

Financial results – first quarter 2020



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Agenda

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Executive summary: Underlying business performing despite significant negative impact of the coronavirus pandemic

Lending down 1% y/y (up 2% in local currency).

Continually strong inflow from partnership agreements at Banking Nordic. Lending at C&I was up 11%. Banking DK was flat excluding value adjustments.

Trading income down significantly due to the turbulence in the financial markets, which affected both our rates business at C&I and Danica Pension, as well as negative value adjustments of the derivatives portfolio (xVA)

Significant loan impairment charges, driven by effects of the coronavirus pandemic and prudent IFRS 9 model assumptions

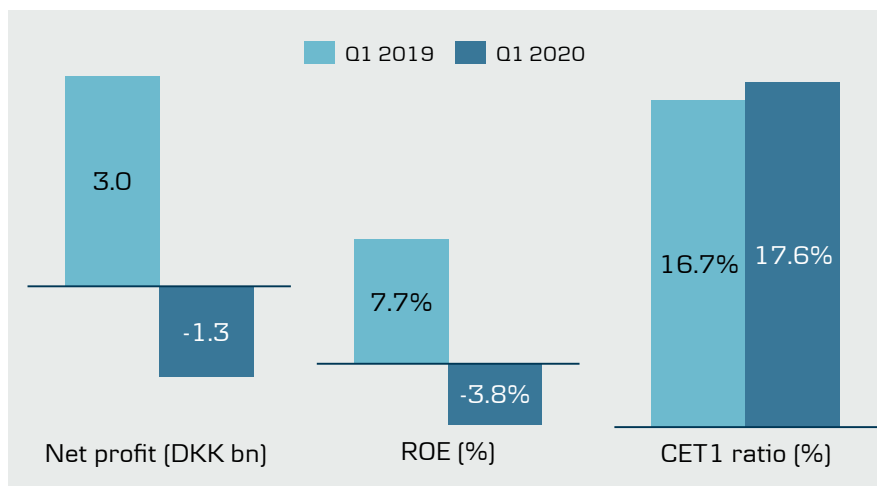
Strong capitalisation with a CET1 capital ratio of 17.6% after cancellation of 2019 dividend; target for CET1 ratio of above 16%; minimum regulatory requirement of 13.2%

DKK 1.3 bn net loss in Q1 2020, against net profit of DKK 3.0 bn in Q1 2019

-3.8% return on equity after tax after significant loan impairment charges

10% increase in expenses y/y due mainly to previously communicated upstaffing, investments to combat financial crime and expenses related to the Estonia case

Outlook: Subject to high uncertainty due to the coronavirus pandemic, we aim for a net profit of at least DKK 3 billion in 2020



How we support our stakeholders during challenging times

Customers

- Initiatives across markets include deferred payment, new or extended overdraft and credit facilities, bridge financing, interest-only loans, suspension of negative interest rates, etc.
- We have made more than DKK 70 bn in new corona-related credit available to business customers since the start of the coronavirus pandemic*
- DCM has helped customers raise DKK 645 bn in new credit in capital markets in Q1

Society

- Danske Bank supports government initiatives to minimise effects of coronavirus pandemic
- Danske Bank offers employees with a healthcare or military background to sign up for healthcare services for a period of six months
- Increased assistance to startups through virtual briefings helping them navigate the situation in the short term and protect the potential for long-term growth

Employees

- Approximately 20,000 employees have supported the business while working from home
- The dedication of our employees has enabled us to continue servicing and helping our customers
- Our integrated procedures and IT systems ensure stable operations

Investors

- Strong capital position, with buffer of ~440 bp to the minimum CET1 requirement
- Strong liquidity position, with LCR reserve of DKK 504 bn and LCR ratio of 154%
- Strong funding position, with DKK 26 bn of new wholesale funding raised in Q1

* From 16 March 2020 until 24 April 2020.

Net loss of DKK 1.3 bn driven by significant loan impairment charges and significantly lower trading income

Income statement and key figures (DKK m)

	Q1 2020	Q1 2019	Index	Q4 2019	Index
Net interest income	5,479	5,520	99	5,541	99
Net fee income	3,673	3,569	103	4,440	83
Net trading income	291	1,586	18	1,718	17
Other income	163	127	128	454	36
Total income	9,606	10,802	89	12,153	79
Expenses	6,764	6,145	110	8,342	81
Goodwill impairment charges	0	0	-	1,603	-
Profit before loan impairment charges	2,842	4,657	61	2,208	129
Loan impairment charges	4,251	357	-	703	-
Profit before tax, core	-1,409	4,300	-	1,505	-
Profit before tax, Non-core	-254	-288	-	-244	-
Profit before tax	-1,663	4,012	-	1,261	-
Tax	-374	1,024	-	-3,780	-
Net profit	-1,289	2,988	-	5,041	-
Return on avg. shareholders' equity (%)	-3.8	7.7		12.6	
Cost/income ratio* (%)	70.4	56.9		68.6	
Common equity tier 1 capital ratio (%)	17.6	16.7		17.3	
EPS (DKK)	-1.7	3.3		5.7	
Lending (DKK bn)	1,782	1,793	99	1,821	98
Deposits and RD funding (DKK bn)	1,757	1,661	106	1,759	100
- of which deposits (DKK bn)	995	909	109	963	103
Risk exposure amount (DKK bn)	773	758	102	767	101

* Before goodwill impairment charges.

Key points, Q1 2020 vs Q1 2019

- Trading income down 82% as turbulent financial markets affected rates business, combined with negative value adjustments of the derivatives portfolio (xVA)
- Expenses up 10%, due mainly to upstaffing and investments to combat financial crime
- Impairment charges driven by changes in macroeconomic model assumptions and decline in oil prices

Key points, Q1 2020 vs Q4 2019

- Fee income down, due mainly to performance fees in Q4 and lower AuM in Q1
- Trading income down 83% due to rates business, negative value adjustments and one-off gain in Q4
- Expenses down 19% due to extraordinary items in Q4 and seasonality
- Impairments affected by changes in macroeconomic model assumptions and decline in oil prices

NII: Down 1% y/y due to currency effects, margin pressure and continually high funding costs

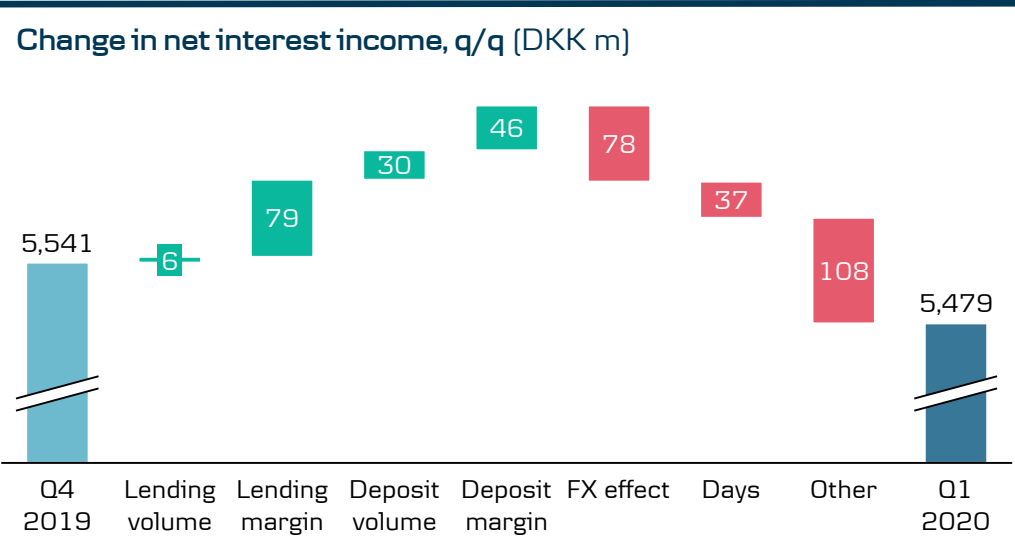
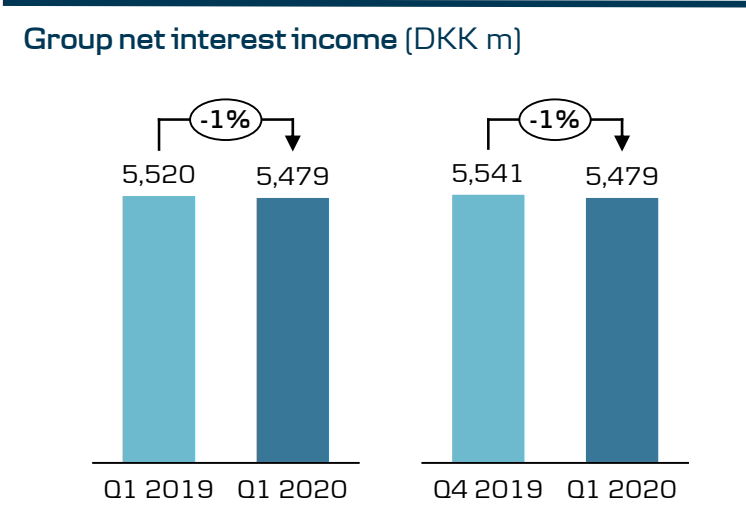
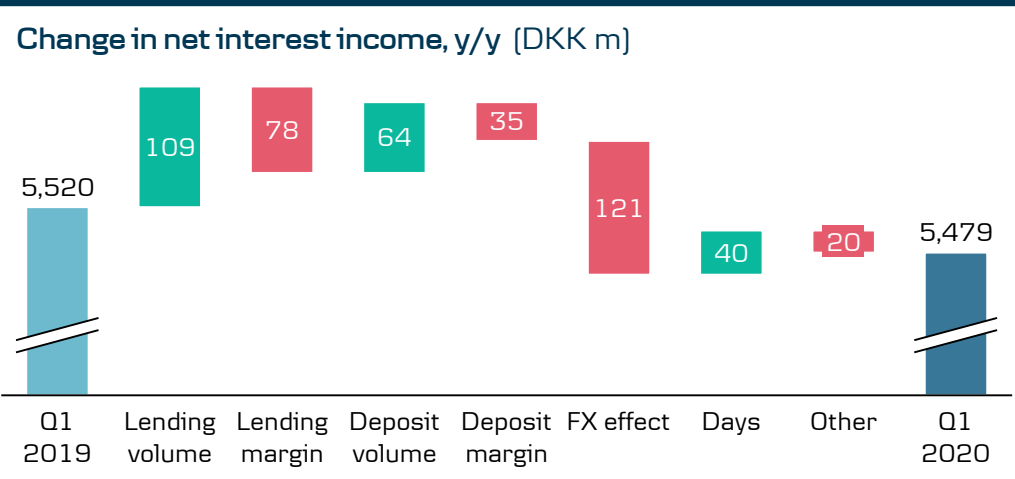
Key points

Y/Y

- NII down 1% due to currency effects, margin pressure, a shift towards longer-term mortgages as well as continually high funding costs

Q/Q

- NII down 1% due to currency effects, higher funding costs and day effect
- Margins improved due to pricing effects
- Other includes impact from lower remortgaging activity

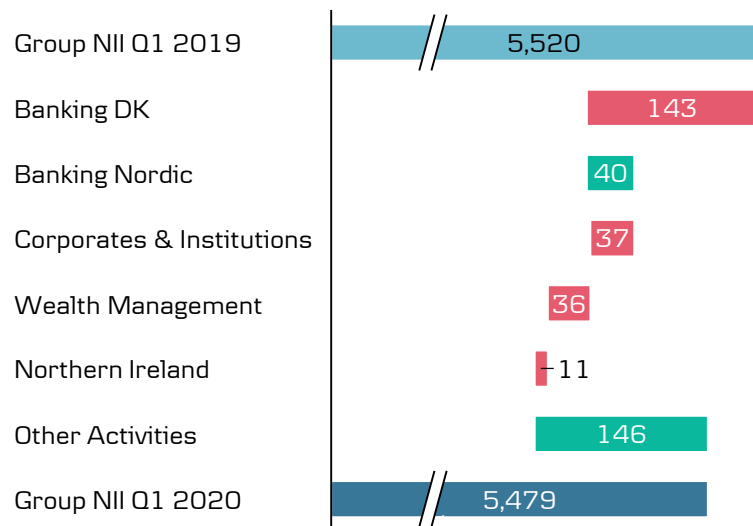


NII (cont'd): Group lending down 1% y/y but up 2% adjusted for currency effects

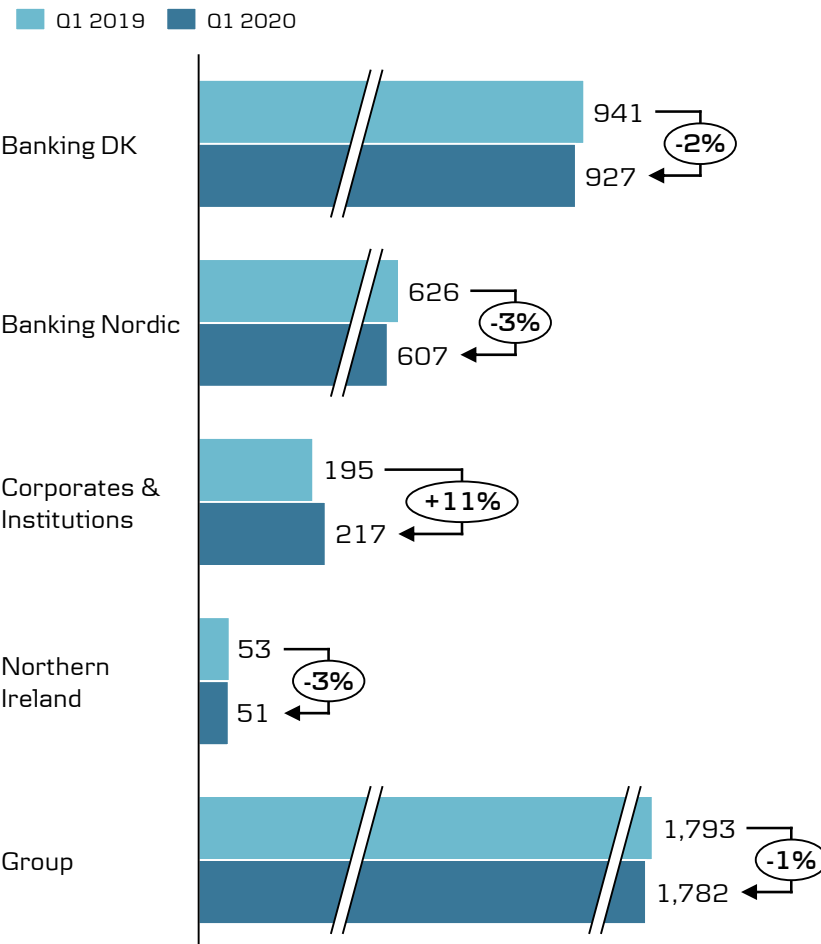
Key points

- Banking DK lending down 2% y/y, due to negative value adjustments on the mortgage book. Underlying lending was flat
- Banking Nordic lending down 3% y/y due to currency effects - lending up 4% in local currency with growth in all countries
- C&I lending up 11%. Lending in General Banking grew 10% y/y
- NII for Other Activities was driven by income from the FX hedge of CET1 capital and internal funding optimisation

Change in NII by business unit (DKK m)



Lending volumes and development* (DKK bn)



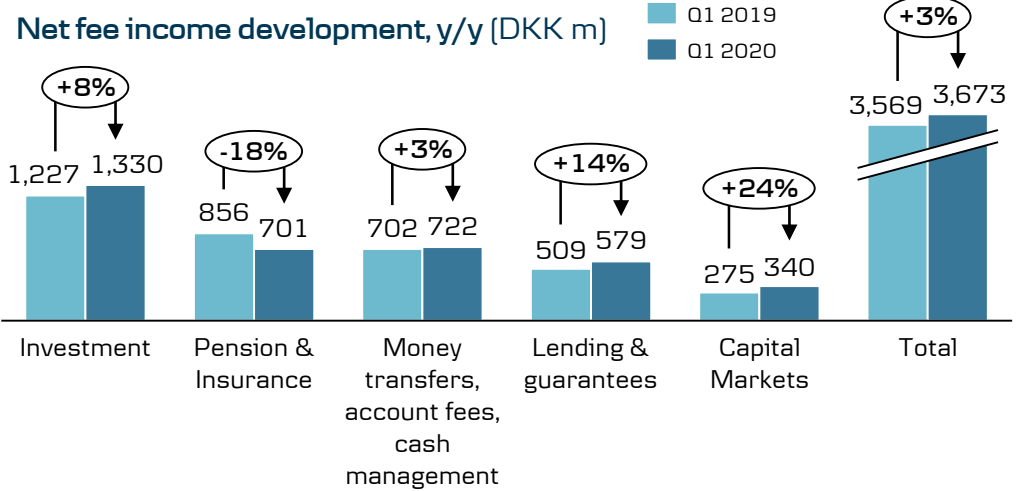
* Business unit lending is before impairments. Group lending is after impairments.

Fee income: Up 3% y/y due to continued remortgaging activity in Denmark in the first part of Q1 2020, lower AuM

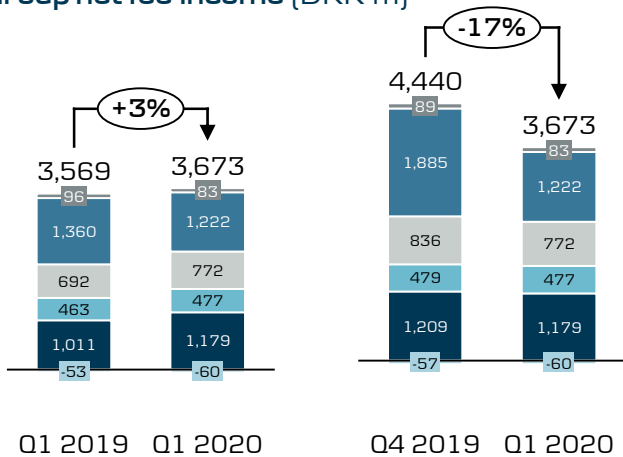
Key points

y/y

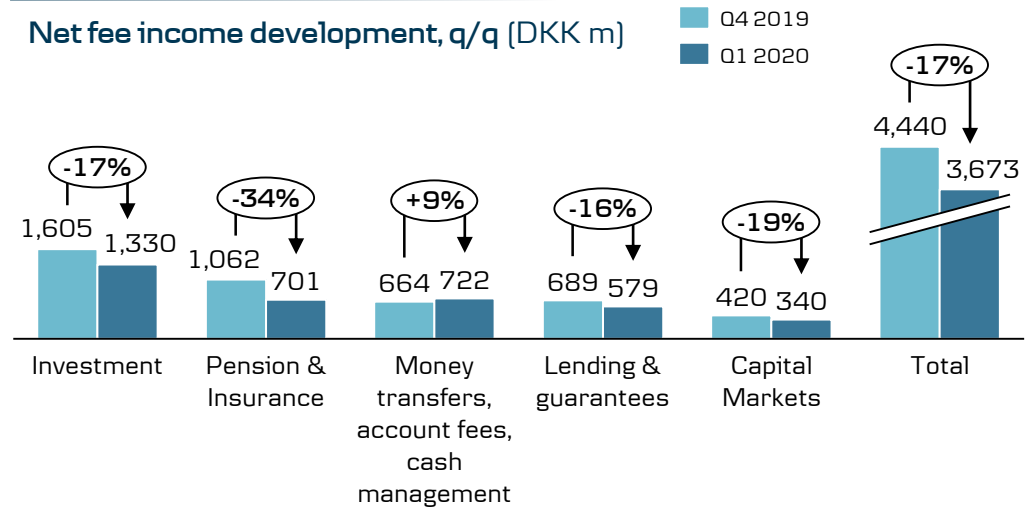
- Fee income up 3% due mainly to continued remortgaging activity in Denmark in the first part of the quarter, as interest rates declined in that period. At Wealth Management, fee income declined due to lower assets under management (down 12% y/y)
- Fee income down 17% due mainly to performance fees booked in Q4 and lower assets under management in Q1 (down 12% q/q)



Group net fee income (DKK m)



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



Trading income: Down 82% y/y as turbulent financial markets affected rates business, and due to negative value adjustments

Key points

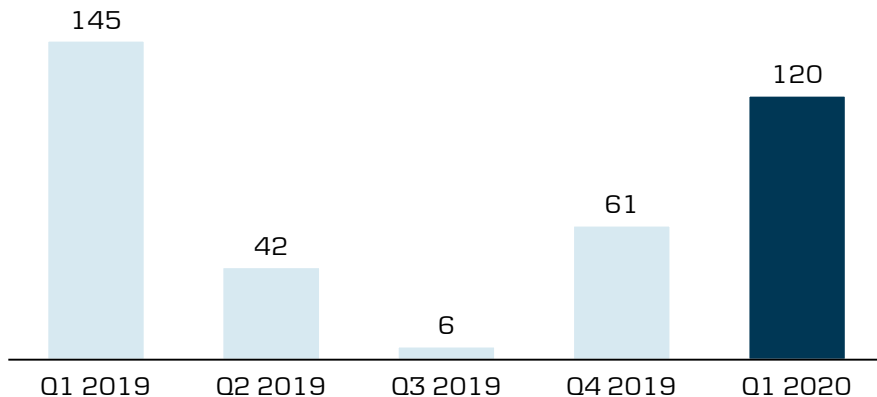
Y/Y

- Trading income down 82% in turbulent financial markets, which affected both our rates business at Corporates & Institutions as well as Danica Pension, along with negative value adjustments of the derivatives portfolio (xVA)

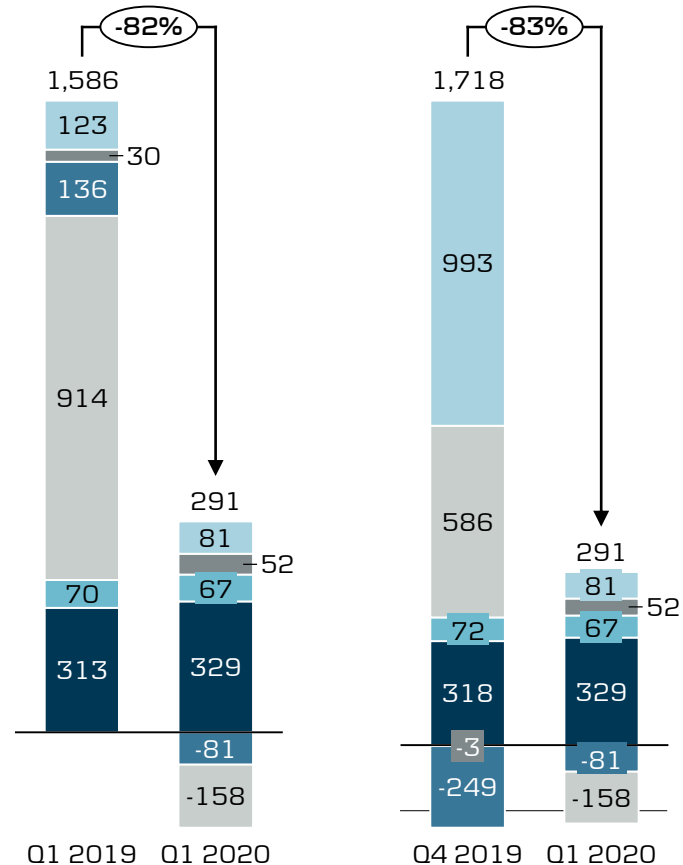
Q/Q

- Trading income down 83% due to lower income from the rates business and a large negative value adjustment of the derivatives portfolio at C&I of DKK -344 m in Q1 2020
- Q4 trading income benefited from the sale of LR Realkredit A/S of DKK 767 m, booked in Other Activities

Refinancing income (DKK m)



Group net trading income (DKK m)



Expenses: Up 10% y/y, due mainly to planned upstaffing within compliance, AML and consultancy

Key points

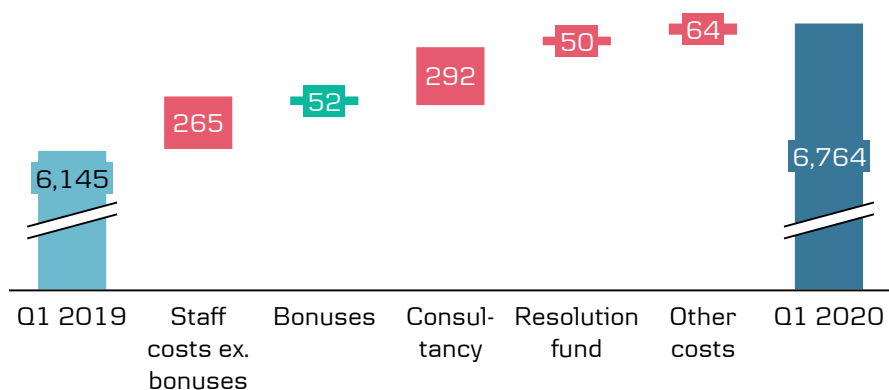
Y/Y

- Expenses up 10% y/y, due mainly to higher costs for regulatory compliance, investments to combat financial crime and higher contribution to the resolution fund

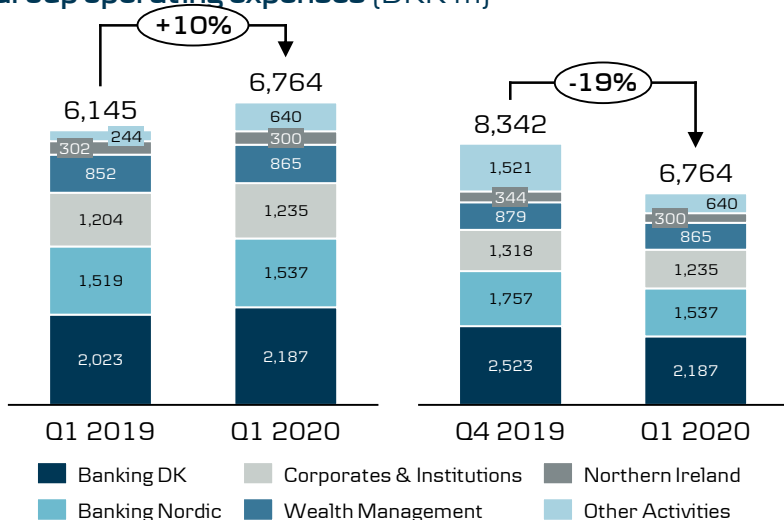
Q/Q

- Expenses down 19% q/q due to extraordinary costs in Q4 as well as seasonality

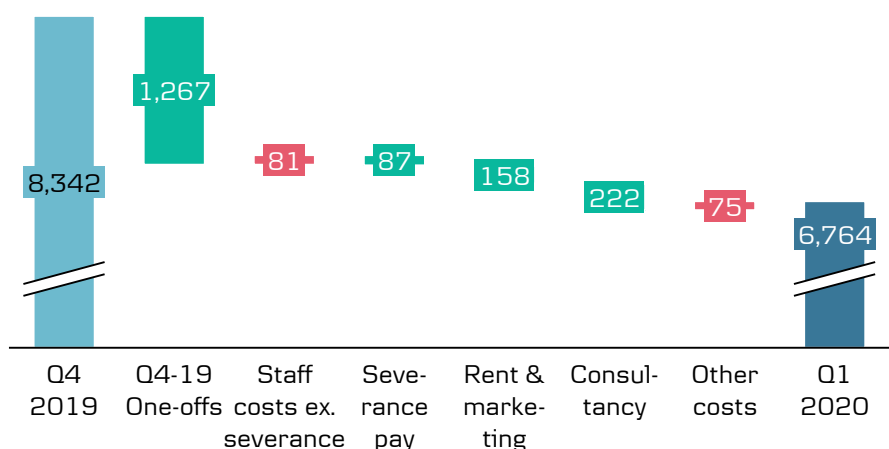
Change in expenses, y/y (DKK m)



Group operating expenses (DKK m)



Change in expenses, q/q (DKK m)



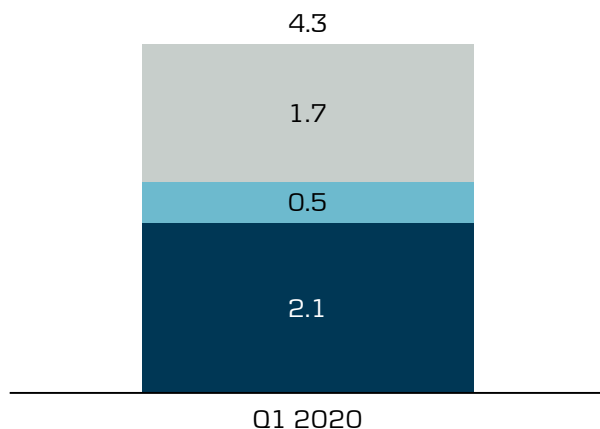
Impairments: Extraordinary charge due to changes in macroeconomic model assumptions and decline in oil prices

Key points, Q1 2020

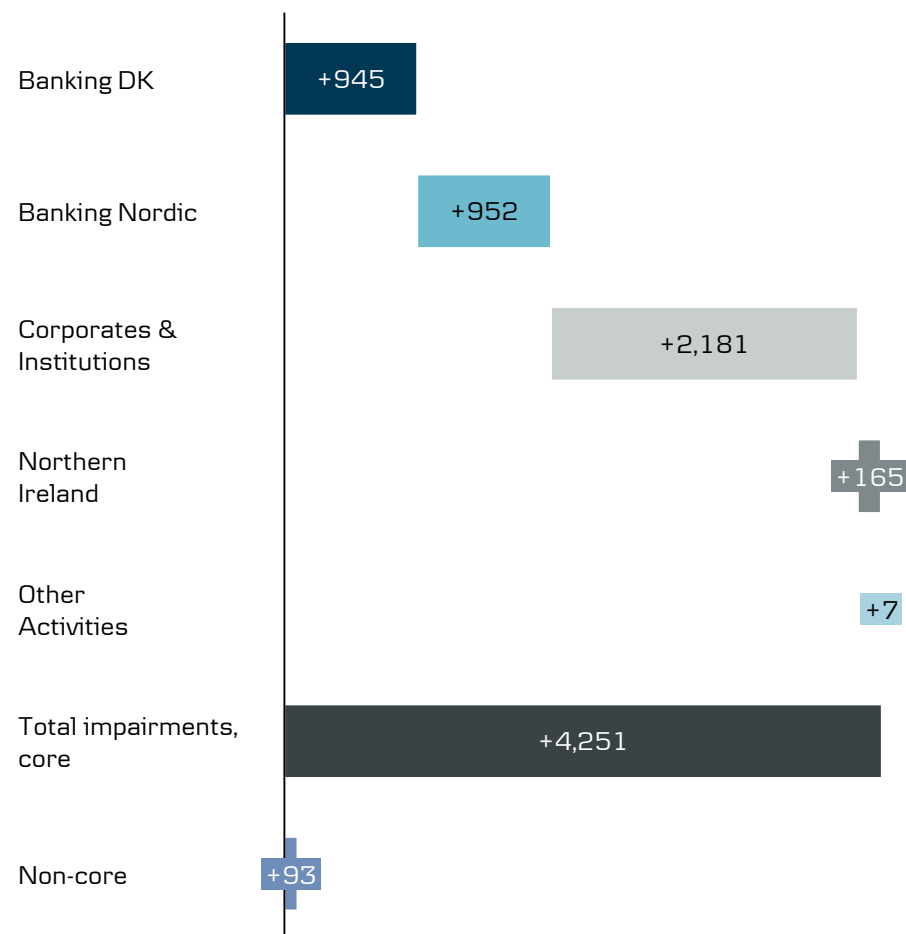
- Charge of DKK 4.3 bn; core loan loss ratio of 90 bp
 - Changes in macroeconomic model assumptions* accounted for around DKK 1.7 bn
 - Sector-specific post-model adjustments of around DKK 0.5 bn related to shipping, oil and gas as well as hotels, restaurants, leisure, transportation and retailing industries
 - Credit quality deterioration led to impairments of around DKK 2.1 bn, of which around DKK 1.4 bn towards oil-related exposure, while the remaining part related to retailing and other sectors

Impairment charges by category, Q1 2020 (DKK bn)

- Credit quality deterioration
- Sector-specific post-model adjustments
- Macroeconomic adjustments



Impairment charges by business unit, Q1 2020 (DKK m)



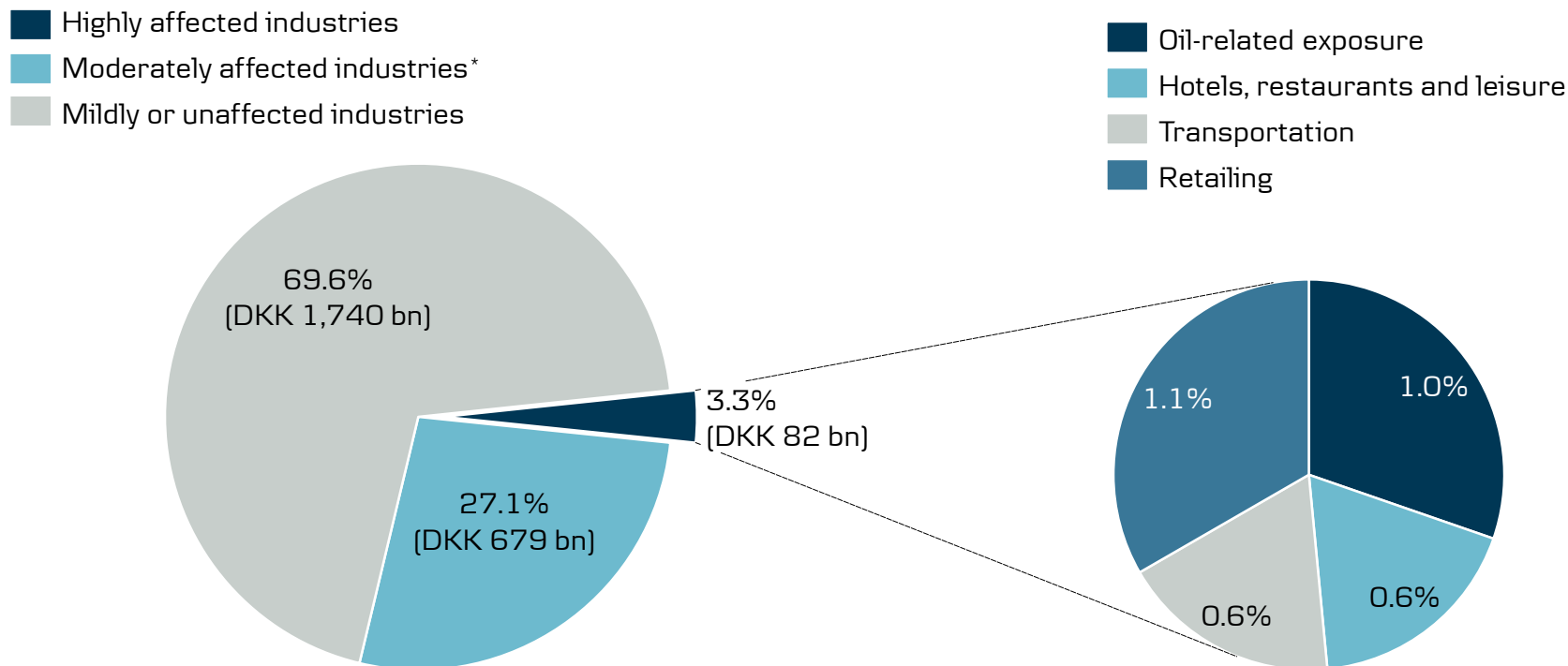
* Please see slide 29 for assumptions behind updated IFRS 9 model scenarios

Impairments: Limited exposure to industries sensitive to economic effects of the coronavirus pandemic

Key points, Q1 2020

- Limited exposure (less than 4%) to industries highly affected by the coronavirus pandemic
- Overall exposure to highly affected industries has been reduced since 2018
- During Q1 2020, credit quality deterioration is mainly seen on oil-related customers as well as customers within the retailing sector

Breakdown of gross credit exposure, Q1 2020 (%)



* Moderately affected industries include commercial property, capital goods, consumer goods, services, construction & building materials, automotive, etc.

Note: Please refer to slide 26-28 for further details on highly affected industries.

Impairments: Overview of updated IFRS 9 model scenarios

Downside scenario (25% weighting)

Builds on prolonged recovery with continued decline in economic activity in 2021

Reflects the risk that government support packages are insufficient to sustain the recovery

Impact on allowance account if 100% weighting applied: DKK +5.7 bn (equal to base case plus DKK 7.3 bn)

Base case scenario (65% weighting)

Largely similar to the downside scenario from Q4 2019

Based on a recession scenario in 2020 and a recovery in 2021

Includes expectations of substantial government support packages to mitigate the macroeconomic impact of the coronavirus pandemic

Impact on allowance account if 100% weighting applied: DKK -1.6 bn

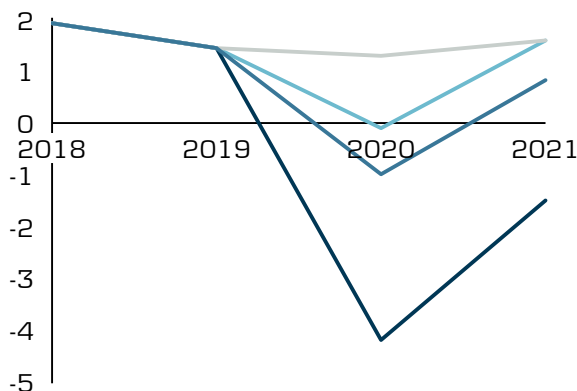
Upside scenario (10% weighting)

Largely similar to the base case scenario from Q4 2019

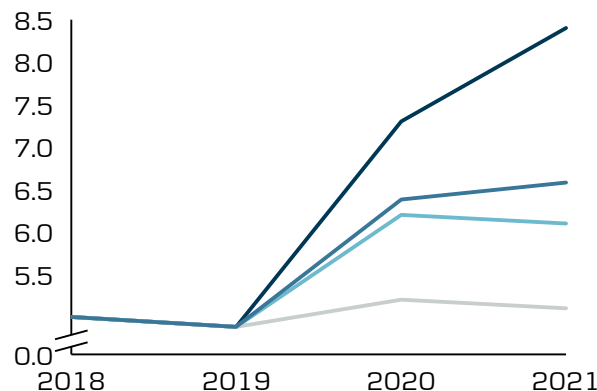
Represents a better outlook than the base case scenario across macroeconomic parameters and assumes a recovery already in 2020

Impact on allowance account if 100% weighting applied: DKK -3.9 bn (equal to base case minus DKK 2.3 bn)

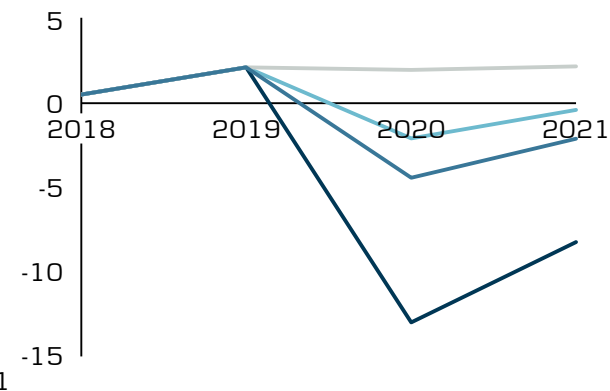
GDP development, Nordic average (%)



Unemployment development, Nordic average (%)



Property price development, Nordic average (%)



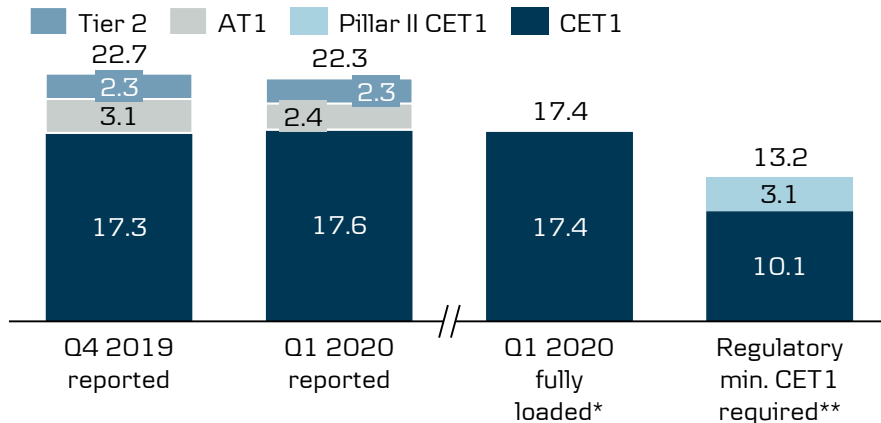
— Downside [25%] — Base case [65%] — Upside [10%] — Weighted

Capital: Strong capital base; CET1 capital ratio of 17.6% (buffer of 4.4%)

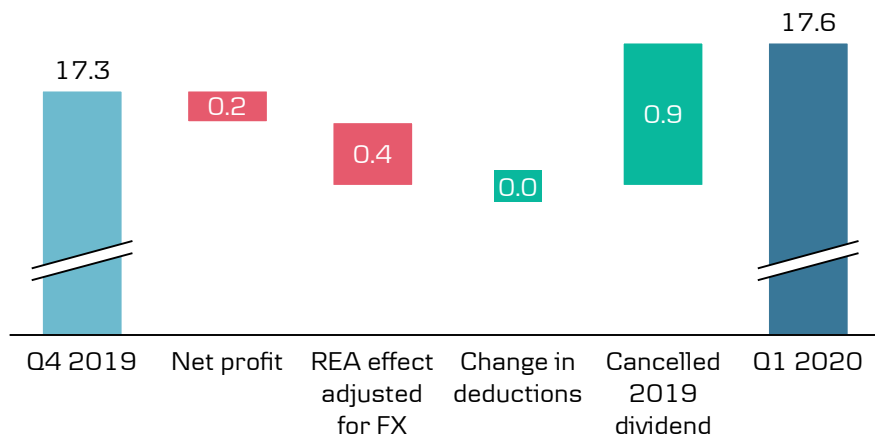
Capital highlights, Q1 2020

- CET1 ratio increased 0.3%-points, driven by cancelled 2019 dividend countered by the Q1 net loss and REA effect
- CET1 ratio impact from FX movements eliminated by the structural FX hedge
- Regulatory minimum CET1 lowered by reduction in countercyclical buffers from 1.7% to 0.1%
- CET1 ratio target of above 16% in the short term
- REA is expected to increase by a low double-digit billion amount in Q2, due mainly to increasing market risk
- Leverage ratio of 4.5% (transitional rules) and 4.4% (fully phased-in rules)

Capital ratios, under Basel III/CRR (%)



CET1 capital ratio, Q4 2019 to Q1 2020 (%)



Total REA, Q4 2019 to Q1 2020 (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 0.1% and CET1 component of Pillar II requirement. *** Assuming unchanged positions and market volatility.

2020 outlook updated: Resumed outlook reflects continued uncertainty due to the coronavirus pandemic

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

Updated: Net fee income is expected to be lower than the level in 2019 due to lower remortgaging activity and is subject to significant uncertainty regarding assets under management, customer activity and market developments

Expenses

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

Impairments

Updated: Loan impairment charges are expected to be significantly higher due to the impact of the coronavirus pandemic on the economic outlook, with a large part recognised in the first quarter of the year

Net profit

Updated: The outlook is subject to high uncertainty around the impact of the coronavirus pandemic and the prevailing limited visibility for the development in the financial markets. On that basis, we now aim for a net profit of at least DKK 3 billion in 2020

Financial target

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

The four key focus areas for 2020 – working towards ambitious deliverables with tangible progress and plans in the first quarter

Q1 progress

1 Compliance under Control

- KYC and ODD refresh on 1.2 m out of 2.8 m customers and digital, automated review solution built
- AML target platform in place and used for all commercial customers
- Continued enhancement of trade surveillance and transaction monitoring setup

2 Group-wide Cost Programme

- First wave of quick wins implemented (230 FTE layoffs in February)
- Ongoing progress within product simplification, approx. 200 products removed
- Further levers are being planned on NPC*, delayering and optimising operational setup

3 Agile Transformation

- First wave of organisational changes under agile principles to accelerate digitalisation. Granular ramp-up throughout the rest of the 2020 impacting ~4,500 employees
- Re-imagining the customer journey 'Buying & Owning Real Estate in Denmark' started
- IT industrialisation track started

4 Purpose, Brand, Culture and Engagement

- Group-wide culture survey among employees to improve employee engagement
- Roundtables and interviews completed for over 100 employees across regions

Other Better Bank initiatives

- Ongoing work on enhancing service models to improve profitability (e.g. improved processes and consolidated footprint on the Nordic retail segment)
- Launched Danica Step Care™ that helps customers with physical and mental issues
- Continuing digital release in Mobile Bank and District

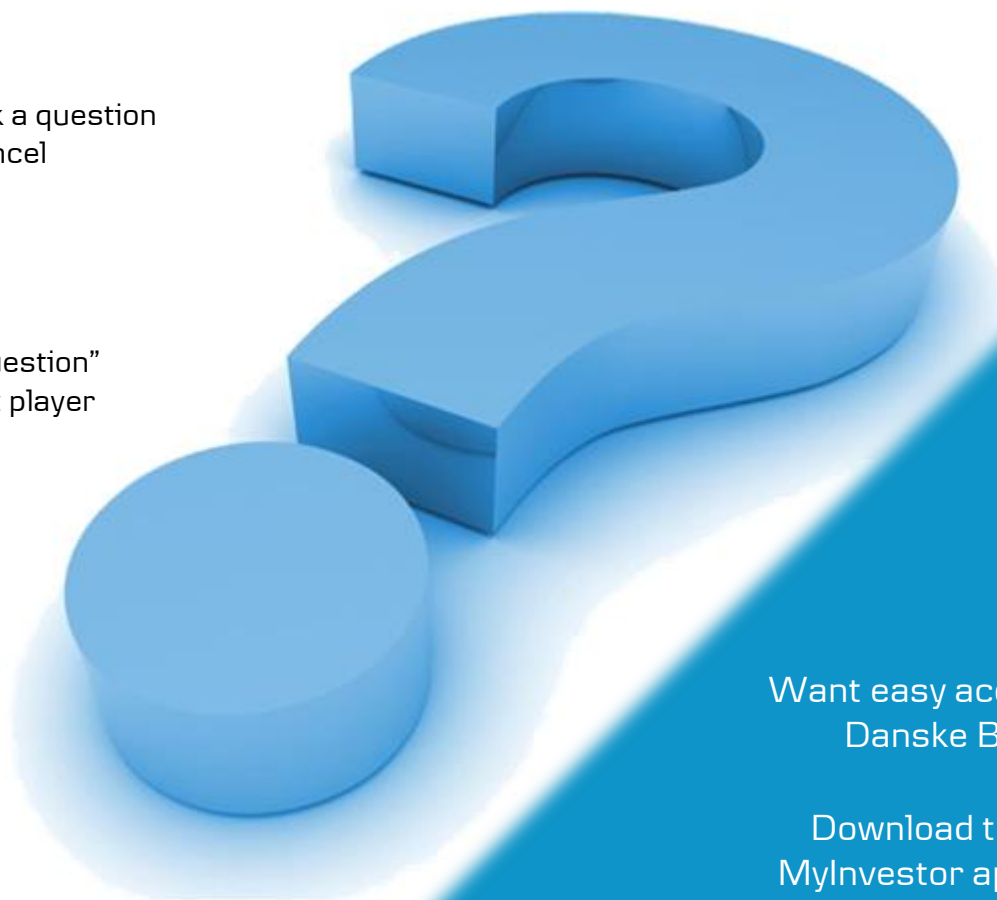
Q&A session



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Appendix

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Banking DK: Lending excluding value adjustments was flat; higher expenses and impairments

Income statement and key figures (DKK m)

	Q1 2020	Q1 2019	Index	Q4 2019	Index
Net interest income	2,203	2,346	94	2,231	99
Net fee income	1,179	1,011	117	1,209	98
Net trading income	329	313	105	318	103
Other income	45	55	82	53	85
Total income	3,756	3,725	101	3,812	99
Expenses	2,187	2,023	108	2,523	87
Profit before loan impairment charges	1,569	1,702	92	1,289	122
Loan impairment charges	945	205	-	-261	-
Profit before tax	624	1,497	42	1,549	40
Lending (DKK bn)	927	941	98	944	98
Deposits and RD funding* (DKK bn)	1,157	1,136	102	1,162	100
Deposits (DKK bn)	364	336	108	358	102

Key points

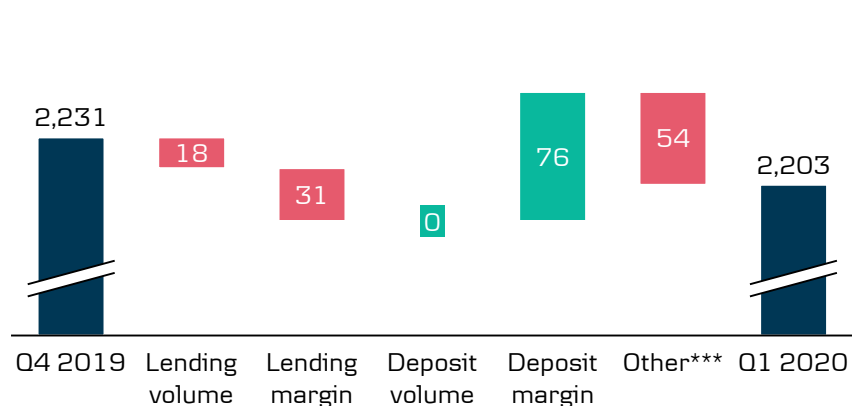
Y/Y

- NII down 6% due to margin pressure
- Fee income benefited from remortgaging activity
- Expenses up 8% owing mainly to investments to combat financial crime
- Impairment charges reflect changes in the macroeconomic outlook & scenarios

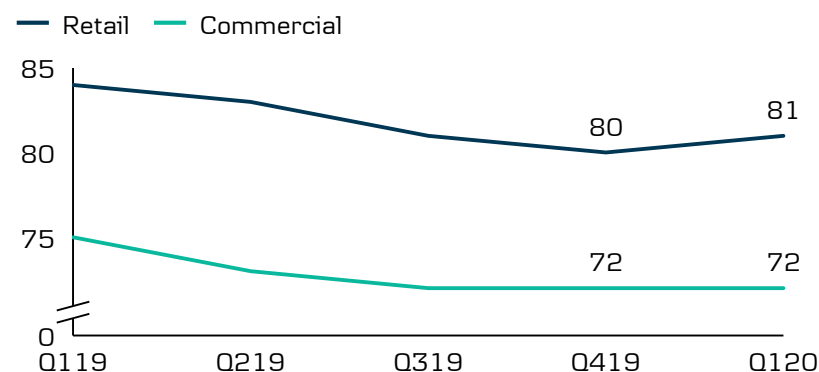
Q/Q

- Lending down 2% due to value adjustments
- Improved deposit margin from larger pass-through of negative interest rates
- Expenses down 13% due to seasonality

Banking DK NII bridge** (DKK m)



Realkredit Danmark lending spread (bp)



Banking Nordic: Growth in local currency lending; significant impairment charges in the commercial portfolio

Income statement and key figures (DKK m)

	Q1 2020	Q1 2019	Index	Q4 2019	Index
Net interest income	1,999	1,959	102	1,992	100
Net fee income	477	463	103	479	100
Net trading income	67	70	96	72	93
Other income	149	155	96	136	110
Total income	2,692	2,647	102	2,678	101
Expenses	1,537	1,519	101	1,757	87
Profit before loan impairment charges	1,155	1,128	102	921	125
Loan impairment charges	952	-49	-	511	186
Profit before tax	203	1,177	17	410	50
Lending (DKK bn)	607	626	97	635	96
Deposits (DKK bn)	270	252	107	271	100

Key points

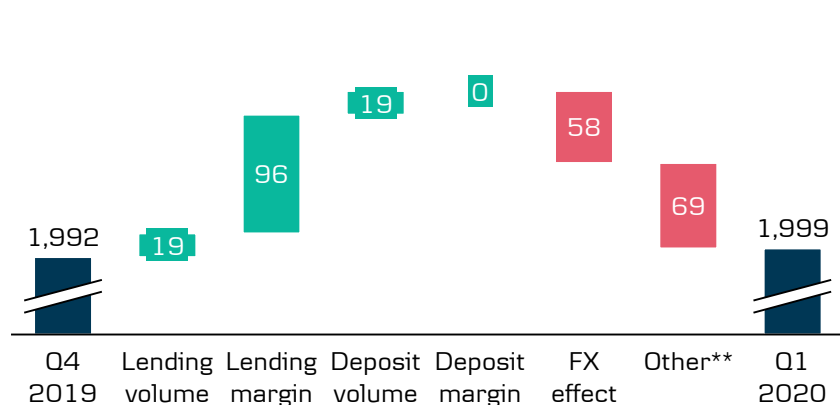
Y/Y

- NII up 2% due to growth and development in interest rates
- Impairment charges driven by the commercial portfolio, with some deterioration in credit quality but largely driven by changes in macro outlook

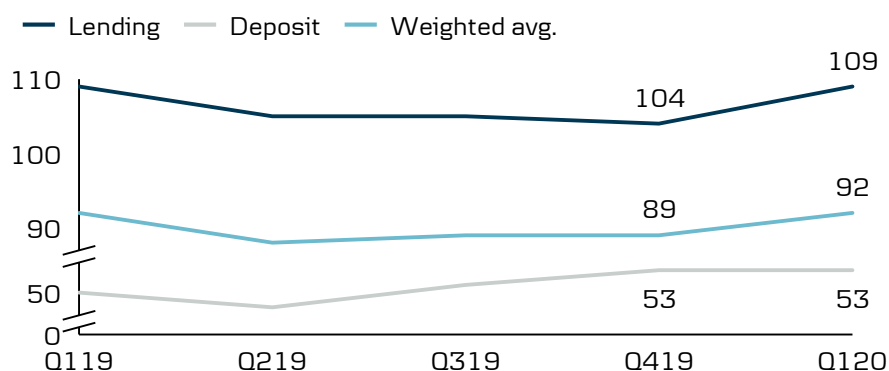
Q/Q

- Margins positively affected by repricing and declining market rates
- Expenses down 13% due to year-end bookings and one-off in Q4
- Impairment charge trends as per above

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 4% in local currency at Banking Nordic; lending down 2% y/y at Banking DK due to value adj.

Comments

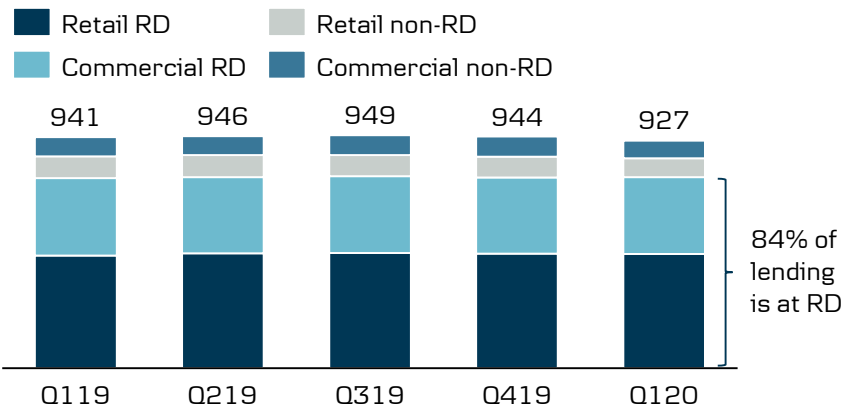
Banking DK

- 84% of lending at Banking DK is at mortgage credit subsidiary Realkredit Danmark (RD)
- Lending down 2% y/y and q/q at Banking DK due to fair value adjustments of RD mortgages

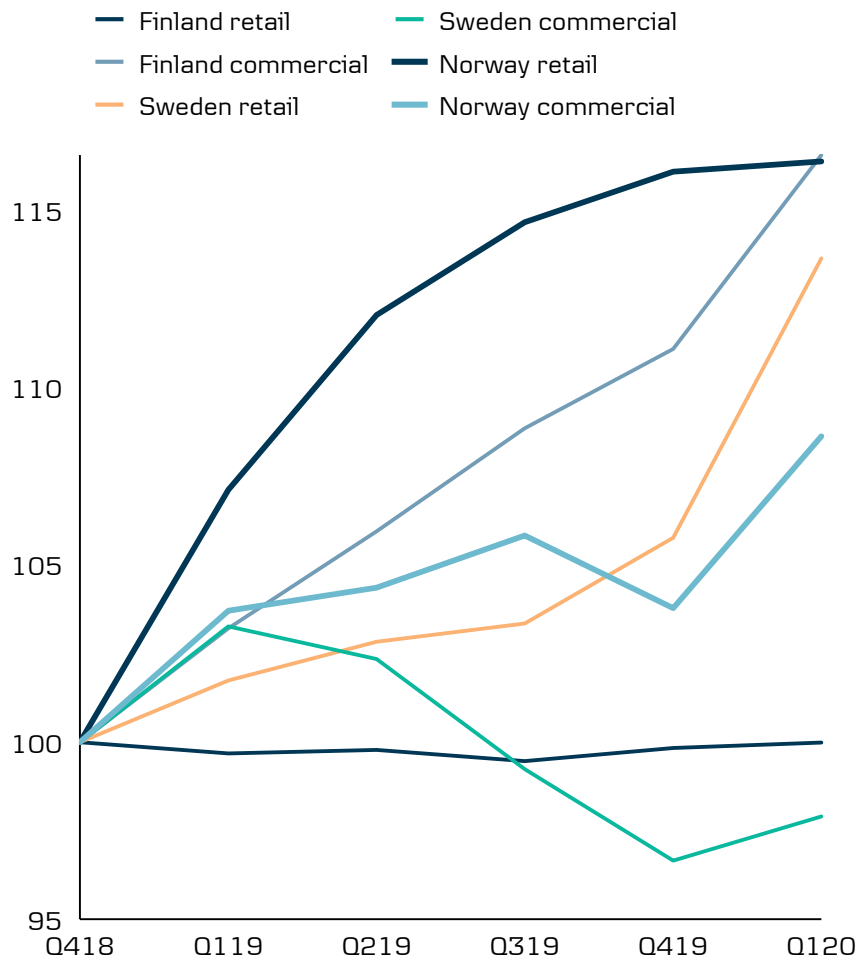
Banking Nordic

- Growth of 4% y/y in local currency
- Reported lending figures impacted by significant depreciation of both NOK and SEK
- Retail Norway and Retail Sweden saw lending growth of 9% and 12% y/y, respectively, following continued inflows
- Commercial Finland grew 5% 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: Significant drop in trading income and significant impairment charges

Income statement and key figures (DKK m)

	Q1 2020	Q1 2019	Index	Q4 2019	Index
Net interest income	893	930	96	985	91
Net fee income	772	692	112	836	92
Net trading income	-158	914	-	586	-
Other income	-	-	-	7	-
Total income	1,507	2,536	59	2,413	62
Expenses	1,235	1,204	103	1,318	94
Goodwill impairment charges	-	-	-	803	-
Profit before loan impairment charges	272	1,332	20	292	93
Loan impairment charges	2,181	221	-	459	-
Profit before tax	-1,909	1,111	-	-167	-
Profit before tax and goodwill	-1,909	1,111	-	637	-
Lending (DKK bn)	217	195	111	209	104
Deposits (DKK bn)	301	264	114	271	111

Key points

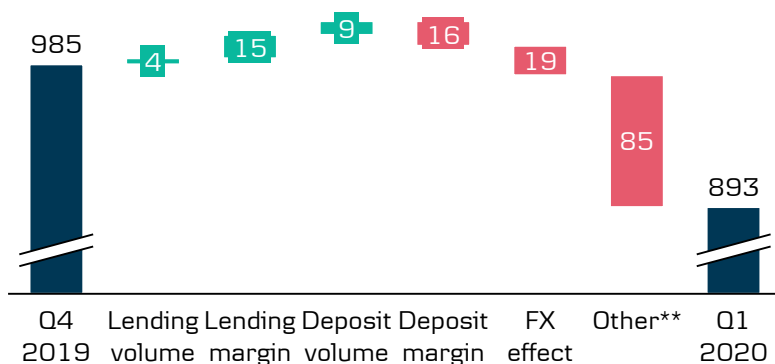
Y/Y

- Trading income negative, including negative value adjustments (xVA) of DKK -344 m and lower income from rates and equities
- Significant loan impairments, impacted by the significant drop in oil prices

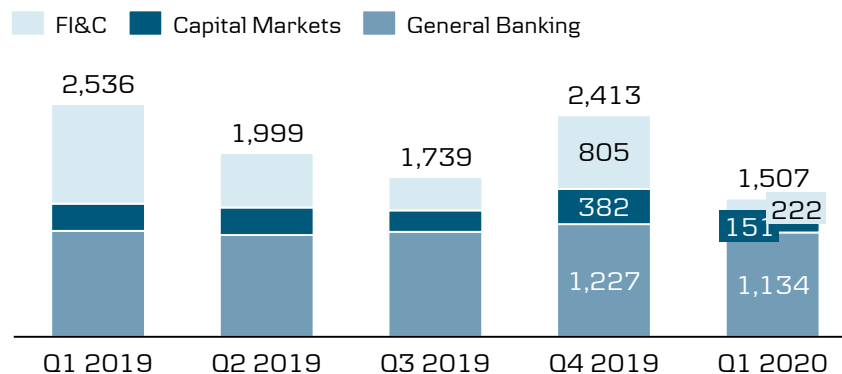
Q/Q

- Expenses down 6%, driven primarily by lower severance pay and seasonality
- Impairments impacted by oil-related exposure

C&I Nil 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: AuM down 12% y/y and q/q in turbulent financial markets

Income statement and key figures (DKK m)

	Q1 2020	Q1 2019	Index	Q4 2019	Index
Net interest income	-84	-48	-	-75	-
Net fee income	1,222	1,360	90	1,885	65
Net trading income	-81	136	-	-249	-
Other income	-23	-37	-	127	-
Total income	1,034	1,410	73	1,688	61
Expenses	865	852	102	879	98
Goodwill impairment charges	-	-	-	800	-
Profit before tax	169	558	30	9	-
Profit before tax and goodwill	169	558	30	809	21
AuM (DKK bn)	1,428	1,630	88	1,616	88

Key points

y/y

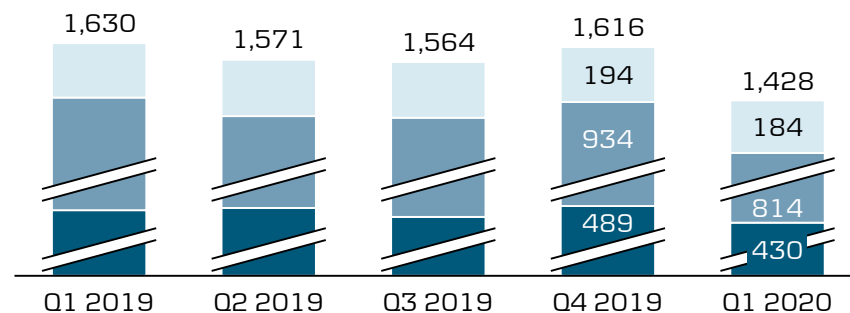
- Fees down 10%. AuM down 12%, partly due to sale of Danica Pension Sweden in Q2 2019
- Negative trading income includes negative investment income from health and accident business
- Expenses up 2% due partly to increased costs for regulatory compliance

Q/Q

- Fees down 35% owing partly to performance fees of DKK 358 m in Q4
- AuM down 12% in turbulent markets

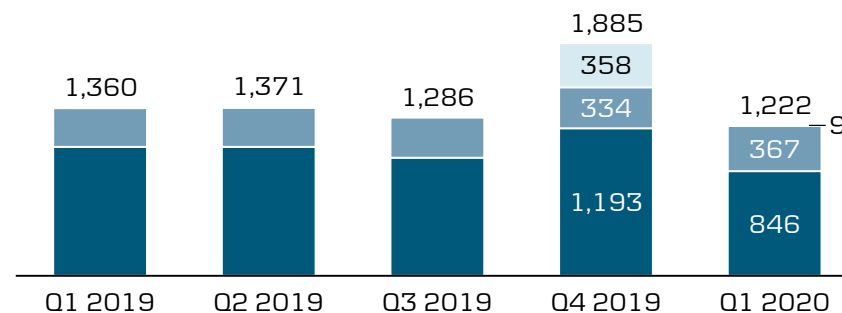
AuM breakdown (DKK bn)

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 up 1% in local currency, loan impairments reflect worsening outlook

Income statement and key figures (DKK m)

	Q1 2020	Q1 2019	Index	Q4 2019	Index
Net interest income	375	386	97	391	96
Net fee income	83	96	86	89	93
Net trading income	52	30	173	-3	-
Other income	4	3	133	3	133
Total income	515	515	100	480	107
Expenses	300	302	99	344	87
Profit before loan impairment charges	215	213	101	136	158
Loan impairment charges	165	-14	-	-5	-
Profit before tax	49	227	22	141	35
Lending (DKK bn)	51	53	97	54	94
Deposits (DKK bn)	70	65	107	71	99

Key points

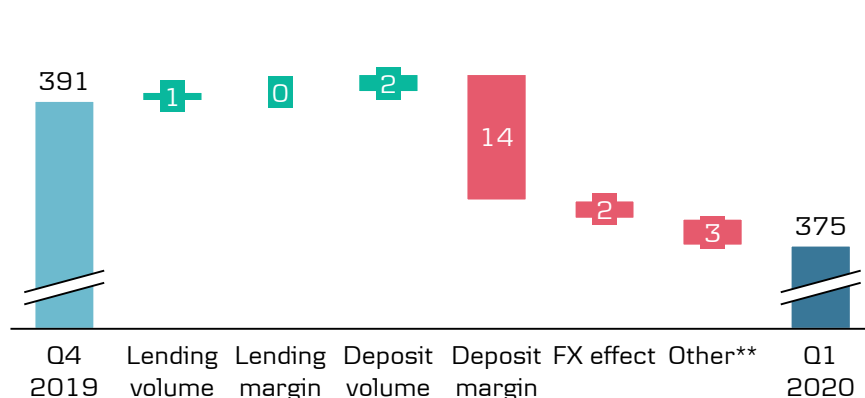
Y/Y

- Impairment charges up as forward-looking macroeconomic scenarios under IFRS 9 have been revised to reflect the worsening outlook
- Lending up 1% in local currency

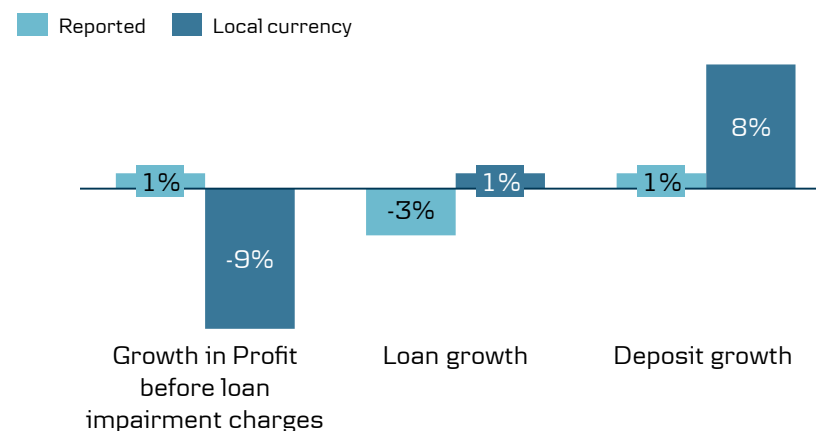
Q/Q

- The income uplift reflects higher trading income
- Costs were significantly lower than in Q4 2019

Northern Ireland NII bridge* (DKK m)



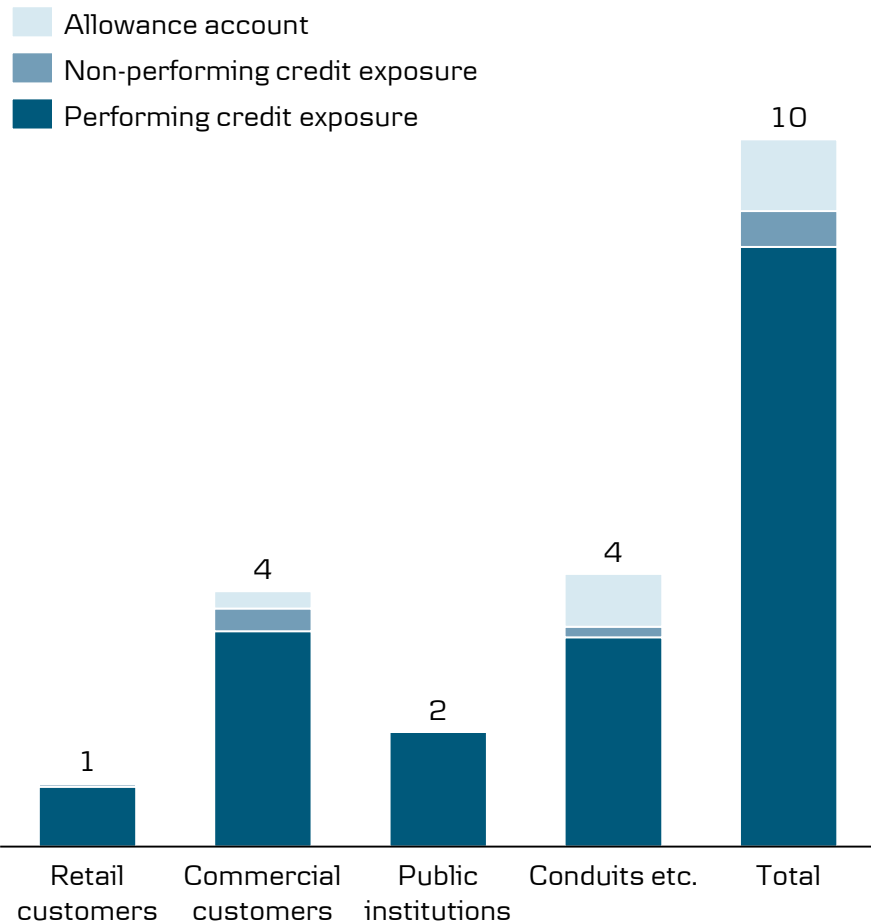
FX-adjusted developments y/y



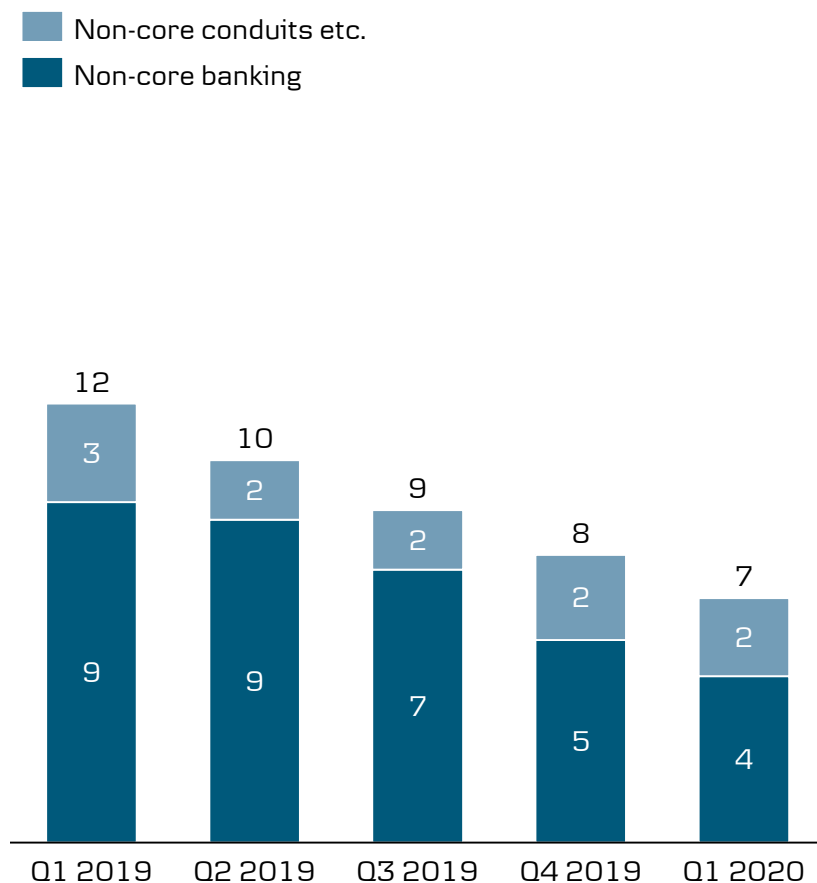
* Based on average volumes. ** Includes capital costs, day effect and off-balance-sheet items.

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

Non-core loan portfolio, Q1 2020 (DKK bn)

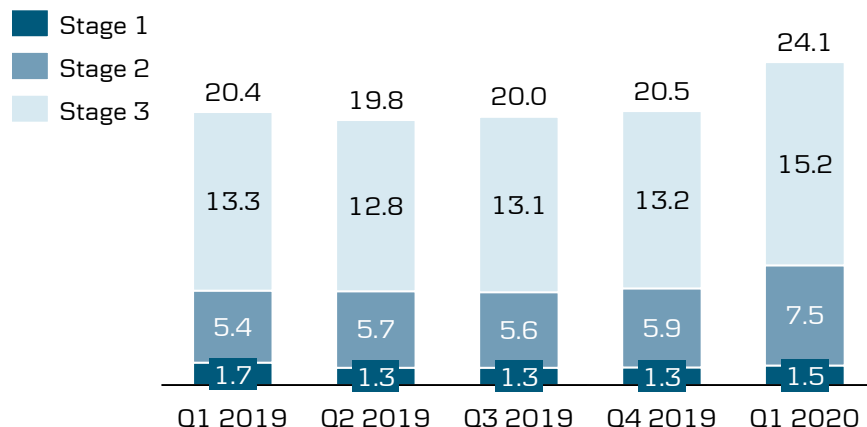


Non-core REA* (DKK bn)

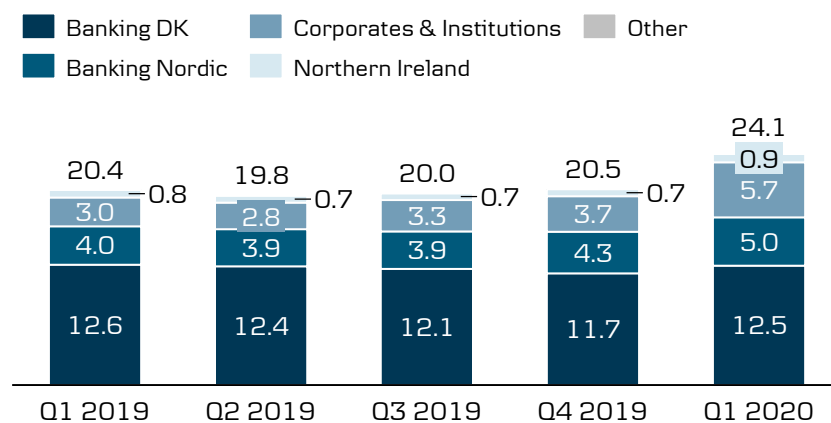


Credit quality: NPLs increased 7% q/q driven by single-name exposures at Corporates & Institutions

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



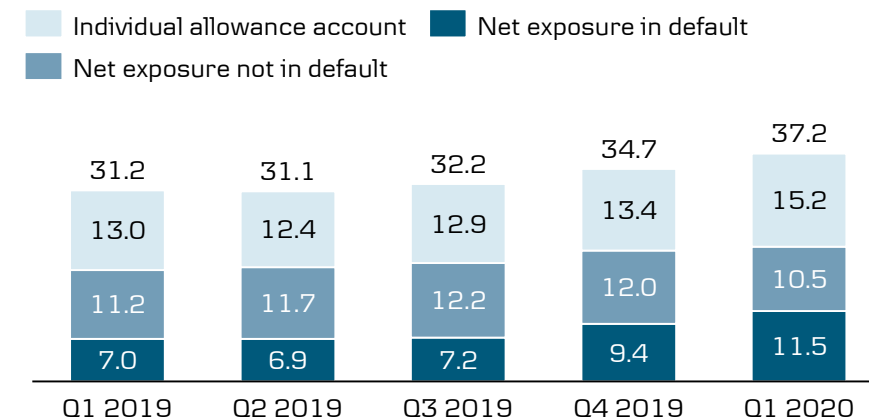
Core allowance account by business unit (DKK bn)



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

End-Q1 2020	Allowance account	Gross credit exposure	Allow. acc. as % of exposure
Retail customers	2.3	937.2	0.24%
Agriculture	1.2	73.3	1.65%
Commercial property	1.3	309.3	0.42%
Shipping, oil & gas	0.6	56.6	1.02%
Services	0.2	58.8	0.38%
Other	1.9	1,065.4	0.17%
Total	7.5	2,500.7	0.30%

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

- Pork prices continued their upturn and rose 6% q/q. The monthly average pork price reached DKK 14.1 per kg at the end of Q1, while milk prices remained stable. We have reduced management overlays due to the improved outlook. The coronavirus pandemic is seen to have a limited impact on agriculture
- Total accumulated impairments amounted to DKK 2.9 bn, of which DKK 1.3 bn in stages 1 and 2
- Realkredit Danmark represented 55% of total gross exposure and 24% of expected credit losses
 - LTV limit at origination of 60% at Realkredit Danmark

Agriculture by segment, Q1 2020 (DKK m)

	Gross credit exposure	Portion from RD	Expected credit loss	Net credit exposure	NPL coverage ratio
Banking DK	50,249	40,223	2,658	47,591	90%
Growing of crops, cereals, etc.	20,652	17,308	575	20,076	90%
Dairy	8,970	6,802	999	7,970	88%
Pig breeding	11,078	8,946	823	10,256	94%
Mixed operations etc.	9,549	7,166	261	9,288	84%
Banking Nordic	12,680	-	127	12,553	99%
Northern Ireland	4,738	-	105	4,633	58%
C&I	5,667	1,849	43	5,624	.
Others	1	-	0	1	.
Total	73,335	42,072	2,934	70,402	89%

Share of Group net exposure	Share of Group net NPL	Expected credit loss
Q1 2020	Q1 2020	Q4 2019
2.8%	7.2%	2,915

Oil-related exposure

- Gross exposure decreased to DKK 23.8 bn from DKK 24.4 bn in Q4 2019*
- Accumulated impairments at C&I increased by DKK 1.4 bn. to DKK 3.4 bn, driven mainly by existing non-performing loans where ongoing restructuring is expected to lead to more negative outcomes due to the oil price decline resulting from the coronavirus pandemic
- 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 3.5 bn (from DKK 2.2 bn in Q4 2019). Post-model adjustments have been applied to cover effects of the oil price decline on currently performing exposures

Oil-related exposure, Q1 2020 (DKK m)

	Gross credit exposure	Expected credit loss	Net credit exposure
C&I	22,992	3,430	19,563
Oil majors	7,338	3	7,335
Oil service	3,803	266	3,536
Offshore	11,852	3,160	8,692
Banking DK and Banking Nordic	854	97	757
Oil majors	15	0	15
Oil service	830	97	733
Offshore	9	0	9
Others	3	0	3
Total	23,849	3,527	20,323

Share of Group net exposure	Share of Group net NPL	Expected credit loss
Q1 2020	Q1 2020	Q4 2019
0.8%	28.5%	2,191

* The credit exposure is reported as part of the shipping, oil and gas industry in our financial statements.

Credit exposure: Limited exposure to transportation, hotels, restaurants and leisure

Transportation exposure

- Gross exposure decreased to DKK 15.1 bn from 16.3 bn in Q4 2019*. The exposure is primarily at Banking Nordic (62%)
- Production stops, supply-chain interruptions and border restrictions will reduce demand for freight transport for a long period of time
- Governments have been imposing severe travel restrictions and most cross-border passenger transportation has experienced a dramatic reduction in demand. Our exposure to passenger air transport is limited (DKK 1.2 bn)
- Impairment charges increased in Q1 2020 due to a changed macroeconomic outlook. We have booked accumulated impairments of DKK 213 million. This partly reflects post-model adjustments due to the coronavirus pandemic

Transportation by segment, Q1 2020 (DKK m)

	Gross credit exposure	Expected credit loss	Net credit exposure
Freight transport	8,960	168	8,792
Passenger transport	4,647	37	4,609
- of which air transport	1,234	5	1,229
Postal services	1,539	8	1,531
Total	15,146	213	14,933

Share of Group net exposure	Share of Group net NPL	Expected credit loss
Q1 2020	Q1 2020	Q4 2019
0.6%	0.2%	152

Hotels, restaurant and leisure exposure

- Gross exposure decreased to DKK 15.8 bn from 17.2 bn in Q4 2019. The exposure is distributed evenly between Banking DK, Banking Nordic and C&I
- All travel-related activities continue to be depressed. Hotel spending for March was around index 20 compared to same period last year. Especially for our hotels and restaurants portfolios, the duration of the coronavirus pandemic is crucial to how deep the crisis becomes
- Impairment charges increased in Q1 2020 due to a changed macroeconomic outlook
- We have booked accumulated impairments of DKK 233 million. This partly reflects post-model adjustments due to the coronavirus pandemic

Hotels, restaurants and leisure by segment, Q1 2020 (DKK m)

	Gross credit exposure	Expected credit loss	Net credit exposure
Hotels	6,463	45	6,418
Restaurants	4,065	87	3,978
Leisure	5,318	101	5,218
Total	15,846	233	15,613

Share of Group net exposure	Share of Group net NPL	Expected credit loss
Q1 2020	Q1 2020	Q4 2019
0.6%	1.3%	149

* The numbers do not include exposure to businesses that are hit by a second round impact, e.g. airports and service companies.

Credit exposure: Limited exposure to retailing

Retailing

- Gross exposure increased to DKK 27.5 bn from DKK 26.2 bn in Q4 2019. However, the increase is towards customers with strong credit quality, and over recent years, we have had a selective approach to this segment and generally decreased exposures
- The retailing industry has generally seen credit deterioration in the past quarters, especially for retailers with limited online sales. These customers are further impacted by the lock-down following the outbreak of the coronavirus pandemic
- Impairment charges rose in Q1 2020 due to increase on single-names and changed macroeconomic outlook
- We have booked accumulated impairments of DKK 1.2 bn. This partly reflects post-model adjustments due to the coronavirus pandemic

Retailing by segment, Q1 2020 (DKK m)

	Gross credit exposure	Expected credit loss	Net credit exposure
Consumer discretionary	16,047	1,099	14,948
Consumer staples	11,445	124	11,321
Total	27,492	1,223	26,269

Share of Group net exposure Q1 2020	Share of Group net NPL Q1 2020	Expected credit loss Q4 2019
1.1%	5.8%	972

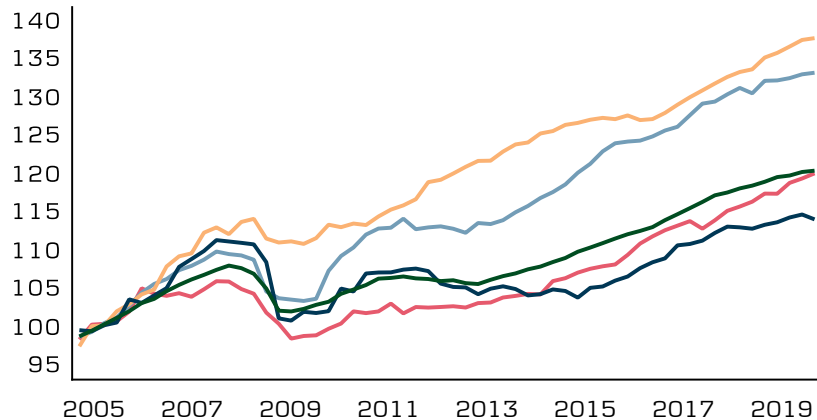
Credit quality: Assumptions behind updated IFRS 9 model scenarios

Group averages [%]	Downside (25%)		Base case (65%)		Upside (10%)	
	2020	2021	2020	2021	2020	2021
GDP	-4.2%	-1.5%	-0.1%	1.6%	1.3%	1.6%
Industrial production	-6.3%	-2.2%	-0.3%	2.9%	1.6%	1.9%
Unemployment	7.3%	8.4%	6.2%	6.1%	5.2%	5.1%
Inflation	-0.2%	-0.7%	1.0%	1.4%	1.5%	1.5%
Consumption expenditure	-2.5%	-0.7%	0.2%	0.8%	1.8%	1.8%
Property prices - residential	-13.1%	-8.3%	-2.1%	-0.4%	2.0%	2.2%
Interest rate - 3-month	-0.4%	-0.5%	-0.4%	0.0%	0.4%	0.4%
Interest rate - 10-year	-0.9%	-1.0%	-0.5%	-0.1%	0.5%	0.8%

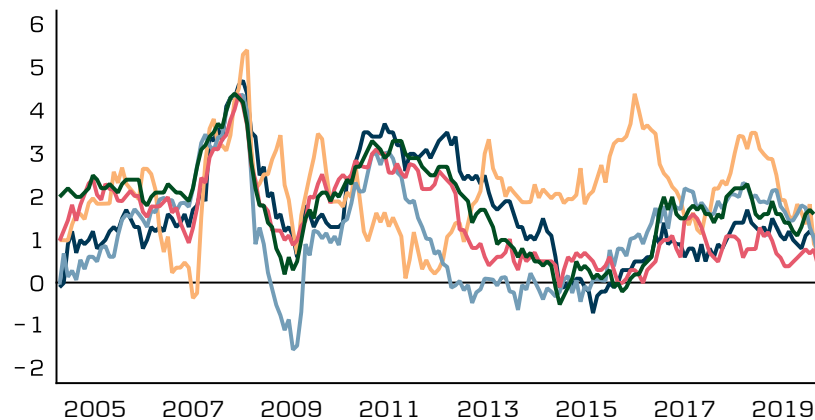
Nordic macroeconomics

Denmark Sweden Norway Finland EU

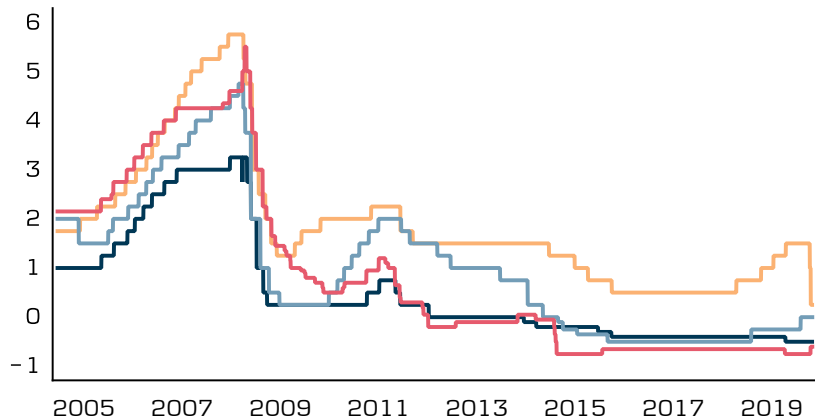
Real GDP, constant prices (index 2005 = 100)



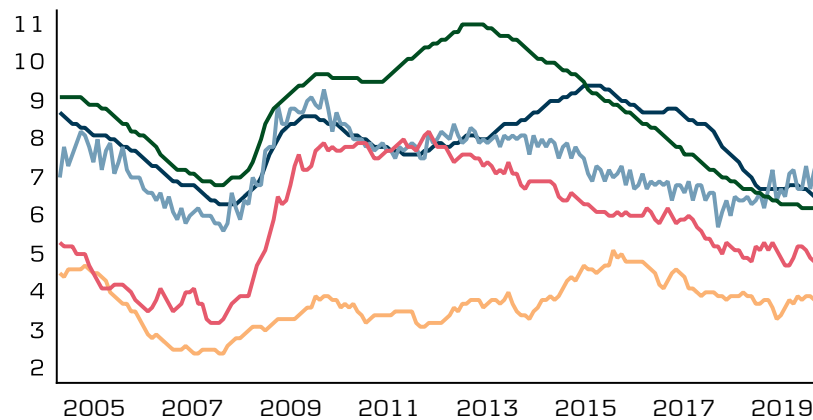
Inflation [%]



Interest rates, leading [%]



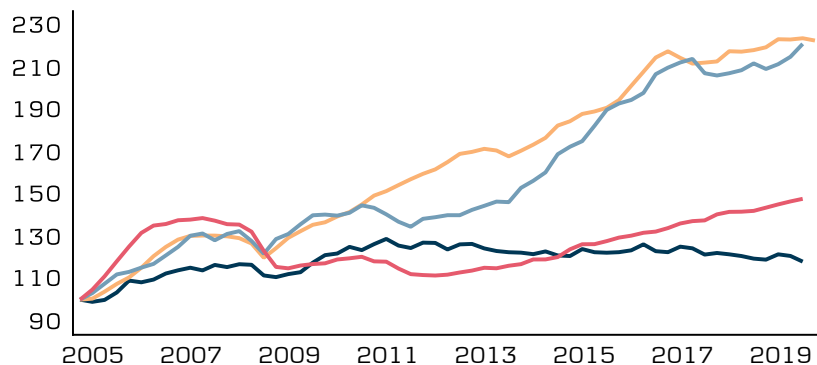
Unemployment [%]



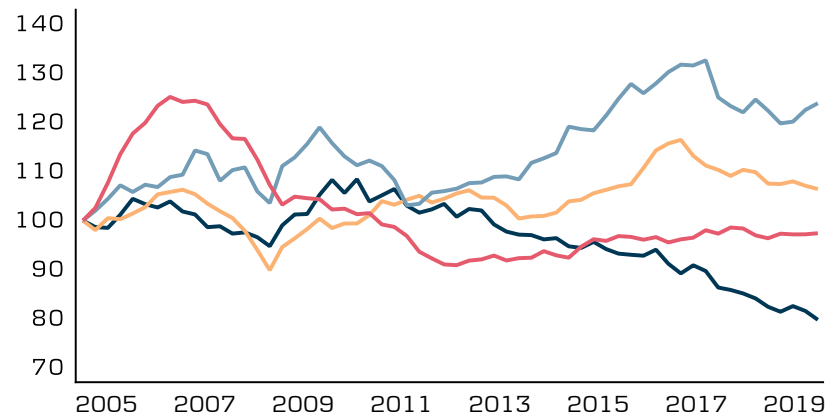
Nordic housing markets

Denmark Sweden Norway Finland

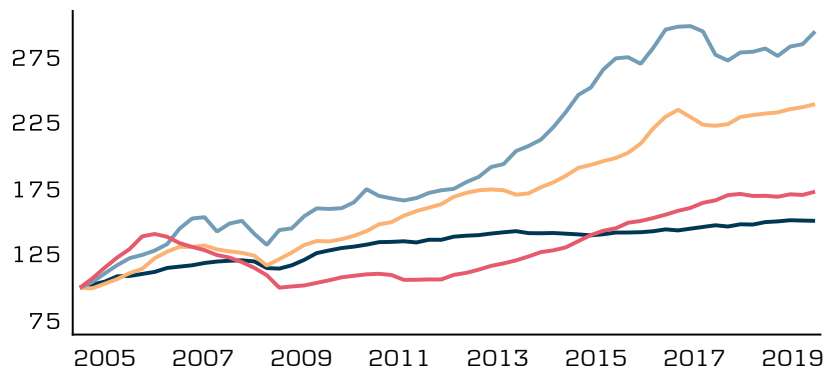
Property prices (index 2005 = 100)



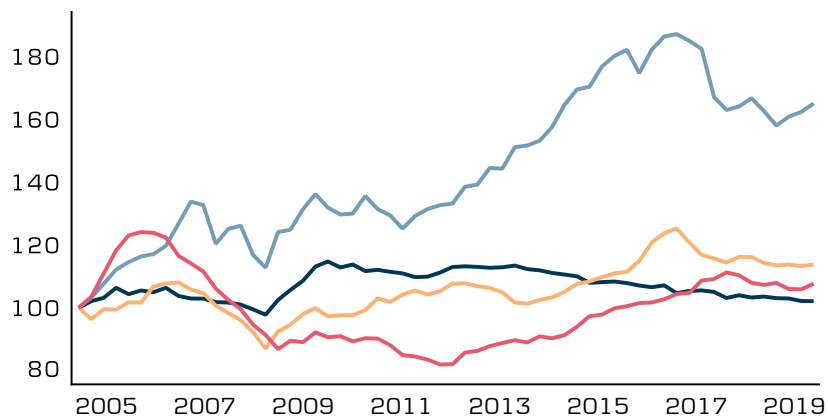
House prices/nom. GDP (index 2005 = 100)



Apartment prices (index 2005 = 100)



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



Realkredit Danmark: Portfolio overview

68% of new retail lending in Q1 was fixed-rate vs 44% of stock

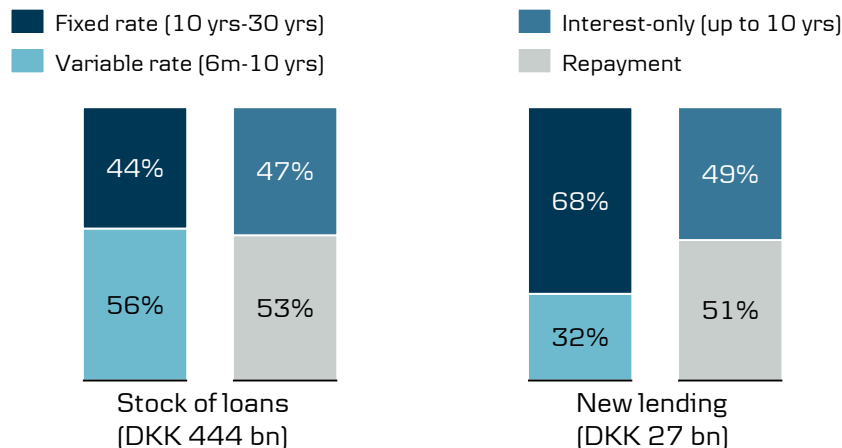
Portfolio facts, Realkredit Danmark, Q1 2020

- Approx. 347,000 loans (residential and commercial)
- 1,300 loans in 3- and 6-month arrears (-1% since Q4)
- 19 repossessed properties (+3 since Q4)
- DKK 9 bn in loans with LTV ratio > 100%, including DKK 5 bn covered by a public guarantee
- Average LTV ratio of 59%
- We comply with all five requirements of the supervisory diamond for Danish mortgage credit institutions

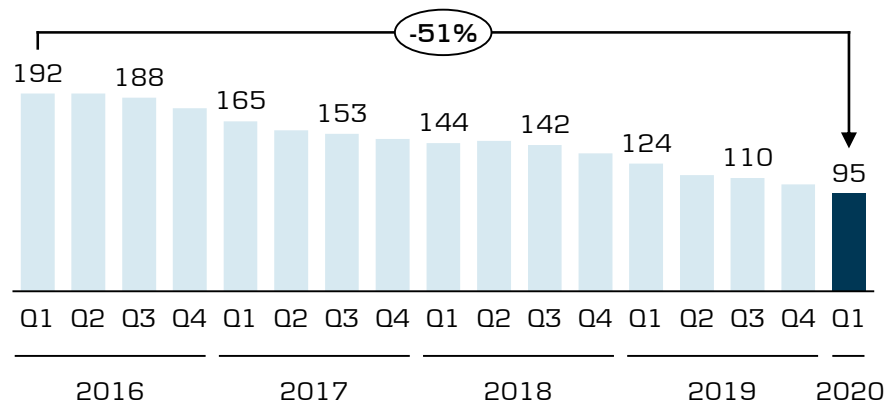
LTV ratio limit at origination (legal requirement)

- Residential: 80%
- Commercial: 60%

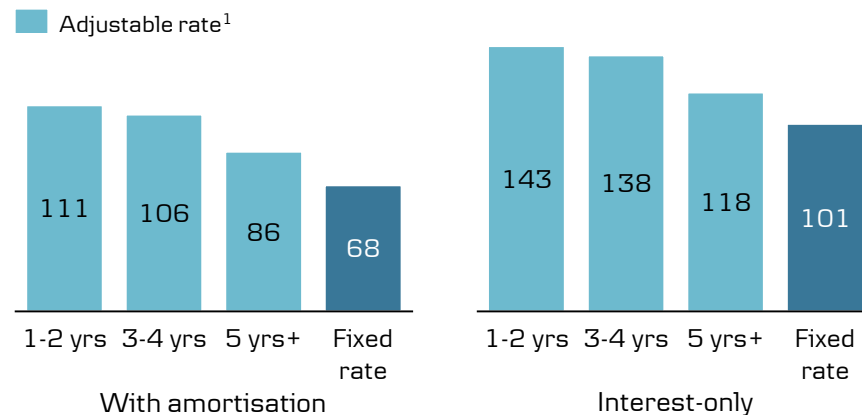
Retail loans, Realkredit Danmark, Q1 2020 (%)



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



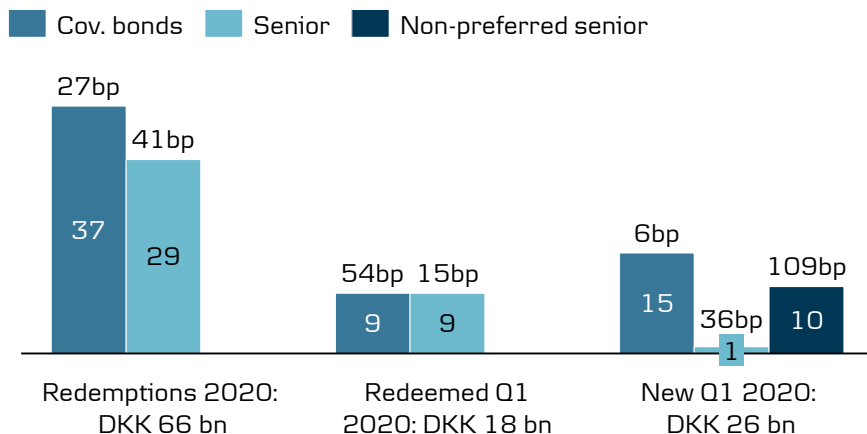
Retail mortgage margins, LTV of 80%, owner-occupied (bp)



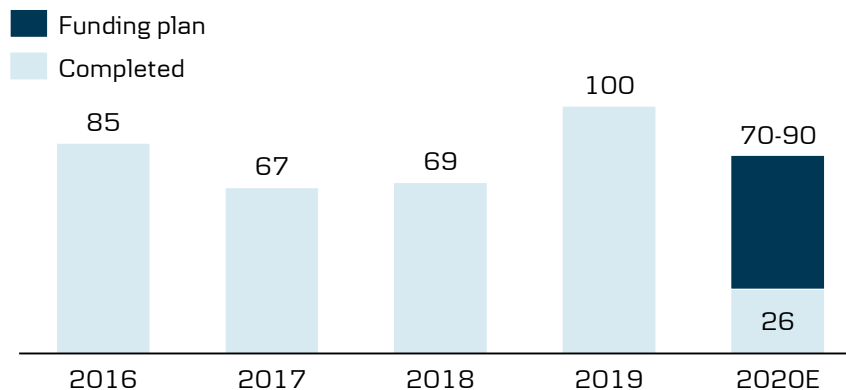
¹ In addition, we charge 30 bp of the bond price for refinancing of 1- and 2-year floaters and 20 bp for floaters of 3 or more years (booked as net trading income).

Funding and liquidity: DKK 26 bn of long-term funding and capital instruments issued in Q1 2020; LCR compliant at 154%

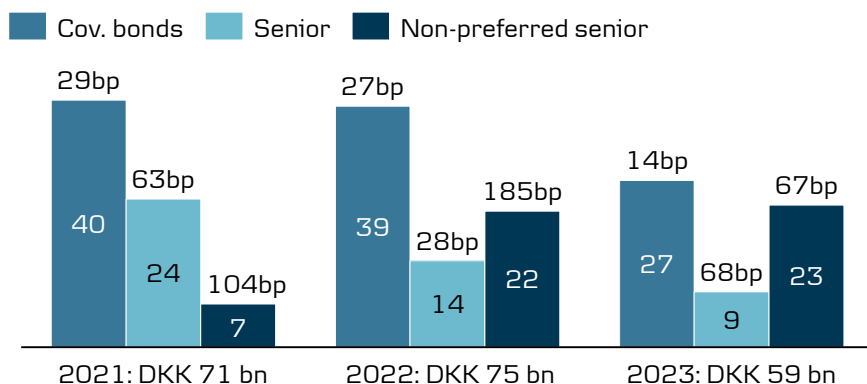
Changes in funding,* 2020 (DKK bn and bp)



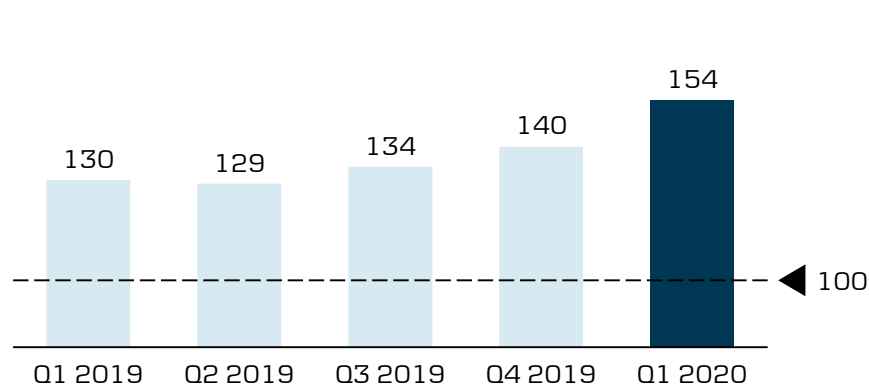
Long-term funding excl. RD (DKK bn)**



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



Liquidity coverage ratio [%]

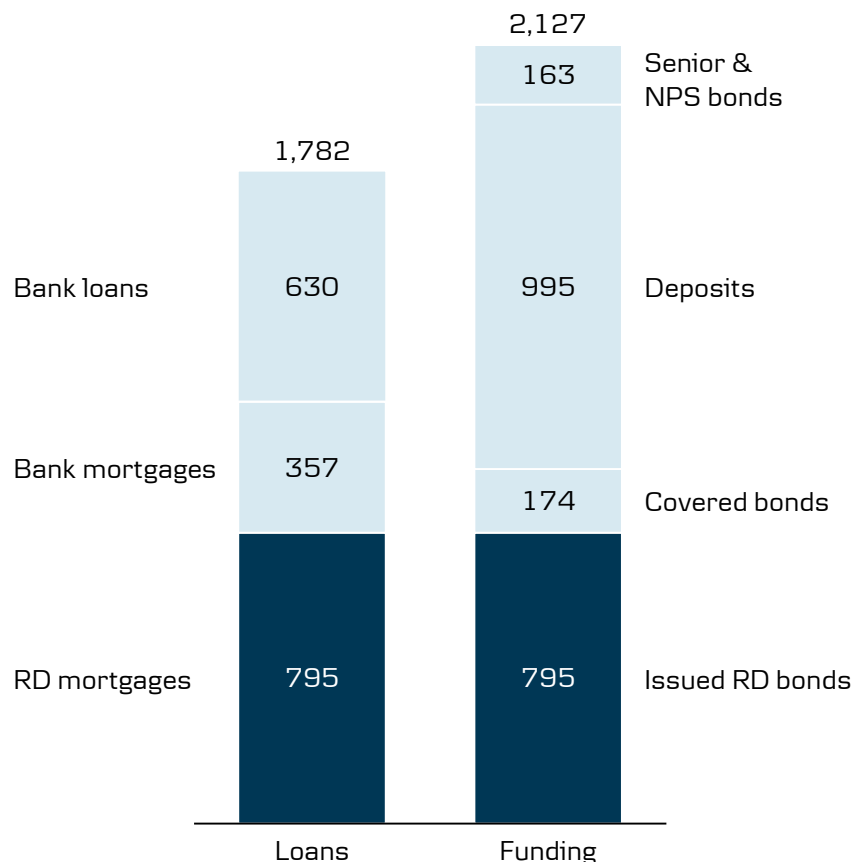


* Spread over 3M EURIBOR.

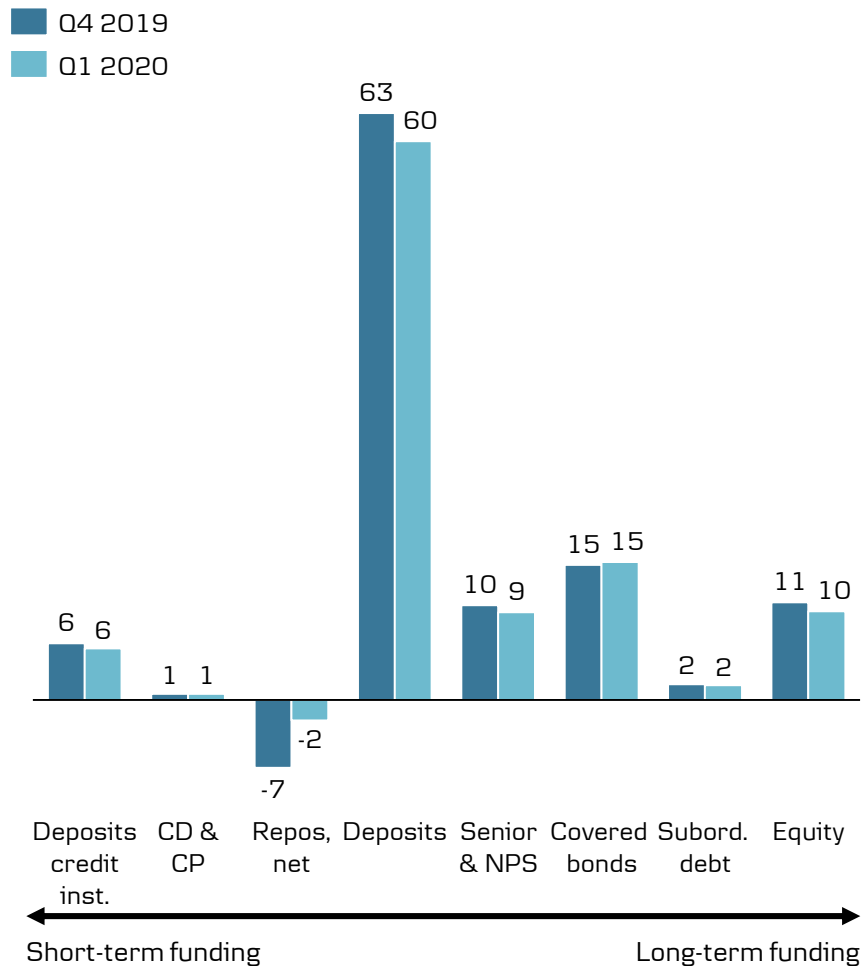
** Includes covered bonds excl. RD, senior, non-preferred senior and capital instruments.

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

Loan portfolio and long-term funding, Q1 2020 (DKK bn)



Funding sources (%)



Three distinct methods for rating banks

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 ⁵
aa-		a+		a		a+		a		a		a		a+		a (Rating Watch Negative)	No Floor		A (Rating Watch 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 m)

	Q12020	Q42019	Q32019	Q22019	Q12019
Profit before tax	-1,663	1,261	3,793	4,757	4,012
Permanent non-taxable difference	-76	1,089	-255	-1,853	164
Adjusted pre-tax profit, Group	-1,739	2,349	3,538	2,904	4,176
Tax according to P&L	-374	-3,780	782	725	1,024
One-offs:					
Taxable income from leaving IJT scheme		-576			
Release of provision for recapture of tax losses under IJT		5,806			
Provision for deferred tax adjustments on assets and liabilities measured at amortised cost		-1,096			
Taxes from previous years	-24	232	6	-65	-77
Adjusted tax	-398	585	787	661	947
Adjusted tax rate	22.9%	24.9%	22.3%	22.7%	22.7%
Actual/effective tax rate	22.5%	-299.9%	20.6%	15.2%	25.5%
Actual/effective tax rate exclusive one-offs & prior year reg.	23.9%	46.4%			

Tax drivers, Q1 2020

- The actual tax rate of 23.9% (excl. prior-year regulations) is higher than the Danish rate of 22% due to income in countries with a higher tax rate (primarily Norway) as well as the permanent non-taxable difference
- The permanent non-taxable difference derives mainly from tax-exempt value adjustments on shares
- The adjusted tax rate of 22.9% 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 m)

Q	Item	Impact (DKK m)	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	

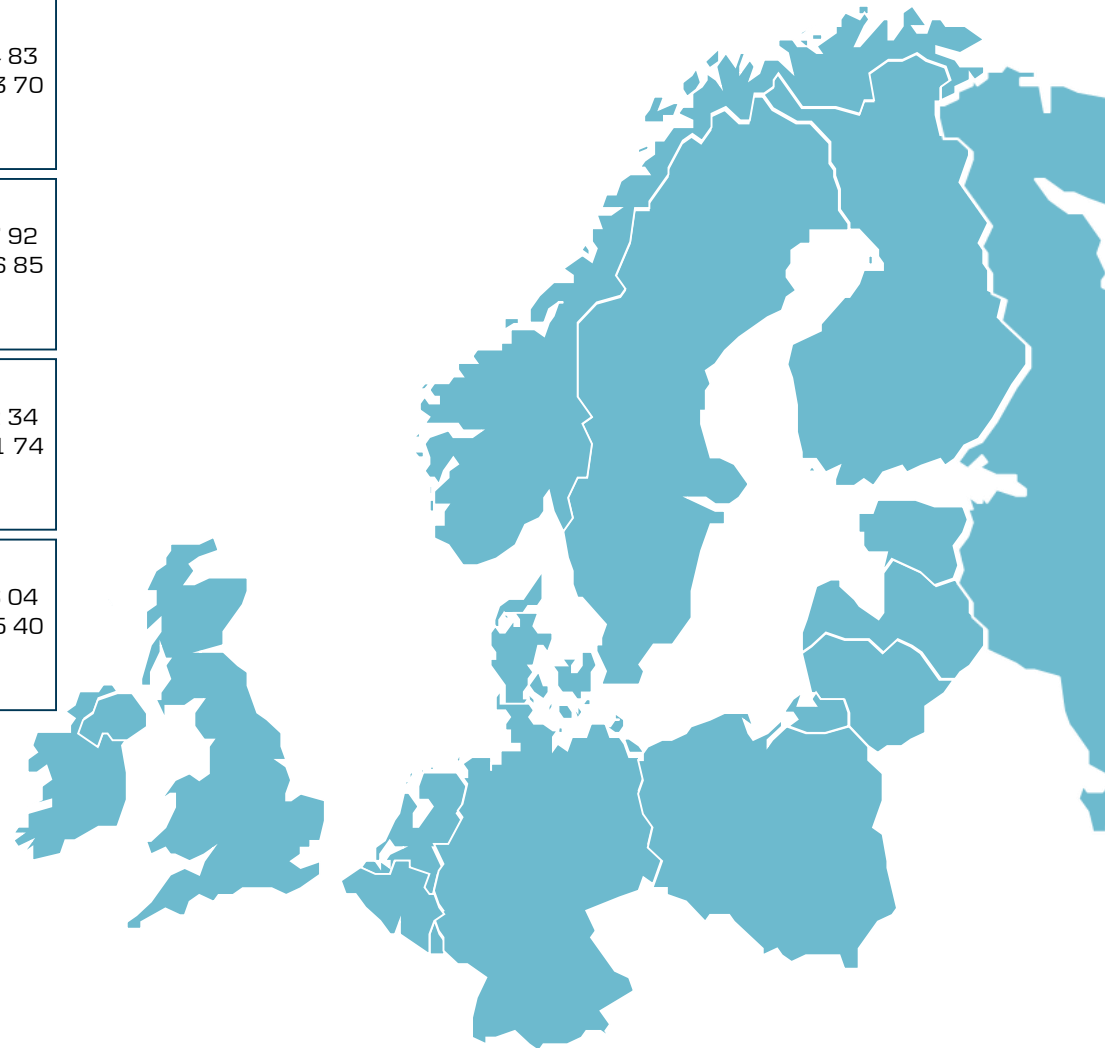
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