Nordea

Capital and Risk Management Report 2022

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

Updated on August 30th, 2023

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. As of 31 December 2022, Nordea had a market capitalisation of approximately EUR 36.7bn, total assets of EUR 595bn and a Common Equity Tier 1 (CET1) capital ratio of 16.4%. As the largest bank in the Nordics, Nordea has a strong market position within its four business areas: Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management.

Economic uncertainty and rising inflation

The war in Ukraine, the associated European energy crisis, the high level of inflation and the associated monetary tightening have led to an uncertain and rapidly changing geopolitical and economic situation. All of these factors comprise risks to the economic outlook. In the Nordic economies the higher interest rates have triggered ongoing housing market corrections, which are expected to at least partly reverse the sharp price increases seen since the outbreak of COVID in the spring of 2020.

In order to continuously monitor potential adverse outcomes, Nordea has executed a number of internal stress tests with focus on inflation and geopolitical developments. In the internal stress tests, Nordea's capital and liquidity situation has shown resilience. Nordea has also intensified the regular monitoring of credit risk developments.

Risk appetite

Nordea had the following capital ratios as of 31 December 2022: a CET1 capital ratio of 16.4%, a Tier 1 capital ratio of 18.7% and an own funds ratio of 20.8%.

Nordea operates within a defined Risk Capacity which is the maximum level of risk Nordea is deemed able to assume given its capital (own funds), risk management, control capabilities and regulatory constraints. The Risk Capacity is assessed and evaluated at least once a year.

Within the Risk Capacity, Nordea's Risk Appetite, is the aggregate level and types of risk the bank is willing to assume to achieve its strategic objectives. Nordea monitors and reports risk exposures against its limits to ensure that risk-taking activities remain within its risk appetite.

Key risks in Nordea's operations

The Group Board sets the strategy for assuming, steering and controlling risks in alignment with the business strategy. Strategic business decisions are informed by independent risk assessments to ensure sound decision making. This supports the goal of driving business growth and structural cost reduction while delivering ongoing 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 Nordic lender through its various business areas. Personal Banking serves households and individuals , Business Banking serves small and medium-sized entities, and Large Corporates & Institutions serves wholesale and institutional customers. Our offerings, primarily linked to lending to households, and corporates within the Nordics give rise to credit risk, which is Nordea's main financial risk, representing approximately 86% of its total risk exposure amount (REA).

Nordea strives to maintain a well-diversified credit portfolio, and has over the past years exited segments and markets where the risk has been deemed elevated. 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), a 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 45% and 25% of Nordea's total REA, respectively. The quality of the Group's credit portfolio has remained stable throughout 2022.

Our baseline macroeconomic forecast foresees mild recessions in Denmark, Finland and Sweden, triggered by high interest rates and elevated inflation. The high energy prices are expected to support modest positive growth in Norway. The weak growth is expected to continue well into 2023, weighing on recovery prospects. Nordic housing markets have experienced headwinds, with sales showing a marked slowdown and prices starting to decline. The price fall in Sweden has been particularly pronounced. These developments are expected to continue into 2023, with the risks around the baseline forecast tilted to the downside.

Nordea's two alternative macroeconomic scenarios cover a range of plausible risk factors, which may cause growth to deviate from the baseline scenario. The high energy prices may lead to a deeper and longer recession due to weaker growth in private consumption and investments. In addition, house prices may see an even larger fall due to the high level of interest rates and squeeze of household purchasing power. A stabilisation of energy prices at a lower level may on the other hand lead to a milder setback over the winter and a stronger recovery going forward.

Credit risk losses during 2022 were EUR 112m (4 bps), and the REA attributed to credit risk was EUR 114bn at the end of the fourth quarter.

In 2022 Nordea progressed significantly in quantifying and monitoring its financed greenhouse gas emission estimates as part of operationalising its long-term business and risk strategies. While Nordea continues to support customers in industries that face increasing green transition demands, such as power production and shipping, estimates indicate a material reduction in Nordea's financed emissions since 2019. Nordea has also progressed in identifying, mitigating, managing and monitoring the material environmental, social and governance (ESG)-related risk exposures as part of a multi-year programme to align with our voluntary commitments and to meet also supervisory and regulatory requirements. Looking to the year ahead, Nordea will continue steering towards a more sustainable business mix by enhancing the measurement and management of ESG-associated impacts and risks.

Operational risk is inherent across all Nordea's activities. Capital held for operational risk represents 10.3% of the total REA. During 2022 total net losses due to operational risks were approximately EUR 18.5m, compared with a REA of EUR 15.0bn attributed to operational risk at the end of the fourth quarter. 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 as well as number of occurrences of large loss events.

Nordea has closely monitored the geopolitical situation in Ukraine during 2022 and continues to do so. Throughout the year, we have witnessed elevated threat levels for cyber security and also for physical security across the Nordics. We have taken action to address the increased inherent risk. In line with local authorities' guidance during the COVID-19 pandemic, Nordea gradually re-opened its branches and offices during 2022 and continued its transition towards a hybrid working model, allowing for a degree of continued remote working. Nordea has not seen any notable increase in operational losses from the COVID-19 pandemic.

As a leading bank in the region Nordea has a critical role to support society in detecting and preventing financial crime. The risk of Nordea's infrastructure being used to facilitate financial crime remains a key inherent risk. In 2022 Nordea continued to invest in new technologies and resources to further strengthen our compliance programme. During the year a number of bodies introduced sanctions in response to the invasion of Ukraine. Nordea has implemented the applicable sanctions rules introduced by EU, US and UK. The sanctions currently include the freezing of assets, restrictions on economic relations with certain regions in Ukraine, restrictions related to the energy and finance sectors, import and export restrictions and overflight bans.

The increased uncertainty in the economic outlook, fueled by rapidly increasing inflation and interest rates and the developments in the financial markets, has had an impact on customers' financial vulnerability. In response, Nordea is implementing additional measures including updating its advisory instructions, customer information and product approval and review processes to address the impact of rising inflation. Increased regulatory requirements bring further complexity, but also clarity on the regulatory expectations for sustainable products, among other areas.

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 the 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 through limits on (1) value at risk(VaR), (2) economic value, (3) stressed losses on trading and banking books, (4) structural foreign exchange 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. This means the bank holds sufficient liquidity to ensure it can meet its cash flow obligations, even under stressed conditions, including intraday, across market cycles and during periods of stress. Nordea sets liquidity risk limits and triggers 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 hold a liquidity buffer (1) to survive at least 90 days under 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 a 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 and remained within risk appetite throughout 2022.

Material related party transactions

In 2022 there were no intragroup transactions and transactions with related parties that had a material impact on the risk profile of the consolidated Nordea group.

Board of Directors' approval of the risk statement

Nordea's Board of Directors has approved this risk statement and acknowledges that the Group's risk management arrangement is adequate and well adapted to its 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]	511.0	100%	125.5	10.0	86%	16.4	75%
	Market risk			4.8	0.4	3%	0.9	4%
	Operational risk			15.0	1.2	10%	1.9	9%
	Nordea Life & Pension						1.4	6%
	Other[2]						1.3	6%
	Total	511.0	100%	145.3	11.6	100%	21.9	100%
Personal Banking	Credit risk[1]	180.0	35%	37.3	3.0	88%	5.1	70%
	Market risk			0.0	0.0		0.1	1%
	Operational risk			5.2	0.4	12%	0.7	9%
	Nordea Life & Pension						0.5	7%
	Other[2]						0.9	12%
	Total	180.0	35%	42.5	3.4	29%	7.2	33%
Business Banking	Credit risk[1]	107.2	21%	38.0	3.0	90%	5.1	77%
	Market risk			0.0	0.0		0.0	0%
	Operational risk			4.1	0.3	10%	0.5	8%
	Nordea Life & Pension						0.1	2%
	Other[2]						0.9	13%
	Total	107.2	21%	42.1	3.4	29%	6.7	31%
Large Corporates & Institutions	Credit risk[1]	92.6	18%	33.2	2.7	80%	4.5	80%
	Market risk			4.8	0.4	11%	0.6	11%
	Operational risk			3.7	0.3	9%	0.5	8%
	Nordea Life & Pension						0.0	1%
	Other[2]						0.0	0%
	Total	92.6	18%	41.6	3.3	29%	5.7	26%
Wealth Management	Credit risk[1]	15.7	3%	7.0	0.6	81%	0.4	27%
	Market risk			0.0	0.0		0.0	1%
	Operational risk			1.6	0.1	19%	0.2	14%
	Nordea Life & Pension						0.7	45%
	Other[2]						0.2	13%
	Total	15.7	3%	8.7	0.7	6%	1.5	7%
Group Functions, Other and Eliminations	Credit risk[1]	115.4	23%	10.0	0.8	97%	1.3	150%
	Market risk			0.0	0.0	0%	0.1	18%
	Operational risk			0.4	0.0	3%	0.0	5%
	Nordea Life & Pension						0.0	0%
	Other[2]						-0.6	-73%
	Total	115.4	23%	10.4	0.8	7%	0.8	4%

1) Includes securitisation positions and risk exposure amount related to Swedish RW floor due to Article 458 CRR.

2) Capital deductions and internal allocations

Part 1: Risk methodologies and governance

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Executive summary

With improved profitability and a strong balance sheet, Nordea is well placed to manage volatility throughout the economic cycle. In 2022 Nordea showed continued strong growth in customer business volumes in all countries, a 9% increase in profit before loan losses to EUR 4.9bn, a net profit of EUR 3.6bn and a return on equity of 13.5% (11.2% in 2021). Credit quality remained strong, supported by Nordea's overall low-risk profile and de-risking activities in recent years. Nordea's Common Equity Tier 1 (CET1) ratio was 16.4% at the end of 2022, 5.3% above the requirement. Nordea remains committed to maintaining an AA-level rating, with a focus on profitability, a well-diversified credit portfolio, a strong capital position and a diversified funding base.

Common Equity Tier 1 capital ratio

16.4%

Capital strength was well maintained during 2022 with a CET1 ratio of 16.4% (17.0%).

Total capital ratio

20.8%

Total capital ratio decreased from 21.2%.

Net loan loss ratio (including all customer loans)

4bp

The net loan loss ratio including fair value loans was 4bp (1bp last year).

Credit risk exposure change

+1%

Credit risk exposure increased to EUR 511bn (EUR 507bn).

Liquidity coverage ratio

162%

Group LCR was 162% at the end of 2022 (160%).

Very strong capital position with continued share buy-backs

The CET1 ratio at the end of 2022 was 16.4%, 5.3% above the regulatory requirement. This is well above Nordea's capital policy to hold a management buffer of 150-200bp above the regulatory CET1 requirement. The capital and dividend policies remain unchanged. Nordea's Board has proposed a dividend per share of EUR 0.80 for 2022 – up 16% from EUR 0.69 for 2021. This represents a 70% payout ratio in line with the upper end of Nordea's dividend policy range. In addition, Nordea distributed EUR 0.75 per share to shareholders in the form of share buy-backs during 2022.

At the end of 2022 Nordea was subject to a Pillar 2 requirement of 1.75%, of which 0.98% should be covered by CET1 and 0.77% can be covered by AT1 and Tier 2 capital. From 1 January 2023, the P2R has been reduced to 1.60%, of which 0.90% should be covered by CET1. Including regulatory buffers, the total CET1 requirement is 11.1%.

The total capital ratio at the end of 2022 was 20.8%, 5.4% above the regulatory requirement. The leverage ratio at the end of 2022 was 4.9%, well above the 3% requirement. The minimum requirements for own funds and eligible liabilities (MREL) ratio was 34.6%, 6.3% above the requirement of 28.3%. The subordinated MREL ratio was 26.6%, 4.9% above the requirement of 21.7%. Expressed as percentage of the leverage ratio exposure, Nordea's MREL was 9.2%, 3.2% above the requirement of 5.98%. Subordinated MREL was 7.0%, 1.0% above the requirement of 5.98%.

Maintained strong credit quality and solid management judgement buffer

Credit quality remained strong in 2022, with a well-diversified loan book and stable portfolio quality. The net loan loss ratio was 4bp, including loans held at fair value (1bp in 2021). Credit quality was stable in all customer sectors and de-risking continued in selected portfolios.

The management judgement buffer was reduced by EUR 25m to EUR 585m during 2022. At the end of the year total allowances were at EUR 1.9bn. Stage 3 impaired loans decreased by 36% during 2022 and the impaired loans ratio decreased to 0.81% (1.28% in 2021), while credit risk exposures increased to EUR 511bn (EUR 507bn in 2021).

Strong funding and liquidity position, all ratings at AA level

Nordea maintained its solid liquidity position and reputation in the funding markets. Nordea was able to actively use all of its funding programmes during 2022. Approximately EUR 32.8bn was issued in long-term debt during 2022 (excluding capital instruments and Nordea Kredit covered bonds), compared with EUR 21bn last year. Nordea maintained a strong liquidity coverage ratio, with a year-end ratio of 162% at Group level.

Nordea's issuer ratings are at AA level with a stable outlook according to Moody's (Aa3), S&P (AA) and Fitch (AA).

Further integration of sustainability into business strategy

In 2022 Nordea made significant progress in identifying, mitigating, managing and monitoring material environmental, social and governance (ESG) factors that impact our business strategy and risk profile. These are presented in a dedicated ESG section in this Pillar 3 report which includes insights into Nordea's climate change-related risk management, corresponding to further ESG-related disclosures in the 2022 Annual Report. For the first time, Nordea has presented quantitative estimates of its exposure to climate change-related risks, including financed emissions, physical hazards and actions to mitigate and manage them.

EU KM1 - Key metrics template

During Q4 2022 Nordea Group Own Funds decreased by EUR 0.1bn. CET1 capital increased by EUR 0.3bn, Additional Tier 1 (AT1) decreased by EUR 0.2bn and Tier 2 (T2) capital decreased by EUR 0.1bn. The increased CET1 was mainly driven by profit generation net of dividend accrual. This was partly offset by decreased retained earnings, mainly driven by FX effects. AT1 decreased due to FX effects in AT1 instruments, and T2 decreased mainly driven by regulatory amortisation of T2 instruments. REA decreased EUR 4.1bn during the period, mainly stemming from lower counterparty credit risk (CCR) and decreased credit risk. Leverage ratio (LR) increased from 4.6% to 4.9% as a result of decreased LR total exposure measure, due to decreased cash held at central banks and lower SFT exposure.

		a	b	c	d	e
	Available own funds (amounts)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
1	Common Equity Tier 1 (CET1) capital	23 872	23 611	25 031	25 130	25 880
2	Tier 1 capital	27 154	27 132	28 379	28 317	29 012
3	Total capital	30 213	30 272	31 530	31 592	32 275
	Risk-weighted exposure amounts					
4	Total risk exposure amount	145 299	149 377	150 723	154 039	151 906
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	16.4%	15.8%	16.6%	16.3%	17.0%
6	Tier 1 ratio (%)	18.7%	18.2%	18.8%	18.4%	19.1%
7	Total capital ratio (%)	20.8%	20.3%	20.9%	20.5%	21.2%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.8%	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 and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%	0.0%	0.0%	0.0%
9	Institution specific countercyclical capital buffer (%)	1.1%	0.8%	0.3%	0.2%	0.2%
EU 9a	Systemic risk buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10	Global Systemically Important Institution buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 10a	Other Systemically Important Institution buffer (%)	2.0%	2.0%	2.0%	2.0%	2.0%
11	Combined buffer requirement (%)	5.6%	5.3%	4.8%	4.7%	4.7%
EU 11a	Overall capital requirements (%)	15.3%	15.1%	14.6%	14.5%	14.5%
12	CET1 available after meeting the total SREP own funds requirements (%)	11.0%	10.5%	11.2%	10.8%	11.3%
	Leverage ratio					
13	Total exposure measure	549 761	587 446	580 630	589 760	536 512
14	Leverage ratio (%)	4.9%	4.6%	4.9%	4.8%	5.4%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14b	*of which: to be made up of CET1 capital (percentage points)*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14e	Overall leverage ratio requirement (%)	3.0%	3.0%	3.0%	3.00%	3.0%
	Liquidity Coverage Ratio[1)]					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	122 292	119 385	121 649	118 918	114 071
EU 16a	Cash outflows - Total weighted value	94 416	92 023	92 436	89 273	85 181
EU 16b	Cash inflows - Total weighted value	15 309	14 563	14 115	13 502	12 888
16	Total net cash outflows (adjusted value)	79 107	77 460	78 320	75 771	72 293
17	Liquidity coverage ratio (%)[2)]	155%	155%	156%	157%	158%
	Net Stable Funding Ratio[3)]					
18	Total available stable funding	313 478	319 983	308 428	316 764	311 752
19	Total required stable funding	271 119	274 592	276 304	281 718	280 517
20	NSFR ratio (%)	115.6%	116.5%	111.6%	112.4%	111.1%

[1)] 2022Q1 and 2021Q4 LCR were re-stated.
[2)] The LCR reported in this table is the average of 12 end of month ratios.
[3)] 2022Q3 and 2022Q2 NSFR were re-stated.

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 Minimum Requirement for own funds and Eligible Liabilities (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 MREL rules, increased the 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 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 'banking package' was implemented 1 June 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 leverage ratio exposure (LRE) and should be met by own funds and MREL eligible liabilities. In addition, banks should meet a subordinated MREL requirement with own funds and subordinated MREL eligible liabilities such as senior non-preferred liabilities.

The CRR requires 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 combined capital buffer comprise 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 up to 10% for specific sectors or domestic exposures. In aggregate the SRB cannot exceed 5%. 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 coupon payments on AT1 instruments, in accordance with the regulations on maximum distributable amount (MDA).

Nordic implementation

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

Finland

On 27 June 2022, the Finnish FSA decided on the application of the O-SII capital buffer for Finnish banks identified as systemically important. For Nordea, the decision was that the current O-SII buffer of 2% will be increase to 2.5% effective from 1 January 2023. The Finnish FSA decided on 16 December 2022 to maintain the CCyB rate at 0%. The maximum loan-to-value ratio for residential mortgage loans was maintained at 85%. In addition, the Finnish FSA announced it is preparing to make a decision on the imposition of a systemic risk buffer (SyRB) requirement up to 1% on credit institutions in the first quarter of 2023. The measure will become applicable 12 months after the decision.

In June 2022, Nordea received the Single Resolution Board's decision on the Nordea Group's MREL requirements. According to the decision, Nordea's interim MREL requirements are 22.71% of the risk exposure amount (REA) plus the combined buffer requirement (CBR) and in parallel 5.98% of LRE. Nordea's interim MREL subordination requirements are 16.06% of REA plus the CBR and in parallel 5.98% of LRE. The interim requirements should be met from 1 January 2022. From 1 January 2024, however, the final targets for MREL requirements will be increased to 22.97% of REA plus the CBR and in parallel 7.12% of LRE, and the final targets for MREL subordination requirements to 19.03% of REA plus the CBR and in parallel 7.12% of LRE.

Nordea Mortgage Bank Plc must meet an interim MREL requirement of 15.87% of REA plus the CBR and in parallel 4.81% of LRE from 1 January 2022, and a final requirement of 15.87% of REA plus the CBR and in parallel 5.91% of LRE from 1 January 2024. In addition, a linear MREL build-up towards the final targets and requirements applicable from 1 January 2024 must be ensured.

The requirements will be assessed by the Single Resolution Board and updated annually.

Denmark

The Minister of Industry, Business and Financial Affairs has earlier decided to increase the buffer rate from 0% to 1% from 30 September 2022 and to 2% from 31 December 2022. On 30 March 2022 it was decided to further increase the buffer to 2.5% from 31 March 2023.

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 an 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 SIFI. The debt buffer requirement is 2% if the mortgage institution belongs to an international financial group which fulfils an MREL requirement of 8% of total liabilities and own funds. 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 and own funds in the mortgage institution. The rule applies from 1 January 2022.

Nordea Kredit Realkreditaktieselskab was, in January 2017, identified as systemically important financial institution (SIFI) and is subject to a 1.5% SRB requirement. The requirement was confirmed on 22 December 2022.

From 2022 a new model for appointment of SIFI's in Denmark has been implemented. The implementation has not resulted in a change for Nordea Kredit Realkreditselskab, since it was announced on 24 June 2022 that Nordea Kredit Realkreditaktieselskab has been identified as SIFI at the same level as previously.

Norway

A SRB of 4.5% was implemented from 31 December 2020. Extended implementation period until 31 December 2022 was adopted to banks not using the Advanced IRB Approach. On 16 December 2022, the Ministry of Finance prolonged the phasing-in period to increase the SRB from 3% to 4.5% by one year, until 31 December 2023 for the same banks. On 2 February 2021, 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 recognized that any overlaps caused by regulatory differences between Norway and EU should be taken into account in making the reciprocation decision. 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. On 28 October 2022, the Swedish FSA decided to reciprocate the Norwegian SRB to Swedish institutions' exposures in Norway, with effect from 30 October 2022. A resetting of the SRB at the same level is notified to the ESRB and the ESA on 16 December 2022.

In Norway, the risk weight floor for residential real estate is set at 20% and for commercial real estate at 35% in accordance with article 458 of the CRR. On 16 December 2022, the Norwegian Ministry of Finance decided to extend application of the floors at same level until 31 December 2024.

Norges Bank has earlier decided to increase the countercyclical buffer rate from 1% to 1.5% from 30 June 2022 and to 2.0% from 31 December 2022 and to 2.5% from 31 March 2023.

On 21 December 2022, the Ministry of Finance decided that three banks should continue to be identified as systemically important institutions (O-SII), of which Nordea Eiendomskreditt is identified with an unchanged O-SII buffer of 1%.

With effect from 18 October 2022, Norwegian financing entities are exempted from the liquidity rules in the CRR.

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. The Swedish FSA has earlier decided to increase the CCyB requirement to 1% from 0%, to be applicable from 29 September 2022. On 22 June 2022, the Swedish FSA decided to further increase the CCyB to 2.0%. The increase to 2.0% applies from Q2 2023.

The Swedish FSA, on 14 July 2022, communicated that Nordea Hypotek AB (publ) will be required to maintain a buffer for other systemically important institutions (O-SII) of 1% to be met with CET1 capital from 30 December 2022.

In June 2022, the Swedish National Debt Office communicated MREL requirements for Nordea Hypotek AB (publ) and Nordea Finans Sverige AB (publ). The MREL requirements for Nordea Hypotek AB (publ) are 17% of REA and in parallel 4.98% of LRE from 1 July 2022, 18.67% of REA and in parallel 5.32% of LRE from 1 January 2023 and 22% of REA and in parallel 6% of LRE from 1 January 2024. The MREL requirements for Nordea Finans Sverige AB (publ) are 17% of REA from 1 July 2022, 18.67% of REA from 1 January 2023 and 22% of REA from 1 January 2024. In parallel, Nordea Finans Sverige AB (publ) needs to meet the MREL requirements of 6%

of LRE. Also, the capital used to meet the combined buffer requirement cannot be used to meet the MREL requirements expressed as % REA. The requirements will be assessed and updated annually by the Swedish National Debt Office.

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. 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. The EU Commission (27 October 2021) and EU Council (31 October 2022) have published their proposals for the implementation into EU regulations by amendments to the CRD and CRR. The proposal from the EU parliament is expected in the first half of 2023, with the trialogue negotiations between the Commission, Council and Parliament taking place in the second half of 2023. The new regulation is expected to be in force on 1 January 2025.

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 will be floored to 72.5% of the total Pillar 1 REA calculated with the standardised approaches for credit, market and operational risk. The floor is expected 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.

Regulatory development on ESG

For ESG factors, key regulatory changes in 2022 were the EU Taxonomy Regulation, Pillar 3 Implementing Technical Standards (ITS), and the Norwegian Transparency Act. Nordea monitors future developments, as the regulatory frameworks develop beyond 2023. Key forthcoming changes include the CRD, the CRR, the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). In the interim, Nordea is aligning to the ECB's expectations in this area which reflect existing regulatory guidance.

To support knowledge sharing on data and methods critical for implementation challenges, Nordea chaired the EURO CRO Technical Expert Group on ESG again in 2022. At the same time, Nordea participated in collaborations on the improvement of Partnership for Carbon Accounting Financials (PCAF) and initiated the Nordic chapter for the voluntary standard.

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, Group CEO 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 in line with 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 responsible for independent assurance and advisory activities related to the Internal Control Framework.

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)
First line of defence refers to all units and employees that are neither in the second nor in the third line of defence. The first line of defence is responsible for the daily risk management and for compliance with applicable rules. All employees in the first line of defence have a role of understanding and adhering to prudent risk management and for compliance with external and Group Internal Rules as part of performing their tasks. All managers are fully responsible for the risks and for compliance within their respective area of responsibility. Hence, they are responsible for ensuring that the appropriate organization, procedures and support systems are implemented to ensure a sufficient system of internal controls.	Second line of defence consists of Group Risk and Group Compliance which are responsible for monitoring the implementation of the Internal Control Framework. The second line of defence implements the financial and the non-financial risk policies and according to a risk-based approach, monitors and controls the Risk Management Framework and the Compliance Risk Management Framework and shall among other things ensure that all risks that Nordea is or could be exposed to, are identified, assessed, monitored, managed and reported on.	Third line of defence consists of GIA being an independent internal audit function. 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).

Decision-making 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:

- Decide on the Group's risk strategy and the Risk Appetite Framework, including the Risk Appetite Statement, with at least annual reviews and additional updates when needed.
- Oversee and monitor the implementation of the risk strategy, Risk Appetite Framework, and 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 10 occasions during 2022.

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 supported in decision-making by senior management within the Group Leadership Team (GLT). Matters that are to be decided by the Group Board and matters of principle or otherwise of particular importance that are to be decided by the Boards of Directors of the major subsidiaries of NBAbp, shall first be presented to the Group CEO in GLT for discussion and recommendation.

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

Asset and Liability Committee

Asset and Liability Committee (ALCO) is subordinated 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 2022.

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. The Group Board decides on the Risk Appetite Framework. The Risk Committee allocates the risk appetite to the risk-taking units, and 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 24 occasions during 2022.

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 on Risk.

- CEO Credit Committee is chaired by the Group CEO and the members of the Executive Credit Committee are included.
- Executive Credit Committee is chaired by the Head of Group Credit Management. The 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.

Table: Governing bodies for risk and capital management

<table>
<tr><th colspan="4">Board of Directors
Board Risk Committee</th></tr>
<tr><td colspan="4">Group CEO</td></tr>
<tr><td>Asset and Liability Committee (ALCO)
(Chairman: CFO)</td><td>Risk Committee (RC)
(Chairman: CRO)</td><td>CEO Credit Committee
(Chairman: CEO)
Executive Credit Committee
(Chairman: Head of Group Credit Management)
Business Area Credit Committees
(Chairman: Head of Credit)</td><td>Sustainable Ethics Committee (SEC)
(Chairman: Head of Business Banking)</td></tr>
</table>

Subsidiary governance

The subsidiary Board of Directors (BoD) is responsible for approving risk appetite limits and capital actions. The proposals for such items are the responsibility of relevant subsidiary management which is supported by 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 incident 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 Name Concentration
	LBO limit
	Securitization Risk
Counterparty credit risk	Credit portfolio loss
	Max settlement limit
Market risk	Market Risk REA
	Market Risk Capacity
	Regulatory VaR
	Fair Value Stress Loss
	Banking book stress loss
	Staff Pension stress loss
	Structural FX (CET1 ratio)
	Structural FX (OCI)
	Valuation Risk
Liquidity risk	Liquidity Position
	Structural Funding
	Currency Convertibility
Model Risk	Qualitative model risk assessment
Capital Risk	CET 1 capital ratio
	Total capital ratio
	Leverage ratio
	MREL TREA
	MREL Subordinated TREA
	MREL LRE
	MREL Subordinated LRE
	Profitability
	NLP Solvency Ratio
Operational risk	Operational risks
	Incident losses
Compliance	Compliance Risk
ESG Risk	ESG-related Risks

Risk appetite processes

The RAF contains all processes and controls to establish, monitor and communicate Nordea's risk appetite:

- Risk capacity setting based on capital position: On an annual basis, the Group's overall risk capacity is aligned with the financial and capital planning process, based on Nordea's risk strategy. Risk capacity is set in line with Nordea's capital position, including an appropriate shock absorbing capacity
- Risk appetite allocation by risk type: Risk appetite includes Risk Appetite Limits for the main risk types that Nordea is or could be exposed to. 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 appetite 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 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.

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 Board of Directors (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 authority, 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 defined as high risk 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).

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

<table>
<tr><td>Level 1</td><td colspan="7">Board of Directors / Board Risk Committee</td></tr>
<tr><td>Level 2</td><td colspan="7">Chief Executive Officer (CEO) Credit Committee / Executive Credit Committee</td></tr>
<tr><td>Level 3</td><td>Leverage Buyout and Mergers and Acquisitions Credit Committee</td><td>Real Estate Management Industry and Construction Credit Committee</td><td>Corporate Large Corporations and Institutions Credit Committee</td><td>Corporate Business Banking Credit Committee</td><td>Int. Banks, Countries, and Financial Institutions Group Credit Committee</td><td>Shipping and Offshore Credit Committee</td><td>Retail Nordic Credit Committee</td></tr>
<tr><td>Level 4</td><td colspan="3">Six eyes decisions (rated customers)</td><td colspan="4">Four eyes decisions (scored customers) – two senior decision makers from Group Credit Management</td></tr>
<tr><td>Level 5</td><td colspan="7">Four eyes decisions</td></tr>
<tr><td>Level 6</td><td colspan="7">Personal powers to act</td></tr>
</table>

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 the Risk Committee:

- Animal husbandry, Crops, Plantation and Hunting
- Banks
- CCPs
- Funds
- Housing Loans
- Insurance
- Leveraged Buy Out
- Leveraged Lending
- Oil, Gas and Offshore
- Real Estate Management Industry (REMI)
- Shipping
- TOA/Housing Cooperatives Underwriting
- 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 center, enabling high quality and maintaining the strong and compliant credit risk management in Nordea
- Meet the changes in the competitive environment and enable business opportunities through the digitalised market
- Take prudent credit decisions together with the BAs
- Optimise the credit risk profile of the bank
- Review and approve rating assignment independently from Bas

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

GCRC and RiMo together comprise Nordea's independent credit risk control units.

The main areas of responsibility for GCRC and RiMo are to:

- Perform independent oversight, monitor and control of 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 Model Risk & Validation.
- Assessing materiality of changes to the IRB approach

Geopolitical situation

There are significant risks related to the macroeconomic environment due to geopolitical developments including the impact of higher energy, high interest rates and elevated inflationary pressures..

Measurement of credit risk

GCRC is responsible for supporting prudent risk management and credit processes within the established credit risk appetite, models, policies and frameworks by providing an independent source of information for credit risk reporting.

Additionally, the Credit Portfolio Analysis unit in GCRC is responsible for independently analysing and reporting the status and development of the credit risk in Nordea's portfolio and in the credit processes both internally and externally.

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

Credit risk is measured, monitored and segmented in several dimensions. Credit risk in lending is measured and presented as on-balance sheet loans as well as off-balance sheet items on customers' and counterparts' net after allowances. Credit risk is measured utilising internal credit risk IRB models for a large portion of the portfolios. Standardised Approach (SA) is used for the remaining portfolios not covered by the IRB models. Nordea's loan portfolio is broken down by segment, industry and geography and reported monthly, quarterly and annually.

ESG-related credit risk

ESG factors are assessed as a material or potentially material driver of credit risk. Nordea provides an in-depth summary of the materiality assessment outcomes and identification, mitigation, management, capital adequacy and response to the ESG factors as a risk driver in the section "ESG factors in Business strategy, Governance and Risk Management Framework".

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.

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 Enter- prises (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 haircut shall reflect the volatility in market value of the asset, liquidity and cost of liquidation . A maximum collateral ratio is set for each collateral type. The same principles of calculation are used for all exposures.

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. Covenants are designed to react to early warning signs and are carefully monitored.

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 deals with 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. 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 19 in "Part 2: Year end analysis and results" of this report presents the exposures for which the S&P's rating is used to arrive at regulatory credit quality steps.

Exposures in the remaining standardised exposure classes are either immaterial or the risk weight is regulatory defined.

Scoring

Scoring is used for retail customers. The score is a rank ordering estimate that reflects the creditworthiness of a customer. The risk grade scale for scored customers consists of 18 grades; A+ to F- for non-defaulted customers, and three grades from 0+ to 0– for defaulted customers.

The credit scoring models are statistically derived and based on internal Nordea data. To predict the future performance of customers, certain characteristics are defined based on the customer's previous performance, the products held and behavioural information. The models also take policy requirements and credit processes into account. The customers' credit risk behaviour scores and corresponding risk grades are recalculated monthly.

The models are used to support business processes, the credit approval process and the risk management process, including monitoring of various portfolio risks. In the credit process, for example, credit bureau information is used as a supplement.

Scoring in Nordea uses a customer level approach, as opposed to a product-oriented approach. To calculate the score, the customer status as well as the customer's behaviour on all accounts/products, including potential joint commitments, is taken into consideration. The corresponding risk grade is assigned across all the customer's facilities in Nordea.

The scorecards are tailored to country specific variations, taking country specific product features, customer behaviour, macroeconomic development, debt collection process and national legislation into account. Different scorecards are used to score the household and SME portfolios, as these portfolios exhibit different payment and behavioural patterns. The household portfolio is in turn segmented into smaller sub-populations based upon product combinations held by the customer. The scorecards are segmented according to the following dimensions:

- Country
- Household / SME
- Product combination (mortgage, revolving credits, other retail exposure)
- Delinquency (depending on volumes), which in this context refers to the customers that are not up to date with the account specific payment terms and conditions

Rating and scoring migration

The rating and scoring distribution changes mainly due to three factors:

- Changes in rating/scoring for existing customers (migration)
- Different rating/scoring distribution of new customers compared to customers leaving Nordea
- Changes in exposure per rating/scoring for existing customers

The rating distribution is affected by macroeconomic developments, industry sector developments, changes in business opportunities and changes to customers' financial situation and other company-specific factors. Scoring distribution is among other things affected by macroeconomic development and the customers' behaviour. The rating models are hybrid models having characteristics of both through-the-cycle (TTC) and point-in-time (PIT), whereas the scoring models are closer to PIT. Following this, the migration due to cyclicality is greater for the scored customers than for the rated customers which is also reflected through changes in the own funds requirements.

Collateral

Collateral management principles are governed through the Collateral Guideline owned by GCRC in the 2nd LoD. There is a strong relationship between the data used for collateral management and the data used in calculating capital requirements.

Pledge of collateral is a fundamental CRM technique used by the bank. In Nordea, 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 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.

Collateral Principles

Collaterals in Nordea must fulfill a number of regulatory requirements to be eligible in the capital calculation. Eligibility requirements vary per collateral type. The following are key eligibility requirements:

- Collateral shall be valued based on current market values.
- There is a sufficiently liquid market for the collateral.
- The value of the collateral should be regularly monitored. Frequency of monitoring is dependent on collateral type. More frequent monitoring shall be carried out when the market is subject to significant changes in conditions.
- All collateral arrangements must be legally effective and enforceable in relevant jurisdictions.

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, is 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 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 regular reports on IRB model performance covering aspects such as accuracy, stability and representativeness, across the range of IRB models. The regular 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-annual 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 performed on a regular basis to verify that the models perform as intended. Validation is the main component of identifying model risk in the IRB framework and plays an important role in the adjustment and development of models. The current validation scope for IRB models encompasses the rank ordering and PD models for rating and scoring customers, as well as models for LGD and CCF parameters. The validation process consists of quantitative analysis of internal historical data enriched by qualitative assessments, especially in cases where validation data is not statistically adequate to give reliable validation results. The quantitative validation of rank ordering models focuses on the discriminatory power of the models, whereas the validation of risk parameters; PD, LGD and CCF, focuses on the predictive power of the parameters in comparison to the historical default and loss experiences, as well as the customers drawing behaviour.

The risk parameters; PD, LGD and CCF, as well as the rank ordering models are reviewed annually in accordance to Nordea's standards and in line with the requirements defined in the CRR. Initial validation is performed on all new models as well as for material changes or extension to the scope of use of models already in scope. Annual validations are performed on models in use according to a pre-defined annual plan. A recalibration of specific parameter estimates setting is triggered based on testing results if deemed necessary. 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 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/high risk exposures 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 credit impaired, defaulted and in stage 3. 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 defaulted and can be either servicing or non-servicing debt. Defaulted customers (non-performing) are 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 covenants. Forbearance is undertaken on a selective and individual basis and followed by impairment testing (corporate customers) being a credit event. Loan loss provisions are recognised, if necessary.

Forbearance measures that include debt forgiveness, write-offs and reduced customer margin lead to default while other forbearance measures can be related to both defaulted and non-defaulted customers.

Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterpart in a 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

In July 2021, Nordea received ECB's permission to use the Internal Model Method for the calculation of the own funds requirement for credit risk of positions subject to counterparty credit risk in accordance with article 283 of the CRR. After the relocation to Finland in October 2018, Nordea was 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 method is used for standard FX, interest rate and some inflation products, which constitute the predominant share of Nordea's CCR 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 Standardized 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 standardized 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, SEK, NOK, DKK and GBP), 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

GFRMC undertakes systematic analysis and reporting of general wrong way risk (GWWR), where cases of GWWR are escalated to senior management. GWWR is identified performing historical trend analysis to highlight correlations within the portfolio between the counterparty's exposure and rating.

Moreover, automatic identification procedures are in place to identify potential specific wrong-way risk (SWWR), i.e. situations where the future exposure to a counterparty is positively correlated to the counterparty's PD for a reason that is specific to the counterparty. The significance of SWWR is determined through a number of checks assessing correlation and presence of mitigating parameters. Legal connection is decided based upon principles for customer consolidation as defined in the credit guideline. Transactions that are assessed to have 1) significant degree of SWWR and 2) legal connection, are named Eligible SWWR transactions and are subject to tightened monitoring and increased capital requirements as defined in the CRR.

Counterparty credit risk and settlement risk for internal credit limit purposes

Counterparty credit risk for internal credit limit purposes is for the main part of the portfolio calculated using IMM. Model parameters are based on data from a specific three-year period, including a one-year period identified to have the most significant increase in credit spreads in recent times.

The exposures included in IMM are subject to daily and periodic stress tests with the aim to identify adverse scenarios affecting exposures on counterparty, industry and country level.

Settlement risk is a type of risk arising during the process of settling a contract or executing a payment.

The risk amount is the principal of the transaction, and a loss could occur if a counterpart was to default after Nordea has given irrevocable instructions for a transfer of a principal amount or security, but before receipt of the corresponding payment or security.

The settlement risk on individual counterparts is restricted by settlement risk limits. Each counterpart is assessed in the credit process and clearing agents, correspondent banks and custodians are selected with a view to minimize 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 agreement terms 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.

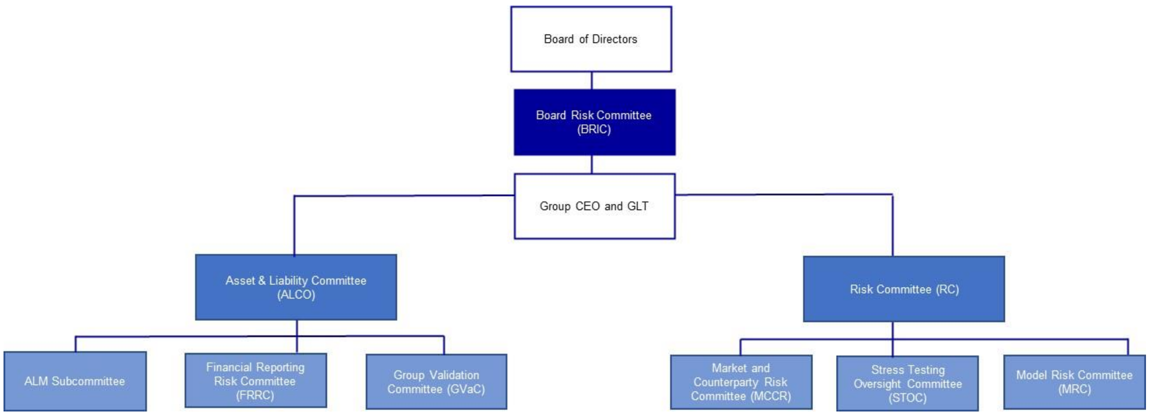
Traded market risk

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 re quirements 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.

Standardised approach (SA) is applied to risk exposures which are not covered by the IMA..

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&. 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.

Interest Rate Risk in the Banking Book

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

- Economic value risk,
- Fair value risk, and
- Net Interest Income risk.

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.

The Economic Value (EV) risk metric considers 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 metric assumes a run-off balance sheet and includes behavioural modelling for non-maturing deposits (NMDs) and prepayments as well as assumptions on floors embedded in customer loans and deposits.

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 risk 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 (FV) risk metric 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 exposures under fair value accounting. 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 risk metric is monitored daily.

The Net Interest Income (NII) risk metric considers the potential change in NII resulting from interest rate movements over a one-year horizon. The model uses a constant balance sheet assumption, implied forward rates and behavioural modelling for NMDs and prepayments as well as assumptions on floors embedded in customer loans and deposits. Similar to EV risk, NII risk is measured using a range of internal stress scenarios and the standardised scenarios defined by the BCBS. The exposure risk appetite limit under NII risk appetite is measured against the worst outcome generated from a range of internal stress scenarios. The NII risk 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, NMDs and customer floors. The internal models for prepayments and NMDs 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 maximum modelled durations for NMDs are currently 3 and 15 years, respectively. The average duration for the core retail deposits amounts to 3.7 years and for core non-financial wholesale deposits to 2 years. Including non-core deposits, average durations fall to 1.3 years for retail and 0.5 years for non-financial wholesale.

Nordea capitalises IRRBB under Pillar 2. The Pillar 2 IRRBB capital allocations consist of a Fair Value risk component and an NII risk component. The Fair Value risk component covers the impact on the bank's equity due to adverse movements in the mark-to-market values of positions accounted for at fair value through profit and loss or fair value through other comprehensive income, excluding long term illiquid assets, which are separately capitalised. The NII risk component covers the impact of rate changes on future earnings capacity, and the resulting implications for inter-nal capital buffer levels.

IRRBB is managed centrally in Group Treasury against EV, FV and NII risk limits. Risk is managed in various frameworks but overall risk is coordinated and measured against overall EV, FV and NII risk limits capturing all banking book exposures. When managing IRRBB, Group Treasury tries to make use of natural risk offsets from cash products with different directional exposures by for example offsetting floating rate loan book exposure with short-term funding or deposits. In many areas natural offsets do not exist or are inefficient to use and therefore risks are also often hedged with derivatives. The most commonly used derivatives are linear plain vanilla instruments like IRS, OIS, cross-currency swaps, FX forwards/swaps and bond futures. For non-linear risks stemming from explicit caps and collars embedded in or associated with customer loans, the non-linear option risk is hedged in an automated setup with the trading book. Otherwise derivative hedges are done with external counterparties and Nordea trading book can and are used to ensure full market access. Derivative hedges are to a large degree under hedge accounting relationship but short-dated FX derivatives and futures are under fair value accounting.

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 negatively impact Nordea's CET1 ratio.

This risk is monitored on a daily basis through a stress test that translates the BoD's risk appetite into a limit that measures the CET1 ratio sensitivity to fluctuations in FX rates.

On18 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 internal back-testing. 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 (e.g. based on sensitivities)
- Compliance of risk measure
- Choice and adequacy of proxies
- Model assumptions, including correlation modelling in IRM and CRM
- Model calibration, including assessing the choice of stress period for Stressed VaR
- Evaluation of model performance through measures such as internal back-testing analysis
- Robustness of models across scenarios

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 six severe, but plausible, macroeconomic events that can foreseeably affect both trading and banking book positions. The scenarios cover different risk factors, products, tenors and geographical regions. The six macroeconomic events relate to:

(i) an interest rate hike scenario,
(ii) a Nordic housing crisis scenario,
(iii) a Global Financial Stress,
(iv) a Risk-On scenario,
(v) Covid-19
(vi) an European Debt Crisis scenario

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 vali- dated 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 activities and positions in the respective books that ensure compliance with the boundary guideline and regulatory requirements. The 1st LoD performs controls to verify that activities carried out are compliant with the trading strategy and investment and funding guideline and that they receive the appropriate book classification. 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 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 (OVA) into derivative valuations. CVA and OVA 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 OVA 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 partly reflected in the calculated net present value through the applied discounting curve and partly through the addition of a separate 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).

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 appropriate- ness 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.

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 Asset and Liability Committee (ALCO).

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 Risk 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 (2nd LoD) risk control function for overall 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 collaborates with specialized 2nd LoD units such as e.g., the Chief Security Office covering Security risks. 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 the 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 as well as number of occurrences of large loss events.

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 Compliance 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. Regular reporting also contains information on emerging risks as well as risk 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, avoidance and for operational risk: transfer and acceptance.

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.

The Operational Risk Committee (ORC) has been appointed by the executive Risk Committee for decision making related to and supporting group-wide prudent management of operational risks.

The Compliance, Conduct and Product committee that is responsible for decision making related to and supporting group-wide prudent management of compliance risk has continued the work over the course of 2022. The Committee has focused on the Compliance risk key areas such as Financial Crime, Data Privacy, Governance risk and Conduct risks.

Key operational and compliance risk management processes

Risk and Control Self-Assessment

The Risk and Control Self-Assessment (RCSA) process ensures overview and assessment of operational and compliance risks and related controls across Nordea. The process improves risk awareness and enables effective assessment, control and mitigation of identified risks, as well as strategic prioritisation and allocation of resources for risk mitigation and follow-up of the risk exposures outside of risk appetite, and/or risk limits. Furthermore, the RCSA process and its results provide the basis and input for risk reporting in Nordea.

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.

Financial Crime Enterprise Risk Assessment

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

Change Risk Management and Approval

The Change Risk Management and Approval (CRMA) process ensures that there is an understanding of the risks arising from a change and that risks are adequately managed consistent with Nordea's risk appetite and framework before a change is approved or implemented.

The CRMA process must be applied to all types of change and development initiatives involving changes to e.g. new or changed processes, organizational changes, Information Communication and Technology "ICT" changes, new outsourcing arrangements and exceptional transactions.

Product Approval Process

The Product Approval Process (PAP) framework governs new or significant changes to products or services, decommissioning, changes in target markets or distribution channels, and non-standard product related New Transactions. The PAP framework ensures financial and non-financial risks are assessed in scope of PAP, for which final approval is governed by the Compliance, Conduct and Product Committee (CCPC) or relevant delegated business area.

Incident Management

The Incident Management Framework ensures appropriate handling and reporting of detected incidents to minimise the impact on Nordea and its customers, prevent reoccurrence, and, reduce the impact of future incidents. When incidents occur they are immediately assessed to determine their severity. Depending on the nature of the incident and the severity assessed, different requirements on stakeholder involvement and external reporting applies, including incident notification to relevant authorities.

Scenario Analysis

Scenario Analysis is performed in order to identify and assess Operational and Compliance Risks with severe financial or non-financial impacts with low probability of materialization, 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 the key impacts from, and preparedness for, unusual risk events should they materialise, and to identify and close possible control gaps in Nordea.

Business Continuity and Crisis Management

The BC & CM framework in Nordea ensures the capability to handle extraordinary events and crises and assure the continued delivery and recovery of prioritized products, services and processes to predefined acceptable levels. Extraordinary events and crises situations are timely and appropriately escalated and responded to through pre-established structures.

The capabilities are validated by testing and exercising the organisation and established plans to ensure to protect its resources (e.g. people, premises, technology and information), supply chain, interested parties and reputation, before a disruptive incident occurs.

This includes ensuring that roles and responsibilities are clear, known and communicated to all involved.

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.

Nordea maintains an Information Security Management System for implementation of the principles and requirements for information security, with the overall objective to preserve the confidentiality, integrity and availability of Nordea's information, and information entrusted to Nordea, by applying a risk-based methodology.

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 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.

Raising Your Concern

The objective of the Raising Your Concern (RYC or "whistle blowing") 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 ensures 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 meet cash flow obligations when they fall due or is unable to meet cash flow obligations without incurring unsustainable high prices or 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 t Nordea is able to cover all liquidity risks over the 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 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 Russian invasion of Ukraine 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 FTP 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 2022:

- Nordea should hold sufficient liquid assets to ensure obligations can be met in both internal and regulatory stress scenarios
- Nordea should ensure an appropriate structural composition of its assets, liabilities and off-balance sheet commitments
- Nordea should control the currency convertibility risks arising from FX mismatches in its asset-liability mix

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.

Group Risk (GR), in its role as 2nd LoD, provides independent risk over-sight 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, GR 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 and further clarified though the European Commission's Delegated Acts.

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

The Internal Liquidity Adequacy Assessment Process (ILAAP) is a continuous process for the Nordea Group as well as its eligible subsidiaries. The ILAAP provides an assessment of liquidity adequacy through a comprehensive analysis of liquidity risk management practices in the respective entities.

In the ILAAP, the board concludes in the Liquidity Adequacy Statement that Nordea Group has adequate liquidity to support current and projected business activities under both normal and stressed conditions, underpinned by a robust liquidity risk management framework as well as adequate systems and controls. The major basis of this adequacy assessment is that Nordea has rigorously adhered to regulatory and internal risk appetite limits.

Securitisation and credit derivatives

Securitisations or risk sharing transactions as they are frequently referred to, are an integral part of Nordea' strategic balance sheet toolbox allowing for diversification of its capital sourcing, optimisation of the capital position without impacting our business practices 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 synthetic securitisations, 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 may act as an arranger, structurer and/or placement agent, in the credit derivatives market may Nordea act as an intermediary with focus on Nordic names and Nordea may also trade 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 complementary sources of capital for redeployment into its core business. Under these transactions, investors agree to provide credit protection through issued credit linked notes (CLN), linked to the junior or mezzanine credit risk of a referenced portfolio.

Given the weight attached to the client relationship, Nordea typically achieves risk transfer through a so called synthetic securitisation, performed through a collateralised financial guarantee structure where the referenced assets remain on Nordea's balance sheet. Under these agreements, the buyers of the notes agree to cover a pre-agreed amount of incurred credit losses related to the reference portfolio structured in a manner 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, risk limits are 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 risks 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

[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

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 follow 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.

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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 determine an internal capital requirement reflecting the risks of the institution and to assess the adequacy of capitalisation. 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, ratings 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. The current capital position and forecasts are reported to ALCO, RC, GLT and Group Board as well as Boards of subsidiaries . 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), stress testing results as well as expectations for future capital requirements. 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.

The risk appetite statements are set considering material risks and is the articulation of how much risk Nordea is willing to assume. The risk appetite is defined under both ordinary and stressed circumstances and furthermore aligned to the recovery indicators in the Group Recovery Plan. Stress testing permits evaluation of vulnerabilities and the appropriateness of the risk appetite statements and the recovery indicators.

Performance is measured using financial and non-financial KPIs, which impact the size of the variable pay pool. Risk indicators are considered when determining and allocating the pool, including implications of stress tests and other risk measures as well as current and forecasted adequacy of capital and funding. Individual variable pay outcome uses quantitative and qualitative criteria and is 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

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 macro-economic forecasts 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.

Pillar 2 Requirement (P2R)

On 21 December 2022 the ECB decided to set Nordea's P2R to 1.60% of own funds.

Capital and dividend Policy

Nordea's intention is to hold a CET1 capital management buffer of 150-200bp above the regulatory CET1 capital ratio requirement. 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 2022

Nordea's Board has decided to propose that the Annual General Meeting (AGM) on 23 March 2023 authorise it to decide on a dividend payment of a maximum of EUR 0.80 per share to be paid. This corresponds to approximately 70% of the net profit for the year. 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 for shares held by Nordea on the dividend record date.

Capital transferability and restrictions

Nordea may transfer capital within Nordea without operational or legal impediments. However, transfers are subject to the general conditions for entities considered solvent and with sufficient liquidity under national legislation and sometimes subject to approval from the local supervisor. Internal transfers of capital between legal entities are of importance in governing the capital positions of the Nordea Group and its legal entities.

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 1 risks as regulatory prescribed, Nordea calculates an internal Pillar 1 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 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 resilience to stress. Thus, an appropriate governance structure is required for the stress testing process. Key responsibilities include GLT, BRIC and the subsidiary 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 position. 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 is carried out throughout the year when deemed necessary. To determine the adequacy of capital position 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 analyzed in relation to capital policy, regulatory buffers and internal capital requirements.

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
- Calculation
- Analysis and reporting

Stress tests performed

During 2022 Nordea performed internal stress tests in the ICAAP process based on relevant stress scenarios. In addition, Nordea participated in the ECB Climate Stress Test. The results of this exercise was published in July 2022.

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 macro-economic 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.

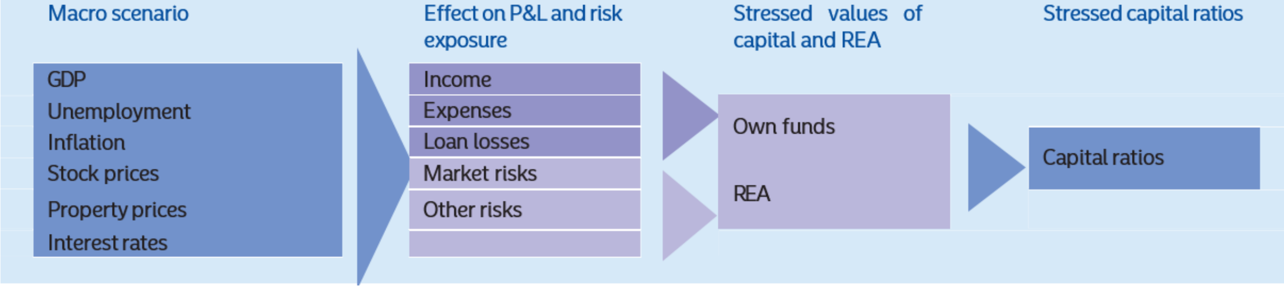
After a scenario is developed and quantified, impacts are translated to relevant parameters and simulated. Advanced models in combination with stress test methodologies supported by expert judgment from Business Areas are used to determine the effect of the scenario.

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 and leverage exposures to calculate the impact on relevant ratios during a stress scenario. The figure 'Calculation Process' below shows the calculation process used in the stress test framework.

Figure: Calculation process



Capital allocation

Economic Capital (EC) is a framework to allocate capital held by Nordea to its business areas 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 aligns to the Group's target CET1 ratio level which is set by the capital policy to ensure a sustainable long-term capitalisation for Nordea Group. In addition, the EC framework also include the following items:

- Equity contribution of the insurance business
- Certain capital deductions

ESG factors in Business strategy, Governance and Risk Management Framework

BUSINESS STRATEGY AND PROCESSES

ESG factors in the business strategy

The foundation to setting and aligning sustainability objectives in Nordea's business strategy with ESG-related risk management and risk strategies is the systematic identification and mapping of relevant and material Environmental, Social and Governance (ESG) factors for our business operations and model, and our risk profile across risk categories (Figure 1: Overall approach to alignment of ESG-related objectives, targets and limits in Nordea's business and risk strategies). Identification relies on the concept of 'double materiality', indicating material positive or negative impacts on the planet and society and their potential feedback through financial materiality to Nordea and its counterparties.

Sustainability as a core part of Nordea's business strategy rests on four pillars: (1) financial strength, (2) climate action, (3) social responsibility, and (4) governance and culture (see Sustainability Notes S2-6). Within each pillar, we have identified thirteen Sustainable Development Goals (SDGs) to be of significance for Nordea (see Sustainability Notes S9).

These four pillars are integrated into Nordea's business strategy through measurable long-term and medium-term objectives, 2023-2025 targets, and internal policies. As a guide to operationalisation and steering of sustainability within the Group, Nordea is committed to enabling customers to make sustainable choices and contributing to societal goals through financing, investments, and our internal operations across all pillars (see Sustainability Notes S7).

One of the key objectives for Nordea's sustainability steering is alignment of selected on-balance sheet lending and investments with the Paris Agreement, especially through financed Greenhouse Gas (GHG) emissions reductions – decreasing 40-50% by 2030 and achieving net zero by 2050 at the latest (see Sustainability Notes S4). Nordea further aligns the steering of our balance sheet with global best practices, across identified material sustainability dimensions, through engagement with Principles for Responsible Banking (PRB), UN Global Compact, Equator Principles, Poseidon Principles and other key benchmarks and their implementation within our lending and investment policies and management practices (see Sustainability Notes S11-12). For sustainability steering in Nordea's internal operations, such commitments are embedded in our policy frameworks, including third-party procurement, travel and employee conduct (see Sustainability Notes S4-6 and 12).

For the purposes of this report, Nordea's strategic sustainability ambition and management of material ESG-related risks are cross-mapped to the respective factors in our taxonomy of ESG factors, as detailed in section Environmental, Social and Governance Factors.

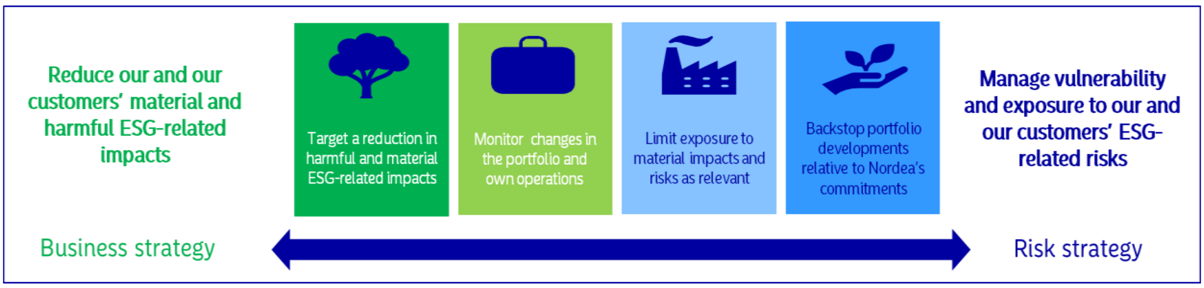
EU Taxonomy-aligned Financing

Nordea introduced new long-term targets in 2021 and in 2022 for the period 2023-2025, to support the delivery of the four pillars. An alignment of assets and income to the EU taxonomy is seen as an action to achieve these targets.

Nordea will start measuring the Green Asset Ratio (GAR) for 2023. After the GAR is initially measured, the proportion of EU taxonomy-aligned assets and investments will be monitored. Further expansion of the disclosure requirements by counterparties and EU taxonomy itself, as well as improvements in data quality, coverage and accessibility, are expected to enhance the measurement of the GAR through 2026.

For 2021 and 2022, in line with the EU Taxonomy Regulation, Nordea is measuring and disclosing the proportion of the total assets of exposures to Taxonomy non-eligible and Taxonomy-eligible economic activities. The first results and the methodology for identifying eligible assets can be found in the Annual Report 2021 (see Annual Report, page 91-92). The scope of the 2021 disclosures were limited and only included household mortgages as eligible assets. For 2022, the scope has increased, adding eligible assets related to car loans as well as exposures to undertakings falling under the Non-Financial Reporting Directive (NFRD).

Figure 1: Overall approach to alignment of ESG-related objectives, targets and limits in Nordea's business and risk strategies



GOVERNANCE

ESG factors in Governance

Group governance

Nordea embeds oversight of strategic steering on material ESG factor impacts in its governance model (Figure 2: Overview of ESG-related governance model) (see Sustainability Notes). The Nordea Bank Board (NBB) oversees the implementation and alignment of the business and risk strategies through the Board Operations and Sustainability Committee (BOSC), which assists NBB in fulfilling its oversight responsibilities on sustainability impacts, the Board Risk Committee (BRIC), which assists NBB in fulfilling its oversight of ESG factors as a driver of risk, and the Board Audit Committee (BAC) which assists NBB in fulfilling its oversight on reporting and disclosures.

At the Group Leadership Team (GLT) level, the Sustainability & Ethics Committee (SEC) oversees implementation of sustainability in the business strategy and facilitates operational ESG-related risk management, the Risk Committee (RC) has oversight of the implementation of ESG-related risk strategy and policy framework, and the Asset and Liability Committee (ALCO) monitors and decides on principles for the performance management framework and the financial planning framework. Additionally, Risk Committee sub-committees opine on ESG-related topics within their mandates.

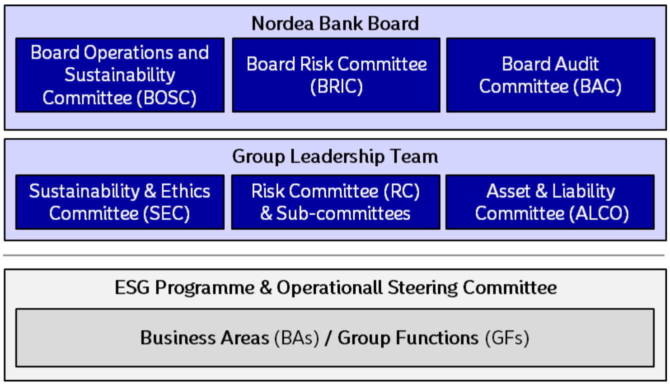
A suitability assessment of the individual Board members and of the Board as a whole is completed annually and its outcome is taken into account in the annual training plan. NBB and GLT trainings for 2022 covered greenwashing risk, regulatory developments, climate-related physical risks and biodiversity loss.

Specifically, ESG-related risks in the credit process are governed according to the delegated Powers to Act and approvals follow the established decision-making responsibilities and accountabilities. For customers associated with a high level of ESG-related risk, decisions are escalated to higher-level credit committees as relevant.

Project governance

A Group-wide ESG programme was established in 2021 with the objective to ensure efficient and consistent implementation of ESG factors in the business and risk strategies across 1st and 2nd Lines of Defence (LoD) and delivering on relevant regulatory changes. The programme is overseen by an Operational Steering Committee (OSC), co-chaired by the Chief of Staff and Head of Group Credit Risk Control (GCRC), and involves all relevant Business Areas (BAs) and Group Functions (GFs). A key focus of the programme is establishing an ESG Data Foundation (EDF), supporting data driven portfolio steering, risk management, disclosures and management oversight.

Figure 2: Overview of ESG-related governance model



ESG factors in organizational structure and reporting

ESG is treated as an integrated component of existing processes for decision-making, risk management and control, escalation and reporting across the 3rd LoDs. The 1st LoD is responsible and accountable for setting and implementing the strategic approach to managing ESG factor impacts and managing ESG-related risks. The Chief of Staff is accountable for ensuring coordination and facilitation of this mandate. The 2nd LoD is responsible and accountable for developing the ESG policy framework and provides oversight to 1st LoD implementation of the business and risk strategies. The Head of GCRC is responsible for coordinating and facilitating this mandate. The 3rd LoD provides independent and objective assurance and advice related to ESG-related risks.

For each of the three LoDs, a function and its associated head are assigned as ESG coordinator and ambassador within their LoD and toward the other LoDs. Group Sustainability (GS) is responsible for 1st LoD coordination and GCRC is responsible for 2nd LoD coordination. Group Internal Audit (GIA) coordinates ESG assurance and advice activities based on GIA's risk assessment in order to provide sufficient and relevant audit coverage. Coordination between risk areas is mandated for on key topics, such as greenwashing, and processes, such as the aggregation of ESG-related reporting, to ensure coherent and consistent implementation of the ESG policy framework.

New functions were established in Group Sustainability and Balance Sheet & Portfolio Management to operationalise portfolio steering. Development priorities for 2023 in the programme are continued progress toward steady-state sustainability steering of portfolios, data, and methods enhancements for strategic KPIs and impact assessments, and strengthening the associated monitoring and control framework.

Nordea has a three layer approach to increase ESG competence and awareness throughout the Group: 1) General training to all employees in mandatory Code of Conduct training that embeds also ESG-related principles and two general non-mandatory e-learnings. Regulatory changes are also implemented with relevant training to employees impacted by the change as needed; 2) Tailored training for identified groups of employees that work directly with ESG; and 3) In-depth training for selected groups. Tailored and in-depth trainings Group Risk in 2022 prioritised greenwashing risk management and financed emissions accounting for strategic oversight. Employees in Group Compliance have had mandatory targeted ESG-themed learnings on ESG-regulatory requirements, terminology and the EU taxonomy regulation.

During 2022, the ESG management reporting has evolved into an established process within 1st LoD to gather and analyse the most important aspects of the development of ESG metrics subject to discussion at ALCO and GLT. The ESG metrics include an overview of the ESG KPIs, the financed emissions development and forecasted trajectories, as well as historical and actual development of EU Taxonomy eligible assets, sustainable finance, - funding, and - savings.

Aggregated and quarterly ESG specific reporting to NBB was enhanced to include:

- ESG Programme monitoring of strategic implementation progress, including progress against sustainability targets, voluntary and supervisory commitments, through a Sustainability Roadmap;
- Identification and monitoring of ESG as a driver of Compliance, Operational, Liquidity, Market, Capital and Credit risks; and
- Financed emissions developments across Business Areas, geographies, industries and customers supplemented with deep dives (see Sustainability Notes S4).

Further reporting is conducted as an embedded component of ICAAP, including capital adequacy, stress testing and scenario analysis (see section ICAAP, stress testing and capital allocation), and Group Compliance Report for the Group Board.

ESG in remuneration policy

In 2022, Nordea has integrated further ESG goals applicable for remuneration for the Group Leadership Team and other senior leaders across the Nordea Group. The ESG goals in remuneration in 2022 aim to support Nordea in fulfilling its sustainability and climate objectives in three key areas: (1) milestone progress in relation to Nordea's sustainability implementation plan, (2) volume increase for green financing, and (3) gender balance improvement in senior leadership levels. This is in addition to the current non-financial KPIs on employee engagement, customer satisfaction and risk, compliance and conduct priorities, as well as goal supporting Nordea's financial targets. This means that a material portion of the GLT's and senior leaders' non-financial goals for remuneration measured at Group-level are linked to ESG goals.

RISK MANAGEMENT FRAMEWORK

Policy framework for ESG factors

The policy framework for ESG-related risks was updated in 2022, covering key principles for applying the "double materiality" concept to ESG factors and their coherent embedment in the relevant risk area frameworks and processes. Guidance on risk appetite is also provided in the ESG policy framework, including on financed emissions limits as they relate to a standardised "carbon budget" and financed emissions accounting methodology for the Group.

ESG factors may drive credit, market, liquidity, compliance, operational and capital risks variably. Thus, the principle for embedding them in the Common Risk Taxonomy and framework is their materiality in driving each risk category. To facilitate this factor assessment, ESG-related risks were defined as Level 2 risks under credit, market, and liquidity risks in 2021. In 2022, several ESG-specific Level 3 risks were defined under selected categories of compliance and operational risks; including for financial reporting, reputational, outsourcing and third party, physical security, technology, conduct and customer outcomes, governance and people risk. A new ESG-related risk was also added under capital risk.

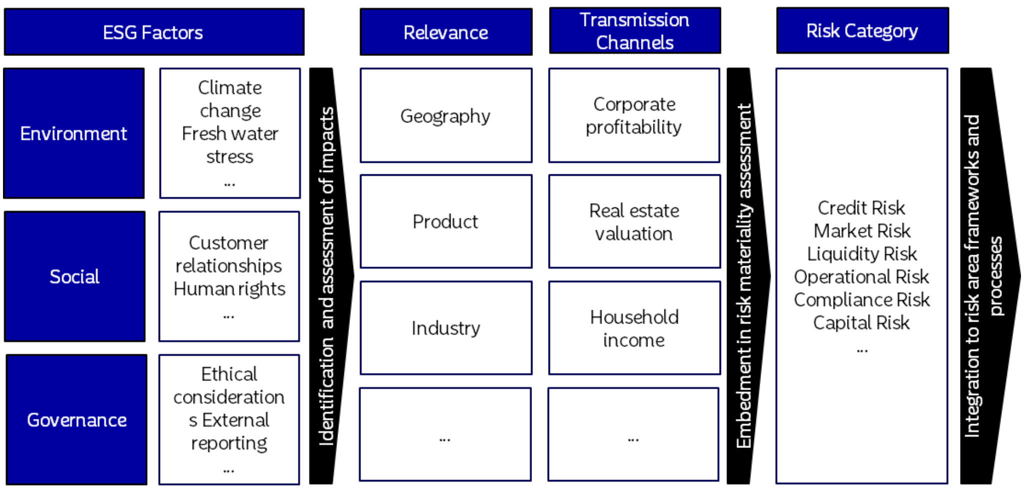
Nordea defines ESG factors as environmental, social or governance characteristics that may have a positive or negative impact in the short, medium or long term on the financial performance or solvency of Nordea or its counterparties across the value chain. These factors link to the Risk Taxonomy by applying them as implicit drivers in the assessment of risk materiality for each category, with "ESG-related" risk definitions also included explicitly in the respective risk taxonomies to ensure operational visibility by the organisation. A taxonomy for ESG factors was developed in 2021, which is shown in the respective tables in this report, see section Environmental, Social and Governance Factors. Nordea's ESG factor taxonomy aims toward alignment with the EU Taxonomy environmental objectives and European Banking Authority's guidance. All ESG factors are applied in assessment of credit and operational risks impacts, while market, liquidity, capital and compliance risks set a narrower scope accounting for best practice, regulatory and supervisory guidance, and expert knowledge of the risk profile.

For the purpose of assessment of financial materiality, short term is defined as less than one year, medium term as one to ten years and long-term as ten years or above (Figure 3: Nordea's approach to assess potential materiality of ESG factors on financial risk categories). ESG factors driving risk categories are assessed following a three-step approach:

1. Qualitative assessment and ranking of the potential impact of each factor to sub-risks by low, medium or high within each relevant risk's Common Risk Taxonomy to identify potentially material impacts and transmission channels;
2. Quantitative risk identification and impact assessment methods as applied for relevant risk areas, as part of the annual risk materiality assessment in the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) or related pilot exercises;
3. Where the impact to the risk profile is assessed as material, inclusion in the risk area framework and correspondingly the risk appetite framework shall be considered to ensure ESG-related risks are prudently managed over a sufficiently long-term horizon.

Transmission channels are the causal chains that explain how ESG factors impact Nordea through its counterparties, invested assets, third parties or its own operations. For example, lower profitability, lower asset valuations, or increased compliance costs. Each risk area is required to indicate the transmission channels considered as part of the financial materiality assessment of each ESG factors at least qualitatively or quantitatively to assess impact where relevant. Outcomes are detailed further in the section Environmental, Social and Governance Factors of this report. Analysis covers at least the Personal Banking, Business Banking and Large Corporates & Institutions Business Areas in scope of the Capital Requirements Regulation (CRR), unless otherwise specified.

Figure 3: Nordea's approach to assess potential materiality of ESG factors on financial risk categories



ESG factors in risk appetite framework

As Nordea progressively identifies, quantifies, assesses the impact and specifies the materiality of ESG factors on its risk profile, our risk appetite framework is periodically updated. Nordea first introduced a qualitative Board approved ESG-related Risk Appetite Statement (RAS) in 2019 setting the ESG-related boundaries within which Business Areas can operate. The current RAS requires prudent management of material ESG-related risk exposures across risk types and engagement with customers to align with the Paris Agreement and Nordea's reduction in associated financed emissions exposure over time.

The ESG policy framework sets guidance for the ESG RAS criteria and governance for limit monitoring, reporting, and breach escalation. Board approved limits were also introduced, with a Key Risk Indicator (KRIs) for limiting the financed emissions levels attributed to loans to the public. Further limits associated with specific ESG factors are specified in section Environmental, Social and Governance Factors. Continued development of the RAS and KRIs in 2023 will reflect the maturation of ESG factor impact calibration within risk categories and portfolio steering of the existing risk and business strategies.

Credit and investment strategies for selected industries can include limiting exposure to harmful or controversial economic activities that Nordea refrains from financing. Industry Credit Policies (ICPs) provide guidance, as a part of the credit risk assessment and loan origination processes, on those ESG factors that Nordea seeks to limit exposure to, thus managing potential new business that is misaligned with Nordea's sustainability targets, objectives and risk appetite. The ICPs are cascaded in the credit risk framework, aligned with the Sector Guidelines, which are publicly available, outlining those activities that Nordea either refrains from financing or provides guidance in terms of requirements or recommendations for Nordea's customers. Nordea publishes such requirements in Sector Guidelines for the forestry[2], real estate[3], shipping[4], agriculture[5], gambling[6], fossil fuel based[7], defence[8], mining[9] (see Sustainability Notes S11).

The Investment strategy concerning the Long-term Illiquid Asset (LITA) portfolio includes a detailed ESG analysis and separate ESG rating. The approach is aligned towards Nordea's minimum requirements and long term targets.

[2] https://www.nordea.com/en/doc/nordea-sector-guideline-for-the-forestry-industry.pdf
[3] https://www.nordea.com/en/doc/nordea-sector-guideline-for-the-real-estate-industry.pdf
[4] https://www.nordea.com/en/doc/nordea-sector-guideline-for-the-shipping-industries.pdf
[5] https://www.nordea.com/en/doc/sector-guideline-agricultural-industry.pdf
[6] https://www.nordea.com/en/doc/nordea-sector-guideline-for-the-gambling-industry.pdf
[7] https://www.nordea.com/en/doc/nordea-sector-guideline-for-fossil-fuel-based-industries.pdf
[8] https://www.nordea.com/en/doc/nordea-sector-guideline-for-the-defence-industry5.pdf
[9] https://www.nordea.com/en/doc/sector-guideline-mining-industry.pdf

Environmental, Social and Governance Factors

ENVIRONMENTAL FACTORS

Figure 4: Mapping of double materiality assessment scope for environmental factors, covering sustainability impacts and materiality for financial risks

Environmental Factors		Strategic ambition set for...		Financial materiality assessed for...							
		selected own operations	selected financial counterparts	Credit risk		Market risk		Liquidity risk		Capital risk	
				2021	2022	2021	2022	2021	2022	2021	2022
Climate change	Contribution/ mitigation	✓	✓								
	Vulnerability/resilience to hazards										
Contribution to the protection/ loss of biodiversity and habitat destruction			✓								
Vulnerability/ resilience to other environmental hazards (not climate related)			✓								
Contribution to/ mitigation of freshwater stress			✓								
Contribution to a circular economy or mitigation of resource scarcity/ production of hazardous or non-recyclable waste		✓	✓								
Contribution to/mitigation of water, air and land contamination		✓	✓								

Legend
- Qualitative factor mapping methodology applied, assessed as a potentially material driver of risk category
- Qualitative factor impact methodology applied, assessed as a material driver of risk category
- Quantitative factor impact methodology applied, assessed as a material driver of risk category
- Quantitative or qualitative factor impact methodology applied, assessed as a non-material driver of risk category
- Assessment of factor as a driver of the risk category planned, not yet documented
- Assessment of factor as a driver of the risk category not in current planning scope, dependent on further regulatory guidance

ENVIRONMENTAL FACTORS IN BUSINESS STRATEGY AND PROCESSES

Investment and Credit strategies: targets, objectives and limits

For achieving sustainable impact on environmental factors, the SDGs identified as material include SDG 7, Affordable and clean energy, and SDGs 12-15, Responsible production and consumption, Climate action, Life below water, and Life on land (see Sustainability Notes S9). Climate action has so far been prioritised with the objective to become a net-zero emissions bank by 2050 at the latest, Nordea has committed to support our customers to address their impacts while also reducing our own impact (see Sustainability Notes S4 and S9). This strategic ambition is implemented through various internal and external policies concerning selected own operations and financial counterparties, which have been aligned with international and European policy frameworks and benchmarks.

Climate change has so far been the primary environmental factor in scope for Nordea, with our 2030 and 2050 objectives and medium-term targets. Nordea issued a position statement on climate change in 2019, outlining key commitments including support for the Task Force on Climate-related Financial Disclosure (TCFD) recommendations and development of financed emissions reporting aligned with the GHG Protocol and Partnership for Carbon Accounting Financials (PCAF) Standard. Business Area strategies towards 2025 are set to engage with counterparties to reduce financed emissions and to grow sustainable financing to support the 2030 objective. A first round of interim sector-specific emission targets set in 2022 cover shipping, oil, gas and offshore, residential real estate (household mortgages and tenant-owned associations), and thermal peat mining (see further information on targets in Sustainability Notes S4).

To inform industry-level credit strategies, available customer-level emissions data is collected and assessed through climate-related industry deep dives, already covering oil, gas and offshore, shipping, mining and supporting services, power production, utilities, waste, and water management, and residential real estate (see Sustainability Notes S4). Climate-related transition deep dives involve quantifying each portfolios' alignment of three scenarios of policy-driven transition pathways and Nordea's 2030 objectives. A comparative transition policy analysis, covering international, European, Nordic and peer benchmarks, is also completed as part of each deep dive. Credit strategies are updated to take into account deep dive outcomes, linking the business and risk strategies and developing criteria for assessing counterparties' transition planning in credit decisioning where relevant.

The quantitative financed emissions limit, set by the Board in Q4/2021 backstops Nordea's 2030 objective and operates as a "carbon budget" for retail and corporate lending. The limit comprises the financed emissions stemming from the drawn lending of Scope 1 and 2 carbon dioxide equivalent GHG emissions of our counterparties. The limit is measured in relative terms to the 2019 year-end level, monitored on a quarterly basis in the Group Risk Report. During 2022, Nordea also adjusted its limits and thresholds on lending to specific activities in fossil fuel-based industries covering coal mining, oil and gas fields, thermal coal and thermal peat.

To ensure that portfolio steering accounts for quantified climate-related objectives, Nordea is integrating financed emissions developments to the Rolling Financial Forecast (RFF) with initial projections to 2030 using policy-driven decarbonisation targets, estimated financed emissions levels, and Business Area lending volume forecasts. An internal Financed Emissions Forum monitors developments according to these steering activities and utilisation of the associated financed emissions targets, objectives and limits. The forum includes representatives from relevant Business Areas and Group Functions, with escalation to the Risk Committee. For more information on Financed Emissions, please see the Sustainability section in the Annual Report.

Beyond climate, nature-related issues are increasingly a priority requiring urgent coordinated and global action. Nordea currently has commitments in place for shipping, through Responsible Ship Recycling Standards (RSRS) and Poseidon Principles, and the Equator Principles for project finance. Mitigation of fresh water stress, resource scarcity and water, air and land contamination are also addressed in Nordea's current strategic ambition. Commitments for selected financial counterparties are specifically in place for recycling and pollution prevention in shipping, through Responsible Ship Recycling Standards, generally through the UN Global Compact, and for project finance via the Equator Principles. Nordea states expectations on clients in regard to supporting biodiversity in the sector guidelines for agriculture, forestry and the fossil fuels, mining and real estate.

Concerning environmental factor impacts in Nordea's own operations (see Sustainability Notes S4), the Code of Conduct sets out the importance of employees acting in a manner conducive to caring for the environment and third-party procurement process assesses selected environmental impacts. Finally, Nordea has developed an internal carbon reduction plan to 2030 (see Sustainability Notes S4).

ENVIRONMENT-RELATED RISK MANAGEMENT

Definitions and methods

Nordea defines the list of environment-related factors in accordance with the European Banking Authority's report on management and supervision of ESG risks for credit institutions and investment firms (EBA/REP/2021/18) and the EU's Regulation (EU) 2020/852 as a framework to facilitate sustainable investment. Currently, this list includes six identified factors, with climate change split according to transition and physical sub-components. Since 2020, Nordea has assessed the materiality of climate change as a factor potentially driving credit risk, while liquidity, capital and market risks started assessment of climate change materiality in 2021. From 2022, materiality of relevant environmental factors were assessed for financial risk categories as outlined in Figure 4 (Mapping of double materiality assessment scope for environmental factors, covering sustainability impacts and materiality for financial risks) and non-financial risks. This assessment is reviewed annually. Further assessment of environmental factors, moving toward quantification of impact, is expected for most financial risk categories as indicated while data and methods are expected to improve over time.

Risk identification and monitoring

Capital risk

An assessment of the top 15 horizon risks was performed in 2021 for the period 2022-2025, defined as emerging or existing risks, with impacts on profitability or the bank's strategy. 'Faster Climate Risk Transition' was identified in the highest risk category. The analysis impacts created greater transparency of the risk at the Board level.

In response, Nordea's business model risk self-assessment considers climate-related impacts on Business Area strategies and their operationalisation since 2021. In 2022, Business Areas accounted for progress on Nordea's 2030 objective on financed emissions reductions and stress testing results. In the short- to medium term horizon, the key themes were challenges related to increasing climate-related transitional regulatory pressure (see section "Regulatory developments"), changing demand patterns and differing transition planning schedules across the customer base. Data limitations continue to impact granular portfolio steering. The growth of sustainability-related products and support for customers' transitions in high emitting sectors are areas with prioritised action, as outlined in Sustainability Notes S4 and S7). In the longer term, our business model is exposed to risks relating to the adaptation of new technologies and greater asset stranding than today and may not be economically viable.

Credit risk

In 2022, Nordea performed an assessment of the potential materiality of all environmental factors on the credit risk profile by mapping external ESG indexes of industries from MSCI and the Sustainability Accounting Standards Board (SASB) and Nordea's Credit Risk Appetite Framework industries in order to identify the most potentially vulnerable industries in Nordea's portfolio. The assessment was supplemented with internal quantitative impact assessments, such as climate-related transitional and physical, short and long-term stress testing and internal and external research. In 2021, Nordea assessed that the relationship between global corporate's GHG emissions intensities levels and their probabilities of default indicating that a quantified GHG emissions reduction target related to lower probabilities of default. Further analysis is required to determine if the results are relevant on a Nordic level.

Portfolios identified as potentially vulnerable to climate change mitigation effects include oil, gas and offshore, shipping, mining and supporting activities, utilities, distribution and waste management, power production, material, paper and forest products, animal husbandry, fishing and aquaculture, crops, plantation and hunting, air transportation, land transportation, capital goods, construction, and real estate management (see further description of deep dive outcomes in Sustainability Notes S4). Identification is based on a bespoke internal transition risk heatmapping methodology, validated through peer comparison and analysis of industry level GHG emissions intensities.

Climate-related physical risks were assessed as potentially material in the medium and long terms, if impacts are uninsured. Nordea's 2020 Norwegian residential real estate study and 2022 physical risk assessment of the Nordic residential real estate portfolio confirmed a potentially material impact of physical hazards for this portfolio, though in the latter analysis only beyond 2040. Through two pilot stress testing exercises, 1) on sea level rise impacts to housing prices in Denmark in 2021, and 2) via drought, heat and flooding scenarios in the ECB's 2022 exploratory exercise, a limited unmitigated impact was identified in both exercises (see section "ICAAP, stress testing and capital allocation"). Portfolios identified as potentially vulnerable to these effects include real estate, paper and forest products, animal husbandry, fishing and aquaculture, crops, plantation and hunting, and power production. Identification is based on a bespoke internal physical risk heatmapping methodology, validated through external scientific review and analysis of physical hazard impacts across the Nordic region on postal code level.

Contribution to protection/loss of biodiversity and habitat destruction was assessed with the same result as climate-related physical risks. A 2020 internal brief investigated the scientific interactions between climate change and biodiversity loss, indicating a potential for increased pathogen incidents dependent on increased deforestation, industrial agriculture expansion and unmitigated climate change during the long-term. Portfolios identified as potentially globally vulnerable and material in Nordic context to these effects include crops, plantation and hunting, animal husbandry, fishing and aquaculture, paper and forest products and accommodation and leisure.

The potential materiality of other environmental factors for credit risk, as listed in Figure 4: Mapping of double materiality assessment scope for environmental factors, covering sustainability impacts and materiality for financial risks, was qualitatively assessed as potentially low for the aggregated Nordea credit exposures, corporate and retail, supported by evidence of top ratings of the Nordic countries in external reports and rankings. Analysis considered The Global Risk Report by World Economic Forum (2021), the Water Risk Atlas (2022) by World Resources Institute, European Environmental Agency Europe's air quality status (2021), Status of local soil contamination in Europe (2018) by Joint Research Centre, Circularity Gap Report (2020) by Circle Economy, and the European Sustainability Business Federation report on Circular Economy Update (2019). Only non-climate environmental hazards were assessed as potentially material in the medium and long-term in the context of Norwegian real estate portfolios. Next steps in 2023 for ESG-related credit risk are to continue development of quantitative counterparty analysis for selected factors, as material and relevant according to the outcomes of the 2022 assessment.

Market and liquidity risks

Description of environmental-related stress testing performed for Market and Liquidity risks are provided in the Liquidity Risk and ILAAP section. Improvement in classifying equities based on their sector will be a continued focus as Nordea iterates and further integrates ESG factor aspects to market risk activities.

Non-financial risks

Non-financial risk areas that are impacted by the environmental (as well as social and governance) factors were identified in 2021 to determine those areas most materially impacted within the operational and compliance risk taxonomies. As introduced in section ESG factors in Business strategy, Governance and Risk Management Framework, new ESG-related sub-risks were included under existing L2 risks accordingly.

The assessment was updated in 2022 based on a qualitative assessment approach, prior to mitigation, according to the following steps:

1. Relevant ESG-factors were mapped to each Level 2 risk
2. Factor impact assessment was performed considering short-term and long-term effect
3. The assessments were justified with the expert opinion, and supported with examples or events/incidents if any

Based on the ESG factors impact assessment, environmental factors were assessed as materially impacting operational risk categories and non-applicable for compliance risk categories.

Risk mitigation

Loans to the Public

For Environmental-related credit and capital risks associated with Nordea's loans to the public, factor impacts are responded to through embedding ESG in the business strategy and, specifically, the financed emissions reduction targets and objectives and Nordea's commitments toward exclusion of certain harmful activities as outlined our credit strategies. These actions have resulted in granulation of targets for four sectors in 2022, as outlined in Sustainability Notes S4, and improvement of financed emissions data quality and monitoring. Such responses can mitigate potential exposure to climate-related transitional effects, by improving the identification, monitoring, assessment and reporting for the most vulnerable portfolios and customers and their associated transition capacity.

Climate-related physical risks as currently assessed, in the context of real estate, are considered potentially mitigated through measures including, insurance coverage requirements for counterparties, municipal, regional and national building regulation and adaptation measures, monitoring by policy makers through early warning indicator systems and Nordea's current Loan-to-Value (LTV) requirements.

Potential impacts to the loss of biodiversity and habitat destruction are mitigated through counterparty certification systems such as those for forestry management and sustainable real estate. The vulnerability to other environmental hazards, such as landslides, are partially mitigated through insurance and municipal, regional and national control systems for water and land-based engineering risks.

Freshwater stress, resource scarcity and water, air and land contamination are mitigated through municipal, regional and national water quality assessment and monitoring, plastic and non-renewable materials substitution planning (i.e. transition planning) and counterparties' environmental performance management systems, permitting and certifications.

Monitoring of Nordea's own mitigation measures is conducted in the credit risk management, and especially customer ESG assessment, processes as relevant and material.

Long Term Illiquid Assets

Within Nordea's Long Term Illiquid Assets (LTIA) portfolio monitoring and tracking several metrics and data points across ESG factors is conducted. Current and future impacts and risks are assessed, and companies are supported and prompted to seek to become, if not already, positive-impact contributors. The principles guiding 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 factor impacts within the portfolio, with plans to develop KPIs for stronger tracking and reporting on these developments.

Liquidity position

According to liquidity stress tests performed (see section "Liquidity Risk and ILAAP"), the transmission channels of the impacts in the short-term include Nordea's exposures to GHG emission intensive sectors and the value of the underlying collateral in lending exposures. Mitigation of the liquidity related risks takes place via corresponding credit strategies and policies.

Risk management

Credit risk

Nordea continues to re-develop aspects of the credit customer ESG assessment process to systematically integrate environmental factor considerations in the credit process. Nordea evaluates the environmental risks related to credit customers' operations with a documented process and tools tailored for the purpose. For corporate borrowers, ESG assessments are performed according to the size and type of the transaction and the customer's internal segmentation. ESG-related risks identified qualitatively as material at customer group level inform the credit risk assessment, with conclusions on the customer group's risk level included to the credit memorandum. The purpose of the assessments is to conclude on environmental risk components relevant to credit customers' repayment capacity. Approvals are made according to the established credit decision-making process. For customers associated with a high level of ESG related risk, decisions are escalated to higher-level credit committees as relevant.

The tools applied to selected corporate counterparties include the Climate Risk Assessment Tool (CRAT) in Business Banking and Large Corporates & Institutions, the Environmental Risk Assessment Tool (ERAT) in Business Banking, and a tailored ESG assessment tool for Large Corporates & Institutions. Climate-related transition risks have been assessed with an enhanced focus since 2021 through the CRAT, with key components of the assessment including counterparties' GHG emissions intensity developments, the quality of their transition planning and the resulting impact of climate-related transition risks on customer repayment capacity. This analysis is aligned with the Group targets on financed GHG emissions reductions and transition plan coverage.

In the household sector, the main ESG-related risks are within mortgage lending, where energy efficiency and physical hazard impact analyses were Nordea's focus areas in 2022.

Market risk

The management of Nordea's market risk arising from ESG factors has primarily relied on stress testing to identify and quantify drivers of potential losses associated with the transition to a low-carbon economy among other sources of ESG risk. In addition, Nordea applies the PCAF methodology for measuring financed emissions in the listed equity and corporate bond portfolios. This has strengthened the bank's ability to measure, report and steer the carbon footprint linked to fair-value investments in the trading and banking book portfolios.

Operational risk

Updates to the operational risk taxonomy, embedding ESG, were conducted in support of the identification and assessment of environmental-related risks, (as well as social and governance). These changes inform risk management tools including:

- Scenario Analysis, to identify and assess "tail risks"
- Risk and Control Self-Assessment (RCSA), to assess associated risks and controls across Nordea
- Change Risk Management and Approval (CRMA) process, to ensure an understanding of change-related risks before they are operationalised
- Third Party Risk Management (TPRM), to ensure that third-party associated risks are appropriately managed
- Incident Management Framework, to ensure appropriate incident handling and reporting.

The Product Risk Assessment Questionnaire, which forms part of Nordea's Product Approval process, incorporates environmental (as well as social and governance) considerations including the extent to which impacts associated with the product 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. During 2022 the product approval process for ESG products has been under review with the ambition to strengthen the product governance to mitigate greenwashing risks.

Capital adequacy

ICAAP

Capital adequacy assessment coverage for Environmental-related impacts was initiated in 2020 and extended in 2021 to cover all capitalised risk categories. As data and methods to quantify such impacts are still developing, Nordea does not yet explicitly capitalise for Environmental-related risks. However, Nordea notes that not all risk categories are materially driven by environmental factors, as evidenced by Nordea's transitional climate change impact assessments for market risk in 2021 and 2022 (see below in this section), and some aspects of environmental factor impacts are already implicitly integrated to risk exposure quantification, as evidenced by Nordea's credit risk physical exposure analysis in 2021. From 2023, Nordea will integrate climate-related stress testing into the ICAAP.

Nordea applies climate-related stress testing to inform how transmission of transitional effects may affect trading and banking book exposures, its liquidity position and the resilience of the business strategy. Pilot stress tests in 2020 and 2021 assessed the impact of increases in a tax on GHG emissions which was simulated over a 3-year period using Nordea's credit risk stress testing models indicating a material impact. The GHG emissions tax scenarios were applied as an increased cost for corporate borrowers to measure the impact on Nordea's credit losses and REA. Methodological improvements were undertaken during that period, including 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, and an increasingly granular NACE sector classification was applied.

To assess the potential climate-related transitional impacts on market risk, focusing on the trading and banking book portfolios, stress testing scenarios were applied in 2021 and 2022. The 2021 scenario was modelled upon inputs from 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. Results from the analysis indicated that climate-related transitional impacts on market risk were non-material for Nordea, in line with the results of the Banque de France in its April 2021 assessment.

Nordea participated in the ECB's 2022 exploratory stress test with market, credit, business model and operational considerations. Outcomes of that exercise reflected the limited scope of the applied methodology and hence, while providing learnings on future stress test capabilities, did not translate to full income and balance sheet impacts for Nordea. Based on those considerations, a limited impact to Nordea and its business strategy was identified. Results modelled for market and credit risk impacts were broadly aligned with earlier internal pilot exercises. The ECB stress test supported continued development in Nordea's data and methods concerning market risk, but further supported the conclusion of non-materiality of climate-related transition impacts. Specifically, the results for the 2050 credit-related scenario demonstrated significant methodological uncertainties and a material dependency by Nordea on the transition actions of external stakeholders such as customers and policy makers.

Nordea continues to develop its credit-related stress testing capabilities to quantify the potential impacts of climate change into 2023. The next ICAAP will include a climate stress test building on the ECB climate scenarios with amendments to fit Nordea's business model. Embedding climate change stress testing within the ICAAP has an explicit learning purpose and will include information and features from other parts of Nordea's climate-related activities. This will help further anchor the stress test activities as part of the overall climate-related activities and informing those with regards to stress test requirements and results.

ILAAP

Environmental-related liquidity risk impacts were quantified in 2022 through a Group level assessment using climate-related transitional and physical (flooding) scenarios related to short-term. The results informed the assessment of materiality for ESG-related liquidity risks at Group level. Climate change was assessed as a material driver of asset liquidity risk, deposit risk and off-balance sheet risk on the basis of any outflows having been identified. In all cases, the potential impact was both quantitatively and qualitatively assessed as potentially low.

Data adequacy

During 2021, Nordea conducted a Group-wide exercise to build a target data entity list in support of strategic development and risk management. From this exercise, key data and information identified, for conducting effective risk management of environmental factor impacts, included attributes for measuring, monitoring and reporting:

- Alignment of lending and investment exposures to the EU taxonomy for sustainable activities;
- Outstanding lending and funding exposures according to Nordea's Green Funding Framework and Sustainability Linked Funding Framework criteria;
- Outstanding lending exposure to physical hazards affected by a changing climate in our operating environment;
- Current and projected financed emissions associated with lending and investment exposures, at industry, company, transaction and asset levels as relevant.

Within that exercise, data and information identified as material and currently a challenge to procure included:

- GHG emissions for selected counterparties due to either voluntary or unenforced reporting standards;
- Geographical location of all assets and counterparty activities across their operations;
- Value chain data for corporate counterparties, particularly upstream environmental factor impacts and dependencies.

In order to manage these challenges, manual data collection and data quality controls were put in place to improve the availability and accuracy in the short to medium-term while disclosure by customers is expected increase in the long-term. Further, Nordea has sought to approximate missing information through common proxies, such as those provided through PCAF, or internally derived estimates. Nordea has also sought to conduct analyses according to the available information, in a phased manner, such as with physical risk exposure where focus is initially on the collateralised lending scope where information is available.

SOCIAL FACTORS

Figure 5: Mapping of double materiality assessment scope for social factors, covering sustainability impacts and materiality for financial risks

Social Factors	Strategic ambition set for...		Financial materiality assessed for...							
	selected own operations	selected financial counterparts	Credit risk		Market risk		Liquidity risk		Capital risk	
			2021	2022	2021	2022	2021	2022	2021	2022
Contribution to/Violation of Human Rights	✓	✓								
Community relationship/bridging development gaps, like regulatory capture and political influence, community engagement/ Partnerships	✓									
Employee relationship and rights, like diversity strategy, equal remuneration, contracts, professional development, health and safety	✓	✓								
Customer relationships: customer protection and product responsibility, personal data security and privacy, and quality and innovation in customer relations	✓	✓								

Legend

- Qualitative factor mapping methodology applied, assessed as a potentially material driver of risk category
- Qualitative factor impact methodology applied, assessed as a material driver of risk category
- Quantitative factor impact methodology applied, assessed as a material driver of risk category
- Quantitative or qualitative factor impact methodology applied, assessed as a non-material driver of risk category
- Assessment of factor as a driver of the risk category planned, not yet documented
- Assessment of factor as a driver of the risk category not in current planning scope, dependent on further regulatory guidance

SOCIAL FACTORS IN BUSINESS STRATEGY AND PROCESSES

Investment and Credit strategies: targets, objectives and limits

By considering human rights, labour rights, employment, gender equality and education, Nordea aims to create social impact where it matters the most (see Sustainability Notes S5). Similar to environmental factors, the strategic ambition on social factors is implemented through various internal and external policies concerning selected own operations and financial counterparties, which have been aligned with international and European policy frameworks and benchmarks. SDGs identified as material for achieving sustainable impact on social objectives include SDGs 4-5, Quality education and Gender equality, and SDGs 8-10, Decent work and inclusive growth, Industry, innovation and infrastructure, and Reduced inequalities (see Sustainability Notes S9).

Nordea sets out financing principles concerning social factor impacts through the UN Global Compact, and, for project finance, the Equator Principles. Nordea sets requirements, as part of the strategy to limit human rights impacts, on financing of the defence industry in a corresponding Sector Guideline. Nordea's internal policies on sanctions indirectly address potential social impacts, such as on human rights, through implementation in the relevant activities and portfolios. Nordea provides a full list of our stakeholders and our actions to build and sustain strong and long-lasting relationships with them in our Sustainability Notes S10 "Our stakeholders".

Concerning selected internal operations, Nordea's Code of Conduct contains principles on considerations of stakeholder impacts, customer relationships, promoting equality and diversity, human rights, labour rights, and a commitment to control and manage financial crime. An annual training is mandatory for all staff on the Code of Conduct. Nordea also sets policies concerning gender balance, non-discrimination, and third-party procurement.

SOCIALLY-RELATED RISK MANAGEMENT

Definitions and methods

Nordea defines the list of socially-related factors accounting for guidance provided by the European Banking Authority's report on management and supervision of ESG risks for credit institutions an investment firms (EBA/REP/2021/18). Currently, this list includes four identified factors. For financial risks, Nordea has assessed the materiality of social factors as potentially driving credit risk as outlined in Figure 5: Mapping of double materiality assessment scope for social factors, covering sustainability impacts and materiality for financial risks. Further assessment of social factors by financial risk categories is not expected, while awaiting further regulatory guidance and improvements in data and methods. Analysis was also initiated for non-financial risks.

Risk identification and monitoring

Credit risk

Nordea performed an assessment of potential materiality of all social factors on the credit risk profile in 2022. Top ratings of Nordic countries in terms of operating environment and regulatory framework, and counterparties therein, for social risk management, including protection of human, consumer and labour rights, minimizes the potential materiality of social factors for Nordea's credit risk in the short term. Potential social-related credit risks are most likely to come via the global value chain (i.e. slavery) or direct impacts (i.e. sanctions), especially in potentially vulnerable industries and for selected counterparties.

Potential materiality impacts on credit risk of human rights violations were qualitatively assessed as medium and community relationship development gaps assessed as low. For customer and employee relationship and rights, associated risks are potentially material in the medium and long terms due to increased operational and financial costs of doing business and recent macroeconomic trends (e.g. energy crisis, high inflation, war in Ukraine), especially for customer facing and labour intensive industries. Industries classified as potentially globally vulnerable and material in the Nordic context to social factors are banks and other financial institutions, commercial and professional services, funds, construction, retail trade, capital goods, animal husbandry, paper and forest products, food processing and beverages, public services, IT services, and telecommunication services.

Non-financial risks

Based on the ESG factors impact assessment, social factors were assessed as materially impacting operational and compliance risk categories.

Risk mitigation

Credit risk

For credit risks, social factor impacts are primarily mitigated through the socially-related business strategy and social risk control systems, permitting and certification for selected financial counterparties. These are monitored through application of the Social & Political Risk Assessment Tool questionnaire and the ESG tool for Business Banking and Large Corporates & Institutions counterparties, respectively. Further, the customer selection process (Know Your Customer) and Equator Principles for project finance are examples of due diligence processes in place to mitigate the potential socially-related credit risks. Nordea also considers that the social factors for employee relationships and rights misconduct are covered by counterparty credit risk and management risk via the current customer credit risk assessment and rating processes.

Risk management

Credit risk

Within the credit customers' ESG assessment process Nordea assesses also the social aspects related to counterparties' operations. When conducting certain ESG assessments in Business Banking, for customers with supply chains outside the EU, ESG analysts in Group Credit Management use the Social and Political Risk Assessment Tool. The tool supports analysts in documenting counterparties' controls to manage or mitigate adverse social impacts. These controls can be general mitigating controls such as commitments to international conventions and specific mitigating controls related to labour rights, human rights, corruption and bribery. For Large Corporates & Institutions, the ESG analysts use a dedicated process and documentation tool to address the social aspects in company assessments. The industry of the company determines which social issue questions that must be addressed. The questions cover e.g. conflict minerals, data security, health and safety, human and labour rights as well as privacy. To support these analyses, ESG analysts use external databases to assess if the company has been or is involved in social matters related controversies.

Operational risk

Operational risk management tools are updated to further support the identification of ESG-related risks - see detailed description under section "Environment-Related Risk Management".

GOVERNANCE FACTORS

Figure 6: Mapping of double materiality assessment scope for governance factors, covering sustainability impacts and materiality for financial risks

Governance Factors	Strategic ambition set for...		Financial materiality assessed for...							
	selected own operations	selected financial counterparts	Credit risk		Market risk		Liquidity risk		Capital risk	
			2021	2022	2021	2022	2021	2022	2021	2022
Ethical considerations, e.g. values and ethics, conduct framework, bribery and corruption	✓	✓								
Sound risk management that considers environmental and social factors	✓	✓								
Supply Chain Management	✓									
Organization and functioning of the management body	✓	✓								
Transparency of ESG-related risks in reporting	✓	✓								

Legend:

- Qualitative factor mapping methodology applied, assessed as a potentially material driver of risk category
- Qualitative factor impact methodology applied, assessed as a material driver of risk category
- Quantitative factor impact methodology applied, assessed as a material driver of risk category
- Quantitative or qualitative factor impact methodology applied, assessed as a non-material driver of risk category
- Assessment of factor as a driver of the risk category planned, not yet documented
- Assessment of factor as a driver of the risk category not in current planning scope, dependent on further regulatory guidance

GOVERNANCE FACTORS IN BUSINESS STRATEGY AND PROCESSES

Investment and Credit strategies: targets, objectives and limits

Strong sustainability governance gives the clarity and speed to execute Nordea's strategic sustainability agenda for the greater good (see Sustainability Notes S6). Similar to environmental and social factors, the strategic ambition is implemented through various internal and external policies concerning selected own operations and financial counterparties, which have been aligned with international and European policy frameworks and benchmarks. SDGs identified as material for achieving sustainable impact on sustainable governance objectives include SDGs 16-17, Peace, justice and strong institutions and Partnerships for the goals (see Sustainability Notes S9).

Nordea sets out financing principles concerning governance factor impacts through the UN Global Compact, and, for project finance, the Equator Principles. Nordea sets requirements, as part of the strategy to limit ethical and risk management impacts, on financing of the gambling industry in a corresponding Sector Guideline. Position statements on tax also contain commitments on ethical conduct and transparency in reporting. Specific requirements on reporting transparency and sound risk management are also set for the oil, gas and offshore industry. Nordea's internal policies on sanctions, money laundering, terrorist financing and tax evasion are also aimed at reducing governance factor impacts associated to the relevant activities and portfolios. We provide a more in-depth disclosure of tax policy in the Sustainability Notes S8 "Responsible taxpayer" and more broadly on all available policies in S12 "Directives, instructions and policies".

Concerning selected internal operations, Nordea's Code of Conduct contains principles on considerations of acting ethically, and compliance with the regulatory framework. Specific policies are issued addressing e.g. conflicts of interest, bribery and corruption as well as concerning taxation and third-party procurement.

Risk metrics and limits were set and implemented during 2022 for Financial Reporting Risk, including risks related to misstatements or deficiencies in ESG-related financial reporting information as provided in financial, regulatory reporting and related disclosures, covering also the risk of greenwashing.

GOVERNANCE-RELATED RISK MANAGEMENT

Definitions and methods

Nordea defines the list of governance-related factors accounting for guidance provided by the European Banking Authority's report on management and supervision of ESG risks for credit institutions an investment firms (EBA/REP/2021/18). Currently, this list includes five identified factors. Nordea has assessed the materiality of governance factors as potentially driving credit, liquidity, operational and compliance risks since 2022. For financial risks, these are as outlined in Figure 6: Mapping of double materiality assessment scope for governance factors, covering sustainability impacts and materiality for financial risks. Further assessment of governance factors by financial risk categories is not expected, while awaiting further regulatory guidance and improvements in data and methods.

Risk identification and monitoring

Credit risk

Nordea performed an assessment of potential materiality of all governance factors on the credit risk profile in 2022. The scope of governance risk include ethical considerations, sound risk management, supply chain management, organization and functioning of the management body and transparency of ESG-related risks in financial and non-financial reporting. In Nordea's portfolio context governance risks are partly material at counterparty specific level linked to individual governance arrangements, for example for single names where failures in certification or permitting controls or overreliance on value chain suppliers and counterparties subject to governance risk. Top ratings of Nordic countries in terms of operating environment and regulatory framework, and counterparties therein, for social risk management, including corruption and ethical behaviour, minimizes the potential materiality of social factors for Nordea's credit risk in the short term.

Liquidity risk

During 2022, ESG-related liquidity risk related to governance factors for ethical considerations and transparency of ESG-related risks in reporting were quantified on Group level through a greenwashing risk related stress scenario. The stress test informed the preliminary materiality assessment for ESG-related liquidity risks at Group level. Greenwashing risk was assessed as a material driver of liquidity risk types of wholesale funding risk and deposit risk. The potential impact was assessed qualitatively as low. The ESG-related liquidity stress testing performed on governance factors will inform the risk management approach taken and will identify potential vulnerabilities in 2023.

Non-financial risks

A qualitative assessment and ranking of the potential impact of each governance factor was made for operational risks, indicating that all factors were considered relevant. Individual factors were assessed as having a high potential material impact across a number of sub-risks of the taxonomy, particularly in relation to supply change management.

Based on the ESG factors impact assessment, governance factors were assessed as materially impacting operational and compliance risk categories.

Risk management

Credit risk

Coverage of governance factors within the customer ESG assessment process is carried out as described in section "Governance Factors". Regarding social factors, the Social & Political Risk Assessment Tool questionnaire and ESG tool are applied for Business Banking and Large Corporates & Institutions' counterparties, respectively. Further, the customer selection process (Know Your Customer) and Equator Principles for project finance are examples of due diligence processes in place to mitigate potential risks. Governance-related credit risks (except sound risk management and supply risk management) may be partly covered by counterparty credit risk and management risk via rating process.

Non-financial risks

Operational risk management tools are updated to further support the identification of ESG-related risks - see detailed description under section "Environment-Related Risk Management".

Nordea Life and Pensions (NLP)

The nature of life insurance leads NLP to take risks that are 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:

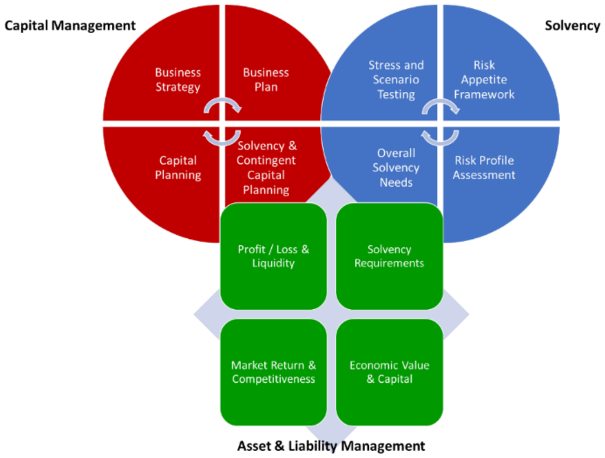
- Risks to be taken on must be within the Risk Appetite Framework and its expression as limits, thresholds and targets. The risks must comply with NLP's return considerations and business strategy.
- Risks should only be taken if they are understood and can be managed, monitored and reported. Other risks 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, 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 manifest in the form of market risk. Sustainability considerations in particular have developed into a focus area and influence NLP's business strategy, investment decisions and risk processes. During 2021 and 2022 NLP integrated sustainability risk considerations into its internal governance, investment process, risk management and risk reporting. NLP assesses the materiality of climate-related market risk by means of quantitative methods. For 2022, the assessment concluded that climate-related market risk is not material for NLP but may represent a risk for NLP customers with a long-term investment horizon in unit-linked savings products, as climate-related market risks are expected to manifest and reduce investment returns over a time period of several decades. Investments in assets with high greenhouse gas emissions may also represent a reputational risk. For further details on NLP's ESG-related risk strategy and management, please refer to the sustainability notes in the Annual Report of Nordea Bank Abp.

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 business by defining a required buffer on top of the 100% regulatory solvency ratio as protection against volatility in the Solvency 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, maintaining sufficient financial buffers enables NLP to secure stable returns for policyholders. For NLP's shareholder, Nordea, maintaining sufficient financial buffers means P&L protection against insufficient returns on its 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.

Risk terminology and measures

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

Business Model Risk
The risk associated with failing to adopt an appropriate business model, set appropriate goals and targets in the bank strategy, or adapt to external developments.

Capital risk
The risk of insufficient capital to meet internal and external capital requirements.

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 Capital Risk
Defined as the risk to Nordea's cost of capital or its ability to raise capital due to changes in market perceptions of Nordea's long-term resilience specifically related to climate risk, whether transitional or physical in nature.

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 lapse rates, mortality rates, longevity rates, disability rates, or expenses.

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)

The risk to earnings or to the economic value of the Banking Book arising from changes in interest rates and credit or funding spreads.

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 level 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.

Part 2: Year end analysis and results

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

Nordea's Own funds as of Q4 2022 was EUR 30.2bn (32.3bn in Q4 2021), of which CET1 capital constituted EUR 23.9bn (25.9bn in 2021), Additional Tier 1 capital EUR 3.3bn (3.1bn in 2021) and Tier 2 capital EUR 3.1bn (3.3bn in 2021). The decreased CET1 capital in 2022 was mainly due to additional EUR 2.5bn of share buy-back deduction, partly offset by profit generation net of dividend accrual and FX effects.

EURm	Q4 2022	Q4 2021
Calculation of own funds		
Equity in the consolidated situation	27 048	28 900
Profit of the period	3 598	3 835
Proposed/actual dividend	-2 887	-2 682
Common Equity Tier 1 capital before regulatory adjustments	27 758	30 054
Deferred tax assets	-4	-4
Intangible assets	-2 776	-2 804
IRB provisions shortfall (-)		
Pension assets in excess of related liabilities	-126	-169
Other items including buy-back deduction, net [1]	-980	-1 197
Total regulatory adjustments to Common Equity Tier 1 capital	-3 886	-4 173
Common Equity Tier 1 capital (net after deduction)	23 872	25 880
Additional Tier 1 capital before regulatory adjustments	3 307	3 159
Total regulatory adjustments to Additional Tier 1 capital	-25	-27
Additional Tier 1 capital	3 282	3 132
Tier 1 capital (net after deduction)	27 154	29 012
Tier 2 capital before regulatory adjustments	3 231	3 454
IRB provisions excess (+)	542	523
Deductions for investments in insurance companies	-650	-650
Other items, net	-64	-64
Total regulatory adjustments to Tier 2 capital	-172	-191
Tier 2 capital	3 059	3 263
Own funds (net after deduction)	30 213	32 275

Table 2 - Drivers behind development of the CET1 capital ratio

CET1 ratio decreased 0.61% during 2022. This was mainly driven by the Share buy-back programme (-1.65%), partly offset by profit net of dividend (+0.83%) and favourable credit quality effects (+0.21%).

	CET1 ratio
Q4 2021	17.04%
Profit	2.78%
Dividend accrual	-1.94%
Share buy-backs	-1.65%
FX effects	-0.26%
Credit quality	0.21%
Volumes, incl derivatives	-0.13%
Regulatory changes	-0.06%
Other	0.44%
Q4 2022	16.43%

Table 3 - Bridge between IFRS equity and CET1 capital

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

EURm	2022	2021
Balance sheet equity	31 404	33 494
Valuation adjustment for non-CRR companies	-8	-9
Other adjustments	-814	-779
Sub-total	30 582	32 705
Dividend	-2 887	-2 682
Goodwill	-1 786	-1 843
Intangible assets	-990	-961
Shortfall deduction		
Pension deduction	-126	-169
Prudential filters	-428	-329
Transitional adjustments		
Other deductions	-492	-842
Common Equity Tier 1 capital	23 872	25 880

Table 4 - EU CC1 - Composition of regulatory own funds

At the end of the fourth quarter of 2022 CET1 after regulatory adjustments was EUR 23.9bn (EUR 25.0bn in Q2 2022). The main drivers for the lower CET1 compared to the second quarter was the deduction for the third share buy back program, decrease in retained earnings and lower acumulated OCI. These were partially offset by profit generation net of dividend accrual. Both AT1 and T2 capital after regulatory adjustments decreased mainly due to FX effects. At the end of the fourth quarter of 2022 the Total Capital for Nordea Group was EUR 30.2bn and Total REA was EUR 145.3bn.

EURm		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	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	22 154	13, 14, 18
3	Accumulated other comprehensive income (and other reserves)	-155	15
EU-3a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) CRR 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	711	17
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	27 840	
	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)	-2 776	1
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) CRR 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	-64	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	-2	
15	Defined-benefit pension fund assets (negative amount)	-126	3
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-81	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)		
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) CRR 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	Not applicable		
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	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		
27a	Other regulatory adjustments	-651	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-3 967	
29	Common Equity Tier 1 (CET1) capital	23 872	

Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	3 310	5
31	*of which: classified as equity under applicable accounting standards*	*749*	*19*
32	*of which: classified as liabilities under applicable accounting standards*	*2 561*	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1		6
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR 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	3 310	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-3	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)		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		
42a	Other regulatory adjustments to AT1 capital	-25	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-29	
44	Additional Tier 1 (AT1) capital	3 282	
45	Tier 1 capital (T1 = CET1 + AT1)	27 154	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	3 231	8
47	Amount of qualifying items referred to in Article 484(5) CRR 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) CRR subject to phase out from T2		
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR 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	542	
51	Tier 2 (T2) capital before regulatory adjustments	3 773	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic 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, indirect and synthetic 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)		
55	Direct, indirect and synthetic 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	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
EU-56b	Other regulatory adjustments to T2 capital	-64	
57	Total regulatory adjustments to Tier 2 (T2) capital	-650	
58	Tier 2 (T2) capital	3 059	
59	Total capital (TC = T1 + T2)	30 213	
60	Total Risk exposure amount	145 299	

Capital ratios and requirements including buffers		
61	Common Equity Tier 1 capital	16.4%
62	Tier 1 capital	18.7%
63	Total capital	20.8%
64	Institution CET1 overall capital requirements	11.1%
65	*of which: capital conservation buffer requirement*	*2.5%*
66	*of which: countercyclical capital buffer requirement*	*1.1%*
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 requirement*	*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 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	11.0%
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)	66
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)	1 782
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) CRR are met)	66
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)	542
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	584
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	
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	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

Table 5 - EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

EURm	a	b	c
	Balance sheet as in published financial statements[1]	Under regulatory scope of consolidation[2]	Reference
	As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
1 Cash and balances with central banks	61 815	61 738	
2 Loans to central banks	885	885	
3 Loans to credit institutions	4 573	4 284	
4 Loans to the public	345 743	347 180	
5 Interest bearing securities	63 524	51 530	
6 Financial instruments pledged as collateral	4 902	4 377	
7 Shares	17 924	4 168	
8 Assets in pooled schemes and unit-linked investment contracts	41 645	3 827	
9 Derivatives	36 578	36 471	
10 Fair value changes of the hedged items in portfolio hedge of interest rate risk	-2 116	-2 116	
11 Investments in associated undertakings and joint ventures	509	1 901	
12 Intangible assets	4 044	3 451	
of which: Goodwill and other intangible assets	*3 369*	*2 776*	8
13 Properties and equipment	1 673	1 598	
14 Investment properties	2 455	1	
15 Deferred tax assets	165	70	
of which: Deferred tax assets that rely on future profitability excluding those arising from	*8*	*4*	10[3]
16 Current tax assets	211	184	
17 Retirement benefit assets	165	164	
of which: Retirement benefit assets net of tax	*126*	*126*	15
18 Other assets	9 380	8 925	
19 Prepaid expenses and accrued income	769	718	
20 Assets held for sale			
Total assets	594 844	529 356	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
1 Deposits by credit institutions	32 869	32 817	
2 Deposits and borrowings from the public	217 464	218 772	
3 Deposits in pooled schemes and unit-linked investment contracts	42 776	4 170	
4 Liabilities to policyholders	27 598		
5 Debt securities in issue	179 803	180 128	
6 Derivatives	40 102	39 975	
7 Fair value changes of the hedged items in portfolio hedge of interest rate risk	-2 175	-2 175	
8 Current tax liabilities	303	269	
9 Other liabilities	16 804	16 220	
10 Accrued expenses and prepaid income	1 224	1 221	
11 Deferred tax liabilites	622	529	
12 Provisions	351	350	
13 Retirement benefit obligations	298	281	
14 Subordinated liabilities	5 401	5 401	
of which: AT1 Capital instruments and the related share-premium accounts	*3 310*	*3 310*	30
of which: T2 Capital instruments and the related share-premium accounts	*3 231*	*3 231*	33
15 Liabilities held for sale			
Total liabilities	563 440	497 960	
Shareholders' Equity			
1 Additional Tier 1 capital holders	748	748	
2 Share capital	4 050	4 050	
3 Invested unrestricted equity	1 082	1 082	
of which: Capital instruments and the related share-premium accounts	*1 080*	*1 080*	
4 Other reserves	-1 984	-1 957	
of which: Accumulated other comprehensive income	*-189*	*-155*	
of which: Fair value reserves related to gains or losses on cash flow hedges	*64*	*64*	
5 Retained earnings	27 508	27 473	
Total shareholders' equity	31 404	31 396	
Total liabilities and shareholders' equity	594 844	529 356	

[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 6 - EU OV1 - Overview of total risk exposure amounts

The table provides an overview of total REA in Q4 2022 where credit risk accounted for the largest risk type with approximately 82% of Pillar I REA. Operational risk and Market risk accounted for the second and third largest risk types. Total REA decreased by EUR 4.1bn in the fourth quarter of 2022, mainly stemming from decreased counterparty credit risk (EUR -1.6bn) and credit risk (EUR -1.1bn).

EURm		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		Q4 2022	Q3 2022	Q4 2022
1	Credit risk (excluding CCR)	109 079	110 158	8 726
2	*Of which the standardised approach*	*14 472*	*14 643*	*1 158*
3	*Of which the Foundation IRB (F-IRB) approach*	*11 181*	*11 978*	*894*
4	*Of which slotting approach*			
EU 4a	*Of which equities under the simple riskweighted approach*			
5	*Of which the Advanced IRB (A-IRB) approach*	*83 426*	*83 537*	*6 674*
6	Counterparty credit risk - CCR	3 557	5 163	285
7	*Of which the standardised approach*	*438*	*465*	*35*
8	*Of which internal model method (IMM)*	*1 939*	*2 577*	*155*
EU 8a	*Of which exposures to a CCP*	*77*	*119*	*6*
EU 8b	*Of which credit valuation adjustment - CVA*	*675*	*1 047*	*54*
9	*Of which other CCR*	*427*	*955*	*34*
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)	1 195	1 159	96
17	*Of which SEC-IRBA approach*	*1 195*	*1 159*	*96*
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 risks (Market risk)	4 750	5 641	380
21	*Of which the standardised approach*	*640*	*533*	*51*
22	*Of which IMA*	*4 110*	*5 108*	*329*
EU 22a	Large exposures			
23	Operational risk	15 025	15 025	1 202
EU 23a	*Of which basic indicator approach*			
EU 23b	*Of which standardised approach*	*15 025*	*15 025*	*1 202*
EU 23c	*Of which advanced measurement approach*			
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	4 621	4 419	370
29	Total	133 607	137 146	10 689
	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	11 693	12 231	935
	Article 3 CRR Buffer			
	Pillar 1 total	145 299	149 377	11 624

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 Q4 2022, of which non-performing amounted to EUR 2.7bn (EUR 3.2bn). Allowances in stage 3 for non-performing loans and advances were EUR 1.0bn at the end of Q4 2022 (EUR 1.2bn). During the second half of the year 2022, the coverage ratio according to IFRS9 for non-performing exposures at amortised cost increased to 46% from 45% as at the end of Q2 2022. Including loans and advances fair value through profit and loss, the coverage ratio was 38%.

EURm		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
Q4 2022			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	62 276	62 270	6	13		13									
010	Loans and advances	329 372	316 586	12 786	2 725		2 725	-628	-220	-408	-1 049		-1 049		238 455	1 162
020	*Central banks*	*1*	*1*					*-0*	*-0*							
030	*General governments*	*5 259*	*5 190*	*69*	*39*		*39*	*-1*	*-1*	*-0*	*-2*		*-2*		*3 588*	*5*
040	*Credit institutions*	*1 700*	*1 692*	*8*	*25*		*25*	*-1*	*-1*	*-0*	*-25*		*-25*		*235*	
050	*Other financial corporations*	*11 216*	*11 072*	*144*	*48*		*48*	*-11*	*-4*	*-7*	*-12*		*-12*		*1 866*	*1*
060	*Non-financial corporations*	*132 781*	*126 802*	*5 979*	*1 511*		*1 511*	*-375*	*-150*	*-225*	*-739*		*-739*		*75 726*	*524*
070	*Of which SMEs*	*50 439*	*47 895*	*2 544*	*788*		*788*	*-139*	*-35*	*-104*	*-411*		*-411*		*41 399*	*264*
080	*Households*	*178 414*	*171 828*	*6 586*	*1 102*		*1 102*	*-240*	*-66*	*-175*	*-270*		*-270*		*157 039*	*632*
090	Debt securities	47 606	47 606					-3	-3							
100	*Central banks*	*4 382*	*4 382*													
110	*General governments*	*13 169*	*13 169*					*-2*	*-2*							
120	*Credit institutions*	*29 038*	*29 038*					*-1*	*-1*							
130	*Other financial corporations*	*450*	*450*					*-1*	*-1*							
140	*Non-financial corporations*	*567*	*567*					*-0*	*-0*							
150	Off-balance-sheet exposures	106 433	102 830	3 603	305		305	-161	-50	-111	-23		-23		10 776	5
160	*Central banks*															
170	*General governments*	*8 713*	*8 709*	*4*				*-1*	*-0*	*-0*	*-0*		*-0*		*2*	
180	*Credit institutions*	*3 915*	*3 737*	*178*				*-1*	*-0*	*-1*	*-5*		*-5*		*76*	
190	*Other financial corporations*	*4 182*	*4 047*	*135*	*2*		*2*	*-3*	*-1*	*-2*	*-0*		*-0*		*422*	*0*
200	*Non-financial corporations*	*65 097*	*62 556*	*2 540*	*285*		*285*	*-100*	*-28*	*-72*	*-14*		*-14*		*8 345*	*3*
210	*Households*	*24 527*	*23 781*	*746*	*17*		*17*	*-56*	*-19*	*-37*	*-4*		*-4*		*1 930*	*1*
220	Total	545 687	529 292	16 395	3 043		3 043	-792	-274	-519	-1 072		-1 072		249 231	1 166

EURm		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	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				On performing exposures	On non-performing exposures
Q2 2022			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	71 410	71 378	31	15		15									
010	Loans and advances	329 107	316 023	13 084	3 238		3 238	-611	-202	-409	-1 241		-1 241		236 791	1 559
020	*Central banks*	*0*	*0*	*0*				*-0*	*-0*						*0*	
030	*General governments*	*3 398*	*3 308*	*90*	*34*		*34*	*-1*	*-0*	*-0*	*-2*		*-2*		*594*	*32*
040	*Credit institutions*	*1 025*	*1 018*	*8*	*15*		*15*	*-3*	*-3*	*-1*	*-15*		*-15*		*131*	*1*
050	*Other financial corporations*	*12 296*	*12 230*	*66*	*49*		*49*	*-9*	*-4*	*-5*	*-30*		*-30*		*2 691*	*2*
060	*Non-financial corporations*	*129 208*	*123 308*	*5 900*	*1 945*		*1 945*	*-364*	*-132*	*-232*	*-869*		*-869*		*73 840*	*746*
070	*Of which SMEs*	*50 803*	*48 246*	*2 557*	*820*		*820*	*-157*	*-33*	*-124*	*-400*		*-400*		*40 402*	*268*
080	*Households*	*183 180*	*176 159*	*7 021*	*1 195*		*1 195*	*-234*	*-63*	*-171*	*-326*		*-326*		*159 534*	*779*
090	Debt securities	52 421	52 421					-3	-3							
100	*Central banks*	*7 120*	*7 120*					*-0*	*-0*							
110	*General governments*	*15 692*	*15 692*					*-1*	*-1*							
120	*Credit institutions*	*28 461*	*28 461*					*-1*	*-1*							
130	*Other financial corporations*	*473*	*473*					*-0*	*-0*							
140	*Non-financial corporations*	*675*	*675*					*-0*	*-0*							
150	Off-balance-sheet exposures	114 529	110 881	3 648	357		357	-155	-42	-113	-28		-28		10 511	9
160	*Central banks*	*4*	*4*					*-0*	*-0*							
170	*General governments*	*6 977*	*6 975*	*2*				*-0*	*-0*	*-0*					*4*	
180	*Credit institutions*	*2 994*	*2 764*	*230*			*0*	*-2*	*-2*	*-0*	*-4*		*-4*		*177*	
190	*Other financial corporations*	*4 120*	*3 992*	*129*	*3*		*3*	*-3*	*-1*	*-2*	*-0*		*-0*		*332*	*0*
200	*Non-financial corporations*	*66 237*	*63 774*	*2 463*	*326*		*326*	*-86*	*-25*	*-61*	*-7*		*-7*		*8 114*	*7*
210	*Households*	*34 196*	*33 372*	*824*	*28*		*28*	*-64*	*-15*	*-49*	*-16*		*-16*		*1 884*	*2*
220	Total	567 467	550 703	16 764	3 610		3 610	-769	-247	-521	-1 269		-1 269		247 302	1 568

EURm		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	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				On performing exposures	On non-performing exposures
Q2 2022			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	71 410	71 378	31	15		15									
010	Loans and advances	329 107	316 023	13 084	3 238		3 238	-611	-202	-409	-1 241		-1 241		236 791	1 559
020	*Central banks*	*0*	*0*	*0*				*-0*	*-0*						*0*	
030	*General governments*	*3 398*	*3 308*	*90*	*34*		*34*	*-1*	*-0*	*-0*	*-2*		*-2*		*594*	*32*
040	*Credit institutions*	*1 025*	*1 018*	*8*	*15*		*15*	*-3*	*-3*	*-1*	*-15*		*-15*		*131*	*1*
050	*Other financial corporations*	*12 296*	*12 230*	*66*	*49*		*49*	*-9*	*-4*	*-5*	*-30*		*-30*		*2 691*	*2*
060	*Non-financial corporations*	*129 208*	*123 308*	*5 900*	*1 945*		*1 945*	*-364*	*-132*	*-232*	*-869*		*-869*		*73 840*	*746*
070	*Of which SMEs*	*50 803*	*48 246*	*2 557*	*820*		*820*	*-157*	*-33*	*-124*	*-400*		*-400*		*40 402*	*268*
080	*Households*	*183 180*	*176 159*	*7 021*	*1 195*		*1 195*	*-234*	*-63*	*-171*	*-326*		*-326*		*159 534*	*779*
090	Debt securities	52 421	52 421					-3	-3							
100	*Central banks*	*7 120*	*7 120*					*-0*	*-0*							
110	*General governments*	*15 692*	*15 692*					*-1*	*-1*							
120	*Credit institutions*	*28 461*	*28 461*					*-1*	*-1*							
130	*Other financial corporations*	*473*	*473*					*-0*	*-0*							
140	*Non-financial corporations*	*675*	*675*					*-0*	*-0*							
150	Off-balance-sheet exposures	114 529	110 881	3 648	357		357	-155	-42	-113	-28		-28		10 511	9
160	*Central banks*	*4*	*4*					*-0*	*-0*							
170	*General governments*	*6 977*	*6 975*	*2*				*-0*	*-0*	*-0*					*4*	
180	*Credit institutions*	*2 994*	*2 764*	*230*			*0*	*-2*	*-2*	*-0*	*-4*		*-4*		*177*	
190	*Other financial corporations*	*4 120*	*3 992*	*129*	*3*		*3*	*-3*	*-1*	*-2*	*-0*		*-0*		*332*	*0*
200	*Non-financial corporations*	*66 237*	*63 774*	*2 463*	*326*		*326*	*-86*	*-25*	*-61*	*-7*		*-7*		*8 114*	*7*
210	*Households*	*34 196*	*33 372*	*824*	*28*		*28*	*-64*	*-15*	*-49*	*-16*		*-16*		*1 884*	*2*
220	Total	567 467	550 703	16 764	3 610		3 610	-769	-247	-521	-1 269		-1 269		247 302	1 568

EURm	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	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				On performing exposures	On non-performing exposures
Q2 2022		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	71 410	71 378	31	15		15									
010 Loans and advances	329 107	316 023	13 084	3 238		3 238	-611	-202	-409	-1 241		-1 241		236 791	1 559
020 *Central banks*	*0*	*0*	*0*				*-0*	*-0*						*0*	
030 *General governments*	*3 398*	*3 308*	*90*	*34*		*34*	*-1*	*-0*	*-0*	*-2*		*-2*		*594*	*32*
040 *Credit institutions*	*1 025*	*1 018*	*8*	*15*		*15*	*-3*	*-3*	*-1*	*-15*		*-15*		*131*	*1*
050 *Other financial corporations*	*12 296*	*12 230*	*66*	*49*		*49*	*-9*	*-4*	*-5*	*-30*		*-30*		*2 691*	*2*
060 *Non-financial corporations*	*129 208*	*123 308*	*5 900*	*1 945*		*1 945*	*-364*	*-132*	*-232*	*-869*		*-869*		*73 840*	*746*
070 *Of which SMEs*	*50 803*	*48 246*	*2 557*	*820*		*820*	*-157*	*-33*	*-124*	*-400*		*-400*		*40 402*	*268*
080 *Households*	*183 180*	*176 159*	*7 021*	*1 195*		*1 195*	*-234*	*-63*	*-171*	*-326*		*-326*		*159 534*	*779*
090 Debt securities	52 421	52 421					-3	-3							
100 *Central banks*	*7 120*	*7 120*					*-0*	*-0*							
110 *General governments*	*15 692*	*15 692*					*-1*	*-1*							
120 *Credit institutions*	*28 461*	*28 461*					*-1*	*-1*							
130 *Other financial corporations*	*473*	*473*					*-0*	*-0*							
140 *Non-financial corporations*	*675*	*675*					*-0*	*-0*							
150 Off-balance-sheet exposures	114 529	110 881	3 648	357		357	-155	-42	-113	-28		-28		10 511	9
160 *Central banks*	*4*	*4*					*-0*	*-0*							
170 *General governments*	*6 977*	*6 975*	*2*				*-0*	*-0*	*-0*					*4*	
180 *Credit institutions*	*2 994*	*2 764*	*230*			*0*	*-2*	*-2*	*-0*	*-4*		*-4*		*177*	
190 *Other financial corporations*	*4 120*	*3 992*	*129*	*3*		*3*	*-3*	*-1*	*-2*	*-0*		*-0*		*332*	*0*
200 *Non-financial corporations*	*66 237*	*63 774*	*2 463*	*326*		*326*	*-86*	*-25*	*-61*	*-7*		*-7*		*8 114*	*7*
210 *Households*	*34 196*	*33 372*	*824*	*28*		*28*	*-64*	*-15*	*-49*	*-16*		*-16*		*1 884*	*2*
220 Total	567 467	550 703	16 764	3 610		3 610	-769	-247	-521	-1 269		-1 269		247 302	1 568

Table 8 - EU CR1-A - Maturity of exposures

EU CR1-A discloses net exposure values for on-balance and off-balance sheet exposures. For exposures classified as loans and advances, approximately 55% were within the >5 years maturity range, whereas for exposures classified as debt securities, approximately 55% were within the >1<=5 years maturity range. Total net exposure values in Q4 2022 amounted to EUR 485.4bn.

EURm	a	b	c	d	e	f
	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1 Loans and advances	8 762	86 775	97 027	240 549	4 029	437 142
2 Debt securities		15 116	26 665	5 912	594	48 287
3 Total	8 762	101 891	123 692	246 462	4 622	485 428

Table 9 - EU CR2 - Changes in the stock of non-performing loans and advances

Final stock of non-performing loans and advances amounted to EUR 2.7bn end of 2022. The portfolio decreased net EUR 1.4bn during 2022, driven by outflows in the portfolio by EUR 2.4bn, of which EUR 0.7bn was due to write-offs. This was partly offset by inflow to non-performing portfolios of EUR 1.0bn.

EURm Q4 2022		a Gross carrying amount
010	Initial stock of non-performing loans and advances	4 171
020	Inflows to non-performing portfolios	979
030	Outflows from non-performing portfolios	-2 424
040	*Outflows due to write-offs*	*-706*
050	*Outflow due to other situations*	*-1 718*
060	Final stock of non-performing loans and advances	2 725

EURm Q4 2021		a 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 10 - EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

In comparison to the last reported quarter (Q2 2022) there are no significant changes for loans and advances or debt securities. In Q4 2022, 55% of Nordea total exposures have at least one Credit Risk Mitigation (CRM) mechanism (collateral, financial guarantees). The majority of those are secured by real estate collaterals.

EURm

		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	150 281	244 097	232 474	11 623	
2	Debt securities	47 602				
3	Total	197 883	244 097	232 474	11 623	
4	*Of which non-performing exposures*	*1 677*	*1 162*	*1 111*	*51*	
EU-5	*Of which defaulted*					

Table 11 - EU CR4 – standardised approach – Credit risk exposure and CRM effects

Total exposure amount before CCF and CRM for the standardised approach amounted to EUR 112.6bn in Q4 2022. The on-balance sheet exposure amounted to EUR 103.5bn. The decrease in on-balance exposure was mainly driven by decreased exposure to central governments or central banks. The REA density increased by 0.7 percentage points (from 12.4% to 13.1%).

EURm	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
Q4 2022	a	b	c	d	e	f
1 Central governments or central banks	83 848	894	87 690	913	168	0%
2 Regional government or local authorities	3 299	6 195	3 941	1 029	23	0%
3 Public sector entities						
4 Multilateral development banks	1 059	20	1 060	2		
5 International organisations	606		606			
6 Institutions	156	0	156	0	31	20%
7 Corporates	1 660	428	1 658	85	1 614	93%
8 Retail	4 498	725	4 476	208	3 473	74%
9 Secured by mortgages on immovable property	4 267	303	4 267	14	1 499	35%
10 Exposures in default	49	2	45	0	64	141%
11 Exposures associated with particularly high risk						
12 Covered bonds						
13 Institutions and corporates with a short-term credit assessr						
14 Collective investment undertakings	1 078	601	1 078	300	2 150	156%
15 Equity	2 291		2 291		4 968	217%
16 Other items	641		631		482	76%
17 Total	103 452	9 168	107 900	2 552	14 472	13%

EURm	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
Q2 2022	a	b	c	d	e	f
1 Central governments or central banks	96 020	967	99 654	790	133	0%
2 Regional government or local authorities	2 820	6 625	3 543	1 039	24	1%
3 Public sector entities						
4 Multilateral development banks	1 093	20	1 094	3		
5 International organisations	415		415			
6 Institutions	105	0	105	0	21	20%
7 Corporates	1 662	435	1 660	100	1 622	92%
8 Retail	4 634	884	4 614	265	3 619	74%
9 Secured by mortgages on immovable property	4 841	686	4 841	103	1 732	35%
10 Exposures in default	62	2	60	0	87	144%
11 Exposures associated with particularly high risk						
12 Covered bonds	301		301		30	10%
13 Institutions and corporates with a short-term credit assessment						
14 Collective investment undertakings	1 069	664	1 069	332	2 285	163%
15 Equity	2 413		2 413		5 238	217%
16 Other items	701		688		524	76%
17 Total	116 136	10 283	120 458	2 633	15 315	12%

Table 12 - EU CR5 - Standardised approach

At the end of Q4 2022, the total exposure amount under the standardised approach was EUR 110.5bn. The largest decrease took place in the 0% risk weight bucket towards central governments or central banks, mainly driven by lower volume of checking accounts and bonds.

EURm	Risk weight															Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
Q4 2022	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1 Central governments or central banks	88 530				6					1	0	66				88 603	
2 Regional government or local authorities	4 857				114											4 971	
3 Public sector entities																	
4 Multilateral development banks	1 062															1 062	
5 International organisations	606															606	
6 Institutions					156											156	
7 Corporates										1 743						1 743	0
8 Retail exposures									4 685							4 685	4 685
9 Exposures secured by mortgages on immovable property						4 253	28									4 281	4 281
10 Exposures in default										8	37					45	45
11 Exposures associated with particularly high risk																	
12 Covered bonds																	
13 Exposures to institutions and corporates with a short-term credit assessment																	
14 Units or shares in collective investment undertakings											1 106			2	270	1 378	1 378
15 Equity exposures										501	7	1 782				2 291	2 291
16 Other items										79					552	631	631
17 Total	95 055				276	4 253	28		4 685	2 332	1 150	1 849		2	823	110 452	13 311

EURm	Risk weight															Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
Q2 2022	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1 Central governments or central banks	100 379				9		0			5	0	50				100 444	0
2 Regional government or local authorities	4 463				119											4 582	
3 Public sector entities																	
4 Multilateral development banks	1 097															1 097	
5 International organisations	415															415	
6 Institutions					105											105	
7 Corporates										1 763						1 763	0
8 Retail exposures									4 876							4 876	4 876
9 Exposures secured by mortgages on immovable property						4 915	30									4 945	4 945
10 Exposures in default										8	53					61	61
11 Exposures associated with particularly high risk																	
12 Covered bonds				301												301	
13 Exposures to institutions and corporates with a short-term credit assessment																	
14 Units or shares in collective investment undertakings											1 102			2	297	1 401	1 401
15 Equity exposures										521	13	1 879				2 413	2 413
16 Other items										86					601	688	688
17 Total	106 354			301	234	4 915	30		4 876	2 383	1 169	1 929		2	899	123 090	14 383

Table 13 - 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 under the IRB approach, such as EAD, average PD and average LGD. CCR, securitisation and equity exposures are excluded from this template.

EURm	PD range	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 supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
AIRB Central governments and central banks - 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 <10.00												
	2.5 to <5												
	5 to <10												
	10.00 to <100.00												
	10 to <20												
	20 to <30												
	30.00 to <100.00												
	100.00 (Default)												
	Sub-total												
AIRB Institutions - 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 <10.00												
	2.5 to <5												
	5 to <10												
	10.00 to <100.00												
	10 to <20												
	20 to <30												
	30.00 to <100.00												
	100.00 (Default)												
	Sub-total												

EURm	PD range	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 supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
AIRB Corporates - Total	0.00 to <0.15	45 059	34 008	50.3%	62 176	0.09%	12 632	29.3%	2.2	15 798	25.4%	166	-656
	0.00 to <0.10	*28 506*	*20 019*	*49.4%*	*38 382*	*0.05%*	*9 109*	*27.7%*	*2.4*	*7 937*	*20.7%*	*154*	*-656*
	0.10 to <0.15	*16 553*	*13 989*	*51.7%*	*23 794*	*0.15%*	*3 523*	*31.8%*	*1.9*	*7 861*	*33.0%*	*11*	
	0.15 to <0.25	15 276	10 152	45.0%	19 901	0.22%	4 449	29.1%	2.2	7 359	37.0%	13	
	0.25 to <0.50	36 589	13 556	47.6%	43 066	0.44%	9 328	26.8%	2.3	20 076	46.6%	50	
	0.50 to <0.75	0	10	56.9%	6	0.56%		32.5%	2.9	6	100.0%	0	
	0.75 to <2.50	15 684	7 091	48.8%	19 222	1.06%	16 537	26.2%	2.3	10 346	53.8%	53	
	0.75 to <1.75	*14 398*	*6 377*	*48.2%*	*17 553*	*0.96%*	*6 161*	*26.1%*	*2.3*	*9 343*	*53.2%*	*43*	
	1.75 to <2.5	*1 286*	*714*	*53.6%*	*1 670*	*2.05%*	*10 376*	*27.6%*	*2.1*	*1 003*	*60.1%*	*9*	
	2.50 to <10.00	1 146	445	49.7%	1 369	3.61%	22 086	26.5%	2.5	1 062	77.6%	13	
	2.5 to <5	*1 146*	*444*	*49.7%*	*1 369*	*3.61%*	*17 738*	*26.5%*	*2.5*	*1 062*	*77.6%*	*13*	
	5 to <10		*0*	*56.5%*	*0*	*6.58%*	*4 348*	*35.2%*	*2.4*	*0*	*100.0%*	*0*	
	10.00 to <100.00	1 958	895	50.8%	2 436	23.65%	26 070	26.9%	2.7	2 497	102.5%	135	-1
	10 to <20	*933*	*394*	*51.1%*	*1 135*	*11.74%*	*6 821*	*26.8%*	*2.4*	*1 126*	*99.2%*	*35*	*-0*
	20 to <30	*202*	*77*	*39.5%*	*233*	*23.98%*	*440*	*26.3%*	*2.5*	*232*	*99.6%*	*13*	
	30.00 to <100.00	*823*	*425*	*52.4%*	*1 068*	*36.23%*	*18 809*	*27.1%*	*3.0*	*1 139*	*106.6%*	*87*	*-1*
	100.00 (Default)	1 133	244	0.0%	1 133	100.00%	1 242	29.0%	2.4	1 283	113.3%	421	-412
	Sub-total	116 844	66 401	48.6%	149 308	1.51%	92 344	28.1%	2.3	58 427	39.1%	850	-1 070
AIRB Corporates - SME	0.00 to <0.15	20 016	2 262	52.0%	21 196	0.06%	10 393	22.8%	2.7	3 814	18.0%	88	-263
	0.00 to <0.10	*17 274*	*1 305*	*52.5%*	*17 960*	*0.04%*	*7 949*	*22.4%*	*2.7*	*3 003*	*16.7%*	*87*	*-263*
	0.10 to <0.15	*2 743*	*957*	*51.4%*	*3 236*	*0.15%*	*2 444*	*24.6%*	*2.7*	*811*	*25.1%*	*1*	
	0.15 to <0.25	4 542	977	57.4%	5 104	0.22%	3 046	24.0%	2.9	1 427	28.0%	3	
	0.25 to <0.50	12 910	2 263	54.8%	14 152	0.45%	6 824	23.8%	2.4	5 231	37.0%	15	
	0.50 to <0.75		2	58.1%	1	0.56%		34.4%	3.1	1	100.0%	0	
	0.75 to <2.50	7 942	1 487	56.0%	8 777	1.06%	13 393	23.5%	2.4	3 603	41.1%	21	
	0.75 to <1.75	*7 241*	*1 241*	*56.2%*	*7 941*	*0.96%*	*4 608*	*23.4%*	*2.4*	*3 247*	*40.9%*	*17*	
	1.75 to <2.5	*701*	*246*	*54.8%*	*836*	*2.05%*	*8 785*	*24.6%*	*2.4*	*356*	*42.6%*	*4*	
	2.50 to <10.00	402	108	50.0%	456	3.61%	20 103	23.9%	2.5	212	46.5%	4	
	2.5 to <5	*402*	*108*	*50.0%*	*456*	*3.61%*	*16 443*	*23.9%*	*2.5*	*212*	*46.5%*	*4*	
	5 to <10		*0*	*56.5%*	*0*	*7.97%*	*3 660*	*29.1%*	*2.5*	*0*	*100.0%*	*0*	
	10.00 to <100.00	1 048	349	51.2%	1 230	23.38%	16 140	24.4%	2.5	880	71.6%	63	-0
	10 to <20	*510*	*122*	*49.7%*	*571*	*11.91%*	*5 899*	*23.9%*	*2.5*	*389*	*68.2%*	*16*	*-0*
	20 to <30	*135*	*50*	*38.9%*	*154*	*23.74%*	*366*	*24.7%*	*2.5*	*127*	*82.4%*	*9*	
	30.00 to <100.00	*404*	*177*	*55.7%*	*505*	*36.23%*	*9 875*	*24.9%*	*2.5*	*364*	*72.2%*	*38*	*-0*
	100.00 (Default)	734	87	0.0%	734	100.00%	1 166	27.4%	2.5	842	114.6%	241	-238
	Sub-total	47 595	7 535	53.7%	51 650	2.36%	71 065	23.4%	2.6	16 010	31.0%	435	-501

EURm	PD range	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 supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
AIRB Corporates - Specialised lending	0.00 to <0.15		38	20.0%	8	0.10%	1	36.6%	5.1	3	41.6%	0	-0
	0.00 to <0.10		38	20.0%	8	0.10%	1	36.6%	5.1	3	41.6%	0	-0
	0.10 to <0.15												
	0.15 to <0.25												
	0.25 to <0.50	2			2	0.38%	1	35.6%	2.5	1	52.1%	0	
	0.50 to <0.75												
	0.75 to <2.50												
	0.75 to <1.75												
	1.75 to <2.5												
	2.50 to <10.00												
	2.5 to <5												
	5 to <10												
	10.00 to <100.00												
	10 to <20												
	20 to <30												
	30.00 to <100.00												
	100.00 (Default)												
	Sub-total	2	38	20.0%	9	0.15%	2	36.4%	4.6	4	43.5%	0	-0
AIRB Corporates - Other	0.00 to <0.15	25 042	31 708	50.3%	40 972	0.11%	2 238	32.7%	2.0	11 981	29.2%	77	-394
	0.00 to <0.10	11 232	18 676	49.2%	20 414	0.06%	1 159	32.4%	2.2	4 930	24.2%	67	-394
	0.10 to <0.15	13 810	13 032	51.7%	20 558	0.15%	1 079	32.9%	1.7	7 050	34.3%	10	
	0.15 to <0.25	10 734	9 175	43.7%	14 797	0.22%	1 403	30.9%	1.9	5 932	40.1%	10	
	0.25 to <0.50	23 677	11 293	46.1%	28 912	0.44%	2 503	28.3%	2.2	14 844	51.3%	35	
	0.50 to <0.75	0	8	56.7%	5	0.57%		32.1%	2.8	5	100.0%	0	
	0.75 to <2.50	7 742	5 604	46.9%	10 446	1.05%	3 144	28.5%	2.2	6 743	64.5%	31	
	0.75 to <1.75	7 157	5 136	46.3%	9 612	0.97%	1 553	28.3%	2.3	6 096	63.4%	26	
	1.75 to <2.5	585	468	53.0%	834	2.05%	1 591	30.6%	1.8	646	77.5%	5	
	2.50 to <10.00	744	337	49.5%	913	3.61%	1 983	27.9%	2.5	850	93.2%	9	
	2.5 to <5	744	337	49.5%	913	3.61%	1 295	27.9%	2.5	850	93.2%	9	
	5 to <10		0	56.5%	0	6.49%	688	35.6%	2.4	0	100.0%	0	
	10.00 to <100.00	909	547	50.5%	1 206	23.93%	9 930	29.4%	2.9	1 617	134.0%	72	-1
	10 to <20	423	272	51.8%	564	11.57%	922	29.7%	2.3	737	130.6%	19	
	20 to <30	68	27	40.4%	79	24.46%	74	29.3%	2.6	105	132.9%	4	
	30.00 to <100.00	418	248	50.1%	563	36.23%	8 934	29.1%	3.5	774	137.5%	49	-1
	100.00 (Default)	398	157		398	100.00%	76	31.9%	2.3	441	110.9%	180	-173
	Sub-total	69 248	58 828	48.0%	97 649	1.06%	21 277	30.6%	2.1	42 413	43.4%	415	-568
TOTAL AIRB		116 844	66 401	48.6 %	149 308	1.51%	92 344	28.1 %	2.3	58 427	39.1 %	850	-1 070

EURm	PD range	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 supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
RIRB Retail - Total	0.00 to <0.15	115 920	15 301	68.7%	126 437	0.08%	2 063 926	15.9%	2.5	10 731	8.5%	74	-466
	0.00 to <0.10	100 343	12 887	71.3%	109 527	0.08%	1 763 416	15.7%	2.5	9 213	8.4%	71	-466
	0.10 to <0.15	15 577	2 414	55.2%	16 910	0.11%	300 510	17.2%	2.5	1 519	9.0%	3	
	0.15 to <0.25	26 008	3 587	58.6%	28 109	0.18%	603 643	17.9%	2.5	2 852	10.1%	9	-0
	0.25 to <0.50	12 843	1 976	57.8%	13 986	0.36%	411 170	18.6%	2.5	1 875	13.4%	9	
	0.50 to <0.75	3 759	585	56.9%	4 092	0.60%	144 330	19.8%	2.5	733	17.9%	5	
	0.75 to <2.50	10 053	1 829	63.2%	11 212	1.28%	385 289	19.8%	2.5	2 965	26.4%	29	-0
	0.75 to <1.75	8 598	1 525	63.8%	9 574	1.10%	335 072	19.6%	2.5	2 359	24.6%	21	-0
	1.75 to <2.5	1 454	303	60.4%	1 638	2.30%	50 217	21.1%	2.5	606	37.0%	8	-0
	2.50 to <10.00	4 208	622	48.0%	4 509	4.25%	165 309	23.7%	2.5	1 848	41.0%	45	-1
	2.5 to <5	3 445	543	47.1%	3 702	3.57%	132 551	23.5%	2.5	1 499	40.5%	31	-1
	5 to <10	763	80	54.5%	807	7.35%	32 758	24.4%	2.5	349	43.3%	14	-0
	10.00 to <100.00	1 614	483	20.4%	1 713	23.37%	119 146	22.6%	2.5	1 259	73.5%	89	-0
	10 to <20	502	47	48.0%	524	15.29%	28 281	22.8%	2.5	295	56.2%	18	-0
	20 to <30	893	422	16.1%	961	24.04%	43 818	23.3%	2.5	778	81.0%	54	-0
	30.00 to <100.00	219	14	55.7%	227	39.21%	47 047	19.0%	2.5	186	81.8%	17	-0
	100.00 (Default)	1 126	36	60.3%	1 148	100.00%	12 249	21.3%	2.5	2 737	238.4%	52	-52
	Sub-total	175 530	24 418	64.2%	191 205	1.11%	3 905 062	17.0%	2.5	24 999	13.1%	313	-519
RIRB Retail - SME secured by immovable property	0.00 to <0.15	97	17	40.0%	104	0.11%	2 445	17.1%	2.5	4	3.6%	2	-7
	0.00 to <0.10	2	11	40.3%	7	0.08%	803	17.4%	2.5	0	2.8%	2	-7
	0.10 to <0.15	95	6	39.4%	97	0.11%	1 642	17.1%	2.5	4	3.7%	0	
	0.15 to <0.25	297	22	41.8%	306	0.18%	5 055	17.0%	2.5	16	5.1%	0	
	0.25 to <0.50	107	15	49.7%	115	0.39%	1 664	16.9%	2.5	11	9.5%	0	
	0.50 to <0.75	52	16	55.6%	61	0.60%	1 048	17.2%	2.5	8	13.4%	0	
	0.75 to <2.50	355	73	46.4%	389	1.36%	6 839	17.2%	2.5	88	22.5%	1	
	0.75 to <1.75	297	62	46.7%	326	1.18%	5 636	17.1%	2.5	67	20.7%	1	
	1.75 to <2.5	58	11	44.6%	63	2.30%	1 203	17.4%	2.5	20	32.1%	0	
	2.50 to <10.00	50	9	45.4%	54	4.01%	1 005	16.6%	2.5	22	40.8%	0	
	2.5 to <5	44	9	44.9%	48	3.61%	940	16.9%	2.5	19	40.0%	0	
	5 to <10	6	0	58.3%	6	7.16%	65	13.9%	2.5	3	47.0%	0	
	10.00 to <100.00	11	1	57.8%	12	27.07%	231	16.1%	2.5	10	81.5%	1	
	10 to <20	2	0	57.1%	3	16.43%	57	16.1%	2.5	2	73.5%	0	
	20 to <30	5	0	65.5%	6	24.04%	32	15.2%	2.5	5	83.3%	0	
	30.00 to <100.00	3	1	54.1%	4	39.21%	142	17.3%	2.5	3	84.2%	0	
	100.00 (Default)	15	1	79.6%	16	100.00%	363	17.6%	2.5	34	216.9%	0	-0
	Sub-total	983	155	46.6%	1 056	2.63%	18 650	17.1%	2.5	192	18.1%	4	-7

EURm	PD range	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 supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
RIRB Retail - SME other	0.00 to <0.15	2	3	60.3%	4	0.10%	2 124	33.0%	2.5	0	7.4%	7	-30
	0.00 to <0.10	*0*	*2*	*56.3%*	*1*	*0.08%*	*1 950*	*32.2%*	*2.5*	*0*	*6.0%*	*7*	*-30*
	0.10 to <0.15	*2*	*1*	*67.6%*	*3*	*0.11%*	*174*	*33.4%*	*2.5*	*0*	*8.0%*	*0*	
	0.15 to <0.25	19	7	64.7%	23	0.20%	3 615	36.3%	2.5	3	14.1%	0	
	0.25 to <0.50	25	49	63.2%	56	0.39%	4 142	32.1%	2.5	10	18.8%	0	
	0.50 to <0.75	22	67	67.0%	67	0.60%	4 616	28.8%	2.5	15	21.9%	0	
	0.75 to <2.50	406	246	72.5%	587	1.53%	31 005	28.5%	2.5	178	30.3%	3	
	0.75 to <1.75	*267*	*205*	*73.3%*	*420*	*1.23%*	*23 696*	*28.3%*	*2.5*	*120*	*28.5%*	*1*	
	1.75 to <2.5	*138*	*41*	*68.9%*	*167*	*2.30%*	*7 309*	*29.1%*	*2.5*	*58*	*34.9%*	*1*	
	2.50 to <10.00	298	93	79.0%	373	4.72%	22 791	29.1%	2.5	144	38.5%	5	
	2.5 to <5	*197*	*74*	*80.5%*	*258*	*3.54%*	*18 661*	*29.2%*	*2.5*	*97*	*37.8%*	*3*	
	5 to <10	*101*	*18*	*72.9%*	*115*	*7.35%*	*4 130*	*29.1%*	*2.5*	*46*	*40.1%*	*2*	
	10.00 to <100.00	124	110	16.5%	142	22.65%	6 782	31.0%	2.5	98	68.6%	10	
	10 to <20	*44*	*4*	*73.7%*	*47*	*14.01%*	*1 762*	*28.7%*	*2.5*	*23*	*48.5%*	*2*	
	20 to <30	*65*	*103*	*12.0%*	*77*	*24.04%*	*3 280*	*33.1%*	*2.5*	*63*	*81.4%*	*6*	
	30.00 to <100.00	*15*	*3*	*101.5%*	*18*	*39.21%*	*1 740*	*28.0%*	*2.5*	*12*	*66.2%*	*2*	
	100.00 (Default)	69	9	82.9%	77	100.00%	4 312	30.7%	2.5	251	326.8%	10	-10
	Sub-total	963	584	61.6%	1 329	10.25%	79 387	29.4%	2.5	698	52.6%	35	-40
RIRB Retail - non-SME secured by immovable property	0.00 to <0.15	108 376	7 679	70.5%	113 789	0.08%	743 478	14.4%	2.5	9 855	8.7%	28	-221
	0.00 to <0.10	*94 626*	*6 891*	*71.0%*	*99 518*	*0.08%*	*654 258*	*14.3%*	*2.5*	*8 555*	*8.6%*	*26*	*-221*
	0.10 to <0.15	*13 750*	*787*	*66.3%*	*14 271*	*0.11%*	*89 220*	*15.1%*	*2.5*	*1 300*	*9.1%*	*2*	
	0.15 to <0.25	22 314	936	69.1%	22 961	0.18%	147 124	15.4%	2.5	2 252	9.8%	6	-0
	0.25 to <0.50	10 213	447	67.9%	10 516	0.35%	70 428	15.3%	2.5	1 245	11.8%	6	
	0.50 to <0.75	2 657	116	66.9%	2 734	0.60%	18 347	15.2%	2.5	404	14.8%	2	
	0.75 to <2.50	7 183	380	64.7%	7 429	1.23%	45 033	15.2%	2.5	1 693	22.8%	14	-0
	0.75 to <1.75	*6 270*	*329*	*66.1%*	*6 487*	*1.08%*	*38 704*	*15.2%*	*2.5*	*1 363*	*21.0%*	*11*	*-0*
	1.75 to <2.5	*913*	*52*	*55.7%*	*942*	*2.30%*	*6 329*	*15.5%*	*2.5*	*330*	*35.0%*	*3*	*-0*
	2.50 to <10.00	866	77	59.5%	911	4.19%	7 118	15.4%	2.5	439	48.2%	6	-0
	2.5 to <5	*778*	*68*	*58.6%*	*818*	*3.85%*	*6 538*	*15.6%*	*2.5*	*387*	*47.3%*	*5*	*-0*
	5 to <10	*87*	*9*	*66.8%*	*93*	*7.23%*	*580*	*13.5%*	*2.5*	*52*	*55.9%*	*1*	*-0*
	10.00 to <100.00	597	20	77.0%	613	26.31%	5 774	15.1%	2.5	557	90.9%	24	-0
	10 to <20	*96*	*5*	*92.9%*	*100*	*16.27%*	*629*	*13.6%*	*2.5*	*77*	*76.6%*	*2*	
	20 to <30	*360*	*14*	*72.1%*	*370*	*24.04%*	*5 145*	*15.7%*	*2.5*	*356*	*96.3%*	*14*	*-0*
	30.00 to <100.00	*142*	*1*	*68.5%*	*143*	*39.21%*		*14.6%*	*2.5*	*124*	*87.0%*	*8*	
	100.00 (Default)	683	1	61.9%	684	100.00%	7 574	15.4%	2.5	1 218	178.1%	12	-12
	Sub-total	152 889	9 657	69.9%	159 639	0.73%	1 044 876	14.7%	2.5	17 664	11.1%	98	-233

EURm	PD range	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 supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
RIRB Retail - 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 <10.00												
	2.5 to <5												
	5 to <10												
	10.00 to <100.00												
	10 to <20												
	20 to <30												
	30.00 to <100.00												
	100.00 (Default)												
	Sub-total												
RIRB Retail - non-SME other	0.00 to <0.15	7 445	7 602	67.0%	12 540	0.09%	1 315 879	29.3%	2.5	873	7.0%	37	-208
	0.00 to <0.10	*5 715*	*5 982*	*71.6%*	*10 001*	*0.08%*	*1 106 405*	*29.4%*	*2.5*	*658*	*6.6%*	*36*	*-208*
	0.10 to <0.15	*1 731*	*1 620*	*49.9%*	*2 539*	*0.11%*	*209 474*	*28.9%*	*2.5*	*215*	*8.5%*	*1*	
	0.15 to <0.25	3 379	2 621	54.9%	4 819	0.18%	447 849	29.5%	2.5	580	12.0%	3	-0
	0.25 to <0.50	2 499	1 464	54.7%	3 299	0.36%	334 936	29.2%	2.5	608	18.4%	3	
	0.50 to <0.75	1 028	386	52.3%	1 230	0.60%	120 319	29.4%	2.5	306	24.9%	2	
	0.75 to <2.50	2 109	1 129	61.8%	2 807	1.32%	302 412	30.4%	2.5	1 007	35.9%	11	-0
	0.75 to <1.75	*1 764*	*930*	*62.0%*	*2 341*	*1.13%*	*267 036*	*30.6%*	*2.5*	*809*	*34.6%*	*8*	*-0*
	1.75 to <2.5	*345*	*199*	*60.8%*	*466*	*2.30%*	*35 376*	*29.9%*	*2.5*	*198*	*42.4%*	*3*	*-0*
	2.50 to <10.00	2 994	444	39.6%	3 170	4.21%	134 395	25.5%	2.5	1 243	39.2%	34	-0
	2.5 to <5	*2 425*	*392*	*38.8%*	*2 577*	*3.48%*	*106 412*	*25.6%*	*2.5*	*995*	*38.6%*	*23*	*-0*
	5 to <10	*569*	*52*	*45.9%*	*593*	*7.37%*	*27 983*	*25.3%*	*2.5*	*248*	*41.8%*	*11*	*-0*
	10.00 to <100.00	881	351	18.2%	946	21.54%	106 359	26.2%	2.5	594	62.8%	54	-0
	10 to <20	*360*	*37*	*38.9%*	*374*	*15.18%*	*25 833*	*24.6%*	*2.5*	*193*	*51.6%*	*14*	*-0*
	20 to <30	*463*	*304*	*14.9%*	*508*	*24.04%*	*35 361*	*27.4%*	*2.5*	*354*	*69.7%*	*34*	*-0*
	30.00 to <100.00	*58*	*10*	*42.0%*	*63*	*39.21%*	*45 165*	*26.4%*	*2.5*	*47*	*74.2%*	*6*	*-0*
	100.00 (Default)	359	24	51.2%	372	100.00%		30.2%	2.5	1 234	332.0%	30	-30
	Sub-total	20 695	14 021	60.5%	29 182	2.69%	2 762 149	28.9%	2.5	6 445	22.1%	175	-238
TOTAL RIRB		175 530	24 418	64.2 %	191 205	1.11%	3 905 062	17.0 %	2.5	24 999	13.1 %	313	-519

EURm	PD range	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 supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
FIRB - Central governments and central banks - 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 <10.00												
	2.5 to <5												
	5 to <10												
	10.00 to <100.00												
	10 to <20												
	20 to <30												
	30.00 to <100.00												
	100.00 (Default)												
	Sub-total												
FIRB Institutions - Total	0.00 to <0.15	25 441	1 924	49.4%	26 391	0.07%	422	14.1%	2.5	2 459	9.3%	2	-102
	0.00 to <0.10	*21 940*	*1 608*	*45.4%*	*22 670*	*0.06%*	*320*	*14.2%*	*2.5*	*2 010*	*8.9%*	*2*	*-102*
	0.10 to <0.15	*3 502*	*316*	*69.5%*	*3 721*	*0.12%*	*102*	*13.7%*	*2.5*	*449*	*12.1%*	*1*	
	0.15 to <0.25	7	170	56.4%	103	0.17%	65	45.0%	2.5	47	46.0%	0	
	0.25 to <0.50	302	232	17.1%	342	0.35%	120	33.7%	2.4	149	43.6%	0	
	0.50 to <0.75	17	81	20.4%	33	0.66%	40	44.3%	2.5	22	64.7%	0	
	0.75 to <2.50	34	185	20.1%	72	1.02%	49	44.2%	2.5	58	80.6%	0	
	0.75 to <1.75	*34*	*184*	*20.1%*	*72*	*1.02%*	*49*	*44.2%*	*2.5*	*58*	*80.7%*	*0*	
	1.75 to <2.5		*1*	*20.0%*	*0*	*0.05%*		*45.0%*	*2.5*	*0*	*27.6%*	*0*	
	2.50 to <10.00	7	7	27.8%	9	2.75%	15	45.0%	2.5	4	40.8%	0	
	2.5 to <5	*7*	*7*	*27.8%*	*9*	*2.75%*	*15*	*45.0%*	*2.5*	*4*	*40.8%*	*0*	
	5 to <10												
	10.00 to <100.00	46	24	21.6%	51	26.50%	90	45.0%	2.5	136	268.2%	6	
	10 to <20	*1*	*23*	*20.8%*	*6*	*10.41%*	*17*	*45.0%*	*2.5*	*4*	*69.9%*	*0*	
	20 to <30	*45*	*1*	*36.8%*	*45*	*28.56%*	*73*	*45.0%*	*2.5*	*132*	*293.5%*	*6*	
	30.00 to <100.00		*0*	*100.0%*	*0*	*0.05%*		*45.0%*	*2.5*	*0*	*27.6%*	*0*	
	100.00 (Default)		0				49						
	Sub-total	25 854	2 624	43.7%	27 001	0.12%	850	14.7%	2.5	2 874	10.6%	9	-102

EURm	PD range	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 supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
FIRB Corporates - Total	0.00 to <0.15	2 538	744	15.0%	2 649	0.09%	2 864	43.8%	2.5	996	37.6%	1	-113
	0.00 to <0.10	*1 844*	*341*	*23.8%*	*1 926*	*0.06%*	*1 606*	*44.4%*	*2.5*	*709*	*36.8%*	*1*	*-113*
	0.10 to <0.15	*693*	*403*	*7.5%*	*723*	*0.15%*	*1 258*	*42.2%*	*2.5*	*286*	*39.6%*	*0*	*-0*
	0.15 to <0.25	987	346	11.6%	1 027	0.22%	1 646	42.2%	2.5	415	40.4%	1	
	0.25 to <0.50	1 701	732	16.6%	1 822	0.43%	3 234	42.1%	2.5	1 016	55.8%	3	
	0.50 to <0.75	1	3	50.0%	2	0.55%		45.0%	2.5	2	74.3%	0	
	0.75 to <2.50	1 785	627	20.8%	1 915	1.23%	3 363	42.5%	2.5	1 513	79.0%	9	
	0.75 to <1.75	*1 394*	*498*	*24.1%*	*1 513*	*1.02%*	*2 565*	*42.6%*	*2.5*	*1 183*	*78.2%*	*6*	
	1.75 to <2.5	*391*	*129*	*8.2%*	*402*	*2.05%*	*798*	*42.2%*	*2.5*	*330*	*82.1%*	*3*	
	2.50 to <10.00	201	44	54.6%	208	3.61%	604	42.2%	2.5	208	100.0%	3	
	2.5 to <5	*201*	*44*	*54.6%*	*208*	*3.61%*	*604*	*42.2%*	*2.5*	*208*	*100.0%*	*3*	
	5 to <10	*0*			*0*	*9.26%*		*45.0%*	*2.5*	*0*	*65.2%*	*0*	
	10.00 to <100.00	1 652	764	2.7%	1 673	33.09%	8 015	39.8%	2.5	988	59.0%	39	-0
	10 to <20	*179*	*104*	*15.0%*	*195*	*11.80%*	*740*	*41.6%*	*2.5*	*270*	*138.8%*	*9*	
	20 to <30	*42*	*13*	*9.2%*	*43*	*24.42%*	*264*	*42.6%*	*2.5*	*65*	*150.7%*	*4*	
	30.00 to <100.00	*1 432*	*647*	*0.6%*	*1 436*	*36.23%*	*7 011*	*39.5%*	*2.5*	*653*	*45.5%*	*26*	*-0*
	100.00 (Default)	89	17	27.1%	94	100.00%	305	43.5%	2.5	30	31.4%	41	-20
	Sub-total	8 953	3 278	13.8%	9 391	7.36%	20 031	42.3%	2.5	5 168	55.0%	97	-133
FIRB Corporates - SME	0.00 to <0.15	420	147	14.2%	441	0.12%	1 567	42.4%	2.5	108	24.5%	0	-45
	0.00 to <0.10	*186*	*68*	*3.4%*	*189*	*0.08%*	*778*	*42.4%*	*2.5*	*35*	*18.8%*	*0*	*-45*
	0.10 to <0.15	*234*	*79*	*23.6%*	*252*	*0.15%*	*789*	*42.3%*	*2.5*	*73*	*28.8%*	*0*	
	0.15 to <0.25	385	91	13.1%	397	0.22%	1 033	42.3%	2.5	130	32.8%	0	
	0.25 to <0.50	786	174	7.4%	799	0.44%	2 043	41.7%	2.5	347	43.5%	1	
	0.50 to <0.75	0			0	0.66%		45.0%	2.5	0	73.2%	0	
	0.75 to <2.50	895	257	23.6%	956	1.28%	2 372	41.9%	2.5	612	64.0%	5	
	0.75 to <1.75	*656*	*202*	*29.2%*	*715*	*1.02%*	*1 780*	*41.9%*	*2.5*	*443*	*61.9%*	*3*	
	1.75 to <2.5	*239*	*54*	*3.0%*	*241*	*2.04%*	*592*	*41.9%*	*2.5*	*169*	*70.1%*	*2*	
	2.50 to <10.00	120	16	12.8%	122	3.61%	417	42.3%	2.5	103	84.7%	2	
	2.5 to <5	*120*	*16*	*12.8%*	*122*	*3.61%*	*417*	*42.3%*	*2.5*	*103*	*84.7%*	*2*	
	5 to <10	*0*			*0*	*9.28%*		*45.0%*	*2.5*	*0*	*64.9%*	*0*	
	10.00 to <100.00	601	78	1.9%	602	30.57%	4 040	43.3%	2.5	408	67.7%	21	-0
	10 to <20	*124*	*35*	*0.8%*	*124*	*11.86%*	*548*	*41.1%*	*2.5*	*150*	*120.7%*	*6*	
	20 to <30	*32*	*8*	*5.1%*	*33*	*24.59%*	*214*	*42.3%*	*2.5*	*42*	*129.3%*	*3*	
	30.00 to <100.00	*445*	*35*	*2.2%*	*445*	*36.23%*	*3 278*	*44.0%*	*2.5*	*216*	*48.5%*	*13*	*-0*
	100.00 (Default)	65	6	2.8%	66	100.00%	217	43.3%	2.5	0	0.3%	28	-19
	Sub-total	3 273	768	14.3%	3 383	8.02%	11 689	42.3%	2.5	1 709	50.5%	58	-64

EURm	PD range	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 supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
FIRB Corporates - 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 <10.00												
	2.5 to <5												
	5 to <10												
	10.00 to <100.00												
	10 to <20												
	20 to <30												
	30.00 to <100.00												
	100.00 (Default)												
	Sub-total												
FIRB Corporates - Other	0.00 to <0.15	2 117	597	15.2%	2 208	0.08%	1 297	44.1%	2.5	887	40.2%	1	-68
	0.00 to <0.10	*1 658*	*273*	*28.9%*	*1 737*	*0.06%*	*828*	*44.6%*	*2.5*	*674*	*38.8%*	*0*	*-68*
	0.10 to <0.15	*460*	*324*	*3.5%*	*471*	*0.15%*	*469*	*42.2%*	*2.5*	*214*	*45.4%*	*0*	*-0*
	0.15 to <0.25	601	256	11.0%	630	0.22%	613	42.2%	2.5	285	45.2%	1	
	0.25 to <0.50	914	558	19.4%	1 023	0.43%	1 191	42.4%	2.5	669	65.4%	2	
	0.50 to <0.75	0	3	50.0%	2	0.54%		45.0%	2.5	2	74.5%	0	
	0.75 to <2.50	890	371	18.9%	960	1.19%	991	43.2%	2.5	902	94.0%	5	
	0.75 to <1.75	*737*	*296*	*20.6%*	*798*	*1.01%*	*785*	*43.3%*	*2.5*	*740*	*92.7%*	*3*	
	1.75 to <2.5	*152*	*75*	*12.0%*	*161*	*2.05%*	*206*	*42.8%*	*2.5*	*161*	*100.0%*	*1*	
	2.50 to <10.00	81	28	20.0%	86	3.61%	187	42.1%	2.5	105	121.7%	1	
	2.5 to <5	*81*	*28*	*20.0%*	*86*	*3.61%*	*187*	*42.1%*	*2.5*	*105*	*121.7%*	*1*	
	5 to <10	*0*			*0*	*8.46%*		*45.0%*	*2.5*	*0*	*76.2%*	*0*	
	10.00 to <100.00	1 052	686	2.9%	1 071	34.50%	3 975	37.8%	2.5	580	54.2%	18	-0
	10 to <20	*55*	*69*	*22.3%*	*70*	*11.69%*	*192*	*42.6%*	*2.5*	*120*	*170.8%*	*3*	
	20 to <30	*10*	*6*	*14.8%*	*10*	*23.88%*	*50*	*43.4%*	*2.5*	*23*	*218.0%*	*1*	
	30.00 to <100.00	*987*	*612*	*0.6%*	*990*	*36.23%*	*3 733*	*37.4%*	*2.5*	*438*	*44.2%*	*13*	*-0*
	100.00 (Default)	24	11	39.7%	28	100.00%	88	43.9%	2.5	29	103.8%	12	-2
	Sub-total	5 680	2 509	13.1%	6 008	6.99%	8 342	42.3%	2.5	3 459	57.6%	38	-70
TOTAL FIRB		34 807	5 902	27.1 %	36 392	1.99%	20 881	21.8 %	2.5	8 042	22.1 %	106	-235

Table 14 - 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. IRB approach was 78% out of total exposure including Institutions Corporates and Retail exposure classes. SA approach was 20% of total exposure includied in Central governmets or central banks and Equity. 2% of total exposure is subject to a roll-out plan mainly included in Retail and Other non-credit assets.

EURm		Exposure value as defined in Article 166 CRR for exposrues 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 IRB Approach (%)	Percentage of total exposurevalue subject to a roll-out plan (%)
		a	b	c	d	e
1	Central governments or central banks		90 419	100%		
1.1	*Of which Regional governments or local authorities*		*4 620*	*100%*		
1.2	*Of which Public sector entities*		*103*	*100%*		
2	Institutions	27 042	27 554	1%	99%	0%
3	Corporates	161 635	158 739	0%	99%	1%
3.1	*Of which Corporates - Specialised lending, excluding s*	*18*	*48*		*100%*	
3.2	*Of which Corporates - Specialised lending under slotti*	*18*	*48*		*100%*	
4	Retail	193 357	193 025	0%	95%	5%
4.1	*Of which Retail – Secured by real estate SMEs*	*1 056*	*998*	*0%*	*100%*	
4.2	*Of which Retail – Secured by real estate non-SMEs*	*159 639*	*160 177*	*0%*	*97%*	*3%*
4.3	*Of which Retail – Qualifying revolving*					
4.4	*Of which Retail – Other SMEs*	*1 455*	*1 941*	*1%*	*59%*	*40%*
4.5	*Of which Retail – Other non-SMEs*	*31 207*	*29 910*	*1%*	*87%*	*12%*
5	Equity		3 669	100%		
6	Other non-credit obligation assets	3 539	4 181	3%	85%	12%
7	Total	385 574	477 587	20%	78%	2%

Table 15 - EU CR7 – IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques

Total Actual RWEA subject to template CR7 decreased by EUR 1.6bn from Q2 2022 to Q4 2022, primarily driven by a decrease in Retail - Non-SMEs of EUR 1.0bn.

EURm		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
Q4 2022		a	b
1	Exposures under F-IRB	10 816	8 042
2	Central governments and central banks		
3	Institutions	2 677	2 874
4	Corporates	8 139	5 168
4.1	*of which Corporates - SMEs*	*1 758*	*1 709*
4.2	*of which Corporates - Specialised lending*		
5	Exposures under A-IRB	89 983	83 426
6	Central governments and central banks		
7	Institutions		
8	Corporates	63 212	58 427
8.1	*of which Corporates - SMEs*	*20 361*	*16 010*
8.2	*of which Corporates - Specialised lending*	*13*	*4*
9	Retail	26 771	24 999
9.1	*of which Retail – SMEs - Secured by immovable property collateral*	*0*	*192*
9.2	*of which Retail – non-SMEs - Secured by immovable property collateral*	*7*	*17 664*
9.3	*of which Retail – Qualifying revolving*		
9.4	*of which Retail – SMEs - Other*	*1 965*	*698*
9.5	*of which Retail – Non-SMEs- Other*	*24 800*	*6 445*
10	Total (including F-IRB exposures and A-IRB exposures)	100 799	91 468

EURm		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
Q2 2022		a	b
1	Exposures under F-IRB	12 180	8 531
2	Central governments and central banks		
3	Institutions	2 857	2 881
4	Corporates	9 323	5 650
4.1	*of which Corporates - SMEs*	*1 887*	*1 881*
4.2	*of which Corporates - Specialised lending*		
5	Exposures under A-IRB	97 071	84 496
6	Central governments and central banks		
7	Institutions		
8	Corporates	67 853	57 509
8.1	*of which Corporates - SMEs*	*20 581*	*16 025*
8.2	*of which Corporates - Specialised lending*	*22*	*16*
9	Retail	29 218	26 987
9.1	*of which Retail – SMEs - Secured by immovable property collateral*	*0*	*190*
9.2	*of which Retail – non-SMEs - Secured by immovable property collateral*	*18*	*18 674*
9.3	*of which Retail – Qualifying revolving*		
9.4	*of which Retail – SMEs - Other*	*1 610*	*799*
9.5	*of which Retail – Non-SMEs- Other*	*27 590*	*7 324*
10	Total (including F-IRB exposures and A-IRB exposures)	109 252	93 027

Table 16 - 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. In the AIRB approach, the total REA decreased by EUR 2.4bn year-on-year, primarily driven by a decrease in Retail REA (EUR 2.6bn) due to a reduction in total retail exposures, partially offset by an increase in corporate REA. For the FIRB approach, the overall REA decreased by EUR 0.1bn, primarily driven by a decrease in corporate REA, while institutions REA increased due to increased volumes.

EURm			Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
A-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)
		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks														
2	Institutions														
3	Corporates	149 308	1%	43%	37%	0%	6%							58 683	58 427
3.1	*Of which Corporates – SMEs*	*51 650*	*1%*	*74%*	*69%*	*0%*	*4%*							*15 980*	*16 010*
3.2	*Of which Corporates – Specialised lending*	*9*												*4*	*4*
3.3	*Of which Corporates – Other*	*97 649*	*0%*	*27%*	*20%*	*0%*	*7%*							*42 698*	*42 413*
4	Retail	191 205	0%	82%	81%	0%	1%					0%		24 999	24 999
4.1	*Of which Retail – Immovable property SMEs*	*1 056*		*100%*	*100%*									*192*	*192*
4.2	*Of which Retail – Immovable property non-SMEs*	*159 639*		*96%*	*96%*									*17 664*	*17 664*
4.3	*Of which Retail – Qualifying revolving*														
4.4	*Of which Retail – Other SMEs*	*1 329*	*1%*	*13%*		*0%*	*13%*					*15%*		*698*	*698*
4.5	*Of which Retail – Other non-SMEs*	*29 182*	*2%*	*4%*		*0%*	*4%*					*1%*		*6 445*	*6 445*
5	Total	340 513	0%	65%	62%	0%	3%					0%		83 682	83 426

EURm F-IRB	Total exposures	Credit risk Mitigation techniques										Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)								Unfunded credit Protection (UFCP)			
		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)
	a	b	c	d	e	f	g	h	i	j	k	l	m	n
1 Central governments and central banks														
2 Institutions	27 001	0%	0%	0%	0%	0%					0%		5 209	2 874
3 Corporates	9 391	0%	37%	1%	17%	20%					30%		5 137	5 168
3.1 *Of which Corporates – SMEs*	*3 383*	*0%*	*45%*	*2%*	*9%*	*34%*					*2%*		*1 614*	*1 709*
3.2 *Of which Corporates – Specialised lending*														
3.3 *Of which Corporates – Other*	*6 008*	*0%*	*33%*	*0%*	*21%*	*12%*					*28%*		*3 523*	*3 459*
4 Total	36 392	0%	10%	0%	4%	5%					5%		8 012	8 042

Table 17 - EU CR8 - RWEA flow statements of credit risk exposures under the IRB approach

During the fourth quarter the IRB REA decreased by EUR 0.9bn. FX effects stemming from the depreciation of core currencies was the main driver for the REA decrease. Improved asset quality and Other further decreased REA.

EURm		Risk weighted exposure amount
		a
1	Risk weighted exposure amount as at the end of the previous reporting period	95 515
2	Asset size (+/-)	204
3	Asset quality (+/-)	-70
4	Model updates (+/-)	
5	Methodology and policy (+/-)	
6	Acquisitions and disposals (+/-)	
7	Foreign exchange movements (+/-)	-820
8	Other (+/-)	-222
9	Risk weighted exposure amount as at the end of the reporting period	94 607

Table 18 - EU 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 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 range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Corporates – SME	0.00 to <0.15	9 998	14	0.14%	0.07%	0.07%	0.07%
	0.00 to <0.10	*7 787*	*12*	*0.15%*	*0.05%*	*0.05%*	*0.07%*
	0.10 to <0.15	*2 211*	*2*	*0.09%*	*0.15%*	*0.15%*	*0.08%*
	0.15 to <0.25	3 257	12	0.37%	0.22%	0.22%	0.20%
	0.25 to <0.50	6 744	27	0.40%	0.45%	0.43%	0.58%
	0.50 to <0.75	109	0	0.00%	0.62%	0.60%	0.60%
	0.75 to <2.50	12 788	80	0.63%	1.12%	1.60%	0.90%
	0.75 to <1.75	*6 572*	*33*	*0.50%*	*0.97%*	*1.17%*	*0.66%*
	1.75 to <2.5	*6 216*	*47*	*0.76%*	*2.08%*	*2.07%*	*1.44%*
	2.50 to <10.00	20 267	196	0.97%	4.43%	4.55%	1.48%
	2.5 to <5	*14 220*	*99*	*0.70%*	*3.77%*	*3.57%*	*1.28%*
	5 to <10	*6 047*	*97*	*1.60%*	*6.87%*	*6.86%*	*6.88%*
	10.00 to <100.00	15 740	989	6.28%	25.28%	30.85%	7.65%
	10 to <20	*5 447*	*233*	*4.28%*	*12.13%*	*13.67%*	*5.53%*
	20 to <30	*1 533*	*94*	*6.13%*	*24.10%*	*24.82%*	*6.74%*
	30.00 to <100.00	*8 760*	*662*	*7.56%*	*46.58%*	*42.59%*	*11.90%*
	100.00 (Default)	1 196	1 196	100.00%	100.00%	100.00%	100.00%

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
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%
	0.00 to <0.10	*1*	*0*	*0.00%*	*0.10%*	*0.10%*	*0.00%*
	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%	0.46%	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%
	0.75 to <1.75	*0*	*0*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	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%
	2.5 to <5	*0*	*0*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	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%
	10 to <20	*0*	*0*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	20 to <30	*0*	*0*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	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%	100.00%

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Corporates – Other	0.00 to <0.15	2 222	16	0.72%	0.11%	0.11%	0.63%
	0.00 to <0.10	*1 100*	*5*	*0.45%*	*0.07%*	*0.07%*	*0.49%*
	0.10 to <0.15	*1 122*	*11*	*0.98%*	*0.15%*	*0.15%*	*0.77%*
	0.15 to <0.25	1 571	6	0.38%	0.22%	0.22%	1.14%
	0.25 to <0.50	2 996	21	0.70%	0.44%	0.43%	0.62%
	0.50 to <0.75	111	8	7.21%	0.56%	0.59%	4.64%
	0.75 to <2.50	3 432	57	1.66%	1.09%	1.40%	1.24%
	0.75 to <1.75	*2 138*	*22*	*1.03%*	*0.98%*	*1.03%*	*0.84%*
	1.75 to <2.5	*1 294*	*35*	*2.70%*	*2.05%*	*2.02%*	*2.01%*
	2.50 to <10.00	1 956	69	3.53%	3.82%	4.27%	2.37%
	2.5 to <5	*1 528*	*44*	*2.88%*	*3.61%*	*3.62%*	*1.99%*
	5 to <10	*428*	*25*	*5.84%*	*7.69%*	*6.58%*	*5.96%*
	10.00 to <100.00	9 109	198	2.17%	28.46%	34.06%	3.01%
	10 to <20	*820*	*32*	*3.90%*	*11.57%*	*12.76%*	*5.80%*
	20 to <30	*230*	*24*	*10.43%*	*22.95%*	*24.85%*	*6.48%*
	30.00 to <100.00	*8 059*	*142*	*1.76%*	*43.99%*	*36.49%*	*4.16%*
	100.00 (Default)	350	350	100.00%	100.00%	100.00%	100.00%

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Retail – SME secured by immovable property collateral	0.00 to <0.15	3 218	0	0.00%	0.11%	0.11%	0.00%
	0.00 to <0.10	*796*	*0*	*0.00%*	*0.08%*	*0.08%*	*0.00%*
	0.10 to <0.15	*2 422*	*0*	*0.00%*	*0.11%*	*0.11%*	*0.00%*
	0.15 to <0.25	4 597	7	0.15%	0.18%	0.18%	0.08%
	0.25 to <0.50	1 388	3	0.22%	0.37%	0.37%	0.12%
	0.50 to <0.75	1 192	4	0.34%	0.60%	0.60%	0.35%
	0.75 to <2.50	7 138	66	0.92%	1.35%	1.36%	0.92%
	0.75 to <1.75	*5 994*	*37*	*0.62%*	*1.18%*	*1.19%*	*0.72%*
	1.75 to <2.5	*1 144*	*29*	*2.53%*	*2.30%*	*2.30%*	*2.08%*
	2.50 to <10.00	995	43	4.32%	3.88%	3.78%	4.60%
	2.5 to <5	*946*	*42*	*4.44%*	*3.66%*	*3.63%*	*4.65%*
	5 to <10	*49*	*1*	*2.04%*	*6.60%*	*6.76%*	*3.78%*
	10.00 to <100.00	229	50	21.83%	26.10%	27.68%	25.04%
	10 to <20	*63*	*7*	*11.11%*	*16.54%*	*16.80%*	*15.43%*
	20 to <30	*79*	*8*	*10.13%*	*24.04%*	*24.04%*	*12.32%*
	30.00 to <100.00	*87*	*35*	*40.23%*	*38.86%*	*38.86%*	*42.79%*
	100.00 (Default)	416	416	100.00%	100.00%	100.00%	100.00%

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Retail – SME other	0.00 to <0.15	2 016	8	0.40%	0.11%	0.08%	0.77%
	0.00 to <0.10	*1 819*	*8*	*0.44%*	*0.08%*	*0.08%*	*0.80%*
	0.10 to <0.15	*197*	*0*	*0.00%*	*0.11%*	*0.11%*	*0.65%*
	0.15 to <0.25	3 551	19	0.54%	0.21%	0.21%	0.49%
	0.25 to <0.50	4 925	9	0.18%	0.38%	0.39%	0.31%
	0.50 to <0.75	4 594	24	0.52%	0.60%	0.60%	0.50%
	0.75 to <2.50	32 393	522	1.61%	1.51%	1.42%	1.62%
	0.75 to <1.75	*25 508*	*342*	*1.34%*	*1.23%*	*1.18%*	*1.39%*
	1.75 to <2.5	*6 885*	*180*	*2.61%*	*2.30%*	*2.30%*	*2.38%*
	2.50 to <10.00	24 516	940	3.83%	4.62%	4.05%	4.30%
	2.5 to <5	*20 200*	*496*	*2.46%*	*3.55%*	*3.40%*	*2.86%*
	5 to <10	*4 316*	*444*	*10.29%*	*7.30%*	*7.13%*	*10.75%*
	10.00 to <100.00	6 755	730	10.81%	23.86%	24.14%	17.40%
	10 to <20	*1 455*	*215*	*14.78%*	*13.78%*	*14.72%*	*15.54%*
	20 to <30	*4 337*	*162*	*3.74%*	*24.04%*	*24.04%*	*10.65%*
	30.00 to <100.00	*963*	*353*	*36.66%*	*38.86%*	*38.86%*	*41.83%*
	100.00 (Default)	6 290	6 290	100.00%	100.00%	100.00%	100.00%

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Retail – Non-SME secured by immovable property collateral	0.00 to <0.15	684 839	329	0.05%	0.08%	0.09%	0.03%
	0.00 to <0.10	*553 658*	*216*	*0.04%*	*0.08%*	*0.08%*	*0.02%*
	0.10 to <0.15	*131 181*	*113*	*0.09%*	*0.11%*	*0.11%*	*0.05%*
	0.15 to <0.25	162 426	255	0.16%	0.18%	0.19%	0.09%
	0.25 to <0.50	104 564	335	0.32%	0.34%	0.35%	0.21%
	0.50 to <0.75	29 489	202	0.69%	0.60%	0.60%	0.37%
	0.75 to <2.50	55 537	694	1.25%	1.14%	1.26%	0.80%
	0.75 to <1.75	*48 749*	*535*	*1.10%*	*1.12%*	*1.12%*	*0.69%*
	1.75 to <2.5	*6 788*	*159*	*2.34%*	*2.30%*	*2.30%*	*1.58%*
	2.50 to <10.00	7 043	193	2.74%	3.89%	4.77%	1.76%
	2.5 to <5	*3 973*	*81*	*2.04%*	*3.38%*	*3.42%*	*1.41%*
	5 to <10	*3 070*	*112*	*3.65%*	*6.49%*	*6.51%*	*2.18%*
	10.00 to <100.00	5 817	976	16.78%	23.53%	26.53%	10.47%
	10 to <20	*784*	*88*	*11.22%*	*16.68%*	*16.36%*	*6.83%*
	20 to <30	*3 650*	*332*	*9.10%*	*24.04%*	*24.04%*	*5.59%*
	30.00 to <100.00	*1 383*	*556*	*40.20%*	*38.86%*	*38.86%*	*40.01%*
	100.00 (Default)	8 587	8 587	100.00%	100.00%	100.00%	100.00%

Exposure class	PD range	Number of obligors at the end of the previous year	Of which number of obligors which defaulted in 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	0	0.00%	0.00%	0.00%	0.00%
	0.00 to <0.10	*0*	*0*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	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%
	0.75 to <1.75	*0*	*0*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	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%
	2.5 to <5	*0*	*0*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	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%
	10 to <20	*0*	*0*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	20 to <30	*0*	*0*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	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 range	Number of obligors at the end of the previous year	Of which number of obligors which defaulted in 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	1 143 873	679	0.06%	0.09%	0.09%	0.06%
	0.00 to <0.10	*885 036*	*462*	*0.05%*	*0.08%*	*0.08%*	*0.05%*
	0.10 to <0.15	*258 837*	*217*	*0.08%*	*0.11%*	*0.11%*	*0.08%*
	0.15 to <0.25	437 002	637	0.15%	0.19%	0.19%	0.15%
	0.25 to <0.50	433 374	1 235	0.28%	0.36%	0.36%	0.35%
	0.50 to <0.75	163 250	1 012	0.62%	0.60%	0.60%	0.72%
	0.75 to <2.50	388 376	4 165	1.07%	1.31%	1.25%	1.33%
	0.75 to <1.75	*344 405*	*3 256*	*0.95%*	*1.14%*	*1.11%*	*1.16%*
	1.75 to <2.5	*43 971*	*909*	*2.07%*	*2.30%*	*2.30%*	*2.43%*
	2.50 to <10.00	142 321	4 783	3.36%	4.42%	4.79%	3.70%
	2.5 to <5	*88 625*	*2 475*	*2.79%*	*3.53%*	*3.50%*	*3.16%*
	5 to <10	*53 696*	*2 308*	*4.30%*	*7.11%*	*6.91%*	*4.53%*
	10.00 to <100.00	63 464	8 632	13.60%	21.17%	21.92%	14.99%
	10 to <20	*26 565*	*2 222*	*8.36%*	*14.85%*	*15.30%*	*9.26%*
	20 to <30	*30 307*	*3 822*	*12.61%*	*24.04%*	*24.04%*	*13.76%*
	30.00 to <100.00	*6 592*	*2 588*	*39.26%*	*38.85%*	*38.86%*	*40.41%*
	100.00 (Default)	55 634	55 634	100.00%	100.00%	100.00%	100.00%

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Exposure class	PD range	Number of obligors at the end of the previous year	Of which number of obligors which defaulted in 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	1 916	4	0.21%	0.09%	0.11%	0.17%
	0.00 to <0.10	*1 009*	*1*	*0.10%*	*0.06%*	*0.07%*	*0.15%*
	0.10 to <0.15	*907*	*3*	*0.33%*	*0.15%*	*0.15%*	*0.19%*
	0.15 to <0.25	1 187	3	0.25%	0.22%	0.22%	0.26%
	0.25 to <0.50	2 499	21	0.84%	0.44%	0.44%	0.76%
	0.50 to <0.75	11	0	0.00%	0.67%	0.64%	0.00%
	0.75 to <2.50	2 840	31	1.09%	1.26%	1.26%	1.39%
	0.75 to <1.75	*2 177*	*13*	*0.60%*	*1.03%*	*1.03%*	*1.02%*
	1.75 to <2.5	*663*	*18*	*2.71%*	*2.05%*	*2.05%*	*2.51%*
	2.50 to <10.00	568	16	2.82%	3.69%	3.67%	2.73%
	2.5 to <5	*557*	*14*	*2.51%*	*3.61%*	*3.61%*	*2.64%*
	5 to <10	*11*	*2*	*18.18%*	*6.81%*	*6.81%*	*6.06%*
	10.00 to <100.00	4 221	118	2.80%	21.56%	32.09%	5.40%
	10 to <20	*627*	*36*	*5.74%*	*11.71%*	*12.08%*	*6.42%*
	20 to <30	*201*	*12*	*5.97%*	*24.03%*	*24.35%*	*7.33%*
	30.00 to <100.00	*3 393*	*70*	*2.06%*	*37.12%*	*36.24%*	*6.54%*
	100.00 (Default)	244	244	100.00%	100.00%	100.00%	100.00%

Exposure class	PD range	Number of obligors at the end of the previous year	Of which number of obligors which defaulted in 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%
	0.00 to <0.10	*0*	*0*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	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%
	0.75 to <1.75	*0*	*0*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	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%
	2.5 to <5	*0*	*0*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	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%
	10 to <20	*0*	*0*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	20 to <30	*0*	*0*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	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 range	Number of obligors at the end of the previous year	Of which number of obligors which defaulted in 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	2 643	14	0.53%	0.09%	0.10%	0.36%
	0.00 to <0.10	*1 585*	*13*	*0.82%*	*0.07%*	*0.07%*	*0.43%*
	0.10 to <0.15	*1 058*	*1*	*0.09%*	*0.14%*	*0.14%*	*0.32%*
	0.15 to <0.25	735	4	0.54%	0.22%	0.22%	0.59%
	0.25 to <0.50	1 455	27	1.86%	0.44%	0.43%	0.96%
	0.50 to <0.75	10	0	0.00%	0.58%	0.60%	0.00%
	0.75 to <2.50	1 217	33	2.71%	1.14%	1.23%	1.52%
	0.75 to <1.75	*983*	*32*	*3.26%*	*1.01%*	*1.03%*	*1.64%*
	1.75 to <2.5	*234*	*1*	*0.43%*	*2.04%*	*2.04%*	*0.95%*
	2.50 to <10.00	207	9	4.35%	3.69%	3.77%	2.51%
	2.5 to <5	*197*	*8*	*4.06%*	*3.60%*	*3.60%*	*2.42%*
	5 to <10	*10*	*1*	*10.00%*	*6.65%*	*6.95%*	*3.33%*
	10.00 to <100.00	2 906	49	1.69%	25.69%	33.91%	4.82%
	10 to <20	*231*	*7*	*3.03%*	*11.95%*	*12.22%*	*6.45%*
	20 to <30	*92*	*8*	*8.70%*	*24.25%*	*23.60%*	*7.54%*
	30.00 to <100.00	*2 583*	*34*	*1.32%*	*35.97%*	*36.22%*	*4.68%*
	100.00 (Default)	71	71	100.00%	100.00%	100.00%	100.00%

Table 19 - 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 2021 to 2022 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	Standard & Poor's rating	Risk weight	Original Exposure		Exposure	
			Q4 2022	Q4 2021	Q4 2022	Q4 2021
(a) Central Governments or Central banks						
1	AAA to AA-	0%	86 304	76 861	90 317	81 348
2	A+ to A-	20%	12	8	12	45
3	BBB+ to BBB-	50%		93		93
4 to 6 or blank	BB+ and below, or without rating	100-250%	222	425	67	217
Total			86 538	77 387	90 396	81 704
(b) Regional Governments or local authorities						
1	AAA to AA-[1]	0% - 20%[1]	9 728	11 361	5 205	6 796
2	A+ to A-	50%				
3 to 6 or blank	BBB+ and below, or without rating	100-250%				
Total			9 728	11 361	5 205	6 796
(c) Public sector entites						
1	AAA to AA-[1]	0% - 20%[1]				
2	A+ to A-	50%				
3 to 6 or blank	BBB+ and below, or without rating	100-250%				
Total						
(d) Multilateral Developments Banks						
1	AAA to AA-[2]	0% - 20%[2]	1 868	1 557	1 851	1 537
2	A+ to A-	50%				
3 to 6 or blank	BBB+ and below, or without rating	100-250%				
Total			1 868	1 557	1 851	1 537
(e) Institutions						
1	AAA to AA-	20%	157	439	156	438
2	A+ to A-	50%		1		1
3 to 6 or blank	BBB+ and below, or without rating	100-150%				
Total			157	440	156	440
(f) Corporates						
1	AAA to AA-	20%				
2	A+ to A-	50%				
3 to 4	BBB+ to BB-[3]	100%	2 090	2 421	1 744	2 122
5 to 6 or blank	B+ and below, or without rating	150%				
Total			2 090	2 421	1 744	2 122

[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 20 - 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 decreased by EUR 0.4bn compared to end of Q2 2022 to EUR 2.1bn. Non-performing forborne loans and advances decreased by EUR 0.3bn and performing forborne loans and advances decreased by EUR 0.1bn.

EURm	a	b	c	d	e	f	g	h
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
Q4 2022			Of which defaulted	Of which impaired				
005 Cash balances at central banks and other demand deposits								
010 Loans and advances	1 162	903	903	881	-24	-336	776	230
020 *Central banks*								
030 *General governments*								
040 *Credit institutions*								
050 *Other financial corporations*	*3*	*45*	*45*	*45*	*-0*	*-6*	*1*	*0*
060 *Non-financial corporations*	*756*	*706*	*706*	*687*	*-14*	*-308*	*463*	*149*
070 *Households*	*403*	*152*	*152*	*149*	*-10*	*-22*	*312*	*81*
080 Debt Securities								
090 Loan commitments given	91	7	7	7	-4	-0	20	0
100 Total	1 253	910	910	888	-29	-336	796	230
Q2 2022								
005 Cash balances at central banks and other demand deposits								
010 Loans and advances	1 276	1 228	1 228	1 195	-29	-355	892	309
020 *Central banks*								
030 *General governments*								
040 *Credit institutions*								
050 *Other financial corporations*	*2*	*44*	*44*	*44*	*-0*	*-11*	*1*	*0*
060 *Non-financial corporations*	*824*	*1 030*	*1 030*	*1 000*	*-20*	*-321*	*559*	*234*
070 *Households*	*449*	*154*	*154*	*150*	*-9*	*-23*	*332*	*74*
080 Debt Securities								
090 Loan commitments given	69	9	9	9	-0	-0	24	0
100 Total	1 345	1 237	1 237	1 203	-30	-355	916	309

Table 21 - EU CQ3 - Credit quality of performing and non-performing exposures by past due days

Credit quality remained stable during the second half of the year 2022. Total gross carrying amount of loans and advances were EUR 332bn at the end of 2022. Performing loans and advances increased by EUR 0.3bn, while non-performing loans and advances decreased by EUR 0.5bn. Major part of non-performing loans, 77%, are loans which are classified as unlikely to pay, that are not past-due or that are past-due less than or equal to 90 days.

EURm		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
Q4 2022			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	62 276	58 598	3 678	13	13							13
010	Loans and advances	329 372	328 935	436	2 725	2 092	101	149	162	182	23	17	2 725
020	*Central banks*	*1*	*1*										
030	*General governments*	*5 259*	*5 258*	*1*	*39*	*39*	*0*						*39*
040	*Credit institutions*	*1 700*	*1 698*	*1*	*25*	*25*							*25*
050	*Other financial corporations*	*11 216*	*11 215*	*1*	*48*	*46*		*0*	*1*	*0*			*48*
060	*Non-financial corporations*	*132 781*	*132 640*	*142*	*1 511*	*1 270*	*39*	*57*	*54*	*74*	*9*	*10*	*1 511*
070	*Of which SMEs*	*50 439*	*50 394*	*45*	*788*	*617*	*21*	*41*	*44*	*52*	*5*	*6*	*788*
080	*Households*	*178 414*	*178 122*	*291*	*1 102*	*712*	*62*	*92*	*107*	*108*	*14*	*7*	*1 102*
090	Debt securities	47 606	47 606										
100	*Central banks*	*4 382*	*4 382*										
110	*General governments*	*13 169*	*13 169*										
120	*Credit institutions*	*29 038*	*29 038*										
130	*Other financial corporations*	*450*	*450*										
140	*Non-financial corporations*	*567*	*567*										
150	Off-balance-sheet exposures	106 433			305								305
160	*Central banks*												
170	*General governments*	*8 713*											
180	*Credit institutions*	*3 915*											
190	*Other financial corporations*	*4 182*			*2*								*2*
200	*Non-financial corporations*	*65 097*			*285*								*285*
210	*Households*	*24 527*			*17*								*17*
220	Total	545 687	435 139	4 115	3 043	2 104	101	149	162	182	23	17	3 043

EURm		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
Q2 2022[1]			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	71 410	65 130	6 280	15	15							15
010	Loans and advances	329 107	328 765	342	3 238	2 574	108	140	178	192	25	21	3 238
020	*Central banks*	*0*	*0*										
030	*General governments*	*3 398*	*3 397*	*1*	*34*	*34*							*34*
040	*Credit institutions*	*1 025*	*1 025*	*1*	*15*	*15*							*15*
050	*Other financial corporations*	*12 296*	*12 295*	*1*	*49*	*47*	*0*	*0*	*1*	*0*	*0*		*49*
060	*Non-financial corporations*	*129 208*	*129 100*	*108*	*1 945*	*1 714*	*42*	*40*	*58*	*71*	*9*	*11*	*1 945*
070	*Of which SMEs*	*50 803*	*50 763*	*40*	*820*	*634*	*30*	*33*	*49*	*62*	*6*	*5*	*820*
080	*Households*	*183 180*	*182 948*	*232*	*1 195*	*764*	*66*	*100*	*119*	*121*	*16*	*11*	*1 195*
090	Debt securities	52 421	52 421										
100	*Central banks*	*7 120*	*7 120*										
110	*General governments*	*15 692*	*15 692*										
120	*Credit institutions*	*28 461*	*28 461*										
130	*Other financial corporations*	*473*	*473*										
140	*Non-financial corporations*	*675*	*675*										
150	Off-balance-sheet exposures	114 529			357								357
160	*Central banks*	*4*											
170	*General governments*	*6 977*											
180	*Credit institutions*	*2 994*											
190	*Other financial corporations*	*4 120*			*3*								*3*
200	*Non-financial corporations*	*66 237*			*326*								*326*
210	*Households*	*34 196*			*28*								*28*
220	Total	567 467	446 316	6 622	3 610	2 588	108	140	178	192	25	21	3 610

[1] The split of performing loans by past due categories for cash balances at central banks and other demand deposits have been improved after Q2 2022. Comparative figures have been restated to ensure comparability.

Table 22 - 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 96% (95%) of the total non-performing volume represents exposures in Nordic countries. During the second half of the year 2022, total non-performing exposures decreased by EUR 0.6bn from EUR 3.6bn in June 2022 to EUR 3.0bn in December 2022. On balance exposures decreased by EUR 0.5bn, driven by the Danish portfolio.

EURm		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
Q4 2022				Of which defaulted				
010	On-balance-sheet exposures	441 992	2 738	2 738	374 752	-1 673		-3
020	Finland	126 040	1 193	1 193	122 073	-612		
030	Sweden	118 954	310	310	115 898	-236		
040	Norway	67 128	419	419	64 301	-281		
050	Denmark	97 542	712	712	44 738	-469		-3
060	United States	14 362	2	2	10 699	-3		
070	Other countries	17 967	102	102	17 043	-72		
080	Off-balance-sheet exposures	106 737	305	305			-184	
090	Finland	21 405	77	77			-30	
100	Sweden	28 125	75	75			-33	
110	Norway	18 839	6	6			-13	
120	Denmark	23 036	130	130			-90	
130	United States	3 339	4	4			-1	
140	Other countries	11 993	12	12			-17	
150	Total	548 729	3 043	3 043	374 752	-1 673	-184	-3

EURm		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
Q2 2022				Of which defaulted				
010	On-balance-sheet exposures	456 190	3 252	3 252	385 474	-1 829		-26
020	Finland	124 384	926	926	112 595	-552		
030	Sweden	116 035	302	302	107 543	-219		
040	Norway	81 202	686	686	65 264	-360		
050	Denmark	97 420	1 170	1 170	63 516	-601		-26
060	United States	20 953	3	3	19 347	-2		
070	Other countries	16 197	165	165	17 208	-95		
080	Off-balance-sheet exposures	114 886	357	357			-183	
090	Finland	18 703	117	117			-34	
100	Sweden	28 131	67	67			-30	
110	Norway	17 787	16	16			-12	
120	Denmark	35 504	146	146			-99	
130	United States	3 189	4	4			-4	
140	Other countries	11 572	7	7			-4	
150	Total	571 077	3 610	3 610	385 474	-1 829	-183	-26

Table 23 - 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 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 second half of the year 2022, non-performing loans and advances decreased by EUR 0.4bn to EUR 1.5bn (EUR 1.9bn), primarily driven by decreased non-performing loans in Transport & storage and Manufacturing.

EURm	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		
Q4 2022			Of which defaulted			
010 Agriculture, forestry and fishing	7 955	286	286	3 779	-67	-2
020 Mining and quarrying	608	73	73	607	-42	
030 Manufacturing	14 165	191	191	13 390	-150	
040 Electricity, gas, steam and air conditioning supply	4 771	2	2	4 771	-6	
050 Water supply	1 175	1	1	1 029	-3	
060 Construction	7 100	81	81	6 640	-103	
070 Wholesale and retail trade	9 235	170	170	8 694	-187	
080 Transport and storage	8 674	318	318	8 656	-151	
090 Accommodation and food service activities	1 404	10	10	906	-27	
100 Information and communication	3 203	70	70	2 928	-28	
110 Financial and insurance actvities	13 030	32	32	12 400	-39	
120 Real estate activities	47 126	137	137	40 099	-164	
130 Professional, scientific and technical activities	9 136	99	99	8 013	-85	
140 Administrative and support service activities	3 234	25	25	3 223	-38	
150 Public administration and defense, compulsory social security	127	0	0	127	0	
160 Education	320	2	2	220	-3	
170 Human health services and social work activities	1 055	3	3	763	-6	
180 Arts, entertainment and recreation	773	9	9	619	-11	
190 Other services	1 201	2	2	1 201	-2	
200 Total	134 293	1 511	1 511	118 066	-1 112	-2

EURm	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		
Q2 2022[1)]			Of which defaulted			
010 Agriculture, forestry and fishing	7 868	330	330	3 768	-76	-3
020 Mining and quarrying	661	99	99	661	-50	
030 Manufacturing	14 118	278	278	13 918	-221	
040 Electricity, gas, steam and air conditioning supply	4 776	3	3	4 776	-5	
050 Water supply	1 079	1	1	1 079	-4	
060 Construction	7 318	99	99	6 818	-104	
070 Wholesale and retail trade	9 314	190	190	9 114	-180	
080 Transport and storage	8 189	534	534	8 189	-198	
090 Accommodation and food service activities	1 399	11	11	899	-25	
100 Information and communication	3 036	68	68	2 786	-26	
110 Financial and insurance actvities	12 018	25	25	11 568	-28	
120 Real estate activities	45 592	164	164	37 041	-173	
130 Professional, scientific and technical activities	9 284	104	104	8 167	-84	
140 Administrative and support service activities	3 047	23	23	3 036	-34	
150 Public administration and defense, compulsory social security	126	0	0	126	0	
160 Education	323	2	2	223	-3	
170 Human health services and social work activities	1 105	4	4	805	-5	
180 Arts, entertainment and recreation	767	10	10	617	-11	
190 Other services	1 131	2	2	1 131	-3	
200 Total	131 153	1 945	1 945	114 724	-1 229	-3

[1)] The segmentation was improved in Q3 2022. Comparative figures have been restated to ensure comparability.

Table 24 - EU CQ7 - Collateral obtained by taking possession and execution processes[1)]

The table below presents assets taken over distributed by asset type. Non-Property Plant and Equipment make up 100% of the total assets taken over at the end of December 2022. During the second half of the year 2022 assets taken over increased by 18%, mainly in residential immovable property.

EURm		a	b
		Collateral obtained by taking possession	
Q4 2022		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)		
020	Other than PP&E	2.9	-0.9
030	*Residential immovable property*	*0.9*	*-0.4*
040	*Commercial Immovable property*		
050	*Movable property (auto, shipping, etc.)*	*1.6*	*-0.2*
060	*Equity and debt instruments*	*0.4*	*-0.3*
070	*Other collateral*		
080	Total	2.9	-0.9

EURm		a	b
		Collateral obtained by taking possession	
Q2 2022		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)		
020	Other than PP&E	2.1	-0.5
030	*Residential immovable property*		
040	*Commercial Immovable property*	*0.2*	*0.0*
050	*Movable property (auto, shipping, etc.)*	*1.5*	*-0.1*
060	*Equity and debt instruments*	*0.4*	*-0.3*
070	*Other collateral*		
080	Total	2.1	-0.5

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

Table 25 - EU CCR1 - Analysis of CCR exposure by approach

Nordea is using two methodologies when calculating the counterparty credit risk amounts. These methodologies are the standardised approach (SA-CCR), and the Internal Model Method (IMM). For Securities Financing Transactions (SFT) Nordea is using the financial collateral comprehensive method. Decrease in RWEA over a year is caused by market conditions (FX moves and higher rates).

EURm		a	b	c	d	e	f	g	h
Q4 2022		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-1	EU - Original Exposure Method (for derivatives)								
EU-2	EU - Simplified SA-CCR (for derivatives)								
1	SA-CCR (for derivatives)	261	593		1.4	1 821	1 196	1 191	438
2	IMM (for derivatives and SFTs)			4 691	1.6	15 952	7 271	7 253	1 939
2a	*Of which securities financing transactions netting sets*								
2b	*Of which derivatives and long settlement transactions netting sets*			*4 691*		*15 952*	*7 271*	*7 253*	*1 939*
2c	*Of which from contractual cross-product netting sets*								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)					54 391	1 958	1 959	427
5	VaR for SFTs								
6	Total					72 163	10 425	10 403	2 805

EURm		a	b	c	d	e	f	g	h
Q2 2022[1)]		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-1	EU - Original Exposure Method (for derivatives)	1	3			6	6	6	1
EU-2	EU - Simplified SA-CCR (for derivatives)								
1	SA-CCR (for derivatives)	182	762		1.4	2 176	1 223	1 195	465
2	IMM (for derivatives and SFTs)			5 399	1.6	18 223	8 746	8 685	2 577
2a	*Of which securities financing transactions netting sets*								
2b	*Of which derivatives and long settlement transactions netting sets*			*5 399*		*18 223*	*8 746*	*8 685*	*2 577*
2c	*Of which from contractual cross-product netting sets*								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)					25 767	3 194	3 197	681
5	VaR for SFTs								
6	Total					46 171	13 170	13 083	3 724

[1)] Restatement of Q2 2022 figures due to recent updates

Table 26 - EU CCR2 - Transactions subject to own funds requirements for CVA risk

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 (ACVA) or a standardised approach (SCVA) where the advanced approach is based on a VaR model and calculated as a 60 day average. REA amounts have decreased since the last reporting period. The decrease in ACVA is mostly attributed to a lower EAD for those portfolios subject to the advanced method, which leads to lower credit sensitivities, similarly - reduction in SCVA RWEA over last half year is driven by market conditions (FX moves and higher rates).

EURm		a	b
Q4 2022		Exposure value	RWEA
1	Total transactions subject to the Advanced method	2 309	460
2	(i) VaR component (including the 3× multiplier)		81
3	(ii) stressed VaR component (including the 3× multiplier)		379
4	Transactions subject to the Standardised method	593	215
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	Total transactions subject to own funds requirements for CVA risk	2 902	675

EURm		a	b
Q2 2022		Exposure value	RWEA
1	Total transactions subject to the Advanced method	3 113	756
2	(i) VaR component (including the 3× multiplier)		150
3	(ii) stressed VaR component (including the 3× multiplier)		606
4	Transactions subject to the Standardised method	895	338
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	Total transactions subject to own funds requirements for CVA risk	4 008	1 094

Table 27 - EU CCR3 - Standardised approach – CCR exposures by regulatory exposure class and risk weights

The exposure at default (EAD) for the standardised approach decreased by EUR 970m. The decrease was driven by institutions, central governments and regional governments.

EURm	Risk weight											
	a	b	c	d	e	f	g	h	i	j	k	l
Q4 2022	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1 Central governments or central banks	1 787				6							1 793
2 Regional government or local authorities	158				76							234
3 Public sector entities												
4 Multilateral development banks	789											789
5 International												
6 Institutions		2 007										2 007
7 Corporates									1			1
8 Retail								0				0
9 Institutions and corporates with a short-term credit assessment												
10 Other items												
11 Total exposure value	2 734	2 007			82			0	1			4 825

EURm	Risk weight											
	a	b	c	d	e	f	g	h	i	j	k	l
Q2 2022	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1 Central governments or central banks	1 973				3							1 976
2 Regional government or local authorities	586				99							685
3 Public sector entities												
4 Multilateral development banks	568											568
5 International	0											0
6 Institutions		2 556			5	1						2 562
7 Corporates									4			4
8 Retail								0				0
9 Institutions and corporates with a short-term credit assessment						0						0
10 Other items												
11 Total exposure value	3 127	2 556			107	1		0	4			5 795

Table 28 - EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale

EU CCR4 tables discloses EAD for counterparty credit risk (CCR) according to the IRB approach broken down by exposure class and obligor grade, providing a comprehensive overview of statistics on the inputs used for their risk calculation such as EAD, average PD and average LGD. During Q2-Q4 2022 the total EAD decreased by EUR 2.3bn and REA decreased by EUR 0.9bn. The REA density remained stable at 37%.

EURm		a	b	c	d	e	f	g
	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts
	Central governments and central banks (F-IRB)							
1	0.00 to < 0.15							
2	0.15 to < 0.25							
3	0.25 to < 0.50							
4	0.50 to < 0.75							
5	0.75 to < 2.50							
6	2.50 to < 10.00							
7	10.00 to < 100							
8	100 (Default)							
9	Sub-total (Central governments and central banks (F-IRB))							

EURm		a	b	c	d	e	f	g
	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
	Central governments and central banks (A-IRB)							
1	0.00 to < 0.15							
2	0.15 to < 0.25							
3	0.25 to < 0.50							
4	0.50 to < 0.75							
5	0.75 to < 2.50							
6	2.50 to < 10.00							
7	10.00 to < 100							
8	100 (Default)							
9	Sub-total (Central governments and central banks (A-IRB))							

EURm		a	b	c	d	e	f	g
	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
	Institutions (F-IRB)							
1	0.00 to < 0.15	2 649	0.07%	112	45.0%	2.1	773	29%
2	0.15 to < 0.25	217	0.17%	25	45.0%	2.3	103	47%
3	0.25 to < 0.50	260	0.34%	41	45.0%	2.2	111	43%
4	0.50 to < 0.75	7	0.66%	4	45.0%	2.5	3	50%
5	0.75 to < 2.50	24	1.02%	14	45.0%	2.4	23	97%
6	2.50 to < 10.00							
7	10.00 to < 100							
8	100 (Default)			9				
9	Sub-total (Institutions (F-IRB))	3 157	0.11%	205	45.0%	2.1	1 014	32%

EURm	PD scale	a Exposure value	b Exposure weighted average PD (%)	c Number of obligors	d Exposure weighted average LGD (%)	e Exposure weighted average maturity (years)	f RWEA	g Density of risk weighted exposure amount
Institutions (A-IRB)								
1	0.00 to < 0.15							
2	0.15 to < 0.25							
3	0.25 to < 0.50							
4	0.50 to < 0.75							
5	0.75 to < 2.50							
6	2.50 to < 10.00							
7	10.00 to < 100							
8	100 (Default)							
9 Sub-total (Institutions (A-IRB))								

EURm	PD scale	a Exposure value	b Exposure weighted average PD (%)	c Number of obligors	d Exposure weighted average LGD (%)	e Exposure weighted average maturity (years)	f RWEA	g Density of risk weighted exposure amount
Corporates (F-IRB)								
1	0.00 to < 0.15	3 224	0.08%	955	45.0%	2.1	935	29%
2	0.15 to < 0.25	408	0.22%	325	44.9%	1.8	204	50%
3	0.25 to < 0.50	391	0.46%	597	44.1%	2.3	273	70%
4	0.50 to < 0.75							
5	0.75 to < 2.50	258	1.08%	372	44.8%	1.9	234	91%
6	2.50 to < 10.00	64	3.61%	51	43.8%	2.4	85	132%
7	10.00 to < 100	5	19.56%	95	43.5%	2.5	8	174%
8	100 (Default)	10	16.80%	22	44.7%	2.5	0	0%
9 Sub-total (Corporates (F-IRB))		4 360	0.49%	2 417	44.9%	2.1	1 740	40%

EURm	PD scale	a Exposure value	b Exposure weighted average PD (%)	c Number of obligors	d Exposure weighted average LGD (%)	e Exposure weighted average maturity (years)	f RWEA	g Density of risk weighted exposure amount
Corporates (A-IRB)								
1	0.00 to < 0.15	10	0.07%		31.5%	2.5	2	17%
2	0.15 to < 0.25	8	0.22%		30.2%	2.5	3	34%
3	0.25 to < 0.50	10	0.49%		30.7%	2.5	5	50%
4	0.50 to < 0.75							
5	0.75 to < 2.50	3	0.86%		33.2%	2.5	2	68%
6	2.50 to < 10.00							
7	10.00 to < 100	0	10.74%		31.8%	2.5	0	134%
8	100 (Default)							
9 Sub-total (Corporates (A-IRB))		31	0.33%		31.1%	2.5	12	37%

EURm	PD scale	a Exposure value	b Exposure weighted average PD (%)	c Number of obligors	d Exposure weighted average LGD (%)	e Exposure weighted average maturity (years)	f RWEA	g Density of risk weighted exposure amount
Retail (A-IRB)								
1	0.00 to < 0.15	1	0.09%	29	34.1%	2.5	0	9%
2	0.15 to < 0.25	4	0.18%	53	35.2%	2.5	1	14%
3	0.25 to < 0.50	9	0.33%	35	34.5%	2.5	2	20%
4	0.50 to < 0.75	1	0.60%	20	36.4%	2.5	0	27%
5	0.75 to < 2.50	4	1.42%	136	37.8%	2.5	2	39%
6	2.50 to < 10.00	2	3.23%	57	38.2%	2.5	1	53%
7	10.00 to < 100	17	24.03%	51	38.2%	2.5	16	96%
8	100 (Default)	0	100.00%	2	38.0%	2.5	0	475%
9 Sub-total (Retail (A-IRB))		38	11.14%	383	36.8%	2.5	21	57%
10 Total (all CCR relevant exposure classes)		7 586	0.38%	3 005	44.8%	2.1	2 787	37%

Table 29 - EU CCR5 – Composition of collateral for CCR exposures

Collateral used in derivative transactions reflect the total amount of posted and received collateral on the day of reporting. For the SFTs the trade collateral (the counterparties obligation in the transaction) is included as collateral. Most significant change since last year is the lower SFT volumes during the last quarter of 2022.

EURm	a	b	c	d	e	f	g	h
	Collateral used in derivative transactions				Collateral used in SFTs			
Collateral type	Fair value of collateral		Fair value of posted collateral		Fair value of collateral		Fair value of posted collateral	
Q4 2022	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1 Cash – domestic currency		3 759		3 923	8	8 769	3	14 842
2 Cash – other currencies		600		963	138	23 169	0	22 372
3 Domestic sovereign debt						408	21	64
4 Other sovereign debt		608		1 153	243	10 508	82	6 679
5 Government agency debt						1 712		608
6 Corporate bonds		92		129	568	21 319	718	44 434
7 Equity securities					4 565	5 383	45	2 035
8 Other collateral	930	459	930	12		6 941	649	5 208
9 Total	930	5 519	930	6 181	5 522	78 208	1 518	96 242

EURm	a	b	c	d	e	f	g	h
	Collateral used in derivative transactions				Collateral used in SFTs			
Collateral type	Fair value of collateral		Fair value of posted collateral		Fair value of collateral		Fair value of posted collateral	
Q2 2022[1)]	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1 Cash – domestic currency		10 032		10 151		2 400		7 041
2 Cash – other currencies		19 174		18 438		2 542		3 895
3 Domestic sovereign debt				30	0	1 548	8	1 957
4 Other sovereign debt	302	1 541	1 434	1 059		31 411		16 942
5 Government agency debt								
6 Corporate bonds	277	275	454	129		18 122		23 182
7 Equity securities		35				5 093		3 109
8 Other collateral	29	313	312	141	1	1 246	16	5 015
9 Total	608	31 370	2 200	29 948	1	62 362	24	61 141

1) Restatement of Q2 2022 figures due to recent updates

Table 30 - EU CCR6 - Credit derivatives exposures

At year end 2022 the notional amounts on all products have remained at stable level compared to Q2 2022 and fair value of protection bought decreased on the asset side and protection sold increased on the liability side.

EURm	a	b
Q4 2022	Protection bought	Protection sold
Notionals		
1 Single-name credit default swaps	2 891	1 971
2 Index credit default swaps	84 256	82 212
3 Total return swaps		
4 Credit options		
5 Other credit derivatives	2 331	4 048
6 Total notionals	89 477	88 231
Fair value		
7 Positive fair value (asset)	192	1 474
8 Negative fair value (liability)	-1 496	-397

EURm	a	b
Q2 2022	Protection bought	Protection sold
Notionals		
1 Single-name credit default swaps	3 061	2 078
2 Index credit default swaps	84 616	82 596
3 Total return swaps		
4 Credit options		
5 Other credit derivatives	3 333	4 630
6 Total notionals	91 010	89 305
Fair value		
7 Positive fair value (asset)	539	436
8 Negative fair value (liability)	-444	-890

Table 31 - EU CCR7 - RWEA flow statements of CCR exposures under the IMM

Only exposures calculated under the IMM are included in this breakdown. RWEA reduction throughout the last quarter of 2022 is mainly attributed to foreign exchange rates fluctuations coupled with reduced asset size.

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

EURm		a
Q2 2022		RWEA
1	RWEA as at the end of the previous reporting period	2 644
2	Asset size	-26
3	Credit quality of counterparties	-80
4	Model updates (IMM only)	-2
5	Methodology and policy (IMM only)	
6	Acquisitions and disposals	
7	Foreign exchange movements	166
8	Other	61
9	RWEA as at the end of the current reporting period	2 764

Table 32 - EU CCR8 – Exposures to CCPs

Exposure towards QCCPs decreased due to lower repo volumes since last reporting period (reduction is expected at year end). Q4 2022 exposure/RWEA development was stable. RWEA 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).

EURm		a	b
Q4 2022		Exposure value	RWEA
1	Exposures to QCCPs (total)		77
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1 291	26
3	*(i) OTC derivatives*	*864*	*17*
4	*(ii) Exchange-traded derivatives*	*58*	*1*
5	*(iii) SFTs*	*369*	*7*
6	*(iv) Netting sets where cross-product netting has been approved*		
7	Segregated initial margin	671	
8	Non-segregated initial margin	717	14
9	Prefunded default fund contributions	117	37
10	Unfunded default fund contributions		
11	Exposures to non-QCCPs (total)		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13	*(i) OTC derivatives*		
14	*(ii) Exchange-traded derivatives*		
15	*(iii) SFTs*		
16	*(iv) Netting sets where cross-product netting has been approved*		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Prefunded default fund contributions		
20	Unfunded default fund contributions		

EURm		a	b
Q2 2022		Exposure value	RWEA
1	Exposures to QCCPs (total)		119
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1 669	33
3	*(i) OTC derivatives*	*651*	*13*
4	*(ii) Exchange-traded derivatives*	*94*	*2*
5	*(iii) SFTs*	*925*	*18*
6	*(iv) Netting sets where cross-product netting has been approved*		
7	Segregated initial margin	669	
8	Non-segregated initial margin	887	18
9	Prefunded default fund contributions	160	68
10	Unfunded default fund contributions		
11	Exposures to non-QCCPs (total)		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13	*(i) OTC derivatives*		
14	*(ii) Exchange-traded derivatives*		
15	*(iii) SFTs*		
16	*(iv) Netting sets where cross-product netting has been approved*		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Prefunded default fund contributions		
20	Unfunded default fund contributions		

Table 33 - EU LIQ1 - Quantitative information of LCR

Nordea Group's short term liquidity risk exposure measured by Liquidity Coverage Ratio (LCR) remained on a stable level throughout 2022. Main drivers of Nordea Group's LCR results are outflows from customer deposits which are counterbalanced by high quality liquid assets. During 2022 there was an overall increase in customer deposits that was counterbalanced by increase in cash with central banks seen as higher liquid assets. Liquidity buffer in Nordea Group is composed mainly of cash with central banks, government bonds, government related bonds and high quality covered bonds. During 2022 Nordea was able to actively use all its funding programs, maintained its strong name in the funding markets, and held a strong and diversified funding base across all main currencies. Nordea Group's main funding sources in 2022 were customer deposits (42%) and issued debt securities (30%). Nordea has a centralised liquidity management function where Group Treasury is responsible for the management of the Group's liquidity positions, liquidity buffers, external and internal funding including the mobilisation of cash around the Group, and Funds Transfer Pricing. Nordea actively manages LCR on currency level by holding liquid assets across all significant currencies and by managing possible currency mismatches. Nordea's derivative exposures and their impact to LCR is closely monitored and managed. Associated collateral calls during possible liquidity crises are monitored, managed as well as stressed in LCR.

EURm		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	31 Dec 22	30 Sep 22	30 Jun 22	31 Mar 22	31 Dec 22	30 Sep 22	30 Jun 22	31 Mar 22
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)					122 292	119 385	121 649	118 918
Cash - Outflows									
2	Retail deposits and deposits from small business customers, of which:	111 171	108 992	106 092	103 746	7 765	7 481	7 178	6 948
3	*Stable deposits*	*78 586*	*79 900*	*80 438*	*80 643*	*3 929*	*3 995*	*4 022*	*4 032*
4	*Less stable deposits*	*32 585*	*29 091*	*25 654*	*23 103*	*3 836*	*3 486*	*3 156*	*2 916*
5	Unsecured wholesale funding	123 896	124 020	126 236	124 188	62 827	60 839	61 723	59 278
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*30 052*	*32 100*	*33 083*	*33 050*	*7 370*	*7 785*	*7 933*	*7 856*
7	*Non-operational deposits (all counterparties)*	*82 084*	*80 000*	*81 699*	*80 442*	*43 696*	*41 133*	*42 334*	*40 726*
8	*Unsecured debt*	*11 760*	*11 920*	*11 455*	*10 696*	*11 760*	*11 920*	*11 455*	*10 696*
9	Secured wholesale funding					3 419	3 295	3 110	2 868
10	Additional requirements	77 490	76 946	76 743	76 783	14 528	14 358	13 854	13 823
11	*Outflows related to derivative exposures and other collateral requirements*	*7 415*	*7 768*	*7 642*	*7 904*	*7 120*	*7 466*	*7 328*	*7 534*
12	*Outflows related to loss of funding on debt products*	*19*	*19*	*19*	*15*	*19*	*19*	*19*	*15*
13	*Credit and liquidity facilities*	*70 056*	*69 159*	*69 081*	*68 864*	*7 389*	*6 873*	*6 507*	*6 274*
14	Other contractual funding obligations	2 804	2 989	3 715	3 670	2 412	2 625	3 352	3 281
15	Other contingent funding obligations	47 765	48 913	48 728	48 269	3 466	3 425	3 220	3 075
16	Total cash outflows					94 416	92 023	92 436	89 273
Cash - Inflows									
17	Secured lending (e.g. reverse repos)	24 411	24 739	24 833	24 803	2 789	2 538	2 278	2 067
18	Inflows from fully performing exposures	14 427	13 302	12 535	12 016	7 550	6 759	6 229	5 927
19	Other cash inflows	5 189	5 661	6 161	6 182	4 970	5 265	5 608	5 508
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b	(Excess inflows from a related specialised credit institution)								
20	Total cash inflows	44 027	43 703	43 528	43 001	15 309	14 563	14 115	13 502
EU-20a	*Fully exempt inflows*								
EU-20b	*Inflows subject to 90% cap*								
EU-20c	*Inflows subject to 75% cap*	*43 965*	*43 703*	*43 528*	*43 001*	*15 309*	*14 563*	*14 115*	*13 502*
Total Adjusted Value									
21	Liquidity buffer					122 292	119 385	121 649	118 918
22	Total net cash outflows					79 107	77 460	78 320	75 771
23	Liquidity coverage ratio					155%	155%	156%	157%

Table 34 - EU LIQ2 - Net Stable Funding Ratio

Following Regulation (EU) 2019/876, the introduction of a minimum Net Stable Funding Ratio (NSFR) of 100 % applicable since 30 June 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 115.6% at the end of Q4 2022. It represents a 1pp decrease compared to the previous quarter (116.5%), primarily driven by an decrease in deposits from public over the period. The following table sets out the unweighted and weighted value of the NSFR components of the Nordea Group at 31 December 2022 (i.e. quarter-end observation).

ASF

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	29 904		48	3 258	33 162
2	*Own funds*	*29 904*		*48*	*3 258*	*33 162*
3	*Other capital instruments*					
4	Retail deposits		106 566	1 432	334	101 310
5	*Stable deposits*		*74 510*	*1 027*	*231*	*71 991*
6	*Less stable deposits*		*32 056*	*405*	*104*	*29 319*
7	Wholesale funding:		184 722	27 156	113 974	175 481
8	*Operational deposits*		*27 144*			*13 572*
9	*Other wholesale funding*		*157 578*	*27 156*	*113 974*	*161 909*
10	Interdependent liabilities					
11	Other liabilities:	1 792	8 368	111	3 470	3 525
12	*NSFR derivative liabilities*	*1 792*				
13	*All other liabilities and capital instruments not included in the above categories*		*8 368*	*111*	*3 470*	*3 525*
14	Total available stable funding (ASF)					313 478

RSF

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					2 912
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		1 609	1 391	101 562	88 878
16	Deposits held at other financial institutions for operational purposes		522		0.116	261
17	Performing loans and securities:		86 753	18 468	145 595	157 476
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		*4 091*			
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*15 551*	*1 540*	*2 675*	*4 295*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*59 392*	*12 803*	*67 365*	*93 359*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*					
22	*Performing residential mortgages, of which:*		*4 579*	*3 885*	*70 725*	*55 065*
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*3 721*	*3 261*	*46 416*	*33 661*
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*		*3 140*	*240*	*4 830*	*4 757*
25	Interdependent assets					
26	Other assets:		15 883	128	11 897	14 028
27	*Physical traded commodities*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		*1 518*			*1 290*
29	*NSFR derivative assets*					
30	*NSFR derivative liabilities before deduction of variation margin posted*		*11 093*			*555*
31	*All other assets not included in the above categories*		*3 272*	*128*	*11 897*	*12 183*
32	Off-balance sheet items		9 519	13 098	95 366	7 564
33	Total RSF					271 119

NSFR

34	Net Stable Funding Ratio (%)	115.6%

Table 35 - EU AE1 - Encumbered and unencumbered assets

The below disclosure represents the computed median values of the four quarters between 31 March 2022 and 31 December 2022, 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) and Nordea Mortgage Bank PLC, 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.

	EURm	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
		010	030	040	050	060	080	090	100
010	Assets of the reporting institution	173 084	45 649			387 326	103 807		
030	Equity instruments	4 910		4 910		5 610		5 610	
040	Debt securities	17 361	11 895	17 361	11 895	46 562	36 901	45 901	33 907
050	*of which: covered bonds*	*8 243*	*6 545*	*8 243*	*6 545*	*26 376*	*24 615*	*26 376*	*24 615*
060	*of which: securitisations*								
070	*of which: issued by general governments*	*5 827*	*5 218*	*5 827*	*5 218*	*12 146*	*9 264*	*12 146*	*9 264*
080	*of which: issued by financial corporations*	*10 949*	*6 343*	*10 949*	*6 343*	*25 592*	*22 532*	*25 592*	*22 532*
090	*of which: issued by non-financial corporations*	*580*	*334*	*580*	*334*	*1 494*	*356*	*1 494*	*356*
120	Other assets	151 380	32 063			334 876	71 539		

Table 36 - EU AE2 - Collateral received and own debt securities issued

EURm		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
		010	030	040	060
130	Collateral received by the disclosing institution	9 473	8 212	46 917	43 919
140	Loans on demand				
150	Equity instruments	1		290	
160	Debt securities	9 473	8 212	14 524	11 513
170	*of which: covered bonds*	*4 788*	*4 101*	*7 528*	*5 502*
180	*of which: securitisations*				
190	*of which: issued by general governments*	*4 913*	*4 575*	*6 479*	*5 852*
200	*of which: issued by financial corporations*	*4 807*	*4 118*	*7 686*	*5 486*
210	*of which: issued by non-financial corporations*	*21*		*291*	*26*
220	Loans and advances other than loans on demand			28 565	28 565
230	Other collateral received			4 958	4 958
240	Own debt securities issued other than own covered bonds or securitisations			28	
241	Own covered bonds and securitisations issued and not yet pledged			5 451	5 451
250	Total collateral received and own debt securities issued	182 389	49 145		

Table 37 - EU AE3 - Sources of encumbrance

EURm		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	155 299	180 704

Table 38 - EU MR1 - Market risk under the standardised approach

Market risk under the standardised approach in Q4 2022 was relatively stable compared to Q2 2022. The scenario approach is used for the part of the equity portfolio that is not capitalised under the internal model approach. There was no contribution from foreign exchange risk as the ratio between the total open net positions and total own funds was below the 2% regulatory driven threshold in Q4 2022.

EURm		a
Q4 2022		RWEAs
Outright products		
1	Interest rate risk (general and specific)	284
2	Equity risk (general and specific)	59
3	Foreign exchange risk	
4	Commodity risk	1
Options		
5	Simplified approach	
6	Delta-plus approach	
7	Scenario approach	295
8	Securitisation (specific risk)	
9	Total	640

EURm		a
Q2 2022		RWEAs
Outright products		
1	Interest rate risk (general and specific)	295
2	Equity risk (general and specific)	79
3	Foreign exchange risk	
4	Commodity risk	1
Options		
5	Simplified approach	
6	Delta-plus approach	1
7	Scenario approach	276
8	Securitisation (specific risk)	
9	Total	652

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

Market risk under the IMA decreased in Q4 2022 compared to Q2 2022 primarily driven by lower contribution from SVaR, IRC and Comprehensive risk measure. The reduction in SVaR was primarily driven by decreased multipliers as two backtest exceedings rolled out of the 250-day look back window. At Q4 2022 the Incremental Risk Charge (IRC) was driven by the 12 week average and contributed to total RWA with EUR 362m, this was a reduction compared to Q2 2022. The RWA component stemming from Comprehensive Risk Measure (CRM) was EUR 435m and was determined by the 12 week average.

EURm		a	b
Q4 2022		RWEAs	Own funds requirements
1	VaR (higher of values a and b)	1 492	119
(a)	Previous day's VaR (VaRt-1)		33
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		119
2	SVaR (higher of values a and b)	1 822	146
(a)	Latest available SVaR (SVaRt-1))		45
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		146
3	IRC (higher of values a and b)	362	29
(a)	Most recent IRC measure		23
(b)	12 weeks average IRC measure		29
4	Comprehensive risk measure (higher of values a, b and c)	435	35
(a)	Most recent risk measure of comprehensive risk measure		31
(b)	12 weeks average of comprehensive risk measure		35
(c)	Comprehensive risk measure - Floor		28
5	Other		
6	Total	4 110	329

EURm		a	b
Q2 2022		RWEAs	Own funds requirements
1	VaR (higher of values a and b)	1 508	121
(a)	Previous day's VaR (VaRt-1)		30
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		121
2	SVaR (higher of values a and b)	2 111	169
(a)	Latest available SVaR (SVaRt-1))		50
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		169
3	IRC (higher of values a and b)	1 031	83
(a)	Most recent IRC measure		82
(b)	12 weeks average IRC measure		83
4	Comprehensive risk measure (higher of values a, b and c)	539	43
(a)	Most recent risk measure of comprehensive risk measure		39
(b)	12 weeks average of comprehensive risk measure		43
(c)	Comprehensive risk measure - Floor		26
5	Other		
6	Total	5 189	415

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

Market risk exposures under the IMA decreased in Q4 2022 to EUR 4.1bn from EUR 5.1bn in Q3 2022 primarily driven by lower contribution from SVaR and IRC. SVaR decreased primarily due to lower interest rate risk but also due to decreased multiplier as two backtest exceedings rolled out of the 250-day look back window. VaR increased in the period driven by higher interest rate risk from mortgage and government bonds, partially offset by a lower multiplier which decreased due to the same reason as SVaR. Compared to Q3 2022, the RWA stemming from Incremental Risk Charge (IRC) decreased by EUR 457m and the RWA from Comprehensive risk measure (CRM) decreased by EUR 45m.

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

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

Table 41 - EU MR3 - IMA values for trading portfolios

Market risk measured by VaR showed an average of EUR 33m in the second half of 2022 and was primarily driven by interest rate risk. SVaR showed an average of EUR 45m and was also primarily driven by interest rate risk. The maximum in VaR was reached in Q4 2022 while the maximum in SVaR was reached in Q3 2022. During the second half of 2022 the IRC had an average value of EUR 21m. The highest IRC value was observed in Q3 2022 while the lowest IRC was in Q4 2022. CRC had an average value of EUR 31m, ranging between a maximum of EUR 41m and a minimum of EUR 18m. Both maximum and minimum CRC values occurred in Q4 2022.

EURm Q3-Q4 2022		a
VaR (10 day 99%)		
1	Maximum value	50
2	Average value	33
3	Minimum value	21
4	Period end	33
SVaR (10 day 99%)		
5	Maximum value	61
6	Average value	45
7	Minimum value	34
8	Period end	45
IRC (99.9%)		
9	Maximum value	39
10	Average value	21
11	Minimum value	7
12	Period end	9
Comprehensive risk measure (99.9%)		
13	Maximum value	41
14	Average value	31
15	Minimum value	18
16	Period end	27

EURm Q1-Q2 2022		a
VaR (10 day 99%)		
1	Maximum value	51
2	Average value	31
3	Minimum value	21
4	Period end	30
SVaR (10 day 99%)		
5	Maximum value	69
6	Average value	44
7	Minimum value	32
8	Period end	50
IRC (99.9%)		
9	Maximum value	46
10	Average value	31
11	Minimum value	13
12	Period end	34
Comprehensive risk measure (99.9%)		
13	Maximum value	47
14	Average value	34
15	Minimum value	23
16	Period end	34

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 Q4 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 Q4 2022, backtest based on hypothetical profit/loss (SPL) was in the green zone with four SPL exceptions during the last 250 business days and backtest based on actual profit/loss (APL) was in the green zone with 3 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.

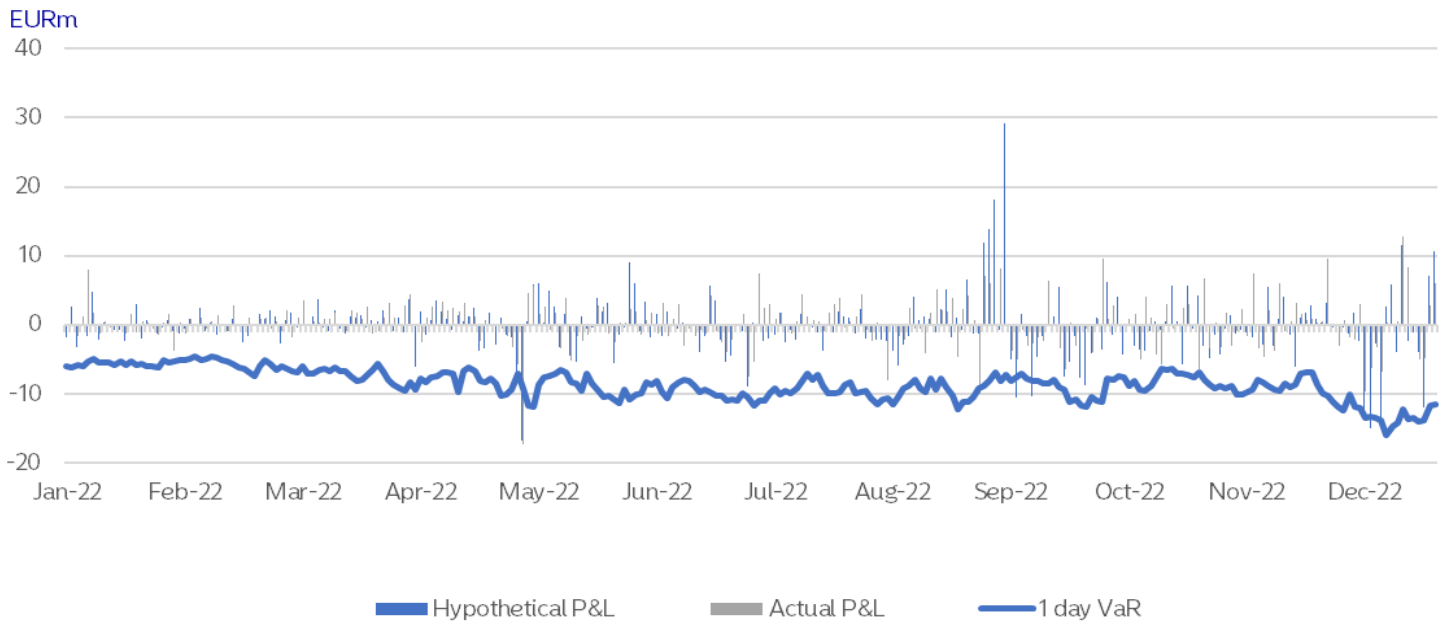

Table 43 - EU IRRBB1 - Interest rate risks of non-trading book activities

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 1.2bn. The figures imply that net interest income increases with rising rates and falls with decreasing rates. Compared to 2021 the asymmetry between rising and falling rate scenarios has almost fully disappeared because embedded customer floors and the maturity dependent shock floors are no longer binding after rates have returned into clearly positive rates.

EURm	a	b	c	d
	Changes of the economic value of equity		Changes in the net interest income	
	Q4 2022	Q2 2022	Q4 2022	Q2 2022
1 Parallel up	1 055	1 103	1 212	1 357
2 Parallel down	-1 230	-1 291	-1 295	-1 254
3 Steepener	409	312		
4 Flattener	-237	-187		
5 Short rates up	204	272		
6 Short rates down	-246	-257		

Table 44 - EU PV1 - Prudent valuation adjustments (PVA)

EURm	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
1 Market price uncertainty	77	89	5	15		1	20	104	63	41
2 Not applicable										
3 Close-out cost	5	19	16	9				24	15	9
4 Concentrated positions	9	35	0	4				47	25	22
5 Early termination										
6 Model risk	7	20	0	84		29	10	75	38	37
7 Operational risk	4	6	1	1				13	8	5
10 Future administrative costs										
12 Total Additional Valuation Adjustments (AVAs)								263	149	114

Table 45 - EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

The total Operational Risk RWA increased by EUR 0.7bn compared to Q4 2021.

EURm		a	b	c	d	e
	Banking activities	Relevant indicator			Own funds requirements	Risk 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	8 072	8 317	9 451	1 202	15 025
3	*Subject to TSA:*	*8 072*	*8 317*	*9 451*		
4	*Subject to ASA:*					
5	Banking activities subject to advanced measurement approaches AMA					

Table 46 - EU-SEC1 - Securitisation exposures in the non-trading book

Nordea originated two securitizations (in January 2020 and in June 2022) and as of Q4 2022 Nordea had no other securitizations. Therefore, there was no exposure within Institution acting as Sponsor or Institution acting as Investor.

EURm	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					STS	Non-STS			STS	Non-STS		
		of which SRT		of which SRT		of which SRT									
1 Total exposures					7 155	7 155	7 155								
2 Retail (total)															
3 residential mortgage															
4 credit card															
5 other retail exposures															
6 re-securitisation															
7 Wholesale (total)					7 155	7 155	7 155								
8 loans to corporates					7 155	7 155	7 155								
9 commercial mortgage															
10 lease and receivables															
11 other wholesale															
12 re-securitisation															

Table 47 - EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

Nordea's total exposure value of securitization exposures amounted to EUR 7.2bn as of 31 December 2022. Nordea's RWEA of the securitization position was fully calculated using the IRB approach and amounted to EUR 1.2bn as per 31 December 2022.

EURm	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			
	≤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	7 155					7 155				1 195				96			
2 Traditional transactions																	
3 Securitisation																	
4 Retail																	
5 Of which STS																	
6 Wholesale																	
7 Of which STS																	
8 Re-securitisation																	
9 Synthetic transactions	7 155					7 155				1 195				96			
10 Securitisation	7 155					7 155				1 195				96			
11 Retail underlying																	
12 Wholesale	7 155					7 155				1 195				96			
13 Re-securitisation																	

Table 48 - EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

Nordea’s outstanding nominal amount of exposures securitized by the institution amounted to EUR 7.6bn as per 31 December 2022 and consisted solely of loans to corporates or SMEs. The exposures in default amounted to EUR 4m as of Q2 2022 and by the end of 31 December 2022 to EUR 19m.

EURm		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
			Of which exposures in default	
1	Total exposures	7 599	19	22
2	Retail (total)			
3	residential mortgage			
4	credit card			
5	other retail exposures			
6	re-securitisation			
7	Wholesale (total)	7 599	19	22
8	loans to corporates	7 599	19	22
9	commercial mortgage			
10	lease and receivables			
11	other wholesale			
12	re-securitisation			

Table 49 - EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

In Q4 2022, the total carrying value of assets, as reported in financial statement, amounted to 595 EURbn. The total carrying value for assets under the scope of prudential consolidation was 529 EURbn, the majority of which was subject to the credit risk framework (83%).

EURm		a	b	c	d	e	f	g
				Carrying values of items				
		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation [1][2]	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements								
1	Cash and balances with central banks	61 815	61 738	61 738				
2	Loans to central banks	885	885	6	879			
3	Loans to credit institutions	4 573	4 284	2 528	1 756			
4	Loans to the public	345 743	347 179	322 219	18 470	5 841		650
5	Interest bearing securities	63 524	51 530	43 708			7 823	
6	Financial instruments pledged as collateral	4 902	4 377	2 723			1 654	
7	Shares	17 924	4 168	1 481			2 687	
8	Assets in pooled schemes and unit-linked investment contracts	41 645	3 827				0	3 827
9	Derivatives	36 578	36 471		36 471			
10	Fair value changes of the hedged items in portfolio hedge of interest rate riks	-2 116	-2 116				-2 116	
11	Investments in associated undertakings and joint ventures	509	1 901	1 901				0
12	Intangible assets	4 044	3 451	559				2 892
13	Properties and equipment	1 673	1 598	1 598				
14	Investment properties	2 455	1	1				
15	Deferred tax assets	165	70	66				4
16	Current tax assets	211	184	184				
17	Retirement benefit assets	165	164					164
18	Other assets	9 380	8 925	690			8 236	
19	Prepaid expenses and accrued income	769	718	718				
20	Assets held for sale							
21	Total assets	594 844	529 356	440 120	57 575	5 841	18 284	7 537
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements								
1	Deposits by credit institutions	32 869	32 817		10 665			22 152
2	Deposits and borrowings from the public	217 464	218 772	3 013	6 650			209 109
3	Deposits in pooled schemes and unit-linked investment contracts	42 776	4 170					4 170
4	Liabilities to policyholders	27 598						
5	Debt securities in issue	179 803	180 128					180 128
6	Derivatives	40 102	39 975		39 975			
7	Fair value changes of the hedged items in portfolio hedge of interest rate risk	-2 175	-2 175				-2 175	
8	Current tax liabilities	303	269					269
9	Other liabilities	16 804	16 220					16 220
10	Accrued expenses and prepaid income	1 224	1 221					1 221
11	Deffered tax liabilites	622	529					529
12	Provisions	351	350					350
13	Retirement benefit obligations	298	281					281
14	Subordinated liabilities	5 401	5 401					5 401
15	Liabilities held for sale							
16	Total equity	31 404	31 395					31 395
17	Total liabilities and equity	594 844	529 356	3 013	57 291		-2 175	471 227

[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.

Table 50 - EU LI2 - 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 regulatory 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.

EURm		a	b	c	d	e
			Items subject to			
		Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	521 819	440 120	5 841	57 575	18 284
2	Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	58 129	3 013		57 291	-2 175
3	Total net amount under the scope of prudential consolidation	463 691	437 106	5 841	284	20 459
4	Off-balance-sheet amounts	110 216	107 140	3 076		
5	*Differences in valuations*	*-263*	*-114*			*-149*
6	*Differences due to different netting rules, other than those already included in row 2*	*24 081*			*24 081*	
7	*Differences due to consideration of provisions*	*1 784*	*1 784*			
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	*-21 083*	*-576*		*-20 508*	
9	*Differences due to credit conversion factors*	*-55 622*	*-54 304*	*-1 318*		
10	*Differences due to Securitisation with risk transfer*					
11	*Other differences*	*-11 792*	*-151*		*8 669*	*-20 310*
12	Exposure amounts considered for regulatory purposes	511 011	490 885	7 599	12 527	

Table 51 - EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity)

Owner	Company Name	Voting power of holding %	Method of consolidation: 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 AS	100	Acquisition method	Full consolidation			Financial institution	Norway
	Nordea Finance Equipment AS	100	Acquisition method	Full consolidation			Financial institution	Norway
	Eksportfinans ASA	23	Equity method	Equity method			Credit institution	Norway
Nordea Bank Abp	Nordea Finans Danmark A/S	100	Acquisition method	Full consolidation			Financial institution	Denmark
	Nordea Kredit Realkreditaktieselskab	100	Acquisition method	Full consolidation			Credit institution	Denmark
	Fionia Asset Company A/S	100	Acquisition method	Full consolidation			Financial institution	Denmark
Nordea Finans Danmark A/S	UL Transfer Aps	100	Acquisition method	Full consolidation			Financial institution	Denmark
	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
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	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 Asset Management Singapore PTE.LTD	100	Acquisition method	Full consolidation			Financial institution	Singapore
Nordea Markets Holding	Nordea Securities LLC	100	Acquisition method	Full consolidation			Financial institution	USA
Nordea Bank Abp	Financial Transaction Services B.V.	10	Equity method	Equity method			Financial institution	Netherlands

Owner	Company Name	Voting power of holding %	Entities consolidated in accordance with Article 18.7 Accounting consolidation	Regulatory consolidation	Neither consoli-	Deducted	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		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Finland
	Suomen Luotto-osuuskunta		Equity method	Equity method			Consolidated in accordance with Article 18.7	Finland
Nordea Finance Finland Ltd	NF Fleet Oy		Equity method	Equity method			Consolidated in accordance with Article 18.7	Finland
Nordea Bank Abp	Eiendomsverdi AS		Equity method	Equity method			Consolidated in accordance with Article 18.7	Norway
	First Card AS		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Norway
	Nordea Essendropsgate Eiendomsforvaltning		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Norway
	Privatmegleren AS		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Norway
	Svanesang AS		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Norway
Nordea Finans Norge AS	NF Fleet AS		Equity method	Equity method			Consolidated in accordance with Article 18.7	Norway
Nordea Bank Abp	Danbolig A/S		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Denmark
	Structured Finance Servicer A/S		Acquisition method	Equity method			Consolidated in accordance with Article 18.7	Denmark
	Subaio ApS		Equity method	Equity method			Consolidated in accordance with Article 18.7	Denmark
Nordea Kredit Realkreditaktieselskab	e-nettet 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
	Tibern 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 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 consoli-	Deducted	Description of entity	Domicile
Nordea Finance Finland Ltd	Koy Levytie 6				X		Immaterial financial institution, article 19	Finland
	Koy Tulppatie 7				X		Immaterial financial institution, article 19	Finland
Nordea Bank Abp	CrediWire ApS				X		Immaterial financial institution, article 19	Denmark
	Swipp Holding APS				X		Immaterial financial institution, article 19	Denmark
Nordea Investment	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	NAM Chile SpA				X		Immaterial financial institution, article 19	Chile
Nordea Asset Management	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 52 - EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

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. The leverage ratio decreased from 5.4% in Q4 2021 to 4.9% in Q4 2022. The decreased leverage ratio was mainly driven by decreased Tier 1 Capital.

EURm		a
		Applicable amount
1	Total assets as per published financial statements	594 844
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-65 489
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 banks (if applicable))	
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the 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	-2 769
8	Adjustment for derivative financial instruments	-11 362
9	Adjustment for securities financing transactions (SFTs)	2 417
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	43 436
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	
12	Other adjustments	-11 316
13	Total exposure measure	549 761

Table 53 - EU LR2 - LRCom: Leverage ratio common disclosure

EURm		CRR leverage ratio exposures	
		a	b
		Q4 2022	Q2 2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	469 012	492 136
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)	-5 908	-4 693
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)	-3 996	-3 635
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	459 108	483 809
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	5 329	7 715
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	15 589	18 344
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach		
EU-9b	Exposure determined under Original Exposure Method		7
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	88 231	89 305
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-84 039	-84 958
13	Total derivatives exposures	25 109	30 413
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	27 042	29 877
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-4 994	-5 368
16	Counterparty credit risk exposure for SFT assets	1 474	890
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	23 521	25 399
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	110 216	114 858
20	(Adjustments for conversion to credit equivalent amounts)	-66 780	-72 397
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)		
22	Off-balance sheet exposures	43 436	42 461
Excluded exposures			
EU-22a	(Exposures excluded from the 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)		
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))		
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-1 412	-1 452
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)	-1 412	-1 452
Capital and total exposure measure			
23	Tier 1 capital	27 154	28 379
24	Total exposure measure	549 761	580 630
Leverage ratio			
25	Leverage ratio (%)	4.9%	4.9%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.9%	4.9%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.9%	4.9%
26	Regulatory minimum leverage ratio requirement (%)	3.0%	3.0%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)		
EU-26b	*of which: to be made up of CET1 capital*		
27	Leverage ratio buffer requirement (%)		
EU-27a	Overall leverage ratio requirement (%)	3.0%	3.0%
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 of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	26 061	28 937
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	22 048	24 509
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)	553 775	585 059
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)	553 775	585 059
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)	4.9%	4.9%
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)	4.9%	4.9%

Table 54 - EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

EURm		a
		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	468 167
EU-2	Trading book exposures	26 620
EU-3	Banking book exposures, of which:	441 547
EU-4	Covered bonds	24 232
EU-5	Exposures treated as sovereigns	83 824
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	5 088
EU-7	Institutions	1 648
EU-8	Secured by mortgages of immovable properties	157 332
EU-9	Retail exposures	25 481
EU-10	Corporates	124 706
EU-11	Exposures in default	1 583
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	17 653

Table 55 - EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio

In the fourth quarter of 2022 supplementary own funds requirements of the financial conglomerate decreased to EUR 31.8bn (compared to EUR 34.1bn in the fourth quarter of 2021). The capital adequacy ratio of the financial conglomerate decreased to 133% (compared to 143% in the fourth quarter of 2021).

EURm		a
		Q4 2022
1	Supplementary own fund requirements of the financial conglomerate (amount)	31 816
2	Capital adequacy ratio of the financial conglomerate (%)	133%

Table 56 - EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

Counter-cyclical buffer requirements increased to 1.1% in the fourth quarter of 2022, compared to 0.2% in the fourth quarter of 2021.

EURm		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Countries with existing CCyB rate														
001	Bulgaria	0	2				2	0			0	1	0.0%	1.0%
002	Czech Republic	0	11				11	0			0	6	0.0%	1.5%
003	Denmark	2 188	86 029	249	2 168		90 634	1 799	31		1 831	22 882	18.5%	2.0%
004	Estonia	11	283		0		294	11	0		11	143	0.1%	1.0%
005	Hong Kong	0	36	0			36	1	0		1	7	0.0%	1.0%
006	Iceland	0	252		10		262	5	1		5	66	0.1%	2.0%
007	Luxembourg	638	5 190	0	10		5 839	184	5		189	2 365	1.9%	0.5%
008	Norway	7 448	67 152	27	602		75 229	2 142	8		2 149	26 868	21.7%	2.0%
009	Romania	0	6				7	0			0	1	0.0%	0.5%
010	Sweden	1 789	105 661	24	405	7 599	115 477	2 661	24	96	2 781	34 763	28.1%	1.0%
011	Slovakia	0	5		4		10	0	0		0	4	0.0%	1.0%
012	Sub-total	12 075	264 627	300	3 201	7 599	287 802	6 804	69	96	6 968	87 105	70%	
Countries with own funds requirements weight 1% or above and no existing CCyB rate														
012	Finland	2 013	73 770	11	187		75 981	1 889	65		1 953	24 417	19.8%	
013	United Kingdom	246	2 620	2	9		2 877	115	10		125	1 559	1.3%	
014	Marshall Islands	0	1 283		5		1 288	102	0		102	1 279	1.0%	
015	United States	423	3 608	3	1		4 036	145	63		208	2 596	2.1%	
016	Sub-total	2 683	81 280	16	203		84 181	2 250	138		2 388	29 851	24.2%	
Countries with own funds requirement below 1% and no existing CCyB rate														
015	Sub-total	298	11 954	12	626		12 890	502	26		528	6 602	5.34%	
020	Total	15 055	357 861	329	4 030	7 599	384 873	9 556	233	96	9 885	123 558	100.0%	

Table 57 - EU CCyB2 - Amount of institution-specific countercyclical capital buffer

EURm		a
1	Total risk exposure amount	145 299
2	Institution specific countercyclical capital buffer rate	1.10%
3	Institution specific countercyclical capital buffer requirement	1 596

Table 58 - Template 1 : Banking book - Indicators of potential climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity

The template includes exposures towards non-financial corporates and covers assets in the banking book such as loans, debt securities and equities. Nordea's financed emissions are estimated according to the Partnership for Carbon Accounting Financials (PCAF) standard, with certain deviations and own methods applied for shipping vessels and Tenant-Owned Associations (TOA's). The Greenhouse Gas (GHG) emissions data are primarily estimated based on country-specific and industry-level proxy information provided through PCAF (i.e., physical activity data and economic activity data). In addition, GHG emissions data reported directly by customers are also used, supplemented by data from vendors such as MSCI and CDP. Nordea includes counterparty Scope 1 and Scope 2 GHG emissions for all sectors, and counterparty Scope 3 emissions for the oil & gas and mining sectors. Currently, Nordea's financed emissions estimates do not cover commercial real estate asset class, debt securities and equities.

For next year, the aim is to expand the disclosure scope to include GHG emissions for commercial real estate and continue improving the data quality of all sectors. Nordea's methodology and plans to extend the scope of the financed emissions reporting are explained in the Annual Report FY22. Sector split is based on NACE codes and subject to further harmonization with other financial reporting. The identification of exposures to counterparties excluded from EU Paris-aligned benchmarks (column b) is made using external data from Moody's.

Nordea's "Environment Related Risk Management" is described in Part 1, section "Environmental, Social and Governance Factors".

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (EURm)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (EURm)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)							
	Sector/subsector		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions	GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
1	**Exposures towards sectors that highly contribute to climate change[1)]**	**109 153**	**622**		**5 073**	**1 204**	**-897**	**-180**	**-531**	**16 535 386**	**717 562**	**22%**	**78 979**	**6 163**	**7 857**	**16 153**	**6.0**
2	A - Agriculture, forestry and fishing	8 555			498	233	-82	-15	-59	4 317 805		18%	4 234	455	1 007	2 860	11.8
3	B - Mining and quarrying	902	96		49	13	-5	-1	-3	1 318 456	627 106	57%	717	159	2	23	3.1
4	*B.05 - Mining of coal and lignite*	*0*					*0*			*12*	*4*		*0*				*2.8*
5	*B.06 - Extraction of crude petroleum and natural gas*	*250*	*96*		*4*	*0*	*0*	*0*	*0*	*173 683*	*85 884*	*88%*	*247*			*3*	*0.8*
6	*B.07 - Mining of metal ores*	*133*			*4*		*-1*	*0*		*165 846*	*103 200*	*94%*	*14*	*114*		*4*	*7.9*
7	*B.08 - Other mining and quarrying*	*235*			*11*	*1*	*-1*	*0*	*0*	*488 056*	*348 740*		*198*	*33*	*2*	*3*	*3.8*
8	*B.09 - Mining support service activities*	*284*	*0*		*31*	*12*	*-3*	*0*	*-2*	*490 858*	*89 278*	*48%*	*258*	*12*	*0*	*14*	*2.3*

	Sector/subsector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (EURm)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (EURm)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
9	C - Manufacturing	15 630	25		1 182	214	-171	-45	-80	1 501 722	16 079	40%	11 883	843	227	2 677	5.2
10	*C.10 - Manufacture of food products*	*1 900*			*98*	*46*	*-22*	*-6*	*-13*	*157 249*		*17%*	*1 288*	*59*	*13*	*540*	*4.3*
11	*C.11 - Manufacture of beverages*	*64*			*5*	*3*	*-1*	*0*	*-1*	*4 174*		*16%*	*37*	*9*	*3*	*16*	*11.4*
12	*C.12 - Manufacture of tobacco products*	*4*	*4*		*1*	*1*	*-1*	*0*	*-1*	*36*		*98%*	*4*	*0*		*0*	*0.5*
13	*C.13 - Manufacture of textiles*	*126*			*50*	*3*	*-4*	*-2*	*-1*	*21 198*		*45%*	*115*	*7*	*0*	*3*	*2.3*
14	*C.14 - Manufacture of wearing apparel*	*32*			*4*	*1*	*-1*	*0*	*-1*	*830*			*26*	*4*	*0*	*1*	*4.9*
15	*C.15 - Manufacture of leather and related products*	*7*			*1*	*0*	*0*	*0*	*0*	*166*			*6*	*1*		*0*	*4.2*
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	*526*			*47*	*5*	*-5*	*-1*	*-4*	*36 081*		*1%*	*397*	*63*	*3*	*63*	*4.8*
17	*C.17 - Manufacture of pulp, paper and paperboard*	*1 138*			*87*	*2*	*-4*	*-2*	*-1*	*227 193*		*49%*	*916*	*22*	*7*	*193*	*6.3*
18	*C.18 - Printing and service activities related to printing*	*202*			*18*	*2*	*-2*	*-1*	*-1*	*11 724*			*183*	*7*	*3*	*9*	*4.3*
19	*C.19 - Manufacture of coke oven products*	*7*	*2*		*0*	*0*	*0*	*0*	*0*	*20 478*	*16 079*	*76%*	*6*	*0*		*0*	*2.8*
20	*C.20 - Production of chemicals*	*1 037*			*27*	*2*	*-5*	*-1*	*1*	*192 175*		*66%*	*809*	*160*	*6*	*62*	*2.7*
21	*C.21 - Manufacture of pharmaceutical preparations*	*649*			*9*	*0*	*-3*	*-1*	*0*	*83 149*		*62%*	*533*	*60*	*2*	*54*	*2.2*
22	*C.22 - Manufacture of rubber products*	*698*			*37*	*4*	*-5*	*-1*	*-2*	*31 221*		*12%*	*607*	*32*	*14*	*45*	*3.8*
23	*C.23 - Manufacture of other non-metallic mineral products*	*562*			*35*	*14*	*-5*	*-3*	*-1*	*240 412*		*17%*	*448*	*40*	*9*	*65*	*3.8*
24	*C.24 - Manufacture of basic metals*	*428*	*3*		*107*	*12*	*-12*	*-4*	*-7*	*124 601*		*47%*	*204*	*37*	*1*	*186*	*13.0*
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	*1 483*			*227*	*17*	*-21*	*-8*	*-10*	*55 351*		*17%*	*1 025*	*122*	*35*	*301*	*8.1*

	Sector/subsector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (EURm)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (EURm)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
26	*C.26 - Manufacture of computer, electronic and optical products*	*1 566*	*17*		*63*	*19*	*-17*	*-1*	*-15*	*32 077*		*72%*	*1 418*	*19*	*6*	*123*	*2.4*
27	*C.27 - Manufacture of electrical equipment*	*427*			*43*	*4*	*-5*	*-1*	*-2*	*13 215*		*14%*	*256*	*27*	*11*	*133*	*11.2*
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	*1 782*			*149*	*30*	*-20*	*-6*	*-11*	*74 057*		*27%*	*1 298*	*98*	*52*	*333*	*6.6*
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	*1 088*			*72*	*2*	*-3*	*-2*	*0*	*91 729*		*66%*	*859*	*18*	*8*	*203*	*7.8*
30	*C.30 - Manufacture of other transport equipment*	*219*			*21*	*3*	*-4*	*-1*	*-3*	*9 840*		*6%*	*80*	*8*	*2*	*128*	*6.0*
31	*C.31 - Manufacture of furniture*	*366*			*17*	*36*	*-22*	*-1*	*-2*	*21 190*		*17%*	*259*	*17*	*9*	*80*	*2.5*
32	*C.32 - Other manufacturing*	*1 153*			*12*	*3*	*-3*	*-1*	*-1*	*36 144*		*73%*	*983*	*16*	*31*	*123*	*2.4*
33	*C.33 - Repair and installation of machinery and equipment*	*167*	*0*		*52*	*8*	*-8*	*-1*	*-5*	*17 433*		*1%*	*126*	*13*	*12*	*15*	*5.8*
34	D - Electricity, gas, steam and air conditioning supply	6 517	163		65	4	-7	-1	-2	2 927 541	74 377	53%	3 930	851	715	1 022	5.2
35	*D35.1 - Electric power generation, transmission and distribution*	*5 790*	*162*		*22*	*1*	*-5*	*-1*	*-1*	*2 440 096*		*47%*	*3 787*	*783*	*259*	*962*	*4.1*
36	*D35.11 - Production of electricity*	*2 785*	*162*		*11*	*1*	*-3*	*0*	*-1*	*2 203 216*		*43%*	*2 371*	*250*	*71*	*93*	*2.4*
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	*150*	*1*		*0*	*2*	*-1*	*0*	*-1*	*96 330*	*74 377*	*91%*	*36*	*45*	*66*	*3*	*8.4*
38	*D35.3 - Steam and air conditioning supply*	*577*			*38*		*0*	*0*		*391 115*		*80%*	*107*	*22*	*390*	*57*	*15.4*

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (EURm)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (EURm)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)							
	Sector/subsector		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions	GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
39	E - Water supply; sewerage, waste management and remediation activities	1 291			20	3	-3	-1	-1	373 347		28%	937	88	144	123	5.8
40	F - Construction	8 233			711	145	-133	-26	-83	738 150		7%	6 963	400	281	589	3.5
41	*F.41 - Construction of buildings*	*4 878*			*428*	*79*	*-81*	*-16*	*-46*	*206 885*		*10%*	*4 198*	*83*	*164*	*433*	*2.6*
42	*F.42 - Civil engineering*	*437*			*23*	*5*	*-4*	*-1*	*-1*	*63 609*		*10%*	*359*	*32*	*33*	*14*	*4.5*
43	*F.43 - Specialised construction activities*	*2 918*			*260*	*61*	*-48*	*-9*	*-36*	*467 656*			*2 406*	*286*	*84*	*142*	*4.7*
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	12 911			952	240	-217	-45	-144	582 589		24%	9 701	855	418	1 937	4.2
45	H - Transportation and storage	8 972	339		509	163	-122	-15	-61	4 478 305		30%	7 216	880	396	480	3.9
46	*H.49 - Land transport and transport via pipelines*	*1 778*			*189*	*48*	*-36*	*-4*	*-7*	*306 786*		*7%*	*1 425*	*183*	*46*	*125*	*3.9*
47	*H.50 - Water transport*	*5 418*	*339*		*223*	*63*	*-54*	*-8*	*-28*	*3 980 007*		*43%*	*4 751*	*521*	*35*	*112*	*3.0*
48	*H.51 - Air transport*	*45*			*8*	*5*	*-4*	*-1*	*-3*	*95 940*		*18%*	*40*	*2*		*3*	*5.1*
49	*H.52 - Warehousing and support activities for transportation*	*1 582*			*85*	*47*	*-27*	*-2*	*-23*	*87 298*		*9%*	*958*	*125*	*310*	*188*	*7.3*
50	*H.53 - Postal and courier activities*	*150*			*5*	*0*	*0*	*0*	*0*	*8 274*		*5%*	*43*	*49*	*5*	*52*	*3.5*
51	I - Accommodation and food service activities	2 197			275	23	-33	-13	-15	93 063		15%	1 307	124	455	311	5.7
52	L - Real estate activities	43 946			812	166	-126	-17	-84	204 409		8%	32 090	1 511	4 213	6 132	6.8
53	**Exposures towards sectors other than those that highly contribute to climate change[1]**	**26 019**	**29**		**907**	**308**	**-217**	**-46**	**-208**				**21 162**	**1 138**	**845**	**2 874**	**3.1**
54	K - Financial and insurance activities	10 960			303	20	-41	-18	-15				9 855	174	234	696	2.3
55	Exposures to other sectors (NACE codes J, M - U)	15 059	29		604	288	-177	-27	-194				11 307	964	611	2 178	3.7
56	TOTAL	135 172	651		5 979	1 511	-1 114	-225	-739	16 535 386	717 562	22%	100 142	7 301	8 703	19 027	5.5

[1] In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006

Table 59 - Template 2 : Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral

The template includes information on the distribution of loans collateralized by immovable property by energy consumption and by EPC label of the collateral. In the template exposures to collaterals located in Norway are included in the Total EU area. Where data on energy performance in kWh/m² is not available a national average energy performance is assigned for the properties based on building type and, if available, EPC label. The national average data is sourced from the Partnership for Carbon Accounting Financials (PCAF) European building emission factor database.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount (EURm)															
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
	Counterparty sector		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
1	Total EU area	222 213	22 360	140 517	57 259	1 264	579	233	3 470	6 014	17 899	17 669	16 350	9 670	6 129	145 012	94%
2	Of which Loans collateralised by commercial immovable property	42 627	2 857	26 778	12 361	290	299	42	857	755	1 909	2 179	1 530	855	698	33 845	95%
3	Of which Loans collateralised by residential immovable property	179 586	19 503	113 739	44 898	974	280	191	2 614	5 259	15 990	15 490	14 821	8 815	5 431	111 167	94%
4	Of which Collateral obtained by taking possession: residential and commercial	0.5		0.4	0.1										0.1	0.4	100%
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	167 315	3 790	111 306	52 102	117										136 495	100%
6	Total non-EU area	5			5											5	100%
7	Of which Loans collateralised by commercial immovable property	5			5											5	100%
8	Of which Loans collateralised by residential immovable property																
9	Of which Collateral obtained by taking possession: residential and commercial																
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	5			5											5	100%

Table 60 - Template 4 : Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms

Nordea does not have any exposures to the top 20 carbon intensive firms (excluding subsidiaries) in the world. The firms have been identified using Moody's Analytics database combined scope 1 and 2 emissions of the firms.

	a	b	c	d	e
	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)[1)]	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
1					

[1)] For counterparties among the top 20 carbon emitting companies in the world

Table 61 - Template 5 : Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk

Nordea is currently reviewing its methodology to identify exposures sensitive to impact from climate change-related physical events. The aim is to revise the methodology, in alignment with emerging industry practices covering the Nordic country scope, and be in place for the upcoming disclosure reference dates.

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
			Gross carrying amount (EURm)												
			of which exposures sensitive to impact from climate change physical events												
	Variable: Geographical area subject to climate change physical risk - acute and chronic events		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	8 555													
2	B - Mining and quarrying	902													
3	C - Manufacturing	15 630													
4	D - Electricity, gas, steam and air conditioning supply	6 517													
5	E - Water supply; sewerage, waste management and remediation activities	1 291													
6	F - Construction	8 233													
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	12 911													
8	H - Transportation and storage	8 972													
9	L - Real estate activities	43 946													
10	Loans collateralised by residential immovable property	179 586													
11	Loans collateralised by commercial immovable property	42 625													
12	Repossessed collaterals	1													
13	Other relevant sectors (breakdown below where relevant)	28 215													

Table 62 - Template 10 - Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

The template on the next page covers exposures that support counterparties in the transition and adaptation process for the objectives of climate change mitigation and climate change adaptation. The template includes exposures that are taxonomy-aligned as referred to in Regulation (EU) 2020/852 as well as other exposures that support counterparties in the transition and adaptation process.

The template includes Nordea's holdings of green bonds issued by e.g. corporates, public sector entities, and multilateral development banks. The maturity dates of the bonds range between 2023 and 2033. The bonds are generally issued under green bond frameworks that support the issuers in the financing of the transition and adaptation process for the objectives of climate change mitigation and climate change adaptation. The frameworks include asset categories supporting positive or reducing negative effects on the environment e.g. renewable energy, energy efficiency, green buildings, pollution prevention and control, clean transportation and sustainable management of living natural resources. For the purpose of this template, the applicable type of climate risk is determined by the asset categories outlined in the issuers' green bonds frameworks.

In addition, the template includes Nordea's green loans to both household and corporate customers, including assets reclassified as green. The maturity dates of the loans range between 2023 and 2072. The loans are categorised according to Nordea's green funding framework. The framework is based on the ICMA Green Bond Principles and is as such not aligned with the EU Taxonomy, but rather follows current market practice. The framework includes six green asset categories supporting positive or reducing negative effects on the environment; renewable energy, energy efficiency, green buildings, pollution prevention and control, clean transportation and sustainable management of living natural resources. Most Nordea's green loans support climate change mitigation activities.

Furthermore, the template includes Nordea´s sustainability-linked loans (SLL) which mainly are granted to large corporate customers. The maturity dates of the loans range between 2023 and 2028. These loans follow current market practice and principles, the Sustainability Linked Loan Principles (SLLP). The SLL´s enables Nordea to incentivise customers sustainability performance. The sustainability linkage can be within a variety of topics as described by the SLLP, however most of these loans are directed towards climate change mitigation.

	a	b	c	d	e	f
	Type of financial instrument	Type of counterparty	Gross carrying amount (million EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	2 755	Y	Y	Renewable energy, energy efficiency, green buildings, pollution prevention and control, waste and water management, climate change adaptation, sustainable management of natural resources, clean transportation
2		Non-financial corporations	58	Y	Y	Renewable Energy, Green buildings
3		Of which Loans collateralised by commercial immovable property				
4		Other counterparties	391	Y	Y	Renewable energy, energy efficiency, green buildings, pollution prevention and control, waste and water management, climate change adaptation, sustainable management of natural resources, clean transportation
5	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	554	Y	Y	Renewable energy, green buildings, sustainable management of living natural resources, stabilisation of greenhouse gas emissions
6		Non-financial corporations	11 223	Y	Y	Renewable energy, energy efficiency, green buildings, pollution prevention and control, sustainable management of living natural resources, clean transportation, stabilisation of greenhouse gas emissions
7		Of which Loans collateralised by commercial immovable property	6 498	Y	Y	Green buildings
8		Households	8 978	Y	Y	Renewable energy, energy efficiency, green buildings, sustainable management of living natural resources, clean transportation, stabilisation of greenhouse gas emissions
9		Of which Loans collateralised by residential immovable property	8 877	Y	Y	Green buildings
10		Of which building renovation loans				
11		Other counterparties	887	Y	Y	Renewable energy, energy efficiency, green buildings, pollution prevention and control

Table 63 - Assets and liabilities of NLP

The table shows NLP's assets and liabilities at 31 December 2022 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	2022[1)]	2021
Assets		
Investment properties	2 454	1 763
Shares	12 432	10 259
Alternative investments	1 264	1 638
Debt securities - At fair value	8 189	4 203
Debt securities - Held to maturity	3 619	3 360
Deposits and treasury bills	1 665	845
Financial assets backing investment contracts without risk and guarantees	38 577	43 344
Other financial assets	564	36
Other assets	1 376	427
Total assets	70 140	65 876
Liabilities		
Traditional provisions	8 088	6 299
Collective bonus potential	2 601	2 799
Unit-linked provisions	14 125	7 711
Investment contracts with guarantees	1 684	2 158
Investment contracts without risk and guarantees	38 568	43 344
Other insurance provisions	1 098	627
Other financial liabilities	946	365
Other liabilities	744	211
Shareholders' equity	1 636	1 711
Subordinated loans	650	650
Total liabilities and equity	70 140	65 876

1) Assets and liabilities as at 31 December 2022 include the new local entity Nordea Pension.

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.

EURm	2022[1]		2021	
	Effect on policyholders	Effect on Nordea Group's Account	Effect on policyholders	Effect on Nordea Group's Account
50 bp increase in interest rates	-340.0	4.8	-367.9	7.2
50 bp decrease in interest rates	337.3	0.1	370.2	-7.3
12% decrease in all shares	-1 578.9	-4.5	-1 176.1	-0.3
8% decrease in property values	-198.9	-4.4	-130.8	-0.2
8% loss of counterparties	-3.1	-0.2	-0.6	

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

[1] Sensitivities as at 31 December 2022 include the new local entity Nordea Pension.

Table 65 - Effects of life and insurance risks

EURm	2022[1]		2021	
	Effect on policyholders	Effect on Nordea Group's Account	Effect on policyholders	Effect on Nordea Group's Account
Mortality - increased living with 1 year	21.7	-20.6	22.9	-17.4
Mortality - decreased living with 1 year	-3.4	2.6	-0.1	0.1
Disability - 10% increase	16.9	-15.0	8.4	-6.4
Disability - 10% decrease	-14.5	12.6	-6.1	4.7

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

[1] Sensitivities as at 31 December 2022 include the new local entity Nordea Pension.

Table 66 - Product return, traditional life insurance[1)]

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

EURm	2022	
	AuM	Product Return
Finland	18 880	-13.5%
Sweden	20 354	-12.8%
Norway	17 319	-6.9%
Denmark	11 307	
Total AuM	67 859	

1) Product return as of 31 December 2022 is not presented for the new legal entity Nordea Pension, since the entity was not part of NLH AB for the full report year.

Table 67 - Insurance provisions (technical provisions) and provisions on investment contracts divided into guarantee levels (technical interest rates)[1)]
The table shows the insurance provisions and provisions on investment contracts divided into guarantee levels.

EURm	None	0%	0-2%	2-3%	3-4%	>4%	Total liabilities
2022							
Technical provisions	14 305	323	3 764	2 500	2 055	951	23 898
2021							
Technical provisions	7 815	346	2 836	2 242	2 005	924	16 168

1) Technical provisions as at 31 December 2022 include the new local entity Nordea Pension.

Table 68 - Financial buffers

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

EURm	Financial buffers	% of guaranteed liabilities
	2022	2022
Denmark	184	1.6%
Finland	1 327	81.8%
Norway	589	12.9%
Sweden	1 236	73.5%
Total	3 336	15.2%

Table 69 - Solvency position[1)]

EURm	2022	2021
Solvency capital requirement	2 276	2 453
Own funds	3 150	3 714
Solvency margin	874	1 261
Solvency position	138%	151%

1) Due to its purchase of Nordea Pension at 01 December 2022, NLP did not anticipate a dividend to Nordea Bank Abp in the solvency position at 31.12.2022. The solvency position at 31.12.2022 includes Nordea Pension. The impact of the acquisition is estimated to be - 20 %-points.

Table 70 - Solvency sensitivity[1)]

EURm	2022	2021
Solvency position	138%	151%
Equity drops 20%	142%	160%
Interest rates down 50bp	134%	166%
Interest rates up 50bp	143%	167%

1) Due to its purchase of Nordea Pension at 01 December 2022, NLP did not anticipate a dividend to Nordea Bank Abp in the solvency position at 31.12.2022. The solvency position at 31.12.2022 includes Nordea Pension. The impact of the acquisition is estimated to be - 20 %-points.

Table 71 - Financial buffers compared to insurance provisions, rolling 12 mths
The figure shows the development of the financial buffers during 2022.

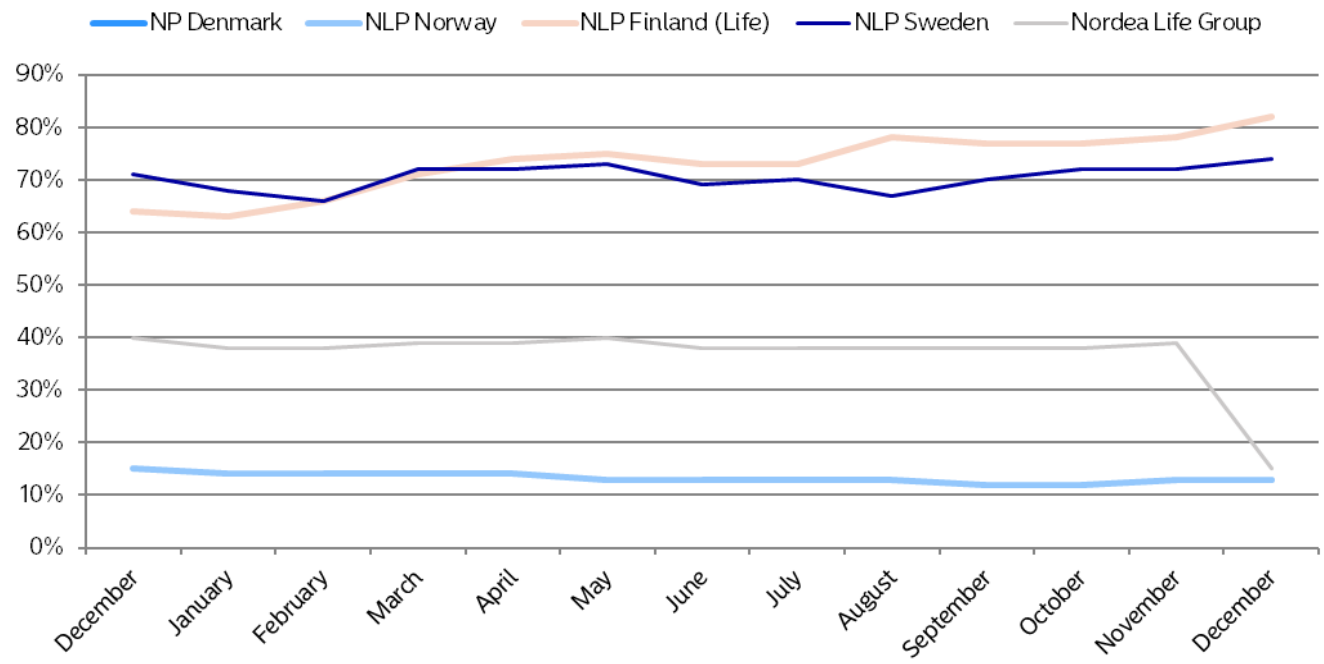

Table 72 - Cov 19 Template 1 - Information on loans and advances subject to legislative and non-legislative moratoria[1)]

The Covid 19 table below presents legislative moratoria granted to households in Sweden. Loans and advances subject to moratorium were EUR 5.6bn end of December 2022. Major part of loans and advances are classified as performing loans.

EURm	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			
			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
Q4 2022															
1 Loans and advances subject to moratorium	5 584	5 569	8	142	15	1		-4	-2	-0	-1	-2	-0		0
2 of which: Households	5 584	5 569	8	142	15	1		-4	-2	-0	-1	-2	-0		0
3 *of which: Collateralised by residential immovable property*	*5 584*	*5 569*	*8*	*142*	*15*	*1*		*-4*	*-2*	*-0*	*-1*	*-2*	*-0*		*0*
4 of which: Non-financial corporations															
5 *of which: Small and Medium-sized Enterprises*															
6 *of which: Collateralised by commercial immovable property*															
Q2 2022															
1 Loans and advances subject to moratorium	6 225	6 204	8	178	21	2		-3	-2	-0	-1	-1	-0		7
2 *of which: Households*	*6 225*	*6 204*	*8*	*178*	*21*	*2*		*-3*	*-2*	*-0*	*-1*	*-1*	*-0*		*7*
3 *of which: Collateralised by residential immovable property*	*6 225*	*6 204*	*8*	*178*	*21*	*2*		*-3*	*-2*	*-0*	*-1*	*-1*	*-0*		*7*
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)]

The table below presents legislative moratoria granted to households in Sweden. Gross carrying amount of loans and advances were EUR 5.6bn end of December 2022. All payment holidays have expired.

EURm		a	b	c	d	e	f	g	h	i
			Gross carrying amount							
						Residual maturity of moratoria				
Q4 2022		Number of obligors		Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	48 708	5 584							
2	Loans and advances subject to moratorium (granted)	48 708	5 584	5 584	5 584					
3	of which: Households		5 584	5 584	5 584					
4	*of which: Collateralised by residential immovable property*		*5 584*	*5 584*	*5 584*					
5	of which: Non-financial corporations									
6	*of which: Small and Medium-sized Enterprises*									
7	*of which: Collateralised by commercial immovable property*									

EURm		a	b	c	d	e	f	g	h	i
			Gross carrying amount							
						Residual maturity of moratoria				
Q2 2022		Number of obligors		Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	48 708	6 225							
2	Loans and advances subject to moratorium (granted)	48 708	6 225	6 225	6 225					
3	of which: Households		6 225	6 225	6 225					
4	*of which: Collateralised by residential immovable property*		*6 225*	*6 225*	*6 225*					
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 - CRR reference table

CRR ref.	High level summary	Reference
Title II: Technical criteria on transparency and disclosure		
Article 435	Risk management objectives and policies	
(1) (a)	The strategies and processes to manage those categories of risks.	Throughout Part 1
(1) (b)	Organisation and governance.	Throughout Part 1
(1) (c)	Reporting systems.	Throughout Part 1
(1) (d)	Hedging policies	Throughout Part 1
(1) (e)	Management declaration on risk management adequacy.	Board risk statement
(1) (f)	Risk profile	Board risk statement
(2) (a) - (e)	Disclosures regarding governance arrangements.	Information can be found in: Nordea.com > About Nordea > Corporate Governance
Article 436	Scope of application	
(a)	Name of the institution.	Cover page
(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 and the exposure amount used for regulatory purposes	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 of own funds or to the repayment of liabilities between parent and subsidiaries.	Part 1, ICAAP, stress testing and capital allocation
(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).	Nordea does not apply article 7 and article 9.
Article 437	Own funds	
(a)	Full reconciliation to own funds and balance sheet.	Part 2, EU CC1, EU CC2
60	Description of main features of the instruments.	Information can be found in: Nordea.com > Investors and Shareholders > Debt and rating > Capital instruments > Main features
(c)	Full terms and conditions of the instruments.	Information can be found in: Nordea.com > Investors and Shareholders > Debt and rating > Capital instruments > Main features
(d) (i)-(iii)	Separate disclosure of the nature.	Part 2, EU CC1
(e)	Description of all restrictions applied to own funds calculations	Part 2, EU CC1
(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	Nordea is not a globally significant institution or a material subsidiary of non-EU G-SII. Hence, it is not subject to CRR 92a or 92b and CRR 437a disclosure requirement.
(b)	Ranking of eligible liabilities in the creditor hierarchy	
(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 specified in Article 72b(3) and (4)	
(d)	Total amount of excluded liabilities referred to in Article 72a(2)	
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 allocation
(b)	Amount of the additional own funds requirements	Part 1, 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.	1. Part 2, EU OV1, EU INS2, EU CR8, EU CCR7, EU MR2-B 2. As Nordea does not apply the treatment for insurance undertakings per CRR 49.1, the disclosure of INS1 is not applicable. 3. As Nordea does not apply the slotting approach, the disclosure of EU CR10 is not applicable.

Article 439	Exposure to counterparty credit risk	
(a)	Methodology to assign internal capital and credit limits for counterparty credit exposures	Part 1, Counterparty credit risk
(b)	Policies related to guarantees and other credit risk mitigants	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)	The exposure values before and after the effect of the credit risk mitigation for derivative transactions.	Part 2, EU CCR1
(g)	The exposure values before and after the effect of the credit risk mitigation for securities financing transactions.	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)	The exposure value to central counterparties and the associated risk exposures.	Part 2, EU CCR8
(j)	The notional amounts and fair value of credit derivatie transactions and distribution of credit derivatives products.	Part 2, EU CCR6
(k)	The estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate.	Part 2, EU CCR1
(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, the size of their on- and off- balance-sheet derivative business.	Part 2, EU CCR1
Article 440	Countercyclical capital buffers	
(a)	The geographical distribution of the exposure amounts and risk- weighted exposure amounts of its credit exposures.	Part 2, EU CCyB1
(b)	The amount of their institution-specific countercyclical capital buffer.	Part 2, EU CCyB2
Article 441	Indicators of global systemic importance	
(1) - (2)	Indicator values used for determing the score of the institution.	As Nordea is not a globally significant institution, the disclosure is not applicable.
Article 442	Exposures to credit risk and dilution risk	
(a)	The scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences	Part 1, Credit risk
(b)	The approaches and methods adopted 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.	1. Part 2, EU CQ1, EU CQ3, EU CQ4, EU CQ5, EU CQ7, EU CR1
(d)	Ageing analysis of accounting past due exposures.	Part 2, EU CQ3,
(e)	The 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.	1. Part 2, EU CR1, EU CR2
(g)	The breakdown of loans and debt securities by residual maturity.	Part 2, EU CR1-A
Article 443	Encumbered and unencumbered assets	
	The carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered.	Part 2, EU AE1, EU AE2, EU AE3, EU AE4
Article 444	The use of the Standardised Approach	
(a)	The names of the nominated ECAIs and ECAs and the reasons for any changes in those nominations over the disclosure period.	Part 1, Credit risk
(b)	The exposure classes for which each ECAI or ECA is used.	Part 1, Credit risk
(c)	Description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book.	Part 1, Credit risk
(d)	The association of the external rating of each nominated ECAI or ECA with the risk weights that correspond 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 CCR3, EU CR4, EU CR5
Article 445	Exposure to market risk	
	Own Funds requirements.	Part 2, EU MR1
Article 446	Operational risk management	
(a)	The approaches for the assessment of own funds requirements for operation 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)	Nordea does not apply the Advanced Measurement Approach for Operational Risk.
(c)	In the case of partial use, the scope and coverage of the different methodologies used.	As Nordea only applies the standardised approach to the calculation of capital requirements for operational risk, partial use is not applicable.

Article 447	Key metrics	
(a)	Composition of own funds and own funds requirements	Part 1, EU KM1
(b)	Total risk exposure amount	Part 1, 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 Directive 2013/36/EU	Part 1, EU KM1
(d)	The combined buffer requirement which the institutions are required to hold in accordance with Chapter 4 of Title VII of Directive 2013/36/EU;	Part 1, EU KM1
(e)	Leverage ratio and the total exposure measure	Part 1, EU KM1
(f)	Information in relation to liquidity coverage ratio	Part 1, EU KM1
(g)	Information in relation to net stable funding requirement	Part 1, EU KM1
(h)	Own funds and eligible liabilities ratios and their components, numerator and denominator.	As Nordea is not a globally significant institution or a material subsidiary of non-EU G-SII, it is not subject to CRR 92a or 92b.
Article 448	Exposures to interest rate risk on positions not held in the trading book	
(1) (a)	The changes in the economic value of equity calculated under the six supervisory shock scenarios.	Part 2, EU IRRBB1
(1) (b)	The changes in the net interest income calculated under the two supervisory shock scenarios.	Part 2, EU IRRBB1
(1) (c)	Description of key modelling and parametric assumptions.	Part 1, Market risk
(1) (d)	Explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph.	Part 1, Market risk
(1) (e)	Description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities	Part 1, Market risk
(1) (f)	Description of the overall risk management and mitigation strategies for those risks.	Part 1, Market risk
(1) (g)	Average and longest repricing maturity assigned to non-maturity deposits	Part 1, Market risk
Article 449	Exposure to securitisation positions	
(a)	A description of securitisation and re-securitisation activities.	Part 1, Securitisation and credit derivatives
(b)	The type of risks exposed to in securitisation and re-securitisation activities by level of seniority.	Part 1, Securitisation and credit derivatives
(c)	The approaches for calculating the risk-weighted exposure amounts.	Part 1, Securitisation and credit derivatives
(d) -(f)	Different roles played by the institution in the securitisation process and the extent of its involvement.	Part 1, Securitisation and credit derivatives
(g)	Summary of accounting policies for securitisation activity	Part 1, Securitisation and credit derivatives
(h)	The names of the ECAIs used for securitisations and the types of exposure for which each agency is used;	Part 1, Securitisation and credit derivatives
(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.	Part 1, Securitisation and credit derivatives
(j)	Separately for the trading book and the non-trading book, the carrying amount of securitisation exposures,	1. Part 2, EU SEC1 2. As Nordea has no securitisation positions in trading book, the disclosure of EU SEC2 is not applicable.
(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	As Nordea has no securitisation exposures where institution acts as investor, the disclosure of EU SEC4 is 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 449a	**Disclosure of environmental, social and governance risks (ESG risks)**	
	From 28 June 2022, large institutions which have issued securities that are admitted to trading on a regulated market of any Member State, as defined in point (21) of Article 4(1) of Directive 2014/65/EU, shall disclose information on ESG risks, including physical risks and transition risks, as defined in the report referred to in Article 98(8) of Directive 2013/36/EU.	1. Part 1: - ESG factors in Business strategy, Governance and Risk Management Framework - Environmental, Social and Governance Factors 2. Part 2, template 1, 2, 4, 5, 10
Article 450	**Remuneration policy**	
1	Remuneration policy and practices:	Information can be found in: 1. Annual report 2. Nordea.com > About us > Corporate Governance > Remuneration > Disclosures >Group Remuneration Disclosure Report
(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 ratio**	
(1) (a)	The leverage ratio and how the institutions apply Article 499(2)	Part 2, EU LR2
(1) (b)	A breakdown of the total exposure measure.	Part 2, EU LR1, EU LR2, EU LR3
(1) (c)	Where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7)	Part 2, EU LR2
(1) (d)	A description of the processes used to manage the risk of excessive leverage;	Part 2, EU LR1
(1) (e)	A description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.	Part 2, EU LR1
2	Public development credit institutions as defined in Article 429a(2) shall disclose the leverage ratio without the adjustment to the total exposure measure.	Part 2, EU LR2
3	Large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7)	Part 2, EU LR2
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 and ILAAP
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 and ILAAP

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 between the models within the same portfolio.	Part 1, Credit risk
(g) (i)-(v)	Information components in relation to each exposure class referred to in Article 147	Part 2, EU CCR4, EU CR6
(h)	Institutions' estimates of PDs against the actual default rate for each exposure class over a longer period.	1. Part 2, EU CR9 2. As Nordea does not apply point (f) of Article 180(1), the discosure of EU CR9.1 is not applicable.
Article 453	**Use of credit risk mitigation techniques**	
(a)	The core features of the policies and processes for on- and off- balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting.	Part 1, Credit risk
(b)	The core features of the policies and processes for eligible collateral evaluation and management.	Part 1, Credit risk
(c)	A description of the main types of collateral taken by the institution to mitigate credit risk.	Part 1, Credit risk
(d)	For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purpose of reducing capital requirements.	Part 1, Credit risk
(e)	Information about market or credit risk concentrations within the credit mitigation taken.	Part 1, Credit risk
(f)	For institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments.	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.	Part 2, EU CR7
Article 454	**Use of the Advanced Measurement Approaches to operational risk**	
	Description of the use of insurance and other risk-transfer mechanisms for the purpose of mitigating operational risk.	As Nordea does not have permission for use of the Advanced Measure Approach, the disclosure of this information is not applicable.
Article 455	**Use of Internal Market Risk Models**	
(a) (i)	Characteristics of the models used.	Part 1, Market risk
(a) (ii)	For the internal models for incremental default and migration risk and for correlation trading, the methodologies used and the risks measured through the use of an internal model.	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 and modelling processes.	Part 1, Market risk
(b)	Scope of permission by the competent authority.	Part 1, Market risk
(c)	Description of the extent and methodologies for compliance with the requirements set out in Articles 104 and 105.	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 requirement as specified in Article 364.	Part 2, EU MR2-A
(f)	Weighted average liquidity horizon for each sub-portfolio covered by the internal models for incremental default and migration risk and for correlation trading.	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