

Danske Mortgage Bank Plc- Investor Presentation

January 2020

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Danske Bank Group

Executive summary: Challenging first nine months; net profit down 14% from 9M 2018; new target for ROE of 9-10% in 2023



Lending growth of 3% y/y, driven by growth of 3% y/y at Banking Nordic and 1% y/y at Banking DK. However, growth is at lower margins



Trading income significantly lower due to both structural and cyclical headwinds; management actions to restore profitability in FI&C launched



Strong capitalisation with a CET1 ratio of 16.4%; new capital target for CET1 ratio of above 16%; REA increase in Q3, driven mainly by market and counterparty risk; additional Pillar II add-on of DKK 4 bn included from Q3



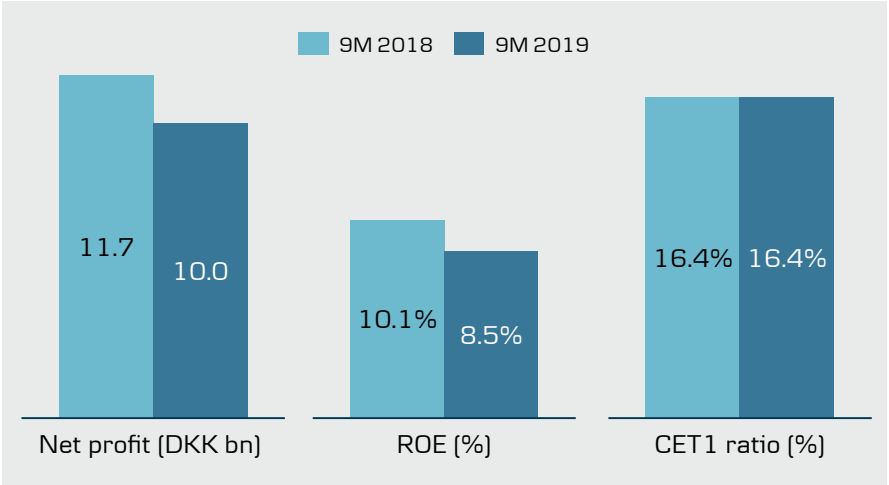
New ROE target of 9-10% in 2023 launched and target for cost/income ratio in the low 50s; 2020 guidance for ROE of 5-6% as a result of further investments to support our 2023 ambitions

DKK 10.0 bn Net profit, down 14% from 9M 2018 due to lower NII, higher expenses and higher loan impairment charges. 9M 2019 includes gain on sale of Danica Pension Sweden (DKK 1.3 bn)

8.5% Return on equity after tax, including gain on sale of Danica Pension Sweden

2% Increase in expenses y/y due mainly to upstaffing and investments in compliance and AML-related activities, as well as the provision for compensation related to the Flexinvest Fri case

DKK 13-15 bn (lower end) Narrowed net profit outlook for 2019



We have set ambitious 2023 targets for all of our key stakeholders

	What we want to accomplish by 2023	How we measure success
 Customers	<p><i>"On average among the top 2 in customer satisfaction in everything we do"</i></p>	<p>➤ ≤2.0 average CSAT rank</p>
 Employees	<p><i>"At least 90% of our employees are engaged"</i></p>	<p>➤ ≥90% engagement index</p>
 Society	<p><i>"We operate sustainably, ethically, and transparently – and have positive impact on the societies we are part of"</i></p>	<p>➤ Quantified progress across seven specific categories¹</p>
 Investors	<p><i>"We continuously improve the profitability level, leveraging our full potential"</i></p>	<p>➤ 9-10% return on equity ➤ CIR in the low 50s ➤ Dividend policy of 40-60%</p>

1. Selected focus categories: Sustainable Investing, Sustainable Financing, Governance, Diversity & Inclusion, Environmental Footprint, Entrepreneurship and Financial Literacy

Danske Bank covered bond universe, a transparent pool structure¹

	<p>Residential mortgages from</p> <ul style="list-style-type: none"> Denmark, D-pool Norway, I-pool Sweden, Danske Hypotek AB Finland, Danske Mortgage Bank Plc
	<p>Commercial mortgages from</p> <ul style="list-style-type: none"> Sweden and Norway, C-pool
	<p>Pass-through principle based on mortgages from primarily Denmark</p> <ul style="list-style-type: none"> Capital Centre T, Adjustable-rate mortgages Capital Centre S, Fixed-rate callable mortgages



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

Danske Mortgage Bank
- Structure and expected development

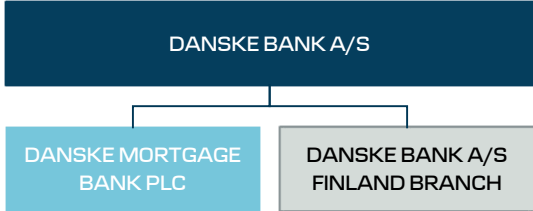
Danske Mortgage Bank Plc in Brief

- 100% owned subsidiary of Danske Bank A/S
- Operates as a mortgage credit institution with the purpose of issuing covered bonds
- Licensed by the European Central Bank to issue covered bonds according to the Finnish covered bond legislation
- Supervised by Finnish Financial Supervisory Authority
- Operationally Danske Mortgage Bank is part of Danske Bank Finland
- Market share of Danske Bank Finland 11% of the Finnish mortgage market (housing loans)
- Acting in a healthy and conservative Finnish housing market
- Covered bonds are rated Aaa by Moodys
- Total amount of outstanding Covered bonds as of Q3 2019 is 3 750 M€ with nominal overcollateralization of 40%
- Total capital ratio and CET 1 capital ratio were 33.3% on September 2019

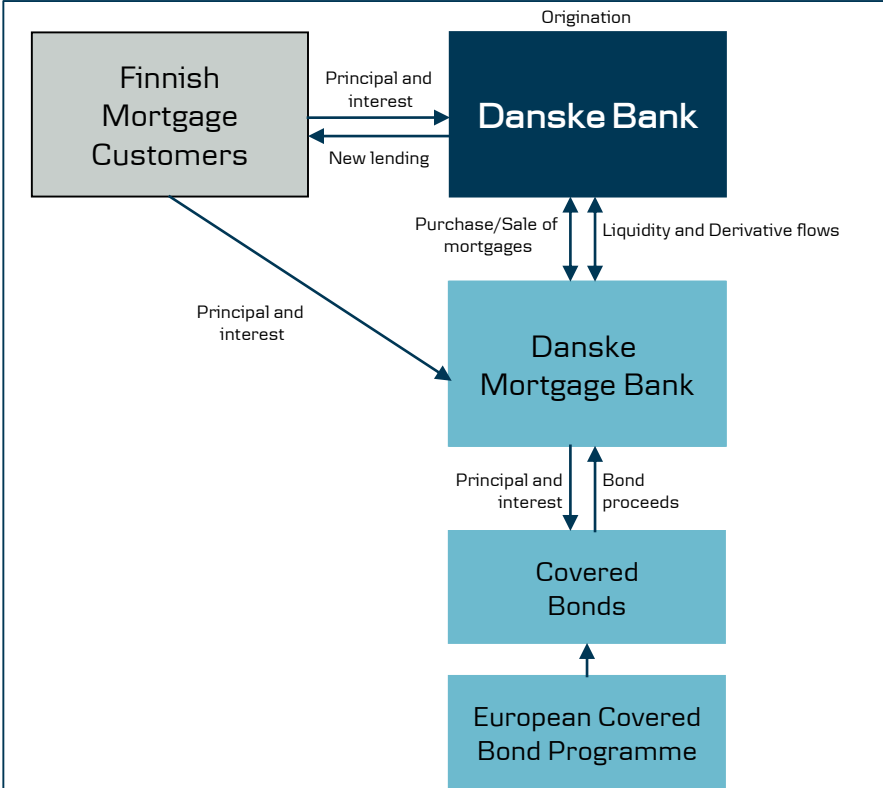
Operating model

Danske Bank Group has a strong commitment to the Finnish mortgage market

- **DMB** was established in demerger in 10/2017, and undertakes the mortgage banking activities of Danske Bank Plc, which was merged with Danske Bank A/S. Operationally DMB is part of Banking Finland and it employs 5 persons.
- **DMB** does not grant loans, but utilizes the mortgage loan granting and servicing process in Danske Bank A/S Finland branch buying these services
- **DMB** purchases residential mortgage loans from Danske Bank A/S Finland Branch. Purchases are financed through principal repayments and interest payments on loans, the issuance of covered bonds, and by a credit facility provided by Danske Bank A/S Finland Branch
- **DMB** is a long-term funding solution for continued growth of the Finnish retail mortgage business
- **DMB** plans to become a regular EUR Benchmark issuer



Danske Mortgage Bank- Business Model



Danske Bank - Underwriting criteria

Residential mortgages

- Credit decision is based on the customers' repayment capacity
- Repayment capacity is calculated using stressed scenario
- Customer income must be verified
- Credit bureau check (Suomen Asiakastieto) is always conducted
- Collateral must be located in Finland and be in the form of mortgages in real estate or in shares in housing companies
- Individual valuation of property based on market value
- Repayment schedules up to 25 years

Governance model

Governance, Funding, Hedging, Liquidity and Capitalisation

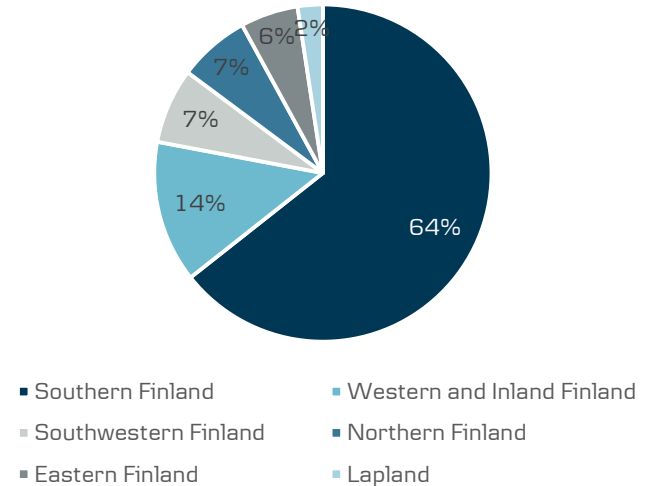
<p>Governance model</p>	<p>Funding</p>
<p>The diagram illustrates the Governance model as a classical building. The roof is labeled "Governance model". It is supported by three columns: Column I is "Dedicated organisation", Column II is "Steering documentation", and Column III is "Outsourcing and Service Level Agreement Management". The base of the building is labeled "Key capabilities and resources within Danske Bank Group".</p>	<ul style="list-style-type: none"> • DMB will fund itself primarily in the European Covered Bond market • DMB's short and medium term funding is provided by the parent
	<p>Hedging</p> <ul style="list-style-type: none"> • Danske Bank A/S is DMB's derivatives counterparty • Interest rate risk is matched • On the liability side, all cash flows from issued bonds are swapped up to 3m Euribor based flows • On the asset side, all cash flows from the mortgages are swapped to 3m Euribor based flows
	<p>Liquidity and capitalisation</p> <ul style="list-style-type: none"> • DMB is compliant with capital and liquidity requirements as stated in e.g. CRR/CRD IV as well as specific Finnish regulation and guidelines on capital requirements • Own funds consists 100 % of equity and retained earnings

Danske Mortgage Bank Plc pool characteristics

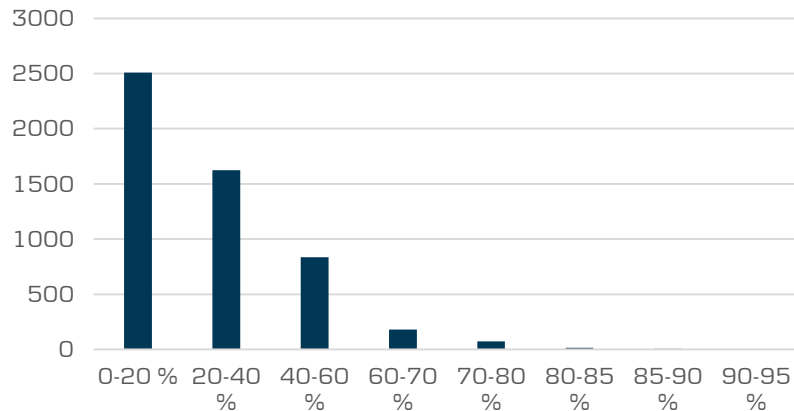
(as of 30th September 2019)

Pool notional	EUR 5.2bn
Collateral type	100% residential mortgages to private individuals (Retail)
Number of Loans	69,527
Number of Borrowers	84,556
Number of Properties	64,729
Average Loan Size	EUR 75 thousand
Property Type	100% Finnish residential properties, no commercial mortgages
WA LTV	50%
WA Seasoning	6.2 years
Repayment type	100% Amortizing
Pool type	Dynamic
Rate type	96% Floating rate, 4% Fixed rate
Issuance Notional	EUR 3.75 bn
OC	37.3 %
Geographical location	100% Finland.
Pool Cut-off Date	30-09-2019

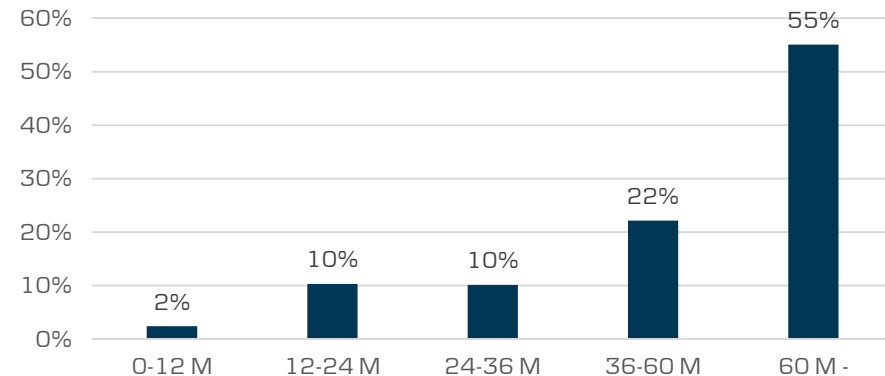
Regional distribution by loan volume, %



Volumes by LTV bucket, MEUR



Volumes by seasoning, months



Danske Mortgage Bank Plc, Balance Sheet

Balance sheet MEUR	9/2019	12/2018	12/2017	Change YTD
Cash	342	188	146	154
Loans to Customers	5 288	5 501	5 259	-213
Trading portfolio assets	106	126	158	
Investment securities, bonds	40	45	-	
Tax assets	1	0	-	
Other assets	2	2	3	
Total assets	5 780	5 863	5 566	-83
Due to credit institutions	1 604	708	1 138	895
Deposits	-	-	-	
Trading portfolio liabilities	19	16	20	
Issued bonds	3 840	4 849	4 132	-1 008
Tax liabilities	-	2	6	
Other liabilities	17	27	26	
Equity	300	262	244	38
Total liabilities	5 780	5 863	5 566	-83
Impairments (MEUR) by stages:	9/2019	12/2018	12/2017	Change YTD
Total	1,9	0,8	0,4	1,1

Key takeaways on Danske Mortgage Bank Plc

1. Wholly owned subsidiary of Danske Bank A/S to issue Finnish covered bond

2. Cover pool is 100% residential Finnish mortgages

3. Solid and well-diversified cover pool

4. Euro-area covered bond issuer regulated by Finnish Financial Supervision Authority (FIN-FSA)

5. Ambition to be a regular EUR Benchmark issuer

Finnish Covered Bond Framework

Overview of Finnish Legislation Relating to Covered Bonds

- Legal Framework Finnish Covered Bond Act (statute 688/2010)
- Issuance only by credit institutions authorised by FIN-FSA and ECB
- Compliance supervised by FIN-FSA
- Daily registration requirement of covered bonds, collateral and derivative to a separate register of covered bonds "register"
- Maximum contribution for housing loans to total value of cover pool assets is 70% of the current value of the shares or real estate placed as collateral

- Matching cover requirement
 - Total value of cover pool assets must always exceed the aggregate outstanding principal amount of the covered bonds
 - Net present value of cover pool assets must always be at least 2 per cent. above the net present value of the liabilities under the covered bonds

- Liquidity requirement
 - Average maturity of the covered bonds must not exceed the average maturity of the loans entered in the register
 - Total amount of interest accrued from the cover pool assets, during any 12-month period, is sufficient to cover the total amount payable under covered bonds and derivatives during the same period

Overview of Finnish Legislation Relating to Covered Bonds

- Bankruptcy remoteness and preferential claim
 - covered bond shall be paid until its maturity in accordance with the terms and conditions of the covered bond from the funds accruing on the cover pool assets of the covered bond before other claims
 - Isolation of registered collateral assets, registered derivatives from all other assets and liabilities of the insolvent issuer
 - Holders of covered bonds, counterparties of derivatives and bankruptcy liquidity loans in bankruptcy would rank pari passu and have the priority of payment right limited to a maximum amount which corresponds to 70 per cent. in respect of housing loans of the current value of shares or real estate which stand as collateral for the loan as entered in the register at the time of commencement of liquidation or bankruptcy proceedings against the issuer.
- Liquidation and post bankruptcy procedures
 - Supervisor appointed by FSA to protect the interests of creditors of covered bonds
 - A bankruptcy administrator is appointed by the court (administration of estate)
 - If the matching cover and liquidity requirements cannot be fulfilled, the bankruptcy administrator must, upon the request or approval of the supervisor, accelerate the covered bonds and sell the cover pool assets in order to pay the covered bonds.

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