

# *Financial results 2018*



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1 February 2019

# Agenda

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# Executive summary: 2018 was a challenging year

Lending growth of 3% y/y, driven by growth of 1% y/y at Banking DK and 5% y/y at Banking Nordic

Trading income negatively affected primarily by challenging conditions in rates markets

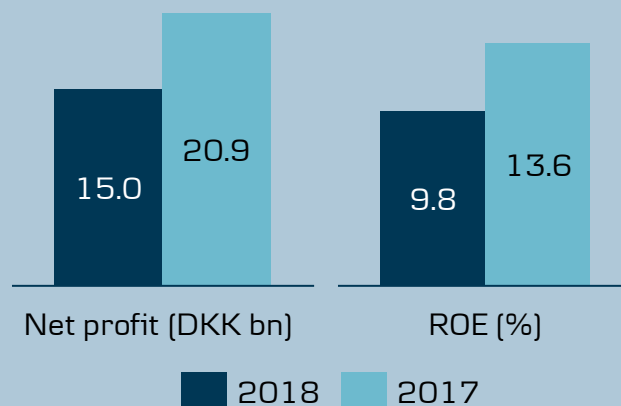
Expenses up 10% y/y; due mainly to the DKK 1.5 bn donation of income related to the Estonia case. Excl. the donation, expenses were up 3% y/y

Funding activities for NPS continued in January 2019 with issuance of USD 3 bn  
Proposed dividend of DKK 8.5 per share



## Financial results, 2018

- Net profit of DKK 15.0 bn, down 28% from 2017 due to lower trading income and donation. Excluding the donation, net profit was down 21% from 2017
- ROE of 9.8%
- Strong capital position, with a reported CET1 ratio of 17.0%
- 2019 outlook: We expect net profit to be in the range of DKK 14-16 bn, excluding any potential gain on the prospective sale of Danica Pension Sweden



## Recap of the Estonia case



On 19 September 2018, findings of the internal investigation was published



Our investigation continues and all findings are shared with relevant authorities through regular updates. Timing of completion is uncertain and subject to dialogue with authorities



Ongoing investigations by Danish, Estonian and US authorities. Class action lawsuit filed in the US



The French authorities envisages changing Danske Bank status from an assisted witness to being under formal investigation



The management of the Estonia case is now anchored with two members of the Executive Board

## *Upscaling of AML efforts in 2018 creates cost overhang in 2019; Accelerated digitalisation efforts over next three years*

Since 2014, Danske Bank has made substantial investments to improve our set-up, capabilities and competencies for combating financial crime. However, as financial crime continues to evolve, we will continue to invest substantial resources in combating financial crime

### Initiatives

- Upscaling of efforts within AML in 2018 in order to meet our own ambitions and stay compliant with increased regulatory requirements
- A management review concludes that more resources are needed in 2019 to continue our efforts to improve and strengthen our AML work
- AML digitalisation efforts are being accelerated to avoid manual processes and future cost increases in this area
- Detailed identification and scoping of specific areas ongoing

### Implications

- Number of FTEs allocated to AML up from 820 in 2017 to around 1,400 in 2018
- Expense overhang in 2019E from upscaling of AML efforts in 2018
- Dependency on manual processes
- Further expense pressure from additional resource allocation
- Dependency on manual processes
- Investments of up to DKK 2.0bn over the next three years specifically earmarked for AML digitalisation efforts
- Expense impact of around DKK 0.3bn in 2019

## Net profit: DKK 15.0 bn, down 28% from 2017 due to lower trading income and donation

### Income statement and key figures (DKK millions)

	2018	2017	Index	Q4 2018	Q3 2018	Index
Net interest income	23,571	23,806	99	5,895	5,852	101
Net fee income	15,402	15,664	98	4,078	3,777	108
Net trading income	4,676	7,087	66	938	1,236	76
Other income	716	1,591	45	20	235	9
Total income	44,365	48,149	92	10,931	11,100	98
Expenses	25,011	22,722	110	6,243	7,367	85
Profit before loan impairment charges	19,354	25,427	76	4,688	3,733	126
Loan impairment charges	-650	-873	-	-43	100	-
Profit before tax, core	20,004	26,300	76	4,731	3,632	130
Profit before tax, Non-core	-282	-12	-	-286	-44	-
Profit before tax	19,722	26,288	75	4,445	3,588	124
Tax	4,721	5,388	88	1,029	1,107	93
Net profit	15,001	20,900	72	3,415	2,482	138
Return on avg. shareholders' equity (%)	9.8	13.6		8.8	6.4	
Cost/income ratio (%)	56.4	47.2		57.1	66.4	
Common equity tier 1 capital ratio (%)	17.0	17.6		17.0	16.4	
EPS (DKK)	16.5	22.2	74	3.7	2.7	137
Lending (DKK bn)	1,769	1,723	103	1,769	1,758	101
Deposits and RD funding (DKK bn)	1,636	1,670	98	1,636	1,647	99
- of which deposits (DKK bn)	894	912	98	894	909	98
Risk exposure amount (DKK bn)	748	753	99	748	738	101

### Key points, 2018 vs 2017

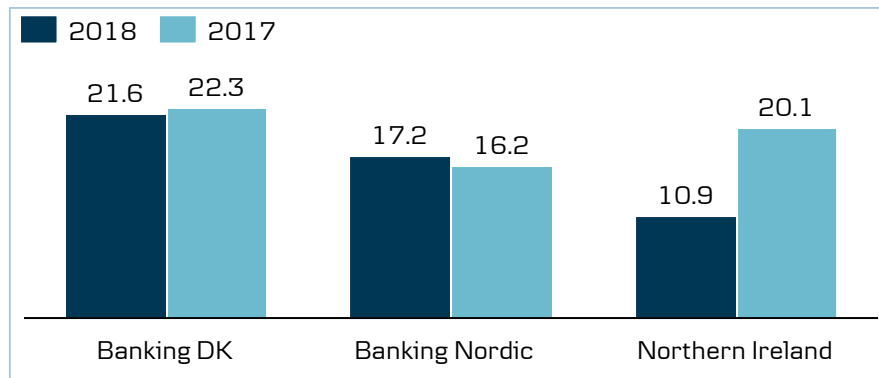
- Return on equity of 9.8%
- NII down 1%; up 1% adjusted for FX
- Fee income down 2%
- Trading income down 34% from the high level last year due to challenging market conditions
- Expenses up 10%, due mainly to DKK 1.5 bn donation in Q3
- Net impairment reversal driven by Banking Denmark and Banking Nordic
- Lending up 3%

### Key points, Q4 2018 vs Q3 2018

- NII and lending up 1%
- Fee income up 8%, performance fees of DKK 154 m in Q4
- Subdued trading income includes positive one-off of around DKK 200 m from the sale of assets previously taken over as collateral
- Expenses up 6% (excl. donation in Q3), reflecting seasonality and higher integration costs of around DKK 100 m
- Small net impairment reversal
- CET1 capital ratio of 17.0% and REA of DKK 748 bn

## Banking units: Continued growth, driven primarily by good momentum at Banking Nordic and stable growth at Banking DK

### Pre-tax return on allocated capital (%)



### Financial highlights, 2018 vs 2017

#### Banking DK

- Total income unchanged
- Expenses up 2% owing mainly to increasing compliance costs
- Lending up 1%, deposits up 2%

#### Banking Nordic

- Total income down 1%, Krogsveen was sold in Q1 2018
- Expenses down 3% due to the sale of Krogsveen
- Lending up 5% with growth in Sweden, Norway and Finland

#### Northern Ireland

- Lending and NII up despite continued Brexit uncertainty
- Expenses up 26% following positive pension-related one-off in 2017

### Income statement (DKK millions)

	Banking DK			Banking Nordic			Northern Ireland		
	2018	2017	Index	2018	2017	Index	2018	2017	Index
Net interest income	8,955	8,906	101	7,957	7,572	105	1,491	1,374	109
Net fee income	3,400	3,417	100	1,605	1,700	94	392	429	91
Net trading income	852	874	97	302	300	101	82	111	74
Other income	234	264	89	648	1,047	62	12	48	25
Total income	13,442	13,461	100	10,512	10,619	99	1,978	1,961	101
Expenses	6,860	6,745	102	5,029	5,202	97	1,207	957	126
Profit before loan impairment charges	6,582	6,715	98	5,483	5,417	101	770	1,004	77
Loan impairment charges	-758	-1,065	-	-159	221	-	26	-247	-
Profit before tax	7,340	7,780	94	5,642	5,196	109	744	1,251	59
Lending (DKK bn)	879	870	101	587	561	105	50	46	108
Deposits and RD funding (DKK bn)	1,015	1,014	100	238	235	101	63	59	106
- of which deposits (DKK bn)	283	278	102	227	225	101	63	59	106
Share of Group lending (%)*	49	50		33	32		3	3	

\* Excluding reverse transactions and before impairments

## *C&I and Wealth Management: Difficult market conditions affected trading income; WM fees benefit from SEB Pension DK*

### Corporates & Institutions: Financial highlights, 2018 vs 2017

- NII up 2% despite the transfer of local Baltic customers to Non-core from Q2 2018
- Fee income down 5% owing to a decline in Equities
- Trading income reflects challenging conditions in rates markets
- Expenses down 7%, due primarily to lower performance-based compensation
- Lower impairment charges reflect a more stable situation for offshore companies due to positive trends in activity and oil price despite single name impairments in Q3 2018
- Lending grew 6% adjusted for the transfer of Baltic customers to Non-core

### Wealth Management: Financial highlights, 2018 vs 2017

- Assets under management up 3%, owing mainly to the acquisition of SEB Pension Danmark\*\*
- Net sales at Asset Management of a negative DKK 18.4 bn in 2018, against a positive 20.9 bn in 2017
- Net premiums of DKK 44.1 bn at Danica Pension (DKK 39.7 bn in 2017), of which DKK 5.6 bn at SEB Pension Danmark\*\*
- Fee income up 1%, due mainly to SEB Pension Danmark\*\*
- The Health & Accident business results lowered both trading income (investment result) and other income (risk result)
- Expenses up 18%, due mainly to costs related to SEB Pension Danmark and increased regulatory costs

### Corporates & Institutions: Income statement (DKK millions)

	2018	2017	Index
Net interest income	3,928	3,837	102
Net fee income	2,914	3,077	95
Net trading income	2,440	4,943	49
Other income	7	3	233
Total income	9,289	11,860	78
Expenses	4,689	5,034	93
Profit before loan impairment charges	4,600	6,826	67
Loan impairment charges	278	311	89
Profit before tax	4,322	6,515	66
Pre-tax return on allocated capital (%)	12.9	17.2	
Lending (DKK bn)	198	200	99
Deposits (DKK bn)	261	283	92
Share of Group lending (%)*	11	11	

### Wealth Management: Income statement (DKK millions)

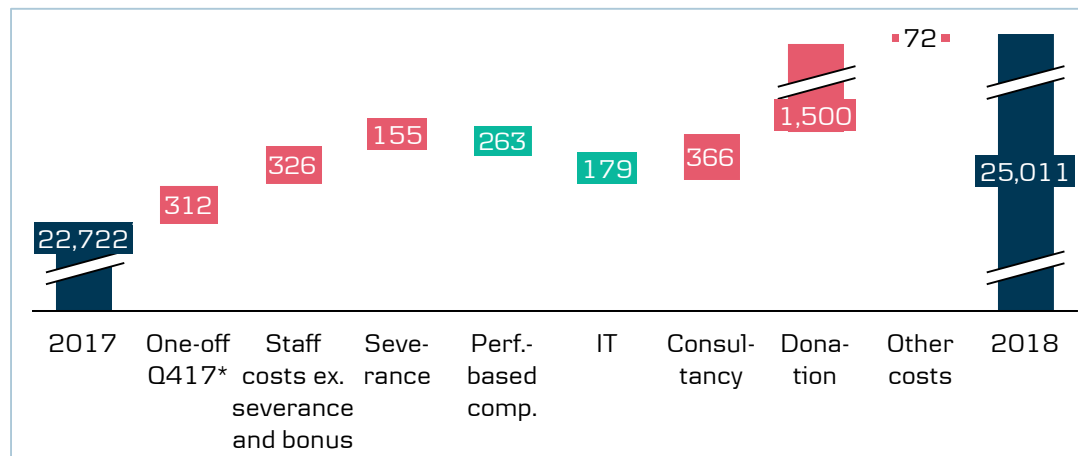
	2018	2017	Index
Net interest income	725	709	102
Net fee income	7,353	7,281	101
Net trading income	66	403	16
Other income	-193	174	-
Total income	7,950	8,567	93
Expenses	4,810	4,082	118
Profit before loan impairment charges	3,140	4,485	70
Loan impairment charges	-42	-93	45
Profit before tax	3,183	4,579	70
Pre-tax return on allocated capital (%)	20.6	33.0	
Lending (DKK bn)	78	75	104
Deposits (DKK bn)	67	66	101
Assets under management (DKK bn)*	1,575	1,530	103

\* Excluding reverse transactions and before impairments. \*\* The SEB Pension Danmark acquisition was finalised on 7 June 2018. Q2 2018 effect: DKK 102 bn in AuM.



# Expenses: 2018 impacted by donation, AML & SEB Pension DK; 2019 expected to be driven by AML, SEB, VAT & activity

Change in expenses (DKK millions)



Expense drivers

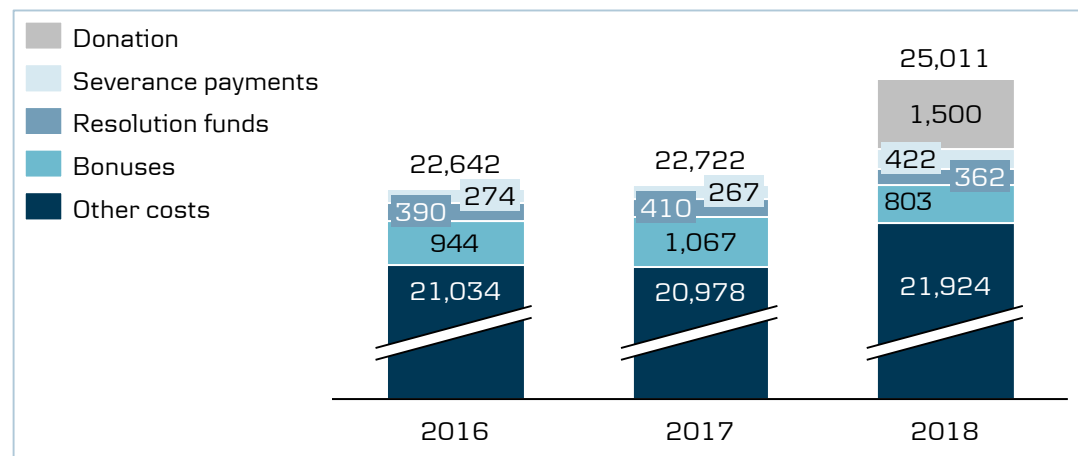
### 2018 vs 2017

- Expenses up 10% y/y, due mainly to the donation. Excluding the donation, expenses were up 3% y/y due to compliance costs (including Estonia investigations) and the SEB Pension Danmark acquisition
- SEB Pension Danmark acquisition increased operating expenses. In addition, we booked integration costs of around DKK 200 m

### 2019E vs 2018

- Expenses are expected to be affected by higher AML-related costs. This includes both the overhang from upscaling in 2018 and costs of DKK 0.3 bn earmarked for AML digitalisation efforts
- Management review concludes more resources are needed within AML and KYC to stay compliant
- AML digitalisation efforts are being accelerated to avoid manual processes and future cost increases in this area as well as to bring down the cost-to-serve
- Higher VAT costs of around DKK 0.2 bn expected due to European Court of Justice ruling
- Activity-related costs are expected to increase
- 2019 will include full-year SEB Pension DK operating expenses (2018: 7-month effect)

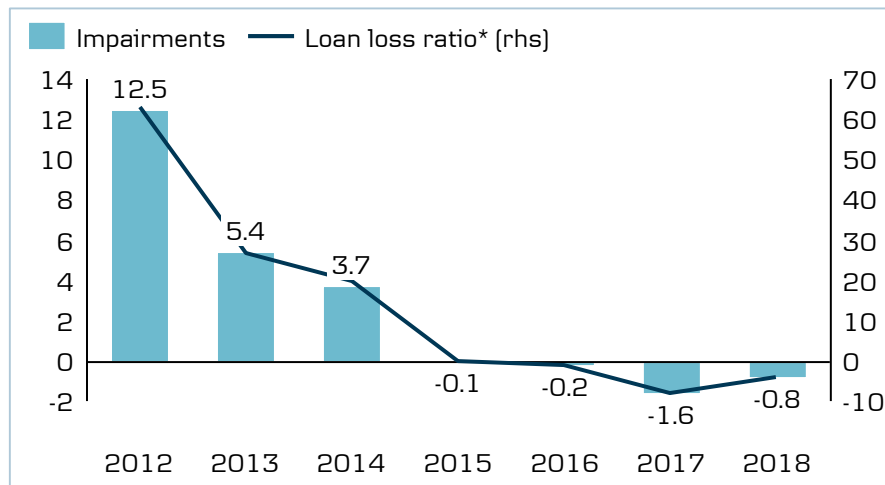
Total expenses (DKK millions)



\* Positive one-off in Q4 2017 relating to a change in pension liabilities in Northern Ireland

# Impairments: Q4 net impairment reversal driven by Banking DK and Banking Nordic

Group impairments,\* 2012-2018 (DKK billions/bp)



Impairment drivers, Q4 2018 vs Q3 2018

- Net impairment reversal driven by Banking DK and Banking Nordic
- At Banking DK, we saw fewer impairments against facilities to the agricultural sector
- At Banking Nordic, sale of debt claims positively affected impairments by around DKK 100 m
- At C&I, impairments related to a few single-name exposures
- Underlying credit quality was consistently strong and was supported by higher collateral values

Impairments (DKK millions)

	2018	2017	Q4 2018	Q3 2018
Banking DK	-758	-1,065	-148	-16
Banking Nordic	-159	221	-82	-79
C&I	278	311	175	235
Wealth Management	-42	-93	11	-21
Northern Ireland	26	-247	-1	-22
Other activities	5	0	3	4
<b>Total core</b>	<b>-650</b>	<b>-873</b>	<b>-43</b>	<b>100</b>
Non-core	-137	-710	-5	-5
<b>Group</b>	<b>-787</b>	<b>-1,583</b>	<b>-48</b>	<b>95</b>

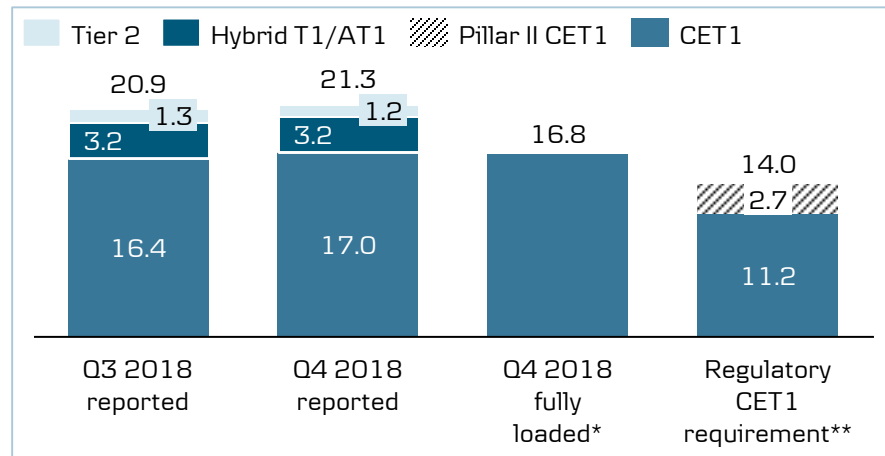
Loan loss ratio,\*\* annualised (bp)

	2018	2017	Q4 2018	Q3 2018
Banking DK	-9	-12	-7	-1
Banking Nordic	-3	4	-5	-5
C&I	7	7	32	42
Wealth Management	-5	-12	5	-10
Northern Ireland	6	-55	-1	-18
Other activities	29	1	17	32
<b>Total core</b>	<b>-3</b>	<b>-4</b>	<b>-1</b>	<b>2</b>
Non-core	-288	-375	-14	-12
<b>Group</b>	<b>-4</b>	<b>-8</b>	<b>-1</b>	<b>2</b>

\* Includes Non-core \*\* The loan loss ratio is defined as annualised quarterly impairment charges as a percentage of loans and guarantees.

# Capital: Strong capital base; CET1 ratio of 17.0%

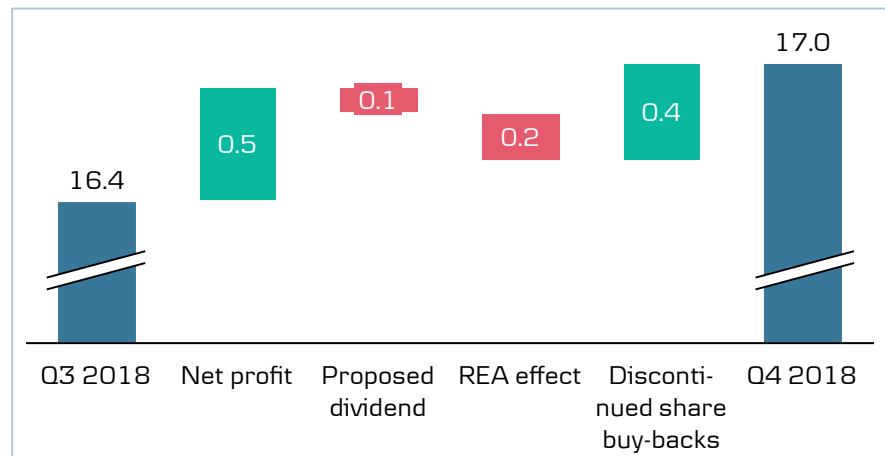
Capital ratios, under Basel III/CRR (%)



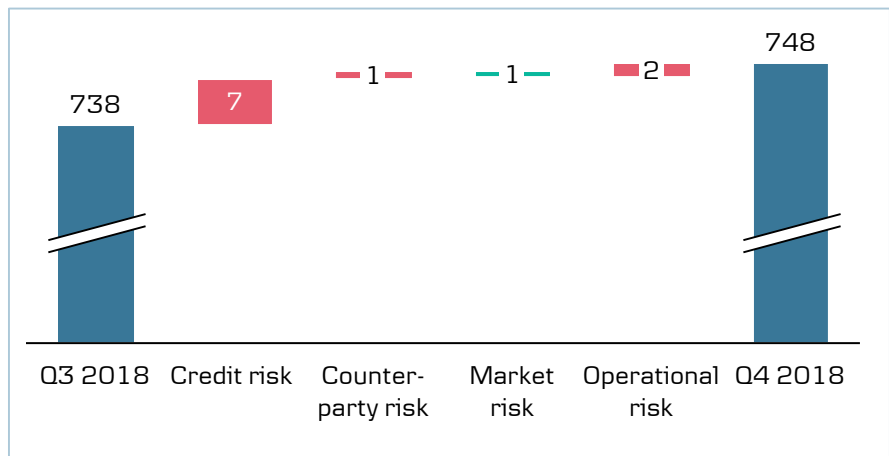
Capital highlights, Q4 2018

- Credit risk REA increase caused mostly by the move of the Swedish mortgage risk-weight floor from Pillar II to Pillar I
- Effect of cancelling share buy-back programme for 2018 increased CET1 by around 0.4% points in Q4
- CET1 target of around 16% and total capital ratio target of above 20%
- Leverage ratio increased to 4.6% under transitional rules and 4.5% under fully phased-in rules

CET1 capital ratio, Q3 2018 to Q4 2018 (%)



Total REA, Q3 2018 to Q4 2018 (DKK billions)



\* Adjusted for remaining impact of IFRS 9. \*\* Pro forma fully phased-in CET1 requirement in 2019 of 4.5%, capital conservation buffer of 2.5%, SIFI requirement of 3%, countercyclical buffer of 1.2% and CET1 component of Pillar II requirement. Note: Under the current Danish rules, Pillar II is not relevant for the purpose of MDA.

## *2019 outlook: We expect net profit in the range of DKK 14-16 bn, excluding potential gain on sale of Danica Pension Sweden*

### Net interest income

We expect net interest income to be at around the level in 2018, as volume growth will be offset by higher funding costs and margin pressure. This is subject to changes in funding spreads

### Net fee income

Net fee income is expected to be higher, due mainly to the effect of the acquisition of SEB Pension Danmark and subject to customer activity

### Expenses

Expenses are expected to be at around the level in 2018 (including the donation of DKK 1.5 bn) due to higher costs related to AML, SEB Pension Danmark, VAT and activity. The outlook includes costs of DKK 0.3 bn earmarked for AML digitalisation efforts

### Impairments

Loan impairments are expected to be higher

### Net profit

We expect net profit for 2019 to be in the range of DKK 14-16 bn. This excludes any potential gain on the proposed sale of Danica Pension Sweden

### Financial target

Our longer-term ambition is to rank in the top three among major Nordic peers\* in terms of ROE

Note: This guidance is subject to uncertainty and depends on economic conditions, including developments in monetary policy at central banks.

\* DnB, Handelsbanken, Nordea, SEB, Swedbank

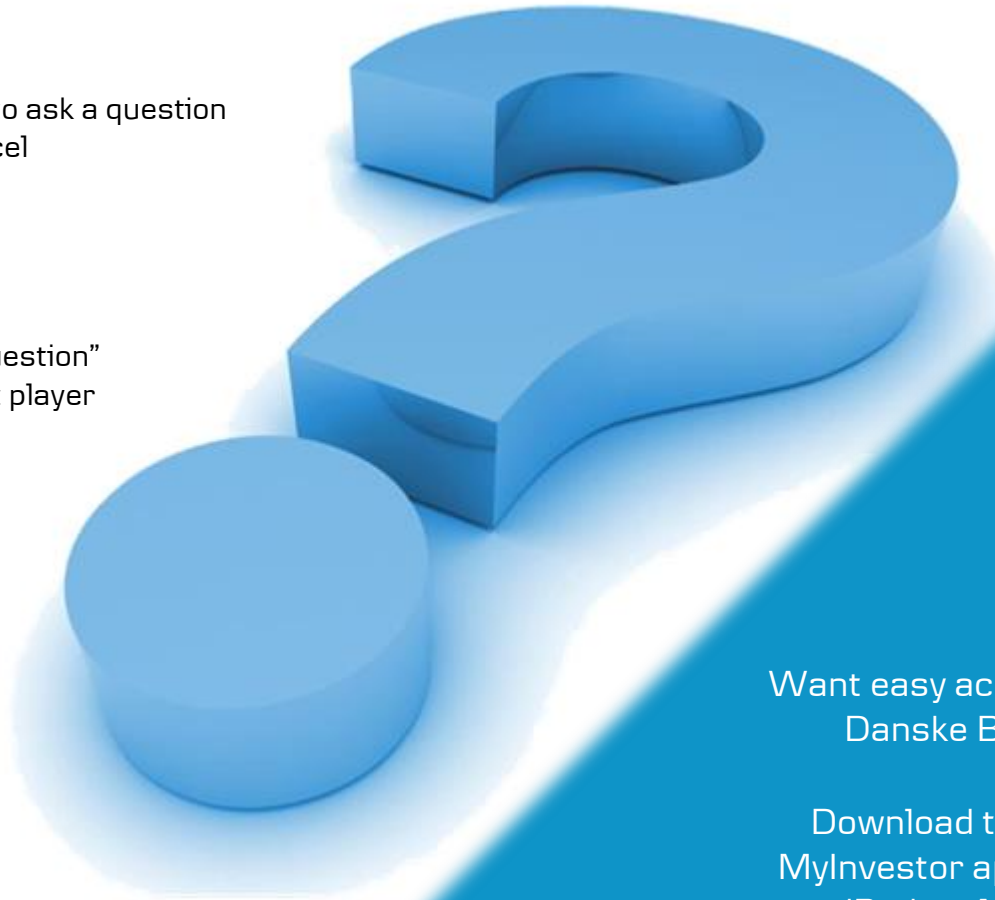
## Q&A session



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Press # to cancel



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## *Appendix*

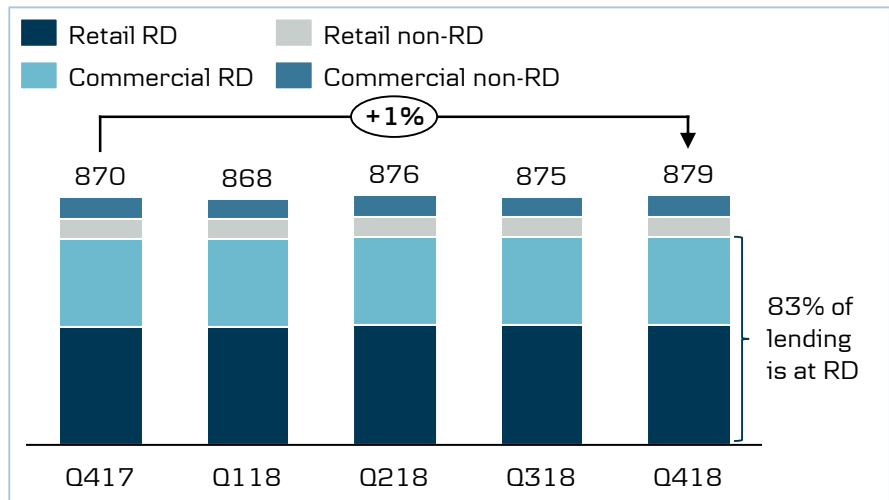
<b>Business units</b>	<b>14</b>
<b>Income, expenses and credit quality</b>	<b>19</b>
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<b>Funding, liquidity and ratings</b>	<b>28</b>
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<b>Contact details</b>	<b>32</b>

# Banking DK: Profit before tax up 6% in Q4 due to net reversals

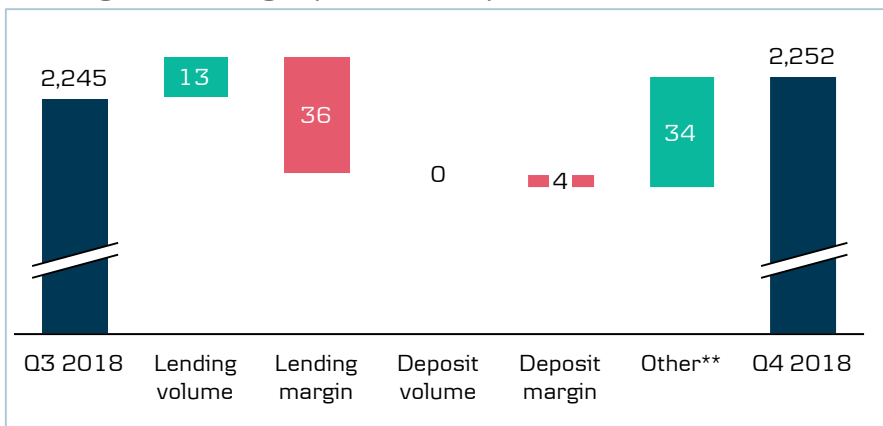
Income statement and key figures (DKK millions)

	Q4 2018	Q3 2018	Index
Net interest income	2,252	2,245	100
Net fee income	802	848	95
Net trading income	246	156	158
Other income	63	57	111
<b>Total income</b>	<b>3,364</b>	<b>3,306</b>	<b>102</b>
Expenses	1,789	1,698	105
Profit before loan impairment charges	1,575	1,608	98
Loan impairment charges	-148	-16	-
<b>Profit before tax</b>	<b>1,723</b>	<b>1,624</b>	<b>106</b>
Lending (DKK bn)	879	875	100
Deposits and RD funding (DKK bn)	1,015	1,013	100
Deposits (DKK bn)	283	282	100
Combined avg. weighted margin (%)	0.84	0.85	

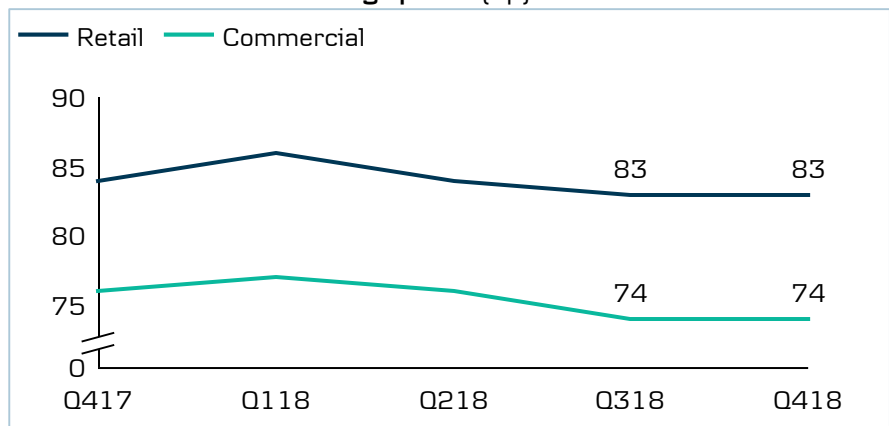
Lending volume by segment (DKK billions)



Banking DK NII bridge\* (DKK millions)



Realkredit Danmark lending spread (bp)



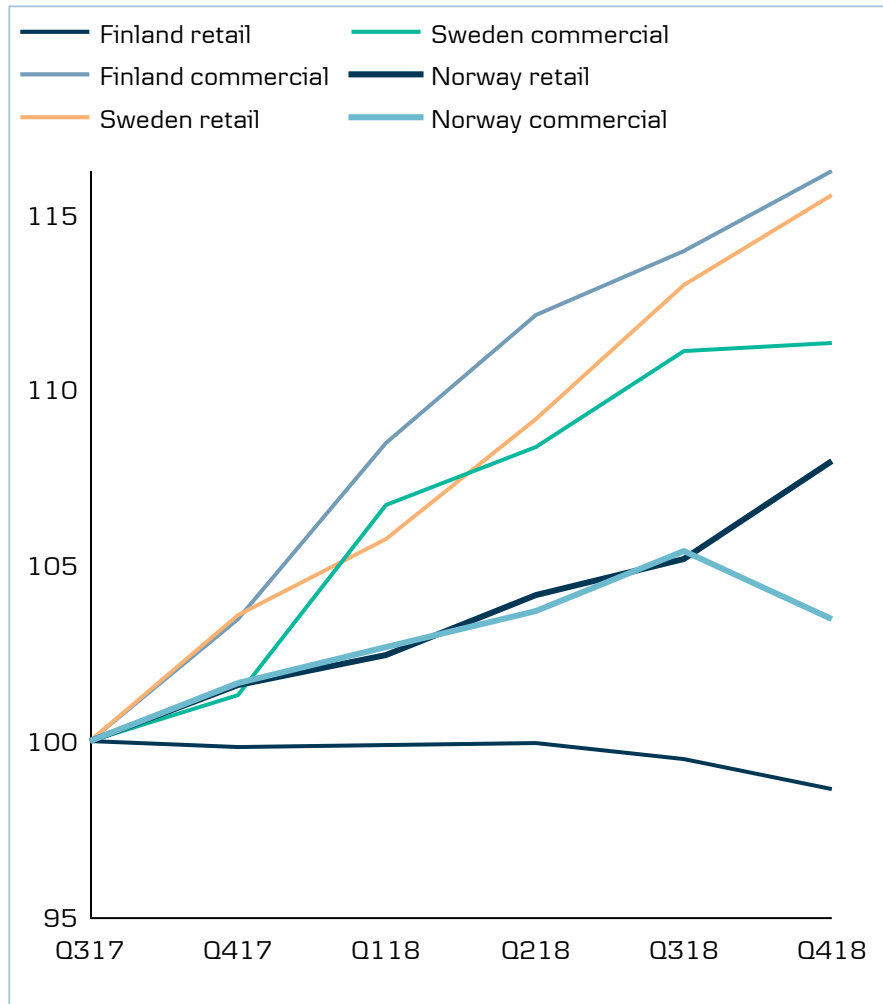
\* Based on average volumes. \*\* Includes capital costs and off-balance-sheet items.

# Banking Nordic: Profit before tax down 7% in Q4 as expenses rise; growth in commercial Finland and retail Sweden and Norway

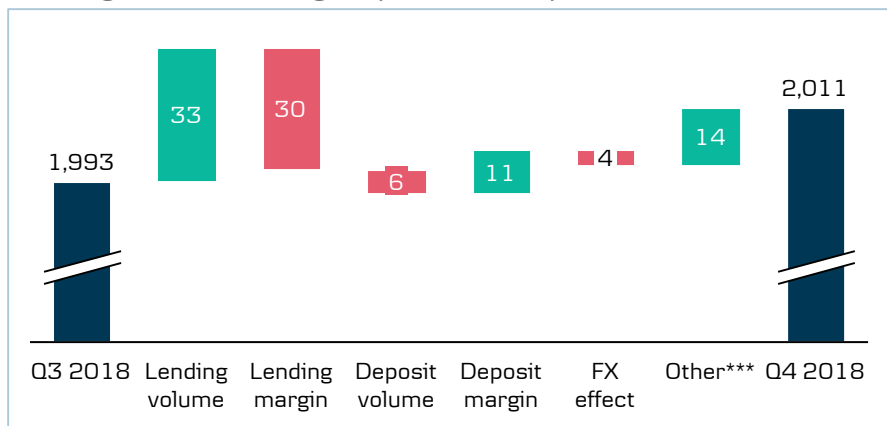
Income statement and key figures (DKK millions)

	Q4 2018	Q3 2018	Index
Net interest income	2,011	1,993	101
Net fee income	406	384	106
Net trading income	74	84	88
Other income	126	145	87
<b>Total income</b>	<b>2,616</b>	<b>2,606</b>	<b>100</b>
Expenses	1,333	1,217	110
Profit before loan impairment charges	1,283	1,389	92
Loan impairment charges	-82	-79	-
<b>Profit before tax</b>	<b>1,365</b>	<b>1,468</b>	<b>93</b>
Lending (DKK bn)	587	590	99
Deposits and RD funding (DKK bn)	238	239	100
Deposits (DKK bn)	227	228	100
Combined avg. weighted margin (%)	0.97	0.97	

Lending volume by segment and country\* (Q3 2017 = Index 100)



Banking Nordic NII bridge\*\* (DKK millions)



\* Based on local currency lending volumes. \*\* Based on average volumes. \*\*\* Includes capital costs and off-balance-sheet items.

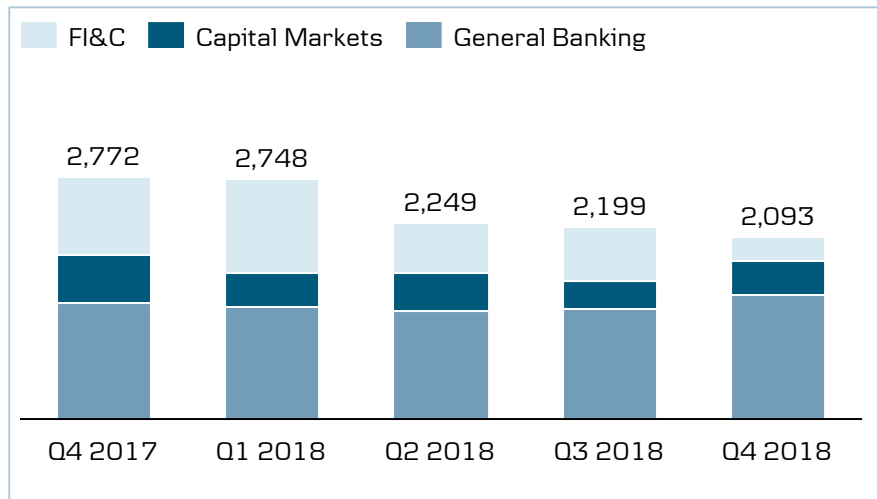


# Corporates & Institutions: Profit before tax down 14% q/q due to lower trading income and higher expenses

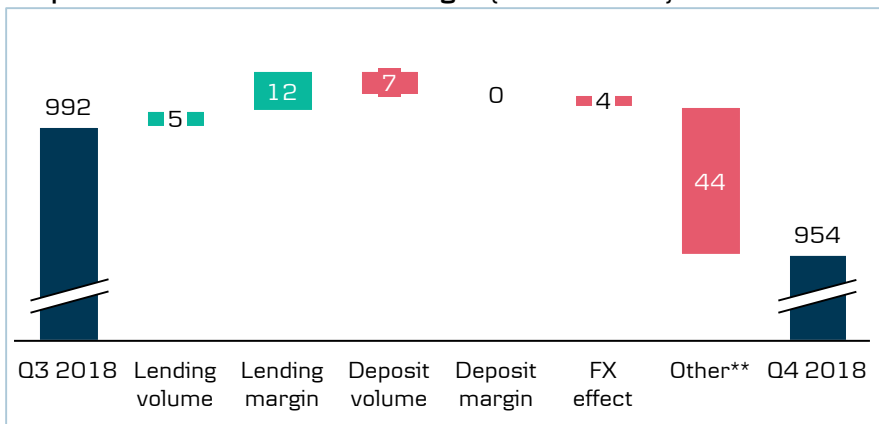
Income statement and key figures (DKK millions)

	Q4 2018	Q3 2018	Index
Net interest income	954	992	96
Net fee income	754	681	111
Net trading income	383	529	72
Other income	2	-4	-
<b>Total income</b>	<b>2,093</b>	<b>2,199</b>	<b>95</b>
Expenses	1,177	1,107	106
Profit before loan impairment charges	916	1,092	84
Loan impairment charges	175	235	74
<b>Profit before tax</b>	<b>741</b>	<b>857</b>	<b>86</b>
Lending (DKK bn)	198	187	106
Deposits (DKK bn)	261	272	96
Combined avg. weighted margin (%)	0.68	0.69	

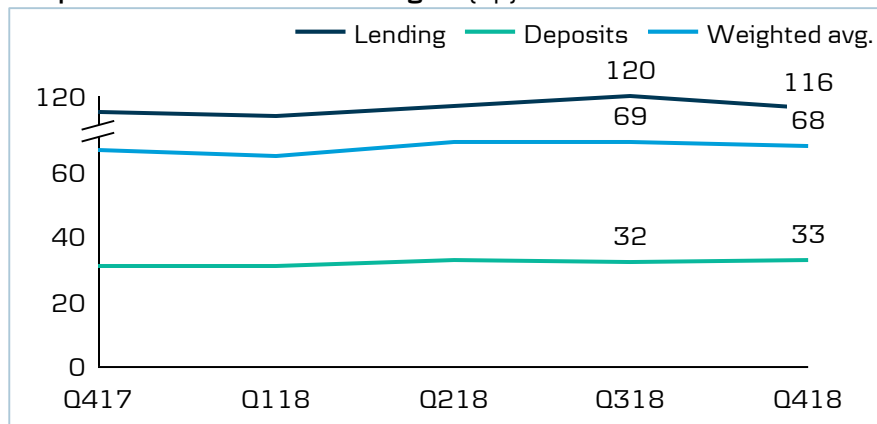
Income breakdown (DKK millions)



Corporates & Institutions NII bridge\* (DKK millions)



Corporates & Institutions margins (bp)



\* Based on average volumes. \*\* Includes capital costs and off-balance-sheet items.

## Wealth Management: Profit before tax down 33% q/q, due mainly to health and accident business and integration expenses

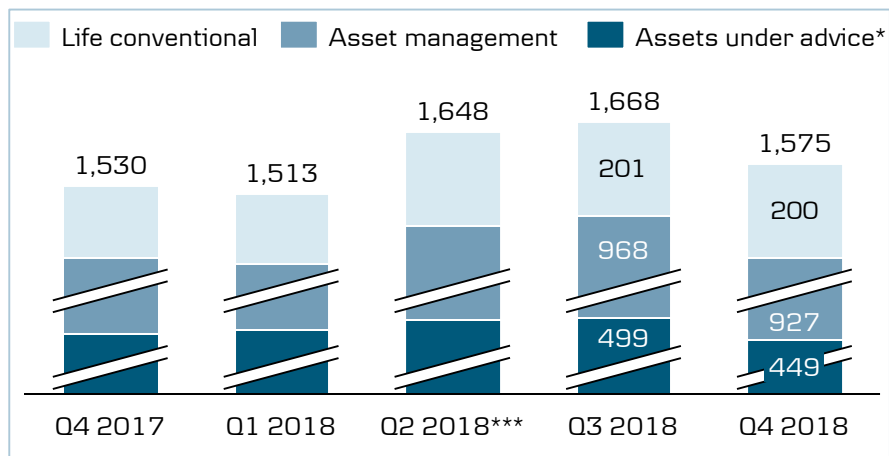
### Income statement and key figures (DKK millions)

	Q4 2018	Q3 2018	Index
Net interest income	180	179	101
Net fee income	2,102	1,828	115
Net trading income	-44	94	-
Other income	-165	18	-
<b>Total income</b>	<b>2,073</b>	<b>2,119</b>	<b>98</b>
<b>Expenses</b>	<b>1,448</b>	<b>1,216</b>	<b>119</b>
Profit before loan impairment charges	625	903	69
Loan impairment charges	11	-21	-
<b>Profit before tax</b>	<b>615</b>	<b>924</b>	<b>67</b>
Lending (DKK bn)	78	77	100
Deposits (DKK bn)	67	68	98
Combined avg. weighted margin (%)	0.66	0.66	
Allocated capital (average, DKK bn)	17.4	17.2	102
Pre-tax return on allocated capital (%)	14.1	21.5	
<b>AuM (DKK bn)</b>	<b>1,575</b>	<b>1,668</b>	<b>94</b>
- Life conventional (Traditionel)	200	201	100
- Asset management (Unit-linked)	927	968	96
- Assets under advice*	449	499	90

### Key points, Q4 2018 vs Q3 2018

- Assets under management down 6%
- Fee income up 15% due to performance fees of DKK 154 m
- Net sales for Asset Management of a negative DKK 8.9 bn (Q3: DKK 6.1 bn outflow) due to an outflow of institutional clients
- Net premiums of DKK 10.5 bn at Danica (Q3: DKK 10.8 bn)
- The health and accident business results lowered both trading income (investment result) and other income (risk result)
- Operating expenses up 19%, due primarily to integration expenses regarding SEB Pension Danmark\*\* of around DKK 100 m in Q4 and costs related to the prospective sale of Danica Pension in Sweden

### AuM breakdown (DKK billions)

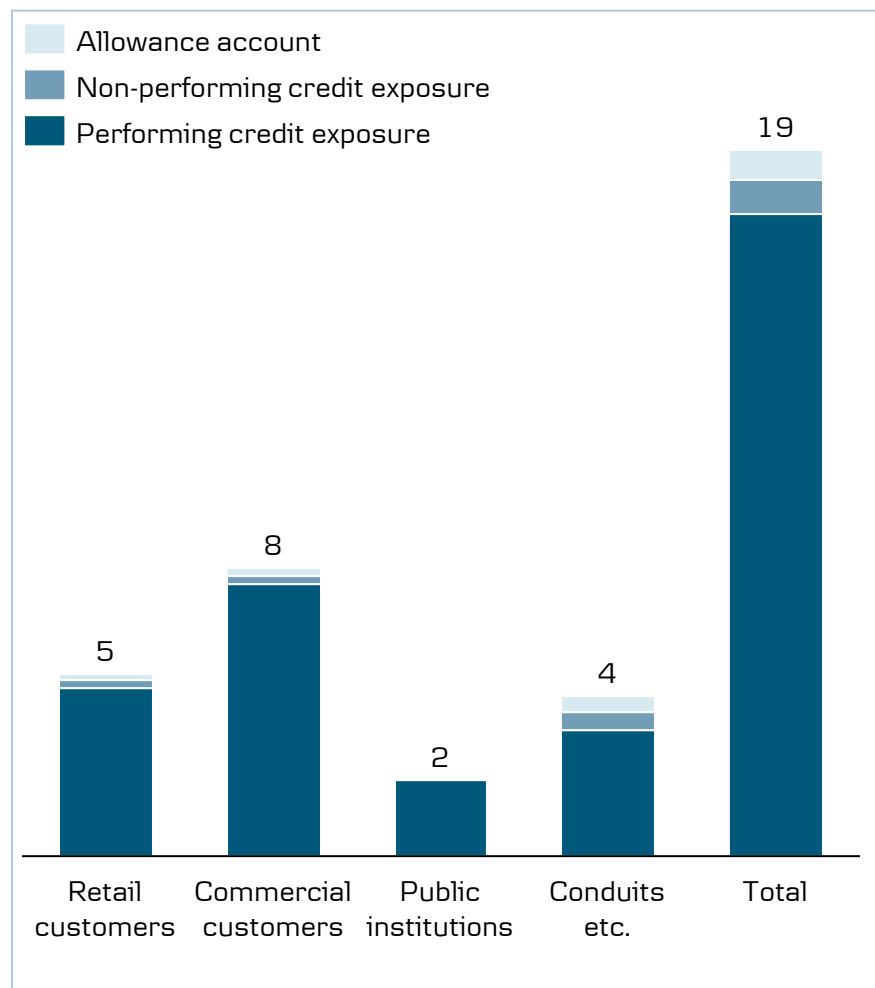


\* Assets under advice from retail, commercial and private banking customers, where the investment decision is taken by the customer.

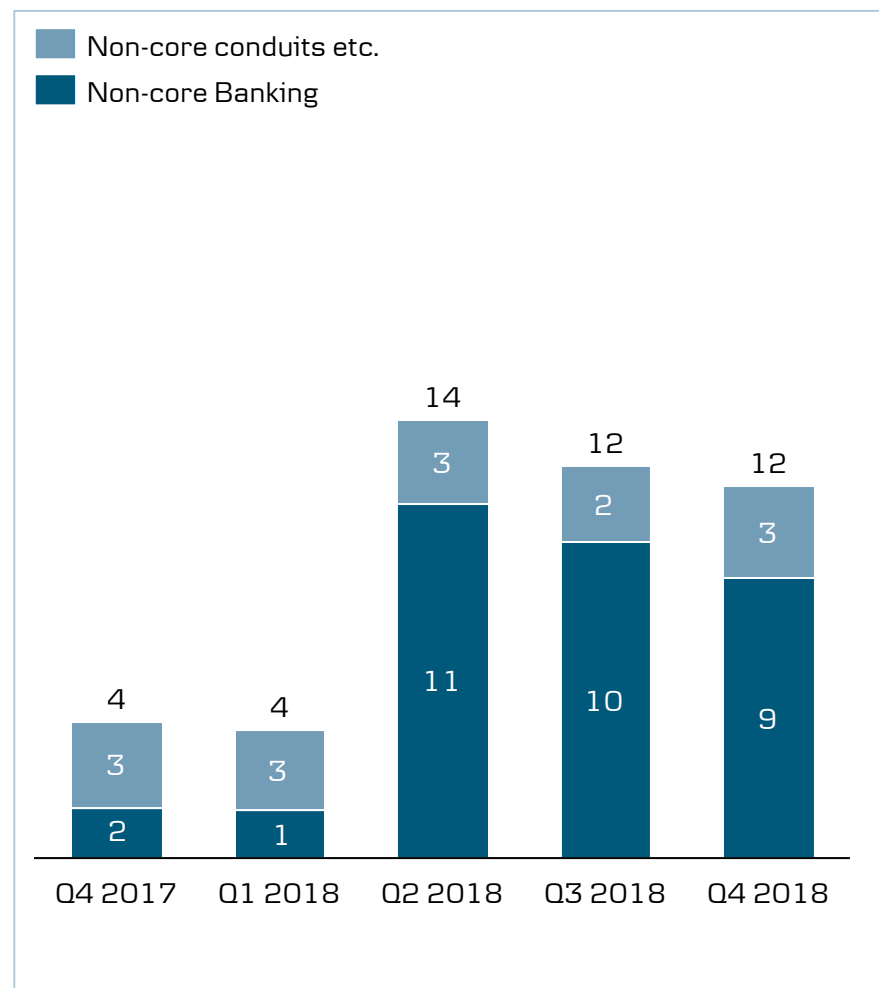
\*\* The SEB Pension Danmark acquisition was finalised on 7 June 2018. \*\*\* Includes AuM from SEB Pension Danmark from Q2 2018 (Q2 2018 effect: DKK 102 bn).

# Non-core: Deleveraging progressed according to plan; REA of DKK 12 bn at end-2018

Non-core loan portfolio, Q4 2018 (DKK billions)

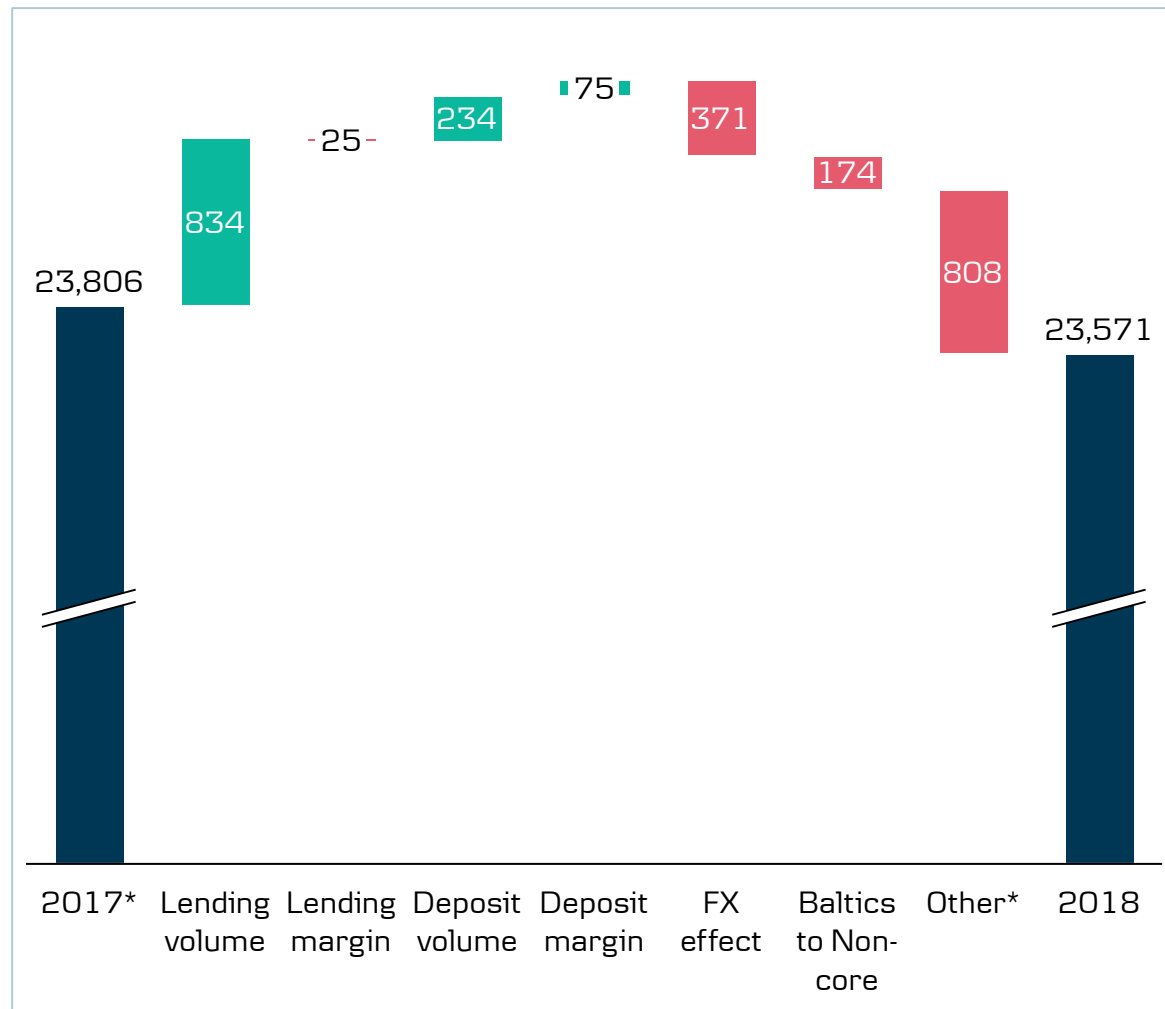


Non-core REA (DKK billions)



# Net interest income: Volume growth offset by margin pressure and FX effect; up 1% y/y adjusted for FX effect

Change in net interest income (DKK millions)



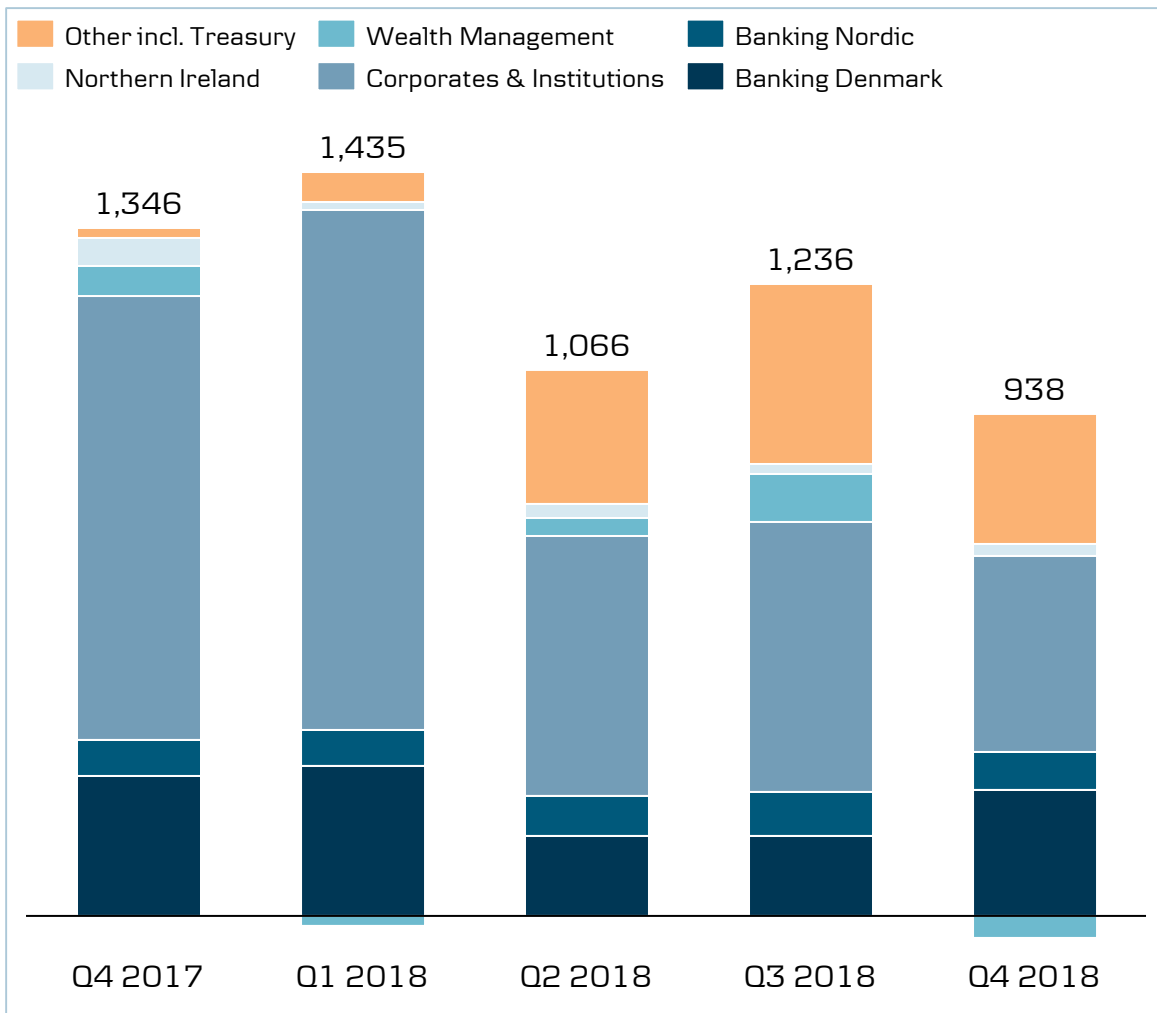
## Comments

- NII Other includes and is impacted by
  - differences at the Internal Bank between actual and allocated funding costs (FTP)
  - income related to the Group’s liquidity portfolio
  - actual liquidity cost at the Internal Bank
  - deposit floor effect from changed FTP
- In Q4 2017, around DKK 70 m was moved from trading income to NII to align the FTP setup for floored loans across the Group. The full-year impact for 2018 was around DKK 280 m

\* Note that net interest income has been restated after aligning the presentation of customer income on derivatives in FI&C, moving income from trading to NII and fees.

# Trading income: At a low level owing to challenging conditions in rates markets, Q4 includes positive one-off from sale of assets

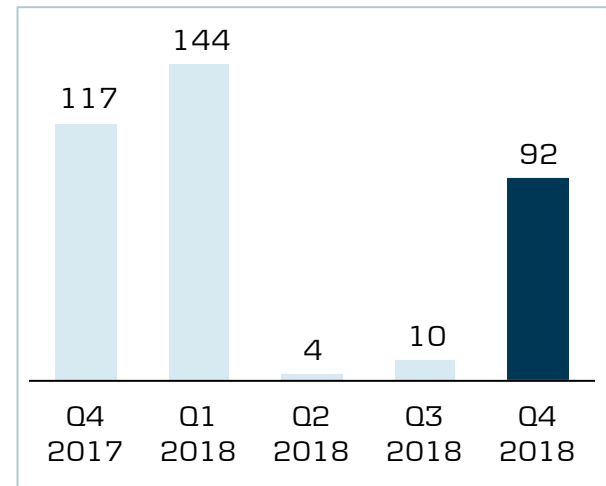
Trading income by business unit\* (DKK millions)



Key points, Q4 2018 vs Q3 2018

- Trading income was down 24% from an already low level in Q3
- Subdued trading income at Corporates & Institutions includes positive one-off of DKK 217 m from the sale of assets previously taken over as collateral
- FlexLån<sup>®</sup> loan auctions resulted in refinancing income of DKK 92 m in Q4 2018

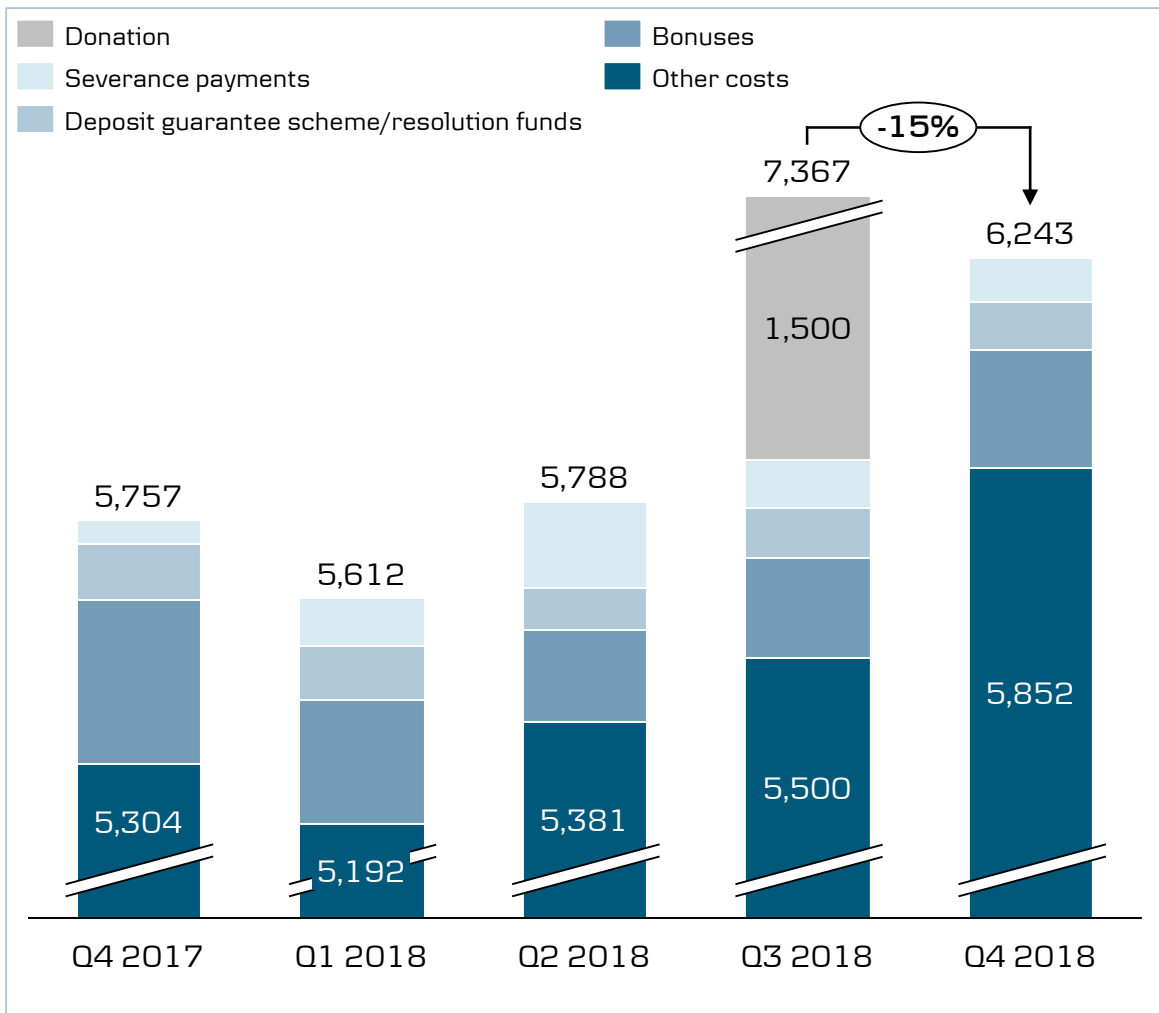
Refinancing income (DKK millions)



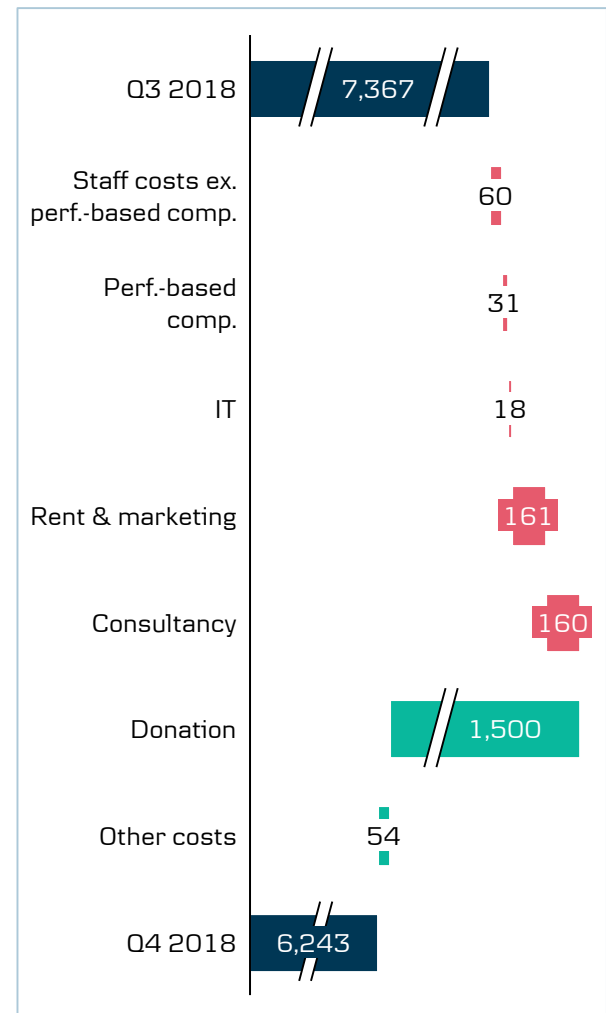
\* Note that net trading income has been restated after aligning the presentation of customer income on derivatives in FI&C, moving income from trading to NII and fees.

# Expenses: Up 6% q/q excluding DKK 1.5 bn donation reflecting seasonality and higher integration costs for SEB Pension DK

Total expenses (DKK millions)

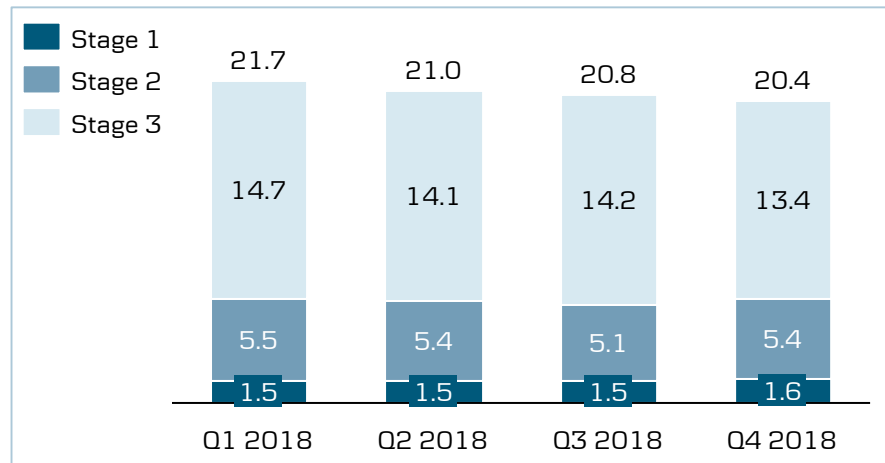


Change in expenses (DKK millions)

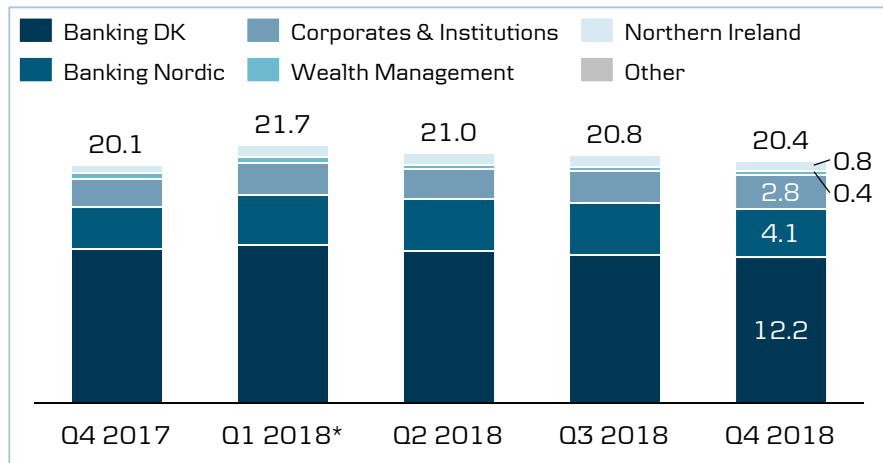


# Credit quality: Positive trend in credit quality continues; NPLs decreased 10% y/y

Breakdown of core allowance account under IFRS 9 (DKK billions)



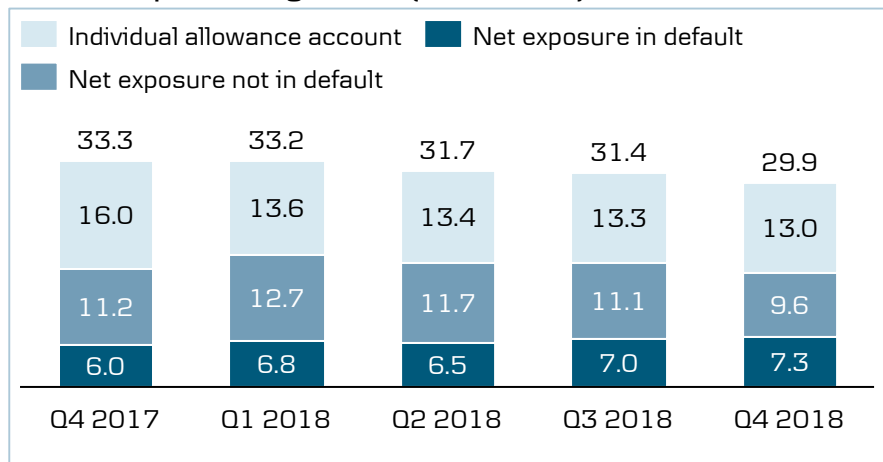
Core allowance account by business unit (DKK billions)



Breakdown of stage 2 allowance account and exposure (DKK bn)

End-Q4 2018	Allowance account	Gross credit exposure	Allowance as % of exposure
Retail customers	2.1	936.3	0.23%
Agriculture	1.1	74.2	1.49%
Shipping	0.3	39.8	0.70%
Commercial property	0.7	302.9	0.22%
Consumer discretionary	0.3	109.1	0.23%
Other	0.9	950.3	0.10%
<b>Total</b>	<b>5.4</b>	<b>2,412.7</b>	<b>0.22%</b>

Gross non-performing loans\*\* (DKK billions)



\* Allowance account increased by DKK 2.6 bn in Q1 2018 due to the implementation of IFRS 9.

\*\* Non-performing loans are loans in stage 3 against which significant impairments have been made.

## Credit exposure: Limited agriculture and directly oil-related exposure

### Agriculture exposure [3.0% of Group exposure]

- Pork prices remained at a very low level while milk prices weakened slightly q/q. All segments and in particular pig farmers are under pressure due to the dry weather conditions in Denmark last summer. Consequently, we expect to see an increase in non-performing loans during 2019. Exposure to growing of crops etc. is highly secured and has a high NPL coverage ratio.
- Due to these negative developments, impairments have increased in stages 1 and 2 in the second half of 2018. This partly reflects increased management overlays. Total accumulated impairments amounted to DKK 3.4 bn, of which DKK 1.5 bn. in stages 1 and 2.
- Realkredit Danmark represented 56% of total gross exposure and 20% of expected credit loss
  - LTV limit at origination of 60% at Realkredit Danmark

### Agriculture by segment, Q4 2018 (DKK millions)

	Gross credit exposure	Portion from RD	Sweden	Expected credit loss	Net credit exposure	NPL coverage ratio
Banking DK	50,116	41,724		3,211	46,905	88%
Growing of crops, cereals, etc.	18,740	16,376		500	18,240	93%
Dairy	9,175	7,094		1,104	8,071	87%
Pig breeding	12,401	9,803		1,301	11,099	89%
Mixed operations etc.	9,800	8,450		305	9,496	85%
Banking Nordic	12,574		8,662	165	12,409	109%
Northern Ireland	4,541	-		38	4,503	104%
C&I	6,361	2,016		4	6,356	-
Others	634	-		13	622	-
Total	74,227	43,740		3,431	70,795	90%

### Oil-related exposure [0.8% of Group exposure]

- Net exposure increased to DKK 18.7 bn\* from DKK 17.8 bn last quarter
- Oil-related customers accounted for most of the impairment expense of DKK 0.2 bn in Corporates & Institutions in Q4
- By far most of the oil-related exposure is managed by specialist teams for customer relationship and credit management at Corporates & Institutions
- Total accumulated impairments amounted to DKK 2.3 bn, of which DKK 0.4 bn in stages 1 and 2

### Oil-related exposure, Q4 2018 (DKK millions)

	Gross credit exposure	Expected credit loss	Net credit exposure
C&I	19,813	1,949	17,864
Oil majors	8,087	29	8,057
Oil service	5,851	474	5,377
Offshore	5,875	1,446	4,429
Banking DK and Banking Nordic	1,172	345	827
Oil majors	2	0	1
Oil service	1,066	344	722
Offshore	104	1	104
Others	3	0	3
Total	20,988	2,294	18,694

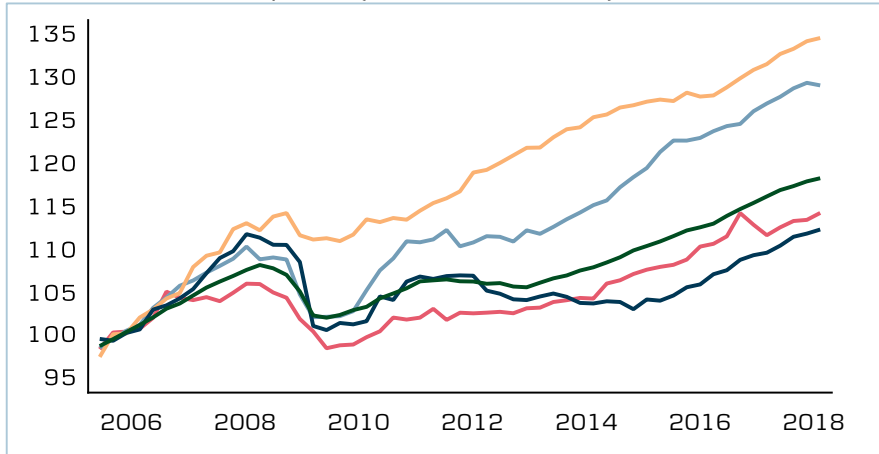
\* The oil-related net credit exposure of DKK 18.7 bn is part of the energy and utilities industry (DKK 14.2 bn) and shipping industry (DKK 4.5 bn).



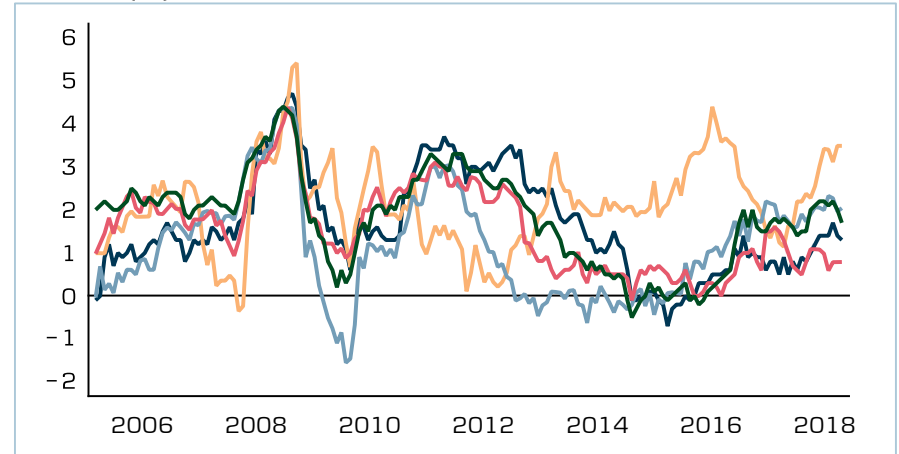
# Nordic macroeconomics

— Denmark — Sweden — Norway — Finland — EU

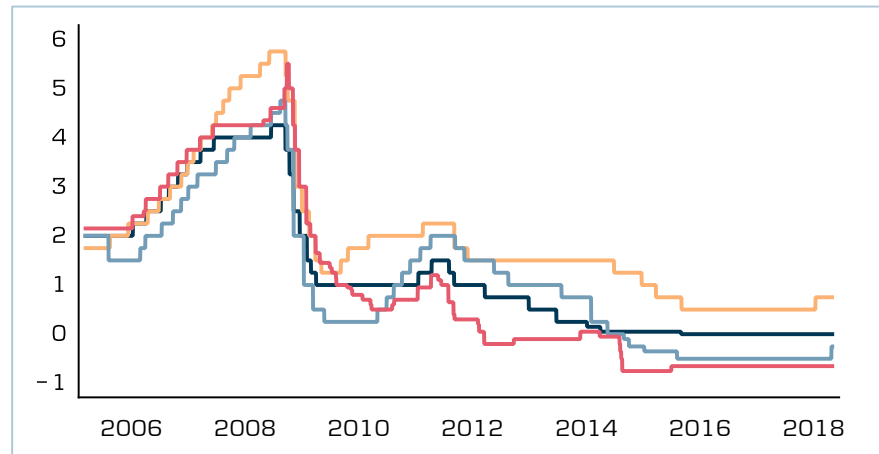
Real GDP, constant prices (index 2005 = 100)



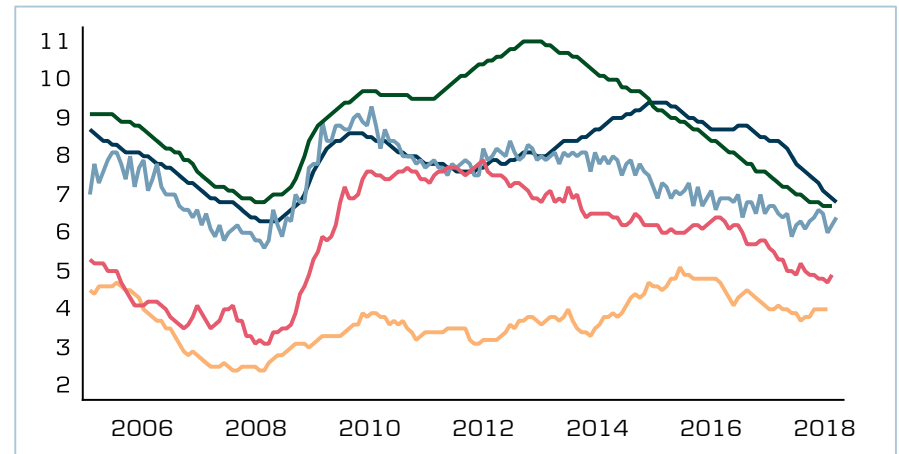
Inflation (%)



Interest rates, leading (%)



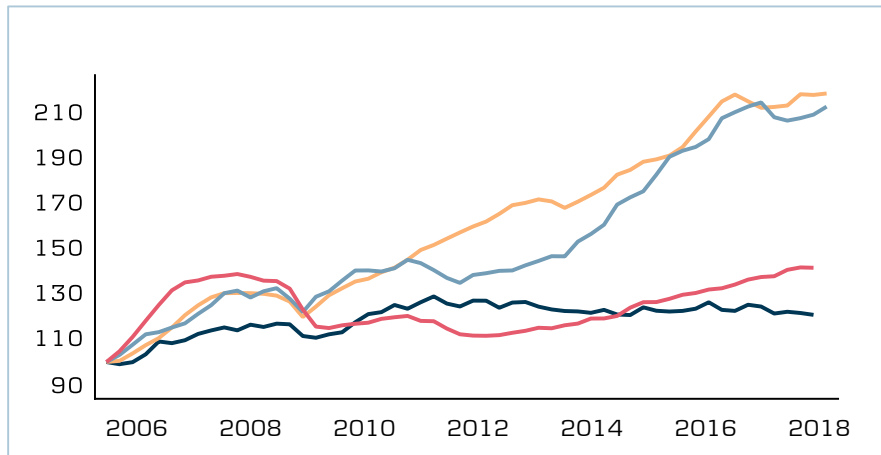
Unemployment (%)



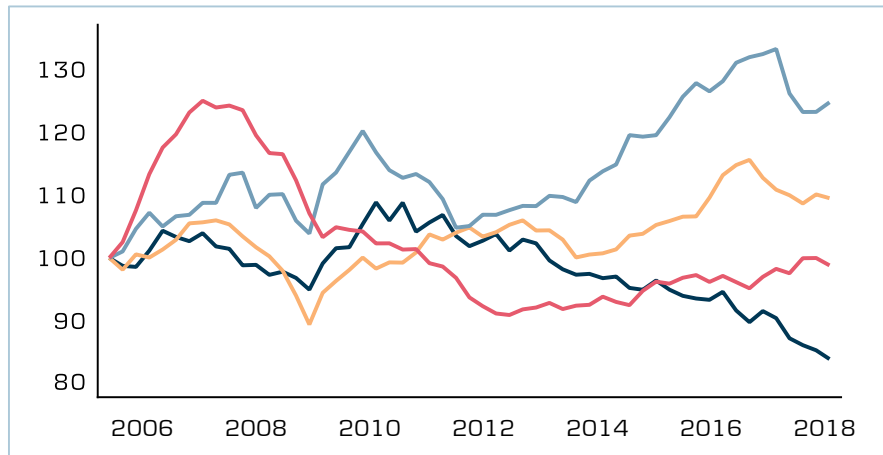
# Nordic housing markets

Denmark Sweden Norway Finland

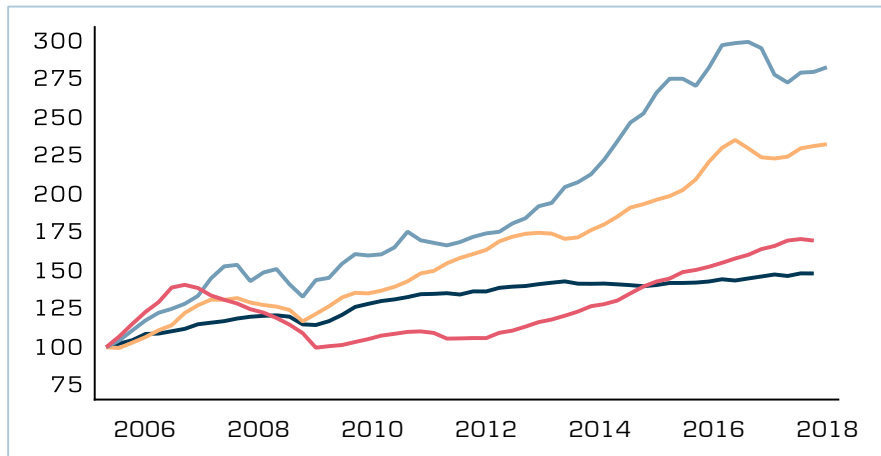
House prices (index 2005 = 100)



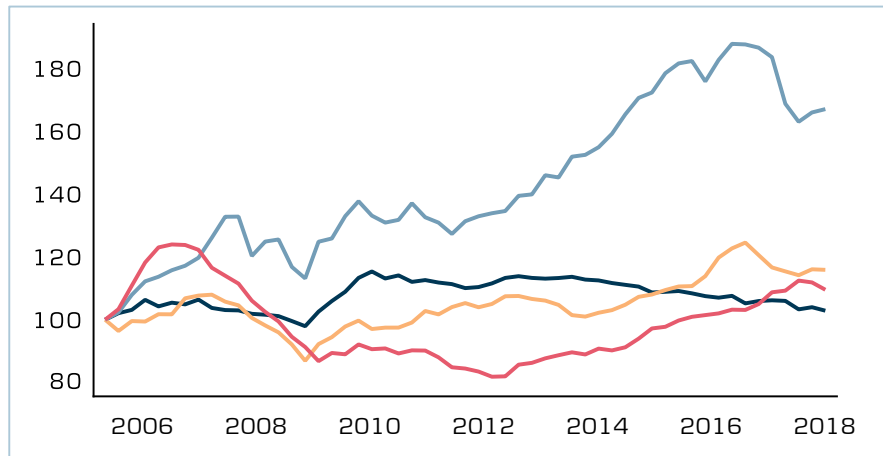
House prices/nom. GDP (index 2005 = 100)



Apartment prices (index 2005 = 100)



Apartment prices/nom. GDP (index 2005 = 100)



# Realkredit Danmark and the Danish housing market: Portfolio overview

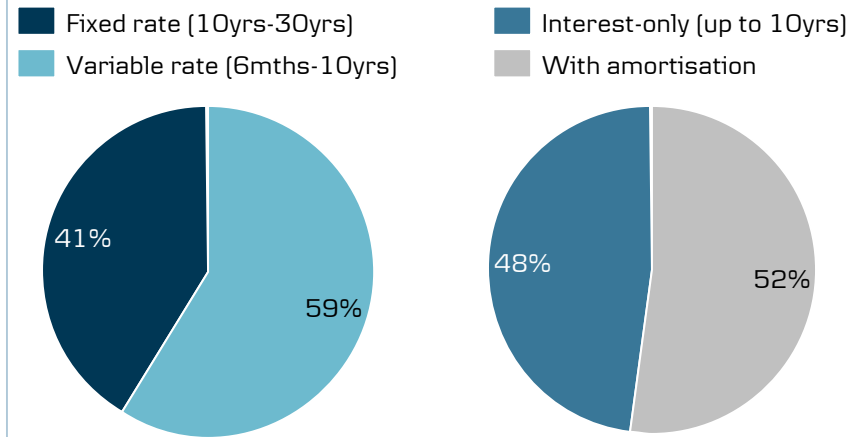
## Portfolio facts, Realkredit Danmark, Q4 18

- Approx. 362,000 loans (residential and commercial)
- 1,181 loans in 3- and 6-month arrears (+3% since Q3)
- 29 repossessed properties
- DKK 8 bn of loans with LTV ratio > 100%, including DKK 4 bn with public guarantee
- Average LTV ratio of 61%

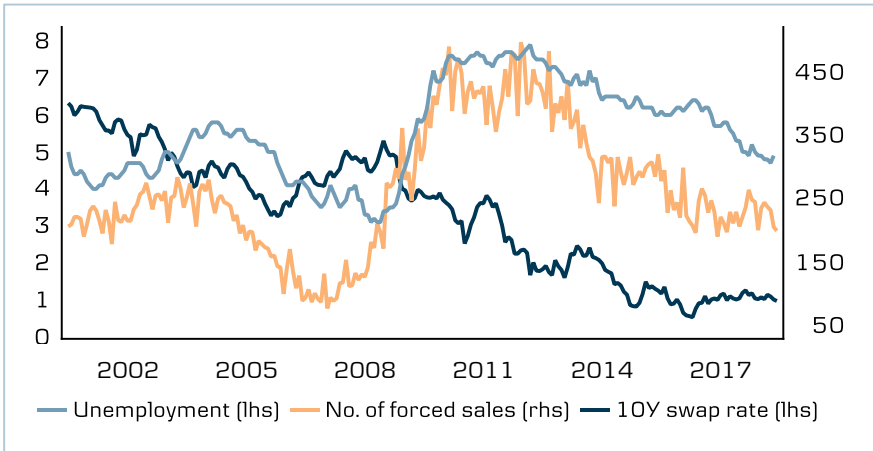
### LTV ratio at origination (legal requirement)

- Residential: max. 80%
- Commercial: max. 60%

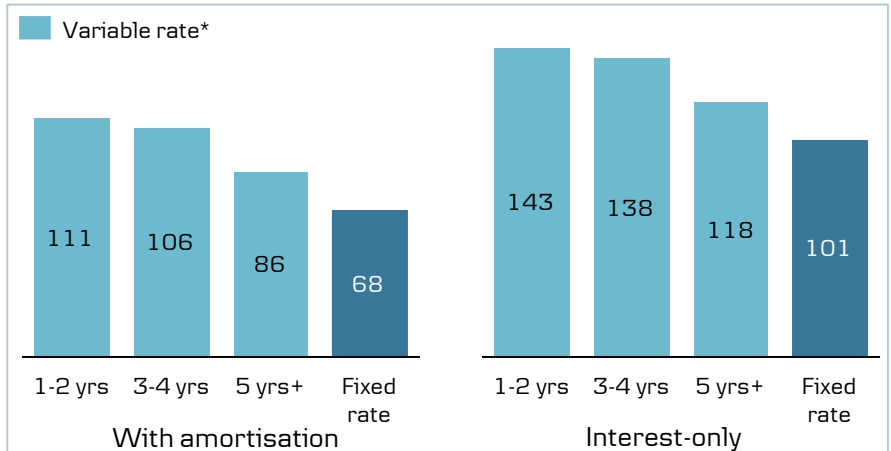
## Stock of retail loans (DKK 449 bn), Realkredit Danmark, Q4 18 (%)



## Unemployment and foreclosures (%/No.)



## Mortgage margins, 80% LTV, owner-occupied (bp)



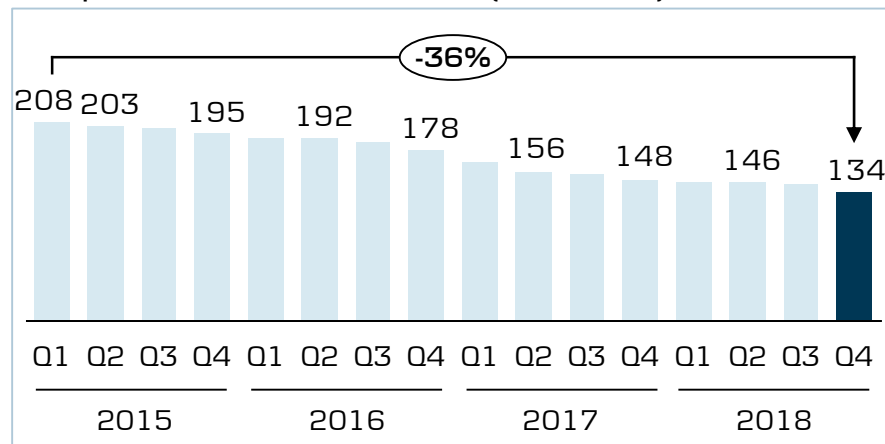
\* In addition, we charge a fee of 30 bp of the bond price for refinancing of 1- and 2-year floaters and a fee of 20 bp for floaters of 3 or more years.

# Realkredit Danmark: 47% of new retail loans are fixed-rate; compliant with all regulatory requirements

## Key points

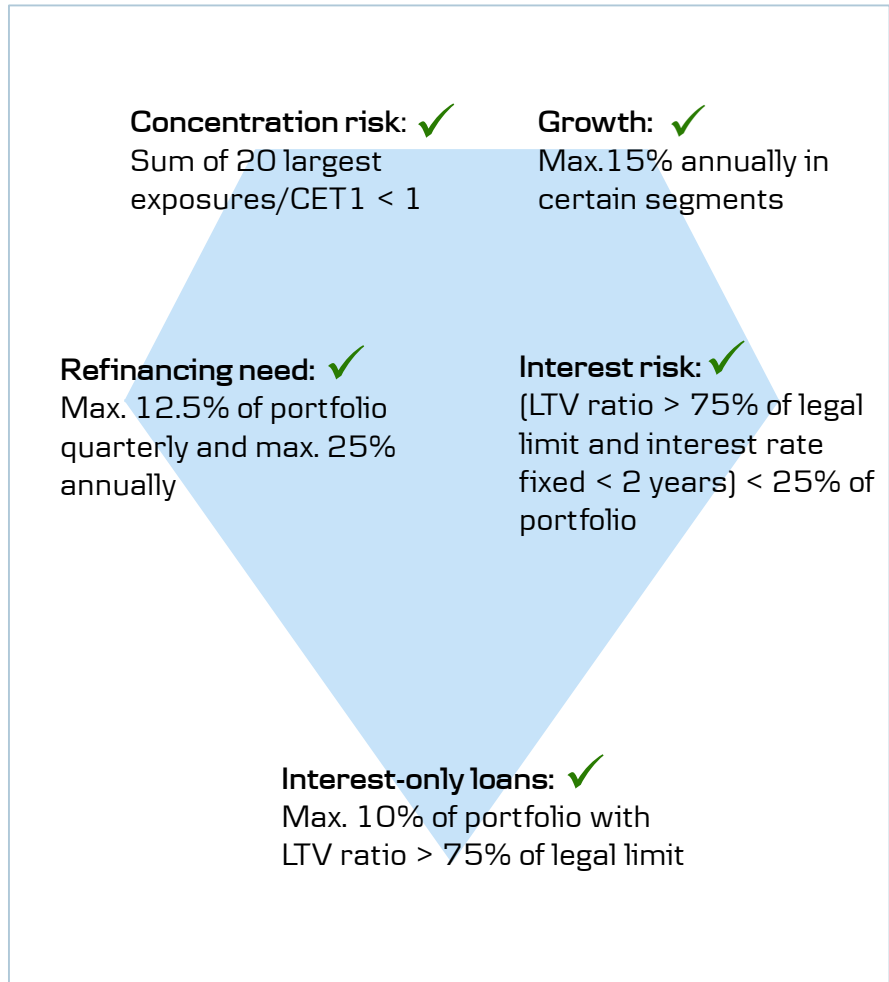
- 47% of new retail loans in Q4 were fixed-rate loans, and 40% were 5- to 10-year variable-rate loans
- Total stock of loans amounted to DKK 778 bn:\*
  - 58% to retail
  - 21% to residential rental
  - 16% to commercial property
  - 6% to agriculture
- 55% of total stock are loans with amortisation

Loan portfolio, FlexLån® F1-F4 loans (DKK billions)



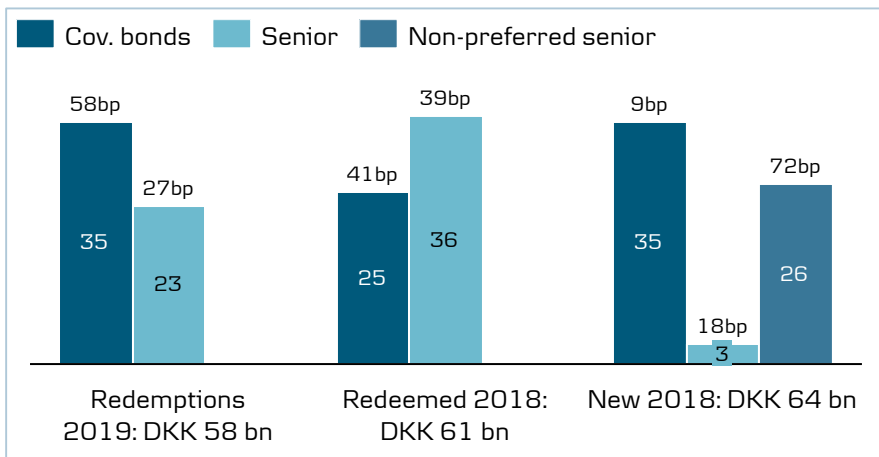
\* Nominal value.

## Supervisory diamond for Danish mortgage credit institutions

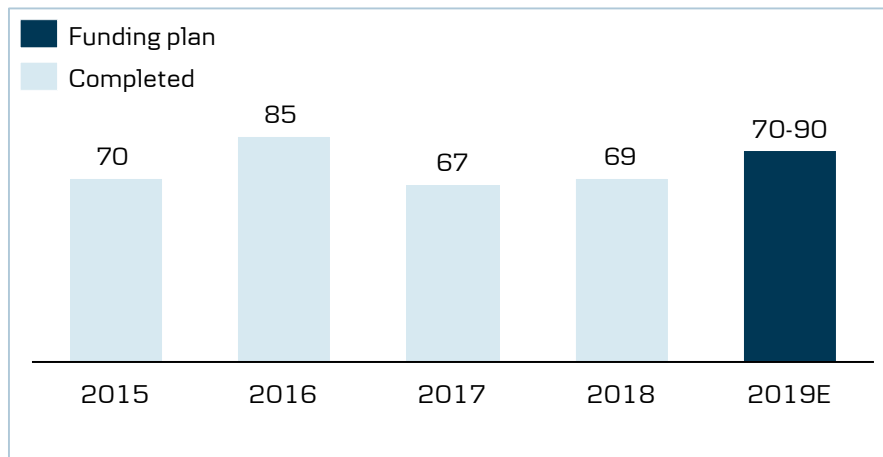


# Funding and liquidity: DKK 69 bn of long-term funding and capital instruments issued in 2018; LCR compliant at 121%

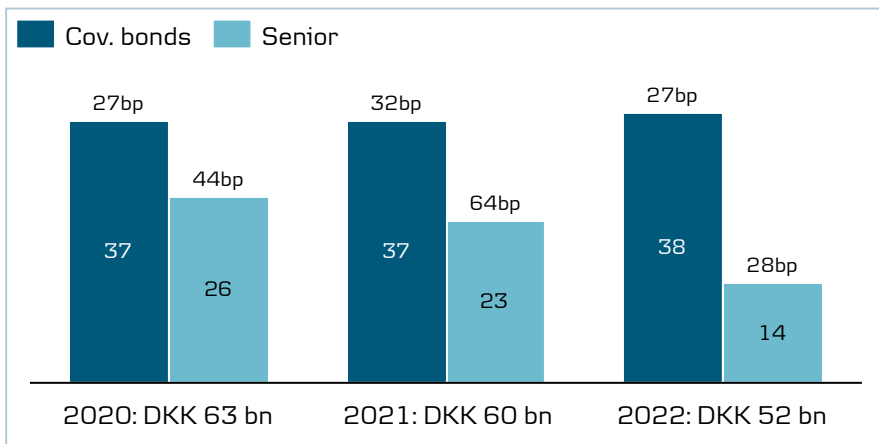
Changes in funding,\* 2018-2019 (DKK billions and bp)



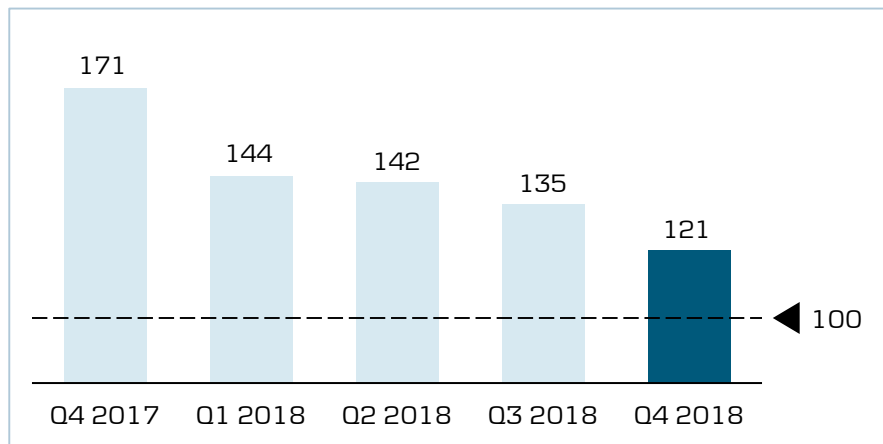
Long-term funding excl. RD (DKK billions)\*\*



Maturing funding,\* 2020-2022 (DKK billions and bp)



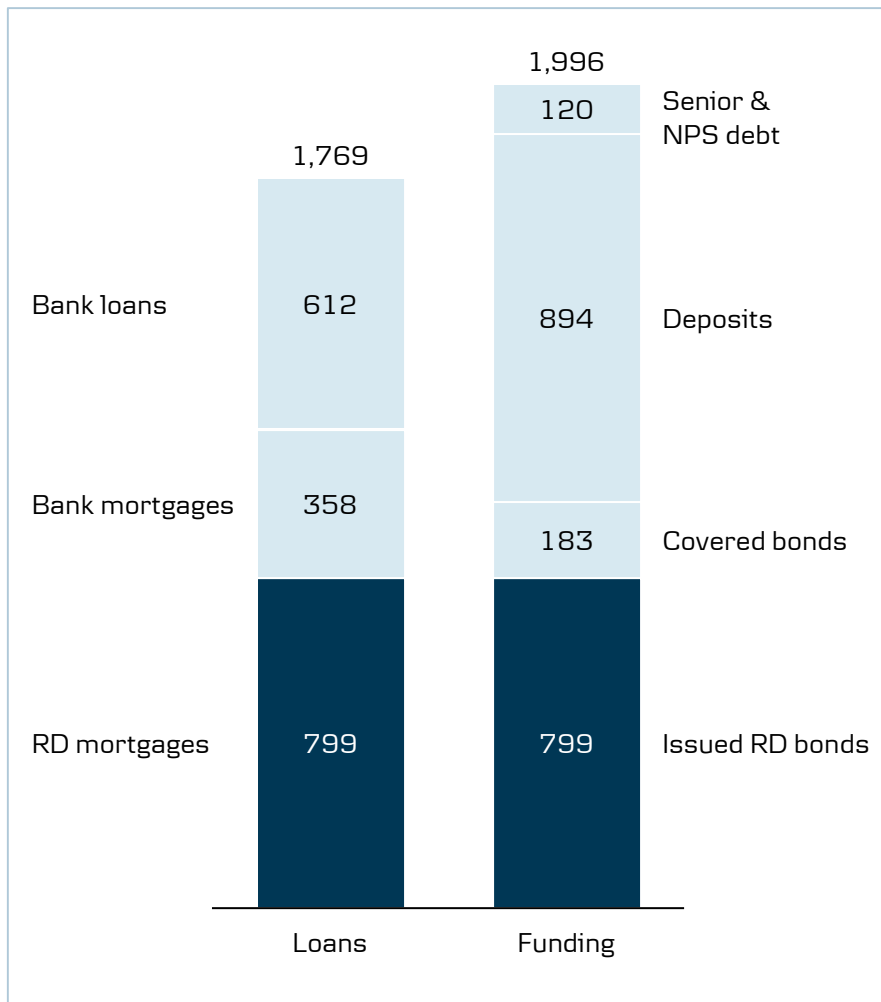
Liquidity coverage ratio (%)



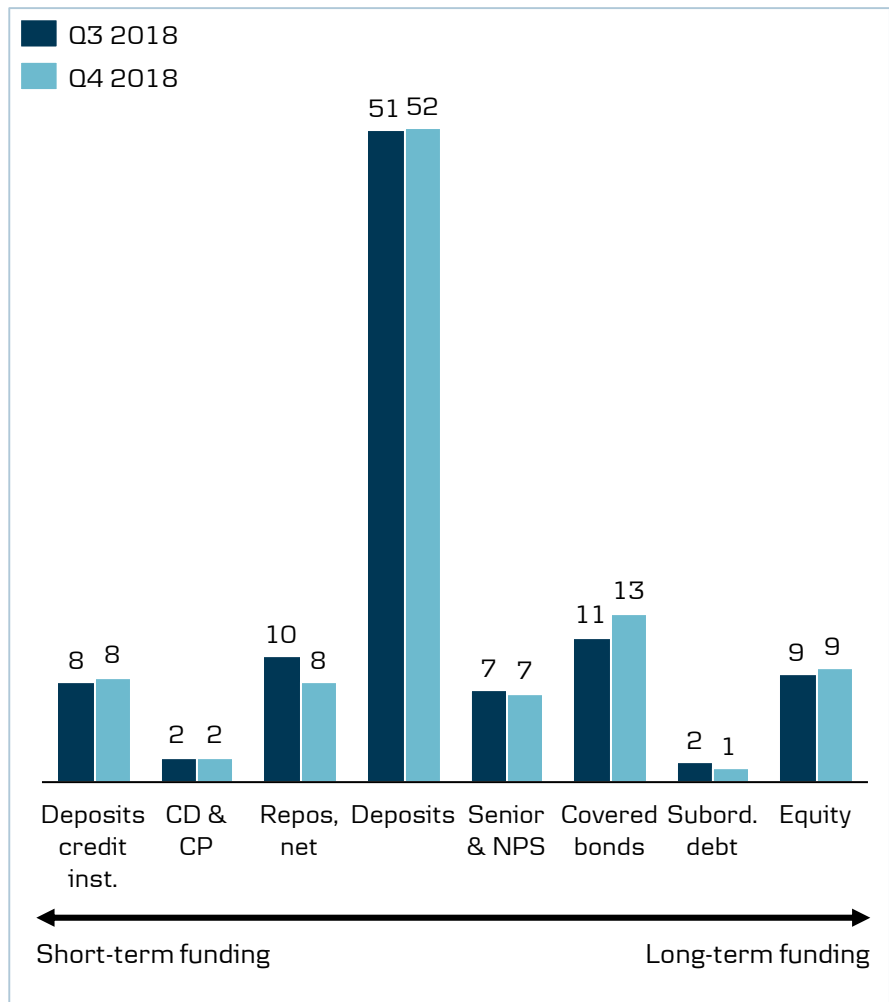
\* Spread over 3M EURIBOR. \*\*Includes covered bonds excl. RD, senior, non-preferred senior and capital instruments.

# Funding structure and sources: Danish mortgage system is fully pass-through

Loan portfolio and long-term funding, Q4 2018 (DKK billions)



Funding sources (%)



# Three distinct rating methodologies

## Rating methodology

S&P Global  
Ratings

Anchor SACP <sup>1</sup>	+	1	+	2	+	3	+	4	=	SACP <sup>1</sup>	=	Support	+	ALAC	+	Additional factors	=	Issuer rating
bbb+		+1		+1		-1		0		a-		0		+1		0		A Negative

1=Business Position, 2=Capital & Earnings, 3=Risk Position, 4=Funding & Liquidity

MOODY'S

Macro profile	+	1	+	2	+	3	+	4	+	5	+	Quali- tative adj.	=	BCA <sup>2</sup>	+	Affiliate support	+	LGF <sup>3</sup> notches	+	Gov. support	=	Issuer rating
Strong+		baa1		a1		ba1		ba2		baa1		0		baa1		0		+1		+1		A2 Negative

1=Asset Risk, 2=Capital, 3=Profitability, 4=Funding Structure, 5=Liquidity Resources

FitchRatings  
KNOW YOUR RISK

Operating environment	+	1	+	2	+	3	+	4	+	5	+	6	+	7	=	Viability Rating	=	Support Rating Floor	=	Issuer rating <sup>4</sup>
aa-		a+		a		a+		a		a		a		a+		a		No Floor		A Negative

1=Company Profile, 2=Management & Strategy, 3=Risk Appetite, 4=Asset Quality, 5=Profitability, 6=Capitalisation, 7=Funding & Liquidity

<sup>1</sup> Stand-Alone Credit Profile <sup>2</sup> Baseline Credit Assessment <sup>3</sup> Loss Given Failure <sup>4</sup> Issuer rating is the higher of the Viability Rating and the Support Rating Floor.

# Tax

## Actual and adjusted tax rates\* (DKK millions)

	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Profit before tax	19,322	4,444	3,589	5,487	5,802
Permanent non-taxable difference	1,418	476	1,170	-95	-133
Adjusted pre-tax profit, Group	20,740	4,920	4,759	5,392	5,669
Tax according to P&L	4,633	1,029	1,107	1,256	1,241
Taxes from previous years	109	154	-39	-36	30
Adjusted tax	4,740	1,183	1,067	1,220	1,271
Adjusted tax rate	22.9%	24.0%	22.4%	22.6%	22.4%
Actual tax rate	24.0%	23.2%	30.8%	22.9%	21.4%





## Tax drivers, Q4 2018

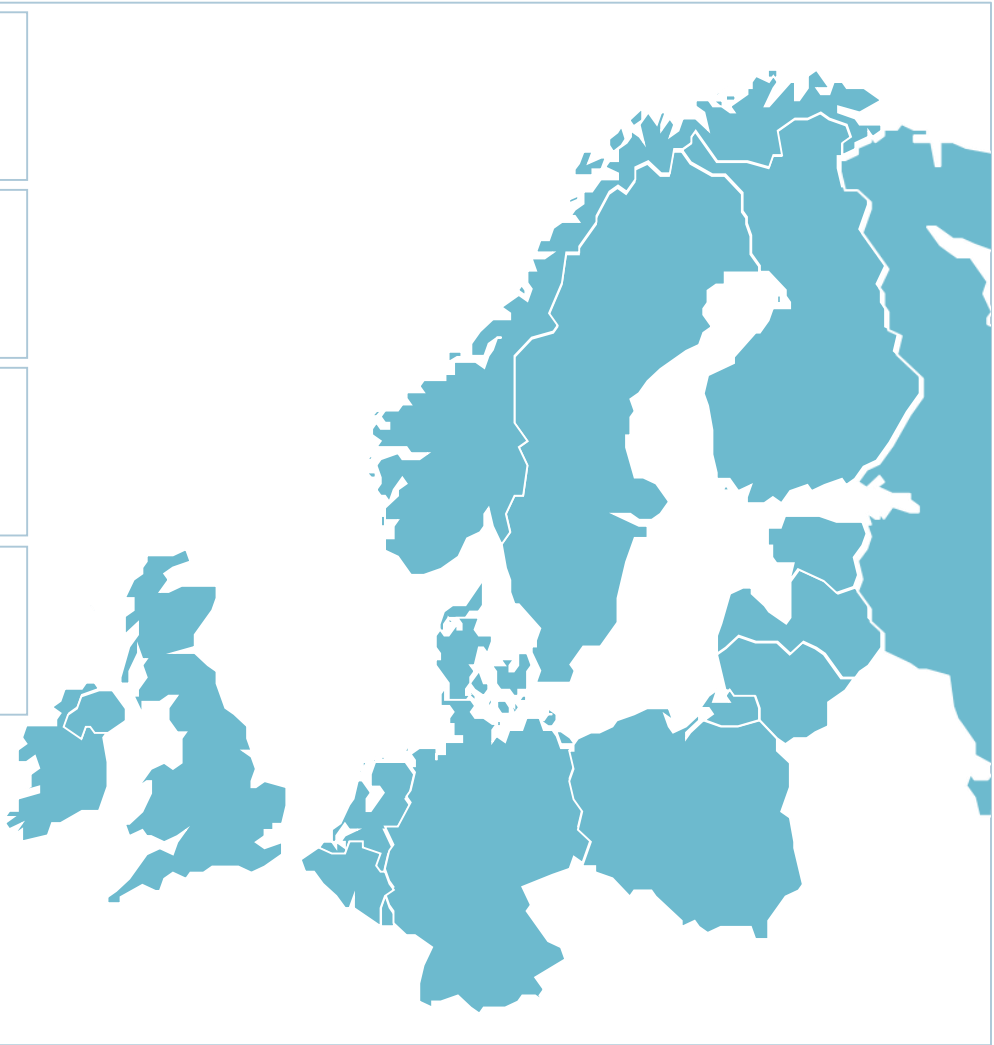
- The actual tax rate of 23.2% is higher than the Danish rate of 22% due primarily to the permanent non-taxable difference
- The permanent non-taxable difference derives mainly from the tax-exempt value adjustments on shares

\* In Q1 2018 and full year 2018, there is a difference between the financial highlights and the IFRS financial statement in profit before tax and tax, corresponding to the IFRS 9 implementation effect on loans granted by Realkredit Danmark.



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