

Company announcement no 15 2022

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27 October 2022

**Danske Bank books an additional provision of DKK 14 billion related to the Estonia matter, which significantly impacted the financial result for the first nine months of 2022. Core banking activities remain strong in a challenging operating environment
Net loss of DKK 9.2 billion and return on equity of -7.4%**

Carsten Egeriis, Chief Executive Officer, comments on the Estonia matter:

“The discussions with US and Danish authorities related to the Estonia matter are now at a stage where Danske Bank can reliably estimate the total financial impact of a potential coordinated resolution amounting to a total of DKK 15.5 billion. In addition to the provision booked in 2018 of DKK 1.5 billion, Danske Bank has therefore booked an additional provision of DKK 14 billion in the third quarter of 2022. Our dialogue with the authorities is ongoing, and while there is still uncertainty that a resolution will be reached, we hope that a resolution will be concluded before the end of this year.”

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

“Historically large price increases and a severe energy crisis are currently creating challenges for and great uncertainty among consumers, businesses and society as a whole. As the uncertainty in the financial markets, the export markets and the housing markets increases, customers’ need for expert advisory services from us as their financial partner also increases. We therefore have a close dialogue with our customers across all segments to support and advise them in this challenging situation. Supporting our customers through challenging times was our key focus during the corona crisis, and we continue to do so now.

In the first nine months of the year, we saw continually good customer activity and larger lending volumes, leading to increasing net interest income for the seventh consecutive quarter and a high level of net fee income. Underlying costs continue to trend in a downward direction. We remain fully committed to our 2023 financial targets, supported by our continued commercial momentum and ongoing efficiency improvements.”

First nine months of 2022 vs first nine months of 2021

Total income of DKK 28.8 billion (down 8%)
 Operating expenses of DKK 19.6 billion (up 4%)
 Provision for Estonia matter of DKK 14.0 billion
 Impairment charge on goodwill of DKK 1.6 billion
 Loan impairments of DKK 794 million (against DKK 587 million in the first nine months of 2021)
 Net loss of DKK 9.2 billion (against a profit of DKK 9.3 billion in the first nine months of 2021)
 Return on shareholders' equity of -7.4% (against 7.3% in the first nine months of 2021)
 Strong capital position with a total capital ratio of 21.3% and a CET1 capital ratio of 16.9%

Economies weakening from a strong starting point

The uncertainty in the operating environment in the first half of 2022 continued into the third quarter and even increased as geopolitical tension intensified, conditions in the financial markets tightened and the macroeconomic outlook became weaker. Furthermore, throughout the third quarter, we saw living costs increase for households due to a significant surge in primarily energy prices but also the prices of household goods, and we see signs of a weaker housing market as mortgage rates have increased.

The weaker consumer purchasing power and higher interest rates point to an increasing likelihood of a recession, with the global economy also showing signs of weakening. Nonetheless, the Nordic economies are weakening from a strong starting point. For instance, labour markets in the Nordic countries are still strong, providing a cushion against the impact of weaker demand.

Despite the gloomier outlook and uncertain environment, Danske Bank is making good progress, as core banking activities continue to improve, credit quality remains strong with a low level of actual impairments, and we continue to execute on our Better Bank plan to become a simpler and better bank for all our stakeholders.

This means that Danske Bank continues to be a strong Nordic bank in a good position to help customers and societies, despite the macroeconomic challenges that lie ahead.

Continued commercial momentum

Our core banking activities continue to deliver, driven by improved net interest income following our repricing initiatives that now have full effect, the positive trends in volumes and the return to positive interest rates. In addition, fee income held up well despite subdued capital markets, as our risk advisory solutions saw good customer activity. As we saw in the second quarter, income lines related to financial markets are affected by market turmoil but with a stabilisation of net trading income on the back of calibrated risk appetite at Large Corporates & Institutions.

We continue to launch new solutions to make Danske Bank more digital and convenient for personal customers. For instance, we implemented digital signing of mortgages in Sweden, and in Denmark,

we saw good interest in loan products targeted at home energy efficiency improvements. We continue to build even more features into the ‘bank in your pocket’, and 9 of 10 customers now use our mobile banking apps.

Our efforts to remain a leader within sustainability continue. In September, Position Green, an independent consulting firm, studied how well businesses in the Nordic countries report on their sustainability efforts, and among the 100 largest listed businesses in Denmark, Danske Bank and just seven others received a mark of “outstanding” for their sustainability reporting.

The underlying cost base continued to improve on the basis of efficiency gains achieved through the agile transformation of our development organisation and other simplification initiatives. Operating expenses increased, however, as we continued to remediate our legacy issues, most importantly providing an accelerated solution for our debt collection customers. This was announced in the third quarter and resulted in a one-off cost of DKK 600 million.

The accelerated solution also added DKK 650 million to loan impairments, which otherwise remained very low, underpinning the strong credit quality. We maintain a considerable buffer in our impairments, having repurposed the corona crisis-related buffer to address the risks in the portfolios stemming from the surge in inflation and energy costs and the worsening macroeconomic outlook.

Low investment returns and rising interest rate levels resulted in a goodwill impairment charge in Danica Pension of DKK 1.6 billion being recognised in the third quarter of 2022.

“The third quarter was marked by low macroeconomic visibility and thus by high volatility in the financial markets. Despite these challenging market conditions, our core activities continue to deliver. Net interest income increased 9% in the third quarter as a result of increased lending, driven particularly by our corporate customers, and our repricing initiatives. Strong growth in lending to our large corporate and institutional customers means that we are capturing corporate lending market share in 2022. Fees held up well from a high level last year, driven by good activity and everyday banking products, and this provides the strength of our diversified business model. Our strong cost focus is continuing to pay off and, excluding the effect of elevated remediation costs, underlying costs continued the downward trend. While a number of significant one-offs impacted the profit for the first nine months of the year, we remain committed to our 2023 targets due to the solid traction in our underlying business and our continued progress towards becoming a more efficient bank,” says Stephan Engels, CFO.

Personal Customers

Personal Customers continued to see progress. Customer activity remained high, with rising interest rates driving high remortgaging activity in Denmark. Net interest income increased 2% due to a rise in income from deposits driven by higher interest rates. The reopening of societies in 2022 has had a positive effect on trading income and service and trading fees, even though investment fees are under pressure due to the uncertainty on the financial markets. Credit quality remained solid, but the

changed macroeconomic outlook raised the level of loan impairment charges relative to the same period last year. As a result, profit before tax for the first nine months of 2022 decreased 4% to DKK 2.9 billion.

Business Customers

The increase in inflation, combined with the rise in interest rates and higher energy prices, increasingly poses a challenge for many of our customers. We are doing our utmost to help and guide our customers in these difficult times, not least supported by our new service model. Profit before tax for the first three quarters of 2022 amounted to DKK 5 billion, an improvement of 50% from the same period last year. This was driven primarily by repricing initiatives for deposits, as well as an increase in customer activity resulting from the reopening of societies following the COVID-19 pandemic, combined with lower loan impairment charges.

Large Corporates & Institutions

In the first nine months of 2022, the operating environment became increasingly challenging as the highest inflation rate in decades caused central banks to tighten monetary policy more and sooner than expected. Combined with an uncertain economic outlook, demand for credit, advisory services and risk hedging increased, and we supported our customers with more than DKK 60 billion in additional lending. This demonstrates the value of our diversified business model, as higher net interest income helped mitigate the effect of lower net fee income from capital markets activities. Net trading income recovered in the third quarter despite a reduction in risk utilisation in the markets area amid continually volatile markets. Profit before tax in the first nine months of 2022 was DKK 4 billion, a decline from the same period last year as a result of significantly lower net trading income following losses in Rates & Credit in the second quarter.

Danica Pension

The continued uncertainty in the financial markets during the first nine months of 2022 caused by the rise in inflation and associated interest rate hikes affected the financial performance of Danica Pension and thereby our customers' pension savings. Net income from insurance business before goodwill impairments amounted to DKK -0.32 billion in the first nine months of 2022, a decline from the level in the same period last year.

Northern Ireland

The underlying income performance was strong. UK central bank interest rates rose in the first nine months of 2022 in response to inflationary pressure, supporting an increase in net interest income, and activity levels and related fee income also increased. However, the improvement of the underlying performance was almost wholly offset by negative trading income given the impact of significantly increased expectations of rising interest rates on the bank's hedging portfolio. This negative impact will reverse over the life of the portfolio. Profit before tax in the first nine months of 2022 was DKK 7 million, a decline from the same period last year driven by the negative trading income.

Discussions on the Estonia matter continues

On the basis of the current stage of discussions with the US Department of Justice, the US Securities and Exchange Commission and the Danish Special Crime Unit, Danske Bank is now in a position to reliably estimate with a high degree of certainty the financial impact of a potential coordinated resolution with these authorities, at a total of DKK 15.5 billion. This includes the provision of DKK 1.5 billion recognised in the third quarter of 2018 as it is Danske Bank's best assessment that the resolution will include confiscation of no less than DKK 1.5 billion. Therefore, Danske Bank now books an additional provision of DKK 14 billion in the third quarter. Discussions with authorities are ongoing and there is still uncertainty that a resolution will be reached, but Danske Bank is working towards a coordinated resolution before year end, however, the final timing is not within Danske Bank's control.

Out of the capital charge in the form of a Pillar 2 add-on of DKK 10 billion in relation to the Estonia matter, DKK 7.5 billion has been released on the basis of dialogue with the Danish FSA.

Capital distribution

With reference to our previous dividend communication and with today's announcement of an additional provision related to the Estonia matter, the Board of Directors has decided to cancel the remaining dividend for 2021, and the Board of Directors will propose to the annual general meeting not to pay out dividend for 2022.

Outlook for 2022

We have revised the outlook for net profit of DKK 10-12 billion to a net loss better than DKK 5.5 billion due to the additional provision for the Estonia matter and the goodwill impairment charge. The outlook includes the gains from MobilePay, Danske Bank International and Danica Norway.

As regards our 2023 financial ambitions, we maintain our ambition of a return on shareholders' equity of 8.5-9%.

A conference call for analysts and investors, hosted by Carsten Egeriis, CEO, and Stephan Engels, CFO, will take place on Thursday, 27 October 2022, at 04:00pm (CET).

Danske Bank

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More information about Danske Bank's financial results is available at danskebank.com/reports.