

Nordea



Capital and Risk Management Report

First Quarter 2023

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

Table 1 - EU KM1 - Key metrics

During Q1 2023 Nordea Group total own funds decreased by EUR 1.7bn, of which CET1 decreased by EUR 1.6bn, Additional Tier 1 (AT1) decreased by EUR 47m and Tier 2 (T2) decreased by EUR 30m. The CET1 decrease was mainly driven by the ECB approval of the share buy-back programme, IFRS 17 impact and FX effects on retained earnings. This was partly offset by profit generation net of dividend accrual. AT1 decreased due to FX effects in AT1 instruments, and T2 decreased mainly driven by FX effects in Tier 2 instruments. The risk exposure amount (REA) decreased by EUR 3.3bn, primarily due to exchange rate effects, reduced equity exposure following the implementation of IFRS 17, and increased credit protection following the launch of a new securitisation transaction. These were partly offset by increased operational risk following the annual update. Leverage ratio decreased from 4.9% to 4.6% mainly driven by reduced Tier 1 (T1) capital. Leverage ratio exposure increased due to increased cash with central banks and increased SFT volumes.

	a	b	c	d	e
Available own funds (amounts)	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1
1 Common Equity Tier 1 (CET1) capital	22 279	23 872	23 611	25 031	25 130
2 Tier 1 capital	25 514	27 154	27 132	28 379	28 317
3 Total capital	28 542	30 213	30 272	31 530	31 592
Risk-weighted exposure amounts					
4 Total risk exposure amount	141 976	145 299	149 377	150 723	154 039
Capital ratios (as a percentage of risk-weighted exposure amount)					
5 Common Equity Tier 1 ratio (%)	15,7%	16,4%	15,8%	16,6%	16,3%
6 Tier 1 ratio (%)	18,0%	18,7%	18,2%	18,8%	18,4%
7 Total capital ratio (%)	20,1%	20,8%	20,3%	20,9%	20,5%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1,6%	1,8%	1,8%	1,8%	1,8%
EU 7b of which: to be made up of CET1 capital (percentage)	0,9%	1,0%	1,0%	1,0%	1,0%
EU 7c of which: to be made up of Tier 1 capital (percentage)	1,2%	1,3%	1,3%	1,3%	1,3%
EU 7d Total SREP own funds requirements (%)	9,6%	9,8%	9,8%	9,8%	9,8%
Combined buffer and overall capital 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	0,0%	0,0%	0,0%	0,0%	0,0%
9 Institution specific countercyclical capital buffer (%)	1,3%	1,1%	0,8%	0,3%	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 (%)	2,5%	2,0%	2,0%	2,0%	2,0%
11 Combined buffer requirement (%)	6,3%	5,6%	5,3%	4,8%	4,7%
EU 11a Overall capital requirements (%)	15,9%	15,3%	15,1%	14,6%	14,5%
12 CET1 available after meeting the total SREP own funds requirements (%)	10,5%	11,0%	10,5%	11,2%	10,8%
Leverage ratio					
13 Total exposure measure	557 817	549 761	587 446	580 630	589 760
14 Leverage ratio (%)	4,6%	4,9%	4,6%	4,9%	4,8%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a Additional own funds requirements to address the risk of excessive leverage (%)	0,0%	0,0%	0,0%	0,00%	0,00%
EU 14b of which: to be made up of CET1 capital (percentage)	0,0%	0,0%	0,0%	0,00%	0,00%
EU 14c Total SREP leverage ratio requirements (%)	3,0%	3,0%	3,0%	3,00%	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%	0,00%
EU 14e Overall leverage ratio requirement (%)	3,0%	3,0%	3,0%	3,00%	3,00%
Liquidity Coverage Ratio					
15 Total high-quality liquid assets (HQLA) (Weighted value -	122 033	122 292	119 385	121 649	118 918
EU 16a Cash outflows - Total weighted value	92 852	94 416	92 023	92 436	89 273
EU 16b Cash inflows - Total weighted value	15 017	15 309	14 563	14 115	13 502
16 Total net cash outflows (adjusted value)	77 835	79 107	77 460	78 320	75 771
17 Liquidity coverage ratio (%) ¹⁾	157%	155%	155%	156%	157%
Net Stable Funding Ratio					
18 Total available stable funding	313 743	313 478	319 983	308 428	316 764
19 Total required stable funding	269 712	271 119	274 592	276 304	281 718
20 NSFR ratio (%)	116%	116%	117%	112%	112%

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

Table 2 - EU OV1 - Overview of total risk exposure amounts

The table provides an overview of total REA in Q1 2023 where credit risk accounted for the largest risk type with approximately 73.3% of Pillar I REA. Operational risk and Market risk accounted for the second and third largest risk types.

EURm	Total risk exposure amounts (TREA)		Total own funds requirements
	a	b	c
	2023 Q1	2022 Q4	2023 Q1
1 Credit risk (excluding CCR)	104 021	109 079	8 322
2 <i>Of which the standardised approach</i>	12 499	14 472	1 000
3 <i>Of which the Foundation IRB (F-IRB) approach</i>	11 396	11 181	912
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>	80 125	83 426	6 410
6 Counterparty credit risk - CCR	4 132	3 557	331
7 <i>Of which the standardised approach</i>	424	438	34
8 <i>Of which internal model method (IMM)</i>	2 218	1 939	177
EU 8a <i>Of which exposures to a CCP</i>	84	77	7
EU 8b <i>Of which credit valuation adjustment - CVA</i>	803	675	64
9 <i>Of which other CCR</i>	603	427	48
15 Settlement risk			
16 Securitisation exposures in the non-trading book (after the cap)	1 458	1 195	117
17 <i>Of which SEC-IRBA approach</i>	1 458	1 195	117
18 <i>Of which SEC-ERBA (including IAA)</i>			
19 <i>Of which SEC-SA approach</i>			
EU 19a <i>Of which 1250% / deduction</i>			
20 Position, foreign exchange and commodities risks (Market risk)	4 803	4 750	384
21 <i>Of which the standardised approach</i>	1 038	640	83
22 <i>Of which IMA</i>	3 765	4 110	301
EU 22a Large exposures			
23 Operational risk	16 048	15 025	1 284
EU 23a <i>Of which basic indicator approach</i>			
EU 23b <i>Of which standardised approach</i>	16 048	15 025	1 284
EU 23c <i>Of which advanced measurement approach</i>			
24 Amounts below the thresholds for deduction (subject to 250% risk weight)	3 268	4 621	261
29 Total	130 462	133 607	10 437
Additional risk exposure amount related to Finnish RW floor due to Article 458			
Additional risk exposure amount related to Swedish RW floor due to Article 458	11 515	11 693	921
Article 3 CRR Buffer			
Pillar 1 total	141 976	145 299	11 358

Table 3 - EU CR8 - RWEA flow statements of credit risk exposures under the IRB approach

During the first quarter of 2023, the IRB REA decreased by EUR 3.1bn. FX effects stemming from the depreciation of core currencies was the main driver for REA decrease. Asset quality and size further decreased REA.

	Risk weighted exposure amount
EURm	a
1 Risk weighted exposure amount 2022 Q4	94 607
2 Asset size (+/-)	-460
3 Asset quality (+/-)	-309
4 Model updates (+/-)	
5 Methodology and policy (+/-)	
6 Acquisitions and disposals (+/-)	
7 Foreign exchange movements (+/-)	-1 252
8 Other (+/-)	-1 064
9 Risk weighted exposure amount 2023 Q1	91 521

	Risk weighted exposure amount
EURm	a
1 Risk weighted exposure amount 2022 Q3	95 515
2 Asset size (+/-)	204
3 Asset quality (+/-)	-70
4 Model updates (+/-)	
5 Methodology and policy (+/-)	
6 Acquisitions and disposals (+/-)	
7 Foreign exchange movements (+/-)	-820
8 Other (+/-)	-222
9 Risk weighted exposure amount 2022 Q4	94 607

Table 4 - EU CCR7 - RWEA flow statements of CCR exposures under the IMM

Only exposures calculated under the IMM are included in this breakdown. REA increase throughout the first quarter of 2023 is mainly attributed to increases in foreign exchange moves combined with the decrease on asset size of the portfolio as an offsetting factor.

EURm	a
2023 Q1	RWEA
1 RWEA 2022 Q4	1 981
2 Asset size	-233
3 Credit quality of counterparties	28
4 Model updates (IMM only)	
5 Methodology and policy (IMM only)	
6 Acquisitions and disposals	
7 Foreign exchange movements	480
8 Other	-38
9 RWEA 2023 Q1	2 218

EURm	a
2022 Q4	RWEA
1 RWEA 2022 Q3	2 764
2 Asset size	-252
3 Credit quality of counterparties	-20
4 Model updates (IMM only)	-10
5 Methodology and policy (IMM only)	
6 Acquisitions and disposals	
7 Foreign exchange movements	-528
8 Other	27
9 RWEA 2022 Q4	1 981

Table 5 - EU LIQ1 - Quantitative information of LCR

Nordea Group's short term liquidity risk exposure measured by Liquidity Coverage Ratio (LCR) remained on a stable level throughout Q1 2023. Main drivers of Nordea Group's LCR results are outflows from customer deposits which are counterbalanced by high quality liquid assets. During Q1 there was an overall increase in outflows from own issued securities in the LCR 30-day window that was counterbalanced by increase in cash with central banks and other high quality 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 Q1 Nordea was able to actively use all its funding programs, maintained its strong name in the funding markets, and held a strong and diversified funding base across all main currencies. Nordea Group's main funding sources in the end of Q1 2023 were customer deposits (36%) 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 March 2023)	31 Mar 23	31 Dec 22	30 Sep 22	30 Jun 22	31 Mar 23	31 Dec 22	30 Sep 22	30 Jun 22
EU 1b Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-quality liquid assets								
1 Total high-quality liquid assets (HQLA)					122 033	122 292	119 385	121 649
Cash - Outflows								
2 Retail deposits and deposits from small business customers, of which:	112 683	111 171	108 992	106 092	7 977	7 765	7 481	7 178
3 <i>Stable deposits</i>	76 811	78 586	79 900	80 438	3 841	3 929	3 995	4 022
4 <i>Less stable deposits</i>	35 872	32 585	29 091	25 654	4 137	3 836	3 486	3 156
5 Unsecured wholesale funding	119 588	123 896	124 020	126 236	61 368	62 827	60 839	61 723
6 <i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	27 546	30 052	32 100	33 083	6 837	7 370	7 785	7 933
7 <i>Non-operational deposits (all counterparties)</i>	80 611	82 084	80 000	81 699	43 100	43 696	41 133	42 334
8 <i>Unsecured debt</i>	11 431	11 760	11 920	11 455	11 431	11 760	11 920	11 455
9 Secured wholesale funding					3 485	3 419	3 295	3 110
10 Additional requirements	77 491	77 490	76 946	76 743	14 266	14 528	14 358	13 854
11 <i>Outflows related to derivative exposures and other collateral</i>	6 699	7 415	7 768	7 642	6 350	7 120	7 466	7 328
12 <i>Outflows related to loss of funding on debt products</i>	19	19	19	19	19	19	19	19
13 <i>Credit and liquidity facilities</i>	70 774	70 056	69 159	69 081	7 897	7 389	6 873	6 507
14 Other contractual funding obligations	2 661	2 804	2 989	3 715	2 281	2 412	2 625	3 352
15 Other contingent funding obligations	46 527	47 765	48 913	48 728	3 474	3 466	3 425	3 220
16 Total cash outflows					92 852	94 416	92 023	92 436
Cash - Inflows								
17 Secured lending (e.g. reverse repos)	24 232	24 411	24 739	24 833	3 153	2 789	2 538	2 278
18 Inflows from fully performing exposures	14 694	14 427	13 302	12 535	7 780	7 550	6 759	6 229
19 Other cash inflows	4 140	5 189	5 661	6 161	4 084	4 970	5 265	5 608
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	43 066	44 027	43 703	43 528	15 017	15 309	14 563	14 115
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>	42 848	43 965	43 703	43 528	15 017	15 309	14 563	14 115
Total Adjusted Value								
21 Liquidity buffer					122 033	122 292	119 385	121 649
22 Total net cash outflows					77 835	79 107	77 460	78 320
23 Liquidity coverage ratio					157%	155%	155%	156%

Table 6 - EU MR2-B - RWA flow statements of market risk exposures under the IMA

Market risk exposures under the IMA decreased in Q1 2023 to EUR 3.8bn from EUR 4.1bn in Q4 2022 primarily driven by lower contribution from VaR and to a lesser extent from IRC and Comprehensive risk measure partially offset by higher contribution from SVaR. VaR decreased by EUR 0.3bn primarily due to lower interest rate risk from government and mortgage bonds. RWA from IRC decreased by EUR 0.1bn driven by reduced corporate credit spread exposure while Comprehensive risk measure decreased by EUR 0.1bn due to new trades and tighter credit spreads. Contribution from SVaR increased in Q1 2023 by EUR 0.1bn driven by lower diversification in the portfolio.

EURm	a	b	c	d	e	f	g
	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWEAs	Total own funds requirements
1 RWAs 2022 Q4	1 492	1 822	362	435		4 110	329
1a Regulatory adjustment	-1 075	-1 263	-80	-43		-2 461	-197
1b RWAs 2022 Q4 (end of the day)	417	559	281	392		1 649	132
2 Movement in risk levels	41	8	-31	-98		-80	-6
3 Model updates/changes							
4 Methodology and policy							
5 Acquisitions and disposals							
6 Foreign exchange movements							
7 Other							
8a RWAs 2023 Q1 (end of the day)	457	567	251	294		1 569	126
8b Regulatory adjustment	685	1 391	38	82		2 196	176
8 RWAs 2023 Q1	1 143	1 958	289	376		3 765	301

EURm	a	b	c	d	e	f	g
	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWEAs	Total own funds requirements
1 RWAs 2022 Q3	1 391	2 418	819	480		5 108	409
1a Regulatory adjustment	-992	-1 796	-46			-2 834	-227
1b RWAs 2022 Q3 (end of the day)	399	622	773	480		2 274	182
2 Movement in risk levels	18	-63	-491	-88		-625	-50
3 Model updates/changes							
4 Methodology and policy							
5 Acquisitions and disposals							
6 Foreign exchange movements							
7 Other							
8a RWAs 2022 Q4 (end of the day)	417	559	281	392		1 649	132
8b Regulatory adjustment	1 075	1 263	80	43		2 461	197
8 RWAs 2022 Q4	1 492	1 822	362	435		4 110	329