

Wednesday 7th September- 11am - 12pm

ADVANTAGE

Danske Bank

Q3 Economic and Markets Update



Hosted by

Robert McCullough

Head of Organisational
Development



The Outlook for the UK and Northern Ireland Economies

Conor Lambe is the Chief Economist at Danske Bank, acting as the Bank's spokesperson and a trusted subject matter expert on all UK and Northern Ireland economic and related matters.

Conor is responsible for Danske Bank's Quarterly Sectoral Forecasts and Consumer Confidence Index

Conor Lambe, Danske Bank Chief Economist

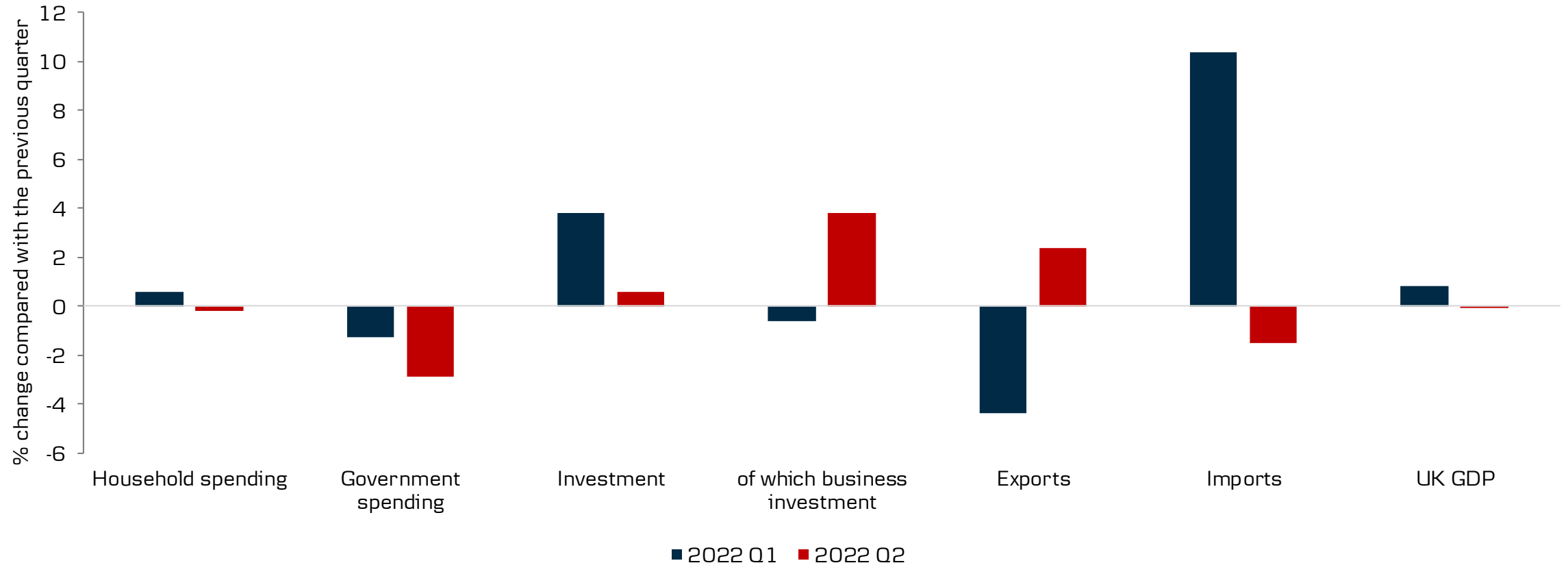
Danske Advantage webinar

07 September 2022

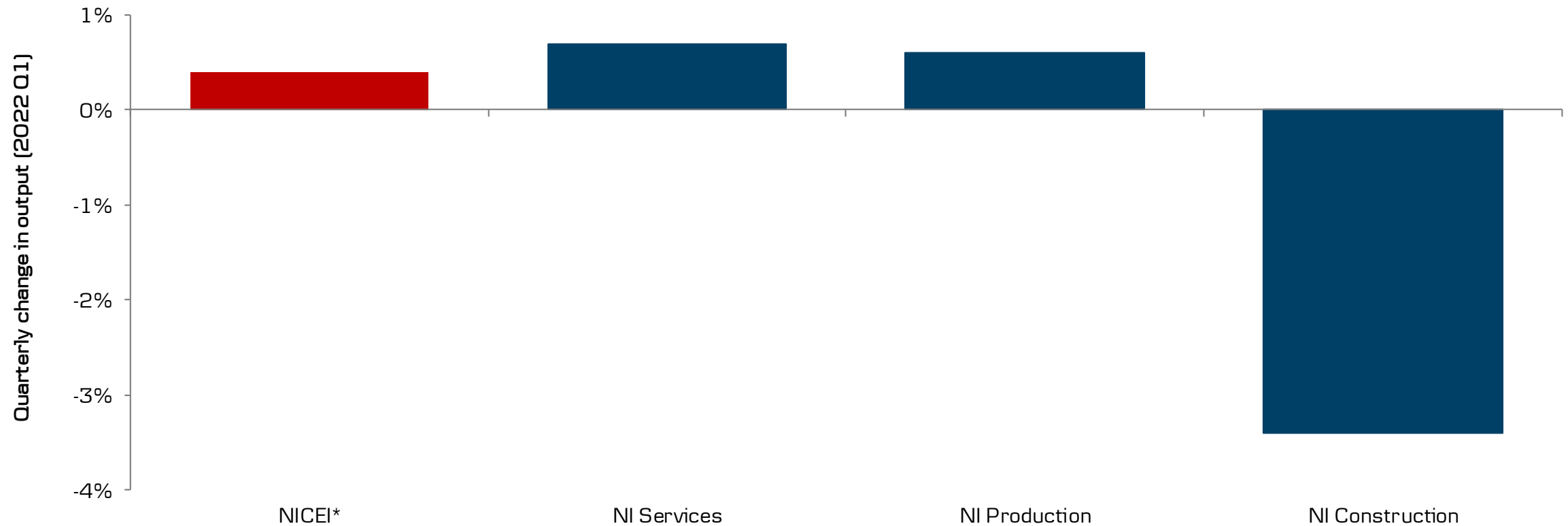
 @ConorLambe



The UK economy grew in the first quarter of 2022 but contracted in the second quarter of the year



The NI economy expanded in 2022 Q1 with the services and production sectors growing but construction contracted



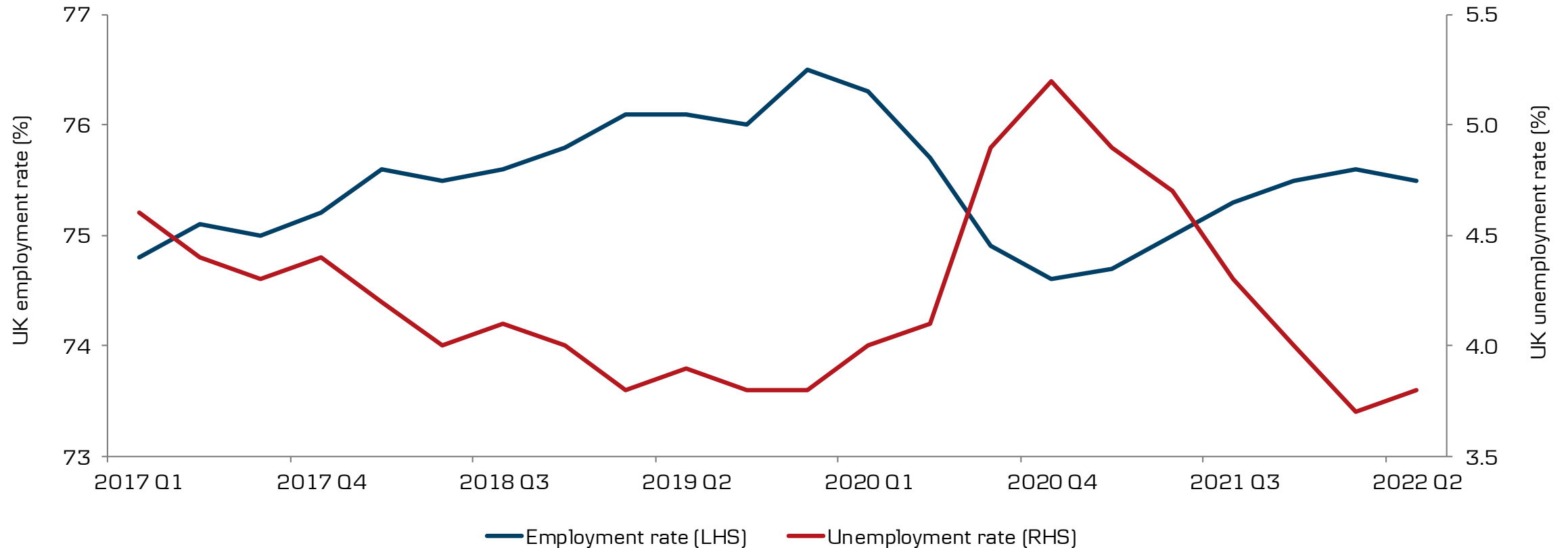
Source: NISRA

*Northern Ireland Composite Economic Index - a quarterly measure of how the NI economy is performing

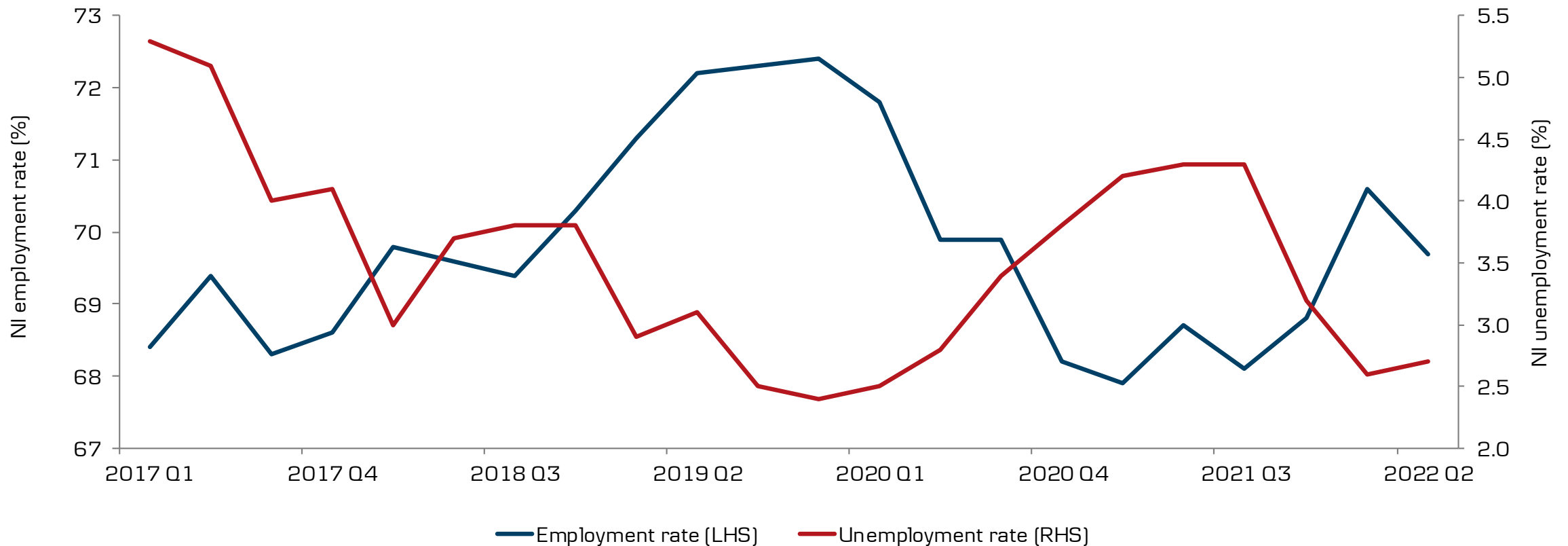
Inflation in the UK increased to 10.1% in July 2022, more than five times higher than the Bank of England's 2% target rate



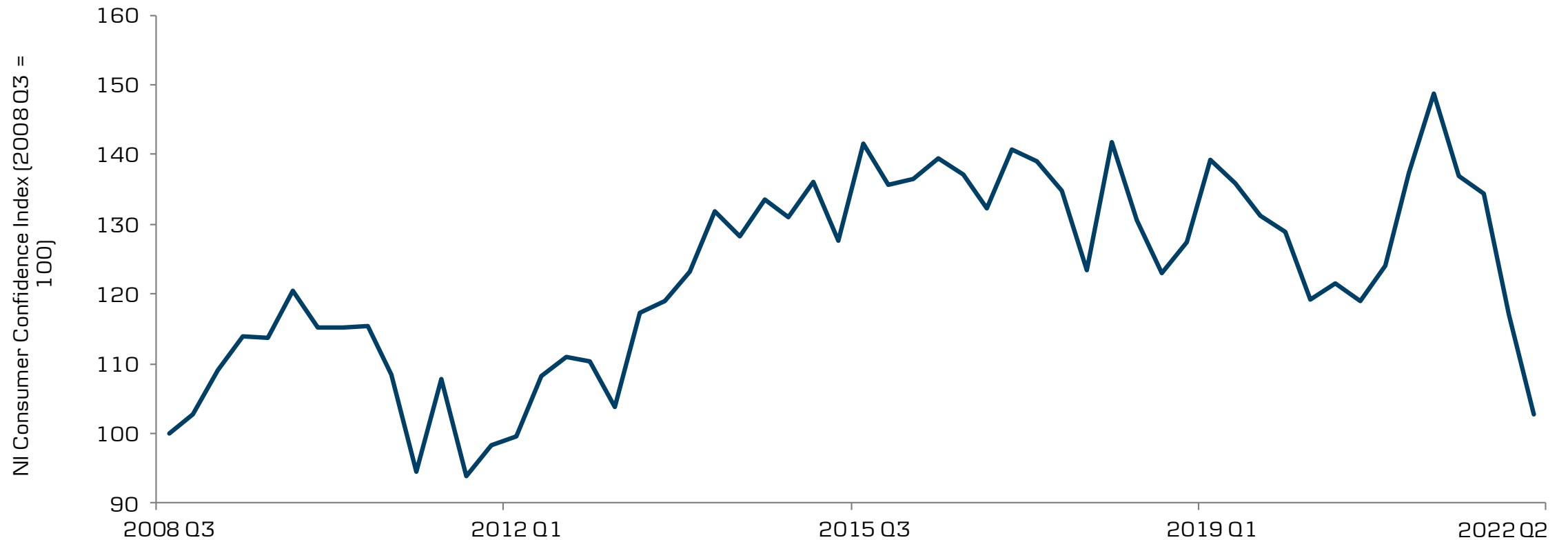
The UK labour market is in a relatively strong position with an unemployment rate of 3.8% recorded for 2022 Q2



In Northern Ireland, the labour market is also in a robust position with an unemployment rate of 2.7%

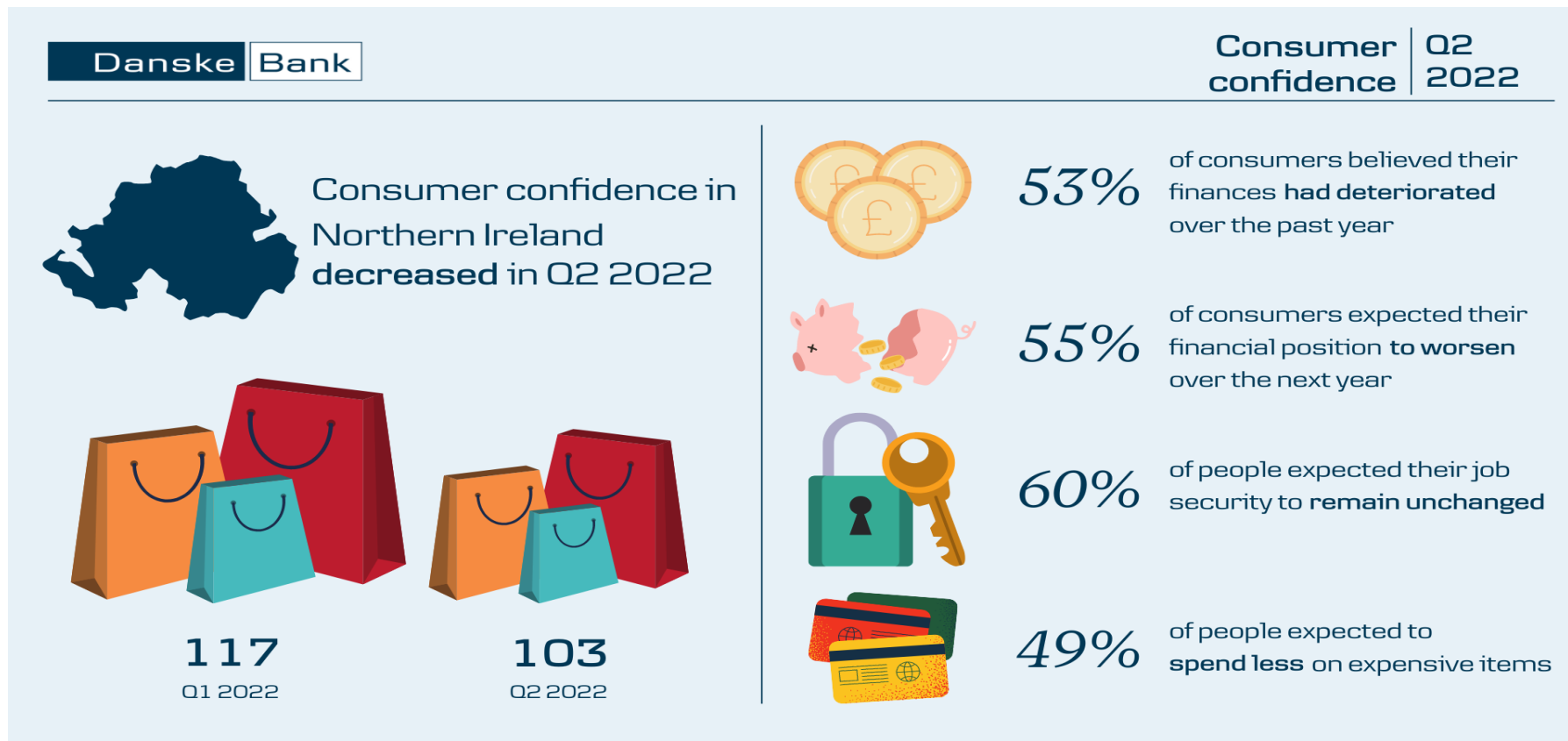


Consumer confidence in Northern Ireland fell sharply both over the quarter and the year in 2022 Q2



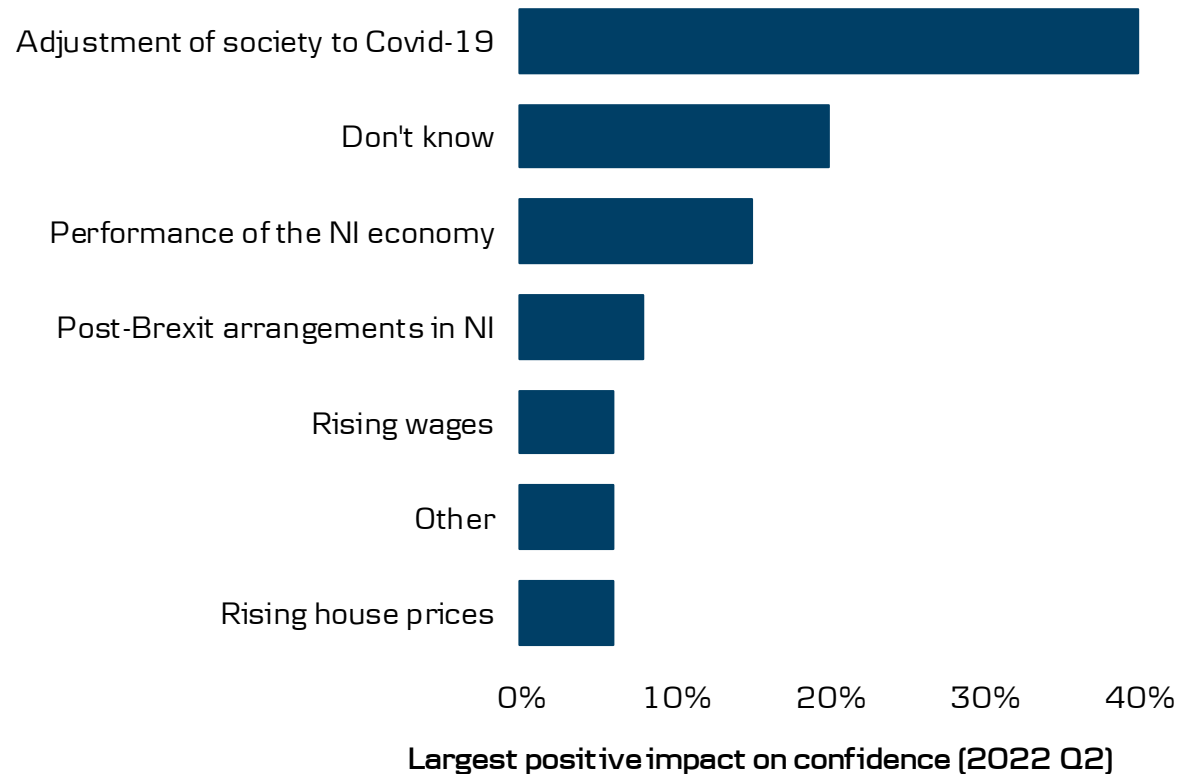
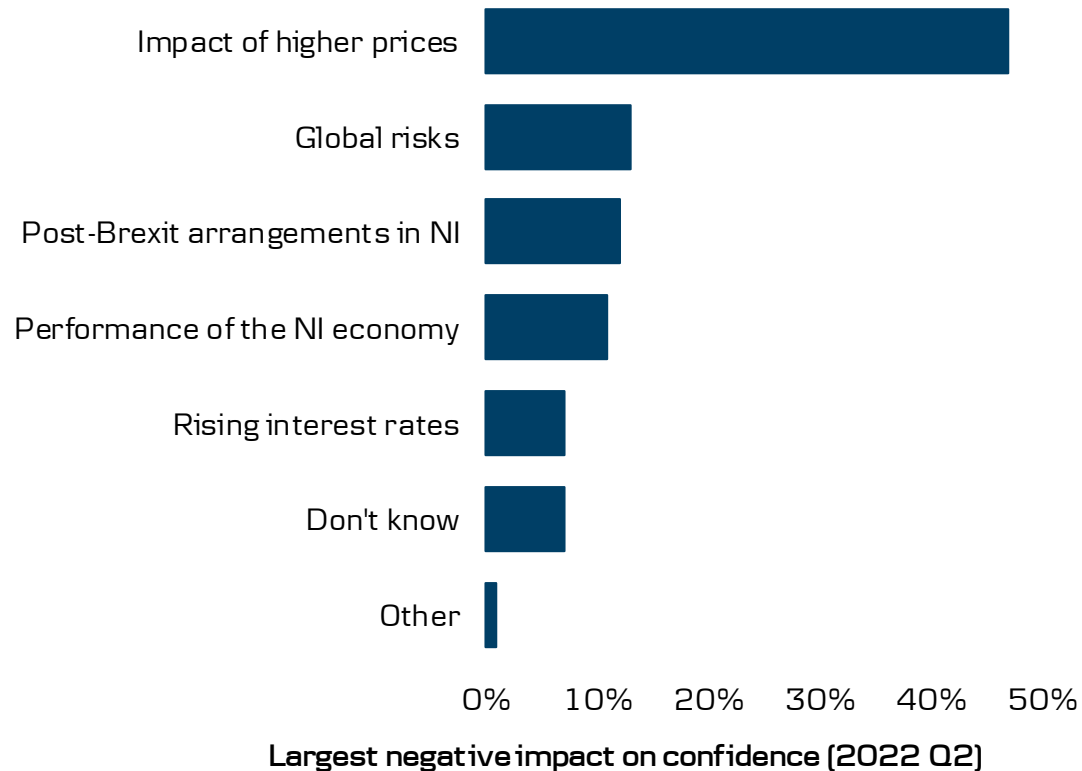
Source: Danske Bank Northern Ireland Consumer Confidence Index 2022 Q2

People were less confident about their current finances, future finances, job security and expected spending on expensive items



Source: Danske Bank Northern Ireland Consumer Confidence Index 2022 Q2

The fall in confidence can mainly be attributed to the impact of higher inflation on household finances



The outlook is particularly uncertain but there are several factors which we expect to impact the performance of the economy



High inflation eroding real incomes and squeezing consumer spending



Strong labour market providing some support to consumers



Changes to fiscal policy



Tighter monetary policy with further base rate rises expected this year



Extra trade frictions due to Brexit



Recovery in business investment

There are several risks and uncertainties which could impact the performance of the economy

Persistent inflation and supply chain disruption

The war in Ukraine

Political uncertainty, including around the post-Brexit trading arrangements


Coronavirus

Thank you

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 Conor Lambe

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www.danskebank.co.uk/economy



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Introduction

Interest Rate & FX Risk

John-Paul Coleman is Head of Treasury & Markets, managing the Bank's funding, liquidity, Foreign Exchange (FX) and interest rate risk and leading a team of specialists in hedging (FX) and interest rate risk. John-Paul is a Chartered Financial Analyst with over 20 years' experience in national and international banks working in Dublin, London and Belfast.

John-Paul Coleman, Danske Bank
Head of Treasury & Markets

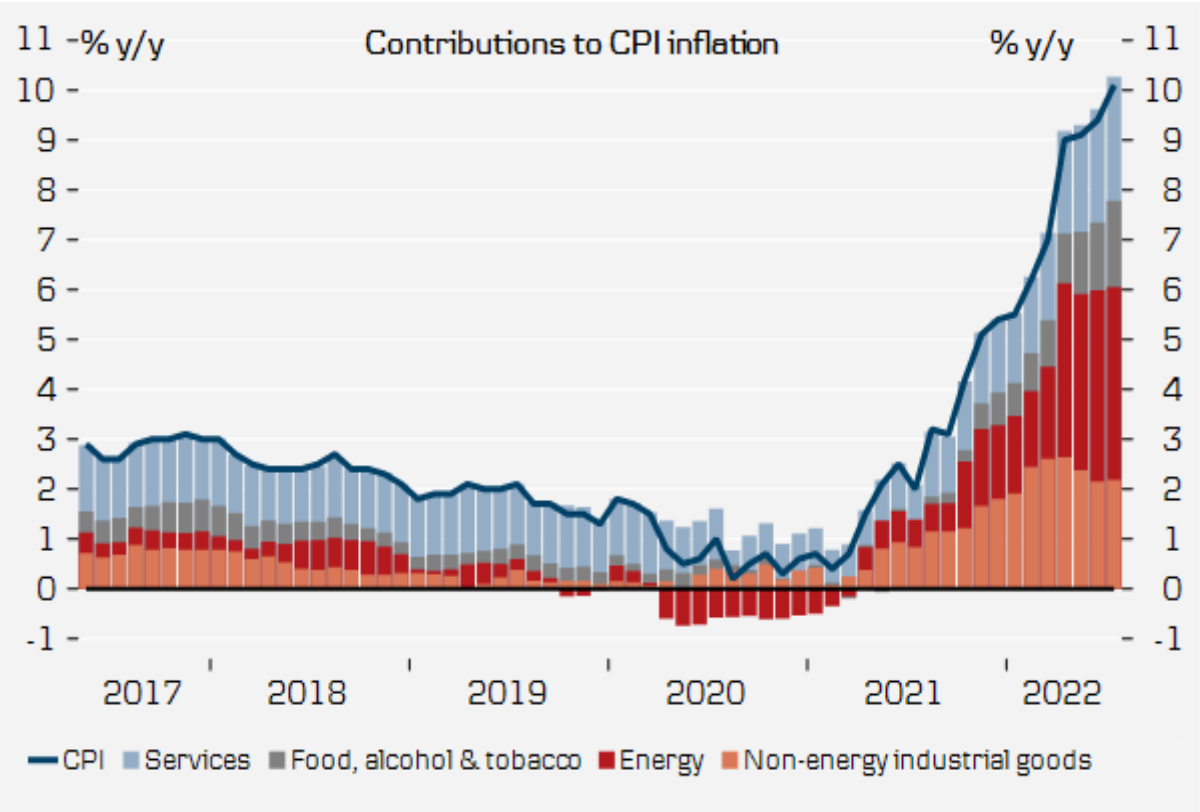
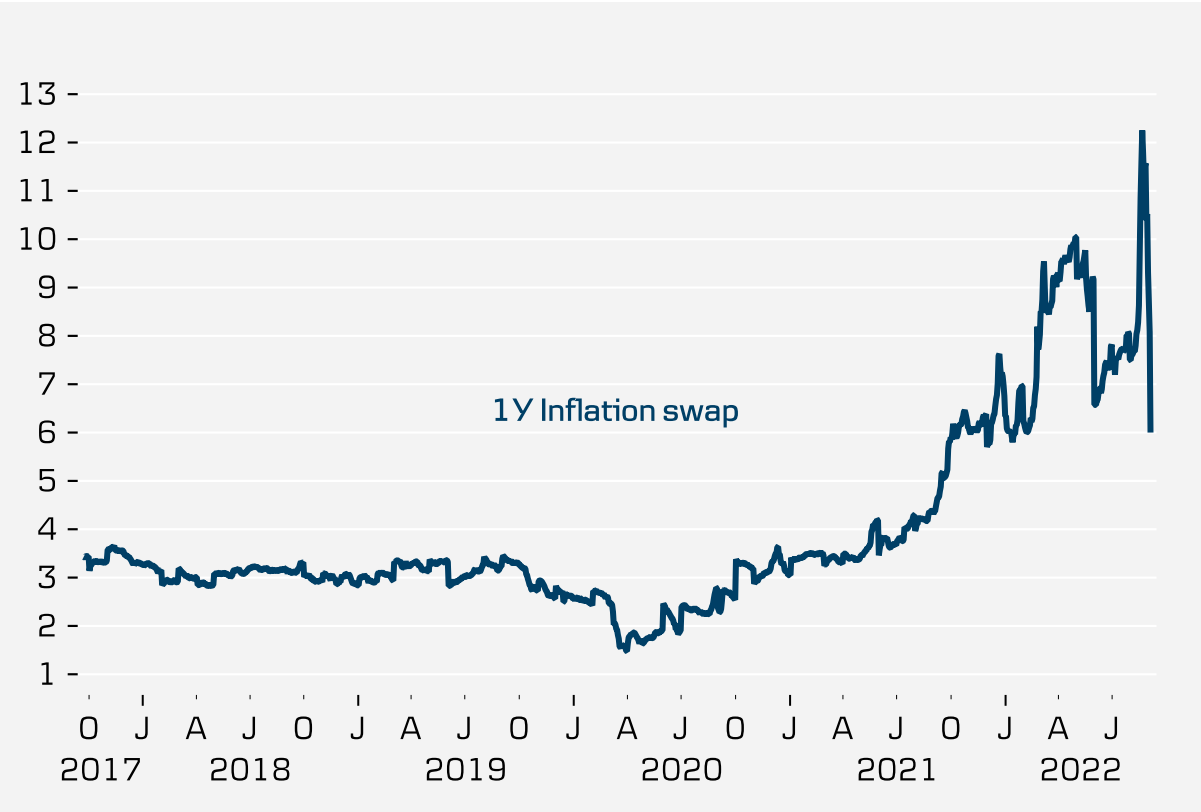


@PaulcolemanJohn



Inflation continuing to reach new highs in the UK

Expectation inflation will go to new highs and stay above target for longer



Central Banks playing catch-up.....

BOE increased Base rate to 1.75%, 50bps increase biggest in 27 years

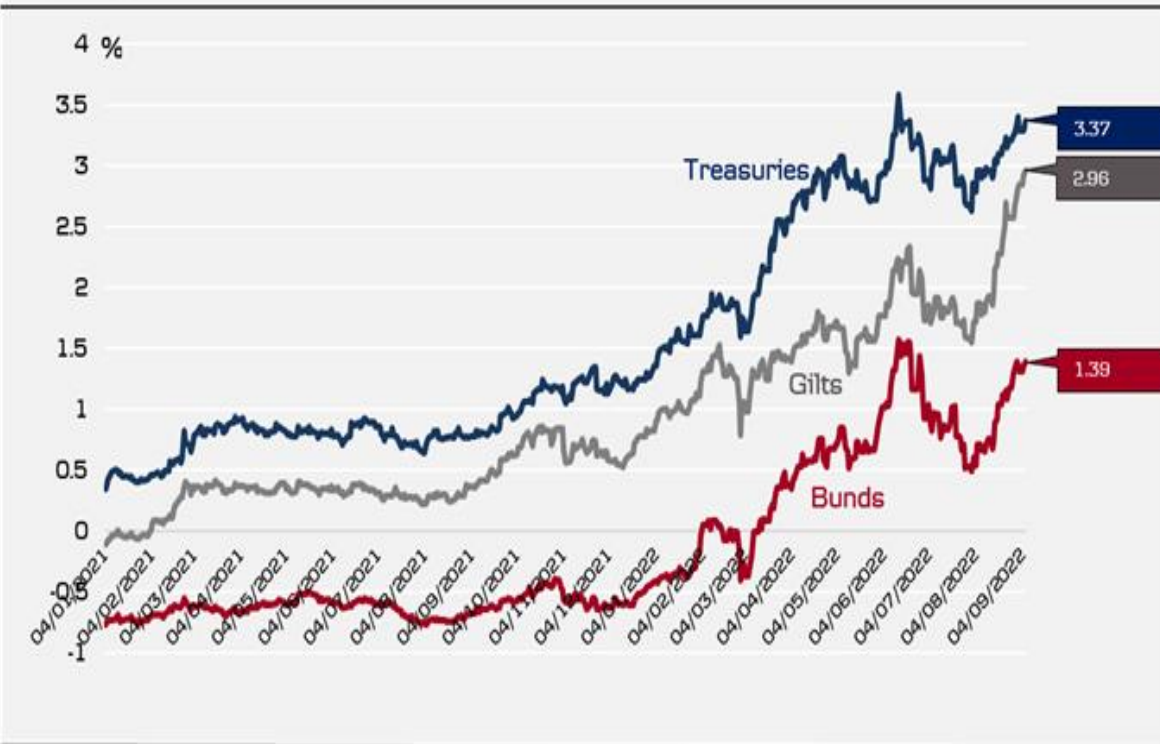
FED raise by 75bps in both June and July to 2.25-2.5%, largest raises in a single meeting since 1994

ECB increased interest rates by 50bp in July, first rate rise since 2011 and rates now at 0%.

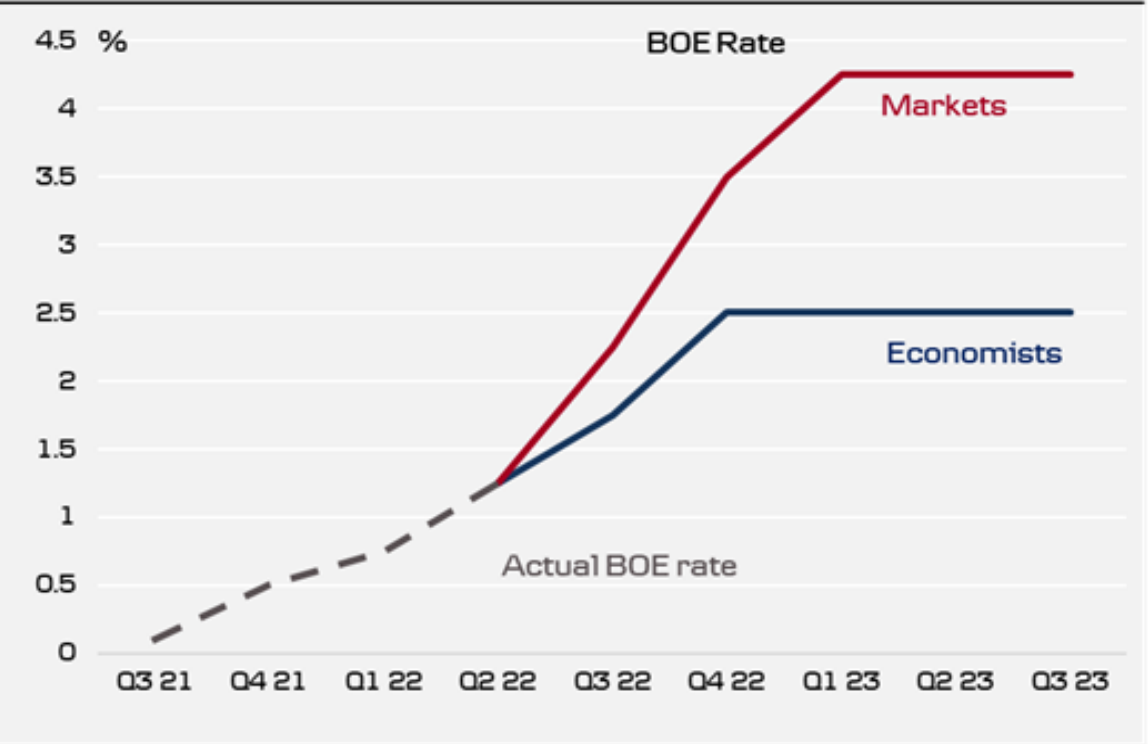
Interest Rate Expectations- Rising!

Both the market and economist expect rates to go higher but not at same pace

5 year government bond yields

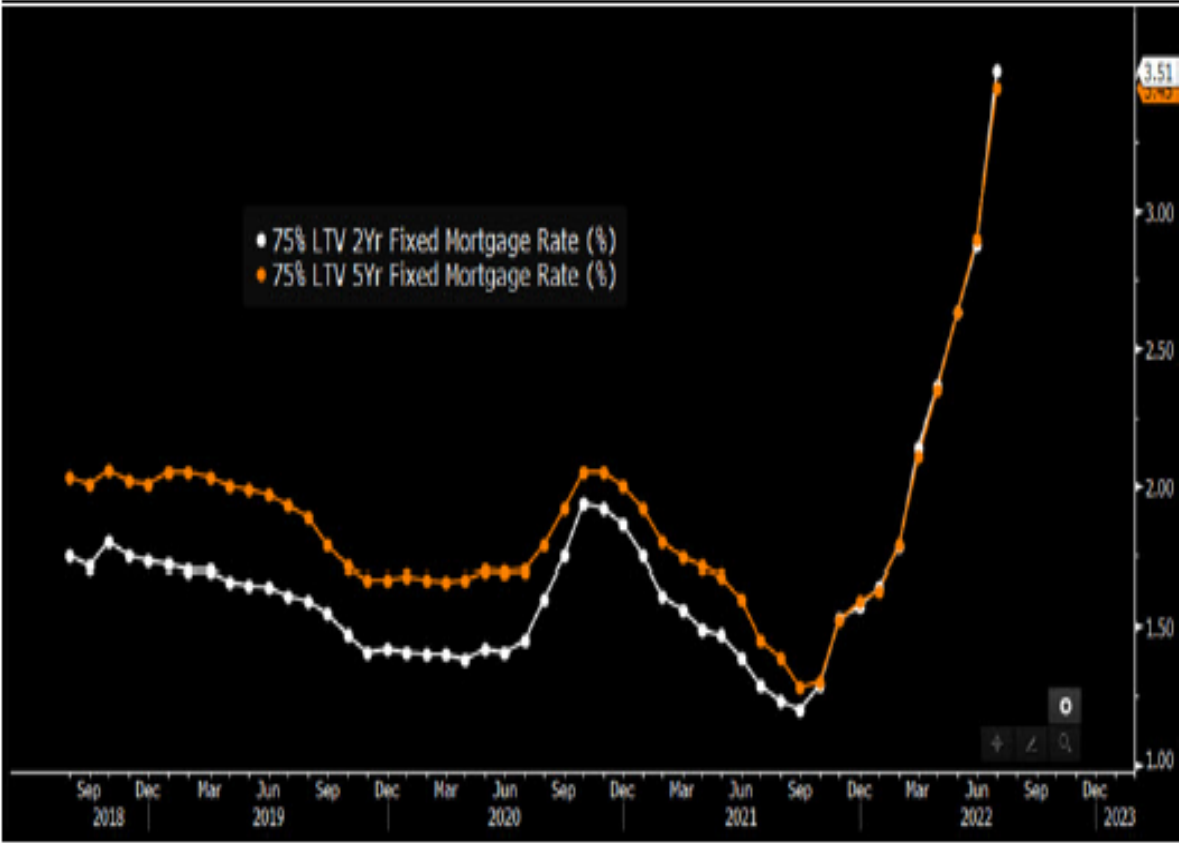


Bank of England Rate Expectations Differ

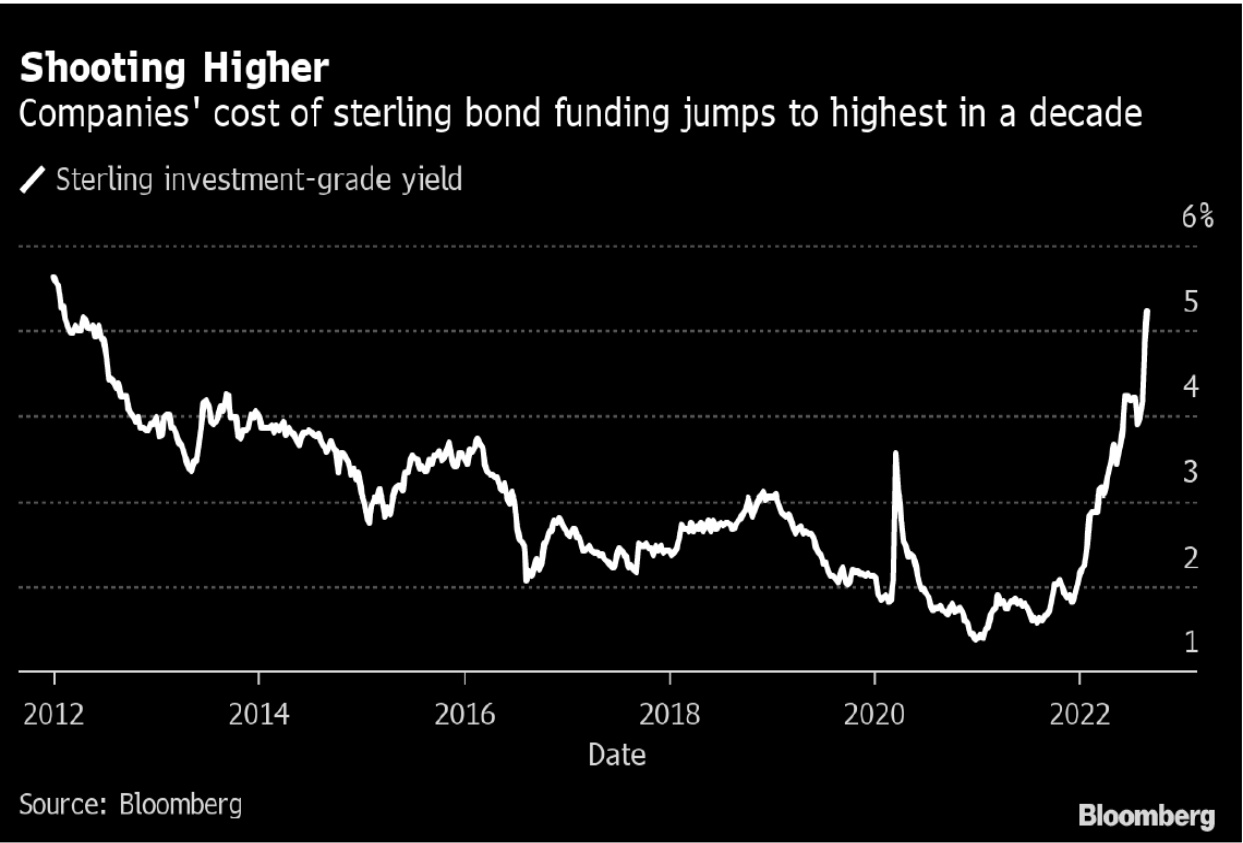


Fixed Rate Lending Rates are Rising

Two- and Five-Year Fixed-Rate, 75% LTV (%)



Source: Bank of England



Source: Bloomberg

FX Markets

- *GBP down 15% against USD YTD*
- *Worst monthly performance in August since Brexit vote*
- *Near to 40 year lows*

- *Risk of weak GBP stoking inflation further*

- *EUR/USD reaching 20 year low*
- *Market more focused on European energy crisis than interest rates*

GBP/USD FX (historical trend)

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Source: Bloomberg:

GBP/USD Forecast

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Currency	GBP/USD - forecast			
As of	5 th September 2022			
	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Low	1.06	1.02	1.05	1.08
High	1.26	1.28	1.30	1.26
Mean	1.17	1.18	1.20	1.19

Source: Bloomberg

Please note that these forecasts reflect the consensus view of a number of Market participants at a point in time ,

are not a recommendation to transact and may not reflect actual rates at the various future dates.

GBP/EURFX (historical trend)

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01/01/2019 - 09/05/2022 BGN Last Px Local CCY Mov Avgs Key Events
1D 3D 1M 6M YTD 1Y 5Y Max Daily Table + Quick-Add Add Data Edit Chart

■ Last Price	1.1585
┌ High on 03/04/22	1.2108
— Average	1.1508
└ Low on 03/18/20	1.0643



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GBP/EUR Forecast

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Currency	GBP/EUR - forecast			
As of	5 th September 2022			
	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Low	1.11	1.09	1.09	1.08
High	1.23	1.23	1.25	1.16
Mean	1.17	1.16	1.16	1.13

Source: Bloomberg

Please note that these forecasts reflect the consensus view of a number of Market participants at a point in time ,

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Managing your FX and Interest Rate Risk...hope for the best, plan for the worst

Markets can move quickly and not always in your favour.

What is my exposure to currency and interest rate risk and over how long?

What is the impact to my business if the moves against me?

That's all

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Thank you

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[John Paul Coleman](#)



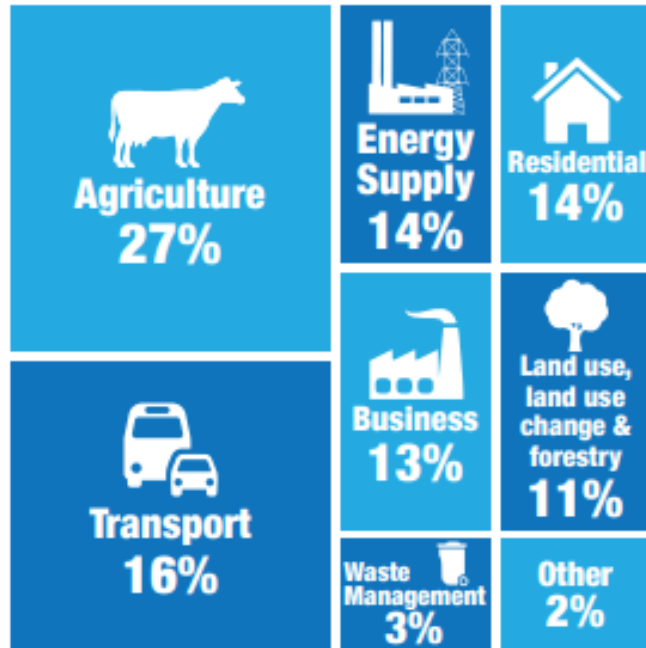
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Why it's time to act on the Act

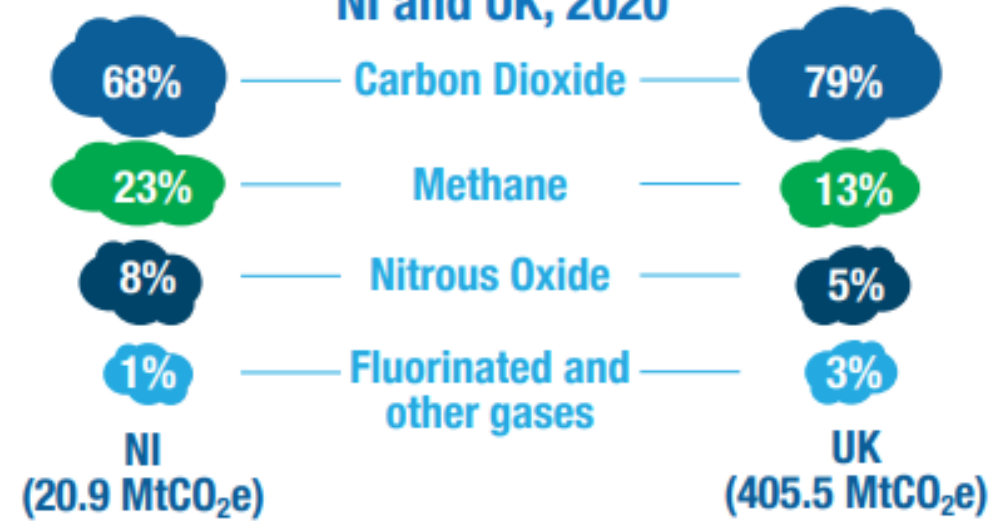
Chris Martin, Head of Sustainability, Danske Bank UK

Emissions outputs in NI are dominated by a number of key areas

Agriculture was the largest emitting sector of NI greenhouse gas emissions in 2020



Composition of greenhouse gas emissions (%), NI and UK, 2020



What impacts might the Climate Change Act have?



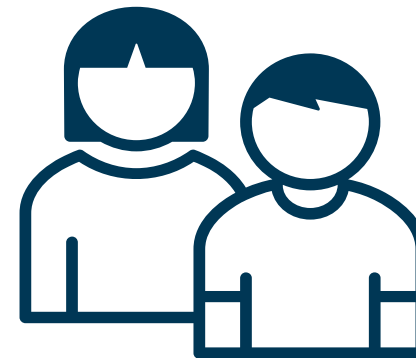
Net-zero commitments



Policy & Regulation



Finance



People

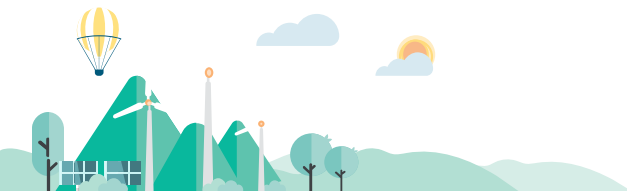
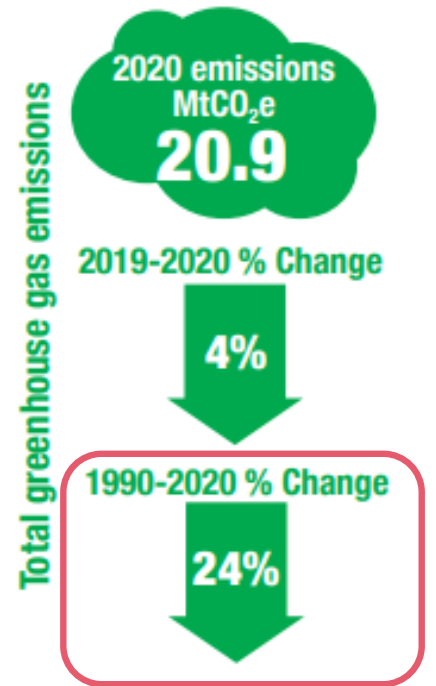
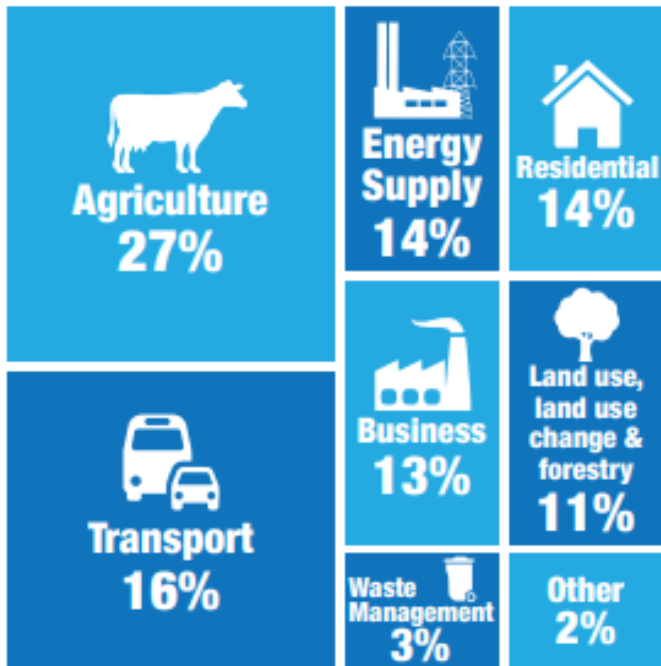


Net-zero commitments

Climate Change Act - targets

2050
Net Zero
 (Methane target 46%)

2030
48%



Source:
 1. NI Greenhouse Gas Statistics 1990-2020, NSRA

Policy & Regulation

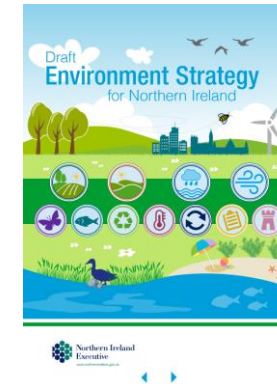
Climate Change Act



Additional Targets

- 80% of electricity from renewables by 2030
 - 70% of waste recycled by 2030
- 10% of transport budget on active travel

Policy & Strategy



Finance

£2.2 bn pa
2023 - 2050
split

£0.55bn pa
public sector

£1.65bn pa
private sector



Agriculture
£445m



Transport
£264m



Energy Supply
£231m



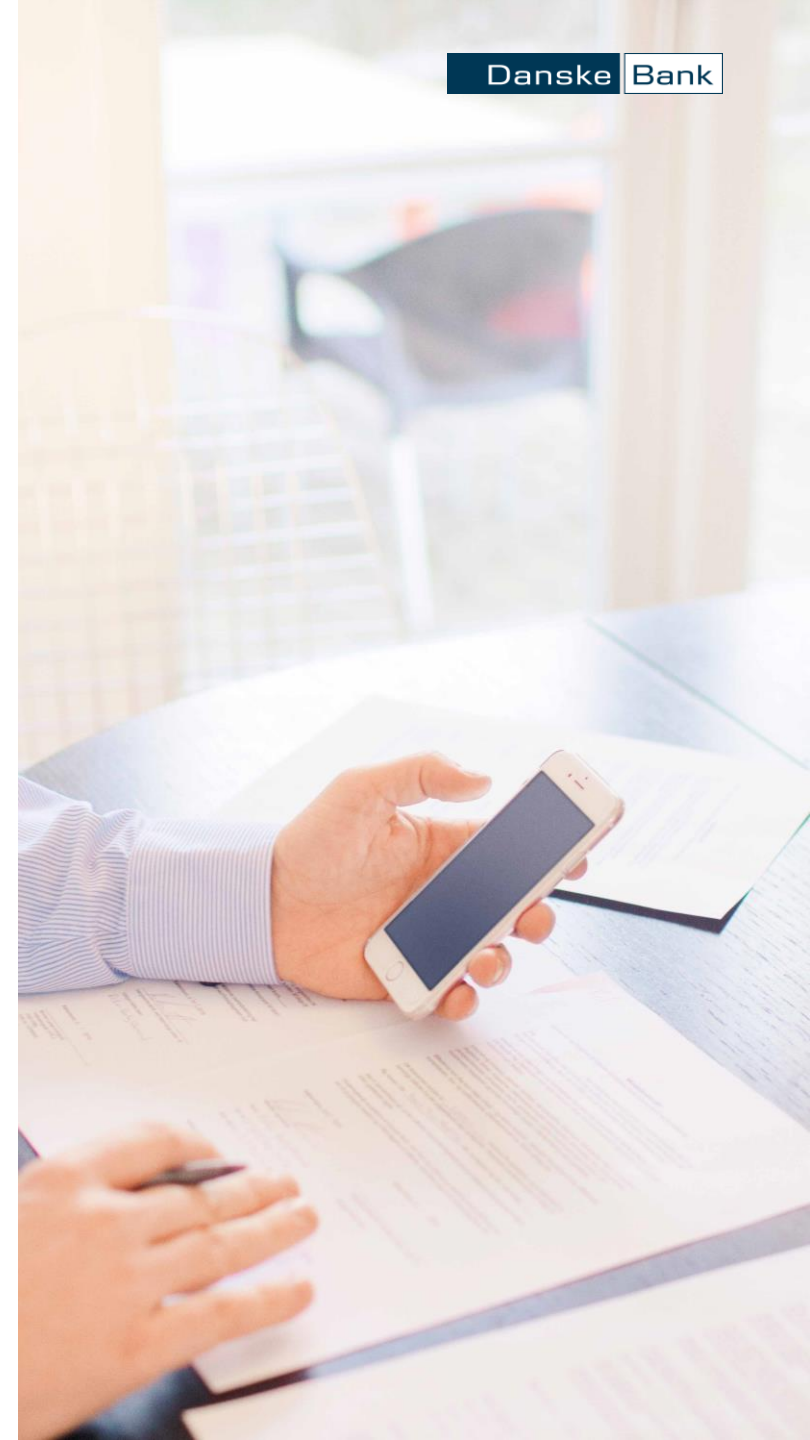
Business
£215m



Residential
£231m



Waste Mgmt
£50m



Finance



Clean transportation



Renewable energy



Transmission & energy storage



Green & energy efficient buildings



Environmentally sustainable management of living natural resources & land use



Sustainable water & wastewater management



Pollution prevention & control

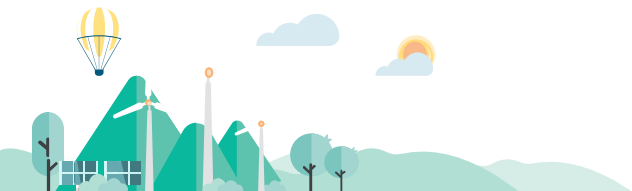
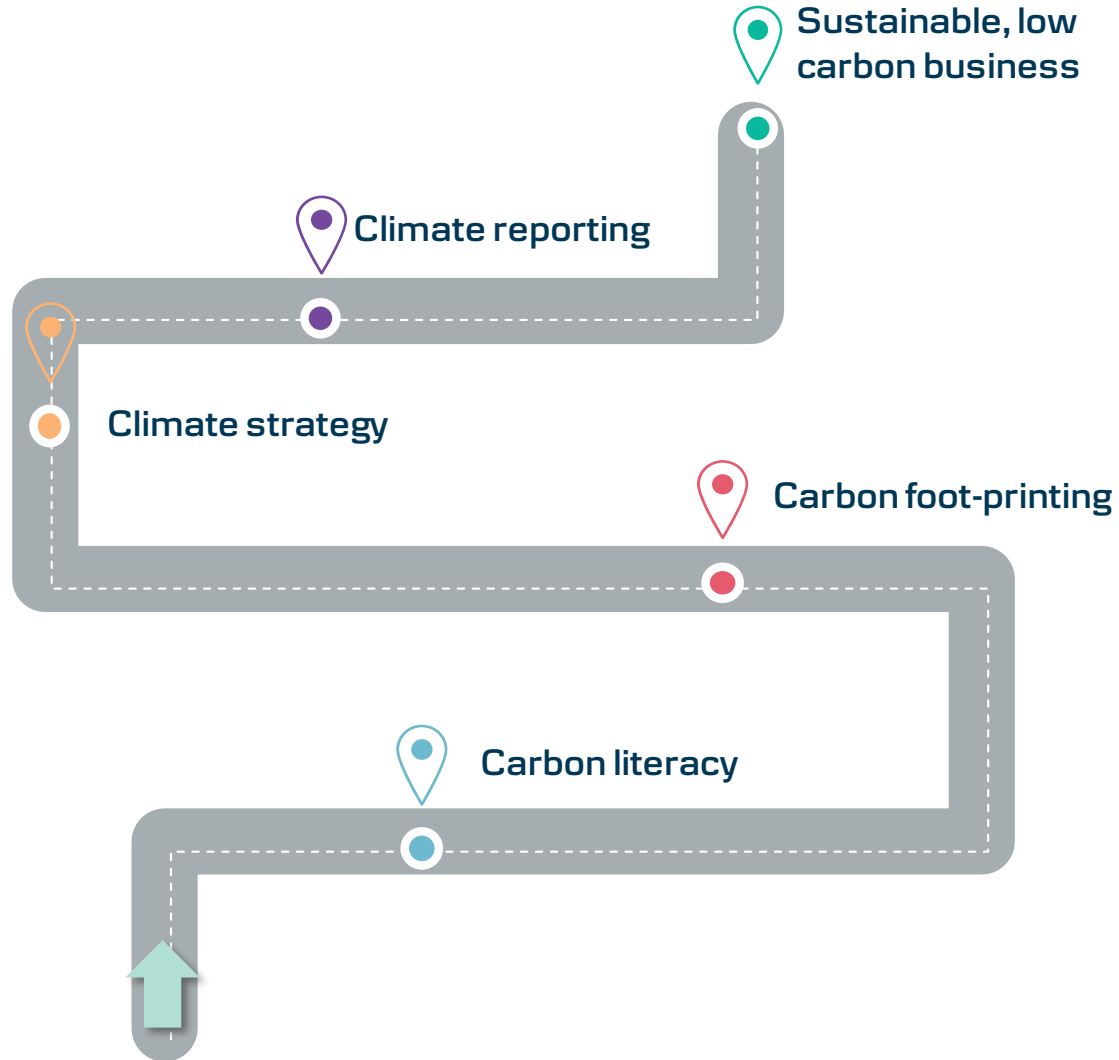


Climate change adaption



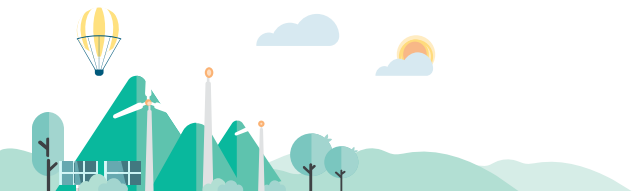
People

What skills might you need in your business to navigate the journey required by the Climate Change Act?



Danske / BITC Climate Action Programme

	Month 1	Month 2	Month 3	Month 4
	UNDERSTAND	MEASURE	PLAN	COMMIT
Activity delivered by BITC NI	<p>Carbon Literacy training</p> <ul style="list-style-type: none"> • One day worth of training on climate change, causes and consequences, and taking action • Delivered to all participants at the same time • 1 to 1.5 hours per week over 4 weeks, face to face delivery on an online platform 	<p>Carbon Footprinting advisory workshop</p> <ul style="list-style-type: none"> • 2-hour bespoke workshop • Delivered individually to each participating company • Participant will understand the carbon footprinting method and how to measure its carbon footprint 	<p>Defining a mitigation strategy advisory workshop</p> <ul style="list-style-type: none"> • 2-hour bespoke workshop • Delivered individually to each participating company • Participant will understand how to define its strategy to reduce GHG emissions 	<p>Climate Action Pledge signing event</p> <ul style="list-style-type: none"> • Joint event with all participants • An opportunity both for sponsor and participants to communicate their engagement
Activity to be conducted by the participating organisation	<p>Self-study</p> <ul style="list-style-type: none"> • 1 hour per week per individual participant, to comply with the Carbon Literacy certification 	<p>Measure its organisational footprint</p> <ul style="list-style-type: none"> • A template will be provided to support the participant 	<p>Define its mitigation strategy</p> <ul style="list-style-type: none"> • Templates and methods will be provided to support the participant 	<p>Communicate on the organisation's engagement</p>
Key take-away for participant and progress on its climate journey	<p>Understanding the business case for action on climate</p>	<p>Knowing its starting point / baseline</p>	<p>Envisioning the target and the journey to reach it</p>	<p>Public commitment and joining a movement</p>



Acting on the Climate Change Act will ultimately

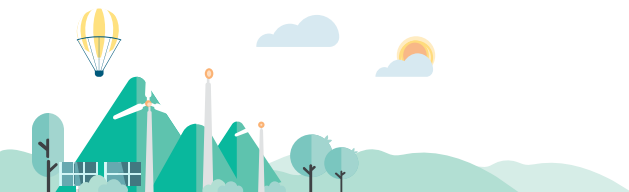
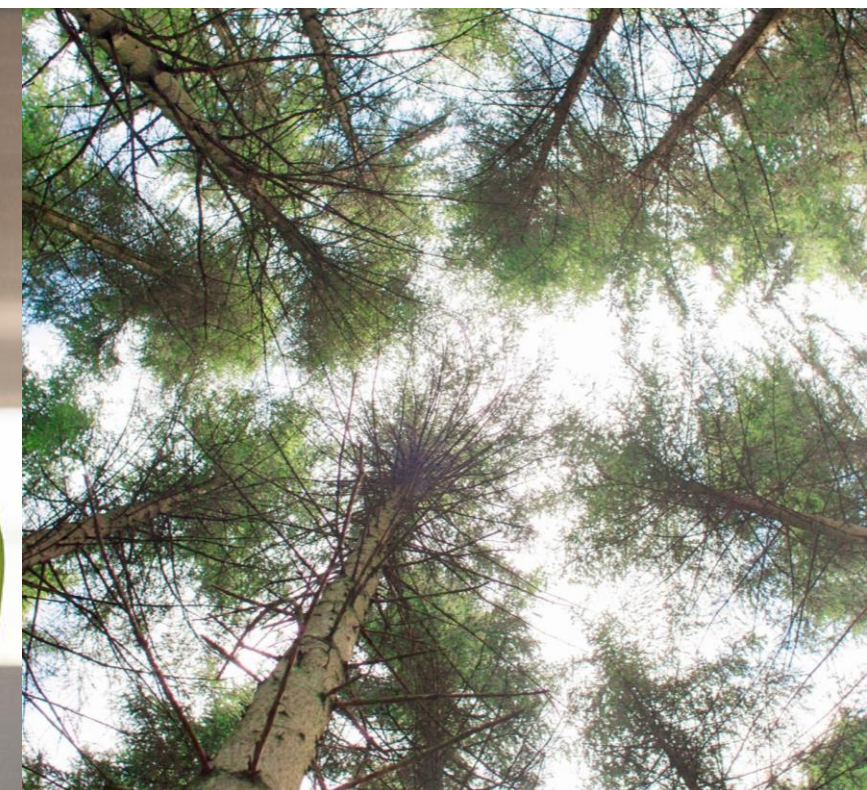
Benefit customers...



...benefit business...



...benefit the environment.



Thank you



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Q&A

We will endeavor to answer as many questions as we can in connection with today's presentations.

A copy of today's recording and presentation can be accessed from our Danske Advantage resource page on our website @ danskebank.co.uk/business/advantage