

Press release

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**Core banking activities progressed, driven by good customer activity  
in a highly uncertain environment  
Net profit of DKK 21.3 billion and return on equity of 12.7% for the year  
Proposed dividend of DKK 7.5 per share and share buy-back programme to be initiated**

Danske Bank has announced its financial results for 2023.

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

*“2023 was an unpredictable and challenging year for everybody to navigate in, and throughout the year, our customers made extensive use of our expert advisory services, convenient digital offerings and attractive financing solutions. On this basis, we saw significant progress across our diversified business, and total income rose 25%.*

*As interest rates have risen, also benefiting net interest income, we have introduced a number of attractive savings and investment products, which were well received by customers. This was reflected in both increasing deposits and good investment activity, and the positive development in our personal customer business in Denmark continued, with also bank lending increasing and customer satisfaction rising.*

*Following our changed fixed income strategy, net trading income increased significantly in 2023, while fee income was resilient due to activity-based fees and increasing capital markets activity, even though housing market activity remained subdued. With our continued efforts to improve efficiency and focused cost control, costs continued the downward trend. Together with strong credit quality resulting in low impairments, this means that we have significantly strengthened our profitability.”*

The annual report is available at [www.danskebank.com](http://www.danskebank.com). Highlights are shown below:

**2023 vs 2022**

Total income of DKK 52.4 billion (up 25%)

Operating expenses of DKK 25.4 billion (down 4%)

Loan impairments of DKK 262 million (2022: DKK 1.6 billion)

Net profit of DKK 21.3 billion (2022: loss of DKK 4.6 billion)

Return on shareholders' equity of 12.7% (2022: 6.5% excluding provision for Estonia matter and goodwill impairment)

Strong capital position, with a total capital ratio of 23.1% and a CET1 capital ratio of 18.8%

**Challenging but better than expected macroeconomic conditions**

During 2023, geopolitical tension and uncertainty increased even more, most recently with a regional conflict in the Middle East. Despite this challenging operating environment, a soft landing for the major economies globally looks increasingly likely, with inflation declining faster than expected and the economies stagnating rather than declining. We note that macroeconomic sentiment, especially in Denmark, improved towards the end of the year. The inflationary pressure eased, and the labour markets in the Nordic countries were resilient. Nevertheless, activity in the housing markets remained subdued in 2023, which had a negative effect on loan demand and customer-driven activity at our banking operations. Even though macroeconomic sentiment has improved and the credit quality of our portfolio is strong, we are mindful that the macroeconomic outlook remains uncertain, and the full effect of the higher interest rate environment has yet to be seen. Also, towards the end of the year, we started to see a slight credit quality deterioration in the economic sectors first affected by the rise in interest rates. We therefore remain prudent, with significant buffers in place.

In times of uncertainty for both the bank and our customers, our well-capitalised balance sheet has enabled us to be a strong financial partner for our customers, and we have continued to support them with risk management expertise and expert advice.

**Solid performance in improved interest rate environment**

Good commercial momentum in our business, higher interest rates and better than expected macroeconomic conditions enabled us to improve the profitability of Danske Bank, and the return on equity improved from 6.5% to 12.7%.

We aim to always have an attractive value proposition with competitive prices for our customers and took several pricing actions in the second half of the year, lifting interest rates on both transaction accounts and savings accounts across the markets in which we operate. Net interest income showed a strong development driven by higher income from deposits following repricing actions and market rate developments as well as product development.

Net fee income was lower than in 2022. It did, however, increase in the second half of the year because of increased capital markets activity, stable investment activity and improving, though still

low, housing market activity towards the end of the year, combined with customers switching from mortgage loans to bank loans.

Net trading income rose, with the increase driven by the fixed income strategy implemented at Large Corporates & Institutions towards the end of 2022 and robust customer activity.

Net income from insurance business recovered, especially towards the end of the year. The increase was due primarily to more positive developments in the financial markets in 2023, although the effect was partly offset by an increase in health and accident claims.

Underlying expenses continued to progress according to full-year plan and decreased 4% from the level in 2022.

Impairments reflect successful restructuring activities, mainly in the oil, gas and offshore sector and continued post-pandemic recoveries, contributing to overall stable credit quality. Loan impairment charges in core business segments were low in 2023.

Overall, we ended the year with the same positive momentum as we saw in the first nine months. This resulted in an increase in total income of 25% and a net profit of DKK 21.3 billion.

*“2023 was a year of both great uncertainty and continued commercial momentum as our customers utilised Danske Bank as a strong financial partner. This as well as our diversified business model ensured an increase in total income of 25%, while costs continued to come down, and we improved our cost/income ratio from 63.4 to 48.5.*

*The strong credit quality of our portfolio is reflected in low impairment charges, however, the current, low level does not change our expectation of increased losses in the near future as impairment charges are subject to an elevated level of uncertainty in 2024. We remain ready to support our customers on the basis of relevant advisory services and our strong balance sheet. Finally, we have come to the conclusion of the Better Bank strategy, far exceeding the financial targets and laying a solid foundation for succeeding with our current strategic ambitions,”* says Stephan Engels, Chief Financial Officer.

### **Better Bank strategy successfully completed**

We have come to the end of the Better Bank strategy that since 2019 has enabled us to make Danske Bank a better bank to the benefit of all stakeholders. We have exceeded both our financial targets and the vast majority of the other targets we set. Most importantly, we have seen good progress on all four strategic promises we made in relation to customers, employees, society and shareholders. All of these elements, and also the ones where we made progress but did not reach the target, are part of the foundation for our Forward '28 strategy, and we will use our learnings from Better Bank to succeed in fulfilling our new strategic ambitions.

### **Initiating our ambitious Forward '28 strategy**

In June, we announced our Forward '28 strategy. With this strategy, we set clear ambitions to continue our efforts to strengthen our position as a leading bank in the Nordic region in a digital age, with a sharpened focus on prioritised customer segments. To support this, we will make significant investments in customer offerings by increasing investments in our core capabilities within digital platforms, expert advisory services and sustainability.

To this end, we have also entered into a strategic partnership with Infosys to accelerate our digital transformation as set out in Forward '28. Moreover, we recently announced a new agreement with Backbase, which will enable us to provide our customers with the best digital customer experience and the latest innovative solutions.

*“The end of 2023 was also the end of our Better Bank strategy. We have made a number of fundamental changes that have helped us transform our culture, improve our structures and strengthen our commercial momentum. Moreover, we have been able to restart our distribution of capital, which reflects our sound banking operations. We are now focusing on executing our new strategy, Forward '28, with a clear ambition for Danske Bank to be a leading bank in a digital age, to the benefit of all of our stakeholders,”* says Carsten Egeriis.

### **A leading bank for sustainable finance**

2023 was the final year of Danske Bank's 2023 Group Sustainability Strategy that we launched in 2020 to support our ambition to be a leading bank for sustainable finance in the Nordic countries.

A key objective of the strategy was to increase funding to and investments in the sustainability transition, and over the four years of the strategy, we have lifted sustainable financing to DKK 365 billion (2022: DKK 273 billion) and succeeded in investing DKK 53 billion (2022: DKK 52 billion) in funds with sustainability objectives.

Under Forward '28, sustainability is also among our four key focus areas, and the new strategy sets out our overall ambition to be a leading Nordic bank in supporting the sustainability transition of customers, businesses and the Nordic societies in general. To fulfil this ambition, we will continue to develop sustainability-related commercial offerings and to manage sustainability-related risks to our business.

### **Capital distribution for 2023**

On the basis of our satisfactory performance in 2023 and strong capital position, the Board of Directors is proposing a dividend for the second half of 2023 of DKK 7.5 per share. This is in addition to the interim dividend of DKK 7.0 per share paid for the first half of 2023. In total, the dividend for 2023 will thus amount to DKK 14.5 per share, or 59% of net profit. The Board of Directors has decided to initiate a share buy-back programme of DKK 5.5 billion, equivalent to a

total payout ratio of 85% including the dividend for 2023. The programme, which has been approved by the Danish Financial Supervisory Authority, will start on 5 February 2024. Our CET1 capital ratio will be reduced from 18.8% to 18.1% but will remain above our regulatory requirements.

Creating value for our shareholders is crucial in the same way as creating value for customers, employees and the societies we are part of. Being able to attract capital from shareholders is a prerequisite for a bank's ability to lend and do business. And our capital distribution benefits both large professional investors, almost every major Danish pension fund and private investors. Our shareholders count more than 175,000 private individuals in Denmark, who have chosen to invest part of their savings in Danske Bank shares.

#### **Outlook for 2024**

We expect net profit for 2024 to be in the range of DKK 20-22 billion.

*“Net profit for 2024 is expected to reflect the progress on our financial ambitions for 2026. Total income is expected to grow in 2024, driven by higher income from core activities and our continued efforts to drive the commercial momentum, while operating expenses are expected to reflect the continued focus on cost management and increased investments in line with our financial targets for 2026,”* says Stephan Engels.

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](http://www.danskebank.com/reports).