

Financial results 2019



Chris Vogelzang
Chief Executive Officer



Jacob Aarup-Andersen
Chief Financial Officer

5 February 2020

Agenda

01.	<i>Executive summary and recap of 2023 ambitions</i>	2
02.	<i>Group financials and key lines</i>	5
03.	<i>Capital</i>	13
04.	<i>Financial outlook for full-year 2020</i>	14
05.	<i>Q&A</i>	15
06.	<i>Appendix</i>	16

Executive summary: Challenging 2019; net profit down 1% from 2018, including significant extraordinary items in 2019



Lending growth of 3% y/y, driven by growth of 5% y/y at Banking Nordic and 1% y/y at Banking DK. However, growth is at lower margins



Strong capitalisation with a CET1 capital ratio of 17.3%; target for CET1 ratio of above 16%; REA decrease in Q4 driven mainly by counterparty credit risk



Proposed dividend of DKK 8.5 per share, representing a 49% pay-out ratio, in line with the policy of 40-60%



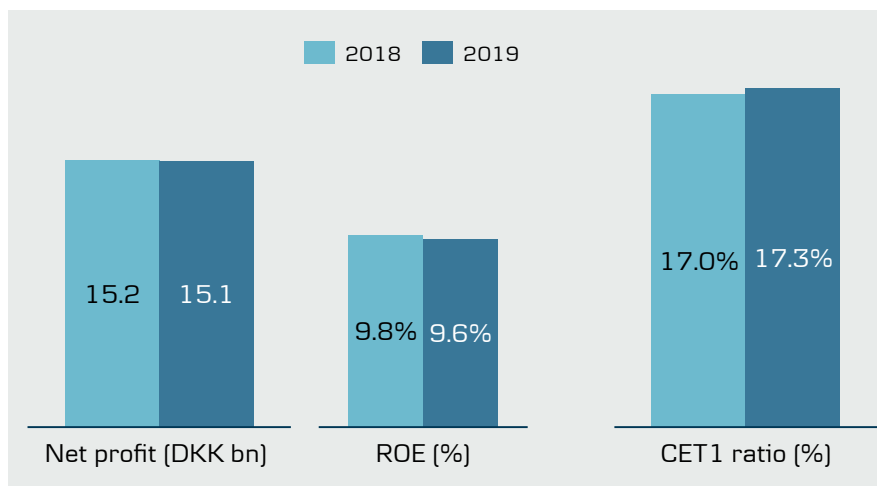
The result for 2019 was affected by significant net positive **one-off items**, including deferred tax, goodwill impairment charges, and the sales of Danica Pension Sweden and LR Realkredit A/S

DKK 15.1 bn net profit, down 1% from 2018, however including significant net positive extraordinary items in 2019

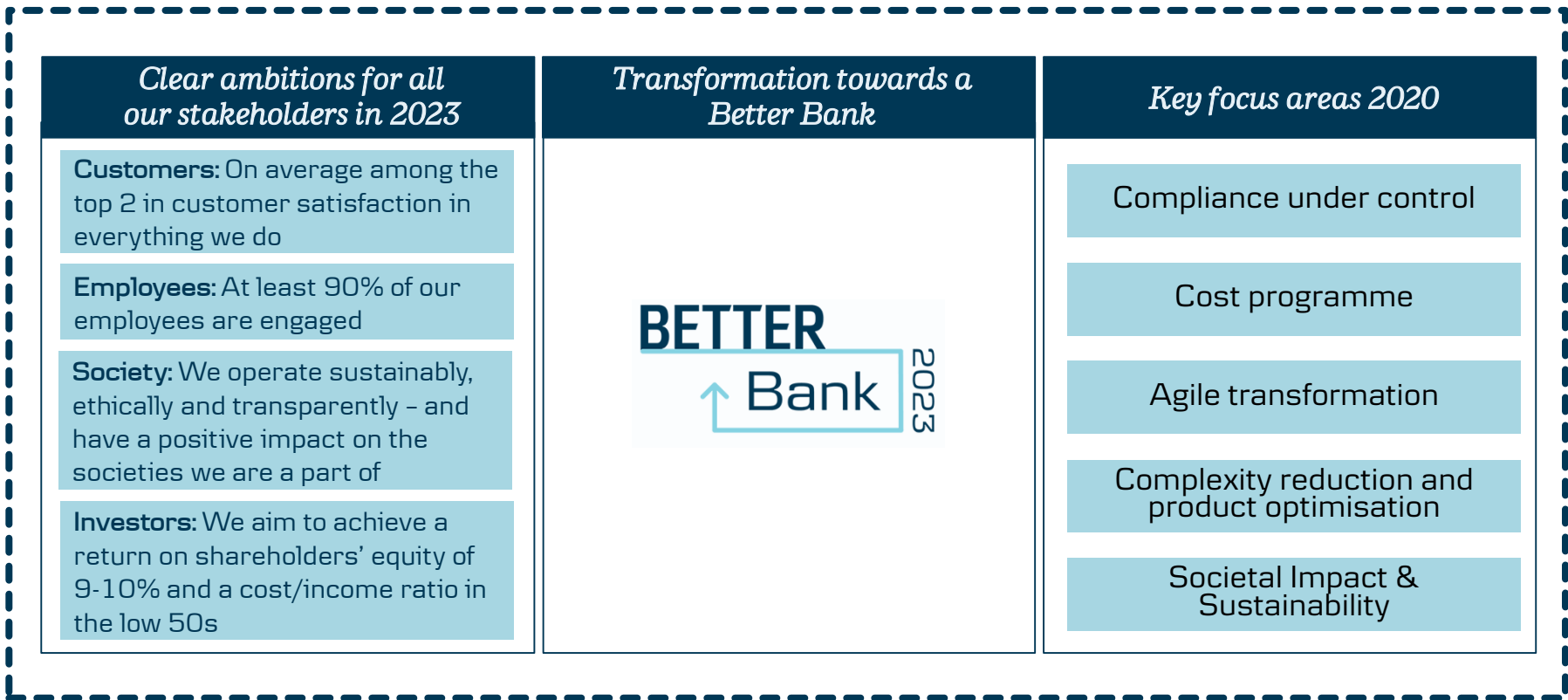
9.6% return on equity after tax, including significant extraordinary items

10% increase in expenses y/y due mainly to upstaffing and investments in compliance and AML-related activities, expenses related to the Estonia case as well as extraordinary items

DKK 8-10 bn net profit outlook for 2020



Dedicated Better Bank Transformation will help us deliver on our ambitions



Danske Bank's 2023 targets for the seven focus areas within Societal Impact & Sustainability

			<u>2023 targets</u>	<u>Status 2019</u>
Sustainable finance	1	Sustainable investing	DKK 30 bn in green investments by Danica Pension; towards DKK 100 bn by 2030	DKK 10 bn
	2	Sustainable financing	Well above DKK 100 bn in sustainable financing - and setting a climate target for our corporate lending portfolio by 2023	DKK 46.1 bn
Sustainable operations	3	Governance	More than 95% of employees trained annually in risk & compliance and passed tests	96%
	4	Diversity & inclusion	35% women in senior leadership positions	23%
	5	Environmental footprint	Reducing our CO ₂ emissions by 10% vs. 2019 and 75% vs. 2010*	15,230 tonnes CO ₂
Impact initiatives	6	Entrepreneurship	10,000 startups & scaleups supported with growth & impact tools, services and expertise	3,851
	7	Financial literacy	2 million people supported with financial literacy tools and expertise	719,763

* Baseline is 54,823 tonnes CO₂ emissions in 2010.

Net profit: DKK 15.1 bn, down 1% from 2018, however including significant net positive extraordinary items

Income statement and key figures (DKK m)

	2019	2018	Index	Q4 2019	Q3 2019	Index
Net interest income	21,877	23,571	93	5,541	5,445	102
Net fee income	15,895	15,402	103	4,214	4,111	103
Net trading income	4,985	4,676	107	2,078	779	-
Other income	2,225	716	-	320	160	200
Total income	44,982	44,365	101	12,153	10,495	116
Expenses	27,548	25,011	110	8,342	6,382	131
Goodwill impairment charges	1,603	0	-	1,603	0	-
Profit before loan impairment charges	15,831	19,354	82	2,208	4,113	54
Loan impairment charges	1,516	-650	-	703	343	205
Profit before tax, core	14,315	20,004	72	1,505	3,771	40
Profit before tax, Non-core	-493	-282	-	-244	22	-
Profit before tax	13,822	19,722	70	1,261	3,793	33
Tax	-1,249	4,548	-	-3,780	782	-
Net profit	15,072	15,174	99	5,041	3,011	167
Return on avg. shareholders' equity (%)	9.6	9.8		12.6	7.6	
Cost/income ratio* (%)	61.2	56.4		68.6	60.8	
Common equity tier 1 capital ratio (%)	17.3	17.0		17.3	16.4	
EPS (DKK)	16.7	16.5		5.7	3.3	
Lending (DKK bn)	1,821	1,769	103	1,821	1,818	100
Deposits and RD funding (DKK bn)	1,759	1,636	107	1,759	1,740	101
- of which deposits (DKK bn)	963	894	108	963	926	104
Risk exposure amount (DKK bn)	767	748	103	767	782	98

* Before goodwill impairment charges.

Note: Please see slide 33 for extraordinary items in 2019

Key points, 2019 vs 2018

- Return on equity of 9.6%
- NII down 7% due mainly to higher funding costs and margin pressure
- Fee income up 3% due to high remortgaging activity and the SEB Pension Danmark acquisition
- Trading income up 7%, includes gain on sale of LR Realkredit A/S
- Expenses up 10%, due mainly to upstaffing and investments in compliance and AML activities
- Impairment charges driven by C&I

Key points, Q4 2019 vs Q3 2019

- NII up 2% driven by higher deposit margins, lending volumes and FX effects
- Fee income up 3% due mainly to performance fees
- Trading income includes gain on sale of LR Realkredit A/S
- Expenses up 31% due to extraordinary items
- Impairments affected by review of portfolio in Q4

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

Key points

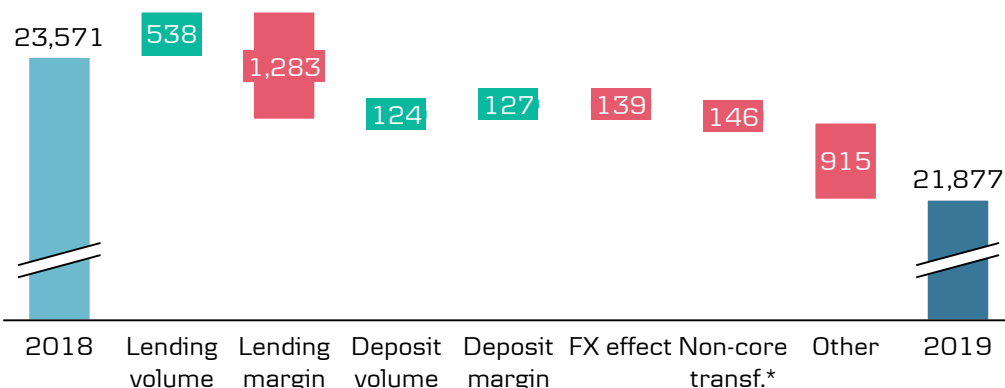
Y/Y

- NII down 7%. Lending growth of 3% offset by lower margins, higher funding costs and transfer of Russian and remaining Baltic exposures to Non-core
- Other includes capital costs, retained liquidity costs related to the Estonia case and lower income from liquidity portfolios, partly offset by FX hedge of CET1

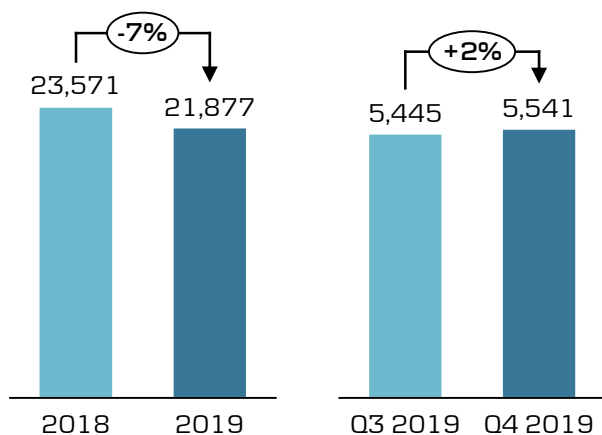
Q/Q

- NII up 2% as positive deposit margins, lending volumes and FX effects more than offset decrease in lending margins

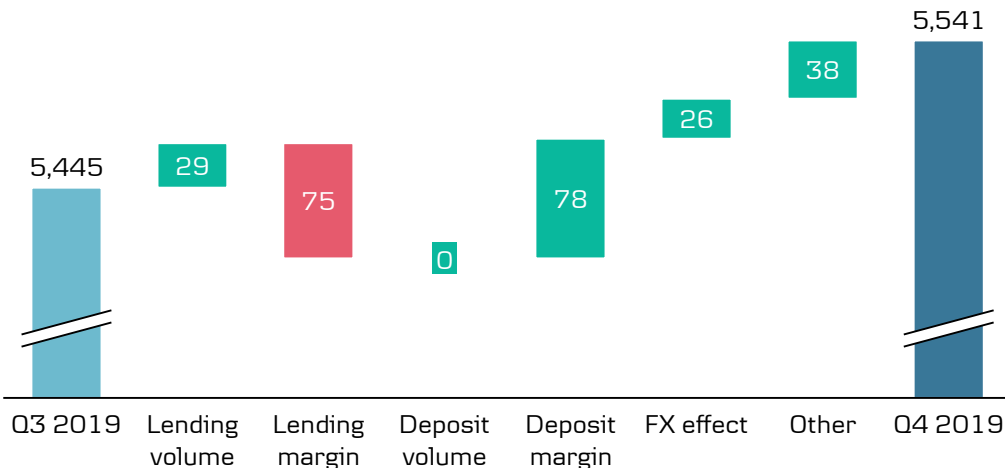
Change in net interest income, y/y (DKK m)



Group net interest income (DKK m)



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



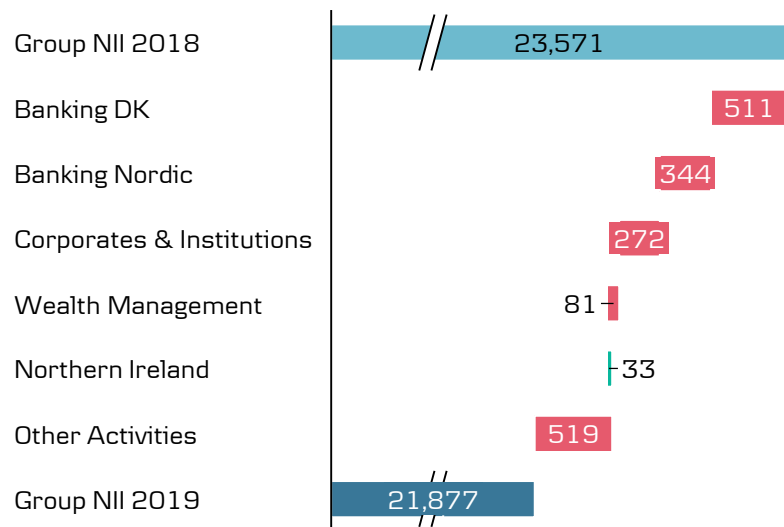
* Includes transfer of local Baltic commercial customers to Non-core on 1 April 2018 and transfer of the remaining Baltic and Russian exposures to Non-core on 1 February 2019

NII (cont'd): Volume growth of 5% y/y (5% in local currency) at Banking Nordic; Banking DK grew 1% y/y

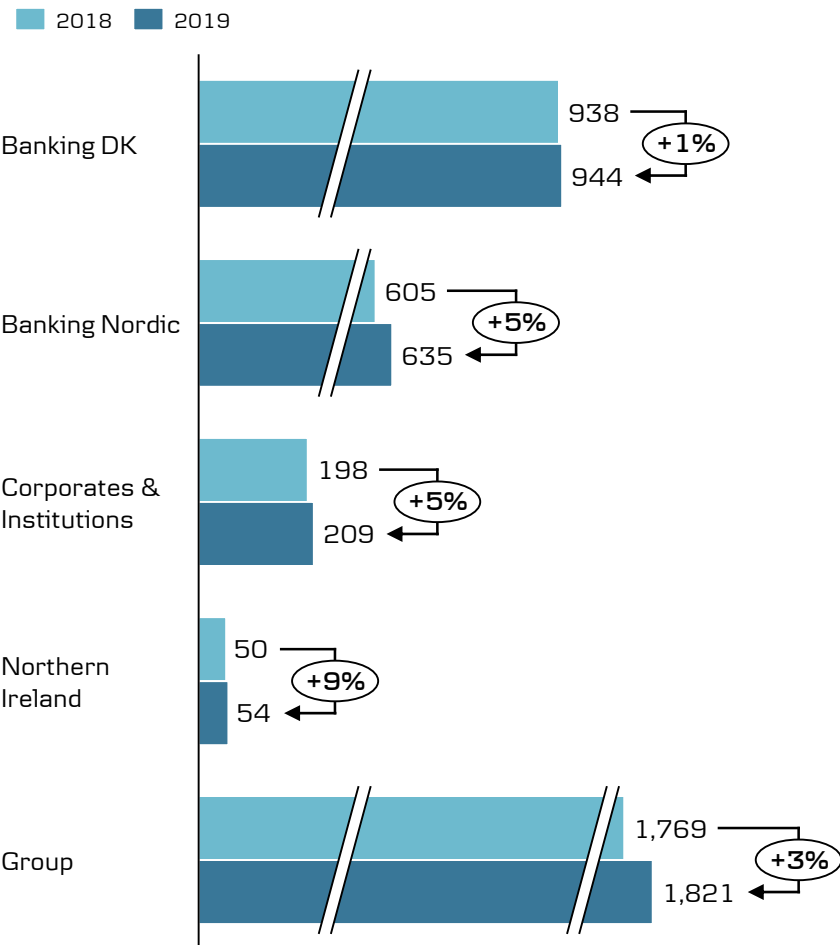
Key points

- Banking Nordic lending up 5% y/y (5% in local currency) with growth in Norway and Finland
- Banking DK lending up 1% y/y, driven by retail lending
- NII for Other Activities was impacted by higher funding costs attributable to the Estonia case being retained at the Internal Bank rather than being allocated to business units
- C&I lending up 5%. Lending in General Banking grew 2% y/y

Change in NII by business unit (DKK m)



Lending volumes and development* (DKK bn)



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

Fee income: Up 3% y/y as high activity and SEB Pension DK acquisition more than offset margin pressure and negative one-off

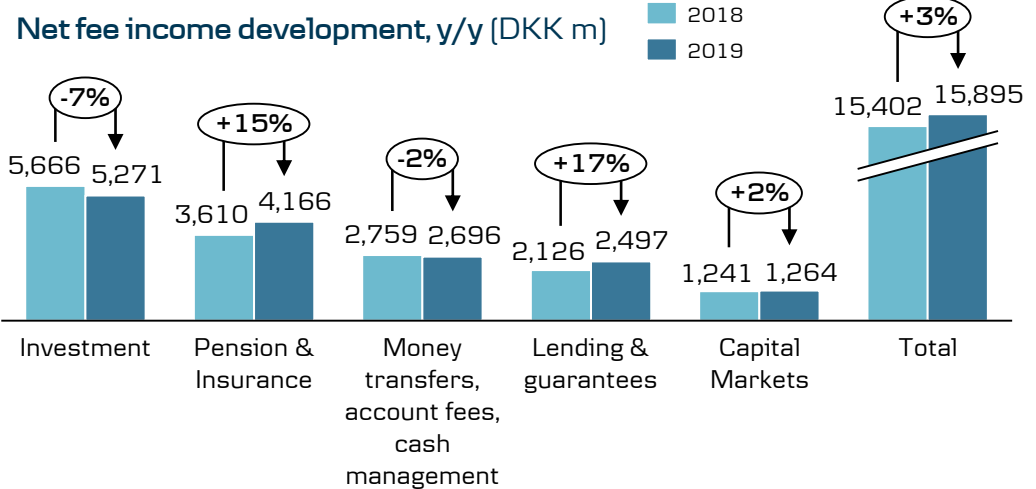
Key points

Y/Y

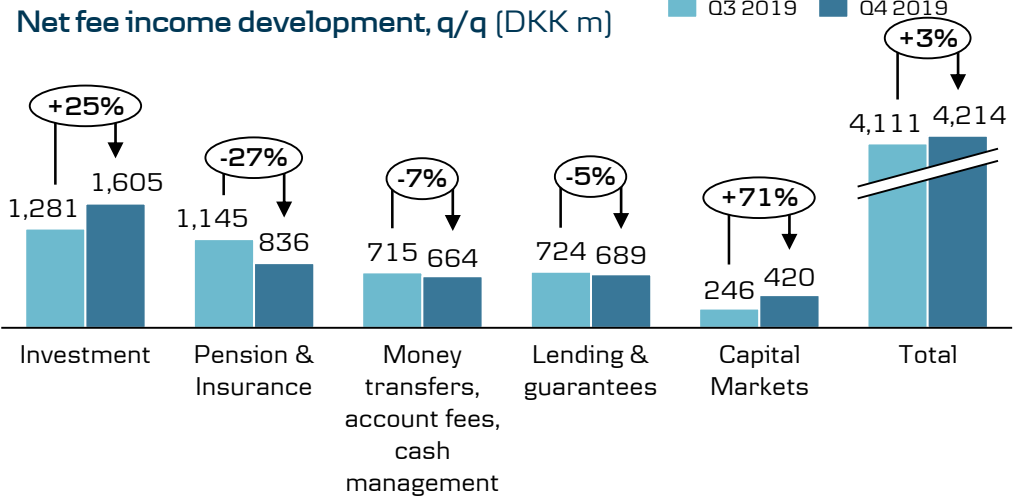
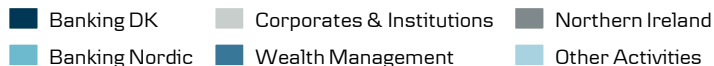
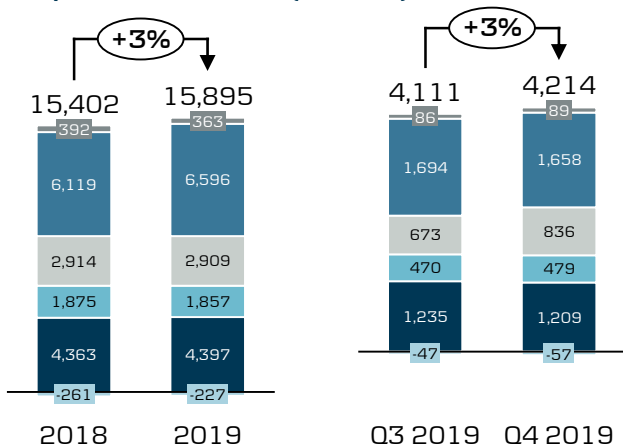
- Fee income up 3% due to high remortgaging activity and the acquisition of SEB Pension Danmark, offset by margin pressure and the one-off Flexinvest Fri compensation amount of DKK 180 m booked in Q2
- Fees also affected by the sale of Danica Pension Sweden in May 2019

Q/Q

- Fee income up 3% due mainly to performance fees booked in Q4



Group net fee income (DKK m)



Trading income: Up 7% y/y including gain on sale of LR Realkredit

Key points

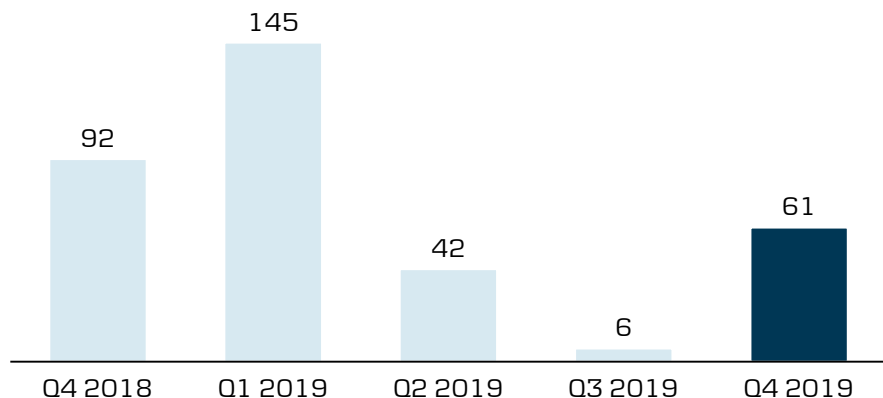
Y/Y

- Trading income up 7% including gain on sale of LR Realkredit A/S of DKK 767 million. Adjusted for this gain, trading income was down 10% y/y

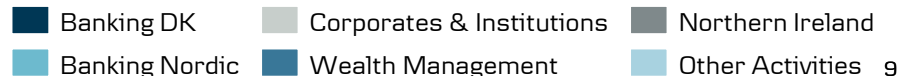
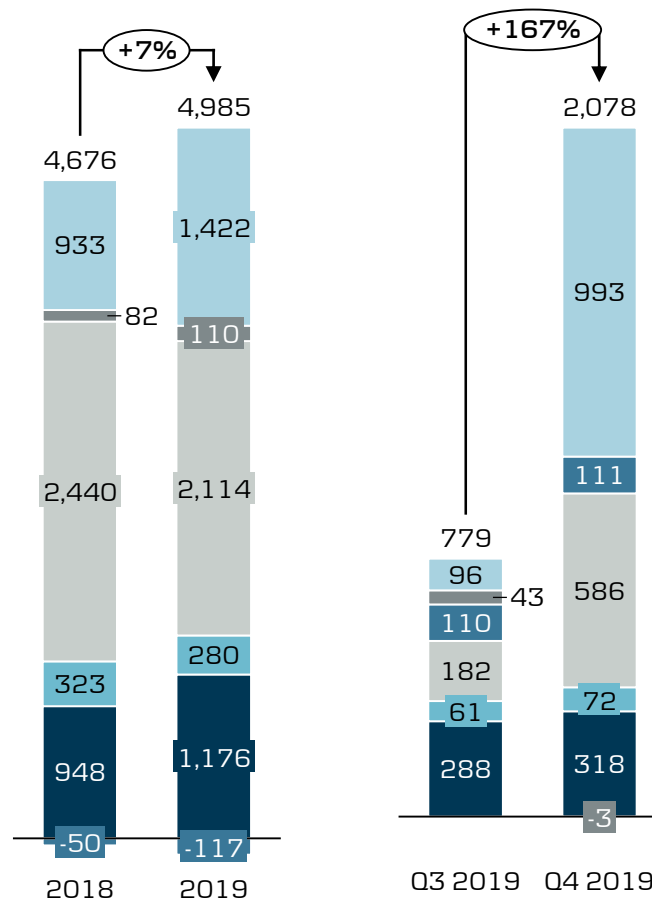
Q/Q

- Gain on sale of LR Realkredit A/S booked in Other Activities in Q4
- At Corporates & Institutions, the improvement was driven by better performance in Danish fixed income following a weak Q3

Refinancing income (DKK m)



Group net trading income (DKK m)



Expenses: Up 10% y/y, due mainly to upstaffing and investments in compliance and AML, now totalling around 2,800 FTEs

Key points

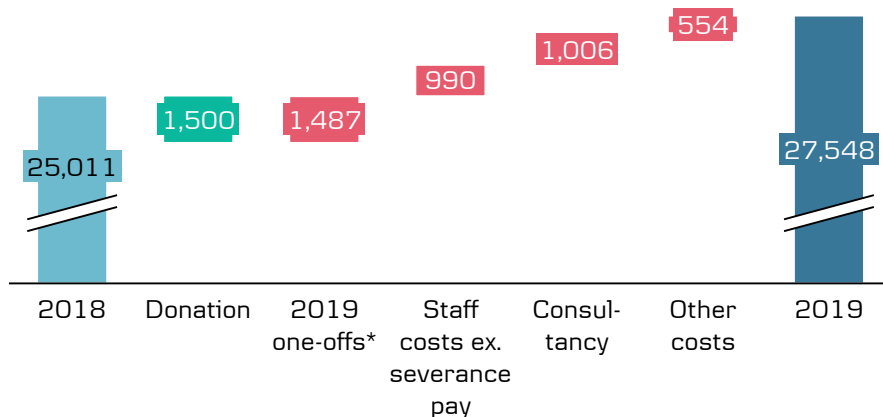
Y/Y

- Expenses up 10% y/y, due mainly to upstaffing and investments in compliance and AML activities, consultancy costs related mainly to the Estonia case and extraordinary items
- Adjusted for the DKK 1.5 bn donation related to the Estonia case in 2018, expenses increased 17%

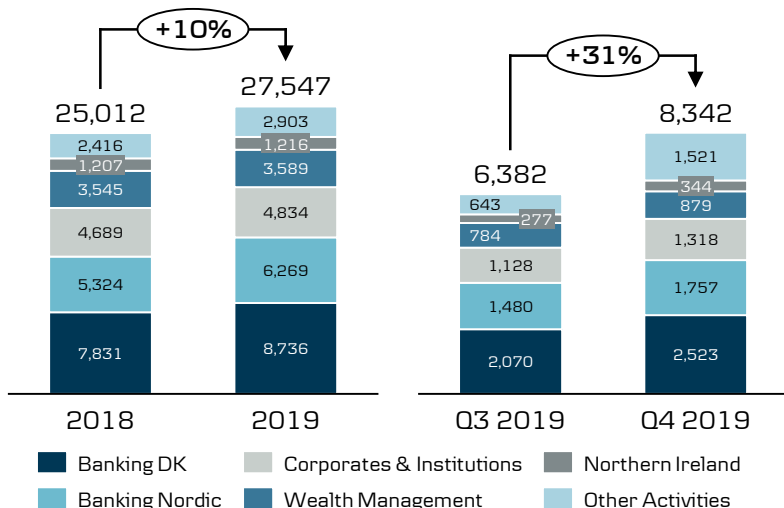
Q/Q

- Expenses up 31% q/q due to software impairments, transformation costs, an adjustment of the expected value of a distribution contract and a provision for operational risk-related losses

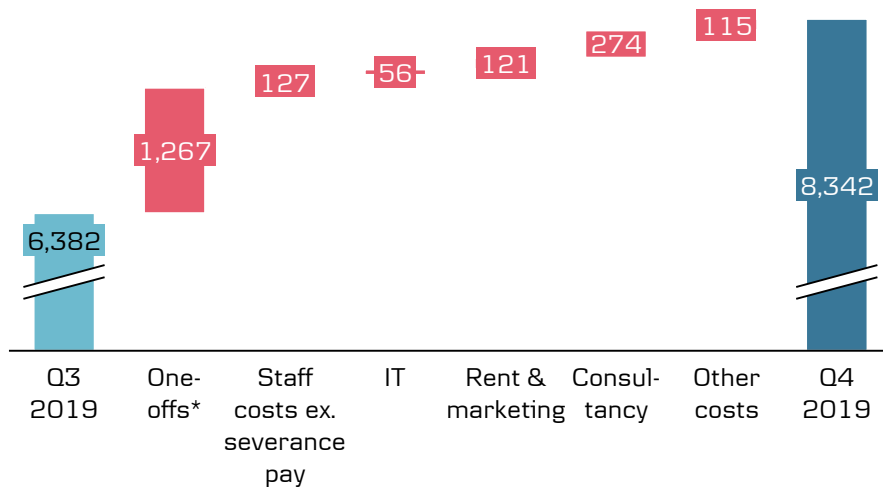
Change in expenses, y/y (DKK m)



Group operating expenses (DKK m)



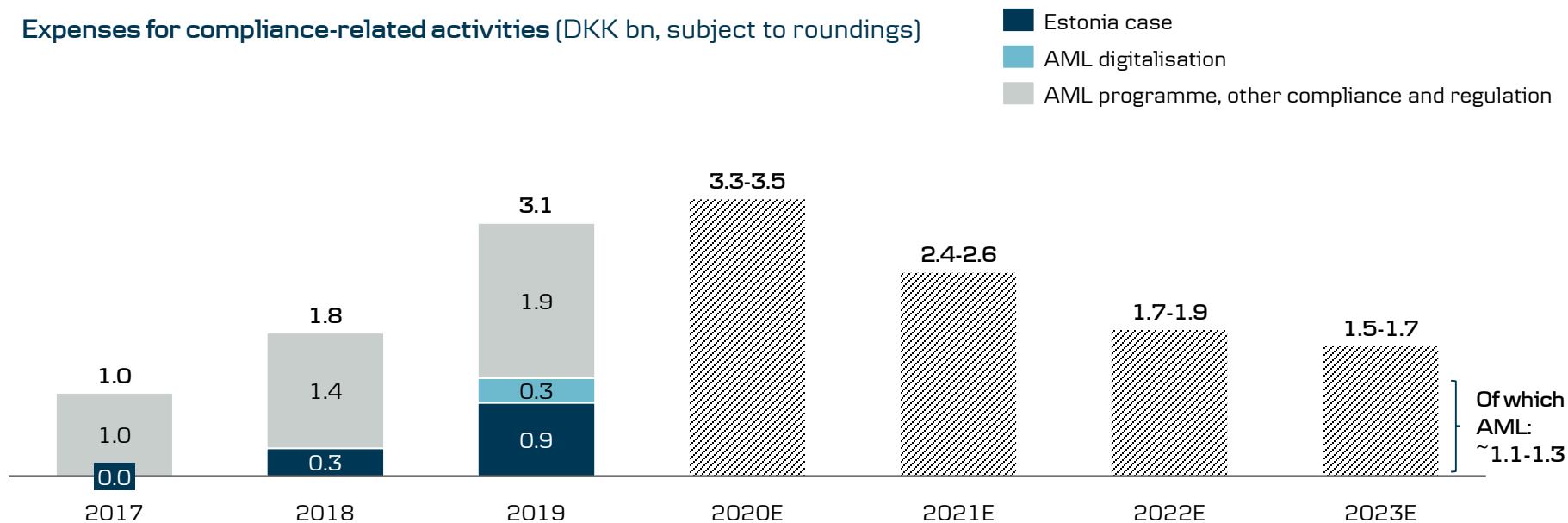
Change in expenses, q/q (DKK m)



* Please see slide 33 for extraordinary items in 2019

Significant costs for AML and other compliance in 2019 to peak in 2020; guidance towards 2023 unchanged

Expenses for compliance-related activities (DKK bn, subject to roundings)



Comments on AML-related investments

- AML investments expected to peak in 2020E, thereafter falling to reach steady-state level of DKK 1.1-1.3 bn in 2023
- AML investments are driven by FTE increase to strengthen our lines of defence and to increase the capacity for handling KYC/ODD and monitoring processes
- Increased IT investments are also planned in 2020 to secure progress on digitalisation and automation of core AML processes

Impairments: Loan loss ratio of 8 bp in core activities in 2019, driven by Corporates & Institutions

Key points

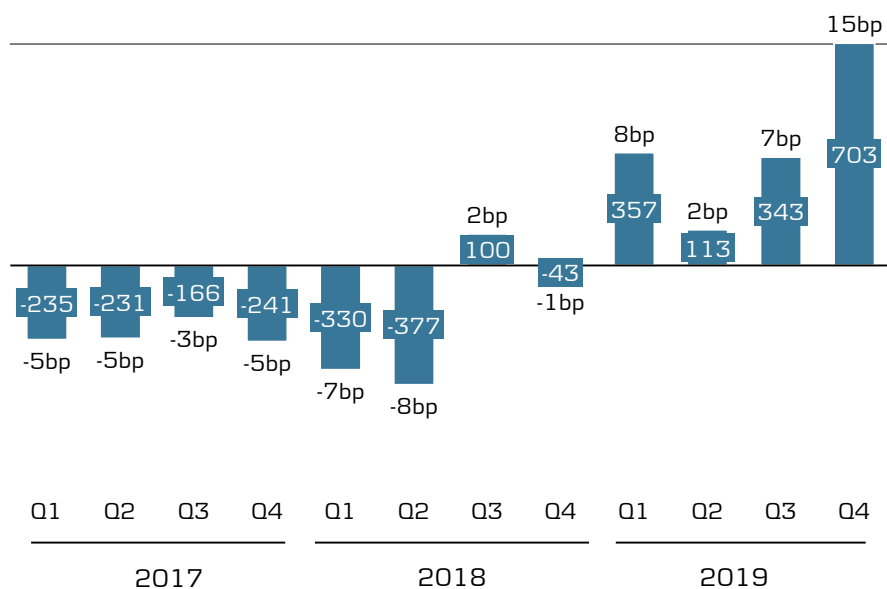
Y/Y

- Charge of DKK 1.5 bn; core loan loss ratio of 8 bp
 - Impairments at C&I due to single-name exposures
 - Portfolio review led to charges of DKK 450 m as some exposures were reclassified as non-performing
 - Charges also reflect increased downside risk in the macroeconomic outlook for the Nordic countries

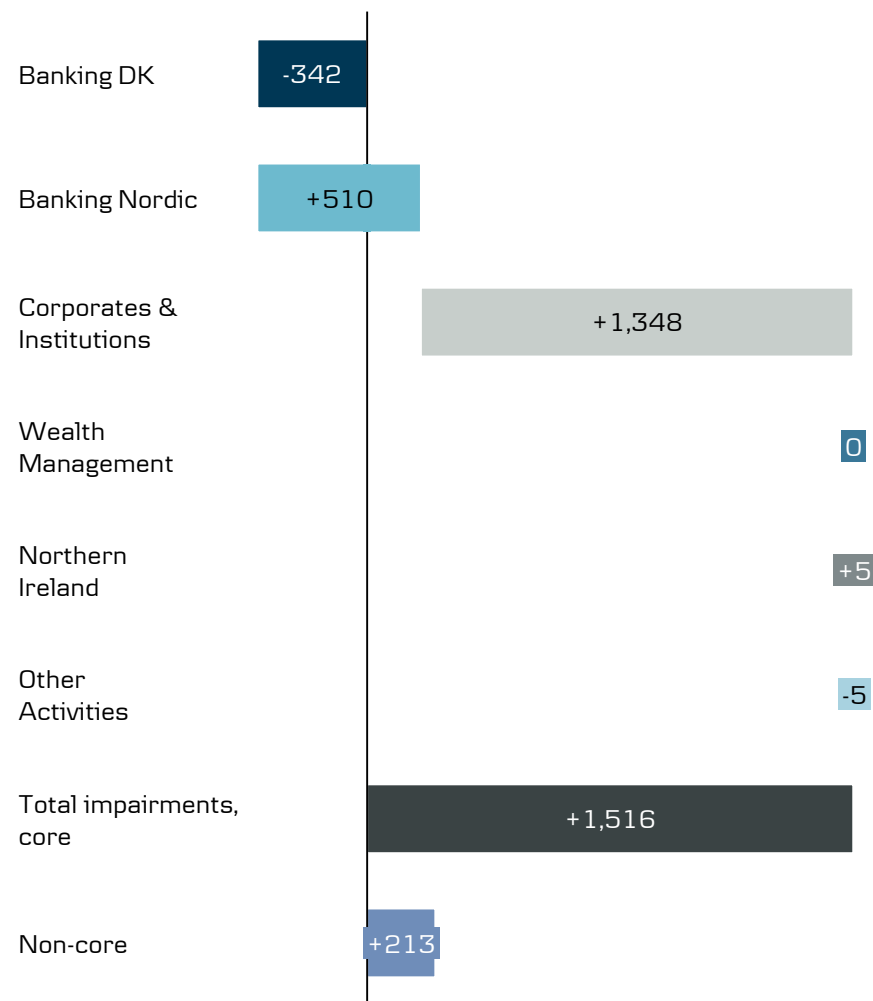
Q/Q

- Charge of DKK 703 m; core loan loss ratio of 15 bp
 - Portfolio review led to charges of DKK 450 m

Impairment charges, core (DKK m and bp)



Impairment charges by business unit, 2019 (DKK m)

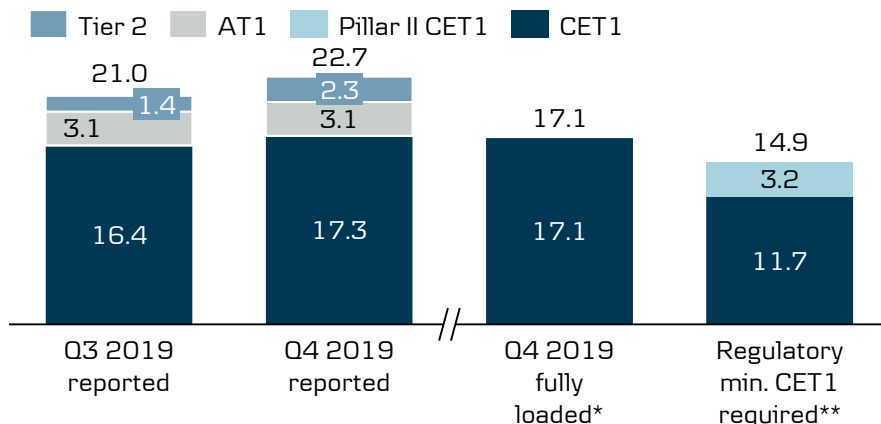


Capital: Strong capital base; CET1 capital ratio of 17.3%

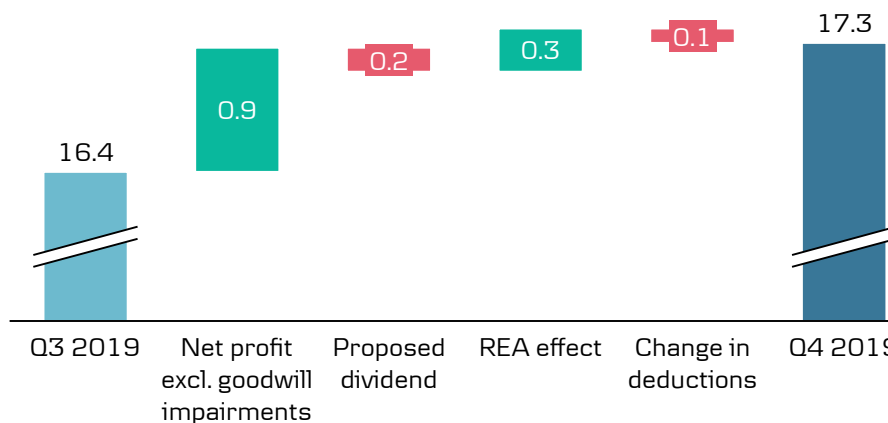
Capital highlights, Q4 2019

- CET1 ratio increased by 0.9%-points, driven mainly by net profit including extraordinary items
- REA down DKK 15 bn, driven mainly by reduction in counterparty risk
- CET1 ratio negatively impacted by 0.1%-points due to higher deduction for Danica Pension following increased solvency capital requirement
- CET1 ratio target of above 16% in the short term
- Issuance of EUR 750 m and SEK 1 bn of Tier 2 instruments in Q4
- Leverage ratio of 4.7% (transitional rules) and 4.6% (fully phased-in rules)

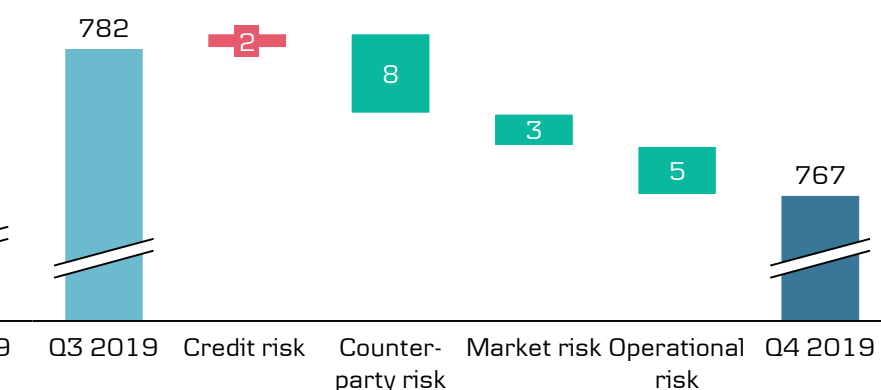
Capital ratios, under Basel III/CRR (%)



CET1 capital ratio, Q3 2019 to Q4 2019 (%)



Total REA, Q3 2019 to Q4 2019 (DKK bn)



* Based on fully phased-in requirement 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 1.7% and CET1 component of Pillar II requirement.

2020 outlook: We expect net profit in the range of DKK 8-10 bn, equivalent to an ROE of 5-6%

Net interest income

We expect net interest income to be lower than the level in 2019, as margin pressure and higher funding costs will more than offset continued volume growth

Net fee income

Net fee income is expected to be slightly lower than the level in 2019, due to lower remortgaging activity and subject to customer activity and market developments

Expenses

Expenses are expected to be in the range of DKK 28-29 bn, driven by acceleration of investments of up to DKK 2 billion and a continued increase in compliance costs

Impairments

Loan impairments are expected to be higher

Net profit

We expect net profit to be in the range of DKK 8-10 bn (equivalent to 5-6% ROE as communicated on 1 November 2019)

Financial target

We maintain our ambition for ROE of 9-10% in 2023

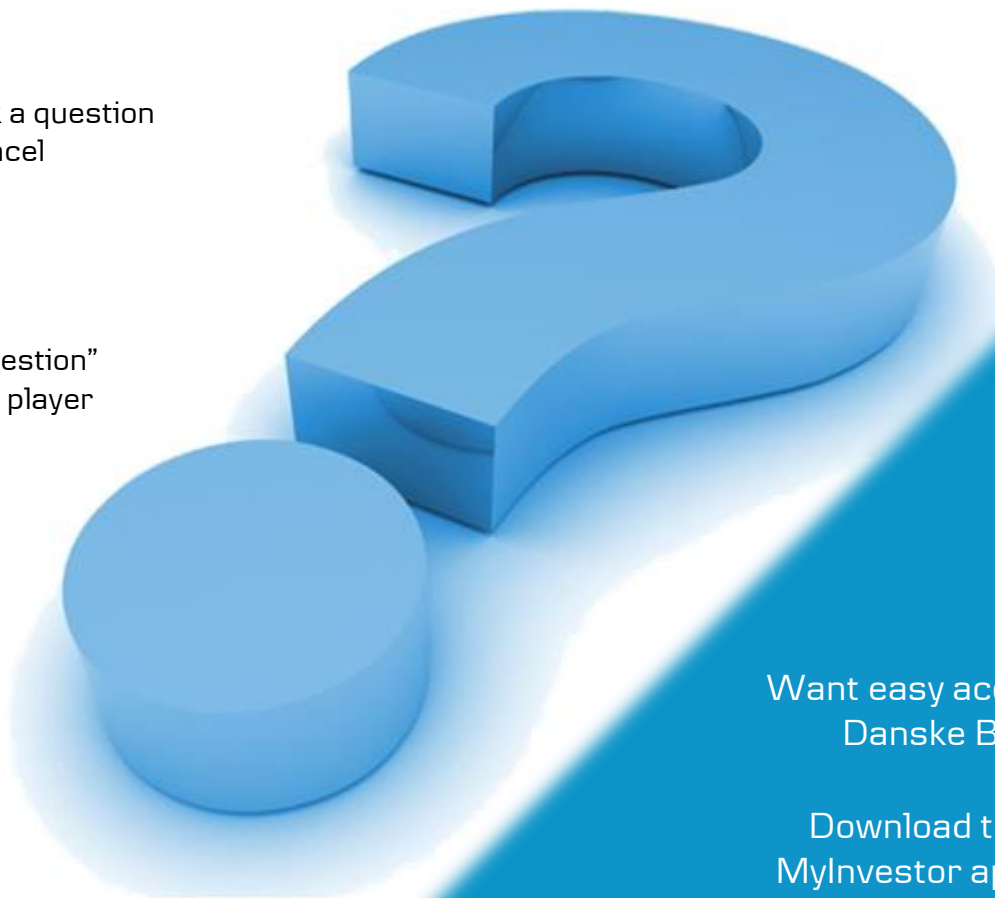
Q&A session



Press 01 to ask a question
Press 02 to cancel



Press "Ask a question"
in your webcast player



Want easy access to all relevant
Danske Bank material?

Download the Danske Bank
MyInvestor app on your iPhone,
iPad or Android device!



Appendix

01.	<i>Business units</i>	17
02.	<i>Credit quality</i>	24
03.	<i>Macro and portfolio reviews</i>	26
04.	<i>Funding, liquidity and ratings</i>	29
05.	<i>Tax and one-off items</i>	32
06.	<i>ROE bridge and assumptions</i>	34
07.	<i>Contact details</i>	36

Banking DK: Lending growth of 1% y/y; higher expenses and impairments

Income statement and key figures (DKK m)

	2019	2018	Index	Q4 2019	Q3 2019	Index
Net interest income	9,111	9,622	95	2,231	2,251	99
Net fee income	4,397	4,363	101	1,209	1,235	98
Net trading income	1,176	948	124	318	288	110
Other income	227	237	96	53	59	90
Total income	14,912	15,170	98	3,812	3,834	99
Expenses	8,736	7,831	112	2,523	2,070	122
Profit before loan impairment charges	6,176	7,339	84	1,289	1,764	73
Loan impairment charges	-342	-798	-	-261	-109	-
Profit before tax	6,518	8,137	80	1,549	1,873	83
Lending (DKK bn)	944	938	101	944	949	99
Deposits and RD funding* (DKK bn)	1,162	1,124	103	1,162	1,157	100
Deposits (DKK bn)	358	330	108	358	348	103

Key points

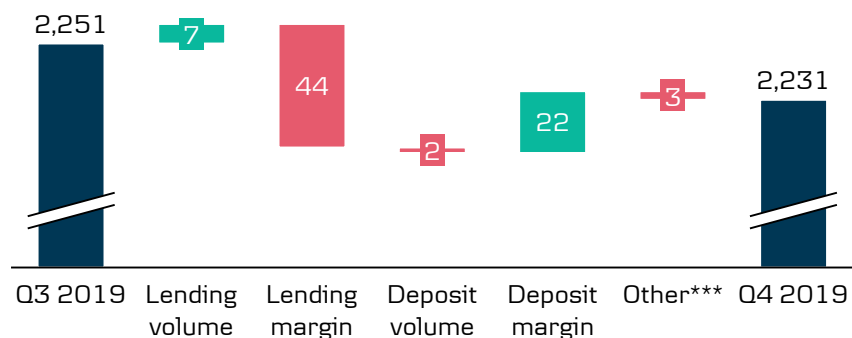
y/y

- Total income down 2%
- Expenses up 12% owing mainly to investments in AML activities
- Lower impairment reversals due to model adjustment and changed macro outlook
- Lending up 1%, deposits up 8%

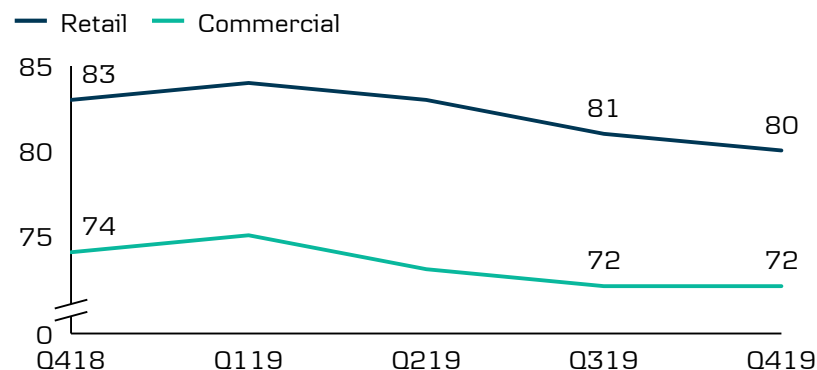
Q/Q

- NII down 1% due to margin pressure
- Expenses up 22% due to compliance
- Lending down due to fair value adjustments, nominal lending flat

Banking DK NII bridge** (DKK m)



Realkredit Danmark lending spread (bp)



Banking Nordic: Headwind from lower margins, higher expenses and impairments despite lending growth of 5% y/y

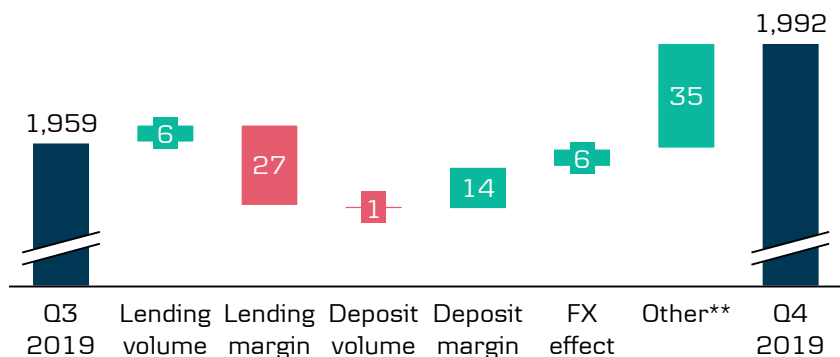
Income statement and key figures (DKK m)

	2019	2018	Index	Q4 2019	Q3 2019	Index
Net interest income	7,839	8,183	96	1,992	1,959	102
Net fee income	1,857	1,875	99	479	470	102
Net trading income	280	323	87	72	61	118
Other income	592	649	91	136	133	102
Total income	10,567	11,029	96	2,678	2,623	102
Expenses	6,269	5,324	118	1,757	1,480	119
Profit before loan impairment charges	4,298	5,706	75	921	1,143	81
Loan impairment charges	510	-161	-	511	86	-
Profit before tax	3,788	5,867	65	410	1,058	39
Lending (DKK bn)	635	605	105	635	626	101
Deposits (DKK bn)	271	246	110	271	258	105

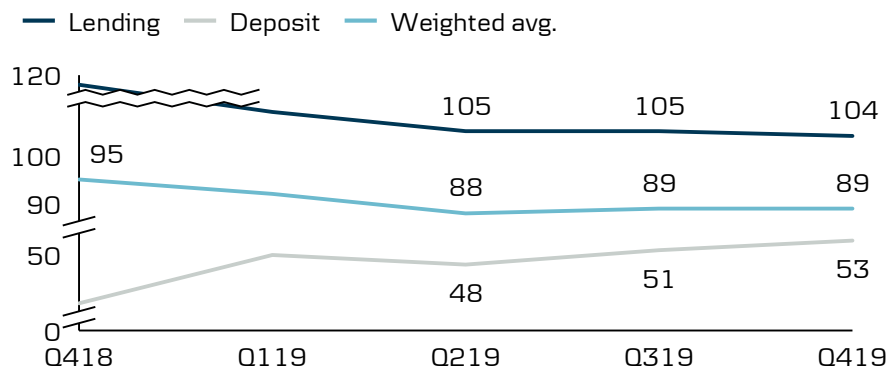
Key points

- Y/Y**
- NII down 4% as higher interest rates and funding costs put pressure on margins
 - Expenses up 18% due mainly to investments in compliance and AML
 - Lending up 5% with growth in Norway and Commercial Finland
- Q/Q**
- NII up 2% as repricing more than offset pressure from higher rates
 - Expenses up 19% due to seasonality and a one-off portfolio adjustment
 - Lending up 1%

Banking Nordic NII bridge* (DKK m)



Banking Nordic margins (bp)



* Based on average volumes. ** Includes capital costs, day effect and off-balance-sheet items.

Lending growth: Growth of 1% y/y at Banking DK and 5% at Banking Nordic

Comments

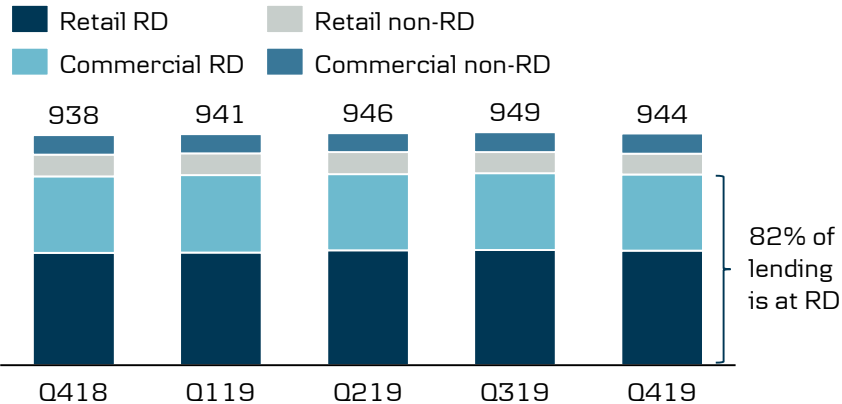
Banking DK

- 82% of lending at Banking DK is at mortgage credit subsidiary Realkredit Danmark (RD)
- Growth of 1% y/y at Banking DK
- Lending down 1% q/q due to fair value adjustments; flat development in nominal lending

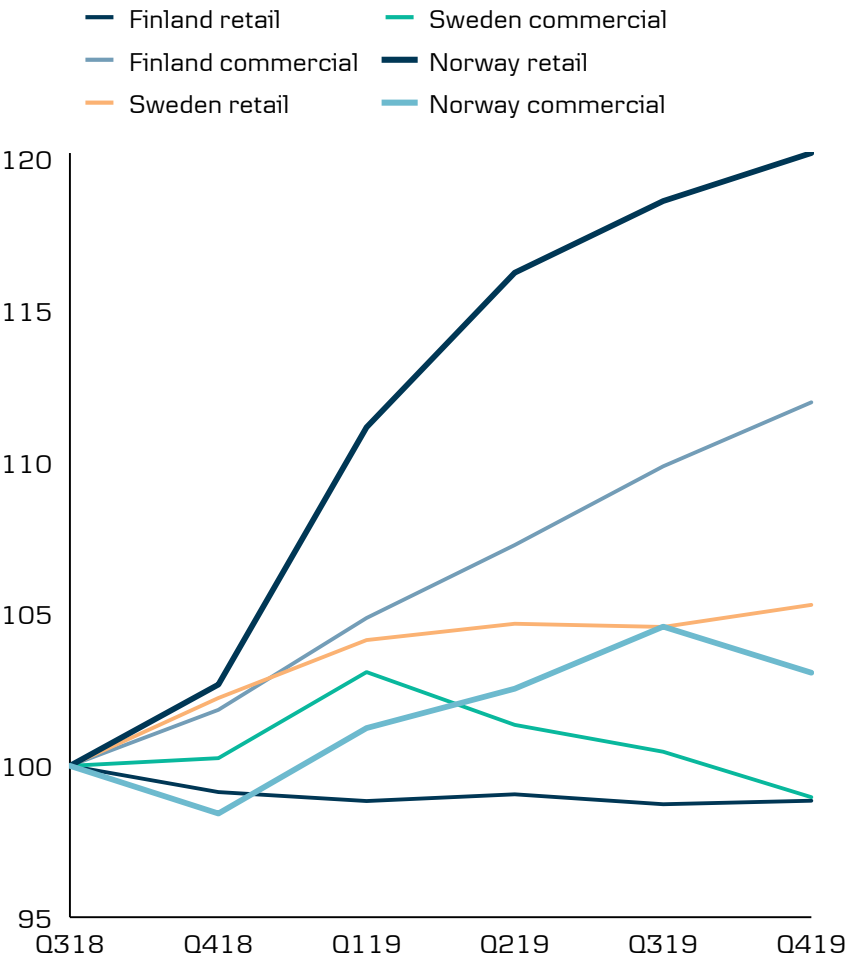
Banking Nordic

- Growth of 5% y/y on reported basis and in local currency
- Retail Norway saw lending growth of 18% y/y following inflow from TEKNA (union for engineers)
- Commercial Finland grew 2% q/q while Retail Finland was stable

Lending volume by segment at Banking DK (DKK bn)



Banking Nordic: lending volume by segment and country*



* Based on local currency lending volumes.

Corporates & Institutions: Challenging market conditions, goodwill impairment and higher impairment charges

Income statement and key figures (DKK m)

	2019	2018	Index	Q4 2019	Q3 2019	Index
Net interest income	3,656	3,928	93	985	885	111
Net fee income	2,909	2,914	100	836	673	124
Net trading income	2,114	2,440	87	586	182	-
Other income	8	7	114	7	-	-
Total income	8,688	9,289	94	2,413	1,739	139
Expenses	4,834	4,689	103	1,318	1,128	117
Goodwill impairment charges	803	-	-	803	-	-
Profit before loan impairment charges	3,051	4,600	66	292	612	48
Loan impairment charges	1,348	278	-	459	369	124
Profit before tax	1,703	4,322	39	-167	243	-
Profit before tax and goodwill	2,506	4,322	58	637	243	262
Lending (DKK bn)	209	198	105	209	210	99
Deposits (DKK bn)	271	261	104	271	262	103

Key points

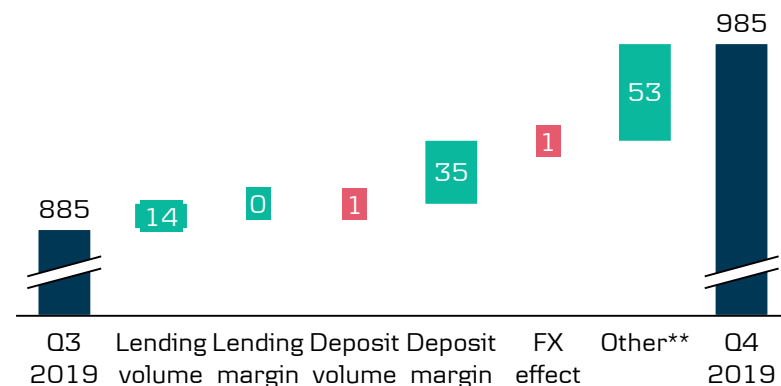
Y/Y

- NII down 2% adjusted for portfolio transfers
- Expenses up 3%, driven by compliance
- Trading income affected by xVA

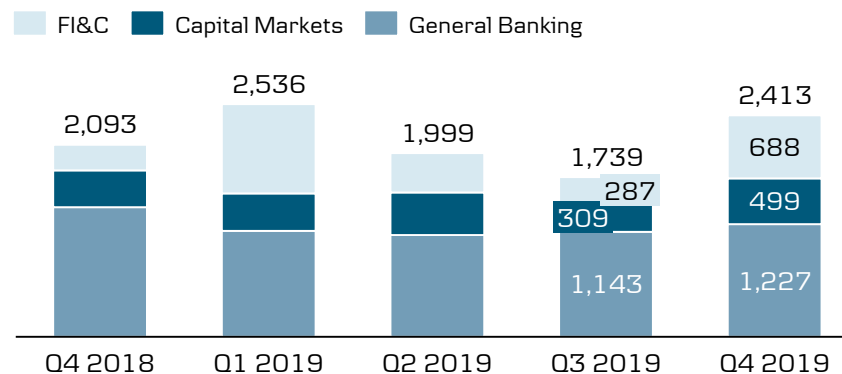
Q/Q

- Trading income improved from a weak Q3, driven by Danish fixed income
- Expenses up 17%, driven primarily by compliance costs
- Impairments driven by portfolio review, affecting mainly shipping, oil & gas

C&I NII bridge* (DKK m)



C&I income breakdown (DKK m)



* Based on average volumes. ** Includes capital costs, day effect and off-balance-sheet items.

Wealth Management: Profit before tax up 39% due mainly to gain on the sale of Danica Pension Sweden; AuM up 5% y/y

Income statement and key figures (DKK m)

	2019	2018	Index	Q4 2019	Q3 2019	Index
Net interest income	-248	-167	-	-75	-69	-
Net fee income	6,596	6,119	108	1,658	1,694	98
Net trading income	-117	-50	-	111	110	101
Other income	1,167	-197	-	-6	-120	-
Total income	7,398	5,705	130	1,688	1,615	105
Expenses	3,589	3,545	101	879	784	112
Goodwill impairment charges	800	-	-	800	-	-
Profit before tax	3,009	2,161	139	9	831	1
Profit before tax and goodwill	3,809	2,161	176	809	831	97
AuM (DKK bn)	1,651	1,575	105	1,651	1,610	103

Key points

y/y

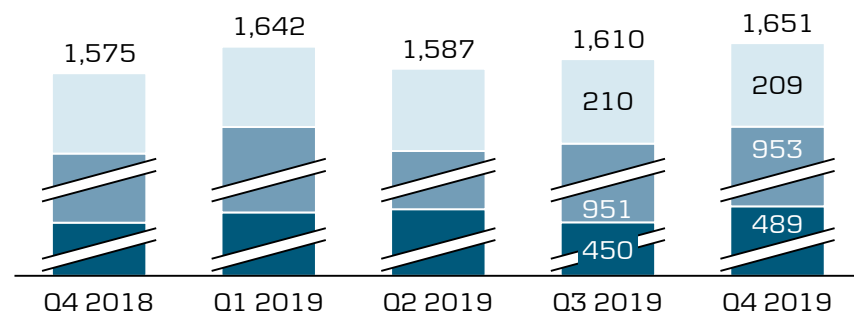
- Fee income up 8%, driven by inclusion of SEB Pension Danmark
- Expenses up 1% due mainly to the acquisition of SEB Pension Danmark
- AuM up 5%. Danica Pension Sweden (DKK 64 bn in AuM) was sold in Q2

Q/Q

- Fees down 2% owing to higher fees from Tidspension in Q3; performance fees of DKK 358 m in Q4
- Expenses up 12% due mainly to consultancy costs

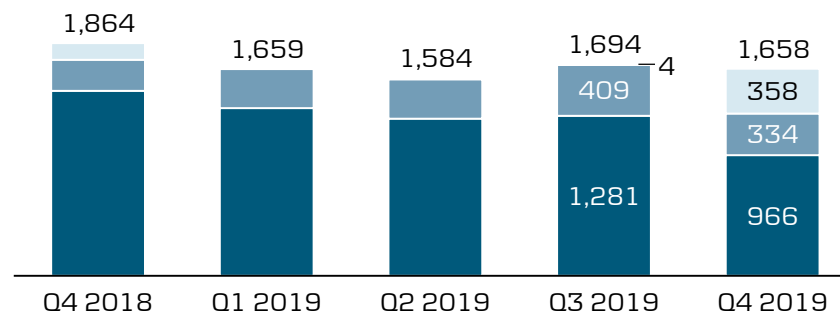
AuM breakdown (DKK bn)

Life conventional Asset management Assets under advice*



Breakdown of net fee income (DKK m)

Performance fees Risk allowance fees Management fees



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

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

Income statement and key figures (DKK m)

	2019	2018	Index	Q4 2019	Q3 2019	Index
Net interest income	1,524	1,491	102	391	368	106
Net fee income	363	392	93	89	86	103
Net trading income	110	82	134	-3	43	-
Other income	14	12	117	3	4	75
Total income	2,011	1,978	102	480	500	96
Expenses	1,216	1,207	101	344	277	124
Profit before loan impairment charges	794	770	103	136	222	61
Loan impairment charges	5	26	19	-5	-4	-
Profit before tax	789	744	106	141	226	62
Lending (DKK bn)	54	50	109	54	53	103
Deposits (DKK bn)	71	63	113	71	67	106

Key points

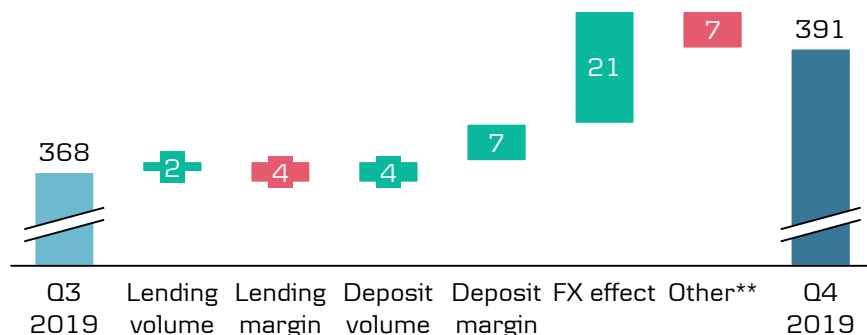
y/y

- Lending and NII up despite continued Brexit uncertainty
- Expenses up 1% as continued cost focus was offset by investments in improved customer solutions

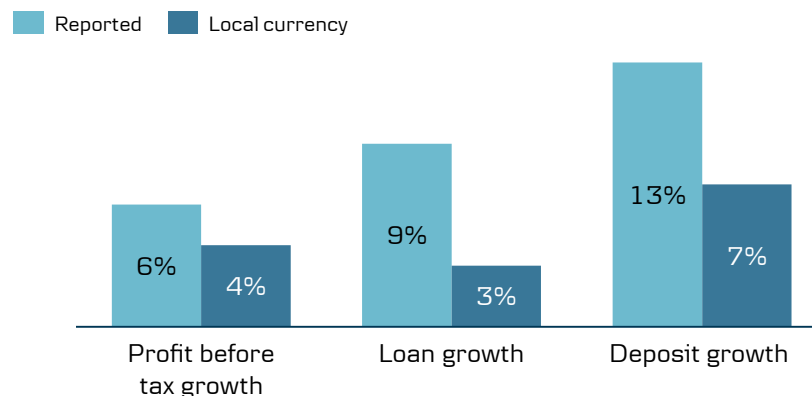
Q/Q

- Expenses up due to strengthening GBP

Northern Ireland NII bridge* (DKK m)



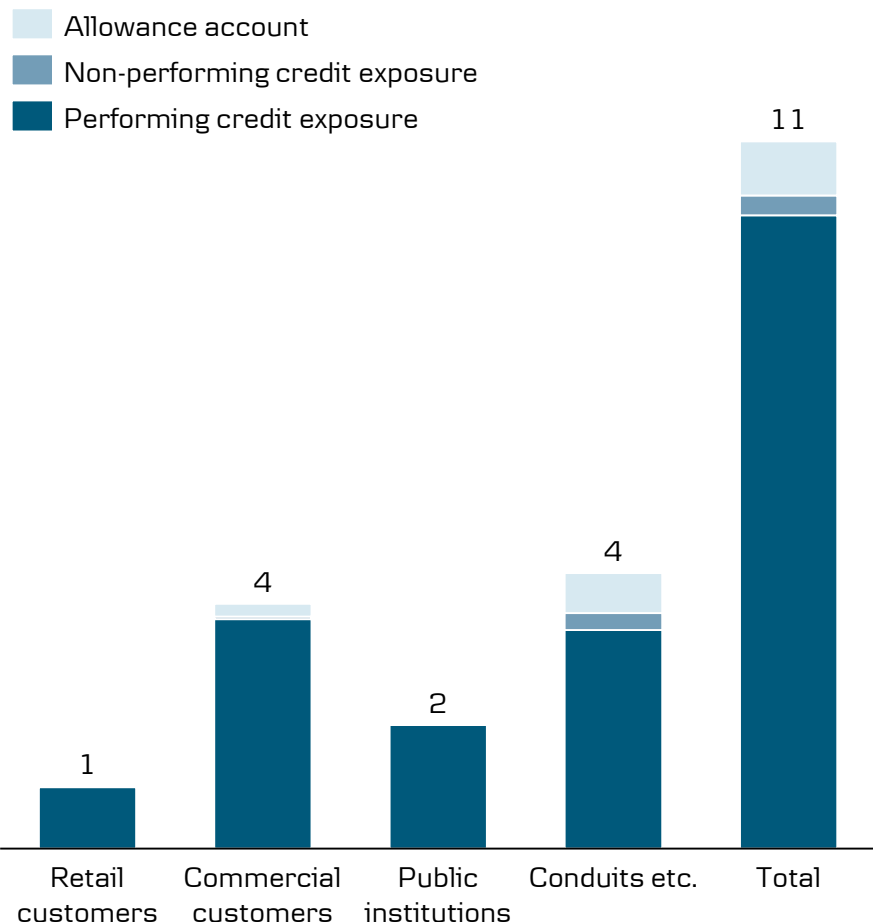
FX-adjusted developments y/y



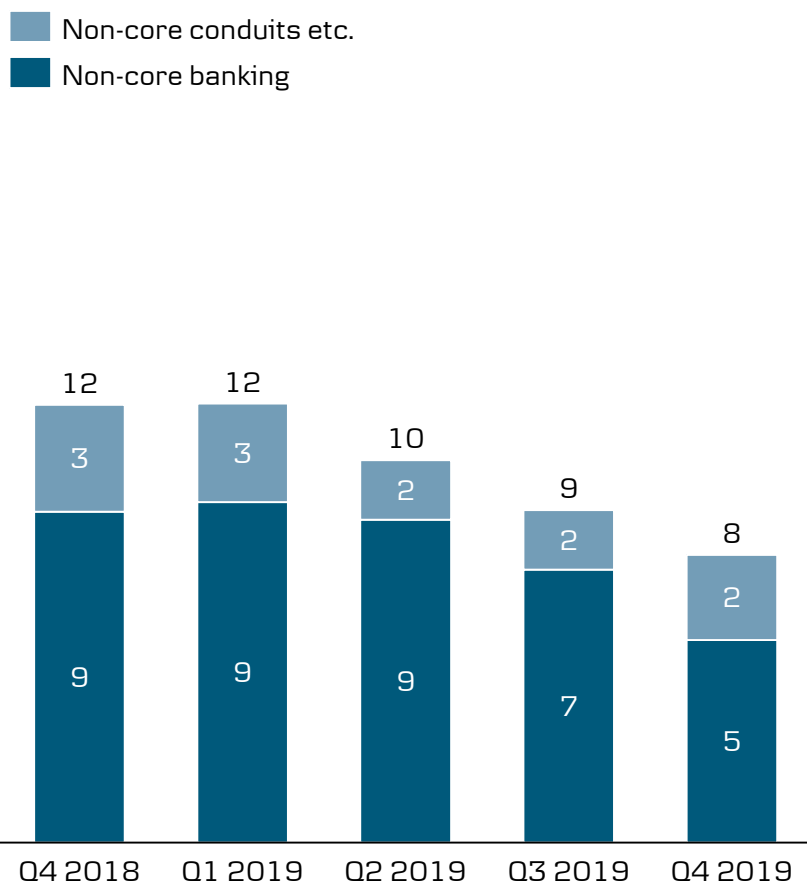
* Based on average volumes. ** Includes capital costs, day effect and off-balance-sheet items.

Non-core: Estonia and Russia now exited; sale of Lithuanian and Latvian portfolios expected to finalise in the first half of 2020

Non-core loan portfolio, Q4 2019 (DKK bn)



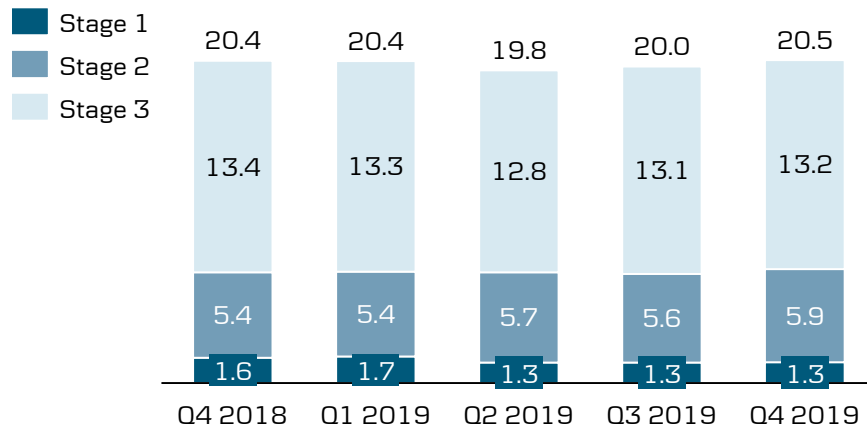
Non-core REA* (DKK bn)



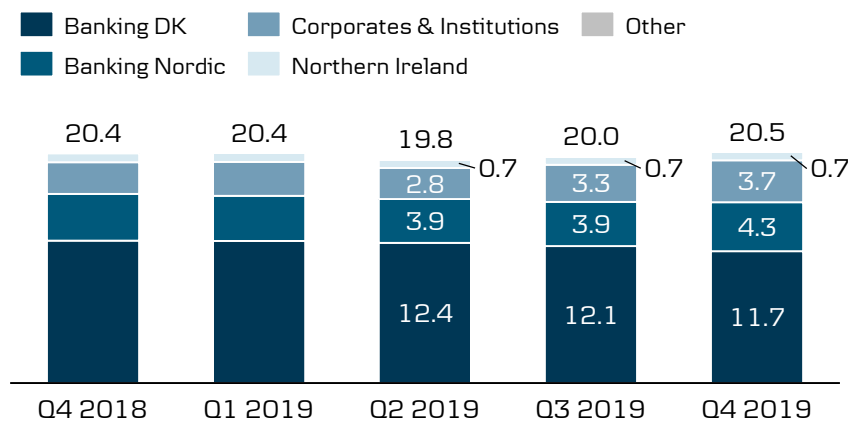
* At 1 February 2019, the Russian exposure and the remaining part of the Baltic exposure were transferred to Non-core.

Credit quality: NPLs increased 16% y/y driven by single names at Corporates & Institutions

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



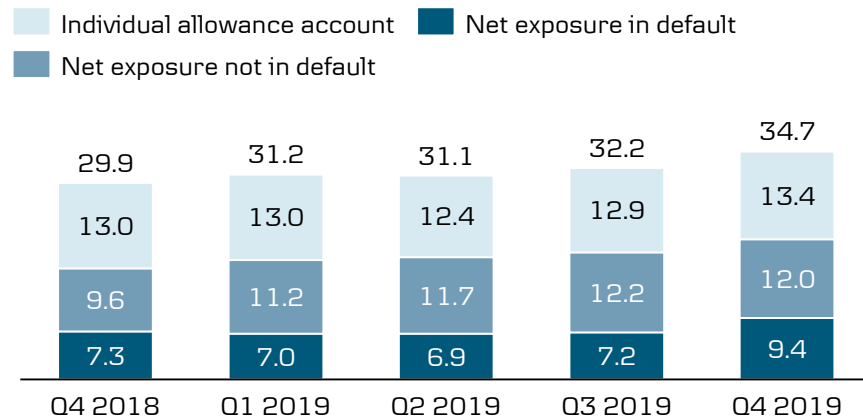
Core allowance account by business unit (DKK bn)



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

End-Q4 2019	Allowance account	Gross credit exposure	Allowance as % of exposure
Retail customers	2.1	964.9	0.22%
Agriculture	1.1	74.0	1.49%
Commercial property	0.7	317.8	0.21%
Shipping, oil & gas	0.2	60.1	0.36%
Services	0.2	59.9	0.26%
Other	1.6	987.6	0.16%
Total	5.9	2,464.3	0.24%

Gross non-performing loans* (DKK bn)



* 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 continued their upturn and rose 12% q/q and reached DKK 13.3 per kg at the end of Q4, while milk prices remained stable. We have reduced management overlays due to the improved outlook
- We reversed impairments of DKK 139 m. Total accumulated impairments amounted to DKK 2.9 bn, of which DKK 1.2 bn in stages 1 and 2
- Realkredit Danmark represented 53% of total gross exposure and 23% of expected credit losses
 - LTV limit at origination of 60% at Realkredit Danmark

Agriculture by segment, Q4 2019 (DKK millions)

	Gross credit exposure	Portion from RD	Expected credit loss	Net credit exposure	NPL coverage ratio
Banking DK	51,048	41,090	2,661	48,387	90%
Growing of crops, cereals, etc.	21,012	17,632	590	20,422	92%
Dairy	9,048	7,042	926	8,122	83%
Pig breeding	11,288	9,160	892	10,396	97%
Mixed operations etc.	9,700	7,256	252	9,448	90%
Banking Nordic	13,284		130	13,155	108%
Northern Ireland	4,682	-	81	4,601	43%
C&I	5,024	1,895	43	4,981	-
Others	4	-	0	4	-
Total	74,043	42,986	2,915	71,127	89%

Oil-related exposure [0.9% of Group exposure]

- Net exposure increase to DKK 22.2 bn from DKK 18.8 bn* in Q3 2019 driven by a reclassification of exposures which resulted in a DKK 5.0 bn increase in net exposure and a DKK 0.5 bn increase in ECL against highly collateralised customers in the offshore segment; collateral increased DKK 4.8 bn
- Oil-related customers accounted for a significant share of the impairment expense of DKK 0.5 bn at Corporates & Institutions in Q4. This was largely driven by two customers in the offshore rigs segment
- Most of the oil-related exposure is managed by specialist teams for customer relationship and credit management at Corporates & Institutions
- Accumulated impairments increased to DKK 2.2 bn, of which DKK 0.1 bn in stages 1 and 2

Oil-related exposure, Q4 2019 (DKK millions)

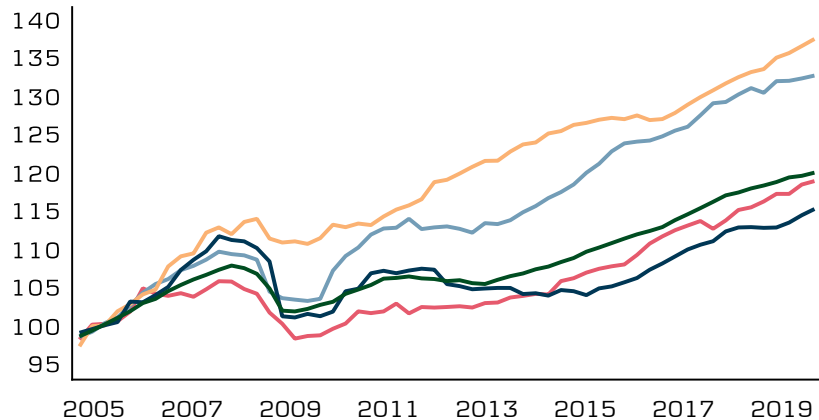
	Gross credit exposure	Expected credit loss	Net credit exposure
C&I	23,472	2,041	21,431
Oil majors	7,108	8	7,100
Oil service	4,946	193	4,753
Offshore	11,418	1,840	9,577
Banking DK and Banking Nordic	959	151	808
Oil majors	1	0	1
Oil service	946	151	796
Offshore	12	0	12
Others	3	0	3
Total	24,433	2,191	22,242

* The credit exposure is reported as part of the Shipping, Oil & Gas industry in our Financial Report.

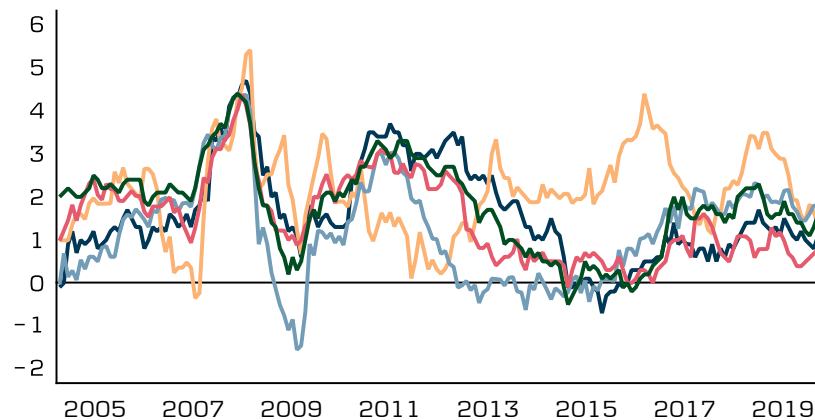
Nordic macroeconomics

— Denmark — Sweden — Norway — Finland — EU

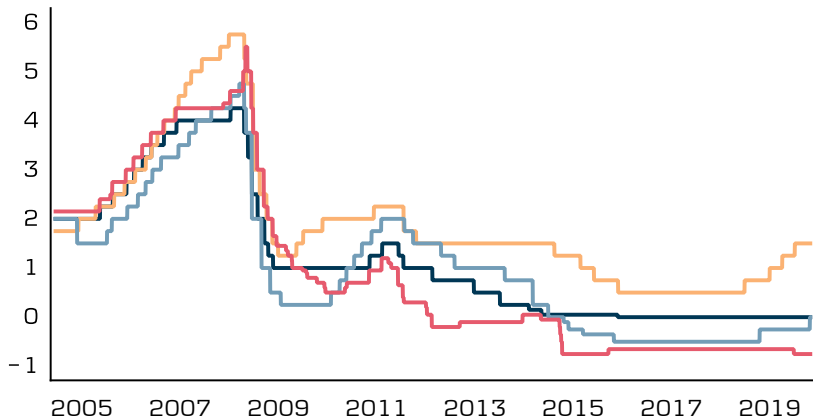
Real GDP, constant prices (index 2005 = 100)



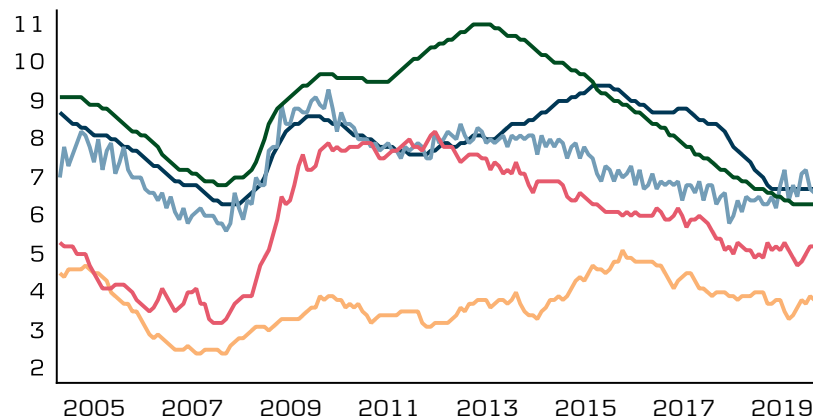
Inflation [%]



Interest rates, leading [%]



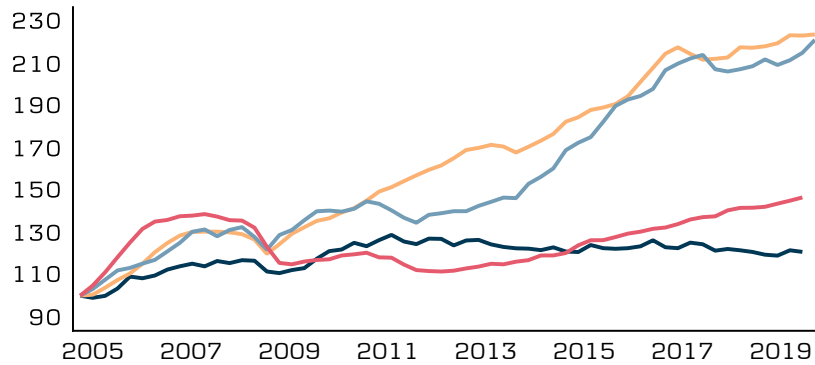
Unemployment [%]



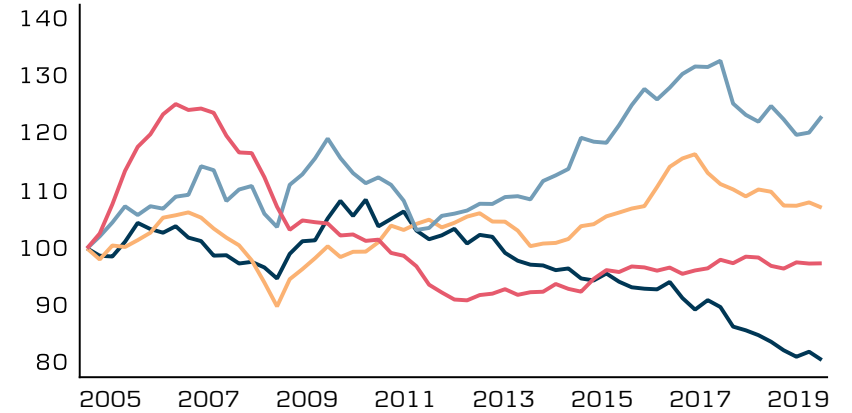
Nordic housing markets

Denmark Sweden Norway Finland

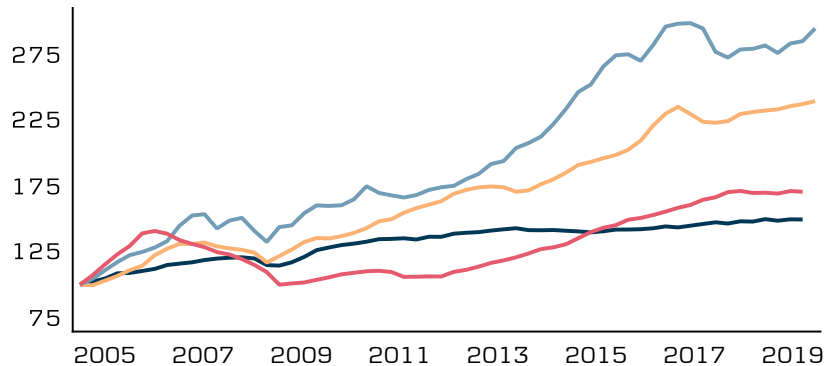
Property prices (index 2005 = 100)



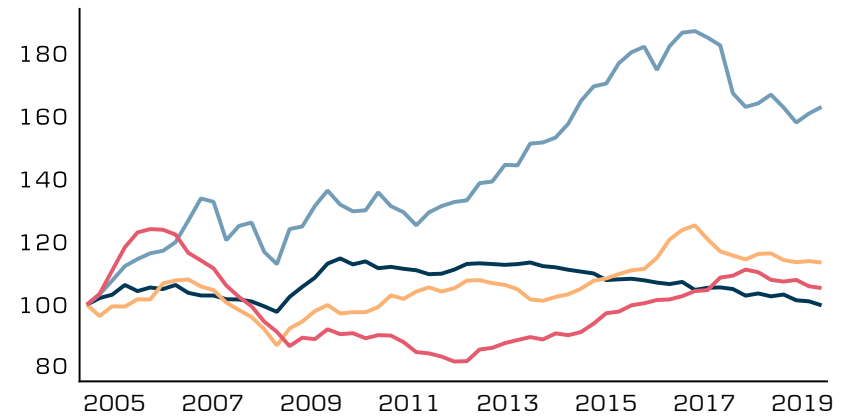
House prices/nom. GDP (index 2005 = 100)



Apartment prices (index 2005 = 100)



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



Realkredit Danmark: Portfolio overview

78% of new retail lending in Q4 was fixed-rate vs 43% of stock

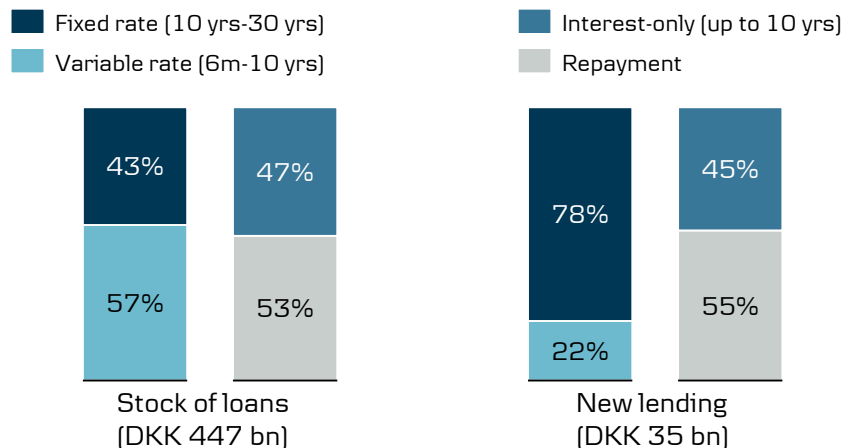
Portfolio facts, Realkredit Danmark, Q4 2019

- Approx. 351,000 loans (residential and commercial)
- 1,314 loans in 3- and 6-month arrears (+2% since Q3)
- 16 repossessed properties (lowest in recent times)
- DKK 9 bn in loans with LTV ratio > 100%, including DKK 6 bn covered by a public guarantee
- Average LTV ratio of 60%
- We comply with all five requirements of the supervisory diamond for Danish mortgage credit institutions

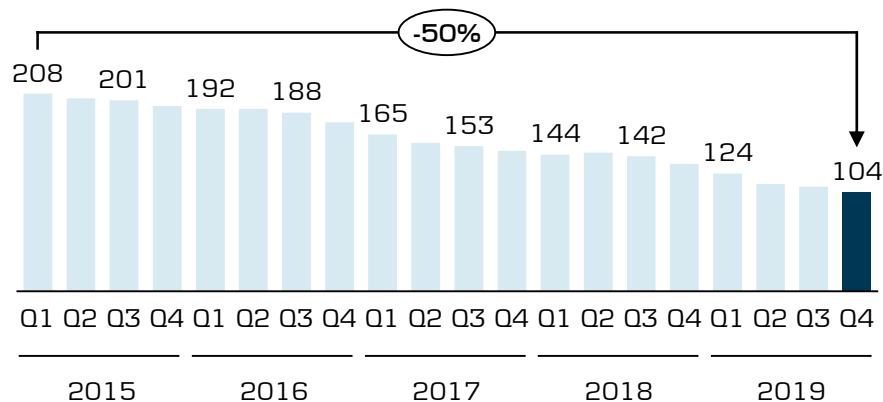
LTV ratio limit at origination (legal requirement)

- Residential: 80%
- Commercial: 60%

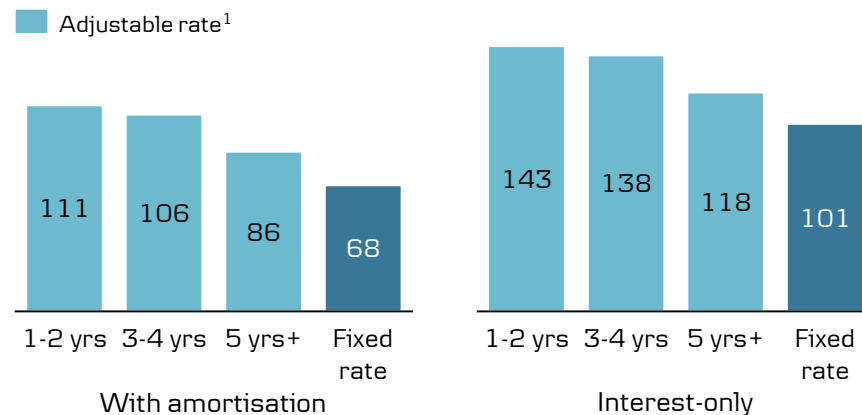
Retail loans, Realkredit Danmark, Q4 2019 (%)



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



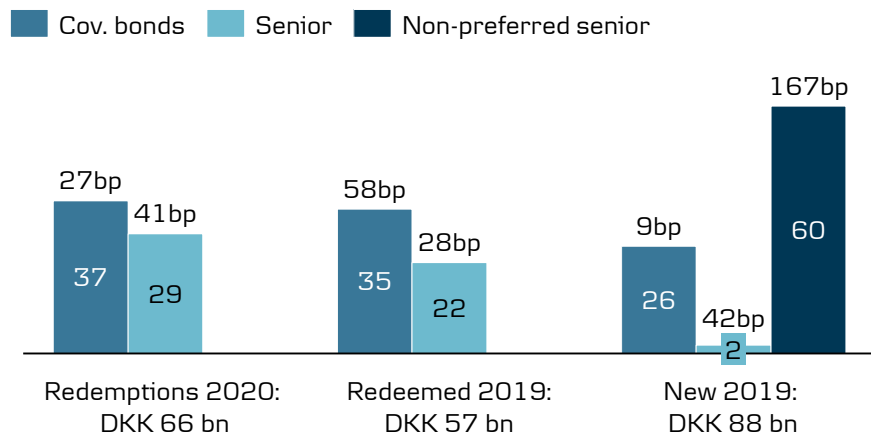
Retail mortgage margins, LTV of 80%, owner-occupied (bp)



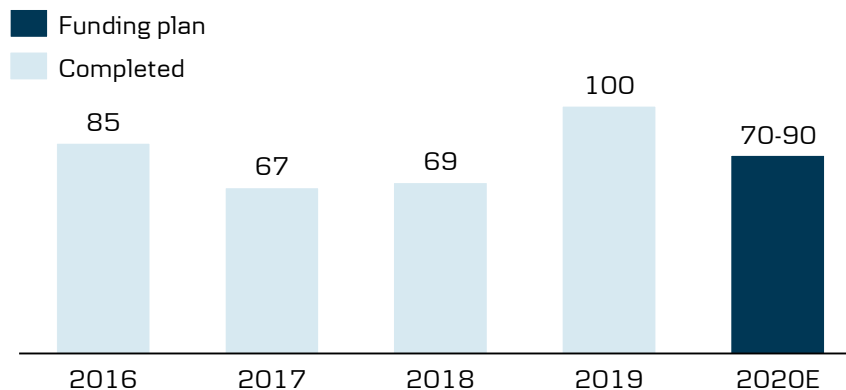
¹ In addition, we charge 30 bp of the bond price for refinancing of 1- and 2-year floaters and 20 bp for floaters of 3 or more years (booked as net trading income).

Funding and liquidity: DKK 100 bn of long-term funding and capital instruments issued in 2019; LCR compliant at 140%

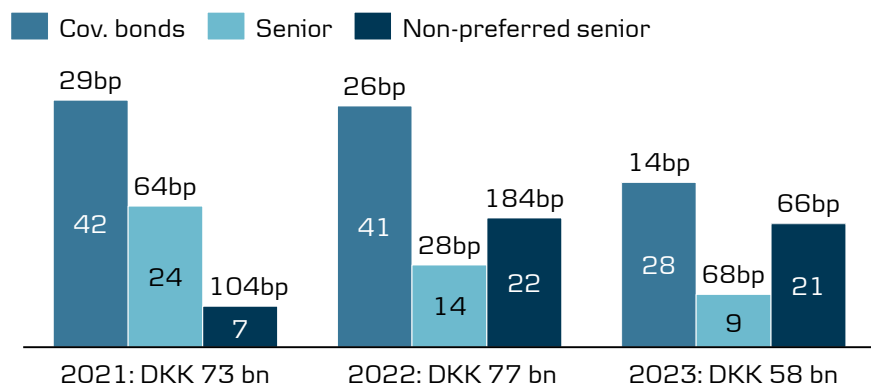
Changes in funding,* 2019-2020 (DKK bn and bp)



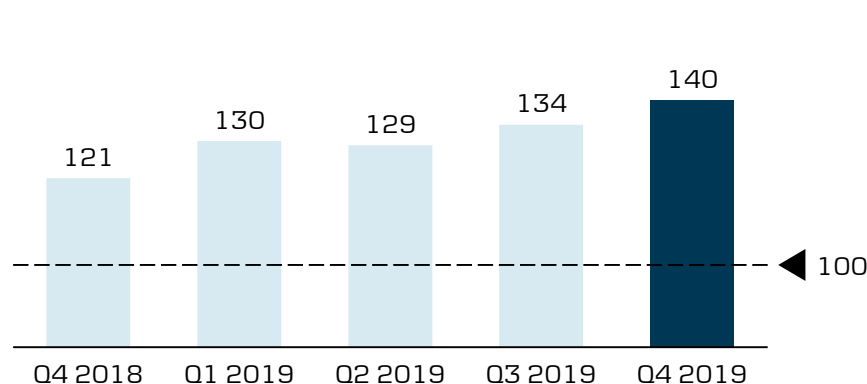
Long-term funding excl. RD (DKK bn)**



Maturing funding,* 2021-2023 (DKK bn and bp)



Liquidity coverage ratio (%)

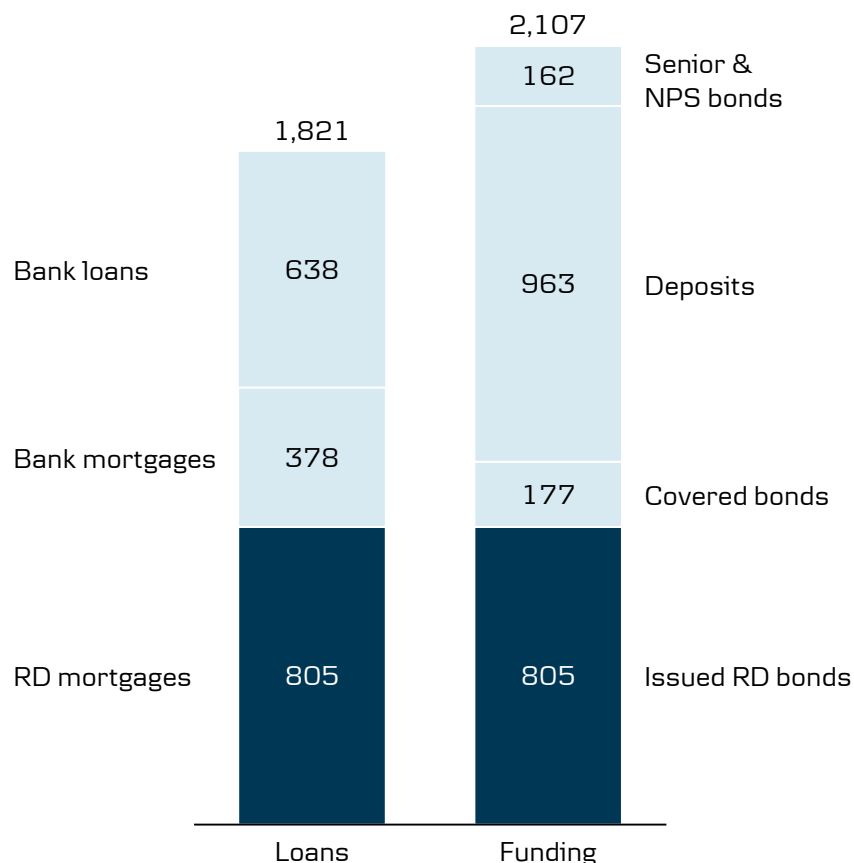


* Spread over 3M EURIBOR.

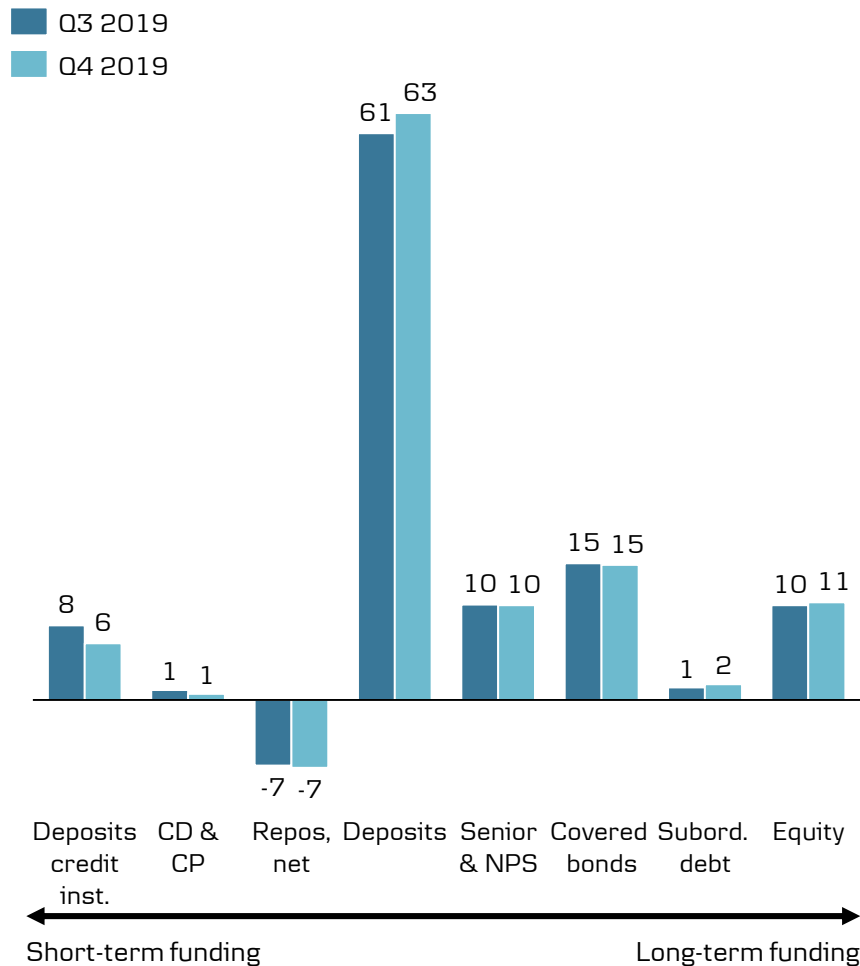
** Includes covered bonds excl. RD, senior, non-preferred senior and capital instruments.

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

Loan portfolio and long-term funding, Q4 2019 (DKK bn)



Funding sources (%)



Three distinct methods for rating banks

Danske Bank's rating

Rating methodology

S&P Global Ratings

Anchor SACP ¹	+	1	+	2	+	3	+	4	=	SACP	=	Extra-ordinary support	+	ALAC	+	Additional factors	=	Issuer rating
bbb+		+1		+1		-1		0		a-		0		+2		-1		A (Stable)

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

MOODY'S

Macro profile	+	1	+	2	+	3	+	4	+	5	+	Qualitative factors	=	BCA ²	+	Affiliate support	+	LGF ³	+	Gov. support	=	Issuer rating
Strong Plus		baa1		a1		b1		ba1		baa2		0		baa2		0		+1		+1		A3 (Stable)

1=Asset Risk, 2=Capital, 3=Profitability, 4=Funding Structure, 5=Liquid resources

FitchRatings

Operating environment	+	1	+	2	+	3	+	4	+	5	+	6	+	7	=	Viability Rating	Support Rating Floor	=	Issuer rating ⁴
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

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

Tax

Actual and adjusted tax rates (DKK millions)

	2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Profit before tax	13,822	1,261	3,793	4,757	4,012
Permanent non-taxable difference	-856	1,089	-255	-1,853	164
Adjusted pre-tax profit, Group	12,966	2,349	3,538	2,904	4,176
Tax according to P&L	-1,249	-3,780	782	725	1,024
One-offs:					
Taxable income from leaving IJT-scheme	-576	-576			
Release of provision for recapture of tax losses under IJT	5,806	5,806			
Provision for deferred tax adjustments on assets and liabilities measured at amortised cost	-1,096	-1,096			
Taxes from previous years	96	232	6	-65	-77
Adjusted tax	2,980	585	787	661	947
Tax P&L excl. one-offs	2,884	353			
Adjusted tax rate	23.0%	24.9%	22.3%	22.7%	22.7%
Actual-/Effective tax rate	-9.0%	-299.9%	20.6%	15.2%	25.5%
Actual/-effective tax rate exclusive one-offs & prior year regulations	21.6%	46.4%			

Tax drivers, Q4 2019

- The actual tax rate of 21.6% (excl. one-offs and prior-year regulations) is lower 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 sales of Danica Pension Sweden and LR Realkredit A/S more than outweighing the non-deductible goodwill impairment charges
- The adjusted tax rate of 23.0% is higher than the Danish tax rate of 22% due to income in countries with a higher tax rate - primarily Norway

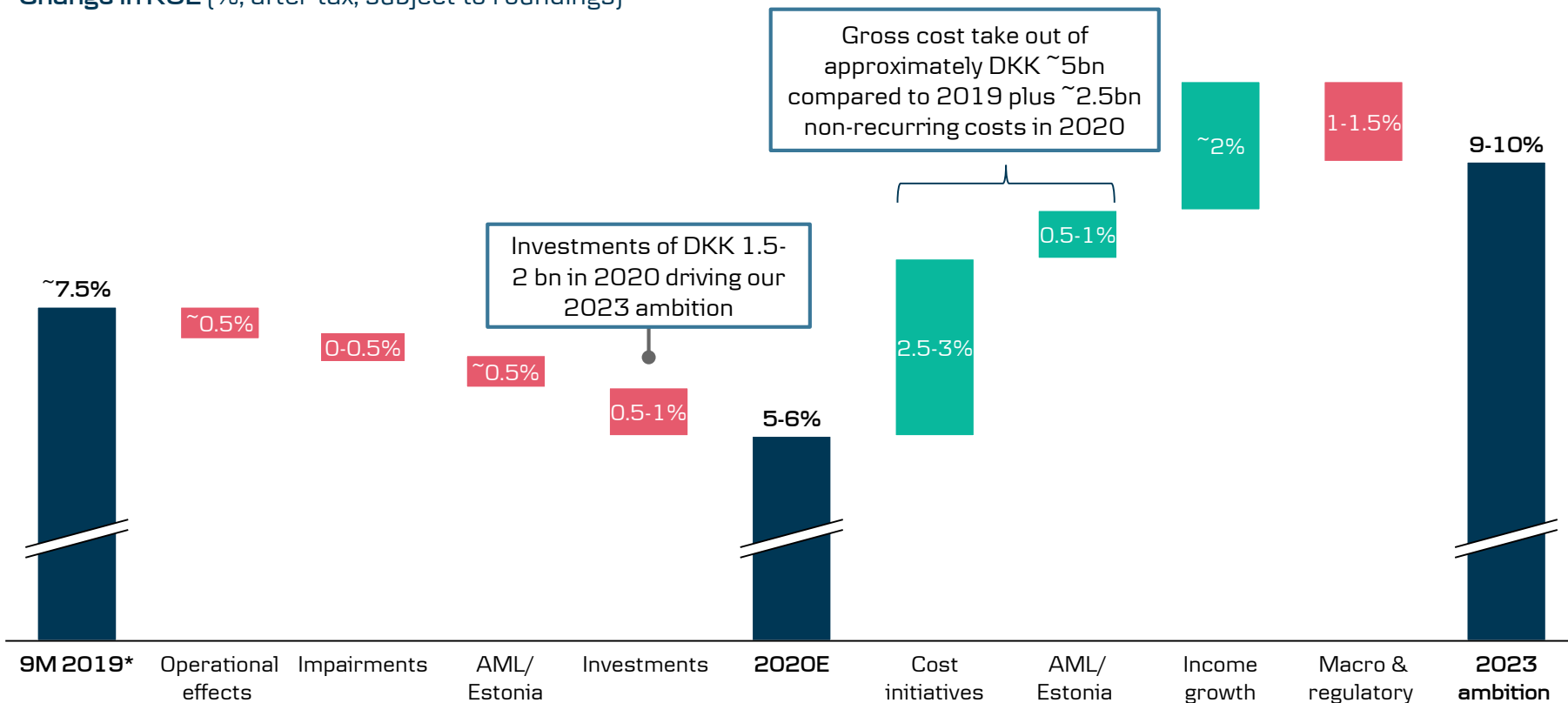
Significant net positive extraordinary items in 2019

One-off items in 2019 (DKK millions)

Q	Item	Impact (DKKm)	P&L line affected
Q1	Change in VA add-on to discount curve at Danica	-140	Net trading income
	Non-core value adjustment	-300	Profit before tax, Non-core
Q2	Sale of Danica Pension Sweden	1,300	Other income
	Flexinvest Fri compensation (fees)	-180	Net fee income
	Flexinvest Fri compensation (costs)	-220	Operating expenses
	Non-core VAT adjustment	200	Profit before tax, Non-core
Q4	Sale of LR Realkredit A/S	767	Net trading income
	Goodwill impairment charges, Corporates & Institutions	-803	Goodwill impairment charges
	Goodwill impairment charges, Danica Pension	-800	Goodwill impairment charges
	Depreciation of intangible assets	-355	Operating expenses
	Operational risk-related losses	-419	Operating expenses
	Transformation costs	-279	Operating expenses
	Portfolio adjustments	-214	Operating expenses
	Extraordinary loan impairment charges	-450	Loan impairment charges
	Non-core value adjustment	-110	Profit before tax, Non-core
	Exit from International Joint Taxation scheme	5,230	Tax
Provision for deferred tax	-1,096	Tax	

ROE ambition of 9-10% in 2023** with unchanged rates and FX following significant investments expected to peak in 2020

Change in ROE (% , after tax, subject to roundings)



Dividend policy unchanged at 40-60%
 CET1 target above 16% in the short term

* Based on actual first 9M 2019E ROE adjusted for one-off items.

** For assumptions, please see appendix page 35

Underlying assumptions behind 19'-23' RoE development

Comments 9M 2019 to 2020

- Operational effects in 2020 include
 - Lending growth which is more than offset by overhang from funding issued in 2019 and new funding issued in 2020 at unchanged spreads
 - No improvement in financial market conditions
 - Increase in nominal equity
- Impairments in 2020 include a step towards normalisation
- AML costs expected to rise and peak in 2020, principally driven by FTE increase (see separate slide)
- Investments into IT and business capabilities and continued cost efficiencies to achieve 2023 ambition

Comments 2020 to 2023

- Cost initiatives to reduce current gross cost level, driven mainly by significant cost efficiency measures (see separate slide)
- Steady state AML-related costs of DKK 1.1-1.3 bn in 2023E, following significant investment programme expected to peak in 2020E (see separate slide)
- Income initiatives driven by both NII and non-NII (see separate slide): unchanged interest rates and FX rates assumed
 - Loan growth with unchanged dynamics in all markets
 - Increased AuM and improved cross-selling

Comments 2020 to 2023 (continued)

- Balance sheet optimisation Group-wide driven by Treasury
- Improved financial markets conditions
- Increased lending gives higher funding need at unchanged spread
- Macro and regulatory effects include:
 - Normalisation of impairment level to around 10 basis points in 2023 and wind-down of Non-core business
 - Cost increase due to wages etc. of 2.5% annually
 - Capital and funding impact driven mainly by regulatory effects (MREL, Basel IV) and higher equity in 2023
 - Continued refinancing into MREL-eligible instruments at unchanged spread
 - Capital impact driven mainly by higher nominal equity in 2023 due to regulatory effects (incl. Basel IV)
 - Dividend policy unchanged at 40-60%
 - CET1 target above 16% in the short term
 - We assume higher REA driven by growth and new regulatory requirements

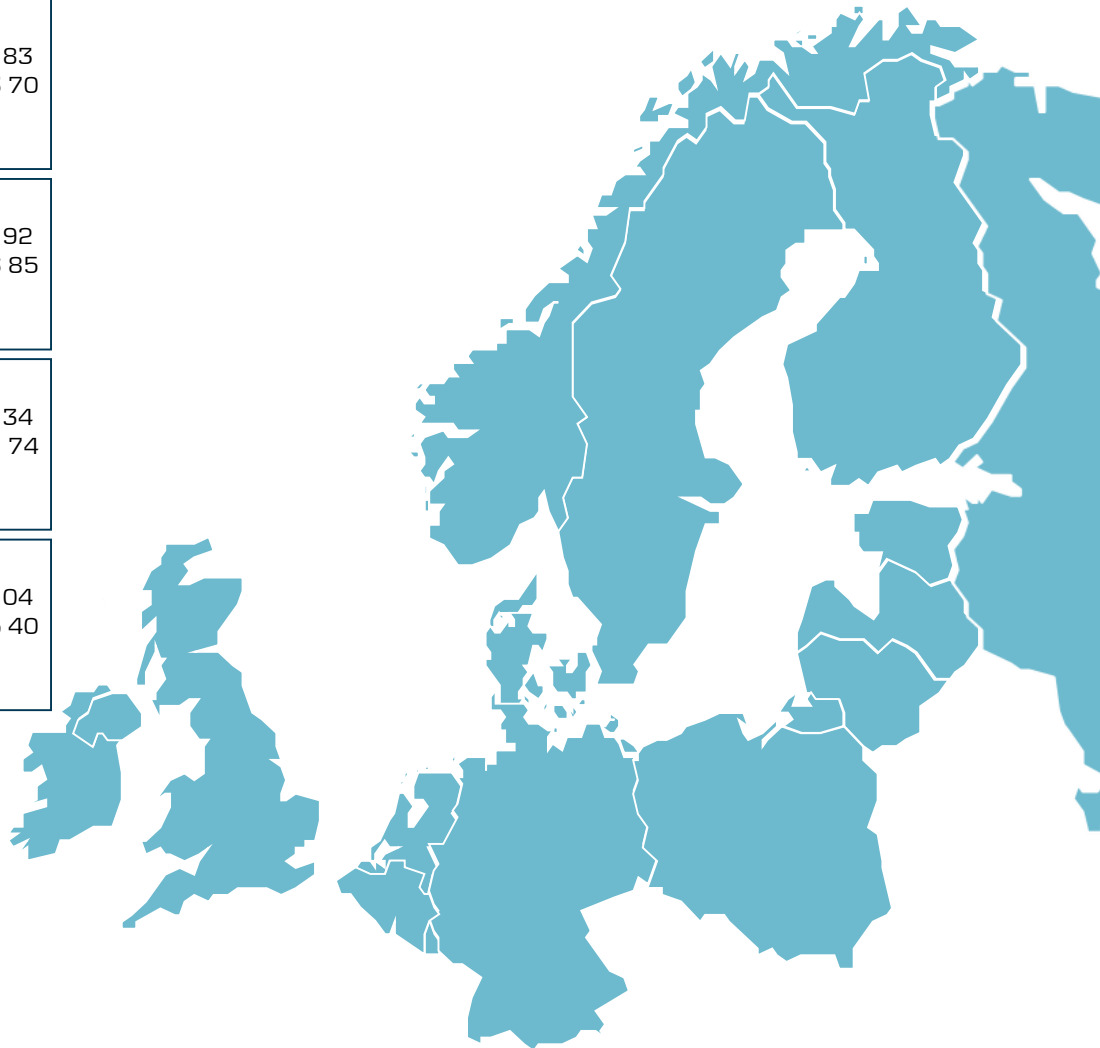
Contacts

	<p><i>Claus Ingar Jensen</i> Head of IR</p>	<p>Direct – +45 45 12 84 83 Mobile – +45 25 42 43 70 clauj@danskebank.dk</p>
--	---	--

	<p><i>John Bäckman</i> Chief IR Officer</p>	<p>Direct – +45 45 14 07 92 Mobile – +45 30 51 46 85 jbc@danskebank.dk</p>
--	---	--

	<p><i>Heidi Birgitte Nielsen</i> Chief IR Officer</p>	<p>Direct – +45 45 13 92 34 Mobile – +45 27 20 41 74 heidn@danskebank.dk</p>
--	---	--

	<p><i>Robin Hjelgaard Løfgren</i> Chief IR Officer</p>	<p>Direct – +45 45 14 06 04 Mobile – +45 24 75 15 40 rlf@danskebank.dk</p>
---	--	--



Disclaimer

Important Notice

This presentation does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of Danske Bank A/S in any jurisdiction, including the United States, or an inducement to enter into investment activity. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. The securities referred to herein have not been, and will not be, registered under the Securities Act of 1933, as amended (“Securities Act”), and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act.

This presentation contains forward-looking statements that reflect management’s current views with respect to certain future events and potential financial performance. Although Danske Bank believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors many of which are beyond Danske Bank’s control.

This presentation does not imply that Danske Bank has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

