

Press release

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**Danske Bank delivered a net profit of DKK 15.1 billion for 2019**

**The result was as expected and affected by non-recurring items**

**Return on shareholders' equity of 9.6%. New targets for societal impact and sustainability**

Danske Bank has announced its financial results for 2019.

Chris Vogelzang, Chief Executive Officer, comments on the financial results:

*“The financial results for 2019 were as expected. Customer activity was at a good level in Denmark especially due to high remortgaging activity. We also saw a good customer development and lending growth across our other core markets. However, low interest rates, margin pressure, higher impairments and increased costs due mainly to investments in compliance and AML-related activities had a negative effect on the result. A number of extraordinary items also had an impact, positive as well as negative, on the results, but all in all, our financial performance remains under pressure.*”

*Our plan to become a better bank for all stakeholders and deliver on our ambitions for 2023 is off to a good start. Key initiatives include a simplification of our product range, accelerated digitalisation efforts in areas that are particularly important to our customers and improved cost discipline across the Group. Furthermore, we have defined clear, quantitative targets for among other things our contribution to the transition towards a greener economy as well as for our own efforts to become a more diverse and inclusive workplace with an even more customer- and compliance-centric culture. These are just the first of many steps we will take in the months and years to come.”*

The annual report is available at [danskebank.com](https://www.danskebank.com). Highlights are shown below:

## 2019 vs 2018

The year was characterised by difficult financial markets, a further decline in interest rates, a slight worsening of the macroeconomic environment and persistently strong competition in all markets. Customer activity was still at a good level, though, and our partnership agreements continued to help us grow lending in most Nordic markets. Regulatory and compliance costs continued to increase, and an expected rise in impairments also had a negative effect on the result.

The Danske Bank Group delivered a net profit for 2019 of DKK 15.1 billion, against DKK 15.2 billion the year before. The result was as expected and was affected by a number of non-recurring items, including goodwill impairment charges, the sales of Danica Pension Sweden and LR Realkredit A/S and a net positive tax adjustment. The non-recurring items are described in detail in company announcements nos 10, 19 and 20 in 2019. Our financial performance remains under pressure, but the underlying business is solid, with lending growth and high customer activity.

The return on shareholders' equity in 2019 was 9.6%, against 9.8% in 2018.

Total income amounted to DKK 45.0 billion, an increase of 1% from the level in 2018.

- Net interest income totalled DKK 21.9 billion, a decrease of 7%. Lending grew on almost all our Nordic markets, but the positive effect of this was offset by higher funding costs and pressure on margins. The growth in lending was among other things driven by our partnership agreements.
- Net fee income amounted to DKK 15.9 billion, an increase of 3% from the level in 2018. Net fee income was positively affected by significant remortgaging activity in Denmark and higher performance fees at Wealth Management in the fourth quarter. Fee income was adversely affected by the amount set aside for compensation of Flexinvest Fri customers in the second quarter of 2019.
- Net trading income totalled DKK 5.0 billion, an increase of 7% from the level in 2018. The financial markets were affected by challenging conditions in 2019, and the increase in income was driven mainly by the sale of LR Realkredit A/S and higher remortgaging activity.
- Other income amounted to DKK 2.2 billion, against DKK 0.7 billion in 2018. The increase was due mainly to the gain on the sale of Danica Pension Sweden.

Operating expenses amounted to DKK 27.5 billion, an increase of 10% from the level in 2018. The increase was primarily the result of higher costs for compliance and AML-related activities as well as costs for the Estonia case.

Credit quality remained solid in 2019 on the back of our strong focus on this area. Loan impairments amounted to DKK 1.5 billion in 2019, against a net reversal of DKK 0.7 billion in 2018. The charges were due mainly to single-name exposures and a review of our loan portfolio across business units.

At the end of December 2019, total lending was up 3%, and total deposits were up 8% from the level at the end of 2018. Denmark, Norway and Finland saw increases in lending, while lending measured in local currency was flat in Sweden.

### **Capital position still strong**

Danske Bank continues to have a strong capital position, with a total capital ratio of 22.7%, and a CET1 capital ratio of 17.3%. This is in line with the Group's target of a CET1 capital ratio above 16% in the short term and a total capital ratio of above 20%.

### **Dividend for 2019**

Danske Bank's dividend policy is unchanged, and it is still our ambition to pay out between 40% and 60% of net profit for the year. On the basis of our strong capital position, the Board of Directors is proposing a dividend of DKK 8.5 per share for 2019. This corresponds to 49% of reported net profit.

### **Financial outlook for 2020**

We expect net profit for 2020 to be in the range of DKK 8-10 billion, equivalent to a 5-6% return on shareholders' equity, as communicated on 1 November 2019.

The outlook is subject to uncertainty and macroeconomic developments.

### **Better Bank 2023**

The execution of our Better Bank plan was off to a good start, and we have taken a number of specific initiatives. We accelerated our efforts to digitise more in a number of the areas that are most important to our customers, we initiated a simplification of our product range and we took action to become more disciplined in terms of costs across the Group.

In addition, we have set specific targets for our ambitions within societal impact and sustainability that we must reach by 2023:

### **Sustainable investing**

DKK 30 billion invested in the green transition through Danica Pension.

### **Sustainable financing**

Volume of sustainable financing (green loans and arranged bonds) well above DKK 100 billion.

**Governance**

Over 95% of employees complete training in risk and compliance.

**Diversity and inclusion**

35% share of women in senior leadership positions.

**Environmental footprint**

10% reduction in own CO2 emissions from the level in 2019 and 75% reduction from 2010.

**Entrepreneurship**

10,000 start-ups and scale-ups supported with tools, services and expertise.

**Financial literacy**

2 million people supported with financial literacy tools and expertise.

We refer to Sustainability Report 2019, which is available at [danskebank.com/societal-impact](https://danskebank.com/societal-impact).

Our ambitions for societal impact and sustainability are part of our overall ambitions that we must meet by 2023. We announced the ambitions on 1 November 2019:

- We are on average among the top two on customer satisfaction in everything we do.
- At least 90% of employees are engaged.
- We operate sustainably, ethically and transparently – and have a positive impact on the societies we are a part of.
- We aim to achieve a return on shareholders' equity of 9-10% and a cost/income ratio in the low 50s by continuously improving the profitability level, leveraging our full potential.

Danske Bank

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The annual report will be presented at a press conference at 9.00am CET and at a conference call for analysts and investors at 2.30pm CET. The press conference and conference call will be webcast live at [danskebank.com](https://danskebank.com). More information about Danske Bank's financial results is available at [danskebank.com/reports](https://danskebank.com/reports).