

Nordea



Capital and Risk Management Report

Third Quarter 2023

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

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Table 1 - EU KM1 - Key metrics template

During Q3 2023, Nordea's total own funds increased by EUR 521m, of which CET1 increased by EUR 611m, Additional Tier 1 (AT1) increased by EUR 81m and Tier 2 (T2) decreased by EUR 172m. The increase in the CET1 capital was mainly driven by profit accumulation net of dividend accrual and foreign exchange (FX) effects. AT1 increased due to FX effects on AT1 instruments and T2 decreased mainly driven by two called Tier 2 instruments. The risk exposure amount (REA) increased by EUR 0.9bn primarily due to exchange rate effects following the appreciation of the Norwegian and Swedish currencies, as well as increased residential mortgage lending. This was partly offset by decreased Market risk. The leverage ratio increased slightly to 4.7% from 4.6%, mainly driven by increased Tier 1 capital, primarily due to profit generation net of dividend accrual.

	a	b	c	d	e
Available own funds (amounts), EURm	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
1 Common Equity Tier 1 (CET1) capital	23,004	22,393	22,279	23,872	23,611
2 Tier 1 capital	26,318	25,626	25,514	27,154	27,132
3 Total capital	29,164	28,643	28,542	30,213	30,272
Risk-weighted exposure amounts, EURm					
4 Total risk exposure amount	140,925	140,023	141,976	145,299	149,377
Capital ratios (as a percentage of risk-weighted exposure amount)					
5 Common Equity Tier 1 ratio (%)	16.3%	16.0%	15.7%	16.4%	15.8%
6 Tier 1 ratio (%)	18.7%	18.3%	18.0%	18.7%	18.2%
7 Total capital ratio (%)	20.7%	20.5%	20.1%	20.8%	20.3%
EU 7a Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.6%	1.6%	1.6%	1.8%	1.8%
EU 7b of which: to be made up of CET1 capital (percentage points)	0.9%	0.9%	0.9%	1.0%	1.0%
EU 7c of which: to be made up of Tier 1 capital (percentage points)	1.2%	1.2%	1.2%	1.3%	1.3%
EU 7d Total SREP own funds requirements (%)	9.6%	9.6%	9.6%	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 (%)	1.6%	1.6%	1.3%	1.1%	0.8%
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 (%)	2.5%	2.5%	2.5%	2.0%	2.0%
11 Combined buffer requirement (%)	6.6%	6.6%	6.3%	5.6%	5.3%
EU 11a Overall capital requirements (%)	16.2%	16.2%	15.9%	15.3%	15.1%
12 CET1 available after meeting the total SREP own funds requirements (%)	10.9%	10.9%	10.5%	11.0%	10.5%
Leverage ratio					
13 Total exposure measure	558,509	552,620	557,817	549,761	587,446
14 Leverage ratio (%)	4.7%	4.6%	4.6%	4.9%	4.6%
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%	3.0%	3.0%
Liquidity Coverage Ratio					
15 Total high-quality liquid assets (HQLA) (Weighted value - average)	117,525	119,650	122,033	122,292	119,385
EU 16a Cash outflows - Total weighted value	88,420	90,461	92,852	94,416	92,023
EU 16b Cash inflows - Total weighted value	14,808	15,061	15,017	15,309	14,563
16 Total net cash outflows (adjusted value)	73,612	75,400	77,835	79,107	77,460
17 Liquidity coverage ratio (%) ¹⁾	160 %	159 %	157 %	155 %	155 %
Net Stable Funding Ratio					
18 Total available stable funding	314,357	313,104	313,743	313,478	319,983
19 Total required stable funding	266,269	263,968	269,712	271,119	274,592
20 NSFR ratio (%)	118 %	119 %	116 %	116 %	117 %

1) The LCR reported in this table is the average of 12 end of month ratios.

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

The table provides an overview of total REA in Q3 2023 where credit risk accounted for the largest risk type with approximately 84% of Pillar I REA. Operational risk and market risk accounted for the second and third largest risk types. REA increased by EUR 0.9bn in the third quarter of 2023, mainly stemming from credit risk (EUR +1.4bn).

EURm

	Total risk exposure amounts (TREA)		Total own funds requirements
	a	b	c
	Q3 2023	Q2 2023	Q3 2023
1 Credit risk (excluding CCR)	103,854	102,334	8,308
2 <i>Of which the standardised approach</i>	12,609	12,373	1,009
3 <i>Of which the Foundation IRB (F-IRB) approach</i>	10,498	10,560	840
4 <i>Of which slotting approach</i>			
EU 4a <i>Of which equities under the simple riskweighted approach</i>			
5 <i>Of which the Advanced IRB (A-IRB) approach</i>	80,747	79,401	6,460
6 Counterparty credit risk - CCR	3,565	3,851	285
7 <i>Of which the standardised approach</i>	566	488	45
8 <i>Of which internal model method (IMM)</i>	1,845	2,009	148
EU 8a <i>Of which exposures to a CCP</i>	80	72	6
EU 8b <i>Of which credit valuation adjustment - CVA</i>	654	742	52
9 <i>Of which other CCR</i>	420	539	34
15 Settlement risk		0	
16 Securitisation exposures in the non-trading book (after the cap)	1,638	1,628	131
17 <i>Of which SEC-IRBA approach</i>	1,569	1,600	126
18 <i>Of which SEC-ERBA (including IAA)</i>	22	27	2
19 <i>Of which SEC-SA approach</i>	47		4
EU 19a <i>Of which 1250% / deduction</i>			
20 Position, foreign exchange and commodities risks (Market risk)	4,470	5,017	358
21 <i>Of which the standardised approach</i>	763	989	61
22 <i>Of which IMA</i>	3,707	4,028	297
EU 22a Large exposures			
23 Operational risk	16,048	16,048	1,284
EU 23a <i>Of which basic indicator approach</i>			
EU 23b <i>Of which standardised approach</i>	16,048	16,048	1,284
EU 23c <i>Of which advanced measurement approach</i>			
24 Amounts below the thresholds for deduction (subject to 250% risk weight)	3,822	3,492	306
29 Total	129,575	128,877	10,366
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	11,350	11,146	908
Article 3 CRR Buffer			
Pillar 1 total	140,925	140,023	11,274

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

During the third quarter IRB REA increased by EUR 1.3bn, mainly driven by FX effects. Increased asset size further increased REA. This was partly offset by favorable asset quality.

EURm

Risk weighted exposure
amount

	a
1 Risk weighted exposure amount as of 2023 Q2	89,961
2 Asset size (+/-)	164
3 Asset quality (+/-)	-103
4 Model updates (+/-)	
5 Methodology and policy (+/-)	
6 Acquisitions and disposals (+/-)	
7 Foreign exchange movements (+/-)	1,223
8 Other (+/-)	0
9 Risk weighted exposure amount as of 2023 Q3	91,245

EURm

Risk weighted exposure
amount

	a
1 Risk weighted exposure amount as of 2023 Q1	91,521
2 Asset size (+/-)	715
3 Asset quality (+/-)	-454
4 Model updates (+/-)	
5 Methodology and policy (+/-)	
6 Acquisitions and disposals (+/-)	
7 Foreign exchange movements (+/-)	-1,202
8 Other (+/-)	-620
9 Risk weighted exposure amount as of 2023 Q2	89,961

Table 4 - EU CCR7 - RWEA flow statements of CCR exposures under the IMM

Only exposures calculated under the IMM are included in this breakdown. Reduction in REA throughout the third quarter of 2023 is mainly attributed to the decreased portfolio size coupled with foreign exchange fluctuations.

EURm Q3 2023	a RWEA
1 RWEA as at the end of the previous reporting period	2,044
2 Asset size	-222
3 Credit quality of counterparties	4
4 Model updates (IMM only)	
5 Methodology and policy (IMM only)	
6 Acquisitions and disposals	
7 Foreign exchange movements	-41
8 Other	60
9 RWEA as at the end of the current reporting period	1,845

EURm Q2 2023	a RWEA
1 RWEA as at the end of the previous reporting period	2,218
2 Asset size	285
3 Credit quality of counterparties	-17
4 Model updates (IMM only)	-2
5 Methodology and policy (IMM only)	
6 Acquisitions and disposals	
7 Foreign exchange movements	-355
8 Other	-85
9 RWEA as at the end of the current reporting period	2,044

Table 5 - 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 Q3 2023. Main drivers of Nordea Group's LCR results are outflows from customer deposits which are counterbalanced by high quality liquid assets. During Q3 cash held in central banks remained stable whereas outflows from unsecured wholesale funding decreased, resulting to higher LCR ratio. Liquidity buffer in Nordea Group is composed mainly of cash with central banks, government bonds, government related bonds and high quality covered bonds. During Q3 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 the end of Q3 2023 were customer deposits (40%) and issued debt securities (35%). 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 (30 September 2023)	30 Sep 23	30 Jun 23	31 Mar 23	31 Dec 22	30 Sep 2023	30 Jun 23	31 Mar 23	31 Dec 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), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					117,525	119,650	122,033	122,292
Cash - Outflows								
2 Retail deposits and deposits from small business customers, of which:	110,552	112,083	112,683	111,171	7,871	7,981	7,977	7,765
3 <i>Stable deposits</i>	73,677	75,164	76,811	78,586	3,684	3,758	3,841	3,929
4 <i>Less stable deposits</i>	36,875	36,919	35,872	32,585	4,187	4,223	4,137	3,836
5 Unsecured wholesale funding	111,801	115,143	119,588	123,896	57,549	58,978	61,368	62,827
6 <i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	22,481	24,509	27,546	30,052	5,604	6,111	6,837	7,370
7 <i>Non-operational deposits (all counterparties)</i>	79,186	80,225	80,611	82,084	41,811	42,459	43,100	43,696
8 <i>Unsecured debt</i>	10,134	10,409	11,431	11,760	10,134	10,409	11,431	11,760
9 Secured wholesale funding					3,473	3,530	3,485	3,419
10 Additional requirements	76,481	77,130	77,491	77,490	14,165	14,390	14,266	14,528
11 <i>Outflows related to derivative exposures and other collateral requirements</i>	6,371	6,690	6,699	7,415	5,922	6,285	6,350	7,120
12 <i>Outflows related to loss of funding on debt products</i>			19	19			19	19
13 <i>Credit and liquidity facilities</i>	70,110	70,440	70,774	70,056	8,243	8,105	7,897	7,389
14 Other contractual funding obligations	2,349	2,545	2,661	2,804	2,130	2,231	2,281	2,412
15 Other contingent funding obligations	43,137	44,825	46,527	47,765	3,232	3,350	3,474	3,466
16 Total cash outflows					88,420	90,461	92,852	94,416
Cash - Inflows								
17 Secured lending (e.g. reverse repos)	25,719	25,265	24,232	24,411	3,469	3,327	3,153	2,789
18 Inflows from fully performing exposures	14,629	14,792	14,694	14,427	8,043	7,959	7,780	7,550
19 Other cash inflows	3,296	3,775	4,140	5,189	3,296	3,775	4,084	4,970
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								
EU-19b (Excess inflows from a related specialised credit institution)								
20 Total cash inflows	43,644	43,831	43,066	44,027	14,808	15,061	15,017	15,309
EU-20a <i>Fully exempt inflows</i>								
EU-20b <i>Inflows subject to 90% cap</i>								
EU-20c <i>Inflows subject to 75% cap</i>	43,274	43,546	42,848	43,965	14,808	15,061	15,017	15,309
Total Adjusted Value								
21 Liquidity buffer					117,525	119,650	122,033	122,292
22 Total net cash outflows					73,612	75,400	77,835	79,107
23 Liquidity coverage ratio					160 %	159 %	157 %	155 %

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

Market Risk RWA from the Internal Model Approach (IMA) was EUR 3.71bn at the end of Q3 2023 which corresponded to a decrease of EUR 321m compared to Q2 2023. The decrease was primarily driven by lower VaR (EUR -308m) due to lower contribution from interest rate risk. Other market risk measures like SVaR, Incremental Risk Charge (IRC) and Comprehensive risk measure (CRM) were fairly unchanged compared to Q2 2023.

EURm

	a	b	c	d	e	f	g
	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWEAs	Total own funds requirements
1 RWEAs Q2 2023	1,565	1,807	298	357		4,028	322
1a Regulatory adjustment	-1,068	-1,270	-51			-2,389	-191
1b RWEAs Q2 2023 (end of the day)	497	537	247	357		1,639	131
2 Movement in risk levels	-101	116	64	-92		-12	-1
3 Model updates/changes							
4 Methodology and policy							
5 Acquisitions and disposals							
6 Foreign exchange movements							
7 Other							
8a RWEAs Q3 2023 (end of the day)	396	653	311	266		1,626	130
8b Regulatory adjustment	861	1,148		72		2,081	166
8 RWEAs Q3 2023	1,257	1,801	311	337		3,707	297

EURm

	a	b	c	d	e	f	g
	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWEAs	Total own funds requirements
1 RWEAs Q1 2023	1,143	1,958	289	376		3,765	301
1a Regulatory adjustment	-685	-1,391	-38	-82		-2,196	-176
1b RWEAs Q1 2023 (end of the day)	457	567	251	294		1,569	126
2 Movement in risk levels	40	-30	-4	63		70	6
3 Model updates/changes							
4 Methodology and policy							
5 Acquisitions and disposals							
6 Foreign exchange movements							
7 Other							
8a RWEAs Q2 2023 (end of the day)	497	537	247	357		1,639	131
8b Regulatory adjustment	1,068	1,270	51			2,389	191
8 RWEAs Q2 2023	1,565	1,807	298	357		4,028	322