

Nordea



Capital and Risk Management Report

First Quarter 2022

**Provided by Nordea Bank Abp on the basis of its consolidated
situation**

Table 1 - EU OV1 Overview of total risk exposure amounts

The table provides an overview of total REA in Q1 2022 where credit risk accounted for the largest risk type with approximately 74.9% of Pillar I REA. Operational risk and Market risk accounted for the second and third largest risk types. REA increased by EUR 2.1bn in the first quarter of 2022, mainly stemming from credit risk (EUR 1.3 bn). The next REA increase factor was Operational Risk, which increased by EUR 0.7 bn. Higher credit risk REA was mainly driven by increase of the advanced IRB approach with increased corporate lendings. The increased Swedish P1 risk-weight floor was mainly driven by increased volume in the underlying portfolio.

EURm	REA		Minimum capital requirement	
	2022 Q1	2021 Q4	2022 Q1	2021 Q4
1 Credit risk (excluding CCR)	115 346	114 003	9 228	9 120
2 Of which the standardised approach (SA)	16 581	16 517	1 326	1 321
3 Of which the Foundation IRB (F-IRB) approach	11 607	11 641	929	931
4 Of which slotting approach				
EU 4A Of which equities under the simple riskweighted approach				
5 Of which the Advanced IRB approach	87 159	85 844	6 973	6 868
6 Counterparty credit risk - CCR	4 927	5 374	394	430
7 Of which the standardised approach	627	607	50	49
8 Of which internal model method (IMM)	2 515	3 602	201	288
EU 8a Of which exposure to a CCP	89	79	7	6
EU 8b Of which credit valuation adjustment - CVA	1 008	773	81	62
9 Of which other CCR	687	312	55	25
15 Settlement risk	0	0	0	0
16 Securitisation exposures in the non-trading book (after the cap)	878	880	70	70
17 Of which SEC-IRBA approach	878	880	70	70
18 Of which SEC-ERBA (including IAA)				
19 Of which SEC-SA approach				
EU 19a Of which 1250% / deduction				
20 Position, foreign exchange and commodities risk (Market risk)	5 334	4 973	427	398
21 Of which the standardised approach (SA)	671	1 064	54	85
22 Of which IMA	4 663	3 908	373	313
EU 22a Large exposures				
23 Operational risk	15 025	14 306	1 202	1 144
EU 23a Of which basic indicator approach				
EU 23b Of which standardised approach	15 025	14 306	1 202	1 144
EU 23c Of which advanced measurement approach				
24 Amounts below the thresholds for deduction (subject to 250% risk weight)	5 675	5 656	454	453
29 Total	141 510	139 535	11 775	11 163
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	12 528	12 372	1 002	990
Article 3 CRR Buffer				
Pillar 1 total	154 039	151 906	12 323	12 153

Table 2 - EU CR8 RWEA flow statements of credit risk exposures under the IRB approach

During the third quarter the IRB REA decreased by EUR 1.5bn, mainly driven by a favourable asset quality development and decreased asset size. A decrease in other IRB exposures further decreased the IRB REA. This was partly offset by FX effects, primarily due to the appreciating USD and NOK against the EUR whilst the depreciating SEK against the EUR partially offset the increase.

EURm	REA amount	Capital require-ment
REA 2021 Q4	97 485	7 799
Asset size	1 655	132
Asset quality	-878	-70
Model updates	0	0
Methodology and policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	740	59
Other	-237	-19
REA 2022 Q1	98 765	7 901

EURm	REA amount	Capital require-ment
REA 2021 Q3	96 756	7 740
Asset size	1 200	96
Asset quality	-629	-50
Model updates	0	0
Methodology and policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	228	18
Other	-69	-6
REA 2021 Q4	97 485	7 799

Table 3 - EU CCR7 REA flow statements of CCR exposures under the IMM

The breakdown of REA movements into the components shown in the table is done on a best effort basis. Only exposures calculated under IMM are included in this breakdown. REA decrease throughout the first quarter of 2022 can be mostly attributed to significant increases in interest rates over the quarter driving market values down and exposures accordingly, with a slight increase in creditworthiness of counterparties across the portfolio.

EURm	REA amounts	Capital requirements
REA 2021 Q4	3 636	291
Asset size	-258	-21
Credit quality of counterparties	63	5
Model updates (IMM only)	-41	-3
Methodology and policy (IMM only)		0
Acquisitions and disposals	0	0
Foreign exchange movements	0	0
Interest rate movements	-873	-70
Other	26	2
REA 2022 Q1	2 552	204
	0	

EURm	REA amounts	Capital requirements
REA 2021 Q3	3 824	306
Asset size	-252	-20
Credit quality of counterparties	19	2
Model updates (IMM only)	60	5
Methodology and policy (IMM only)		0
Acquisitions and disposals	0	0
Foreign exchange movements	202	16
Interest rate movements	-172	-14
Other	-44	-4
REA 2021 Q4	3 636	291
	0	

Table 4 - EU MR2-B REA flow statements of market risk exposures under the IMA

Market Risk RWA from Internal Model Approach was EUR 4,663m in Q1 2022 which corresponded to an increase of EUR 755m compared to Q4 2021. The increase was primarily driven by higher sVaR, IRC and CRM. The higher sVaR level in Q1 was driven by higher contribution from credit spread and equity risk, following increased market volatility. The increase in IRC was driven by higher contribution from corporate bonds and mortgage bonds while the increase in Comprehensive Risk Measure (CRM) was driven by a combination of new trades and wider credit spreads.

	a	b	c	d	e	f	g
				Comprehen sive risk measure	Other	Total RWAs	Total own funds requirements
EURm	VaR	SVaR	IRC				
1 RWA 2021 Q4	1 204	1 750	579	374		3 908	313
1a Regulatory adjustment	-760	-1 205	-57	-41		-2 063	-165
1b RWA 2021 Q4 (end of the day)	444	545	522	334		1 845	148
2 Movement in risk levels	-121	-4	316	150		342	27
3 Model updates/changes							
4 Methodology and policy							
5 Acquisitions and disposals							
6 Foreign exchange movements							
7 Other							
8a RWA 2022 Q1 (end of the day)	323	541	838	484		2 186	175
8b Regulatory adjustment	910	1 527	39			2 476	198
8 RWA 2022 Q1	1 233	2 068	878	484		4 663	373

Table 5 - EU KM1 Key metrics

During Q1 2022 Nordea CRR Group total own funds decreased by EUR 360m, of which CET1 decreased by 427m, AT1 increased by EUR 56m (T1 capital -372m) and T2 increased by 11m. The CET1 decrease was mainly driven by the ECB approval of the share buy-back programme, partly offset by recycled OCI stemming from discontinued operations in Russia. AT1 increased due to FX effects. Higher IRB excess comparing to Q4 2021 led to T2 increase partly offset by decreased T2 instruments due to FX effects. The decrease of REA by EUR 2 132m mainly stemmed from increased volumes, operational risk following the yearly update, FX effects and increased Market and CVA risk. Lower counterparty credit risk (CCR) exposure as well as improved credit quality in the retail and corporate portfolios partly offset the REA increase. Leverage ratio decreased from 5.4% to 4.9% as a result of increased LR total exposure measure. LRC decreased by 7pp. due to increased total net cash outflows partially offset by an increase of High-Quality Liquid Assets (HQLA). Finally, NSFR increased from 111% to 112% mainly driven by increase of total available stable funding.

Available own funds (amounts), EURm ¹⁾					
	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
1 Common Equity Tier 1 (CET1) capital	25 453	25 880	25 745	27 440	26 964
2 Tier 1 capital	28 640	29 012	28 826	29 628	29 636
3 Total capital	31 915	32 275	32 083	32 372	32 158
Risk-weighted exposures amounts (REA), EURm					
4 Total risk-weighted exposure amount	154 039	151 906	152 563	152 222	154 037
Capital ratios (as a percentage of risk-weighted exposure amount)					
5 Common Equity Tier 1 ratio (%)	16,5%	17,0%	16,9%	18,0%	17,5%
6 Tier 1 ratio (%)	18,6%	19,1%	18,9%	19,5%	19,2%
7 Total capital ratio (%)	20,7%	21,2%	21,0%	21,3%	20,9%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
EU 7a Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1,8%	1,8%	1,8%	1,8%	1,8%
EU 7b of which: to be made up of CET1 capital (percentage points)	1,0%	1,0%	1,0%	1,0%	1,0%
EU 7c of which: to be made up of Tier 1 capital (percentage points)	1,3%	1,3%	1,3%	1,3%	1,3%
EU 7d Total SREP own funds requirements (%)	9,8%	9,8%	9,8%	9,8%	9,8%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
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 (%)	0,2%	0,2%	0,2%	0,2%	0,2%
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	2,0%	2,0%	2,0%	2,0%	2,0%
11 Combined buffer requirement (%)	4,7%	4,7%	4,7%	4,7%	4,7%
EU 11a Overall capital requirements (%)	14,5%	14,5%	14,5%	14,5%	14,5%
12 CET1 available after meeting the total SREP own funds requirements (%)	11,0%	11,3%	11,1%	11,5%	11,1%
Leverage ratio ²⁾					
13 Leverage ratio total exposure measure	589 795	536 512	578 554	555 022	533 421
14 Leverage ratio	4,9%	5,4%	5,0%	5,3%	5,6%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
EU 14a Additional own funds requirements to address the risk of excessive leverage (%)	0,0%	0,0%	0,0%	0,00%	
EU 14b of which: to be made up of CET1 capital (percentage points)	0,0%	0,0%	0,0%	0,00%	
EU 14c Total SREP leverage ratio requirements (%)	3,0%	3,0%	3,0%	3,00%	
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d Leverage ratio buffer requirement (%)	0,0%	0,0%	0,0%	0,00%	
EU 14e Overall leverage ratio requirement (%)	3,0%	3,0%	3,0%	3,00%	
Liquidity Coverage Ratio					
15 Total high-quality liquid assets (HQLA) (Weighted value - average)	122 173	98 245	127 669	104 440	110 175
EU 16a Cash outflows - Total weighted value	97 426	71 428	89 539	77 754	82 390
EU 16b Cash inflows - Total weighted value	17 782	10 084	13 693	12 199	13 014
16 Total net cash outflows (adjusted value)	79 644	61 344	75 846	65 555	69 377
17 Liquidity coverage ratio (%)	153%	160%	168%	159%	159%
Net Stable Funding Ratio					
18 Total available stable funding	316 764	311 752	313 811	311 753	310 781
19 Total required stable funding	281 718	280 517	274 892	272 020	280 543
20 NSFR ratio (%)	112%	111%	114%	115%	111%

¹⁾ In Q4 2021 profit of the period not included in Own Funds.

²⁾ In Q1 2021 and Q4 2020 Leverage Ratio calculated in accordance with the derogation in Article 500b of Regulation (EU) 575/2013 of the European Parliament and of the Council (CRR) and Decision (EU) 2020/1306 of the European Central Bank. The derogation is not applied from Q2 2021 since Nordea has decided not to apply

Table 6 - EU LIQ Quantitative information of LCR

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
		31-mar-22	31-dec-21	30-sep-21	30-jun-21	31-mar-22	31-dec-21	30-sep-21	30-jun-21
EU 1a	2022Q1								
	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
EU 1b	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					118 918	114 045	111 444	105 156
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	103 746	102 783	101 577	100 380	6 948	6 846	6 733	6 635
3	Stable deposits	80 643	80 277	79 679	78 940	4 032	4 014	3 984	3 947
4	Less stable deposits	23 103	22 506	21 898	21 441	2 916	2 832	2 749	2 688
5	Unsecured wholesale funding	124 188	119 427	116 768	110 923	59 278	56 220	55 626	51 379
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	33 050	31 999	30 827	30 550	7 856	7 591	7 298	7 228
7	Non-operational deposits (all counterparties)	80 442	76 960	75 218	70 154	40 726	38 160	37 605	33 932
8	Unsecured debt	10 696	10 469	10 723	10 219	10 696	10 469	10 723	10 219
9	Secured wholesale funding					2 868	2 445	2 285	2 504
10	Additional requirements	76 783	76 889	76 947	77 226	13 823	13 619	13 711	14 098
11	Outflows related to derivative exposures and other collateral requirements	7 904	7 756	7 901	8 420	7 534	7 273	7 323	7 635
12	Outflows related to loss of funding on debt products	15	15	15	19	15	15	15	19
13	Credit and liquidity facilities	68 864	69 118	69 031	68 786	6 274	6 332	6 373	6 444
14	Other contractual funding obligations	3 670	3 381	3 157	2 189	3 281	3 004	2 752	1 737
15	Other contingent funding obligations	48 269	47 687	46 537	44 804	3 075	3 048	3 000	2 911
16	TOTAL CASH OUTFLOWS					89 273	85 181	84 106	79 265
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	24 803	23 832	23 871	24 553	2 067	1 966	2 017	2 472
18	Inflows from fully performing exposures	12 016	11 356	11 376	11 020	5 927	5 557	5 574	5 422
19	Other cash inflows	6 182	6 044	6 245	6 396	5 508	5 365	5 430	5 154
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)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	43 001	41 232	41 492	41 970	13 502	12 888	13 021	13 049
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	43 001	41 232	41 492	41 970	13 502	12 888	13 021	13 049
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					118 918	114 045	111 444	105 156
22	TOTAL NET CASH OUTFLOWS					75 771	72 293	71 085	66 216
23	LIQUIDITY COVERAGE RATIO					157%	158%	157%	159%