

# *Debt Investor Presentation*

Danske Bank - CHF Covered Bond Presentation Sep. 2023

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# We are a focused Nordic bank with strong regional roots

**3.3m**

personal and business customers

**2,000+**

large corporate and institutional customers

**20,000+**

employees in 10 countries

**Assets under Management**

DKK >690bn\*

**Deposits**

>DKK 1,000bn

**Loans**

>DKK 1,750bn

## Finland (AA+)

**3rd largest**

Market share: 10%

Share of Group lending: 8%

GDP growth 2023E: -0.2%

Unemployment 2023E: 7.0%

Leading central bank rate: 3.75%

## Norway (AAA)\*\*

**Challenger position**

Market share: 6%

Share of Group lending: 9%

GDP growth 2023E: 1.1%

Unemployment 2023E: 1.9%

Leading central bank rate: 3.75%

## Sweden (AAA)

**Challenger position**

Market share: 5%

Share of Group lending: 11%

GDP growth 2023E: 0.5%

Unemployment 2023E: 7.5%

Leading central bank rate: 3.75%

## Denmark (AAA)

**Market leader**

Market share: 24%

Share of Group lending: 43%

GDP growth 2023E: 1.5%

Unemployment 2023E: 2.9%

Leading central bank rate: 3.1%

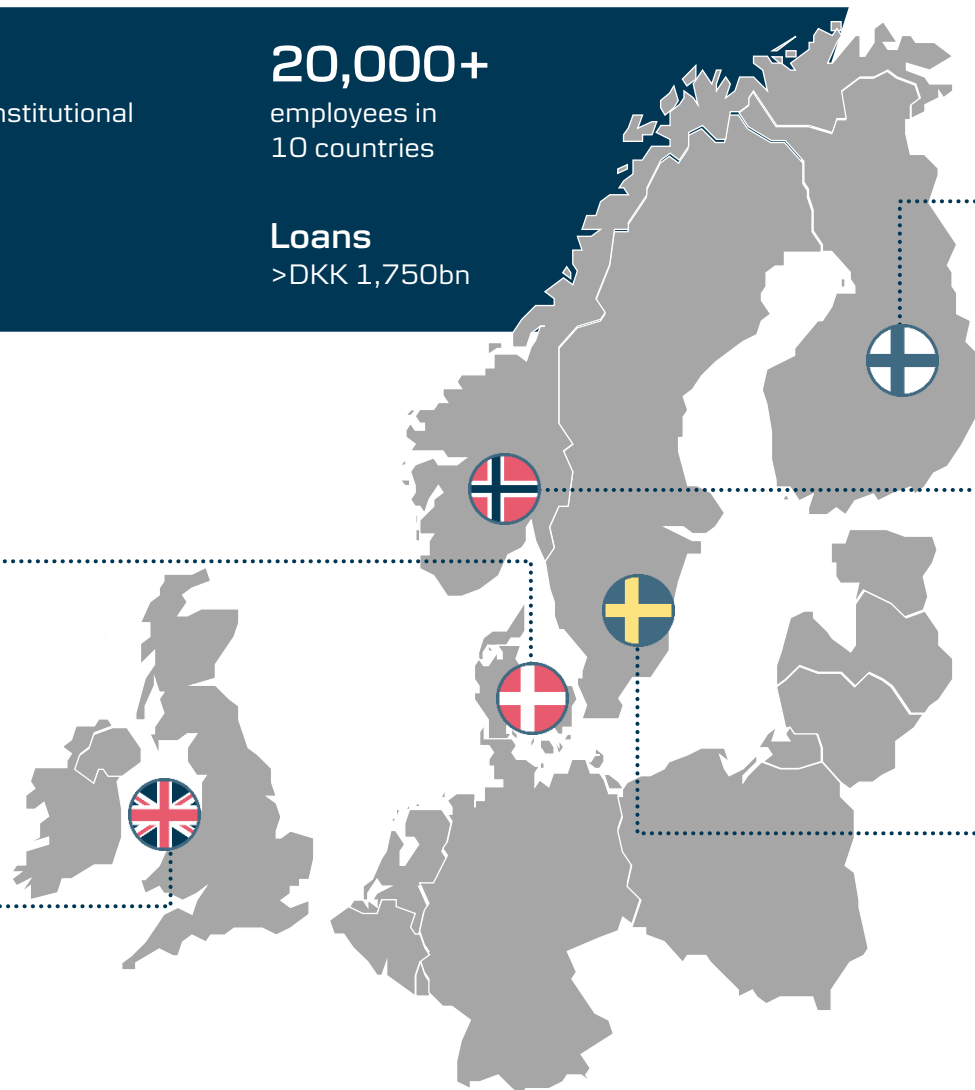
## Northern Ireland (AA)

**Market leader**

Market share Personal: 19%

Business: 22%

Share of Group lending: 3%




Note: Share of Group lending is before loan impairment charges and excludes Large Corporates & Institutions (18%), Asset Finance (3%) and Global Private Banking (4%)

\* Asset Management in LC&I. \*\*Market share includes PC Norway, which has been announced to be sold with expected closing in Q4 2024.

## *Macro outlook*


# Nordic Outlook September 2023 - Modest economic cooling in the Nordics

	2022	Forecast 2023	2024
GDP Growth	2.7%	1.7% [1.5%]	1.2% [1.0%]
Inflation	7.7%	4.0% [4.1%]	3.2% [3.2%]
Unemployment	2.6%	2.9% [2.9%]	3.2% [3.4%]
Policy rate*	1.75%	3.60% [3.60%]	2.85% [2.85%]
House prices	-0.1%	-3.0% [-7.0%]	0.0% [-1.5%]

Paranthesis are the old projections (From June 2023)

\*End of period


Source: Danske Bank, Statistics Denmark, Nationalbanken

	2022	Forecast 2023	2024
GDP Growth	2.9%	0.0% [0.5%]	1.7% [1.9%]
Inflation	8.4%	8.4% [8.4%]	1.8% [1.9%]
Unemployment	7.5%	7.5% [7.5%]	7.8% [7.8%]
Policy rate*	2.50%	4.00% [4.00%]	3.00% [3.00%]
House prices	0.0%	-8.0% [-8.0%]	1.0% [1.0%]

Paranthesis are the old projections (From June 2023)

\*End of period


Source: Danske Bank, Statistics Sweden, Riksbanken

	2022	Forecast 2023	2024
GDP Growth	3.8%	1.2% [1.1%]	1.4% [1.4%]
Inflation	5.8%	5.8% [5.3%]	2.5% [2.5%]
Unemployment	1.8%	1.9% [1.9%]	2.3% [2.3%]
Policy rate*	2.75%	4.25% [3.75%]	3.25% [2.75%]
House prices	4.8%	-2.5% [-2.0%]	-1.0% [0.0%]

Paranthesis are the old projections (From June 2023)

\*End of period

Source: Danske Bank, Statistics Norway, Norwegian Labour and Welfare Organization (NAV), Norges Bank

	2022	Forecast 2023	2024
GDP Growth	1.6%	-0.2% [-0.2%]	0.8% [0.8%]
Inflation	7.1%	6.5% [5.9%]	2.3% [2.1%]
Unemployment	6.8%	7.2% [7.0%]	7.0% [6.8%]
Policy rate*	2.00%	4.00% [4.00%]	3.25% [3.25%]
House prices	0.6%	-6.0% [-5.5%]	2.5% [4.0%]

Paranthesis are the old projections (From June 2023)

\*End of period

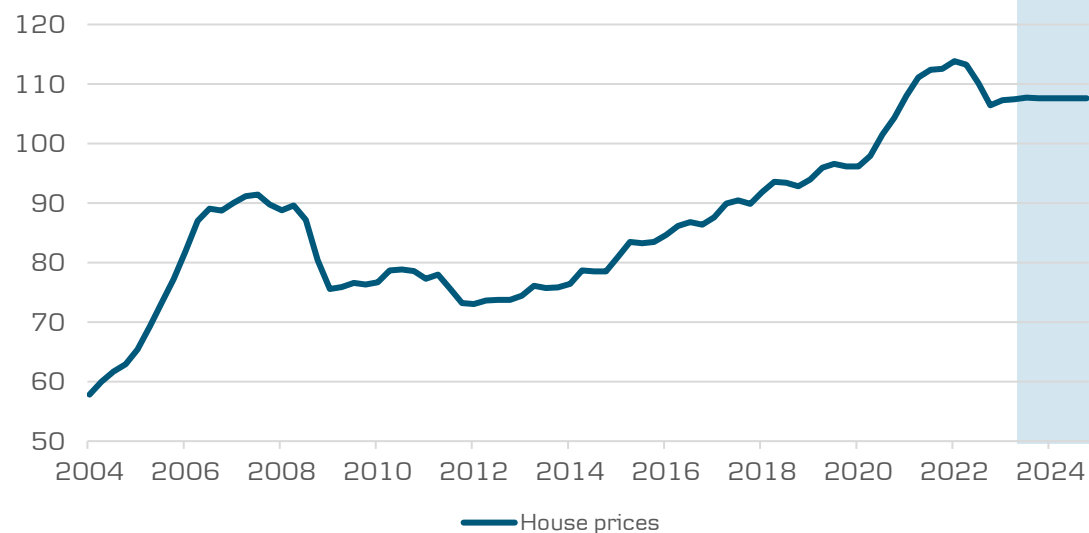
Source: Danske Bank, Statistics Finland, EKP

# Outlook for Danish housing market

*House prices have stabilised faster than expected despite sharply rising interest rates*

## Forecast for house prices, Denmark

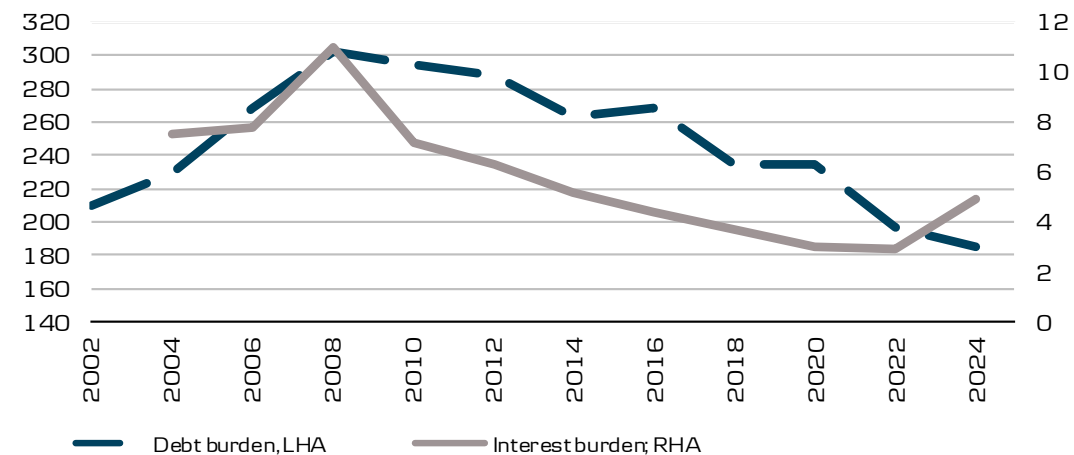
Index (2020:100)



## Household debt and interest payments, Denmark








Debt burden  
[% of disposable income]

Interest burden, after tax  
[% of disposable income]



# *Highlights – First half 2023*

# Traction towards our sustainability targets remains positive

	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 <sup>1)</sup> 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 <sub>2</sub> e 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)
Latest status	DKK 52bn * in sust. funds (art. 9)	DKK 327bn *  + Climate Action Plan with targets aligned to Paris Agreement 1.5°C	97% trained	34% women *  77 * engagement score	- 55% for 2022 <sup>2)</sup>	7,600 *	2.3 * m

\* indicates Q2 update

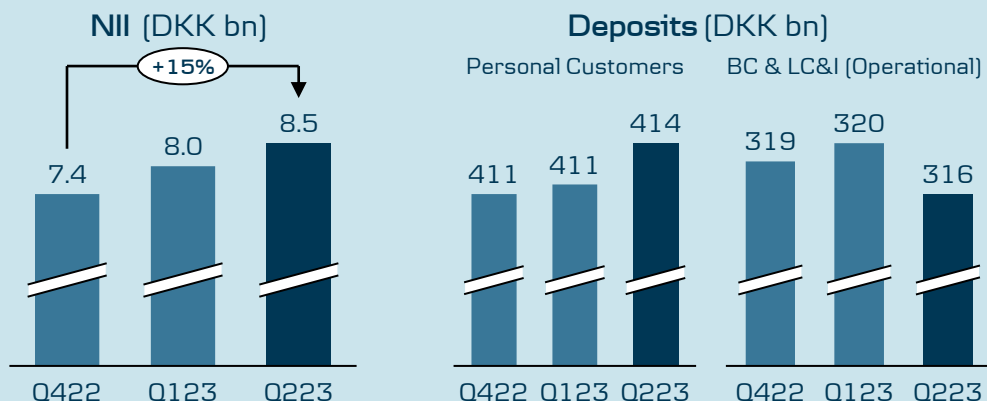
1) This is a 2030 target to have at least DKK 150bn in investment funds that have sustainability objectives (article 9 funds).

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



# 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




  
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

# 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)

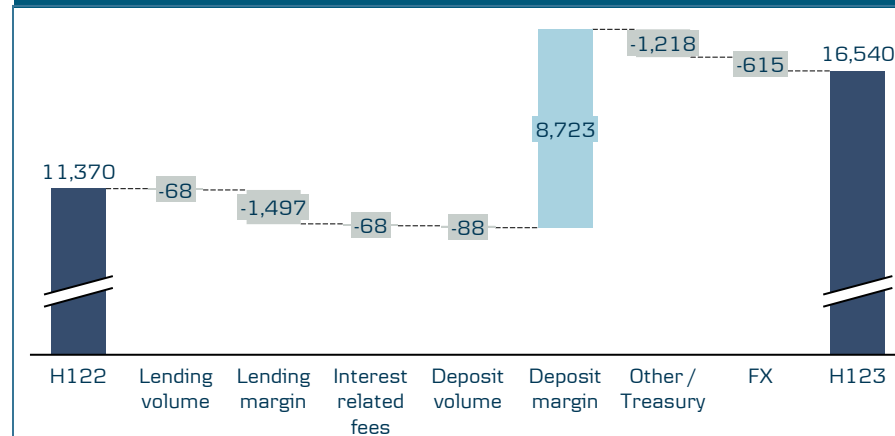
	H123	H122	Index	Q223	Q123	Index
Net interest income	16,540	11,370	145	8,516	8,023	106
Net fee income	5,693	6,537	87	2,739	2,954	93
Net trading income	2,772	320	-	1,160	1,612	72
Net income from insurance business	689	-103	-	192	497	39
Other income	-106	959	-	-431	325	-
<b>Total income</b>	<b>25,587</b>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

# NII: Continued positive margin development; deposit volumes remain stable at an elevated level

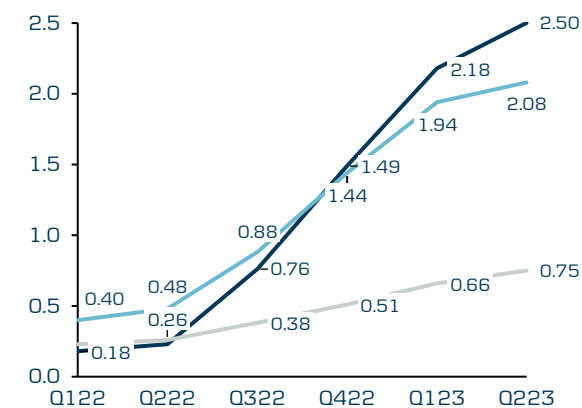
## Highlights

- 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

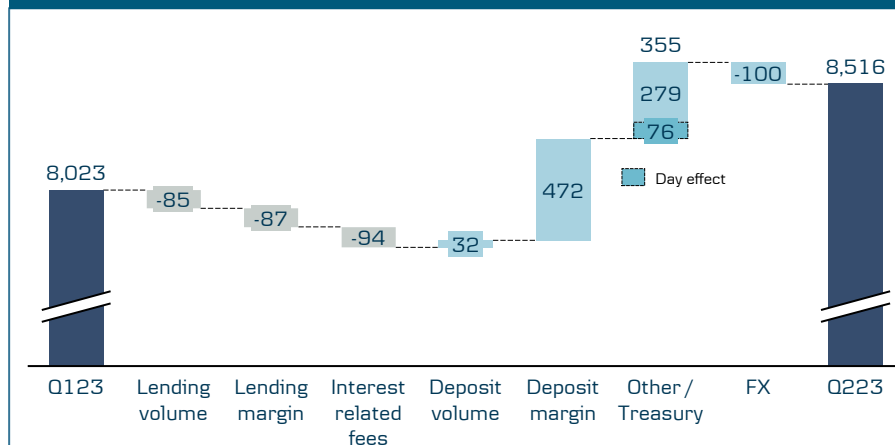
## Net interest income H123 vs H122 (DKKm)



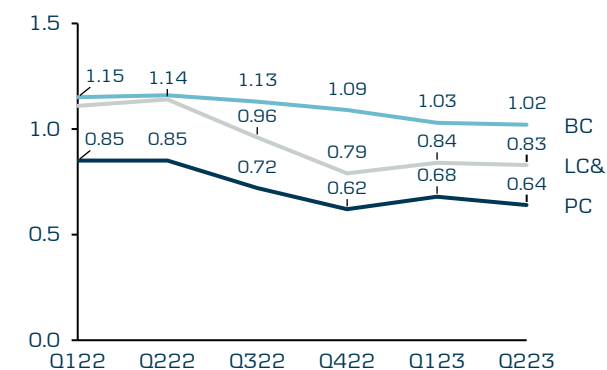
## Deposit margin development (bps)



## 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 0.1 bn

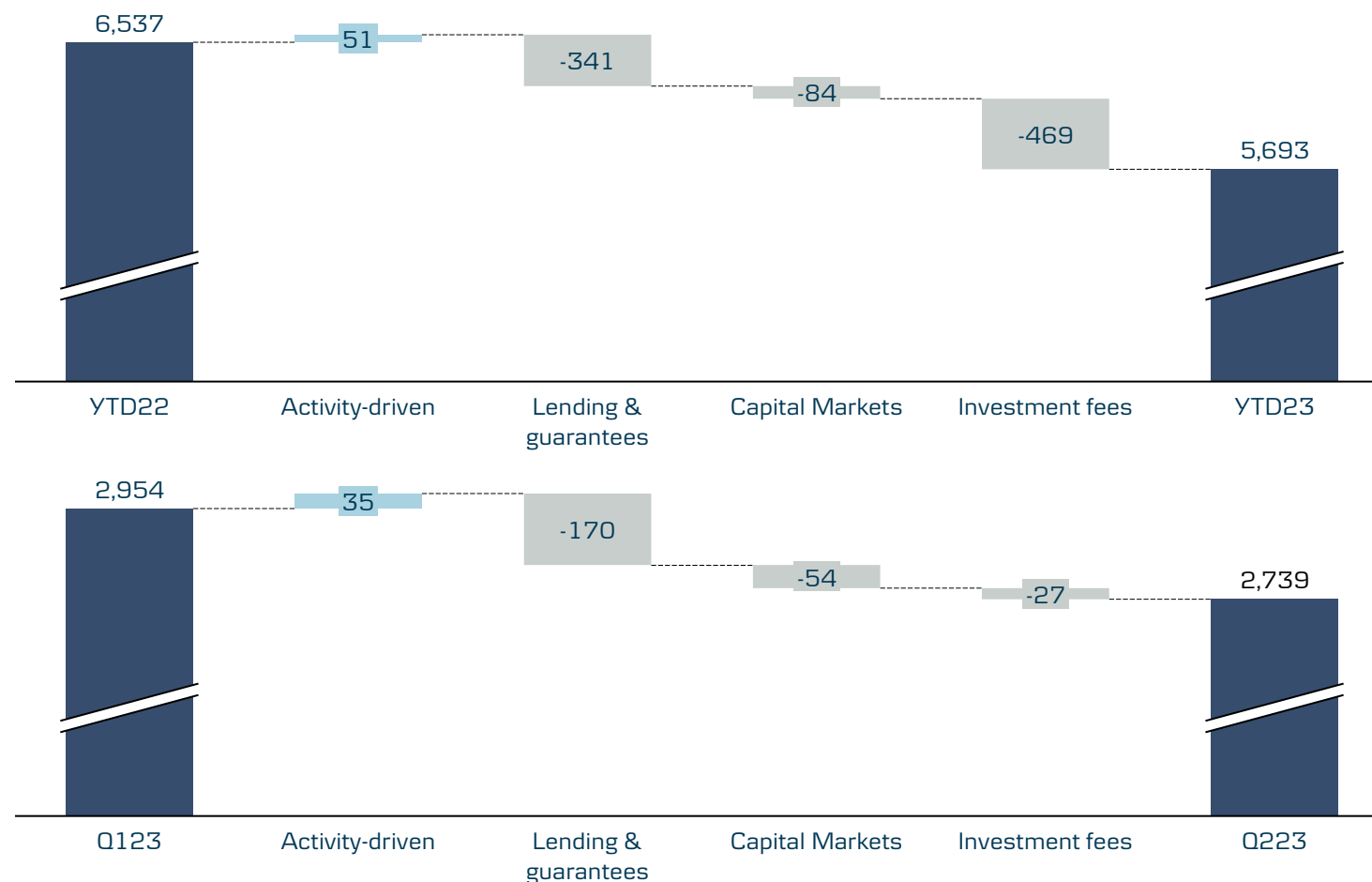
### Capital markets fees

- 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)



# *Sustainability*

# Sustainability is a core strategic priority in our new Forward '28 strategy

## Our starting point

- ✓ **Industry leading Climate Action Plan with biodiversity as next priority theme**

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- ✓ **ESG integrated in key processes: portfolio and capital steering, lending processes, asset management**

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- ✓ **Strong ESG customer advisory and #1 Nordic Arranger of Green Bonds**

## What we will do

### Large Corporates & Institutions

- Advisory, transition finance and project finance

### Personal Customers

- Housing, investments, pensions, mobility and daily banking

### Business Customers

- Advisory, transition finance and partnerships

### Asset Mgmt. & Danica Pension

- Alternative products, Danica Responsible Choice

## Reinforce stronghold in sustainable finance and advisory

Sustainable finance<sup>1</sup>

#1

ESG advisory<sup>2</sup>

#3

Sustainable investing<sup>3</sup>

#3

A leader in supporting  
our customers' green  
transition

2022

2026

1. Ranking among Nordic banks in the Bloomberg Global Green Bonds (Corporate & Government League Table)

2. Ranking for the Nordics in Sustainability Advisor survey from Prospera (Corporate & institutional clients)

3. Prospera Nordic External Asset Management question: "Has high competence within sustainable investments?"

# ...and sustainability has been an integrated element of our Better Bank strategy since 2019 and our corporate targets

Sustainability has been integral to our Better Bank 2023 plan to deliver value for all key stakeholder groups

## Customers

*On average among top two banks for customer satisfaction in everything we do*

## Society

*Operate sustainably, ethically and transparently*

## Employees

*Engagement score of 77*

## Investors

*RoE of 8.5-9% and a cost/income ratio in the mid-50s*

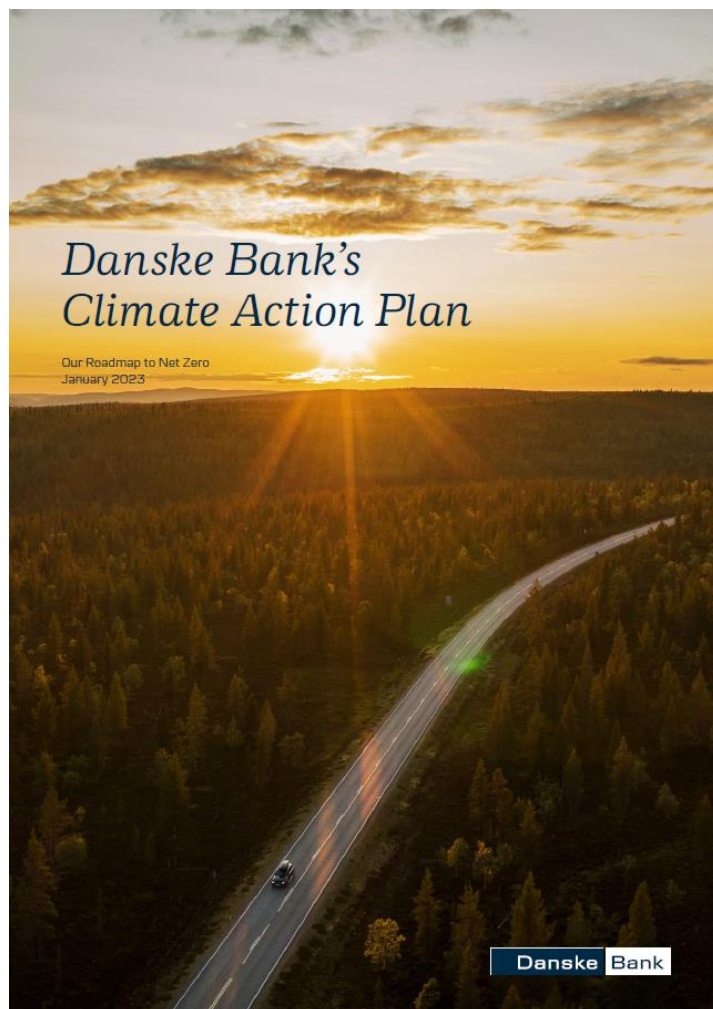
Danske Bank's 2023 sustainability strategy aims to drive progress by utilising the power of finance



## 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

# Climate Action Plan aligned with Paris Agreement launched in January 2023



Carbon footprint of **41.1 mtCO<sub>2</sub>e** 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



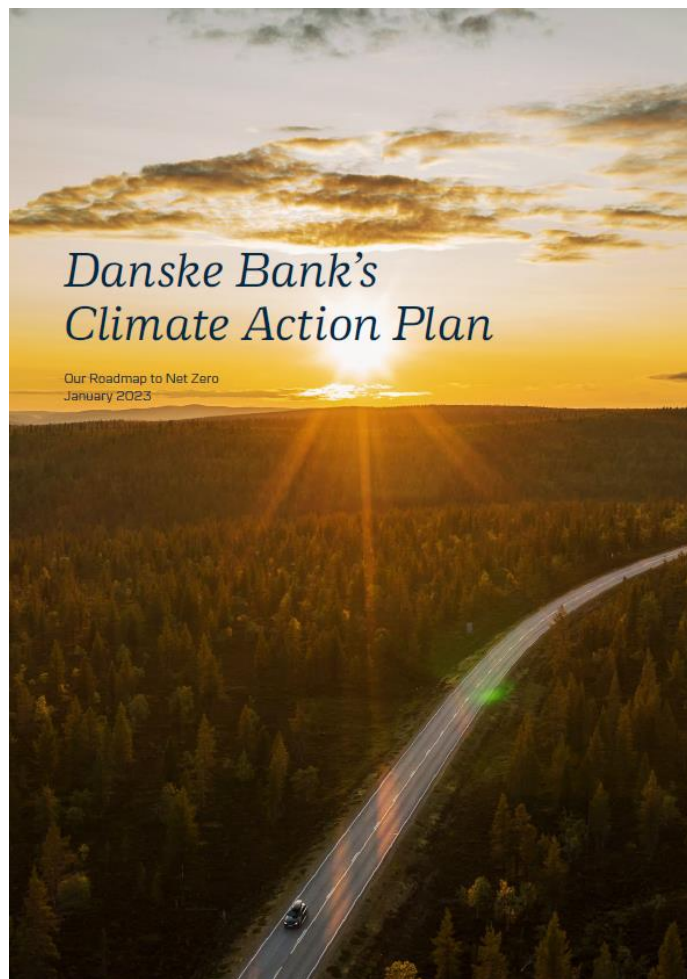
Focus on supporting **customer and investee company transitions** as well as increased financing of **renewable energy**



No financing or refinancing of companies intending to **expand supply of oil and gas** production beyond already approved



# Our Climate Action Plan sets 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

The money we lend to customers



### Asset management

The investments we make on behalf of our customers



### Life insurance and pension

The pension assets we manage on behalf of our beneficiaries



### Own operations

The emissions we generate through daily operations

### Measured CO<sub>2</sub>e emissions

18.8 million tCO<sub>2</sub>e (2020)

16.6 million tCO<sub>2</sub>e (2020)

5.7 million tCO<sub>2</sub>e (2020)

0.007 million tCO<sub>2</sub>e (2022)

### Scope and coverage

Scope 3  
92% of corporate and personal customers portfolio

Scope 3  
68% of assets under management

Scope 3  
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

*Based on methodologies supported by the SBTi, we have developed a comprehensive suite of intermediate 2030 emission reduction targets covering our four impact areas*

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

## Overview of Danske Bank's decarbonisation targets

Lending	Asset management	Life insurance and pension	Own operations
<b>2030 sector emission intensity reduction targets <sup>1)</sup></b> <ul style="list-style-type: none"> <li>Shipping ~50%</li> <li>Oil and gas upstream<sup>3</sup> 50%</li> <li>Oil and gas refineries<sup>4</sup> 25%</li> <li>Power generation 50%</li> <li>Steel 30%</li> <li>Cement 25%</li> <li>Commercial real estate <sup>5</sup> 55%</li> <li>Personal mortgages <sup>5</sup> 55%</li> </ul>	<b>2030 temperature rating reduction targets <sup>1)</sup></b> <ul style="list-style-type: none"> <li>Implied temperature rating of our investment products from 2.7°C in 2020 to 2.1°C (Scope 1 and 2)</li> <li>Implied temperature rating of our investment products from 2.9°C in 2020 to 2.2°C (Scope 1, 2 and 3)</li> </ul> <b>2030 carbon intensity reduction target <sup>1)</sup></b> <ul style="list-style-type: none"> <li>Weighted average carbon intensity of investment products 50%</li> </ul> <b>2025 engagement target <sup>1)</sup></b> <ul style="list-style-type: none"> <li>Engagement with the 100 largest emitters</li> </ul>	<b>2030 temperature rating reduction targets <sup>1)</sup></b> <ul style="list-style-type: none"> <li>Implied temperature rating of our listed equities and credits from 2.7°C in 2020 to 2.1°C (scope 1 and 2)</li> <li>Implied temperature rating of our listed equities and credits from 2.9°C in 2020 to 2.2°C (scope 1, 2 and 3)</li> </ul> <b>2025 sector emission intensity reduction targets <sup>2)</sup></b> <ul style="list-style-type: none"> <li>Real estate 69% <sup>6</sup></li> <li>Energy 15%</li> <li>Transportation 20%</li> <li>Power generation 35%</li> <li>Cement 20%</li> <li>Steel 20%</li> </ul>	<b>2030 emission reduction targets <sup>2)</sup></b> <ul style="list-style-type: none"> <li>Carbon emissions in scope 1 and 2 80%</li> <li>Carbon emissions in scope 1, 2 and currently measured scope 3 categories 60%</li> </ul>

## 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

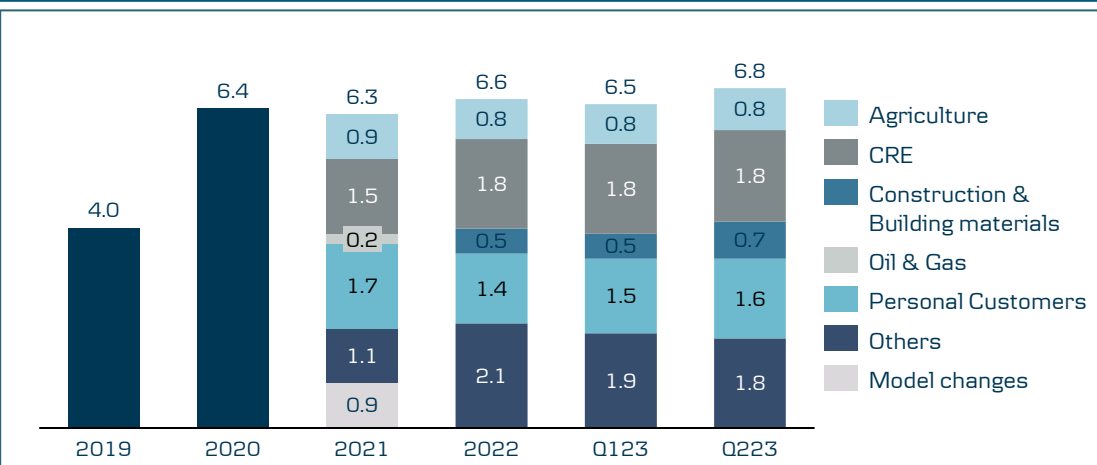
## *Credit quality & Impairments*

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

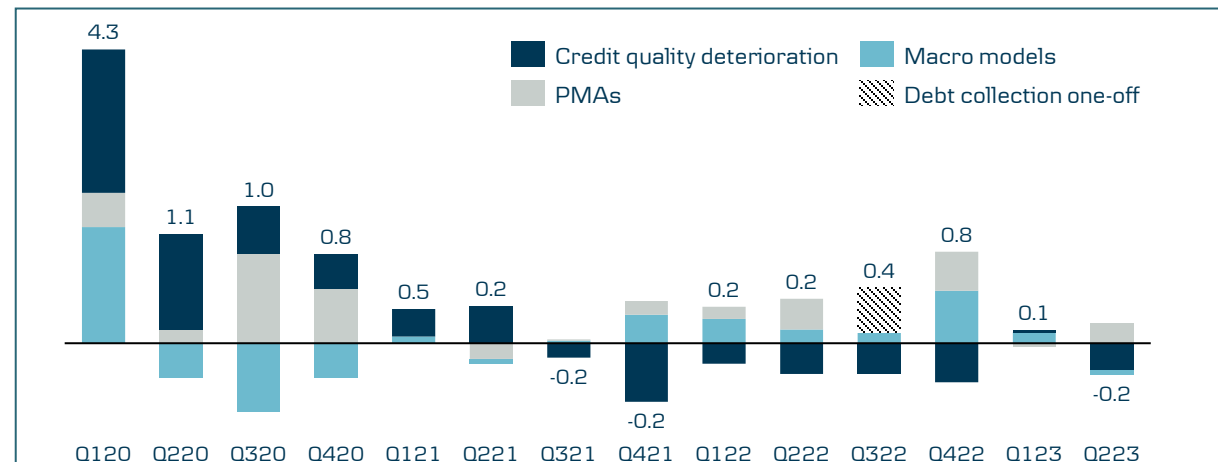
## Highlights

- 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

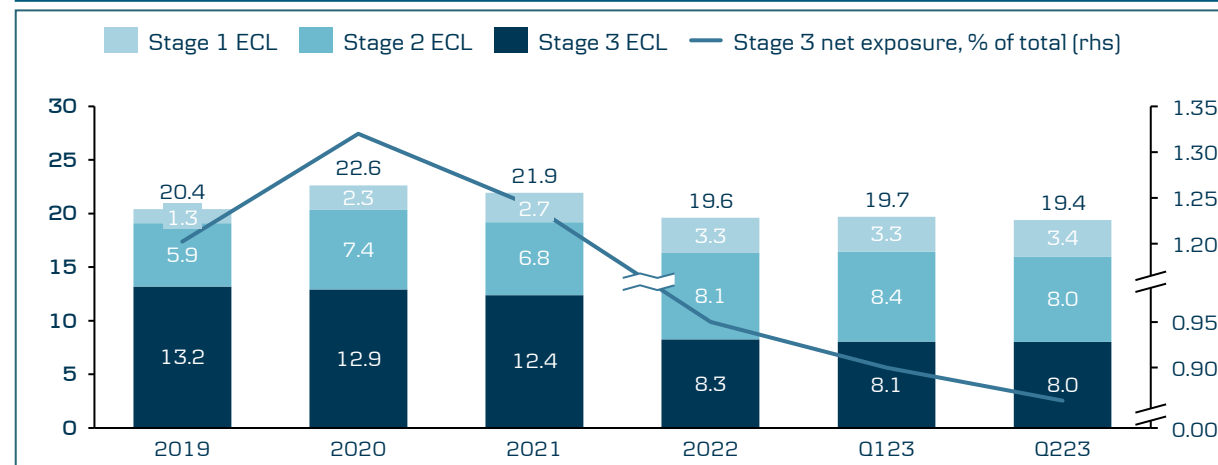
## Post Model Adjustments (PMAs)



## Impairment charges by category (DKK bn)



## Allowance account by stages (DKK bn)



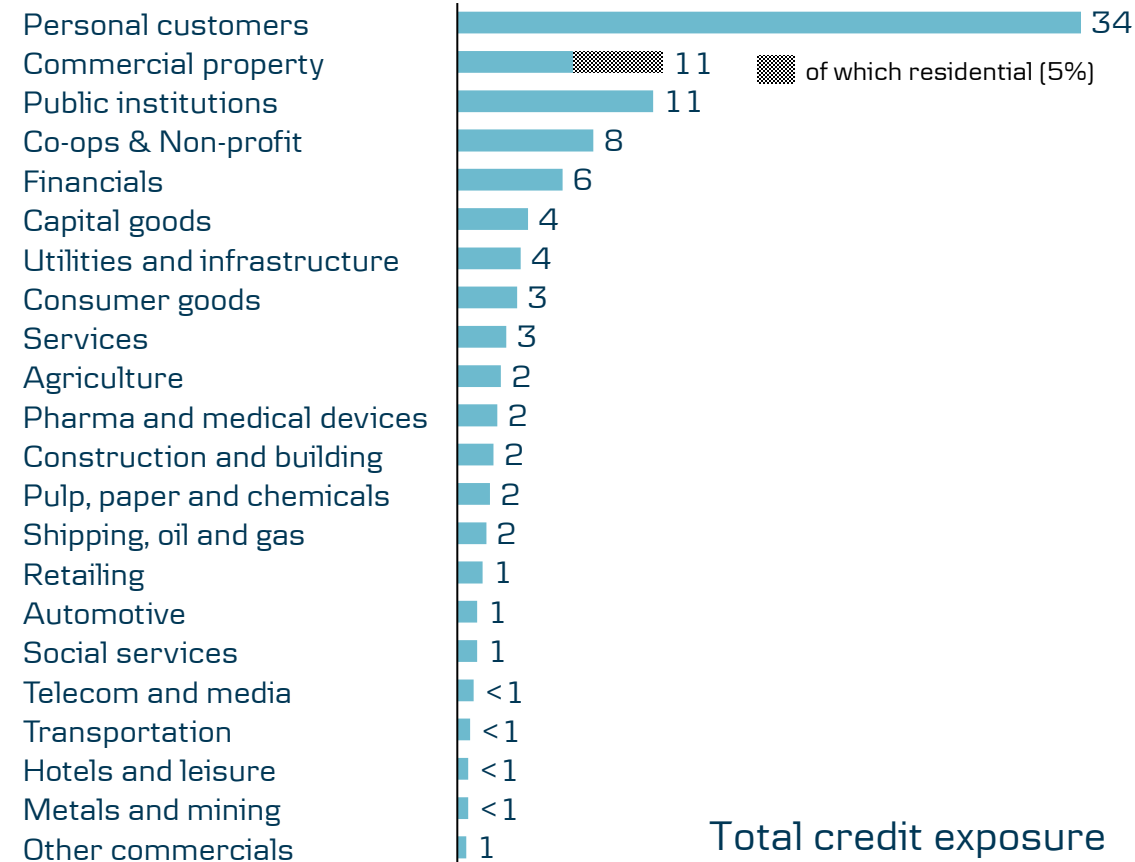
# Strong footprint within retail lending

Lending by segment<sup>1</sup> Q2 23 (%)



Total lending  
DKK 1,933 bn

Credit exposure by industry Q2 23 (% rounded)



Total credit exposure  
DKK 2,536 bn

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

# Overall strong credit quality in portfolios exposed to macro cyclical

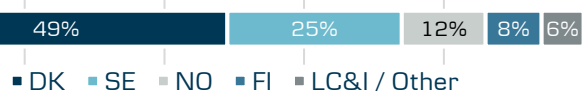
## CRE: Well diversified and prudently managed growth

DKK 290 bn in gross exposure and ECL ~1%

### Segment gross exposure



### Country gross exposure

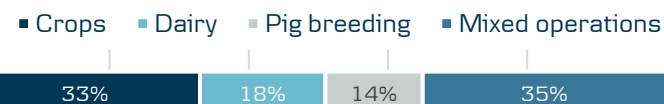


- Conservative lending growth [-4% 4Y-CAGR in non-resi.] given caps and concentration limits within sub-segments and markets, as well as for single-names, limiting downside risks
- Due to our conservative approach, our SE exposure has remained stable, despite market growth, and book is well-diversified 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 effect of rapid interest rate increases and macroeconomic situation

## Agriculture: Well-provisioned agriculture book

DKK 62bn in gross exposure of which 60% RD

### Segment gross exposure



### Country gross exposure

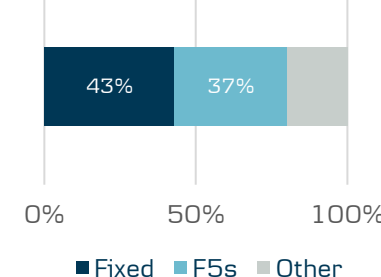


- The credit quality of the portfolio has improved over the past few years, recovering from legacy exposures from the financial crisis
- The current credit risk appetite takes into account the volatility of the sector and remains in place. Furthermore, the group maintains strong underwriting standards 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 Fever (ASF), Chinese imports and the RU/UA war

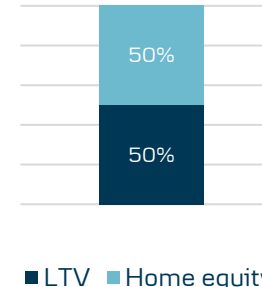
## Housing: Low leverage and strong household finances

80% of RD lending are 5-30yr fixed-rate

### RD lending



### Avg. LTV RD-retail



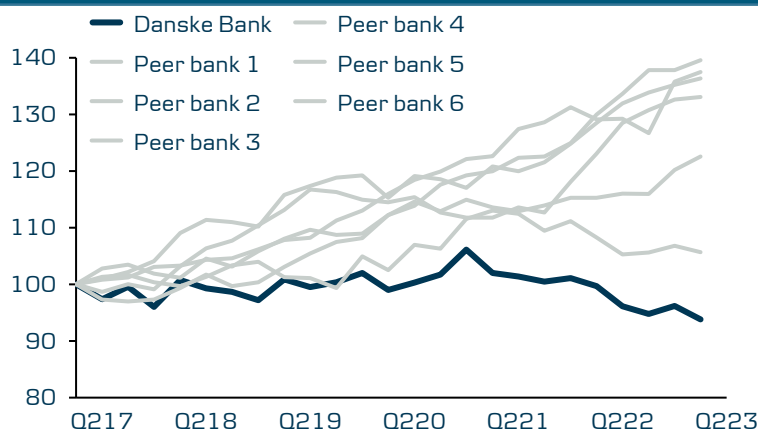
- Avg LTV remains at moderate level despite recent price decline, and have been supported over the past years by increasing house prices along with the call feature of DK mortgages
- Affordability measures in our approval process has been tightened, and debt-to-income (DTI) levels remain stable overall
- 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 1.6 bn

# Commercial property; prudently managed and cash-flow based underwriting standards; sound credit quality and adequate buffers in place to mitigate tail risks

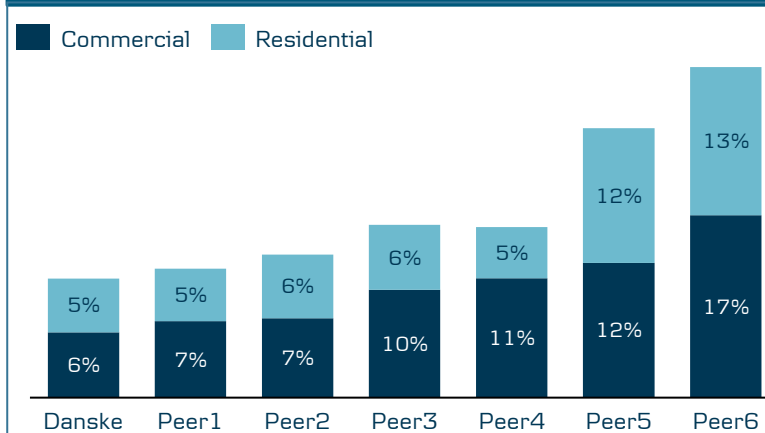
## Highlights

- Danske Bank has a relatively low concentration to CRE compared with Nordic peers. The portfolio has been slightly declining due to concentration limits and stringent underwriting standards, particularly towards non-residential segment
- Of the CRE portfolio, 25% is to Sweden, lowest ratio among all Nordic banks active in Sweden. As such, customers with dependence on refinancing of bonds are thus manageable
- In addition to conservative underwriting, we perform rigorous monitoring of exposures, incl. stress tests:
  - ✓ An interest rate stress of 4%-pts on top of the borrower's current avg. interest rate for debt not hedged
  - ✓ Significant stress assessment of rent and vacancy rates
  - ✓ Liquidity stress measuring ability to repay maturing bond debt etc. in the coming 18 months
- The portfolio is well diversified and well provisioned to mitigate a potential material correction in the sector

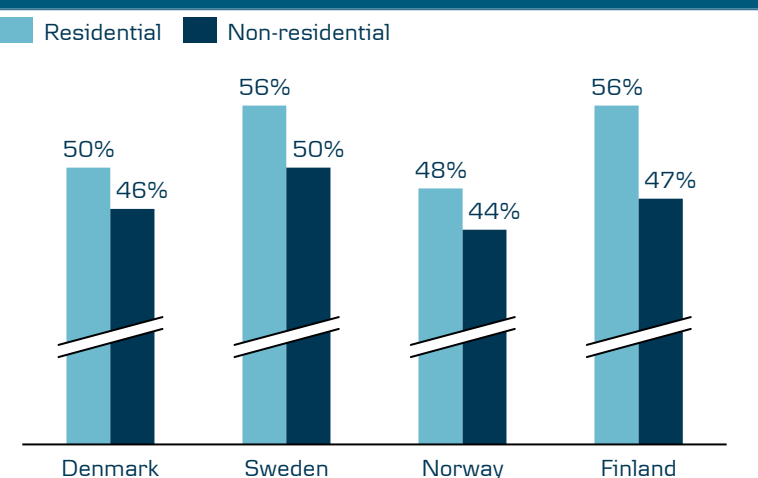
## Lending to CRE segment by major peer banks (index)\*



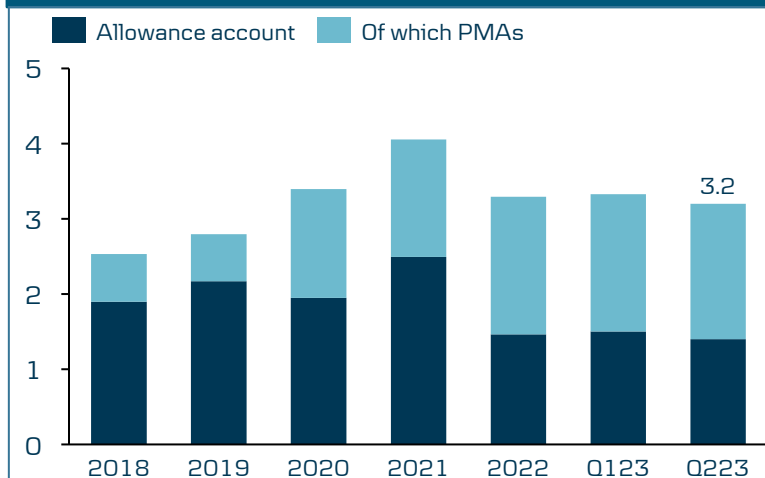
## CRE share of total portfolio by major peer banks\*



## Danske Bank's CRE portfolio avg. LTVs



## Danske Bank's CRE allowance account, core (DKKbn)



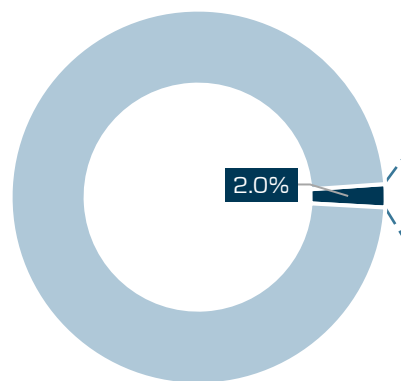
\*Source: Companies' Annual report. Exposure definitions differ among banks between total lending, credit exposure and EaD.

# Fossil fuels (coal, oil and gas) exposure

## Key points Q223

- The current exposure to fossil fuels includes customers involved in production, refining, and distribution (including shipping) of oil and gas as well as utilities producing heat or power with coal.
- Exposure towards oil majors (upstream oil and gas) has decreased 27% from Q2 last year and exposure is down by 62% compared to end 2020. The exposure development is aligned with the Group's 2030 climate target of reducing financed emissions by 50% from oil majors. The main risk on oil related exposures lies with exposures other than oil majors, and since Q2 last year, net exposures are down 6% and are down by 24% from end 2020.
- Exposures shown on this page is to utility customers with any coal-based power production (DKK 30 bn.) and hereof more than 5% of revenues from coal fired power production (2.6 bn.). Exposure developments have been driven by short-term facilities to help customers manage market risk due to energy price volatility, but exposure volatility has stabilised in 2023. Net exposures are now 12% lower than a year ago.
- Customers' transition plans are continually being assessed as part of the credit process, and customers in the distribution and refining segments and utility customers 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. Also, for most customers, the use of coal is limited to a few remaining production facilities which are expected to phase-out towards 2030.

## Group gross credit exposure (DKK 2,558 bn)

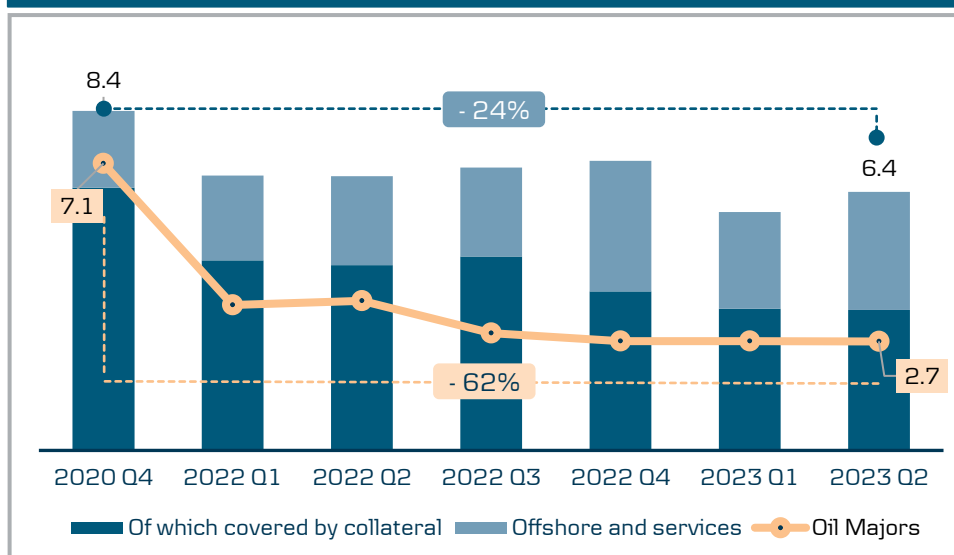


■ Fossil fuels exposure ■ Other

## Fossil fuels exposure

Segment	Net exposure (DKK m)
Crude, gas and product tankers	3,381
Distribution and refining	9,827
Oil-related exposure	9,093
Oil majors	2,698
Offshore and services	6,395
Power and heating utilities with any coal-based production	30,031
Hereof customers with more than 5% revenue from coal	2,565
<b>Total fossil fuel exposure</b>	<b>52,332</b>

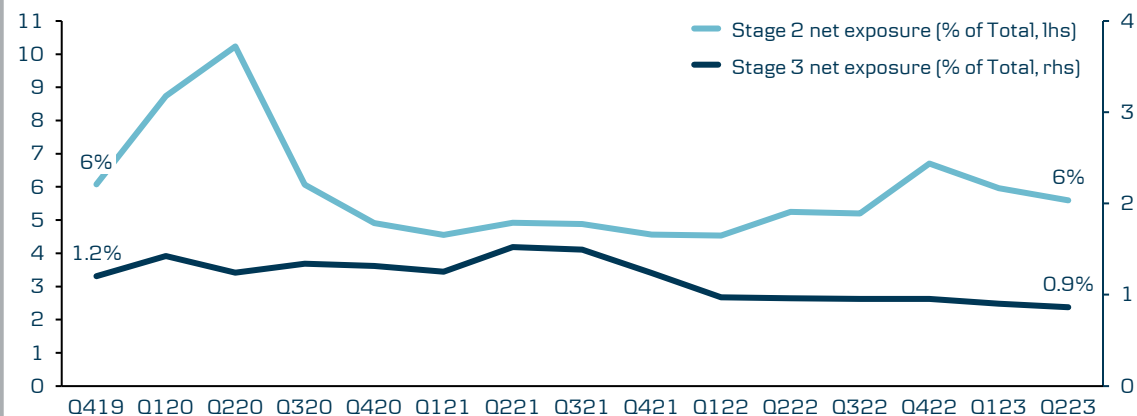
## Oil-related net credit exposure development (DKK bn)



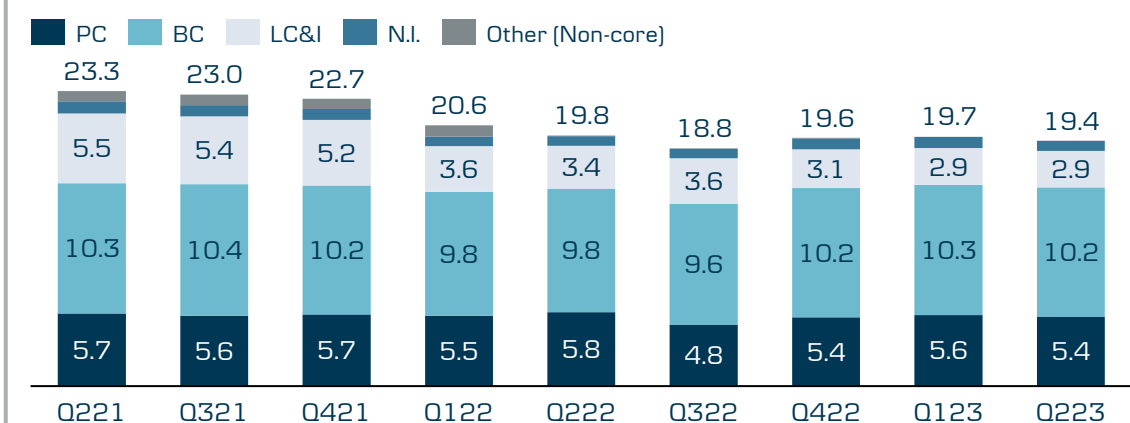


# Credit quality: Low level of actual credit deterioration

Stage 2 and 3 as % of net exposure



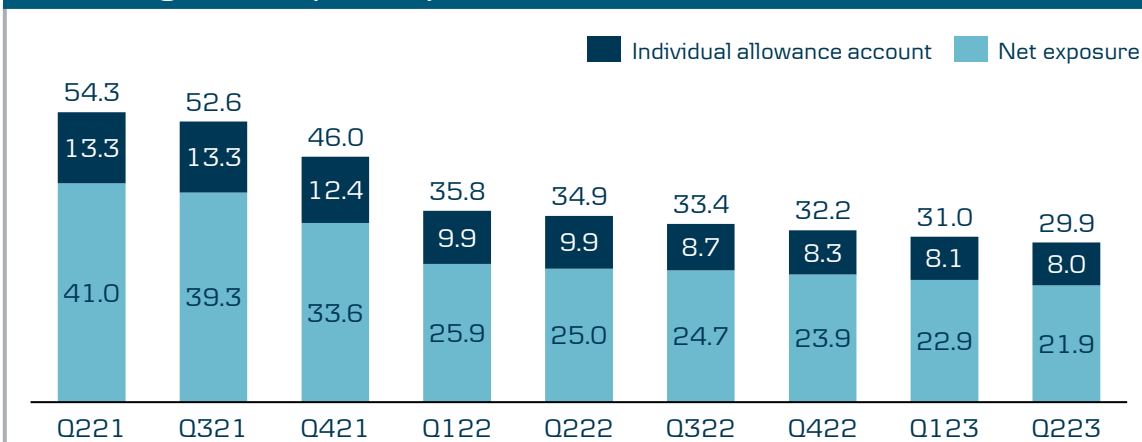
Allowance account by business unit (DKK bn)



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

	Allowance account	Gross credit exposure	Allowance account as % of gross exposure
Personal customers	1.75	875	0.20%
Agriculture	0.78	62	1.26%
Commercial property	2.02	291	0.69%
Shipping, oil and gas	0.03	42	0.08%
Services	0.28	68	0.40%
Other	3.11	1,218	0.26%
<b>Total</b>	<b>7.96</b>	<b>2,555</b>	<b>0.31%</b>

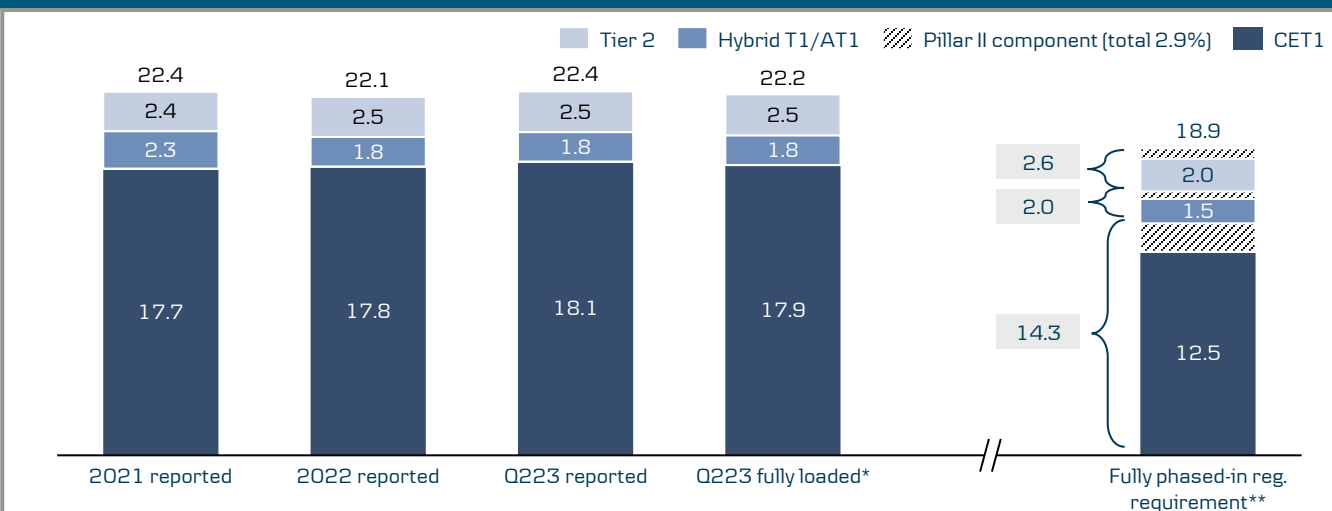
Gross stage 3 loans (DKK bn)



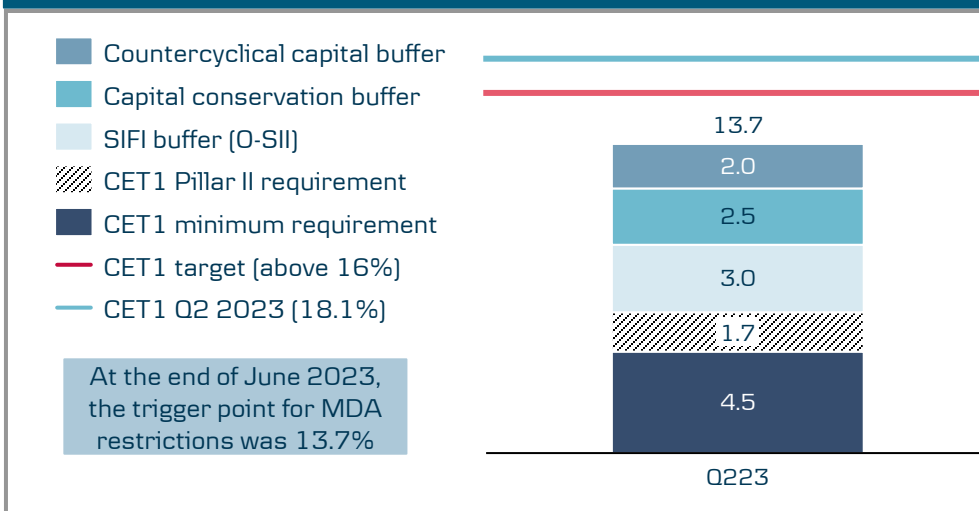
# *Capital*

# Capital: Prudent CET1 ratio at 18.1%; comfortable buffer to current regulatory requirements

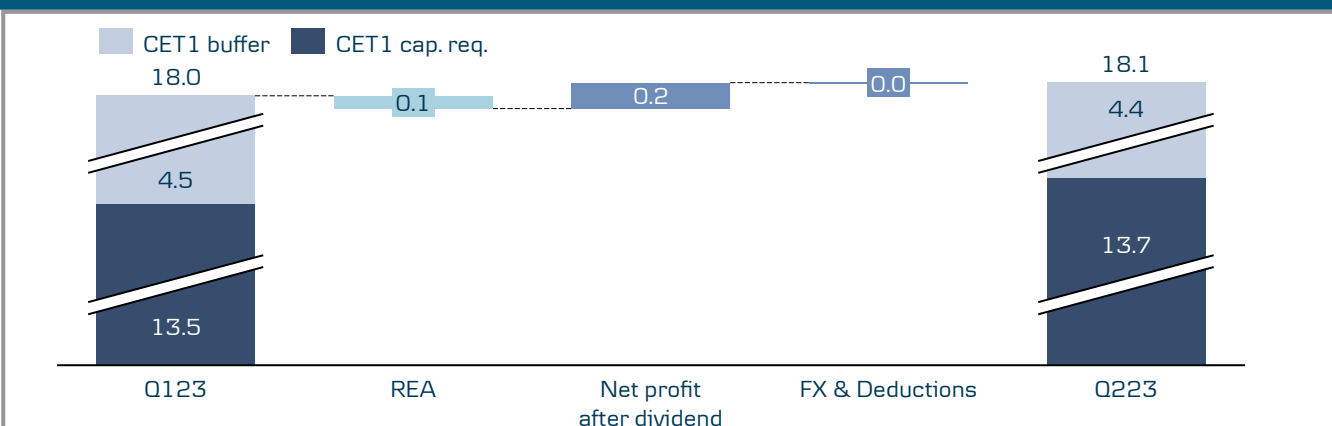
## Capital ratios, under Basel III/CRR (%)



## Current capital buffer structure (%)



## CET1 development (%)



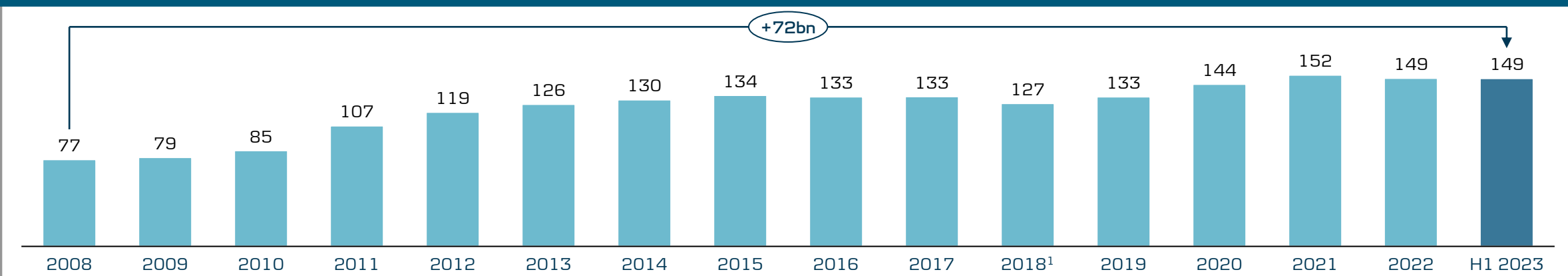
## Total REA (DKK bn)



\* 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%.

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

Common Equity Tier 1, 2008 – 2023 (DKK bn)

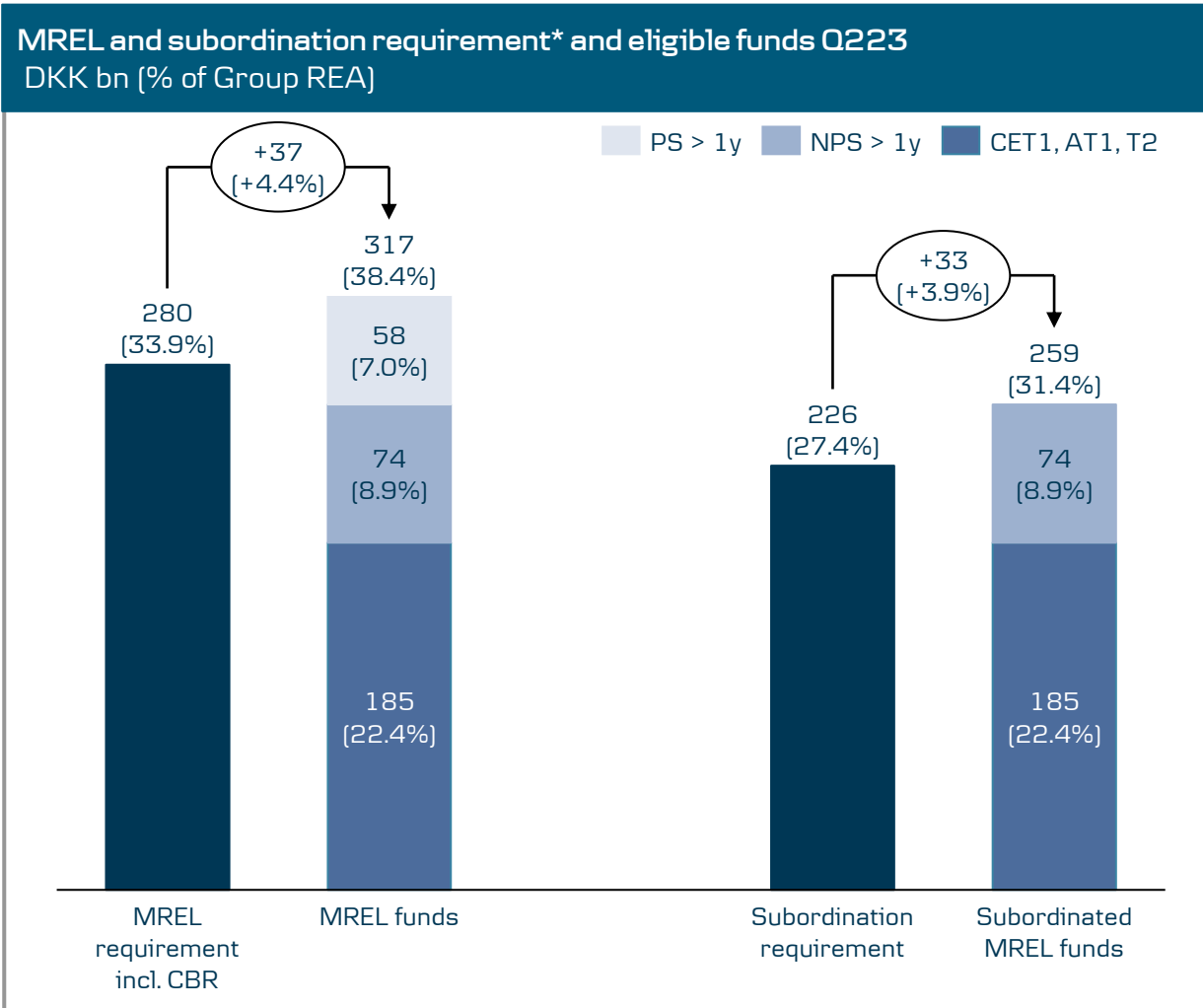


REA, CET1, profit and distribution (DKK bn; %)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	H1 2023
REA	960	834	844	906	819	852	865	834	815	753	748	767	784	860	838	826
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%	18.1%
Net profit	1.0	1.7	3.7	1.7	4.7	7.1	13.0 <sup>2</sup>	17.7 <sup>2</sup>	19.9	20.9	15.0	15.1	4.6	12.9	-5.1	10.2
Distribution to shareholders <sup>3</sup>	0	0	0	0	0	2.0	10.5	17.1	18.9	16.3	7.6	0	1.7	1.7	0	6.0
Total assets	3,544	3,098	3,214	3,424	3,485	3,227	3,453	3,293	3,484	3,540	3,578	3,761	4,109	3,936	3,763	3,731

<sup>1</sup> The decline in CET1 capital in 2018 is due mainly to Danica Pension's acquisition of SEB Pension Danmark which led to a higher deduction in Group regulatory capital. <sup>2</sup> Before goodwill impairment charges <sup>3</sup> Based on year-end communicated distributions. 2017 is adjusted for cancelled buy-back. 2019 is adjusted for cancelled dividend.

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



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

## Comments

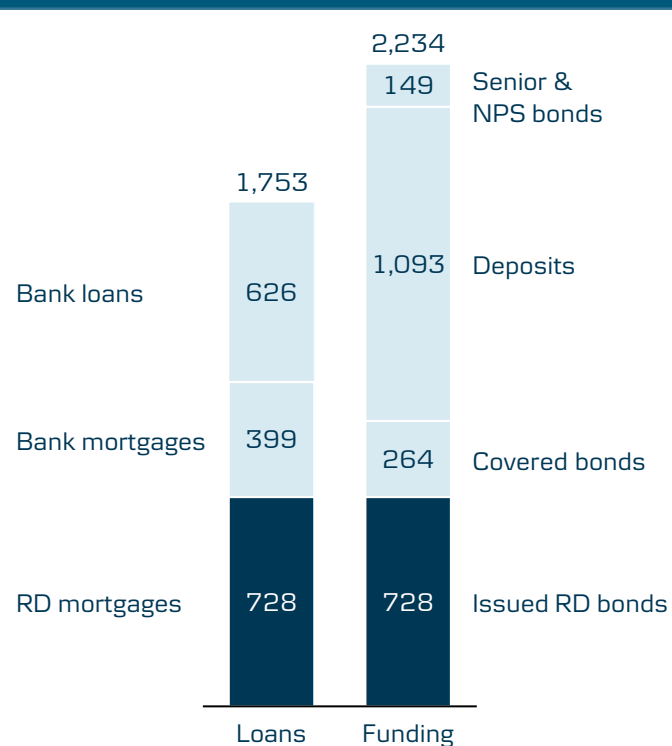
- The Group has to meet a MREL requirement and a subordination requirement, both adjusted for Realkredit Danmark (RD)
- The subordination requirement is the higher of  $2 \times (P1 + P2) + \text{CBR}$  or 8% TLOF
- The Group's MREL requirement (total resolution requirement) is DKK 280bn incl. RD's capital and debt buffer requirement (DKK 44bn) and the combined buffer requirement (DKK 52bn). Excess MREL funds are DKK 37bn
- The Group's subordination requirement is DKK 226bn incl. RD's capital requirement (DKK 29bn). Excess subordinated MREL funds are DKK 33bn
- This figure shows the Group's MREL and subordination requirement as of end Q2 2023, which constitutes the fully-phased in requirements, i.e. no interim target.
- Requirements will change alongside changes to the combined buffer requirement, including the CCyB.

# *Funding & Liquidity*

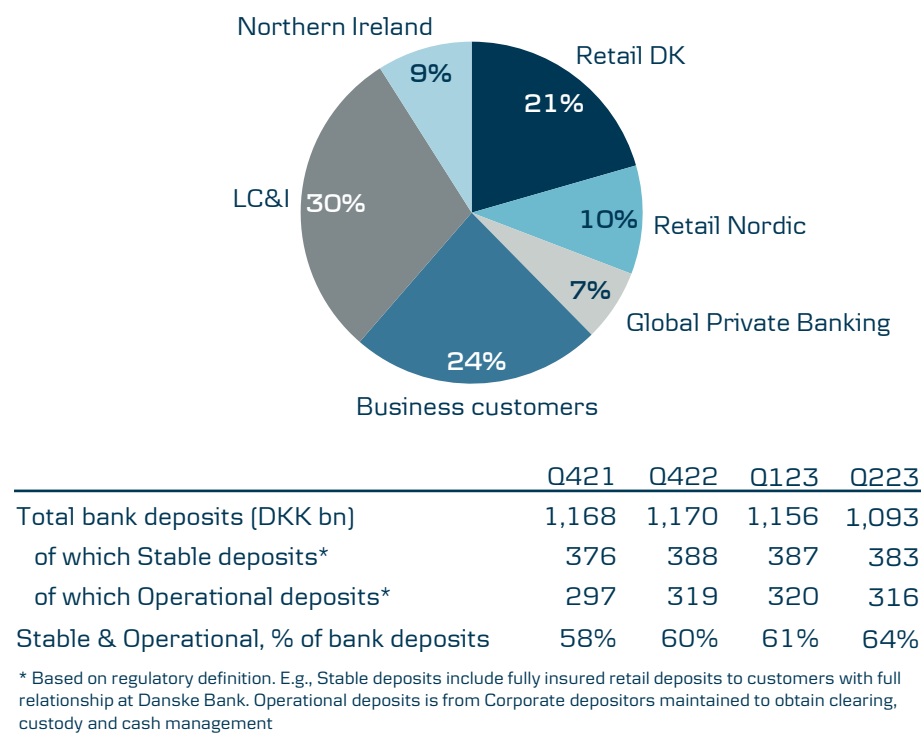
# Danske Bank's fortress balance sheet underpins our resilient business model which includes a well-balanced ALM strategy and a very strong liquidity position

- Danske Bank has a sound funding structure and remains very well capitalised with a CET1 capital buffer of DKK +35bn to the current regulatory requirements. Further, our liquidity is underpinned by more than DKK 250bn in cash and a liquidity coverage ratio (LCR) of 148%, well above the minimum requirements
- Diversified and solid deposit mix that includes a retail base where the majority is covered by the Nordic guarantee schemes. Further, the fully-funded pass-through mortgage structure in Denmark provides a structural deposit surplus
- We have executed more than DKK 50bn of our total wholesale funding plan of DKK 80 -100bn for 2023 and have flexibility for the remainder of the year

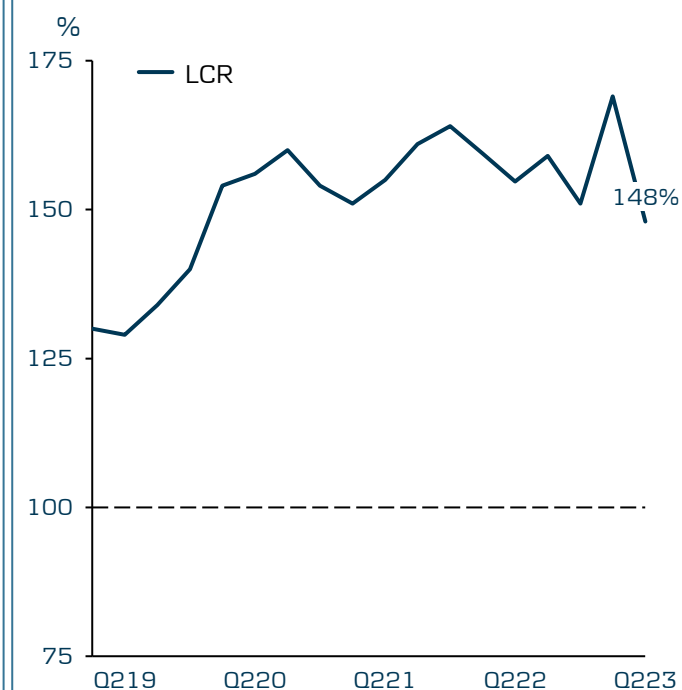
## Sound funding structure (DKK bn)



## Diversified and stable deposit base



## Strong liquidity position



# EUR<sup>1</sup> issuance: Danske Mortgage Bank & Danske Bank A/S “D-pool” and “C-pool”




**Danske Bank**

**Residential mortgages**

- Denmark, D-pool
- Norway, I-pool (**Norwegian Mortgages sold**)
- Sweden, Danske Hypotek AB
- Finland, Danske Mortgage Bank Plc

**Commercial mortgages**

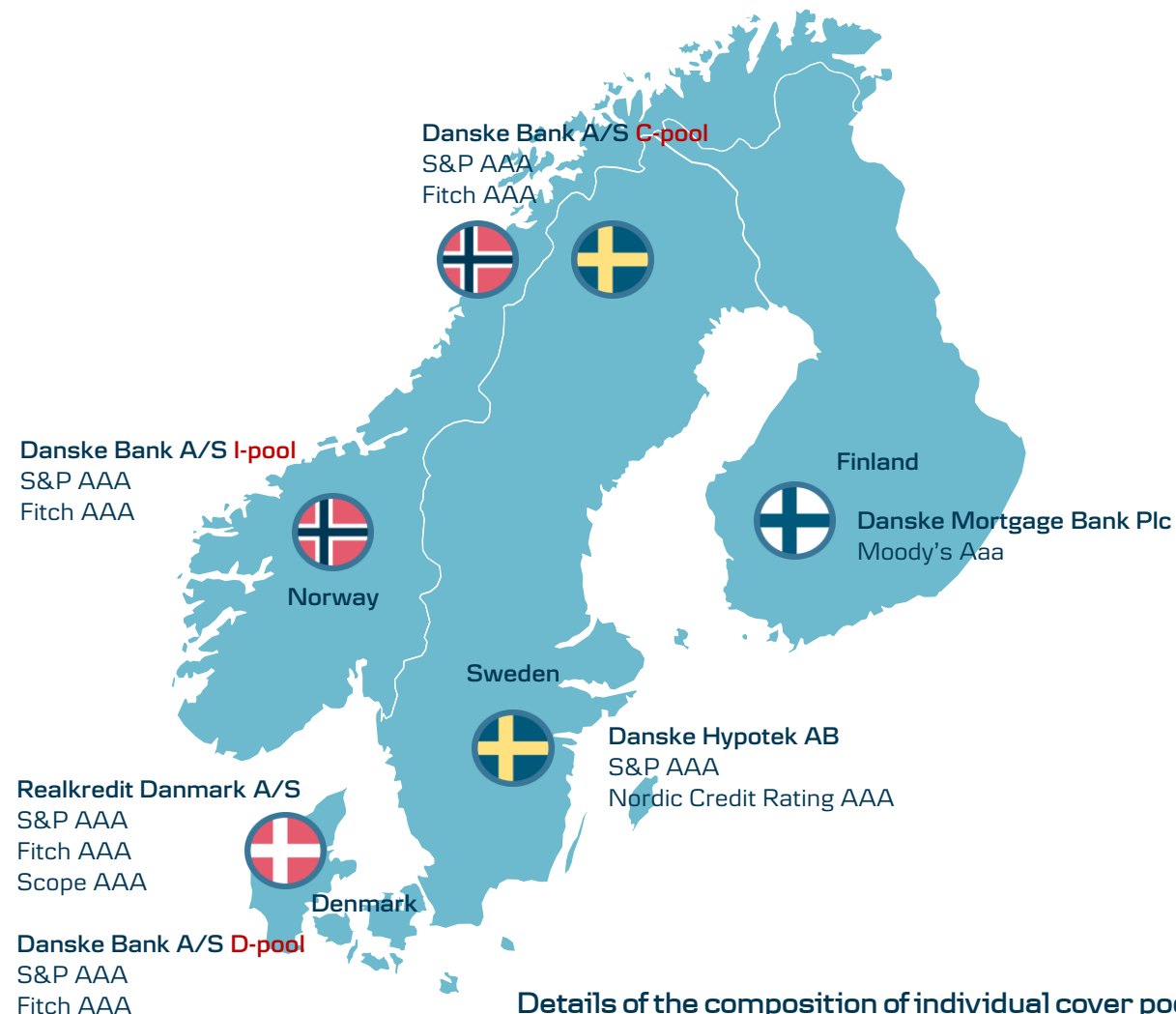
- Sweden and Norway, C-pool

**REALKREDIT Danmark**

**Residential and commercial mortgages**

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



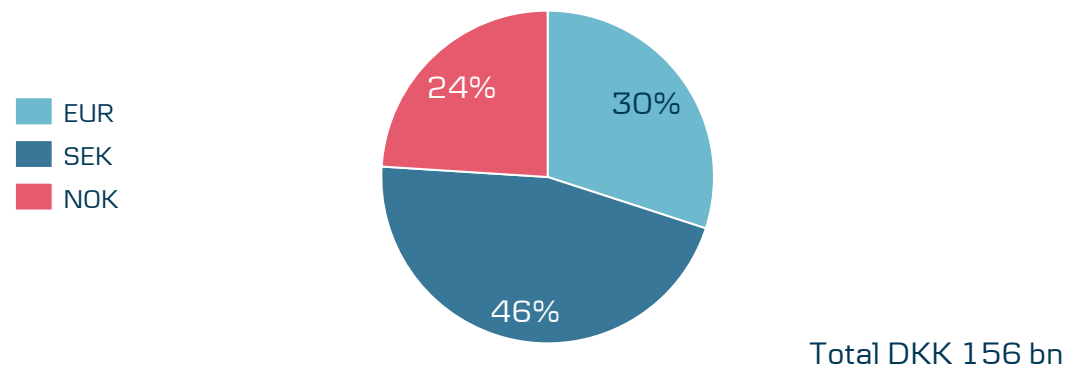
Details of the composition of individual cover pools can be found on the respective issuers' website.

<sup>1</sup> EUR and other international currencies e.g. GBP, CHF, USD etc.

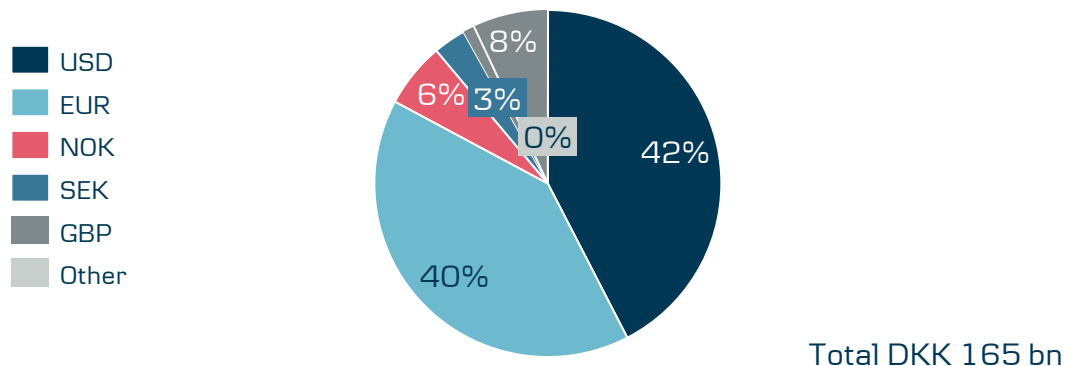


# Funding programmes and currencies








## Covered bonds by currency, end-Q223



## Senior debt<sup>1</sup> by currency, end-Q223



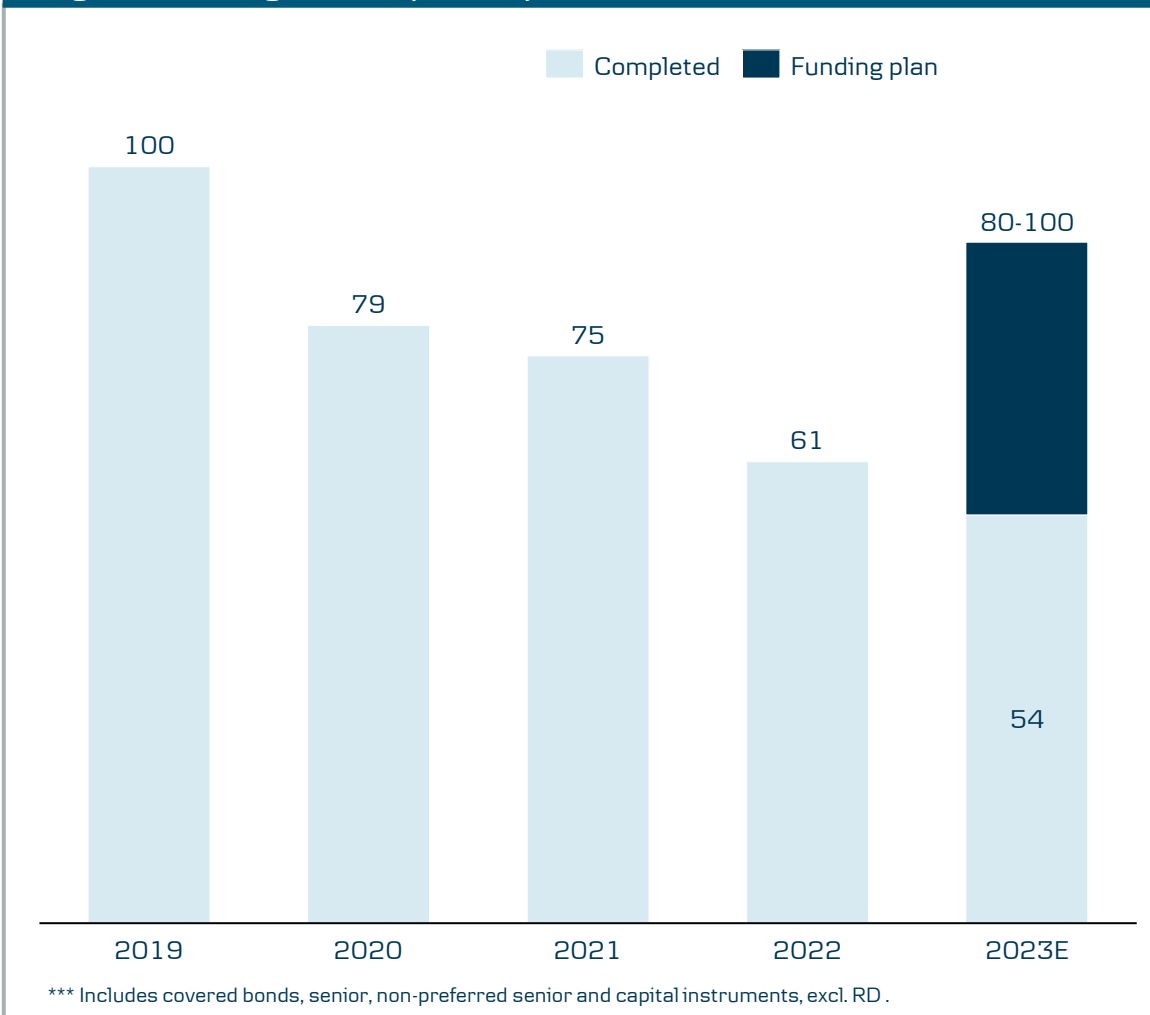
## Largest funding programmes, end-Q223

	Utilisation
 <b>EMTN Programme</b> Limit – EUR 35bn	43%
 <b>Global Covered Bond</b> Limit – EUR 30bn	74%
 <b>ECP Programme</b> Limit – EUR 13bn	5%
 <b>US MTN (144A)</b> Limit – USD 20 bn	50%
 <b>US Commercial Paper</b> Limit – USD 6bn	4%
 <b>UK Certificate of Deposit</b> Limit – USD 15bn	3%
 <b>NEU Commercial Paper</b> Limit – EUR 10bn	5%

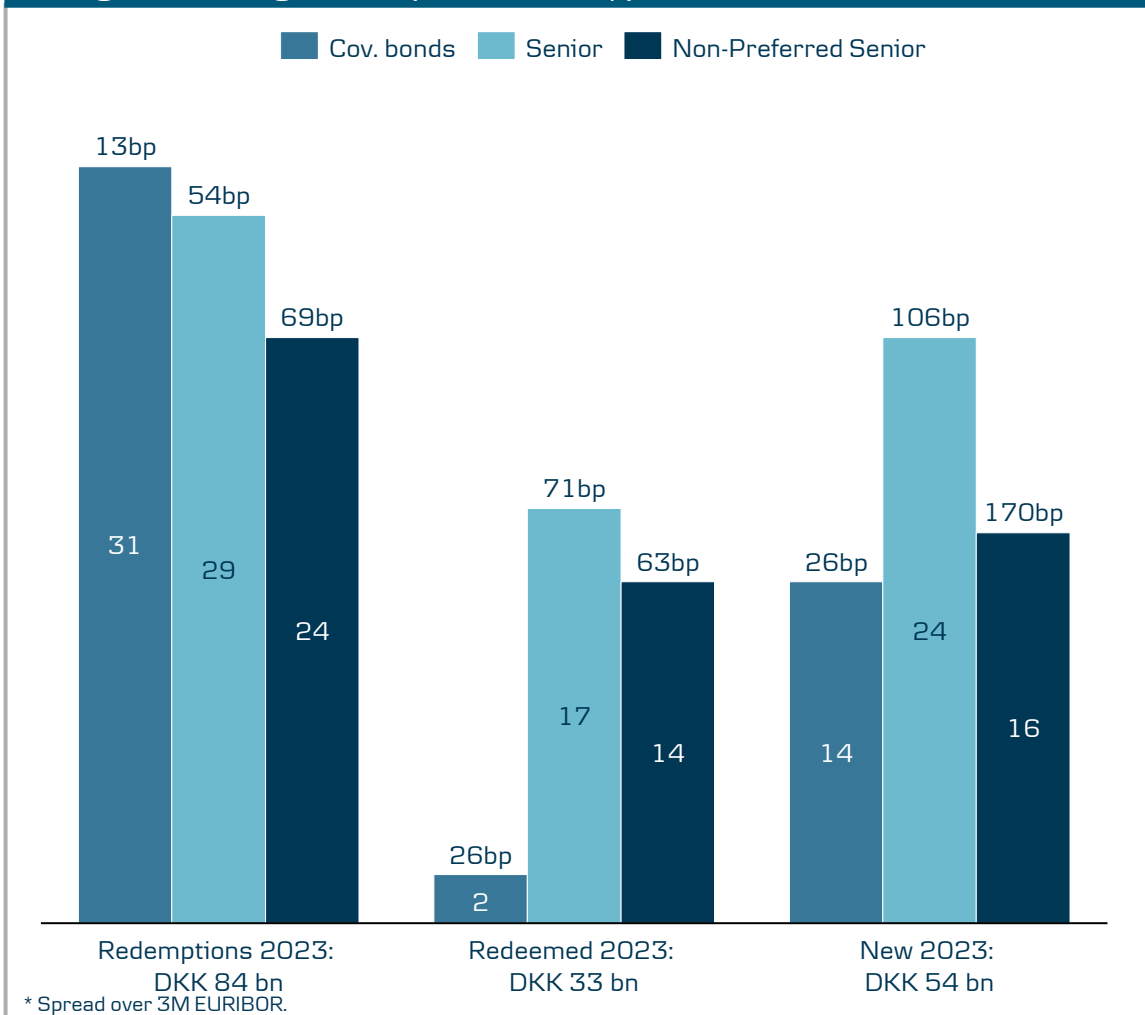
<sup>1</sup> Including senior preferred and non-preferred debt

# Funding and liquidity: LCR compliant at 148%

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



Changes in funding,\* 2023 (DKK bn and bp)



## *Cover pools*

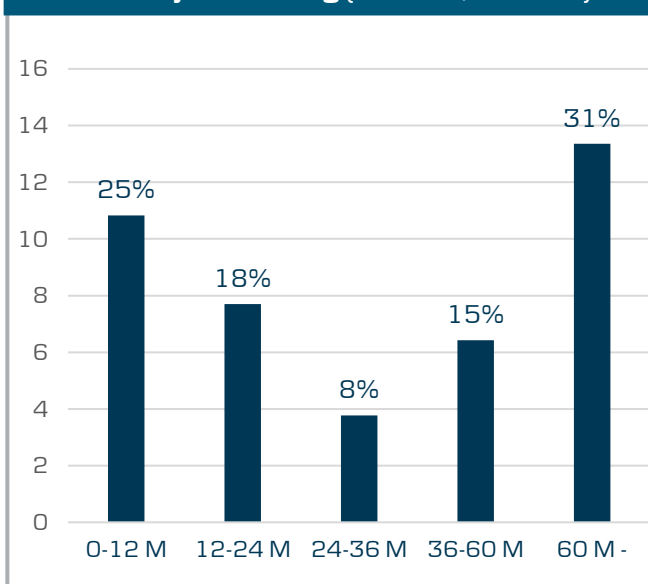
# Danske bank Cover pool D characteristics (as of 30th June 2023)

## Key information

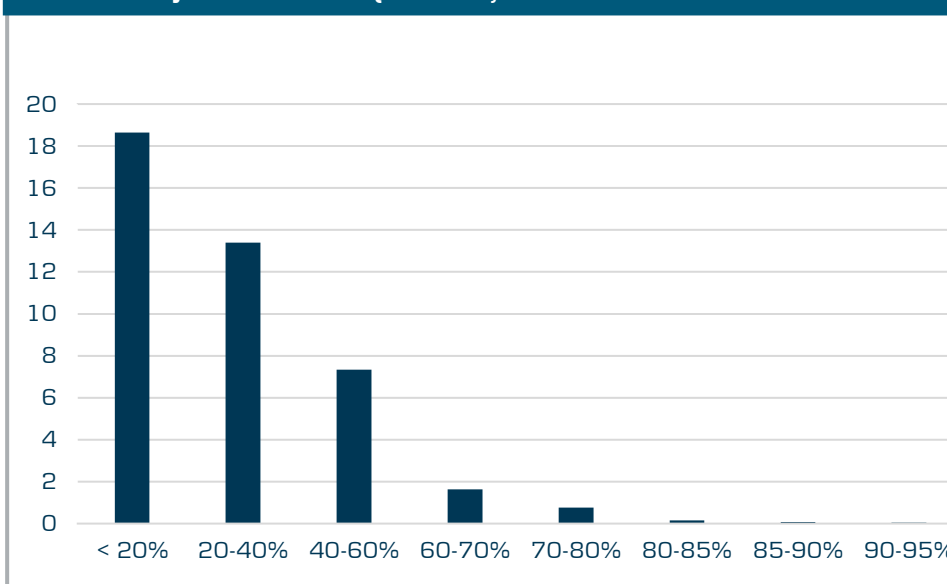
Pool notional	DKK 42.8 bn
-hereof substitute assets	DKK 0.7 bn
Collateral type	100% residential mortgages to private individuals (retail)
Number of loans	51,300
Number of borrowers	48,824
Number of properties	49,710
Average loan size	DKK 820,639
Property type	100% residential

WALTV	53.2%
WA seasoning	5.7 years
Repayment type	64.5% amortizing, 8.8% interest only, 26.7% other
Pool type	Dynamic
Rate type	31.4% floating rate, 68.6% fixed rate
Issuance notional	DKK 38.8 bn
OC	10.1%
Geographical location	100% in Denmark
Pool cut-off date	30-06-2023

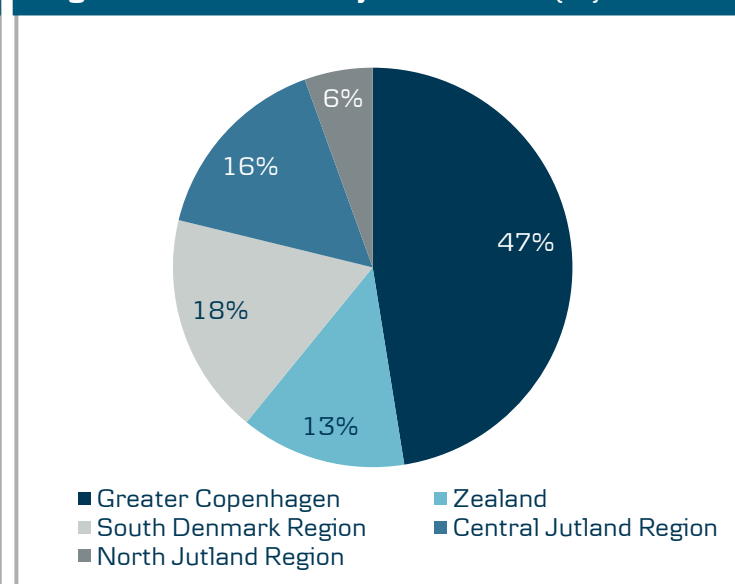
## Volumes by seasoning (months, DKK bn)



## Volumes by LTV buckets (DKK bn)



## Regional distribution by loan volume [%]

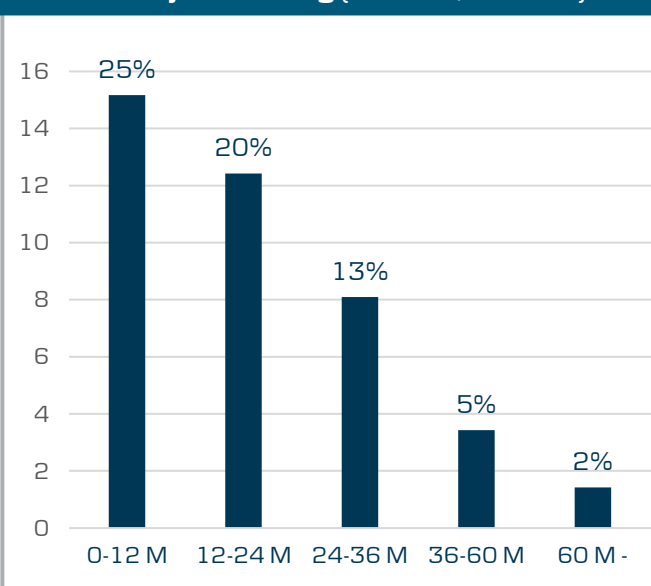


# Danske bank Cover pool C characteristics (as of 30th June 2023)

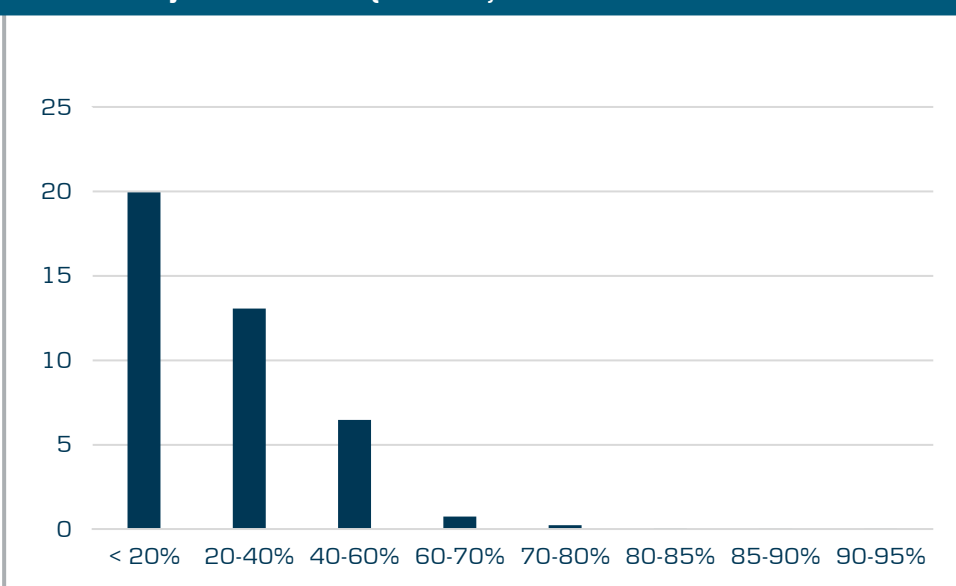
## Key information

Pool notional	DKK 40.6 bn	WALTV	47.3%
-hereof substitute assets	DKK 0bn	WA seasoning	1.9 years
Collateral type	33.46% residential, 36.5% retail, 16.89% agriculture, 12.26% industrial, 0.89% other	Repayment type	69.3% amortizing, 28.6% interest only, 2.1% other
Number of loans	4,397	Pool type	Dynamic
Number of borrowers	3,155	Rate type	59.5% floating rate, 40.5% fixed rate
Number of properties	5,015	Issuance notional	DKK 35.8 bn
Average loan size	DKK 9,224,393	OC	20.7%
Property type	33.2% residential, 36.7% retail, 16.9% agriculture, 12.3% industrial, 0.9% other	Geographical location	11.6% in Norway, 88.4% in Sweden
		Pool cut-off date	30-06-2023

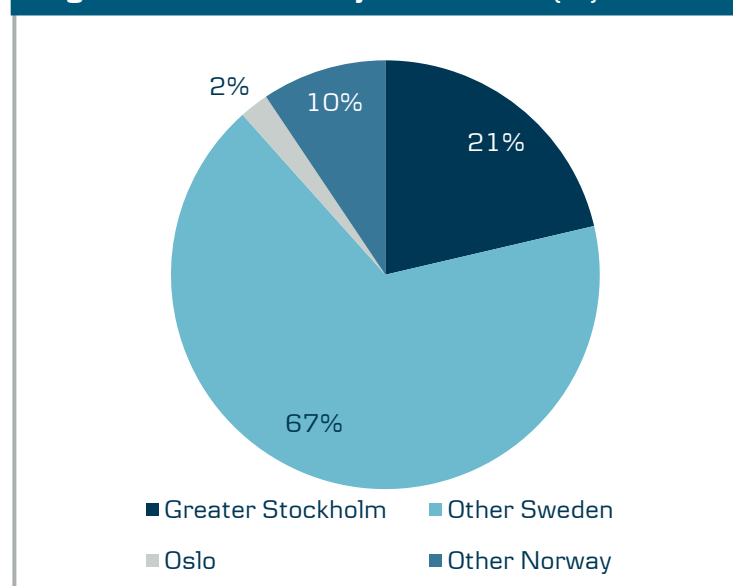
## Volumes by seasoning (months, DKK bn)



## Volumes by LTV buckets (DKK bn)



## Regional distribution by loan volume [%]



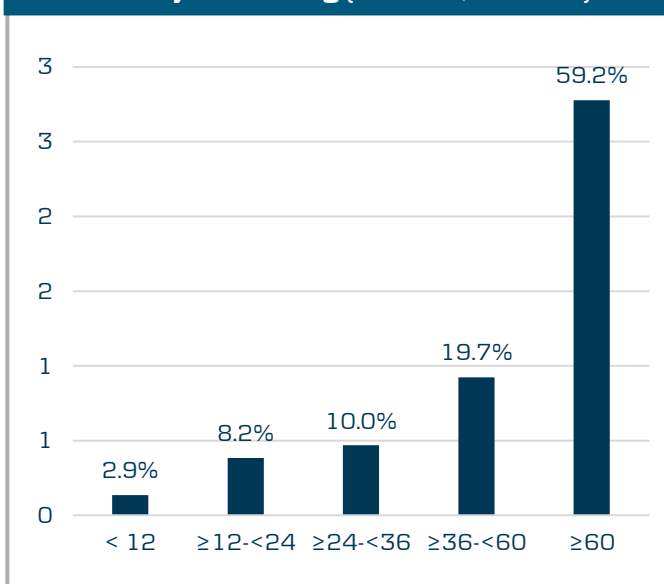
# Danske Mortgage Bank cover pool characteristics *(as of 30th June 2023)*

## Key information

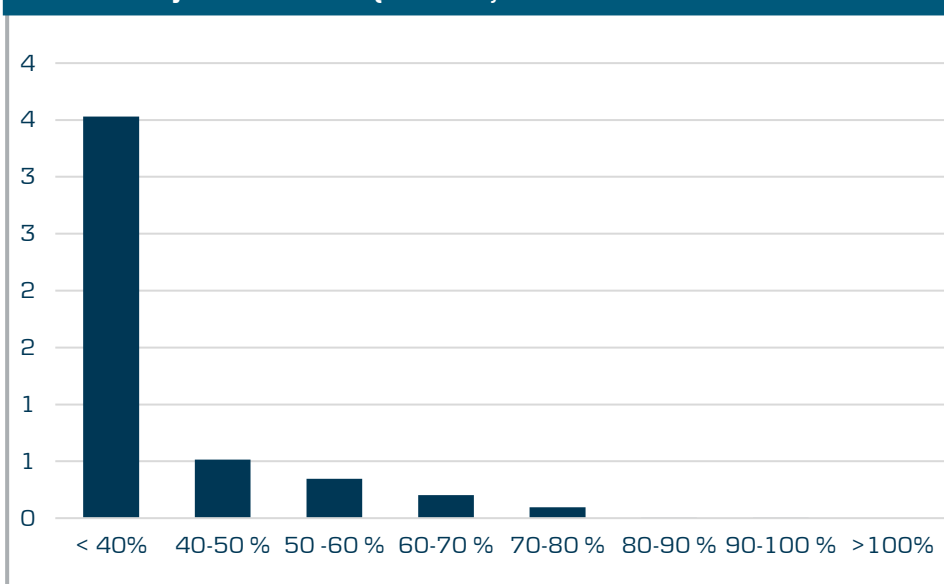
Pool notional	EUR 4.7 bn
-hereof substitute assets	EUR 3.0 m
Collateral type	100% residential mortgages to private individuals (retail)
Number of loans	56,119
Number of borrowers	69,765
Number of properties	54,313
Average loan size	EUR 83.6 thousand
Property type	100% Residential housing

WALTV	52.5%
WA seasoning	6.7 years
Repayment type	100% amortizing
Pool type	Dynamic
Rate type	100% floating rate
Issuance notional	EUR 4.0 bn
OC	17.3%
Geographical location	100 % in Finland
Pool cut-off date	30-06-2023

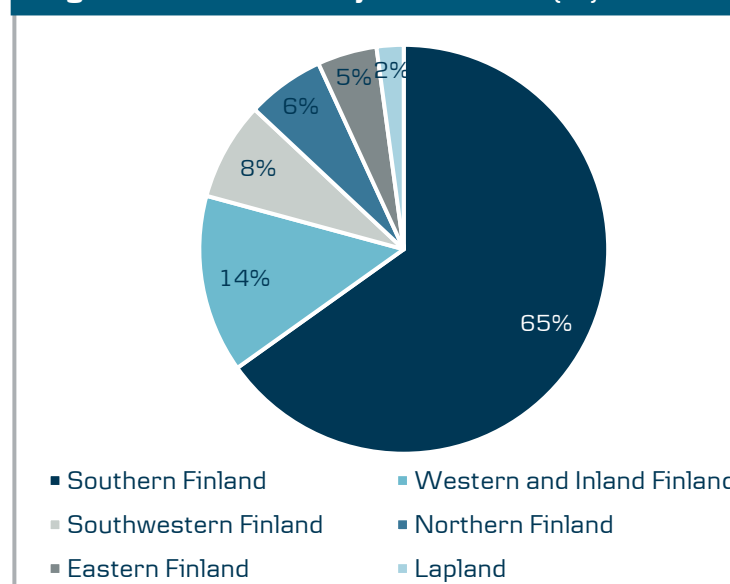
## Volumes by seasoning (months, DKK bn)



## Volumes by LTV buckets (DKK bn)



## Regional distribution by loan volume [%]



## *Credit & ESG Ratings*

# Danske Bank's credit ratings

## Long-term instrument ratings

	Fitch	Moody's	Scope	S&P
	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-
	BB+	Ba1	BB+	BB+

Investment grade

Speculative grade

	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

## Moody's revised its outlook on Danske Bank in July 2023

- On 10 July 2023, Moody's revised its outlook to Positive from Stable on Danske Bank A/S, while affirming all ratings.
- S&P and Fitch both have a Stable outlook on Danske Bank.
- Rating agency concerns related to the failure of Silicon Valley Bank have abated. The agencies recognise the difference in regulation between the EU and the US.
- Danske Bank is well placed to meet all regulatory and rating agency requirements.



# Danske Bank's ESG ratings – slight change in Q2 2023

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

	Q223		Q123	End 2022	End 2021	End 2020	Range
CDP <sup>1</sup>	B	283 companies, out of the 18,700 analysed, made the climate change A List in 2022	B	B	B	B	A to F (A highest rating)
ISS ESG	C+ Prime	Decile rank: 1 (298 banks rated) C+ is the highest rating assigned to any bank by ISS ESG	C+ Prime	C+ Prime	C Prime	C+ Prime	A+ to D- (A+ highest rating) Decile rank of 1 indicates a higher ESG performance, while decile rank of 10 indicates a lower ESG performance
Moody's ESG Solutions	60*	N/A	61	61	61	64	100 to 0 (100 highest rating)
MSCI	BBB	MSCI rates 196 banks: AAA 6% AA 32% A 29% BBB 22% BB 10% B 2% CCC 1%	BBB	BBB	BBB	BB	AAA to CCC (AAA highest rating)
Sustainalytics	Medium Risk	Rank in Diversified Banks 146/382 Rank in Banks 380/1003	Medium Risk	Medium Risk	Medium Risk	High Risk	Negligible to Severe risk (1 = lowest risk)

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

\*Moody's ESG Solutions downgraded Danske Bank to 60 from 61 in April 2023 due to a lowering of the social assessment partially offset by an improvement in environment and governance.

# Contacts

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# *Appendix*

*Forward '28: A focused Nordic leader with strong profitability; Execution already underway with divestment 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 divestment 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 2<sup>nd</sup> profit upgrade in 2023 as H1'23 RoE tops 12%

Four strategic focus areas for investments...





<b>Advisory</b> Further reinforce our advisory and proactive engagement with differentiated expertise for our customers	<b>Digital</b> Continue to strengthen our digital platforms, self-service, customer journeys and 3rd party integrations	<b>Sustainability</b> 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

<b>PC ambition:</b> Become top 1 retail bank in Denmark and top 3 in Finland	<b>BC ambition:</b> Become the leading business bank in the Nordics	<b>LC&amp;I ambition:</b> 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

# 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)

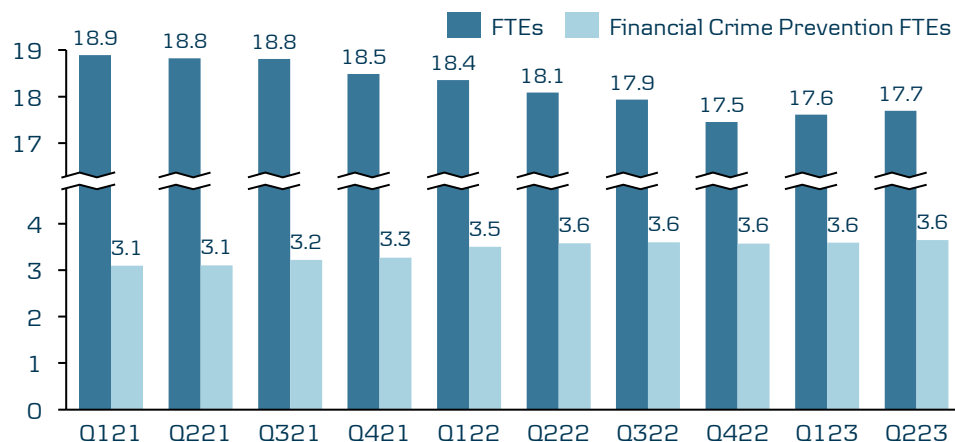


# Expenses: Steady cost focus and FX tailwinds mitigate inflation headwinds and support cost-income ratio of 49%

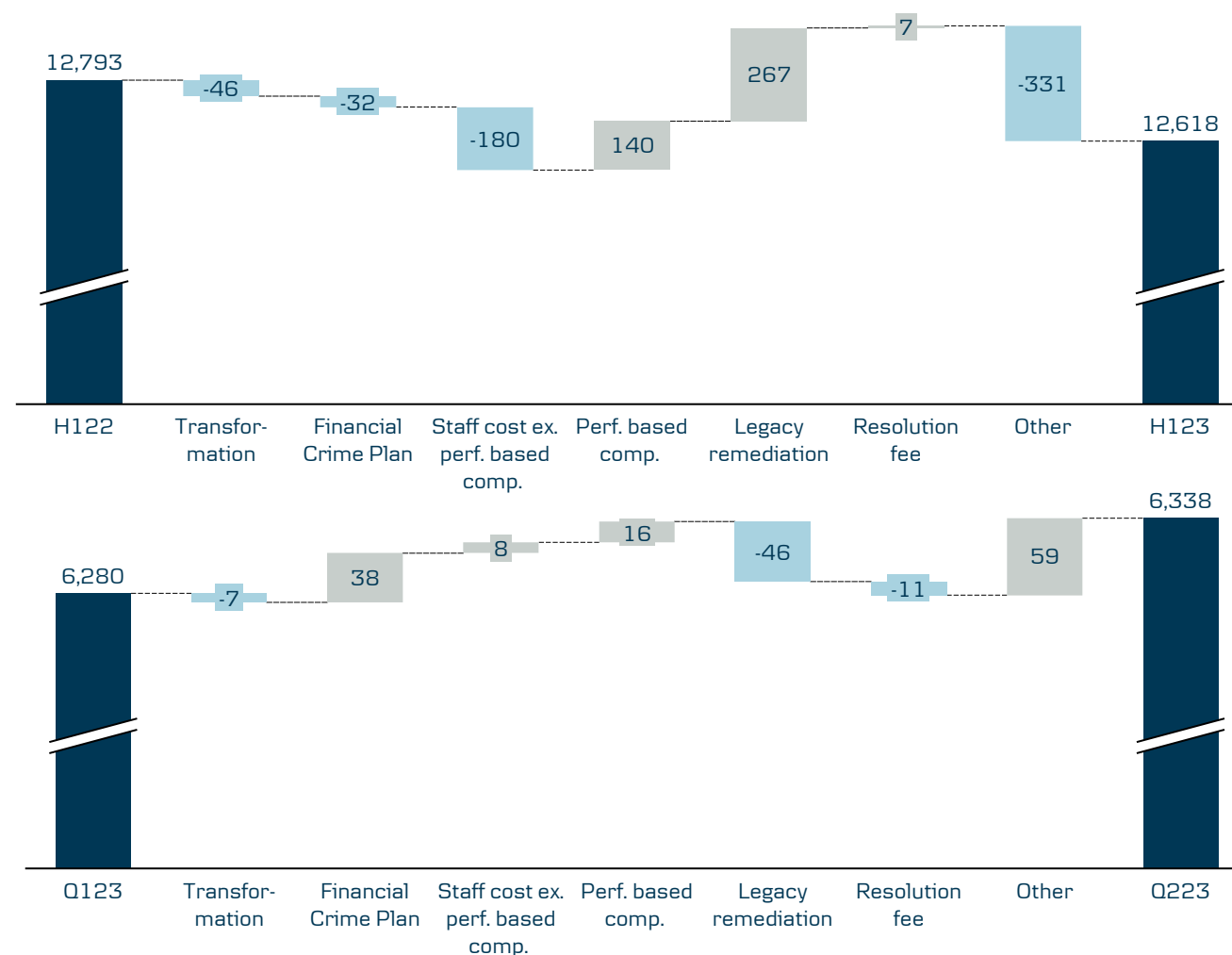
## Highlights

- 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)



# *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 1.1bn.



## 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.

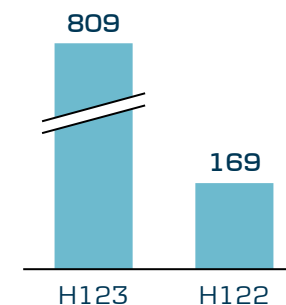
\* Note – The outlook is subject to uncertainty and depends on volume growth, financial market/macroeconomic conditions. \*\* Subject to regulatory approval

# Business units: Danica impacted by high insurance claims; strong income and profitability performance in Northern Ireland driven by primarily higher income

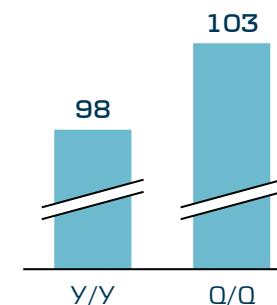
## Northern Ireland

- ✓ Strong performance across all business lines. This is mainly driven by NII, which is up 50%, when comparing to the same period last year
- ✓ Net fee income amounted to DKK 168 million (H122: DKK 164 million), with strong underlying activity levels delivering year-on-year growth
- ✓ Net trading income was positive in the half of 2023, reflecting mark-to-market movements on the bank's hedging portfolio, given a combination of the expectation for UK interest rates and the remaining life cycle of the hedging instruments.
- ✓ Profit before tax increased to DKK 941 million (H122: DKK 131 million) with actions taken in response to higher UK interest rates and increased transactional activity supporting a strong underlying income performance

Profit before imp. (DKK m)



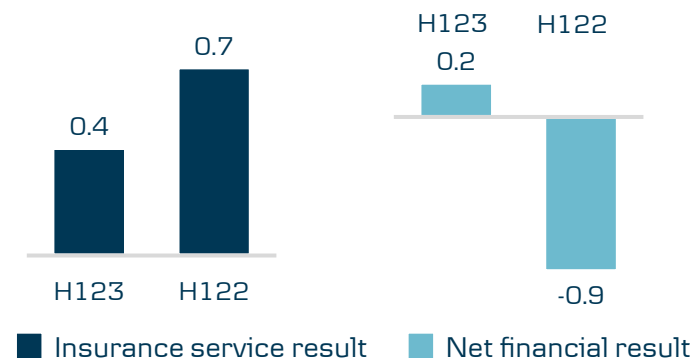
Lending (index)



## Danica

- ✓ The first half of 2023 was generally characterised by optimistic financial markets at the beginning of the year, yielding strong, positive returns on customers' pension savings, however partly offset by the uncertainty following the banking liquidity crisis
- ✓ The insurance service result decreased to DKK 435 million (H122: DKK 705 million) as Danica Pension saw a rise in new health & accident claims, which, however, is a general trend in society. Danica Pension was also not able to recognise the full risk allowance in the first half of 2023, whereas this was possible in the first half of 2022
- ✓ The net financial result increased to DKK 242 million (H122: loss of DKK 858 million). The increase was driven mainly by positive investment results on insurance products where Danica Pension has the investment risk and positive investment returns on Danica Pension's equity capital

Result H123 vs H122 (DKKbn)



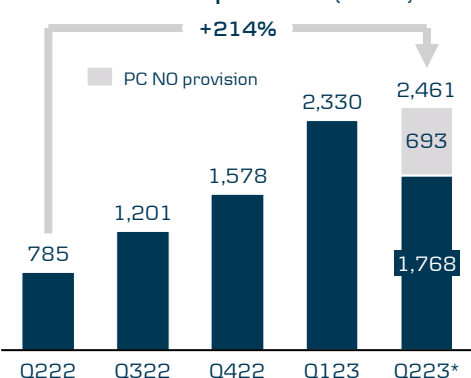


# Business units: Solid progress, high customer activity, enhanced profitability, and strong lending uplift Y/Y for corporates

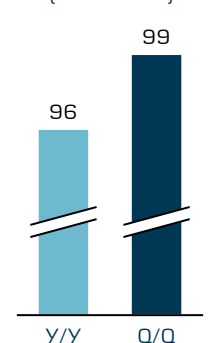
## Personal Customers

- ✓ **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)



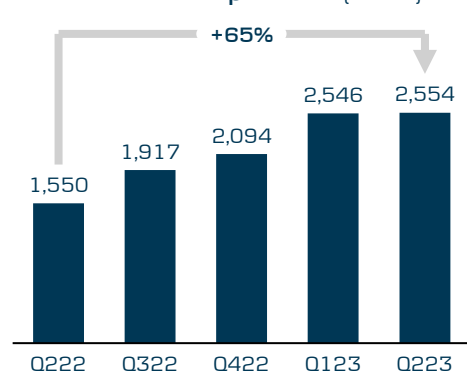
Nominal lending (constant FX)



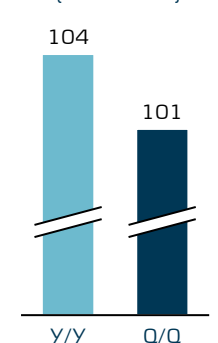
## Business Customers

- ✓ **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)



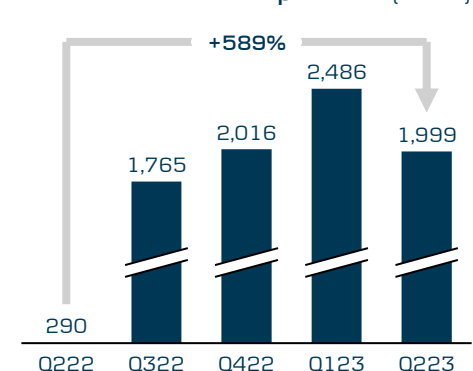
Nominal lending (constant FX)



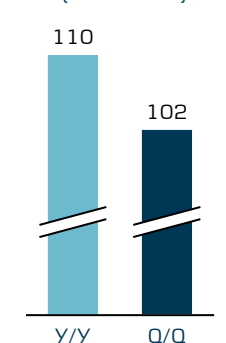
## LC&I

- ✓ **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)



# Realkredit Danmark portfolio overview: Continued strong credit quality

## Highlights

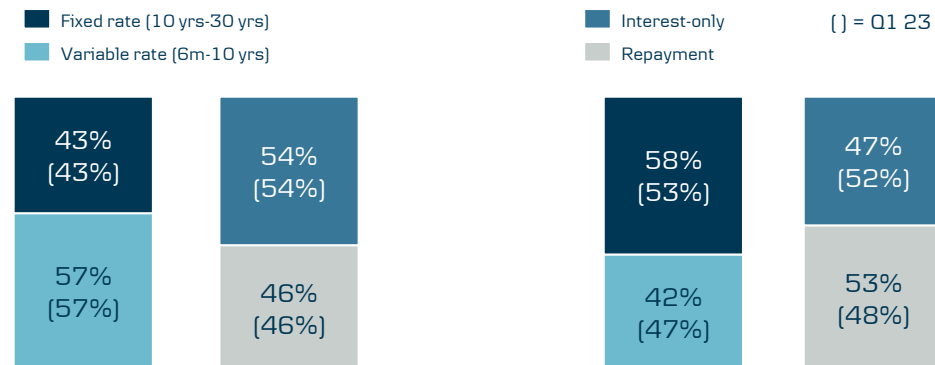
### Portfolio facts, Realkredit Danmark, Q2 23

- Approx. 310,000 loans (residential and commercial)
- Average LTV ratio of 51.5% (50% for retail, 53% for commercial)
- We comply with all five requirements of the supervisory diamond for Danish mortgage credit institutions
- 793 loans in 3- and 6-month arrears (Q1-23: 718)
- 7 repossessed properties (Q1-23: 6)
- Less than 2% of the loan portfolio has an LTV above 80%
- DKK 5bn of the loan portfolio is covered by government guarantee

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

- Residential: 80%
- Commercial: 60%

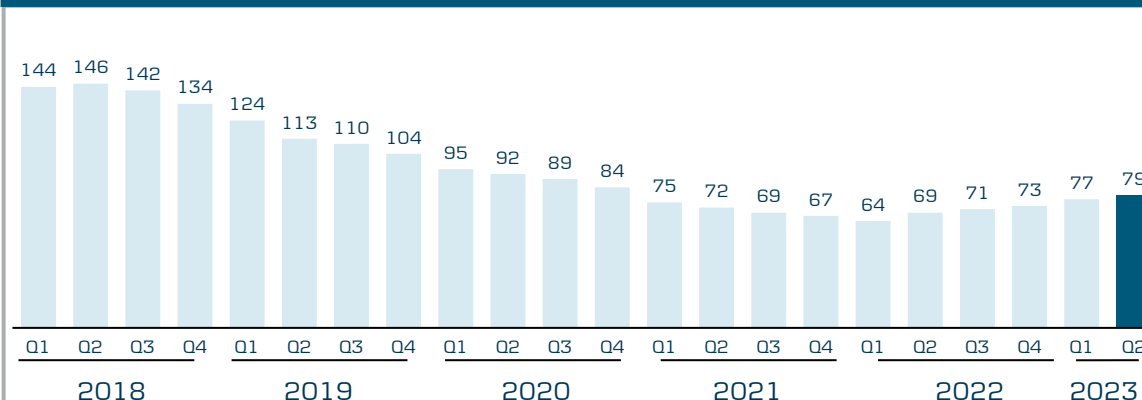
## Retail loans, Realkredit Danmark, Q2 23 (%)



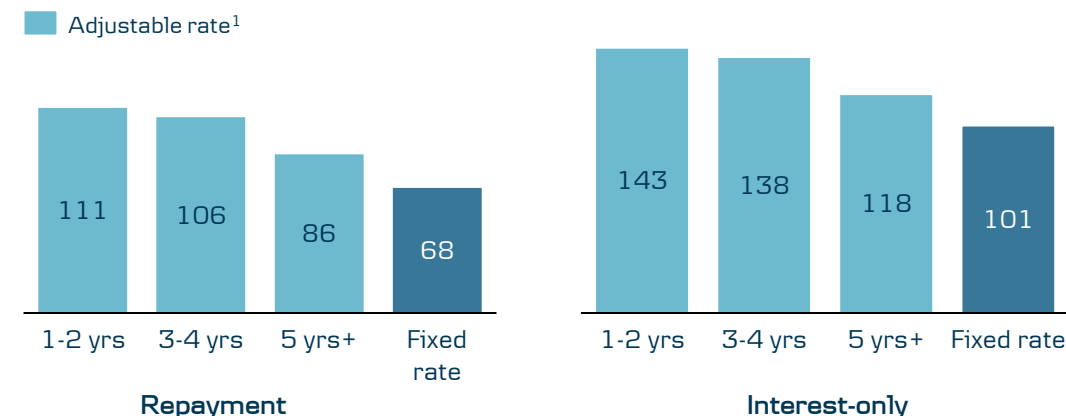
Stock of loans: DKK 432 bn (438bn)

New lending: DKK 15 bn (21bn)

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



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



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

## Recent highlights on sustainability agenda contributing to strong performance



### Support for Danish national sustainable heating campaign

- Danske Bank is supporting a national campaign, which ensures access to favourable financing for Danish homeowners who wish to replace their boiler with a greener alternative, offering customers a flexible loan for energy improvements



### Top 10 in Global Green Bonds league table

- Danske Bank ranks number 9 in Bloomberg's Global Green Bonds league table
- We have arranged more green bonds from European borrowers than any other arranger in the first half of 2023



### Education of advisors and leaders on sustainability

- In H1 2023, about 1,800 advisors and leaders in Personal Customers finalised the first module of sustainability dialogue training with the purpose to further integrate sustainability into our advisory services



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

- Danske Bank continues to rank #1 among Nordic arrangers in the Bloomberg Global League Table
- Danske Bank is the leading Nordic arranger of Sustainable Bonds and the leading arranger of Sustainable Bonds from Nordic issuers



### Sustainable Financing target met

- Danske Bank is progressing well with most of our sustainable finance targets, and with DKK 327 billions in sustainable financing in H1 2023, we have now surpassed our target of DKK 300 billion by 2023



### Broad range of sustainable financing transactions in H1

- Danske Bank has been involved in various sustainable financing transactions ranging from Sveaskog, for whom we arranged the world's first EU taxonomy aligned green bond to an arrangement of a EUR 5.25bn green bond for the Federal Republic of Germany

# 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	<b>Group KPIs</b> <ul style="list-style-type: none"> <li>Sustainable financing:               <ul style="list-style-type: none"> <li>➤ DKK 300bn in sustainable financing by 2023</li> <li>➤ Paris-aligned lending book; 2030 targets set for key sectors</li> <li>➤ Net-Zero Bank by 2050 <sup>1)</sup></li> </ul> </li> <li>Sustainable investing:               <ul style="list-style-type: none"> <li>➤ Danica Pension: DKK 50bn invested in the green transition by 2023 and 100bn by 2030</li> <li>➤ Asset mgmt.: DKK 150bn in art. 9 by 2030</li> <li>➤ Paris-aligned targets set for 2030</li> <li>➤ Net-Zero Asset Owner &amp; Manager by 2050 <sup>1)</sup></li> </ul> </li> </ul>	➤ 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

## 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:



Financially material ESG factors



ESG risk exposure and management



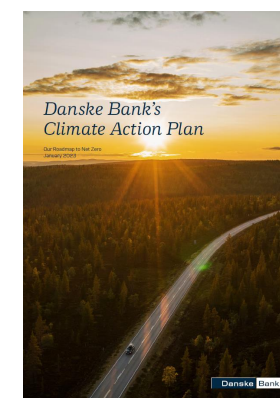
ESG controversies



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

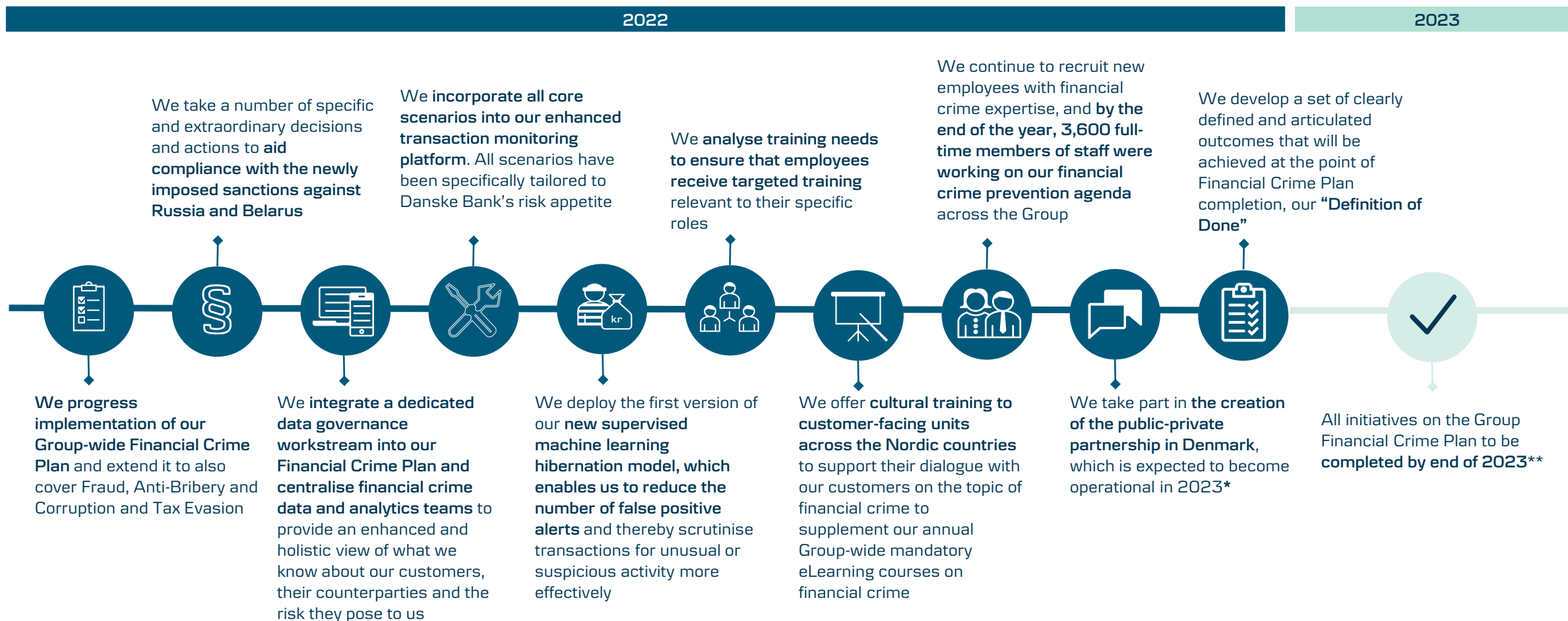
A partnership between UN and the global financial sector with the aim of understanding societal challenges, why they matter to finance, and how to address them



## 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

# Our Path to Financial Crime Transformation



\* 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



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

## Establishing a robust compliance function

In the recent years, the Bank has 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.

The Bank has made significant changes to ensure that it has the right people, structures and controls in place to continue to achieve and maintain a culture of integrity in everything it does, deliver on the 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, the Bank has been adopting an approach of trying to mitigate the most material residual risks first.

The completion of the Financial Crime Plan is one of the bank-wide objectives set by the ELT for 2023. Throughout 2023, the Bank is continuing its efforts to complete the remaining initiatives in the Financial Crime Plan and conclude the financial crime transformation.

## Key remaining work for 2023

### Technical development and implementation

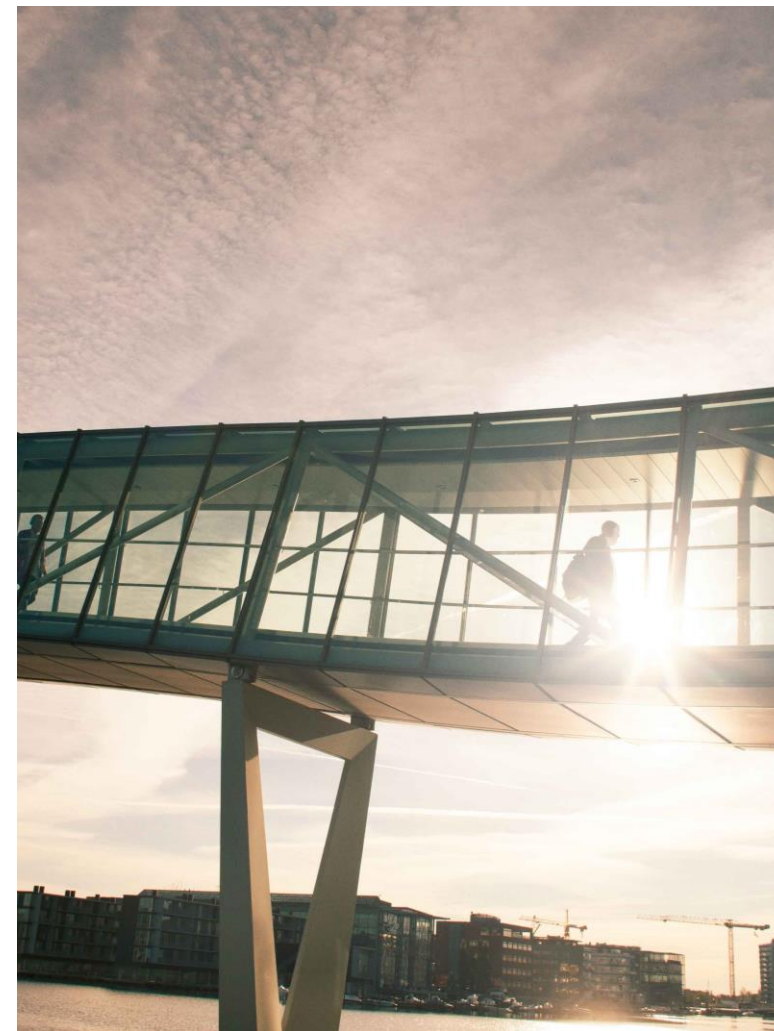
- Several systems require longer development and implementation, for example, Transaction Monitoring and Sanctions Screening

### KYC enhancements

- KYC enhancements will run to the end of 2023

### Later added workstreams

- Workstreams added to the FC Plan later in the process, for example, enhancements within Data Governance, Fraud, Tax Evasion and Anti-Bribery and Corruption, will run to the end of the program





# 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 the past year, 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
- The Financial Crime Plan was submitted to the Danish FSA in May 2020. In November 2021, we submitted our recalibrated Financial Crime Plan, 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-fsa> The Danish FSA ([danskebank.com](https://danskebank.com))

# Committee Governance for Compliance Risks



Financial Crime Remediation Steering Committee	Compliance Risk Committee	Conduct and Compliance Committee	Post-Resolution Committee
<ul style="list-style-type: none"> <li>➤ Provides governance structure and delivery oversight of the Group's Financial Crime Plan</li> <li>➤ Supported by a Group Financial Crime Project Management Office to track and challenge progress across Business Units</li> <li>➤ Chaired by the Chief Compliance Officer of Danske Bank</li> </ul>	<ul style="list-style-type: none"> <li>➤ Second Line Committee responsible for providing oversight and challenge of the management of compliance and conduct risk on behalf of the ELT</li> <li>➤ The Committee reports to the Group All Risk Committee</li> <li>➤ Chaired by the Chief Compliance Officer of Danske Bank</li> </ul>	<ul style="list-style-type: none"> <li>➤ 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</li> <li>➤ Responsible for reviewing all relevant Board owned policies concerning compliance, prior to Board approval</li> </ul>	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ To oversee the implementation of and compliance with post-resolution obligations, the Bank has established a Post-Resolution Committee.</li> </ul>

# The Resolutions with the Danish and U.S. Authorities

In December 2022, Danske Bank reached the final resolutions with the U.S. Department of Justice (DOJ), the U.S. Securities and Exchange Commission (SEC) and the Danish Special Crime Unit (SCU) following the investigations in relation to the non-resident portfolio at Danske Bank's former branch in Estonia. The resolutions marked an end to the investigations, while also emphasising the importance of the journey ahead.



## Pre-Resolution

Already during the investigations, Danske Bank:

- Made significant investments in building systems and upgrading our compliance, risk and control capabilities
- Started implementing a comprehensive transformation program, the Financial Crime Plan (FC Plan), which is scheduled for completion by the end of 2023
- Provided full cooperation with the investigation, which has been acknowledged by the U.S. authorities in the form of a cooperation credit

## The Plea Agreement

Danske Bank's Plea Agreement with the DOJ sets out a number of obligations, including:

- Broad disclosure obligations (§ 11, 13 and 30 of the Plea Agreement and § 13 of Appendix D)
- Compliance Commitments and Compliance Reporting Requirements (Appendices C and D)
- Obligations to meet with U.S. authorities quarterly to discuss progress of the remediation (Appendix D)
- Certification requirements (Appendices E and F)

As part of the Plea Agreement, Danske Bank is placed on corporate probation for three years, which is a period of supervision by the U.S. court. Danske Bank will comply with all terms of corporate probation.

## Post-Resolution

Danske Bank has set up a comprehensive program to manage the post-resolution obligations in three phases:

1. Addressing immediate disclosure obligations and escalation procedures [completed]
2. Submitting work plan outlining how current gaps against obligations will be addressed [completed]
3. Executing on the commitments made to the U.S. Authorities under the Plea Agreement [ongoing]

# Tax

## Actual and adjusted tax rates (DKK m)

	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Profit before tax according to P&L	6,018	6,954	4,877	-13,032	2,164
Permanent non-taxable difference	798	547	-1,119	16,559	408
<b>Adjusted pre-tax profit, Group</b>	<b>6,815</b>	<b>7,501</b>	<b>3,758</b>	<b>3,527</b>	<b>2,572</b>
Tax according to P&L	1,007	1,787	704	760	458
Taxes from previous years etc.	652	71	158	25	106
<b>Adjusted tax</b>	<b>1,658</b>	<b>1,858</b>	<b>862</b>	<b>785</b>	<b>565</b>
<b>Adjusted tax rate</b>	<b>24.3%</b>	<b>24.8%</b>	<b>22.9%</b>	<b>22.3%</b>	<b>22.0%</b>
<b>Actual-/Effective tax rate</b>	<b>16.7%</b>	<b>25.7%</b>	<b>14.4%</b>	<b>-5.8%</b>	<b>21.2%</b>
<b>Actual-/Effective tax rate exclusive prior year regulation</b>	<b>27.6%</b>	<b>26.7%</b>	<b>17.7%</b>	<b>-6.0%</b>	<b>26.1%</b>

## Tax drivers, Q2 2023

- The actual tax rate of 27.6% (excluding prior-year's adjustments) is higher than the Danish rate of 25.2% - due to the tax effect from tax exempt income/expenses and regulations to prior years tax
- The financial sector is subject to a statutory corporate tax rate of 25.2% in 2023 and 26% from 2024 onwards
- Adjusted tax rate of 24.3% is lower than the Danish rate of 25.2% due to the differences in statutory 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

# Material extraordinary items in 2023

One-off items		Effect (DKK m)	P&L line affected
Q1-23	None		
	Transaction costs and prudent valuation related to Personal Customers Norway	-693	Other income
Q2-23	Gain from sale of shares taken over in connection with a loan	327	Trading
	Reversal of provision following a decision from tax auth. rgd. exit of an international joint taxation scheme	576	Tax

# Three distinct methods for rating banks

## Rating methodology

Danske Bank's rating

### S&P Global Ratings

Anchor SACP <sup>1</sup>	+	1	+	2	+	3	+	4	=	Potential CRA <sup>1</sup> adjustment	=	SACP <sup>2</sup>	+	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	+	Qualitative factors	=	BCA <sup>3</sup>	+	Affiliate support	+	LGF <sup>4</sup>	+	Gov. support	=	Issuer rating
Strong Plus		baa1		a1		baa2		baa2		baa1		-1		baa2		0		+1		+1		A3 (Positive)

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 <sup>5</sup>		A (Stable)

<sup>1</sup> Comparable ratings analysis <sup>2</sup> Stand-Alone Credit Profile <sup>3</sup> Baseline Credit Assessment <sup>4</sup> Loss Given Failure <sup>5</sup> No support.

# Disclaimer

## Important Notice

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