Financial results 2022

Presentation for Q4 conference call

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Danske Bank delivered continued progress in a year impacted by significant geopolitical tensions and a rapidly changing macro landscape

NII up 14% Y/Y driven by rate hikes and solid volume growth

Solid lending uplift (+3% Y/Y) and traction on DK market share

Fee income benefited from resilient customer activity and diversified business model

Trading and insurance income impacted by volatility in the financial markets

Operating expenses DKK 26.5bn
FTEs -6% Y/Y (excl. AML) underpinning structural improvement despite significant remediation spend

Strong credit quality
Impairments (8bps) driven by macro scenarios and PMAs

Solid progress in simplification and digitalisation on banking offering

Continued progress on sustainability strategy and targets

Final resolution on Estonia matter, and accelerated solution of debt collection case

Navigating in a year of significant uncertainty

Deteriorating macro backdrop to impact many parts of society – credit risks likely to emerge and financial market volatility could further add to the clouded visibility for 2023

Economic slowdown
- GDP forecasts revised and Denmark likely to enter a "shallow recession"
- Modest rise in unemployment (2023E: 3.1%), and housing market to fall around 10-15%
- Consumer spending likely to be further impacted by higher rates and cost of living

Credit risks emerging
- Robust balance sheet: Loan losses of up to DKK 3bn (~18bp) expected due to model-driven impairments
- Conservative credit policies and comprehensive review of cyclical sectors
- Conservative lending growth and structural low risk in CRE, relatively well positioned Swedish portfolio

Regulatory considerations
- Full reactivation of counter cyclical buffer; potential reciprocation of Norwegian SRB
- Additional bank tax to fund early retirement scheme in Denmark from 2023
- Prudent CET1 ratio of 17.8% with comfortable buffer to current regulatory requirements and uncertainty

Outlook implications
- Tailwinds from normalised rates outweighing cost inflation and potential impact on asset quality
- Full focus on commercial momentum after solutions to legacy cases
- Net profit of DKK 15 – 17bn for 2023

Facing the challenges with a strong foundation and significant structural achievements in 2022

✓ With enhanced focus on our commercial agenda, Danske Bank remain well positioned to serve customers and meet our financial ambitions

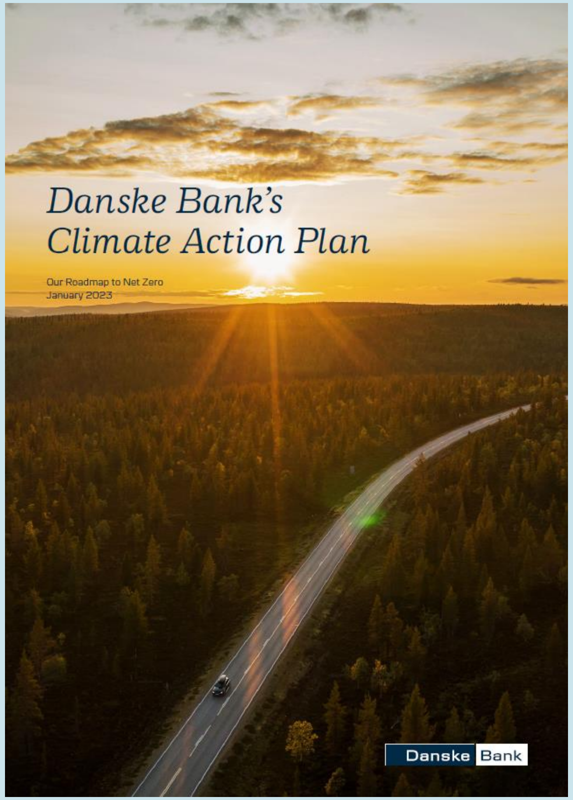
✓ Investor update in summer 2023 with refreshed financial targets

New comprehensive climate plan launched, underpinned by continued progress on sustainability agenda

Significant progress in 2022 on sustainability

- Successful housing energy renovation campaign
- Joined PBAF and Finance for Biodiversity Pledge
- #1 Nordic green bond arranger in Global League table
- Financing for the world's biggest offshore wind farm
- Hailed as global leader in reducing loan book footprint

New Climate Action Plan launched on 20th January



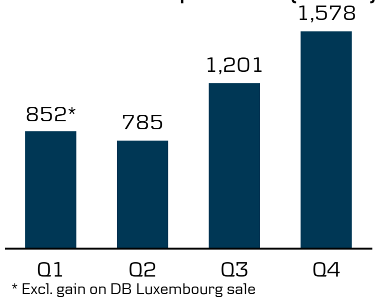
- Carbon footprint of **41.1 million tCO2e** across the Group, with **99.9%** related to financed emissions
- Increased and expanded **2030 targets** based on SBTi guidance to align with **Paris Agreement** goal of **1.5°C**
- Activities in Asset Mgmt. and Danica Pension subject to **temperature targets**, in addition to emission reduction targets
- Focus on supporting **customer and investee company transitions** as well as increased financing of **renewable energy**
- No financing or refinancing of companies intending to **expand supply of oil and gas** production beyond already approved

Business units: Solid progress, high customer activity, enhanced profitability, and strong lending uplift for corporates

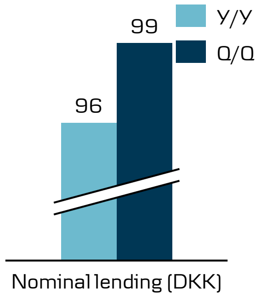
Personal Customers

- ✓ **Good customer activity** in 2022, including high remortgaging activity in Denmark supporting core income
- ✓ **Net interest income increased by 26% Q/Q**
- ✓ **PCDK:** Solid activity, healthy deposit levels and volumes supported by shift to Danske BoligFri. **PCNordic:** Strengthened advisory services and full focus on profitability
- ✓ Positive traction in **customer satisfaction** and net customer flows continued to improve with focus on targeted segments (young, MAFS and PB)
- ✓ **Enhanced efficiency** with FTEs down 12% during the year through focus on combining expert advice with easy-to-use digital solutions and divestments

Profit before impairments (DKK m)



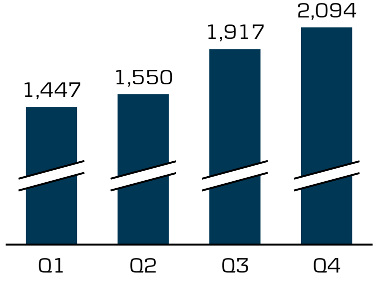
* Excl. gain on DB Luxembourg sale

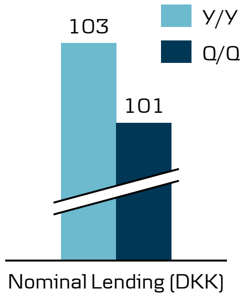


Business Customers

- ✓ Good **customer activity** as bank **lending volumes** increased and solid activity within currency exchange and cash management as well as remortgaging
- ✓ **Net interest income increased 18% Y/Y** following developments in pricing and market rates
- ✓ New digital service model enabling customised customer advisory services through digital channels
- ✓ Expanded offerings on our highly regarded **District platform** with additional 3rd-party integrations: increase value prop. for customers and income revenue streams
- ✓ Ranked #1 in CSAT among Swedish and Finnish SMEs

Profit before impairments (DKK m)

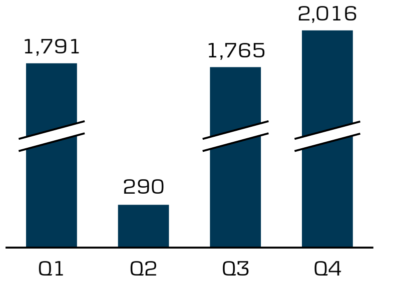


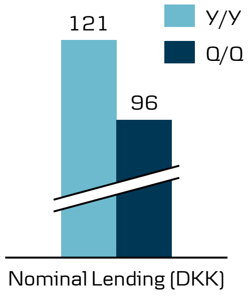


LC&I

- ✓ **High customer activity** supporting customers with advisory services, risk hedging and credit, *and* ranked **Nordic #1** by customers in **"Prospera Grand Total"**[1] report for the 7th consecutive year
- ✓ Especially strong activity in **M&A advisory** with top-ranked positions in Denmark, Norway and Finland
- ✓ General Banking **lending volumes** up 21% Y/Y, reflecting our strategic ambition to grow, especially in Sweden.
- ✓ **Recovery in trading** in H2 following loss in Q2
- ✓ **Lower activity in Asset Management** as fee income declined 13% Y/Y, reflecting that 2021 was a record year, and driven by lower assets under management and lower performance fees

Profit before impairments (DKK m)





1) Nordic Prospera research by Kantar

Net interest income up 14% Y/Y driven by normalisation of interest rates and growth; trading/insurance partially recovering in H2; impairments driven by macro overlays

Key points, 2022 vs 2021

- NII uplift from normalisation of interest rates, repricing initiatives and solid trend in lending volumes
- Fee income from generally high activity throughout 2022 partly offsetting lower capital market and investment-related fees
- Trading and insurance income impacted by significant asset repricing and volatile markets
- Writedown of goodwill in Danica due to higher applied discount rate
- Steady progress on underlying cost development, absent one-offs and despite higher remediation and litigation costs
- Strong credit quality continues to lead to single-name reversals, while macro model scenarios and additions of PMAs took impairments to a normalised level

Key points, Q4 22 vs Q3 22

- NII up 18% Q/Q, benefiting from further normalisation of interest rates
- Fee income higher from remortgaging activity and higher capital market activity offsetting lower investment-related fees
- Trading income at LC&I and insurance income recovered towards normalised levels
- Operating expenses included a further provision for the debt collection case of DKK 0.3 billion
- Impairments increased as further revision of macro model scenarios and additional PMAs offset single-name reversals

Income statement and key figures (DKK m)

	2022	2021	Index	Q4 22	Q3 22	Index
Net interest income	25,188	22,049	114	7,442	6,307	118
Net fee income	12,590	13,525	93	3,054	2,999	102
Net trading income	1,426	4,126	35	747	503	149
Net income from insurance business	63	2,088	3	386	-286	-
Other income	1,936	797	243	733	244	300
Total income	**41,203**	**42,584**	**97**	**12,362**	**9,767**	**127**
Operating expenses	26,478	25,663	103	6,909	6,777	102
Profit before loan impairments, GW & provision	**14,725**	**16,921**	**87**	**5,454**	**2,990**	**182**
Provision for Estonia matter	13,800		-	-200	14,000	-
Impairment charges on goodwill	1,627		-	-	1,627	-
Loan impairment charges	1,568	348	450	774	368	210
Profit before tax, core	**-2,271**	**16,573**	**-**	**4,880**	**-13,005**	**-**
Profit before tax, Non-core	-13	-2	-	-2	-28	-
Profit before tax	-2,284	16,571	-	4,877	-13,033	-
Tax	2,784	3,651	78	704	760	93
Net profit	**-5,068**	**12,920**	**-**	**4,174**	**-13,792**	**-**

NII: Solid credit demand, positive effects from CB rate hikes, and repricing initiatives continue to support the improving NII trend

Highlights

- Net interest income continued the positive trend, as repricing initiatives were further supported by higher central bank rates driving the improved deposit margin particularly at PC DK and BC

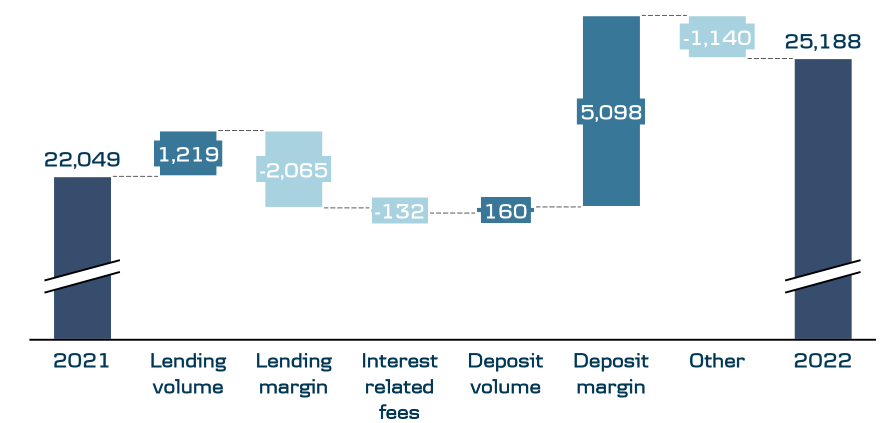
- Lending volumes contributed positively Y/Y particularly from business and corporate customers

- Higher funding costs along with timing effects due to notice period in PC Nordic impacted lending margin

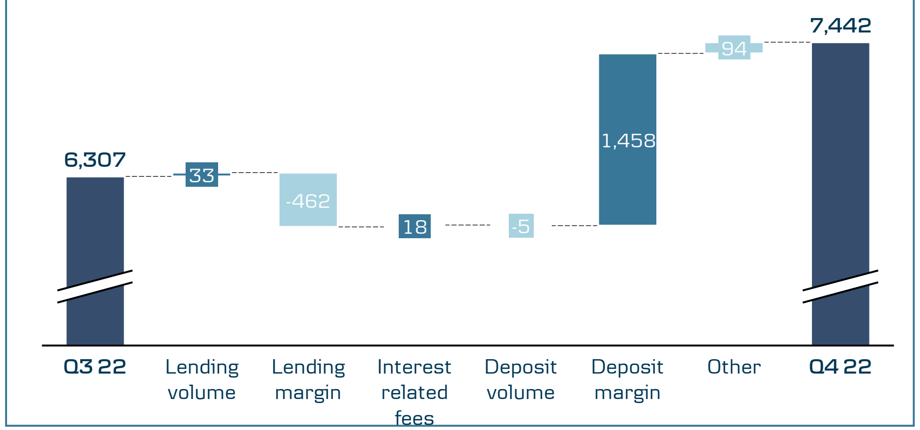
- Avg. lending margin at LC&I affected by volume growth from higher rated customers coupled with timing effects from floored credit facilities as rates have turned positive

- Lower rate sensitivity going forward, e.g. from expected increased migration to savings products

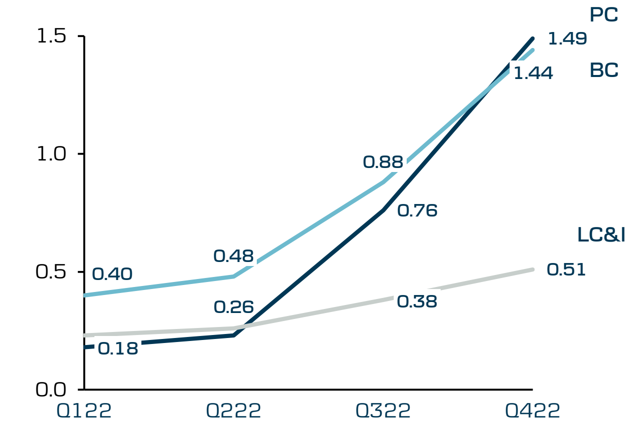
Net interest income 2022 vs 2021 (DKKm)



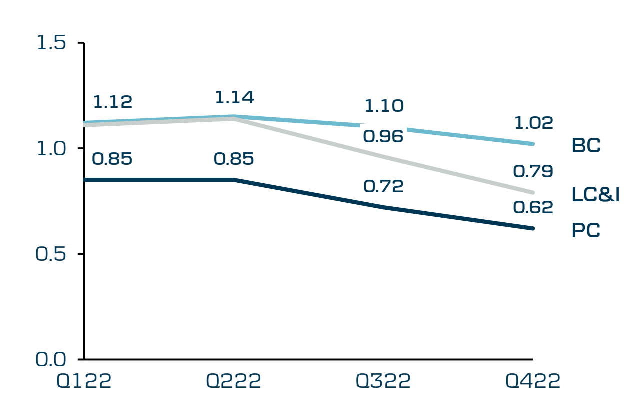
Net interest income Q4 22 vs Q3 22 (DKKm)



Deposit margin development (bps)



Lending margin development (bps)



Fee: Good remortgaging activity and resilient activity-driven fees partially offset lower fee income from lower AuM and lower customer activity in capital markets

Highlights

Activity-driven fees (transfer, accounts etc.)

- Up 17% Y/Y from continually strong trend for everyday banking services at LC&I & BC (FX and cash mgmt.), however, weakening trend towards the end of the year as 5% lower Q/Q

Lending and guarantees

- Up 8% Y/Y as well as Q/Q, due to high level of remortgaging activity on the back of higher interest rate levels

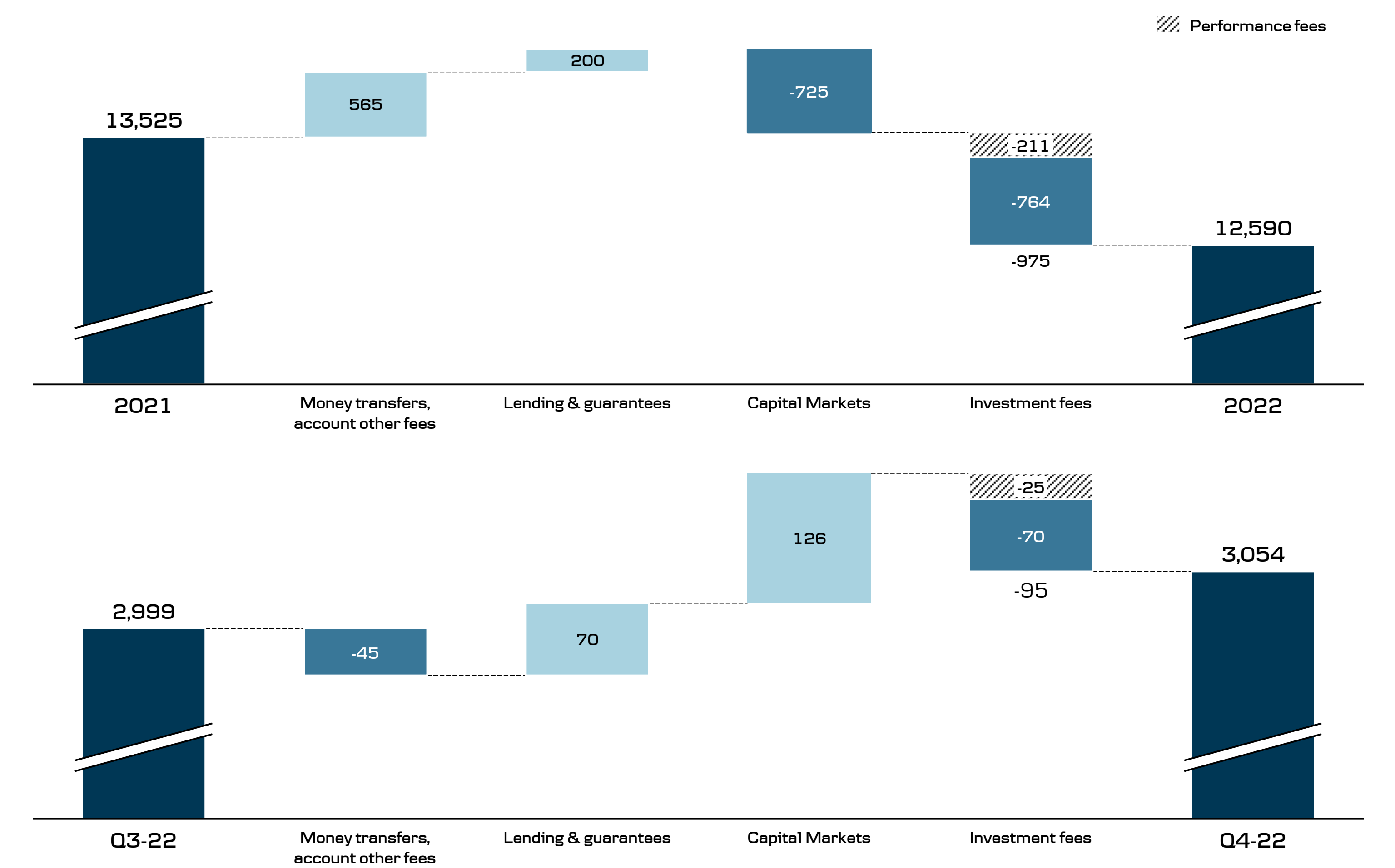
Capital markets

- Significant slowdown in primary ECM/DCM markets during the year, however, some rebound in activity in Q4 driven by M&A advisory at LC&I

Investment fees

- Y/Y: Investment fees impacted by lower assets under management, lower performance fees and reduced investment appetite among our customers

Net fee income (DKK m)



Trading: Recovery in the second half of the year following difficult market conditions and negative valuation effects in H1

Highlights

LC&I

- Y/Y: Historically high volatility in Nordic fixed income markets affecting trading income
- Q/Q: Recovery in the second half for our fixed income market-making franchise as market conditions became more supportive
- Demand for risk management solutions resulted in good customer activity in Currencies

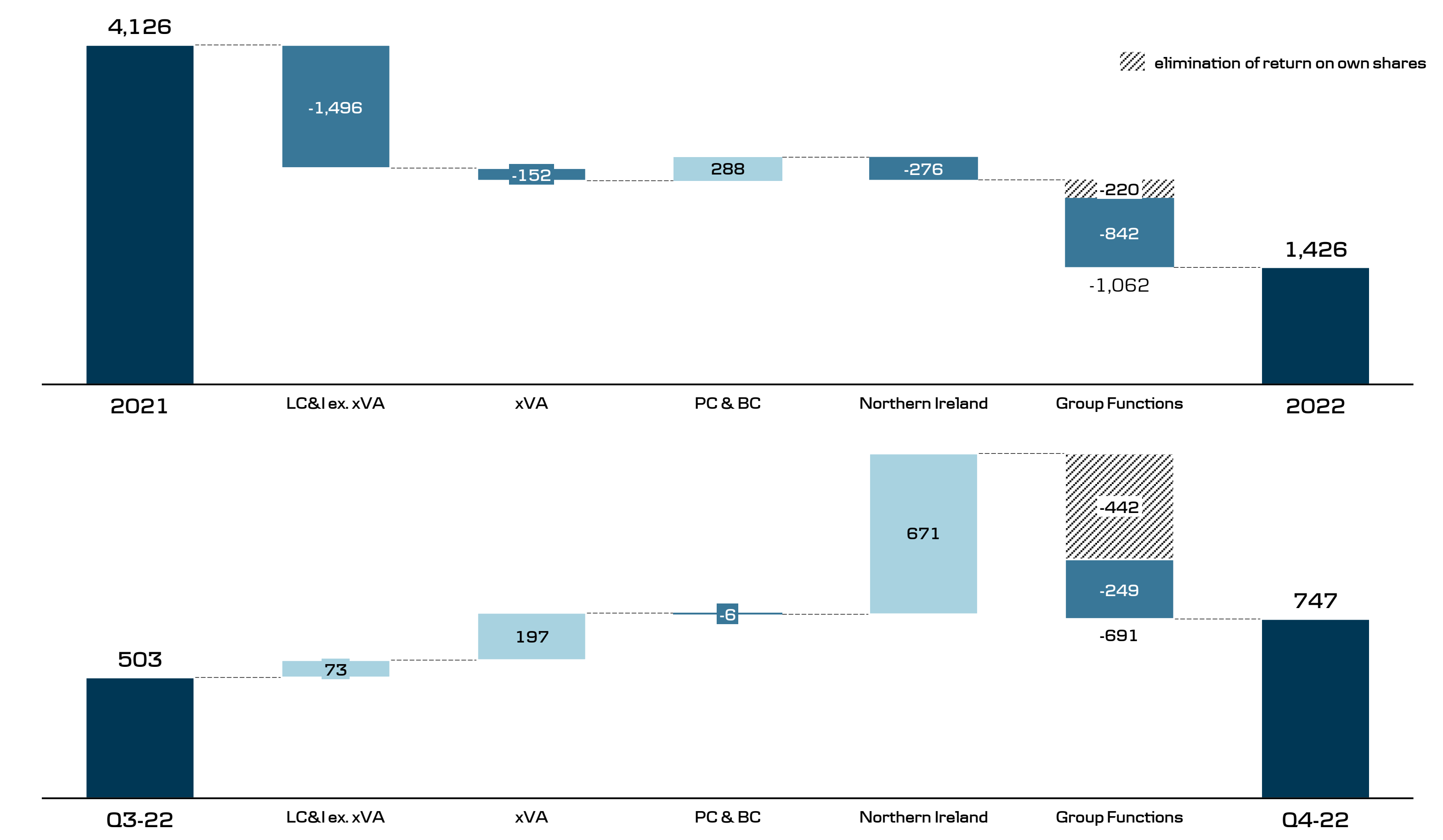
PC & BC

- Y/Y: Resilient customer activity driven by increased post-pandemic foreign exchange activity

Northern Ireland & Group Functions

- Y/Y: Lower income in Group Treasury due to mark-to-market movements on the mortgage bond portfolio and on the hedging portfolio in Northern Ireland
- Q/Q: Effect from elimination of return on own shares due to increase in share price

Net trading income* (DKK m)



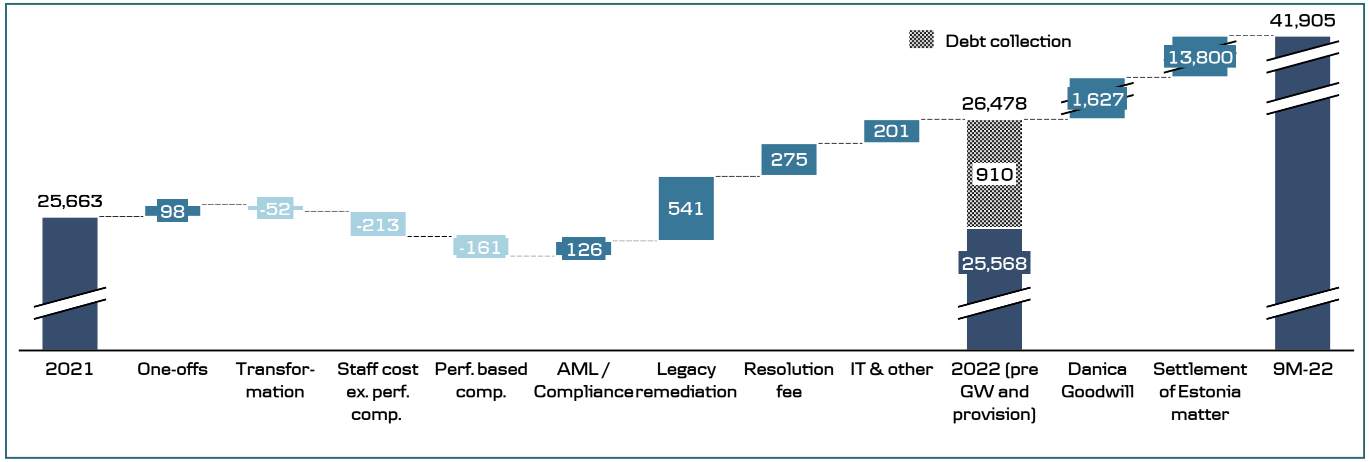
*2021 benefited from a gain of DKK 227m on the sale of VISA shares in the Group's private equity portfolio

Expenses: 2022 costs significantly impacted by legacy cases, incl. settlement of Estonia matter; 2023 trajectory underpins the significant progress on underlying cost efficiency

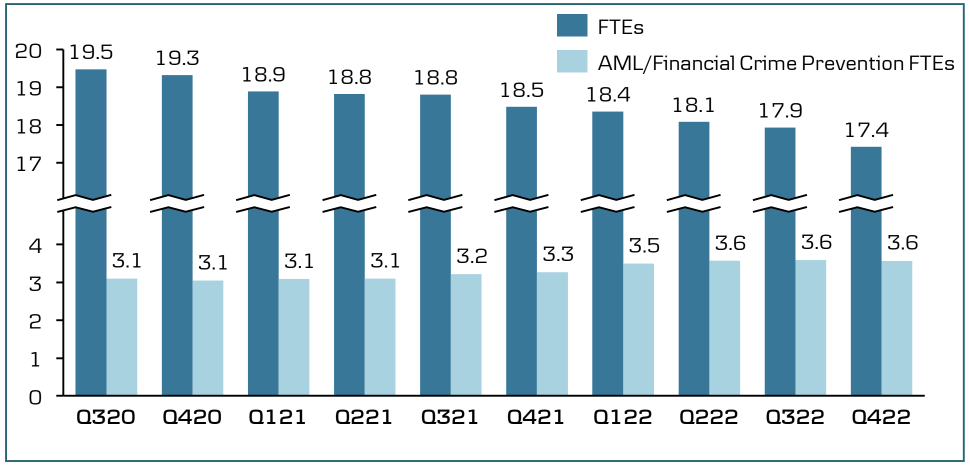
Highlights

- Progress on structural cost take-out mitigates impact from AML/compliance ramp-up, legacy remediation as well as higher resolution fund contribution.
- Number of FTEs continued to decline, underpinning efficiency gains and underlying improvement. Adjusting for AML/FCP, FTEs are down 11% from peak in Q3 20
- Additional provision of DKK 310m related to the debt collection case booked in Q4
- Other costs impacted by a post-pandemic normalisation and higher inflation

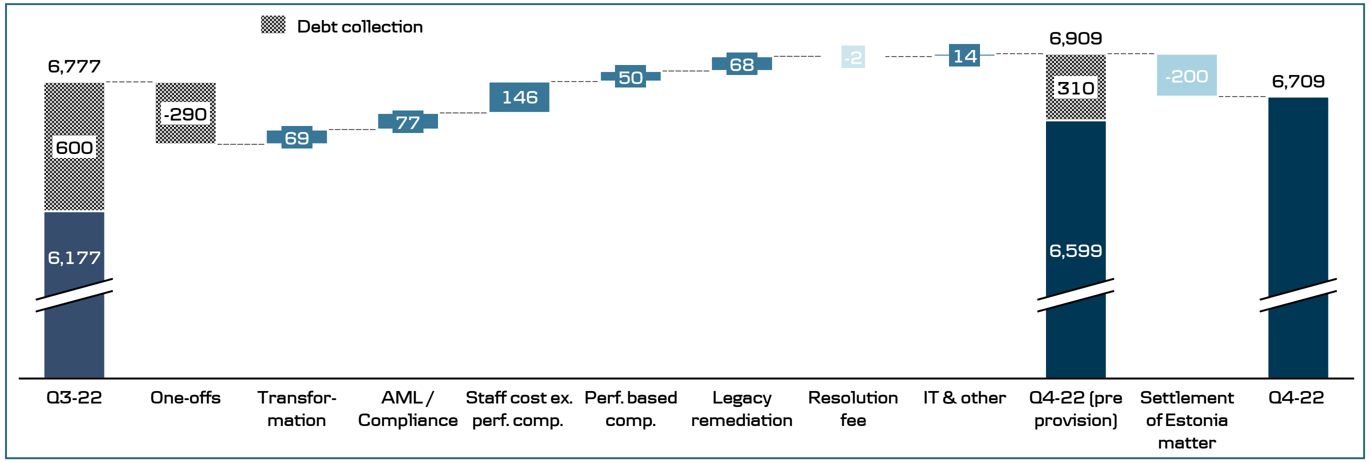
Expenses, 2022 vs 2021 (DKK m)



FTEs (#, thousands)



Expenses, Q422 vs Q322 (DKK m)



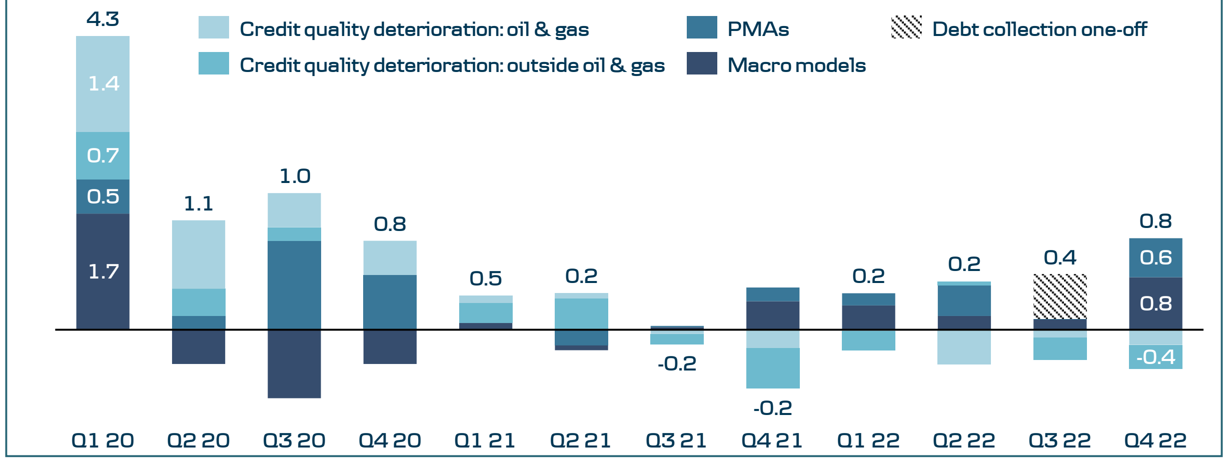
Danske Bank

Impairments: Continually strong credit quality and individual reversals, while macro model adjustments and prudent buffers led to a loan loss ratio of 8bps* in 2022

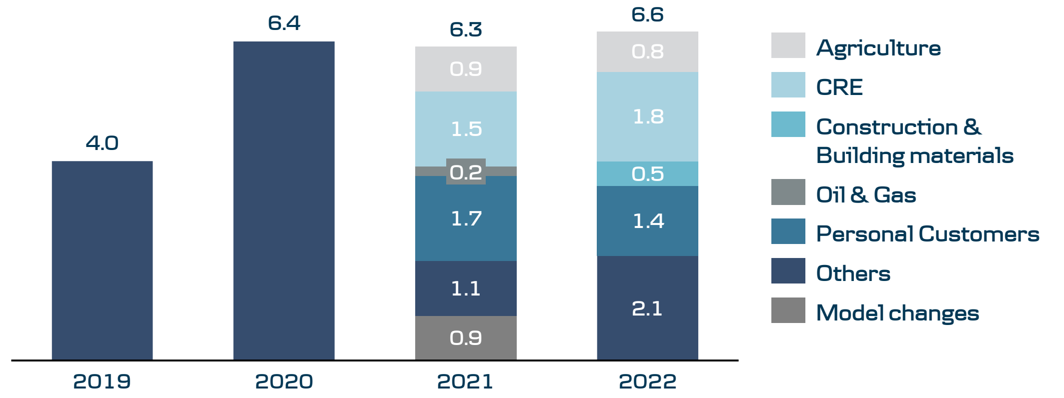
Highlights

- Credit quality remains strong and the implications of the worsening macro backdrop have not led to any material downward migration in the portfolio with single-name impairments resulting in net reversals
- As the macro outlook has been updated to reflect the uncertainty and increased downside risk from inflation and interest rates, the macro model charges resulted in additional DKK 0.8bn booked in Q4
- Total allowance stands at DKK 19.6bn and includes PMAs of DKK 6.6bn, as additional overlays of DKK 0.6bn were added in Q4 to mitigate any tail risks not evident in the portfolio or captured through our macro models

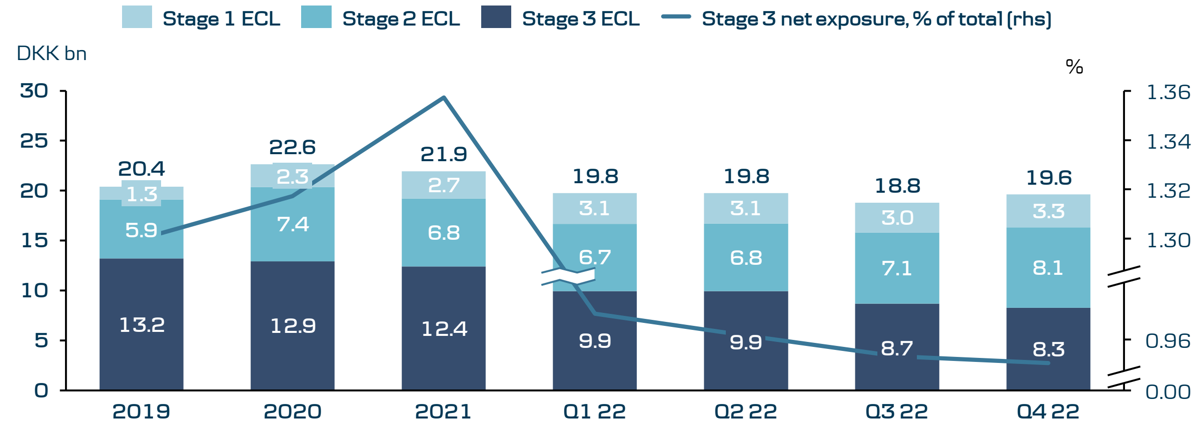
Impairment charges by category (DKK bn)



Post Model Adjustments (PMAs)



Allowance account by stages (DKK bn)



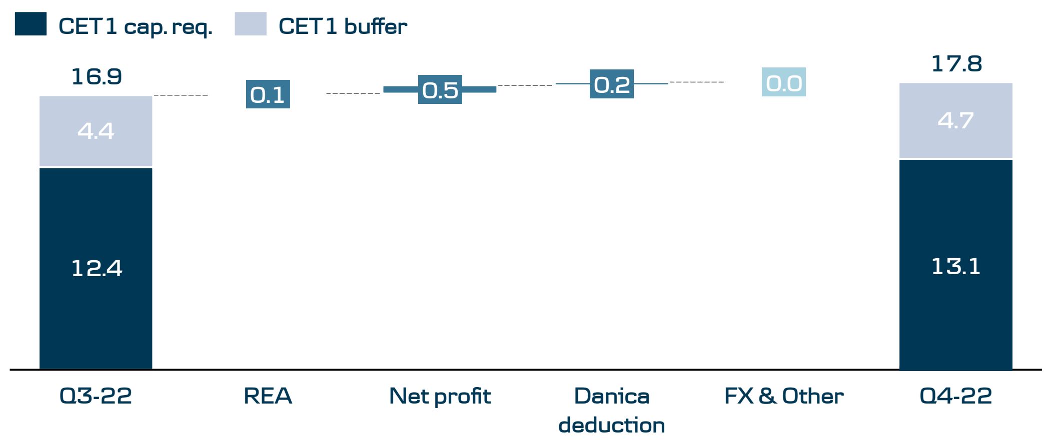
* Including DKK 650m related to the accelerated solution of the debt collection case.

Capital: Prudent CET1 ratio at 17.8%; comfortable buffer to current regulatory requirements and uncertainty

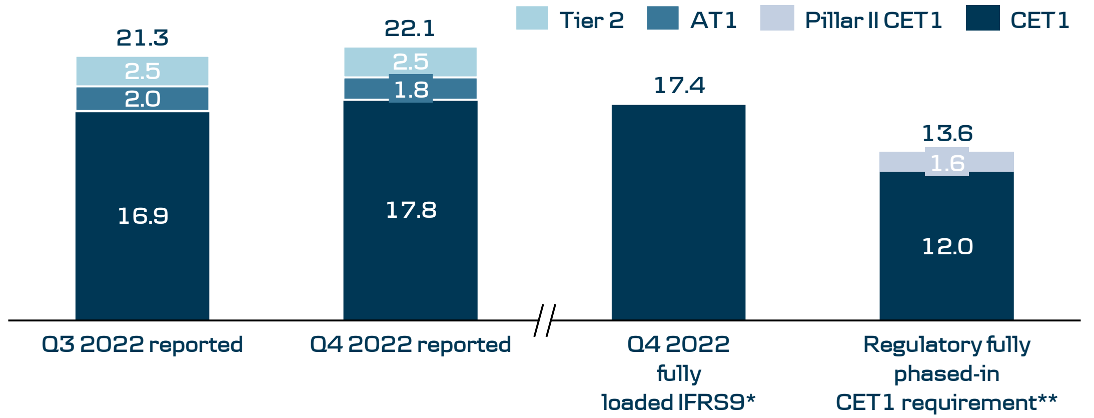
Highlights

- CET1 ratio improved to 17.8% as the full effect of the Q4 net profit was added to the capital position
- The Group's total REA decreased DKK 7bn driven mainly by lower REA from credit risk, which was partly countered by higher market risk
- In Q4, further CCyB reactivation was implemented, leading to an increase in CET1 requirements from 12.4% to 13.1%. With the remaining CCyB being activated through H123, the fully-phased in requirement stands at 13.6%
- The leverage ratio improved to 5% under transitional rules and 4.9% under the fully-phased-in rules

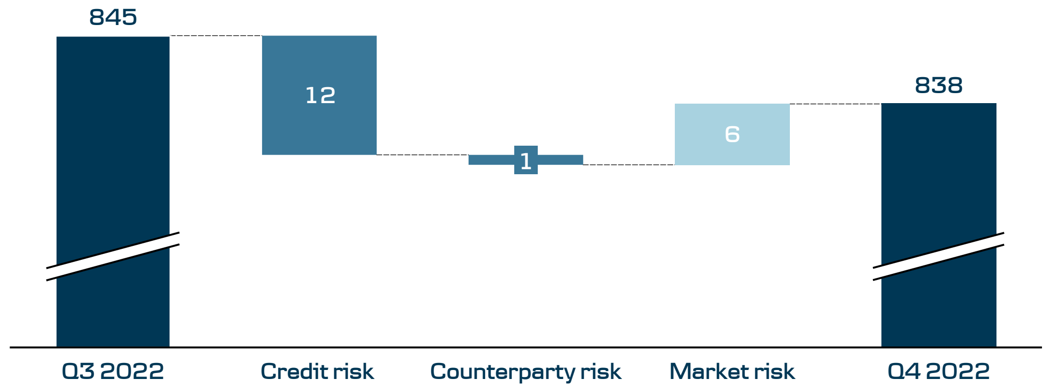
CET1 development (%)



Total capital ratios (%)



Total REA (DKK bn)



* Based on fully loaded impact on capital ratio from IFRS 9. ** Pro forma fully phased-in min. CET1 requirement of 4.5%, plus CET1 component of pillar II add-on and including combined buffer requirements consisting of capital conservation buffer of 2.5%, SIFI requirement of 3%, and countercyclical buffer of 2.0%.

Net profit outlook for 2023; We expect net profit to be in the range of DKK 15 – 17bn*

Income	We expect core income lines to grow in 2023, driven by higher net interest income and our continued efforts to drive commercial momentum. Despite a high degree of uncertainty, we expect income from trading and insurance activities to recover from the levels in 2022.
Expenses	We expect costs in 2023 to be in the range of 25 – 25.5bn reflecting a continued focus on cost management and despite inflationary pressure. The outlook includes sustained elevated remediation costs of approximately DKK 1.1bn.
Impairments	We expect loan impairment charges of up to DKK 3bn (~18bp) which primarily will be driven by a weaker macroeconomic outlook affecting model-driven impairments.
Net profit *	We expect net profit to be in the range of DKK 15 – 17bn including the impact from the new Danish bank tax.

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

Q&A Session

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