

Press release

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**Strong start to the year driven by progress across the business  
and strong credit quality in volatile environment  
Net profit of DKK 5.2 billion for the first quarter of 2023**

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

*“In the first three months of the year we saw continually good customer activity across our business and a further improvement in the trend for the inflow of personal customers in Denmark. Our total income increased 32%. The improved interest rate environment and high trading income driven by good customer activity at Large Corporates & Institutions contributed to our strong financial result. Furthermore, net trading income and income from insurance activities both benefited from improved market conditions and, among other things, our new fixed income strategy, which makes us strategically better positioned to take advantage of new market dynamics. Impairment charges remained at a very low level in the first quarter, reflecting sound credit quality. This, as well as our continued commercial momentum, was also reflected in both the 89% increase in net profit and the recent upward revision of our outlook for 2023.*

*Global uncertainty remains high with new events adding to the haze in the first quarter. Higher interest rates aimed at curbing inflation have been met with concern around growth, and the failure of Silicon Valley Bank and takeover of Credit Suisse led to additional volatility and speculation about the liquidity position of all banks and financial stability in general.*

*In this environment, our sound credit quality, ample liquidity buffers and a well-capitalised balance sheet become a clear benefit for our stakeholders. Together with our expert advisory solutions, this enables us to continue to help our customers navigate the macroeconomic uncertainty.*

*The early upgrade of the outlook for 2023 is also testament to our confidence in our commercial momentum, building on the solid foundation we have laid for Danske Bank, our capital position and our ability to navigate the macroeconomic haze.”*

### **First quarter 2023 vs first quarter 2022**

Total income of DKK 13.4 billion (against DKK 10.2 billion in the first quarter of 2022)

Operating expenses of DKK 6.3 billion (against DKK 6.4 billion in the first quarter of 2022)

Loan impairments of DKK 147 million (against DKK 234 million in the first quarter of 2022)

Net profit of DKK 5.2 billion (against DKK 2.8 billion in the first quarter of 2022)

Return on shareholders' equity of 12.7% (against 6.2% in the first quarter of 2022)

Strong capital and liquidity positions, with a total capital ratio of 22.3%, a CET1 capital ratio of 18.0% and a liquidity coverage ratio of 169% (31 December 2022: 151%)

### **Strong capital position to the benefit of our stakeholders**

As we moved through the first quarter of 2023, it became clear that the elevated level of uncertainty had continued since the end of 2022. For instance, geopolitical tension edged even higher, and the failure of Silicon Valley Bank and the takeover of Credit Suisse by UBS in late March led to additional volatility and speculations about financial stability. As events like the latter unfold, we take comfort in the fact that Danske Bank had no exposure to the events and has a strong capital position with ample liquidity buffers to weather potential future volatility.

The sound credit quality of our portfolio and our well-capitalised balance sheet became a clear benefit for our stakeholders as we were able to continue to use our solid foundation and expert advisory solutions to help customers, and the broader society, navigate the macroeconomic uncertainty.

### **Solid performance in uncertain environment**

Financially, we got a strong start to the year with a net profit of DKK 5.2 billion and an increase of 32% in total income. Net interest income came in stronger than in the year-earlier period due to further normalisation of interest rates, despite a relatively flat development adjusted for currency effects. In addition, despite high volatility in the financial markets and general uncertainty, fee income was resilient, whereas more supportive market conditions and good customer activity had a positive impact on income from trading and insurance activities. Costs were down slightly, and credit quality continued to be strong as only modest loan impairment charges were recognised due to a small negative effect from model adjustments.

*“The first quarter was marked by continually low macroeconomic visibility and thus by high volatility in the financial markets. Despite these market conditions, our diversified business model and core activities continued to deliver. Net interest income increased 43% in the first quarter – and for the tenth consecutive quarter – as a result of higher interest rate levels and our repricing initiatives. Net fee income stayed sound, despite lower activity on the housing market. We also saw our income from trading and insurance activities normalise as market conditions improved. Credit quality continued to be strong, while we remain cautious, as seen by our full-year guidance on impairments. Our efforts to increase efficiency continued to result in a decrease in underlying costs, and as reflected in our early, positive adjustment of our full year guidance, we remain confident in*

*our ability to help our customers navigate the current low visibility environment,” says Stephan Engels, CFO.*

### **Personal Customers**

In the first quarter of 2023, Personal Customers saw a significant increase in net interest income of 76%, mainly as a result of higher income from deposits that was driven by market developments and repricing initiatives. We saw customers moving from investment to savings products and launched new high-rate deposit products to support this development. Fee income decreased due to lower remortgaging activity and lower investment income as a result of the uncertainty on the financial markets. Operating expenses decreased due to continued efficiency gains. Credit quality remained solid, but due to the macroeconomic outlook, loan impairment charges increased. Profit before tax in the first quarter of 2023 amounted to DKK 1.9 billion, an increase of 51% from the same period in 2022 that was driven by higher income and lower operating expenses, while the higher loan impairment charges had a partly offsetting effect.

### **Business Customers**

Business Customers started 2023 with good results driven by a positive market environment and increased customer activity. The organisation was adjusted in the first quarter of 2023 as the next steps were taken towards greater specialisation, increased efficiency and alignment across the Nordic markets. In the first quarter of 2023, profit before tax amounted to DKK 2.4 billion, an improvement of 79% from the level in the same period in 2022. This was driven primarily by higher income from deposits as a result of the rising market rates and our repricing initiatives, but also by the repricing of service fees and transfer of customers to a service-based fee model. Remortgaging fees decreased due to the slowdown in the commercial property market. The financial performance was adversely affected by the depreciation of currencies.

### **Large Corporates & Institutions**

During the first quarter of 2023, the operating environment remained challenging, with continued monetary policy tightening from central banks. Additionally, financial difficulties in a few Swiss and US banks caused some general market concern regarding global financial system stability. However, we stand ready to support our customers, while continuously monitoring the current risk picture. We continue to see positive underlying momentum, as illustrated by continued growth in everyday banking fees, by our leading position in sustainable finance, and by the inflow of new customers in Sweden. Furthermore, we are starting to see positive effects from our new fixed income strategy, calibrating our market risk to new market dynamics. As a result, we are pleased to report strong net trading income in the first quarter of 2023, while having reduced our capital base by 5% since the preceding quarter. Profit before tax amounted to DKK 2.9 billion, an increase of 69% from the level in the same period last year, due primarily to higher trading income and net interest income.

### **Danica Pension**

Favourable financial markets in the first two months meant a positive start for our customers' pension savings in 2023. However, March was affected by instability in the global financial sector following a liquidity crisis among few US and European banks. The direct effect on Danica Pension's investments was marginal, and the financial markets have since stabilised. Net income at Danica Pension amounted to DKK 0.5 billion in the first quarter of 2023, an increase from the level in the same period in 2022.

**Northern Ireland**

Our focus in Northern Ireland is on remaining a stable, strong and risk-astute bank, consolidating our market-leading position in Northern Ireland 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 0.51 billion in the first quarter of 2023.

**Outlook for 2023**

On the basis of the development seen in the first quarter, we now expect net profit for 2023 to be in the range of DKK 16.5-18.5 billion, as stated in our company announcement of 13 April 2023. At the release of our 2022 financial results on 2 February this year, we initially guided for a full-year 2023 net profit in the range of DKK 15-17 billion.

Danske Bank

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More information about Danske Bank's financial results is available at [www.danskebank.com/reports](http://www.danskebank.com/reports).