

# *Debt investor update*

Q2 2020

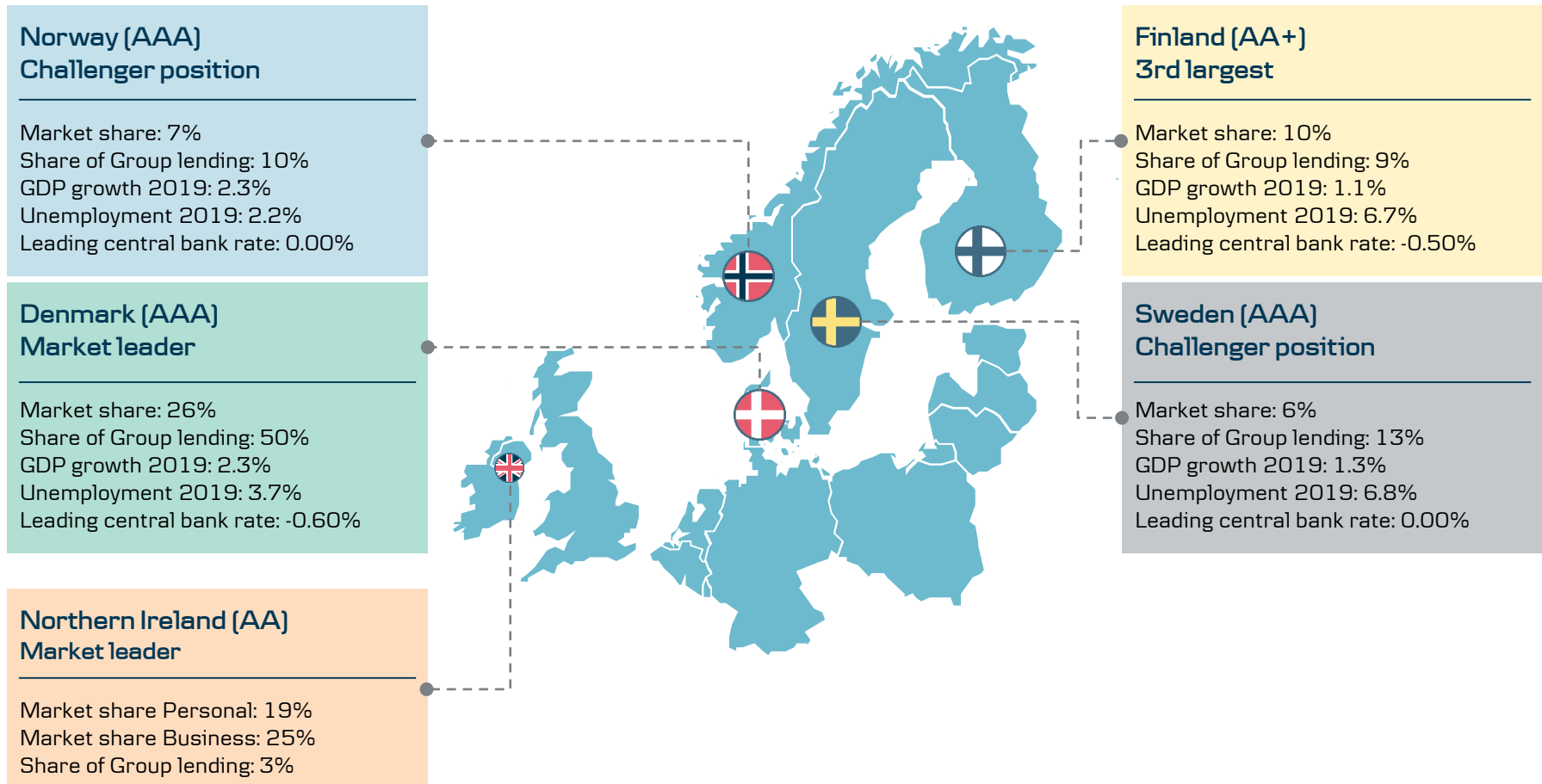
# Agenda

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# We are a Nordic universal bank with strong regional roots



Note: Data as per end-Q2 2020 unless otherwise stated. Share of Group lending is before loan impairment charges and excludes Corporates & Institutions (12%) and Nordic Asset Finance (3%), however most of these are Nordic clients.

## *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



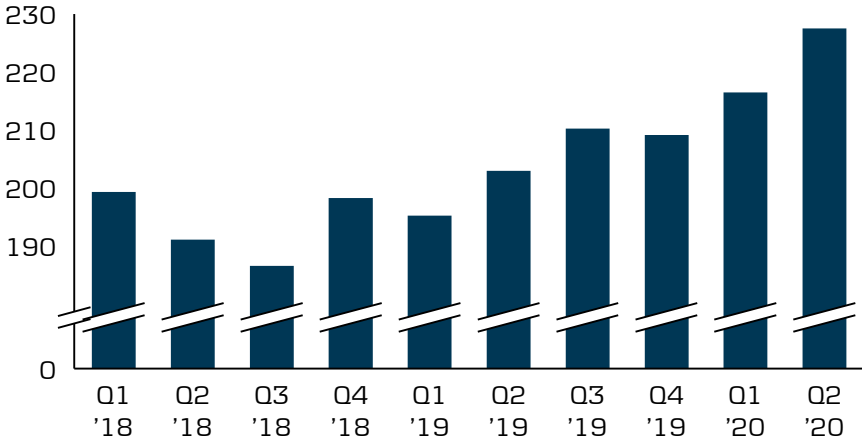
Expedited cost programme



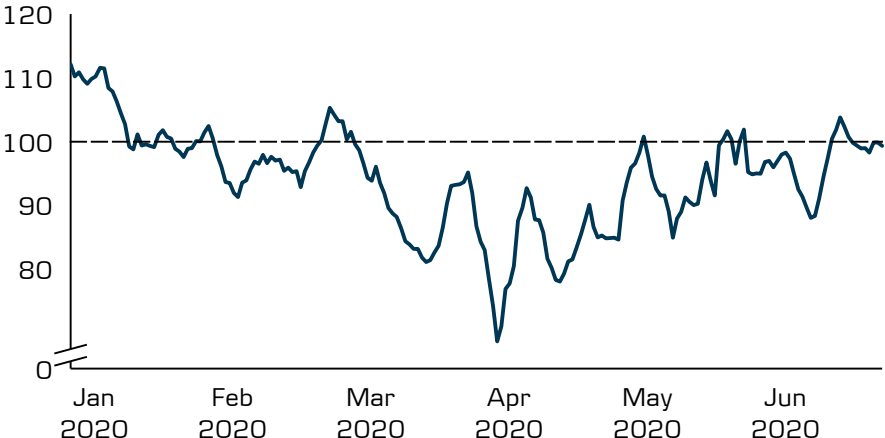
Compliance under control

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

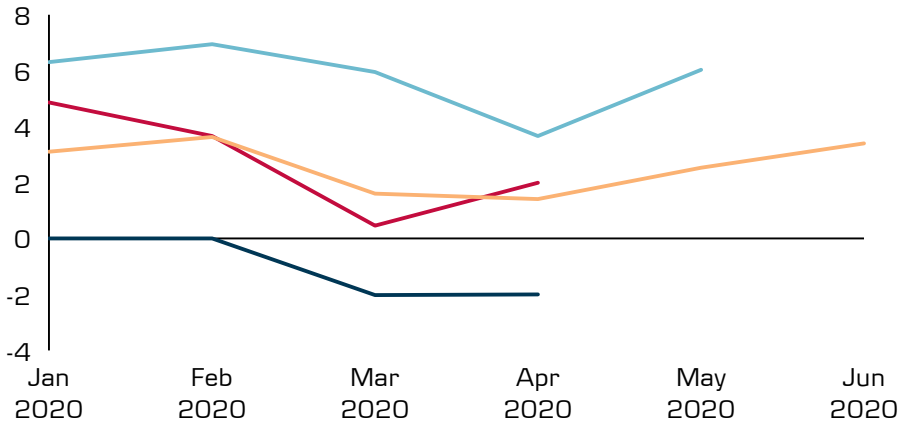
C&I lending volume (DKK bn)



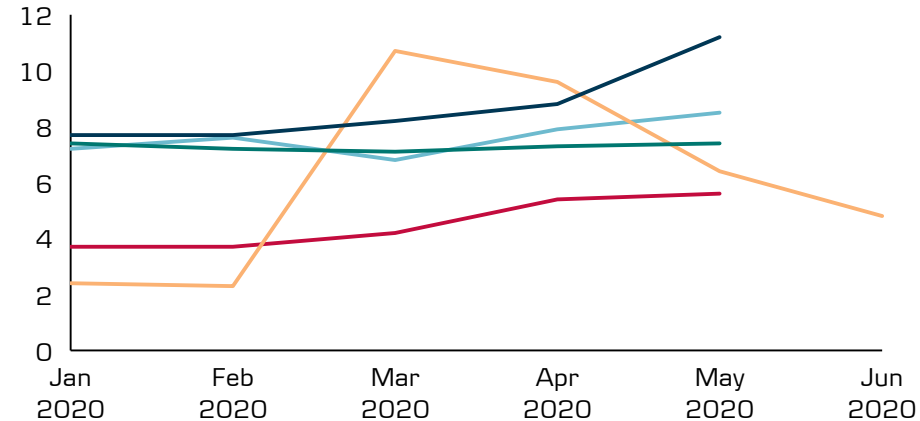
Consumer spending, Denmark (same weekday 2019 = 100)



Property prices (change y/y in %)



Unemployment (%)



## 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
<b>Total income</b>	<b>20,880</b>	<b>22,333</b>	<b>93</b>	<b>11,274</b>	<b>9,606</b>	<b>117</b>
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

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

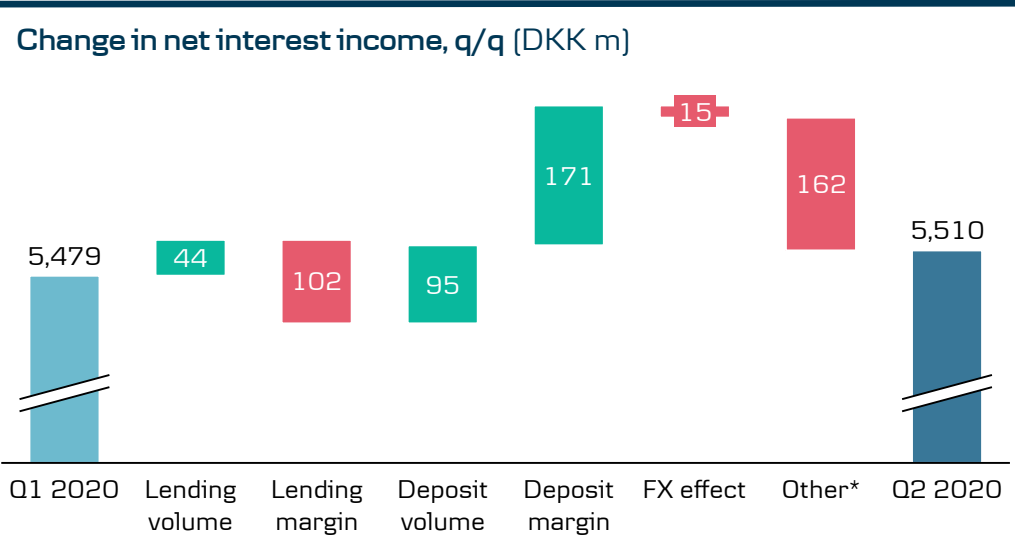
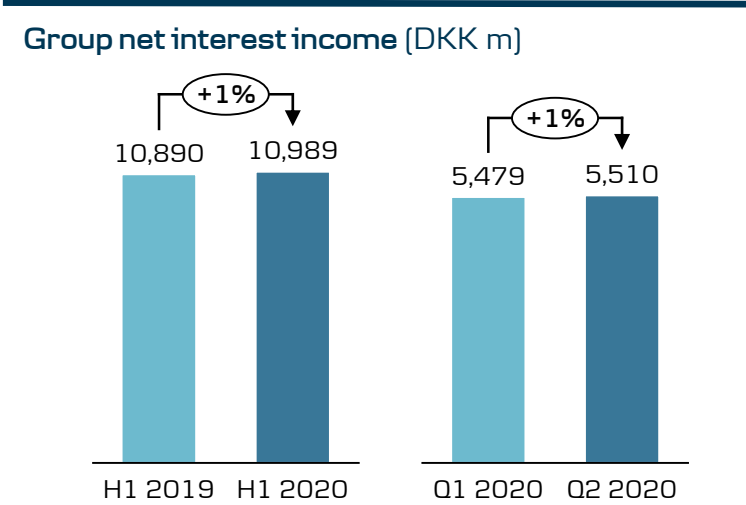
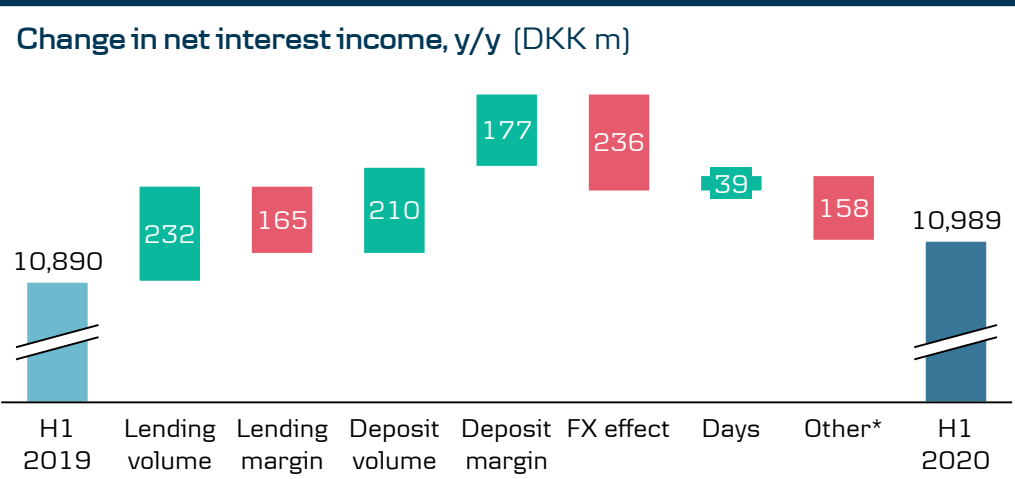
**Key points**

**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

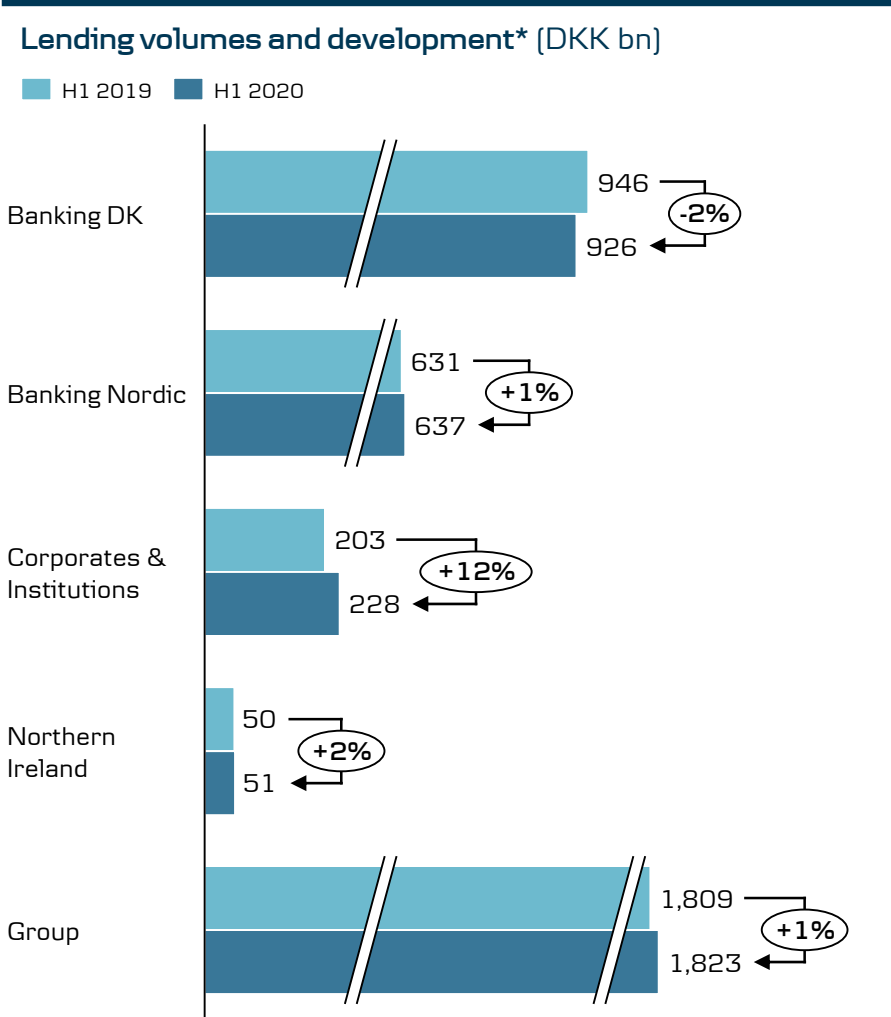
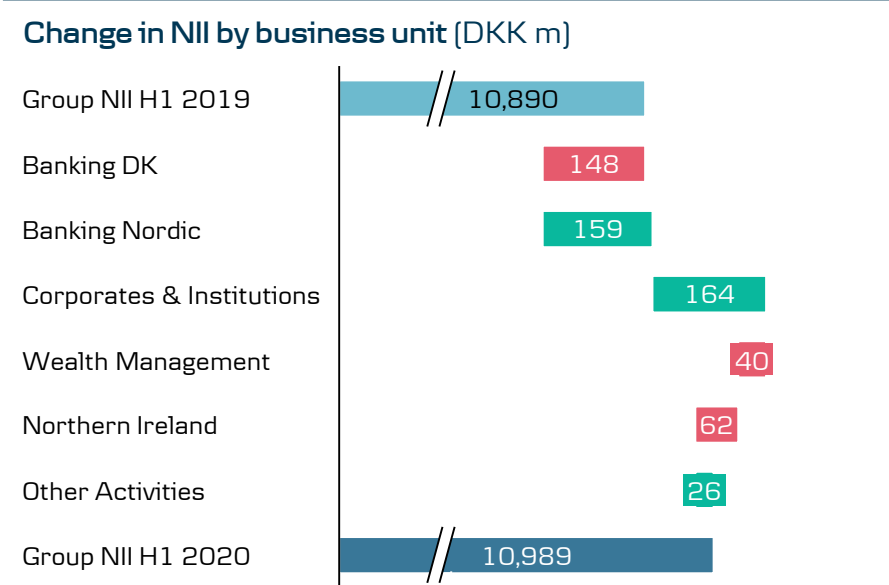


\* Includes unallocated capital and liquidity costs, interest on shareholders' equity and off-balance-sheet items.

# 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



\* 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

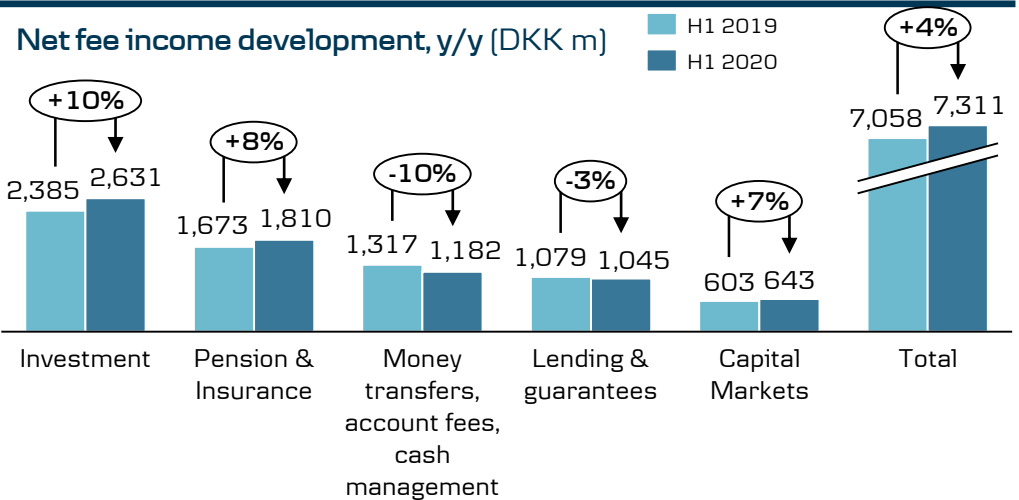
## Key points

### Y/Y

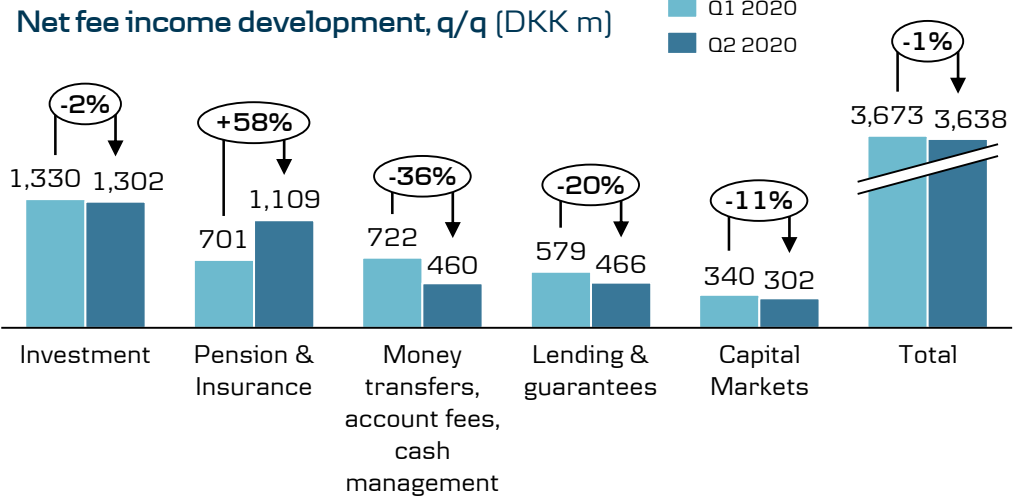
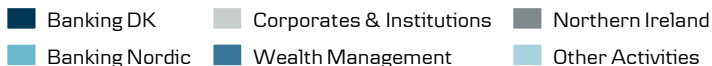
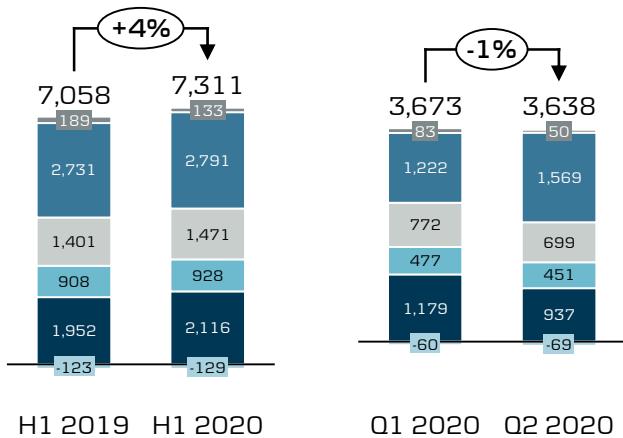
- Fee income up 4% driven by C&I and Banking Nordic
- Banking DK fee income in H1 2019 was affected by the Flexinvest Fri compensation of DKK 0.2 bn

### 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



### Group net fee income (DKK m)



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

## Key points

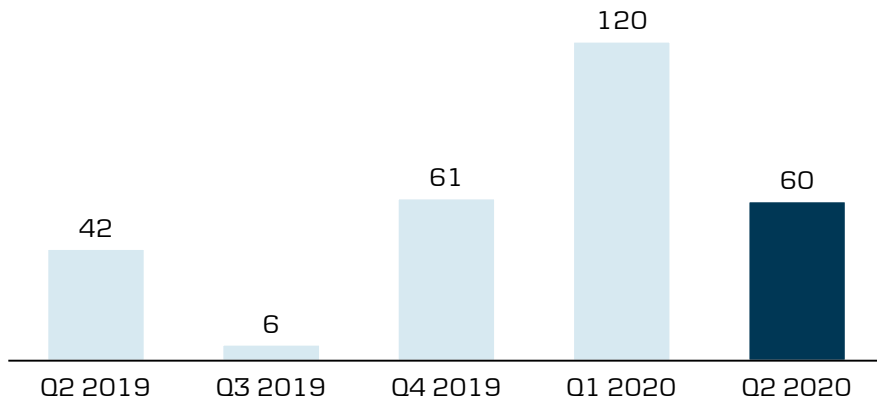
### Y/Y

- 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

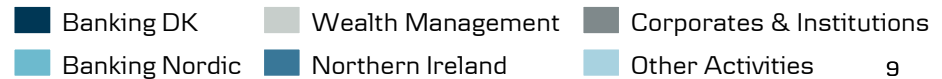
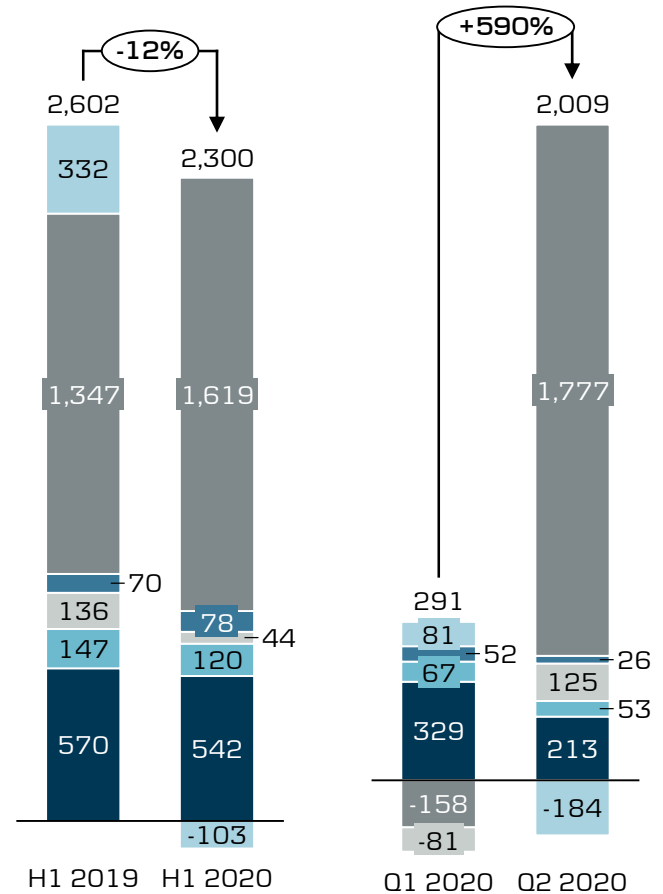
### Q/Q

- 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)



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

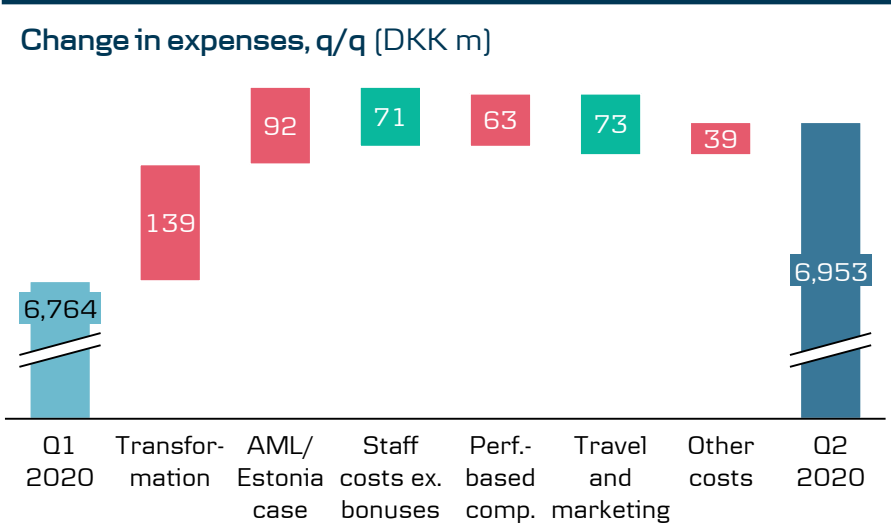
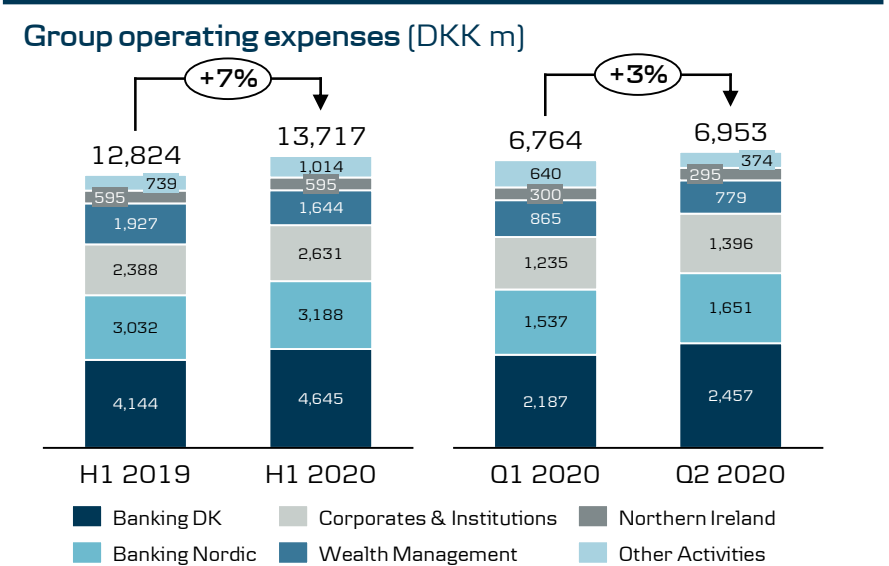
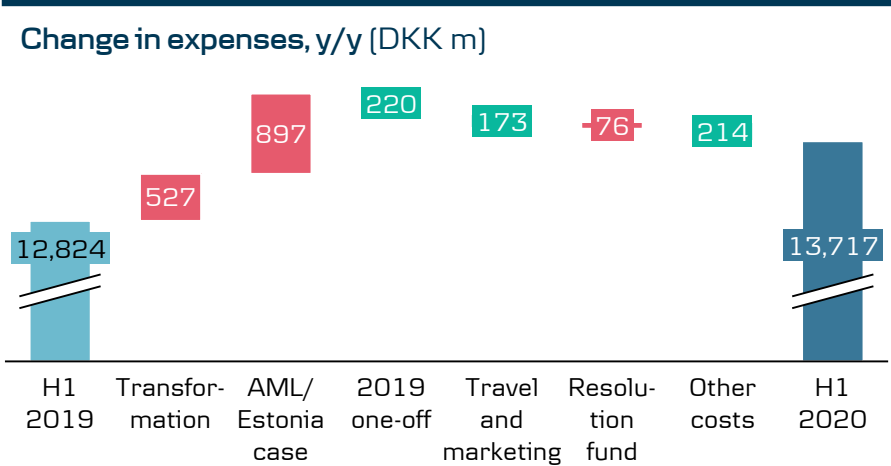
**Key points**

**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

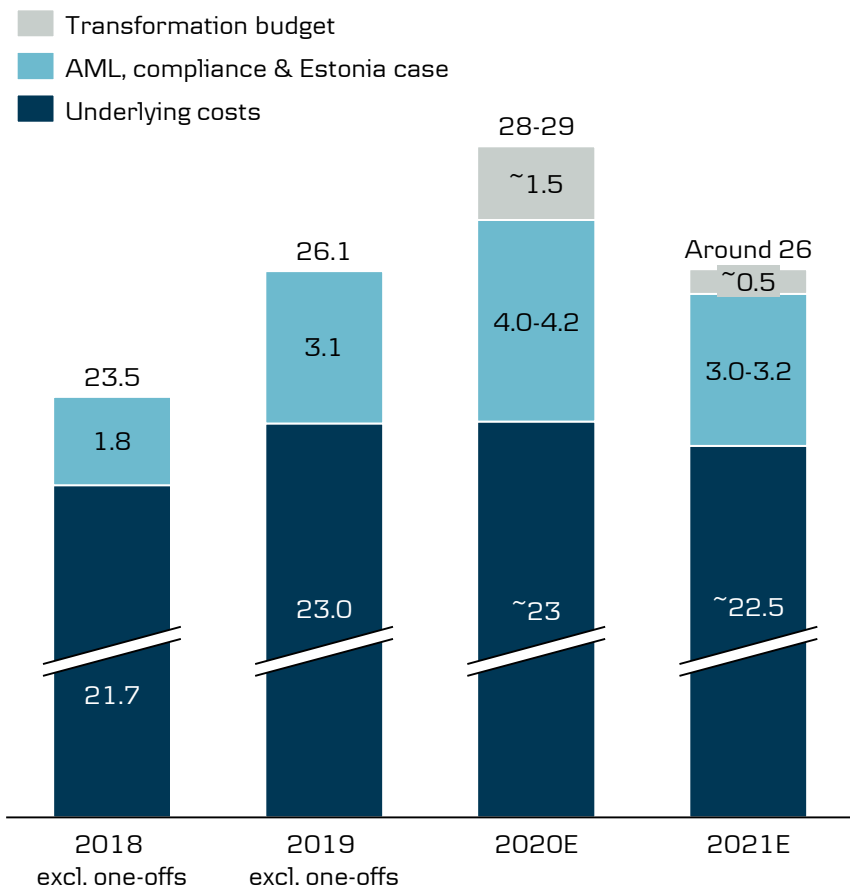
**Q/Q**

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



## 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

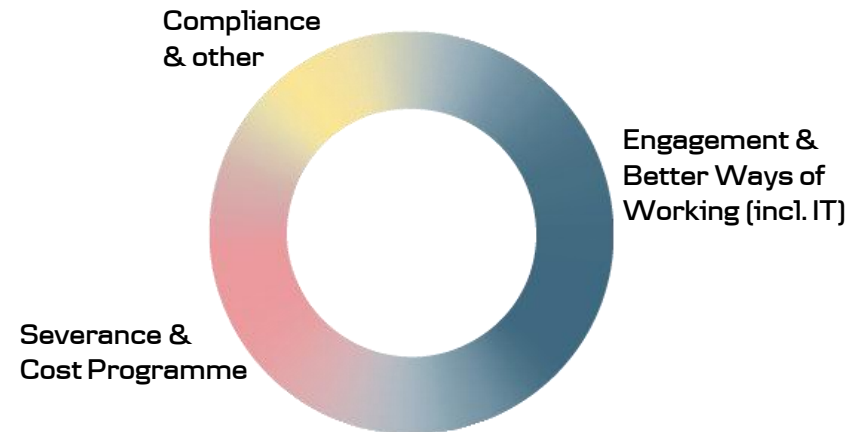
- We expect costs for 2021 of around DKK 26 bn as a result of a lower transformation budget, lower costs for compliance and the Estonia case as well as expedited cost reductions of underlying costs, including sizeable FTE reductions throughout the Group towards the end of 2020, as well as in 2021

# 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

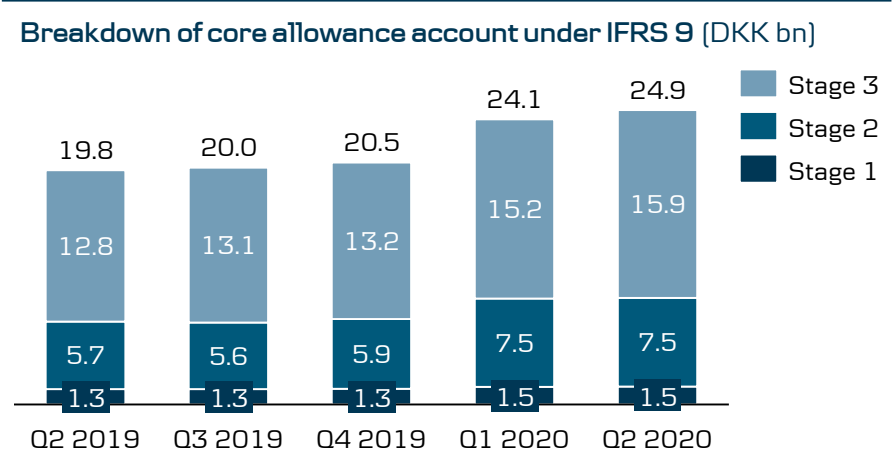
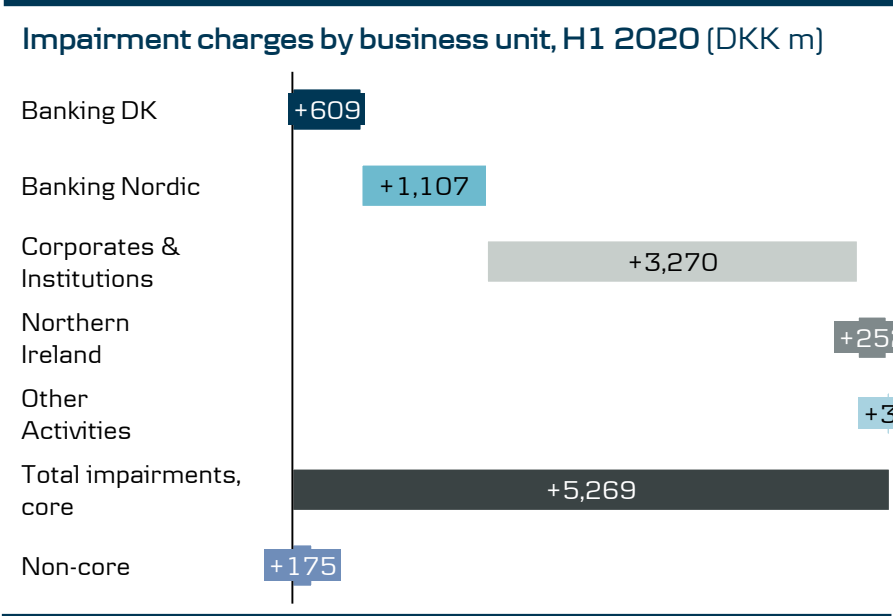
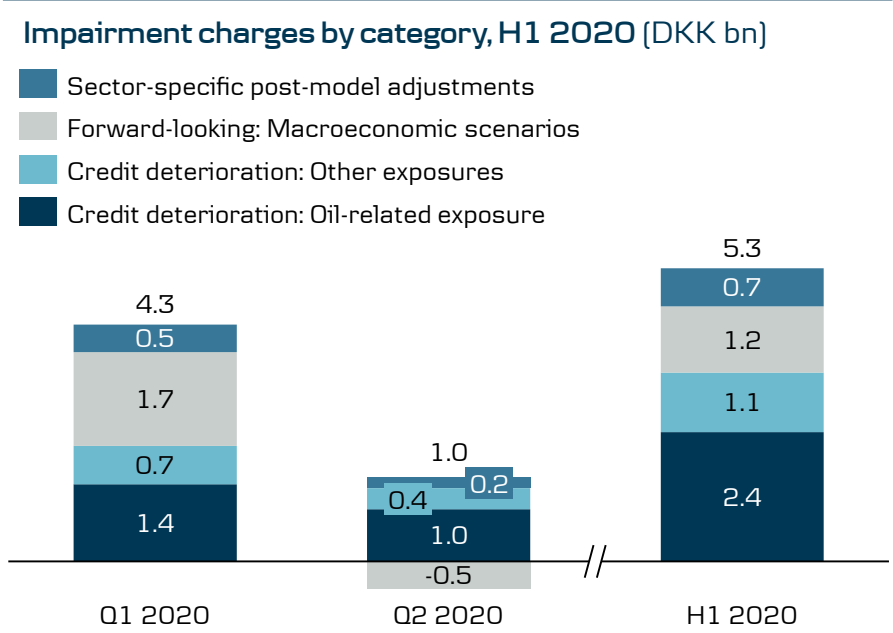
## Allocation of 2020 transformation budget



# 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



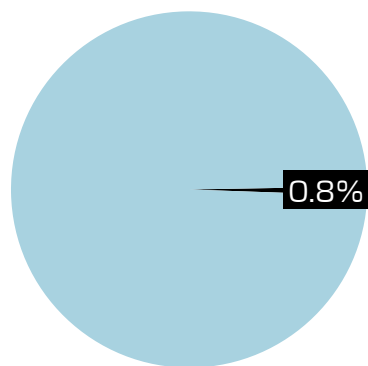
\* Please see slide 31 for assumptions behind updated IFRS 9 model scenarios

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

## Key points, H1 2020

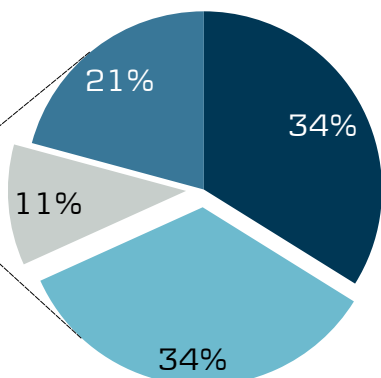
- The directly oil-related exposure makes up 0.8% of Group gross credit exposure
- The offshore segment, where we see credit deterioration, makes up 45% of the exposure and accounts for 84% of expected credit losses
- Continued uncertainty, especially in the offshore service and drilling segments, led 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)



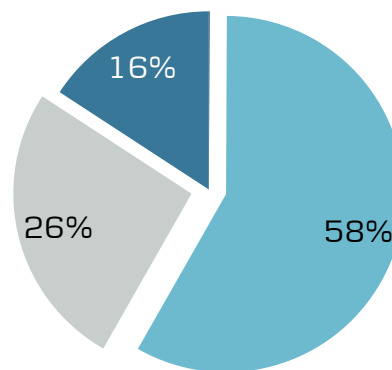
Oil-related exposure  
Other

Oil-related exposure (DKK 21.7 bn)



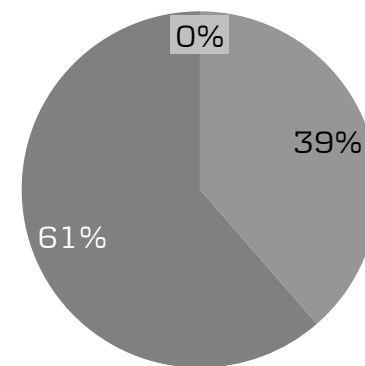
Oil majors  
Offshore - Rigs/FPSO  
Oil service  
Offshore - Supply vessels, etc.

Expected oil-related credit loss (DKK 4.4 bn)



Offshore - Supply vessels, etc.  
Oil service

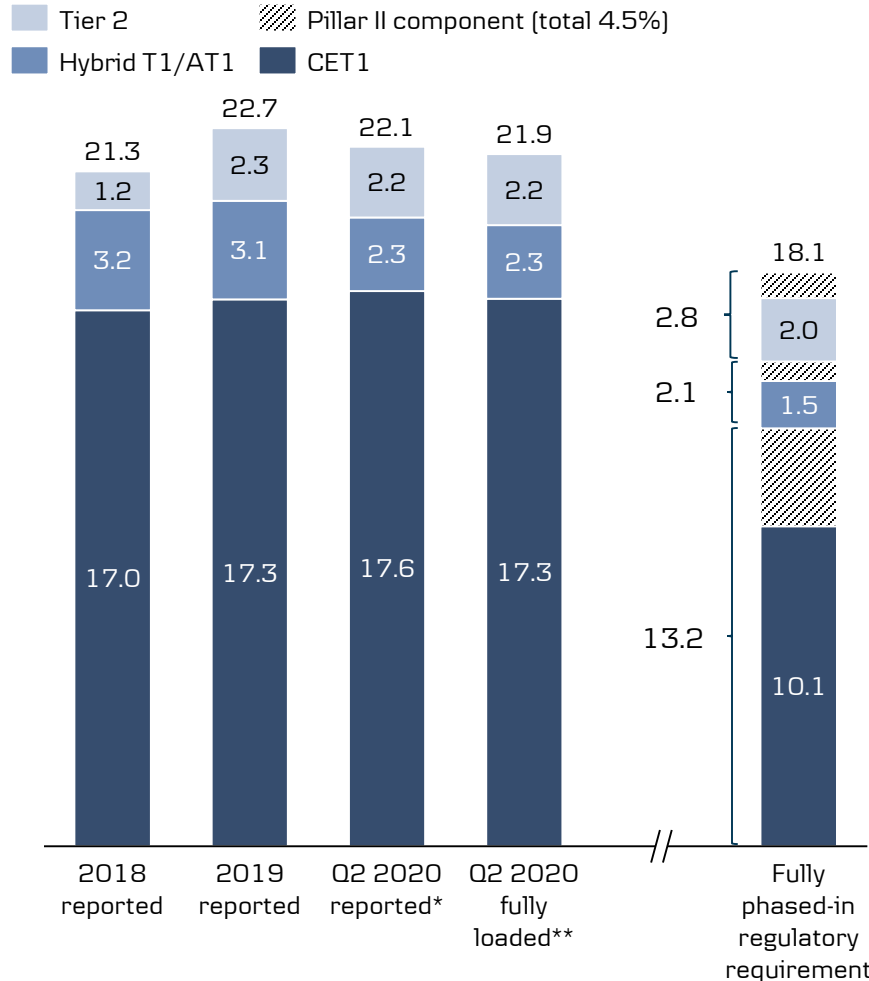
Offshore exposure by IFRS 9 stage (DKK 9.9 bn)



Stage 1  
Stage 2  
Stage 3

# Capital: Strong capital base; CET1 capital ratio of 17.6%

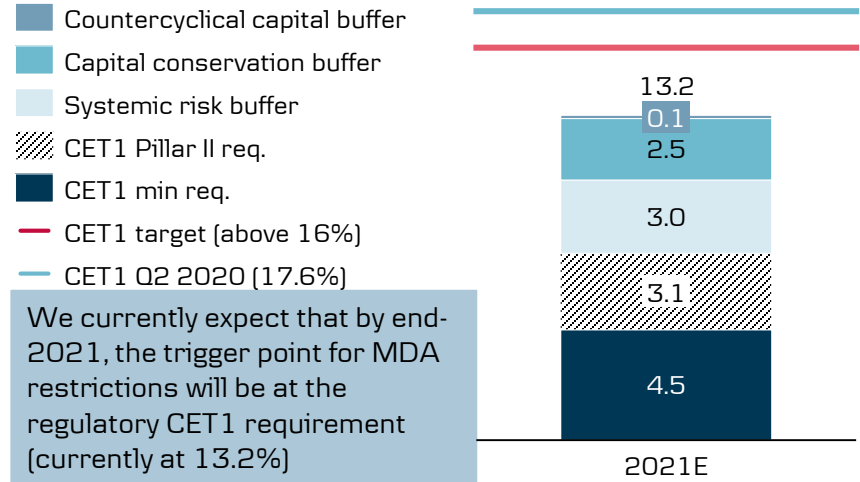
## Capital ratios; under Basel III/CRR; %



## 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

## Estimated capital buffer structure, %



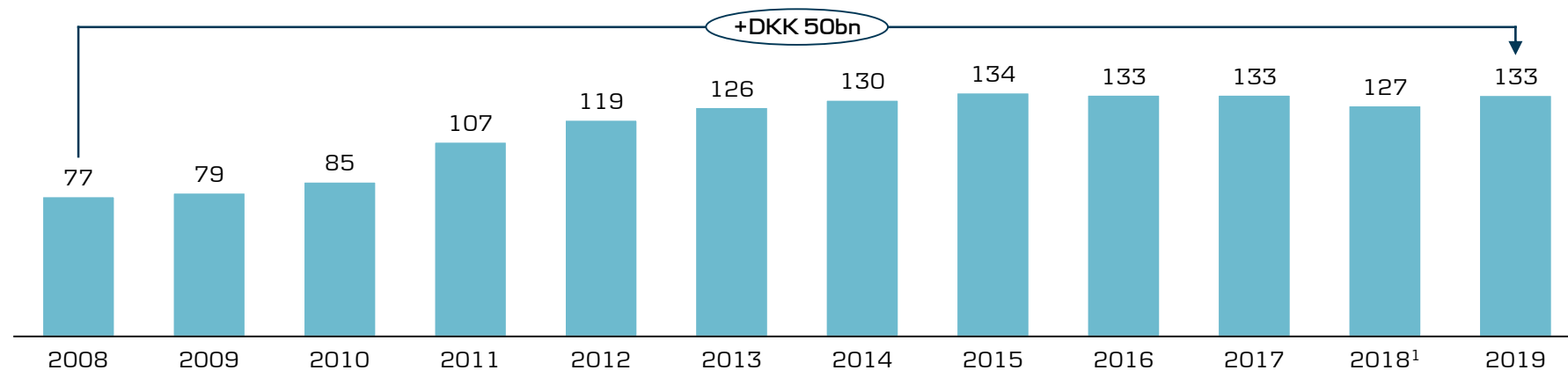
We currently expect that by end-2021, the trigger point for MDA restrictions will be at the regulatory CET1 requirement (currently at 13.2%)

\* Based on fully phased-in rules including fully phased-in impact of IFRS 9. \*\* Pro forma fully phased-in minimum CET1 requirement in 2021 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.



## Strong CET1 capital build-up since 2008; Available Distributable Items (ADI) well in excess of DKK 100 bn

Common Equity Tier 1, 2008 - 2019; DKKbn



REA, CET1, profit and distribution; DKKbn; %

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REA	960	834	844	906	819	852	865	834	815	753	748	767
CET1 ratio	8.1%	9.5%	10.1%	11.8%	14.5%	14.7%	15.1%	16.1%	16.3%	17.6%	17.0%	17.3%
Net profit	1.0	1.7	3.7	1.7	4.7	7.1	13.0 <sup>2</sup>	17.7 <sup>2</sup>	19.9	20.9	15.0	15.1
Distribution to shareholders <sup>3</sup>	0	0	0	0	0	2.0	10.5	17.1	18.9	16.3	7.6	0
Total assets	3,544	3,098	3,214	3,424	3,485	3,227	3,453	3,293	3,484	3,540	3,578	3,761

<sup>1</sup> The decline in CET1 capital in 2018 is due mainly to Danica Pension's acquisition of SEB Pension Danmark which led to a higher deduction in Group regulatory capital

<sup>2</sup> Before goodwill impairment charges

<sup>3</sup> Based on year-end communicated distributions. 2017 is adjusted for cancelled buy-back. 2019 is adjusted for cancelled dividend.

# Fully compliant with new MREL requirement; expect to cover MREL need with both preferred and non-preferred senior

## Overview of MREL

The Group has to meet both an MREL requirement and a separate debt buffer requirement for Realkredit Danmark (RD)

### MREL requirement, higher of;

- REA based (adjusted for RD):  $2 \times (P1 + P2 + CBR) - CCyB \Rightarrow$  DKK 238 bn
- Current TLOF based (adjusted for RD): Only expected to be applicable until end 2020, the DK FSA formally sets the MREL in % of Total Liabilities and Own Funds (TLOF), 11.3%  $\Rightarrow$  DKK 258 bn

### Adding

- RD capital and debt buffer  $\Rightarrow$  DKK 42bn

### $\Rightarrow$ Total resolution requirement:

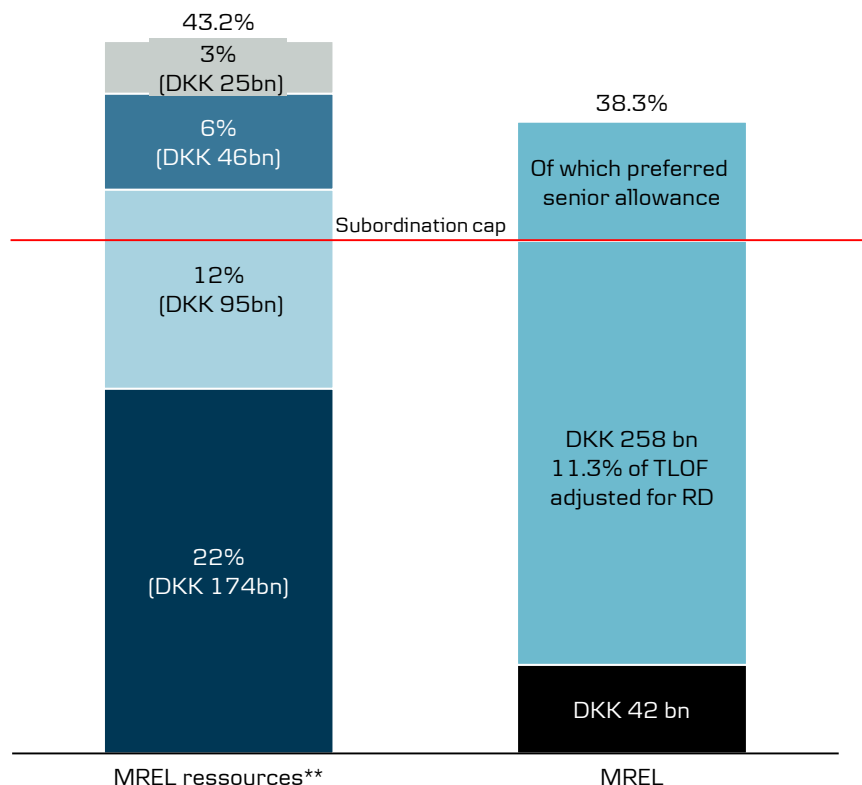
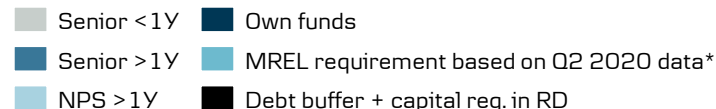
- Q2 2020 REA based + RD  $\Rightarrow$  36.2% of Group REA / DKK 280 bn
- Q2 2020 TLOF based + RD  $\Rightarrow$  38.3% of Group REA / DKK 301 bn

### On 1 May 2020, a new subordination cap was implemented as the higher of:

- $2 \times (P1 + P2) + CBR \Rightarrow$  total subordination requirement (incl. RD) of 31.1% of Group REA / DKK 244 bn
- 8% TLOF  $\Rightarrow$  total subordination requirement (incl. RD) of 28.7% of Group REA / DKK 225 bn

$\Rightarrow$  We expect to cover MREL need with new issues of both preferred senior and non-preferred senior

## MREL resources and requirements; Q2 2020; % of REA

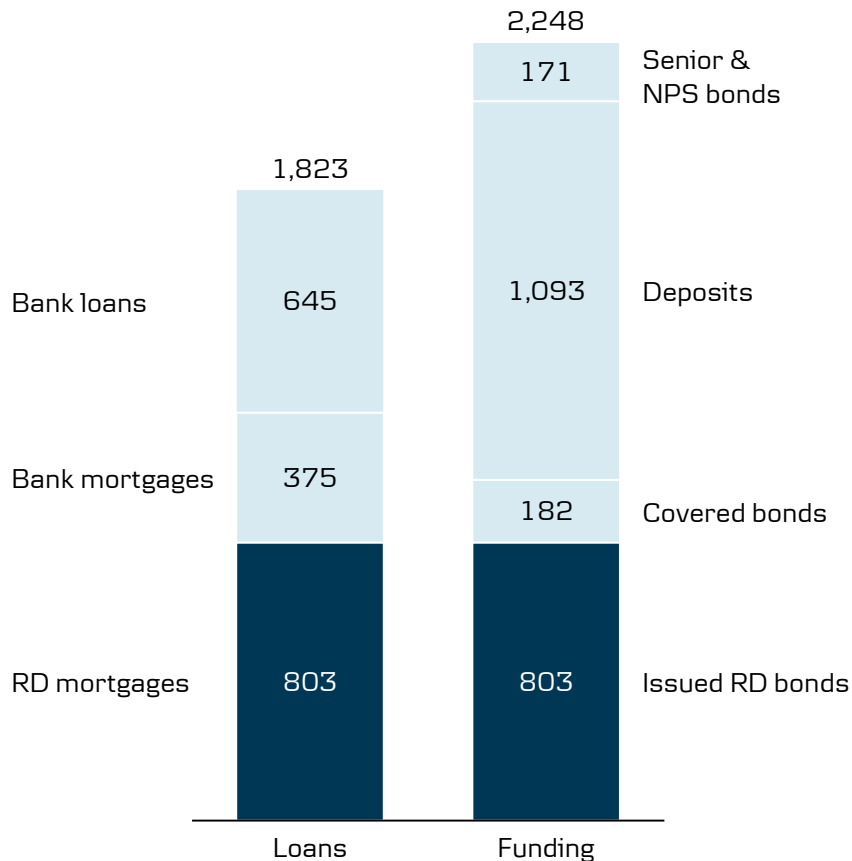


\* RD is not included in the consolidation for the purpose of determining the MREL for the Group. The capital and debt buffer requirements that apply to RD are thus deducted from the liabilities used to fulfil the MREL. Consequently, the total resolution requirement and subordination requirement is the sum of Group's MREL requirement and RD's capital and debt buffer requirement.

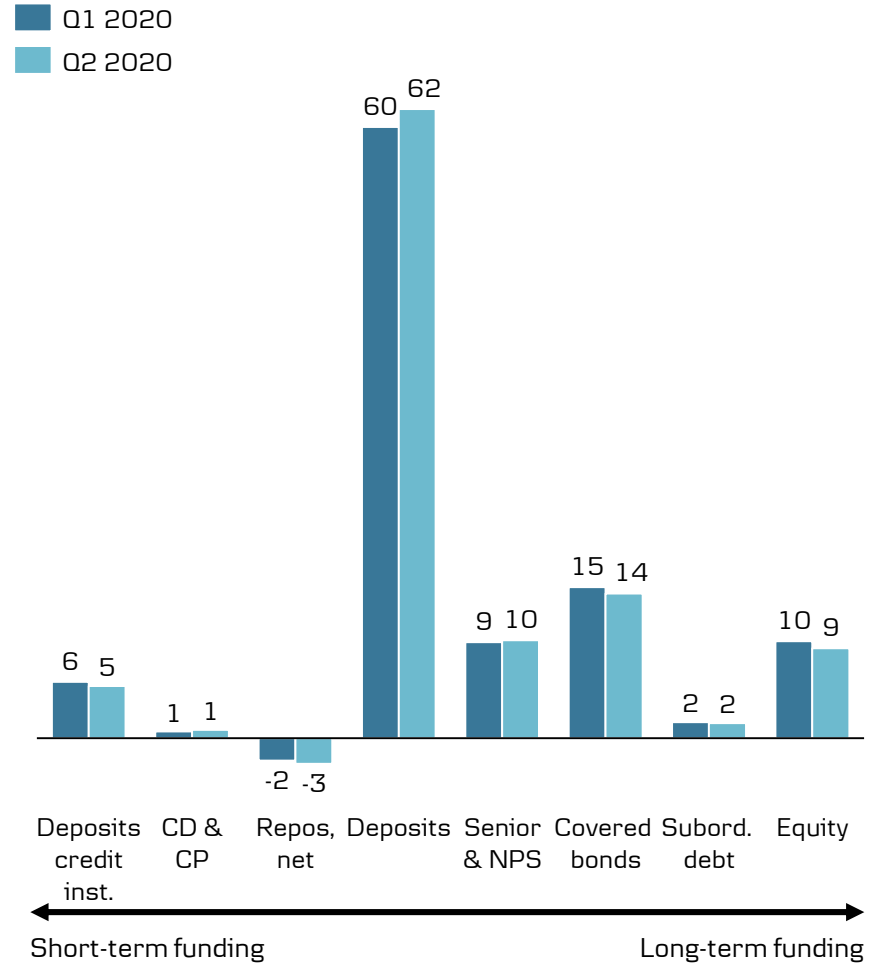
\*\* MREL resources include structured notes.

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

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

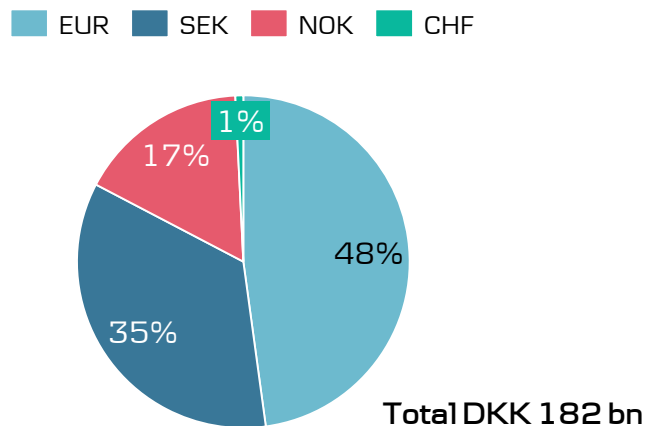


Funding sources (%)

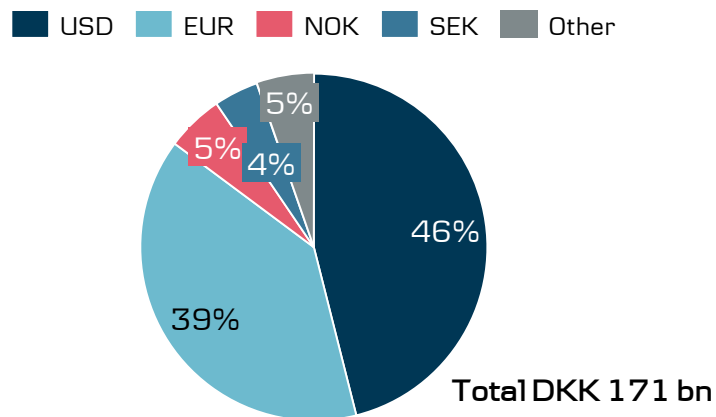


# Funding programmes and currencies

Covered bonds by currency, end-Q2 2020



Senior debt<sup>1</sup> by currency, end-Q2 2020

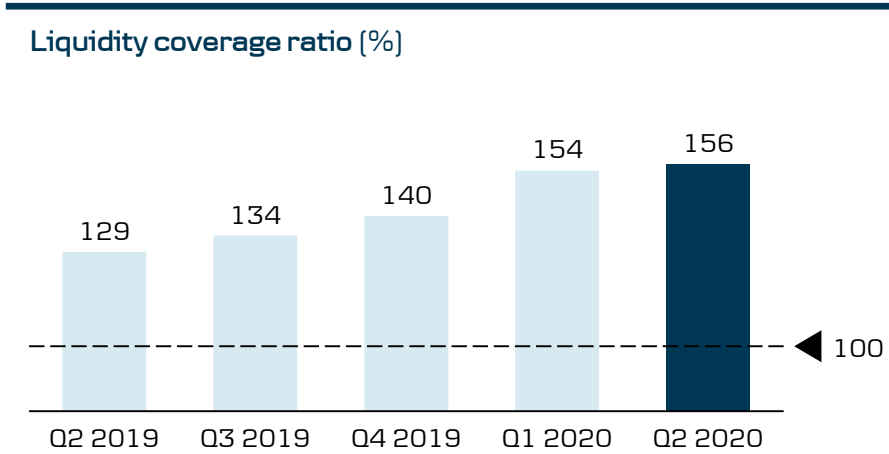
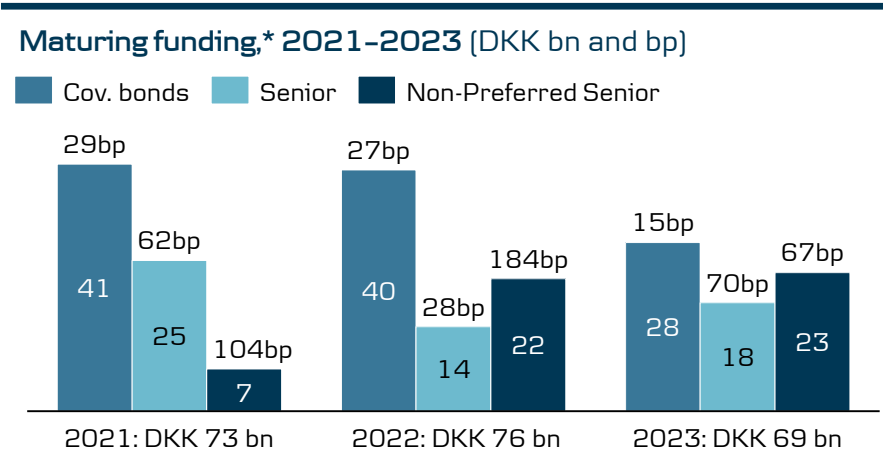
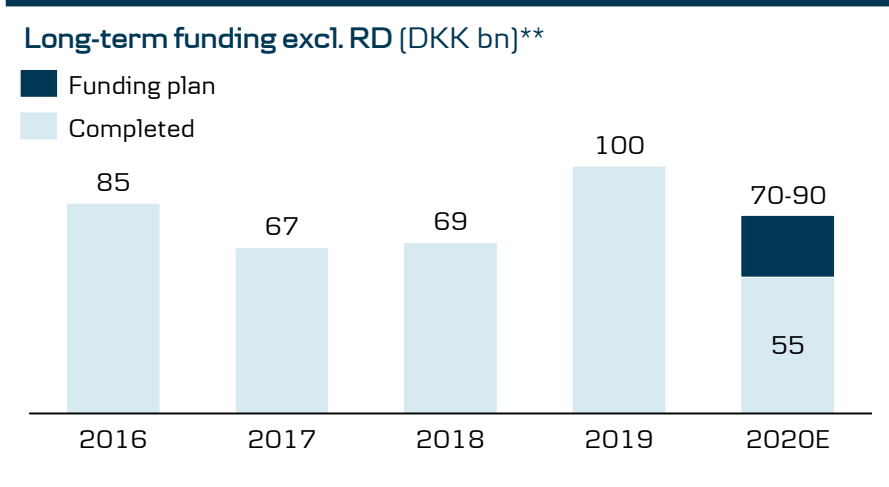
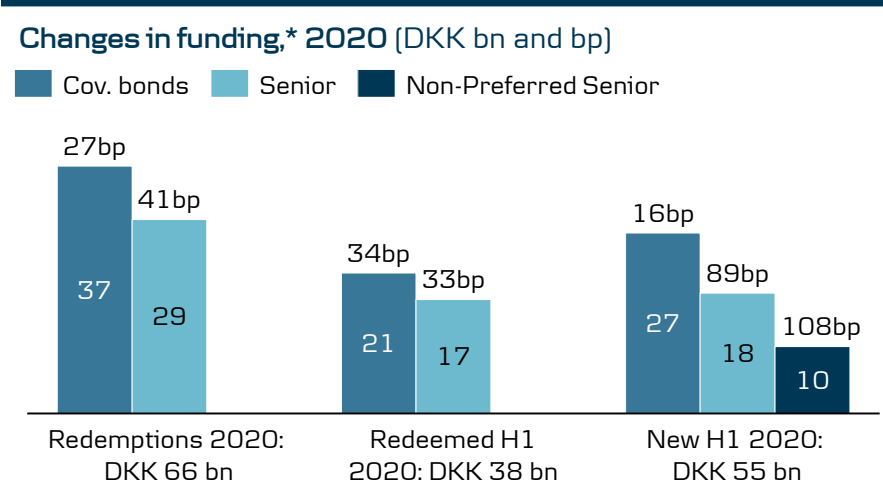


Largest funding programmes, end-Q2 2020

Programme	Limit	Utilisation
EMTN Programme	EUR 35bn	42%
Global Covered Bond	EUR 30bn	75%
ECP Programme	EUR 13bn	7%
US MTN (144A)	USD 15bn	59%
US Commercial Paper	USD 6bn	8%
UK Certificate of Deposit	USD 15bn	6%
NEU Commercial Paper	EUR 10bn	0%

<sup>1</sup> Including senior preferred and non-preferred debt

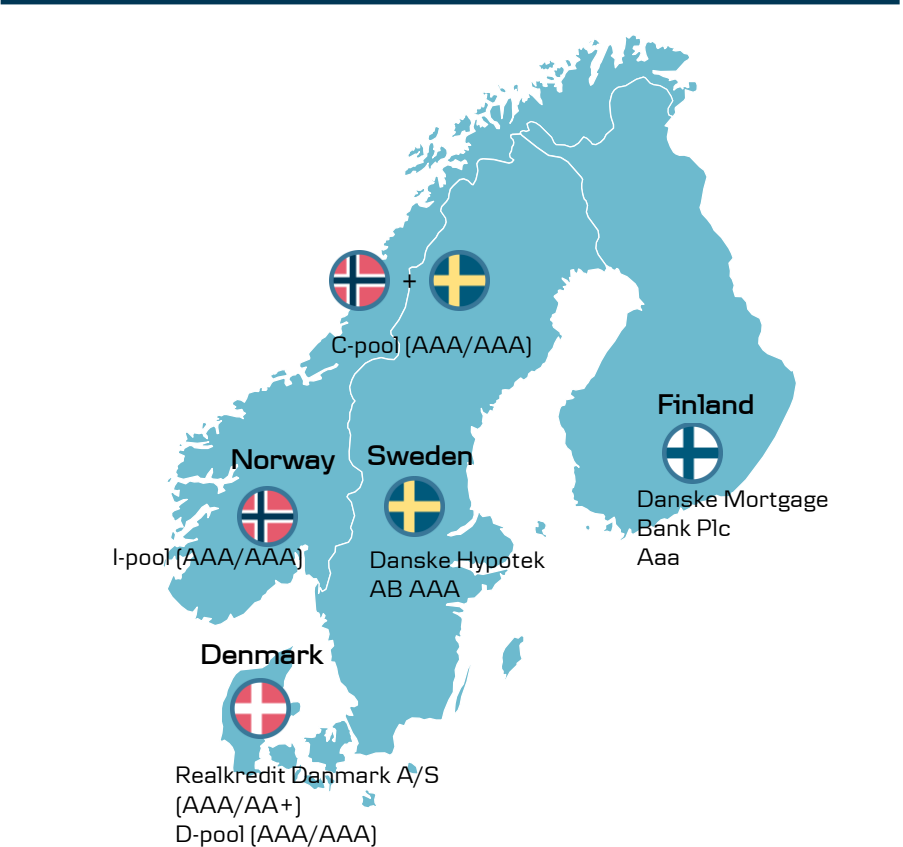
# Funding and liquidity: DKK 55 bn of long-term funding issued in H1 2020; LCR compliant at 156%



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

# Danske Bank covered bond universe, a transparent pool structure<sup>1</sup>

  	<p><b>Residential mortgages from</b></p> <ul style="list-style-type: none"> <li>• Denmark, D-pool</li> <li>• Norway, I-pool</li> <li>• Sweden, Danske Hypotek AB</li> <li>• Finland, Danske Mortgage Bank Plc</li> </ul> <p><b>Commercial mortgages from</b></p> <ul style="list-style-type: none"> <li>• Sweden and Norway, C-pool</li> </ul>
  	<p><b>Pass-through principle based on mortgages from primarily Denmark</b></p> <ul style="list-style-type: none"> <li>• Capital Centre T, Adjustable-rate mortgages</li> <li>• Capital Centre S, Fixed-rate callable mortgages</li> </ul>












<sup>1</sup> The migration to Danske Hypotek of Swedish residential loans from Danske Bank's I-pool and Swedish residential-like loans from Danske Bank's C-pool is ongoing. Details of the composition of individual cover pools can be found on the respective issuers' website

# Danske Bank's credit ratings

## Long-term instrument ratings

	Fitch	Moody's	Scope	S&P
	AAA <sup>1</sup>	Aaa	AAA	AAA
	AA+ <sup>2</sup>	Aa1	AA+	AA+
	AA	Aa2	AA	AA
	AA-	Aa3	AA-	AA-
Investment grade	A+	A1	A+	A+
	A	A2	A	A
	A-	A3	A-	A-
	BBB+	Baa1	BBB+	BBB+
	BBB	Baa2	BBB	BBB
	BBB-	Baa3	BBB-	BBB-
Speculative grade	BB+	Ba1	BB+	BB+

	Fitch rated covered bonds – RD, Danske Bank
	Moody's rated covered bonds – Danske Mortgage Bank
	Scope rated covered bonds – RD
	S&P rated covered bonds – RD, Danske Bank, Danske Hypotek
	Counterparty rating
	Senior unsecured
	Non-preferred senior
	Tier 2
	Additional Tier 1

<sup>1</sup> RD capital centre S

<sup>2</sup> RD capital centre T

## Fitch takes rating action on Danske Bank in Q2 2020

### Fitch removes Danske Bank's ratings from Rating Watch Negative

On the 19 June, Fitch removed its ratings from Rating Watch Negative and affirmed its ratings of Danske Bank. At the same time Fitch assigned a Negative outlook to Danske Bank's 'A' issuer rating. The Negative outlook reflects the economic uncertainties relating to the fallout from the coronavirus pandemic and the financial uncertainties relating to the Estonia case.

### Fitch revises its outlook on Realkredit Danmark to Stable







At the same time, Fitch affirmed its rating and revised its outlook on Realkredit Danmark to Stable from Negative. The change in outlook reflects that the strength of the capital position more than offsets medium-term concerns on asset quality and earnings.

### Moody's and S&P take no rating action on Danske Bank

Moody's and S&P both affirmed their ratings and outlook for Danske Bank, on the 19 June and 2 July respectively, incorporating their assessments of the impact from the coronavirus pandemic.

## Danske Bank's ESG ratings

Danske Bank has chosen to focus on six providers, based on their importance to our investors

	20 Jun 2020	31 Mar 2020	31 Dec 2019	31 Dec 2018	Range
 <sup>1</sup>	C	C	C	C	D- to A+ (A+ highest rating)
	Imug to suspend all bank ratings due to insufficient staff resources	neutral (CCC)	positive (B)	positive (B)	D to AAA (AAA highest rating)
	C Prime	C Prime	C Prime	C Prime	D- to A+ (A+ highest rating)
	B	B	B	B	CCC to AAA (AAA highest rating)
	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Negligible to Severe risk
	Not public to Danske Bank	Not public to Danske Bank	Not public to Danske Bank	Not public to Danske Bank	0 to 100 (100 highest rating)

- ESG rating agencies are not regulated
- ESG ratings are unsolicited and in principle based on public information
- ESG rating agency criteria are not always public
- Disclosure of ESG ratings is discretionary
- ESG ratings are updated annually with interim updates limited

<sup>1</sup> CDP: Carbon Disclosure Project – primary focus is on climate change / management, also linked to TCFD



## 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 <sub>2</sub> 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 <sub>2</sub> 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<sub>2</sub> emissions in 2010.

# Agenda

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03. *Macroeconomics* 41

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04. *Outlook, one-off items and 2020 focus areas* 44

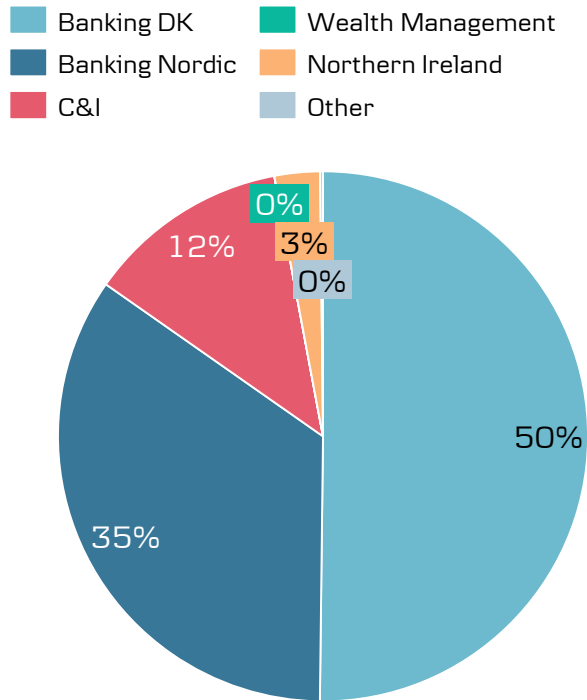
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05. *Contacts* 47

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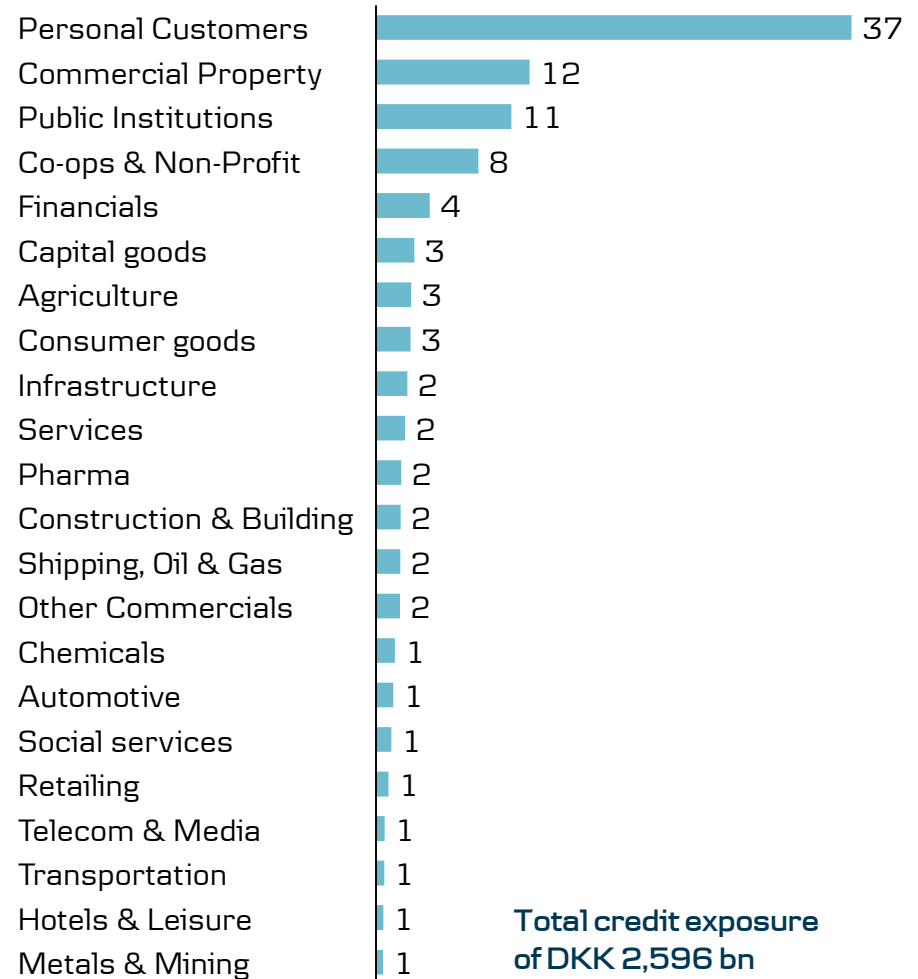
# Strong footprint within retail lending

Lending by business unit<sup>1</sup>; %; Q2 2020



Total lending of DKK 1,823 bn

Credit exposure by industry; %; Q2 2020



Total credit exposure of DKK 2,596 bn

<sup>1</sup> Total lending before loan impairment charges.

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

## Comments

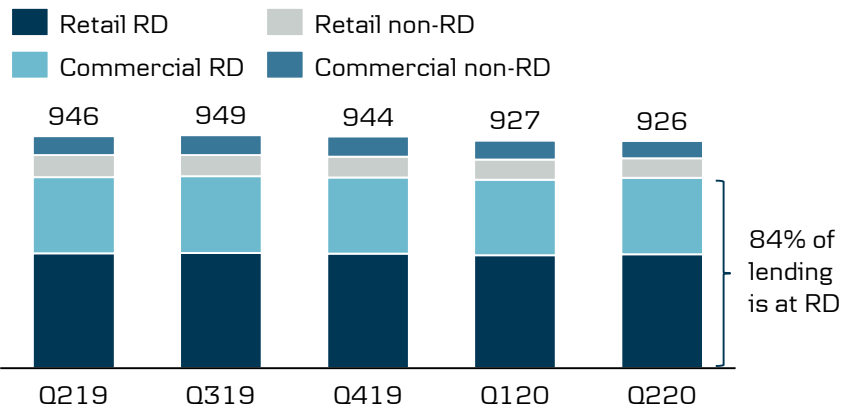
### Banking DK

- 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

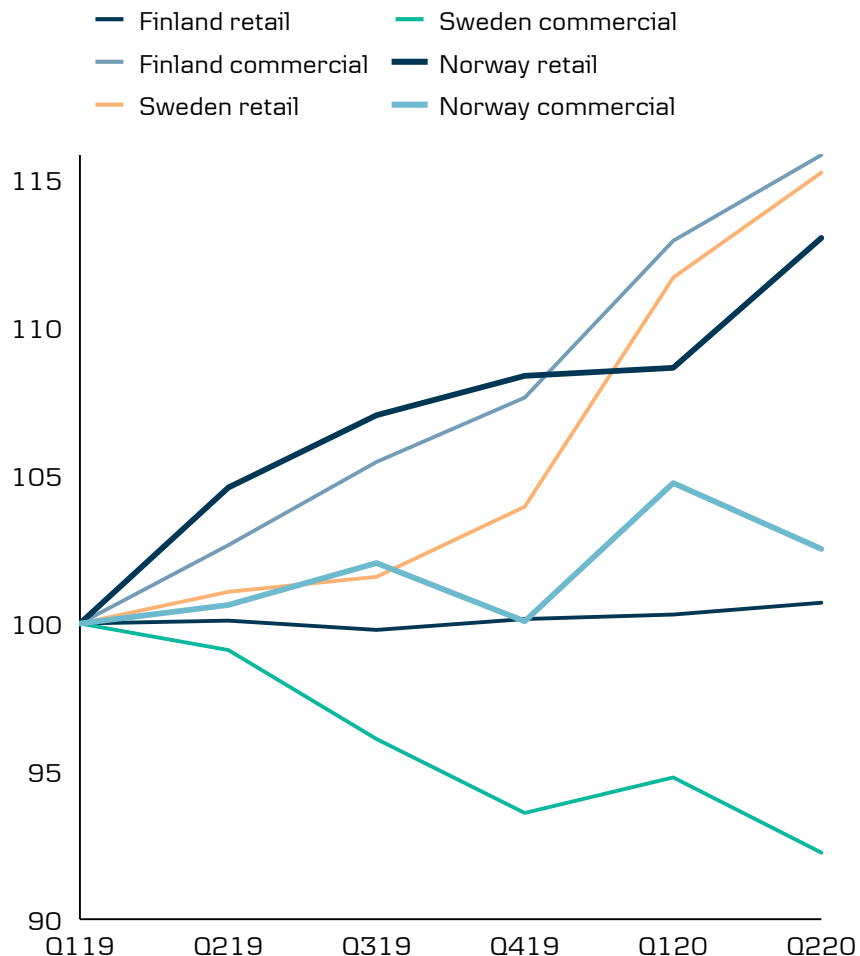
### Banking Nordic

- 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.

# 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

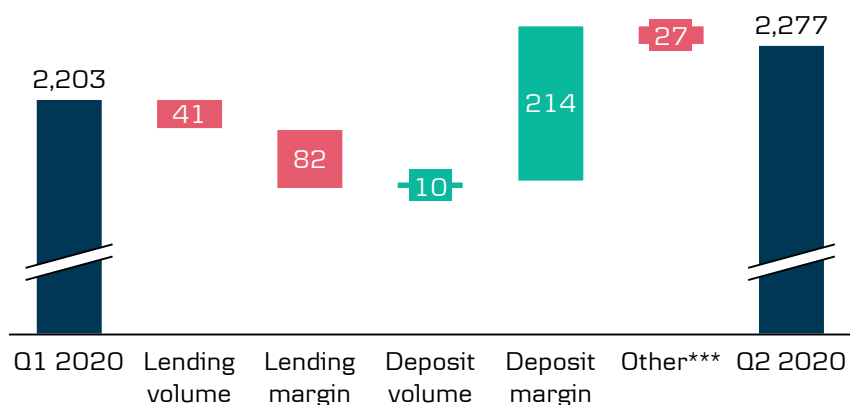
### Y/Y

- 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

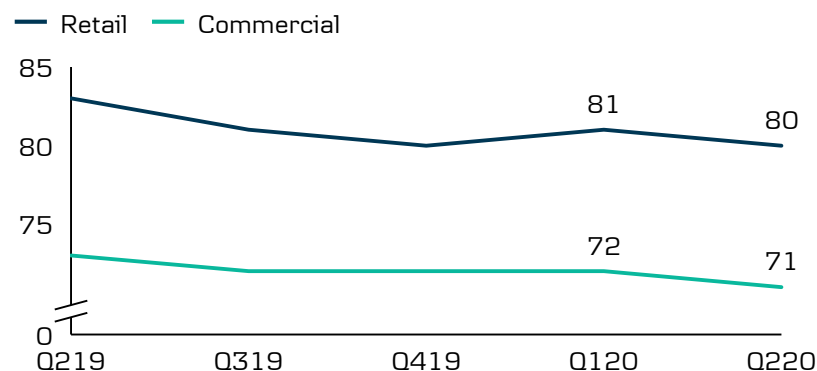
### Q/Q

- 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)



# Realkredit Danmark: Portfolio overview

## 68% of new retail lending in Q2 was fixed-rate vs 44% of stock

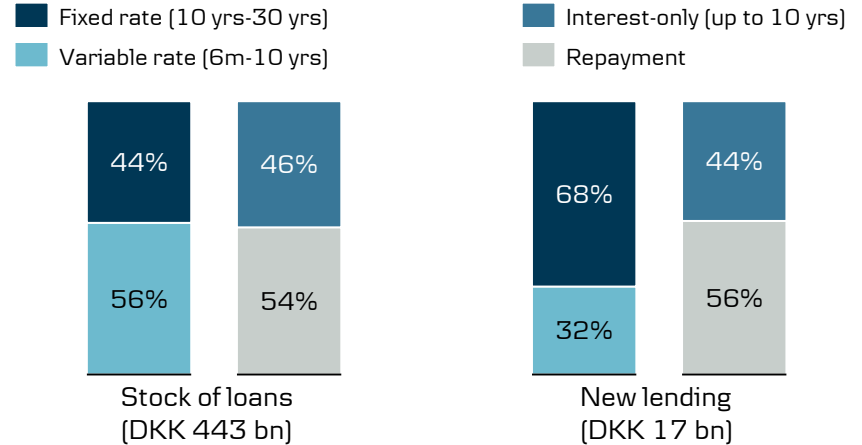
### Portfolio facts, Realkredit Danmark, Q2 2020

- 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

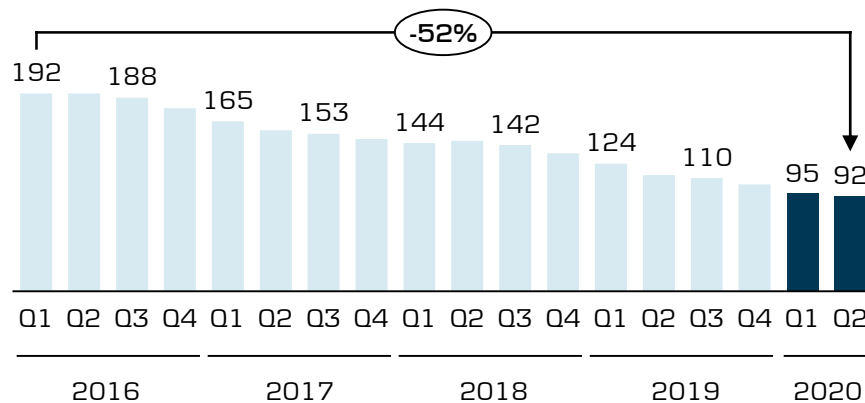
### LTV ratio limit at origination (legal requirement)

- Residential: 80%
- Commercial: 60%

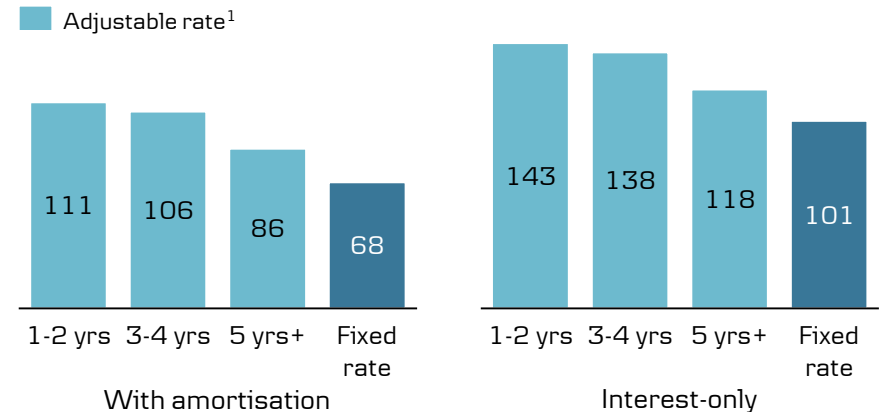
### Retail loans, Realkredit Danmark, Q2 2020 (%)



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



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



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

## 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

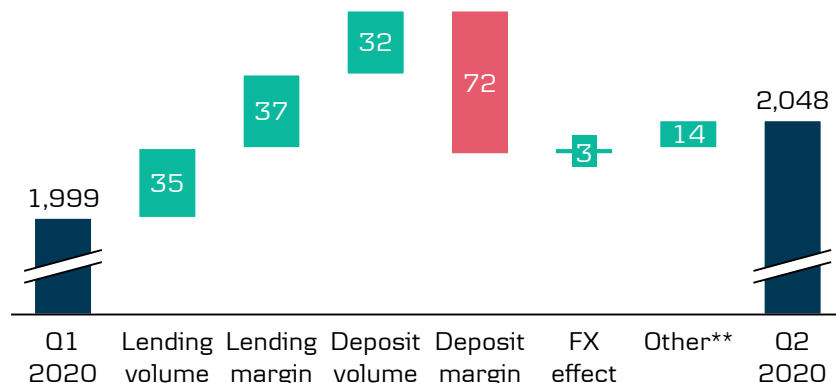
#### Y/Y

- 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

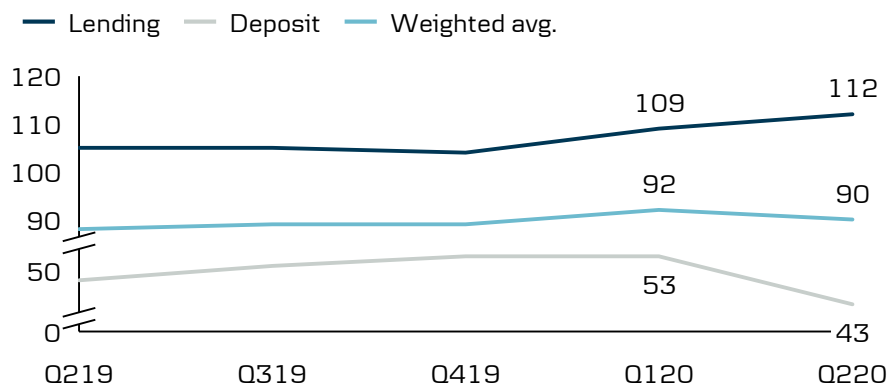
#### Q/Q

- 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.

## 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

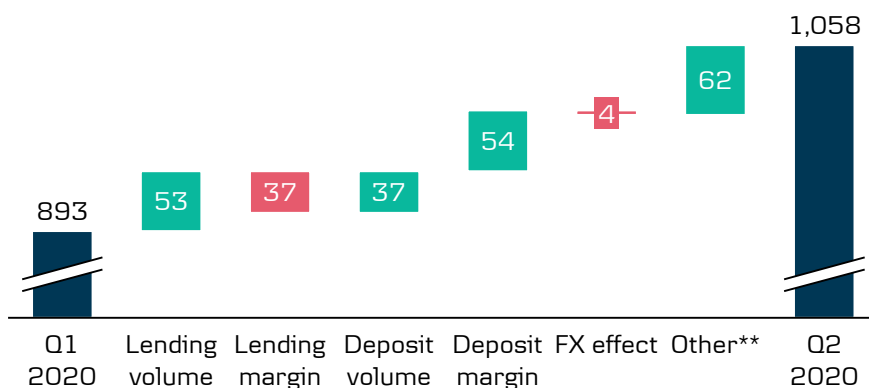
#### Y/Y

- 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

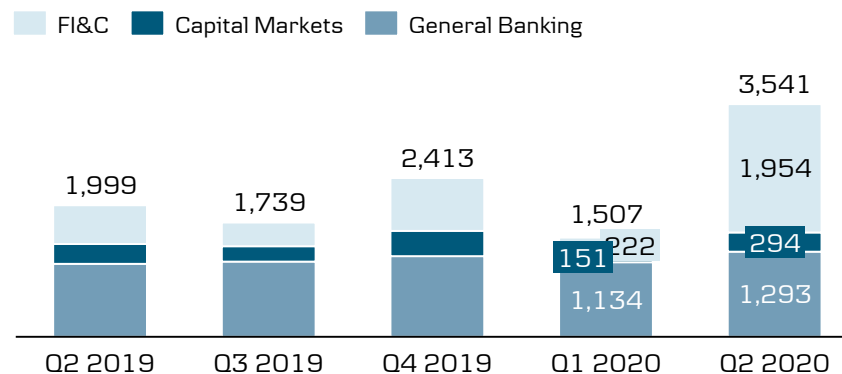
#### Q/Q

- 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.



## 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

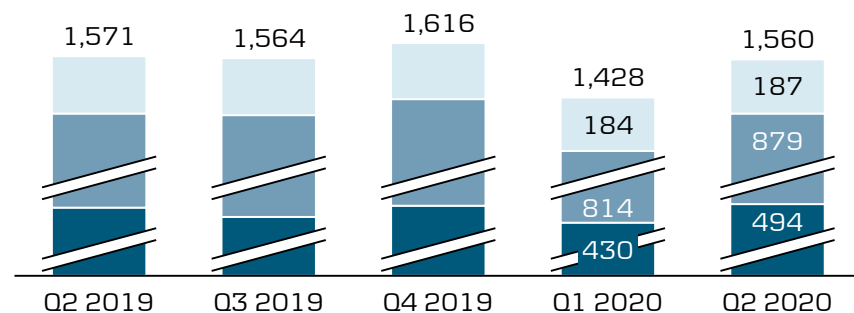
- Fees up 2% driven by Danica Pension and a correction of pension tax, H1 2019 also partly included Danica Pension Sweden
- Expenses down 15% as H1 2019 was impacted by Flexinvest Fri compensation and integration of SEB Pension

#### Q/Q

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

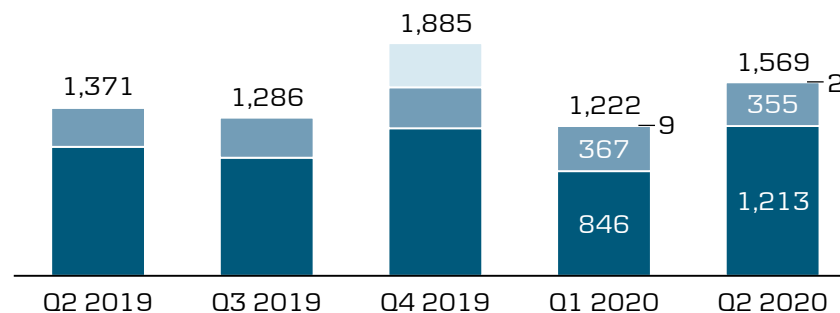
### AuM breakdown (DKK bn)

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)

	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

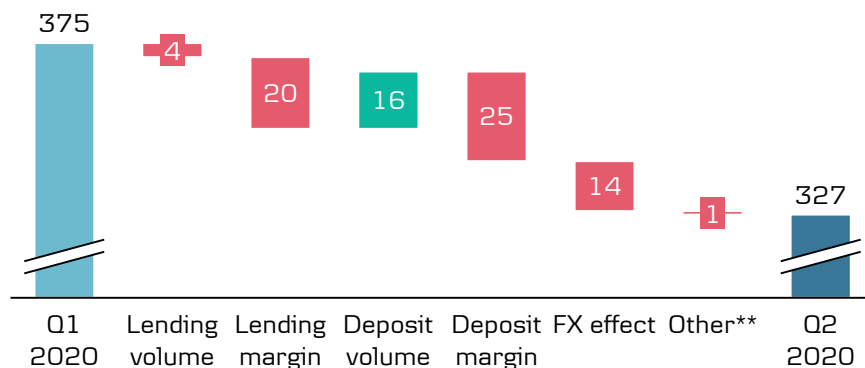
#### Y/Y

- 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

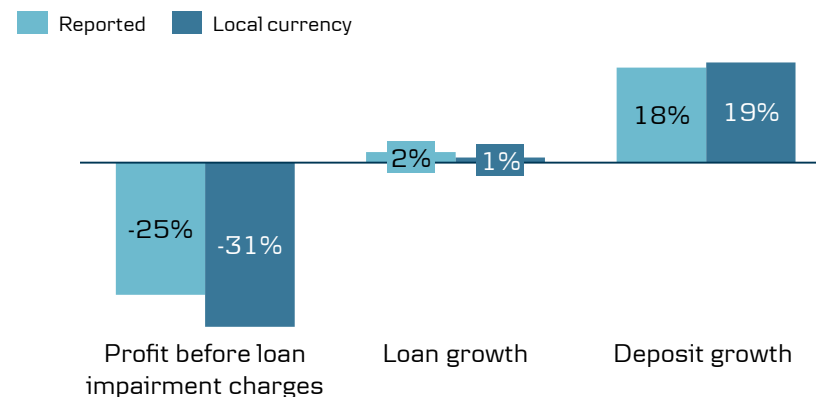
#### Q/Q

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

### Northern Ireland NII bridge\* (DKK m)



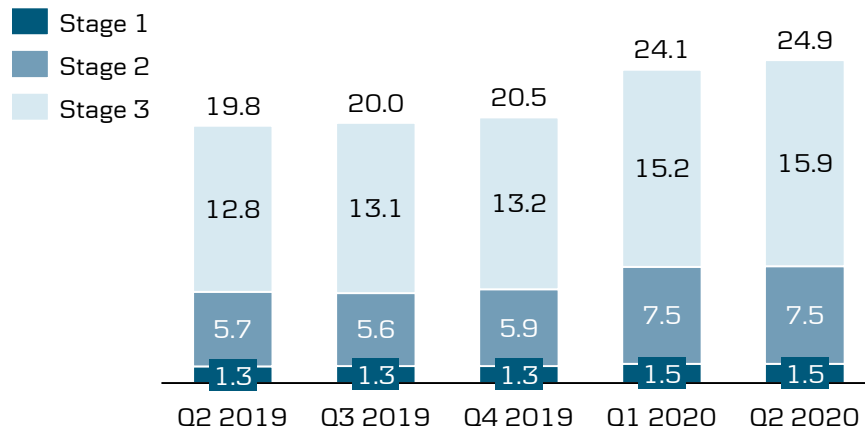
### FX-adjusted developments y/y



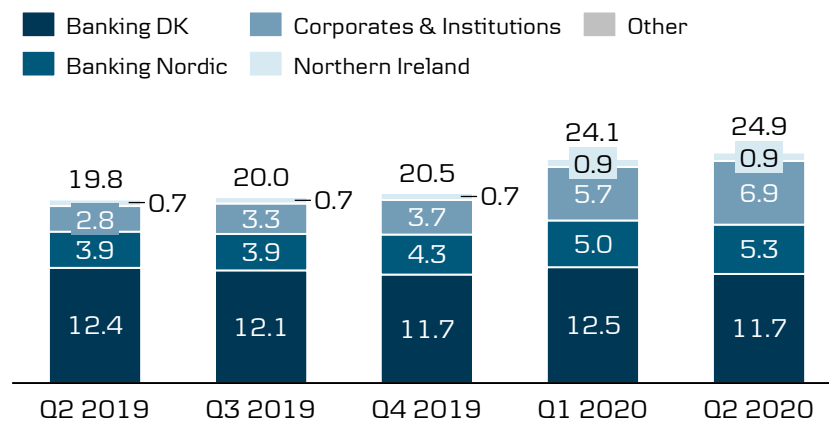
\* Based on average volumes. \*\* Includes capital costs, day effect and off-balance-sheet items.

## 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)



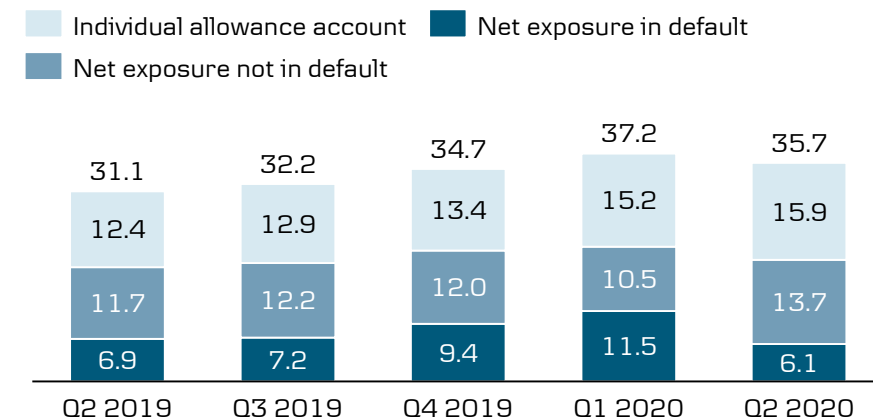
### Core allowance account by business unit (DKK bn)



### 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%
<b>Total</b>	<b>7.5</b>	<b>2,621.2</b>	<b>0.29%</b>

### 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

## 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	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

- 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

## 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.

## 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

### 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
<b>Total</b>	<b>16,791</b>	<b>277</b>	<b>16,514</b>
<b>Share of Group net exposure Q2 2020</b>	<b>0.6%</b>	<b>Share of Group net NPL Q2 2020</b>	<b>3.8%</b>
		<b>Expected credit loss Q1 2020</b>	<b>213</b>

### 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

### 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
<b>Total</b>	<b>15,393</b>	<b>290</b>	<b>15,102</b>
<b>Share of Group net exposure Q2 2020</b>	<b>0.6%</b>	<b>Share of Group net NPL Q2 2020</b>	<b>1.9%</b>
		<b>Expected credit loss Q1 2020</b>	<b>233</b>

\* 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 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

### 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
<b>Total</b>	<b>26,472</b>	<b>1,086</b>	<b>25,385</b>
<b>Share of Group net exposure Q2 2020</b>	<b>Share of Group net NPL Q2 2020</b>	<b>Expected credit loss Q1 2020</b>	
1.0%	6.6%	1,223	

### 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%)

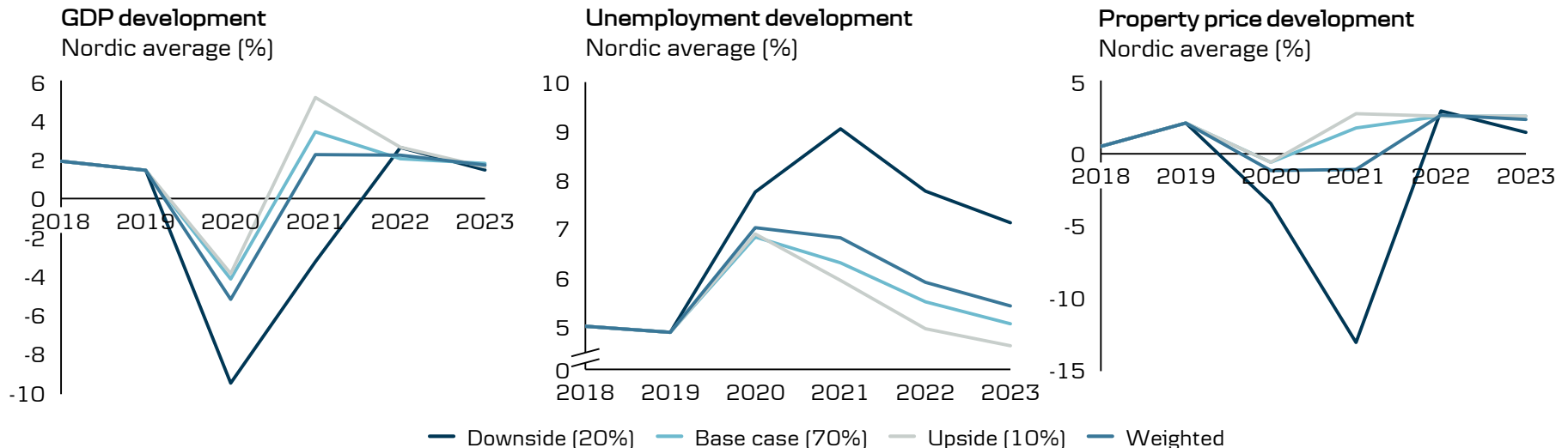
### Commercial real estate by segment, Q2 2020 (DKK m)

	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
<b>Total</b>	<b>313,208</b>	<b>2,564</b>	<b>310,643</b>
<b>Share of Group net exposure Q2 2020</b>	<b>Share of Group net NPL Q2 2020</b>	<b>Expected credit loss Q1 2020</b>	
12.0%	12.7%	2,798	

# 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



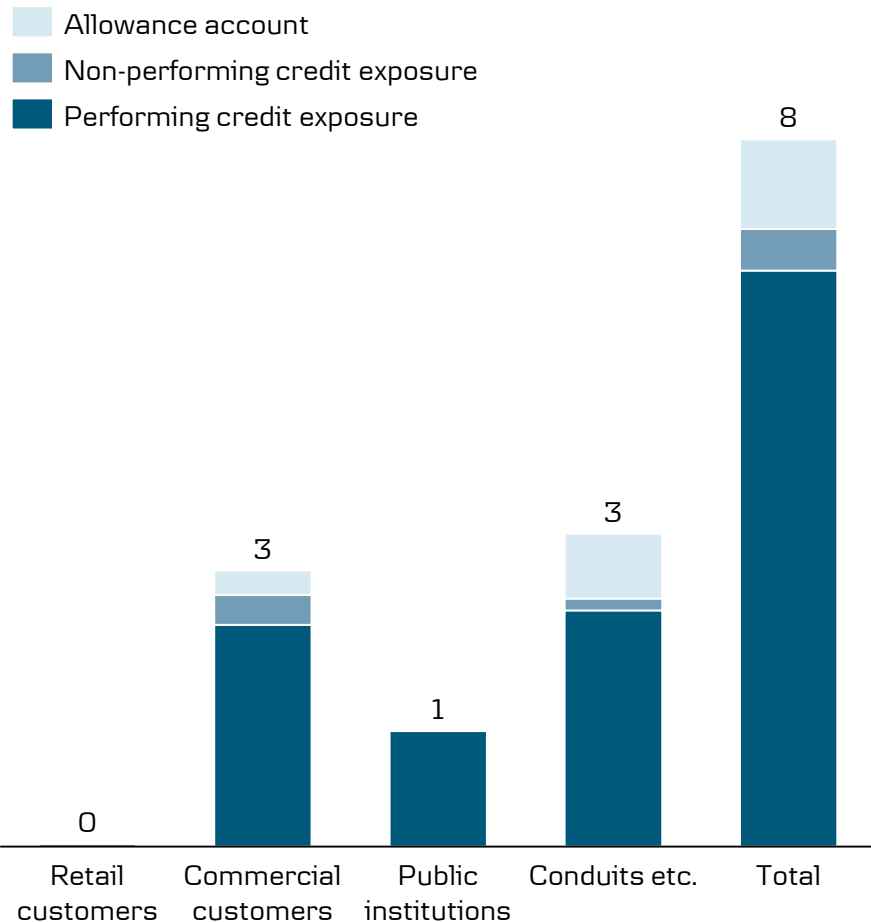
## Credit quality: Assumptions behind updated IFRS 9 model scenarios at end-Q2 2020

Group averages (%)	Downside (20%)		Base case (70%)		Upside (10%)	
	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%

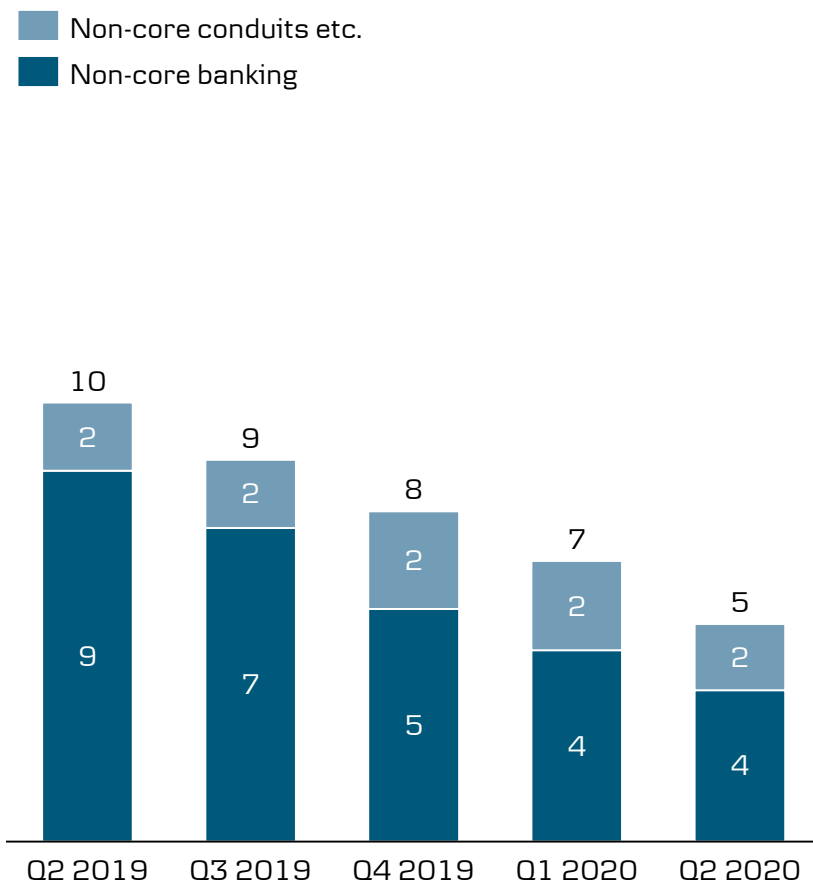


# Non-core: Estonia, Latvia & Russia exited; sale of Lithuanian personal portfolio in Q2 but commercial loans remain to mature

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



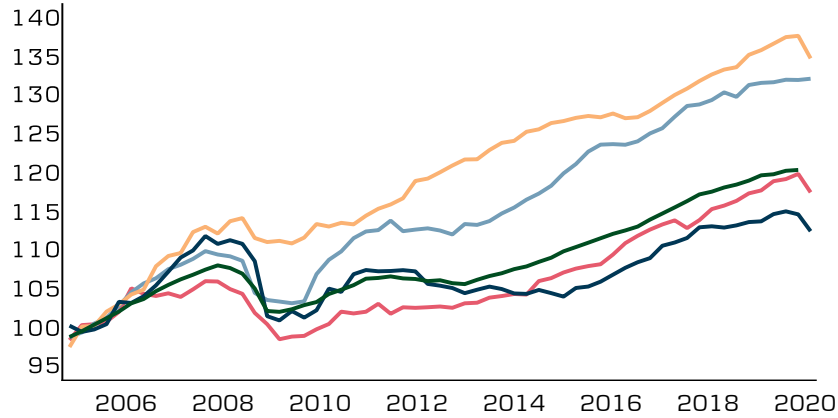
Non-core REA\* (DKK bn)



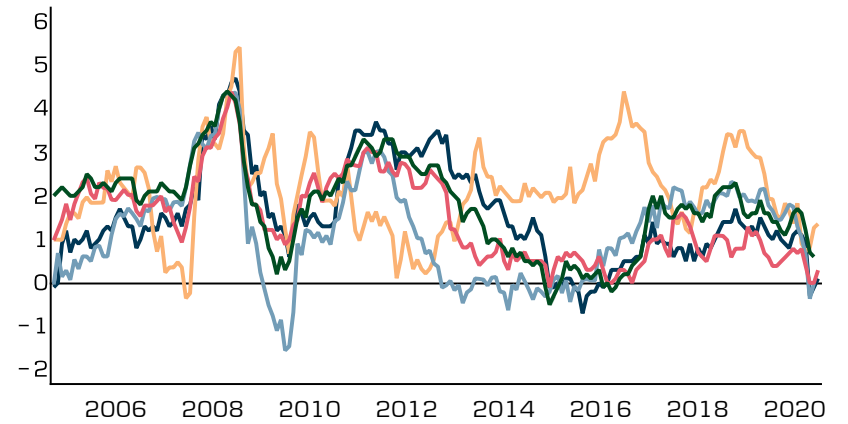
# Nordic macroeconomics

— Denmark — Sweden — Norway — Finland — EU

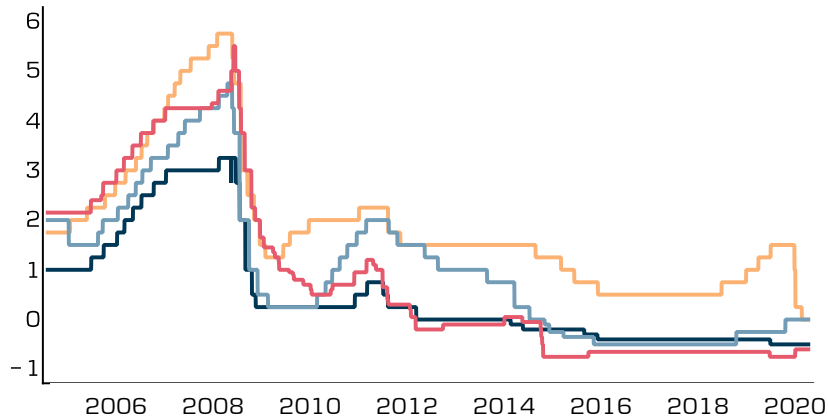
Real GDP, constant prices (index 2005 = 100)



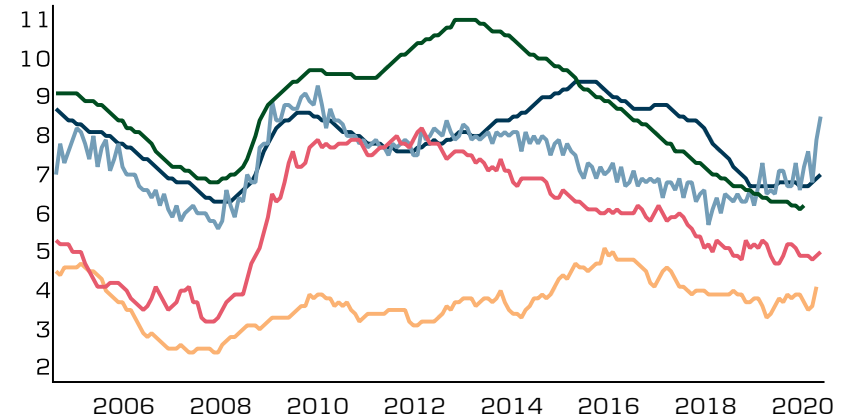
Inflation [%]



Interest rates, leading [%]



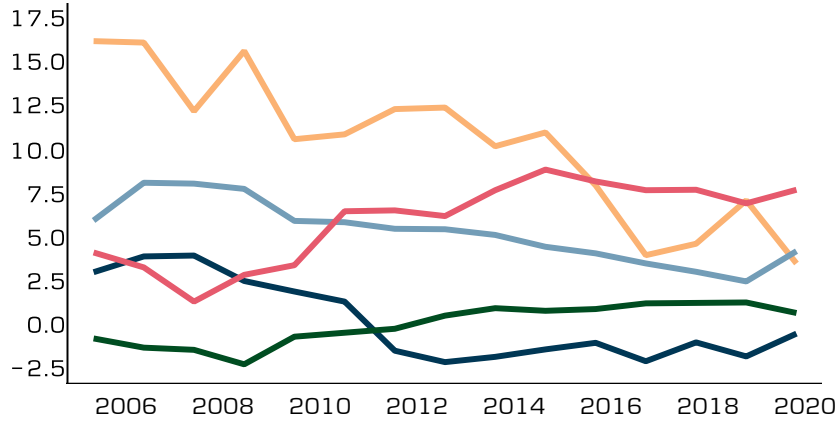
Unemployment [%]



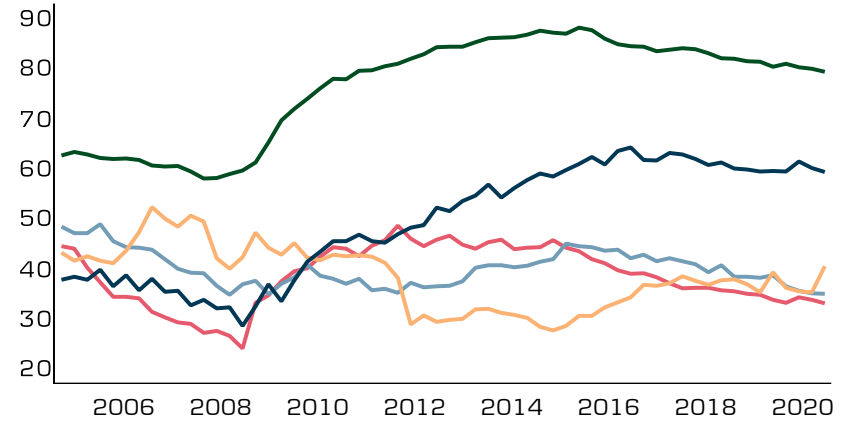
# Nordic macroeconomics

Denmark Sweden Norway Finland EU

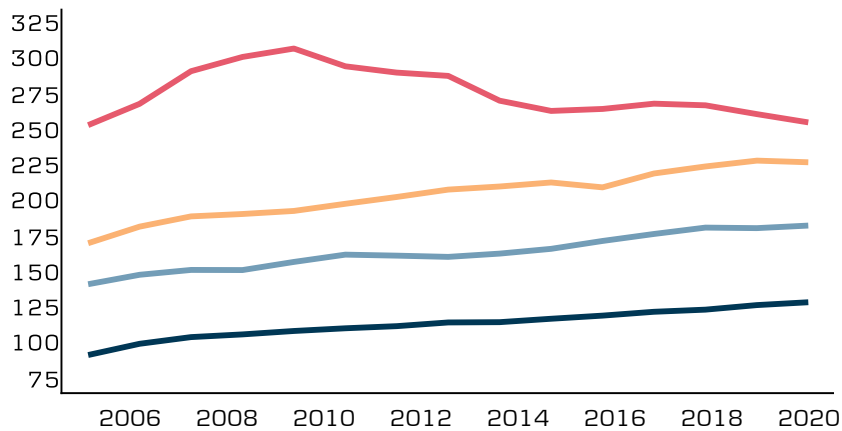
Current account (surplus+/-deficit-); % of GDP



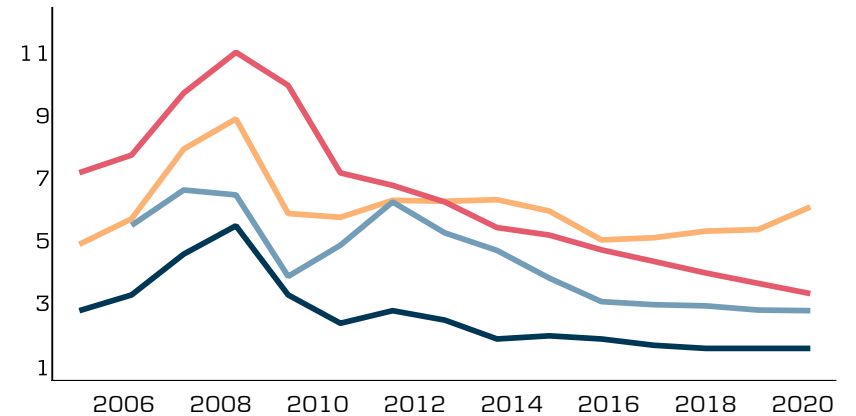
Gross public debt; % of GDP



Household debt burden; % of disposable income



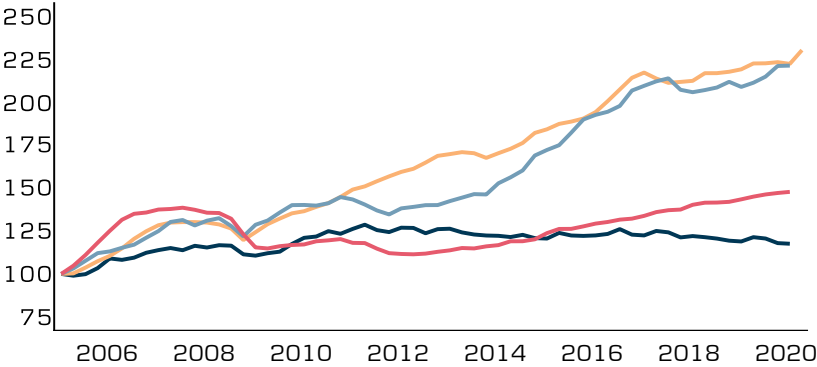
Household interest burden; % of disposable income



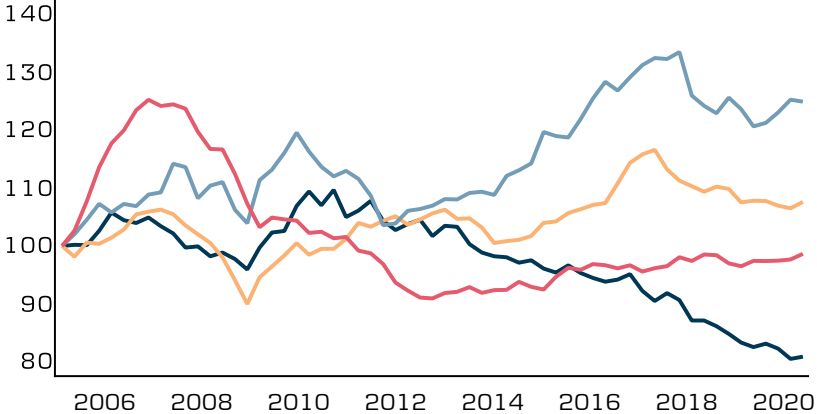
# Nordic housing markets

Denmark Sweden Norway Finland

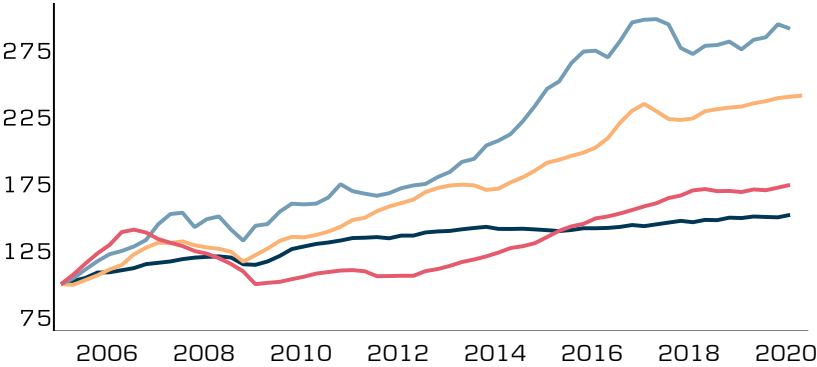
Property prices (index 2005 = 100)



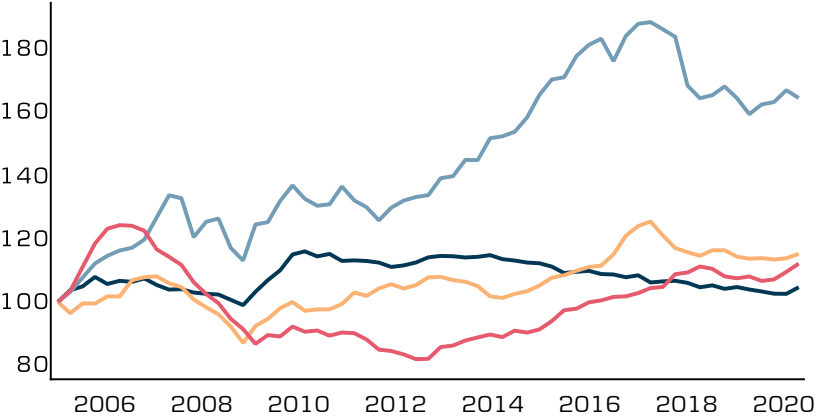
House prices/nom. GDP (index 2005 = 100)



Apartment prices (index 2005 = 100)



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



## *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

## Significant net positive extraordinary items in 2019

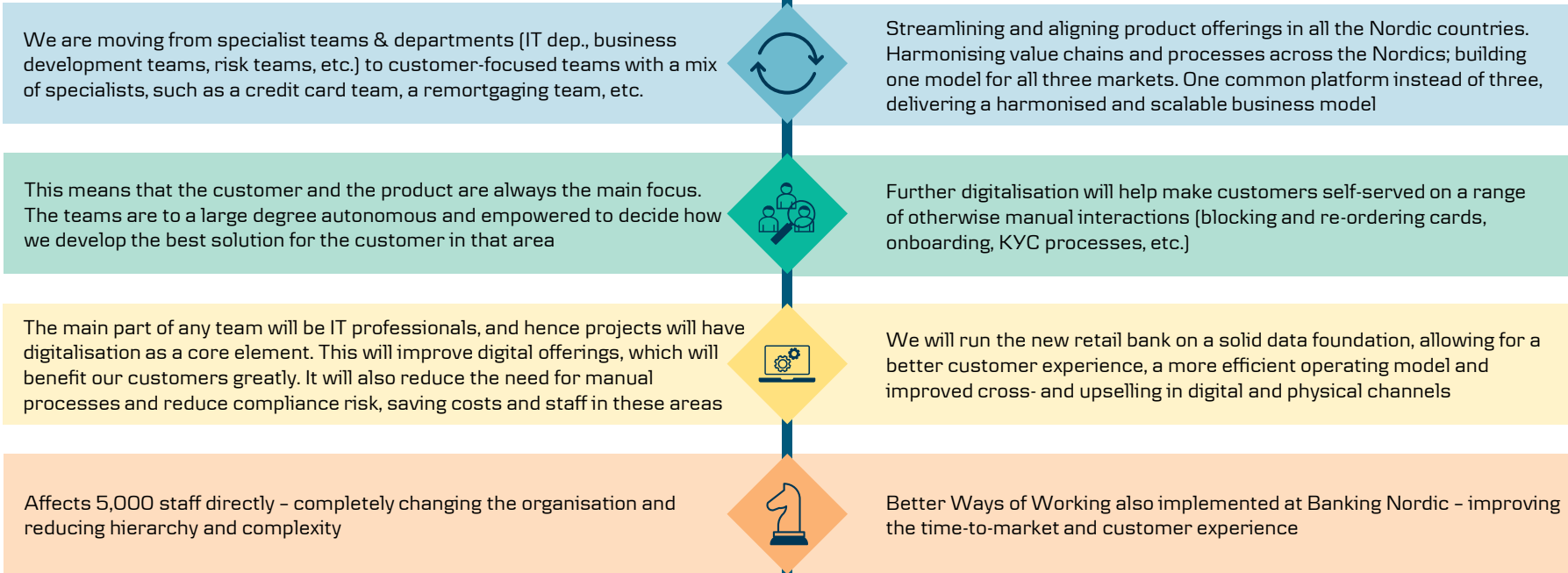
### One-off items in 2019 (DKK millions)

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

# Better Bank transformation – key projects

## Better Ways of Working

## Better Nordic Retail Bank



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