Financial results – first half 2020

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17 July 2020

Danske Bank

Agenda

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Executive summary: Resilient in times of turbulence; transformation plan on track

Stable business development

- Good customer lending activity among both retail and commercial customers
- Stable income excl. one-offs despite challenging trading environment in Q1
- Sound credit quality; corona-related impairments peaked in Q1
- Expenses up 7% y/y, due mainly to transformation costs and continued compliance remediation
- Net profit of 1.0 billion in the first half; ROE of 0.9%
- Resilient property markets and rebound in Danish consumer spending
- Strong capitalisation with a CET1 capital ratio of 17.6%
- Net profit outlook unchanged: we aim for a net profit of at least DKK 3 billion
- Cost initiatives expected to lower 2021 costs by 8-10% to around DKK 26 bn

Transformation towards becoming a better bank for all stakeholders is progressing

- Better Ways of Working
- Better Nordic Retail Bank
- Expedited cost programme
- Compliance under control

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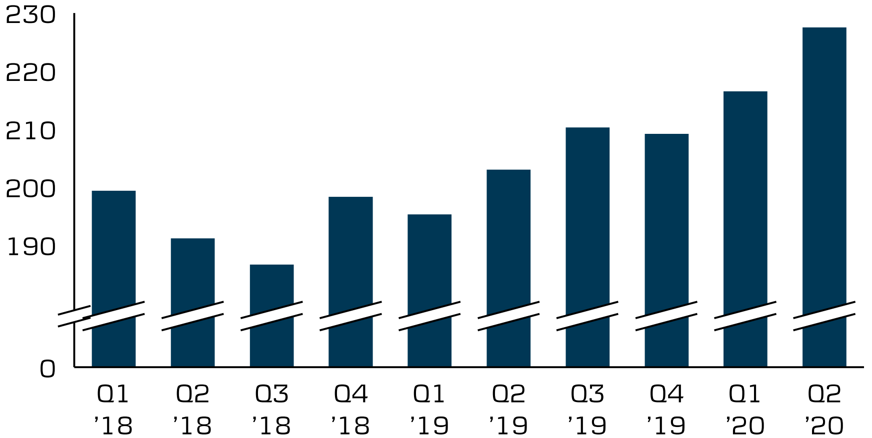
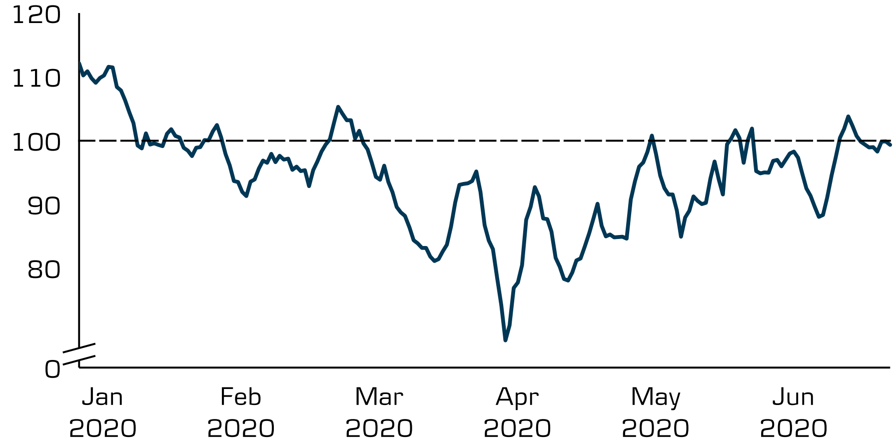
Resilient property markets and rebound in consumer spending; H2 still impacted by government support packages

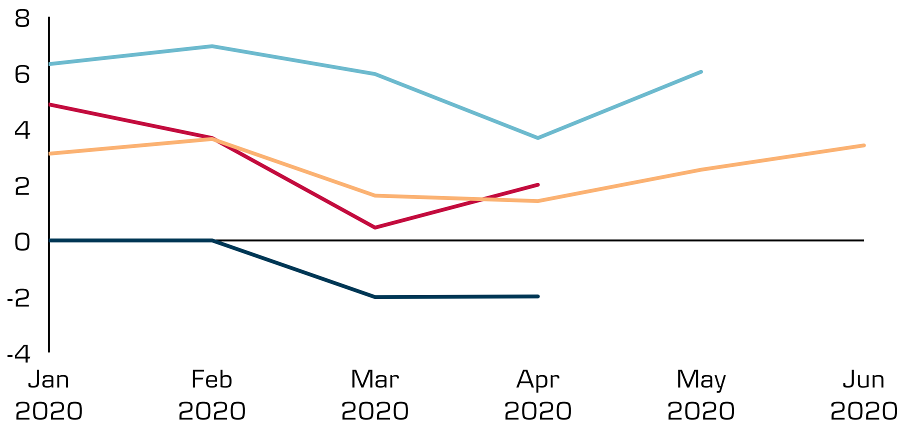
C&I lending volume (DKK bn)



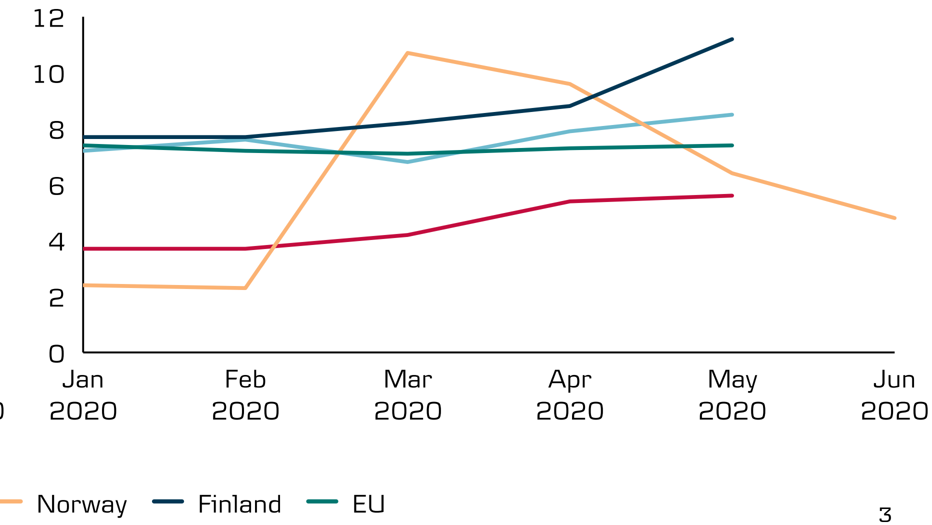
Consumer spending, Denmark (same weekday 2019 = 100)



Property prices (change y/y in %)



Unemployment (%)



Source: Danske Bank Macro Research

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Net profit of DKK 1.0 bn in H1 – significant impairments in Q1 and higher costs for compliance and transformation

Income statement and key figures (DKK m)

	H1 2020	H1 2019	Index	Q2 2020	Q1 2020	Index
Net interest income	10,989	10,890	101	5,510	5,479	101
Net fee income	7,311	7,058	104	3,638	3,673	99
Net trading income	2,300	2,602	88	2,009	291	-
Other income	280	1,783	16	117	163	72
Total income	20,880	22,333	93	11,274	9,606	117
Expenses	13,717	12,824	107	6,953	6,764	103
Profit before loan impairment charges	7,163	9,509	75	4,321	2,842	152
Loan impairment charges	5,269	470	-	1,018	4,251	24
Profit before tax, core	1,894	9,039	21	3,304	-1,409	-
Profit before tax, Non-core	-446	-270	-	-192	-254	-
Profit before tax	1,449	8,769	17	3,112	-1,663	-
Tax	413	1,749	24	787	-374	-
Net profit	1,036	7,020	15	2,325	-1,289	-
Return on avg. shareholders' equity (%)	0.9	9.0		5.7	-3.8	
Cost/income ratio (%)	65.7	57.4		61.7	70.4	
Common equity tier 1 capital ratio (%)	17.6	16.6		17.6	17.6	
EPS (DKK)	0.8	7.8		2.6	-1.7	
Lending (DKK bn)	1,823	1,809	101	1,823	1,782	102
Deposits and RD funding (DKK bn)	1,842	1,711	108	1,842	1,757	105
- of which deposits (DKK bn)	1,093	932	117	1,093	995	110
Risk exposure amount (DKK bn)	785	762	103	785	773	102

Key points, H1 2020 vs H1 2019

- NII up 1% driven mainly by lending growth at C&I and Banking Nordic
- Fee income up 4% driven by C&I and Banking Nordic – H1 2019 affected by Flexinvest Fri compensation
- Expenses up 7% due mainly to cost for the Estonia case, compliance and transformation
- Significant impairments mainly in Q1 due to corona crisis effects and weak outlook for the oil market

Key points, Q2 2020 vs Q1 2020

- NII up 1% due mainly to volume growth and higher deposit margins
- Fee income down 1% due mainly to lower remortgaging and customer activity in general
- Trading income benefited from improved DKK mortgage spreads and tailwind from xVA
- Expenses up 3% due mainly to cost for the Estonia case, compliance and transformation
- Impairments mainly towards legacy oil-related exposure

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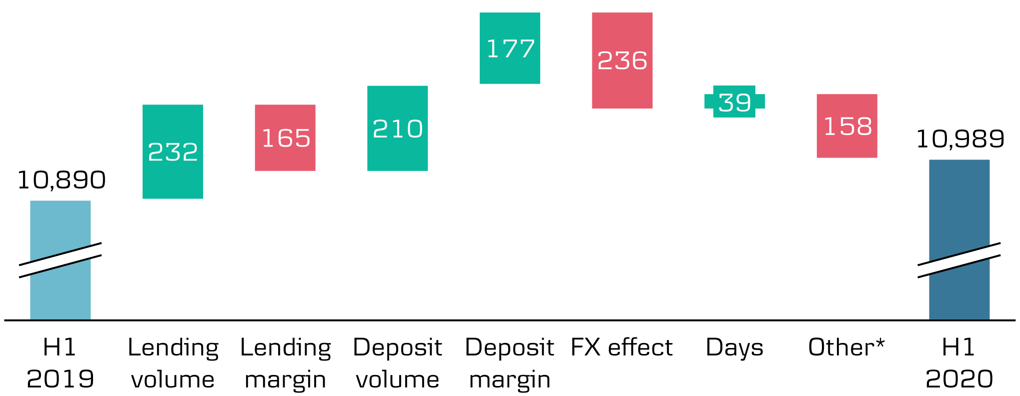
NII: Stable with lending margin pressure offset by higher volumes; deposit margin improvement in Q2

Key points

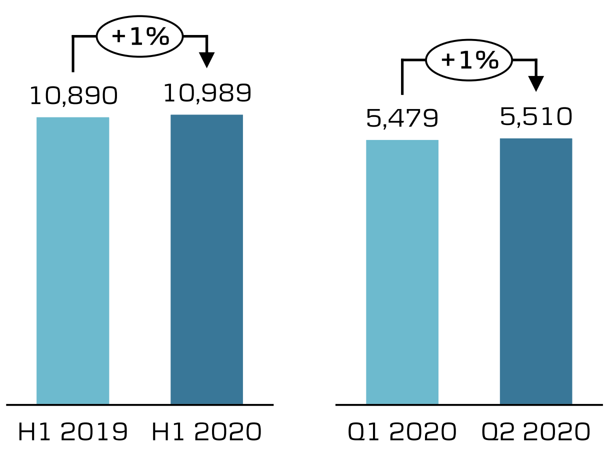
Y/Y
- NII up 1% (up 3% adjusted for FX) driven by good growth and higher deposit margins
- Significant negative FX impact as especially NOK exchange rate fell sharply

Q/Q
- NII up 1% driven by higher deposit margins and volume growth
- Deposit margins saw positive effect from Danish rate hike in March 2020

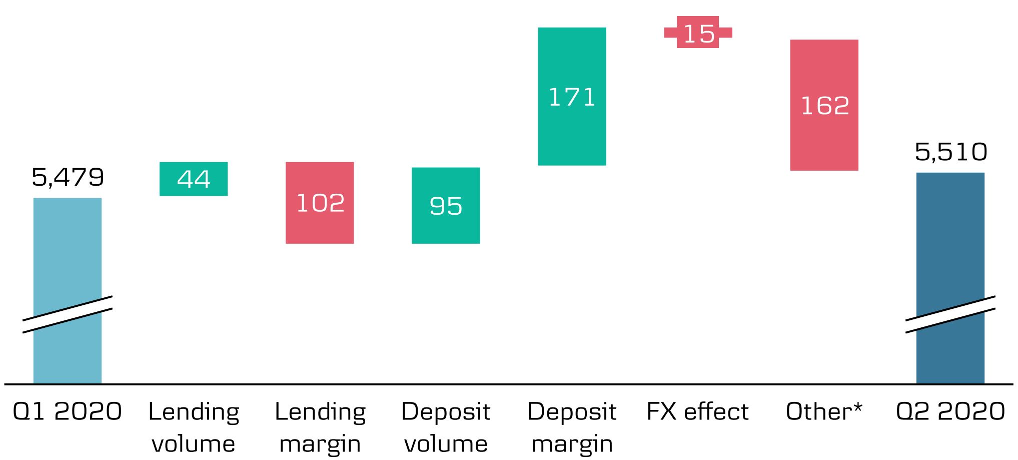
Change in net interest income, y/y (DKK m)



Group net interest income (DKK m)



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



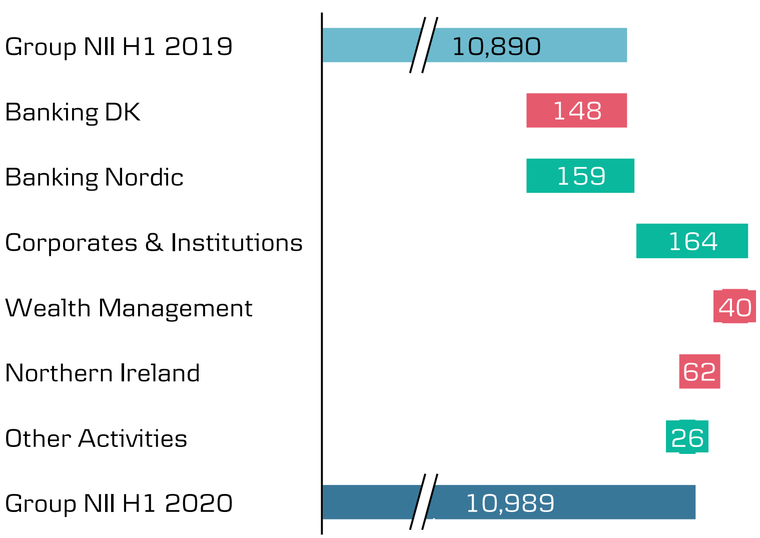
* Includes unallocated capital and liquidity costs, interest on shareholders' equity and off-balance-sheet items.

NII (cont'd): Good lending growth at C&I and Banking Nordic; continued lending margin pressure at Banking DK

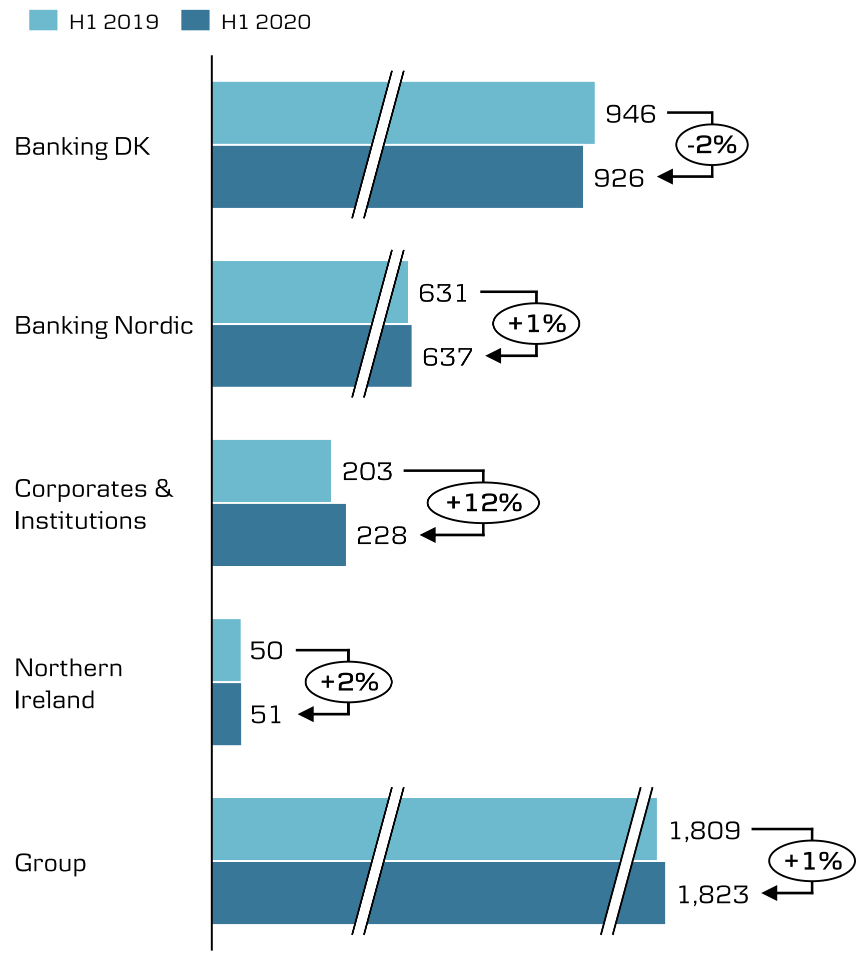
Key points

- C&I lending up 12% y/y (up 8% in General Banking) with demand for short-term facilities among highly-rated customers at slightly lower average margin amid the corona crisis
- Banking Nordic lending up 1% y/y (up 4% in local currency) with local currency lending growth in all countries and higher lending margin
- Banking DK lending down 2% y/y due to lower demand for commercial credits amid the corona crisis and squeezed lending margins; positive deposit margin effect

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 y/y driven by C&I and Banking Nordic; down q/q owing to lower activity

Key points

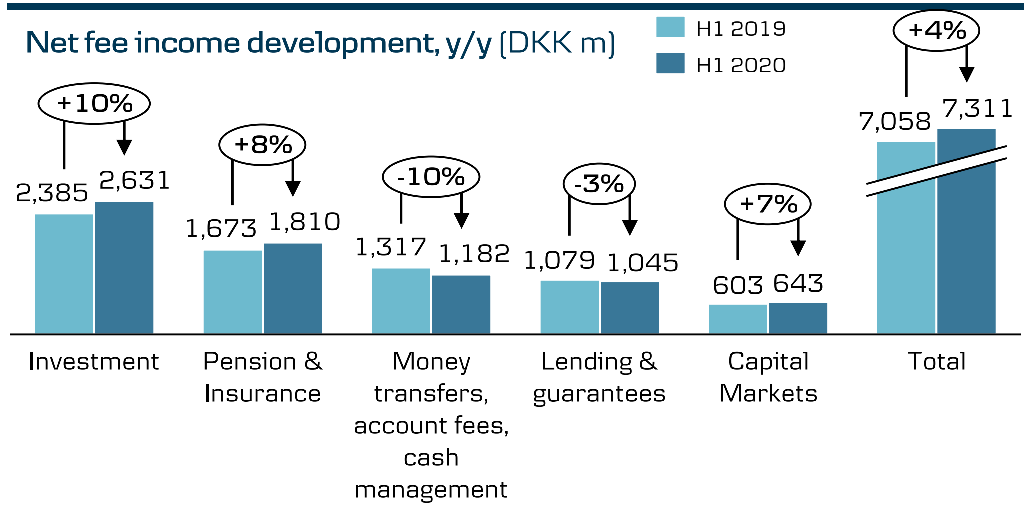
Y/Y

- Fee income up 4% driven by C&I and Banking Nordic
- Banking DK fee income in H1 2019 was affected by the Flexinvest Fri compensation of DKK 0.2 bn

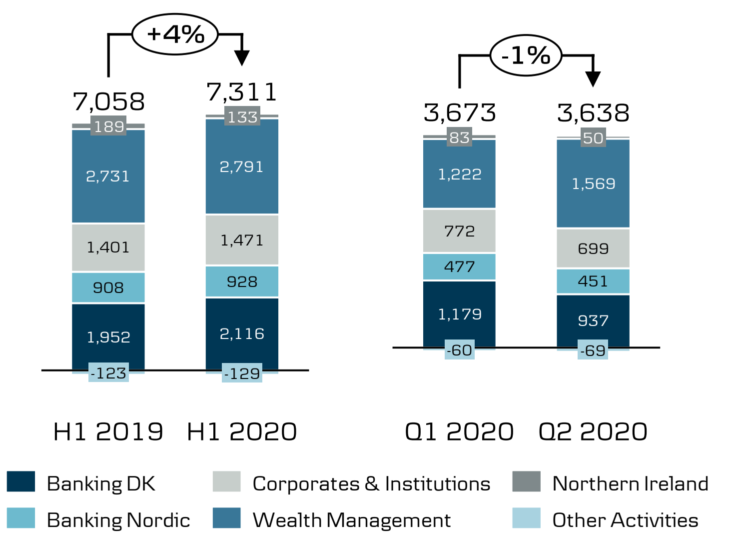
Q/Q

- Fee income down 1% as lower remortgaging and customer activity in general was partly offset by a reversal of guarantee provisions at Danica Pension

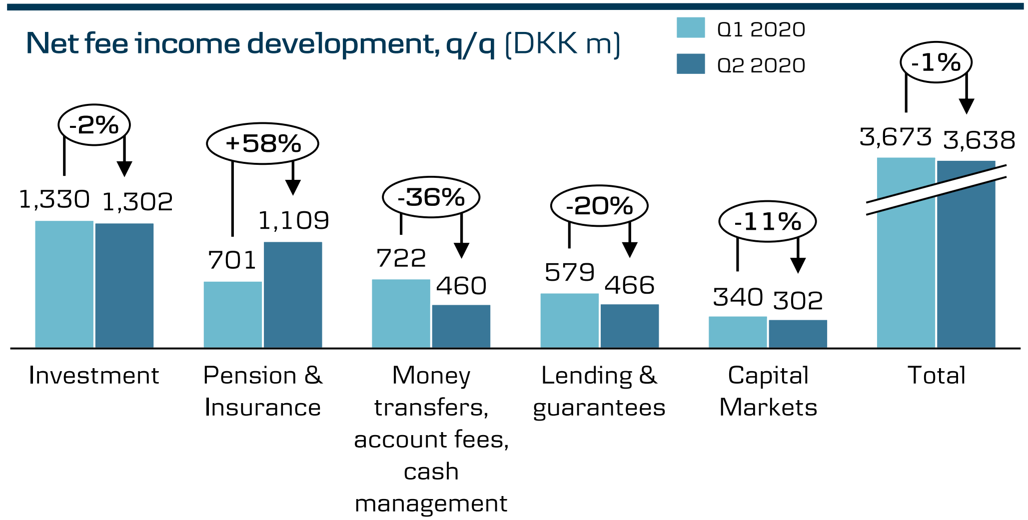
Net fee income development, y/y (DKK m)



Group net fee income (DKK m)



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



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Trading income: Turnaround in Q2 at C&I due to improved Danish krone mortgage spreads and tailwind from xVA

Key points

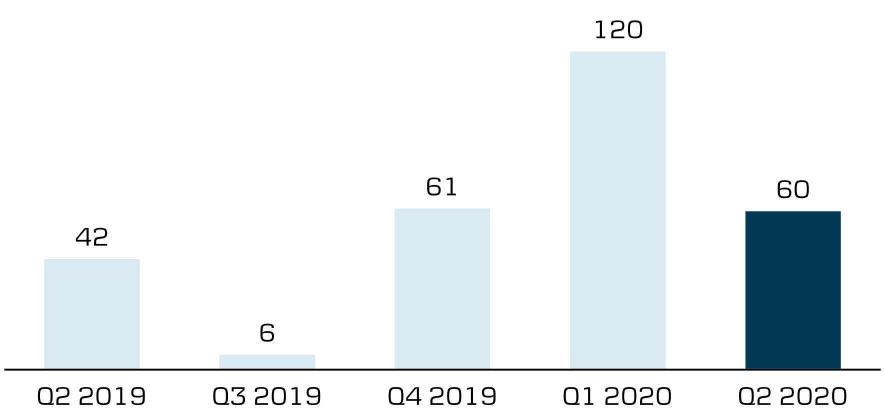
Y/Y

- Trading income declined 12% due to the turbulence in the financial markets in the first quarter with significantly wider spreads, which affected both our rates business at Corporates & Institutions and Danica Pension

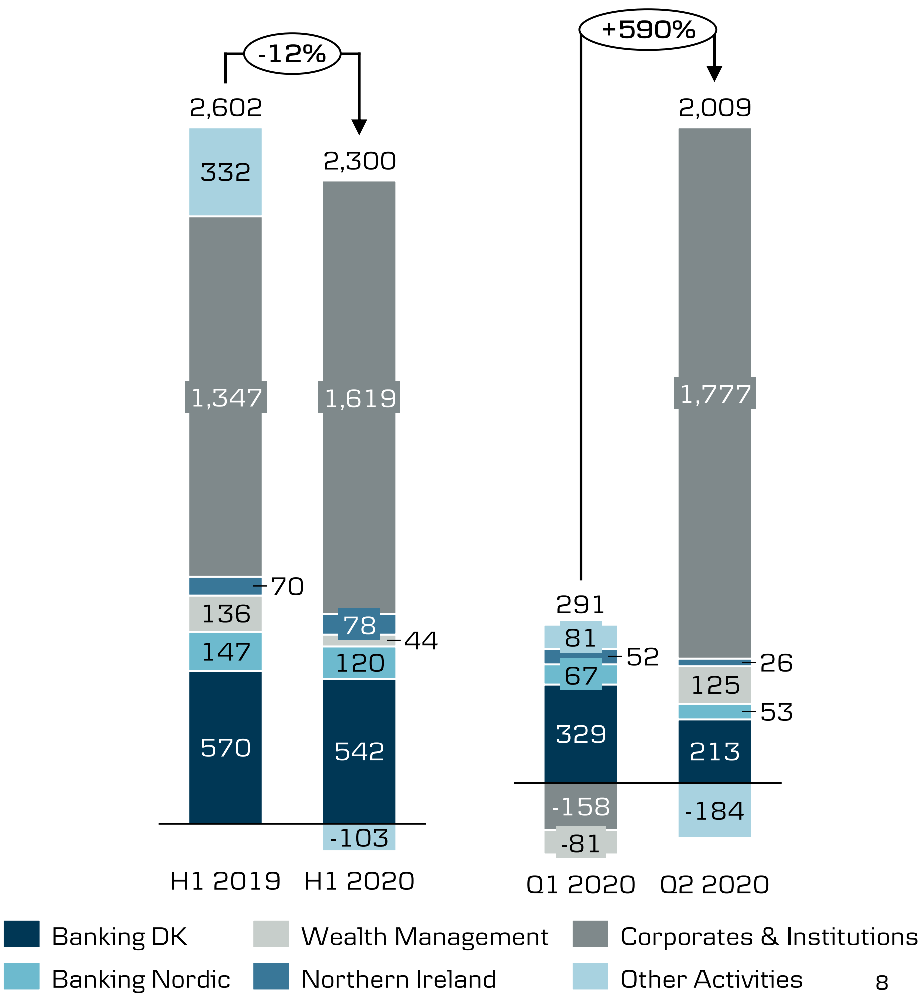
Q/Q

- As the financial markets recovered from the March headwinds, trading income at FI&C benefited from high activity and improved spreads
- Tailwind from xVA of DKK 196 m in Q2 (Q1: headwind of DKK 344 m)

Refinancing income (DKK m)



Group net trading income (DKK m)



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Expenses: Up 7% y/y, due mainly to costs for the Estonia case, compliance and transformation

Key points

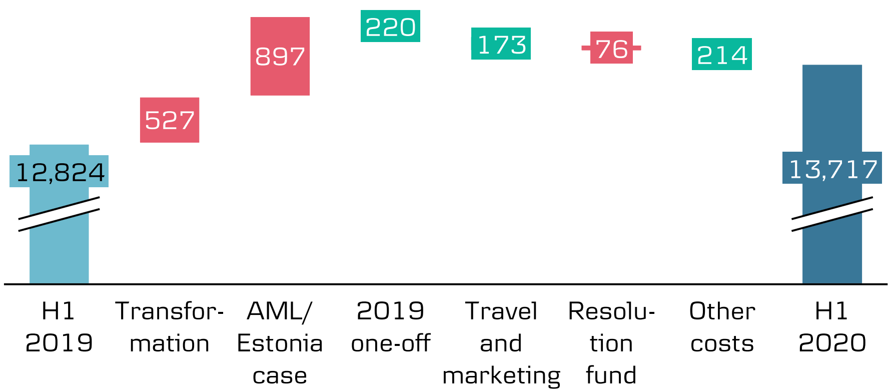
Y/Y

- Expenses up 7%, due mainly to costs for the Estonia case, compliance-related activities and transformation
- Non-personnel costs came down as a result of lower activity and increased cost discipline
- First effects of the Group-wide cost programme starting to materialise

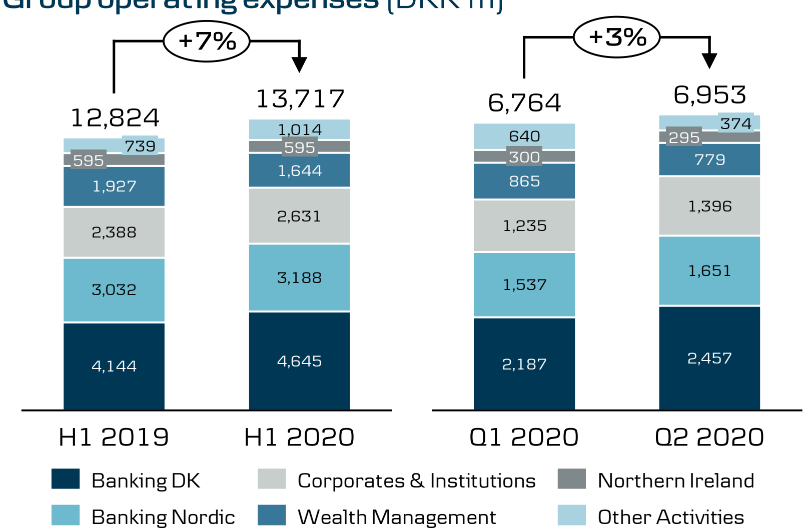
Q/Q

- Expenses up 3%, due mainly to transformation costs and compliance

Change in expenses, y/y (DKK m)



Group operating expenses (DKK m)



Change in expenses, q/q (DKK m)

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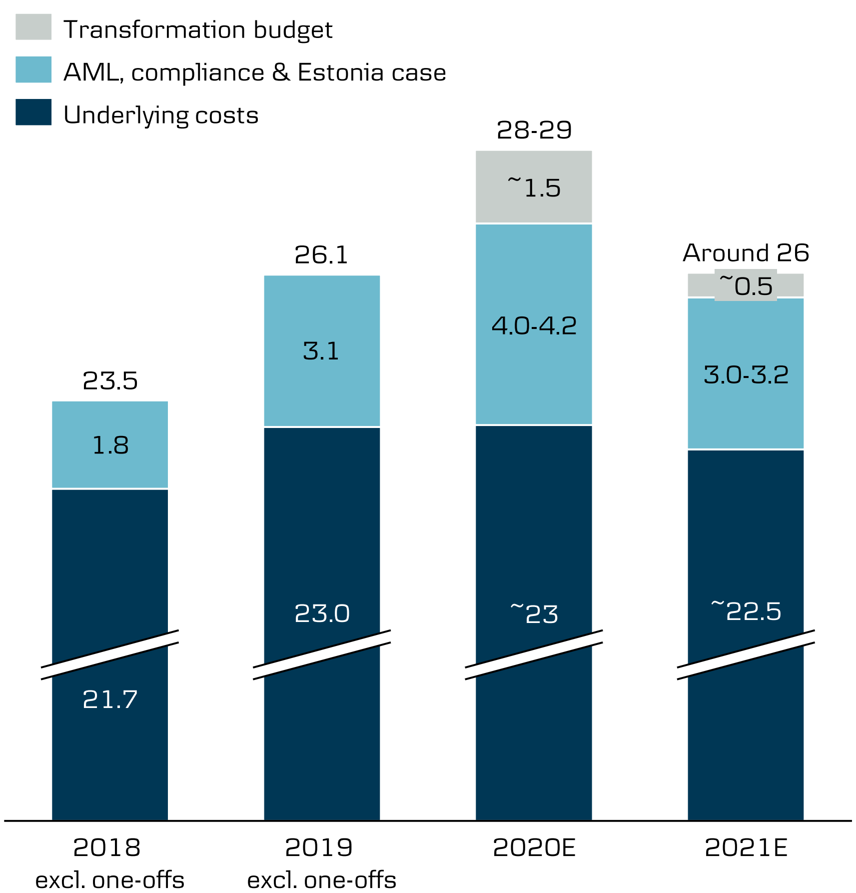
2020 cost outlook unchanged despite added compliance costs; 2021 costs expected to be at around DKK 26 bn

Group costs 2018-2021E (DKK bn)



Comments, 2020E

- Higher-than-expected costs for the Estonia case coupled with additional costs for AML and compliance create headwinds of around DKK 0.7 bn relative to the original assumptions
- Higher contribution to the resolution fund, higher VAT payments and costs associated with FSA orders on IT security add around DKK 0.3 bn to the underlying cost base
- As a result of the coronavirus pandemic, parts of the transformation agenda have been delayed slightly. Around DKK 0.5 bn of the transformation budget will be spent in 2021, leaving a 2020 transformation budget of around DKK 1.5 bn
- To mitigate increased compliance and other costs, we have taken a range of additional cost reduction initiatives, including travel expenses, marketing and non-transformation-related consultancy costs, designed to take out around DKK 0.5 bn in costs

Comments, 2021E vs 2020E

- We expect costs for 2021 of around DKK 26 bn as a result of a lower transformation budget, lower costs for compliance and the Estonia case as well as expedited cost reductions of underlying costs, including sizeable FTE reductions throughout the Group towards the end of 2020, as well as in 2021

Transformation budget: Estimated P&L effect of around DKK 1.5 bn in 2020; further investments planned for 2021

2020 focus area delivery scope

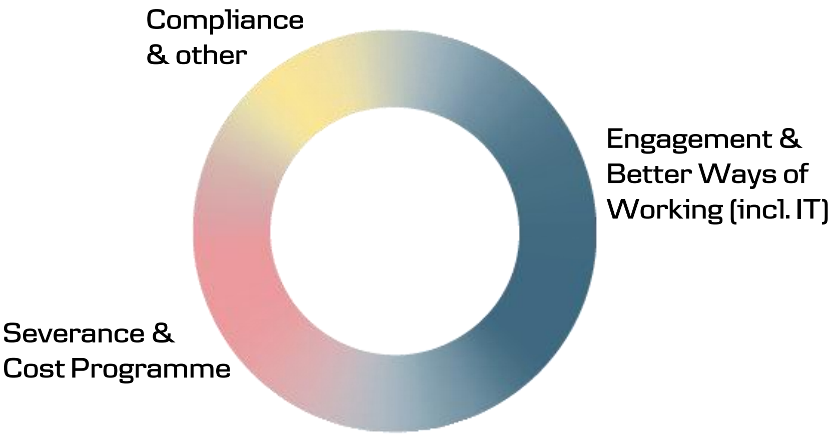
1. **Better Ways of Working (BWoW)**
Fundamentally changing the way we work by ramping up three main initiatives while delivering proof of scale: Customer journey acceleration, Ways of Working redesign and IT industrialisation

2. **Purpose, Brand, Culture & Engagement**
Further engagement with employees and leaders to deliver on three tracks: Future purpose, Target culture and Coherent brand strategy

3. **Group-wide Cost Programme**
Expedite cost efforts (also short-term) to balance higher uncertainty on income side until 2023 and lay out the target picture for a less complex bank in 2023

4. **Compliance under Control**
Building an effective and efficient Compliance function through strategic initiatives: Improved Trade & Communication Surveillance, building a stronger Conduct Culture, and better Sanctions & Embargoes screening

Allocation of 2020 transformation budget



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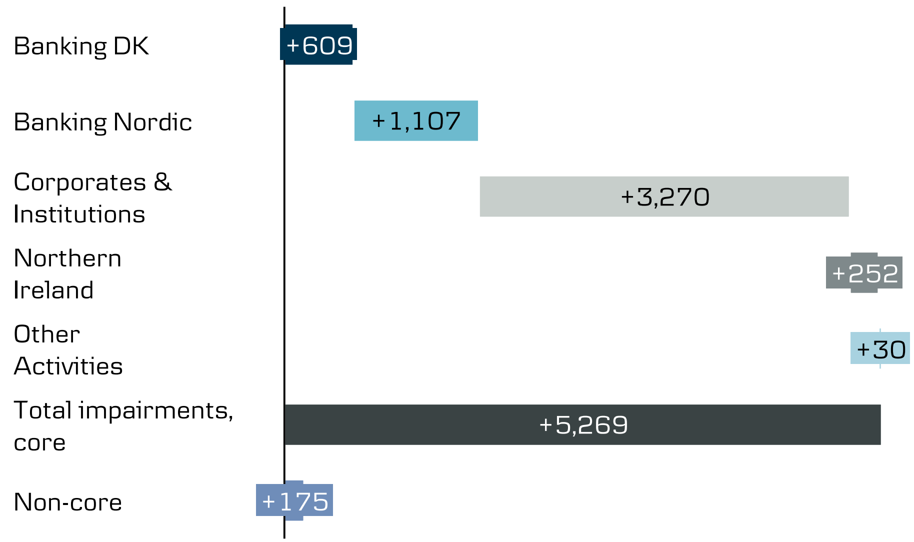
Impairments: Significant impact from the corona crisis; allowance account continues to increase; NPL only slightly up during H1

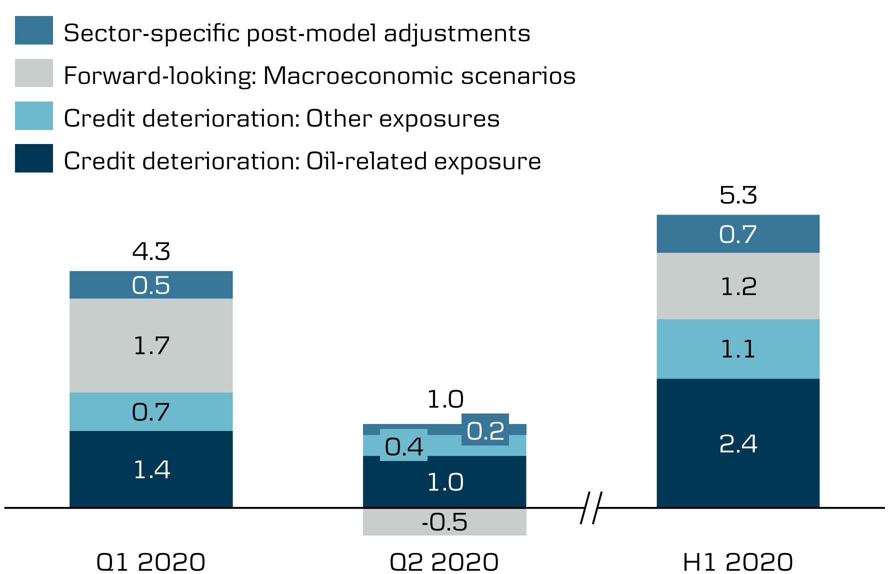
Key points, Q2 2020

- Charge of DKK 1.0 bn for core; core loan loss ratio of 22 bp
- Impairments were driven primarily by further charges against legacy exposures in the oil offshore segment
- Macroeconomic scenarios used for impairment calculations have been updated to be based on Covid-19 bespoke scenarios, leading to a reversal of DKK 0.5 bn
- Allowance account continues to include impairments booked for anticipated credit deterioration based on estimated macroeconomic worsening of DKK 1.9 bn at end-H1 2020

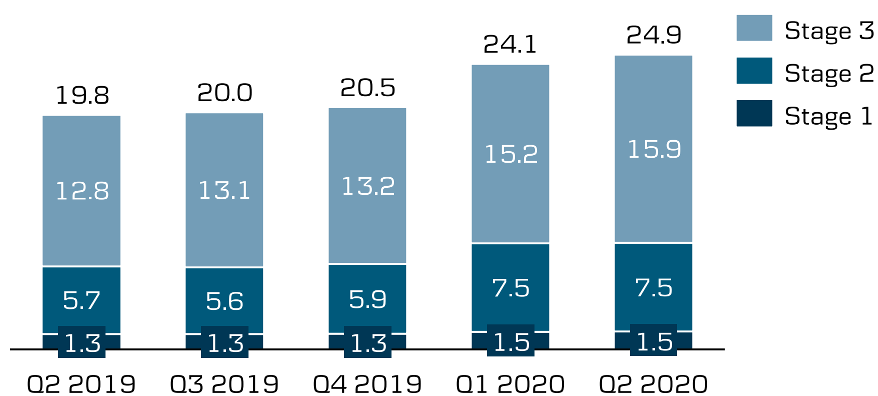
Impairment charges by business unit, H1 2020 (DKK m)



Impairment charges by category, H1 2020 (DKK bn)



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



* Please see slide 31 for assumptions behind updated IFRS 9 model scenarios

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Oil-related exposure: Increased impairments against single-name oil-related exposures in Q2

Key points, H1 2020

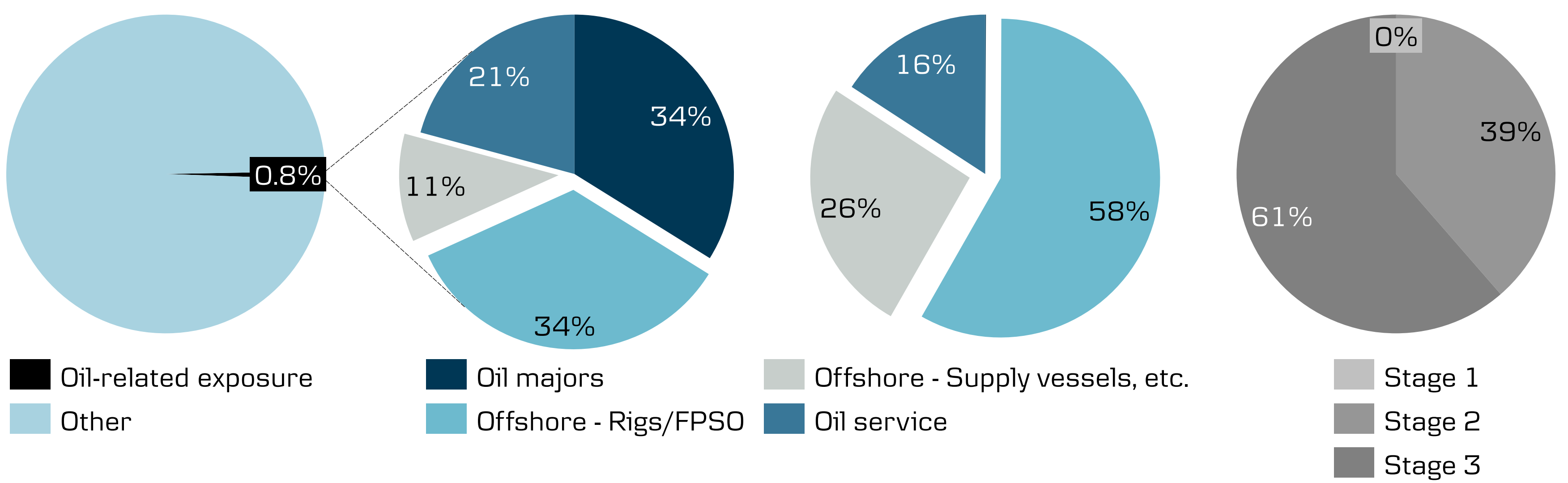
- The directly oil-related exposure makes up 0.8% of Group gross credit exposure
- The offshore segment, where we see credit deterioration, makes up 45% of the exposure and accounts for 84% of expected credit losses
- Continued uncertainty, especially in the offshore service and drilling segments, led to additional impairments in Q2. These are driven by a continually low oil price and lower activity, which makes restructuring increasingly difficult as the willingness to provide new capital is limited. The prolonged weakness of the oil market increases uncertainty

Group gross credit exposure (DKK 2,621 bn)

Oil-related exposure (DKK 21.7 bn)

Expected oil-related credit loss (DKK 4.4 bn)

Offshore exposure by IFRS 9 stage (DKK 9.9 bn)



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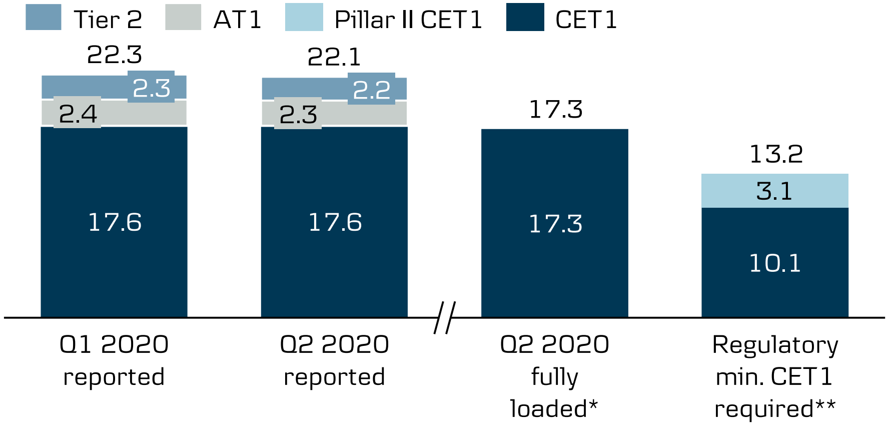
Capital: Strong capital base; CET1 capital ratio of 17.6% (buffer of 4.3%)

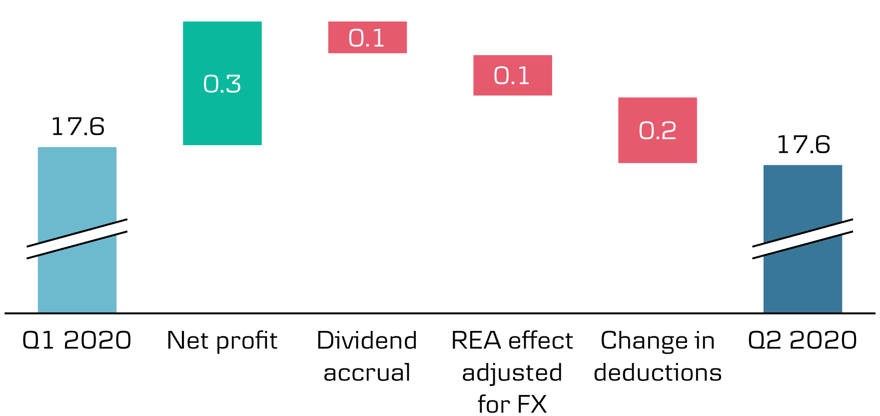
Capital highlights, Q2 2020

- CET1 ratio flat q/q as an increased REA and a higher deduction for Danica Pension offset accrued earnings
- CET1 ratio impact from FX movements eliminated by the structural FX hedge
- The REA increased as expected, driven by market risk, while credit risk benefited from the implementation of CRR Quick Fix
- CET1 capital ratio target of above 16% in the short term
- Implementing revised EBA guidelines and technical standards is expected to increase the REA by around 3% during H2 2020 and continue into 2021
- Leverage ratio of 4.4% under both transitional and fully phased-in rules

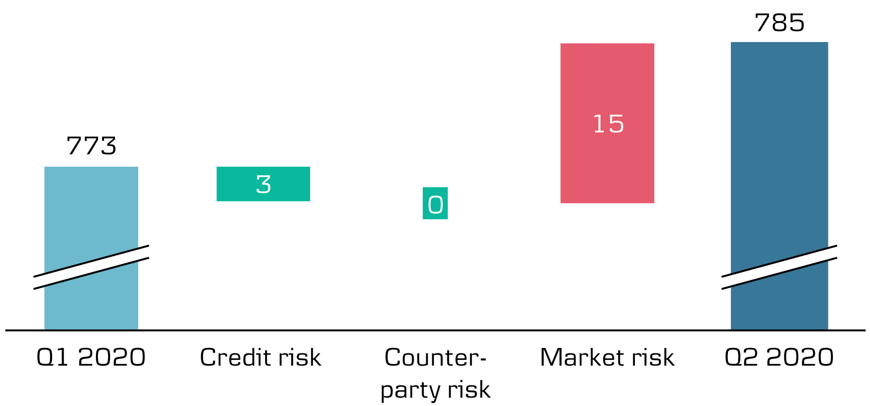
Capital ratios, under Basel III/CRR (%)



CET1 capital ratio, Q1 2020 to Q2 2020 (%)



Total REA, Q1 2020 to Q2 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.

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Net profit outlook maintained: We aim for a net profit of at least DKK 3 billion in 2020

Net interest income	Updated: We expect net interest income to be at around the same level as in 2019 as margin pressure and higher funding costs will offset continued volume growth
Net fee income	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	Updated: Expenses are expected to be in the range of DKK 28-29 billion, driven by transformation costs and costs for continued compliance remediation
Impairments	Updated: Loan impairment charges in 2020 are expected to be significantly higher due to the impact of the coronavirus pandemic on the economic outlook, with most impairments recognised already in the first half of the year
Net profit	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 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

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

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H1 2020 status on 2023 Group targets for Societal Impact & Sustainability

Focus area	2023 target	H1 2020 status	Comment on development
Sustainable investing	DKK 30 bn in green investments by Danica Pension; towards DKK 100 bn by 2030	DKK 19.6 billion	Increase especially in green bonds investing
Sustainable financing	Well above DKK 100 bn in sustainable financing incl. arranged bonds	DKK 71.0 billion	We saw a significant increase in arrangement of social bonds. Volume of green loan stock continues to grow at a stable pace
	Setting a climate target for our commercial lending portfolio by 2023	Ongoing	We joined Partnership for Carbon Accounting Financials in Q2 2020
Governance	Over 95% of employees trained annually in risk & compliance and passed tests	Ongoing	First wave of mandatory e-learning started on 5 May
Diversity and inclusion	35% women in senior leadership positions	25%	D&I strategy approved and D&I perspective is being integrated into people processes
Environmental footprint	Reducing our CO_2 emissions by 10% vs 2019 and 75% vs 2010*	Ongoing	Continually reduced air travel in Q2 due to the corona crisis led to 70% less CO_2 from air travel than in H1 2019
Entrepreneurship	10,000 start-ups & scale-ups supported with growth & impact tools, services and expertise	4,321 start-ups & scale-ups	470 new start-ups have posted jobs by Q2 - a growth of 12% from end-2019
Financial literacy	2m people supported with financial literacy tools & expertise	1,026,187 people	43% increase since YE 2019, driven mostly by new platform pengeskyen.dk targeting parents

* Baseline is 54,823 tonnes CO_2 emissions in 2010.

Q&A session

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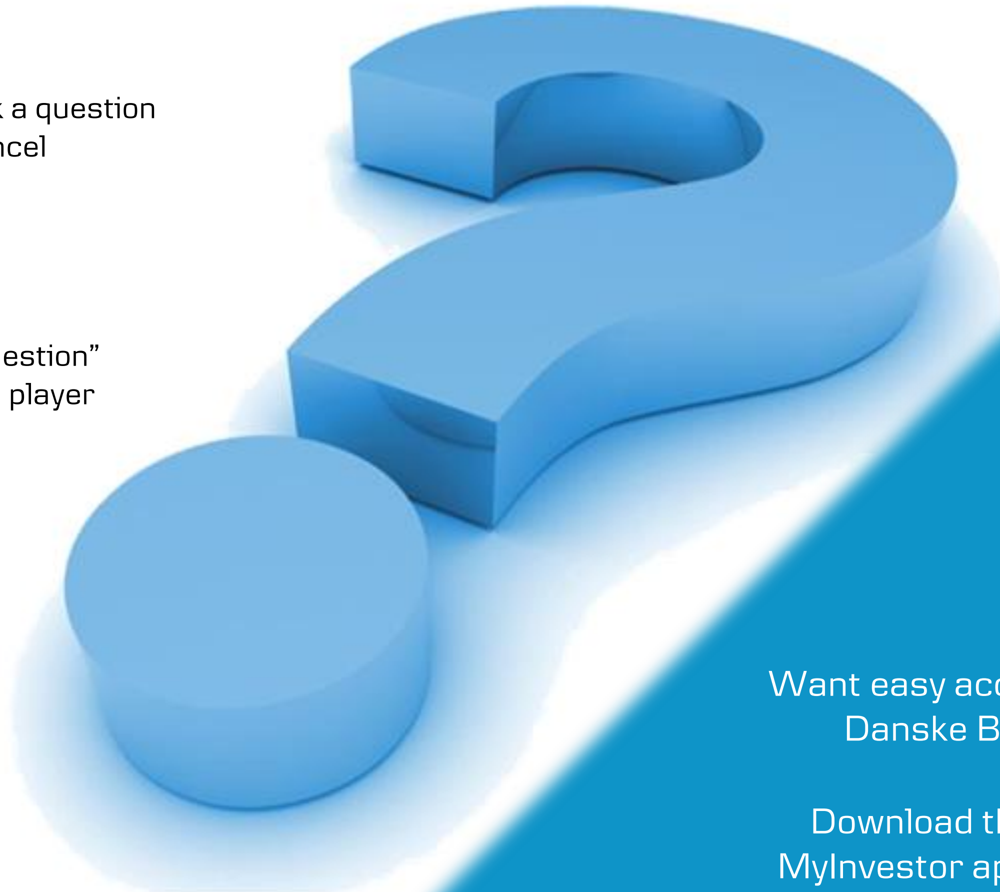

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Appendix

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Banking DK: Lending and total income down; higher expenses and higher impairments driven by model updates

Income statement and key figures (DKK m)

	H1 2020	H1 2019	Index	Q2 2020	Q1 2020	Index
Net interest income	4,481	4,629	97	2,277	2,203	103
Net fee income	2,116	1,952	108	937	1,179	79
Net trading income	542	570	95	213	329	65
Other income	86	115	75	40	45	89
Total income	7,224	7,266	99	3,468	3,756	92
Expenses	4,645	4,144	112	2,457	2,187	112
Profit before loan impairment charges	2,579	3,123	83	1,010	1,569	64
Loan impairment charges	609	27	-	-337	945	-
Profit before tax	1,971	3,095	64	1,347	624	216
Lending (DKK bn)	926	946	98	926	927	100
Deposits and RD funding* (DKK bn)	1,186	1,149	103	1,186	1,157	103
Deposits (DKK bn)	386	346	111	386	364	106

Key points

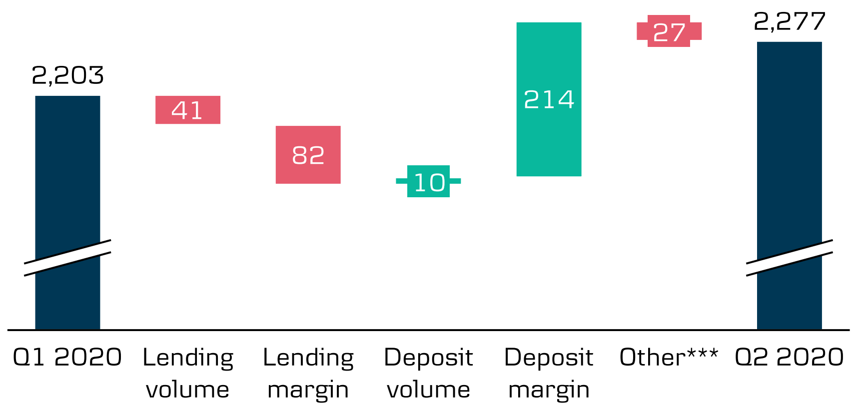
Y/Y

- NII down 3% due to margin pressure
- Fee income up due mainly to Flexinvest Fri compensation in H1 2019
- Expenses up 12% due to costs for regulatory compliance and transformation
- Impairment charges reflect changes in macroeconomic outlook & scenarios

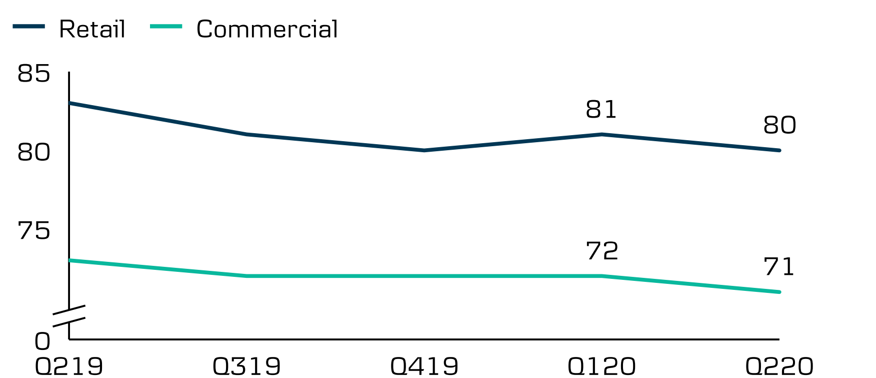
Q/Q

- Lending flat, NII up 3% due mainly to higher deposit margins
- Expenses up 12% due mainly to costs for regulatory compliance and transformation

Banking DK NII bridge** (DKK m)



Realkredit Danmark lending spread (bp)



* Before the elimination of the Group's holding of own covered bonds. ** Based on average volumes. *** Includes capital costs, day effect and off-balance-sheet items.

Banking Nordic: Lending growth in all markets in local FX; impairments largely driven by model updates

Income statement and key figures (DKK m)

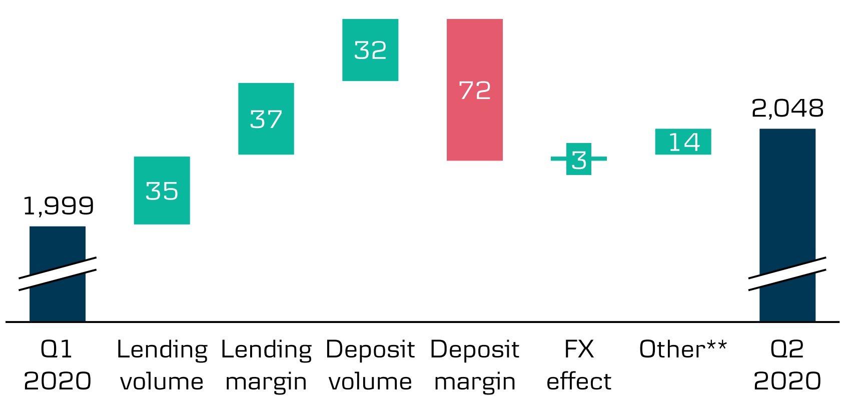
	H1 2020	H1 2019	Index	Q2 2020	Q1 2020	Index
Net interest income	4,047	3,888	104	2,048	1,999	102
Net fee income	928	908	102	451	477	95
Net trading income	120	147	82	53	67	79
Other income	277	322	86	128	149	86
Total income	5,372	5,266	102	2,680	2,692	100
Expenses	3,188	3,032	105	1,651	1,537	107
Profit before loan impairment charges	2,184	2,234	98	1,029	1,155	89
Loan impairment charges	1,107	-87	-	155	952	16
Profit before tax	1,077	2,321	46	874	203	-
Lending (DKK bn)	637	631	101	637	607	105
Deposits (DKK bn)	298	263	113	298	270	110

Key points

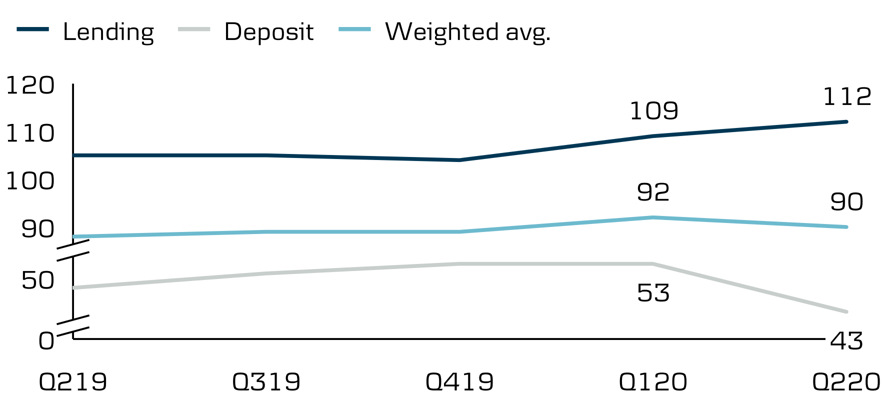
Y/Y
- NII up 4% due to growth and development in interest rates
- Expenses up due to costs for regulatory compliance and transformation
- Impairments largely driven by changes in macro outlook and a few single names

Q/Q
- NII up 2% due to volume growth and higher lending margin
- Expenses up 7% due to costs for regulatory compliance and transformation

Banking Nordic NII bridge* (DKK m)



Banking Nordic margins (bp)



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

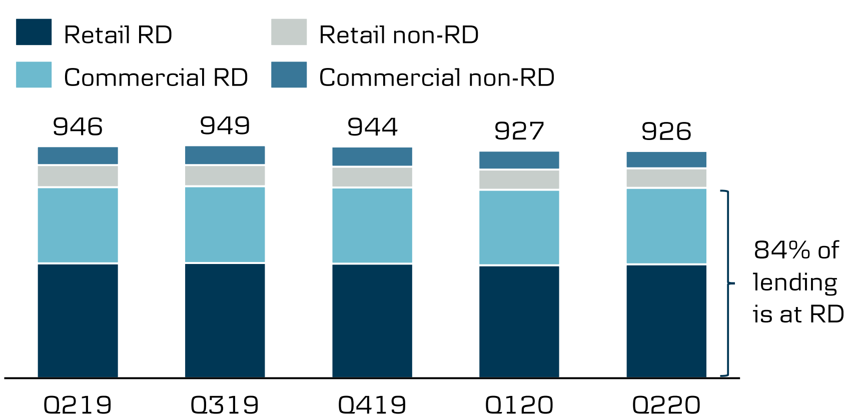
Lending growth: Growth of 4% in local currency at Banking Nordic; down 2% at Banking DK due to low demand

Comments

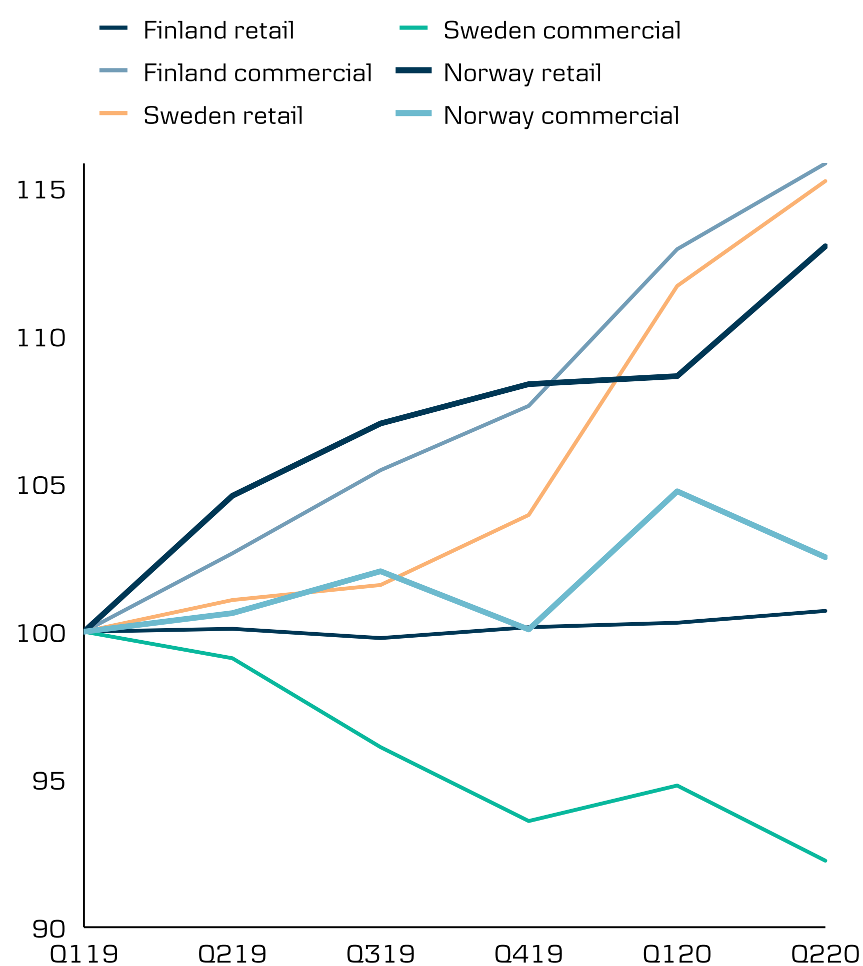
Banking DK
- 84% of lending at Banking DK is at mortgage credit subsidiary Realkredit Danmark (RD)
- Lending down 2% y/y at Banking DK due to lower demand for commercial credits amid the corona crisis and fair value adjustments of RD mortgages

Banking Nordic
- Growth of 4% y/y in local currency
- Reported lending figures impacted by significant depreciation of NOK
- Retail Norway and Retail Sweden saw local FX lending growth of 8% and 14% y/y, respectively, following continued inflows
- Commercial Finland grew 13% y/y 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.

Danske Bank

Corporates & Institutions: Trading income recovered in Q2 from significant drop in Q1; significant oil-related impairment charges

Income statement and key figures (DKK m)

	H1 2020	H1 2019	Index	Q2 2020	Q1 2020	Index
Net interest income	1,951	1,787	109	1,058	893	118
Net fee income	1,471	1,401	105	699	772	91
Net trading income	1,619	1,347	120	1,777	-158	-
Other income	7	1	-	7	-	-
Total income	5,048	4,535	111	3,541	1,507	235
Expenses	2,631	2,388	110	1,396	1,235	113
Profit before loan impairment charges	2,417	2,147	113	2,144	272	-
Loan impairment charges	3,270	520	-	1,089	2,181	50
Profit before tax	-854	1,627	-	1,055	-1,909	-
Lending (DKK bn)	228	203	112	228	217	105
Deposits (DKK bn)	341	271	126	341	301	113

Key points

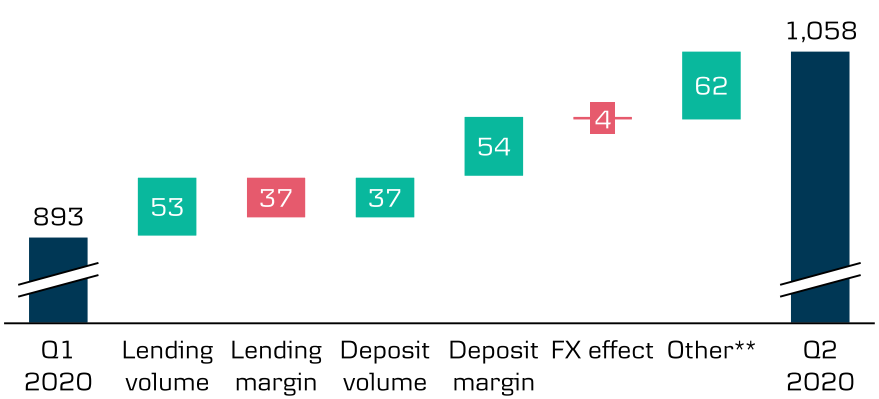
Y/Y

- Trading income up driven by strong recovery in Q2 following weak Q1
- Expenses up due to regulatory costs and higher resolution fund contribution
- Significant loan impairments, with the majority from legacy oil exposures

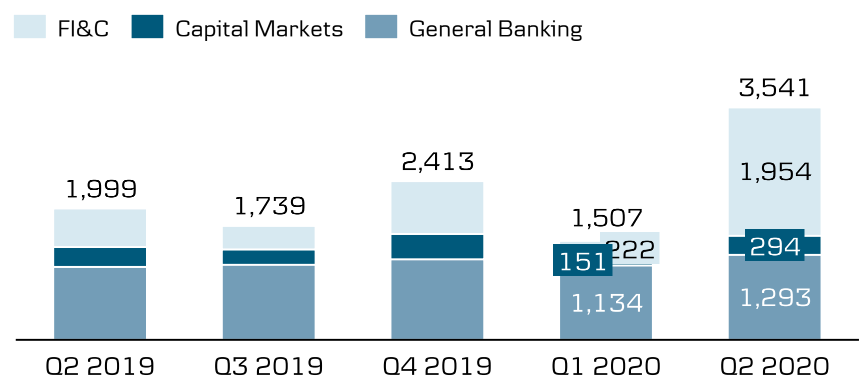
Q/Q

- Trading income recovered and value adjustments were positive
- Expenses up driven by regulatory costs and higher resolution fund payment
- Impairments within legacy oil exposures

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.

Danske Bank

Wealth Management: AuM down 1% y/y but up 9% q/q; costs down as H1 2019 was impacted by Flexinvest Fri compensation

Income statement and key figures (DKK m)

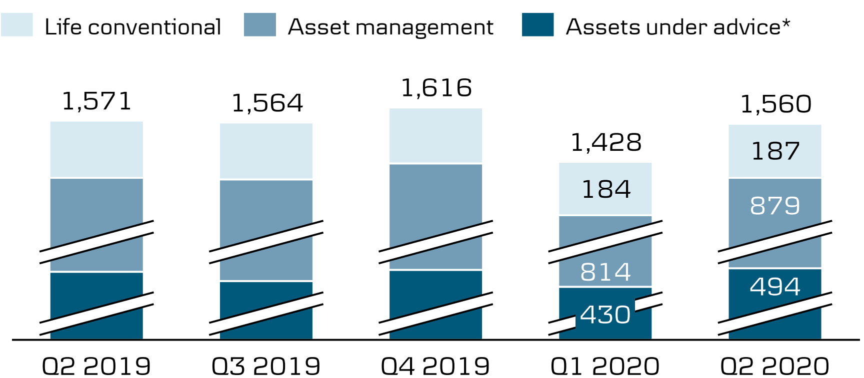
	H1 2020	H1 2019	Index	Q2 2020	Q1 2020	Index
Net interest income	-143	-103	-	-60	-84	-
Net fee income	2,791	2,731	102	1,569	1,222	128
Net trading income	44	136	32	125	-81	-
Other income	-29	1,331	-	-5	-23	-
Total income	2,663	4,095	65	1,629	1,034	158
Expenses	1,644	1,927	85	779	865	90
Profit before tax	1,019	2,168	47	850	169	-
AuM (DKK bn)	1,560	1,571	99	1,560	1,428	109

Key points

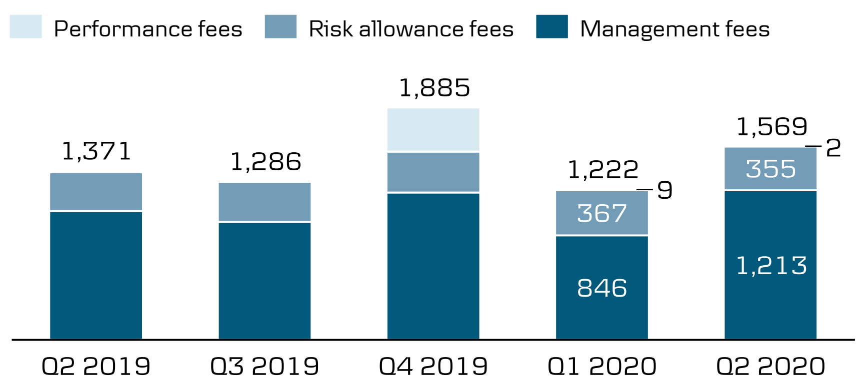
Y/Y
- Fees up 2% driven by Danica Pension and a correction of pension tax, H1 2019 also partly included Danica Pension Sweden
- Expenses down 15% as H1 2019 was impacted by Flexinvest Fri compensation and integration of SEB Pension

Q/Q
- Fees up 28% owing mainly to Danica Pension investment guarantees
- Costs down 10% with lower staff costs
- AuM up 9%

AuM breakdown (DKK bn)



Breakdown of net fee income (DKK m)



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

Danske Bank

Northern Ireland: Lending up 1% in local currency, loan impairments reflect worsening outlook

Income statement and key figures (DKK m)

	H1 2020	H1 2019	Index	Q2 2020	Q1 2020	Index
Net interest income	703	765	92	327	375	87
Net fee income	133	189	70	50	83	60
Net trading income	78	70	111	26	52	50
Other income	8	7	114	4	4	100
Total income	923	1,030	90	408	515	79
Expenses	595	595	100	295	300	98
Profit before loan impairment charges	327	436	75	113	215	53
Loan impairment charges	252	14	-	87	165	53
Profit before tax	76	421	18	26	49	53
Lending (DKK bn)	51	50	102	51	51	100
Deposits (DKK bn)	75	64	118	75	70	108

Key points

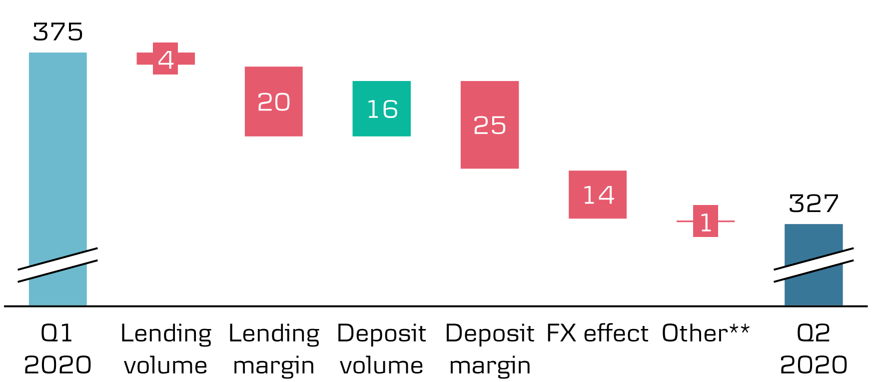
Y/Y

- Income down due to lower UK interest rates and lower activity as a result of the corona crisis
- 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

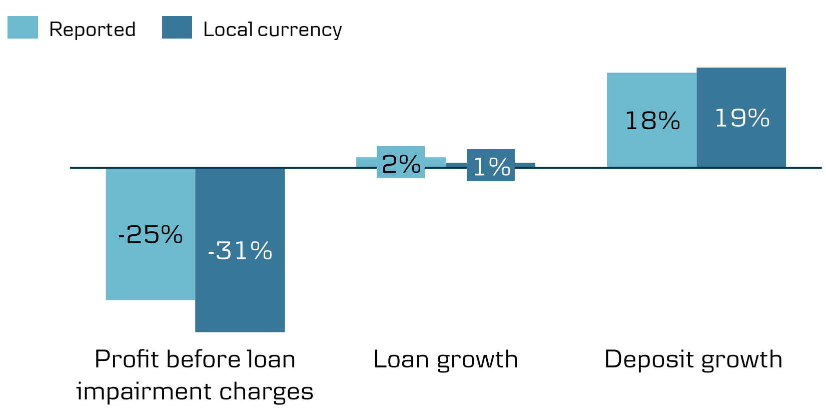
Q/Q

- Income impacted by lower UK interest rates and the impact of the corona crisis

Northern Ireland NII bridge* (DKK m)



FX-adjusted developments y/y

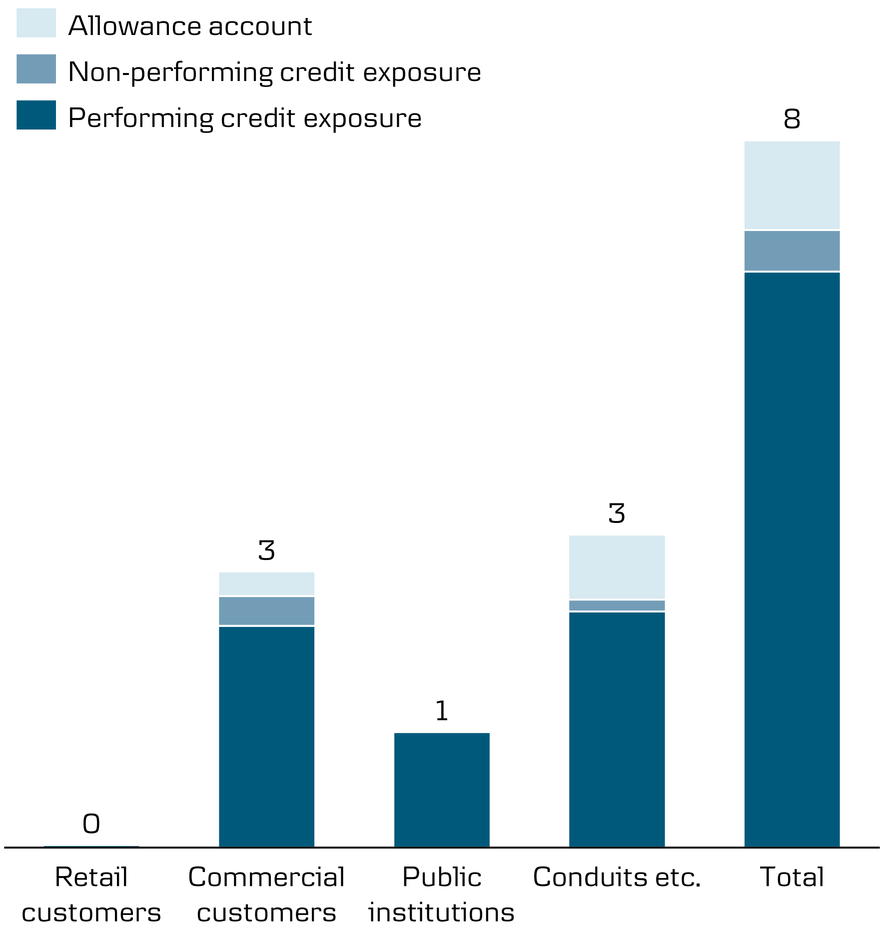


* Based on average volumes. ** Includes capital costs, day effect and off-balance-sheet items.

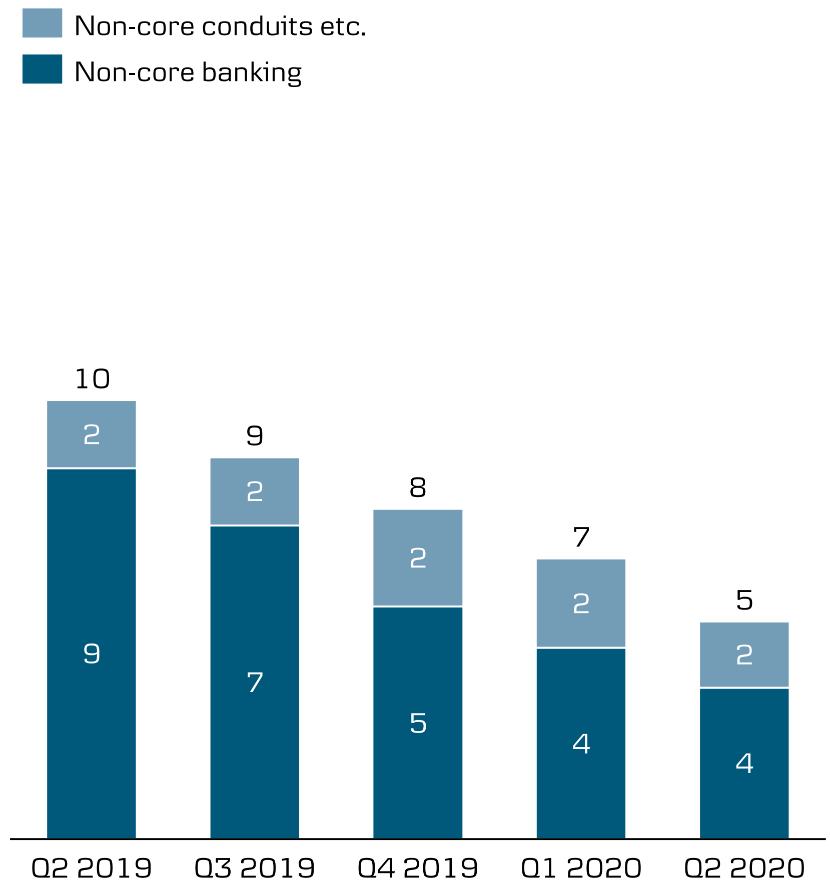
Danske Bank

Non-core: Estonia, Latvia & Russia exited; sale of Lithuanian personal portfolio in Q2 but commercial loans remain to mature

Non-core loan portfolio, Q2 2020 (DKK bn)



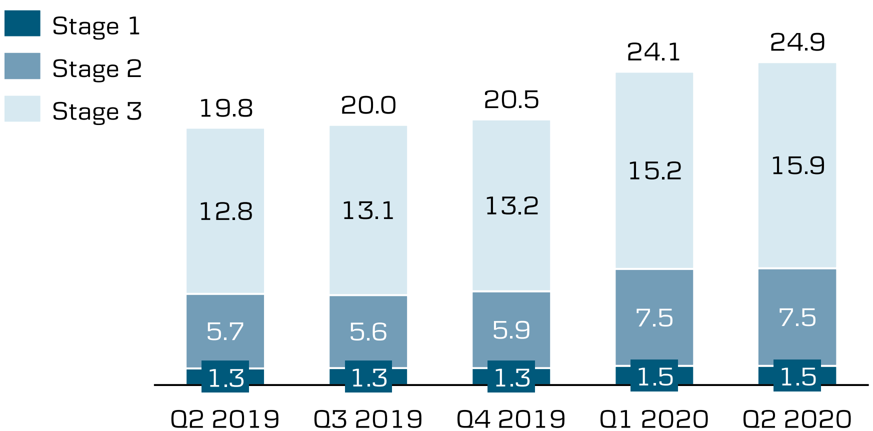
Non-core REA* (DKK bn)



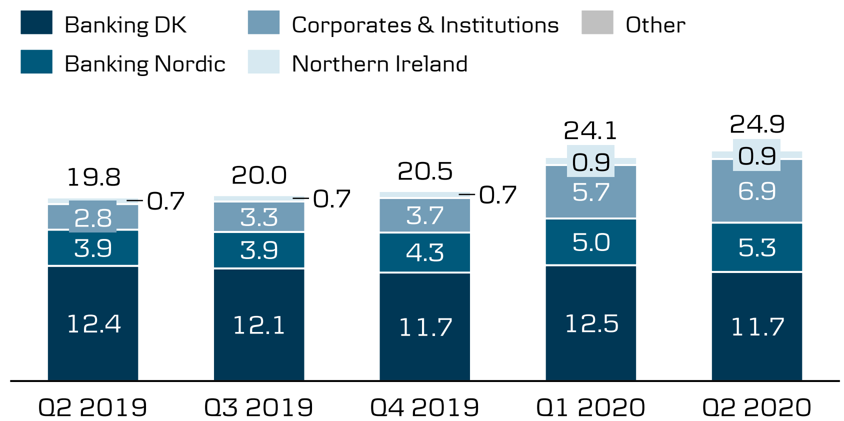
Danske Bank

Credit quality: NPLs decreased 4% q/q driven by single-name exposures at Corporates & Institutions

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



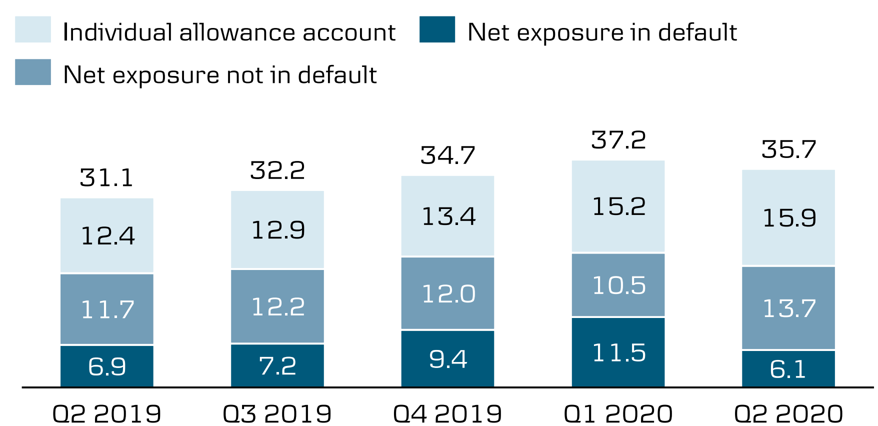
Core allowance account by business unit (DKK bn)



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

End-Q2 2020	Allowance account	Gross credit exposure	Allow. acc. as % of exposure
Retail customers	2.2	968.2	0.22%
Agriculture	1.0	74.3	1.41%
Commercial property	1.1	313.2	0.34%
Shipping, oil & gas	0.6	54.5	1.11%
Services	0.3	59.8	0.50%
Other	2.3	1,151.2	0.20%
Total	**7.5**	**2,621.2**	**0.29%**

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 fell back from the very high pre-corona levels but remained above the long-term average price while milk prices were stable
- As market conditions remained favourable, we reduced post-model adjustments by DKK 0.1 bn. The coronavirus pandemic has a limited impact on the credit quality of the agriculture exposure
- Total accumulated impairments amounted to DKK 2.8 bn, of which DKK 1.1 bn in stages 1 and 2
- Realkredit Danmark represented 54% of total gross exposure and 19% of expected credit losses
  – LTV limit at origination of 60% at Realkredit Danmark

Oil-related exposure

- Gross exposure decreased to DKK 21.7 bn from DKK 23.8 bn in Q1 2020*
- Accumulated impairments at C&I increased DKK 0.9 bn to DKK 4.4 bn, driven by existing non-performing loans where ongoing restructuring is expected to lead to more negative outcomes as a result of market uncertainty
- Most of the oil-related exposure is managed by specialist teams for customer relationship and credit management at Corporates & Institutions
- Post-model adjustments were reduced in Q2. However, post-model adjustments remain to cover the effects of the decline in oil prices on currently performing exposures

Agriculture by segment, Q2 2020 (DKK m)

	Gross credit exposure	Portion from RD	Expected credit loss	Net credit exposure	NPL coverage ratio
Banking DK	50,173	*40,106*	2,551	47,622	94%
Growing of crops, cereals, etc.	20,415	*17,622*	571	19,844	97%
Dairy	8,678	*6,620*	1,035	7,644	96%
Pig breeding	10,584	*8,604*	685	9,899	97%
Mixed operations etc.	10,495	*7,260*	261	10,235	80%
Banking Nordic	13,250		150	13,100	100%
Northern Ireland	4,663	-	94	4,570	83%
C&I	6,192	*1,884*	43	6,148	-
Others	18	-	0	18	-
Total	74,295	41,990	2,838	71,458	91%

Share of Group net exposure Q2 2020	Share of Group net NPL Q2 2020	Expected credit loss Q1 2020
2.8%	8.0%	2,934

Oil-related exposure, Q2 2020 (DKK m)

	Gross credit exposure	Expected credit loss	Net credit exposure
C&I	20,840	4,302	16,539
Oil majors	7,348	3	7,344
Oil service	3,640	605	3,035
Offshore	9,853	3,694	6,159
Banking DK and Banking Nordic	899	90	810
Oil majors	14	0	14
Oil service	879	89	790
Offshore	5	0	5
Others	3	0	3
Total	21,742	4,391	17,351

Share of Group net exposure Q2 2020	Share of Group net NPL Q2 2020	Expected credit loss Q1 2020
0.7%	19.1%	3,527

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

Danske Bank

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

Transportation exposure

- Gross exposure* increased DKK 1.7 bn to DKK 16.8 bn from the Q1 2020 level driven by a large single name in freight transport with good credit quality
- Governments are gradually lifting the severe travel restrictions that dramatically reduced demand for cross-border passenger transportation. Mainly international transport is affected. Our exposure to passenger air transport remains limited at DKK 1.2 bn
- Accumulated impairments are at DKK 277 million in Q2 which is an increase from Q1 levels due to credit deterioration. The post-model adjustment on coronavirus high-risk industries remains to be in place

Hotels, restaurant and leisure exposure

- Gross exposure decreased to DKK 15.4 bn from 15.8 in Q1 2020. While exposure to hotels increased DKK 0.7 bn, driven by increased exposure to well-rated single names, exposure to leisure decreased DKK 1 bn
- Danske Bank's spending monitor of 7 July shows that hotel spending by Danes was around 20% less than normal, while there is still very little foreign tourist spending. Spending at conventional restaurants normalized, while higher spending at tourist attractions was not enough to compensate for the absence of foreign tourists. Spending at drinking establishments and cinemas remains weak
- Impairments increased to DKK 290 million. It is expected that credit deterioration in this industry remains to be seen

Transportation by segment, Q2 2020 (DKK m)

	Gross credit exposure	Expected credit loss	Net credit exposure
Freight transport	10,558	148	10,410
Passenger transport	5,019	44	4,975
- of which air transport	*1,220*	*18*	*1,202*
Postal services	1,214	85	1,129
Total	16,791	277	16,514

Share of Group net exposure Q2 2020	Share of Group net NPL Q2 2020	Expected credit loss Q1 2020
0.6%	3.8%	213

Hotels, restaurants and leisure by segment, Q2 2020 (DKK m)

	Gross credit exposure	Expected credit loss	Net credit exposure
Hotels	7,221	66	7,155
Restaurants	3,900	104	3,796
Leisure	4,272	121	4,150
Total	15,393	290	15,102

Share of Group net exposure Q2 2020	Share of Group net NPL Q2 2020	Expected credit loss Q1 2020
0.6%	1.9%	233

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

Danske Bank

Credit exposure: Limited exposure to retailing and stable credit quality in commercial real estate

Retailing

- Gross exposure decreased to DKK 26.5 bn from DKK 27.5 bn in Q1 2020. Over recent years, we have had a selective approach to this segment and have generally decreased exposures
- Danske Bank's spending monitor of 7 July shows that spending in segments such as grocery stores, DIY, clothing, shoes and furniture were close to normal levels, while spending in electronics stores remained elevated
- Accumulated impairments amounted to DKK 1.1 bn in Q2 and decreased from Q1 driven by a large write-off in the industry

Commercial real estate

- Gross exposure increased to DKK 313.2 bn from 309.3 in Q1 2020 driven by currency effects
- Credit quality was stable. Second-round effects from the corona crisis remained limited
- Exposure is managed through the Group's Credit Risk Appetite and there are caps in place for total level, concentration and growth, including a selective approach to the various sub-segments and markets
- Commercial property exposure is managed by a specialist team
- Geographically, the exposure is concentrated in Banking DK (52%) and Banking Nordic (46%) – primarily Sweden (27%)

Retailing by segment, Q2 2020 (DKK m)

	Gross credit exposure	Expected credit loss	Net credit exposure
Consumer discretionary	15,949	984	14,965
Consumer staples	10,523	103	10,420
Total	26,472	1,086	25,385

Share of Group net exposure Q2 2020	Share of Group net NPL Q2 2020	Expected credit loss Q1 2020
1.0%	6.6%	1,223

Commercial real estate by segment, Q2 2020 (DKK m)

	Gross credit exposure	Expected credit loss	Net credit exposure
Non-residential	172,486	1,461	171,025
Residential	117,393	866	116,527
Property developers	12,020	149	11,871
Buying/selling own property, etc	11,309	88	11,220
Total	313,208	2,564	310,643

Share of Group net exposure Q2 2020	Share of Group net NPL Q2 2020	Expected credit loss Q1 2020
12.0%	12.7%	2,798

Danske Bank

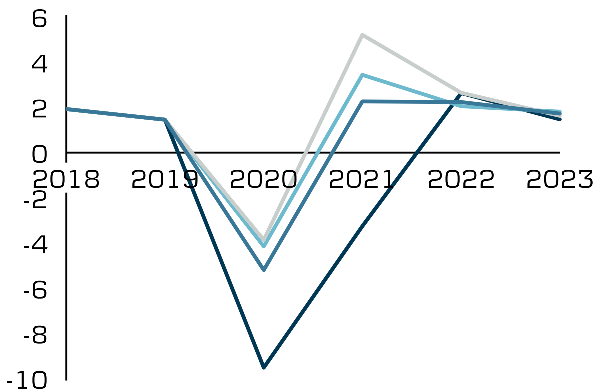
Impairments: Overview of updated IFRS 9 model scenarios

Macro description

- Macroeconomic scenarios used for impairment calculations have been updated in Q2 2020 to be based on Covid-19 bespoke scenarios that reflect the latest developments in the market. This includes the current uncertainty in the market as well as taking the effects of government support packages into account
- They take into account a corona medium-term downside scenario that includes a decline in economic activity that is steeper than during the global financial crisis, where unemployment and property prices reach a negative peak in 2021, followed by a steep recovery
- The upside scenario reflects a quicker global economy recovery due to medical advances in testing capacity and vaccines
- Since re-opening, spending activity in Denmark and Norway has quickly returned, while Swedish consumption has rebounded a bit slower. This is also related to manufacturing and exports being much more cyclical in Sweden – which to some extent is also the case in Finland. Overall, the economies outside the Nordic countries are expected to recover relatively quickly, but it may still be years before the full recovery. Since a second wave of infections may cause a renewed crisis, there are major uncertainties, with risks mostly, but not only, on the downside

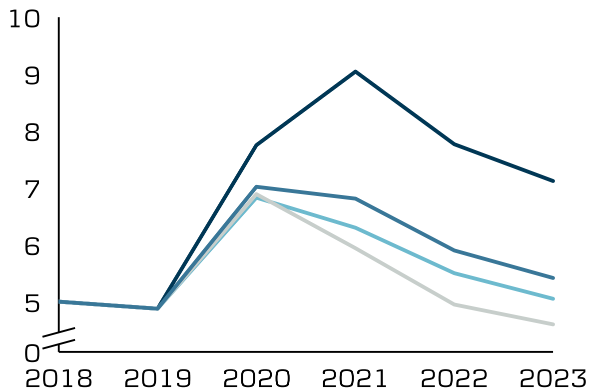
GDP development

Nordic average (%)



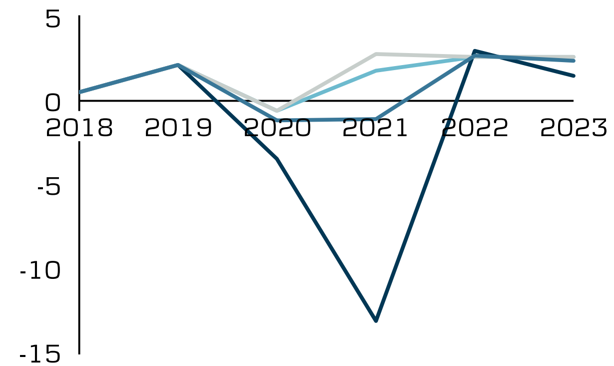
Unemployment development

Nordic average (%)



Property price development

Nordic average (%)



Downside (20%) Base case (70%) Upside (10%) Weighted

Danske Bank

Credit quality: Assumptions behind updated IFRS 9 model scenarios at end-Q2 2020

	Downside (20%)		Base case (70%)		Upside (10%)	
Group averages (%)	2020	2021	2020	2021	2020	2021
GDP	-9.5%	-3.3%	-4.2%	3.4%	-3.9%	5.2%
Industrial production	-11.7%	-6.2%	-6.8%	4.3%	-6.6%	6.6%
Unemployment	7.8%	9.0%	6.8%	6.3%	6.9%	5.9%
Inflation	0.1%	-1.7%	0.5%	1.6%	0.6%	2.0%
Consumption expenditure	-11.5%	-0.1%	-4.4%	4.1%	-4.0%	6.1%
Property prices - residential	-3.5%	-13.1%	-0.6%	1.8%	-0.6%	2.8%
Interest rate - 3-month	-0.1%	0.2%	-0.1%	0.0%	-0.1%	0.0%
Interest rate - 10-year	0.0%	1.5%	0.1%	0.4%	0.1%	0.4%

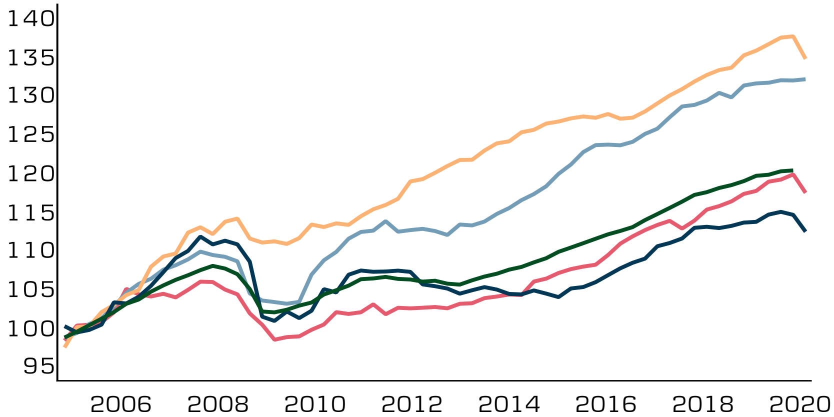
Note: The assumptions and the weighting of the scenarios are subject to uncertainty.

Danske Bank

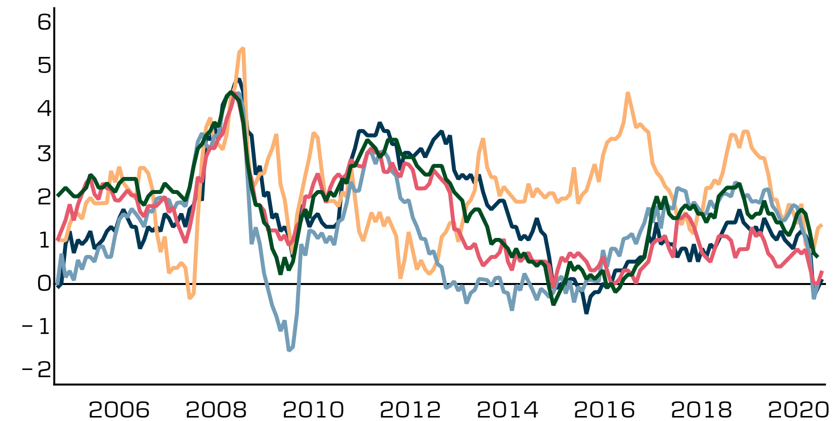
Nordic macroeconomics

Denmark Sweden Norway Finland EU

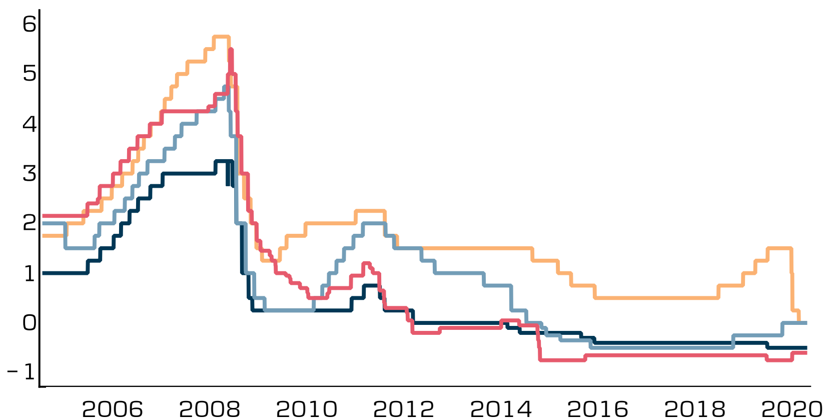
Real GDP, constant prices (index 2005 = 100)



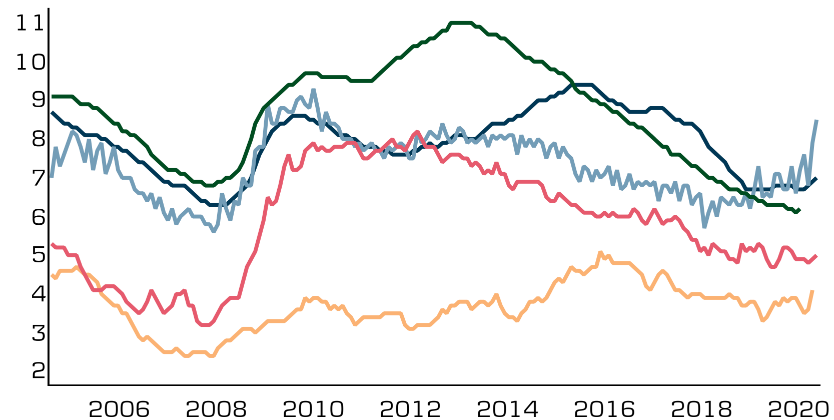
Inflation (%)



Interest rates, leading (%)



Unemployment (%)

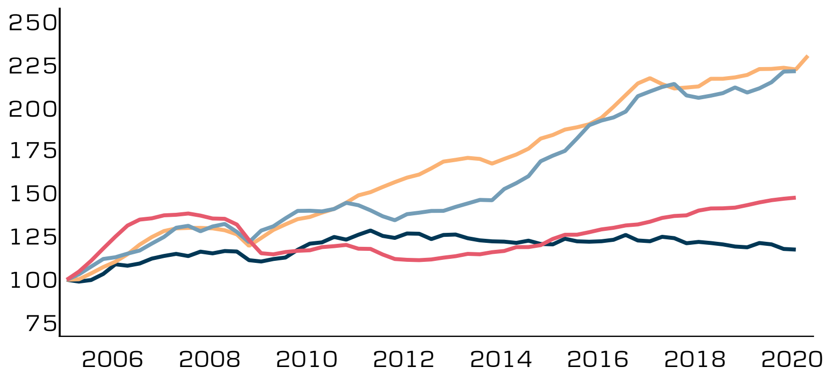


Danske Bank

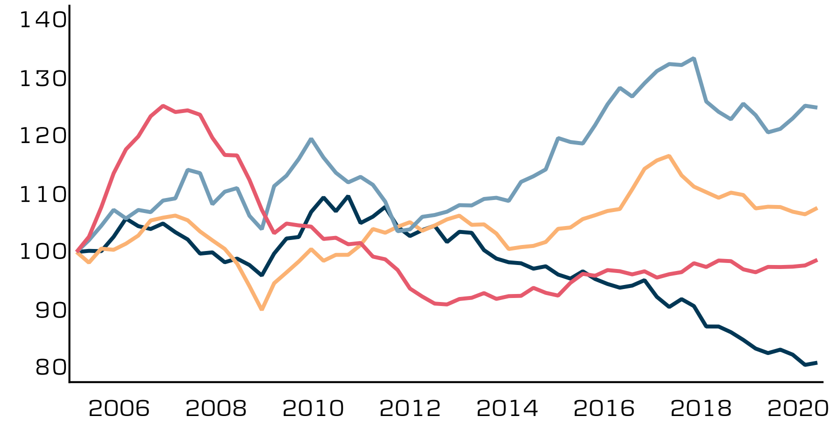
Nordic housing markets

Denmark Sweden Norway Finland

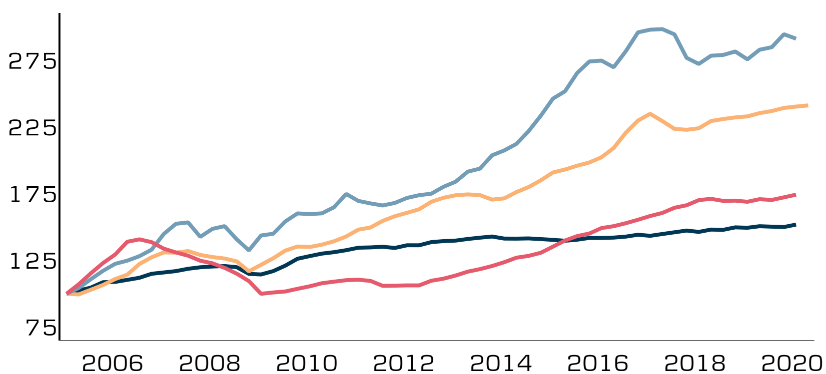
Property prices (index 2005 = 100)



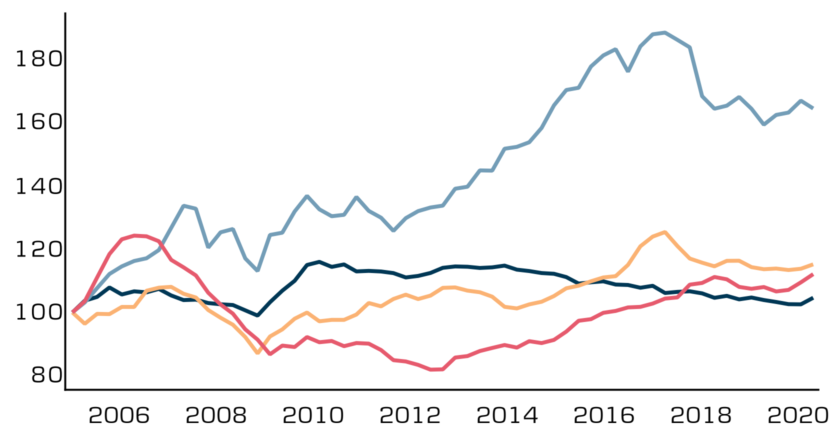
House prices/nom. GDP (index 2005 = 100)



Apartment prices (index 2005 = 100)



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



Realkredit Danmark: Portfolio overview
68% of new retail lending in Q2 was fixed-rate vs 44% of stock

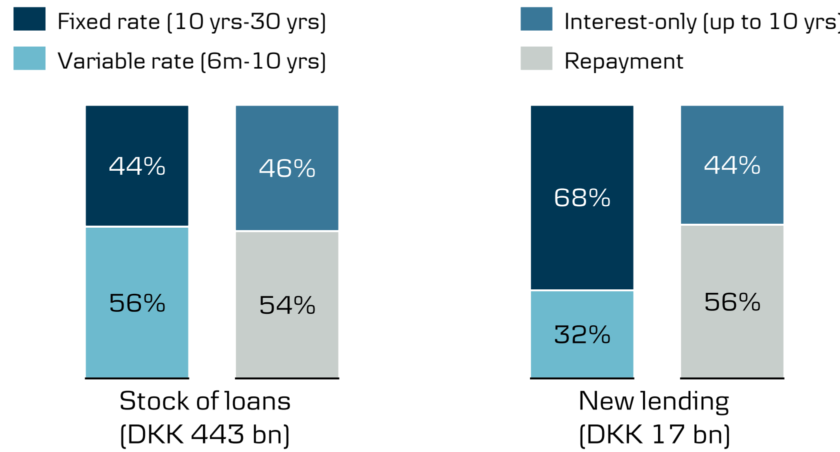
Portfolio facts, Realkredit Danmark, Q2 2020

- Approx. 345,000 loans (residential and commercial)
- 1,336 loans in 3- and 6-month arrears (+3% since Q1)
- 17 repossessed properties (-2 since Q1)
- DKK 10 bn in loans with an LTV ratio >100%, including DKK 6 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

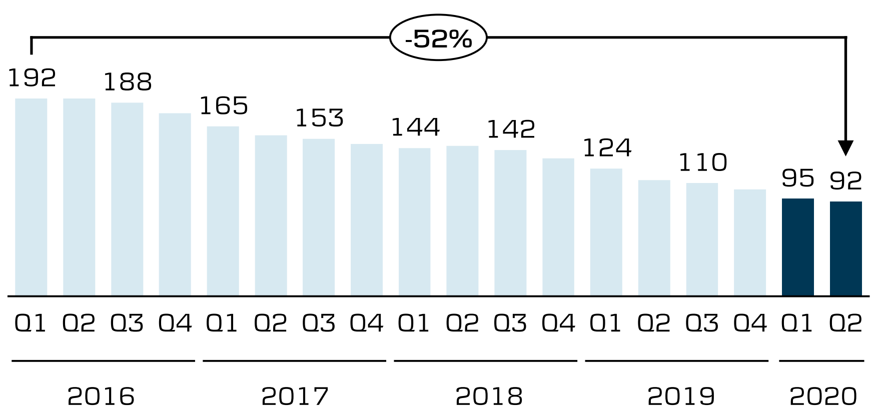
LTV ratio limit at origination (legal requirement)

- Residential: 80%
- Commercial: 60%

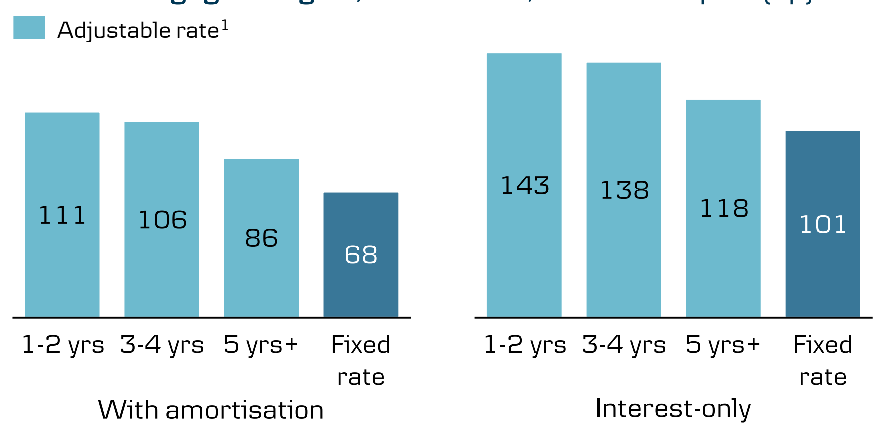
Retail loans, Realkredit Danmark, Q2 2020 (%)



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



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

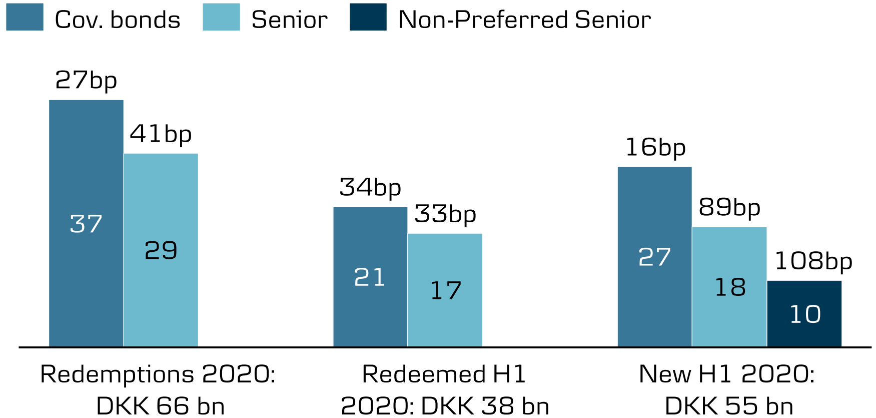


[1] In addition, we charge 30 bp of the bond price for refinancing of 1- and 2-year floaters and 20 bp for floaters of 3 or more years (booked as net trading income).

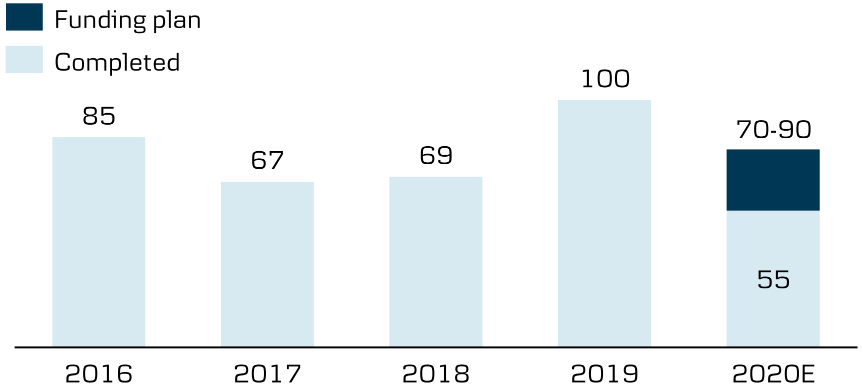
Danske Bank

Funding and liquidity: DKK 55 bn of long-term funding issued in H1 2020; LCR compliant at 156%

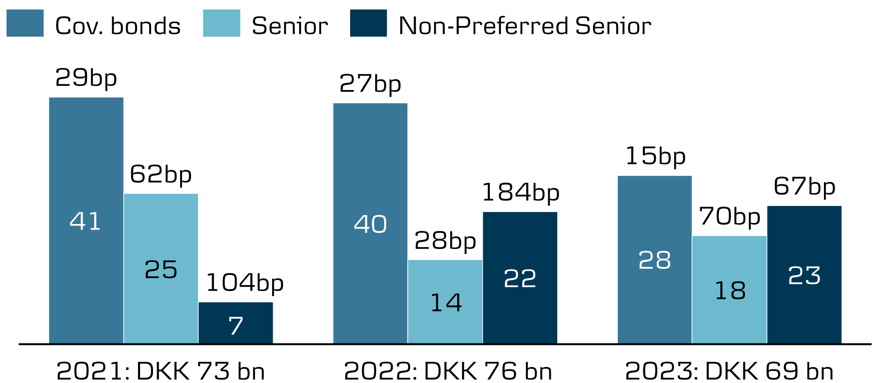
Changes in funding,* 2020 (DKK bn and bp)



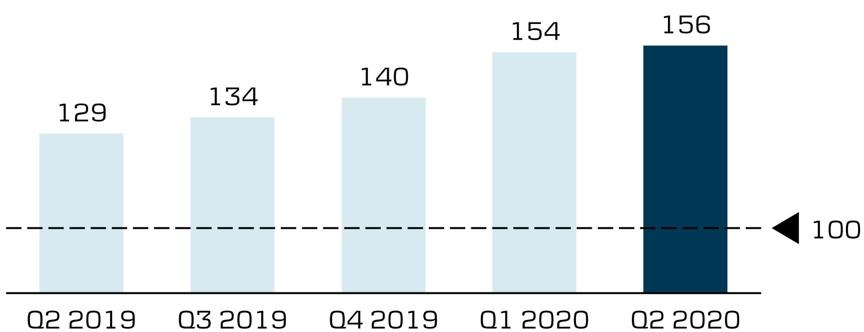
Long-term funding excl. RD (DKK bn)**



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.

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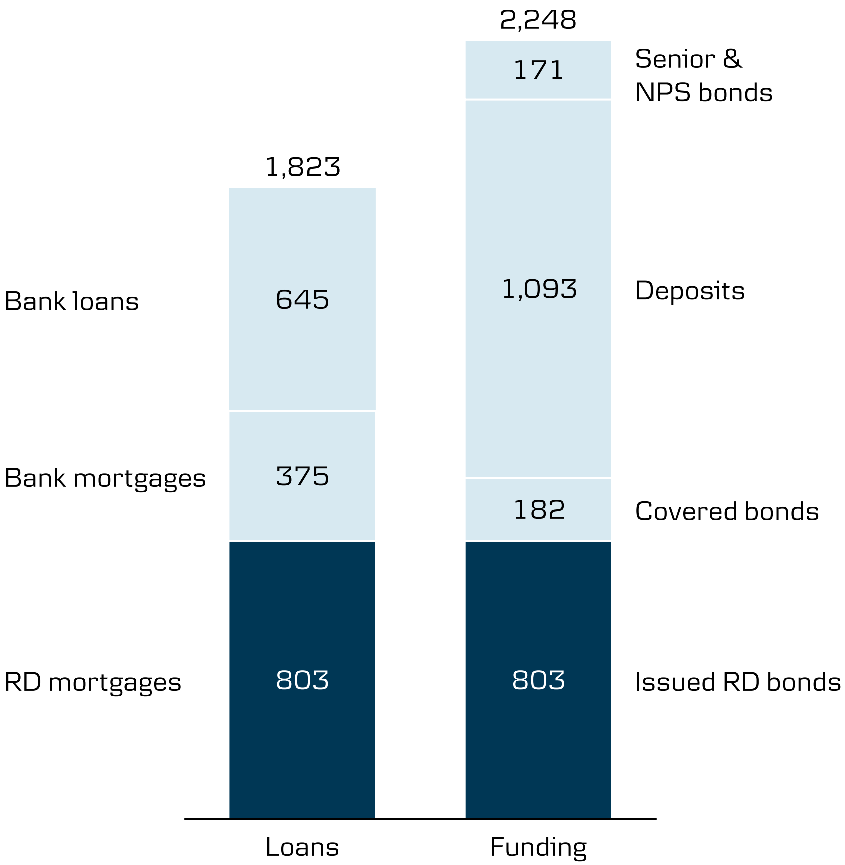
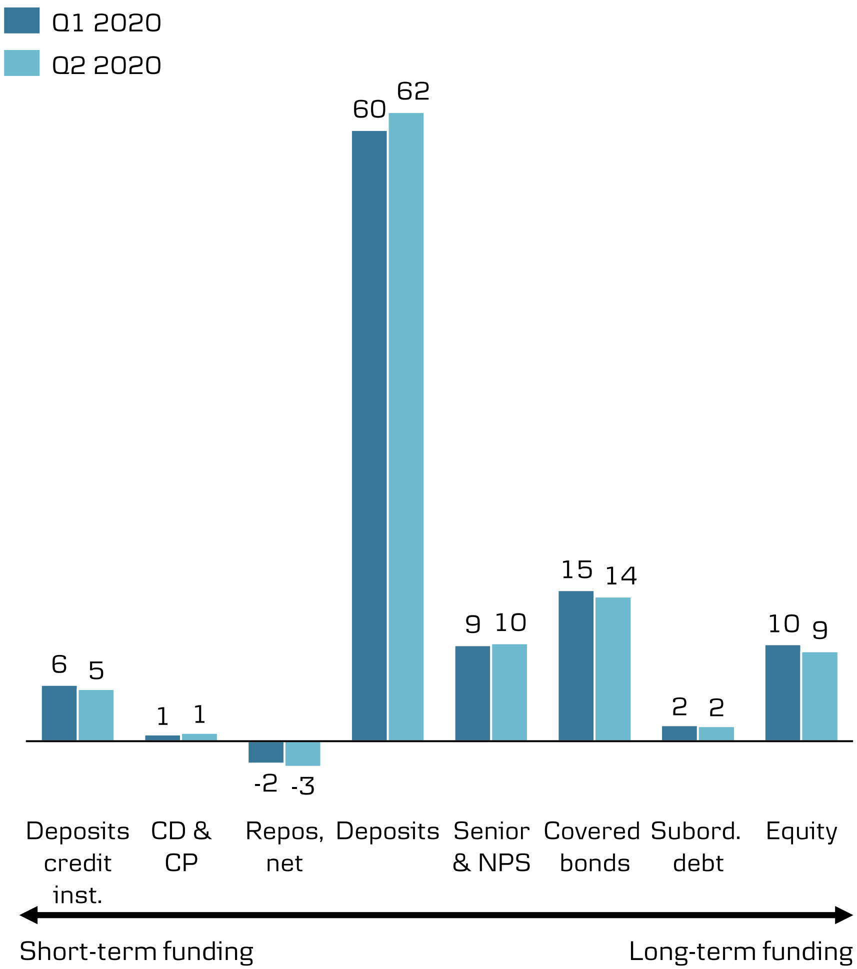
Funding structure and sources: Danish mortgage system is fully pass-through

Loan portfolio and long-term funding, Q2 2020 (DKK bn)



Funding sources (%)



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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	+	Quali-tative 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 (Negative)		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.

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Tax

Actual and adjusted tax rates (DKK m)

	Q22020	Q12020	Q42019	Q32019	Q22019
Profit before tax	3,112	-1,663	1,261	3,793	4,757
Permanent non-taxable difference	365	-76	1,089	-255	-1,853
Adjusted pre-tax profit, Group	3,477	-1,739	2,349	3,538	2,904
Tax according to P&L	787	-374	-3,780	782	725
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	-16	-24	232	6	-65
Adjusted tax	771	-398	585	787	661
Adjusted tax rate	22.2%	22.9%	24.9%	22.3%	22.7%
Actual-/Effective tax rate	25.3%	22.5%	-299.9%	20.6%	15.2%
Actual/-Effective tax rate excluding one-offs & prior-year reg.	24.8%	23.9%	46.4%		

Tax drivers, Q2 2020

- The actual tax rate of 24.8% (excl. prior-year regulations) is higher than the Danish rate of 22% due to tax-exempt income and expenses
- The permanent non-taxable difference derives mainly from tax-exempt income and expenses, such as value adjustments on shares
- The adjusted tax rate of 22.2% is higher than the Danish tax rate of 22% due to differences in statutory tax rates in the various countries in which we operate

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Significant net positive extraordinary items in 2019

One-off items in 2019 (DKK m)

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

Danske Bank

Better Bank transformation – key projects

Better Ways of Working	Better Nordic Retail Bank
We are moving from specialist teams & departments (IT dep., business development teams, risk teams, etc.) to customer-focused teams with a mix of specialists, such as a credit card team, a remortgaging team, etc.	Streamlining and aligning product offerings in all the Nordic countries. Harmonising value chains and processes across the Nordics; building one model for all three markets. One common platform instead of three, delivering a harmonised and scalable business model
This means that the customer and the product are always the main focus. The teams are to a large degree autonomous and empowered to decide how we develop the best solution for the customer in that area	Further digitalisation will help make customers self-served on a range of otherwise manual interactions (blocking and re-ordering cards, onboarding, KYC processes, etc.)
The main part of any team will be IT professionals, and hence projects will have digitalisation as a core element. This will improve digital offerings, which will benefit our customers greatly. It will also reduce the need for manual processes and reduce compliance risk, saving costs and staff in these areas	We will run the new retail bank on a solid data foundation, allowing for a better customer experience, a more efficient operating model and improved cross- and upselling in digital and physical channels
Affects 5,000 staff directly – completely changing the organisation and reducing hierarchy and complexity	Better Ways of Working also implemented at Banking Nordic – improving the time-to-market and customer experience

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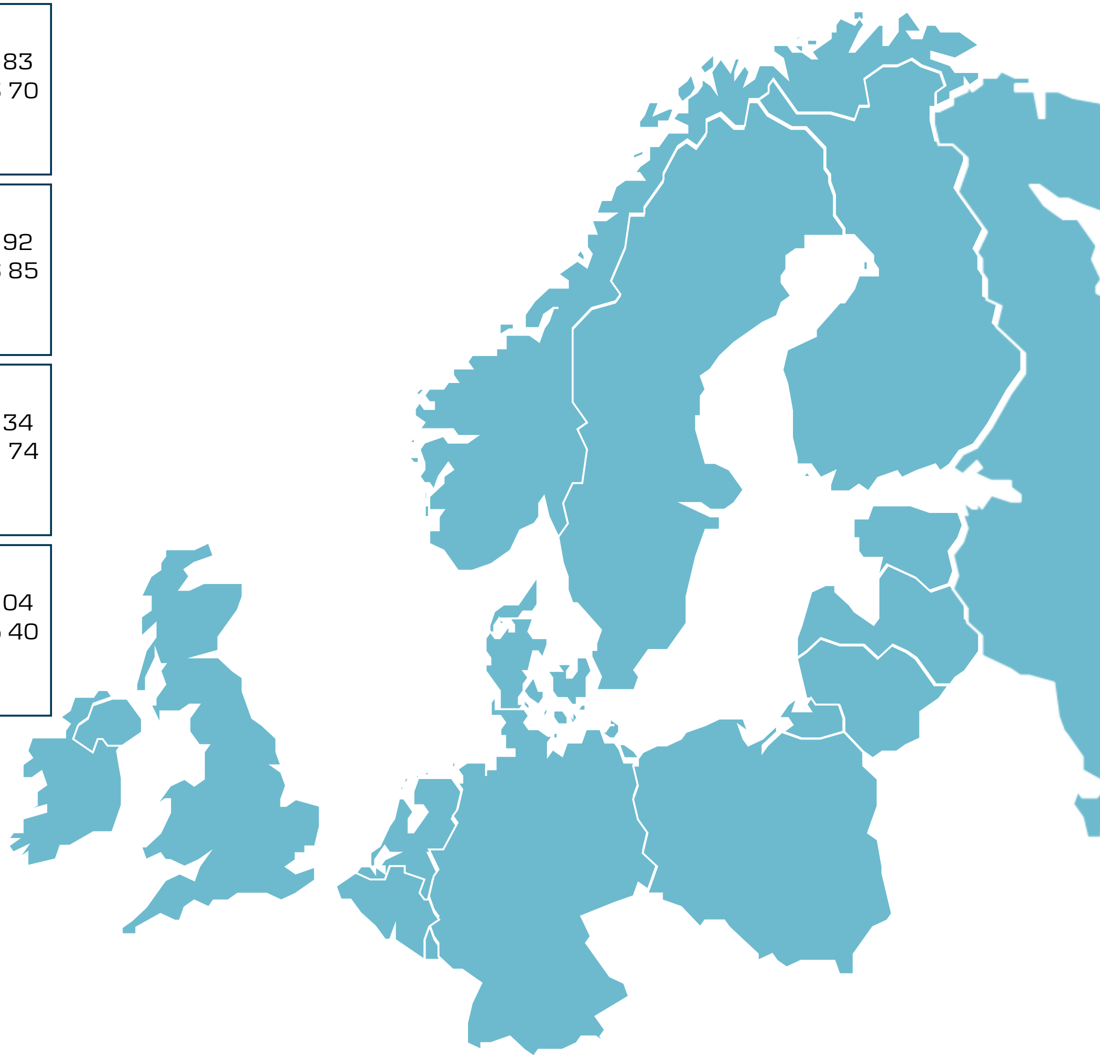

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