

*Focused Nordic leader with  
strong profitability*

Investor update  
Copenhagen, June 7, 2023

Danske Bank

# Financial performance



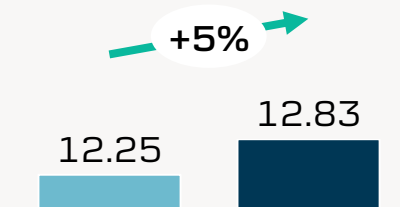
Stephan Engels, Chief Financial Officer

**Danske** Bank

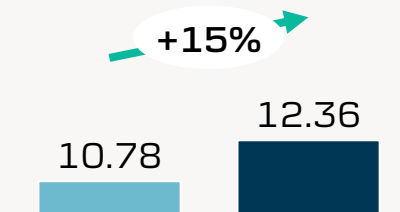
# Proven ability to grow with commercial momentum picking up

## Grown income across segments

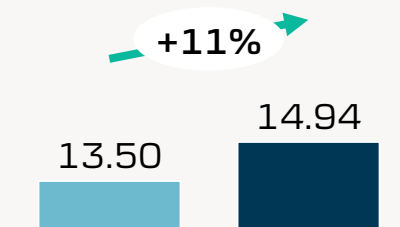
Large Corporates & Institutions



Business Customers



Personal Customers



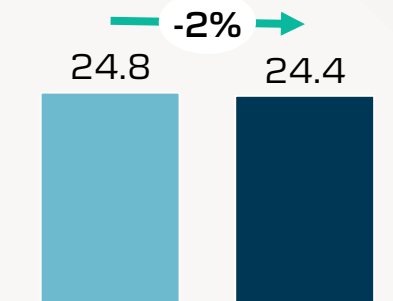
(DKK bn)

2019

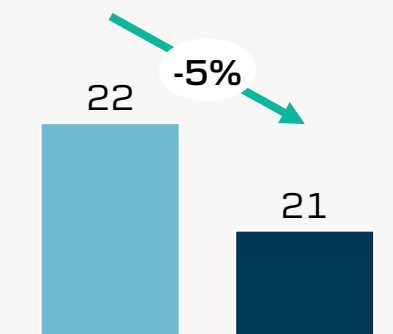
2022

## Stabilised cost

Core OPEX<sup>1</sup>  
(DKK bn)



FTEs ('000)

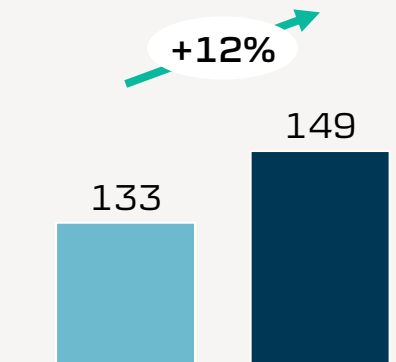


2019

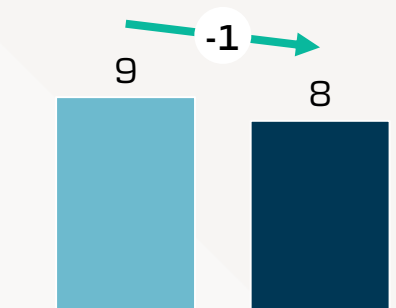
2022

## Strong capital and low loan losses

Common Equity Tier 1  
(DKK bn)



Loan loss ratio (bps)



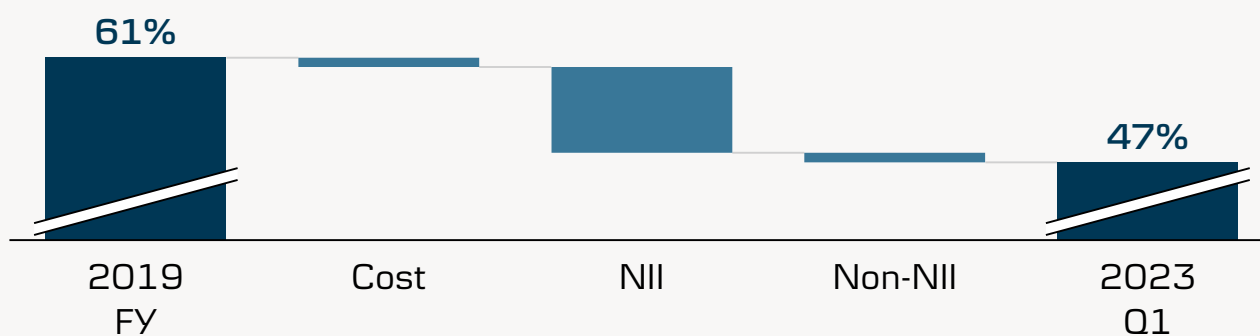
2019

2022

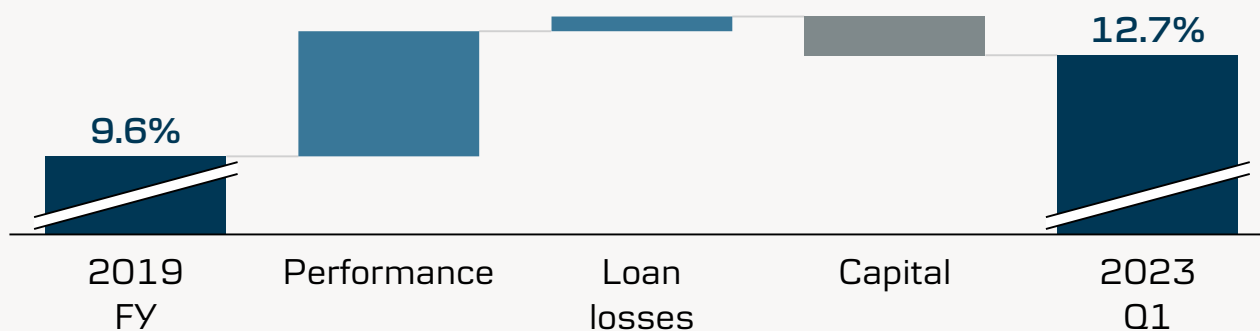
1. Operating Expenses excluding remediation costs related to the Estonia matter, the debt collection case (including 2022 customer compensation) and the Flexinvest Fri case

# Significantly ahead of our targets for 2023

## Cost to income<sup>1</sup>



## Return on Equity<sup>1</sup>



- Surpassing our original targets for 2023 of 8.5-9% RoE and C/I of mid-50s
- Normalisation of interest rates, with more favourable exposure in Denmark and Finland
- Streamlined the bank and simplified our organisation
- De-risked businesses and strengthened FCRP and Compliance function
- Strong credit quality and prudent guidance

1. Excluding the provision for the Estonia matter and goodwill impairment charges

## *Accelerating our commercial momentum and profitability*

### Focused ambitious growth

- **Increase returns** by targeting the most attractive segments
- **Continue momentum of streamlining the bank**, pushing down our cost to serve
- **Focus on deepening customer relationships** and product penetration

### Disciplined capital return and cost

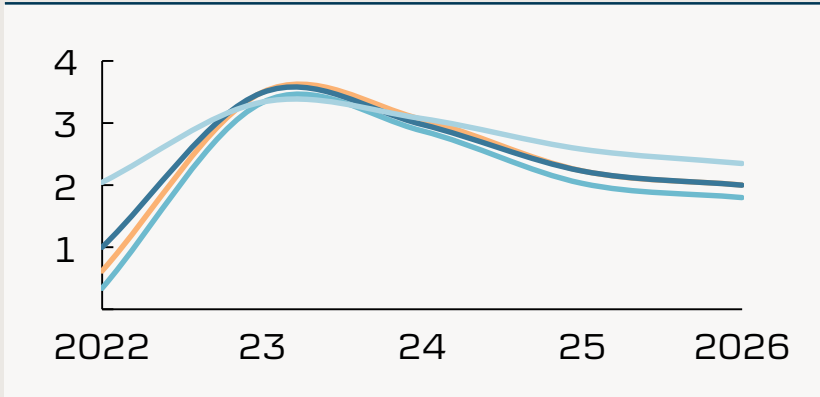
- **Capital allocation towards most profitable areas** that meet our hurdle rates
- **Selectively invest in market growth** where we see best opportunities
- **Normalisation of FCRP and Compliance** function

### Capital distribution and low risk

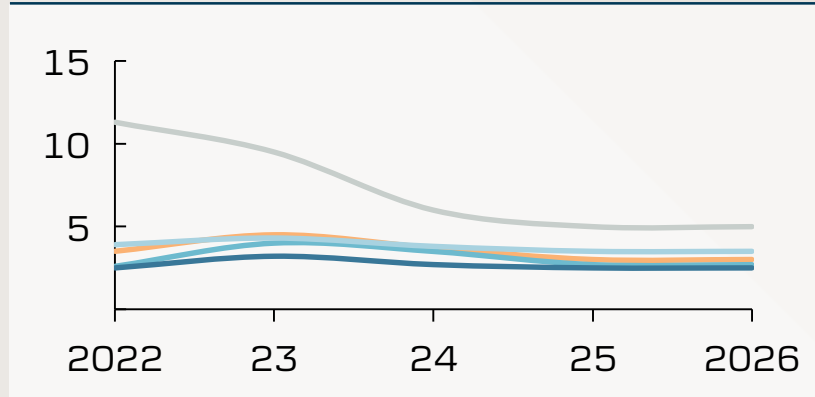
- **Dividend policy of 40-60% of net profit**, with an accelerated pay-out of H1 net profit by Q2
- **Dividend potential >DKK 50bn**, with an ambition for additional capital distribution
- **Maintained low and stable risk levels**

# Main assumptions behind our 2026 plans

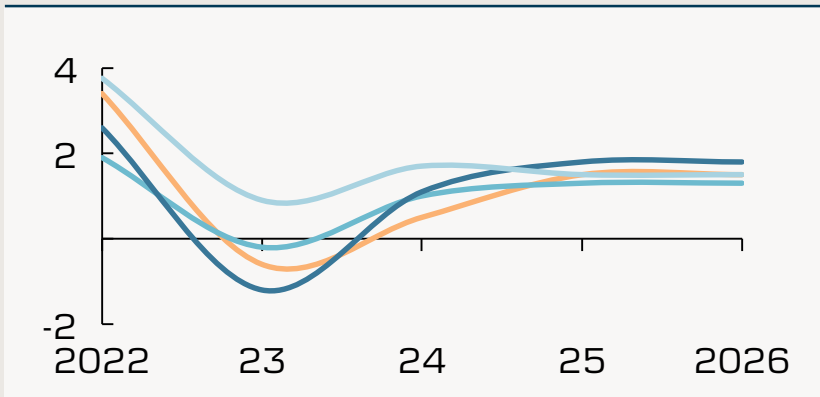
Interest rates, 3 month [%]



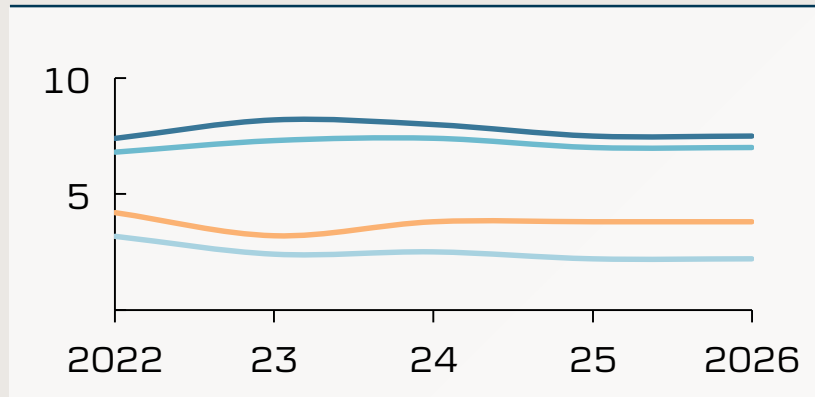
Wage inflation [%]



Real GDP growth [%]



Unemployment [%]



Denmark Finland Sweden Norway Lithuania

~3%  
Lending growth p.a.

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<1%  
Deposit growth p.a.

Note: Yearly averages. Based on estimates done January 2023

Our 2026  
financial targets

**13%**

Return on Equity

**~45%**

Cost to income

**>16%**

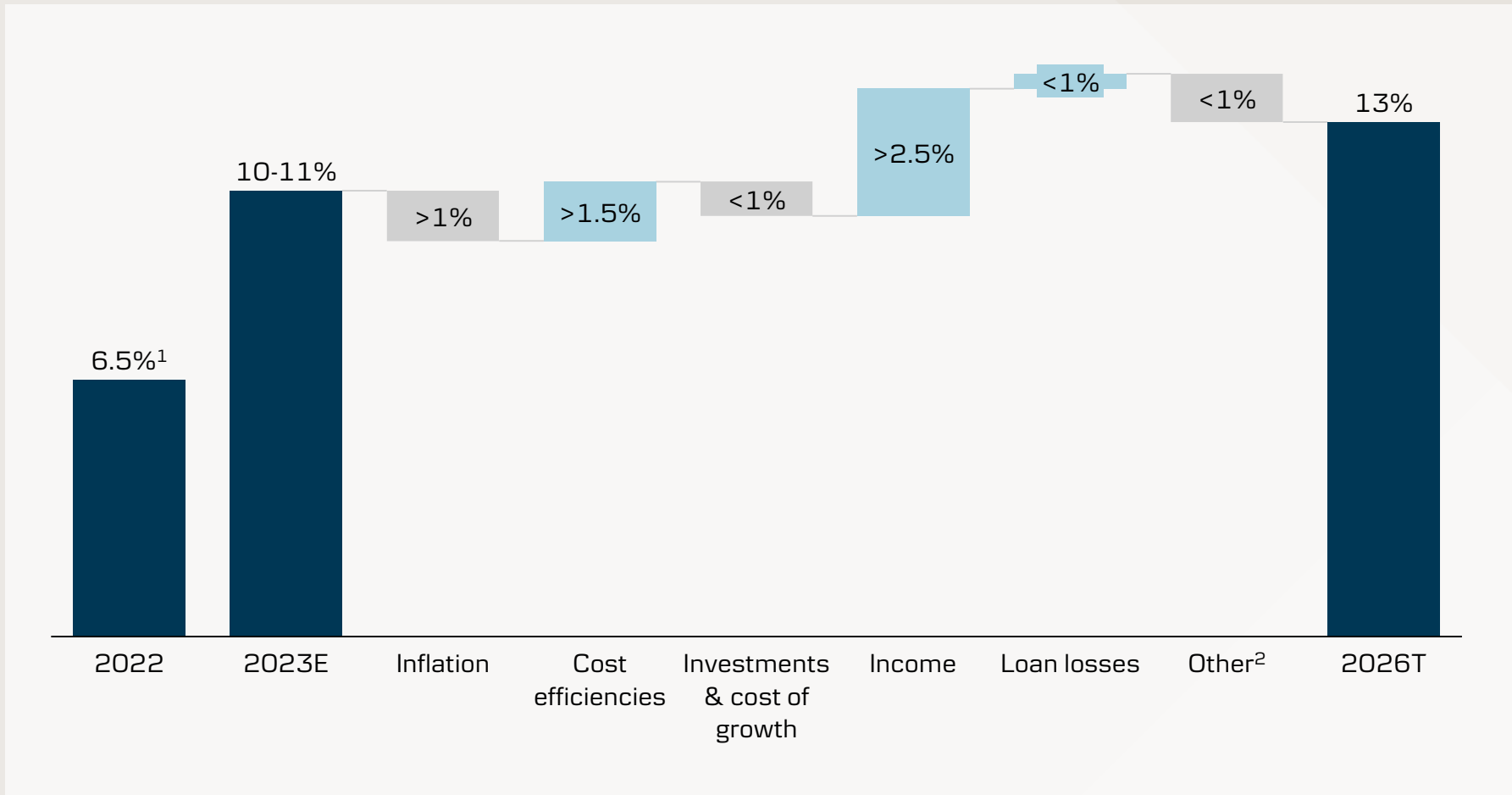
CET1

## Capital distribution

- Dividend potential from 2023 to 2026 of above DKK 50 bn (~40% of current market cap)
- Accelerated dividend by H1 result targeting the higher end of the 40-60% policy range<sup>1</sup>
- Ambition for further distribution – subject to capital position and market conditions

# Cost discipline enables increased investments and drive profit

Return on Equity, 2022-2026



- Normalisation of FCRP and Compliance cost
- Increased digital and non-digital investments to drive productivity
- Income to increase from both NII and non-NII offsetting falling rates
- ~8bps loan loss ratio through the cycle

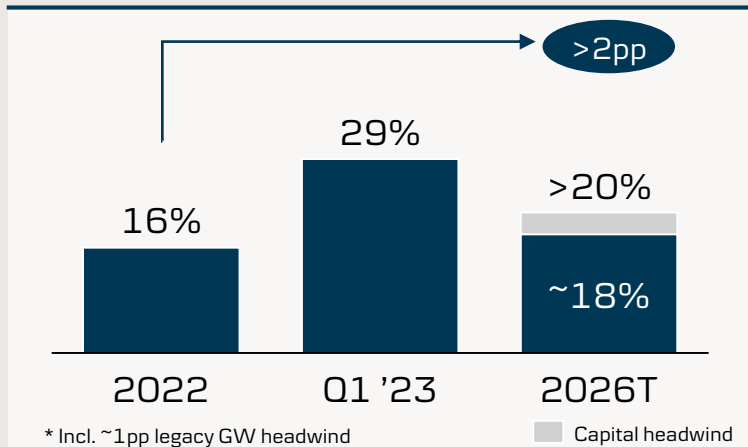
1. Adjusted figures, excluding provision for Estonia matter and goodwill impairment charges; 2. Other includes tax and capital effects



# Improving profitability across all segments

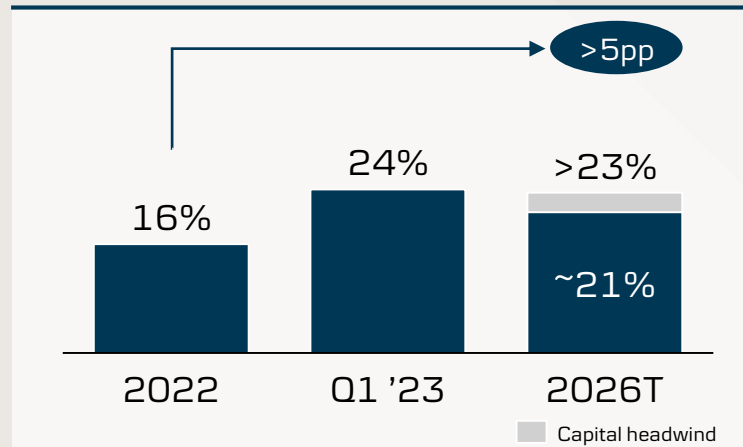
Return on Allocated Capital, 2022-2026

## Large Corporates & Institutions\*



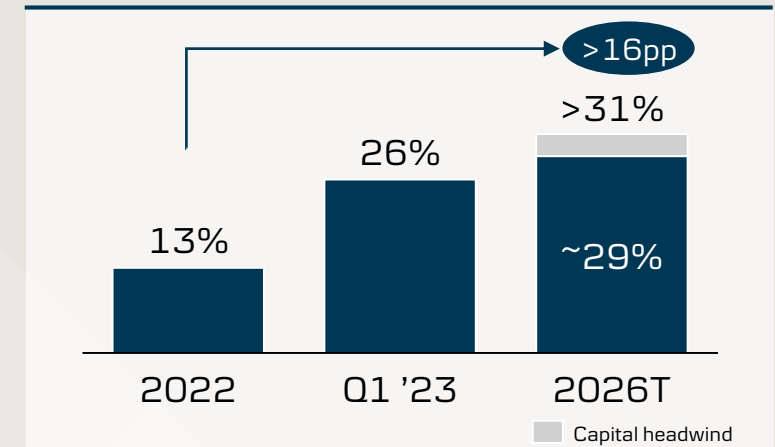
- Continue Corporate growth journey outside Denmark
- Strengthen and leverage One Corporate Bank platform
- Deepen relationships with Nordic Institutions

## Business Customers



- Win prioritized segments and scale digital engagement model
- Strengthen and leverage One Corporate Bank platform
- Differentiate through leading advisory & ESG capabilities

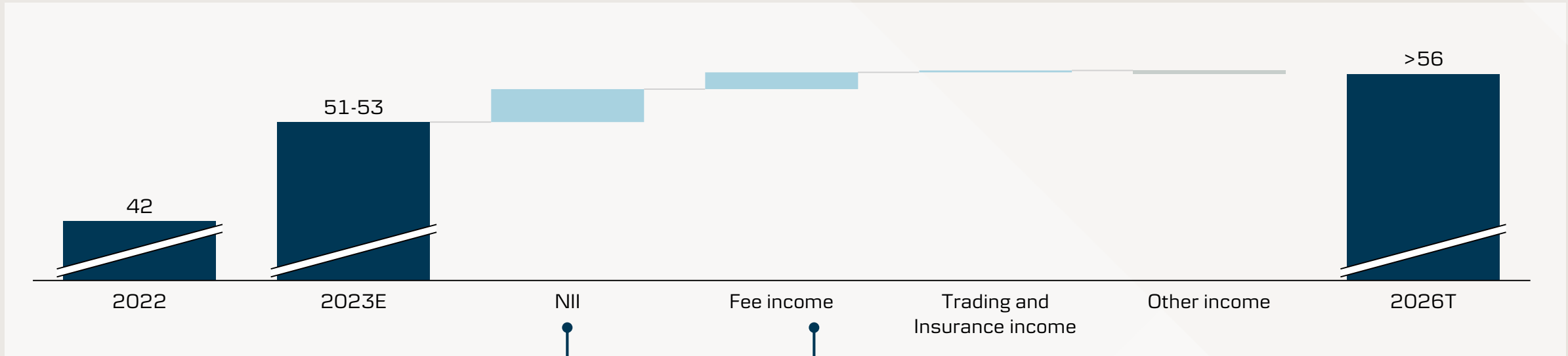
## Personal Customers



- Make relationships more efficient through digital-first engagements
- Broaden existing relationships through increased share of primary customers
- Develop new relationships through a value proposition targeting life events

# All segments contribute to income growth

Income development, 2022-2026 (DKK bn)



**Share of 2026 contribution**

- PC - Growing in segments with Advanced needs and Private Banking
- BC - Capturing market share with mid corporates
- LC&I - Net new customers, notably in Sweden
- Contribution from balance sheet effects

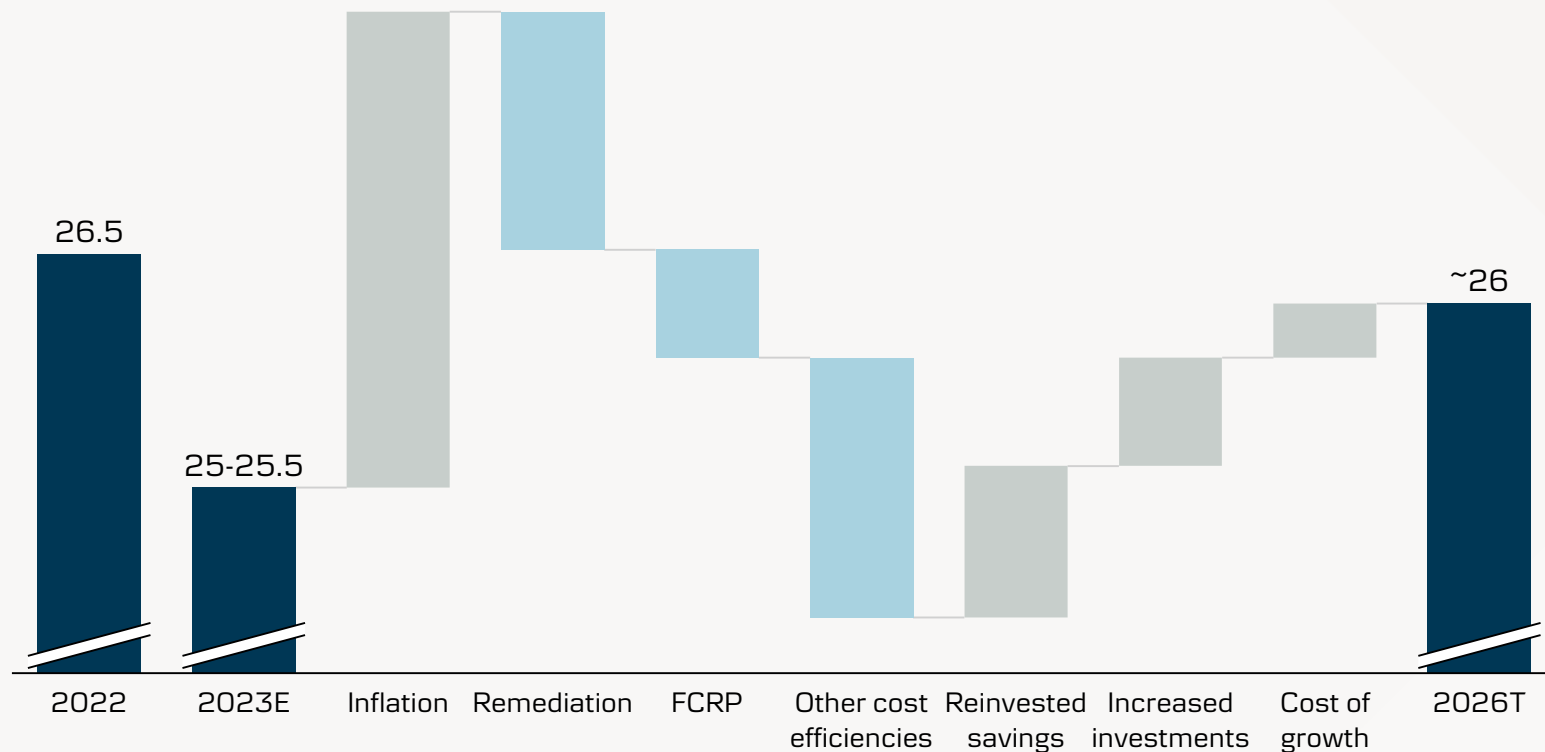
**Share of 2026 contribution**

- PC - Increasing share of wallet, notably with existing customers in Denmark
- BC - Capturing ancillary income with existing (mid) corporates
- LC&I - Deepening relationships with institutionals

Note: "Other" predominantly include Northern Ireland.

# Cost discipline allows further targeted investment levels

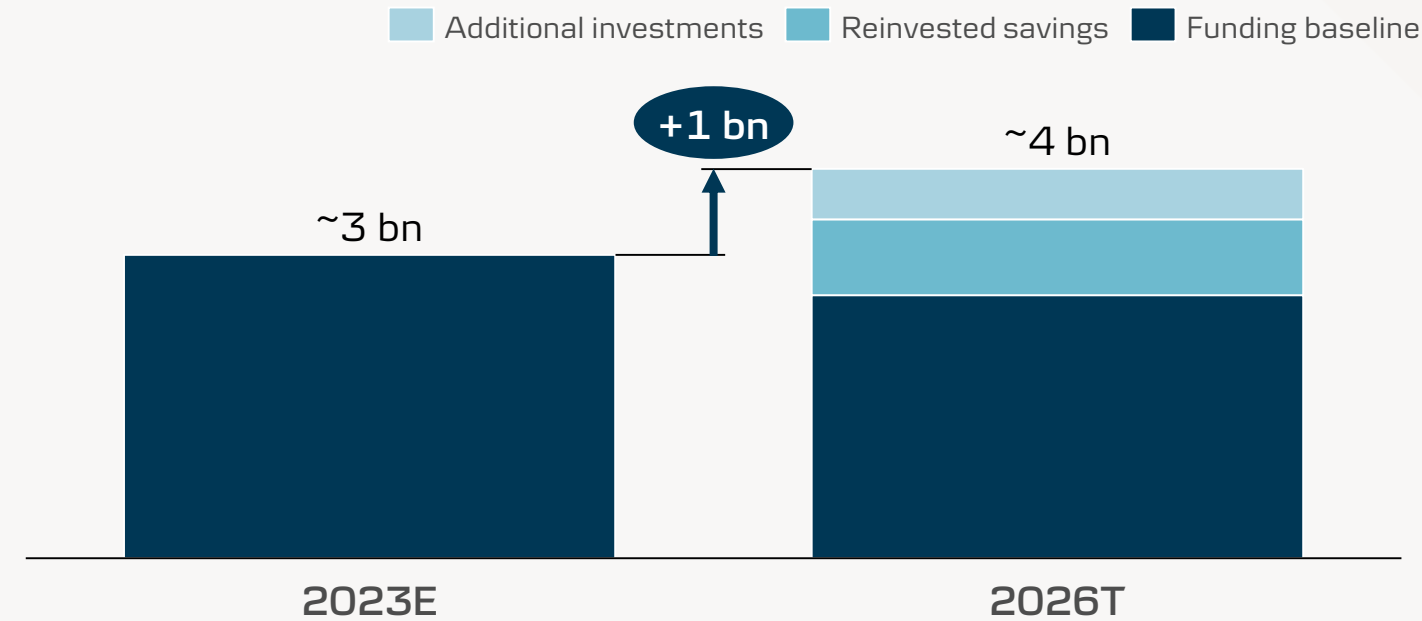
Cost development, 2022-2026 (DKK bn)



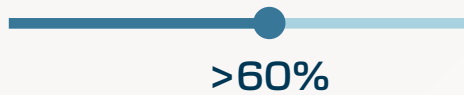
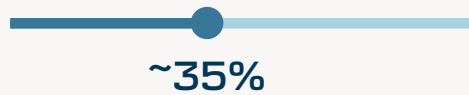
- Stabilising FCRP and Compliance cost following completion of remediation programmes
- Continuing simplification and digitalisation on back of cost reductions over past 18-24 months
- Wage inflation around 3% in Nordic area but higher for workforce located in Eastern Europe and India
- Increased investments levels vs past by DKK 1 bn p.a.

# Increased level of digital and tech investments towards 2026 by DKK 1 bn p.a.

Investments per year, 2023 and 2026 [DKK]



Investments available for strategic change

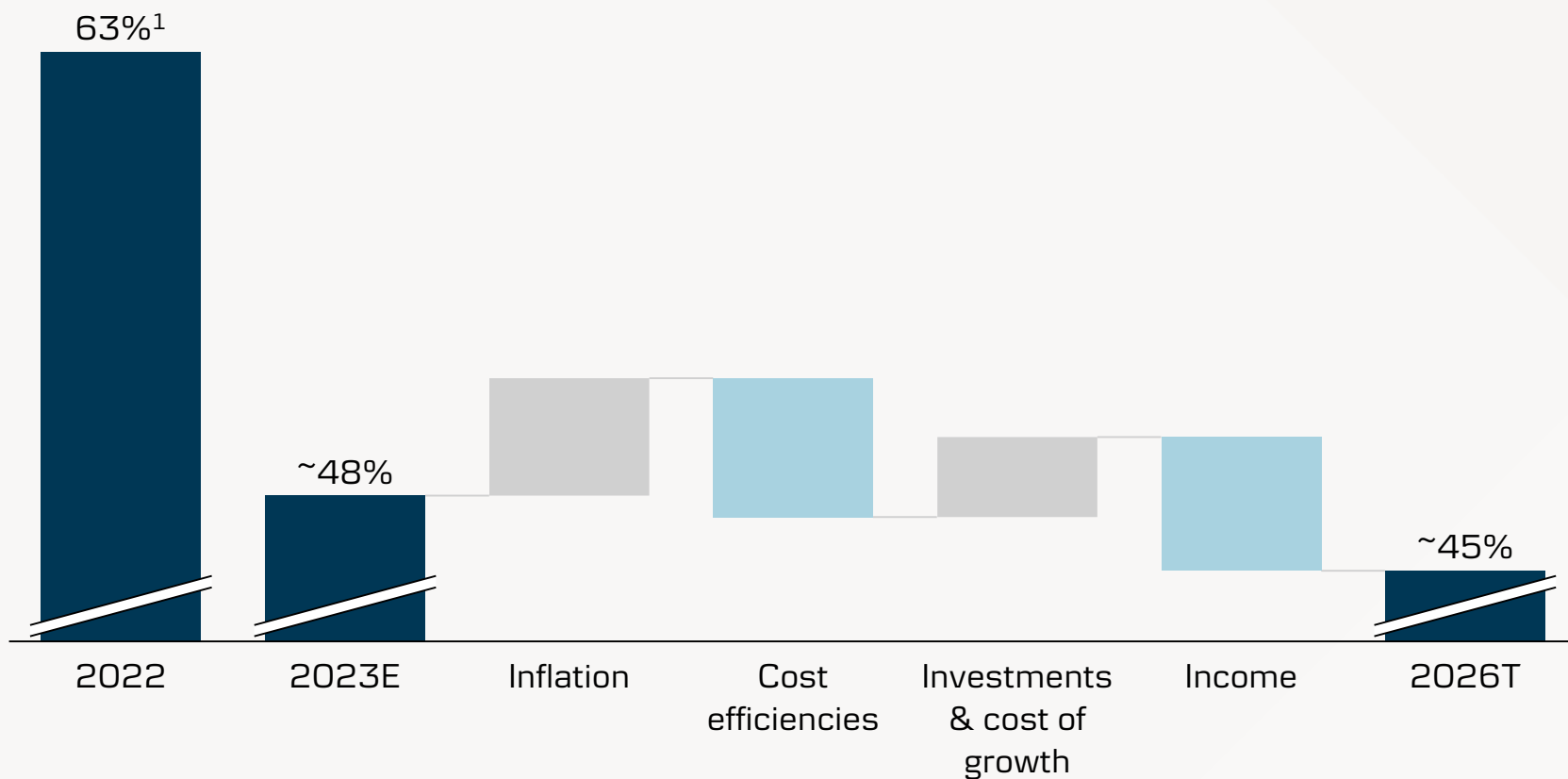


- Increased funding envelope for digital and tech investments next years by DKK 1 bn p.a.
- Free-up of current change capacity will be redeployed to support new strategic initiatives and cost saving benefits
- Further investments are made available to enable full potential of our strategic plan

Financial performance

# Cost Income ratio improving to ~45%

Cost to Income development, 2022-2026

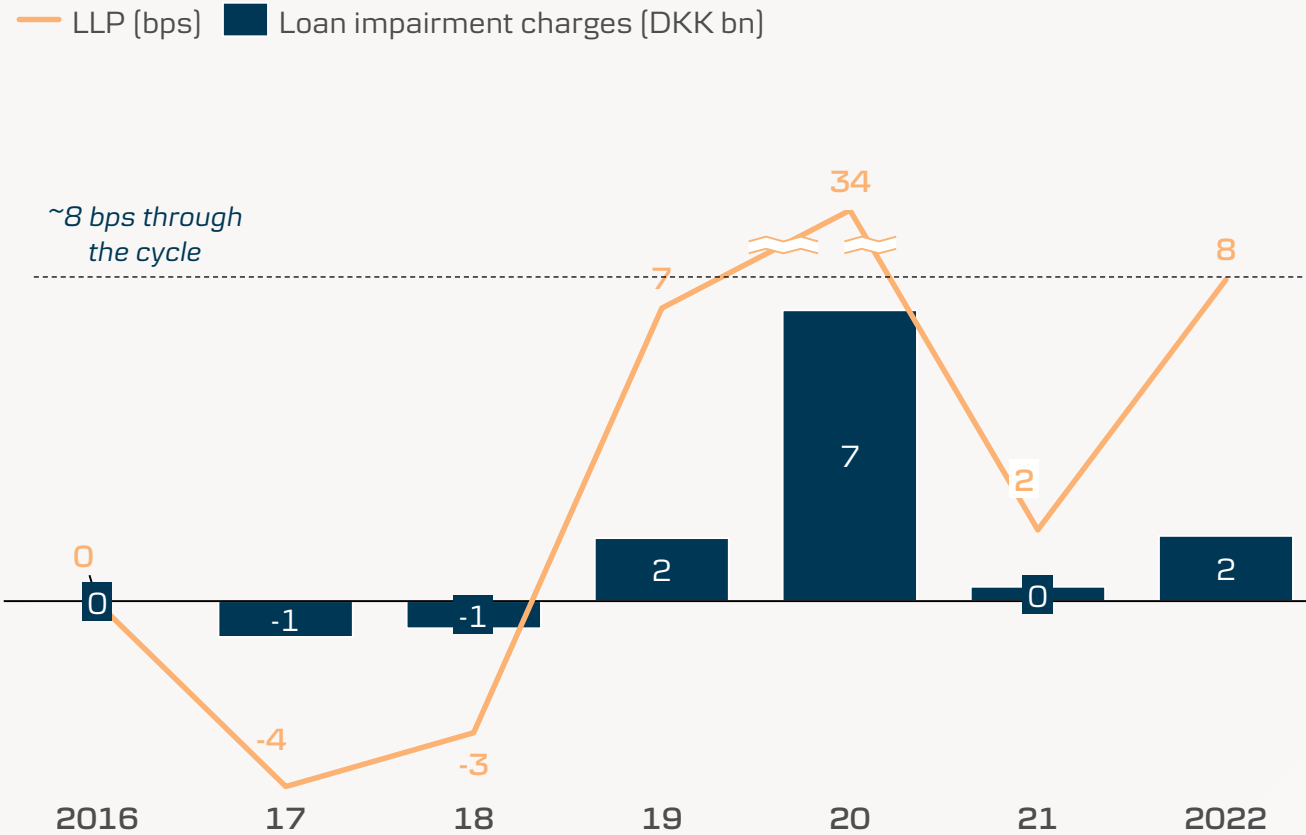


- Cost efficiencies offsetting inflation and cost of growth
- Income improvements from both NII and non-NII offsetting headwind from falling rates
- Targeted investments will underpin commercial momentum in the most attractive segments

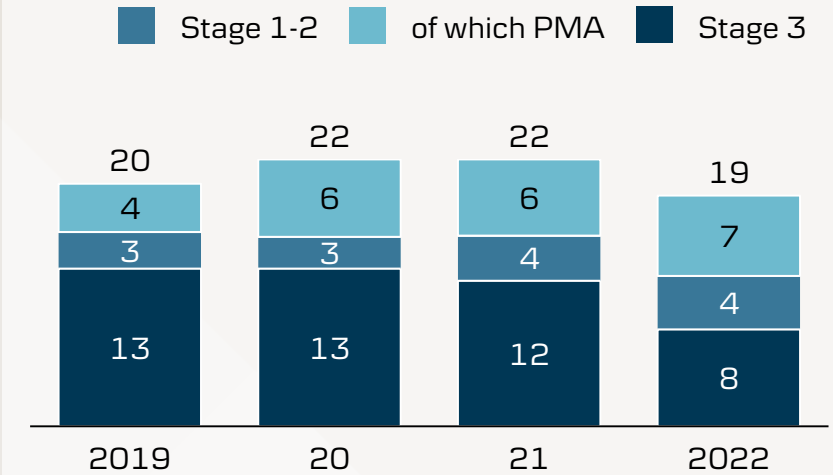
1. Adjusted figures, excluding provision for Estonia matter and goodwill impairment charges

# Expected impairment charges of ~8 bps through the cycle

### Loan impairment charges



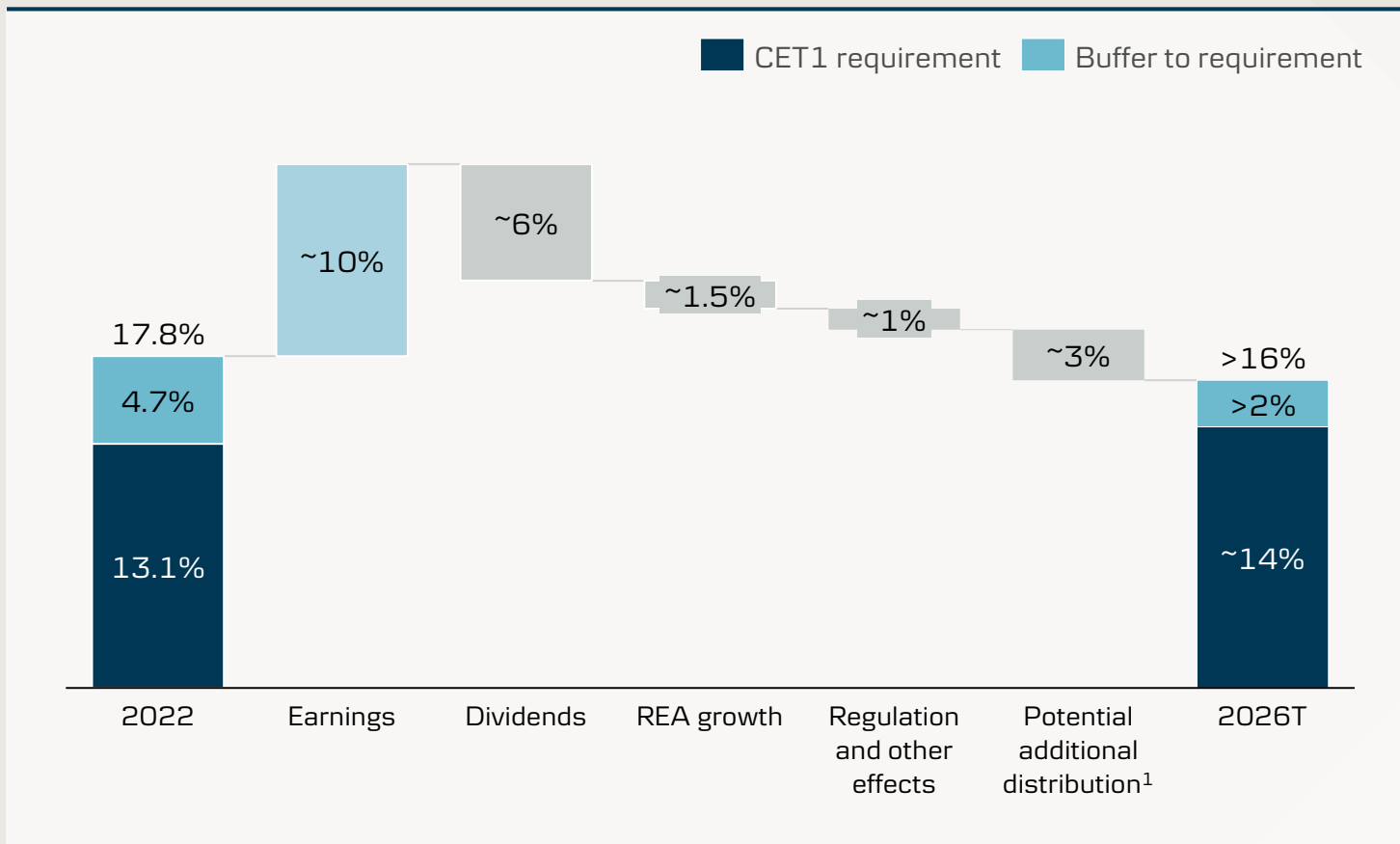
### Allowance account (DKK bn)



- Expected through the cycle risk levels in line with historical average at ~8 bps
- Ambition to further adjust exposure in high-risk sectors
- Very well provisioned with significant management buffer in place (PMAs of DKK 6.5 bn)

# Strong capital position and ability to distribute

CET1 capital generation and usage (% of Risk Exposure Amount)



- CET1 capital ratio expected to approach target through capital distribution and REA inflation from growth
- Prudent buffer to requirements including the phase-in of the CCyB and potential reciprocation of the Norwegian SRB
- Coming from a period of de-risking - exiting high-risk markets and reducing exposure in select industries
- Lending and top-line growth drive credit and operational REA inflation

1. From alternative strategic options  
 Note: Capital distributions includes expected and potential distributions related to the 2026 results

Our 2026  
financial targets

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CET1

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