

# *Financial results – first quarter 2019*



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30 April 2019

# Agenda

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# Executive summary: A difficult start to the year; outlook changed to include expected gain from sale of Danica Pension Sweden\* and lower NII



**Loan growth of 3% y/y**, driven by growth of 2% y/y at Banking DK and 7% y/y at Banking Nordic



**Trading income** negatively affected by value adjustments and a regulatory one-off expense at Danica Pension



**Expenses** up 9% y/y due mainly to investments related to regulatory requirements and compliance, further AML efforts, digital transformation and SEB Pension Danmark



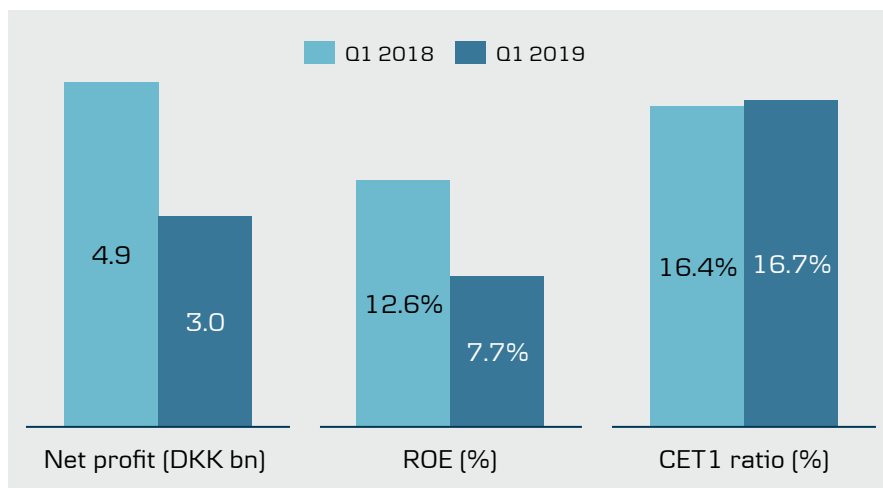
Significant **funding** issuance activity in Q1, totalling around DKK 51 bn, including our first green bond and a tier 2 instrument

**DKK 3.0 bn** Net profit, down 39% from Q1 2018 due to lower NII, higher expenses and higher loan impairment charges

**7.7%** Return on equity after tax

**16.7%** CET1 capital ratio and strong total capital position

**DKK 14-16 bn** Expected net profit for 2019, including the expected gain from sale of Danica Pension Sweden of approx. DKK 1.3 bn\*



\* This is subject to closing of the transaction

## Recap of the Estonia case



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, French and US authorities. Class action lawsuit filed in the US



Number of FTEs allocated to AML up from 820 in 2017 and around 1,400 in 2018 to around 1,700 in Q1 2019



Investments of up to DKK 2.0 bn over the next three years specifically earmarked for AML digitalisation efforts. Expense impact of around DKK 0.3 bn in 2019



In total, we have so far spent around DKK 450 million on the Estonia investigation

## Net profit: DKK 3.0 bn, down 39% from Q1 2018 due to lower NII, higher expenses and higher impairments

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

	Q1 2019	Q1 2018	Index	Q4 2018	Index
Net interest income	5,520	5,946	93	5,895	94
Net fee income	3,869	3,762	103	4,078	95
Net trading income	1,299	1,435	91	938	138
Other income	115	309	37	20	-
Total income	10,802	11,452	94	10,931	99
Expenses	6,145	5,612	109	6,243	98
Profit before loan impairment charges	4,657	5,841	80	4,688	99
Loan impairment charges	357	-330	-	-43	-
Profit before tax, core	4,300	6,171	70	4,731	91
Profit before tax, Non-core	-288	32	-	-286	-
Profit before tax	4,012	6,202	65	4,445	90
Tax	1,024	1,322	77	950	108
Net profit	2,988	4,880	61	3,494	86
Return on avg. shareholders' equity (%)	7.7	12.6		8.8	
Cost/income ratio (%)	56.9	49.0		57.1	
Common equity tier 1 capital ratio (%)	16.7	16.4		17.0	
EPS (DKK)	3.3	5.3	62	3.7	89
Lending (DKK bn)	1,793	1,737	103	1,769	101
Deposits and RD funding (DKK bn)	1,661	1,694	98	1,636	102
- of which deposits (DKK bn)	909	940	97	894	102
Risk exposure amount (DKK bn)	758	755	100	748	101

### Key points, Q1 2019 vs Q1 2018

- Return on equity of 7.7%
- NII down 7% due mainly to margin pressure and higher funding costs
- Fee income up 3% due to the SEB Pension Danmark acquisition
- Trading income down 9%, affected by negative value adjustments and a regulatory one-off expense
- Expenses up 9%, due mainly to investments and SEB Pension DK
- Impairment charges driven by Banking DK and C&I

### Key points, Q1 2019 vs Q4 2018

- NII down 6% due to fewer days, margin pressure and higher funding costs - lending up 1%
- Fee income down 5%, Q4 included performance fees of DKK 154 m
- Trading income benefited from less challenging markets. Trading income includes one-off expense of DKK 140 m
- Expenses down 2% reflecting seasonality
- Impairment charges driven mainly by single name volatility

# NII: Down 7% y/y due to margin pressure, higher funding costs and transfer to Non-core

## Key points

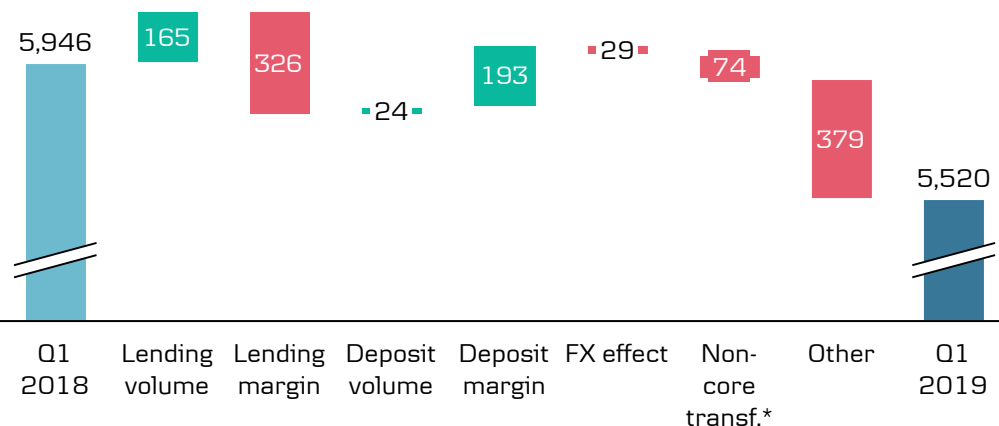
### Y/Y

- NII down 7%, as lending growth of 3% was offset by lower lending margins, higher funding costs and transfer of Russian and remaining Baltic exposures to Non-core

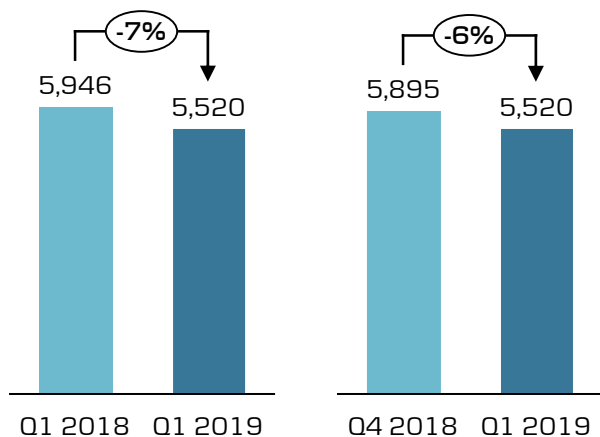
### Q/Q

- NII down 6% due to fewer interest days, lower lending margins and higher funding costs

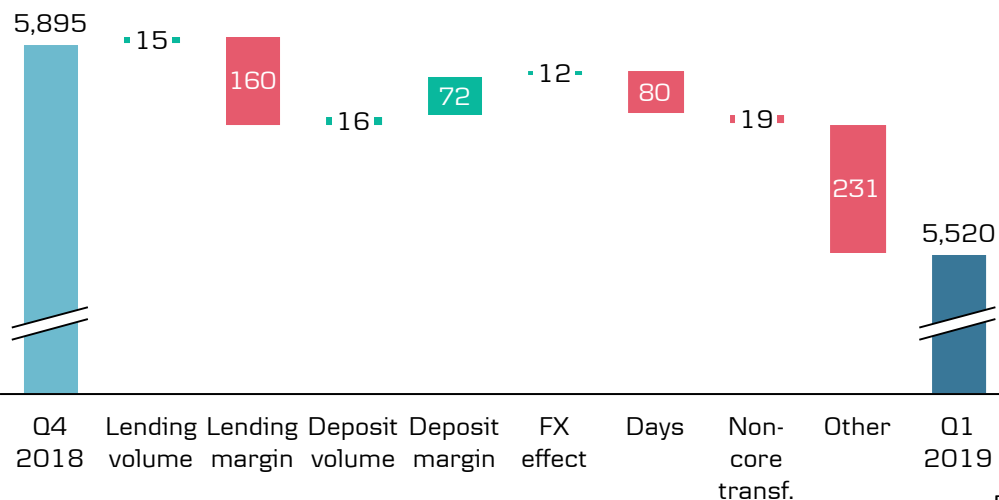
## Change in net interest income, y/y (DKK m)



## Group net interest income (DKK m)



## Change in net interest income, q/q (DKK m)



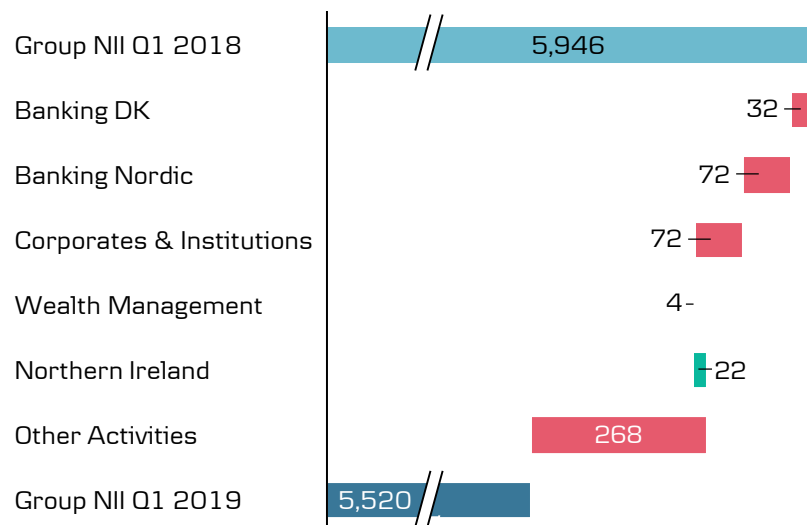
\* Includes transfer of local Baltic commercial customers to Non-core on 1 April 2018 and transfer of the remaining Baltic and Russian exposures to Non-core on 1 February 2019

# NII (cont'd): Solid volume growth at Banking Nordic and Northern Ireland. Positive development at Banking DK

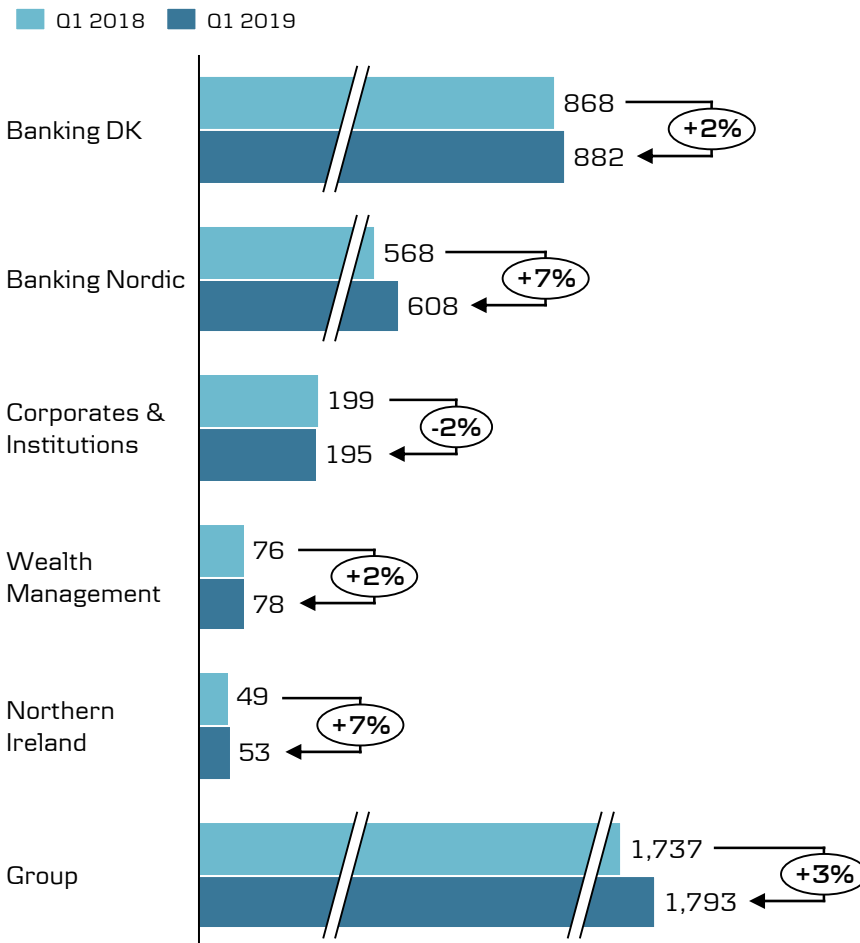
## Key points

- Banking Nordic lending up 7% y/y with growth in all markets
- Banking DK lending up 2% y/y, driven mainly by commercial customers
- NII for Other Activities was impacted by the Internal Bank, where liquidity costs increased more than liquidity cost allocation

## Change in NII by business unit (DKK m)



## Lending volume and development\* (DKK billions)



\* Business unit lending is before impairments. Group lending is after impairments.

# Fee income: Up 3% y/y, due primarily to the SEB Pension Danmark acquisition

## Danmark acquisition

### Key points

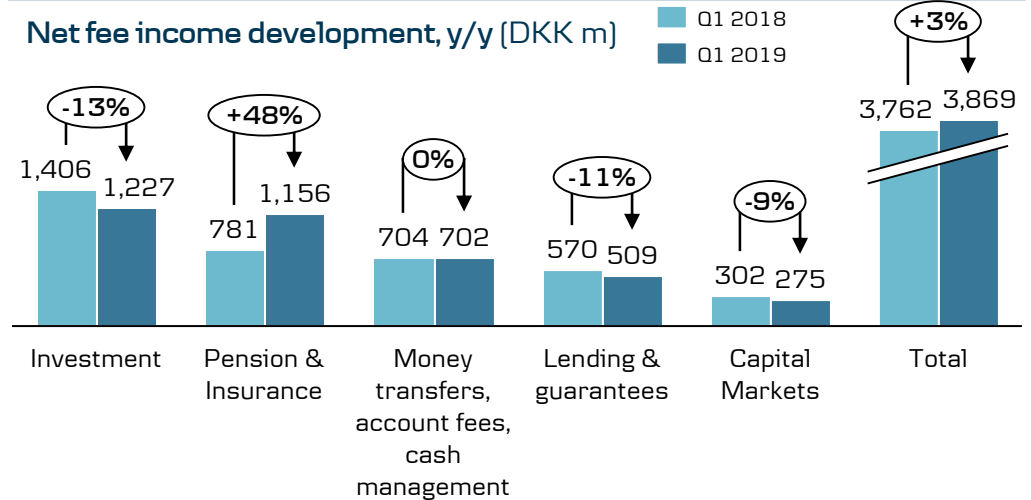
#### Y/Y

- Fees up 3%, due primarily to the acquisition of SEB Pension Danmark; AuM up 9%

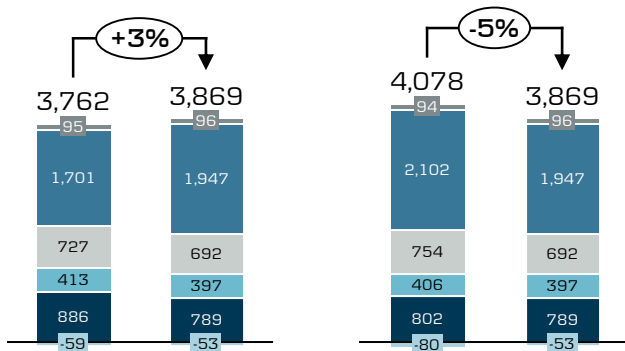
#### Q/Q

- Fee income down 5%. Q4 2018 included performance fees of DKK 154 m
- Capital Markets affected by lower event-driven activity
- AuM up 4% from a low level in Q4 2018

Net fee income development, y/y (DKK m)



Group net fee income (DKK m)

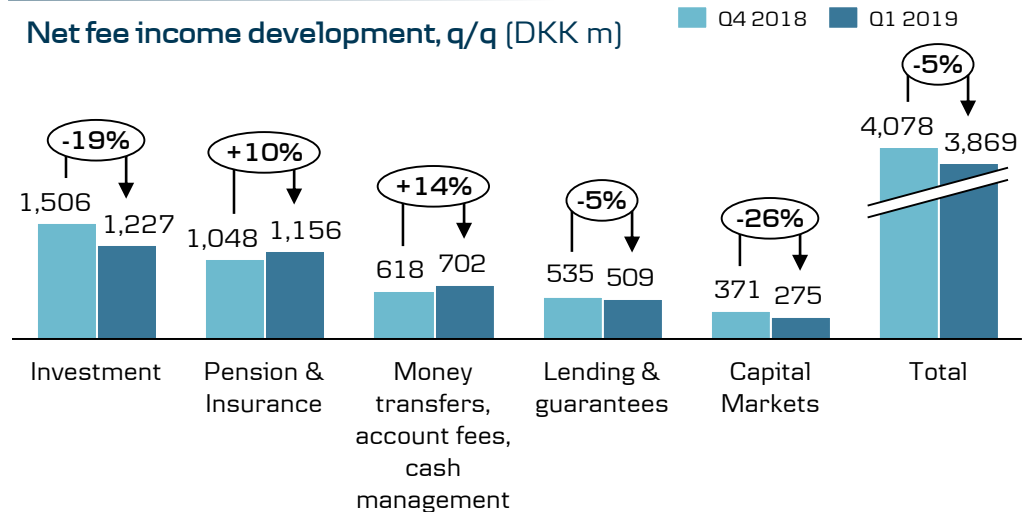


Q1 2018 Q1 2019

Q4 2018 Q1 2019

Banking DK Corporates & Institutions Northern Ireland  
Banking Nordic Wealth Management Other Activities

Net fee income development, q/q (DKK m)





# Trading income: Down 9% y/y but up 38% q/q due to less challenging market conditions

## Key points

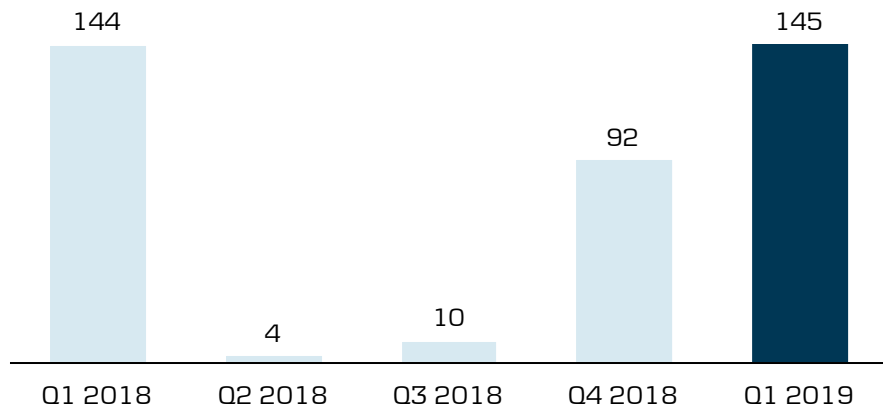
### Y/Y

- Trading income down 9% from Q1 2018, reflecting higher negative value adjustments on the derivatives portfolio as well as a regulatory one-off expense of DKK 140 m at Danica Pension

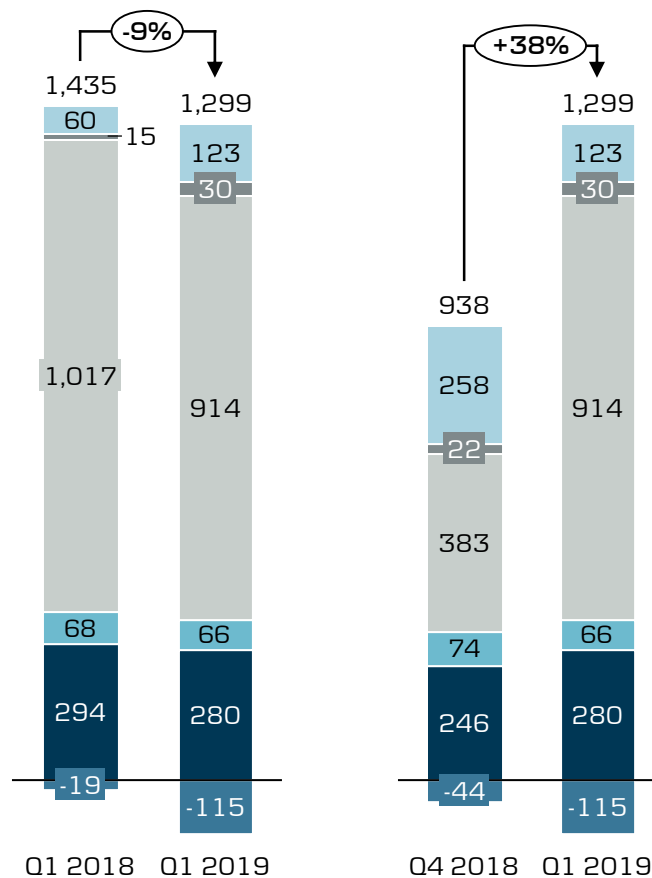
### Q/Q

- Trading income up 38% q/q due to better market conditions for FI&C and DCM

## Refinancing income (DKK m)



## Group net trading income (DKK m)



# Expenses: Up 9% y/y due to investments and SEB Pension Danmark acquisition

## Key points

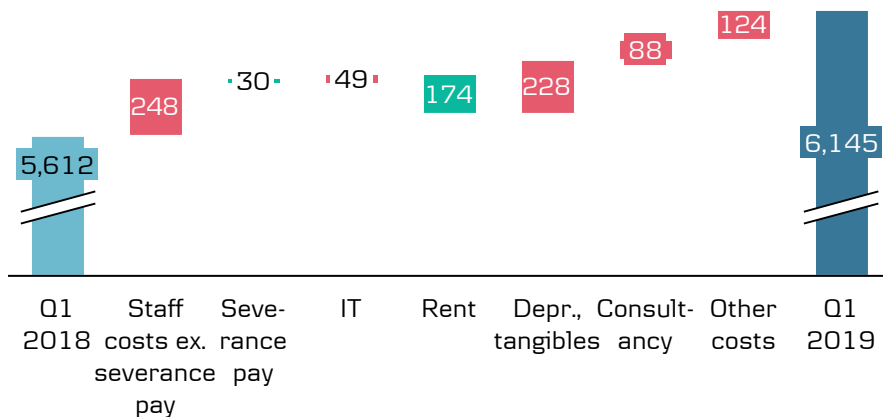
### Y/Y

- Expenses up 9% y/y, due mainly to investments related to regulatory compliance, AML and digitalisation.
- Costs related to SEB Pension Danmark also pushed up underlying costs

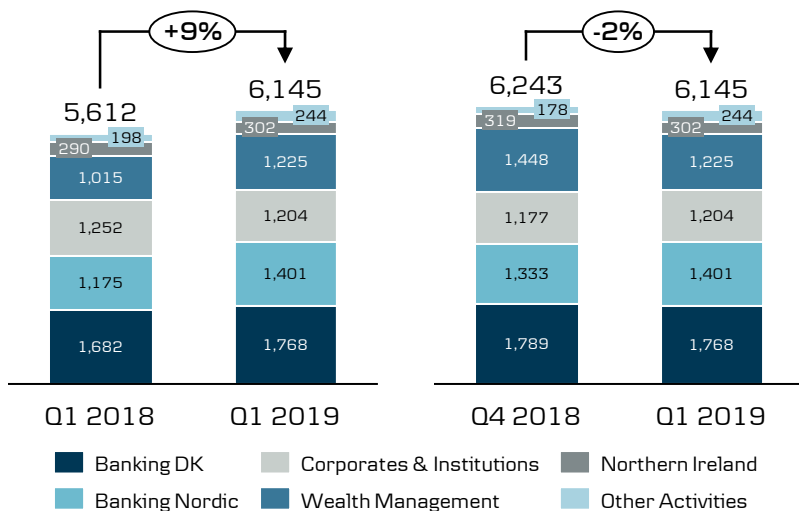
### Q/Q

- Expenses down 2% q/q, reflecting seasonality
- Expenses moved from rent to depreciation, tangibles as a result of IFRS 16

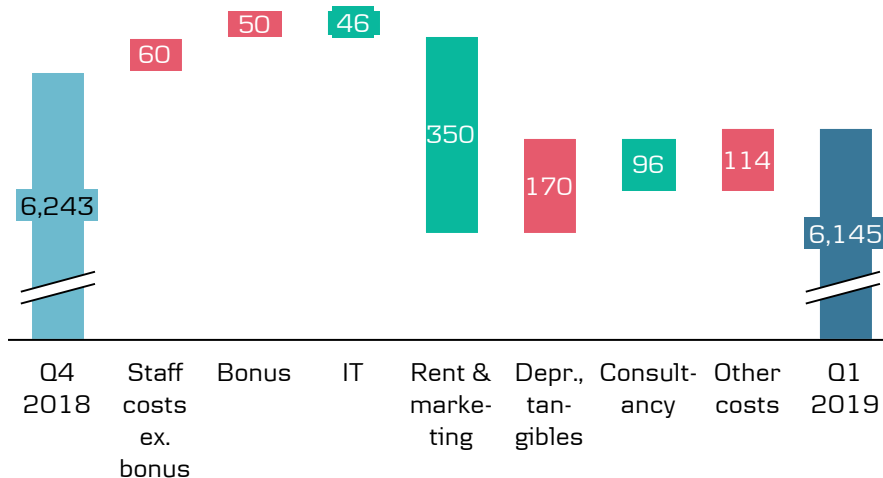
## Change in expenses, y/y (DKK m)



## Group operating expenses (DKK m)



## Change in expenses, q/q (DKK m)



# Impairments: Loan loss ratio of 8 bp in core activities in Q1

## Key points

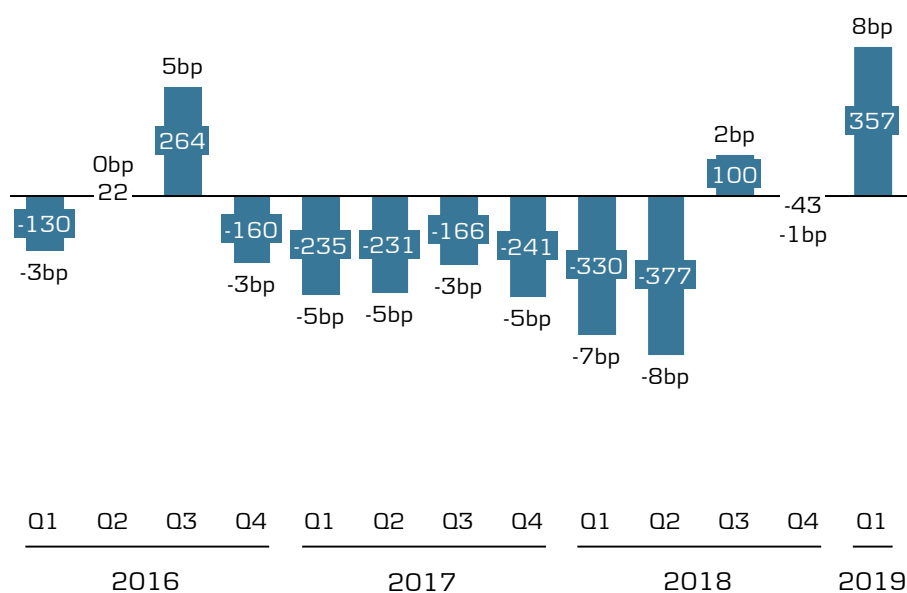
### Y/Y

- Charge of DKK 357 million; core loan loss ratio of 8 bp
  - Increased impairments against agricultural exposures, lower reversals on legacy portfolio and model adjustments in Denmark
  - Impairments at C&I due to single name volatility

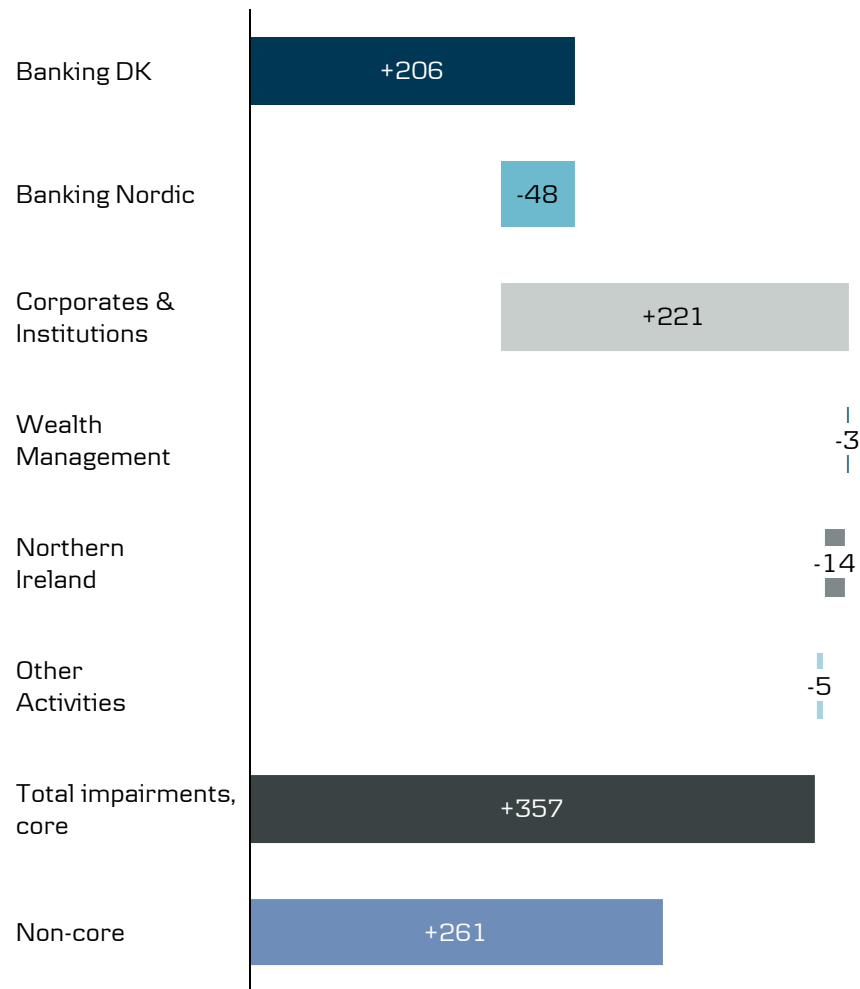
### Q/Q

- Net reversal in Q4 included positive one-off of around DKK 100 m from sale of debt claims; underlying Q4 showed a charge
- Non-core impairments reflect portfolio value adjustment

## Impairment charges, core (DKK m and bp)



## Impairment charges by business unit, Q1 2019 (DKK m)

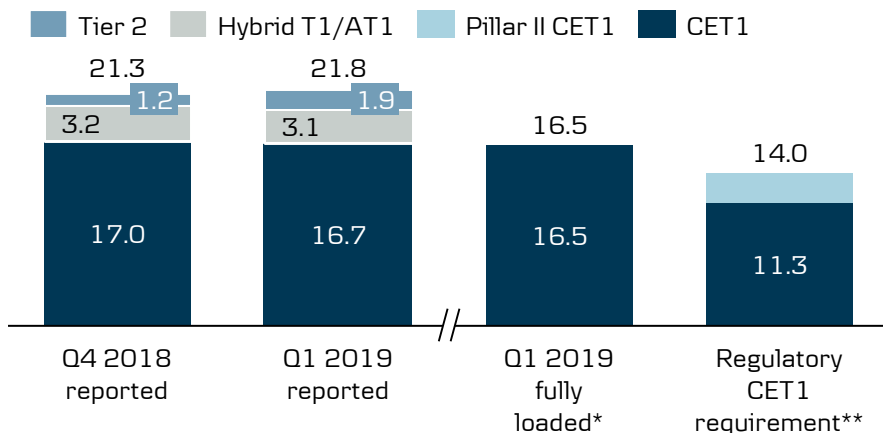


# Capital: Strong capital base; CET1 capital ratio of 16.7%

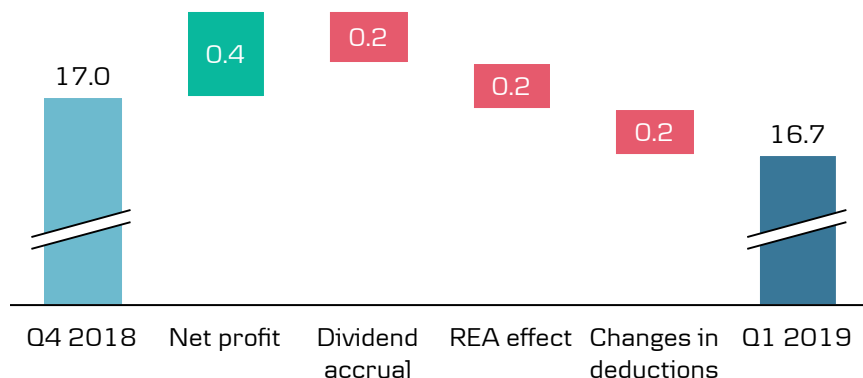
## Capital highlights, Q1 2019

- Credit risk REA increase due to implementation of IFRS 16, exchange rate effects and lending growth
- Higher deduction for Danica Pension in CET1 as Danica's solvency need increased following a reduction of the volatility adjustment add-on
- EUR 750 m tier 2 instrument issued in Q1 2019
- CET1 target of around 16% and total capital ratio target of above 20%
- Leverage ratio of 4.5% under both transitional rules and fully phased-in rules

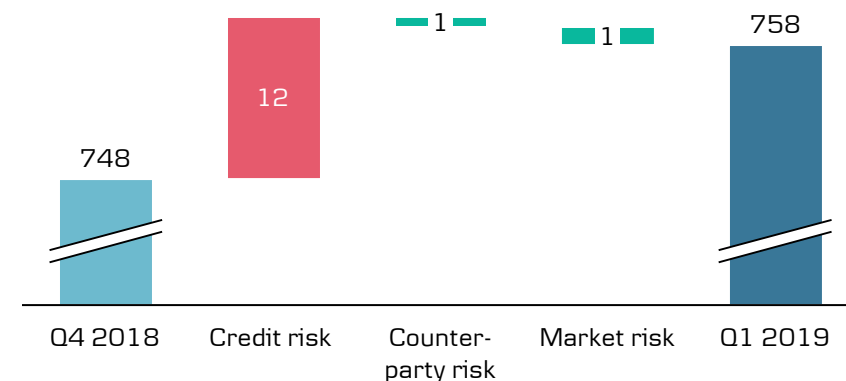
## Capital ratios, under Basel III/CRR (%)



## CET1 capital ratio, Q4 2018 to Q1 2019 (%)



## Total REA, Q4 2018 to Q1 2019 (DKK billions)



\* Based on fully phased-in rules including fully phased-in impact of IFRS 9. \*\* Pro forma fully phased-in min. CET1 requirement in 2019 of 4.5%, capital conservation buffer of 2.5%, SIFI requirement of 3%, countercyclical buffer of 1.3% and CET1 component of Pillar II requirement. Note: Pillar II requirement is not relevant for the purpose of MDA.

*2019 outlook updated: We continue to expect net profit in the range of DKK 14-16 bn, however now including the expected gain on the sale of Danica Pension Sweden of approx. DKK 1.3 bn\**

### Net interest income

**Updated:** We now expect net interest income to be lower than the level in 2018, as volume growth will be more than offset by higher funding costs and margin pressure

### Net fee income

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

### Expenses

Expenses are still 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 still expected to be higher

### Net profit

**Updated:** We continue to expect net profit for 2019 to be in the range of DKK 14-16 bn. However, this now includes the expected gain on the sale of Danica Pension Sweden of approximately DKK 1.3 bn, subject to closing of the transaction

### Financial target

Our long-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.

\* This is subject to closing of the transaction

\*\* DnB, Handelsbanken, Nordea, SEB, Swedbank

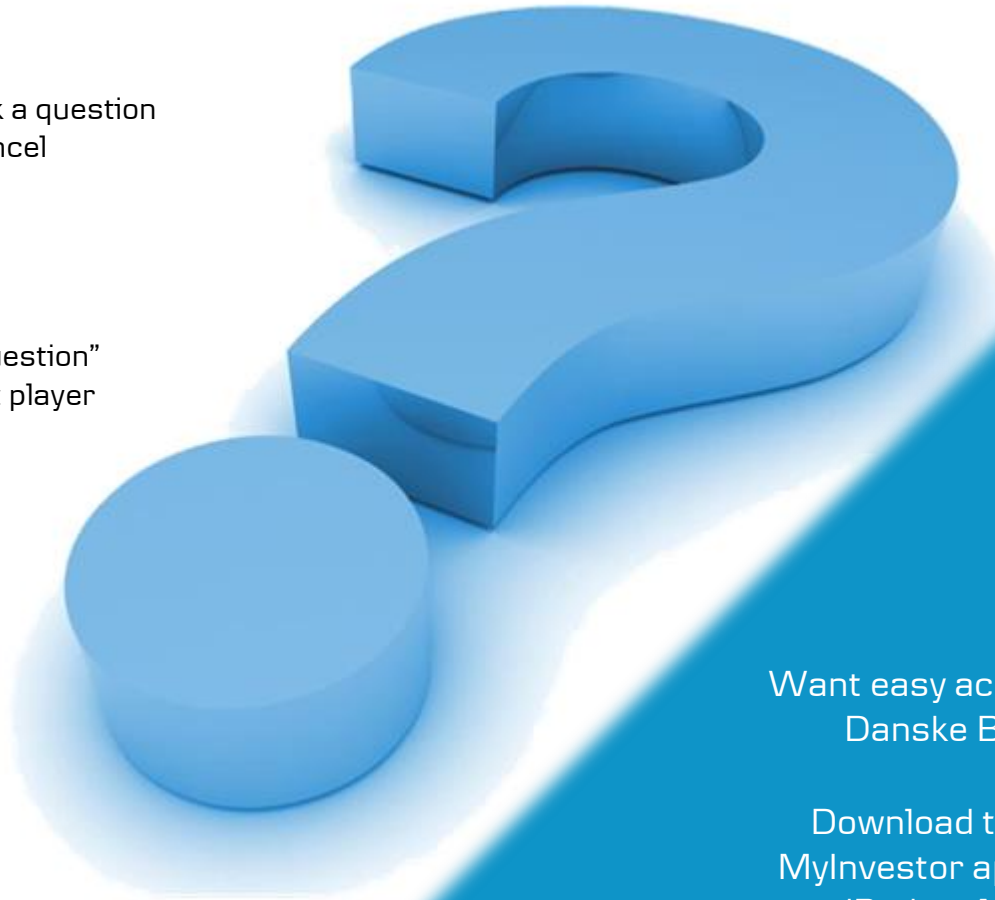
## Q&A session



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Press 02 to cancel



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## Appendix

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## Banking DK: Lending growth of 2% y/y; higher impairments

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

	Q1 2019	Q1 2018	Index	Q4 2018	Index
Net interest income	2,181	2,213	99	2,252	97
Net fee income	789	886	89	802	98
Net trading income	280	294	95	246	114
Other income	55	54	102	63	87
Total income	3,305	3,446	96	3,364	98
Expenses	1,768	1,682	105	1,789	99
Profit before loan impairment charges	1,537	1,764	87	1,575	98
Loan impairment charges	206	-300	-	-148	-
Profit before tax	1,331	2,064	64	1,723	77
Lending (DKK bn)	882	868	102	879	100
Deposits and RD funding* (DKK bn)	1,046	1,026	102	1,037	101
Deposits (DKK bn)	286	278	103	283	101

### Key points

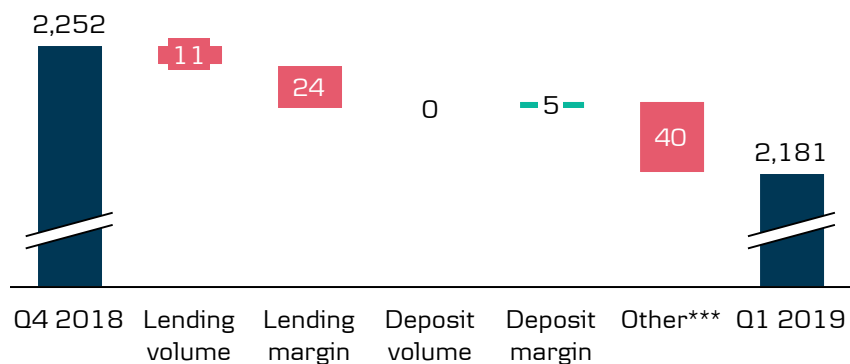
#### Y/Y

- Total income down 4%
- Expenses up 5% owing mainly to increasing regulatory compliance costs
- Impairments against agricultural customers, lower reversals and model adjustments
- Lending up 2%, deposits up 3%

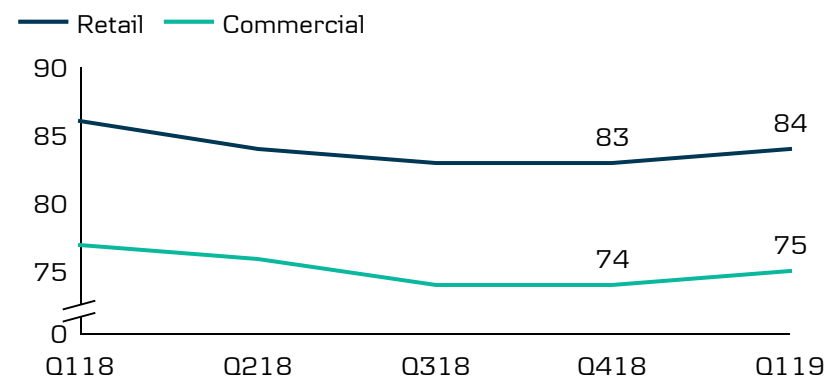
#### Q/Q

- NII down 3% reflects strong competition and lower risk appetite
- Impairments reflect charges against facilities to the agricultural sector

### Banking DK NII bridge\*\* (DKK millions)



### Realkredit Danmark lending spread (bp)





# Banking Nordic: Lending growth of 7% y/y but higher interest rates squeezed margins

## Income statement and key figures (DKK m)

	Q1 2019	Q1 2018	Index	Q4 2018	Index
Net interest income	1,900	1,972	96	2,011	94
Net fee income	397	413	96	406	98
Net trading income	66	68	97	74	89
Other income	155	224	69	126	123
Total income	2,519	2,676	94	2,616	96
Expenses	1,401	1,175	119	1,333	105
Profit before loan impairment charges	1,118	1,501	74	1,283	87
Loan impairment charges	-48	-45	-	-82	-
Profit before tax	1,165	1,546	75	1,365	85
Lending (DKK bn)	608	568	107	587	104
Deposits (DKK bn)	232	229	101	227	102

## Key points

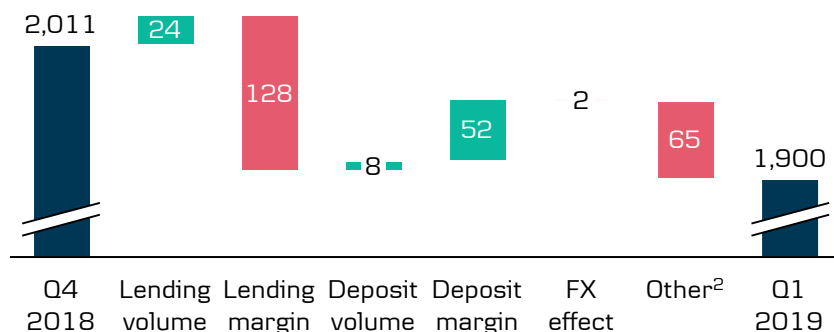
### Y/Y

- NII down 4% as higher interest rates put pressure on margins
- Expenses up 19% due to higher regulatory costs and IT investments
- Lending up 7% with growth in Sweden, Norway and Finland

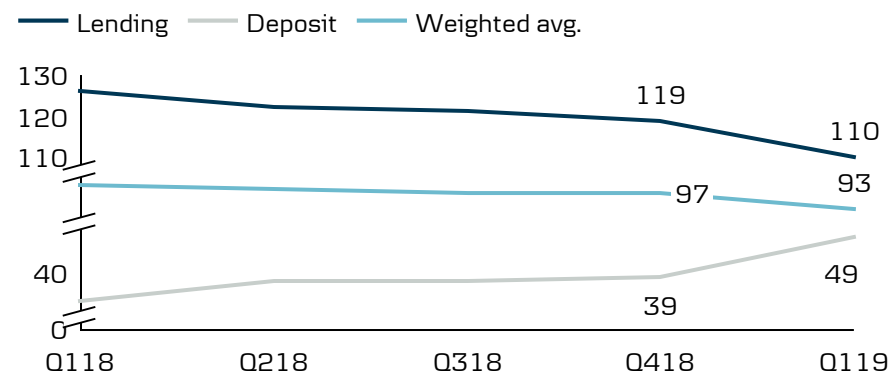
### Q/Q

- NII down 6% as higher interest rates put pressure on margins
- Expenses up 5% due to increased regulatory costs
- Lending up 4%, good inflow in Norway

## Banking Nordic NII bridge<sup>1</sup> (DKK m)



## Banking Nordic margins (bp)



<sup>1</sup> Based on average volumes. <sup>2</sup> Includes capital costs, day effect and off-balance-sheet items.

# Lending growth: Growth of 2% y/y at Banking DK, solid growth of 7% at Banking Nordic

## Comments

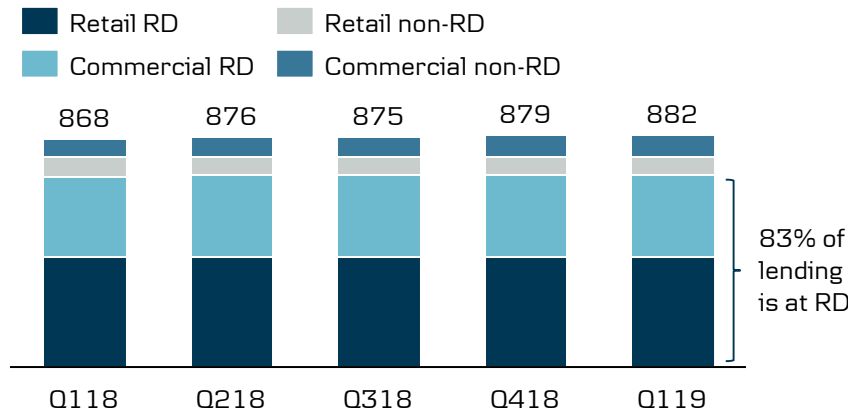
### Banking DK

- 83% of lending at Banking DK is at mortgage subsidiary Realkredit Danmark (RD)
- Growth of 2% y/y at Banking DK, driven by commercial customers
- Lending flat q/q

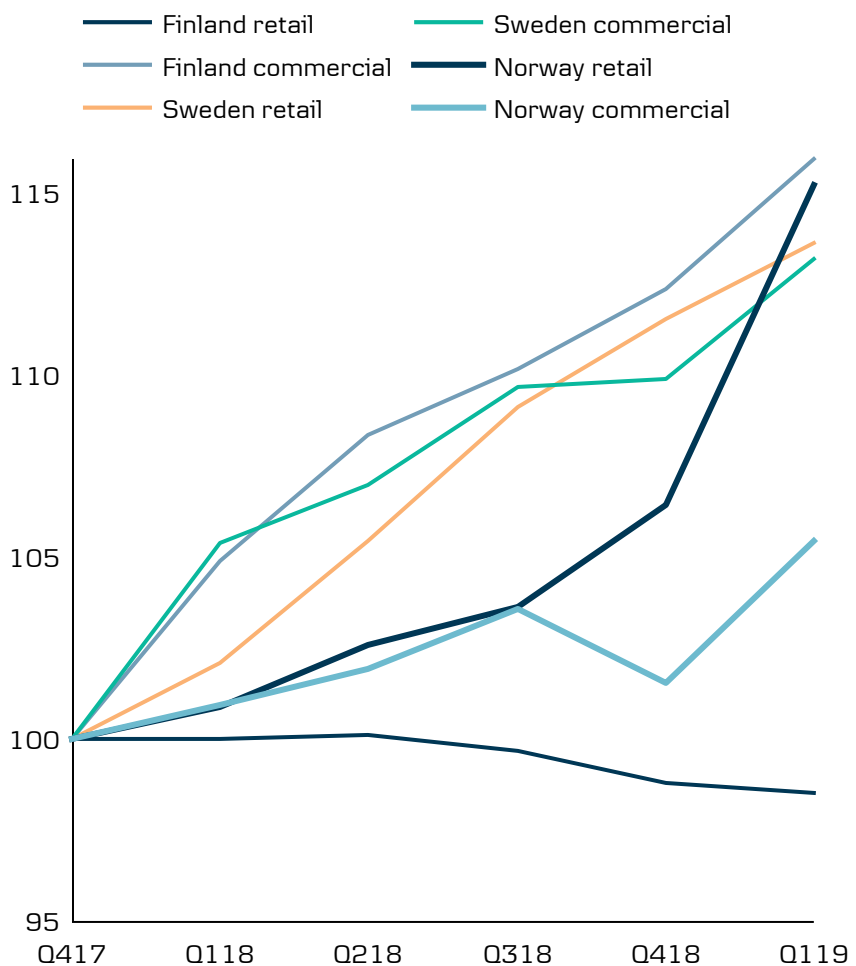
### Banking Nordic

- Solid growth of 7% y/y in DKK
- Retail Norway saw lending growth of 8% q/q in local currency following new partnership agreement with TEKNA (union for engineers)
- Commercial Finland grew 3% q/q while Retail Finland was stable

## Lending volume by segment at Banking DK (DKK billions)



## Banking Nordic: lending volume by segment and country\*



\* Based on local currency lending volumes.

# Corporates & Institutions: NII and lending down due to portfolio transfer to Non-core; underlying, NII was stable

Income statement and key figures (DKK m)

Key points

	Q1 2019	Q1 2018	Index	Q4 2018	Index
Net interest income	930	1,002	93	954	97
Net fee income	692	727	95	754	92
Net trading income	914	1,017	90	383	239
Other income	-	3	-	2	-
<b>Total income</b>	<b>2,536</b>	<b>2,748</b>	<b>92</b>	<b>2,093</b>	<b>121</b>
Expenses	1,204	1,252	96	1,177	102
Profit before loan impairment charges	1,332	1,497	89	916	145
Loan impairment charges	221	-32	-	175	126
Profit before tax	1,111	1,529	73	741	150
Lending (DKK bn)	195	199	98	198	98
Deposits (DKK bn)	264	307	86	261	101

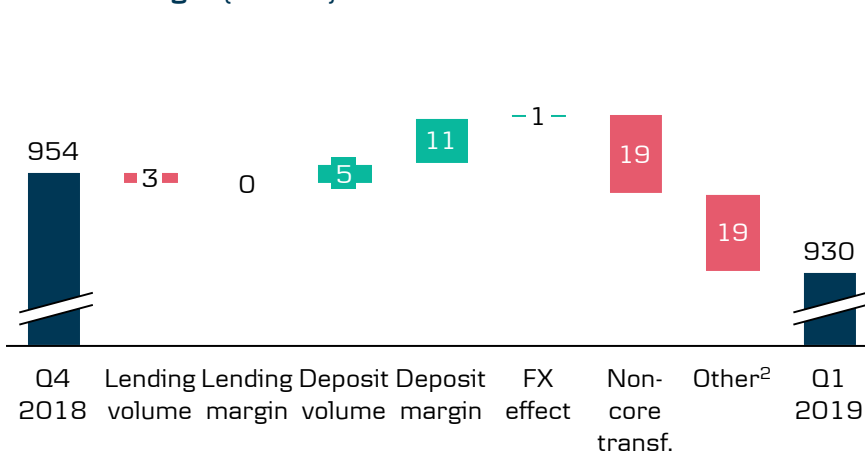
Y/Y

- NII flat adjusted for the portfolio transfers
- Expenses down 4%, driven by portfolio transfers
- Lending up 6% adjusted for the transfers to Non-core

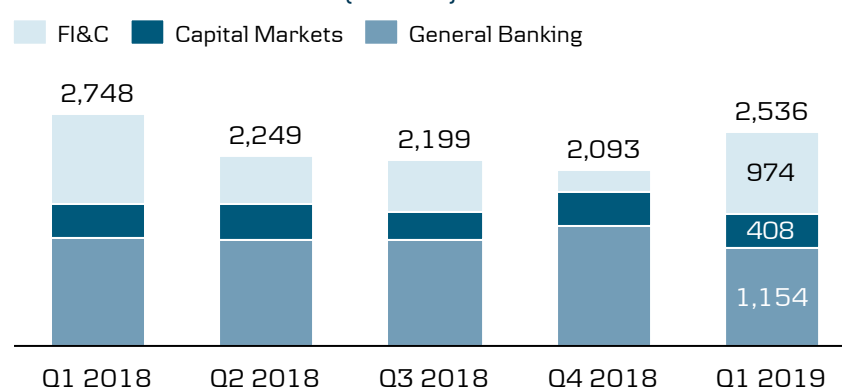
Q/Q

- Trading income recovered from a very challenging Q4
- Expenses up 2% due to higher activity
- Impairments relating to single name exposures

C&I NII bridge<sup>1</sup> (DKK m)



C&I income breakdown (DKK m)



<sup>1</sup> Based on average volumes. <sup>2</sup> Includes capital costs, day effect and off-balance-sheet items.

## Wealth Management: AuM up 9% y/y, owing mainly to the acquisition of SEB Pension Danmark\*

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

	Q1 2019	Q1 2018	Index	Q4 2018	Index
Net interest income	175	179	98	180	97
Net fee income	1,947	1,701	114	2,102	93
Net trading income	-115	-19	-	-44	-
Other income	-49	16	-	-165	-
<b>Total income</b>	<b>1,958</b>	<b>1,877</b>	<b>104</b>	<b>2,073</b>	<b>94</b>
<b>Expenses</b>	<b>1,225</b>	<b>1,015</b>	<b>121</b>	<b>1,448</b>	<b>85</b>
Profit before loan impairment charges	733	862	85	625	117
Loan impairment charges	-3	-16	-	11	-
Profit before tax	736	878	84	615	120
Lending (DKK bn)	78	76	102	78	100
Deposits (DKK bn)	71	68	105	67	106
AuM (DKK bn)	1,642	1,513	109	1,575	104

### Key points

#### y/y

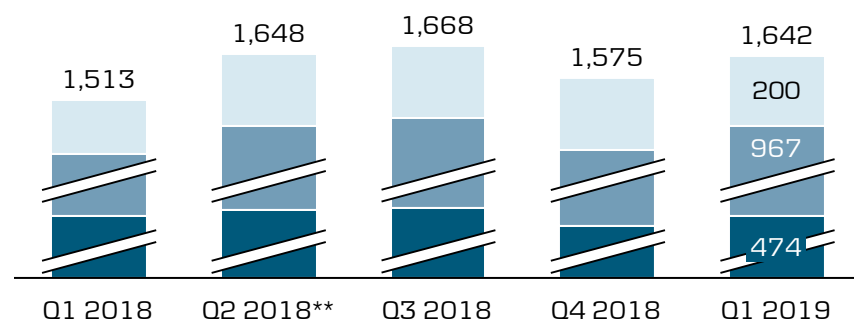
- AuM up 9%, owing mainly to the acquisition of SEB Pension Danmark\*
- Net sales of DKK 0.6 bn in Q1 2019
- Expenses up 21% due mainly to the acquisition of SEB Pension Danmark\*

#### Q/Q

- AuM up 4% from a low level
- Q4 saw performance fees of DKK 154 m
- Trading income includes a negative one-off of DKK 140 m
- Lower integration costs for SEB Pension Danmark

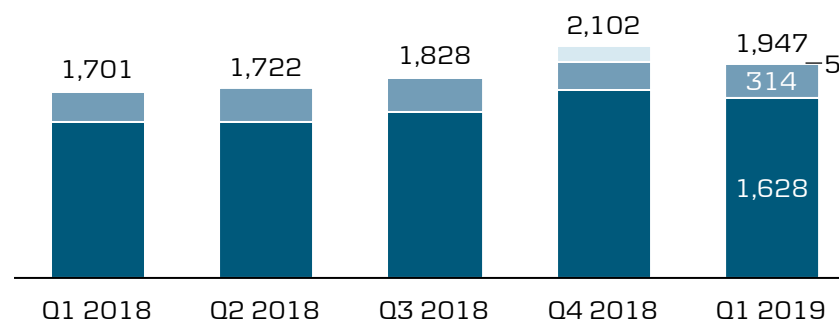
### AuM breakdown (DKK bn)

Life conventional Asset management Assets under advice<sup>1</sup>



### Breakdown of net fee income (DKK m)

Performance fees Risk allowance fees Management fees



<sup>1</sup> 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).

# Northern Ireland: Lending and NII up y/y despite continued Brexit uncertainty

## Income statement and key figures (DKK m)

	Q1 2019	Q1 2018	Index	Q4 2018	Index
Net interest income	386	364	106	383	101
Net fee income	96	95	101	94	102
Net trading income	30	15	200	22	136
Other income	3	3	100	3	100
<b>Total income</b>	<b>515</b>	<b>477</b>	<b>108</b>	<b>502</b>	<b>103</b>
Expenses	302	290	104	319	95
Profit before loan impairment charges	213	187	114	183	116
Loan impairment charges	-14	62	-	-1	-
Profit before tax	227	125	182	185	123
Lending (DKK bn)	53	49	107	50	106
Deposits (DKK bn)	65	61	108	63	105

## Key points

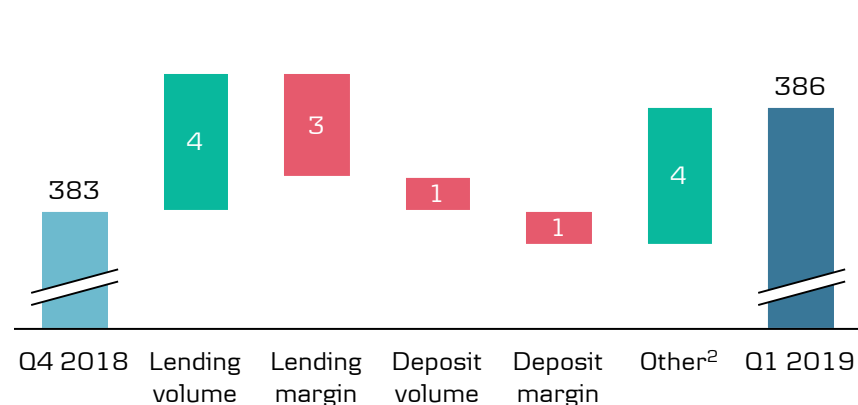
### y/y

- Lending and NII up despite continued Brexit uncertainty
- Expenses up 4%, reflecting investments in new solutions

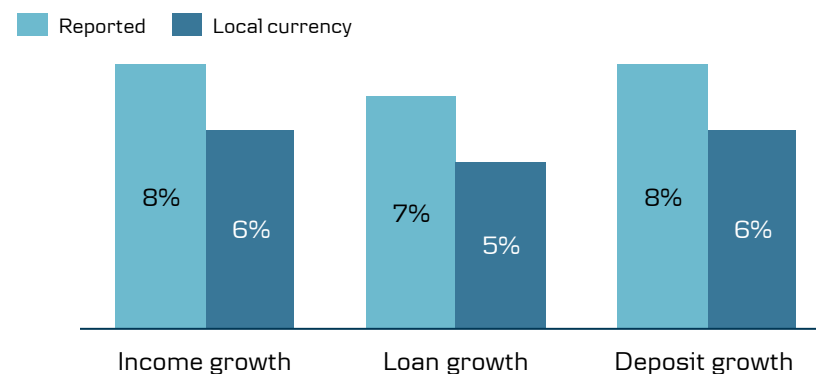
### Q/Q

- Positive business momentum
- Expenses down 5%; Q4 included additional costs for increased pension liabilities following UK court ruling

## Northern Ireland NII bridge<sup>1</sup> (DKK m)



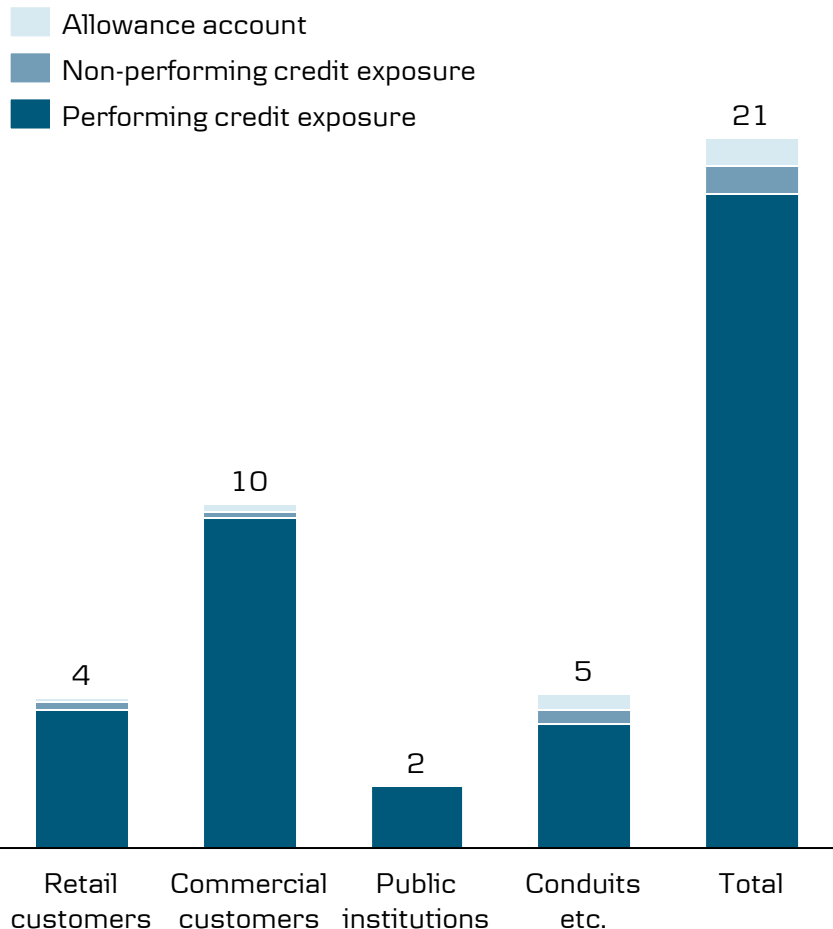
## FX-adjusted developments y/y



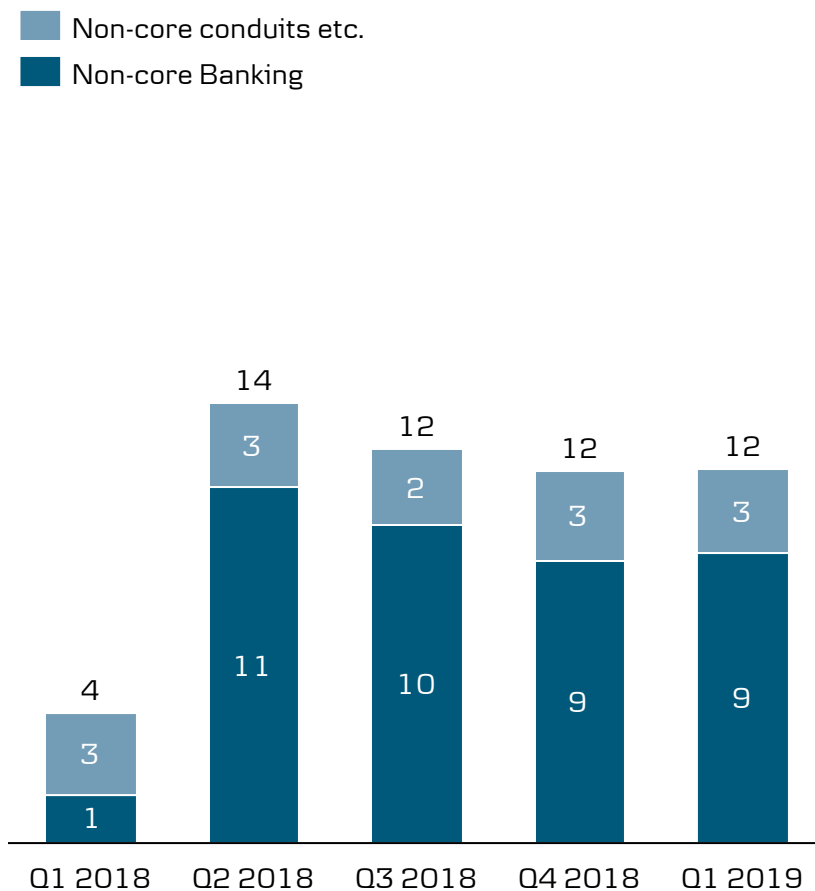
<sup>1</sup> Based on average volumes. <sup>2</sup> Includes capital costs, day effect and off-balance-sheet items.

# Non-core: Portfolio now includes all Baltic and Russian exposure

Non-core loan portfolio, Q1 2019 (DKK billions)



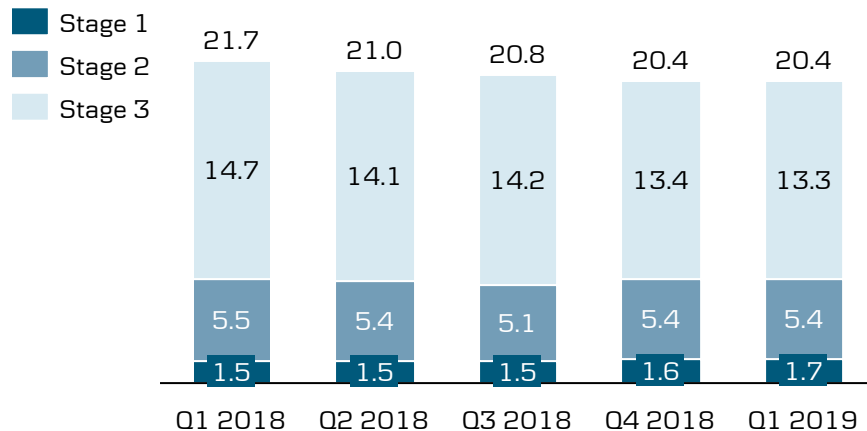
Non-core REA<sup>1</sup> (DKK billions)



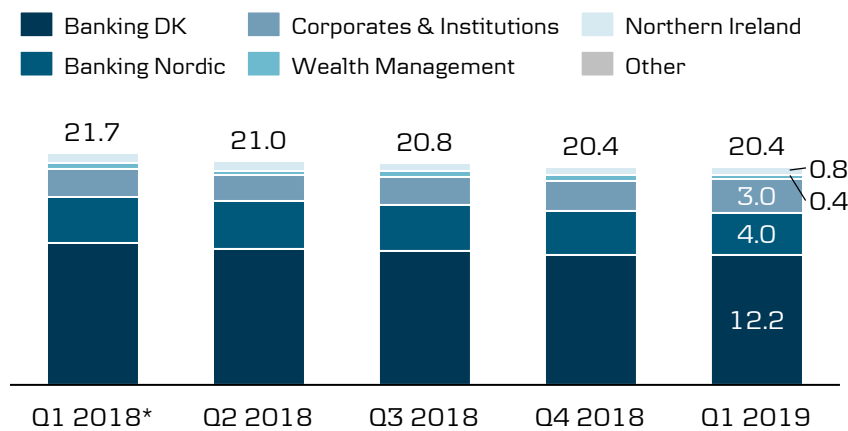
<sup>1</sup> The increase in Non-core REA in Q2 2018 was due to the transfer of Baltic customers to the Non-core unit at 1 April 2018, which was made as a result of the repositioning of the Group's business activities in the Baltic countries. At 1 February 2019, the Russian exposure and the remaining part of the Baltic exposure were transferred to Non-core.

# Credit quality: NPLs decreased 6% y/y, increase in Q1 reflects single name exposure

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



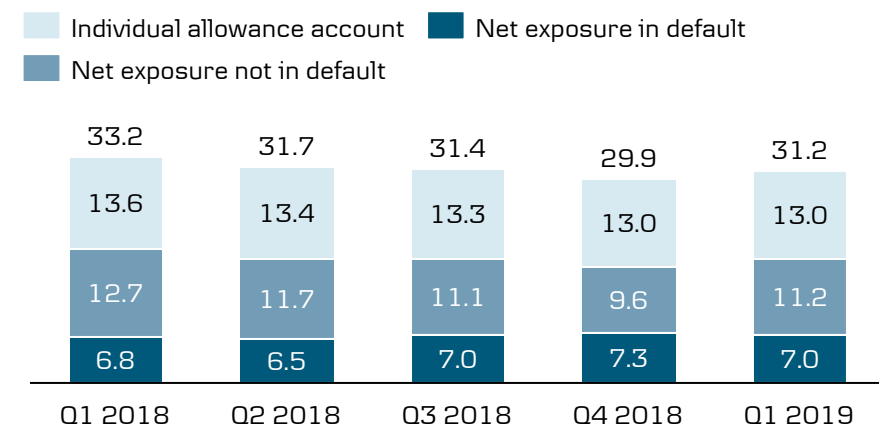
Core allowance account by business unit (DKK billions)



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

End-Q1 2019	Allowance account	Gross credit exposure	Allowance as % of exposure
Retail customers	2.1	961.5	0.22%
Agriculture	1.1	75.6	1.40%
Commercial property	0.7	314.6	0.21%
Shipping, oil & gas	0.5	64.2	0.77%
Services	0.1	58.7	0.23%
Other	0.9	986.7	0.10%
<b>Total</b>	<b>5.4</b>	<b>2,461.2</b>	<b>0.22%</b>

Gross non-performing loans\* (DKK billions)



\* 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. However, pork prices have increased significantly since mid-March. This gives some relief against the negative consequences of the poor harvest in Denmark last year. Overall, we expect to see an increase in non-performing loans during 2019. Exposure to the growing of crops etc. is highly secured
- Due to these negative developments, we saw impairment charges of roughly DKK 50 m in Q1 2019. 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 21% of expected credit losses
  - LTV limit at origination of 60% at Realkredit Danmark

### Agriculture by segment, Q1 2019 (DKK millions)

	Gross credit exposure	Portion from RD	Expected credit loss	Net credit exposure	NPL coverage ratio
Banking DK	51,039	42,022	3,231	47,808	89%
Growing of crops, cereals, etc.	20,142	17,437	538	19,603	86%
Dairy	9,270	7,188	1,047	8,224	88%
Pig breeding	12,615	9,688	1,348	11,267	92%
Mixed operations etc.	9,012	7,709	297	8,715	89%
Banking Nordic	12,492	-	140	12,352	122%
Northern Ireland	4,809	-	37	4,771	102%
C&I	6,619	1,993	4	6,614	-
Others	603	-	13	590	-
Total	75,561	44,015	3,426	72,135	90%

### Oil-related exposure (0.7% of Group exposure)

- Net exposure decreased to DKK 17.0 bn\* from DKK 18.7 bn last quarter
- Oil-related customers accounted for a significant share of the impairment expense of DKK 0.2 bn at Corporates & Institutions in Q1
- Most of the oil-related exposure is managed by specialist teams for customer relationship and credit management at Corporates & Institutions
- Accumulated impairments totalled DKK 2.3 bn, of which DKK 0.4 bn in stages 1 and 2

### Oil-related exposure, Q1 2019 (DKK millions)

	Gross credit exposure	Expected credit loss	Net credit exposure
C&I	18,062	2,007	16,055
Oil majors	5,272	9	5,263
Oil service	7,220	444	6,777
Offshore	5,570	1,554	4,016
Banking DK and Banking Nordic	1,253	322	932
Oil majors	1	0	1
Oil service	1,136	321	815
Offshore	116	1	115
Others	4	0	4
Total	19,320	2,329	16,991

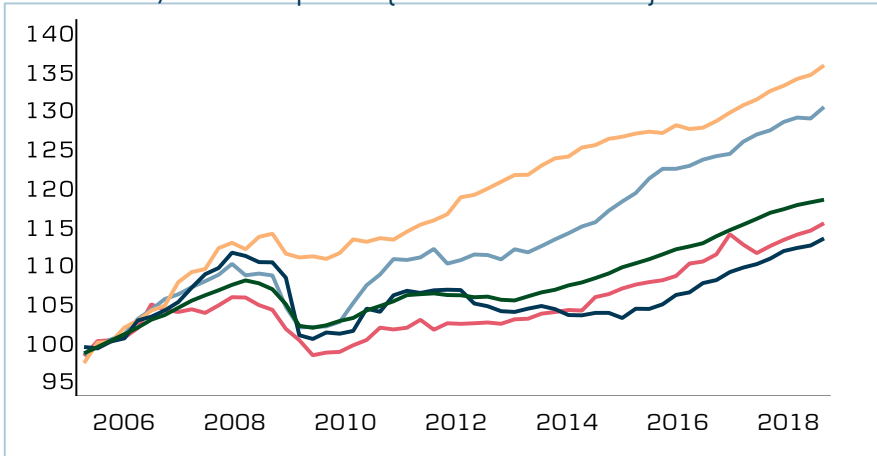
\* Exposure reported as part of the shipping, oil & gas industry in our financial report.



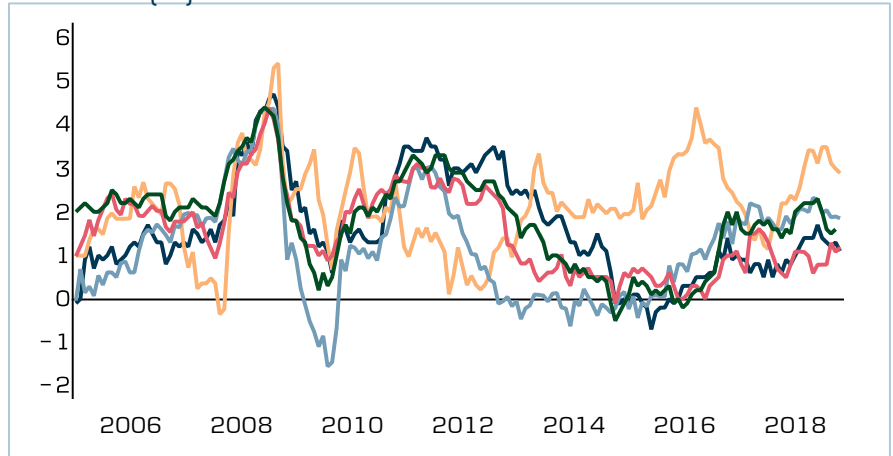
# Nordic macroeconomics

Denmark Sweden Norway Finland EU

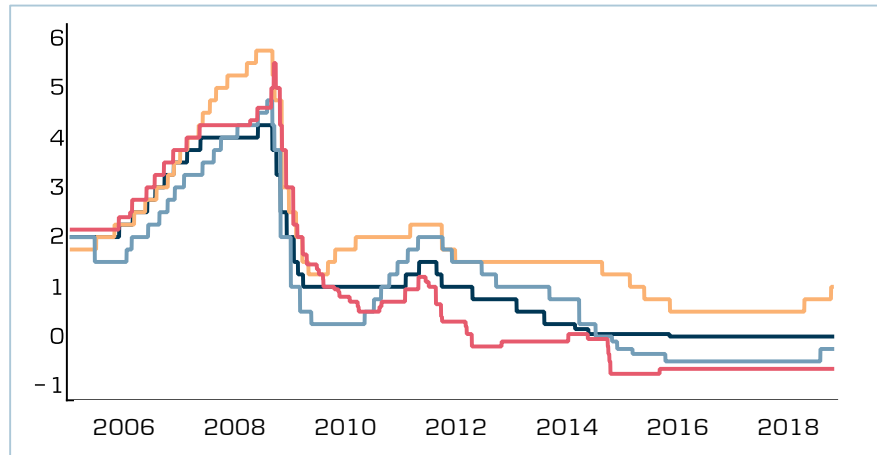
Real GDP, constant prices (index 2005 = 100)



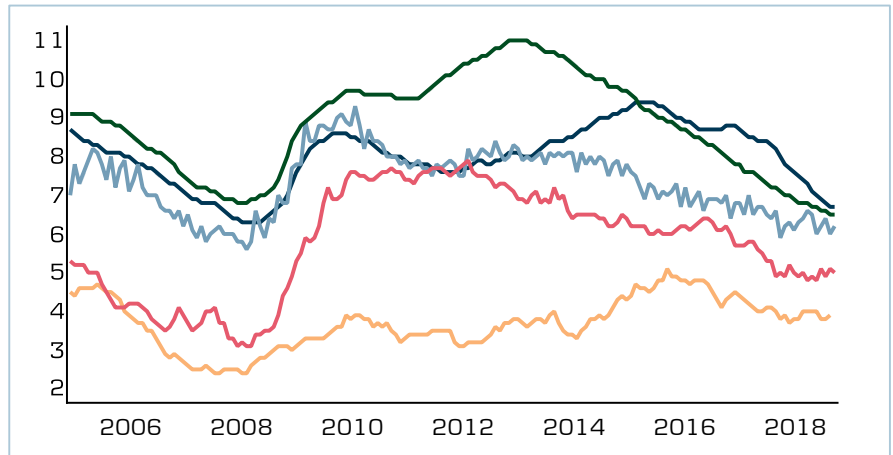
Inflation [%]



Interest rates, leading [%]



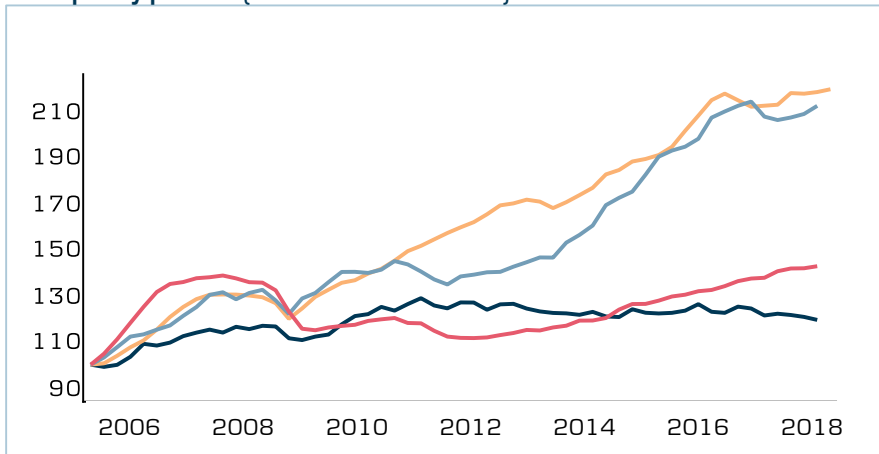
Unemployment [%]



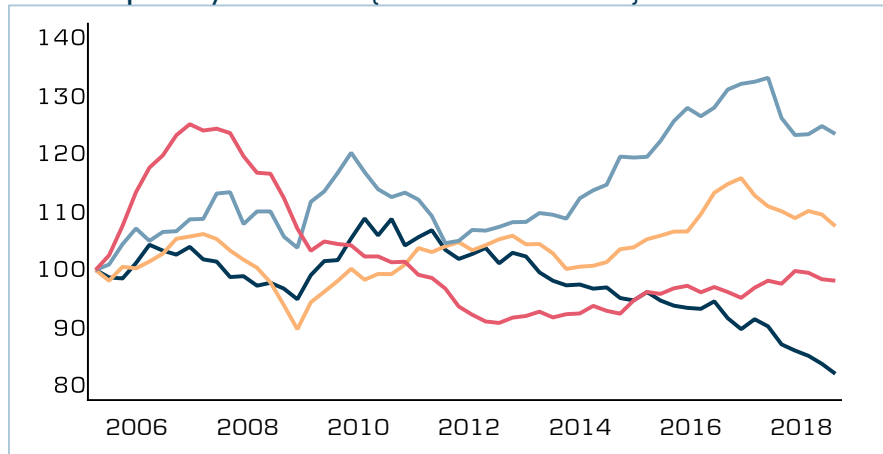
# Nordic housing markets

Denmark Sweden Norway Finland

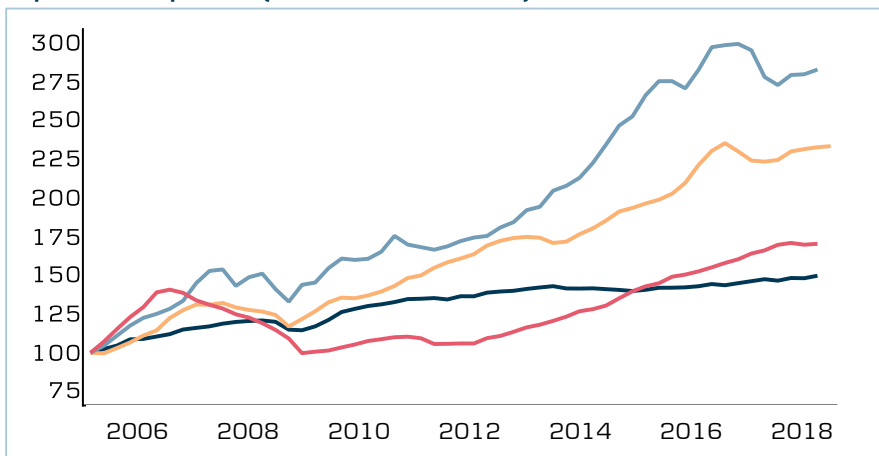
Property prices (index 2005 = 100)



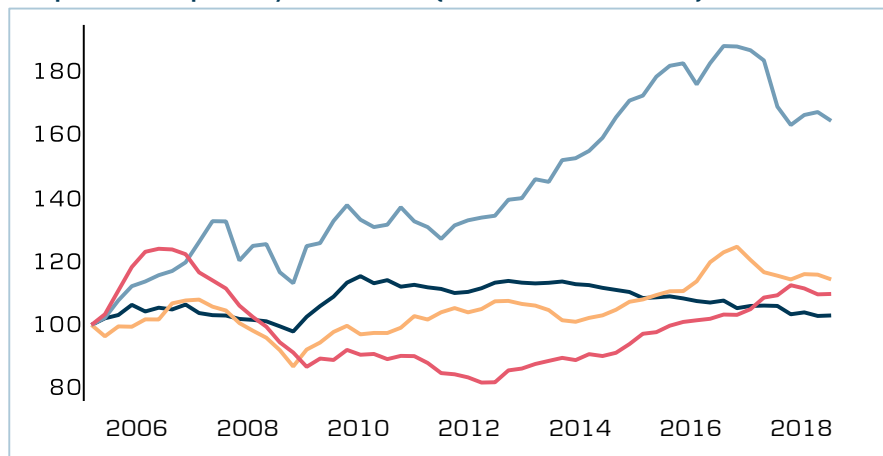
House prices/nom. GDP (index 2005 = 100)



Apartment prices (index 2005 = 100)



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



# Realkredit Danmark: Portfolio overview

## 49% of new retail lending in Q1 was fixed-rate vs 42% of stock

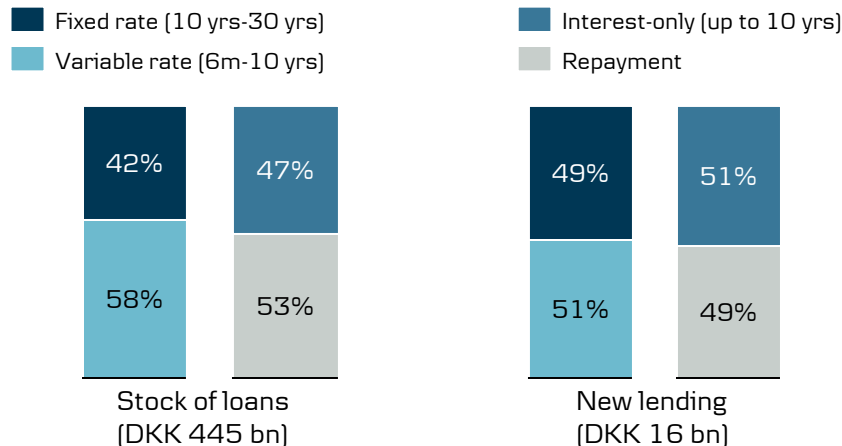
### Portfolio facts, Realkredit Danmark, Q1 2019

- Approx. 358,000 loans (residential and commercial)
- 1,217 loans in 3- and 6-month arrears (+3% since Q4)
- 28 repossessed properties
- DKK 8 bn in loans with LTV ratio > 100%, including DKK 5 bn covered by a public guarantee
- Average LTV ratio of 61%
- We comply with all five requirements of the supervisory diamond for Danish mortgage institutions

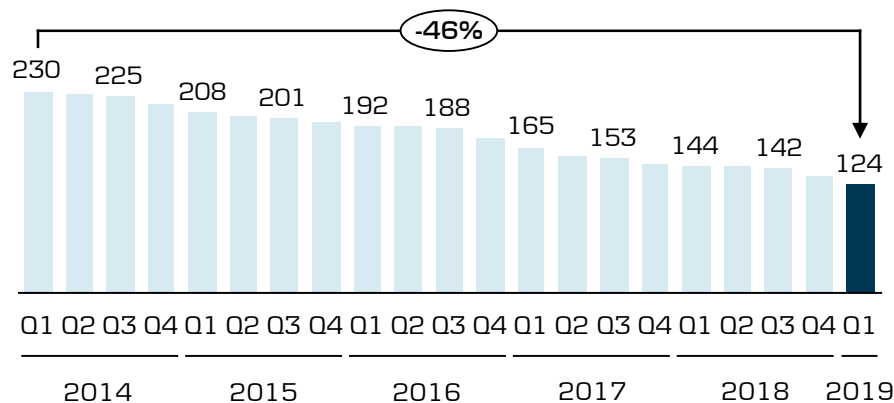
### LTV ratio at origination (legal requirement)

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

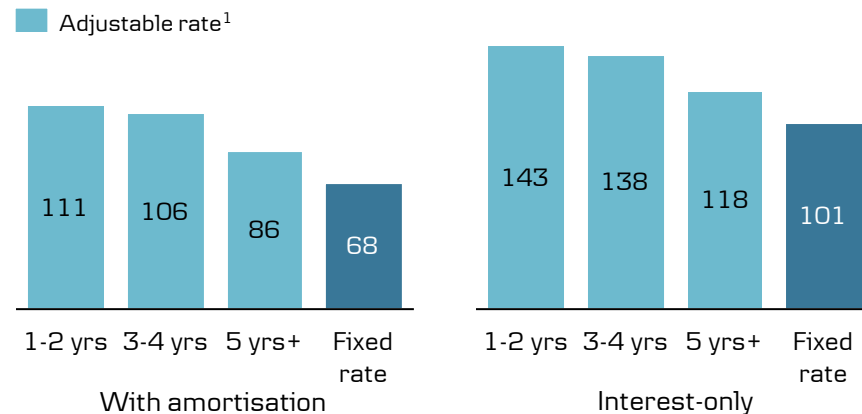
### Retail loans, Realkredit Danmark, Q1 2019 (%)



### Total RD loan portfolio of FlexLån® F1-F4 (DKK bn)



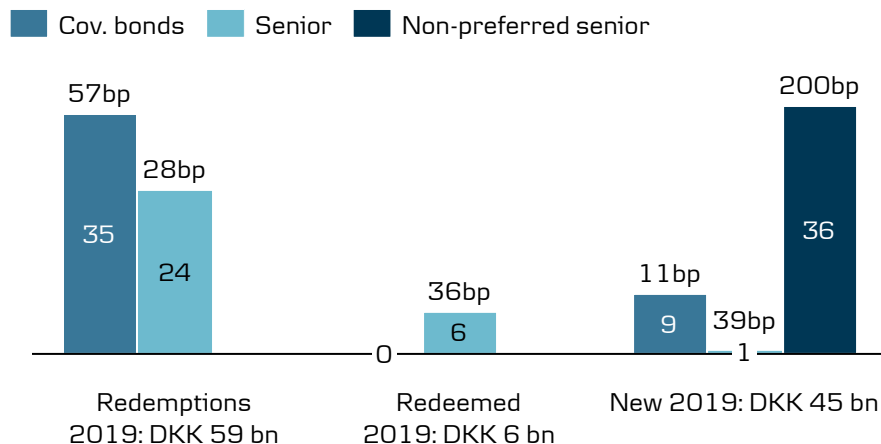
### Retail mortgage margins, 80% LTV, owner-occupied (bp)



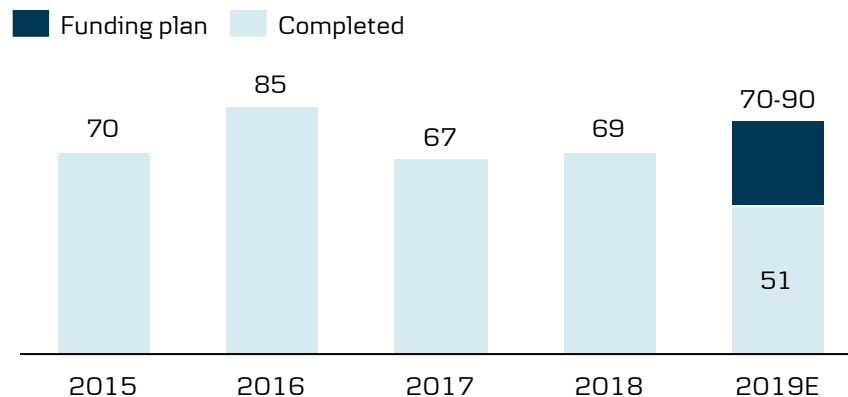
<sup>1</sup> In addition, we charge 30 bp of the bond price for refinancing of 1- and 2-year floaters and 20 bp for floaters of 3 or more years (booked as net trading income).

# Funding and liquidity: DKK 51 bn of long-term funding and capital instruments issued in Q1 2019; LCR compliant at 130%

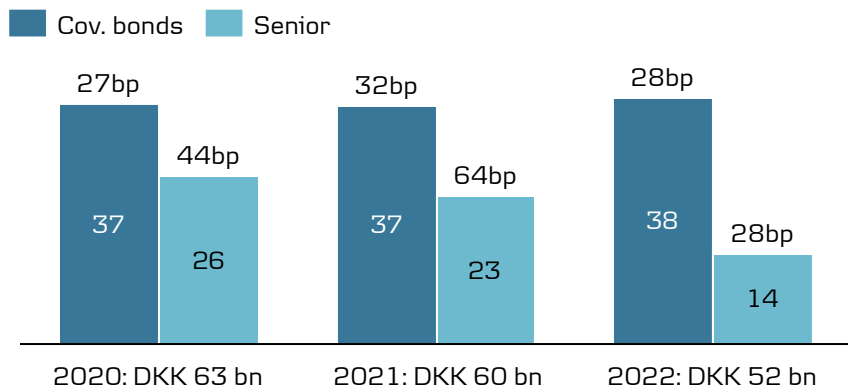
Changes in funding,<sup>1</sup> 2018-2019 (DKK billions and bp)



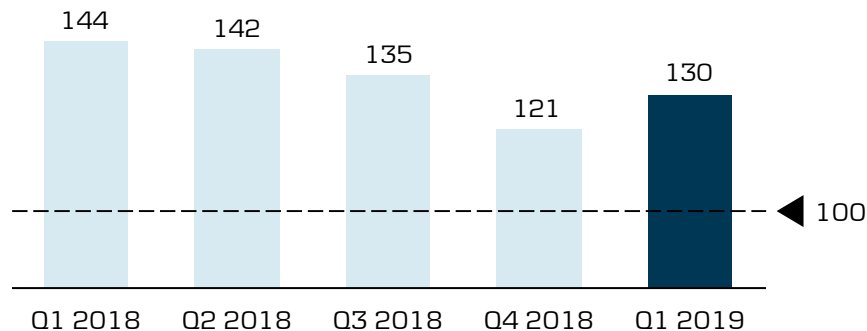
Long-term funding excl. RD (DKK billions)<sup>2</sup>



Maturing funding,<sup>1</sup> 2020-2022 (DKK billions and bp)



Liquidity coverage ratio (%)

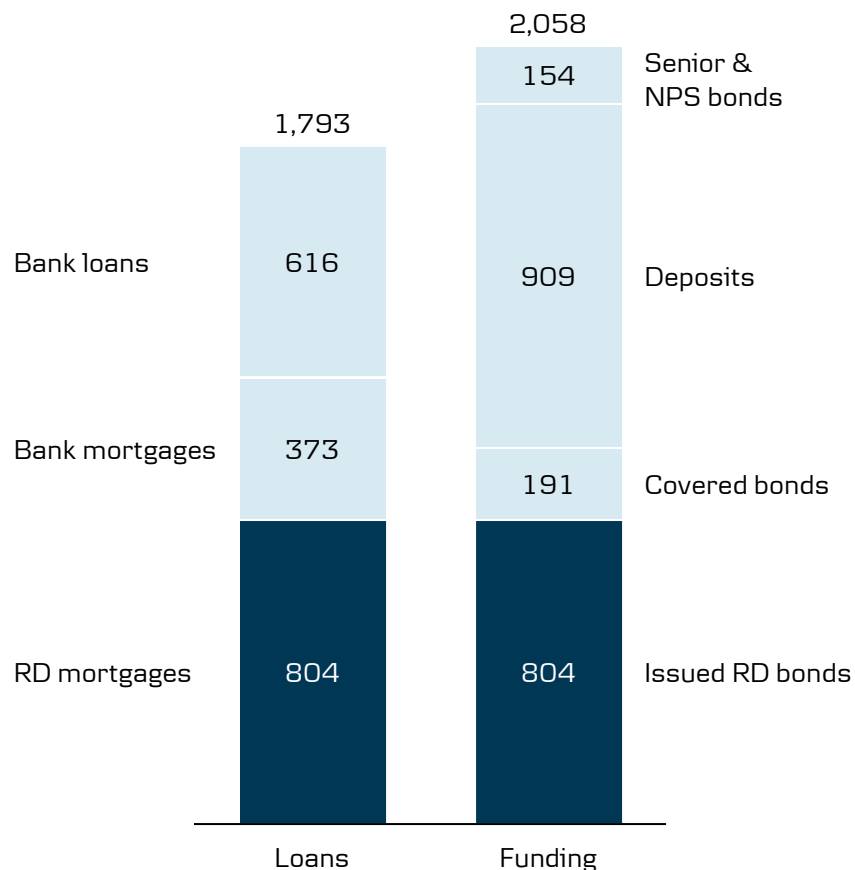


<sup>1</sup> Spread over 3M EURIBOR.

<sup>2</sup> Includes covered bonds excl. RD, senior, non-preferred senior and capital instruments.

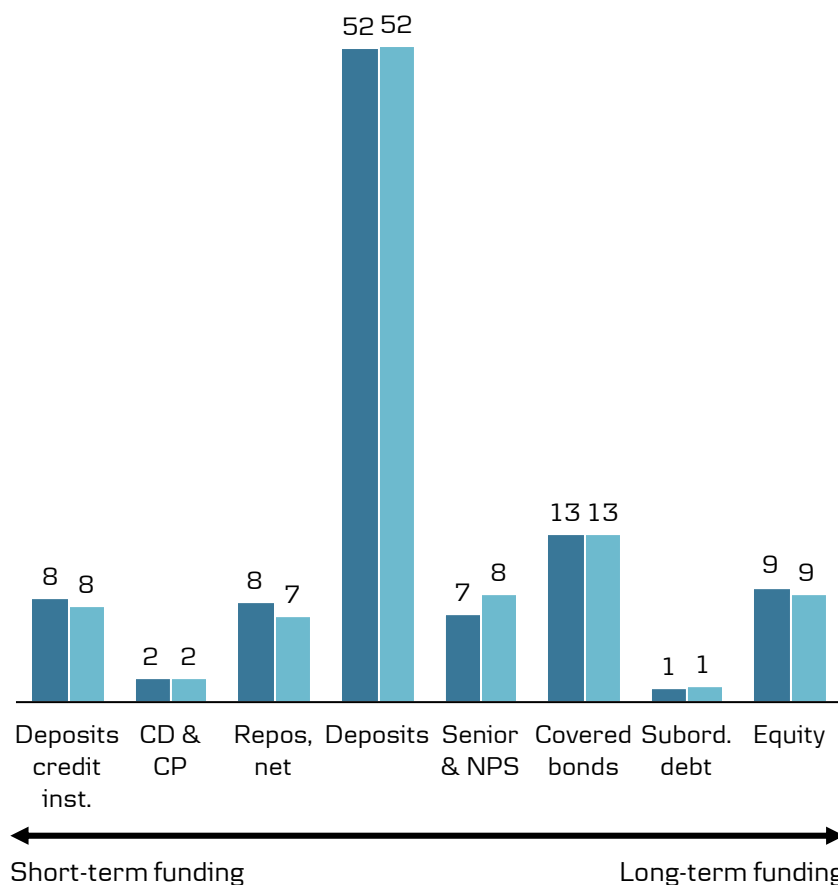
# Funding structure and sources: Danish mortgage system is fully pass-through

Loan portfolio and long-term funding, Q1 2019 (DKK billions)



Funding sources (%)

■ Q4 2018 ■ Q1 2019



# Three distinct methods for rating banks

Danske Bank's rating

## Rating methodology

**S&P Global Ratings**

Anchor SACP <sup>1</sup>	+	1	+	2	+	3	+	4	=	SACP	=	Extra-ordinary 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	+	Qualitative factors	=	BCA <sup>2</sup>	+	Affiliate support	+	LGF <sup>3</sup>	+	Gov. support	=	Issuer rating
Strong Plus		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**

Operating environment	+	1	+	2	+	3	+	4	+	5	+	6	+	7	=	Viability Rating	Support Rating Floor	=	Issuer rating <sup>5</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> No Floor. <sup>5</sup> Issuer rating is the higher of the Viability Rating and Support Rating Floor.

# Tax

## Actual and adjusted tax rates (DKK billions)

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Profit before tax	4,012	4,444	3,589	5,487	5,802
Permanent non-taxable difference	164	957	1,170	-95	-133
Adjusted pre-tax profit, Group	4,176	5,401	4,759	5,392	5,669
Tax according to P&L	1,024	1,029	1,107	1,256	1,241
Taxes from previous years	-77	154	-39	-36	30
Adjusted tax	947	1,183	1,068	1,220	1,271
Adjusted tax rate	22.7%	21.9%	22.4%	22.6%	22.4%
Actual tax rate	25.5%	23.2%	30.8%	22.9%	21.4%

## Tax drivers, Q1 2019

- The actual tax rate of 25.5% is higher than the Danish rate of 22% due primarily to the permanent non-taxable difference
- The permanent non-taxable difference derives mainly from tax-exempt value adjustments on shares

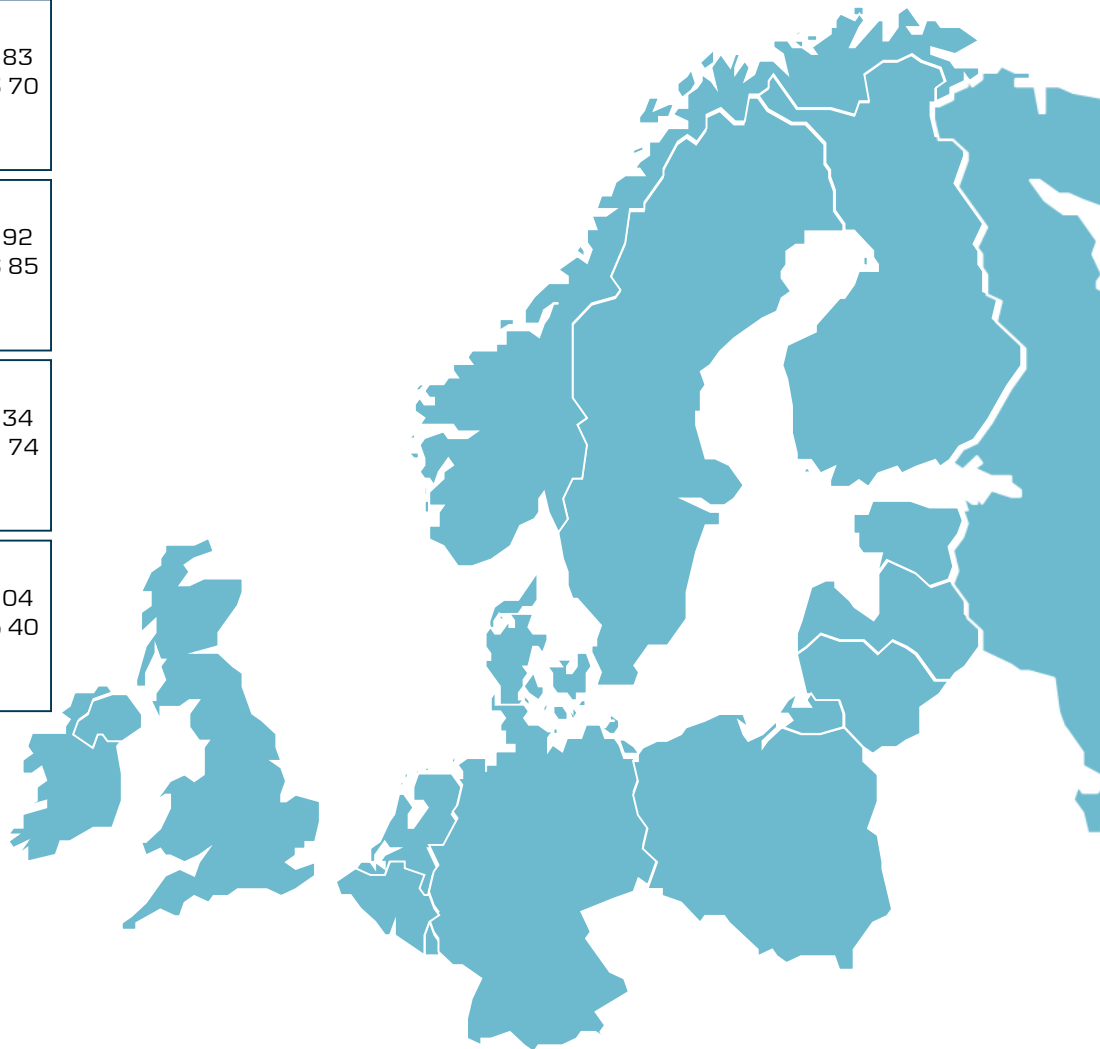
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