# *Investor Presentation*

Full Year 2022

# Agenda

# *We are a Nordic universal bank with strong regional roots*

**3.3 m**
personal and business customers

**2,000+**
large corporate and institutional customers

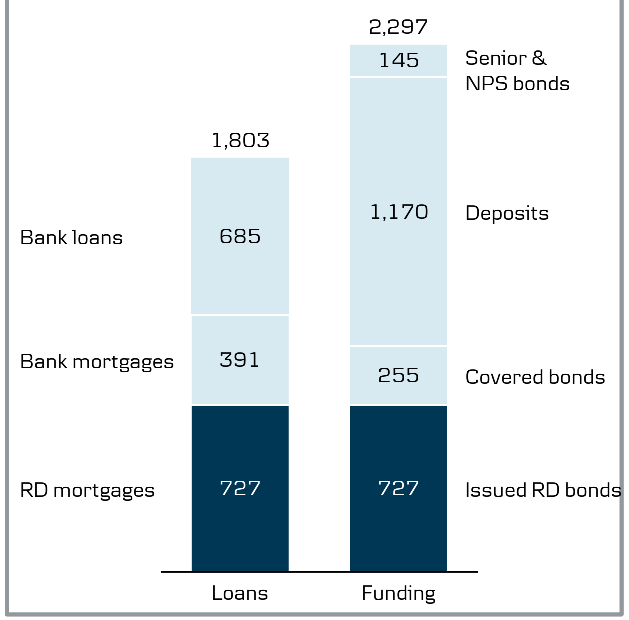
**20,000+**
employees in 10 countries

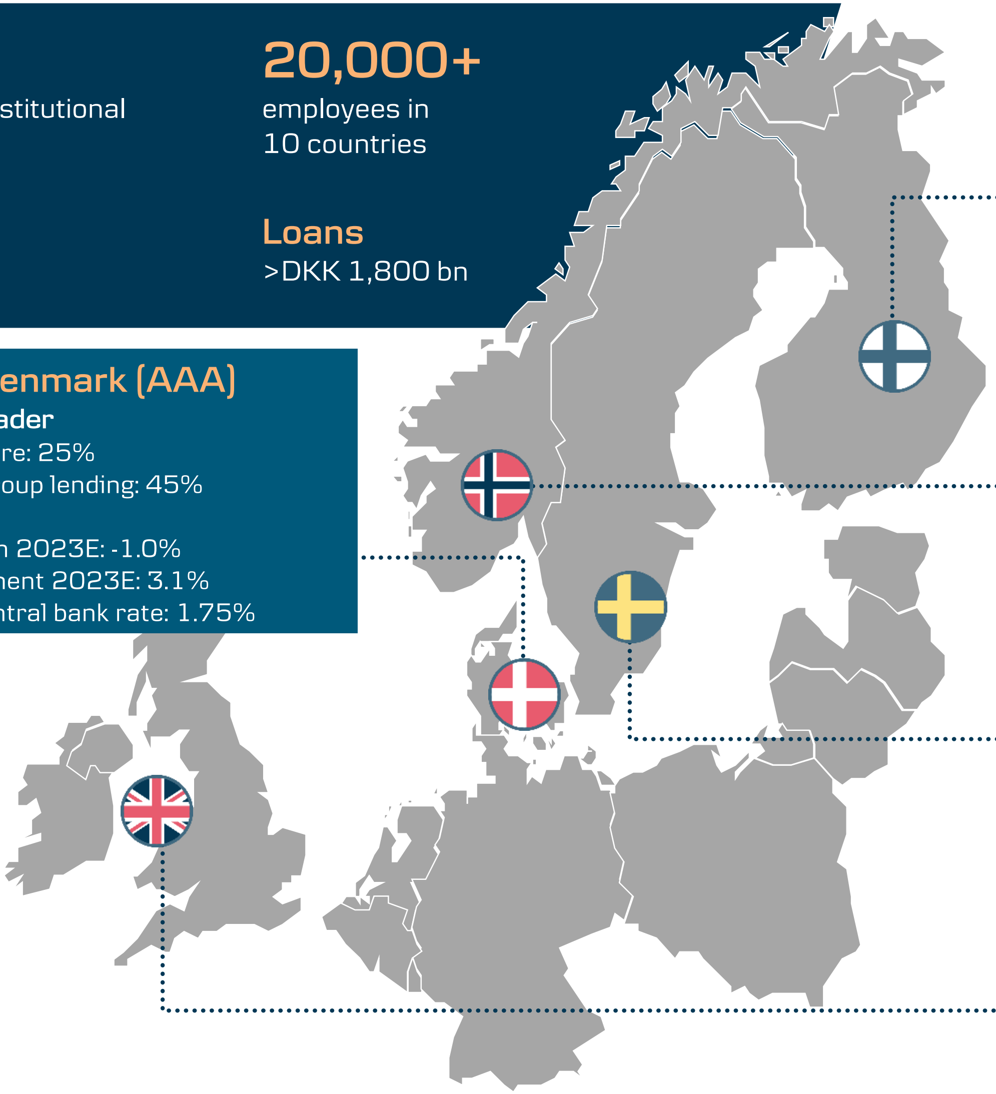
**Assets under Management**
DKK >660bn*

**Deposits**
>DKK 1,100 bn

**Loans**
>DKK 1,800 bn

## Sound funding structure (DKK bn)



## Denmark (AAA)
**Market leader**
Market share: 25%
Share of Group lending: 45%

GDP growth 2023E: -1.0%
Unemployment 2023E: 3.1%
Leading central bank rate: 1.75%

## Finland (AA+)
**3rd largest**
Market share: 10%
Share of Group lending: 8%

GDP growth 2023E: -0.7%
Unemployment 2023E: 7.3%
Leading central bank rate: 2.0%

## Norway (AAA)
**Challenger position**
Market share: 6%
Share of Group lending: 11%

GDP growth 2023E: 0.6%
Unemployment 2023E: 2.2%
Leading central bank rate: 2.75%

## Sweden (AAA)
**Challenger position**
Market share: 5%
Share of Group lending: 12%

GDP growth 2023E: -1.2%
Unemployment 2023E: 8.2%
Leading central bank rate: 2.50%

## Northern Ireland (AA)
**Market leader**
Market share Personal: 19%
Business: 25%
Share of Group lending: 3%

Note: Share of Group lending is before loan impairment charges and excludes Large Corporates & Institutions (18%) and Asset Finance (3%)
* Asset Management in LC&I

# *Danske Bank delivered continued progress in a year impacted by significant geopolitical tensions and a rapidly changing macro landscape*

NII up 14% Y/Y driven by rate hikes and solid volume growth

Solid lending uplift (+3% Y/Y) and traction on DK market share

Fee income benefited from resilient customer activity and diversified business model

Trading and insurance income impacted by volatility in the financial markets

**Operating expenses DKK 26.5bn**
FTEs -6% Y/Y (excl. AML) underpinning structural improvement despite significant remediation spend

Strong credit quality
Impairments (8bps) driven by macro scenarios and PMAs

Solid progress in simplification and digitalisation on banking offering

Continued progress on sustainability strategy and targets

Final resolution on Estonia matter, and accelerated solution of debt collection case

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# *Navigating in a year of significant uncertainty*

## Deteriorating macro backdrop to impact many parts of society – credit risks likely to emerge and financial market volatility could further add to the clouded visibility for 2023

**Economic slowdown**

- GDP forecasts revised and Denmark likely to enter a "shallow recession"
- Modest rise in unemployment (2023E: 3.1%), and housing market to fall around 10-15%
- Consumer spending likely to be further impacted by higher rates and cost of living

**Credit risks emerging**

- Robust balance sheet: Loan losses of up to DKK 3bn (~18bp) expected due to model-driven impairments
- Conservative credit policies and comprehensive review of cyclical sectors
- Conservative lending growth and structural low risk in CRE, relatively well positioned Swedish portfolio

**Regulatory considerations**

- Full reactivation of counter cyclical buffer; potential reciprocation of Norwegian SRB
- Additional bank tax to fund early retirement scheme in Denmark from 2023
- Prudent CET1 ratio of 17.8% with comfortable buffer to current regulatory requirements and uncertainty

**Outlook implications**

- Tailwinds from normalised rates outweighing cost inflation and potential impact on asset quality
- Full focus on commercial momentum after solutions to legacy cases
- Net profit of DKK 15 – 17bn for 2023

## Facing the challenges with a strong foundation and significant structural achievements in 2022

✓ With enhanced focus on our commercial agenda, Danske Bank remain well positioned to serve customers and meet our financial ambitions

✓ Investor update in summer 2023 with refreshed financial targets

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# Continued traction overall towards our sustainability targets despite market conditions

| | Sustainable finance | | Sustainable operations | | | Impact initiatives | |
|---|---|---|---|---|---|---|---|
| | **Responsible investing** | **Sustainable financing** | **Governance & integrity** | **Employee well-being & diversity** | **Environmental footprint** | **Entrepreneurship** | **Financial confidence** |
| **2023 Targets** | DKK 150bn in funds that have sustainability objectives [1] and DKK 50bn invested in the green transition by Danica Pension | DKK 300bn in sustainable financing – and setting Paris Agreement aligned climate targets for our lending portfolio | Over 95% of employees trained annually in risk and compliance | More than 35% women in senior leadership positions and an employee engagement score of 77 | Reducing our $CO_2e$ emissions by 40% compared to 2019, towards 60% by 2030 | 10,000 start-ups & scale-ups supported with growth and impact tools, services and expertise (since 2016) | 2m people supported with financial literacy tools and expertise (since 2018) |
| **Status FY2022** | **DKK 52.1bn** in sust. funds (art. 9)<br>**DKK 37.7bn** by Danica Pension | **DKK 273bn**<br>+ Climate Action Plan with increased & expanded 2030 targets | **97% trained** | **34% women**<br>**76** engagement score | **– 55%** for 2022 [2] | **7,321** | **2.1 m** |

1) This is a 2030 target to have at least DKK 150bn in investment funds that have sustainability objectives (article 9 funds).

2) Operational emissions are expected to increase for 2023 due to transition to new domicile in Copenhagen.

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# *Our Path to Financial Crime Transformation*

**2022** | **2023**

**We progress implementation of our Group-wide Financial Crime Plan** and extend it to also cover Fraud, Anti-Bribery and Corruption and Tax Evasion

We take a number of specific and extraordinary decisions and actions to **aid compliance with the newly imposed sanctions against Russia and Belarus**

We **integrate a dedicated data governance workstream into our Financial Crime Plan and centralize financial crime data and analytics teams** to provide an enhanced and holistic view of what we know about our customers, their counterparties and the risk they pose to us

We **incorporate all core scenarios into our new and enhanced transaction monitoring platform**. All scenarios have been specifically tailored to Danske Bank's risk appetite

We deploy the first version of our **new supervised machine learning hibernation model, which enables us to reduce the number of false positive hits** and thereby scrutinize transactions for unusual or suspicious activity more effectively

We **analyze training needs to ensure that employees receive targeted training** relevant to their specific roles

We offer **cultural training to customer-facing units across the Nordic countries** to support their dialogue with our customers on the topic of financial crime to supplement our annual Group-wide mandatory eLearning courses on financial crime

We continue to recruit new employees with financial crime expertise, and **by the end of the year, 3,600 full-time members of staff were working on our financial crime prevention agenda** across the Group

We take part in **the creation of the public-private partnership in Denmark**, which is expected to become operational in 2023*

We develop a set of clearly defined and articulated outcomes that will be achieved at the point of Financial Crime Plan completion, our **"Definition of Done"**

All initiatives on the Group Financial Crime Plan to be **completed by end of 2023****

***** Danske Bank is also an active member and contributor in similar public-private partnerships outside Denmark. These include the Swedish Anti-Money Laundering Intelligence Taskforce; the Finnish Anti-Money Laundering Intelligence Taskforce; and the Norwegian private and public sector collaboration to combat money laundering and financing of terrorism, OPS AT.

**Completion means – Meeting the regulatory requirements applicable to the Bank and managing the Bank's inherent risk in line with its risk appetite by harnessing global practice

# Net profit outlook* for 2023; We expect net profit to be in the range of DKK 15 – 17bn

| | |
|---|---|
| **Income** | We expect core income lines to grow in 2023, driven by higher net interest income and our continued efforts to drive commercial momentum.<br>Despite a high degree of uncertainty, we expect income from trading and insurance activities to recover from the levels in 2022. |
| **Expenses** | We expect costs in 2023 to be in the range of 25 – 25.5bn reflecting a continued focus on cost management and despite inflationary pressure. The outlook includes sustained elevated remediation costs of approximately DKK 1.1bn. |
| **Impairments** | We expect loan impairment charges of up to DKK 3bn (~18bp) which primarily will be driven by a weaker macroeconomic outlook affecting model-driven impairments. |
| **Net profit *** | We expect net profit to be in the range of DKK 15 – 17bn including the impact from the new Danish bank tax. |

** Note – The outlook is subject to uncertainty and depends on volume growth and macroeconomic conditions.*

# *Financial highlights – 2022*

# *Net interest income up 14% Y/Y driven by normalisation of interest rates and growth; trading/insurance partially recovering in H2; impairments driven by macro overlays*

## Key points, 2022 vs 2021

- NII uplift from normalisation of interest rates, repricing initiatives and solid trend in lending volumes
- Fee income from generally high activity throughout 2022 partly offsetting lower capital market and investment-related fees
- Trading and insurance income impacted by significant asset repricing and volatile markets
- Writedown of goodwill in Danica due to higher applied discount rate
- Steady progress on underlying cost development, absent one-offs and despite higher remediation and litigation costs
- Strong credit quality continues to lead to single-name reversals, while macro model scenarios and additions of PMAs took impairments to a normalised level

## Key points, Q4 22 vs Q3 22

- NII up 18% Q/Q, benefiting from further normalisation of interest rates
- Fee income higher from remortgaging activity and higher capital market activity offsetting lower investment-related fees
- Trading income at LC&I and insurance income recovered towards normalised levels
- Operating expenses included a further provision for the debt collection case of DKK 0.3 billion
- Impairments increased as further revision of macro model scenarios and additional PMAs offset single-name reversals

## Income statement and key figures (DKK m)

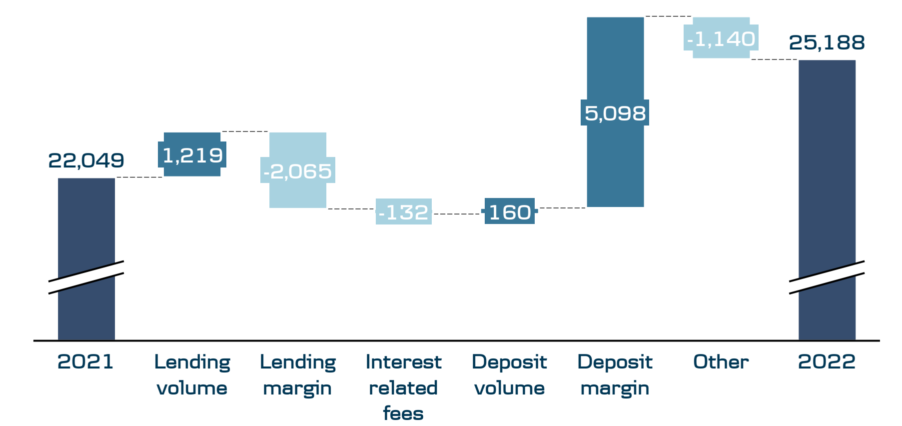
| | 2022 | 2021 | Index | Q4 22 | Q3 22 | Index |
|---|---|---|---|---|---|---|
| Net interest income | 25,188 | 22,049 | 114 | 7,442 | 6,307 | 118 |
| Net fee income | 12,590 | 13,525 | 93 | 3,054 | 2,999 | 102 |
| Net trading income | 1,426 | 4,126 | 35 | 747 | 503 | 149 |
| Net income from insurance business | 63 | 2,088 | 3 | 386 | -286 | - |
| Other income | 1,936 | 797 | 243 | 733 | 244 | 300 |
| **Total income** | **41,203** | **42,584** | **97** | **12,362** | **9,767** | **127** |
| Operating expenses | 26,478 | 25,663 | 103 | 6,909 | 6,777 | 102 |
| **Profit before loan impairments, GW & provision** | **14,725** | **16,921** | **87** | **5,454** | **2,990** | **182** |
| Provision for Estonia matter | 13,800 | | - | -200 | 14,000 | - |
| Impairment charges on goodwill | 1,627 | | - | - | 1,627 | - |
| Loan impairment charges | 1,568 | 348 | 450 | 774 | 368 | 210 |
| **Profit before tax, core** | **-2,271** | **16,573** | **-** | **4,880** | **-13,005** | **-** |
| Profit before tax, Non-core | -13 | -2 | - | -2 | -28 | - |
| Profit before tax | -2,284 | 16,571 | - | 4,877 | -13,033 | - |
| Tax | 2,784 | 3,651 | 78 | 704 | 760 | 93 |
| **Net profit** | **-5,068** | **12,920** | **-** | **4,174** | **-13,792** | **-** |

# *NII: Solid credit demand, positive effects from CB rate hikes, and repricing initiatives continue to support the improving NII trend*

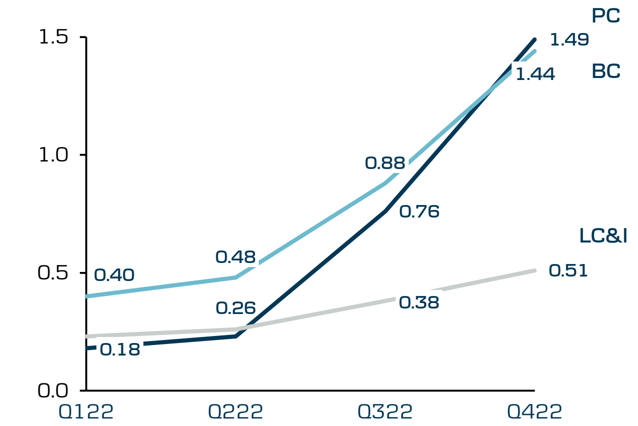
## Highlights

- Net interest income continued the positive trend, as repricing initiatives were further supported by higher central bank rates driving the improved deposit margin particularly at PC DK and BC
- Lending volumes contributed positively Y/Y particularly from business and corporate customers
- Higher funding costs along with timing effects due to notice period in PC Nordic impacted lending margin
- Avg. lending margin at LC&I affected by volume growth from higher rated customers coupled with timing effects from floored credit facilities as rates have turned positive
- Lower rate sensitivity going forward, e.g. from expected increased migration to savings products

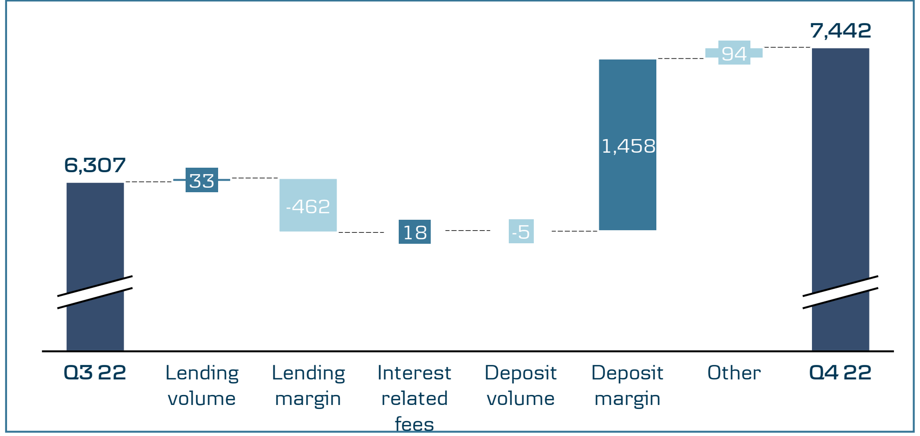
## Net interest income 2022 vs 2021 (DKKm)



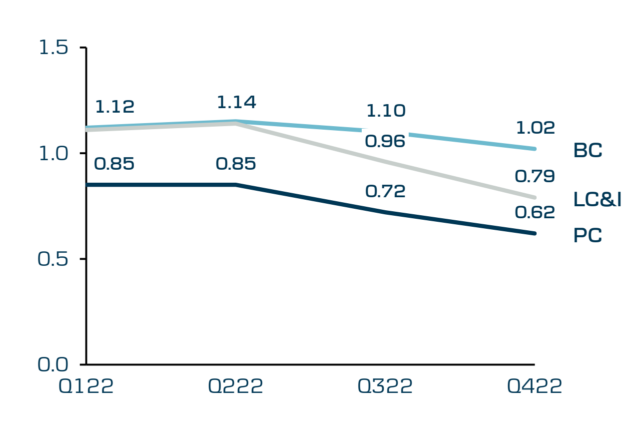

## Deposit margin development (bps)




## Net interest income Q4 22 vs Q3 22 (DKKm)




## Lending margin development (bps)



# *Fee: Good remortgaging activity and resilient activity-driven fees partially offset lower fee income from lower AuM and lower customer activity in capital markets*

## Highlights

### Activity-driven fees (transfer, accounts etc.)

- Up 17% Y/Y from continually strong trend for everyday banking services at LC&I & BC (FX and cash mgmt.), however, weakening trend towards the end of the year as 5% lower Q/Q

### Lending and guarantees

- Up 8% Y/Y as well as Q/Q, due to high level of remortgaging activity on the back of higher interest rate levels

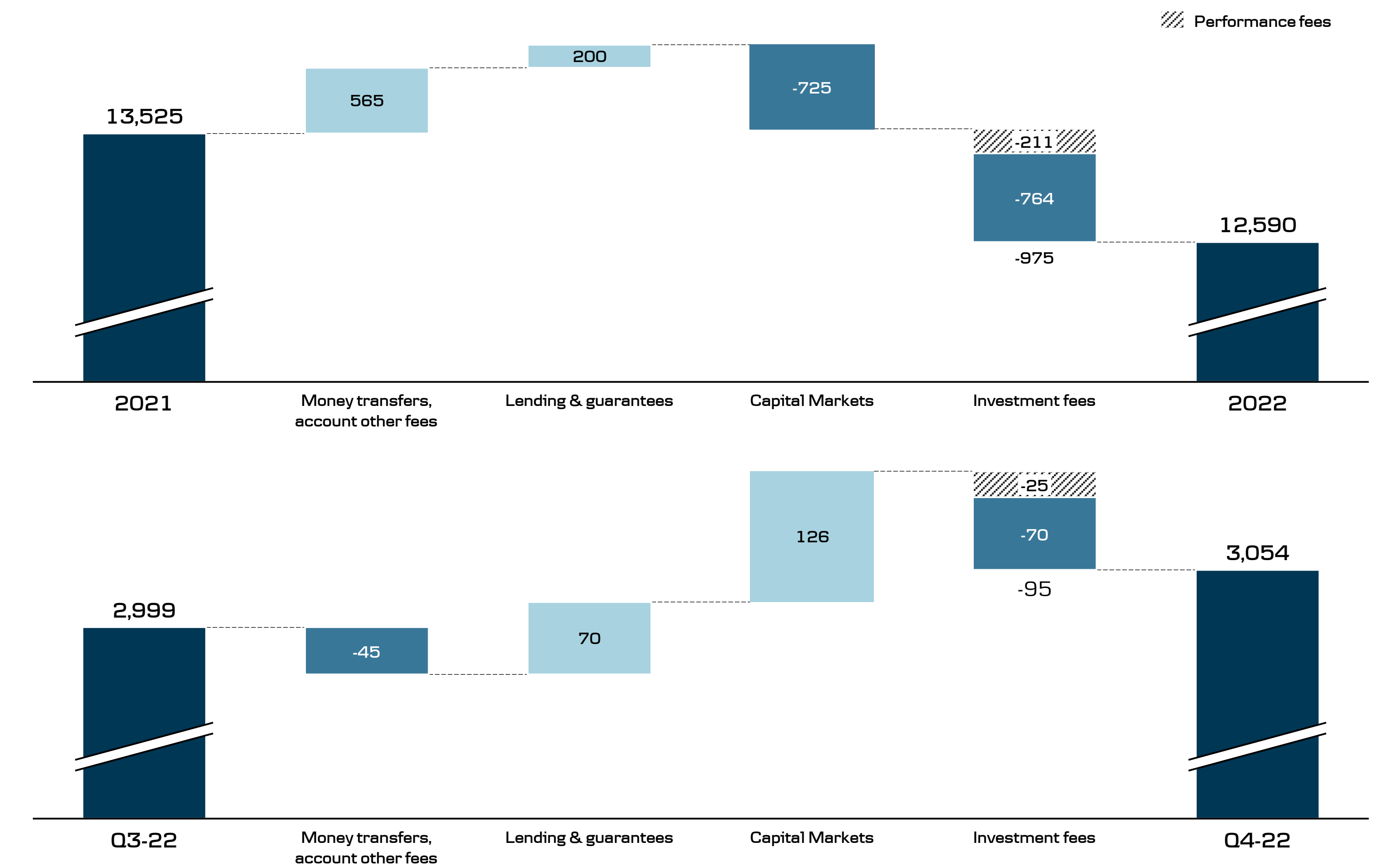
### Capital markets

- Significant slowdown in primary ECM/DCM markets during the year, however, some rebound in activity in Q4 driven by M&A advisory at LC&I

### Investment fees

- Y/Y: Investment fees impacted by lower assets under management, lower performance fees and reduced investment appetite among our customers

## Net fee income (DKK m)



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# Trading: Recovery in the second half of the year following difficult market conditions and negative valuation effects in H1

## Highlights

### LC&I

- Y/Y: Historically high volatility in Nordic fixed income markets affecting trading income
- Q/Q: Recovery in the second half for our fixed income market-making franchise as market conditions became more supportive
- Demand for risk management solutions resulted in good customer activity in Currencies

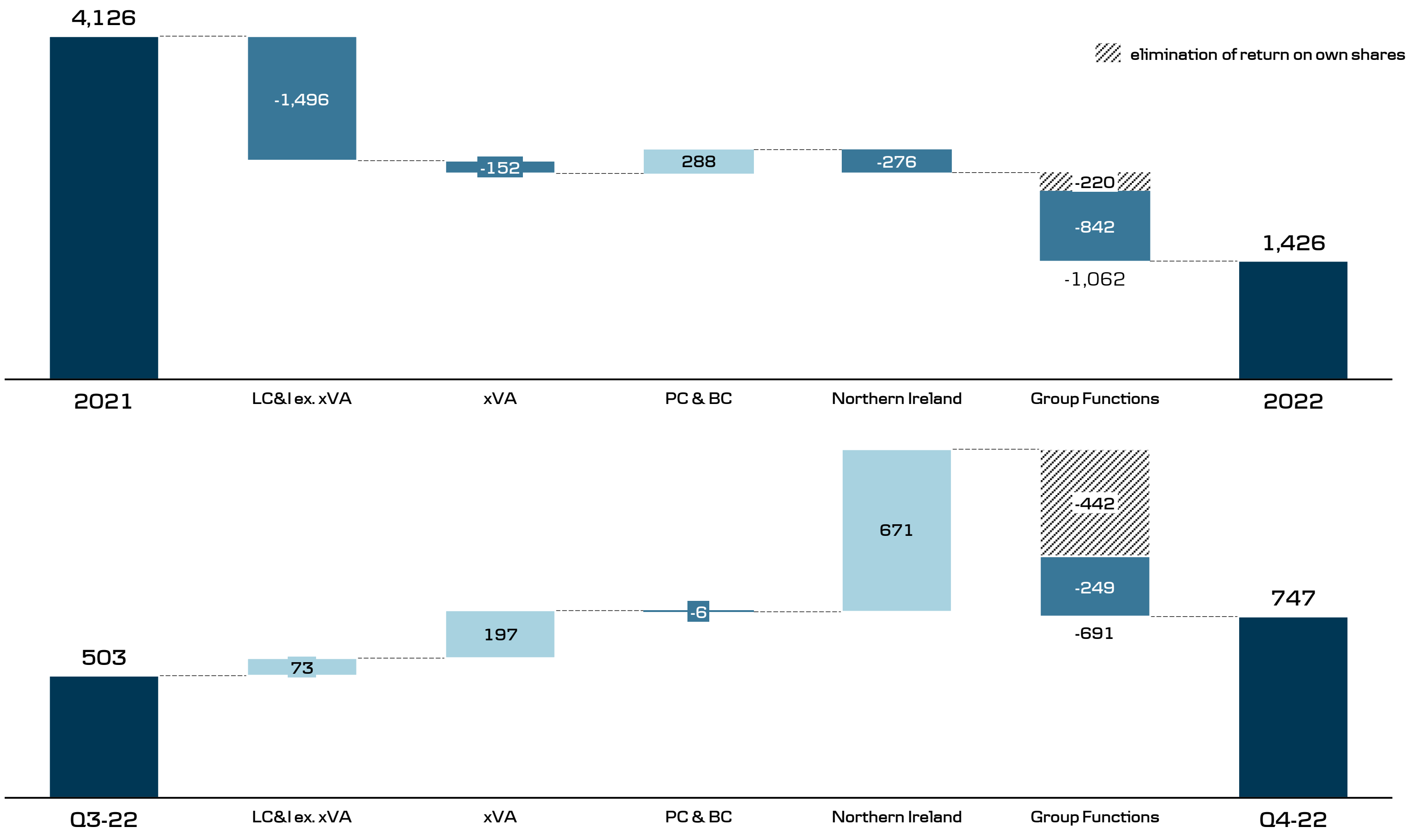
### PC & BC

- Y/Y: Resilient customer activity driven by increased post-pandemic foreign exchange activity

### Northern Ireland & Group Functions

- Y/Y: Lower income in Group Treasury due to mark-to-market movements on the mortgage bond portfolio and on the hedging portfolio in Northern Ireland
- Q/Q: Effect from elimination of return on own shares due to increase in share price

## Net trading income* (DKK m)



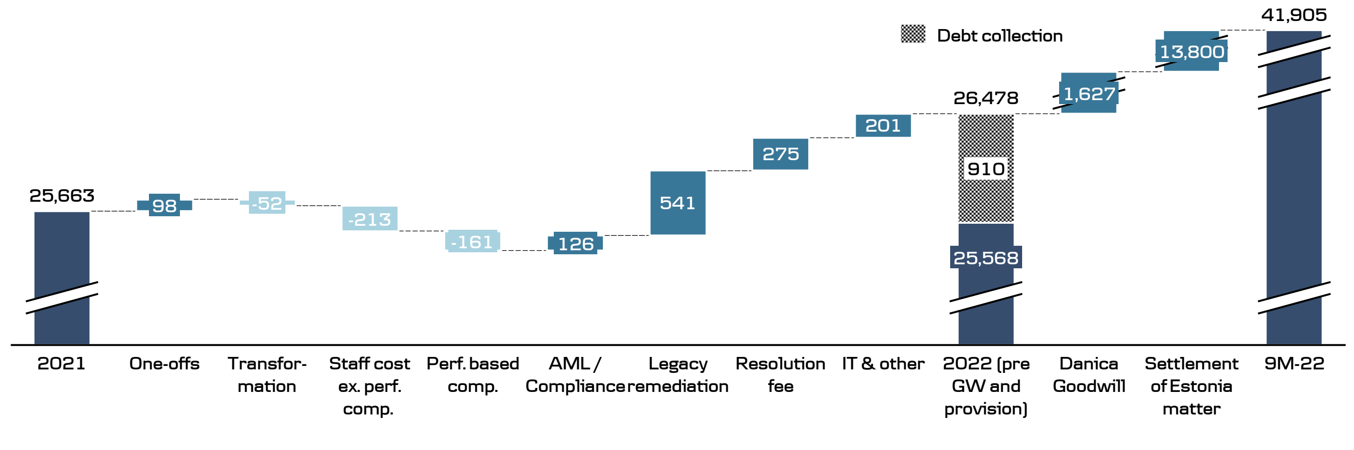

*2021 benefited from a gain of DKK 227m on the sale of VISA shares in the Group's private equity portfolio

# Expenses: 2022 costs significantly impacted by legacy cases, incl. settlement of Estonia matter; 2023 trajectory underpins the significant progress on underlying cost efficiency

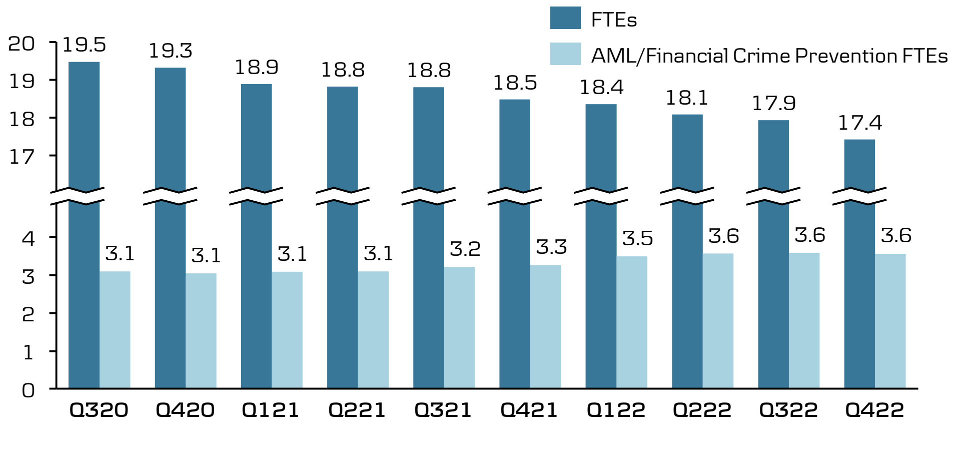
## Highlights

- Progress on structural cost take-out mitigates impact from AML/compliance ramp-up, legacy remediation as well as higher resolution fund contribution.
- Number of FTEs continued to decline, underpinning efficiency gains and underlying improvement. Adjusting for AML/FCP, FTEs are down 11% from peak in Q3 20
- Additional provision of DKK 310m related to the debt collection case booked in Q4
- Other costs impacted by a post-pandemic normalisation and higher inflation

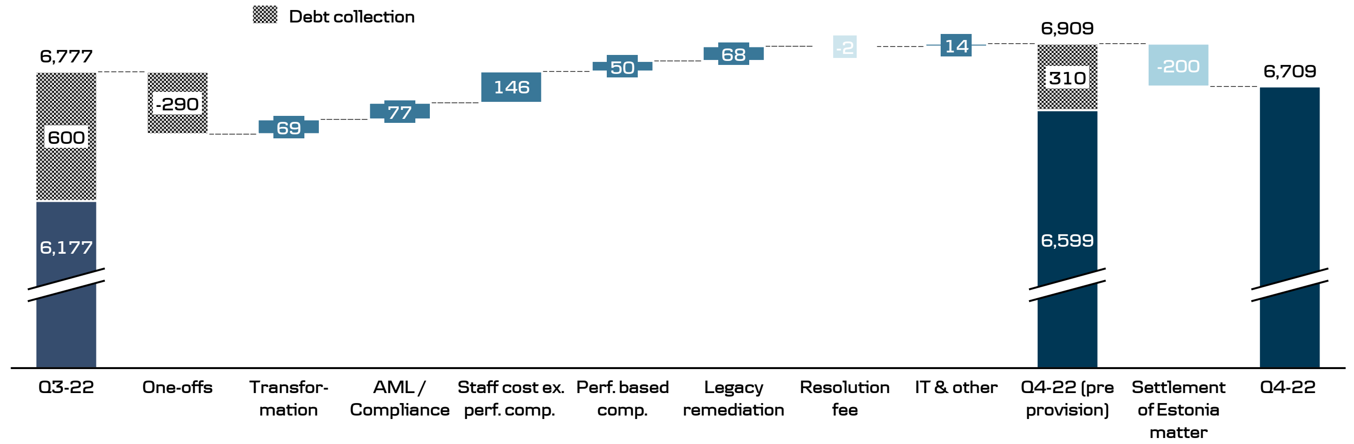
## Expenses, 2022 vs 2021 (DKK m)




## FTEs (#, thousands)




## Expenses, Q422 vs Q322 (DKK m)



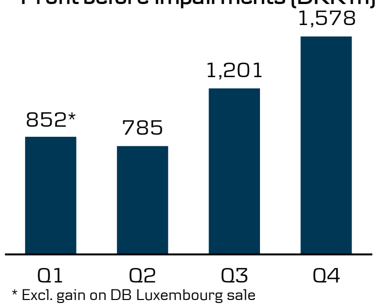
# *Business & Product Units*

# *Business units: Solid progress, high customer activity, enhanced profitability, and strong lending uplift for corporates*

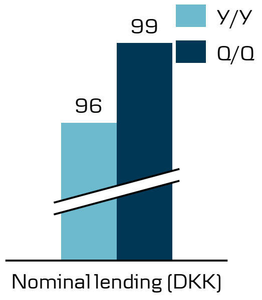
## Personal Customers

- ✓ **Good customer activity** in 2022, including high remortgaging activity in Denmark supporting core income
- ✓ **Net interest income increased by 26% Q/Q**
- ✓ **PCDK:** Solid activity, healthy deposit levels and volumes supported by shift to Danske BoligFri. **PCNordic:** Strengthened advisory services and full focus on profitability
- ✓ Positive traction in **customer satisfaction** and net customer flows continued to improve with focus on targeted segments (young, MAFS and PB)
- ✓ **Enhanced efficiency** with FTEs down 12% during the year through focus on combining expert advice with easy-to-use digital solutions and divestments

Profit before impairments (DKK m)



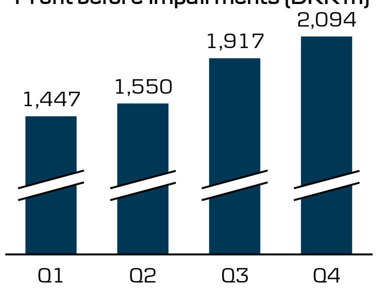

* Excl. gain on DB Luxembourg sale

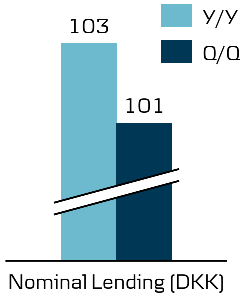



## Business Customers

- ✓ Good **customer activity** as bank **lending volumes** increased and solid activity within currency exchange and cash management as well as remortgaging
- ✓ **Net interest income increased 18% Y/Y** following developments in pricing and market rates
- ✓ New digital service model enabling customised customer advisory services through digital channels
- ✓ Expanded offerings on our highly regarded **District platform** with additional 3rd-party integrations: increase value prop. for customers and income revenue streams
- ✓ Ranked #1 in CSAT among Swedish and Finnish SMEs

Profit before impairments (DKK m)

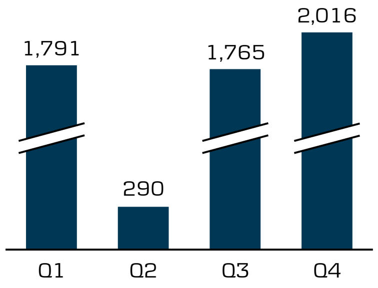


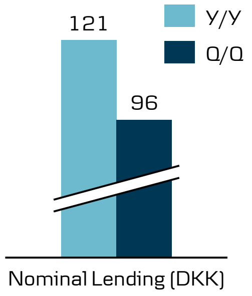




## LC&I

- ✓ **High customer activity** supporting customers with advisory services, risk hedging and credit, *and* ranked **Nordic #1** by customers in **"Prospera Grand Total"**[1] report for the 7th consecutive year
- ✓ Especially strong activity in **M&A advisory** with top-ranked positions in Denmark, Norway and Finland
- ✓ General Banking **lending volumes** up 21% Y/Y, reflecting our strategic ambition to grow, especially in Sweden.
- ✓ **Recovery in trading** in H2 following loss in Q2
- ✓ **Lower activity in Asset Management** as fee income declined 13% Y/Y, reflecting that 2021 was a record year, and driven by lower assets under management and lower performance fees

Profit before impairments (DKK m)



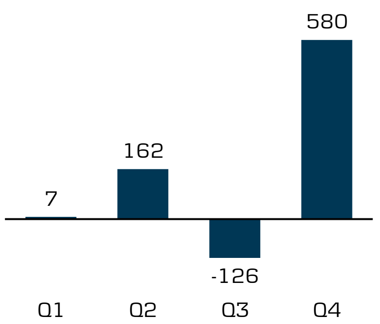

1) Nordic Prospera research by Kantar

# Business units: Danica impacted by volatile financial markets; markedly increased profitability in Northern Ireland driven by NII and recovery in trading

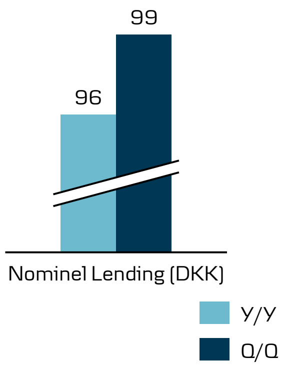
## Northern Ireland

- ✓ Profit before tax for the year increased to DKK 456 million (2021: DKK 386 million), with improved net interest and fee income and lower costs as well but offset by lower net trading income
- ✓ Total income was significant up in the quarter, as trading income turned positive after being negative in Q3
- ✓ Net trading income was negative in the nine months of 2022 due to adverse mark-to-market movements on the interest rate hedge.

Profit before imp. (DKK m)



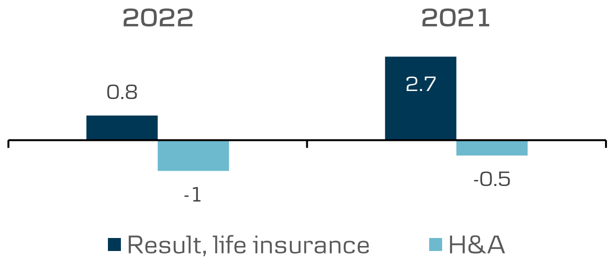

Lending (index)




## Danica

- ✓ While adverse financial markets have negatively impacted the performance in Danica Pension, the underlying business continues to be sound
- ✓ In 2022, Danica Pension announced a DKK 100 million investment plan for further strengthening our preventive healthcare efforts in order to prevent long-term illness and to ensuring a faster return to work for more of our customers
- ✓ Negative investment results for life insurance products where Danica Pension has the investment risk primarily driven by valuation effects

Result 2022 / 2021 (DKKbn)



# Realkredit Danmark portfolio overview: Continued strong credit quality

## Highlights

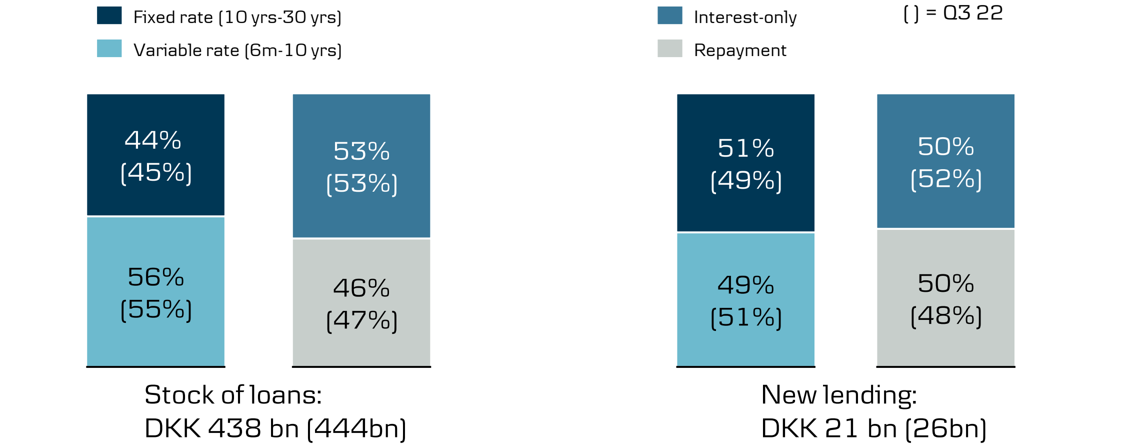
**Portfolio facts, Realkredit Danmark, Q4 22**

- Approx. 314,982 loans (residential and commercial)
- Average LTV ratio of 48% (46% for retail, 50% for commercial)
- We comply with all five requirements of the supervisory diamond for Danish mortgage credit institutions
- 675 loans in 3- and 6-month arrears (+5% since Q3-22)
- 6 repossessed properties (Q3-22: 6)
- DKK 5 bn in loans with an LTV ratio >100%, including DKK 4 bn covered by a public guarantee

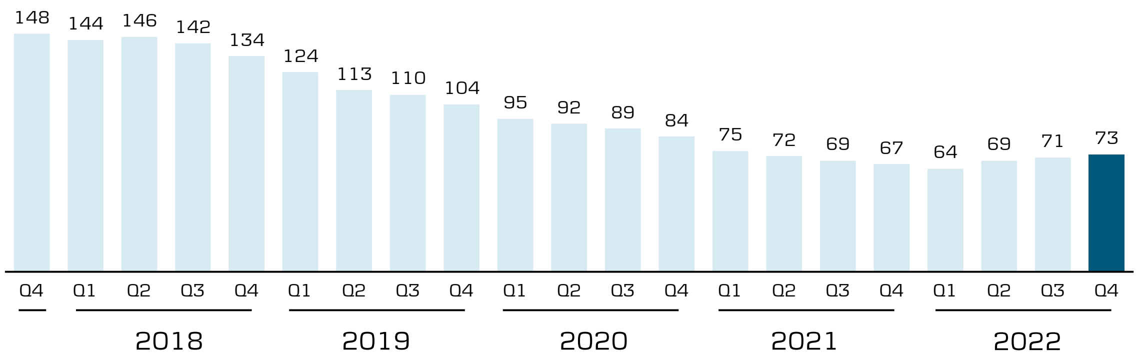
**LTV ratio limit at origination (legal requirement)**

- Residential: 80%
- Commercial: 60%

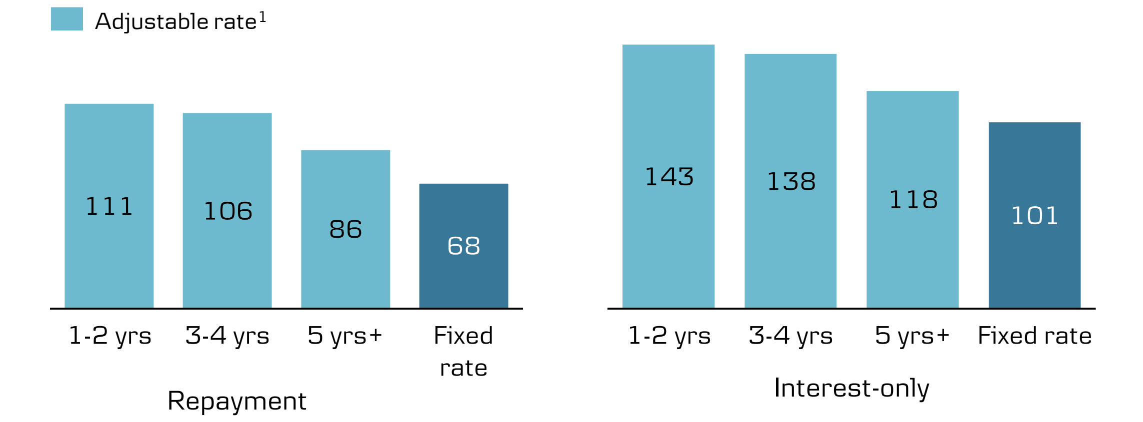
## Retail loans, Realkredit Danmark, Q4 22 (%)




## 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 fee income).

# *Sustainability*

# Sustainability is an integrated element of our corporate strategy and our corporate targets

## Sustainability critical in Better Bank plan to improve bank for all stakeholders by 2023

| | |
|---|---|
| Customers | *On average among top two banks for customer satisfaction in everything we do* |
| Society | *Operate sustainably, ethically and transparently* |
| Employees | *Women in leadership pos. An employee engagement score of 77* |
| Investors | *RoE of 8.5-9% and a cost/income ratio in the mid-50s* |

## Danske Bank's 2023 sustainability strategy aim to drive change by utilising the power of finance


## Selected highlights

- Focus areas reflect **material sustainability issues**
- Calibrated against **stakeholder expectations**
- Supports our **Better Bank** agenda and transformation KPIs
- **Embedding** sustainability in core business processes
- **Leadership ambition** on sustainable finance

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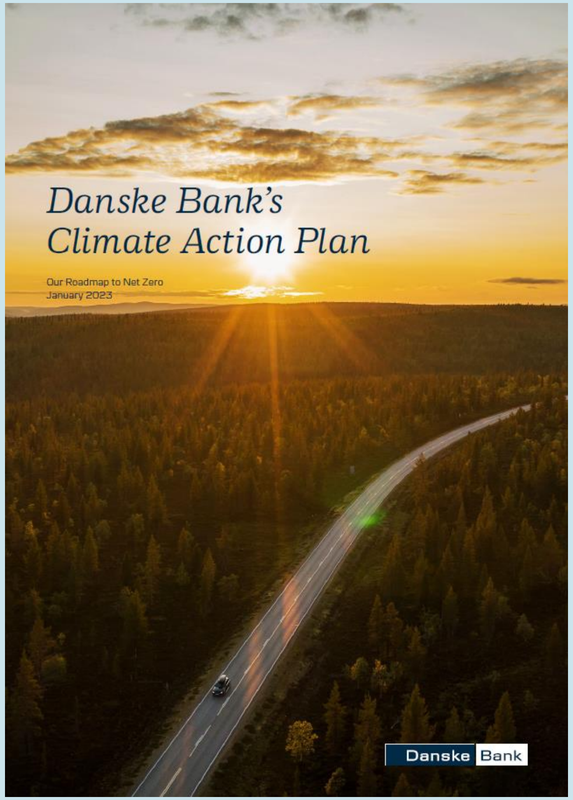
# *New comprehensive climate plan launched, underpinned by continued traction on sustainability agenda*

## Significant progress in 2022 on Sustainability

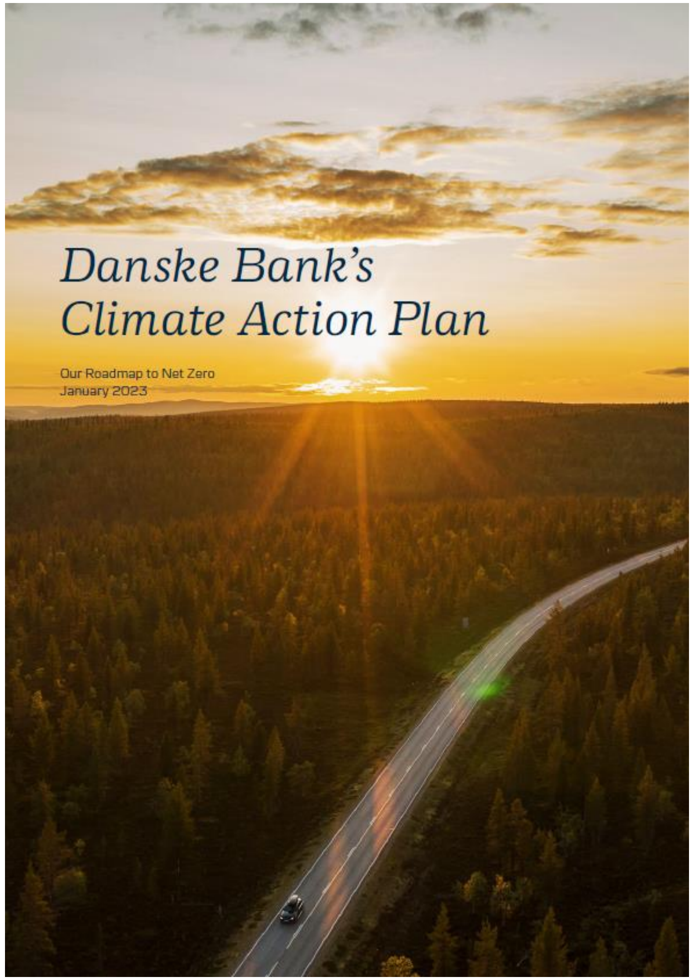
- Successful housing energy renovation campaign
- Joined PBAF and Finance for Biodiversity Pledge
- #1 Nordic green bond arranger in Global League table
- Financing for the world's biggest offshore wind farm
- Hailed as global leader at reducing loan book footprint

## New Climate Action Plan launched 20 January




- Carbon footprint of **41.1 million tCO2e** across the Group, with **99.9%** related to financed emissions
- Increased and expanded **2030 targets** based on SBTi guidance to align with **Paris Agreement** goal of **1.5°C**
- Activities in Asset Mgmt. and Danica Pension subject to **temperature targets**, in addition to emission reduction targets
- Focus on supporting **customer and investee company transitions** as well as increased financing of **renewable energy**
- No financing or refinancing of companies intending to **expand supply of oil and gas** production beyond already approved

# *With our new Climate Action Plan, we are setting a clear direction for our efforts across business activities and customer segments, with increased and expanded 2030 targets*




**Why**

We are committed to achieving net zero
and supporting our customers in their green transition

**What**

| Lending | Asset management | Life insurance and pension | Own operations |
|---|---|---|---|
| The money we lend to customers | The investments we make on behalf of our customers | The pension assets we manage on behalf of our beneficiaries | The emissions we generate through daily operations |
| **Measured $CO_2e$ emissions** | | | |
| 18.8 million $tCO_2e$ (2020) | 16.6 million $tCO_2e$ (2020) | 5.7 million $tCO_2e$ (2020) | 0.007 million $tCO_2e$ (2022) |
| **Scope and coverage** | | | |
| Scope 3<br>92% of corporate and personal customers portfolio | Scope 3<br>68% of assets under management | Scope 3<br>73% of assets under management | Scope 1,2 and selected scope 3 categories |
| >99% | | | <0.02% |

**How**

Targets based on methodologies supported by the Science Based Targets initiative to align with the Paris Agreement goal of 1.5°C

# *Danske Bank's Climate Action Plan – Our roadmap to net zero: Based on methodologies supported by the SBTi, we have developed a comprehensive suite of intermediate 2030 emission reduction targets*

Targets submitted for SBTi, validation pending
Targets not submitted for SBTi validation

## Overview of Danske Bank's decarbonisation targets

### Lending

**2030 sector emission intensity reduction targets** 1)

| | |
|---|---|
| Shipping | ~50% |
| Oil and gas upstream[3] | 50% |
| Oil and gas refineries[4] | 25% |
| Power generation | 50% |
| Steel | 30% |
| Cement | 25% |
| Commercial real estate [5] | 55% |
| Personal mortgages [5] | 55% |

### Asset management

**2030 temperature rating reduction targets** 1)

- Implied temperature rating of our investment products from 2.7°C in 2020 to 2.1°C (Scope 1 and 2)
- Implied temperature rating of our investment products from 2.9°C in 2020 to 2.2°C (Scope 1, 2 and 3)

**2030 carbon intensity reduction target** 1)

- Weighted average carbon intensity of investment products — 50%

**2025 engagement target** 1)

- Engagement with the 100 largest emitters

### Life insurance and pension

**2030 temperature rating reduction targets** 1)

- Implied temperature rating of our listed equities and credits from 2.7°C in 2020 to 2.1°C (scope 1 and 2)
- Implied temperature rating of our listed equities and credits from 2.9°C in 2020 to 2.2°C (scope 1, 2 and 3)

**2025 sector emission intensity reduction targets** 2)

| | |
|---|---|
| Real estate | 69% [6] |
| Energy | 15% |
| Transportation | 20% |
| Power generation | 35% |
| Cement | 20% |
| Steel | 20% |

### Own operations

**2030 emission reduction targets** 2)

| | |
|---|---|
| Carbon emissions in scope 1 and 2 | 80% |
| Carbon emissions in scope 1, 2 and currently measured scope 3 categories | 60% |

## What's new

- **Shipping:** Increased target from 20–30% to ~50% reduction by 2030 based on 1.5°C trajectory
- **Oil and gas:** Expanded our target suite to cover downstream refining. Updated our position statement to not offer new long-term (re)financing to E&P companies expanding supply of oil and gas
- **Power generation:** Increased ambition from 30% to 50% reduction by 2030
- **Steel & Cement:** Expanded target suite to cover cement and steel
- **Commercial Real Estate and Personal Mortgages:** Expanded target suite also covers commercial real estate and personal mortgages
- **Asset management:** New SBTi-aligned 1.5°C temperature rating targets
- **Life insurance and pension:** New SBTi-aligned 1.5°C temperature rating targets
- **Own operations:** New SBTi-aligned reduction target of 80% by 2030 for scope 1 and 2

**To validate that our targets are based on the latest scientific research and aligned with the Paris Agreement, we have submitted our targets for validation by the Science Based Targets initiative (SBTi)**

1) Baseline year 2020 // 2) Baseline year 2019 // 3) Absolute emission reduction targets set // 4) Partly absolute emission reduction targets set // 5) Based on a weighted portfolio exposure across Denmark, Sweden, Norway and Finland. For Commercial Real Estate in Denmark and Personal Mortgages in Denmark, the target corresponds to a 75% reduction by 2030 // 6) Scope 1, 2 and 3 until 2030

# *Continued progress on sustainability agenda in Q4 contributing to strong performance*

### Joined PBAF and Finance for Biodiversity Pledge

- As the first Nordic Bank to do so, Danske Bank joined the Partnership for Biodiversity Accounting Financials (PBAF), enabling us to measure and set targets
- Signed the Finance for Biodiversity Pledge, committing to measure, set targets and report on our impact

### Updated Green Finance Framework with broadened scope

- Broadly aligned with the developing EU Taxonomy, while also including some categories not yet covered, such as the manufacture of green hydrogen and green hydrogen-based synthetic fuels

### Hailed as a global leader at reducing carbon footprint

- A survey from Bloomberg Intelligence hailed Danske Bank as the global leader when it comes to reducing the carbon footprint of our loan book

### Successful campaign towards personal customers

- Increased focus on our favourable products for energy renovation through the targeted campaign '*Flot & Godt*'
- Results have included increased level of customer meetings and increasing lending volumes

### #1 Nordic Green Bond Arrangers in Global League table

- Danske Bank continues to rank #1 among Nordic arrangers in the Bloomberg Global League Table

### Green financing for linking of European electricity grids

- EUR 300 million green loan provided to Eirgrid, the Irish electricity transmission grid and market operator, for financing of the 700-megawatt Celtic Interconnector, which will link the electricity grids of Ireland and France

# *On sustainable finance, Danske Bank aspires to Nordic leadership – our sustainable finance framework has been developed to drive and integrate that ambition*

| | | | | | |
|---|---|---|---|---|---|
| **Group ambition for Sustainable finance** | Be a leading bank in the Nordics on sustainable finance and the leading bank in Denmark | | | | |
| **KPIs and targets** | Group KPIs | **Sustainable financing:**<br>• DKK 300bn in sustainable financing by 2023<br>• Paris-aligned lending book; 2030 targets set for key sectors<br>• Net-Zero Bank by 2050 [1] | **Sustainable investing:**<br>• Danica Pension: DKK 50bn invested in the green transition by 2023 and 100bn by 2030<br>• Asset mgmt.: DKK 150bn in art. 9 by 2030<br>• Paris-aligned targets set for 2030<br>• Net-Zero Asset Owner & Manager by 2050 [1] | • *Business and commercial KPIs* | |
| **Guiding principles** | *Align societal and business goals* | *Enable our customers' sustainability journey* | *Measure and improve impact* | *Engage and partner with stakeholders* | |
| **Key execution levers** | Advisory | Products & solutions | Distribution | Brand & marketing | Risk Management |
| **Critical enablers** | Governance | Training & competencies | IT enablement | ESG data & insights | Communication & disclosures |
| **Regulatory implementation** | Commercial integration | | Portfolio management and financial steering | | |

1) As defined by commitments to Net-Zero Banking Alliance, Net-Zero Asset Owner Alliance and Net-Zero Asset Managers Initiative. See *Climate Action Plan* for details incl. 2030 targets.

# *Deep dive: Overview of ESG integration in Danske Bank's lending operations*

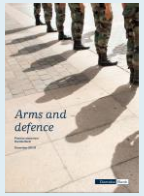
*Multiple types of approaches are implemented to consider ESG factors both at company and portfolio levels*

## 1. Position statements

- Our position statements are a key tool for aligning with societal goals and communicating our approach to selected themes and sectors with elevated ESG risks

*Climate change*

*Human rights*

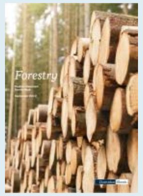


*Arms & defence*

*Agriculture*

*Fossil fuels*

*Mining & metals*



*Forestry*

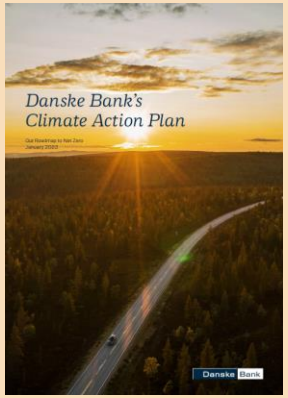
## 2. Single-name ESG analysis

- ESG analysis is conducted for all large corporate clients using an internally prepared ESG risk tool
- Tool is developed around the concept of *financial materiality* i.e. how the financial performance of the company might be affected by environmental and social trends, legislation and factors
- External sources for the tool include:

| | |
|---|---|
| SASB INSIDE<br>*Financially material ESG factors* | SUSTAINALYTICS<br>*ESG risk exposure and management* |
| RepRisk – ESG data science and quantitative solutions<br>*ESG controversies* | CDP – DISCLOSURE INSIGHT ACTION<br>*Climate-related financial risks and opportunities* |

## 3. Portfolio-level ESG analysis

- Carbon disclosures for business areas and key sectors published in Danske Bank's Climate Action Plan from January 2023
- Decarbonisation targets set towards 2030, incl. for high-emitting sectors, with SBTi approval pending
- Joined PBAF and Finance for Biodiversity Pledge to support efforts to measure and report on how we impact nature through our financing and investing activities by the end of 2024



# Danske Bank supports a range of international agreements, goals, partnerships and standards relating to sustainability – some of these are listed below

### Principles for Responsible Banking

Provide the framework for a sustainable banking system. They embed sustainability at the strategic, portfolio and transactional levels, and across all business areas.

### Net-Zero Banking Alliance

A worldwide initiative for banks that are committed to aligning their lending and investment (treasury) portfolios with net-zero emissions by 2050 or sooner – and setting intermediate targets using science-based guidelines

### Net-Zero Asset Managers Initiative

An international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius

### Net-Zero Asset Owner Alliance

Danica Pension joined the global UN-convened investor alliance in 2020, thus committing to transitioning its investment portfolio to net-zero greenhouse gas emissions by 2050

### Principles for Responsible Investment

An international investor network that supports the implementation of ESG factors into investment and ownership decisions

### Task force on Climate-related Financial Disclosures

Has developed recommendations for more effective climate-related disclosures to promote more informed investment, credit, and insurance underwriting decisions

### UN Global Compact

A multi-stakeholder initiative focusing on aligning business operations with ten principles in the areas of human rights, labour, environment and anti-corruption

### Partnership for Carbon Accounting Financials

Provides carbon accounting instructions for financial institutions. Danske Bank joined in 2020 as the first major Nordic bank.

### UN Environment Programme - Finance Initiative

A partnership between UN and the global financial sector with the aim of understanding societal challenges, why they matter to finance, and how to address them

### The Paris Pledge

A pledge to support and act accordingly in regards to the objectives of the Paris Agreement to limit global temperature rise to less than 2 degrees Celsius

More information available at https://danskebank.com/sustainability/our-approach

# Completion of our Financial Crime Transformation by the end of 2023

In the recent years, we have made significant investments to ensure that a robust, well-resourced and expert compliance function is in place across our operations to effectively combat financial crime.

We have made significant changes to ensure that we have the right people, structures and controls in place to continue to achieve and maintain a culture of integrity in everything we do, deliver on our financial crime transformation and manage compliance issues that arise in the future.

In designing the Financial Crime Plan, Danske Bank has, to the extent possible, sought to execute the program in a risk-prioritised way. Wherever possible, we have been adopting an approach of trying to mitigate the most material residual risks first.

Throughout 2023, we will continue our efforts to complete the remaining initiatives in our Financial Crime Plan and conclude our financial crime transformation by the end of the year.

Examples of key initiatives to be completed in 2023

**Financial Crime Training**

- Deliver targeted training to regulated roles specific to financial crime to ensure aligned knowledge and use of best practice, and finalise a report and closure observations of our financial crime training framework

**Know-Your-Customer**

- Finalise closure documentation for the completion of KYC refresh for the Bank's customers and transition into a "business-as-usual" operational setup for regular, periodic reviews

**Transaction Monitoring**

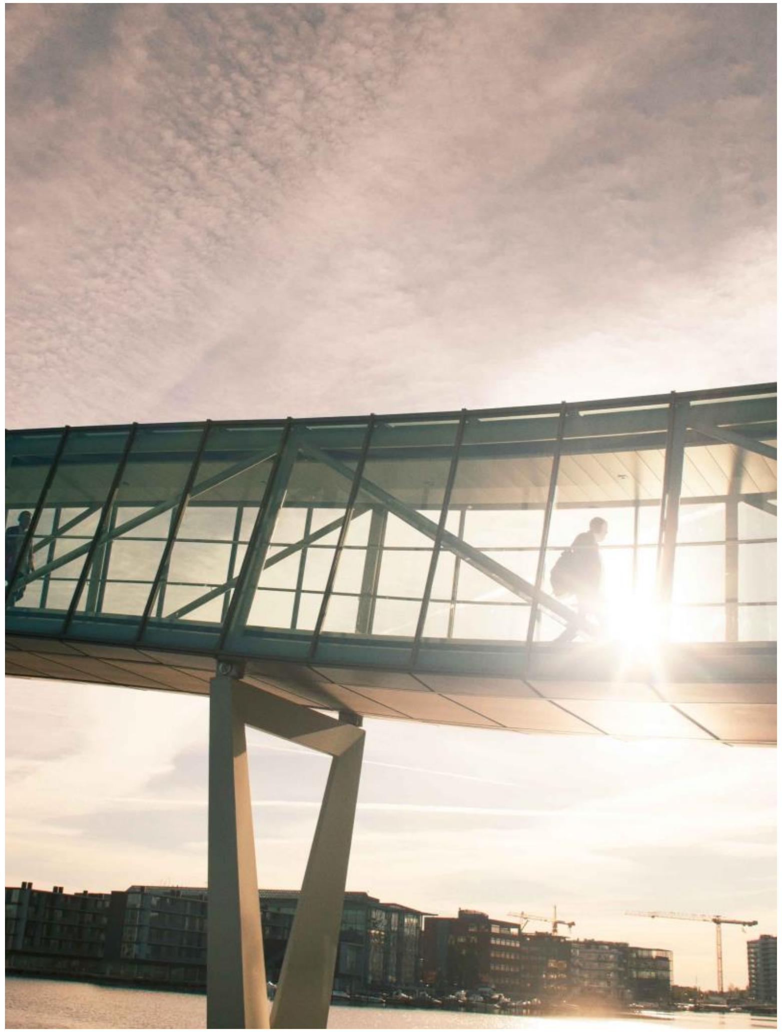
- Evaluate the staffing and sustainability of Group Transaction Monitoring against its new role and procedures

**Suspicious Activity Reporting**

- Complete remediation of gaps in subsidiaries to ensure consistency and adherence to Group requirements

**Data Governance**

- Issue a Financial Crime Data Management Instruction to provide specific guidance on the management and control of financial crime data



# Regulatory Engagements

**Ongoing Dialogue**

- We engage in ongoing dialogue with our regulators through regular meetings with the Financial Supervisory Authorities ("FSAs") and Supervisory College to ensure aligned expectations and transparency between our regulators and the Bank
- We provide regular updates and engage in frequent interactions with the Danish FSA on our financial crime transformational progress and remediation work and proactively share information on the progress of our remediation program with other Nordic regulators

**Regulatory Inspections**

- We track all regulatory inspections closely and continue to address regulatory orders we receive from our regulators in an open and transparent way. Regulatory deliverables are formally documented, and progress is frequently communicated to relevant regulators
- The Bank has completed and closed a number of orders received from inspections following the Estonia matter and is progressing in addressing orders received in relation to subsequent AML inspections
- In Q4 2022, the Danish FSA published the outcomes of two inspections at Danske Bank focusing on money laundering and terrorist financing, and our management of EU sanctions against Russia and Belarus. The reviews did not give rise to any supervisory reactions, which we believe reflects the progress we have made in the implementation of our Financial Crime Plan*
- All remaining orders and recommendations from regulators are incorporated and prioritised in our Financial Crime Plan. We carry out targeted actions to rectify these issues and track them closely to completion. The Bank also addresses topics that are not highlighted in the inspection findings but noted by the Danish FSA

**Supervisory Oversight**

- The Danish FSA, as well as other relevant FSAs, carry out supervisory oversight of the Bank's remediation work
- Our recalibrated Financial Crime Plan was submitted to the Danish FSA in November 2021 and the Danish FSA follows its implementation closely. Our other supervisors receive updates on an ad-hoc basis
- The Danish FSA carries out extensive supervisory oversight of the Bank's financial crime transformation program. In addition to its ongoing supervision, in February 2021, the Danish FSA appointed an Independent Expert to monitor the implementation of the Bank's Financial Crime Plan. The Independent Expert's monitoring is ongoing

* https://danskebank.com/investor-relations/regulation/the-danish-fsaThe Danish FSA (danskebank.com)

# Committee Governance for Compliance Risks

### Financial Crime Remediation Steering Committee

- Provides governance structure and delivery oversight of the Group's Financial Crime Plan
- Supported by a Group Financial Crime Project Management Office to track and challenge progress across Business Units
- Chaired by the Chief Compliance Officer of Danske Bank

### Compliance Risk Committee

- Second Line Committee responsible for providing oversight and challenge of the management of compliance and conduct risk on behalf of the ELT
- The Committee reports to the Group All Risk Committee
- Chaired by the Chief Compliance Officer of Danske Bank

### Conduct and Compliance Committee

- Board level committee that oversees the Bank's management of conduct and reputational risk, compliance and financial crime as well as other matters delegated by the Board
- Responsible for reviewing all relevant Board owned policies concerning compliance, prior to Board approval

### Post-Resolution Committee

- Danske Bank's agreement with the Department of Justice ("DOJ") contains post-resolution obligations, which include the obligation for Danske Bank to continue to enhance its compliance programs, including its AML Program, which will be subject to ongoing review by and engagement with the DOJ.
- To oversee the implementation of and compliance with post-resolution obligations, the Bank has established a Post-Resolution Committee.

# *Credit quality & Impairments*

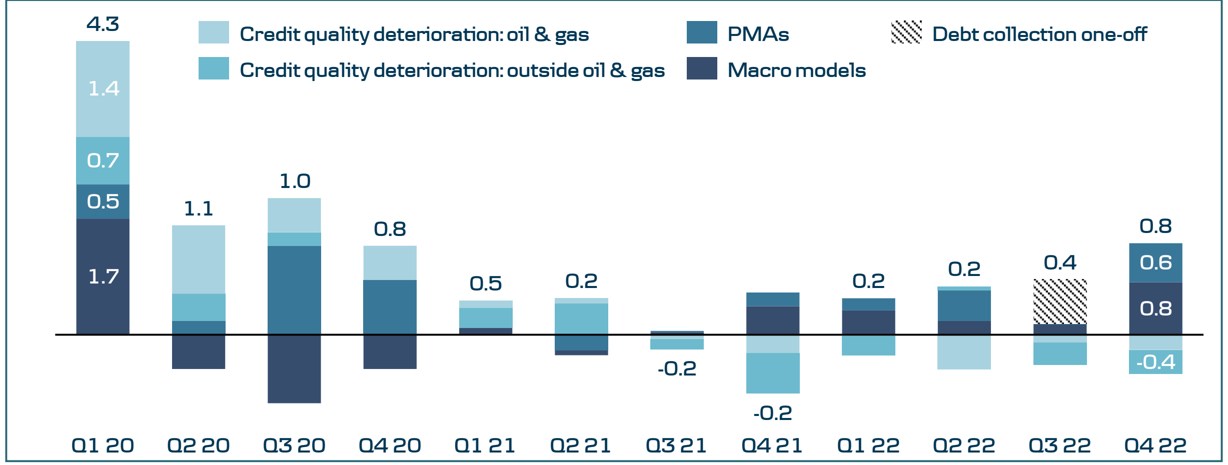
Danske Bank

# *Impairments: Continually strong credit quality and individual reversals, while macro model adjustments and prudent buffers led to a loan loss ratio of 8bps* in 2022*

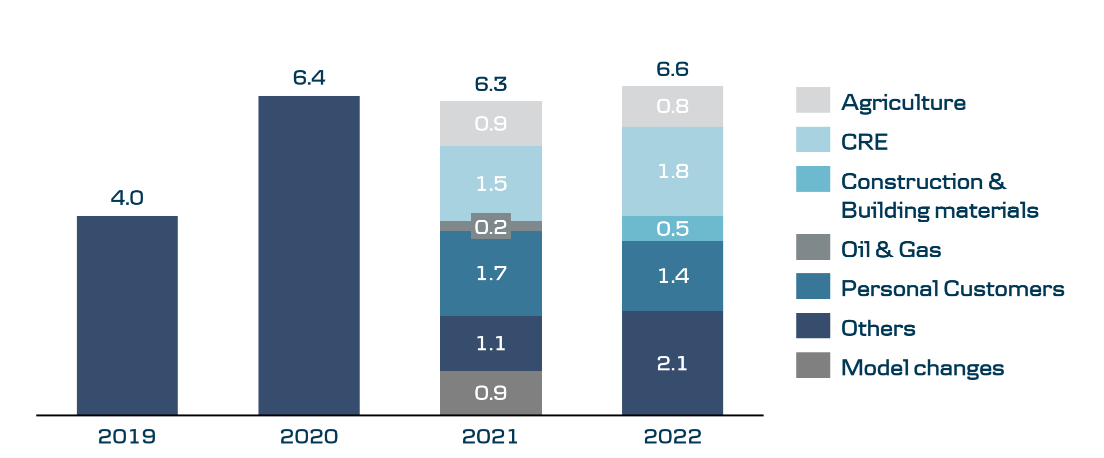
## Highlights

- Credit quality remains strong and the implications of the worsening macro backdrop have not led to any material downward migration in the portfolio with single-name impairments resulting in net reversals
- As the macro outlook has been updated to reflect the uncertainty and increased downside risk from inflation and interest rates, the macro model charges resulted in additional DKK 0.8bn booked in Q4
- Total allowance stands at DKK 19.6bn and includes PMAs of DKK 6.6bn, as additional overlays of DKK 0.6bn were added in Q4 to mitigate any tail risks not evident in the portfolio or captured through our macro models

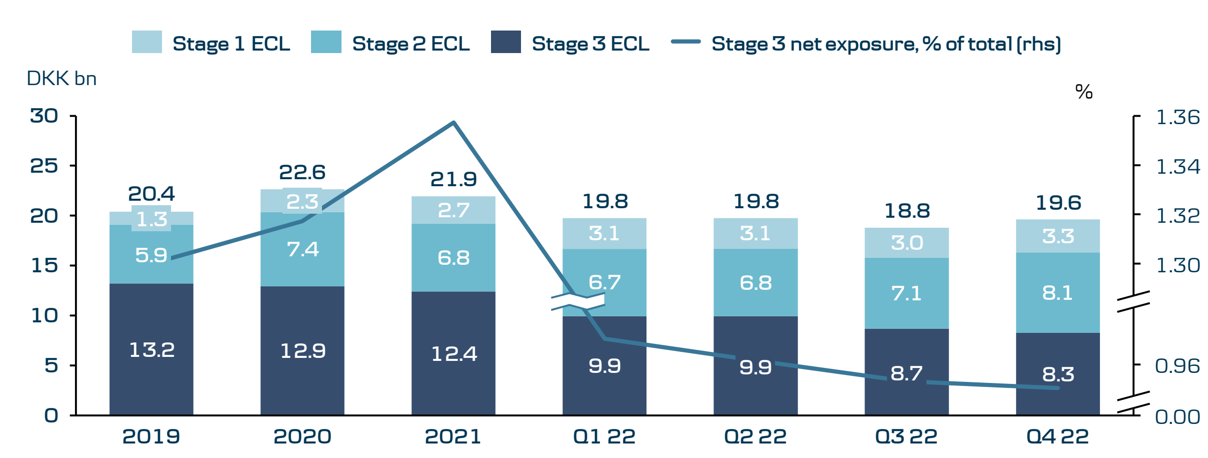
## Impairment charges by category (DKK bn)




## Post Model Adjustments (PMAs)




## Allowance account by stages (DKK bn)

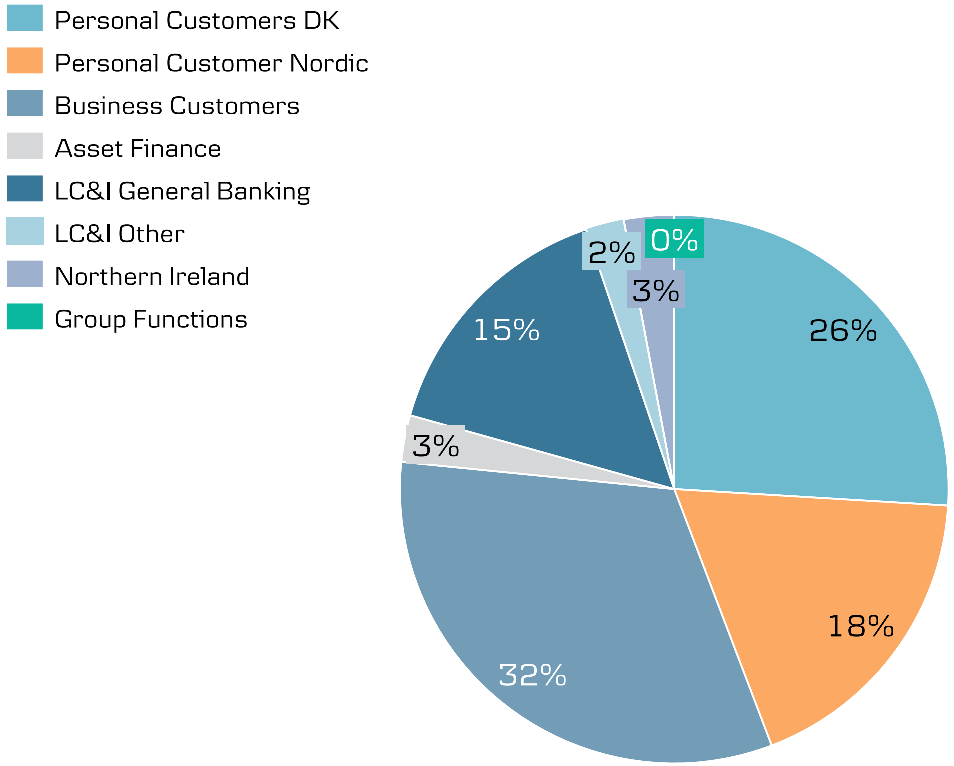



* Including DKK 650m related to the accelerated solution of the debt collection case.

Danske Bank

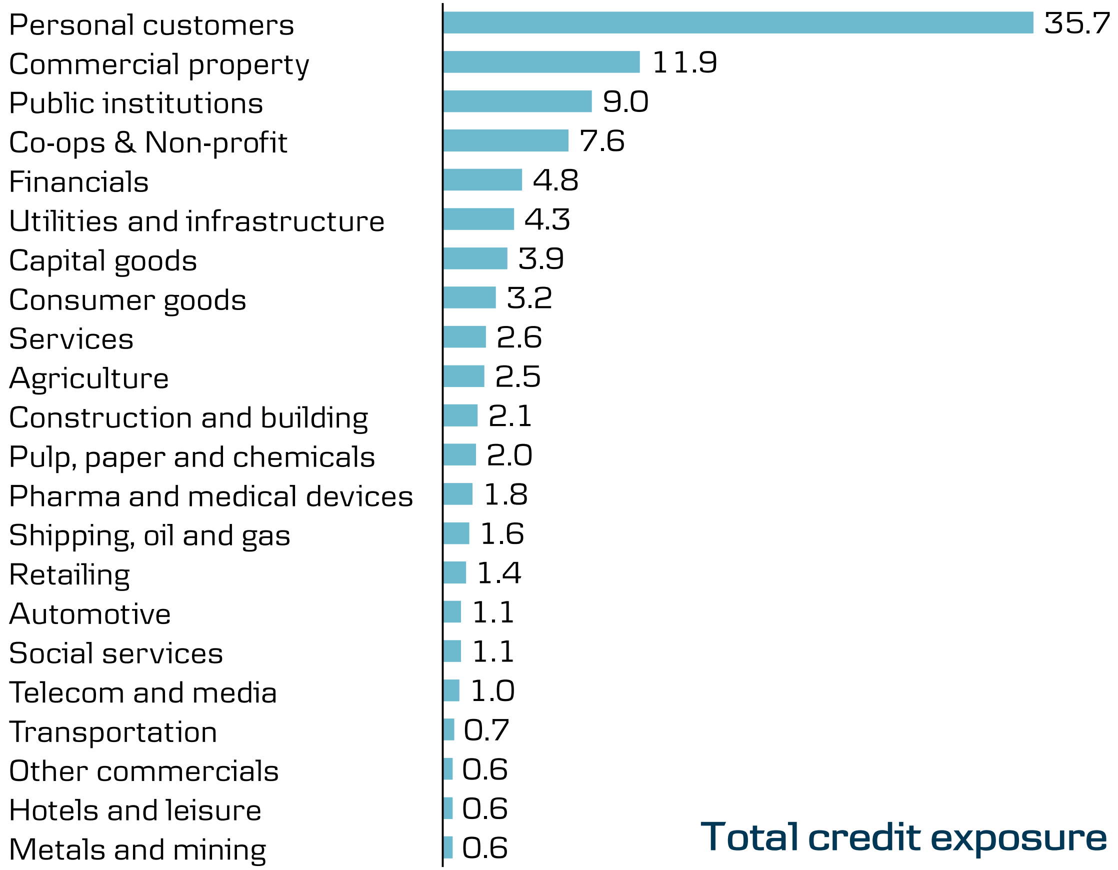
# Strong footprint within retail lending

## Lending by segment[1] Q4 22 (%)




**Total lending of DKK 1,804 bn**

## Credit exposure by industry Q4 22 (%)




**Total credit exposure of DKK 2,512 bn**

[1] Total lending before loan impairment charges.

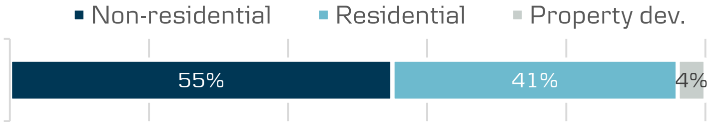
Danske Bank

# Overall strong credit quality in portfolios exposed to macro cyclicality

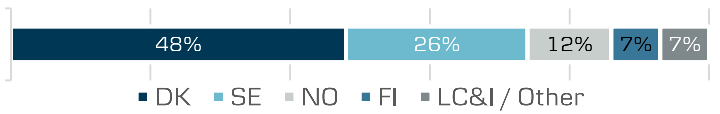
## CRE: Well diversified and prudently managed growth

### DKK 301bn in gross exposure and ECL ~1%

*Segment gross exposure*




*Country gross exposure*

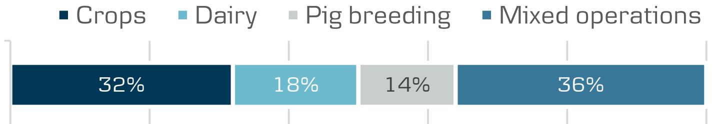



- Conservative lending growth (-4% 3Y-CAGR in non-resi. since 2019) given caps and concentration limits within sub-segments and markets, as well as for single-names, limiting downside risks
- Due to our conservative approach, our SE exposure has remained stable, despite market growth, and book is well-diversified with lower concentration risk over the past years
- The group's credit underwriting standards maintain strong focus on cash flows, interest rate sensitivity, LTV and the ability to withstand significant stress.
- PMAs of DKK 1.8 bn made to cover uncertainties regarding the affect of rapid interest rate increases and macroeconomic situation

## Agriculture: Well-provisioned agriculture book

### DKK 64bn in gross exposure of which 50% RD

*Segment gross exposure*



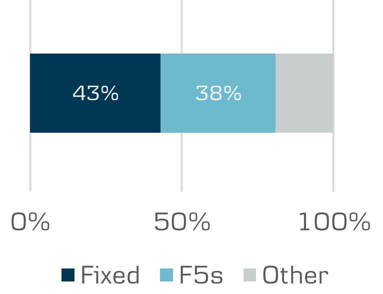

*Country gross exposure*


- The credit quality of the portfolio has improved over the past few years, recovering from legacy exposures from the financial crisis
- The current credit risk appetite takes into account the volatility of the sector and remains in place. Furthermore, the group maintains strong underwriting standards on LTV, interest-only loans and interest rate sensitivity
- Post-model adjustments of DKK 0.8 bn have been made for potential future portfolio deterioration due to uncertainties such as African Swine Fewer (ASF), Chinese imports and the RU/UA war

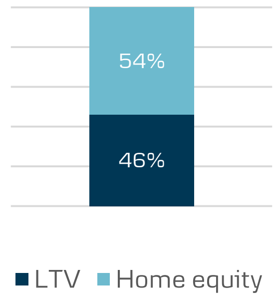
## Housing: Low leverage and strong household finances

### +80% of RD back-book are 5-30yr fixed-rate

*RD back-book*




*Avg. LTV RD-retail*



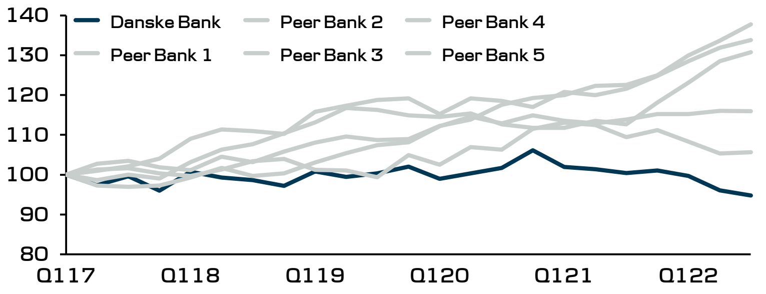

- Average LTVs have been decreasing over the past year supported by increasing house prices and call feature of DK mortgages
- Affordability measures in our approval process has been tightened, and debt-to-income (DTI) levels remain stable overall
- Portfolio uncertainty risks are being mitigated by continuous monitoring and review of underwriting standards covering interest rate-related stress of affordability and other measures
- Low near-term refinancing risk on RD flex loans.
- Post-model adjustments related to personal customers total DKK 1.4 bn

Danske Bank

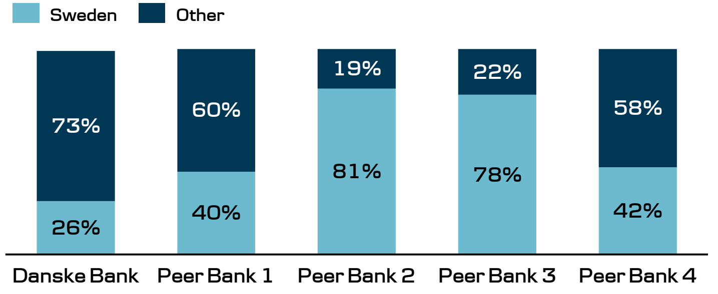
# Commercial real estate portfolio; prudently managed and adequately provisioned

- Danske Bank has the second lowest concentration to CRE as a percentage of the total corporate portfolio (29%) among Nordic peers and the portfolio has been stable/slightly declining in the last few years.
- Out of the Danske Bank CRE portfolio, 26% is to Sweden, lowest ratio among all Nordic banks active in Sweden.
- In addition to conservative underwriting, we perform rigorous monitoring of individual names incl. stress tests:
  - ✓ An interest rate stress of 5% on all debt not currently hedged
  - ✓ Rent level stress, including vacancy
  - ✓ Liquidity stress measuring borrower's ability to refinance/ repay bond and commercial paper redemptions in the coming 18 months
- The portfolio is well diversified and provisioned to mitigate a potential material correction in the sector

## Lending to CRE segment by major Nordic banks (index)

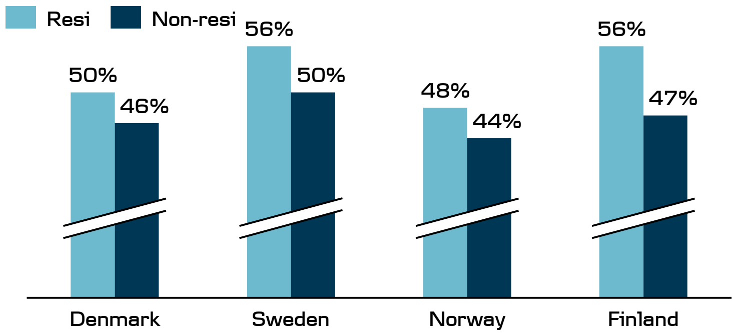



## Lending to CRE by geography

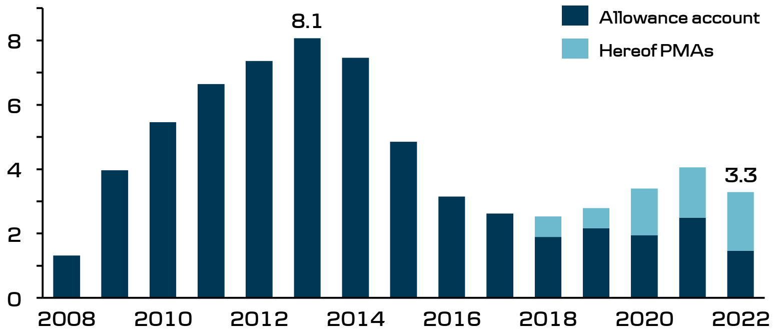



Source: Company financial statements

## CRE portfolio avg. LTVs




## Total CRE allowance account (DKK bn)




## *Underwriting and subsequent monitoring based on cash flow and a clear focus on structural risk*

### Cash flow test

- A key part of the underwriting process is a cash flow test prescribed by the Danish FSA, requiring that cash flow from the financed properties is sufficient to fully amortise our loan over maximum 30 years using a 10/30 year fixed interest rate.
- The test ensures that all lending is similarly benchmarked irrespective of actual credit terms (amortisation, hedging requirements) and thus serves as a sanity check/upper limit in a growing market.

### Stress test

- In addition to the FSA cash flow test, it is a requirement that all new lending is subjected to a standardised set of stress tests. The stress tests cover both lower rent income due to a combination of lower rent levels and higher vacancy, higher interest rate costs and lower property values through higher investor yield requirements.
- To capture the difference in cash flow risk from different property types, the stress test on rent income varies across property types, reflecting the generally higher volatility/cyclicality in e.g. industrial and retail properties compared to e.g. residential properties.

### Structural risk

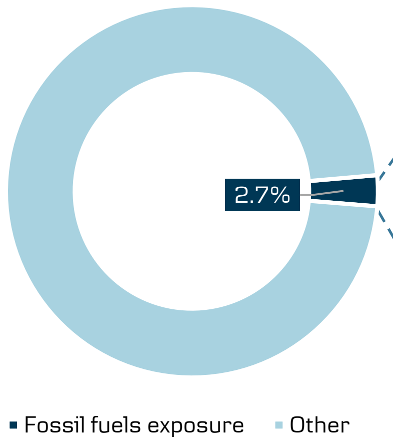
- In addition to the two types of stress tests, significant effort is spent on ensuring the best possible structural position for the bank, and best practice across transactions.
- A key focus is to make sure the cash flow is diversified to the extent possible e.g. through recourse to other cash flow generating properties, alternatively ensure that cash flow is ring fenced within our legal reach. For large clients with enhanced risk, a full portfolio review is conducted to make sure our structural position is satisfactory and the cash flow from the financed properties is sufficient to service debt including under additional interest rate stress.

# Fossil fuels (coal and oil) exposure

## Key points, Q4 22

- The exposure to fossil fuels includes customers involved in production, refining, and distribution (including shipping) of oil as well as utilities producing heat or power with coal.
- The Group has updated it's 2030 climate target on oil majors, i.e. a 50% reduction target on absolute financed emissions, which reflects the decline in investment needs of the Nordic oil and gas production companies. New targets set on downstream refining, i.e. a 25% reduction in scope 1 and 2 financed emissions and in scope 3 emission intensity. Climate target for power utilities has also been further tightened from 30% to 50% emission reduction per unit of energy produced by 2030 against 2020 levels.
- Exposure towards oil majors has decreased during the year, and is now below 3 DKK bn. The main risk on oil related exposures lies with exposures other than oil majors, and since the end of 2019, these net exposures have been brought down 53% and have been stable the past year.
- Exposures shown on this page is to utility customers with any coal-based power production (DKK 46.7 bn.) and hereof more than 5% of revenues from coal fired power production (2.5 bn.). Exposures increased in the beginning of 2022 and again during last quarter due to short-term facilities to help customers manage market risk due to energy price volatility. For most customers, the use of coal is limited to a few remaining production facilities which are expected to phase-out in the longer term.
- Customers' transition plans are continually being assessed, and our utility customers and customers in the distribution and refining segments are generally progressing well on the transition. For instance by refineries switching to biofuels or by gas stations investing in infrastructure for charging of electric vehicles.

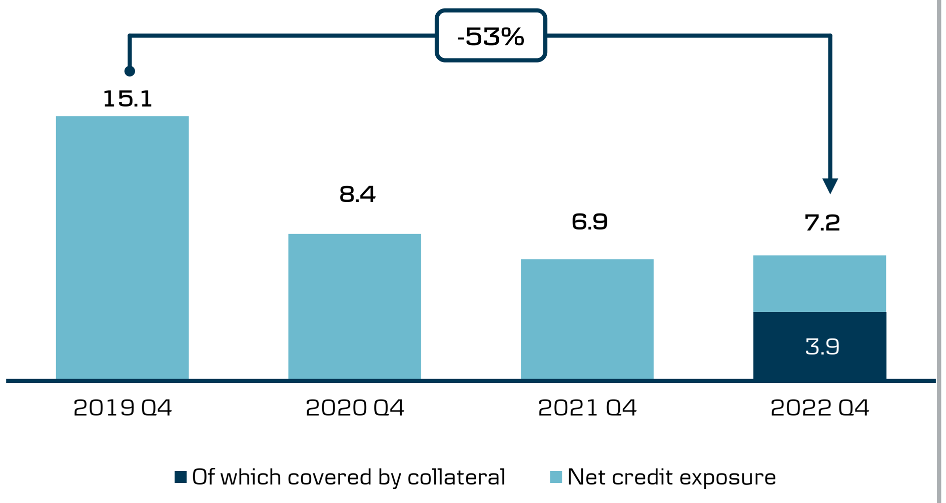
## Group gross credit exposure (DKK 2,535 bn.)




## Fossil fuels exposure (coal and oil)

| Segment | Net exposure (DKK m) |
|---|---|
| **Crude and product tankers** | 2,516 |
| **Distribution and refining** | 8,728 |
| **Oil-related exposure** | 9,907 |
| *Oil majors* | 2,741 |
| *Offshore and services* | 7,166 |
| **Power and heating utilities with any coal-based production** | 46,695 |
| *Hereof customers with more than 5% revenue from coal* | 2,475 |
| **Total fossil fuel exposure** | **67,846** |

## Oil-related net credit exposure, DKK bn.: Development (excl. oil majors)



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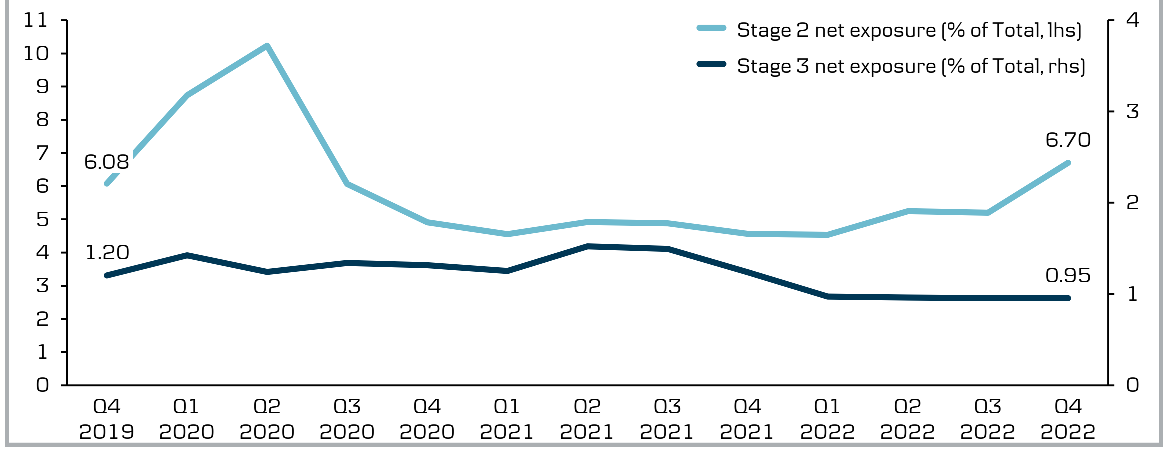
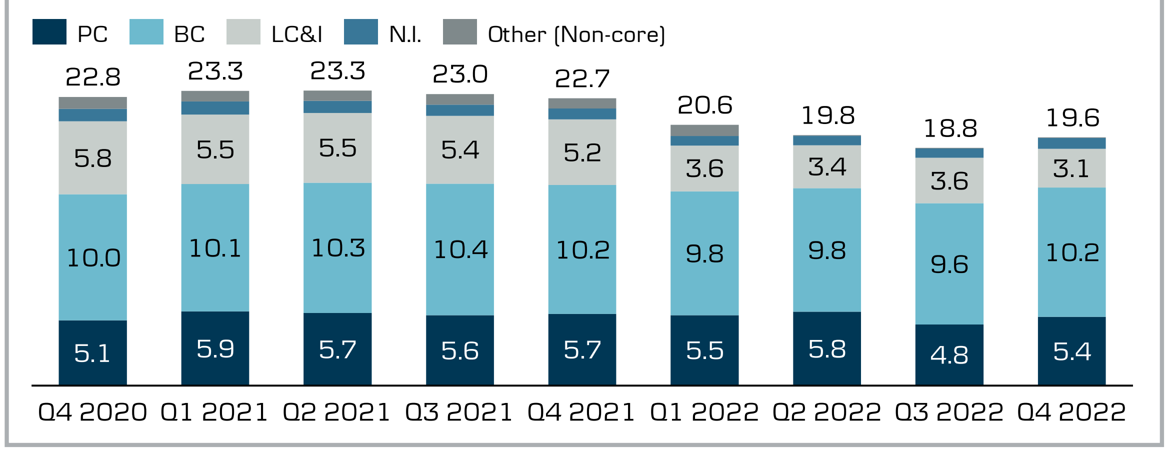
# Credit quality: Low level of actual credit deterioration

## Stage 2 and 3 as % of net exposure



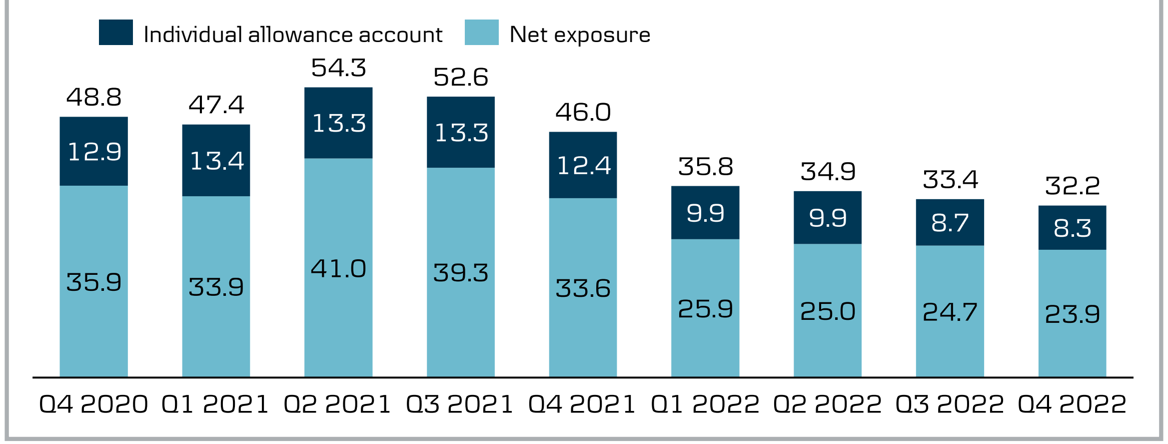

## Allowance account by business unit (DKK bn)




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

| | Allowance account | Gross credit exposure | Allowance as % of gross exposure |
|---|---|---|---|
| Personal customers | 2.0 | 902 | 0.23% |
| Agriculture | 0.9 | 64 | 1.35% |
| Commercial property | 2.2 | 301 | 0.73% |
| Shipping, oil and gas | 0.0 | 41 | 0.07% |
| Services | 0.2 | 67 | 0.30% |
| Other | 2.7 | 1,156 | 0.24% |
| **Total** | 8.1 | 2,532 | 0.32% |

## Gross stage 3 loans (DKK bn)



# *Capital*

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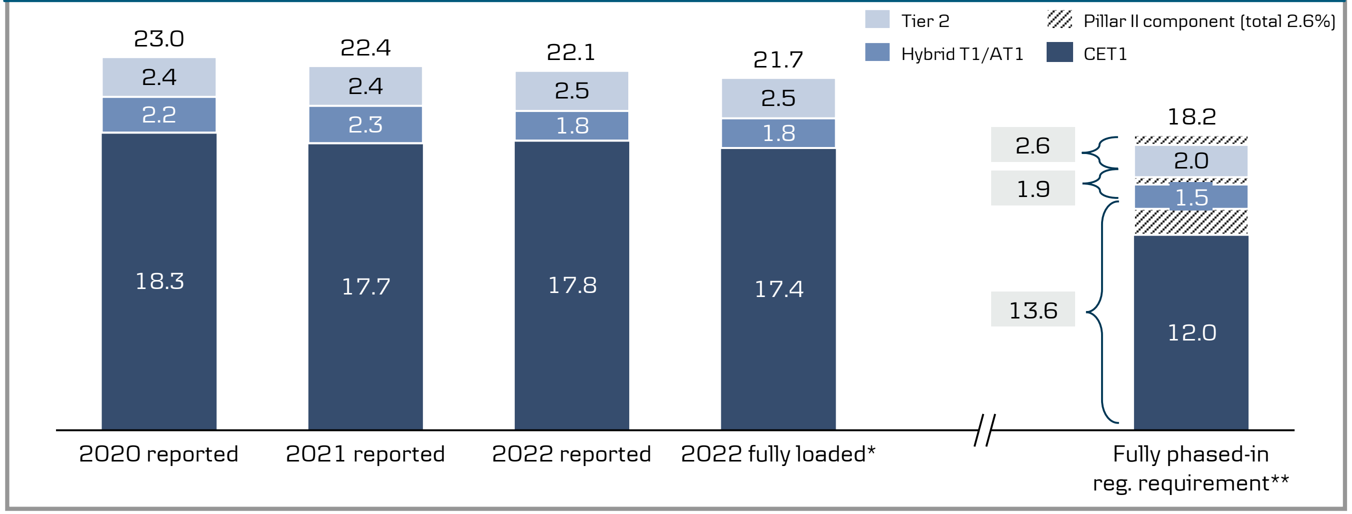
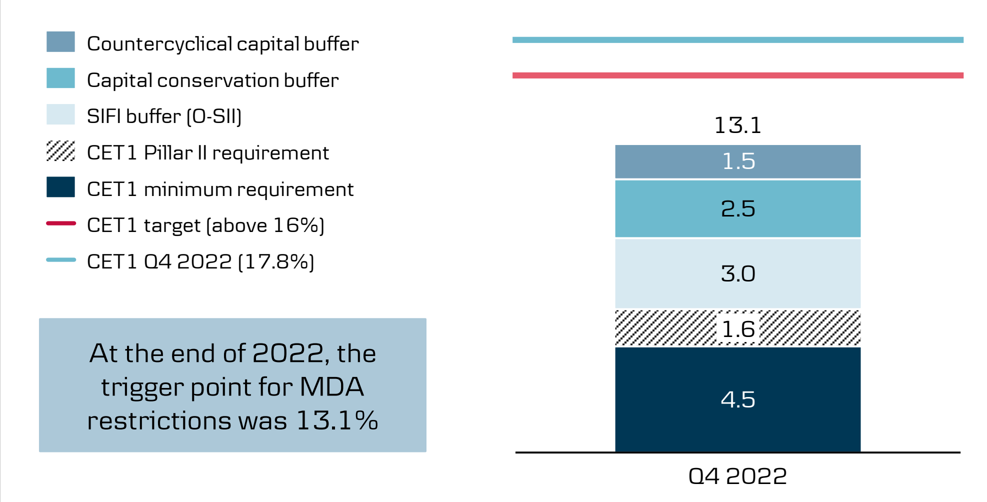
# *Capital: Prudent CET1 ratio at 17.8%; comfortable buffer to current regulatory requirements and uncertainties*

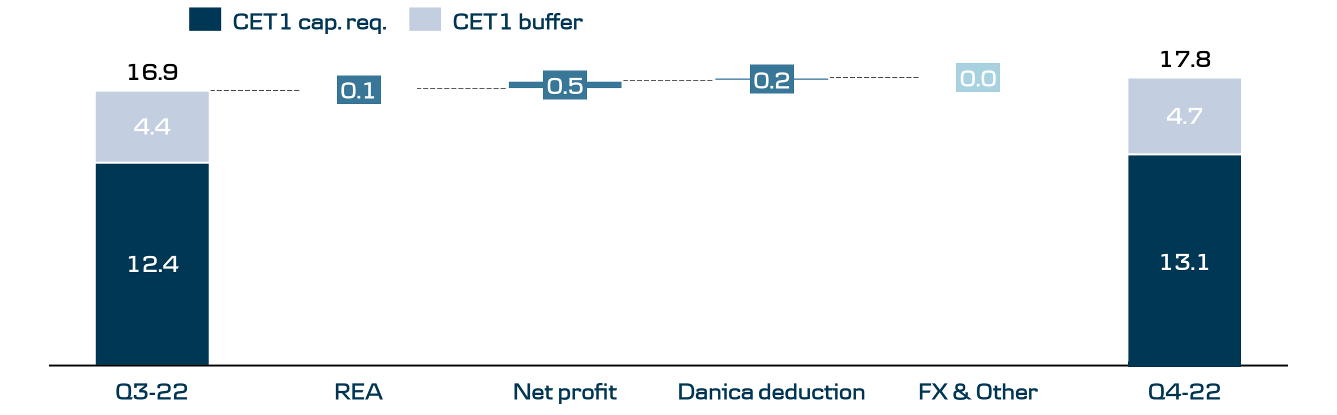
## Capital ratios, under Basel III/CRR (%)



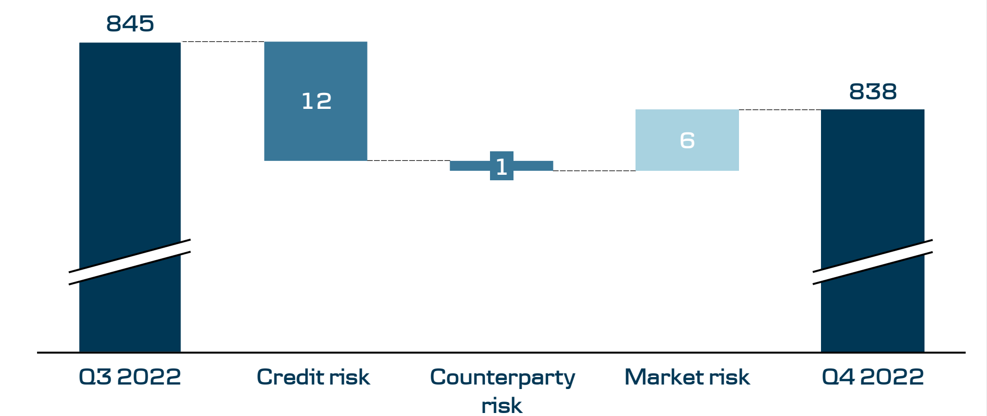

## Current capital buffer structure (%)




## CET1 development (%)




## Total REA (DKK bn)




* Based on fully phased-in rules including fully phased-in impact of IFRS 9.

** Pro forma fully phased-in min. CET1 req. in June 2023 of 4.5%, capital conservation buffer of 2.5%, SIFI buffer requirement of 3%, countercyclical buffer of 2.0% and CET1 component of Pillar II requirement.

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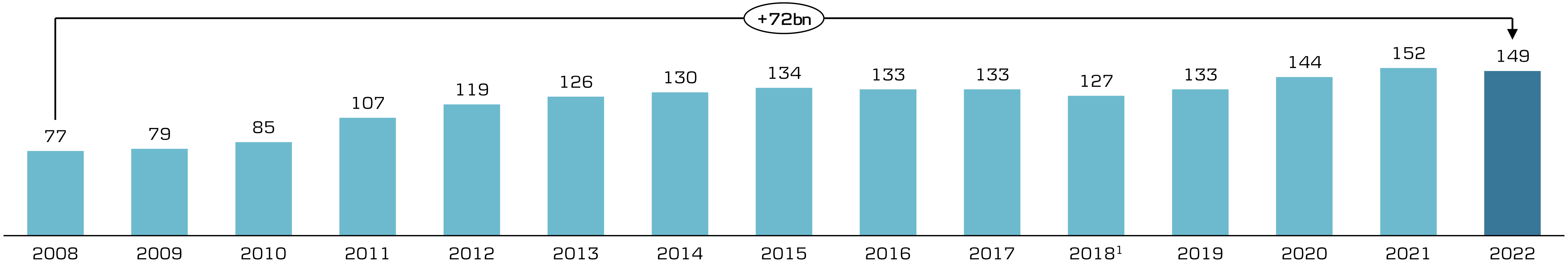
# Strong CET1 capital build-up since 2008; Available Distributable Items (ADI) well in excess of DKK 100 bn

## Common Equity Tier 1, 2008 – 2022 (DKK bn)



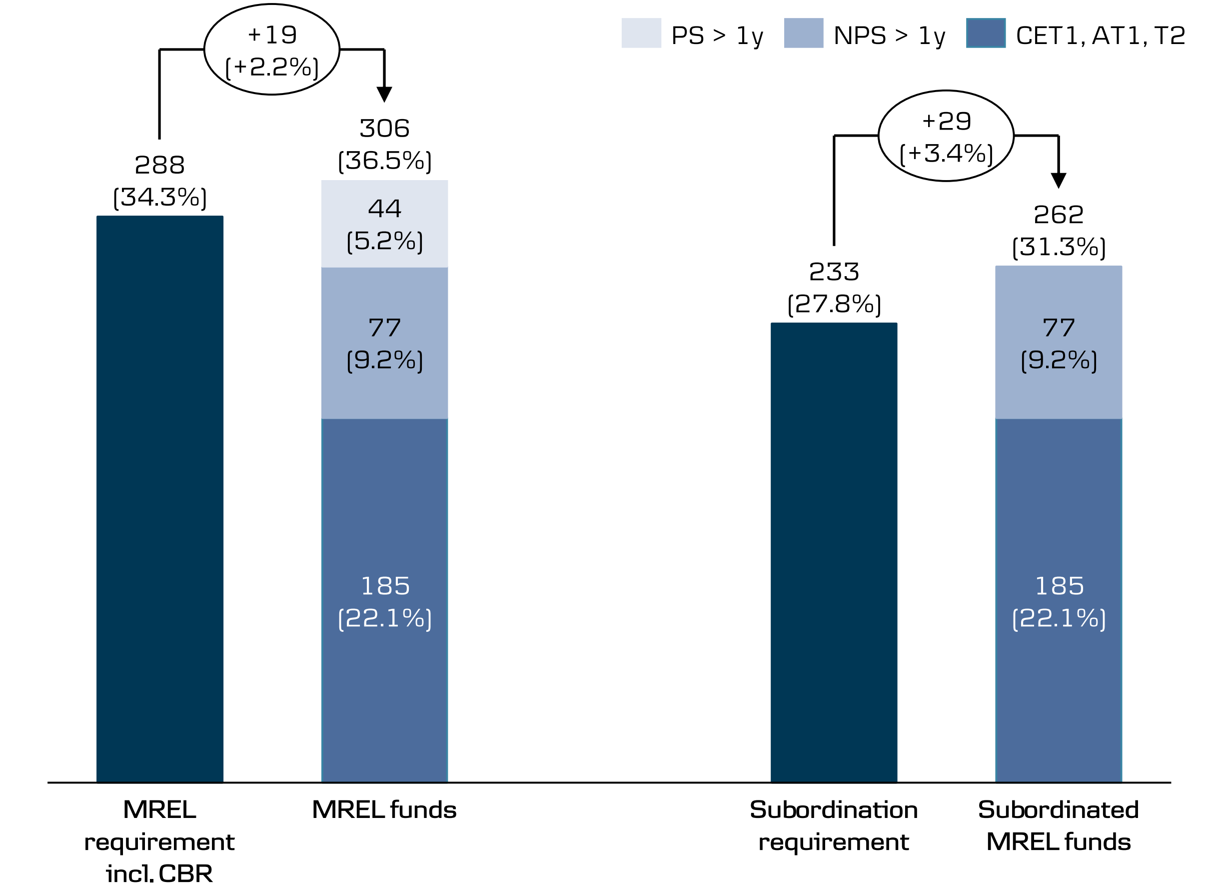

## REA, CET1, profit and distribution (DKK bn; %)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| REA | 960 | 834 | 844 | 906 | 819 | 852 | 865 | 834 | 815 | 753 | 748 | 767 | 784 | 860 | *838* |
| 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% | 18.3% | 17.7% | *17.8%* |
| Net profit | 1.0 | 1.7 | 3.7 | 1.7 | 4.7 | 7.1 | 13.0[2] | 17.7[2] | 19.9 | 20.9 | 15.0 | 15.1 | 4.6 | 12.9 | *-5.1* |
| Distribution to shareholders[3] | 0 | 0 | 0 | 0 | 0 | 2.0 | 10.5 | 17.1 | 18.9 | 16.3 | 7.6 | 0 | 1.7 | 1.7 | *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 | 4,109 | 3,936 | *3,763* |

1. 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. 2. Before goodwill impairment charges 3. Based on year-end communicated distributions. 2017 is adjusted for cancelled buy-back. 2019 is adjusted for cancelled dividend.

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

## MREL and subordination requirement* and eligible funds; Q4 2022; DKK bn (% of Group REA)




*Including Realkredit Danmark's (RD) capital and debt buffer requirements

## Comments

- The Group has to meet a MREL requirement and a subordination requirement, both adjusted for Realkredit Danmark (RD)
- The subordination requirement is the higher of 2x(P1 + P2) + CBR or 8% TLOF
- The Group's MREL requirement (total resolution requirement) is DKK 288bn incl. RD's capital and debt buffer requirement (DKK 43bn) and the combined buffer requirement (DKK 51bn). Excess MREL funds are DKK 19bn
- The Group's subordination requirement is DKK 233bn incl. RD's capital requirement (DKK 29bn). Excess subordinated MREL funds are DKK 29bn
- This figure shows the Group's MREL and subordination requirement as of end 2022, which constitutes the fully-phased in requirements, i.e. no interim target.
- Requirements will, however, be impacted by any changes to the CCyB.

# *Funding & Liquidity*

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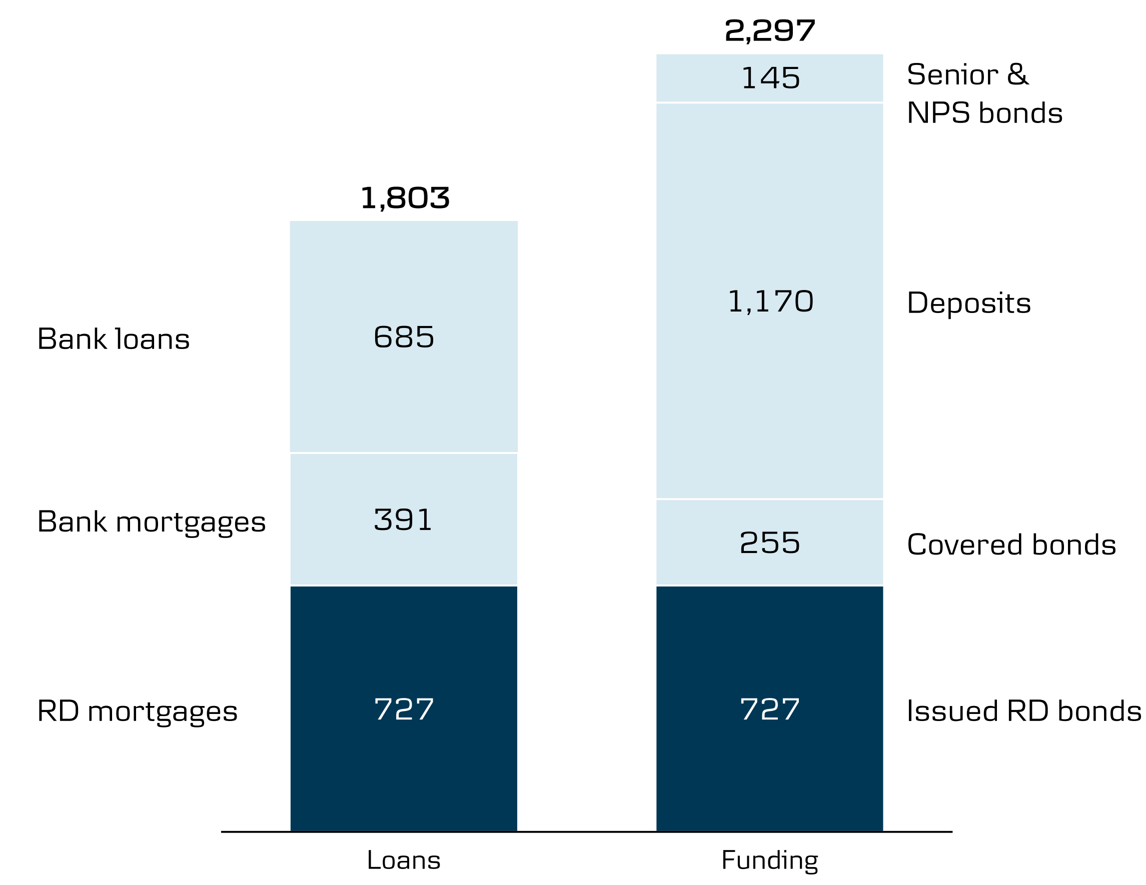
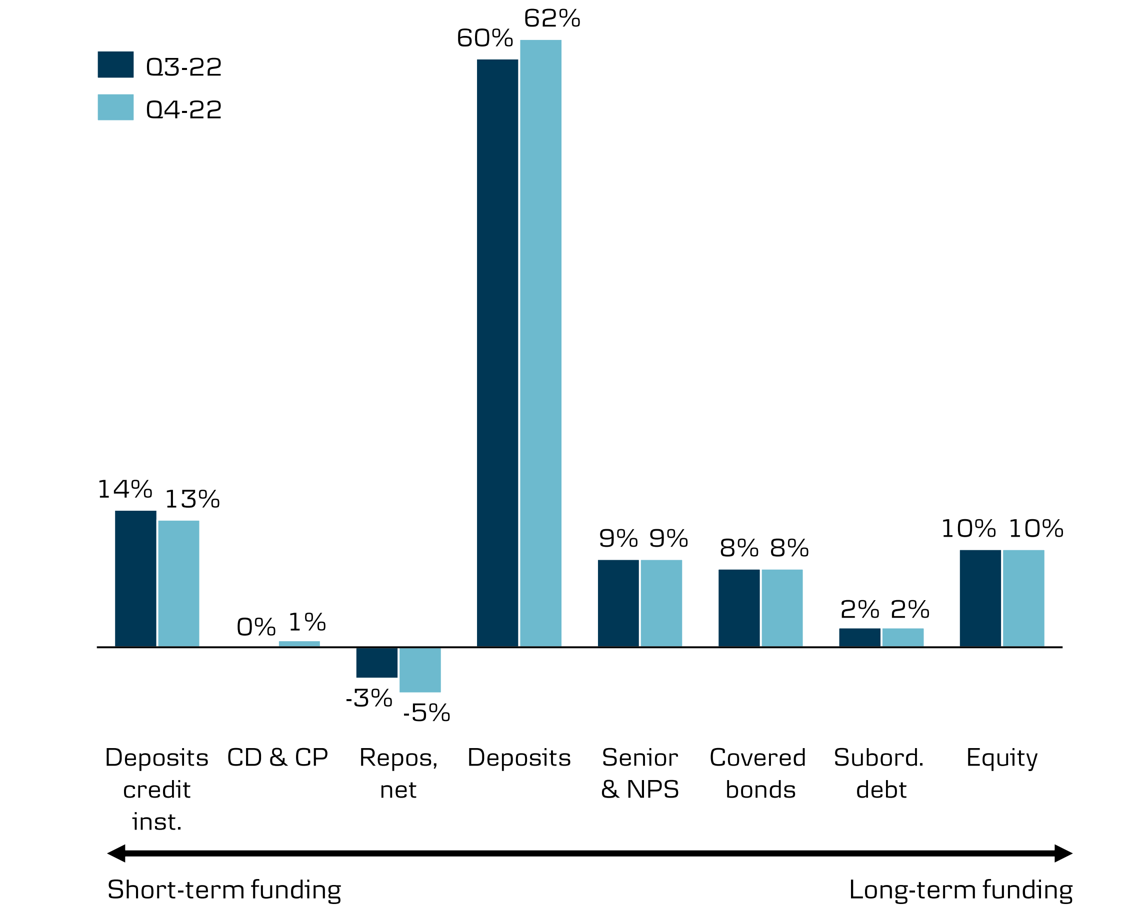
# Funding structure and sources: Danish mortgage system is fully pass-through

## Loan portfolio and long-term funding, Q4 22 (DKK bn)



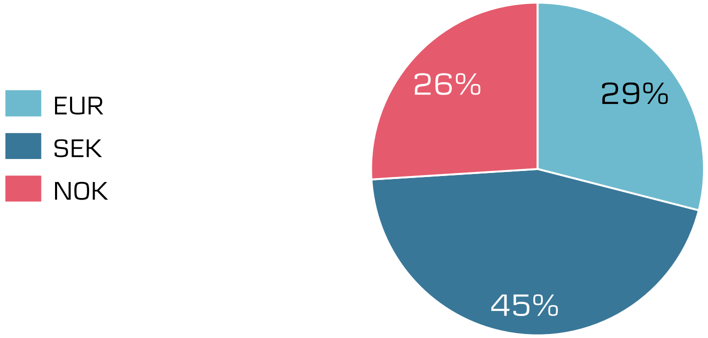

## Funding sources* (%)




* Figures are rounded

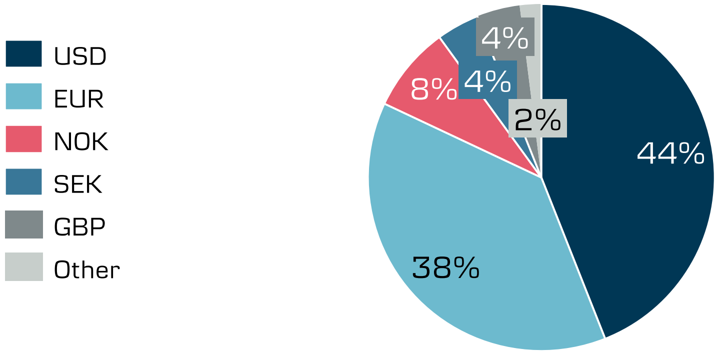
# *Funding programmes and currencies*

## Covered bonds by currency, end-Q4 2022




Total DKK 156 bn

## Senior debt[1] by currency, end-Q4 2022




Total DKK 182 bn

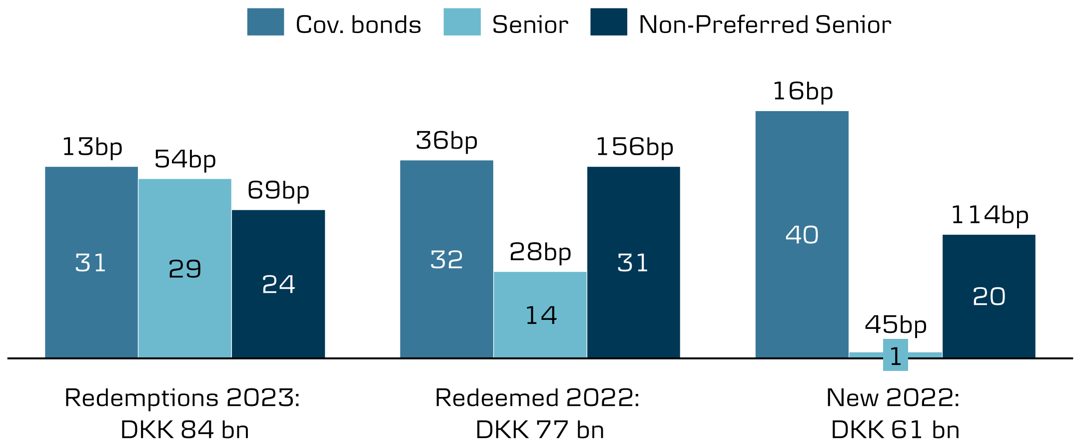
## Largest funding programmes, end-Q4 2022

| | Utilisation |
|---|---|
| EMTN Programme<br>Limit – EUR 35bn | 40% |
| Global Covered Bond<br>Limit – EUR 30bn | 73% |
| ECP Programme<br>Limit – EUR 13bn | 7% |
| US MTN (144A)<br>Limit – USD 20 bn | 50% |
| US Commercial Paper<br>Limit – USD 6bn | 0% |
| UK Certificate of Deposit<br>Limit – USD 15bn | 1% |
| NEU Commercial Paper<br>Limit – EUR 10bn | 2% |

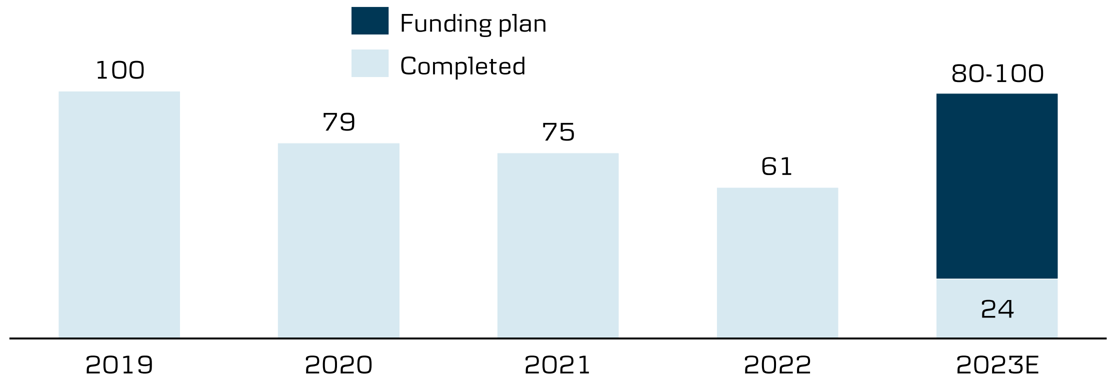
[1] Including senior preferred and non-preferred debt

# Funding and liquidity: LCR compliant at 151%

## Changes in funding,* 2022 (DKK bn and bp)

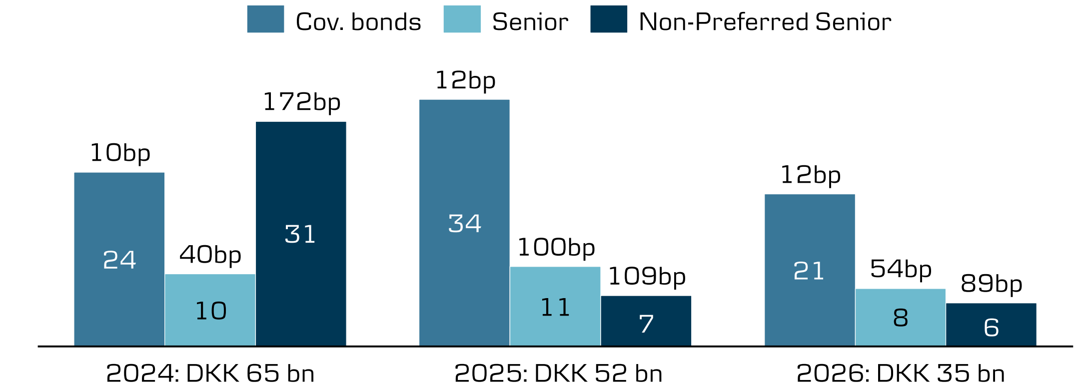



## Long-term funding excl. RD (DKK bn)***

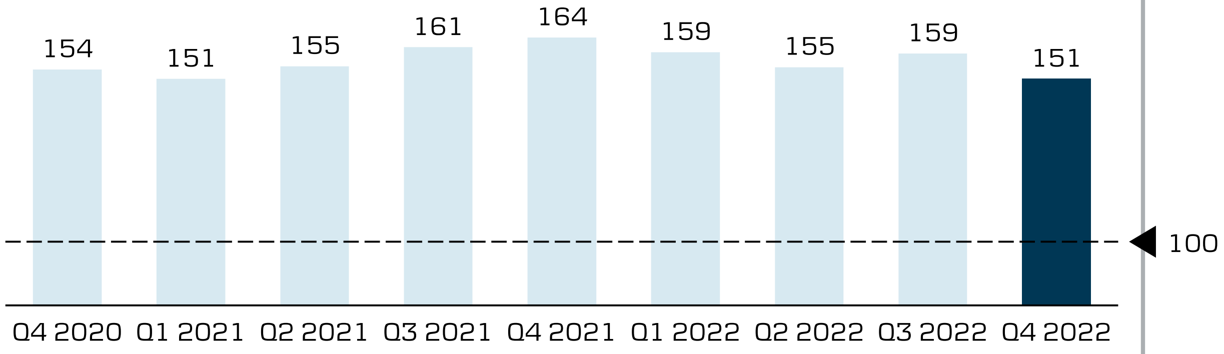



*** Includes covered bonds, senior, non-preferred senior and capital instruments, excl. RD .

## Maturing funding,* 2024-2026 (DKK bn and bp)




## Liquidity coverage ratio (%)




* Spread over 3M EURIBOR.

# Danske Bank covered bond universe, a transparent pool structure[1]

### Residential mortgages

- Denmark, D-pool
- Norway, I-pool
- Sweden, Danske Hypotek AB
- Finland, Danske Mortgage Bank Plc

### Commercial mortgages

- Sweden and Norway, C-pool

### Residential and commercial mortgages

- Capital Centre T (adjustable-rate mortgages)
- Capital Centre S (fixed-rate callable mortgages)


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

# *Credit & ESG Ratings*

# Danske Bank's credit ratings

## Long-term instrument ratings

| | Fitch | Moody's | Scope | S&P |
|---|---|---|---|---|
| Investment grade | AAA | Aaa | AAA | AAA |
| | AA+ | Aa1 | AA+ | AA+ |
| | AA | Aa2 | AA | AA |
| | AA- | Aa3 | AA- | AA- |
| | 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 debt
- Non-preferred senior debt
- Tier 2 subordinated debt
- Additional Tier 1 capital instruments

## Credit ratings remain unchanged in Q4 2022

Credit ratings remain unchanged in Q4 2022.

On 16 December 2022, S&P revised the outlook on Danske Bank to Stable from Negative as a consequence of the resolution of the Estonia case.

Subsequent to the announcement of the resolution, also Fitch and Moody's affirmed their ratings and outlooks on Danske Bank Group.

Danske Bank

# Danske Bank's ESG ratings

**We have chosen to focus on five providers based on their importance to our investors**

| | Q4 2022 | | Q3 2022 | Q2 2022 | Q1 2022 | End 2021 | End 2020 | Range |
|---|---|---|---|---|---|---|---|---|
| CDP[1] | B | 283 companies, out of the 18,700 analysed, made the climate change A List in 2022 | B | B | B | B | B | A to F (A highest rating) |
| ISS ESG | C+ Prime | Decile rank: 1 (302 banks rated)<br>C+ is the highest rating assigned | C+ Prime | C+ Prime | C Prime | C Prime | C+ Prime | A+ to D- (A+ highest rating)<br>Decile rank of 1 indicates a higher ESG performance, while decile rank of 10 indicates a lower ESG performance |
| Moody's ESG Solutions | 61 | Rank in Sector 10/30<br>Rank n Region 178/1618<br>Rank in Universe 200/4847 | 61 | 61 | 61 | 61 | 64 | 100 to 0 (100 highest rating) |
| MSCI | BBB | MSCI rates 197 banks:<br>AAA 5%<br>AA 34%<br>A 27%<br>BBB 20%<br>BB 11%<br>B 3%<br>CCC 0% | BBB | BBB | BBB | BBB | BB | AAA to CCC (AAA highest rating) |
| Sustainalytics | Medium Risk | Rank in Diversified Banks 98/405<br>Rank in Banks 277/1011 | Medium Risk | Medium Risk | Medium Risk | Medium Risk | High Risk | Negligible to Severe risk<br>(1 = lowest risk) |

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

Danske Bank

# Three distinct methods for rating banks

Danske Bank's rating

## Rating methodology

**S&P Global Ratings**

| Anchor SACP[1] | + | 1 | + | 2 | + | 3 | + | 4 | = | Potential CRA[2] adjustment | = | SACP[1] | + | Extraordinary external support | + | ALAC | = | Issuer rating |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| bbb+ | | +1 | | +1 | | -1 | | 0 | | 0 | | a- | | 0 | | +2 | | 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[3] | + | Affiliate support | + | LGF[4] | + | Gov. support | = | Issuer rating |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Strong Plus | | a3 | | a1 | | ba2 | | baa3 | | baa2 | | -1 | | baa2 | | 0 | | +1 | | +1 | | A3 (Stable) |

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

**FitchRatings**

| Operating environment | + | Business Profile | + | Risk Profile | + | Asset Quality | + | Earnings & Profitability | + | Capitalisation & Leverage | + | Funding & Liquidity | = | Viability Rating | + | Government Support | = | Issuer rating |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| aa- | | a+ | | a+ | | a | | a- | | a | | a+ | | a | | ns[5] | | A (Stable) |

ns = No support

[1] Stand-Alone Credit Profile. [2] Comparable ratings analysis. [3] Baseline Credit Assessment. [4] Loss Given Failure. [5] No support.

# *Tax & Material one-offs*

Danske Bank

# Tax

## Actual and adjusted tax rates (DKK m)

| | 2022 | Q4 2022 | Q3 2022 | Q2 2022 | Q1 2022 |
|---|---|---|---|---|---|
| Profit before tax | -2,284 | 4,877 | -13,032 | 2,164 | 3,707 |
| Permanent non-taxable difference | 16,282 | -1,119 | 16,559 | 408 | 435 |
| **Adjusted pre-tax profit, Group** | 13,998 | 3,758 | 3,527 | 2,572 | 4,142 |
| Tax according to P&L | 2,784 | 704 | 760 | 458 | 862 |
| Taxes from previous years etc. | 346 | 158 | 25 | 106 | 57 |
| Adjusted tax | 3,131 | 862 | 785 | 565 | 919 |
| Adjusted tax rate | 22.4% | 22.9% | 22.3% | 22.0% | 22.2% |
| Actual-/Effective tax rate | -121.9% | 14.4% | -5.8% | 21.2% | 23.2% |
| Actual/-Effective tax rate exclusive prior year regulation | -137.1% | 17.7% | -6.0% | 26.1% | 24.8% |

## Tax drivers, Q4 2022

- The actual tax rate of 17.7% (excluding prior-year's adjustments) is lower than the Danish rate of 22% - due tothe tax effect from tax exempt income/expenses and regulations to prior years tax
- Adjusted tax rate of 22.9% is higher than the Danish rate of 22% due to the differences in statuary tax rates in the various countries in which we operate
- The permanent non-taxable difference derives from tax-exempt income/expenses, such as value adjustments on shares

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# *Material extraordinary items in 2022*

| | One-off items | Effect (DKK m) | P&L line affected |
|---|---|---|---|
| Q1 | Gain from sale of international private banking activities in Luxembourg | 421 | Other income (pre-tax) |
| Q2 | Gain from sale of Danica Norway | 415 | Net income from insurance (tax exempt) |
| | PMA for potential lower recovery rate from debt collection | -250 | Impairments |
| Q3 | Danica: Correction of discrepancy in product | -150 | Net income from insurance |
| | Compensation: Debt collection case | -650 | Impairments |
| | Compensation: Debt collection case | -600 | Expense |
| | Impairment charges on goodwill in Danica Pension | -1,627 | Impairments |
| | Provision for Estonia matter | -14,000 | Expense |
| Q4 | Gain from sale of shares in MobilePay | 415 | Other income |
| | Gain from sale of shares in Sanistål | 170 | Trading income |
| | Reduction of provision for Estonia settlement | 200 | Expense |
| | Increased Compensation: Debt collection case | -310 | Expense |

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