Investor Presentation

# Financial results Q2 2024

Danske Bank

# Content



# Danske Bank
# - a brief overview

Danske Bank

# We are a focused Nordic bank with strong regional roots

**3.2m**
personal and business customers

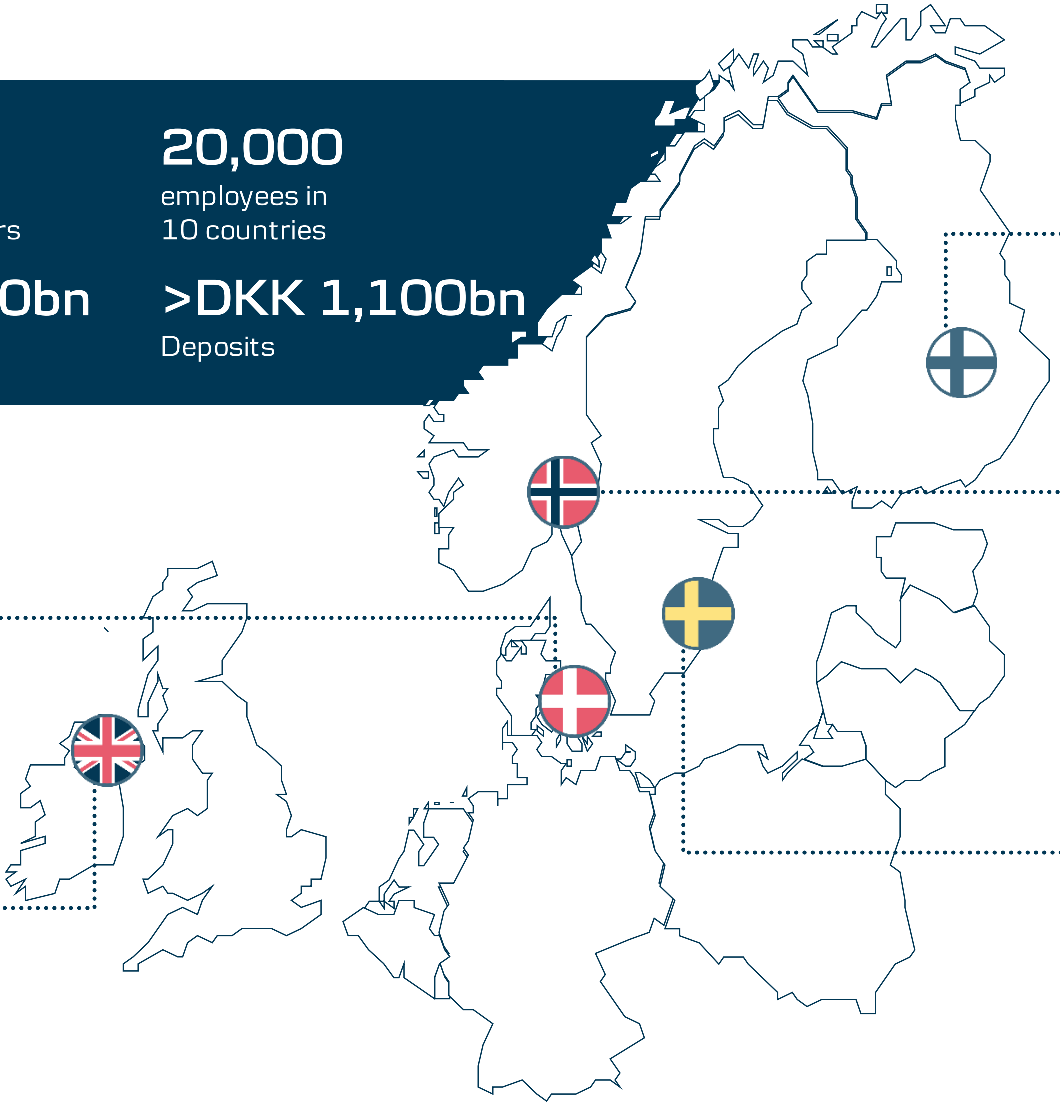
**2,200+**
large corporate and institutional customers

**20,000**
employees in 10 countries

**DKK >835bn***
Assets under Management

**>DKK 1,700bn**
Loans & Mortgages

**>DKK 1,100bn**
Deposits



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

GDP growth 2024E: 2.1%
Unemployment 2024E: 2.9%
Leading central bank rate: 3.35%

## Northern Ireland (AA)
**Market leader**
Share of Group lending: 4%

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

GDP growth 2024E: -0.4%
Unemployment 2024E: 8.2%
Leading central bank rate: 3.75%

## Norway (AAA)
**Challenger position**
Share of Group lending: 8%

GDP growth 2024E: 0.9%
Unemployment 2024E: 2.1%
Leading central bank rate: 4.5%

## Sweden (AAA)
**Challenger position**
Share of Group lending: 11%

GDP growth 2024E: 1.5%
Unemployment 2024E: 8.4%
Leading central bank rate: 3.75%

Note: Share of Group lending is before loan impairment charges and excludes Large Corporates & Institutions (17%), Asset Finance (3%) and Global Private Banking (4%)
* Asset Management in LC&I.

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# Nordic Outlook June 2024: Return to Nordic growth

## Denmark

| | 2023 | Forecast 2024 | Forecast 2025 |
|---|---|---|---|
| GDP Growth | 1.8% | 2.1% (2.1%) | 2.0% (2.0%) |
| Inflation | 3.3% | 1.8% (2.0%) | 2.0% (1.9%) |
| Unemployment | 2.8% | 2.9% (3.0%) | 3.1% (3.1%) |
| Policy rate* | 3.60% | 3.50% (2.85%) | 2.75% (1.85%) |
| House prices | -2.7% | 4.0% (3.0%) | 2.5% (2.0%) |

Parentheses are the old projections (From March 2024)
*End of period
Source: Danske Bank, Statistics Denmark, Nationalbanken

## Sweden

| | 2023 | Forecast 2024 | Forecast 2025 |
|---|---|---|---|
| GDP Growth | 0.2% | 1.5% (1.5%) | 2.0% (2.0%) |
| Inflation | 8.5% | 2.5% (2.5%) | 1.0% (1.0%) |
| Unemployment | 7.7% | 8.4% (8.3%) | 8.1%( 8.1%) |
| Policy rate* | 4.00% | 3.00% (3.25%) | 2.00% (2.75%) |
| House prices | -7.0% | 1.0% (1.0%) | 5.0% (5.0%) |

Parentheses are the old projections (From March 2024)
*End of period
Source: Danske Bank, Statistics Sweden, Riksbanken

## Norway

| | 2023 | Forecast 2024 | Forecast 2025 |
|---|---|---|---|
| GDP Growth | 1.1% | 0.9% (1.1%) | 2.0% (2.1%) |
| Inflation | 5.5% | 3.4% (3.8%) | 2.0% (2.0%) |
| Unemployment | 1.8% | 2.1% (2.3%) | 2.4% (2.5%) |
| Policy rate* | 4.50% | 4.50% (3.50%) | 3.50% (2.50%) |
| House prices | 0.2% | 3.0% (0.8%) | 5.0% (4.5%) |

Parentheses are the old projections (From March 2024)
*End of period
Source: Danske Bank, Statistics Norway, Norwegian Labour and Welfare Organization (NAV), Norges Bank

## Finland

| | 2023 | Forecast 2024 | Forecast 2025 |
|---|---|---|---|
| GDP Growth | -1.0% | -0.4% (-0.4%) | 1.8% (1.9%) |
| Inflation | 6.3% | 1.8% (2.0%) | 1.8% (1.6%) |
| Unemployment | 7.2% | 8.2% (7.9%) | 7.9% (7.4%) |
| Policy rate* | 4.00% | 3.25% (3.25%) | 2.25% (2.25%) |
| House prices | -6.3% | 0.0%( 0.5%) | 3.5% (3.0%) |

Parentheses are the old projections (From March 2024)
*End of period
Source: Danske Bank, Statistics Finland, EKP

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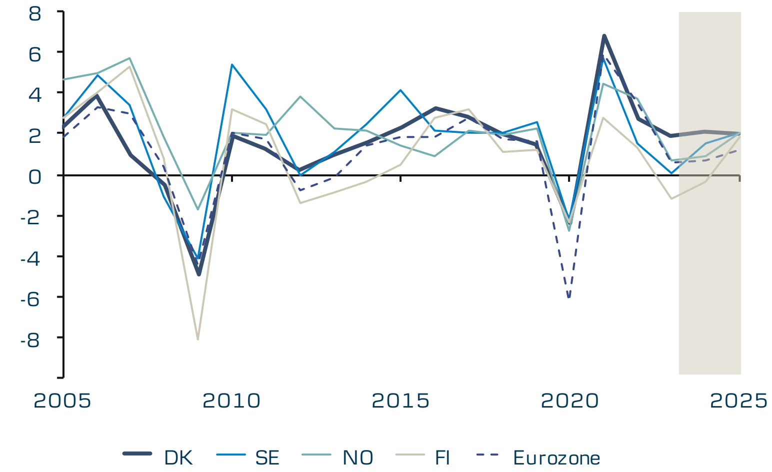
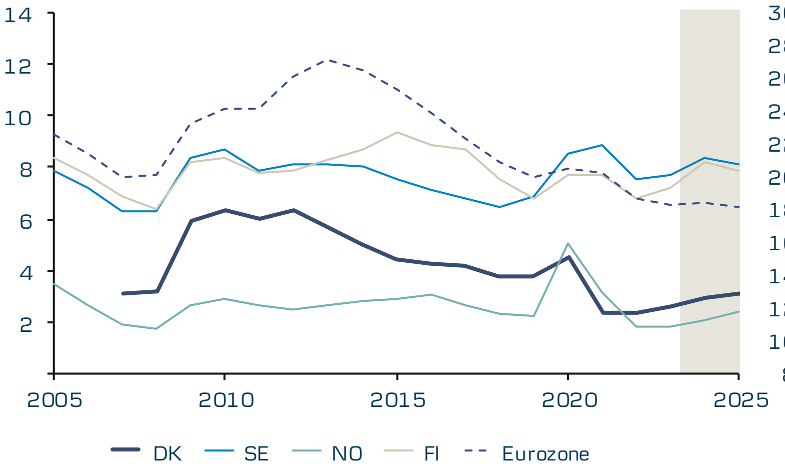
# Historical macroeconomic development in the Nordics

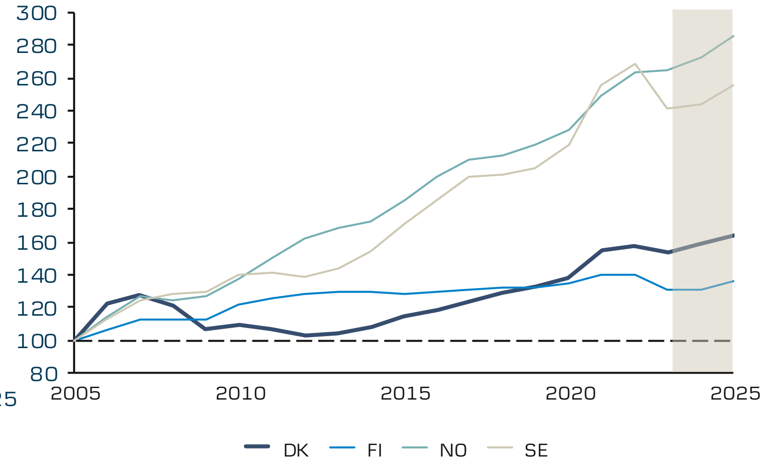
## GDP development (%)



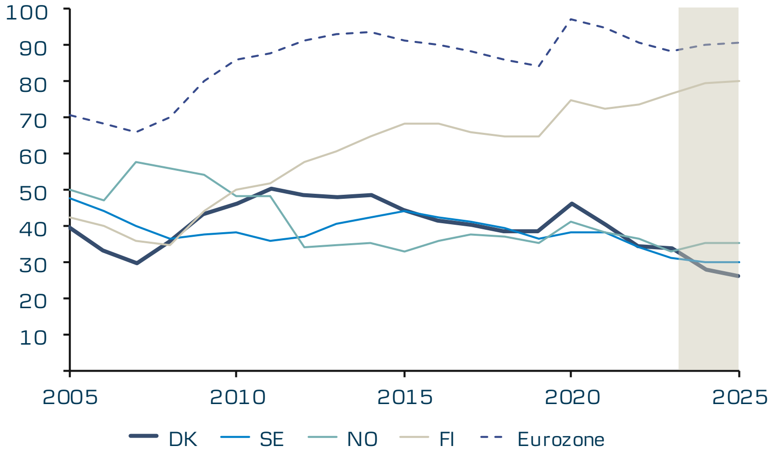

## Unemployment (%)



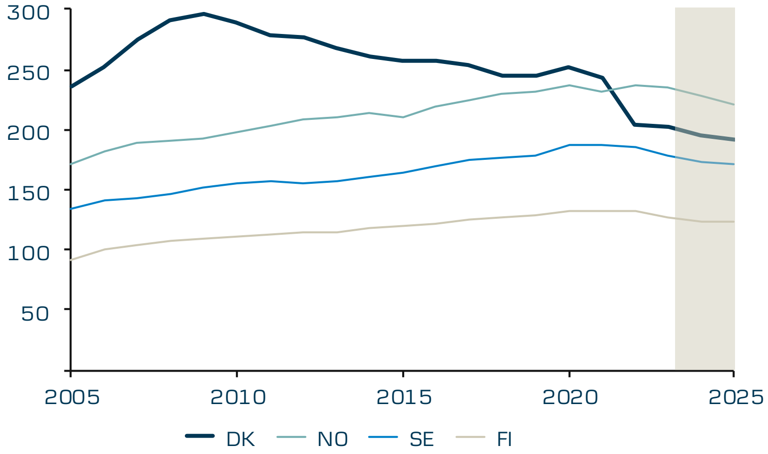

## House prices (index 100=2005)



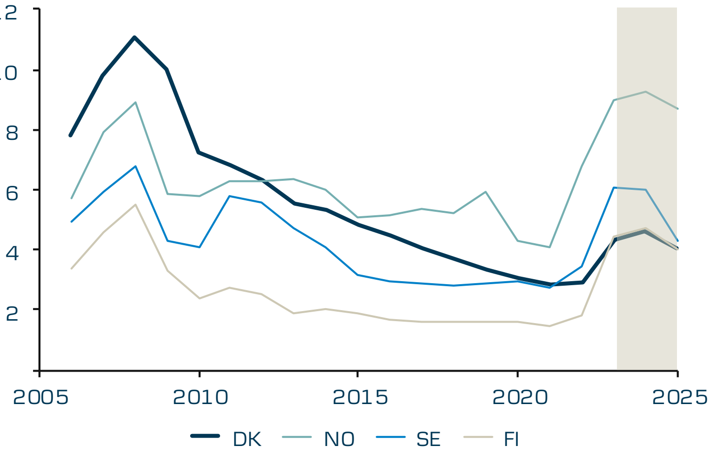

## Debt to GDP (%)




## Household debt (% of disp. income)




## Household interest (% of disp. income)




Source: Statistics Denmark, Statistics Norway, Statistics Sweden, Statistics Finland and Eurostat

# Our commitments for 2026

## Growth in focus segments

- Leading wholesale and business bank in the Nordics
- Leading retail bank in Denmark and Finland
- Grow share of wallet and market share with most attractive segments

## Disciplined capital return & cost

- Capital allocation towards most profitable areas that meet our hurdle rates
- Drive productivity and cost takeouts
- Normalise FCRP and remediation cost

## Strong capital generation & low risk

- Strong capital generation with ability to distribute consistently over time
- Maintain low and stable risk levels through the cycle

## How we measure progress[1]

| | | |
|---|---|---|
| Personal Customers | Number of meetings per advisor (Index: 2023 = 100) | 163 |
| | Net new customer in growth segments* | 40k |
| | Customer satisfaction with Mobile Bank | 8.5 |
| Business Customers | Annual growth in Daily Banking fees in BC | 5% |
| | Credit cases with automatic decisioning | 50% |
| | Increase in customers highly satisfied with advisory** | +15% |
| LC&I | Number of new customers outside Denmark** | 40 |
| | Annual growth in Daily Banking fees in BC & LC&I | 5% |
| | Ranking in Capital Markets advisory fees | Top 2 |

## Financial targets for '26

**13%**

Return on Equity

>16% CET1

~45% Cost to Income

### Capital distribution

- Dividend potential from 2023-26 of above DKK 50 bn
- Accelerated dividend by H1-23 result targeting the higher end of the 40-60% policy range
- Ambition for further distribution – subject to capital position and market conditions

### Increased investments

- Increase yearly digital and tech investments by DKK 1 bn

* Increase vs. 2023 baseline. ** Increase vs. 2022 baseline.

# Strong financial performance and traction towards targets highlight progress on Forward '28 strategy; distribution outlook for 2024 in line with financial ambitions

## Highlights

- Strong performance and constructive outlook underpinned by dedicated customer focus and improved macro environment
- High activity drives fee uplift, contributing to higher core banking income, while some sectors remain impacted by sentiment
- Strong corporate franchise support customer engagement, supported by high DCM activity and improved lending volumes
- Housing market activity gradually recovers and retail deposit volumes improved further
- Progress on commercial agenda with continued traction within prioritised segments and increased engagement in relation to green financing and advisory offerings
- Capital distribution with reaffirmed CET1 target >16%:
  - ✓ Announcing accelerated interim dividend of DKK 7.5/share reflecting ~56% of H124 net profit*
  - ✓ Intention to pay an extraordinary dividend of approx. DKK 5.5bn related to release of capital from PC Norway sale (upon closing)
  - ✓ For FY24, the BoD intends to distribute full remaining net profit in 2025**

**Net profit of DKK 5.8bn**

Equivalent to a ROE of 13.3% in Q2

**Core banking income +11%**

Underpinned by NII up 11% and solid fee uplift up 13% y/y

**Improved efficiency Y/Y Cost/income 46%**

Reflecting prudent cost management and targeted investments

**Strong corporate activity supports volumes**

Leading Nordic bond arranger coupled with higher balance sheet lending

**Strong balance sheet and asset quality**

Strong CET1 ratio of 18.5% and loan losses well below through-the-cycle assumption

**Execution on capital distribution**

Accelerated dividend and PC Norway release taking distribution to DKK 30bn since CMD by year-end

* For 2025, dividend payout will again be proposed to be based on annual payments. **Subject to financial performance and D-FSA approval

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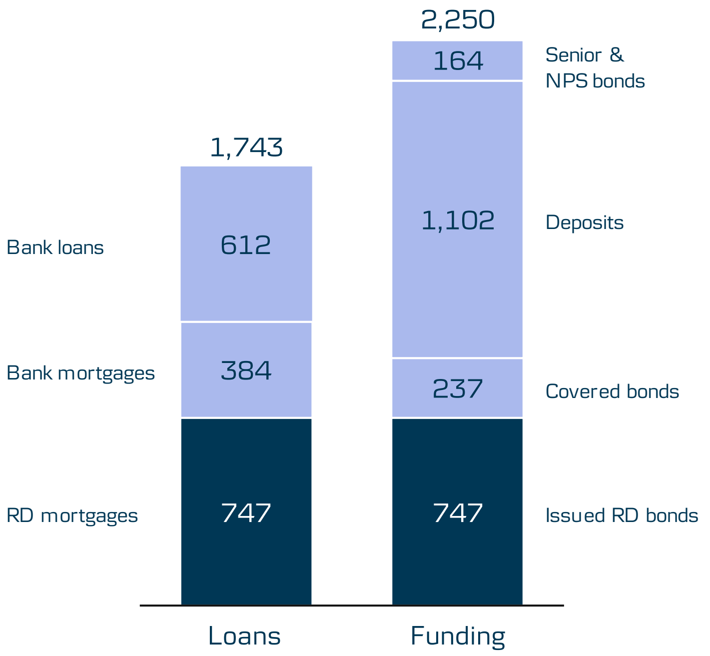
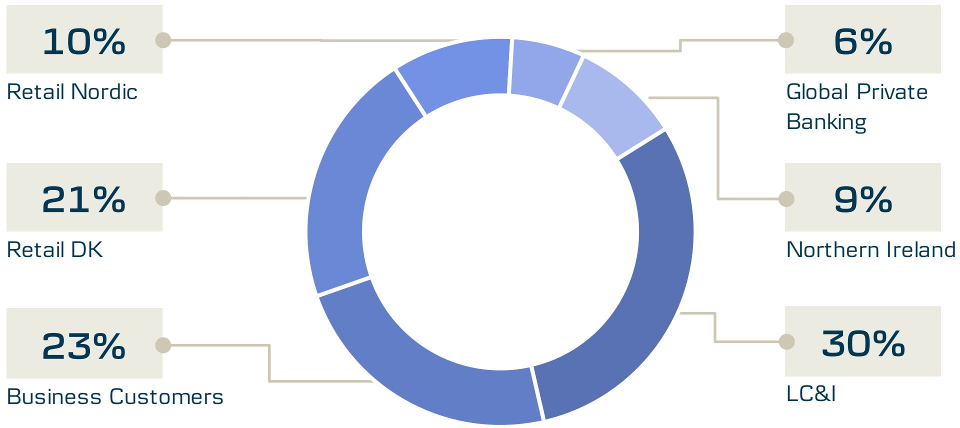
# Danske Bank's strong balance sheet underpins our resilient business model which includes a well-balanced ALM strategy and a very strong liquidity position

- Danske Bank has a sound funding structure and remains very well capitalised with a prudent CET1 capital buffer to the current regulatory requirements. Further, our liquidity is underpinned a significant cash position and a liquidity coverage ratio (LCR) of 187%, 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 executed DKK 57 bn of our total wholesale funding plan of DKK 80 -100bn for 2024 by the end of June 2024

## Sound funding structure (DKK bn)

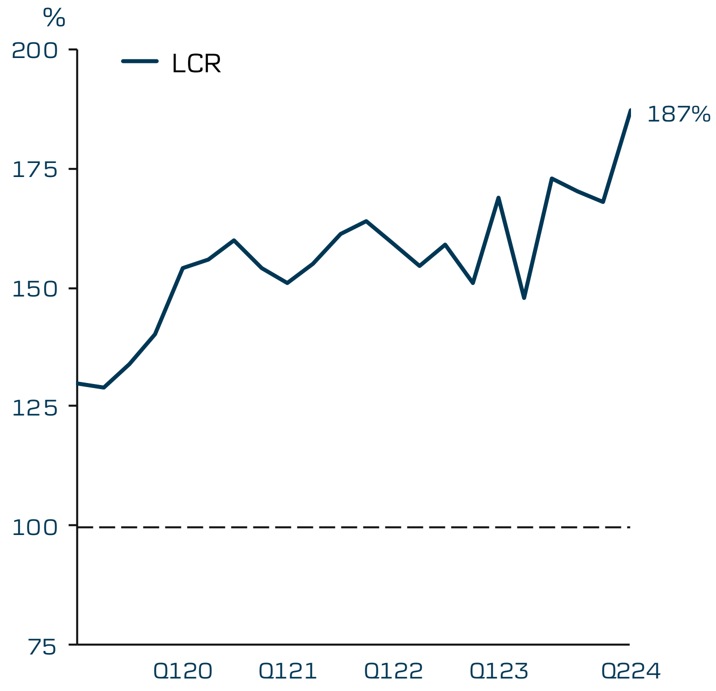



## Diversified and stable deposit base




| | 2021 | 2022 | 2023 | Q2 24 |
|---|---|---|---|---|
| Total bank deposits (DKK bn) | 1,168 | 1,172 | 1,140 | 1,102 |
| of which Stable deposits* | 376 | 388 | 373 | 368 |
| of which Operational deposits* | 297 | 319 | 307 | 298 |
| Stable & Operational, % of bank deposits | 58% | 60% | 60% | 60% |

## Strong liquidity position




* Based on regulatory definition. E.g., Stable deposits include fully insured retail deposits to customers with full relationship at Danske Bank. Operational deposits is from Corporate depositors maintained to obtain clearing, custody and cash management

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# Our **sustainability strategy** defines our approach and priorities towards 2028

**Our strategic ambition**

*To be a leading Nordic bank in supporting the sustainability transition of customers, companies we invest in and Nordic societies*

**Our strategic focus areas**

*Create lasting value for our customers, business and society*

- Support our customers in their transition
- Ensure a robust and resilient bank
- Manage our societal impact

**Our prioritised sustainability agendas**

- **Climate change** – *Supporting the transition towards Net Zero*
- **Nature & biodiversity** – *Supporting the protection of nature and ecosystems*
- **Human rights & social impact** – *Supporting the protection of human rights*

**Driving sustainability in our core business areas**

- Lending & financing
- Asset management
- Life insurance & pension
- Operations & supply chain

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# Financial outlook revised upwards on June 26th
# Net profit for 2024 will reflect progress on financial ambitions for 2026

| | |
|---|---|
| **Income** | **Total income** is expected to grow in 2024, driven by higher core income, our continued efforts to drive commercial momentum and in line with our financial targets for 2026.<br>Income from trading and insurance activities will be subject to financial market conditions |
| **Expenses** | We expect **operating expenses** in 2024 to be in the range of 26-26.5 billion, reflecting increased investments in line with our financial targets for 2026 and continued focus on cost management.<br>The outlook includes non-recurring items of approximately DKK 0.6 billion related to the relocation to the new domicile and minor costs for the divestment of Personal Customers Norway |
| **Impairments** | **Loan impairment charges** remain subject to an elevated level of geopolitical and macroeconomic uncertainty. Given our strong credit quality and the reversals seen in H1 24, we now expect full-year loan impairment charges to be up to DKK 0.6 billion |
| **Net profit *** | We expect **net profit** to be in the range of DKK 21-23bn |

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

# Financial highlights – second quarter 2024

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# Strong income uplift driven by NII and continued momentum for fee income; cost trajectory according to plan; strong credit quality and net reversals of impairments

## Highlights

- Total income up 9% Y/Y and 1% Q/Q supported by sustained uplift in core banking income, up 11% Y/Y
- NII trajectory in line with expectations
- Multi-period high fee income as a result of high customer activity, incl. cash management, everyday banking activity and strong DCM performance
- Trading income normalising, although Q2 was impacted by slightly lower customer activity and cautious sentiment
- Danica income benefiting from stable financial markets and higher premiums
- Other income affected by lower income from leasing assets
- Cost trajectory Y/Y in line with expectations as inflation and targeted investments are mitigated by efficiency gains and lower FCRP and legacy spend
- Robust credit quality and well-provisioned portfolio led to net reversals in Q2
- Net profit up 13% Y/Y, resulting in a RoE of 13.1%

## Income statement (DKK m)

| | H1 24 | H1 23 | Index | Q2 24 | Q1 24 | Index |
|---|---|---|---|---|---|---|
| Net interest income | 18,287 | 16,535 | 111 | 9,145 | 9,142 | 100 |
| Net fee income | 7,074 | 6,270 | 113 | 3,698 | 3,376 | 110 |
| Net trading income | 1,377 | 2,238 | 62 | 608 | 769 | 79 |
| Net income from insurance business | 949 | 689 | 138 | 457 | 492 | 93 |
| Other income | 324 | -145 | - | 147 | 176 | - |
| **Total income** | **28,011** | **25,586** | **109** | **14,055** | **13,955** | **101** |
| Operating expenses | 12,818 | 12,642 | 101 | 6,481 | 6,337 | 102 |
| **Profit before loan impairments** | **15,193** | **12,944** | **117** | **7,574** | **7,618** | **99** |
| Loan impairment charges | -99 | -28 | - | -200 | 101 | - |
| **Profit before tax** | **15,292** | **12,972** | **118** | **7,774** | **7,517** | **103** |
| Tax | 3,824 | 2,794 | 137 | 1,936 | 1,888 | 103 |
| **Net profit** | **11,468** | **10,178** | **113** | **5,839** | **5,629** | **104** |

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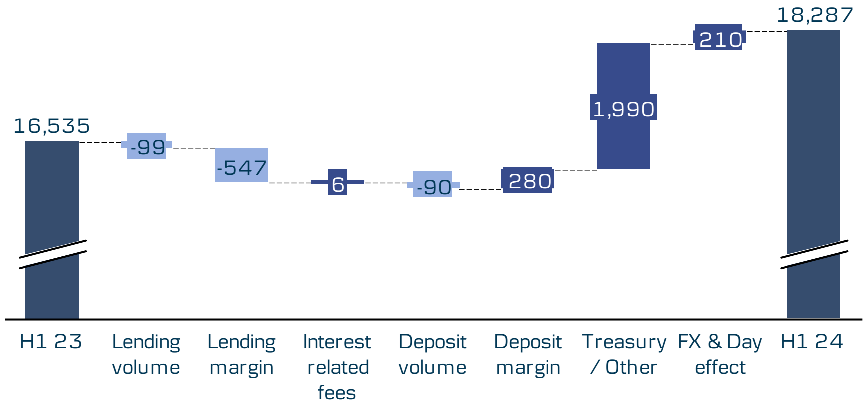
# NII: Sustained uplift in NII as positive volume contribution and treasury portfolio mitigate normalisation of CB policy rates

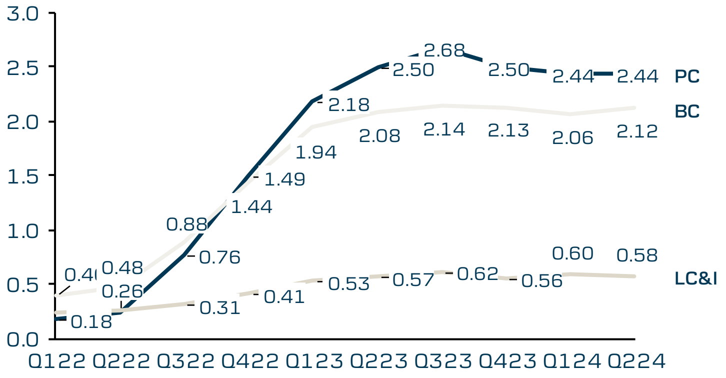
## Highlights

- Net interest income trajectory in line with expectations as central banks initiate their path to normalisation of policy rates
- Y/Y benefited from higher return on shareholders' equity along with deposit margin expansion. Lending margins affected by competitive pricing and lagging effects
- Q/Q resilience supported by positive contribution from both lending and deposit volumes. Margins slightly impacted by the CB policy rate cuts and timing of pricing adjustments
- NII sensitivity in year 1: DKK (+/-) 500m (per 25bps move) with assumed migration to savings products. Additional impact in year 2 and 3 of DKK (+/-)300m and DKK (+/-)200m, respectively, all else equal

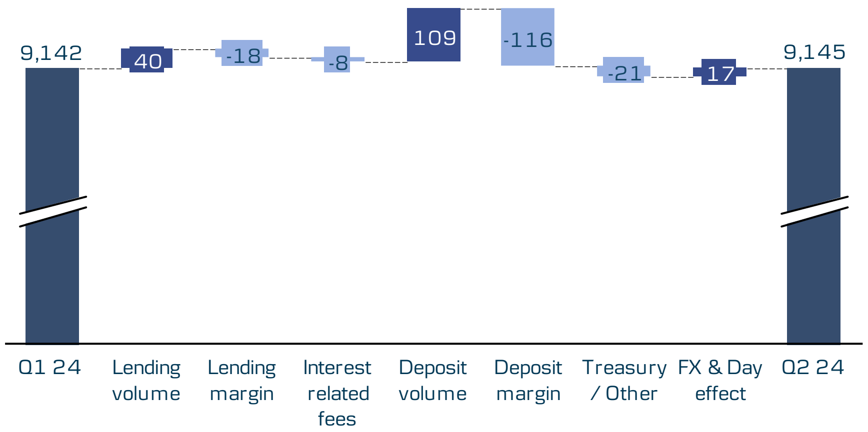
## Net interest income H124 vs H123 (DKKm)



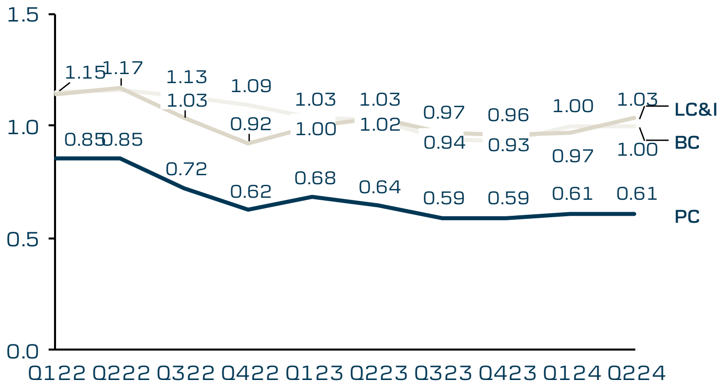

## Deposit margin development (%)




## Net interest income Q224 vs Q124 (DKKm)




## Lending margin development (%)



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# Fees: Strong fee income, up 13% Y/Y, driven by high customer activity across products lines, especially in investments and everyday banking fees

## Highlights

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

- Demand for everyday banking solutions such as cards and corporate cash management services continued to be high, underpinned by consumer spending and economic activity

### Lending and guarantee fees

- Y/Y: Gradual recovery in housing market activity was a positive, although overall activity remains subdued
- Q/Q: Good activity in short floating rate bond auctions benefited the line

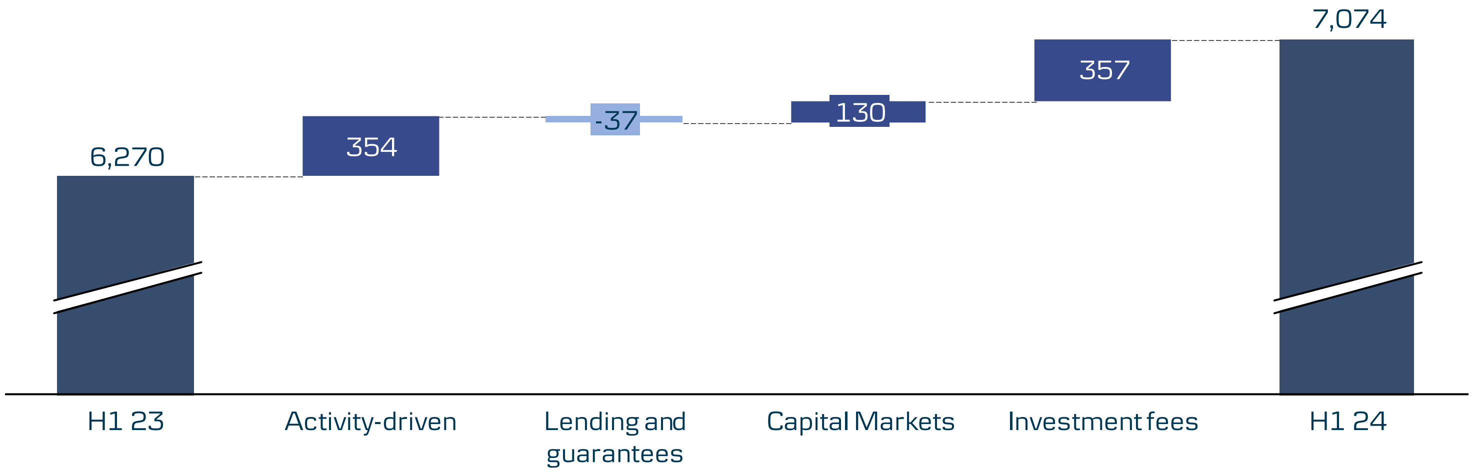
### Capital markets fees

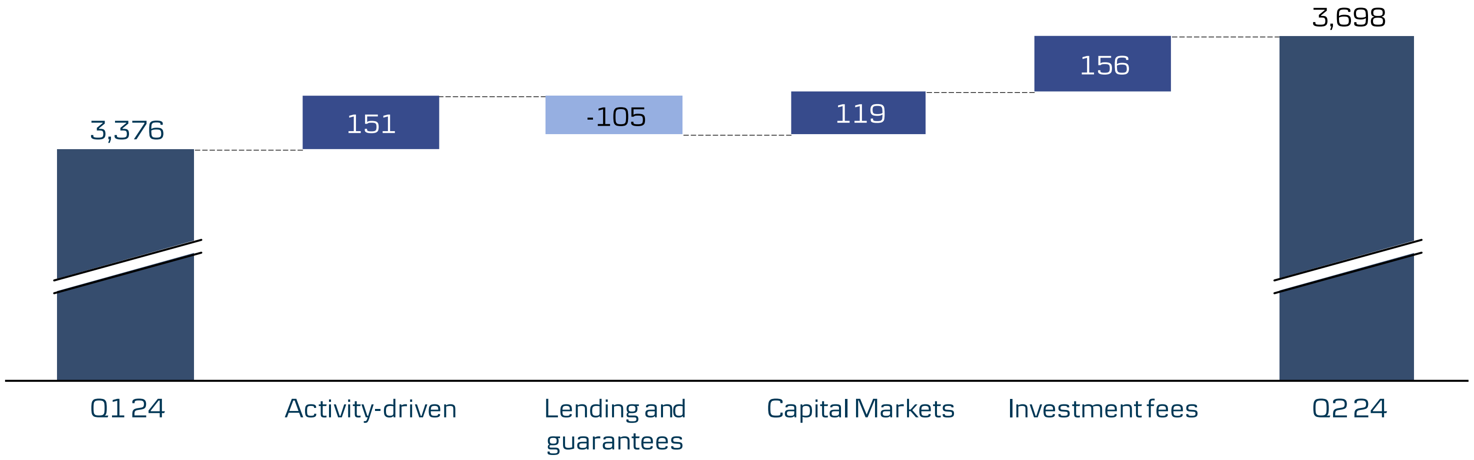
- Strong activity in Debt Capital Markets as we remained the leading Nordic bank in both Nordic and European debt capital markets in terms of volumes supported

### Investment fees

- AuM continued to grow – up DKK 24bn Q/Q to DKK 840bn driven by rising asset prices and positive net sales of DKK 4bn
- Q/Q: Investment fees up 14% due to strong customer activity and higher AuM

## Net fee income (DKK m)



# Trading income: Lower customer activity following strong H1-23

## Highlights

### LC&I

- Y/Y: Lower customer activity and exceptionally strong customer activity at LC&I in H123 led to the decline
- Q/Q: Customer activity was seasonal low in Q224 relative to Q124

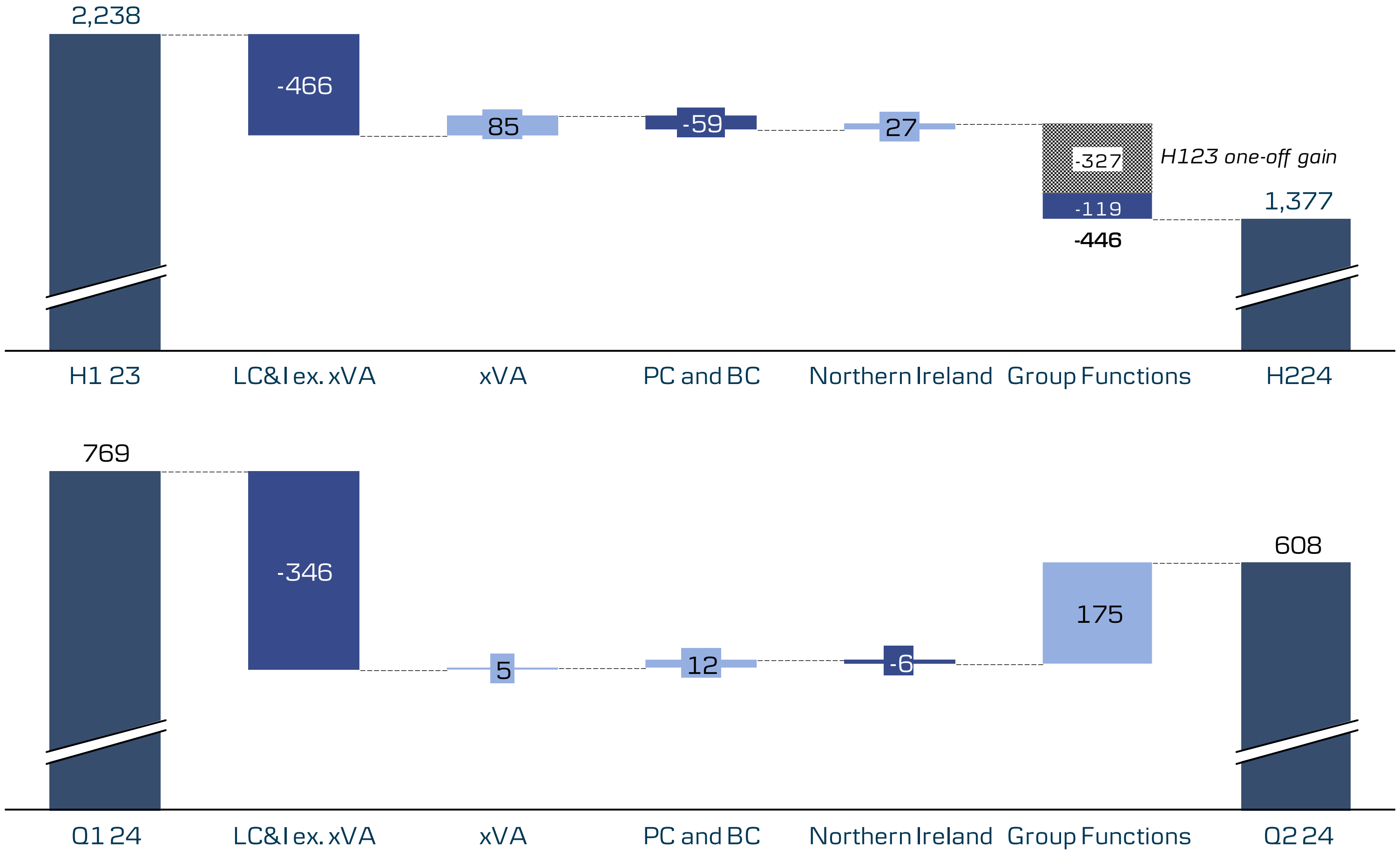
### PC and BC

- Y/Y: Trading income at PC was negatively affected by lower income in connection with loans in Sweden and Finland

### Group Functions

- Development in currencies drove market value adjustments in Group Treasury's currency transformation instruments
- H123 was positively affected by a one-off gain of DKK 327 million related to the sale of shares taken over in connection with a loan

## Net trading income (DKK m)



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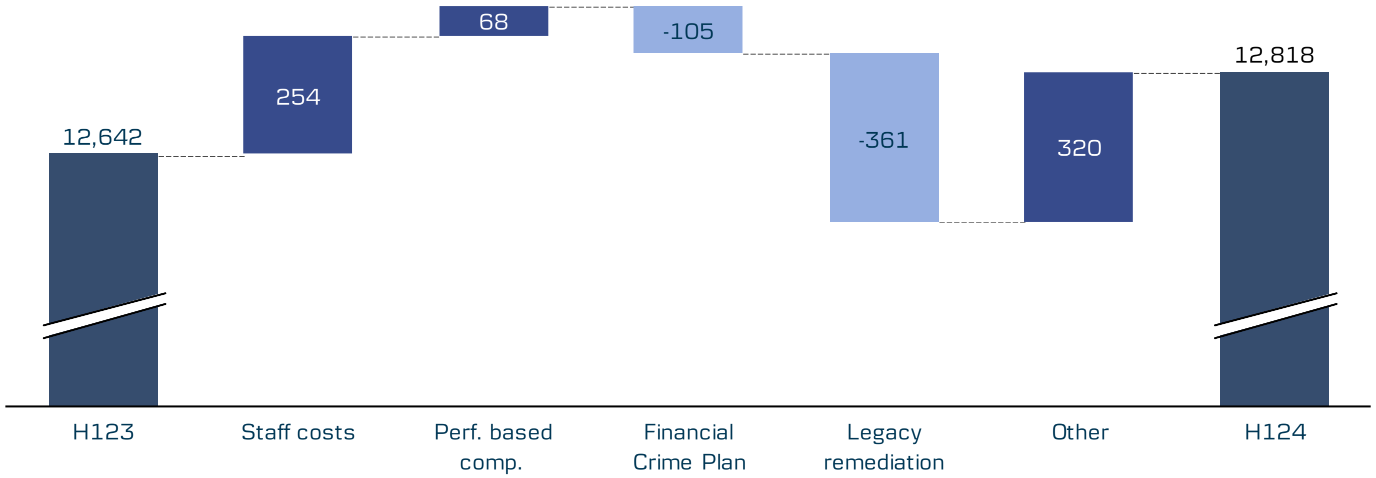
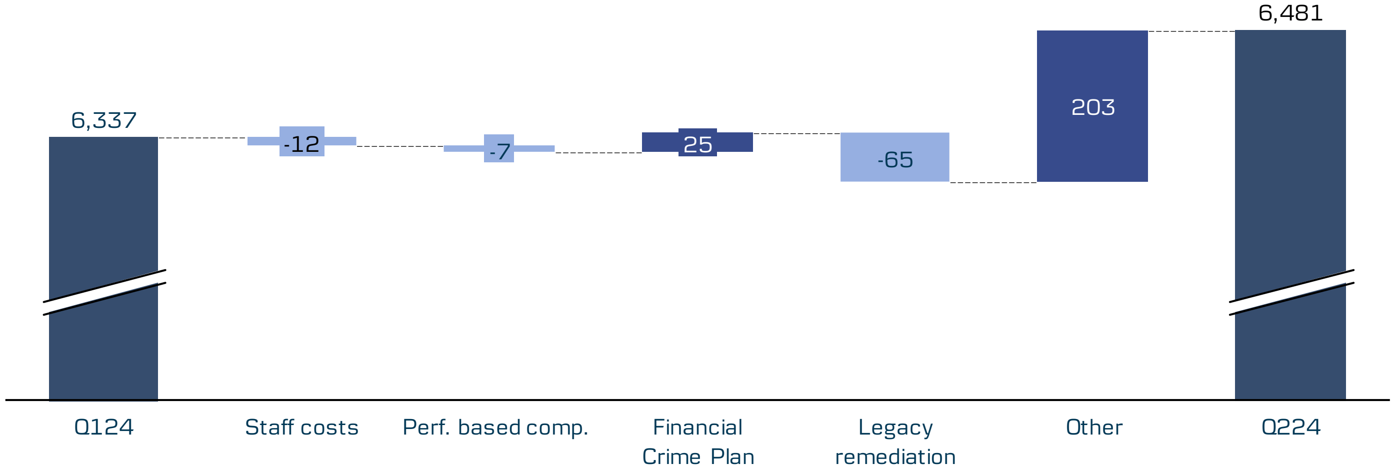
# Expenses: Prudent cost management delivering in line with 2026 financial target

## Highlights

- Total operating expenses up 2% Q/Q, due to inflation and execution of targeted investments
- Cost/income ratio down to 46% from 49% a year ago
- Staff costs impacted by wage inflation. Also higher performance-based compensation Y/Y while flat Q/Q
- Number of FTEs down 6% since Q2 2023
- Cost trajectory according to plan and FY2024 cost outlook is maintained

## Expenses (DKK m)



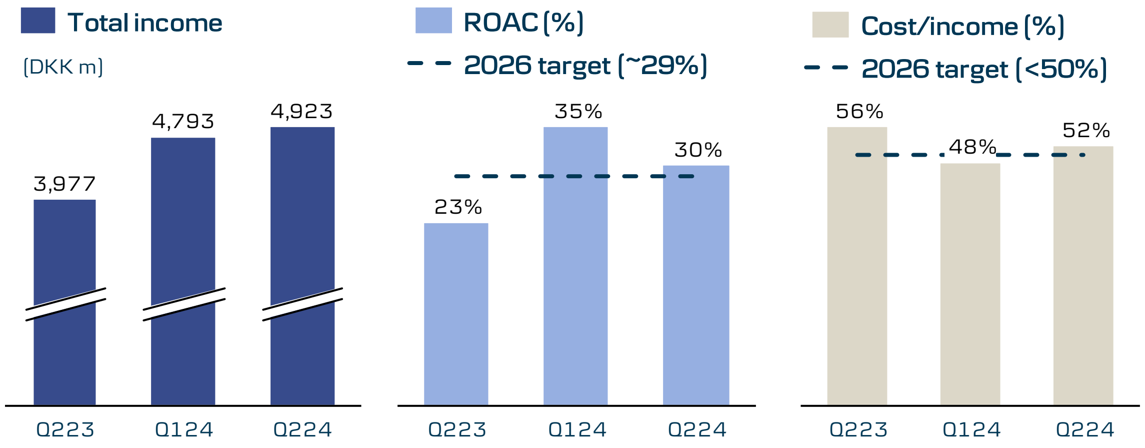
# Business & Product Units

# Personal Customers: Improved financial performance underpinned by good activity and uplift in core banking income

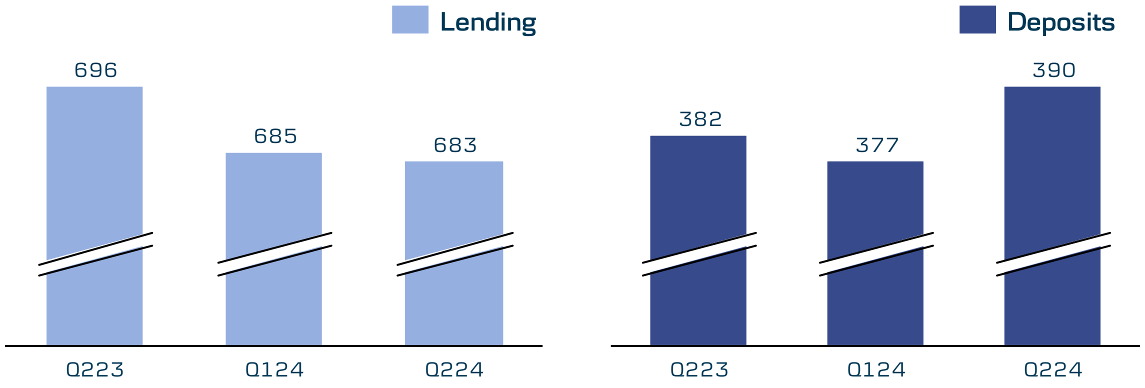
## Highlights

- Improved financial performance and customer activity driving 35% y/y increase in profit before tax
- Core banking income up 3% Q/Q and 6% Y/Y, fuelled by higher fee income, particularly from everyday banking and investment fees
- Increase in C/I ratio reflecting ramp-up in investments
- Continued demand for Danske Bolig Fri home loan product partially mitigating muted mortgage demand
- Improved deposit inflow, particularly in PC DK and Global Private Banking
- Sustained momentum for investment products and Private Banking customer inflow - result of strategic ramp-up
- Solid progress with "digital front door" highlights traction for CSAT ambition

## Financial performance KPIs




Nominal lending and deposits*
(DKK bn, constant FX)




*PC lending includes RD. PC lending and deposits excludes NO.

## Strategic KPIs

| | Q2 24 progress | 2026 target |
|---|---|---|
| Number of meetings per advisor (index) | 120 | 163 |
| Net new customer in growth segments | ~3k | ~40k |
| Customer satisfaction with Mobile Banking | 8.5 | 8.5 |

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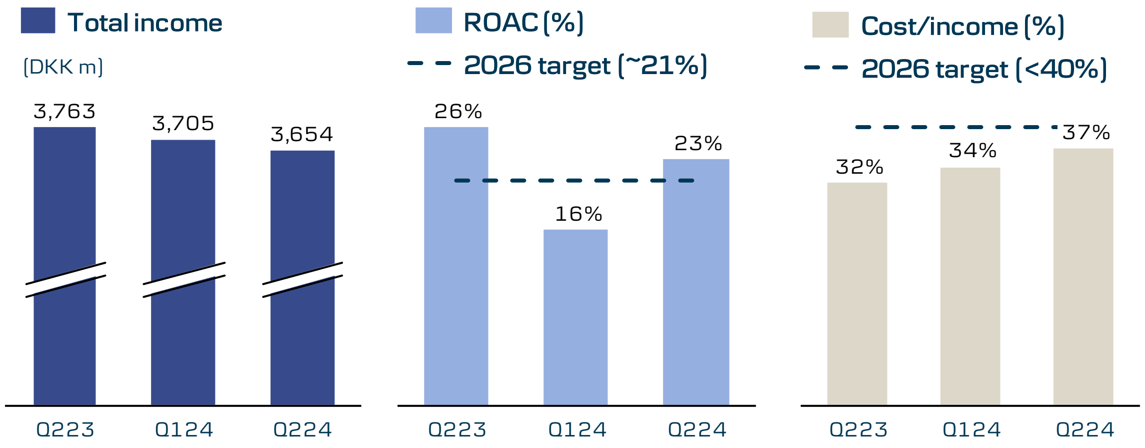
# Business Customers: Stable core income supported by commercial activity and a strong uplift in lending demand in Q2

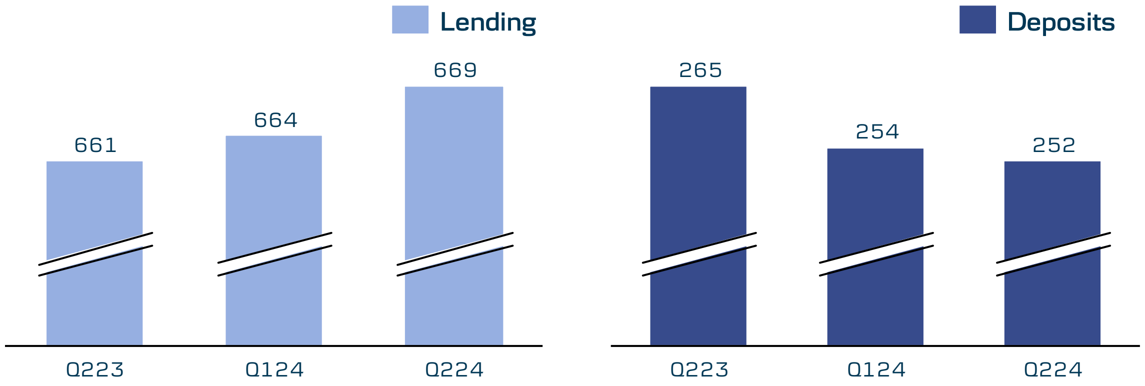
## Highlights

- Rebound in profit before tax, supported by steady core banking income and reversals of impairments Q/Q
- Higher activity as well as repricing actions generated an increase in net fee income of 5%, driven primarily by everyday banking fees
- Higher C/I ratio from strategic investments as part of F'28 agenda
- Positive trend in lending volumes, credit demand increased across all Nordic markets Q/Q
- Net inflow of mid-corporate customers and increasing business with existing customers
- 5% YTD increase in customers highly satisfied with advisory services, reflecting investments in upskilling advisors and enhancing analytical capabilities

## Financial performance KPIs




Nominal lending and deposits
(DKK bn, constant FX)




## Strategic KPIs

| | Q2 24 progress | 2026 target |
|---|---|---|
| Annual growth in Daily Banking fees in BC | 4.4% | 5%* |
| Credit cases with automatic decisioning | 34% | 50% |
| Customers highly satisfied with advisory | +5% | +15% |

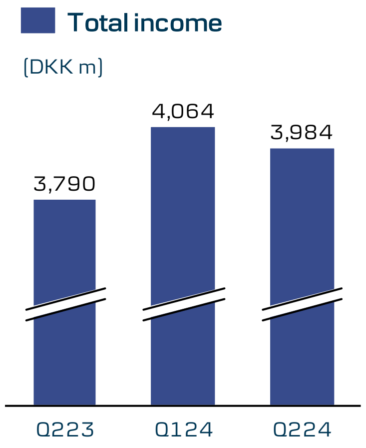
* Shared growth target with LC&I as part of the One Corporate Bank platform.

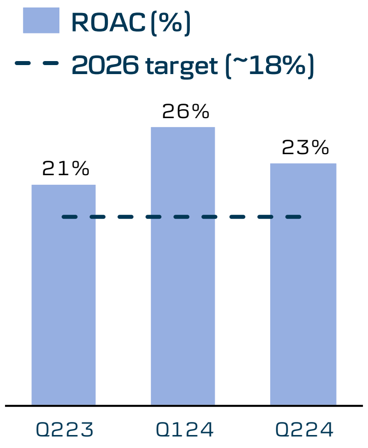
# Large Corporates & Institutions: Strong activity and commercial momentum lift core banking income

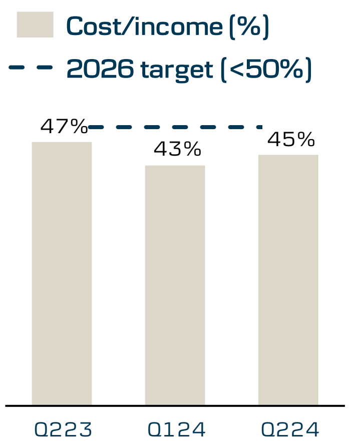
## Highlights

- Strong financial performance as NII is supplemented by higher fee income from everyday banking activity, capital markets and investment fees, offsetting more normalised contribution from trading income Q/Q
- Strong activity in DCM, maintaining status as leading Nordic bank by volumes supported (#1 in league table)
- Capital markets activity supplemented by improved lending volumes, particularly in DK and SE
- Positive trend in AuM and net sales reflects progress in our Asset Management strategy
- Strong growth in no. of customers outside Denmark – on track towards 2026 targets

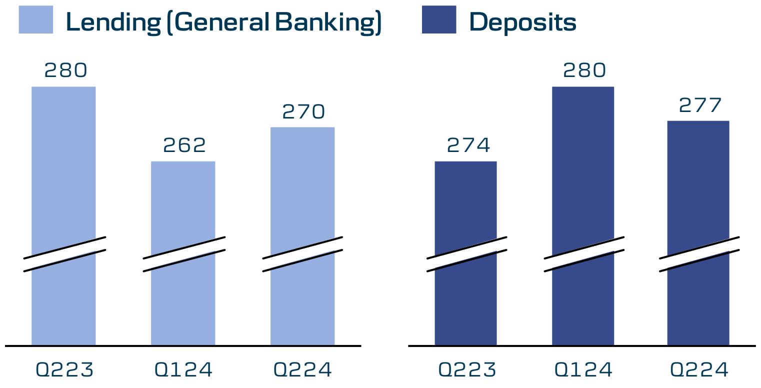
## Financial performance KPIs

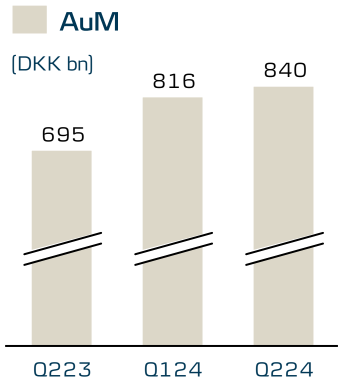



Nominal lending and deposits
(DKK bn)




## Strategic KPIs

| | Q2 24 progress | 2026 target |
|---|---|---|
| New customers outside Denmark | 23 | 40 |
| Annual growth in Daily Banking fees in LC&I | 9.1% | 5%* |
| Ranking in Capital Markets advisory fees | #3 | Top 2 |

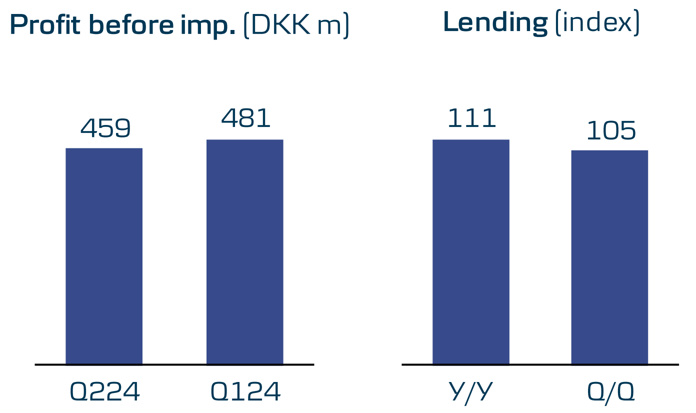
* Shared growth target with BC as part of the One Corporate Bank platform.

Danske Bank

# Business units: Solid development in Danica; loan growth in Northern Ireland

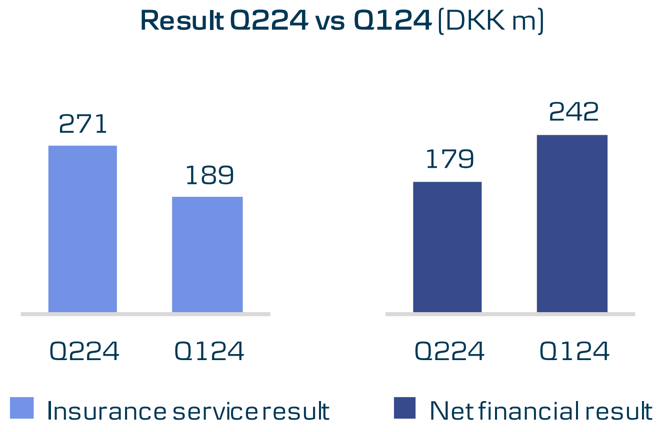
## Northern Ireland

- Lending continued to grow in line with our strategy, driven by residential mortgages supporting our market leading position in Northern Ireland
- The second quarter of 2024 saw a profit before tax of DKK 481 million compared to DKK 457 million in Q1 with loan impairments reversals of DKK 21m in Q2
- Net interest income increased to DKK 734 million in Q2 from DKK 710 million in Q1, reflecting balance sheet growth and higher UK interest rates
- The Bank of England (BoE) has introduced a levy on all UK banks, effective from 1 March 2024. This has resulted in additional operating expenses of DKK 5 million in the first half-year




## Danica

- Net income at Danica Pension decreased to DKK 457 million in Q2 from DKK 492 million in Q1
- The net financial result decreased in Q2 to DKK 179 million from DKK 242 million in Q1 due to a less positive development in the investment results on insurance products where Danica Pension has the investment risk
- The insurance service result increased by DKK 82 million to DKK 271 million from DKK 189 million, which was due mainly to an improved result in the health and accident business from the level in the first quarter of 2024



# Realkredit Danmark portfolio overview: Continued strong credit quality

## Highlights

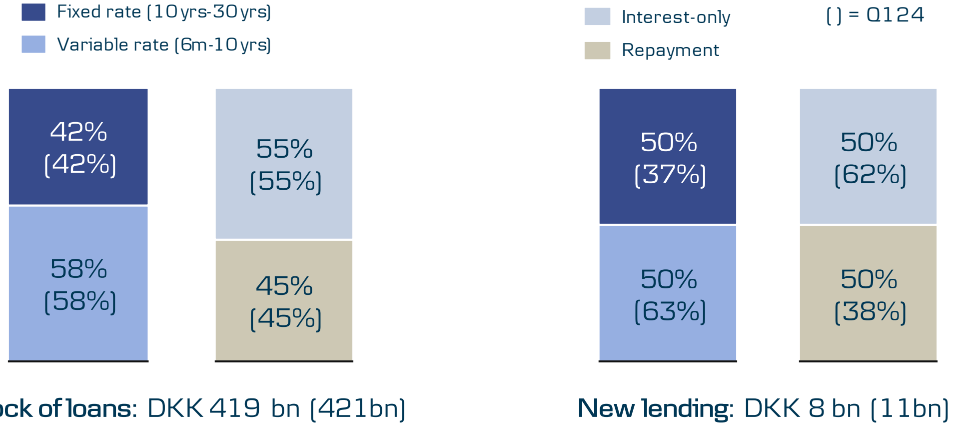
**Portfolio facts, Realkredit Danmark, Q224**

- Approx. 298,000 loans (residential and commercial)
- Average LTV ratio of 53% (50% for retail, 57% for commercial)
- We comply with all five requirements of the supervisory diamond for Danish mortgage credit institutions
- 739 loans in 3- and 6-month arrears (Q124: 770)
- 11 repossessed properties (Q124: 10)
- Around 1% of the loan portfolio has an LTV above 80%
- DKK 6bn of the loan portfolio is covered by government guarantee

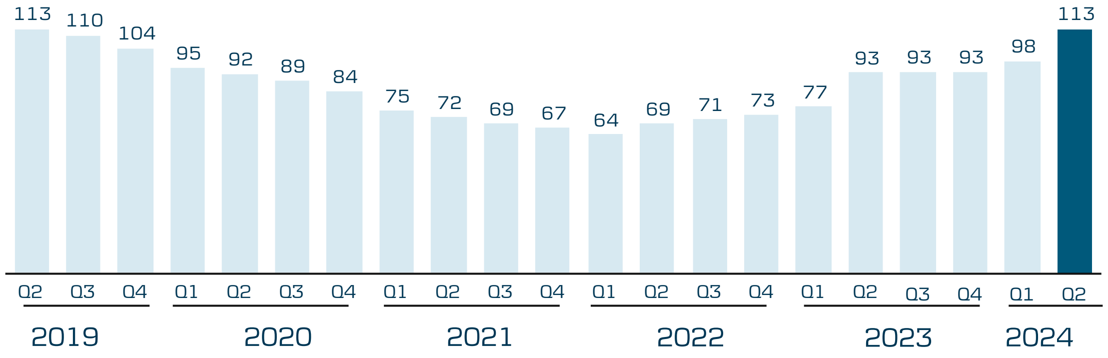
**LTV ratio limit at origination (legal requirement)**

- Residential: 80%
- Commercial: 60%

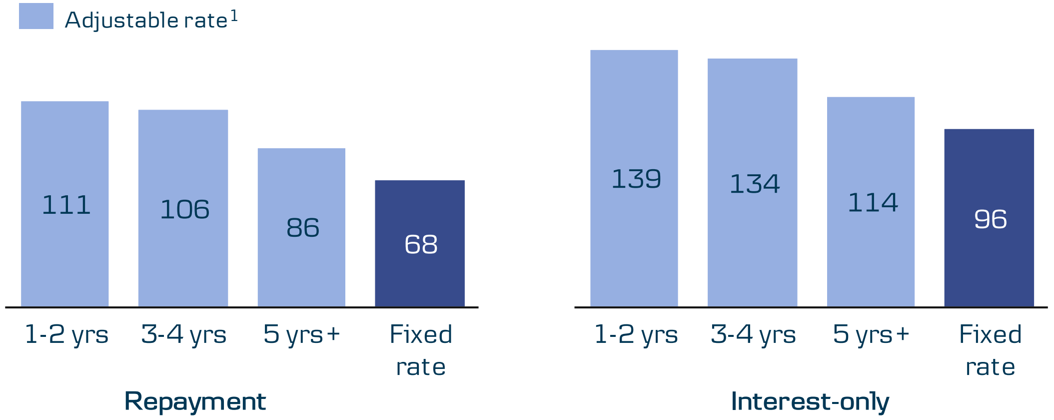
## Retail loans, Realkredit Danmark, Q224 (%)




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




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



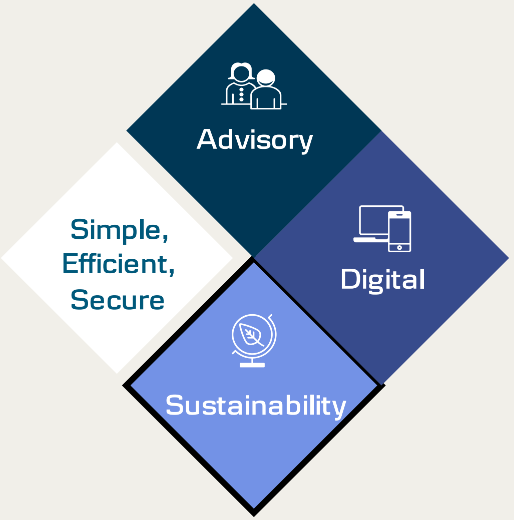

1 In addition, we charge 30 bp of the bond price for refinancing of 1- and 2-year floaters and 20 bp for floaters of 3 or more years (booked as net fee income).

# ESG, Sustainability, Financial Crime Prevention

Danske Bank

# Sustainability is an integrated element of our Forward '28 strategy

## Our starting point




- Industry leading Climate Action Plan with biodiversity as next priority theme
- ESG integrated in key processes – Portfolio and capital steering, lending processes, asset management
- Strong ESG advisory offerings and #1 Nordic Arranger of Green Bonds

## What we will do

### Large Corporates & Institutions

- Sustainable finance advisory services, transition finance and project finance

### Personal Customers

- Housing, investments, pensions, mobility and daily banking

### Business Customers

- Sustainable finance advisory services, transition finance and partnerships

### Asset Mgmt. & Danica Pension

- Alternative investment products, Danica Balance Responsible Choice

### Reinforce stronghold in sustainable finance and advisory

| | 2022 | 2026 |
|---|---|---|
| Sustainable finance [1] | #1 | A leader in supporting our customers' green transition |
| ESG advisory [2] | #3 | |
| Sustainable investing [3] | #3 | |

[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?"

Danske Bank

# We have set targets and ambitions covering each of our three sustainability agendas

## Climate change

**We reduce emissions across our value chain**

| Lending | Asset Mgmt. | Danica Pension | Operations |
|---|---|---|---|
| **25-55%** Across 8 sectors by 2030 (vs. 2020) | **50%** CO2e intensity by 2030 (vs. 2020) | **15-69%** Across 6 sectors by 2025* (vs. 2019) | **80%** Scope 1+2 by 2030 (vs. 2019) |

For details, see our Climate Action Plan Progress Report

## Nature & biodiversity

**We engage with high-impact sector companies**

*Engage with* ***380+ companies*** *by end of 2025*

- **300+ business customers** in the agricultural sector
- **50+ large corporate customers** within food products, fisheries, forestry, pulp and paper, and shipping
- **30 large global companies** we invest in that have a significant impact on nature and biodiversity

For details, see our Press Release

## Human rights & social impact

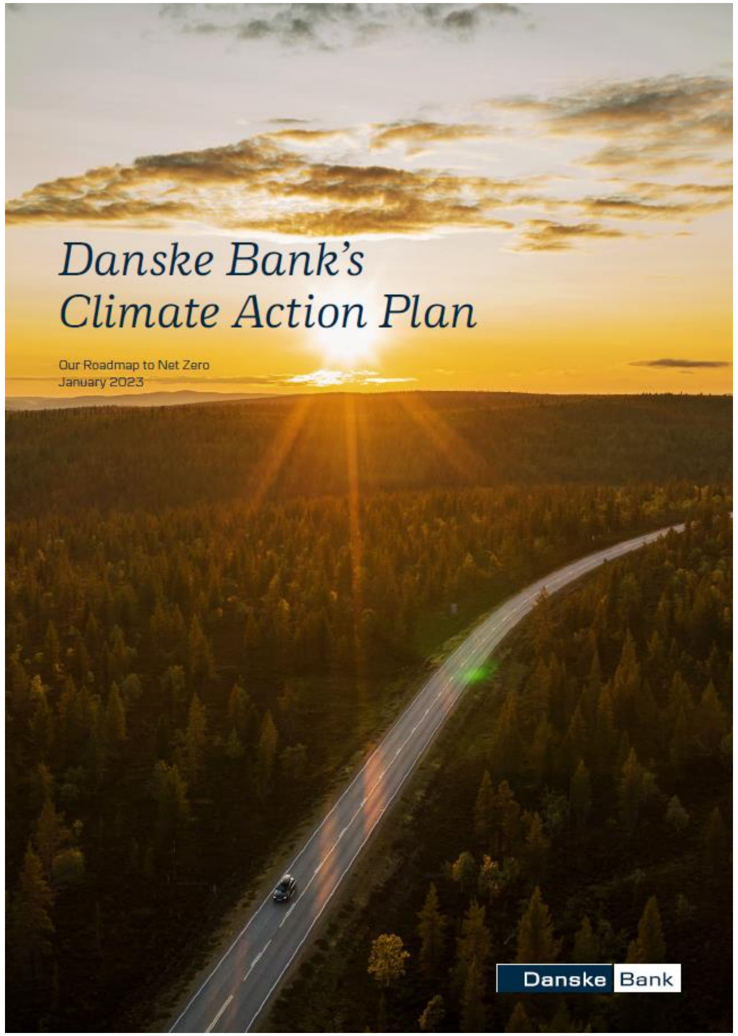
**We continuously develop our human rights due diligence processes covering…**

| Companies we purchase from | Companies we lend to | Companies we invest in |
|---|---|---|
| Enhanced risk management | Enhanced assessment for high-risk sectors | Enhanced sustainability screening |

For details, see our Human Rights Report

** Real estate target of 69% applies from 2019 to 2030.*

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




Carbon footprint of **13.3 million $tCO_2e$** across the Group, with **>99%** related to financed emissions [1]

**2030 targets** based on SBTi guidance to align with the **goals of the Paris Agreement** – status provided in Climate Action Plan Progress Report published on 2 February 2024

Activities in Asset Management and Danica Pension subject to **temperature rating 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 by end of 2021

1. Latest status as described in the Climate Action Plan Progress Report

# Highlights from Climate Action Plan Progress Report released February 2024

● Below or within 5% above linear trajectory ● 5-10% above linear trajectory ● More than 10% above linear trajectory

## Lending

### 2030 sector emission intensity reduction targets [1]

| | |
|---|---|
| Oil and gas – exploration & production [2] | 50% |
| Oil and gas – downstream refining [3] | 25% |
| Power generation | 50% |
| Steel | 30% |
| Cement | 25% |
| Commercial real estate [4] | 55% |
| Personal mortgages [4] | 55% |

### 2030 sector alignment delta targets [1]

| | |
|---|---|
| Shipping [5] | 0% |

## Asset management

### 2030 temperature rating reduction targets [6]

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

### 2030 carbon intensity reduction target [1]

| | |
|---|---|
| Weighted average carbon intensity of investment products | 50% |

### 2025 engagement target [1]

- Engagement with the 100 largest emitters

## Life insurance & pension

### 2030 temperature rating reduction targets [6]

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

### 2025 sector emission intensity reduction targets [8]

| | |
|---|---|
| Real estate [8] | 69% |
| Energy | 15% |
| Transportation [9] | 20% |
| Utilities | 35% |
| Cement | 20% |
| Steel | 20% |

## Own operations

### 2030 emission reduction targets [7]

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

## Highlights from Progress Report 2023

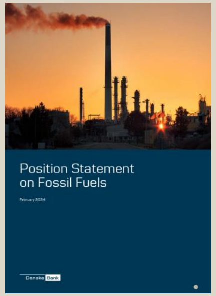
- **Decreasing absolute financed emissions** – Measured emissions from our lending activities and investee companies (scope 1 and 2) have decreased from 16.2 million to 13.3 million $tCO_2e$, corresponding to a ~18% reduction since 2020
- **Solid progress on lending emission reduction targets** – Among our nine sector targets, five are transitioning faster than a linear trajectory towards our 2030 targets, whereas four are transitioning slower
- **Some challenges in meeting Danica Pension's 2025 sector targets** – Energy, transportation and utilities transitioning slower than expected; mitigating actions initiated in line with fiduciary duties
- **Solid reduction of weighted average carbon intensity for investment products** – We have seen a 46% reduction since 2020 and a decrease in our temperature rating scores across our Asset Management and Danica Pension portfolios
- **Updated baseline** – Due to updated methodologies, improved data and scope 3 emissions of investee companies not being included in this reporting due to large fluctuations that challenge the comparability of historical data, our 2020 baseline is 16.2 million $tCO_2e$ compared to the 41.1 million $tCO_2e$ reported in the Climate Action Plan from January 2023 [10]

1. Baseline year 2020, 2. Absolute emission reduction targets set, 3. Absolute emission reduction and carbon intensity targets, 4. Based on a weighted portfolio exposure across Denmark, Sweden, Norway and Finland. For activities in Denmark, the target corresponds to a 75% reduction by 2030, 5. Based on Poseidon Principles methodology, 6. Differences in targets between asset management and life insurance & pension reflect different starting points of the portfolios, 7. Baseline year 2019, 8. 2030 target, 9. Automotive, aviation and shipping 10. See the Climate Action Plan Progress Report 2023 for details on not including the investee scope 3 emissions, methodology and data changes.

# Recent highlights on the sustainability agenda contributing to strong performance


## Updated strategic approach to sustainability

In February, we announced our sustainability approach and priorities towards 2028, with an ambition to be a leading Nordic bank in supporting the sustainability transition of customers, companies and Nordic societies. To deliver on this ambition, we have defined three strategic focus areas to manage our sustainability opportunities, risks and impacts.




## Stricter requirements for fossil fuel companies

Our new fossil fuel policy sets stricter requirements for investment in fossil fuel companies to ensure that they have Paris Agreement-aligned transition plans. This is expected to result in a significant reduction in the number of companies involved with fossil fuels in our investment universe, from almost 1,900 to around 170.

## New partnership to make climate reporting easier

Danske Bank has entered into a partnership with EIVEE, a software company that specialises in carbon footprint calculation. With this partnership, Danske Bank aims to help its business customers with their green transition and support carbon emission reducing initiatives with financing solutions.

## Top rating for responsible investments

In the 2024 Responsible Investment Brand Index (RIBI), Danske Bank Asset Management once again achieved the best rating possible. The RIBI examines which asset managers act as responsible investors and commit to sustainable development to the extent that they put it at the very heart of who they are, i.e. their brand – and express it accordingly.


## #1 Nordic arranger of sustainable bonds

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

## Danica Pension on track with green investments

At the end of Q1, Danica Pension's investments in the green transition amounted to DKK 53.5 billion, thereby up 24% year on year and well on track to reach the 2030 target of DKK 100 billion.

1) Sustainable bonds comprise green bonds, social bonds and sustainability bonds.

Danske Bank

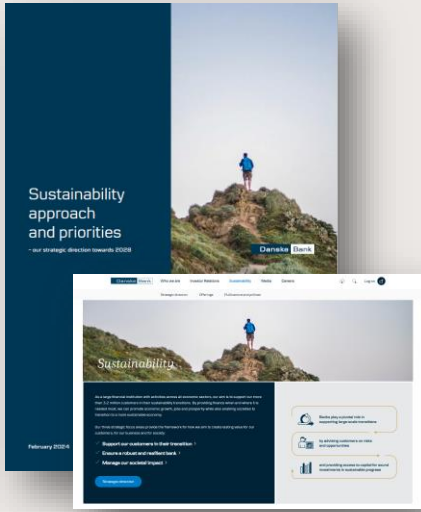
# Overview of recent sustainability-related publications

## 2 FEB


Annual Report incl. Sustainability statement + Fact Book

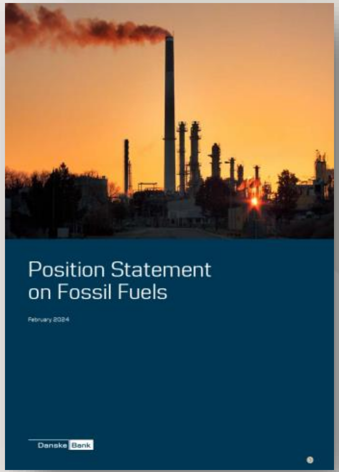

Climate Action Plan Progress Report

## 7 FEB




Sustainability approach and priorities (PDF + danskebank.com)

## 23 FEB




Position Statement on Fossil Fuels (updated)

## 31 MAY


Human Rights Report

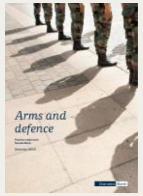
Danske Bank

# Deep dive – Overview of ESG integration in Danske Bank’s lending operations

## 1. Position statements

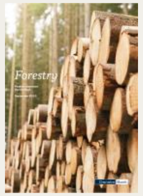
- Our position statements are a key tool for aligning with societal goals and communicating our approach to selected themes and sectors with elevated ESG risks
- Our position statements currently cover the following themes and sectors:


Agriculture

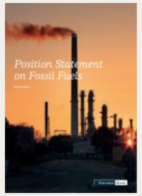



Arms & defence


Climate change




Forestry




Fossil fuels


Human rights


Mining & metals

## 2. Single-name ESG analysis

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

SASB INSIDE

Financially material ESG factors

SUSTAINALYTICS

ESG risk exposure and management

RepRisk ESG data science and quantitative solutions

ESG controversies

CDP DISCLOSURE INSIGHT ACTION

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 Progress Report from February 2024
- 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

# Danske Bank is committed to a range of sustainability initiatives – including these key examples

### Principles for Responsible Banking

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

### Principles for Responsible Investment

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

### 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 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

### 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

### Finance for Biodiversity Pledge

A collaboration of 150+ financial institutions from 24 countries, committing to protect and restore biodiversity through their finance activities and investments

### Science-Based Targets initiative (SBTi)

An organisation that aims to drive ambitious climate action in the private sector. Danske Bank has set climate targets in line with SBTi criteria and recommendations

### 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

### 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 (now part of ISSB)

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

# Testing and further strengthening the Financial Crime framework

## Testing of the FC Plan deliveries

Four years ago, the Bank launched the Financial Crime Plan (FC Plan), a comprehensive transformation programme, with the ambitious target of completion by the end of December 2023. The Bank completed the FC Plan on target and sees it as a significant achievement.

By concluding the FC Plan the Bank has now in place a Financial Crime framework which meets the regulatory requirements applicable to the Bank and is reasonably designed to manage the Bank's inherent risk in line with its risk appetite and does both these things by harnessing global practice.

Having a sustainable Financial Crime control framework remains one of the Bank's strategic priorities. We will continue testing our controls to ensure that what we have implemented is fully embedded and operating effectively. To the extent possible, this testing will be performed during 2024 as part of the regular oversight by 2LoD Compliance and 3LoD Internal Audit. Should the outcome of the testing require further improvements, those will be addressed as part of normal procedures.

## Roadmap ahead

The Financial Crime landscape continues to evolve and the Bank, along with others in the industry, must hold up with developments. The Bank will continue to invest in its Financial Crime control framework with the aim of further maturing and embedding its processes. Embedding and testing the effectiveness of the framework will form the foundation for future strategic developments as the Bank moves beyond remediation.

Ensuring that our control framework is sustainable and demonstrates the ability to improve and evolve is a key priority for the Bank. As part of the FC Plan, the Bank has implemented governance structures and business-as-usual processes to ensure that our controls remain adequate and respond to changes in the external threat landscape and evolutions in our business. The Bank also intends to enhance our controls to make them more customer-centric whilst maintaining risk management effectiveness. In the coming years, the Bank will continue to invest and enhance existing controls by introducing greater automation which will reduce operational risk and increase cost effectiveness resulting in a fall in the Bank's financial crime risk management costs in line with previous forecasts.

Danske Bank

# The Financial Crime Framework beyond completion of the FC Plan

**By concluding the FC Plan Danske Bank has now in place a Financial Crime Framework which meets regulatory requirements applicable to the Bank and is reasonably designed to manage the Bank's inherent risk in line with its risk appetite, while adhering to global best practices. This framework includes, but is not limited to:**

- ✓ **Oversight and governance** of financial crime controls across the group to identify, mitigate and manage financial crime risks and **a framework of financial crime related policies and instructions** designed to meet regulatory requirements in all jurisdictions in which the Bank operates
- ✓ An **assessment to risk score customers** at initial onboarding and throughout the customer life cycle and **risk-based KYC processes and controls** prior to the establishment of a business relation and during the ongoing customer lifecycle
- ✓ Systems and processes in place to **monitor transactions** of relevant products for potentially suspicious activity in all markets and procedures to appropriately **investigate unusual activity and report activity which is deemed to be suspicious** or could point to cases of financial crime
- ✓ **A sanctions framework** that is compliant with applicable and relevant laws and regulations to ensure the Bank does not transact with, nor hold as customers, parties or entities subject to financial sanctions and embargoes
- ✓ Effective oversight over its **correspondent banking relationships** and processes to carry out appropriate, risk-based ongoing and enhanced due diligence on them and facilitate decision-making in line with The Bank's risk tolerance
- ✓ A **financial crime training framework** ensuring that training needs are analysed, tailored trainings developed, enhanced, and delivered across the Bank
- ✓ An enhanced **framework for responding to regulatory requests made by the Bank's supervisors** in all jurisdictions in which the Bank operates
- ✓ Minimum regulatory standards to manage critical risks in relation to **tax evasion, fraud and bribery & corruption**, as well as plans to ensure appropriate coverage and mitigation of key risks to be transitioned to the Business-As-Usual organisation for delivery

Danske Bank

# Regulatory Engagements

## Ongoing Dialogue

- We engage in ongoing dialogue with our regulators through regular meetings with the Financial Supervisory Authorities ("FSAs") and the 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 progress in business strategy and other business developments, and how we are meeting any regulatory orders and regulatory compliance. We proactively share information to 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 all orders received before completion of the Financial Crime Plan from inspections following the Estonia matter and orders received in relation to subsequent AML inspections.
- In October 2022, the Danish FSA published the outcomes of two inspections at Danske Bank focusing on money laundering and terrorist financing, and our management of EU sanctions against Russia and Belarus. The reviews did not give rise to any supervisory reactions, which we believe reflects the progress we have made in the implementation of the Financial Crime Plan*.

## Supervisory Oversight

- The Danish FSA, as well as other relevant FSAs, carry out supervisory oversight of the Bank's work and regulatory compliance.
- The Financial Crime Plan was completed in December 2023 and the Bank will continue testing its' controls, to ensure that the plan is fully embedded and operating effectively. The Bank's regulators have been following the implementation closely and will continue to do so until testing has been completed. In addition to its ongoing supervision, in early 2021, the Danish FSA appointed an Independent Expert to monitor the implementation of the Bank's Financial Crime Plan. The last period of monitoring of the Bank's Financial Crime Plan by the Independent Expert has finished end of Q2 2024, however the Danish FSA has extended the appointment of the Independent Expert for an additional period to monitor the Bank's commitments and reporting obligations under the US DOJ Plea Agreement.

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

# Committee Governance for Compliance Risks

## 2LoD Financial Crime Risk Council

- Provides structured Management Information which fulfils the oversight responsibility for Financial Crime Compliance
- Ensures regulated tasks of the AML Responsible Compliance Officer are included in the reporting for the Council
- Chaired by the Head of Financial Crime Compliance of Danske Bank
- The Committee reports to the Group Compliance Senior Leadership Team

## Conduct and Compliance Committee

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

## Post-Resolution Committee

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

# 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 has now been completed
- 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]

# Credit quality & Impairments

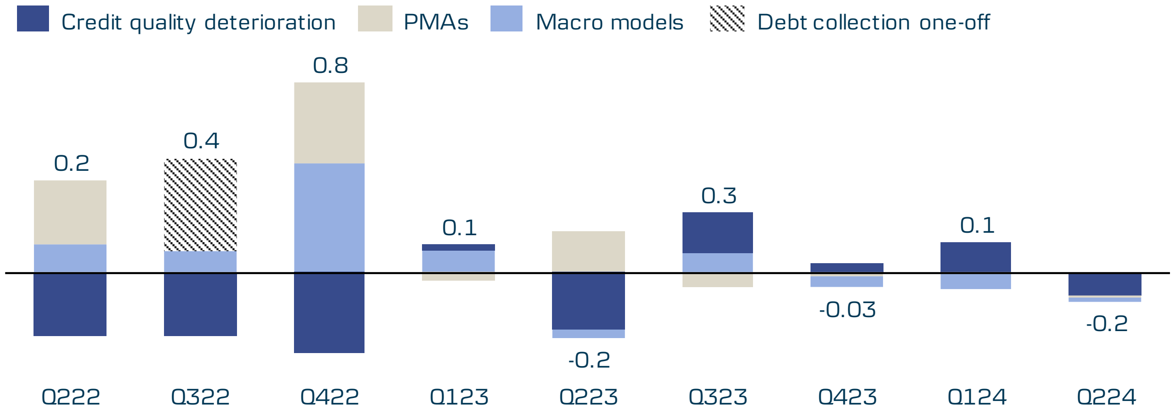
Danske Bank

# Impairments: Strong credit quality with net reversals of impairments; PMA buffers remain in place

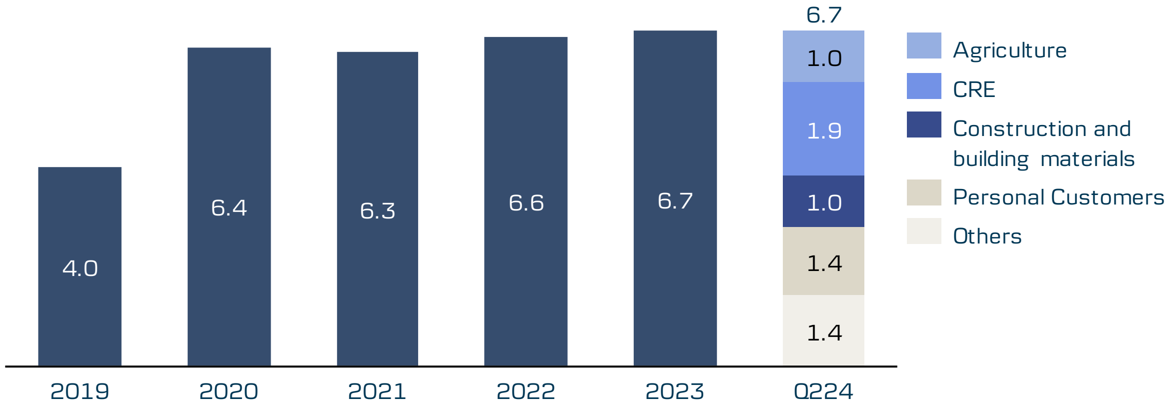
## Highlights

- Strong credit quality and single-name work out cases led to net reversals of DKK 0.2 bn in Q2
- Modest revisions in the provisions from macroeconomic models as base case macro-outlook has improved. Model continue to include a severe downturn scenario
- Significant PMA buffers remain in place to mitigate any tail risk not visible in the portfolio or captured by macro models

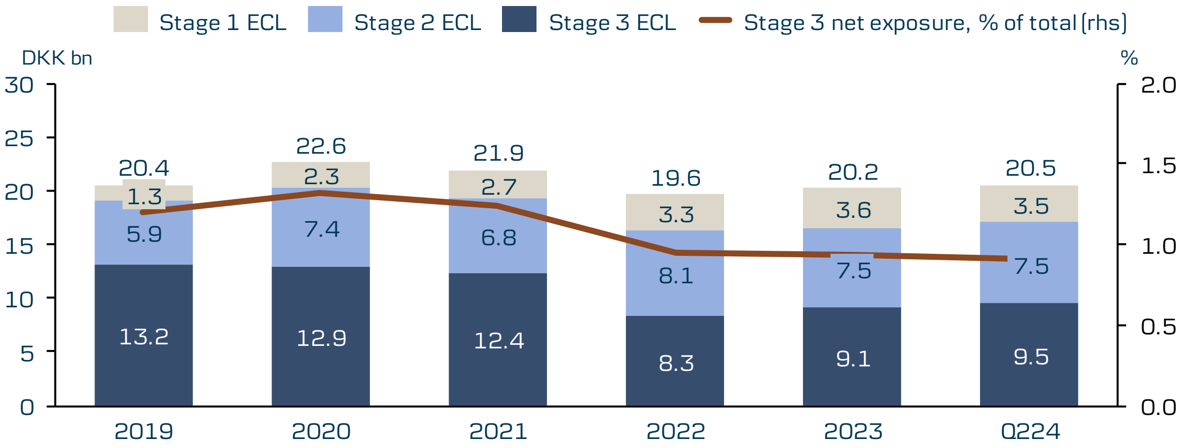
## Impairment charges by category (DKK bn)




## Post-model adjustments (DKK bn)



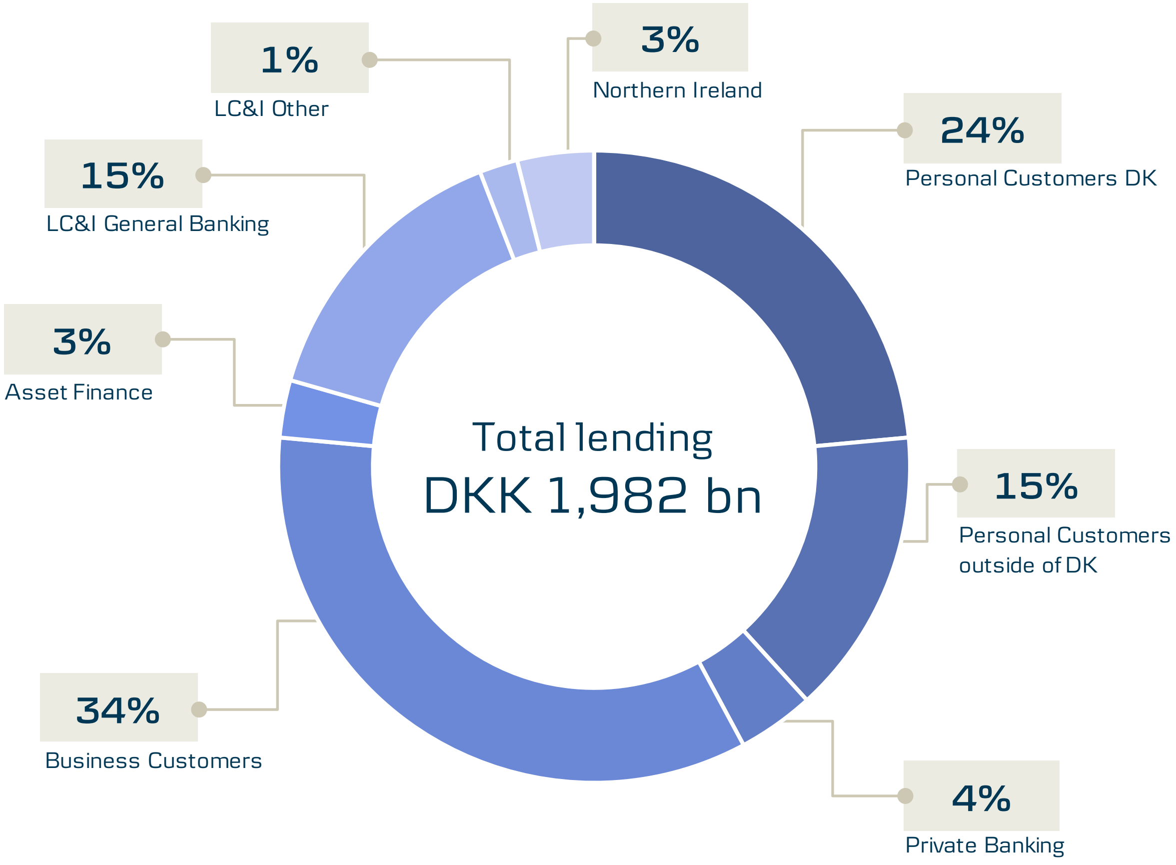

## Allowance account by stages (DKK bn)



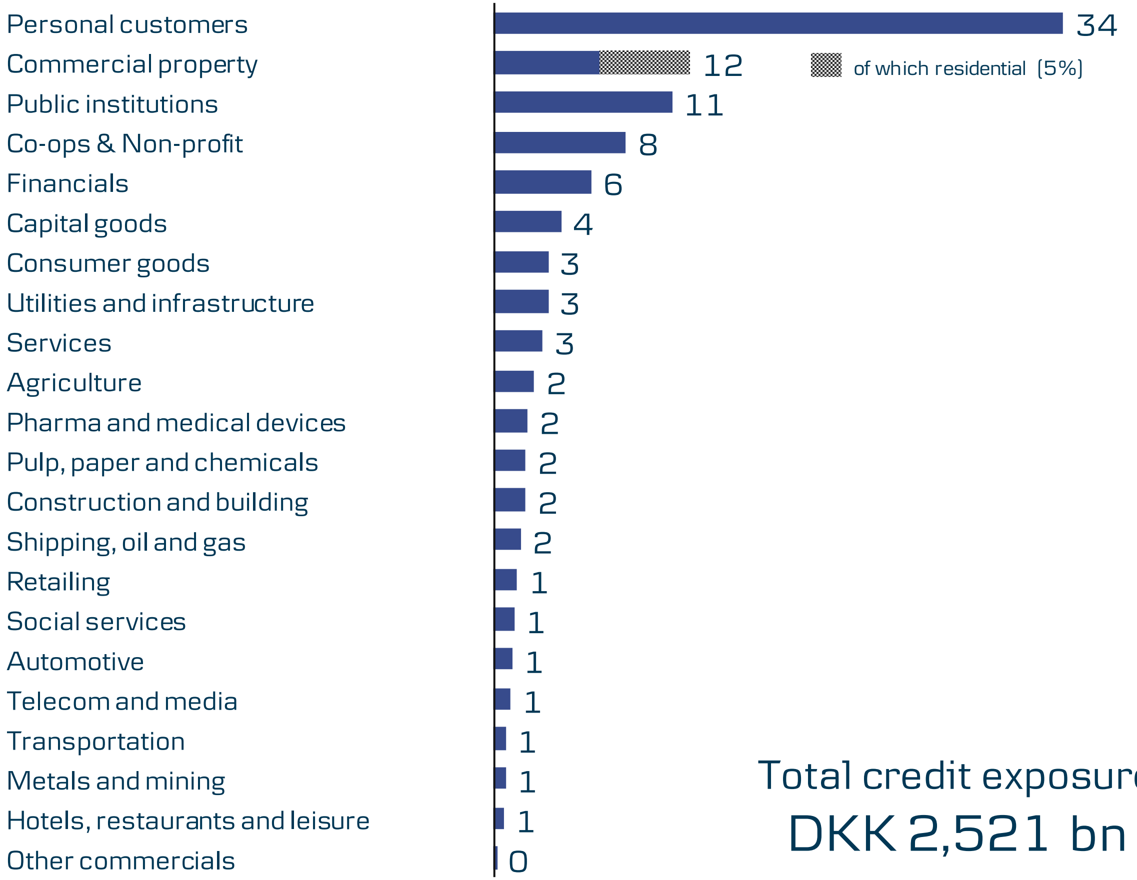
Danske Bank

# Strong footprint within retail lending

## Lending by segment[1] Q2 24 (%)




## Credit exposure by industry Q2 24 (%, rounded)




Total credit exposure
DKK 2,521 bn

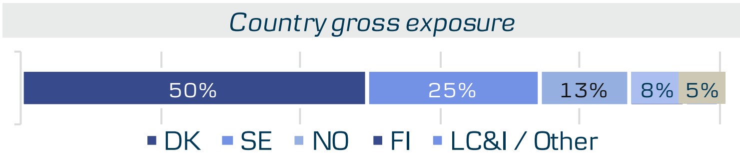
[1]Total lending before loan impairment charges.

Danske Bank

# Overall strong credit quality in portfolios exposed to macro cyclicality

## CRE: Well diversified and prudently managed growth

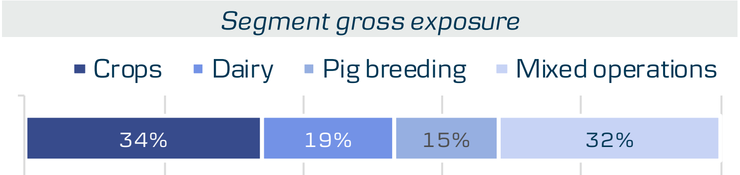
### DKK 297 bn in gross exposure and ECL ~1%

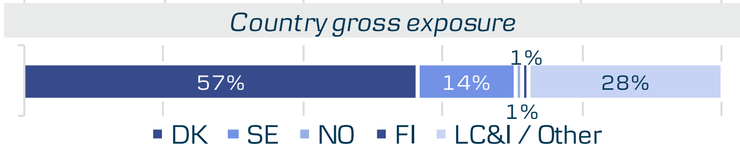




- Conservative lending growth (-4% 5Y-CAGR in non-resi.) given caps and concentration limits within sub-segments and markets, as well as for single-names, limiting downside risks
- Due to our conservative approach, our SE exposure has remained stable, despite market growth, and book is well-diversified 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 1.9bn to cover uncertainties regarding the effect of rapid interest rate increases and macroeconomic situation

## Agriculture: Well-provisioned agriculture book

### DKK 60bn in gross exposure of which 53% RD

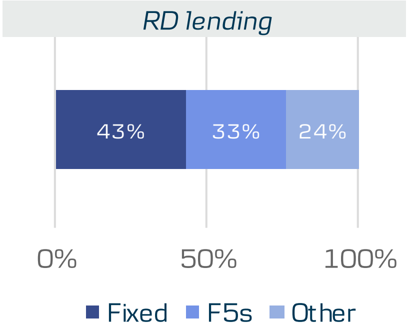


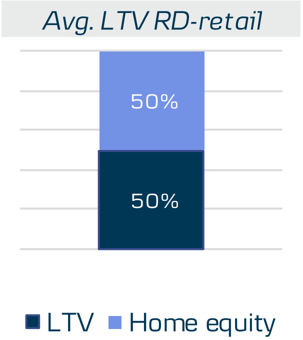




- The credit quality of the portfolio has improved over the past few years, recovering from legacy exposures from the financial crisis
- The current credit risk appetite takes into account the volatility of the sector and remains in place Furthermore, the Group maintains strong underwriting standards on LTV, interest-only loans and interest rate sensitivity
- PMAs of DKK 1 bn have been made for potential future portfolio deterioration including uncertainties not visible in the portfolio such as diseases and implications from green transition

## Housing: Low leverage and strong household finances

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




- Avg. LTV remains at moderate level and have been generally been supported over the past years by the trend in 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
- PMAs related to personal customers total DKK 1.4 bn

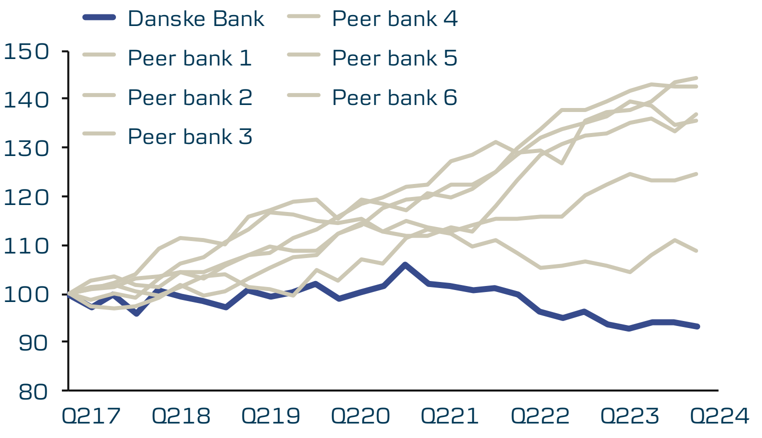
Danske Bank

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

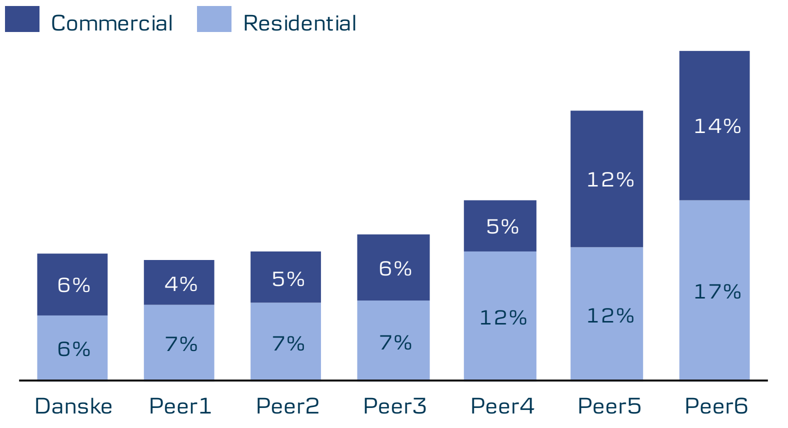
## Highlights

- 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 3%-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

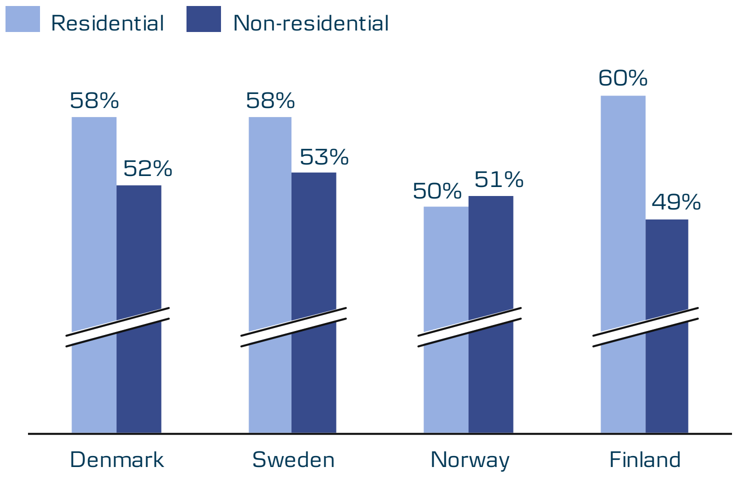
### Lending to CRE segment by major peer banks (index)*



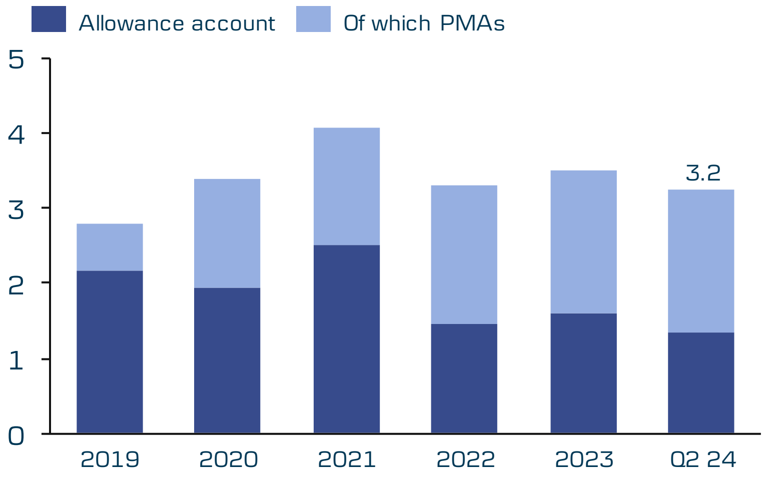

### CRE share of total portfolio by major peer banks*




### Danske Bank's CRE portfolio avg. LTVs




### Danske Bank's CRE allowance account (DKK bn)



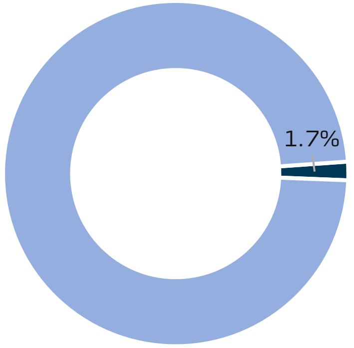

*Source: Companies' interim report. Exposure definitions differ among banks between total lending, credit exposure and EaD.

# Fossil fuels (coal, oil and gas) exposure

## Key points Q224

- Exposure towards exploration and production (E&P) of oil and gas is down by 74% compared to end 2020. The exposure development is aligned with the Group's 2030 climate target of reducing financed emissions by 50% for the Group's E&P lending portfolio. Other oil related net exposures are down by 51% from end 2020
- Exposures shown on this page is to utility customers with any coal-based power production, and hereof more than 5% of revenues from coal fired power production. In 2022, exposure to power utilities increased due to short-term financing needs driven by volatile energy markets but has been steadily decreasing the past years. In Q2 2024, exposure is down by 34% compared to same quarter last year. The list of customers with more than 5% of revenues from coal fired power production is regularly being reviewed, and exposures have been stable around 3 DKK bn. in 2024
- 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. For most customers, the use of coal is limited to a few remaining production facilities which are expected to phase-out towards 2030. From Q1 2024, offshore pureplay renewables have been excluded from the exposure overview

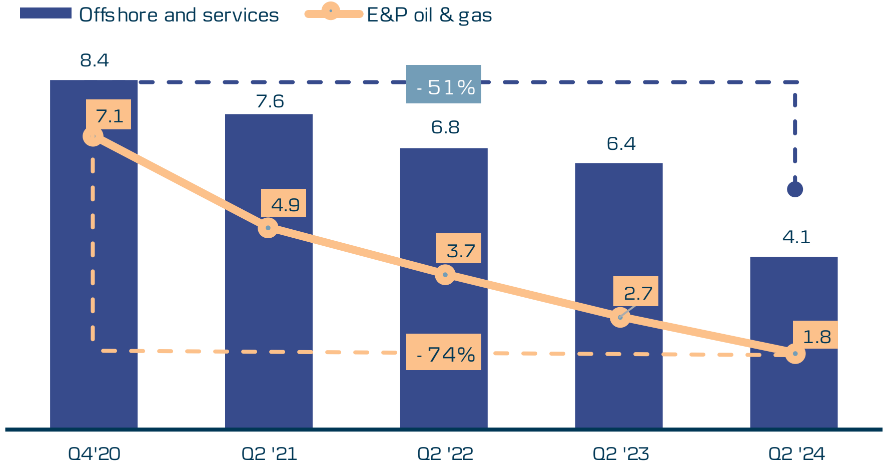
### Group gross credit exposure
(DKK 2,521 bn.)




### Fossil fuels exposure

| Segment | Net exposure (DKK m) |
|---|---|
| Crude, gas and product tankers | 4,793 |
| Distribution and refining (incl. biofuels) | 11,441 |
| Oil-related exposure | 5,980 |
| *Exploration and production (E&P)* | 1,831 |
| *Offshore and services* | 4,149 |
| Power and heating utilities with any coal-based production | 19,927 |
| *Hereof customers with more than 5% revenue from coal* | 3,056 |
| Total | **42,895** |

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



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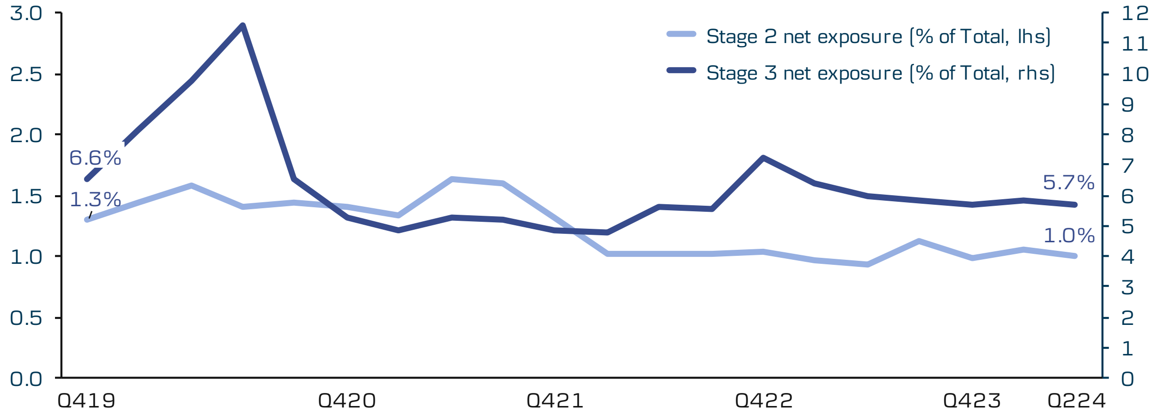
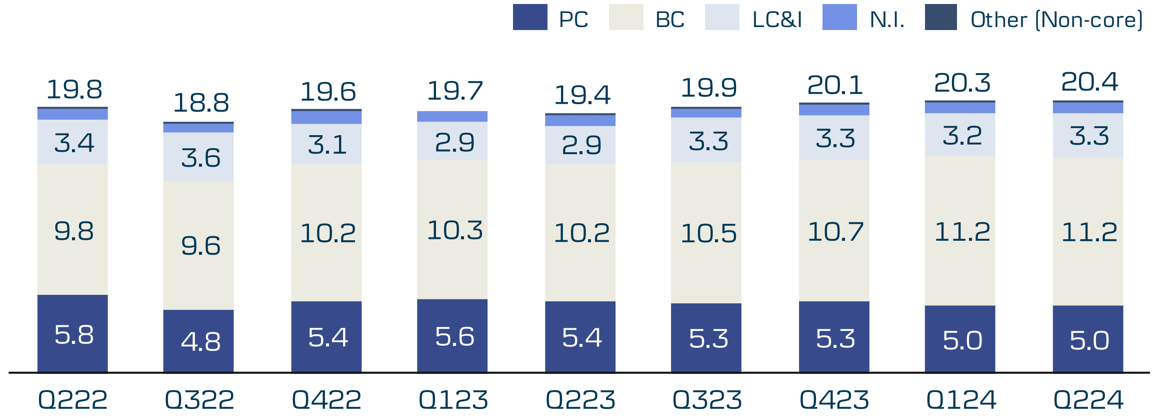
# Credit quality: Low level of actual credit deterioration

## Stage 2 and 3 as % of net exposure



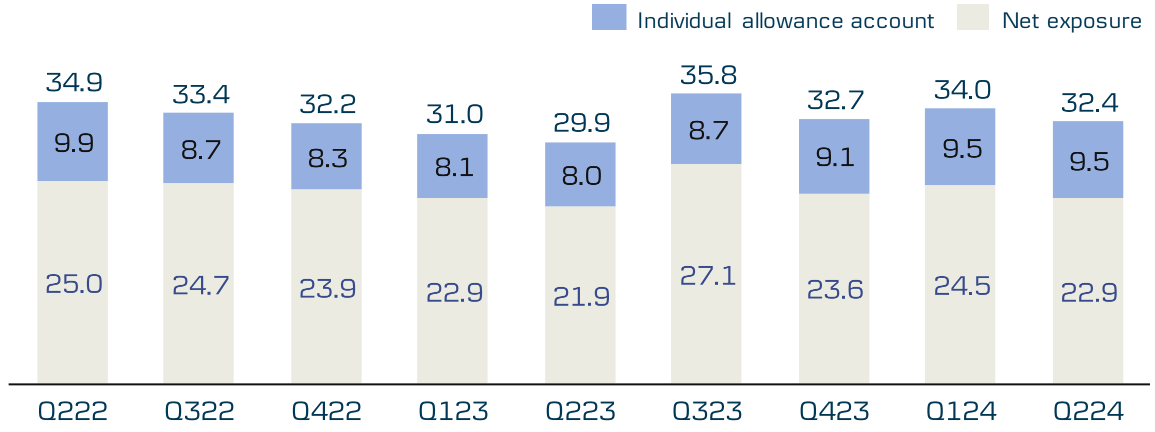

## Allowance account by business unit (DKK bn)




## Stage 2 allowance account and exposure (DKK bn)

| | Allowance account | Gross credit exposure | Allowance account as % of gross exposure |
|---|---|---|---|
| Personal customers | 1.5 | 850 | 0.18% |
| Agriculture | 0.8 | 60 | 1.38% |
| Commercial property | 1.5 | 297 | 0.51% |
| Shipping, oil and gas | 0.0 | 41 | 0.09% |
| Services | 0.6 | 77 | 0.75% |
| Other | 3.1 | 1,217 | 0.25% |
| **Total** | **7.5** | **2,541** | **0.30%** |

## Gross stage 3 loans (DKK bn)

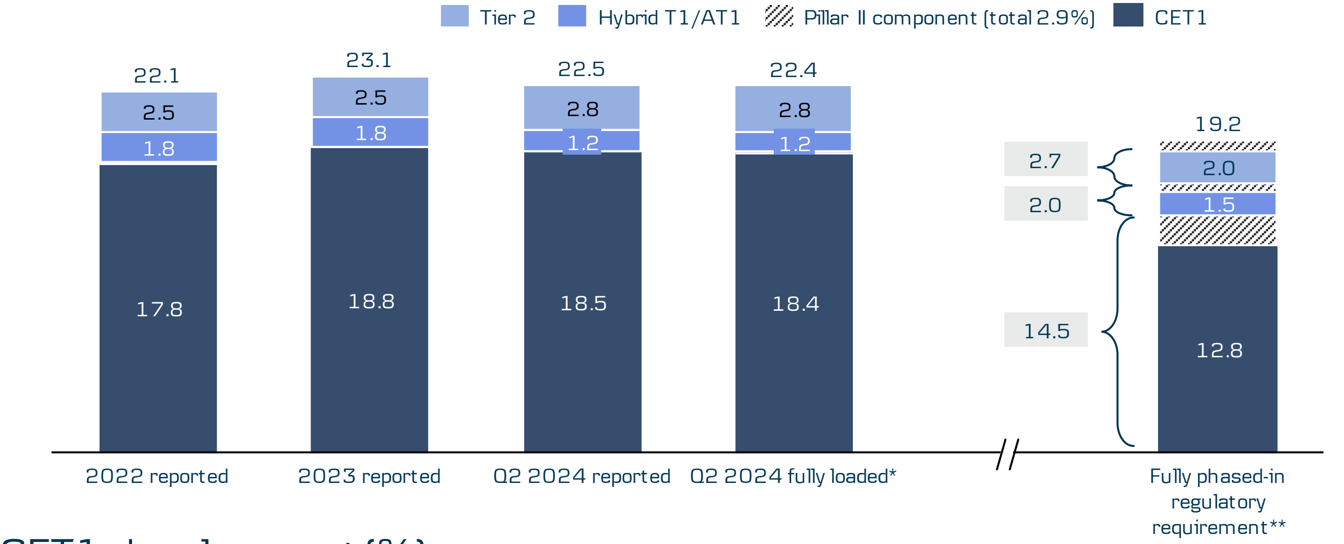


# Capital

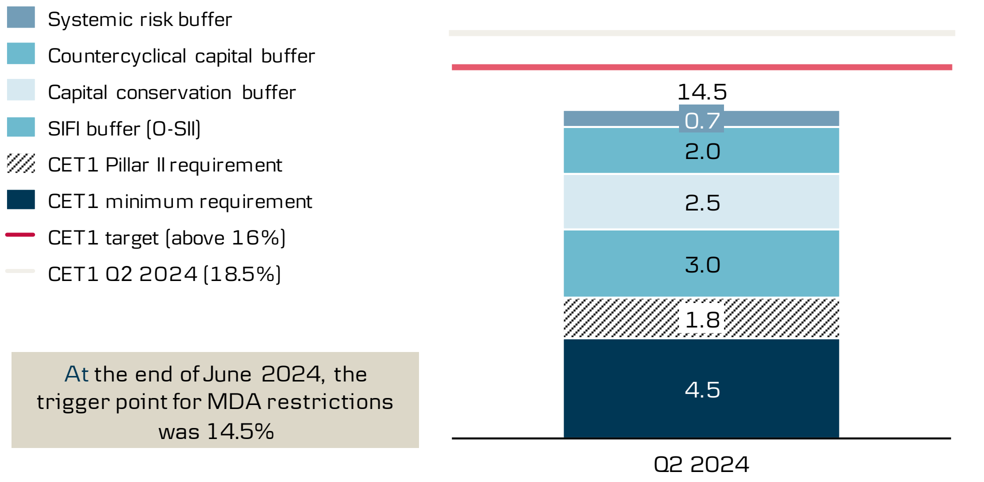
Danske Bank

# Capital: Strong capital base with CET1 ratio of 18.5%

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

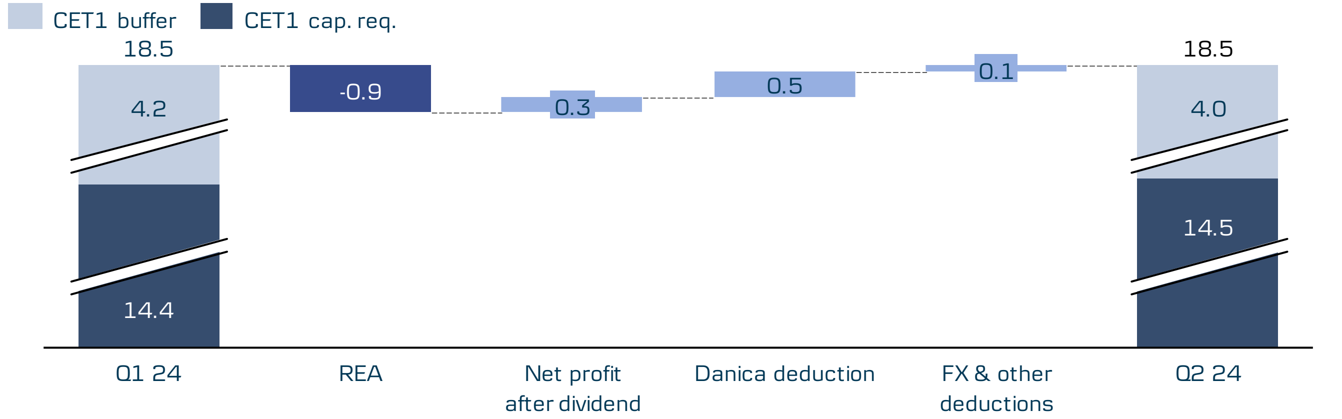



## Current capital buffer structure (%)

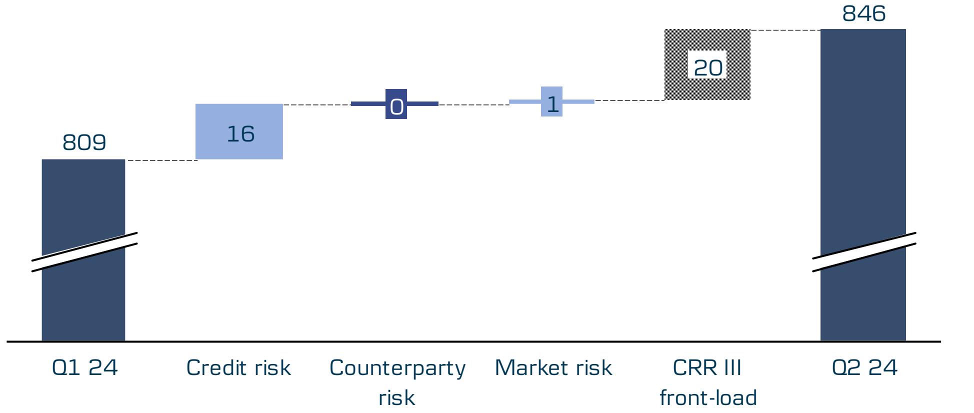



At the end of June 2024, the trigger point for MDA restrictions was 14.5%

## CET1 development (%)




## Total REA (DKK bn)

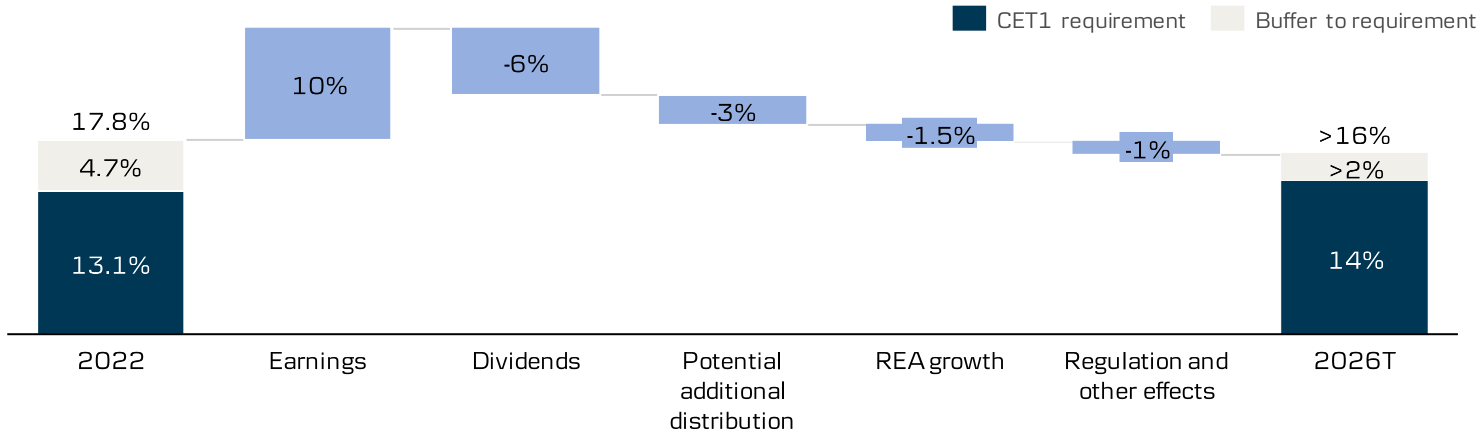



* Based on fully phased-in rules including fully phased-in impact of IFRS 9. ** Fully phased-in minimum CET1 requirement in March 2025 of 4.5%, capital conservation buffer of 2.5%, SIFI buffer of 3%, countercyclical buffer of 2.0%, systemic risk bufferof 0.5% (on Norwegian exposures), and CET1 component of Pillar II requirement

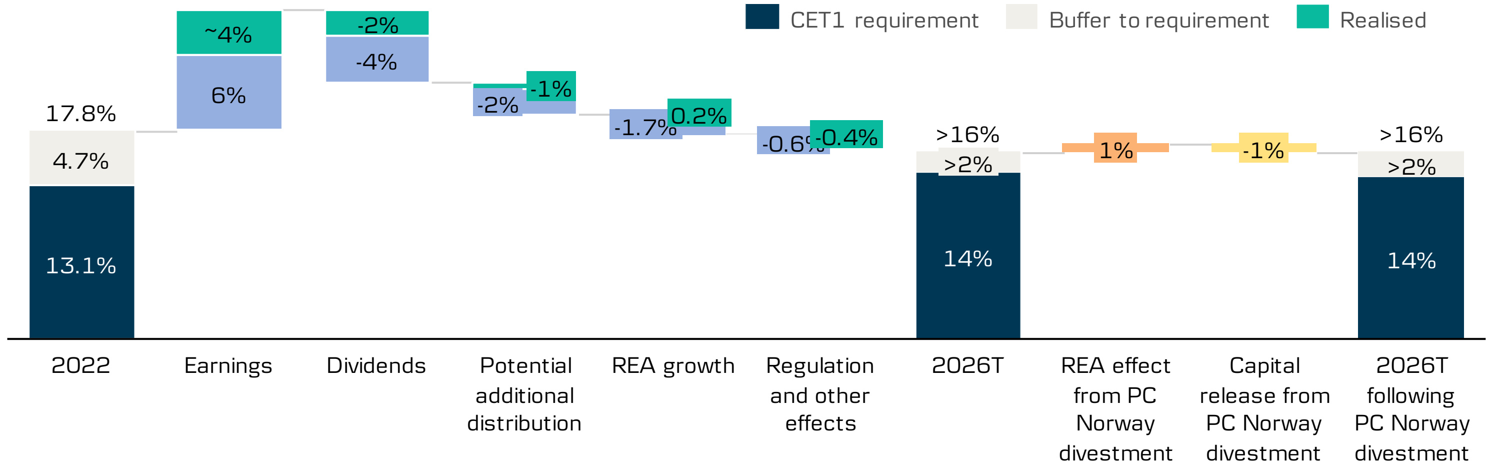
Danske Bank

# Capital update: CET1 development toward 2026

## CET1 capital generation and usage (% of REA) – Capital markets day June 2023




## CET1 capital generation and usage (% of REA) – Updated as of June 2024



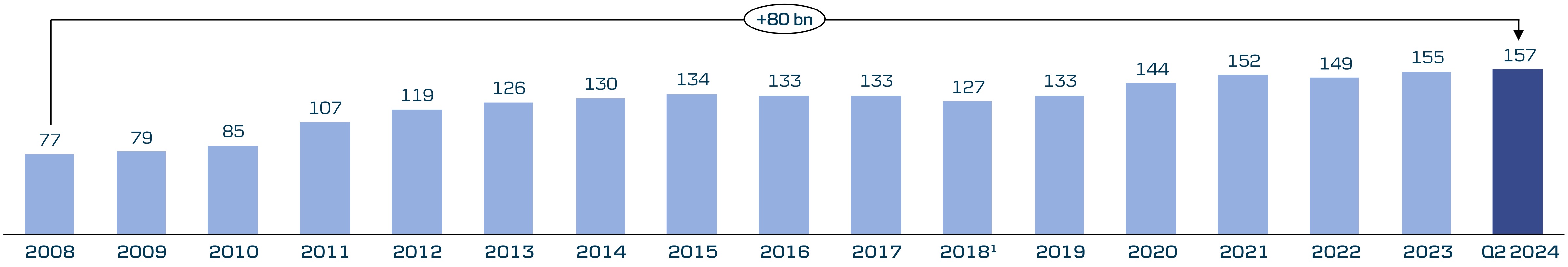

- CET1 capital ratio expected to approach target through capital distribution and REA inflation from growth
- Prudent buffer to requirements including the Danish SyRB/CRE from 30 June 2024 and lower NO requirements post divestment
- Lending and top-line growth drive credit and operational REA inflation
- Regulatory effects include the CRR III impact. In Q2, we have front-loaded DKK 20bn of REA for CRR III. We expect this will cover the majority of the CRR III implementation
- Divestment of PC Norway now reflected in REA and capital release

Note: Capital distributions includes expected and potential distributions related to the 2026 results. With the accelerated Q2 2024 interim dividend the Group has distributed DKK 19bn of the dividend ambition of above DKK 50bn as communicated at CMD in June 2023.

Danske Bank

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

## Common Equity Tier 1, 2008 – 2024 (DKK bn)




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

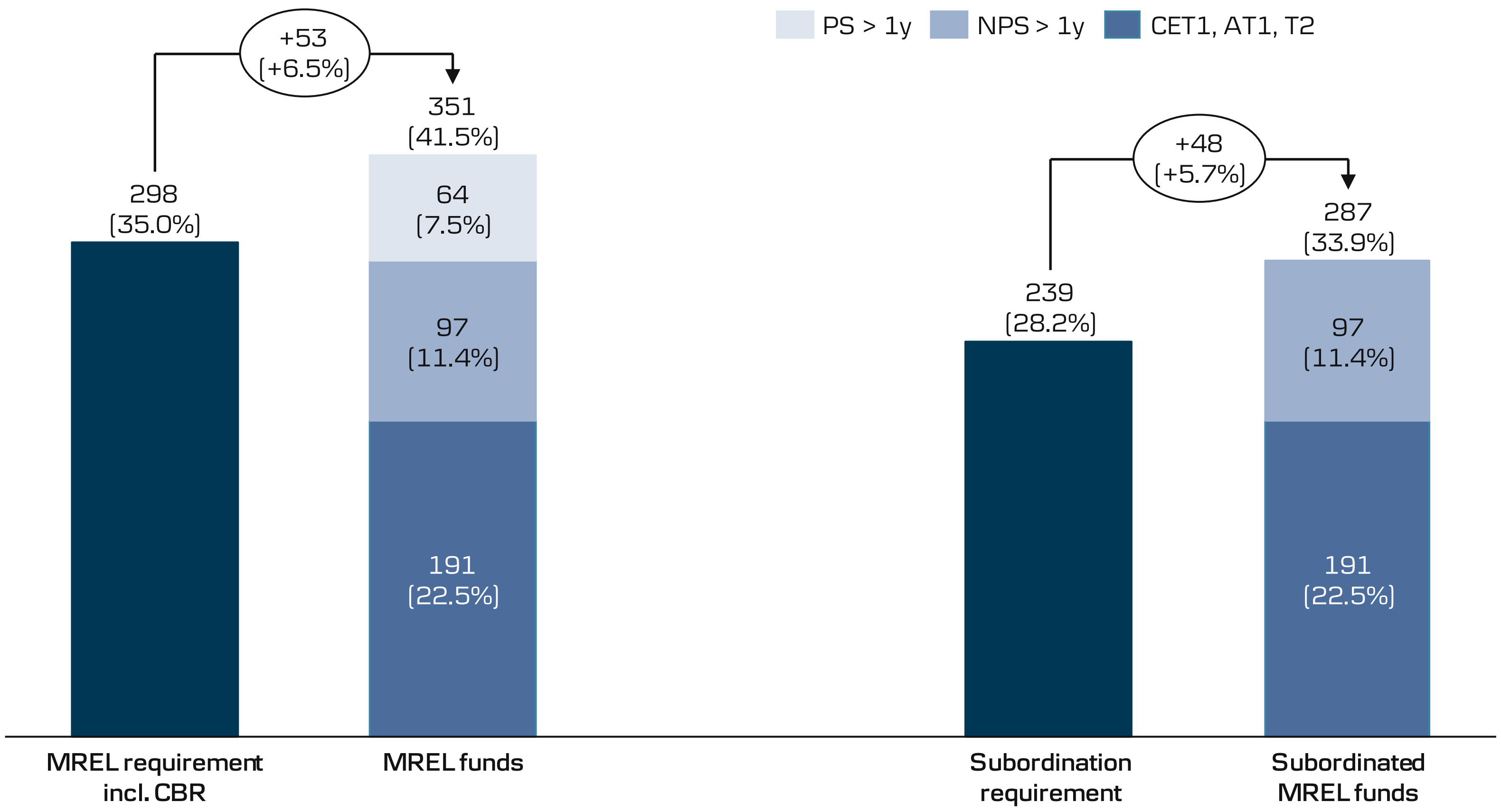
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | *H1 2024* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **REA** | 960 | 834 | 844 | 906 | 819 | 852 | 865 | 834 | 815 | 753 | 748 | 767 | 784 | 860 | 838 | 828 | *846* |
| **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% | 18.8% | *18.5%* |
| **Net profit** | 1.0 | 1.7 | 3.7 | 1.7 | 4.7 | 7.1 | 13.0[2] | 17.7[2] | 19.9 | 20.9 | 15.0 | 15.1 | 4.6 | 12.9 | -5.1 | 21.2 | *11.5* |
| **Distribution to shareholders[3]** | 0 | 0 | 0 | 0 | 0 | 2.0 | 10.5 | 17.1 | 18.9 | 16.3 | 7.6 | 0 | 1.7 | 1.7 | 0 | 18.0 | 6.4 |
| **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 | 3,771 | *3,763* |

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

Danske Bank

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

## MREL and subordination requirement* and eligible funds Q224 DKK bn (% of Group REA)




## Comments

- The Group has to meet a MREL requirement and a subordination requirement, both adjusted for Realkredit Danmark (RD)
- The subordination requirement is the higher of 2x(P1 + P2) + CBR or 8% TLOF
- The Group's MREL requirement (total resolution requirement) is DKK 298bn incl. RD's capital and debt buffer requirement (DKK 45bn) and the combined buffer requirement (DKK 59bn). Excess MREL funds are DKK 53bn
- The Group's subordination requirement is DKK 239bn incl. RD's capital requirement (DKK 30bn). Excess subordinated MREL funds are DKK 48bn
- This figure shows the Group's MREL and subordination requirement as of end Q2 2024, which constitutes the fully-phased in requirements, i.e. no interim target
- Requirements will, however, be impacted by any changes to the CCyB

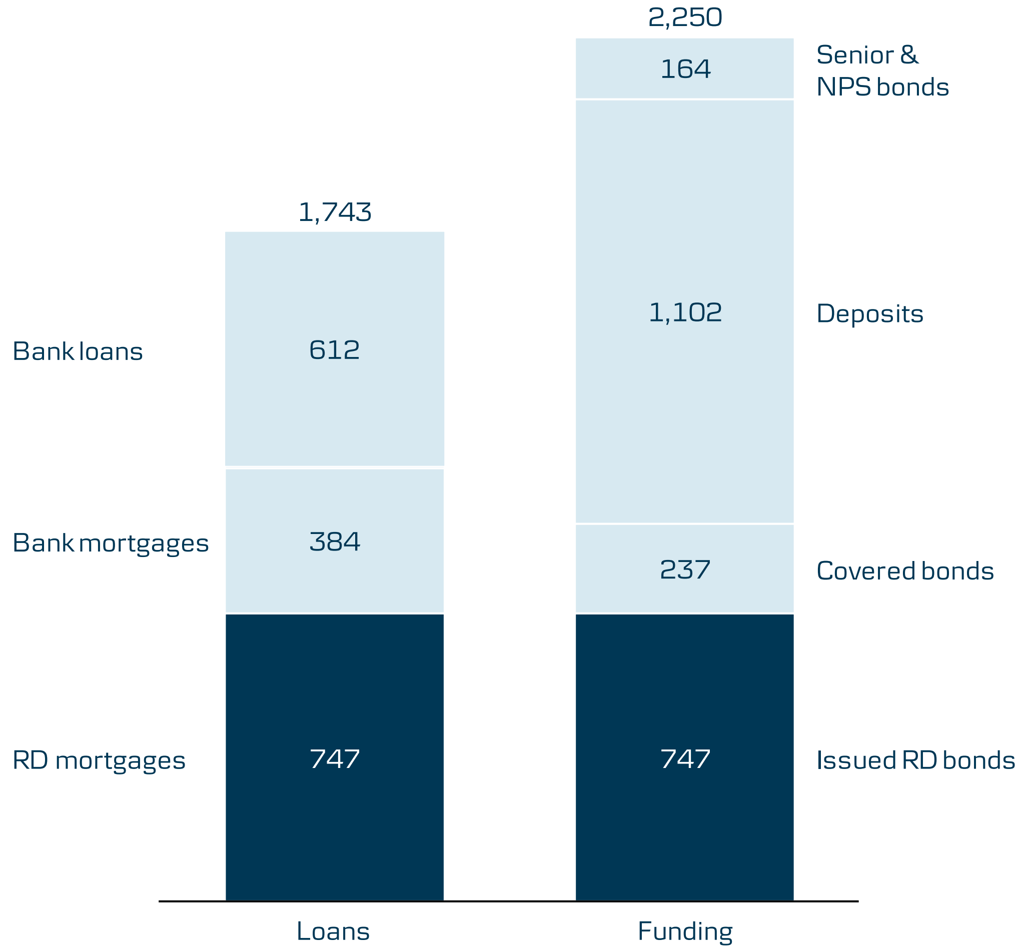
*Including Realkredit Danmark's (RD) capital and debt buffer requirements

# Funding & Liquidity

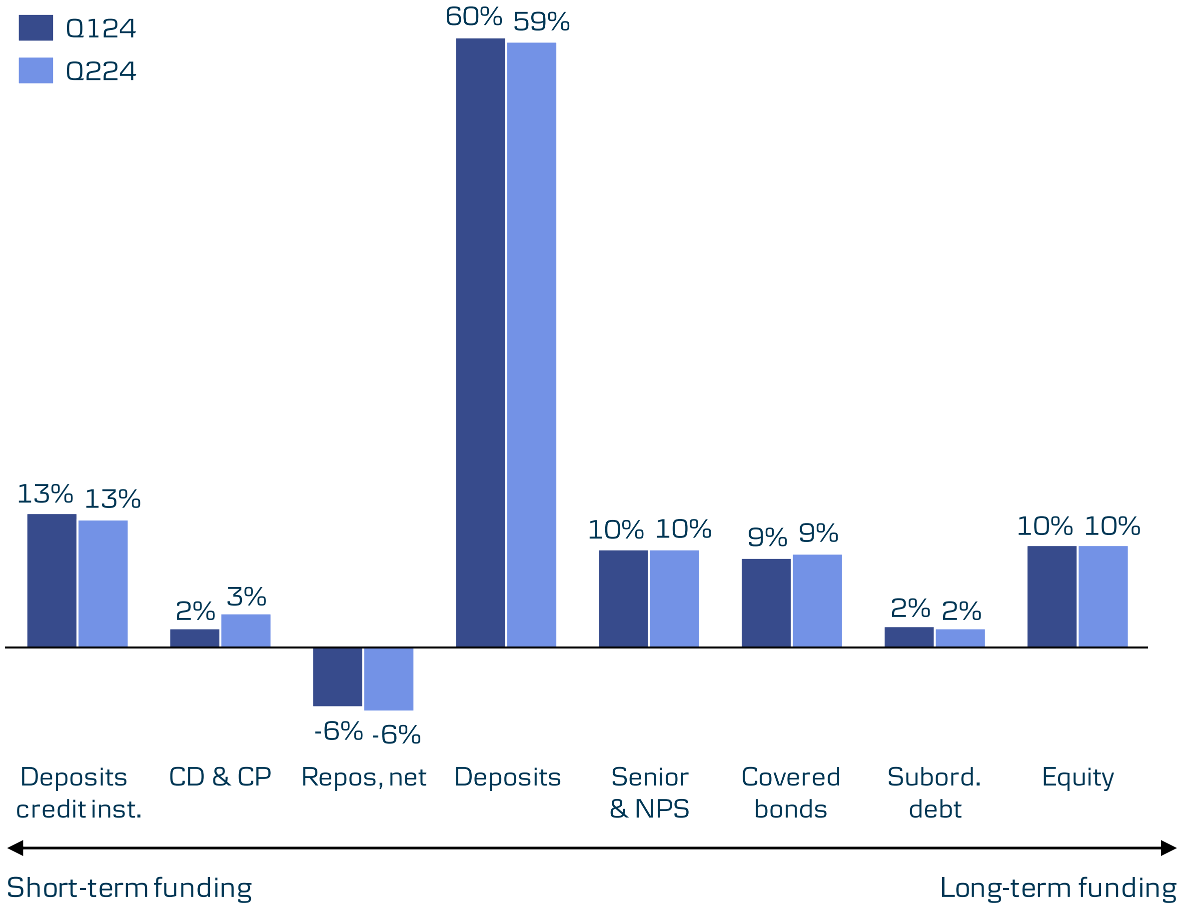
Danske Bank

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

## Loan portfolio and long-term funding Q224 (DKK bn)




## Funding sources* (%)

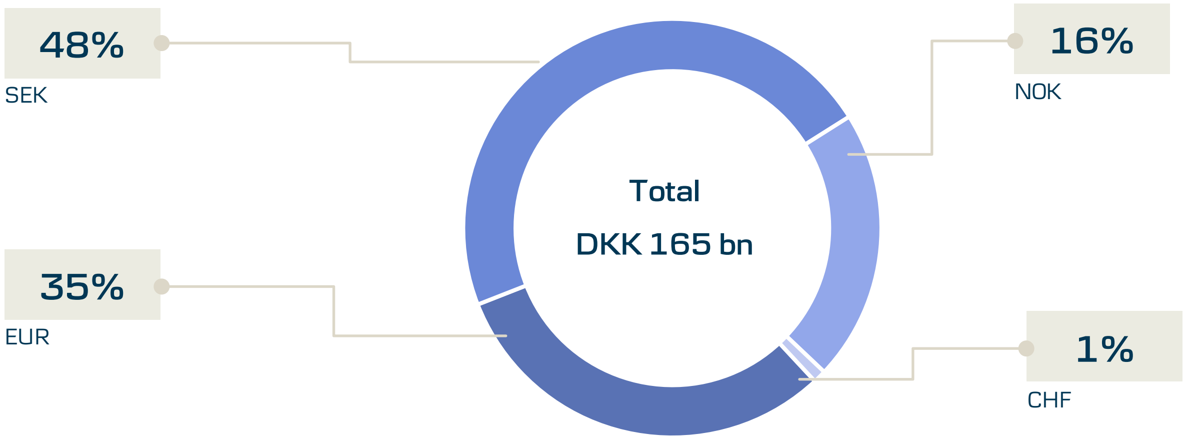



* Figures are rounded

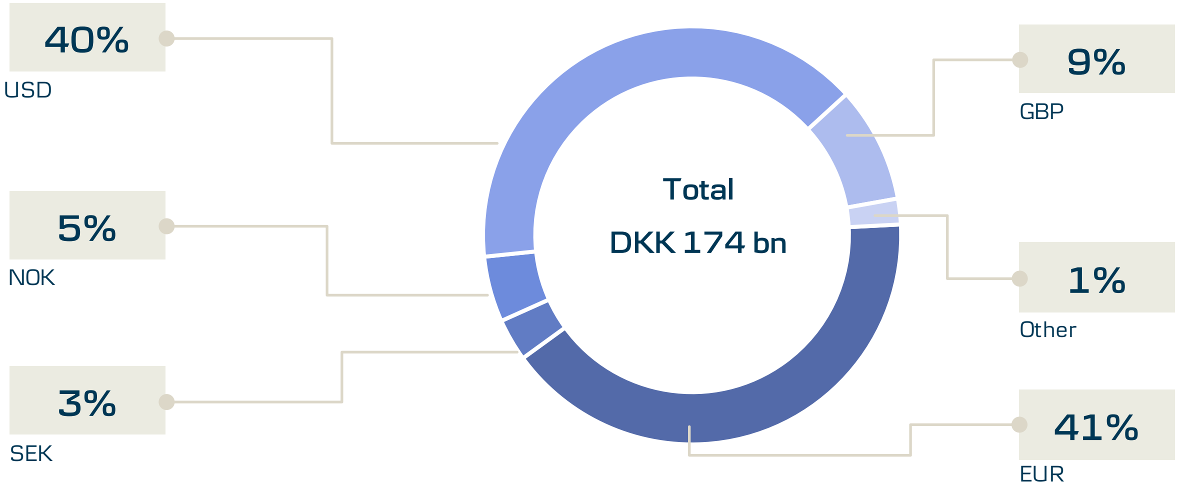
Danske Bank

# Funding programmes and currencies

## Covered bonds by currency Q224




## Senior debt[1] by currency Q224




## Largest funding programmes Q224

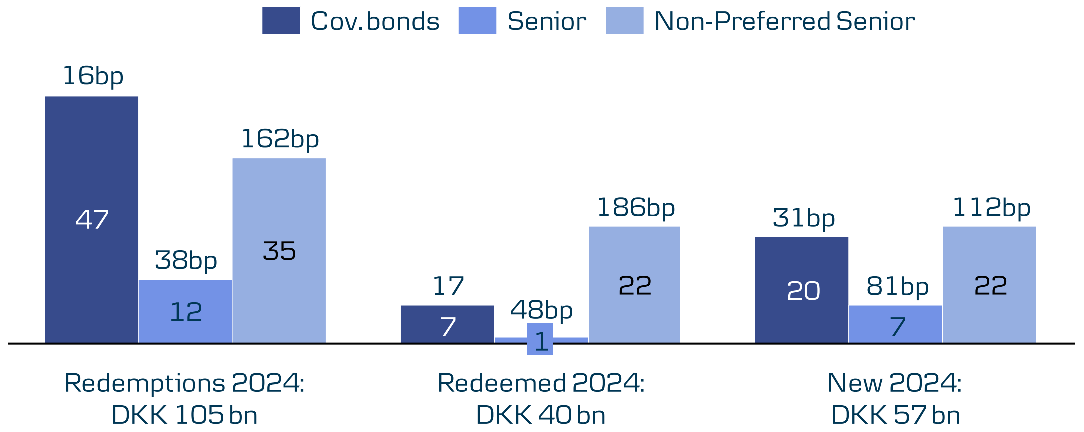
| | Utilisation |
|---|---|
| EMTN Programme<br>Limit – EUR 35bn | 48% |
| Global Covered Bond<br>Limit – EUR 30bn | 56% |
| ECP Programme<br>Limit – EUR 13bn | 33% |
| US MTN (144A)<br>Limit – USD 20 bn | 50% |
| US Commercial Paper<br>Limit – USD 6bn | 22% |
| UK Certificate of Deposit<br>Limit – USD 15bn | 7% |
| NEU Commercial Paper<br>Limit – EUR 10bn | 7% |

[1] Including senior preferred and non-preferred debt

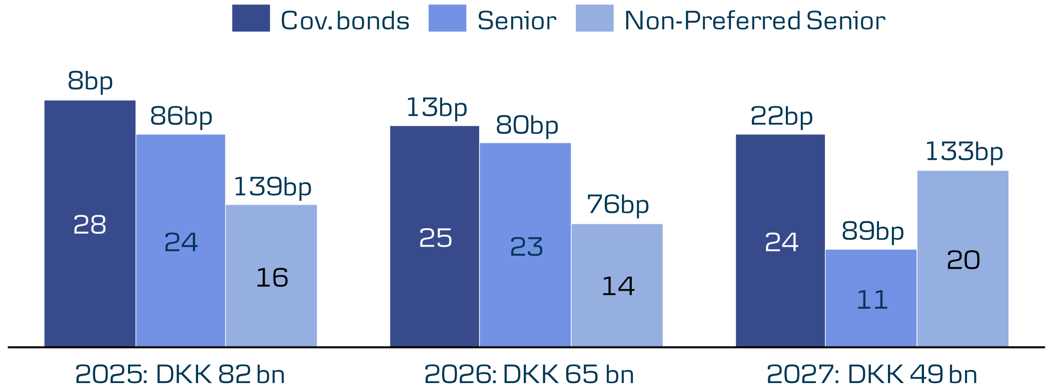
Danske Bank

# Funding plan

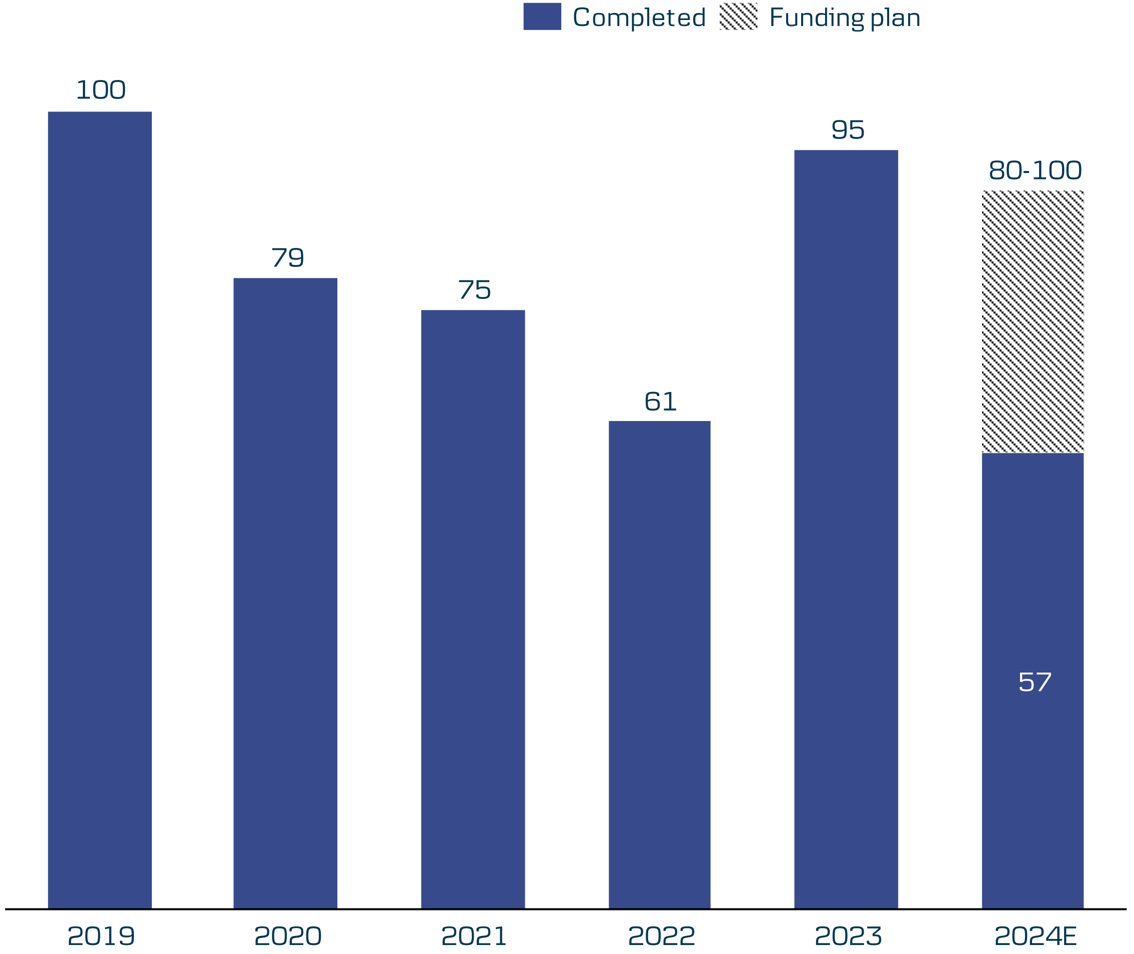
## Changes in funding* 2024 (DKK bn and bp)




## Maturing funding* 2025–2027 (DKK bn and bp)




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




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

# Danske Bank covered bond universe – a transparent pool structure, with EUR issuance by Danske Mortgage Bank & Danske Bank A/S “D-pool” and “C-pool”

**Danske Bank**

### Residential mortgages

- Denmark, D-pool
- Norway, I-pool (*existing Norwegian cover pool assets and NOK-denominated liabilities to be sold to Nordea*)
- Sweden, Danske Hypotek AB
- Finland, Danske Mortgage Bank Plc

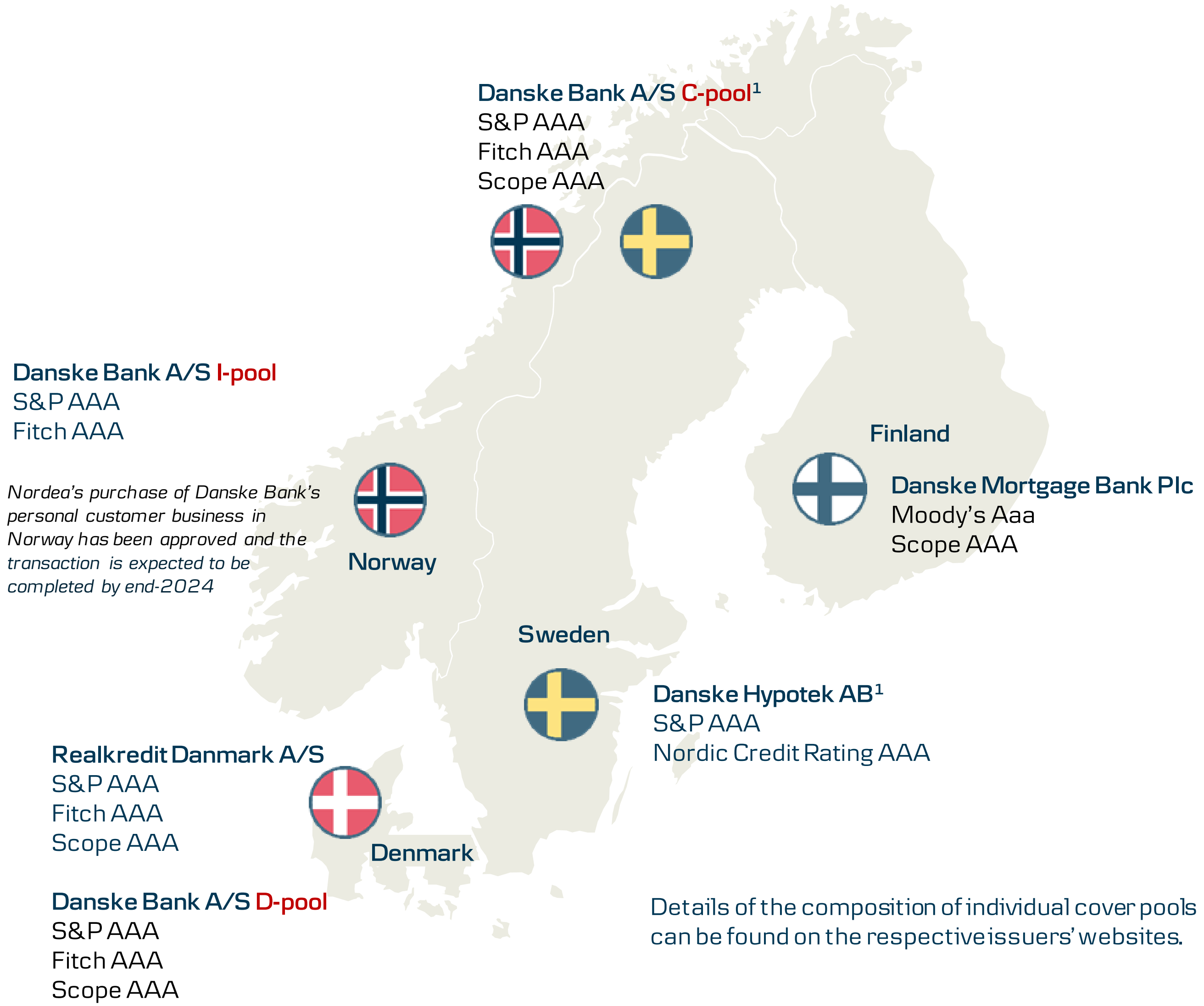
### Commercial mortgages

- 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’ websites.

1 The migration of Swedish mortgage loans from Danske Bank’s C-pool to Danske Hypotek AB is ongoing.

# Credit & ESG Ratings

Danske Bank

# Danske Bank's credit ratings – Moody's upgrades, and Scope assigns public ratings to Danske Bank

## Long-term instrument ratings

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

- Fitch rated covered bonds – RD (S + T), Danske Bank (C + D + I)
- Moody's rated covered bonds – Danske Mortgage Bank
- Scope rated covered bonds – RD (S + T), Danske Bank (C + D), Danske Mortgage Bank
- S&P rated covered bonds – RD (S + T + General), Danske Bank (C + D + I), Danske Hypotek
- Counterparty rating
- Senior unsecured debt
- Non-preferred senior debt
- Tier 2 subordinated debt
- Additional Tier 1 capital instruments

## Rating summary Q2 2024

On 2 June 2024 Moody's raised its senior debt ratings of Danske Bank A/S. The upgrade reflected Moody's assessment of the closure of the Estonia case and other remediation cases, as well as reassessment of its Loss Given Failure model for the Group. Thus, the Issuer Rating and the preferred-senior debt rating were raised two notches, and the non-preferred senior debt rating was raised one notch. At the same time Moody's raised its short-term rating to P-1. Moreover, Moody's also revised its outlook to Stable from Positive.

On 18 June 2024 Scope published its ratings on Danske Bank Group.

All credit rating agencies have stable outlooks on Danske Bank.

Danske Bank

# Danske Bank's credit ratings – Moody's upgrades Danske Bank in Q2 2024

## Rating methodology

Danske Bank's rating

**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+ | | No Support | | A+ (Stable) |

**MOODY'S**

| Macro profile | + | 1 | + | 2 | + | 3 | + | 4 | + | 5 | + | Quali-tative factors | = | BCA* | + | Affiliate support | + | LGF** | + | Gov. support | = | Issuer rating |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Strong Plus | | baa1 | | aa3 | | baa2 | | baa2 | | baa1 | | 0 | | baa1 | | 0 | | +2 | | +1 | | A1 (Stable) |

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

* Baseline Credit Assessment ** Loss Given Failure

Danske Bank

# Danske Bank's credit ratings – Scope issues public ratings on Danske Bank in Q2 2024

## Rating methodology

Danske Bank's rating

**SCOPE**

| Operating environment | + | Business model | = | Initial mapping | + | Long-term sustainability | = | Adjusted anchor | + | Earnings capacity & risk exposures | + | Financial viability management | + | Additional factors | = | Standalone rating | + | External support | = | Issuer rating |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Very supportive / Low | | Resilient / High | | a | | Developing | | a | | Neutral | | Comfortable | | Neutral | | a+ | | n/a | | A+ (Stable) |

**S&P Global** Ratings

| Anchor SACP* | + | 1 | + | 2 | + | 3 | + | 4 | = | Potential CRA** adjustment | = | SACP* | + | 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

* Stand-Alone Credit Profile, ** Comparable Ratings Analysis, *** Additional Loss Absorbing Capacity

Danske Bank

# Danske Bank's ESG ratings – Sustainalytics upgrades Dansk Bank in Q2 2024

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

| ESG rating agency | Q2 2024 | | Q1 2024 | End-2023 | End-2022 | End-2021 | End-2020 | Range |
|---|---|---|---|---|---|---|---|---|
| **CDP**[1] | B | 362 companies, out of the 21,000 scored, made the 2023 Climate Change A List | B | B | B | B | B | A to F (A highest rating) |
| **ISS ESG** | C+ Prime | Decile rank: 1 (300 banks rated)<br>C+ is the highest rating assigned to any bank by ISS ESG | C+ Prime | C+ Prime | C+ Prime | C Prime | C+ Prime | A+ to D- (A+ highest rating)<br>Decile rank of 1 indicates a higher ESG performance, while decile rank of 10 indicates a lower ESG performance |
| **Moody's ESG Solutions** | 60 | N/A | 60 | 60 | 61 | 61 | 64 | 100 to 0 (100 highest rating) |
| **MSCI** | BBB | MSCI rates 204 banks:<br>AAA 5%<br>AA 37%<br>A 27%<br>BBB 21%<br>BB 7%<br>B 1%<br>CCC 1% | BBB | BBB | BBB | BBB | BB | AAA to CCC (AAA highest rating) |
| **Sustainalytics** | Low Risk | Rank in Regional Banks 88/548<br>Rank in Banks 246/1051 | Medium Risk | Medium Risk | Medium Risk | Medium Risk | High Risk | Negligible to Severe risk |

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

# Tax & Material one-offs

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# Tax

## Actual and adjusted tax rates (DKK m)

| | Q2 2024 | Q1 2024 | Q4 2023 | Q3 2023 | Q2 2023 |
|---|---|---|---|---|---|
| Profit before tax according to P&L | 7,774 | 7,517 | 7,235 | 6,475 | 6,018 |
| Permanent non-taxable difference | 421 | 218 | -473 | 223 | 798 |
| **Adjusted pre-tax profit, Group** | **8,195** | **7,736** | **6,762** | **6,698** | **6,815** |
| | | | | | |
| Tax according to P&L | 1,936 | 1,888 | 1,470 | 1,156 | 1,007 |
| Taxes from previous years etc. | 45 | 24 | 251 | 503 | 652 |
| Adjusted tax | 1,981 | 1,912 | 1,721 | 1,660 | 1,658 |
| | | | | | |
| Adjusted tax rate | 24.2% | 24.7% | 25.5% | 24.8% | 24.3% |
| Actual-/Effective tax rate | 24.9% | 25.1% | 20.3% | 17.9% | 16.7% |
| Actual-/Effective tax rate exclusive prior year regulation | 25.5% | 25.4% | 23.8% | 25.6% | 27.6% |

## Tax drivers, Q2 2024

- The actual tax rate of 25.5% (excluding prior-year's adjustments) is lower than the Danish rate of 26% - due to the differences in statuary tax rates in the various countries in which we operate and the tax effect from tax exempt income/expenses
- The Danish financial sector is subject to a statuary corporate tax rate of 25.2% in 2023 and 26% from 2024 onwards
- Adjusted tax rate of 24.2% is lower than the Danish rate of 26% due to the differences in statuary tax rates in the various countries in which we operate
- The permanent non-taxable difference derives from tax-exempt income/expenses, such as value adjustments on shares

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# Material extraordinary items in 2024

In H1 2024, Danske Bank did not report extraordinary items

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