

Press release

Holmens Kanal 2 - 12
DK - 1092 København K
Tel. +45 45 14 14 00

27 October 2023

Strong progress continues in a challenging operating environment based on good customer activity and strong credit quality
Net profit of DKK 15.5 billion for the first nine months of 2023

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

“In the first nine months of the year, we continued our strong financial performance in a challenging operating environment. Progress was driven primarily by higher net interest income and increased lending volumes for business customers, while our activity-based fees held up very well towards the end of the period, and there was a recovery in both net trading income and net insurance income for the full period. Expenses trend according to plan, and strong credit quality continues to lead to modest impairments.

We continue to see improved commercial momentum in our retail business in Denmark on the basis of attractive and competitive offerings for our customers in our Mobile Banking app, which provides a simple and convenient way of handling their day-to-day banking business. Positive interest rates on salary and budget accounts, rising interest rates on several savings account types and flexible home finance offerings drive higher deposit volumes as well as an increase in bank lending volumes and in the new mortgage lending market share in Denmark.

During the past four years, we have made significant changes at Danske Bank. This is to ensure that we have the right people, structures and controls in place to continue to deliver value for our customers as well as to deliver on our financial crime prevention transformation. Hence, we continue to expect to deliver on our 2023 targets, and we have created a strong foundation for also succeeding in the next chapter of the progress of Danske Bank; our Forward '28 strategy.”

First nine months of 2023 vs first nine months of 2022

Total income of DKK 38.6 billion (against DKK 29.0 billion in 2022)

Operating expenses of DKK 18.8 billion (against DKK 19.6 billion 2022)

Loan impairments of DKK 294 million (against DKK 794 million in 2022)

Net profit of DKK 15.5 billion (against an adjusted DKK 6.5 billion in 2022)
Return on shareholders' equity of 12.5% (against an adjusted 5.1% in 2022)
Strong capital position, with a total capital ratio of 23.2% and a CET1 capital ratio of 18.8%

Supporting customers with a robust capital position

During the first nine months of 2023, geopolitical tension and uncertainty increased even more. In this challenging operating environment, we noted that macroeconomic sentiment improved, especially in Denmark. The inflationary pressure eased, and labour markets in the Nordic countries appear to be resilient. Nevertheless, activity in the housing markets remained subdued, which affected credit demand and activity in our banking operations negatively. Although macroeconomic sentiment improved, we are mindful that the outlook remains uncertain, and the full effect of a new interest rate environment has yet to be seen.

Credit quality was strong, although we saw some credit deterioration in the economic sectors first affected by the interest rate increases. We remain prudent with significant buffers in place, and furthermore note that Fitch Ratings upgraded Danske Bank to A+.

Against this backdrop, Danske Bank continued in the period to help our customers navigate the challenging environment.

Strong core banking performance

Despite a challenging operating environment, we continued to deliver on our strategic ambitions as we reported a strong return on equity in both the third quarter and the first nine months of 2023. The progress was driven primarily by higher net interest income, which was in line with our full-year outlook, due to the improved interest rate environment. We want to ensure that our offerings are attractive and competitive for customers. Therefore, we have continued to raise interest rates on several savings account types and now also offer positive interest rates on salary and budget accounts. In a period of significant uncertainty, we saw increased lending volumes for business customers. Fee income for the year to date remained impacted by lower activity in the housing markets compared to peak levels, while investment activity remained stable, and improved customer activity in the capital markets led to increased fees in the third quarter. Adjusted for one-off effects, income from insurance business in the third quarter was closer to a normalised level, and net trading income was slightly lower, due mostly to seasonality.

Operating expenses continued to decrease, both in the quarter and year-over-year, as underlying expenses continued to develop according to plan.

As a result of the commercial momentum, customer activity, strong credit quality and cost focus, we increased our return on equity from 5.1% to 12.5% for the first nine months.

“In the first nine months on the year, we delivered a strong core banking performance, resulting in a 33% increase in total income. Our strong net interest income benefited from the normalisation of

rates and our repricing initiatives, while net fee income remained resilient due to increased customer activity among business customers and in the capital markets, largely outweighing the effect of the continually subdued housing market. Our cost/income ratio of 48.7% is underpinning our enhanced profitability and persistent cost focus. Due to our strong credit quality, impairments remain low, even though some cyclical sectors are starting to be impacted, and macro models are reflecting the uncertain outlook. Our solid financial results, well-capitalised balance sheet and funding position with a strong deposit base continued to allow us to help our customers and other stakeholders navigate the new normal of macroeconomic uncertainty and higher rates,” says Stephan Engels, CFO.

Finalising Better Bank - Forward '28 execution underway

Four years ago, we launched an ambitious strategy called ‘Better Bank’ to streamline and strengthen Danske Bank’s position as a leading bank in the Nordic countries. This included four strategic promises, namely that we put customers first, that we care about and will develop our employees, that we contribute to society, and that we deliver strong returns to our investors. All four pillars have been solidified over the last four years, and we are in the process of finalising our execution of the Better Bank strategy. We will therefore provide a more detailed update in Annual Report 2023.

To strengthen our position further and unleash Danske Bank’s full potential, we announced our new Forward '28 strategy in June, which will take effect from 2024. We have set our strategic direction towards 2028, and this reflects our ambitions to deliver a solid return on equity by setting new financial targets for 2026. While we focus on finalising the Better Bank strategy, we have also already begun to lay the foundation for the next chapter. We have entered into a strategic partnership with Infosys to support us in our ambition to be a leading bank in a digital age, and we have entered into an agreement to sell our personal customer business in Norway to further focus our retail business.

Sustainability is a core part of our strategy, and in the third quarter of 2023, our progress in this area continued. Danske Bank and Realkredit Danmark also ramped up ESG efforts in the property sector with a new reporting tool that should make ESG reporting easier for real estate companies. Furthermore, Danske Bank received an 'A' score in Position Green’s annual assessment of 300 companies’ ESG reporting in Denmark, Norway and Sweden.

Personal Customers

In the first nine months of 2023, Personal Customers saw an increase in net interest income of 77% from the same period last year, mainly as a result of repricing actions and higher income from deposits driven by market developments. Fee income decreased 18% from the same period last year, but customer activity picked up in the third quarter of 2023 relative to the preceding quarters, and this had a positive effect on especially service fees. Also, fees from loan establishment and remortgaging increased from the level in the preceding quarters, although the level for the first nine months was still significantly lower than in the first nine months of 2022. Credit quality remained solid, and loan impairment charges were flat relative to the year-earlier period.

Profit before tax amounted to DKK 6.17 billion in the first nine months of 2023, an increase of 111% from the same period in 2022. The increase was driven by higher net interest income and lower operating expenses.

Business Customers

Business Customers continued to see good momentum due to rising market rates as well as repricing activities that had a positive effect on total income for the first nine months of 2023. The sale of used assets in our leasing company also contributed to the positive development. On the downside, fee income continued to be under pressure due to subdued customer activity, which affected activity-driven fees and fees from new lending. We continued to support our customers with expert financial advisory services tailored for their needs.

In the first nine months of 2023, profit before tax amounted to DKK 7.1 billion, an improvement of 42% from the level in the same period in 2022.

Large Corporates & Institutions

During the first nine months of 2023, risks related to predominantly central bank rates and inflation continued to weigh on the economic outlook. In the face of uncertainty, we remained fully committed to supporting our customers with advisory services and solutions to navigate the intricate financial landscape. We continued to see a positive underlying business momentum, backed by our strong balance sheet, as well as signs of improved activity in the capital markets. In Debt Capital Markets, we remained the leading Nordic bank in the European debt capital markets in terms of volumes supported. In addition, a further inflow of new customers in Sweden and an increasing market share within cash management services continued to provide net interest income tailwinds, and net interest income rose 28% from the same period in 2022. Furthermore, we continued to be a trusted adviser for our customers on sustainable finance solutions, where we maintained our leading market position in sustainable bonds and sustainability-linked loans.

Profit before tax amounted to DKK 6.7 billion, an increase of 66% from the same period last year, driven primarily by higher net interest income and net trading income.

Danica Pension

In the third quarter of 2023, the financial markets were relatively stable, with a slightly positive trend. Whereas the beginning of 2023 was characterised by a very strong development in especially the US tech index, and the latest quarter saw the remaining global markets having largely caught up. Despite an ongoing focus on the possibility of a recession, it did not materialise, and the negative impact from 2022 has been partly offset by the positive development in 2023.

Net income at Danica Pension amounted to DKK 0.9 billion in the first nine months of 2023 and recovered from the level in the same period in 2022 as the net financial result improved due to the positive developments in the financial markets.

Northern Ireland

Our focus in Northern Ireland is on remaining a stable, strong and risk-astute bank, consolidating our market-leading position alongside pursuing prudent low-cost growth opportunities in the rest of the UK. This is supported by a continually strong income and profitability performance, with profit before tax of DKK 1.5 billion for the first nine months of 2023.

Outlook for 2023

The outlook for 2023 is narrowed as Danske Bank now expects a net profit in the range of DKK 19.5 to 20.5 billion. This is due to a satisfying performance for the first nine months and continually strong credit quality that resulted in lower loan impairment charges than expected. The guidance includes different one-offs recognised during the first nine months.

The outlook is subject to uncertainty and depends on volume growth and macroeconomic conditions.

Danske Bank

Contact: Stefan Singh Kailay, Head of Media Relations, tel. +45 45 14 14 00

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