

Press release

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**Solid progress continues, driven by higher customer activity,  
a strong capital markets performance, cost focus and strong credit quality  
Net profit of DKK 5.9 billion for the first half of 2021**

Carsten Egeriis, Chief Executive Officer, comments on the financial results:

*“In the first half of 2021, we saw higher customer activity, primarily from our large corporate and institutional customers, as the Nordic economies have recovered during the latter part of the period, which together with especially our strong capital markets performance resulted in a positive development in our total income. As the increase in customer activity, the macroeconomic recovery and the positive commercial momentum are all expected to continue, and as our credit quality remains strong, we have recently revised our net profit outlook upwards. We have progressed with the execution of our plan to become a better and more efficient bank, digitalising customer journeys, strengthening our compliance and further improving our cost development. In the second half of the year, we will increase our focus on executing commercial initiatives to ensure the continuation of our current momentum. The result in the first half of 2021 represents a return on equity of 7.0%, which is an improvement. However, we still need to work determinedly in order to fulfil our financial ambitions.”*

**First half 2021 vs first half 2020**

Total income of DKK 21.3 billion (up 5%)

Operating expenses of DKK 12.8 billion (down 2%)

Impairments of DKK 737 million (against DKK 5.3 billion in the first half of 2020)

Net profit of DKK 5.9 billion (against DKK 1.0 billion in the first half of 2020)

Return on shareholders’ equity of 7.0% (against 0.9% in the first half of 2020)

Strong capital position, with a total capital ratio of 23.3% and a CET1 capital ratio of 18.0%

**Continued recovery in the Nordic economies**

In the first half of 2021, the Nordic economies began to recover as a result of the vaccine roll out and gradual reopening of the Nordic societies. Labour markets have improved faster than in previous

crises and also consumer spending is approaching or even exceeding normal levels. The continuing rebound of economic activity in Denmark as well as in the other Nordic countries is likely to have a positive effect on customer activity and credit demand for the rest of the year, allowing for a favourable operating environment.

While there are many reasons for optimism regarding the ongoing economic recovery, it is too early to conclude on the long-term macroeconomic implications of the corona crisis. In particular, it remains to be seen how both the rolling off of government support packages and tapering from the central banks, and the timing of these, might affect businesses in the most impacted sectors and the overall economies.

Credit quality remained strong, with a low level of actual credit deterioration and more normalised impairment levels than in the first half of 2020. Together with strong liquidity buffers, this means that we continue to be well-equipped to meet our customers' needs during the ongoing economic recovery.

### **Higher customer activity drives income growth**

In general, our diversified business model continued to prove valuable in the current lending and interest rate environment, which together with high customer activity ensured a positive development in income that increased 5%. As costs also decreased 2%, our profitability strengthened, and the return on equity improved from 0.9% in the first half of 2020 to 7.0% in the first half of this year.

In the first half of 2021, net interest income was positively impacted by deposit repricing initiatives that took effect at the beginning of 2021, however, the positive effect was offset by margin pressure across the Nordic countries, while the positive deposit inflow has continued.

Higher customer activity from our large corporate and institutional customers and an increase in consumer spending from the same period last year contributed to increased net fee income, as we have continued to support and assist our customers, including in their sustainability transition. Our capital markets strategy is delivering good results with record-high fee income across our activities, and Danske Bank is the number one Nordic bank in equity capital markets as well as in debt capital market European issuance, and at the same time, assets under management have increased. Furthermore, net trading income performed better than in the same period last year due to improving market conditions.

Expenses were lower in the first half of 2021 than in the same period last year as costs continued the downward trend driven by cost initiatives launched during the past year, and the level of underlying expenses is improving, despite primarily tax-related one-offs in the period.

We have a strong foundation for becoming a better bank for all of our stakeholders and are seeing good momentum with our efforts, and we are also making good progress on further execution of all planned commercial initiatives across our markets.

We have significantly upgraded our compliance-related IT systems and processes, and we have completed an update of Know Your Customer information for a significant part of our customer base. We have improved our customer journeys by digitalising processes and ensuring better adoption of already launched digital solutions. In Sweden, for example, 95% of mortgage applications now run through a digital flow, and we recently launched a new digital car loan process in Norway. We have taken a leading role within sustainable finance, and we have set a new, ambitious 2023 target of providing DKK 300 billion in sustainable finance, driven by strong customer demand. And we have continued to execute on our strategy to become a simpler and more efficient bank focusing on our core markets, most lately with the divestment of our international private banking activities in Luxembourg.

*“In the first half of the year, our business delivered good growth in many of our Nordic markets, driven by high large corporate customer activity. While net interest income is holding up well despite margin pressure, our capital markets performance ensured strong net fee income and net trading income. Cost measures have had a tangible effect, and this continues to be a priority for us to ensure that we are competitive. With commercial momentum and strong credit quality, we are well on track to continue the progress we have made in the first six months of 2021,”* says Stephan Engels, CFO.

### **Personal & Business Customers**

With our new agile development organisation fully up and running, we continued to further improve the customer experience on our digital platforms. We launched improvements to the navigation in both our 'click to remortgage process' for personal customers and in District, our financial platform for business customers. In Norway, we introduced a digital car loan application process, and in Finland, we launched a new digital tool for home loan seekers. We also increased our sustainability offerings by introducing a permanent car loan offer for both electric cars and plug-in hybrid cars in Denmark, GreenFleet70 in Sweden – a tool to map and advise companies on their car fleet emissions, and a new service to help our customers make more sustainable housing choices in Finland. Profit before tax was DKK 3.9 billion, up DKK 1 billion from the same period last year, driven mainly by lower loan impairment charges and lower operating expenses.

### **Large Corporates & Institutions**

In the first half of 2021, customers drew less on their credit facilities as the vaccine roll out sped up and societies reopened. Instead, customers were back in full force on the capital markets, where through a number of landmark transactions, we supported high volumes and ensured Danske Bank the position as the leading Nordic bank across debt and equity capital markets. Similarly, we supported issuers and investors in a substantial number of transactions, affirming our position as the leading Nordic bank within sustainable finance. We are also ranked number one in the Nordic

countries on both issuance of sustainability-linked loans and sustainable bonds, and the world-first social bond issue with an embedded guarantee by the Swedish International Development Agency, SIDA, further demonstrates our commitment to sustainable progress. Profit before tax in the first half of 2021 increased to DKK 3.5 billion, against a loss of DKK 548 million in the same period last year.

### **Danica Pension**

Danica Pension delivered strong returns to our customers, and assets under management increased 12% as a result of the favourable trend in the financial markets. Danica Pension saw a growth increase in premiums of 30% from the level in the same period last year, reflecting our strong position in the market and the fact that more business customers have chosen Danica Pension. Net income from insurance business increased 9% to DKK 982 million, due primarily to a slightly higher result from the life insurance business.

### **Northern Ireland**

Our Northern Ireland business continues to work towards becoming more efficient, geographically diverse and digitally orientated. Profit before tax increased to DKK 293 million, up from DKK 76 million in the same period last year, driven by lower loan impairment charges, as total income was impacted by a sharp decline in UK interest rates and very low activity levels as a result of corona crisis-related restrictions.

### **Outlook for 2021**

As stated in company announcement of 8 July 2021, the net profit outlook has been revised upwards, as we now expect a net profit of more than DKK 12 billion.

Danske Bank

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More information about Danske Bank's financial results is available at [danskebank.com/reports](https://www.danskebank.com/reports).