

Nordea



Fourth-Quarter and Full-Year Financial Report

2022

Fourth-quarter and full-year results 2022

Summary of the quarter:

- Continued growth in business volumes, driven by strong corporate lending despite higher economic uncertainty.** Nordea continued to win market shares across the region, with mortgage lending up 3%. However, higher economic uncertainty and rising inflation led to slower growth in mortgage volumes in the fourth quarter. Nordea also grew its corporate lending by 9%. Assets under management (AuM) were down 13% year on year, although up 5% from the previous quarter with continued positive flows from internal channels.
- Income and operating profit growth.** Fourth-quarter operating profit was up 26% at EUR 1,609m. Total income was up 19%, driven by a 31% increase in net interest income that was supported mainly by growth in corporate lending, deposit volumes and higher deposit margins. Net commission income decreased by 12% due to lower average AuM and continued lower capital markets activity. Net fair value result increased by 69%, driven by strong customer activity. Costs increased by 10%, excluding regulatory fees. The higher-than-normal increase was driven by inflation, additional technology and risk management investments and certain items not present in the comparative figures, including transaction costs related to the acquisition of Topdanmark Life. In the fourth quarter the increased investments in risk management included financial crime prevention capabilities and IT resilience.
- Strong credit quality with low net loan losses.** Net loan losses and similar net result amounted to EUR 59m or 7bp in the quarter. Despite the economic slowdown, individual net loan losses remained low and amounted to EUR 40m or 6bp. Following an assessment of the increased inflation, interest rate hikes and the overall deterioration of the macroeconomic outlook, the management judgment buffer was increased by EUR 20m to EUR 585m.
- Return on equity at 15.9% – earnings per share up 31%.** Nordea's return on equity (RoE) increased to 15.9% from 11.3%, year on year. Cost-to-income ratio excluding regulatory fees improved to 41.9% from 45.2%. Earnings per share increased by 31% to EUR 0.34.
- Dividend proposal increased to EUR 0.80 per share – CET1 ratio at 16.4% with continued capital generation.** 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. Quarter on quarter, the CET1 ratio increased by 60bp to 16.4% and is 5.3 percentage points above the regulatory requirement.
- 2023 outlook: return on equity above 13%.** Nordea has a resilient business model that will enable it to weather the higher macroeconomic uncertainty in the Nordic countries. Nordea aims to continue to improve profitability and for 2023, Nordea expects a RoE above 13%.

(For further viewpoints, see the CEO comment on page 2. For definitions, see page 54.)

Group quarterly results and key ratios Q4 2022

	Q4 2022	Q4 2021	Chg %	Q3 2022	Chg %	Jan-Dec 2022 ¹	Jan-Dec 2021	Chg %
EURm								
Net interest income	1,641	1,255	31	1,407	17	5,664	4,925	15
Net fee and commission income	812	920	-12	816	0	3,336	3,495	-5
Net fair value result	417	247	69	264	58	1,258	1,119	12
Other income	28	16		14		75	81	
Total operating income	2,898	2,438	19	2,501	16	10,333	9,620	7
Total operating expenses excluding regulatory fees	-1,214	-1,101	10	-1,130	7	-4,581	-4,425	4
Total operating expenses	-1,230	-1,101	12	-1,146	7	-4,903	-4,649	5
Profit before loan losses	1,668	1,337	25	1,355	23	5,430	4,971	9
Net loan losses and similar net result	-59	-56		-58		-49	-35	
Operating profit	1,609	1,281	26	1,297	24	5,381	4,936	9
Cost-to-income ratio excluding regulatory fees, %	41.9	45.2		45.2		44.3	46.0	
Cost-to-income ratio with amortised resolution fees, %	44.7	47.5		48.4		47.5	48.3	
Return on equity with amortised resolution fees, %	15.9	11.3		12.7		13.5	11.2	
Diluted earnings per share, EUR	0.34	0.26	31	0.27	26	1.10	0.95	16

¹ Excluding items affecting comparability. See page 5 for further details.

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We are a universal bank with a 200-year history of supporting and growing the Nordic economies – enabling dreams and aspirations for a greater good. Every day, we work to support our customers' financial development, delivering best-in-class omnichannel customer experiences and driving sustainable change. The Nordea share is listed on the Nasdaq Helsinki, Nasdaq Copenhagen and Nasdaq Stockholm exchanges. Read more about us at nordea.com.

CEO comment

2022 turned out to be an extraordinary year. We witnessed Russia's invasion of Ukraine, causing significant human suffering and creating societal and financial uncertainty across Europe. In the financial markets, we saw the worst combined returns across bond and equity markets since the late 1960s, as inflation and interest rates shifted materially higher. Despite the turbulent environment, Nordea had yet another strong year. We stood by our customers and the societies that we serve.

We grew our income faster than our costs, which enabled us to deliver operating profits of EUR 5.4bn in 2022 – up 9% from 2021. Our return on equity increased to 13.5% in 2022 from 11.2% in 2021.

In the fourth quarter we continued to focus on driving high business activity by broadening our savings offering and supporting our customers with their financing and risk management needs in turbulent markets. We sought to proactively serve our customers and for example saw a 50% year-on-year increase in their interactions with personalised digital messages in our mobile and netbank. This proactive approach enabled us to maintain strong business momentum, and our operating profit was up 26% at EUR 1,609m. Our deposit margins benefitted from the return to a more normal interest rate environment after a decade of extremely expansive monetary policy. Combined with our lending growth, this supported a 31% increase in net interest income. We expect that our net interest income will continue to benefit from the higher policy rates in 2023.

The rising cost of living and greater economic uncertainty has had an adverse impact on the Nordic mortgage market, leading to lower transaction volumes and lending margins across the board. On the other hand, lending demand among our corporate customers has remained high. Our deposit volumes also continued to increase, up 7%, year on year. In turbulent financial markets, our assets under management (AuM) decreased 13%, year on year, although increased 5%, quarter on quarter. We focused strongly on our internal channels, where we continued to see inflow.

Similar to our customers, higher inflation is leading to increased cost pressure in our businesses. In addition, we continued to invest in selected areas, mainly digital and other technology and risk management. In the fourth quarter we hired more employees and invested EUR 50m to increase our financial crime prevention capabilities and to make our IT infrastructure even more resilient. In 2022 our income growth allowed us to make these investments while still increasing our profitability. For 2023 our plan is to remain focused on maintaining strict cost control and growing revenues faster than costs while continuing to invest to strengthen the bank.

Our credit quality remains strong and we are well positioned for the continued economic uncertainty. Net loan losses and similar net result was 7bp in the fourth quarter and 1bp in 2022. Following an assessment of the potential impact of higher costs and reduced consumer spending on our customers, the management judgment buffer was increased by EUR 20m to EUR 585m.

Our business areas continued to deliver strong performances. In Personal Banking we continued to grow our market shares across the Nordics. Mortgage lending grew by 2% despite market activity slowing down. Central bank policy rate hikes continued to support deposit margins. We saw increased demand in deposit products and a slowdown in customers'

investment activity. In response, we broadened our deposit savings offering and further expanded our digital self-service savings features.

Business Banking delivered solid financial results. Lending volumes were up 5%. Deposit income increased, particularly in Sweden and Finland, while debt and equity markets activity remained subdued. During the quarter we engaged with customers in more than 50,000 meetings and supported them with their financing needs.

Large Corporates & Institutions grew lending volumes by 12% with customer activity remaining high, as we continued to support our Nordic customers with their financing and risk management needs. This was especially important as access to debt and equity markets remained challenging in many segments.

In Asset and Wealth Management we continued to grow our Private Banking business, with especially strong results in Sweden. We continued to attract new customers and increase lending and deposit volumes. AuM increased by 5%, quarter on quarter, to EUR 359bn, driven by strong Private Banking net inflows, improving markets and EUR 11bn derived from the Topdanmark Life acquisition.

We are a leading bank in shareholder distributions. With over 565,000 private individuals, pension funds and other investors as shareholders, our dividend payments support the societies we operate in. Reflecting our strong financial performance in 2022, our Board has proposed a dividend of EUR 0.80 per share – an increase of 16% from 2021. Together with our share buy-backs during 2022, the distribution to our shareholders will be more than EUR 1.5 per share, or 15% of the current market capitalisation. Our high shareholder distributions were enabled by continued capital generation. Nordea's capital position remains very strong, with a CET1 ratio of 16.4% – 5.3 percentage points above the regulatory requirement.

Sustainability remains at the core of our strategy. Our financed emissions have reduced by more than 15% demonstrating our clear commitment to reach the 40-50% emission reduction target by 2030. In 2022 we facilitated EUR 58bn of sustainable financing contributing to our target of more than EUR 200bn by 2025.

Entering 2023, macroeconomic uncertainty remains high. We expect the challenging environment to continue during the coming quarters. Nordea has a resilient business model and the Nordic societies are well positioned to weather the challenging conditions. We are committed to delivering on our key priorities and 2025 financial target. We aim to continue to improve our profitability and expect our return on equity to remain above 13% in 2023. This is already in line with our financial target for 2025 and we expect to provide a target update by the end of 2023 should the environment become more predictable.

We would not have been able to support our customers and achieve strong results without our very skilled and dedicated employees. I would like to thank all of them for their great efforts. Our primary focus is – and always will be – to serve our customers to the best of our ability. We recognise that without the trust and loyalty of our customers, we would not be where we are today. That is also our way forward – to be the preferred partner for our customers. In both good and challenging times.

Frank Vang-Jensen
President and Group CEO

Outlook

Financial target for 2025

Nordea's financial target for 2025 is a return on equity above 13%.

The target will be supported by a cost-to-income ratio of 45–47%, an annual net loan loss ratio of around 10bp and the continuation of Nordea's well-established capital and dividend policies.

Financial outlook for 2023 (new)

Nordea expects a return on equity of above 13%.

Capital policy

A management buffer of 150–200bp above the regulatory CET1 requirement.

Dividend policy

Nordea's dividend policy stipulates a dividend payout ratio of 60–70%, applicable to profit for the financial year. Nordea will continuously assess the opportunity to use share buy-backs as a tool to distribute excess capital.

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Income statement

Excluding items affecting comparability¹

	Q4 2022	Q4 2021	Chg %	Local curr. %	Q3 2022	Chg %	Local curr. %	Jan-Dec 2022	Jan-Dec 2021	Chg %	Local curr. %
EURm											
Net interest income	1,641	1,255	31	37	1,407	17	19	5,664	4,925	15	17
Net fee and commission income	812	920	-12	-9	816	0	1	3,336	3,495	-5	-4
Net result from items at fair value	417	247	69	62	264	58	55	1,258	1,119	12	11
Profit or loss from associated undertakings and joint ventures accounted for under the equity method	-1	-4	-75	-67	-3	-67	-67	-8	-6	33	33
Other operating income	29	20	45	50	17	71	88	83	87	-5	-3
Total operating income	2,898	2,438	19	22	2,501	16	17	10,333	9,620	7	9
Staff costs	-732	-670	9	12	-701	4	6	-2,835	-2,759	3	4
Other expenses	-322	-241	34	38	-282	14	16	-1,135	-1,002	13	14
Regulatory fees	-16	-			-16	0	0	-322	-224	44	45
Depreciation, amortisation and impairment charges of tangible and intangible assets	-160	-190	-16	-14	-147	9	10	-611	-664	-8	-7
Total operating expenses	-1,230	-1,101	12	15	-1,146	7	9	-4,903	-4,649	5	7
Profit before loan losses	1,668	1,337	25	28	1,355	23	25	5,430	4,971	9	10
Net loan losses and similar net result	-59	-56	5	11	-58	2	5	-49	-35	40	55
Operating profit	1,609	1,281	26	29	1,297	24	26	5,381	4,936	9	10
Income tax expense	-349	-264	32	36	-285	22	25	-1,187	-1,105	7	8
Net profit for the period	1,260	1,017	24	27	1,012	25	26	4,194	3,831	9	10

¹ Excluding the following items affecting comparability in the first quarter of 2022: a non-deductible loss from the recycling of EUR 529m in accumulated foreign exchange losses related to operations in Russia and EUR 8m (EUR 6m after tax) in losses on fund investments in Russia, recognised in "Net result from items at fair value"; and EUR 76m (EUR 64m after tax) in credit losses on direct exposures to Russian counterparties, recognised in "Net loan losses and similar net result". There was no impact on equity, own funds or capital from the recycling of the accumulated foreign exchange losses, as a corresponding positive item was recorded in "Other comprehensive income". Consequently, this item has no impact on Nordea's dividend or share buy-back capacity.

Ratios and key figures¹

Excluding items affecting comparability²

	Q4 2022	Q4 2021	Chg %	Q3 2022	Chg %	Jan-Dec 2022	Jan-Dec 2021	Chg %
Diluted earnings per share (DEPS), EUR	0.34	0.26	31	0.27	26	1.10	0.95	16
EPS, rolling 12 months up to period end, EUR	1.10	0.95	16	1.02	8	1.10	0.95	16
Return on equity, %	16.5	11.8		13.4		13.5	11.2	
Return on tangible equity, %	19.0	13.2		15.2		15.6	12.6	
Return on risk exposure amount, %	3.5	2.7		2.7		2.9	2.5	
Return on equity with amortised resolution fees, %	15.9	11.3		12.7		13.5	11.2	
Cost-to-income ratio, %	42.5	45.2		45.8		47.5	48.3	
Cost-to-income ratio with amortised resolution fees, %	44.7	47.5		48.4		47.5	48.3	
Cost-to-income ratio excluding regulatory fees, %	41.9	45.2		45.2		44.3	46.0	
Net loan loss ratio, incl. loans held at fair value, bp	7	7		7		1	1	
Return on capital at risk, %	22.3	17.3		17.7		18.3	16.5	
Return on capital at risk with amortised resolution fees, %	21.5	16.6		16.8		18.3	16.5	

¹ For more detailed information regarding ratios and key figures defined as alternative performance measures, see <https://www.nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports>.

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Business volumes, key items¹

	31 Dec 2022	31 Dec 2021	Chg %	Local curr. %	30 Sep 2022	Chg %	Local curr. %
EURbn							
Loans to the public	345.7	345.0	0	4	345.9	0	1
Loans to the public, excl. repos/securities borrowing	327.3	328.3	0	3	327.4	0	1
Deposits and borrowings from the public	217.5	205.8	6	9	225.4	-4	-3
Deposits from the public, excl. repos/securities lending	210.8	203.2	4	7	215.7	-2	-1
Total assets	594.8	570.4	4		624.8	-5	
Assets under management	358.9	411.3	-13		341.4	5	
Equity	31.4	33.5	-6		31.0	1	

¹ End of period.

Income statement

Including items affecting comparability

	Q4 2022	Q4 2021	Chg %	Local curr. %	Q3 2022	Chg %	Local curr. %	Jan-Dec 2022	Jan-Dec 2021	Chg %	Local curr. %
EURm											
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Net result from items at fair value	417	247	69	62	264	58	55	721	1,119	-36	-37
Profit or loss from associated undertakings and joint ventures accounted for under the equity method	-1	-4	-75	-67	-3	-67	-67	-8	-6	33	33
Other operating income	29	20	45	50	17	71	88	83	87	-5	-3
Total operating income	2,898	2,438	19	22	2,501	16	17	9,796	9,620	2	3
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Regulatory fees	-16	-			-16	0	0	-322	-224	44	45
Depreciation, amortisation and impairment charges of tangible and intangible assets	-160	-190	-16	-14	-147	9	10	-611	-664	-8	-7
Total operating expenses	-1,230	-1,101	12	15	-1,146	7	9	-4,903	-4,649	5	7
Profit before loan losses	1,668	1,337	25	28	1,355	23	25	4,893	4,971	-2	-1
Net loan losses and similar net result	-59	-56	5	11	-58	2	7	-125	-35		
Operating profit	1,609	1,281	26	29	1,297	24	26	4,768	4,936	-3	-2
Income tax expense	-349	-264	32	36	-285	22	25	-1,173	-1,105	6	7
Net profit for the period	1,260	1,017	24	27	1,012	25	26	3,595	3,831	-6	-5

Ratios and key figures¹

Including items affecting comparability

	Q4 2022	Q4 2021	Chg %	Q3 2022	Chg %	Jan-Dec 2022	Jan-Dec 2021	Chg %
EURm								
Diluted earnings per share (DEPS), EUR	0.34	0.26	31	0.27	26	0.95	0.95	0
EPS, rolling 12 months up to period end, EUR	0.95	0.95	0	0.87	9	0.95	0.95	0
Share price ² , EUR	10.03	10.79	-7	8.80	14	10.03	10.79	-7
Proposed/actual dividend per share, EUR						0.80	0.69	16
Equity per share ² , EUR	8.62	8.51	1	8.40	3	8.62	8.51	1
Potential shares outstanding ² , million	3,654	3,966	-8	3,714	-2	3,654	3,966	-8
Weighted average number of diluted shares, million	3,674	3,978	-8	3,722	-1	3,782	4,025	-6
Return on equity, %	16.5	11.8		13.4		11.6	11.2	
Return on tangible equity, %	19.0	13.2		15.2		13.3	12.6	
Return on risk exposure amount, %	3.5	2.7		2.7		2.5	2.5	
Return on equity with amortised resolution fees, %	15.9	11.3		12.7		11.6	11.2	
Cost-to-income ratio, %	42.5	45.2		45.8		50.1	48.3	
Cost-to-income ratio with amortised resolution fees, %	44.7	47.5		48.4		50.1	48.3	
Net loan loss ratio, incl. loans held at fair value, bp	7	7		7		4	1	
Common Equity Tier 1 capital ratio ^{2,3} , %	16.4	17.0		15.8		16.4	17.0	
Tier 1 capital ratio ^{2,3} , %	18.7	19.1		18.2		18.7	19.1	
Total capital ratio ^{2,3} , %	20.8	21.2		20.3		20.8	21.2	
Tier 1 capital ^{2,3} , EURbn	27.2	29.0	-6	27.1	0	27.2	29.0	-6
Risk exposure amount ² , EURbn	145.3	151.9	-4	149.4	-3	145.3	151.9	-4
Return on capital at risk, %	22.3	17.3		17.7		15.7	16.5	
Return on capital at risk with amortised resolution fees, %	21.5	16.6		16.8		15.7	16.5	
Net interest margin, %	1.46	1.14		1.23		1.25	1.14	
Number of employees (FTEs) ²	28,268	26,894	5	27,649	2	28,268	26,894	5
Economic capital ² , EURbn	21.9	23.2	-6	22.5	-3	21.9	23.2	-6

¹ For more detailed information regarding ratios and key figures defined as alternative performance measures, see <https://www.nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports>.

² End of period.

³ Including the result for the period.

Macroeconomy and financial markets¹

Global

Prospects for the global economy have worsened over the autumn. Europe has been hit hard by the energy crisis and high inflation on the back of the war in Ukraine, while capacity constraints and COVID-19 lockdowns have impacted the US and Chinese economies. Central banks around the world have tightened monetary policy significantly in efforts to dampen demand and anchor inflation expectations to around 2%. The European Central Bank increased the monetary policy rate to 2.0% in December, while the federal funds rate has been increased to 4.5% in the United States.

The rapid tightening of monetary policy and the uncertain economic environment led to high volatility in the financial markets during the first three quarters of the year. However, stock markets recovered in the fourth quarter as inflation expectations started to fall on the back of the monetary policy tightening and declining commodity prices and transportation costs. S&P 500 and STOXX Europe 600 indices were up by 5.5% and 11%, respectively, while the global aggregate bond index was up by 4.5%.

The Nordic countries have been among the best performing economies globally during the pandemic. GDP and employment levels are now well above pre-pandemic levels in all four countries. However, the outlook has weakened due to the high inflation, higher interest rates and lower global growth.

Denmark

Danish GDP expanded by 0.3% during the third quarter of 2022. Exports and gross fixed investments increased, while household consumption and inventories decreased. During the fourth quarter consumer confidence stabilised at a very low level, while business sentiment fell. However, the labour market remained strong and the unemployment rate stood at 2.6% in November. In the third quarter house and apartment prices continued to drop and were down 1.8% and 3.6%, respectively, year on year. Meanwhile, the number of properties for sale increased. Year-on-year consumer price inflation stood at 8.7% in December. The Danish krone remained strong against the euro in the fourth quarter, during which Danmarks Nationalbank hiked its monetary policy rates twice. Following purchases of foreign exchange in the market, it first raised its rate by 60bp in late October, resulting in the widening of the monetary policy spread compared with the euro area. In December Danmarks Nationalbank followed the European Central Bank and raised its interest rate by a further 50bp to 1.75%.

Finland

Finnish GDP contracted by 0.2% during the third quarter of 2022. High inflation and rising interest rates have reduced private consumption, and the outlook remains weak. The labour market has yet to show significant signs of weakening. The unemployment rate fell to 6.9% in November, although the number of open vacancies has started to decline. Housing transactions were down by over 30% in October and November, year on year. Housing prices fell 1.7%, quarter on quarter, but were stable year on year. Year-on-year consumer price inflation stood at 9.1% in December and continues to be mainly driven by energy and food prices.

Norway

Norwegian mainland GDP increased by 0.8% during the third quarter of 2022, driven by growth in all sectors, especially the fishing industry. The labour market remained strong, with the seasonally adjusted unemployment rate at a record low of 1.6% in December. Housing prices declined during the quarter, but were still 1.7% higher in December than in the same month last year. Year-on-year consumer price inflation stood at 5.9% in December, driven by increased energy prices and also by broad price increases of both imported and domestic goods and services. Norges Bank continued its rate-hiking cycle due to a highly pressured economy and high inflation, but at a more measured pace. After hiking the key rate by 50bp in June, August and September, Norges Bank hiked it by 25bp in both November and December, bringing it up to 2.75%. Norges Bank has signalled that it will probably be raising the key rate to around 3–3.25% in 2023. The Norwegian krone strengthened against the dollar during the fourth quarter but was fairly stable against the euro.

Sweden

Swedish GDP rose by 0.6% during the third quarter of 2022. Both domestic demand and exports were up. The labour market continued to improve and the unemployment rate fell to 7.2% in November 2022 according to Statistics Sweden's Labour Force survey. House and apartment prices continued to decline in November and were 13% and 9% lower, respectively, compared with the same month last year. Year-on-year consumer price inflation stood at 10.2% in December and was broad-based. Sveriges Riksbank hiked its policy rate by 75bp to 2.50% in November 2022 and signalled that it would be raised further going forward. The Riksbank also continued to reduce its balance sheet during the fourth quarter of 2022. The trade-weighted Swedish krona weakened by 0.3% over the course of the fourth quarter.

¹Source: Nordea Economic Research

Group results and performance

Fourth quarter 2022

Net interest income

Q4/Q4: Net interest income increased by 31%. The main drivers were improved deposit margins and increased lending volumes in all business areas. These benefits were partly offset by lower lending margins. The improved deposit margins were driven by further policy rate hikes during the quarter. Exchange rate effects had a negative impact of approximately EUR 69m.

Q4/Q3: Net interest income increased by 17%. The main drivers were improved deposit margins, partly offset by lower lending margins. The improved deposit margins were driven by further policy rate hikes during the quarter. Exchange rate effects had a negative impact of approximately EUR 41m.

Lending volumes

Q4/Q4: Loans to the public excluding repurchase agreements and securities borrowing were up 3% in local currencies. Lending volumes increased in Personal Banking (2% in local currencies), Business Banking (5% in local currencies) and Large Corporates & Institutions (12% in EUR).

Q4/Q3: Loans to the public excluding repurchase agreements and securities borrowing were up 1% in local currencies. Lending volumes increased in Business Banking (1% in local currencies) and decreased in Large Corporates & Institutions (-4% in EUR). Personal Banking was stable.

Deposit volumes

Q4/Q4: Total deposits from the public excluding repurchase agreements and securities lending were up 7% in local currencies. Deposit volumes increased in Personal Banking (4% in local currencies), Business Banking (1% in local currencies) and Large Corporates & Institutions (5% in EUR).

Q4/Q3: Total deposits from the public excluding repurchase agreements and securities lending were down 1% in local currencies. Deposit volumes decreased in Personal Banking (-1% in local currencies) and Large Corporates & Institutions (-7% in EUR). Business Banking was stable.

Net interest income per business area

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Local currency Q4/Q4	Local currency Q4/Q3
EURm									
Personal Banking	764	636	571	565	556	37%	20%	42%	22%
Business Banking	559	487	444	440	417	34%	15%	38%	17%
Large Corporates & Institutions	340	284	263	267	247	38%	20%		
Asset & Wealth Management	72	41	29	26	20	260%	76%	284%	78%
Group functions	-94	-41	1	10	15				
Total Group	1,641	1,407	1,308	1,308	1,255	31%	17%	37%	19%

Change in net interest income (NII)

	Q4/Q3	Q4/Q4	Jan-Dec 22/21
EURm			
NII beginning of period	1,407	1,255	4,925
Margin-driven NII	278	360	441
Lending margin	-46	-160	-462
Deposit margin	336	540	895
Cost of funds	-12	-20	8
Volume-driven NII	12	92	334
Lending volume	12	96	357
Deposit volume	0	-4	-23
Day count	0	0	0
Other ¹	-56	-66	-36
NII end of period	1,641	1,641	5,664
¹ of which foreign exchange.	-41	-69	-86

Net fee and commission income

Q4/Q4: Net fee and commission income decreased by 12%, driven by lower net income from savings and investments. This was partly offset by higher income from payments and cards.

Q4/Q3: Net fee and commission income was stable, as lower net income from savings and investments and payments and cards was offset by higher lending-related income.

Savings and investment commissions

Q4/Q4: Net fee and commission income from savings and investments decreased by 19%, as financial market turbulence led to a decrease in assets under management (AuM) and lower customer activity in the brokerage and advisory business.

Q4/Q3: Net fee and commission income from savings and investments decreased by 1%. End-of-period AuM increased by 5%, or EUR 17bn, to EUR 359bn, with a net outflow of EUR 3.0bn during the quarter. AuM now also includes the EUR 11bn derived from the Topdanmark Life acquisition.

Payments and cards commissions

Q4/Q4: Net fee and commission income from payments and cards increased by 12%, mainly driven by increased payments income.

Q4/Q3: Net fee and commission income from payments and cards decreased by 1%, driven by lower cards income, partly offset by higher payments income.

Lending-related commissions

Q4/Q4: Lending-related net fee and commission income decreased by 4%, driven by lower mortgage refinancing fees.

Q4/Q3: Lending-related net fee and commission income increased by 2%, driven by higher commitment fees related to new facilities for large corporates, partly offset by lower mortgage refinancing fees.

Net fee and commission income per business area

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Local currency	
								Q4/Q4	Q4/Q3
EURm									
Personal Banking	288	308	304	303	324	-11%	-6%	-9%	-5%
Business Banking	163	149	162	165	169	-4%	9%	0%	12%
Large Corporates & Institutions	111	105	113	129	120	-8%	6%		
Asset & Wealth Management	257	268	269	279	311	-17%	-4%	-17%	-4%
Group functions	-7	-14	-10	-6	-4				
Total Group	812	816	838	870	920	-12%	0%	-9%	1%

Net fee and commission income per category

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Local currency	
								Q4/Q4	Q4/Q3
EURm									
Savings and investments, net	531	537	559	595	654	-19%	-1%	-18%	0%
Payments and cards, net	142	144	141	131	127	12%	-1%	15%	0%
Lending-related, net	145	143	143	147	151	-4%	2%	-1%	4%
Other commissions, net	-6	-8	-5	-3	-12				
Total Group	812	816	838	870	920	-12%	0%	-9%	1%

Assets under management (AuM), volumes and net flow

	Q422	Q322	Q222	Q122	Q421	Net flow
						Q422
EURbn						
Nordic Retail funds	71.3	70.3	72.6	81.7	87.4	-0.3
Private Banking	107.5	102.4	106.1	115.4	122.7	0.3
Institutional sales	108.6	109.2	115.9	124.8	131.3	-3.0
Life & Pension	71.5	59.5	60.8	67.4	69.9	0
Total	358.9	341.4	355.5	389.4	411.3	-3.0

Net result from items at fair value

Q4/Q4: Net result from items at fair value increased by 69%. This was due to high customer activity and higher trading income in Markets, as well as increases in Treasury from hedging activities and tighter spreads that benefitted the liquidity portfolio.

Q4/Q3: Net result from items at fair value increased by 58%. This was driven by high customer activity and higher trading income in Markets, as well as increases in Treasury from hedging activities and tighter spreads that benefitted the liquidity portfolio. The third quarter had been impacted by unusually high market volatility.

Net result from items at fair value per business area

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3
EURm							
Personal Banking	28	30	28	55	34	-18%	-7%
Business Banking	94	96	93	99	88	7%	-2%
Large Corporates & Institutions	158	118	162	134	85	86%	34%
Asset & Wealth Mgmt. excl. Life & Pension	7	10	12	7	6	17%	-30%
Life & Pension	8	-2	1	-6	6	33%	
Group functions	122	12	-14	6	28		
Total Group	417	264	282	295	247	69%	58%
Total, incl. items affecting comparability¹	417	264	282	-242	247	69%	58%

¹ Items affecting comparability in the first quarter of 2022: a non-deductible loss from the recycling of EUR 529m in accumulated exchange losses related to operations in Russia and EUR 8m (EUR 6m after tax) in losses on fund investments in Russia, recognised in "Net result from items at fair value".

Equity method

Q4/Q4: Income from companies accounted for under the equity method was EUR -1m, up from EUR -4m.

Q4/Q3: Income from companies accounted for under the equity method was EUR -1m, up from EUR -3m.

Other operating income

Q4/Q4: Other operating income was EUR 29m, up from EUR 20m, driven by a gain on a divestment.

Q4/Q3: Other operating income was EUR 29m, up from EUR 17m, driven by a gain on a divestment.

Total operating income per business area

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Local currency	
								Q4/Q4	Q4/Q3
EURm									
Personal Banking	1,080	974	906	925	913	18%	11%	22%	12%
Business Banking	826	737	709	714	681	21%	12%	25%	14%
Large Corporates & Institutions	620	508	541	530	454	37%	22%		
Asset & Wealth Management	343	317	311	306	346	-1%	8%	0%	9%
Group functions	29	-35	-23	15	44				
Total Group	2,898	2,501	2,444	2,490	2,438	19%	16%	22%	17%
Total, incl. items affecting comparability¹	2,898	2,501	2,444	1,953	2,438	19%	16%	22%	17%

¹ Items affecting comparability in the first quarter of 2022: a non-deductible loss from the recycling of EUR 529m in accumulated foreign exchange losses related to operations in Russia and EUR 8m (EUR 6m after tax) in losses on fund investments in Russia, recognised in "Net result from items at fair value".

Total operating expenses

Q4/Q4: Total operating expenses were up 12%. The higher-than-normal increase was driven by inflation, additional technology and risk management investments and certain items not present in the comparative figures, including transaction costs related to the acquisition of Topdanmark Life. Excluding the items not present in the comparative figures (EUR 58m), the additional investments (EUR 50m) and the regulatory fees (EUR 16m), underlying operating expenses were up 3%. Exchange rate effects had a positive impact of approximately EUR 33m.

Q4/Q3: Total operating expenses were up 7% due to additional technology and risk management investments and certain items not present in the comparative figures, including transaction costs related to the acquisition of Topdanmark Life. Excluding the items not present in the comparative figures (EUR 31m) and the additional investments (EUR 50m), underlying operating expenses were up 2%. Exchange rate effects had a positive impact of approximately EUR 17m.

Staff costs

Q4/Q4: Staff costs were up 9% due to additional risk management resources and certain items not present in the comparative figures. Excluding the items not present in the comparative figures, staff costs were up by 2%.

Q4/Q3: Staff costs were up 4% due to certain items not present in the comparative figures and additional risk management resources.

Other expenses

Q4/Q4: Other expenses increased by 34% due to additional technology investments, transaction costs related to the acquisition of Topdanmark Life and other items not present in the comparative figures, and higher marketing costs. Excluding the items not present in the comparative figures, other expenses were up by 18%.

Q4/Q3: Other expenses increased by 14% due to additional technology investments, transaction costs related to the acquisition of Topdanmark Life and higher marketing costs.

Regulatory fees

Q4/Q4: Regulatory fees amounted to EUR 16m, compared with EUR 0m, and primarily related to the Swedish bank tax.

Q4/Q3: Regulatory fees amounted to EUR 16m, compared with EUR 16m in the third quarter of 2022.

Depreciation and amortisation

Q4/Q4: Depreciation and amortisation decreased by 16% due to lower impairment charges.

Q4/Q3: Depreciation and amortisation increased by 9% to EUR 160m due to higher impairment charges.

FTEs

Q4/Q4: The number of employees (FTEs) was 28,268 at the end of the fourth quarter, an increase of 5%, mainly due to the acquisition of Topdanmark Life, the additional investments in technology and risk management and the investments to drive growth.

Q4/Q3: The number of FTEs was up 2%, mainly due to the acquisition of Topdanmark Life, the additional investments in technology and risk management and the investments to drive growth.

Total operating expenses

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Local currency Q4/Q4	Q4/Q3
EURm									
Staff costs	-732	-701	-699	-703	-670	9%	4%	12%	6%
Other expenses	-322	-282	-265	-266	-241	34%	14%	38%	16%
Regulatory fees	-16	-16	-17	-273	0		0%		0%
Depreciation and amortisation	-160	-147	-158	-146	-190	-16%	9%	-14%	10%
Total Group	-1,230	-1,146	-1,139	-1,388	-1,101	12%	7%	15%	9%

Total operating expenses per business area

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Local currency Q4/Q4	Q4/Q3
EURm									
Personal Banking	-488	-458	-449	-509	-453	8%	7%	11%	8%
Business Banking	-308	-292	-291	-350	-296	4%	5%	8%	7%
Large Corporates & Institutions	-194	-179	-189	-275	-174	11%	8%		
Asset & Wealth Management	-155	-142	-131	-139	-143	8%	9%	11%	11%
Group functions	-85	-75	-79	-115	-35	143%	13%		
Total Group	-1,230	-1,146	-1,139	-1,388	-1,101	12%	7%	15%	9%

Exchange rate effects

	Q4/Q4	Q4/Q3	Jan-Dec 22/21
Percentage points			
Income	-3	-2	-1
Expenses	-3	-1	-1
Operating profit	-3	-2	-1
Loan and deposit volumes	-3	-1	-3

Net loan losses and similar net result

Nordea Group's credit performance remained strong in the fourth quarter of 2022. Employment levels in the Nordic economies continued to be solid, and corporates and households have thus far been able to withstand the negative effects of increased energy and raw material prices and the overall cost of living.

Net loan losses and similar net result amounted to EUR 59m (7bp) for the quarter, or EUR 51m excluding the revaluation of Danish mortgage loans held at fair value. Realised loan losses remained at a low level. In the third quarter of 2022 the comparable losses were EUR 58m (7bp), or EUR 29m excluding the model-based revaluation of Danish mortgage loans held at fair value.

Main drivers of loan losses and similar net result

New net provisioning on individually assessed exposures amounted to EUR 40m. This was driven by individual provisions and write-offs on smaller corporate customers, and reflected the more challenging macroeconomic conditions and lower consumer spending in particular. These provisions were partly offset by reversals on a few larger corporate exposures. Credit quality remained strong overall, with no particular industry concentration in the realised net loan losses.

Collectively calculated net provisions increased by EUR 11m, primarily driven by the worsened macroeconomic scenarios and the specific risks caused by the rapidly increasing energy prices and overall inflation. These were partly offset by the household portfolio and overall improvement in credit portfolio quality. The weight applied to the adverse scenario remained at 40%, reflecting the continued uncertainty about the macroeconomic outlook.

The EUR 8m negative impact on Nordea Kredit's mortgage portfolio reported at fair value was primarily due to the rapidly increasing energy prices and overall inflation.

In Business Banking net loan losses and similar net result amounted to EUR 37m, in Personal Banking to EUR 19m, in Large Corporates & Institutions to EUR 4m and in other portfolios to EUR 2m. In Asset and Wealth management net reversals amounted to EUR 3m.

Management judgement allowances

During the quarter the cyclical management judgement allowance was reassessed in light of the extraordinary effects caused by higher energy and raw material prices and reduced consumer spending in various economic sectors, as well as the lower impacts related to the pandemic. The assessment resulted in a reallocation of EUR 20m of provisions into the cyclical management judgement allowance, which now stands at EUR 430m.

The structural management judgement allowance was kept unchanged at EUR 155m. Accordingly, the total management judgement allowance increased to EUR 585m. This level is deemed to ensure a strong reserve to cover potential and expected credit losses and planned improvements to provisioning models and processes.

See Note 9 for further details.

Credit portfolio

Lending to the public excluding reverse repurchase agreements and securities borrowing remained at EUR 327bn in the fourth quarter of 2022, corresponding to an increase of 1% in local currencies.

Loans to the public measured at fair value excluding reverse repurchase agreements and securities borrowing increased to EUR 52bn from EUR 51bn. The fair value portfolio mainly comprised Danish mortgage lending, which amounted to EUR 52bn, up from EUR 51bn in the third quarter of 2022.

Lending to the public measured at amortised cost before allowances decreased to EUR 277bn from EUR 278bn in the third quarter of 2022. Of this, 94% was classified as stage 1, 5% as stage 2 and 1% as stage 3, with the distribution unchanged from the third quarter. Quarter on quarter, stage 1 loans were unchanged, stage 2 loans decreased by 6% and stage 3 loans decreased by 9%. Stage 2 loans amounted to EUR 12.8bn, unchanged, year on year. Stage 3 loans amounted to EUR 2.2bn, down 36%, year on year.

The coverage ratio was 3.2% for stage 2 (up from 3.0% in the previous quarter) and 46% for stage 3 (up from 45% in the previous quarter). The impairment rate for the amortised portfolio decreased to 0.81% from 0.88% in the previous quarter, driven by the decrease in stage 3 loans. The impairment rate for the fair value portfolio decreased to 0.62% from 0.72% in the previous quarter, driven by a decrease in impaired Danish mortgage lending.

Net loan loss ratio, excluding IAC¹

	Q422	Q322	Q222	Q122	Q421
Basis points of loans, amortised cost²					
Net loan loss ratios, annualised, Group	7	4	-6	0	12
of which stages 1 and 2	1	3	-6	5	-11
of which stage 3	6	1	0	-5	23
Basis points of loans, total^{2,3}					
Net loan loss ratio, including loans held at fair value, annualised, Group					
Personal Banking total	4	7	-1	3	2
PeB Denmark	13	18	-7	-8	-18
PeB Finland	3	6	14	15	22
PeB Norway	-7	2	-2	1	5
PeB Sweden	6	0	-9	5	3
Business Banking total	15	15	-14	4	11
BB Denmark	12	12	-23	-11	3
BB Finland	18	25	-21	29	54
BB Norway	7	8	-27	-3	-8
BB Sweden	24	16	4	13	1
Large Corporates & Institutions total	2	-9	-9	-17	7
LC&I Denmark	0	7	-7	0	-25
LC&I Finland	9	-30	0	-25	48
LC&I Norway	0	-65	-39	-61	7
LC&I Sweden	6	8	9	-9	7

¹ Items affecting comparability in the first quarter of 2022; EUR 76m in credit losses on direct exposures to Russian counterparties.

² Negative amounts are net reversals.

³ Net loan losses and net result on loans in hold portfolios mandatorily held at fair value divided by total lending at amortised cost and at fair value, basis points.

Profit

Operating profit

Q4/Q4: Operating profit increased by 26% to EUR 1,609m due to higher total income, partly offset by higher total costs.

Q4/Q3: Operating profit increased by 24% to EUR 1,609m due to higher total income, partly offset by higher total costs.

Taxes

Q4/Q4: Income tax expense amounted to EUR 349m, up from EUR 264m, corresponding to a tax rate of 21.7%, up from 20.6% in the fourth quarter of 2021.

Q4/Q3: Income tax expense amounted to EUR 349m, up from EUR 285m, corresponding to a tax rate of 21.7%, down from 22.0% in the previous quarter.

Net profit

Q4/Q4: Net profit increased by 24% to EUR 1,260m. Return on equity was 16.5%, up from 11.8%. Return on equity with amortised resolution fees was 15.9%, up from 11.3%.

Q4/Q3: Net profit increased by 25% to EUR 1,260m. Return on equity was 16.5%, up from 13.4%. Return on equity with amortised resolution fees was 15.9%, up from 12.7%.

Q4/Q4: Diluted earnings per share were EUR 0.34, compared with EUR 0.26.

Q4/Q3: Diluted earnings per share were EUR 0.34, compared with EUR 0.27.

Operating profit per business area

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Local currency	
								Q4/Q4	Q4/Q3
EURm									
Personal Banking	573	486	463	403	450	27%	18%	32%	19%
Business Banking	481	408	453	353	358	34%	18%	38%	20%
Large Corporates & Institutions	422	345	367	284	268	57%	22%		
Asset & Wealth Management	191	174	177	166	203	-6%	10%	-6%	10%
Group functions	-58	-116	-99	-92	2				
Total Group	1,609	1,297	1,361	1,114	1,281	26%	24%	29%	26%
Total, incl. items affecting comparability¹	1,609	1,297	1,361	501	1,281	26%	24%	29%	26%

¹ Items affecting comparability in the first quarter of 2022: a non-deductible loss from the recycling of EUR 529m in accumulated foreign exchange losses related to operations in Russia and EUR 8m (EUR 6m after tax) in losses on fund investments in Russia, recognised in "Net result from items at fair value"; and EUR 76m (EUR 64m after tax) in credit losses on direct exposures to Russian counterparties, recognised in "Net loan losses and similar net result".

Capital position and risk exposure amount

The Nordea Group's Common Equity Tier 1 (CET1) capital ratio increased to 16.4% at the end of the fourth quarter from 15.8% in the third quarter of 2022. CET1 capital increased by EUR 0.3bn, mainly driven by profit generation net of dividend accrual. Following increases of the Norwegian and Danish countercyclical buffers to 2.0%, Nordea Group's CET1 capital requirement now stands at 11.1%, compared with 10.8% in the third quarter of 2022.

The risk exposure amount (REA) decreased by EUR 4.1bn, primarily driven by decreased market risk and credit valuation adjustments, foreign exchange effects from depreciating USD and SEK and decreased counterparty credit risk.

The Group's Tier 1 capital ratio increased to 18.7% at the end of the fourth quarter from 18.2% in the third quarter. The total capital ratio increased to 20.8% from 20.3%.

At the end of the fourth quarter CET1 capital amounted to EUR 23.9bn, Tier 1 capital amounted to EUR 27.2bn and own funds amounted to EUR 30.2bn.

The Group's subordinated minimum requirements for own funds and eligible liabilities (MREL) ratio was 26.6% of the REA and 7.0% of the leverage ratio exposure (LRE), compared with the current subordination requirements of 21.7% of the REA and 5.98% of the LRE. The MREL ratio was 34.6% of the REA and 9.1% of the LRE, compared with the current requirements of 28.3% of the REA and 5.98% of the LRE.

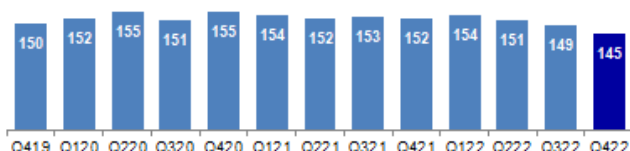
The leverage ratio increased to 4.9% during the fourth quarter from 4.6% in the third quarter of 2022. The increase was mainly driven by decreased cash in central banks.

The Group's economic capital decreased to EUR 21.9bn at the end of fourth quarter, mainly due to decreased credit risk.

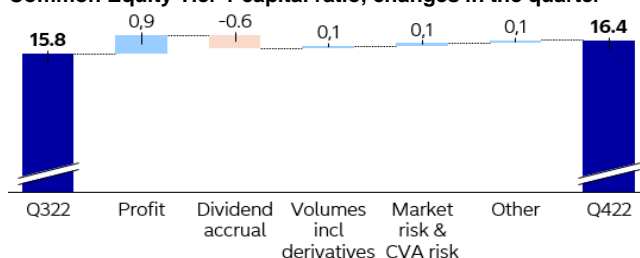
Capital ratios

	Q422	Q322	Q222	Q122	Q421
%					
CRR/CRD IV					
CET1 capital ratio	16.4	15.8	16.6	16.3	17.0
Tier 1 capital ratio	18.7	18.2	18.8	18.4	19.1
Total capital ratio	20.8	20.3	20.9	20.5	21.2

Risk exposure amount, EURbn, quarterly



Common Equity Tier 1 capital ratio, changes in the quarter



Capital and dividend policies

Nordea strives to maintain a strong capital position in line with its capital policy. Nordea's policy is to hold a CET1 capital management buffer of 150–200bp above the CET1 capital ratio requirement. Nordea's ambition is to distribute 60–70% of the net profit for the year 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.

Share buy-backs and dividend proposal

The first share buy-back programme of EUR 2.0bn was launched in October 2021 and completed on 4 March 2022. The second share buy-back programme of EUR 1.0bn was launched in March 2022 and completed on 14 June 2022. The ongoing share buy-back programme of up to EUR 1.5bn was launched on 20 July 2022 and is expected to end no later than 29 March 2023.

Nordea's share buy-backs are aimed at pursuing an efficient capital structure and improving shareholder returns by reducing the bank's capital. Nordea will continue to distribute excess capital to shareholders in the future in line with its capital and dividend policy.

On 31 December 2022 Nordea Bank Abp's distributable earnings, including profit for the financial year, amounted to EUR 17,300m and other unrestricted equity amounted to EUR 4,593m.

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. 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.

Regulatory developments

On 19 December the Finnish Financial Supervisory Authority (FSA) communicated that they are preparing to activate the systemic risk buffer in Finland at no more than 1%. The macroprudential buffers were reduced in spring 2020 to mitigate the effects of COVID-19, and the current Finnish FSA assessment is that the Finnish banking sector's macroprudential buffers are below the desired level. Any decision to activate the systemic risk buffer would be applicable 12 months later.

On 21 December Nordea received the European Central Bank's Joint Decision on the Supervisory Review and Evaluation Process, which includes the Pillar 2 Requirement (P2R). In the Joint Decision the P2R was reduced to 1.60% from the current 1.75%. As outlined in the Capital Requirements Directive, banks must meet the P2R with at least 56.25% of CET1 capital, hence the CET1 requirement in P2R was reduced from 0.98% to 0.90%. The new P2R is effective from 1 January 2023.

Risk exposure amount

	31 Dec 2022	31 Dec 2021
EURm		
Credit risk	113,156	119,483
IRB	98,589	102,818
- sovereign		
- corporate	65,346	66,994
- advanced	58,438	58,281
- foundation	6,908	8,713
- institutions	3,888	3,862
- retail	25,021	27,610
- items representing securitisation positions	1,195	880
- other	3,139	3,472
Standardised	14,567	16,665
- sovereign	207	671
- retail	4,972	5,548
- other	9,389	10,447
Credit valuation adjustment risk	675	773
Market risk	4,750	4,972
- trading book, internal approach	4,110	3,908
- trading book, standardised approach	640	637
- banking book, standardised approach		427
Settlement risk		0
Operational risk	15,025	14,306
Additional risk exposure amount related to Finnish RW floor due to Article 458 of the CRR	-	-
Additional risk exposure amount related to Swedish RW floor due to Article 458 of the CRR	11,693	12,372
Additional risk exposure amount due to Article 3 of the CRR	-	-
Total	145,299	151,906

Summary of items included in own funds including result (Banking Group)

	31 Dec 2022	31 Dec 2021
EURm		
Calculation of own funds		
Equity in the consolidated situation	27,048	28,900
Profit for 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	-4,174
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
¹ Other items, net if reported excluding profit	-1,008	-1,197

Own funds reported to ECB

	31 Dec ² 2022	31 Dec 2021
EURm		
Common Equity Tier 1 capital	23,134	25,880
Tier 1 capital (net after deduction)	26,416	29,012
Total own funds	29,475	32,275

² Including third-quarter, second-quarter and first-quarter profit, excluding fourth-quarter profit (pending application).

Balance sheet

Balance sheet data

	Q422	Q322	Q222	Q122	Q421
EURbn					
Loans to credit institutions	5	10	6	13	2
Loans to the public	346	346	348	352	345
Derivatives	37	48	38	31	30
Interest-bearing securities	64	66	65	68	63
Other assets	143	155	154	160	130
Total assets	595	625	611	624	570
Deposits from credit institutions	33	45	37	45	27
Deposits from the public	217	225	223	221	206
Debt securities in issue	180	189	190	193	176
Derivatives	40	48	39	35	31
Other liabilities	94	87	91	99	96
Total equity	31	31	31	31	34
Total liabilities and equity	595	625	611	624	570

Funding and liquidity operations

Nordea issued approximately EUR 4.7bn in long-term funding in the fourth quarter of 2022 (excluding Danish covered bonds), of which approximately EUR 3.8bn was issued in the form of covered bonds and EUR 0.9bn was issued as senior debt. Notable transactions during the quarter included a NOK 1bn 7-year covered bond in October, and a SEK 6bn 5-year green covered bond and EUR 1bn 3-year green covered bond in November.

At the end of the fourth quarter long-term funding accounted for approximately 73% of Nordea's total wholesale funding.

Short-term liquidity risk is measured using several metrics, including the liquidity coverage ratio (LCR). The Nordea Group's combined LCR was 162% at the end of the fourth quarter. The liquidity buffer is composed of highly liquid central-bank-eligible securities and cash, as defined in the LCR regulation. At the end of the fourth quarter the liquidity buffer amounted to EUR 114bn, compared with EUR 126bn at the end of the third quarter of 2022. The net stable funding ratio (NSFR) measures long-term liquidity risk. At the end of the fourth quarter Nordea's NSFR was 115.6%, compared with 116.5% at the end of the third quarter.

Nordea maintained a strong liquidity position throughout the fourth quarter despite increased volatility in global markets, driven by geopolitical and macroeconomic uncertainties and tightening monetary policies.

During 2021 Nordea participated in European Central Bank (ECB) and local central bank facilities, including the ECB's targeted longer-term refinancing operations (TLTROs). At the end of the fourth quarter Nordea had EUR 10bn outstanding under the TLTRO III programme, following a EUR 2bn repayment during the quarter.

Nordea accounts for the TLTRO funding as a floating rate financial liability under IFRS 9. The weighted average interest rate applied by the ECB in the fourth quarter turned positive, and Nordea accordingly recognises interest expense in connection with its TLTRO III borrowing. The interest rate used for accruing interest during the fourth quarter is 0.42% (weighted average by time and nominal amount) and added EUR 12m to Nordea's interest expense. For the full-year 2022, the interest expense was negative and added EUR 92m to Nordea's net interest income. Of this, EUR 61m was released when Nordea was able to conclude with adequate certainty that the 2021 lending threshold had been reached. Nordea altered the effective interest rate accordingly, and retroactively applied the additional 0.5% discount on the interest rate paid as of 24 June 2021.

Funding and liquidity data

	Q422	Q322	Q222	Q122	Q421
Long-term funding portion	73%	71%	69%	71%	79%
LCR total	162%	150%	147%	153%	160%
LCR EUR	149%	136%	141%	194%	143%
LCR USD	177%	196%	202%	239%	169%

Market risk

Market risk in the trading book measured by value at risk (VaR) was EUR 33.1m. Quarter on quarter, VaR increased by EUR 1.5m, primarily as a result of higher credit spread risk. Interest rate risk remained the main driver of VaR at the end of the fourth quarter. Trading book VaR continues to be driven by market risk related to Nordic and other Northern European exposures.

Trading book

	Q422	Q322	Q222	Q122	Q421
EURm					
Total risk, VaR	33	32	29	25	35
Interest rate risk, VaR	32	32	27	23	37
Equity risk, VaR	2	3	2	3	3
Foreign exchange risk, VaR	2	2	2	1	1
Credit spread risk, VaR	7	6	8	9	4
Inflation risk, VaR	2	2	2	2	2
Diversification effect	27%	30%	29%	35%	24%

Nordea share and credit ratings

Nordea's share price and credit ratings as at the end of the fourth quarter of 2022.

	Nasdaq STO (SEK)	Nasdaq COP (DKK)	Nasdaq HEL (EUR)
31/12/2020	67.22	49.38	6.67
31/03/2021	86.00	62.47	8.41
30/06/2021	95.26	69.60	9.40
30/09/2021	113.10	82.37	11.24
31/12/2021	110.50	80.39	10.79
31/03/2022	97.30	70.20	9.38
30/06/2022	90.00	62.24	8.40
30/09/2022	95.67	65.33	8.80
31/12/2022	111.68	75.12	10.03

Moody's		Standard & Poor's		Fitch	
Short	Long	Short	Long	Short	Long
P-1	Aa3	A-1+	AA-	F1+	AA-

Other information

Acquisition of Topdanmark Life completed

Nordea entered into an agreement with Topdanmark Forsikring to acquire all shares in Topdanmark Liv Holding A/S on 18 March 2022. Topdanmark Life is a life and pensions company operating in Denmark. At the end of 2021 the company had assets under management of around EUR 12bn and approximately 225,000 customers.

On 1 December 2022 the transaction was completed with an agreed price for Topdanmark Life of approximately EUR 283m, after a pre-completion dividend had been distributed to Topdanmark Forsikring. The transaction absorbed approximately 2bp of CET1 capital and is expected to deliver a small increase in Nordea Group's earnings per share and return on equity.

More information can be found in Note 1.

Nordea Direct merger process completed

The merger of Nordea Direct Bank ASA (formerly Gjensidige Bank ASA) into Nordea Bank Abp was completed on 1 November 2022. All assets and liabilities of Nordea Direct Bank ASA have since been transferred to Nordea Bank Abp.

Increase to the Danish corporate income tax for financial institutions enacted in June

In June 2022 the Danish Parliament enacted an increase in the Danish corporate income tax (CIT) rate for financial institutions to 25.2% in 2023 and to 26% in 2024. The new CIT rate is, all other variables unchanged, expected to add approximately one percentage point to the annual effective tax rate (ETR) of the Nordea Group from 2023 onwards. Deferred taxes on the balance sheet were remeasured to the new CIT rate in the second quarter of 2022.

Impact from IFRS 17 "Insurance contracts"

Nordea is currently implementing International Financial Reporting Standard (IFRS) 17, which will be effective as of 1 January 2023. The quantitative impact at transition on 1 January 2022 will be accounted for directly in equity (after tax) and will reduce equity by EUR 573m. The impact on the Common Equity Tier 1 capital ratio will be a reduction of 23 basis points at transition, while the impact on return on equity is expected to be marginally positive.

The above descriptions are valid for the insurance contracts held by Nordea at transition on 1 January 2022. Contracts in Topdanmark Life will thus not impact Nordea's transition to IFRS 17.

More information can be found in Note 1.

Impacts from Russia's invasion of Ukraine

During the fourth quarter of 2022 Nordea continued to closely monitor and assess its direct exposure to Russian counterparties. The direct credit exposure after provisions is less than EUR 50m.

The uncertainty regarding the broader impact of the war – including higher energy, food and commodity prices – on the global and Nordic economies was further assessed in the fourth quarter. These developments have been reflected in the regular update of Nordea's macroeconomic scenarios, which have been used in the updated financial forecasts and IFRS 9 expected credit loss modelling. Nordea has also reviewed its management judgement overlay to ensure that the overall provisioning levels are appropriate in the context of higher energy prices, interest rates and reduced disposable income. Nordea will continue to follow developments closely in the coming quarters.

Information on the financial and operational impacts of the war in Ukraine, as well as the measures taken to address these impacts, has been provided in this report. See "CEO comment", "Macroeconomy and financial markets", "Net loan losses and similar net result", "Funding and liquidity operations", "Other information", "Business areas", Note 1 "Accounting policies", Note 8 "Net loan losses", Note 9 "Loans and impairment" and Note 13 "Risks and uncertainties".

Closure of Nordea's operations in Russia

In accordance with its strategy, Nordea is focusing on its business in the Nordic region. This has entailed the Group winding down its operations in Russia. On 24 March 2021 the Extraordinary General Meeting of JSC Nordea Bank decided to initiate the voluntary liquidation process, which was approved by the Central Bank of Russia on 16 April 2021. The voluntary liquidation process of JSC Nordea Bank was completed on 21 April 2022 following its deregistration from the trade register by the Russian tax authorities. The final steps to liquidate the remaining Russian subsidiaries are pending.

As required by International Financial Reporting Standards (IFRSs), Nordea had accumulated foreign exchange (FX) losses on the investment in its banking operations in Russia in equity through "Other comprehensive income" (OCI) since the acquisition of JSC Nordea Bank in 2007. In the first quarter of 2022 Nordea repatriated capital and in substance ceased all operations in Russia. In accordance with the IFRSs, Nordea recycled the accumulated FX losses from OCI into the income statement. The recycling impact was recognised in "Net result from items at fair value" and was treated as an item affecting comparability. There was no impact on equity, own funds or capital, as a corresponding positive item was recorded in OCI. Consequently, this item has no impact on Nordea's dividend or share buy-back capacity.

Share cancellations

Nordea cancelled aggregated amounts of 25,778,978, 12,560,102 and 21,622,906 treasury shares in October, November and December, respectively. The shares cancelled during the quarter were held for capital optimisation purposes and acquired through buy-backs.

Quarterly development, Group

Excluding items affecting comparability

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Jan-Dec 2022	Jan-Dec 2021
EURm							
Net interest income	1,641	1,407	1,308	1,308	1,255	5,664	4,925
Net fee and commission income	812	816	838	870	920	3,336	3,495
Net result from items at fair value	417	264	282	295	247	1,258	1,119
Profit from associated undertakings and joint ventures accounted for under the equity method	-1	-3	-4	0	-4	-8	-6
Other operating income	29	17	20	17	20	83	87
Total operating income	2,898	2,501	2,444	2,490	2,438	10,333	9,620
General administrative expenses:							
Staff costs	-732	-701	-699	-703	-670	-2,835	-2,759
Other expenses	-322	-282	-265	-266	-241	-1,135	-1,002
Regulatory fees	-16	-16	-17	-273	-	-322	-224
Depreciation, amortisation and impairment charges of tangible and intangible assets	-160	-147	-158	-146	-190	-611	-664
Total operating expenses	-1,230	-1,146	-1,139	-1,388	-1,101	-4,903	-4,649
Profit before loan losses	1,668	1,355	1,305	1,102	1,337	5,430	4,971
Net loan losses and similar net result	-59	-58	56	12	-56	-49	-35
Operating profit	1,609	1,297	1,361	1,114	1,281	5,381	4,936
Income tax expense	-349	-285	-307	-246	-264	-1,187	-1,105
Net profit for the period	1,260	1,012	1,054	868	1,017	4,194	3,831
Diluted earnings per share (DEPS), EUR	0.34	0.27	0.28	0.22	0.26	1.10	0.95
DEPS, rolling 12 months up to period end, EUR	1.10	1.02	1.00	0.97	0.95	1.10	0.95

Business areas

Excluding items affecting comparability

	Personal Banking		Business Banking		Large Corporates & Institutions		Asset & Wealth Management		Group functions		Nordea Group		
	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Q4 2022	Q3 2022	Chg
EURm													
Net interest income	764	636	559	487	340	284	72	41	-94	-41	1,641	1,407	17%
Net fee and commission income	288	308	163	149	111	105	257	268	-7	-14	812	816	0%
Net result from items at fair value	28	30	94	96	158	118	15	8	122	12	417	264	58%
Other income	0	0	10	5	11	1	-1	0	8	8	28	14	
Total operating income	1,080	974	826	737	620	508	343	317	29	-35	2,898	2,501	16%
Total operating expenses	-488	-458	-308	-292	-194	-179	-155	-142	-85	-75	-1,230	-1,146	7%
Net loan losses and similar net result	-19	-30	-37	-37	-4	16	3	-1	-2	-6	-59	-58	
Operating profit	573	486	481	408	422	345	191	174	-58	-116	1,609	1,297	24%
Cost-to-income ratio ¹ , %	47	49	40	42	36	41	45	45			45	48	
Return on capital at risk ¹ , %	23	19	21	18	21	16	38	34			21	17	
Economic capital (EC)	7,219	7,369	6,684	6,707	5,669	6,078	1,498	1,499	840	893	21,910	22,546	-3%
Risk exposure amount (REA)	42,498	43,552	42,145	42,100	41,603	44,383	8,651	8,464	10,402	10,878	145,299	149,377	-3%
Number of employees (FTEs)	6,824	6,820	3,829	3,845	1,231	1,251	3,172	2,832	13,212	12,901	28,268	27,649	2%
Volumes, EURbn²:													
Total lending	169.6	170.8	98.7	98.6	52.5	54.6	11.9	11.9	-5.4	-8.5	327.3	327.4	0%
Total deposits	86.1	87.3	54.7	55.1	52.4	56.6	13.2	13.0	4.4	3.7	210.8	215.7	-2%

¹ With amortised resolution fees.

² Excluding repurchase agreements and security lending/borrowing agreements.

	Personal Banking		Business Banking		Large Corporates & Institutions		Asset & Wealth Management		Group functions		Nordea Group		
	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Chg
EURm													
Net interest income	2,536	2,259	1,930	1,610	1,154	947	168	77	-124	32	5,664	4,925	15%
Net fee and commission income	1,203	1,223	639	643	458	542	1,073	1,112	-37	-25	3,336	3,495	-5%
Net result from items at fair value	141	149	382	308	572	523	37	62	126	77	1,258	1,119	12%
Other income	5	14	35	34	15	3	-1	3	21	27	75	81	-7%
Total operating income	3,885	3,645	2,986	2,595	2,199	2,015	1,277	1,254	-14	111	10,333	9,620	7%
Total operating expenses	-1,904	-1,855	-1,241	-1,203	-837	-796	-567	-541	-354	-254	-4,903	-4,649	5%
Net loan losses and similar net result	-56	-16	-50	4	56	-17	-2	0	3	-6	-49	-35	
Operating profit	1,925	1,774	1,695	1,396	1,418	1,202	708	713	-365	-149	5,381	4,936	9%
Cost-to-income ratio ¹ , %	49	51	42	46	38	40	44	43			47	48	
Return on capital at risk ¹ , %	19	17	19	16	18	16	34	30			18	16	
Economic capital (EC)	7,219	7,750	6,684	6,844	5,669	5,678	1,498	2,003	840	942	21,910	23,217	-6%
Risk exposure amount (REA)	42,498	46,603	42,145	43,200	41,603	41,333	8,651	9,251	10,402	11,519	145,299	151,906	-4%
Number of employees (FTEs)	6,824	6,839	3,829	3,910	1,231	1,210	3,172	2,747	13,212	12,188	28,268	26,894	5%
Volumes, EURbn²:													
Total lending	169.6	171.5	98.7	97.4	52.5	47.0	11.9	11.3	-5.4	1.1	327.3	328.3	0%
Total deposits	86.1	85.5	54.7	55.8	52.4	49.9	13.2	11.6	4.4	0.4	210.8	203.2	4%

¹ With amortised resolution fees.

² Excluding repurchase agreements and security lending/borrowing agreements.

Personal Banking

Introduction

In Personal Banking we offer household customers easy and convenient everyday banking and advice in all key life events.

We strive to create great omnichannel experiences by providing a full range of financial services and products through a combination of digital channels and in-person interactions.

Business development

In the fourth quarter we continued to grow our market shares across the Nordics. As seen in the third quarter, house prices decreased and market activity slowed further. Total lending volumes increased by 2% in local currencies, driven by a 2% growth in mortgage lending and a significant increase in the housing loans within other lending in Denmark. Deposit volumes increased by 4% and central bank policy rate hikes continued during the quarter.

In turbulent times, customer investment activity and demand for new loan promises have decreased and focus has shifted towards broader personal finances, which include deposit products. To better support our customers, we have increased focus on deposits in our savings advice offering and provided holistic expert advice to help customers manage the rising interest rates and high inflation. We have also continued to build strong digital relationships with our customers and supported them proactively. For instance, during the fourth quarter we saw a 50% year-on-year increase in their interactions with personalised digital messages in our mobile and netbank. We also further expanded our self-service savings features, making it easier for customers to manage their savings digitally in real time. For example, our customers in Denmark are now able to manage their savings accounts in our digital channels.

During the quarter we continued to enhance our digital services in the mobile app and netbank. In Denmark, we launched new features providing easy and convenient ways for customers to resolve problems and questions themselves. In Sweden, we added further savings insights to the netbank. We continued to see an increase in the number of mobile users, up 6%, year on year.

The ESG share of gross inflows to funds reached an all-time high at 32% in the fourth quarter. Despite the market turbulence negatively impacting the savings markets, customers continued to show a strong interest in making a positive ESG impact through their savings.

Financial outcome

Total income increased by 18%, year on year, mainly driven by mortgage volume growth, improved deposit margins and higher payment and card fee income. These were partly offset by lower savings and investment income and lower lending margins resulting from higher funding costs.

Net interest income increased by 37%, year on year, mainly driven by solid mortgage volume growth throughout the year, higher deposit volumes and improved deposit margins across all countries. These were partly offset by lower lending margins across all countries.

Net fee and commission income decreased by 11%, year on year, mainly driven by lower savings and investment income due to market turbulence. This was partly offset by improved payment and card fee income.

Net result from items at fair value was down 18%, year on year, driven by the interest rate volatility in the bond mortgage market.

Total expenses increased by 8%, year on year, due to higher regulatory fees related to the Swedish bank tax, higher IT investments in line with our business plan and lower capitalisation of costs. The cost-to-income ratio with amortised resolution fees was 47%, down from 51% in the fourth quarter of 2021, driven by higher income.

Total net loan losses and similar net result amounted to EUR 19m (4bp) and remained at a low level across the countries despite high inflation and increasing interest rates.

Operating profit increased by 27%, year on year, to EUR 573m. Return on capital at risk was 23%, compared with 17% in the same quarter last year.

Personal Banking Denmark

Total income increased by 14% in local currency, year on year.

Net interest income increased by 20% in local currency, year on year, primarily driven by lending and deposit volume growth and improved deposit margins.

Lending volumes increased by 2% in local currency, year on year, driven by increased demand for housing loans within other lending. Deposit volumes increased by 4%.

Net fee and commission income remained on the same level in local currency, as higher payment and card fee income was offset by lower savings and investment income due to market turbulence.

Net loan losses and similar net result amounted to EUR 15m (13bp), partly driven by the revaluation of Nordea Kredit's mortgage portfolio.

Personal Banking Finland

Total income increased by 42%, year on year.

Net interest income increased by 98%, year on year, primarily driven by mortgage and deposit volume growth and improved deposit margins. These were partly offset by lower mortgage margins.

Lending volumes increased by 2%, year on year, driven by a 3% increase in mortgage volumes. Deposit volumes increased by 2%.

Net fee and commission income decreased by 7%, year on year, mainly driven by lower savings and investment income due to market turbulence. This was partly offset by improved payment and card fee income.

Net loan losses and similar net result amounted to EUR 3m (3bp).

Personal Banking Norway

Total income increased by 4% in local currency, year on year.

Net interest income increased by 8% in local currency, year on year, primarily driven by higher deposit volumes and improved deposit margins. These were partly offset by lower mortgage margins.

Lending volumes increased by 1% in local currency, year on year, driven by a 1% increase in mortgage volumes. Deposit volumes increased by 5%.

Net fee and commission income decreased by 4%, year on year, driven by a slight decrease in both savings and investment income and payment and card fee income.

Net loan losses and similar net result amounted to net reversals of EUR 6m (7bp) due to the sales of a loan portfolio. Underlying loan losses remained low.

Personal Banking Sweden

Total income increased by 20% in local currency, year on year.

Net interest income increased by 42% in local currency, year on year, due to mortgage and deposit volume growth and improved deposit margins. These were partly offset by lower lending margins, which were driven by higher funding costs.

Lending volumes increased by 5% in local currency, year on year, driven by a 5% increase in mortgage volumes. Deposit volumes increased by 6%.

Net fee and commission income decreased by 18%, year on year, mainly driven by lower savings and investment income due to market turbulence.

Net loan losses and similar net result amounted to EUR 8m (6bps).

Personal Banking total

	Local curr.										Jan-Dec 22/21		
	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Q4/Q4	Q4/Q3	Jan-Dec 22	Jan-Dec 21	EUR	Local
EURm													
Net interest income	764	636	571	565	556	37%	20%	42%	22%	2,536	2,259	12%	14%
Net fee and commission income	288	308	304	303	324	-11%	-6%	-9%	-5%	1,203	1,223	-2%	0%
Net result from items at fair value	28	30	28	55	34	-18%	-7%	-10%	-10%	141	149	-5%	-4%
Other income	0	0	3	2	-1					5	14		
Total income incl. allocations	1,080	974	906	925	913	18%	11%	22%	12%	3,885	3,645	7%	8%
Total expenses incl. allocations	-488	-458	-449	-509	-453	8%	7%	11%	8%	-1,904	-1,855	3%	4%
Profit before loan losses	592	516	457	416	460	29%	15%	33%	16%	1,981	1,790	11%	13%
Net loan losses and similar net result	-19	-30	6	-13	-10					-56	-16		
Operating profit	573	486	463	403	450	27%	18%	32%	19%	1,925	1,774	9%	10%
Cost-to-income ratio ¹ , %	47	49	51	50	51					49	51		
Return on capital at risk ¹ , %	23	19	18	18	17					19	17		
Economic capital (EC)	7,219	7,369	7,659	7,909	7,750	-7%	-2%			7,219	7,750	-7%	
Risk exposure amount (REA)	42,498	43,552	45,284	46,968	46,603	-9%	-2%			42,498	46,603	-9%	
Number of employees (FTEs)	6,824	6,820	6,937	6,893	6,839	0%	0%			6,824	6,839	0%	
Volumes, EURbn:													
Mortgage lending	148.2	149.5	150.6	152.9	150.6	-2%	-1%	2%	0%	148.2	150.6	-2%	2%
Other lending	21.4	21.3	21.1	21.1	20.9	2%	0%	4%	0%	21.4	20.9	2%	4%
Total lending	169.6	170.8	171.7	174.0	171.5	-1%	-1%	2%	0%	169.6	171.5	-1%	2%
Total deposits	86.1	87.3	88.1	86.8	85.5	1%	-1%	4%	-1%	86.1	85.5	1%	4%

¹ With amortised resolution fees.

Personal Banking

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Local curr.		Jan- Dec 22	Jan- Dec 21	Jan-Dec 22/21	
								Q4/Q4	Q4/Q3			EUR	Local
Net interest income, EURm													
PeB Denmark	183	171	158	155	153	20%	7%	20%	7%	667	596	12%	12%
PeB Finland	192	124	103	108	97	98%	55%	98%	55%	527	395	33%	33%
PeB Norway	113	119	117	121	109	4%	-5%	8%	-1%	470	479	-2%	-3%
PeB Sweden	267	222	195	186	202	32%	20%	42%	23%	870	800	9%	14%
Other	9	0	-2	-5	-5					2	-11		
Net fee and commission income, EURm													
PeB Denmark	84	81	82	75	83	1%	4%	0%	4%	322	324	-1%	-1%
PeB Finland	91	91	93	94	98	-7%	0%	-7%	0%	369	373	-1%	-1%
PeB Norway	25	29	27	25	27	-7%	-14%	-4%	-7%	106	95	12%	11%
PeB Sweden	88	105	105	110	116	-24%	-16%	-18%	-14%	408	434	-6%	-2%
Other	0	2	-3	-1	0					-2	-3		
Net loan losses and similar net result, EURm													
PeB Denmark	-15	-21	8	9	20					-19	84		
PeB Finland	-3	-6	-13	-14	-20					-36	-63		
PeB Norway	6	-2	2	-1	-5					5	-11		
PeB Sweden	-8	0	11	-6	-4					-3	-23		
Other	1	-1	-2	-1	-1					-3	-3		
Volumes, EURbn													
Personal Banking Denmark													
Mortgage lending	35.6	36.3	36.5	36.3	35.9	-1%	-2%	-1%	-2%	35.6	35.9	-1%	-1%
Other lending	9.5	9.2	8.8	8.6	8.5	12%	3%	12%	3%	9.5	8.5	12%	12%
Total lending	45.1	45.5	45.3	44.9	44.4	2%	-1%	2%	-1%	45.1	44.4	2%	2%
Total deposits	22.2	21.8	21.9	21.4	21.4	4%	2%	4%	2%	22.2	21.4	4%	4%
Personal Banking Finland													
Mortgage lending	31.2	31.1	31.0	30.7	30.4	3%	0%	3%	0%	31.2	30.4	3%	3%
Other lending	6.1	6.2	6.2	6.2	6.2	-2%	-2%	-2%	-2%	6.1	6.2	-2%	-2%
Total lending	37.3	37.3	37.2	36.9	36.6	2%	0%	2%	0%	37.3	36.6	2%	2%
Total deposits	26.5	27.0	26.9	26.3	25.9	2%	-2%	2%	-2%	26.5	25.9	2%	2%
Personal Banking Norway													
Mortgage lending	34.2	33.9	34.9	37.0	35.7	-4%	1%	1%	0%	34.2	35.7	-4%	1%
Other lending	2.5	2.5	2.6	2.7	2.7	-7%	0%	-4%	0%	2.5	2.7	-7%	-4%
Total lending	36.7	36.4	37.5	39.7	38.4	-4%	1%	1%	0%	36.7	38.4	-4%	1%
Total deposits	10.7	10.7	11.2	11.3	10.8	-1%	0%	5%	-1%	10.7	10.8	-1%	5%
Personal Banking Sweden													
Mortgage lending	47.2	48.1	48.2	49.0	48.5	-3%	-2%	5%	1%	47.2	48.5	-3%	5%
Other lending	3.3	3.5	3.5	3.6	3.6	-8%	-6%	0%	-3%	3.3	3.6	-8%	0%
Total lending	50.5	51.6	51.7	52.6	52.1	-3%	-2%	5%	0%	50.5	52.1	-3%	5%
Total deposits	26.7	27.7	28.1	27.9	27.4	-3%	-4%	6%	-1%	26.7	27.4	-3%	6%

Business Banking

Introduction

In Business Banking we provide small and medium-sized enterprises (SMEs) with banking and advisory products and services, both online and in person.

Business Banking also includes the product and specialist units Transaction Banking, which provides payment and transaction services, and Nordea Finance, which provides asset-based lending and receivables finance.

We are a trusted financial partner, providing competent advice and developing digital solutions to support sustainable growth for our customers.

Business development

In the fourth quarter we continued to enhance customer experience and maintained a solid financial performance despite continued macroeconomic uncertainty. Lending and deposit volumes in local currencies were up 5% and 1%, respectively, year on year. Central bank policy rate hikes continued to drive deposit income growth, particularly in Sweden and Finland, while equity and debt capital markets activity remained subdued due to market turbulence. We maintained close dialogue with our customers to support them with the current macroeconomic challenges. During the quarter we engaged with customers in more than 50,000 meetings and continued to support them with their financing needs.

In November Global Finance Magazine awarded Nordea as the best bank for small and medium-sized businesses in Norway. This award recognised our knowledge of SME markets and needs, breadth of products and services, market standing and innovation. We continue our efforts to further improve customer satisfaction and service quality, particularly in our call centres. We also ranked first for acquisition finance in the 2022 Prospera customer satisfaction survey.

During the quarter we launched the Nordea Business netbank in Norway, initially as a customer pilot, and thus reached an important milestone in our ambition to be the leading digital bank for SMEs. The netbank is now available in all markets, and the mobile app in Denmark, Finland and Sweden. We also saw positive development in customer satisfaction in both the netbank and mobile app.

We further expanded our Nordea Business product store by adding to our selection in Sweden, providing SME customers with easier access to our products and services. During the second half of 2022 the store attracted over 160,000 visits across the Nordics, leading to an increase in sales volumes. The store is currently available in Denmark, Finland and Sweden.

Our focus on driving the transition to a more sustainable future continues. Our green loan portfolio more than doubled, year on year, and now represents 7% of total lending. In October we entered into partnership with Normative, the carbon accounting software provider for the UN-backed SME Climate Hub, to better support our customers in their sustainability transitions. With Normative's Business Carbon Calculator, customers can understand their emissions and identify climate transition opportunities.

Financial outcome

Total income in the fourth quarter increased by 21%, year on year, driven by higher lending volumes, improved deposit margins and higher net result from items at fair value.

Net interest income increased by 34%, year on year, driven by higher lending volumes and improved deposit margins, partly offset by lower lending margins. Higher deposit margins were driven by interest rate hikes in all markets.

Net fee and commission income decreased by 4%, year on year, due to the lower capital markets activity and lower savings income that were impacted by continued turbulence in the market. The decreases were partly offset by higher payment and card fee income.

Net result from items at fair value increased by 7%, year on year, driven by higher income from foreign exchange products.

Total expenses increased 4%, year on year. Excluding regulatory fees which related to the Swedish bank tax, total expenses increased by 3%. The cost-to-income ratio with amortised resolution fees was 40%, an improvement of 6 percentage points on the same quarter last year.

Net loan losses and similar net result amounted to EUR 37m (15bp). Net loan losses were primarily driven by a small number of customer cases.

Operating profit increased by 34%, year on year, to EUR 481m, driven by higher income. Return on capital at risk was 21%, compared with 15% in the same quarter last year.

Business Banking Denmark

Net interest income increased by 16% in local currency, year on year, driven by higher deposit volumes and improved deposit margins.

Lending volumes increased by 1%, year on year. Deposit volumes increased by 9%.

Net fee and commission income was unchanged in local currency, year on year, as higher payment and card fee income and lending fee income were offset by lower savings income.

Net loan losses and similar net result amounted to EUR 8m (12bp), primarily driven by the revaluation of Nordea Kredit's mortgage portfolio.

Business Banking Finland

Net interest income increased by 35%, year on year, driven by higher lending and deposit volumes and improved deposit margins. These were partly offset by lower lending margins.

Lending volumes increased by 2%, year on year, while deposit volumes increased by 7%.

Net fee and commission income was unchanged, year on year, as higher lending fee income was offset by lower savings income.

Net loan losses and similar net result amounted to EUR 9m (18bp), down from EUR 27m in the same quarter last year.

Business Banking Norway

Net interest income increased by 35% in local currency, year on year, driven by higher lending volumes and improved deposit margins.

Lending volumes increased by 5% in local currency, year on year. Deposit volumes decreased by 5%.

Net fee and commission income increased by 3% in local currency, year on year, driven by higher payment and card fee income.

Net loan losses and similar net result amounted to EUR 4m (7bp), compared with net reversals of EUR 5m in the same quarter last year.

Business Banking Sweden

Net interest income increased by 64% in local currency, year on year. The increase was driven by higher lending volumes and improved deposit margins.

Lending volumes increased by 10% in local currency, year on year. Deposit volumes decreased by 3%.

Net fee and commission income decreased by 10% in local currency, year on year, due to lower equity and debt capital markets income and savings income.

Net loan losses and similar net result amounted to EUR 17m (24bp), up from EUR 1m in the same quarter last year. Net loan losses were primarily driven by a single customer case.

Business Banking total

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Local curr. Q4/Q4	Q4/Q3	Jan- Dec 22	Jan- Dec 21	Jan-Dec 22/21 EUR	Local
EURm													
Net interest income	559	487	444	440	417	34%	15%	38%	17%	1,930	1,610	20%	21%
Net fee and commission income	163	149	162	165	169	-4%	9%	0%	12%	639	643	-1%	1%
Net result from items at fair value	94	96	93	99	88	7%	-2%	9%	-1%	382	308	24%	26%
Other income	10	5	10	10	7					35	34		
Total income incl. allocations	826	737	709	714	681	21%	12%	25%	14%	2,986	2,595	15%	17%
Total expenses incl. allocations	-308	-292	-291	-350	-296	4%	5%	8%	7%	-1,241	-1,203	3%	5%
Profit before loan losses	518	445	418	364	385	35%	16%	38%	18%	1,745	1,392	25%	27%
Net loan losses and similar net result	-37	-37	35	-11	-27					-50	4		
Operating profit	481	408	453	353	358	34%	18%	38%	20%	1,695	1,396	21%	23%
Cost-to-income ratio ¹ , %	40	42	43	42	46					42	46		
Return on capital at risk ¹ , %	21	18	20	18	15					19	16		
Economic capital (EC)	6,684	6,707	6,790	6,883	6,844	-2%	0%			6,684	6,844	-2%	
Risk exposure amount (REA)	42,145	42,100	42,800	43,424	43,200	-2%	0%			42,145	43,200	-2%	
Number of employees (FTEs)	3,829	3,845	3,845	3,879	3,910	-2%	0%			3,829	3,910	-2%	
Volumes, EURbn:													
Total lending	98.7	98.6	98.8	99.8	97.4	1%	0%	5%	1%	98.7	97.4	1%	5%
Total deposits	54.7	55.1	55.9	53.9	55.8	-2%	-1%	1%	0%	54.7	55.8	-2%	1%

¹ With amortised resolution fees.

Business Banking

	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q4/Q4	Q4/Q3	Local curr.		Jan-Dec 22	Jan-Dec 21	Jan-Dec 22/21	Local
								Q4/Q4	Q4/Q3			EUR	
Net interest income, EURm													
Business Banking Denmark	106	100	93	91	91	16%	6%	16%	6%	390	352	11%	11%
Business Banking Finland	132	104	103	121	98	35%	27%	35%	27%	460	407	13%	13%
Business Banking Norway	150	135	126	120	115	30%	11%	35%	14%	531	427	24%	23%
Business Banking Sweden	165	141	118	104	107	54%	17%	64%	20%	528	406	30%	36%
Other	6	7	4	4	6					21	18		
Net fee and commission income, EURm													
Business Banking Denmark	31	32	28	33	31	0%	-3%	0%	-3%	124	120	3%	3%
Business Banking Finland	55	50	54	53	55	0%	10%	0%	10%	212	213	0%	0%
Business Banking Norway	30	28	31	32	31	-3%	7%	3%	11%	121	120	1%	1%
Business Banking Sweden	52	54	63	61	64	-19%	-4%	-10%	0%	230	237	-3%	2%
Other	-5	-15	-14	-14	-12					-48	-47		
Net loan losses and similar net result, EURm													
Business Banking Denmark	-8	-8	15	7	-2					6	39		
Business Banking Finland	-9	-13	11	-15	-27					-26	-43		
Business Banking Norway	-4	-5	16	2	5					9	11		
Business Banking Sweden	-17	-11	-3	-9	-1					-40	-1		
Other	1	0	-4	4	-2					1	-2		
Lending, EURbn													
Business Banking Denmark	26.1	26.0	25.8	25.6	25.9	1%	0%	1%	0%	26.1	25.9	1%	1%
Business Banking Finland	20.5	20.8	20.6	20.4	20.1	2%	-1%	2%	-1%	20.5	20.1	2%	2%
Business Banking Norway	24.0	23.7	24.1	25.1	24.0	0%	1%	5%	0%	24.0	24.0	0%	5%
Business Banking Sweden	28.0	28.1	28.3	28.6	27.4	2%	0%	10%	2%	28.0	27.4	2%	10%
Other	0.1	0	0	0.1	0					0.1	0		
Deposits, EURbn													
Business Banking Denmark	10.4	10.2	10.2	9.1	9.5	9%	2%	9%	1%	10.4	9.5	9%	9%
Business Banking Finland	16.6	16.2	15.7	15.5	15.5	7%	2%	7%	2%	16.6	15.5	7%	7%
Business Banking Norway	9.9	10.0	10.3	10.8	10.8	-8%	-1%	-5%	-2%	9.9	10.8	-8%	-5%
Business Banking Sweden	17.8	18.6	19.7	18.4	19.9	-11%	-4%	-3%	-2%	17.8	19.9	-11%	-4%
Other	0	0.1	0	0.1	0.1					0	0.1		

Large Corporates & Institutions

Introduction

In Large Corporates & Institutions (LC&I) we provide financial solutions to large Nordic corporate and institutional customers. We also provide services to customers across the Nordea Group through the product and specialist units Markets and Investment Banking & Equities, and our international corporate branches.

We are a leading player within sustainable finance and a leading bank for large corporate and institutional customers in the Nordics.

We offer a focused and dedicated range of products and services covering financing, cash management and payments, as well as investment banking and capital markets solutions.

Business development

In the fourth quarter we continued to make strong progress with our strategy execution and financial targets. We continued to support our core Nordic customers with short-term liquidity needs, on-balance sheet lending and event-driven bridge financing in turbulent and uncertain times. This resulted in 12% higher lending and 5% higher deposit volumes.

In the 2022 Prospera customer satisfaction survey we were awarded best corporate bank in Denmark, and once again increased our corporate banking score in the Nordics, reaching an all-time high. We also maintained number one positions for acquisition finance and syndicated corporate loans for the sixth and fourth year in a row, respectively.

Capital markets remained challenging, but we saw somewhat improved sentiment during the quarter. Nordea continues to hold the number one position for Nordic bond arrangers. Significant transactions included a EUR 1.5bn 2-year Eurobond for the Kingdom of Denmark and a NOK 3bn dual-tranche sustainability-linked corporate bond for Norsk Hydro. We also advised Novozymes on its proposed merger with Chr. Hansen.

Nordea Markets closed the year on a very strong note. We saw good client demand throughout the quarter and supported our clients' needs in turbulent markets, while still maintaining solid risk management and trading performance. Hedging activity remained high, while equity and credit markets continued to be challenging overall. Customer activity gradually picked up in some markets as volatility somewhat eased during the quarter.

We further raised the bar in sustainability and continued to be a leading platform for sustainable advisory services, reflected in the Nordea Sustainability Summit in November. This pan-Nordic event brought together clients, thought leaders and policy makers to promote stakeholder capitalism in support of accelerating the green transition. We remain on track with our target to facilitate EUR 200bn in sustainable financing by 2025 and continue to improve our operating processes, data foundation and staff training. By the end of the quarter we again ranked first for Nordic sustainable bonds overall.

Financial outcome

Total income was up 37%, year on year, driven by strong growth in net interest income and items at net fair value.

Net interest income increased by 38%, year on year, primarily driven by higher lending volumes and increased deposit margins following higher interest rates. Lending volumes increased by 12%, partly due to short-term liquidity financing needs and bridge financing among corporates. Deposit volumes were up 5%, year on year, but somewhat down from the previous quarter as the energy sector's need for strong liquidity buffer eased.

Net fee and commission income was down 8%, year on year. The decrease was primarily due to continued weak capital markets as investor risk appetite remained low.

Net result from items at fair value increased by 86%, primarily due to high customer activity and strong risk management reflecting our pan-Nordic diversification.

Total expenses were up 11%, year on year, primarily driven by higher regulatory fees and higher variable pay expense.

Net loan losses and similar net result amounted to EUR 4m (2bp). The total provisioning level has decreased to approximately EUR 354m or 0.64% of LC&I lending, following restructuring within the Offshore portfolio.

Operating profit amounted to EUR 422m, a year-on-year increase of 57%, supported by strong income growth and limited loan loss provisions.

Our solid capital discipline resulted in stable economic capital, year on year, despite 12% higher lending volumes.

Return on capital at risk (ROCAR) was 21% in the fourth quarter, up 8 percentage points from last year. For the full year, we delivered an industry-leading ROCAR and cost-to-income ratio of 18% and 38%, respectively.

Large Corporates & Institutions total

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Jan-Dec 22	Jan-Dec 21	Jan-Dec 22/21
EURm										
Net interest income	340	284	263	267	247	38%	20%	1,154	947	22%
Net fee and commission income	111	105	113	129	120	-8%	6%	458	542	-15%
Net result from items at fair value	158	118	162	134	85	86%	34%	572	523	9%
Other income	11	1	3	0	2			15	3	
Total income incl. allocations	620	508	541	530	454	37%	22%	2,199	2,015	9%
Total expenses incl. allocations	-194	-179	-189	-275	-174	11%	8%	-837	-796	5%
Profit before loan losses	426	329	352	255	280	52%	29%	1,362	1,219	12%
Net loan losses and similar net result	-4	16	15	29	-12			56	-17	
Operating profit	422	345	367	284	268	57%	22%	1,418	1,202	18%
Cost-to-income ratio ¹ , %	36	41	38	38	44			38	40	
Return on capital at risk ¹ , %	21	16	18	19	13			18	16	
Economic capital (EC)	5,669	6,078	5,877	5,952	5,678	0%	-7%	5,669	5,678	0%
Risk exposure amount (REA)	41,603	44,383	42,979	43,477	41,333	1%	-6%	41,603	41,333	1%
Number of employees (FTEs)	1,231	1,251	1,216	1,213	1,210	2%	-2%	1,231	1,210	2%
Volumes, EURbn²:										
Total lending	52.5	54.6	51.2	49.9	47.0	12%	-4%	52.5	47.0	12%
Total deposits	52.4	56.6	50.8	56.9	49.9	5%	-7%	52.4	49.9	5%

¹ With amortised resolution fees.² Excluding repurchase agreements and security lending/borrowing agreements.

Large Corporates & Institutions

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Jan-Dec 22	Jan-Dec 21	Jan-Dec 22/21
Net interest income, EURm										
Denmark	61	52	50	40	38	61%	17%	203	144	41%
Finland	53	37	39	48	36	47%	43%	177	163	9%
Norway	92	83	78	72	73	26%	11%	325	291	12%
Sweden	121	99	89	97	89	36%	22%	406	318	28%
Other	13	13	7	10	11			43	31	
Net fee and commission income, EURm										
Denmark	27	23	32	31	34	-21%	17%	113	140	-19%
Finland	34	32	30	34	28	21%	6%	130	132	-2%
Norway	32	26	24	27	25	28%	23%	109	115	-5%
Sweden	31	28	46	41	54	-43%	11%	146	181	-19%
Other	-13	-4	-19	-4	-21			-40	-26	
Net loan losses and similar net result, EURm										
Denmark	0	-2	2	0	5			0	24	
Finland	-2	7	0	5	-10			10	-6	
Norway	0	20	12	19	-2			51	-37	
Sweden	-3	-4	-4	4	-3			-7	1	
Other	1	-5	5	1	-2			2	1	
Lending, EURbn¹										
Denmark	10.3	11.2	11.0	10.8	7.9	30%	-8%	10.3	7.9	30%
Finland	8.6	9.4	8.4	7.9	8.4	2%	-9%	8.6	8.4	2%
Norway	12.5	12.4	12.3	12.4	12.1	3%	1%	12.5	12.1	3%
Sweden	19.0	19.6	17.9	17.3	16.9	12%	-3%	19.0	16.9	12%
Other	2.1	2.0	1.6	1.5	1.7			2.1	1.7	
Deposits, EURbn¹										
Denmark	10.2	10.0	7.4	8.1	7.9	29%	2%	10.2	7.9	29%
Finland	15.7	13.1	13.7	15.5	16.1	-2%	20%	15.7	16.1	-2%
Norway	13.2	14.3	11.2	12.3	10.7	23%	-8%	13.2	10.7	23%
Sweden	13.2	19.1	18.3	20.7	15.2	-13%	-31%	13.2	15.2	-13%
Other	0.1	0.1	0.2	0.3	0			0.1	0	

¹ Excluding repurchase agreements and security lending/borrowing agreements.

Asset & Wealth Management

Introduction

In Asset & Wealth Management we offer an extensive range of award-winning savings products through internal and external distribution channels, and provide financial advice to high net worth individuals and corporate and institutional investors.

We are the leading Nordic private bank, asset manager and life and pensions business, with global reach and a competitive sustainability offering.

Business development

In the fourth quarter Private Banking maintained strong momentum and we continued to support our customers. With our customers facing turbulent markets, we remained close and shared our expertise on how to best allocate investments. In addition, we continued to attract new customers, secured positive net flows (EUR 0.3bn) and increased lending and deposit volumes. Finland was the main driver of net flows in the quarter, while Sweden delivered its second best year ever, with a total net flow of EUR 2.7bn despite challenging market conditions. We remained focused on our digital capabilities, and during the fourth quarter 15% of all fund purchases in Private Banking were made digitally.

During the fourth quarter assets under management (AuM) increased by EUR 17bn to EUR 359bn. This was driven by positive Private Banking net flows, improving markets and EUR 11bn from the Topdanmark Life acquisition. Net flows from internal channels remained positive. Year on year, AuM decreased by 13%, in line with the overall market.

In Asset Management, investment performance remained strong, with 90% of aggregated composites providing excess return on a 3-year basis. We continued broadening the range of our products with ESG strategies. By quarter-end, approximately 70% of total AuM were in ESG products and a further two funds were added into the Sustainable Finance Disclosure Regulation Article 9 range (Nordea 1 – Global Social Bond Fund and Nordea 1 – Global ESG Taxonomy Opportunity Fund).

In Life & Pension we remained focused on becoming the leading bancassurer in each of our home markets. On 1 December, following receipt of all regulatory approvals, we completed the acquisition of Topdanmark Life, renamed Nordea Pension. The transaction further strengthens our savings business in Denmark, and the first products from Nordea Pension will be offered to Nordea customers later this year. This acquisition brings around 225,000 new customers and 309 new employees to Nordea.

In Life & Pension Norway we started collaborating with If P&C to sell Nordea Life & Pension products to the corporate market. If P&C has agreed to transfer their pension portfolio to Nordea Life & Pension Norway in the second quarter of 2023, consisting of 4,300 corporate customers and 22,000 individual customers, with a total of approximately EUR 350m in AuM. The sale of new pension agreements via If P&C began on 1 December 2022.

During the quarter we took the first steps to enhance the omni-channel pension experience by using the same tool for both customers and advisers, starting from Sweden.

Gross written premiums amounted to EUR 1.2bn. Net flows remained positive.

Financial outcome

Total income in the fourth quarter was down 1%, year on year, mainly due to lower AuM. The decrease was partly offset by higher deposit income.

Net interest income was up 260%, year on year, driven by improved deposit margins and increased lending volumes. Net fee and commission income decreased by 17%, year on year, driven by lower AuM.

Net result from items at fair value amounted to EUR 15m, up 25%, year on year, mainly due to higher gains on shareholders' equity portfolios in Life & Pension.

Total expenses increased by 8%, year on year, mainly driven by transaction costs related to the acquisition of Topdanmark Life. The cost-to-income ratio with amortised resolution fees was up 4 percentage points, year on year, at 45%.

Net loan losses and similar net result amounted to net reversals of EUR 3m, compared with EUR 0m in the same quarter last year.

Operating profit in the fourth quarter was EUR 191m, a year-on-year decrease of 6%. Our return on capital at risk improved 7 percentage points, year on year, and stood at 38%.

Asset & Wealth Management total

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Local curr.		Jan-Dec 22	Jan-Dec 21	Jan-Dec 22/21	
								Q4/Q4	Q4/Q3			EUR	Local
EURm													
Net interest income	72	41	29	26	20	260%	76%	284%	78%	168	77	118%	122%
Net fee and commission income	257	268	269	279	311	-17%	-4%	-17%	-4%	1,073	1,112	-4%	-3%
Net result from items at fair value	15	8	13	1	12	25%	88%	25%		37	62	-40%	-40%
Other income	-1	0	0	0	3					-1	3		
Total income incl. allocations	343	317	311	306	346	-1%	8%	0%	9%	1,277	1,254	2%	2%
Total expenses incl. allocations	-155	-142	-131	-139	-143	8%	9%	11%	11%	-567	-541	5%	6%
Profit before loan losses	188	175	180	167	203	-7%	7%	-7%	8%	710	713	0%	-1%
Net loan losses and similar net result	3	-1	-3	-1	0					-2	0		
Operating profit	191	174	177	166	203	-6%	10%	-6%	10%	708	713	-1%	-1%
Cost-to-income ratio ¹ , %	45	45	42	45	41					44	43		
Return on capital at risk ¹ , %	38	34	34	30	31					34	30		
Economic capital (EC)	1,498	1,499	1,550	1,606	2,003	-25%	0%			1,498	2,003	-25%	
Risk exposure amount (REA)	8,651	8,464	8,477	8,335	9,251	-6%	2%			8,651	9,251	-6%	
Number of employees (FTEs)	3,172	2,832	2,799	2,756	2,747	15%	12%			3,172	2,747	15%	
Volumes, EURbn:													
AuM	358.9	341.4	355.5	389.4	411.3	-13%	5%			358.9	411.3	-13%	
Total lending	11.9	11.9	11.8	11.7	11.3	5%	0%	8%	1%	11.9	11.3	5%	8%
Total deposits	13.2	13.0	12.8	11.6	11.6	14%	2%	17%	2%	13.2	11.6	14%	17%

¹ With amortised resolution fees.

Assets under Management (AuM), volumes and net flow

	Q422	Q322	Q222	Q122	Q421	Net flow Q422
EURbn						
Nordic Retail funds	71.3	70.3	72.6	81.7	87.4	-0.3
Private Banking	107.5	102.4	106.1	115.4	122.7	0.3
Institutional sales	108.6	109.2	115.9	124.8	131.3	-3.0
Life & Pension	71.5	59.5	60.8	67.4	69.9	0
Total	358.9	341.4	355.5	389.4	411.3	-3.0

Asset Management - Asset under management and Net flow¹

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Jan-Dec 22	Jan-Dec 21	Jan-Dec 22/21
EURbn										
AuM, internal channels	130.1	128.1	131.8	148.2	161.2	-19%	2%	130.1	161.2	-16%
AuM, external channels	108.6	109.2	115.9	124.8	131.3	-17%	-1%	108.6	131.3	-15%
AuM, total	238.7	237.3	247.7	273.0	292.5	-18%	1%	238.7	292.5	-16%
- whereof ESG AuM ²	167.2	157.1	161.1	175.2	194.6	-14%	6%	167.2	194.6	-11%
Net inflow, internal channels	-0.7	-0.5	-0.9	-1.3	2.5		23%	-3.4	10.3	
Net inflow, external channels	-3.0	-3.4	-0.9	-2.1	0.4		-10%	-9.3	-0.8	
Net inflow, total	-3.7	-3.9	-1.8	-3.4	2.9		-6%	-12.8	9.5	
- whereof ESG net inflow ²	-2.1	-1.0	-1.1	-2.0	2.9			-6.2	11.6	

¹ External channels include "Institutional sales" while internal channels include all other assets management by Asset Management.² Articles 8 and 9 of the Sustainable Finance Disclosure Regulation.

Net fee and commission income	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Jan-Dec 22	Jan-Dec 21	Jan-Dec 22/21
EURm										
PB Denmark	42	44	45	46	54	-22%	-5%	177	202	-12%
PB Finland	43	43	43	46	48	-10%	0%	175	186	-6%
PB Norway	11	11	13	14	12	-8%	0%	49	42	17%
PB Sweden	26	27	28	29	32	-19%	-4%	110	113	-3%
Asset Management	127	129	131	131	154	-18%	-2%	518	539	-4%
Other	8	14	9	13	11	-27%	-43%	44	30	47%
Total	257	268	269	279	311	-17%	-4%	1,073	1,112	-4%

Private Banking	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Jan-Dec 22	Jan-Dec 21	Jan-Dec 22/21
AuM, EURbn										
PB Denmark	31.9	29.8	30.9	33.7	35.8	-11%	7%	31.9	35.8	-11%
PB Finland	35.7	33.8	35.3	37.9	40.4	-12%	6%	35.7	40.4	-12%
PB Norway	10.3	9.7	10.0	11.0	10.9	-6%	6%	10.3	10.9	-6%
PB Sweden	29.6	29.1	29.8	32.9	35.7	-17%	2%	29.6	35.7	-17%
Private Banking	107.5	102.4	106.1	115.4	122.7	-12%	5%	107.5	122.7	-12%
Lending, EURbn										
PB Denmark	4.3	4.3	4.2	4.1	4.0	8%	0%	4.3	4.0	8%
PB Finland	2.8	2.8	2.8	2.7	2.6	8%	0%	2.8	2.6	8%
PB Norway	1.9	1.8	1.8	1.9	1.8	6%	6%	1.9	1.8	6%
PB Sweden	2.9	3.0	3.0	3.0	2.9	0%	-3%	2.9	2.9	0%
Private Banking	11.9	11.9	11.8	11.7	11.3	5%	0%	11.9	11.3	5%

Life & Pension

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Jan-Dec 22	Jan-Dec 21	Jan-Dec 22/21
EURm										
AuM, EURbn	67.3	55.4	56.5	62.8	65.1	3%	22%	67.3	65.1	3%
Premiums	1,234	1,266	1,425	1,957	2,242	-45%	-2%	5,882	8,006	-27%
Profit drivers										
Profit traditional products	-9	1	4	4	9			-1	30	
Profit market return products	63	64	65	67	70	-10%	-1%	260	265	-2%
Profit risk products	17	22	23	20	19	-10%	-22%	82	82	0%
Total product result	71	87	91	91	99	-28%	-18%	341	377	-10%

Group functions

Introduction

Our Group functions provide the four business areas with the services, subject matter expertise, data and technology infrastructure needed for Nordea to be the preferred financial partner in the Nordics. The Group functions consist of Group Business Support; Chief of Staff Office; Group Brand, Communication and Marketing; Group Risk; Group Compliance; Group People; Group Legal; Group Finance; and Group Internal Audit.

Together with the results of the business areas, the results of the Group functions add up to the reported result for the Group. The income primarily originates from Group Treasury. The majority of both costs and income are distributed to the business areas.

Business development

In the fourth quarter we made additional technology investments and investments related to financial crime prevention and operational risk reduction in Group Business Support.

In Group Finance we launched a new business process management framework in order to optimise end-to-end processes. This methodology will be used for documenting, governing and working with business processes, and over 100 processes have now been mapped and added to a common repository.

During the quarter we also completed our annual review of the long-term and emerging risks we face as a bank. This process is now an integral part of Group Risk's strategic initiatives, regular stress testing and the quarterly risk picture assessment.

Year on year, the number of employees within group functions increased by 8%, primarily driven by the significant technology and risk management investments. We remain focused on maintaining strict cost control and growing revenues faster than costs while continuing to invest to strengthen the bank.

Financial outcome

Total operating income in the fourth quarter amounted to EUR 29m, down from EUR 44m in the same quarter last year. The decrease was driven by lower net interest income, partly offset by higher net result from items at fair value.

Net interest income decreased by EUR 109m, year on year, mainly driven by a timing mismatch in the repricing of Treasury's assets and liabilities resulting from the rapid increase in interest rates.

Net result from items at fair value increased by EUR 94m, year on year, mainly due to increases in Treasury from hedging activities and tighter spreads that benefitted the liquidity portfolio.

Total operating expenses amounted to EUR 85m, a year-on-year increase of EUR 50m, primarily due to additional technology investments and items not present in the comparative figures.

Group functions

	Q422	Q322	Q222	Q122	Q421	Q4/Q4	Q4/Q3	Jan-Dec 22	Jan-Dec 21
EURm									
Net interest income	-94	-41	1	10	15			-124	32
Net fee and commission income	-7	-14	-10	-6	-4			-37	-25
Net result from items at fair value	122	12	-14	6	28			126	77
Other income	8	8	0	5	5			21	27
Total operating income	29	-35	-23	15	44			-14	111
Total operating expenses	-85	-75	-79	-115	-35			-354	-254
Profit before loan losses	-56	-110	-102	-100	9			-368	-143
Net loan losses and similar net result	-2	-6	3	8	-7			3	-6
Operating profit	-58	-116	-99	-92	2			-365	-149
Economic capital (EC)	840	893	938	1,066	942			840	942
Risk exposure amount (REA)	10,402	10,878	11,183	11,835	11,519			10,402	11,519
Number of employees (FTEs)	13,212	12,901	12,553	12,335	12,188	8%	2%	13,212	12,188

Income statement

	Note	Q4 2022	Q4 2021	Jan-Dec 2022	Jan-Dec 2021
EURm					
Operating income					
Interest income calculated using the effective interest rate method		3,035	1,305	7,937	5,116
Other interest income		393	179	1,013	784
Negative yield on financial assets		-	-61	-134	-219
Interest expense		-1,787	-273	-3,474	-1,167
Negative yield on financial liabilities		-	105	322	411
Net interest income		1,641	1,255	5,664	4,925
Fee and commission income		1,044	1,181	4,278	4,472
Fee and commission expense		-232	-261	-942	-977
Net fee and commission income	3	812	920	3,336	3,495
Net result from items at fair value	4	417	247	721	1,119
Profit or loss from associated undertakings and joint ventures accounted for under the equity method		-1	-4	-8	-6
Other operating income		29	20	83	87
Total operating income		2,898	2,438	9,796	9,620
Operating expenses					
General administrative expenses:					
Staff costs		-732	-670	-2,835	-2,759
Other expenses	5	-322	-241	-1,135	-1,002
Regulatory fees	6	-16	-	-322	-224
Depreciation, amortisation and impairment charges of tangible and intangible assets	7	-160	-190	-611	-664
Total operating expenses		-1,230	-1,101	-4,903	-4,649
Profit before loan losses		1,668	1,337	4,893	4,971
Net result on loans in hold portfolios mandatorily held at fair value		-8	25	-13	83
Net loan losses	8	-51	-81	-112	-118
Operating profit		1,609	1,281	4,768	4,936
Income tax expense		-349	-264	-1,173	-1,105
Net profit for the period		1,260	1,017	3,595	3,831
Attributable to:					
Shareholders of Nordea Bank Abp		1,265	1,017	3,576	3,805
Additional Tier 1 capital holders		-5	0	21	26
Non-controlling interests		0	-	-2	-
Total		1,260	1,017	3,595	3,831
Basic earnings per share, EUR		0.34	0.26	0.95	0.95
Diluted earnings per share, EUR		0.34	0.26	0.95	0.95

Statement of comprehensive income

	Q4 2022	Q4 2021	Jan-Dec 2022	Jan-Dec 2021
EURm				
Net profit for the period	1,260	1,017	3,595	3,831
Items that may be reclassified subsequently to the income statement				
Currency translation differences	-205	18	-757	160
Currency translation differences transferred to the income statement	-	-	660	-
Tax on currency translation differences	-4	-2	-4	-2
<i>Hedging of net investments in foreign operations:</i>				
Valuation gains/losses	31	-2	183	-1
Valuation gains/losses transferred to the income statement, net of tax	-	-	-131	-
<i>Fair value through other comprehensive income:¹</i>				
Valuation gains/losses, net of recycling	61	24	-177	38
Tax on valuation gains/losses	-13	-5	36	-8
<i>Cash flow hedges:</i>				
Valuation gains/losses, net of recycling	-161	74	42	50
Tax on valuation gains/losses	33	-15	-8	-10
Items that may not be reclassified subsequently to the income statement				
<i>Changes in own credit risk related to liabilities classified as fair value option:</i>				
Valuation gains/losses	-6	2	7	-2
Tax on valuation gains/losses	1	0	-2	1
<i>Defined benefit plans:</i>				
Remeasurement of defined benefit plans	-167	-235	-40	49
Tax on remeasurement of defined benefit plans	39	46	8	-9
Other comprehensive income from companies accounted for under the equity method	-1	0	1	0
Tax on other comprehensive income from companies accounted for under the equity method	0	0	0	0
Other comprehensive income, net of tax	-392	-95	-182	266
Total comprehensive income	868	922	3,413	4,097
Attributable to:				
Shareholders of Nordea Bank Abp	873	922	3,394	4,071
Additional Tier 1 capital holders	-5	0	21	26
Non-controlling interests	0	-	-2	-
Total	868	922	3,413	4,097

¹ Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.

Balance sheet

	Note	31 Dec 2022	31 Dec 2021
EURm			
Assets	10		
Cash and balances with central banks		61,815	47,495
Loans to central banks	9	885	409
Loans to credit institutions	9	4,573	1,983
Loans to the public	9	345,743	345,050
Interest-bearing securities		63,524	63,383
Financial instruments pledged as collateral		4,902	1,668
Shares		17,924	15,217
Assets in pooled schemes and unit-linked investment contracts		41,645	46,912
Derivatives		36,578	30,200
Fair value changes of hedged items in portfolio hedges of interest rate risk		-2,116	-65
Investments in associated undertakings and joint ventures		509	207
Intangible assets		4,044	3,784
Properties and equipment		1,673	1,745
Investment properties		2,455	1,764
Deferred tax assets		165	218
Current tax assets		211	272
Retirement benefit assets		165	221
Other assets		9,380	8,830
Prepaid expenses and accrued income		769	880
Assets held for sale		-	180
Total assets		594,844	570,353
Liabilities	10		
Deposits by credit institutions		32,869	26,961
Deposits and borrowings from the public		217,464	205,801
Deposits in pooled schemes and unit-linked investment contracts		42,776	48,201
Liabilities to policyholders		27,598	19,595
Debt securities in issue		179,803	176,365
Derivatives		40,102	31,485
Fair value changes of hedged items in portfolio hedges of interest rate risk		-2,175	101
Current tax liabilities		303	354
Other liabilities		16,804	18,485
Accrued expenses and prepaid income		1,224	1,334
Deferred tax liabilities		622	535
Provisions		351	414
Retirement benefit obligations		298	369
Subordinated liabilities		5,401	6,850
Total liabilities		563,440	536,850
Equity			
Additional Tier 1 capital holders		748	750
Non-controlling interests		-	9
Share capital		4,050	4,050
Invested unrestricted equity		1,082	1,090
Other reserves		-1,984	-1,801
Retained earnings		27,508	29,405
Total equity		31,404	33,503
Total liabilities and equity		594,844	570,353
Off-balance sheet items			
Assets pledged as security for own liabilities		190,211	183,984
Other assets pledged ¹		253	253
Contingent liabilities		21,163	22,786
Credit commitments ²		87,003	86,238
Other commitments		2,605	2,747

¹ Includes interest-bearing securities pledged as security for payment settlements with central banks and clearing institutions.

² Including unutilised portion of approved overdraft facilities of EUR 26,929m (31 December 2021: EUR 28,263m).

Statement of changes in equity

Attributable to shareholders of Nordea Bank Abp												
EURm	Share capital ¹	Invested un-restricted equity	Trans-lation of foreign operations	Cash flow hedges	Fair value through other comprehensive income	Defined benefit plans	Changes in own credit risk related to liabilities classified as fair value option	Retained earnings	Total	Addi-tional Tier 1 capital holders	Non-cont-rolling interests	Total equity
Balance as at 1 Jan 2022	4,050	1,090	-1,863	30	121	-77	-12	29,405	32,744	750	9	33,503
Net profit for the period	-	-	-	-	-	-	-	3,576	3,576	21	-2	3,595
Other comprehensive income, net of tax	-	-	-49	34	-141	-32	5	1	-182	-	-	-182
Total comprehensive income	-	-	-49	34	-141	-32	5	3,577	3,394	21	-2	3,413
Paid interest on Additional Tier 1 capital ²	-	-	-	-	-	-	-	-	-	-21	-	-21
Change in Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-2	-	-2
Share-based payments	-	-	-	-	-	-	-	14	14	-	-	14
Dividend	-	-	-	-	-	-	-	-2,655	-2,655	-	-	-2,655
Sale/purchase of own shares ³	-	3	-	-	-	-	-	-2,844	-2,841	-	-	-2,841
Other changes	-	-11	-	-	-	-	-	11	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-7	-7
Balance as at 31 Dec 2022	4,050	1,082	-1,912	64	-20	-109	-7	27,508	30,656	748	-	31,404
Balance as at 1 Jan 2021	4,050	1,063	-2,020	-10	91	-117	-11	29,937	32,983	748	9	33,740
Net profit for the period	-	-	-	-	-	-	-	3,805	3,805	26	-	3,831
Other comprehensive income, net of tax	-	-	157	40	30	40	-1	0	266	-	-	266
Total comprehensive income	-	-	157	40	30	40	-1	3,805	4,071	26	-	4,097
Paid interest on Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-26	-	-26
Change in Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	2	-	2
Share-based payments	-	-	-	-	-	-	-	18	18	-	-	18
Dividend	-	-	-	-	-	-	-	-3,192	-3,192	-	-	-3,192
Sale/purchase of own shares ³	-	27	-	-	-	-	-	-1,163	-1,136	-	-	-1,136
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	0	0
Balance as at 31 Dec 2021	4,050	1,090	-1,863	30	121	-77	-12	29,405	32,744	750	9	33,503

¹ The total number of shares registered was 3,654 million (31 December 2021: 3,966 million). The number of own shares was 13.4 million (31 December 2021: 13.8 million), representing 0.4% (31 December 2021: 0.8%) of the total number of shares in Nordea. Each share carries one voting right.

² Contains of interest paid and related tax effect in Tier 1 capital.

³ The change in the holding of own shares related to treasury shares held for remuneration purposes and to the trading portfolio was accounted for as an increase in "Invested unrestricted equity". The number of treasury shares held for remuneration purposes was 6.1 million (31 December 2021: 7.1 million). The share buy-back amounted to EUR 2,839m (31 December 2021: EUR 1,160m) and was accounted for as a reduction in "Retained earnings". The transaction cost in relation to the share buy-back amounted to EUR 5m (31 December 2021: EUR 3m).

Cash flow statement, condensed

	Jan-Dec 2022	Jan-Dec 2021
EURm		
Operating activities		
Operating profit	4,768	4,936
Adjustments for items not included in cash flow	-7,063	2,263
Income taxes paid	-976	-759
Cash flow from operating activities before changes in operating assets and liabilities	-3,271	6,440
Changes in operating assets and liabilities	25,246	11,152
Cash flow from operating activities	21,975	17,592
Investing activities		
Acquisition/sale of business operations	-254	7
Acquisition/sale of associated undertakings and joint ventures	-19	2
Acquisition/sale of property and equipment	-12	-5
Acquisition/sale of intangible assets	-344	-384
Cash flow from investing activities	-629	-380
Financing activities		
Issued/amortised subordinated liabilities	-939	-437
Sale/repurchase of own shares including change in trading portfolio	-2,841	-1,136
Dividend paid	-2,655	-3,192
Paid interest on Additional tier 1 capital	-26	-26
Principal portion of lease payments	-123	-140
Cash flow from financing activities	-6,584	-4,931
Cash flow for the period	14,762	12,281
Cash and cash equivalents	31 Dec 2022	31 Dec 2021
EURm		
Cash and cash equivalents at beginning of the period	48,628	36,203
Translation differences	-513	144
Cash and cash equivalents at end of the period	62,877	48,628
Change	14,762	12,281
The following items are included in cash and cash equivalents:		
Cash and balances with central banks	61,815	47,495
Loans to central banks	5	6
Loans to credit institutions	1,057	1,127
Total cash and cash equivalents	62,877	48,628

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority where the following conditions are fulfilled:

- the central bank or postal giro system is domiciled in the country where the institution is established,
- the balance on the account is readily available at any time.

Loans to credit institutions payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

Notes to the financial statements

Note 1 Accounting policies

The consolidated interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, as endorsed by the European Union (EU).

The report includes a condensed set of financial statements and is to be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2021. The accounting policies and methods of computation are unchanged from Note G1 in the Annual Report 2021, except for those relating to the items presented in the section "Changed accounting policies and presentation" below. For more information, see Note G1 in the Annual Report 2021.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea during 2022.

Changed presentation of regulatory fees

As of 1 January 2022 Nordea began presenting resolution fees and the Swedish bank tax separately on the new row "Regulatory fees" in the income statement. The earlier policy was to present similar expenses in the line item "Other expenses". The new presentation provides a more transparent view of Nordea's underlying performance and the impact of regulatory fees. Resolution fees will continue to be recognised in full in the first quarter, while the Swedish bank tax will be amortised linearly over the course of the year. Comparative figures have been restated accordingly and the impact can be found in the table below.

EURm	Q4 2022			Q4 2021		
	Old policy	Chg	New policy	Old policy	Chg	New policy
General administrative expenses:						
Other expenses	-338	16	-322	-241	-	-241
Regulatory fees	-	-16	-16	-	-	-
Total operating expenses	-1,230	-	-1,230	-1,101	-	-1,101
Impact on EPS/DEPS, EUR	-	-	-	-	-	-

EURm	Full year 2022			Full year 2021		
	Old policy	Chg	New policy	Old policy	Chg	New policy
General administrative expenses:						
Other expenses	-1,441	306	-1,135	-1,226	224	-1,002
Regulatory fees	-	-306	-306	-	-224	-224
Total operating expenses	-4,903	-	-4,903	-4,649	-	-4,649
Impact on EPS/DEPS, EUR	-	-	-	-	-	-

Changed presentation of hedged items in fair value hedges at micro level

Nordea applies fair value hedge accounting at both micro level (single assets/liabilities or closed portfolios of assets/liabilities where one or more hedged item are hedged using one or more hedging instruments) and macro level (open portfolios where groups of items are hedged using multiple hedging instruments).

As of 2022 Nordea presents the fair value changes of hedged items used in fair value hedge accounting at micro level in the same balance sheet line item as hedged items instead of, as earlier, in the balance sheet line item "Fair value changes of hedged items in hedges of interest rate risk". Fair value changes of hedged items under fair value hedge accounting at macro level are, as earlier, presented on a separate balance sheet item, which from 2022 has been renamed from "Fair value changes of hedged items in hedges of interest rate risk" to "Fair value changes of hedged items in portfolio hedges of interest rate risk". Comparative figures have been restated accordingly and the impact can be found in the table below.

31 Dec 2022			
EURm	Old policy	Chg	New policy
Debt securities in issue	183,801	-3,998	179,803
Fair value changes of hedged items in portfolio hedges of interest rate risk	-	-2,175	-2,175
Fair value changes of hedged items in hedges of interest rate risk	-6,677	6,677	-
Subordinated liabilities	5,905	-504	5,401
Total liabilities	563,440	-	563,440

31 Dec 2021			
EURm	Old policy	Chg	New policy
Debt securities in issue	175,792	573	176,365
Fair value changes of hedged items in portfolio hedges of interest rate risk	-	101	101
Fair value changes of hedged items in hedges of interest rate risk	805	-805	-
Subordinated liabilities	6,719	131	6,850
Total liabilities	536,850	-	536,850

Other amendments

The following amended standards issued by the International Accounting Standards Board (IASB) were implemented by Nordea on 1 January 2022, but have not had any significant impact on Nordea's financial statements.

- Amendments to International Financial Reporting Standard (IFRS) 3 Business Combinations: Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
- Annual improvements to IFRS Standards 2018–2020

Changes in IFRSs not yet applied

IFRS 17 Insurance Contracts

The IASB has published the new standard IFRS 17 Insurance Contracts. The new standard will change the accounting requirements for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 has been endorsed by the EU and is effective for annual reporting periods beginning on or after 1 January 2023.

The measurement principles will change from a non-uniform accounting policy based on the local accounting policies in the life insurance subsidiaries to a uniform accounting policy based on three measurement models: the General Measurement Model (GMM), the Variable Fee Approach (VFA) and the Premium Allocation Approach (PAA). The model application depends on the terms of the contract (long term, long term with a variable fee or short term). The three measurement models include consistent definitions of contractual cash flows, the risk adjustment margin and discounting. These definitions are based on principles similar to those for calculating the technical provisions in the Solvency II Directive. Unearned margins related to premiums from profitable contracts will be recognised as a provision on the balance sheet and released to revenue when the service is provided. Losses related to unprofitable contracts will be recognised in the income statement at initial recognition.

A net carrying amount of EUR 2,106m will be reclassified from insurance- to investment contracts at transition (based on insurance liabilities as per year-end 2021). This relates mainly to newer unit-linked endowment contracts where the insurance risk has been assessed to be insignificant.

Nordea will apply all three measurements models, but the VFA model will be applied for 99% of the insurance contracts at transition (based on liabilities as per year-end 2021).

Nordea will use the EU carve-out for annual cohorts for two portfolios with a total carrying amount of EUR 6,293m (based on insurance liabilities as per year-end 2021). Nordea will not use the option to disaggregate insurance finance income and expense between profit and loss and other comprehensive income.

Different transition methods will be applied based on the data available at the time of transition (1 January 2022). Nordea does not have enough information to be able to apply the full or modified retrospective approach for the majority of the contracts, and will thus apply the fair value approach. The modified retrospective approaches will be applied for the majority of the remaining contracts. Nordea will use the fair value approach for 91% of the insurance contracts (based on liabilities as per year-end 2021). The application of the fair value approach in Nordea will result in a higher contractual service margin compared with the retrospective approaches, and consequently a larger reduction in equity at transition, as the fair value approach generally requires an additional margin that a potential third-party acquirer would require. This margin is not required in the retrospective approaches. It also means that the contractual service margin to be amortised in the future is higher under the fair value approach compared with the retrospective approaches.

The quantitative impact on Nordea's financial statements at transition on 1 January 2022 from implementing IFRS 17 will be a reduction in equity of EUR 573m. This amount also includes a revaluation of bonds previously measured at "Amortised cost" but reclassified to "Fair value through profit or loss" at transition. The impact on the Common Equity Tier 1 capital ratio will be a reduction of 23 basis points at transition.

The above descriptions are valid for the insurance contracts held by Nordea at transition on 1 January 2022. Contracts in Topdanmark Life are thus not impacting Nordea's transition to IFRS 17.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In 2021 the IASB published amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The amendments require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to taxable and deductible temporary differences of equal amounts. Such a requirement may apply on the initial recognition of a lease liability and the corresponding right-of-use asset at the commencement of a lease. The requirement also applies in the context of decommissioning, restoration and similar liabilities where the corresponding amounts are recognised as part of the cost of the related asset.

The amendments have been endorsed by the EU and are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The gross deferred tax assets and liabilities will be disclosed, but will be set off on the balance sheet if such requirements are met. Nordea's current assessment is that the amendments will not have any significant impact on its financial statements or capital adequacy in the period of initial application.

Other amendments to IFRSs

Other amendments to IFRSs are not assessed to have any significant impact on Nordea's financial statements or capital adequacy in the period of their initial application.

Critical judgements affected by higher energy and raw material prices and reduced consumer spending

Nordea applied critical judgements in the preparation of this interim report due to the uncertainty concerning the potential long-term impact of higher energy and raw material prices and reduced consumer spending in various economic sectors on Nordea's financial statements. Areas particularly important during the fourth quarter of 2022 were the impairment testing of goodwill and loans to the public/credit institutions. Information on where critical judgements are generally applied and where estimation uncertainty exists can be found in section 4 of Note G1 "Accounting policies" in the Annual Report 2021.

No impairment of goodwill was identified during the fourth quarter of 2022, but estimation uncertainty exists in relation to the long-term impact on Nordea's financial statements and the impairment need will be continuously reassessed. Nordea's total goodwill amounted to EUR 2,262m at the end of the fourth quarter of 2022 and EUR 1,975m at the end of 2021. Cash flows were projected up until the end of 2025 and the long-term growth assumption was used for subsequent periods. The discount rate used for the test in the fourth quarter was 9.0% post tax and the long-term growth was 2.5%. Both an increase in the discount rate of 1 percentage point and a reduction in the future growth rate of 1 percentage point are considered to be reasonably possible changes in key assumptions. Such changes would not result in any impairment.

Critical judgement was also applied in the assessment of when loans had experienced a significant increase in credit risk (staging) and in the application of macro scenarios when estimating the increase in expected credit losses. When calculating allowances for individually significant impaired loans, critical judgement was exercised to estimate the amount and timing of the expected cash flows to be received from the customers under different scenarios, and to value any collateral received. Critical judgement was further applied when assigning the likelihood of the different scenarios occurring. More information on the impairment testing of loans to the public/credit institutions can be found under "Net loan losses and similar net result" on page 12, in Note 9 "Loans and impairment", and under "Other information" on page 17. Information on sensitivities to rating and scoring migrations can be found in the section "Sensitivities" in Note 9.

Acquisition of Topdanmark Life

On 1 December 2022 the acquisition of 100% of the shares in Topdanmark Liv Holding A/S was completed. Topdanmark Liv Holding A/S is the parent company of a group including the insurance company Topdanmark Livsforsikring A/S, as well as asset management and property companies. The group conducts life and pensions business in Denmark. The group had approx. 300 employees and EUR 12bn in assets under management as of the acquisition date. The acquisition completes Nordea's offering of life and pension products in the Nordics and accelerates Nordea's strategic ambitions within savings.

A purchase price of EUR 283m was paid to Topdanmark Forsikring A/S in December. The preliminary purchase price allocation is disclosed below.

EURm	1 Dec 2022
Interest-bearing securities	5,345
Shares	4,239
Other assets	2,841
Liabilities to policyholders	-11,030
Other liabilities	-1,539
Acquired net assets ¹	-144
Purchase price, settled in cash	283
Estimated additional purchase price	-2
Cost of combination	281
Surplus value	425
<i>Allocation of surplus value:</i>	
Customer relationship intangible asset	39
Deferred tax asset	42
Goodwill	344

¹ Including adjustments to fair value for IT software and liabilities to policyholders in Topdanmark.

Nordea has estimated the fair value of the liabilities to policyholders with the same model applied when estimating fair value in Nordea's transition to IFRS 17. This results in an increase in the liabilities to policyholders of EUR 194m and a corresponding reduction in "Acquired net assets", in line with the transition impact in Nordea on contracts on Nordea's balance sheet at transition on 1 January 2022. A large part of the adjustment will be included in the Contractual Service Margin (CSM) under IFRS 17.

Nordea has also estimated the fair value of IT software in Topdanmark to be EUR 44m, EUR 31m less than the carrying amount in Topdanmark. The fair value reflects the estimated replacement cost. This reduction in value is disclosed in the "Acquired net assets". The fair value of the IT software will be amortised over ten years, which is the estimated useful life.

For unit-linked contracts, a customer relationship intangible asset has been identified. The customer relationship intangible asset reflects the profit above cost of equity expected to be generated from the existing contracts. The value of the intangible asset also includes the profit above cost of equity from expected future premiums from existing customers. The customer intangible will be amortised over ten years, reflecting the estimated churn rate.

Goodwill is mainly related to the value of the assembled workforce and synergies, such as cross-selling with Nordea's existing customer base and increased assets under management in Nordea Asset Management. Synergies are expected to be generated in the Nordea Group. The assembled workforce and synergies cannot be accounted for as separate intangible assets under IFRS 3 and consequently end up as goodwill. The goodwill is expected to have an indefinite life and will consequently not be amortised.

"Operating profit" for the month during which the company was consolidated was immaterial. The corresponding pro forma "Operating profit" had the company been consolidated as from 1 January 2022 was EUR 6m, excluding the impact from the adjustment of policyholder liabilities as this has not been possible to estimate.

Exchange rates

	Jan-Dec 2022	Jan-Dec 2021
EUR 1 = SEK		
Income statement (average)	10.6274	10.1460
Balance sheet (at end of period)	11.1202	10.2913
EUR 1 = DKK		
Income statement (average)	7.4395	7.4370
Balance sheet (at end of period)	7.4365	7.4364
EUR 1 = NOK		
Income statement (average)	10.1023	10.1655
Balance sheet (at end of period)	10.5180	10.0185
EUR 1 = RUB		
Income statement (average)	73.9902	87.1828
Balance sheet (at end of period)	78.5146	85.0140

Note 2

Segment reporting

Jan-Dec 2022	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segments	Total operating segments	Reconciliation	Total Group
Total operating income, EURm	3,921	3,006	2,205	1,278	-26	10,384	-588	9,796
– of which internal transactions ¹	-460	-134	-35	57	572	0	-	-
Operating profit, EURm	1,947	1,704	1,418	707	-5	5,771	-1,003	4,768
Loans to the public ² , EURbn	175	100	54	12	0	341	5	346
Deposits and borrowings from the public, EURbn	88	57	53	13	0	211	6	217

Jan-Dec 2021³

Total operating income, EURm	3,623	2,580	2,009	1,252	213	9,677	-57	9,620
– of which internal transactions ¹	-252	-75	-135	-32	494	0	-	-
Operating profit, EURm	1,762	1,389	1,198	713	292	5,354	-418	4,936
Loans to the public ² , EURbn	170	96	45	11	0	322	23	345
Deposits and borrowings from the public, EURbn	84	55	50	12	0	201	5	206

¹ IFRS 8 requires information on revenues from transactions between operating segments. Nordea has defined intersegment revenues as internal interest related to the funding of the reportable operating segments by the internal bank in Group Finance, included in "Other operating segments".

² The volumes are only disclosed separately for operating segments if separately reported to the Chief Operating Decision-Maker (CODM).

³ Comparable figures have been restated to reflect updated plan exchange rates in the reporting to CODM. See Annual Report 2021 Note G3 for further information.

Reconciliation between total operating segments and financial statements

	Operating profit, EURm		Loans to the public, EURbn		Deposits and borrowings from the public, EURbn	
	Jan-Dec		31 Dec		31 Dec	
	2022	2021	2022	2021	2022	2021
Total operating segments	5,771	5,354	341	322	211	201
Group functions ¹	-70	-60	-	-	-	-
Unallocated items ³	-911	-382	15	21	12	4
Differences in accounting policies ²	-22	24	-10	2	-6	1
Total	4,768	4,936	346	345	217	206

¹ Consists of Group Business Support, Group Internal Audit, Chief of Staff Office, Group People, Group Legal, Group Risk, Group Compliance and Group Brand, Communication and Marketing.

² Impact from plan exchange rates used in the segment reporting.

³ Operating segments are presented excluding items affecting comparability (IAC). IAC of EUR 613m are included in "Unallocated items".

Measurement of operating segments' performance

The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision-Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as the Chief Executive Officer, who is supported by the other members of the Group Leadership Team. The main difference compared with the section "Business areas" in this report is that the information in Note 2 is prepared using plan exchange rates, as this is the basis used in the reporting to the CODM.

Financial results are presented for the main business areas Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management. These are identified as reportable operating segments and are reported separately, as they are above the quantitative thresholds in IFRS 8. Other operating segments below the thresholds are included in "Other operating segments". Group functions (and eliminations), as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

There have been no changes in the basis of segmentation during the year.

Note 3 Net fee and commission income

	Q4 2022	Q3 2022	Q4 2021	Jan-Dec 2022	Jan-Dec 2021
EURm					
Asset management commissions	418	431	507	1,733	1,845
Life and pension commissions	63	68	73	274	273
Deposit products	8	5	8	25	25
Brokerage, securities issues and corporate finance	33	27	55	173	269
Custody and issuer services	10	6	11	18	35
Payments	66	61	54	252	236
Cards	77	82	73	306	250
Lending products	122	118	122	477	478
Guarantees	24	24	29	101	102
Other	-9	-6	-12	-23	-18
Total	812	816	920	3,336	3,495

Breakdown Jan-Dec 2022

	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segment	Other and elimination	Nordea Group
EURm							
Asset management commissions	560	88	8	1,077	0	0	1,733
Life and pension commissions	209	85	4	-24	0	0	274
Deposit products	6	18	1	0	0	0	25
Brokerage, securities issues and corporate finance	23	37	99	26	-6	-6	173
Custody and issuer services	4	5	17	5	-13	0	18
Payments	17	157	82	1	0	-5	252
Cards	246	49	10	0	1	0	306
Lending products	121	167	185	6	1	-3	477
Guarantees	8	26	65	0	0	2	101
Other	9	7	-13	-18	-5	-3	-23
Total	1,203	639	458	1,073	-22	-15	3,336

Breakdown Jan-Dec 2021

	Personal Banking	Business Banking	Large Corporates & Institutions	Asset & Wealth Management	Other operating segment	Other and elimination	Nordea Group
EURm							
Asset management commissions	605	98	4	1,138	0	0	1,845
Life and pension commissions	227	85	4	-43	0	0	273
Deposit products	7	17	1	0	0	0	25
Brokerage, securities issues and corporate finance	18	58	180	34	-1	-20	269
Custody and issuer services	4	5	22	3	-9	10	35
Payments	15	151	75	1	0	-6	236
Cards	203	40	6	1	0	0	250
Lending products	125	156	193	5	1	-2	478
Guarantees	9	27	64	0	2	0	102
Other	10	6	-7	-27	-3	3	-18
Total	1,223	643	542	1,112	-10	-15	3,495

Note 4 Net result from items at fair value

	Q4 2022	Q3 2022	Q4 2021	Jan-Dec 2022	Jan-Dec 2021
EURm					
Equity-related instruments ¹	264	12	68	431	570
Interest-related instruments and foreign exchange gains/losses ²	-6	250	133	261	395
Other financial instruments (including credit and commodities)	133	-13	22	-32	57
Nordea Life & Pension ³	26	15	24	61	97
Total	417	264	247	721	1,119

¹ Includes EUR 8m in losses on fund investments in Russia in the first quarter of 2022.

² Includes EUR 529m in recycled accumulated foreign exchange losses related to operations in Russia in the first quarter of 2022.

³ Internal transactions not eliminated against other lines in the Note. The line item "Nordea Life & Pension" consequently provides the true impact from the life insurance operations.

Breakdown of Nordea Life & Pension

	Q4 2022	Q3 2022	Q4 2021	Jan-Dec 2022	Jan-Dec 2021
EURm					
Equity-related instruments	-5	-65	540	-1,422	1,724
Interest-related instruments and foreign exchange gains/losses	-21	-108	-41	-461	-29
Investment properties	-64	-29	87	-41	198
Change in technical provisions ¹	208	125	-240	1,562	-863
Change in collective bonus potential	-103	80	-337	372	-987
Insurance risk income	20	21	19	80	73
Insurance risk expense	-9	-9	-4	-29	-19
Total	26	15	24	61	97

¹ Premium income amounts to EUR 37m for the fourth quarter of 2022 and EUR 194m for January-December 2022 (fourth quarter of 2021: EUR 82m; January-December 2021: EUR 306m).

Note 5 Other expenses

	Q4 2022	Q3 2022	Q4 2021	Jan-Dec 2022	Jan-Dec 2021
EURm					
Information technology ¹	-170	-146	-145	-569	-522
Marketing and representation	-19	-11	-16	-53	-44
Postage, transportation, telephone and office expenses	-11	-11	-9	-45	-48
Rents, premises and real estate	-20	-25	-21	-101	-97
Professional services ¹	-53	-28	-31	-131	-104
Market data services	-18	-24	-18	-87	-84
Other ²	-31	-37	-1	-149	-103
Total	-322	-282	-241	-1,135	-1,002

¹ "Information technology" includes IT consultancy fees.

² VAT refund recognised in the fourth quarter of 2021.

Note 6 Regulatory fees

	Q4 2022	Q3 2022	Q4 2021	Jan-Dec 2022	Jan-Dec 2021
EURm					
Resolution fees	-	-	-	-256	-224
Bank tax	-16	-16	-	-66	-
Total	-16	-16	-	-322	-224

Note 7 Depreciation, amortisation and impairment charges of tangible and intangible assets

	Q4 2022	Q3 2022	Q4 2021	Jan-Dec 2022	Jan-Dec 2021
EURm					
Depreciation/amortisation					
Properties and equipment	-52	-54	-59	-215	-244
Intangible assets	-96	-93	-94	-371	-361
Total	-148	-147	-153	-586	-605
Impairment charges, net					
Properties and equipment	1	-	-1	1	-19
Intangible assets	-13	-	-36	-26	-40
Total	-12	-	-37	-25	-59
Total	-160	-147	-190	-611	-664

Note 8 Net loan losses

	Q4 2022	Q3 2022	Q4 2021	Jan-Dec 2022	Jan-Dec 2021
EURm					
Net loan losses, stage 1	-9	-21	31	-29	112
Net loan losses, stage 2	-2	-3	43	-2	103
Net loan losses, non-credit-impaired assets	-11	-24	74	-31	215
Stage 3, credit-impaired assets					
Net loan losses, individually assessed, collectively calculated	0	29	-45	88	-68
Realised loan losses	-102	-131	-188	-709	-493
Decrease in provisions to cover realised loan losses	49	90	110	512	264
Recoveries on previous realised loan losses	17	9	9	64	53
Reimbursement right	0	1	1	1	1
New/increase in provisions	-58	-23	-81	-281	-409
Reversals of provisions	54	20	39	244	319
Net loan losses, credit-impaired assets	-40	-5	-155	-81	-333
Net loan losses	-51	-29	-81	-112	-118

Key ratios

	Q4 2022	Q3 2022	Q4 2021	Jan-Dec 2022	Jan-Dec 2021
Net loan loss ratio, amortised cost, bp	7	4	12	4	4
- of which stage 1	1	3	-5	1	-4
- of which stage 2	0	0	-6	0	-4
- of which stage 3	6	1	23	3	12

Note 9 Loans and impairment

	Total	
	31 Dec 2022	31 Dec 2021
EURm		
Loans measured at fair value	73,248	75,772
Loans measured at amortised cost, not impaired (stages 1 and 2)	277,371	270,364
Impaired loans (stage 3)	2,255	3,512
- of which servicing	1,111	1,642
- of which non-servicing	1,144	1,870
Loans before allowances	352,874	349,648
-of which central banks and credit institutions	5,487	2,395
Allowances for individually assessed impaired loans (stage 3)	-1,045	-1,610
- of which servicing	-556	-800
- of which non-servicing	-489	-810
Allowances for collectively assessed loans (stages 1 and 2)	-628	-596
Allowances	-1,673	-2,206
- of which central banks and credit institutions	-29	-3
Loans, carrying amount	351,201	347,442

Exposures measured at amortised cost and fair value through OCI, before allowances

	31 Dec 2022			
	Stage 1	Stage 2	Stage 3	Total
EURm				
Loans to central banks, credit institutions and the public	264,585	12,786	2,255	279,626
Interest-bearing securities ¹	36,158	-	-	36,158
Total	300,743	12,786	2,255	315,784

¹ Of which EUR 2,121m relates to the balance sheet item "Financial instruments pledged as collateral".

	31 Dec 2021			
	Stage 1	Stage 2	Stage 3	Total
EURm				
Loans to central banks, credit institutions and the public	257,617	12,747	3,512	273,876
Interest-bearing securities ¹	37,435	-	-	37,435
Total	295,052	12,747	3,512	311,311

¹ Of which EUR -m relates to the balance sheet item "Financial instruments pledged as collateral".

Allowances and provisions

	31 Dec 2022			
	Stage 1	Stage 2	Stage 3	Total
EURm				
Loans to central banks, credit institutions and the public	-220	-408	-1,045	-1,673
Interest-bearing securities	-3	-	-	-3
Provisions for off-balance sheet items	-50	-111	-23	-184
Total allowances and provisions	-273	-519	-1,068	-1,860

	31 Dec 2021			
	Stage 1	Stage 2	Stage 3	Total
EURm				
Loans to central banks, credit institutions and the public	-197	-399	-1,610	-2,206
Interest-bearing securities	-15	-	-	-15
Provisions for off-balance sheet items	-35	-128	-20	-183
Total allowances and provisions	-247	-527	-1,630	-2,404

Movements of allowance accounts for loans measured at amortised cost

	Stage 1	Stage 2	Stage 3	Total
EURm				
Balance as at 1 Jan 2022	-197	-399	-1,610	-2,206
Changes due to origination and acquisition	-71	-30	-8	-109
Transfer from stage 1 to stage 2	4	-97	-	-93
Transfer from stage 1 to stage 3	1	-	-65	-64
Transfer from stage 2 to stage 1	-5	76	-	71
Transfer from stage 2 to stage 3	-	10	-89	-79
Transfer from stage 3 to stage 1	0	-	27	27
Transfer from stage 3 to stage 2	-	-6	29	23
Changes due to change in credit risk (net)	-3	-46	-38	-87
Changes due to repayments and disposals	46	80	176	302
Write-off through decrease in allowance account	-	-	509	509
Translation differences	5	4	24	33
Balance as at 31 Dec 2022	-220	-408	-1,045	-1,673

Note 9 Continued

	Stage 1	Stage 2	Stage 3	Total
EURm				
Balance as at 1 Jan 2021	-284	-490	-1,674	-2,448
Changes due to origination and acquisition	-53	-22	-8	-83
Transfer from stage 1 to stage 2	9	-108	-	-99
Transfer from stage 1 to stage 3	1	-	-33	-32
Transfer from stage 2 to stage 1	-3	100	-	97
Transfer from stage 2 to stage 3	-	28	-152	-124
Transfer from stage 3 to stage 1	-1	-	22	21
Transfer from stage 3 to stage 2	-	-1	38	37
Changes due to change in credit risk (net)	97	22	-125	-6
Changes due to repayments and disposals	39	73	89	201
Write-off through decrease in allowance account	-	-	260	260
Translation differences	-2	-1	-27	-30
Balance as at 31 Dec 2021	-197	-399	-1,610	-2,206

Key ratios¹

	31 Dec 2022	31 Dec 2021
Impairment rate (stage 3), gross, basis points	81	128
Impairment rate (stage 3), net, basis points	43	70
Total allowance rate (stages 1, 2 and 3), basis points	60	81
Allowances in relation to impaired loans (stage 3), %	46	46
Allowances in relation to loans in stages 1 and 2, basis points	23	22

¹ For definitions, see Glossary.

Sensitivities

The provisions are sensitive to rating migration even if staging triggers are not reached. The table below shows the impact on provisions of a one-notch downgrade of all exposures in the bank. It includes both the impact of the higher risk for all exposures and the impact of transferring exposures that reach the trigger from stage 1 to stage 2. It also includes the impact of exposures with one rating grade above default becoming default, which is estimated at EUR 118m (EUR 119m at the end of September 2022). This figure is based on calculations using the statistical model rather than individual estimates as would be the case in reality for material defaulted loans.

	31 Dec 2022		31 Dec 2021	
	Recognised provisions	Provisions if one notch downgrade	Recognised provisions	Provisions if one notch downgrade
EURm				
Personal Banking	387	488	409	532
Business Banking	1,036	1,166	1,148	1,265
Large Corporates & Institutions	402	441	813	846
Other	35	46	34	75
Group	1,860	2,141	2,404	2,718

Forward-looking information

Forward-looking information is used for both assessing significant increases in credit risk and calculating expected credit losses. Nordea uses three macroeconomic scenarios: a baseline scenario, a favourable scenario and an adverse scenario. For the fourth quarter of 2022, the scenarios were weighted into the final expected credit losses (ECL) as follows: baseline 50%, adverse 40% and favourable 10% (baseline 50%, adverse 40% and favourable 10% at the end of September 2022). The weightings reflected increasing downside risks to the macroeconomic projections during the fourth quarter.

The macroeconomic scenarios are provided by Group Risk in Nordea, based on the Oxford Economics Model. The forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model has been built to give a good description of the historical relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years. For periods beyond, a long-term average is used in the ECL calculations.

The macroeconomic scenarios reflect Nordea's view of how the Nordic economies might develop in light of Russia's invasion of Ukraine and the associated sanctions and countersanctions on trade with Russia. This includes consideration of the high level of energy prices seen after the invasion, continued supply chain disruptions and an expectation of significantly higher interest rates in response to the strong inflationary pressures. When developing the scenarios and determining the relative weighting between the scenarios Nordea took into account projections made by Nordic central banks, Nordea Research and the European Central Bank.

The baseline scenario foresees mild recessions in Denmark, Finland and Sweden, triggered by high interest rates and elevated inflation. On the other hand, the high energy prices will support weak growth in Norway. The weak growth impulse is expected to continue into 2023, weighing on the recovery. Nordic housing markets have turned around, with sales showing a marked slowdown and prices starting to decline, with the price fall in Sweden being particularly pronounced. This development is expected to continue into 2023. The risks around the baseline forecast are 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 in 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.

At the end of the fourth quarter of 2022 adjustments to model-based allowances/provisions amounted to EUR 554m, including management judgements. The management judgements cover expected credit losses not yet covered by the IFRS 9 model. The cyclical reserve amounted to EUR 430m at the end of the fourth quarter of 2022 (EUR 410m at the end of the third quarter of 2022), being reassessed during the quarter, moving from the specific concerns related to the Pandemic to the extraordinary challenges raised by the energy crisis. The adequacy of allowances was analysed based on specific potential impacts of higher costs and reduced consumer spending on various economic sectors. Overall, the existing level of allowances was concluded to be largely sufficient also for the changed risk outlook as the cyclical management judgement allowance was increased by EUR 20m to a total of EUR 430m. The reserve covering issues identified in the IFRS 9 model to be later covered in model updates (structural reserve) amounted to EUR 155m (EUR 155m at the end of the third quarter of 2022).

Note 9 Continued

Scenarios and allowances/provisions

31 Dec 2022

					Unweighted ECL	Probability	Model-based allowances/ provisions	Adjustments to model-based allowances/ provisions	Individual allowances/ provisions	Total allowances/ provisions
		2023	2024	2025	EURm	weight	EURm	EURm	EURm	EURm
Denmark										
Favourable scenario	GDP growth, %	0.7	1.9	1.4	168	10%				
	Unemployment, %	2.7	2.7	2.6						
	Change in household consumption, %	0.8	1.5	2.0						
	Change in house prices, %	-5.0	-1.2	2.6						
Baseline scenario	GDP growth, %	-0.1	1.2	1.0	173	50%	178	120	250	548
	Unemployment, %	3.0	3.3	3.3						
	Change in household consumption, %	0.4	1.1	1.5						
	Change in house prices, %	-5.6	-1.8	2.0						
Adverse scenario	GDP growth, %	-3.0	0.5	1.1	186	40%				
	Unemployment, %	4.0	4.8	4.7						
	Change in household consumption, %	-1.9	-0.4	1.0						
	Change in house prices, %	-10.7	-5.4	0.9						
Finland										
Favourable scenario	GDP growth, %	0.7	1.5	1.2	233	10%				
	Unemployment, %	7.2	7.4	7.4						
	Change in household consumption, %	0.5	0.9	1.3						
	Change in house prices, %	-4.4	0.7	2.6						
Baseline scenario	GDP growth, %	-0.3	1.1	1.0	237	50%	243	178	200	621
	Unemployment, %	7.4	7.7	7.7						
	Change in household consumption, %	-0.3	0.6	0.9						
	Change in house prices, %	-5.0	0	1.9						
Adverse scenario	GDP growth, %	-3.0	0.1	0.9	252	40%				
	Unemployment, %	8.2	8.5	8.4						
	Change in household consumption, %	-2.7	-0.8	0.1						
	Change in house prices, %	-7.2	-1.5	0.4						
Norway										
Favourable scenario	GDP growth, %	1.6	1.2	1.0	70	10%				
	Unemployment, %	3.1	3.3	3.2						
	Change in household consumption, %	-0.4	0.6	3.0						
	Change in house prices, %	-1.8	1.9	4.7						
Baseline scenario	GDP growth, %	0.8	0.8	0.3	72	50%	75	143	119	337
	Unemployment, %	3.3	3.6	3.6						
	Change in household consumption, %	-1.1	0.3	1.9						
	Change in house prices, %	-2.4	1.3	4.1						
Adverse scenario	GDP growth, %	-1.5	0.3	0.4	79	40%				
	Unemployment, %	4.2	4.4	4.4						
	Change in household consumption, %	-2.6	-0.9	1.0						
	Change in house prices, %	-7.2	-3.0	1.3						
Sweden										
Favourable scenario	GDP growth, %	0.7	1.7	1.9	83	10%				
	Unemployment, %	7.6	7.7	7.9						
	Change in household consumption, %	0.5	2.3	2.5						
	Change in house prices, %	-10.4	-1.0	3.1						
Baseline scenario	GDP growth, %	-0.5	1.1	1.9	86	50%	88	111	150	349
	Unemployment, %	7.9	8.2	8.3						
	Change in household consumption, %	-0.6	1.8	2.2						
	Change in house prices, %	-10.5	-1.8	2.0						
Adverse scenario	GDP growth, %	-3.0	0.3	1.4	91	40%				
	Unemployment, %	8.7	9.1	9.2						
	Change in household consumption, %	-2.9	0.4	1.0						
	Change in house prices, %	-13.1	-5.0	0.2						
Non-Nordic ¹							3	2	0	5
Total							587	554	719	1,860

¹ Defined as allowances/provisions accounted for in legal entities/branches outside the Nordics. Provisions/allowances defined as items affecting comparability, EUR 76m in the first quarter of 2022, are presented within the Nordic-based entities.

Note 9 Continued

Scenarios and allowances/provisions

31 Dec 2021

					Unweighted ECL EURm	Probability weight	Model-based allowances/ provisions EURm	Adjustments to model-based allowances/ provisions EURm	Individual allowances/ provisions EURm	Total allowances/ provisions EURm
Denmark		2022	2023	2024						
Favourable scenario	GDP growth, %	4.7	2.7	2.3	198	20%				
	Unemployment, %	2.7	2.4	2.4						
	Change in household consumption, %	7.3	2.5	2.1						
	Change in house prices, %	5.3	3.3	2.3						
Baseline scenario	GDP growth, %	3.1	2.4	2.4	200	60%	200	163	303	666
	Unemployment, %	3.2	3.1	3.1						
	Change in household consumption, %	6.1	2.1	2.0						
	Change in house prices, %	4.6	1.2	3.0						
Adverse scenario	GDP growth, %	1.3	2.3	2.0	205	20%				
	Unemployment, %	4.1	4.0	4.0						
	Change in household consumption, %	5.1	1.5	1.3						
	Change in house prices, %	-4.4	-1.9	1.4						
Finland										
Favourable scenario	GDP growth, %	4.0	1.8	1.2	238	20%				
	Unemployment, %	6.7	6.4	6.2						
	Change in household consumption, %	5.5	1.7	1.6						
	Change in house prices, %	3.1	2.7	2.0						
Baseline scenario	GDP growth, %	2.8	1.3	1.0	242	60%	244	177	197	618
	Unemployment, %	6.9	6.7	6.6						
	Change in household consumption, %	4.6	1.3	1.2						
	Change in house prices, %	1.5	1.6	1.4						
Adverse scenario	GDP growth, %	0.6	1.2	0.9	255	20%				
	Unemployment, %	7.7	7.5	7.2						
	Change in household consumption, %	2.9	0.6	0.6						
	Change in house prices, %	-2.0	-0.3	0.5						
Norway										
Favourable scenario	GDP growth, %	4.6	1.7	1.4	82	20%				
	Unemployment, %	3.5	3.3	3.3						
	Change in household consumption, %	10.2	4.0	2.3						
	Change in house prices, %	3.9	2.5	2.4						
Baseline scenario	GDP growth, %	3.8	1.3	0.9	84	60%	84	180	360	624
	Unemployment, %	3.7	3.6	3.7						
	Change in household consumption, %	9.6	3.6	1.5						
	Change in house prices, %	1.7	1.2	3.0						
Adverse scenario	GDP growth, %	1.2	1.2	1.1	89	20%				
	Unemployment, %	4.8	4.6	4.5						
	Change in household consumption, %	8.0	2.7	1.1						
	Change in house prices, %	-4.6	-3.0	1.4						
Sweden										
Favourable scenario	GDP growth, %	5.2	2.4	1.8	93	20%				
	Unemployment, %	7.2	6.7	6.7						
	Change in household consumption, %	6.2	2.8	2.4						
	Change in house prices, %	4.6	2.5	2.4						
Baseline scenario	GDP growth, %	3.6	2.2	1.8	96	60%	96	70	98	264
	Unemployment, %	7.6	7.2	7.1						
	Change in household consumption, %	4.6	2.6	2.1						
	Change in house prices, %	2.1	1.8	3.0						
Adverse scenario	GDP growth, %	1.4	1.7	2.0	101	20%				
	Unemployment, %	8.3	8.1	7.9						
	Change in household consumption, %	2.9	1.2	1.6						
	Change in house prices, %	-4.7	-3.7	1.2						
Non-Nordic							4	6	222	232
Total							628	596	1,180	2,404

Note 9 Continued

Loans to the public measured at amortised cost, broken down by sector and industry

31 Dec 2022

EURm	Gross				Allowances				Loans carrying amount	Net loan losses ¹
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Financial institutions	14,197	322	62	14,581	8	10	29	47	14,534	-49
Agriculture	4,343	232	107	4,682	7	15	56	78	4,604	-3
Crops, plantations and hunting	949	75	20	1,044	3	4	8	15	1,029	5
Animal husbandry	619	117	86	822	2	10	48	60	762	-6
Fishing and aquaculture	2,775	40	1	2,816	2	1	0	3	2,813	-2
Natural resources	2,765	216	39	3,020	2	4	18	24	2,996	26
Paper and forest products	1,874	161	22	2,057	1	3	14	18	2,039	2
Mining and supporting activities	382	30	3	415	0	1	1	2	413	-1
Oil, gas and offshore	509	25	14	548	1	0	3	4	544	25
Consumer staples	4,882	201	87	5,170	8	8	35	51	5,119	-26
Food processing and beverages	1,685	114	52	1,851	2	3	17	22	1,829	-13
Household and personal products	592	25	10	627	2	1	5	8	619	-1
Healthcare	2,605	62	25	2,692	4	4	13	21	2,671	-12
Consumer discretionary and services	10,589	913	287	11,789	14	48	187	249	11,540	-31
Consumer durables	2,382	192	44	2,618	2	6	24	32	2,586	-12
Media and entertainment	1,763	135	20	1,918	2	6	11	19	1,899	-2
Retail trade	4,156	272	180	4,608	8	20	118	146	4,462	-18
Air transportation	96	35	12	143	0	2	8	10	133	-6
Accommodation and leisure	1,421	263	25	1,709	2	14	20	36	1,673	4
Telecommunication services	771	16	6	793	0	0	6	6	787	3
Industrials	31,090	2,900	542	34,532	53	100	293	446	34,086	-52
Materials	2,406	166	39	2,611	4	4	13	21	2,590	7
Capital goods	3,370	436	71	3,877	5	11	39	55	3,822	11
Commercial and professional services	5,950	434	44	6,428	10	15	20	45	6,383	2
Construction	8,142	825	164	9,131	15	34	106	155	8,976	-37
Wholesale trade	6,801	696	64	7,561	8	24	40	72	7,489	-9
Land transportation	2,535	243	94	2,872	6	6	55	67	2,805	-17
IT services	1,886	100	66	2,052	5	6	20	31	2,021	-9
Maritime	5,521	360	66	5,947	19	5	31	55	5,892	23
Ship building	119	6	3	128	1	0	3	4	124	1
Shipping	5,116	353	63	5,532	17	5	28	50	5,482	22
Maritime services	286	1	0	287	1	0	0	1	286	0
Utilities and public service	6,896	117	16	7,029	5	4	7	16	7,013	8
Utilities distribution	3,413	78	6	3,497	2	2	3	7	3,490	8
Power production	2,962	11	1	2,974	2	0	1	3	2,971	-2
Public services	521	28	9	558	1	2	3	6	552	2
Real estate	36,325	745	145	37,215	23	18	85	126	37,089	32
Other industries and reimbursement rights	169	117	7	293	4	20	2	26	267	-3
Total Corporate	116,777	6,123	1,358	124,258	143	232	743	1,118	123,140	-75
Housing loans	116,404	4,248	435	121,087	15	45	86	146	120,941	-29
Collateralised lending	18,488	1,543	264	20,295	38	50	115	203	20,092	46
Non-collateralised lending	4,910	795	146	5,851	19	81	74	174	5,677	-62
Household	139,802	6,586	845	147,233	72	176	275	523	146,710	-45
Public sector	5,161	69	39	5,269	1	0	2	3	5,266	8
Lending to the public	261,740	12,778	2,242	276,760	216	408	1,020	1,644	275,116	-112
Lending to central banks and credit institutions	2,845	8	13	2,866	4	0	25	29	2,837	0
Total	264,585	12,786	2,255	279,626	220	408	1,045	1,673	277,953	-112

¹ The table shows net loan losses related to on- and off-balance sheet exposures for the full year 2022.

Note 9 Continued

Loans to the public measured at amortised cost, broken down by sector and industry¹

31 Dec 2021

EURm	Gross				Allowances				Loans carrying amount	Net loan losses ²
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
Financial institutions	12,972	186	59	13,217	6	8	24	38	13,179	29
Agriculture	4,124	204	136	4,464	5	12	82	99	4,365	16
Crops, plantations and hunting	970	79	25	1,074	2	5	15	22	1,052	2
Animal husbandry	670	101	109	880	1	7	66	74	806	8
Fishing and aquaculture	2,484	24	2	2,510	2	0	1	3	2,507	6
Natural resources	2,606	184	575	3,365	4	4	345	353	3,012	-15
Paper and forest products	1,777	155	32	1,964	2	4	16	22	1,942	8
Mining and supporting activities	329	26	3	358	1	0	1	2	356	2
Oil, gas and offshore	500	3	540	1,043	1	0	328	329	714	-25
Consumer staples	4,239	142	17	4,398	4	11	10	25	4,373	13
Food processing and beverages	1,131	76	5	1,212	2	3	4	9	1,203	4
Household and personal products	701	18	10	729	1	1	4	6	723	1
Healthcare	2,407	48	2	2,457	1	7	2	10	2,447	8
Consumer discretionary and services	9,376	1,075	263	10,714	11	55	166	232	10,482	-81
Consumer durables	2,166	126	30	2,322	2	6	13	21	2,301	6
Media and entertainment	1,394	127	18	1,539	1	8	10	19	1,520	6
Retail trade	3,796	256	178	4,230	5	17	118	140	4,090	-74
Air transportation	131	62	5	198	1	2	2	5	193	6
Accommodation and leisure	1,242	499	25	1,766	2	22	16	40	1,726	-25
Telecommunication services	647	5	7	659	0	0	7	7	652	0
Industrials	27,346	2,333	682	30,361	41	95	324	460	29,901	32
Materials	1,722	156	59	1,937	3	5	30	38	1,899	35
Capital goods	3,148	415	124	3,687	3	16	58	77	3,610	-7
Commercial and professional services	4,779	353	48	5,180	7	15	27	49	5,131	18
Construction	7,837	685	200	8,722	13	30	101	144	8,578	-19
Wholesale trade	5,452	434	77	5,963	7	17	43	67	5,896	29
Land transportation	2,596	218	106	2,920	4	6	48	58	2,862	-15
IT services	1,812	72	68	1,952	4	6	17	27	1,925	-9
Maritime	5,757	480	505	6,742	7	7	152	166	6,576	-12
Ship building	248	6	0	254	2	0	0	2	252	4
Shipping	5,043	472	505	6,020	5	7	151	163	5,857	-17
Maritime services	466	2	0	468	0	0	1	1	467	1
Utilities and public service	7,546	154	45	7,745	4	7	29	40	7,705	-11
Utilities distribution	3,540	116	29	3,685	2	5	17	24	3,661	-6
Power production	3,326	20	1	3,347	0	1	1	2	3,345	2
Public services	680	18	15	713	2	1	11	14	699	-7
Real estate	35,664	1,029	182	36,875	24	42	117	183	36,692	-44
Other industries and reimbursement rights	427	196	8	631	5	1	0	6	625	0
Total Corporate	110,057	5,983	2,472	118,512	111	242	1,249	1,602	116,910	-73
Housing loans	118,361	4,287	477	123,125	15	38	88	141	122,984	-72
Collateralised lending	17,270	1,308	310	18,888	47	48	161	256	18,632	27
Non-collateralised lending	5,708	1,054	219	6,981	21	71	110	202	6,779	4
Household	141,339	6,649	1,006	148,994	83	157	359	599	148,395	-41
Public sector	4,436	101	34	4,571	0	0	2	2	4,569	-4
Lending to the public	255,832	12,733	3,512	272,077	194	399	1,610	2,203	269,874	-118
Lending to central banks and credit institutions	1,785	14	0	1,799	3	0	0	3	1,796	0
Total	257,617	12,747	3,512	273,876	197	399	1,610	2,206	271,670	-118

¹ The segmentation was improved in the first quarter of 2022. Comparative figures have been restated to ensure comparability.

² The table shows net loan losses related to on- and off-balance sheet exposures for the full year 2021.

Note 10 Classification of financial instruments

	Fair value through profit or loss (FVPL)			Fair value through other comprehensive income (FVOCI)	Total
	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (fair value option)		
EURm					
Financial assets					
Cash and balances with central banks	61,815	-	-	-	61,815
Loans to central banks	6	879	-	-	885
Loans to credit institutions	2,831	1,742	-	-	4,573
Loans to the public	275,116	70,627	-	-	345,743
Interest-bearing securities	3,660	21,417	8,073	30,374	63,524
Financial instruments pledged as collateral	-	2,661	120	2,121	4,902
Shares	-	17,924	-	-	17,924
Assets in pooled schemes and unit-linked investment contracts	-	40,289	666	-	40,955
Derivatives	-	36,578	-	-	36,578
Fair value changes of hedged items in portfolio hedge of interest rate risk	-2,116	-	-	-	-2,116
Other assets	2,261	6,360	-	-	8,621
Prepaid expenses and accrued income	475	-	-	-	475
Total 31 Dec 2022	344,048	198,477	8,859	32,495	583,879
Total 31 Dec 2021	323,986	198,032	4,363	33,972	560,353

	Fair value through profit or loss (FVPL)				Total
	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (fair value option)		
EURm					
Financial liabilities¹					
Deposits by credit institutions	22,423	10,446	-	-	32,869
Deposits and borrowings from the public	210,814	6,650	-	-	217,464
Deposits in pooled schemes and unit-linked investment contracts	-	-	42,776	-	42,776
Debt securities in issue	128,488	-	51,315	-	179,803
Derivatives	-	40,102	-	-	40,102
Fair value changes of hedged items in portfolio hedge of interest rate risk	-2,175	-	-	-	-2,175
Other liabilities ²	5,225	10,202	-	-	15,427
Accrued expenses and prepaid income	7	-	-	-	7
Subordinated liabilities	5,401	-	-	-	5,401
Total 31 Dec 2022	370,183	67,400	94,091		531,674
Total 31 Dec 2021	356,432	49,312	106,208		511,952

¹ Liabilities to policyholders are as from the second quarter classified as insurance contracts and excluded from the disclosure. Comparative figures have been restated accordingly.

² Of which lease liabilities classified in the category "Amortised cost" EUR 1,080m.

Note 11 Fair value of financial assets and liabilities

	31 Dec 2022		31 Dec 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
EURm				
Financial assets				
Cash and balances with central banks	61,815	61,815	47,495	47,495
Loans	349,085	350,232	347,377	349,382
Interest-bearing securities	63,524	63,312	63,383	63,495
Financial instruments pledged as collateral	4,902	4,902	1,668	1,668
Shares	17,924	17,924	15,217	15,217
Assets in pooled schemes and unit-linked investment contracts	40,955	40,955	46,310	46,310
Derivatives	36,578	36,578	30,200	30,200
Other assets	8,621	8,621	8,094	8,094
Prepaid expenses and accrued income	475	475	609	609
Total	583,879	584,814	560,353	562,470
Financial liabilities				
Deposits and debt instruments	433,362	433,372	416,078	416,770
Deposits in pooled schemes and unit-linked investment contracts	42,776	42,776	48,201	48,201
Derivatives	40,102	40,102	31,485	31,485
Other liabilities	14,347	14,347	15,033	15,033
Accrued expenses and prepaid income	7	7	8	8
Total	530,594	530,604	510,805	511,497

The determination of fair value is described in Note G41 "Assets and liabilities at fair value" in the Annual Report 2021.

Note 12 Financial assets and liabilities held at fair value on the balance sheet

Categorisation in the fair value hierarchy

	Quoted prices in active markets for the same instruments (Level 1)	Of which Life & Pension	Valuation technique using observable data (Level 2)	Of which Life & Pension	Valuation technique using non- observable data (Level 3)	Of which Life & Pension	Total
EURm							
Assets at fair value on the balance sheet¹							
Loans to central banks	-	-	879	-	-	-	879
Loans to credit institutions	-	-	1,742	-	-	-	1,742
Loans to the public	-	-	70,627	-	-	-	70,627
Interest-bearing securities ²	25,961	3,422	38,368	5,432	437	47	64,766
Shares	15,171	12,405	406	264	2,347	1,028	17,924
Assets in pooled schemes and unit-linked investment contracts	39,994	36,167	599	599	362	362	40,955
Derivatives	159	-	34,550	117	1,869	-	36,578
Other assets	-	-	6,327	-	33	25	6,360
Total 31 Dec 2022	81,285	51,994	153,498	6,412	5,048	1,462	239,831
Total 31 Dec 2021	79,031	53,165	153,018	3,665	4,318	1,282	236,367
Liabilities at fair value on the balance sheet¹							
Deposits by credit institutions	-	-	10,446	44	-	-	10,446
Deposits and borrowings from the public	-	-	6,650	-	-	-	6,650
Deposits in pooled schemes and unit-linked investment contracts	-	-	42,776	38,606	-	-	42,776
Debt securities in issue	38,899	-	11,328	-	1,088	-	51,315
Derivatives	659	-	37,623	141	1,820	-	40,102
Other liabilities	3,307	-	6,832	81	63	-	10,202
Total 31 Dec 2022	42,865	-	115,655	38,872	2,971	-	161,491
Total 31 Dec 2021	42,952	-	109,917	43,371	2,651	-	155,520

¹ All items are measured at fair value on a recurring basis at the end of each reporting period.

² Of which EUR 4,902m relates to the balance sheet item "Financial instruments pledged as collateral".

Transfers between Levels 1 and 2

During the period Nordea transferred "Interest-bearing securities" (including such financial instruments pledged as collateral) of EUR 4,030m from Level 1 to Level 2 and of EUR 1,570m from Level 2 to Level 1 in the fair value hierarchy. Furthermore, Nordea transferred "Debt securities in issue" of EUR 2,989m from Level 1 to Level 2 and of EUR 3,731m from Level 2 to Level 1. Nordea also transferred "Other liabilities" of EUR 43m from Level 1 to Level 2 and of EUR 235m from Level 2 to Level 1. The transfers from Level 1 to Level 2 were due to the instruments ceasing to be actively traded during the period, which meant that fair values were obtained using valuation techniques with observable market inputs. The transfers from Level 2 to Level 1 were due to the instruments again being actively traded during the period, which meant that reliable quoted prices were obtained in the market. Transfers between levels are considered to have occurred at the end of the reporting period.

Note 12 Continued

Movements in Level 3

		Fair value gains/losses recognised in the income statement during the period										
	1 Jan	Rea- lised	Un- realised	Recog- nised in OCI	Purchases / Issues	Sales	Settle- ments	Transfers into Level 3	Transfers out of Level 3	Reclass- ification ¹	Transla- tion diff- erences	31 Dec
EURm												
Interest-bearing securities	703	2	-53	-	121	-236	-39	48	-103	-	-6	437
- of which Life & Pension	97	1	-1	-	22	-54	-	5	-18	-	-5	47
Shares	2,246	89	40	-	449	-379	-18	-	-	-15	-65	2,347
- of which Life & Pension	1,001	71	-27	-	152	-104	-18	-	-	-	-47	1,028
Assets in pooled schemes and unit-linked investment contracts	156	-1	33	-	235	-66	-	15	-2	-	-8	362
- of which Life & Pension	156	-1	33	-	235	-66	-	15	-2	-	-8	362
Derivatives (net)	167	-101	-213	-	-	-	120	60	16	-	-	49
Other assets	29	-	-1	-	8	-	-3	-	-	-	-	33
- of which Life & Pension	28	-	-	-	-	-	-3	-	-	-	-	25
Debt securities in issue	1,588	53	-256	-6	348	-	-594	13	-58	-	-	1,088
Other liabilities	46	-	-21	-	58	-20	-	-	-	-	-	63
Total 2022, net	1,667	-64	83	6	407	-661	654	110	-31	-15	-79	2,077
Total 2021, net	1,372	-7	-11	-1	216	-513	505	39	107	-	-40	1,667

¹ Reclassification related to conversion of Visa C-shares to Visa A-shares.

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. The transfers out of Level 3 were due to observable market data becoming available. The transfers into Level 3 were due to observable market data no longer being available. Transfers between levels are considered to have occurred at the end of the reporting period. Fair value gains and losses in the income statement during the period are included in "Net result from items at fair value". Assets and liabilities related to derivatives are presented net.

Valuation processes for fair value measurements in Level 3

For information about the valuation processes for fair value measurement in Level 3, see Note G41 "Assets and liabilities at fair value" in the Annual Report 2021.

Deferred Day 1 profit

The transaction price for financial instruments in some cases differs from the fair value at initial recognition measured using a valuation model, mainly due to the fact that the transaction price is not established in an active market. If there are significant unobservable inputs used in the valuation technique (Level 3), the financial instrument is recognised at the transaction price and any difference between the transaction price and fair value at initial recognition measured using a valuation model (Day 1 profit) is deferred. For more information, see Note G1 "Accounting policies" in the Annual Report 2021. The table below shows the aggregated difference yet to be recognised in the income statement at the beginning and end of the period. The table also shows a reconciliation of how this aggregated difference changed during the period (movement of deferred Day 1 profit).

Deferred Day 1 profit – derivatives, net

	2022	2021
EURm		
Opening balance as at 1 Jan	77	73
Deferred profit on new transactions	58	58
Recognised in the income statement during the period ¹	-51	-54
Closing balance as at 31 Dec	84	77

¹ Of which EUR -6m (EUR -8m) due to transfers of derivatives from Level 3 to Level 2.

Note 12 Continued

Valuation techniques and inputs used in the fair value measurements in Level 3

	Fair value	Of which Life & Pension ¹	Valuation techniques	Unobservable input	Range of fair value ⁴
EURm					
Interest-bearing securities					
Mortgage and other credit institutions	238	47	Discounted cash flows	Credit spread	-15/15
Corporates ²	199	-	Discounted cash flows	Credit spread	-5/5
Total 31 Dec 2022	437	47			-20/20
Total 31 Dec 2021	703	97			-62/62
Shares					
Private equity funds	1,316	693	Net asset value ³		-151/151
Hedge funds	68	67	Net asset value ³		-6/6
Credit funds	511	63	Net asset value/market consensus ³		-49/49
Other funds	323	193	Net asset value/fund prices ³		-27/27
Other ⁵	491	374	-		-52/52
Total 31 Dec 2022	2,709	1,390			-285/285
Total 31 Dec 2021	2,402	1,157			-247/247
Derivatives, net					
Interest rate derivatives	-81	-	Option model	Correlations Volatilities	-20/21
Equity derivatives	-5	-	Option model	Correlations Volatilities Dividends	-7/4
Foreign exchange derivatives	286	-	Option model	Correlations Volatilities	-4/2
Credit derivatives	-152	-	Credit derivative model	Correlations Volatilities Recovery rates	-11/16
Other	1	-	Option model	Correlations Volatilities	-0/0
Total 31 Dec 2022	49	-			-42/43
Total 31 Dec 2021	167	-			-43/47
Debt securities in issue					
Issued structured bonds	-1,088	-	Credit derivative model	Correlations Recovery rates Volatilities	-5/5
Total 31 Dec 2022	-1,088	-			-5/5
Total 31 Dec 2021	-1,588	-			-7/7
Other, net					
Other assets and other liabilities, net	-30	25	-	-	-3/3
Total 31 Dec 2022	-30	25			-3/3
Total 31 Dec 2021	-17	28			-1/1

¹ Investments in financial instruments are a major part of the life insurance business, acquired to fulfil the obligations behind the insurance and investment contracts. The gains or losses on these instruments are almost exclusively allocated to policyholders and consequently do not affect Nordea's equity.

² Of which EUR 150m is priced at a credit spread (the difference between the discount rate and the EURIBOR) of 1.45%. A reasonable change in this credit spread would not affect the fair value due to callability features.

³ The fair values are based on prices and net asset values provided by external suppliers/custodians. The prices are fixed by the suppliers/custodians based on the development in the assets behind the investments. For private equity funds, the dominant measurement methodology used by the suppliers/custodians is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines issued by Invest Europe (formerly EVCA). Approximately 50% of the private equity fund investments are internally adjusted/valued based on the IPEV guidelines. These carrying amounts are in a range of 1% to 100% compared with the values received from suppliers/custodians.

⁴ The column "Range of fair value" shows the sensitivity of Level 3 financial instruments to changes in key assumptions. For more information, see Note G41 "Assets and liabilities at fair value" in the Annual Report 2021.

⁵ Of which EUR 362m relates to assets in pooled schemes and unit-linked investment contracts.

Note 13 Risks and uncertainties

Nordea is subject to various legal regimes and requirements, including but not limited to those of the Nordic countries, the European Union and the United States. The supervisory and governmental authorities administering and enforcing these regimes make regular enquiries and conduct investigations with regard to Nordea's compliance. Areas subject to investigation may include investment advice, anti-money laundering (AML), trade regulation and sanctions adherence, external tax rules, competition law, and governance and control. The outcome and timing of these enquiries and investigations are unclear and pending. Accordingly, it cannot be ruled out that these enquiries and investigations could lead to criticism against the bank, reputation loss, fines, sanctions, disputes and/or litigation.

In June 2015 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding AML. The outcome resulted in criticism and, in accordance with Danish administrative practice, the matter was handed over to the police for further handling and possible sanctions. As previously stated, Nordea expects to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters.

There is a risk that, in the event the authorities issue fines, these could be higher (or potentially lower) than the current provision, and this could also impact Nordea's financial performance. In addition, some of these proceedings could lead to litigation. Given this uncertainty, Nordea will maintain a sufficient level of provision for ongoing AML-related matters while continuing the dialogue with the Danish Authorities regarding their allegations concerning historical AML weaknesses.

Nordea has made significant investments to address the deficiencies highlighted by the investigations. Among other actions, Nordea established in 2015 the Financial Crime Change Programme, and has strengthened its organisation significantly to enhance its AML and sanction management risk frameworks. Nordea also established the Sustainability and Ethics Committee and has worked to embed stronger ethical standards into its corporate culture. The Group is also investing in enhanced compliance standards, processes and resources in both the first and second lines of defence.

Within the framework of normal business operations, Nordea faces a number of claims related to the provision of banking and investment services and other areas in which it operates. Some of these claims have led or could lead to disputes and/or litigation. Currently, such claims are mainly related to lending and insolvency situations, various investment services, and sub-custody and withholding taxation matters. At present, none of the current claims are considered likely to have any significant adverse effect on Nordea or its financial position.

There are significant risks related to the macroeconomic environment due to geopolitical developments, including the impact of higher energy, food and commodity prices, and broader inflationary pressures. As a result, reduced consumer spending and cost increases have an impact on especially SMEs in certain industries. Depending on future developments, there may be increased credit risk in Nordea's portfolio. Furthermore, potential adverse impacts on income could arise due to financial markets volatility and reduced banking activity impacting transaction volumes and customer activity. Potential future credit risks are addressed in Note 9 and the section "Net loan losses and similar net result". Depending on the duration and magnitude of the situation, there is a possibility that Nordea will not be able to meet its financial targets in very adverse scenarios.

In addition, Nordea recognises an increase in cyber risk as a consequence of the war in Ukraine. Nordea has made significant investments in its cyber defence capabilities in the past and will continue to do so.

Glossary

Allowances in relation to credit-impaired loans (stage 3)

Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.

Allowances in relation to loans in stages 1 and 2

Allowances for non-impaired loans (stages 1 and 2) divided by non-impaired loans measured at amortised cost (stages 1 and 2) before allowances.

Economic capital

Economic capital is Nordea's internal estimate of required capital. It measures the capital required to cover unexpected losses in the course of Nordea's business with a certain probability. Economic capital uses advanced internal models to provide a consistent measurement for credit risk, market risk, operational risk, business risk and life insurance risk arising from activities in Nordea's various business areas. The aggregation of risks across the Group gives rise to diversification effects resulting from the differences in risk drivers and the improbability that unexpected losses occur simultaneously.

Impairment rate (stage 3), gross

Impaired loans (stage 3) before allowances divided by total loans measured at amortised cost before allowances.

Impairment rate (stage 3), net

Impaired loans (stage 3) after allowances divided by total loans measured at amortised cost before allowances.

Net interest margin

Net interest income for the period as a percentage of average interest-earning assets, excluding Life & Pension and Markets where return on assets is reported under Net result from items at fair value.

Net loan loss ratio, amortised cost

Net loan losses (annualised) divided by the quarterly closing balance of the carrying amount of loans to the public (lending) measured at amortised cost.

Return on capital at risk

Return on capital at risk (ROCAR) is defined as net profit excluding items affecting comparability as a percentage of economic capital. For the business areas it is defined as operating profit after standard tax as a percentage of economic capital.

Return on capital at risk with amortised resolution fees

ROCAR with amortised resolution fees is defined as net profit adjusted for the effect of resolution fees on an amortised basis after tax and excluding items affecting comparability as a percentage of economic capital. For the business areas it is defined as operating profit adjusted for the effect of resolution fees on an amortised basis after standard tax as a percentage of economic capital.

Return on equity

Net profit for the period as a percentage of average equity for the period. Additional Tier 1 capital, accounted for in equity, is classified as a financial liability in the calculation. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity includes net profit for the period and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital.

Return on equity with amortised resolution fees

Net profit for the period as a percentage of average equity for the period. Additional Tier 1 capital, accounted for in equity, is classified as a financial liability in the calculation. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued), and is adjusted for the effect of resolution fees on an amortised basis after tax. Average equity includes net profit for the period and dividend until paid, and excludes non-controlling interests and Additional Tier 1 capital.

Return on risk exposure amount

Net profit for the period as a percentage of average risk exposure amount for the period. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued).

Return on tangible equity

Net profit for the period as a percentage of average equity for the period. Additional Tier 1 capital, accounted for in equity, is classified as a financial liability in the calculation. Net profit for the period excludes non-controlling interests and interest expense on Additional Tier 1 capital (discretionary interest accrued). Average equity includes net profit for the period and dividend until paid, excludes non-controlling interests and Additional Tier 1 capital, and is reduced with intangible assets.

Tier 1 capital

The Tier 1 capital of an institution consists of the sum of its Common Equity Tier 1 capital and Additional Tier 1 capital. Common Equity Tier 1 capital includes consolidated shareholders' equity excluding investments in insurance companies, proposed dividend, deferred tax assets, intangible assets in the banking operations, the full expected shortfall deduction (the negative difference between expected losses and provisions) and other deductions, such as cash flow hedges.

Tier 1 capital ratio

Tier 1 capital as a percentage of the risk exposure amount. The Common Equity Tier 1 capital ratio is defined as Common Equity Tier 1 capital as a percentage of the risk exposure amount.

Total allowance rate (stages 1, 2 and 3)

Total allowances divided by total loans measured at amortised cost before allowances.

For a list of further alternative performance measures and business definitions, please see <https://www.nordea.com/en/investor-relations/reports-and-presentations/group-interim-reports/> and the Annual Report 2021.

Nordea Bank Abp

Income statement

	Q4 2022	Q4 2021	Jan-Dec 2022	Jan-Dec 2021
EURm				
Operating income				
Interest income	2,400	876	5,870	3,351
Interest expense	-1,249	-164	-2,325	-659
Net interest income	1,151	712	3,545	2,692
Fee and commission income	579	621	2,331	2,435
Fee and commission expense	-131	-145	-515	-521
Net fee and commission income	448	476	1,816	1,914
Net result from securities trading and foreign exchange dealing	350	211	1,225	1,110
Net result from securities at fair value through fair value reserve	-21	7	-84	-28
Net result from hedge accounting	40	-8	-1	-12
Net result from investment properties	0	0	0	0
Income from equity investments	650	875	2,516	1,347
Other operating income	218	245	933	966
Total operating income	2,836	2,518	9,950	7,989
Operating expenses				
Staff costs	-603	-541	-2,318	-2,256
Other administrative expenses	-264	-224	-884	-813
Other operating expenses	-77	-66	-386	-354
Regulatory fees	-12	-	-257	-181
Depreciation, amortisation and impairment charges of tangible and intangible assets	-114	-143	-427	-463
Total operating expenses	-1,070	-974	-4,272	-4,067
Profit before loan losses	1,766	1,544	5,678	3,922
Net loan losses	7	-53	-3	17
Impairment of other financial assets	-20	-23	-979	-26
Operating profit	1,753	1,468	4,696	3,913
Income tax expense	-296	-194	-741	-681
Net profit for period	1,457	1,274	3,955	3,232

Nordea Bank Abp

Balance sheet

	31 Dec 2022	31 Dec 2021
EURm		
Assets		
Cash and balances with central banks	61,425	45,256
Debt securities eligible for refinancing with central banks	60,453	62,654
Loans to credit institutions	73,314	78,274
Loans to the public	150,024	139,086
Interest-bearing securities	14,051	9,813
Shares and participations	6,765	6,314
Investments in group undertakings	14,350	15,101
Investments in associated undertakings and joint ventures	94	88
Derivatives	38,870	30,514
Fair value changes of hedged items in portfolio hedges of interest rate risk	-479	1
Intangible assets	1,656	1,736
Tangible assets	241	253
Deferred tax assets	25	165
Current tax assets	120	166
Retirement benefit assets	159	218
Other assets	9,653	9,448
Prepaid expenses and accrued income	1,274	1,165
Total assets	431,995	400,252
Liabilities		
Deposits by credit institutions and central banks	40,630	35,532
Deposits and borrowings from the public	225,231	213,547
Debt securities in issue	76,932	64,264
Derivatives	42,049	32,347
Fair value changes of hedged items in portfolio hedges of interest rate risk	-2,175	342
Current tax liabilities	146	201
Other liabilities	15,015	16,518
Accrued expenses and prepaid income	870	927
Deferred tax liabilities	113	60
Provisions	376	463
Retirement benefit obligations	244	300
Subordinated liabilities	5,401	6,709
Total liabilities	404,832	371,210
Equity		
Share capital	4,050	4,050
Additional Tier 1 capital holders	748	750
Invested unrestricted equity	1,082	1,090
Other reserves	-211	-65
Retained earnings	17,539	19,985
Profit or loss for the period ¹	3,955	3,232
Total equity	27,163	29,042
Total liabilities and equity	431,995	400,252
Off-balance sheet commitments		
Commitments given to a third party on behalf of customers		
Guarantees and pledges	46,379	49,959
Other	661	846
Irrevocable commitments in favour of customers		
Securities repurchase commitments	-	-
Other	96,306	91,738

¹ Including anticipated dividends of EUR 481m (EUR 472m) from the subsidiaries.

Nordea Bank Abp

Note 1 Accounting policies

The financial statements for the parent company, Nordea Bank Abp, are prepared in accordance with the Finnish Accounting Act, the Finnish Act on Credit Institutions, the Decree of the Finnish Ministry of Finance on the financial statements and consolidated financial statements of credit institutions and investment firms, and the regulations and guidelines of the Finnish Financial Supervisory Authority.

International Financial Reporting Standards (IFRSs) as endorsed by the European Commission have been applied to the extent possible within the framework of Finnish accounting legislation and considering the close tie between financial reporting and taxation.

The accounting policies and methods of computation are unchanged in comparison with Note P1 in the Annual Report 2021, except for those relating to the items presented in the section "Changed accounting policies and presentation" below. For more information, see Note P1 in the Annual Report 2021.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea Bank Abp during 2022.

Changed presentation of regulatory fees

In the first quarter of 2022 Nordea Bank Abp began presenting resolution fees and the Swedish bank tax separately on the new row "Regulatory fees" in the income statement. The earlier policy was to present similar expenses on the row "Other operating expenses". The new presentation provides a more transparent view of Nordea Bank Abp's underlying performance and the impact of regulatory fees. Resolution fees will continue to be recognised in full in the first quarter, while the Swedish bank tax will be amortised linearly over the course of the year.

Comparative figures have been restated accordingly and the impact can be found in the table below.

	Q4 2022			Q4 2021		
	Old policy	Chg	New policy	Old policy	Chg	New policy
EURm						
Other operating expenses	-89	12	-77	-66	-	-66
Regulatory fees	-	-12	-12	-	-	-
Total operating expenses	-1,070	-	-1,070	-974	-	-974

	Jan-Dec 2022			Jan-Dec 2021		
	Old policy	Chg	New policy	Old policy	Chg	New policy
EURm						
Other operating expenses	-643	257	-386	-535	181	-354
Regulatory fees	-	-257	-257	-	-181	-181
Total operating expenses	-4,272	-	-4,272	-4,067	-	-4,067

Changed presentation of hedged items in fair value hedges at micro level

Nordea Bank Abp applies fair value hedge accounting at both micro level (single assets/liabilities or closed portfolios of assets/liabilities where one or more hedged items are hedged using one or more hedging instruments) and macro level (open portfolios where groups of items are hedged using multiple hedging instruments).

As of 2022 Nordea Bank Abp presents the fair value changes of hedged items under fair value hedge accounting at micro level in the same balance sheet line item as hedged items instead of, as earlier, in the balance sheet line item "Fair value changes of hedged items in hedges of interest rate risk". Fair value changes of hedged items under fair value hedge accounting at macro level are, as earlier, presented on a separate balance sheet item, which from 2022 has been renamed from "Fair value changes of hedged items in hedges of interest rate risk" to "Fair value changes of hedged items in portfolio hedges of interest rate risk". Comparative figures have been restated accordingly and the impact in 2022 and 2021 can be found in the table below.

	31 Dec 2022		
	Old policy	Chg	New policy
EURm			
Debt securities in issue	78,604	-1,672	76,932
Fair value changes of hedged items in portfolio hedges of interest rate risk	-	-2,175	-2,175
Fair value changes of hedged items in hedges of interest rate risk	-4,351	4,351	-
Subordinated liabilities	5,905	-504	5,401
Total liabilities	404,832	-	404,832

	31 Dec 2021		
	Old policy	Chg	New policy
EURm			
Debt securities in issue	64,264	130	64,394
Fair value changes of hedged items in portfolio hedges of interest rate risk	-	81	81
Fair value changes of hedged items in hedges of interest rate risk	342	-342	-
Subordinated liabilities	6,709	131	6,840
Total liabilities	371,210	-	371,210

For further information

- A webcast for media, investors and equity analysts will be held on 2 February at 11.00 EET (10.00 CET), during which Frank Vang-Jensen, President and Group CEO, will present the results followed by a Q&A audio session for investors and analysts with Frank Vang-Jensen, Ian Smith, Group CFO, and Matti Ahokas, Head of Investor Relations.
- The event will be webcast live and the presentation slides will be posted on www.nordea.com/ir.
- The Q4 2022 report, investor presentations and fact book are available at www.nordea.com.

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Financial calendar

Week 9 2023 – Annual report published*

23 March 2023 – Annual General Meeting

27 April 2023 – First-quarter results 2023

17 July 2023 – Second-quarter and half-year results 2023

19 October 2023 – Third-quarter and January-September results 2023

*Nordea's Annual Report for the financial year 2022, which includes the Audited Financial Statements, the Board of Directors' Report and the Corporate Governance Statement as well as the sustainability reporting, will be published in week 9 by way of stock exchange release and will also be available at www.nordea.com.

Helsinki 1 February 2023

Nordea Bank Abp

Board of Directors

This report has not been subject to review by the Auditors.

This report 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. This report does not imply that Nordea has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

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