Financial results – Q1 2023

Presentation for Q1 conference call

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Chief Executive Officer

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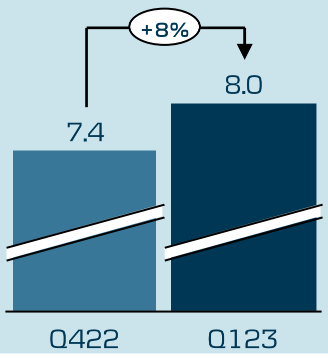
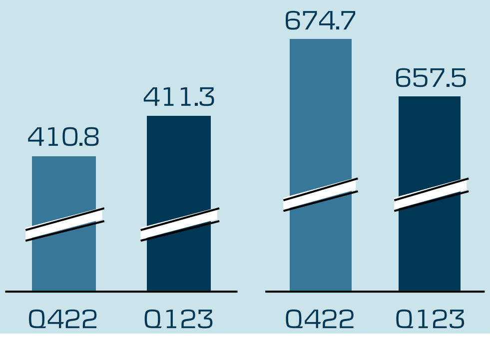
Highlights – strong execution and financial performance in Q1 led to 13 April profit upgrade for 2023

- ✓ Strong start to the year a testament to the value of Danske Bank's diversified business model underpinned by consistently improved PBI across business units and high customer activity
- ✓ Fortress balance sheet, with elevated and stable deposits, and an LCR of 169%, enabling Danske to support our clients as they navigate through times of uncertainties
- ✓ Underlying cost progress in line with targets and further supporting C/I ratio
- ✓ Solid capitalisation on the back of prudent capital management with CET1 ratio at 18%
- ✓ Strong credit quality as customers' financial position remain sound in the current macro environment

NII (DKK bn)



Deposits (DKK bn)



DKK 11 bn (+22% Y/Y)
Core banking income (NII + fee)

Strong trading income at LC&I
DKK 1.2bn a multiperiod high

Costs of DKK 6.3bn
as efficiency gains continue

Strong credit quality leading to just
DKK 147m in impairments
(~3bps YTD annualised)

Commercial execution continues
(PC customer traction & revamped Global Private Banking)

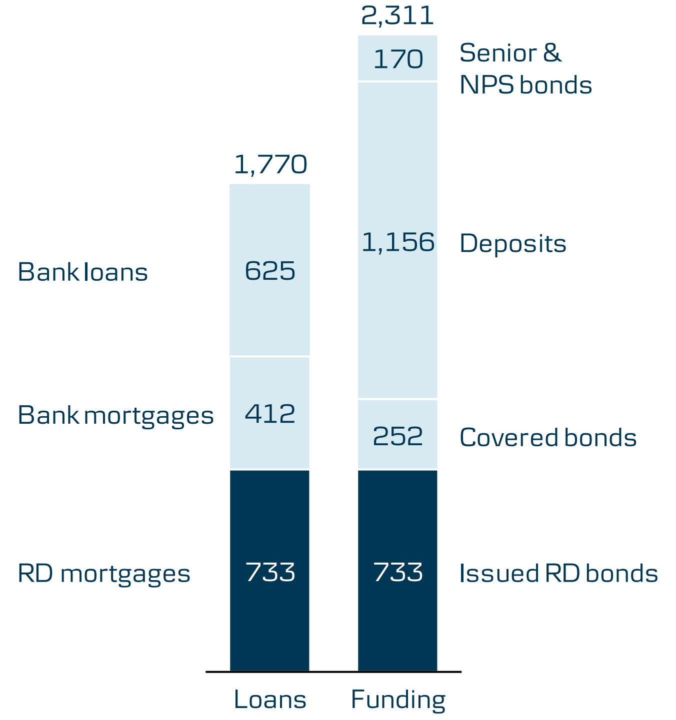
CET1 ratio 18% & LCR of 169%
highlighting balance sheet strength

Danske Bank

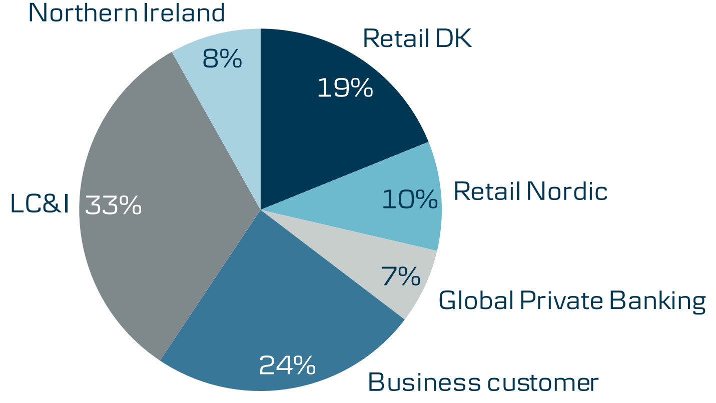
Danske Bank's fortress balance sheet underpins our resilient business model which includes a well-balanced ALM strategy and a very strong liquidity position

- Danske Bank has a sound funding structure and remains very well capitalised with a CET1 capital buffer of DKK +35bn to the current regulatory requirements. Further, our liquidity is underpinned by more than DKK 250bn in cash and a liquidity coverage ratio (LCR) of 169%, well above the minimum requirements
- Diversified and solid deposit mix that includes a retail base where the majority is covered by the Nordic guarantee schemes. Further, the fully-funded pass-through mortgage structure in Denmark provides a structural deposit surplus
- We have executed around DKK 40bn of our total wholesale funding plan of DKK 80 -100bn for 2023. Thus, we have flexibility for the remainder of the year

Sound funding structure (DKK bn)



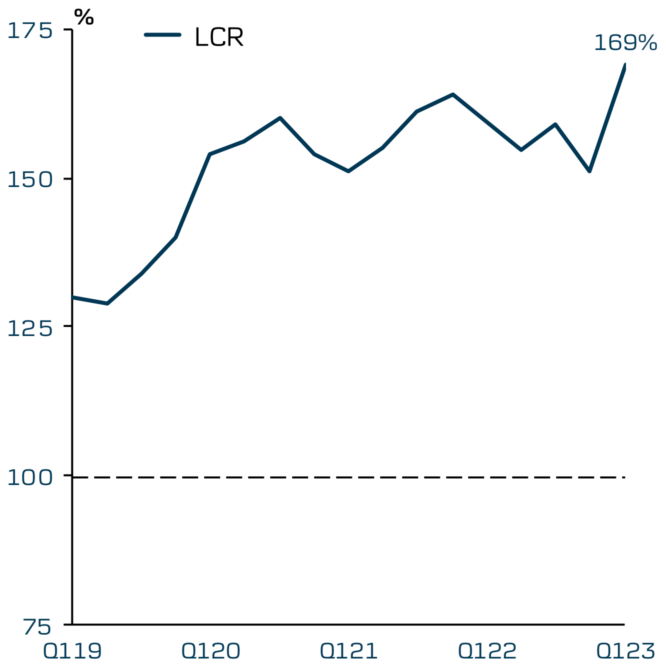
Diversified and stable deposit base



	Q421	Q422	Q123
Total bank deposits (DKK bn)	1,168	1,170	1,156
of which Stable deposits*	376	388	387
of which Operational deposits*	297	319	320
Stable & Operational share of bank deposits	58%	60%	61%

* Based on regulatory definition. E.g., Stable deposits include fully insured retail deposits to customers with full relationship at Danske Bank. Operational deposits is from Corporate depositors maintained to obtain clearing, custody and cash management

Strong liquidity position

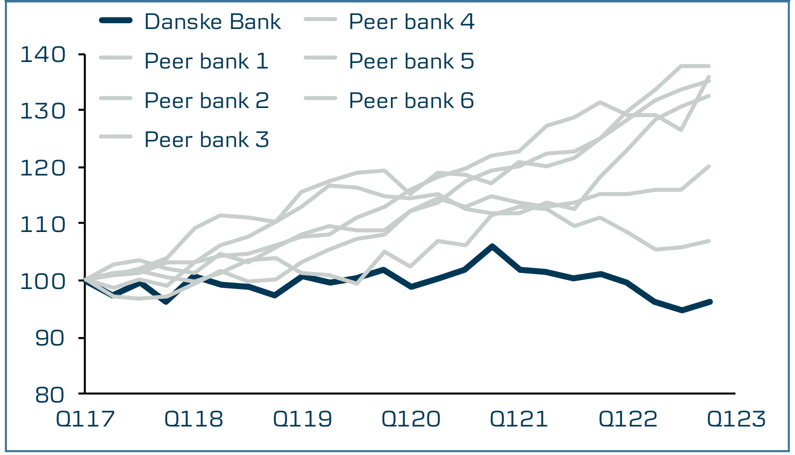


Commercial property; prudently managed and cash-flow based underwriting standards; sound credit quality and adequate buffers in place to mitigate tail risks

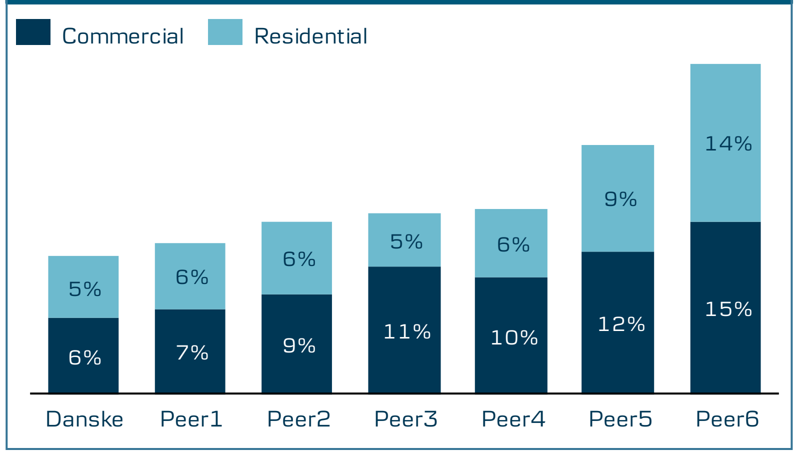
Highlights

- Danske Bank has a relatively low concentration to CRE compared with Nordic peers. The portfolio has been slightly declining due to concentration limits and stringent underwriting standards, particularly towards non-residential segment
- Of the CRE portfolio, 26% is to Sweden, lowest ratio among all Nordic banks active in Sweden. As such, customers with dependence on refinancing of bonds are thus manageable
- In addition to conservative underwriting, we perform rigorous monitoring of exposures, incl. stress tests:
  - ✓ An interest rate stress of 4%-pts on top of the borrower's current avg. interest rate for debt not hedged
  - ✓ Significant stress assessment of rent and vacancy rates
  - ✓ Liquidity stress measuring ability to repay maturing bond debt etc. in the coming 18 months
- The portfolio is well diversified and well provisioned to mitigate a potential material correction in the sector

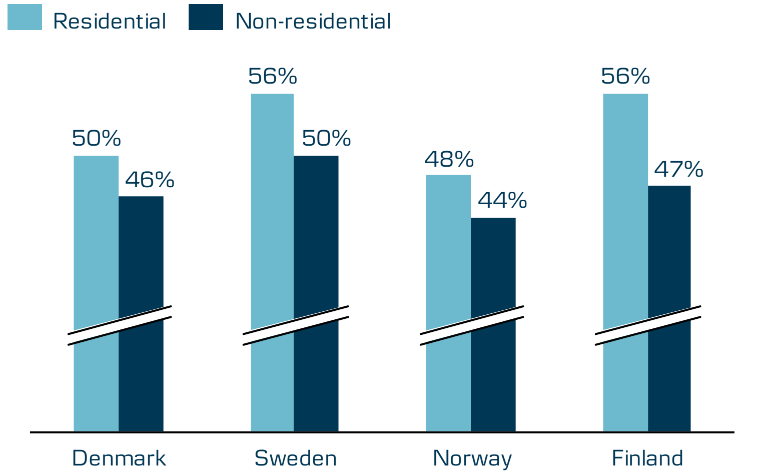
Lending to CRE segment by major peer banks (index)*



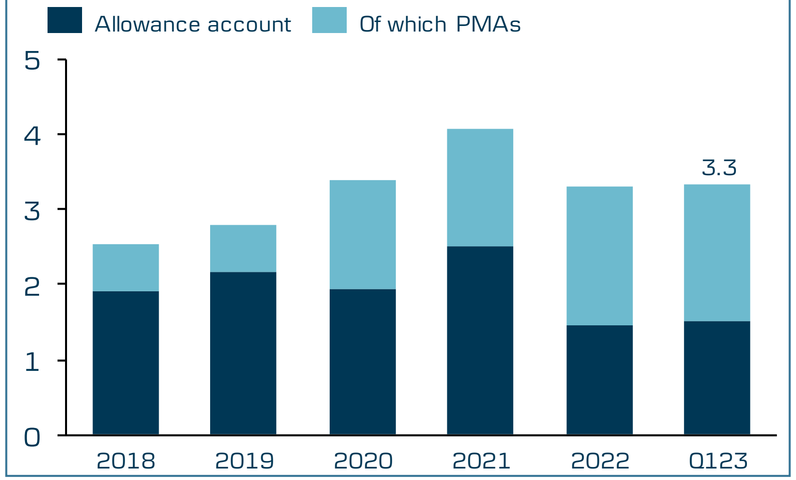
CRE share of total portfolio by major peer banks*



Danske Bank's CRE portfolio avg. LTVs



Danske Bank's CRE allowance account, core (DKKbn)

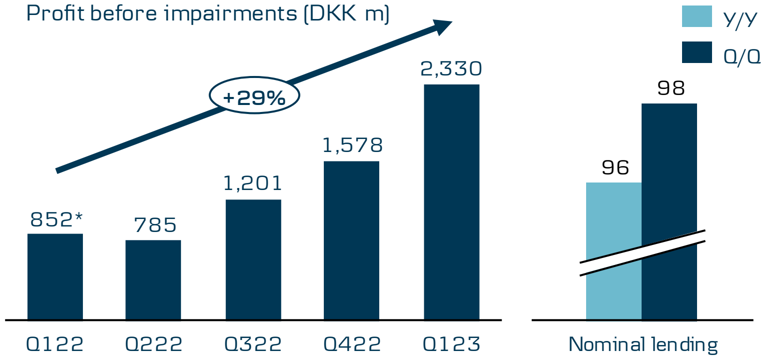


Source: Companies' Annual report. Exposure definitions differ among banks between total lending, credit exposure and EaD.

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

Personal Customers

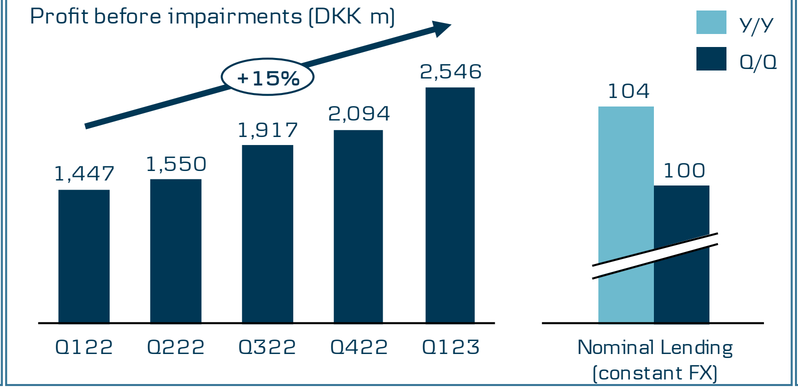
- ✓ **Net interest income increased 76% Y/Y** driven by normalisation of interest rates and repricing initiatives
- ✓ **New digital savings products** launched to accommodate demand in the new rate environment
- ✓ **Healthy demand in PC DK for bank lending volumes up 8% Y/Y**, driven mainly by Danske Bolig Fri
- ✓ **Lending volumes in NO, SE and FI** affected by slowdown in housing market and depreciation of currencies
- ✓ Launch of new **Global Private Banking** organisation to sharpen our strategy and allow digital scalability to accelerate growth



* Excl. gain on DB Luxembourg sale

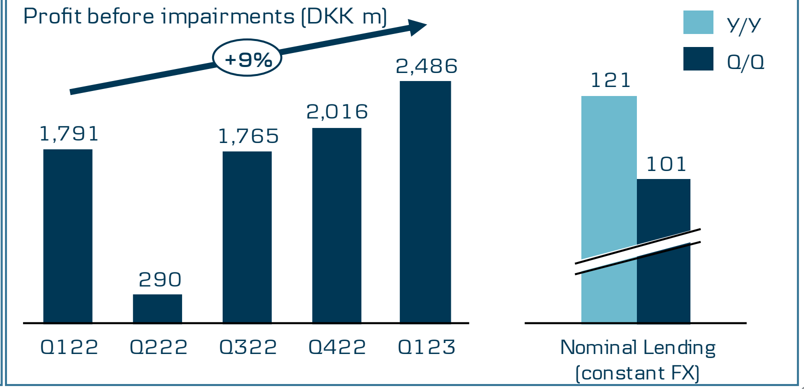
Business Customers

- ✓ **Strong NII development 48% Y/Y** driven by improved margins. **Fee income resilient** as pricing initiatives and everyday banking activity mitigated property market slowdown
- ✓ **Strong customer focus, delivering expert financial advisory services** for instance by helping customers manage their working capital needs
- ✓ **Green lending volumes increased 49%** from the same period last year
- ✓ Continued delivery of **new digital self-service offerings** and enhancements to the customer experience, for instance new fast process for applying for overdraft on our digital platform for business customers ‘District’



LC&I

- ✓ **Multi-year high financial performance driven by trading income** facilitated by new fixed income positioning, incl. reduced capital consumption. PBT further supported by **General Banking income at record high level**
- ✓ General Banking **lending volumes up 21% Y/Y**, as we continue to execute the strategic ambition to grow in SE. **Higher fees from cash management** and banking services were off set by lower investment fees/AuM
- ✓ **Danske Bank continued to support our customers** with advisory services and risk management solutions being a leading facilitator in the Nordic countries
- ✓ Top ranked **M&A advisory** franchise with #1 Nordic position. Pick-up in **primary debt markets**, and slight recovery in ECM



Net interest income up 43% Y/Y driven by normalisation of interest rates; strong recovery in trading/insurance; impairments driven by macro model charges

Key points Q123 vs Q122

- NII uplift from normalisation of interest rates coupled with repricing initiatives
- Fee income down due to lower AuM and reduced capital markets related fees (ECM). Lower remortgaging and housing activity also had an impact
- Trading and insurance income recovered from low level last year
- Steady progress on costs despite continually elevated remediation costs
- Strong credit quality continues to lead to modest impairments, while macro model scenarios reflect current uncertainties

Key points Q123 vs Q422

- NII up 8% Q/Q, benefiting from further normalisation of interest rates
- Fee income resilient despite housing market slowdown and lower investment fees as activity-driven fees and capital markets held up well
- Trading income and insurance income benefit from good customer activity and supportive market conditions
- Operating expenses improved slightly and in line with target, despite continually elevated remediation costs
- Impairments decreased as higher impact of revision of macro model scenarios and additional PMAs impacted Q4

Income statement and key figures (DKK m)

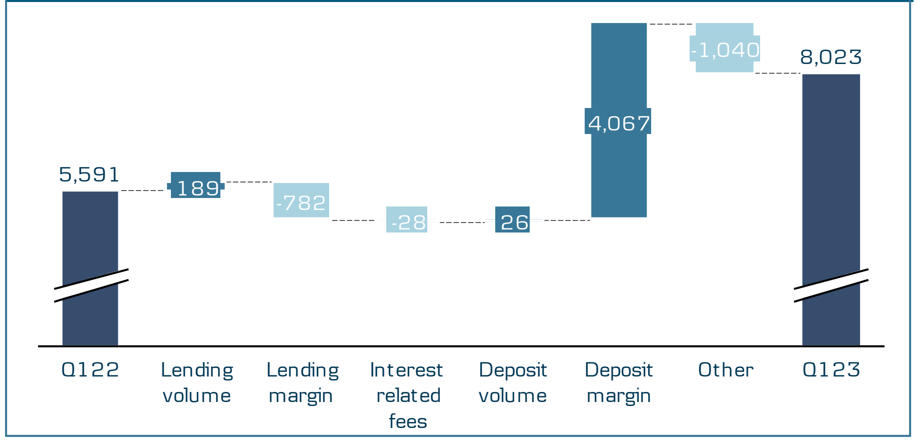
	Q1 23	Q1 22	Index	Q4 22	Index
Net interest income	8,023	5,591	143	7,442	108
Net fee income	2,954	3,379	87	3,054	97
Net trading income	1,612	683	236	996	280
Net income from insurance business	497	-135	-	521	95
Other income	325	669	49	733	44
Total income	**13,411**	**10,187**	**132**	**12,746**	**105**
Operating expenses	6,280	6,371	99	6,909	91
Profit before loan impairments	**7,131**	**3,816**	**187**	**6,038**	**118**
Provision for Estonia matter	-	-	-	-200	-
Loan impairment charges	147	234	63	774	19
Profit before tax, core	**6,984**	**3,582**	**195**	**5,261**	**133**
Profit before tax, Non-core	-30	-14	-	-2	-
Profit before tax	6,954	3,568	195	5,261	132
Tax	1,787	827	216	706	253
Net profit	**5,167**	**2,741**	**189**	**4,555**	**113**

NII: Continued positive margin development; deposit volumes remain stable at an elevated level

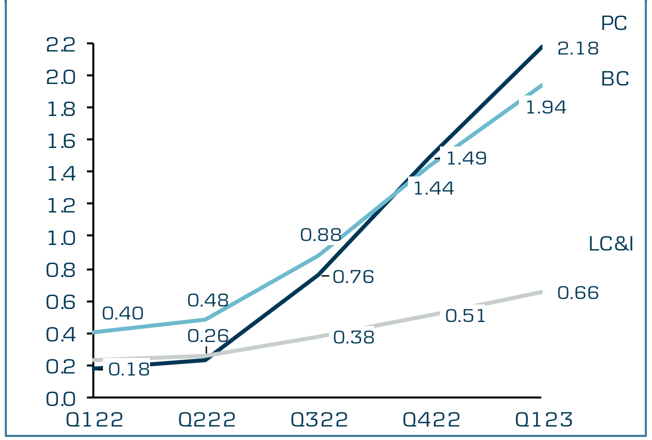
Highlights

- Net interest income continued the positive trend, as higher central bank rates drove the improved deposit margin mainly 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
- Lending margin Y/Y affected by volume growth to higher rated customers coupled with floored credit facilities as rates have turned positive. Repricing initiatives for business customers helped stabilise lending margin Q/Q
- Other impacted by interest rate risk management costs which from 2023 are booked as NII
- Unchanged sensitivity but assumed at lower end of DKK 7-800m range (per 25bps uplift) due to migration to savings products

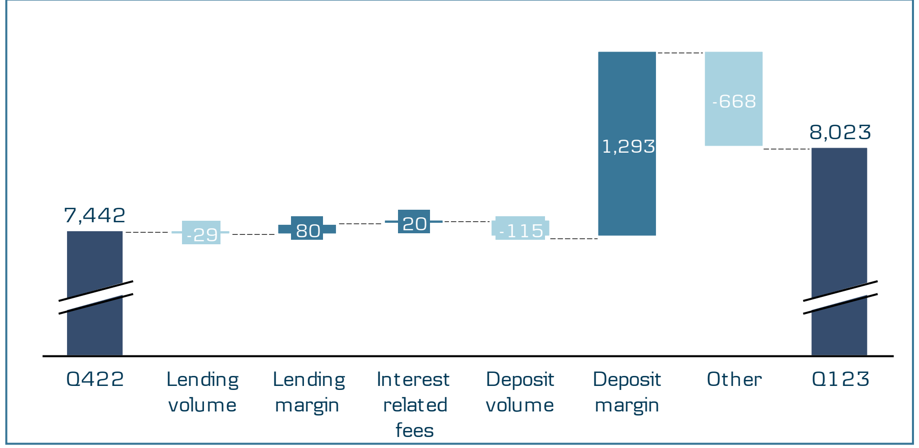
Net interest income Q123 vs Q122 (DKKm)



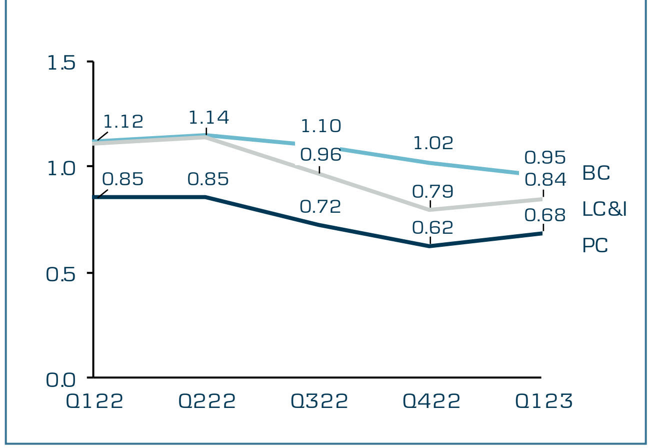
Deposit margin development (bps)



Net interest income Q123 vs Q422 (DKKm)



Lending margin development (bps)



Fees: Resilient fee income despite lower housing market activity and investment fees impacted by lower AuM

Highlights

Activity-driven fees (transfers, accounts etc.)

- Resilient income supported by good activity in everyday banking services, such as cash management continuing the positive trend from recent quarters, but also higher income from service fees at BC due to repricing

Lending and guarantee fees

- Y/Y: Lower income from slowdown in housing market as well as reduced remortgaging activity
- Q/Q: refinancing auctions in Q1 helped mitigate decline in income due to slowdown housing market activity

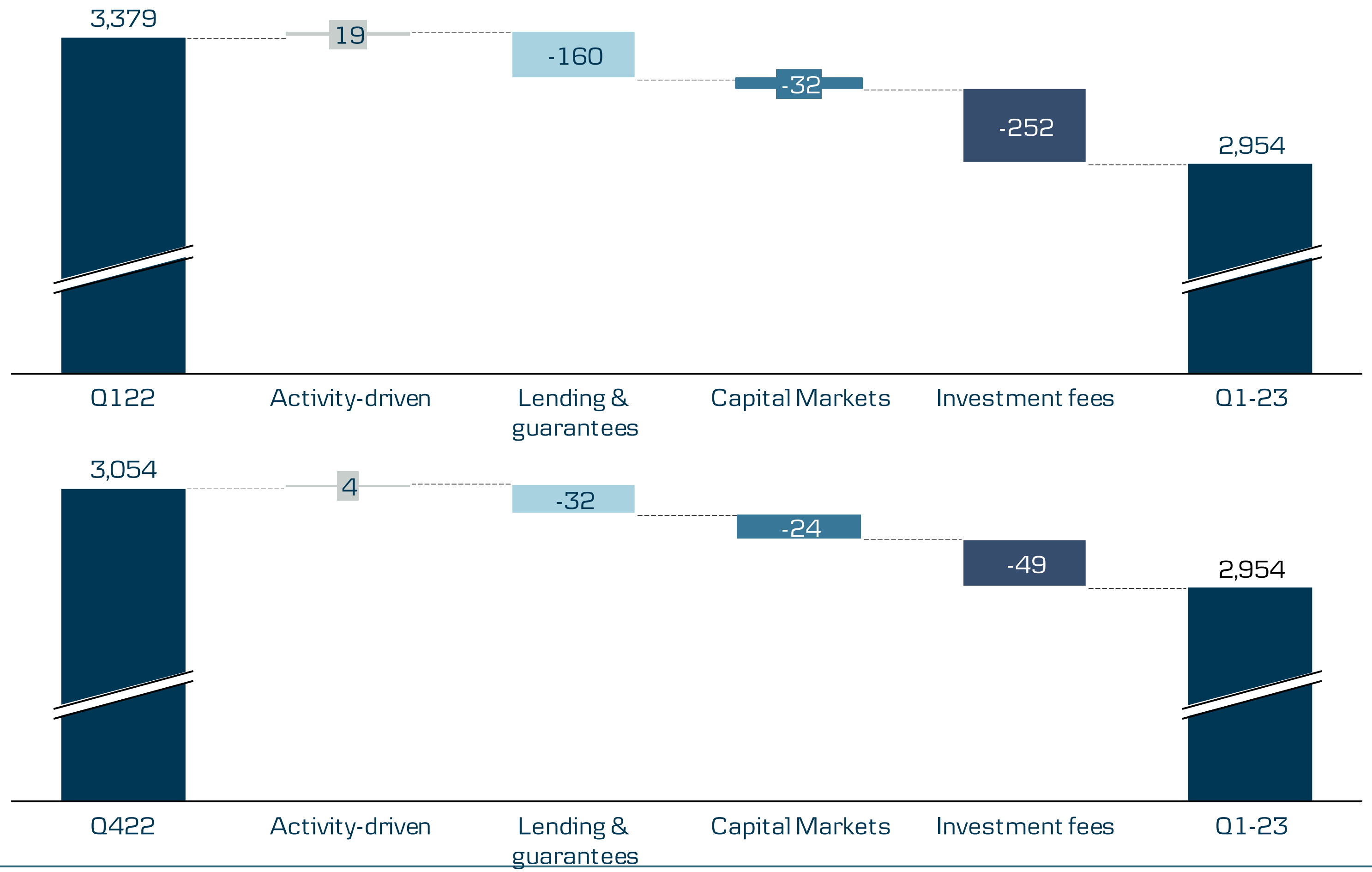
Capital markets fees

- Financial markets volatility adversely impacted customer activity in especially ECM, despite gradual pick-up in DCM

Investment fees

- Y/Y: Investment fees impacted by reduced customer activity and lower assets under management
- Assets under management increased 2% Q/Q

Net fee income (DKK m)



Trading: Good customer activity at LC&I and positive contribution from repositioned fixed income strategy as well as valuation effects drive higher trading income

Highlights

LC&I

- Significantly improved trading income due to more supportive market conditions
- New fixed income strategy at LC&I has positioned us better to take advantage of market dynamics

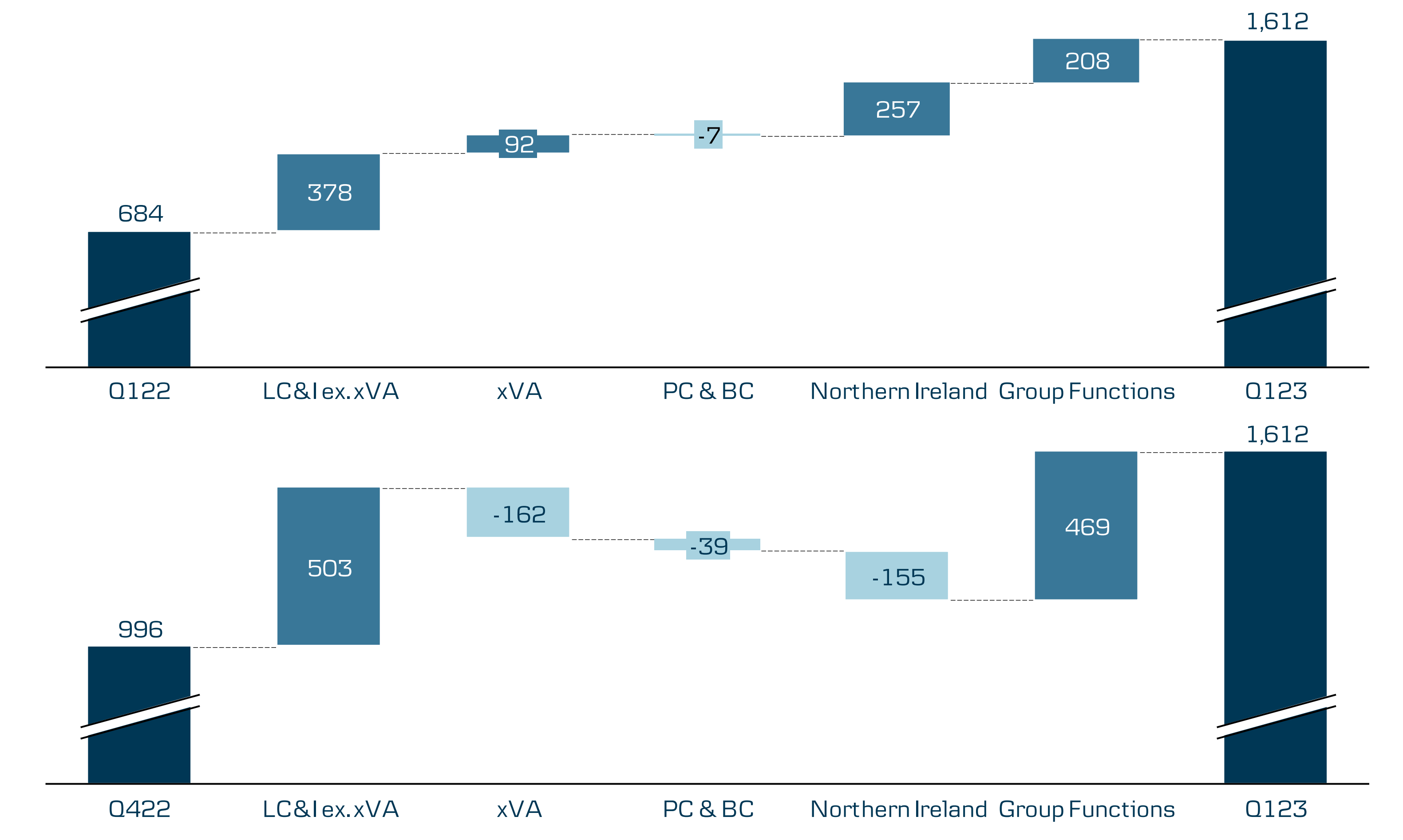
PC & BC

- Strong customer activity, especially within FX at BC helped partially offset weaker customer activity at PC

Northern Ireland & Group Functions

- Northern Ireland: Positive impact Y/Y from mark-to-market movements on the bank's hedging portfolio, reflecting a combination of interest rate expectations and the reduced remaining life of the hedging instruments. Q/Q impacted by volatility
- Group functions benefit from management of interest rate risk, which from 2023 is booked under NII

Net trading income (DKK m)

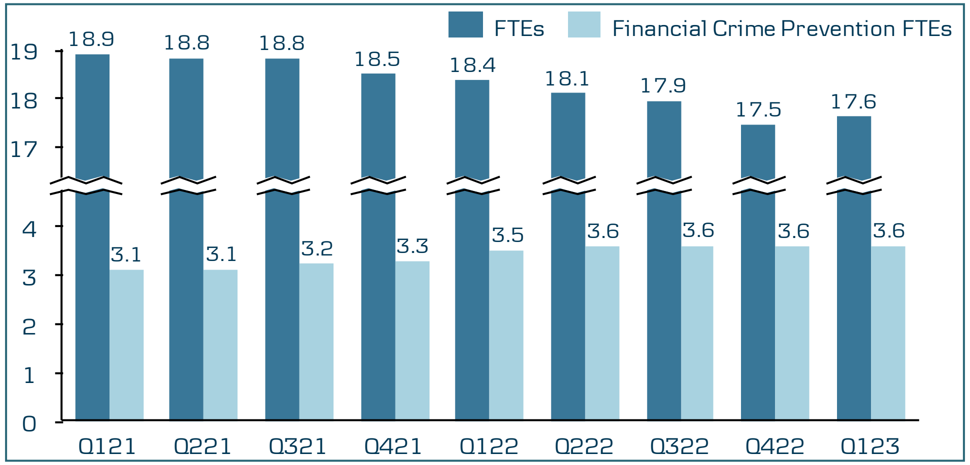


Expenses: Continued progress on cost efficiency; substantially improved cost-income ratio of 47%

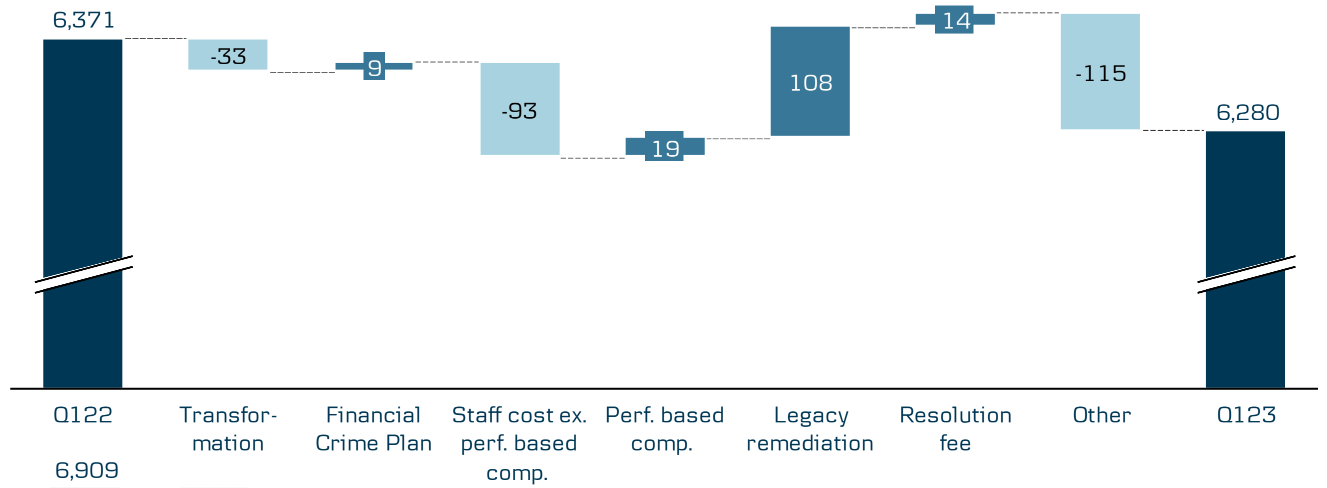
Highlights

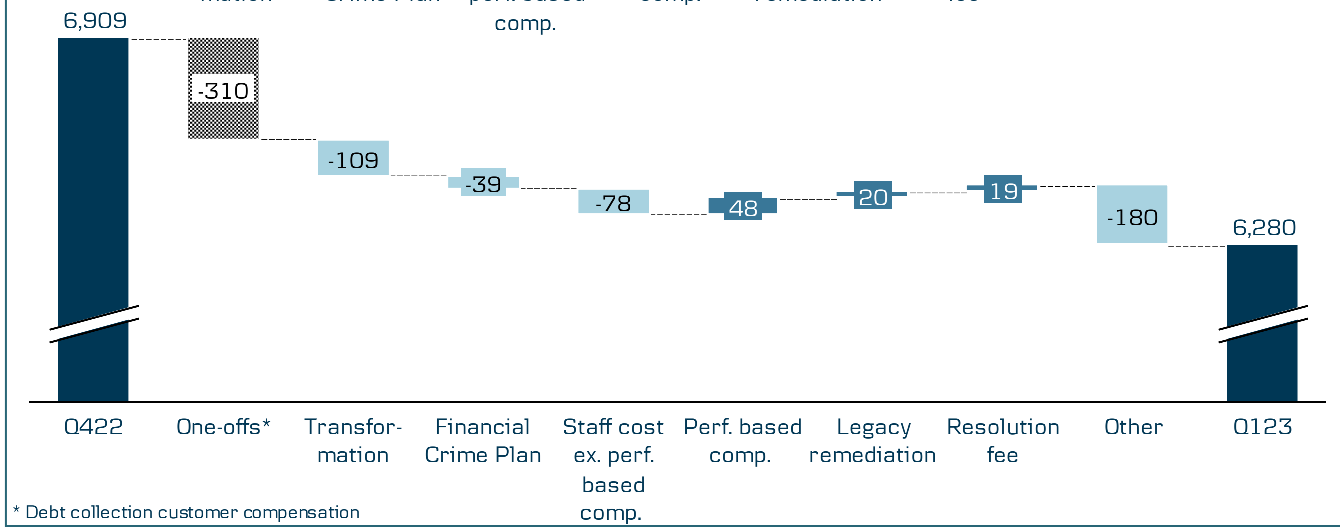
- Lower staff costs following structural cost efficiency measures helped mitigate inflation as well as higher resolution fund fee and Swedish bank tax
- Continually elevated level of remediation costs
- Transformation costs coming down according to plan as part of final execution of 2023 Better Bank plan
- Other costs lower from reduced premises, amortization and consultancy spend, as well as lower IT and marketing in Q1
- FTE up mainly due to nearshoring transition

FTEs (#, thousands)



Expenses (DKK m)





* Debt collection customer compensation

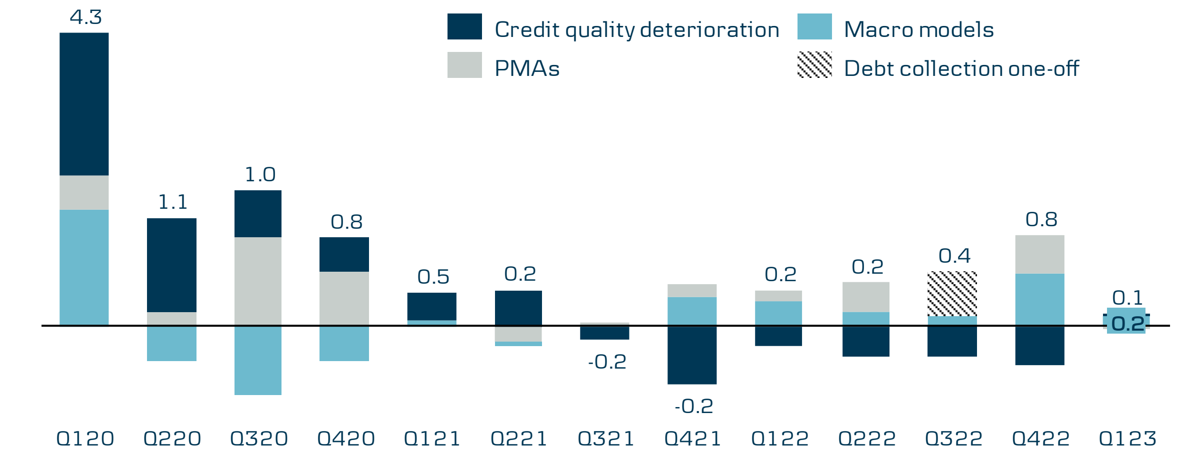
Danske Bank

Impairments: Strong credit quality with modest charges related to macro model adjustments; prudent buffers remain in place to mitigate potential downturn tail risks

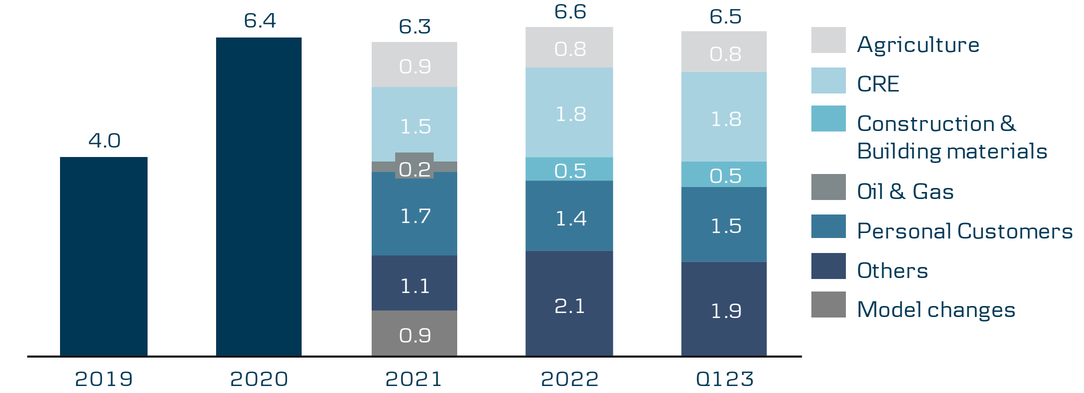
Highlights

- Credit quality remains strong with limited signs of credit deterioration and single-name impairment charges
- As the macro scenarios have been updated to reflect the uncertainties, the macro model charges resulted in additional DKK 0.2bn booked in Q1
- Total allowance account stands at DKK 19.7bn the healthy PMA buffer was kept in place to mitigate any tail risks not evident in the portfolio or captured by our macro models

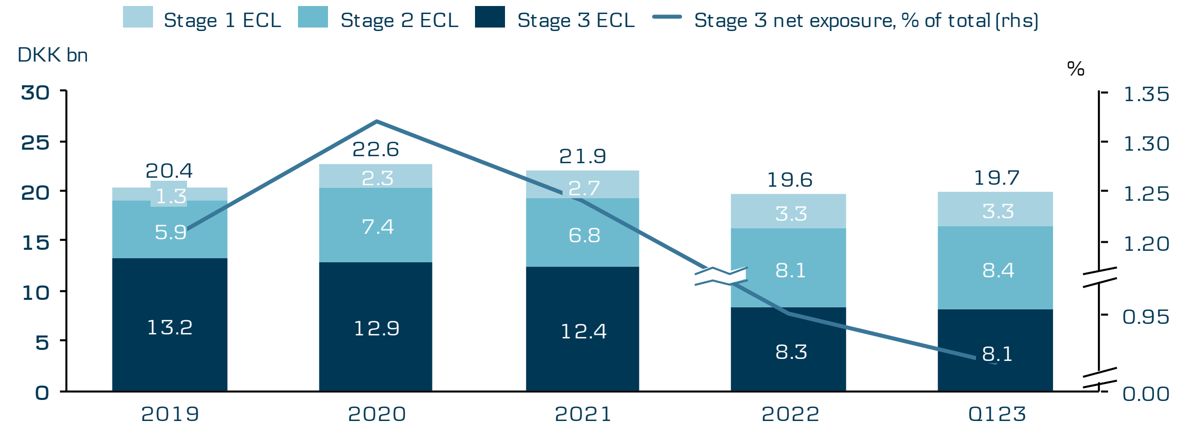
Impairment charges by category (DKK bn)



Post Model Adjustments (PMAs)



Allowance account by stages (DKK bn)

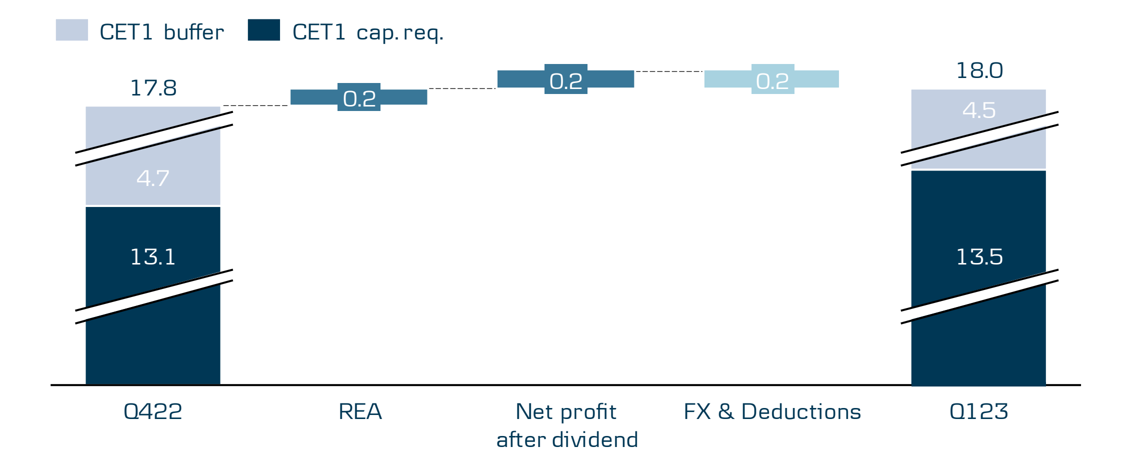


Capital: Prudent CET1 ratio of 18% adding to our comfortable capital buffer of DKK +35bn to current regulatory requirement and well above >16% capital target

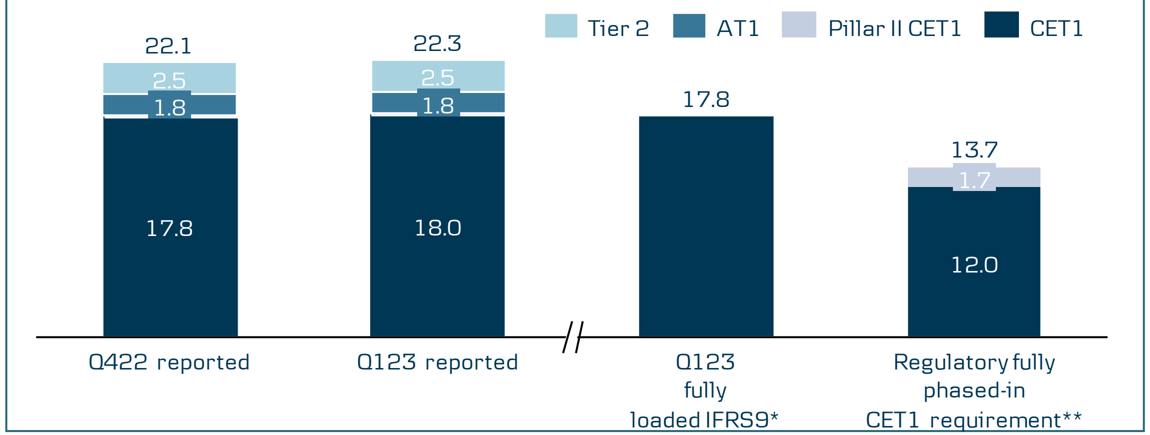
Highlights

- CET1 ratio improved to 18% as the retained earnings and lower REA were partially countered by IFRS9 add-back of deduction and FX hedge
- The Group's total REA decreased DKK 16bn, driven mainly by lower REA from credit risk, also driven by depreciation of NOK, as well as reduced market risk
- In Q1, further CCyB reactivation was implemented in Denmark and Norway, leading to an increase in CET1 requirement to 13.5%. With the remaining CCyB being activated in Sweden in Q223, the fully-phased in requirement will end up at 13.7%
- The leverage ratio was reduced sightly to 4.9% under transitional rules and 4.8% under fully-phased-in rules

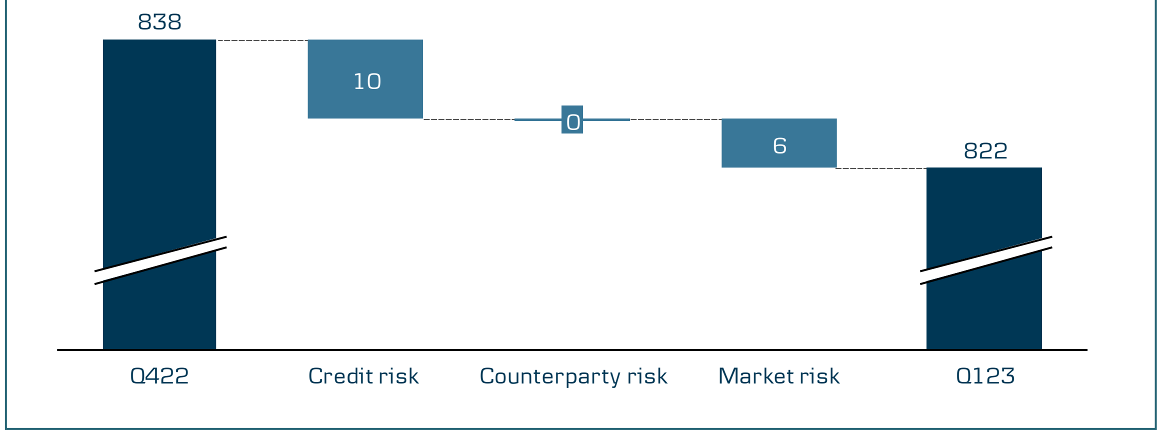
CET1 development (%)



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%.

Revised net profit outlook for 2023; We now expect net profit to be in the range of DKK 16.5 - 18.5bn*

Income	We expect core income line to grow in 2023, driven mainly by higher net interest income following further normalisation of interest rates and our continued efforts to drive commercial momentum. Fee income is expected slightly below the level in 2022. We expect income from trading and insurance activities to recover towards normalised levels subject to financial market conditions
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 2.5bn (~14bps) due to continually strong credit quality and recoveries in Q1. Loan impairment charges will primarily be driven by a weaker macroeconomic outlook affecting model-driven impairments
Net profit *	We expect net profit to be in the range of DKK 16.5 - 18.5bn, including the impact of 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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