Danske Bank

Financial results – first nine months 2023

Presentation for Q3 conference call

Carsten Egeriis
Chief Executive Officer

Stephan Engels
Chief Financial Officer

Highlights – strong financial performance and sustained execution of commercial agenda despite slowdown in economic activity

- ✓ Commercial performance driven by strong NII uplift. Repricing ensures competitive and attractive customer offerings. Steady volume development despite macroeconomic slowdown
- ✓ Steadily improving trend in fee income, despite lower Y/Y, benefiting from increased customer activity in the capital markets and recovery in investment activities, while housing market remains subdued
- ✓ Strong labour market and household finances continue to underpin resilient and well-diversified credit portfolio
- ✓ On track with execution of Financial Crime Prevention Plan, to be completed by year-end, marking another milestone in the significant fundamental improvements as part of Better Bank strategy
- ✓ Forward '28 execution underway to ensure a focused and more profitable approach in all markets. Swift divestment of PC Norway and closing of transaction with Infosys to optimise tech partnership

NII up 46% vs 9M22
supported by margin expansion and tailored pricing initiatives

Net profit of DKK 15.5bn YTD
sustainable profitability enhancement

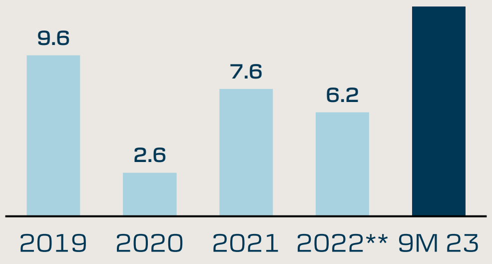
C/I 49%
underpinning enhanced profitability and cost focus

Impairments DKK 294m YTD
(2 bps) testament to strong credit quality

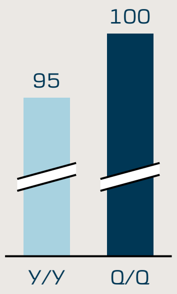
CET1 18.8%
buffer to requirements of 450bp, highlighting solid distribution capabilities

2023 outlook
Narrowing guidance range:
Net profit DKK 19.5 - 20.5bn

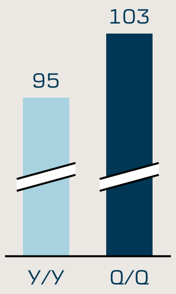
Return on Equity (%)



Nominal lending
(index)



Deposits

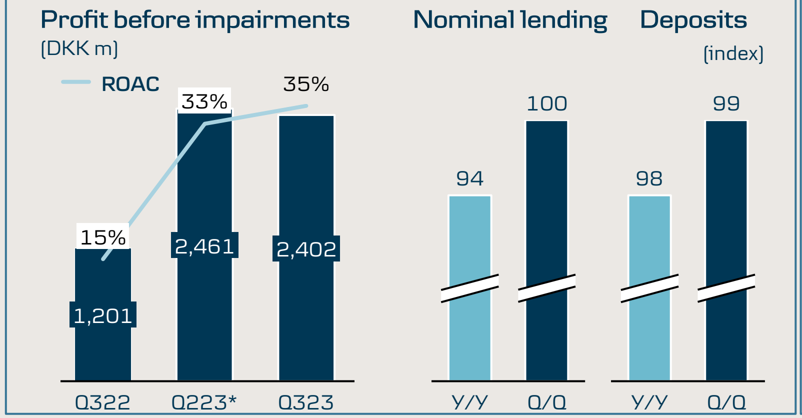


*Adjusted for Estonia matter and GW provision

Business units: Steady development, enhanced profitability and solid lending uplift Y/Y for business customers

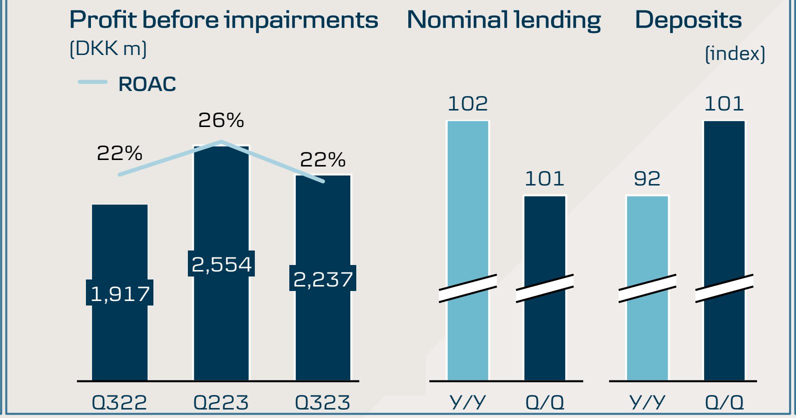
Personal Customers

- ✓ **Solid income** as deposit margin increase continues and fee income holds up well, despite low investment appetite and subdued housing activity
- ✓ **New competitive customer offerings** to ensure a holistic value proposition add deposit inflow to savings products
- ✓ **Supporting customers' green choices** with competitive prices on e.g. green car loans adding to demand. Improving customer flow in targeted segments and CSAT scores
- ✓ **Driving the digital agenda** by integrating investment platform June directly in the Danske Mobile Banking app
- ✓ **Specialist advisory to customers** navigating increased costs of living and increasingly attractive savings and investment offerings in light of higher interest rates



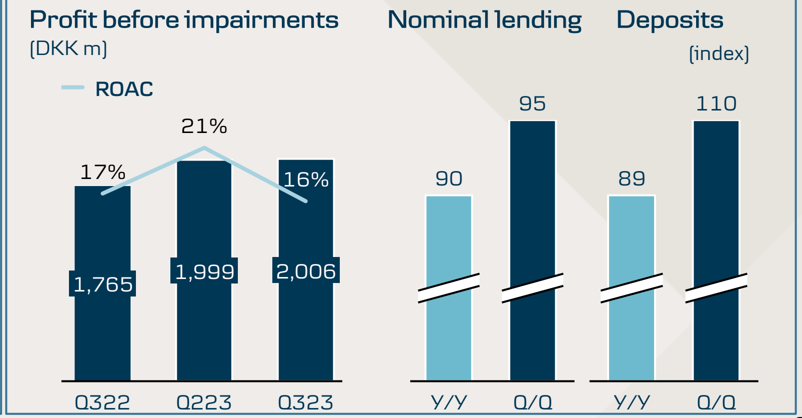
Business Customers

- ✓ **Strong profit uplift Y/Y** despite significant FX headwinds and unfavorable market conditions through 2023
- ✓ **Continually positive trajectories for lending and deposits** across the Nordic markets
- ✓ **Customer satisfaction remains high** in both FI and NO, and DK on continually positive upward trajectory
- ✓ **Strong digital offerings** with launch of new external partnerships and increase in use of digitally ordered products through District Marketplace
- ✓ **Strong credit quality** as prudent portfolio management continues to be in focus, particularly in the CRE segment
- ✓ **Continued commitment to ESG initiatives** with development of unified open-source ESG reporting tool in partnership with leading real estate companies



LC&I

- ✓ **Higher customer activity in capital markets-related areas** and better deposit margins supported continued improvement in profitability despite lower lending volumes in Q3 driven by run-off of short-term lending facilities
- ✓ **Credit quality remains strong** however some single name deterioration in sectors most affected by interest rate increases
- ✓ Serving clients in their **green transition** with DKK +10bn in sustainable bonds and sustainability-linked loans in Q3, maintaining **LC&I's #1 position****
- ✓ We have continued to **deepen our relationships with Nordic institutional customers** for instance by providing Green Fund Financing



*Adjusted for PC NO divestment costs. ** Based on Bloomberg League tables

Strong income uplift supported by NII; recovery in trading /insurance despite impact from one-offs; strong credit quality underpins low impairments

Key points 9M23 vs 9M22

- Strong NII uplift (+46% Y/Y) benefiting from normalisation of rates while repricing initiatives and structural balance sheet effects are gradually taking hold
- Fee income resilient despite lower AuM and reduced capital markets-related fees. Lower remortgaging and housing activity also had an impact
- Trading and insurance income recovering towards normalised levels despite one-offs and other income impacted by planned divestment of PC Norway
- Steady progress on costs despite inflation and elevated remediation costs
- Strong credit quality continues to lead to modest impairments, while some cyclical sectors and macro models are reflecting the uncertain outlook
- The effective tax positively affected by reversal of provision following decision from tax authorities regarding exit from international joint taxation and another reversed provision related to dispute around valuation methods

Key points Q323 vs Q223

- NII up 10% Q/Q, benefiting from further rate hikes along with a DKK 0.3bn contribution related to a tax provision, and despite headwinds from higher funding costs
- Fee income improving as capital markets fees recover further and investments fees rebound from low level. Activity-related fees remain solid and offset subdued housing market activity
- Trading income impacted by divestment of PC NO with DKK 786m from unwind of CET1 hedge, and Danica impacted by one-off customer compensation of DKK 250m
- Operating expenses trending according to plan as [efficiencies] offset higher wage inflation
- Strong credit quality supporting below normalised impairments, despite provisions made against few cyclical names

Income statement and key figures (DKK m)

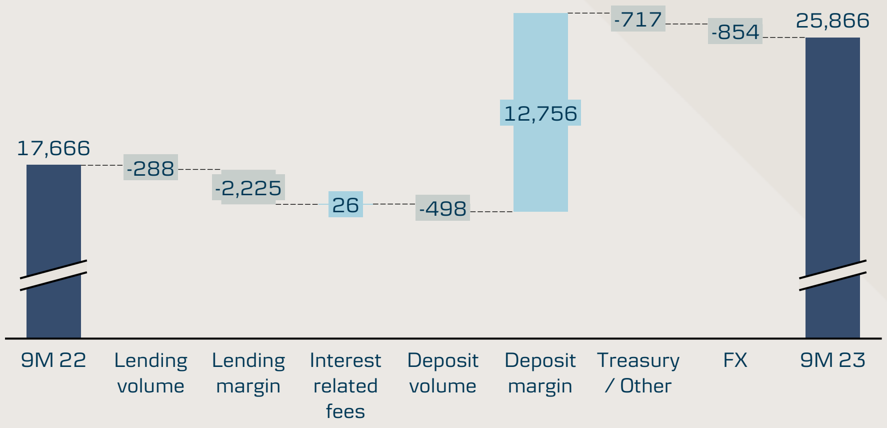
	9M23	9M22	Index	Q323	Q223	Index
Net interest income	25,866	17,666	146	9,326	8,516	110
Net fee income	8,560	9,536	90	2,867	2,739	105
Net trading income	2,946	879	335	174	1,160	15
Net income from insurance business	922	-241	-	233	192	121
Other income	324	1,203	27	431	-431	-
Total income	**38,618**	**29,042**	**133**	**13,031**	**12,176**	**107**
Operating expenses	18,822	19,570	96	6,204	6,338	98
Profit before loan impairments	**19,796**	**9,472**	**209**	**6,827**	**5,838**	**117**
Loan impairment charges	294	794	37	322	-175	-
Profit before tax, core	19,502	8,678	225	6,505	6,013	108
Profit before tax, Non-core	-55	-10	-	-30	5	-
Profit before tax	**19,447**	**8,668**	**224**	**6,475**	**6,018**	**108**
Tax	3,950	2,177	181	1,156	1,007	115
Estonia matter & goodwill impairment	-	15,627	-	-	-	-
Net profit (excl. Estonia matter & GW)	**15,497**	**6,491**	**239**	**5,319**	**5,011**	**106**

NII: Continued deposit margin expansion with deposit volumes remaining elevated; lending volumes have stabilised

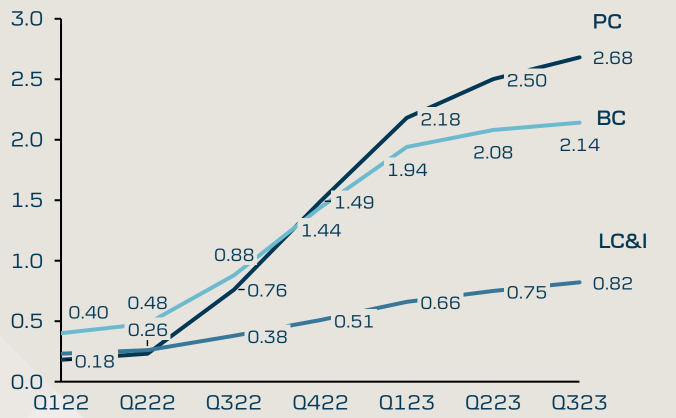
Highlights

- Net interest income continues the positive trend driven by further deposit margin expansion along with diligent repricing initiatives and despite tailored customer offerings (incl. HY savings accounts)
- Lending margins affected by higher funding costs and lagging effects of repricing. BU margins further impacted Q/Q by higher allocation of Treasury costs (no Group impact)
- Other benefited from one-off NII effect of DKK 0.3bn related to previous tax provision.
- Y/Y impacted by costs related to the Group's deposit hedge in Treasury. This should be viewed in light of the healthy margin expansion and has been fully allocated to BU margins in Q3
- NII sensitivity to moderate in year 1: DKK 600m (per 25bps uplift) with higher assumed migration to savings products. Additional uplift in year 2 and 3 of DKK 300m and DKK 200m, respectively, all else equal

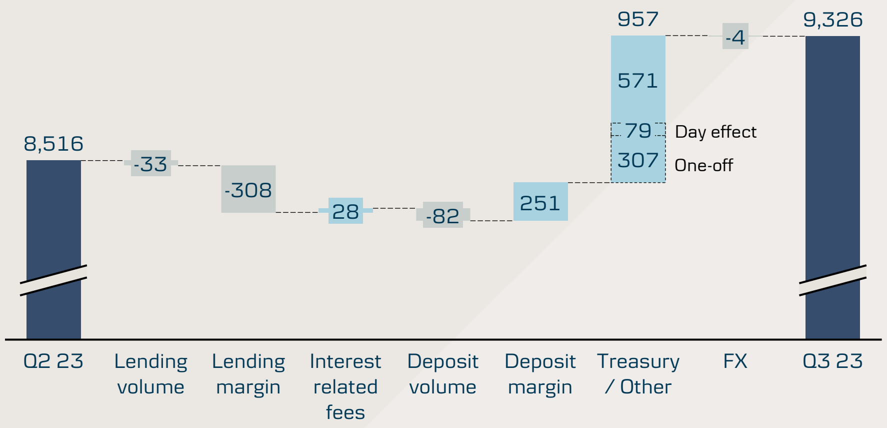
Net interest income 9M23 vs 9M22 (DKKm)



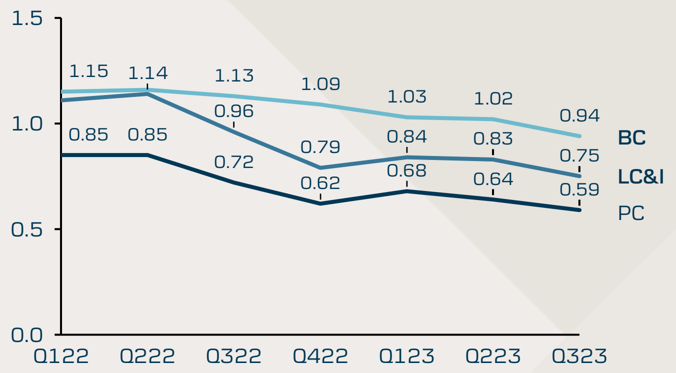
Deposit margin development (%)



Net interest income Q323 vs Q223 (DKKm)



Lending margin development (%)



Fees: Improving trend Q/Q as activity remained solid and capital markets/investment fees recover; Y/Y affected by lower lending activity and reduced AuM

Highlights

Activity-driven fees (transfers, accounts etc.)

- Resilient income from good customer activity, incl. retail spending, transaction banking and cash mgmt., further benefited by pricing initiatives

Lending and guarantee fees

- Y/Y: Lower income from subdued housing market activity and run-off of energy related liquidity facilities
- Q/Q: Stable development as slight improvement in housing market activity offset lower corporate need for liquidity facilities

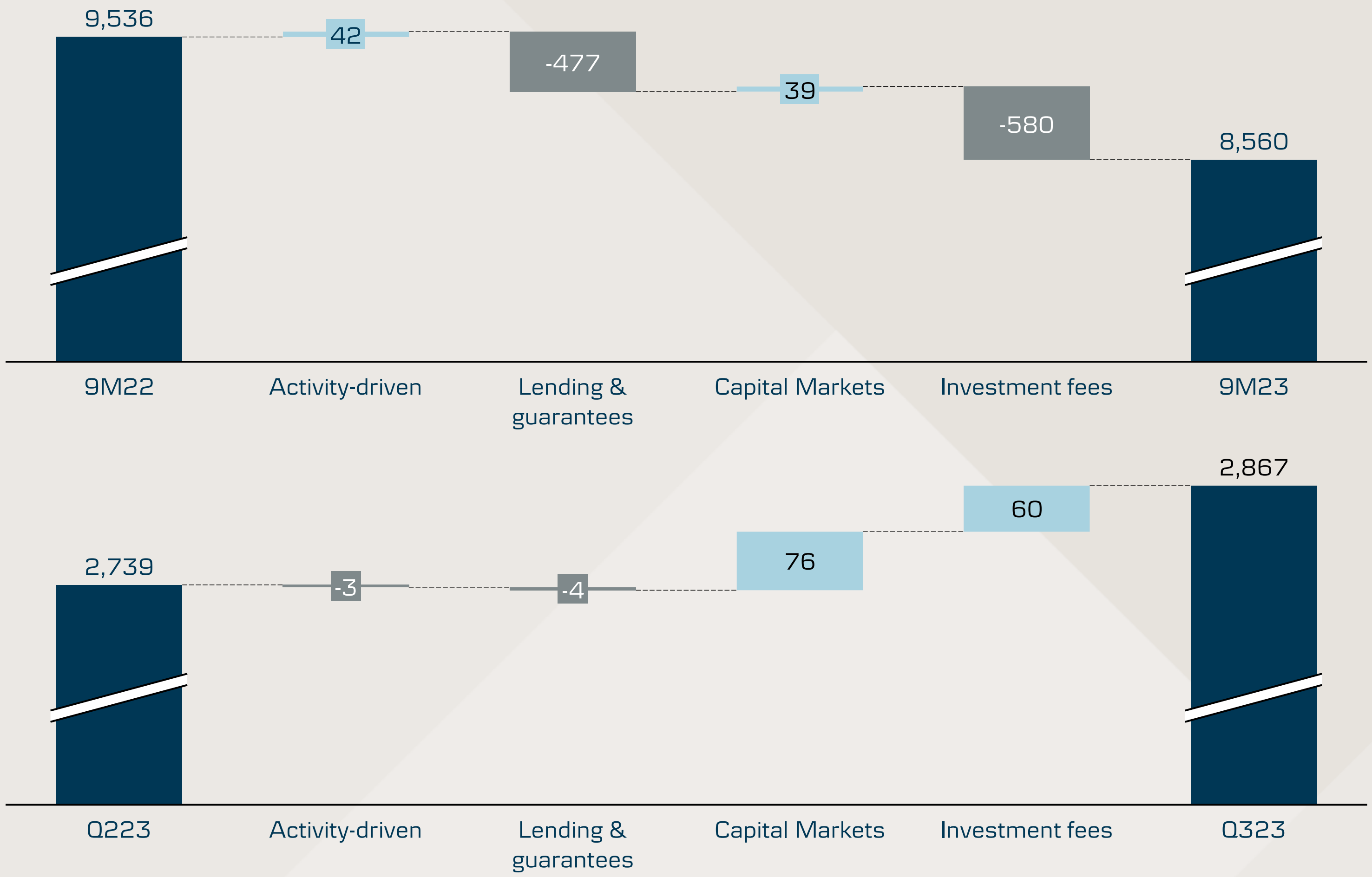
Capital markets fees

- Solid trend in DCM activity, further supported by recovery of M&A advisory and new ECM activity

Investment fees

- Y/Y: Investment fees impacted by reduced customer activity and lower AuM
- Q/Q: Solid rebound supported by uplift in income from an increase in assets under management

Net fee income (DKK m)



Trading income: Strong recovery compared to 9M'22; Q3 impacted by one-off and seasonality

Highlights

LC&I

- Y/Y: Recovery driven by better market conditions and solid customer activity, underpinned by the new fixed income strategy implemented in 2022 at LC&I
- Q/Q: Lower activity due to seasonal effects

PC and BC

- Y/Y: Good demand for FX risk management products at BC could not fully mitigate lower activity at PC
- Q/Q: Lower activity due to seasonal effects

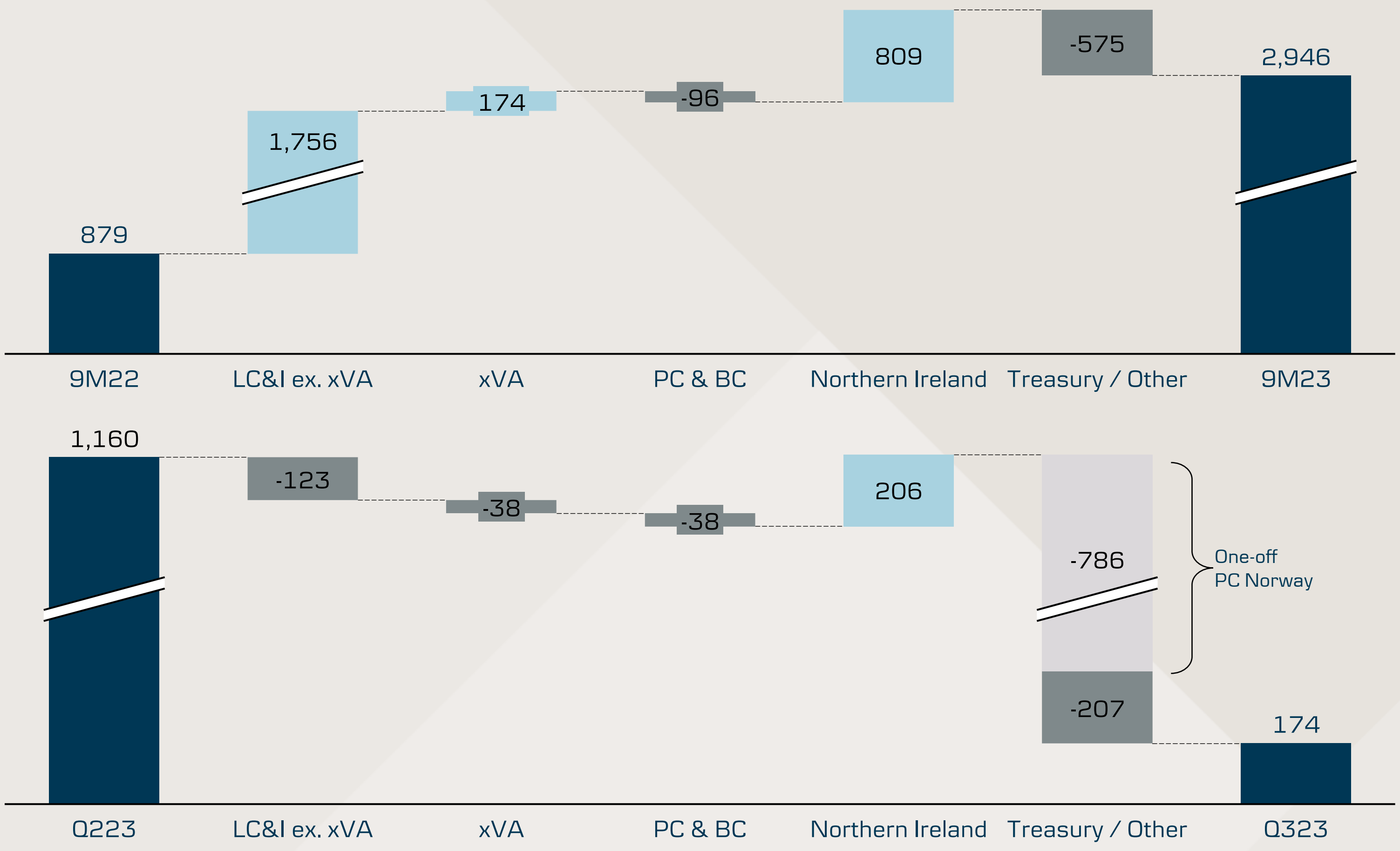
Northern Ireland

- Northern Ireland: Valuation effects on the bank's interest rate hedge supported Y/Y and Q/Q development

Group Functions

- Trading income negatively affected by PC Norway divestment from the recycling of 0.8bn from OCI, related to the CET1 FX hedge
- Q223 positively affected by DKK 0.3bn one-off

Net trading income (DKK m)

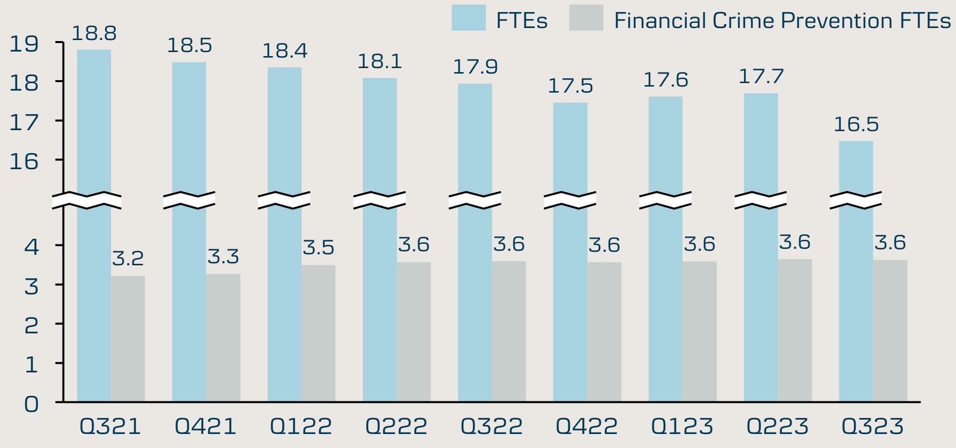


Expenses: Steady cost focus mitigates inflation headwinds and supports cost/income ratio of 49%

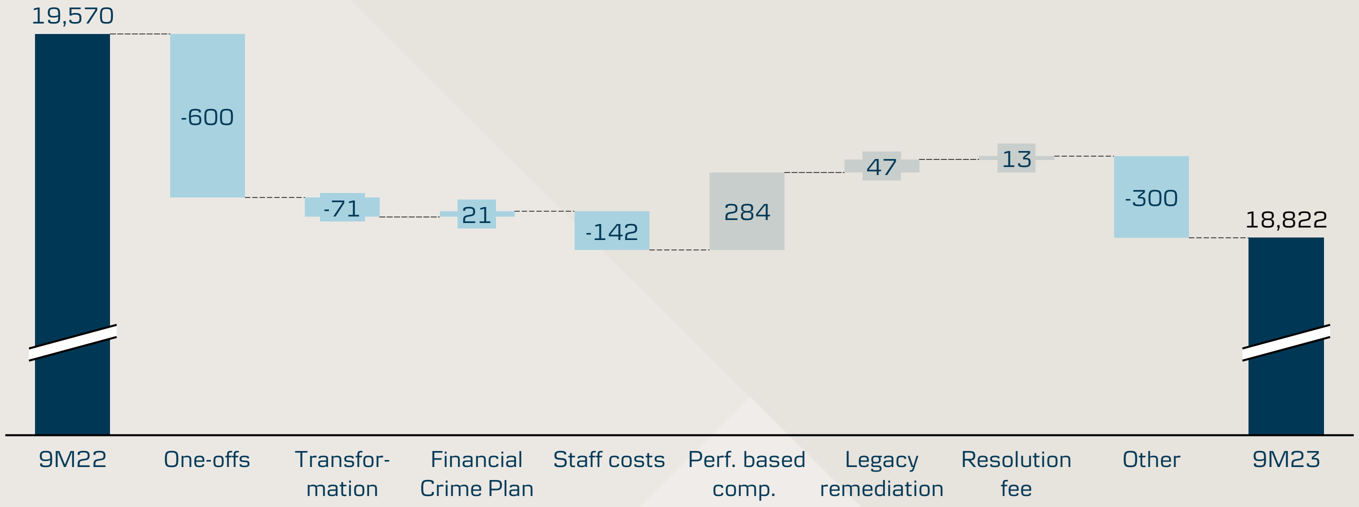
Highlights

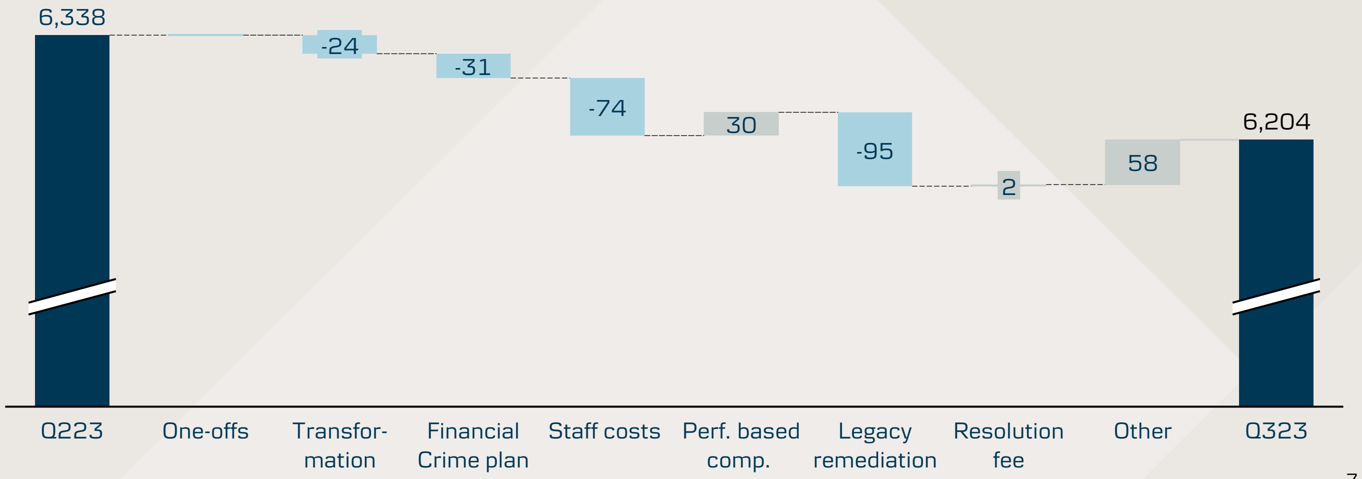
- Lower staff costs following structural cost reductions helped mitigate inflation pressure. FTE lower after closing of the Infosys transaction
- Cost base impacted by elevated level of remediation costs although the trend improved Q/Q. Completion of Financial Crime Prevention plan keeps allocated resources elevated
- Transformation costs coming down according to plan due to finalisation of Better Bank strategy
- Other costs lower Y/Y due to reduced premises, amortisation and consultancy spend. IT costs, e.g. related to the Infosys deal, increased slightly Q/Q

FTEs (#, 1,000s)



Expenses (DKK m)





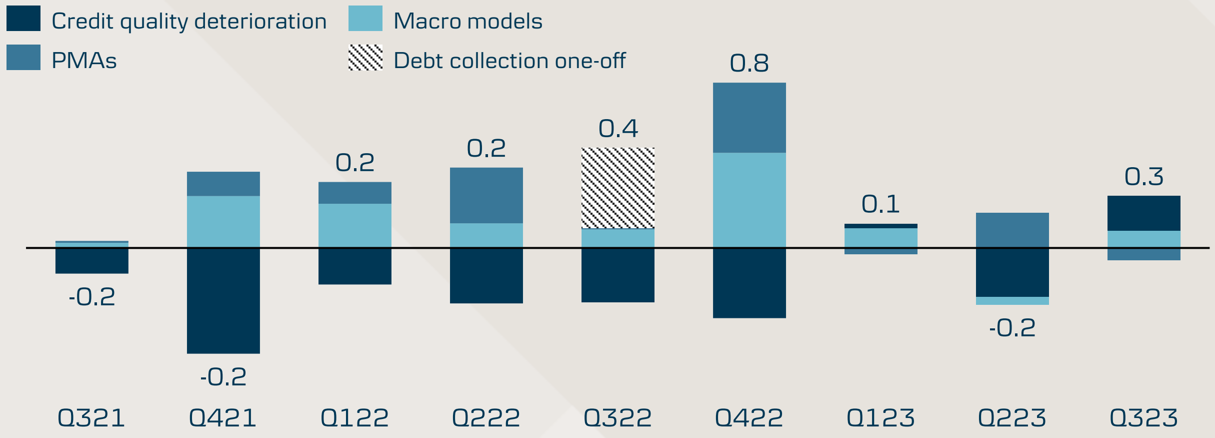
Danske Bank

Impairments: Continually robust credit quality along with stable macroeconomic environment resulted in low charges in Q3

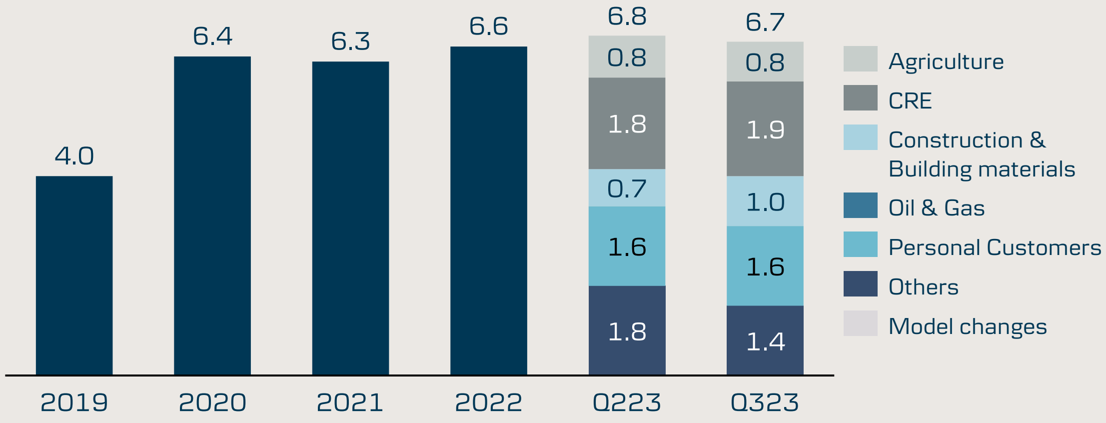
Highlights

- Credit quality remained robust with limited credit quality deterioration and few single-name impairment charges, which remain below normalised through-the-cycle levels
- The macro environment has developed more favourably recently. However, our model scenarios reflect current uncertainties, which added to net charges in Q3
- Some PMAs repurposed to cover real estate and construction-related sectors. Significant PMA buffers remain in place to mitigate any tail risks not evident in the portfolio or captured by our macro models

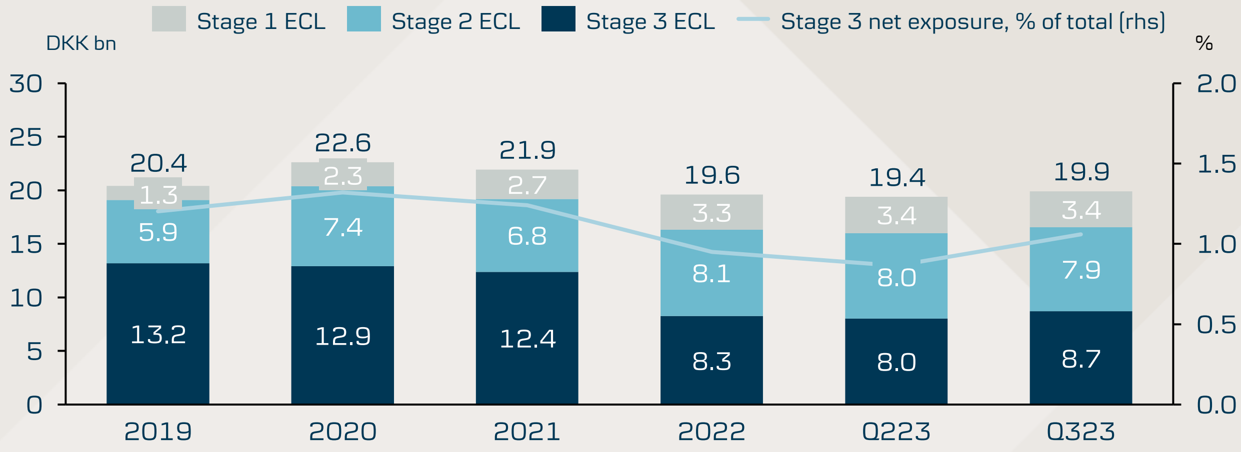
Impairment charges by category (DKK bn)



Post Model Adjustments (PMAs)



Allowance account by stages (DKK bn)

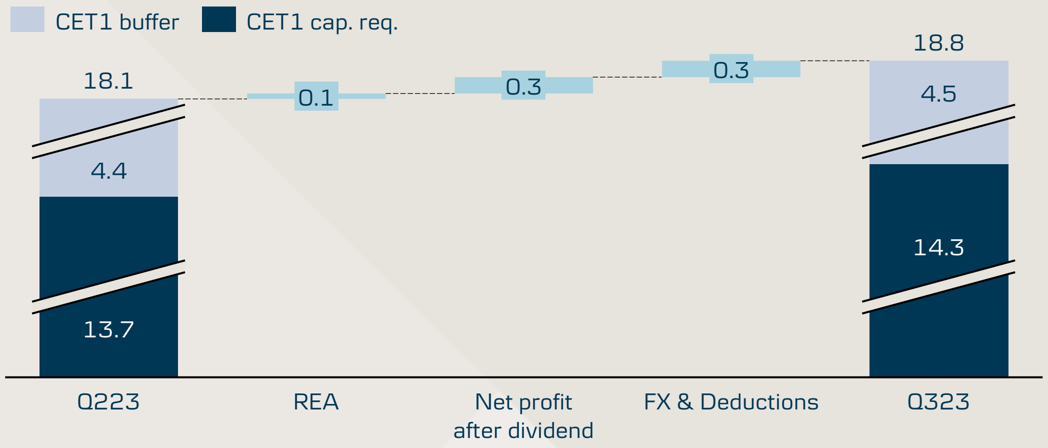


Capital: Strong capital base with CET1 ratio of 18.8%, leaving a buffer of 450 bps to regulatory requirement

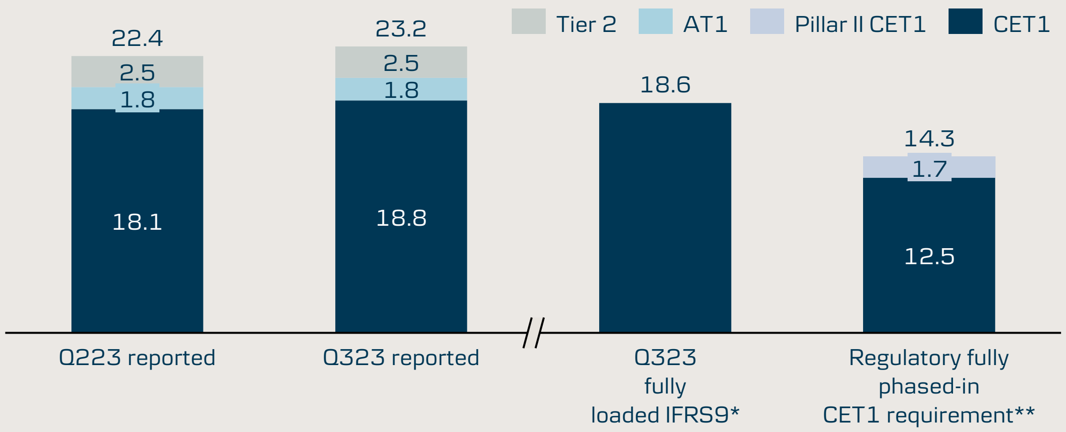
Highlights

- CET1 ratio improved to 18.8%, driven by retained earnings, a slightly lower REA, and lower deductions from Danica. Additionally, the change in OCI from the NOK FX hedge unwind had a positive effect
- The Group's total REA decreased around DKK 5 bn, with a slight increase in credit risk REA being more than offset by lower market risk in Q3
- The leverage ratio increased slightly to 5.1% under transitional rules and 5.0% under fully-phased-in rules
- Danish CRE systemic risk buffer is expected to add ~40bps to our fully-phased in CET1 requirement if implemented

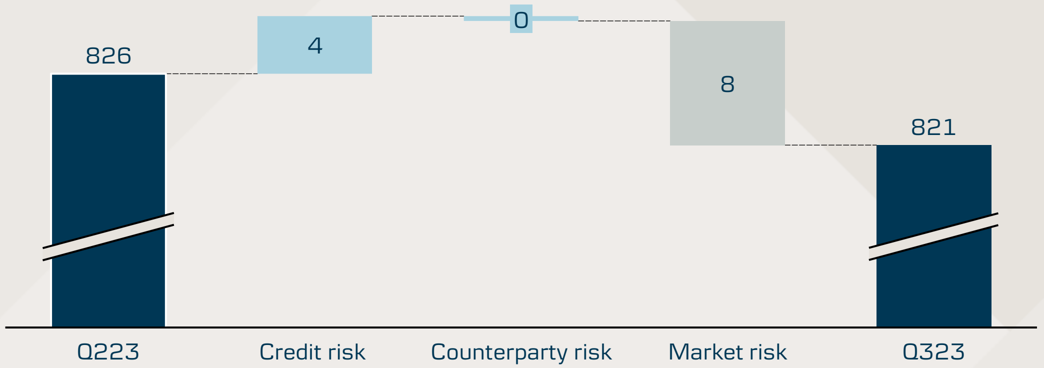
CET1 development (%)



Total capital ratios (%)



Total REA (DKK bn)



* Based on fully phased-in rules including fully phased-in impact of IFRS 9. ** Pro forma fully phased-in minimum CET1 requirement in September 2024 of 4.5%, capital conservation buffer of 2.5%, SIFI buffer requirement of 3%, countercyclical buffer of 2.0%, systemic risk buffer of 0.5% (on Norwegian exposures), and CET1 component of Pillar II requirement.

Financial outlook: Net profit for 2023 narrowed to be in the range of DKK 19.5-20.5 bn

Income	**Net interest income** to continue to grow on the basis of the announced central bank rate hikes and our commercial momentum. **Fee income** to be below the level in 2022. **Trading income** at a normalised level including the release of a loss from OCI related to the CET1 FX hedge attributable to the sale of our personal customers business in Norway.** **Income from insurance** lower than the normalised level due to negative valuation effects, higher claims and a provision for potential customer compensation.
Expenses	We continue to expect costs in 2023 to be in the range of 25 – 25.5bn reflecting our focus on cost management and despite the inflationary pressure. The outlook includes continually elevated remediation costs of approximately DKK 1.1bn.
Impairments	We now expect loan impairment charges of up to DKK 1bn due to continually strong credit quality, recoveries in the first half of the year, only few single names, and a lower-than-expected impact in the first nine months of the year of model-driven charges related to weaker macroeconomic outlook.
Net profit *	We expect net profit to be in the range of DKK 19.5-20.5bn. The guidance includes different one-offs recognised during the first nine months and the impact of the new Danish bank tax.

** Note – The outlook is subject to uncertainty and depends on volume growth, and financial market/macroeconomic conditions. ** Subject to regulatory approval.*

Q&A Session

Press ***11** to ask a question