

Press release

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Solid start to the year driven by progress and resilience in our core banking business as well as strong credit quality amid challenging circumstances
Net profit of DKK 2.8 billion for the first quarter of 2022

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

"The beginning of the year has been marked by the terrible war in Ukraine. This is something that affects us all deeply, and I would like to express my deepest compassion with everyone affected by the Russian invasion. As part of the global financial system, Danske Bank takes its responsibility very seriously when it comes to implementing sanctions against Russia and excluding investments in Russia from our customers' portfolios. We have supported and will continue to support our customers in these uncertain times with our expert advisory services. Our specialist knowledge, digital solutions and sustainable offerings were also in demand in the first quarter, and our core banking income continues to show progress and resilience in a very challenging environment, which of course also affects our other income lines. We have confidence in our financial ambitions due to our diversified business model, strong credit quality and continued progress towards becoming a more efficient bank," and adds:

"We have now begun initial discussions with U.S. and Danish authorities in relation to the Estonia matter. We cannot share any more details about the discussions with the authorities, which are confidential. And we cannot say anything about the timing, outcome or the size of a potential settlement or fine, which is likely to be material. Consequently, the Board has decided that Danske Bank will not pay out dividends for the first quarter in order to ensure prudent capital management."

First quarter 2022 vs first quarter 2021

Total income of DKK 10.3 billion (against DKK 10.8 billion in the first quarter of 2021)

Operating expenses of DKK 6.4 billion (against DKK 6.3 billion in the first quarter of 2021)

Loan impairments of DKK 234 million (against DKK 497 million in the first quarter of 2021)

Net profit of DKK 2.8 billion (against DKK 3.1 billion in the first quarter of 2021)

Return on shareholders' equity of 6.4% (against 7.5% in the first quarter of 2021)

Core capital position remains almost unchanged with a CET1 capital ratio of 17.6%

Continued support of customers in challenging geopolitical circumstances

In the first quarter, the environment in which we operate was once again changing rapidly. The changes were caused not only by macroeconomic uncertainty and geopolitical turmoil but also by the continuing effects of the pandemic, including supply chain bottlenecks, changed social trends and rising inflation, especially in relation to commodity and energy prices.

We are all deeply dismayed by the tragic events in Ukraine, and we express our deepest compassion with everyone affected by the Russian invasion. Our direct financial exposure is very limited, and our main focus has therefore been on engaging closely with our customers to provide expert advice and support in these challenging times.

As the Nordic societies reopened fully from the lockdowns during the first quarter of 2022, the negative impacts of the pandemic decreased, and business credit demand was solid compared with the level of demand during the same period last year. The pandemic has, however, led to lasting changes, and uncertainty persists.

How the totality of heightened uncertainty will further impact industries and societies in the coming years is unknown. However, critically important, we are confident that Danske Bank, as a well-capitalised financial institution with a high level of expertise and a diversified, agile business model, is in a strong position to both adapt to the prevailing operating environment and, more importantly, to support our customers and societies in the challenging times that likely lie ahead.

Solid core banking performance in challenging environment

Our diversified and resilient business model has continued to prove valuable in the changing operating environment in the first quarter of this year with solid core banking income.

As we continue to execute on strategic initiatives, the trend in lending volumes and net interest income was positive in the quarter. Net interest income increased for the fifth consecutive quarter benefiting from deposit repricing initiatives implemented during 2021, and loan volumes increased across business units, and especially at Large Corporates & Institutions.

Net fee income was stable as fees from higher activity in our core banking activities made up for lower capital markets activity following the escalation of geopolitical uncertainty. Net trading income decreased due to negative value adjustments caused by the increased volatility, while net income from insurance business was significantly impacted by the turbulent financial markets.

The structural progress towards becoming a more efficient bank continues, and underlying costs trend in a downward direction. The trajectory towards our longer-term financial ambitions is supported, among other things, by lower staff costs. However, remediation costs related to legacy

issues have increased, and expenses were also impacted by the Swedish bank tax and a higher resolution fund fee.

Strong credit quality continues to support a low level of impairments, as we have limited direct exposure to Russia and as sufficient buffers remain in place.

"Our core banking activities continued to deliver commercial progress in a challenging operating environment, with net interest income increasing for the fifth consecutive quarter and net fee income maintaining the strong level from last year benefiting from a diversified business mix. Trading income and income from our insurance business benefited from good customer activity, however, both income lines were down, as turbulent financial markets caused negative value adjustments. Our strong focus on commercial momentum and execution across our priorities is paying off, with for example the positive signs in the retail business in Denmark continuing in the first quarter. While an overall cost focus remains a priority, the downwards trajectory of our underlying costs continues, and we remain committed to reaching our 2023 targets," says Stephan Engels, CFO.

Personal & Business Customers

In the first quarter of 2022, Personal & Business Customers continued to see progress and commercial momentum with good customer activity – especially within mortgage finance in Denmark. Customer activity was also supported by the reopening of the markets and societies in the Nordic countries following the discontinuation of corona restrictions. The war in Ukraine has cast new uncertainty on the financial markets, while unprecedented sanctions put businesses to the test, and soaring fuel and food expenses reduce the purchasing power of households on average. Profit before tax in the first quarter of 2022 was DKK 2.6 billion, an improvement of 37% from the level in the same period in 2021, due primarily to a one-off gain from the sale of the customer portfolio in Luxembourg and lower loan impairment charges.

Large Corporates & Institutions

The war in Ukraine, combined with the beginning of global monetary tightening, has led to a challenging operating environment for our customers. Danske Bank is well-capitalised, and we stand ready to support our customers with liquidity, credit, advisory services and risk management. Lending increased, although so far, we have not seen as high demand for extra liquidity as we saw during the corona crisis, but we have an ongoing dialogue with our customers on how best to support them. Danske Bank has decided to exclude Russian government bonds and Russian state-owned enterprises from our investment portfolios and products. Furthermore, we will not accommodate any trades in Russian securities that are not already held in custody with us. Profit before tax in the first three months of 2022 was DKK 1.7 billion, a decline from the same period last year, due to lower trading income amid challenging rates and credit markets.

Danica Pension

Due to the turmoil in the financial markets, the result for the first quarter of 2022 was DKK 84 million, driven by negative investment results for life insurance products where Danica Pension has

the investment risk as well as by a lower result of the health and accident business. Part of the negative development was due to valuation effects in the quarter. The underlying business is still healthy, and premiums increased 19% from the level in the same period last year, reflecting a strong position in the market and the fact that more business customers have chosen Danica Pension. The risk result of the health and accident business saw a positive development from the same period last year due to fewer claims.

Northern Ireland

In the first quarter of 2022, the economic recovery in Northern Ireland continued as disruption from the pandemic eased. The core banking operations performed well, with net interest income and net fee income combined increasing 16% from the same period last year, supported by sound underlying activity, higher UK interest rates and diligent pricing adjustments. This positive development was, however, offset by trading income being affected by mark-to-market adjustment of interest rate hedges, which resulted in lower profitability.

Outlook for 2022

On the basis of the development seen in the first quarter, we continue to expect net profit to be in the range of DKK 13-15 billion.

Danske Bank

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