Nordea

Capital and Risk Management Report 2021

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

Updated on October 7th, 2022

Nordea Board of Directors' risk statement

Nordea's business model is well-diversified with the largest risks being credit and liquidity risks.

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 29bn, total assets of EUR 570bn and a Common Equity Tier 1 (CET1) capital ratio of 17%. The Nordea Group is a prominent Nordic retail bank, number one wholesale bank and the largest private banking, asset management and life and pension provider in the Nordic region.

Response to Covid-19

Covid-19 continued to be a major risk factor over the course of 2021.

The Nordic governments have supported the economies with a range of COVID-related support packages targeted for individuals and companies. As the pandemic prolonged into 2021, the measures were extended and new ones established. However, the support measures are coming to an end and possible cliff-edge effects could materialize and be related to deferred payments. Furthermore, there is a risk that support measures have enabled non-viable businesses to continue operating. At Nordea, a Management Judgement for COVID-19 remains in place for possible negative credit impact when government support is reduced. With its strong financial position, Nordea is able to continue to actively support its customers during this challenging time.

In order to continuously monitor potential adverse outcomes, Nordea has executed a number of internal stress tests with a focus on the COVID-19 situation. In these stress tests, Nordea's capital and liquidity situation has shown good resilience, even in the most severe scenarios.

Risk Appetite

Nordea has the following capital ratios: CET1 capital ratio of 17%, Tier 1 capital ratio of 19.1% and own funds ratio of 21.2% at the end of 2021. Risk capacity is assessed at least on an annual basis as 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. The risk appetite within Nordea is defined as 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. On-going monitoring and reporting of risk exposures against the risk limits is carried out to ensure that risk taking activities remain within risk appetite.

Key risks in Nordea's operations

Nordea's strategy for assuming, steering and controlling risks is set by the Group Board in alignment with the business strategy. Strategic business decisions are complemented by independent risk assessments and opinions to ensure sound decision making, thereby supporting the goal of driving business momentum and structural cost reduction, while also delivering 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. Material risks to the Group derive from business activities which include banking, trading, insurance and asset management.

Nordea is an active lender through its various business areas - wholesale and institutional customers served by "Large Corporates & Institutions", small and medium-sized entities served by "Business Banking", and households and individuals served by "Personal Banking". This gives rise to credit risk, which is Nordea's primary financial risk, representing approximately 87% of total REA.

Nordea strives to maintain a well-diversified credit portfolio reflecting the structure of Nordea's home markets and economies. The credit risk appetite statement is defined in terms of credit risk concentration (limits for single names, sectors and geographies), long-term credit quality (expected loss), short-term forward-looking credit quality (loan losses under plausible stress scenarios), non-performing loan ratio in line with regulatory definition and limits addressing specific sub-portfolios and financing structures.

Internal Ratings-Based (IRB) corporate and retail exposures currently represent 44.1% and 26.3% respectively of Nordea's total REA. The quality of the Group's credit portfolio has remained stable.

Nordic housing markets were characterized by price increases and high levels of activity in 2021. This was reflected in continued growth in the housing loan portfolio, while developments in the corporate and institutions portfolio overall continued to be stable. The baseline credit risk outlook in the Nordics has remained stable, supported by strong economic activity, with downside risks related to inflationary pressures and continued uncertainty caused by Covid-19. Small and medium-sized enterprises continue to exhibit overall stable credit quality, however, in part dependent on extra-ordinary government support measures such as deferred tax schemes. Credit risk loan losses during 2021 were EUR 118m and REA attributed to credit risk was EUR 119bn at the end of Q4 2021.

Nordea is operationalizing its sustainability objectives and targets for 2030 and 2050 to fulfil its economic and social roles in addressing the global, regional and local risks of climate change. Whilst integral to the risk strategy, sustainability does not replace the prudent management of ESG-related risks, including those arising from climate change. Thus, in tandem with sustainability developments, Nordea has progressed its approach to identify, assess, respond and disclose on ESG-related risks as part of a multi-year implementation program aligned to supervisory and regulatory requirements.

Operational risk is inherent across all Nordea's activities. Capital held for operational risk represents 9,4% of total REA. During 2021, total net losses due to operational risks were approximately EUR 26m compared to REA of EUR 14.3bn attributed to operational risk at the end of Q4 2021.

The risk appetite statement for operational risk is expressed in terms of (1) residual risk level in breach of risk appetite and requirements for mitigating actions for risks and (2) total loss amounting from incidents.

While the COVID-19 crisis has presented Nordea with an elevated risk level, this has not materialised as increased operational losses. The increase has been partly but not fully rolled back as uncertainty remains related to the development of COVID-19.

Remote working has continued in 2021 and preventive measures taken have focused on e.g. awareness communications and training activities. Preventive and compensating controls have been put in place to mitigate operational risk related to remote working.

Nordea's trading book gives rise to a range of market related risks. In addition, market factors may influence the value of the banking book assets and affect future income. Market risk is one of Nordea's smallest contributors to regulatory capital requirements, representing 3% of total REA, with additional capital held for banking book market risk within Nordea's Pillar 2 framework. Market risks are governed in the risk appetite framework by limits on (1) Value at Risk (VaR), (2) economic value, (3) stressed losses on trading and banking books, (4) structural foreign exchange (SFX), and the maximum reported market risk loss within one year in severe but plausible stress events.

The primary risk not mitigated with capital and, hence, not measured in REA terms, is liquidity risk, which represents a material risk for Nordea. Nordea adheres to a liquidity risk appetite whereby there must be sufficient liquidity to ensure that Nordea can meet its cash flow obligations at all times, including on an intraday basis and across market cycles, including 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 remain within the liquidity risk appetite. Specifically, the liquidity risk appetite requires that Nordea holds a liquidity buffer (1) to survive at least 90 days under a combined institution-specific and market-wide liquidity stress; (2) that is sufficient to ensure a Liquidity Stress Coverage ratio based on internal stress tests of at least 105% under a combined scenario; (3) that is sufficient to ensure the Liquidity Coverage Ratio (LCR) of at least 115%; and (4) denominated in currencies that can be readily converted to meet regulatory LCR net cash outflows in all significant currencies. Nordea maintained a strong liquidity position throughout the fourth quarter, and was able to continue business-as-usual liquidity management.

Material transactions

A number of external transactions took place in 2021. While each transaction was a part of achieving Nordea's on-going strategy, none were assessed as materially impacting the risk profile of the Group. This assessment took into account the set of material risks before and after the transaction, the size of the transaction, and whether the portfolio of risks before and after had changed materially. In each case, it has been assessed that no material change took place.

Board of Directors' approval of the risk statement

Nordea Board of Directors has approved this risk statement and acknowledges that Nordea Group's risk management arrangement is adequate and well adopted to Nordea Group's business model, risk appetite and capital position.

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

	EURbn	Exposure	%	REA	CAR	%	EC	%
Total Nordea Group	Credit risk [1]	506.7	100%	132.6	10.6	87%	17.4	75%
	Market risk			5.0	0.4	3%	0.9	4%
	Operational risk			14.3	1.1	9%	1.9	8%
	Nordea Life & Pension						1.7	7%
	Other[2]						1.3	6%
	Total	506.7	100%	151.9	12.2	100%	23.2	100%
Personal Banking	Credit risk[1]	192.7	38%	41.5	3.3	89%	5.7	73%
	Market risk			0.0	0.0		0.1	1%
	Operational risk			5.1	0.4	11%	0.7	9%
	Nordea Life & Pension						0.5	6%
	Other[2]						0.8	10%
	Total	192.7	38%	46.6	3.7	31%	7.8	33%
Business Banking	Credit risk[1]	110.4	22%	39.5	3.2	91%	5.4	80%
	Market risk			0.0	0.0		0.0	1%
	Operational risk			3.7	0.3	9%	0.5	7%
	Nordea Life & Pension						0.1	2%
	Other[2]						0.7	10%
	Total	110.4	22%	43.2	3.5	28%	6.8	29%
Large Corporates & Institutions	Credit risk[1]	84.2	17%	33.4	2.7	81%	4.5	77%
	Market risk			4.5	0.4	11%	0.6	11%
	Operational risk			3.4	0.3	8%	0.4	8%
	Nordea Life & Pension						0.0	0%
	Other[2]						0.3	5%
	Total	84.2	17%	41.3	3.3	27%	5.9	25%
Wealth Management	Credit risk[1]	16.1	3%	7.3	0.6	79%	0.4	22%
	Market risk			0.0	0.0		0.0	1%
	Operational risk			1.9	0.2	21%	0.2	13%
	Nordea Life & Pension						1.1	55%
	Other[2]						0.2	9%
	Total	16.1	3%	9.3	0.7	6%	1.9	8%
Group Functions, Other and Eliminations	Credit risk[1]	103.3	20%	10.9	0.9	95%	1.4	154%
	Market risk			0.4	0.0	4%	0.1	15%
	Operational risk			0.2	0.0	2%	0.0	3%
	Nordea Life & Pension						0.0	0%
	Other[2]						-0.6	-72%
	Total	103.3	20%	11.5	0.9	8%	0.9	4%

[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. Nordea's CET1 ratio was 17.0% at end of 2021, 6.8% above the CET1 requirement. Due to Nordea's de-risking activities in recent years and the overall low-risk profile, credit quality remained strong. Uncertainty of the full impact of the COVID-19 crisis remains and the management judgement buffer was maintained at EUR 610m. In 2021, Nordea showed continued strong growth in customer business volumes in all countries, increased profit before loan losses by 30% to EUR 5bn, a net profit of EUR 3.8bn and a return on equity (ROE) of 11.2% (7.1% in 2020). 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

17.0%

Capital strength was well maintained during 2021 with a CET1 ratio of 17.0% (17.1%).

Total capital ratio

21.2%

Total capital ratio increased from 20.5%.

Net loan loss ratio (including all customer loans)

1bp

The net loan loss ratio including fair value loans was 1bp (26bp last year).

Credit risk exposure change

+5%

Credit risk exposure increased to EUR 507bn (EUR 482bn).

Liquidity coverage ratio

160%

Group LCR was 160% at the end of 2021 (158%).

Very strong capital position and share buy-backs

The CET1 ratio at the end of 2021 was 17.0%, 6.8% 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 150-200bp above the regulatory requirement. The capital and dividend policy is unchanged. The Board of Directors has proposed a dividend payment of approximately EUR 2,682m for 2021, in line with the dividend policy. Nordea has during the year initiated its first share buy-back program to further progress towards increased capital efficiency.

Nordea is subject to a Pillar 2 Requirement (P2R) 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 2021 was 21.2%, 6.8% above the regulatory requirement. The leverage ratio at the end of 2021 was 5.4%, well above the 3% requirement and MREL was 33.1%, above Nordea's requirement of 27.4%.

Maintained strong credit quality and management judgement buffer kept intact

Credit quality remained strong in 2021 with a well-diversified loan book and stable portfolio ratings and scores. The net loan loss ratio was 1bp including loans held at fair value (26bp in 2020). Credit quality was stable in all customer sectors and de-risking continued in certain portfolios, including shipping and offshore.

The loan loss provisions Nordea made in Q2 2020 to cover for the near-term loan loss risks from the COVID-19 crisis have been kept intact throughout 2021. At the end of the year, total allowances were EUR 2.2bn. Stage 3 impaired loans decreased by 12% during 2021 and the impaired loans ratio decreased to 1.28% (1.51% in 2020), while credit risk exposures increased to EUR 507bn (EUR 482bn in 2020).

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 2021. Approximately EUR 21bn was issued in long-term debt during 2021 (excluding capital instruments and Nordea Kredit covered bonds) compared to EUR 23bn last year. Nordea maintained a strong liquidity coverage ratio (LCR), with an LCR at year-end at Group level of 160%.

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

Further integration of the sustainability into business strategy

In 2021, the Board approved the Risk Appetite Statement on ESG which defines the boundaries within which business areas operate, accounting for prudent ESG-related risk management, engagement with customers aligned with the Paris Agreement, and limiting of financed GHG emissions via business loans.

To further integrate transitional risk considerations in the credit decision process, a new climate risk assessment and reporting tool (CRAT) was developed and implemented. The CRAT tool will be extended in 2022 to also cover selected industries vulnerable to physical risks.

Key metrics

During Q4 2021 Nordea CRR Group total own funds increased by EUR 192m, of which CET1 increased by 135m, AT1 increased by 51m (T1 capital +186m) and T2 increased by 6m. The CET1 increase was mainly driven by profit net of accrued dividend, partly offset by decreased retained earnings following an adjustment to actuarial assumption of pension. AT1 increased due to FX effect on contracts in USD and higher IRB excess comparing to Q3 2021 led to T2 increase. The decrease of REA by EUR 656m mainly stemmed from decreased Credit risk, partly offset by increased Market risk. Leverage ratio increased from 5.0% to 5.4% as a result of decreased LR total exposure measure. LCR decreased by 10pp due to increase of High-Quality Liquid Assets (HQLA), partially offset by lower total net cash outflows. Finally, NSFR decreased from 114% to 111% mainly driven by increase of total required stable funding.

	Available own funds (amounts), EURm 1)	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4
1	Common Equity Tier 1 (CET1) capital	25 880	25 745	27 440	26 964	26 553
2	Tier 1 capital	29 012	28 826	29 628	29 636	29 141
3	Total capital	32 275	32 083	32 372	32 158	31 801
	Risk-weighted exposures amounts (REA), EURm					
4	Total risk-weighted exposure amount	151 906	152 563	152 222	154 037	155 440
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	17,0%	16,9%	18,0%	17,5%	17,1%
6	Tier 1 ratio (%)	19,1%	18,9%	19,5%	19,2%	18,7%
7	Total capital ratio (%)	21,2%	21,0%	21,3%	20,9%	20,5%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1,8%	1,8%	1,8%	1,8%	1,8%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1,0%	1,0%	1,0%	1,0%	1,0%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1,3%	1,3%	1,3%	1,3%	1,3%
EU 7d	Total SREP own funds requirements (%)	9,8%	9,8%	9,8%	9,8%	9,8%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2,5%	2,5%	2,5%	2,5%	2,5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,0%	0,0%	0,0%	0,0%	0,0%
9	Institution specific countercyclical capital buffer (%)	0,2%	0,2%	0,2%	0,2%	0,2%
EU 9a	Systemic risk buffer (%)	0,0%	0,0%	0,0%	0,0%	0,0%
10	Global Systemically Important Institution buffer (%)	0,0%	0,0%	0,0%	0,0%	0,0%
EU 10a	Other Systemically Important Institution buffer	2,0%	2,0%	2,0%	2,0%	2,0%
11	Combined buffer requirement (%)	4,7%	4,7%	4,7%	4,7%	4,7%
EU 11a	Overall capital requirements (%)	14,5%	14,5%	14,5%	14,5%	14,5%
12	CET1 available after meeting the total SREP own funds requirements (%)	11,3%	11,1%	11,5%	11,1%	10,7%
	Leverage ratio 2)					
13	Leverage ratio total exposure measure	536 512	578 554	555 022	533 421	493 927
14	Leverage ratio	5,4%	5,0%	5,3%	5,6%	5,9%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0,0%	0,0%	0,0%		
EU 14b	of which: to be made up of CET1 capital (percentage points)	0,0%	0,0%	0,0%		
EU 14c	Total SREP leverage ratio requirements (%)	3,0%	3,0%	3,0%		
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0,0%	0,0%	0,0%		
EU 14e	Overall leverage ratio requirement (%)	3,0%	3,0%	3,0%		
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	98 245	127 669	104 440	110 175	85 966
EU 16a	Cash outflows - Total weighted value	71 428	89 539	77 754	82 390	69 710
EU 16b	Cash inflows - Total weighted value	10 084	13 693	12 199	13 014	15 450
16	Total net cash outflows (adjusted value)	61 344	75 846	65 555	69 377	54 260
17	Liquidity coverage ratio (%) 3)	158%	168%	159%	159%	158%
	Net Stable Funding Ratio					
18	Total available stable funding	311 752	313 811	311 753	310 781	305 802
19	Total required stable funding	280 517	276 241	274 435	280 543	277 156
20	NSFR ratio (%)	111%	114%	114%	111%	110%

[1)] In Q4 2021 profit of the period is included in Own Funds.

[2)] In Q1 2021 and Q42020 Leverage Ratio calculated in accordance with the derogation in Article 500b of Regulation (EU) 575/2013 of the European Parliament and of the Council (CRR) and Decision (EU) 2020/1306 of the European Central Bank. The derogation is not applied from Q2 2021 since Nordea has dedcided not to apply

[3)] The LCR for Q4 2022 is an average of 12 end of month ratios.

Regulatory development

This section provides an overview of the recent regulatory developments relevant to Nordea's capital and liquidity requirements. 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

The Capital Requirements Directive (CRD) 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, whereas the CRR and CRD were implemented on 31 December 2019.

In June 2019, the 'banking package' was adopted in EU which contained revisions to the BRRD, the CRD and the CRR. The revised CRD and BRRD became applicable from 28 December 2020 and entered into force in Finnish law from 1 April 2021. It included revised Minimum Requirement for own funds and Eligible Liabilities (MREL), increased cap to 3% for the buffer for other systemically important institutions (O-SII), made the systemic risk buffer (SRB) additive with the O-SII buffer and introduced a split of Pillar 2 add-ons into Pillar 2 Requirements (P2R) and Pillar 2 Guidance (P2G). On 28 June 2021 a majority of the changes in the CRR entered into force which, inter alia, introduced a binding Leverage Ratio requirement of 3% to be met by Tier 1 capital, as well as a binding Net Stable Funding Ratio (NSFR) requirement of 100%.

In Norway, the implementation of the 'banking package is expected during first half 2022. Please refer to the section 'Nordic implementation' below for additional details on the implementation in each country.

Regulatory minimum requirements

The CRR requires banks to comply with the following minimum own funds requirements in relation to total risk weighted assets:

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

In addition, banks are required to maintain a Leverage Ratio of 3%. The leverage ratio is a non-risk-based measure 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.

Banks also need to meet an MREL requirement as decided by its resolution authority, expressed in terms of total REA and total LRE (Leverage Ratio Exposure) and should be met by own funds and MREL eligible liabilities.

The CRR require institutions to comply with a 100% NSFR requirement, i.e. to finance their long-term activities (assets and off-balance sheet items) with stable funding. Furthermore, the Liquidity Coverage Ratio (LCR) need to be maintained above 100%, which means that banks should hold high-quality liquid assets in excess of expected cash outflows over 30 days.

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 decides 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. 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. All of these buffers are included in the so-called *combined buffer requirement*. The combined buffer requirement 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

In Q2 2020, some parts of the 'banking package' entered into force earlier than planned in response to the COVID-19 pandemic, such as an extended SME factor and a more favourable treatment of software intangible assets in CET1 deductions. It also included 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.

In the beginning of 2020, the ECB announced that banks will be allowed to operate temporarily below the level of capital defined by the P2G, the CCyB and the LCR. On 17 December 2021, the ECB decided not to extend the LCR waiver. On 10 February 2022 the ECB also announced that banks are expected to operate above the P2G from 1 January 2023.

Furthermore, during 2020 the ECB made recommendations to limit dividends due to the COVID-19 pandemic. In July 2021, the ECB decided not to extend the recommendation whereby the limitation expired on 30 September 2021.

On 18 June 2021 the ECB announced that banks could continue to exclude certain central bank exposures from the leverage ratio, given the continued exceptional macroeconomic circumstances due to COVID-19. The exemption is valid until March 2022. Nordea has decided not to take advantage of this extension.

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

On 28 June 2021 the Finnish FSA decided to maintain the O-SII capital buffer for Finnish banks identified as systemically important. For Nordea, this means that the current O-SII buffer is 2%. The Finnish FSA decided on 16 December 2021 to maintain the CCyB rate at 0%. The maximum loan-to-value ratio for residential mortgage loans was decreased to 85 % in October 2021.

In May 2021 Nordea received the Single Resolution Board's decision on the Nordea Group's minimum requirements for own funds and eligible liabilities (MRELs). According to the decision, Nordea's MREL requirements are 22.71% of the risk exposure amount (REA) and 5.98% of the leverage ratio exposure (LRE). Nordea's MREL subordination requirements are 16.06% of REA and 5.98% of LRE. The own funds used by Nordea to comply with its combined buffer requirement (CBR) are not eligible to meet the MREL and MREL subordination requirements expressed as a percentage of the REA. As a result, the MREL and MREL subordination requirements including the fourth-quarter CBR of 4.73% of REA are 27.44% and 20.79% of REA, respectively. Both the MREL and MREL subordination requirements will be binding from 1 January 2022, with no transitional period. Nordea Mortgage Bank Plc should meet an interim MREL requirement of 15.87% of REA and 4.81% of LRE from 1 January, 2022, and a final requirement of 15,87% of REA and 5.91% of LRE from 1 January, 2024. The own funds used by Nordea Mortgage Bank Plc to comply with its combined buffer requirement are not eligible to meet the MREL requirements expressed as a percentage of the REA. In addition, Nordea Mortgage Bank Plc should ensure a linear MREL build-up towards those requirements.

Denmark

In March 2020, the CCyB rate was decreased in Denmark due to COVID-19. On 23 June 2021 it was decided to increase the buffer rate from 0% to 1% from 30 September 2022 and on 15 December 2021 it was decided to be further increased to 2% from 31 December 2022.

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. The debt buffer can be met with CET1, AT1 or Tier 2 capital instruments as well as senior debt instruments that fulfil certain criteria.

In 2018, the debt buffer legislation was changed regarding mortgage institutions identified as systemically important financial institution (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.

Nordea Kredit Realkreditaktieselskab was, in January 2017, identified as a SIFI and is subject to a 1.5% SRB requirement. The identification and requirement have afterwards been confirmed latest 7 December 2021.

On 2 December 2021 as part of amendments to the Danish financial business act a new model for appointment of SIFI's in Denmark was approved. The new model is based on 12 key points and is valid from 2022. It is not expected that the new model at the starting point will have any impact on the SIFI level and buffer rate.

Norway

To mitigate the effect of the Norwegian implementation of the CRR and CRD, changes to the SRB was implemented from 31 December 2020. The previous SRB of 3% for all Norwegian banks was changed to a SRB of 4.5% for all Norwegian exposures. The Norwegian Ministry of Finance requested the European Systematic Risk Board (ESRB) to issue a recommendation to other EEA states to reciprocate the measures. On 26 May 2021, the ESRB recommended reciprocation within 18 months but also recognises the regulatory differences between Norway and EU, why reciprocation should take into account any overlaps or differences in regulations. On 19 August 2021, the Finnish FSA stated that the decision on the application of the Norwegian SRB will be taken at a later stage and enter into force 12 months after the decision is taken.

In Norway risk weight floors for residential real estate of 20% and for commercial real estate of 35% according to article 458 of the CRR was implemented from 31 December 2020. On 19 August 2021, the Finnish FSA decided to reciprocate the floors from 11 September 2021.

In Norway it has been decided to increase the countercyclical buffer rate from the current 1% to 1.5% from June 2022 and then to be further increased to 2.0% from 31 December 2022.

On 1 July 2021, the Ministry of Finance decided that three banks should be identified as systemically important institutions (O-SII). According to the thresholds for being O-SII, Nordea Eiendomskreditt will be subject to a 1% O-SII buffer requirement, applicable from 30 June 2022.

Sweden

On 22 March 2021, the Swedish FSA published the new approach for the setting of the CCyB rate. The Swedish FSA will apply a "positive neutral" rate of 2 % going forward. This means that the buffer rate will be set at 2 % during normal periods. On 28 September, the Swedish FSA decided to increase the CCyB requirement to 1% from the current 0%, to be applicable from 29 September 2022. In the decision it is also stated that it seems appropriate to stepwise increase the buffer to 2% to be applicable from end-2023.

On 31 May, the Swedish FSA decided on a general approach to assess the size of a bank's P2G. The approach is based on a two-step assessment that starts with a sensitivity-based stress

test, followed by other quantitative and qualitative assessments. P2G applies in addition to the minimum requirements, the P2R and the combined buffer requirement.
On 21 June, the Swedish FSA decided to reciprocate the Norwegian risk weight floors of 20% for residential real estate exposures and 35% for commercial real estate exposures from 30thSeptember 2021. It was also stated that the FSA will await further information on how CRD V will be implemented in Norway before deciding on the reciprocation of the Norwegian SRB of 4.5%.

On 18 October 2021 the Swedish National Debt Office published the final MREL policy for setting MREL requirements for Swedish banks. The policy is applied from 1 January 2022 and is based on new EU resolution directive implemented in the Swedish Law (2015:1016) on resolution (LOR).

The Swedish FSA has implemented a temporary risk weight floor for residential mortgages of 25%. The floor was first implemented with effect from 31 December 2018 and was in December 2020 decided to be prolonged to December 2021. On 17 December 2021, the Swedish FSA decided to extend the risk weight floor yet again by two years, to 30 December 2023.

EU implementation of finalised Basel III framework ("Basel IV")

Basel III is a global regulatory framework for 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. It includes revisions to credit risk, market risk, operational risk, credit valuation adjustment (CVA) risk and the leverage ratio and introduces a new output floor.

Before being applicable to Nordea, the Basel IV package needs to be implemented into EU regulations. On 27 October 2021 a proposal for the implementation into EU regulations was published by the European Commission by amendments to the CRD and CRR. The proposal from the Commission is to set the start date to 1 January 2025. The proposal is now subject to negotiations between the Commission, the Council and the Parliament before the final set of regulations is decided.

On credit risk, the proposal includes revisions to both the IRB approach, where restrictions on the use of IRB for certain exposures are implemented, as well as on 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 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 1 January 2025 to be fully implemented at 72.5% from 1 January 2030 and with transitional rules for the calculation of the REA for the output floor extending to end-2032.

Governance of risk, liquidity and capital management

The chapter introduces Nordea's governance of risk, liquidity and capital management as set out in Nordea's Group Board Directives approved by the Board of Directors (Group Board), 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 regularly 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 when 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, management, risk management functions, and other staff in 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 controls through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures.

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.

Table: Three Lines of Defence (LoD)

1st LoD	2nd LoD	3rd LoD
Business Areas and Group Functions	Group Risk (GR) and Group Compliance (GC)	Group Internal Audit (GIA)
• All employees in the first line of defence have a role of understanding and adhering to prudent risk management and 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	• GR and GC oversee 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).

Governing bodies for risk and capital management

The Group Board, the Board Risk Committee (BRIC), the 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.

Group Board

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. BRIC met on 11 occasions during 2021.

Group CEO

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 (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 12 occasions during 2021.

Risk Committee

Risk Committee (RC) is subordinated to the Group CEO in GLT and chaired by the Group Chief Risk Officer (CRO). RC manages the overarching Risk Management Framework and prepares or provides guidance regarding proposals to the Group CEO in GLT and/or the Group Board on issues of major importance concerning Nordea's Risk Management Framework. Given the Group Board decided Risk Appetite Framework, RC decides on cascading to BA/GFs 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 26 occasions during 2021.

Credit decision-making bodies

The governing bodies for credit risk and/or the Credit Risk Management Framework are the Group Board, BRIC and RC. The Group Board and the local Boards of Directors delegate credit decision-making according to the Powers to Act as described in the Group Board Directive 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 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 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

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 Management) **Business Area Credit Committees** (Chairman: Head of Credit)	**Sustainable Ethics Committee (SEC)** (Chairman: Head of Business Banking)

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 Board of Directors (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 BoD 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 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 capacity.

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 models.

Table: Group Board approved risk metrics

Risk type	Metric
Credit risk	Non-performing loans
	Expected loss
	Stressed loan loss
	Sector limit framework
	Geographic concentration 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
	Fair Value Stress Loss
	Market Risk REA
	Market Risk Capacity
	Banking book stress loss
	Structural FX
	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 Model risk	Profitability
Solvency	Common Equity Tier 1 capital ratio
	Total capital ratio
	Leverage ratio
	MREL
	NLP Solvency Ratio
Operational risk	Operational risks
	Incidents and losses
Compliance	Compliance risks
ESG Risk	ESG-related risk

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. 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 (GR) and Group Compliance (GC) oversees that Risk Appetite Limit breaches are appropriately escalated to RC and BRIC. GR and GC reports monthly on any breaches of the risk appetite to the 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-

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.

Sustainability and ESG-related risk governance

At Nordea, the Group Board has a leading role in driving the sustainability 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. The Board Audit Committee (BAC) is responsible for overseeing the reporting and disclosure policies. Board Risk Appetite Reporting was enhanced in 2021 to include:

- Nominal exposure development for six prioritised climate vulnerable industries, and
- Qualitative progress updates on the integration of ESG factors in the underlying risk management frameworks for credit, market, liquidity, business model, operational and compliance risks.

Additional credit risk parameters for the six prioritised climate vulnerable industries are monitored through the credit portfolio quality reporting to the Board. For 2022, further enhancements in reporting will include relative developments in the total absolute financed greenhouse gas (GHG) emissions for business loans reflective of the index-based GHG emissions limit. Absolute financed GHG emissions for business loans will also be reported at business area and geography levels.

At Group Leadership Team (GLT) level, the Sustainability and Ethics Committee (SEC) is mandated to facilitate the implementation of the sustainability targets and objectives and support the integration of ESG factors in operational risk management. Risk Committee (RC) is responsible for overseeing the implementation of the risk strategy including ESG factors as embedded drivers of existing risks. Non-financial targets for management remuneration are being adjusted to better promote and reward sustainability and prudent ESG-related risk management in 2022.

Organisationally, ESG is being integrated in the existing processes for decision-making, risk management and control, and escalation including committee structures. 1st Line of Defence (LoD) is responsible and accountable for managing sustainability and financial impacts while 2nd LoD is accountable for developing the ESG-related risk management framework.

In 2021, Nordea appointed the Chief of Staff to co-ordinate and facilitate the group-wide integration of ESG factors in the risk management framework and business processes.

Additionally, a new group for the ESG implementation programme was launched during 2021. The programme aims at ensuring an efficient and consistent implementation of the sustainability targets and objectives as well as the ESG- related risk management framework across the 1st LoD. Key focus areas of the programme are risk management, disclosures and performance management, data, portfolio management, credit and business operating models. The programme is overseen by a new Operational Steering Committee co-chaired by the Chief of Staff and Head of Group Credit Risk Control and Model Validation and accountable executives for operational execution from Group Business Support, Group Risk, Group Finance and the Business Areas.

Group Credit Risk Control and Model Validation remains responsible for coherent 2nd LoD ESG coordination across risks and within credit risk and for consolidated internal and external reporting on ESG.

Group Internal audit (GIA) assesses whether policies and procedures and Group Internal Rules are correctly and effectively implemented in Nordea, which includes policies and procedures for ESG-related risks.

ESG-related risk strategy

A comparative transition policy analysis, covering international, European, Nordic and peer benchmarks, was completed for key industries building on the analysis performed in 2020 for setting Nordea's 2030 and 2050 objectives. Informed by that exercise and recognizing the required industry collaboration to drive action towards net-zero transition across industries, Nordea consequently joined the Net Zero Banking Alliance in 2021.

On the risk side, the Board approved Risk Appetite Statement (RAS) on ESG which defines the boundaries within which business areas operate, accounting for prudent ESG-related risk management, engagement with customers aligned with the Paris Agreement, and limiting of financed GHG emissions via business loans.

At year-end 2021, a quantitative financed GHG emissions limit was added to the RAS for 2022, covering the majority of Nordea's estimated financed GHG emissions from Business loans. Business loans are defined in alignment with the Partnership for Carbon Accounting Financials (PCAF) Standard and include corporate and financial institution as original exposures before risk transfer. The limit is measured in relative terms, as an index comparing quarterly developments to the 2019 level, and is intended as a "backstop" to secure progress towards Nordea's 2030 and 2050 objectives.

Industry Group Strategies and Industry Credit Policies (ICPs) provide guidance, as a part of the credit risk assessment and loan origination processes, on those ESG factors which Nordea seeks to limit exposure towards; thus, managing potential new business which is misaligned with Nordea's sustainability targets, objectives and risk appetite. The ICPs are cascaded in the credit risk framework to Sector Guidelines. Sector Guidelines are publicly available, outlining those activities that Nordea either refrains from financing or provides guidance on, regarding the sustainability characteristics of requirements or recommendations for Nordea's customers. During 2021, Nordea has adjusted its risk appetite towards fossil fuel-based industries. See the updated Sector Guideline for the fossil fuel based industries at nordea.com.

Moreover, delivering on Nordea's 2023 commitment to increase green and transition financing and become the leading provider of sustainability products for large corporates in Nordea's home markets, forms part of Nordea's strategic response to ESG-related risks (see Section 6 in the Annual report on progress towards the 2023 targets and 2030 objectives). As a complement to this strategy, Group Risk and Group Compliance developed and presented to the SEC a roadmap to enhance knowledge, improve oversight, and strengthen communications on greenwashing risks in lending and investment activities.

ESG-related risk management

Framework and Taxonomy Integration

Definitions for ESG-related risks in Nordea's Risk Taxonomy were revised in 2021 for financial risks to reflect the treatment of ESG factors as drivers of existing risk categories.

At the request of the Board Risk Committee the 2LoD performed an assessment of the top 15 horizon risks for the period 2022-2025, defined as emerging risks or existing risks with significant changes in probability or impact which could significantly impact the bank's strategy. 'Faster Climate Risk Transition' was identified as being in the highest risk category. The analysis is used to impact risk management by creating transparency at the executive and non-executive board levels.

Supported by this assessment, the integration of ESG factors in risk area frameworks and processes, has focused more broadly on climate change with additional ESG factor phasing planned to start in 2022. A three step approach to the integration was followed:

1. Qualitative assessment and ranking of the potential impact of climate change to sub-risks within each relevant risk area's Risk Taxonomy to identify potentially material impacts.

2. Quantitative risk identification and impact assessment methods applied in context of transitional climate-related risks for relevant risk areas, as part of the annual risk materiality assessment in the Internal Capital Adequacy Assessment Process (ICAAP). The table below summarises when piloting of systematic impact assessment for climate change was initiated for existing risk profiles.

3. Where the impact to the risk profile is assessed as material, climate change will be embedded in the risk area framework to ensure that climate-related risks are prudently managed over a sufficiently long-term horizon. This includes timely identification of climate-related risks through classification of exposures according to their vulnerability to climate change factors, development of methods for quantifying the impacts of climate change and establishment of adequate controls aligned to the Group guideline on control framework and the process implementation timeline.

A new internal guideline on ESG-related risks approved by Risk Committee in 2021 provides coherent cross-risk area guidance for embedding ESG factors in the relevant risk area frameworks and processes in line with supervisory and regulatory guidance. A new Policy Framework Structure for ESG-related risks further defines how the guideline requirements should be implemented in internal rules. Additional ESG-related risk management disclosures can be found under the credit risk, market risk, liquidity risk, operational risk, compliance risk and business model risk.

Regulatory initiatives, Advocacy & Training

Nordea leveraged its participation in the voluntary climate sensitivity pilot, launched by the European Banking Authority (EBA) in May 2020, to assess eligible assets in its portfolio according to the European Union's taxonomy for sustainable activities (see Section "EU taxonomy disclosures" on pages 91-92 in the Non-Financial Statement in the 2021 Annual Report for Nordea's disclosures relating to Article 8 of the Taxonomy Regulation). The pilot methodology supported the refinement of Nordea's vulnerability criteria used for transition risk heatmapping (see Section on ESG-related Credit Risk) and informed research on the potential impact of relevant climate change factors, mainly customer GHG emission intensities and quantitative transition targets on default risk.

On advocacy efforts, Nordea has actively lobbied through local industry associations and at the European level on supervisory and regulatory consultations relating to ESG topics; specifically those relating to climate change. Notably, Nordea took a leading role in the EURO CRO Group to establish an ESG Technical Expert Group for initiating discussion on relevant risk management practices and supporting common data and methods developments.

Furthermore, Nordea joined the Climate Data Working Group which collaborated with the PCAF Secretariat to develop and implement technical improvements to the existing database, collection and delivery methodology to improve automation, accessibility and coverage of the coefficients for calculating financed GHG emissions.

In Nordea various ESG-related risk trainings were delivered in 2021 including training to Group Risk and Group Compliance staff covering Nordea's sustainability targets and objectives, ESG definitions, governance and regulatory and supervisory expectations. In addition, targeted trainings were delivered to the management team, CEO, Board and ALCO covering updates on quantitative integration of ESG in the risk appetite, stress testing and customer level climate-related risk assessments and data collection.

Next steps

New procedures for integrating climate change and other environmental risks in the business strategy target setting and portfolio steering are being explored in 2022. These procedures cover future integration of four inter-related processes (Value Creation Framework, incorporating financed GHG emissions projections in the Rolling Financial Forecast (RFF), Scenario Generation Process, IFRS9 Loss Provisions) supporting the identification of future GHG emissions reduction potential.

In parallel, the ESG-related risk management framework plan for 2022 consists of activities relating to risk area framework and process integration, stress testing, reporting and monitoring of climate change impacts.

These activities include assessing an expanded scope for the financed GHG emissions limit to potentially cover retail lending, investments and own operations as well as cascading the limit to the Business Areas and selected geographies and climate vulnerable industries.

Stress testing developments will continue in preparation for the 2022 SSM climate stress test including model developments and improvements in data as described in the credit risk section. ESG capability development and awareness will continue in 2022. Topics to be covered include the Business Environment Scanning process, financed GHG emissions accounting, greenwashing risk management and broader ESG-related risk management developments.

Risk Area	Mapping of climate change factors to Nordea's Risk Taxonomy	Piloting quantified assessment of risk impacts
Credit Risk	2020	2020
Market Risk	2021	2021
Liquidity Risk	2021	Planned
Operational Risk	2021	2021
Compliance Risk	2020	Not applicable
Business Model Risk	2021	Not currently applicable

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
- TOA/Housing Cooperatives 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)

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

- 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 & Model Validation (GCRC&MV) and Risk Models (RiMO)

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

- Perform independent oversight, monitor and control of the credit risk
- Develop and maintain the credit risk framework
- Propose credit risk metrics and limits in RAF
- Advise on interpretation and implementation of existing and upcoming credit risk regulations
- Develop, maintain and monitor 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

Covid-19 has been a risk factor also over the course of 2021.
The Nordic governments have supported the economies with a range of COVID-related support packages targeted for individuals and companies. As the pandemic prolonged in 2021, the measures were extended, and new ones established as the pandemic continues. However, there is a risk that support measures have enabled non-viable businesses to continue operating. At Nordea, substantial Management Judgement buffer remains in place for possible negative credit impact when government support is reduced. With its strong financial position Nordea is able to continue to actively support its customers during this challenging time.

In order to continuously monitor potential adverse outcomes, Nordea has executed a number of internal stress tests with focus on the Covid-19 situation. In these stress tests, Nordea's capital and liquidity situation has shown good resilience even in the most severe scenarios.

Measurement of credit risk

GCRC&MV 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&MV 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.

ESG-related Credit Risk

ESG-related Credit Risk is defined in Nordea's risk Taxonomy as the risk of credit losses from the current or prospective impacts of ESG factors. Consequently, ESG is integrated in the credit process through the Group credit risk framework. The framework consists of guidelines and standard operating procedures across Business Areas on how to operate within the relevant Group Board directives and will be updated in 2022 to align with the group guideline on ESG-related risks.

ESG-related risk identification

In 2020, Nordea developed a bespoke physical risk heatmapping and hazard identification, which was reviewed by the Swedish Meteorological and Hydrological Institute (SMHI). The key outcome was broadening the range of indicators selected to assess potential impact from the most relevant hazards in Nordea's key markets, including variability in average temperature, variability in precipitation, extreme precipitation & inland flooding, heatwaves & droughts, forest fires. For 2022, physical risk identification will be initiated starting with retail mortgages. These exposures amount to EURbn 176,5 or 32% of total credit exposure at end 2021.

The indicators procured from SMHI are derived under three scenarios provided by the Intergovernmental Panel on Climate Change (IPCC); Representative Concentration Pathway (RCP) 2.6, RCP 4.5 and RCP 8.5 and will be downscaled to postal code level using the regional climate model Coupled Model Intercomparison Project 5 (IMCP 5). A scientific scoring logic in each postal code will be applied taking account of changes in the intensity, duration and frequency of the different hazard changes over two time horizons (2050 and 2100).

In 2020, Nordea developed a bespoke transition risk heatmap utilizing guidance from the EBA in a first attempt at identifying potential transition vulnerable industries. Complementary to the heatmapping, Nordea estimated financed GHG emissions contributions from business loans using industry level GHG emission proxies (Score 5 data quality according to the PCAF Standard). To optimize the data quality, different estimation methods were tested. Outcomes of the data testing were presented to RC, SEC, GLT, and BRIC (see 2021 disclosure of financed greenhouse gas emissions from business loans to shipping and oil & gas industries in the sustainability notes on page 319 "S2 Climate action" of the 2021 Annual report). Data improvements will continue through customer level data collection and integration with the aim to cover material business loans exposures, from a financed GHG emissions perspective, by end 2023.

As a result of these exercises, industries identified as potentially vulnerable to transition risk requiring further deep dive assessments included: oil, gas and offshore, shipping, mining and supporting activities, utilities, distribution and waste management, power production, materials, paper and forest products, animal husbandry, fishing and aquaculture, crops, plantation and hunting, air and land transportation, capital goods, construction and real estate management. Deep dives for three initial industries were conducted in 2021. The definitions of these industries are as applied in Nordea's credit risk appetite framework. The total exposure to these industries amounts to EURbn 114,0 or 57% of total corporate credit exposure at end 2021.

Portfolio deep dives

Initial industries covered by a deep dive in 2021 were oil, gas and offshore, shipping, and mining and supporting services portfolios. The deep dives involved quantifying financed GHG emissions and assessment of customers' alignment to the anticipated transition pathway required to fulfil Nordea's sustainability targets and objectives. The aim of the deep dives is to identify climate-related transition risks and opportunities in these industries in preparation for setting Nordea's industry targets and risk limits from 2022. Deep dives in exposures to the remaining transition vulnerable industries will continue from 2022 onwards (see Sustainability notes on page 319 "S2. Climate action" of the 2021 Annual Report for outcomes of the deep dives).

Customer ESG Assessments including climate scoring

Nordea has redeveloped aspects of the customer ESG assessment to systematically integrate transitional risk considerations in the credit decision process. A new climate risk assessment and reporting tool (CRAT) was developed relying on a set of questions that consider the customer group's GHG emissions, transition planning robustness and impact to repayment capacity from transition-related changes in policy, market, technology demand, costs and capital expenditures. Each question can be rated low, medium or high and the final score is based on a weighting of the risk questions. Identified climate-related risks are integrated in the credit risk assessment and the conclusions are documented in the credit memorandum in accordance with the Risk Adjusted Credit Analysis guideline.

Following the piloting of the tool to a limited number of customers in BB and LC&I, the CRAT was applied to new and renegotiated loans for listed companies in selected industries vulnerable to transition risks with a customer group limit above EUR 1 million. From July 2022, the CRAT assessment will form part of the annual review process and will apply to a broader scope of customers. Utilising the planned procurement of physical hazard data from SMHI in 2022, the CRAT tool will be extended in 2022 to cover also selected industries vulnerable to physical risks.

The development of the tool leveraged findings of a research initiative, which analysed the correlation between climate-related factors and credit risk parameters. The research sample included approximately 600 corporations globally. Climate data was sourced from the Carbon Data Project (CDP) database and repayment capacity was based on external credit ratings. The research found that corporations with higher GHG emission intensity levels face higher probabilities of default while those that establish a quantified GHG emissions reduction target face lower probabilities of default. The findings were statistically more significant for corporations operating in industries with higher GHG emission levels.
Continued coverage of other ESG factors, within the customer ESG assessment process, continues based on Nordea's existing tools and processes. In LC&I, non-climate ESG-related risks identified at customer level are documented in the credit memorandum. For larger corporate customers in BB, a qualitative assessment of the environmental, social and political risk is performed using questionnaires outlined within the Environmental Risk Assessment Tool (ERAT), and Social and Political Risk Assessment Tool (SPRAT) with the latter applied to customers with material suppliers outside the EU/EEA. Approval follows the established credit decision-making process. For customers classified as having high ESG-related risk, the decision is escalated to the appropriate credit committee.

Scenario Analysis

Nordea is developing its credit risk stress testing capabilities to quantify the potential impacts of climate change. Increases in GHG emissions over a 3-year period were simulated using Nordea's credit risk stress testing model. GHG emissions tax scenarios were applied as an increased cost to corporate borrowers to measure the impact on Nordea's credit losses and REA.
GHG emissions tax levels follow developments in European carbon prices which reached over EUR 75 per tonne CO2 equivalent (tCO2eq.) during 2021 as well as effective carbon tax levels in the Nordics over the same period with Sweden having considerably the highest level estimated over 100 €/tCO2eq. Simulated losses from the exercise were concentrated in three industries – Industrials, Utilities & Public Services, and Agriculture and these outcomes will inform the selection of potentially vulnerable industries requiring a further deep dive assessment. Methodological improvements compared to last year's simulation included the use of available

corporate customer data for Scope 1 and 2 GHG emissions and the attribution of industry level proxies, where customer data is not available, at an increasingly granular level according to NACE codes.

On the physical risk side, the first proof of concept for scenario analysis considering coastal real estate prices was implemented. The scenario was based on market perception of increasing sea level rise rather than direct physical damage. Postal code data was used as the identifier for "Areas at Risk" and collateral prices in the retail and corporate mortgage portfolios were decreased by -10% and -30% in selected coastal postcode areas. Denmark was selected for the pilot given the guidance from the Danish National Bank on the projected impact of sea level rise on Danish mortgage collaterals under severe climate scenarios.

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 use its Internal Rating Based (IRB) models 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 have been 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.

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.

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.

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 and Risk Models 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 18 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&MV 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.

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.

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, including the Risk Models function, support the Chief Risk Officer in executing the responsibility covering the IRB Approach. Group Risk 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&MV 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 Risk Models 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 into an overarching IRB Model Performance Report (MPR). The OO and the MPR are submitted to the Credit Risk Sub-Committee (CRSC), a sub-committee of the Risk Committee, which 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 Risk Committee.

Validation and review of credit risk models

In accordance with Nordea's model risk management framework, validation of rating methodologies and credit risk parameters is per-formed on a regular basis to verify that the models perform as in-tended. 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.
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 units owning the IRB model development 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

Group Internal Audit assesses whether all significant risks are identified, adequately controlled and appropriately reported by management and the risk functions to the Group Board, its committees and GLT. This includes verifying the integrity of the processes ensuring the reliability of the methods and techniques and the assumptions and sources of information used in its models.

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 of 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 always 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

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, which has already been provided in June 2021.

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. An additional 0.15 add on was introduced throughout the course of the year.

For the part of the portfolio not covered by IMM, Nordea uses the Standardised Approach to capture the Counterparty Credit Risk (SA-CCR). SA-CCR - Exposure at Default (EAD) is used for regulatory capital on both the Default Risk Charge and the CVA Risk Charge. EAD under SA-CCR consists of the replacement cost (RC), potential future exposure (PFE) and also alpha factor.

The potential future exposure (PFE) 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 in line with SA-CCR for the standardised CVA risk charge calculation (non-IMM exposures).

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.

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. 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 inter-bank 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 trans-actions 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 makes 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 exists 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 are 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 - GR

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

3rd LoD responsibilities - GIA

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

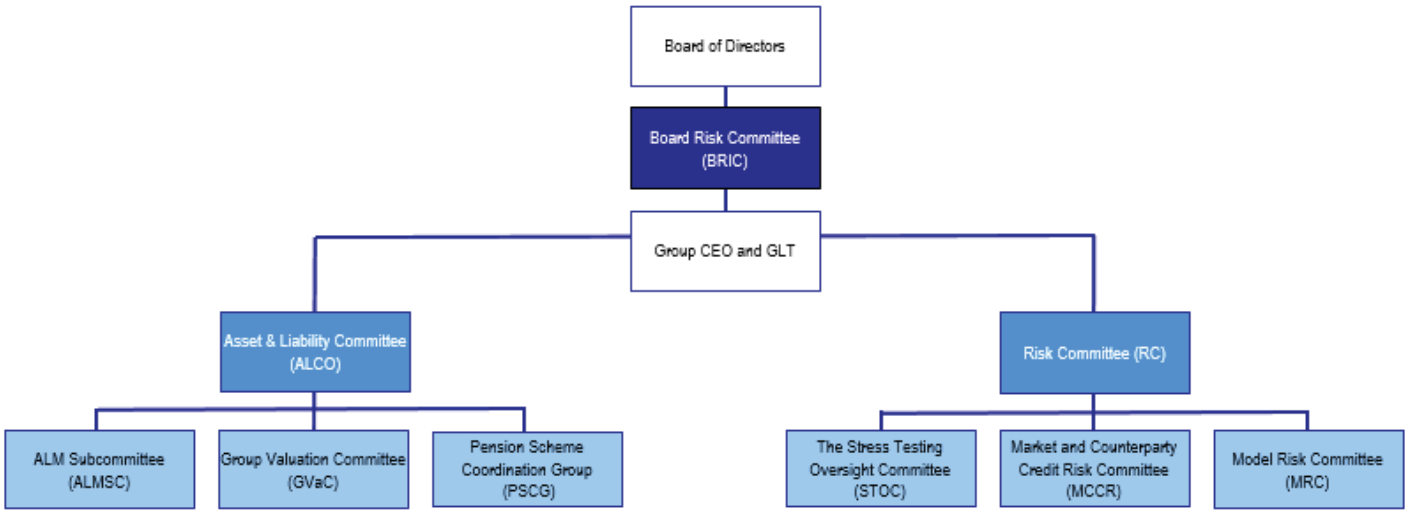
Traded market risk

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, a decision is expected for 2022.

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 daily.

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

Group Treasury 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 Group Treasury, 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 Group Treasury 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).

As IRRBB is seen as a material risk the three risk metrics are monitored, limited and reported on Board level. 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) 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 the banking book are measured using a range of internal stress scenarios and the six standardised scenarios defined by the Basel Committee on Banking Supervision (BCBS). The exposure risk appetite limit under EV is measured against the worst outcome from the internal stress scenarios. EV scenario outcomes 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 internal 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 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. Similar to EV, SIIR is measured using internal stress scenarios and a range of parallel rate shift scenarios for management information purposes. The SIIR risk appetite limit is measured against the worst outcome generated from the internal stress scenarios. 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. Regular back-testing and model monitoring is performed for both prepayment models and NMD models to ensure that the models remain accurate. Nordea's average and max durations for NMDs are currently 3 and 15 years, respectively.

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 amount (REA).

CET1 is largely denominated in EUR, with the only significant non-EUR equity amounts stemming from mortgage subsidiaries. On the other hand, due to Nordea's cross-border activities, REA is denominated in SEK, NOK, DKK, EUR and USD. As a result, 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 on a daily basis.

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 entered into force in Q1 2021 and allows Nordea to reduce the sensitivity of the CET1 ratio by taking open positions in SEK, NOK and USD, partially aligning the currency compositions of equity and REA. This stabilizes the CET1 ratio but increases volatility in the value of Nordea's equity in reporting currency EUR from movements in FX.

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 Risk & Validation, 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 Risk & 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 Group Treasury.

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 seven 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 seven 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,
(vi) a flight from U.S. assets and
(vii) Covid-19

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.

GR 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, GR 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 ac-

tivities 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. GR 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 *
CRM 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, Group Treasury has first line responsibility for the schemes with GR 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 is chaired by the Group Chief Financial Officer and includes representatives from Group Treasury, Group Risk, Group People, Group Accounting, Group Corporate Law and the Business Areas.

ESG-related Market Risk

In 2021 Nordea included "ESG-related market risk" in its risk taxonomy, recognising the potential importance of ESG factors as drivers of market risk. ESG-related market risk is internally defined as the risk of loss related to changes in market values or net interest income from the current or prospective impacts of ESG factors.

ESG principles have been incorporated into the framework for long-term illiquid asset (LTIA) investments to guide the management of current and future impacts of ESG factors and support and promote companies that are seeking to become, or are already, positive-impact contributors. The LTIA front office team has produced an ESG Strategy document, which has been anchored and aligned with Nordea's ESG activities and strategy through Group Sustainability. The ESG-related principles guiding Nordea's investment decisions include establishment of a minimum level of ESG-related qualifying criteria for fund managers seeking to secure investment from Nordea. The principles also include the requirement for monitoring progress of ESG development within the portfolio, with plans to develop KPIs for stronger tracking and reporting on these developments.

In order to best assess the potential impact of climate-related risk on the trading and banking book portfolios, a stress test scenario was created. The scenario was modelled upon inputs from the market risk climate-related scenarios published by Banque de France, Netherlands Bank and Bank of England and covered Fair Value stress on banking and trading books, Counterparty Credit Risk, and Defined Benefits Pension Risk, to ensure a consistent approach across portfolios.

Initial impact assessment from the stress scenario indicated climate-related market risk is currently non-material for Nordea,

in line with the indication provided by Banque de France in its April 2021 assessment. The market risk scenario follows Network for Greening the Financial System guidance available at the time and is a transition risk scenario. Most of the shocks manifested through credit spreads, government bond spreads, and equity shocks, which vary widely by industry.

Because it is felt that the best methodology for assessing the impact of climate on market risks remains stress testing, it is expected that developments for 2022 will focus on increasing granularity of market shocks at a more detailed industry level. In addition, developing "look through" to underlying investments within fund investments should provide a more comprehensive picture of climate impacts. For 2022, the ECB climate change exploratory stress test will support continued development in Nordea's data and methods for stress testing.

ESG-related Business Model Risk

The annual Business Model Risk self-assessment process was updated in 2021 to include questions designed to identify key climate-related risks, challenges and opportunities associated with current business models.

Based on the range of Nordea's business activities, risks and opportunities identified in the 2021 process varied considerably across the Group. Key underlying themes which did, however, emerge were the challenge in managing reputational risks associated with ESG, the need for upskilling across employees, and the limited availability of relevant data for both regulatory and strategic purposes to enable informed decision-making under high transition pressure.

For corporate customers, Nordea has committed to continue working with those counterparties in highly vulnerable industries that are able to deliver credible transition outcomes aligned with achievement of Nordea's long-term strategic ambitions. The consequent reputational risks of continuing these customer relationships must be managed through clear and informed dialogue. From a retail perspective, longer-term impacts on mortgage collateral values are potentially a risk to be assessed further in 2022.

All business areas with lending exposures saw a risk of potentially negative impacts on customer repayment capacity and losses given default resulting from both transition-related drivers and physical impacts from changing hazard dynamics. Opportunities were also identified, including competitive positioning to leverage changing investor preferences for new products in asset management, new financing opportunities linked to lower GHG emissions infrastructure to meet national and European climate ambitions and corporate investments to adjust business models, and new retail customers through changes in the product offering and leadership by Nordea on climate change action.

Next steps in 2022 are to include climate-related Business Model Risk in the taxonomy and continue developing an understanding of cross-risk impacts of climate which can manifest through Business Model Risk.

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. Employees 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) together constitute the second line of defence (2nd LoD) for operational and compliance risks respectively.

GOR within Group Risk (GR) constitutes the second line of defence (2LoD) 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

GC 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 plan to the President of Nordea Bank Abp and Chief Executive Officer of the Nordea Group (Group CEO) and the Board of Directors (Group Board). The annual compliance activities represents the compliance activities of Nordea, combining GC's overall approach to key risk areas. The plan 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 Group Board, 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 and status and key observations from monitoring and testing activities and investigations;

Nordea's Compliance Risk Appetite is expressed with qualitative statements giving clear direction for the management of Compliance Risk by stating which risks are outside risk appetite and articulating key requirements for the risk management of Compliance Risk. The Risk Appetite is underpinned by quantitative Metrics and Key Risk Indicators that Compliance risks are measured and monitored against, informing on the risk profile.

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 to 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 operational and compliance 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 (only for operational risk) 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 the development of the risk management framework, through improvements made to the taxonomy related to Conduct risk, improving reporting, risk identification and raised awareness.

The Compliance, Conduct and Product committee that oversees the prudent management of compliance and conduct risk has continued the work over the course of 2021. The Committee has focused on key areas such as the management of conflict of interest in relation to products and services, information to customers as well as further strengthening the processes in relation to product governance and provision of investment services. 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.

ESG-related Compliance Risk and Operational Risk

In 2021, ESG factors were assessed as drivers for all compliance risk areas, although ESG considerations have not yet affected the level of materiality of compliance risk.

Nordea continued strengthening its compliance setup on ESG-related risks, with focus on implementation of the Sustainable Finance Disclosure Regulation during 2021 in the savings and investment areas. This means that Investment Funds produced and distributed by the Group have been categorised according to their ESG objectives and that disclosure towards investors have been further developed. In addition, procedures and governance for investment product and manager selection have been strengthened. Investment processes and risk management procedures have been further developed to support the individual investment decision making and close monitoring of the individual securities in the investment funds. The investment advice process has been strengthened to include the customer preference on sustainable investment in the advice given and advisors, key personnel and senior management have been instructed and further educated in the area of ESG and sustainable investments. Also, the related Group internal instructions on conduct risk are being updated to reflect ESG related considerations. Group Compliance has also provided oversight together with Group Risk on the EU Taxonomy implementation project.

In 2022, the compliance risk management lifecycle will be reviewed and updated to further embed specific ESG requirements.

ESG factors have been considered in the context of operational risk areas, with those assessed as being most likely to be impacted being: Legal Risk, Business Continuity & Crisis Management, Reputational Risk, Outsourcing & Third Parties, and Financial Reporting. For the remaining risk areas it was assessed that ESG factors are not direct drivers of, nor have a significant impact on, the risk. Qualitative reporting on ESG factors has been included in management risk reporting in 2021, and this reporting will be further developed in 2022.

The Group internal instructions on Operational Risk were updated in 2021 to reflect ESG-related considerations. In addition to this, the subordinated guidelines covering the risk management processes, were reviewed and will be updated, if required, to reflect relevant specific ESG considerations.

The Product Risk Assessment Questionnaire that forms part of Nordea's Product Approval process, incorporates ESG considerations including the extent to which sustainability related aspects have been assessed, documented and disclosed to customers. The Product Approval process is applied to all 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.

As part of the annual Scenario Analysis Process, a supplementary scenario analysis was performed within the Legal Risk area in relation to the possibility that legal action is taken against Nordea for misrepresenting its ESG performance and products. For the analysis performed, the result of the assessment indicated that the capital impact of this scenario was limited.

Key operational and compliance risk management processes

Risk and Control Self-Assessment

The Risk and Control Self-Assessment (RCSA) process provides an overview and assessment of operational and compliance risks across Nordea. The process improves risk awareness and enables effective assessment, control, and mitigation of identified risks. In the RCSA process, the level of inherent risk and the controls in place to mitigate the inherent risks, are 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 across Nordea, using 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 operational and compliance risks with severe financial or non-financial impacts with a 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 as well as to identify and close possible control gaps in Nordea.

Business Continuity and Crisis Management

The objective of 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 a crisis.

Information and Communication Technology Risk Management

The objective of Information and Communication Technology risk management is to ensure that information and communication technology and data management risks are appropriately identified, assessed and managed. This also includes the independent validation of risk data aggregation and risk reporting.

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 our 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 Third Party Risk Management (TPRM) is to ensure that risks related to third parties and third party activities, including but not limited to 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 (GT) 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), 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. GT 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 2021:

- 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. GT, in its role as 1st LoD, is responsible for pursuing Nordea's liquidity and funding strategy in compliance with the liquidity risk appetite. GT 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 GT.

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 key 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, came into effect in June 2021, which required 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. GT 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.

ESG-related Liquidity Risk

In 2021, Nordea included "ESG-related liquidity risk" in its risk taxonomy, recognising the potential importance of ESG factors as drivers of liquidity risk. ESG-related liquidity risk is internally defined as the risk to Nordea meeting its liquidity commitments from the impact ESG factors may have on the existing liquidity risks. For example, the impact of ESG factors on deposit, wholesale funding, asset liquidity, and franchise risk.

As a first step to integrating ESG factors in the liquidity risk management framework, potential climate change impacts, both physical and transitional, were considered qualitatively. The assessment was made on product level for all relevant Business Areas including Peb, BB and LC&I, as well as Treasury and the subsidiaries. It was assessed that climate change is a potential driver for most liquidity risk types, including wholesale funding risk, asset liquidity risk and concentration risk.

These findings informed the materiality assessment for ESG-related liquidity risks at Group level and will feed into planned activities for 2022 including climate-related liquidity stress testing.

Securitisation and credit derivatives

Securitisation isan integral part of Nordea' strategic balance sheet toolbox allowing for diversification of its capital sourcing, optimisation of the capital position without impacting our business practises nor client relationships, and reducing the bank's exposure to credit tail risk events.

Introduction to securitisation and credit derivatives trading

The Securitisation Regulation[1] (SR) defines securitisation as a transaction, whereby the credit risk associated with an exposure or pool of exposures is tranched, payments in the transaction 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. 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. Also, for a synthetic securitisation, an SSPE may be used to facilitate the structure.

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 or make market for these securities as well as create these exposures in credit derivatives markets.

Nordea is active within the securitisation space in several capacities. For our Nordic clients Nordea act as an arranger, structurer and placement agent, 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 balance sheet toolbox enabling Nordea to tap into additional sources for freeing 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 or mezzanine 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) Directive 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. Nordea's 'Guideline for 2LoD Monitoring and Control of SRTs and certain other transactions' provides a framework to ensure that transactions are monitored on an ongoing basis and compliant with all regulatory requirements before they are recognized.

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

Any 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 SRT, 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 IFRS and the capital treatment by the CRR. Such positions held in the regulatory banking book or trading book are currently given weightings ranging from 10% 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. For Nordea's transactions, they typically 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 SSPEs. These SSPEs 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 an internal perspective, a 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. Likewise, the ICAAP is a continuous process increasing awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions.

As a key part of the ICAAP, stress testing is an important tool for understanding capital and risk under stressed conditions in a firm-wide perspective on a regular and ad-hoc basis, and for specific areas as well as segments. The ICAAP 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 GFM. 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 (RAF) and stress testing results. The RAF sets risk tolerance, principles and maximum exposure levels for the forward looking portfolio, and the RFF 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 use 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 and include 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 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 capital above the regulatory capital ratio requirements (MDA level).

Pillar 2 Requirement (P2R)

On Feb 2nd 2022 the ECB decided to set Nordea's P2R to 1.75% of own funds.

Capital and dividend Policy

Nordea's intention is to hold a CET1 capital management buffer of 150-200bp above the CET1 capital ratio requirement (MDA level). The bank strives to maintain a strong capital position in line with the capital policy. Nordea's 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 2021

Nordea's Board has decided to propose that the Annual General Meeting (AGM) on 24 March 2022 authorise it to decide on a dividend payment of a maximum of EUR 2,682m[1] in the aggregate. This corresponds to 70% of the net profit for the year, in line with upper range of the dividend policy. The intention is for the Board to decide on a dividend payment in a single instalment based on the authorisation immediately after the AGM. The dividend will not be paid

[1] A maximum of EUR 2,681,667,380.

for shares held by Nordea on the dividend record date. A full dividend payment decided immediately after the AGM is expected to amount to approximately EUR 0.69[2] per share.

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.

[2] Approximate amount based on the estimated number of shares that will be in issue at the estimated dividend decision date.

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. Examples of such risks include interest rate risk in the banking book, concentration risk and pensions risk.

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 ICR as buffers for economic stress.

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. Ultimately, scenarios and key stress design features are decided on by 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 2021 Nordea performed internal stress tests in the ICAAP process based on relevant stress scenarios in the pandemic situation. In addition, Nordea participated in the Europe wide stress test conducted by the European Banking Authority (EBA). The results of this exercise was published on 30 July 2021. In both stress tests, 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 requirements and capital ratios are impacted. Nordea carries out reverse stress tests of various recovery environments in relation to the development of the Group Recovery Plan. Reverse stress testing is also used to challenge the scenarios used in annual ICAAP exercise. 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.

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 risk profile of Nordea.

While the annual stress test is based on comprehensive macroeconomic scenarios that involve estimates of several macroeconomic factors, ad hoc stress tests can also be 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 stress test methodologies supported by 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.

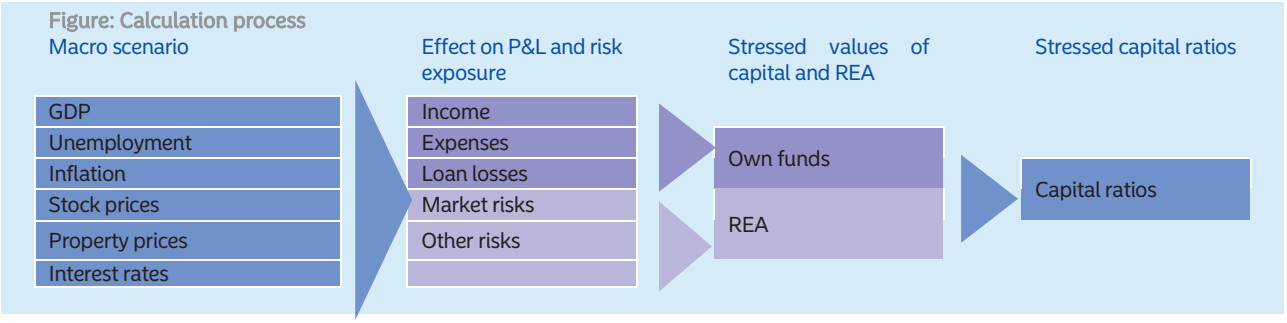
Capital allocation

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 from 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

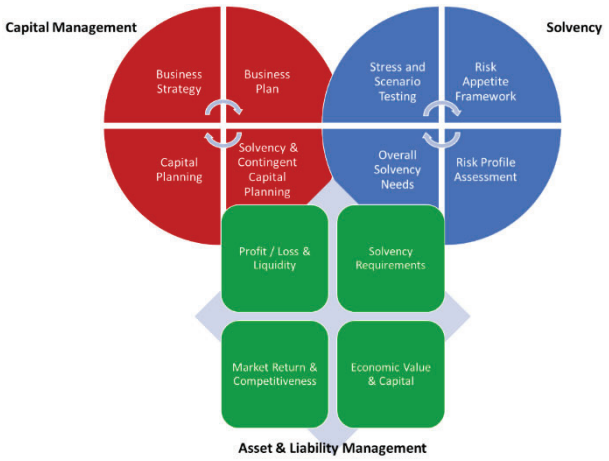
The key principles underlying the NLP Risk Management Strategy are:

- 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 16% 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.

NLP recognizes that environmental, social and governance risks (ESG risks) are likely to materialise in the form of market risk. Climate risk in particular has developed into a focus area which influences NLP's business strategy, investment decisions and risk processes. NLP has launched its own group-wide ESG Development & Implementation Programme. This programme consists of several workstreams which address the regulatory side, as well as the enhancement of ESG data and internal processes which are necessary to achieve a holistic approach to ESG-related risks and opportunities.

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.

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.

Continuous monitoring and risk mitigation

Market risk

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 capitalisation.

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

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.

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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.

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

ESG related Credit Risk -
Defined as the risk of credit losses from the current or prospective impacts of ESG factors

ESG related Market Risk
Defined as the risk of loss related to changes in market values or net interest income from the current or prospective impacts of ESG factors

ESG related Liquidity Risk
Defined as the risk to Nordea meeting its liquidity commitments from the impact ESG factors may have on the existing liquidity risks

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 arises when a company engages in financial transactions denominated in a currency other than the currency where that company is based. Any appreciation/depreciation of the base currency or the depreciation/appreciation of the denominated currency will affect the cash flows emanating from that transaction.

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 capital arising in the bank's banking book positions from adverse changes in interest rates

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 Nordea's positions in either the trading book or non-trading book as a result of changes in market rates and parameters that affect the market values or net interest income flows. Market risk exists irrespective of the accounting treatment of the positions

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 Nordea's reputation, from the use of models.

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 obligor's rating is expected to change only when its own dynamic characteristics 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.

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

Table 1 - Summary of items included in own funds including profit

During the period, CET1 capital decreased by EUR 0.7bn, mainly driven by the full deduction of the share buy-back programme, partly offset by profit generation net of dividend accrual. Total own funds increased by EUR 0.5bn, driven by increased in Tier 2 capital and AT1 capital, partially offset by decrease in CET1 capital.

EURm	2021 Q4	2020 Q4
Calculation of own funds		
Equity in the consolidated situation	28,900	29,100
Profit of the period	3,835	2,288
Proposed/actual dividend	-2,682	-1,585
Common Equity Tier 1 capital before regulatory adjustments	30,054	29,802
Deferred tax assets	-4	-252
Intangible assets	-2,804	-2,635
IRB provisions shortfall (-)		
Pension assets in excess of related liabilities	-169	-108
Other items including buy-back deduction, net	-1,197	-253
Total regulatory adjustments to Common Equity Tier 1 capital	-4,173	-3,249
Common Equity Tier 1 capital (net after deduction)	25,880	26,553
Additional Tier 1 capital before regulatory adjustments	3,159	2,609
Total regulatory adjustments to Additional Tier 1 capital	-27	-21
Additional Tier 1 capital	3,132	2,588
Tier 1 capital (net after deduction)	29,012	29,141
Tier 2 capital before regulatory adjustments	3,454	2,745
IRB provisions excess (+)	523	628
Deductions for investments in insurance companies	-650	-650
Other items, net	-64	-63
Total regulatory adjustments to Tier 2 capital	-191	-85
Tier 2 capital	3,263	2,660
Own funds (net after deduction)	32,275	31,801

Table 2 - EU OV1 Overview of total risk exposure amounts

The table provides an overview of total REA in Q4 2021 where credit risk accounted for the largest risk type with approximately 87.3% of Pillar I REA. Operational risk and market risk accounted for the second and third largest risk types. REA decreased by EUR 0.7bn in the fourth quarter of 2021, mainly stemming from credit risk (EUR -1.5bn). This was partly offset by increased market risk (EUR 0.8bn). The decreased credit risk was mainly driven by improved credit quality in the retail and corporate portfolios, lower counterparty credit risk (CCR) exposure and the sale of shares in Luminor Bank, partly offset by increased volumes following continued business momentum in the corporate and retail segments and by increased market risk.

		REA		Minimum capital requirement	
	EURm	2021 Q4	2021 Q3	2021 Q4	2021 Q3
1	Credit risk (excluding CCR)	114 003	114 151	9 120	9 132
2	Of which the standardised approach (SA)	16 517	17 395	1 321	1 392
3	Of which the Foundation IRB (F-IRB) approach	11 641	11 986	931	959
4	Of which slotting approach				
EU 4A	Of which equities under the simple riskweighted approach				
5	Of which the Advanced IRB approach	85 844	84 770	6 868	6 782
6	Counterparty credit risk - CCR	5 374	6 292	430	503
7	Of which the standardised approach	607	795	49	64
8	Of which internal model method (IMM)	3 602	3 818	288	305
EU 8a	Of which exposure to a CCP	79	87	6	7
EU 8b	Of which credit valuation adjustment - CVA	773	749	62	60
9	Of which other CCR	312	843	25	67
15	Settlement risk	0	1	0	0
16	Securitisation exposures in the non-trading book (after the cap)	880	879	70	70
17	Of which SEC-IRBA approach	880	879	70	70
18	Of which SEC-ERBA (including IAA)				
19	Of which SEC-SA approach				
EU 19a	Of which 1250% / deduction				
20	Position, foreign exchange and commodities risk (Market risk)	4 973	4 171	398	334
21	Of which the standardised approach (SA)	1 064	1 155	85	92
22	Of which IMA	3 908	3 016	313	241
EU 22a	Large exposures				
23	Operational risk	14 306	14 306	1 144	1 144
EU 23a	Of which basic indicator approach				
EU 23b	Of which standardised approach	14 306	14 306	1 144	1 144
EU 23c	Of which advanced measurement approach				
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	5 656	6 248	453	500
29	Total	139 535	139 799	11 615	11 184
	Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR				
	Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	12 372	12 763	990	1 021
	Article 3 CRR Buffer				
	Pillar 1 total	151 906	152 563	12 153	12 205

Table 3 - Drivers behind development of the CET1 capital ratio

CET1 ratio decreased 5bps during 2021. This was mainly driven by the Share buy-back programme (-130bps), partly offset by profit net of dividend (+75bps), favourable credit quality effects (+21bps) and increased deduction for deferred tax assets (+16bps) seen in Other. Regulatory changes during 2021 further increased the CET1 ratio by 15bps.

	CET1 ratio
Q4 2020	17.08%
Profit	2.50%
Dividend accrual	-1.75%
Share buy-backs	-1.30%
FX effects	-0.08%
Credit quality	0.21%
Volumes, incl derivatives	-0.05%
Regulatory changes	0.15%
Other	0.28%
Q4 2021	17.04%

Table 4 - Bridge between IFRS equity and CET1 capital

A bridge between IFRS equity and CET1 capital is provided in the table below.

EURm	2021	2020
Balance sheet equity	33,494	33,740
Valuation adjustment for non-CRR companies	-9	0
Other adjustments	-779	-2,342
Intangible assets	32,705	31,397
Dividend	-2,682	-1,585
Goodwill	-1,843	-1,806
Intangible assets	-961	-829
Shortfall deduction		
Pension deduction	-169	-108
Prudential filters	-329	-231
Transitional adjustments		
Other deductions	-842	-284
Common Equity Tier 1 capital	25,880	26,553

Table 5 - EU CC1 - Composition of regulatory own funds

In fourth quarter of 2021 CET1, after regulatory adjustments, was EURm 25 880 (in second quarter of 2021 it was EURm 27 132). The decrease was caused mainly by increased CET1 capital elements and deductions with the start of a share buy back program, decrease in retained earnings and higher deduction of software as intangible assets. AT1 after regulatory adjustments in Q4 increased to EURm 3 132 (EURm 2 188 in Q2) due to one new AT1 instrument and one being called. T2 capital after regulatory adjustments in Q4 2021 increased to EURm 3 263 (EURm 2 744 in Q2 2021) due to four new Tier 2 instruments offset by three redeemed Tier 2 instruments during the period. As a result the Total Capital for Q4 2021 increased to EURm 32 275 and Total REA was EURm 151 906.

EURm		Amounts	Source based on reference
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	5,130	11, 12
	of which: Instrument type 1	4,050	
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	24,542	13, 14, 18
3	Accumulated other comprehensive income (and other reserves)	-491	15
EU-3a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		
5	Minority interests (amount allowed in consolidated CET1)		
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1,154	17
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	30,335	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-263	
8	Intangible assets (net of related tax liability) (negative amount)	-2,804	1
9	Empty set in the EU	N/A	
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)	-4	2, 4
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-30	16
12	Negative amounts resulting from the calculation of expected loss amounts		
13	Any increase in equity that results from securitised assets (negative amount)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	5	
15	Defined-benefit pension fund assets (negative amount)	-169	3
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-281	20
17	Direct, indirect and synthetic holdings of the CET 1 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)		
18	Direct, indirect and synthetic 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 10% threshold and net of eligible short positions) (negative amount)		
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)		
20	Empty set in the EU	N/A	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)		
EU-20c	of which: securitisation positions (negative amount)		
EU-20d	of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		
22	Amount exceeding the 17,65% threshold (negative amount)		
23	of which: 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		
24	Empty set in the EU	N/A	
25	of which: deferred tax assets arising from temporary differences		
EU-25a	Losses for the current financial year (negative amount)		
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		
26	Empty set in the EU	N/A	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		
27a	Other regulatory adjusments *(including IFRS 9 transitional adjustments when relevant)*	-909	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-4,455	
29	Common Equity Tier 1 (CET1) capital	25,880	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	3,160	5
31	of which: classified as equity under applicable accounting standards	749	19
32	of which: classified as liabilities under applicable accounting standards	2,411	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR		6
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1		
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1		
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		
35	of which: instruments issued by subsidiaries subject to phase out		
36	Additional Tier 1 (AT1) capital before regulatory adjustments	3,160	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-1	7
38	Direct, indirect and synthetic 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)		
39	Direct, indirect and synthetic holdings of the AT1 instruments 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)		

40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
41	Empty set in the EU	N/A	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		
42a	Other regulatory adjustments to AT1 capital	-27	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-29	
44	Additional Tier 1 (AT1) capital	3,132	
45	Tier 1 capital (T1 = CET1 + AT1)	29,012	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	3,454	8
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR		9
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2		
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2		
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		
49	of which: instruments issued by subsidiaries subject to phase out		
50	Credit risk adjustments	523	
51	Tier 2 (T2) capital before regulatory adjustments	3,977	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		10
53	Direct, indirect and synthetic 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)		
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)		
54a	Empty set in the EU	N/A	
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	
56	Empty set in the EU	N/A	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
56b	Other regulatory adjusments to T2 capital	-64	
57	Total regulatory adjustments to Tier 2 (T2) capital	-650	
58	Tier 2 (T2) capital	3,263	
59	Total capital (TC = T1 + T2)	32,275	
60	Total risk exposure amount	151,906	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	17.0%	
62	Tier 1 (as a percentage of total risk exposure amount)	19.1%	
63	Total capital (as a percentage of total risk exposure amount)	21.2%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	10.2%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical buffer requirement	0.2%	
67	of which: systemic risk buffer requirement		
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2.0%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.0%	
68	Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)	11.3%	
69	[non relevant in EU regulation]	N/A	
70	[non relevant in EU regulation]	N/A	
71	[non relevant in EU regulation]	N/A	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities 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)	73	
73	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 (amount below 17.65% thresholds and net of eligible short positions)	2,052	
74	Empty set in the EU	N/A	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	211	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	523	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	612	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements	197	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements	111	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

Table 6 - EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

In fourth quarter of 2021 the difference between regulatory own funds and audited financial statement remained stable. On the asset side the difference is stemming from Intangible assets (EUR 162m) and on liabilities from subordinated liabilities (EUR 650m). In equity the biggest difference is related to retained earnings (EUR 740m) and profit for the year (EUR 311m).

EURm	Balance sheet as in published financial statements As at period end	Under regulatory scope of consolidation As at period end	Reference
Assets			
Intangible assets	3,784	3,622	
- of which: Goodwill and other intangible assets	-2,966	-2,804	8
Deferred tax assets	218	215	
- of which: Deferred tax assets that rely on future profitability excluding those arising from temporary differences	6	4	10[3]
Retirement benefit assets	221	221	
- of which: Retirement benefit assets net of tax	-169	-169	15
Liabilities			
Deferred tax liabilities	535	493	
- 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	6,719	6,069	
- of which: AT1 Capital instruments and the related share -premium accounts	3,160	3,160	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	-1	-1	37
- of which: T2 Capital instruments and the related share -premium accounts	3,454	3,454	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)			52
Equity			
Share capital	4,050	4,050	1
Share premium reserve	1,081	1,080	
- of which: Capital instruments and the related share -premium accounts	1,080	1,080	1
- of which: Retained earnings			2
Other reserves	-1,801	-1,768	
- of which: Retained earnings	-1,276	-1,277	2
- of which: Accumulated other comprehensive income	-525	-491	3
- of which: Fair value reserves related to gains or losses on cash flow hedges	30	30	11
Retained earnings net of proposed dividend	28,493	27,442	
- of which: Profit/loss for the year	1,465	1,154	EU-5a
- of which: Retained earnings	26,559	25,819	2
- of which: Capital loan included in AT1 Capital	750	750	31
- of which: Direct holdings by an institution of own CET1 instruments (negative Amount)	-281	-281	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 7 - EU CR1: Performing and non-performing exposures and related provisions

Total gross carrying amount of performing- and non-performing loans and advances amounted to EUR 332bn at the end of 2021Q4 (EUR 318bn), of which non-performing amounted to EUR 4.2bn (EUR 5.0bn). Allowances in stage 3 for non-performing loans and advances were EUR 1.7bn at the end of 2021Q4 (EUR 1.8bn). During the year 2021, the coverage ratio according to IFRS9 for non-performing exposures at amortised cost increased to 46% from 42% end of 2020. Including loans and advances FV through PL, the coverage ratio increased to 40% from 35% end of 2020. This was driven by active credit risk management decisions during the year, leading to an overall reduction of EUR 0.8bn on non-performing loans and advances.

		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							Collaterals 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			Accumulated partial write-off	On performing exposures	On non-performing exposures
	2021Q4, 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			
005	Cash balances at central banks and other demand deposits	48,058	48,046	12												
010	Loans and advances	328,023	315,320	12,703	4,171		4,171	-597	-198	-399	-1,671		-1,671		244,135	1,808
020	Central banks	0	0					0	0							
030	General governments	4,597	4,496	101	34		34	-1	0	0	-2		-2		4,574	32
040	Credit institutions	676	662	14				-1	0	0					673	
050	Other financial corporations	11,350	11,237	113	51		51	-9	-3	-6	-14		-14		2,521	1
060	Non-financial corporations	124,073	118,232	5,841	2,733		2,733	-346	-110	-236	-1,251		-1,251		76,670	1,070
070	Of which: SMEs	52,200	49,466	2,735	929		929	-165	-34	-132	-443		-443		39,196	333
080	Households	187,327	180,693	6,634	1,353		1,353	-241	-84	-157	-404		-404		159,696	705
090	Debt Securities	52,499	52,489	10				-15	-5	-10						
100	Central banks	8,528	8,528					0	0	0						
110	General governments	14,795	14,791	4				-5	-1	-4						
120	Credit institutions	27,929	27,929					-1	-1	0						
130	Other financial corporations	511	511					-1	-1	0						
140	Non-financial corporations	737	731	6				-8	-2	-6						
150	Off-balance sheet exposures	115,675	111,394	4,280	400		400	-163	-35	-128	-20		-20		12,854	10
160	Central banks	1	1													
170	General governments	7,118	7,115	2				0	0	0					4	
180	Credit institutions	3,512	3,371	141				-1	-1	0					101	
190	Other financial corporations	3,838	3,713	125	2		2	-3	-1	-2	0		0		433	
200	Non-financial corporations	67,684	64,499	3,186	368		368	-101	-18	-83	-15		-15		10,431	8
210	Households	33,522	32,696	826	30		30	-58	-16	-43	-6		-6		1,885	2
220	Total	544,254	527,249	17,005	4,571		4,571	-775	-238	-536	-1,691		-1,691		256,989	1,818

		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							Collaterals 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			Accumulated partial write-off	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			
005	Cash balances at central banks and other demand deposits	35,602	35,541	61												
010	Loans and advances	312,993	299,153	13,840	4,999		4,999	-775	-285	-490	-1,766		-1,766		178,934	1,830
020	Central banks	538	538					0	0							
030	General governments	5,559	5,430	129	37		37	0	0	0	-2		-2		391	37
040	Credit institutions	595	538	58				-1	0	0					49	
050	Other financial corporations	5,650	5,478	172	117		117	-17	-8	-8	-66		-66		2,252	38
060	Non-financial corporations	125,310	118,233	7,077	3,108		3,108	-442	-175	-267	-1,257		-1,257		62,615	1,080
070	Of which: SMEs	49,037	46,179	2,857	1,035		1,035	-180	-54	-126	-451		-451		29,132	403
080	Households	175,341	168,937	6,404	1,737		1,737	-315	-101	-214	-441		-441		113,627	674
090	Debt Securities	50,598	50,598					-3	-3							
100	Central banks	2,750	2,750													
110	General governments	13,669	13,669					0	0							
120	Credit institutions	33,128	33,128					-2	-2							
130	Other financial corporations	543	543					-1	-1							
140	Non-financial corporations	507	507					0	0							
150	Off-balance sheet exposures	113,397	108,806	4,591	715		715	-209	-72	-138	-26		-26		13,089	11
160	Central banks	1	1													
170	General governments	6,637	6,633	4				0	0	0					13	
180	Credit institutions	4,290	3,840	450				-2	0	-1					75	
190	Other financial corporations	4,335	4,215	119	2		2	-4	-2	-2	0		0		651	
200	Non-financial corporations	66,880	63,655	3,226	596		596	-121	-47	-75	-20		-20		10,690	8
210	Households	31,255	30,462	793	117		117	-82	-23	-59	-6		-6		1,660	2
220	Total	512,590	494,098	18,492	5,714		5,714	-987	-359	-628	-1,791		-1,791		192,024	1,841

Table 8 - EU CR1 - A - Maturity of exposures

EU CR1-A discloses net exposure values for on-balance sheet exposures. For exposures treated under the IRB approach, about 60 % 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.

	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	1,127	3,028	17,530	987	1,827	24,500
Corporates	8,014	29,294	51,590	29,454	3,517	121,870
Of which: Specialised lending		61	6	46	0	113
Of which: SMEs		12,380	21,398	18,168	1,787	53,734
Retail		2,883	7,780	168,303	3,479	182,444
Secured by real estate property		1,419	4,625	152,458	90	158,590
SMEs		109	235	627	4	974
Non-SMEs		1,310	4,390	151,830	87	157,616
Other Retail		1,378	3,050	16,017	3,409	23,854
SMEs		371	484	208	34	1,097
Non-SMEs		1,008	2,566	15,809	3,375	22,757
Equity						
Other non-credit obligation assets		1,326	2,347	246		3,919
Total IRB approach	9,141	36,531	79,247	198,991	8,823	332,733
Standardised approach						
Central governments or central banks	47,113	25	10,300	6,088	11,096	74,622
Regional governments or local authorities		463	1,465	355	958	3,242
Public sector entities						
Multilateral Development Banks		199	784	207	0	1,190
International Organisations			139	580		719
Institutions		72	356		0	428
Corporates		340	832	164	705	2,041
Of which: SMEs		160	579	80	535	1,354
Retail		312	1,976	2,426	45	4,758
Of which: SMEs		86	563	146	12	807
Secured by mortgages on immovable property		125	95	4,873	4	5,098
Of which: SMEs		0	0	36	4	40
Exposures in default		6	25	25	4	59
Items associated with particularly high risk						
Covered bonds		116	152			267
Claims on institutions and corporates with a short-term credit assessment						
Collective investments undertakings (CIU)					939	939
Equity exposures		1			2,421	2,422
Other exposures		297	505	2	0	804
Total SA Approach	47,113	1,957	16,629	14,719	16,171	96,589
Total	56,255	38,488	95,875	213,710	24,994	429,322

Table 9 - EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

In comparison to the last reported quarter (Q2.2021) there are no significant changes for loans and advances and debt securities. In Q4 2021, 56% of Nordea's total exposures have at least one Credit Risk Mitigation (CRM) mechanism (collateral, financial guarantees). The majority of those are secured by real estate collaterals.

		Unsecured	Secured			
				of which secured by collateral	Of which secured by guarantees	of which secured by credit derivatives
	EURm	a	b	c	d	e
1	Loans and advances	134,254	245,942	235,353	10,590	
2	Debt securities	52,499	0	0	0	
3	Total	186,753	245,942	235,353	10,590	
4	Of which non-performing exposures	2,363	1,808	1,538	269	
5	Of which defaulted					

Table 10 - EU CR4 Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

Total exposure amount before CCF and CRM was EUR 106.9 bn. The on-balance sheet exposure in Q4 amounted to EUR 96.6 bn of the exposure (compared to 100.6 in Q2 2021). The decrease in on-balance exposure was mainly driven by the Central governments or central banks exposure class reported in standardised approach 2021. The REA density increased by 0.5 percentage points (from 15.3% to 15.8%) mainly driven by a decrease within the 0% risk weight bucket as a result of the decreased Central government and central bank exposures.

Q4 2021

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
Central governments or central banks	74,622	929	78,216	1,655	589	1%
Regional governments or local authorities	3,241	6,689	4,153	892	25	0%
Public sector entities						
Multilateral development banks	1,190	24	1,192	2		
International organisations	719		719			
Institutions	428	0	428	0	86	20%
Corporate	2,041	364	2,039	71	1,933	92%
Retail	4,759	938	4,737	280	3,721	74%
Secured by mortgages on immovable property	5,099	725	5,099	117	1,827	35%
Exposures in default	59	2	59	0	84	142%
Exposures associated with particularly high risk						
Covered bonds	268		268		27	10%
Institutions and corporates with a short-term credit assessment						
Collective investments undertakings (CIU)	939	677	939	338	2,122	166%
Equity	2,422		2,422		5,506	227%
Other items	804		792		599	76%
Total	96,592	10,348	101,063	3,356	16,517	16%

Q2 2021

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
Central governments or central banks	79,642	940	83,211	1,364	328	0%
Regional governments or local authorities	3,229	6,855	4,242	948	23	0%
Public sector entities						
Multilateral development banks	1,130	22	1,131	0		
International organisations	109		109			
Institutions	151	0	151	0	30	20%
Corporate	2,183	385	2,180	63	2,019	90%
Retail	4,729	1,287	4,705	459	3,833	74%
Secured by mortgages on immovable property	4,761	978	4,761	178	1,729	35%
Exposures in default	65	4	64	1	89	138%
Exposures associated with particularly high risk1					0	
Covered bonds	288		288		29	10%
Institutions and corporates with a short-term credit assessment						
Collective investments undertakings (CIU)1	872	734	872	367	2,154	174%
Equity	2,507		2,507		5,571	222%
Other items	931		919		749	81%
Total	100,596	11,204	105,138	3,381	16,553	15%

Table 11 - EU CR5 Standardised approach - Credit risk exposures by regulatory portfolio and risk

The largest decrease took place in the 0% risk weight bucket in the central governments or central banks exposures. This decrease was mainly driven by short term deposits on checking accounts.

Q4 2021

EURm	Risk weight															Total	Of which unrated
Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other		
Central governments or central	79,516				45		93			6	0	211				79,871	0
Regional governments or local	4,920				124											5,044	5,044
Public sector entities																	
Multilateral development bank	1,194															1,194	1,194
International organisations	719															719	719
Institutions					428											428	
Corporate										2,110						2,110	0
Retail									5,017							5,017	5,017
Secured by mortgages on immovable property						5,182	34									5,216	5,216
Exposures in default										10	49					59	59
Associated with particularly high risk																	
Covered bonds				268												268	
Institutions and corporates with a short-term credit assessment																	
Collective investments undertakings (CIU)											986			2	290	1,277	1,277
Equity										358	13	2,052				2,422	2,422
Other items										127					665	792	792
Total	86,350			268	597	5,182	127		5,017	2,611	1,048	2,263		2	954	104,418	21,741

Q2 2021

EURm	Risk weight															Total	Of which unrated
Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other		
Central governments or central	84,253				7		226			7		83				84,575	0
Regional governments or local	5,074				116					0						5,190	5,190
Public sector entities																	
Multilateral development bank	1,131															1,131	1,131
International organisations	109															109	109
Institutions					151					0						151	
Corporate										2,244						2,244	0
Retail									5,164							5,164	5,164
Secured by mortgages on immovable property						4,911	28									4,939	4,939
Exposures in default										15	49					64	64
Associated with particularly high risk																	
Covered bonds				288												288	
Institutions and corporates with a short-term credit assessment																	
Collective investments undertakings (CIU)											952				288	1,239	1,239
Equity										464		2,043				2,507	2,507
Other items										343					576	919	919
Total	90,567			288	274	4,911	254		5,164	3,071	1,001	2,126			864	108,520	21,263

* re-calculated using new mapping to COREP provided by EBA (excluded exposure arising from Counterparty Credit Risk)

Table 12 - EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range

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.

2021Q4 EURm

PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after SME supporting factor	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
Central governments and central banks - AIRB, Total												
0.00 to < 0.15												
0.00 to < 0.10												
0.10 to < 0.15												
0.15 to < 0.25												
0.25 to < 0.50												
0.50 to < 0.75												
0.75 to < 2.50												
0.75 to < 1.75												
1.75 to < 2.5												
2.50 to < 10												
2.5 to < 5												
5 to < 10												
10.00 to < 100												
10 to <20												
20 to <30												
30.00 to <100												
100 (Default)												
Total												
Institutions - AIRB, Total												
0.00 to < 0.15												
0.00 to < 0.10												
0.10 to < 0.15												
0.15 to < 0.25												
0.25 to < 0.50												
0.50 to < 0.75												
0.75 to < 2.50												
0.75 to < 1.75												
1.75 to < 2.5												
2.50 to < 10												
2.5 to < 5												
5 to < 10												
10.00 to < 100												
10 to <20												
20 to <30												
30.00 to <100												
100 (Default)												
Total												
Corporates - AIRB, Total												
0.00 to < 0.15	36,141	24,430	48.1 %	47,910	0.09 %	12,121	28.0 %	2.4	10,540	22.0 %	32	-22
0.00 to < 0.10	23,264	12,912	45.9 %	29,189	0.06 %	8,832	26.0 %	2.6	4,485	15.4 %	23	-22
0.10 to < 0.15	12,877	11,519	50.7 %	18,721	0.15 %	3,289	31.0 %	2.1	6,055	32.3 %	9	0
0.15 to < 0.25	15,054	10,966	48.9 %	20,415	0.22 %	4,682	29.0 %	2.4	7,570	37.1 %	13	-15
0.25 to < 0.50	35,710	17,751	47.2 %	44,104	0.44 %	9,677	26.7 %	2.4	21,064	47.8 %	52	-18
0.50 to < 0.75	29	0	0.0 %	29	0.50 %	11	27.2 %	2.8	12	41.4 %	0	0
0.75 to < 2.50	16,978	7,892	47.8 %	20,756	1.09 %	17,021	26.1 %	2.5	11,440	55.1 %	59	-117
0.75 to < 1.75	15,021	7,046	47.9 %	18,399	0.97 %	6,978	26.1 %	2.4	10,041	54.6 %	47	-116
1.75 to < 2.5	1,957	846	47.2 %	2,357	2.06 %	10,043	25.9 %	2.6	1,400	59.4 %	12	-1
2.50 to < 10	3,188	903	50.8 %	3,648	4.10 %	21,677	27.0 %	2.7	2,627	72.0 %	31	-95
2.5 to < 5	2,918	898	50.6 %	3,373	3.83 %	17,812	27.4 %	2.7	2,453	72.7 %	29	-93
5 to < 10	270	5	100.0 %	275	7.41 %	3,865	22.6 %	3.9	173	63.1 %	2	-2
10.00 to < 100	2,573	886	51.0 %	3,031	22.70 %	26,552	25.3 %	2.8	2,841	93.7 %	151	-195
10 to <20	1,472	416	50.4 %	1,683	12.04 %	7,113	25.2 %	2.6	1,480	87.9 %	43	-77
20 to <30	175	87	48.1 %	217	23.20 %	550	25.6 %	2.6	219	100.8 %	13	-19
30.00 to <100	925	383	52.3 %	1,131	38.45 %	18,889	25.3 %	3.1	1,142	101.0 %	95	-100
100 (Default)	2,280	0	0.0 %	2,280	100.00 %	1,616	29.7 %	2.3	2,161	94.8 %	1,044	-1,136
Total	111,954	62,829	48.1 %	142,174	2.55 %	93,357	27.4 %	2.4	58,255	41.0 %	1,382	-1,598
Corporates - AIRB, SME												
0.00 to < 0.15	19,404	3,547	51.0 %	21,216	0.07 %	9,911	23.6 %	2.5	2,961	14.0 %	10	-8
0.00 to < 0.10	15,681	2,367	50.4 %	16,874	0.05 %	7,739	22.9 %	2.5	1,761	10.4 %	8	-8
0.10 to < 0.15	3,723	1,180	52.3 %	4,342	0.15 %	2,172	26.1 %	2.5	1,199	27.6 %	2	0
0.15 to < 0.25	5,965	1,428	53.0 %	6,722	0.22 %	3,154	26.0 %	2.6	1,898	28.2 %	4	-3
0.25 to < 0.50	12,839	3,032	51.5 %	14,402	0.45 %	6,629	23.7 %	2.5	5,309	36.9 %	15	-5
0.50 to < 0.75	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
0.75 to < 2.50	9,261	2,018	54.3 %	10,360	1.12 %	13,290	24.1 %	2.5	4,409	42.6 %	28	-36
0.75 to < 1.75	7,975	1,767	54.2 %	8,934	0.97 %	4,893	24.1 %	2.5	3,753	42.0 %	21	-35
1.75 to < 2.5	1,286	251	55.2 %	1,425	2.07 %	8,397	23.9 %	2.7	656	46.0 %	7	-1
2.50 to < 10	1,894	176	55.1 %	1,992	4.42 %	19,737	22.9 %	3.3	982	49.3 %	12	-33
2.5 to < 5	1,651	173	54.3 %	1,745	4.00 %	16,066	23.1 %	3.2	839	48.1 %	10	-31
5 to < 10	243	3	100.0 %	247	7.39 %	3,671	22.1 %	4.0	143	57.9 %	2	-2
10.00 to < 100	1,836	381	52.4 %	2,038	22.55 %	16,946	23.9 %	2.8	1,495	73.3 %	90	-123
10 to <20	1,106	161	48.7 %	1,185	12.28 %	6,257	23.6 %	2.9	820	69.2 %	27	-44
20 to <30	138	41	48.7 %	158	23.62 %	369	24.4 %	2.5	126	79.8 %	9	-13
30.00 to <100	593	179	56.5 %	696	39.80 %	10,320	24.3 %	2.8	549	78.8 %	54	-66
100 (Default)	924	0	0.0 %	924	100.00 %	1,243	27.8 %	2.4	1,025	111.0 %	354	-407
Total	52,124	10,582	52.2 %	57,654	2.92 %	70,910	24.0 %	2.6	18,078	31.4 %	513	-614
Corporates - AIRB, Specialised lending												
0.00 to < 0.15	25	0	0.0 %	25	0.11 %	2	36.3 %	4.3	9	34.9 %	0	0
0.00 to < 0.10	17	0	0.0 %	17	0.10 %	1	36.6 %	5.1	7	40.5 %	0	0
0.10 to < 0.15	8	0	0.0 %	8	0.15 %	1	35.7 %	2.5	2	23.2 %	0	0
0.15 to < 0.25	6	0	0.0 %	6	0.22 %	1	35.8 %	1.3	2	29.3 %	0	0
0.25 to < 0.50	72	3	56.5 %	73	0.48 %	2	36.2 %	2.5	32	43.3 %	0	0
0.50 to < 0.75	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
0.75 to < 2.50	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
0.75 to < 1.75	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
1.75 to < 2.5	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
2.50 to < 10	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
2.5 to < 5	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
5 to < 10	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
10.00 to < 100	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
10 to <20	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
20 to <30	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
30.00 to <100	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
100 (Default)	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
Total	102	3	56.5 %	104	0.38 %	5	36.2 %	2.9	42	40.6 %	0	0
Corporates - AIRB, Other												
0.00 to < 0.15	16,712	20,883	47.7 %	26,669	0.11 %	2,208	31.4 %	2.4	7,571	28.4 %	21	-14
0.00 to < 0.10	7,566	10,545	44.8 %	12,298	0.07 %	1,092	30.2 %	2.8	2,717	22.1 %	14	-14
0.10 to < 0.15	9,146	10,338	50.5 %	14,372	0.15 %	1,116	32.5 %	2.0	4,854	33.8 %	7	0
0.15 to < 0.25	9,084	9,538	48.2 %	13,687	0.22 %	1,527	30.5 %	2.3	5,670	41.4 %	9	-12
0.25 to < 0.50	22,800	14,716	46.4 %	29,628	0.44 %	3,046	28.1 %	2.3	15,723	53.1 %	37	-13
0.50 to < 0.75	29	0	0.0 %	29	0.50 %	11	27.2 %	2.8	12	41.4 %	0	0
0.75 to < 2.50	7,716	5,875	45.6 %	10,396	1.07 %	3,731	28.0 %	2.4	7,032	67.6 %	31	-81
0.75 to < 1.75	7,046	5,280	45.8 %	9,464	0.97 %	2,085	27.9 %	2.4	6,288	66.4 %	26	-81
1.75 to < 2.5	670	595	43.8 %	932	2.05 %	1,646	29.1 %	2.4	744	79.9 %	5	0
2.50 to < 10	1,294	726	49.8 %	1,656	3.70 %	1,940	31.9 %	2.0	1,645	99.4 %	19	-62
2.5 to < 5	1,268	724	49.7 %	1,628	3.64 %	1,746	32.0 %	2.0	1,615	99.2 %	18	-62
5 to < 10	26	2	100.0 %	28	7.54 %	194	27.2 %	3.6	31	109.5 %	0	0
10.00 to < 100	736	506	50.0 %	993	22.99 %	9,606	28.1 %	2.8	1,346	135.6 %	61	-72
10 to <20	366	256	51.5 %	499	11.48 %	856	28.9 %	2.1	660	132.4 %	16	-33
20 to <30	37	46	47.5 %	59	22.07 %	181	28.8 %	2.6	93	156.5 %	3	-5
30.00 to <100	332	204	48.6 %	435	36.30 %	8,569	27.0 %	3.6	593	136.4 %	42	-34
100 (Default)	1,357	0	0.0 %	1,357	100.00 %	373	31.0 %	2.3	1,136	83.7 %	690	-729
Total	59,728	52,244	47.2 %	84,416	2.31 %	22,442	29.6 %	2.3	40,135	47.5 %	869	-984
Retail - RIRB, Total												
0.00 to < 0.15	107,927	19,671	63.8 %	120,476	0.09 %	1,149,106	15.8 %	2.5	10,080	8.4 %	17	-5
0.00 to < 0.10	85,501	15,620	67.1 %	95,984	0.08 %	887,651	15.5 %	2.5	7,792	8.1 %	12	-5
0.10 to < 0.15	22,426	4,051	51.0 %	24,491	0.11 %	261,455	17.0 %	2.5	2,288	9.3 %	5	0
0.15 to < 0.25	27,859	4,836	56.8 %	30,609	0.19 %	445,147	17.2 %	2.5	3,073	10.0 %	10	-7
0.25 to < 0.50	20,216	3,673	61.0 %	22,458	0.35 %	439,682	18.7 %	2.5	3,047	13.6 %	15	-8
0.50 to < 0.75	5,637	880	58.0 %	6,148	0.60 %	169,032	19.0 %	2.5	1,064	17.3 %	7	-20
0.75 to < 2.50	11,897	2,598	67.7 %	13,658	1.28 %	427,858	19.9 %	2.5	3,603	26.4 %	35	-57
0.75 to < 1.75	10,419	2,236	68.4 %	11,950	1.13 %	375,863	19.7 %	2.5	2,974	24.9 %	27	-57
1.75 to < 2.5	1,478	363	63.3 %	1,708	2.30 %	51,995	21.2 %	2.5	630	36.9 %	8	0
2.50 to < 10	4,348	723	49.7 %	4,709	4.52 %	167,805	23.5 %	2.5	1,973	41.9 %	50	-72
2.5 to < 5	3,024	597	47.7 %	3,309	3.51 %	109,746	23.5 %	2.5	1,267	38.3 %	27	-56
5 to < 10	1,324	127	59.3 %	1,400	6.91 %	58,059	23.4 %	2.5	706	50.5 %	23	-16
10.00 to < 100	1,761	525	23.8 %	1,886	22.76 %	70,420	22.4 %	2.5	1,385	73.4 %	95	-103
10 to <20	582	63	59.0 %	619	15.12 %	28,081	22.1 %	2.5	356	57.6 %	21	-12
20 to <30	1,150	456	18.1 %	1,232	26.29 %	40,456	22.5 %	2.5	1,005	81.5 %	72	-87
30.00 to <100	30	5	88.9 %	35	33.63 %	1,883	25.0 %	2.5	24	68.1 %	3	-4
100 (Default)	1,359	77	51.0 %	1,399	100.00 %	62,340	21.9 %	2.5	3,363	240.4 %	61	-329
Total	181,004	32,983	61.6 %	201,341	1.24 %	2,931,390	17.0 %	2.5	27,588	13.7 %	289	-601

Retail - RIRB, SME secured by immovable property												
0.00 to < 0.15	134	21	40.4 %	142	0.11 %	3,218	17.1 %	0.0	5	3.6 %	0	0
0.00 to < 0.10	2	12	40.4 %	7	0.08 %	796	16.9 %	0.0	0	2.8 %	0	0
0.10 to < 0.15	131	9	40.4 %	135	0.11 %	2,422	17.1 %	0.0	5	3.6 %	0	0
0.15 to < 0.25	263	21	41.6 %	272	0.18 %	4,597	17.1 %	0.0	14	5.0 %	0	0
0.25 to < 0.50	73	18	55.7 %	83	0.37 %	1,388	16.2 %	0.0	7	8.9 %	0	0
0.50 to < 0.75	78	12	50.3 %	84	0.60 %	1,192	16.8 %	0.0	11	13.5 %	0	0
0.75 to < 2.50	357	78	46.9 %	393	1.35 %	7,138	17.3 %	0.0	89	22.7 %	1	-1
0.75 to < 1.75	303	67	46.7 %	334	1.18 %	5,994	17.2 %	0.0	70	20.9 %	1	-1
1.75 to < 2.5	53	11	48.0 %	59	2.30 %	1,144	17.7 %	0.0	19	32.9 %	0	0
2.50 to < 10	49	7	47.7 %	53	3.87 %	995	16.7 %	0.0	22	41.0 %	0	-1
2.5 to < 5	46	7	46.5 %	49	3.66 %	946	16.9 %	0.0	20	40.4 %	0	-1
5 to < 10	4	0	81.2 %	4	6.60 %	49	14.4 %	0.0	2	48.7 %	0	0
10.00 to < 100	13	1	47.0 %	13	26.08 %	229	16.2 %	0.0	11	81.8 %	1	-1
10 to <20	3	0	38.5 %	3	16.54 %	63	16.1 %	0.0	3	74.4 %	0	0
20 to <30	3	0	38.5 %	3	24.04 %	25	14.6 %	0.0	2	85.2 %	0	0
30.00 to <100	7	0	52.3 %	7	31.23 %	141	16.8 %	0.0	6	84.0 %	0	-1
100 (Default)	14	2	58.9 %	15	100.00 %	416	17.4 %	0.0	32	205.3 %	0	-5
Total	982	160	46.8 %	1,056	2.63 %	19,173	17.0 %	0.0	191	18.1 %	2	-8
Retail - RIRB, SME other												
0.00 to < 0.15	3	2	57.4 %	4	0.11 %	2,015	30.9 %	0.0	0	6.8 %	0	0
0.00 to < 0.10	0	1	60.5 %	1	0.08 %	1,819	31.5 %	0.0	0	6.1 %	0	0
0.10 to < 0.15	2	1	54.1 %	3	0.11 %	196	30.7 %	0.0	0	7.0 %	0	0
0.15 to < 0.25	15	6	67.4 %	19	0.21 %	3,549	35.4 %	0.0	3	14.0 %	0	0
0.25 to < 0.50	23	78	65.6 %	74	0.38 %	4,921	29.8 %	0.0	13	17.8 %	0	0
0.50 to < 0.75	36	53	69.4 %	73	0.60 %	4,590	29.9 %	0.0	16	22.6 %	0	0
0.75 to < 2.50	413	290	76.0 %	636	1.50 %	32,347	28.4 %	0.0	189	29.8 %	3	-4
0.75 to < 1.75	281	243	75.9 %	468	1.22 %	25,466	28.4 %	0.0	132	28.2 %	2	-4
1.75 to < 2.5	131	47	76.2 %	168	2.30 %	6,881	28.5 %	0.0	57	34.2 %	1	0
2.50 to < 10	322	89	81.3 %	396	4.64 %	24,491	29.0 %	0.0	152	38.4 %	5	-11
2.5 to < 5	222	70	82.8 %	281	3.55 %	20,177	29.1 %	0.0	106	37.9 %	3	-8
5 to < 10	100	19	75.4 %	115	7.30 %	4,314	28.6 %	0.0	45	39.6 %	2	-3
10.00 to < 100	124	109	19.0 %	145	23.31 %	6,729	31.2 %	0.0	103	71.1 %	11	-5
10 to <20	33	5	85.7 %	37	13.73 %	1,455	28.5 %	0.0	18	48.7 %	1	-2
20 to <30	69	99	12.1 %	81	24.04 %	3,532	33.8 %	0.0	68	83.9 %	7	0
30.00 to <100	22	5	92.2 %	27	34.28 %	1,742	27.2 %	0.0	17	63.8 %	3	-4
100 (Default)	82	37	48.4 %	100	100.00 %	6,290	30.9 %	0.0	334	334.0 %	12	-40
Total	1,016	664	63.9 %	1,446	11.23 %	84,932	29.3 %	0.0	811	56.1 %	31	-60
Retail - RIRB, non-SME secured by immovable property												
0.00 to < 0.15	101,586	9,553	76.0 %	108,844	0.09 %	684,839	14.3 %	0.0	9,231	8.5 %	14	-3
0.00 to < 0.10	81,422	8,047	78.0 %	87,699	0.08 %	553,658	14.1 %	0.0	7,210	8.2 %	10	-3
0.10 to < 0.15	20,164	1,506	65.1 %	21,144	0.11 %	131,181	15.3 %	0.0	2,021	9.6 %	4	0
0.15 to < 0.25	24,297	1,660	70.5 %	25,467	0.19 %	162,426	15.0 %	0.0	2,486	9.8 %	7	-3
0.25 to < 0.50	16,824	926	70.4 %	17,476	0.35 %	104,564	15.5 %	0.0	2,122	12.1 %	9	-3
0.50 to < 0.75	4,201	210	72.6 %	4,353	0.60 %	29,489	15.2 %	0.0	640	14.7 %	4	-4
0.75 to < 2.50	8,411	584	74.8 %	8,847	1.25 %	55,537	14.8 %	0.0	1,979	22.4 %	16	-13
0.75 to < 1.75	7,498	523	76.5 %	7,898	1.12 %	48,749	14.7 %	0.0	1,649	20.9 %	13	-13
1.75 to < 2.5	913	61	60.7 %	950	2.30 %	6,788	15.4 %	0.0	330	34.7 %	3	0
2.50 to < 10	955	98	61.0 %	1,015	4.89 %	7,043	15.1 %	0.0	518	51.1 %	8	-4
2.5 to < 5	488	87	56.9 %	538	3.46 %	3,973	14.5 %	0.0	220	40.9 %	3	-4
5 to < 10	467	11	94.0 %	477	6.50 %	3,070	15.8 %	0.0	298	62.5 %	5	-1
10.00 to < 100	663	36	77.4 %	691	25.10 %	5,817	15.0 %	0.0	624	90.3 %	26	-14
10 to <20	141	13	85.1 %	152	16.23 %	784	13.5 %	0.0	117	76.6 %	3	0
20 to <30	522	23	73.1 %	539	27.60 %	5,033	15.5 %	0.0	508	94.2 %	23	-14
30.00 to <100	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
100 (Default)	803	2	65.8 %	804	100.00 %	8,587	15.5 %	0.0	1,414	175.9 %	7	-81
Total	157,739	13,069	74.7 %	167,497	0.82 %	1,058,302	14.6 %	0.0	19,014	11.4 %	91	-126
Retail - RIRB, Qualifying revolving												
0.00 to < 0.15												
0.00 to < 0.10												
0.10 to < 0.15												
0.15 to < 0.25												
0.25 to < 0.50												
0.50 to < 0.75												
0.75 to < 2.50												
0.75 to < 1.75												
1.75 to < 2.5												
2.50 to < 10												
2.5 to < 5												
5 to < 10												
10.00 to < 100												
10 to <20												
20 to <30												
30.00 to <100												
100 (Default)												
Total												
Retail - RIRB, non-SME other												
0.00 to < 0.15	6,205	10,095	52.3 %	11,486	0.09 %	1,143,873	30.0 %	0.0	844	7.3 %	3	-3
0.00 to < 0.10	4,077	7,560	55.6 %	8,277	0.08 %	885,036	30.7 %	0.0	581	7.0 %	2	-3
0.10 to < 0.15	2,128	2,535	42.6 %	3,209	0.11 %	258,837	28.0 %	0.0	263	8.2 %	1	0
0.15 to < 0.25	3,284	3,149	49.7 %	4,851	0.19 %	437,001	28.5 %	0.0	571	11.8 %	3	-4
0.25 to < 0.50	3,296	2,651	57.6 %	4,824	0.35 %	433,373	30.0 %	0.0	904	18.7 %	5	-5
0.50 to < 0.75	1,323	604	52.1 %	1,638	0.60 %	163,250	28.6 %	0.0	396	24.2 %	3	-15
0.75 to < 2.50	2,717	1,647	64.6 %	3,782	1.30 %	388,373	30.6 %	0.0	1,346	35.6 %	15	-39
0.75 to < 1.75	2,337	1,404	65.1 %	3,250	1.13 %	344,403	30.7 %	0.0	1,123	34.5 %	11	-39
1.75 to < 2.5	380	243	62.1 %	531	2.30 %	43,970	29.7 %	0.0	223	42.0 %	4	0
2.50 to < 10	3,021	529	42.4 %	3,246	4.41 %	142,319	25.6 %	0.0	1,282	39.5 %	37	-55
2.5 to < 5	2,268	432	40.2 %	2,442	3.52 %	88,623	25.0 %	0.0	921	37.7 %	21	-43
5 to < 10	753	97	52.3 %	804	7.10 %	53,696	27.3 %	0.0	361	44.9 %	15	-12
10.00 to < 100	960	380	20.1 %	1,036	21.08 %	63,462	26.2 %	0.0	646	62.4 %	58	-83
10 to <20	404	45	48.9 %	426	14.84 %	26,563	24.7 %	0.0	219	51.4 %	16	-10
20 to <30	556	335	16.1 %	610	25.43 %	36,899	27.3 %	0.0	427	70.0 %	42	-73
30.00 to <100	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
100 (Default)	461	36	52.1 %	479	100.00 %	55,634	30.8 %	0.0	1,583	330.3 %	42	-203
Total	21,266	19,091	52.8 %	31,341	2.99 %	2,827,285	29.2 %	0.0	7,572	24.2 %	165	-407
Central governments and central banks - FIRB, Total												
0.00 to < 0.15												
0.00 to < 0.10												
0.10 to < 0.15												
0.15 to < 0.25												
0.25 to < 0.50												
0.50 to < 0.75												
0.75 to < 2.50												
0.75 to < 1.75												
1.75 to < 2.5												
2.50 to < 10												
2.5 to < 5												
5 to < 10												
10.00 to < 100												
10 to <20												
20 to <30												
30.00 to <100												
100 (Default)												
Total												
Institutions - FIRB, Total												
0.00 to < 0.15	24,139	2,353	41.7 %	25,119	0.06 %	527	14.2 %	2.5	2,362	9.4 %	2	0
0.00 to < 0.10	22,502	2,075	40.4 %	23,339	0.06 %	390	14.2 %	2.5	2,119	9.1 %	2	0
0.10 to < 0.15	1,637	278	51.3 %	1,780	0.12 %	137	15.0 %	2.5	243	13.7 %	0	0
0.15 to < 0.25	41	49	17.2 %	50	0.18 %	80	44.1 %	2.5	22	44.7 %	0	0
0.25 to < 0.50	168	298	18.8 %	224	0.37 %	154	26.4 %	2.5	100	44.6 %	0	0
0.50 to < 0.75	37	98	20.3 %	57	0.66 %	55	41.7 %	2.5	55	97.2 %	0	0
0.75 to < 2.50	70	98	19.7 %	89	1.13 %	55	45.0 %	2.5	84	94.4 %	0	0
0.75 to < 1.75	70	98	19.7 %	89	1.13 %	55	45.0 %	2.5	84	94.4 %	0	0
1.75 to < 2.5	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
2.50 to < 10	20	46	21.3 %	30	4.91 %	38	45.0 %	2.5	30	99.9 %	1	0
2.5 to < 5	18	12	22.1 %	21	2.85 %	16	45.0 %	2.5	11	54.2 %	0	0
5 to < 10	2	34	21.0 %	9	9.71 %	22	45.0 %	2.5	19	206.7 %	0	0
10.00 to < 100	37	1	40.4 %	40	28.55 %	101	45.0 %	2.5	116	292.3 %	5	0
10 to <20	0	0	25.5 %	0	11.23 %	1	45.0 %	2.5	0	240.1 %	0	0
20 to <30	37	1	49.5 %	40	28.56 %	100	45.0 %	2.5	115	292.3 %	5	0
30.00 to <100	0	0	0.0 %	0	33.33 %	0	33.3 %	2.5	0	266.7 %	0	0
100 (Default)	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
Total	24,513	2,943	37.2 %	25,609	0.12 %	1,010	14.6 %	2.5	2,769	10.8 %	9	-1

Corporates - FIRB, Total												
0.00 to < 0.15	3,719	1,148	11.9 %	3,855	0.09 %	3,081	42.0 %	2.5	1,199	31.1 %	2	0
0.00 to < 0.10	2,801	627	15.9 %	2,901	0.08 %	1,751	41.8 %	2.5	835	28.8 %	1	0
0.10 to < 0.15	918	521	7.1 %	955	0.15 %	1,330	42.5 %	2.5	365	38.2 %	1	0
0.15 to < 0.25	764	340	13.1 %	809	0.22 %	1,736	42.3 %	2.5	325	40.2 %	1	-1
0.25 to < 0.50	1,918	849	16.1 %	2,055	0.44 %	3,635	42.1 %	2.5	1,175	57.2 %	4	-7
0.50 to < 0.75	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
0.75 to < 2.50	1,766	885	19.1 %	1,935	1.21 %	3,849	42.4 %	2.5	1,550	80.1 %	10	-18
0.75 to < 1.75	1,427	723	20.3 %	1,574	1.01 %	2,978	42.4 %	2.5	1,221	77.6 %	7	-18
1.75 to < 2.5	340	161	13.5 %	361	2.04 %	871	42.1 %	2.5	330	91.3 %	3	0
2.50 to < 10	296	102	12.8 %	309	3.61 %	716	43.1 %	2.5	339	109.5 %	5	-16
2.5 to < 5	296	102	12.8 %	309	3.61 %	716	43.1 %	2.5	339	109.5 %	5	-16
5 to < 10	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
10.00 to < 100	446	708	3.5 %	471	22.04 %	8,198	42.3 %	2.5	811	172.2 %	44	-62
10 to <20	233	118	14.7 %	250	11.60 %	816	42.2 %	2.5	382	152.7 %	12	-14
20 to <30	41	36	6.2 %	43	24.13 %	284	41.8 %	2.5	70	163.9 %	4	-3
30.00 to <100	172	554	0.9 %	178	36.23 %	7,098	42.6 %	2.5	359	201.6 %	27	-45
100 (Default)	135	10	1.6 %	135	100.00 %	313	42.9 %	2.5	0	0.0 %	58	-42
Total	9,044	4,042	13.0 %	9,569	3.00 %	21,528	42.2 %	2.5	5,400	56.4 %	122	-147
Corporates - FIRB, SME												
0.00 to < 0.15	1,053	187	8.5 %	1,069	0.10 %	1,693	43.3 %	2.5	224	21.0 %	0	0
0.00 to < 0.10	764	86	10.3 %	773	0.09 %	862	43.7 %	2.5	151	19.5 %	0	0
0.10 to < 0.15	289	100	7.0 %	296	0.15 %	831	42.4 %	2.5	73	24.7 %	0	0
0.15 to < 0.25	387	117	9.7 %	398	0.22 %	1,088	42.2 %	2.5	126	31.5 %	0	0
0.25 to < 0.50	862	209	7.9 %	878	0.44 %	2,312	41.8 %	2.5	383	43.6 %	2	-6
0.50 to < 0.75	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
0.75 to < 2.50	972	368	20.1 %	1,046	1.25 %	2,704	42.0 %	2.5	677	64.8 %	5	-8
0.75 to < 1.75	758	294	24.4 %	829	1.04 %	2,059	42.1 %	2.5	519	62.6 %	4	-8
1.75 to < 2.5	214	74	3.2 %	217	2.04 %	645	41.4 %	2.5	159	73.2 %	2	0
2.50 to < 10	167	54	8.2 %	172	3.61 %	533	42.4 %	2.5	145	84.4 %	3	-7
2.5 to < 5	167	54	8.2 %	172	3.61 %	533	42.4 %	2.5	145	84.4 %	3	-7
5 to < 10	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
10.00 to < 100	265	114	2.2 %	268	21.06 %	4,278	41.7 %	2.5	367	137.3 %	23	-21
10 to <20	151	59	0.6 %	151	11.66 %	593	41.6 %	2.5	188	124.3 %	7	-11
20 to <30	29	13	2.7 %	29	24.00 %	196	41.2 %	2.5	43	148.6 %	3	-2
30.00 to <100	86	42	4.2 %	88	36.23 %	3,489	42.2 %	2.5	137	155.8 %	13	-8
100 (Default)	66	10	1.6 %	66	100.00 %	239	43.3 %	2.5	0	0.0 %	29	-25
Total	3,772	1,058	11.8 %	3,897	3.79 %	12,847	42.4 %	2.5	1,923	49.3 %	63	-68
Corporates - FIRB, Specialised lending												
0.00 to < 0.15												
0.00 to < 0.10												
0.10 to < 0.15												
0.15 to < 0.25												
0.25 to < 0.50												
0.50 to < 0.75												
0.75 to < 2.50												
0.75 to < 1.75												
1.75 to < 2.5												
2.50 to < 10												
2.5 to < 5												
5 to < 10												
10.00 to < 100												
10 to <20												
20 to <30												
30.00 to <100												
100 (Default)												
Total												
Corporates - FIRB, Other												
0.00 to < 0.15	2,666	962	12.6 %	2,786	0.09 %	1,388	41.5 %	2.5	975	35.0 %	1	0
0.00 to < 0.10	2,037	541	16.7 %	2,128	0.07 %	889	41.1 %	2.5	684	32.1 %	1	0
0.10 to < 0.15	628	421	7.2 %	659	0.15 %	499	42.6 %	2.5	292	44.3 %	0	0
0.15 to < 0.25	377	223	14.8 %	410	0.22 %	648	42.5 %	2.5	199	48.6 %	0	-1
0.25 to < 0.50	1,056	640	18.8 %	1,177	0.44 %	1,323	42.3 %	2.5	792	67.3 %	2	-2
0.50 to < 0.75	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
0.75 to < 2.50	794	517	18.4 %	889	1.16 %	1,145	42.9 %	2.5	873	98.2 %	4	-10
0.75 to < 1.75	669	429	17.6 %	745	0.99 %	919	42.8 %	2.5	702	94.3 %	3	-10
1.75 to < 2.5	125	88	22.0 %	145	2.04 %	226	43.1 %	2.5	171	118.3 %	1	0
2.50 to < 10	129	48	18.1 %	138	3.61 %	183	44.0 %	2.5	194	140.8 %	2	-8
2.5 to < 5	129	48	18.1 %	138	3.61 %	183	44.0 %	2.5	194	140.8 %	2	-8
5 to < 10	0	0	0.0 %	0	0.00 %	0	0.0 %	0.0	0	0.0 %	0	0
10.00 to < 100	181	594	3.8 %	203	23.33 %	3,920	43.0 %	2.5	444	218.1 %	20	-41
10 to <20	83	59	28.6 %	100	11.50 %	223	43.1 %	2.5	195	195.6 %	5	-3
20 to <30	12	23	8.3 %	14	24.40 %	88	43.0 %	2.5	27	196.2 %	1	-1
30.00 to <100	86	512	0.7 %	90	36.23 %	3,609	43.0 %	2.5	222	246.2 %	14	-37
100 (Default)	68	0	0.0 %	68	100.00 %	74	42.4 %	2.5	0	0.0 %	29	-17
Total	5,272	2,984	13.4 %	5,672	2.46 %	8,681	42.1 %	2.5	3,477	61.3 %	60	-79

Table 13 - EU CR6-A – Scope of the use of IRB and SA approaches

The scope of the use of IRB and SA approaches is provided in the table below. The counterparty credit risk in IRB approach was 0.5% of the exposure value as defined in Article 166 CRR mainly stemming from Corporates with 0.9% of it's value.

EURm	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to a roll-out plan (%)	Percentage of total exposure value subject to IRB Approach (%)
	a	b	c	d	e
Central governments or central banks	0	89,999	100%		
Of which Regional governments or local authorities	0	11,270	100%		
Of which Public sector entities	0	140	100%		
Institutions	30,371	33,216	4%	4%	91%
Corporates	198,852	199,576	0%	1%	99%
Of which Corporates - Specialised lending, excluding slotting approach	0	116			100%
Of which Corporates - Specialised lending under slotting approach	0	116			100%
Retail	216,144	227,074	0%	5%	95%
of which Retail – Secured by real estate SMEs	0	1,134			100%
of which Retail – Secured by real estate non-SMEs	0	176,458			100%
of which Retail – Qualifying revolving	0	0			
of which Retail – Other SMEs	0	2,679	33%	0%	67%
of which Retail – Other non-SMEs	0	46,804	0%	10%	90%
Equity	0	4,037	100%		
Other non-credit obligation assets	3,919	4,724	3%	14%	83%
Total	449,286	558,627	18%	2%	80%

Table 14 - EU CR7 – IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques

Total Actual REA decreased by EUR 0.2bn from Q2 2021 to Q4 2021. Most significant REA decrease is seen in Corporates FIRB and Institutions FIRB, which has decreased by EUR 0.4bn respectively.

2021 Q4

EURm	Pre-credit derivatives REA	Actual REA
Exposures under Foundation IRB	11,008	8,169
Central governments and central banks		
Institutions	2,883	2,769
Corporates	8,125	5,400
of which Corporates - SMEs	1,939	1,923
of which Corporates - Specialised lending		
Exposures under Advanced IRB	101,318	85,844
Central governments and central banks		
Institutions		
Corporates	70,977	58,255
of which Corporates - SMEs	21,791	18,078
of which Corporates - Specialised lending	45	42
Retail	30,340	27,588
of which Retail – SMEs - Secured by immovable property collateral	0	191
of which Retail – non-SMEs - Secured by immovable property collateral	16	19,014
of which Retail – Qualifying revolving		
of which Retail – SMEs - Other	1,650	811
of which Retail – Non-SMEs- Other	28,675	7,572
Total	112,326	94,013

2021 Q2

EURm	Pre-credit derivatives REA	Actual REA
Exposures under Foundation IRB	10,844	8,986
Central governments and central banks		
Institutions	2,547	3,158
Corporates	8,296	5,828
of which SMEs	1,949	1,929
of which specialised lending		
Exposures under Advanced IRB	101,486	85,277
Central governments and central banks		
Institutions		
Corporates	71,098	57,475
of which SMEs	21,128	17,680
of which specialised lending	49	43
Retail	30,388	27,802
of which Retail – SMEs - Secured by immovable property collateral	0	201
of which Retail – non-SMEs - Secured by immovable property collateral	16	18,749
of which Retail – Qualifying revolving		
of which Retail – SMEs - Other	1,460	881
of which Retail – Non-SMEs- Other	28,912	7,971
Total	112,329	94,262

Table 15 - EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques

The table provides a comprehensive overview of use of credit risk mitigation techniques according to Advanced IRB approach and Foundation IRB approach broken down by exposure class, among with their impact on credit risk mitigation methods in the calculation of RWEAs.

Q42021 EURm

		Credit risk Mitigation techniques											Credit risk Mitigation	
		Funded credit Protection									Unfunded credit			
Exposures under Advanced IRB	Total exposures	Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
Central governments and central banks														
Institutions														
Corporates	142,174	1%	47%	40%	0%	6%					8%		58,440	58,255
Of which Corporates – SMEs	57,654	1%	68%	63%	0%	5%					5%		16,624	18,078
Of which Corporates – Specialised lending	104										14%		42	42
Of which Corporates – Other	84,416	1%	32%	25%	0%	7%					9%		41,774	40,135
Retail	201,341	0%	80%	79%	0%	1%					1%		27,588	27,588
Of which Retail – Immovable property SMEs	1,056		100%	100%		0%							191	191
Of which Retail – Immovable property non-SM	167,497		95%	95%		0%							19,014	19,014
Of which Retail – Qualifying revolving														
Of which Retail – Other SMEs	1,446	1%	15%		0%	15%					10%		811	811
Of which Retail – Other non-SMEs	31,341	2%	5%		0%	5%					6%		7,572	7,572
Total	343,515	0%	66%	63%	0%	3%					4%		86,029	85,844

		Credit risk Mitigation techniques											Credit risk Mitigation	
		Funded credit Protection									Unfunded credit			
Exposures under Foundation IRB	Total exposures	Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
Central governments and central banks	-													
Institutions	25,609	0%	0%	0%	0%	0%					1%		4,886	2,769
Corporates	9,569	0%	40%	1%	16%	23%					27%		5,393	5,400
Of which Corporates – SMEs	3,897	0%	44%	2%	7%	35%					2%		1,778	1,923
Of which Corporates – Specialised lending														
Of which Corporates – Other	5,672	0%	36%	0%	22%	14%					25%		3,615	3,477
Total	35,178	0%	11%	0%	4%	6%					5%		8,118	8,169

Table 16 - EU CR8 - RWEA flow statements of credit risk exposures under the IRB approach

During the fourth quarter the IRB REA increased by EUR 0.7bn, mainly driven by an increased asset size. FX effects increased REA further, primarily stemming from the appreciation of the NOK and USD against the EUR which was partly offsetted by the depreciation of the SEK against the EUR. Favourable asset quality development as well as a decrease in other IRB exposures partly offsetted the IRB REA increase.

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

Table 17 - CR9 IRB approach – Back-testing of PD per exposure class (fixed PD scale)

The table shows a back-testing 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 classes, each accounting for 7%, 66% and 27%, respectively. The exposure classes and PD ranges are specified in columns a and b. Column c, d and e depicts the number of obligors at the end of the previous year, the number of obligors of which defaulted during the year and the observed average default rate. Columns f and g depicts the exposure-weighted average PD and the arithmetic average of PD at the beginning of the reporting period that fall within the bucket of the fixed PD range and counted in column c. Column h depicts the simple average of the annual default rate of the five most recent years (obligors at the beginning of each year that are defaulted during that year/total obligor hold at the beginning of the year). A comparison of columns g and h gives an indication of how Nordea's current regulatory PD performs in a 5 year horizon.

A-IRB

Exposure class	PD scale	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Corporates – SME	0.00 to <0.15	9,224	2	0.02%	0.07%	0.07%	0.17%
	of which: 0.00 to <0.10	7,261	0	0.00%	0.05%	0.05%	0.07%
	of which: 0.10 to <0.15	1,963	2	0.10%	0.15%	0.15%	0.40%
	0.15 to <0.25	2,608	3	0.12%	0.22%	0.22%	0.18%
	0.25 to <0.50	7,299	27	0.37%	0.45%	0.44%	0.31%
	0.50 to <0.75	145	0	0.00%	0.00%	0.59%	0.79%
	0.75 to <2.50	13,767	70	0.51%	1.12%	1.59%	1.28%
	of which: 0.75 to <1.75	7,400	37	0.50%	0.97%	1.19%	0.99%
	of which: 1.75 to <2.5	6,367	33	0.52%	2.07%	2.06%	1.89%
	2.50 to <10.00	20,590	87	0.42%	4.42%	4.50%	2.32%
	of which: 2.5 to <5	14,947	78	0.52%	4.00%	3.58%	1.95%
	of which: 5 to <10	5,643	9	0.16%	7.39%	6.92%	8.96%
	10.00 to <100.00	12,809	270	2.11%	22.55%	29.05%	11.91%
	of which: 10 to <20	5,524	73	1.32%	12.28%	13.62%	7.10%
	of which: 20 to <30	1,870	61	3.26%	23.62%	24.09%	10.99%
	of which: 30.00 to <100.00	5,415	136	2.51%	39.80%	46.50%	37.03%
	100.00 (Default)	1,435	979	68.22%	100.00%	100.00%	93.64%

Exposure class	PD scale	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Corporates – Specialised lending	0.00 to <0.15	2	0	0.00%	0.11%	0.12%	0.00%
	of which: 0.00 to <0.10	1	0	0.00%	0.10%	0.10%	0.00%
	of which: 0.10 to <0.15	1	0	0.00%	0.15%	0.15%	0.00%
	0.15 to <0.25	1	0	0.00%	0.22%	0.22%	0.00%
	0.25 to <0.50	2	0	0.00%	0.48%	0.44%	0.00%
	0.50 to <0.75	0	0	0.00%	0.00%	0.00%	0.00%
	0.75 to <2.50	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 0.75 to <1.75	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 1.75 to <2.5	0	0	0.00%	0.00%	0.00%	0.00%
	2.50 to <10.00	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 2.5 to <5	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 5 to <10	0	0	0.00%	0.00%	0.00%	0.00%
	10.00 to <100.00	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 10 to <20	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 20 to <30	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 30.00 to <100.00	0	0	0.00%	0.00%	0.00%	0.00%
	100.00 (Default)	1	1	100.00%	0.00%	100.00%	100.00%

Exposure class	PD scale	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Corporates – Other	0.00 to <0.15	2,318	6	0.26%	0.11%	0.11%	0.36%
	of which: 0.00 to <0.10	1,160	6	0.52%	0.07%	0.07%	0.34%
	of which: 0.10 to <0.15	1,158	0	0.00%	0.15%	0.15%	0.40%
	0.15 to <0.25	1,651	4	0.24%	0.22%	0.22%	0.84%
	0.25 to <0.50	4,202	20	0.48%	0.44%	0.44%	0.39%
	0.50 to <0.75	158	0	0.00%	0.50%	0.57%	1.33%
	0.75 to <2.50	4,918	29	0.59%	1.07%	1.40%	1.05%
	of which: 0.75 to <1.75	3,257	15	0.46%	0.97%	1.08%	0.82%
	of which: 1.75 to <2.5	1,661	14	0.84%	2.05%	2.02%	1.55%
	2.50 to <10.00	2,970	17	0.57%	3.70%	4.28%	1.49%
	of which: 2.5 to <5	2,351	10	0.43%	3.64%	3.63%	1.25%
	of which: 5 to <10	619	7	1.13%	7.54%	6.76%	9.57%
	10.00 to <100.00	6,312	153	2.42%	22.99%	31.95%	11.58%
	of which: 10 to <20	914	28	3.06%	11.48%	13.16%	6.92%
	of which: 20 to <30	584	27	4.62%	22.07%	22.76%	7.91%
	of which: 30.00 to <100.00	4,814	98	2.04%	36.30%	36.63%	30.86%
	100.00 (Default)	455	379	83.30%	100.00%	100.00%	96.66%

Exposure class	PD scale	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Retail – SME secured by immovable property collateral	0.00 to <0.15	881	0	0.00%	0.11%	0.09%	0.03%
	of which: 0.00 to <0.10	720	0	0.00%	0.08%	0.08%	0.05%
	of which: 0.10 to <0.15	161	0	0.00%	0.11%	0.11%	0.00%
	0.15 to <0.25	5,982	3	0.05%	0.18%	0.20%	0.03%
	0.25 to <0.50	2,447	2	0.08%	0.37%	0.36%	0.14%
	0.50 to <0.75	1,449	7	0.48%	0.60%	0.60%	0.32%
	0.75 to <2.50	7,696	57	0.74%	1.35%	1.32%	1.14%
	of which: 0.75 to <1.75	6,605	38	0.58%	1.18%	1.16%	0.90%
	of which: 1.75 to <2.5	1,091	19	1.74%	2.30%	2.30%	2.44%
	2.50 to <10.00	1,028	46	4.47%	3.87%	3.80%	4.38%
	of which: 2.5 to <5	968	43	4.44%	3.66%	3.63%	4.25%
	of which: 5 to <10	60	3	5.00%	6.60%	6.63%	6.93%
	10.00 to <100.00	269	53	19.70%	26.08%	27.10%	28.55%
	of which: 10 to <20	76	7	9.21%	16.54%	16.87%	14.36%
	of which: 20 to <30	101	8	7.92%	24.04%	24.04%	16.41%
	of which: 30.00 to <100.00	92	38	41.30%	31.23%	38.93%	43.08%
	100.00 (Default)	545	545	100.00%	100.00%	100.00%	100.00%

Exposure class	PD scale	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Retail – SME other	0.00 to <0.15	1,720	18	1.05%	0.11%	0.08%	0.81%
	of which: 0.00 to <0.10	1,617	16	0.99%	0.08%	0.08%	0.88%
	of which: 0.10 to <0.15	103	2	1.94%	0.11%	0.11%	0.49%
	0.15 to <0.25	3,400	19	0.56%	0.21%	0.21%	0.32%
	0.25 to <0.50	4,367	16	0.37%	0.38%	0.39%	0.30%
	0.50 to <0.75	6,042	27	0.45%	0.60%	0.60%	0.39%
	0.75 to <2.50	32,784	516	1.57%	1.50%	1.44%	1.44%
	of which: 0.75 to <1.75	25,669	353	1.38%	1.22%	1.20%	1.27%
	of which: 1.75 to <2.5	7,115	163	2.29%	2.30%	2.30%	1.88%
	2.50 to <10.00	23,730	1,039	4.38%	4.64%	4.09%	4.09%
	of which: 2.5 to <5	19,371	551	2.84%	3.55%	3.41%	2.85%
	of which: 5 to <10	4,359	488	11.20%	7.30%	7.11%	8.85%
	10.00 to <100.00	6,626	1,015	15.32%	23.31%	24.64%	19.32%
	of which: 10 to <20	1,321	213	16.12%	13.73%	14.76%	14.49%
	of which: 20 to <30	4,214	276	6.55%	24.04%	24.04%	12.21%
	of which: 30.00 to <100.00	1,091	526	48.21%	34.28%	38.93%	39.50%
	100.00 (Default)	7,256	7,256	100.00%	100.00%	100.00%	100.00%

Exposure class	PD scale	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Retail – Non-SME secured by immovable property collateral	0.00 to <0.15	632,286	276	0.04%	0.09%	0.09%	0.06%
	of which: 0.00 to <0.10	491,115	177	0.04%	0.08%	0.08%	0.05%
	of which: 0.10 to <0.15	141,171	99	0.07%	0.11%	0.11%	0.10%
	0.15 to <0.25	183,722	246	0.13%	0.19%	0.19%	0.18%
	0.25 to <0.50	116,803	325	0.28%	0.35%	0.35%	0.43%
	0.50 to <0.75	33,407	154	0.46%	0.60%	0.60%	0.66%
	0.75 to <2.50	58,417	709	1.21%	1.25%	1.27%	1.50%
	of which: 0.75 to <1.75	51,350	519	1.01%	1.12%	1.13%	1.29%
	of which: 1.75 to <2.5	7,067	190	2.69%	2.30%	2.30%	2.84%
	2.50 to <10.00	7,218	216	2.99%	4.89%	4.88%	3.57%
	of which: 2.5 to <5	3,747	93	2.48%	3.46%	3.41%	2.46%
	of which: 5 to <10	3,471	123	3.54%	6.50%	6.46%	4.70%
	10.00 to <100.00	6,315	1,002	15.87%	25.10%	27.06%	18.92%
	of which: 10 to <20	787	96	12.20%	16.23%	16.37%	10.76%
	of which: 20 to <30	3,841	294	7.65%	27.60%	24.04%	13.99%
	of which: 30.00 to <100.00	1,687	612	36.28%	0.00%	38.93%	40.64%
	100.00 (Default)	10,001	10,001	100.00%	100.00%	100.00%	100.00%

Exposure class	PD scale	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Retail – Qualifying revolving	0.00 to <0.15			0.00%	0.00%	0.00%	0.00%
	of which: 0.00 to <0.10	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 0.10 to <0.15	0	0	0.00%	0.00%	0.00%	0.00%
	0.15 to <0.25	0	0	0.00%	0.00%	0.00%	0.00%
	0.25 to <0.50	0	0	0.00%	0.00%	0.00%	0.00%
	0.50 to <0.75	0	0	0.00%	0.00%	0.00%	0.00%
	0.75 to <2.50			0.00%	0.00%	0.00%	0.00%
	of which: 0.75 to <1.75	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 1.75 to <2.5	0	0	0.00%	0.00%	0.00%	0.00%
	2.50 to <10.00			0.00%	0.00%	0.00%	0.00%
	of which: 2.5 to <5	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 5 to <10	0	0	0.00%	0.00%	0.00%	0.00%
	10.00 to <100.00			0.00%	0.00%	0.00%	0.00%
	of which: 10 to <20	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 20 to <30	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 30.00 to <100.00	0	0	0.00%	0.00%	0.00%	0.00%
	100.00 (Default)	0	0	0.00%	0.00%	0.00%	0.00%

Exposure class	PD scale	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Retail – Non-SME other	0.00 to <0.15	1,040,516	560	0.05%	0.09%	0.09%	0.07%
	of which: 0.00 to <0.10	755,975	354	0.05%	0.08%	0.08%	0.06%
	of which: 0.10 to <0.15	284,541	206	0.07%	0.11%	0.11%	0.09%
	0.15 to <0.25	552,034	636	0.12%	0.19%	0.19%	0.17%
	0.25 to <0.50	440,781	1,313	0.30%	0.35%	0.36%	0.44%
	0.50 to <0.75	155,929	952	0.61%	0.60%	0.60%	0.83%
	0.75 to <2.50	346,222	4,427	1.28%	1.30%	1.28%	1.50%
	of which: 0.75 to <1.75	301,246	3,367	1.12%	1.13%	1.12%	1.31%
	of which: 1.75 to <2.5	44,976	1,060	2.36%	2.30%	2.30%	2.55%
	2.50 to <10.00	153,891	5,658	3.68%	4.41%	4.85%	3.94%
	of which: 2.5 to <5	92,907	2,911	3.13%	3.52%	3.51%	3.37%
	of which: 5 to <10	60,984	2,747	4.50%	7.10%	6.90%	4.74%
	10.00 to <100.00	64,744	9,671	14.94%	21.08%	22.33%	16.00%
	of which: 10 to <20	25,816	2,659	10.30%	14.84%	15.14%	9.90%
	of which: 20 to <30	30,909	3,797	12.28%	25.43%	24.04%	15.89%
	of which: 30.00 to <100.00	8,019	3,215	40.09%	0.00%	38.93%	39.77%
	100.00 (Default)	90,417	90,417	100.00%	100.00%	100.00%	100.00%

F-IRB

Exposure class	PD scale	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Corporates – SME	0.00 to <0.15	1,855	2	0.11%	0.10%	0.11%	0.11%
	of which: 0.00 to <0.10	1,032	1	0.10%	0.09%	0.07%	0.13%
	of which: 0.10 to <0.15	823	1	0.12%	0.15%	0.15%	0.09%
	0.15 to <0.25	1,126	1	0.09%	0.22%	0.22%	0.21%
	0.25 to <0.50	2,841	18	0.63%	0.44%	0.45%	0.43%
	0.50 to <0.75	14	0	0.00%	0.00%	0.60%	0.37%
	0.75 to <2.50	3,711	37	1.00%	1.25%	1.31%	1.22%
	of which: 0.75 to <1.75	2,797	23	0.82%	1.04%	1.07%	1.11%
	of which: 1.75 to <2.5	914	14	1.53%	2.04%	2.04%	1.50%
	2.50 to <10.00	1,051	25	2.38%	3.61%	3.64%	2.74%
	of which: 2.5 to <5	1,043	25	2.40%	3.61%	3.61%	2.25%
	of which: 5 to <10	8	0	0.00%	0.00%	7.49%	5.35%
	10.00 to <100.00	3,104	123	3.96%	21.06%	28.61%	6.52%
	of which: 10 to <20	745	37	4.97%	11.66%	12.47%	6.73%
	of which: 20 to <30	455	32	7.03%	24.00%	22.89%	11.16%
	of which: 30.00 to <100.00	1,904	54	2.84%	36.23%	36.30%	8.59%
	100.00 (Default)	338	338	100.00%	100.00%	100.00%	100.00%

Exposure class	PD scale	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Corporates – Specialised lending	0.00 to <0.15	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 0.00 to <0.10	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 0.10 to <0.15	0	0	0.00%	0.00%	0.00%	0.00%
	0.15 to <0.25	0	0	0.00%	0.00%	0.00%	0.00%
	0.25 to <0.50	0	0	0.00%	0.00%	0.00%	0.00%
	0.50 to <0.75	0	0	0.00%	0.00%	0.00%	0.00%
	0.75 to <2.50	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 0.75 to <1.75	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 1.75 to <2.5	0	0	0.00%	0.00%	0.00%	0.00%
	2.50 to <10.00	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 2.5 to <5	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 5 to <10	0	0	0.00%	0.00%	0.00%	0.00%
	10.00 to <100.00	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 10 to <20	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 20 to <30	0	0	0.00%	0.00%	0.00%	0.00%
	of which: 30.00 to <100.00	0	0	0.00%	0.00%	0.00%	0.00%
	100.00 (Default)	0	0	0.00%	0.00%	0.00%	0.00%

Exposure class	PD scale	Number of obligors at the end of the year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			of which: number of obligors which defaulted during the year				
a	b	c	d	e	f	g	h
Corporates – Other	0.00 to <0.15	1,954	8	0.41%	0.09%	0.10%	0.27%
	of which: 0.00 to <0.10	1,140	7	0.61%	0.07%	0.06%	0.20%
	of which: 0.10 to <0.15	814	1	0.12%	0.15%	0.15%	0.37%
	0.15 to <0.25	1,110	2	0.18%	0.22%	0.20%	0.23%
	0.25 to <0.50	1,978	8	0.40%	0.44%	0.44%	0.37%
	0.50 to <0.75	28	0	0.00%	0.00%	0.61%	1.50%
	0.75 to <2.50	1,864	5	0.27%	1.16%	1.28%	0.94%
	of which: 0.75 to <1.75	1,452	4	0.28%	0.99%	1.07%	0.87%
	of which: 1.75 to <2.5	412	1	0.24%	2.04%	2.04%	1.06%
	2.50 to <10.00	567	5	0.88%	3.61%	3.67%	2.08%
	of which: 2.5 to <5	556	5	0.90%	3.61%	3.60%	1.77%
	of which: 5 to <10	11	0	0.00%	0.00%	7.25%	3.97%
	10.00 to <100.00	1,936	47	2.43%	23.33%	31.35%	5.21%
	of which: 10 to <20	313	13	4.15%	11.50%	12.64%	6.75%
	of which: 20 to <30	158	9	5.70%	24.40%	22.18%	6.88%
	of which: 30.00 to <100.00	1,465	25	1.71%	36.23%	36.34%	6.51%
	100.00 (Default)	89	89	100.00%	100.00%	100.00%	100.00%

Table 18 - 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 increased exposure towards central governments or central banks from 2020 to 2021 are 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 tax asset.

EURm			Original Exposure		Exposure	
Credit quality step	Standard & Poor's rating	Risk weight	Dec 2021	Dec 2020	Dec 2021	Dec 2020
(a) Central Governments or Central banks						
1	AAA to AA-	0%	76,861	61,642	81,348	66,125
2	A+ to A-	20%	8	20	45	19
3	BBB+ to BBB-	50%	93	86	93	85
4 to 6 or blank	BB+ and below, or without rating	100-250%	425	420	217	160
Total			77,387	62,168	81,704	66,390
(b) Regional Governments or local authorities						
1	AAA to AA-[1])	0% - 20%[1]	11,361	10,951	6,796	7,497
2	A+ to A-	50%				
3 to 6 or blank	BBB+ and below, or without rating	100-250%				
Total			11,361	10,951	6,796	7,497
(c) Public sector entites						
1	AAA to AA-[1])	0% - 20%[1]		275		150
2	A+ to A-	50%				
3 to 6 or blank	BBB+ and below, or without rating	100-250%				
Total				275		150
(d) Multilateral Developments Banks						
1	AAA to AA-[2])	0% - 20%[2]	1,557	1,737	1,537	1,720
2	A+ to A-	50%				
3 to 6 or blank	BBB+ and below, or without rating	100-250%				
Total			1,557	1,737	1,537	1,720
(e) Institutions						
1	AAA to AA-	20%	439	145	438	145
2	A+ to A-	50%	1	16	1	16
3 to 6 or blank	BBB+ and below, or without rating	100-150%		0		0
Total			440	162	440	162
(f) Corporates						
1	AAA to AA-	20%				
2	A+ to A-	50%				
3 to 4	BBB+ to BB-3)	100%	2,421	2,892	2,122	2,480
5 to 6 or blank	B+ and below, or without rating	150%				
Total			2,421	2,892	2,122	2,480

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.

Table 19 - EU CQ1: Credit quality of forborne exposures

Forbearance refers to eased terms or restructuring of credit terms and conditions due to the borrower experiencing financial difficulties. The intention of granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of eased terms are changes to amortisation profile, repayment schedule and customer margin, or eased financial covenants. Total forborne loans and advances increased by EUR 0.3bn compared to end of 2020 to EUR 3.3bn. Non-performing forborne loans and advances increased by EUR 0.2bn and performing forborne loans and advances increased by EUR 0.1bn.

		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		Collaterals received and financial guarantees received on forborne exposures	
		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
	2021Q4, EURm			Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits								
010	Loans and advances	1,365	1,905	1,905	1,857	-48	-448	806	234
020	Central banks								
030	General governments							0	
040	Credit institutions								
050	Other financial corporations	3	44	44	44	0	-10	1	0
060	Non-financial corporations	824	1,684	1,684	1,641	-36	-408	396	140
070	Households	538	177	177	172	-12	-30	409	94
080	Debt Securities								
090	Loan commitments given	68	72	72	72	-4	0	65	0
100	Total	1,433	1,977	1,977	1,929	-52	-449	872	234

		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		Collaterals received and financial guarantees received on forborne exposures	
		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
	2020Q4, EURm			Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits								
010	Loans and advances	1,272	1,711	1,711	1,590	-30	-434	747	269
020	Central banks								
030	General governments								
040	Credit institutions								
050	Other financial corporations	1	71	71	71	0	-51	0	
060	Non-financial corporations	713	1,442	1,442	1,331	-20	-349	324	169
070	Households	557	197	197	188	-11	-34	422	100
080	Debt Securities								
090	Loan commitments given	49	31	31	31	-3	0	12	0
100	Total	1,321	1,742	1,742	1,621	-33	-435	760	269

Table 20 - EU CQ3: Credit quality of performing and non-performing exposures by past due days

Credit quality remained stable during 2021. Total gross carrying amount of loans and advances increased by EUR 14.2bn and were EUR 332bn at the end of the year. Performing loans and advances increased by EUR 15bn, while non-performing loans and advances decreased by EUR 0.8bn. The decrease was driven by active credit risk management decisions during the year. Major part of non-performing loans, 83%, are loans which are classified as unlikely to pay, that are not past-due or that are past-due less or equal to 90 days.

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
	2021Q4, EURm		Not past due or Past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due or 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 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	48,058	42,280	5,778									
010	Loans and advances	328,023	327,690	333	4,171	3,446	108	150	192	197	48	30	4,171
020	Central banks	0	0										
030	General governments	4,597	4,596	1	34	34				0			34
040	Credit institutions	676	664	12									
050	Other financial corporations	11,350	11,350	0	51	47	0	1	0	2	0	0	51
060	Non-financial corporations	124,073	123,987	86	2,733	2,483	39	48	56	58	30	18	2,733
070	Of which SMEs	52,200	52,160	40	929	733	29	42	49	54	14	9	929
080	Households	187,327	187,092	234	1,353	881	69	101	135	138	17	12	1,353
090	Debt Securities	52,499	52,489	10									
100	Central banks	8,528	8,528										
110	General governments	14,795	14,791	4									
120	Credit institutions	27,929	27,929										
130	Other financial corporations	511	511										
140	Non-financial corporations	737	731	6									
150	Off-balance sheet exposures	115,675			400								400
160	Central banks	1											
170	General governments	7,118											
180	Credit institutions	3,512											
190	Other financial corporations	3,838			2								2
200	Non-financial corporations	67,684			368								368
210	Households	33,522			30								30
220	Total	544,254	422,459	6,120	4,571	3,446	108	150	192	197	48	30	4,571

		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 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 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	35,602	34,767	835									
010	Loans and advances	312,993	312,593	401	4,999	4,143	92	191	228	255	48	41	4,999
020	Central banks	538	538										
030	General governments	5,559	5,558	0	37	37							37
040	Credit institutions	595	595	0									
050	Other financial corporations	5,650	5,650	0	117	116	0	0	0	0	0		117
060	Non-financial corporations	125,310	125,156	154	3,108	2,832	24	66	63	81	17	24	3,108
070	Of which SMEs	49,037	48,988	49	1,035	832	19	56	53	51	12	12	1,035
080	Households	175,341	175,095	246	1,737	1,158	68	124	165	173	31	17	1,737
090	Debt Securities	50,598	50,598										
100	Central banks	2,750	2,750										
110	General governments	13,669	13,669										
120	Credit institutions	33,128	33,128										
130	Other financial corporations	543	543										
140	Non-financial corporations	507	507										
150	Off-balance sheet exposures	113,397			715								715
160	Central banks	1											
170	General governments	6,637											
180	Credit institutions	4,290											
190	Other financial corporations	4,335			2								2
200	Non-financial corporations	66,880			596								596
210	Households	31,255			117								117
220	Total	512,590	397,957	1,236	5,714	4,143	92	191	228	255	48	41	5,714

Table 21 - EU CQ4: Quality of non-performing exposures by geography

The distribution of non-performing exposures by geography, seen in the table below, shows a degree of diversification where approximately 84% (86%) of the total non-performing volume represents exposures in Nordic countries. During the year 2021, total non-performing exposures decreased by EUR 1.1bn from EUR 5.7bn in 2020 to EUR 4.6bn in 2021. Non-performing exposures, on balance, decreased by EUR 0.8bn, of which Denmark decreased by EUR 0.5bn.

		a	b	c	d	e	f	g
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
	2021Q4, EURm			of which: defaulted				
010	On balance sheet exposures	432,750	4,171	4,171	355,837	-2,222		-61
020	Finland	100,144	1,083	1,083	99,716	-597		0
030	Sweden	125,325	316	316	114,223	-208		0
040	Norway	75,144	813	813	73,909	-440		0
050	Denmark	101,250	1,254	1,254	41,190	-580		-61
060	United States	12,458	3	3	9,357	-4		0
070	Other countries	18,431	702	702	17,441	-392		0
080	Off balance sheet exposures	116,075	400	400			-183	
090	Finland	21,629	176	176			-34	
100	Sweden	28,705	70	70			-41	
110	Norway	21,460	37	37			-16	
120	Denmark	30,355	104	104			-85	
130	United States	3,606	1	1			-1	
140	Other countries	10,320	12	12			-7	
150	Total	548,825	4,571	4,571	355,837	-2,222	-183	-61

		a	b	c	d	e	f	g
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
	2020Q4, EURm			of which: defaulted				
010	On balance sheet exposures	404,192	4,999	4,999	331,096	-2,452		-92
020	Finland	96,639	1,317	1,317	96,639	-586		0
030	Sweden	110,076	366	366	105,934	-265		0
040	Norway	66,263	851	851	65,856	-528		0
050	Denmark	102,370	1,720	1,720	39,925	-722		-92
060	United States	8,990	3	3	5,489	-8		0
070	Other countries	19,855	743	743	17,253	-342		0
080	Off balance sheet exposures	114,112	715	715			-235	
090	Finland	22,582	280	280			-47	
100	Sweden	36,808	136	136			-57	
110	Norway	19,344	124	124			-29	
120	Denmark	21,340	110	110			-89	
130	United States	3,344	0	0			-2	
140	Other countries	10,694	65	65			-11	
150	Total	518,304	5,714	5,714	331,096	-2,452	-235	-92

Table 22 - EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

Table EU CQ5 displays loans and advances by industry group to non-financial corporations. The industry breakdown follows the Standard Industrial Classification TOL 2008 and is based on the European Union's classification of economic activities, NACE Rev. 2. The non-financial corporate portfolio was well diversified between industry groups. Real estate activities and manufacturing contributed to the largest share of total loans and advances. During the year 2021, non-performing loans and advances decreased by EUR 0.4bn to EUR 2.7bn (EUR 3.1bn), primarily driven by decreased impairments in Agriculture, forestry & fishing and Manufacturing.

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
	2021Q4, EURm			of which: defaulted			
010	Agriculture, forestry and fishing	8,078	452	452	4,056	-104	-16
020	Mining and quarrying	1,208	541	541	1,202	-329	
030	Manufacturing	16,205	338	338	15,956	-234	
040	Electricity, gas, steam and air conditioning supply	5,609	3	3	5,101	-4	
050	Water supply	1,157	2	2	1,050	-2	
060	Construction	7,002	108	108	6,448	-106	
070	Wholesale and retail trade	8,112	217	217	7,576	-171	
080	Transport and storage	9,047	585	585	8,779	-211	
090	Accommodation and food service activities	1,517	17	17	1,030	-26	
100	Information and communication	2,672	70	70	2,357	-28	
110	Real estate activities	40,021	190	190	31,677	-195	
120	Financial and insurance actvities	11,784	26	26	11,275	-30	
130	Professional, scientific and technical activities	7,761	137	137	6,915	-86	
140	Administrative and support service activities	3,047	29	29	2,803	-33	
150	Public administration and defense, compulsory social security	89			87	0	
160	Education	353	3	3	258	-3	
170	Human health services and social work activities	1,138	4	4	801	-5	
180	Arts, entertainment and recreation	828	11	11	659	-11	
190	Other services	1,181	2	2	982	-3	
200	Total	126,806	2,733	2,733	109,012	-1,581	-16

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
	2020Q4, EURm			of which: defaulted			
010	Agriculture, forestry and fishing	8,332	721	721	3,650	-131	-27
020	Mining and quarrying	1,332	387	387	1,328	-178	0
030	Manufacturing	19,273	552	552	18,950	-393	0
040	Electricity, gas, steam and air conditioning supply	4,271	1	1	3,777	-4	0
050	Water supply	1,081	2	2	965	-2	0
060	Construction	6,019	109	109	5,302	-108	0
070	Wholesale and retail trade	7,597	168	168	6,877	-150	0
080	Transport and storage	9,207	638	638	8,905	-283	0
090	Accommodation and food service activities	1,446	28	28	946	-25	0
100	Information and communication	2,970	20	20	2,485	-25	0
110	Real estate activities	40,902	252	252	32,456	-176	0
120	Financial and insurance actvities	9,061	51	51	8,905	-44	0
130	Professional, scientific and technical activities	9,351	118	118	8,282	-78	0
140	Administrative and support service activities	3,183	29	29	2,878	-40	0
150	Public administration and defense, compulsory social security	77	0	0	74	0	0
160	Education	446	2	2	313	-5	0
170	Human health services and social work activities	1,243	9	9	788	-10	0
180	Arts, entertainment and recreation	875	17	17	664	-16	0
190	Other services	1,751	4	4	1,530	-6	0
200	Total	128,418	3,108	3,108	109,077	-1,672	-27

Table 23 - EU CQ7: Collateral obtained by taking possession and execution processes

		a	b
		Collateral obtained by taking possession accumulated	
	2021Q4, EURm	Value at initial recognition	Accumulated negative changes
010	Property Plant and Equipment (PP&E)	0.0	0.0
020	Other than Property Plant and Equipment	6.3	-0.4
030	Residential immovable property	0.1	0.0
040	Commercial Immovable property	0.2	0.0
050	Movable property (auto, shipping, etc.)	1.7	-0.1
060	Equity and debt instruments	3.9	-0.2
070	Other	0.5	0.0
080	Total	6.3	-0.4

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

		a	b
		Collateral obtained by taking possession accumulated	
	2020Q4, EURm	Value at initial recognition	Accumulated negative changes
010	Property Plant and Equipment (PP&E)	0.0	0.0
020	Other than Property Plant and Equipment	6.9	-0.6
030	Residential immovable property	1.2	-0.2
040	Commercial Immovable property	0.0	0.0
050	Movable property (auto, shipping, etc.)	1.6	-0.2
060	Equity and debt instruments	2.0	-0.2
070	Other	2.0	0.0
080	Total	6.9	-0.6

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

Table 24 - EU CCR1 Analysis of counterparty credit risk by approach

Nordea is using two methodologies when calculating the counterparty credit risk amounts. These methodologies are the standardised approach (SA-CCR), which has been implemented during 2021, shifting away from the previous Mark to Market Method, and the Internal Model Method (IMM). For Securities Financing Transactions (SFT) Nordea is using the financial collateral comprehensive method. Portfolio changes and decrease in exposure derived from higher rates have been offset by foreign exchange moves, leaving REA almost unchanged for the period.

2021 Q4

EURm	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU - Original Exposure Method (for derivatives)	5	4			13	11	11	3
EU - Simplified SA-CCR (for derivatives)								
SA-CCR (for derivatives)	267	915		1	2 471	1 466	1 463	607
IMM (for derivatives and SFTs)			6 512		16 810	10 550	10 474	3 602
Of which securities financing transactions netting sets								
Of which derivatives and long settlement transactions netting sets			6 512		16 810	10 550	10 474	3 602
Of which from contractual cross-product netting sets								
Financial collateral simple method (for SFTs)								
Financial collateral comprehensive method (for SFTs)					22 372	1 551	1 551	309
VaR for SFTs								
Total					41 666	13 578	13 498	4 521

Table 25 - 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 where the advanced approach is based on a VaR model and calculated as a 60 day average. REA amounts have increased since the last reporting period. The increase in ACVA is mostly attributed to a higher EAD for those portfolios subject to the advanced method, which leads to higher credit sensitivities. On the other hand, the increase in SCVA REA numbers since last report period is driven by adjustments in the hedging strategy.

2021 Q4

EURm	Exposure value	RWEA
Total transactions subject to the Advanced method	2 297	
(i) VaR component (including the 3× multiplier)		53
(ii) stressed VaR component (including the 3× multiplier)		473
Transactions subject to the Standardised method	883	248
Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
Total transactions subject to own funds requirements for CVA risk	3 180	773

Table 26 - EU CCR3 Standardised approach - Counterparty credit risk exposures by regulatory exposure class and risk weights

The total amount of EAD for the SA approach remained stable between Q2 2021 and Q4 2021. The central governments or central bank exposures increase was offset by a decrease in institutions and multilateral development banks.

Q4 2021

EURm	Risk weight											
Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	Total
Central governments or central banks	1,832				0							1,832
Regional governments or local authorities	1,468				284							1,752
Public sector entities												
Multilateral development banks	343											343
International organisations	49											49
Institutions		910			10	1					159	1,080
Corporate									11			11
Retail								0				0
Secured by mortgages on immovable property						0						0
Other items												
Total	3691	910	0	0	295	1	0	0	11	0	159	5067

Pre Funded Fund Contribution is excluded from calculation of exposure amounts

Q2 2021

EURm	Risk weight											
Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	Total
Central governments or central banks	1,403				28							1,431
Regional governments or local authorities	1,484				310							1,794
Public sector entities												
Multilateral development banks	520											520
International organisations	60											60
Institutions		1,068			13	3						1,084
Corporate									14			14
Retail								0				0
Secured by mortgages on immovable property						0						0
Other items												
Total	3,467	1,068	0	0	350	3	0	0	14	0	0	4,903

Default fund contributions to a CCP is excluded from calculation of exposure amounts

Table 27 - EU CCR4: Counterparty credit risk exposures by portfolio and PD scale

Table shows 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 Q3-Q4 2021 total EAD increased by EUR 0.2bn while REA remained stable. The REA density decreased from 48% to 47%.

2021 Q4 , EURm	a	b	c	d	e	f	g
Central governments and central banks (F-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							
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)							
Central governments and central banks (F-IRB)							
Central governments and central banks (A-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							
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)							
Central governments and central banks (A-IRB)							
Institutions (F-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	2,593	0.07%	109	45.0%	2.3	852	33%
0.15 to < 0.25	160	0.17%	31	45.0%	2.3	76	47%
0.25 to < 0.50	190	0.34%	46	45.0%	2.5	131	69%
0.50 to < 0.75	11	0.66%	6	45.0%	2.5	8	72%
0.75 to < 2.50	26	1.04%	10	45.0%	2.5	26	99%
2.50 to < 10.00							
10.00 to < 100							
100 (Default)							
Institutions (F-IRB)	2,980	0.10%	202	45.0%	2.3	1,093	37%
Institutions (A-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							
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)							
Institutions (A-IRB)							
Corporates (F-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	3,831	0.08%	1,252	44.8%	2.3	1,289	34%
0.15 to < 0.25	764	0.22%	586	44.6%	2.2	425	56%
0.25 to < 0.50	985	0.44%	1,181	43.8%	2.4	780	79%
0.50 to < 0.75							
0.75 to < 2.50	621	1.17%	911	43.7%	2.1	550	89%
2.50 to < 10.00	167	3.61%	101	44.9%	2.5	224	134%
10.00 to < 100	24	18.25%	226	43.8%	2.5	44	180%
100 (Default)	19	18.44%	58	43.9%	2.5	1	5%
Corporates (F-IRB)	6,411	0.71%	4,315	44.5%	2.3	3,313	52%

Corporates (A-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	31	0.08%		32.0%	2.5	8	25%
0.15 to < 0.25	22	0.22%		32.9%	2.5	15	68%
0.25 to < 0.50	2	0.44%		33.1%	2.5	1	63%
0.50 to < 0.75							
0.75 to < 2.50	1	0.84%		34.9%	2.5	1	70%
2.50 to < 10.00							
10.00 to < 100	0	10.74%		34.3%	2.5	0	137%
100 (Default)							
Corporates (A-IRB)	56	0.20%		32.5%	2.5	25	45%

Retail (A-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	3	0.09%	46	34.4%	2.5	0	8%
0.15 to < 0.25	9	0.21%	68	34.3%	2.5	1	15%
0.25 to < 0.50	8	0.34%	67	34.5%	2.5	2	20%
0.50 to < 0.75	8	0.60%	30	34.5%	2.5	2	29%
0.75 to < 2.50	8	1.36%	246	36.6%	2.5	3	40%
2.50 to < 10.00	10	3.29%	119	38.1%	2.5	5	55%
10.00 to < 100	8	23.65%	90	37.0%	2.5	7	91%
100 (Default)	0	100.00%	14	34.5%	2.5	0	431%
Retail (A-IRB)	52	4.63%	680	35.8%	2.5	21	40%
Total (all CCR relevant exposure classes)	9,499	0.54%	5,197	44.6%	2.3	4,452	47%

Table 28 - EU CCR5: 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) is included as collateral. Most significant change since last reporting date is the lower amounts of collateral used in SFT transactions which is mainly explained by lower SFT volumes during the last quarter of 2021. Regarding derivatives transactions, the lower collateral amounts received can be explained by a significant reduction in exposure, which has been driven by higher rates since the last reporting period. On the other hand, the reduction in collateral posted is mostly attributed to the fact that Nordea is now less out-of-the-money against counterparties that typically had been deeply out-of-the-money due to the low rates environment. Reduction in derivatives volumes have also contributed to the latter.

2021 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	Segregated	Unsegregated	Segregated	Unsegregated
Cash – domestic currency	0	12 686	3	12 936	5	1 757	-	3 669
Cash – other currencies	5	14 196	0	14 384	163	199	-	902
Domestic sovereign debt	-	-	-	-	-	375	-	481
Other sovereign debt	-	696	154	1 621	21	15 101	-	8 786
Government agency debt	-	-	-	-	-	-	-	-
Corporate bonds	0	13	-	-	67	10 971	-	11 289
Equity securities	10	-	-	-	4 328	8 860	0	1 128
Other collateral	727	133	2 099	596	448	4 300	-	907
Total	742	27 725	2 256	29 536	5 032	41 563	0	27 162

Table 29 - EU CCR5-A: Impact of netting and collateral held on exposure values

Higher Nordic rates since Q2 pushed derivatives exposures down which translated into lower netting benefits. At year end 2021 current net exposure (after close-out netting and collateral reduction) was EUR 4.45bn.

2021 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	95,544	84,647	10,897	6,790	4,107
Securities Financing Transactions	24,639	13,429	11,210	10,868	341
Cross product netting	0	0	0	0	0
Total	120,183	98,077	22,106	17,658	4,448

2021 Q2

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

Table 30 - EU CCR7: REA flow statements of CCR exposures under the IMM

The breakdown of REA movements into the components shown in the table is done on a best effort basis. Only exposures calculated under IMM are included in this breakdown. REA decrease throughout the last quarter of 2021 can be mostly attributed to lower volumes and higher rates, which has been partially offset by an increase in exposure due to foreign exchange moves.

EURm	REA amounts	Capital requirements
REA 2021 Q3	3,824	306
Asset size	-252	-20
Credit quality of counterparties	19	2
Model updates (IMM only)	60	5
Methodology and policy (IMM only)		0
Acquisitions and disposals	0	0
Foreign exchange movements	202	16
Interest rate movements	-172	-14
Other	-44	-4
REA 2020 Q4	3,636	291

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

Table 31 - EU CCR8 Exposures to central counterparties

Exposure towards QCCPs decreased slightly due to lower repo volumes since last reporting period. Semi-annual exposure/REA development looks stable. 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).

2021 Q4

EURm	EAD (post-CRM)	REA
Exposures to QCCPs (total)	0	79
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	566	11
(i) OTC derivatives	196	4
(ii) Exchange-traded derivatives	106	2
(iii) Securities financing transactions	264	5
(iv) Netting sets where cross-products netting has been approved	0	0
Segregated initial margin	601	0
Non-segregated initial margin	344	7
Pre-funded default fund contribution	159	61
Unfunded default fund contribution	0	0
Exposures to non-QCCPs (total)		0
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
(i) OTC derivatives		
(ii) Exchange-traded derivatives		
(iii) SFTs		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Prefunded default fund contributions		
Unfunded default fund contributions		

Table 32 - EU LIQ1 - Quantitative information of LCR

Nordea Group's short term liquidity risk exposure measured by Liquidity Coverage Ratio (LCR) remained on a good and stable level throughout 2021. During 2021 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 is responsible for the management of the Group's liquidity positions, liquidity buffers, external and internal funding including the mobilisation of cash around the Group, and Funds Transfer Pricing. Nordea actively manages LCR on currency level by holding liquid assets across all significant currencies and by managing possible currency mismatches. Nordea's derivative exposures and their impact to LCR is closely monitored and managed. Associated collateral calls during possible liquidity crises are monitored, managed as well as stressed in LCR.

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	2021 Q4	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21
	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
EU 1b									
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					114,045	111,444	105,156	104,422
Cash Outflows									
2	retail deposits and deposits from small business customers, of which:	102,783	101,577	100,380	98,829	6,846	6,733	6,635	6,514
3	*Stable deposits*	80,277	79,679	78,940	79,249	4,014	3,984	3,947	4,133
4	*Less stable deposits*	22,506	21,898	21,441	15,903	2,832	2,749	2,688	1,994
5	Unsecured wholesale funding	119,427	116,768	110,923	108,715	56,220	55,626	51,379	50,562
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	31,999	30,827	30,550	30,242	7,591	7,298	7,228	7,155
7	*Non-operational deposits (all counterparties)*	76,960	75,218	70,154	67,485	38,160	37,605	33,932	32,420
8	*Unsecured debt*	10,469	10,723	10,219	10,988	10,469	10,723	10,219	10,988
9	*Secured wholesale funding*					2,445	2,285	2,504	3,153
10	Additional requirements	76,889	76,947	77,226	76,510	13,619	13,711	14,098	14,409
11	*Outflows related to derivative exposures and other collateral requirements*	7,756	7,901	8,420	8,975	7,273	7,323	7,635	7,991
12	*Outflows related to loss of funding on debt products*	15	15	19	5	15	15	19	5
13	*Credit and liquidity facilities*	69,118	69,031	68,786	67,530	6,332	6,373	6,444	6,413
14	Other contractual funding obligations	3,381	3,157	2,189	1,929	3,004	2,752	1,737	1,297
15	Other contingent funding obligations	47,687	46,537	44,804	42,637	3,048	3,000	2,911	2,743
16	Total cash outflows					85,181	84,106	79,265	78,679
Cash - Inflows									
17	Secured lending (e.g. reverse repos)	23,832	23,871	24,553	18,855	1,966	2,017	2,472	1,990
18	Inflows from fully performing exposures	11,356	11,376	11,020	11,116	5,557	5,574	5,422	5,248
19	Other cash inflows	6,044	6,245	6,396	15,968	5,365	5,430	5,154	6,912
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	Total cash inflows	41,232	41,492	41,970	45,828	12,888	13,021	13,049	14,150
EU-20a	*Fully exempt inflows*								
EU-20b	*Inflows subject to 90% cap*				3				
EU-20c	*Inflows subject to 75% cap*	41,232	41,492	41,970	45,825	12,888	13,021	13,049	14,149
Total Adjusted Value									
21	Liquidity buffer					114,045	111,444	105,156	104,422
22	Total net cash outflows					72,293	71,085	66,216	64,716
23	Liquidity coverage ratio					158%	157%	159%	162%

Table 33 - EU LIQ2: Net Stable Funding Ratio (In accordance with Article 451a(3) CRR)

Following Regulation (EU) 2019/876, the introduction of a minimum Net Stable Funding Ratio (NSFR) of 100 % applicable since June 30, 2021 requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. All liabilities and capital instruments are assigned an ASF weight, while assets and certain off balance sheet positions receive an RSF weight. The objective is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of funding stress. The NSFR was 111.1% at the end of Q4 2021. It represents a 2.2%-decrease compared to the previous quarter (113.6%), primarily driven by an increase in mortgage lending over the period. The following table sets out the unweighted and weighted value of the NSFR components of the Nordea Group at December 31, 2021 (i.e. quarter-end observation).

ASF

			a	b	c	d	e
C 81.00			Unweighted value by residual maturity				Weighted value
Ref BCBS NSFR	*Ref CRR2*		No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
	451a 3b	Available stable funding (ASF) Items					
		1 Capital items and instruments	30,532	0	881	3,428	33,959
21a,24d, 25a		2 *Own funds*	30,532	0	127	3,327	33,858
21b,24d,25a		3 *Other capital instruments*	0	0	754	101	101
		4 Retail deposits	0	100,050	100	27	94,032
21c,22		5 *Stable deposits*	0	77,313	73	18	73,534
21c,23		6 *Less stable deposits*	0	22,737	27	10	20,498
		7 Wholesale funding:	0	168,847	24,476	121,138	183,761
21c,24b,25a		8 *Operational deposits*	0	38,089	0	0	3,076
21c,24acd,25a		9 *Other wholesale funding*	0	130,758	24,476	121,138	180,684
45		10 Interdependent liabilities	0	0	0	0	0
		11 Other liabilities:	0	18,405	0	0	0
19,20,25c		12 *NSFR derivative liabilities*	0	0	0	0	0
25abd		13 *All other liabilities and capital instruments not included in the above categories*	0	18,405	0	0	0
		14 Total available stable funding (ASF)					311,752

RSF

			a	b	c	d	e
C 80.00			Unweighted value by residual maturity				Weighted value
Ref BCBS NSFR	*Ref CRR2*		No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	
	451a 3c	Required stable funding (RSF) Items					
36ab,37,39a,40 ab,42a,43a	See instructions	15 *Total high-quality liquid assets (HQLA)*		0	0	0	3,741
		EU-15a *Assets encumbered for more than 12m in cover pool*		0	0	103,833	88,258
40d		16 Deposits held at other financial institutions for operational purposes		497	0	0	248
		17 *Performing loans and securities:*		73,248	19,577	159,713	166,183
38,40c,43c		18 *Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*		3,248	0	0	0
39b,40c,43c		19 Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		14,442	627	1,438	2,518
36c,40e,41b,42 b,43a		20 *Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		49,167	12,645	80,654	100,499
36c,40e,41b,43 a		21 *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		3,941	168	1,354	2,970
40e,41a,42b,43 a		22 Performing residential mortgages, of which:		5,815	5,733	70,145	56,253
40e,41a,43a		23 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		4,699	4,734	45,722	34,436
40e,42c,43a		24 *Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		575	571	7,477	6,913
45		25 *Interdependent assets*		0	0	0	0
		26 Other assets:		16,856	142	10,204	16,343
42d		27 *Physical traded commodities*		0	0	0	0
42a		28 *Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		2,349	0	0	1,996
34,35,43b		29 NSFR derivative assets		3,168	0	0	3,168
19,43d		30 *NSFR derivative liabilities before deduction of variation margin posted*		9,343	0	0	467
36d,43c		31 *All other assets not included in the above categories*		1,996	142	10,204	10,712
46,47		32 Off-balance sheet items		12,228	10,332	76,232	5,744
		33 Total RSF					280,517

NSFR

9	Art451a(3a), Art428b	34 Net Stable Funding Ratio (%)	111.1%

Table 34 - EU AE1 - Encumbered and unencumbered assets

The below disclosure represents the computed median values of the four quarters between 31 March 2021 and 31 December 2021, 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 Nordea Direct Boligkreditt AS, 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.

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
	EURm	010	030	040	050	060	080	090	100
010	Assets of the reporting institution	168,815	39,470	0	0	339,629	84,042	0	0
030	Equity instruments	1,193	0	1,193	0	5,193	0	5,193	0
040	Debt securities	16,755	12,117	16,755	12,117	41,927	35,984	41,125	35,181
050	of which: covered bonds	6,919	6,290	6,919	6,290	20,989	20,724	20,989	20,724
060	of which: securitisations	0	0	0	0	0	0	0	0
070	of which: issued by general governments	6,664	6,235	6,664	6,235	9,524	8,552	9,524	8,552
080	of which: issued by financial corporations	9,391	7,172	9,391	7,172	23,264	20,295	23,264	20,295
090	of which: issued by non-financial corporations	696	535	696	535	615	273	615	273
120	Other assets	150,867	27,353	0	0	292,509	48,058	0	0

Table 35 - EU AE2 - Collateral received and own debt securities issued

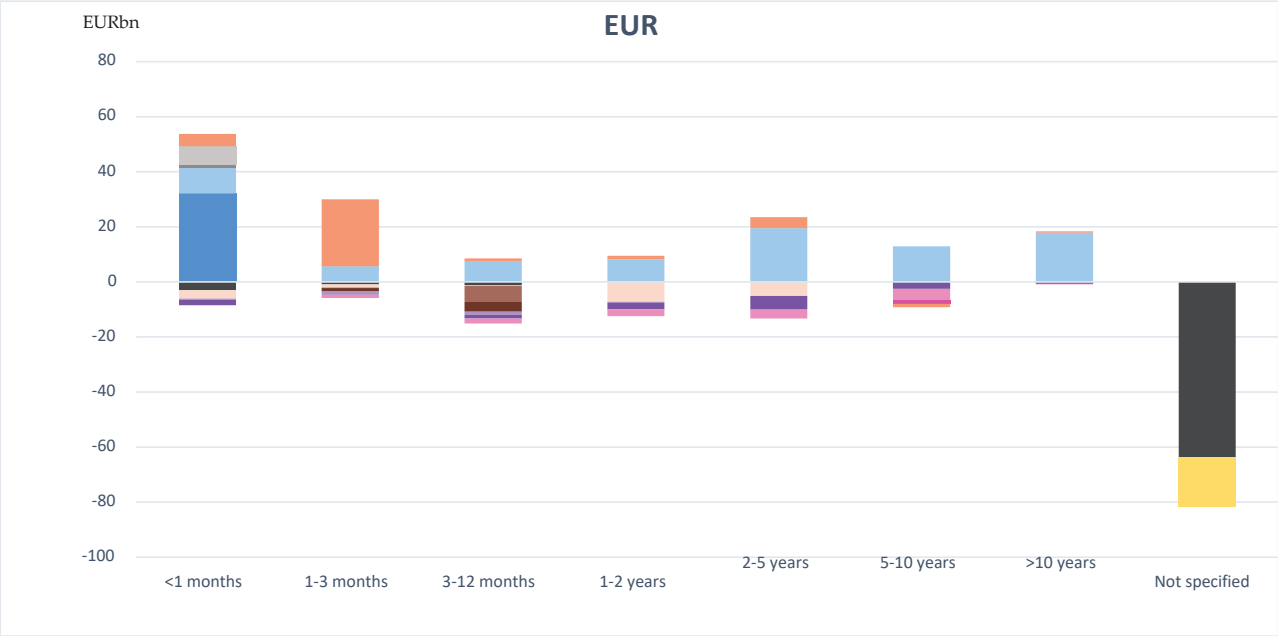
		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
	EURm	010	030	040	060
130	Collateral received by the reporting institution	2,156	1,957	42,404	39,015
140	Loans on demand				
150	Equity instruments			1,405	
160	Debt securities	2,156	1,957	12,974	10,990
170	of which: covered bonds	1,268	1,097	7,573	6,348
180	of which: securitisations				
190	of which: issued by general governments	864	860	4,987	4,568
200	of which: issued by financial corporations	1,268	1,097	7,747	6,421
210	of which: issued by non-financial corporations	23		240	1
220	Loans and advances other than loans on demand			24,562	24,562
230	Other collateral received			3,463	3,463
240	Own debt securities issued other than own covered bonds or securitisations			27	
241	Own covered bonds and asset-backed securities issued and not yet pledged			6,263	6,263
250	Total assets, collateral received and own debt securities issued	170,971	41,427		

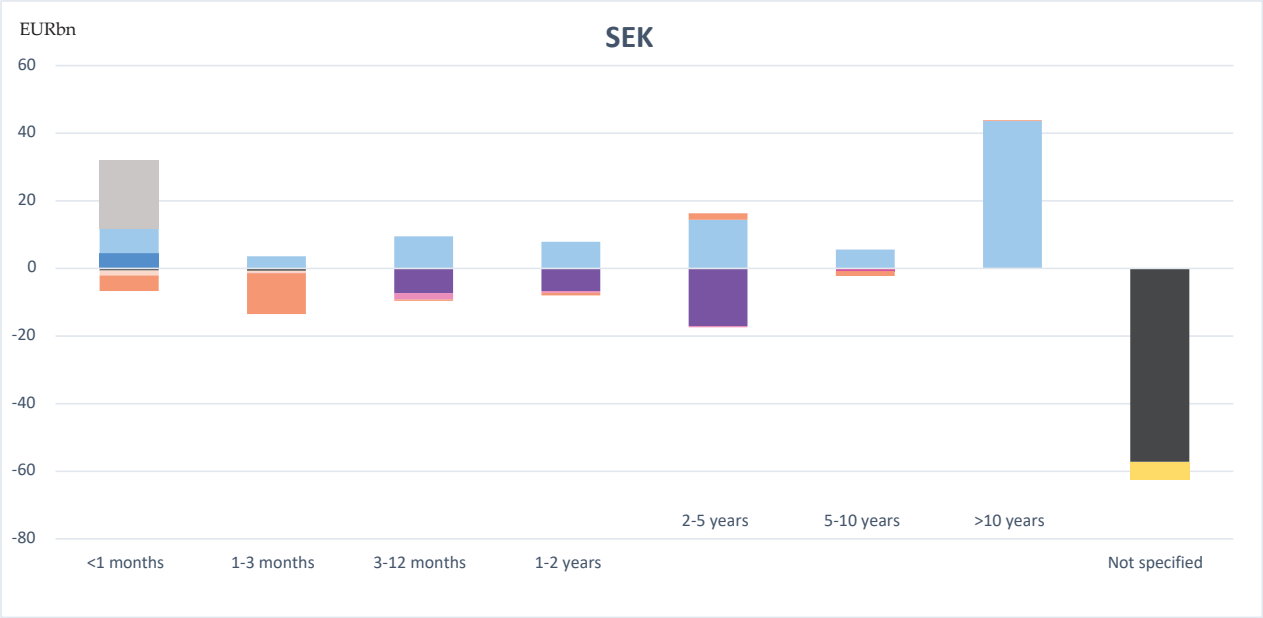
Table 36 - EU AE3 - Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
	EURm	010	030
010	Carrying amount of selected financial liabilities	153,091	168,170

Table 37 Maturity analysis of assets and liabilities, split by currency

During 2021, 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.

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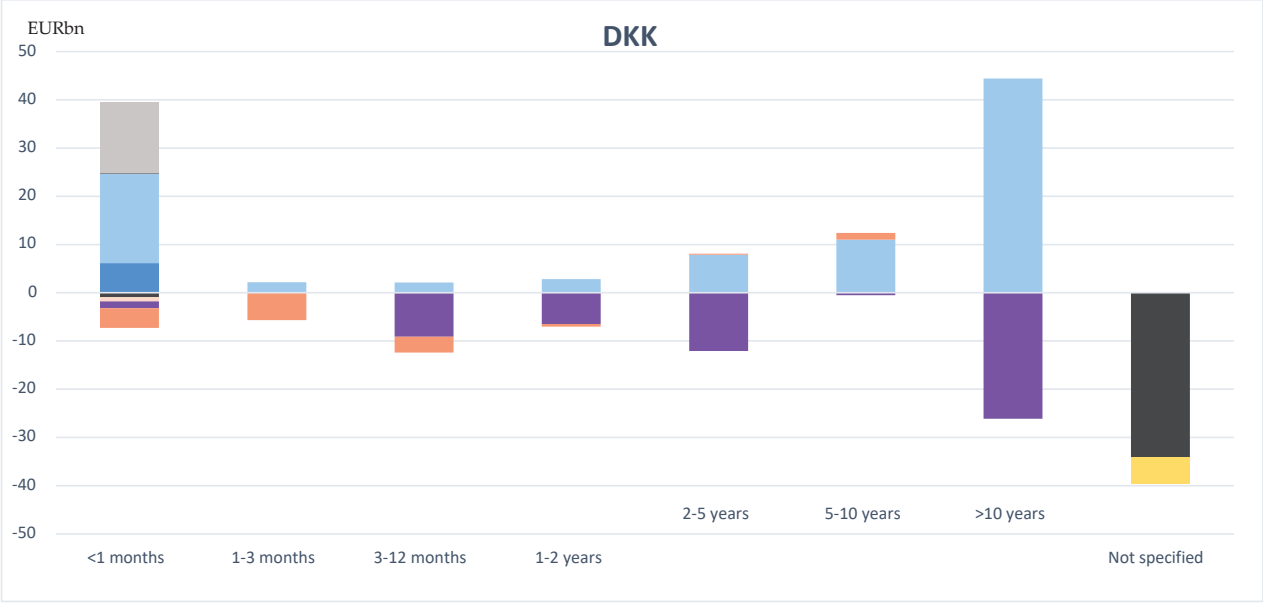
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<1 months
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1-2 years
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5-10 years
>10 years
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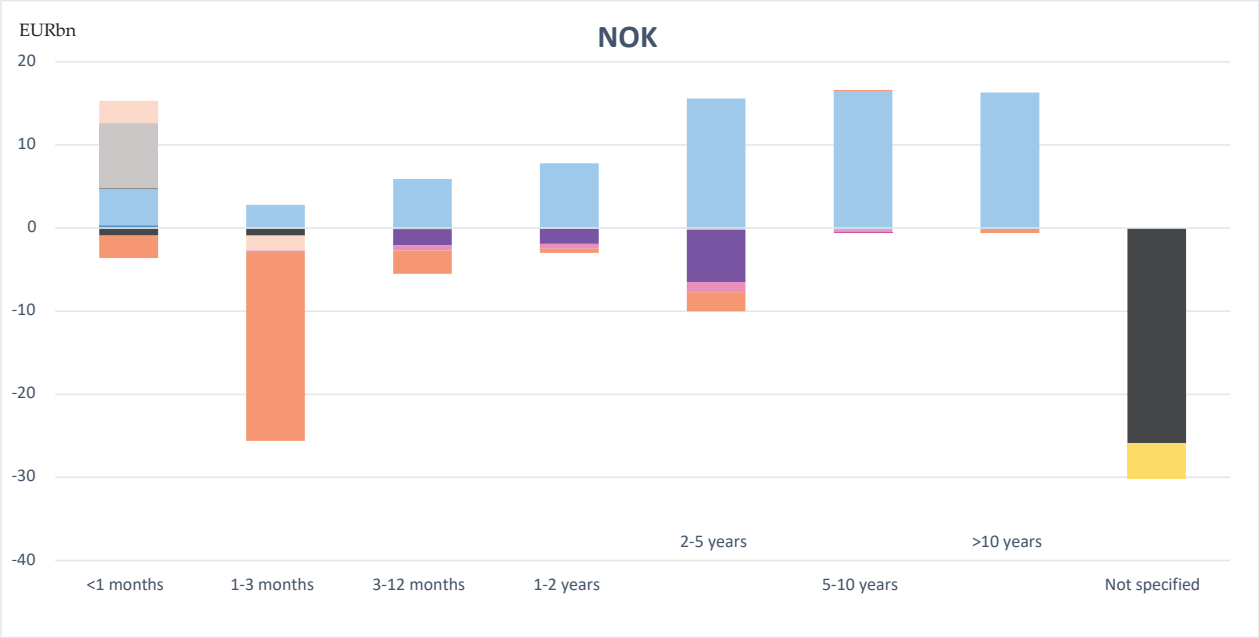
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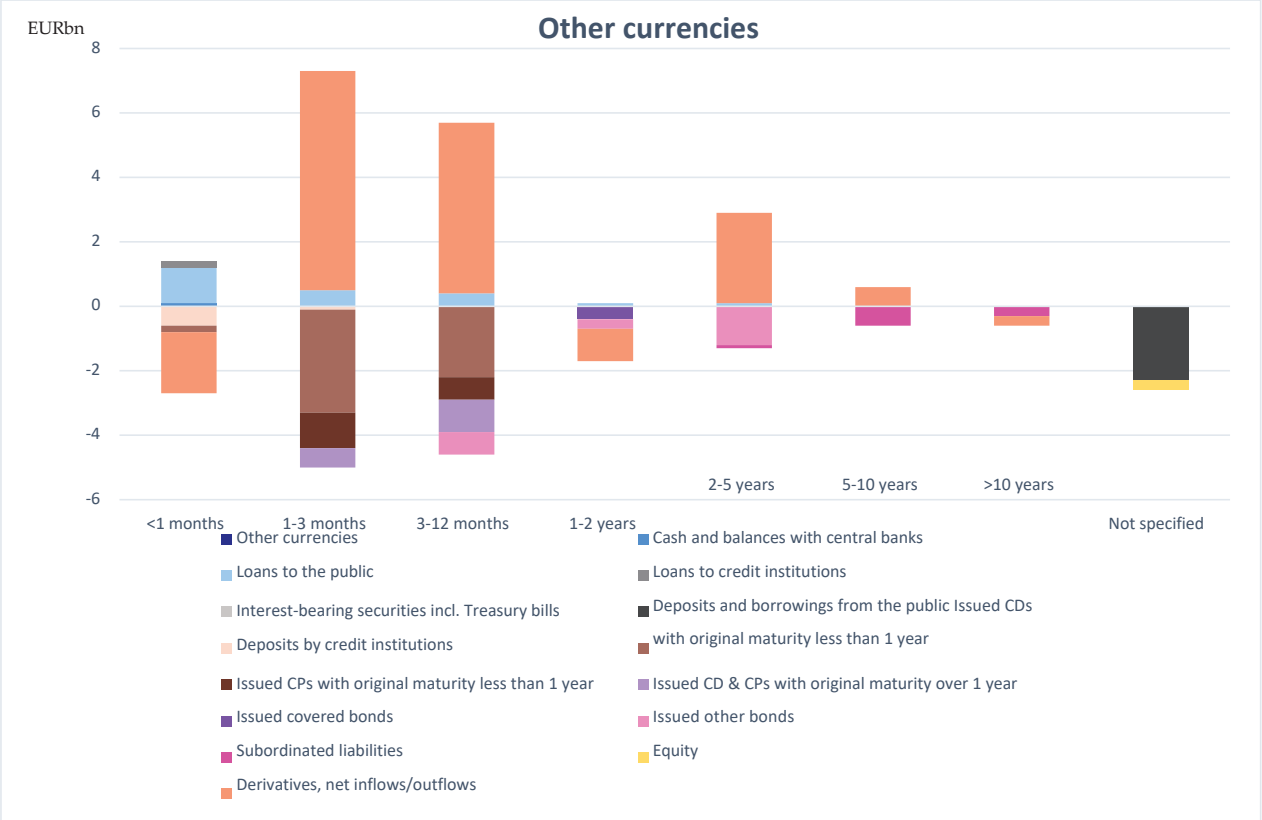
5-10 years
>10 years
Not specified


EURbn
Other currencies
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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 Issued CDs
Deposits by credit institutions
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 38 - EU MR1 - Market risk under the standardised approach

Market Risk RWA from Standardised Approach increased in Q4 2021 compared to Q2 primarily driven by contribution from foreign exchange risk in Q4 2021. Interest rate risk decreased in Q4 2021 compared to Q2 and was driven by specific risk related to part of the bond portfolio that was not included in the internal model approach. The foreign exchange risk referred to the FX Banking Book exposure. The ratio between the total open net positions and total own funds was above the 2% threshold in Q4 2021, hence 427 EURm RWA was held for foreign exchange risk in Q4 2021. The RWA related to scenario approach was unchanged and related to part of the equity portfolio that was not included in the internal model approach.

	2021 Q4, EURm	a RWEAs
	Outright products[1]	
1	Interest rate risk (general and specific)	192
2	Equity risk (general and specific)	77
3	Foreign exchange risk	427
4	Commodity risk	43
	Options	
5	Simplified approach	
6	Delta-plus approach	
7	Scenario approach	325
8	Securitisation (specific risk)	
9	Total	1,064

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

	2021 Q2, EURm	a RWEAs
	Outright products[1]	
1	Interest rate risk (general and specific)	276
2	Equity risk (general and specific)	92
3	Foreign exchange risk	
4	Commodity risk	55
	Options	
5	Simplified approach	
6	Delta-plus approach	
7	Scenario approach	312
8	Securitisation (specific risk)	
9	Total	735

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

Table 39 - EU MR2-A - Market risk under the internal Model Approach (IMA)

Market Risk RWA from Internal Model Approach increased slightly in Q4 2021 compared to Q2 2021 primarily driven by higher contribution from VaR. VaR and SVaR were in Q4 primarily driven by interest rate risk with additional contribution from credit spread risk while other asset classes were immaterial. In Q4 2021 the Incremental Risk Charge (IRC) contributed to total RWA with EUR 579m and was driven by the 12 week average IRC measure. The RWA component stemming from Comprehensive risk measure (CRM) increased by EUR 66m compared to Q2 2021.

		a	b
	2021 Q4, EURm	RWAs	Own funds requirements
1	VaR (higher of values a and b)	1,204	96
(a)	Previous day's VaR (VaRt-1)		36
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		96
2	SVaR (higher of values a and b)	1,750	140
(a)	Latest available SVaR (SVARt-1)		44
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		140
3	IRC (higher of values a and b)	579	46
(a)	Most recent IRC measure		42
(b)	12 weeks average IRC measure		46
4	Comprehensive risk measure (higher of values a,b and c)	374	30
(a)	Most recent risk measure of comprehensive risk measure		27
(b)	12 weeks average of comprehensive risk measure		30
(c)	Comprehensive risk measure Floor		24
5	Other		
6	Total	3,908	313

		a	b
	2021 Q2, EURm	RWAs	Own funds requirements
1	VaR (higher of values a and b)	924	74
(a)	Previous day's VaR (VaRt-1)		19
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		74
2	SVaR (higher of values a and b)	1,751	140
(a)	Latest available SVaR (SVARt-1)		29
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		140
3	IRC (higher of values a and b)	690	55
(a)	Most recent IRC measure		48
(b)	12 weeks average IRC measure		55
4	Comprehensive risk measure (higher of values a,b and c)	309	25
(a)	Most recent risk measure of comprehensive risk measure		17
(b)	12 weeks average of comprehensive risk measure		14
(c)	Comprehensive risk measure Floor		25
5	Other		
6	Total	3,674	294

Table 40 - EU MR2-B - REA flow statements of market risk exposures under the IMA

Market Risk RWA from Internal Model Approach was EUR 3,908m in Q4 2021 which corresponded to an increase of EUR 892m compared to Q3 2021. The increase was primarily driven by higher VaR and SVaR as interest rate risk increased in Q4 2021. Compared to Q3, the RWA stemming from Incremental Risk Charge (IRC) was mostly unchanged. The end of day measure decreased slightly from lower default risk. The RWA stemming from Comprehensive Risk Charge (CRC) increased slightly compared to Q3 driven by an increase in the jump-to-default exposure.

		a	b	c	d	e	f	g
	EURm	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total own funds requirements
1	RWAs 2021 Q3	831	1,305	574	306		3,016	241
1a	Regulatory adjustment	-452	-946				-1,397	-112
1b	RWAs 2021 Q3 (end of the day)	379	360	574	306		1,619	130
2	Movement in risk levels	65	185	-52	28		226	18
3	Model updates/changes							
4	Methodology and policy							
5	Acquisitions and disposals							
6	Foreign exchange movements							
7	Other							
8a	RWAs 2021 Q4 (end of the day)	444	545	522	334		1,845	148
8b	Regulatory adjustment	760	1,205	57	41		2,063	165
8	RWAs 2021 Q4	1,204	1,750	579	374		3,908	313

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

Table 41 - EU MR3 - IMA values for trading portfolios

Market risk measured by VaR showed an average of EUR 25m in the second half of 2021 and was primarily driven by interest rate risk. SVaR showed an average of EUR 34m which was lower compared to first half of 2021, and was primarily driven by interest rate risk with additional contributions from credit spread risk. The maximum in VaR and sVaR in the second half of 2021 was reached in Q4 2021. During the second half of 2021 the IRC had an average value of EUR 19m. The highest IRC value was observed in Q3, whilst IRC was the lowest in Q4. During the second half of 2021 CRC had an average value of EUR 21m, ranging between a maximum of EUR 37m and a minium of EUR 12m.

	2021 Q4, EURm	a
	VaR (10 day 99%)	
1	Maximum value	38
2	Average value	24
3	Minimum value	15
4	Period end	36
	SVaR (10 day 99%)	
5	Maximum value	72
6	Average value	34
7	Minimum value	23
8	Period end	44
	IRC (99.9%)	
9	Maximum value	28
10	Average value	19
11	Minimum value	12
12	Period end	17
	Comprehensive risk measure (99.9%)	
13	Maximum value	37
14	Average value	21
15	Minimum value	12
16	Period end	23

	2021 Q2, EURm	a
	VaR (10 day 99%)	
1	Maximum value	47
2	Average value	25
3	Minimum value	15
4	Period end	19
	SVaR (10 day 99%)	
5	Maximum value	58
6	Average value	42
7	Minimum value	26
8	Period end	29
	IRC (99.9%)	
9	Maximum value	33
10	Average value	21
11	Minimum value	13
12	Period end	19
	Comprehensive risk measure (99.9%)	
13	Maximum value	29
14	Average value	17
15	Minimum value	10
16	Period end	14

Table 42 - EU MR4: Comparison of VaR estimates with gains/losses

The figure below shows the 250 days VaR backtest of the trading book at the end of 2021 (counting from Jan 4th 2022). 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 2021, 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 1 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.

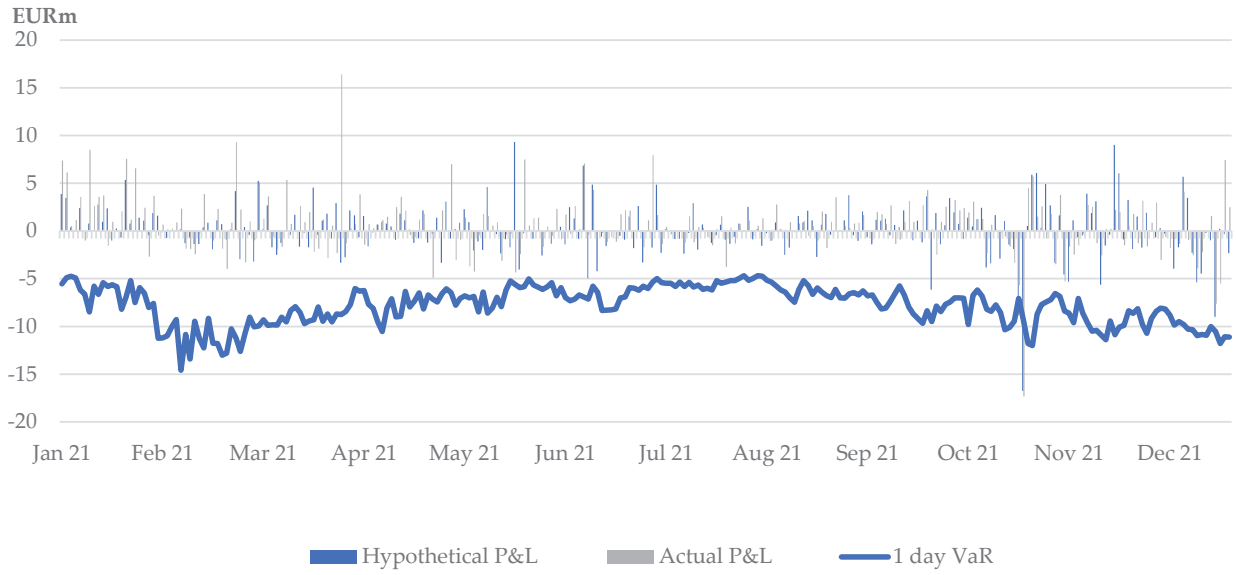

Table 43 Market risk in the trading book

Market risk measured by VaR and sVaR showed an average utilisation of EUR 25m and EUR 38m in 2021 and decreased compared to 2020 which was impacted by the corona period. VaR and sVaR were primarily driven by interest rate exposure with additional contributions from credit spreads. The high in VaR was reached in Q1 2021 while the high in sVaR was reached in Q4 2021. VaR and sVaR were primarily driven by market risk in Northern European and Nordics countries.

The Incremental Risk Charge (IRC) reached the lowest exposure during Q4 2021, while IRC was the highest in Q2 2021. Average IRC decreased marginally compared to previous year, driven mainly by lower contribution from the migration component.

The Comprehensive Risk Charge (CRC) at the end of 2021 was slightly higher than the result at the end of 2020. The lowest exposure occurred during Q2 2021, while CRC peaked during Q4 2021 towards the end of the year. Average CRC for 2021 decreased by EUR 20m compared to 2020 as the average for 2020 was dragged up by the peak at the start of the corona crisis.

2021, EURm	31 Dec 2021	2021 High	2021 Low	2021 avg	31 Dec 2020
Total VaR	35	46	15	25	17
Interest rate risk	37	47	14	26	18
Equity risk	3	22	2	5	4
Credit spread risk	4	19	3	10	12
Foreign exchange risk	1	7	1	2	3
Inflation risk	2	4	1	2	3
Diversification effect	24%	65%	22%	45%	58%
Total Stressed VaR	44	72	23	38	40
Interest rate risk	48	67	19	38	32
Equity risk	8	34	4	10	9
Credit spread risk	11	52	10	24	34
Foreign exchange risk	1	7	1	3	5
Inflation risk	4	6	3	4	3
Diversification effect	39%	63%	25%	53%	51%
Incremental Risk Charge	17	33	12	20	18
Comprehensive Risk Charge	23	37	10	19	18

2020, 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

Table 44 - Economic value sensitivity for the banking book, 6 scenarios from Basel Committee on Banking Supervision

At the end of the year, the worst sensitivity out of the 6 Basel scenarios for EV was to the Flattener Basel scenario, where the loss was EUR 190m. The figures imply that the economic value of the banking book increases with rising rates and falls with decreasing rates. The asymmetry between rising and falling rate scenarios is driven by embedded customer floors and the maturity dependent shock floors. Aligned to EBA guidelines for Pillar III, sensitivities reported below are for floored scenarios, the scenario floors start at -1% and increase by 5bp per year to 0% at the 20 year tenor point. For improved comparability 2020 results below are reported using 2021 methodology.

2021, EURm	Parallel shock up	Parallel shock down	Steepener shock	Flattener shock	Short rates shock up	Short rates shock down
DKK	165	-91	148	-113	-6	18
SEK	11	-421	-92	-112	-10	-220
EUR	67	328	222	81	29	360
NOK	-23	-11	-1	-4	-10	71
USD	-59	46	13	-35	-55	30
OTH	-0	-1	4	-6	-6	-0
Total	161	-149	294	-190	-59	259

2020, EURm	Parallel shock up	Parallel shock down	Steepener shock	Flattener shock	Short rates shock up	Short rates shock down
DKK	204	-64	111	-67	40	-32
SEK	115	-341	-6	-220	-5	-226
EUR	6	72	111	242	82	147
NOK	-39	20	38	-20	-24	69
USD	-41	30	-5	-9	-26	19
OTH	-6	-1	-1	-6	-8	-1
Total	238	-284	247	-81	58	-24

Table 45 - Net interest income sensitivity for the banking book over a one-year horizon (SIIR), +/-200bp parallel shock scenarios

At the end of the year, the worst loss out of the parallel shock scenarios (+/-200bp) for SIIR was driven by the parallel shock down scenario, where the loss was of EUR 416m. The figures imply that net interest income increases with rising rates and falls with decreasing rates. The asymmetry between rising and falling rate scenarios is driven by embedded customer floors and the maturity dependent shock floors. Aligned to EBA guidelines for Pillar III, sensitivities reported below are for floored scenarios, the scenario floors start at -1% and increase by 5bp per year to 0% at the 20 year tenor point. For improved comparability 2020 results below are reported using 2021 methodology.

2021, EURm	Parallel shock up	Parallel shock down
DKK	176	-14
EUR	609	-12
SEK	443	-404
NOK	47	-43
USD	-66	48
Other	-13	8
Total	1,196	-416

2020, EURm	Parallel shock up	Parallel shock down
DKK	164	-23
EUR	628	25
SEK	322	-258
NOK	119	-54
USD	75	-41
Other	-13	-7
Total	1,295	-359

Table 46 - RWA and minimum capital requirements for market risk

Market Risk RWA by the end of Q4 2021 was EUR 4,973m. A decrease of EUR 1,643m compared to Q4 2020 primarily driven by reduced contribution from FX risk in the banking book under Standardised Approach. Market Risk RWA from the Trading Book increased slightly in Q4 2021 compared to Q4 2020.

	Trading book		Banking book		Total	
2021 Q4, EURm	RWA	Capital	RWA	Capital	RWA	Capital requirement
Total VaR (IA)	1,200	96			1,200	96
Interest rate risk	1,275	102			1,275	102
Equity risk	220	18			220	18
Credit spread risk	156	13			156	13
Foreign exchange risk	51	4			51	4
Inflation risk	74	6			74	6
Diversification effect	-576	-46			-576	-46
Total Stressed VaR (IA)	1,750	140			1,750	140
Interest rate risk	1,796	144			1,796	144
Equity risk	517	41			517	41
Credit spread risk	586	47			586	47
Foreign exchange risk	86	7			86	7
Inflation risk	171	14			171	14
Diversification effect	-1,407	-113			-1,407	-113
Incremental Risk Charge (IA)	579	46			579	46
Comprehensive Risk Charge (IA)	374	30			374	30
Equity Event Risk (IA)	4	0			4	0
Standardised Approach	637	51	427	34	1,064	85
Interest rate risk	192	15			192	15
Equity risk	402	32			402	32
Commodity Risk	44	4			44	4
Foreign exchange risk			427	34	427	34
Total	4,545	364	427	34	4,973	398

	Trading book		Banking book		Total	
2020 Q4, EURm	RWA	Capital	RWA	Capital	RWA	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

Table 47 - Equity holding outside trading book, 31 December 2021

EURm	Book value	Fair value	Unrealised gains/losses	Realised gains/losses	Capital requirement
Investment portfolio [1]	1,250	1,250	280	5	100
Other [2]	278	278	23	0	22
Total	1,528	1,528	303	5	122

[1] Of which listed equity holdings	120
[2] Of which listed equity holdings	95

Table 48 - EU PV1: Prudent valuation adjustments (PVA)

	a	b	c	d	e	EU e1	EU e2	f	g	h
	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
Market price uncertainty	91,420	66,109	3,434	11,480	0	1,823	20,905	97,586	54,572	43,014
Set not applicable in the EU										
Close-out cost	6,035	22,490	6,656	6,635	0	0	0	20,908	15,741	0
Concentrated positions	3,807	14,076	0	0	0	N/A	N/A	17,882	1,171	16,711
Early termination	0	0	0	0	0	N/A	N/A	0	0	0
Model risk	5,539	6,923	16	94,468	0	72,811	10,927	95,342	56,681	38,662
Operational risk	4,873	5,566	505	906	0	N/A	N/A	11,849	7,031	4,818
Set not applicable in the EU										
Set not applicable in the EU										
Future administrative costs	2,101	12,497	2,629	1,856	0	N/A	N/A	19,084	16,056	3,028
Set not applicable in the EU										
Total Additional Valuation Adjustments (AVAs)								262,652	151,253	111,400

Table 49 - EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

Total Operational Risk RWA decreased by 395 mln EUR compared to Q4 2020

Q4-2021 EURm

	Banking activities	a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)					
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	8,386	8,072	8,317	1,144	14,306
3	*Subject to TSA:*	8,386	8,072	8,317		
4	*Subject to ASA:*					
5	Banking activities subject to advanced measurement approaches AMA					

Table 50 - EU-SEC1 - Securitisation exposures in the non-trading book

In January 2020, Nordea originated one securtitzation and as of Q4 2021 Nordea had no other securitizations. Therefore, there was no exposure within Institution acting as Sponsor or Institution acting as Investor.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS												
	2021 Q4, EURm		of which SRT		of which SRT		of which SRT		STS	Non-STS			STS	Non-STS		
1	Total exposures					4,785	4,785	4,785								
2	Retail (total)															
3	residential mortgage															
4	credit card															
5	other retail exposures															
6	re-securitisation															
7	Wholesale (total)					4,785	4,785	4,785								
8	loans to corporates					4,785	4,785	4,785								
9	commercial mortgage															
10	lease and receivables															
11	other wholesale															
12	re-securitisation															

Table 51 - EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting

Nordea's total exposure value of securitization exposures amounted to EUR 4.8bn as of 31 December 2021. Nordea's RWEA of the securitization position was fully calculated using the IRB approach and amounted to EUR 880m as per 31 December 2021.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	EU-p	EU-q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)					Capital charge after cap		
	2021 Q4, EURm	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions
1	Total exposures	4,785					4,785				880				70			
2	Traditional transactions																	
3	Securitisation																	
4	Retail																	
5	Of which STS																	
6	Wholesale																	
7	Of which STS																	
8	Re-securitisation																	
9	Synthetic transactions	4,785					4,785				880				70			
10	Securitisation	4,785					4,785				880				70			
11	Retail underlying																	
12	Wholesale	4,785					4,785				880				70			
13	Re-securitisation																	

Table 52 - EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjus

Nordea's outstanding nominal amount of exposures securitized by the institution amounted to EUR 5.1bn as per 31 December 2021 and consisted solely of loans to corporates or SMEs. The exposures in default amounted to 1 EURm as of Q2 2021 and by the end of 31 December 2021 to EUR 9m.

		a	b	c
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
	2021 Q4, EURm		Of which exposures in default	
1	Total exposures	5,100	9	13
2	Retail (total)			
3	residential mortgage			
4	credit card			
5	other retail exposures			
6	re-securitisation			
7	Wholesale (total)	5,100	9	13
8	loans to corporates	5,100	9	13
9	commercial mortgage			
10	lease and receivables			
11	other wholesale			
12	re-securitisation			

Table 53 - EU LI 1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

	a	b	c	d	e	f	g
			Carrying values of items:				
EURm	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation [1,2]	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 [3]
Assets							
Cash and balances with central banks	47,495	47,436	47,436				
Loans to central banks	409	409	6	404			0
Loans to credit institutions	1,983	1,810	1,621	192			-3
Loans to the public	345,050	346,000	326,447	16,770	4,437		-1,654
Interest bearing securities	63,383	55,889	51,373			4,530	-15
Financial instruments pledged as collateral	1,668	1,668	0			1,668	
Shares	15,217	3,270	1,330			1,963	-24
Assets in pooled schemes and unit-linked investment contracts	46,912	4,264				0	4,264
Derivatives	30,200	30,198		30,198			
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-65	-65				-65	
Investments in associated undertakings and joint ventures	207	1,994	1,994				0
Intangible assets	3,784	3,622	705				2,917
Properties and equipment	1,745	1,693	1,693				
Investment properties	1,764	1	1				
Deferred tax assets	218	215	209				6
Current tax assets	272	242	242				
Retirement benefit assets	221	221					221
Other assets	8,827	8,569	755			7,814	
Prepaid expenses and accrued income	880	830	830				
Assets held for sale	180	180					180
Total assets	570,353	508,444	434,640	47,563	4,437	15,911	5,893
Liabilities							
Deposits by credit institutions	27,080	26,961		3,315			23,647
Deposits and borrowings from the public	205,683	207,021	3,093	2,639			201,289
Deposits in pooled schemes and unit-linked investment contracts	48,201	4,857					4,857
Liabilities to policyholders	19,595						
Debt securities in issue	175,792	175,994					175,994
Derivatives	31,485	31,484		31,484			
Fair value changes of the hedged items in portfolio hedge of interest rate risk	805	805				805	
Current tax liabilities	353	323					323
Other liabilities	18,485	18,199					18,199
Accrued expenses and prepaid income	1,333	1,335					1,335
Deffered tax liabilites	535	493					493
Provisions	414	412					412
Retirement benefit obligations	369	346					346
Subordinated liabilities	6,719	6,719					6,719
Liabilities held for sale							
Total equity	33,503	33,494					33,494
Total liabilities	570,353	508,444	3,093	37,438		805	467,108

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. Including Luminor values according to the proportional method.
3. Provisions for loans are shown in the column g as negative values.

Table 54 - 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 the regulatory exposures. Additionally, off-balance sheet amounts are included in the exposure amounts considered for requlatory purposes, while the items that are subject to deductions from capital (in LI1 column g) 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)	502,551	434,640	47,563	4,437	15,911
Liabilities carrying amount under the regulatory scope of consolidation (as per template EU LI1)	41,336	3,093	37,438		805
Total net amount under the regulatory scope of consolidation	461,215	431,547	10,125	4,437	15,106
Off-balance sheet amounts (pre CRM and CCF)	116,075	114,917		1,158	
Differences due to different netting rules	13,631		11,981		
Differences due to considerations for provisions in Standardised Approach	-59	-59			
Differences due to regulatory future exposures	10,119		10,119		
Differences due to credit mitigation techniques (CRMs), with substitution effects on the exposure	-19,582	-274	-17,658		
Differences due to Credit Conversion Factor (CCF)	-59,610	-59,115		-495	
Differences due to the use of financial collateral in Standardised Approach	-2	-2			
Other differences not stated above	-15,106				-15,106
Exposure amounts considered for regulatory purposes	506,680	487,014	14,567	5,099	

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 55 - LI3 Specification of undertakings

			Method of consolidation					
Owner	Company Name	Voting power of holding %	Accounting consolidation	Regulatory consolidation	Neither consolidated 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	100	Acquisition method	Full consolidation			Financial institution	Norway
	Nordea Finance	100	Acquisition method	Full consolidation			Financial institution	Norway
	Eksportfinans ASA	23	Equity method	Equity method			Credit institution	Norway
	Tomteutvikling	100	Acquisition method	Full consolidation			Financial institution	Norway
	Nordea Direct Bank	100	Acquisition method	Full consolidation			Credit Institution	Norway
Nordea Direct ASA	Nordea Direct	100	Acquisition method	Full consolidation			Credit Institution	Norway
Nordea Bank Abp	Nordea Finans	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
	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			Financial 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 Markets Holding Company INC	Nordea Securities 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 consolidated 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
	Siirto Brand Oy	Equity 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	Norway
	First Card AS	Acquisition method	Equity method	Consolidated in accordance with	Norway
	Nordea Essendropsgate Eiendomsforvaltning AS	Acquisition method	Equity method	Consolidated in accordance with Article 18.7	Norway
	Privatmegleren AS	Acquisition method	Equity method	Consolidated in accordance with	Norway
	Svanesang AS	Acquisition method	Equity method	Consolidated in accordance with	Norway
Nordea Finans Norge AS	NF Fleet AS	Equity method	Equity method	Consolidated in accordance with	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 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 AB	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
	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
	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 Asset Management Schweiz GmbH	Equity method	Equity method	Consolidated in accordance with Article 18.7	Germany

Entities not in the consolidated situation

Owner	Company Name	Voting power of holding %	Accounting consolidation	Regulatory consolidation	Neither consolidated nor deducted	Ded-ucted	Description of entity	Domicile
Nordea Finance Finland Ltd	Koy Levytie 6				X		Immaterial financial institution,	Finland
	Koy Tulppatie 7				X		Immaterial financial institution,	Finland
Nordea Bank Abp	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 II - EU MM Buyout 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
	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
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 56 - EU LR1- LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

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. Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers Q4-Q4. The leverage ratio decreased from 5.9% in Q4 2020 to 5.41% in Q4 2021 mainly driven by increased loans to the public, changed methodology for exemption of central bank exposures and decreased Tier I Capital.

EURm		Q4 2021' Applicable Amounts
1	Total assets as per published financial statements	570,353
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-61,909
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)	
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustment for eligible cash pooling transactions	-2,708
8	Adjustments for derivative financial instruments	-1,207
9	Adjustment for securities financing transactions (SFTs)	1,206
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	43,693
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	
12	Other adjustments	-12,916
13	Total exposure measure	536,512

*Incl. profit

Table 57 - EU LR2 LR Com: Leverage ratio common disclosure

	EURm	CRR leverage ratio exposures
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	458,173
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-6,155
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	
5	(General credit risk adjustments to on-balance sheet items)	
6	(Asset amounts deducted in determining Tier 1 capital)	-4,483
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	447,535
	Derivative exposures	
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	7,041
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	18,143
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	
EU-9b	Exposure determined under Original Exposure Method	18
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	
11	Adjusted effective notional amount of written credit derivatives	84,476
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-80,687
13	Total derivatives exposures	28,991
	Securities financing transaction (SFT) exposures	
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	26,538
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-8,337
16	Counterparty credit risk exposure for SFT assets	370
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	
17	Agent transaction exposures	
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	
18	Total securities financing transaction exposures	18,571
	Other off-balance sheet exposures	
19	Off-balance sheet exposures at gross notional amount	116,075
20	(Adjustments for conversion to credit equivalent amounts)	-72,382
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	
22	Off-balance sheet exposures	43,693
	Excluded exposures	
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units)): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-2,278
EU-22g	(Excluded excess collateral deposited at triparty agents)	
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	
EU-22k	(Total exempted exposures)	-2,278
	Capital and total exposure measure	
23	Tier 1 capital	29,012
24	Total exposure measure	536,512
	Leverage ratio	
25	Leverage ratio	5.41%
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.41%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	5.41%
26	Regulatory minimum leverage ratio requirement (%)	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	
EU-26b	of which: to be made up of CET1 capital (percentage points)	
27	Leverage ratio buffer requirement (%)	

EU-27a	Overall leverage ratio requirement (%)	3.00%
Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	
Disclosure of mean values		
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	25,482
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	18,201
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	543,793
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	543,793
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.34%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.34%

*Incl. profit

Table 58 - EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	EURm	CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	455,895
EU-2	Trading book exposures	23,327
EU-3	Banking book exposures, of which:	432,568
EU-4	Covered bonds	23,162
EU-5	Exposures treated as sovereigns	74,631
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	5,189
EU-7	Institutions	2,032
EU-8	Secured by mortgages of immovable properties	162,960
EU-9	Retail exposures	28,088
EU-10	Corporates	117,654
EU-11	Exposures in default	2,555
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	16,296

*Incl. profit

Table 59 - EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio

EURm		Amounts
1	Supplementary own fund requirements of the financial conglomerate (amount)	23,807
2	Capital adequacy ratio of the financial conglomerate (%)	143%

Table 60 - EU CCyb1 Countercyclical capital buffer

EURm	General credit risk exposures		Trading book exposures		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own funds requirement				Risk-weighted exposure amounts	Own funds requirement weight (%)	Counter-cyclical buffer rate (%)
	SA[1]	IRB[2] approach	SA	Internal models approach			General credit exposures	Trading book exposures	Securitisation exposures	Total			
Countries with existing CCyB rate													
Bulgaria	0	5				5	0			0	1	0.0%	0.5%
Czech Republic	0	15				15	1			1	7	0.0%	0.5%
Hong Kong	0	32				32	0	0		0	4	0.0%	1.0%
Luxembourg	570	3,369				3,939	166	0		166	2,072	1.6%	0.5%
Norway	8,920	68,887				77,807	2,255	0		2,255	28,190	22.2%	1.0%
Slovakia		4				4	0			0	2	0.0%	1.0%
Sub-total	9,490	72,311			0	81,801	2,422	0		2,422	30,276	23.8%	
Countries with own funds requirements weight 1% or above and no existing CCyB rate													
Denmark	2,506	91,367				93,873	1,975	0		1,975	24,686	19.4%	0.0%
Finland	2,130	71,362				73,492	1,921	0		1,921	24,018	18.9%	0.0%
United Kingdom	277	2,405				2,682	133	0		133	1,662	1.3%	0.0%
Marshall Islands	0	1,321				1,321	106	0		106	1,321	1.0%	0.0%
Sweden	2,184	107,840			5,100	115,123	2,845	0	70	2,916	36,445	28.7%	0.0%
United States	362	3,294				3,657	133	0		133	1,658	1.3%	0.0%
Sub-total	7,459	277,590			5,100	290,149	7,113	0	70	7,183	89,789	70.6%	
Countries with own funds requirement below 1% and no existing CCyB rate													
Sub-total	224	13,606			0	13,830	567	0		567	7,091	5.6%	
Total	17,173	363,507			5,100	385,779	10,102	0	70	10,173	127,157	100%	

1) Standardised approach
2) Internal ratings based

Table 61 - EU CCyB2 - Amount of institution-specific countercyclical capital buffer

EURm	2021 Q4
Total risk exposure amount	151,906
Institution specific countercyclical capital buffer rate	0.23%
Institution specific countercyclical capital buffer requirement	349

Table 62 - CRR reference table

CRR ref.	High level summary	Reference
Article 435	Risk management objectives and policies	
(1) (a)	Risk management strategies.	Throughout Part 1
(1) (b)	Organisation and governance.	Throughout Part 1
(1) (c)	Reporting systems.	Throughout Part 1
(1) (d)	Hedging policies	Part 1, Credit risk
(1) (e)	Management declaration on risk management adequacy.	Executive Summary - footer in the end.
(1) (f)	Risk profile	Introduction, Board risk statement
(2) (a) - (e)	Disclosures regarding governance arrangements.	Nordea.com > About Nordea > Corporate Governance
Article 436	Scope of application	
(a)	Name of the institution.	Part 1, Executive Summary - footer in the end.
(b)	Reconciliation between the consolidated financial statements	Part 2, EU LI3
(c)	Breakdown of assets and liabilities of the consolidated financial statements	Part 2, EU LI1
(d)	Reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements	Part 2, EU LI2
(e)	breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment	Part 2, EU PV1
(f)	Practical or legal impediments to transfer funds between parent and subsidiaries.	Not applicable
(g)	Capital shortfalls in subsidiaries outside the scope of consolidation.	Not applicable
(h)	Making use of articles on derogations from a) prudential requirements (Article 7) and b) liquidity requirements for individual subsidiaries/entities (Article 9).	Not applicable
Article 437	Own funds	
(1) (a)	Full reconciliation to own funds and balance sheet.	Part 2, EU CC1, EU CC2
(1) (b)	Description of main features of the instruments.	Nordea.com > Investor relations > Reports and presentations > Capital instruments
(1) (c)	Full terms and conditions of the instruments.	Nordea.com > Investor relations > Reports and presentations > Capital instruments
(1) (d) (i)-(iii)	Separate disclosure of the nature.	Part 2, EU CC1
(1) (e)	Description of all restrictions applied to own funds calculations	Part 2, EU CC1
(1) (f)	Calcuation of capital ratios	Part 2, EU CC1
Article 437a	Disclosure of own funds and eligible liabilities	
(a)	Composition of their own funds and eligible liabilities, their maturity and their main features	Not applicable
(b)	Ranking of eligible liabilities in the creditor hierarchy	Not applicable
(c)	Total amount of each issuance of eligible liabilities instruments referred to in Article 72b and the amount of those issuances that is included in eligible liabilities items within the limits	Not applicable
(d)	Total amount of excluded liabilities referred to in Article 72a(2)	Not applicable
Article 438	own funds requirements and risk-weighted exposure amounts	
(a)	Summary of the approach to assessing adequacy of capital to its activities.	Part 1, ICAAP, stress testing and capital requirement
(b)	amount of the additional own funds requirements	Part 2, EU KM1
(c)	Upon demand from the authorities, result of the ICAAP.	Could be provided upon request.
(d) - (h)	Own funds requirements for credit risk (Standardised and IRB approach), market and operational risk.	Part 2, EU OV1, EU INS2, EU MR2-B, EU CR8

Article 439	Exposure to counterparty credit risk	
(a)	Methodology for credit limits and internal capital allocation for counterparty credit risk.	Part 1, Counterparty credit risk
(b)	Policies for securing collateral and establishing credit reserves.	Part 1, Counterparty credit risk
(c)	Policies for wrong-way risk exposures.	Part 1, Counterparty credit risk
(d)	Impact of any collateral postings upon credit rating downgrade.	Part 1, Counterparty credit risk
(e)	Amount of segregated and unsegregated collateral received and posted per type of collateral	Part 2, EU CCR5
(f)	Net derivative credit exposure built-up.	Part 2, EU CCR1
(g)	securities financing transactions, the exposure values before and after the effect of the credit risk mitigation	Part 2, EU CCR1
(h)	the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge	Part 2, EU CCR2
(i)	exposure value to central counterparties and the associated risk exposures	Part 2, EU CCR8
(j)	Notional amounts of credit derivatie transactions and distribution of credit derivatives products.	Part 2, EU CCR6
(k)	Estimate of alfa if the institution has received permission of the competent authorities to estimate alfa.	Not applicable
(l)	Separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452	Part 2, EU CCR3, EU CCR4
(m)	for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three	Not applicable
Article 440	Capital buffers	
(a)	Geographical distribution and amount of institution-specific countercyclical capital buffer.	Part 2, EY CCyB1
(b)	Amount of their institution-specific countercyclical capital buffer	Part 2, EY CCyB2
Article 441	Indicators of global systemic importance	
(1) - (2)	Indicator values used for determing the score of the institution.	Not applicable
Article 442	Exposures to credit risk and dilution risk	
(a)	Definitions of 'past due' and 'impaired'.	Part 1, Credit risk
(b)	Methodology used for determining specific and general credit risk adjustments.	Part 1, Credit risk
(c)	Information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures	Part 2, EU CQ1, EU CQ3, EU CQ4, EU CQ5, EU CQ7, EU CR1, EU CR2a
(d)	Ageing analysis of accounting past due exposures	Part 2, EU CQ3,
(e)	Gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments	Part 2, EU CQ4, EU CQ5
(f)	Changes in the gross amount of defaulted on- and off-balance-sheet exposures	Part 2, EU CR1, EU CR2, EU CR2a
(g)	Breakdown of loans and debt securities by residual maturity	Part 2, EU CR1-A
Article 443	Unencumbered assets	
	Disclosure on unencumbered assets according to EBA Guidelines EBA/GL/2014/03	Part 2, EU AE1, EU AE2, EU AE3
Article 444	Use of ECAIs	
(a)	Names of nominated ECAIs.	Part 1, Credit risk
(b)	The Exposure classes for which each ECAI is used.	Part 1, Credit risk
(c)	Description of the process for translating external ratings into credit quality steps.	Part 1, Credit risk
(d)	Mapping of external ratings from each nominated ECAI to the credit quality steps.	Part 2, Table: Standardised exposure classes, distributed by credit quality step
(e)	The exposure values before and after credit risk mitigation associated with each credit quality step.	Part 2, EU CR4, EU CR5
Article 445	Exposure to market risk	

	Own Funds requirements for market risk.	Part 2, EU MR1
Article 446	Operational risk	
(a)	Approach used to calculate Own Funds requirements for operational risk.	Part 1, Operational risk and compliance risk, Part 2, EU OR1
(b)	where the institution makes use of it, a description of the methodology set out in Article 312(2)	Not applicable
(c)	in the case of partial use, the scope and coverage of the different methodologies used.	Not applicable
Article 447	Key metrics	
(a)	Composition of their own funds and their own funds requirements	Part 2, EU KM1
(b)	Total risk exposure amount	Part 2, EU KM1
(c)	Where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with point (a) of Article 104(1) of	Part 2, EU KM1
(d)	Their combined buffer requirement which the institutions are required to hold in accordance with Chapter 4 of Title VII of Directive 2013/36/EU;	Part 2, EU KM1
(e)	Leverage ratio and the total exposure measure	Part 2, EU KM1
(f)	Information in relation to their liquidity coverage ratio	Part 2, EU KM1
(g)	Information in relation to their net stable funding requirement	Part 2, EU KM1
(h)	Own funds and eligible liabilities ratios and their components, numerator and denominator,	Part 2, EU KM1
Article 448	Exposures to interest rate risk on positions not held in the trading book	
(a)	Changes in the economic value of equity calculated under the six supervisory shock scenarios	Part 2, Table: Economic value sentitivity for the banking book1, 6 scenarios from Basel Committee on Banking Supervision
(b)	Changes in the net interest income calculated under the two supervisory shock scenarios	Part 2, Table: Net interest income sensitivities for the banking book over a one-year horizon (SIIR), 6 scenarios from Basel Committee on Banking Supervision
(c)	Description of key modelling and parametric assumptions	Part 1, Market risk
(d)	Explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph	Part 1, Market risk
(e)	Description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities	Part 1, Market risk
(f)	Description of the overall risk management and mitigation strategies for those risks	Part 1, Market risk
(g)	Average and longest repricing maturity assigned to non-maturity deposits	Part 1, Market risk
Article 449	Exposure to securitisation positions	
(a)	Objectives in relation to securitisation activity.	Part 1, Securitisation
(b)	Type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority	Part 1, Securitisation
(c)	Approaches used to calculate REA for its securitisation activities.	Part 1, Securitisation
(d) -(f)	Different roles played by the institution in the securitisation process and the extent of its involvement.	Part 1, Securitisation
(g)	Summary of their accounting policies for securitisation activity	Part 1, Securitisation
(h)	Names of ECAIs used for securitisations.	Not applicable
(i)	Description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three, including the structure of the internal assessment process and the relation between internal assessment and external ratings of the relevant ECAI	Not applicable
(j)	Information on banking and trading book securitisation exposures broken down by exposure type.	Part 2, EU SEC1. Nordea does not have any securitisation exposures in the trading book
(k) (i)	Non-trading book activities - aggregate amount of securitisation positions where institutions act as originator or sponsor	Part 2, EU SEC3
(k) (ii)	Non-trading book activities - aggregate amount of securitisation positions where institutions act as investor	Not applicable

(l)	For exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments	Part 2, EU SEC5
Article 450	Remuneration policy	
1	Remuneration policy and practices:	Nordea annual report and Nordea.com > About Nordea > Corporate Governance > Remuneration > Nordea's
(1) (a)	- decision making of remuneration committee	See references above
(1) (b)	- link between pay and performance	See references above
(1) (c) - (f)	- criteria for performance measurement, variable components parameters	See references above
(1) (g) - (i)	- aggregate quantitative information including necessary splits	See references above
(1) (j)	- total remuneration for each member of the management body, upon request	Annual report
2	- quantitative information per member of the management body for significant institutions	Annual report
Article 451	Leverage	
(1) (a) - (e)	Leverage ratio and its components	Part 2, EU LR1, EU LR2, EU LR3
Article 451a	Liquidity requirements	
1	Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article.	Part 1, Liquidity Risk
2 (a) - (c)	Components of the LCR	Part 2, EU LIQ1
3 (a) - (c)	Components of the NSFR	Part 2, EU LIQ2
4	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk	Part 1, Liquidity Risk

Title III: Qualifying requirements for the use of particular instruments or methodologies

Article 452	Use of the IRB Approach to credit risk	
(a)	Permission from the authority to use IRB approach.	Part 1, Credit risk
(b)	For each exposure class referred to in Article 147, the percentage of the total exposure value of each exposure class subject to the Standardised Approach	Part 2, EU CR6-A
(c) (i)-(iv)	Control mechanisms for rating systems.	Part 1, Credit risk
(d)	Role of the functions involved in the development, approval and subsequent changes of the credit risk models	Part 1, Credit risk
(e)	Scope and main content of the reporting related to credit risk models	Part 1, Credit risk
(f) (i)-(iii)	Description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences	Part 1, Credit risk
(g) (i)-(v)	Information components in relation to each exposure class referred to in Article 147	Part 1, Credit risk
(h)	institutions' estimates of PDs against the actual default rate for each exposure class	Part 2, EU CR9
Article 453	Use of credit risk mitigation techniques	
(a)	Policies and processes for the use of on- and off-balance sheet netting.	Part 1, Credit risk
(b)	Policies and processes for collateral valuation and management.	Part 1, Credit risk
(c)	Main types of collateral.	Part 1, Credit risk
(d)	Types of guarantor and credit derivative counterparty and their creditworthiness.	Part 1, Credit risk
(e)	Information about market or credit risk concentrations within the credit mitigation taken.	Part 1, Credit risk and Market risk
(f)	The exposure value covered/not-covered by eligible credit protection for exposures under the Standardised or Foundation IRB approach.	Part 2, EU CR3
(g)	Corresponding conversion factor and the credit risk mitigation associated with the exposure	Part 2, EU CR4, EU CR7-A

(h)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation	Part 2, EU CR4
(i)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class	Part 2, EU CR4
(j)	For institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors	Part 2, EU CR7
Article 454	Use of the Advanced Measurement Approaches to operational risk	
	Description of the use of risk transfer mechanisms for the purpose of mitigation of operational risk.	Not applicable
Article 455	Use of Internal Market Risk Models	
(a) (i)	Characteristics of the models used.	Part 1, Market risk
(a) (ii)	The methodologies used for the internal models for incremental default and migration risk and for correlation trading.	Part 1, Market risk
(a) (iii)	Description of stress testing applied to the sub-portfolio.	Part 1, Market risk
(a) (iv)	Approaches used for back-testing and validating the accuracy and consistency of the internal models.	Part 1, Market risk
(b)	Scope of permission by the competent authority.	Part 1, Market risk
(c)	Description of the extent and methodologies for inclusion in the trading book, comply with prudential valuation requirements.	Part 1, Market risk
(d) (i) - (iii)	The highest, lowest and average of VaR, sVaR, Incremental risk charge and Comprehensive Risk Charge.	Part 2, EU MR3
(e)	The elements of the own fund requirements for market risk.	Part 2, EU MR2-A
(f)	Weighted average liquidity horizon for each sub-portfolio covered by the internal models.	Part 1, Market risk
(g)	Comparison of the daily end-of-day VaR measures to the one-day changes of the portfolio's value.	Part 2, EU MR4

Table 63 - Assets and liabilities of NLP

The table shows NLP's assets and liabilities at 31 December 2021 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	2021	2020
Assets		
Investment properties	1,763	1,533
Shares	10,259	9,225
Alternative investments	1,638	1,193
Debt securities - At fair value	4,203	4,398
Debt securities - Held to maturity	3,360	3,090
Deposits and treasury bills	845	759
Financial assets backing investment contracts without risk and guarantees	43,344	33,113
Other financial assets	36	122
Other assets	427	483
Total assets	65,876	53,916
Liabilities		
Traditional provisions	6,299	6,166
Collective bonus potential	2,799	2,001
Unit-linked provisions	7,711	7,070
Investment contracts with guarantees	2,158	2,386
Investment contracts without risk and guarantees	43,344	33,113
Other insurance provisions	627	554
Other financial liabilities	365	348
Other liabilities	211	223
Shareholders' equity	1,711	1,370
Subordinated loans	650	685
Total liabilities and equity	65,876	53,916

Table 64 - 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.

	2021		2020	
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	-367.9	7.2	-297,4	6,3
50 bp decrease in interest rates	370.2	-7.3	299,0	-6,3
12% decrease in all shares	-1176.1	-0.3	-853,2	-0,1
8% decrease in property values	-130.8	-0.2	-117,4	-0,3
8% loss of counterparties	-0.6	0.0	-0,1	0,0

Ex. "+" 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 65 - 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.

	2021		2020	
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	22.9	-17.4	23,4	-18,3
Mortality - decreased living with 1 year	-0.1	0.1	-0,3	0,3
Disability - 10% increase	8.4	-6.4	8,7	-6,8
Disability - 10% decrease	-6.1	4.7	-6,2	4,9

"+" 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 66 - 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.

	2021		2020	
EURm	AuM	Investment return	AuM	Investment return
Interest-bearing securities and deposits	7,251	0.2%	7,356	2,8%
Shares	1,608	15.8%	1,269	2,6%
Alternative investments	548	13.8%	478	-0,9%
Investment property	1,156	14.6%	973	8,3%
Total return	10,562	4.6%	10,075	3,1%

Table 67 - 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.

2021, EURm	None	0%	0-2%	2-3%	3-4%	>4%	Total liabilities
Technical provisions	7,815	346	2,836	2,242	2,005	924	16,168
2020							
Technical provisions	7,158	396	2,954	2,170	1,973	970	15,622

Table 68 - Financial buffers

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

	Financial buffers		% of guaranteed liabilities	
EURm	2021	2020	2021	2020
Norway	736	477	15.4%	10.5%
Sweden	1,522	1,157	70.5%	48.5%
Finland	1,315	888	64.4%	42.5%
Total	3,573	2,523	39.7%	28.0%

Table 69 - Solvency position

EURm	2021	2020
Solvency capital requirement	2,453	1,968
Own funds	3,714	3,020
Solvency margin	1,261	1,052
Solvency position	151%	153%

Table 70 - Solvency sensitivity

EURm	2021	2020
Solvency position	151%	153%
Equity drops 20%	160%	153%
Interest rates down 50bp	166%	157%
Interest rates up 50bp	167%	152%

Table 71 - Financial buffers compared to insurance provisions, rolling 12 mths

The figure shows the development of the financial buffers during 2021.

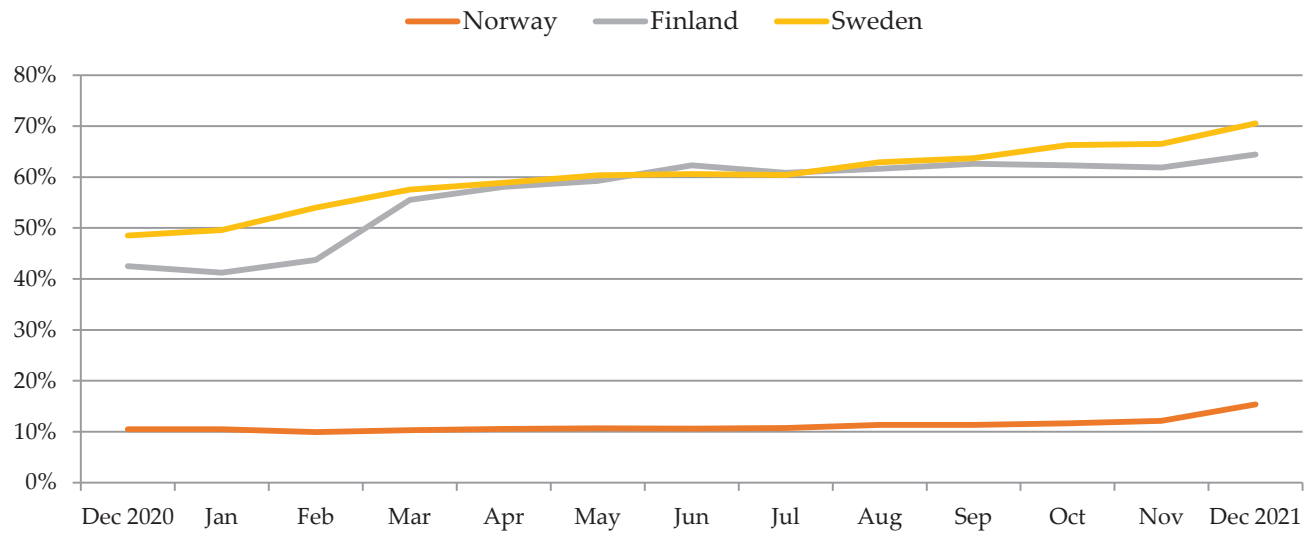

Table 72 - Cov 19 Template 1: Information on loans and advances subject to legislative and non-legislative moratoria[1]

		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			
	2021Q4, 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	734	719	9	164	15	2		-3	-2	-1	-1	-0.9	-1		5.4
2	of which: Households	734	719	9	164	15	2		-3	-2	-1	-1	-0.9	-1		5.4
3	of which: Collateralised by residential immovable property	734	719	9	164	15	2		-3	-2	-1	-1	-0.9	-1		5.4
4	of which: Non-financial corporations															
5	of which: Small and Medium-sized Enterprises															
6	of which: Collateralised by commercial immovable property															

[1] Only the legislative moratoria granted to households in Sweden are reported. All Payment Holidays have expired.

		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			
	2021Q2, 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	7,746	7,734		175	12			-3	-2		-1	-0.5			1.1
2	of which: Households	7,746	7,734		175	12			-3	-2		-1	-0.5			1.1
3	of which: Collateralised by residential immovable property	7,746	7,734		175	12			-3	-2		-1	-0.5			1.1
4	of which: Non-financial corporations															
5	of which: Small and Medium-sized Enterprises															
6	of which: Collateralised by commercial immovable property															

[1] Only the legislative moratoria granted to households in Sweden are reported

Table 73 - Cov 19 Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria[1]

2021Q4, EURm		a	l	c	d	e	f	g	h	i
		Number of obligors	Gross carrying amount							
				Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
						<= 3 month	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	4,878	734							
2	Loans and advances subject to moratorium (granted)	4,878	734	734	734					
3	of which: Households		734	734	734					
4	of which: Collateralised by residential immovable property		734	734	734					
5	of which: Non-financial corporations									
6	of which: Small and Medium-sized Enterprises									
7	of which: Collateralised by commercial immovable property									

[1] Only the legislative moratoria granted to households in Sweden are reported. All Payment Holidays have expired.

2021Q2, EURm		a	b	c	d	e	f	g	h	i
		Number of obligors	Gross carrying amount							
				Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
						<= 3 month	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	48,673	7,746							
2	Loans and advances subject to moratorium (granted)	48,673	7,746	7,746		7,746				
3	of which: Households		7,746	7,746		7,746				
4	of which: Collateralised by residential immovable property		7,746	7,746		7,746				
5	of which: Non-financial corporations									
6	of which: Small and Medium-sized Enterprises									
7	of which: Collateralised by commercial immovable property									

[1] Only the legislative moratoria granted to households in Sweden are reported

Table 74 - EU CR2: Changes in the stock of non-performing loans and advances

		a
	2021Q4, EURm	Gross carrying amount
010	Initial stock of non-performing loans and advances	4 999
020	Inflows to non-performing portfolios	1 420
030	Outflows from non-performing portfolios	-2 249
040	Outflows due to write-offs	-490
050	Outflow due to other situations	-1 759
060	Final stock of non-performing loans and advances	4 171

Table 75 - EU CCR6 Credit derivatives exposures

2021 Q4 EURm		
Notionals	Protection bought	Protection sold
Single-name credit default swaps	2 948	2 035
Index credit default swaps	82 622	82 440
Total return swaps		
Credit options		
Other credit derivatives	2 907	3 964
Total notionals	88 477	88 439
Fair values	Protection bought	Protection sold
Positive fair value (asset)	146	4 292
Negative fair value (liability)	-4 292	-263