Financial results – first half 2023

Presentation for Q2 conference call

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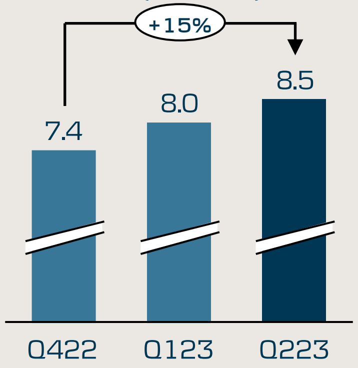
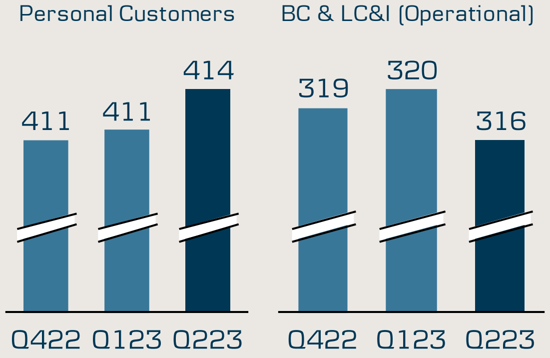
Highlights first half 2023 – improved profitability and upward revision of net profit outlook for 2023

- ✓ Solid financial performance driven by strong NII uplift and despite FX headwinds compared to the first half of 2022
- ✓ Significant improvement in trading income since the first half of 2022 given more constructive market conditions and new fixed income strategy
- ✓ Low level of loan impairment charges as credit quality remained strong in H123
- ✓ Better traction for customer satisfaction and a continued improvement in customer offering recognised by the Danish Consumer Council
- ✓ Launched Forward '28, focus turns to execution as already exemplified through announced strategic partnership with Infosys and divestment of personal customer business in Norway to Nordea

NII (DKK bn)



Deposits (DKK bn)



Launch of Forward '28 strategy and financial targets for 2026

ROE 12.4%
sustainable profitability enhancement

C/I 49%
underpinning enhanced profitability and cost focus

Net reversals of impairments DKK -28m in H123

CET1 ratio 18.1% & LCR 148%
highlighting balance sheet strength

Higher 2023 outlook
net profit in the range of DKK 18.5-20.5bn

Forward '28: A focused Nordic leader with strong profitability; Execution already underway with sale of PC NO, strategic IT partnership, and dividend distribution

Significant milestones already met to create a strong starting point for executing on Forward '28 strategy and delivering on our financial ambitions

- Swift execution on the sale of Personal Customer Norway enabling our focused strategic agenda
- Strategic partnership with global leader, Infosys, enables tools, experience, and expertise to support us in accelerating our transformation using cloud and AI technologies
- DKK 7 / share marks the return to sustainable capital distribution. Path to significant dividend potential (>DKK 50bn through '26) and potential additional capital generation
- Solid execution and financial performance leading to 2nd profit upgrade in 2023 as H1'23 RoE tops 12%

Four strategic focus areas for investments...

Advisory	Digital	Sustainability
Further reinforce our advisory and proactive engagement with differentiated expertise for our customers	Continue to strengthen our digital platforms, self-service, customer journeys and 3rd party integrations	Reinforce our customer value proposition through strong ESG advisory and solutions

Simple, Efficient, Secure
Further simplify the bank and how we work, optimise operational efficiency and risk management

... setting the strategic direction for our business units

PC ambition: Become top 1 retail bank in Denmark and top 3 in Finland	**BC ambition:** Become the leading business bank in the Nordics	**LC&I ambition:** Become the leading wholesale bank in the Nordics

Financial targets 2026

13% RoE

>16% CET1

~45% C/I

Sustainable capital distribution:

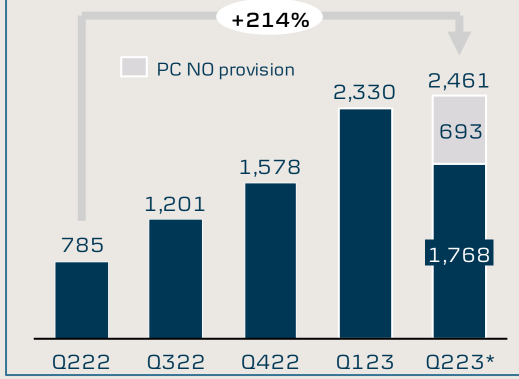
- Dividend potential of above DKK 50bn from '23-'26
- Ambition for further distribution – subject to capital position and market conditions

Business units: Solid progress, high customer activity, enhanced profitability and solid lending uplift Y/Y for business and corporate customers

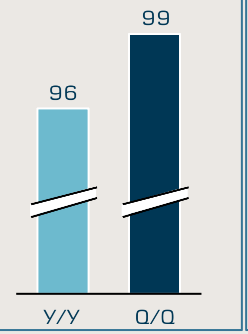
Personal Customers

- ✓ **Strong operational performance** driven by deposit margins, offsetting FX effects
- ✓ **Stabilising our position as a leading full-service retail and private bank:** Trustpilot score increased from 2.1 to 4.3/5
- ✓ **Leading the sustainability agenda**: Danish Consumer council rating Danske Bank "Best in Test" on loans for electric cars. Additional training of all advisors in sustainable finance
- ✓ **Continued digital journey** introducing features enabling customers across business units to open transaction and savings accounts directly in the Mobile Banking app
- ✓ **Building on our core competence**: Advising customers navigating higher interest rate environment, increased costs of living and a challenging housing market

Profit before impairment (DKK m)



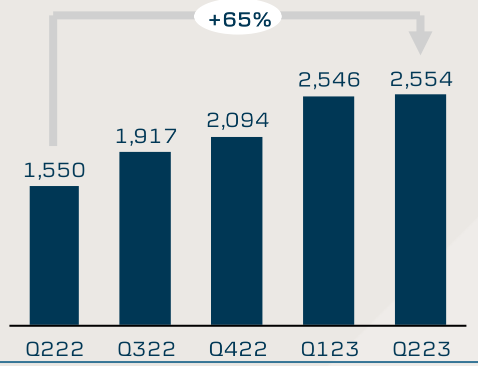
Nominal lending (constant FX)



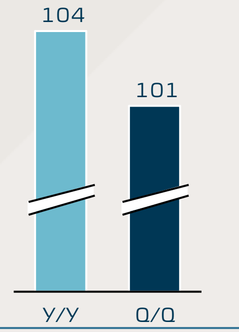
Business Customers

- ✓ **Solid execution and captured momentum across all income lines**
- ✓ **Fee income resilient** supported by **solid activity** and **subscription model** underpinning our holistic product offerings and advisory capabilities
- ✓ **Lending volumes up** across all Nordic markets Y/Y, and **deposit** volumes (adj. for FX) increased in all markets except BC Norway
- ✓ **Strengthening our digital value proposition** with +100k new users on District Marketplace in DK for H123
- ✓ **Assisting customers in volatile markets** to manage their working capital needs, risk management etc.
- ✓ **Continued commitment to ESG initiatives** with release of self-service measuring tool for customers

Profit before impairment (DKK m)



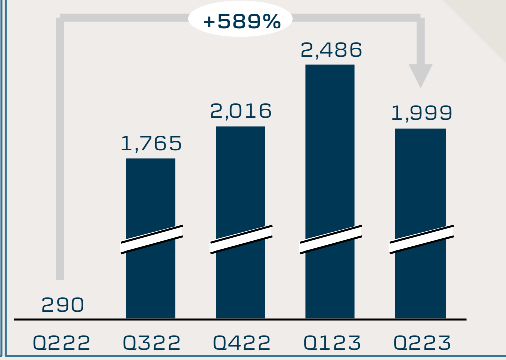
Nominal lending (constant FX)



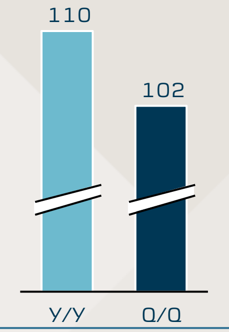
LC&I

- ✓ **Improved profitability** driven by improved deposit margins, recovery in trading income Y/Y and supported by strong credit quality
- ✓ General Banking **lending up Y/Y,** e.g. as we continue to grow our business in Sweden
- ✓ Leading the Nordic sustainable finance market as we **rank number 9 in Bloomberg's Global Green Bonds league table**
- ✓ **Successful everyday banking franchise** as cash management offering keeps winning market share across the Nordics as well as **strong capital markets advisory** providing complex advisory solutions working as "one Danske Bank" backed by a pickup in ECM pipeline

Profit before impairment (DKK m)



Nominal lending (constant FX)



Total income up 34% Y/Y supported by NII and repricing initiatives; recovery in trading /insurance despite valuation effects; strong credit quality underpin low impairments

Key points H123 vs H122

- Strong NII uplift, despite FX headwinds, from normalisation of rates while repricing initiatives and lagging balance sheet effects are gradually taking hold
- Fee income affected by lower AuM and reduced capital markets related fees (ECM). Lower remortgaging and housing activity also had an impact
- Trading and insurance income recovered from low level last year
- Steady progress on costs despite continually elevated remediation costs
- Strong credit quality continues to lead to modest impairments, while macro models are still reflecting an uncertain outlook
- The effective tax rate was positively affected by reversal of provision following decision from tax authorities regarding exit from international joint taxation
- Other income impacted by planned disposal of PC Norway

Key points Q223 vs Q123

- NII up 6% Q/Q, benefiting from further rate hikes, and despite short-term headwinds from higher funding costs and timing effects due to notice period
- Fee income resilient despite subdued housing market activity and impact from seasonal refinancing effects.
- Trading income supported by a one-off related to work out case (debt to equity conversion). Insurance income lower due valuation adjustments
- Operating expenses in line guidance, as FX tailwinds offset increased inflationary pressure
- Strong credit quality, work out cases and improved macro drove net reversals

Income statement and key figures (DKK m)

	H123	H122	Index	Q223	Q123	Index
Net interest income	16,540	11,370	145	8,516	8,023	106
Net fee income	5,693	6,537	87	2,739	2,954	93
Net trading income	2,772	320	-	1,160	1,612	72
Net income from insurance business	689	-103	-	192	497	39
Other income	-106	959	-	-431	325	-
Total income	**25,587**	**19,083**	**134**	**12,176**	**13,411**	**91**
Operating expenses	12,618	12,793	99	6,338	6,280	101
Profit before loan impairments	**12,969**	**6,290**	**206**	**5,838**	**7,131**	**82**
Loan impairment charges	-28	426	-	-175	147	-
Profit before tax, core	12,997	5,864	222	6,013	6,984	86
Profit before tax, Non-core	-25	17	-	5	-30	-
Profit before tax	**12,972**	**5,881**	**221**	**6,018**	**6,954**	**87**
Tax	2,794	1,343	208	1,007	1,787	56
Net profit	**10,178**	**4,540**	**224**	**5,011**	**5,167**	**97**

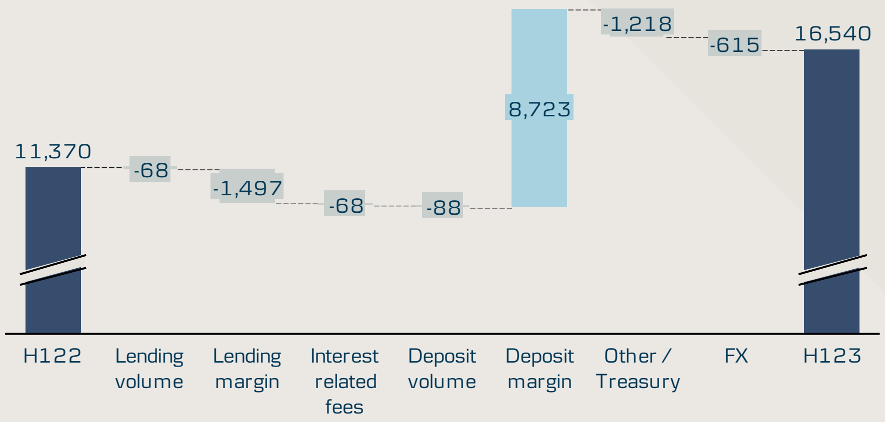
Danske Bank

NII: Continued deposit margin expansion; deposit volumes remain at an elevated level despite currency impact

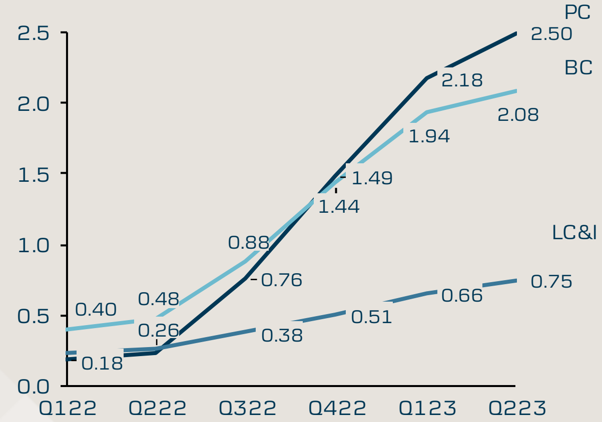
Highlights

- Net interest income continued the positive trend, as diligent repricing initiatives and higher central bank rates drove the improved deposit margin while protecting corporate lending margins
- Currency headwinds from SEK and NOK along with higher funding costs and timing effects due to notice period in PC Nordic impacted lending margin
- Lending margins affected higher funding costs. Repricing initiatives for corporate customers helped stabilise lending margins Q/Q
- Other Y/Y impacted by cost related to the Group's interest rate risk management in Treasury. This should be viewed as a deposit hedge in light of the healthy margin expansion and was partly allocated to the BUs during Q2
- NII sensitivity: DKK 700m (per 25bps uplift) with higher assumed migration to savings products, also leading to moderation of sensitivity going forward

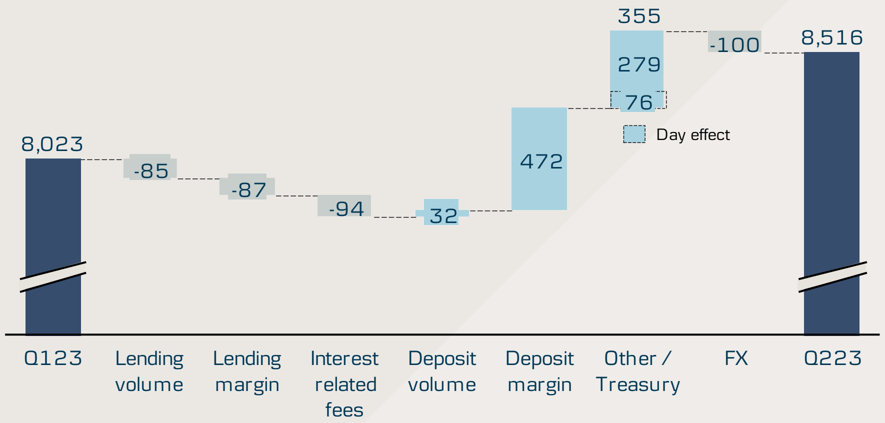
Net interest income H123 vs H122 (DKKm)



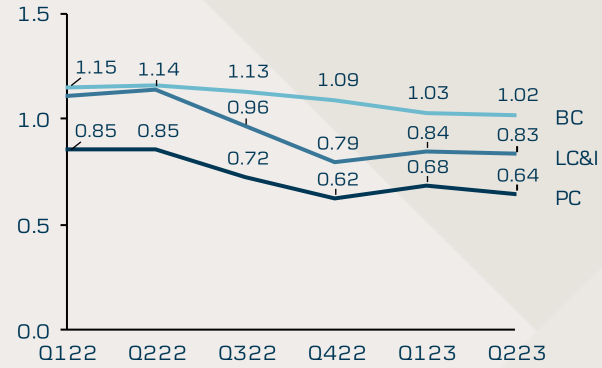
Deposit margin development (bps)



Net interest income Q223 vs Q123 (DKKm)



Lending margin development (bps)



Fees: Lower fee income driven by lower housing market activity and lower AuM, while activity-driven fees remained stable

Highlights

Activity-driven fees (transfer, accounts etc.)

- Y/Y: Stable income from good corporate customer activity and effect from pricing optimisation.
- Q/Q: Stable income including pickup in retail customer activity

Lending and guarantee fees

- Y/Y: Lower income from significantly lower housing market activity
- Q/Q: Decrease driven by lower refinancing of adjustable rate mortgages that led to an income in Q1 of DKK 0.1bn

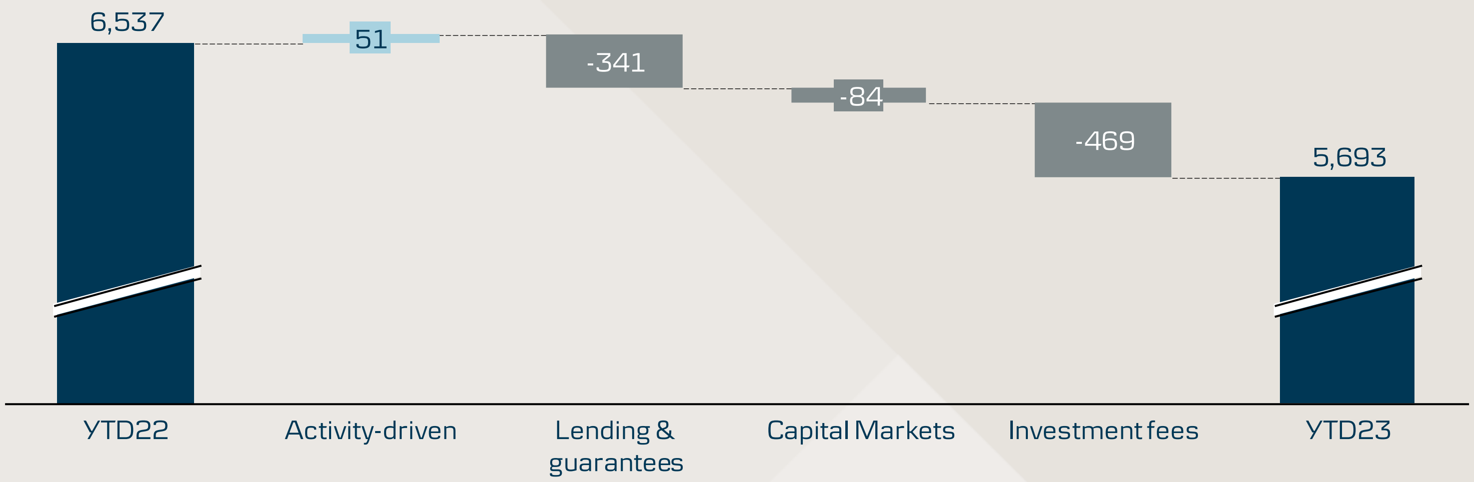
Capital markets fees

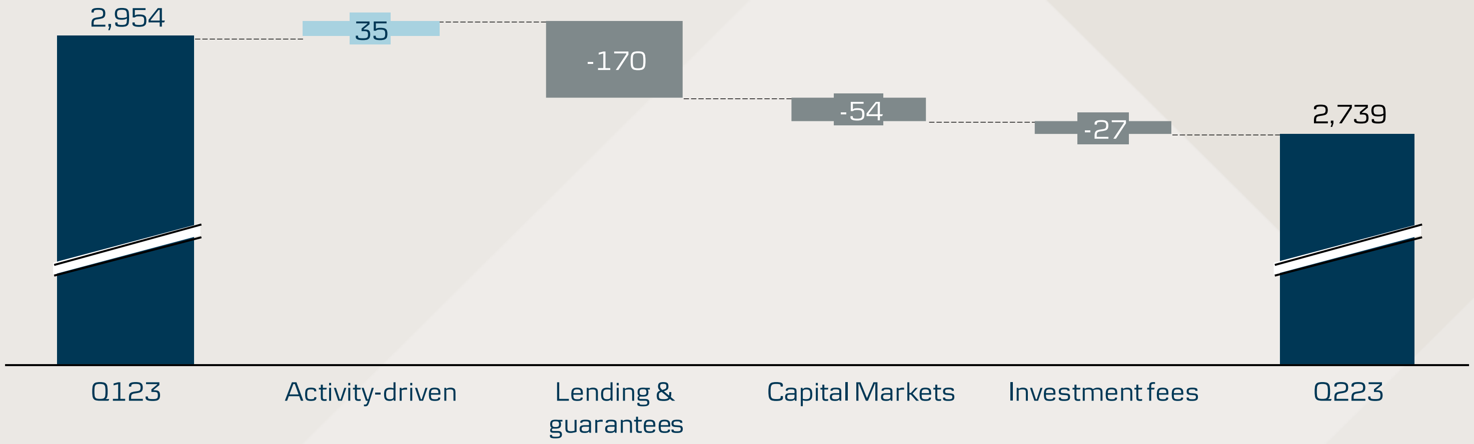
- Strong activity in DCM, mitigating subdued M&A and ECM activity

Investment fees

- Y/Y: Investment fees impacted by reduced customer activity and lower assets under management
- Q/Q: Overall flat development across business units supported by uplift in income from an increase in assets under management

Net fee income (DKK m)





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Trading income: Recovery on the back of new fixed income strategy in LC&I, constructive market conditions and higher customer activity

Highlights

LC&I

- Y/Y: Recovery driven by more benign market conditions and higher customer activity, supported by the new fixed income strategy implemented in 2022 in LC&I
- Q/Q: Less supportive market conditions followed by lower customer activity

PC and BC

- Y/Y: High customer demand in BC for risk management products could not fully off-set lower activity in PC
- Q/Q: Increase in customers hedging activity in BC

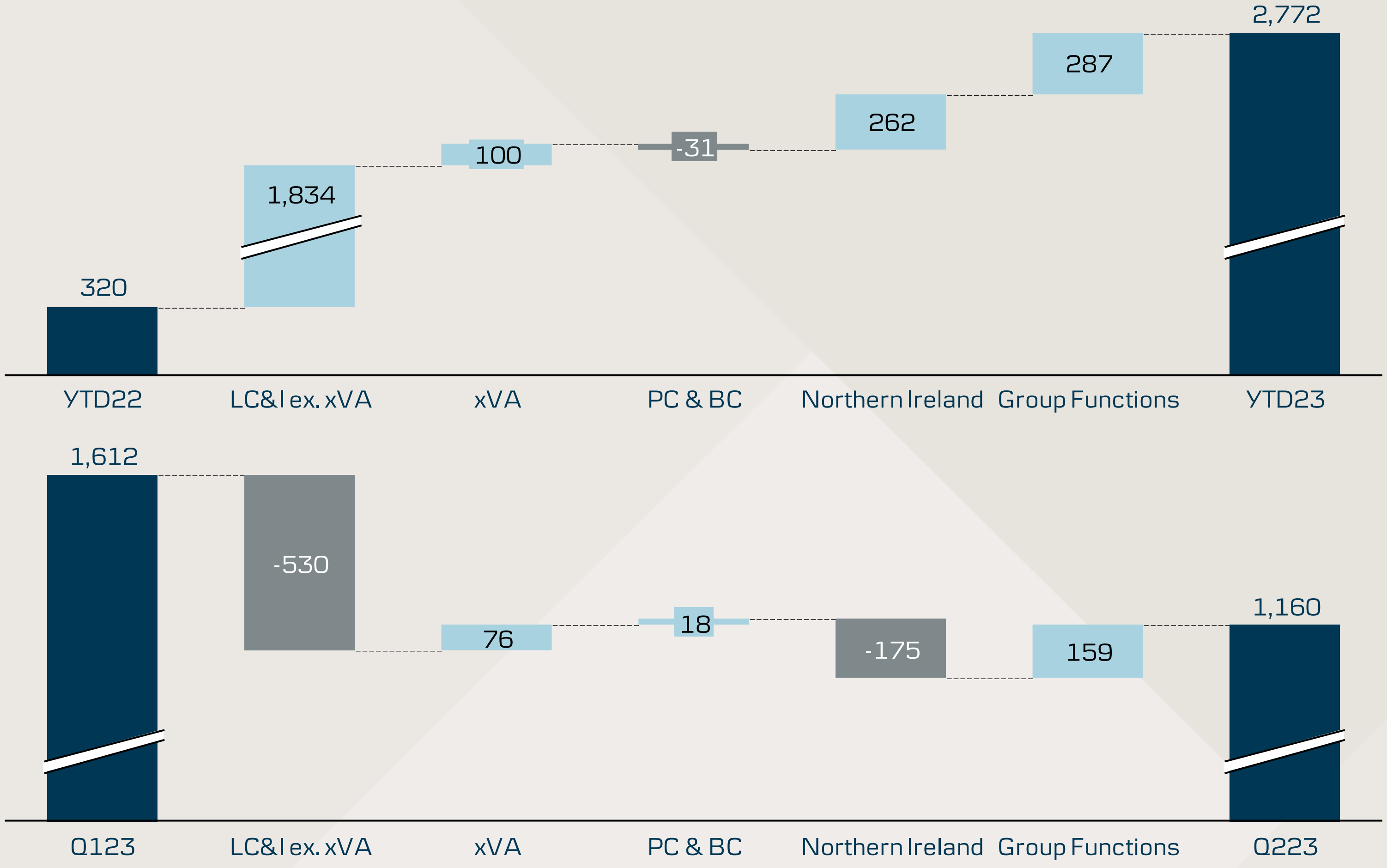
Northern Ireland

- Northern Ireland: Valuation effects on the bank's interest rate hedge led to fluctuations Y/Y and Q/Q

Group Functions

- In Q2, trading income benefitted from a successful debt-to-equity transaction which resulted in a gain of DKK 0.3 billion

Net trading income (DKK m)

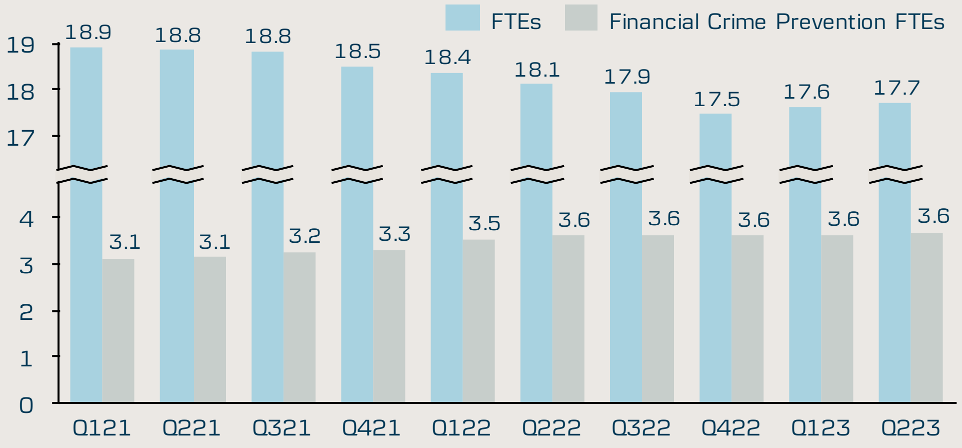


Expenses: Steady cost focus and FX tailwinds mitigate inflation headwinds and support cost-income ratio of 49%

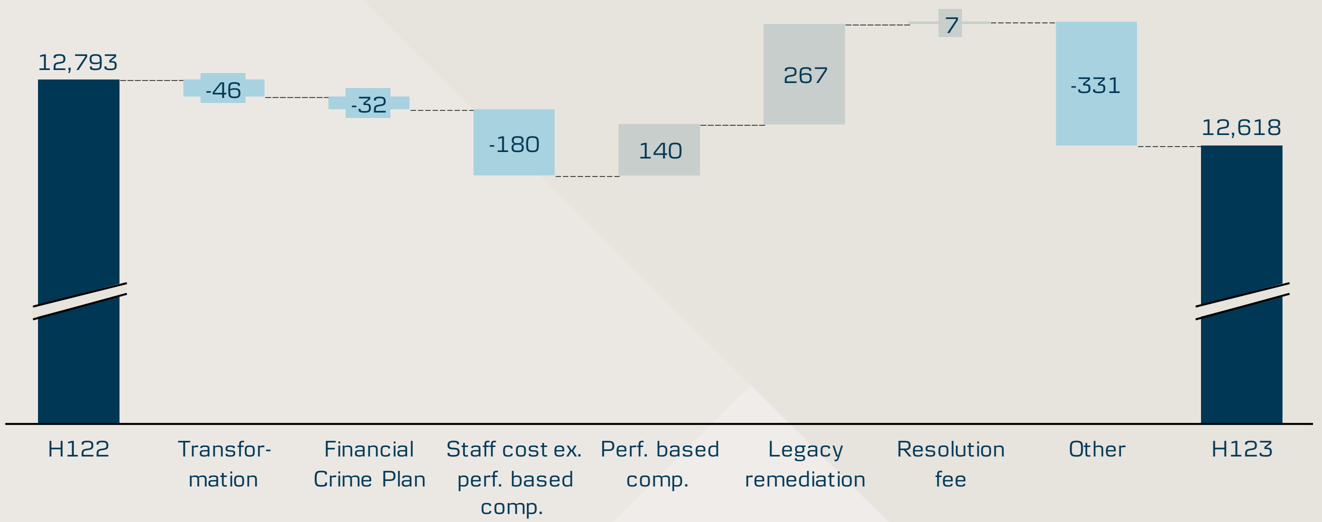
Highlights

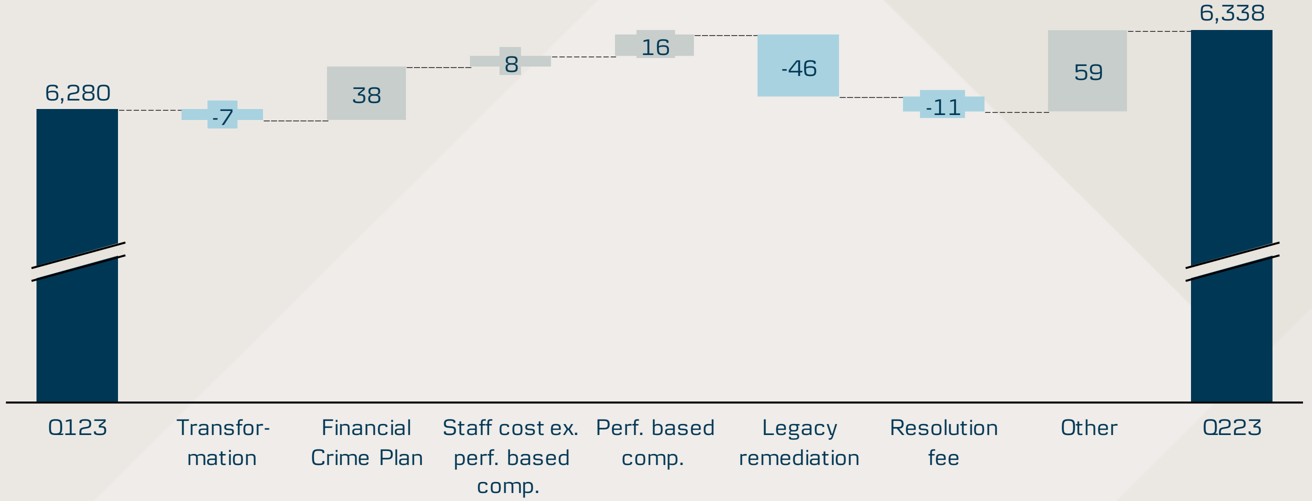
- Lower staff costs following structural cost reductions helped mitigate inflation pressure
- FTE increase and cost base impacted by continually elevated level of remediation costs. Focus on completion of Financial Crime Prevention plan will remain through 2023
- Transformation costs coming down according to plan as part of final execution of 2023 Better Bank strategy
- Remediation costs remain elevated but decreased slightly Q/Q
- Other costs lower Y/Y from reduced premises, amortisation and consultancy spend. Marketing spend and software depreciation increased slightly Q/Q

FTEs (#, thousands)



Expenses (DKK m)



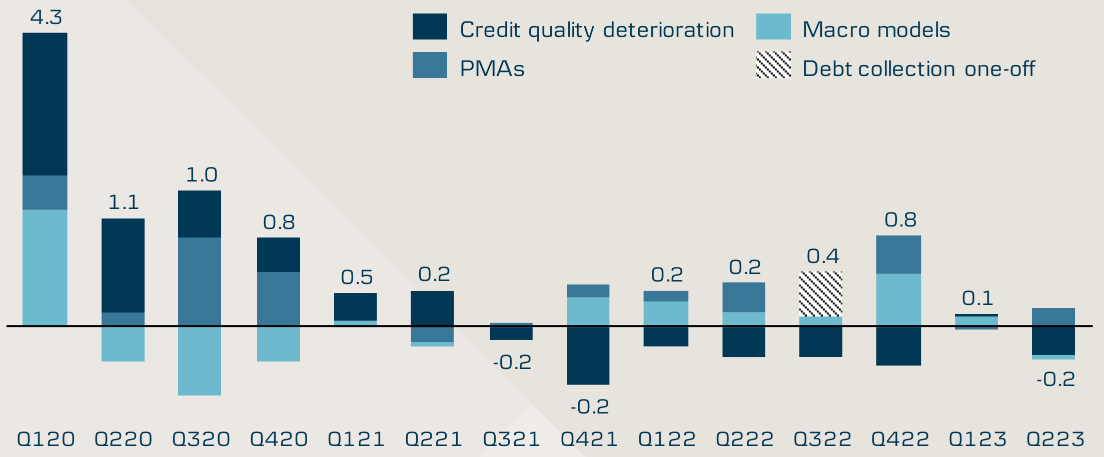


Impairments: Continued strong credit quality along with recoveries and better macro environment resulted in net reversals in Q2; prudent PMAs mitigate tail risks

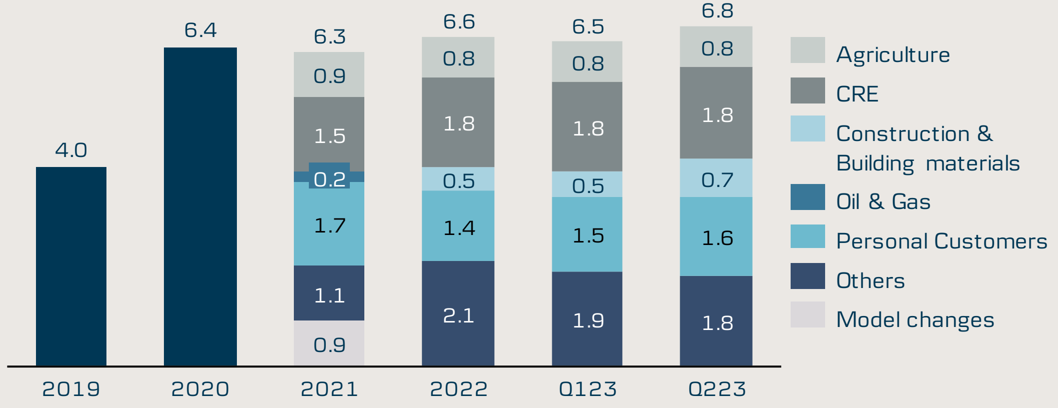
Highlights

- Credit quality remains strong with limited signs of credit deterioration and single-name impairment charges. Work out cases and post pandemic recoveries were off-set by additional PMAs
- The macro environment has developed more favourable recently and, while our model scenarios continue to reflect uncertainties ahead, this added modestly to net reversals in Q2
- Total allowance account stands at DKK 19.4bn with a significant PMA buffer in place to mitigate any tail risks not evident in the portfolio or captured by our macro models

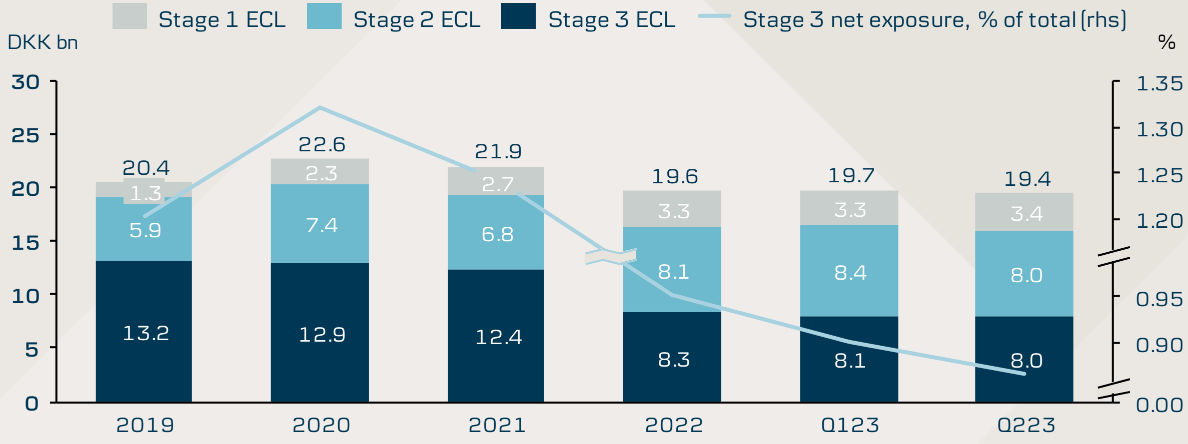
Impairment charges by category (DKK bn)



Post Model Adjustments (PMAs)



Allowance account by stages (DKK bn)



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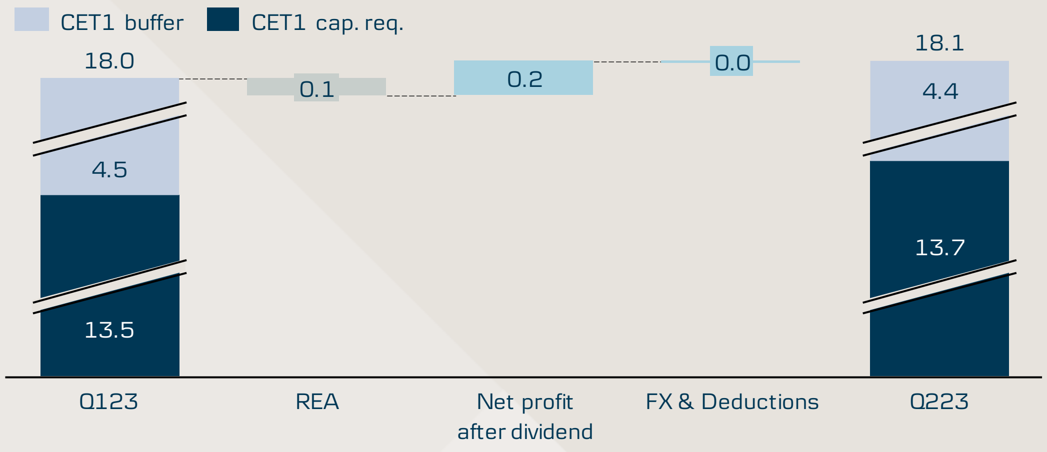
Capital: Solid CET1 ratio of 18.1% resulting in a 440bps buffer to regulatory requirements

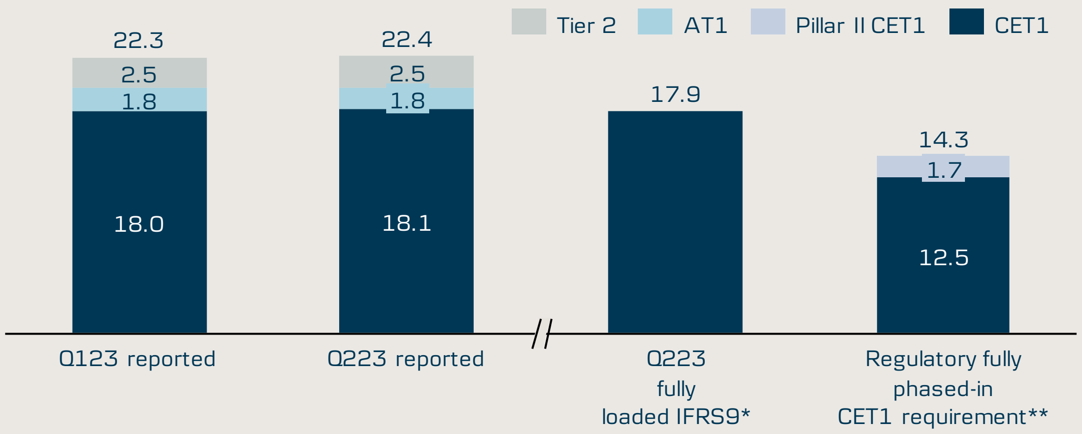
Highlights

- CET1 ratio improved to 18.1% given the increase in net profit partly countered by an increase in REA
- The Group's total REA increased around DKK 4 bn, driven mainly by an increase in REA from market risk
- The leverage ratio increased slightly to 5.0% under transitional rules and 4.9% under fully-phased-in rules
- The decision to distribute DKK 7 / share in dividend has no capital related impact as the retained net profit always reflects an accrual of 60% dividend (highest end of policy range)

CET1 development (%)



Total capital ratios (%)



Total REA (DKK bn)

* Based on fully loaded impact on capital ratio from IFRS 9. ** Pro forma fully phased-in min. CET1 requirement of 4.5%, plus CET1 component of Pillar II add-on and including combined buffer requirements consisting of capital conservation buffer of 2.5%, SIFI requirement of 3%, countercyclical buffer of 2.0%, and Norwegian Systemic Risk Buffer of 0.5%.

Revised net profit outlook for 2023; We now expect net profit to be in the range of DKK 18.5-20.5 bn*

Income	**Net interest income** to continue to grow on the basis of the announced central bank rate hikes and our commercial momentum. **Fee income** to be below the level in 2022. **Trading income** to be impacted from the release of loss of 0.8bn from OCI related to the CET1 FX hedge attributable to personal customers business in Norway.** **Income from insurance** lower than the normalised level due to negative valuation effects and higher claims.
Expenses	We continue to expect costs in 2023 to be in the range of 25 – 25.5bn reflecting our focus on cost management and despite the inflationary pressure. The outlook includes continually elevated remediation costs of approximately DKK 1.1 bn.
Impairments	We now expect loan impairment charges of up to DKK 1.5bn (~8bps) due to continually strong credit quality, recoveries in the first half of the year and a lower-than-expected impact in the first half of the year of model-driven charges related to weaker macroeconomic outlook.
Net profit *	We expect net profit to be in the range of DKK 18.5-20.5bn, including the impact of the new Danish bank tax and further positive tax related one-offs.

* Note – The outlook is subject to uncertainty and depends on volume growth, financial market/macroeconomic conditions. ** Subject to regulatory approval

Q&A Session

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