Nordea

Capital and Risk Management Report 2020

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

Nordea Board of Directors' risk statement

Nordea's business model is well diversified, with the main risks being credit risk and liquidity risk.

Nordea Group

The Nordea Group is the largest financial services institution in the Nordic region and a major European bank, with a market capitalisation of approximately EUR 27.0bn, total assets of EUR 552bn and a Common Equity Tier 1 (CET1) capital ratio of 17.1%. The Nordea Group is a prominent Nordic retail bank, a leading wholesale bank and the largest private banking, asset management and life and pensions provider in the Nordic region.

Nordea has a significant distribution network and customer base in the Nordic region, with approximately 9.2 million household customers, 540,000 small and medium-sized corporate customers, and 2,350 large corporate and institutional customers.

Response to COVID-19

COVID-19 has been a major risk factor over the course of 2020. The global lockdown in the first quarter led to increased volatility in markets and reduced liquidity in wholesale funding. Anticipating the impact on the broader economy, Nordea made large increases in loan loss provisions.

Central banks and regulators reacted strongly amid the financial implications of the pandemic, with regulators accelerating the implementation of regulatory capital requirements through the so-called Capital Requirements Regulation (CRR) "quick fix". Central banks cut interest rates, increased their quantitative easing activities and offered long-term financing facilities at low rates.

Nordea increased its loan loss provisions in the first half of the year and took advantage of the term funding facilities provided by central banks. In addition, the Board followed the European Central Bank's recommendation to refrain from paying any dividends in 2020. With its strong financial position, Nordea can continue to support its customers during the pandemic.

In order to manage its balance sheet prudently, Nordea assessed the impact of several macroeconomic scenarios on its capital and liquidity, ranging from the expected to the very economically severe. In all scenarios, including the most severe, Nordea's capital and liquidity positions proved resilient.

Risk Appetite

Nordea's capital ratios at the end of 2020 were as follows: CET1 capital ratio of 17.1%, Tier 1 capital ratio of 18.7% and own funds ratio of 20.5%. Nordea assesses its risk capacity on at least an annual basis, defining it as the maximum level of risk the Group is deemed capable of assuming given its capital (own funds), risk management and control capabilities, and regulatory constraints. The risk appetite within Nordea is defined as the aggregate level and types of risk Nordea is willing to assume, within its risk capacity and in line with its business model, in order to achieve its strategic objectives. Nordea carries out ongoing monitoring and reporting of its risk exposures against the risk limits to ensure that risk-taking activities remain within the risk appetite.

Key risks in Nordea's operations

Nordea has developed a risk strategy to support strategic initiatives while ensuring a strong risk and control culture across the Group. By focusing on its strategic priorities, the overall goal of which is to support business momentum and structural cost reduction, Nordea will also achieve measurable risk and compliance improvements.

Nordea has a well-diversified, universal business model. Risks are spread across a number of countries, industries and customer types. The Group's material risks derive from business activities which include banking, trading, insurance and asset management.

Nordea is an active lender across its various business areas. Wholesale and institutional customers are served by "Large Corporates & Institutions", small and medium-sized entities by "Business Banking", and households and individuals by "Personal Banking". This activity gives rise to credit risk, which is Nordea's primary financial risk, accounting for approximately 86% of its total risk exposure amount (REA).

The credit risk appetite statement is defined in terms of credit risk concentration (limits for specific client groups, industries and geographies), long-term credit quality (expected loss), short-term, forward-looking credit quality (loss under plausible stress scenarios), and the Group's non-performing loan ratio, in line with regulatory definitions and limits applicable to specific sub-portfolios and financing structures.

Internal ratings-based corporate and retail exposures currently represent 43.5% and 25.7% respectively of Nordea's total REA. The Group's credit portfolio quality has altogether remained stable. Nordic housing markets have continued to function well and the situation in the overall corporate portfolio has remained steady throughout 2020 and the COVID-19 pandemic. However, there are downside risks in the outlook, due in particular to the continued uncertainty caused by COVID-19-related developments. Extraordinary public support schemes mitigated the impact of the pandemic in 2020. Looking ahead, some customers, particularly in the SME segment, may become dependent on extended support measures in the event lockdowns remain in place for an extended period of time. Loan losses during 2020 amounted to approximately EUR 908m. This includes EUR 443m in management judgment allowances relating to expected future losses following the emergence of the pandemic and expected changes to regulations, models and processes. The REA attributable to credit risk was EUR 133.9bn at the end of the fourth quarter of 2020.

In addition, Nordea is adapting to evolving climate change-related risks by developing a more resilient business model. The Group has strengthened its governance with respect to climate change in order to support business selection and monitoring while managing related risks in line with its risk appetite.

Operational risk is present across all Nordea's activities. Capital held for operational risk represents 9.5% of the

Group's total REA. During 2020, total losses due to operational risk amounted to approximately EUR 27m, while the REA attributable to operational risk was EUR 14.7bn at the end of the fourth quarter of 2020. The risk appetite statement for operational risk is expressed in terms of (i) the residual risk level in breach of the risk appetite and requirements for risk-mitigating actions and (ii) the total loss resulting from incidents and requirements for managing incidents. The COVID-19 crisis is assessed to have heightened Nordea's level of operational risk. Events such as fraud, large-scale processing errors and data breaches are all the more likely given the current situation. This heightened risk level has not materialised in the form of increased operational risk losses for 2020. The risk appetite limit for losses due to operational risk was temporarily increased in June 2020 to ensure needed flexibility in Nordea's operations given the uncertain COVID-19 environment.

Nordea's trading book gives rise to a range of market-related risks. In addition, market factors may influence the value of the Group's banking book assets and affect future income. Market risk is one of the smallest contributors to Nordea's regulatory capital requirements, representing just 3% of the total REA. Market risk is governed in the risk appetite framework by way of limits on (i) value at risk (VaR), (ii) economic value of future income, (iii) stressed fair value losses on the trading and banking books, (iv) structural foreign exchange risk, and (v) one year interest income volatility.

The primary risk not mitigated with capital and hence not measured in REA terms is liquidity risk, which is a material risk for Nordea. Nordea adheres to a liquidity risk appetite according to which it must have sufficient liquidity to be able to meet its cash flow obligations at all times, including on an intraday basis, across market cycles and during periods of stress. Liquidity risk limits and triggers are set to ensure that the liquidity risk profile of the Group and its subsidiaries and branches remains within the liquidity risk appetite. Specifically, the liquidity risk appetite requires Nordea to maintain a liquidity buffer that is (i) sufficient for the Group to survive at least 90 days under a combined institution-specific and market-wide liquidity stress scenario; (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 a liquidity coverage ratio (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. Throughout 2020 Nordea maintained a strong liquidity position, including during the peak of the COVID-19 crisis, with all metrics remaining well above risk appetite limits.

Material transactions

A number of external transactions were made in 2020. While each transaction contributed to furthering Nordea's ongoing strategy, none were assessed to have had a material impact on the Group's risk profile. This assessment took into account the set of material risks before and after the transaction, the size of the transaction and whether or not the portfolio of risks had changed materially following the transaction.

Board of Directors' approval of the risk statement

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

Key risks: Distribution of exposure, Risk Exposure Amount (REA), capital requirement (CAR) and Economic Capital (EC)in Business Areas

	EURbn	Exposure	%	REA	CAR	%	EC	%
Total Nordea Group	Credit risk [1]	482.0	100%	133.9	10.7	86%	17.7	75%
	Market risk			6.9	0.6	4%	1.3	6%
	Operational risk			14.7	1.2	9%	1.9	8%
	Nordea Life & Pension						1.4	6%
	Other[2]						1.2	5%
	Total	482.0	100%	155.4	12.4	100%	23.5	100%
Personal Banking	Credit risk[1]	183.4	38%	41.7	3.3	88%	5.7	77%
	Market risk			0.0	0.0		0.1	2%
	Operational risk			5.5	0.4	12%	0.7	10%
	Nordea Life & Pension						0.3	4%
	Other[2]						0.6	8%
	Total	183.4	38%	47.2	3.8	30%	7.4	31%
Business Banking	Credit risk[1]	106.2	22%	39.5	3.2	92%	5.4	84%
	Market risk			0.0	0.0		0.1	1%
	Operational risk			3.6	0.3	8%	0.5	7%
	Nordea Life & Pension						0.1	1%
	Other[2]						0.5	7%
	Total	106.2	22%	43.1	3.5	28%	6.4	27%
Large Corporates & Institutions	Credit risk[1]	81.6	17%	34.4	2.8	81%	4.8	76%
	Market risk			4.5	0.4	11%	0.6	10%
	Operational risk			3.4	0.3	8%	0.4	7%
	Nordea Life & Pension						0.0	0%
	Other[2]						0.4	7%
	Total	81.6	17%	42.3	3.4	27%	6.3	27%
Wealth Management	Credit risk[1]	13.3	3%	6.0	0.5	81%	0.4	21%
	Market risk			0.0	0.0		0.0	0%
	Operational risk			1.4	0.1	19%	0.2	11%
	Nordea Life & Pension						1.0	61%
	Other[2]						0.1	7%
	Total	13.3	3%	7.4	0.6	5%	1.6	7%
Group Functions, Other and Eliminations	Credit risk[1]	97.5	20%	12.2	1.0	79%	1.5	87%
	Market risk			2.3	0.2	15%	0.5	29%
	Operational risk			0.9	0.1	6%	0.1	6%
	Nordea Life & Pension						0.0	0%
	Other[2]						-0.4	-23%
	Total	97.5	20%	15.4	1.2	10%	1.8	7%

[1] Includes securitisation positions and other credit risk adjustments

[2] Capital deductions and internal allocations

Introduction

Executive summary

With a strong balance sheet and improved profitability, Nordea is well placed to manage volatility through the economic cycle as well as in the current COVID-19 situation. Nordea's CET1 ratio was 17.1% at end of 2020, 6.9% above the CET1 requirement. The Nordic economies were impacted by the COVID-19 during 2020, although with lower GDP reductions in all four Nordic countries than the European average. The GDP decline was sizeable in Q2 2020, followed by recovery in Q3 2020. Due to the low-risk profile and the de-risking activities in recent years, Nordea's credit quality remained strong, although uncertainty remains at elevated levels. In 2020, Nordea showed continued strong growth in customer business volumes in all countries, increased profit before loan losses by 6% to EUR 3.8bn, a net profit of EUR 2.3bn and a reported return on equity (ROE) of 7.1% (5.0% in 2019). Nordea continued to commit to maintaining a AA-level rating, with a focus on profitability, a well-diversified credit portfolio, strong capital position and a diversified funding base.

Common Equity Tier 1 (CET1) capital ratio

17.1%

Capital strength was well maintained during 2020 and the CET1 ratio increased to 17.1% (16.3%).

Total capital ratio

20.5%

Total capital ratio was 20.5%.

Net loan loss ratio (including all customer loans)

26 bps

The net loan loss ratio including fair value loans was 26bp (8bp last year).

Credit risk exposure change

+3%

Credit risk exposure increased to EUR 481bn (EUR 467bn).

Liquidity coverage ratio

158%

Group LCR was 158% at the end of 2020 (166%).

Very strong capital position

The CET1 ratio at the end of 2020 was 17.1%, 6.9% above the regulatory CET1 requirement, which is well above both the requirement and Nordea's capital management buffer target. The capital management buffer target is to have a CET1 ratio 150-200 bps above the regulatory requirement. The capital and dividend policy is unchanged. The Board of Directors has proposed a dividend of EUR 0.39 per share for 2020, in line with the dividend policy. In addition, the delayed 2019 dividend of EUR 0.40 per share is proposed to be paid to our shareholders in two instalments

Nordea is subject to a Pillar 2 Requirement (P2R) from 1 January 2020 of 1.75%, of which 0.98% should be covered by CET1 and 0.77% can be covered by AT1 and Tier 2 capital. Including regulatory buffers, the total CET1 requirement is 10.2%.

The total capital ratio at the end of 2020 was 20.5%, 6.0% above the regulatory requirement. Approximately 0.9%-points of the CET1 buffer was used to fulfil the AT1 and Tier 2 capital requirements.

Maintained strong credit quality and net loan loss provisions in line with guidance

Credit quality remained strong in 2020 with a well-diversified loan book and stable portfolio ratings and scores. The net loan loss ratio was 26bp including loans held at fair value (8bp in 2019). Credit quality was stable in all customer sectors and de-risking continued in certain portfolios, including shipping and offshore.

Based on a bottom-up analysis of the credit portfolio, credit exposures, macroeconomic scenario updates and stress-tests, Nordea made loan loss provisions in Q2 2020 to cover for the near-term loan loss risks from the COVID-19 crisis. At the end of the year, total allowances were EUR 2.4bn. Stage 3 impaired loans decreased by 14% during 2020 and the impaired loans ratio decreased to 1.51% (1.78% in 2019), while credit risk exposures increased to EUR 481bn (EUR 467bn in 2019).

Market risk a low contributor to risk

A key metric for measuring the Group's market risk exposure is VaR. VaR remained at a relatively low level, although VaR increased during Q2 2020 but returned to normal level at year end. At year-end Trading book VaR was at EUR 17m and banking book VaR EUR 88m.

Strong funding and liquidity position, all ratings at AA-level

Nordea maintained its solid liquidity position and its strong name in the funding markets. Nordea was able to actively use all funding programs during 2020. Approximately EUR 23bn was issued in long-term debt during 2020 (excluding Danish covered bonds) compared to EUR 20bn last year. Nordea maintained a strong liquidity coverage ratio (LCR), with an LCR at year-end at Group level of 158%.

All three major senior unsecured issuer ratings are at AA level, Moody's Aa3 with stable outlook, S&P AA- with stable outlook and Fitch AA- with negative outlook.

New sustainability objectives and ESG task force established

In 2020, Nordea updated its plan to fully integrate sustainability into its business strategy, with the objective of achieving net zero emissions by, at the latest, 2050 and with quantitative sustainability objectives for reduction of indirect and direct carbon emissions by 2030

Key metrics

The overall increase in capital was driven by regulatory changes of treatment of software assets and a changed consolidation for the banking group. REA increased by EUR 5.2bn year-on-year, mainly as a result of the acquisition of SG Finans, a changed consolidation for the banking group, replacement of one securitised transaction, partly offset by the SME factor adjustment. Leverage ratio increased from 5.27% to 5.90% during the year, as a result of increased Tier 1 capital and decreased leverage ratio exposure.

Available capital, EURm	2020	2019
Common Equity Tier 1 (CET1)	26,553	24,421
Tier 1	29,141	27,518
Total capital	31,801	31,236

Risk-weighted exposures amounts (REA), EURm		
Total REA	155,440	150,215

Risk-based capital ratios as a percentage of REA		
Common Equity Tier 1 ratio	17.1%	16.3%
Tier 1 ratio	18.7%	18.3%
Total capital ratio	20.5%	20.8%

CET1 requirements and CET1 available to meet buffers		
Minimum CET1 requirement	4.5%	4.5%
CET1 pillar 2 requirement	1.0%	0.0%
Capital conservation buffer requirement	2.5%	2.5%
Countercyclical buffer requirement	0.2%	1.4%
Systemic risk buffer requirement	0.0%	3.0%
Other systematically important institutions buffer requirementA	2.0%	2.0%
Total buffer requirements*	4.7%	6.9%
Total requirement	10.2%	11.4%
CET1 available to meet capital buffers	10.7%	11.8%

*Only the higher of the SRB and O-SII is used in the calculation of the total capital buffers

Basel III leverage ratio		
Transitional leverage ratio exposure measure	5.62%	5.27%
Leverage ratio excluding central bank exposures[1]	5.90%	

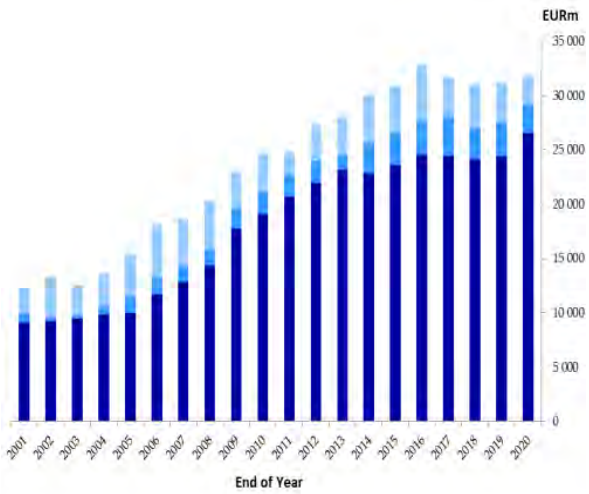
[1] Calculated in accordance with article 500b of regulation (EU) 575/2013 of the European Parliament and of the Council (CRR) and decision (EU) 2020/1306 of the European Central Bank of 16 September 2020 (early implementation of CRR 2).

Development of key capital adequacy ratios

At the end of 2020, the CET1 ratio increased by 83bps compared to year-end 2019. During the same period the Tier 1 ratio increased by 43bps and the Total capital ratio decreased by 33bps. The increased CET1 ratio was mainly driven by increased CET1 capital due to regulatory changes as well as profit generation net of accrued dividend. The increased Tier 1 ratio was primarily driven by CET1 capital development slightly offset by the call of two AT1 instruments. The total capital ratio decreased due to called T2 instruments partly offset the CET1 capital increase. The REA increased 3.5% during the period, mainly driven by the aquisition of SG Finans, changed consolidation method for the banking group, replacement of one securitised transaction, partly offset by the SME factor adjustment.

Development of Own Funds

During the period 2001 to 2020, total own funds increased by EUR 19.4bn. The increase was mainly driven by retained profit as well as the implementation of Basel II in 2007 and CRR/CRD IV in 2014. Specifically, CET1 capital increased by EUR 17.4bn, AT1 capital increased by EUR 1.8bn and T2 capital decreased by EUR 0.2bn. From Q4 2019 to Q4 2020, the CET 1 capital increased by EUR 2.1bn while Tier 1 capital and own funds decreased EUR 0.5bn and EUR 1.1bn respectively.



Nordea Bank Abp with Finnish corporate registration number 2858394-9 provides these public disclosures according to Part Eight of Regulation (EU) No 575/2013, commonly referred to as the Capital Requirements Regulation (CRR), on the basis of its consolidated situation (hereinafter referred to as simply "Nordea"). This disclosure constitutes a comprehensive disclosure on risks, risk management and capital management. It includes disclosures, or references to other disclosures, required according to Part Eight of the CRR and by EBA guidelines and standards on disclosure requirements. Information exempted from disclosure due to being non-material, proprietary or confidential can be found in Part 1, Other tables. Accompanying this report are the required disclosures for the subsidiaries Nordea Kredit Realkreditaktieselskab, Nordea Hypotek AB, Nordea Mortgage Bank Plc, Nordea Eiendomskreditt AS and Nordea Finans AS. The subsidiaries' disclosures are included as apprentices and will be released on www.nordea.com after the publication date of each subsidiary's Annual Report.

Nordea Bank Abp and its subsidiaries have adopted a formal policy to assure compliance with the disclosure requirements and has established policies for assessing the appropriateness of these disclosures, including the verification and frequency. Nordea is part of the Sampo conglomerate in accordance to the Act on the Supervision of Financial and Insurance Conglomerates (2004/699), based on Directive 2002/87/EC. Nordea's Board of Directors, by attesting this report, approve of the formal statement of key risks in Board Risk Statement and formally declare the adequacy of risk management arrangements given statement and the declaration are made in accordance with CRR Article 435(1).

Regulatory development

This section provides an overview of the recent regulatory developments relevant to Nordea. 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 for capital adequacy

The Capital Requirements Directive IV (CRD IV) 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 EU countries in January 2014, while the Directives were implemented into national law within all EU member states from 2014. The BRRD, the Deposit Guarantee Scheme (DGS) as well as MREL rules were implemented in Norway from 1 January 2019. The CRR and CRD IV were finally implemented in Norway on 31 December 2019.

In June 2019, the 'banking package' containing revisions to the BRRD, the CRD and the CRR was adopted, as further detailed below. The revised CRD (CRD V) and BRRD (BRRD II) are applicable from 28 December 2020, while the majority of the changes in CRR (CRR II) are to be applied from 28 June 2021. The implementation of the 'banking package' in Norway is still pending. Please refer to the section 'Nordic implementation' below for additional details on the implementation in each country.

Regulatory minimum capital requirements

The CRR requires banks to comply with the following minimum capital requirements in relation to REA:

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

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 requires 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 CET1 capital and represent capital to be maintained in addition to minimum regulatory requirements. The capital buffers 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 (SRB).

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. Under CRD V, the O-SII buffer can be set up to 3% and the SRB can be set up to 5% for all exposures or for specific sectors or domestic exposures. With the implementation of CRD V, the SRB and O-SII buffers will be additive, while under CRD IV only the highest buffer was applicable. All of these buffers are included in the so-called *combined buffer requirement*. The combined buffer requirement under CRD V is the sum of the CCoB, CCyB, SRB 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 payments on AT1 instruments, in accordance with the regulations on maximum distributable amount (MDA).

COVID-19 related regulatory developments

On 12 March 2020, the ECB announced that banks will be allowed to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G), the CCoB and the liquidity coverage ratio. The ECB also stated that banks will be allowed to partially use capital instruments, i.e. Additional Tier 1 (AT1) and Tier 2 (T2) capital, to meet the Pillar 2 Requirements (P2R), which is a change that was expected to be applicable from January 2021 with the implementation of CRD V.

On 26 June 2020, the so-called 'quick fix' was implemented with the intention to ensure that banks can continue to lend money to support the economy and help mitigate the significant economic impact of the COVID-19. The package includes a few targeted 'quick fix' amendments to the CRR with the intention to maximise the ability of banks to lend and absorb losses related to COVID-19. Among the changes, the quick fix implements the extended SME factor and the changed treatment of software at an earlier date then earlier decided. It also includes an extension of the transitional arrangements available for IFRS 9 until 2024, which originally applied between 2018 and 2022. However, Nordea has decided not to apply these transitional arrangements and the full impact of IFRS 9 will thus continue to be reflected as applicable.

The ECB has during the year made three recommendations on dividends during the COVID-19 pandemic. The most recent recommendation on 15 December 2020 states that banks should refrain from or limit dividends until end-September 2021. The recommendation states that dividends are to remain below 15% of cumulated 2019-20 profits and not higher than 20 basis points of the CET1 ratio.

Amended CRR, CRD IV, BRRD and SRMR

In June 2019, the 'banking package' containing revisions to the BRRD, the CRD and the CRR was adopted. The amendments to the CRR, being a regulation, is directly applicable in all EU countries once implemented whereas the amendments to the CRD and BRRD, being directives, need to be implemented into national legislation before being applicable. As further detailed below, the revisions include a review of the Minimum Requirement for own funds and Eligible Liabilities (MREL), a review of the market risk requirements (Fundamental Review of the Trading Book, FRTB), the introduction of a binding Net Stable Funding Ratio (NSFR), the introduction of a binding leverage ratio requirement of 3% to be met by Tier 1 capital and amendments to the Pillar 2 and macro prudential framework. The revised CRD (CRD V) and BRRD (BRRD II) are to be applied from 28 December 2020, while the majority of the changes in CRR II are to be applied from 28 June 2021.

Minimum Requirement for own funds and Eligible Liabilities (MREL)

According to the amendments of BRRD and SRMR in the banking package, institutions should meet a MREL requirement decided by the resolution authorities, expressed in terms of total REA and total LRE (Leverage Ratio Exposure). The requirement consists of the sum of the loss absorption amount and re-capitalisation amount. The resolution authorities can also decide to impose a MREL market confidence buffer. In addition, the combined buffer requirement sits on top of the MREL requirement expressed in terms of REA. Breach of the requirements can lead to restrictions on Maximum Distribution Amount (M-MDA).

The MREL requirement should be met by own funds and MREL eligible liabilities, i.e. Senior Non-Preferred (SNP) instruments and ordinary senior unsecured liabilities meeting the MREL eligibility criteria. In addition, the resolution authorities should set a subordination requirement for Top Tier Banks (banks with balance sheet of at least EUR 100bn). The subordination requirement is at least 8% of total liabilities and own funds but capped at 27% of REA. In addition, the resolution authorities may decide under certain conditions to decrease or increase the subordination requirement. The subordination requirement should be met by own funds and SNP instruments.

Pillar 2

The changes to the CRD introduces a split of Pillar 2 add-ons into Pillar 2 Requirements (P2R) and Pillar 2 Guidance (P2G), where the P2R will increase the MDA level while the P2G does not affect the MDA level. ECB is already applying a practice where Pillar 2 add-ons are split between P2R and P2G.

Net Stable Funding Ratio (NSFR)

The revised CRR introduces a binding NSFR that requires institutions to finance their long-term activities (assets and off-balance sheet items) with stable funding. The EU NSFR rules follow the framework set out by Basel Committee on Banking Supervision (BCBS), as well as incorporate adjustments as recommended by the European Banking Authority (EBA) to ensure that the NSFR does not hinder the financing of the European real economy. Under the CRR II, institutions will need to comply with a 100% NSFR requirement starting from Q2 2021.

Leverage ratio

The CRR introduced a non-risk-based measure, the leverage ratio, to limit build-up of leverage on banks' balance sheets in an attempt to contain the cyclicality of lending. The leverage ratio is 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.

The amended CRR will, from Q2 2021, introduce a binding leverage ratio requirement of 3% of Tier 1 capital, harmonised with the international BCBS standard. It further includes amendments to the calculation of the exposure measure with regards to exposures to public development banks, pass-through loans and officially granted export credits. Additionally, the initial margin received from clients for derivatives cleared through a Qualifying Central Counterparty (QCCP) can be excluded from the exposure measure.

Standardised Approach for Counterparty Credit Risk (SA-CCR)

In March 2014, the BCBS published a standard on a new standardised method to compute the exposure value of derivatives exposures, the so-called Standardised Approach for Counterparty Credit Risk, to address the shortcomings of existing standardised methods. The implementation of SA-CCR in the amended CRR is accomplished by removing the existing Standardised Approach and the Mark-to-Market Method and replacing them with the new SA-CCR.

Market risk

In January 2016, the BCBS concluded its work on the fundamental review of the trading book (FRTB) and published a new standard on the treatment of market risk. However, on 14 January 2019, the BCBS published a revised version of the standard based on issues identified in the course of monitoring the implementation and impact of the 2016 framework, as expressed in a consultative paper from 2018. The revised Basel standard comes into effect on 1 January 2023 as part of the finalisation of Basel III ('Basel IV'). The amended CRR incorporates the 2016 FRTB rules into EU regulation.

The key features of the framework include a revised boundary for trading book and non-trading book (banking book) exposures, a revised internal model approach and a revised standardised approach. The revised internal model approach includes a shift from value-at-risk to an expected shortfall measure of risk under stress and the incorporation of the risk of market illiquidity. The revised standardised approach is composed of three components; the sensitivities-based method, the residual risk add-on and the default risk charge.

Small and Medium-sized Enterprises (SME) supporting factor

The amended CRR extends the SME supporting factor. The previous SME supporting factor provided a capital reduction of 23.81% for exposures up to EUR 1.5 million towards SMEs. The amendment extends this discount with an additional 15% reduction for the part above the threshold and also increases the threshold to EUR 2.5 million, intended to further stimulate the lending to SMEs. This was included in the 'quick fix' and therefore applies from Q2 2020.

Treatment of software intangible assets

On 22 December 2020 the Commission delegated regulation on the deduction of software assets from Common Equity Tier 1 items was published in the EU Official Journal. The delegated regulation is applicable from 23 December 2020 and explains how prudently valued software assets which are not negatively affected by resolution, insolvency or liquidation are defined and calculated. Under this approach, the positive difference between the prudential and the accounting accumulated amortisation shall be fully deducted from CET1 capital, while the residual portion of the carrying amount of software shall be risk weighted to 100%. The prudential amortisation period is maximum three years and shall start from the date on which the software asset is available for use and begins to be amortised for accounting purposes. This was included in the 'quick fix' and therefore applies from Q4 2020.

Nordic implementation

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

Finland

The Finnish FSA has identified Nordea as an O-SII with a 2% requirement at Group level to be applied from 1 January 2019. On 6 April 2020 the Board of the Finnish FSA decided to remove the SRB and to adjust bank-specific requirements so that the buffer requirements for all Finnish banks fell by 1 percentage point. For Nordea the 3% SRB was removed and instead the 2% O-SII buffer became applicable, reducing the overall requirement for systemic risk from 3% to 2%. In the decision it is also stated that this promotes a smooth transition to coming changes in CRD V that states that the buffers for SRB and O-SII will be additive.

On 30 September 2020 the Finnish FSA communicated that they do not intend to extend the current 15% risk weight floor that expires on 1 January 2021.

The Finnish FSA decided on 18 December 2020 to maintain the CCyB rate at 0%.

Implementation of CRD V and BRRD 2 into national legislation is on-going and the aim is to have the changes implemented in legislation during Q1 2021.

Denmark

On 12 March 2020 the CCyB was decreased from 1 % to 0% and previously decided increases during 2020 were cancelled.

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 mortgage loans. The debt buffer requirement is similar to a MREL requirement and has been phased-in from 2016 to 2020. From June 2020 it is fully phased in with a 2% requirement. The debt buffer can be met with CET1, AT1 or Tier 2 capital instruments as well as senior debt instruments that fulfil certain criteria.

Nordea Kredit Realkreditaktieselskab was, in January 2017, identified as systemically important financial institution (SIFI) and is subject to a 1.5% SRB requirement. The identification and requirement have afterwards been confirmed latest 8 December 2020.

On 17 December 2020, an update of the Financial Business Act was approved in the Parliament which includes the implementation of CRD V and BRRD II. A majority of items related to CRD V are valid from 28 December 2020. The updated act include that SIFI institutions in Denmark going forward have to apply a O-SII buffer and not a SRB. The identification process and the buffer level are unchanged. SRB will be a new macroprudential buffer which can be activated by the Minister of Industry, Business and Financial Affairs. However, currently there is no plan to activate the buffer. The updated act also introduces the P2R and the P2G, which replace the current general Pillar 2 add-on. Individual Solvency Need (ISN) will be Pillar 1 plus P2R.

In 2018, the debt buffer legislation was changed regarding mortgage institutions identified as SIFI. The debt buffer requirement is 2% if the mortgage institution belong to an international financial group which fulfil a MREL requirement of 8%. 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 in the mortgage institution. The rule will apply from 1 January 2022.

In 2019, the Danish FSA published a model for a new Pillar 2 LCR add-on for mortgage institutions. The Pillar 2 add-on has to be reported in an observation period starting with data based on figures from 31 December 2019 and running until the over-collateralisation (OC) requirement in covered bond directive is implemented in Danish legislation. At that time - with potential changes - it is expected to replace the current requirement of 2.5% based on lending exposure. The model for LCR Pillar 2 add-on is institution specific and risk sensitive and will include risk types which are not included in the current LCR.

Norway

The applicable buffer levels comprise the CCoB of 2.5%, the SRB of 4.5% and the CCyB, which was reduced from 2.5% to 1% in March 2020 following COVID-19.

To mitigate the effect of the Norwegian implementation of the CRR and CRD IV, the Norwegian Ministry of Finance adopted changes in banks' capital requirements by changing the SRB from the current 3% for all Norwegian banks to 4.5% for all Norwegian exposures. The changes apply from 31 December 2020 to all banks' exposures in Norway that are currently subject to the Advanced Internal Rating Based (A-IRB) approach. For all other banks, the changes to the SRB enters into force from 31 December 2022. New risk weight floors for residential real estates of 20% and for commercial real estates of 35% according to article 458 of the CRR has also been adopted and applies from 31 December 2020. On 2 February 2021, the Norwegian Ministry of Finance requested the European Systemic Risk Board (ESRB) to issue a recommendation to other EEA states to reciprocate the measures. Nordea does not agree to the change in the SRB and is raising its concerns with relevant decision-making bodies. If reciprocity is accepted by the Finnish FSA, the aforementioned measures would then also apply to the Nordea Group.

Sweden

On 28 January 2020, the Swedish FSA decided to impose average risk weight floors for commercial real estates in Sweden, applicable to banks with IRB permission. The floors are set to 35% for corporate exposures collateralised by commercial real estate and 25% for corporate exposures collateralised by commercial residential properties. The floors will be included within Pillar 2 where the add-on will be the difference between the actual average risk weight and the floor.

On 16 March 2020, the Swedish FSA decided to set the CCyB to 0% with immediate effect. The buffer was previously at 2.5%.

The Swedish implementation of CRD V entered into force on 29 December 2020. However, implementation of BRRD II has been delayed and is currently planned for mid-2021.

The Swedish FSA has implemented a temporary risk weight floor for residential mortgages of 25%. The floor was implemented with effect from 31 December 2018 and was in December 2020 decided to be prolonged to also be valid during 2021. This was reciprocated by the Finnish FSA on 18 February 2021 and is therefore valid for Nordea Group.

Covered Bond Directive and Regulation

The new European Covered Bond Directive and Regulation have been finalised. The rules include a harmonised EU framework for covered bonds, including common definitions, supervision and the rules for allowing the use of 'European Covered Bonds' label. Finally, it will include amendment to CRR regarding the conditions to be granted preferential capital treatment. The Directive entered into force on 8 January 2020, the national transposition period will last until 8 July 2021 and national measures shall be applied starting at the latest from 8 July 2022.

Finalised Basel III framework ('Basel IV')

Basel III is a global regulatory framework on bank capital adequacy, stress testing, and liquidity risk. In December 2017, the finalised Basel III framework, often called the Basel IV package, was published. The Basel IV package was supposed to be implemented in 2022, but was postponed until 2023 due to COVID-19, and includes revisions to credit risk, market risk, operational risk, credit valuation adjustment (CVA) risk, leverage ratio and introduces a new output floor.

On credit risk, the package includes revisions to both the IRB approach, where restrictions to the use of IRB for certain exposures are implemented, as well as to the standardised approach. Also, 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. On CVA risk, the internally modelled approach is removed and the standardised approach is revised. The package also includes the implementation of a minimum leverage ratio requirement of 3% to be met with Tier 1 capital with an additional leverage ratio buffer requirement for global systemically important banks (G-SIBs) of half the size of the G-SIB capital buffer requirement.

The output floor is to be set at 72.5% of the standardised approaches on an aggregate level, meaning that the capital requirement under the floor will be 72.5% of the total Pillar 1 REA calculated with the standardised approaches for credit, market and operational risk. The floor will be phased in, starting with 50% from 2023 to be fully implemented at 72.5% from 1 January 2028.

Before being applicable to Nordea, the Basel IV package needs to be implemented into EU regulations and will therefore be subject to negotiations between the European Commission, Council and Parliament, which might change the implementation and potentially also the timetable. It is expected that the Commission will publish its proposal in mid-2021 after which negotiations in the Council and Parliament will begin.

Brexit

On 28 September 2020, the European Securities and Markets Authority (ESMA), announced that the three central counterparties (CCPs) established in the United Kingdom (UK) will be recognised as third country CCPs eligible to provide their services in the EU, after the end of the transition period following the withdrawal of the UK from the EU on 31 December 2020.

For capital and MREL eligible liabilities instruments governed by UK law, the Single Resolution Board (SRB) requires that the instruments have terms with an effective contractual bail-in recognition clause, unless they are grandfathered.

Part 1 Risk management, Methodology and Governance

Information on common processes, methods and assumptions for assessing capital adequacy in the Nordea Group

Governance of risk and capital management

The chapter introduces Nordea's governance of risk and capital management as set out in Nordea's Group Board Directives, approved by the Board of Directors (BoD) and Group CEO Instructions, approved by the President of Nordea Bank Abp and Nordea Group Chief Executive Officer (Group CEO) in Group Leadership Team (GLT). These Group internal rules are reviewed at least annually and are applicable to all Group Subsidiaries, unless legal or supervisory requirements or proportionality considerations, where applicable, determine otherwise.

Internal Control Framework

The Internal Control Framework covers the whole Group and includes the Group Board 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 in 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, as well as the 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.

The internal control process is carried out by the governing bodies, risk management functions, management and other staff at Nordea. The internal control process is based on five main components: control environment, risk assessment, control activities, information and communication as well as monitoring. The internal control process aims to create the necessary fundamentals for the entire organisation to contribute to the effectiveness and high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures.

Table: Three Lines of Defence (LoD)

1st LoD	2nd LoD	3rd LoD
Business Areas and Group Functions	Group Risk and Compliance (GRC)	Group Internal Audit (GIA)
• 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	• GRC oversees the implementation of the financial and the non-financial risk policies and according to a risk-based approach, monitors and controls the Risk Management Framework including the Compliance Risk Framework and oversees that all risks that Nordea is or could be exposed to, are identified, assessed, monitored, managed and reported on.	• 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).

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 (1st LoD) is responsible for the daily risk management and for compliance with applicable rules.
- Second line of defence (2nd LoD) is responsible for maintaining and monitoring the implementation of the Internal Control Framework.
- Third line of defence (3rd LoD) is the independent internal audit function.

Governing bodies for risk and capital management

The Group Board, the Board Risk Committee (BRIC), the President of Nordea Bank Abp and Nordea Group CEO in 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.

Board of Directors

The Group Board has the following overarching risk management responsibilities.

- It decides on the Group's risk strategy and the Risk Appetite Framework, including the Risk Appetite Statements, with at least annual reviews and additional updates when needed.
- It decides on and oversees an adequate and effective Risk Management Framework and regularly evaluates whether the Group has effective and appropriate controls to manage the risks.

The Group Board decides on the Group Board Directive on Capital including dividend policy, which ensures adequate capital 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, including credit, market, liquidity, business, life and operational risk, as well as conduct and compliance risk and related frameworks and processes. BRIC met on 12 occasions during 2020.

President and Chief Executive Officer

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 decided by the Group Board is implemented, the necessary practical measures are taken and risks are monitored and limited. The Group CEO is working together with heads of Business Areas and certain heads of Group Functions within GLT for the purposes of supporting the Group CEO's decision-making.

Group-wide committees have been established in order to promote coordination within the Group, thus ensuring commitment to and ownership of Group-wide prioritizations, decisions and implementation. The composition and the areas of responsibility of each committee are established in the Group Board Directives or Group CEO Instructions for the respective committees.

Asset and Liability Committee

Asset and Liability Committee (ALCO) is sub-ordinated 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 22 occasions during 2020.

Risk Committee

Risk Committee (RC) is subordinated to the Group CEO in GLT and chaired by the Group Chief Risk Officer (CRO). It has been established in order to manage the overall Risk Management Framework and prepares or provides guidance regarding proposals to the Group CEO in GLT and/or the relevant BoD on issues of major importance concerning Nordea's Risk Management Framework. Given the BoD decided Risk Appetite Framework, RC decides on the allocation of cascaded risks limits to risk-taking units and on actions relating to the management of all risks. The 1st 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 36 occasions during 2020.

Credit decision-making bodies

The governing bodies for Credit Risk and/or the Credit Risk Management Framework are the Group Board and BRIC. The Group Board and the local Boards of Directors delegate credit decision-

Table: Governing bodies for risk and capital management

Board of Directors Board Risk Committee		
Group CEO / GLT		
Asset and Liability Committee (ALCO) (Chairman: CFO)	**Risk Committee (RC)** (Chairman: CRO)	**CEO Credit Committee** (Chairman: CEO) **Executive Credit Committee** (Chairman: Head of Group Credit Risk Management) **Business Area Credit Committees** (Chairman: Head of Credit)

making according to the Powers to Act as described in the Group Board Director for Risk.

- CEO Credit Committee is chaired by the Group CEO, and members include the members of the Executive Credit Committee.
- Executive Credit Committee is chaired by the Head of Group Credit Risk Management and BRIC 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.

BRIC reviews decisions of the CEO Credit Committee and the Executive Credit Committee, as well as other strategic credit policy matters and development of the credit portfolio. BRIC confirms Industry Group Strategies approved by the RC.

All credit limits within the Nordea Group are based on credit decisions or authorisations made by an ultimate Decision-Making Authority with the right to decide upon that limit. Credit decisions include, inter alia, pricing, risk mitigation and any terms and conditions related to the limit or expected utilisation. Credit decisions also serve to delegate decision making within the approved limit to lower decision makers, unless otherwise explicitly decided.

Subsidiary governance

At subsidiary level, the local BoD is responsible for approving risk appetite limits and capital actions. The proposals for such items are the joint responsibilities of relevant subsidiary management and Group Functions.

The subsidiary BoD has oversight responsibilities concerning the management and control of risk, 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 the daily operations.

Risk and capital management processes

The Risk Management Framework ensures consistent processes for identifying, assessing and measuring, responding to and mitigating, controlling and 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 and risks in a stressed situation. Detailed risk information covering all risks 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 Group Board and the CEO in each legal entity regularly receive local risk reporting.

The Risk Identification and Materiality Assessment 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 the Nordea Common Risk Taxonomy need to be classified as material or not material for risk management and capital purposes. Material risks are those assessed as having a material impact on Nordea's current and future financial position, its customers and stakeholders. These risks will typically, though not always, refer to a higher-level risk within the Risk Taxonomy which captures a number of underlying risks in which losses arise from a common source.

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 appetite and that emerging risks are identified and addressed in a timely way.

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 incidents and 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 quantitative methods.

Table: Group Board approved risk metrics

Risk type	Metric
Credit risk	Non-performing loans
	Expected loss
	Stressed loan loss
	Sector limits
	Geographic limits
	Top 25 client group limit
	Single client limit – Corporate/Financial institutions
	LBO-limit
Counterparty credit risk	Credit portfolio loss
	Max settlement limit
Market risk	Regulatory VaR
	FV stress loss
	Market Risk REA
	Market Risk Capacity
	Banking book stress loss
	Structural FX CET1 ratio impact
	Economic value limit
	Valuation Risk
	Staff Pension stress loss
Liquidity risk	Liquidity Stress Horizon
	Liquidity Stress Coverage
	Regulatory Liquidity Coverage Ratio
	Net Stable Funding Ratio
	Currency Convertibility
Model risk	Qualitative model risk assessment
Business Risk	Business Risk/Profitability
Solvency	Common Equity Tier 1 capital ratio
	Leverage ratio
	MREL
	NLP Solvency Ratio
Operational risk	Operational risks
	Incidents and losses
Compliance	Compliance risks
ESG Risk	ESG 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 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 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 or could be exposed to in line with the Risk Taxonomy. 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 at Nordea, including RC and sub-RC levels, and also other levels as appropriate. Subsidiary risk 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 and Compliance (GRC) oversees that Risk Appetite Limit breaches are appropriately escalated to RC and BRIC. GRC 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.

Strengthened ESG Governance

At Nordea, the Group Board has a leading role in driving the climate strategy and is assisted by the Board Operations and Sustainability Committee (BOSC) in the fulfilment of its oversight responsibilities concerning sustainability, related frameworks and processes. The Group Board is also assisted by the Board Risk Committee (BRIC) in the fulfilment of its oversight responsibilities concerning the management of risks, related frameworks, controls and processes (including ESG factors as drivers of existing risks). Qualitative progress updates on the integration of ESG factors in the risk management frameworks form part of the regular Board Risk Appetite reporting. Organisationally, ESG is integrated in existing processes for decision-making, risk management and control, and escalation including committee structures.

In response to the heightened supervisory and regulatory expectations on ESG, a Group-wide task force chaired by the Head of Group Credit Risk Control was established in June reporting

to Risk Committee and the CRO. The task force objectives are to assess Nordea's ability to comply with the ECB guideline on Climate-Related and Environmental Risks and to address any required developments. The outcome of this work was presented to the Risk Committee, Group Leadership Team, Board Risk Committee and Business Ethics and Values Committee (BEVC). This included a high-level five-year action plan to remediate identified gaps through clear allocation of roles and responsibilities across the three lines of defence and proposal for a steady-state ESG related risk governance.

Key developments have since included the allocation of a coordination role on ESG topics to Group Credit Risk Control on account of the impact being most material in credit risk. The role was embedded in the 2LoD risk governance to ensure consistent implementation of the plan across strategic planning, risk taking, monitoring and control.

A new 1LoD Sustainability & Ethics Committee (SEC) was established in December which replaces the BEVC starting January 2021. The SEC has a stronger mandate to facilitate the forthcoming implementation of the Sustainable Banking Strategy and support integration of ESG factors in 1LoD operational credit risk management.

Training and knowledge sharing is planned for 2021 to ensure relevant staff working with climate vulnerable sectors have adequate knowledge, skills and experience to deliver on the group-wide plan.

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 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 body, 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 is identified in relation to a customer exposure it receives special attention in terms of more frequent review. 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).

A financial asset is credit impaired when one or more credit events have occurred with a detrimental impact on the estimated future cash flows to the extent that full repayment is unlikely (pledged collaterals considered).

Individual workout cases are followed by the dedicated high risk credit management units continuously, as well as regularly in the impairment testing, 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	Russia Credit Committee	Retail Nordic 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 cyclicality and/or volatility of the industry
- Special skills and knowledge required

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

- Animal husbandry, Crops, Plantation and Hunting
- Banks
- CCPs
- Construction
- Funds
- Housing Loans
- Insurance
- Leveraged Buy Out
- Leveraged Lending
- Oil, Gas and Offshore
- Real Estate Management Industry (REMI)
- Shipping
- 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.

1st LoD – Group Credit Management

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

- 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 centre, 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 BAs

2nd LoD – Group Credit Risk & Control (GCRC) and Risk Models (RiMO)

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

- Independent oversight, monitoring and control of credit risk
- Developing and maintaining the credit risk framework
- Proposing credit risk metrics and limits in RAF
- Advising on interpretation and implementation of existing and upcoming credit risk regulations
- Developing, maintaining and monitoring IRB parameters and internal models for rating and scoring. Credit related model development efforts are validated in a separate process governed by Balance Sheet Risk Controls (BSRC)
- Assessing materiality of changes to the IRB approach

COVID-19 measures

Acting swiftly at the outset of the COVID-19 pandemic, Nordea announced on 13 March 2020 that it would offer COVID-19 instalment-free periods in all Nordic countries to those mortgage and car finance household customers and SMEs who were experiencing temporary liquidity problems due to the COVID-19 situation. To cater for the sudden increase of customer requests, certain temporary amendments and simplifications were implemented to Nordea's credit risk framework and credit processes. The number of requests for COVID-19 payment holidays peaked in April, and by 1 October 2020, Nordea ended the temporary amendments and returned to its standard credit assessment processes.

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 2nd LoD, are included in the monthly holistic Risk Report to the GLT and BoD, as well as in the quarterly reports to the BoDs in the relevant subsidiaries on behalf of the CRO. The RAF limits set by 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.

The Credit Portfolio Analysis unit and the other analytical units reconcile and use various IT-solutions and data sources in their analyses and reporting.

Strategic Risk Management of ESG-related risks

Nordea defines ESG risk as the risk of negative financial impact over the short to longer term, stemming from the direct or indirect impact that environmental (including climate), social and governance (ESG) issues may have on Nordea. These issues relate either to Nordea's internal operations (such as processes, people, systems and the functions supporting Nordea's internal operations such as outsourcing) or to its financial exposures such as issues relating to trading positions, the operations of Nordea's customers (including borrowers and trading counterparties) and those of the companies that Nordea has invested in.

Consequently, Nordea considers ESG factors as drivers of existing risk categories and will further incorporate them into existing risk management frameworks taking a proportionate and risk-based approach.

Recent efforts have focused on integrating climate-related risks in the Credit Risk Framework while integration to other financial risk frameworks is planned to start in 2021. To support this work, Nordea has participated in external and regulatory initiatives aimed at developing comparable methods for assessing transitional and physical climate impacts (e.g. UNEPFI Task Force on Climate-related Financial Disclosures (TCFD) programme) and actively advocated on policy consultations through various industry groups during 2020.

In December 2020, Nordea committed to the Partnership for Carbon Accounting Financials (PCAF) to support the integration of climate factors in the sustainable banking strategy. As a result, Nordea will measure and disclose financed GHG emissions according to the PCAF implementation plan. This will contribute towards the assessment of the alignment of Nordea's loan portfolio with internal and external targets for financed emission reductions.

Portfolio level

Risk Identification and Materiality Assessment

The lack of data to identify and measure ESG related risks is a major challenge faced by institutions. Moreover methods for quantifying the impact of ESG factors are still under development and focused on climate change. Consequently, the materiality assessment for ESG-related risks was focused in 2020 on the impact of climate factors (physical and transitional) on Nordea's corporate loan portfolio. The assessment concluded that climate-related risks are material to Nordea's credit risk profile and should therefore be managed in line with internal rules for material risks.

The assessment of the physical impacts of climate change was qualitative. For transitional impacts, stress testing was used by introducing uniform increases in the greenhouse gas emissions tax over a period of three years. The tax was applied as an increased cost to corporate borrowers using sector average statistics sourced from Eurostat for the intensity of emissions from fuel combustion.

In 2021, Nordea will improve on its first pilot approach in ICAAP 2020 by using emissions attributed at customer level. Macroeconomic impacts of climate and implications on corporate productivity will be considered in the future.

Norwegian Mortgage Pilot

Nordea has piloted physical risk identification for our Norwegian mortgage portfolio. The exercise highlighted the number of properties and total value of collateral exposures in the most vulnerable locations for each assessed hazard.

The largest portfolio concentrations of exposed collaterals were 17.8% in flood zones with 1000 year return intervals and 26.4% in zones at low risk of landslide. Concentration in flood zones with 200 year return intervals was 11.4% and in zones at high risk of landslide was 4.1%. Currently, damage from these hazards is covered by insurance in Norway.

Recognising that property valuations may be impacted by market perception of heightened physical risk; Nordea is considering proactive mitigation measures as a next step.

In addition, Nordea is building on the Norwegian pilot in 2021, with a stress test to simulate market value changes for mortgage properties in vulnerable areas by applying a range of percentage shocks to house prices. Location-specific data will be used as an identifier of "Area-at-Risk" linked to collateral location information.

Due to the materiality of mortgage exposures at group level, a working group was established to support Nordea's four mortgage banks in collecting and utilising comparable data for assessment of the physical and transitional impacts of climate change on collateral valuations.

We are currently assessing the procurement of sufficiently granular data for a range of hazard indicators relevant to our four Nordic markets for mapping to internal collateral data for impact assessment and scenario analysis.

Classifications of physical and transitional vulnerability

Physical Risk Heatmapping

A scientific literature review of European and Scandinavian climatic change modelling and empirical results was conducted to identify potential physical hazards most material in Nordea's four Nordic markets. Trend data indicated that chronic changes in temperature and precipitation may be more damaging than extreme events in the Nordics. Moreover, chronic changes are likely to compound with new and uncertain non-climatic processes such as geological (e.g. landslides and thawing permafrost) and ecological changes (e.g. biodiversity loss).

These hazards are not expected to impact uniformly across geographies. Denmark has the largest historical and expected future physical climatic impact followed by Norway, Sweden and Finland. Since 1980, insured losses ranged across the Nordics from 61% in Denmark to 20% in Finland, according to the European Environment Agency.

Uncertainty about climate change was addressed by limiting the review up to a 20-year horizon. This horizon accommodates a significant share of household mortgages and corporate refinancing.

In 2020, Nordea adopted a bespoke classification method leveraging our participation in the UNEPFI TCFD programme. The method has been scientifically reviewed from a climatological perspective with respect to its geographical applicability by the Swedish Meteorological & Hydrological Institute (SMHI). According to Nordea's classification, sectors vulnerable to physical hazards, include animal husbandry, paper and forest products, oil, gas and offshore, fishing and aquaculture, materials, retail trade, mining and supporting activities, power production, accommodation and leisure and land transportation. The analysis considers also the vulnerability of mortgage exposures to physical hazards based on geographical location. The method will potentially guide more granular assessments and initiation of proactive mitigation measures.

Transition risk classification

A bespoke approach was developed to classify economic activities according to their impact on the climate, accounting for both business models that are resilient and those that are vulnerable to market and policy changes in the Nordic market.

According to Nordea's classification, sectors potentially impacted by the transition to a low-carbon economy include oil, gas and offshore, animal husbandry, shipping, land transportation, utilities, distribution and waste management, materials, mining and supporting activities, capital goods, power production, and construction.

Subject to further development and testing, the classification will be integrated in the credit risk framework and processes in 2021.

EBA pilot sensitivity exercise

Nordea is a participant in the voluntary pilot sensitivity exercise launched by EBA in May 2020. The exercise aims at performing a preliminary assessment of transition risk in banks' non-SME and non-financial corporate exposures to obligors domiciled in EU countries. Banks were invited to classify these exposures into green and non-green by applying the EU green taxonomy.

Nordea's efforts will be utilised towards the development of an approach to monitor the use-of-proceeds for sustainable lending as part of implementing the EBA guidelines on loan origination and monitoring.

Customer Level

The ESG evaluation of large corporate borrowers is currently integrated in the credit process through the Nordea group credit risk framework. There are different types of ESG evaluations performed dependent on the type and size of the transaction and customer's internal segmentation.

In the needs analysis stage of the credit process for Large Corporates and Institutions, the customer responsible unit is responsible for the customer dialogue and for performing the initial credit risk screening of the customer. They must adhere to the guiding parameters and requirements for ESG in Nordea's industry specific credit policies.

ESG-related risks identified in the ESG evaluation process are integrated in the credit risk assessment. A credit memorandum is produced, that contains a conclusion on the level of ESG-related risk associated with the customer. Approval follows the established credit decision-making process. For customers classified as having high ESG-related risk, the decision is escalated to the Executive Credit Committee (ECC).

In 2021, the credit risk framework will be updated to address regulatory requirements and supervisory expectations on the integration of climate and environmental factors in customer onboarding, evaluation and monitoring processes.

For personal banking customers seeking mortgage funding, energy efficiency labels are increasingly one of the factors considered in credit decision-making.

Product level

The Product Risk Assessment Questionnaire that forms part of Nordea's Product Approval Process was updated in 2020 to include ESG considerations including the extent to which sustainability related aspects have been assessed, documented and disclosed to customers. The Product Approval process must be applied to new or changed products or services that are assessed as significant with the aim to ensure adequate descriptions and assessments of the related risks, risk responses, mitigating actions and possible risk acceptances.

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 usef its Internal Rating Based (IRB) Approach 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, which the bank has put in place a Model Development Programme (MDP) to prepare for. The MDP is fundamentally redeveloping many components of IRB models for all exposure classes covered by existing approvals, establishing a new hub for IRB data and taking into account developments in regulatory requirements since the models were first developed. Applications for approval of the redeveloped models will be filed with regulators in 2021.

Exposures in the IRB Approach

Institutions

Nordea uses the Foundation IRB (FIRB) approach to calculate own funds requirements for exposures towards institutional customers. Institutions constituted 5% of the total IRB RWA at the end of 2020

Corporate

For exposures towards corporate customers, the main approach used to calculate own funds requirement is the Advanced IRB (AIRB). However, for minor parts of the portfolio FIRB or SA is used. The AIRB covers banking and mortgage exposures in general in the Nordic countries and the international units. FIRB is used for derivatives and securities lending exposures as well as exposures in the Finance companies. SA 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. Corporate AIRB and FIRB made up 67% and 6% of total IRB RWA, respectively.

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. Retail constituted 29% of the total IRB RWA by end of 2020.

Exposures in Nordea Finance Equipment

Nordea has obtained a temporary approval from the ECB to use IRB models when calculating own funds requirements for loans and leasing exposures in Norway and Sweden out of Nordea Finance Equipment. The models temporarily approved by the ECB

were developed by Nordea Finance Equipment. They have already been approved by the Norwegian FSA for calculation of Nordea Finance Equipment's own funds requirements on a stand-alone basis. ECB's temporary approval is conditioned on Nordea submitting a number of applications for permanent approval, which Nordea is in the process of preparing.

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 margin reflects the adjustments needed to assess the cash proceeds when the collateral is liquidated in a forced sale situation. A maximum collateral ratio is set for each collateral type.

The same principles of calculation are used for all exposures. However, for high-risk customers and/or specific collaterals, the foreclosure value may differ from the maximum collateral values to secure a realistic assessment for a certain asset at the specific point in time.

Risk transfer to other creditworthy parties, through guarantees and insurance, is based on legally enforceable documentation.

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 for both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

CRM techniques are used related to real estate, vessels, financial collateral, cash collateral and other physical assets. To a very limited extent, Nordea also utilise credit derivatives for CRM purposes. The credit derivatives are either cleared through a Qualifying Central Counterparty (QCCP) or issued by counterparties treated as EU Central governments and central banks, and are thus deemed highly creditworthy.

Nordea has permission to use the techniques for both FIRB and AIRB approaches (including retail) within the limitations of the regulation for each approach and according to fulfilment of the minimum requirements as laid out in relevant regulation.

Link between the balance sheet and credit risk exposure

This section discloses 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, CCFs 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 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, financial institutions and hedge funds. There are also risk rating frameworks for countries. Depending on the segment in question 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 1st 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 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 EBA. Nordea uses Standard & Poor's (S&P) as eligible rating agency. Table 41 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 regulatory defined.

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 cyclicality 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 2nd 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. For corporate exposures, 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 Principles

Collaterals in Nordea shall always be valued in a conservative manner based on current market values. The following key principles apply for collateral treatment:

- **Market value principle**: The market value of the collateral must always be assessed. The market value is defined as the estimated amount for which the asset or liability would exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Collateral may only be assessed as eligible where there is a liquid market with public prices readily available.
- **Forced sale principle:** The assessment of the collateral value must reflect that realisation of collaterals is initiated by Nordea and takes place in a distressed situation and converted into cash within a reasonable short timeframe.
- **Re-assessment principle**: The value of the collateral shall be monitored in regular intervals depending on the type of collateral. More frequent monitoring shall be carried out where the market is subject to significant changes in conditions. If the type, location or character (such as deterioration and obsolescence) of the asset indicates uncertainty regarding the sustainability of the market value, the collateral should be revalued. Such assessment shall also reflect previously experienced volatility of market.
- **Legal certainty principle:** No collateral value is to be assigned if a pledge is not legally enforceable and/or if the underlying asset is not adequately insured against damage.

Nordea monitors the value of pledged collaterals on a frequent basis dependent on the type of collateral. The monitoring process may use statistical information to assess when a significant change has occurred, and to identify the pledged properties for which a re-evaluation is required.

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, etc.

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.

IRB framework and model development

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, LGD and 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 and Compliance, including the Risk Models function, support the Chief Risk Officer in executing the responsibility covering the IRB Approach. Group Risk and Compliance 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, are jointly 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 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, among this the local business unit, 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 retail portfolio default vintages, 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 unit and submitted to the RC, GLT and 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 FSA applications. In addition to the OO, the model monitoring function within RiMo issues quarterly reports on IRB model performance covering aspects such as accuracy, stability and representativeness, across the range of IRB models. The quarterly model specific reports are consolidated in an overarching IRB Model Performance Report (MPR). The OO and the MPR are submitted to the Credit Risk Sub-Committee (CRSC), a sub-committee to the RC, who also decides on proposed mitigating actions to key issues identified during the model performance monitoring process. On a bi-annually basis the reports are presented to RC.

Validation and review of credit risk models

As an important element of Nordea's 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. Extraordinary validations are performed out of ordinary validation cycle, triggered by specific events, such as model quality deterioration due to structural changes in the portfolio or systemic changes of input factors.

In Nordea Group, the validation of IRB models used for measurement of credit risk is conducted by Credit Risk Model Validation unit, which owns the validation process and methodologies. Independence in respect to the Credit Risk Control Unit (CRCU) 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

As the 3rd line of defence in Nordea Group, Group Internal Audit conducts independent review of the IRB framework and reports directly to the Board Audit Committee and the Group Board. The audit scope and review of the IRB framework is based on risk and control-based approach set by Group Internal Audit. This encompasses assessment of the internal controls designed to manage model risk and evaluate the adherence to IRB model policies/guidelines, as well as regulatory expectations

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 the risk estimates for other internal purposes other than for regulatory capital purposes. 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 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 considered as credit impaired and defaulted. 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 regarded as defaulted and can be either servicing or non-servicing debt. Defaulted customers are credit impaired and 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 with 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 financial covenants. Forbearance is undertaken on a selective and individual basis and followed by impairment testing. 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 counterpart in an FX, interest, equity, credit or commodity derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. In addition, counterparty credit risk also appears in repurchasing agreements and other securities financing contracts.

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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 counterpart.

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 CCPs, is subject to credit limits like other credit exposures and is treated accordingly. To assess the counterparty credit risk towards Central Counterparties (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

After the relocation to Finland in October 2018, Nordea has been operating under a temporary tolerance decision from the ECB, allowing the bank to continue to use its IMM Approach approved by the bank's previous regulator, the Swedish Financial Supervisory Authority. The ECB's temporary tolerance was conditioned on Nordea applying to the ECB for a new permanent IMM approval. Nordea has submitted the IMM application and is going through the further steps of the approval process.

The method is used for standard FX, interest rate and inflation products, which constitute the predominant share of the 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.

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 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 the Mark to Market exposure amounts that are used in the standardised CVA risk charge calculation.

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.

Legal opinions are reviewed continuously to ensure enforceability which ultimately increases effectiveness on Nordea's use of closeout netting. Additionally, for end-clients such as corporations and hedge funds that reside outside Nordea's home jurisdictions, it is Nordea policy to obtain capacity and authority opinions upon execution, to ensure that the agreements are legal, valid and binding upon the counterparty.

Nordea's Counterparty Credit Risk guidelines set up the overall framework for netting agreements where Group Legal signs off on local netting master agreements and negotiate all English law master netting agreements in order to ensure all agreements fulfils all regulatory requirements.

Secondly, 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, DKK, SEK and NOK), 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. Some agreements though, still 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. A three-notch downgrade of Nordea would trigger an increase in posted collateral equivalent to approximately 0.9%.

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

In order to reduce bilateral counterparty credit risk, CCPs are increasingly used for clearing of OTC derivatives. By the end of 2018, 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 interbank counterparties where most of the protection is being cleared by qualified central counterparties which ultimately reduces bilateral risk.

Wrong Way Risk exposures

GMCCR undertakes systematic analysis and reporting of general wrong way risk (GWWR), where cases of GWWR are escalated to senior management. GWWR is identified 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. The significance of SWWR is determined through a number of checks assessing correlation and presence of mitigating parameters. Legal connection is decided based upon principles for customer consolidation as defined in the credit guideline. 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. Model parameters are based on data from a specific three-year period, including a one-year period identified to have the most significant increase in credit spreads in recent times.

The exposures included in IMM are subject to daily and 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 shareholder of CLS (Continuous Linked Settlement) Bank, and member in the global FX clearing system run by CLS. The system eliminates settlement risk for FX trades in 18 different currencies between eligible counterparties in CLS.

For those counterparts and FX trades that are not eligible for CLS clearing, it is Nordea's policy to settle via in-house accounts. Only with specific credit approval from appropriate credit committee external settlement is allowed, and in those situations Nordea make use of bilateral payment netting in order to reduce the exchanged amounts to the greatest extent possible.

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 exist 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 adhered to throughout the organisation. This includes the three lines of defence model.

More specifically, market risk is managed based on guiding principles and overall rules set out in the "Group CEO Instructions on Market Risk including IRRBB". These instructions are supplemented by Guidelines issued by the 2nd LoD and relevant 1st LoD units. 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.
  - Where there is a hedging strategy (or use of alternative methods of mitigation) in place, then all hedges must be 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 BoD, BRIC, RC and ALCO. Additional decision-making bodies with responsibilities specific to market risk are shown in the Figure below.

1st LoD responsibilities - BAs and GFs

Relevant 1st LoD BAs and 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 2nd LoD. In addition, the 1st LoD is responsible for implementing the risk framework as designed by the 2nd LoD.

2nd LoD responsibilities - GRC

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

3rd LoD responsibilities - GIA

GIA performs audits and provides additional assurance to the BoD and GLT on the adequacy of internal controls and risk management processes, thereby constituting the 3rd LoD.

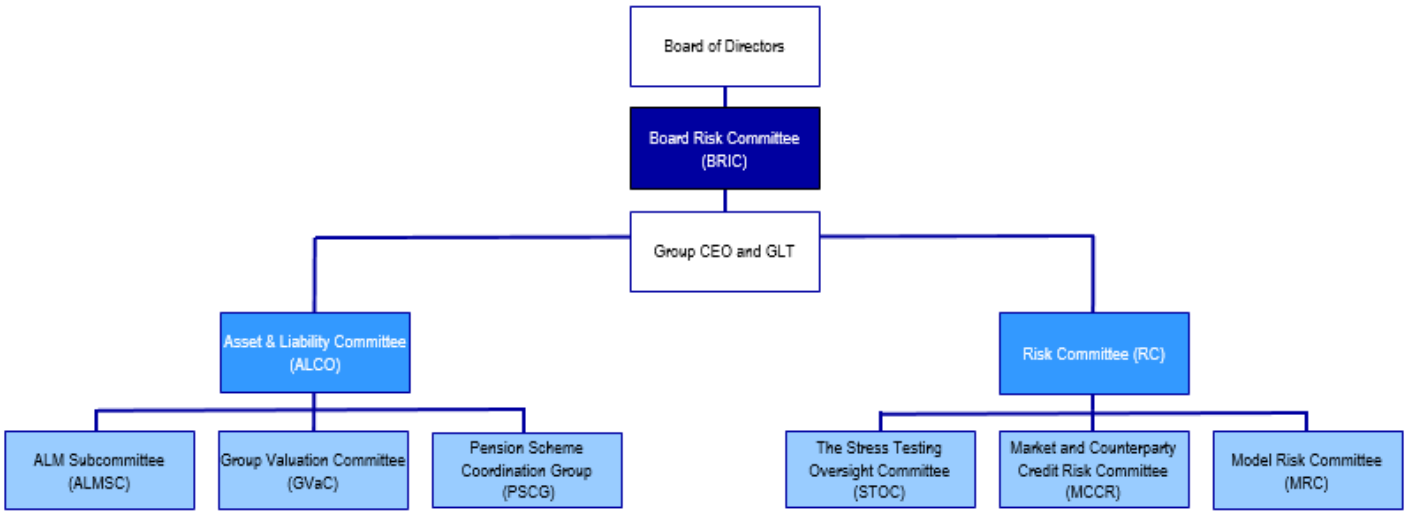
Traded market risk

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 were all approved by the bank's previous regulator, the Swedish FSA, 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.

SA is applied to risk exposure which is not covered by the IMA.

After the relocation to Finland in October 2018, Nordea is operating under a temporary tolerance decision from the ECB, allowing the bank to continue to use its IMA approved by the Swedish FSA. The ECB's temporary tolerance is conditioned on Nordea applying for a new permanent IMA approval. Nordea submitted the application to the ECB in 2020

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 IMA 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 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 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 weekly.

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 and 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 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

TALM 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 TALM, 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 TALM 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).

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.

Non-traded market risk measurement

IRRBB

IRRBB is measured, monitored and managed using three key risk metrics:

- Economic Value (EV),
- Fair Value (FV), and
- Structural Interest Income Risk (SIIR).

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.

Economic value (EV) of Equity stress tests consider 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 model assumes a run-off balance sheet and includes behavioural modelling for non-maturing deposits and prepayments.

Changes in the Economic Value of Equity of the banking book are measured using the six standardised scenarios defined by the Basel Committee on Banking Supervision (BCBS) plus a range of internal parallel shocks. The exposure risk appetite limit under EV is measured against the worst outcome out of the six Basel scenarios measured. The EV Basel scenarios are estimated daily for management information purposes, but fully calculated and monitored monthly against risk appetite limits.

The fair value risk stress measure considers the potential revaluation risk relating to positions held under fair value accounting classifications. Fair value sensitivities in the banking book are monitored against six severe, but plausible market stress scenarios. The scenarios are calibrated to reflect severe events designed to test specific risks that are or may result from the approved mandate. The risk is measured daily and a risk appetite limit is set against the worst outcome of the six 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 stress metric is monitored daily.

The earnings risk metric measures the change in Net Interest Income (NII) relative to a base scenario, creating a Structural Interest Income Risk (SIIR) value over a one-year horizon. The model uses a constant balance sheet assumption, implied forward rates and behavioural modelling for the non-maturing deposits and prepayments. Similarly to EV, SIIR is measured using the six standardised scenarios defined by the BCBS for management information, plus a range of internal parallel shocks. The SIIR risk appetite limit is set against a +/- 50bps parallel shock. The SIIR earnings 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 and non-maturing deposits (NMDs) including floors. The models 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. Nevertheless, the magnitude of the modelled interest rate even after haircut is not insignificant as shown in tables 61 and 62. Regular back-testing and model monitoring is performed for both prepayment models and NMD models to ensure that the models remain accurate.

The Pillar II IRRBB capital allocations consists of a Fair Value Risk component and an Earnings Risk component. The Fair Value Risk component covers the impact on the bank's equity due to adverse movements in the MtM values of positions accounted for at Fair Value through Profit and Loss (FVTPL) or Fair Value through other comprehensive income (FVOCI), excluding Long Term Illiquid Assets, which are separately capitalised. The Earnings Risk component covers the impact of rate changes on future earnings capacity, and the resulting implications for internal capital buffer levels.

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 amounts (REA). CET1 is largely denominated in euro with the only significant non-euro equity amounts stemming from mortgage subsidiaries . Changes in FX rates can therefore negatively impact Nordea's CET1 ratio.

This risk is measured through a stress test that translates the BoD's risk appetite into a limit in CET1 ratio sensitivity which is monitored at least weekly.

On 18 December 2020, Nordea received permission from the 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. The permission enters into force in Q1 2021.This allows Nordea to reduce the sensitivity of the CET1 ratio by practically changing the FX composition of its equity to be closer aligned to the REA composition with FX hedges increasing NOK, SEK and USD while decreasing the EUR part. This will stabilize the CET1 ratio but increase volatility in the value of Nordea's equity in reporting currency EUR from movements in FX. The hedges are also income positive because non-EUR equity in NOK, SEK and USD earns a higher interest rate.

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 Validation, a unit under the Deputy CRO 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 Validation compiles the results of validation activities in reports that are presented at the MRC, including a summary of validation activities, a list of identified model risks 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 IT systems and outcome analysis, including back-testing results. 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 based on sensitivities
- Adequacy of risk measure
- Choice and adequacy of proxies
- Accuracy and stability of calibrated model parameters
- Model assumptions, including correlation modelling in IRM and IRM
- Model calibration, including assessing the choice of stress period for Stressed VaR
- Evaluation of model performance through measures such as back-testing
- Robustness of models across scenarios
- Choice of variables and evaluation of explanatory power for behavioural modelling in non-traded market risk

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 RiMO in the 2nd 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 2nd LoD ensures that the risk appetite is appropriately translated through the RC into specific risk appetite limits for the BAs and TALM.

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:

(i) an interest rate hike scenario,
(ii) an equity sell-off scenario,
(iii) a Nordic housing crisis scenario,
(iv) a European recession scenario,
(v) a global money market crisis and
(vi) a flight from U.S. assets.

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 1st LoD is responsible for the design and performance of comprehensive controls in line with the risk framework.

GRC 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, GRC is responsible for monitoring market risk limit 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 which is approved by the RC, 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 1st 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. GRC oversees and regularly challenges the control

activities of the 1st 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 2nd 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 1st LoD, which is independent from the risk-taking units in the front office. An independent valuation control unit within the 2nd LoD has the responsibility for independent review, further monitoring and analysis of the valuations and controls performed by the 1st 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). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation.

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 1st LoD. Independent model validation of all valuation models is conducted by the 2nd 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 to benchmark and test of the model output. The independent validation team reports on significant model risks to senior management on a quarterly basis.

All valuation models, both complex and simple models, make use of market prices and inputs. Some of these prices and inputs are observable while others are not. For each instrument the sensitivity towards unobservable inputs is measured.

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 recognised as a funding fair valuation adjustment (FFVA). In addition, Nordea applies in its fair value measurement close-out cost valuation adjustments and model risk adjustments for identified model deficiencies (including possibly incorrect parameter calibration).

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 exchange risk Inflation risk	Specific interest rate risk * Specific equity risk **
Stressed VaR model	Interest rate risk Equity risk ** Foreign exchange 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 *
IRM 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 values 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, TALM has first line responsibility for the schemes with GRC providing second line oversight and support. The overall responsibility within Nordea for the management of defined benefit pension schemes lies with the Pension Scheme Coordination Group (PSCG). The PSCG includes representatives from the Chief of Staff's office, TALM, GRC, Group People, Group Accounting, Group Corporate Law and the BAs

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. Consequently, managers 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 Operational Risk (GOR) and Group Compliance (GC) within Group Risk and Compliance (GRC) together constitute the second line of defence (2nd LoD) for operational and compliance risks respectively.

GOR within GRC constitutes the risk control function for operational risk and is responsible for developing and maintaining the overall operational risk management framework as well as for monitoring and controlling the operational risk management of the first line of defence (1st LoD). GOR monitors and controls 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 by GOR are decided during an annual planning process that includes business areas, key risk areas and operational risk processes. GOR is responsible for preparing and submitting regular risk reports on all material risk exposures including risk appetite limit utilisation and incidents to the CRO, who thereafter reports to CEO in GLT, the Group Board and relevant committees.

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

- residual risk level in breach of risk appetite and requirements for mitigating actions for risks; and
- total loss amount from incidents and management of incidents.

GC within GRC constitutes the independent 2nd 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 oversight plan to the CEO and BoD. The annual compliance oversight plan represents the compliance activities of Nordea, combining GC's overall approach to key risk areas. It is comprised of detailed plans for Business Areas, Group Functions, consolidated Group subsidiaries, branches and for each risk area.

GC is responsible for regular reporting on their plans to the BoD, 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 and emerging risks and trends; status and key observations from monitoring activities and investigations; general updates on Financial Supervisory Authority interactions and impact; and preparations on regulatory changes.

The RAS for compliance risk gives direction on the compliance risk management and defines at which residual risk levels, risks would breach risk appetite and formulate requirements on mitigation of compliance risk.

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 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 non-financial 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 and risk limits. The types of risk response include mitigation, acceptance, transfer or avoidance.

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.

Nordea has progressed in its development of the Conduct Risk Framework through improved reporting, risk identification and raised awareness. In addition, Nordea has established a committee to oversee the prudent management of compliance and conduct risks. Management of Conflicts of interest in relation to products and services has remained a key area of focus. Nordea has developed a reputational risk framework with guiding principles for managing reputational risk as well. The objective of Reputational Risk Management is to protect Nordea's reputation. The framework is strongly linked to the operational and compliance risk framework.

Key operational risk management processes

Risk and Control Self-Assessment

The Risk and Control Self-Assessment (RCSA) process provides a risk-based view of operational and compliance risks across Nordea. The process improves risk awareness and enables effective assessment, control, and mitigation of identified risks. For risks identified in the RCSA, the level of inherent risk and the controls in place to mitigate the inherent risks, is assessed. If mitigating actions are required to reduce the risk exposure, these are identified and implemented.

Compliance Independent Risk Assessment

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

Change Risk Management and Approval

The objective of the Change Risk Management and Approval (CRMA) framework is to ensure that there is a full understanding of both financial and non-financial risks arising from the change, and that risks have been adequately managed consistent with Nordea's risk strategy, risk appetite and corresponding risk limits before a change is approved, executed or implemented.

Changes in scope of the CRMA framework include e.g. new or significant changes to products, services, markets, process and IT systems as well as exceptional transactions and decommissioning.

Incident Management

The objective of Incident Management is to ensure appropriate handling and reporting of detected incidents to minimise the impact on Nordea and its customers. Incident Management is designed to prevent reoccurrence and to reduce the probability and impact of future incidents. In addition, the Incident Management shall secure timely notification to defined external bodies and parties, including relevant supervisory authorities.

Scenario Analysis

The objective of the Scenario Analysis process is to identify and assess non-financial 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 unusual risk events otherwise not being addressed by other non-financial risk assessment processes to identify and close possible control gaps in Nordea.

Business Continuity and Crisis Management

The objective of the Business Continuity and Crisis Management is the overall risk management under which Nordea ensures building and maintaining the appropriate levels of resiliency, readiness, response and management of extraordinary events and crises. Business Continuity Plan sets out the procedures to respond, recover, resume and restore operations following an extraordinary event. Crisis Management provides the governance to execute plans and enhance decision making during as crisis.

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 in order for these processes to operate as intended, which includes ensuring Nordea's customers are offered products and services in a compliant, safe and timely way

Financial Crime Enterprise Risk Assessment

The Financial Crime Enterprise Risk Assessment (FCERA) is an internal annual process enabling Nordea to identify and assess the inherent financial crime risks to which Nordea is exposed, to evaluate the design, operational effectiveness and quality of control measures to manage these risks, and ultimately, based on the identified inherent and residual risks, to implement a risk-based approach to its financial crime risk management activities.

Raising Your Concern

The objective of the Raising Your Concern (RYC or "whistleblowing") process is to ensure that all of Nordea's stakeholders, including customers, partners, affected communities as well as our 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 our operations, products or services.

Third Party Risk Management (TPRM)

The objective of the Third Party Risk Management (TPRM) is to ensure that risks related to third parties and third party activities, including but not limited to outsourcing and intragroup outsourcing, are appropriately identified, assessed and managed before entering into, during, as well as when exiting a third party arrangement. TPRM shall ensure 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

multiply 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 is unable to service the cash flow obligations when they fall due or is unable to meet cash flow obligations without incurring significant additional funding costs. 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 the Nordea is able to cover all liquidity risks over a 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 always 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 risk and group CEO instructions on liquidity risk resulting in various liquidity risk measures, limits and organisational procedures. Group Treasury & Asset Liability Management (TALM) is responsible for the day to day 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, are subject to various liquidity regulations. On a consolidated level, the Group is regulated by the 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 including management buffers), 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.

Intra-day liquidity arises from intra-day timing mismatches of payments. Nordea mitigates the intra-day risk by effective operational management of intra-day liquidity including position monitoring, reporting and controls, forecasting of intra-day liquidity, payment and collateral management, and client and product management. In addition, intra-day liquidity risk can be mitigated by having access to a surplus of intra-day liquidity, such as balances at central banks, unencumbered liquid assets that can converted to intra-day liquidity by pledging with the central banks, or balances with other banks that can be used for intra-day 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 position of the Group, as well as individual subsidiaries and branches. E.g. the outbreak of COVID-19 crisis triggered separate internal scenario analysis to understand the potential liquidity impacts these events may have on the bank's liquidity and funding positions.

At a minimum, liquidity stress testing should assess the cash-flow impact of the following specific liquidity stress scenarios 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, such as a credit rating downgrade.

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 Funds Transfer Pricing 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. TALM 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 modelling of 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, ALCO, GRC 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 Group adheres to the following risk appetite statements approved by the Board in December 2020:

- Nordea should hold a liquidity buffer to survive a minimum board-mandated period under a combined stress scenario
- Nordea should hold a liquidity buffer sufficient to ensure a Liquidity Stress Coverage under a combined stress scenario
- Nordea should hold a liquidity buffer sufficient to ensure compliance with the regulatory LCR
- Nordea should ensure compliance with the regulatory NSFR
- Nordea should hold a liquidity buffer denominated in significant currencies that can be readily converted to meet regulatory LCR requirements

The combined stress scenario referred to in the first statement and Liquidity Stress Coverage referred to in the second statement both relate to the Group's internal stress testing regime.

Governance of liquidity risk

Nordea operates under a three lines of defence model for the governance of liquidity risk. TALM, in its role as 1st LoD, is responsible for pursuing Nordea's liquidity and funding strategy in compliance with the liquidity risk appetite. TALM 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 1st 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 TALM.

GRC, in its role as 2nd 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, GRC also verifies that all material liquidity risks have been identified by the first line 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, which 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.

A key regulatory metric is the LCR, that also defines the risk appetite. 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 or HQLA) available to cover potential cash outflows during the first 30 days of a severe liquidity stress event, as prescribed by local 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 CRR/CRD IV and further clarified though the European Commission's Delegated Acts issued in October 2014. Delegated Act have been in effect since October 2015.

A second regulatory metric, the Net Stable Funding Ratio (NSFR), has been established by the Basel Committee for Bank Supervision, with EU requirements set out by the amended CRR. The NSFR, that comes into effect in June 2021, will require that banks, including Nordea, hold sufficient levels of stable funding, given the duration and stability of their assets. The CRR NSFR aligns NSFR governance, compliance and supervisory actions with the EU 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. Liquidity limits are assigned an owner who is responsible for providing final approval of the limit. TALM will drive any actions needed to remediate any limit breach. The nature of the escalation and actions required in the event of a breach depend upon the limit hierarchy

ILAAP

An Internal Liquidity Adequacy Assessment Process (ILAAP) is a continuous process for the Nordea Group as well as its 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 Group 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

Securitisation are part of Nordea' strategic balance sheet toolbox allowing for improvements in the capital position without impacting our business practises nor client relationships.

Introduction to securitisation and credit derivatives trading

The Securitisation Regulation[1] (SR) defines securitisation as a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, payments in the transaction or scheme 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 or scheme. 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.

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 these securities or create these exposures in credit derivatives markets.

Nordea is active within the securitisation space in several capacities. For our Nordic clients Nordea act as a structurer and advisor, in the credit derivatives market Nordea act as an intermediary with focus on Nordic names and Nordea trades Collateralised Debt Obligation (CDO) trances as a way of hedging credit risk related to high exposures on single exposures

Risk transfer transactions

Risk sharing transactions constitute a core part of the toolbox that enables Nordea to free up capital at attractive rates for redeployment into our core business. Under these transactions, investors agree to invest in credit linked notes (CLN), linked to the junior credit risk of a referenced portfolio

The risk transfers are typically structured as a synthetic securitisation, performed through a collateralised financial guarantee structure where no assets are derecognised from Nordea's balance sheet. Under these agreements, the buyers of the notes are covering a pre-agreed amount of incurred credit losses of the reference portfolio 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) policy outlines the principles for the effective and robust assessment, monitoring and management of such transactions in Nordea under relevant regulations. Furthermore, a risk mandate is articulated outlining Nordea's appetite in terms of associated 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 become 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.

Structural risks and foreign exchange risk associated with securitisation activities are monitored in the same way as for other Nordea assets.

The 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.

As defined in the SR, the term securitisation refers to a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, 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 CRR. Such positions held in the regulatory banking book or trading book are currently given weightings ranging from 15% 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.

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 (e.g. repaying a loan to Nordea). Gains and losses are recognised 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. In the case of Nordea's Q3 2016 transaction, it follows 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 SPEs. These SPEs 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.

Credit derivative trading

Nordea acts as an intermediary in the credit derivatives market, mainly in Nordic names. Nordea also uses 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.

[1]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

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 internal perspective, 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 assess the adequacy of capitalisation and to determine an internal capital requirement reflecting the risks of the institution.

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions. Stress tests are important tools for risk awareness, looking at capital and risk from a firm-wide perspective on a regular and ad-hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating 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 by TALM. The current capital position and forecasts are reported to ALCO, RC, GLT and BoD as well as subsidiaries' BoDs. Capital requirements and capital adequacy are thoroughly reviewed and documented annually in Nordea's ICAAP submission and Capital Adequacy Statement, which 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 and stress testing results. The risk appetite framework (RAF) sets risk tolerance, principles and maximum exposure levels for the forward looking portfolio, and incorporates any updates to the RAF including changes to risk tolerance influencing the business strategy.

RAF limits are set considering vulnerabilities and behaviour under stress and are furthermore aligned to the recovery indicator framework (RIF) under Recovery Planning. Stress testing permits evaluation of vulnerabilities and appropriateness of RAF and RIF limits.

Performance is measured using a return on capital metric (incl. funding costs). Bonus pools are determined and allocated considering risk accumulation, including implications of stress tests and other risk measures as well as current and forecast capital and funding adequacy. Individual bonuses are using quantitative and qualitative criteria and are set considering individual performance relative to risk taken.

The ICAAP and ILAAP are based on a common governance process as well as common processes to identify, quantify and manage risks that may impair capital and/or liquidity. Specifically, in the ICAAP firm-wide stress testing, the scenarios are targeted to key Nordea vulnerabilities also including simulation of liquidity drivers as defined in the ILAAP. Both funding and capital costs are incorporated into performance assessment, forecasting and incentivisation.

Capital planning and capital policy

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 their 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 forecasts of the state of the economy 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.

The Group Board Directive on Capital (the capital policy) states that Nordea, under normal business conditions, should have defined ratios for CET1, Tier 1 and Total capital, that exceed the requirement as communicated by the competent authorities. The capital policy states that Nordea will maintain a management buffer of 150-200 bps in CET1 above the regulatory capital ratio requirements (MDA level).

Pillar 2 Requirement (P2R)

In light of the Covid-19 pandemic, the ECB has adopted a pragmatic approach towards the Supervisory Review and Evaluation Process (SREP) 2020-cycle concluding the decision on 10 December 2019 including a P2R of 1.75% remains in force throughout 2021

Capital and dividend Policy

Our intention is to hold a CET1 capital management buffer of 150-200bp above the CET1 capital ratio requirement (MDA level). We strive to maintain a strong capital position in line with our capital policy. Our ambition is to distribute 60-70% of the net profit to shareholders. Excess capital in relation to capital targets will be used for organic growth and strategic business acquisitions, as well as being subject to buy-back considerations.

Dividend for 2019 and 2020

On 15 December 2020, the European Central Bank (ECB) issued an updated dividend recommendation to banks. The ECB in general expects dividends and share buy-backs to remain below 15% of the cumulated profit for 2019-20 and not to exceed 20bp of the CET1 ratio until the end of September 2021. The Board of Directors of Nordea decided on 16 December 2020 to follow the updated ECB recommendation.

Based on the recommendation and after dialogue with the ECB, the Board of Directors on 18 February decided on a dividend distribution of EUR 0.07 per share to shareholders in accordance with the mandate received from the Annual General Meeting (AGM) in 2020. In addition, the Board of Directors decided to propose that the AGM to be held on 24 March 2021 authorises the Board of Directors to decide on a dividend payment of a maximum of EUR 0.72 per share. It is to be distributed based on the balance sheet to be adopted for the financial year ended 31 December 2020 in one or several instalments. The authorisation would remain in force and effect until the beginning of the next AGM.

The proposed amount of maximum EUR 0.72 per share is in line with Nordea's dividend policy and includes the residual amount of the 2020 AGM dividend mandate (EUR 0.33 per share) as well as 70% of the net profit for the financial year 2020 (EUR 0.39 per share). The Board of Directors will refrain from deciding on a dividend payment based on the proposed authorisation before 1 October 2021, unless the ECB updates or revokes its current recommendation.

Capital transferability and restrictions

Nordea may transfer capital within its subsidiaries without operational or legal impediments, subject to the general conditions for entities considered solvent with sufficient liquidity under national legislation. Internal transfers of capital between legal entities are normally possible after approval by the local regulator and are of importance in governing the capital position of the Nordea Group.

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 I risks as regulatory prescribed, Nordea calculates an internal Pillar I 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.

In addition to calculating risk capital for its various risk types, Nordea conducts a comprehensive capital adequacy stress test 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 internal capital requirement as buffers for economic stress.

Examples of other risk types included in the internal assessment

Interest rate risk in the banking book

This risk consists of exposures deriving from the balance sheet (mainly lending to public and deposits from public) and from TALM's investment and liquidity portfolios. Interest rate risk is measured and monitored daily and in accordance with the competent authority requirements. Monitoring is performed by controlling interest rate sensitivities either to earnings or fair value for assets, liabilities and off-balance sheet items. The internal capital charge for interest rate risk in the banking book is calculated based an internal model combining earnings and fair value risk.

Pension risk

Pension risk is the risk that Nordea-sponsored defined benefit pension schemes become underfunded. The risk is captured via a stress testing model and is reported separately within the internal economic assessment of market risk.

Concentration risk

Concentration risk is 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 i.e. Single Name Concentration risk or when the portfolio is not diversified across industries or regions i.e. Sectoral Concentration risk. Since the Pillar I credit risk calculations are based on a framework which does not account explicitly for concentration risk, banks are required to set aside capital buffers for this risk in the internal economic perspective. The purpose of the concentration risk capital requirement add-on is to capture the capital Nordea should hold to protect itself against concentration risk.

Stress testing

Stress testing is important due to the vital role that capital plays for Nordea's profitability and resilience to stress. Thus, an appropriate governance structure is required for the stress testing process. Key responsibilities include GLT, BRIC and the legal entity BoDs engagement in the ICAAP stress testing. In addition, ALCO and RC review in detail the stress test performed and potential implications for future capital. Detailed reviews and discussions on methodologies, scenarios and results take place in the Stress Test Oversight Committee, a sub-committee of the RC.

Capital adequacy stress testing is carried out at least annually during the first quarter, using end-of-year data. Ad hoc stress testing can be carried out throughout the year when necessary. To determine the adequacy of capital for Nordea throughout the scenarios, key financial targets, which are stated in Nordea's capital policy, are also considered.

The key metric for determining the stress test impact is the CET1 ratio and how it develops during the scenarios. The stress test capital impact is defined as the percentage point drop in the CET1 ratio in the most stressed year. In addition, the stress test capital add-on, defined as the CET1 capital needed to compensate for the increase in 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 impact is then analysed in relation to capital policy, regulatory buffers and internal capital requirements.

Stress tests performed

During 2020 Nordea performed internal stress tests in the ICAAP as well as stress test to evaluate the impact of the ongoing COVID19 situation. Several scenarios with different severity and time profile were investigated and updated through the situation as more information became available. The capital situation of Nordea showed good resilience against even the most severe scenarios. .

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 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 re-

quirements and capital ratios are impacted. Nordea carries out reverse stress tests of various recovery environments in relation to the development of the Recovery Plan. 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 and translation,
- calculation, and
- analysis and reporting.

The capital adequacy stress test covers all credit exposures to corporates, retail, institutions and sovereigns. Credit exposures data is sourced on transaction level from the same database as used for the regular reporting of REA and capital adequacy. The calculation of stressed loan losses and stressed REA is carried out bottom-up based on granular portfolio data from this data source.

Stress test scenarios development

The annual ICAAP stress test is based on three-year global macroeconomic scenarios. The scenarios are designed to replicate shocks that are particularly relevant in the current macroeconomic environment and for stressing the main risks in Nordea.

While the annual stress test is based on comprehensive macroeconomic scenarios that involve estimates of several macroeconomic factors, the ad hoc stress tests are 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 for capital planning.

After a scenario is developed and quantified, impacts are translated to relevant parameters and simulated. Advanced models in combination with 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. Regulatory capital requirement is calculated based on the credit risk, market risk and operational risk. The calculations for each risk type are aggregated into total capital requirement figures.

Stressed figures for loan losses are calculated bottom-up, based on stressed rating migrations and collateral values. Stressed point-in-time PDs 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, like net interest income and net fee and commission income, are 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 to calculate the impact on capital ratios during a stress scenario. The figure shows the calculation process used in the stress test framework.

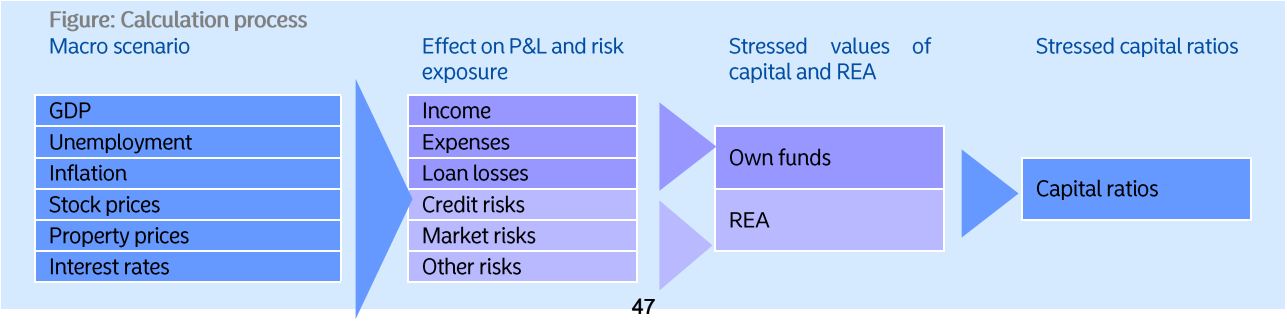
Capital allocation

EC is a method for allocating the cost of holding capital as a result of risk taking 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 is aligned to the Group's target CET1 ratio level which is set by the capital policy to ensure a sustainable long-term capitalization for Nordea Group. In addition, the EC framework also include the following items:

- Legal equity contribution of the insurance business
- Certain capital deductions.

Figure: Calculation process



Nordea Life and Pensions (NLP)

The nature of life insurance leads NLP to take risks that are quite different to those faced in the banking operation. The main risks are market risks and life & health insurance risks.

Governance

The Boards of Directors of NLH AB 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 have 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.
The NLP Group CRO is responsible for risk management at NLP Group level. Local CROs are responsible for risk management, and related monitoring and reporting at local entity level.

NLP Group perform a detailed annual Own Risk and Solvency Assessment (ORSA) at group level. Corresponding local ORSA processes are performed for local entities.

Risk and capital management

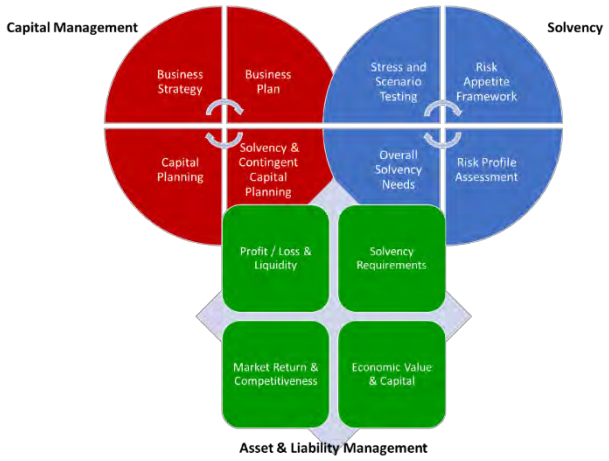
The key principles underlying the NLP Risk Management Strategy are:

- 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 valid 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

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 20% 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, VaR analysis, and stress and sensitivity analysis. The risks are monitored against the risk appetite and existing limits.

Market risk

Market risks at NLP arise 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 risks 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.

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 capitalization.

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

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 longevity 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.

Longevity risk is the second most important insurance risk and relates to the risk of stronger longevity improvement than anticipated in technical provisions. Main exposures to longevity risks originate from participating savings products, while there is no material longevity risk attached to unit-linked savings products.

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.

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 busi-ness by defining a required buffer on top of the 100% regula-tory solvency ratio as protection against volatility in the Sol-vency II balance sheet. This ensures that capital management can be performed in a planned and structured way rather than by inefficient ad- hoc measures.

Economic capital (EC)

NLP is included in the Nordea EC framework.

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.

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Part 2 Year end results and analysis

Quantitative information accompanied by qualitative analysis of the year end results of the Nordea Group

List of tables in Part 2

Capital position

Table 1 Summary of items included in own funds including profit

During Q4 2020, CET1 capital increased by EUR 1.8bn as a result of increased retained earnings, increased profit net of dividend and a decreased deduction of intangible assets. Total own funds increased by EUR 1.9bn, driven by the increase in CET1 capital.

EURm	2020 Q4	2020 Q3
Calculation of own funds		
Equity in the consolidated situation	29,100	28,047
Profit of the period	2,288	1,665
Proposed/actual dividend	-1,585	-1,078
Common Equity Tier 1 capital before regulatory adjustments	29,802	28,634
Deferred tax assets	-252	-173
Intangible assets	-2,635	-3,377
IRB provisions shortfall (-)		
Deduction for investments in credit institutions (50%)		
Pension assets in excess of related liabilities	-108	-56
Other items, net[1]	-253	-273
Total regulatory adjustments to Common Equity Tier 1 capital	-3,249	-3,878
Common Equity Tier 1 capital (net after deduction)	26,553	24,756
Additional Tier 1 capital before regulatory adjustments	2,609	2,704
Total regulatory adjustments to Additional Tier 1 capital	-21	-26
Additional Tier 1 capital	2,588	2,678
Tier 1 capital (net after deduction)	29,141	27,434
Tier 2 capital before regulatory adjustments	2,745	3,669
IRB provisions excess (+)	628	615
Deduction for investments in credit institutions (50%)		
Deductions for investments in insurance companies	-650	-1,000
Pension assets in excess of related liabilities		
Other items, net	-63	-812
Total regulatory adjustments to Tier 2 capital	-85	-1,197
Tier 2 capital	2,660	2,472
Own funds (net after deduction)	31,801	29,906
[1] Other items, net' based on profit inclusion	-261	-282

Own funds, excluding profit

EURm	2020 Q4	2020 Q3
Common Equity Tier 1 capital	26,431	24,558
Tier 1 capital (net after deduction)	29,019	27,236
Total own funds	31,679	29,708

Own Funds reported to ECB[1]	2020 Q4	2020 Q3
Profit inclusion	Including profit	Including profit

[1] This tables describes in text how profit has been included in the regulatory reporting of Own Funds to ECB for the relevant reporting periods.

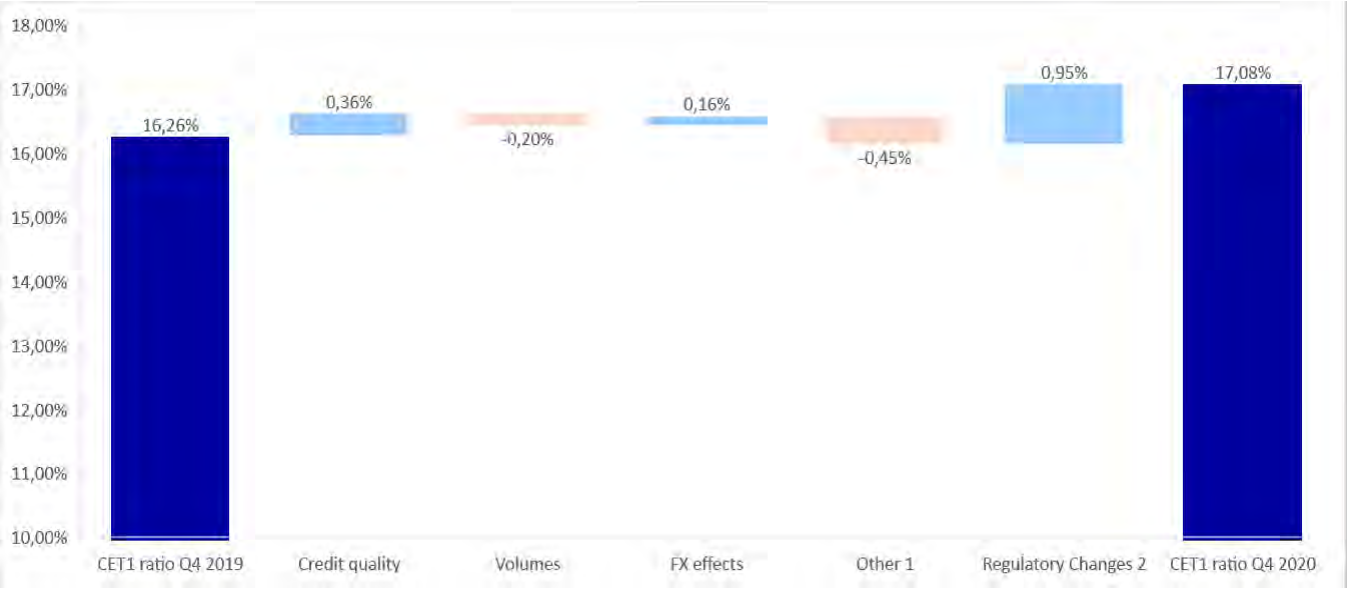
Table 2 Flow statements of movements in Own funds

Own funds as of Q4 2020 was EUR 31.8bn (31.2bn in 2019), of which CET1 capital constituted EUR 26.6bn (24.4bn in 2019), Additional Tier 1 capital EUR 2.6bn (3.1bn in 2019) and Tier 2 capital EUR 2.7bn (3.7bn in 2019). In 2020 CET1 capital increased by EUR 2.1bn, mainly driven by regulatory changes to the treatment of IT software, the consolidation of non-CRR entities and profit generation net of accrued dividend. The increase in Tier 1 capital due to CET1 increase was partly offset by a redemption of two T1 instruments and FX effects on T1 instruments. Tier 2 capital decreased primarily driven by the redemption of five T2 instruments and FX effects.

EURm	Amount
Common Equity Tier 1, 2019	24,421
Profit attributable to owners of the parent	2,288
Dividend	(1,585)
Change in goodwill and intangible assets	816
Change in IRB provision shortfall deduction	
Change in prudential filters	42
Change in unrealised gains on AFS	
Other	573
Common Equity Tier 1, 2020	26,553
Additional Tier 1 capital, 2019	3,098
Issued AT1 instruments	
Redeemed AT1 instruments	-342
FX effect	-174
Change in Amount that exceeds the limits for AT1 grandfathering	
Other adjustments	6
Additional Tier 1 capital, 2020	2,588
Tier 2 capital, 2019	3,717
Issued T2 instruments	
Redeemed T2 instruments	-1,178
FX effect	-221
Change in Excess on the limit of AT1 grandfathered instruments	
Change in deduction due to significant investment	350
Change in IRB provision excess add-on	408
Other adjustments	-416
Tier 2 capital, 2020	2,660
Total Own funds, 2020	31,801

Table 3 Drivers behind the development of the CET1 capital ratio

The CET1 ratio increased from 16.26% in Q4 2019 to 17.08% in Q4 2020. The main drivers were updated regulatory treatment of software deductions and consolidation of non-CRR entities into the banking group, improved credit quality, adjustment of the SME supporting factor and FX effects. This was partly offset by the acquisition of SG Finans, increased volumes and replacement of the securitisation transaction.



[1] Acquisition of SG Finans (-0.25%), Market Risk (-0.20%), Risk-weight Floors (-0.18%), Securitisation (-0.17%), Other IRB (-0.05%), PD Alignment (-0.03%), Reconciliations (-0.02%), CVA (0.02%), Standardised Approach (0.05%), Operational Risk (0.10%), Net Profit (0.11%) and Other CET1 Changes (0.18%).

[2] PD adjustment on unrated exposures (-0.09%), SME Adjustment (0.27%), changed treatment software assets (0.49%) and a changed consolidation for the banking group (0.28%)

Table 4 Bridge between IFRS equity and CET1 capital

Nordea's CET1 capital has increased over the period, driven by consolidation of non-CRR entities combined with a decreased deduction of intangible assets. This was slightly offset by other deductions.

EURm	2020	2019
Balance sheet equity	33,740	31,528
Valuation adjustment for non-CRR companies	0	-725
Other adjustments[1)]	-2,342	-720
CET1 before deductions	31,397	30,083
Dividend[2)]	-1,585	-1,616
Goodwill	-1,806	-1,837
Intangible assets	-829	-1,614
Shortfall deduction		
Pension deduction	-108	-130
Prudential filters	-231	-273
Transitional adjustments		
Other deductions	-284	-191
Common Equity Tier 1 capital	26,553	24,421

[1] The 2019 dividend has been included in the other adjustments

[2] Proposed dividend

Table 5 Capital ratios

The increase in CET1 capital ratio was mainly driven by regulatory changes to the treatment of IT software, the SME adjustment (-2.6bn) and the consolidation of non-CRR entities. This was partly offset by the consolidation of Nordea Finance Equipment (+2.5bn) and the replacement of existing securitisation transactions (+1.4bn). Tier 1 ratio increased, mainly driven by increased CET1 ratio countered by a call of two AT1 instruments in Q1 2020 (-0.3bn) and FX effects in AT1 instruments (-0.2bn)

Leverage ratio increased in 2020, due to both an increase in Tier 1 capital and a decrease in leverage ratio exposure. The decrease in leverage ratio exposure was driven mainly by certian central bank exposures being excluded and a decrease in SFT exposure, while the increase in Tier 1 capital was driven by the increase in CET1 capital.

Risk based capital ratios

%	2020Q4	2019Q4
Common Equity Tier 1 capital ratio, including profit	17.1	16.3
Tier 1 capital ratio, including profit	18.7	18.3
Total capital ratio, including profit	20.5	20.8
Common Equity Tier 1 capital ratio, excluding profit	17.0	16.2
Tier 1 capital ratio, excluding profit	18.7	18.3
Total capital ratio, excluding profit	20.4	20.7

Leverage based capital ratios

%	2020Q4	2019Q4
Tier 1 capital, including profit, EURm	29,141	27,518
Leverage ratio exposure, including profit, EURm	518,225	522,094
Leverage ratio, including profit, percentage	5.6	5.3
Leverage ratio excluding central bank exposures[1], including profit, percentage	5.9	
Tier 1 capital, excluding profit, EURm	29,019	27,444
Leverage ratio exposure, excluding profit, EURm	518,218	522,062
Leverage ratio, excluding profit, percentage	5.6	5.3
Leverage ratio excluding central bank exposures[1], excluding profit, percentage	5.9	

[1] Calculated in accordance with 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 of 16 September 2020 (early implementation of CRR 2).

Table 6 EU OV1: Overview of REA

The table provides an overview of total REA where the credit risk accounted for the largest risk type with approximately 70.1 % of Pillar I REA in Q4 2020. Operational risk accounted for the second largest risk type. The REA increase of EUR 4.9bn during Q4 2020 mainly stemmed from credit risk (EUR 4.3bn) and amounts below the thresholds for deduction (subject to 250% risk weight) (EUR 1.5 bn) which was partially offset by a decrease in market risk (EUR -0.9 bn). The higher credit risk REA in Advanced IRB approach was mainly from corporate portfolio driven by the acquisition of SG Finans. Foundation IRB (FIRB) REA increase was driven by implementation of the new CRR2 regulation, which included software assets in REA. The increase in amounts below the thresholds for deduction (subject to 250% risk weight) was mainly explained by changed consolidation for the banking group. The market risk REA change can be primarily explained by a decrease in sVaR and VaR as a result of lower interest rate risk and favourable multiplier impact.

		REA		Minimum capital requirement	
	EURm	2020Q4	2020Q3	2020Q4	2020Q3
1	Credit risk (excluding counterparty credit risk) (CCR)	108,933	104,672	8,715	8,374
2	Of which standardised approach (SA)	10,519	9,292	842	743
3	Of which foundation IRB (FIRB) approach	13,511	12,516	1,081	1,001
4	Of which advanced IRB approach	84,903	82,864	6,792	6,629
	Of which AIRB	57,670	55,965	4,614	4,477
	Of which Retail RIRB	27,234	26,899	2,179	2,152
5	Of which Equity IRB under the simple risk-weight or the IMA				
6	Counterparty credit risk	6,256	7,109	500	569
7	Of which Marked to market	517	574	41	46
8	Of which Original exposure				
9	Of which standardised approach				
10	Of which internal model method (IMM)	4,905	5,449	392	436
	Of which Financial collateral simple method (for SFTs)				
	Of which Financial collateral comprehensive method (for SFTs)	186	453	15	36
11	Of which exposure amount for contributions to the default fund of a CCP				
12	Of which CVA	648	633	52	51
13	Settlement risk	265	106	21	8
14	Securitisation exposures in banking book (after the cap)	880	883	70	71
15	Of which IRB supervisory formula approach (SFA)	880	883	70	71
16	Market risk	6,616	7,537	529	603
17	Of which standardised approach (SA)	2,945	2,756	236	220
18	Of which IMA	3,671	4,781	294	382
19	Large exposures				
20	Operational risk	14,701	14,701	1,176	1,176
21	Of which Standardised Approach	14,701	14,701	1,176	1,176
22	Amounts below the thresholds for deduction (subject to 250% risk weight)	5,058	3,556	405	284
23	Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR	630	546	50	44
24	Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	12,102	11,450	968	916
25	Article 3 CRR Buffer				
27	Pillar 1 total	155,440	150,559	12,435	12,045

Table 7 Flow Statement of REA

Between Q4 2019 and Q4 2020 REA increased by EUR 5.2bn. Credit risk factors increased REA by EUR 4.3bn, market risk increased REA by EUR 1.9bn and operational risk decreased REA by EUR 1.0bn. Within credit risk, the increase was driven by the acquisiton of SG Finans, increased Finnish and Swedish mortgage floors and consolidation of non-CRR entities. Increased REA in the securitisation portfolio, driven by the replacement of the previous securitisation transaction, and PD adjustment on unrated exposures further contributed to the increased REA. This was partially offset by improved book quality, adjustment of the SME supporting factor and FX effects. The increase in the market risk REA was mainly driven by an increase in FX risk outside the trading book, partly offset by a decreased sVaR component driven by a combination of a lower backtest multiplier and change in risk levels.

EURm	Amount
Total REA, 2019Q4	150,215
Credit risk factors	4,279
Book size (Exposure growth)	1,890
Book quality	-3,461
Model & methodology changes	243
Regulation[1]	734
Foreign currency translation effects	-1,102
Securitisation	1,640
Additional buffer, Article 3	0
Other[2]	4,334
Market risk factors	1,943
Model & methodology changes	-507
Regulation	
Movements in risk levels	2,451
Operational risk factors	-997
Changes in Beta factors	
Income related changes	-997
Total REA, 2020Q4	155,440

[1]Changes in EU regulation no. 2020/2176 allowed part of IT Software to be risk-weighted instead of deducted from the CET1 capital. According to changes in CRR article 18 larger part of non-CRR entities were consolidated into the CRR group increasing both REA and the CET1 capital. Adjustment of the SME supporting factor based on amendments implemented to the CRR II on 18th of June

[2]Includes the acquisition of SG Finans

Table 8 EU CRB-B: Total and average net amount of exposures

The IRB net exposure increased during 2020 driven by corporate and retail exposures. Corporate increased mainly from off-balance non-SME exposure, and retail increased mainly from on-balance real estate. The total SA end of period net exposures decreased during 2020. The decrease was driven by a decrease in central government and central bank exposures.

	2020, EURm	a Net exposure at the end of the period	b Average net exposure over the period
	IRB approach		
1	Central governments or central banks		
2	Institutions	30,979	32,411
3	Corporates	185,118	177,820
4	- of which Specialised Lending	132	144
5	- of which SME	58,216	55,859
6	Retail	204,105	195,092
7	- of which Secured by real estate property	162,302	154,098
8	- of which SME	1,186	1,201
9	- of which Non-SME	161,116	152,897
10	- of which Other Retail	41,803	40,994
11	- of which SME	1,783	1,815
12	- of which Non-SME	40,020	39,178
13	Equity		
14	Other non-credit obligation assets	4,842	3,750
15	Total IRB approach	425,044	409,074
	Standardised approach		
16	Central governments or central banks	60,614	75,783
17	Regional governments or local authorities	9,114	8,815
18	Public sector entities	275	231
19	Multilateral Development Banks	1,223	1,197
20	International Organisations	74	18
21	Institutions	145	160
22	Corporates	2,869	2,312
23	- of which SME	2,113	1,863
24	Retail	5,937	5,789
25	- of which SME	854	846
26	Secured by mortgages on immovable property	5,183	4,902
27	- of which SME	43	54
28	Exposures in default	80	86
29	Items associated with particularly high risk	983	900
30	Covered bonds	297	312
31	Claims on institutions and corporates with a short-term credit assessment		
32	Collective investments undertakings (CIU)	460	459
33	Equity exposures	2,351	1,831
34	Other exposures	906	875
35	Total standardised approach	90,511	103,671
36	Total	515,555	512,745

2019, EURm	Net exposure at the end of the period	Average net exposure over the period
IRB approach		
Central governments or central banks		
Institutions	32,693	31,592
Corporates	168,230	168,175
- of which Specialised Lending	221	266
- of which SME	54,532	53,681
Retail	190,733	188,820
- of which Secured by real estate property	150,265	148,498
- of which SME	1,198	1,216
- of which Non-SME	149,067	147,281
- of which Other Retail	40,468	40,322
- of which SME	1,923	1,938
- of which Non-SME	38,545	38,384
Equity		
Other non-credit obligation assets	3,458	3,905
Total IRB approach	395,114	392,492
Standardised approach		
Central governments or central banks	66,113	69,843
Regional governments or local authorities	8,968	8,700
Public sector entities	100	104
Multilateral Development Banks	781	948
International Organisations	51	109
Institutions	200	219
Corporates	2,436	3,026
- of which SME	2,033	1,849
Retail	6,144	6,565
- of which SME	868	857
Secured by mortgages on immovable property	4,651	5,291
- of which SME	74	69
Exposures in default	94	173
Items associated with particularly high risk	829	764
Covered bonds	384	401
Claims on institutions and corporates with a short-term credit assessment		
Collective investments undertakings (CIU)	430	318
Equity exposures	1,697	1,695
Other exposures	941	948
Total standardised approach	93,817	99,105
Total	488,931	491,597

Table 9 EU CRB-C: Geographical breakdown of exposures

The table EU CRB-C displays credit risk exposures by exposure class and domicile. The IRB net exposures increased during 2020 primarily driven by exposures in Nordic countries. Within the Nordics, the main drivers were Swedish and Danish corporate exposures, together with notable amounts from Swedish, Finnish and Danish retail exposures. Exposures reported under SA approach decreased in 2020, driven by a decrease in US sovereign exposure, partly off-set by an increase in Nordic sovereign exposure mainly in Sweden.

	a	b	c	d	e	f	g	h	i	j
					Net exposures					
2020, EURm	Nordic countries	of which Denmark	of which Finland	of which Norway	of which Sweden	Baltic countries	Russia	USA	Other geograph-ical areas	Total
1	Central governments or central banks									
2	Institutions	28,076	13,697	233	5,507	8,640	168		372	2,362	30,979
3	Corporates	158,936	41,815	32,902	33,844	50,375	781	755	4,270	20,377	185,118
	of which Specialised Lending	125		51	73		0	0	0	7	132
	of which SME	56,573	15,942	11,464	12,286	16,881	453		39	1,151	58,216
4	Retail	202,145	54,331	49,307	36,625	61,881	42	17	226	1,676	204,105
	of which Secured by real estate property	160,888	44,676	30,428	29,830	55,954	22	11	182	1,199	162,302
	of which SME	1,185	105	899	80	102	0	0	0	0	1,186
	of which Non-SME	159,702	44,571	29,530	29,750	55,852	22	11	182	1,198	161,116
	of which Other Retail	41,257	9,656	18,879	6,795	5,927	19	6	44	477	41,803
	of which SME	1,684	173	1,062	177	272	3	2	4	91	1,783
	of which Non-SME	39,573	9,483	17,817	6,618	5,655	16	5	40	386	40,020
5	Equity		0	0	0	0	0	0	0	0	0
	Other non-credit obligation assets	4,803	1,240	2,317	369	876		2	29	8	4,842
6	Total IRB approach	393,960	111,084	84,759	76,345	121,772	991	774	4,897	24,423	425,044
	Standardised approach										
7	Central governments or central banks	48,365	5,121	26,596	2,699	13,948	0	90	7,101	5,058	60,614
8	Regional governments or local authorities	8,961	1,674	481	128	6,678			0	153	9,114
9	Public sector entities	275	0	275	0	0		0	0	0	275
10	Multilateral Development Banks	119	0	119	0	0	0	0	195	909	1,223
11	International Organisations		0	0	0	0	0	0	0	74	74
12	Institutions	15	0	1	13	2		0		130	145
13	Corporates	2,668	1,963	36	615	54	7		1	192	2,869
	of which SME	2,111	1,831	0	269	10		0	0	2	2,113
14	Retail	5,873	1,242	1	2,245	2,385	0	0	6	57	5,937
	of which SME	801	113	1	207	480	0	0	5	47	854
15	Secured by mortgages on immovable property	5,177	54		5,123	1			2	4	5,183
	of which SME	43	43	0	0	0		0	0	0	43
16	Exposures in default	80	14	0	59	7	0	0	0	0	80
17	Items associated with particularly high risk	331	84	170	0	76		0	131	521	983
18	Covered bonds	297	0	0	281	16	0	0	0	0	297
19	Claims on institutions and corporates with a short-term credit assessment		0	0	0	0	0	0	0	0	
20	Collective investments undertakings (CIU)	93		93				0	134	233	460
21	Equity exposures	2,284	-14	1,783	102	413		0	0	67	2,351
22	Other exposures	796	59	52	596	89		0	0	111	906
23	Total standardised approach	75,333	10,197	29,608	11,860	23,669	8	91	7,571	7,508	90,511
24	Total	469,294	121,280	114,367	88,205	145,441	998	864	12,468	31,932	515,555

2019, EURm	Net exposures									
	Nordic countries	of which Denmark	of which Finland	of which Norway	of which Sweden	Baltic countries	Russia	USA	Other geograph-ical areas	Total
IRB approach										
Central governments or central banks		0	0	0	0	0	0	0	0	0
Institutions	28,178	13,953	175	5,388	8,662	1,423	277	372	2,443	32,693
Corporates	141,043	37,773	32,761	32,748	37,762	1,248	1,086	4,448	20,406	168,230
of which Specialised Lending	154	0	94	61	0				67	221
of which SME	52,060	15,925	12,097	11,626	12,413	824	0	37	1,611	54,532
Retail	188,893	51,726	46,360	36,079	54,729	40	15	215	1,570	190,733
of which Secured by real estate property	149,000	42,506	29,011	28,237	49,246	21	9	170	1,066	150,265
of which SME	1,198	110	915	64	109					1,198
of which Non-SME	147,802	42,396	28,096	28,173	49,137	21	9	170	1,066	149,067
of which Other Retail	39,894	9,221	17,349	7,842	5,483	19	6	45	504	40,468
of which SME	1,818	209	1,048	227	334	3	2	3	97	1,923
of which Non-SME	38,076	9,011	16,301	7,615	5,148	17	5	42	406	38,545
Equity										
Other non-credit obligation assets	3,405	989	1,497	301	617	0	9	33	10	3,458
Total IRB approach	361,519	104,442	80,793	74,515	101,769	2,710	1,387	5,068	24,429	395,114
Standardised approach										
Central governments or central banks	45,318	9,247	25,919	2,363	7,789		154	15,885	4,756	66,113
Regional governments or local authorities	8,886	2,278	496	98	6,014	0	7		75	8,968
Public sector entities	100		100							100
Multilateral Development Banks	22		22						759	781
International Organisations									51	51
Institutions	14		1	13		0	0		186	200
Corporates	2,234	1,936	4	286	7		15	2	185	2,436
of which SME	2,033	1,752	0	281	0				0	2,436
Retail	6,078	1,419	1	2,344	2,313		1	7	59	2,436
of which SME	810	110	1	221	479		1	6	50	2,436
Secured by mortgages on immovable property	4,642	108	0	4,534			0	1	7	2,436
of which SME	74	69		5						2,436
Exposures in default	93	5		81	7				1	2,436
Items associated with particularly high risk	302	77	169		57			99	428	2,436
Covered bonds	384			384						2,436
Claims on institutions and corporates with a short-term credit assessment										2,436
Collective investments undertakings (CIU)	69	0	69	0	0	0		180	181	2,436
Equity exposures	1,322	7	1,095	86	135	327			48	2,436
Other exposures	821	54	49	630	87	0			120	2,436
Total standardised approach	70,285	15,131	27,927	10,818	16,409	327	177	16,174	6,854	2,436
Total	431,804	119,572	108,720	85,333	118,178	3,038	1,565	21,242	31,283	488,931

Table 10 EU CRB-D: Concentration of exposures by industry

Table CRB-D displays exposure split by industry group and by the main exposure classes. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (statistical classification codes of economic activities in the European community). The corporate portfolio was well diversified between industry groups, real estate commercial properties and financial institutions contributed to the largest share of total corporate exposures. In 2020, IRB had a notable increase of exposure in real estate commercial properties, commercial & prof. services, and Financial institutions. This was offset by a decrease in Maritime (shipping) and real estate residential properties. For SA, most of the change occurred within a decrease in exposure for financial institutions related to sovereigns.

2020	Animal husbandry	Capital goods	Commercial & prof. services	Construction	Consumer durables	Consumer staples (food and health care)	Crops etc	Financial institutions	Fishing and aquaculture	Land transportation and IT	Maritime (shipping)	Materials	Media, leisure and telecom	Oil, gas and offshore	Paper, forest and mining	Real estate commercial properties	Real estate residential properties	Retail trade	Utilities and public services	Wholesale trade	Other	Total
IRB approach																						
Central governments or central banks																						
Institutions			5	0		0		29,779			2		0			1		0	107	0	1,084	30,979
Corporates	2,475	9,040	19,743	9,934	2,750	6,191	3,192	23,118	1,538	5,160	7,808	3,332	6,665	2,527	3,983	46,650	3,306	4,712	9,983	8,484	4,525	185,118
Retail	25	98	281	376	34	141	60	66	6	262	16	27	225	2	99	944	57	249	110	170	200,857	204,105
Equity																						
Other non-credit obligations	0	4	111	27	1	5	1	4	0	69	2	5	5	1	10	4		5	8	29	4,551	4,842
Total IRB approach	2,500	9,142	20,141	10,337	2,785	6,337	3,254	52,967	1,544	5,491	7,828	3,364	6,894	2,529	4,092	47,599	3,363	4,965	10,209	8,684	211,018	425,044
Standardised approach																						
Central governments or central banks			70	13		70	0	37,141		247	3		155		34	331		0	12,165	25	10,359	60,614
Regional governments or local authorities			43	2		1,700		339		7	0		1		0	1		0	6,986	0	36	9,114
Public sector entities																			275			275
Multilateral Development Banks								64													1,159	1,223
International Institutions																			37		37	74
Corporates			0					10													136	145
Retail	119	13	97	150	3	13	182	3	2	71	1	5	43	3	14	1,159	4	118	153	47	668	2,869
Secured by mortgages on immovable property	33	17	77	207	7	23	63	8	1	78	25	8	33	1	20	19	0	37	30	38	5,212	5,937
Exposures in default	1					0	0									26			27		5,128	5,183
Items associated with particularly high risk	2	1	2	4	0	1	2	0		3		0	1	0	0	0	1	1	1	1	61	80
Covered bonds								928		0											55	983
Claims on institutions and corporates with a short-term credit								281													16	297
Collective investments undertakings (CIU)								460														460
Equity exposures			0			0		1,976		7						0					368	2,351
Other exposures	0	2	14	17	1	6	1	0	0	9	0	1	4	0	2	1	1	5	36	10	794	906
Total SA Approach	155	34	303	393	11	1,813	248	41,211	3	422	29	13	237	4	70	1,537	6	161	19,710	122	24,028	90,511
Total	2,655	9,175	20,444	10,730	2,796	8,151	3,502	94,178	1,547	5,913	7,857	3,377	7,131	2,534	4,162	49,137	3,369	5,126	29,919	8,806	235,046	515,555

2019	Animal husbandry	Capital goods	Commercial & prof. services	Construction	Consumer durables	Consumer staples (food and health care)	Crops etc	Financial institutions	Fishing and aquaculture	Land transportation and IT	Maritime (shipping)	Materials	Media, leisure and telecom	Oil, gas and offshore	Paper, forest and mining	Real estate commercial properties	Real estate residential properties	Retail trade	Utilities and public services	Wholesale trade	Other	Total
IRB approach																						
Central goverments or central banks																						32,693
Institutions			35					30,659			21					1			63	1	1,914	168,230
Corporates	2,525	8,991	16,053	9,741	2,438	5,492	3,134	19,976	1,576	4,859	10,480	3,565	5,333	2,997	3,539	37,571	5,425	4,484	8,990	8,244	2,816	190,733
Retail	52	96	273	367	33	131	42	64	6	248	21	27	214	1	78	968	44	254	117	178	187,520	
Equity																						3,458
Other non-credit obligations		6	118	24	1	5	1	3		73	2	6	5	0	11	4		5	9	18	3,166	
Total IRB approach	2,577	9,093	16,480	10,133	2,472	5,628	3,176	50,702	1,582	5,179	10,524	3,598	5,552	2,998	3,628	38,544	5,468	4,743	9,178	8,442	195,416	395,114
Standardised approach																						
Central governments or central banks			74	17		52		44,371		272	4		135		35	399			11,825	25	8,904	66,113
Regional governments or local authorities			1	1		1,435		1,062		6						1			6,418		44	8,968
Public sector entities																			100			100
Multilateral Development Banks								27													754	781
International Organisations																			51			51
Institutions								6													193	200
Corporates		2	59	38	2	70		1	1	25		1	28		1	1,600		115	130	13	349	2,436
Retail	36	22	72	204	7	23	58	4	1	81	29	7	41	1	19	19		39	30	44	5,408	
Secured by mortgages on immovable property	3					3	1									33			72		4,540	6,144
Exposures in default			3	4		1				2			1				1	1		1	79	4,651
Items associated with particularly high risk								771													58	94
Covered bonds								357													27	829
Claims on institutions and corporates with a short-term credit assessment																						384
Collective investments undertakings								430														430
Equity exposures								1,122													574	1,697
Other exposures		2	19	15	1	6				10		1	4		2	2		5	33	12	827	941
Total SA Approach	39	27	229	279	9	1589	60	48151	2	397	33	9	209	1	57	2054	1	161	18657	96	21757	93,817
Total	2,617	9,120	16,708	10,412	2,481	7,217	3,237	98,853	1,584	5,577	10,556	3,607	5,762	2,999	3,684	40,598	5,469	4,904	27,835	8,538	217,172	488,931

Table 11 EU CRB-E: Maturity of exposures

EU CRB-E discloses net exposure values for on-balance sheet exposures. For exposures treated under the IRB approach, about 59% were in the >5 years bucket. For corporate IRB, most exposures were within the one to five year bucket, whereas retail exposures were mostly within the > 5 years maturity. Sovereign exposures were predominantly in the on demand category, mainly explained by accounts at central banks.

		a	b	c	d	e	f
		Net exposure value					
	2020	On demand	<= 1 year	> 1 year >= 5 years	>5 years	No stated maturity	Total
	IRB approach						
1	Central governments or central banks						
2	Institutions	970	4,216	19,255	2,526	513	27,479
3	Corporates	8,390	25,524	50,354	28,821	3,738	116,827
	- of which Specialised Lending		60	7	44	0	111
	- of which SME		10,686	19,398	17,661	2,073	49,817
4	Retail		2,314	7,393	159,741	3,729	173,178
	- of which Secured by real estate property		1,346	4,421	144,453	177	150,396
	- of which SME		56	237	668	64	1,025
	- of which Non-SME		1,290	4,184	143,784	113	149,371
	- of which Other Retail		968	2,969	15,314	3,531	22,781
	- of which SME		109	613	255	108	1,085
	- of which Non-SME		858	2,356	15,059	3,423	21,696
5	Equity						
	Other non-credit obligation assets		1,376	3,118	348		4,842
6	Total IRB approach	9,360	33,430	80,120	191,436	7,980	322,326
	Standardised approach						
7	Central governments or central banks	39,130	46	11,126	3,986	5,356	59,644
8	Regional governments or local authorities		598	1,670	294	816	3,379
9	Public sector entities		0	25	0	0	25
10	Multilateral Development Banks		162	700	341	0	1,203
11	International Organisations			37	37		74
12	Institutions		45	101		0	145
13	Corporates		110	869	125	1,282	2,386
	- of which SMEs		61	622	78	1,003	1,765
14	Retail		367	2,112	2,047	69	4,594
	- of which SMEs		82	538	122	13	755
15	Secured by mortgages on immovable property		102	80	4,359	9	4,550
	- of which SMEs		0	1	33	9	43
16	Exposures in default		13	39	24	2	77
17	Items associated with particularly high risk					544	544
18	Covered bonds		45	252			297
19	Claims on institutions and corporates with a short-term credit assessment						
20	Collective investments undertakings (CIU)					205	205
21	Equity exposures		1			2,350	2,351
22	Other exposures		342	562	3	0	906
23	Total standardised approach	39,130	1,830	17,572	11,216	10,633	80,381
24	Total	48,490	35,260	97,692	202,652	18,613	402,707

2019	Net exposure value					
	On demand	<= 1 year	> 1 year >= 5 years	>5 years	No stated maturity	Total
IRB approach						
Central governments or central banks						
Institutions	1,509	3,616	18,226	4,830	813	28,995
Corporates	9,516	20,653	46,586	29,476	4,273	110,503
- of which Specialised Lending					-1	-1
- of which SME		9,878	17,626	18,306	2,567	48,377
Retail		2,203	7,878	150,837	4,136	165,054
- of which Secured by real estate property		1,308	4,796	135,102	187	141,393
- of which SME		50	253	666	71	1,040
- of which Non-SME		1,257	4,543	134,437	116	140,353
- of which Other Retail		920	3,113	15,943	4,034	24,009
- of which SME		114	610	283	180	1,186
- of which Non-SME		806	2,504	15,661	3,854	22,824
Equity						
Other non-credit obligation assets		896	2,290	272		3,458
Total IRB approach	11,025	27,368	74,979	185,415	9,222	308,009
Standardised approach						
Central governments or central banks	39,907	46	14,990	3,972	6,525	65,439
Regional governments or local authorities		741	2,048	217	856	3,861
Public sector entities						
Multilateral Development Banks		363	360	57		781
International Organisations		51				51
Institutions		13		187		200
Corporates		3	43	122	1,369	1,537
- of which SMEs		2	5	90	1,173	1,270
Retail		228	2,164	2,031	143	4,565
- of which SMEs		71	546	129	13	759
Secured by mortgages on immovable property		11	69	3,965	11	4,056
- of which SMEs			2	56	11	69
Exposures in default		9	40	40	2	90
Items associated with particularly high risk					421	421
Covered bonds		69	315			384
Claims on institutions and corporates with a short-term credit assessment						
Collective investments undertakings (CIU)					194	194
Equity exposures		1			1,696	1,697
Other exposures		274	665	3	-1	941
Total standardised approach	39,907	1,808	20,694	10,593	11,216	84,218
Total	50,932	29,176	95,673	196,008	20,439	392,227

Table 12 EU CR1-A: Credit quality of exposures by exposure class and instrument

The total net exposure values in Q4 2020 was EUR 515.6bn representing an increase of EUR 26.6bn compared to Q4 2019. The increase stemmed from non-default exposures reported under IRB approach, EUR 30.9 bn. The increase in IRB non-defaulted exposure was driven by corporate undrawn credit line exposures and retail mortgage loan exposures.

	2020Q4, EURm	a	b	c	d	e	f	g
		Original exposures		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	adjustment charges of the period	Net values (a+b-c-d)
		Defaulted exposures	Non-defaulted exposures					
	IRB approach							
1	Central governments or central banks							
2	Institutions		30,982	3		0	-1	30,979
3	Corporates	3,491	183,517	1,889		-14	-511	185,118
4	of which Specialised Lending	12	121	0			0	132
5	of which SME	1,467	57,483	754		-20	-177	58,196
6	Retail	1,896	202,936	727		-101	-197	204,105
7	of which Secured by real estate property	1,042	161,345	85		-32	-206	162,302
8	of which SME	21	1,170	6		-12	-7	1,186
9	of which Non-SME	1,021	160,175	80		-20	-199	161,116
10	of which Other Retail	853	41,591	641		0	0	41,803
11	of which SME	132	1,729	78		0	0	1,783
12	of which Non-SME	721	39,862	563		0		40,020
13	Equity							
14	Other non-credit obligation assets	5	4,837					4,842
15	Total IRB approach	5,392	422,271	2,619		-114	-709	425,044
	Standardised approach							
16	Central governments or central banks		60,618	4			0	60,614
17	Regional governments or local authorities		9,121	7			2	9,114
18	Public sector entities		275	0			0	275
19	Multilateral Development Banks		1,223	0			0	1,223
20	International Organisations		74					74
21	Institutions		145	0		0	0	145
22	Corporates	20	2,874	5		-1	-17	2,889
23	- of which SME	14	2,115	3			4	2,127
24	Retail	100	5,955	18		-33	-101	6,037
25	- of which SME	11	855	1		0	0	865
26	Secured by mortgages on immovable property		5,186	3			0	5,183
27	- of which SME		43	0			0	43
28	Exposures in default		126	46		0	0	80
29	Items associated with particularly high risk		983				0	983
30	Covered bonds		297	0				297
31	Claims on institutions and corporates with a short-term credit assessment							
32	Collective investments undertakings (CIU)		460					460
33	Equity exposures		2,351	0			0	2,351
34	Other exposures	6	907	0			0	913
35	Total standardised approach	126	90,470	85		-34	-117	90,511
36	Total	5,519	512,741	2,704		-148	-826	515,555
37	- of which loans	4,803	351,507	2,469		-148	-715	353,841
38	- of which debt securities		48,866				-2	48,866
39	- of which off-balance sheet exposures	715	112,368	235			-109	112,848

	2019Q4, EURm	a	b	c	d	e	f	g
		Original exposures						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
1	IRB approach							
2	Central governments or central banks							
3	Institutions		32,696	3		3	-42	32,693
4	Corporates	3,954	165,970	1,694		-10	-302	168,230
5	of which Specialised Lending	13	209	1			2	221
6	of which SME	1,506	53,635	609		-15	-34	54,532
7	Retail	2,077	189,203	547		-60	-59	190,733
8	of which Secured by real estate property	1,167	149,150	52		-27	-27	150,265
9	of which SME	23	1,176	2		-17	7	1,198
10	of which Non-SME	1,144	147,974	50		-25	-36	149,067
11	of which Other Retail	910	40,053	495				40,468
12	of which SME	135	1,824	36			0	1,923
13	of which Non-SME	776	38,229	459			0	38,545
14	Equity							
15	Other non-credit obligation assets	4	3,454					3,458
	Total IRB approach	6,034	391,323	2,243		-66	-406	395,114
16	Standardised approach							
17	Central governments or central banks		66,115	3			-1	66,113
18	Regional governments or local authorities		8,968				-2	8,968
19	Public sector entities		100					100
20	Multilateral Development Banks		781					781
21	International Organisations		51					51
22	Institutions		200			-5	4	200
23	Corporates	11	2,437	2			-10	2,446
24	- of which SME	6	2,035	1			-6	2,039
25	Retail	144	6,162	18		-10	-40	6,289
26	- of which SME	10	869	1			3	878
27	Secured by mortgages on immovable prope		4,654	3				4,651
28	- of which SME		74					74
29	Exposures in default		155	61				94
30	Items associated with particularly high risk		829					829
31	Covered bonds		384	1				384
32	Claims on institutions and corporates with a short-term credit assessment							
33	Collective investments undertakings (CIU)		430					430
34	Equity exposures		1,697					1,697
35	Other exposures		942	1				941
36	Total standardised approach	155	93,750	88		-16	-48	93,817
37	Total	6,189	485,073	2,331		-82	-454	488,931
38	- of which loans	5,486	337,288	2,188		-85	-423	340,586
39	- of which debt securities		51,641				1	51,641
40	- of which off-balance sheet exposures	703	96,144	144		3	-32	96,704

Table 13 EU CR1-B: Credit quality of exposures by industry or counterparty types

The main industry sectors were Other industries[1] (mostly private persons from retail exposure class), Financial Institutions, and Industrials representing 75.4% of the non-defaulted exposures. In 2020, non-defaulted exposure increased, driven by other industries and real estate.

2020Q4	a	b	c	d	e	f	g
	Original exposures						
EURm	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
Financial Institutions	171	94,041	34		3	-27	94,178
Agriculture	453	7,352	101		25	-43	7,705
Crops Plantation and Hunting	119	3,406	23		4	-10	3,502
Animal Husbandry	329	2,402	76		21	-28	2,655
Fishing and Aquaculture	5	1,544	2		0	-6	1,547
Natural Resources	688	6,270	262		56	-183	6,696
Paper & forest products	50	3,357	14		1	-17	3,393
Mining & supporting activities	6	764	1		1	-1	769
Oil Gas & Offshore	632	2,148	246		54	-165	2,534
Consumer Staples	30	8,129	8		1	-28	8,151
Food processing & Beverages	8	1,992	3		1	-7	1,997
Household & Personal Products	12	745	2		0	-6	754
Healthcare	11	5,392	3		0	-16	5,399
Consumer Discretionary & Services	390	14,747	84		11	-95	15,053
Consumer Durables	141	2,683	28		0	-26	2,796
Media & Entertainment	42	2,881	18		-1	-16	2,905
Retail Trade	144	5,003	21		5	-29	5,126
Air transportation	16	820	3		0	-2	834
Accomodation & Leisure	44	1,659	13		-1	-20	1,689
Telecommunication services	3	1,700	0		7	-2	1,703
Industrials	832	57,791	177		77	-263	58,446
Materials	83	3,315	20		18	-9	3,377
Capital Goods	155	9,046	26		11	-28	9,175
Commercial & Professional Services	141	20,339	36		44	-94	20,444
Construction	208	10,571	49		2	-60	10,730
Wholesale Trade	113	8,713	20		0	-41	8,806
Land transportation	117	3,720	23		-1	-20	3,814
IT services	14	2,088	2		3	-11	2,100
Maritime	585	7,485	213		55	-142	7,857
Ship Building	9	234	4		3	-2	238
Shipping	574	6,897	208		52	-140	7,264
Maritime Services	1	354	0		0	0	355
Utilities & Public Services	41	29,895	17		-21	-46	29,919
Utilities Distribution & Waste Management	28	4,832	12		0	-3	4,848
Power Production	1	4,263	0		0	-3	4,263
Public Services	12	20,800	5		-21	-40	20,807
REMI	425	52,162	81		5	-87	52,506
Other Industries	1,904	234,870	1,728		-49	-222	235,046
Total	5,519	512,741	2,704		162	-1,137	515,555

[1] 'Other industries' includes mostly private persons from retail exposure class.

2019Q4	a	b	c	d	e	f	g
	Original exposures						
EURm	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
Animal husbandry	426	2,296	105		1	-23	2,617
Capital goods	159	9,004	43		-2	-4	9,120
Commercial & prof. services	212	16,558	61		-4	-44	16,708
Construction	199	10,246	33		-3	-8	10,412
Consumer durables	137	2,371	27		1	-14	2,481
Consumer staples (food and health care)	48	7,180	11		-2	5	7,217
Crops etc	149	3,112	24			-15	3,237
Financial institutions	168	98,761	75		-2	-27	98,853
Fishing and aquaculture	1	1,583					1,584
Land transportation and IT	116	5,482	21		-6	-10	5,577
Maritime (shipping)	753	9,998	195		-3	-61	10,556
Materials	164	3,472	29			6	3,607
Media, leisure and telecom	84	5,700	22		-4	-14	5,762
Oil, gas and offshore	781	2,408	190		0	-129	2,999
Other	2,134	216,369	1,331		-37	-71	217,172
Paper, forest and mining	57	3,639	12			2	3,684
Real estate commercial properties	327	40,393	78		-1	5	40,642
Real estate residential properties	16	5,410	1		-1	-12	5,425
Retail trade	106	4,836	37		-3	-3	4,904
Utilities and public services	37	27,815	16		-12	-36	27,835
Wholesale trade	117	8,441	20		-3	-2	8,538
Total	6,189	485,073	2,331		-82	-454	488,931

Table 14 EU CR1-C: Credit quality of exposures by geography

In Q4 2020 a total of EUR 469.3bn (91%) of the total net exposures stemmed from Nordic countries, which was a 8.7% increase compared to Q4 2019. This was mainly stemming from an increase in Swedish corporate and retail segments. Exposure in US declined due to a decrease in the sovereign segment.

2020Q4	a	b	c	d	e	f	g
	Original exposures						
EURm	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
Nordic countries	4,706	466,893	2,305		-145	-661	469,294
- of which Denmark	1,595	120,517	832		-13	-180	121,280
- of which Finland	1,707	113,284	625		-64	-234	114,367
- of which Norway	927	87,838	559		-36	-139	88,205
- of which Sweden	477	145,254	289		-30	-108	145,441
Baltic countries	5	1,000	6		0	-1	998
United States	3	12,473	9		0	-6	12,468
Russian	1	866	2		-1	11	864
Other	804	31,509	381		-3	-169	31,932
Total	5,519	512,741	2,704		-148	-826	515,555

2019Q4	a	b	c	d	e	f	g
	Original exposures						
EURm	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
Nordic countries	5,125	428,623	1,944		-81	-453	431,804
- of which Denmark	1,874	118,498	799				119,572
- of which Finland	1,678	107,501	458				108,720
- of which Norway	1,159	84,611	436				85,333
- of which Sweden	415	118,013	250				118,178
Baltic countries	4	3,038	4				3,038
United States	7	21,238	4				21,242
Russia	43	1,551	29			15	1,565
Other	1,011	30,623	350		-1	-16	31,283
Total	6,189	485,073	2,331		-82	-454	488,931

Table 15 EU CR2-A: Changes in stock of general and specific credit risk adjustments

During the year there were new/increased individually calculated loan losses of EUR -590m as well as model calculated net loan losses at EUR -376m. Additionally Nordea had reversals during the year of EUR 305m and write-offs taken against accumulated credit risk adjustments of EUR 369m. The large increase was partly driven by management judgements to cover for the uncertainty related to COVID-19. The total management buffer is now at 650m.

2020Q4		a	b
	EURm	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	Opening balance acccording IFRS 9	-2,183	
2	Increases due to amounts set aside for estimated loan losses during the period	-590	
3	Decreases due to amounts reversed for estimated loan losses during the period	305	
4	Net model losses (stage 1&2)	-255	
5	Net model losses (stage 3, model based)	-121	
6	Decreases due to amounts taken against accumulated credit risk adjustments	369	
7	Transfers betwen credit risk adjustments	0	
8	Impact of exchange rate differences	0	
9	Business combinations, including acquisitions and disposals of subsidiaries	0	
10	Other adjustments	27	
11	Closing balance	-2,448	
12	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	50	
13	Specific credit risk adjustments recorded directly to the statement of profit or loss	-566	
14	Reimbursement right	12	

2019Q4		a	b
	EURm	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	Opening balance acccording IFRS 9	-2,162	
2	Increases due to amounts set aside for estimated loan losses during the period	-555	
3	Decreases due to amounts reversed for estimated loan losses during the period	223	
4	Net model losses (stage 1&2)	-44	
5	Net model losses (stage 3, model based)	-47	
6	Decreases due to amounts taken against accumulated credit risk adjustments	312	
7	Transfers betwen credit risk adjustments	0	
8	Impact of exchange rate differences	0	
9	Business combinations, including acquisitions and disposals of subsidiaries	0	
10	Other adjustments	90	
11	Closing balance	-2,183	
12	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	47	
13	Specific credit risk adjustments recorded directly to the statement of profit or loss	-444	

Table 16 EU CR2-B: Changes in the stock of defaulted and impaired loans and debt securities

Impaired loans gross in Nordea Group amounted to EUR 4.0bn end of 2020. During the year new impaired exposures have increased the amount by EUR 0.6bn while exposures with improved credit quality returning to non-defaulted status amounts to EUR 0.4bn. Write-offs during the year has decreased impaired loans by EUR 0.6bn.

2020Q4		a
	EURm	Gross carrying value impaired exposures
1	Opening balance	4,610
2	Loans and debt securities that have defaulted or impaired since the last reporting period	607
3	Returned to non-defaulted (and non-impaired) status	-359
4	Amount written off	-566
5	Other changes	-313
6	Closing balance	3,979

2019Q4		
	EURm	Gross carrying value impaired exposures
1	Opening balance	5,052
2	Loans and debt securities that have defaulted or impaired since the last reporting period	582
3	Returned to non-defaulted (and non-impaired) status	-228
4	Amount written off	-444
5	Other changes	-353
6	Closing balance	4,610

Table 17 EU CR3: Credit risk mitigation techniques – overview

At year end 2020, 58% of Nordea's total exposures had at least one Credit Risk Mitigation (CRM) mechanism (collateral, financial guarantees, credit derivatives). The majority of those are secured by real estate collaterals. The growth in secured exposures was mainly driven by increased residential mortgage volumes throughout the entire year.

2020Q4

EURm	Exposures unsecured - carrying amount	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Loans	117,553	236,042	224,188	11,854	
Total debt securities	505,976				
Total exposures	168,150	236,042	224,188	11,854	
- of which defaulted	3,169	1,830	1,518	313	

2020Q2

EURm	Exposures unsecured - carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Loans	130,839	227,665	215,559	12,106	
Total debt securities	58,400				
Total exposures	189,239	227,665	215,559	12,106	
- of which defaulted	3,260	2,195	1,884	311	

Table 18 EU CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

Total exposure amount before CCF and CRM was EUR 90.5 bn. The on-balance sheet exposure in Q4 amounted to EUR 80.4 bn of the exposure (compared to 101.4 in Q2 2020). The decrease in on-balance exposure was mainly driven by the central governments or central banks exposure class reported in standardised approach from Q3 2020. The REA density increased 6 percentage points (from 12% to 18%) mainly driven by a large decrease in central governments and central banks exposure value.

2020Q4	a	b	c	d	e	f
EURm	Exposures before CCF and CRM		Exposures post-CCF and CRM			
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	REA	REA density
1 Central governments or central banks	59,644	970	63,123	1,718	434	1%
2 Regional governments or local authorities	3,379	5,735	4,570	720	22	0%
3 Public sector entities	25	250	25	125		
4 Multilateral development banks	1,203	20	1,204	2		
5 International organisations	74		74			
6 Institutions	145	0	145	0	29	20%
7 Corporate	2,386	482	2,381	81	2,215	90%
8 Retail	4,594	1,343	4,564	489	3,747	74%
9 Secured by mortgages on immovable property	4,550	633	4,550	93	1,626	35%
10 Exposures in default	77	3	77	0	96	125%
11 Exposures associated with particularly high risk	544	439	544	219	1,145	150%
12 Covered bonds	297		297		30	10%
13 Collective investments undertakings (CIU)	205	255	205	127	333	100%
14 Equity	2,351		2,351		5,156	219%
15 Other items	906		904		745	82%
Total	80,381	10,130	85,013	3,577	15,577	18%

2020Q2						
EURm	Exposures before CCF and CRM		Exposures post-CCF and CRM			
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	REA	REA density
1 Central governments or central banks	82,889	630	86,515	1,104	712	1%
2 Regional governments or local authorities	3,254	5,756	4,375	681	9	0%
3 Public sector entities	25	250	25	125		
4 Multilateral development banks	1,398		1,400			
5 International organisations						
6 Institutions	234	0	235	0	47	20%
7 Corporate	1,478	730	1,477	115	1,545	97%
8 Retail	4,387	1,355	4,354	502	3,600	74%
9 Secured by mortgages on immovable property	4,051	950	4,051	266	1,515	35%
10 Exposures in default	87	3	87	0	111	127%
11 Exposures associated with particularly high risk	444	413	444	206	976	150%
12 Covered bonds	318		318		32	10%
13 Collective investments undertakings (CIU)	203	263	203	131	334	1
14 Equity	1700		1700		3521	2
15 Other items	881		881		728	1
Total	101,350	10,349	106,064	3,131	13,129	12%

Table 19 EU CR5: Standardised approach - credit risk exposures by regulatory portfolio and risk

Exposures shown are on- and off-balance sheet exposures post conversion factor and post risk mitigation techniques. At the end of Q4 2020, the total exposure amount was EUR 88.6 bn. The largest decrease took place in the 0% risk weight bucket, which decreased from EUR 87 bn to EUR 65 bn in central governments or central banks exposures. This decrease was mainly driven by lower volumes in financial and money market activities.A

2020 Q4

EURm	Risk weight															
Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other	Total
Central governments or central banks	64,591				5		85			7		153				64,841
Regional governments or local authorities	5,181				109											5,290
Public sector entities	150															150
Multilateral development banks	1,207															1,207
International organisations	74															74
Institutions					145					0						145
Corporate										2,462						2,462
Retail									5,053							5,053
Secured by mortgages on immovable property						4,609	34									4,643
Exposures in default										39	38					77
Associated with particularly high risk											763					763
Covered bonds				297												297
Institutions and corporates with a short-term credit assessment																
Collective investments undertakings (CIU)										333						333
Equity										481		1,870				2,351
Other items										330					574	904
Total	71,202			297	259	4,609	119		5,053	3,652	801	2,023			574	88,590

2020 Q2

EURm	Risk weight															
Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other	Total
Central governments or central banks	87,238				5		91			24	12	249				87,619
Regional governments or local authorities	5,021				28		7									5,056
Public sector entities	150															150
Multilateral development banks	1,400															1,400
International organisations																
Institutions					236											236
Corporate										1,591						1,591
Retail									4,857							4,857
Secured by mortgages on immovable property						4,277	40									4,317
Exposures in default										39	48					87
Associated with particularly high risk											650					650
Covered bonds				318												318
Institutions and corporates with a short-term credit assessment																
Collective investments undertakings (CIU)										334						334
Equity										487		1,214				1,700
Other items										321					560	881
Total	93,809			318	269	4,277	138		4,857	2,797	710	1,463			560	109,196

Table 20 EU CR6 Total IRB: Credit risk exposures by portfolio and PD scale

The following tables show a 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 CCR exposures and the amounts are broken down by exposure class and obligor grade. From Q3 to Q4 2020, REA increased by EUR 1.6bn. The main driver of the increase was the acquisition of SG Finans, with an impact of EUR 1.5bn to REA.

2020Q4, EURm

PD scale	Original exposure	Off-balance exposure	Average CCF	EAD	Average PD	Number of obligors. '000	Average LGD	Average maturity	REA	REA density	Value adj. and EL provision	
Total IRB exposures												
0.00 to < 0.15	157,869	43,768	57%	183,170	0.09%	1,236,710	18.6%	2.5	21,375	12%	30	23
0.15 to < 0.25	44,240	14,451	49%	51,380	0.20%	591,242	22.2%	2.5	10,895	21%	23	26
0.25 to < 0.50	57,929	24,955	47%	68,776	0.41%	475,297	24.8%	2.4	25,276	37%	71	95
0.50 to < 0.75	6,307	1,060	53%	6,600	0.60%	167,855	19.9%	2.5	1,325	20%	8	11
0.75 to < 2.50	34,585	13,697	49%	38,433	1.18%	414,049	25.0%	2.5	18,171	47%	113	290
2.50 to < 10.00	8,557	2,285	37%	8,735	4.37%	204,062	24.7%	2.6	4,730	54%	83	200
10.00 to < 100	5,707	2,026	32%	5,545	21.72%	96,090	26.4%	2.6	5,634	102%	294	308
100 (Default)	4,674	713	11%	4,390	100.00%	102,244	26.6%	2.5	6,679	152%	1,297	1,666
Total	319,868	102,953	51%	367,030	1.91%	3,287,549	21.3%	2.5	94,084	26%	1,919	2,619

2020Q3 , EURm

PD scale	Original exposure	balance exposure	Average CCF	EAD	Average PD	Number of obligors. '000	Average LGD	Average maturity	REA	REA density	adj. and EL provision	
Total IRB exposures												
0.00 to < 0.15	151,499	42,719	56%	175,893	0.09%	1,277,379	18.5%	2.5	20,262	12%	29	19
0.15 to < 0.25	43,591	14,975	50%	50,968	0.20%	605,926	22.4%	2.5	11,325	22%	23	21
0.25 to < 0.50	57,250	23,558	48%	67,844	0.41%	496,415	24.8%	2.4	25,259	37%	70	77
0.50 to < 0.75	6,114	981	50%	6,350	0.60%	173,730	19.8%	2.5	1,237	19%	8	15
0.75 to < 2.50	34,086	13,615	49%	37,966	1.18%	468,231	25.1%	2.5	17,879	47%	112	300
2.50 to < 10.00	7,507	3,026	44%	8,150	4.3%	224,233	26.1%	2.4	4,709	58%	90	189
10.00 to < 100	5,055	1,782	31%	4,807	21.6%	94,855	26.9%	2.5	4,897	102%	279	272
100 (Default)	4,909	661	11%	4,656	100.0%	105,690	26.4%	2.4	6,891	148%	1,407	1,824
Total	310,010	101,317	52%	356,634	1.98%	3,446,458	21.4%	2.5	92,460	26%	2,018	2,716

Table 21 EU CR6 FIRB Institutions: Credit risk exposures by PD scale

Institution portfolio REA decreased in Q4 driven by a decline in facilities and covered bond volumes.

2020Q4 , EURm

PD scale	Original exposure	Off-balance exposure	Average CCF	EAD	Average PD	Number of obligors. '000	Average LGD	Average maturity	REA	REA density	EL	Value adj. and provision
Institutions - FIRB												
0.00 to < 0.15	27,076	2,215	45%	28,309	0.06%	619	14.4%	2.5	2,744	10%	3	1
0.15 to < 0.25	26	45	20%	47	0.17%	69	44.5%	2.5	22	48%	0	0
0.25 to < 0.50	185	829	30%	564	0.37%	154	37.7%	2.6	320	57%	1	1
0.50 to < 0.75	112	207	50%	211	0.66%	84	44.9%	2.5	194	92%	1	0
0.75 to < 2.50	16	31	23%	22	1.18%	48	45.0%	2.5	27	122%	0	0
2.50 to < 10.00	33	172	22%	54	5.00%	36	45.0%	2.5	98	181%	1	0
10.00 to < 100	34	1	6%	34	28.54%	134	45.0%	2.5	99	293%	4	0
100 (Default)												
Total	27,481	3,501	41%	29,241	0.12%	1,144	15.3%	2.5	3,503	12%	10	3

2020Q3 , EURm

PD scale	Original exposure	Off-balance exposure	Average CCF	EAD	Average PD	Number of obligors. '000	Average LGD	Average maturity	REA	REA density	EL	Value adj. and provision
Institutions - FIRB												
0.00 to < 0.15	28,629	2,096	47%	29,796	0.07%	655	14.2%	2.5	2,915	10%	3	1
0.15 to < 0.25	35	38	19%	42	0.17%	75	44.5%	2.5	20	48%		
0.25 to < 0.50	197	1,257	49%	950	0.38%	160	40.7%	2.6	585	62%	1	
0.50 to < 0.75	136	115	22%	162	0.66%	82	44.9%	2.5	156	97%		1
0.75 to < 2.50	27	103	19%	46	1.10%	47	45.0%	2.5	51	111%		
2.50 to < 10.00	15	185	21%	32	6.88%	46	45.0%	2.5	64	198%	1	2
10.00 to < 100	37	2	4%	37	28.0%	184	44.8%	2.5	106	287%	5	
100 (Default)	5			5	100.0%	1	45.0%	2.5			2	4
Total	29,080	3,796	45%	31,070	0.14%	1,250	15.4%	2.5	3,897	13%	13	8

Table 22 EU CR6 IRB Corporates: Credit risk exposures by PD scale

Corporate portfolio REA increased in Q4 driven by acquisition of SG Finans with an impact of EUR 1.5bn to REA. Exposure was added to rating bucket 0.50 to < 0.75 due to new rating models inherited from SG Finans, the 124 EURm total exposure in rating bucket 0.50 to < 0.75 came entirely from SG Finans, and is roughly 8% of SG Finans' total exposure. SG Finans also increased the number of obligors by 60%.

2020Q4 , EURm

PD scale	Original exposure	Off-balance exposure	Average CCF	EAD	Average PD	Number of obligors. '000	Average LGD	Average maturity	REA	REA density	EL	Value adj. and provision
Corporate - IRB, Total												
0.00 to < 0.15	33,760	24,083	49%	45,933	0.09%	12,248	28.5%	2.3	9,923	22%	13	15
0.15 to < 0.25	14,923	8,942	48%	19,448	0.22%	4,519	29.4%	2.4	7,649	39%	13	19
0.25 to < 0.50	36,613	20,765	46%	45,611	0.44%	13,011	27.7%	2.3	21,968	48%	55	82
0.50 to < 0.75	122	2	100%	124	0.5%	49	24.3%	3.6	49	39%	0	0
0.75 to < 2.50	22,680	11,204	46%	25,574	1.13%	21,298	27.6%	2.4	14,739	58%	79	194
2.50 to < 10.00	3,774	1,408	31%	3,781	4.05%	24,185	26.1%	2.8	2,557	68%	29	83
10.00 to < 100	3,751	1,492	35%	3,555	20.68%	23,422	28.3%	2.6	4,073	115%	188	211
100 (Default)	2,937	554	0%	2,598	100.00%	2,082	29.7%	2.5	2,391	92%	1,210	1,285
Total	118,560	68,448	47%	146,625	2.77%	100,814	28.2%	2.4	63,348	43%	1,586	1,889
Corporate - AIRB, Total												
0.00 to < 0.15	31,588	23,228	51%	42,901	0.09%	11,420	27.6%	2.3	8,881	21%	11	10
0.15 to < 0.25	14,051	8,508	50%	18,542	0.22%	4,093	28.8%	2.4	7,282	39%	12	16
0.25 to < 0.50	34,404	19,687	48%	43,549	0.44%	11,488	27.0%	2.3	20,761	48%	51	64
0.50 to < 0.75	122	2	100%	124	0	49	24.3%	3.6	49	39%	0	0
0.75 to < 2.50	20,622	9,993	50%	23,423	1.13%	19,650	26.2%	2.4	13,006	56%	68	168
2.50 to < 10.00	3,161	1,002	46%	3,440	4.09%	23,275	24.5%	2.9	2,186	64%	24	66
10.00 to < 100	2,968	1,065	49%	3,050	20.27%	20,490	26.0%	2.7	3,114	102%	138	179
100 (Default)	2,808	513		2,472	100.00%	1,970	29.0%	2.5	2,391	97%	1,156	1,239
Total	109,724	63,999	49%	137,501	2.74%	92,435	27.2%	2.4	57,670	42%	1,461	1,742
Corporate - AIRB, Corporates (exluding SMEs and specialised lending)												
0.00 to < 0.15	14,743	21,296	51%	24,176	0.11%	2,267	31.2%	2.2	6,405	26%	8	8
0.15 to < 0.25	9,911	7,643	49%	13,085	0.22%	1,600	30.1%	2.3	5,655	43%	9	14
0.25 to < 0.50	22,817	17,437	47%	29,191	0.44%	4,244	28.2%	2.3	15,226	52%	36	47
0.50 to < 0.75	122	2	100%	124	0.50%	48	24.3%	3.6	49	39%	0	0
0.75 to < 2.50	11,043	8,364	48%	12,425	1.12%	5,308	28.2%	2.4	8,289	67%	39	116
2.50 to < 10.00	975	801	42%	1,226	3.78%	3,010	29.3%	2.4	1,146	93%	12	36
10.00 to < 100	1,190	752	47%	1,297	19.77%	6,725	29.3%	2.4	1,797	139%	74	94
100 (Default)	1,575	354		1,428	100.00%	486	30.8%	2.5	1,154	81%	708	736
Sub-total	62,375	56,648	48%	82,952	2.47%	23,688	29.4%	2.3	39,721	48%	886	1,050
Corporate - AIRB, SMEs (excluding specialised lending)												
0.00 to < 0.15	16,827	1,924	55%	18,703	0.07%	9,151	22.9%	2.4	2,467	13%	3	2
0.15 to < 0.25	4,133	865	53%	5,449	0.22%	2,492	25.6%	2.6	1,625	30%	3	2
0.25 to < 0.50	11,510	2,240	54%	14,288	0.44%	7,241	24.5%	2.5	5,501	39%	16	17
0.50 to < 0.75												
0.75 to < 2.50	9,579	1,629	57%	10,998	1.13%	14,338	24.0%	2.5	4,716	43%	29	52
2.50 to < 10.00	2,186	201	56%	2,214	4.26%	20,259	21.9%	3.1	1,040	47%	11	30
10.00 to < 100	1,778	313	54%	1,753	20.64%	13,760	23.6%	2.8	1,317	75%	65	85
100 (Default)	1,225	157		1,036	100.00%	1,484	26.6%	2.5	1,227	118%	448	502
Sub-total	47,238	7,330	54%	54,440	3.13%	68,725	23.9%	2.5	17,894	33%	575	691
Corporate - AIRB, Specialised lending												
0.00 to < 0.15	18	8	57%	23	0.12%	2	36.3%	4.0	8	34%	0	
0.15 to < 0.25	7			7	0.22%	1	36.6%	1.9	3	38%	0	
0.25 to < 0.50	77	10	56%	70	0.48%	2	36.1%	1.3	34	49%	0	
0.50 to < 0.75												
0.75 to < 2.50												
2.50 to < 10.00												
10.00 to < 100												
100 (Default)	9	3		9	100.00%	1	25.1%	2.5	10	115%	0	0
Sub-total	111	21	49%	109	8.35%	6	35.3%	2.0	55	50%	1	0

Corporate - FIRB, Total												
0.00 to < 0.15	2,172	854	6%	3,032	0.11%	2,279	41.9%	2.5	1,042	34%	1	5
0.15 to < 0.25	872	434	9%	906	0.22%	1,379	41.5%	2.5	367	40%	1	3
0.25 to < 0.50	2,209	1,077	8%	2,062	0.45%	3,985	42.5%	2.5	1,207	59%	4	18
0.50 to < 0.75												
0.75 to < 2.50	2,058	1,210	14%	2,151	1.16%	4,781	42.4%	2.5	1,733	81%	11	26
2.50 to < 10.00	612	406	2%	341	3.61%	1,761	42.5%	2.5	371	109%	5	17
10.00 to < 100	782	427	4%	505	23.12%	5,337	42.2%	2.5	958	190%	50	33
100 (Default)	129	41	1%	126	100.00%	382	42.6%	2.5	0	0%	54	46
Total	8,836	4,449	8%	9,123	3.23%	19,904	42.2%	2.5	5,678	62%	125	148
Corporate - FIRB, Corporates (excluding SMEs and specialised lending)												
0.00 to < 0.15	1,677	686	7%	2,171	0.10%	917	41.7%	2.5	833	38%	1	5
0.15 to < 0.25	384	306	9%	369	0.22%	490	43.2%	2.5	179	48%	0	2
0.25 to < 0.50	1,421	836	8%	1,243	0.45%	1,655	42.9%	2.5	840	68%	2	15
0.50 to < 0.75												
0.75 to < 2.50	1,079	852	15%	1,142	1.09%	1,569	42.7%	2.5	1,096	96%	5	11
2.50 to < 10.00	404	322	2%	133	3.61%	782	43.4%	2.5	193	145%	2	11
10.00 to < 100	540	310	6%	274	25.67%	2,299	43.0%	2.5	643	234%	30	19
100 (Default)	65	19	0%	63	100.00%	87	42.3%	2.5	0	0%	27	22
Total	5,571	3,332	9%	5,395	2.95%	7,799	42.4%	2.5	3,784	70%	68	84
Corporate - FIRB, SMEs (excluding specialised lending)												
0.00 to < 0.15	495	168	3%	861	0.13%	1,362	42.4%	2.5	209	24%	0	1
0.15 to < 0.25	488	128	8%	537	0.22%	889	40.3%	2.5	188	35%	0	1
0.25 to < 0.50	788	242	5%	819	0.45%	2,330	41.9%	2.5	367	45%	2	2
0.50 to < 0.75												
0.75 to < 2.50	979	359	11%	1,010	1.24%	3,212	42.0%	2.5	638	63%	5	15
2.50 to < 10.00	209	83	2%	208	3.61%	979	41.9%	2.5	177	85%	3	6
10.00 to < 100	242	117	1%	230	20.08%	3,038	41.2%	2.5	315	137%	19	14
100 (Default)	64	21	2%	63	100.00%	295	42.9%	2.5	0	0%	27	25
Sub-total	3,264	1,118	6%	3,728	3.64%	12,105	41.8%	2.5	1,894	51%	57	63
Corporate - FIRB, Specialised Lending												
0.00 to < 0.15												
0.15 to < 0.25												
0.25 to < 0.50												
0.50 to < 0.75[1]												
0.75 to < 2.50												
2.50 to < 10.00												
10.00 to < 100												
100 (Default)												
Sub-total												

[1]For corporate exposure class the bucket 4 is empty, since no regulatory PD in the range 0.5% - 0.75%.

2020Q3 , EURm

PD scale	Original exposure	Off-balance exposure	Average CCF	EAD	Average PD	Number of obligors. '000	Average LGD	Average maturity	REA	REA density	EL	Value adj. and provision
Corporate - IRB, Total												
0.00 to < 0.15	32,058	23,540	49%	43,628	0.09%	12,160	28.5%	2.3	9,395	22%	12	11
0.15 to < 0.25	15,085	9,499	49%	19,907	0.22%	4,563	29.7%	2.4	8,189	41%	13	14
0.25 to < 0.50	35,902	18,975	47%	44,297	0.44%	13,115	27.6%	2.4	21,688	49%	54	63
0.50 to < 0.751												
0.75 to < 2.50	21,763	10,937	46%	24,616	1.11%	13,082	27.8%	2.5	14,282	58%	77	203
2.50 to < 10.00	2,493	2,148	43%	2,972	3.61%	4,031	30.6%	2.3	2,455	83%	33	75
10.00 to < 100	3,003	1,278	34%	2,729	20.28%	14,638	29.8%	2.5	3,273	120%	167	176
100 (Default)	3,056	518		2,754	100.00%	1,572	29.3%	2.4	2,382	86%	1,308	1,419
Total	113,359	66,895	47%	140,904	2.82%	63,161	28.4%	2.4	61,664	44%	1,664	1,961
Corporate - AIRB, Total												
0.00 to < 0.15	29,769	22,658	50%	40,745	0.09%	11,336	27.6%	2.3	8,410	21%	11	10
0.15 to < 0.25	14,055	9,097	51%	18,806	0.22%	4,127	29.0%	2.4	7,733	41%	12	13
0.25 to < 0.50	33,872	17,969	50%	42,251	0.44%	11,643	26.9%	2.4	20,470	48%	50	56
0.50 to < 0.751												
0.75 to < 2.50	19,635	9,700	50%	22,437	1.11%	11,439	26.4%	2.5	12,538	56%	66	176
2.50 to < 10.00	1,920	1,699	54%	2,617	3.61%	3,103	29.0%	2.2	2,067	79%	27	52
10.00 to < 100	2,222	860	50%	2,230	19.91%	11,845	27.1%	2.6	2,366	106%	122	140
100 (Default)	2,946	477	0%	2,647	100.00%	1,463	28.7%	2.4	2,382	90%	1,262	1,373
Total	104,419	62,461	50%	131,733	2.81%	54,956	27.4%	2.4	55,965	42%	1,551	1,818
Corporate - AIRB, Corporates (exluding SMEs and specialised lending)												
0.00 to < 0.15	13,853	20,692	50%	22,863	0.11%	2,217	31.2%	2.2	5,918	26%	8	8
0.15 to < 0.25	10,093	8,293	50%	13,247	0.22%	1,621	30.5%	2.3	6,046	46%	9	11
0.25 to < 0.50	22,634	15,743	49%	28,504	0.44%	4,341	28.1%	2.3	15,309	54%	35	44
0.50 to < 0.751												
0.75 to < 2.50	11,099	8,196	48%	12,399	1.09%	4,111	28.2%	2.4	8,202	66%	39	119
2.50 to < 10.00	885	1,513	53%	1,594	3.61%	1,154	32.1%	2.1	1,561	98%	18	26
10.00 to < 100	934	530	48%	955	22.24%	5,876	29.6%	2.6	1,378	144%	64	61
100 (Default)	1,697	321		1,585	100.00%	410	30.4%	2.3	1,167	74%	842	902
Sub-total	61,195	55,288	49%	81,147	2.67%	19,730	29.5%	2.3	39,581	49%	1,014	1,170
Corporate - AIRB, SMEs (excluding specialised lending)												
0.00 to < 0.15	15,898	1,950	53%	17,857	0.07%	9,117	22.9%	2.4	2,482	14%	3	1
0.15 to < 0.25	3,955	804	54%	5,552	0.22%	2,505	25.4%	2.7	1,684	30%	3	2
0.25 to < 0.50	11,161	2,225	53%	13,683	0.45%	7,300	24.3%	2.4	5,130	37%	15	12
0.50 to < 0.751												
0.75 to < 2.50	8,536	1,505	56%	10,038	1.13%	7,328	24.1%	2.5	4,337	43%	28	57
2.50 to < 10.00	1,035	186	56%	1,023	3.61%	1,949	24.3%	2.5	506	49%	9	26
10.00 to < 100	1,288	330	54%	1,275	18.17%	5,969	25.3%	2.5	988	78%	58	79
100 (Default)	1,241	154		1,054	100.00%	1,053	26.3%	2.5	1,206	114%	420	470
Sub-total	43,114	7,153	53%	50,480	3.02%	35,221	24.0%	2.5	16,331	32%	536	648
Corporate - AIRB, Specialised lending												
0.00 to < 0.15	19	17	40%	25	0.15%	2	36.3%	4.1	10	40%		
0.15 to < 0.25	7			7	0.22%	1	36.6%	2.2	3	40%		
0.25 to < 0.50	77	0	20%	64	0.47%	2	36.1%	1.3	31	48%		
0.50 to < 0.751												
0.75 to < 2.50												
2.50 to < 10.00												
10.00 to < 100												
100 (Default)	8	3		8	100.00%	1	25.1%	2.5	9	115%	1	1
Sub-total	111	20	34%	105	8.20%	6	35.3%	2.1	53	51%	1	1

2020Q3, EURm

PD scale	Original exposure	Off-balance exposure	Average CCF	EAD	Average PD	Number of obligors. '000	Average LGD	2.5	REA	REA density	EL	Value adj. and provision
Corporate - FIRB, Total								2.5				
0.00 to < 0.15	2,289	882	6%	2,883	0.10%	2,300	42.1%	2.5	986	34%	1	1
0.15 to < 0.25	1,030	402	9%	1,101	0.22%	1,420	41.2%	2.5	456	41%	1	2
0.25 to < 0.50	2,030	1,006	8%	2,047	0.45%	3,932	42.8%	2.5	1,219	60%	4	7
0.50 to < 0.751												
0.75 to < 2.50	2,128	1,237	14%	2,179	1.16%	4,861	42.3%	2.5	1,743	80%	11	27
2.50 to < 10.00	573	449	2%	355	3.61%	1,786	41.9%	2.5	387	109%	5	23
10.00 to < 100	781	418	3%	499	21.93%	5,279	41.5%	2.5	907	182%	45	37
100 (Default)	110	41		107	100.00%	368	42.7%	2.5			46	46
Total	8,940	4,434	8%	9,171	2.93%	19,946	42.1%	2.5	5,699	62%	113	142
Corporate - FIRB, Corporates (excluding SMEs and specialised lending)												
0.00 to < 0.15	1,766	706	6%	2,117	0.10%	897	42.2%	2.5	781	37%	1	1
0.15 to < 0.25	513	265	10%	529	0.22%	515	42.5%	2.5	251	47%		1
0.25 to < 0.50	1,228	746	8%	1,222	0.45%	1,637	43.6%	2.5	854	70%	2	5
0.50 to < 0.751												
0.75 to < 2.50	1,110	877	15%	1,117	1.07%	1,577	42.7%	2.5	1,080	97%	5	9
2.50 to < 10.00	372	358	2%	155	3.61%	759	42.0%	2.5	220	141%	2	17
10.00 to < 100	528	288	5%	256	24.28%	2,175	41.9%	2.5	574	224%	26	18
100 (Default)	57	21		55	100.00%	83	42.5%	2.5			23	21
Total	5,574	3,259	8%	5,452	2.64%	7,643	42.6%	2.5	3,759	69%	61	72
Corporate - FIRB, SMEs (excluding specialised lending)												
0.00 to < 0.15	523	176	4%	767	0.12%	1,403	42.0%	2.5	205	27%	0	1
0.15 to < 0.25	518	137	7%	572	0.22%	905	40.0%	2.5	205	36%	1	1
0.25 to < 0.50	802	261	5%	825	0.45%	2,295	41.6%	2.5	365	44%	2	2
0.50 to < 0.751												
0.75 to < 2.50	1,018	360	12%	1,062	1.24%	3,284	41.8%	2.5	663	62%	6	18
2.50 to < 10.00	201	91	3%	199	3.61%	1,027	41.9%	2.5	168	84%	3	5
10.00 to < 100	253	130	1%	243	19.44%	3,104	41.0%	2.5	333	137%	20	19
100 (Default)	53	20		52	100.00%	285	42.9%	2.5			22	25
Sub-total	3,366	1,175	6%	3,719	3.36%	12,303	41.5%	2.5	1,940	52%	53	71
Corporate - FIRB, Specialised Lending												
0.00 to < 0.15												
0.15 to < 0.25												
0.25 to < 0.50												
0.50 to < 0.75[1]												
0.75 to < 2.50												
2.50 to < 10.00												
10.00 to < 100												
100 (Default)												
Sub-total												

Table 23 EU CR6 IRB Retail: Credit risk exposures by PD scale

The increase in retail portfolio REA in Q4 2020 was primarily driven by increased residential mortgage loan volumes, partly offset by favorable scoring migration.

2020Q4 , EURm

PD scale	Original exposure	Off-balance exposure	Average CCF	EAD	Average PD	Number of obligors. '000	Average LGD	Average maturity	REA	REA density	EL	Value adj. and provision
Retail - RIRB, total												
0.00 to < 0.15	97,033	17,471	68%	108,929	0.09%	1,223,843	15.5%	2.5	8,708	8%	15	7
0.15 to < 0.25	29,291	5,463	52%	31,885	0.19%	586,654	17.7%	2.5	3,223	10%	10	7
0.25 to < 0.50	21,131	3,361	56%	22,602	0.35%	462,132	18.5%	2.5	2,988	13%	15	13
0.50 to < 0.75	6,074	850	53%	6,265	0.60%	167,722	19.0%	2.5	1,083	17%	7	11
0.75 to < 2.50	11,889	2,461	64%	12,837	1.29%	392,703	19.9%	2.5	3,405	27%	33	96
2.50 to < 10.00	4,751	705	49%	4,900	4.62%	179,841	23.4%	2.5	2,076	42%	53	117
10.00 to < 100	1,923	534	23%	1,956	23.50%	72,534	22.6%	2.5	1,463	75%	102	97
100 (Default)	1,737	159	51%	1,791	100.00%	100,162	22.1%	2.5	4,288	239%	87	380
Total	173,828	31,004	62%	191,165	1.52%	3,185,591	17.0%	2.5	27,234	14%	323	727
Retail - RIRB, Non-SME (excluding exposures secured by immovable property)												
0.00 to < 0.15	5,175	8,290	56%	9,729	0.09%	1,040,513	30.4%	2.5	719	7%	3	3
0.15 to < 0.25	3,535	4,168	48%	5,283	0.19%	552,023	28.9%	2.5	622	12%	3	5
0.25 to < 0.50	3,873	2,623	52%	4,844	0.36%	440,776	29.1%	2.5	879	18%	5	9
0.50 to < 0.75	1,518	595	46%	1,537	0.60%	155,928	29.0%	2.5	374	24%	3	8
0.75 to < 2.50	3,088	1,628	61%	3,523	1.32%	346,207	30.2%	2.5	1,242	35%	14	74
2.50 to < 10.00	3,336	567	41%	3,405	4.48%	153,885	25.5%	2.5	1,341	39%	39	101
10.00 to < 100	1,063	405	21%	1,071	21.60%	64,740	26.7%	2.5	683	64%	62	82
100 (Default)	607	115	51%	642	100.00%	90,412	31.3%	2.5	2,107	328%	64	281
Sub-total	22,193	18,391	52%	30,033	3.72%	2,844,484	29.2%	2.5	7,967	27%	193	563
Retail - RIRB, SME (excluding exposures secured by immovable property)												
0.00 to < 0.15	1	3	66%	3	0.09%	1,719	32.3%	2.5	0	7%	0	0
0.15 to < 0.25	13	8	67%	19	0.20%	3,387	34.0%	2.5	2	13%	0	0
0.25 to < 0.50	21	73	66%	68	0.39%	4,358	29.6%	2.5	12	18%	0	0
0.50 to < 0.75	41	72	80%	95	0.60%	6,040	28.3%	2.5	20	21%	0	0
0.75 to < 2.50	539	305	75%	689	1.51%	32,651	28.3%	2.5	205	30%	3	7
2.50 to < 10.00	313	95	82%	355	4.90%	23,666	28.6%	2.5	136	38%	5	12
10.00 to < 100	136	110	18%	144	23.52%	6,541	30.4%	2.5	100	70%	10	5
100 (Default)	93	39	50%	109	100.00%	7,255	30.7%	2.5	367	337%	12	54
Sub-total	1,157	704	65%	1,481	11.58%	85,617	28.9%	2.5	843	57%	30	78
Retail - RIRB, SME exposures secured by immovable property												
0.00 to < 0.15	4	12	40%	9	0.09%	881	17.1%	2.5	0	3%	0	0
0.15 to < 0.25	339	22	40%	348	0.20%	5,982	17.1%	2.5	19	6%	0	0
0.25 to < 0.50	134	24	52%	147	0.35%	2,447	16.7%	2.5	13	9%	0	0
0.50 to < 0.75	89	16	49%	97	0.60%	1,449	16.7%	2.5	13	13%	0	0
0.75 to < 2.50	377	76	46%	412	1.32%	7,696	17.4%	2.5	93	23%	1	2
2.50 to < 10.00	52	7	47%	55	3.93%	1,028	16.6%	2.5	23	41%	0	1
10.00 to < 100	16	1	54%	17	25.84%	269	16.0%	2.5	14	82%	1	0
100 (Default)	19	3	61%	20	100.00%	545	17.4%	2.5	42	208%	0	3
Sub-total	1,030	162	47%	1,105	3.09%	20,297	17.1%	2.5	217	20%	3	6
Retail - RIRB, Non-SME exposures secured by immovable property												
0.00 to < 0.15	91,853	9,166	80%	99,188	0.09%	632,286	14.0%	2.5	7,989	8%	12	3
0.15 to < 0.25	25,404	1,265	66%	26,236	0.19%	183,722	15.5%	2.5	2,580	10%	8	2
0.25 to < 0.50	17,102	641	69%	17,543	0.35%	116,803	15.6%	2.5	2,085	12%	10	3
0.50 to < 0.75	4,425	168	65%	4,535	0.60%	33,407	15.4%	2.5	676	15%	4	2
0.75 to < 2.50	7,885	452	73%	8,213	1.26%	58,417	14.9%	2.5	1,865	23%	15	14
2.50 to < 10.00	1,051	36	1	1,085	4.99%	7,218	15.4%	2.5	576	53%	8	4
10.00 to < 100	709	17	1	725	26.26%	6,315	15.2%	2.5	666	92%	29	9
100 (Default)	1,019	2	67%	1,020	100.00%	10,001	15.6%	2.5	1,771	174%	11	42
Sub-total	149,449	11,748	77%	158,545	1.00%	1,048,169	14.5%	2.5	18,207	11%	98	80

2020Q3 , EURm

PD scale	Original exposure	Off-balance exposure	Average CCF	EAD	Average PD	Number of obligors. '000	Average LGD	Average maturity	REA	REA density	EL	Value adj. and provision
Retail - RIRB, total												
0.00 to < 0.15	90,812	17,084	69%	102,469	0.09%	1,264,564	15.5%	2.5	7,952	8%	14	6
0.15 to < 0.25	28,471	5,437	52%	31,019	0.19%	601,287	17.7%	2.5	3,116	10%	10	7
0.25 to < 0.50	21,152	3,326	55%	22,597	0.35%	483,140	18.5%	2.5	2,986	13%	15	14
0.50 to < 0.75	5,977	866	53%	6,189	0.60%	173,648	19.2%	2.5	1,081	17%	7	14
0.75 to < 2.50	12,296	2,576	64%	13,304	1.29%	455,102	20.0%	2.5	3,546	27%	35	97
2.50 to < 10.00	4,999	693	51%	5,146	4.64%	220,156	23.4%	2.5	2,191	43%	56	113
10.00 to < 100	2,015	502	25%	2,041	23.33%	80,033	22.8%	2.5	1,517	74%	107	95
100 (Default)	1,847	143	52%	1,896	100.00%	104,117	22.2%	2.5	4,509	238%	97	401
Total	167,570	30,626	62%	184,660	1.65%	3,382,047	17.0%	2.5	26,899	15%	341	747
Retail - RIRB, Non-SME (excluding exposures secured by immovable property)												
0.00 to < 0.15	4,987	7,806	56%	9,271	0.09%	1,085,746	30.5%	2.5	689	7%	3	3
0.15 to < 0.25	3,444	4,010	48%	5,100	0.19%	567,396	28.9%	2.5	601	12%	3	5
0.25 to < 0.50	3,772	2,518	52%	4,693	0.36%	461,801	29.2%	2.5	856	18%	5	10
0.50 to < 0.75	1,462	612	47%	1,501	0.60%	161,424	29.7%	2.5	374	25%	3	12
0.75 to < 2.50	3,182	1,712	61%	3,661	1.34%	407,125	30.4%	2.5	1,303	36%	15	76
2.50 to < 10.00	3,499	551	42%	3,562	4.49%	193,098	25.6%	2.5	1,408	40%	41	99
10.00 to < 100	1,146	375	24%	1,146	21.55%	71,396	26.7%	2.5	731	64%	66	82
100 (Default)	654	97	51%	682	100.00%	94,059	31.4%	2.5	2,217	325%	74	303
Sub-total	22,144	17,680	53%	29,615	3.99%	3,042,045	29.3%	2.5	8,178	28%	209	590
Retail - RIRB, SME (excluding exposures secured by immovable property)												
0.00 to < 0.15	1	2	65%	3	0.09%	1,758	32.1%	2.5		6%		
0.15 to < 0.25	14	10	66%	21	0.21%	3,830	34.3%	2.5	3	13%		
0.25 to < 0.50	21	73	65%	68	0.39%	4,343	29.3%	2.5	12	18%		
0.50 to < 0.75	43	69	81%	97	0.60%	6,004	28.3%	2.5	20	21%		
0.75 to < 2.50	520	304	75%	675	1.51%	33,648	28.2%	2.5	200	30%	3	6
2.50 to < 10.00	316	97	82%	360	5.01%	24,796	28.4%	2.5	138	38%	5	10
10.00 to < 100	144	109	18%	154	23.36%	7,306	30.0%	2.5	104	68%	11	5
100 (Default)	97	40	52%	113	100.00%	7,512	30.4%	2.5	381	336%	12	53
Sub-total	1,157	705	65%	1,491	11.97%	89,197	28.7%	2.5	858	58%	31	75
Retail - RIRB, SME exposures secured by immovable property												
0.00 to < 0.15	7	12	40%	11	0.09%	905	16.3%	2.5		3%		
0.15 to < 0.25	329	22	41%	338	0.20%	5,837	17.1%	2.5	19	6%		
0.25 to < 0.50	149	24	52%	161	0.35%	2,645	16.7%	2.5	13	8%		
0.50 to < 0.75	88	16	50%	96	0.60%	1,473	16.7%	2.5	13	13%		
0.75 to < 2.50	394	77	46%	430	1.32%	7,882	17.4%	2.5	97	23%	1	1
2.50 to < 10.00	52	8	47%	55	3.99%	1,085	16.5%	2.5	23	41%		
10.00 to < 100	20	1	53%	21	25.77%	319	16.0%	2.5	17	81%	1	
100 (Default)	21	3	65%	23	100.00%	594	17.6%	2.5	48	211%		3
Sub-total	1,059	163	47%	1,135	3.33%	20,740	17.1%	2.5	230	20%	3	6
Retail - RIRB, Non-SME exposures secured by immovable property												
0.00 to < 0.15	85,818	9,263	80%	93,184	0.09%	626,313	14.0%	2.5	7,263	8%	12	3
0.15 to < 0.25	24,685	1,394	63%	25,560	0.18%	186,370	15.5%	2.5	2,494	10%	7	2
0.25 to < 0.50	17,210	711	65%	17,675	0.35%	121,492	15.6%	2.5	2,104	12%	10	3
0.50 to < 0.75	4,385	169	66%	4,496	0.60%	34,453	15.5%	2.5	674	15%	4	2
0.75 to < 2.50	8,201	483	70%	8,538	1.25%	61,636	15.1%	2.5	1,947	23%	16	13
2.50 to < 10.00	1,132	37	1	1,168	5.04%	7,755	15.4%	2.5	622	53%	9	3
10.00 to < 100	704	17	1	721	26.08%	6,588	15.3%	2.5	665	92%	29	8
100 (Default)	1,076	3	67%	1,078	100.00%	10,515	15.6%	2.5	1,863	173%	11	42
Sub-total	143,210	12,078	76%	152,419	1.08%	1,055,122	14.5%	2.5	17,633	12%	98	77

Table 24 EU CR7: Effect on REA of credit derivatives used as CRM techniques

Except for the synthetic securitisation of certain corporate exposures, Nordea does not use credit derivatives as a credit risk mitigation technique in the banking book. The most significant REA movements from Q2 2020 to Q4 2020 were seen in other non credit-obligation assets, which increased by EUR 1.5bn.

2020Q4

EURm	Pre-credit derivatives REA	Actual REA
Exposures under Foundation IRB		
Central governments and central banks		
Institutions	3,503	3,503
Corporates - SME	1,894	1,894
Corporates - Specialised Lending		
Corporates - Other	3,784	3,784
Exposures under Advanced IRB		
Central governments and central banks		
Institutions		
Corporates - SME	17,894	17,894
Corporates - Specialised Lending	55	55
Corporates - Other	39,721	39,721
Retail - Secured by real estate SME	217	217
Retail - Secured by real estate non-SME	18,207	18,207
Retail - Qualifying revolving		
Retail - Other SME	843	843
Retail - Other non-SME	7,967	7,967
Equity IRB		
Other non credit-obligation assets	4,329	4,329
Total	98,414	98,414

2020Q2

EURm	Pre-credit derivatives REA	Actual REA
Exposures under Foundation IRB		
Central governments and central banks		
Institutions	4,059	4,059
Corporates - SME	2,209	2,209
Corporates - Specialised Lending		
Corporates - Other	3,797	3,797
Exposures under Advanced IRB		
Central governments and central banks		
Institutions		
Corporates - SME	17,600	17,600
Corporates - Specialised Lending	58	58
Corporates - Other	39,368	39,368
Retail - Secured by real estate SME	231	231
Retail - Secured by real estate non-SME	17,394	17,394
Retail - Qualifying revolving		
Retail - Other SME	839	839
Retail - Other non-SME	8,441	8,441
Equity IRB		
Other non credit-obligation assets	2,788	2,788
Total	96,785	96,785

Table 25 EU CR8: REA flow statements of credit risk exposures under IRB

During the fourth quarter the IRB REA increased by EUR 3.0bn, mainly driven by the acquisition of SG Finans and FX effects.

Changed treatment of software assets[1] and increased REA in Other IRB portfolio further contributed to the REA increase during the quarter. This was partly offset by decreased asset size and improved asset quality.

	EURm	REA	Capital requirement
1	REA 2020Q3	95,380	7,630
2	Asset size	-1,129	-90
3	Asset quality	-586	-47
4	Model updates		
5	Methodology and policy[1]	870	70
6	Acquisitions and disposals	1,491	119
7	Foreign exchange movements	1,424	114
8	Other	963	77
9	REA 2020Q4	98,414	7,873

	EURm	REA	Capital requirement
1	REA 2020Q2	96,785	7,743
2	Asset size	1,353	108
3	Asset quality	-722	-58
4	Model updates		
5	Methodology and policy[2]	-794	-64
6	Acquisitions and disposals		
7	Foreign exchange movements	-1,380	-110
8	Other	138	11
9	REA 2020Q3	95,380	7,630

[1] Changes in EU regulation no. 2020/2176 allowed part of IT Software to be risk-weighted instead of deducted from CET1 capital.

[2] On 18 June amendments to the CRR II was implemented to give banks further possibilities to support the economy. This includes earlierA implementation of e.g. an adjustment of the SME supporting factor, which reduces risk-weights for lending to small-mid size enterprises.

Table 26 EU CR9: IRB approach - Backtesting of PD per exposure class

The table shows a backtesting 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 Risk Exposure Amount
(REA) under the IRB approach is distributed between Institutions,Corporates and Retail exposure classses, each accounting for 5%, 64% and 26%, respectively. The exposure classes and PD ranges are specified in columns a and b. Columns d and e depicts the exposure-weighted average PD per exposure class and the simple arithmetic average PD at the end of the reporting period. Column f shows the number of obligors during the previous and current period, distributed between the respective PD ranges. Column g indicates the number of obligors who defaulted in the year, including obligors with no exposure at the beginning of period and defaulted during the reporting period (column h). Obligors already in default at the beginning of the reporting period are not included in column g. Column i shows the five-year historical average ADF per PD range. A comparison of colums i and e gives an indication of how Nordea's current regulatory PD performs in a 5 year horizon

a	b	d	e	f		g	h	
				Number of obligors				
Exposure class	PD range	Weighted average PD 2020	Arithmetic averaged PD by obligors 2020	2019	2020	Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
Retail AIRB	0.00 to < 0.15	0.1%	0.1%	608,134	603,949	146	0.0%	0.0%
Of which secured by	0.15 to < 0.25	0.2%	0.2%	200,023	186,413	153	0.0%	0.1%
immovable property	0.25 to < 0.50	0.4%	0.4%	95,978	117,582	191	0.0%	0.2%
	0.50 to < 0.75	0.6%	0.6%	33,754	34,421	119	0.0%	0.4%
	0.75 to < 2.50	1.3%	1.3%	62,297	64,833	466	0.0%	0.8%
	2.50 to < 10.00	4.5%	4.7%	9,072	8,129	604	0.2%	6.8%
	10.00 to < 100	21.8%	27.1%	7,156	6,529	1,092	0.6%	17.2%
	100 (Default)	100.00%	100.00%	11,635	10,546	-	-	-

a	b	d	e	f		g	h	i
				Number of obligors				
Exposure class	PD range	Weighted average PD 2020	Arithmetic averaged PD by obligors 2020	2019	2020	Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
Retail AIRB	0.00 to < 0.15	0.1%	0.1%	1,153,743	1,042,232	534	0.0%	0.0%
Of which other retail	0.15 to < 0.25	0.2%	0.2%	524,239	555,410	584	0.0%	0.1%
	0.25 to < 0.50	0.3%	0.4%	438,748	445,134	1,465	0.0%	0.3%
	0.50 to < 0.75	0.6%	0.6%	146,827	161,968	1,056	0.0%	0.6%
	0.75 to < 2.50	1.3%	1.3%	369,891	378,858	4,657	0.2%	1.0%
	2.50 to < 10.00	4.9%	4.8%	191,941	177,551	5,565	0.3%	2.5%
	10.00 to < 100	26.2%	22.5%	75,498	71,281	7,803	0.4%	9.4%
	100 (Default)	100.0%	100.0%	98,340	97,667	-	-	-

a	b	d	e	f		g	h	i
				Number of obligors				
Exposure class	PD range	Weighted average PD 2020	Arithmetic averaged PD by obligors 2020	2019	2020	Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
Corporate FIRB	0.00 to < 0.15	0.1%	0.1%	2,562	2,360	4	0.0%	0.1%
	0.15 to < 0.25	0.2%	0.2%	1,374	1,407	1	0.0%	0.1%
	0.25 to < 0.50	0.4%	0.4%	3,913	3,955	12	0.1%	0.2%
	0.50 to < 0.75	0.0%		-	-	2		0.2%
	0.75 to < 2.50	1.2%	1.3%	4,844	4,781	39	0.0%	0.8%
	2.50 to < 10.00	3.6%	3.6%	5,013	1,751	20	0.0%	0.6%
	10.00 to < 100	23.1%	30.9%	2,004	5,270	83	0.1%	4.8%
	100 (Default)	100.0%	100.0%	318	379	-	0.0%	-

a	b	d	e	f		g	h	i
				Number of obligors				
Exposure class	PD range	Weighted average PD 2020	Arithmetic averaged PD by obligors 2020	2019	2020	Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
Corporate AIRB	0.00 to < 0.15	0.1%	0.1%	11,778	11,491	8	0.0%	0.0%
	0.15 to < 0.25	0.2%	0.2%	4,116	4,113	4	0.0%	0.1%
	0.25 to < 0.50	0.4%	0.4%	12,032	11,196	18	0.0%	0.2%
	0.50 to < 0.75	0.5%	0	-	37	-		0.3%
	0.75 to < 2.50	1.1%	1.5%	11,864	18,452	58	0.0%	0.8%
	2.50 to < 10.00	4.1%	4.5%	10,333	23,829	48	0.0%	0.8%
	10.00 to < 100	20.3%	29.7%	4,405	19,433	184	0.2%	8.0%
	100 (Default)	100.0%	100.0%	1,568	1,960	-	0.0%	-

a	b	d	e	f		g	h	i
				Number of obligors				
Exposure class	PD range	Weighted average PD 2020	Arithmetic averaged PD by obligors 2020	2019	2020	Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
Institution FIRB	0.00 to < 0.15	0.1%	0.1%	638	621	-	0.0%	0.0%
	0.15 to < 0.25	0.2%	0.2%	93	69	-	0.0%	0.0%
	0.25 to < 0.50	0.4%	0.4%	238	154	-	0.0%	0.0%
	0.50 to < 0.75	0.7%	0.7%	78	83	-	0.0%	0.0%
	0.75 to < 2.50	1.2%	1.3%	94	49	-	0.0%	0.0%
	2.50 to < 10.00	5.0%	4.7%	318	36	-	0.0%	0.0%
	10.00 to < 100	28.5%	14.7%	43	134	-	0.0%	0.0%
	100 (Default)	100.0%	100.0%	-	-	-	0.0%	0.0%

Table 27 Minimum capital requirements for credit risk, split by exposure class

The table shows a comprehensive overview of regulatory exposures and capital requirements for credit risk split by exposure class. IRB exposures remained the largest component of REA, EUR 103.9bn (87%) of a EUR 119.6bn total (compared to EUR 101.6bn of EUR 114.7 bn Q3 2020). The total increase in REA in Q4 2020 mainly stemmed from the corporate advanced IRB approach due to acquisition of SG Finans and SA Equity due to changed consolidation for the banking group. Currency movements in Norway and Sweden further increased the REA.

2020Q4, EURm

EURm	Original exposure	Exposure	Average risk weight	REA	Capital requirement
IRB exposure classes					
Sovereign					
Institution	34,365	32,624	15%	4,738	379
Corporate	194,291	153,532	44%	67,540	5,403
- of which advanced	173,723	137,501	42%	57,670	4,614
Retail	204,880	191,212	14%	27,256	2,181
- of which mortgage	162,388	159,650	12%	18,424	1,474
- of which other retail	42,493	31,562	28%	8,832	707
- of which SME	3,067	2,600	41%	1,066	85
Other non-credit obligation assets	4,842	4,836	90%	4,329	346
Total IRB approach	438,379	382,205	27%	103,864	8,309
Standardised exposure classes					
Central government and central banks	62,168	66,390	1%	437	35
Regional governments and local authorities	10,951	7,497	1%	83	7
Institution	1,817	1,817	6%	110	9
Corporate	2,892	2,480	90%	2,228	178
Retail	5,955	5,053	74%	3,747	300
Exposure secured by real estate	5,186	4,643	35%	1,626	130
Equity	2,351	2,351	219%	5,156	412
Other[1]	4,965	4,424	46%	2,348	188
Total standardised approach	96,284	94,655	11%	15,736	1,259
Total	534,663	476,860	24%	119,599	9,568

[1] Includes exposure classes Administrative bodies and non-commercial undertakings, Multilateral development banks, International organisations, Past due items, Items belonging to regulatory high-risk categories, Other items and Equity.

2020Q3, EURm					
EURm	Original exposure	Exposure	Average risk weight	REA	Capital requirement
IRB exposure classes					
Sovereign					
Institution	36,980	35,174	15%	5,283	423
Corporate	189,116	149,384	45%	66,518	5,321
- of which advanced	166,880	131,733	42%	55,965	4,477
Retail	198,255	184,718	15%	26,927	2,154
- of which mortgage	156,510	153,554	12%	17,863	1,429
- of which other retail	41,745	31,164	29%	9,064	725
- of which SME	3,103	2,644	41%	1,097	88
Other non-credit obligation assets	3,371	3,369	87%	2,920	234
Total IRB approach	427,722	372,645	27%	101,648	8,132
Standardised exposure classes					
Central government and central banks	79,248	83,455	1%	604	48
Regional governments and local authorities	10,704	6,860	1%	81	6
Institution	2,204	2,204	6%	129	10
Corporate	1,846	1,491	87%	1,293	103
Retail	5,797	4,909	74%	3,640	291
Exposure secured by real estate	5,360	4,578	36%	1,627	130
Equity	1,636	1,636	211%	3,455	276
Other[1]	5,307	4,769	40%	2,226	178
Total standardised approach	112,101	109,903	8%	13,055	1,044
Total	539,823	482,548	23%	114,703	9,176

[1] Includes exposure classes Past due items, Items belonging to regulatory high-risk categories, Other items and Equity.

Table 28 Original Exposure split by exposure class and exposure type

The table shows a comprehensive overview of original exposures split by exposure class and exposure type. By year end 2020, 82% of total credit risk exposures were calculated using the IRB approach, compared to 80% in year end 2019. Compared to 2019, total original exposure increased by EUR 24bn, mainly driven by a increase in corporate exposure class of EUR 15.6bn and an increase in retail exposure class of EUR 13.5bn.A

2020, EURm	On-balance sheet items	Off-balance sheet items	Securities financing Transactions	Derivatives	Total
IRB exposure classes					
Sovereign					
Institution	27,481	3,501	302	3,082	34,365
Corporate	118,560	68,448	607	6,676	194,291
- of which advanced	109,724	63,999			173,723
Retail	173,828	31,004	0	48	204,880
- of which mortgage	150,478	11,909			162,388
- of which other retail	23,350	19,095	0	48	42,493
- of which SME	2,187	866	0	14	3,067
Other non-credit obligation assets	4,842				4,842
Total IRB approach	324,710	102,953	910	9,806	438,379
Standardised exposure classes					
Central government and central banks	59,648	970	303	1,247	62,168
Regional governments and local authorities	3,386	5,735	1	1,829	10,951
Institution	145	0	665	1,006	1,817
Corporate	2,392	482		18	2,892
Retail	4,612	1,343		0	5,955
Exposures secured by real estate	4,553	633			5,186
Other[1]	5,524	712	273	346	6,856
Total standardised approach	80,466	10,130	1,242	4,446	96,284
Total	405,176	113,083	2,152	14,252	534,663

[1] Includes exposure classes Administrative bodies and non-commercial undertakings, Multilateral development banks, International organisations, Past due items, Items belonging to regulatory high-risk categories, Covered bonds, Short-term claims on institutions and corporate, Other items and Equity.

2019, EURm	On-balance sheet items	Off-balance sheet items	Securities financing Transactions	Derivatives	Total
IRB exposure classes					
Sovereign					
Institution	28,996	3,700	1,033	3,127	36,856
Corporate	112,101	57,823	1,663	7,056	178,643
- of which advanced	102,214	53,931			156,145
Retail	165,555	25,726	1	62	191,343
- of which mortgage	141,443	8,874			150,317
- of which other retail	24,112	16,851	1	62	41,026
- of which SME	2,240	919		21	3,179
Other non-credit obligation assets	3,458				3,458
Total IRB approach	310,109	87,248	2,697	10,246	410,300
Standardised exposure classes					
Central government and central banks	65,442	673	967	1,568	68,650
Regional governments and local authorities	3,861	5,107	1	1,549	10,518
Institution	200		687	889	1,777
Corporate	1,538	899		19	2,456
Retail	4,583	1,579			6,162
Exposures secured by real estate	4,060	594			4,654
Other[1]	4,428	511	432	307	5,677
Total standardised approach	84,306	9,599	2,087	4,332	100,324
Total	394,415	96,848	4,784	14,577	510,624

[1] Includes exposure classes Administrative bodies and non-commercial undertakings, Multilateral development banks, International organisations, Past due items, Items belonging to regulatory high-risk categories, Covered bonds, Short-term claims on institutions and corporate, Other items and Equity.

Table 29 Average quarterly original exposure, split by exposure class and exposure type

The table shows average quarterly exposures by exposure class and type, providing a comprehensive picture of the average original exposures during the year. Average numbers were broadly in line with year-end numbers. Sovereign exposures reported under the standardised approach increased significantly in Q1 of 2020 and decreased in Q4 2020 due to open market operations. This was the main difference between the average quarterly values and the year-end values reported under both SA and IRB approaches.

2020, EURm	On-balance sheet items	Off-balance sheet items	Securities financing Transactions	Derivatives	Total
IRB exposure classes					
Sovereign					
Institution	28,521	3,903	874	3,136	36,434
Corporate	115,661	64,075	1,231	7,790	188,757
- of which Advanced	106,490	59,796			166,286
Retail	166,923	28,868	2	58	195,852
- of which mortgage	143,311	10,864			154,175
- of which other retail	23,612	18,004	2	58	41,677
- of which SME	2,215	875	0	18	3,108
Other non-credit obligation assets	3,750				3,750
Total IRB approach	314,856	96,846	2,107	10,984	424,792
Standardised exposure classes					
Central government and central banks	75,104	684	575	1,408	77,771
Regional governments and local authorities	3,112	5,706	5	1,890	10,712
Institution	160	0	1,307	938	2,405
Corporate	1,685	630		23	2,338
Retail	4,422	1,386		0	5,808
Exposures secured by real estate	4,108	798			4,906
Other[1]	5,064	904	703	349	7,021
Total standardised approach	93,655	10,108	2,590	4,607	110,961
Total	408,511	106,954	4,697	15,591	535,753

[1] Includes exposures classes Administrative bodies and non-commercial undertakings, Multilateral development banks, International organisations, Past due items, Items belonging to regulatory high-risk categories, Covered bonds, Short-term claims on institutions and corporate, Other items and Equity.

2019, EURm	On-balance sheet items	Off-balance sheet items	Securities financing Transactions	Derivatives	Total
IRB exposure classes					
Sovereign					
Institution	28,321	3,274	1,581	3,190	36,365
Corporate	112,168	57,646	1,740	8,351	179,904
- of which Advanced	102,085	53,759			155,844
Retail	163,700	25,651	2	73	189,426
- of which mortgage	139,284	9,289			148,573
- of which other retail	24,416	16,362	2	73	40,854
- of which SME	2,276	915		24	3,215
Other non-credit obligation assets	3,905				3,905
Total IRB approach	308,093	86,570	3,323	11,614	409,601
Standardised exposure classes					
Central government and central banks	69,244	603	1,184	1,574	72,604
Regional governments and local authorities	3,509	5,192		1,625	10,327
Institution	217	3	2,333	1,143	3,696
Corporate	2,065	966		19	3,050
Retail	4,915	1,668			6,584
Exposures secured by real estate	4,732	563		6	5,301
Other[1]	4,879	635	503	297	6,314
Total standardised approach	89,561	9,630	4,020	4,664	107,875
Total	397,654	96,201	7,343	16,278	517,476

[1] Includes exposure classes Administrative bodies and non-commercial undertakings, Multilateral developments banks, International organisations, Past due items, Items belonging to regulatory high-risk categories, Other items and Equity.

Table 30 Exposure secured by collaterals, guarantees and credit derivatives, split by exposure class

In 2020, the share of total exposure secured by eligible collateral increased slightly compared to Q4 2019. The modest increase was stemming from IRB portfolio with increased Retail exposures secured by immovable property in 2020. In the SA porfolio, the share of exposure secured by eligible collateral remained stable.

2020 EURm	Original exposure	Exposure	- of which secured by guarantees and credit derivatives	- of which secured by collateral	Average weighted LGD[1]
IRB exposure classes					
Sovereign					
Institution	34,365	32,624	105	43	18.4%
Corporate	194,291	153,532	15,086	68,445	28.9%
- of which Advanced	173,723	137,501	13,856	64,746	27.2%
Retail	204,880	191,212	2,404	153,677	17.0%
- of which secured by immovable property	161,196	158,545		150,165	14.5%
- of which other retail	40,617	30,067	2,053	2,148	29.2%
- of which SME	3,067	2,600	351	1,365	23.9%
Other non-credit obligation assets	4,842	4,836	3		n.a.
Total IRB approach	438,379	382,205	17,598	222,165	22.0%
Standardised exposure classes					
Central government and central banks	62,168	66,390	256		
Regional governments and local authorities	10,951	7,497			
Institution	1,817	1,817			
Corporate	2,892	2,480	2	3	
Retail	5,955	5,053	30	0	
Exposures secured by real estate	5,186	4,643		4,643	
Other[2]	7,316	6,775	3		
Total standardised approach	96,284	94,655	292	4,646	
Total	534,663	476,860	17,890	226,811	

[1] IRB total average LGD is excluding other non-credit obligation assets.

[2] Includes exposures classes Administrative bodies and non-commercial undertakings, Multilateral Developments Banks, International Organisations, Past due items, Items belonging to regulatory high-risk categories, Other Items and Equity.

2019 EURm	Original exposure	Exposure	- of which secured by guarantees and credit derivatives	- of which secured by collateral	Average weighted LGD[1]
IRB exposure classes					
Sovereign					
Institution	36,856	34,794	271	70	19.3%
Corporate	178,643	144,313	11,444	64,109	29.6%
- of which Advanced	156,145	125,819	10,487	59,975	27.5%
Retail	191,343	179,624	2,343	144,685	17.2%
- of which secured by immovable property	149,118	146,919		141,089	14.7%
- of which other retail	39,046	29,970	2,004	2,184	29.1%
- of which SME	3,179	2,735	339	1,411	23.9%
Other non-credit obligation assets	3,458	3,456	1		n.a.
Total IRB approach	410,300	362,186	14,058	208,864	22.4%
Standardised exposure classes					
Central government and central banks	68,650	71,304	324		
Regional governments and local authorities	10,518	7,407			
Institution	1,777	1,778			
Corporate	2,456	1,647	15	5	
Retail	6,162	5,015	36	0	
Exposures secured by real estate	4,654	4,141		4,141	
Other[2]	6,107	5,671	1		
Total standardised approach	100,324	96,963	377	4,146	
Total	510,624	459,149	14,435	213,010	

[1] IRB total average LGD is excluding other non-credit obligation assets.

[2] Includes exposures classes past due items, items belonging to regulatory high-risk categories, other items and equity.

Table 31 Distribution of collateral

Distribution of collateral has remained stable between 2020 and 2019, and majority of the collateral stemmed from residential and commercial real estate. The share of financial collateral, receivables, and other physical collaterals has slightly decreased during 2020, while the share of residential real estate increased by 0.8 percentage points in 2020.

	2020	2019
Financial collateral	0.7%	0.8%
Receivables	0.7%	0.7%
Residential real estate	74.0%	73.1%
Commercial real estate	18.7%	18.7%
Other physical collateral	5.9%	6.6%
Total	100.0%	100.0%

Table 32 Credit risk adjustments by customer [1]

The increased provisioning from management judgement in 2020 due to the high uncertainty from COVID-19 was distributed to all segments and industries. During the year there were significant individual provisions in Oil, Gas and Offshore as well as Maritime, driven by changes in the collateral values.

	Specific credit risk adjustments charges (on balance)				
	Individually calculated		Collectively calculated		Total
2020Q4, EURm	Provisions	Reversals	Net model losses & Reimbursement right (stage 1&2)	Net model losses & Reimbursement right (stage 3)	Total
To central banks and credit institutions	0	0	0	0	0
- of which central banks	0	0	0	0	0
- of which credit institutions	0	0	0	0	0
To the public	-590	305	-243	-121	-650
- of which corporate	-545	258	-146	-48	-481
Financial institutions	-19	3	-11	-1	-27
Agriculture	-22	18	-1	3	-3
Crops, plantations and hunting	-4	3	1	3	3
Animal husbandry	-17	15	1	0	0
Fishing and aquaculture	-1	0	-4	0	-5
Natural resources	-197	56	-4	21	-125
Paper and forest products	-11	1	-3	-1	-14
Mining and supporting activities	0	1	0	0	0
Oil, gas and offshore	-186	54	-1	22	-110
Consumer staples	-3	2	-17	-3	-21
Food processing and beverages	0	1	-4	-1	-4
Household and personal products	-2	0	-1	-1	-4
Healthcare	0	0	-13	-1	-14
Consumer discretionary and services	-39	17	-20	-17	-60
Consumer durables	-20	1	-3	-1	-23
Media and entertainment	-8	1	-2	-2	-11
Retail trade	-3	6	-9	-9	-15
Air transportation	0	0	0	0	-1
Accomodation and leisure	-9	1	-4	-4	-17
Telecommunication services	0	7	-2	0	6
Industrials	-74	93	-87	-36	-104
Materials	-5	18	-1	-1	11
Capital goods	-13	13	-6	-4	-11
Commercial and professional services	-24	47	-30	-6	-13
Construction	-16	9	-20	-13	-41
Wholesale trade	-6	2	-20	-6	-29
Land transportation	-6	1	-8	-4	-16
IT services	-5	3	-2	-2	-5
Maritime	-158	58	19	-3	-84
Ship building	0	5	0	-1	4
Shipping	-158	53	19	-2	-88
Maritime services	0	0	0	0	0
Utilities and public service	0	0	-6	-1	-7
Utilities distribution	0	0	-1	-1	-2
Power production	0	0	-2	0	-2
Public services	0	0	-2	-1	-2
Real estate	-34	11	-35	-13	-72
Other	-2	0	16	3	21
- of which household	-43	46	-99	-73	-169
Mortgage financing	2	7	-12	-45	-48
Consumer financing	-45	39	-87	-29	-121
- of which public sector	-2	0	2	0	0
Total loans	-590	305	-243	-121	-650

[1] This table is not covering all net loan losses. The difference is recoveries, write-offs and allowances used to cover write-offs.

	Specific credit risk adjustments charges (on balance)				
	Individually calculated		Collectively calculated		Total
2019Q4, EURm	Provisions	Reversals	Net model losses (stage 1&2)	Net model losses (stage 3, model based)	Total
To central banks and credit institutions	0	0	1	3	4
- of which central banks	0	0	1	0	1
- of which credit institutions	0	0	0	3	3
To the public	-555	223	-45	-50	-427
- of which corporate	-503	182	-29	3	-347
Financial institutions	-55	10	-1	17	-30
Crops etc	-12	4	-5	-2	-15
Animal husbandry	-21	9	-3	-1	-15
Fishing and aquaculture	0	0	0	0	0
Paper, forest and mining	-7	5	7	0	5
Oil, gas and offshore	-150	31	7	-17	-129
Consumer staples (food and health care)	-3	11	-2	0	6
Media, leisure and telecom	-22	13	-2	-1	-12
Consumer durables	-11	2	-4	0	-13
Retail trade	-6	13	-6	-3	-1
Land transportation and IT	-12	1	2	-1	-9
Materials	-11	2	16	0	7
Capital goods	-16	19	-3	-1	-2
Commercial & prof. services	-33	11	-6	-2	-30
Construction	-22	8	-3	0	-16
Wholesale trade	-14	14	-8	0	-8
Maritime (shipping)	-95	16	-4	22	-61
Utilities and public services	-5	1	0	0	-4
Real estate	-7	11	-8	-2	-6
Other	0	0	-6	-6	-11
- of which household	-53	41	-14	-53	-79
Mortgage financing	-4	1	36	21	54
Consumer financing	-49	40	-50	-74	-133
- of which public sector	0	0	-1	0	-1
Total loans	-555	223	-44	-47	-423

[1]This table is not covering all net loan losses. The difference is recoveries, write-offs and allowances used to cover write-offs.

Table 33 Loans, impaired loans, allowances and provisioning ratios, split by customer type, amortised cost

2020Q4, EURm	Loans after allowances 2020	Impaired loans before allowances	Impaired loans in % of loans	Allowances on balance stage 1&2	Allowances on balance stage 3	Allowances in relation to impaired loans (stage 3)
To central banks and credit institutions	4,405	0	0%	-4	0	0%
- of which central banks	2,965	0	0%	0	0	0%
- of which credit institutions	1,440	0	0%	-4	0	0%
			0%	0	0	0%
To the public	256,989	3,979	2%	-770	-1,674	-42%
- of which corporate	111,436	2,684	2%	-455	-1,295	-48%
Financial institutions	13,105	158	1%	-34	-150	-95%
Agriculture	3,381	185	5%	-27	-95	-51%
Crops, plantations and hunting	1,154	49	4%	-11	-23	-46%
Animal husbandry	803	131	16%	-11	-70	-54%
Fishing and aquaculture	1,424	5	0%	-5	-2	-41%
Natural resources	3,134	564	18%	-9	-282	-50%
Paper and forest products	1,752	36	2%	-7	-21	-60%
Mining and supporting activities	353	4	1%	-1	-2	-62%
Oil, gas and offshore	1,028	524	51%	-1	-258	-49%
Consumer staples	3,027	27	1%	-25	-15	-55%
Food processing and beverages	1,164	7	1%	-7	-4	-64%
Household and personal products	227	11	5%	-2	-5	-49%
Healthcare	1,636	10	1%	-16	-5	-56%
Consumer discretionary and services	7,273	236	3%	-57	-144	-61%
Consumer durables	1,180	61	5%	-10	-41	-67%
Media and entertainment	1,492	34	2%	-6	-25	-73%
Retail trade	2,771	93	3%	-28	-46	-50%
Air transportation	204	14	7%	-2	-9	-60%
Accomodation and leisure	969	32	3%	-7	-22	-70%
Telecommunication services	657	1	0%	-4	0	-34%
Industrials	30,858	666	2%	-192	-254	-38%
Materials	1,599	63	4%	-10	-29	-45%
Capital goods	3,226	97	3%	-18	-51	-53%
Commercial and professional services	10,769	189	2%	-56	0	0%
Construction	6,772	139	2%	-41	-92	-66%
Wholesale trade	4,788	85	2%	-44	-43	-50%
Land transportation	2,498	81	3%	-15	-31	-38%
IT services	1,207	12	1%	-8	-9	-73%
Maritime	6,286	555	9%	-25	-226	-41%
Ship building	133	7	6%	0	-7	-93%
Shipping	5,915	546	9%	-24	-218	-40%
Maritime services	238	1	1%	0	-1	-46%
Utilities and public service	5,577	32	1%	-9	-16	-50%
Utilities distribution	2,906	28	1%	-2	-13	-45%
Power production	1,863	1	0%	-3	0	-40%
Public services	808	3	0%	-4	-3	-101%
Real estate	38,161	253	1%	-66	-111	-44%
Other	633	7	1%	-11	-1	-21%
- of which household	140,027	1,258	1%	-315	-377	-30%
Mortgage financing	115,477	561	0%	-40	-57	-10%
Consumer financing	24,550	697	3%	-275	-320	-46%
- of which public sector	5,526	37	1%	0	-2	-6%
Total loans	261,394	3,979	2%	-775	-1,674	-42%

Provisions for off-balance sheet items for 2020 were EUR -235m.

2019Q4, EURm	Loans after allowances[1]	Impaired loans before allowances	Impaired loans in % of loans	Allowances on balance stage 1&2	Allowances on balance stage 3	Allowances in relation to impaired loans (stage 3)
To central banks and credit institutions	11,616	0	0%	4	10	0%
- of which central banks	5,889		0%	0	0	0%
- of which credit institutions	5,727		0%	4	10	0%
			0%			
To the public[2]	245,577	4,610	2%	492	1,677	36%
- of which corporate	107,990	3,183	3%	285	1,327	42%
Financial institutions	13,010	127	1%	29	58	46%
Crops etc	960	54	6%	11	30	54%
Animal husbandry	642	193	30%	11	108	56%
Fishing and aquaculture	1,261	37	3%	1	0	1%
Paper, forest and mining	2,003	44	2%	4	20	44%
Oil, gas and offshore	1,939	747	39%	1	298	40%
Consumer staples (food and health care)	3,073	33	1%	7	13	40%
Media, leisure and telecom	3,107	54	2%	8	33	61%
Consumer durables	1,429	47	3%	7	22	48%
Retail trade	2,917	88	3%	20	49	55%
Land transportation and IT	3,504	74	2%	11	29	39%
Materials	1,819	117	6%	9	71	61%
Capital goods	3,173	110	3%	10	73	67%
Commercial & prof. services	10,164	273	3%	23	86	32%
Construction	5,721	119	2%	17	74	62%
Wholesale trade	4,725	94	2%	23	36	38%
Maritime (shipping)	7,605	706	9%	46	230	33%
Utilities and public services	4,775	34	1%	3	16	47%
Real estate	35,504	224	1%	29	81	36%
Other	659	7	2%	14	0	0%
- of which household	133,525	1,427	1%	204	350	25%
Mortgage financing	108,393	630	1%	23	29	5%
Consumer financing	25,132	797	3%	182	320	40%
- of which public sector	4,062	0	0%	2	0	38%
Total loans	257,193	4,610	2%	496	1,686	37%

[1] Accrued interest added according to the new accounting rules

[2] Restated according to a new distribution of industries in non-financial corporation applied in year 2020. Provisions for off-balance sheet items for 2019 were EUR -144m.

Table 34 Impaired loans to the public: gross, allowances and past due gross loans split by geography and industry

Impaired loans at amortised cost decreased by EUR 0.6bn to EUR 4.0bn, primarily driven by decreased impairments in Agriculture, Oil, Gas & Offshore as well as Maritime. The decrease mainly stemmed from written off exposures and restructurings. Impaired Fair value increased by EUR 0.3bn, almost equally in the corporate portfolio and household portfolio. This increase was of technical nature.

2020Q4, EURm	Total Impaired loans 2020	Impaired Fair Value 2020	Impaired amortised cost 2020	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Total allowances on balance	Past due gross carrying amounts
To the public	4,999	1,020	3,979	853	1,331	1,061	310	0	424	-2,444	2,452
- of which corporate	3,225	541	2,684	594	600	869	196	0	424	-1,750	907
Financial institutions	161	2	158	113	32	1	12	0	0	-185	30
Agriculture	448	263	185	157	21	5	2	0	0	-122	72
Crops, plantations and hunting	119	69	49	44	4	1	0	0	0	-34	34
Animal husbandry	325	194	131	113	14	3	2	0	0	-82	34
Fishing and aquaculture	5	0	5	0	3	1	0	0	0	-7	4
Natural resources	569	5	564	15	21	256	0	0	271	-291	29
Paper and forest products	41	5	36	15	18	2	0	0	0	-28	20
Mining and supporting activities	4	0	4	0	3	1	0	0	0	-3	8
Oil, gas and offshore	524	0	524	0	0	253	0	0	271	-260	1
Consumer staples	35	8	27	4	10	12	2	0	0	-40	18
Food processing and beverages	7	0	7	1	4	2	1	0	0	-11	8
Household and personal products	14	3	11	2	2	7	0	0	0	-8	4
Healthcare	14	4	10	1	4	3	1	0	0	-21	6
Consumer discretionary and services	250	14	236	52	103	23	57	0	0	-201	94
Consumer durables	62	0	61	33	5	0	23	0	0	-51	6
Media and entertainment	36	2	34	1	22	2	9	0	0	-31	18
Retail trade	101	9	93	14	47	11	21	0	0	-75	28
Air transportation	14	0	14	0	11	1	2	0	0	-10	20
Accomodation and leisure	35	3	32	3	18	9	2	0	0	-29	22
Telecommunication services	1	0	1	0	0	0	1	0	0	-5	0
Industrials	726	60	666	171	252	125	118	0	0	-446	336
Materials	70	7	63	2	59	1	1	0	0	-38	8
Capital goods	100	4	97	31	51	1	13	0	0	-69	23
Commercial and professional servic	211	22	189	46	28	34	81	0	0	-56	62
Construction	156	17	139	37	62	28	12	0	0	-133	139
Wholesale trade	89	4	85	38	25	14	8	0	0	-86	31
Land transportation	83	2	81	10	22	47	2	0	0	-46	56
IT services	16	3	12	6	5	0	1	0	0	-18	17
Maritime	569	14	555	36	9	357	0	0	153	-251	14
Ship building	7	0	7	0	7	0	0	0	0	-7	1
Shipping	546	0	546	36	1	357	0	0	152	-242	12
Maritime services	15	14	1	0	1	0	0	0	0	-1	1
Utilities and public service	35	2	32	1	2	27	2	0	0	-26	43
Utilities distribution	28	0	28	0	1	27	0	0	0	-15	37
Power production	1	0	1	0	0	0	1	0	0	-4	1
Public services	6	2	3	1	1	0	2	0	0	-7	5
Real estate	426	173	253	43	149	58	3	0	0	-177	209
Other	7	0	7	1	0	5	0	0	0	-12	62
- of which household	1,737	479	1,258	222	731	192	114	0	0	-692	1,543
Mortgage financing	1,041	479	561	0	393	116	52	0	0	-97	762
Consumer financing	697	0	697	222	337	76	62	0	0	-595	780
- of which public sector	37	0	37	37	0	0	0	0	0	-2	2
Total impaired loans	4,999	1,020	3,979	853	1,331	1,061	310	0	424	-2,444	
Past due loans	2,452	179	2,273	350	930	794	198	0	0		323
Allowances				-761	-591	-598	-249	-1	-244		

2019Q4, EURm	Total Impaired loans 2019	Impaired Fair Value 2019	Impaired amortised cost 2019	Denmark	Finland	Norway	Sweden	Russia	Outside Nordic	Total allowances on balance	Past due gross carrying amounts
To the public [1]	5,332	722	4,610	899	1,331	1,282	410	0	688	-2,169	3,207
- of which corporate	3,601	418	3,183	662	532	1,010	291	0	688	-1,612	969
Financial institutions	136	9	127	92	16	5	14	0	0	-87	130
Agriculture	578	293	285	231	15	38	1	0	0	-161	54
Crops Plantation an	133	79	54	52	2	0	0	0	0	-41	25
Animal Husbandry	407	214	193	178	13	1	1	0	0	-119	25
Fishing and Aquacult	37	0	37	0	0	37	0	0	0	-1	4
Natural Resources	797	6	791	17	21	313	80	0	360	-323	44
Paper & forest produ	41	6	35	17	17	1	0	0	0	-20	27
Mining & supporting	10	0	10	0	4	5	0	0	0	-4	16
Oil Gas & Offshore	747	0	747	0	0	307	79	0	360	-299	1
Consumer Staples	35	2	33	4	20	5	4	0	0	-20	31
Food processing & Be	25	0	25	0	16	4	4	0	0	-11	19
Household & Personal	5	1	4	2	2	0	0	0	0	-4	7
Healthcare	5	1	4	2	2	0	0	0	0	-5	5
Consumer Discretiona	194	6	189	80	67	9	33	0	0	-140	125
Consumer Durables	47	0	47	37	6	0	4	0	0	-29	8
Media & Entertainmen	37	0	37	1	27	1	8	0	0	-22	22
Retail Trade	94	6	88	38	25	6	19	0	0	-69	72
Air transportation	3	0	3	0	0	0	2	0	0	-2	1
Accomodation & Leisu	13	0	13	3	8	2	0	0	0	-8	20
Telecommunication se	1	0	1	0	0	0	1	0	0	-9	1
Industrials	803	16	787	125	282	143	155	0	82	-463	299
Materials	123	6	117	2	67	6	42	0	0	-80	9
Capital Goods	112	2	110	20	74	1	15	0	0	-84	32
Commercial & Profess	275	2	273	29	23	62	79	0	80	-109	74
Construction	123	3	119	21	66	23	10	0	0	-91	124
Wholesale Trade	95.41033	1.128229	94.2821	44.051917	27.91594	17.5169	4.797359	0	0	-58.973027	17.194725
Land transportation	57.15568	0.114429	57.041252	3.2903823	19.34004	33.2128	1.19806	0	0	-27.041885	27.465074
IT services	17.41372	0.803148	16.610572	4.9993586	5.724591	0.27161	3.028508	0	2.5865	-13.054201	14.949051
Maritime	705.9872	0	705.98717	49.102554	6.05953	405.718	0.252039	0	244.855	-275.81471	39
Ship Building	19.4023	0	19.402298	0	5.673387	13.237	0	0	0.49193	-18.96411	12.580041
Shipping	686.1933	0	686.19334	49.071973	0.025182	392.481	0.252039	0	244.363	-256.53413	15.778151
Maritime Services	0.391542	0	0.3915419	0.0305809	0.360961	0	0	0	0	-0.3164671	10.157511
Utilities & Public S	34.6119	0.450948	34.160954	1.4714725	2.076291	28.4289	2.184275	0	0	-19.24136	25.369368
Utilities Distribut	29.58785	0	29.587854	0.1586726	1.112185	28.3171	-0.00011	0	0	-13.813905	1.4164468
Power Production	0.777301	0	0.7773015	0.4301062	0	0	0.347195	0	0	-1.7233794	16.367237
Public Services	4.246747	0.450948	3.7957988	0.8826937	0.964106	0.11181	1.837193	0	0	-3.7040754	7.5856844
Real estate	310.0098	85.8193	224.19049	59.912007	103.4724	58.3966	2.409569	0	0	-110.00837	195.66969
Other	7.424281	0	7.4242806	3.3043647	0.063422	4.05649	0	0	0	-14.00746	26.791753
- of which household	1,731	304	1,427	237	799	272	119	0	0	-554	2,229
Mortgage financing	934.1661	304.3763	629.7898	0	439.5516	134.207	56.03086	0	0	-52.128745	1556.4945
Consumer financing	797.0702	0	797.07023	236.99813	359.3938	137.691	62.9874	0	0	-501.97693	672.82539
- of which public sector	0	0	0	0	0	0	0	0	0	-2	9
Total impaired loans	5332.139	722.3854	4609.7539	898.70217	1331.439	1281.65	410.3297	0	687.629	-2168.7924	
Past due loans	3207.465	79	3128.4651	194.88176	1365.951	1313.05	254.5815	0	0		3207.4655
Allowances	-2168.789		-2168.789	-729.7393	-446.116	-494.7	-254.353	-0.304	-243.527	-2168.789	

[1] Restated according to a new distribution of industries in non-financial corporation applied in year 2020.

Table 35 Reconciliation of allowance accounts

The increase in allowances during 2020 was driven by management judgements related to the uncertainty from COVID-19 crisis.

	Specific credit risk adjustments [1]		
2020Q4, EURm	Individually assessed (stage 3)	Collectively assessed (stage 1&2)	Total
Opening balance acccording IFRS 9	-1,686	-496	-2,183
Changes through the income statement	-407	-255	-662
- Of which Provisions	-590	0	-590
- Of which Reversals	305	0	305
- Net model losses	-121	-255	-376
Allowances used to cover write-offs	369	0	369
Reclassificaitons	0	0	0
Other changes/Currency translation differences	51	-23	27
Closing balance	-1,674	-775	-2,448

[1] On balance for loans AC, excluding Reimbursement right of EUR 12m

	Specific credit risk adjustments [1]		
2019Q4, EURm	Individually assessed (stage 3)	Collectively assessed (stage 1&2)	Total
Opening balance acccording IFRS 9	-1,658	-505	-2,162
Changes through the income statement	-379	-44	-423
- Of which Provisions	-555	0	-555
- Of which Reversals	223	0	223
- Net model losses	-47	-44	-91
Allowances used to cover write-offs	312	0	312
Reclassificaitons	0	0	0
Other changes/Currency translation differences	38	52	90
Closing balance	-1,686	-496	-2,183

[1] On balance for loans AC

Table 36 Loan losses, split by customer type

The net loan loss for 2020 was EUR 908m, corresponding to an annual net loan loss ratio of 35 bps for amortised cost and when including loans held at fair value of 26bps. EUR 443m was due to increased management judgements due to uncertainty on future losses from COVID-19. The individual provisions were driven by Oil, Gas and Offshore as well as Maritime mainly due to changed collateral values. There were also increase net loan losses for consumer lending, mainly due to the management judgements decided in 2020.

2020Q4, EURm	New provisions and write-offs (stage 3, individually calculated)	Reversals and recoveries (stage 3 individually calculated)	Net model losses and Reimbursement right (stage 1&2 and stage 3)	Net losses, Total	Loan loss ratio bps
To central banks and credit institutions	0	0	-1	0	-1
- of which central banks	0	0	0	0	0
- of which credit institutions	0	0	-1	0	-2
To the public	-800	372	-480	-908	-35
- of which corporate	-591	291	-245	-546	-49
Financial institutions	-20	15	-19	-24	-19
Agriculture	-30	26	-9	-13	-38
Crops, plantations and hunting	-7	4	-1	-3	-26
Animal husbandry	-21	22	-5	-4	-53
Fishing and aquaculture	-2	0	-4	-5	-38
Natural resources	-199	57	16	-126	-404
Paper and forest products	-12	2	-5	-15	-86
Mining and supporting activities	-1	1	-1	-1	-20
Oil, gas and offshore	-186	54	21	-111	-1,076
Consumer staples	-4	2	-23	-25	-82
Food processing and beverages	-1	2	-6	-5	-43
Household and personal products	-3	0	-2	-5	-203
Healthcare	0	0	-15	-15	-93
Consumer discretionary and services	-47	21	-51	-77	-105
Consumer durables	-21	1	-6	-26	-217
Media and entertainment	-9	1	-5	-13	-90
Retail trade	-6	10	-26	-21	-77
Air transportation	0	0	-1	-2	-81
Accomodation and leisure	-10	1	-11	-20	-208
Telecommunication services	0	7	-2	6	85
Industrials	-91	97	-166	-160	-52
Materials	-5	18	-4	9	57
Capital goods	-15	13	-15	-17	-52
Commercial and professional services	-27	49	-51	-28	-26
Construction	-23	9	-43	-56	-83
Wholesale trade	-8	2	-36	-41	-86
Land transportation	-8	1	-13	-19	-77
IT services	-5	3	-5	-7	-59
Maritime	-160	58	16	-87	-138
Ship building	-1	5	-2	2	121
Shipping	-159	53	17	-88	-149
Maritime services	0	0	0	0	-8
Utilities and public service	-1	1	-8	-9	-16
Utilities distribution	0	0	-2	-2	-8
Power production	0	0	-3	-3	-15
Public services	-1	0	-3	-4	-46
Real estate	-42	12	-51	-81	-21
Other	2	2	52	55	872
- of which household	-206	81	-237	-362	-26
Mortgage financing	-10	-5	-63	-77	-7
Consumer financing	-196	86	-174	-285	-116
- of which public sector	-2	0	2	0	0
Total	-800	372	-481	-908	-35

2019Q4, EURm	New provisions and write-offs (stage 3, individually calculated)	Reversals and recoveries (stage 3 individually calculated)	Net model losses (stage 1&2, stage 3 model based)	Net losses, Total	Loan loss ratio bps
To central banks and credit institutions	0	1	3	4	3
- of which central banks	0	0	1	1	1
- of which credit institutions	0	1	2	3	5
To the public [1]	-703	300	-137	-540	-22
- of which corporate	-551	216	-46	-381	-35
Financial institutions	-61	18	13	-31	-24
Agriculture	-46	20	-13	-40	-138
CropsPlantation an	-9	-1	-7	-16	-171
Animal Husbandry	-37	20	-6	-23	-359
Fishing and Aquacult	0	0	0	0	-1
Natural Resources	-158	36	-5	-126	-319
Paper & forest produ	-7	5	-1	-3	-21
Mining & supporting Oil	0	0	6	6	131
Gas & Offshore	-150	31	-10	-129	-66
Consumer Staples	-5	12	-3	3	4
Food processing & Be	-3	11	-1	7	1
Household & Personal	-1	0	-1	-1	-470
Healthcare	-1	0	-2	-3	-176
Consumer Discretiona	-49	32	-20	-37	-493
Consumer Durables	-11	3	-5	-13	-92
Media & Entertainmen	-14	7	-1	-8	-72
Retail Trade	-12	17	-11	-6	-21
Air transportation	-1	1	0	0	-17
Accomodation & Leisu	-3	1	-1	-3	-33
Telecommunication se	-8	4	-2	-6	-66
Industrials	-124	66	-9	-67	-23
Materials	-11	2	16	7	38
Capital Goods	-18	19	-6	-6	-18
Commercial & Profess	-36	12	-11	-35	-34
Construction	-23	15	-5	-13	-23
Wholesale Trade	-17	17	-4	-4	-9
Land transportation	-10	1	2	-8	-35
IT services	-8	0	-1	-8	-65
Maritime	-94	13	19	-62	-81
Ship Building	-3	6	0	3	328
Shipping	-91	8	19	-65	-89
Maritime Services	0	0	0	0	15
Utilities & Public S	-6	1	-2	-7	-14
Utilities Distribut	-4	0	0	-4	-20
Power Production	0	1	0	1	5
Public Services	-2	1	-2	-4	-42
Real estate	-7	14	-14	-7	-2
Other	0	4	-12	-9	-283
- of which household	-152	84	-90	-157	-12
Mortgage financing	-15	-11	54	29	3
Consumer financing	-137	95	-144	-186	-74
- of which public sector	0	0	-1	-1	-3
Total	-703	301	-135	-536	-21

Table 37 Credit quality of forborne exposures

Total forborne loans remained at the same level as in 2019 landing at EUR 3bn in Q4 2020. Non-performing forborne loans decreased by EUR 0.3bn while performing loans increased by EUR 0.3bn.

		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	
	2020Q4, EURm	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				
1	Loans and advances	1,272	1,711	1,711	1,590	-30	-434	747	269
2	*of which Central banks*	0	0	0	0	0	0	0	0
3	*of which General governments*	0	0	0	0	0	0	0	0
4	*of which Credit institutions*	0	0	0	0	0	0	0	0
5	*of which Other financial corporations*	1	71	71	71	0	-51	0	0
6	*of which Non-financial corporations*	713	1,442	1,442	1,331	-20	-349	324	169
7	*of which Households*	557	197	197	188	-11	-34	422	100
8	Debt Securities	0	0	0	0	0	0	0	0
9	Loan commitments given	49	31	31	31	-3	0	12	0
10	Total	1,321	1,742	1,742	1,621	-33	-435	760	269

		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	
	2019Q4, EURm	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				
1	Loans and advances	1,008	1,984	1,767	1,307	-15	-664	818	564
2	*of which Central banks*								
3	*of which General governments*								
4	*of which Credit institutions*								
5	*of which Other financial corporations*	12	71	71	29	0	-45	0	
6	*of which Non-financial corporations*	745	1,792	1,576	1,268	-11	-591	513	461
7	*of which Households*	250	122	120	10	-4	-28	305	103
8	Debt Securities								
9	Loan commitments given	31	37	136	29	1	0	23	0
10	Total	1,039	2,021	1,903	1,337	-16	-664	841	564

Table 38 Credit quality of performing and non-performing exposures by past due days

Total gross carrying amount of performing- and non-performing loans and advances increased by EUR 10bn during 2020 and were EUR 318bn in Q4 2020. The increase was related to increased mortgage lending. Non-performing loans and advances decreased slightly and were EUR 5bn. Performing loans and advances increased by EUR 10bn and were EUR 313 bn in Q4 2020.

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
	2020Q4, EURm		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
1	Loans and advances	312,993	312,593	401	4,999	4,143	92	191	228	255	48	41	4,999
2	Central banks	538	538										
3	General governments	5,559	5,558	0	37	37							37
4	Credit institutions	595	595	0									
5	Other financial corporations	5,650	5,650	0	117	116	0	0	0	0	0		117
6	Non-financial corporations	125,310	125,156	154	3,108	2,832	24	66	63	81	17	24	3,108
7	Of which SMEs	49,037	48,988	49	1,035	832	19	56	53	51	12	12	1,035
8	Households	175,341	175,095	246	1,737	1,158	68	124	165	173	31	17	1,737
9	Debt securities	50,598	50,598										
#	Central banks	2,750	2,750										
#	General governments	13,669	13,669										
#	Credit institutions	33,128	33,128										
#	Other financial corporations	543	543										
#	Non-financial corporations	507	507										
15	Off-balance-sheet exposures	113,397			715								715
#	Central banks	1											
#	General governments	6,637											
#	Credit institutions	4,290											
#	Other financial corporations	4,335			2								2
#	Non-financial corporations	66,880			596								596
#	Households	31,255			117								117
#	Total	476,988	363,190	401	5,714	4,143	92	191	228	255	48	41	5,714

	2019Q4 EURm	a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		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
1	Loans and advances	303,085	302,498	586	5,329	4,293	131	248	272	216	126	43	4,616
2	Central banks	1,064	1,064										
3	General governments	4,124	4,122	2	0	0							
4	Credit institutions	4,200	4,186	14									
5	Other financial corporations	5,637	5,630	7	93	90	1	0	1	0	0	0	92
6	Non-financial corporations	121,538	121,324	214	3,505	3,154	34	69	64	69	97	18	3,097
7	Of which SMEs	47,666	38,133	9,534	1,287	1,011	27	65	37	50	88	10	935
8	Households	166,521	166,171	350	1,731	1,049	96	179	206	147	29	25	1,427
9	Debt securities	52,246	52,246										
#	Central banks	1,954	1,954										
#	General governments	15,841	15,841										
#	Credit institutions	32,823	32,823										
#	Other financial corporations	1,024	1,024										
#	Non-financial corporations	604	604										
15	Off-balance-sheet exposures	98,357			704								704
#	Central banks	101			0								
#	General governments	5,437			0								0
#	Credit institutions	3,955			0								
#	Other financial corporations	3,284			43								43
#	Non-financial corporations	59,643			548								548
#	Households	25,937			113								113
#	Total	453,688	354,744	586	6,033	4,293	131	248	272	216	126	43	5,319

Table 39 Performing and non-performing exposures and related provisions

Total gross carrying amount of performing- and non-performing loans and advances amounted to EUR 318bn end of 2020, of which non-performing amounted to EUR 5bn. Allowances in stage 3 for non-performing loans and advances were EUR 1.8bn end of 2020. During 2020 the coverage ratio according to IFRS9 for non-performing exposures at amortised cost has increased to 42% from 37% end of 2019. Including loans and advances throught P/L, the coverage ratio has increased to 35% from 33% end of 2019. This is driven by the large management judgement booked to cover the uncertainty related to COVID-19 crisis.

		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	Collateral 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 performing exposures	On non-performing exposures
	2020Q4, EURm		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			
1	Loans and advances [1]	312,993	299,153	13,840	4,999		4,999	-775	-285	-490	-1,766		-1,766		178,934	1,830
2	Central banks	538	538					0	0							
3	General governments	5,559	5,430	129	37		37	0	0	0	-2		-2		391	37
4	Credit institutions	595	538	58				-1	0	0					49	
5	Other financial corporations	5,650	5,478	172	117		117	-17	-8	-8	-66		-66		2,252	38
6	Non-financial corporations	125,310	118,233	7,077	3,108		3,108	-442	-175	-267	-1,257		-1,257		62,615	1,080
7	Of which SMEs	49,037	46,179	2,857	1,035		1,035	-180	-54	-126	-451		-451		29,132	403
8	Households	175,341	168,937	6,404	1,737		1,737	-315	-101	-214	-441		-441		113,627	674
9	Debt securities	50,598	50,598					-3	-3							
10	Central banks	2,750	2,750													
11	General governments	13,669	13,669					0	0							
12	Credit institutions	33,128	33,128					-2	-2							
13	Other financial corporations	543	543					-1	-1							
14	Non-financial corporations	507	507					0	0							
15	Off-balance-sheet exposures	113,397	108,806	4,591	715		715	-209	-72	-138	-26		-26		13,089	11
16	Central banks	1	1													
17	General governments	6,637	6,633	4				0	0	0					13	
18	Credit institutions	4,290	3,840	450				-2	0	-1					75	
19	Other financial corporations	4,335	4,215	119	2		2	-4	-2	-2	0		0		651	
20	Non-financial corporations	66,880	63,655	3,226	596		596	-121	-47	-75	-20		-20		10,690	8
21	Households	31,255	30,462	793	117		117	-82	-23	-59	-6		-6		1,660	2
22	Total	476,988	458,557	18,431	5,714		5,714	-987	-359	-628	-1,791		-1,791		192,024	1,841

[1] Including Loans and advances through P/L EUR 1 020m

		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	Collateral 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 performing exposures	On non-performing exposures
	2019Q4, EURm		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			
1	Loans and advances [1]	303,085	292,368	10,717	5,329		5,329	-496	-153	-343	-1,769		-1,769		274,939	3,549
2	Central banks	1,064	1,064					0	0	0						
3	General governments	4,124	4,097	27	0		0	-1	0	-1					560	0
4	Credit institutions	4,200	4,151	49				-2	0	-2					69	0
5	Other financial corporations	5,637	5,396	241	93		93	-17	-4	-13	-77		-77		2,801	5
6	Non-financial corporations	121,538	117,509	4,029	3,505		3,505	-271	-93	-179	-1,290		-1,290		93,924	2,216
7	Of which SMEs	47,666	45,787	1,879	1,287		1,287	-77	-13	-63	-473		-473		39,382	
8	Households	166,521	160,150	6,371	1,731		1,731	-204	-55	-149	-403		-403		177,584	1,328
9	Debt securities	52,246	52,246					-1	-1	0						
10	Central banks	1,954	1,954					0	0							
11	General governments	15,841	15,841					0	0	0						
12	Credit institutions	32,823	32,823					-1	-1	0						
13	Other financial corporations	1,024	1,024					0	0							
14	Non-financial corporations	604	604					0	0							
15	Off-balance-sheet exposures	98,357	94,083	4,274	704		704	102	33	70	41		41		10,839	20
16	Central banks	101	101													
17	General governments	5,437	5,435	2	0		0	0	0	0					14	0
18	Credit institutions	3,955	2,819	1,136				2	0	1					24	0
19	Other financial corporations	3,284	3,163	121	43		43	4	2	2	0		0		715	0
20	Non-financial corporations	59,643	57,320	2,322	548		548	52	19	34	41		41		8,539	17
21	Households	25,937	25,245	693	113		113	44	12	33	0		0		1,547	3
22	Total	453,688	438,697	14,990	6,033		6,033	-395	-122	-274	-1,728		-1,728		285,778	3,569

[1] Including Loans and advances through P/L EUR 719m

Table 40 Collateral obtained by taking possession and execution processes [1]

2020Q4, EURm		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)		
2	Other than PP&E	6.9	-0.6
3	Residential immovable property	1.2	-0.2
4	Commercial Immovable property	0.0	
5	Movable property (auto, shipping, etc.)	1.6	-0.2
6	Equity and debt instruments	2.0	-0.2
7	Other	2.0	
8	Total	6.9	-0.6

[1] Excluding entities which are not in scope according to FINREP reporting definition.

		a	b
		Collateral obtained by taking possession	
2019Q4, EURm		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)		
2	Other than PP&E	9.8	-0.5
3	Residential immovable property	2.6	0.0
4	Commercial Immovable property	4.2	-0.2
5	Movable property (auto, shipping, etc.)	1.6	
6	Equity and debt instruments	0.4	-0.2
7	Other	1.0	
8	Total	9.8	-0.5

Table 41 Standardised exposure classes, distributed by credit quality step

The 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 2019 to 2020 was 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 asset.

EURm			Original Exposure		Exposure	
Credit quality step	Standard & Poor's rating	Risk weight	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
(a) Central Governments or Central banks						
1	AAA to AA-	0%	61,642	67,741	66,125	70,736
2	A+ to A-	20%	20	41	19	38
3	BBB+ to BBB-	50%	86	147	85	147
4 to 6 or blank	BB+ and below, or without rating	100-250%	420	721	160	383
Sub-total			62,168	68,650	66,390	71,304
(b) Regional Governments or local authorities						
1	AAA to AA-[1])	0% - 20%[1]	10,951	10,511	7,497	7,400
2	A+ to A-	50%		7		7
3 to 6 or blank	BBB+ and below, or without rating	100-250%				
Sub-total			10,951	10,518	7,497	7,407
(c) Public sector entites						
1	AAA to AA-[1])	0% - 20%[1]	275	100	150	50
2	A+ to A-	50%				
3 to 6 or blank	BBB+ and below, or without rating	100-250%				
Sub-total			275	100	150	50
(d) Multilateral Developments Banks						
1	AAA to AA-[2])	0% - 20%[2]	1,737	1,369	1,720	1,371
2	A+ to A-	50%				
3 to 6 or blank	BBB+ and below, or without rating	100-250%				
Sub-total			1,737	1,369	1,720	1,371
(e) Institutions						
1	AAA to AA-	20%	145	200	145	201
2	A+ to A-	50%	16	8	16	8
3 to 6 or blank	BBB+ and below, or without rating	100-150%	0		0	
Sub-total			162	207	162	209
(f) Corporates						
1	AAA to AA-	20%				
2	A+ to A-	50%				
3 to 4	BBB+ to BB-3)	100%	2,891	2,456	2,480	1,647
5 to 6 or blank	B+ and below, or without rating	150%				
Sub-total			2,891	2,456	2,480	1,647

[1] 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.

[2] Includes exposures to specific entities and receives a 0%-risk weight as provisioned by CRR.

[3] Includes exposures to with credit assessment using a nomincated ECAI, with original exposure and exposure value of EUR 8m as of December 31 2019.

Table 42 Comparison of parameter estimates against actual outcomes

The table shows the comparison between estimated expected losses (EL) and actual losses and between exposure-weighted estimated and realised LGD and CCF for IRB exposures. Estimated EL follows the calculation rules defined in the CRR. Actual losses is defined as the full year net loss. LGD estimates measure the net present value of the nominal loss including costs resulting from a customer's default. CCF is a statistical multiplier used to predict the EAD by predicting the drawdown of an off-balance sheet exposure. The estimates are based on internal data on drawings prior to default. Realised LGD and CCF values for the retail portfolio are based on a minimum of seven years of default and a three year work-out period. The averages for the corporate portfolio are also based on at least seven years of data. The estimated LGD's and CCF's are based on available reporting data at the date in question. The estimated values include a downturn add-on and a safety margin, hence the difference between estimated and realised values.

The economic situation resulting from the outbreak of the Covid-19 pandemic is the driver behind the increases in expected losses (estimated and realised) 2020 relative to 2019.

	EL		CCF		LGD	
	Estimated	Actual	Estimated	Realised	Estimated	Realised
2020						
Retail	-216	-362	46%	39%	17%	9%
Of which secured by immovable property	-87	-77	48%	45%	15%	7%
Of which other retail	-129	-285	46%	38%	29%	19%
Corporate[1]	-440	-546	59%	47%	29%	14%
Institution	11	0	n/a	n/a	n/a	n/a
Government	n/a	0	n/a	n/a	n/a	n/a
2019						
Retail	-227	-157	49%	41%	17%	9%
Of which secured by immovable property	-89	29	49%	45%	15%	7%
Of which other retail	-138	-186	49%	41%	29%	19%
Corporate[1]	-324	-381	60%	48%	30%	14%
Institution	-13	4	n/a	n/a	n/a	n/a
Government	n/a	-1	n/a	n/a	n/a	n/a
2018						
Retail	-245	-102	52%	44%	18%	10%
Of which secured by immovable property	-87	-28	41%	38%	15%	8%
Of which other retail	-158	-74	55%	46%	29%	19%
Corporate[1]	-287	-82	60%	52%	30%	15%
Institution	-11	8	n/a	n/a	n/a	n/a
Government	-6	3	n/a	n/a	n/a	n/a

[1] Includes SME Retail

Table 43 Exposure weighted average PD and LGD, IRB exposure classes

Parameters are calculated excluding defaulted exposures. The average PD increased due to a regulatory requirement to increase the PD for unrated exposures. Exposures in Retail of which SME in Baltic countries, Russia, US and Other countries were most influenced by this change.

	Denmark		Finland		Norway		Sweden		Baltic countries		Russia		US		Other	
Percent (%)	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD	PD	LGD
Sovereign																
Institution	0.09%	13.8%	4.13%	31.8%	0.04%	14.1%	0.07%	16.8%	0.39%	45.0%			0.35%	45.0%	0.19%	40.9%
Corporate	0.99%	27.3%	1.15%	29.7%	1.37%	27.8%	0.81%	28.4%	0.69%	35.3%	0.92%	37.2%	0.37%	32.4%	0.61%	33.6%
- of which Advanced	0.98%	25.7%	1.08%	27.6%	1.35%	26.2%	0.78%	26.6%	1.06%	31.8%	1.00%	35.1%	0.37%	32.4%	0.56%	32.3%
- of which Foundation	1.17%	45.0%	1.59%	41.7%	1.57%	43.7%	1.10%	43.7%	0.41%	37.9%	0.65%	45.0%	0.48%	44.9%	1.05%	44.4%
Retail	0.60%	20.4%	1.20%	17.7%	0.43%	20.2%	0.26%	11.7%	3.75%	19.8%	1.45%	17.6%	0.68%	15.2%	1.13%	16.1%
- of which secured by immovable property	0.50%	17.4%	0.62%	14.6%	0.19%	19.3%	0.21%	9.9%	0.59%	13.9%	0.28%	12.9%	0.41%	12.4%	0.44%	12.9%
- of which other retail	1.05%	36.2%	2.57%	25.7%	1.62%	25.0%	0.63%	28.8%	2.60%	26.0%	2.82%	29.7%	1.60%	30.2%	1.49%	27.5%
- of which SME	2.14%	22.1%	2.74%	22.1%	2.70%	28.7%	3.78%	28.2%	23.07%	35.7%	24.03%	34.5%	20.16%	34.2%	22.28%	33.6%
Total exposure-weighted IRB 2020	0.66%	21.9%	1.19%	22.4%	0.81%	23.0%	0.45%	18.2%	0.75%	36.2%	0.94%	36.7%	0.39%	32.5%	0.57%	33.7%
Total exposure-weighted IRB 2019	0.71%	21.6%	1.10%	22.5%	0.58%	23.4%	0.34%	18.2%	0.46%	41.8%	0.23%	41.2%	0.34%	33.2%	0.50%	35.0%

Table 44 EU CCR1: Analysis of counterparty credit risk by approach

Nordea uses two methodologies when calculating the counterparty credit risk amounts. These methodologies are the Mark to Market Method and Internal Model Method (IMM). For Securities Financing Transactions (SFT) Nordea uses the financial collateral comprehensive method. REA decreased since last reporting period by approximately EUR 1.3bn mainly driven by a stronger NOK and higher Nordic rates, fuelled by increased optimism on the global economy after several vaccines proved effective against Covid-19. Reduction in SFTs activity toward year end also contributed significantly to the decline in REA.

2020 Q4							
EURm	Notional	Replace-ment cost/ Current market value	Potential future value	EEPE	Multiplier	EAD post-CRM	REA
Mark to market		349	930			1,280	474
Original exposure	0					0	0
Standardised approach		0			0	0	0
Internal Model Method (for derivatives and SFTs)			5,692	8,559	1	11,982	4,891
Securities Financing Transactions			0	0	0	0	0
Derivatives & Long Settlement Transactions			5,692	8,559	1	11,982	4,891
From Contractual Cross Product Netting			0	0	0	0	0
Financial collateral simple method (for SFTs)						0	0
Financial collateral comprehensive method (for SFTs)						1,487	171
VaR for SFTs						0	0
Total							5,536

2020 Q2

EURm	Notional	Replace-ment cost/ Current market value	Potential future value	EEPE	Multiplier	EAD post-CRM	REA
Mark to market		265	1,164			1,429	561
Original exposure	0					0	0
Standardised approach		0			0	0	0
Internal Model Method (for derivatives and SFTs)			7,942	9,630	1	13,483	5,877
Securities Financing Transactions			0	0	0	0	0
Derivatives & Long Settlement Transactions			7,942	9,630	1	13,483	5,877
From Contractual Cross Product Netting			0	0	0	0	0
Financial collateral simple method (for SFTs)						0	0
Financial collateral comprehensive method (for SFTs)						4,099	415
VaR for SFTs						0	0
Total							6,853

Table 45 EU CCR2 Credit valuation adjustment (CVA) capital charge

The CVA risk capital charge computes the amount required to cover the potential losses arising from marking to market the counterparty credit risk of the OTC derivative portfolio. It is calculated using either an advanced approach or a standardised approach. The advanced approach is based on a VaR model and is calculated as a 60 day average. The slight decrease in SCVA was attributed to a lower EAD for portfolios subject to the standardized method. In contrast, there are several factors that have contributed to put downward pressure on the ACVA REA numbers since the previous reporting period. Firstly, reduced market turmoil due to extensive intervention in the major western economies by governments and central banks in response to the Covid-19 pandemic significantly reduced credit spreads volatility. Due to such market conditions, the models were recalibrated accordingly before the end of Q2, hence explaining why the EAD for IMM portfolios dropped to pre-pandemic levels and was actually lower than the exposure for year end. However, due to the nature of the ACVA REA calculation, the reducing effect of the recalibration was only rolled out completely over the second half of the year. Finally, several backtesting exceptions were discontinued since the last reporting period, and without the addition of any new ones, the capital multiplier subsequently decreased.

2020 Q4

EURm	Exposure value	REA
Total portfolios subject to the Advanced Method	1,918	404
(i) VaR component (including the 3×multiplier)		74
(ii) Stressed VaR component (including the 3×multiplier)		331
All portfolios subject to the Standardised Method	1,150	243
Based on Original Exposure Method		
Total subject to the CVA capital charge	3,068	648

2020 Q2

EURm	Exposure value	REA
Total portfolios subject to the Advanced Method	1,791	674
(i) VaR component (including the 3×multiplier)		163
(ii) Stressed VaR component (including the 3×multiplier)		511
All portfolios subject to the Standardised Method	1,385	260
Based on Original Exposure Method		
Total subject to the CVA capital charge	3,176	934

Table 46 EU CCR3 Standardised approach - Counterparty credit risk exposures by regulatory portfolio and risk

The total amount of EAD for the SA approach decreased from EUR 8.6 bn in Q2 2020 to EUR 6.1 bn in Q4 2020, mostly explained by the Institutional repo exposures which, for the most-part, use a 2% risk weight. The second most significant EAD change was driven by the Central governments or central banks and Multilateral development banks exposures. Most of these exposures were classified as having 0% risk weight.

2020Q4

EURm	Risk weight												
Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	Other	Total
Central governments or central banks	1,535				14								1,549
Regional governments or local authorities	1,898				308								2,206
Public sector entities													
Multilateral development banks	514												514
International organisations	106												106
Institutions	72	1,451			25		16					108	1,672
Corporate										18			18
Retail									0				0
Exposures in default													
Total	4,125	1,451			347		16		0	18	0	108	6,065

2020Q2

EURm	Risk weight												
Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	Other	Total
Central governments or central banks	1,849				212								2,061
Regional governments or local authorities	1,951				384								2,335
Public sector entities													
Multilateral development banks	1,130												1,130
International organisations	185												185
Institutions	83	2603			76		24					85	2871
Corporate										20			20
Retail									0				0
Exposures in default													
Total	5198	2603	0	0	671	0	24	0	0	20	0	85	8601

Table 47 EU CCR4: Counterparty credit risk exposures by portfolio and PD scale

EU CCR4 tables show 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. During Q4 2020, EAD decreased by EUR 2.3bn and REA by EUR 0.8bn, the REA density increased from 50% to 53%. Both EAD and REA variations were mostly explained by the corporate exposures.

2020Q4 , EURm	a	b	c	d	e	f	g
PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
Total IRB							
0.00 to < 0.15	6,271	0.07%	1,490	45.0%	2.3	2,079	33%
0.15 to < 0.25	911	0.21%	684	45.0%	2.5	581	64%
0.25 to < 0.50	1,996	0.43%	1,483	44.9%	2.4	1,659	83%
0.50 to < 0.75	79	0.65%	46	43.9%	2.4	75	95%
0.75 to < 2.50	882	1.14%	1,524	44.9%	2.4	810	92%
2.50 to < 10.00	103	3.62%	311	44.8%	2.5	133	129%
10.00 to < 100	52	20.13%	376	44.5%	2.5	94	183%
100 (Default)	45	100.00%	119	44.5%	2.5	17	37%
Total IRB	10,339	0.82%	6,033	45.0%	2.3	5,450	53%
Sovereigns FIRB							
0.00 to < 0.15							
0.15 to < 0.25							
0.25 to < 0.50							
0.50 to < 0.75							
0.75 to < 2.50							
2.50 to < 10.00							
10.00 to < 100							
100 (Default)							
Soverigns FIRB							
Institutions FIRB							
PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	3,024	0.07%	140	45.0%	2.3	982	32%
0.15 to < 0.25	149	0.17%	37	45.0%	2.5	77	51%
0.25 to < 0.50	131	0.38%	54	45.0%	2.5	94	72%
0.50 to < 0.75	71	0.66%	14	45.0%	2.4	73	103%
0.75 to < 2.50	9	1.03%	5	45.0%	2.5	9	106%
2.50 to < 10.00							
10.00 to < 100							
100 (Default)							
Institutions FIRB	3,384	0.10%	250	45.0%	2.3	1,235	36%
Retail RIRB							
PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	5	0.08%	40	34.3%	2.5	0	8%
0.15 to < 0.25	3	0.19%	97	35.8%	2.5	0	14%
0.25 to < 0.50	15	0.42%	88	34.5%	2.5	3	23%
0.50 to < 0.75	9	0.60%	32	34.5%	2.5	2	29%
0.75 to < 2.50	8	1.30%	273	37.3%	2.5	3	38%
2.50 to < 10.00	3	3.86%	124	37.6%	2.4	1	50%
10.00 to < 100	3	24.65%	115	37.7%	2.5	3	87%
100 (Default)	2	100.00%	24	34.3%	2.5	9	429%
Retail RIRB	48	6.65%	793	35.4%	2.5	23	48%

Corporate FIRB, Total

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	3,242	0.07%	1,310	45.0%	2.2	1,096	34%
0.15 to < 0.25	758	0.22%	550	45.0%	2.5	504	66%
0.25 to < 0.50	1,850	0.44%	1,341	45.0%	2.4	1,562	84%
0.50 to < 0.75							
0.75 to < 2.50	866	1.14%	1,246	45.0%	2.4	798	92%
2.50 to < 10.00	101	3.61%	187	45.0%	2.5	132	131%
10.00 to < 100	48	19.80%	261	45.0%	2.5	91	190%
100 (Default)	43	100.00%	95	45.0%	2.5	8	19%
Corporate FIRB, Total	6,907	1.13%	4,990	45.0%	2.3	4,192	61%

Corporate FIRB, Corporate exposures excluding SMEs and specialised lending

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	2,736	0.07%	751	45.0%	2.2	904	33%
0.15 to < 0.25	642	0.22%	271	45.0%	2.5	444	69%
0.25 to < 0.50	1,496	0.43%	618	45.0%	2.4	1,312	88%
0.50 to < 0.75							
0.75 to < 2.50	570	1.11%	455	45.0%	2.4	569	100%
2.50 to < 10.00	84	3.61%	62	45.0%	2.5	118	140%
10.00 to < 100	27	24.04%	50	45.0%	2.5	63	236%
100 (Default)	20	100.00%	17	45.0%	2.5	5	26%
Sub-total	5,574	0.82%	2,224	45.0%	2.3	3,413	61%

Corporate FIRB, SME exposures excluding specialised lending

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	505	0.08%	559	45.0%	2.5	193	38%
0.15 to < 0.25	117	0.22%	279	45.0%	2.5	60	52%
0.25 to < 0.50	354	0.45%	723	45.0%	2.5	250	71%
0.50 to < 0.75							
0.75 to < 2.50	296	1.19%	791	45.0%	2.5	229	77%
2.50 to < 10.00	17	3.61%	125	45.0%	2.5	15	86%
10.00 to < 100	21	14.51%	211	45.0%	2.5	28	133%
100 (Default)	23	100.00%	78	45.0%	2.5	3	12%
Sub-total	1,333	2.42%	2,766	45.0%	2.5	779	58%

Corporate FIRB, Specialised lending exposures

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15							
0.15 to < 0.25							
0.25 to < 0.50							
0.50 to < 0.75							
0.75 to < 2.50							
2.50 to < 10.00							
10.00 to < 100							
100 (Default)							
Sub-total							

2020Q2 , EURm

Total IRB

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	7,901	0.07%	1,512	45.0%	2.0	2,364	30%
0.15 to < 0.25	1,088	0.21%	704	45.0%	2.3	655	60%
0.25 to < 0.50	2,279	0.43%	1,522	44.9%	2.4	1,909	84%
0.50 to < 0.75	89	0.66%	57	44.8%	2.5	94	105%
0.75 to < 2.50	1,042	1.07%	1,603	44.8%	2.4	946	91%
2.50 to < 10.00	151	3.65%	334	44.8%	2.5	200	132%
10.00 to < 100	50	19.14%	404	44.0%	2.2	83	164%
100 (Default)	41	100.00%	128	44.5%	2.5	17	42%
Total IRB	12,642	0.68%	6,264	45.0%	2.1	6,268	50%

Sovereigns FIRB

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15							
0.15 to < 0.25							
0.25 to < 0.50							
0.50 to < 0.75							
0.75 to < 2.50							
2.50 to < 10.00							
10.00 to < 100							
100 (Default)							
Sovereigns FIRB							

Institutions FIRB

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	3,714	0.08%	140	45.0%	2.0	1,110	30%
0.15 to < 0.25	152	0.17%	40	45.0%	2.2	74	49%
0.25 to < 0.50	143	0.38%	56	45.0%	2.4	102	71%
0.50 to < 0.75	87	0.66%	14	45.0%	2.5	93	107%
0.75 to < 2.50	5	1.14%	3	45.0%	2.5	5	102%
2.50 to < 10.00	1	8.46%	1	45.0%	2.5	2	192%
10.00 to < 100	2	0.03%		45.0%	2.5	0	17%
100 (Default)							
Institutions - FIRB	4,103	0.11%	254	45.0%	2.0	1,386	34%

Retail RIRB

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	6	0.08%	39	34.4%	2.5	0	8%
0.15 to < 0.25	4	0.17%	93	35.4%	2.5	1	13%
0.25 to < 0.50	16	0.41%	85	34.7%	2.5	4	23%
0.50 to < 0.75	2	0.60%	43	35.3%	2.5	1	28%
0.75 to < 2.50	18	1.24%	285	36.0%	2.5	7	39%
2.50 to < 10.00	4	3.85%	131	37.2%	2.5	2	50%
10.00 to < 100	6	24.05%	137	36.8%	1.9	6	89%
100 (Default)	2	100.00%	24	34.4%	2.5	9	429%
Retail - RIRB	58	6.83%	837	35.5%	2.4	28	49%

Corporate FIRB, Total

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	4,181	0.07%	1,333	45.0%	2.0	1,254	30%
0.15 to < 0.25	932	0.22%	571	45.0%	2.3	580	62%
0.25 to < 0.50	2,120	0.43%	1,381	45.0%	2.4	1,804	85%
0.50 to < 0.75							
0.75 to < 2.50	1,020	1.07%	1,315	45.0%	2.4	934	92%
2.50 to < 10.00	147	3.61%	202	45.0%	2.5	197	134%
10.00 to < 100	42	19.16%	267	45.0%	2.2	77	181%
100 (Default)	39	100.00%	104	45.0%	2.5	9	22%
Corporate FIRB, Total	8,480	0.91%	5,173	45.0%	2.2	4,855	57%

Corporate FIRB, Corporate exposures excluding SMEs and specialised lending

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	3,582	0.07%	751	45%	1.9	1,028	29%
0.15 to < 0.25	818	0.22%	272	45%	2.3	515	63%
0.25 to < 0.50	1,724	0.43%	641	45%	2.4	1,527	89%
0.50 to < 0.75							
0.75 to < 2.50	658	1.07%	467	45%	2.3	651	99%
2.50 to < 10.00	122	3.61%	60	45%	2.5	175	143%
10.00 to < 100	21	24.81%	50	45%	1.9	49	236%
100 (Default)	14	100.00%	18	45%	2.5	6	42%
Sub-total	6,939	0.61%	2,259	45%	2.1	3,952	57%

Corporate FIRB, SME exposures excluding specialised lending

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15	599	0.08%	582	45.0%	2.5	226	38%
0.15 to < 0.25	114	0.22%	299	45.0%	2.5	65	57%
0.25 to < 0.50	395	0.45%	740	45.0%	2.5	276	70%
0.50 to < 0.75							
0.75 to < 2.50	361	1.07%	848	45.0%	2.5	282	78%
2.50 to < 10.00	24	3.61%	142	45.0%	2.5	21	88%
10.00 to < 100	22	13.81%	217	45.0%	2.5	28	129%
100 (Default)	25	100.00%	86	45.0%	2.5	3	11%
Sub-total	1,542	2.30%	2,914	45.0%	2.5	902	59%

Corporate FIRB, Specialised lending exposures

PD scale	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	REA	REA density
0.00 to < 0.15							
0.15 to < 0.25							
0.25 to < 0.50							
0.50 to < 0.75							
0.75 to < 2.50							
2.50 to < 10.00							
10.00 to < 100							
100 (Default)							
Sub-total							

Table 48 EU CCR5-A: Impact of netting and collateral held on exposure values

Lower SFT and cleared-repo volumes have driven gross and netted exposures down during the second half of 2020 which translated into lower netting benefits as well as lower called collateral. Higher Nordic rates since last reporting period put downward pressure on derivatives exposures which also translated into lower netting benefits. Note that collateral held (d) was the residual between (c) and (e) because excess collateral received was not recognised. This reflected the actual risk mitigation coming from held collateral. At the end of the year the current exposure net (after close-out netting and collateral reduction) was EUR 7.33bn.

2020 Q4, EURm

EURm	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives by underlying	133,431	117,050	16,381	9,327	7,054
Securities Financing Transactions	26,665	17,148	9,516	9,241	275
Cross product netting	0	0	0	0	0
Total	160,095	134,198	25,897	18,569	7,329

2020 Q2

EURm	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives by underlying	142,934	126,218	16,717	8,848	7,869
Securities Financing Transactions	55,805	25,061	30,744	29,652	1,092
Cross product netting	0	0	0	0	0
Total	198,740	151,279	47,461	38,500	8,961

Table 49 EU CCR5-B: Composition of collateral for exposures to CCR

Collateral used in derivative transactions reflect the total amounts of posted and received collateral on the day of reporting. For the SFT's the trade collateral (the counterparties obligation in the transaction) was included as collateral. The most significant development since last reporting date was lower SFT volumes during the second half of 2020 which translated into lower amounts of received and posted collateral for SFT transactions. Posted and received collateral amounts for derivative transactions remained at similar levels compared to the previous reporting period, as the netted derivatives' exposure was largely unchanged.

2020 Q4

	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
EURm	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	0	9,274	0	10,951	29,338	43,366
Government bonds	0	696	47	2,325	19,985	17,785
Mortgage bonds	0	160	0	867	17,702	10,016
Bonds	0	148	2	37	5,771	1,106
Equity	0	0	0	0	7,399	445
Other	0	0	0	0	2,046	861
Total	0	10,279	49	14,180	82,240	73,580

2020 Q2

	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
EURm	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	0	8,762	0	12,084	56,372	70,537
Government bonds	0	889	54	2,157	41,631	42,320
Mortgage bonds	0	143	0	1,051	18,430	10,097
Bonds	0	0	1	45	8,999	2,389
Equity	0	0	0	0	7,766	242
Other	0	0	0	0	3,081	1,259
Total	0	9,794	55	15,337	136,279	126,844

Table 50 EU CCR6: Credit derivatives exposures

Contracts that existed in Q2 have decreased value in Q4, countered by new agreements to offset the decrease.

Q4 2020		
	Credit derivative hedges	
EURm	Protection bought	Protection sold
Notionals		
Credit default swaps	76,498	77,419
Credit options		
Total notionals	76,498	77,419
Fair values		
Positive fair value (asset)	804	-111
Negative fair value (liability)	380	657

Q2 2020		
	Credit derivative hedges	
EURm	Protection bought	Protection sold
Notionals		
Credit default swaps	79,827	79,885
Credit options		
Total notionals	79,827	79,885
Fair values		
Positive fair value (asset)	193	426
Negative fair value (liability)	1,048	54

Table 51 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. A stronger NOK and higher Nordic interest rates were the main drivers that decreased IMM exposures. Continued trend upwards in counterparties' creditworthiness pushed REA slightly down whereas portfolio changes QoQ had a marginal effect on exposure.

EURm	REA amounts	Capital requirements
REA 2020 Q3	5,449	436
Asset size	-1	0
Credit quality of counterparties	-19	-2
Model updates (IMM only)	-20	-2
Methodology and policy (IMM only)		0
Acquisitions and disposals	0	0
Foreign exchange movements	-402	-32
Interest rate movements	-102	-8
Other	-13	-1
REA 2020 Q4	4,891	391

EURm	REA amounts	Capital requirements
REA 2020 Q2	5,896	472
Asset size	-712	-57
Credit quality of counterparties	-159	-13
Model updates (IMM only)	-1	0
Methodology and policy (IMM only)		0
Acquisitions and disposals	0	0
Foreign exchange movements	456	36
Interest rate movements	-28	-2
Other	-2	0
REA 2020 Q3	5,449	436

Table 52 EU CCR8 Exposures to central counterparties

Exposure towards QCCPs decreased significantly as a consequence of lower repo volumes since last reporting period. Higher exposure values for derivative transactions did not materialise in a REA increase, but a decrease instead, given that the exposure decline occurred against central counterparties carrying a higher risk weight. REA for Initial Margin is not included in the table, since it is contemplated in the simulation and therefore it is not possible to perform the split in items (i), (ii), (iii) and (iv).

2020 Q4

EURm	EAD (post-CRM)	REA
Exposures to QCCPs (total)		72
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,475	34
(i) OTC derivatives	792	20
(ii) Exchange-traded derivatives	34	1
(iii) Securities financing transactions	650	13
(iv) Netting sets where cross-products netting has been approved	0	0
Segregated initial margin	541	
Non-segregated initial margin	475	
Pre-funded default fund contribution	180	39
Unfunded default fund contribution	0	0
Exposures to non-QCCPs (total)		0

2020 Q2

EURm	EAD (post-CRM)	REA
Exposures to QCCPs (total)		108
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	2,679	67
(i) OTC derivatives	587	25
(ii) Exchange-traded derivatives	58	1
(iii) Securities financing transactions	2,034	41
(iv) Netting sets where cross-products netting has been approved	0	0
Segregated initial margin	675	
Non-segregated initial margin	744	
Pre-funded default fund contribution	168	41
Unfunded default fund contribution	0	0
Exposures to non-QCCPs (total)		0

Table 53 Counterparty credit risk exposures and REA split by exposure class

During 2020, total CCR EAD decreased by EUR 3.0bn and total CCR REA by EUR 0.6bn. The EAD decrease stemmed from various areas, the greatest one coming from corporate IRB exposures as well as sovereigns under the standardized approach. The decrease in REA was driven by institutional and corporate exposures under the IRB approach.

	2020		2019	
EURm	Exposure[1]	REA	Exposure[1]	REA
IRB exposure classes				
Sovereign				
Institution	3,384	1,235	4,160	1,539
Corporate	6,907	4,192	8,355	4,414
Retail	48	23	63	27
Other non-credit obligation assets				
Total IRB approach	10,339	5,450	12,578	5,979
Standardised exposure classes				
Central government and central banks	1,549	3	2,535	25
Regional Governments or local authorities	2,206	62	1,914	56
Other	2,309	94	2,334	139
of which cleared through CCPs	1,656	72	1,569	119
Total standardised approach	6,065	159	6,783	220
Total	16,404	5,609	19,361	6,199

[1] Exposures include derivatives as well as securities financing transactions.

Table 54 Securitisation

The REA of Nordea's securitisation position is fully calculated using the IRB approach, where SEC-IRBA Framework is applied. Based on the estimated exposure value of EUR 5.1bn, the REA of the securitisation position was EUR 880m as per Q4 2020. Compared to Q4 2019, there was a decrease of EUR 3 185m in exposure and an increase of EUR 6m in REA. The changes inA exposure was driven by closure of the old secutitisation transaction during Q1 2020. There has aslo been a change in REA calculation framework from Supervisory Formula method used for old transaction to SEC-IRBA Framework used on the new securitisation transaction.

Securitisation positions - by capital approach

	Banking book			
	Exposure values		REA	
2020, EURm	Securitisation	Re-securitisation	Securitisation	Re-securitisation
IRB approach				
SEC-IRBA Framework	5,100		880	
Total	5,100		880	

	Banking book			
	Exposure values		REA	
2019, EURm	Securitisation	Re-securitisation	Securitisation	Re-securitisation
IRB approach				
Supervisory formula method	8,285		874	
Total	8,285		874	

Nordea as originator - asset value and impairment charges

Nordea's outstanding securitisation exposures consist solely of loans to corporates or SMEs. The total amount of outstanding securitisation exposures where Nordea stands as an originator, measured as exposure at default after concentration adjustment, amounted to EUR 5.1bn as per Q4 2020 as shown in the table below. Furthermore, the exposures past due and recognized losses amounted to EUR 4m in Matador by end of Q4 2020.

	Banking book					
2020, EURm	Traditional	Synthetic	Total	Of which deducted from own funds or risk-weighted at 1250%	Of which past due	Recognised losses
Loans to corporates or SME's		5,100	5,100	0	4	
		5,100	5,100	0	4	0

	Banking book					
2019, EURm	Traditional	Synthetic	Total	Of which deducted from own funds or risk-weighted at 1250%	Of which past due	Recognised losses
Loans to corporates or SME's		8,285	8,285		42	36
Total (originator)		8,285	8,285	0	42	36

Special purpose entities where Nordea is the sponsor

The Special purpose Vehicles (SPVs) are not consolidated for capital adequacy purposes. Instead, loans and loan commitments to the SPVs are included in the banking book and capital requirements are calculated accordingly. Bonds and notes issued by the SPV and held by Nordea as well as credit derivative transactions between Nordea and the SPV are reported in the trading book. Nordea has been approved to calculate the general and specific market risk of these transactions under the VaR model. The counterparty credit risk of credit derivative transactions is calculated in accordance with the mark to market method.

2020 EURm	Type	Securitisation	Duration	Accounting treatment	Book	Nordea's loans to SPEs	Total assets of SPEs
Viking ABCP Conduit	Traditional	Receivables Securitisation	< 5 years	Consolidated	Banking	755	822
AR Finance[1]	Traditional	Receivables Securitisation	< 5 years	Consolidated	Banking	81	81
Total						836	903

[1] Includes all assets towards SPEs (such as bonds, subordinated loans and drawn credit facilities).

2019, EURm	Type	Securitisation	Duration	Accounting treatment	Book	Nordea's loans to SPEs	Total assets of SPEs
Viking ABCP Conduit		Receivables Securitisation	< 5 years	Consolidated	Banking	871	904
AR Finance[1]	Traditional	Receivables Securitisation	< 5 years	Consolidated	Banking	83	84
Total						954	988

[1] Includes all assets towards SPEs (such as bonds, subordinated loans and drawn credit facilities).

Table 55 EU MR1: Market risk under standardised approach

Compared to Q2 2020, the standardised approach (SA) REA in Q4 2020 increased by EUR 190m. The Outright products contributed with an increase of EUR 108m, whereby the foreign exchange risk REA increased by EUR 236m and the interest rate and equity risk REA decreased in total by EUR 147m. The market risk REA stemming from Options increased by EUR 81m compared to Q2.

2020Q4 , EURm

EURm	REA	Capital requirements
Outright products[1]		
Interest rate risk (general and specific)	264	21
Equity risk (general and specific)	76	6
Foreign exchange risk	2,339	187
Commodity risk	64	5
Options		
Simplified approach		
Delta-plus method		
Scenario approach	202	16
Securitisation		
Total	2,945	236

[1] Outright products refer to positions in products that are not optional.

2020Q2 , EURm

EURm	REA	Capital requirements
Outright products[1]		
Interest rate risk (general and specific)	354	28
Equity risk (general and specific)	133	11
Foreign exchange risk	2,102	168
Commodity risk	45	4
Options		
Simplified approach		
Delta-plus method		
Scenario approach	120	10
Securitisation		
Total	2,755	220

[1] Outright products refer to positions in products that are not optional.

Table 56 EU MR2-A: Market risk under the internal models approach

In the second half of 2020 the MR REA from Internal Model Approach (IMA) decreased by EUR 3,171m compared to Q2 2020 during which it was elevated by the corona crisis. The decrease in Value-at-Risk (VaR) and Stressed Value-at-Risk (sVaR) in total was EUR 2,490m from Q2 2020 to Q4 2020. The REA component stemming from Comprehensive risk method (CRM) decreased by EUR 708m.

		a	b
	2020Q4, EURm	REA	Capital requirements
1	VaR (higher of values a and b)	1,028	82
a	Previous day's VaR (Article 365 (1)(VaRt-1))	217	17
b	Average of daily VaR (article 365 (1)) on each of the preceding sixty business days (VaRavg) x multiplication factor ((mc) in accordance with article 366)	1,028	82
2	SVaR (higher of values a and b)	1,651	132
a	Latest SVaR (Article 365 (2) (sVARt-1)	503	40
b	Average of the SVaR (article 365 (2)) during the preceding 60 business days (sVaRavg) x multiplication factor (ms) (article 366)	1,651	132
3	Incremental risk charge - IRC (higher of values a and b)	635	51
a	Most recent IRC value (incremental default and migration risks section 3 calculated in accordance with Section 3 articles 370/371)	547	44
b	Average of the IRC number over the preceding 12 weeks	635	51
4	Comprehensive risk method - CRM (higher of values a,b and c)	357	29
a	Most recent risk number for the correlation trading portfolio (article 377)	265	21
b	Average of the risk numbers for the correlation trading portfolio over the preceding 12-weeks	357	29
c	8% of the own funds requirement in SA on most recent risk number for the correlation trading portfolio (Article 338 (4))	318	25
5	Total	3,671	294

	2020Q2, EURm	REA	Capital requirements
1	VaR (higher of values a and b)	2,349	188
a	Previous day's VaR (Article 365 (1)(VaRt-1))	369	29
b	Average of daily VaR (article 365 (1)) on each of the preceding sixty business days (VaRavg) x multiplication factor ((mc) in accordance with article 366)	2,349	188
2	SVaR (higher of values a and b)	2,820	226
a	Latest SVaR (Article 365 (2) (sVARt-1)	547	44
b	Average of the SVaR (article 365 (2)) during the preceding 60 business days (sVaRavg) x multiplication factor (ms) (article 366)	2,820	226
3	Incremental risk charge - IRC (higher of values a and b)	607	49
a	Most recent IRC value (incremental default and migration risks section 3 calculated in accordance with Section 3 articles 370/371)	591	47
b	Average of the IRC number over the preceding 12 weeks	607	49
4	Comprehensive risk method - CRM (higher of values a,b and c)	1,065	85
a	Most recent risk number for the correlation trading portfolio (article 377)	382	31
b	Average of the risk numbers for the correlation trading portfolio over the preceding 12-weeks	1,065	85
c	8% of the own funds requirement in SA on most recent risk number for the correlation trading portfolio (Article 338 (4))	575	46
5	Total	6,842	547

Table 57 EU MR2-B: REA flow statements of market risk exposures under the IMA

By the end of the Q4 the IMA REA amounted to EUR 3,671m which corresponded to a decrease of EUR 1,110m from Q3 2020, driven by movements in risk levels. The decrease in the VaR and sVaR REA was primarily driven by lower levels of interest rate risk as well as lower VaR and sVaR multipliers compared to Q3. The Incremental Risk Charge (IRC) REA decreased in Q4 driven by lower default risk. The slight decrease in the Comprehensive Risk Charge (CRC) REA stemmed mainly from position changes.

EURm	VaR	SVaR	IRC	CRC	Total REA	Total capital requirements
REA before regulatory adjustments 2020Q3	1,472	2,243	668	399	4,781	382
Regulatory adjustment						
REA 2020Q3	1,472	2,243	668	399	4,781	382
Movement in risk levels	-320	-403	-33	-41	-798	-64
Model updates/changes						
Methodology and policy	-123	-189			-312	-25
Acquisitions and disposals						
Foreign exchange movements						
Other						
REA before regulatory adjustments 2020Q4	1,028	1,651	635	357	3,671	294
Regulatory adjustment						
REA 2020Q4	1,028	1,651	635	357	3,671	294

Table 58 EU MR3: IMA values for trading portfolios

Market risk measured by VaR showed an average of EUR 29m in the second half of 2020 and was primarily driven by interest rate VaR. sVaR was at an average of EUR 42m which was lower compared to first half of 2020, and primarily driven by interest rate exposure with additional contributions from credit spreads. The high in VaR and sVaR were reached in Q1 2020 at the beginning of the corona crisis. Average IRC increased slightly, stemming from increased migration risk. During second half of 2020 the CRC was at an average of EUR 25m, ranging between a maximum of EUR 39m and a minimum of EUR 17m. The reduction in average CRC compared to first half of 2020 was mainly due to first half average being driven up by the max CRC observed at the early part of the corona crisis where the business bought CDS index protection.

		a
	2020Q4, EURm	
	VaR (10 day 99%)	
1	Maximum value	46
2	Average value	29
3	Minimum value	14
4	Period end	17
	SVaR (10 day 99%)	
5	Maximum value	71
6	Average value	42
7	Minimum value	29
8	Period end	40
	IRC (10 day 99%)	
9	Maximum value	29
10	Average value	21
11	Minimum value	17
12	Period end	18
	Comprehensive capital charge (99.9%)	
13	Maximum value	39
14	Average value	25
15	Minimum value	17
16	Period end	18

	2020Q2, EURm	EURm
	VaR (10 day 99%)	
1	Maximum value	70
2	Average value	35
3	Minimum value	12
4	Period end	29
	SVaR (10 day 99%)	
5	Maximum value	95
6	Average value	51
7	Minimum value	26
8	Period end	44
	IRC (10 day 99%)	
9	Maximum value	40
10	Average value	20
11	Minimum value	12
12	Period end	19
	Comprehensive capital charge (99.9%)	
13	Maximum value	150
14	Average value	54
15	Minimum value	15
16	Period end	27

Table 59 EU MR4: Comparison of VaR estimates with gains/losses

The figure below shows the 250 days VaR backtest of the trading book at end 2020. 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 2020, backtest based on hypothetical profit/loss (SPL) was in the green zone with two SPL exceptions during the last 250 business days and backtest based on actual profit/loss (APL) was in the green zone with 4 APL exceptions 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.

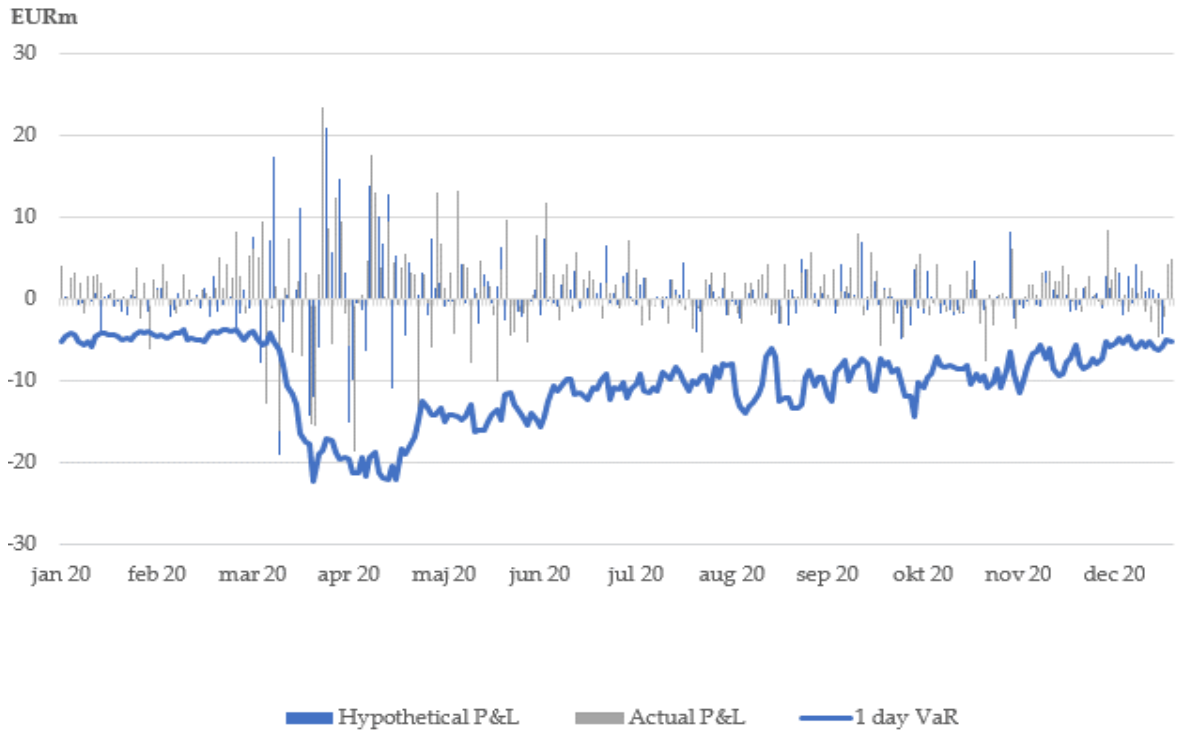


Table 60 Market risk in the trading book

Market risk measured by VaR and sVaR showed an average utilisation of EUR 32m and EUR 47m in 2020. It was primarily driven by interest rate exposure with additional contributions from credit spreads. The high in VaR and sVaR were reached in Q1 2020 at the start of the corona crisis. Market risk is primarily concentrated in Northern Europe and Nordics.

The Incremental Risk Charge (IRC) at the end of 2020 was lower than at the end of 2019. The decrease was driven by reduced default exposure. The lowest exposure occurred during Q2 2020, while IRC was the highest in Q1 2020. Average IRC increased by EUR 4.4m compared to the previous year, primarily driven by higher contribution from the migration component.

The Comprehensive Risk Charge (CRC) at the end of 2020 was in line with the result at the end of 2019. The lowest exposure occurred during Q1 2020, while CRC peaked during Q2 2020 at the start of the corona crisis. Average CRC for 2020 increased by EUR 19.9m compared to 2019 as it was dragged up by the peak at the start of the corona crisis.

2020 Q4, EURm	31 Dec 2020	2020 High	2020 Low	2020 avg	31 Dec 2019
Total VaR	17	70	12	32	21
Interest rate risk	18	60	12	29	18
Equity risk	4	31	1	5	6
Credit spread risk	12	54	4	13	4
Foreign exchange risk	2	11	1	3	2
Inflation risk	2	4	2	3	2
Diversification effect	58%	67%	25%	41%	34%
Total Stressed VaR	40	95	26	47	67
Interest rate risk	32	80	29	46	79
Equity risk	9	58	2	11	13
Credit spread risk	34	71	6	27	37
Foreign exchange risk	5	20	1	5	4
Inflation risk	3	7	3	4	5
Diversification effect	51%	65%	31%	50%	0%
Incremental Risk Charge	18	40	12	21	21
Comprehensive Risk Charge	18	150	15	39	17

2019 Q4, EURm	31 Dec 2019	2019 High	2019 Low	2019 avg	31 Dec 2018
Total VaR	21	22	10	15	18
Interest rate risk	18	21	8	14	16
Equity risk	6	10	1	3	2
Credit spread risk	4	10	3	5	6
Foreign exchange risk	2	6	1	3	2
Inflation risk	2	3	1	2	2
Diversification effect	34%	58%	34%	46%	38%
Total Stressed VaR	67	86	28	47	62
Interest rate risk	79	90	32	50	59
Equity risk	13	33	4	11	14
Credit spread risk	37	41	9	20	23
Foreign exchange risk	4	13	1	5	4
Inflation risk	5	7	2	4	4
Diversification effect	0%	100%	29%	48%	40%
Incremental Risk Charge	21	41	7	16	35
Comprehensive Risk Charge	17	29	9	20	29

Table 61 Economic value sentitivity for the banking book[1], 6 scenarios from Basel Committee on Banking Supervision

The main driver of the worst loss were short term DKK covered bonds.

2020, EURm	Parallel shock up	Parallel shock down	Steepener shock	Flattener shock	Short rates shock up	Short rates shock down
DKK	240	-603	95	-146	49	-109
SEK	118	412	24	-217	-3	-41
EUR	21	2944	28	563	96	434
NOK	-39	195	43	-20	-24	293
USD	-41	52	3	-9	-26	36
OTH	-8	-9	1	-6	-8	-3
Total	291	2,991	194	165	84	610

Scenario 2020 Q4, mEUR	Total EV risk	Excl. NMD modelling	Excl. prepayment modelling
Parallel down 50bp	117	862	863
Parallel up 50bp	49	-496	9.5

2019, EURm	Parallel shock up	Parallel shock down	Steepener shock	Flattener shock	Short rates shock up	Short rates shock down
DKK	29	-436	76	-166	-58	-15
SEK	281	-610	-9	-147	115	-176
EUR	260	1345	85	124	116	310
NOK	3	-64	-6	-28	-10	87
USD	-54	62	24	-36	-54	39
OTH	-19	0	7	-12	-18	9
Total	500	296	177	-265	91	253

Scenario 2019 Q4, mEUR	Total EV risk	Excl. NMD modelling	Excl. prepayment modelling
Parallel down 50bp	-106	880	52
Parallel up 50bp	138	-654	89

Table 62 Net interest income sensitivities for the banking book over a one-year horizon (SIIR), 6 scenarios from Basel Committee on Banking Supervision

At the end of the year, the worst loss out of the 6 Basel scenarios for SIIR was driven by the Steepener Basel scenario, where the loss was of EUR 655m (against the worst loss in 2019 of EUR 1,030m taken from the Steepener shock scenario).

2020, EURm	Parallel shock up	Parallel shock down	Steepener shock	Flattener shock	Short rates shock up	Short rates shock down
DKK	167	-68	-66	197	256	-88
EUR	628	-85	-184	617	809	-179
SEK	322	-388	-394	309	378	-252
NOK	113	70	36	92	121	313
CHF	-2	2	1	-1	-2	2
USD	75	-55	-40	68	90	-44
Other	-10	-15	-7	-15	-17	-11
Total	1,294	-539	-655	1,266	1,636	-258

2019, EURm	Parallel shock up	Parallel shock down	Steepener shock	Flattener shock	Short rates shock up	Short rates shock down
DKK	181	-174	-164	209	268	-262
EUR	610	-121	-197	609	783	-221
SEK	84	-92	-143	75	102	119
NOK	267	-459	-478	264	334	-347
CHF	-1	2	1	-1	-1	2
USD	29	-50	-42	22	30	-127
Other	-15	-14	-6	-16	-19	-17
Total	1,155	-908	-1,030	1,162	1,496	-854

2018, EURm	Parallel shock up	Parallel shock down	Steepener shock	Flattener shock	Short rates shock up	Short rates shock down
DKK	261	-266	-269	315	394	-412
EUR	917	-507	-575	993	1,227	-766
SEK	33	51	8	11	19	265
NOK	269	-351	-406	299	360	-218
CHF	-20	20	19	-23	-29	30
USD	-62	36	37	-79	-100	32
Other	-45	0	9	-43	-54	-4
Total	1,352	-1,017	-1,176	1,473	1,817	-1,073

Table 63 Equity holding outside trading book

The increase in carrying amount of the portfolio is mainly driven by the increase in value of the holdings in the portfolio, i.e the unrealised gains. The largest increase comes from the portfolio in Group Treasury & ALM in Denmark and the holdings in Tink and Asiakastieto.

Q4 2020 EURm	Book value	Fair value	Unrealised gains/losses	Realised gains/losses	Capital requirement
Investment portfolio [1]	1,008	1,008	53	0	81
Other [2]	241	241	50	0	19
Total	1,249	1,249	103	0	100

[1] Of which listed equity holdings 110

[2] Of which listed equity holdings 94

Q4 2019 EURm	Book value	Fair value	Unrealised gains/losses	Realised gains/losses	Capital requirement
Investment portfolio [1]	1,008	1,008	53	0	81
Other [2]	241	241	50	0	19
Total	1,249	1,249	103	0	100

[1] Of which listed equity holdings 110

[2] Of which listed equity holdings 88

Table 64 REA and minimum capital requirements for market risk

By the end of 2020, REA for market risk was EUR 6,616m, an increase of EUR 1,682m compared to the end of 2019. The increase in total REA was mainly explained by the contribution from FX outside the trading book SA REA. Total REA from the Trading Book decreased by EUR 657m, mainly stemming from a decrease of EUR 685m from sVaR.

	Trading book		Banking book		Total	
2020Q4, EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Total VaR (IA)	1,018	81			1,018	81
Interest rate risk	1,028	82			1,028	82
Equity risk	139	11			139	11
Credit spread risk	407	33			407	33
Foreign exchange risk	137	11			137	11
Inflation risk	121	10			121	10
Diversification effect	-814	-65			-814	-65
Total Stressed VaR (IA)	1,651	132			1,651	132
Interest rate risk	1,621	130			1,621	130
Equity risk	376	30			376	30
Credit spread risk	1,129	90			1,129	90
Foreign exchange risk	224	18			224	18
Inflation risk	162	13			162	13
Diversification effect	-1,861	-149			-1,861	-149
Incremental Risk Charge (IA)	635	51			635	51
Comprehensive Risk Charge (IA)	357	29			357	29
Equity Event Risk (IA)	10	1			10	1
Standardised Approach	606	48	2,339	187	2,945	236
Interest rate risk	264	21			264	21
Equity risk	275	22			275	22
Commodity Risk	67	5			67	5
Foreign exchange risk			2,339	187	2,339	187
Total	4,277	342	2,339	187	6,616	529

	Trading book		Banking book		Total	
2019Q4, EURm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Total VaR (IA)	778	62			778	62
Interest rate risk	695	56			695	56
Equity risk	261	21			261	21
Credit spread risk	240	19			240	19
Foreign exchange risk	131	10			131	10
Inflation risk	92	7			92	7
Diversification effect	-641	-51			-641	-51
Total Stressed VaR (IA)	2,336	187			2,336	187
Interest rate risk	2,597	208			2,597	208
Equity risk	605	48			605	48
Credit spread risk	1,631	130			1,631	130
Foreign exchange risk	234	19			234	19
Inflation risk	235	19			235	19
Diversification effect	-2,965	-237			-2,965	-237
Incremental Risk Charge (IA)	654	52			654	52
Comprehensive Risk Charge (IA)	355	28			355	28
Equity Event Risk (IA)	4	0			4	0
Standardised Approach	808	65			808	65
Interest rate risk	369	30			369	30
Equity risk	393	31			393	31
Commodity Risk	46	4			46	4
Foreign exchange risk						
Total	4,934	395			4,934	395

Table 65 Operational risk incidents

As of December 31, 2020, operational risk net* loss decreased by 79% or EUR 100.8m, compared to year-end 2019. The decrease is mainly due to the provision for an AML fine in Denmark of EURm 95 which increased the numbers significantly in 2019. In "Execution, Delivery and Process Management" the number of severe incidents increased with the highest gross losses in the sub event type "Transaction Capture, Execution & Maintenance". The highest gross loss related to an incorrect payment of EUR 67m where the amount was fully recovered. "External Fraud" continues to have high operational risk losses due to a large amount of both card fraud and account fraud cases.

	2019		2020	
Operational Risk Losses by Event Type in EURm	Gross Loss	Net Loss	Gross Loss	Net Loss
Clients, Products and Business Practices	98	98	2	2
Employee Practices and Workplace Safety	0	0	0	0
Execution, Delivery and Process Management	18	16	102	16
External Fraud	16	13	11	8
Internal Fraud	1	1	0	0
Damage to Physical Assets	0	0	0	0
Business Disruption and System Failures	1	0	0	0
Total	135	127	116	27

*Recoveries included

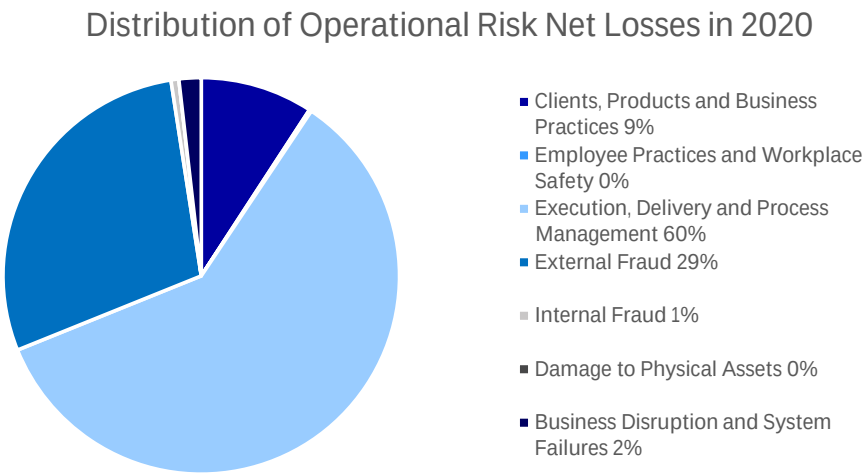


Table 66 LIQ 1: LCR Disclosures

Nordea Group's short term liquidity risk exposure measured by Liquidity Coverage Ratio (LCR) remained on a good and stable level throughout 2020. During 2020, which was featured by Covid-19, 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.

		Total unweighted value (average)				Total weighted value (average)			
	EURm	2020Q4	2020Q3	2020Q2	2020Q1	2020Q4	2020Q3	2020Q2	2020Q1
	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)					101,876	102,698	98,141	98,803
	Cash-outflows								
2	Retail deposits & deposits from small business customers	96,447	94,219	90,482	89,627	6,354	6,216	5,981	5,927
3	- Of which stable deposits	77,475	75,734	71,508	70,841	4,045	3,958	3,575	3,542
4	- Of which less stable deposits	15,287	14,795	18,953	18,771	1,914	1,858	2,385	2,371
5	Unsecured wholesale funding	104,412	101,871	93,707	94,775	48,868	48,876	45,407	44,826
6	- Of which Operational deposits (all counterparties) and deposits in networks of cooperative banks	29,099	27,829	27,785	32,753	6,889	6,673	6,710	7,795
7	- Of which Non-operational deposits (all counterparties)	64,776	62,856	55,066	50,146	31,442	31,018	27,841	25,155
8	- Of which unsecured debt	10,537	11,185	10,856	11,875	10,537	11,185	10,856	11,875
9	Secured wholesale funding					3,698	4,301	4,485	4,572
10	Additional requirements	74,875	70,231	59,715	53,308	14,003	13,066	11,313	10,770
11	- Of which outflows related to derivative exposures and other collateral requirements	8,797	8,342	7,115	6,933	7,662	7,111	6,205	6,253
12	- Of which Outflows related to loss Of funding on debt products	8	9	8	5	8	9	8	5
13	- Of which credit and liquidity facilities	66,070	61,880	52,592	46,370	6,333	5,946	5,099	4,511
14	Other contractual funding obligations	1,788	1,570	1,904	1,794	1,109	894	1,417	1,336
15	Other contingent funding obligations	40,537	41,401	47,044	50,997	2,571	2,691	3,037	3,194
16	Total cash outflows					76,602	76,044	71,639	70,626
	Cash inflows								
17	Secured lending (e.g. reverse repos)	22,393	26,107	38,394	38,318	2,726	3,177	4,194	4,029
18	Inflows from fully performing exposures	11,199	11,139	11,516	11,736	5,240	5,274	5,847	5,998
19	Other cash inflows	16,878	17,213	9,226	9,063	7,347	7,307	6,438	6,145
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	50,359	54,348	59,135	59,117	15,313	15,758	16,479	16,173
EU-20a	Fully exempt inflows	0	0	0	0	0	0	0	0
EU-20b	Inflows Subject to 90% Cap	6	5	0	0	2	2	0	0
EU-20c	Inflows subject to 75% cap	50,353	54,342	59,135	59,117	15,310	15,755	16,479	16,173
21	Liquidity buffer					101,876	102,698	98,141	98,803
22	Total net cash outflows					61,473	60,471	55,155	54,447
23	Liquidity coverage ratio (%)					166%	170%	178%	182%

Table 67 Encumbered and unencumbered assets

The below disclosure represents the computed median values of the four quarters between 31 December 2019 and 31 December 2020, 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 Eiendomskreditt AS, Nordea Kredit Realkreditaktieselskab, Nordea Hypotek AB (publ), Nordea Mortgage Bank PLC and Gjensidige Bank Boligkreditt, 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. Overcollateralization of covered bonds in each mortgage company is well of 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.

2020, EURm

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	191,965	57,228			344,306	78,996		
Equity instruments	1,294	0			3,900	0		
Debt securities	33,439	24,601	33,439	24,601	37,717	29,847	33,355	26,396
of which: covered bonds	16,735	14,078	16,735	14,078	25,766	25,467	25,766	25,467
of which: asset-backed securities	0	0	0	0	0	0	0	0
of which: issued by general governments	13,140	9,231	13,140	9,231	7,524	7,043	7,524	7,043
of which: issued by financial corporations	20,081	15,323	20,081	15,323	24,040	19,571	24,040	19,571
of which: issued by non-financial corporations	774	267	774	267	792	108	792	108
Other assets	157,113	32,628			302,557	50,063		

Collateral received

	Encumbered		Unencumbered	
	Fair value of encumbered collateral received or own debt securities issued		Fair value of encumbered collateral received or own debt securities issued	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
Collateral received by the reporting institution	7,621	6,306	56,658	47,587
Loans on demand	0	0	0	0
Equity instruments	0	0	2,685	0
Debt securities	7,621	6,306	21,799	16,126
of which: covered bonds	2,434	2,124	11,823	8,563
of which: asset-backed securities	0	0	0	0
of which: issued by general governments	5,187	4,182	8,997	7,365
of which: issued by financial corporations	2,434	2,124	11,892	8,591
of which: issued by non-financial corporations	0	0	843	151
Loans and advances other than loans on demand	0	0	25,649	25,649
Other collateral received	0	0	6,120	6,120
Own debt securities issued other than own covered bonds or asset-backed securities	0	0	25	0
Own covered bonds and asset-backed securities issued and not yet pledged			5,573	5,573
Total assets, collateral received and own debt securities issued	199,586	63,534		

Sources of encumbrance

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	181,550	197,100
of which: covered bonds issued	110,681	113,749

2019, EURm

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	174,272	49,874			366,195	84,783		
Equity instruments	2,829	0			1,960	0		
Debt securities	22,914	17,791	22,914	17,791	44,050	36,167	42,640	36,167
of which: covered bonds	8,698	7,476	8,698	7,476	19,708	19,708	19,708	19,708
of which: asset-backed securities	0	0	0	0	0	0	0	0
of which: issued by general governments	12,437	10,073	12,437	10,073	8,224	7,751	8,224	7,751
of which: issued by financial corporations	10,018	7,488	10,018	7,488	32,826	27,790	32,826	27,790
of which: issued by non-financial corporations	547	85	547	85	1,046	155	1,046	155
Other assets	28,736	28,736			45,277	0		

Collateral received

	Encumbered		Unencumbered	
	Fair value of encumbered collateral received or own debt securities issued		Fair value of encumbered collateral received or own debt securities issued	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
Collateral received by the reporting institution	13,139	10,117	58,925	51,450
Loans on demand	0	0	0	0
Equity instruments	0	0	1,044	0
Debt securities	13,139	10,117	30,996	24,561
of which: covered bonds	4,700	4,074	10,532	8,843
of which: asset-backed securities	0	0	0	0
of which: issued by general governments	8,419	6,906	17,711	15,044
of which: issued by financial corporations	5,063	4,073	12,156	8,849
of which: issued by non-financial corporations	156	1	918	15
Loans and advances other than loans on demand	0	0	24,391	24,391
Other collateral received	0	0	4,136	4,136
Own debt securities issued other than own covered bonds or asset-backed securities	0	0	0	0
Own covered bonds and asset-backed securities issued and not yet pledged			3,370	3,370
Total assets, collateral received and own debt securities issued	187,411	60,016		

Sources of encumbrance

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	191,345	184,034
of which: covered bonds issued	112,940	115,897

Table 68 LCR sub-components

2020, EURm	Combined		USD		EUR	
	Unweighted value	Weighted value	Unweighted value	Weighted value	Unweighted value	Weighted value
Liquid assets level 1	85,314	83,415	8,226	8,224	29,771	29,717
Liquid assets level 2	3,001	2,551	273	232	305	259
Cap on level 2	0	0	0	0	0	0
A. Liquid assets total	88,315	85,966	8,498	8,456	30,076	29,976
Retail deposits & deposits from small business customers	100,102	6,621	270	39	33,088	2,263
Unsecured wholesale funding	98,686	41,128	11,059	5,662	30,491	12,121
Secured wholesale funding	14,119	1,837	1,509	528	6,466	435
Additional requirements	77,642	14,212	25,350	21,805	49,048	26,213
Other funding obligations	48,416	5,911	5,590	414	13,202	966
B. Cash outflows total	338,964	69,710	43,778	28,448	132,296	41,998
Secured lending (e.g. reverse repos)	24,321	3,350	1,415	1,413	7,582	231
Inflows from fully performing exposures	11,581	5,808	1,010	509	3,513	1,760
Other cash inflows	6,931	6,291	27,196	27,125	29,380	29,231
Limit on inflows		0		-7,711		0
C. Cash inflows total	42,834	15,450	29,621	21,336	40,475	31,222
Liquidity coverage ratio [A/(B-C)][1]		158%		119%		278%

[1]Liquidity Coverage Ratio (LCR) according to EBA Delegated Regulation (EU) 2015/61

2019, EURm	Combined		USD		EUR	
	Unweighted value	Weighted value	Unweighted value	Weighted value	Unweighted value	Weighted value
Liquid assets level 1	99,180	97,006	17,534	17,522	29,798	29,741
Liquid assets level 2	2,735	2,322	0	0	588	500
Cap on level 2	0	0	0	0	0	0
A. Liquid assets total	101,915	99,328	17,534	17,522	30,387	30,241
Retail deposits & deposits from small business customers	91,312	6,075	317	47	28,326	1,948
Unsecured wholesale funding	98,904	50,409	17,634	12,058	30,841	14,787
Secured wholesale funding	20,004	3,483	4,494	1,504	8,948	606
Additional requirements	68,718	12,394	38,351	33,844	52,249	32,872
Other funding obligations	41,705	3,267	5,943	458	12,155	1,151
B. Cash outflows total	320,644	75,627	66,739	47,911	132,518	51,363
Secured lending (e.g. reverse repos)	34,209	5,400	5,385	2,371	7,172	587
Inflows from fully performing exposures	9,587	4,700	770	446	3,452	1,568
Other cash inflows	8,278	5,615	43,112	43,038	40,008	39,812
Limit on inflows		0		-9,922		-3,444
C. Cash inflows total	52,074	15,714	49,267	35,933	50,632	38,522
Liquidity coverage ratio [A/(B-C)][1]		166%		146%		236%

[1]Liquidity Coverage Ratio (LCR) according to EBA Delegated Regulation (EU) 2015/61

Table 69 Liquidity buffer split by type of asset and currency

2020

	Currency distribution, market values in EURbn				
Type of asset	EUR	USD	SEK	Other	Total
Level 1 Assets[1]	29.8	8.2	19.0	28.3	85.3
Cash and balances with central banks	24.5	1.4	6.6	4.8	37.3
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	4.2	5.7	1.6	4.1	15.6
Securities issued or guaranteed by municipalities or other public sector entities	0.3	1.0	3.1	0.8	5.2
Covered bonds	0.8	0.1	7.7	18.6	27.2
Level 2 Assets[1]	0.3	0.3	0.4	2.0	3.0
Covered bonds	0.3	0.3	0.4	2.0	3.0
Other level 2 assets	0.0				0.0
Total (according to Nordea definition)	30.1	8.5	19.4	30.3	88.3
Balances with other banks	0.1	0.1	0.0	0.3	0.5
Covered bonds issued by the own bank or related unit	0.1			4.7	4.8
All other securities[2]	0.6	1.1	0.4	0.1	2.2
Total (including other liquid assets)	30.9	9.7	19.8	35.5	95.8

[1] Level 1 & Level 2 assets according to EBA CRR Delegated Act [2] All other unencumbered securities held by ALMA

2019

	Currency distribution, market values in EURbn				
Type of asset	EUR	USD	SEK	Other	Total
Level 1 Assets[1]	29.8	17.5	17.5	34.4	99.2
Cash and balances with central banks	23.6	8.6	2.0	7.3	41.6
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	4.9	8.1	1.6	5.2	19.9
Securities issued or guaranteed by municipalities or other public sector entities	0.5	0.6	4.4	1.1	6.7
Covered bonds	0.8	0.2	9.4	20.6	31.1
Level 2 Assets[1]	0.6	0.0	0.5	1.7	2.7
Covered bonds	0.6		0.5	1.7	2.7
Other level 2 assets			0.0		0.0
Total (according to Nordea definition)	30.4	17.5	18.0	36.0	101.9
Balances with other banks	0.4	0.0	0.0	0.5	0.9
	0.1			0.7	0.8
Covered bonds issued by the own bank or related unit					
All other securities[2]	0.3	2.5	0.2	0.1	3.0
Total (including other liquid assets)	31.1	20.1	18.1	37.4	106.7

[1] Level 1 & Level 2 assets according to EBA CRR Delegated Act [2] All other unencumbered securities held by Group Treasury & ALMA

Table 70 Historical quarterly development of the liquidity buffer

Liquidity buffer remained on strong level throughout 2020. The exposure was mainly towards the Nordics and core (EUR & USD) central bank cash, government bonds and Nordic covered bonds.

Type of asset	2020Q4	2020Q3	2020Q2	2020Q1	2019Q4
Level 1 Assets[1]	85.3	103.6	102.8	99.8	99.2
Cash and balances with central banks	37.3	55.0	55.9	55.0	41.6
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	15.6	18.4	17.7	17.4	19.9
Securities issued or guaranteed by municipalities or other public sector entities	5.2	4.4	5.5	4.4	6.7
Covered bonds	27.2	25.7	23.7	22.9	31.1
Level 2 Assets[1]	3.0	2.3	2.3	1.4	2.7
Covered bonds	3.0	2.2	2.3	1.4	2.7
Other level 2 assets	0.0	0.0	0.1	0.0	0.0
Total (according to Nordea definition)	88.3	105.8	105.1	101.1	101.9
Balances with other banks	0.5	0.5	0.9	1.8	0.9
Covered bonds issued by the own bank or related unit	4.8	2.0	0.8	2.0	0.8
All other securities[2]	2.2	2.5	3.3	4.0	3.0
Total (including other liquid assets)	95.8	110.7	110.2	109.0	106.7

[1]Level 1 & Level 2 assets according to EBA LCR Delegated Act [2]All other unencumbered securities held by Group Treasury & ALM

Table 71 Net Stable Funding Ratio

2020	EURbn
Available stable funding	305.8
Required stable funding	277.2
Net stable funding	28.6
Net Stable Funding Ratio (NSFR)[1]	110.3%

[1]According to CRR2 regulation

2019	EURbn
Available stable funding	290.5
Required stable funding	267.6
Net stable funding	22.9
Net Stable Funding Ratio (NSFR)[1]	108.6%

[1]According to CRR2 regulation

Table 72 Funding sources

During 2020, which was featured by Covid-19, Nordea continued to benefit from its prudent liquidity risk management, in terms of maintaining a diversified and strong funding base and a diversified liquidity buffer. As of year-end 2020, the total volume utilised under CD & CP programmes was EUR 33.7bn with an average maturity of 0.4 years. The total volume under long-term programmes was EUR 147.6bn with an average maturity of 6.8 years.

2020

Liability type	Interest rate base	Average maturity (years)	EURm
Deposits by credit institutions			
- shorter than 3 months	Euribor, etc.	0.1	12,519
- longer than 3 months	Euribor, etc.	1.8	11,420
Deposits and borrowings from the public			
- Deposits on demand	Administrative	0.0	174,843
- Other deposits	Euribor, etc.	0.4	8,589
Debt securities in issue			
- Certificates of deposits	Euribor, etc.	0.4	23,426
- Commercial papers	Euribor, etc.	0.3	10,228
- Mortgage covered bond loans	Fixed rate, market-based	8.0	113,032
- Other bond loans	Fixed rate, market-based	2.7	27,623
Derivatives			47,033
Other non-interest bearing items			64,587
Subordinated debentures			
- Tier 2 subordinated debenture loans	Fixed rate, market-based	4.5	5,048
- Additional Tier 1 subordinated debenture loans (undated)	Fixed rate, market-based		1,893
Equity			33,740
Total			533,982
Liabilities to policyholders			18,178
Total, including life insurance operations			552,160

2019

Liability type	Interest rate base	Average maturity (years)	EURm
Deposits by credit institutions			
- shorter than 3 months	Euribor, etc.	0.1	31,456
- longer than 3 months	Euribor, etc.	0.5	848
Deposits and borrowings from the public			
- Deposits on demand	Administrative	0.0	149,012
- Other deposits	Euribor, etc.	0.2	19,712
Debt securities in issue			
- Certificates of deposits	Euribor, etc.	0.4	22,094
- Commercial papers	Euribor, etc.	0.2	22,192
- Mortgage covered bond loans	Fixed rate, market-based	7.7	115,346
- Other bond loans	Fixed rate, market-based	2.6	34,094
Derivatives			42,047
Other non-interest bearing items			57,452
Subordinated debentures			
- Dated subordinated debenture loans	Fixed rate, market-based	4.8	7,410
- Undated and other subordinated debenture loans	Fixed rate, market-based		2,409
Equity			31,528
Total			535,602
Liabilities to policyholders			19,246
Total, including life insurance operations			554,848

Table 73 Assets and liabilities split by currency

Nordea Group's loan portfolio remained focused on four Nordic markets. A strong and diversified funding base was maintained across all main currencies throughout 2020.

2020, EURbn	EUR	USD	SEK	DKK	NOK	Other	Not distributed	Total
Cash balances with central banks	26	1	4	4	1	0		36
Loans to the public	80	12	89	85	63	2		330
Loans to credit institutions	2	0	0		0	0		3
Interest-bearing securities including treasury bills	9	8	17	16	9	0	8	66
Derivatives	27	4	4	6	2	1		45
Other assets							72	72
Total assets	144	26	115	110	75	4	80	552
Deposits and borrowings from the public	59	10	53	35	24	2		183
Deposits by credit institutions	13	1	7	1	2	0		24
Debt securities in issue	39	20	36	54	14	12		174
- of which CDs with original maturity less than	2	2				7		11
- of which CPs with original maturity less than	5	3				2		10
- of which CD & CPs with original maturity over	3	10				0		13
- of which covered bonds	15		33	54	11	1		113
- of which other bonds	14	5	3		3	2		28
Subordinated liabilities	2	4	0			0		7
Derivatives	25	6	5	6	4	1		47
Other liabilities							83	83
Equity	21	0	5	5	4	0		34
Total liabilities and equity	159	40	106	100	47	17	83	552
	31	11 -	12 -	10 -	32	14		
Position not reported on the balance sheet								
Net position, currencies		0	1	1	1			

2019, EURm	EUR	DKK	NOK	SEK	USD	Other	Not distributed	Total
Cash balances with central banks	25	12	0	6	2	0		45
Loans to the public	77	14	85	84	59	2		323
Loans to credit institutions	3	4	1	0	0	0		9
Interest-bearing securities including treasury	8	8	17	22	9	0	8	72
Derivatives	21	7	3	5	2	2		39
Other assets							68	68
Total assets	135	45	107	117	72	5	75	555
Deposits and borrowings from the public	53	12	40	39	23	2		169
Deposits by credit institutions	15	8	2	2	3	1		32
Debt securities in issue	44	31	35	55	13	15		194
- of which CDs with original maturity less than		12				5		17
- of which CPs with original maturity less than	10	5				6		22
- of which CD & CPs with original maturity over		6						6
- of which covered bonds	18	-	31	55	11	1		115
- of which other bonds	16	8	4	0	3	3		34
Subordinated liabilities	4	5	1		0	0		10
Derivatives	20	9	4	5	3	1		42
Other liabilities							77	77
Equity	19	0	4	4	4	0		32
Total liabilities and equity	155	64	86	105	46	21	77	555
	21	19 -	21 -	12 -	25	16		
Position not reported on the balance sheet								
Net position, currencies			0	0	0			

Table 74 Maturity analysis for assets and liabilities

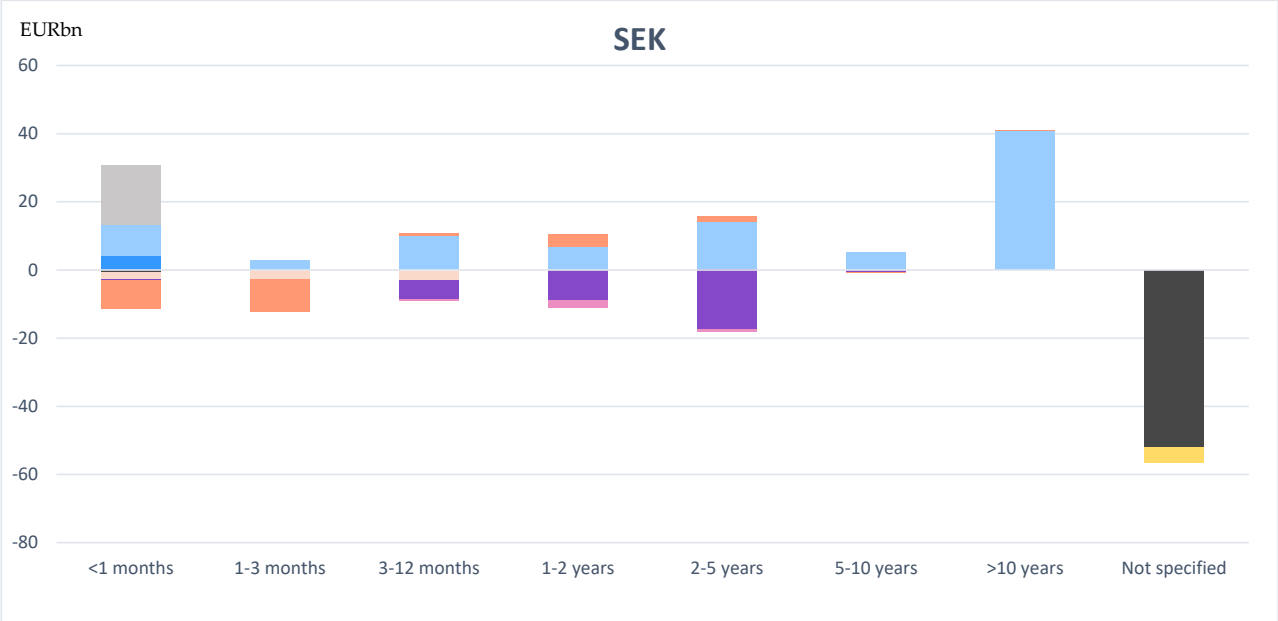
Maturity analysis is based on both contractual and behavioural information of remaining maturity of items. Amortisations are included in time bucket corresponding the estimated cash flow date. Time bucket 'Not specified' includes items which are lacking specific timing of cash flows.

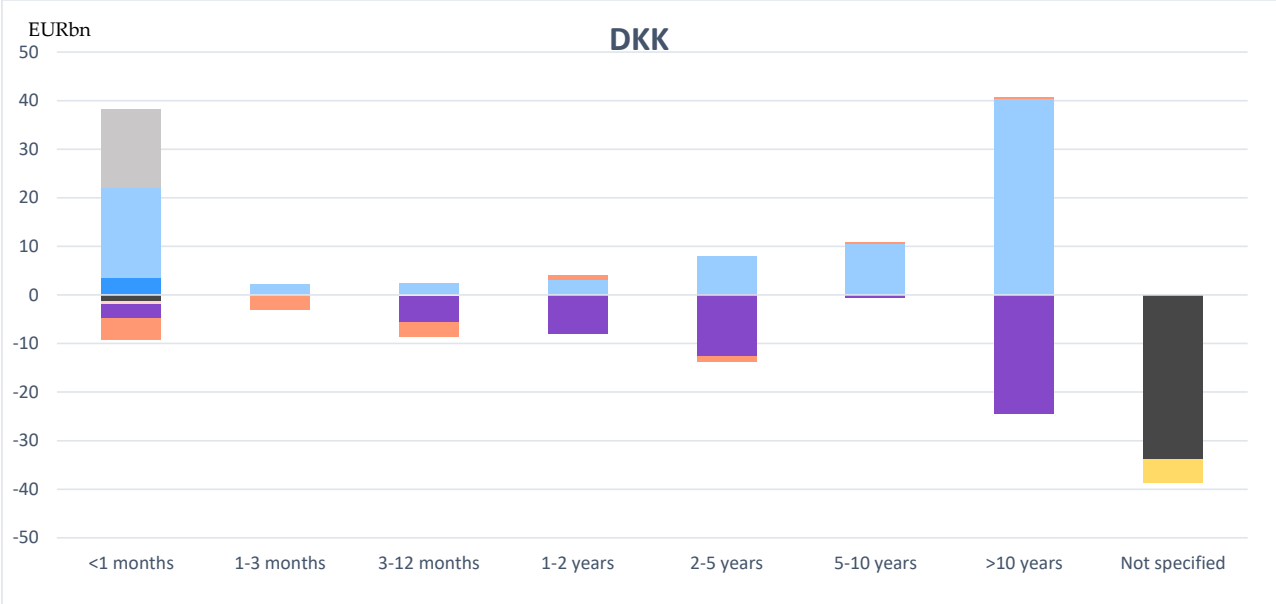
2020, EURbn	<1 months	1-3 months	3-12 months	1-2 years	2-5 years	5-10 years	>10 years	Not specified	Total
Cash and balances with central banks	36								36
Loans to the public	46	13	30	28	59	43	112		330
- of which repos	12	1	0						12
Loans to credit institutions	2	1	0	0					3
- of which repos	1	0							2
Interest-bearing securities including treasury bills	59							8	66
Derivatives								45	45
Other assets								72	72
Total assets	143	13	30	28	59	43	112	124	552
Deposits and borrowings from the public	5	1	2					176	183
- of which repos	1		1						1
Deposits by credit institutions	8	4	4	0	8	0			24
- of which repos	2	0	1						3
Debt securities in issue	9	12	35	31	52	10	26		174
- of which CDs with original maturity less than 1 year	3	4	4						11
- of which CPs with original maturity less than 1 year	1	4	5						10
- of which CD & CPs with original	1	1	10	1					13
- of which covered bonds	3	1	13	23	42	6	26		113
- of which other bonds	1	2	3	7	10	4	0		28
Subordinated liabilities		1	1	1	0	2	1	2	7
Derivatives								47	47
Other liabilities								83	83
Equity								34	34
Total liabilities and equity	22	18	42	32	60	12	26	341	552

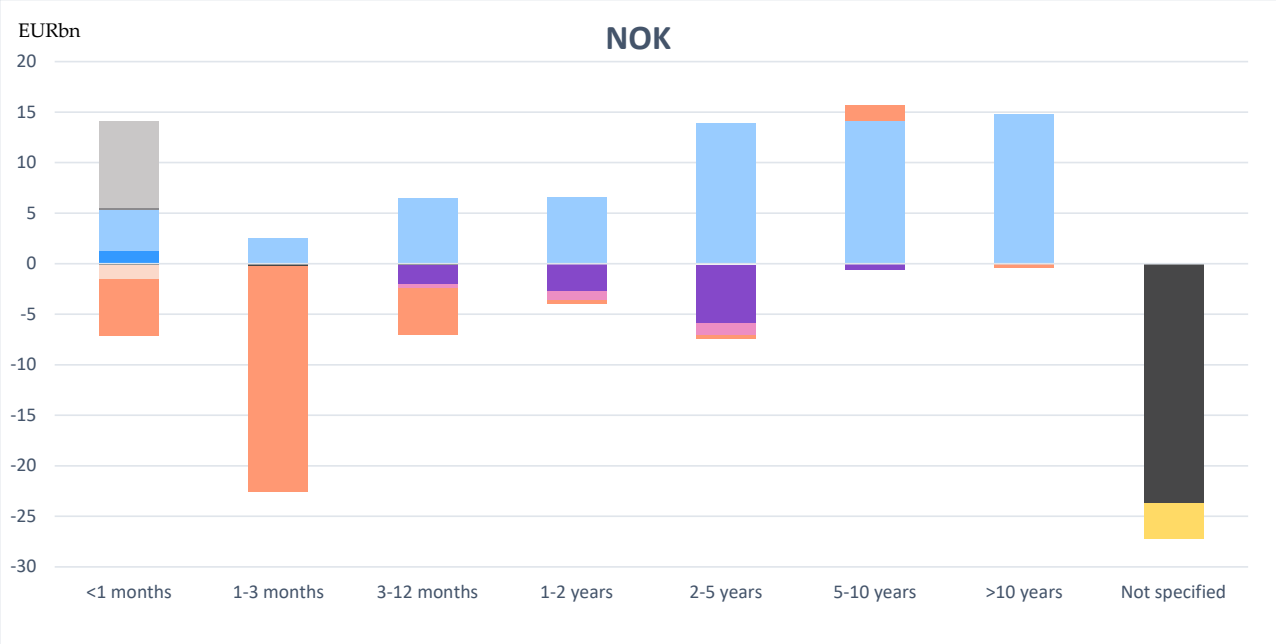
2019, EURbn	<1 months	1-3 months	3-12 months	1-2 years	2-5 years	5-10 years	>10 years	Not specified	Total
Cash and balances with central banks	45								45
Loans to the public	50	11	26	26	57	44	109		323
- of which repos	18	1	-	0					19
Loans to credit institutions	6	1	1	0	0				9
- of which repos	5	1	0						6
Interest-bearing securities including treasury bills	64							8	72
Derivatives								39	39
Other assets								68	68
Total assets	165	12	27	26	58	44	109	115	555
Deposits and borrowings from the public	13	3	4	0				149	169
- of which repos	2	0	0						2
Deposits by credit institutions	24	8	1						32
- of which repos	9	3							12
Debt securities in issue	14	13	38	25	65	12	26		194
- of which CDs with original maturity	4	5	8						17
- of which CPs with original maturity	6	7	9						22
maturity over 1 year	0	1	3	2	0				6
- of which covered bonds	3	0	11	17	53	7	26		115
- of which other bonds	2	0	8	6	13	6	0		34
Subordinated liabilities		1		2	1	3	1	2	10
Derivatives								42	42
Other liabilities								77	77
Equity								32	32
Total liabilities and equity	51	24	43	27	66	15	26	302	555

Table 75 Maturity analysis of assets and liabilities, split by currency

During 2020, Nordea continued to benefit from its prudent liquidity risk management, in terms of maintaining a diversified and strong funding base and a diversified liquidity buffer in all of the main currencies.


EURbn
SEK
60
40
20
0
-20
-40
-60
-80
<1 months
1-3 months
3-12 months
1-2 years
2-5 years
5-10 years
>10 years
Not specified


EURbn
DKK
50
40
30
20
10
0
-10
-20
-30
-40
-50
<1 months
1-3 months
3-12 months
1-2 years
2-5 years
5-10 years
>10 years
Not specified


EURbn
NOK
20
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2-5 years
5-10 years
>10 years
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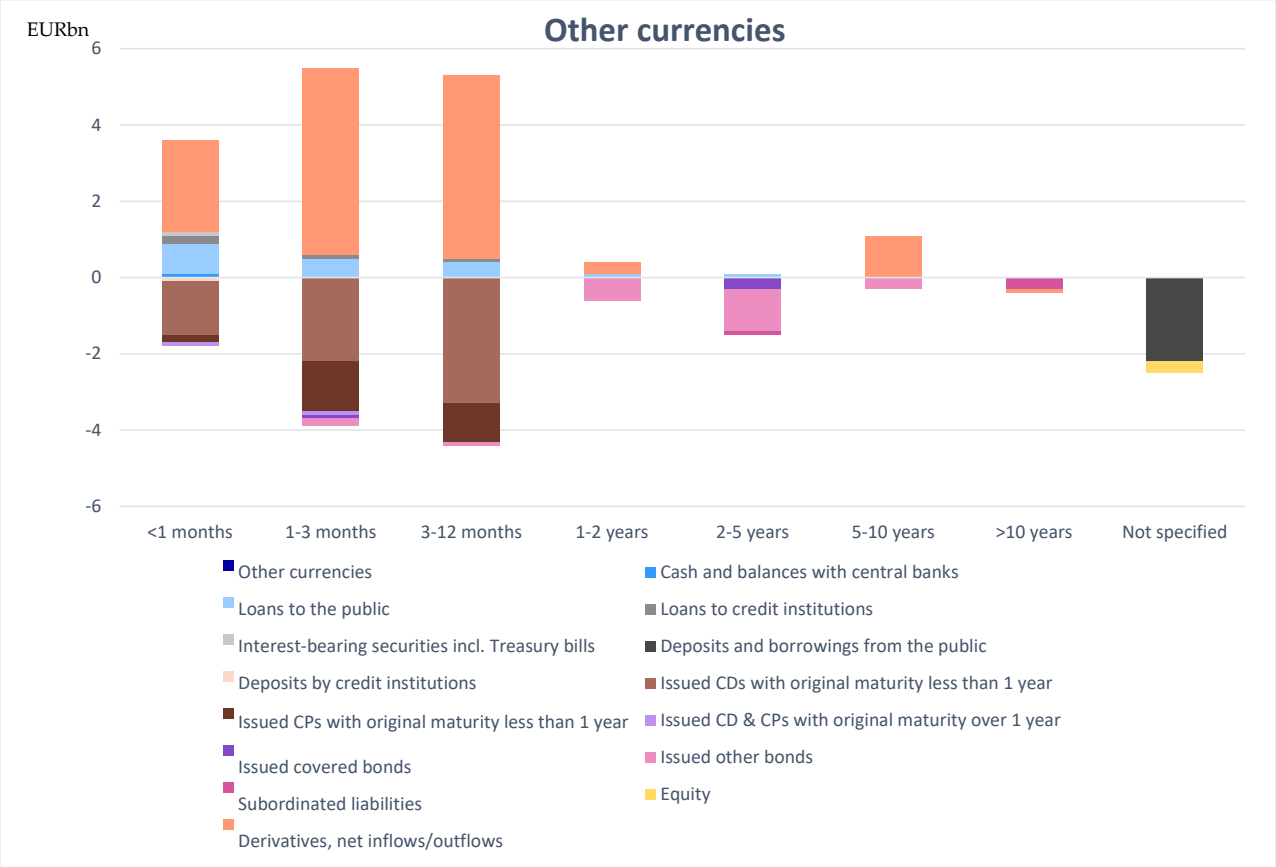

EURbn
Other currencies
6
4
2
0
-2
-4
-6
<1 months
1-3 months
3-12 months
1-2 years
2-5 years
5-10 years
>10 years
Not specified
Other currencies
Cash and balances with central banks
Loans to the public
Loans to credit institutions
Interest-bearing securities incl. Treasury bills
Deposits and borrowings from the public
Deposits by credit institutions
Issued CDs with original maturity less than 1 year
Issued CPs with original maturity less than 1 year
Issued CD & CPs with original maturity over 1 year
Issued covered bonds
Issued other bonds
Subordinated liabilities
Equity
Derivatives, net inflows/outflows

Table 76 EU LI 1: Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

			Carrying values of items				
EURm	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation [1]	Subject to the credit risk framework	Subject to the counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital [2]
Assets							
Cash and balances with central banks	32,955	32,902	32,902				
Loans to central banks	3,123	3,123	2,965	158			0
Loans to credit institutions	3,123	2,978	1,297	1,685			-4
Loans to the public	329,765	330,720	311,768	16,446	4,397		-1,892
Interest bearing securities	62,509	55,119	48,384			6,738	-3
Financial instruments pledged as collateral	3,795	3,795	933			2,863	
Shares	12,649	2,196	1,176			963	57
Assets in pooled schemes and unit-linked investment contracts	36,484	4,070				0	4,070
Derivatives	44,770	44,747		44,747			
Fair value changes of the hedged items in portfolio hedge of interest rate riks	359	359				359	
Investments in associated undertakings and joint ventures	555	2,003	2,003				0
Intangible assets	3,771	3,613	870				2,743
Properties and equipment	1,931	1,879	1,879				
Investment properties	1,535	2	2				
Deferred tax assets	406	406	151				254
Current tax assets	300	271	271				
Retirement benefit assets	144	144					144
Other assets	13,347	13,135	1,558			11,578	
Prepaid expenses and accrued in	637	615	615				
Assets held for sale							
Total assets	552,160	502,077	406,774	63,037	4,397	22,499	5,369

Liabilities						
Deposits by credit institutions	23,939	23,939		2,873		21,067
Deposits and borrowings from the public	183,431	184,592	1,597	2,841		180,154
Deposits in pooled schemes and unit-linked investment contracts	37,534	4,421				4,421
Liabilities to policyholders	18,178					
Debt securities in issue	174,309	174,544				174,544
Derivatives	47,033	47,125		47,125		
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2,608	2,608			2,608	
Current tax liabilities	304	273				273
Other liabilities	21,340	21,196				21,196
Accrued expenses and prepaid in	1,403	1,403				1,403
Deffered tax liabilites	436	394				394
Provisions	596	594				594
Retirement benefit obligations	365	340				340
Subordinated liabilities	6,941	6,907				6,907
Liabilities held for sale						
Total equity	33,740	33,740				33,740
Total liabilities	552,160	502,077	1,597	52,839	2,608	445,033

[1] The amounts shown in column b do not always equal the sum of the amounts shown in the remaining columns (c to g) of the table, since there are items that attract capital charges according to more than one risk category framework. These items are derivatives and repurchase agreements which are shown in the market risk and counterparty credit risk framework.

[2] Provisions for loans are shown in the column g as negative values.

Table 77 Mapping of own funds to the balance sheet

EURm	Nordea Group[1]	Non-CRR companies	Nordea consolidated situation[2]	Row in disclosure template
Assets				
Intangible assets	3,771	158	3,613	
- of which: Goodwill and other intangible assets	-2,794	-158	-2,635	8
Deferred tax assets	406	1	406	
- of which: Deferred tax assets that rely on future profitability excluding those arising from temporary differences	252	0	252	10[3)]
Retirement benefit assets	144		144	
- of which: Retirement benefit assets net of tax	-108		-108	15
Liabilities				
Deferred tax liabilities	436	42	394	
- of which: Deductible Deferred tax liabilities associated with Deferred tax assets that rely on future profitability and do not arise from temporary differences				10[3)]
Subordinated liabilities	6,941	685	6,257	
- of which: AT1 Capital instruments and the related share -premium accounts	2,616		2,616	30
- of which: Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1				33
- of which: Direct and indirect holdings by an institution of own AT1 instruments	-29		-29	37
- of which: T2 Capital instruments and the related share -premium accounts	2,746		2,746	46
- of which: Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2				47
- of which: Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative Amount)	-64		-64	52
Equity				
Share capital	4,050	0	4,050	1
Share premium reserve	1,080	0	1,080	
- of which: Capital instruments and the related share -premium accounts	1,080		1,080	1
- of which: Retained earnings	0	0	0	2
Other reserves	-2,067	-34	-2,033	
- of which: Retained earnings	-1,305	6	-1,312	2
- of which: Accumulated other comprehensive income	-762	-40	-722	3
- of which: Fair value reserves related to gains or losses on cash flow hedges	-10		-10	11
Retained earnings net of proposed dividend	28,160	707	27,453	
- of which: Profit/loss for the year	938	235	702	5a
- of which: Retained earnings	26,497	472	26,025	2
- of which: Capital loan included in AT1 Capital	748		748	31
- of which: Direct holdings by an institution of own CET1 instruments (negative Amount)	-22		-22	16

[1] Nordea Group is the accounting group as disclosed in the Annual Report

[2] Nordea consolidated situation in accordance with CRR

[3] Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities.

Table 78 EU LI 2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The following table provides information regarding the main sources of differences between the accounting carrying values and regulatory exposures. Additionally, off-balance sheet amounts are included in the exposure amounts considered for regulatory purposes, while the items are subject to deductions from capital are not risk weighted and are thus excluded from the table below.

	a	b	c	d	e
		Items subject to:			
EURm	Total[1]	Credit risk framework	Counterparty credit risk framework	Securitisation framework [2,3]	Market risk framework[4]
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI 1)	496,708	406,774	63,037	4,397	22,499
Liabilities carrying amount under the regulatory scope of consolidation (as per template EU LI1)	57,044	1,597	52,839		2,608
Total net amount under the regulatory scope of consolidation	439,664	405,176	10,199	4,397	19,891
Off-balance sheet amounts (pre CRM and CCF)	114,315	113,083		1,232	
Differences due to different netting rules	16,035		16,035		
Differences due to considerations for provisions in Standardised Approach	-85	-85			
Differences due to regulatory future exposures	9,075		9,075		
Differences due to credit mitigation techniques (CRMs), with substitution effects on the exposure	-19,345	-440	-18,904		
Differences due to Credit Conversion Factor (CCF)	-57,804	-57,275		-529	
Differences due to the use of financial collateral in	-3	-3			
Other differences not stated above	-19,891				-19,891
Exposure amounts considered for regulatory	481,961	460,456	16,404	5,100	

[1] Total values in column a may not equal the sum of the remaining columns in this table (b to e) as certain items are treated under both the counterparty credit risk as well as the market risk framework (as per template EU LI 1).

[2] As Nordea's securitisation position is synthetic, all is classified as on-balance according to the securitisation framework. But as the securitisation is including e.g. loan promises, an off-balance part is deducted, stemming from adjustments related to Credit Conversion Factors (CCFs).

[3] Sponsor activities are not included in the table above (although are included in the Securitisation chapter).

[4] Exposure at default is not calculated under the market risk framework, resulting in a difference between carrying values and exposure amounts considered for regulatory purposes. Therefore the total amount of carrying values according to the market risk framework is deducted in the final line Other differences not stated above.

Table 79 Transitional own funds disclosure template

EURm		(A) Amount at disclosure date	(B) regulation (EU) no 575/2013 article reference	(C) Amounts subject to pre-regulation treatment or prescribed residual amount of regulation, (EU) no 575/2013
Common Equity Tier 1 capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	5,130	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: Instrument type 1	4,050	EBA list 26 (3)	
	of which: Instrument type 2		EBA list 26 (3)	
	of which: Instrument type 3		EBA list 26 (3)	
2	Retained earnings	24,713	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-722	26 (1)	
3a	Funds for general banking risk		26 (1) (f)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
	Public sector capital injections grandfathered until 1 January 2018		483 (2)	
5	Minority Interests (amount allowed in consolidated CET1)		84, 479, 480	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	702	26 (2)	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	29,824		
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-210	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-2,635	36 (1) (b), 37, 472 (4)	
9	Empty Set in the EU	NA		
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) are met) (negative amount)	-252	36 (1) (c), 38, 472 (5)	
11	Fair value reserves related to gains or losses on cash flow hedges	10	33 (a)	
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-53	33 (b)	
15	Defined-benefit pension fund assets (negative amount)	-108	36 (1) (e) , 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-22	36 (1) (f), 42, 472 (8)	
17	Holdings of the CET1 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)		36 (1) (g), 44, 472 (9)	
18	Direct and indirect 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 the 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	
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)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	
20	Empty Set in the EU	NA		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91	
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	
23	of which: 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		36 (1) (i), 48 (1) (b), 470, 472 (11)	
24	Empty Set in the EU	NA		
25	of which: deferred tax assets arising from temporary differences		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468			204
	Of which: ...filter for unrealised loss on AFS debt instruments		467	-15
	Of which: ...filter for unrealised loss 2		467	
	Of which: ...filter for unrealised gain on AFS debt instruments		468	219

	Of which: ...filter for unrealised gain 2		468
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481
	Of which: ...		481
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	-3,271	
29	Common Equity Tier 1 (CET1) capital	26,553	

Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	2,616	51, 52
31	of which: classified as equity under applicable accounting standards	748	
32	of which: classified as liabilities under applicable accounting standards	1,868	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)
	Public sector capital injections grandfathered until 1 January 2018		483 (3)
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		85, 86, 480
35	of which: instruments issued by subsidiaries subject to phase out		486 (3)
36	Additional Tier 1 (AT1) capital before regulatory adjustments	2,616	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	-29	52 (1) (b), 56 (a), 57, 475 (2)
38	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)		56 (b), 58, 475 (3)
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
	Of which shortfall		
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc		
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481
	Of which: ...possible filter for unrealised losses		467
	Of which: ...possible filter for unrealised gains		468
	Of which: ...		481
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-29	
44	Additional Tier 1 (AT1) capital	2,588	
45	Tier 1 capital (T1 = CET1 + AT1)	29,141	
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	2,746	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)
	Public sector capital injections grandfathered until 1 January 2018		483 (4)
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		87, 88, 480
49	of which: instruments issued by subsidiaries subject to phase out		486 (4)
50	Credit risk adjustments	628	62 (c) & (d)
51	Tier 2 (T2) capital before regulatory adjustments	3,374	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-64	63 (b) (i), 66 (a), 67, 477 (2)
53	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)		66 (b), 68, 477 (3)
54	Direct and indirect 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)		66 (c), 69, 70, 79, 477 (4)
54a	Of which new holdings not subject to transitional arrangements		
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements		
55	Direct and indirect 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)	-650	66 (d), 69, 79, 477 (4)
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		

56a	Residual amounts deducted from Tier 2capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
	Of which shortfall		
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in at1 instruments, direct holdings of non significant investments in the capital of other financial sector entities, etc		
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR		467, 468, 481
	Of which: ...possible filter for unrealised losses		467
	Of which: ...possible filter for unrealised gains		468
	Of which: ...		481
57	Total regulatory adjustments to Tier 2 (T2) capital	-714	
58	Tier 2 (T2) capital	2,660	
59	Total capital (TC = T1 + T2)	31,801	

59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013(i.e. CRR residual amounts)		
	Of which: ...items not deducted from CET1 (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liablity, indirect holdings of own CET1, etc)		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)
	Of which: ...items not deducted from AT1 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)		475, 475 (2) (b), 475 (2) (c), 475 (4) (b)
	Items not deducted from T2 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own t2 instruments, indirect holdings of non significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)
60	Total risk weighted assets	155,440	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	17.1%	92 (2) (a), 465
62	Tier 1 (as a percentage of risk exposure amount)	18.7%	92 (2) (b), 465
63	Total capital (as a percentage of risk exposure amount)	20.5%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	4.7%	CRD 128, 129, 130
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical buffer requirement	0.2%	
67	of which: systemic risk buffer requirement		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2.0%	CRD 131
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	10.7%	CRD 128
69	[non relevant in EU regulation]	NA	
70	[non relevant in EU regulation]	NA	
71	[non relevant in EU regulation]	NA	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital 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)	95	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4) 66 (c), 69, 70, 477 (4)
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,217	36 (1) (i), 45, 48, 470, 472 (11)
74	Empty Set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	153	36 (1) (c), 38, 48, 470, 472 (5)
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	628	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	623	62
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements		484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase out arrangements	394	484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase out arrangements	221	484 (5), 486 (4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)

Table 80 Leverage ratio disclosure templates

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

	EURm	Applicable Amounts
1	Total assets as per published financial statements	552,160
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-50,083
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
4	Adjustments for derivative financial instruments	-23,400
5	Adjustments for securities financing transactions "SFTs"	451
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	42,812
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
7	Other adjustments[1]	-27,883
8	Total leverage ratio exposure	493,641
[1] Other adjustments, based on profit inclusion		-27,891

Table LRCom: Leverage ratio common disclosure

	EURbn	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	439,040
2a	(Asset amounts deducted in determining Tier 1 capital), including profit	-3,299
2b	(Asset amounts deducted in determining Tier 1 capital), excluding profit	-4,101
3a	Total on-balance sheet exposures including profit (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	435,741
3b	Total on-balance sheet exposures excluding profit (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	435,733
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	7,122
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	18,843
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-9,443
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	75,354
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-70,529
11	Total derivative exposures (sum of lines 4 to 10)	21,348
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	28,359
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-10,356
14	Counterparty credit risk exposure for SFT assets	323
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	18,325
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	114,315
18	(Adjustments for conversion to credit equivalent amounts)	-71,502
19	Other off-balance sheet exposures (sum of lines 17 and 18)	42,812

Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)

EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-24,584
Capital and total exposures		
20a	Tier 1 capital including profit	29,141
20b	Tier 1 capital excluding profit	29,019
21a	Total leverage ratio exposures including profit (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	493,641
21b	Total leverage ratio exposures excluding profit (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	493,634
Leverage ratio		
22a	Leverage ratio including profit	5.9%
22b	Leverage ratio excluding profit	5.9%
EU-22c	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank exposures), including profit	5.6%
EU-22d	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank exposures),excluding profit	5.6%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	439,040
EU-2	Trading book exposures	52,372
EU-3	Banking book exposures, of which:	386,668
EU-4	Covered bonds	25,912
EU-5	Exposures treated as sovereigns	35,101
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	4,765
EU-7	Institutions	1,956
EU-8	Secured by mortgages of immovable properties	153,956
EU-9	Retail exposures	27,371
EU-10	Corporate	117,573
EU-11	Exposures in default	3,102
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	16,932

LRQua: Free format text boxes for disclosure on qualitative items

1	Description of the processes used to manage the risk of excessive leverage: 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.
2	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers: The leverage ratio increased from 5.27% in Q4 2019 to 5.9% in Q4 2020. Increase of Leverage Ratio was mainly driven by Central Bank exposure that was deducted in Q4 2020, decrease of SFT exposure and increase of Tier I Capital. An increase in Tier 1 capital is mainly driven by retained earnings.

Table 81 Loans to the real estate management industry, split by geography

	2020Q4		2019Q4	
EURm	Loans	%	Loans	%
Denmark	10,618	22.8	10,528	24.0
Finland	8,012	17.2	8,073	18.4
Norway	10,140	21.8	9,053	20.6
Sweden	17,469	37.5	15,509	35.3
Russia	0	0.0	3	0.0
Other (Outside Nordics)	377	0.8	707	1.6
Total	46,617	100	43,873	100

Table 82 Loans to the shipping and offshore industry, split by segment

	2020Q4		2019Q4	
EURm	Loans	%	Loans	%
Bulk carriers	763	11.9	998	13
Product tankers	451	7.0	497	6
Crude tankers	1,087	17.0	1,209	16
Chemical tankers	275	4.3	395	5
Gas Tankers	1,193	18.6	1,431	19
Other shipping	1,151	18.0	1,319	17
Offshore and oil services	1,491	23.3	1,877	24
Total	6,411	100	7,726	100

Table 83 Loans to corporate customers, split by size of loans

	2020Q4		2019Q4	
Loan size, EURm	Loans	%	Loans	%
0-10	57,100	38	62,602	41
10-50	38,929	26	36,112	24
50-100	22,003	15	20,737	14
100-250	22,678	15	19,798	13
250-500	3,824	3	4,078	3
500-	4,149	3	8,184	5
Total	148,682	100	151,513	100

Table 84 Loan-to-value distribution, retail mortgage exposure, on-balance

The loan-to-value (LTV) ratio is considered a useful measure to evaluate collateral's quality, i.e. the credit extended divided by the market value of the collateral pledged. In the table, IRB retail mortgage exposures are distributed by LTV buckets based on the LTV ratio.

	2020		2019	
EURbn	Exposure[1]	%	Exposure	%
<50%	121	81.3	114	80.9
50-70%	21	14.3	20	14.4
70-80%	5	3.1	4	3.2
80-90%	1	0.8	1	0.9
>90%	1	0.5	1	0.6
Total	149	100.0	140	100.0

[1] The exposure is continuously distributed by LTV buckets which is in line with the Nordea covered bonds reporting. For example, an exposure of 540 with an LTV of 54% is distributed 500 to the <50% bucket and 40 to the 50-70% bucket.

Table 85 Countercyclical capital buffer

	General credit risk exposures		Trading book exposures		Own funds requirement					
EURm	Standardised approach	IRB approach	Standardised approach	Internal models approach	General credit exposures	Trading book exposures	Securitisation exposures	Total	Own funds requirement weight	Counter-cyclical buffer rate
Countries with existing CCyB rate										
Czech Republic	0	8			0			0	0.0	0.0
Bulgaria	0	4			0			0	0.0	0.0
Luxembourg	469	2,020	0	0	89	0		89	0.0	0.0
Hong Kong	0	36	0		1	0		1	0.0	0.0
Norway	8,259	63,533	0	1	2,144	0		2,144	0.2	0.0
Slovakia	0	6			0			0	0.0	0.0
Sub-total	8,728	65,606	0	1	2,234	0		2,234	0.2	
Countries with own funds requirements weight 1% or above and no existing CCyB rate										
Denmark	2,910	89,932	0	1	2,116	0		2,116	0.2	
Finland	2,008	70,655	0	0	2,105	0		2,105	0.2	
Sweden	2,507	108,407	0	1	2,785	0	70	2,855	0.3	
United States	223	2,944	0	0	103	0		103	0.0	
Sub-total	7,649	271,938	0	2	7,108	0	70	7,179	0.7	
Countries with own funds requirement below 1% and no existing CCyB rate										
Sub-total	524	17,137	0	0	815	0		815	0	
Total	16,901	354,681	0	3	10,157	0	70	10,228	1	

Table 86 LI3 Specification of undertakings

			Method of consolidation					
Owner	Company Name	Voting power of holding %	Accounting consolidation	Regulatory consolidation	Neither consoli-dated nor deducted	Deducted	Description of entity	Domicile
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 Eiendomskreditt 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
	Eksportfinans ASA	23	Equity method	Equity method			Credit institution	Norway
	Tomteutvikling Norge AS	100	Acquisition method	Full consolidation			Financial institution	Norway
	Nordea Direct ASA	100	Acquisition method	Full consolidation			Credit Institution	Norway
Nordea Direct ASA	Nordea Direct Boligkreditt AS	100	Acquisition method	Full consolidation			Credit Institution	Norway
Nordea Bank Abp	Nordea Finans Danmark A/S	100	Acquisition method	Full consolidation			Financial institution	Denmark
	Nordea Kredit Realkreditaktieselskab	100	Acquisition method	Full consolidation			Credit institution	Denmark
	Fionia Asset Company A/S	100	Acquisition method	Full consolidation			Financial institution	Denmark
Nordea Finans Danmark A/S	UL Transfer Aps	100	Acquisition method	Full consolidation			Financial institution	Denmark
UL Transfer Aps	DT Finance K/S	100	Acquisition method	Full consolidation			Financial institution	Denmark
	BH Finance K/S	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
Promyshlennaya Companiya Vestkon / Nordea Bank Abp	Joint Stock Company Nordea Bank	100	Acquisition method	Full consolidation			Credit institution	Russia
Joint Stock Company Nordea Bank	Nordea Leasing LLC	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
	Bankomat AB	20	Equity method	Equity method			Financial institution	Sweden
	Invidem AB	17	Equity method	Equity method			Ancillary services undertaking	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 Baltic AB	Luminor Holding AS	20	Equity method	Equity method			Finacial institution	Estonia
Nordea Markets Holding Company INC	Nordea Markets LLC	100	Acquisition method	Full consolidation			Financial institution	USA
Nordea Bank Abp	Financial Transaction Services B.V.	19	Equity method	Equity method			Financial institution	Netherlands

			Entities consolidated in accordance with Article 18.7					
Owner	Company Name	Voting power of holding %	Accounting consolidation	Regulatory consolidation	Neither consoli-dated nor deducted	Ded-ucted	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
	Myyrmäen 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
	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 Eiendom 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
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 Holding 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 participations		Acquisition method	Equity method			Consolidated in accordance with Article 18.7, insurance	Sweden
	Bohemian Wrappsody		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
	Nordea Putten 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
	Relacom Management 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
	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
Nordea Finans Sverige AB (publ)	NF Fleet AB		Equity method	Equity method			Consolidated in accordance with Article 18.7	Sweden
Nordea Finans Danmark A/S	Fleggaard Busleasing		Equity method	Equity method			Consolidated in accordance with Article 18.7	Germany
Nordea Investment Funds S.A	Nordea Funds Service Germany Gmbh		Equity method	Equity method			Consolidated in accordance with Article 18.7	Germany
	Nordea Asset Management Schweiz GmbH		Equity method	Equity method			Consolidated in accordance with Article 18.7	Switzerland

Entities not in the consolidated situation

Owner	Company Name	Voting power of holding %	Accounting consolidation	Regulatory consolidation	Neither consoli-dated nor deducted	Ded-ucted	Description of entity	Domicile
Nordea Finance Finland Ltd	Koy Levytie 6				X		Immaterial financial institution, article 19	Finland
	Koy Tulppatie 7				X		Immaterial financial institution, article 19	Finland
Nordea Bank Abp	Siirto Brand Oy				X		Immaterial financial institution, article 19	Finland
	CrediWire ApS				X		Immaterial financial institution, article 19	Denmark
	Swipp Holding APS				X		Immaterial financial institution, article 19	Denmark
Nordea Investment Management AB	Nordea Private Equity Holding A/S				X		Immaterial financial institution, article 19	Denmark
Nordea Private Equity Holding A/S	Nordea Private Equity I A/S				X		Immaterial financial institution, article 19	Denmark
	Nordea Private Equity II - EU Mezz 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 Private Equity II - Global A/S				X		Immaterial financial institution, article 19	Denmark
	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
Nordea Bank Abp	Getswish AB				X		Immaterial financial institution, article 19	Sweden
	Mondido Payments AB				X		Immaterial financial institution, article 19	Sweden
	PFC Technology AB				X		Immaterial financial institution, article 19	Sweden
	Svenska e-fakturabolaget AB				X		Immaterial financial institution, article 19	Sweden
Nordea Asset Management Holding AB	Nordea Asset Management Alternative Investments AB				X		Immaterial financial institution, article 19	Sweden
Join Stock Company Nordea Bank	Lanvin				X		Immaterial Ancillary services undertaking, article 19	Russia
	Matis				X		Immaterial Ancillary services undertaking, article 19	Russia
Nordea Investment Funds S.A.	NAM Chile SpA				X		Immaterial financial institution, article 19	Chile
Nordea Asset Management Alternative Investments AB	Nordea Private Equity GP 1 S.à.r.l.				X		Immaterial financial institution, article 19	Luxemburg
	Nordea Private Equity General Partner 1 SCS				X		Immaterial financial institution, article 19	Luxemburg

Table 90 Assets and liabilities of NLP

The table shows NLP assets and liabilities at 31 December 2020 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.

EURm	2020	2019
Assets		
Investment properties	1,533	1,578
Shares	9,225	10,095
Alternative investments	1,193	1,271
Debt securities - At fair value	4,398	4,424
Debt securities - Held to maturity	3,090	3,251
Deposits and treasury bills	759	1,184
Financial assets backing investment contracts without risk and guarantees	33,113	27,482
Other financial assets	122	79
Other assets	483	451
Total assets	53,916	49,815
Liabilities		
Traditional provisions	6,166	6,304
Collective bonus potential	2,001	2,112
Unit-linked provisions	7,070	6,977
Investment contracts with guarantees	2,386	3,318
Investment contracts without risk and guarantees	33,113	27,482
Other insurance provisions	554	535
Other financial liabilities	348	411
Other liabilities	223	280
Shareholders' equity	1,370	1,396
Subordinated loans	685	1,000
Total liabilities and equity	53,916	49,815

Table 91 Effects of market risk on NLP

The table shows the sensitivity of the financial accounts to changes in market risks with the impact split between the effect on policyholders and Nordea Group's own account.

	2020		2019	
EURm	Effect on policyholders	Effect on Nordea Group's Account	Effect on policyholders	Effect on Nordea Group's Account
50 bp increase in interest rates	-297,4	6,3	-286	6.7
50 bp decrease in interest rates	299,0	-6,3	287.3	-6.7
12% decrease in all shares	-853,2	-0,1	-828.7	-0.1
8% decrease in property values	-117,4	-0,3	-114.8	-0.5
8% loss of counterparties	-0,1	0,0	-0.5	0

"+" means that policyholders liabilities or Nordea Group's account (profit/equity) increase and "-" means that policyholders liabilities or Nordea Group's account (profit/equity) decrease

Table 92 Effects of life and insurance risks

The table shows the sensitivity of the financial accounts to changes in life insurance risk. The impact is split between the effect on policyholders and Nordea Group's own account. Increases in mortality and disability rates have a small negative impact on Nordea Group's own account due to the contract type and buffer.

	2020		2019	
EURm	Effect on policyholders	Effect on Nordea Group's Account	Effect on policyholders	Effect on Nordea Group's Account
Mortality - increased living with 1 year	23,4	-18,3	23	-17.7
Mortality - decreased living with 1 year	-0,3	0,3	-0.1	0.1
Disability - 10% increase	8,7	-6,8	8.3	-6.5
Disability - 10% decrease	-6,2	4,9	-5.7	4.4

"+" means that policyholders liabilities or Nordea Groups account (profit/equity) increase and "-" means that policyholders liabilities or Nordea Group's account (profit/equity) decrease.

Table 93 Investment return, traditional life insurance

The table shows the investment return of traditional business for the consolidated life companies. Assets under management (AuM) are affected by the investment return and the in- and outflows of business.

	2020		2019	
EURm	AuM	Investment return	AUM	Investment return
Interest-bearing securities and deposits	7,356	2,8%	7,415	2.60%
Shares	1,269	2,6%	1,280	13.20%
Alternative investments	478	-0,9%	581	6.00%
Investment property	973	8,3%	1017	9.10%
Total return	10,075	3,1%	10,292	4.70%

Table 94 Insurance provisions (technical provisions) and provisions on investment contracts divided into guarantee levels (technical interest rates)

The table shows the insurance provisions and provisions on investment contracts divided into guarantee levels.

EURm	None	0%	0-2%	2-3%	3-4%	>4%	Total liabilities
2020							
Technical provisions	7,158	396	2,954	2,170	1,973	970	15,622
2019							
Technical provisions	7,059	1,426	2,827	2,228	2,170	889	16,599

Table 95 Financial buffers

The table shows the development in the financial buffers for NLP.

	Financial buffers		% of guaranteed liabilities	
EURm	2020	2019	2020	2019
Norway	477	423	10.5%	8.8%
Sweden	1,157	1,146	48.5%	49.9%
Finland	888	940	42.5%	47.5%
Total	2,523	2,509	28.0%	27.7%

Table 96 Solvency position

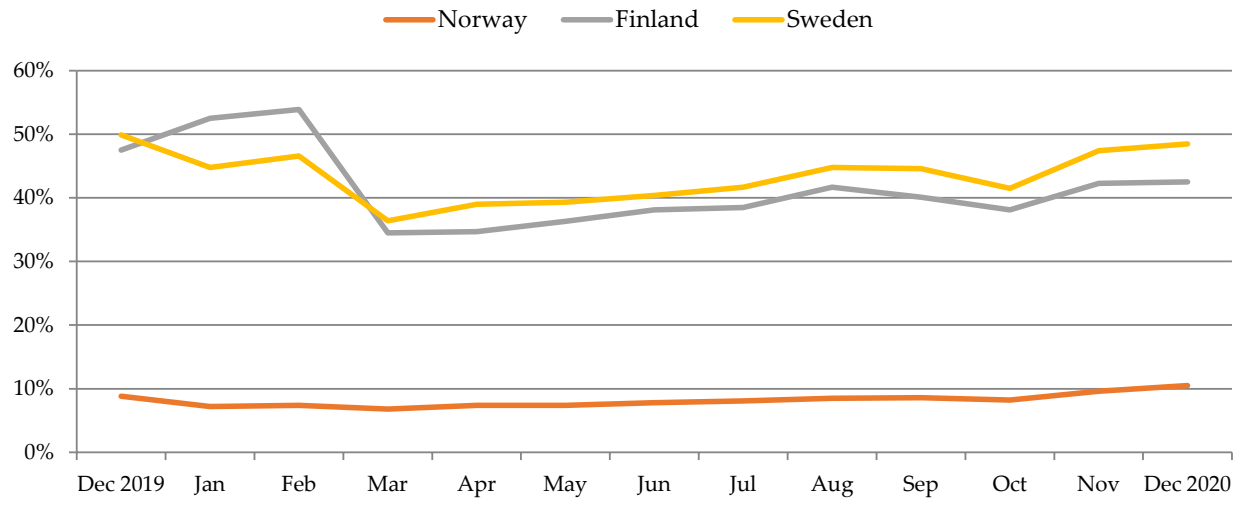
EURm	2020	2019
Solvency capital requirement	1,968	1,673
Own funds	3,020	2,682
Solvency margin	1,052	1010
Solvency position	153%	160%

Table 97 Solvency sensitivity

EURm	2020	2019
Solvency position	153%	160%
Equity drops 20%	153%	165%
Interest rates down 50bp	157%	160%
Interest rates up 50bp	152%	168%

Table 98 Financial buffers compared to insurance provisions, rolling 12 months

The figure shows the development of the financial buffers during 2020.



Covid

Table 99 Covid template 1: Information on loans and advances subject to legislative and non-legislative moratoria

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing				Performing			Non performing			
	Q4 2020 EURm			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	Loans and advances subject to moratorium	7,320	7,309	0	124	11	0	0	-2	-2	0	-1	-1	0	0	1
2	of which: Households	7,320	7,309	0	124	11	0	0	-2	-2	0	-1	-1	0	0	1
3	of which: Collateralised by residential immovable property	7,320	7,309	0	124	11	0	0	-2	-2	0	-1	-1	0	0	1
4	of which: Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	of which: Small and Medium-sized Enterprises	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	of which: Collateralised by commercial immovable property	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

		Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing				Performing			Non performing			
	Q2 2020[1] EURm			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	Loans and advances subject to moratorium	5,888	5,878	0	107	10	0	2	-1	-1	0	-1	0	0	0	10
2	of which: Households	5,888	5,878	0	107	10	0	2	-1	-1	0	-1	0	0	0	10
3	of which: Collateralised by residential immovable property	5,888	5,878	0	107	10	0	2	-1	-1	0	-1	0	0	0	10
4	of which: Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	of which: Small and Medium-sized Enterprises	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	of which: Collateralised by commercial immovable property	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

[1] Restated Q2 figures to only include legislative moratoria (households in Nordea Hypotek)A

Table 100 Covid Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

		a	b	c	d	e	f	g	h	i
			Gross carrying amount							
						Residual maturity of moratoria				
	Q4 2020 EURm	Number of obligors		Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	43,238	7,320							
2	Loans and advances subject to moratorium (granted)	43,238	7,320	7,320	0	0	0	7,320	0	0
3	of which: Households		7,320	7,320	0	0	0	7,320	0	0
4	of which: Collateralised by residential immovable property		7,320	7,320	0	0	0	7,320	0	0
5	of which: Non-financial corporations		0	0	0	0	0	0	0	0
6	of which: Small and Medium-sized Enterprises		0	0	0	0	0	0	0	0
7	of which: Collateralised by commercial immovable property		0	0	0	0	0	0	0	0

	Q2 2020[1] EURm	Number of obligors	Gross carrying amount							
						Residual maturity of moratoria				
				Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	35,342	5,888							
2	Loans and advances subject to moratorium (granted)	35,342	5,888	5,888	0	0	0	0	0	5,888
3	of which: Households		5,888	5,888	0	0	0	0	0	5,888
4	of which: Collateralised by residential immovable property		5,888	5,888	0	0	0	0	0	5,888
5	of which: Non-financial corporations		0	0	0	0	0	0	0	0
6	of which: Small and Medium-sized Enterprises		0	0	0	0	0	0	0	0
7	of which: Collateralised by commercial immovable property		0	0	0	0	0	0	0	0

[1] Restated Q2 figures to only include legislative moratoria (households in Nordea Hypotek)A

Table 101 Covid Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

Q4 2020		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	Newly originated loans and advances subject to public guarantee schemes	885,260,101	8,950,633	668,612,819	4,482,956
2	of which: Households[1]	949,466			
3	of which: Collateralised by residential immovable property	105,436			
4	of which: Non-financial corporations	884,310,635	8,950,633	668,612,819	4,482,956
5	of which: Small and Medium-sized Enterprises	232,680,569			4,482,956
6	of which: Collateralised by commercial immovable property	8,770,504			28,919

[1] Includes Sole Proprietorships

Q2 2020		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	Newly originated loans and advances subject to public guarantee schemes	851,462,218		630,842,193	3,011,887
2	of which: Households[1]	702,775			
3	of which: Collateralised by residential immovable property				
4	of which: Non-financial corporations	850,759,443		630,842,193	3,011,887
5	of which: Small and Medium-sized Enterprises	257,615,497			651,426
6	of which: Collateralised by commercial immovable property	10,913,847			60,594

[1] Includes Sole Proprietorships

Risk terminology and measures

Advanced IRB (AIRB) approach
See Internal Ratings Based approach (IRB)

Business Model Risk
The risk to Nordea's balance sheet and profitability from potential adverse developments in the commercial aspects of Nordea's business.

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.

Conduct risk
The risk of inappropriate culture and behaviour of Nordea people or the risk that intentional or unintentional actions of Nordea across the end-to-end customer lifecycle lead to unfair outcomes and harm for customers or disrupt market integrity.

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 for potential loss due to failure of a borrower to meet their 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.

Environmental, Social and Governance (ESG) risk
The risk of the negative financial impact stemming, directly or indirectly, from the impact environmental, social and governance events may have on Nordea and Nordea's key stakeholders, including customers, employees, investors and suppliers. The risk does not include reputational aspects of ESG, which are included under Reputational Risk.

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 concerns the market risk due to changes in foreign exchange rates.

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 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 exposures. 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. Nordea has approval to use the Internal Model Method (IMM) to calculate the regulatory counterparty credit risk 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 a FIRB approval, banks are permitted to use internal estimates for probability of default (PD); an AIRB approval additionally permits banks to use internal estimates for Loss Given Default (LGD) and Credit Conversion Factors (CCF).

Insurance risk
The risk of unexpected losses due to changes in the level, trend or volatility of mortality rates, longevity rates, disability rates and non-life claim rates.

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)
IRRBB is the risk to future earnings and/or capital arising from changes in interest rates, through changes in the net present value of future cash flows from Banking Book assets and/or liabilities due to changes in interest rates or change in net interest income.

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
Market risk is defined as the risk of loss in the Group's holdings and transactions as a result of changes in risk factors that affect the market value of these positions, for example changes in interest rates, credit spreads, FX rates or share prices.

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 a banking organisation's reputation, from the use of quantitative methods.

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 our customers, employees, authorities, investors, partners and general public with the potential for adverse economic impact.

Risk appetite
The risk appetite within Nordea is defined as 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
Nordea's risk capacity is defined as the maximum lev
el 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.

Specific Wrong Way Risk (SWWR)
The risk arising due to the future exposure to a specific counterparty being positively correlated with the counterparty's PD due to the nature of the contracts with the counterparty.

Stressed Value at Risk (Stressed VaR)
Whereas the VaR is based on data from the last 500 days, stressed VaR is based on a specific 250-day period with considerable stress in financial markets.

Structural Foreign Exchange (FX) risk
Structural FX risk arises from the mismatch in currency composition between assets and capital. The mismatch creates volatility in capital ratios from the revaluation of foreign currency assets and capital to EUR.

Survival horizon
The Survival Horizon is a short-term measure describing the excess of liquid assets compared to net funding requirement on a 30-day horizon.

Tail risk
Risks with low probability that have the potential to result in severe impact.

Third Party Risk
The risk of Nordea not demonstrating due prudence when engaging, managing and terminating a documented third party agreement on provided products or services.

Through-The-Cycle (TTC)
For a TTC rating system, the distribution of ratings across obligors will not change significantly over the business cycle, and an obli-gor's rating is expected to change only when its own dynamic char-acteristics change.

Transfer risk
The risk that a local currency cannot be converted into the currency that a debt is denominated in.

Value at Risk (VaR)
VaR measures the expected maximum loss on a portfolio over a given time horizon with a given confidence interval under normal market conditions.