

Press release

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Good start to the year driven by robust customer activity across the business and strong credit quality in uncertain environment
Net profit of DKK 5.6 billion for the first quarter of 2024

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

“In the first three months of the year, we saw macroeconomic uncertainty remaining high, not least because of the geopolitical landscape. It is still very much a mixed picture with many areas of the Nordic economies performing well, but we also see businesses facing headwinds, for example within construction. Unemployment remains low, and households are in the process of regaining their real income.

For Danske Bank, the first quarter of 2024 was a continuation of our stable and satisfactory performance in 2023. Overall, our income increased, supported by good customer activity throughout our business, our sustained focus on efficiency kept costs down, and strong credit quality resulted in modest loan impairments. All in all, we continued to improve our profitability. We have also this year in Denmark seen good interest in our leading savings products among our personal customers as well as increased demand for bank lending and investment products. This, combined with the normalised interest rate environment, led to an increase in net interest income, and broad-based banking customer activity led to an increase in net fee income.

The first quarter of 2024 was effectively the first quarter of our new strategy period. With our Forward '28 strategy, we have set clear ambitions for continuing the efforts to strengthen our position as a leading bank in the Nordic region. In the first quarter of the year, we continued to progress, among other things, with partnerships related to both platforms and cloud technology to provide our customers with the best digital customer experience, and we introduced a new asset management strategy to ensure broader distribution and product offering.”

First quarter 2024 vs first quarter 2023

Total income of DKK 14.0 billion (against DKK 13.4 billion in the first quarter of 2023)

Operating expenses of DKK 6.3 billion (against DKK 6.3 billion in the first quarter of 2023)

Loan impairments of DKK 101 million (against DKK 147 million in the first quarter of 2023)

Net profit of DKK 5.6 billion (against DKK 5.2 billion in the first quarter of 2023)

Return on shareholders' equity of 12.9% (against 12.7% in the first quarter of 2023)

Strong capital and liquidity positions, with a total capital ratio of 23.0%, a CET1 capital ratio of 18.5% and a liquidity coverage ratio of 168% (31 December 2023: 170%)

A solid financial partner in an uncertain environment

As a strong financial institution, we continue to be a solid financial partner for our customers, financing the green transition and investing to develop our solutions.

The start of 2024 has unfortunately been characterised by continued geopolitical uncertainty. In spite of the global events, when we focus on the macroeconomic trends in the regions in which we operate, we have seen some positive developments lately as many areas of the Nordic economies are performing well and inflation is trending down. For the Danish economy specifically, growth has been supported by a solid activity level in the services sector and a strong pharmaceutical sector, leading to a continually low unemployment rate and resilient household finances. Additionally, the latest macroeconomic outlook for Denmark is now more positive, supported by expectations for lower policy rates in the course of 2024.

We continue to be able to support our customers through the continued geopolitical uncertainty on the basis of a strong balance sheet and our expert advisory services.

Strong financial performance

Despite the challenging market conditions, we continued our work to deliver on our strategic ambitions, and we achieved a strong return on equity of 12.9% in the first quarter of 2024. The improvement was primarily the result of higher net interest income generated on the basis of a return to a more normal interest rate environment and our product development initiatives. The improvement was underpinned by good customer activity as we saw an increase in lending to business customers and continually good demand for our products from personal customers in Denmark, resulting, among other things, in an increasing market share of bank lending. Overall, lending remained stable as credit demand was impacted by currency effects and cautious housing market activity. Total lending also remained flat when taking into account the fact that the Norwegian personal customer business' loan portfolio in 2023 was moved from 'loans' to 'other assets'. We saw a 4% increase in net fee income as everyday banking fees increased due to higher customer activity and repricing actions. Furthermore, higher performance fees from Asset Management – as we continued to see an inflow into our investment products – and cash management services also contributed to the increase in net fee income. Net trading income decreased as the first quarter of 2023 was very strong, meaning both financial market conditions and trading activity were much different in the first quarter of 2024.

We maintain our focus on efficiency, and against this background, operating expenses developed on track to deliver in line with our full-year guidance. We thus achieved a cost/income ratio of 45% for the first quarter, which is also in line with our 2026 target. Credit quality remained strong on the back of resilient portfolios. Consequently, loan impairment charges remained low despite the economic uncertainty in society.

Sustainability is a core pillar of our Forward '28 strategy, and in this regard, 2024 has so far been a busy year. We have launched a strategy paper detailing our strategic direction and a new Position Statement on Fossil Fuels that introduces stricter requirements for our investment activities. We have also published our Climate Action Plan Progress Report 2023 that provides a status on the Group's climate targets presented in our Climate Action Plan from January 2023.

“We continue to support our customers in navigating these financially uncertain times on the basis of our strong capital and liquidity positions. The result of this work is a 4% increase in total income, and as our transformation and efficiency measures continue to be on track, costs came down 4% quarter-on-quarter, resulting in an improved cost/income ratio of 45%. As net profit rose 9%, we improved the return on equity to 12.9%,” says Stephan Engels, CFO.

Personal Customers

In the first quarter of 2024, Personal Customers saw good customer activity, and we supported this development by helping our customers manage their finances through digital solutions, advisory services and competitive products. Customer activity was good in the investment area, driven by more benign financial markets, and continued the positive trend from the second half of 2023 when market shares increased for Danske Invest retail funds. In the housing market, we saw a slowdown in customer activity in Denmark from the elevated activity level in the second half of 2023 that was driven especially by new property tax regulation. Profit before tax amounted to DKK 2.7 billion in the first quarter of 2024, an increase of 42% from the year-earlier period. The increase was driven by higher net fee income, especially everyday banking fees and investment fees, higher net interest income from deposits and net loan impairment reversals.

Business Customers

In the first quarter of 2024, Business Customers saw an increase in customer activity from the level in the first quarter of 2023 as a result of the general economic improvement in the Nordic region. We supported our customers across segments and markets, with a focus on providing the best possible advice tailored to our customers' needs. In the first quarter of 2024, profit before tax amounted to DKK 1.7 billion, a decrease of 28% from the year-earlier quarter. Net fee income rose as a result of increased customer activity and repricing actions but the resulting rise in total income was offset by

an increase in loan impairment charges that was driven by a few cases in our leasing organisation as well as an allocation of post-model adjustments.

Large Corporates & Institutions

In the first quarter of 2024, macroeconomic uncertainty persisted, though sentiment was more positive than expected. We continued to leverage our strategic commercial strengths, which drove a positive underlying momentum as reflected in growth in our corporate customer portfolio outside Denmark, an increased market share of cash management services and higher fees from our Asset Management business. Furthermore, we are proud to have maintained our leading position in sustainable finance. Profit before tax amounted to DKK 2.7 billion, a decrease of 7% from the same period last year, driven primarily by lower net trading income.

Danica Pension

The stable and positive market trend from the end of 2023 continued into the first quarter of 2024, supported by strong momentum in the pharmaceutical and tech sectors. The result shows a strong return on our pension customers' savings, driven by the strong performance of equities. The underlying business continued to be solid, and the result for the first quarter was satisfactory. However, we continued to see an increase in people suffering from physical or mental problems, and this had a negative effect on the insurance result for the health and accident business in the first quarter of 2024. Net income at Danica Pension amounted to DKK 492 million in the first quarter of 2024, which was at the same level as in the first quarter of 2023.

Northern Ireland

The strong underlying financial performance in Northern Ireland reflects business growth in an environment of higher interest rates. Profit before loan impairments was in line with the first quarter of 2023, while profit before tax of DKK 457 million was lower, reflecting a small loan impairment charge.

Outlook for 2024

We continue to expect net profit to be in the range of DKK 20-22 billion. The outlook is subject to uncertainty and depends on economic conditions.

Danske Bank

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