	0.08%	903,555	28.8%		543	6.6%	23	-187
	0.10 to <0.15	1,943	2,044	52.6%	3,018	0.11%	283,064	29.4%		260	8.6%	1	-0
	0.15 to <0.25	3,478	2,692	58.3%	5,047	0.18%	471,428	29.9%		630	12.5%	3	-0
	0.25 to <0.50	2,629	1,400	59.2%	3,457	0.36%	342,067	29.5%		647	18.7%	4	-0
	0.50 to <0.75	1,016	345	55.0%	1,206	0.60%	119,517	30.4%		310	25.7%	2	
	0.75 to <2.50	2,124	1,038	61.9%	2,766	1.35%	277,971	30.7%		997	36.0%	11	-0
	0.75 to <1.75	1,826	842	61.9%	2,347	1.13%	242,753	30.8%		818	34.8%	8	-0
	1.75 to <2.5	298	196	61.8%	419	2.30%	35,218	30.2%		180	42.9%	3	
	2.50 to <10.00	3,143	377	45.3%	3,313	4.14%	135,637	25.4%		1,294	39.1%	35	-0
	2.5 to <5	2,590	339	44.7%	2,741	3.46%	106,173	25.4%		1,053	38.4%	24	-0
	5 to <10	553	38	50.2%	572	7.35%	29,464	25.3%		241	42.2%	11	-0
	10.00 to <100.00	887	183	28.4%	939	22.02%	53,612	26.6%		599	63.8%	55	-0
	10 to <20	348	23	42.6%	357	15.15%	20,041	25.2%		189	52.8%	14	-0
	20 to <30	466	153	25.4%	505	24.04%	33,571	27.5%		353	69.9%	33	-0
30.00 to <100.00	74	7	45.9%	77	39.21%		26.7%		58	75.1%	8		
100.00 (Default)	401	24	55.7%	414	100.00%	46,439	30.2%		1,392	335.9%	27	-27	
	Sub-total	20,388	14,871	53.9%	28,397	2.93%	2,633,290	28.9%		6,672	23.5%	161	-214
TOTAL RIRB		176,278	24,726	59.0 %	190,771	1.22%	3,753,215	17.1 %		25,513	13.4 %	278	-473

EURm													
	PD range	On-balance sheet exposures	Off-balance- sheet exposures pre- CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
FIRB - Central governments and central banks - Total	0.00 to <0.15												
	0.00 to <0.10												
	0.10 to <0.15												
	0.15 to <0.25												
	0.25 to <0.50												
	0.50 to <0.75												
	0.75 to <2.50												
	0.75 to <1.75												
	1.75 to <2.5												
	2.50 to <10.00												
	2.5 to <5												
	5 to <10												
	10.00 to <100.00												
	10 to <20												
	20 to <30												
	30.00 to <100.00												
	100.00 (Default)												
Sub-total													
FIRB Institutions - Total	0.00 to <0.15	27,967	1,354	27.1%	28,333	0.07%	456	12.6%	2.5	2,398	8.5%	3	-96
	0.00 to <0.10	24,109	1,131	25.4%	24,396	0.06%	325	12.5%	2.5	1,950	8.0%	2	-96
	0.10 to <0.15	3,858	223	35.3%	3,937	0.12%	131	12.8%	2.5	448	11.4%	1	
	0.15 to <0.25	11	192	50.5%	108	0.18%	84	45.0%	2.5	52	47.7%	0	
	0.25 to <0.50	159	203	19.7%	199	0.37%	116	27.8%	2.4	71	35.8%	0	
	0.50 to <0.75	109	331	21.3%	179	0.66%	39	45.0%	2.5	147	82.0%	1	
	0.75 to <2.50	32	87	22.7%	52	1.20%	40	41.9%	2.5	34	65.9%	0	
	0.75 to <1.75	32	78	22.0%	49	1.16%	40	41.7%	2.5	33	67.8%	0	
	1.75 to <2.5		9	28.1%	3	2.05%		45.0%	2.7	1	28.4%	0	
	2.50 to <10.00	8	19	36.0%	15	2.94%	15	45.0%	2.5	18	125.2%	0	
	2.5 to <5	8	18	35.8%	14	2.85%	13	45.0%	2.5	18	125.8%	0	
	5 to <10	0	0	50.0%	0	8.46%	2	45.0%	2.5	0	90.0%	0	
	10.00 to <100.00	49	51	21.6%	60	24.93%	91	45.0%	2.5	152	252.6%	7	
	10 to <20	2	49	20.8%	13	11.29%	18	45.0%	2.5	12	97.5%	1	
	20 to <30	47	2	42.5%	47	28.56%	73	45.0%	2.5	139	294.0%	6	
	30.00 to <100.00	0	0	100.0%	0	36.23%		45.0%	2.5	0	28.0%	0	
	100.00 (Default)	0			1	100.00%	49	44.7%	2.5			0	-0
Sub-total		28,335	2,235	27.3%	28,947	0.13%	890	13.1%	2.5	2,872	9.9%	11	-96

EURm

	PD range	On-balance sheet exposures	Off-balance- sheet exposures pre- CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
FIRB Corporates - Total	0.00 to <0.15	2,327	678	14.4%	2,371	0.09%	2,590	42.2%	2.5	856	36.1%	1	-89
	<i>0.00 to &lt;0.10</i>	<i>1,841</i>	<i>277</i>	<i>20.7%</i>	<i>1,873</i>	<i>0.07%</i>	<i>1,472</i>	<i>42.1%</i>	<i>2.5</i>	<i>684</i>	<i>36.5%</i>	<i>1</i>	<i>-89</i>
	<i>0.10 to &lt;0.15</i>	<i>486</i>	<i>401</i>	<i>7.7%</i>	<i>498</i>	<i>0.15%</i>	<i>1,118</i>	<i>42.4%</i>	<i>2.5</i>	<i>172</i>	<i>34.6%</i>	<i>0</i>	
	0.15 to <0.25	832	445	11.4%	878	0.22%	1,535	42.6%	2.5	347	39.5%	1	-0
	0.25 to <0.50	1,625	609	17.0%	1,689	0.43%	3,176	42.1%	2.5	930	55.0%	3	-0
	0.50 to <0.75	27			27					8	31.1%	0	
	0.75 to <2.50	1,546	742	21.2%	1,647	1.22%	3,233	42.6%	2.5	1,305	79.2%	8	-0
	<i>0.75 to &lt;1.75</i>	<i>1,232</i>	<i>515</i>	<i>24.6%</i>	<i>1,302</i>	<i>1.02%</i>	<i>2,487</i>	<i>42.7%</i>	<i>2.5</i>	<i>977</i>	<i>75.1%</i>	<i>5</i>	<i>-0</i>
	<i>1.75 to &lt;2.5</i>	<i>315</i>	<i>227</i>	<i>7.5%</i>	<i>345</i>	<i>2.04%</i>	<i>746</i>	<i>42.1%</i>	<i>2.5</i>	<i>327</i>	<i>94.8%</i>	<i>3</i>	<i>-0</i>
	2.50 to <10.00	283	86	15.3%	287	3.61%	608	42.6%	2.5	313	109.2%	4	
	<i>2.5 to &lt;5</i>	<i>283</i>	<i>86</i>	<i>15.3%</i>	<i>287</i>	<i>3.61%</i>	<i>608</i>	<i>42.6%</i>	<i>2.5</i>	<i>313</i>	<i>109.2%</i>	<i>4</i>	
	<i>5 to &lt;10</i>	<i>0</i>			<i>0</i>					<i>0</i>	<i>73.5%</i>	<i>0</i>	
	10.00 to <100.00	1,467	710	2.8%	1,486	23.42%	7,434	42.0%	2.5	945	63.6%	37	-0
	<i>10 to &lt;20</i>	<i>187</i>	<i>114</i>	<i>16.4%</i>	<i>200</i>	<i>11.77%</i>	<i>770</i>	<i>41.8%</i>	<i>2.5</i>	<i>299</i>	<i>149.4%</i>	<i>10</i>	
	<i>20 to &lt;30</i>	<i>29</i>	<i>10</i>	<i>9.2%</i>	<i>29</i>	<i>23.86%</i>	<i>207</i>	<i>42.3%</i>	<i>2.5</i>	<i>45</i>	<i>152.7%</i>	<i>3</i>	
	<i>30.00 to &lt;100.00</i>	<i>1,251</i>	<i>585</i>	<i>0.7%</i>	<i>1,257</i>	<i>36.23%</i>	<i>6,457</i>	<i>42.2%</i>	<i>2.5</i>	<i>601</i>	<i>47.8%</i>	<i>25</i>	<i>-0</i>
	100.00 (Default)	70	21	27.1%	74	100.00%	346	43.5%	2.5	7	9.3%	31	-21
	Sub-total	8,177	3,291	13.0%	8,460	7.12%	18,922	42.2%	2.5	4,712	55.7%	86	-111
FIRB Corporates - SME	0.00 to <0.15	311	126	4.6%	308	0.13%	1,414	42.3%	2.5	69	22.3%	0	-35
	<i>0.00 to &lt;0.10</i>	<i>155</i>	<i>72</i>	<i>4.3%</i>	<i>149</i>	<i>0.08%</i>	<i>709</i>	<i>42.7%</i>	<i>2.5</i>	<i>29</i>	<i>19.5%</i>	<i>0</i>	<i>-35</i>
	<i>0.10 to &lt;0.15</i>	<i>156</i>	<i>54</i>	<i>5.0%</i>	<i>159</i>	<i>0.17%</i>	<i>705</i>	<i>41.9%</i>	<i>2.5</i>	<i>40</i>	<i>24.9%</i>	<i>0</i>	
	0.15 to <0.25	223	56	2.2%	224	0.23%	874	42.1%	2.5	70	31.2%	0	
	0.25 to <0.50	690	152	6.1%	699	0.45%	1,985	41.7%	2.5	307	43.9%	1	-0
	0.50 to <0.75	27			27	0.66%		45.0%	2.5	8	30.7%	0	
	0.75 to <2.50	791	215	6.7%	815	1.28%	2,155	41.7%	2.5	509	62.4%	4	-0
	<i>0.75 to &lt;1.75</i>	<i>641</i>	<i>179</i>	<i>7.2%</i>	<i>663</i>	<i>1.08%</i>	<i>1,641</i>	<i>41.8%</i>	<i>2.5</i>	<i>401</i>	<i>60.4%</i>	<i>3</i>	<i>-0</i>
	<i>1.75 to &lt;2.5</i>	<i>150</i>	<i>36</i>	<i>4.1%</i>	<i>152</i>	<i>2.16%</i>	<i>514</i>	<i>41.5%</i>	<i>2.5</i>	<i>108</i>	<i>71.0%</i>	<i>1</i>	
	2.50 to <10.00	132	40	2.8%	134	3.74%	400	42.2%	2.5	103	76.8%	2	
	<i>2.5 to &lt;5</i>	<i>132</i>	<i>40</i>	<i>2.8%</i>	<i>134</i>	<i>3.74%</i>	<i>400</i>	<i>42.2%</i>	<i>2.5</i>	<i>103</i>	<i>76.8%</i>	<i>2</i>	
	<i>5 to &lt;10</i>												
	10.00 to <100.00	412	103	3.7%	416	28.34%	3,641	42.7%	2.5	355	85.2%	19	-0
	<i>10 to &lt;20</i>	<i>125</i>	<i>64</i>	<i>4.2%</i>	<i>128</i>	<i>12.56%</i>	<i>555</i>	<i>40.8%</i>	<i>2.5</i>	<i>163</i>	<i>127.3%</i>	<i>6</i>	
	<i>20 to &lt;30</i>	<i>25</i>	<i>9</i>	<i>1.2%</i>	<i>25</i>	<i>25.88%</i>	<i>171</i>	<i>41.3%</i>	<i>2.5</i>	<i>40</i>	<i>158.3%</i>	<i>3</i>	
	<i>30.00 to &lt;100.00</i>	<i>262</i>	<i>30</i>	<i>3.5%</i>	<i>263</i>	<i>36.24%</i>	<i>2,915</i>	<i>43.8%</i>	<i>2.5</i>	<i>152</i>	<i>57.8%</i>	<i>10</i>	<i>-0</i>
	100.00 (Default)	55	9	11.2%	56	100.00%	227	43.2%	2.5	1	1.2%	24	-16
	Sub-total	2,642	701	5.2%	2,679	7.22%	10,696	42.1%	2.5	1,420	53.0%	50	-51



EURm													
	PD range	On-balance sheet exposures	Off-balance- sheet exposures pre- CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
FIRB Corporates - Specialised lending	0.00 to <0.15												
	<i>0.00 to &lt;0.10</i>												
	<i>0.10 to &lt;0.15</i>												
	0.15 to <0.25												
	0.25 to <0.50												
	0.50 to <0.75												
	0.75 to <2.50												
	<i>0.75 to &lt;1.75</i>												
	<i>1.75 to &lt;2.5</i>												
	2.50 to <10.00												
	<i>2.5 to &lt;5</i>												
	<i>5 to &lt;10</i>												
	10.00 to <100.00												
	<i>10 to &lt;20</i>												
	<i>20 to &lt;30</i>												
	<i>30.00 to &lt;100.00</i>												
	100.00 (Default)												
	Sub-total												
FIRB Corporates - Other	0.00 to <0.15	2,015	552	8.7%	2,063	0.08%	1,176	44.1%	2.5	788	38.2%	1	-54
	<i>0.00 to &lt;0.10</i>	<i>1,685</i>	<i>205</i>	<i>18.9%</i>	<i>1,724</i>	<i>0.06%</i>	<i>763</i>	<i>44.6%</i>	<i>2.5</i>	<i>655</i>	<i>38.0%</i>	<i>1</i>	<i>-54</i>
	<i>0.10 to &lt;0.15</i>	<i>330</i>	<i>347</i>	<i>2.6%</i>	<i>339</i>	<i>0.15%</i>	<i>413</i>	<i>41.8%</i>	<i>2.5</i>	<i>133</i>	<i>39.1%</i>	<i>0</i>	
	0.15 to <0.25	610	389	11.4%	654	0.22%	661	41.2%	2.5	277	42.4%	1	-0
	0.25 to <0.50	935	457	12.0%	990	0.42%	1,191	42.9%	2.5	623	62.9%	2	
	0.50 to <0.75	0			0	0.66%		45.0%	2.5	0	78.1%	0	
	0.75 to <2.50	755	526	14.6%	832	1.29%	1,078	43.1%	2.5	796	95.7%	4	-0
	<i>0.75 to &lt;1.75</i>	<i>591</i>	<i>336</i>	<i>14.1%</i>	<i>638</i>	<i>1.00%</i>	<i>846</i>	<i>43.0%</i>	<i>2.5</i>	<i>577</i>	<i>90.4%</i>	<i>3</i>	<i>-0</i>
	<i>1.75 to &lt;2.5</i>	<i>164</i>	<i>191</i>	<i>15.3%</i>	<i>193</i>	<i>2.05%</i>	<i>232</i>	<i>43.5%</i>	<i>2.5</i>	<i>219</i>	<i>113.4%</i>	<i>2</i>	<i>-0</i>
	2.50 to <10.00	150	47	6.7%	154	3.61%	208	43.5%	2.5	211	137.4%	2	
	<i>2.5 to &lt;5</i>	<i>150</i>	<i>47</i>	<i>6.7%</i>	<i>154</i>	<i>3.61%</i>	<i>208</i>	<i>43.5%</i>	<i>2.5</i>	<i>211</i>	<i>137.4%</i>	<i>2</i>	
	<i>5 to &lt;10</i>	<i>0</i>			<i>0</i>	<i>9.17%</i>		<i>45.0%</i>	<i>2.5</i>	<i>0</i>	<i>73.5%</i>	<i>0</i>	
	10.00 to <100.00	1,055	607	2.5%	1,070	34.68%	3,793	38.5%	2.5	590	55.2%	18	-0
	<i>10 to &lt;20</i>	<i>62</i>	<i>50</i>	<i>20.3%</i>	<i>72</i>	<i>12.16%</i>	<i>215</i>	<i>41.8%</i>	<i>2.5</i>	<i>136</i>	<i>188.4%</i>	<i>4</i>	
	<i>20 to &lt;30</i>	<i>4</i>	<i>1</i>	<i>9.2%</i>	<i>4</i>	<i>23.68%</i>	<i>36</i>	<i>41.8%</i>	<i>2.5</i>	<i>5</i>	<i>118.2%</i>	<i>0</i>	
	<i>30.00 to &lt;100.00</i>	<i>989</i>	<i>555</i>	<i>0.9%</i>	<i>994</i>	<i>36.23%</i>	<i>3,542</i>	<i>38.3%</i>	<i>2.5</i>	<i>449</i>	<i>45.2%</i>	<i>14</i>	<i>-0</i>
	100.00 (Default)	15	12	29.4%	18	100.00%	119	43.5%	2.5	6	34.0%	7	-6
	Sub-total	5,535	2,590	9.5%	5,781	7.11%	8,226	42.4%	2.5	3,291	56.9%	36	-60
TOTAL FIRB		36,512	5,526	18.8 %	37,407	1.71%	19,812	19.7 %	2.5	7,583	20.3 %	97	-207

Table 14 - EU CR6-A - Scope of the use of IRB and SA approaches

The scope of the use of Internal Ratings Based (IRB) and Standardised (SA) approaches is provided in the table below. IRB approach accounted for 80% of total exposure and includes institutions, corporates and retail exposure classes. SA approach accounted for 18% of total exposure and mainly include central governments or central banks and equity exposures.

EURm

	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
	a	b	c	d	e
1 Central governments or central banks		76,633	100%		
1.1 <i>Of which Regional governments or local authorities</i>		5,058	100%		
1.2 <i>Of which Public sector entities</i>		95	100%		
2 Institutions	28,891	29,308	1%	99%	
3 Corporates	148,071	144,009	0%	99%	1%
3.1 <i>Of which Corporates - Specialised lending, excluding slotting approach</i>		131		100%	
3.2 <i>Of which Corporates - Specialised lending under slotting approach</i>		131		100%	
4 Retail	192,998	188,350	0%	96%	3%
4.1 <i>Of which Retail – Secured by real estate SMEs</i>		939	0%	100%	
4.2 <i>Of which Retail – Secured by real estate non-SMEs</i>		158,485	0%	98%	2%
4.3 <i>Of which Retail – Qualifying revolving</i>					
4.4 <i>Of which Retail – Other SMEs</i>		1,815	1%	59%	40%
4.5 <i>Of which Retail – Other non-SMEs</i>		27,112	1%	88%	10%
5 Equity		3,434	100%		
6 Other non-credit obligation assets	3,313	3,841	3%	86%	10%
7 Total	373,273	445,575	18%	80%	2%

Table 15 - EU CR7 – IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques

The following table discloses the effect on the RWEAs of credit derivatives used as CRM techniques for the IRB approach. The most significant difference was seen in the A-IRB Corporates segment, which decreased by EUR 1.0bn compared to last reporting period.

EURm		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
Q4 2023		a	b
1	Exposures under F-IRB	10,700	7,583
2	Central governments and central banks		
3	Institutions	2,827	2,872
4	Corporates	7,872	4,712
4.1	of which Corporates - SMEs	1,628	1,420
4.2	of which Corporates - Specialised lending		
5	Exposures under A-IRB	93,666	79,127
6	Central governments and central banks		
7	Institutions		
8	Corporates	65,934	53,614
8.1	of which Corporates - SMEs	20,696	15,832
8.2	of which Corporates - Specialised lending	13	26
9	Retail	27,732	25,513
9.1	of which Retail – SMEs - Secured by immovable property collateral	0	182
9.2	of which Retail – non-SMEs - Secured by immovable property collateral	3	18,028
9.3	of which Retail – Qualifying revolving		
9.4	of which Retail – SMEs - Other	1,121	629
9.5	of which Retail – Non-SMEs- Other	26,609	6,674
10	Total (including F-IRB exposures and A-IRB exposures)	104,366	86,710

EURm		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
Q2 2023		a	b
1	Exposures under F-IRB	11,075	7,549
2	Central governments and central banks		
3	Institutions	2,461	2,760
4	Corporates	8,614	4,788
4.1	of which Corporates - SMEs	1,703	1,434
4.2	of which Corporates - Specialised lending		
5	Exposures under A-IRB	90,602	79,401
6	Central governments and central banks		
7	Institutions		
8	Corporates	64,375	54,713
8.1	of which Corporates - SMEs	19,895	15,772
8.2	of which Corporates - Specialised lending	14	8
9	Retail	26,227	24,688
9.1	of which Retail – SMEs - Secured by immovable property collateral		190
9.2	of which Retail – non-SMEs - Secured by immovable property collateral	5	17,235
9.3	of which Retail – Qualifying revolving		
9.4	of which Retail – SMEs - Other	1,194	689
9.5	of which Retail – Non-SMEs- Other	25,027	6,574
10	Total (including F-IRB exposures and A-IRB exposures)	101,677	86,949

Table 16 - EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques

The following table provides a comprehensive overview of use of credit risk mitigation techniques according to Advanced IRB approach and Foundation IRB approach broken down by exposure class.

EURm	A-IRB	Total exposures	Credit risk Mitigation techniques									Credit risk Mitigation			
			Funded credit Protection (FCP)								Unfunded credit Protection (UFCP)		RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)	
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)			Part of exposures covered by Credit Derivatives (%)
		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1 Central governments and central banks															
2 Institutions															
3 Corporates															
3.1 Of which Corporates – SMEs															
3.2 Of which Corporates – Specialised lending															
3.3 Of which Corporates – Other															
4 Retail															
4.1 Of which Retail – Immovable property SMEs															
4.2 Of which Retail – Immovable property non-SMEs															
4.3 Of which Retail – Qualifying revolving															
4.4 Of which Retail – Other SMEs															
4.5 Of which Retail – Other non-SMEs															
5 Total															

EURm	F-IRB	Total exposures	Credit risk Mitigation techniques										Credit risk Mitigation		
			Funded credit Protection (FCP)								Unfunded credit Protection (UFCP)		RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)	
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)			Part of exposures covered by Credit Derivatives (%)
		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1 Central governments and central banks															
2	Institutions	28,947	0%	0%	0%	0%	0%					0%		2,866	2,872
3	Corporates	8,460	0%	37%	1%	16%	20%					28%		4,688	4,712
3.1	Of which Corporates – SMEs	2,679	0%	48%	2%	8%	38%					2%		1,368	1,420
3.2	Of which Corporates – Specialised lending														
3.3	Of which Corporates – Other	5,781	0%	32%	0%	20%	12%					26%		3,319	3,291
4	Total	37,407	0%	8%	0%	4%	5%					4%		7,553	7,583

Table 17 - EU CR8 - RWEA flow statements of credit risk exposures under the IRB approach

During the fourth quarter of 2023 IRB REA decreased by EUR 1.6bn, mainly driven by increased credit protection following the launch of a new securitisation transaction (seen in "other") and decreased asset size. This was partly offset by FX effects, changes in asset quality and model updates.

EURm

Risk weighted exposure  
amount

	a
1 Risk weighted exposure amount as at the end of the previous reporting period	91,245
2 Asset size (+/-)	-358
3 Asset quality (+/-)	334
4 Model updates (+/-)	262
5 Methodology and policy (+/-)	
6 Acquisitions and disposals (+/-)	
7 Foreign exchange movements (+/-)	358
8 Other (+/-)	-2,172
9 Risk weighted exposure amount as at the end of the reporting period	89,669



Table 18 - EU CR9 - IRB approach - Back-testing of PD per exposure class (fixed PD scale)

The following table discloses a back-testing of the probability of default (PD), by comparing the regulatory PD with the actual default frequency (ADF). PD and ADF are calculated per exposure class and sub-exposure class, as well as on the approach levels; FIRB vs AIRB for the Corporates. The exposure classes and PD ranges are specified in columns a and b. Column c, d and e depicts the number of obligors at the end of the previous year, the number of obligors of which defaulted during the year and the observed average default rate. Columns f and g depicts the exposure-weighted average PD and the arithmetic average of PD at the beginning of the reporting period that fall within the bucket of the fixed PD range and counted in column c. Column h depicts the simple average of the annual default rate of the five most recent years (obligors at the beginning of each year that are defaulted during that year/total obligor hold at the beginning of the year). A comparison of columns g and h gives an indication of how Nordea's current regulatory PD performs in a 5 year horizon.

A-IRB

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		c	Of which number of obligors which defaulted in the year d				
a	b	c	d	e	f	g	h
Corporates – SME	0.00 to <0.15	10,463	7	0.07%	0.06%	0.08%	0.07%
	0.00 to <0.10	7,970	4	0.05%	0.04%	0.05%	0.06%
	0.10 to <0.15	2,493	3	0.12%	0.15%	0.15%	0.09%
	0.15 to <0.25	3,176	7	0.22%	0.22%	0.22%	0.20%
	0.25 to <0.50	6,912	23	0.33%	0.45%	0.43%	0.52%
	0.50 to <0.75	135	0	0.00%	0.56%	0.59%	0.45%
	0.75 to <2.50	12,807	102	0.80%	1.06%	1.64%	0.87%
	0.75 to <1.75	6,280	43	0.68%	0.96%	1.18%	0.66%
	1.75 to <2.5	6,527	59	0.90%	2.05%	2.08%	1.31%
	2.50 to <10.00	20,855	312	1.50%	3.61%	4.50%	1.49%
	2.5 to <5	14,648	156	1.06%	3.61%	3.46%	1.23%
	5 to <10	6,207	156	2.51%	7.97%	6.97%	5.78%
	10.00 to <100.00	14,671	1,254	8.55%	23.38%	31.18%	7.87%
	10 to <20	4,873	288	5.91%	11.91%	13.32%	5.62%
	20 to <30	1,567	150	9.57%	23.74%	24.65%	7.45%
	30.00 to <100.00	8,231	816	9.91%	36.23%	43.00%	11.40%
	100.00 (Default)	1,134	1,134	100.00%	100.00%	100.00%	100.00%

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
		c	Of which number of obligors which defaulted in the year d				
a	b	c	d	e	f	g	h
Corporates – Specialised lending	0.00 to <0.15	1	0	0.00%	0.10%	0.10%	0.00%
	0.00 to <0.10	1	0	0.00%	0.10%	0.10%	0.00%
	0.10 to <0.15						
	0.15 to <0.25						
	0.25 to <0.50	1	0	0.00%	0.38%	0.38%	0.00%
	0.50 to <0.75						
	0.75 to <2.50						
	0.75 to <1.75						
	1.75 to <2.5						
	2.50 to <10.00						
	2.5 to <5						
	5 to <10						
	10.00 to <100.00						
	10 to <20						
	20 to <30						
	30.00 to <100.00						
	100.00 (Default)						

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Corporates – Other	0.00 to <0.15	2,220	3	0.14%	0.11%	0.11%	0.51%
	<i>0.00 to &lt;0.10</i>	<i>1,148</i>	<i>0</i>	<i>0.00%</i>	<i>0.06%</i>	<i>0.07%</i>	<i>0.37%</i>
	<i>0.10 to &lt;0.15</i>	<i>1,072</i>	<i>3</i>	<i>0.28%</i>	<i>0.15%</i>	<i>0.15%</i>	<i>0.65%</i>
	0.15 to <0.25	1,409	5	0.35%	0.22%	0.22%	0.94%
	0.25 to <0.50	2,503	29	1.16%	0.44%	0.43%	0.76%
	0.50 to <0.75	67	3	4.48%	0.57%	0.59%	4.60%
	0.75 to <2.50	2,767	58	2.10%	1.05%	1.45%	1.46%
	<i>0.75 to &lt;1.75</i>	<i>1,628</i>	<i>23</i>	<i>1.41%</i>	<i>0.97%</i>	<i>1.05%</i>	<i>0.98%</i>
	<i>1.75 to &lt;2.5</i>	<i>1,139</i>	<i>35</i>	<i>3.07%</i>	<i>2.05%</i>	<i>2.01%</i>	<i>2.27%</i>
	2.50 to <10.00	2,049	74	3.61%	3.61%	4.18%	2.68%
	<i>2.5 to &lt;5</i>	<i>1,589</i>	<i>51</i>	<i>3.21%</i>	<i>3.61%</i>	<i>3.45%</i>	<i>2.29%</i>
	<i>5 to &lt;10</i>	<i>460</i>	<i>23</i>	<i>5.00%</i>	<i>6.49%</i>	<i>6.68%</i>	<i>5.72%</i>
	10.00 to <100.00	9,279	214	2.31%	23.93%	34.16%	3.58%
	<i>10 to &lt;20</i>	<i>790</i>	<i>45</i>	<i>5.70%</i>	<i>11.57%</i>	<i>12.37%</i>	<i>5.77%</i>
	<i>20 to &lt;30</i>	<i>239</i>	<i>28</i>	<i>11.72%</i>	<i>24.46%</i>	<i>24.68%</i>	<i>7.79%</i>
	<i>30.00 to &lt;100.00</i>	<i>8,250</i>	<i>141</i>	<i>1.71%</i>	<i>36.23%</i>	<i>36.52%</i>	<i>4.59%</i>
	100.00 (Default)	249	249	100.00%	100.00%	100.00%	100.00%

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Retail – SME secured by immovable property collateral	0.00 to <0.15	2,445	0	0.00%	0.11%	0.10%	0.00%
	<i>0.00 to &lt;0.10</i>	<i>803</i>	<i>0</i>	<i>0.00%</i>	<i>0.08%</i>	<i>0.08%</i>	<i>0.00%</i>
	<i>0.10 to &lt;0.15</i>	<i>1,642</i>	<i>0</i>	<i>0.00%</i>	<i>0.11%</i>	<i>0.11%</i>	<i>0.00%</i>
	0.15 to <0.25	5,055	3	0.06%	0.18%	0.18%	0.07%
	0.25 to <0.50	1,664	7	0.42%	0.39%	0.38%	0.19%
	0.50 to <0.75	1,048	7	0.67%	0.60%	0.60%	0.43%
	0.75 to <2.50	6,839	70	1.02%	1.36%	1.38%	0.95%
	<i>0.75 to &lt;1.75</i>	<i>5,636</i>	<i>40</i>	<i>0.71%</i>	<i>1.18%</i>	<i>1.19%</i>	<i>0.72%</i>
	<i>1.75 to &lt;2.5</i>	<i>1,203</i>	<i>30</i>	<i>2.49%</i>	<i>2.30%</i>	<i>2.30%</i>	<i>2.18%</i>
	2.50 to <10.00	1,005	36	3.58%	4.01%	3.83%	4.35%
	<i>2.5 to &lt;5</i>	<i>940</i>	<i>36</i>	<i>3.83%</i>	<i>3.61%</i>	<i>3.60%</i>	<i>4.45%</i>
	<i>5 to &lt;10</i>	<i>65</i>	<i>0</i>	<i>0.00%</i>	<i>7.16%</i>	<i>7.22%</i>	<i>2.84%</i>
	10.00 to <100.00	231	55	23.81%	27.07%	28.00%	24.73%
	<i>10 to &lt;20</i>	<i>57</i>	<i>11</i>	<i>19.30%</i>	<i>16.43%</i>	<i>16.67%</i>	<i>16.40%</i>
	<i>20 to &lt;30</i>	<i>86</i>	<i>8</i>	<i>9.30%</i>	<i>24.04%</i>	<i>24.04%</i>	<i>11.57%</i>
	<i>30.00 to &lt;100.00</i>	<i>88</i>	<i>36</i>	<i>40.91%</i>	<i>39.21%</i>	<i>39.21%</i>	<i>42.32%</i>
	100.00 (Default)	363	363	100.00%	100.00%	100.00%	100.00%

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Retail – SME other	0.00 to <0.15	2,124	28	1.32%	0.10%	0.08%	0.91%
	<i>0.00 to &lt;0.10</i>	<i>1,950</i>	<i>28</i>	<i>1.44%</i>	<i>0.08%</i>	<i>0.08%</i>	<i>0.96%</i>
	<i>0.10 to &lt;0.15</i>	<i>174</i>	<i>0</i>	<i>0.00%</i>	<i>0.11%</i>	<i>0.11%</i>	<i>0.49%</i>
	0.15 to <0.25	3,624	13	0.36%	0.20%	0.21%	0.46%
	0.25 to <0.50	4,143	14	0.34%	0.39%	0.38%	0.31%
	0.50 to <0.75	4,619	19	0.41%	0.60%	0.60%	0.48%
	0.75 to <2.50	31,041	542	1.75%	1.53%	1.43%	1.65%
	<i>0.75 to &lt;1.75</i>	<i>23,727</i>	<i>345</i>	<i>1.45%</i>	<i>1.23%</i>	<i>1.16%</i>	<i>1.40%</i>
	<i>1.75 to &lt;2.5</i>	<i>7,314</i>	<i>197</i>	<i>2.69%</i>	<i>2.30%</i>	<i>2.30%</i>	<i>2.46%</i>
	2.50 to <10.00	22,804	1,113	4.88%	4.72%	4.16%	4.45%
	<i>2.5 to &lt;5</i>	<i>18,674</i>	<i>782</i>	<i>4.19%</i>	<i>3.54%</i>	<i>3.46%</i>	<i>3.19%</i>
	<i>5 to &lt;10</i>	<i>4,130</i>	<i>331</i>	<i>8.01%</i>	<i>7.35%</i>	<i>7.33%</i>	<i>10.07%</i>
	10.00 to <100.00	6,800	822	12.09%	22.65%	23.92%	16.07%
	<i>10 to &lt;20</i>	<i>1,762</i>	<i>272</i>	<i>15.44%</i>	<i>14.01%</i>	<i>14.68%</i>	<i>15.51%</i>
	<i>20 to &lt;30</i>	<i>4,005</i>	<i>180</i>	<i>4.49%</i>	<i>24.04%</i>	<i>24.04%</i>	<i>9.11%</i>
	<i>30.00 to &lt;100.00</i>	<i>1,033</i>	<i>370</i>	<i>35.82%</i>	<i>39.21%</i>	<i>39.21%</i>	<i>40.32%</i>
	100.00 (Default)	4,312	4,312	100.00%	100.00%	100.00%	100.00%

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Retail – Non-SME secured by immovable property collateral	0.00 to <0.15	743,478	557	0.07%	0.08%	0.08%	0.05%
	<i>0.00 to &lt;0.10</i>	<i>654,258</i>	<i>398</i>	<i>0.06%</i>	<i>0.08%</i>	<i>0.08%</i>	<i>0.04%</i>
	<i>0.10 to &lt;0.15</i>	<i>89,220</i>	<i>159</i>	<i>0.18%</i>	<i>0.11%</i>	<i>0.11%</i>	<i>0.09%</i>
	0.15 to <0.25	147,124	445	0.30%	0.18%	0.18%	0.16%
	0.25 to <0.50	70,428	501	0.71%	0.35%	0.36%	0.35%
	0.50 to <0.75	18,347	214	1.17%	0.60%	0.60%	0.61%
	0.75 to <2.50	45,033	806	1.79%	1.23%	1.27%	1.16%
	<i>0.75 to &lt;1.75</i>	<i>38,704</i>	<i>596</i>	<i>1.54%</i>	<i>1.08%</i>	<i>1.10%</i>	<i>1.00%</i>
	<i>1.75 to &lt;2.5</i>	<i>6,329</i>	<i>210</i>	<i>3.32%</i>	<i>2.30%</i>	<i>2.30%</i>	<i>2.24%</i>
	2.50 to <10.00	7,118	253	3.55%	4.19%	4.12%	2.47%
	<i>2.5 to &lt;5</i>	<i>6,538</i>	<i>195</i>	<i>2.98%</i>	<i>3.85%</i>	<i>3.84%</i>	<i>2.01%</i>
	<i>5 to &lt;10</i>	<i>580</i>	<i>58</i>	<i>10.00%</i>	<i>7.23%</i>	<i>7.37%</i>	<i>4.18%</i>
	10.00 to <100.00	5,774	1,157	20.04%	26.31%	26.97%	14.47%
	<i>10 to &lt;20</i>	<i>629</i>	<i>93</i>	<i>14.79%</i>	<i>16.27%</i>	<i>16.19%</i>	<i>9.78%</i>
	<i>20 to &lt;30</i>	<i>3,704</i>	<i>390</i>	<i>10.53%</i>	<i>24.04%</i>	<i>24.04%</i>	<i>7.69%</i>
	<i>30.00 to &lt;100.00</i>	<i>1,441</i>	<i>674</i>	<i>46.77%</i>	<i>39.21%</i>	<i>39.21%</i>	<i>41.70%</i>
	100.00 (Default)	7,574	7,574	100.00%	100.00%	100.00%	100.00%

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Retail – Qualifying revolving	0.00 to <0.15						
	0.00 to <0.10						
	0.10 to <0.15						
	0.15 to <0.25						
	0.25 to <0.50						
	0.50 to <0.75						
	0.75 to <2.50						
	0.75 to <1.75						
	1.75 to <2.5						
	2.50 to <10.00						
	2.5 to <5						
	5 to <10						
	10.00 to <100.00						
	10 to <20						
	20 to <30						
	30.00 to <100.00						
	100.00 (Default)						

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Retail – Non-SME other	0.00 to <0.15	1,315,879	1,222	0.09%	0.09%	0.09%	0.07%
	0.00 to <0.10	1,106,405	878	0.08%	0.08%	0.08%	0.06%
	0.10 to <0.15	209,474	344	0.16%	0.11%	0.11%	0.10%
	0.15 to <0.25	447,850	1,081	0.24%	0.18%	0.19%	0.17%
	0.25 to <0.50	334,936	1,857	0.55%	0.36%	0.36%	0.40%
	0.50 to <0.75	120,319	1,129	0.94%	0.60%	0.60%	0.78%
	0.75 to <2.50	302,413	4,747	1.57%	1.32%	1.25%	1.39%
	0.75 to <1.75	267,037	3,716	1.39%	1.13%	1.12%	1.22%
	1.75 to <2.5	35,376	1,031	2.91%	2.30%	2.30%	2.55%
	2.50 to <10.00	134,396	5,724	4.26%	4.21%	4.46%	3.84%
	2.5 to <5	106,413	3,703	3.48%	3.48%	3.67%	3.24%
	5 to <10	27,983	2,021	7.22%	7.37%	7.48%	5.20%
	10.00 to <100.00	61,194	10,006	16.35%	21.54%	22.16%	15.33%
	10 to <20	25,833	2,629	10.18%	15.18%	15.45%	9.49%
	20 to <30	28,305	4,402	15.55%	24.04%	24.04%	14.21%
	30.00 to <100.00	7,056	2,975	42.16%	39.21%	39.21%	40.85%
	100.00 (Default)	45,165	45,165	100.00%	100.00%	100.00%	100.00%

## F-IRB

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Corporates – SME	0.00 to <0.15	1,717	2	0.12%	0.12%	0.11%	0.16%
	<i>0.00 to &lt;0.10</i>	<i>885</i>	<i>1</i>	<i>0.11%</i>	<i>0.08%</i>	<i>0.08%</i>	<i>0.14%</i>
	<i>0.10 to &lt;0.15</i>	<i>832</i>	<i>1</i>	<i>0.12%</i>	<i>0.15%</i>	<i>0.15%</i>	<i>0.17%</i>
	0.15 to <0.25	1,083	2	0.18%	0.22%	0.22%	0.24%
	0.25 to <0.50	2,108	19	0.90%	0.44%	0.44%	0.79%
	0.50 to <0.75	12	0	0.00%	0.66%	0.63%	0.00%
	0.75 to <2.50	2,391	31	1.30%	1.28%	1.28%	1.37%
	<i>0.75 to &lt;1.75</i>	<i>1,791</i>	<i>18</i>	<i>1.01%</i>	<i>1.02%</i>	<i>1.03%</i>	<i>1.02%</i>
	<i>1.75 to &lt;2.5</i>	<i>600</i>	<i>13</i>	<i>2.17%</i>	<i>2.04%</i>	<i>2.04%</i>	<i>2.43%</i>
	2.50 to <10.00	431	10	2.32%	3.61%	3.69%	2.63%
	<i>2.5 to &lt;5</i>	<i>422</i>	<i>10</i>	<i>2.37%</i>	<i>3.61%</i>	<i>3.60%</i>	<i>2.57%</i>
	<i>5 to &lt;10</i>	<i>9</i>	<i>0</i>	<i>0.00%</i>	<i>9.28%</i>	<i>7.76%</i>	<i>4.55%</i>
	10.00 to <100.00	3,954	179	4.53%	30.57%	32.20%	5.18%
	<i>10 to &lt;20</i>	<i>557</i>	<i>50</i>	<i>8.98%</i>	<i>11.86%</i>	<i>12.15%</i>	<i>7.06%</i>
	<i>20 to &lt;30</i>	<i>218</i>	<i>28</i>	<i>12.84%</i>	<i>24.59%</i>	<i>24.49%</i>	<i>8.71%</i>
	<i>30.00 to &lt;100.00</i>	<i>3,179</i>	<i>101</i>	<i>3.18%</i>	<i>36.23%</i>	<i>36.24%</i>	<i>5.70%</i>
	100.00 (Default)	215	215	100.00%	100.00%	100.00%	100.00%

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Corporates – Specialised lending	0.00 to <0.15						
	<i>0.00 to &lt;0.10</i>						
	<i>0.10 to &lt;0.15</i>						
	0.15 to <0.25						
	0.25 to <0.50						
	0.50 to <0.75						
	0.75 to <2.50						
	<i>0.75 to &lt;1.75</i>						
	<i>1.75 to &lt;2.5</i>						
	2.50 to <10.00						
	<i>2.5 to &lt;5</i>						
	<i>5 to &lt;10</i>						
	10.00 to <100.00						
	<i>10 to &lt;20</i>						
	<i>20 to &lt;30</i>						
	<i>30.00 to &lt;100.00</i>						
	100.00 (Default)						

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Corporates – Other	0.00 to <0.15	2,508	13	0.52%	0.08%	0.09%	0.39%
	<i>0.00 to &lt;0.10</i>	<i>1,557</i>	<i>8</i>	<i>0.51%</i>	<i>0.06%</i>	<i>0.07%</i>	<i>0.45%</i>
	<i>0.10 to &lt;0.15</i>	<i>951</i>	<i>5</i>	<i>0.53%</i>	<i>0.15%</i>	<i>0.13%</i>	<i>0.37%</i>
	0.15 to <0.25	710	1	0.14%	0.22%	0.21%	0.48%
	0.25 to <0.50	1,219	43	3.53%	0.43%	0.43%	1.60%
	0.50 to <0.75	11	0	0.00%	0.54%	0.65%	0.00%
	0.75 to <2.50	1,020	17	1.67%	1.19%	1.24%	1.56%
	<i>0.75 to &lt;1.75</i>	<i>815</i>	<i>14</i>	<i>1.72%</i>	<i>1.01%</i>	<i>1.04%</i>	<i>1.66%</i>
	<i>1.75 to &lt;2.5</i>	<i>205</i>	<i>3</i>	<i>1.46%</i>	<i>2.05%</i>	<i>2.05%</i>	<i>1.08%</i>
	2.50 to <10.00	219	8	3.65%	3.61%	4.06%	2.79%
	<i>2.5 to &lt;5</i>	<i>196</i>	<i>7</i>	<i>3.57%</i>	<i>3.61%</i>	<i>3.63%</i>	<i>2.71%</i>
	<i>5 to &lt;10</i>	<i>23</i>	<i>1</i>	<i>4.35%</i>	<i>8.46%</i>	<i>7.75%</i>	<i>3.59%</i>
	10.00 to <100.00	2,895	90	3.11%	34.50%	34.30%	4.39%
	<i>10 to &lt;20</i>	<i>205</i>	<i>20</i>	<i>9.76%</i>	<i>11.69%</i>	<i>12.25%</i>	<i>7.28%</i>
	<i>20 to &lt;30</i>	<i>56</i>	<i>6</i>	<i>10.71%</i>	<i>23.88%</i>	<i>24.40%</i>	<i>8.33%</i>
	<i>30.00 to &lt;100.00</i>	<i>2,634</i>	<i>64</i>	<i>2.43%</i>	<i>36.23%</i>	<i>36.23%</i>	<i>4.11%</i>
	100.00 (Default)	81	81	100.00%	100.00%	100.00%	100.00%



**Table 19 - Standardised exposure classes, distributed by credit quality step**

The following table presents the credit quality steps and equivalent S&P ratings for applicable exposure classes in the Standardised Approach. The decreased exposure towards central governments or central banks from 2022 to 2023 are mainly driven by changes in lending volume. This exposure class also includes Deferred Tax Assets (DTAs), which are subject to a risk weight of 100% or 250% depending on the nature of the tax asset.

EURm	Standard & Poor's rating	Risk weight	Original Exposure		Exposure	
			Dec 2023	Dec 2022	Dec 2023	Dec 2022
(a) Central Governments or Central banks						
1	AAA to AA-	0%	71,398	86,304	75,088	90,317
2	A+ to A-	20%	14	12	45	12
3	BBB+ to BBB-	50%				
4 to 6 or blank	BB+ and below, or without rating	100-250%	209	222	94	67
Total			71,620	86,538	75,227	90,396
(b) Regional Governments or local authorities						
1	AAA to AA- <sup>1)</sup>	0% - 20% <sup>1)</sup>	10,806	9,728	5,682	5,205
2	A+ to A-	50%				
3 to 6 or blank	BBB+ and below, or without rating	100-250%				
Total			10,806	9,728	5,682	5,205
(c) Public sector entites						
1	AAA to AA- <sup>1)</sup>	0% - 20% <sup>1)</sup>				
2	A+ to A-	50%				
3 to 6 or blank	BBB+ and below, or without rating	100-250%				
Total						
(d) Multilateral Developments Banks						
1	AAA to AA- <sup>2)</sup>	0% - 20% <sup>2)</sup>	2,993	1,868	2,973	1,851
2	A+ to A-	50%				
3 to 6 or blank	BBB+ and below, or without rating	100-250%				
Total			2,993	1,868	2,973	1,851
(e) Institutions						
1	AAA to AA-	20%	218	157	217	156
2	A+ to A-	50%	4		4	
3 to 6 or blank	BBB+ and below, or without rating	100-150%	22		22	
Total			243	157	242	156
(f) Corporates						
1	AAA to AA-	20%				
2	A+ to A-	50%	0		0	
3 to 4	BBB+ to BB- <sup>3)</sup>	100%	1,862	2,090	1,541	1,744
5 to 6 or blank	B+ and below, or without rating	150%	1		1	
Total			1,864	2,090	1,543	1,744

<sup>1)</sup> Includes exposures treated as exposures to the central government, regional government or local authority as provisioned by CRR and that receives a 0%-risk weight.

<sup>2)</sup> Includes exposures to specific entities and receives a 0%-risk weight as provisioned by CRR.

<sup>3)</sup> Includes exposures to with credit assessment using a nominated ECAI, with total original exposure and exposure value of EUR 10m.

Table 20 - EU CQ1 - Credit quality of forborne exposures

Forbearance refers to eased terms or restructuring of credit terms and conditions due to the borrower experiencing financial difficulties. The intention of granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of eased terms are changes to amortisation profile, repayment schedule and customer margin, or eased financial covenants. At the end of 2023, total forborne loans and advances amounted to EUR 0.4bn compared to end of Q2 2023. This was mainly driven by increased forborne loans and advances in the performing portfolio.

EURm	a	b	c	d	e	f	g	h
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		Of which defaulted	Of which impaired					
Q4 2023								
005 Cash balances at central banks and other demand deposits								
010 Loans and advances	1,216	1,045	1,045	1,039	-35	-420	975	329
020 <i>Central banks</i>								
030 <i>General governments</i>								
040 <i>Credit institutions</i>								
050 <i>Other financial corporations</i>	3	46	46	46	-0	-23	2	0
060 <i>Non-financial corporations</i>	822	833	833	829	-23	-365	637	228
070 <i>Households</i>	391	166	166	164	-11	-32	336	101
080 Debt Securities								
090 Loan commitments given	58	14	14	14	-4	-0	27	0
100 Total	1,274	1,059	1,059	1,053	-39	-420	1,002	329
Q2 2023								
005 Cash balances at central banks and other demand deposits								
010 Loans and advances	956	877	877	869	-29	-347	766	260
020 <i>Central banks</i>								
030 <i>General governments</i>								
040 <i>Credit institutions</i>								
050 <i>Other financial corporations</i>	4	45	45	45	-0	-6	2	0
060 <i>Non-financial corporations</i>	581	675	675	671	-17	-313	466	175
070 <i>Households</i>	371	157	157	154	-12	-28	299	85
080 Debt Securities								
090 Loan commitments given	54	38	38	34	-4	-0	18	0
100 Total	1,010	915	914	904	-33	-348	784	260

Table 21 - EU CQ3 - Credit quality of performing and non-performing exposures by past due days

Credit quality remained stable during the 2023. Total gross carrying amount of loans and advances were EUR 329bn at the end of 2023. During the year performing loans and advances decreased by EUR 2.9bn, while non-performing loans and advances increased by EUR 0.1bn. The majority of non-performing loans (74%) are loans which are not past-due, are classified as unlikely to pay, or that are past-due less than or equal to 90 days.

EURm	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
Q4 2023		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005 Cash balances at central banks and other demand deposits	50,861	44,154	6,707	4	4							4
010 Loans and advances	326,490	326,028	462	2,853	2,099	187	206	174	146	28	13	2,853
020 Central banks	1,621	1,621										
030 General governments	3,956	3,954	2	27	27			0				27
040 Credit institutions	586	586	0	15	15							15
050 Other financial corporations	10,996	10,995	1	55	52	2	0	0	0			55
060 Non-financial corporations	129,129	129,022	107	1,477	1,196	103	57	50	58	8	6	1,477
070 Of which SMEs	50,352	50,297	55	690	524	50	30	34	43	6	3	690
080 Households	180,203	179,850	353	1,278	808	81	149	125	88	20	7	1,278
090 Debt securities	47,064	47,064										
100 Central banks	122	122										
110 General governments	13,262	13,262										
120 Credit institutions	31,887	31,887										
130 Other financial corporations	1,463	1,463										
140 Non-financial corporations	330	330										
150 Off-balance-sheet exposures	105,082			361								361
160 Central banks	0											
170 General governments	7,486											
180 Credit institutions	1,732											
190 Other financial corporations	7,909			6								6
200 Non-financial corporations	62,270			334								334
210 Households	25,684			22								22
220 Total	529,496	417,246	7,169	3,218	2,103	187	206	174	146	28	13	3,218

EURm	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
Q4 2022	Performing exposures				Non-performing exposures							
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days			Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005 Cash balances at central banks and other demand deposits	62,276	58,598	3,678	13	13							13
010 Loans and advances	329,372	328,935	436	2,725	2,092	101	149	162	182	23	17	2,725
020 <i>Central banks</i>	1	1										
030 <i>General governments</i>	5,259	5,258	1	39	39	0						39
040 <i>Credit institutions</i>	1,700	1,698	1	25	25							25
050 <i>Other financial corporations</i>	11,216	11,215	1	48	46		0	1	0			48
060 <i>Non-financial corporations</i>	132,781	132,640	142	1,511	1,270	39	57	54	74	9	10	1,511
070 <i>Of which SMEs</i>	50,439	50,394	45	788	617	21	41	44	52	5	6	788
080 <i>Households</i>	178,414	178,122	291	1,102	712	62	92	107	108	14	7	1,102
090 Debt securities	47,606	47,606										
100 <i>Central banks</i>	4,382	4,382										
110 <i>General governments</i>	13,169	13,169										
120 <i>Credit institutions</i>	29,038	29,038										
130 <i>Other financial corporations</i>	450	450										
140 <i>Non-financial corporations</i>	567	567										
150 Off-balance-sheet exposures	106,433			305								305
160 <i>Central banks</i>												
170 <i>General governments</i>	8,713											
180 <i>Credit institutions</i>	3,915											
190 <i>Other financial corporations</i>	4,182			2								2
200 <i>Non-financial corporations</i>	65,097			285								285
210 <i>Households</i>	24,527			17								17
220 Total	545,687	435,139	4,115	3,043	2,104	101	149	162	182	23	17	3,043

Table 22 - EU CQ4 - Quality of non-performing exposures by geography

The distribution of non-performing exposures by geography shows approximately 97% of the total non-performing volume related to exposures in Nordic countries, of which the largest portion (36%) is related to Finland. During the second half of the year 2023, the total non-performing exposures increased by EUR 259m.

EURm	a	b	c	d	e	f	g
	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	Of which non-performing		Of which subject to impairment				
		Of which defaulted					
Q4 2023							
010 On-balance-sheet exposures	427,272	2,857	2,857	363,415	-1,657		-30
020 Finland	100,806	979	979	99,733	-590		
030 Sweden	109,666	567	567	108,675	-358		
040 Norway	78,889	354	354	75,231	-265		
050 Denmark	106,552	872	872	49,507	-382		-30
060 United States	15,720	1	1	12,795	-1		
070 Other countries	15,640	84	84	17,475	-61		
080 Off-balance-sheet exposures	105,443	361	361			-168	
090 Finland	18,972	134	134			-34	
100 Sweden	28,835	60	60			-29	
110 Norway	17,465	37	37			-19	
120 Denmark	23,929	111	111			-74	
130 United States	3,238	6	6			0	
140 Other countries	13,004	13	13			-12	
150 Total	532,715	3,218	3,218	363,415	-1,657	-168	-30

EURm	a	b	c	d	e	f	g
	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
Q2 2023							
010 On-balance-sheet exposures	430,188	2,683	2,683	364,703	-1,599		-43
020 Finland	113,127	1,127	1,127	114,266	-603		
030 Sweden	107,615	307	307	105,745	-227		
040 Norway	67,963	467	467	65,660	-259		
050 Denmark	101,248	690	690	42,306	-434		-43
060 United States	23,873	0	0	19,169	-2		
070 Other countries	16,362	91	91	17,557	-74		
080 Off-balance-sheet exposures	105,321	276	276			-169	
090 Finland	14,792	114	114			-32	
100 Sweden	33,683	102	102			-31	
110 Norway	19,449	22	22			-14	
120 Denmark	22,756	31	31			-77	
130 United States	3,578	4	4			-1	
140 Other countries	11,063	4	4			-14	
150 Total	535,509	2,959	2,959	364,703	-1,599	-169	-43

**Table 23 - EU CQ5 - Credit quality of loans and advances to non-financial corporations by industry**

The following table includes loans and advances by industry group to non-financial corporations. The non-financial corporate portfolio was well diversified between industry groups. Real estate activities and Manufacturing contributed to the largest share of total loans and advances. During the second half of the year 2023, non-performing loans and advances increased by EUR 25m to EUR 1.5bn, primarily driven by the Professional, scientific & technical activities and Wholesale and retail trade segments.

EURm	a	b	c	d	e	f
	Gross carrying amount			Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing	Of which defaulted			
<b>Q4 2023</b>						
010 Agriculture, forestry and fishing	7,290	187	187	3,584	-45	-5
020 Mining and quarrying	431	2	2	426	-2	
030 Manufacturing	13,639	251	251	13,639	-192	
040 Electricity, gas, steam and air conditioning supply	5,169	1	1	4,747	-4	
050 Water supply	1,081	3	3	916	-2	
060 Construction	6,585	90	90	6,224	-87	
070 Wholesale and retail trade	9,248	243	243	9,027	-179	
080 Transport and storage	6,795	82	82	6,520	-72	
090 Accommodation and food service activities	1,504	21	21	908	-17	
100 Information and communication	3,049	73	73	2,805	-65	
110 Financial and insurance activities	9,964	22	22	9,503	-34	
120 Real estate activities	50,053	169	169	41,351	-178	
130 Professional, scientific and technical activities	10,288	274	274	9,721	-101	
140 Administrative and support service activities	2,669	21	21	2,497	-25	
150 Public administration and defense, compulsory social security	93	2	2	92	0	
160 Education	320	1	1	216	-1	
170 Human health services and social work activities	1,193	26	26	928	-13	
180 Arts, entertainment and recreation	731	7	7	626	-7	
190 Other services	505	2	2	375	-3	
<b>200 Total</b>	<b>130,606</b>	<b>1,477</b>	<b>1,477</b>	<b>114,106</b>	<b>-1,028</b>	<b>-5</b>



EURm

	a	b	c	d	e	f
	Gross carrying amount			Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing	Of which defaulted			
Q2 2023						
010 Agriculture, forestry and fishing	8,215	274	274	3,805	-64	-11
020 Mining and quarrying	472	71	71	470	-38	
030 Manufacturing	14,363	196	196	13,662	-132	
040 Electricity, gas, steam and air conditioning supply	4,831	2	2	4,821	-6	
050 Water supply	1,197	1	1	1,038	-3	
060 Construction	6,995	80	80	6,529	-98	
070 Wholesale and retail trade	9,618	150	150	9,506	-162	
080 Transport and storage	8,306	304	304	8,266	-152	
090 Accommodation and food service activities	1,473	10	10	902	-27	
100 Information and communication	3,079	67	67	2,809	-25	
110 Financial and insurance activities	12,537	30	30	12,072	-37	
120 Real estate activities	48,092	131	131	40,267	-150	
130 Professional, scientific and technical activities	8,705	96	96	7,970	-77	
140 Administrative and support service activities	3,251	25	25	3,196	-37	
150 Public administration and defense, compulsory social security	131	0	0	131	0	
160 Education	318	1	1	213	-3	
170 Human health services and social work activities	1,030	3	3	770	-6	
180 Arts, entertainment and recreation	816	8	8	625	-11	
190 Other services	1,125	2	2	1,121	-2	
200 Total	134,553	1,452	1,452	118,174	-1,029	-11

Table 24 - EU CQ7 - Collateral obtained by taking possession and execution processes<sup>1)</sup>

The following table discloses collateral obtained by taking possession and execution processes. Non-Property Plant and Equipment make up 100% of the total collaterals claimed at the end of 2023. During the second half of the year 2023 assets claimed increased slightly, driven by an increase in equity & debt instruments and movable property, offset by a decrease in commercial immovable property.

EURm	a	b
	Collateral obtained by taking possession	
Q4 2023	Value at initial recognition	Accumulated negative changes
010 Property, plant and equipment (PP&E)		
020 Other than PP&E	11.5	-2.4
030 <i>Residential immovable property</i>	1.5	-0.6
040 <i>Commercial Immovable property</i>		
050 <i>Movable property (auto, shipping, etc.)</i>	0.9	
060 <i>Equity and debt instruments</i>	7.5	-1.8
070 <i>Other collateral</i>	1.6	
080 Total	11.5	-2.4

EURm	a	b
	Collateral obtained by taking possession	
Q2 2023	Value at initial recognition	Accumulated negative changes
010 Property, plant and equipment (PP&E)		
020 Other than PP&E	11.3	-1.3
030 <i>Residential immovable property</i>	1.5	-0.5
040 <i>Commercial Immovable property</i>	0.3	
050 <i>Movable property (auto, shipping, etc.)</i>	0.7	-0.1
060 <i>Equity and debt instruments</i>	7.2	-0.8
070 <i>Other collateral</i>	1.6	
080 Total	11.3	-1.3

<sup>1)</sup> Excluding entities which are not in scope according to FINREP reporting definition.

Table 25 - EU CCR1 - Analysis of CCR exposure by approach

Nordea is using two methodologies when calculating the Counterparty Credit Risk amounts. These methodologies are the Standardised Approach (SA-CCR) and the Internal Model Method (IMM). For Securities Financing Transactions (SFT), Nordea is using the Financial Collateral Comprehensive Method. The lower RWEA over the past half year is mainly driven by market factors, in particular (i) lower interest rates and (ii) exchange rate effects primarily driven by the depreciation of the USD and appreciation of the Norwegian and Swedish currencies against the EUR.

EURm	a	b	c	d	e	f	g	h
	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre- CRM	Exposure value post- CRM	Exposure value	RWEA
Q4 2023								
EU-1 EU - Original Exposure Method (for derivatives)								
EU-2 EU - Simplified SA-CCR (for derivatives)								
1 SA-CCR (for derivatives)	221	682		1	1,898	1,265	1,258	480
2 IMM (for derivatives and SFTs)			4,065		11,888	6,348	6,264	1,794
2a Of which securities financing transactions netting sets								
2b Of which derivatives and long settlement transactions netting sets			4,065		11,888	6,348	6,264	1,794
2c Of which from contractual cross-product netting sets								
3 Financial collateral simple method (for SFTs)								
4 Financial collateral comprehensive method (for SFTs)					28,059	2,917	2,907	410
5 VaR for SFTs								
6 Total					41,845	10,530	10,429	2,684

	a	b	c	d	e	f	g	h
	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre- CRM	Exposure value post- CRM	Exposure value	RWEA
EU-1 EU - Original Exposure Method (for derivatives)								
EU-2 EU - Simplified SA-CCR (for derivatives)								
1 SA-CCR (for derivatives)	289	1,398		1	1,890	1,105	1,255	488
2 IMM (for derivatives and SFTs)			4,570	2	17,506	7,415	7,377	2,009
2a <i>Of which securities financing transactions netting sets</i>								
2b <i>Of which derivatives and long settlement transactions netting sets</i>			4,570		17,506	7,415	7,377	2,009
2c <i>Of which from contractual cross-product netting sets</i>								
3 Financial collateral simple method (for SFTs)								
4 Financial collateral comprehensive method (for					27,131	2,866	2,842	539
5 VaR for SFTs								
6 Total					46,526	11,386	11,474	3,036

Table 26 - EU CCR2 - Transactions subject to own funds requirements for CVA risk

The CVA risk capital charge represents the amount required to cover for potential losses arising from marking to market the Counterparty Credit Risk of the OTC derivative portfolio. It is calculated using either an Advanced Approach (ACVA) or a Standardised Approach (SCVA), where the ACVA is based on a VaR model and calculated as a 60 day average. The decrease in ACVA RWEA comparing to last period is mostly attributed to a lower EAD for those portfolios subject to the advanced method, as well as the decrease in the multiplier (3.15 to 3) as the add-on for Hard to Replace trades was lifted in Q3 2023. The lower RWEA in SCVA over the past half year is mainly driven exchange rate movements.

EURm Q4 2023	a	b
	Exposure value	RWEA
1 Total transactions subject to the Advanced method	2,338	407
2 (i) VaR component (including the 3× multiplier)		97
3 (ii) stressed VaR component (including the 3× multiplier)		310
4 Transactions subject to the Standardised method	752	189
EU-4 Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5 Total transactions subject to own funds requirements for CVA risk	3,090	596

EURm Q2 2023	a	b
	Exposure value	RWEA
1 Total transactions subject to the Advanced method	2,725	494
2 (i) VaR component (including the 3× multiplier)		126
3 (ii) stressed VaR component (including the 3× multiplier)		368
4 Transactions subject to the Standardised method	935	248
EU-4 Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5 Total transactions subject to own funds requirements for CVA risk	3,660	742

Table 27 - EU CCR3 - Standardised approach – CCR exposures by regulatory exposure class and risk weights

The exposure at default (EAD) for the standardised approach decreased by EUR 0.1bn between Q2 2023 and Q4 2023 . The decrease was mainly driven by reduced EAD towards central governments or central banks.

EURm

	Risk weight												Total exposure value
	a	b	c	d	e	f	g	h	i	j	k	l	
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
Q4 2023													
1 Central governments or central banks	1,348				7								1,355
2 Regional government or local	208				52								260
3 Public sector entities													
4 Multilateral development banks	1,773												1,773
5 International organisations	0												0
6 Institutions		1,132											1,132
7 Corporates									2				2
8 Retail								0					0
9 Institutions and corporates with a short-term credit assessment													
10 Other items						0							0
11 Total exposure value	3,329	1,132			60	0		0	2				4,523

EURm

	Risk weight												Total exposure value
	a	b	c	d	e	f	g	h	i	j	k	l	
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
Q2 2023													
1 Central governments or central banks	1,837				1								1,838
2 Regional government or local	158				28								186
3 Public sector entities													
4 Multilateral development banks	1,287												1,287
5 International organisations													
6 Institutions		1,346											1,346
7 Corporates									2				2
8 Retail								0					0
9 Institutions and corporates with a short-term credit assessment													
10 Other items													
11 Total exposure value	3,282	1,346			29			0	2				4,659



Table 28 - EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale

The following table discloses EAD for counterparty credit risk (CCR) according to the IRB approach broken down by exposure class and obligor grade, providing a comprehensive overview of original and regulatory exposures as well as statistics on the inputs used for their computation, such as EAD, average PD and average LGD. Between Q2 2023 and Q4 2023 the total EAD decreased by EUR 1.1bn and REA decreased by EUR 0.4bn. The REA density increased to 38%.

EURm		a	b	c	d	e	f	g
PD scale		Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts
Central governments and central banks (F-IRB)								
1	0.00 to < 0.15							
2	0.15 to < 0.25							
3	0.25 to < 0.50							
4	0.50 to < 0.75							
5	0.75 to < 2.50							
6	2.50 to < 10.00							
7	10.00 to < 100							
8	100 (Default)							
9 Sub-total (Central governments and central banks (F-IRB))								
EURm		a	b	c	d	e	f	g
PD scale		Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
Central governments and central banks (A-IRB)								
1	0.00 to < 0.15							
2	0.15 to < 0.25							
3	0.25 to < 0.50							
4	0.50 to < 0.75							
5	0.75 to < 2.50							
6	2.50 to < 10.00							
7	10.00 to < 100							
8	100 (Default)							
9 Sub-total (Central governments and central banks (A-IRB))								
EURm		a	b	c	d	e	f	g
PD scale		Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
Institutions (F-IRB)								
1	0.00 to < 0.15	2,689	0.08%	114	45.0%	2.0	803	30%
2	0.15 to < 0.25	218	0.17%	27	45.0%	2.0	106	49%
3	0.25 to < 0.50	131	0.32%	34	45.0%	2.0	52	40%
4	0.50 to < 0.75	11	0.66%	8	45.0%	3.0	7	66%
5	0.75 to < 2.50	27	1.10%	10	45.0%	3.0	28	101%
6	2.50 to < 10.00							
7	10.00 to < 100							
8	100 (Default)			5				
9 Sub-total (Institutions (F-IRB))		3,077	0.10%	198	45.0%	2.0	996	32%

EURm		a	b	c	d	e	f	g
PD scale		Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
Institutions (A-IRB)								
1	0.00 to < 0.15							
2	0.15 to < 0.25							
3	0.25 to < 0.50							
4	0.50 to < 0.75							
5	0.75 to < 2.50							
6	2.50 to < 10.00							
7	10.00 to < 100							
8	100 (Default)							
9 Sub-total (Institutions (A-IRB))								
EURm								
PD scale		a	b	c	d	e	f	g
PD scale		Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
Corporates (F-IRB)								
1	0.00 to < 0.15	2,906	0.08%	891	45.0%	2.1	887	31%
2	0.15 to < 0.25	276	0.22%	300	44.8%	2.0	159	58%
3	0.25 to < 0.50	384	0.45%	620	43.8%	2.2	269	70%
4	0.50 to < 0.75							
5	0.75 to < 2.50	277	1.10%	441	44.7%	2.0	268	97%
6	2.50 to < 10.00	25	3.61%	43	42.3%	2.4	25	99%
7	10.00 to < 100	20	27.90%	97	44.9%	1.3	45	219%
8	100 (Default)	9	100.00%	22	44.1%	3.0		
9 Sub-total (Corporates (F-IRB))		3,898	0.61%	2,414	44.8%	2.0	1,653	42%
EURm								
PD scale		a	b	c	d	e	f	g
PD scale		Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
Corporates (A-IRB)								
1	0.00 to < 0.15	13	0.05%		32.8%	3.0	2	14%
2	0.15 to < 0.25	13	0.22%		29.4%	3.0	4	32%
3	0.25 to < 0.50	10	0.48%		34.2%	3.0	5	50%
4	0.50 to < 0.75							
5	0.75 to < 2.50	5	0.84%		33.4%	3.0	3	67%
6	2.50 to < 10.00	0	3.61%		33.5%	2.2	0	104%
7	10.00 to < 100	0	12.33%		34.3%	3.0	0	150%
8	100 (Default)							
9 Sub-total (Corporates (A-IRB))		41	0.33%		32.1%	2.6	14	35%
EURm								
PD scale		a	b	c	d	e	f	g
PD scale		Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
Retail (A-IRB)								
1	0.00 to < 0.15	2	0.11%	28	35.0%	3.0	0	9%
2	0.15 to < 0.25	3	0.21%	40	36.1%	2.5	1	15%
3	0.25 to < 0.50	8	0.41%	39	34.8%	3.0	2	23%
4	0.50 to < 0.75	1	0.60%	14	33.6%	3.0	0	29%
5	0.75 to < 2.50	3	1.16%	85	37.3%	2.2	1	36%
6	2.50 to < 10.00	2	3.59%	66	38.2%	3.0	1	51%
7	10.00 to < 100	1	24.03%	45	38.2%	2.0	1	92%
8	100 (Default)	0	100.00%	2	37.6%	3.0	0	470%
9 Sub-total (Retail (A-IRB))		22	2.01%	319	35.9%	2.5	6	29%
10 Total (all CCR relevant exposure classes)		7,038	0.39%	2,926	44.8%	2.0	2,670	38%

Table 29 - EU CCR5 – Composition of collateral for CCR exposures

Collateral used in derivative transactions reflect the total amounts of posted and received collateral on the day of reporting. For the SFTs the trade collateral (the counterparties obligation in the transaction) is included as collateral. The most significant change since Q2 2023 is the lower amounts of collateral used in SFT transactions, which is mainly driven by lower SFT volumes in the last quarter of 2023.

EURm	Collateral type	a	b	c	d	e	f	g	h
		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	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Q4 2023									
1	Cash – domestic currency		7,709		4,961	4	7,717	3	15,967
2	Cash – other currencies		1,183		2,098	11	30,525	0	22,333
3	Domestic sovereign debt						1,264		766
4	Other sovereign debt		2,400		1,389		22,688	69	14,893
5	Government agency debt						7,939		766
6	Corporate bonds		445		60		18,151	712	18,006
7	Equity securities					763	6,894		2,591
8	Other collateral	1,267	481	1,262	5		863	138	1,044
9	Total	1,267	12,217	1,262	8,513	778	96,039	922	76,365

EURm		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
Collateral type		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
Q2 2023		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
	1 Cash – domestic currency	1,348	5,466		3,873	5	10,525	3	28,549
	2 Cash – other currencies	120	685		1,155	170	36,204	0	24,569
	3 Domestic sovereign debt						1,896		529
	4 Other sovereign debt						27,602		12,737
	5 Government agency debt		1,117		589	298	2,145	66	201
	6 Corporate bonds		77			600	24,848	679	23,244
	7 Equity securities					4,280	4,362		5,437
	8 Other collateral		446	1,494	5		1,398	595	1,164
	9 Total	1,468	7,791	1,494	5,622	5,353	108,980	1,343	96,429

Table 30 - EU CCR6 - Credit derivatives exposures

The credit derivative notional amounts decreased in the second half of 2023, most notably on index credit default swaps. Fair value of protection bought decreased on the asset side and protection sold increased on the liability side.

EURm		
Q4 2023	a	b
	Protection bought	Protection sold
Notionals		
1 Single-name credit default swaps	3,025	2,176
2 Index credit default swaps	69,315	67,996
3 Total return swaps		
4 Credit options		
5 Other credit derivatives	2,970	4,220
6 Total notionals	75,310	74,392
Fair value		
7 Positive fair value (asset)	58	2,866
8 Negative fair value (liability)	-2,864	-115

EURm		
Q2 2023	a	b
	Protection bought	Protection sold
Notionals		
1 Single-name credit default swaps	2,797	2,209
2 Index credit default swaps	75,924	74,259
3 Total return swaps		
4 Credit options		
5 Other credit derivatives	3,485	5,062
6 Total notionals	82,206	81,529
Fair value		
7 Positive fair value (asset)	157	1,945
8 Negative fair value (liability)	-1,923	-288

Table 31 - EU CCR7 - RWEA flow statements of CCR exposures under the IMM

This table only includes exposures calculated under the Internal Model Method (IMM). RWEA for CRR exposures under the IMM remained largely unchanged throughout the last quarter of 2023.

EURm	a
Q4 2023	RWEA
1 RWEA as at the end of the previous reporting period	1,845
2 Asset size	-6
3 Credit quality of counterparties	12
4 Model updates (IMM only)	0
5 Methodology and policy (IMM only)	
6 Acquisitions and disposals	
7 Foreign exchange movements	-5
8 Other	-8
9 RWEA as at the end of the current reporting period	1,839

EURm	a
Q3 2023	RWEA
1 RWEA as at the end of the previous reporting period	2,044
2 Asset size	-222
3 Credit quality of counterparties	4
4 Model updates (IMM only)	
5 Methodology and policy (IMM only)	
6 Acquisitions and disposals	
7 Foreign exchange movements	-41
8 Other	60
9 RWEA as at the end of the current reporting period	1,845

Table 32 - EU CCR8 – Exposures to CCPs

Nordeas exposure towards QCCPs decreased in the second half of 2023, mainly driven by reduced OTC derivatives volumes. Nordea does not clear with non-QCCPs.

EURm Q4 2023		
	a Exposure value	b RWEA
1 Exposures to QCCPs (total)		90
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	560	11
3 (i) OTC derivatives	140	3
4 (ii) Exchange-traded derivatives	71	1
5 (iii) SFTs	349	7
6 (iv) Netting sets where cross-product netting has been approved		
7 Segregated initial margin	821	
8 Non-segregated initial margin	572	11
9 Prefunded default fund contributions	161	67
10 Unfunded default fund contributions		
11 Exposures to non-QCCPs (total)		
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13 (i) OTC derivatives		
14 (ii) Exchange-traded derivatives		
15 (iii) SFTs		
16 (iv) Netting sets where cross-product netting has been approved		
17 Segregated initial margin		
18 Non-segregated initial margin		
19 Prefunded default fund contributions		
20 Unfunded default fund contributions		

EURm Q2 2023		
	a Exposure value	b RWEA
1 Exposures to QCCPs (total)		72
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	969	19
3 (i) OTC derivatives	481	10
4 (ii) Exchange-traded derivatives	58	1
5 (iii) SFTs	430	9
6 (iv) Netting sets where cross-product netting has been approved		
7 Segregated initial margin	815	
8 Non-segregated initial margin	377	8
9 Prefunded default fund contributions	143	46
10 Unfunded default fund contributions		
11 Exposures to non-QCCPs (total)		
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13 (i) OTC derivatives		
14 (ii) Exchange-traded derivatives		
15 (iii) SFTs		
16 (iv) Netting sets where cross-product netting has been approved		
17 Segregated initial margin		
18 Non-segregated initial margin		
19 Prefunded default fund contributions		
20 Unfunded default fund contributions		

Table 33 - EU LIQ1 - Quantitative information of LCR

Nordea Group's short term liquidity risk exposure, measured by the Liquidity Coverage Ratio (LCR), remained on a good and stable level throughout 2023. The main drivers of Nordea Group's LCR results are outflows associated with taken customer deposits which are counterbalanced by high quality liquid assets. During 2023 there was an overall decrease in unsecured wholesale funding that was counterbalanced by a decrease in cash with central banks seen as lower liquid assets. Liquidity buffer in Nordea Group is composed mainly of cash with central banks, government bonds, government related bonds and high quality covered bonds. During 2023 Nordea was able to actively use all its funding programs, maintain its strong name in the funding markets, and hold a strong and diversified funding base across all main currencies. Nordea Group's main funding sources in 2023 were customer deposits (41%) and issued debt securities (31%). Nordea has a centralised liquidity management function where Group Treasury is responsible for the management of the Group's liquidity positions, liquidity buffers, external and internal funding including the mobilisation of cash around the Group, and Funds Transfer Pricing. Nordea actively manages LCR on currency level by holding liquid assets across all significant currencies and by managing possible currency mismatches. Nordea's derivative exposures and their impact to LCR is closely monitored and managed. Associated collateral calls during possible liquidity crises are monitored, managed as well as stressed in LCR.

EURm	a	b	c	d	e	f	g	h
	Total unweighted value (average)				Total weighted value (average)			
EU 1a Quarter ending on (31 December 2023)	31 Dec 23	30 Sep 23	30 Jun 23	31 Mar 23	31 Dec 23	30 Sep 23	30 Jun 23	31 Mar 23
EU 1b Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>High-quality liquid assets</b>								
1 Total high-quality liquid assets (HQLA)					113,628	117,525	119,650	122,033
<b>Cash - Outflows</b>								
2 Retail deposits and deposits from small business customers, of which:	109,619	110,552	112,083	112,683	7,755	7,871	7,981	7,977
3 <i>Stable deposits</i>	72,706	73,677	75,164	76,811	3,635	3,684	3,758	3,841
4 <i>Less stable deposits</i>	36,913	36,875	36,919	35,872	4,119	4,187	4,223	4,137
5 Unsecured wholesale funding	108,028	111,801	115,143	119,588	55,471	57,549	58,978	61,368
6 <i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	20,790	22,481	24,509	27,546	5,181	5,604	6,111	6,837
7 <i>Non-operational deposits (all counterparties)</i>	76,930	79,186	80,225	80,611	39,981	41,811	42,459	43,100
8 <i>Unsecured debt</i>	10,309	10,134	10,409	11,431	10,309	10,134	10,409	11,431
9 Secured wholesale funding					3,454	3,473	3,530	3,485
10 Additional requirements	75,538	76,481	77,130	77,491	14,406	14,165	14,390	14,266
11 <i>Outflows related to derivative exposures and other collateral requirements</i>	6,622	6,371	6,690	6,699	6,112	5,922	6,285	6,350
12 <i>Outflows related to loss of funding on debt products</i>				19				19
13 <i>Credit and liquidity facilities</i>	68,916	70,110	70,440	70,774	8,293	8,243	8,105	7,897
14 Other contractual funding obligations	2,354	2,349	2,545	2,661	2,261	2,130	2,231	2,281
15 Other contingent funding obligations	42,566	43,137	44,825	46,527	3,340	3,232	3,350	3,474
16 Total cash outflows					86,686	88,420	90,461	92,852
<b>Cash - Inflows</b>								
17 Secured lending (e.g. reverse repos)	27,295	25,719	25,265	24,232	3,588	3,469	3,327	3,153
18 Inflows from fully performing exposures	14,575	14,629	14,792	14,694	8,262	8,043	7,959	7,780
19 Other cash inflows	3,299	3,296	3,775	4,140	3,299	3,296	3,775	4,084
EU-19a (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b (Excess inflows from a related specialised credit institution)								
20 Total cash inflows	45,168	43,644	43,831	43,066	15,149	14,808	15,061	15,017
EU-20a <i>Fully exempt inflows</i>								
EU-20b <i>Inflows subject to 90% cap</i>								
EU-20c <i>Inflows subject to 75% cap</i>	44,761	43,274	43,546	42,848	15,149	14,808	15,061	15,017
<b>Total Adjusted Value</b>								
21 Liquidity buffer					113,628	117,525	119,650	122,033
22 Total net cash outflows					71,537	73,612	75,400	77,835
23 Liquidity coverage ratio					159%	160%	159%	157%



Table 34 - EU LIQ2 - Net Stable Funding Ratio

Following Regulation (EU) 2019/876, the introduction of a minimum Net Stable Funding Ratio (NSFR) of 100 % applicable since June 30, 2021 requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. The NSFR is defined as the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). All liabilities and capital instruments are assigned an ASF weight, while assets and certain off balance sheet positions receive an RSF weight. The objective is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of funding stress. The NSFR was 118.7% at the end of Q4 2023. It represents a 64bps increase compared to the previous quarter (118.1%), primarily driven by an increase in debt securities issued during the period. The following table sets out the unweighted and weighted value of the NSFR components of the Nordea Group at December 31, 2023 (i.e. quarter-end observation).

## ASF

	a	b	c	d	e
	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
1 Capital items and instruments	28,102	298	460	3,251	31,353
2 <i>Own funds</i>	28,102	298	460	3,251	31,353
3 <i>Other capital instruments</i>					
4 Retail deposits		105,305	2,834	157	101,290
5 <i>Stable deposits</i>		73,995	2,151	106	72,444
6 <i>Less stable deposits</i>		31,310	684	51	28,846
7 Wholesale funding:		182,060	25,109	120,144	180,577
8 <i>Operational deposits</i>		22,112			11,056
9 <i>Other wholesale funding</i>		159,947	25,109	120,144	169,521
10 Interdependent liabilities					
11 Other liabilities:	1,335	10,562	120	3,504	3,564
12 <i>NSFR derivative liabilities</i>	1,335				
13 <i>All other liabilities and capital instruments not included in the above categories</i>		10,562	120	3,504	3,564
14 Total available stable funding (ASF)					316,784

## RSF

	a	b	c	d	e
	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>Required stable funding (RSF) Items</b>					
15 Total high-quality liquid assets (HQLA)					2,921
EU-15a Assets encumbered for a residual maturity of one year or more in a cover pool		1,395	1,412	100,619	87,912
16 Deposits held at other financial institutions for operational purposes		544		0	272
17 Performing loans and securities:		98,320	19,971	142,911	152,957
18 <i>Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut</i>		5,595	116	94	152
19 <i>Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions</i>		31,151	1,968	2,541	5,444
20 <i>Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i>		54,277	13,191	64,719	88,746
21 <i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>					
22 <i>Performing residential mortgages, of which:</i>		4,604	4,429	70,120	53,488
23 <i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		4,045	3,921	53,150	38,531
24 <i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		2,693	266	5,436	5,127
25 Interdependent assets					
26 Other assets:		13,800	138	12,752	15,053
27 <i>Physical traded commodities</i>					
28 <i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		1,737			1,476
29 <i>NSFR derivative assets</i>					
30 <i>NSFR derivative liabilities before deduction of variation margin posted</i>		10,306			515
31 <i>All other assets not included in the above categories</i>		1,756	138	12,752	13,061
32 Off-balance sheet items		28,803	9,372	72,900	7,773
33 Total RSF					266,889

## NSFR

34 Net Stable Funding Ratio (%)	118.7%
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Table 35 - EU AE1 - Encumbered and unencumbered assets

The below disclosure represents the computed median values of the four quarters of 2023, in accordance with European Banking Authority Guideline EBA/GL/2014/03 and the Commission Delegated Regulation (EU) 2017/2295 on the disclosure of encumbered and unencumbered assets. The main source of encumbrance for Nordea is issuance of covered bond and the associated encumbrance of the covered pool. Nordea issues covered bonds through its mortgage subsidiaries Nordea Eiendoms kreditt AS, Nordea Kredit Realkreditaktieselskab, Nordea Hypotek AB (publ) and Nordea Mortgage Bank PLC, and consequently parts of the mortgage loans in the cover pools are encumbered. Nordea continues to maintain a level of unencumbered and eligible loans that can be used to issue funding via covered bonds if additional liquidity is required. Overcollateralisation of covered bonds in each mortgage company is well above the regulatory- and rating agency requirements. Other less significant contributors to encumbrance are collateral for derivatives and repo trading within Nordea Bank Abp. Most of the unencumbered assets consist of loans and residual equity instruments, debt securities and other assets. In the table, an asset is treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	Assets of the reporting institution	178,467	55,846			355,963	97,728		
030	Equity instruments	5,586				6,455			
040	Debt securities	19,039	17,658	19,039	17,658	40,287	37,742	42,296	39,779
050	of which: covered bonds	10,539	9,850	10,539	9,850	23,858	22,558	23,858	22,558
060	of which: securitisations								
070	of which: issued by general governments	5,526	5,524	5,526	5,524	11,186	11,166	11,186	11,166
080	of which: issued by financial corporations	11,814	10,786	11,814	10,786	28,706	26,540	28,706	26,540
090	of which: issued by non-financial corporations	325	127	325	127	1,241	642	1,241	642
120	Other assets	153,474	38,188			308,488	60,966		

Table 36 - EU AE2 - Collateral received and own debt securities issued

The below disclosure represents the computed median values of the four quarters of 2023, in accordance with European Banking Authority Guideline EBA/GL/2014/03 and the Commission Delegated Regulation (EU) 2017/2295 on the disclosure of encumbered and unencumbered assets. The table below describes the collateral received or own debt securities available which can be used if additional liquidity is required, as well as those already encumbered.

EURm

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
	010	of which notionally eligible EHQLA and HQLA 030	Fair value of collateral received or own debt securities issued available for encumbrance	
			040	of which EHQLA and HQLA 060
130 Collateral received by the disclosing institution	9,038	7,639	61,629	54,709
140 Loans on demand				
150 Equity instruments	707		3,619	
160 Debt securities	8,376	7,639	17,296	14,400
170 <i>of which: covered bonds</i>	5,154	4,484	12,001	
180 <i>of which: securitisations</i>				
190 <i>of which: issued by general governments</i>	2,882	2,882	5,080	4,844
200 <i>of which: issued by financial corporations</i>	5,159	4,484	12,072	9,530
210 <i>of which: issued by non-financial corporations</i>	7		109	
220 Loans and advances other than loans on demand			35,415	35,415
230 Other collateral received			5,318	5,318
240 Own debt securities issued other than own covered bonds or securitisations			29	
241 Own covered bonds and securitisations issued and not yet pledged				
250 Total collateral received and own debt securities issued	187,069	63,026		

Table 37 - EU AE3 - Sources of encumbrance

The below disclosure represents the computed median values of the four quarters of 2023, in accordance with European Banking Authority Guideline EBA/GL/2014/03 and the Commission Delegated Regulation (EU) 2017/2295 on the disclosure of encumbered and unencumbered assets. The table below describes the sources of encumbrance.

EURm

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	155,272	185,242

Table 38 - EU MR1 - Market risk under the standardised approach

Market risk under the standardised approach decreased in Q4 2023 to EUR 733m compared to EUR 989m in Q2 2023 primarily driven by lower contribution from Scenario Approach, Equity risk and Delta-plus approach. The scenario approach and equity risk (general and specific) are used for the part of the equity portfolio that is not capitalised under the internal model approach. The decrease was related to lower exposure to linear and non-linear equity risk. The decrease in Delta-plus approach was related to options on credit default swaps.

EURm	a
Q4 2023	RWEAs
<b>Outright products<sup>1</sup></b>	
1 Interest rate risk (general and specific)	424
2 Equity risk (general and specific)	98
3 Foreign exchange risk	
4 Commodity risk	1
<b>Options</b>	
5 Simplified approach	
6 Delta-plus approach	20
7 Scenario approach	191
8 Securitisation (specific risk)	
<b>9 Total</b>	<b>733</b>

<sup>1</sup> Outright products refer to positions in products that are not optional.

EURm	a
Q2 2023	RWEAs
<b>Outright products<sup>1</sup></b>	
1 Interest rate risk (general and specific)	418
2 Equity risk (general and specific)	156
3 Foreign exchange risk	
4 Commodity risk	1
<b>Options</b>	
5 Simplified approach	
6 Delta-plus approach	96
7 Scenario approach	318
8 Securitisation (specific risk)	
<b>9 Total</b>	<b>989</b>

<sup>1</sup> Outright products refer to positions in products that are not optional.

Table 39 - EU MR2-A - Market risk under the Internal Model Approach (IMA)

Market risk under the IMA increased slightly in Q4 2023 compared to Q2 2023 with higher contribution primarily from SVaR partially offset by lower contribution from VaR and Comprehensive risk measure. SVaR increased primarily driven by higher interest rate risk during Q4 2023 while VaR decreased mainly during Q3 2023 driven by lower interest rate risk.

EURm	a	b
Q4 2023	RWEAs	Own funds requirements
1 VaR (higher of values a and b)	1,392	111
(a) Previous day's VaR (VaRt-1)		33
(b) Multiplication factor (mc) x average of previous 60 working days (VaRavg)		111
2 SVaR (higher of values a and b)	2,102	168
(a) Latest available SVaR (SVaRt-1)		55
(b) Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		168
3 IRC (higher of values a and b)	329	26
(a) Most recent IRC measure		25
(b) 12 weeks average IRC measure		26
4 Comprehensive risk measure (higher of values a, b and c)	248	20
(a) Most recent risk measure of comprehensive risk measure		9
(b) 12 weeks average of comprehensive risk measure		20
(c) Comprehensive risk measure - Floor		20
5 Other		
6 Total	4,072	326

EURm	a	b
Q2 2023	RWEAs	Own funds requirements
1 VaR (higher of values a and b)	1,565	125
(a) Previous day's VaR (VaRt-1)		40
(b) Multiplication factor (mc) x average of previous 60 working days (VaRavg)		125
2 SVaR (higher of values a and b)	1,807	145
(a) Latest available SVaR (SVaRt-1)		43
(b) Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		145
3 IRC (higher of values a and b)	298	24
(a) Most recent IRC measure		20
(b) 12 weeks average IRC measure		24
4 Comprehensive risk measure (higher of values a, b and c)	357	29
(a) Most recent risk measure of comprehensive risk measure		29
(b) 12 weeks average of comprehensive risk measure		21
(c) Comprehensive risk measure - Floor		26
5 Other		
6 Total	4,028	322



Table 40 - EU MR2-B - RWA flow statements of market risk exposures under the IMA

Market risk under the IMA increased in Q4 2023 to EUR 4.1bn from EUR 3.7bn in Q3 2023 primarily driven by higher contribution from SVaR and VaR partially offset by lower contribution from Comprehensive risk measure. The higher contribution from sVaR and VaR was primarily driven by increased interest rate risk. Compared to Q3 2023 the RWA stemming from Incremental risk charge (IRC) increased by EUR 18m and the RWA from Comprehensive risk measure (CRM) decreased by EUR 89m.

EURm	a	b	c	d	e	f	g
	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWEAs	Total own funds requirements
1 RWEAs Q3 2023	1,257	1,801	311	337		3,707	297
1a Regulatory adjustment	-861	-1,148		-72		-2,081	-166
1b RWEAs Q3 2023 (end of the day)	396	653	311	266		1,626	130
2 Movement in risk levels	18	37	0	-155		-99	-8
3 Model updates/changes							
4 Methodology and policy							
5 Acquisitions and disposals							
6 Foreign exchange movements							
7 Other							
8a RWEAs Q4 2023 (end of the day)	414	690	312	111		1,527	122
8b Regulatory adjustment	978	1,412	17	138		2,545	204
8 RWEAs Q4 2023	1,392	2,102	329	248		4,072	326

EURm	a	b	c	d	e	f	g
	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWEAs	Total own funds requirements
1 RWEAs Q2 2023	1,565	1,807	298	357		4,028	322
1a Regulatory adjustment	-1,068	-1,270	-51			-2,389	-191
1b RWEAs Q2 2023 (end of the day)	497	537	247	357		1,639	131
2 Movement in risk levels	-101	116	64	-92		-12	-1
3 Model updates/changes							
4 Methodology and policy							
5 Acquisitions and disposals							
6 Foreign exchange movements							
7 Other							
8a RWEAs Q3 2023 (end of the day)	396	653	311	266		1,626	130
8b Regulatory adjustment	861	1,148		72		2,081	166
8 RWEAs Q3 2023	1,257	1,801	311	337		3,707	297

Table 41 - EU MR3 - IMA values for trading portfolios

Average market risk measured by VaR was EUR 33m in the second half of 2023 and was primarily driven by interest rate risk, while average sVaR was EUR 45m. Average incremental risk charge (IRC) was EUR 10m in the second half of 2023. Average comprehensive risk measure (CRM) during the same period was EUR 19m.

EURm

Q3-Q4 2023

a

VaR (10 day 99%)	
1 Maximum value	61
2 Average value	33
3 Minimum value	25
4 Period end	33
SVaR (10 day 99%)	
5 Maximum value	62
6 Average value	45
7 Minimum value	34
8 Period end	55
IRC (99.9%)	
9 Maximum value	18
10 Average value	10
11 Minimum value	7
12 Period end	10
Comprehensive risk measure (99.9%)	
13 Maximum value	36
14 Average value	19
15 Minimum value	8
16 Period end	8

EURm

Q1-Q2 2023

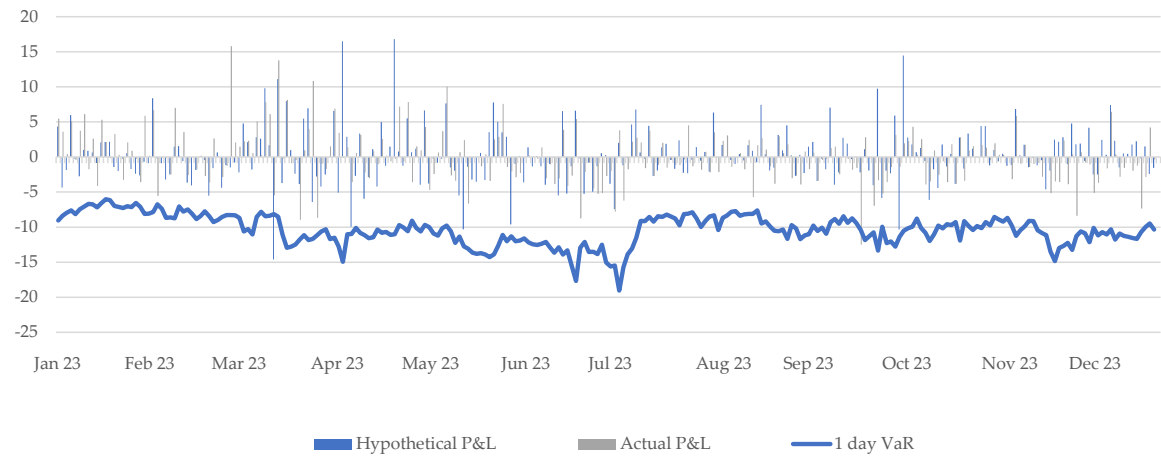
a

VaR (10 day 99%)	
1 Maximum value	56
2 Average value	33
3 Minimum value	19
4 Period end	40
SVaR (10 day 99%)	
5 Maximum value	62
6 Average value	43
7 Minimum value	34
8 Period end	43
IRC (99.9%)	
9 Maximum value	21
10 Average value	10
11 Minimum value	6
12 Period end	8
Comprehensive risk measure (99.9%)	
13 Maximum value	30
14 Average value	20
15 Minimum value	13
16 Period end	25

Table 42 - EU MR4: Comparison of VaR estimates with gains/losses

The figure below shows the 250 days VaR backtest of the trading book at the end of Q4 2023. 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 Q4 2023, backtest based on hypothetical profit/loss (SPL) was in the green zone with one SPL exception during the last 250 business days and backtest based on actual profit/loss (APL) was in the green zone with one APL exception during the last 250 business 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.

EURm



**Table 43 - EU IRRBB1 - Interest rate risk of non-trading book activities**

At the end of the year, the worst outcome of the six Basel scenarios for economic value (EV) of equity was driven by the parallel shock down scenario (-200bp), with a loss of EUR 1.6bn. The figures imply that the economic value of the banking book increases with rising rates and falls with decreasing rates. Compared to Q2 2023, the scenario with worst loss is unchanged. EV sensitivity has changed compared to Q2 2023 due to lower interest rates in the end of 2023 caused deposit floors to carry value again thereby explaining parts of the asymmetric rates up/down profile. Further, a change in the composition of the deposits has impacted the economic value of equity risk.

The end 2023 economic value of equity is aligned to the risk reported for the Supervisory Outlier Test (SOT). In the SOT EV at loss is captured 100% while a gain to EV is captured only by 50%, measured at currency level.<sup>1)</sup>

EURm	a		b		c		d	
	Changes of the economic value of equity		Changes of the net interest income					
	Q4 2023	Q2 2023	Q4 2023	Q2 2023	Q4 2023	Q2 2023	Q4 2023	Q2 2023
1 Parallel up	258	437	1,169	1,055				
2 Parallel down	-1,631	-1,238	-1,210	-1,122				
3 Steepener	260	196						
4 Flattener	-1,095	-312						
5 Short rates up	-493	-22						
6 Short rates down	-61	-269						

<sup>1)</sup> This is a change to the EV risk reported in the Pillar 3 report as of Q2 2023. The gain netting explains the remaining part of the asymmetrical EV risk for a parallel shock up and down in addition to the floor impact described above. The asymmetry has increased compared to the last period both due to the increased importance of floors and the larger magnitude of the gain netting. Q2 2023 EV risk is shown in the SOT methodology for comparison.

Table 44 - EU PV1 - Prudent valuation adjustments (PVA)

The total Additional Value Adjustments (AVAs) for Q4 2023 amounted to EUR 252m, which is a decrease of around EUR 10m compared to the previous year. The most noticeable changes were observed in Concentrated Position AVAs due to an increase in DKK risk exposure in the long end - an inclusion of new trades. Market Price Uncertainty AVA change was mainly driven by interest rate delta which decreased due to the exclusion of the Other Comprehensive Income (OCI) portfolios from the calculations as all interest rate derivatives are in a hedge relationship (new methodology implemented in Q3 2023).

EURm		a	b	c	d	e	EU e1	EU e2	f	g	h
		Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
	1 Market price uncertainty	82	55	2	13		1	6	80	44	35
	2 Not applicable										
	3 Close-out cost	4	30	9	8				25	17	8
	4 Concentrated positions	6	59	0	8				73	58	15
	5 Early termination										
	6 Model risk	5	16	0	71		23	10	62	29	34
	7 Operational risk	4	5	1	1				10	6	4
	10 Future administrative costs	0	0		0				1	1	0
	12 Total Additional Valuation Adjustments (AVAs)								252	155	97

Table 45 - EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

Total Operational Risk RWA increased by 1.0bn compared to Q4 2022.

EURm	Banking activities	a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
	1 Banking activities subject to basic indicator approach (BIA)					
	2 Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	8,317	9,451	9,622	1,284	16,048
	3 <i>Subject to TSA:</i>	<i>8,317</i>	<i>9,451</i>	<i>9,622</i>		
	4 <i>Subject to ASA:</i>					
	5 Banking activities subject to advanced measurement approaches AMA					

Table 46 - EU-SEC1 - Securitisation exposures in the non-trading book

At the end of Q4 2023 Nordea has five securitisations where the institution acts as an originator and three transactions where the institution acts as an investor.

EURm	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
	Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
	STS	of which SRT	Non-STS	of which SRT		of which SRT		STS	Non-STS			STS	Non-STS		
1 Total exposures					14,537	14,537	14,537					627			627
2 Retail (total)												106			106
3 residential mortgage															
4 credit card															
5 other retail exposures												106			106
6 re-securitisation															
7 Wholesale (total)					14,537	14,537	14,537					521			521
8 loans to corporates					14,537	14,537	14,537								
9 commercial mortgage															
10 lease and receivables												521			521
11 other wholesale															
12 re-securitisation															



Table 47 - EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

Nordea's total exposure value of securitisation exposures amounted to EUR 14.5bn as of Q4 2023. Nordea's RWEA of the securitisation position was fully calculated using the IRB approach and amounted to EUR 2.1bn.

EURm	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	EU-p	EU-q
	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)					RWEA (by regulatory approach)				Capital charge after cap		
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions
1 Total exposures	14,537					14,537				2,094				167			
2 Traditional transactions																	
3 Securitisation																	
4 Retail																	
5 Of which STS																	
6 Wholesale																	
7 Of which STS																	
8 Re-securitisation																	
9 Synthetic transactions	14,537					14,537				2,094				167			
10 Securitisation	14,537					14,537				2,094				167			
11 Retail underlying																	
12 Wholesale	14,537					14,537				2,094				167			
13 Re-securitisation																	

Table 48 EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

Nordea's total exposure value of securitisations when acting as investor amounted to EUR 0.6bn as of 31 December 2023. Nordea's RWEA of the securitisation position was calculated using both the SEC-ERBA approach and the SEC-SA approach.

EURm	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	EU-p	EU-q
	Exposure values (by RW bands/deductions)				Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap				
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/deductions
1 Total exposures	627						171	456			22	47			2	4	
2 Traditional securitisation	627						171	456			22	47			2	4	
3 Securitisation	627						171	456			22	47			2	4	
4 Retail underlying	106							106				11				1	
5 Of which STS	106							106				11				1	
6 Wholesale	521						171	350			22	36			2	3	
7 Of which STS	521						171	350			22	36			2	3	
8 Re-securitisation																	
9 Synthetic securitisation																	
10 Securitisation																	
11 Retail underlying																	
12 Wholesale																	
13 Re-securitisation																	

Table 49 - EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

At the end of 2023 Nordea's outstanding nominal amount of exposures securitised by the institution amounted to EUR 15.4bn. The securitised exposures in default amounted to EUR 27m at the end of Q4 2023.

EURm	a	b	c
	Exposures securitised by the institution - Institution acts as originator or as sponsor		
	Total outstanding nominal amount	Total amount of specific credit risk adjustments made during the period	
		Of which exposures in default	
1 Total exposures	15,405	27	14
2 Retail (total)			
3     residential mortgage			
4     credit card			
5     other retail exposures			
6     re-securitisation			
7 Wholesale (total)	15,405	27	14
8     loans to corporates	15,405	27	14
9     commercial mortgage			
10    lease and receivables			
11    other wholesale			
12    re-securitisation			

Table 50 - EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

In Q4 2023, the total carrying value of assets, as reported in the financial statements, amounted to EUR 585bn. The total carrying value for assets under the scope of prudential consolidation was EUR 511bn, the majority of which was subject to the credit risk framework (82%).

EURm	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements							
1 Cash and balances with central banks	50,622	50,553	50,553				
2 Loans to central banks	1,909	1,909	1,623	286			
3 Loans to credit institutions	2,363	2,070	1,098	973			
4 Loans to the public	344,828	346,289	312,787	20,842	12,172		488
5 Interest bearing securities	58,456	48,675	36,554			12,121	
6 Financial instruments pledged as collateral	9,544	9,419	8,875			544	
7 Shares	22,158	6,589	2,613			5,124	-1,148
8 Assets in pooled schemes and unit-linked investment contracts	50,531	4,017				0	4,017
9 Derivatives	26,525	26,464		26,464			
10 Fair value changes of the hedged items in portfolio hedge of interest rate risk	-871	-871				-871	
11 Investments in associated undertakings and joint ventures	481	1,319	1,319				0
12 Intangible assets	3,826	3,240	475				2,765
13 Properties and equipment	1,653	1,587	1,587				
14 Investment properties	2,199	8	8				
15 Deferred tax assets	254	106	72				34
16 Current tax assets	217	190	190				
17 Retirement benefit assets	225	225					225
18 Other assets	8,921	8,619	581			8,038	
19 Prepaid expenses and accrued income	755	734	734				
20 Assets held for sale	106	106					106
21 Total assets	584,702	511,248	419,069	48,565	12,172	24,956	6,486

EURm

	a	b	c	d	e	f	g
				Carrying values of items			
	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements</b>							
1 Deposits by credit institutions	57,073	29,496		5,998			23,497
2 Deposits and borrowings from the public	210,062	211,247	3,364	7,444			200,440
3 Deposits in pooled schemes and unit-linked investment contracts	51,573	4,251					4,251
4 Liabilities to policyholders							
5 Debt securities in issue	182,548	183,220					183,220
6 Derivatives	30,794	30,787		30,787			
7 Fair value changes of the hedged items in portfolio hedge of interest rate risk	-869	-869				-869	
8 Current tax liabilities	413	375					375
9 Other liabilities	13,728	13,408					13,408
10 Accrued expenses and prepaid income	1,274	1,270					1,270
11 Deferred tax liabilities	505	498					498
12 Provisions	371	368					368
13 Retirement benefit obligations	287	272					272
14 Subordinated liabilities	5,720	5,720					5,720
15 Liabilities held for sale							
16 Total equity	31,225	31,205					31,205
17 Total liabilities	584,702	511,248	3,364	44,229		-869	464,525

Table 51 - EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The following table provides information on the main sources of differences between the accounting carrying values and the regulatory exposures. Additionally, off-balance sheet amounts are included in the exposure amounts considered for regulatory purposes. Items that are subject to deductions from capital (in LI1 column g) are not risk weighted and are thus excluded from the table below.

EURm

	a	b	c	d	e
	Total	Items subject to			
		Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1 Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	504,762	419,069	12,172	48,565	24,956
2 Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	46,723	3,364		44,229	-869
3 Total net amount under the scope of prudential consolidation	458,039	415,705	12,172	4,336	25,825
4 Off-balance-sheet amounts	105,453	98,743	6,710		
5 Differences in valuations	-252	-97			-155
6 Differences due to different netting rules, other than those already included in row 2	21,741			21,741	
7 Differences due to consideration of provisions	1,795	1,795			
8 Differences due to the use of credit risk mitigation techniques (CRMs)	-21,748	-915		-20,832	
9 Differences due to credit conversion factors	-55,155	-52,305	-2,850		
10 Differences due to Securitisation with risk transfer					
11 Other differences	-19,345	-151		6,477	-25,670
12 Exposure amounts considered for regulatory purposes	490,528	462,774	16,032	11,722	

Table 52 - EU LI3 Specification of undertakings

Owner	Company Name	Voting power of holding %	Method of consolidation		Neither consoli- dated nor deducted	Deducted	Description of entity	Domicile
			Accounting consolidation	Regulatory consolidation				
Nordea Bank Abp	Nordea Finance Finland Ltd	100	Acquisition method	Full consolidation			Credit institution	Finland
	Nordea Mortgage Bank Plc	100	Acquisition method	Full consolidation			Credit institution	Finland
	Nordea Funds Ltd	100	Acquisition method	Full consolidation			Financial institution	Finland
Nordea Finance Finland Ltd	Tukirahoitus Oy	100	Acquisition method	Full consolidation			Financial institution	Finland
Nordea Bank Abp	Nordea Eiendoms kreditt AS	100	Acquisition method	Full consolidation			Credit institution	Norway
	Nordea Finans Norge AS	100	Acquisition method	Full consolidation			Financial institution	Norway
	Nordea Finance Equipment AS	100	Acquisition method	Full consolidation			Financial institution	Norway
Nordea Bank Abp	Eksportfinans ASA	23	Equity method	Equity method			Credit institution	Norway
	Nordea Finans Danmark A/S	100	Acquisition method	Full consolidation			Financial institution	Denmark
	Nordea Kredit Realkreditaktieselskab	100	Acquisition method	Full consolidation			Credit institution	Denmark
Nordea Finans Danmark A/S	Fionia Asset Company A/S	100	Acquisition method	Full consolidation			Financial institution	Denmark
	UL Transfer Aps	100	Acquisition method	Full consolidation			Financial institution	Denmark
	NAMIT 10 K/S	100	Acquisition method	Full consolidation			Financial institution	Denmark
Fionia Asset Company A/S	Ejendomsselskabet Vestre Stationsvej 7, Odense A/S	100	Acquisition method	Full consolidation			Ancillary services undertaking	Denmark
Nordea Bank Abp	LLC Promyshlennaya Kompaniya Vestkon	100	Acquisition method	Full consolidation			Financial institution	Russia
Nordea Bank Abp	Nordea Hypotek AB (publ)	100	Acquisition method	Full consolidation			Credit institution	Sweden
	Nordea Finans Sverige AB (publ)	100	Acquisition method	Full consolidation			Credit institution	Sweden
	Nordea Asset Management Holding AB	100	Acquisition method	Full consolidation			Financial institution	Sweden
Nordea Asset Management Holding AB	Bankomat AB	20	Equity method	Equity method			Financial institution	Sweden
	Nordea Baltic AB	100	Acquisition method	Full consolidation			Financial institution	Sweden
	Nordea Markets Holding Company INC	100	Acquisition method	Full consolidation			Financial institution	USA
Nordea Asset Management Holding AB	Nordea Investment Management AB	100	Acquisition method	Full consolidation			Financial institution	Sweden
	Trill Impact AB		Equity method	Equity method			Financial institution	Sweden
	Nordea Investment Funds S.A.	100	Acquisition method	Full consolidation			Financial institution	Luxembourg
Nordea Investment Management AB	Nordea Investment Management North America Inc	100	Acquisition method	Full consolidation			Financial institution	USA
	Nordea Asset Management UK Ltd	100	Acquisition method	Full consolidation			Financial institution	UK
	Nordea Asset Management Singapore PTE.LTD	100	Acquisition method	Full consolidation			Financial institution	Singapore
Nordea Markets Holding Company INC	Nordea Securities LLC	100	Acquisition method	Full consolidation			Financial institution	USA



Entities consolidated in accordance with Article 18.7

Owner	Company Name	Voting power of holding %	Accounting consolidation	Regulatory consolidation	Neither consolidated nor deducted	Deducted	Description of entity	Domicile
Nordea Bank Abp	Kiinteistö Oy Kaarenritva		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Finland
	Kiinteistö Oy Kellokosken Tehtaat		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Finland
	Myymäen Autopaikoitus Oy		Equity method	Equity method			Consolidated in accordance with Article 18.7	Finland
	Nordea Vallila Fastighetsförvaltning Ab		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Finland
	Siirto Brand Oy		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Finland
	Suomen Luotto-osuuskunta		Equity method	Equity method			Consolidated in accordance with Article 18.7	Finland
Nordea Finance Finland Ltd	NF Fleet Oy		Equity method	Equity method			Consolidated in accordance with Article 18.7	Finland
Nordea Bank Abp	Eiendomsverdi AS		Equity method	Equity method			Consolidated in accordance with Article 18.7	Norway
	First Card AS		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Norway
	Nordea Essendropsgate Eiendomsforvaltning AS		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Norway
	Privatmegleren AS		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Norway
Nordea Finans Norge AS	NF Fleet AS		Equity method	Equity method			Consolidated in accordance with Article 18.7	Norway
Privatmegleren AS	Privatmegleren Nyeboliger AS		Equity method	Equity method			Consolidated in accordance with Article 18.7	Norway
Nordea Bank Abp	Danbolig A/S		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Denmark
	Structured Finance Servicer A/S		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Denmark
	Subaio ApS		Equity method	Equity method			Consolidated in accordance with Article 18.7	Denmark
Nordea Kredit Realkreditaktieselskab	e-nettet A/S		Equity method	Equity method			Consolidated in accordance with Article 18.7	Denmark
Nordea Finans Danmark A/S	NF Fleet A/S		Equity method	Equity method			Consolidated in accordance with Article 18.7	Denmark
Nordea Bank Abp	Nordea Life Holding AB including related subsidiaries and		Acquisition method	Equity method			Consolidated in accordance with Article 18.7, insurance	Sweden
	Bohemian Wrappsody AB		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Sweden
	Nordea Hästen Fastighetsförvaltning AB		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Sweden
	Nordic Baltic Holding AB		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Sweden
	P27 Nordic Payments Platform AB		Equity method	Equity method			Consolidated in accordance with Article 18.7	Sweden
	Tibern AB		Equity method	Equity method			Consolidated in accordance with Article 18.7	Sweden
	USE Intressenter AB		Equity method	Equity method			Consolidated in accordance with Article 18.7	Sweden

		Entities not in the consolidated situation						
Owner	Company Name	Voting power of holding %	Accounting consolidation	Regulatory consolidation	Neither consolidated nor deducted	Deducted	Description of entity	Domicile
Nordea Finans Sverige AB (publ)	Invidem AB		Equity method	Equity method			Consolidated in accordance with Article 18.7	Sweden
	Nordea Limited		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Great Britain
	Nordea Private Equity Secondary Fund I SCSp		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Luxembourg
	NF Fleet AB		Equity method	Equity method			Consolidated in accordance with Article 18.7	Sweden
	Nordea Asset Management Schweiz GmbH		Equity method	Equity method			Consolidated in accordance with Article 18.7	Germany
	Nordea Finance Finland Ltd				X		Immaterial financial institution, article 19	Finland
	Koy Tulppatie 7				X		Immaterial financial institution, article 19	Finland
	CrediWire ApS				X		Immaterial financial institution, article 19	Denmark
	Nordea Private Equity Holding A/S				X		Immaterial financial institution, article 19	Denmark
	Nordea Private Equity II - EU MM Buyout A/S				X		Immaterial financial institution, article 19	Denmark
Nordea Bank Abp	Nordea Private Equity III - GLOBAL A/S				X		Immaterial financial institution, article 19	Denmark
	PWM Global PE III ApS				X		Immaterial financial institution, article 19	Denmark
	Getswish AB				X		Immaterial financial institution, article 19	Sweden
	Mondido Payments AB				X		Immaterial financial institution, article 19	Sweden
	Svenska e-fakturabolaget AB				X		Immaterial financial institution, article 19	Sweden
	Nordea Asset Management Holding AB				X		Immaterial financial institution, article 19	Sweden
	Nordea Investment Funds S.A.				X		Immaterial financial institution, article 19	Chile
	Nordea Asset Management Alternative Investments AB				X		Immaterial financial institution, article 19	Luxemburg
	Nordea Private Equity GP 1 S.à.r.l.				X		Immaterial financial institution, article 19	Luxemburg
	Nordea Private Markets GP S.à.r.l.				X		Immaterial financial institution, article 19	Luxemburg

Table 53 - EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

The risk of excessive leverage is included in the Group's reporting and control processes and is monitored by the Group Board and CEO. The leverage ratio as defined in the CRDIV/CRR is further an integrated part of the Risk appetite framework for which internal limits and targets are set. The leverage ratio increased from 4.6% in Q2 2023 to 5.0% in Q4 2023. The increased leverage ratio was driven by decreased leverage exposure and increased Tier 1 capital.

EURm

	a
	Applicable amount
1 Total assets as per published financial statements	584,702
2	-73,461
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	
3 (Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	
4 (Adjustment for temporary exemption of exposures to central banks (if applicable))	
5 (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	
6 Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7 Adjustment for eligible cash pooling transactions	-3,048
8 Adjustment for derivative financial instruments	-4,528
9 Adjustment for securities financing transactions (SFTs)	926
10 Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	39,751
11 (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	
EU-11a (Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	
EU-11b (Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	
12 Other adjustments	-10,845
13 Total exposure measure	533,497

Table 54 - EU LR2 - LRCOM: Leverage ratio common disclosure

During second half of 2023, on-balance sheet exposures decreased from EUR 458bn to EUR 450bn, Derivatives exposures decreased from EUR 25bn to EUR 22bn, securities financing transaction exposures decreased from EUR 31bn to EUR 23bn, Tier 1 capital increased from EUR 26bn to EUR 27bn.

EURm

	CRR leverage ratio exposures	
	a	b
	Q4 2023	Q2 2023
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>		
1 On-balance sheet items (excluding derivatives, SFTs, but including collateral)	460,499	468,590
2 Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-6,916	-6,348
4 (Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5 (General credit risk adjustments to on-balance sheet items)		
6 (Asset amounts deducted in determining Tier 1 capital)	-3,586	-4,231
<b>7 Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>449,997</b>	<b>458,011</b>
<b>Derivative exposures</b>		
8 Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	4,319	5,490
EU-8a Derogation for derivatives: replacement costs contribution under the simplified standardised approach		
9 Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	13,668	15,006
EU-9a Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach		
EU-9b Exposure determined under Original Exposure Method		
10 (Exempted CCP leg of client-cleared trade exposures) (SA-CCR)		
EU-10a (Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)		
EU-10b (Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)		
11 Adjusted effective notional amount of written credit derivatives	74,392	81,623
12 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-70,443	-77,560
<b>13 Total derivatives exposures</b>	<b>21,936</b>	<b>24,560</b>
<b>Securities financing transaction (SFT) exposures</b>		
14 Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	30,251	37,428
15 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-7,955	-6,598
16 Counterparty credit risk exposure for SFT assets	730	580
EU-16a Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR		
17 Agent transaction exposures		
EU-17a (Exempted CCP leg of client-cleared SFT exposure)		
<b>18 Total securities financing transaction exposures</b>	<b>23,027</b>	<b>31,410</b>
<b>Other off-balance sheet exposures</b>		
19 Off-balance sheet exposures at gross notional amount	105,453	105,331
20 (Adjustments for conversion to credit equivalent amounts)	-65,701	-65,342
21 (General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)		
<b>22 Off-balance sheet exposures</b>	<b>39,751</b>	<b>39,989</b>
<b>Excluded exposures</b>		
EU-22a (Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)		
EU-22b (Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))		
EU-22c (Excluded exposures of public development banks (or units) - Public sector investments)		
EU-22d (Excluded exposures of public development banks (or units) - Promotional loans)		
EU-22e (Excluded passing-through promotional loan exposures by non-public development banks (or units))		
EU-22f (Excluded guaranteed parts of exposures arising from export credits)	-1,214	-1,349
EU-22g (Excluded excess collateral deposited at triparty agents)		
EU-22h (Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)		
EU-22i (Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)		
EU-22j (Reduction of the exposure value of pre-financing or intermediate loans)		
<b>EU-22k (Total exempted exposures)</b>	<b>-1,214</b>	<b>-1,349</b>
<b>Capital and total exposure measure</b>		
23 Tier 1 capital	26,845	25,626
<b>24 Total exposure measure</b>	<b>533,497</b>	<b>552,620</b>
<b>Leverage ratio</b>		
25 Leverage ratio (%)	5.0%	4.6%
EU-25 Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans)	5.0%	4.6%
25a Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	5.0%	4.6%
26 Regulatory minimum leverage ratio requirement (%)	3.0%	3.0%
EU-26a Additional own funds requirements to address the risk of excessive leverage (%)		
EU-26b of which: to be made up of CET1 capital		
27 Leverage ratio buffer requirement (%)		
EU-27a Overall leverage ratio requirement (%)	3.0%	3.0%
<b>Choice on transitional arrangements and relevant exposures</b>		
EU-27b Choice on transitional arrangements for the definition of the capital measure		

	CRR leverage ratio exposures	
	a	b
	Q4 2023	Q2 2023
<b>Disclosure of mean values</b>		
28 Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	29,943	27,820
29 Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	22,296	30,831
30 Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	541,144	549,609
30a Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	541,144	549,609
31 Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.0%	4.7%
31a Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.0%	4.7%

Table 55 - EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

Out of total on-balance sheet exposures EUR 460bn, EUR 427bn or 93% are related to Banking book exposures and EUR 32bn or 7% are related to trading book exposures. The biggest part of banking book exposures is related to secured by mortgages of immovable properties (37% of banking book exposures), Corporates (27% of banking book exposures), and exposures treated as sovereigns (16% of banking book exposures).

EURm

	a
	CRR leverage ratio exposures
EU-1 Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	459,619
EU-2 Trading book exposures	32,391
EU-3 Banking book exposures, of which:	427,228
EU-4 Covered bonds	27,266
EU-5 Exposures treated as sovereigns	69,249
EU-6 Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	5,720
EU-7 Institutions	1,240
EU-8 Secured by mortgages of immovable properties	156,780
EU-9 Retail exposures	26,611
EU-10 Corporates	116,091
EU-11 Exposures in default	1,711
EU-12 Other exposures (eg equity, securitisations, and other non-credit obligation assets)	22,561

Table 56 - EU INS1 - Insurance participations

The exposure value and risk exposure amount disclosed in the table below is related to exposure towards Nordea Life Holding treated in accordance with article 49.1 of the CRR.

EURm	Exposure value	Risk exposure amount
1 Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	1,759	1,759

Table 57 - EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio

In the fourth quarter of 2023 supplementary own funds requirements of the financial conglomerate increased to EUR 32.7bn (compared to EUR 31.8bn in the fourth quarter of 2022). The capital adequacy ratio of the financial conglomerate decreased to 132% (compared to 133% in the fourth quarter of 2022).

EURm

	a
	Q4 2023
1 Supplementary own fund requirements of the financial conglomerate (amount)	32,698
2 Capital adequacy ratio of the financial conglomerate (%)	132%



Table 58 - EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer  
Counter-cyclical buffer requirements increased to 1.7% in the fourth quarter of 2023 compared to 1.6% in the second quarter of 2023.

EURm		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Countries with existing CCyB rate														
001	Australia	0	55	0	68		124	1	0		1	11	0.0%	1.0%
002	Bulgaria	0	3				3	0			0	1	0.0%	2.0%
003	Cyprus	0	83				83	5			5	66	0.1%	0.5%
004	Czech Republic	0	13				13	0			0	6	0.0%	2.0%
005	Germany	18	1,194	1	132		1,345	42			47	586	0.5%	0.8%
006	Denmark	1,990	84,170	249	2,168		88,578	1,710	31	-17	1,724	21,548	18.6%	2.5%
007	Estonia	16	225		0		241	10	0		11	132	0.1%	1.5%
008	Faroe Islands	0	397				398	9			9	108	0.1%	1.0%
009	France	0	359	3	84		446	15	7		22	278	0.2%	0.5%
010	United Kingdom	239	2,278	2	9		2,528	101	10		111	1,389	1.2%	2.0%
011	Hong Kong	0	30	0			30	0	0		0	4	0.0%	1.0%
012	Croatia	0	1				1	0			0	0	0.0%	1.0%
013	Ireland	19	619	0	0	456	1,093	17	0	4	21	262	0.2%	1.0%
014	Iceland	1	457		10		468	11	1		12	145	0.1%	2.0%
015	Lithuania	0	86				86	3			3	38	0.0%	1.0%
016	Luxembourg	635	5,212	0	10	171	6,029	185	5	2	191	2,392	2.1%	0.5%
017	Netherlands	3	523	0	32		559	15	3		18	230	0.2%	1.0%
018	Norway	5,138	64,591	27	602		70,358	1,961	8	-29	1,940	24,252	20.9%	2.5%
019	Romania	0	7				7	0			0	2	0.0%	1.0%
020	Sweden	1,857	103,074	24	405	15,405	120,766	2,640	24	239	2,903	36,288	31.3%	2.0%
021	Slovenia		1				1	0			0	0	0.0%	0.5%
022	Slovakia	0	6		4		11	0	0		0	2	0.0%	1.5%
Sub-total		9,916	263,385	307	3,528	16,032	293,168	6,727	94	198	7,019	87,741	75.7%	
Countries with own funds requirements weight 1% or above and no existing CCyB rate														
012	Finland	2,068	67,324	11	187		69,590	1,537	65	-25	1,577	19,706	17.0%	0.0%
013	Marshall Islands		1,352		5		1,357	101	0		101	1,263	1.1%	0.0%
014	United States	460	3,945	3	1		4,410	159	63		222	2,774	2.4%	0.0%
Sub-total		2,528	72,621	15	193		75,357	1,797	128	-25	1,900	23,744	0	
Countries with own funds requirement below 1% and no existing CCyB rate														
Sub-total		194	7,708	8	309		8,218	344	11	0	354	4,431	3.8%	
Total		12,639	343,714	329	4,030	16,032	376,744	8,867	233	173	9,273	115,917	100.0%	

Table 59 - EU CCyB2 - Amount of institution-specific countercyclical capital buffer

Counter-cyclical buffer requirements increased to EUR 2.3bn in the fourth quarter of 2023 (compared to EUR 1.6bn in the fourth quarter of 2022).

EURm	a
1 Total risk exposure amount	138,719
2 Institution specific countercyclical capital buffer rate	1.66%
3 Institution specific countercyclical capital buffer requirement	2,308

Table 60 - EU KM2 - Key metrics - MREL

At the end of the fourth quarter of 2023 the minimum requirements for own funds and eligible liabilities (MREL) ratio for Nordea Group was 38.6% of Total Risk Exposure Amount (TREA), compared to the requirement of 29.4% of TREA including the combined buffer requirement of 6.7%. The MREL ratio was 9.3% above the requirement. The subordinated MREL ratio for Nordea Group was 31.2% of TREA, compared to the requirement of 22.7% of TREA including the combined buffer requirement of 6.7%. The subordinated MREL ratio was 8.4% above the requirement. In terms of Total Exposure Measure the MREL ratio was 10.0% compared to the requirement of 5.98%. The subordinated MREL ratio was 8.1% of LRE compared to the requirement of 5.98%.

EURm	a	b	c	d	e	f
	Minimum requirement for own funds and eligible liabilities (MREL)	G-SII Requirement for own funds and eligible liabilities (TLAC)				
	Q4 2023	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
<b>Own funds and eligible liabilities, ratios and components</b>						
1 Own funds and eligible liabilities	53,595					
EU-1a <i>Of which own funds and subordinated liabilities</i>	43,242					
2 Total risk exposure amount of the resolution group (TREA)	138,719					
3 Own funds and eligible liabilities as a percentage of the TREA	38.6%					
EU-3a <i>Of which own funds and subordinated liabilities</i>	31.2%					
4 Total exposure measure (TEM) of the resolution group	533,497					
5 Own funds and eligible liabilities as percentage of the TEM	10.0%					
EU-5a <i>Of which own funds or subordinated liabilities</i>	8.1%					
6a Does the subordination exemption in Article 72b(4) of Regulation (EU) No 575/2013 apply? (5% exemption)						
6b Aggregate amount of permitted non-subordinated eligible liabilities instruments if the subordination discretion in accordance with Article 72b(3) of Regulation (EU) No 575/2013 is applied (max 3.5% exemption)						
6c If a capped subordination exemption applies in accordance with Article 72b (3) of Regulation (EU) No 575/2013, the amount of funding issued that ranks <i>pari passu</i> with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks <i>pari passu</i> with excluded liabilities and that would be recognised under row 1 if no cap was applied (%)						
<b>Minimum requirement for own funds and eligible liabilities (MREL)</b>						
EU-7 MREL expressed as a percentage of the TREA	29.4%					
EU-8 <i>Of which to be met with own funds or subordinated liabilities</i>	22.7%					
EU-9 MREL expressed as a percentage of the TEM	5.98%					
EU-10 <i>Of which to be met with own funds or subordinated liabilities</i>	5.98%					

Table 61 - EU TLAC1 - Composition - MREL

This table discloses composition of own funds and eligible liabilities for Nordea Group as at Q4 2023.

	a	b	c
	Minimum requirement for own funds and eligible liabilities (MREL)	G-SII requirement for own funds and eligible liabilities (TLAC)	Memo item: Amounts eligible for the purposes of MREL, but not of TLAC
EURm			
<b>Own funds and eligible liabilities and adjustments</b>			
1 Common Equity Tier 1 capital (CET1)	23,645		
2 Additional Tier 1 capital (AT1)	3,200		
6 Tier 2 capital (T2)	3,970		
11 Own funds for the purpose of Articles 92a of Regulation (EU) No 575/2013 and 45 of Directive 2014/59/EU	30,815		
<b>Own funds and eligible liabilities: Non-regulatory capital elements</b>			
12 Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	12,365		
EU-12a Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)			
EU-12b Eligible liabilities instruments that are subordinated to excluded liabilities issued prior to 27 June 2019 (subordinated grandfathered)			
EU-12c Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	62		
13 Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre-cap)	5,226		
EU-13a Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	5,127		
14 Amount of non subordinated eligible liabilities instruments, where applicable after application of Article 72b (3) CRR	10,353		
17 Eligible liabilities items before adjustments	22,780		
EU-17a <i>Of which subordinated liabilities items</i>	12,427		
<b>Own funds and eligible liabilities: Adjustments to non-regulatory capital elements</b>			
18 Own funds and eligible liabilities items before adjustments	53,595		
19 (Deduction of exposures between multiple point of entry (MPE) resolution groups)			
20 (Deduction of investments in other eligible liabilities instruments)			
22 Own funds and eligible liabilities after adjustments	53,595		
EU-22a <i>Of which: own funds and subordinated liabilities</i>	43,242		
<b>Risk-weighted exposure amount and leverage exposure measure of the resolution group</b>			
23 Total risk exposure amount (TREA)	138,719		
24 Total exposure measure (TEM)	533,497		
<b>Ratio of own funds and eligible liabilities</b>			
25 Own funds and eligible liabilities as a percentage of TREA	38.6%		
EU-25a <i>Of which own funds and subordinated liabilities</i>	31.2%		
26 Own funds and eligible liabilities as a percentage of TEM	10.0%		
EU-26a <i>Of which own funds and subordinated liabilities</i>	8.1%		
27 CET1 (as a percentage of the TREA) available after meeting the resolution group's requirements	11.6%		
28 Institution-specific combined buffer requirement			
29 <i>of which capital conservation buffer requirement</i>			
30 <i>of which countercyclical buffer requirement</i>			
31 <i>of which systemic risk buffer requirement</i>			
EU-31a <i>of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>			
<b>Ratio of own funds and eligible liabilities</b>			
EU-32 Total amount of excluded liabilities referred to in Article 72a(2) of Regulation (EU) No 575/2013			

Note: Rows in the template with "Empty set in EU" are not required to be populated and hidden

Table 62 - EU TLAC3b - Creditor ranking - resolution entity

This table discloses creditor ranking for Nordea Bank Abp as at Q4 2023.

EURm	Insolvency ranking					Sum of 1 to n
	1	2	3	8	9	
	(most junior)				(most senior)	
1 Description of insolvency rank (free text)	CET1	AT1	T2	Senior non-preferred liabilities	Claims without priority or guarantee	
5 Own funds and liabilities potentially eligible for meeting MREL	20,355	3,200	3,914	12,575	10,353	50,397
6 of which residual maturity $\geq 1$ year < 2 years			100	207	5,898	6,204
7 of which residual maturity $\geq 2$ year < 5 years				9,538	4,072	13,610
8 of which residual maturity $\geq 5$ years < 10 years			2,977	2,530	32	5,540
9 of which residual maturity $\geq 10$ years, but excluding perpetual securities			837	300	351	1,487
10 of which perpetual securities	20,355	3,200				23,555

**Note:** Rows in the template with "Empty set in EU" are not required to be populated and hidden

Table 63 - Template 1 - Banking book - Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

The template includes exposures towards non-financial corporates and covers assets in the banking book such as loans, debt securities and equities. Nordea's financed emissions are estimated according to the Partnership for Carbon Accounting Financials (PCAF) standard, with certain deviations and own methods applied for shipping vessels and Tenant-Owned Associations (TOAs). The Greenhouse Gas (GHG) emissions data are primarily estimated based on country-specific and industry-level proxy information provided through PCAF (i.e., physical activity data and economic activity data). In addition, GHG emissions data reported directly by customers are used. Nordea includes counterparty Scope 1 and Scope 2 GHG emissions for all Statistical classification of economic activities in the European Community (NACE) sectors, and counterparty Scope 3 emissions for the oil & gas and mining. Starting from Q4 2023 Nordea has expanded the Scope 3 emissions to also include shipping, land and air transport, construction, materials, paper & forest production, buildings management and industrial activities sectors. The increase in total emissions was mainly driven by the expansion of Scope 3 to include additional industries. Currently, Nordea's financed emissions estimates do not cover debt securities and equities.

Going forward, the aim is to expand the disclosure scope to include GHG emissions for all sectors and continue improving the data quality. Nordea's methodology and plans to extend the scope of the financed emissions reporting are explained in the Annual Report FY23. Sector split is based on NACE codes and subject to further harmonisation with other financial reporting. The identification of exposures to counterparties excluded from EU Paris-aligned benchmarks (column b) is made using external data from Moody's as of June 2023.

The template also includes exposures (column c) that qualify as environmentally sustainable because they are financing activities that contribute or enable the environmental objective of climate change mitigation in accordance with Articles 10 and 16 of Regulation (EU) 2020/852, as disclosed in template 7 of Annex XXXIX to this Regulation.

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
Sector/subsector	Gross carrying amount (EURm)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (EURm)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting					Average weighted maturity
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years		
1 Exposures towards sectors that highly contribute to climate change*	108,322	589	512	6,644	1,133	-856	-217	-509	35,242,723	22,508,659	14%	79,695	4,855	7,530	16,241	6.6
2 A - Agriculture, forestry and fishing	8,337			338	148	-50	-8	-35	3,750,513	46,282	13%	4,266	365	887	2,820	12.5
3 B - Mining and quarrying	634	90	91	39	2	-2	-1	-49	1,357,355	885,553	53%	475	138	1	20	3.4
4 B.05 - Mining of coal and lignite	0			10	1	-1	0	-1	8	2		0				1.8
B.06 - Extraction of crude petroleum and natural gas	161	90		2		0	0		468,458	449,575	99%	159			2	0.4
6 B.07 - Mining of metal ores	119		91	3	0	0	0	0	98,458	62,321	94%	16	102		0	6.0
7 B.08 - Other mining and quarrying	216			17	0	-1	0	0	407,474	322,344	24%	190	24	1	2	3.6
8 B.09 - Mining support service activities	138	0		7	0	0	0	-49	382,957	51,310	8%	110	12	0	16	4.4

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
Sector/subsector	Gross carrying amount (EURm)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions(EURm)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
9 C - Manufacturing	15,243	0	48	1,547	255	-200	-53	-119	17,157,926	16,023,259	35%	11,994	778	226	2,245	5.2
10 C.10 - Manufacture of food products	1,828			170	52	-28	-10	-14	1,679,707	1,544,372	10%	1,297	37	13	482	4.8
11 C.11 - Manufacture of beverages	81			6	1	-1	0	0	16,399	13,268	7%	37	8	2	34	8.3
12 C.12 - Manufacture of tobacco products	3			1	1	-1	0	-1	533	471		3			0	0.6
13 C.13 - Manufacture of textiles	120			9	45	-19	0	-19	53,208	40,929		106	8	0	6	3.8
14 C.14 - Manufacture of wearing apparel	40			7	1	-1	0	0	6,570	5,827		35	2	2	1	4.9
15 C.15 - Manufacture of leather and related products	7			1	0	0	0	0	1,078	949		7	0		0	5.6
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	392		17	56	3	-4	-2	-2	140,588	120,403	2%	312	46	2	33	4.8
17 C.17 - Manufacture of pulp, paper and paperboard	907		3	89	5	-10	-3	-5	435,627	348,499	40%	612	84	6	205	7.5
18 C.18 - Printing and service activities related to printing	200			30	2	-3	-2	-1	49,571	39,153		181	5	2	12	4.8
19 C.19 - Manufacture of coke oven products	6	0		0		0	0		19,454	15,651	37%	5	0		0	3.8
20 C.20 - Production of chemicals	504			35	4	-6	-2	-2	424,517	302,707	27%	414	45	8	37	3.3
21 C.21 - Manufacture of pharmaceutical preparations	1,075			11	0	-3	0	0	284,847	256,928	71%	900	119	1	55	1.9
22 C.22 - Manufacture of rubber products	723		2	46	2	-4	-1	-1	698,905	668,823	29%	643	20	16	44	4.3
23 C.23 - Manufacture of other non-metallic mineral products	421			53	2	-4	-2	-1	433,358	267,350	33%	331	19	10	61	5.4
24 C.24 - Manufacture of basic metals	441	0		83	18	-10	-2	-8	474,338	343,943	43%	202	67		172	8.8
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	1,309		5	230	17	-23	-11	-9	712,343	662,747	2%	987	83	32	207	8.1
26 C.26 - Manufacture of computer, electronic and optical products	1,536		5	83	5	-6	-2	-3	225,952	194,006	68%	1,418	21	5	92	3.0
27 C.27 - Manufacture of electrical equipment	428			74	5	-6	-2	-3	766,075	749,571	13%	254	44	8	122	11.6
28 C.28 - Manufacture of machinery and equipment n.e.c.	1,808		14	169	18	-14	-7	-4	5,758,203	5,704,076	24%	1,345	110	76	277	9.6
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	1,064		2	69	1	-3	-2	0	4,275,189	4,158,386	58%	991	19	7	48	2.5
30 C.30 - Manufacture of other transport equipment	261			40	1	-2	-2	0	57,897	45,505	1%	68	6	1	185	5.7

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Gross carrying amount (EURm)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (EURm)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
Sector/subsector		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
31 C.31 - Manufacture of furniture	773			206	57	-43	-2	-39	357,350	312,863	39%	692	13	11	57	2.1
32 C.32 - Other manufacturing	1,081			23	1	-2	-1	-1	182,481	144,289	67%	972	15	13	81	2.4
C.33 - Repair and installation of machinery and equipment	233			58	14	-9	-2	-5	103,738	82,544	1%	182	8	10	33	4.9
34 D - Electricity, gas, steam and air conditioning supply (**)	5,673	110	224	52	1	-5	-1	-1	2,808,460	1,131,927	28%	3,906	482	485	800	5.7
35 D35.1 - Electric power generation, transmission and distribution	4,903	110	224	33	1	-4	-1	-1	2,302,351	1,012,471	30%	3,675	374	109	744	4.3
36 D35.11 - Production of electricity	2,379	110	224	14	1	-3	-1	-1	1,868,764	854,086	35%	1,953	269	43	114	2.7
D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	147			0	0	0	0	0	59,285	39,945	84%	47	100		0	6.4
37 D35.3 - Steam and air conditioning supply	619			15		0	0		444,990	78,917		179	7	376	56	17.0
38 E - Water supply; sewerage, waste management and remediation activities	1,564			33	8	-2	-1	-1	436,501		36%	1,180	97	115	171	9.4
39 F - Construction	7,842		22	1,001	115	-112	-34	-49	3,464,586	2,818,117	11%	6,772	351	206	513	4.2
40 F.41 - Construction of buildings	4,586		22	662	52	-65	-25	-23	2,267,685	2,081,610	15%	4,086	48	107	345	3.8
41 F.42 - Civil engineering	440			57	6	-3	-1	-1	149,076	92,562	7%	344	47	27	22	4.3
42 F.43 - Specialised construction activities	2,816			282	57	-44	-9	-26	1,047,825	643,946	5%	2,342	256	72	146	5.0
43 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	11,732		1	1,138	295	-223	-60	-129	551,101		23%	8,638	659	338	2,097	5.7
44 H - Transportation and storage	8,750	389		305	94	-81	-7	-34	5,162,547	1,603,521	16%	7,231	562	395	562	4.3
45 H.49 - Land transport and transport via pipelines	1,859			188	31	-32	-4	-6	439,224	168,673	6%	1,486	176	40	157	4.4
46 H.50 - Water transport	4,704	389		54	48	-40	-2	-23	3,807,777	714,069	13%	4,305	290	30	80	2.6
47 H.51 - Air transport	48			8	7	-4	0	-3	92,278	24,815	1%	39	4		5	3.4
48 H.52 - Warehousing and support activities for transportation	1,996			45	8	-5	-1	-3	792,926	674,023	32%	1,317	91	325	263	8.1
49 H.53 - Postal and courier activities	142			9	0	0	0	0	30,343	21,941	16%	85	1	1	56	3.5
50 I - Accommodation and food service activities	2,085			230	26	-26	-8	-12	92,640		16%	1,252	88	584	161	6.2
51 L - Real estate activities	46,462		126	1,961	190	-155	-44	-79	461,094		2%	33,981	1,336	4,293	6,852	7.0
52 Exposures towards sectors other than those that highly contribute to climate change*	23,048		126	356	344	-172	-40	-72				17,257	1,000	701	4,090	3.5
53 K - Financial and insurance activities	7,170		33	169	245	-17	-6	-5				6,041	107	218	804	2.5
54 Exposures to other sectors (NACE codes J, M - U)	15,878		93	187	99	-155	-34	-67				11,217	892	484	3,286	4.0
55 TOTAL	131,370	589	638	7,000	1,477	-1,028	-257	-581	35,242,723	22,508,659	14%	96,953	5,855	8,231	20,331	6.0

\* In accordance with the Commission delegated regulation (EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks - Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.

\*\* A minor amount (EUR 3.6m) of exposure is presented only on aggregated sector level D due to lack of granular NACE information.



Table 64 - Template 2 - Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral

The template includes information on the distribution of loans collateralised by immovable property by energy consumption and by the Energy Performance Certificate (EPC) label of the collateral. In the template exposures to collaterals located in Norway are included in the Total EU area. Where data on energy performance in kWh/m<sup>2</sup> is not available a national average energy performance is assigned for the properties based on building type and, if available, EPC label. The national average data is sourced from the Partnership for Carbon Accounting Financials (PCAF) European building emission factor database.

Counterparty sector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Total gross carrying amount amount (EURm)															
	Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)						Without EPC label of collateral		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated	
	0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G			
1 Total EU area	227,809	30,419	141,742	54,449	801	351	47	7,986	10,858	21,035	20,580	17,438	10,099	6,799	133,014	93%
2 Of which Loans collateralised by commercial immovable property	46,181	3,696	26,017	16,029	211	211	17	2,095	1,723	3,095	2,574	2,125	1,333	820	32,416	96%
3 Of which Loans collateralised by residential immovable property	181,627	26,723	115,724	38,420	590	140	30	5,891	9,136	17,940	18,007	15,313	8,766	5,978	100,597	92%
4 Of which Collateral obtained by taking possession: residential and commercial immovable properties	1		1	0								0			1	84%
5 Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	173,045	9,502	112,391	51,011	141										124,097	100%
6 Total non-EU area	0			0											0	0%
7 Of which Loans collateralised by commercial immovable property	0			0											0	0%
8 Of which Loans collateralised by residential immovable property																0%
9 Of which Collateral obtained by taking possession: residential and commercial immovable properties																0%
10 Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	0			0											0	0%

Table 65 - Template 4 - Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms

Nordea does not have any exposures to the top 20 carbon intensive firms in the world. The firms have been identified using Moody's Analytics database combined scope 1 and 2 emissions of the firms as of June 2023.

a	b	c	d	e
Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included

1

\*For counterparties among the top 20 carbon emitting companies in the world

Table 66 - Template 5: Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk

The template provides information on exposures subject to physical risk. It includes exposures on loans collateralised by residential and commercial immovable property for all counterparty types. Nordea's current approach focuses on assessing how the change in physical hazards, due to climate change, potentially impacts valuations of immovable properties over time up to year 2100. The methodology used to identify assets sensitive to impact from chronic and acute climate change events is vulnerability mapping, which combines the physical hazard vulnerability and asset distributions resulting in areas where the physical hazard risks are considered potentially material. The physical hazard sensitivity is calculated on a postal code level. Nordea has assessed its exposures to climate-related physical risks in three Representative Concentration Pathway (RCP) scenarios (RCP 2.6, 4.5 and 8.5), in short, medium and long term up to year 2100 (2011-2040, 2041-2070, 2071-2100). RCPs are different scenarios for greenhouse gas emissions defined by the United Nations and global scientific community. The RCP 2.6 is aligned with the Paris agreement while the RCP 8.5 is the most severe climate scenario. The template shows exposures subject to physical risk in RCP 4.5 for the time period 2011-2040.

Nordea uses physical hazard data from Swedish Meteorological and Hydrological Institute (SMHI). The physical hazard data utilised from SMHI consists of information on 12 different climate hazard indices that can be divided into climate indices, hydrological indices, and fire risk. Each hazard index indicates the change in the respective physical hazard due to climate change. The SMHI data covers the Nordic countries, hence only exposures with collaterals located in the Nordics having postal code information are included in the template. Exposures with collaterals in postal codes with no physical location are assigned to the closest lower postal code with physical location. Additionally, a review of scientific studies has been conducted to determine the actual possible impact on the value of properties that were identified at risk of physical hazards. Availability of reliable research meeting all criteria applicable to Nordea's portfolio was limited, especially in terms of geographic scope, time frame and types of climate risks, therefore actual impact may differ from internal findings, which could hinder comparability with peers. Nevertheless, attempts were made to adopt more conservative assumptions in order not to underestimate the exposures at risk. The final assessment varies depending on the type of risk (chronic, acute, or risk associated with sea level rise) and was embedded into the calculation logic.

a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
Nordic countries		Gross carrying amount (EURm)												
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1 A - Agriculture, forestry and fishing	8,337													
2 B - Mining and quarrying	634													
3 C - Manufacturing	15,243													
4 D - Electricity, gas, steam and air conditioning supply	5,673													
5 E - Water supply; sewerage, waste management and remediation activities	1,564													
6 F - Construction	7,842													
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	11,732													
8 H - Transportation and storage	8,750													
9 L - Real estate activities	46,462													
10 Loans collateralised by residential immovable property	181,627	425	238	837	4,180	27	2,261	1,891	1,527	204	34	-84	-33	-44
11 Loans collateralised by commercial immovable property	46,181	600	83	283	308	12	420	484	371	81	19	-65	-26	-33
12 Repossessed collaterals	1													
13 Other relevant sectors (breakdown below where relevant)	25,133													

Table 67 - Template 6 - Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures

The table provides an overview of the KPIs calculated on the basis of templates 7 and 8 on the green asset ratio (GAR).

	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	2.0%	0.01%	2.0%	72.6%
GAR flow				

\* % of assets covered by the KPI over banks' total assets

Table 68 - Template 7 - Mitigating actions: Assets for the calculation of GAR

The table provides information about the amount of assets in scope of the GAR disclosures based on the turnover taxonomy alignment of the counterparty. It includes information on gross carrying amount of loans and advances, debt securities and equity instruments on a banking book. Assessment is performed with a breakdown by type of counterparty, including financial corporations, non-financial corporations, households, local governments as well as real estate lending towards households. Taxonomy eligibility and taxonomy alignment of the exposures are defined by considering the environmental objectives of climate change mitigation and climate change adaptation.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount	Q4 2023														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (Taxonomy-eligible)					TOTAL (CCM + CCA) <sup>1</sup>				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				
EURm					Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
GAR - Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	215,168	150,759	7,297			212			23				161,232	7,320		212 186
2	Financial corporations	24,554												8,481			
3	Credit institutions	23,134												8,481			
4	Loans and advances	2,310												776			
5	Debt securities, including UoP	20,793												7,698			
6	Equity instruments	31												7			
7	Other financial corporations	1,420															
8	of which investment firms																
9	Loans and advances																
10	Debt securities, including UoP																
11	Equity instruments																
12	of which management companies																
13	Loans and advances																
14	Debt securities, including UoP																
15	Equity instruments																
16	of which insurance undertakings																
17	Loans and advances																
18	Debt securities, including UoP																
19	Equity instruments																
20	Non-financial corporations (subject to NFRD disclosure obligations)	10,375		640			212			23				1,991	663		212 186
21	Loans and advances	10,242		640			212			23				1,991	663		212 186
22	Debt securities, including UoP																
23	Equity instruments	133															
24	Households	179,015	150,758	6,657										150,758	6,657		
25	of which loans collateralised by residential immovable property	163,470	146,913	6,657										146,913	6,657		
26	of which building renovation loans	97	97											97			
27	of which motor vehicle loans	5,616	3,748											3,748			
28	Local governments financing	1,224															
29	Housing financing																
30	Other local governments financing	1,224															
31	Collateral obtained by taking possession: residential and commercial immovable properties	1	1											1			
32	TOTAL GAR ASSETS	215,168	150,759	7,297			212			23				161,232	7,320		212 186

<sup>1)</sup> Only totals are populated, with eligibility for CCM/CCA left blank, reflecting the underlying NFRD reported data.

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
EURm	Total gross carrying amount	Q4 2023														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (Taxonomy-eligible)					TOTAL (CCM + CCA) <sup>1</sup>				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
		Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				
			Of which specialised lending	Of which transitional	Of which enabling		Of which specialised lending	Of which adaptation	Of which enabling		Of which specialised lending	Of which transitional/adaptation	Of which enabling			
Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	EU Non-financial corporations (not subject to NFRD disclosure obligations)	104,584														
34	Loans and advances	104,296														
35	Debt securities															
36	Equity instruments	288														
37	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	6,703														
38	Loans and advances	6,703														
39	Debt securities															
40	Equity instruments															
41	Derivatives	4,508														
42	On demand interbank loans	576														
43	Cash and cash-related assets	268														
44	Other assets (e.g. Goodwill, commodities etc.)	40,686														
45	TOTAL ASSETS IN THE DENOMINATOR (GAR)	372,493														
Other assets excluded from both the numerator and denominator for GAR calculation																
46	Sovereigns	14,544														
47	Central banks exposure	51,987														
48	Trading book	73,834														
49	TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR	140,365														
50	TOTAL ASSETS	512,858														

<sup>1)</sup> Only totals are populated, with eligibility for CCM/CCA left blank, reflecting the underlying NFRD reported data.

Table 69 - Template 8 - GAR (%)

The table provides information about the proportion of taxonomy eligible and the proportion of taxonomy aligned assets compared to total covered assets in the denominator (columns a-o). The proportion of total assets covered (column p) is calculated using the gross carrying amount of total assets.

% (compared to total covered assets in the denominator)		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	
		Q4 2023: KPIs on stock																
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)						
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors						Proportion of total assets covered
		Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable						
				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling		
1	<b>GAR</b>	40.5%	2.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	43.3%	2.0%	0.0%	0.1%	0.0%	72.6%	
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	70.1%	3.4%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	74.9%	3.4%	0.0%	0.1%	0.1%	42.0%	
3	Financial corporations											34.5%					4.8%	
4	Credit institutions											36.7%					4.5%	
5	Other financial corporations											0.0%					0.3%	
6	of which investment firms											0.0%					0.0%	
7	of which management companies																	
8	of which insurance undertakings											0.0%					0.0%	
9	Non-financial corporations subject to NFRD disclosure obligations		6.2%		2.0%			0.2%				19.2%	6.4%		2.0%	1.8%	2.0%	
10	Households	84.2%	3.7%									84.2%	3.7%				34.9%	
11	of which loans collateralised by residential immovable property	89.9%	4.1%									89.9%	4.1%				31.9%	
12	of which building renovation loans	100.0%										100.0%					0.0%	
13	of which motor vehicle loans	66.7%										66.7%					1.1%	
14	Local government financing																0.2%	
15	Housing financing																	
16	Other local governments financing																0.2%	
17	Collateral obtained by taking possession: residential and commercial immovable properties	100.0%										100.0%					0.0%	

1 **GAR**

- 2 Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation
- 3 Financial corporations
- 4 Credit institutions
- 5 Other financial corporations
- 6 of which investment firms
- 7 of which management companies
- 8 of which insurance undertakings
- 9 Non-financial corporations subject to NFRD disclosure obligations
- 10 Households
- 11 of which loans collateralised by residential immovable property
- 12 of which building renovation loans
- 13 of which motor vehicle loans
- 14 Local government financing
- 15 Housing financing
- 16 Other local governments financing
- 17 Collateral obtained by taking possession: residential and commercial immovable properties

q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
Q4 2023: KPIs on flows															
Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)							
Proportion of eligible assets funding taxonomy relevant sectors				Proportion of eligible assets funding taxonomy relevant sectors				Proportion of eligible assets funding taxonomy relevant sectors				Proportion of total new assets covered			
Of which environmentally sustainable				Of which environmentally sustainable				Of which environmentally sustainable							
Of which specialised lending		Of which transitional	Of which enabling	Of which specialised lending		Of which adaptation	Of which enabling	Of which specialised lending		Of which transitional/adaptation	Of which enabling				



Table 70 - Template 10 - Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

The template covers exposures that support counterparties in the transition and adaptation process for the objectives of climate change mitigation and climate change adaptation. The template does not include exposures that are taxonomy-eligible as referred to in Regulation (EU) 2020/852. Taxonomy-eligible exposures are disclosed in template 7.

The template includes Nordea's holdings of green bonds issued by e.g. corporates, public sector entities, and banks. The maturity dates of the bonds range between 2024 and 2033. The bonds are generally issued under green bond framework that support the issuers in the financing of the transition and adaptation process for the objectives of climate change mitigation and climate change adaptation. For the purpose of this template, the applicable type of climate risk is determined by the asset categories outlined in the issuers' green bonds frameworks. The frameworks include asset categories supporting positive or reducing negative effects on the environment e.g. renewable energy, energy efficiency, green buildings, clean transportation and sustainable management of living natural resources.

In addition, the template includes Nordea's green loans to corporate customers that have been sold as green. Most Nordea's green loans support climate change mitigation activities with maturity dates ranging between 2024 and 2053. The loans are categorized according to Nordea green funding framework. This is based on the International Capital Market Association's (ICMA) Green Bond Principles and is as such not aligned with the EU Taxonomy, but rather follows current market practice. The framework includes asset categories supporting positive or reducing negative effects on the environment e.g. renewable energy, energy efficiency, green buildings, clean transportation and sustainable management of living natural resources.

Furthermore, the template includes Nordea's sustainability-linked loans (SLL) which mainly are granted to corporate customers. The maturity dates of the loans range between 2025 and 2028. These loans follow current market practice and principles, the Sustainability Linked Loan Principles (SLLP). The SLL's enable Nordea to incentivise customers sustainability performance. The sustainability linkage can be within a variety of topics as described by the SLLP, however most of these loans are directed towards climate change mitigation.

a		b	c	d	e	f
Type of financial instrument		Type of counterparty	Gross carrying amount (EURm)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1		Financial corporations	1,332	Y	Y	Renewable Energy, Green Buildings, Energy Efficiency, Sustainable Water and Waste Water Management, Sustainable Management of Resources and Land, Circular Economy, Climate Change Adaptation, Clean Transportation
2	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Non-financial corporations				
3		Of which Loans collateralised by commercial immovable property				
4		Other counterparties	28	Y	Y	Renewable Energy, Energy Efficiency, Sustainable Water and Waste Water Management, Terrestrial & Acquatic Biodiversity conservation and Protection, Climate Change Adaptation, Clean Transportation
5		Financial corporations	454	Y	N	Renewable Energy, Energy Efficiency, Green Buildings, Stabilisation of Greenhouse Gas Emissions, Clean Transportation
6		Non-financial corporations	2,305	Y	N	Renewable Energy, Energy Efficiency, Green Buildings, Pollution Prevention, Sustainable Management of Resources and Land, Stabilisation of Greenhouse Gas Emissions, Clean Transportation
7	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Of which Loans collateralised by commercial immovable property	648	Y	N	Green Buildings
8		Households				
9		Of which Loans collateralised by residential immovable property				
10		Of which building renovation loans				
11		Other counterparties	432	Y	N	Renewable Energy, Energy Efficiency, Green Buildings, Pollution Prevention

**Table 71 - Assets and liabilities of NLP**

The table shows NLP's assets and liabilities at 31 December 2023 on an IFRS basis. The development of assets and liabilities is determined predominantly by in- and outflows of insurance premiums, claims, investment returns and holding of capital in NLP. In 2023, NLP transitioned from IFRS 4 to IFRS 17 mainly affecting policy holder liabilities. As a result, 2022 comparison figures was re-stated.

EURm	2023	2022
<b>Assets</b>		
Investment properties	2,191	2,286
Shares	14,478	10,607
Alternative investments	1,029	1,264
Debt securities - At fair value	8,539	7,989
Debt securities - Held to maturity	773	3,619
Deposits and treasury bills	1,779	1,653
Financial assets backing investment contracts	47,307	40,572
Other financial assets	538	564
Other assets	1,245	1,470
<b>Total assets</b>	<b>77,879</b>	<b>70,025</b>
<b>Liabilities</b>		
Insurance contract liabilities	27,568	26,110
Investment contract liabilities	47,221	40,600
Other financial liabilities	1,244	952
Other liabilities	87	640
Shareholders' equity	1,109	1,074
Subordinated loans	650	650
<b>Total liabilities and equity</b>	<b>77,879</b>	<b>70,025</b>

Table 72 - Effects of market risk on NLP

The table shows the impact of interest rate, equity price and spread movements on profit and Contractual Service Margins (CSM)\*.

EURm	2023		2022	
	Impact on profit	Impact on CSM	Impact on profit	Impact on CSM
Equities -20%**	-15.8	-123.5	-18.8	-142.8
Interest rates -50 bps	-18.3	-160.8	-19.2	-201.3
Interest rates +50 bps	16.0	142.4	17.1	181.2
Spread +50 bps	0.7	4.0	0.2	4.6
Combined market stress**	-35.3	-292.2	-39.3	-352.3

\* Due to the transition to IFRS 17, the effects of market risk on NLP are presented in a new format. Data for 2022 is expressed consistently with 2023.

\*\*Including alternative investments and -5% on properties, \*\*IR -50 bps, Eq -20%, Spread +50 bps

Table 73 - Effects of life and insurance risks

The table shows the sensitivity of NLP Group to changes in life insurance risk. The impact is split between the effect on profit and CSM\*.

EURm	2023		2022	
	Impact on profit	Impact on CSM	Impact on profit	Impact on CSM
Lapses +10%	-1.0	-11.6	-2.3	-33.1
Expenses +10%	-12.0	-72.5	-10.7	-77.2
Mortality +10%	1.6	4.4	1.6	3.8
Disability +10%	-15.2	-2.6	-13.7	-5.9
Longevity +10%	-3.9	-12.3	-3.3	-24.8

\* Due to the transition to IFRS 17, the effects of life and insurance risks on NLP are presented in a new format. Data for 2022 is expressed consistently with 2023.

Table 74 - Product return, traditional life insurance

The table shows the product return of traditional business for the consolidated life companies. Assets under management (AuM) are affected by the product return and the in- and outflows of business.

EURm	2023	
	AuM	Product Return
Finland	20,086	7.9%
Sweden	24,109	12.2%
Norway	20,281	9.3%
Denmark	12,907	10.7%
Total AuM	77,383	10.0%

Table 75 - Gurarantee levels, estimates of present value of future cash flows

The table shows the expected fulfilment cash flows divided into guarantee levels.

EURm	0%	0 - 2%	2 to 3%	3 to 4%	> 4%	Total
2023						
EFCF	350	3,869	3,347	2,181	1,330	11,077
2022						
EFCF	305	3,804	3,601	2,431	1,294	11,434

Table 76 - Remaining contractual service margin (CSM) from insurance contracts

The table shows the projected development of the Contract Service Margin (CSM) in NLP.

EURm Q4 2023	Insurance contracts							Total
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 years	
Traditional insurance	62	58	54	50	43	176	373	816
Unit-linked insurance	76	66	59	52	45	164	188	650
Life and disability insurance	30	7	6	6	5	22	30	106
<b>Total</b>	<b>168</b>	<b>131</b>	<b>119</b>	<b>108</b>	<b>93</b>	<b>362</b>	<b>591</b>	<b>1,572</b>

EURm Q4 2022	Insurance contracts							Total
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 years	
Traditional insurance	35	58	53	48	44	169	356	763
Unit-linked insurance	67	74	66	59	53	187	206	712
Life and disability insurance	33	7	6	6	5	22	33	112
<b>Total</b>	<b>135</b>	<b>139</b>	<b>125</b>	<b>113</b>	<b>102</b>	<b>378</b>	<b>595</b>	<b>1,587</b>

**Table 77 – Solvency position**

The table shows the solvency position as of 31 December 2023 and 31 December 2022.

EURm	2023	2022*
Solvency capital requirement	2,476	2,276
Own funds	3,576	3,172
Solvency margin	1,100	896
Solvency position	144%	139%

\*A minor adjustment has been made compared to the 2022 report. This is due to the fact that the annual quantitative reporting templates were finalised after the Pillar III reporting for 2022.



Table 78 - Solvency sensitivity

The table shows the NLP solvency position under baseline and stressed scenarios.

EURm	2023	2022*
Solvency position	144%	139%
Equity drops 20%	152%	143%
Interest rates down 50bp	140%	135%
Interest rates up 50bp	150%	144%

\*A minor adjustment has been made compared to the 2022 report. This is due to the fact that the annual quantitative reporting templates were finalised after the Pillar III reporting for 2022.

Table 79 - CRR reference table

CRR ref.	High level summary	Reference
<b>Title II: Technical criteria on transparency and disclosure</b>		
<b>Article 435 Risk management objectives and policies</b>		
(1) (a)	The strategies and processes to manage those categories of risks.	Throughout Part 1
(1) (b)	Organisation and governance.	Throughout Part 1
(1) (c)	Reporting systems.	Throughout Part 1
(1) (d)	Hedging policies	Throughout Part 1
(1) (e)	Management declaration on risk management adequacy.	Board risk statement
(1) (f)	Risk profile	Board risk statement
(2) (a) - (e)	Disclosures regarding governance arrangements.	Information can be found in: Nordea.com > About us > Corporate Governance
<b>Article 436 Scope of application</b>		
(a)	Name of the institution.	Cover page
(b)	Reconciliation between the consolidated financial statements	Part 2, EU LI3
(c)	Breakdown of assets and liabilities of the consolidated financial statements	Part 2, EU LI1
(d)	Reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements and the exposure amount used for regulatory purposes	Part 2, EU LI2
(e)	Breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment	Part 2, EU PV1
(f)	Practical or legal impediments to transfer of own funds or to the repayment of liabilities between parent and subsidiaries.	Part 1, ICAAP, stress testing and capital allocation
(g)	Capital shortfalls in subsidiaries outside the scope of consolidation.	Not applicable
(h)	Making use of articles on derogations from a) prudential requirements (Article 7) and b) liquidity requirements for individual subsidiaries/entities (Article 9).	Nordea does not apply Article 7 and Article 9.
<b>Article 437 Own funds</b>		
(a)	Full reconciliation to own funds and balance sheet.	Part 2, EU CC1, EU CC2
(b)	Description of main features of the instruments.	Information can be found in: Nordea.com > Investors > Debt and rating > Capital instruments > Main features
(c)	Full terms and conditions of the instruments.	Information can be found in: Nordea.com > Investors > Debt and rating > Capital instruments > Main features
(d) (i)-(iii)	Separate disclosure of the nature.	Part 2, EU CC1
(e)	Description of all restrictions applied to own funds calculations	Part 2, EU CC1
(f)	Calculation of capital ratios	Part 2, EU CC1
<b>Article 437a Disclosure of own funds and eligible liabilities</b>		
(a)	Composition of their own funds and eligible liabilities, their maturity and their main features	Nordea is not a globally significant institution or a material subsidiary of non-EU G-SII.
(b)	Ranking of eligible liabilities in the creditor hierarchy	Hence, it is not subject to CRR 92a or 92b and CRR 437a disclosure requirement. However,
(c)	Total amount of each issuance of eligible liabilities instruments referred to in Article 72b and the amount of those issuances that is included in eligible liabilities items within the limits specified in Article 72b(3) and (4)	Nordea is subject to disclosure according to BRRD. See references under BRRD ref.
(d)	Total amount of excluded liabilities referred to in Article 72a(2)	
<b>Article 438 Own funds requirements and risk-weighted exposure amounts</b>		
(a)	Summary of the approach to assessing adequacy of capital to its activities.	Part 1, ICAAP, stress testing and capital allocation
(b)	Amount of the additional own funds requirements	Part 1, EU KM1
(c)	Upon demand from the authorities, result of the ICAAP.	Could be provided upon request.
(d) - (h)	Own funds requirements for credit risk (Standardised and IRB approach), market and operational risk.	1. Part 2, EU OV1, EU INS1, EU INS2, EU CR8, EU CCR7, EU MR2-B 2. As Nordea does not apply the slotting approach, the disclosure of EU CR10 is not applicable.

<b>Article 439 Exposure to counterparty credit risk</b>		
(a)	Methodology to assign internal capital and credit limits for counterparty credit exposures	Part 1, Counterparty credit risk
(b)	Policies related to guarantees and other credit risk mitigants	Part 1, Counterparty credit risk
(c)	Policies for wrong-way risk exposures.	Part 1, Counterparty credit risk
(d)	Impact of any collateral postings upon credit rating downgrade.	Part 1, Counterparty credit risk
(e)	Amount of segregated and unsegregated collateral received and posted per type of collateral	Part 2, EU CCR5
(f)	The exposure values before and after the effect of the credit risk mitigation for derivative transactions.	Part 2, EU CCR1
(g)	The exposure values before and after the effect of the credit risk mitigation for securities financing transactions.	Part 2, EU CCR1
(h)	The exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge.	Part 2, EU CCR2
(i)	The exposure value to central counterparties and the associated risk exposures.	Part 2, EU CCR8
(j)	The notional amounts and fair value of credit derivative transactions and distribution of credit derivatives products.	Part 2, EU CCR6
(k)	The estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate.	Part 2, EU CCR1
(l)	Separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452	Part 2, EU CCR3, EU CCR4
(m)	for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off- balance-sheet derivative business.	Part 2, EU CCR1
<b>Article 440 Countercyclical capital buffers</b>		
(a)	The geographical distribution of the exposure amounts and risk- weighted exposure amounts of its credit exposures.	Part 2, EU CCyB1
(b)	The amount of their institution-specific countercyclical capital buffer.	Part 2, EU CCyB2
<b>Article 441 Indicators of global systemic importance</b>		
(1) - (2)	Indicator values used for determining the score of the institution.	As Nordea is not a globally significant institution, the disclosure is not applicable.
<b>Article 442 Exposures to credit risk and dilution risk</b>		
(a)	The scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences	Part 1, Credit risk
(b)	The approaches and methods adopted for determining specific and general credit risk adjustments.	Part 1, Credit risk
(c)	Information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures.	1. Part 2, EU CQ1, EU CQ3, EU CQ4, EU CQ5, EU CQ7, EU CR1
(d)	Ageing analysis of accounting past due exposures.	Part 2, EU CQ3,
(e)	The gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments.	Part 2, EU CQ4, EU CQ5
(f)	Changes in the gross amount of defaulted on- and off-balance-sheet exposures.	1. Part 2, EU CR1, EU CR2
(g)	The breakdown of loans and debt securities by residual maturity.	Part 2, EU CR1-A
<b>Article 443 Encumbered and unencumbered assets</b>		
	The carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered.	Part 2, EU AE1, EU AE2, EU AE3, EU AE4
<b>Article 444 The use of the Standardised Approach</b>		
(a)	The names of the nominated ECAs and ECAs and the reasons for any changes in those nominations over the disclosure period.	Part 1, Credit risk
(b)	The exposure classes for which each ECAI or ECA is used.	Part 1, Credit risk
(c)	Description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book.	Part 1, Credit risk
(d)	The association of the external rating of each nominated ECAI or ECA with the risk weights that correspond to the credit quality steps.	Part 1, Credit risk Part 2, Table: Standardised exposure classes, distributed by credit quality step
(e)	The exposure values before and after credit risk mitigation associated with each credit quality step.	Part 2, EU CCR3, EU CR4, EU CR5
<b>Article 445 Exposure to market risk</b>		
	Own Funds requirements.	Part 2, EU MR1
<b>Article 446 Operational risk management</b>		
(a)	The approaches for the assessment of own funds requirements for operation risk.	Part 1, Operational risk and compliance risk Part 2, EU OR1
(b)	Where the institution makes use of it, a description of the methodology set out in Article 312(2)	Nordea does not apply the Advanced Measurement Approach for Operational Risk.
(c)	In the case of partial use, the scope and coverage of the different methodologies used.	As Nordea only applies the standardised approach to the calculation of capital requirements for operational risk, partial use is not applicable.

<b>Article 447 Key metrics</b>		
(a)	Composition of own funds and own funds requirements	Part 1, EU KM1
(b)	Total risk exposure amount	Part 1, EU KM1
(c)	Where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with point (a) of Article 104(1) of Directive 2013/36/EU	Part 1, EU KM1
(d)	The combined buffer requirement which the institutions are required to hold in accordance with Chapter 4 of Title VII of Directive 2013/36/EU;	Part 1, EU KM1
(e)	Leverage ratio and the total exposure measure	Part 1, EU KM1
(f)	Information in relation to liquidity coverage ratio	Part 1, EU KM1
(g)	Information in relation to net stable funding requirement	Part 1, EU KM1
(h)	Own funds and eligible liabilities ratios and their components, numerator and denominator.	As Nordea is not a globally significant institution or a material subsidiary of non-EU G-SII, it is not subject to CRR 92a or 92b.
<b>Article 448 Exposures to interest rate risk on positions not held in the trading book</b>		
(1) (a)	The changes in the economic value of equity calculated under the six supervisory shock	Part 2, EU IRRBB1
(1) (b)	The changes in the net interest income calculated under the two supervisory shock scenarios.	Part 2, EU IRRBB1
(1) (c)	Description of key modelling and parametric assumptions.	Part 1, Market risk
(1) (d)	Explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph.	Part 1, Market risk
(1) (e)	Description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities	Part 1, Market risk
(1) (f)	Description of the overall risk management and mitigation strategies for those risks.	Part 1, Market risk
(1) (g)	Average and longest repricing maturity assigned to non-maturity deposits	Part 1, Market risk
<b>Article 449 Exposure to securitisation positions</b>		
(a)	A description of securitisation and re-securitisation activities.	Part 1, Securitisation and credit derivatives
(b)	The type of risks exposed to in securitisation and re-securitisation activities by level of seniority.	Part 1, Securitisation and credit derivatives
(c)	The approaches for calculating the risk-weighted exposure amounts.	Part 1, Securitisation and credit derivatives
(d) - (f)	Different roles played by the institution in the securitisation process and the extent of its involvement.	Part 1, Securitisation and credit derivatives
(g)	Summary of accounting policies for securitisation activity	Part 1, Securitisation and credit derivatives
(h)	The names of the ECAs used for securitisations and the types of exposure for which each agency is used;	Part 1, Securitisation and credit derivatives
(i)	Description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three, including the structure of the internal assessment process and the relation between internal assessment and external ratings of the relevant ECAI.	Part 1, Securitisation and credit derivatives
(j)	Separately for the trading book and the non-trading book, the carrying amount of securitisation exposures,	1. Part 2, EU SEC1 2. As Nordea has no securitisation positions in trading book, the disclosure of EU SEC2 is not applicable.
(k) (i)	Non-trading book activities - aggregate amount of securitisation positions where institutions act as originator or sponsor	Part 2, EU SEC3
(k) (ii)	Non-trading book activities - aggregate amount of securitisation positions where institutions act as investor	Part 2, EU SEC4
(l)	For exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments.	Part 2, EU SEC5

Article 449a Disclosure of environmental, social and governance risks (ESG risks)		
	From 28 June 2022, large institutions which have issued securities that are admitted to trading on a regulated market of any Member State, as defined in point (21) of Article 4(1) of Directive 2014/65/EU, shall disclose information on ESG risks, including physical risks and transition risks, as defined in the report referred to in Article 98(8) of Directive 2013/36/EU.	1. Part 1: - ESG factors in Business strategy, Governance and Risk Management Framework - Environmental, Social and Governance Factors 2. Part 2, template 1, 2, 4, 5, 6, 7, 8, 10
Article 450 Remuneration policy		
1	Remuneration policy and practices:	Information can be found in: 1. Annual report 2. Nordea.com > About us > Corporate Governance > Remuneration > Disclosures > Group Remuneration Disclosure Report
(1) (a)	- decision making of remuneration committee	See references above
(1) (b)	- link between pay and performance	See references above
(1) (c) - (f)	- criteria for performance measurement, variable components parameters	See references above
(1) (g) - (i)	- aggregate quantitative information including necessary splits	See references above
(1) (j)	- total remuneration for each member of the management body, upon request	Annual report
2	- quantitative information per member of the management body for significant institutions	Annual report
Article 451 Leverage ratio		
(1) (a)	The leverage ratio and how the institutions apply Article 499(2)	Part 2, EU LR2
(1) (b)	A breakdown of the total exposure measure.	Part 2, EU LR1, EU LR2, EU LR3
(1) (c)	Where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7)	Part 2, EU LR2
(1) (d)	A description of the processes used to manage the risk of excessive leverage;	Part 1, Liquidity risk and ILAAP
(1) (e)	A description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.	Part 1, Liquidity risk and ILAAP
2	Public development credit institutions as defined in Article 429a(2) shall disclose the leverage ratio without the adjustment to the total exposure measure.	Part 2, EU LR2
3	Large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7)	Part 2, EU LR2
Article 451a Liquidity requirements		
1	Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article.	Part 1, Liquidity risk and ILAAP
2 (a) - (c)	Components of the LCR	Part 2, EU LIQ1
3 (a) - (c)	Components of the NSFR	Part 2, EU LIQ2
4	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk.	Part 1, Liquidity risk and ILAAP

### Title III: Qualifying requirements for the use of particular instruments or methodologies

<b>Article 452 Use of the IRB Approach to credit risk</b>		
(a)	Permission from the authority to use IRB approach.	Part 1, Credit risk
(b)	For each exposure class referred to in Article 147, the percentage of the total exposure value of each exposure class subject to the Standardised Approach	Part 2, EU CR6-A
(c) (i)-(iv)	Control mechanisms for rating systems.	Part 1, Credit risk
(d)	Role of the functions involved in the development, approval and subsequent changes of the credit risk models	Part 1, Credit risk
(e)	Scope and main content of the reporting related to credit risk models	Part 1, Credit risk
(f) (i)-(iii)	Description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio.	Part 1, Credit risk
(g) (i)-(v)	Information components in relation to each exposure class referred to in Article 147	Part 2, EU CCR4, EU CR6
(h)	Institutions' estimates of PDs against the actual default rate for each exposure class over a longer period.	1. Part 2, EU CR9 2. As Nordea does not apply point (f) of Article 180(1), the disclosure of EU CR9.1 is not applicable.
<b>Article 453 Use of credit risk mitigation techniques</b>		
(a)	The core features of the policies and processes for on- and off- balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting.	Part 1, Credit risk
(b)	The core features of the policies and processes for eligible collateral evaluation and management.	Part 1, Credit risk
(c)	A description of the main types of collateral taken by the institution to mitigate credit risk.	Part 1, Credit risk
(d)	For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purpose of reducing capital requirements.	Part 1, Credit risk
(e)	Information about market or credit risk concentrations within the credit mitigation taken.	Part 1, Credit risk
(f)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments.	Part 2, EU CR3
(g)	Corresponding conversion factor and the credit risk mitigation associated with the exposure.	Part 2, EU CR4, EU CR7-A
(h)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation.	Part 2, EU CR4
(i)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class.	Part 2, EU CR4
(j)	For institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives.	Part 2, EU CR7
<b>Article 454 Use of the Advanced Measurement Approaches to operational risk</b>		
	Description of the use of insurance and other risk-transfer mechanisms for the purpose of mitigating operational risk.	As Nordea does not have permission for use of the Advanced Measure Approach, the disclosure of this information is not applicable.
<b>Article 455 Use of Internal Market Risk Models</b>		
(a) (i)	Characteristics of the models used.	Part 1, Market risk
(a) (ii)	For the internal models for incremental default and migration risk and for correlation trading, the methodologies used and the risks measured through the use of an internal model.	Part 1, Market risk
(a) (iii)	Description of stress testing applied to the sub-portfolio.	Part 1, Market risk
(a) (iv)	Approaches used for back-testing and validating the accuracy and consistency of the internal models and modelling processes.	Part 1, Market risk
(b)	Scope of permission by the competent authority.	Part 1, Market risk
(c)	Description of the extent and methodologies for compliance with the requirements set out in Articles 104 and 105.	Part 1, Market risk
(d) (i) - (iii)	The highest, lowest and average of VaR, sVaR, Incremental risk charge and Comprehensive Risk Charge.	Part 2, EU MR3
(e)	The elements of the own fund requirement as specified in Article 364.	Part 2, EU MR2-A
(f)	Weighted average liquidity horizon for each sub-portfolio covered by the internal models for incremental default and migration risk and for correlation trading.	Part 1, Market risk
(g)	Comparison of the daily end-of-day VaR measures to the one-day changes of the portfolio's value.	Part 2, EU MR4

Table 80 - BRRD reference table

BRRD ref.	High level summary	Reference
<b>Title II: Technical criteria on transparency and disclosure</b>		
Article 45i Supervisory reporting and public disclosure of the requirement		
(3) (a)	The amounts of own funds and eligible liabilities	EU KM2
(3) (b)	The composition of the items, including their maturity profile and ranking in normal insolvency proceedings	EU TLAC1
(3) (c)	The applicable requirement	EU TLAC3b