

**Nordea**

# **Debt investor presentation Q3 2022**





## Disclaimer

This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.

Important factors that may cause such a difference for Nordea include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels.

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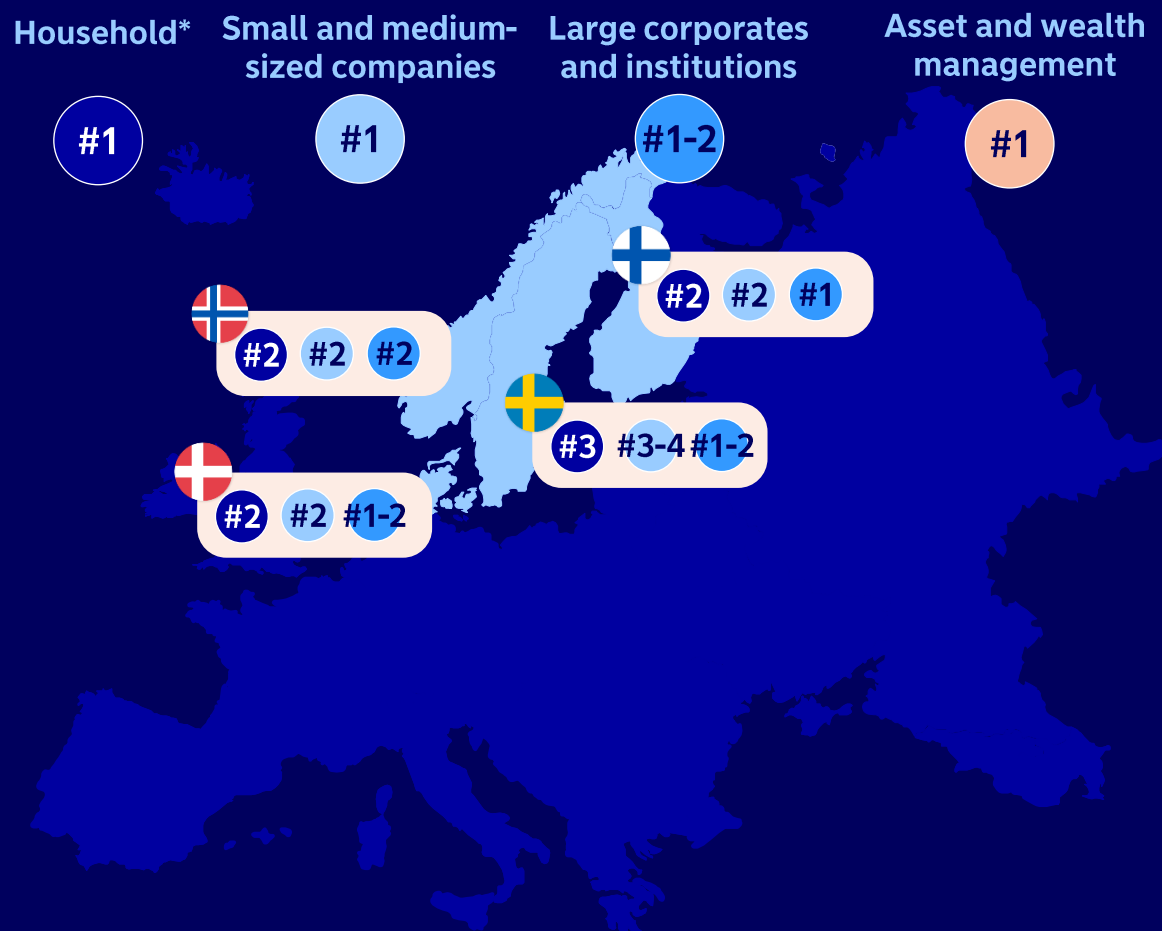
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# **1. Nordea third-quarter 2022 update**

Nordea today

## The largest financial services group in the Nordics



### Business position

- Universal bank with a 200-year history of supporting and growing the Nordic economies
- Leading market position in all four Nordic countries
- Well-diversified mix of net interest income, net fee and commission income and capital markets income

### Broad customer base and strong distribution power

- Approx. 320 branch office locations
- Enhanced digitalisation of business for customers
- Sustainability an integrated part of our business strategy

### Financial strength (Q3 2022)

- EUR 2.5bn in total income
- EUR 1.4bn profit before loan losses; EUR 1.0bn net profit
- EUR 624.8bn in assets
- EUR 31.0bn in equity capital
- CET1 ratio 15.8%
- Leverage ratio 4.6%

### AA level credit ratings (senior preferred bonds)

- Moody's Aa3 (stable outlook)
- S&P AA- (stable outlook)
- Fitch AA (stable outlook)

### EUR 32.7bn in market capitalisation (Q3 2022)

- One of the largest Nordic corporations
- A top-5 universal bank in Europe

## **Executive summary**

### **Corporate sector driving continued lending volume growth, despite economic slowdown**

- Mortgage volumes up 4% y/y and corporate lending up 12% y/y. Assets under management down 4% q/q

### **Increased income and operating profit**

- Net interest income up 15%, net fee and commission income down 6% and net fair value result up 18%

### **Cost-to-income ratio\* improved to 48% and 45% excluding regulatory fees**

### **Low realised loan losses – with increased charge largely driven by model-based fair value adjustment in Danish mortgage book**

- Net loan losses and similar net result amounting to EUR 58m or 7bp during quarter

### **Return on equity\* 12.7% and earnings per share up 8% to EUR 0.27**

### **Strong underlying capital generation**

- CET1 ratio decreased to 15.8% due to share buy-backs – 5.0pp above regulatory requirement. Underlying CET1 ratio up by 20bp

### **Outlook improved: return on equity above 11% expected for 2022, supported by cost-to-income ratio of 48–49%**

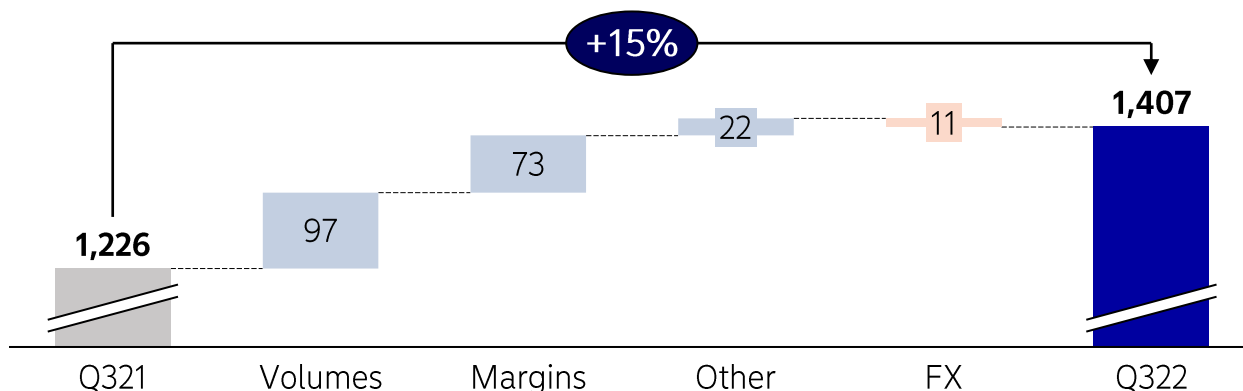
**Third-quarter results 2022**

Income statement and key ratios EURm	Q322	Q321	Q3/Q3	Q222	Q3/Q2
Net interest income	1,407	1,226	15%	1,308	8%
Net fee and commission income	816	870	-6%	838	-3%
Net fair value result	264	224	18%	282	-6%
Other income	14	24		16	
<b>Total operating income</b>	<b>2,501</b>	<b>2,344</b>	<b>7%</b>	<b>2,444</b>	<b>2%</b>
Total operating expenses excl. regulatory fees	-1,130	-1,098	3%	-1,122	1%
Total operating expenses	-1,146	-1,098	4%	-1,139	1%
<b>Profit before loan losses</b>	<b>1,355</b>	<b>1,246</b>	<b>9%</b>	<b>1,305</b>	<b>4%</b>
Net loan losses and similar net result	-58	22		56	
<b>Operating profit</b>	<b>1,297</b>	<b>1,268</b>	<b>2%</b>	<b>1,361</b>	<b>-5%</b>
Cost-to-income ratio excl. regulatory fees, %	45	47		46	
Cost-to-income ratio*, %	48	49		49	
Return on equity*, %	12.7	10.8		13.3	
Diluted earnings per share, EUR	0.27	0.25	8%	0.28	-4%

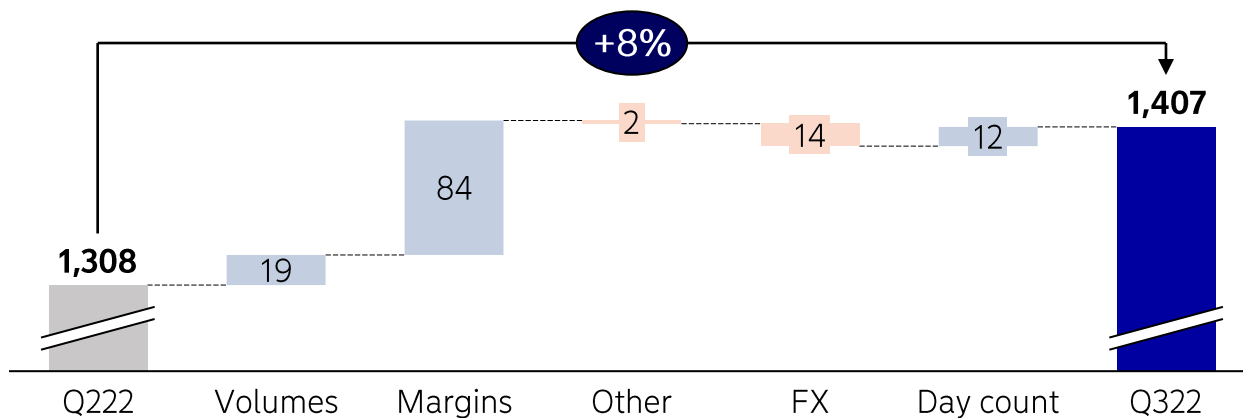
Net interest income

## Continued volume growth, deposit margins up

### Year-over-year bridge, EURm



### Quarter-over-quarter bridge, EURm

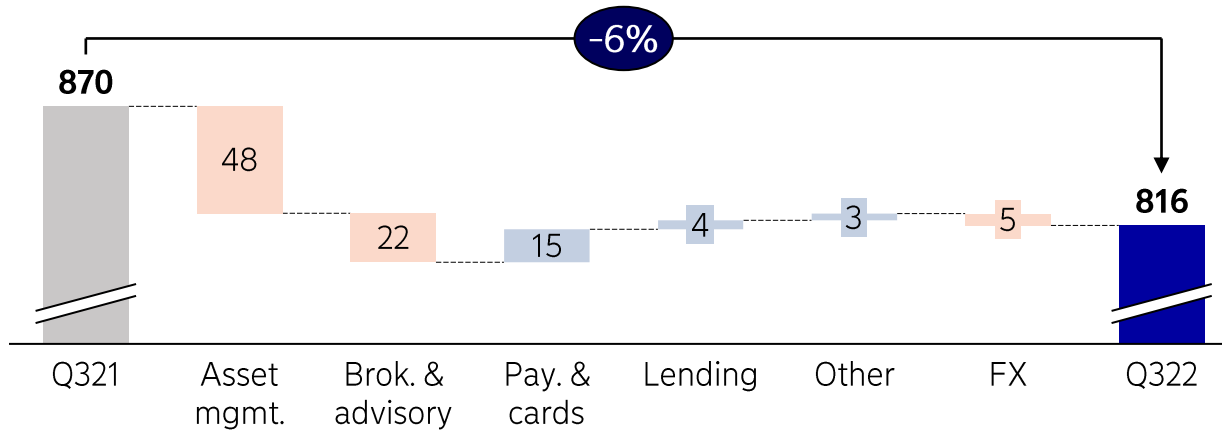


- **Net interest income up 15%**
- **Lending volume growth across all business areas**
  - Strong performance in corporate sector with total corporate lending up 12% and LC&I up 25%
- **Deposit margins up, driven by higher policy rates across Nordics**
- **Lending margin pressure continues**
  - Margins pressured by increased funding costs

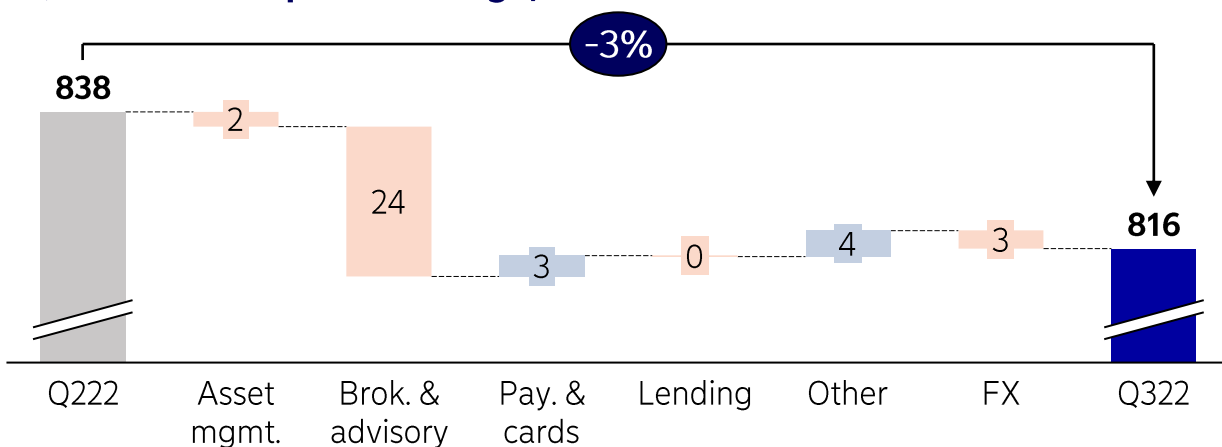


## Higher payment and card income partly offsetting lower asset management, brokerage and advisory income

### Year-over-year bridge, EURm



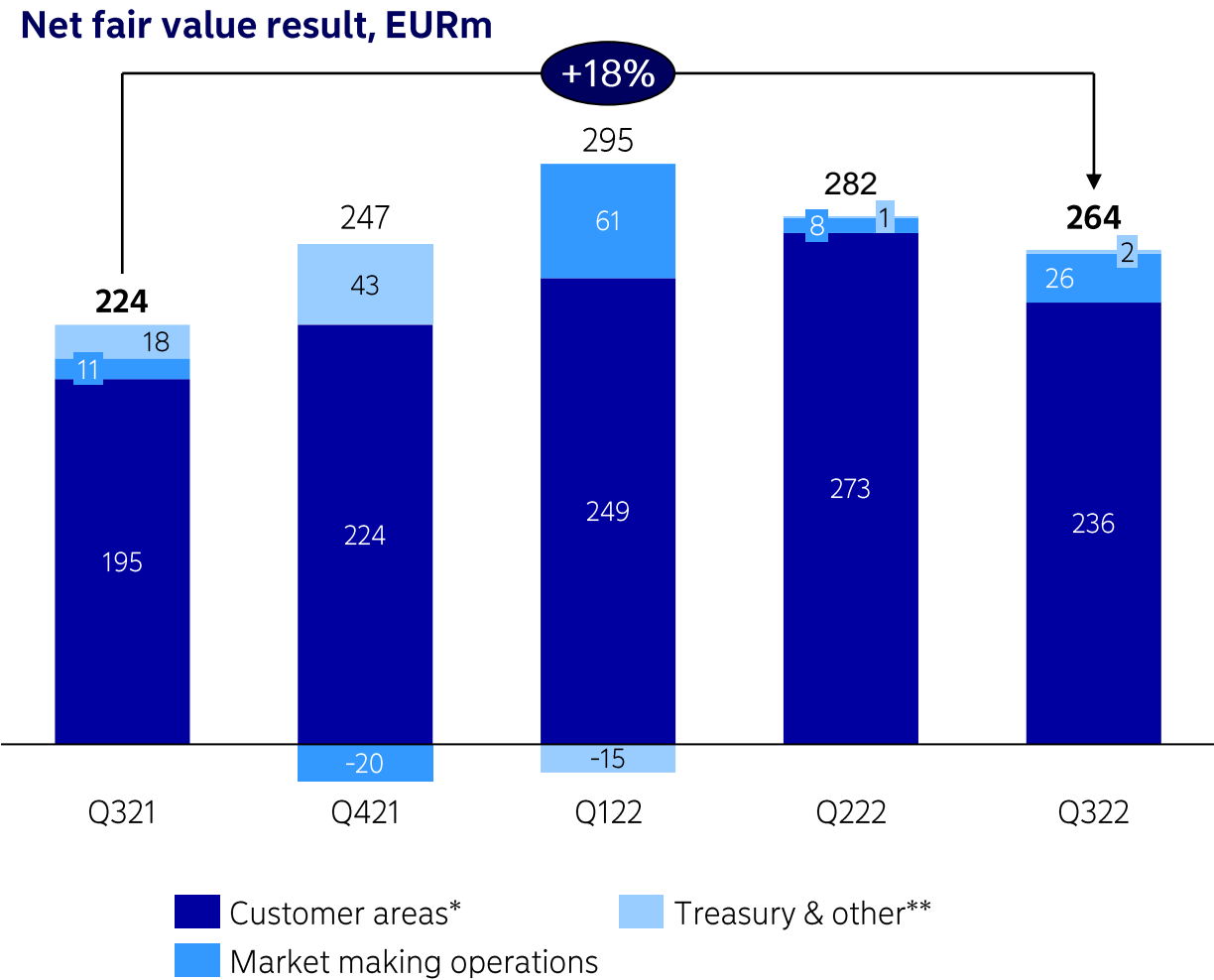
### Quarter-over-quarter bridge, EURm



- **Net fee and commission income down 6%**
- **Savings fees down following lower assets under management**
  - Assets under management down 13% but net flows from internal channels were positive
- **Brokerage and advisory fee income down due to low activity**
  - Customer activity negatively impacted by unfavourable market conditions
- **Payment and card fee income up due to higher customer activity**

Net fair value result

Continued high customer activity in volatile markets

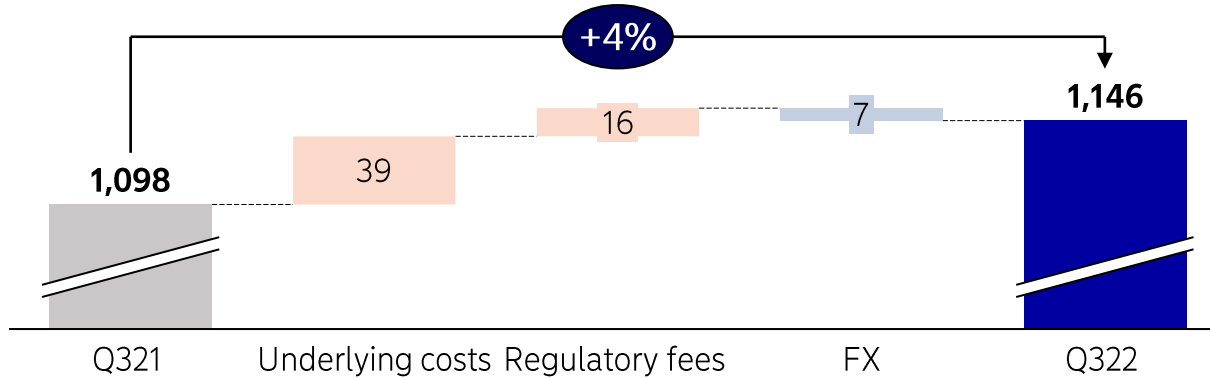


- Continued high customer activity in volatile markets
  - Strong interest in FX and rates products
- Market making up, driven by FX, rates and equity trading

\* Excludes fair value adjustments to loans held at fair value in Nordea Kredit  
\*\* Includes valuation adjustments and FX

## Cost increases due to higher investments, normalising activity and increased regulatory fees

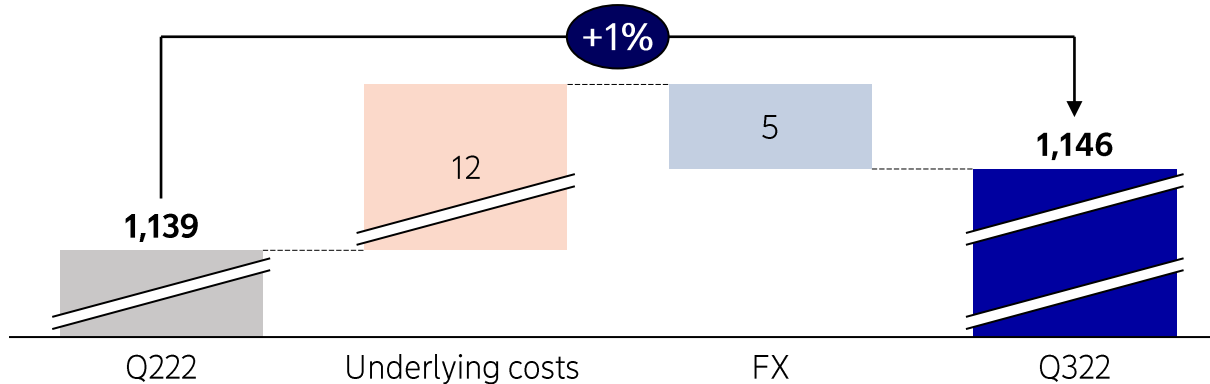
Year-over-year bridge, EURm



- Costs including regulatory fees up 4%**

- Costs excluding regulatory fees up 3%, driven by higher investments in line with our business plan
- Higher IT investments and marketing costs
- Staff costs flat

Quarter-over-quarter bridge, EURm



# Nordea

2025: The preferred financial partner in the Nordics

| **Creating the best omnichannel customer experience**

| **Driving focused and profitable growth**

| **Increasing operational and capital efficiency**

## 2025 financial target

**Return on equity**  
**>13%**

Assumes CET1 requirement of 15–16%,  
including management buffer

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Supported in 2025 by

**Cost-to-income ratio**  
45–47%

**Loan losses**  
Normalised ~10bp

**Capital and dividend policy**

60–70% dividend payout ratio; excess  
capital distributed through buy-backs

Management buffer of 150–200bp above  
regulatory CET1 requirement

Sustainability at the core

## Our long-term sustainability objectives supported by short-term targets

### 2050 long-term objective:



Become a  
**net-zero**

emissions bank by 2050 at the latest

### 2030 mid-term objective:



**40-50%**

reduction in emissions across investment and lending portfolios by 2030<sup>1</sup>



**50%**

reduction in emissions from internal operations by 2030<sup>1</sup>

### Supported by our 2025 targets<sup>2</sup>:

€ **EUR >200bn**

Sustainable Financing  
facilitation 2022-2025



**90%**

of exposure to large corporates  
in climate-vulnerable sectors to  
be covered by transition plans



**80%**

of top 200 emitters in NAM  
portfolios to be aligned with  
the Paris agreement or else  
subject to active engagement  
to become aligned



**Double**

the share of net-zero-  
committed AUM



**At least 40%**

representation of each gender  
at the top three leadership  
levels combined

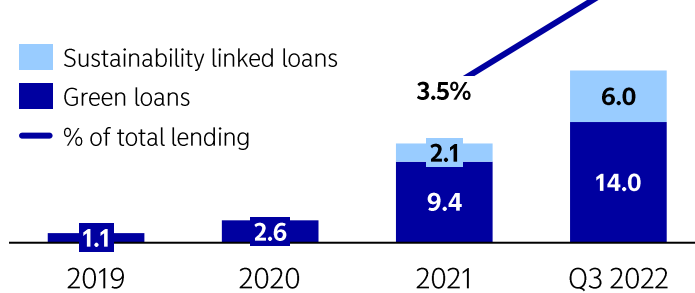


## Actively engaging to drive transition and capture growth opportunities

### Channelling capital towards sustainable solutions

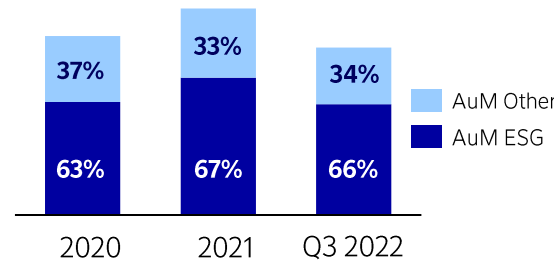
#### Green and sustainability linked loans

Total volumes, EURbn



#### Assets under management

Share of ESG AuM, %

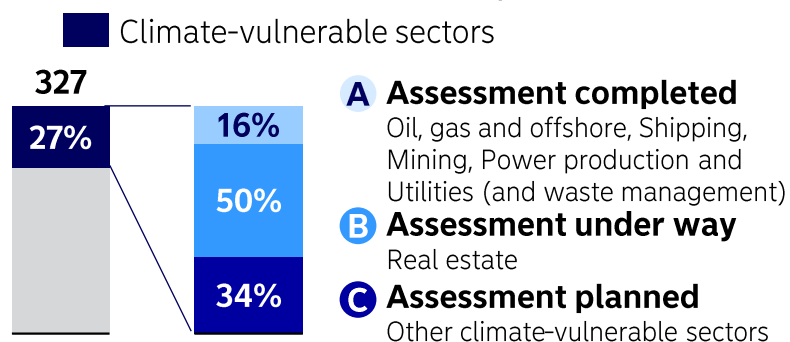


ESG AuM = article 8 and 9 funds (according to EU SFDR) in Nordea Asset Management

### Engaging to support green transition

#### Climate-vulnerable exposure

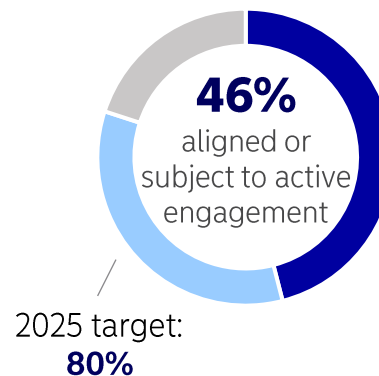
Sector assessment (total lending, EURbn)



- A Assessment completed**  
Oil, gas and offshore, Shipping, Mining, Power production and Utilities (and waste management)
- B Assessment under way**  
Real estate
- C Assessment planned**  
Other climate-vulnerable sectors

#### Alignment with Paris Agreement for top 200 emitters

Q3 2022, Portfolios in Asset Management

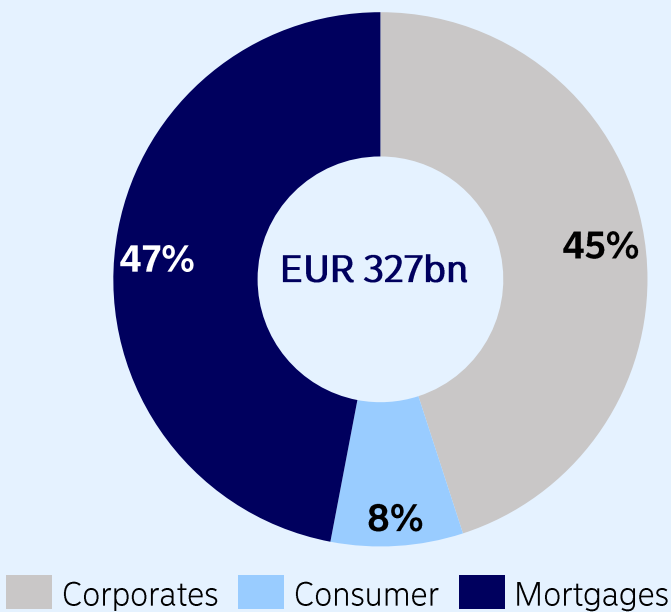


- **By Q3 facilitated EUR 46.2bn in sustainable financing**
  - Compared to target EUR >200bn by 2025
- **Issued first ever sustainability-linked loan bond under the new framework**
  - SEK/NOK 4.1 billion senior preferred notes
- **Nordea scores A- in Position Green ESG 100 report**
  - Of the 100 largest listed on Nasdaq SE and DK, Nordea ranks among the top corporates
- **#1 ranking for Nordic sustainable bonds overall**
- **Sector assessment on Power Production and Utilities completed**

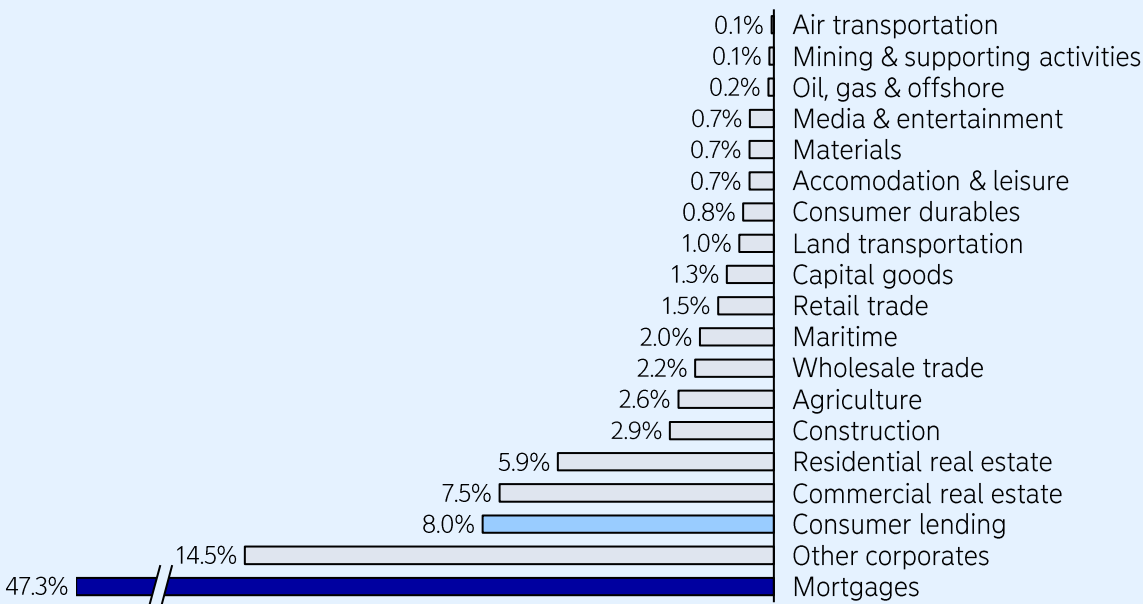
## 2. Credit quality

Well diversified with strong credit quality

Portfolio well diversified across countries and segments



No major industry sector concentration



Nordic societies have well-structured social safety nets, strong fiscal positions and effective legal systems

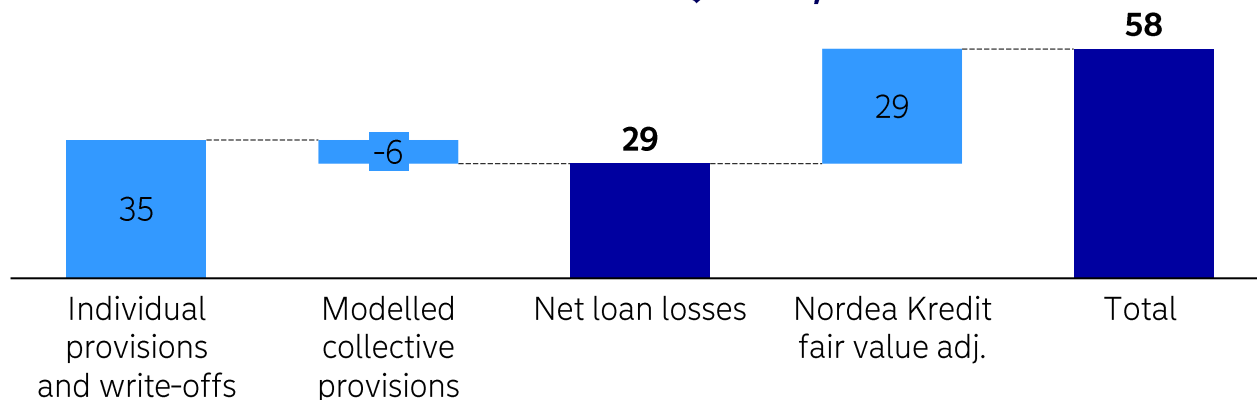
Lending by country



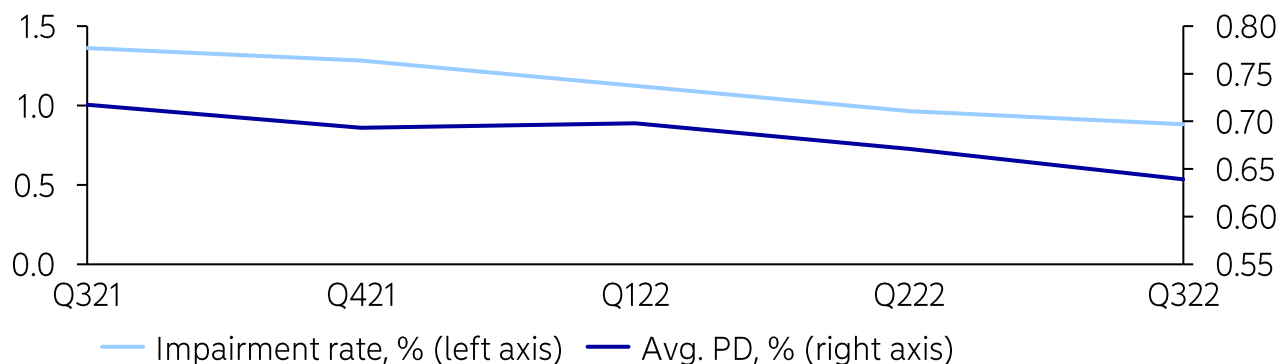
Net loan losses and similar net result

## Strong credit quality amid weaker economic conditions

### Net loan losses and similar net result Q3 2022, EURm



### Impaired (Stage 3) loans and PD of total loans, %



- **Net loan losses low at EUR 29m (4bp)**

- Few new provisions for corporates, no specific industry concentration
- Continued reversals from Shipping and Oil, gas and offshore
- Lower collective provisions from improved portfolio quality despite weaker macroeconomic scenarios

- **Total net result EUR 58m (7bp)**

- FV model adjustment for Danish mortgages due to decreased house prices

- **Management judgement buffer kept unchanged at EUR 565m**

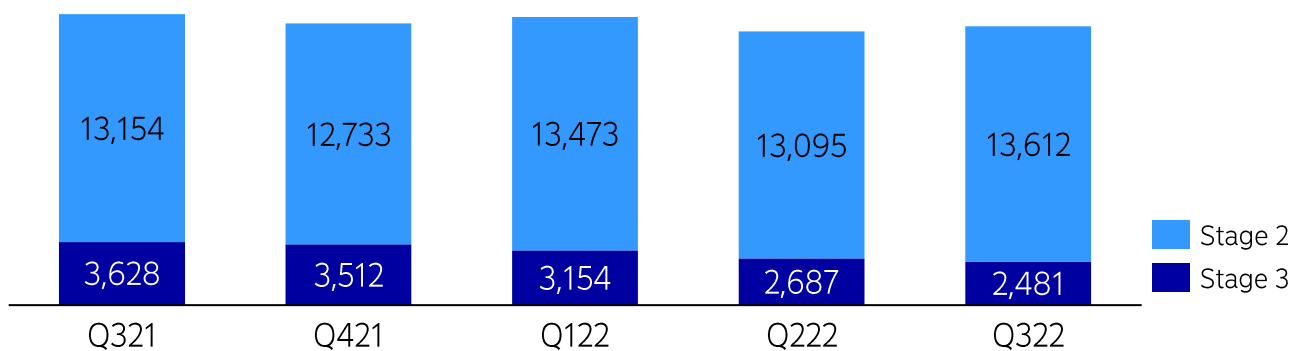
- Higher macroeconomic uncertainty offset by reduced COVID-19 related credit risk

- **Continued strong credit quality, while risks carefully monitored**

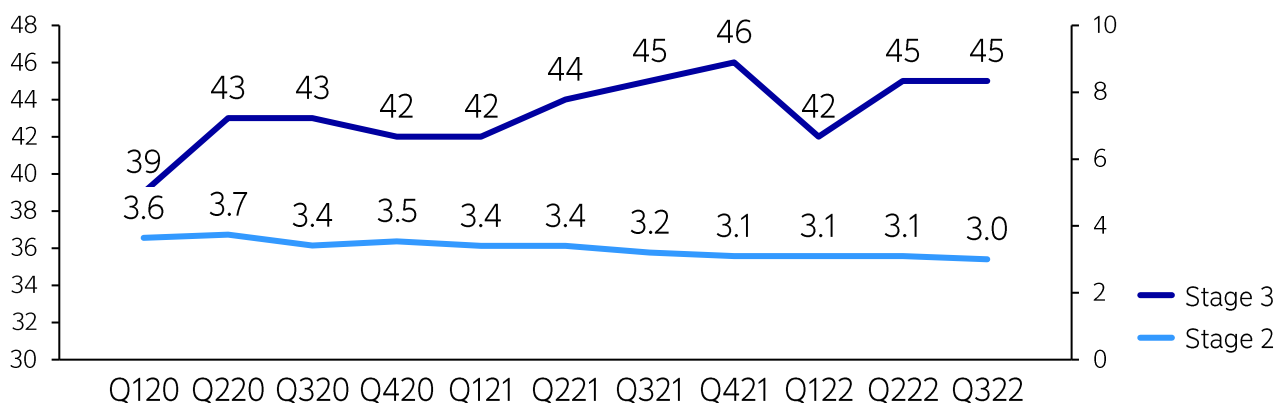
**Nordea**

## Strong and stable portfolio credit quality

### Stage 2 and 3 loans at amortised cost, EURm



### Coverage ratio, %

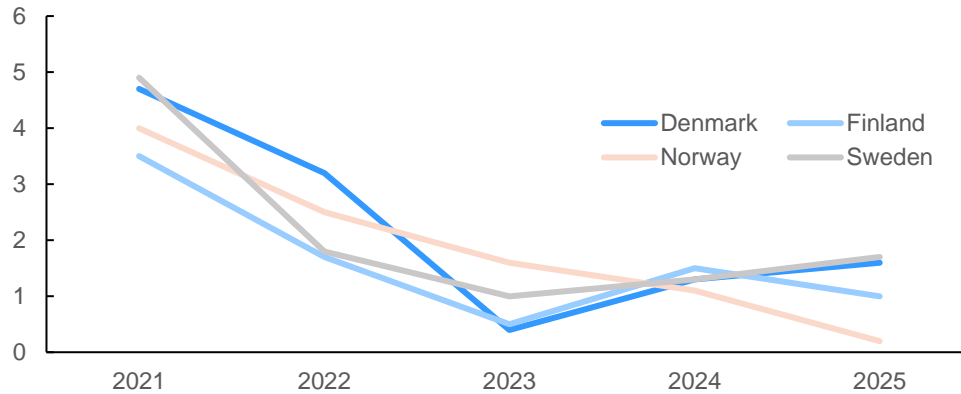


- Stage 3 impaired loans further reduced, to 0.88% from 0.96% in Q2
- Stage 2 loans up 4% q/q
- Coverage ratio for remaining Stage 3 portfolio at 45%
- Portfolio credit quality remained strong

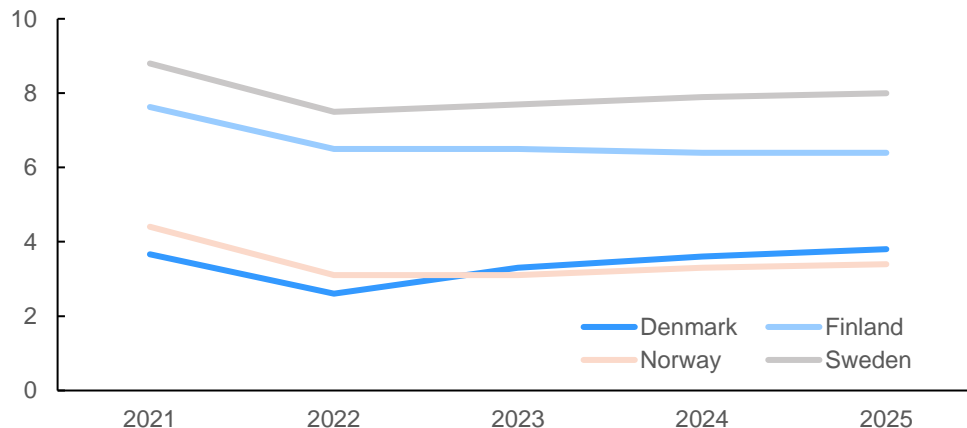


## Macroeconomic assumptions for scenarios

Baseline annual GDP growth, %



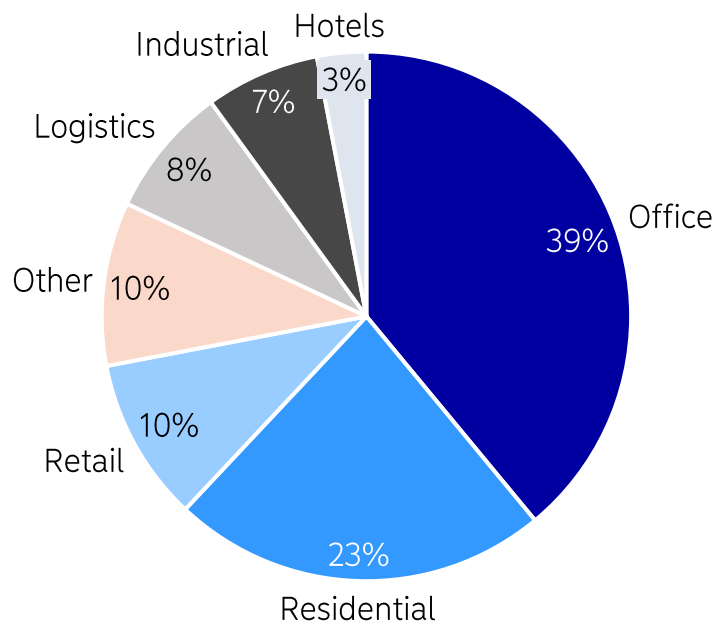
Baseline unemployment rate, %



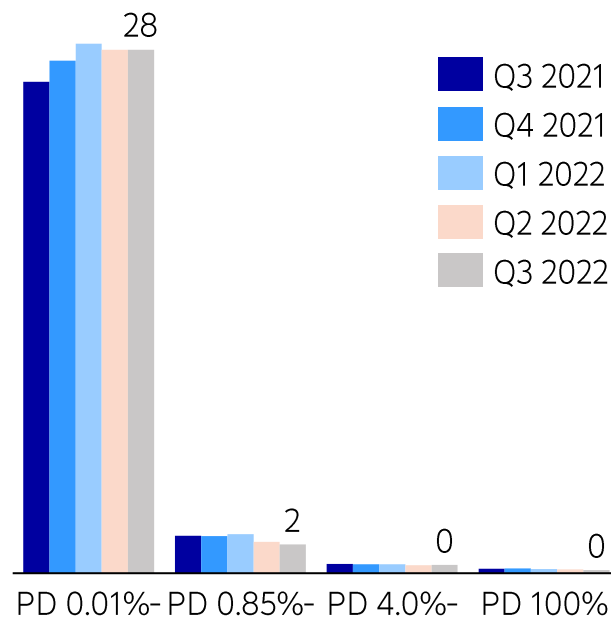
- **The scenarios take into account projections made by Nordic central banks, Nordea Research and the European Central Bank**
- **Scenarios are less positive in Q3 (weights unchanged)**
- **Base scenario, 50% weight**
  - The war in Ukraine continues to weigh on the outlook through higher energy and food prices. Business and consumer confidence is low and interest rates are significantly higher
  - House prices are expected to fall in all four Nordic countries until the end of 2023 with the correction in Sweden being most pronounced
- **Adverse scenario, 40% weight**
  - The conflict between Russia and Ukraine pushes energy prices to record highs seen in March 2022, providing a further negative impulse to private consumption and investments, while the decline in house prices will be somewhat larger
- **Upside scenario, 10% weight**
  - Energy prices stabilise at lower levels and uncertainty is reversed prompting a stronger recovery

## Well diversified with high quality

**Distribution of REMI property types, EUR 30bn\***



**Distribution of REMI by probability of default (PD), EURbn\***



- **High-quality portfolio**

- Our stress tests suggest very limited provisions even from potential large price decreases
- Strict underwriting standards with focus on cash flows, diversified businesses in favourable locations and interest rate risk hedging requirements

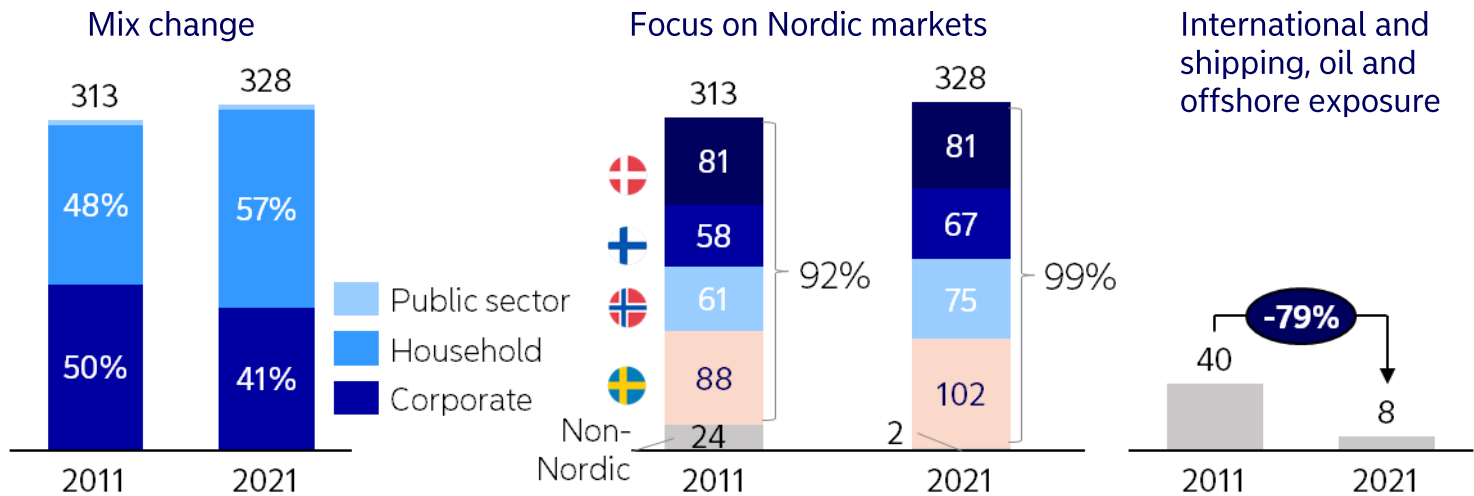
- **Well diversified portfolio**

- Nearly two-thirds of portfolio consists of resilient office and residential properties
- Growing demand for properties supporting e-commerce and last-mile logistics

- **93% of exposure towards low-risk customers in Q3**

## Portfolio significantly de-risked over past 10 years

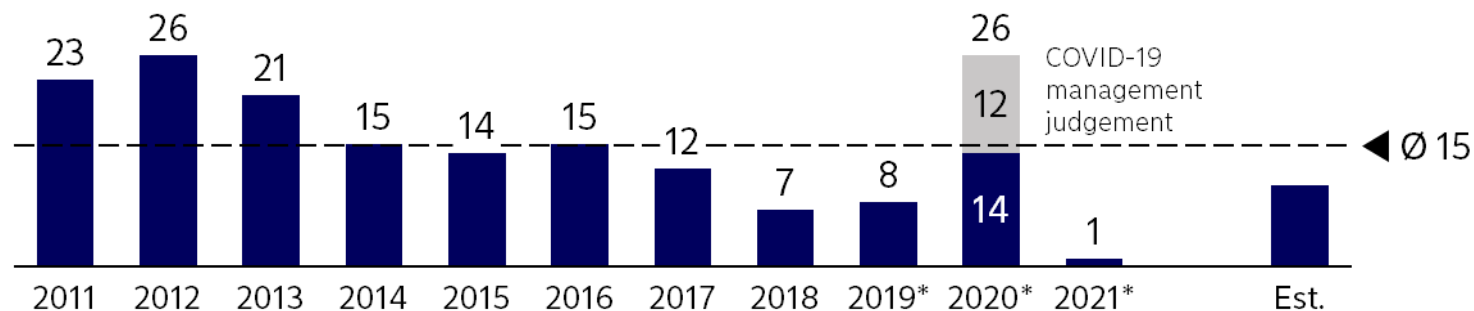
### Significant de-risking (EURbn)



### Significant portfolio de-risking

- Increased share of household lending
- Focus on our four Nordic home markets
- Reduced international exposure
  - Divested business in Poland, Luxembourg and Baltics
  - Exit from Russia completed
- Reduced shipping, oil and offshore portfolio by half; further actions ongoing

### Loan loss ratios (bp)



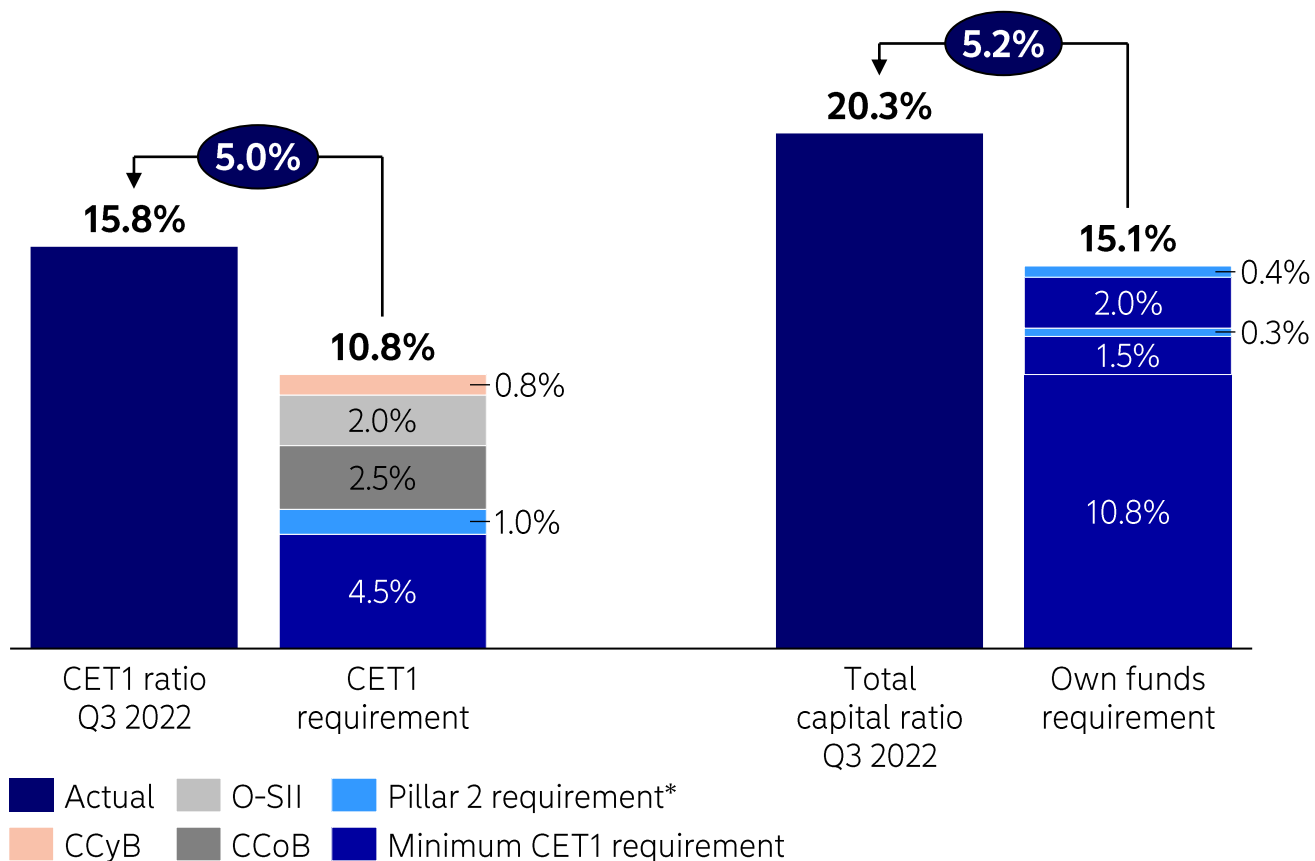
### Future loan loss levels rebased

- 2020–21 resilient credit quality
- 2022–23 unwinding the COVID-19 buffer
- 2024–25 new normal, de-risked portfolio
- Normalised run rate from 2025 ~10bp

## 3. Capital

## Significant buffer to capital requirements

### Capital position and requirements (%)



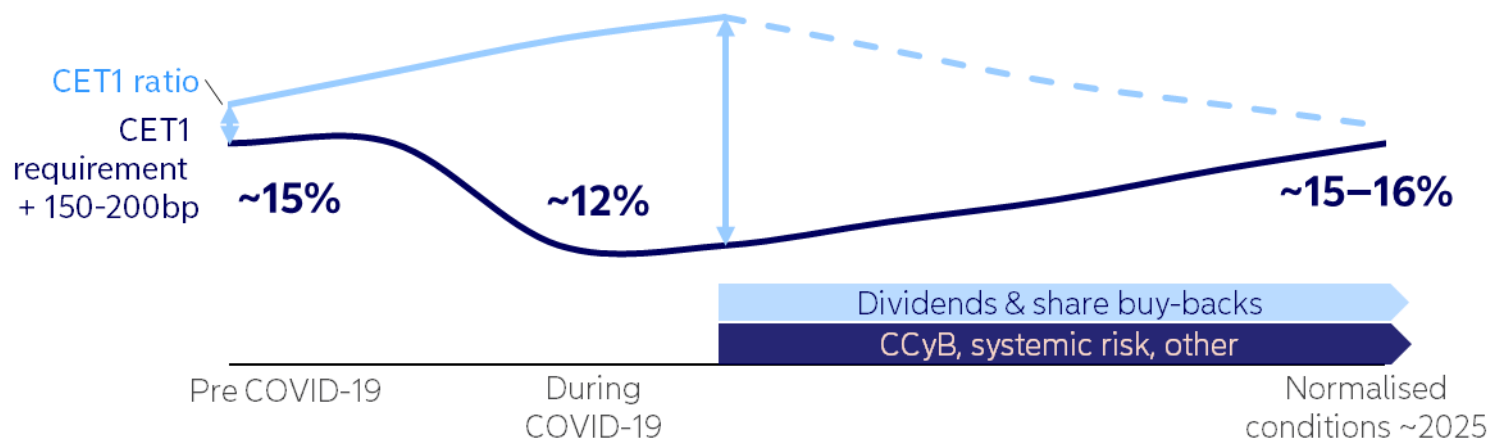
- **CET1 capital ratio 15.8%**
  - 5.0 percentage points above regulatory requirement
  - Capital policy of 150-200bp management buffer above regulatory requirement (MDA level)
- **CET1 buffer of 5.0 percentage points**
  - Corresponds to EUR 7.5bn
- **MDA level expected to increase in 2022-23 following decided increases in countercyclical capital buffer rates and O-SII\***
- **Good progress on share buybacks**
  - Third EUR 1.5bn programme in progress

23 \*Decided increases of CCyB buffer rates: Norway from 1.5% to 2.0% in Q4 2022 and 2.5% in Q1 2023, Denmark from 0% to 1.0% in Q3 2022, to 2.0% in Q4 2022 and 2.5% in Q1 2023 and Sweden from 0% to 1.0% in Q3 2022 and to 2.0% in Q2 2023. OSII buffer to increase from 2.0% to 2.5% in Q1 2023

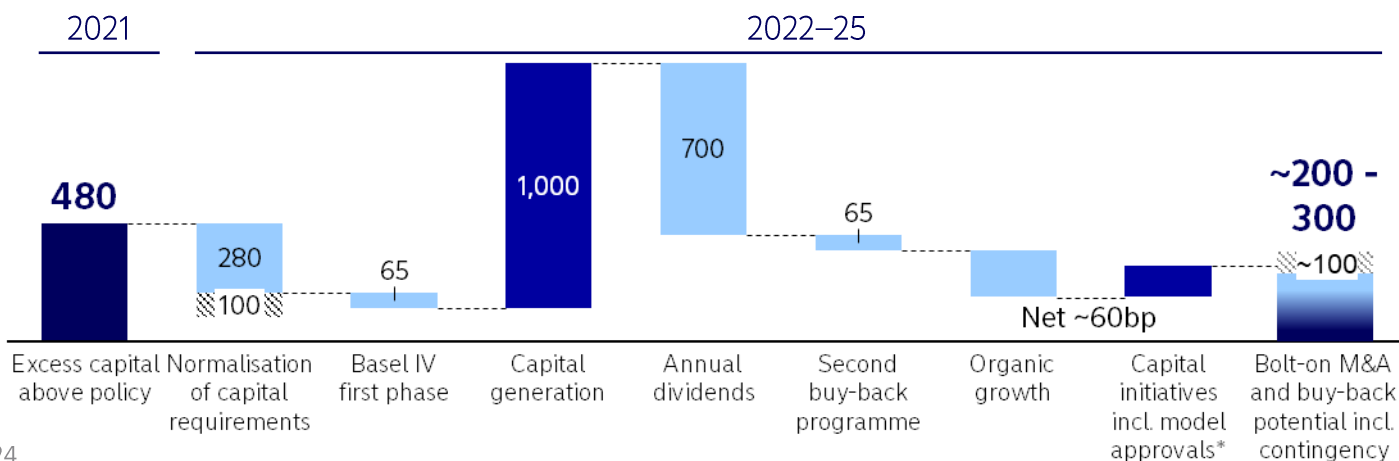


## Reducing capital excess – path to normalisation

### CET1 capital ratio and requirement



### Capital generation and uses of capital (bp)



### • Normalised CET1 requirement

- Continued reactivation of countercyclical capital buffers and buffers for systemic risk
- Regulatory requirement expected to settle around 13%; up to additional 1% allowance for prudence
- Management buffer of 150–200bp above regulatory requirement
- Implied CET1 ratio of 15–16%

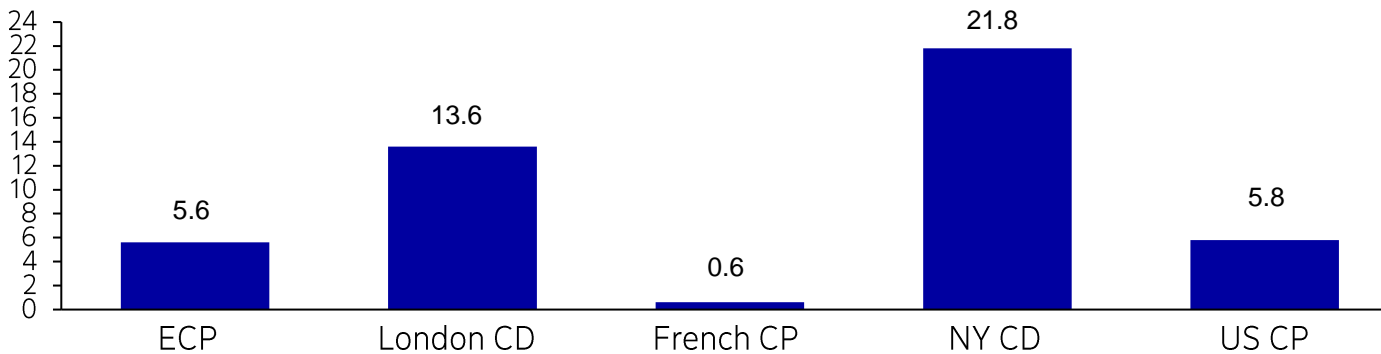
### • Focus on capital excellence

- Capital deployment for profitable growth
- Capital efficiency initiatives
- Excess capital returned to shareholders

## 4. Funding

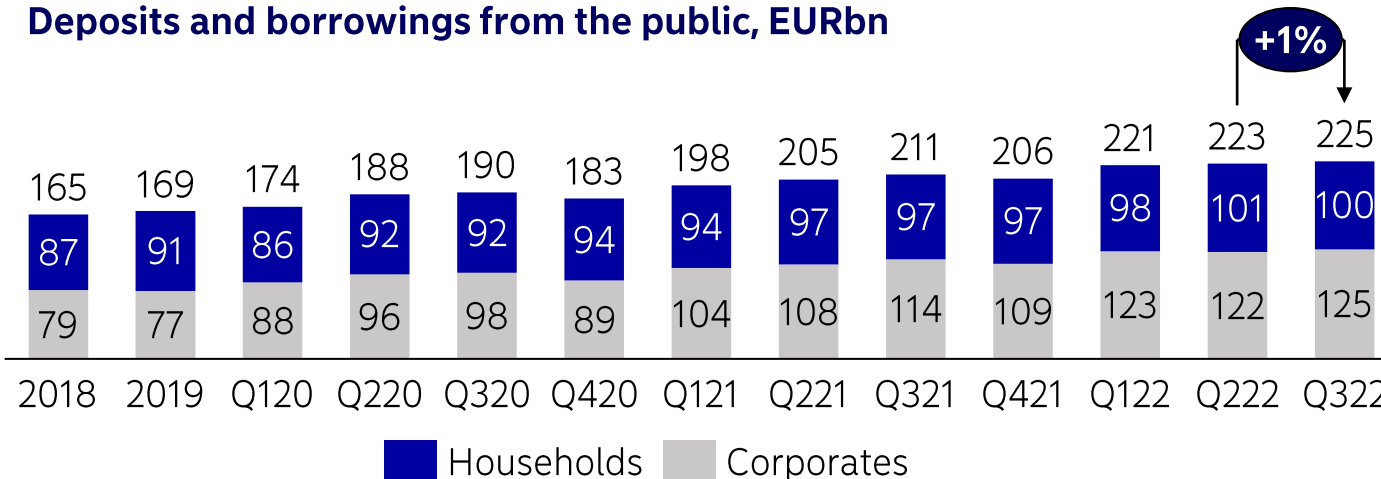
## Strong liquidity position

### Short term funding outstanding (EURbn), Q3 2022\*



\* Excluding CPs/CDs where original maturity is over one year

### Deposits and borrowings from the public, EURbn



- **Robust liquidity position**

- Liquidity coverage ratio (LCR) 150%
- Net stable funding ratio (NSFR) 118%
- Liquidity buffer EUR 126bn

- **Short term issuance**

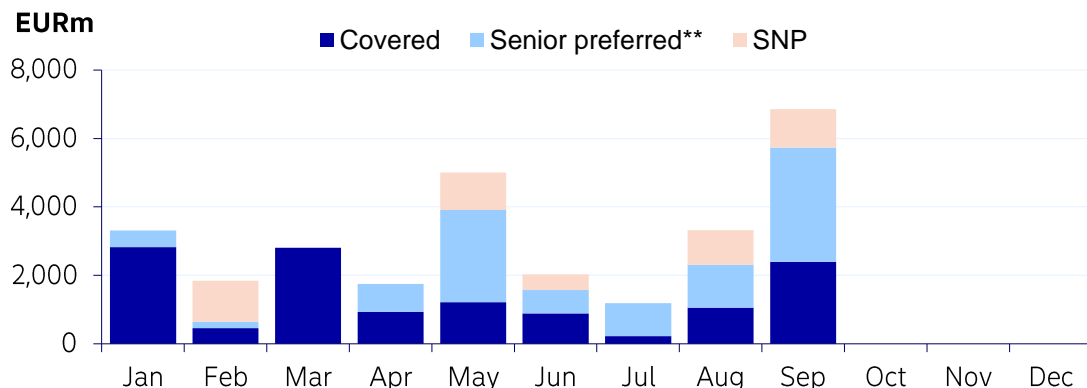
- Total outstanding EUR 47.5bn per end Q3
- Globally diversified funding with strong market access

- **Deposits**

- Deposits up 1% q/q, Lower deposits in PeB and BB offset by higher deposits in LC&I

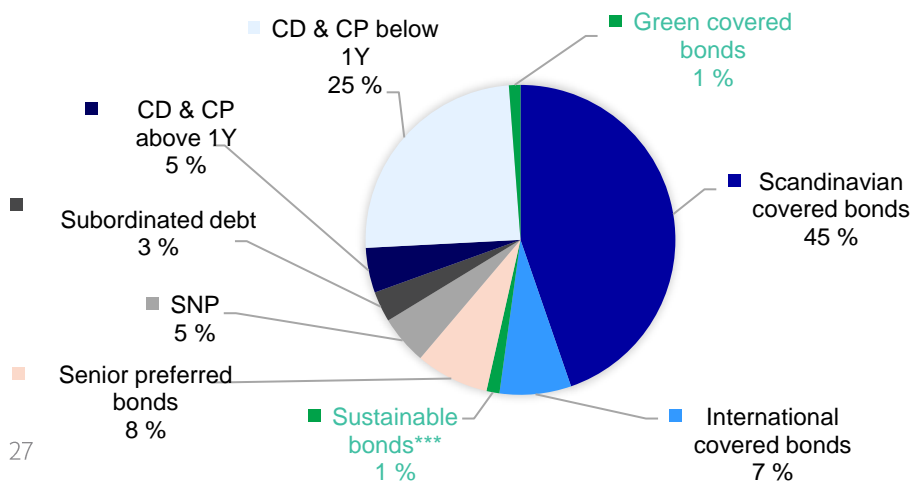
## Solid funding operations

### Long term issuance per Q3 2022, EUR 28.1bn



\*\* Including CPs/CDs where original maturity is over one year

### Wholesale funding outstanding, EUR 195bn



\*\*\* Including Green SP/SNP bonds & SLL SP bonds

### Long Term Funding

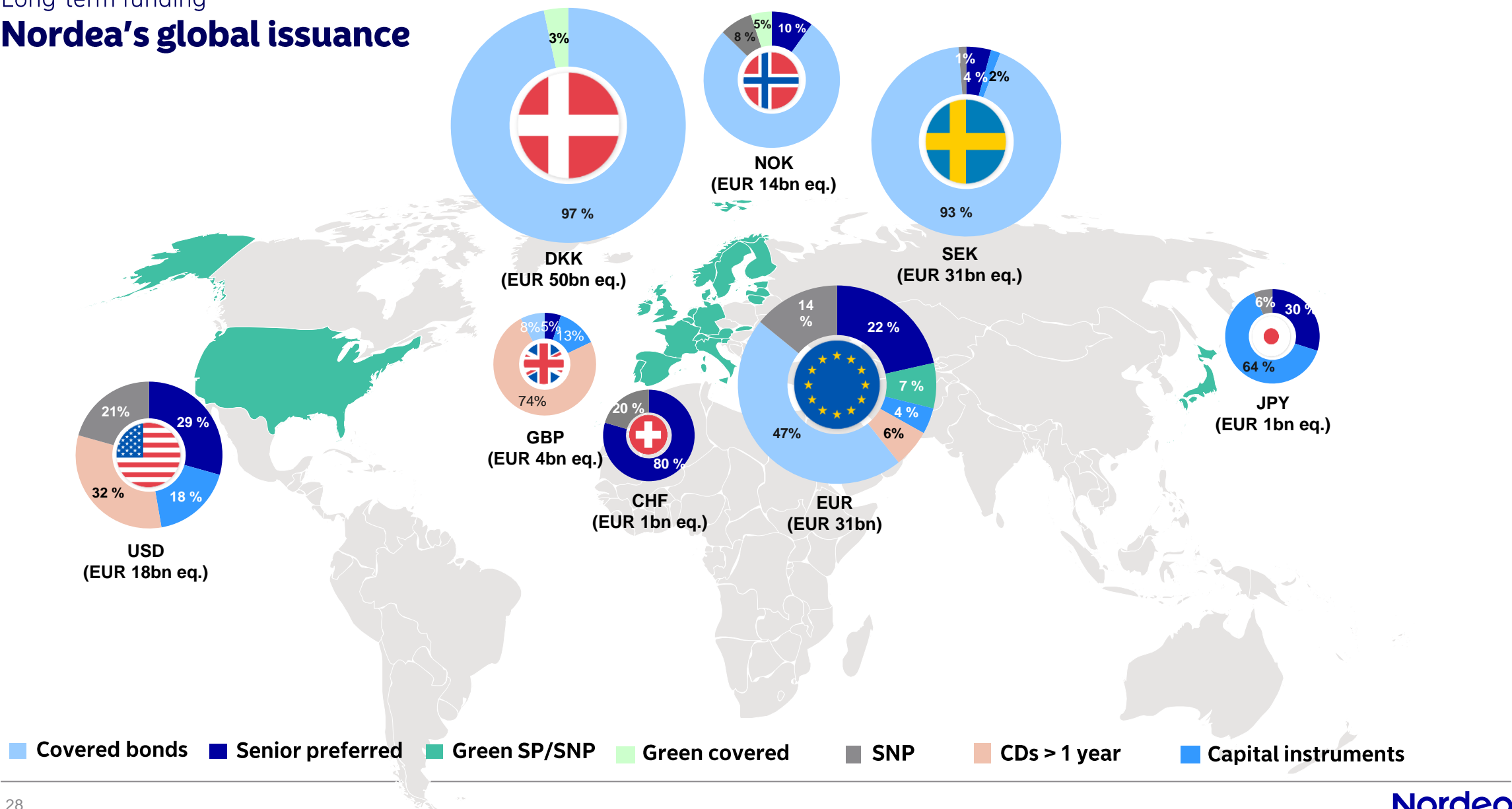
- EUR 11.4bn in long term debt issued during Q3
  - EUR 3.7bn covered bonds and EUR 7.7bn in senior format
- Long term funding 71% of total funding at end of Q3

### Issuance plans 2022

- Total issuance approx. EUR 30bn\*
- Around half expected to be issued in Scandinavian markets, primarily in covered bond format
- Target of ~EUR 13bn outstanding in SNP by end of 2023
  - EUR 11.4bn SNP outstanding

\*Excluding capital transactions and DKK covered bonds

Nordea's global issuance

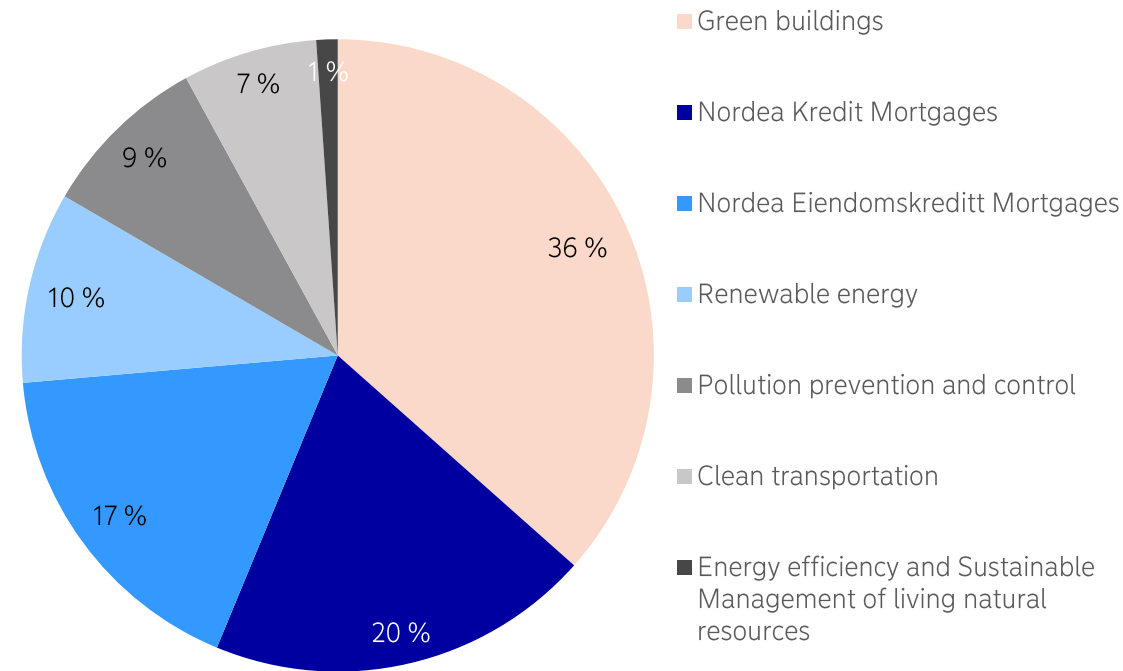




Sustainability at the core

# Enhanced focus on sustainable funding

## Nordea's green bond asset portfolio



- **Green bond asset portfolios totalling EUR 8.6bn**
  - EUR 5.4bn from NBAbp
  - EUR 3.2bn from Nordea Kredit and Nordea Eiendomskreditt
- **Inaugural green bond from NBAbp issued in 2017**
  - EUR 2.25bn currently outstanding of green bonds from NBAbp
- **Inaugural green covered bond issued in 2019**
  - EUR 2.4bn outstanding of green covered bonds
- **Green deposits offered in Norway**
- **Inaugural bond under sustainability linked loan (SLL) funding framework issued in Q3**
  - SEK 2.8bn and NOK 1.3bn senior preferred



Company rating:  
C (A+ to D-)\*



ESG score:  
21.7 (0 to 100)\*\*



ESG rating:  
AA (AAA to CCC)



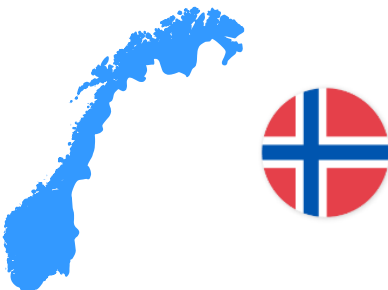
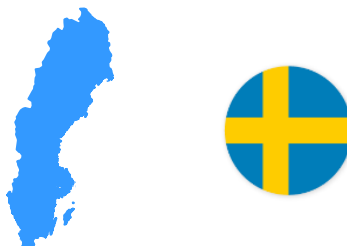

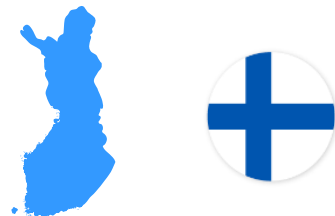
CSA score:  
69 (0 to 100)\*\*\*

\* Highest rating within sector is C+

\*\* Lower score represents lower ESG risk

\*\*\* Higher score represents better sustainability practices

## Nordea covered bond operations



















Four aligned covered bond issuers with complementary roles	Nordea Eiendoms kreditt	Nordea Hypotek	Nordea Kredit	Nordea Mortgage Bank	
					
	Legislation	Norwegian	Swedish	Danish	Finnish
	Cover pool assets	Norwegian residential mortgages	Swedish residential mortgages primarily	Danish residential & commercial mortgages	Finnish residential mortgages primarily
	Cover pool size*	EUR 21.5bn (eq.)	EUR 61.8bn (eq.)	Balance principle	EUR 24.0bn
	Covered bonds outstanding*	EUR 11.7bn (eq.)	EUR 31.4bn (eq.)	EUR 62.9bn (eq.)**	EUR 20.7bn
	OC*	84%	97%	7%**	16%
	Issuance currencies	NOK	SEK	DKK, EUR	EUR, GBP
	Rating (Moody's / S&P)	Aaa/ -	Aaa / -	- / AAA	Aaa / -
	Included in Nordea Green Framework	Yes	Yes	Yes	Yes
	Issued Green CB's	Yes (inaugural issue in 2021)	-	Yes (inaugural issue in 2019)	-

- Covered bonds are an integral part of Nordea's long term funding operations
- All Nordea covered bond issuance entities (MCI's) are covered by Nordea's green funding framework



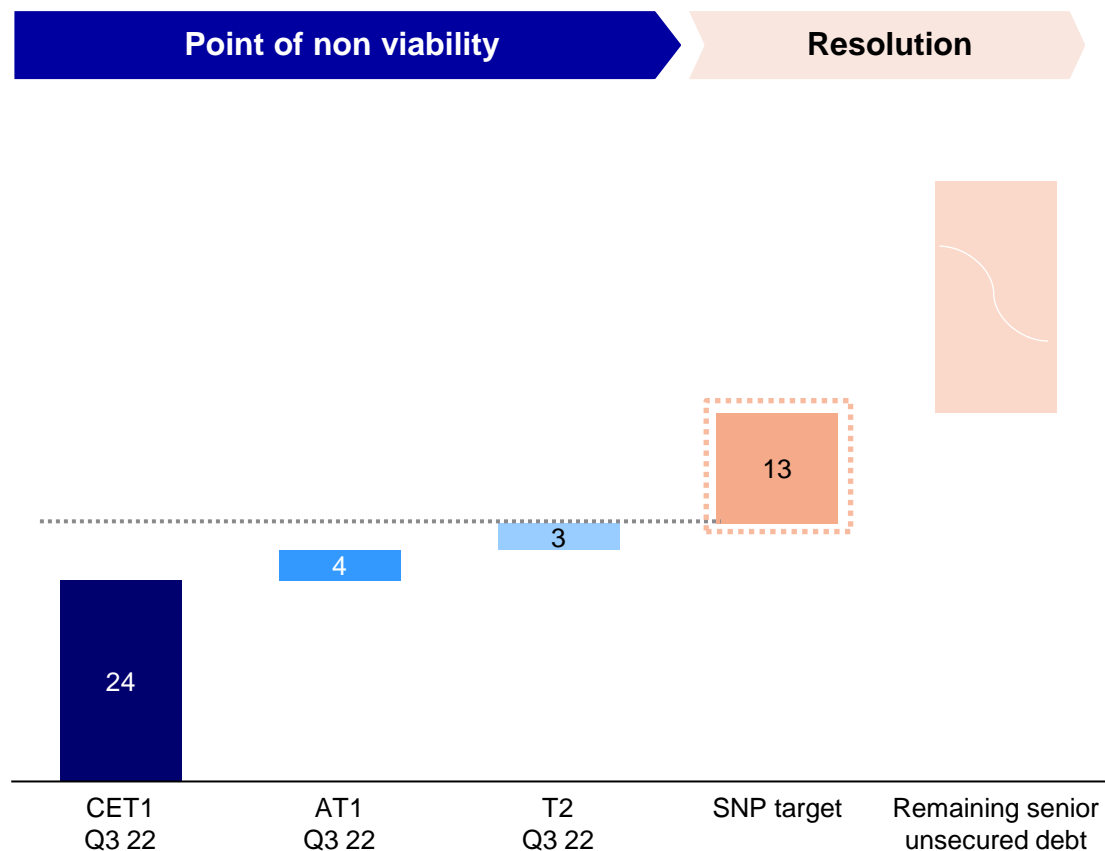
## Funding transactions

### Nordea recent benchmark transactions

Issuer	Type	Currency	Amount (m)	FRN / Fixed	Issue date	Maturity date	Callable
Nordea Bank	Senior non-preferred	 USD	1,000	Fixed	Sep-22	Sep-27	
Nordea Bank	Senior preferred	 USD	1,000	Fixed	Sep-22	Sep-25	
Nordea Mortgage Bank	Covered	 EUR	1,000	Fixed	Sep-22	Sep-32	
Nordea Bank	Senior preferred, SLL	 NOK	1,300	FRN/Fixed	Sep-22	Sep-27	
Nordea Bank	Senior preferred, SLL	 SEK	2,800	FRN/Fixed	Sep-22	Sep-25	
Nordea Bank	Senior non-preferred	 EUR	750	Fixed	Aug-22	Aug-32	
Nordea Bank	Senior non-preferred	 CHF	200	Fixed	June-22	June-27	
Nordea Bank	Senior preferred	 USD	1,000	FRN/Fixed	June-22	June-25	
Nordea Bank	Senior non-preferred	 NOK	1,600	FRN/Fixed	June-22	June-27	
Nordea Bank	Senior non-preferred	 EUR	1,000	Fixed	May-22	May-29	
Nordea Eiendomskreditt	Covered	 NOK	6,000	FRN	Apr-22	Mar-27	
Nordea Mortgage Bank	Covered	 EUR	1,500	Fixed	Mar-22	Mar-29	
Nordea Bank	Senior non-preferred, Green	 EUR	1,000	Fixed	Feb-22	Feb-27	
Nordea Eiendomskreditt	Covered, Green	 NOK	7,000	FRN	Nov-21	Sep-26	
Nordea Bank	Senior non-preferred	 EUR	1,000	Fixed	Nov-21	Nov-28	
Nordea Bank	Senior non-preferred	 USD	1,500	Fixed	Sep-21	Sep-26	
Nordea Bank	Tier 2	 GBP	500	Fixed	Sep-21	Dec-27	11.25NC6.25
Nordea Bank	AT1	 USD	1,000	Fixed	Aug-21	Sep-29	PerpNC8

Own funds and bail-in-able debt position

## Senior non-preferred target

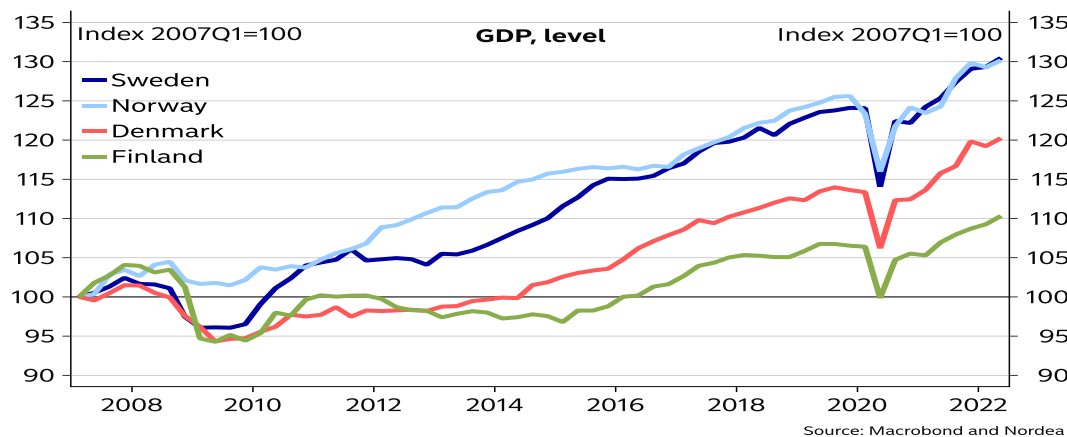


- **Target by YE 2023: eligible SNP of ~EUR 13bn**
  - Subordinated MREL 26.0% of REA as of Q3 22 (2.5pp above requirement)
  - Issuance plan to meet future subordination requirement
- **EUR 11.4bn in SNP outstanding**
  - Of which ~EUR 8.8bn eligible by YE 2023

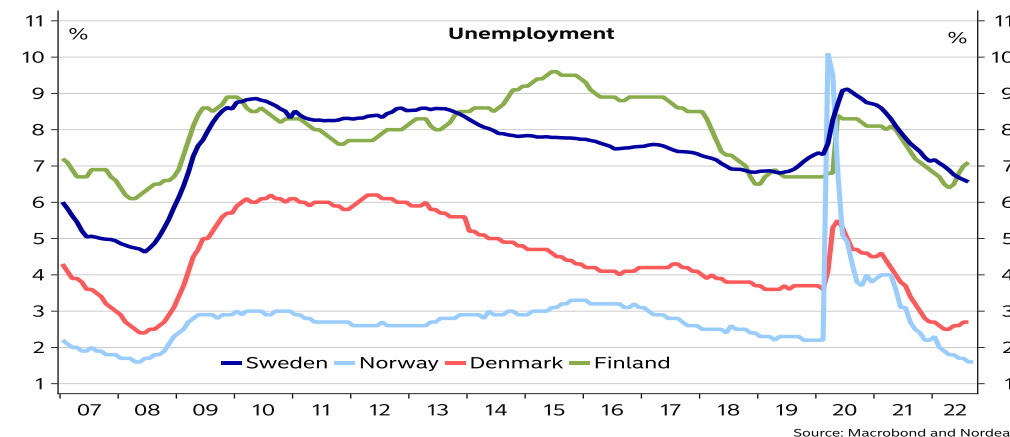
## 5. Macroeconomy

## Nordic outlook dampened by higher inflation and interest rates

### GDP development



### Unemployment rate



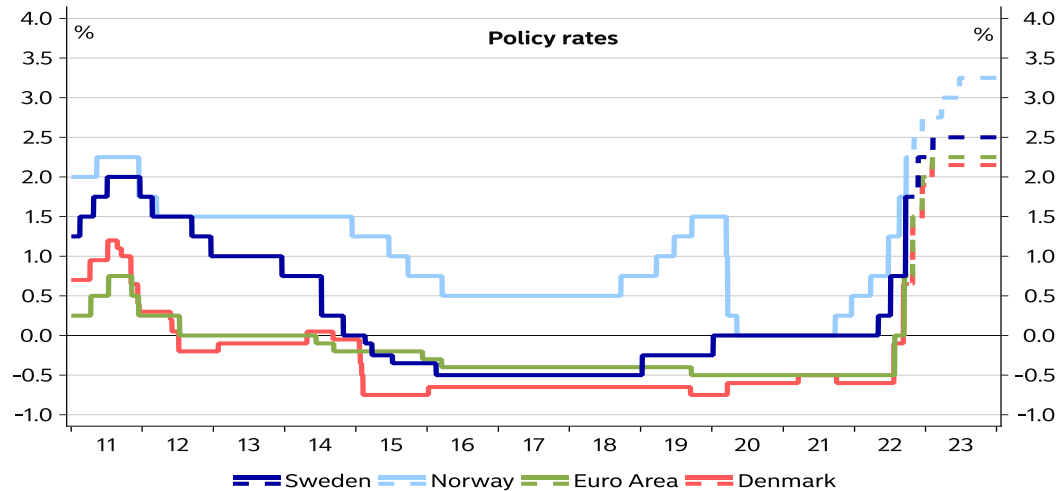
- The Nordic economies recovered quickly from the pandemic and even showed signs of overheating
- With surging inflation and energy prices, the economic development in the Nordic countries will most likely slow down in the following quarters
- Unemployment rate in the Nordic countries have continuously declined since the pandemic

### GDP, % y/y (Economic Outlook September 2022)

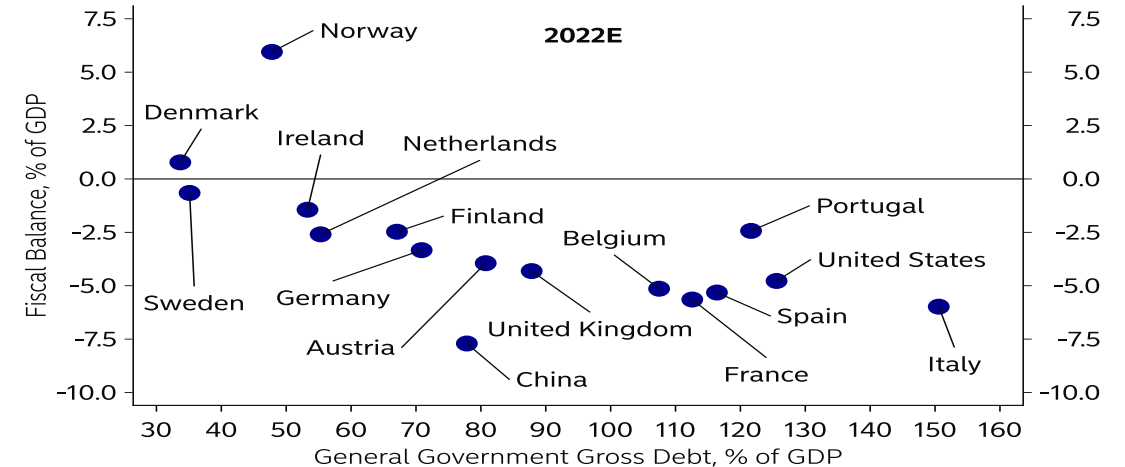
Country	2021	2022E	2023E	2024E
Denmark	4.9	2.5	0.5	1.8
Finland	3.0	2.5	0.0	1.5
Norway	4.1	3.2	1.0	1.3
Sweden	4.9	3.0	-0.5	1.0

## Interest rates are increasing rapidly throughout the Nordics

### Policy rates



### Public balance/debt, % of GDP, 2022E (IMF)



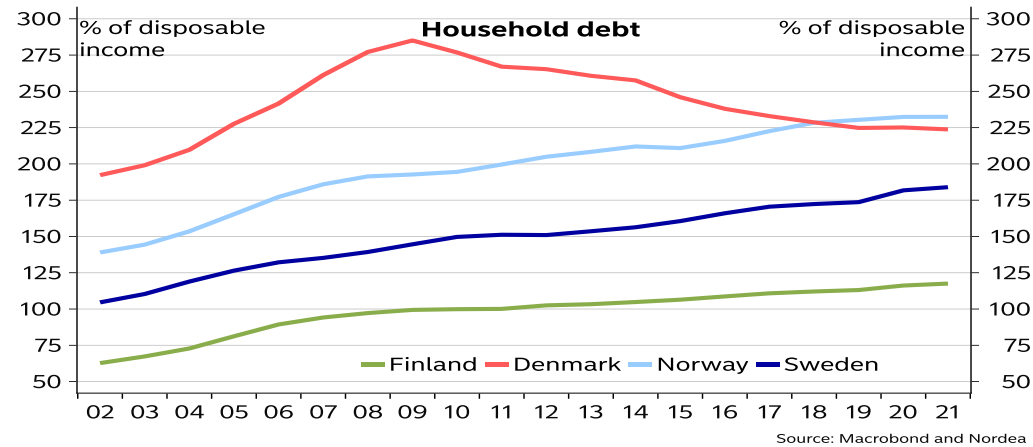
Source: IMF World Economic Outlook, Nordea and Macrobond.

- Central banks are rapidly hiking interest rates to combat high inflation
- Norges Bank has hiked from 0 to 2.25% since last fall, and are expected to continue until they reach 3.25% at the end of 2023
- The Swedish Riksbank raised the policy rate to 1.75% in September and are expected to hike to 2.5% by February 2023
- The ECB delivered a 75bp hike in September. We predict that policy rates will rise by a total of 2.75 percentage points in the Euro Area and Denmark
- The ECB and the Riksbank are reducing the size of their balance sheets
- Solid public finances helped Nordic governments during the pandemic, which will help them handle the economic difficulties ahead

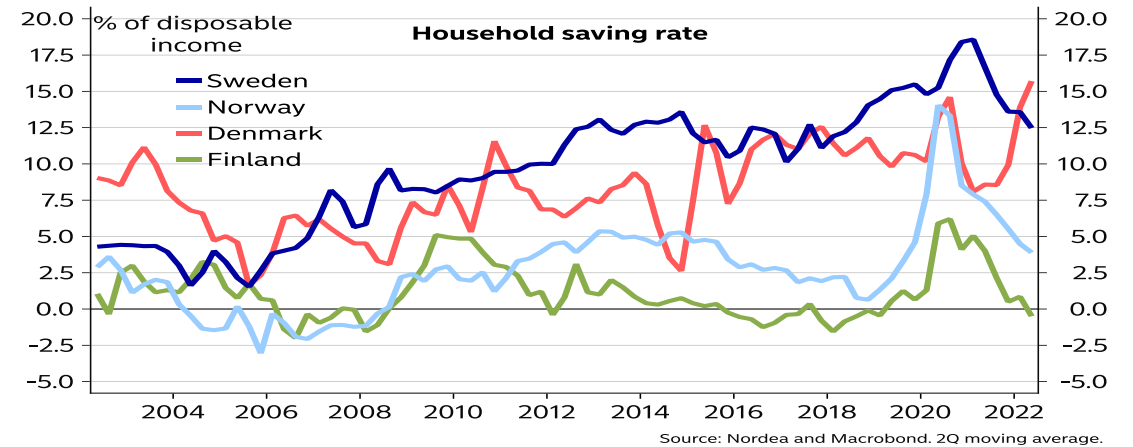


# Households facing high inflation and rising interest rates

## Household debt

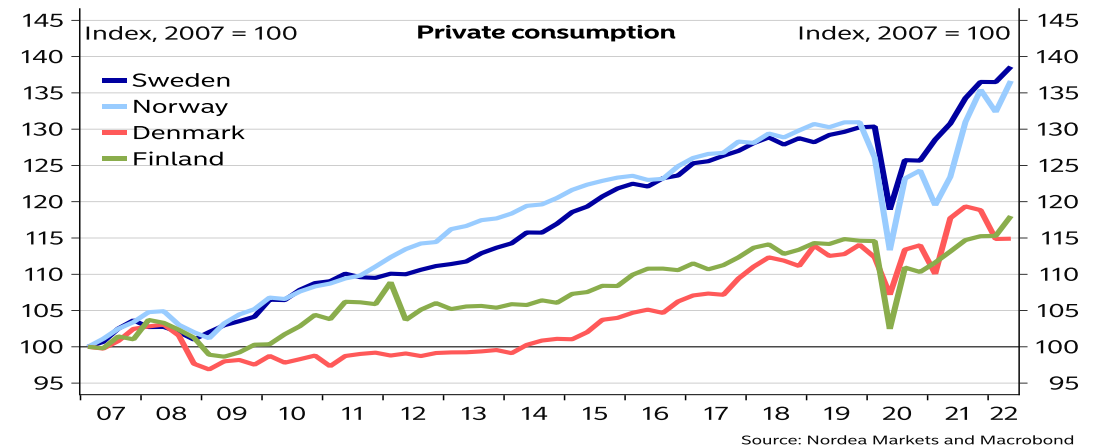


## Household savings



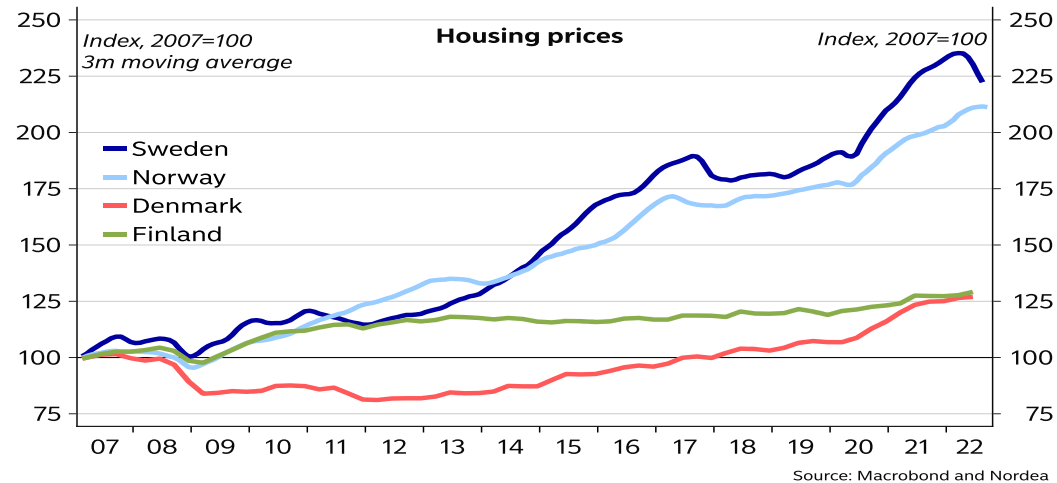
- Household savings increased dramatically during the pandemic, but have since returned to more normal levels as consumption has increased
- However, purchasing power is decreasing rapidly. Rising interest rates as well as high inflation implies downside risks for private consumption moving forward

## Private consumption

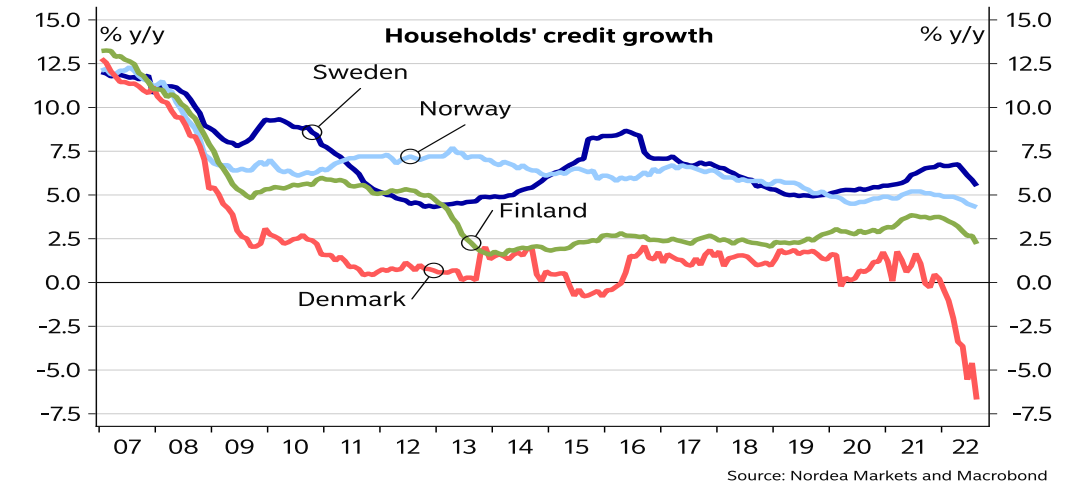


## Rising interest rates are cooling off hot Nordic housing markets

### Housing prices



### Households' credit growth

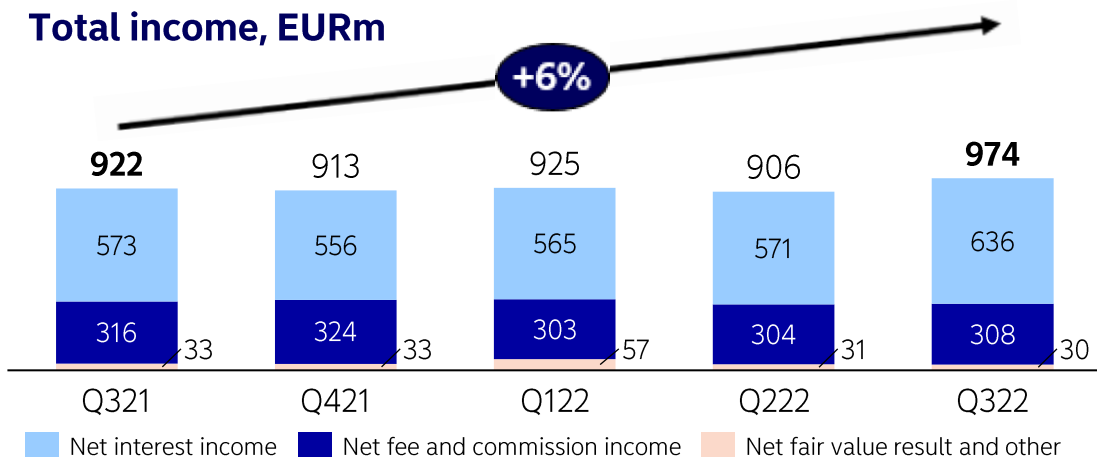


- Housing prices increased to record-high levels in all the Nordic countries during the pandemic
- However, with inflation and interest rates quickly increasing, there are now more downside risks to housing prices
- These risks are especially pronounced in Sweden, and home prices are down 7% since March this year
- Households' credit growth in the Nordic countries have continuously declined since April 2022 except for Denmark in July 2022

## 6. Appendix

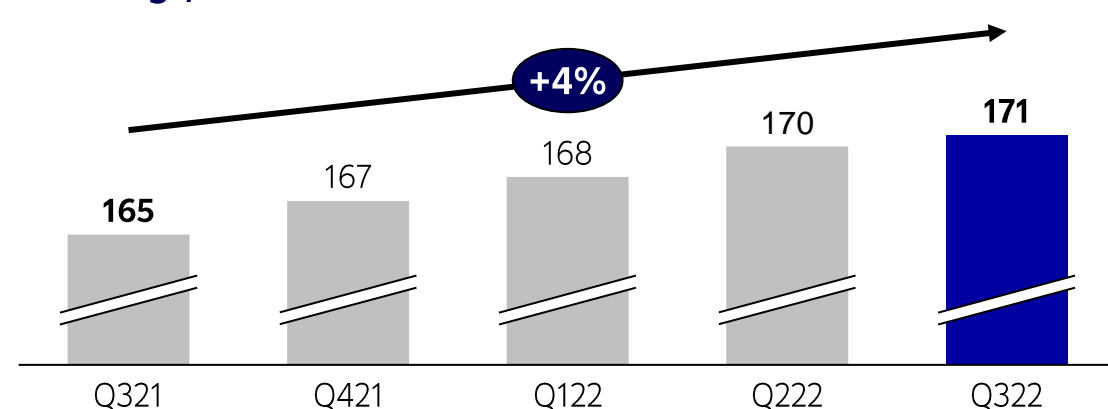
## Increased mortgage market shares across Nordics and improved deposit margins

### Total income, EURm

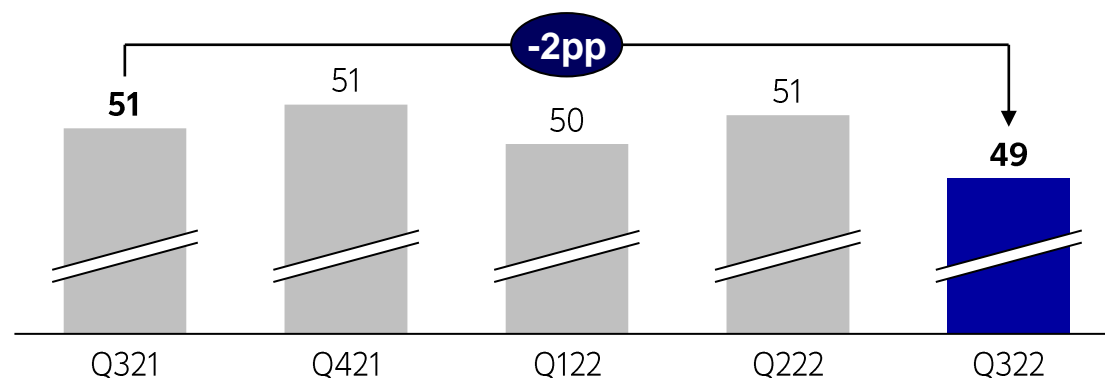


- Total income up 6%
- Increased mortgage market shares across Nordics
- Improved deposit margins, partly offset by mortgage margin pressure
- Lower savings and investment income, partly offset by higher payment and card fee income
- Improved cost-to-income ratio, now 49%

### Lending\*, EURbn

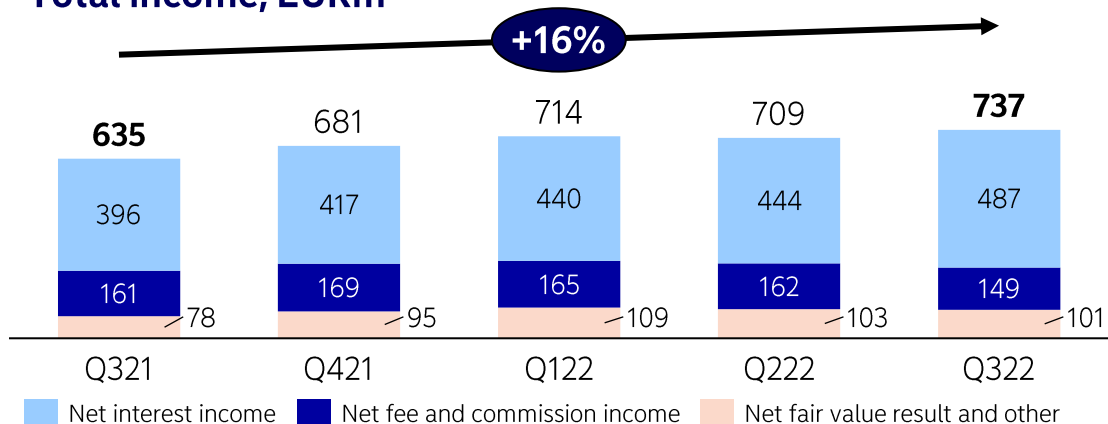


### Cost-to-income ratio\*\*, %



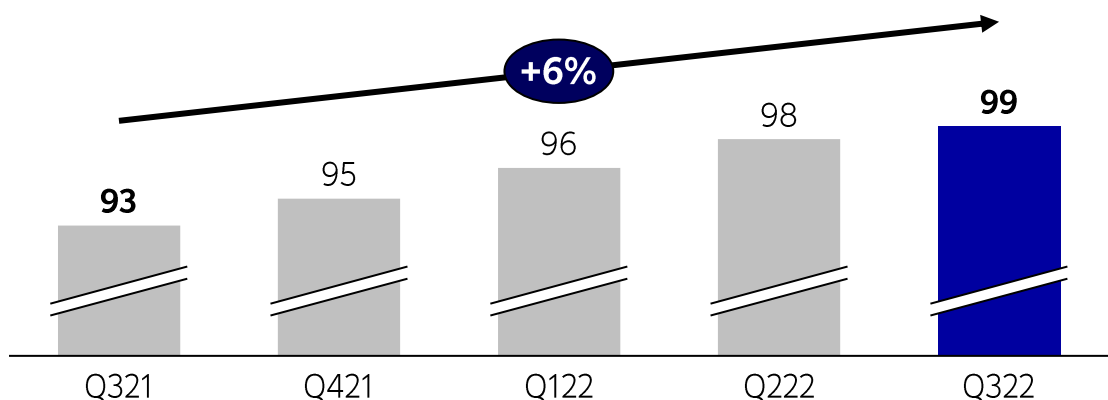
## Strong income growth supported by higher interest rates

### Total income, EURm

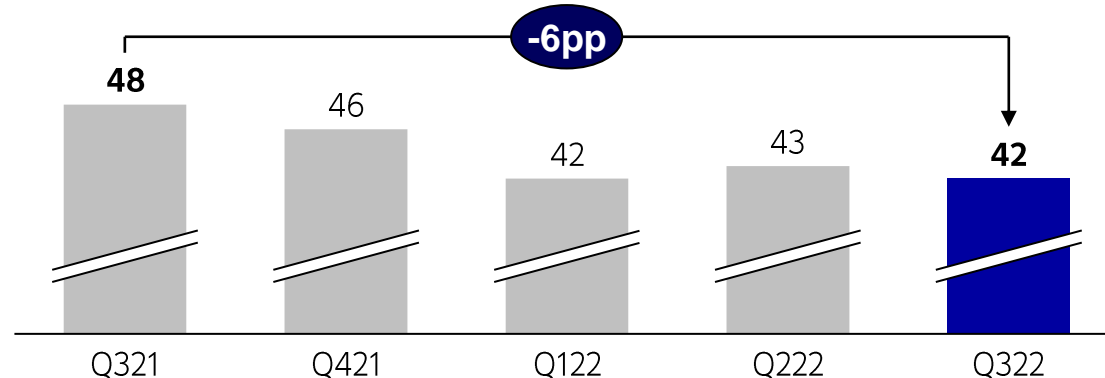


- Total income up 16%
- Lending volumes up 6%, driven by Sweden and Norway
- Strong growth in net interest income, supported by higher interest rates
- Low savings, equity and debt capital markets income, partly offset by high customer demand for FX and IR hedging products
- Improved cost-to-income ratio, now 42%

### Lending\*, EURbn

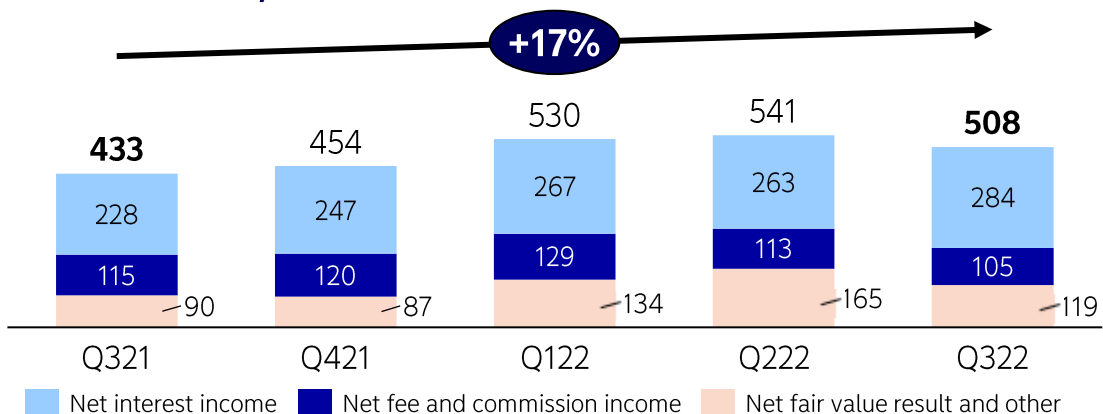


### Cost-to-income ratio\*\*, %



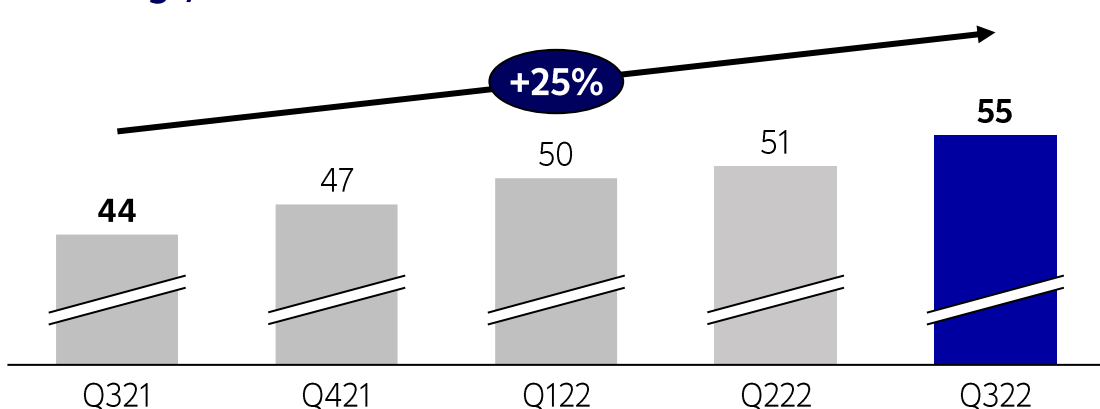
## High customer activity and significant lending growth in volatile markets

### Total income, EURm

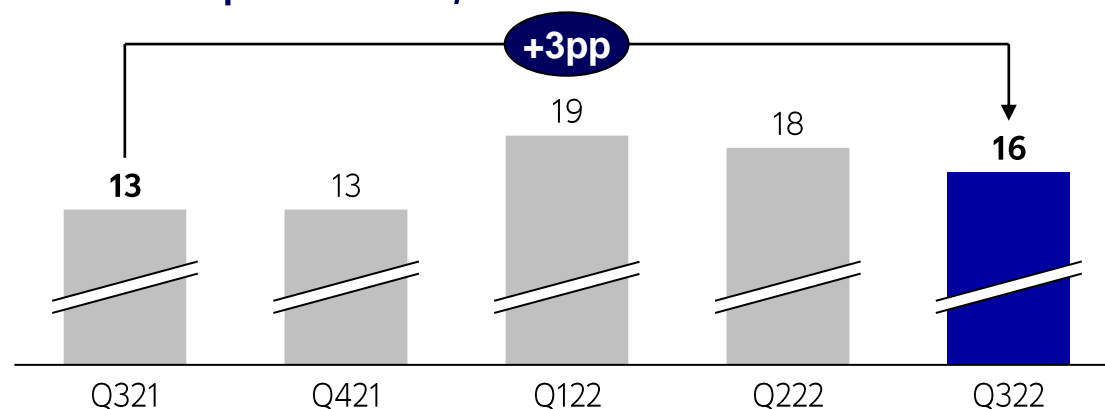


- Total income up 17%
- Net interest income up 25% due to short-term liquidity financings and event-driven demand
- Commission income lower in weak capital markets
- Net fair value result up 31%, driven by high customer activity
- Net loan loss reversals, 16m in Q3
- Return on capital at risk improved, now 16% and cost-to-income ratio 41%

### Lending\*, EURbn

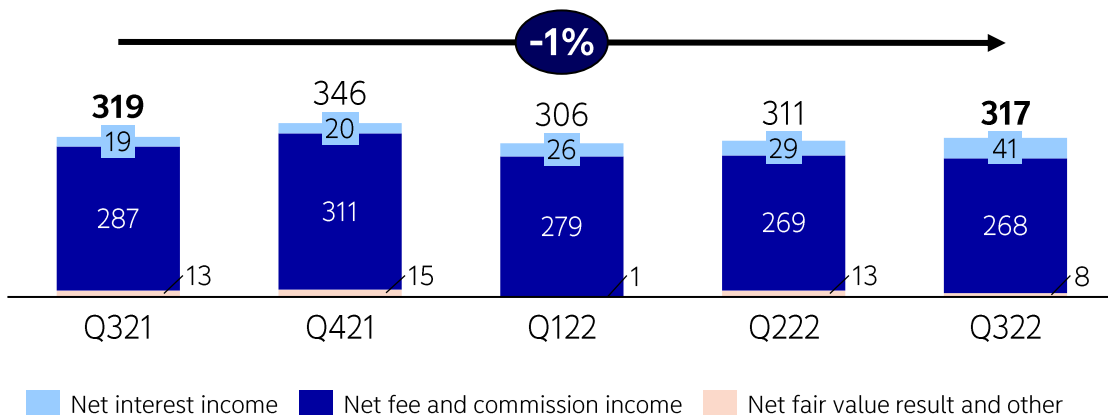


### Return on capital at risk\*\*, %



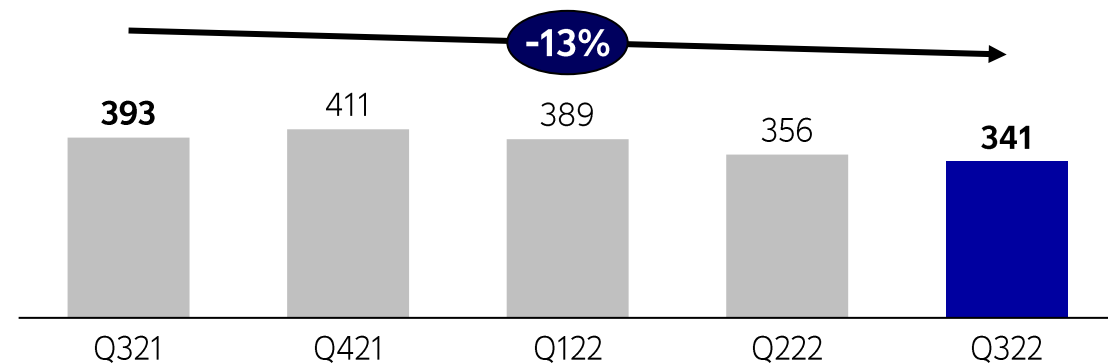
## Lower assets under management, continued strong momentum in Private Banking

### Total income, EURm

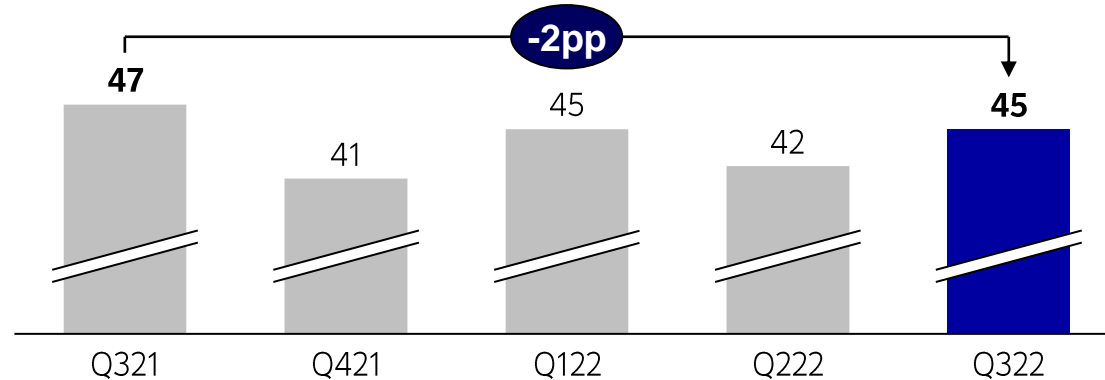


- Total income down 1%, driven by lower assets under management
  - Net interest income up, driven by increased deposit margins
- Assets under management down 13% to EUR 341bn
  - Net outflow of EUR 2.5bn (annualised -3%) during quarter
  - Positive net flows from internal channels, driven by strong momentum in Private Banking
- Improved cost-to-income ratio, now 45%

### Assets under management, EURbn



### Cost-to-income ratio\*, %

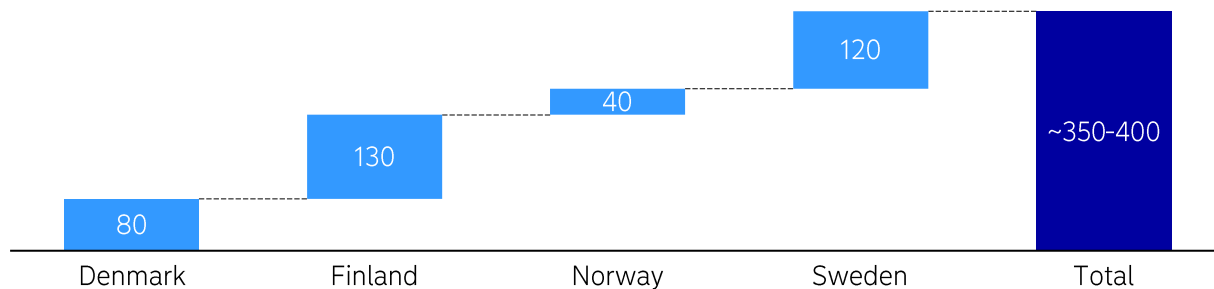




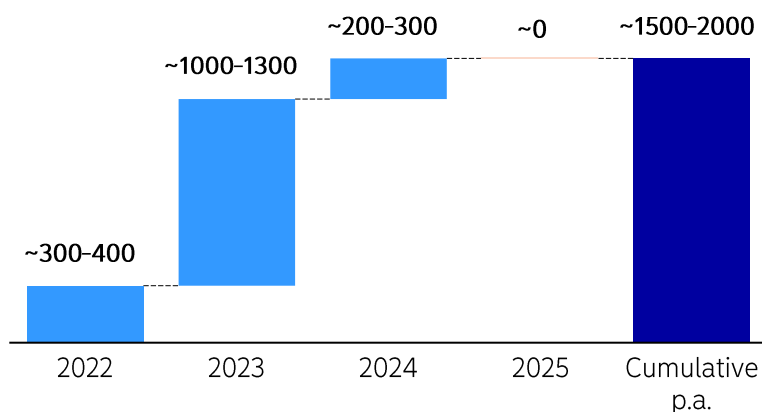
Net interest income

## Net interest income sensitivity to policy rate increases

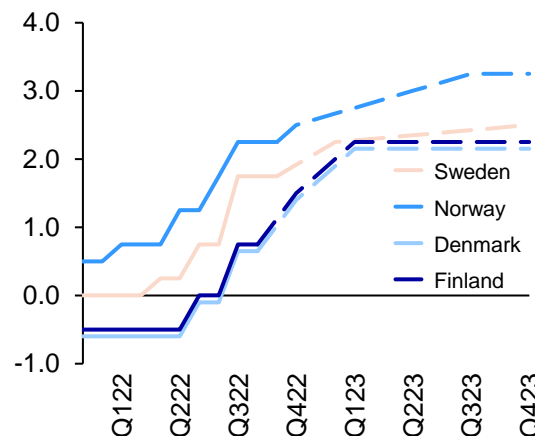
### Sensitivity to +50bp parallel rate shift in policy rates



### Estimated incremental full year NII impact solely from higher policy rates, EURm



### Policy rate path expectations



- **NII impact is largely driven by policy rates and pass-through**

- Expected higher policy rates in 2023 are estimated to increase NII by EUR ~1.0-1.3bn, solely related to rates impact
- Actual pass-through will vary between account types and countries, and throughout rate hike cycle

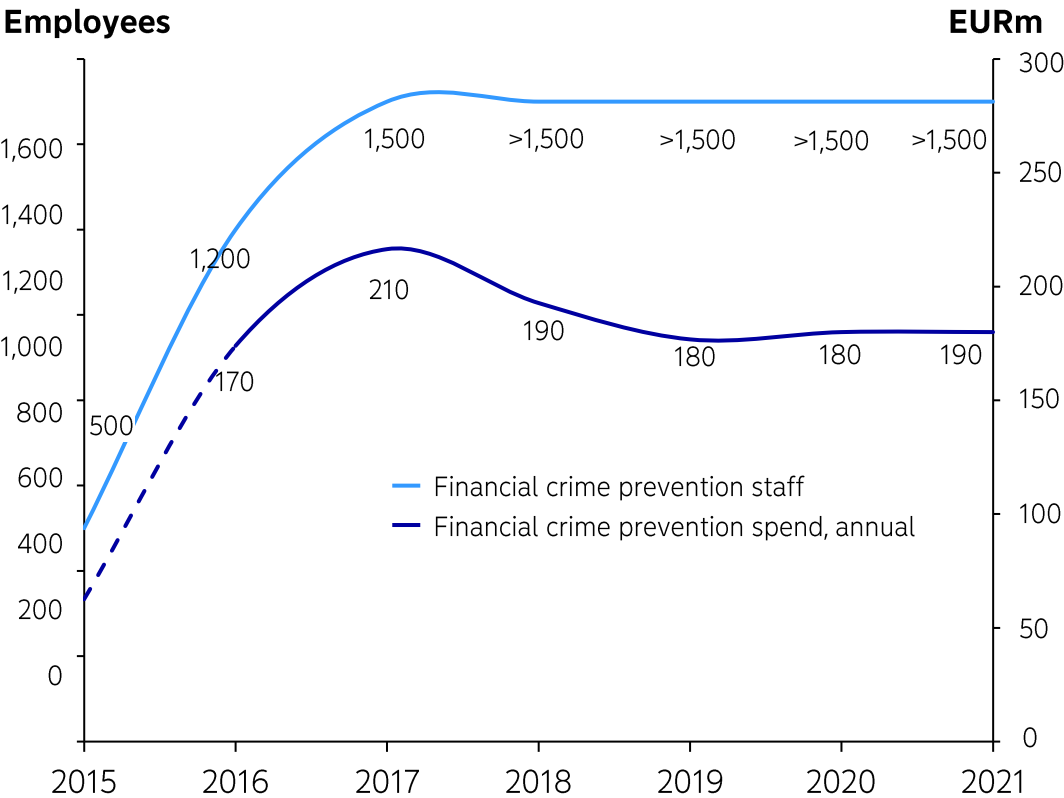
- **Group NII is also impacted by other drivers**

- Volumes ↑
- Asset pricing ↔
- Wholesale funding costs ↓
- Deposit hedging ↓

Financial crime prevention

# Significant investments

## Financial crime prevention spending, annual



## Actions against money laundering

- We collaborate closely with all relevant authorities, including law enforcement and regulators, and encourage even closer collaboration on multiple levels, as financial crime knows no borders
- Significantly strengthened financial crime defence – more than EUR 1.1bn spent since 2016
- Around two billion transactions annually subject to hundreds of different monitoring scenarios, resulting in hundreds of thousands of alerts, leading to thousands of Suspicious Activity Reports (SARs) filed with the relevant authorities
- More than 1,500 employees dedicated to working on prevention of financial crime – 12,000 employees in direct contact with our customers regularly trained to identify signs of financial crime

## AML topics

- The Danish FSA inspected our AML processes in 2015 and handed their findings over to the Danish Public Prosecutor in 2016. The investigation has not yet concluded
- Provision of EUR 95m in Q1 2019 for AML-related matters
  - Given the uncertainty regarding possible fines, the level of provision for ongoing AML-related matters will be maintained, while continuing the dialogue with Danish authorities

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