

Company announcement no. 2 2022

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**Steady progress driven by good customer activity, strong capital markets performance
and solid credit quality**

Net profit of DKK 12.9 billion and return on equity of 7.6% for the year

Progress with ambitious sustainable finance targets continues

Proposed initial dividend of DKK 2 per share. Intention of total 2021 dividend of DKK 7.5

Danske Bank has announced its financial results for 2021.

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

“Throughout 2021, our expert advisory services, digital services and sustainable products have resulted in good customer activity. In turn, our business continued to develop positively with total income increasing 4%, and our initiatives to become a more efficient bank resulted in costs decreasing 4%. Our cost/income ratio thus improved significantly from 66% to 60%. We continued to invest in even better customer journeys, all the while also increasing our profitability and our return on equity to 7.6%. Building on this progress, we are making changes in our organisation to further improve the quality and speed of our compliance efforts and to further increase customer focus to ensure a strengthening of our commercial momentum. We are well-positioned to continue our progress and deliver long-term sustainable value creation for our stakeholders.”

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

2021 vs 2020

Total income of DKK 42.6 billion (up 4%)

Operating expenses of DKK 25.6 billion (down 4%)

Loan impairments of DKK 348 million (2020: DKK 7.0 billion)

Net profit of DKK 12.9 billion (2020: DKK 4.6 billion)

Return on shareholders' equity of 7.6% (2020: 2.6%)

Strong capital position, with a total capital ratio of 22.4% and a CET1 capital ratio of 17.7%

Changed organisation and updated ambitions towards 2023 and beyond

As 2021 is now behind us, we have reached the mid-point of the period for our transformation to become a better bank with satisfactory results, and we will continue to deliver value for all of our stakeholder groups: customers, employees, society and shareholders. Enhancing our services and products to customers as well as supporting innovation in society will continue to be part of the agenda along with focusing on ensuring employee engagement.

In October 2021, we updated our 2023 ambitions. We confirmed that our business model will allow for a sustainable return on shareholders' equity of 8.5-9% in 2023 and 9-10% through the cycle. In addition, we also extended the timeline for reaching a more normalised compliance cost level to 2025 to allow us to sustain the resilience of Danske Bank. With recent progress, we are further strengthening our position to deliver long-term sustainable value creation.

In November 2021, we strengthened our compliance efforts and improved our execution in this area by gathering the overall responsibility for the Financial Crime control environment across Danske Bank – end-to-end – with Philippe Vollot, our new Chief Administrative Officer.

And in January 2022, we addressed the need to strengthen the commercial momentum of our retail banking activities and build on the strong position we have in relation to business customers by announcing a further finetuning of the organisation. We will adjust our business unit setup to increase customer centricity for our three key customer segments – Personal Customers, Business Customers and Large Corporates & Institutions – and further strengthen our commercial momentum.

Recovery evident in the Nordic economies

Following the gradual reopening of societies and the vaccine roll-out during 2021, the recovery in the Nordic economies became evident, with strong labour markets and consumer spending, albeit also with some inflation fears and scarcity of labour being reported. In Denmark, the recovery is broadly based, and the attention has shifted towards mitigating the risk of overheating. However, despite the fact that most of the population has been vaccinated, we saw the coronavirus on the rise again during the autumn with restrictions being reintroduced over the winter.

At Danske Bank, we are ready to continue supporting our customers with their needs. Even though the economy is doing well, the government support packages contributed to subdued credit demand in the banking sector in Denmark. The upcoming transition to a gradual return to banks offering creditworthy and viable businesses loans on reasonable terms is likely to generate more bank lending from the first half of 2022, thus supporting our income streams.

Credit quality remained strong, and we saw more normalised impairment levels than in 2020.

Diversified business model continued to prove valuable

Despite the subdued credit demand in the banking sector in Denmark, our diversified business model continued to prove valuable, with total income increasing 4%. During 2021, we were able to further utilise our platform and strengthen our market position for capital markets-related activities, and our efforts to capitalise on the opportunities for increased investment activity provided by market conditions also paid off.

Net interest income stabilised, compensating for continued margin pressure and lending product mix effects, while our strong capital markets performance and landmark transactions as well as solid business and personal customer activity ensured a very positive development in net fee income. The strong activity in the debt and equity capital markets we have seen in the past quarters continues. Our leading platform has enabled us to capitalise on this trend, and we take a number one position as the leading Nordic bank in terms of volumes across both of these markets, while net trading income declined from the level in 2020 due to lower activity in 2021 along with less positive value adjustments on the derivatives portfolio. Our insurance business continued to develop positively, as income benefited from growth in the underlying business and high investment returns.

Our cost initiatives continue to drive down expenses – 4% in 2021 – and this remains a priority in order to become an even more efficient and competitive bank. Combined with low impairment charges based on strong credit quality, this led to the return on equity improving from 2.6% in 2020 to 7.6% in 2021.

“While our business delivered good growth in many of our segments throughout the year, resulting in total income increasing DKK 1.7 billion, costs have decreased DKK 1 billion. A strong performance in our capital markets activities on the back of solid business and personal customer activity led to a significant increase in net fee income, and this growing momentum comes on top of a more stable development in other income streams. Throughout the year, our initiatives to become an even more efficient bank have resulted in a significant decrease in expenses, and we remain focused on ensuring continuous improvement of our profitability,” says Stephan Engels, CFO.

Solid progress on the sustainability agenda

On the sustainability agenda, we made considerable progress during the year, and as an integral part of our strategy, Danske Bank is dedicated to further accelerating these efforts, building on our customers’ strong performance in the sustainability transition.

In July 2021, we raised our sustainable financing ambitions again and revised our 2023 target from DKK 100 billion to DKK 300 billion. We also raised the bar for investments made by Danica Pension in the green transition, increasing the 2023 target from DKK 30 billion to DKK 50 billion. During 2021, we increased sustainable financing from DKK 102 billion to DKK 192 billion, while investments in the green transition increased from DKK 27 billion to DKK 33.5 billion.

Throughout the year, we supported issuers and investors in a substantial number of transactions, affirming our position as a leading Nordic bank within sustainable finance. Activity was high across business areas, and we are proud to be ranked number one among the Nordic banks within arranging of sustainable bonds as well as number one within arranging of sustainability-linked loans in terms of volumes supported.

Furthermore, we joined the Net-Zero Banking Alliance, and in doing so, Danske Bank is committed to becoming a net-zero bank by 2050 or sooner. To substantiate this commitment and support our customers in the transition, we have set ambitious 2030 targets for carbon emission reductions related to corporate lending in the key oil and gas, shipping and utilities sectors.

“The financial sector plays an important role in the transition towards a more sustainable society, and at Danske Bank, we have continued to support our customers in their green transition with best-in-class sustainable finance products and advisory services. We recognise that we have an obligation – as a leading Nordic bank, and with the resources we have at our disposal – to contribute to the green transition in the societies that we are a part of. Our ambition is to be at the forefront of this important work, and we will therefore continuously be developing our offerings to meet the growing sustainability needs and expectations of our customers,” says Carsten Egeriis.

Dividend for 2021

In accordance with Danske Bank’s dividend policy, Danske Bank intends to pay-out a total dividend of DKK 7.5 per share for 2021, corresponding to 50% of the net profit for the year. The Board of Directors proposes an initial dividend payment of DKK 2 per share to the annual general meeting. The remaining DKK 5.5 per share is intended to be paid out in three tranches following the publication of interim reports in 2022, subject to a decision by the Board of Directors in accordance with the authorisation given to the Board and based on the usual assessment of the bank’s capital position at the end of each interim period. This approach is taken to preserve the dividend policy of the bank while ensuring a prudent capital management with a high degree of flexibility in light of the Estonia matter, where we remain unable to estimate any potential outcome or timing.

Thus Danske Bank’s dividend policy remains unchanged, targeting a dividend of 40-60% of net profit.

Outlook for 2022

We expect net profit for 2022 to be in the range of DKK 13-15 billion in 2022.

“Our outlook is based on an expectation of higher income from our core banking activities in 2022 due to good economic activity and progress towards our 2023 financial ambitions, while expenses are expected to be around DKK 25 billion and impairments are expected to be below normalised levels,” says Stephan Engels.

The outlook is subject to uncertainty and depends on economic conditions.

We maintain our ambition for a return on shareholders' equity of 8.5-9% in 2023.

Danske Bank

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