

Danske Bank's annual general meeting 2017

The Board of Directors' report on the company's activities in 2016

Check against delivery.

WELCOME

SLIDE: Welcome to the annual general meeting

As you could see in the film, many people have an interest in seeing that Danske Bank is a sound, solid and successful business. Our customers want competent advisory services, innovative solutions and a bank that is always there. Society needs us to stimulate growth and ensure financial stability. And you, our shareholders, of course expect to receive a reasonable return on the capital you make available to the Group.

On the Board of Directors and the Executive Board, we therefore place great importance on operating an ambitious and also a solid, balanced and predictable bank that focuses not only on the results we can deliver here and now but also on long-term value creation. Because when you have been in operation for almost 150 years, you know that only by always delivering in the short term and by steadily developing and renewing yourself can you remain relevant, competitive and value-creating over the long term.

As chair of the Board of Directors, I am therefore pleased that I can present, for the sixth consecutive year, a report to the annual general meeting on a year that brought significant progress for Danske Bank. The year 2016 was a year in which we delivered strong financial results, forged stronger links with our customers and strengthened our market position significantly at the same time as we strengthened our opportunities for future success, growth

and value creation. I will return to that later, but first a little about the conditions under which we operated in 2016.

To have foresight about the very important matters in periods with many changes, you must distinguish between spectacular but sometimes superficial events that demand our attention and require minor adjustments but that do not seriously affect our business model and the more fundamental changes that require us to adjust our strategy and business model and to change our view of the future.

The year 2016 *was* an eventful year – not least on the global scene, with many spectacular events. The British rejected the EU. In several European countries, new political currents arose that called into question the European collaboration. And no one could avoid noticing that the Americans chose a president who has sent the superpower upon a new and – shall we say – less predictable course.

In the big picture, there is no doubt that it will create a different and new dynamic in the global economy and thus also affect the Nordic economies. But so far, we have seen only a small effect of the results – with the important exception of a marked weakening of the British pound.

SLIDE: Satisfactory results despite challenging conditions

In our core markets in 2016, we again saw relatively low growth as well as very low and negative interest rates. Despite these challenging conditions, we delivered strong results, as I mentioned earlier, with a net profit of DKK 19.9 billion and a return on equity of 13.1% In general, the results showed again the strength of our diversified business model and showed

that our work to become a more customer-focused, simple and efficient bank produces results.

With these financial results – which I will review in a little more detail in a moment – we reached our target of a return on equity of at least 12.5% earlier than we had promised. We are of course satisfied with this. But it does not mean that we will lean back and think that we can relax for a couple of years. On the contrary. The great pressure we are experiencing in the form of negative interest rates, low growth and tough competition means that we must always work in a focused way to improve our results. Indeed, one is tempted to say that we must run fast in order to stand still. This may sound like nonsense to some people, but it is nevertheless the truth. We must run very fast simply to maintain the status quo. Therefore, at this time we are not changing our target of a return of at least 12.5%

ON CUSTOMER SATISFACTION

SLIDE: Solid increase in customer satisfaction

Let me now review the year's financial results a little more systematically. And let's start with those who are most important – our customers. As you know, our ambition is to be either number one or two in all of our markets. We have not reached our target yet, but we made great progress in 2016.

In Denmark and Sweden, we are number one or two in all customer segments, and in Sweden, we were even named Bank of the Year for the third consecutive year. Things are also going well in Finland, although there is great potential for Wealth Management, where,

unfortunately, we are somewhat behind our competitors. In Norway, the picture is more mixed, as we ranked from first place to fourth place.

We have worked hard and in a focused manner to turn the trend around, and we are therefore pleased that the many initiatives we have undertaken to strengthen our offer to customers and relations with them are bearing fruit. Because satisfied customers are what it's all about. I have said it before from this podium, but I would like to repeat it. The only way to good financial results, and thus also a good return for you shareholders, is to have satisfied customers and talented and engaged employees.

ON THE FINANCIAL RESULTS

SLIDE: Satisfactory financial results

As I mentioned, we can also be satisfied with the financial results. When we look more closely at them, we see that total income rose 5% from the level in 2015 to DKK 48 billion. The increase was owing to several factors: We attracted new customers and increased lending across the four large business units. We had much activity in the financial markets, which is evident in our trading income, which rose 26%. Other income rose a full 34%, but that item also contains income of about DKK 1 billion from the sale of property, including the head offices at Holmens Kanal. And since, as you know, unfortunately, we can sell Holmens Kanal only once, we cannot expect the same high level next year. The only decline we saw was in fee income, which fell 6% owing to difficult market conditions in the beginning of the year and lower customer activity, partly because of a more normal level of mortgage refinancing.

Expenses fell 3% to DKK 22.6 billion because of our focus on creating a more simple and

efficient bank.

Impairment charges continued to decline so much that we ended with a small income. And that occurred despite our having to book almost DKK 300 million in charges for agriculture and almost DKK 1 billion for the oil and offshore industry.

Our ongoing work to adjust our business model so that we become more capital-efficient is also bearing fruit and contributing to the overall results. As I mentioned earlier, we delivered a return on equity of 13.1%, but adjusted for one-off income, the return was 12.5%.

Let us look at the financial results at the individual business units.

SLIDE: Personal Banking

Personal Banking's profit before tax excluding goodwill rose 34% to DKK 5 billion. The increase was owing especially to our gaining many new customers in Norway and Sweden as well as to a 9% decline in expenses. Reversals of impairment charges also made a positive contribution.

SLIDE: Business Banking

Business Banking had a good year in 2016, with total lending growth of 5%, which together with a net reversal of impairments led to a rise in profit of 3% to DKK 6.7 billion.

SLIDE: Corporates & Institutions

In the beginning of the year, Corporates & Institutions saw low customer activity, but that changed in the second quarter, when the unrest in the financial markets because of the Brexit

referendum made us very busy. Despite a rise in income, the overall result fell 10%, partly because both impairment charges and expenses rose.

SLIDE: Wealth Management

Our newest business unit, Wealth Management, delivered a profit of DKK 4.8 billion, which was generally at the same level as in the year before. The result benefited from a small rise in income, among other things, while expenses rose 5%. Danica Pension is part of Wealth Management, and it saw net premium income rise 14.3% while we delivered a satisfactory and attractive return to our customers. We are pleased that we can now see the results of the new strategy we have set for investing at Danica.

SLIDE: Northern Ireland

At our unit in Northern Ireland, which has functioned as an independent business unit since 1 January of last year, the result was adversely affected by a falling exchange rate. In Danish kroner, profit fell 26%, while income fell 7%. In local currency, on the other hand, profit fell 16%, while income rose 5%.

ON THE CAPITAL POSITION AND USE OF NET PROFIT

SLIDE: Solid capital position

As you know, our ambition is to operate a solid, balanced and predictable bank. This is expressed in financial targets of a total capital ratio of 19% and a core equity tier 1 capital ratio of 14% to 15%. At the end of 2016, our total capital ratio was 21.8% and our CET1 capital ratio was 16.3%, and we thus fully met our goals.

SLIDE: Dividend distribution and share buy-back

It is also on that basis that we on the Board of Directors are proposing that we pay a dividend of DKK 9 per share, which corresponds to 45% of net profit for the year. Our objective is to pay out 40% to 50% of net profit in dividends.

In 2016, we carried out a share buy-back programme for a total of DKK 9 billion. These shares will – with your approval – be cancelled at this general meeting. In 2016, we again built up significant surplus capital. Therefore, the Board of Directors started a new share buy-back programme in February for a total of DKK 10 billion. Even with the new share buy-back programme, we will still have a solid capital base, and we will comply with all regulatory requirements.

From time to time, there is a big debate about our paying out a dividend to our shareholders and using surplus capital to buy back shares. I have noted that some people think we “enrich” our shareholders and that this takes place at the expense of our customers and our opportunity to invest in growth and progress. I would like to make a couple of comments on this: We have an objective of paying out 40% to 50% of net profit for the year to our shareholders. This is payment for the capital they make available to us, and we believe this is completely fair and far from something that can be classified as enrichment. It is a condition for us to operate a sound, solid and stable bank that we can attract capital, and we can do that only if we deliver a competitive return. When it comes to share buy-backs, it is not an objective in itself. There is actually nothing we would rather invest in than growth, but we do not want to compromise our risk tolerance. In other words, growth must also be profitable over the long term. So when we are operating in an economy with low growth, there are limits to how

much we can grow, and the surplus capital that is not invested in growth is used to buy back our own shares and thus to adjust the total capital.

In the same way, there is also a discussion now and then about what return is fair to expect from a bank. Some assert that it will be reasonable to reduce expectations from the current level, for example our target of achieving at least 12.5%, because banks today are less risky than before and because we are operating in a low interest rate environment. This is an exciting and relevant theoretical discussion to which we wish very much to contribute. But you should remember that banks have differing business models. For a bank that lives mainly off of lending and deposits, the low interest rate environment will produce a lower return, other things being equal. But for a diversified universal bank such as Danske Bank, the same logic does not hold. In any case, we operate in the real world, where it is not economic theory but the market and our investors that determine what is considered a fair and competitive return.

In recent years, we have shown that there is no contradiction between having satisfied customers and creating value for shareholders. On the contrary. We have invested significantly in product development, digital solutions and new ways of serving customers, and this has helped to produce a good trend in the number of customers and not least in their satisfaction. In combination with increasing engagement among our more than 19,000 talented employees, this has enabled us to create value for our shareholders. It is also worth remembering that our shareholders include more than 250,000 individual investors besides many who invest indirectly in Danske Bank through their pension companies.

ON THE EXECUTION OF OUR STRATEGY

SLIDE: Priorities in 2016

In a time when the market is changing quickly and very unpredictably, it is important to maintain our focus, have a clear direction and clear priorities.

Especially important in 2016 was the establishment of our new business unit, Wealth Management, which began in April. In this unit, we have gathered all our competencies in pension and wealth and asset management in a single strong unit that enables us to develop appealing new products and platforms with greater power and speed. The need for asset management is increasing, and we see significant growth potential across our core markets. With this strong new unit, we are convinced that we have a good starting point for being able to achieve much of this potential. At the end of 2016, Wealth Management had more than DKK 1,400 billion in assets under management and accounted for 19% of the Group's pre-tax profit.

The strategy is clear, and the ambitions are large. We want not only to offer competent advice, tailor-made products and innovative solutions – our ambition is to use our competencies to improve our customers' lives. That may sound a little grandiose, but it is necessary to have a holistic approach that focuses on the individual customer's situation, life stage and long-term objectives. Only in that way can we enable our customers to make good financial decisions.

In 2016, we also focused on strengthening our position in the Nordic countries further and exploiting the great potential we have as Nordic universal bank. We see a great potential for

strengthening our position and growing further, particularly in Sweden and Norway. In 2016, we undertook a number of initiatives in the Nordic countries, for example entering into strategic partnerships with Tjänstemännens Centralorganisation in Sweden and Akava in Finland, which is a confederation of unions for professionals and managers.

As a step in our work to ensure a simple and efficient organisation, we are investigating the possibilities for gathering all of our Finnish activities in a single Finnish branch, in a so-called branchification, as it is called in legal language. It is a way of organising ourselves legally, and we have the same arrangement in Norway and Sweden. In other words, branchification is a technical exercise.

Technological developments have made it possible to digitalise an increasing number of processes at the Bank and make them simpler for the benefit of customers. A good example is the digital establishment of customers. Every year, we get many new business customers, about half of which are small sole proprietorships. Previously, it could take up to two weeks to set up these customers because various documents and proof of identity had to be submitted, but we have reduced the time to two days with the new digital establishment process. And in Danske Mobile Banking, individuals can set themselves up as customers and submit proof of identity – with the entire process taking only a few minutes.

Another example is opening foreign business accounts, which previously could take two to three months because of the various requirements for documentation and proof of identity found around the world. Today, by means of new digital processes, we have made it 60% to 90% faster to open a foreign account. Digitalisation is also bringing advances in currency trading. In 2016, some 72% of all currency trades took place automatically, that is,

"untouched by human hands". There are many examples like these in which we have used digitalisation to make day-to-day banking business easier, and it is an area on which we will also focus closely in the future.

In 2016, we continued to invest in innovation. First of all, in the digital area, where we further developed existing products such as MobilePay and Sunday, the website for home purchasers, and launched new digital solutions and products. It would take too long to mention them all, so I will name only a few, for example the WeShare app, which makes it easy for families and friends to manage expenditures and share bills when you have shared activities. DynamicPay, which is an online invoice solution that optimises the payment process between buyers and suppliers and thus improves businesses' liquidity. The digital platform The Hub, which gives small businesses with great growth potential help in finding employees, financing and good advice about how to solve some of the difficulties small businesses typically often run into. And June, which is an online investment solution – although it is still only in a test version – that makes it possible for people to invest easily and inexpensively.

But innovation is much more than just inventing smart new digital solutions. It is also a matter of looking at our processes from an entirely new perspective. To find out how we can design the optimal process from beginning to end from the customer's perspective. To develop new products such as new funds for alternative investing and Danica's Health Package, which includes access to a stress hotline, an online health check and help in navigating through the public health system. To exploit resources as well as possible, and to find new ways of collaborating, not only internally at the Bank but externally as well. This led to a number of so-called strategic partnerships in 2016. For example, together with the

Rainmaking firm, we developed The Hub, and we launched a new partnership model for MobilePay. The purpose was to increase the spread of MobilePay and create a strong shared payment solution. In October, this resulted in Nordea's choosing to join the partnership in Denmark and Norway. We also invited all interested Nordic banks to take part in the collaboration, and since then, Jyske Bank and more 60 other Danish banks have joined.

Another large focus area in 2016 was the effort against financial crime. At Danske Bank, we do not want to contribute in any way to money laundering, the financing of terrorism, tax evasion or other types of financial crime, and therefore we used considerable resources in our efforts on that front in 2016. Today, several hundred employees throughout the Group are involved in this effort, and in 2016, we spent more than DKK 400 million to fight financial crime. That is a lot of money, but as the largest bank in the country, we play a large and important role in the fight against financial crime, and it is therefore an area that we give very high priority.

As some of you may remember, one year ago, Danske Bank received eight orders from the Danish Financial Supervisory Authority in the money laundering area and was reported to the police regarding compliance with rules on correspondent banks. Since then we have improved our procedures so that we now believe we comply with the orders. Regarding the reporting to the police, the authorities are still investigating the matter.

ON OUR FOCUS GOING FORWARD

SLIDE: Our four strategic themes set the course for 2017

As I mentioned in the beginning, we will not relax in 2017. As you know, our vision is to be

recognised as the most trusted financial partner, and our long-term ambition is to deliver the best customer experience. That is an ambitious goal, but in all modesty, I think we are well on our way, and I am convinced that we have what it takes to reach it.

More specifically, both the Board of Directors and the Executive Board continue to focus on the four themes that are set in the Bank's strategy: customer experience, Nordic potential, digitalisation and innovation, and people and culture. Again in 2017, customers will be at the centre of everything we do. Our ambition is to deliver the very best customer experience.

We must develop the best and most innovative products and understand our customers' needs so that we can give them the best possible advice. We must work to realise our full potential in the Nordic countries, including ensuring that we continue our sensible and sustainable growth in Norway, Sweden and Finland – of course without taking any unnecessary risks. We will continue to invest considerable resources in exploiting the many possibilities of digitalisation. Not only by creating the best and most innovative products, but also by optimising, automating and improving our processes so that we become both more efficient and more customer-friendly. We will create an even more efficient, competent and engaged organisation in which both employees and managers are measured first of all by the value they create for customers.

Besides the four themes in our strategy, in 2017 we will also focus on new growth opportunities since the difficult market conditions with low growth, negative interest rates and increased competition will continue. This also means that we must keep our focus on reducing expenses by making the Bank more efficient – partly with a helping hand from digitalisation.

SLIDE: Regulations

One of the factors that demands much focus is regulations. In recent years, the financial sector has been subjected to new and tighter requirements in a large number of areas, and there is nothing to indicate that there will be fewer in the years ahead. Let us say this very clearly: We agree that since the financial crisis, there has been a need to tighten the rules, and we also believe that the regulations that have been implemented have contributed to making the financial sector more solid and stable and have increased confidence in the sector. We are not proponents of general deregulation that eases the requirements on fundamental areas such as capital requirements and the like, which can lead to inappropriate risk taking to the detriment of customers, shareholders and society in general.

But we have to main desires: First, that legislation ensures that there are uniform rules across borders so that we – and thus our customers – are not subjected to greater requirements or higher costs than our competitors – and their customers – in other markets. Second, that legislation strikes the right balance between ensuring financial stability and giving us the opportunity to support growth and employment.

We are therefore pleased that in Denmark generally there is great focus on adjusting the coming Basel IV rules to Danish conditions, and we favour the government's plan to give the regulations that have already been implemented a quality check.

ON THE OUTLOOK FOR 2017

SLIDE: Outlook for 2017

There is no doubt that the uncertain macroeconomic conditions will continue in 2017. We therefore expect that the net profit for 2017 will be DKK 17-19 billion – that is, at the same level as in 2016, excluding one-off income. We expect that both interest income and fee income will rise, but the developments will of course depend on customer activity. Expenses are expected to fall, and impairment charges will remain low, although a little higher than in 2016.

ON THE BOARD OF DIRECTORS

SLIDE: Board of Directors' work

In conclusion, I would like to say a couple of words about the Board of Directors' work and focus areas in 2016. Much of the Board's work today is dictated by laws and regulations, and the Board has therefore focused on ensuring that the Bank complies with all legislation and also has strong processes for managing risks. The efforts against money laundering, financial crime and the financing of terrorism have also been central.

Besides the regulatory matters and risk management, the Board has also focused to a great degree on strategic developments, including innovation and digitalisation. With focus on the customer, mind you. Last, but not least, the Board has focused on organisational and management matters such as succession planning, competency development, talent development and employee culture.

The Board has held 16 meetings since the preceding general meeting, and its four committees have held 25 additional meetings. In addition, the chair of the Board and the chairs of the Audit Committee and the Risk Committee have each held meetings with the Danish Financial Supervisory Authority – six in total – as a step in the increased supervision of so-called systematically important financial institutions. In 2016, the Board also continued to ensure an ongoing adjustment of its competencies. Three meetings have been held for the purpose of further training for board members, among other things.

Changes in the Board of Directors and the Executive Board

SLIDE: Changes in the Board of Directors and the Executive Board

It is my opinion that the Board has a good mixture of competencies and experience. Nevertheless, we are proposing a single change, since Trond Westlie wishes to resign from the Board. In his place, we propose Martin Tivéus as a new candidate for the Board. I will return to this under item four on the agenda on the election of new members of the Board, but I first wish to thank Trond Westlie for his efforts and collaboration over five years.

During the year, there were also a couple of changes in the Executive Board. On 1 April, Tonny Thierry Andersen became Head of Wealth Management and thus took responsibility for two important areas until 1 October, when we appointed Jesper Nielsen as Head of Personal Banking and member of the Executive Board. Jesper Nielsen was previously responsible for Business Development at Personal Banking, where, among other things, he was an important force behind the development of digital solutions, not least MobilePay.

Gilbert Kohnke, CRO and Head of Risk Management – has chosen to resign from his

position for family reasons. He will be succeeded by Carsten Egeriis, who will join the Executive Board as the new CRO by 1 September 2017. Carsten – who is Danish – comes from a position as CRO at the British bank Barclays UK.

Remuneration of the Executive Board

SLIDE: Remuneration of the Executive Board

At last year's general meeting, we informed you that we had created a clearer and more direct relation between the Bank's results and the Executive Board's remuneration and thus also a better balance between the Executive Board's fixed and variable remuneration. In 2016, the Executive Board's fixed remuneration – except for a couple of adjustments – remained at the same level as in 2015, while the variable remuneration was higher in 2016, since it reflected the considerable progress the Bank made in the course of the year, including the advances in the financial results and the very positive developments in customer satisfaction.

Please see note 33 in the annual report, where management's remuneration is shown in detail.

On the Board of Directors, we think that the Executive Board's remuneration altogether is at an appropriate level, and we have therefore decided not to change its fixed remuneration for 2017 – with the exception of two small adjustments.

CONCLUSION

SLIDE: Considerable potential for the future

We are satisfied with the progress we have made in 2016. That despite challenging market conditions, we were able to deliver strong financial results, improve customer satisfaction and

strengthen our market position – we can be satisfied with that. The good results were owing to a large degree to the great effort made by the Bank's 19,000 plus employees around the world, and we therefore wish to give them special thanks.

As I said in the beginning, we are far from done. In fact, we have only just begun. We continue to see great potential for becoming a more customer-oriented, simple and efficient bank and thereby also creating value over the long term for all of our stakeholders.

Thank you for your interest.