

# Nordea



## Capital and Risk Management Report

### Third Quarter 2022

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

Table 1 - EU KM1 - Key metrics

During Q3 2022 total own funds decreased by EUR 1258m, of which CET1 decreased by EUR 1420m, AT1 increased by EUR 173m and T2 decreased by EUR 11m. The CET1 decrease was mainly driven by the ECB approval of the share buy-back programme and decreased retained earnings driven by FX effects, partly offset by profit net of accrued dividend. AT1 increased due to FX effects in AT1 instruments, and T2 decreased mainly driven by increased IRB excess and regulatory amortisation of Tier 2 instruments. The decrease of REA by EUR 1346m was mainly stemming from decreased Credit risk. Leverage ratio decreased from 4.9% to 4.6% as a result of increased LR total exposure measure. LCR increased by 3pp mainly due to increase in HQLA. Finally, NFSR increased from 113% to 118% mainly driven by a increase in total available stable funding.

Available own funds (amounts), EURm		2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3
1 Common Equity Tier 1 (CET1) capital		23 611	25 031	25 130	25 880	25 745
2 Tier 1 capital		27 132	28 379	28 317	29 012	28 826
3 Total capital		30 272	31 530	31 592	32 275	32 083
Risk-weighted exposures amounts (REA), EURm						
4 Total risk-weighted exposure amount		149 377	150 723	154 039	151 906	152 563
Capital ratios (as a percentage of risk-weighted exposure amount)						
5 Common Equity Tier 1 ratio (%)		15,8%	16,6%	16,3%	17,0%	16,9%
6 Tier 1 ratio (%)		18,2%	18,8%	18,4%	19,1%	18,9%
7 Total capital ratio (%)		20,3%	20,9%	20,5%	21,2%	21,0%
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 (%)		0,8%	0,3%	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 (%)		5,3%	4,8%	4,7%	4,7%	4,7%
EU 11a Overall capital requirements (%)		15,1%	14,6%	14,5%	14,5%	14,5%
12 CET1 available after meeting the total SREP own funds requirements (%)		10,5%	11,2%	10,8%	11,3%	11,1%
Leverage ratio <sup>1) 2)</sup>						
13 Leverage ratio total exposure measure		587 446	580 630	589 760	536 512	578 554
14 Leverage ratio		4,6%	4,9%	4,8%	5,4%	5,0%
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%	0,0%	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%
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%	0,0%	0,0%
EU 14e Overall leverage ratio requirement (%)		3,0%	3,0%	3,0%	3,0%	3,0%

#### Liquidity Coverage Ratio

15 Total high-quality liquid assets (HQLA) (Weighted value - average)	119 385	121 649	131 528	114 045	111 471
EU 16a Cash outflows - Total weighted value	92 023	92 436	100 613	85 181	84 106
EU 16b Cash inflows - Total weighted value	14 563	14 115	16 946	12 888	13 021
16 Total net cash outflows (adjusted value)	77 460	78 320	83 667	72 293	71 085
17 Liquidity coverage ratio (%)	155%	156%	157%	158%	157%

#### Net Stable Funding Ratio

18 Total available stable funding	319 983	308 428	316 764	311 752	313 811
19 Total required stable funding	271 827	273 349	281 718	280 517	274 892
20 NSFR ratio (%)	118%	113%	112%	111%	114%

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

The table provides an overview of total REA in Q3 2022 where credit risk accounted for the largest risk type with approximately 73.74% of Pillar I REA. Operational risk and Market risk accounted for the second and third largest risk types. REA decreased by EUR (1.3bn) in the third quarter of 2022, mainly stemming from credit risk (EUR 1.4 bn) and counterparty credit risk (0.3 bn). Higher credit risk REA was mainly driven by decrease of the advanced IRB approach.

EURm

	Risk weighted exposure amounts (RWEAs)		Total own funds requirements
	a	b	c
	2022 Q3	2022 Q2	2022 Q3
1 Credit risk (excluding counterparty credit risk) (CCR)	110 158	111 547	8 813
2 Of which the standardised approach (SA)	14 643	15 315	1 171
3 Of which the foundation IRB (FIRB) approach	11 978	11 737	958
4 Of which slotting approach			
EU 4a Of which equities under the simple riskweighted approach			
5 Of which the advanced IRB approach	83 537	84 496	6 683
6 Counterparty credit risk	5 163	4 834	413
7 Of which the standardised approach	465	465	37
8 Of which internal model method (IMM)	2 577	2 577	206
EU 8a Of which exposure to a CCP	119	119	10
EU 8b Of which credit valuation adjustment - CVA	1 047	990	84
9 Of which other CCR	955	682	76
15 Settlement risk	0	0	0
16 Securitisation exposures in banking book (after the cap)	1 159	1 152	93
17 Of which SEC-IRBA approach	1 159	1 152	93
18 Of which SEC-ERBA (including IAA)			
19 Of which SEC-SA approach			
EU 19a Of which 1250% deduction			
20 Market risk	5 641	5 841	451
21 Of which standardised approach (SA)	533	652	43
22 Of which IMA	5 108	5 189	409
EU 22a Large exposures			
23 Operational risk	15 025	15 025	1 202
EU 23a Of which basic indicator approach			
EU 23b Of which standardised approach	15 025	15 025	1 202
EU 23c Of which advanced measurement approach			
24 Amounts below the thresholds for deduction (subject to 250% risk weight)	4 419	4 823	354
25 Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR			
26 Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	12 231	12 325	979
27 Article 3 CRR Buffer			
29 Pillar 1 total	149 377	150 723	11 950

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

During the third quarter the IRB REA decreased by EUR 0.7 bn, mainly driven by a decrease in asset quality and model updates. FX effects stemming from the depreciation of core currencies further decreased REA. This was partly offset by increased asset size and other IRB exposures.

EURm	Risk weighted exposure amount a
1 REA 2022 Q2	96 232
2 Asset size	1 331
3 Asset quality	-1 252
4 Model updates	-880
5 Methodology and policy	0
6 Acquisitions and disposals	0
7 Foreign exchange movements	-191
8 Other	274
9 REA 2022 Q3	95 515

Table 4 - EU CCR7 - RWEA 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 increase throughout the third quarter of 2022 is mainly attributed to increases in foreign exchange moves over the quarter which has been slightly offset by a decrease in creditworthiness of counterparties across the portfolio.

EURm

	a
	RWEA
1 REA 2022 Q2	2 644
2 Asset size	-26
3 Credit quality of counterparties	-80
4 Model updates (IMM only)	-2
5 Methodology and policy (IMM only)	
6 Acquisitions and disposals	0
7 Foreign exchange movements	166
8 Other	61
9 REA 2022 Q3	2 764

EURm

	a
	RWEA
1 REA 2022 Q1	2 552
2 Asset size	39
3 Credit quality of counterparties	-147
4 Model updates (IMM only)	0
5 Methodology and policy (IMM only)	
6 Acquisitions and disposals	0
7 Foreign exchange movements	184
8 Other	15
9 REA 2022 Q2	2 644

**Table 5 - EU LIQ1 - Quantitative information of LCR**

Nordea Group's short term liquidity risk exposure measured by Liquidity Coverage Ratio (LCR) had a slight fluctuations but remains stable till Q3'2022. During Q3'2022, 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 has a centralised liquidity management function where Group Treasury & Asset Liability Management (TALM) 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 (FTP). 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 (DD Month YYYY)	Sep-22	Jun-22	Mar-22	Dec-21	Sep-22	Jun-22	Mar-22	Dec-21
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)					119 385	121 649	131 528	114 045
<b>Cash - Outflows</b>									
2	Retail deposits and deposits from small business customers, of which:	108 992	106 092	114 289	107 330	7 481	7 178	7 973	6 846
3	<i>Stable deposits</i>	<i>79 900</i>	<i>80 438</i>	<i>78 062</i>	<i>82 786</i>	<i>3 995</i>	<i>4 022</i>	<i>3 903</i>	<i>4 014</i>
4	<i>Less stable deposits</i>	<i>29 091</i>	<i>25 654</i>	<i>36 216</i>	<i>24 481</i>	<i>3 486</i>	<i>3 156</i>	<i>4 070</i>	<i>2 832</i>
5	Unsecured wholesale funding	124 020	126 236	129 331	136 176	60 839	61 723	70 533	56 220
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	<i>32 100</i>	<i>33 083</i>	<i>30 976</i>	<i>33 877</i>	<i>7 785</i>	<i>7 933</i>	<i>7 730</i>	<i>7 591</i>
7	<i>Non-operational deposits (all counterparties)</i>	<i>80 000</i>	<i>81 699</i>	<i>82 160</i>	<i>93 460</i>	<i>41 133</i>	<i>42 334</i>	<i>46 608</i>	<i>38 160</i>
8	<i>Unsecured debt</i>	<i>11 920</i>	<i>11 455</i>	<i>16 195</i>	<i>8 838</i>	<i>11 920</i>	<i>11 455</i>	<i>16 195</i>	<i>10 469</i>
9	Secured wholesale funding					3 295	3 110	3 466	2 445
10	Additional requirements	76 946	76 743	72 999	76 955	14 358	13 854	13 039	13 619
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	<i>7 768</i>	<i>7 642</i>	<i>5 972</i>	<i>6 930</i>	<i>7 466</i>	<i>7 328</i>	<i>5 684</i>	<i>7 273</i>
12	<i>Outflows related to loss of funding on debt products</i>	<i>19</i>	<i>19</i>		<i>225</i>	<i>19</i>	<i>19</i>		<i>15</i>
13	<i>Credit and liquidity facilities</i>	<i>69 159</i>	<i>69 081</i>	<i>67 027</i>	<i>69 800</i>	<i>6 873</i>	<i>6 507</i>	<i>7 355</i>	<i>6 332</i>
14	Other contractual funding obligations	2 989	3 715	2 133	3 367	2 625	3 352	1 752	3 004
15	Other contingent funding obligations	48 913	48 728	51 361	47 237	3 425	3 220	3 849	3 048
16	<b>Total cash outflows</b>					<b>92 023</b>	<b>92 436</b>	<b>100 613</b>	<b>85 181</b>
<b>Cash - Inflows</b>									
17	Secured lending (e.g. reverse repos)	24 739	24 833	24 514	24 901	2 538	2 278	3 297	1 966
18	Inflows from fully performing exposures	13 302	12 535	18 248	9 279	6 759	6 229	9 710	5 557

19 Other cash inflows	5 661	6 161	3 939	5 990	5 265	5 608	3 939	5 365
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	43 703	43 528	46 701	40 169	14 563	14 115	16 946	12 888
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>	43 703	43 528	46 701	41 017	14 563	14 115	16 946	12 888
Total Adjusted Value								
21 Liquidity buffer					119 385	121 649	131 528	114 045
22 Total net cash outflows					77 460	78 320	83 667	72 293
23 Liquidity coverage ratio					155 %	156%	157%	158%

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

Market Risk RWA from the Internal Model Approach (IMA) was EUR 5,108m end of Q3 2022 which corresponded to a decrease of EUR 81m compared to Q2 2022. The decrease was primarily driven by lower Incremental Risk Charge (IRC) by EUR 213m and lower VaR by EUR 117m due to reduced credit spread risk. Comprehensive risk measure (CRM) decreased by EUR 59m. Compared to Q2 2022, the RWA stemming from SVaR increased by EUR 307m driven by higher interest rate risk partially offset by lower credit spread and equity risk.

EURm	a	b	c	d	e	f	g
	VaR	SVaR	IRC	Comprehen- sive risk measure	Other	Total RWA	Total own funds requirements
1 RWA 2022 Q2	1 508	2 111	1 031	539		5 189	415
1a Regulatory adjustment	-1 129	-1 490	-3	-49		-2 671	-214
1b RWA 2022 Q2 (end of the day)	379	621	1 029	490		2 518	201
2 Movement in risk levels	20	1	-256	-10		-245	-20
3 Model updates/changes							
4 Methodology and policy							
5 Acquisitions and disposals							
6 Foreign exchange movements							
7 Other							
8a RWA 2022 Q3 (end of the day)	399	622	773	480		2 274	182
8b Regulatory adjustment	992	1 796	46			2 834	227
8 RWA 2022 Q3	1 391	2 418	819	480		5 108	409

EURm	a	b	c	d	e	f	g
	VaR	SVaR	IRC	Comprehen- sive risk measure	Other	Total RWA	Total own funds requirements
1 RWA 2022 Q1	1 233	2 068	878	484		4 663	373
1a Regulatory adjustment	-910	-1 527	-39			-2 476	-198
1b RWA 2022 Q1 (end of the day)	323	541	838	484		2 186	175
2 Movement in risk levels	56	79	190	6		332	27
3 Model updates/changes							
4 Methodology and policy							
5 Acquisitions and disposals							
6 Foreign exchange movements							
7 Other							
8a RWA 2022 Q2 (end of the day)	379	621	1 029	490		2 518	201
8b Regulatory adjustment	1 129	1 490	3	49		2 671	214
8 RWA 2022 Q2	1 508	2 111	1 031	539		5 189	415