

Danske Bank
Capital Markets Day



The road to profitability

Henrik Ramlau-Hansen, Chief Financial Officer

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Agenda

Results for 9M 2012

Roadmap to ROE above 12% in 2015

Rationale behind the share issue

ROE sensitivity to key assumptions

Setting the scene

Income statement (DKK m)

	9M2012	9M2011	Index
Net interest income	18,588	17,355	107
Net fee income	6,129	6,080	101
Net trading income	7,469	5,687	131
Other income	2,323	2,799	83
Income from insurance bus.	1,310	-407	-
Total income	35,819	31,514	114
Operating expenses	19,598	19,528	100
Profit bef. loan imp. charges	16,221	11,986	135
Loan impairment charges	9,910	8,396	118
Profit before tax	6,311	3,590	176
Tax	2,708	2,067	131
Net profit	3,603	1,523	237
Non-core, Ireland	-3,613	-	-
Net profit, core	7,216	-	-

Key points

- ✓ Total income up 14%
- ✓ Stable expenses despite restructuring costs
- ÷ Impairment charges higher
- ✓ Net profit more than doubled – another step forward
- ✓ Net profit for core business of DKK 7.2 bn (ROE of 7.4%)

Outlook for 2012

Macro

Economic growth to remain low in most markets

Income

Improvement of income is an ongoing process

Expenses

Expected to increase 4% above 2011 level

Loan losses

In line with 2011 level, around DKK 13 bn

Net profit

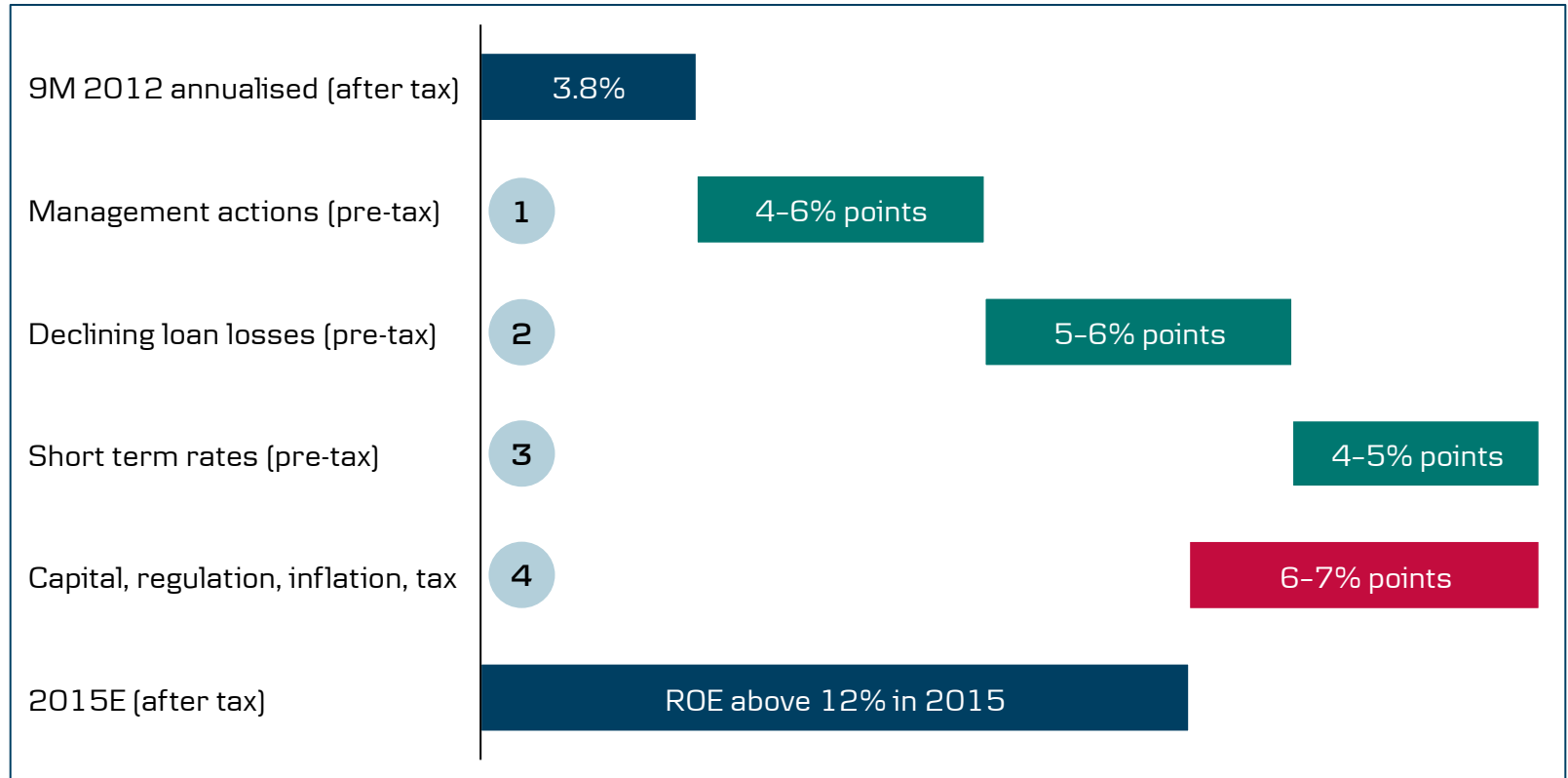
Results remain low

Financial targets

	Q3 2012	Ambitions
ROE	3.8%	Above 12% in 2015
Ratings	S&P/Moody's/Fitch A-/Baa1/A	Improve ratings at least one notch
Core tier 1 Total capital Liquidity	12.7% 19.4%	Minimum 13% by the end of 2013 Minimum 17% by the end of 2013 Meet EU 2015 LCR requirement by the end of 2012
Nominal costs FTE C/I ratio	2012 guidance at 27 bn 20,651 55%	Below DKK 26 bn in 2015 To be reduced by 2,000 in 2013-2015 Below 48% in 2015
Dividend payments	Nil for 2012	About 40% of annual net profit, but lower until we have reached capital and rating targets

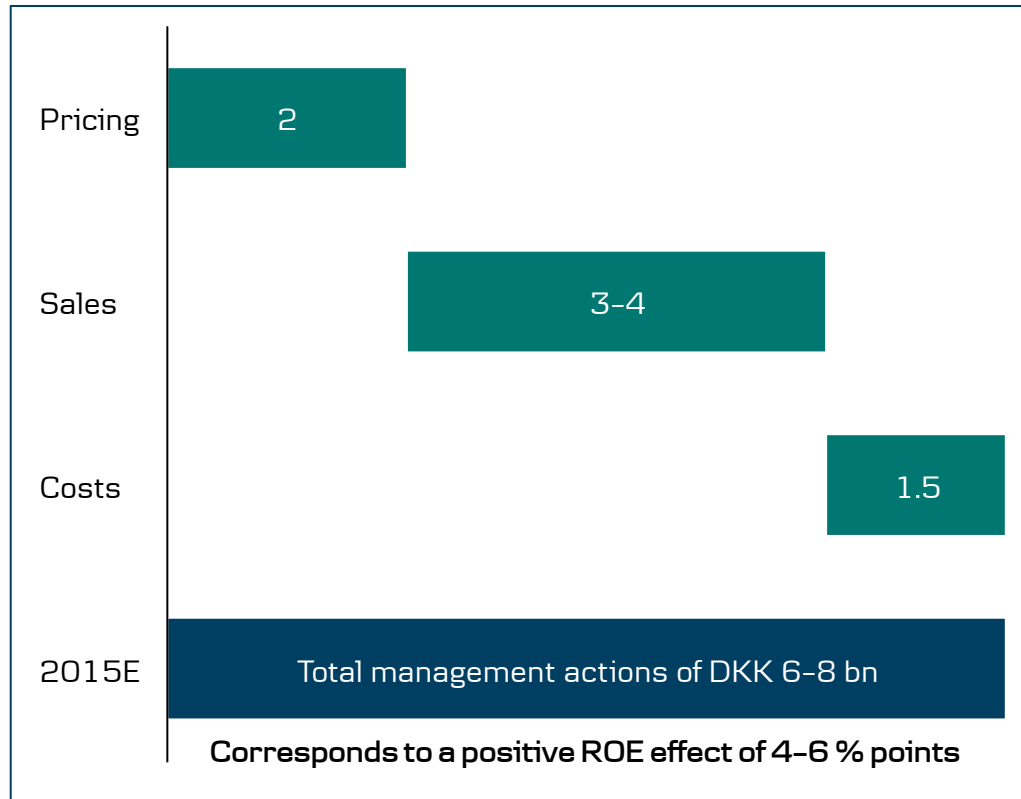
ROE above 12% in 2015

Change in ROE from 2012 to 2015



Management actions increase profit by DKK 6–8 bn in 2015

Effect from 9M 2012 annualised to 2015 (DKK bn pre-tax)



Initiatives

1

Pricing

- Additional effects of implemented pricing measures
- Continue pricing measures
- Fees

Sales

- Reduce fee discounts
- Increase cross sales in Personal Banking
- More business with existing customers and extension of product lines in C&I
- Increasing AuM in Danske Capital

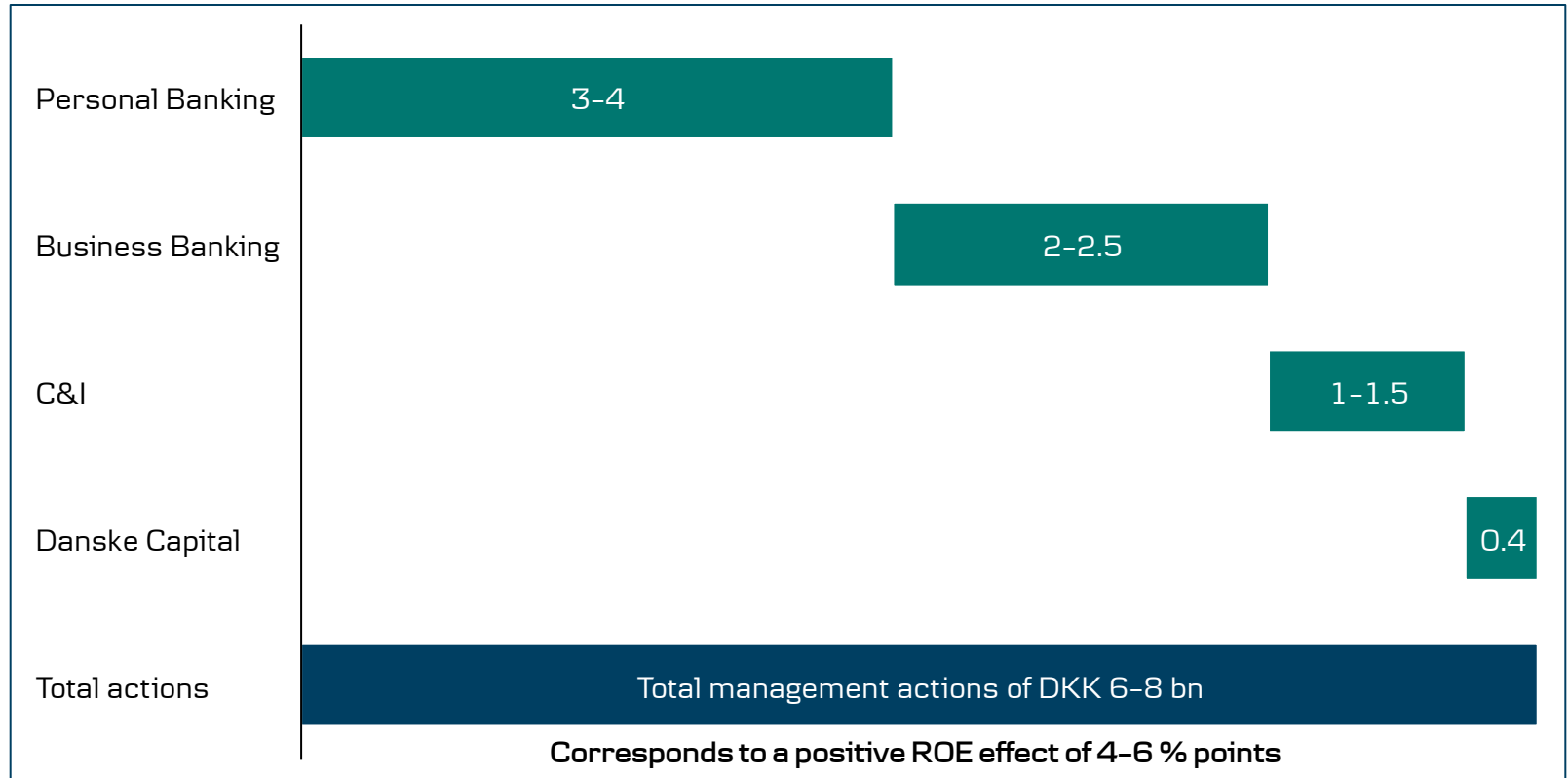
Costs

- Channel optimisation
- Think Simple, Think Lean
- Selected investments

Management actions by business unit

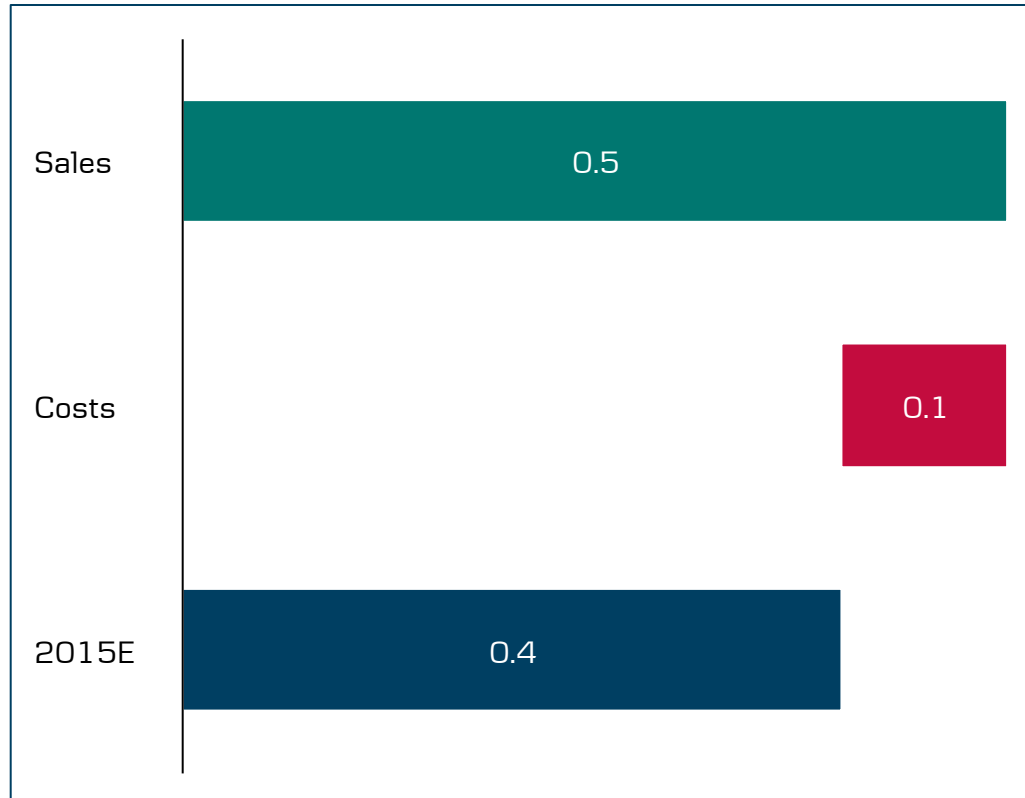
Effect from 9M 2012 annualised to 2015 (DKK bn pre-tax)

1



Growth at Danske Capital through 2015

Effect from 9M 2012 annualised to 2015 (DKK bn pre-tax)



Initiatives

1

Sales

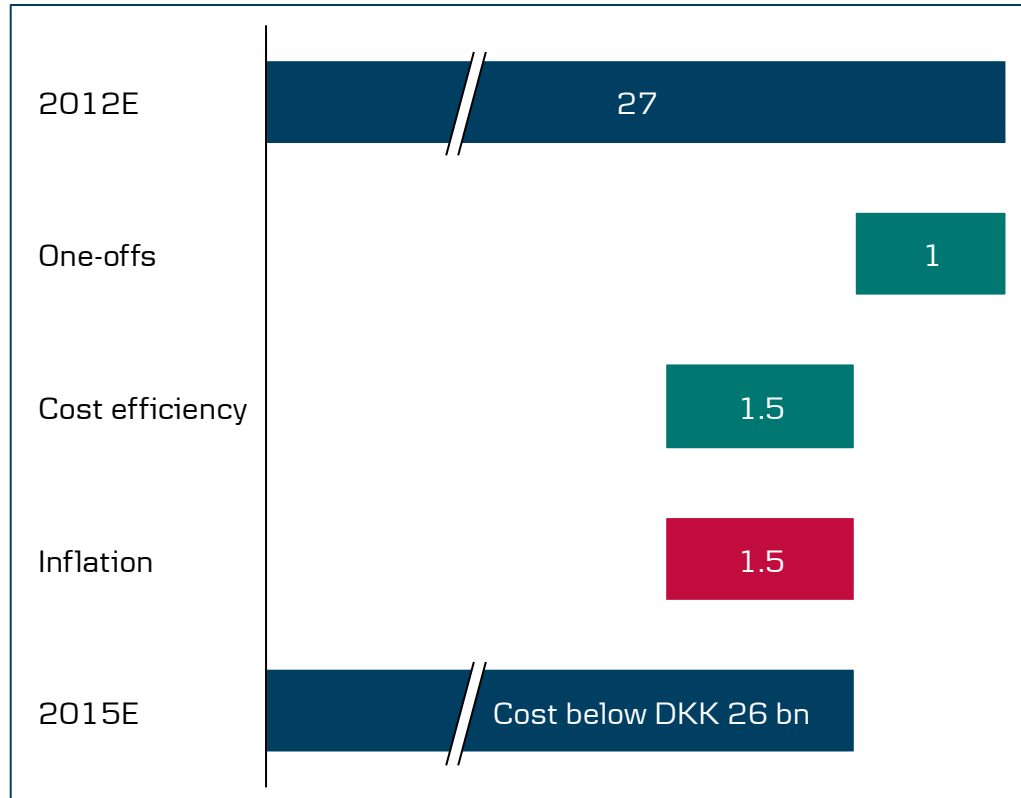
- Through Danske Bank to
 - Institutional clients (solution products)
 - Retail clients (managed accounts)
- Through external channels to international institutional clients (alpha products)
- AuM to grow significantly

Costs

- Investments in selected areas
- Cost-saving effects from completed investments in our standardised IT platform

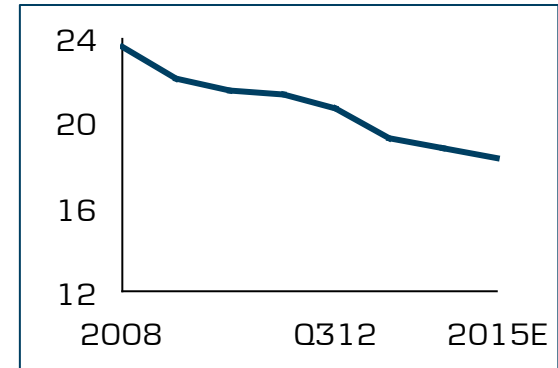
Cost efficiency leads to costs below DKK 26 bn in 2015

Effect on total expenses from 2012 guidance to 2015 (DKK bn pre-tax)

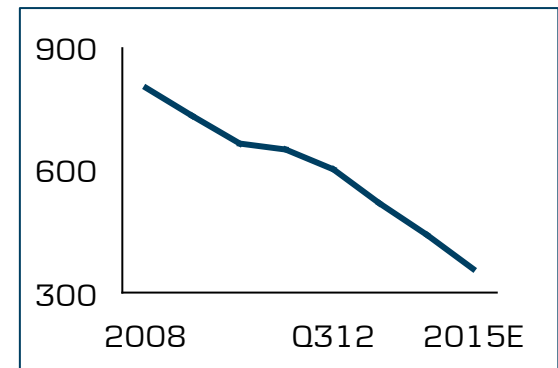


Staff reduction (1,000s)

1



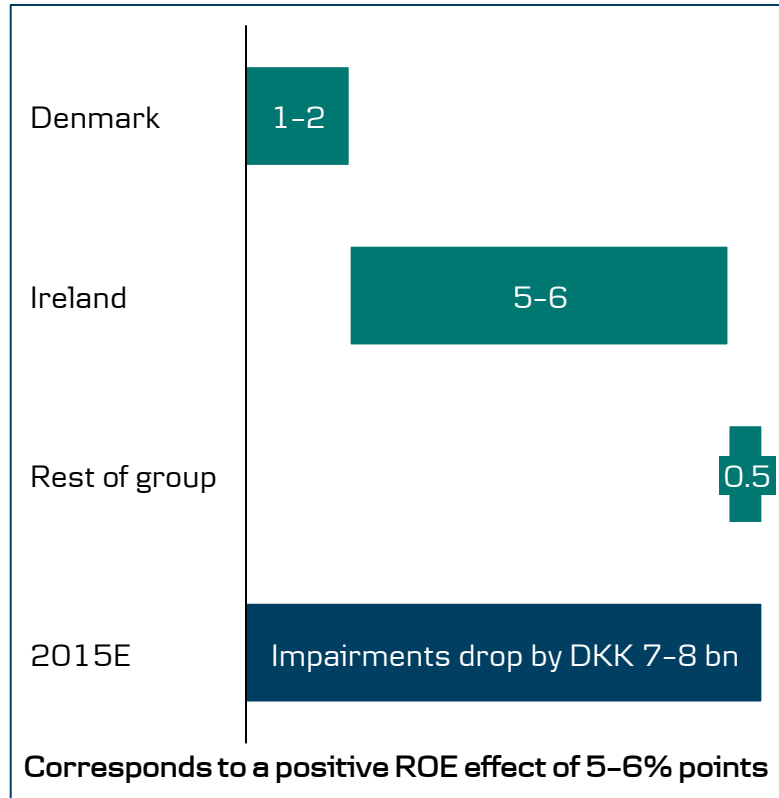
Branch network reduction



Towards more normal market conditions

Effect of lower impairments (DKK bn pre-tax)

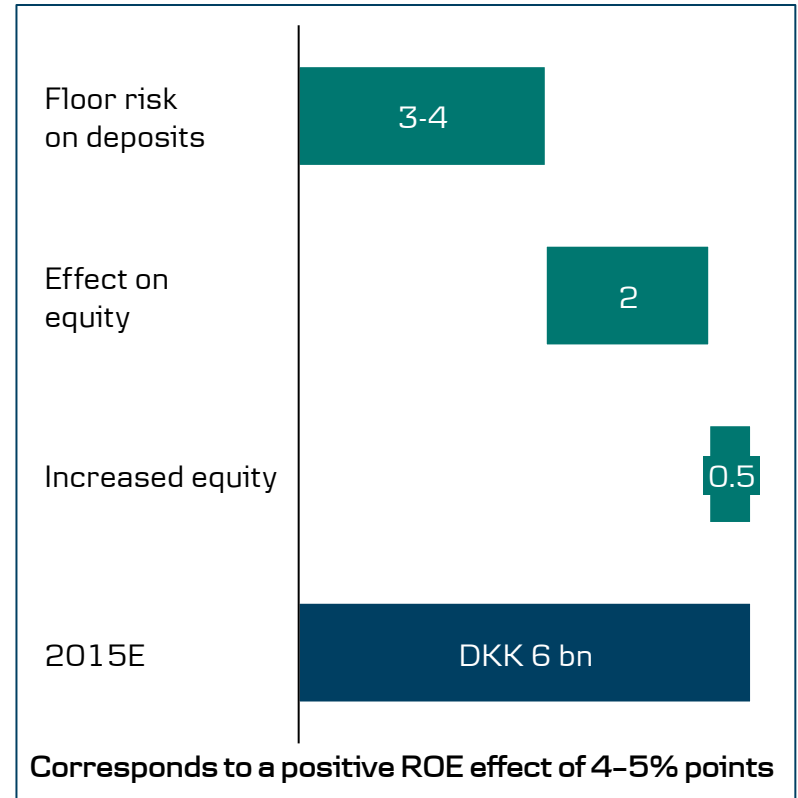
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Assumption: Loan loss ratio of approx. 30 bps in 2015

Effect of higher S-T rate (DKK bn pre-tax)

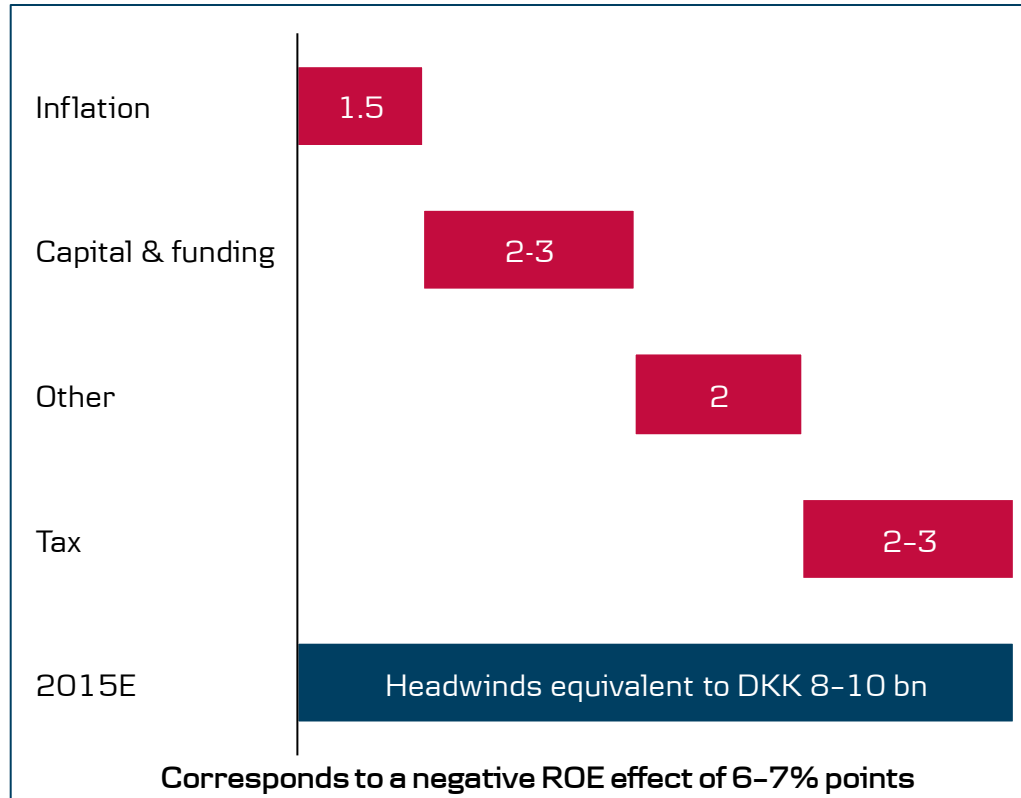
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Assumption: S-T rate of approx. 2% in 2015

Negative ROE effects between 2012 and 2015

Effect of headwinds (DKK bn pre-tax)



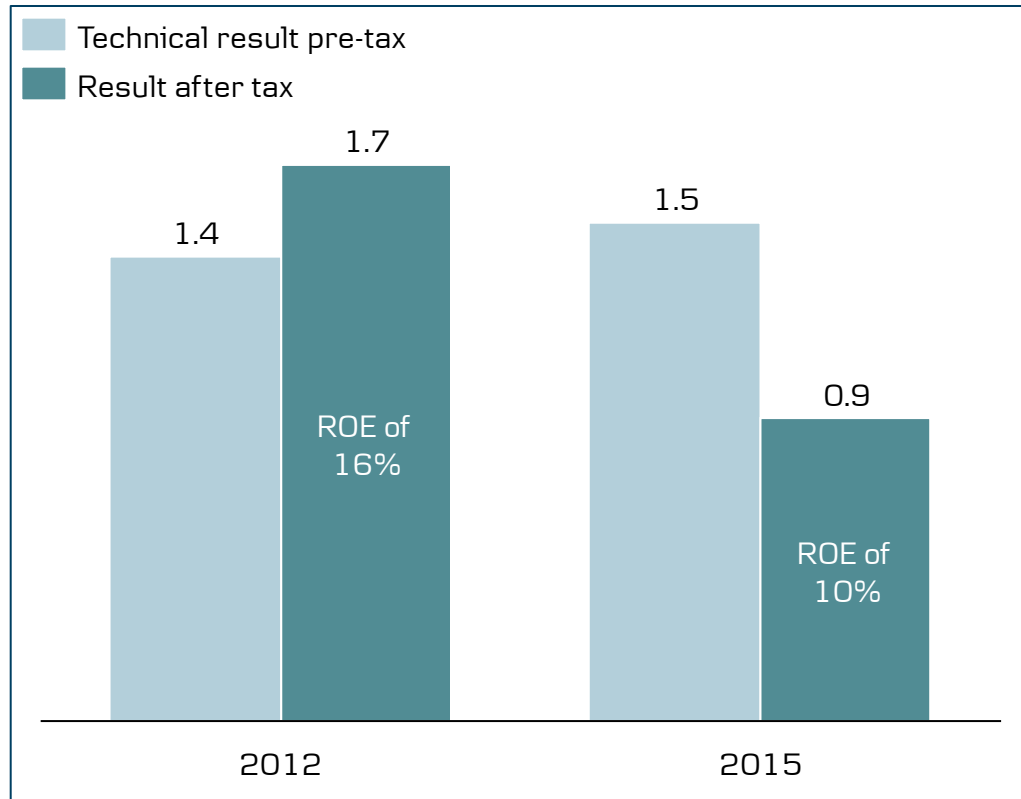
Assumptions

4

- Inflation assumed to be around 2% p.a.
- More expensive capital and funding
- Effects of regulation are almost offset by capital efficiency
- Negative ROE effect of lower earnings at Danica and normalised earnings at C&I
- Results affected by substantial dividends and share buybacks in 2015
- Tax rate normalised at around 25%

Growth at Danica through 2015

Effect from 9M 2012 annualised to 2015 (DKK bn)



Management actions at Danica

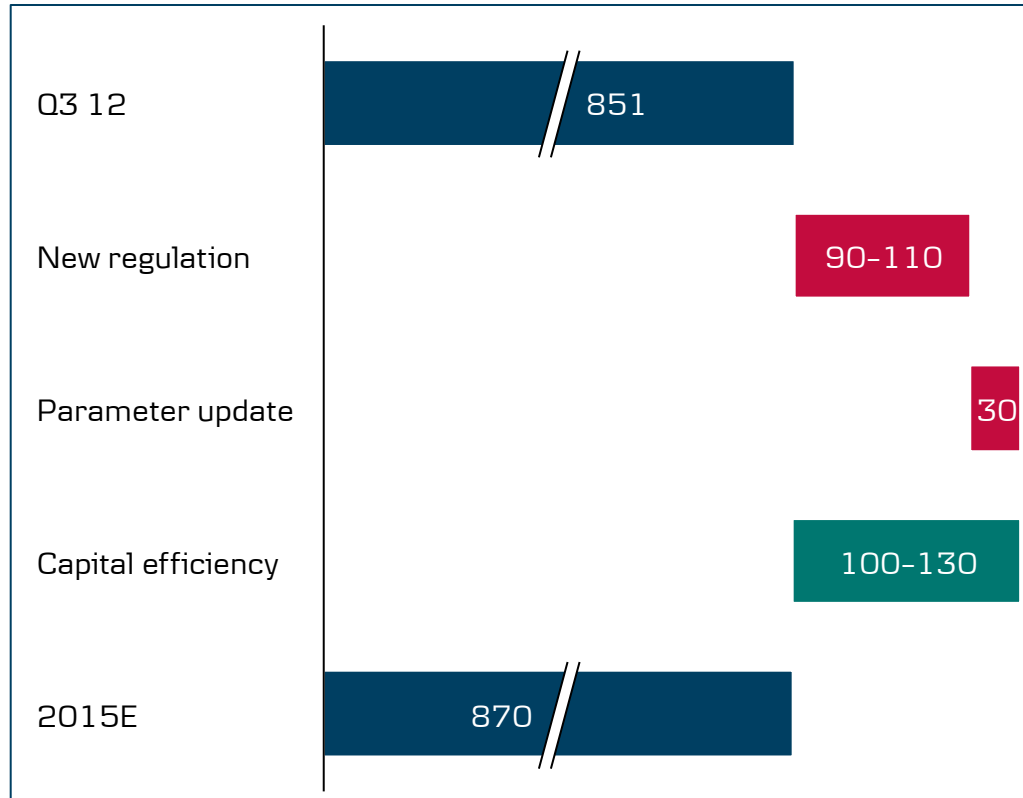
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- Premiums to increase by DKK 5-6 bn from 2012 to 2015
- AuM to grow moderately; changes in taxation are a negative driver in 2013
- Investment result to decline compared with 2012
- Lean programme reduces costs
- Additional synergies will be pursued

Capital efficiency is a critical ROE improvement driver

4

Change in risk-weighted assets for Group (DKK bn)

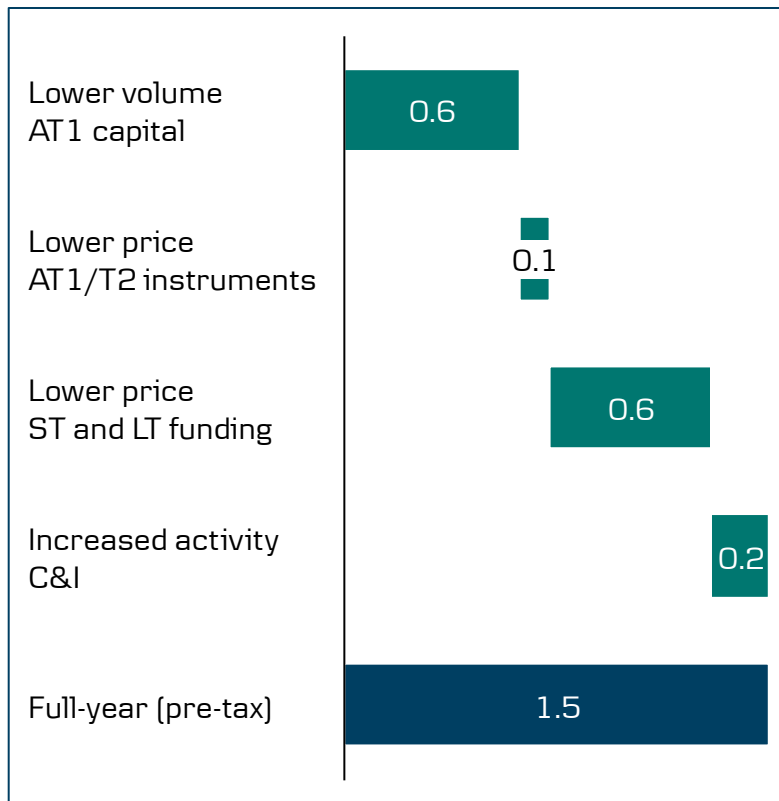


Assumptions

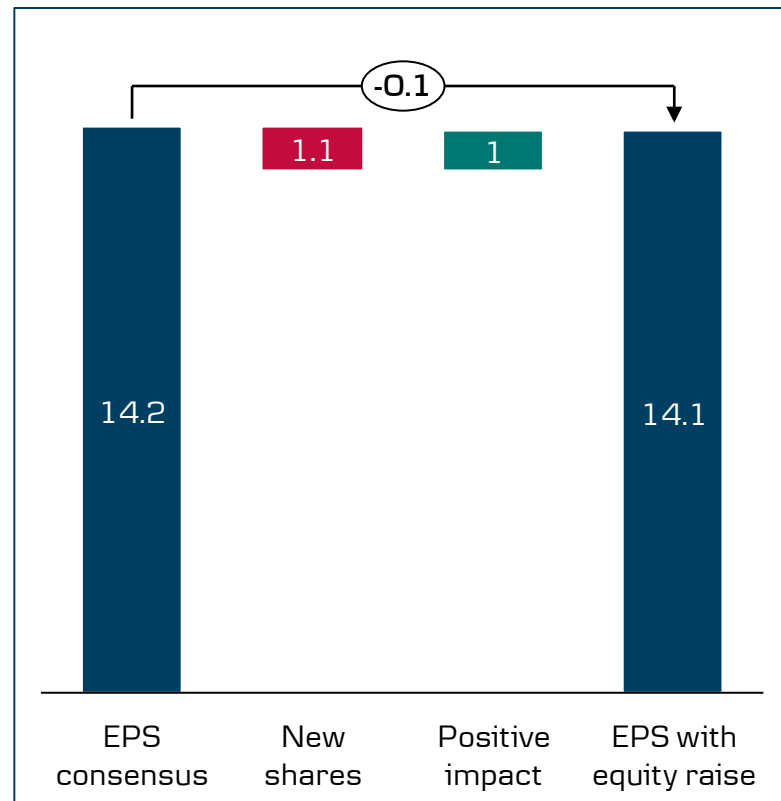
- Flattish RWA towards 2015
- New regulation**
- Specific risk CRD III (IRC)
 - Counterparty risk (CVA)
- Capital efficiency**
- Sampo Bank Foundation IRB rollout
 - Improved Advanced IRB framework
 - Internal models for counterparty and specific risk
 - Secure optimal business unit usage of allocated capital

Illustration of impact of DKK 7 bn in new share capital and rating upgrade

Full-year 2014 effect (DKK bn pre-tax)

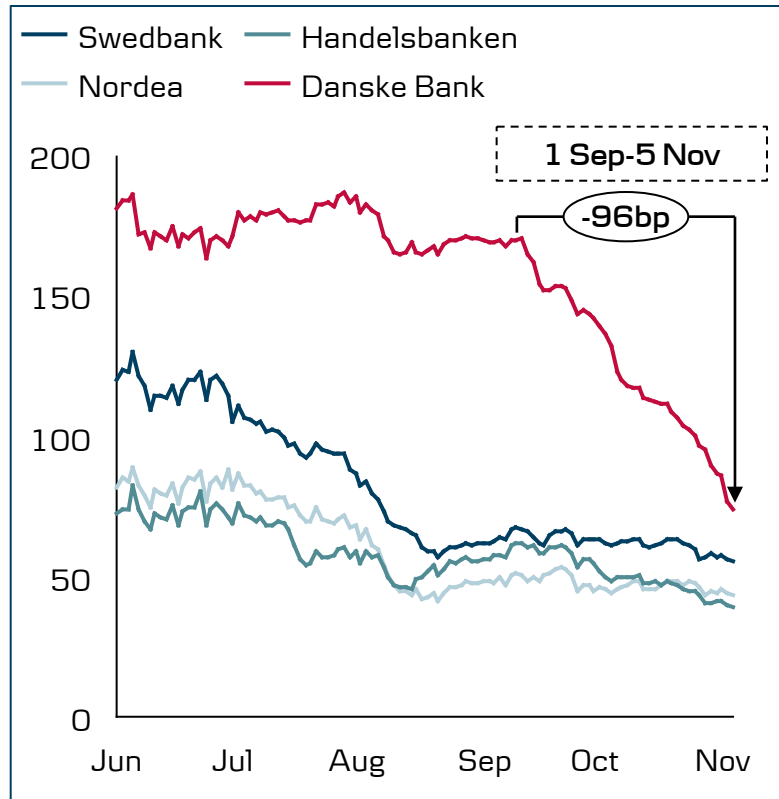


Pro forma EPS 2014 based on consensus (DKK)

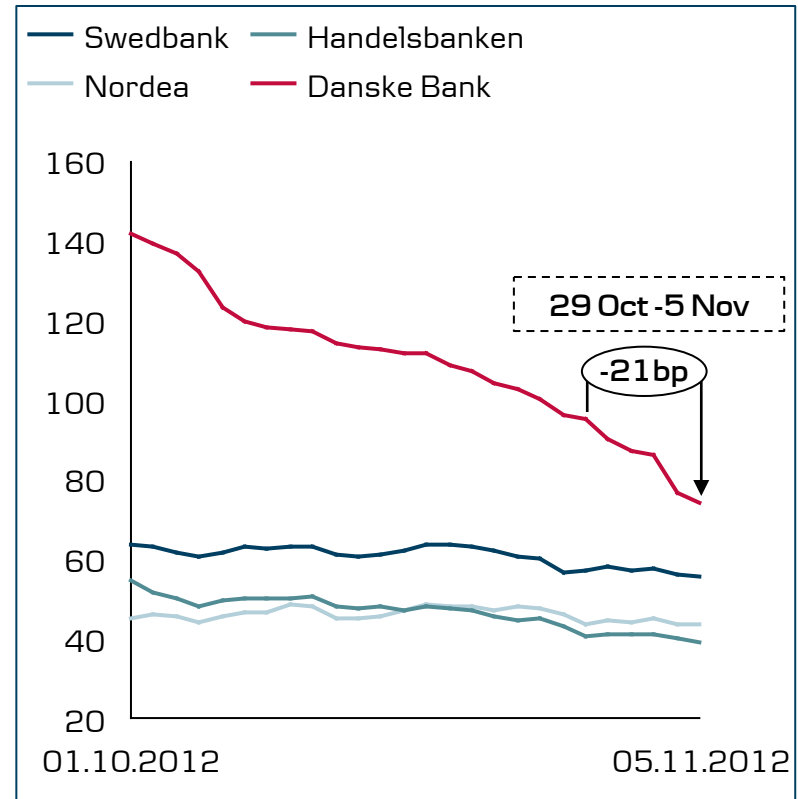


Significant spread tightening after 30 October share issue

5Y senior bond spread,* 6M ASW, Jun-Nov 2012 (bp)

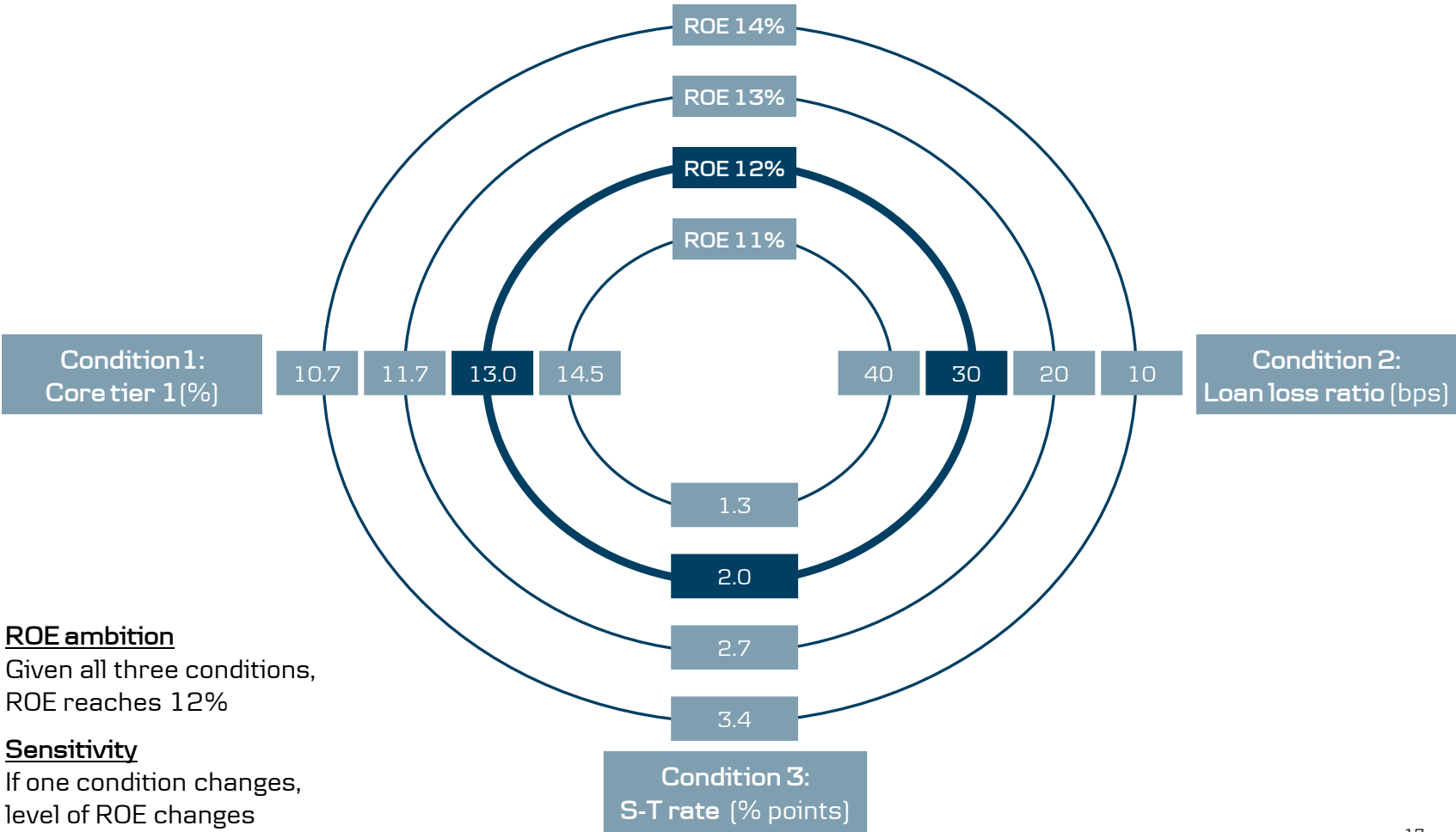


5Y senior bond spread,* 6M ASW, Oct-Nov 2012 (bp)



* Outstanding senior benchmark issues with maturity in February 2017 (Handelsbanken in July 2017).

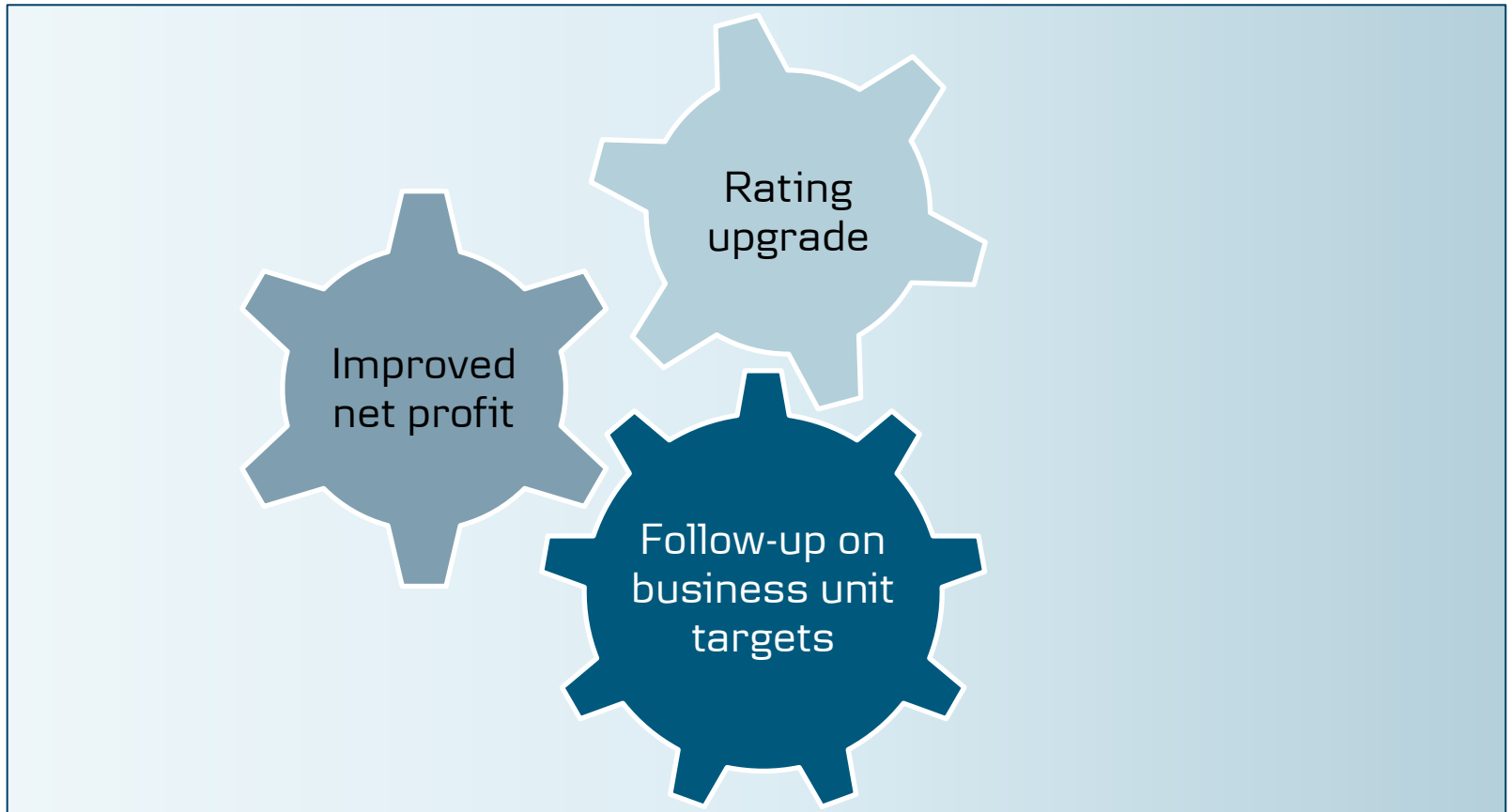
2015 ROE sensitivity



ROE ambition
 Given all three conditions,
 ROE reaches 12%

Sensitivity
 If one condition changes,
 level of ROE changes

Top CFO priorities through 2015



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