

Nordea



Capital and Risk Management Report

Third Quarter 2021

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

Table 1 EU KM1 - Key metrics

During Q3 2021 Nordea CRR Group total own funds decreased by EUR 288m, of which CET1 decreased by 1 695m, AT1 increased by 893m (T1 capital -802m) and T2 increased by 514m. The CET1 decrease was mainly driven by Nordea's share buy-back program introduced in Q3 2021. AT1 increased due to 2 new contracts in USD. T2 increase was mainly driven by the call of external T2 instrument which was announced in June 2021 (and treated in Q2 2021 as T2 deduction). REA increased by EUR 341m, mainly stemming from counterparty credit risk (EUR 1 043m) and amounts below the thresholds for deduction - subject to 250% risk weight (EUR 934m) partially offset by credit risk (EUR -1 586m). Leverage ratio decreased from 5.3% to 5.0% as a result of increased LR total exposure measure. LRC increased by 9pp, due to increase of High-Quality Liquid Assets (HQLA). NSFR remained at the same level (113,6%) as in Q2 2021.

Available own funds (amounts), EURm ¹⁾	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3
Common Equity Tier 1 (CET1) capital	25,745	27,440	26,964	26,553	24,756
Tier 1 capital	28,826	29,628	29,636	29,141	27,434
Total capital	32,083	32,372	32,158	31,801	29,906
Risk-weighted exposures amounts (REA), EURm					
Total risk-weighted exposure amount	152,563	152,222	154,037	155,440	150,559
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	16.9%	18.0%	17.5%	17.1%	16.4%
Tier 1 ratio (%)	18.9%	19.5%	19.2%	18.7%	18.2%
Total capital ratio (%)	21.0%	21.3%	20.9%	20.5%	19.9%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.8%	1.8%	1.8%	1.8%	1.8%
of which: to be made up of CET1 capital (percentage points)	1.0%	1.0%	1.0%	1.0%	1.0%
of which: to be made up of Tier 1 capital (percentage points)	1.3%	1.3%	1.3%	1.3%	1.3%
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)					
Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
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%
Institution specific countercyclical capital buffer (%)	0.2%	0.2%	0.2%	0.2%	0.2%
Systemic risk buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Global Systemically Important Institution buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Other Systemically Important Institution buffer	2.0%	2.0%	2.0%	2.0%	2.0%
Combined buffer requirement (%)	4.7%	4.7%	4.7%	4.7%	4.7%
Overall capital requirements (%)	14.5%	14.5%	14.5%	14.5%	14.5%
CET1 available after meeting the total SREP own funds requirements (%)	11.1%	11.5%	11.1%	10.7%	10.1%
Leverage ratio ^{2) 3)}					
Leverage ratio total exposure measure	578,554	555,022	533,421	493,927	516,976
Leverage ratio	5.0%	5.3%	5.6%	5.9%	5.3%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%			
of which: to be made up of CET1 capital (percentage points)	0.0%	0.0%			
Total SREP leverage ratio requirements (%)	3.0%	3.0%			
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	0.0%	0.0%			
Overall leverage ratio requirement (%)	3.0%	3.0%			
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA) (Weighted value - average)	127,669	104,440	110,175	85,966	103,703
Cash outflows - Total weighted value	89,539	77,754	82,390	69,710	74,143
Cash inflows - Total weighted value	13,693	12,199	13,014	15,450	12,130
Total net cash outflows (adjusted value)	75,846	65,555	69,377	54,260	62,013
Liquidity coverage ratio (%)	168%	159%	159%	158%	167%
Net Stable Funding Ratio					
Total available stable funding	313,811	311,753	310,781	305,802	310,299
Total required stable funding	276,241	274,435	280,543	277,156	269,995
NSFR ratio (%)	114%	114%	111%	110%	115%

¹⁾ After ECB approval profits of Q3 and Q2 2021 have been included in Own Funds and appropriate items have been adjusted.

²⁾ In Q1 2021, Q4 2020 and Q3 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

³⁾ Q2 2021, Q1 2021 and Q4 2020 figures have been adjusted compared to what was disclosed in Q2 2021. The minor adjustment to exposure values has not impacted the Leverage ratio.

Table 2 EU OV1 - Overview of total risk exposure amounts

The table provides an overview of total REA in Q3 2021 where credit risk accounted for the largest risk type with approximately 70.7% of Pillar I REA. Operational risk and counterparty credit risk accounted for the second and third largest risk types. The Pillar I REA increased by EUR 0.3bn in the third quarter of 2021, mainly stemming from counterparty credit risk (EUR +1.0bn) and amounts below the threshold for deduction - subject to 250% risk weight (EUR +0.9bn). This was partly offset by decreased credit risk (EUR -1.6bn). The increase in CCR was mainly driven by changes in the IMM models. The increase in thresholds for deduction was stemming from increased deferred tax assets. Lower credit risk REA was mainly driven by decreased volume of exposures in the Institution portfolio, decreased volumes of other non-credit obligation assets and favorable credit quality effects in Corporate portfolio. The increased Swedish P1 risk-weight floor (EUR +0.2bn) was mainly driven by increased volume in the underlying portfolio.

EURm	REA		Minimum capital requirement
	2021 Q3	2021 Q2	2021 Q3
Credit risk (excluding CCR)	107,903	109,489	8,632
Of which the standardised approach (SA)	11,147	11,239	892
Of which the Foundation IRB (F-IRB) approach	11,986	12,973	959
Of which sloattig approach			
Of which equities under the simple riskweighted approach			
Of which the Advanced IRB approach	84,770	85,277	6,782
Counterparty credit risk - CCR	6,292	5,249	503
Of which the standardised approach	795	699	64
Of which internal model method (IMM)	3,818	3,479	305
Of which exposure to a CCP	87	80	7
Of which credit valuation adjustment - CVA	749	645	60
Of which other CCR	843	345	67
Settlement risk	1	0	0
Securitisation exposures in the non-trading book (after the cap)	879	878	70
Of which SEC-IRBA approach	879	878	70
Of which SEC-ERBA (including IAA)			
Of which SEC-SA approach			
Of which 1250% / deduction			
Position, foreign exchange and commodities risk (Market risk)	4,171	4,409	334
Of which the standardised approach (SA)	1,155	735	92
Of which IMA	3,016	3,674	241
Large exposures			
Operational risk	14,306	14,306	1,144
Of which basic indicator approach			
Of which standardised approach	14,306	14,306	1,144
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)	6,248	5,314	500
Total	139,799	139,645	11,184
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	12,763	12,577	1,021
Article 3 CRR Buffer			
Pillar 1 total	152,563	152,222	12,205

Table 3 EU CR8 - REA 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 requirement
REA 2021 Q2	98,250	7,860
Asset size	-156	-13
Asset quality	-1,394	-112
Model updates	0	0
Methodology and policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	210	17
Other	-154	-12
REA 2021 Q3	96,756	7,740

EURm	REA amount	Capital require-ment
REA 2021 Q1	100,406	8,032
Asset size	969	77
Asset quality	-1,194	-96
Model updates	-104	-8
Methodology and policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	-214	-17
Other	-1,614	-129
REA 2021 Q2	98,250	7,860

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

MR REA from Internal Model Approach (IMA) was EUR 3,016m end of Q3 2021, a decrease by EUR 658m compared to Q2 2021. The decrease was primarily driven by lower contribution from Stressed Value-at-Risk (SVaR) due to reduced positions in mortgage bonds. The Incremental Risk Charge (IRC) REA decreased compared to Q2 driven by lower contribution from the default component. The REA stemming from Comprehensive Risk Measure (CRM) was mostly unchanged compared to Q2.

	a	b	c	d	e	f	g
EURm	VaR	SVaR	IRC	Comprehensiv e risk measure	Other	Total RWAs	Total own funds requirements
1 RWAs 2021 Q2	924	1,751	690	309		3,674	294
1a Regulatory adjustment	-685	-1,384	-93	-102		-2,263	-181
1b RWAs 2021 Q2 (end of the day)	239	368	597	207		1,411	113
2 Movement in risk levels	140	-8	-23	99		208	17
3 Model updates/changes							
4 Methodology and policy							
5 Acquisitions and disposals							
6 Foreign exchange movements							
7 Other							
8a RWAs 2021 Q3 (end of the day)	379	360	574	306		1,619	130
8b Regulatory adjustment	452	946				1,397	112
8 RWAs 2021 Q3	831	1,305	574	306		3,016	241

	a	b	c	d	e	f	g
EURm	VaR	SVaR	IRC	Comprehensiv e risk measure	Other	Total RWAs	Total own funds requirements
1 RWAs 2021 Q1	1,193	1,914	631	306		4,044	324
1a Regulatory adjustment	-854	-1,312	-205	-156		-2,527	-202
1b RWAs 2021 Q1 (end of the day)	339	602	426	150		1,517	121
2 Movement in risk levels	-100	-234	171	56		-107	-9
3 Model updates/changes							
4 Methodology and policy							
5 Acquisitions and disposals							
6 Foreign exchange movements							
7 Other							
8a RWAs 2021 Q2 (end of the day)	239	368	597	207		1,411	113
8b Regulatory adjustment	685	1,384	93	102		2,263	181
8 RWAs 2021 Q2	924	1,751	690	309		3,674	294

Table 5 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. The overall significant increase in REA during the quarter was mainly caused by the impact of the new calibration and the add-ons combined with portfolio changes partly offset by an increase in creditworthiness of counterparties across the portfolio.

EURm	REA amounts	Capital requirements
REA 2021 Q2	3,479	278
Asset size	338	27
Credit quality of counterparties	-36	-3
Model updates (IMM only)	-3	0
Methodology and policy (IMM only)		0
Acquisitions and disposals	0	0
Foreign exchange movements	-84	-7
Interest rate movements	128	10
Other	2	0
REA 2021 Q3	3,824	306

EURm	REA amounts	Capital requirements
REA 2021 Q1	3,673	294
Asset size	-31	-3
Credit quality of counterparties	-119	-9
Model updates (IMM only)	1	0
Methodology and policy (IMM only)		0
Acquisitions and disposals	0	0
Foreign exchange movements	-28	-2
Interest rate movements	-17	-1
Other	-1	0
REA 2021 Q2	3,479	278

Table 6 LIQ 1 – LCR Disclosures

EURm	Total unweighted value (average)				Total weighted value (average)			
	2021Q3	2021Q2	2021Q1	2020Q4	2021Q3	2021Q2	2021Q1	2020Q4
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)					111,444	105,156	104,422	101,876
Cash-outflows								
2 Retail deposits & deposits from small business customers	101,577	100,380	98,829	96,447	6,733	6,635	6,514	6,354
3 - Of which stable deposits	79,679	78,940	79,249	77,475	3,984	3,947	4,133	4,045
4 - Of which less stable deposits	21,898	21,441	15,903	15,287	2,749	2,688	1,994	1,914
5 Unsecured wholesale funding	116,768	110,923	108,715	104,412	55,626	51,379	50,562	48,868
6 - Of which Operational deposits (all counterparties) and deposits in networks of cooperative banks	30,827	30,550	30,242	29,099	7,298	7,228	7,155	6,889
7 - Of which Non-operational deposits (all counterparties)	75,218	70,154	67,485	64,776	37,605	33,932	32,420	31,442
8 - Of which unsecured debt	10,723	10,219	10,988	10,537	10,723	10,219	10,988	10,537
9 Secured wholesale funding					2,285	2,504	3,153	3,698
10 Additional requirements	76,947	77,226	76,510	74,875	13,711	14,098	14,409	14,003
11 - Of which outflows related to derivative exposures and other collateral requirements	7,901	8,420	8,975	8,797	7,323	7,635	7,991	7,662
12 - Of which Outflows related to loss Of funding on debt products	15	19	5	8	15	19	5	8
13 - Of which credit and liquidity facilities	69,031	68,786	67,530	66,070	6,373	6,444	6,413	6,333
14 Other contractual funding obligations	3,157	2,189	1,929	1,788	2,752	1,737	1,297	1,109
15 Other contingent funding obligations	46,537	44,804	42,637	40,537	3,000	2,911	2,743	2,571
16 Total cash outflows					84,106	79,265	78,679	76,602
Cash inflows								
17 Secured lending (e.g. reverse repos)	23,871	24,553	18,855	22,393	2,017	2,472	1,990	2,726
18 Inflows from fully performing exposures	11,376	11,020	11,116	11,199	5,574	5,422	5,248	5,240
19 Other cash inflows	6,245	6,396	15,968	16,878	5,430	5,154	6,912	7,347
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	41,492	41,970	45,828	50,359	13,021	13,049	14,150	15,313
EU-20a Fully exempt inflows	0	0	0	0	0	0	0	0
EU-20b Inflows Subject to 90% Cap	0	0	3.334557	5.824345	0	0	0	2.489789
EU-20c Inflows subject to 75% cap	41,492	41,970	45,825	50,353	13,021	13,049	14,149	15,310
21 Liquidity buffer					111,444	105,156	104,422	101,876
22 Total net cash outflows					71,085	66,216	64,716	61,473
23 Liquidity coverage ratio (%)					157%	159%	162%	166%