

# *Equity story*

20 July 2017

## *Key messages*

Nordic universal bank – Solid foothold across all our four Nordic markets

Longer-term ambition of at least 12.5% in 2018

Strong focus on cost management

Significant improvement in credit quality

Strong capital position, share buy-back programmes since 2015

# *The essence of Danske Bank*

## **Vision**

To be recognised as the most trusted financial partner

## **Strategic core**

We are a modern bank for people and businesses across the Nordics with deep financial competence and leading, innovative solutions

## **Customer promise**

We help customers be financially confident and achieve their ambitions by making daily banking and important financial decisions easy

## **Core values**

Expertise, Integrity, Value creation, Agility, Collaboration



## Overview: Danske Bank has a strong Nordic franchise

### Facts

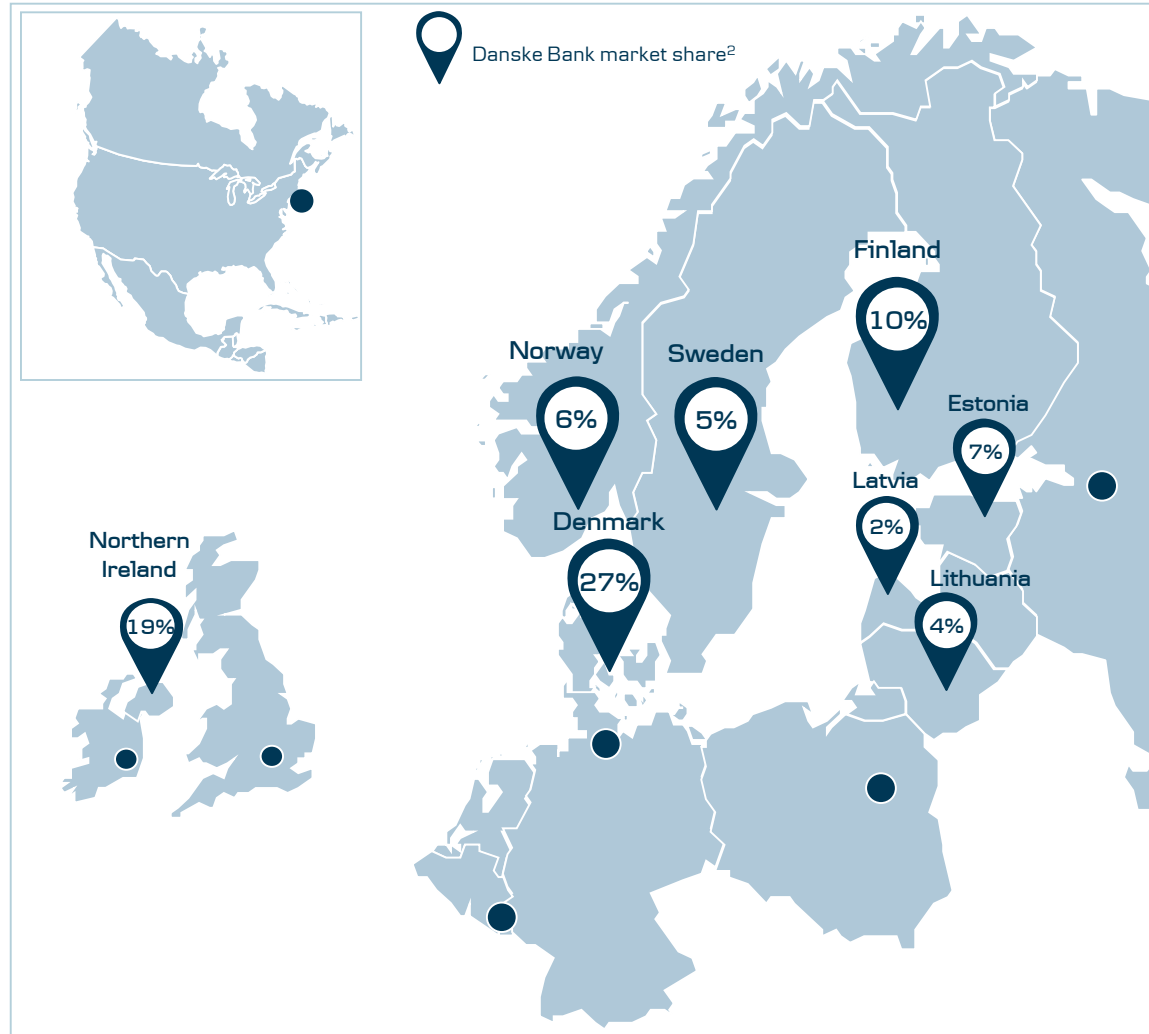
3.4 million customers  
 252 branches<sup>1</sup>  
 15 countries  
 19,490 full-time employees

### Business units

Personal Banking  
 Business Banking  
 Corporates & Institutions  
 Wealth Management  
 Northern Ireland

### For divestment

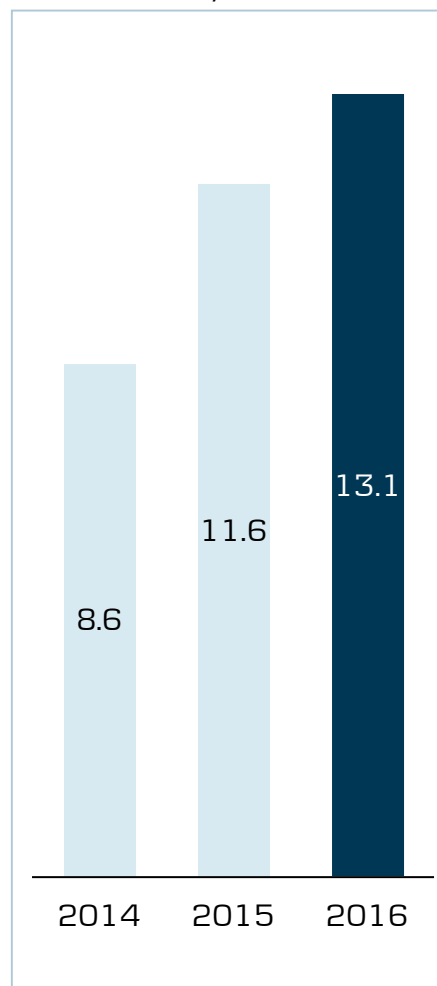
Non-core (Ireland & Conduits)  
 Personal banking activities in Estonia



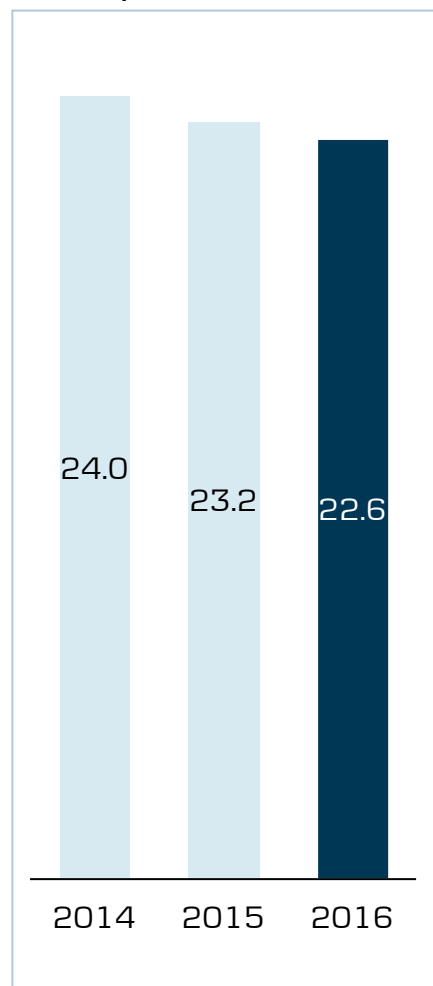
<sup>1</sup> Excluding agricultural centres in Denmark <sup>2</sup> Market share by lending

## Steady improved financial results and strong capital position

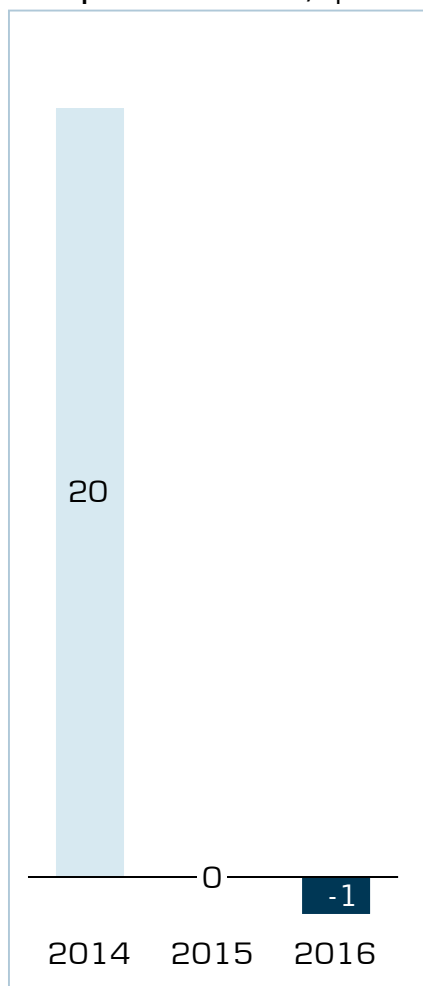
RoE after tax\*; %



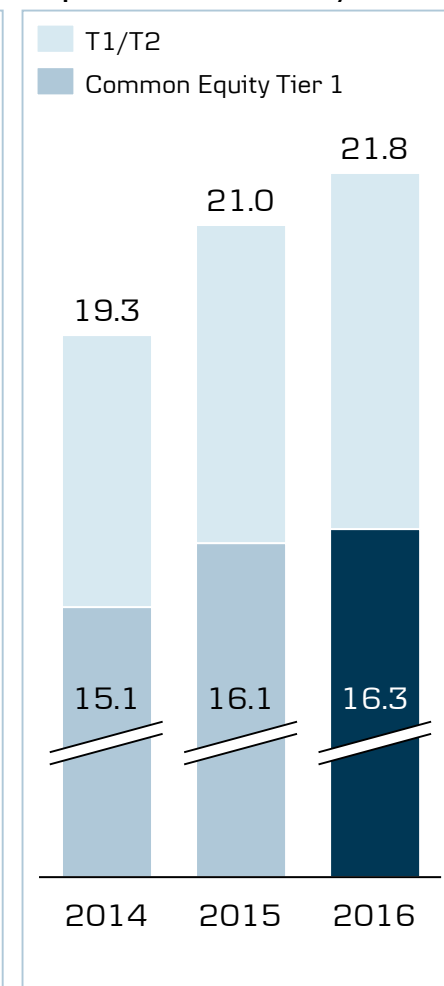
Total expenses\*\*; DKK bn



Group loan loss ratio; bps



Capital ratios, Basel III/CRR; %



\*Before goodwill impairments in 2014 and 2015 \*\*Expenses in 2014 and 2015 have been restated to reflect the organizational changes

## Result highlights

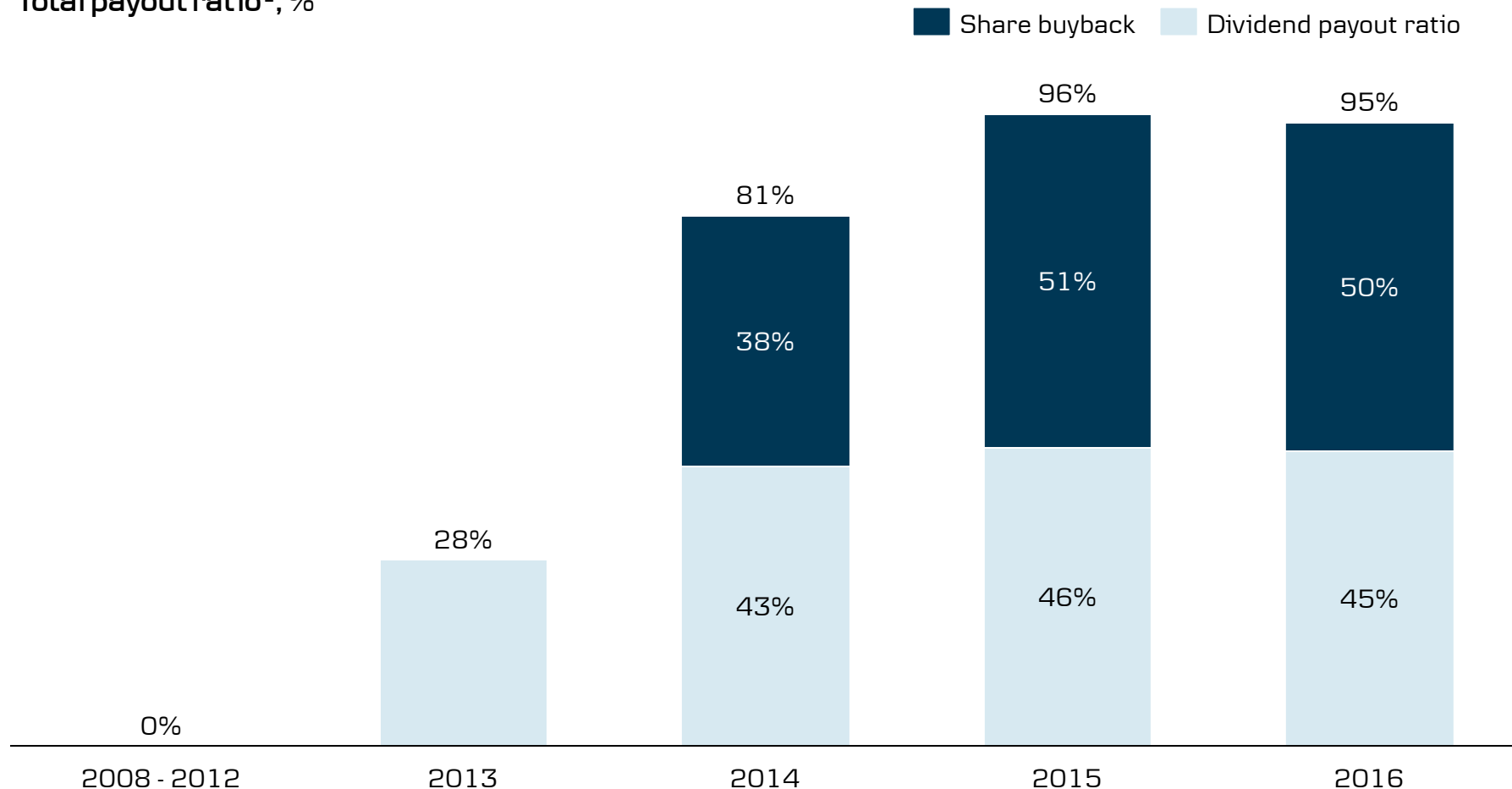
### Income statement\*; DKKm

	2016	2015	2014	2013	2012
Net interest income	22,028	21,402	22,198	22,077	22,778
Net fee income	14,183	15,018	14,482	9,468	8,866
Net trading income	8,607	6,848	6,895	5,799	10,562
Other income	3,140	2,343	1,755	1,308	1,285
Net income from insurance business	-	-	-	1,088	2,171
<b>Total income</b>	<b>47,959</b>	<b>45,611</b>	<b>45,330</b>	<b>39,740</b>	<b>45,662</b>
Expenses	22,642	23,237	23,972	23,794	24,642
Goodwill impairment charges	-	4,601	9,098	-	-
<b>Profit before loan impairment charges</b>	<b>25,317</b>	<b>17,773</b>	<b>12,260</b>	<b>15,947</b>	<b>21,020</b>
Loan impairment charges	-3	57	2,788	4,111	7,680
<b>Profit before tax, core</b>	<b>25,320</b>	<b>17,716</b>	<b>9,472</b>	<b>11,836</b>	<b>13,340</b>
<b>Profit before tax, Non-core</b>	<b>37</b>	<b>46</b>	<b>-1,503</b>	<b>-1,777</b>	<b>-4,801</b>
Profit before tax	25,357	17,762	7,969	10,059	8,539
Tax	5,500	4,639	4,020	2,944	3,814
<b>Net profit for the year</b>	<b>19,858</b>	<b>13,123</b>	<b>3,948</b>	<b>7,115</b>	<b>4,725</b>
<b>Net profit for the year before goodwill impairments</b>	<b>19,858</b>	<b>17,724</b>	<b>13,047</b>	<b>7,115</b>	<b>4,725</b>

\* The financial highlights for 2015 and 2014 reflect the organizational changes announced in connection with Interim report of first half 2015 and company announcement No. 48/2015 dated 19 November 2015.

## Capital distribution\*: Steady dividends and share buy-backs for the last three years

Total payout ratio<sup>1</sup>; %



<sup>1</sup> Based on year-end communicated distributions \*Danske Bank intend to return excess capital to shareholders after we have met our capital targets and paid out ordinary dividends of 40-50%

# *Upgraded outlook for full-year 2017: We now expect net profit in the range of DKK 18-20 bn\**

## **NII**

We expect net interest income to be higher than in 2016, as we will benefit from volume growth and lower funding costs

## **Fee income**

Revised: Net fee income is expected to be higher than in 2016, subject to customer activity

## **Trading & Other income**

Net trading income and Other income are expected to be less impacted by positive special items compared to 2016

## **Expenses**

Revised: Expenses are expected to be around the level in 2016

## **Impairments**

Revised: Loan impairments are expected to remain low

## **Net profit**

Revised: We expect net profit in the range of DKK 18-20 bn

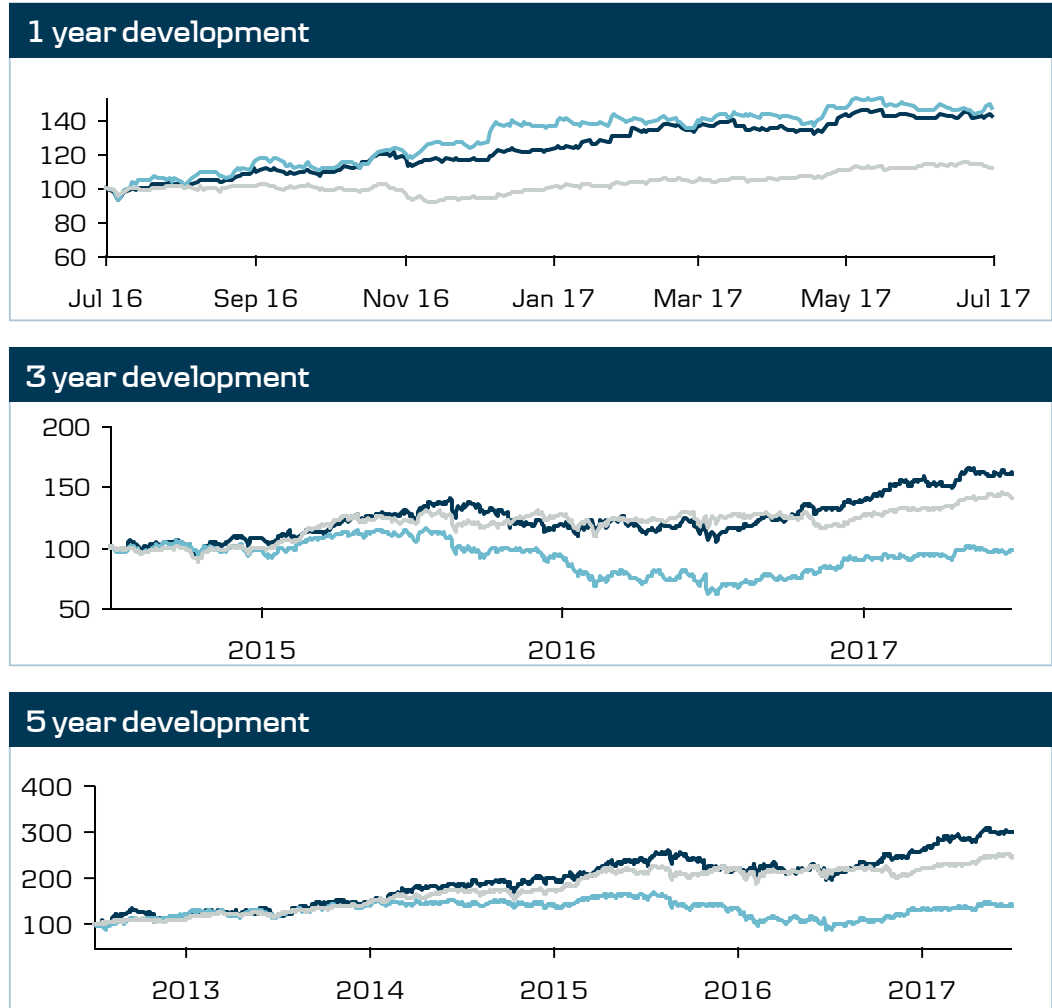


\*Previously: We expect net profit to be in the range of DKK 17-19 bn Note: This guidance is subject to uncertainty and depends on economic conditions, including developments in monetary policy at central banks.



# Share performance vs. European bank sector

## Share price development; index



— Danske Bank — MSCI Banks — C20 Cap

## Key figures; H1 2017

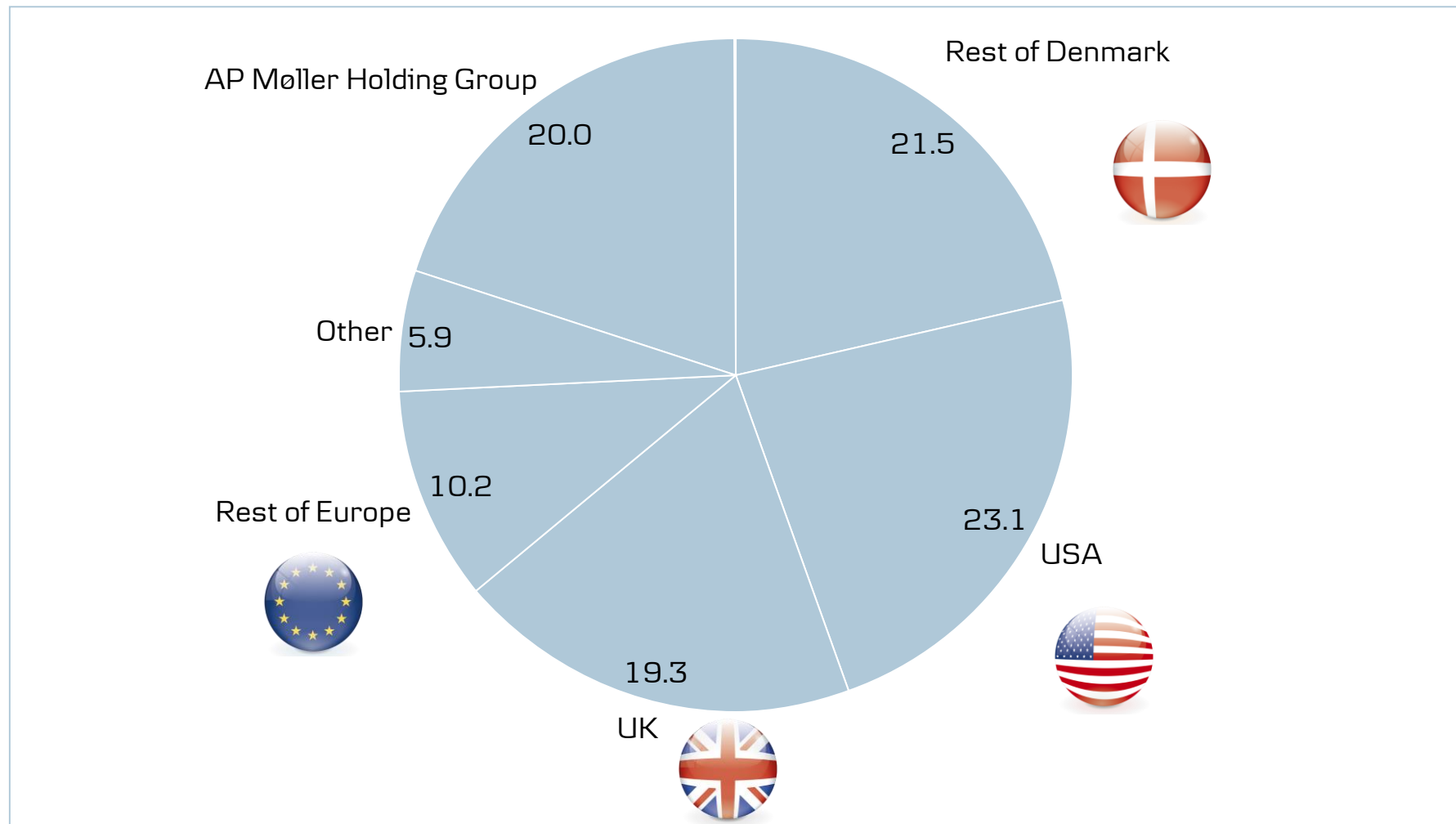
- Earnings per share: DKK 10.8
- Book Value per share: DKK 162.5
- Market cap: DKK 228,910 m
- Issued shares: 936.8m



<sup>1</sup> C20 Cap data available from 28 November 2011

## Shareholder base at Q2 2017

### Shareholder distribution\*; %



\*Due to changes at Vp securities, Q217 figures are only based on quoted listings

# Danske Bank's credit ratings

## Danske Bank's long-term issuer rating and outlook

Moody's Positive	S&P Stable	Fitch Stable
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
<b>A2</b>	<b>A</b>	<b>A</b>
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
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## Rating agency issues

### S&P Global upgrades SACP rating

- On July 8 2016, S&P raised Danske Bank's SACP (Stand-Alone Credit Profile) rating from a- to a as a result of Danske Bank's improved capitalisation.

### Moody's upgrades Danske Bank's deposit rating - outlook changes to positive

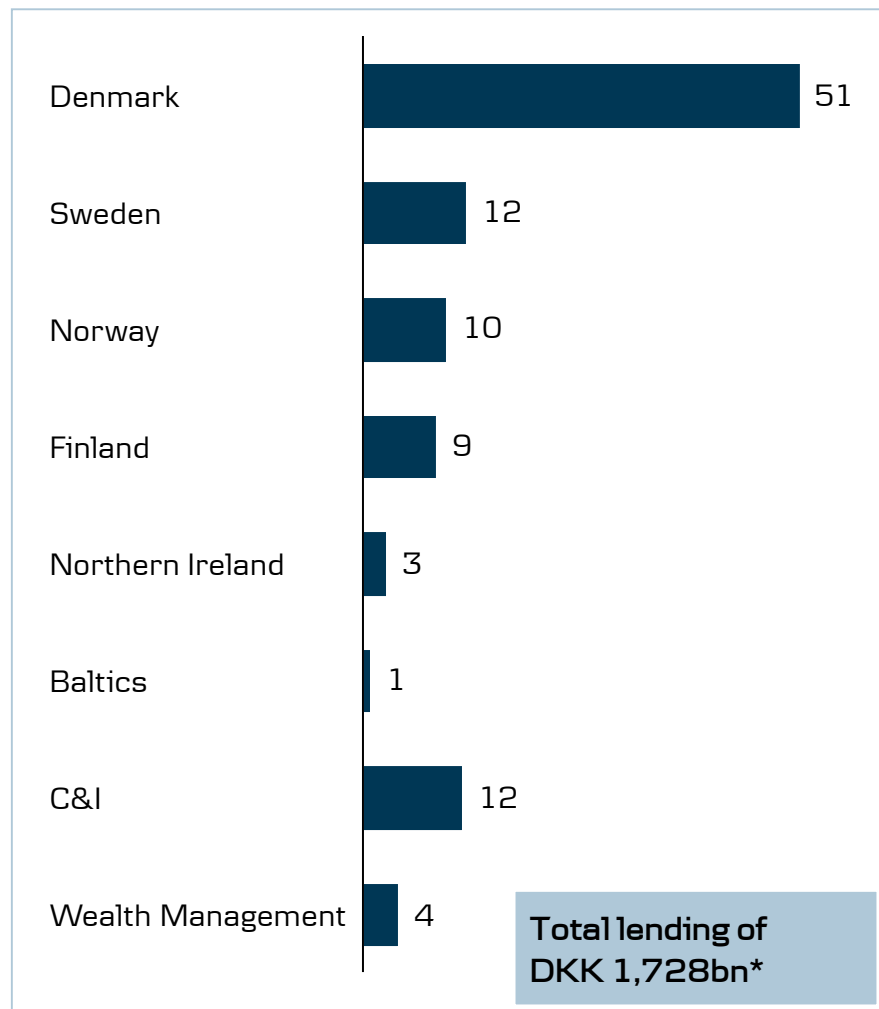
- On 12 October 2016, Moody's upgraded Danske Bank's long-term deposit rating to A1 from A2 and affirmed all other ratings. Moody's also changed the outlook to positive from stable on Danske Bank's ratings.
- The upgrade of Danske Bank's deposit rating reflects an increase in the volume of deposits since end-2015 resulting in two notches uplift under Moody's Loss Given Failure (LGF) analysis compared to previously only one notch uplift.
- The positive outlook reflects Danske Bank's improvements in financial metrics to date and the expectation of a continuation of the positive trend.

### Rating affirmed by Fitch

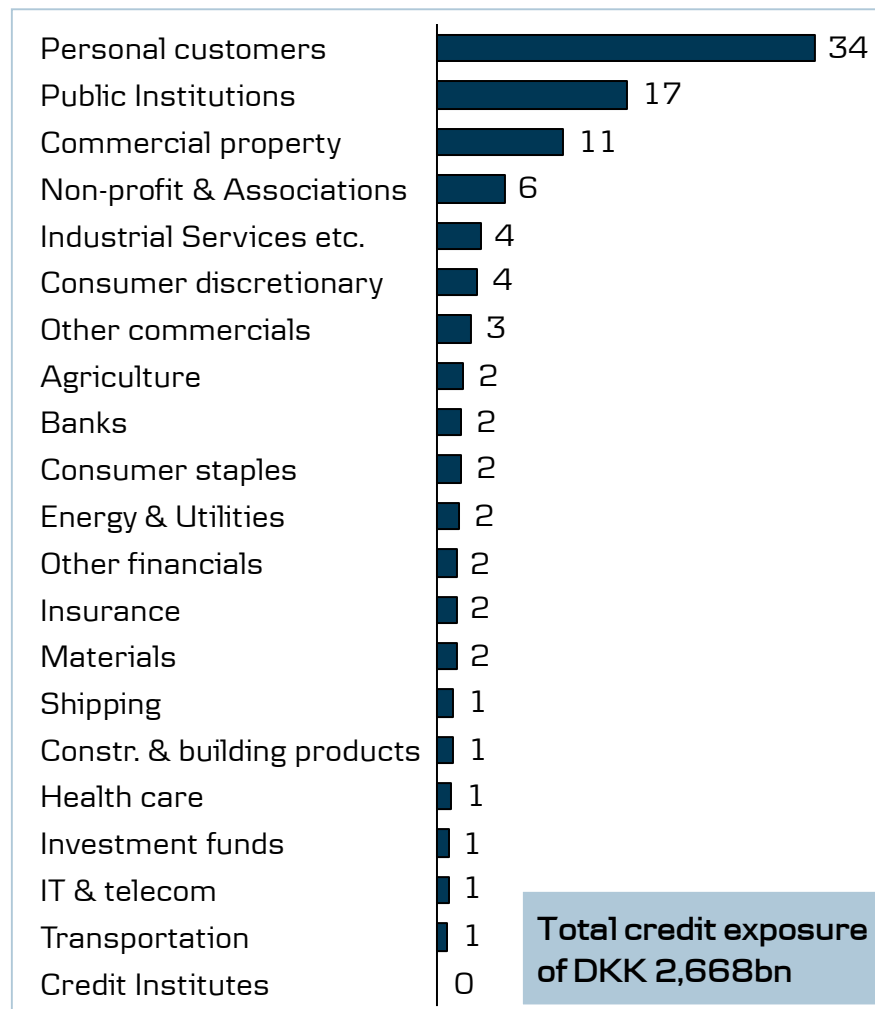
- On August 22 2016, Fitch affirmed Danske Bank's rating with a stable outlook. The asset quality and profitability score were raised from 'a-' to 'a'.

## Nordic footprint across sectors

Total lending\*; %; H1 2017



Credit exposure by industry; %; H1 2017



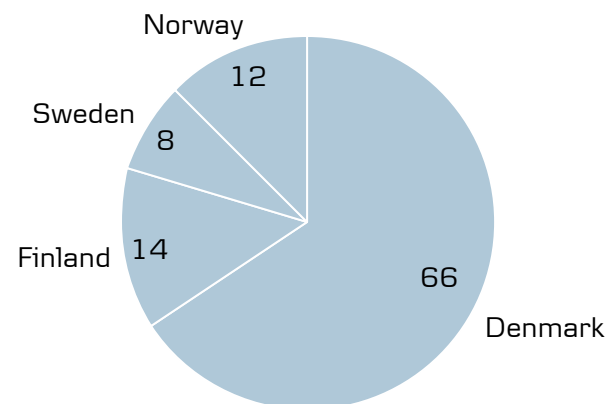
\*Total lending before loan impairment charges. Lending by country includes Personal Banking and Business Banking

# Personal Banking

## Personal Banking

- Personal Banking serves personal customers through a large network of branches, call centres and online channels
- The unit offers a wide range of financial products and services within banking, property financing, leasing, insurance and pensions
- Full-time employees amounts to 4,640

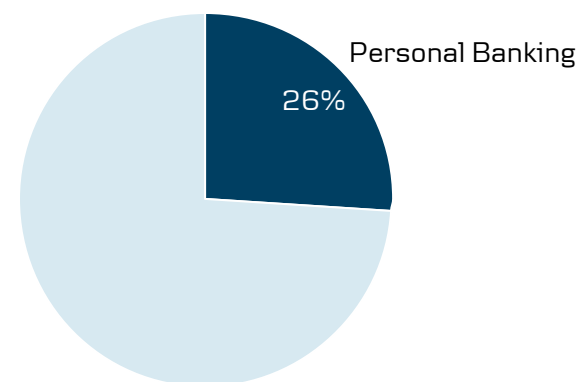
## Income distribution; %; H1 2017



## Income statement & key figures; DKK m

	H1 2017	H1 2016	Index
Net interest income	3,926	3,823	103
Net fee income	1,731	1,596	108
Net trading income	310	264	117
Other income	384	312	123
<b>Total income</b>	<b>6,351</b>	<b>5,995</b>	<b>106</b>
Expenses	3,796	3,735	102
<b>Profit before loan impairment charges</b>	<b>2,555</b>	<b>2,260</b>	<b>113</b>
Loan impairment charges	3	-179	-
<b>Profit before tax</b>	<b>2,552</b>	<b>2,440</b>	<b>105</b>
Lending (DKK bn)	748	731	102
Deposits and RD funding (DKK bn)	680	662	103
Deposits (DKK bn)	275	267	103

## Income distribution of group total; %; H1 2017

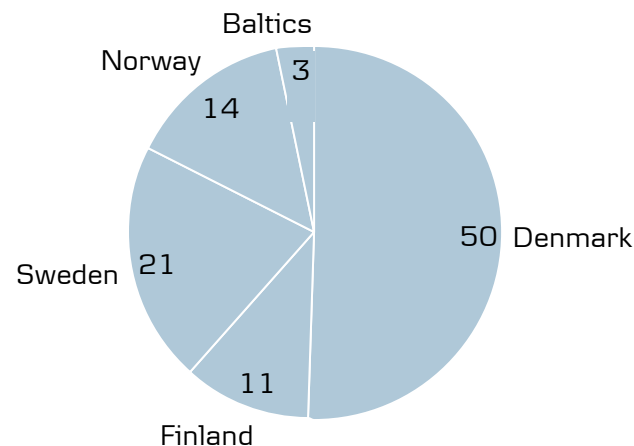


# Business Banking

## Business Banking

- Business Banking serves small, medium-sized and large businesses through a large network of finance centres, branches, contact centres and online channels
- The unit offers leading solutions within financing, investing, cash management and risk management
- Full-time employees amounts to 2,621

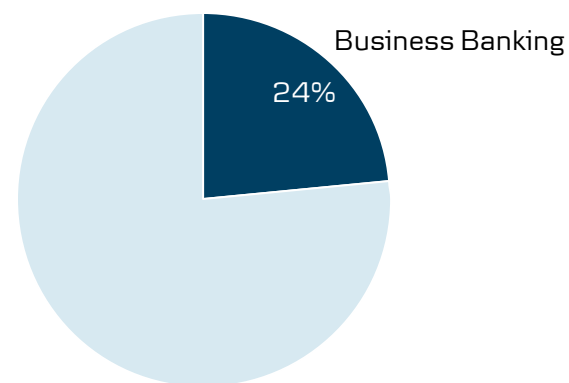
## Income distribution; %; H1 2017



## Income statement & key figures; DKK m

	H1 2017	H1 2016	Index
Net interest income	4,311	4,202	103
Net fee income	906	789	115
Net trading income	261	292	89
Other income	274	288	95
Total income	5,753	5,571	103
Expenses	2,277	2,329	98
Profit before loan impairment charges	3,476	3,242	107
Loan impairment charges	-545	-23	-
Profit before tax	4,021	3,265	123
Lending (DKK bn)	678	657	103
Deposits and RD funding (DKK bn)	564	534	106
Deposits (DKK bn)	246	224	110

## Income distribution of group total; %; H1 2017

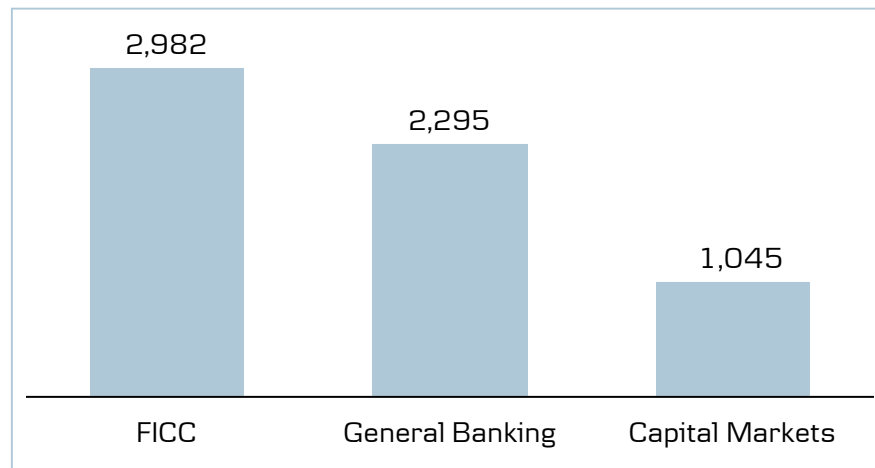


# Corporates & Institutions

## Corporates & Institutions

- Corporates & Institutions is a leading provider of wholesale banking services for the largest institutional and corporate customers in the Nordic region
- Products and services include cash management, trade finances and custody services; equity, bond, foreign exchange and derivatives products; corporate finance; and acquisition finance
- Full-time employees amounts to 1,774

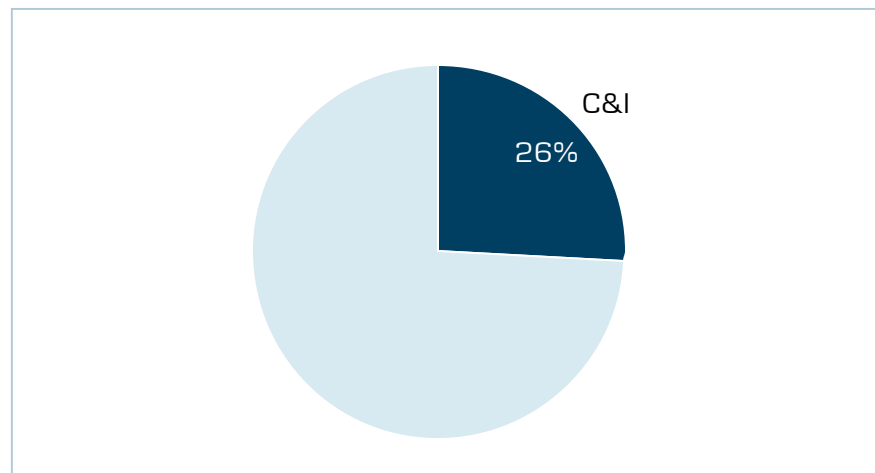
## Income distribution; H1 2017, DKK m



## Income statement & key figures; DKK m

	H1 2017	H1 2016	Index
Net interest income	1,543	1,488	104
Net fee income	1,355	1,117	121
Net trading income	3,423	2,374	144
Other income	1	16	6
<b>Total income</b>	<b>6,322</b>	<b>4,996</b>	<b>127</b>
Expenses	2,404	2,322	104
Profit before loan impairment charges	3,918	2,673	147
Loan impairment charges	248	320	78
<b>Profit before tax</b>	<b>3,670</b>	<b>2,353</b>	<b>156</b>
Lending (DKK bn)	192	192	100
Deposits (DKK bn)	265	239	111

## Income distribution of group total; %; H1 2017

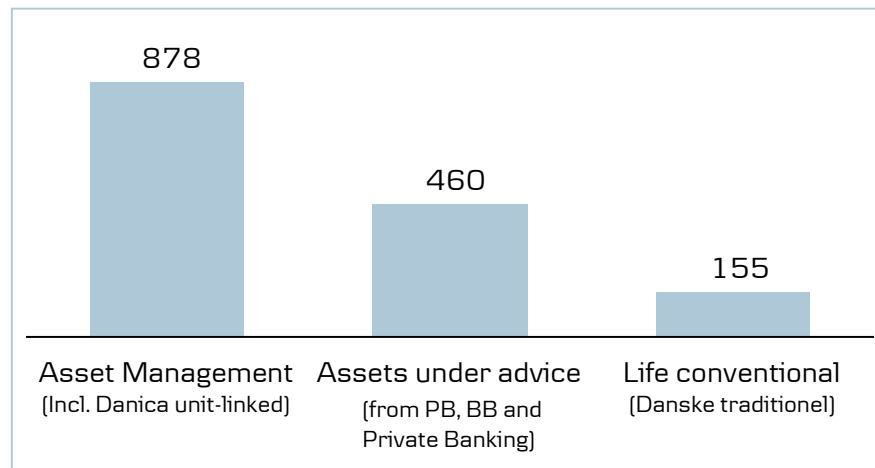


# Wealth Management

## Wealth management

- Wealth Management serves the Group's entire customer base and encompasses expertise within pension savings, private banking, and wealth and asset management.
- The unit includes Danica Pension, Danske Capital and Private Banking customers with complex finances.
- Total assets under management of DKK 1,493 bn.
- Full-time employees amounts to 1,906.

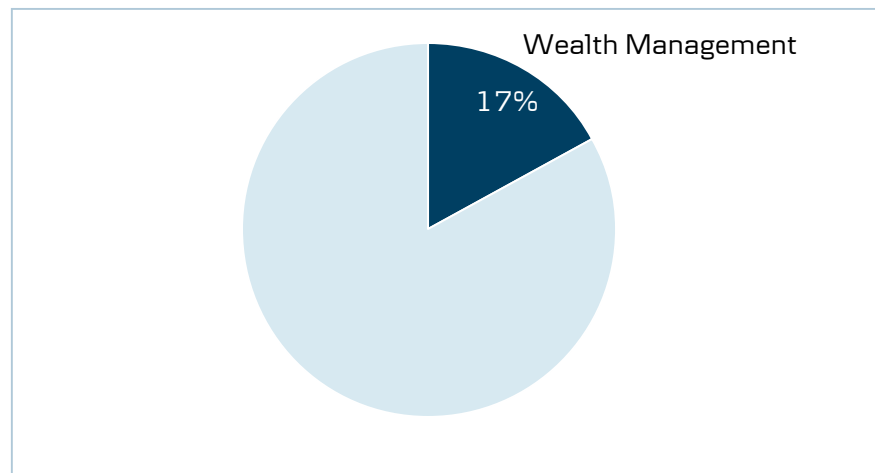
## Assets under management, H1 2017, DKK bn



## Income statement & key figures; DKKm

	H1 2017	H1 2016	Index
Net interest income	356	332	107
Net fee income	3,510	3,052	115
Net trading income	204	144	142
Other income	97	261	37
Total income	4,168	3,789	110
Expenses	2,035	1,882	108
Profit before loan impairment charges	2,132	1,907	112
Loan impairment charges	-45	-74	61
Profit before tax	2,177	1,981	110
Lending (DKK bn)	74	71	104
Deposits (DKK bn)	67	63	106

## Income distribution of group total; %; H1 2017



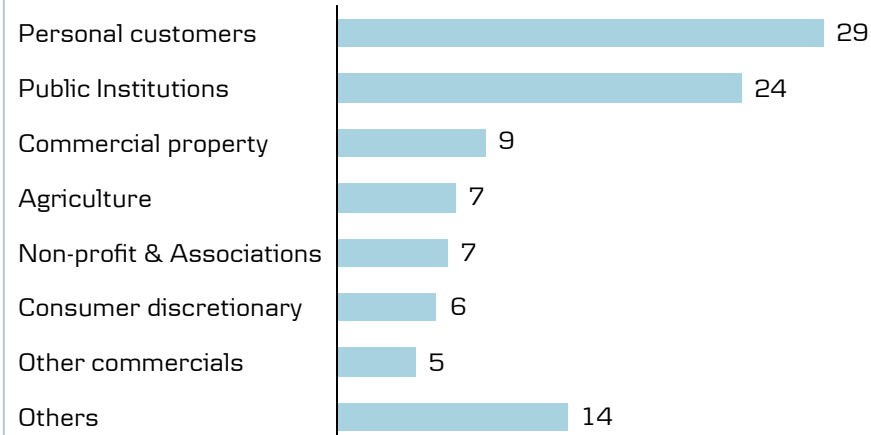


# Northern Ireland

## Northern Ireland

- Serves personal and business customers through a network of branches in Northern Ireland and leading digital channels.
- Since 1 January 2016, Northern Ireland has operated as a separate business unit.
- Full-time employees amounts to 1,323.

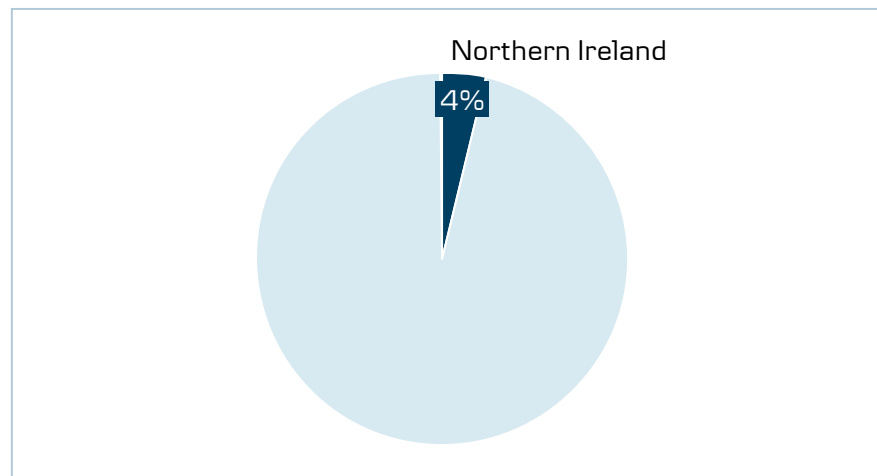
## Exposure by industry, H1 2017 (%)







## Income statement & key figures; DKKm

	H1 2017	H1 2016	Index
Net interest income	692	777	89
Net fee income	228	233	98
Net trading income	44	47	94
Other income	6	12	50
<b>Total income</b>	<b>970</b>	<b>1,070</b>	<b>91</b>
Expenses	613	613	100
Profit before loan impairment charges	357	457	78
Loan impairment charges	-130	-151	86
<b>Profit before tax</b>	<b>487</b>	<b>608</b>	<b>80</b>
Lending (DKK bn)	46	46	100
Deposits (DKK bn)	59	59	100

## Income distribution of group total, H1 2017 (%)



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