Presentation for Q1 conference call

# Financial results Q1 2024

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# A good start to the year a with strong financial performance and RoE of 12.9%; execution of Forward'28 strategy and commercial agenda well underway

## Highlights

- Solid macro environment, particularly in Denmark, supports Q1 performance and constructive outlook for 2024
- Robust customer activity despite sentiment in parts of the economy being affected by uncertainties
- Income continues the positive trend as intact NII trajectory together with stronger fee income trend countered FX impact and muted credit demand
- Commercial agenda continued in Q1 with traction on savings and investment products and increased engagement in relation to the green transition
- Execution of share buy-back programme well underway with DKK 1.2bn of 5.5bn completed*
- Strong capital position with CET1 capital ratio of 18.5% reflecting the full deduction of the SBB programme

**Net profit of DKK 5.6bn**

Supported by continued growth in NII and solid non-NII income

**Core banking income +11%**

NII up 14% and fees up 4% y/y

**Improved efficiency Cost/income 45%**

Reflecting prudent cost management in light of higher inflation

**Healthy customer activity despite muted volumes**

Credit demand impacted by FX and subdued housing market activity

**Strong credit quality**

Impairments of 2 bps remain well below through-the-cycle assumption

**Strong capital and liquidity position**

>410bps CET1 buffer and LCR of 168%

* See Company Announcement no. 18, 29 April 2024

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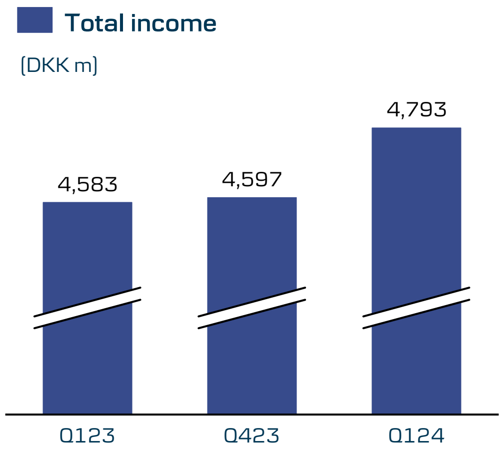
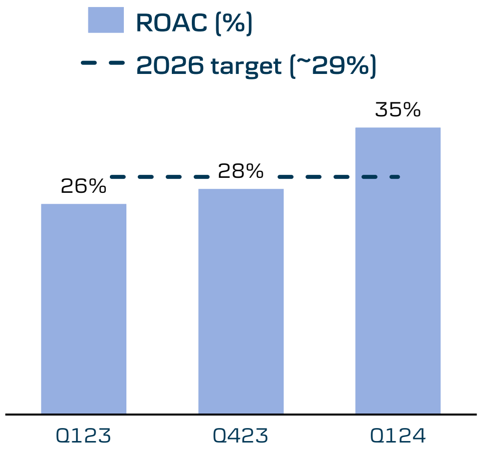
# Personal Customers: Strong financial performance despite muted housing market as customer activity and credit quality remain robust

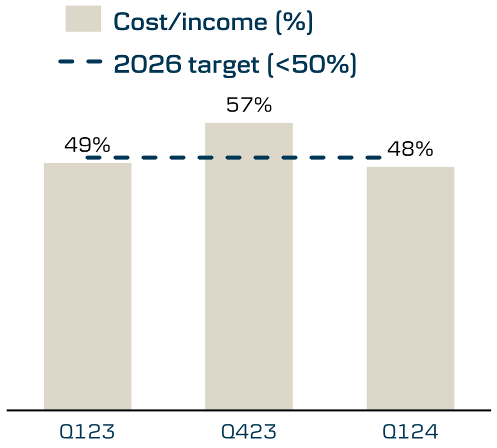
## Highlights

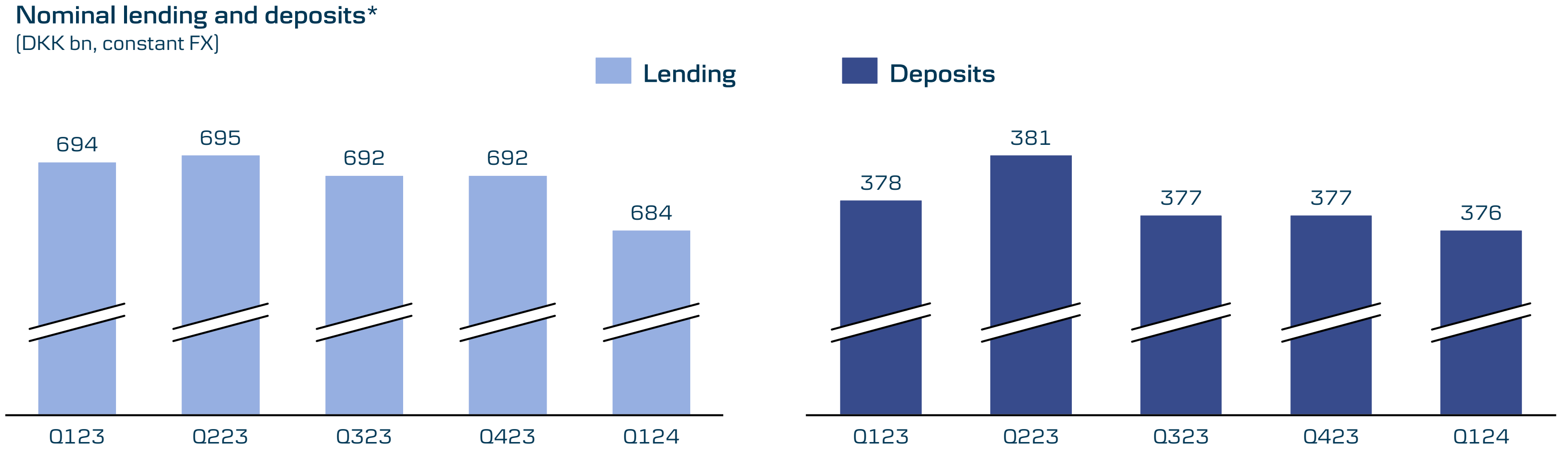
- Solid quarter with commercial momentum supported by core banking income in stable rate environment
- Core banking income benefited further from uplift in fee income: up 13% Q/Q and 9% Y/Y
- Strong profitability with ROAC increasing to 35% ahead of 2026 target (29%) as top line growth was further supported by strong credit quality
- Efforts of our Global Private Banking ramp-up are materialising: positive net sales contribute to AuM uplift
- Stable deposit development outside Norway. Continued demand for our easily accessible high-yield savings products moderates deposit margin
- Lending volumes affected by muted housing markets. Continued traction for mortgage products with recognition of newly launched coop housing loan product by the Danish Consumer Council ("Best in Test")

## Financial performance KPIs



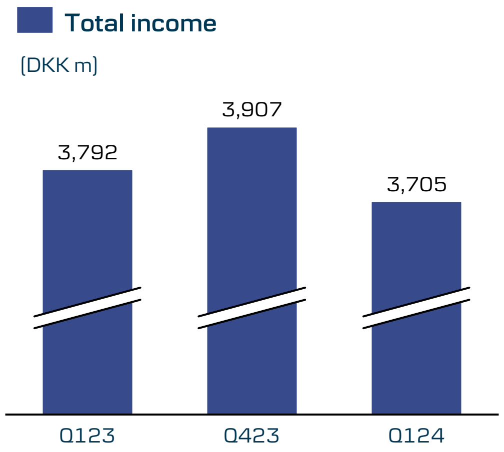

*PC lending includes RD. PC lending and deposits excludes NO.

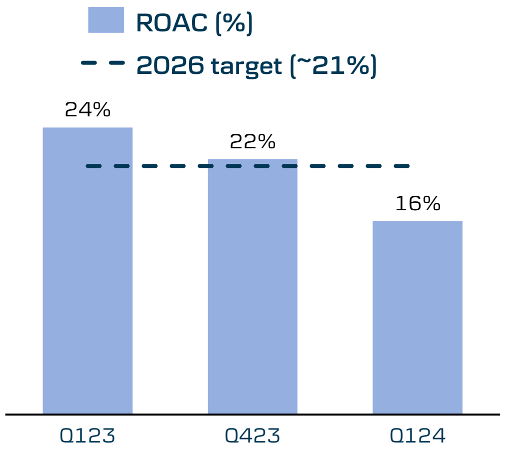
# Business Customers: Resilient performance despite impact from asset finance income; Customer activity underpinned by healthy credit demand

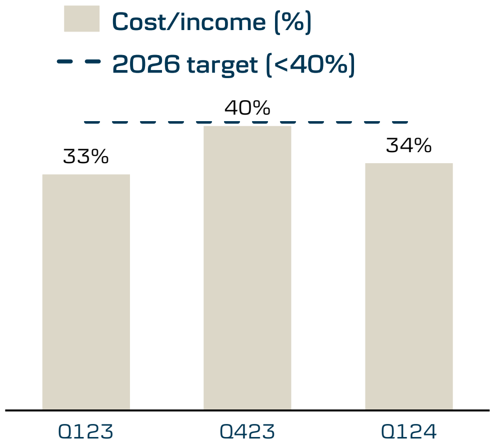
## Highlights

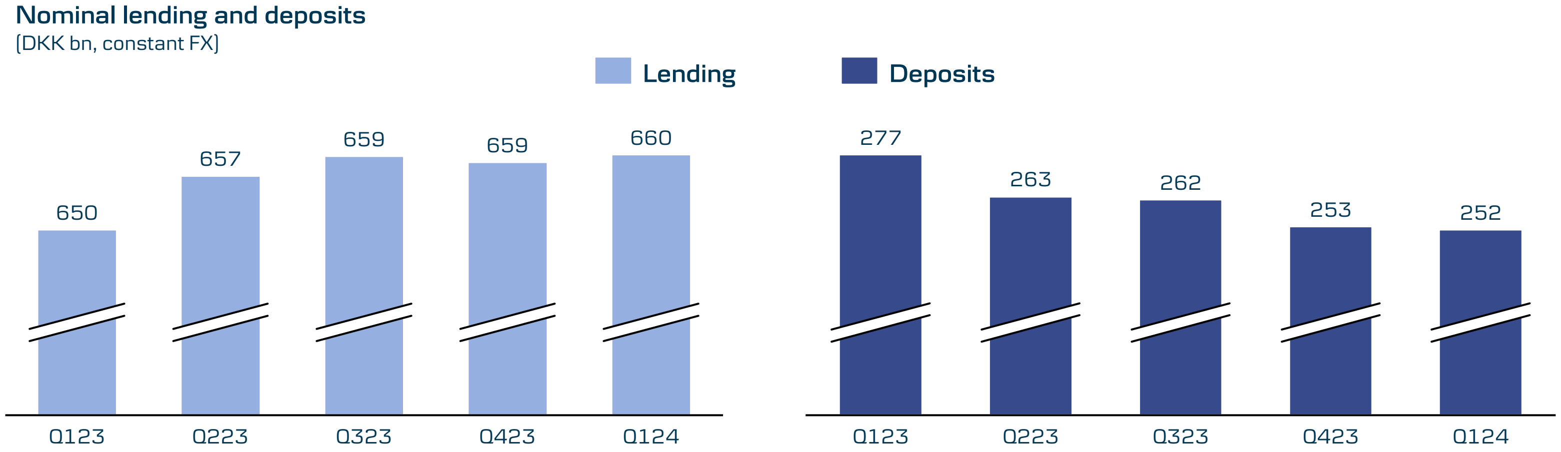
- Increased customer activity underpinned core banking income, supported by sustainable fee uplift, of 4% Y/Y.
- Total income impacted by lower asset finance resale values in Q1
- ROAC impacted by few single-name impairments, not reflecting the overall strong credit quality. Additionally, some PMAs were allocated to BC
- Healthy activity across the Nordics supported credit demand, with lending volumes up both Q/Q and Y/Y, driven particularly by BC Norway
- Deposit volumes stabilised. Y/Y impacted by changed deposit strategy for deposits in Norway
- Continued efforts in relation to our green agenda, including new software partnership to help customers track their carbon footprint

## Financial performance KPIs



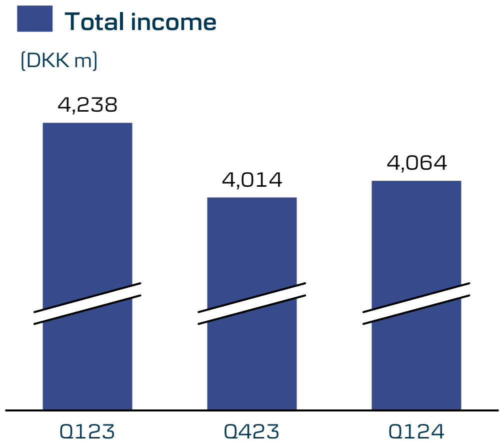



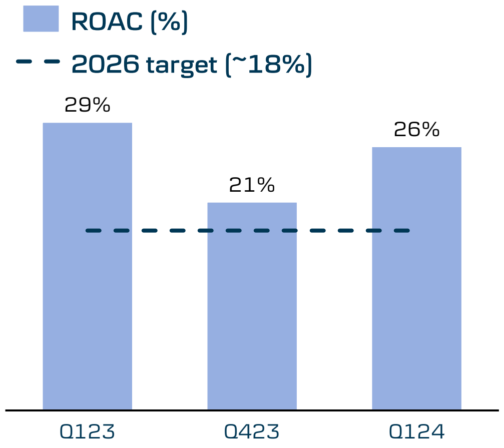
# LC&I: Strong profitability and commercial momentum as customer engagement supports credit demand along with DCM activity; AuM lifted to record high

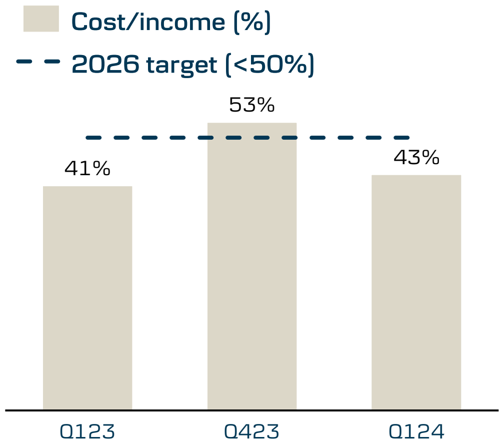
## Highlights

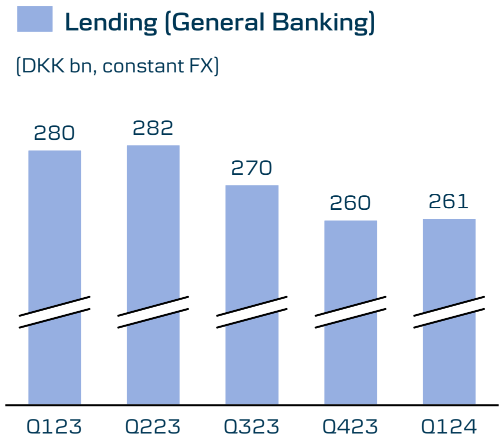
- Income supported by strong development in NII and robust fee income, however trading income lower given the exceptionally strong Q1 last year
- Healthy balance sheet lending coupled with multi-period high DCM income reflecting strong customer activity across product offerings
- Strong demand for our leading cash management solutions as we continue to grow the number of 'house bank' mandates
- Deposits affected by seasonality related to tax and dividend payments as well as non-operational public sector deposits
- Leading Nordic bank in European DCM in highly active debt markets (per Bloomberg league tables)
- AuM trending up with 6% Q/Q, on the back of rising asset prices and solid institutional inflow

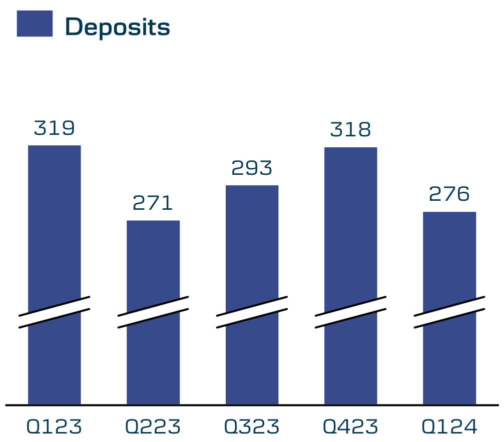
## Financial performance KPIs

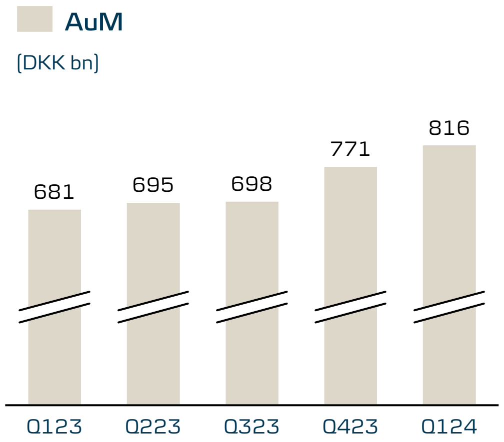


# Strong income uplift supported by NII and positive trend in fee income; solid trading and insurance income; robust credit quality results in below-cycle impairments

## Highlights

- Total income up 4% Y/Y and 1% Q/Q supported by positive NII and fee trends
- NII trajectory as expected despite impact from days, FX and muted volumes
- Fee income up both Y/Y and sequentially when adjusting for booking of performance fees in Q423
- Trading income normalised in Q1, supported by customer activity and risk sentiment
- Danica income benefiting from stable financial markets, despite higher H&A claims
- Other income impacted by lower resale values of leasing assets (incl. EV fleet)
- Cost trajectory in line with expectations as inflation and investments are mitigated by efficiency gains
- Robust credit quality and well-provisioned portfolio keep impairments low
- Net profit up 9% Y/Y, resulting in RoE of 12.9%

## Income statement (DKK m)

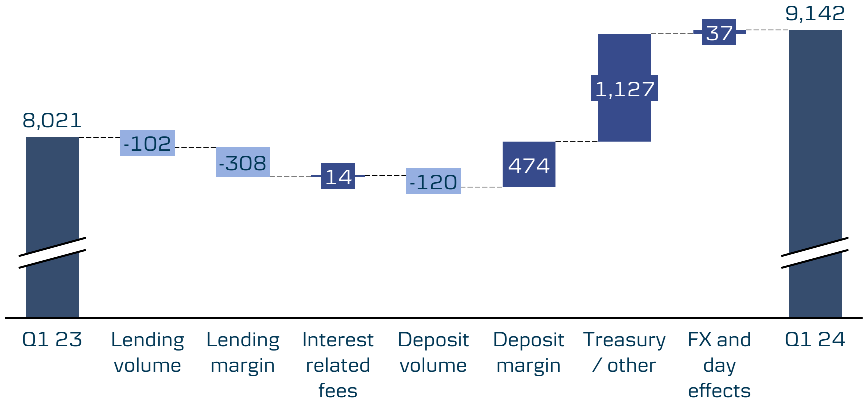
| | Q124 | Q123 | Index | Q423 | Index |
|---|---|---|---|---|---|
| Net interest income | 9,142 | 8,021 | 114 | 9,121 | 100 |
| Net fee income | 3,376 | 3,252 | 104 | 3,482 | 97 |
| Net trading income | 769 | 1,331 | 58 | 486 | 158 |
| Net income from insurance business | 492 | 497 | 99 | 550 | 89 |
| Other income | 176 | 292 | 60 | 189 | 93 |
| **Total income** | **13,955** | **13,394** | **104** | **13,827** | **101** |
| Operating expenses | 6,337 | 6,292 | 101 | 6,624 | 96 |
| **Profit before loan impairments** | **7,618** | **7,101** | **107** | **7,203** | **106** |
| Loan impairment charges | 101 | 147 | 69 | -32 | - |
| **Profit before tax** | **7,517** | **6,954** | **108** | **7,235** | **104** |
| Tax | 1,888 | 1,787 | 106 | 1,470 | 128 |
| **Net profit** | **5,629** | **5,167** | **109** | **5,765** | **98** |

# NII: Strong uplift in NII; Q/Q impact from FX and day effects

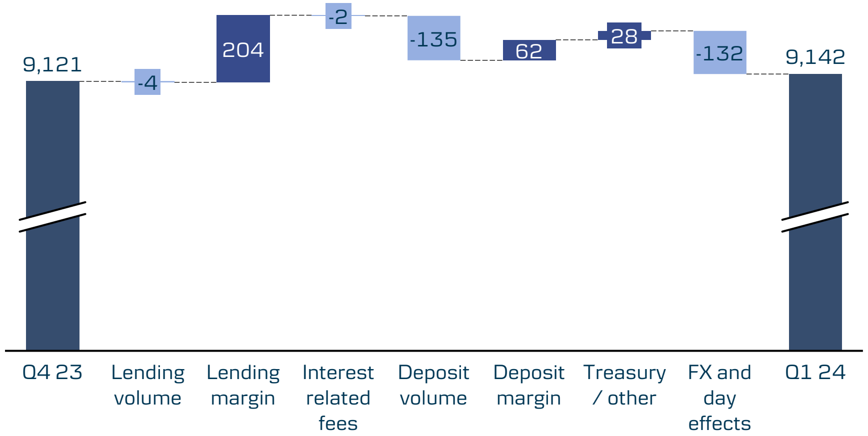
## Highlights

- Net interest income trajectory remain resilient despite normalisation of deposit volumes and muted lending demand as well as deposit migration to higher yielding savings products
- Y/Y benefited from higher return on treasury portfolio and shareholders' equity along with deposit margin expansion. Lending margins affected by higher funding costs and lagging effects of repricing actions
- Q/Q was impacted by a drag from FX and day effects. NIM benefited from hedges and lower funding costs mitigating the lower deposit volumes and migration. Correction related to some EURIBOR loans and Asset Finance NO also contributed to the lending margin uplift in Q1 (no Group effect).
- NII sensitivity in year 1: DKK (+/-) 500m (per 25bps move) with assumed migration to savings products. Additional impact in year 2 and 3 of DKK (+/-)300m and DKK (+/-)200m, respectively, all else equal

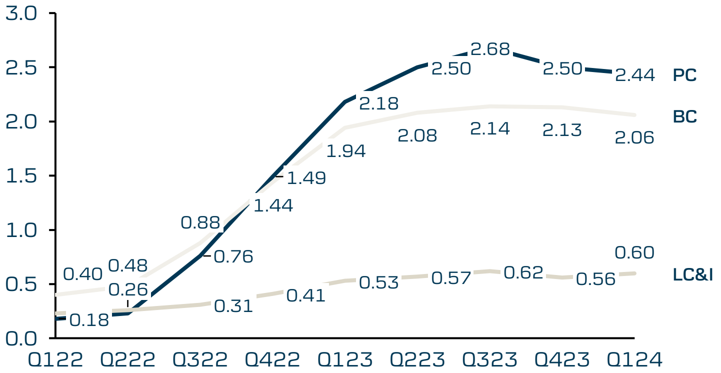
## Net interest income Q124 vs Q123 (DKKm)



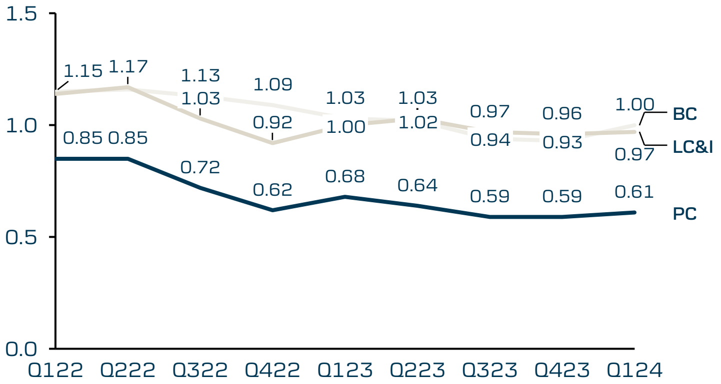

## Net interest income Q124 vs Q423 (DKKm)




## Deposit margin development (%)




## Lending margin development (%)



# Fees: Robust fee income driven by strong customer activity and higher AuM

## Highlights

**Activity-driven fees (transfers, accounts, etc.)**

- High economic activity was supportive as consumer spending held up well and demand for our corporate cash management services continued to be high

**Lending and guarantee fees**

- Y/Y: Lower income due to subdued housing market activity
- Q/Q: Affected by mortgage refinancing auctions in Q1

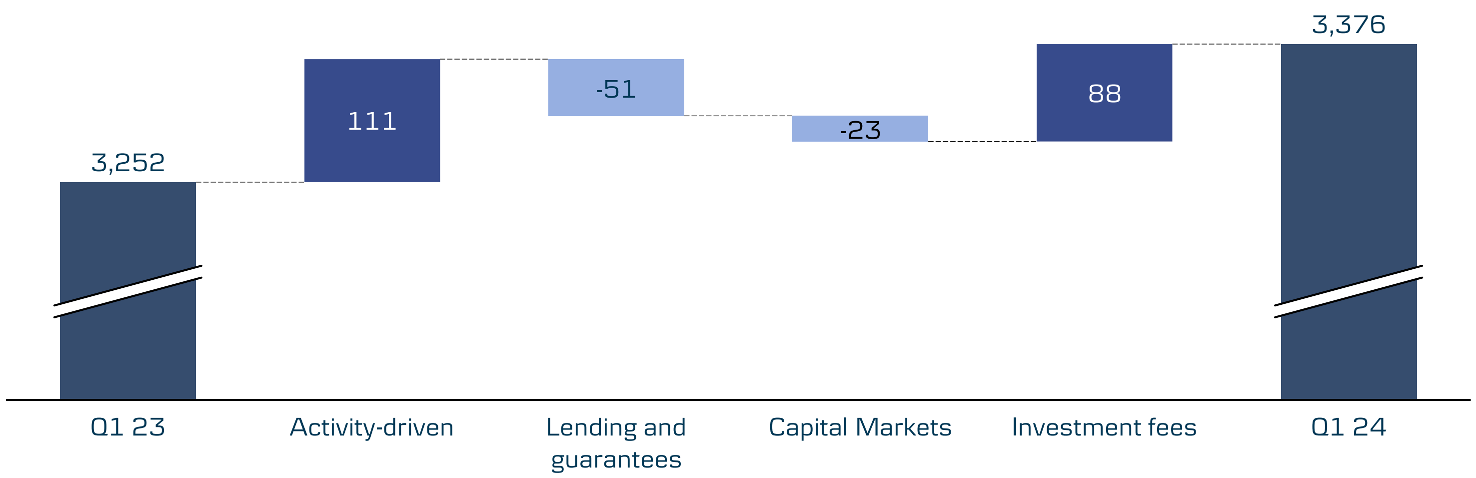
**Capital markets fees**

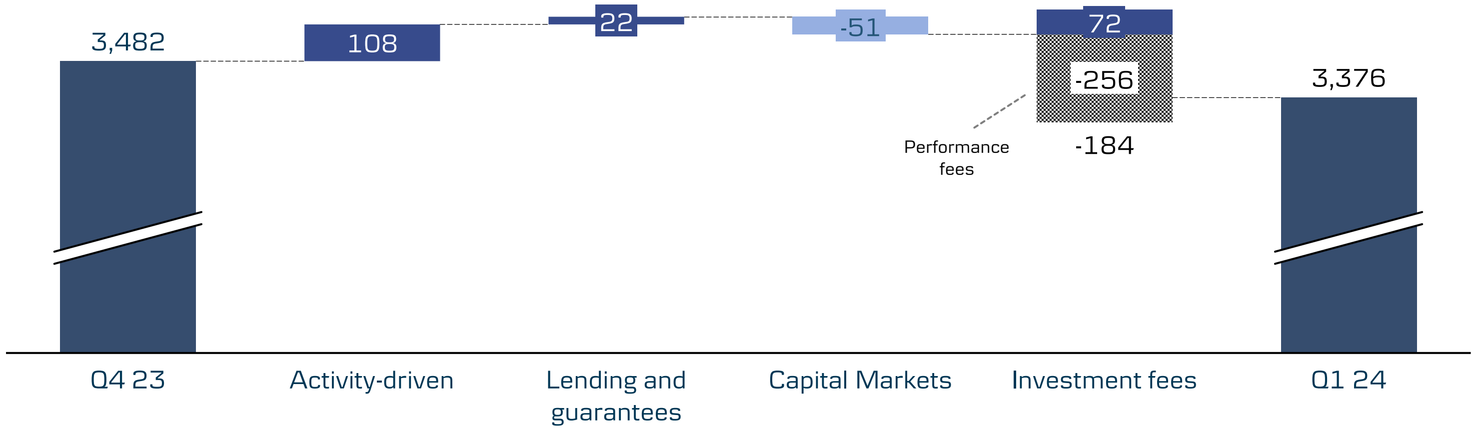
- Strong Debt Capital Markets position lifted fee contribution to multi-period high, mitigating low activity within ECM and M&A

**Investment fees**

- Y/Y: Investment fees increased, due primarily to higher AuM on the back of rising asset prices and positive net sales
- Q/Q: Positive trend continued (adjusted for performance fees booked in Q4)

## Net fee income (DKK m)



# Trading income: Higher customer activity in fixed income & currencies

## Highlights

### LC&I

- Y/Y: Q123 saw exceptionally strong customer activity at LC&I
- Q/Q: Improvement in customer activity after seasonal low in Q423

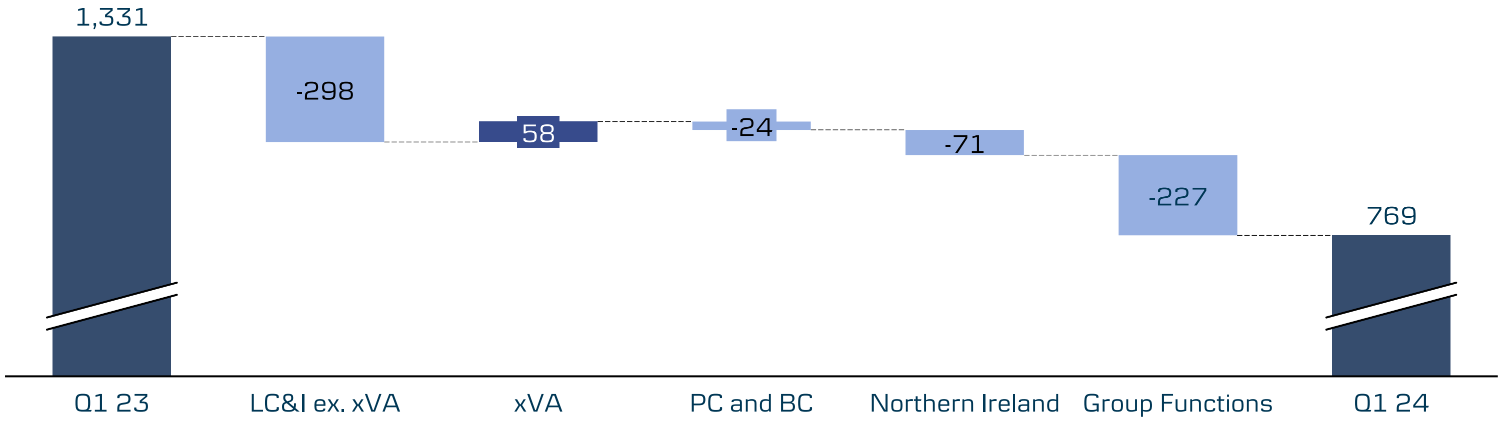
### Northern Ireland

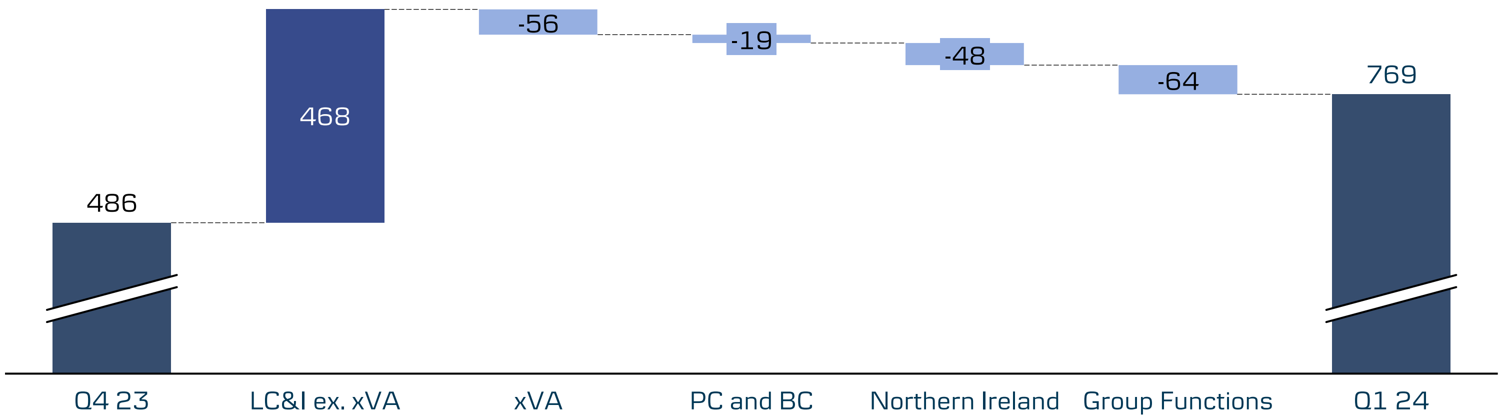
- Affected by valuation effects on the bank's interest rate hedge

### Group Functions

- Impacted by negative value adjustments in Treasury

## Net trading income (DKK m)



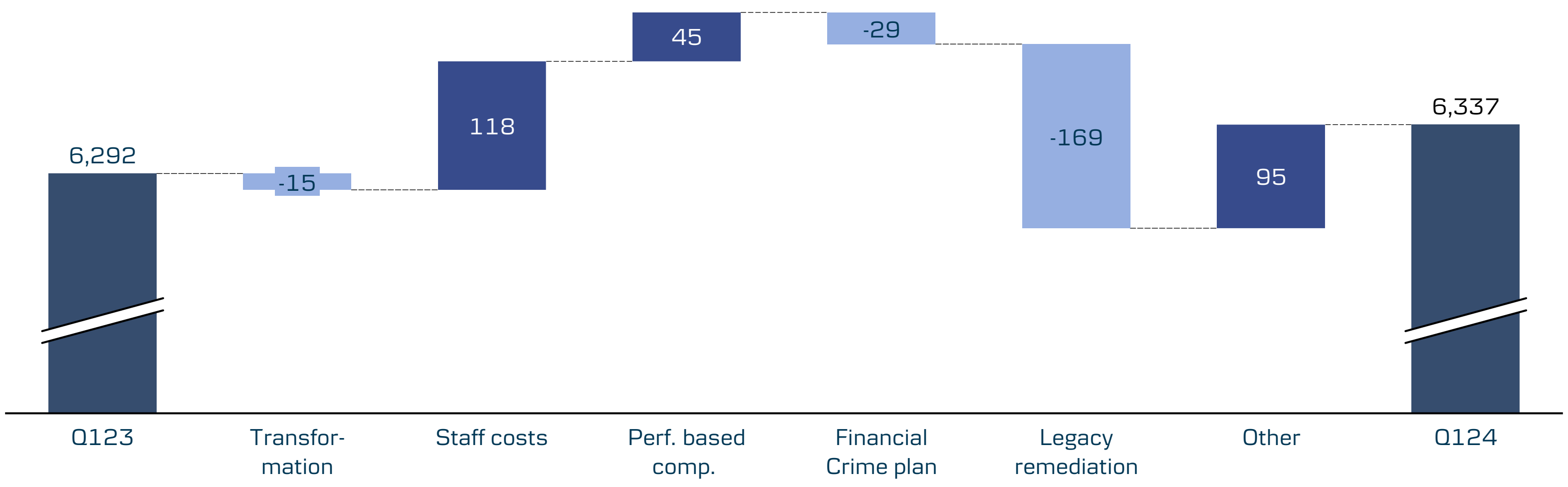



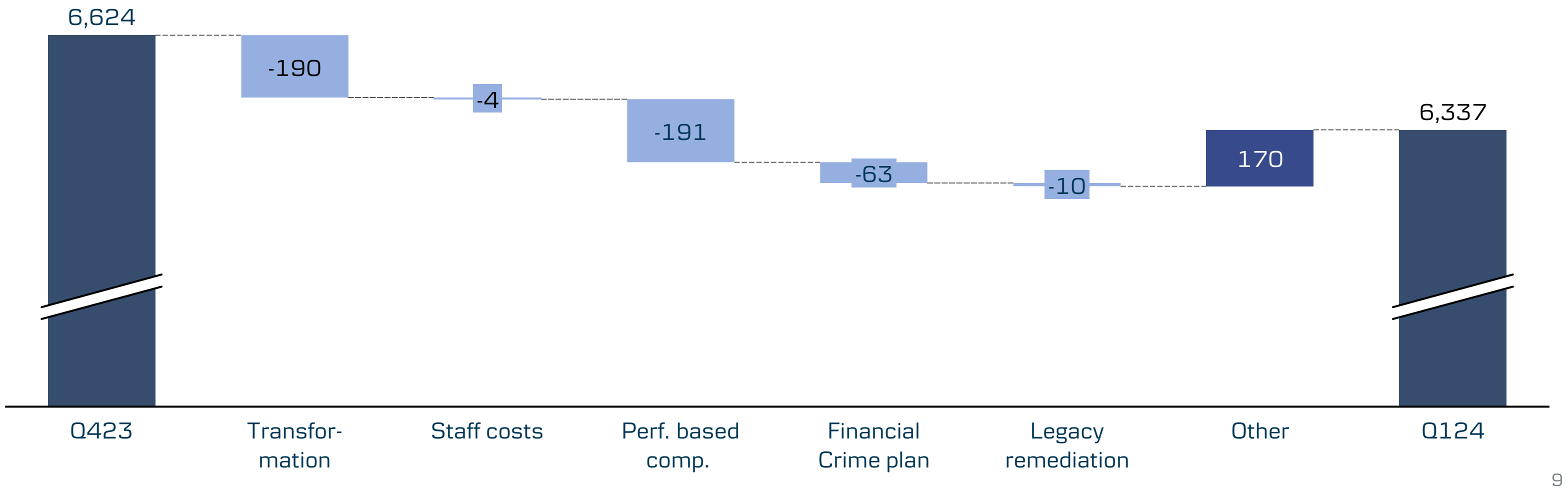
# Expenses: Prudent cost management results in improved C/I ratio of 45%, in line with 2026 financial target

## Highlights

- Total operating expenses down 4% Q/Q, as costs measures support further progress on cost/income ratio
- Staff costs impacted by wage inflation Y/Y. Kept flat Q/Q while performance-based compensation came down from the seasonally higher level in Q4
- Finalisation of Better Bank strategy resulting in lower transformation costs Q/Q
- Other costs increased from low level in Q4 and from ramp-up in investment envelope, incl. IT partnerships
- Number of FTEs flat since Q4 2023, down 5% Y/Y
- Cost trajectory in line with plan and 2024 cost outlook maintained

## Expenses (DKK m)



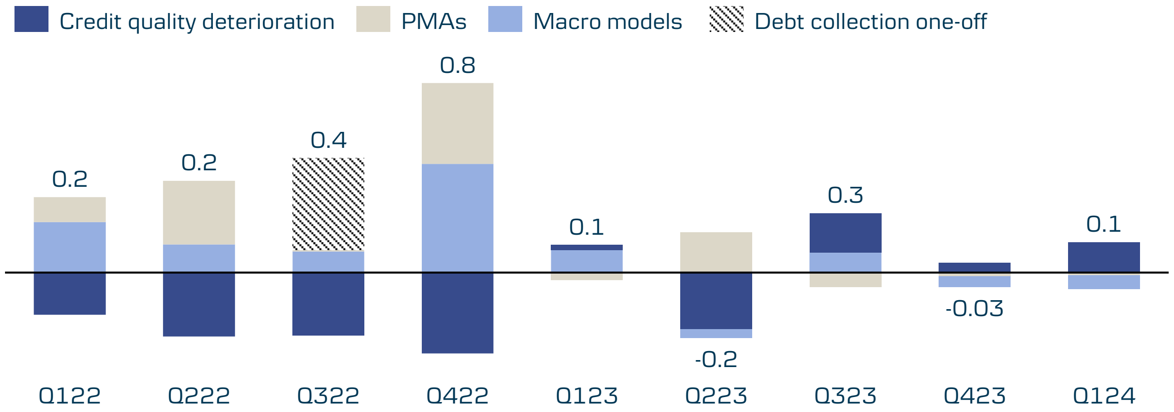



# Impairments: Overall strong credit quality with few single-name impairments resulting in below-normalised-level cost of risk

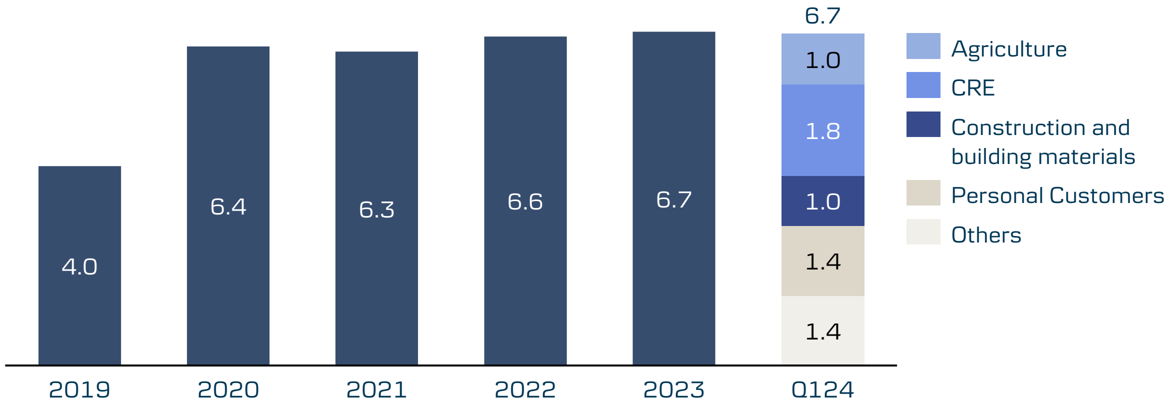
## Highlights

- Q1 impairments of 0.1bn, equivalent to a loan loss ratio of 2 basis points, as credit quality remained strong. Limited stage migration and few single-name charges in Business Customers not a reflection of overall portfolio trends which also benefits from reversals
- Modest reversals related to provisions from macroeconomic models as base case macro outlook has improved. Models continue to reflect a severe downturn scenario
- Significant PMA buffers remain in place in order to mitigate any tail risk not visible in the portfolio or captured by macro models. Part of PMAs repurposed from Personal Customers to Business Customers

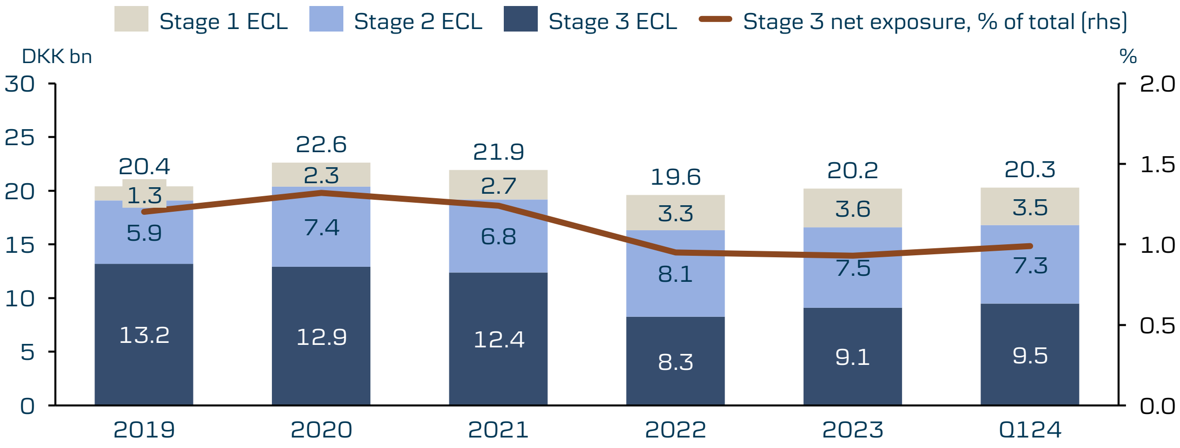
## Impairment charges by category (DKK bn)




## Post-model adjustments (DKK bn)




## Allowance account by stages (DKK bn)



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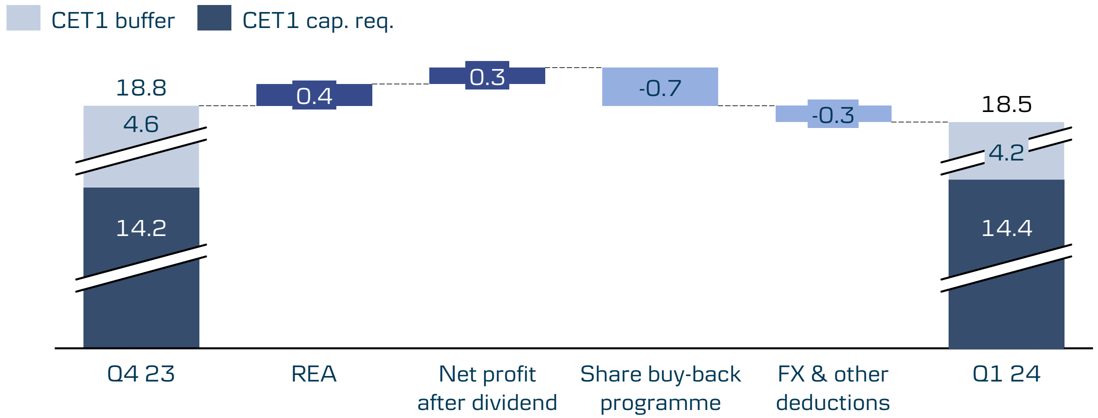
# Capital: Strong capital base with CET1 capital ratio of 18.5%

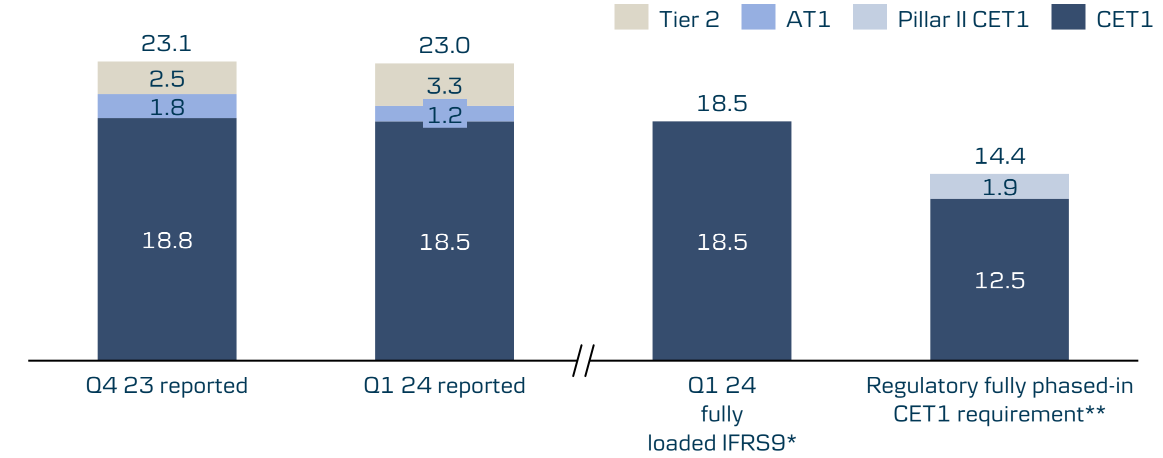
## Highlights

- CET1 capital ratio remained strong at 18.5%, 0.3 ppts down since Q4, driven primarily by the deduction of the full share buyback programme
- The Group's total REA decreased around DKK 19 bn due primarily to lower credit risk caused mostly by currency effects and lower risk weights
- The leverage ratio stood at 4.8% under transitional rules as well as fully phased-in rules

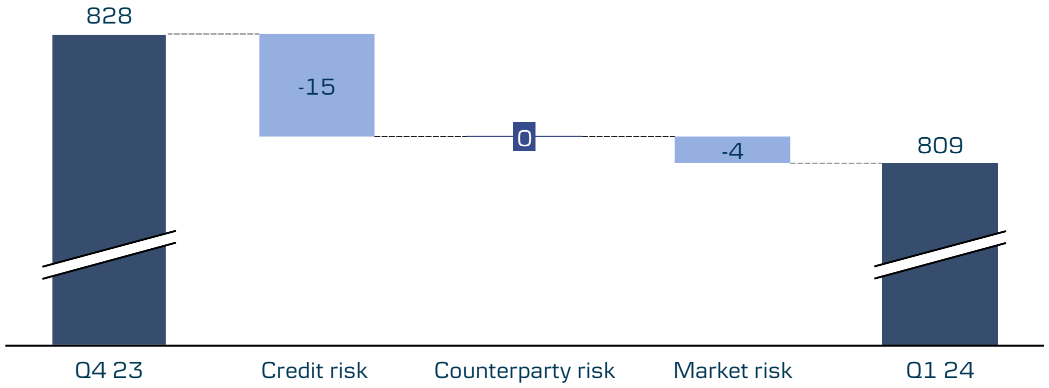
## CET1 development (%)




## Total capital ratios (%)




## Total REA (DKK bn)




* Based on fully phased-in rules including fully phased-in impact of IFRS 9. ** Fully phased-in minimum CET1 requirement in March 2025 of 4.5%, capital conservation buffer of 2.5%, SIFI buffer of 3%, countercyclical buffer of 2.0%, systemic risk buffer of 0.5% (on Norwegian exposures), and CET1 component of Pillar II requirement

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# Financial outlook
# Net profit for 2024 will reflect progress on financial ambitions for 2026

| | |
|---|---|
| Income | **Total income** is expected to grow in 2024, driven by higher core income, our continued efforts to drive commercial momentum and in line with our financial targets for 2026. Income from trading and insurance activities will be subject to financial market conditions |
| Expenses | We expect **operating expenses** in 2024 to be in the range of 26-26.5bn, reflecting increased investments in line with our financial targets for 2026 and continued focus on cost management. The outlook includes non-recurring items of approximately DKK 0.6 billion related to the relocation to the new domicile and minor costs for the divestment of Personal Customers Norway |
| Impairments | **Loan impairment charges** are subject to an elevated level of geopolitical and macroeconomic uncertainty and are expected to reflect the assumptions in our financial targets for 2026 of approximately 8 basis points p.a. |
| Net profit * | We expect **net profit** to be in the range of DKK 20-22bn |

* Note – The outlook is subject to uncertainty and depends on volume growth and financial markets/macroeconomic conditions.

# Q&A Session

Press ***11** to ask a question