

Danske Bank
Capital Markets Day



New Standards

Eivind Kolding, CEO & Chairman of the Executive Board

8 November 2012

Agenda

New Standards

Eivind Kolding

The Personal Banking strategy

Tonny Thierry Andersen

The Business Banking strategy

Lars Stensgaard Mørch

The Corporates & Institutions strategy

Thomas F. Borgen

Q&A Session on Business Unit strategies

Break

The road to profitability

Henrik Ramlau-Hansen

Q&A Session with Eivind Kolding and Henrik Ramlau-Hansen

Summary

Eivind Kolding

Drinks & networking



**We are operating in a
New Normal**

New Normal

Lack of trust

New Normal

Regulation

New Normal



Customer behaviour

New Normal

Economic uncertainty

New Normal

Tougher competition

			-0.8 m/s
1		Lemaitre	20.37
2		Malcolm	20.38

Nevertheless, we still play a crucial role in society

Deposits

Lending

Advisory
services

Pension &
life insurance

Transactions

Risk
management

Investments

Where do we want
to be in 2015?

“To be trusted is a greater
compliment than being loved”

George McDonald

New vision for 2015

Recognised as the most
trusted financial partner

The most trusted financial partner

Customer satisfaction 2015

We want to be in the top two in customer satisfaction in our prioritised customer segments



Financial results 2015

We want to be in the top three of our Nordic peer group as measured by return on equity (ROE)



Our new mission

Setting new standards in financial services

Customer
focus



Advisory
services



Digitalisation



Openness &
responsibility



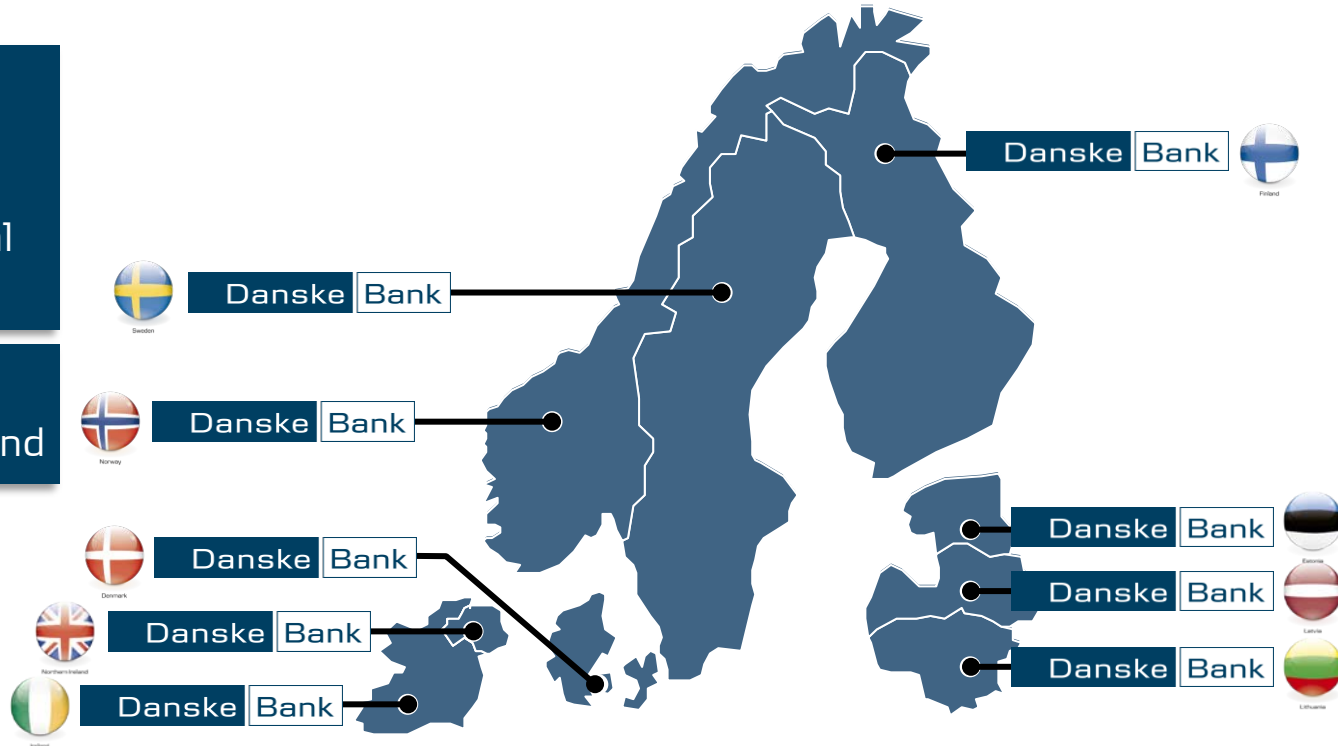
We are a universal bank in our Nordic home market

Strategic Business Units

- Danica
- Danske Capital
- Nordania

Divestment

- Non-core Ireland



CEO priorities 2013 - 15

Execution of New Standards

Personal
Banking
strategy

Business
Banking
strategy

C&I
strategy

Think Simple, Think Lean

20%
reduction in
processing
time

50%
reduction in
front office
admin tasks

Number of
customer
meetings
per adviser
up 20%

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 27bn 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



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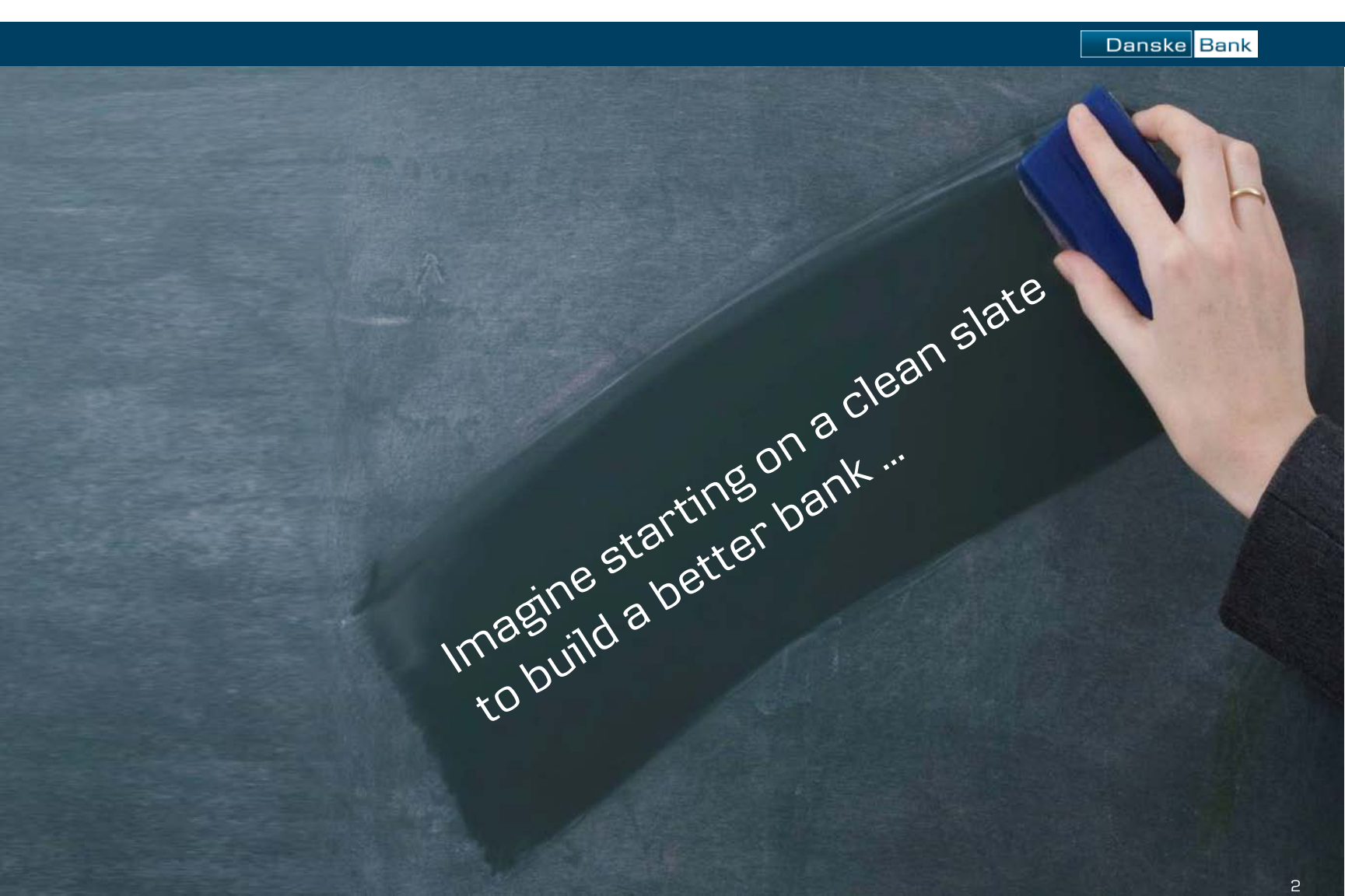


Executing a turnaround in Personal Banking

Tonny Thierry Andersen, Head of Personal Banking

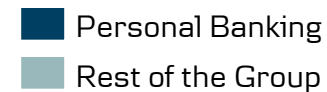


8 November 2012

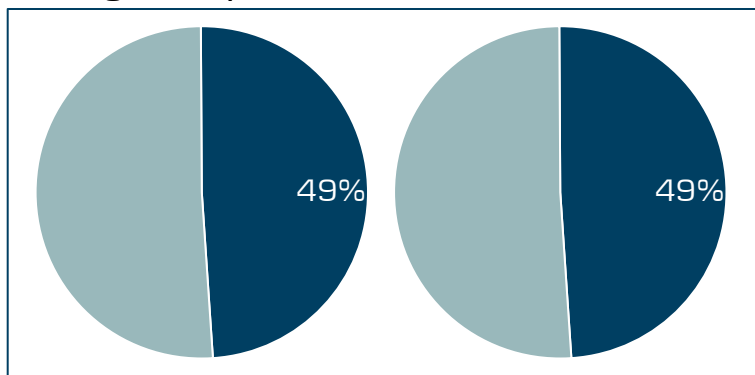
A hand with a gold ring is using a blue eraser to wipe away the text 'Imagine starting on a clean slate to build a better bank ...' from a dark chalkboard. The text is written in white chalk and is partially obscured by the eraser. The background is a dark, textured surface, likely a chalkboard.

Imagine starting on a clean slate
to build a better bank ...

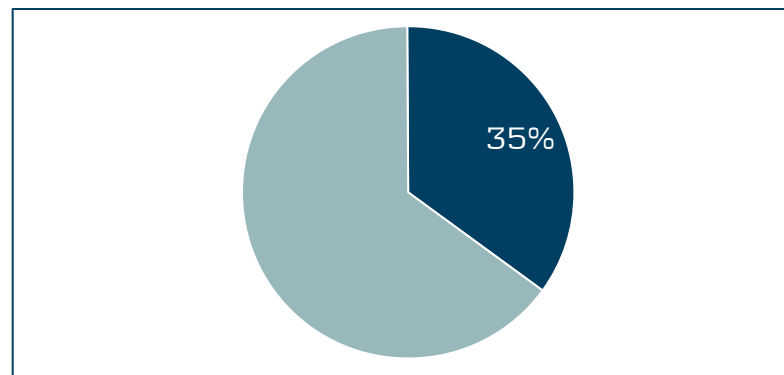
The tale of the tape for Personal Banking



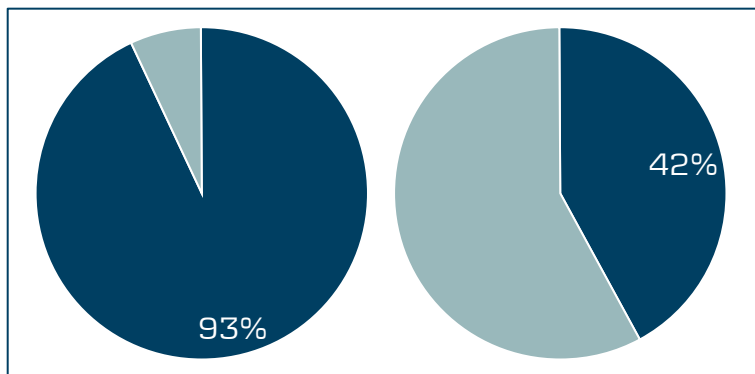
Lending and deposits



Total income



Customers and FTEs



Market position



Our point of departure necessitates a resolute turnaround

Group goals

Financial results 2015

In the top three of our Nordic peer group as measured by ROE



Customer satisfaction 2015

In the top two in our prioritised segments in each business unit in each market

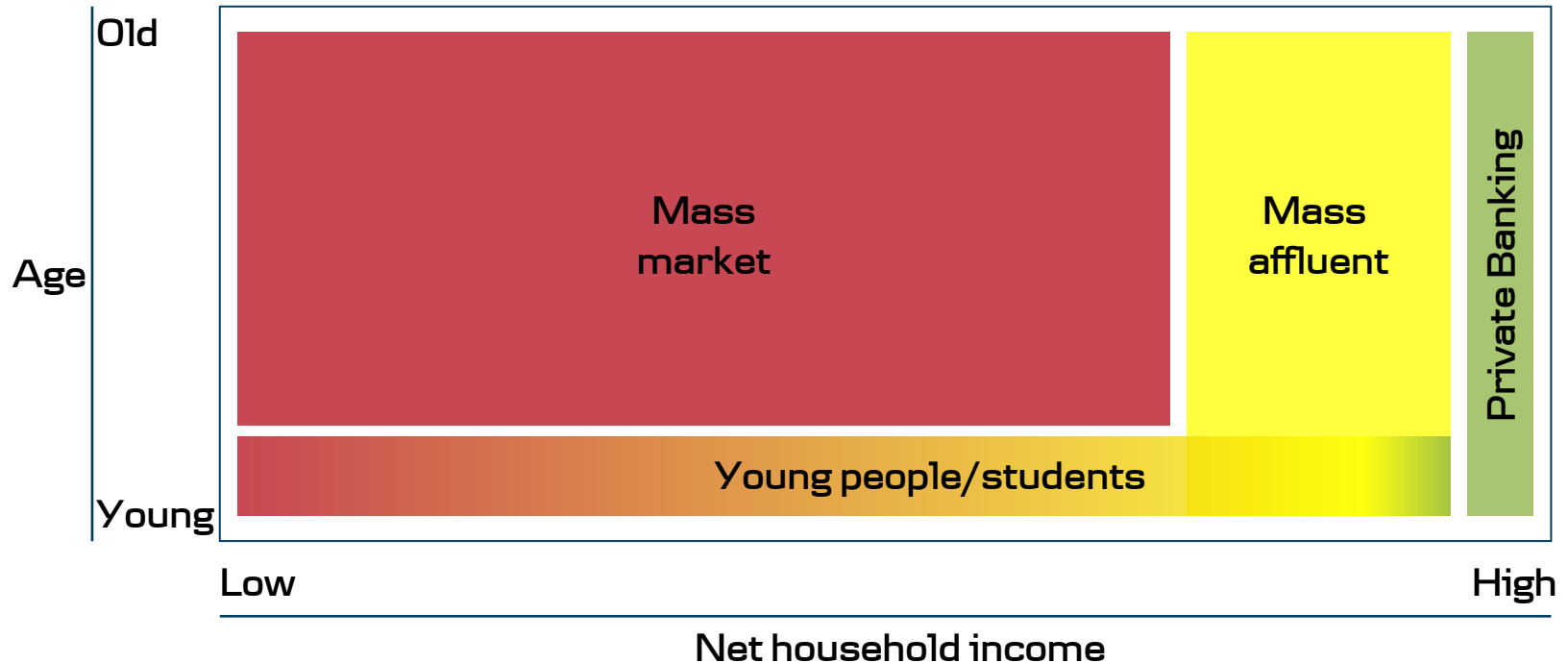


Business unit observations - 2012

- Profitability significantly below full potential
- >40% of customers are unprofitable
- Significant pricing initiatives and cost reductions already executed
- Average FTE efficiency vs. benchmark

- Customer satisfaction below that of peers in main markets, but above in Sweden, Norway and Northern Ireland
- Market-leading digital platform
- Award-winning Private Banking offering

We will focus our efforts on prioritised segments: Mass affluent, Private Banking and young people/students w. potential



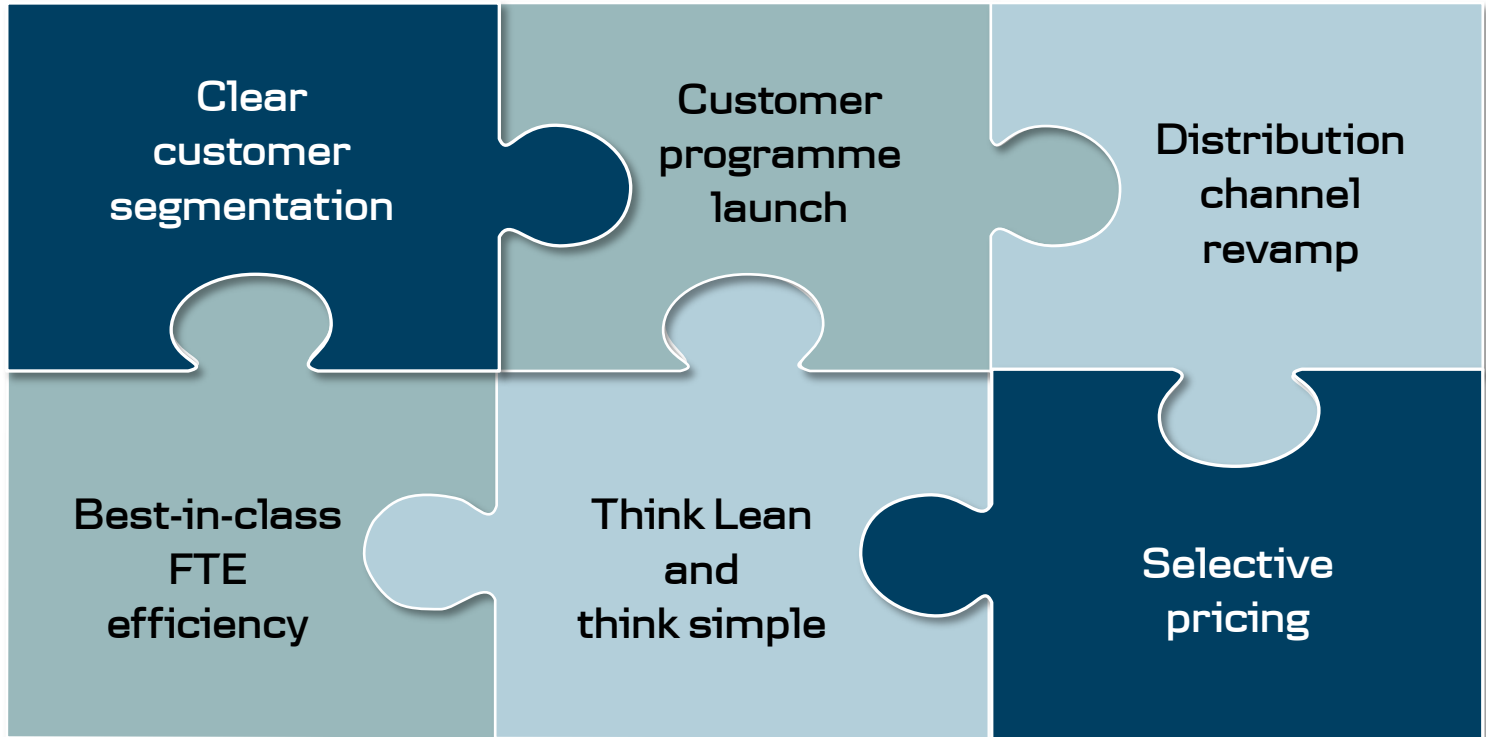
Note: Size of boxes represents number of customers.

We are committed to improving customer satisfaction in prioritised segments

Satisfaction relative to competitor average, Q3 2012



Our response to the challenges is comprehensive yet highly integrated



To make customers financially confident, we will meet different preferences with different value propositions



Private Banking

Expertise, exclusivity and proactivity

The trusted advisor



Mass Affluent

Quid pro quo, confidence and proactivity

Personal relationship banking



Mass Market

Simplicity, transparency and service

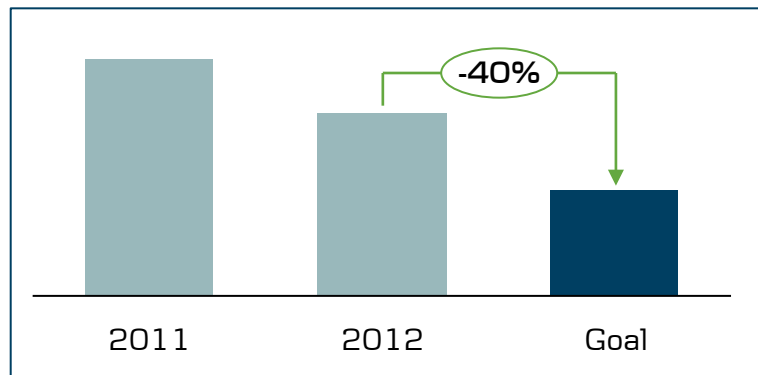
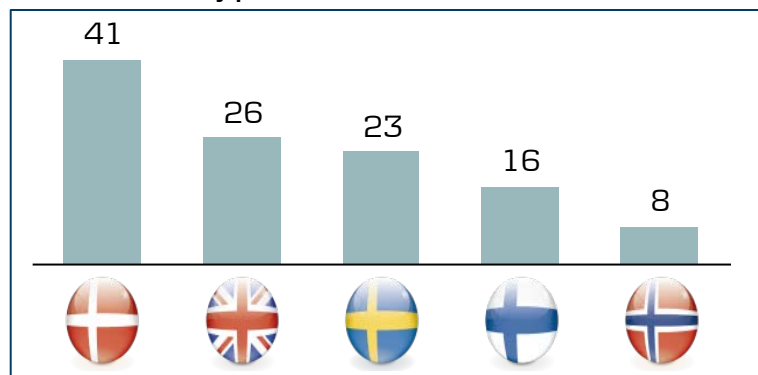
Superior self-service solutions

Customer programme to be launched in Q1 2013



While reducing branch footprint, we are building state-of-the-art branches with the new Danske Bank look and feel

Number of branches

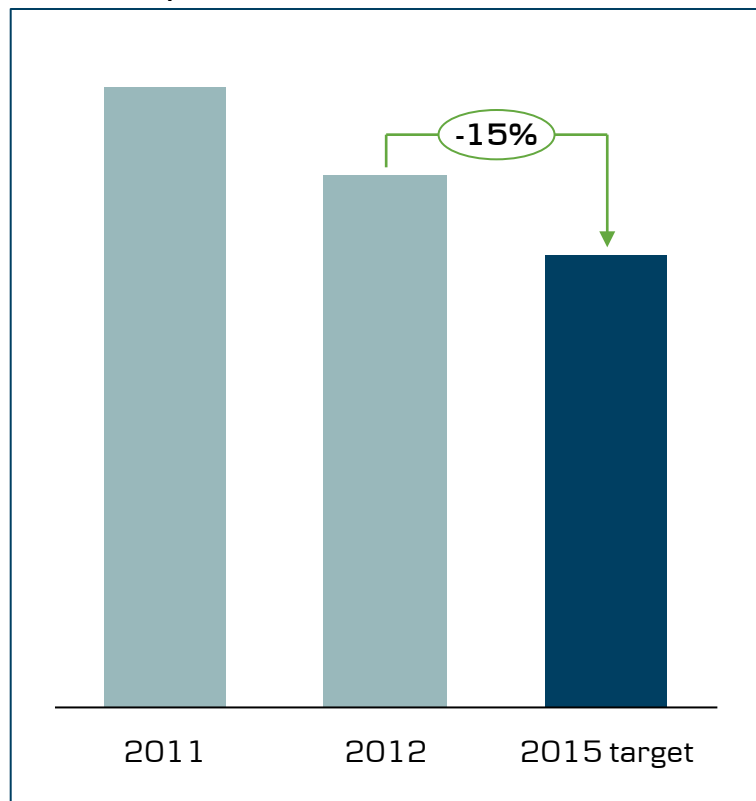
Branch density per 100,000 adults¹

¹Source: IMF; 2010 figures for Denmark, Finland and Norway; 2009 figures for Sweden and United Kingdom.

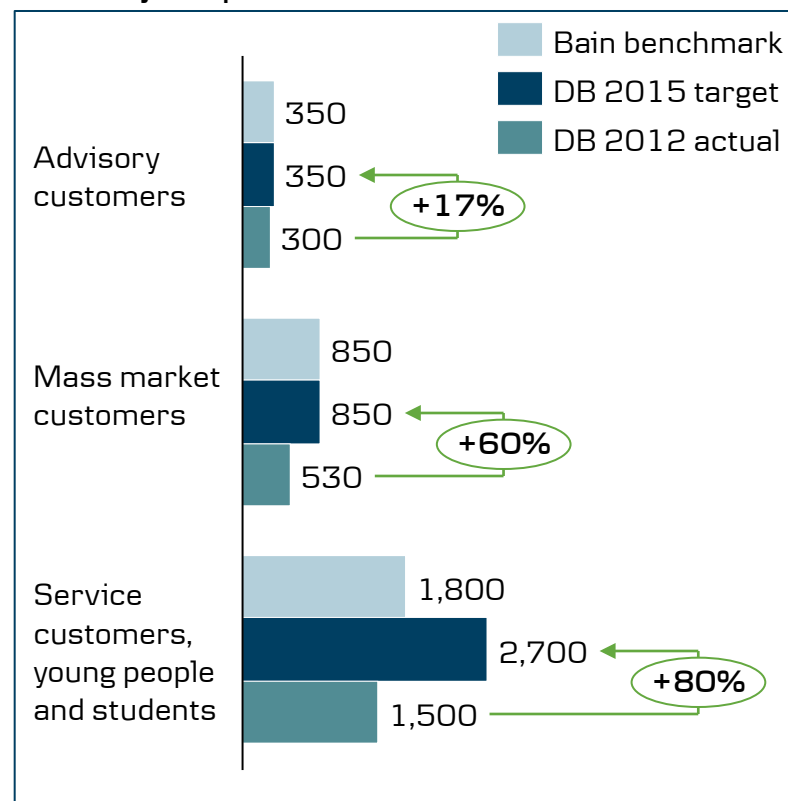
The goal is to be best-in-class in terms of efficiency by 2015.

Current position: mid-field

FTE development



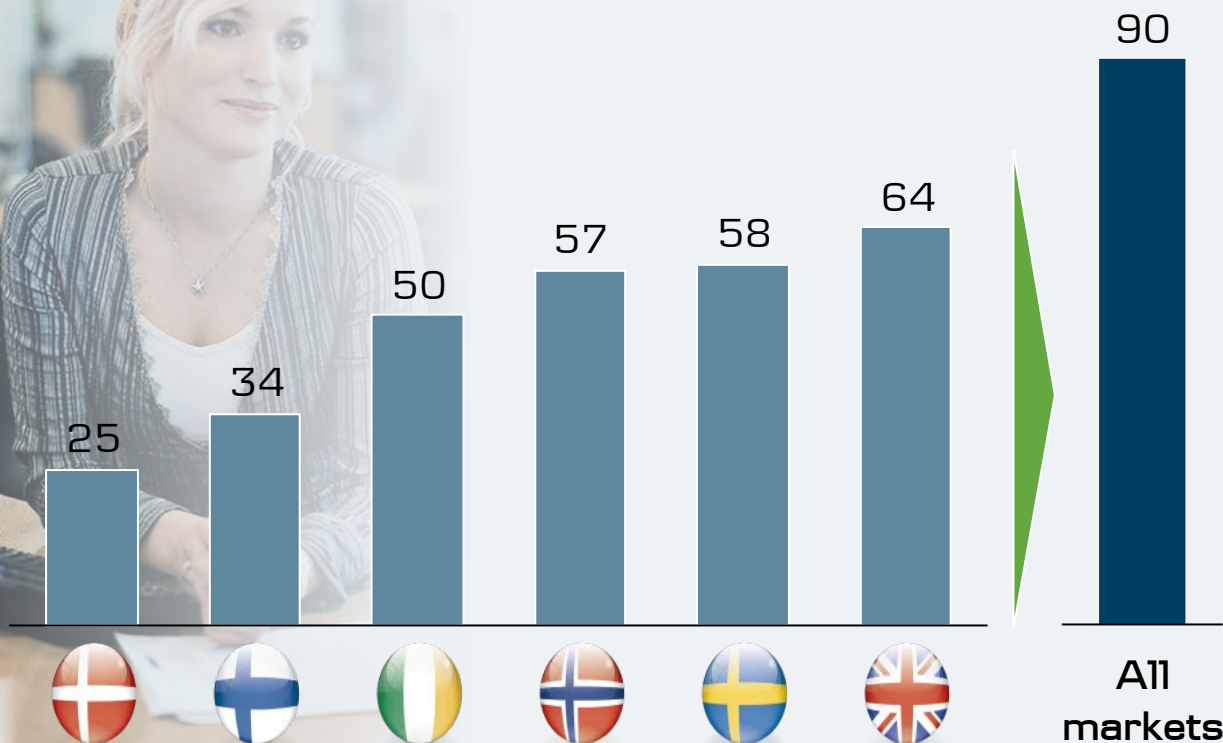
Efficiency comparison



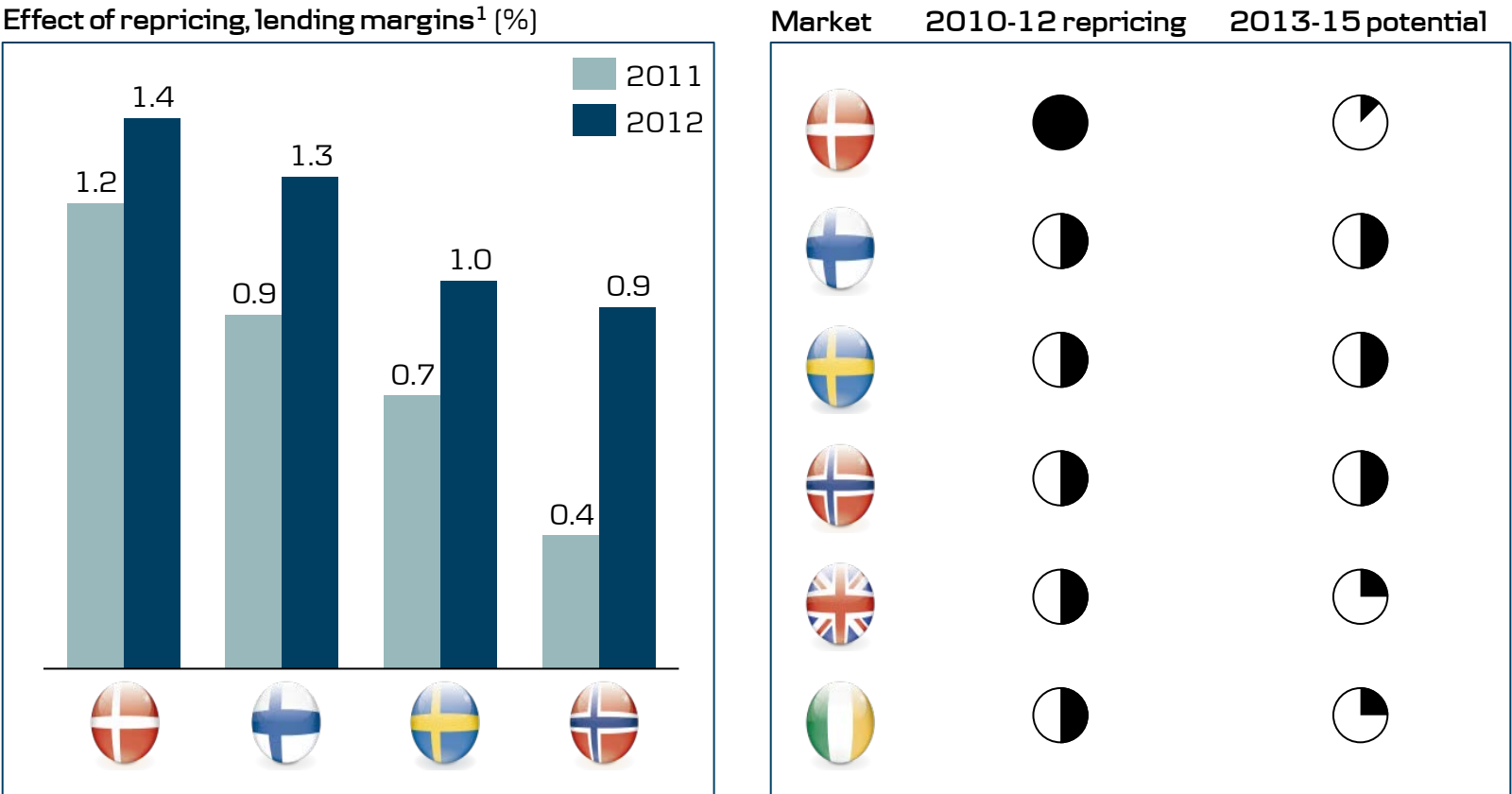
90% of loan approvals to be made automatically — triple-win!

Current level of automation (%)

Target (%)













































Still potential for selective pricing to better reflect risk, cross-selling and LTV in the new regulatory environment



¹ Margins on new lending in Finland, since it is not possible to reprice the stock.

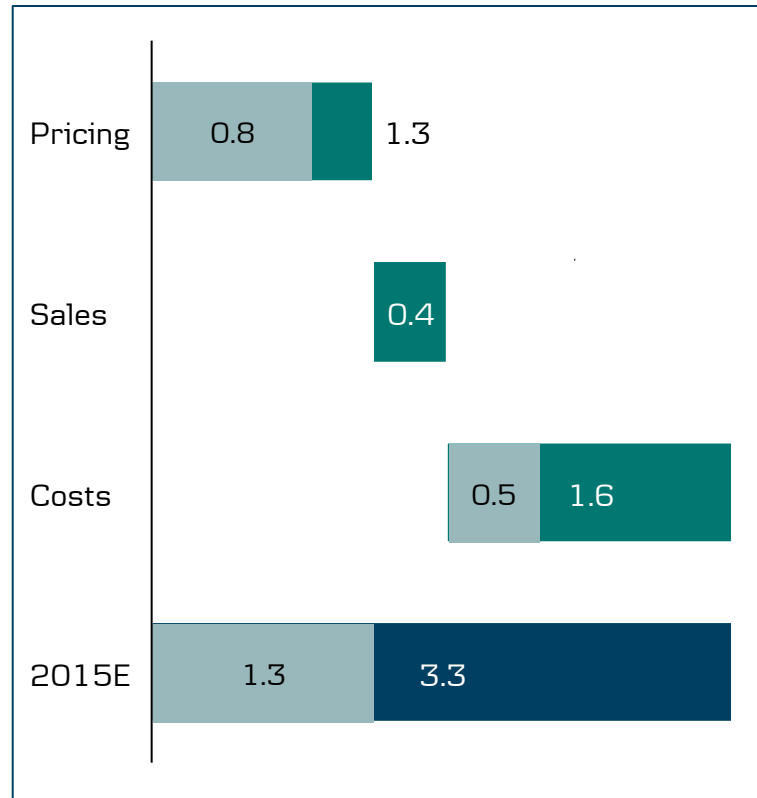
13

The same enablers will work on the various markets, but with differing effects and timing

Potential of new standards						
Clear customer segmentation						
Customer programme						
Distribution network revamp						
Best-in-class FTE efficiency						
Think lean and think simple						
Pricing						

Ambitious financial targets for Personal Banking, but much has already been executed

P&L effect, pre-tax (DKK bn)



Management actions

Pricing

- Pricing of DKK 2 billion already executed in 2012
- Continued margin increases in all markets (although to a lesser extent in Denmark)

Sales

- The customer programme will encourage customers to increase their business with us
- Focus on price governance/leakage

Costs

- Significant branch, teller and FTE reductions already executed, and more to come
- More efficient processes/Lean/credit scoring models

Profound turnaround in Personal Banking enabled by six new key standards – we are already in full execution mode



Disclaimer



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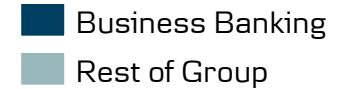
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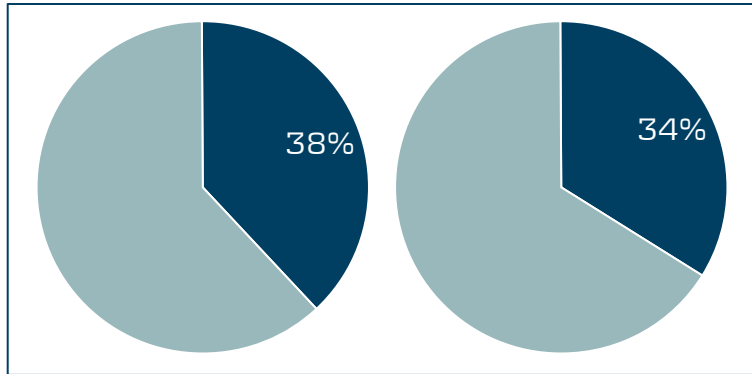
Reaching full potential in Business Banking

Lars Stensgaard Mørch, Head of Business Banking

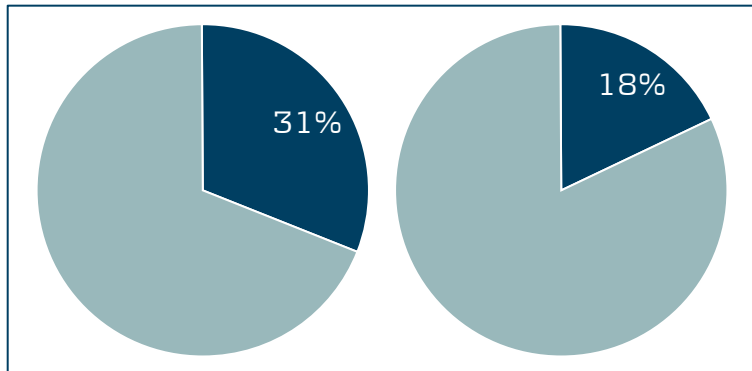
The tale of the tape for Business Banking



Lending & deposits



Total income & FTEs



Facts

- ✓ 3,800 FTEs
- ✓ 90% of income in the Nordic countries
- ✓ 154 physical locations and 5 Business Direct centres
- ✓ Co-located with Personal Banking & Private Banking

Business Banking Strategy

– reaching full potential

Unfocused “one size fits all” approach

Capability to compete

Comprehensive and accelerated change programme is set in motion

Attractive market with unexploited potential

■ SME market
■ Business Banking



680,000
Nordic companies
(customer groups)

**Robust
Nordic
economies**

85%
of income generated
by the biggest 20%
companies



2/3
of income is from
lending

Customer
satisfaction
& loyalty has fallen
during the crisis

Substantial
impairments
in 2008 and since



Market-
leading
solutions

Attractive
channel platform

Strong footprint in
**attractive
markets**

Setting

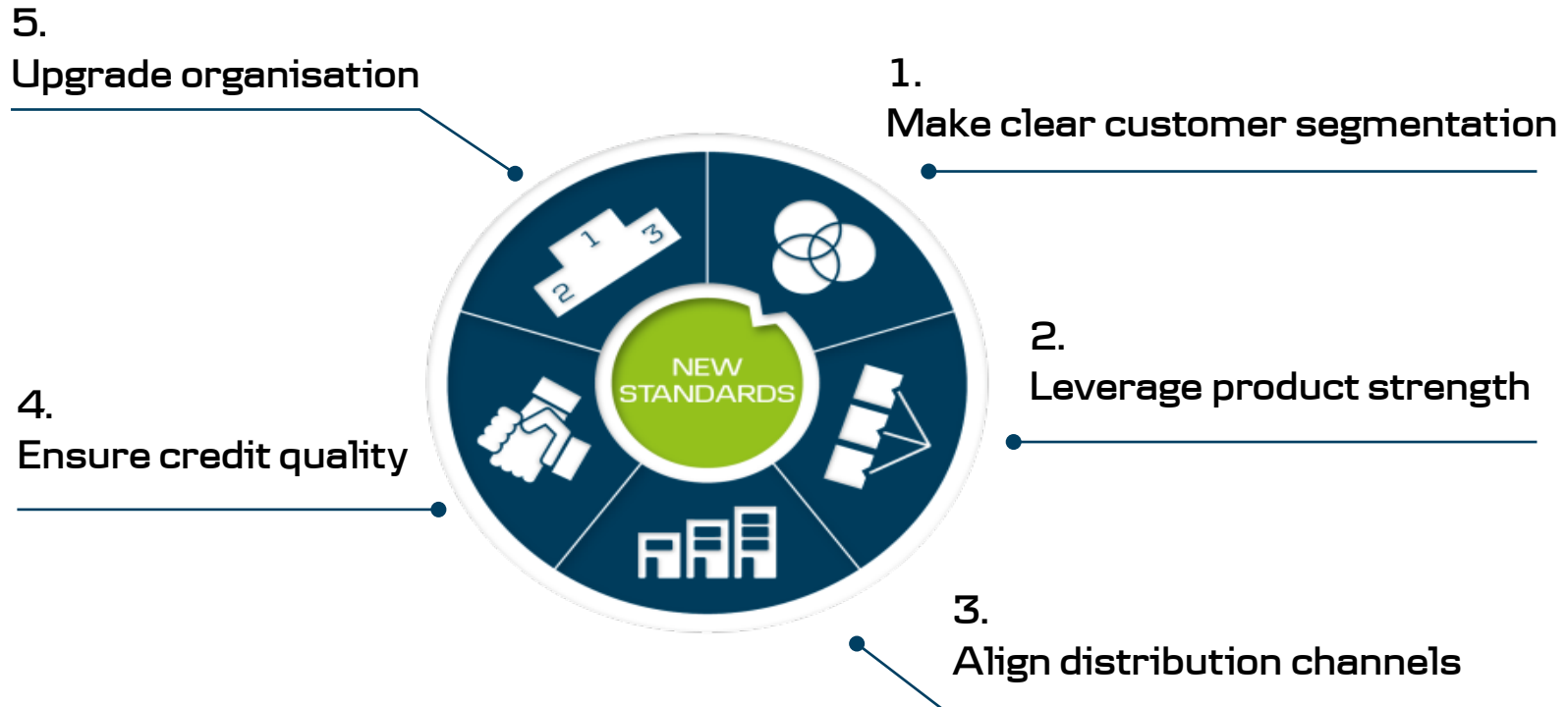
New Standards

building on Business Banking's core strength

– being the **reliable, preferred** bank for SMEs with advanced needs



Five strategic actions will set New Standards



Differentiated approach supports sharper focus and prioritisation — and alignment of sales and credits



	Core	Selective	Optimise	Efficiency	Restrictive
Total income	44%	28%	11%	5%	12%
Resources	Invest				Reduce
Lending & credit	↑	↑	—	↓	↓

Segmentation effect

Increased capital efficiency and reduced risk

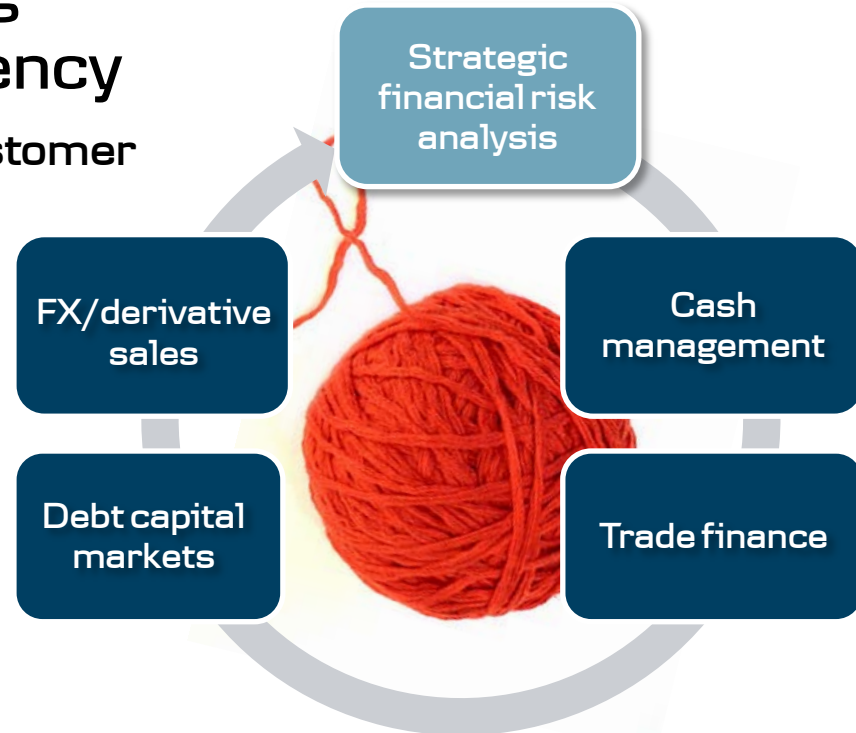
From unexploited pool of products
to targeted customer advisory and tailored solutions



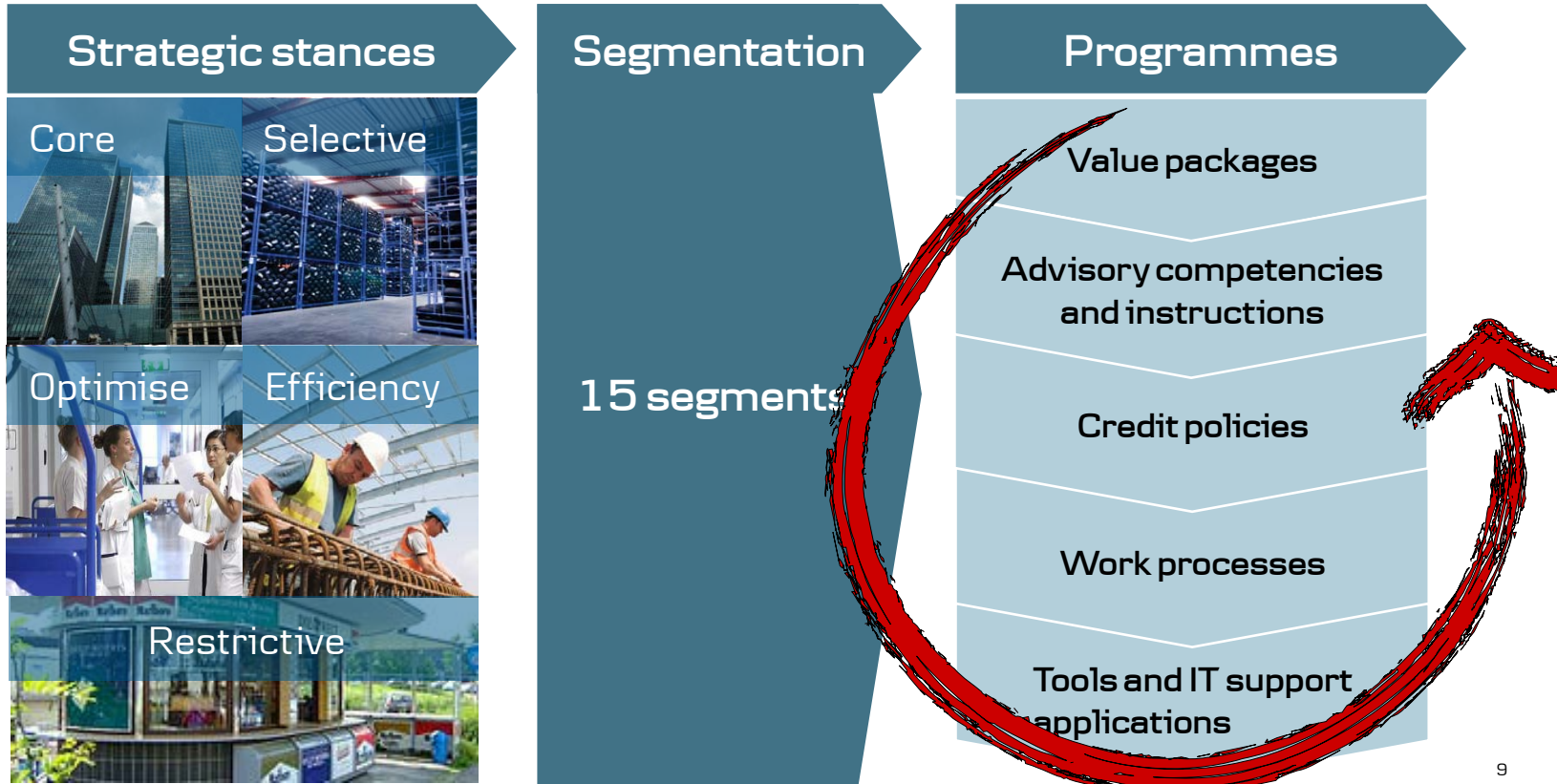
A bundle of offers, but
**no clear red
thread...**



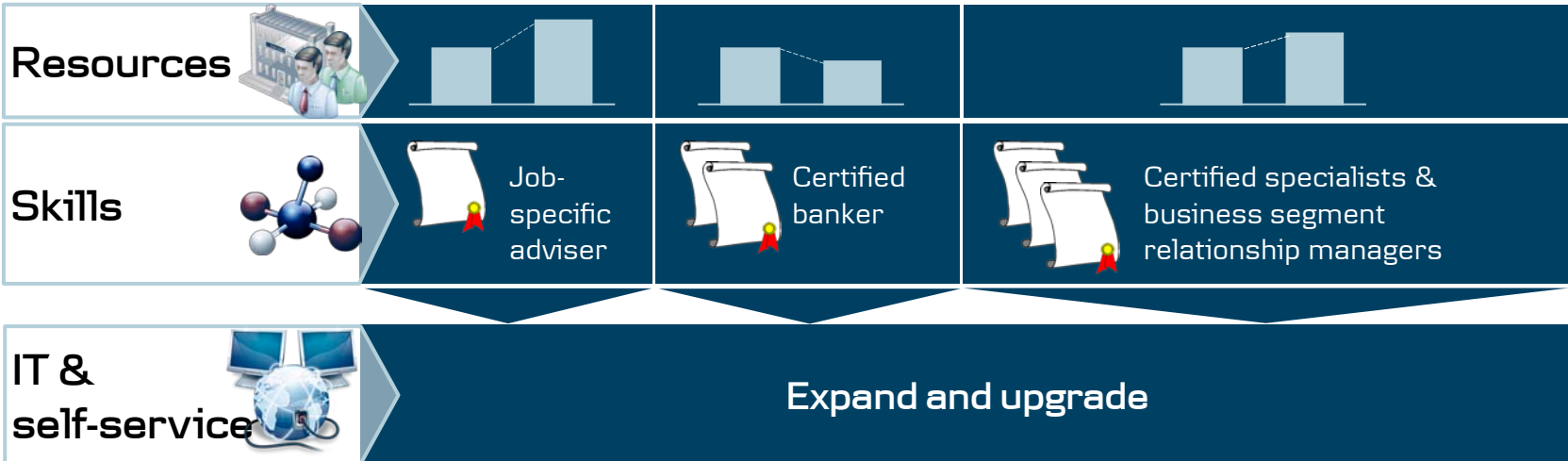
**Creating
consistency**
for each customer
segment



Value propositions, programmes and product offerings developed for each customer segment



Distribution platform will be re-aligned with customer needs and segment priorities



Extensive credit transformation to further improve credit quality and customer experience



Establish clear credit policies and guidelines

“Lean” credit processes

Prioritise and specialise

Rebuild credit accountability and competencies

...a step-by-step change



Upgrade organisation



Strengthen capabilities and customer-centric culture

Certification programme for all customer segments

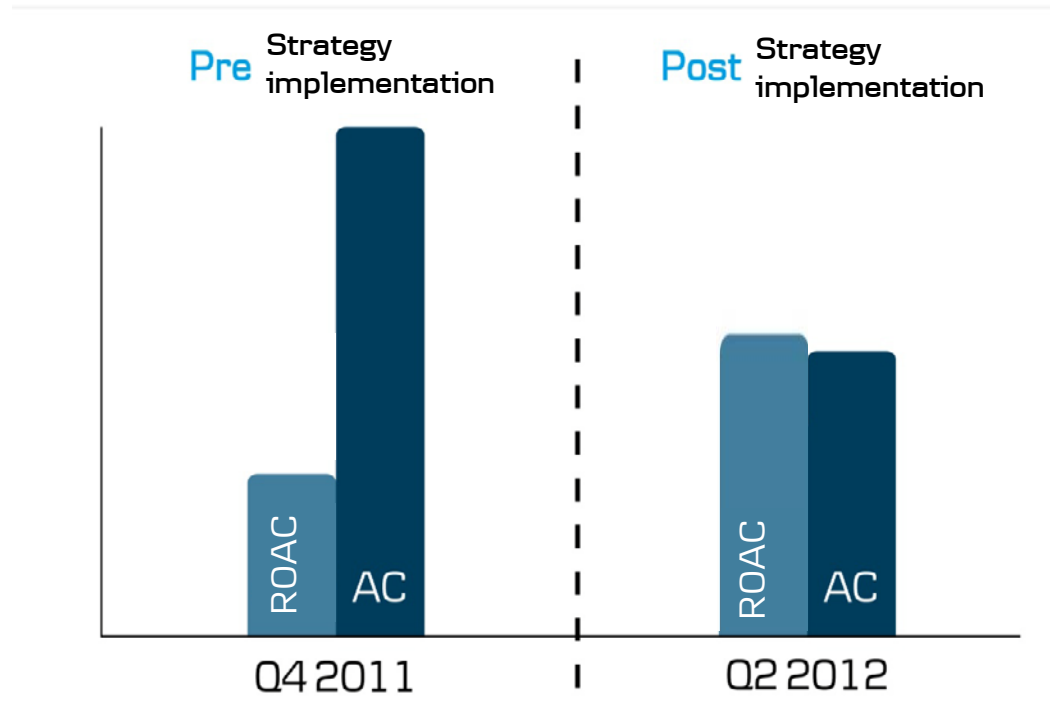
- AML, MiFID
- Credit & risk
- Specialist segment advisory

Responsibility back at the frontline (incl. P/L)

Scorecards to support and measure execution of strategy

Segmentation model tested:

Significant effect on customer satisfaction & profit



Customer benefits

- Specialised segment advisory & tools
- Clear segment distribution channels
- Reduced risk & interest rates

Our benefits

- Lower risk
- Lower allocated capital
- Higher economic profit

New segmentation will improve capital efficiency and lower risk



Superior product range and great cross sale opportunities prioritised by segment

Product quality

- Above market
- At market
- Below market

→ Cross sale potential

Trade finance

Cash management

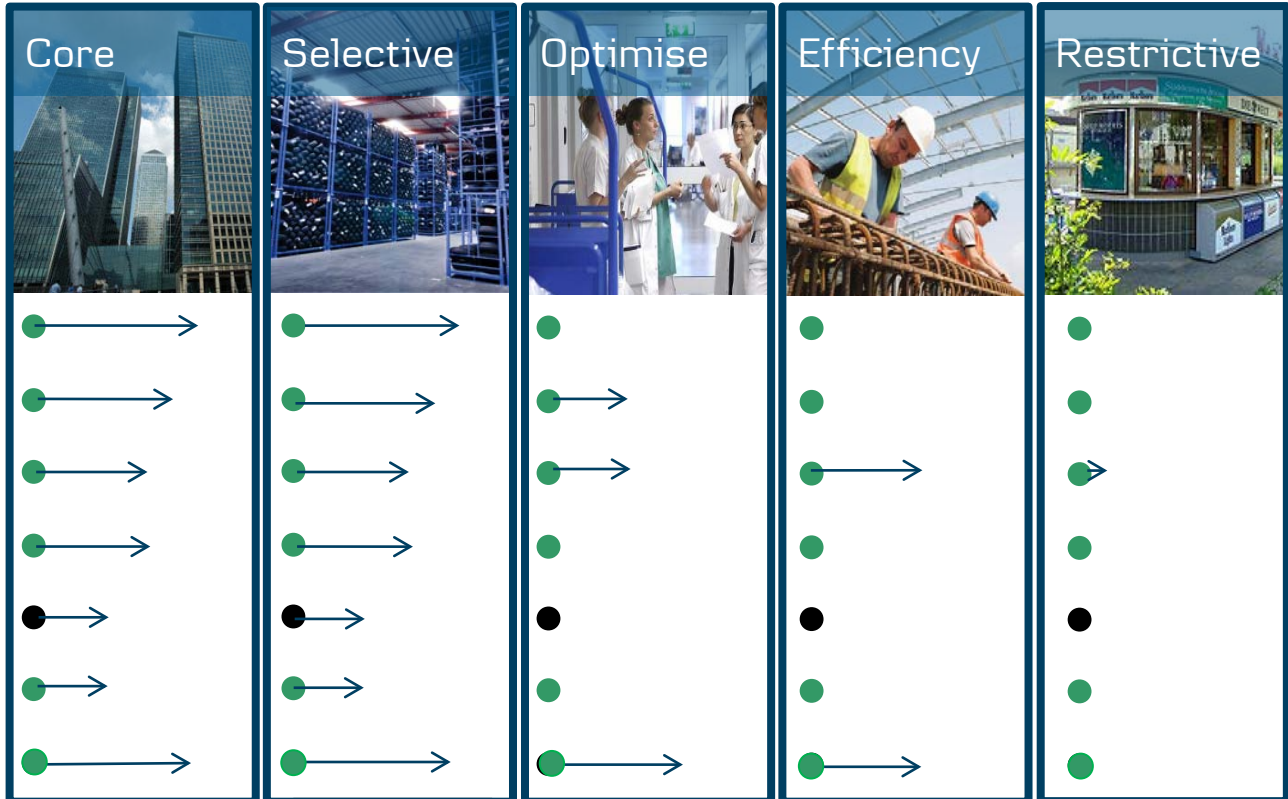
FX & derivatives

Debt capital market

Asset finance

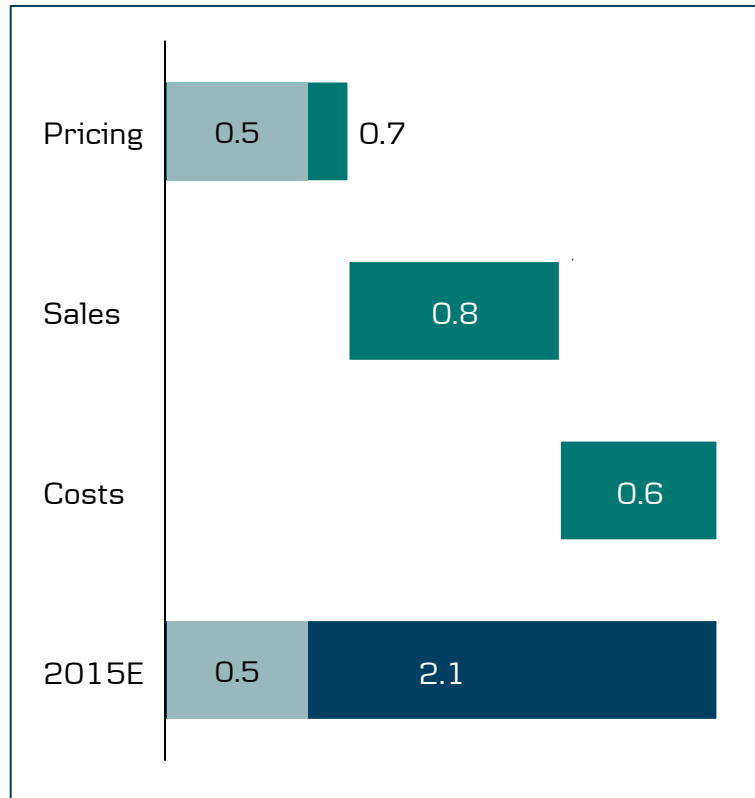
Business Online

Investment



Business Banking management actions

P&L effect, pre-tax (DKK bn)



Management actions

Pricing

- Additional effects of implemented pricing measures
- Continue pricing measures selectively, e.g. customers with low ROAC

Sales

- Segmented product offerings aimed at increasing business with prioritised segments
- Fees – selectively raise list prices and reduces fee leakage

Costs

- FTE reductions and back-office automation planned
- Procurement optimisation
- Lower cost of IT operations
- Investments in IT & employee skills

Key take-aways

Protecting and developing core business

New segmentation supports de-risking and capital efficiency

Pricing and increased sales have already improved PTP

More profitable, competent and efficient Business Banking unit



Danske Bank
Capital Markets Day

To protect and selectively grow

Thomas F. Borgen, Head of Corporates & Institutions



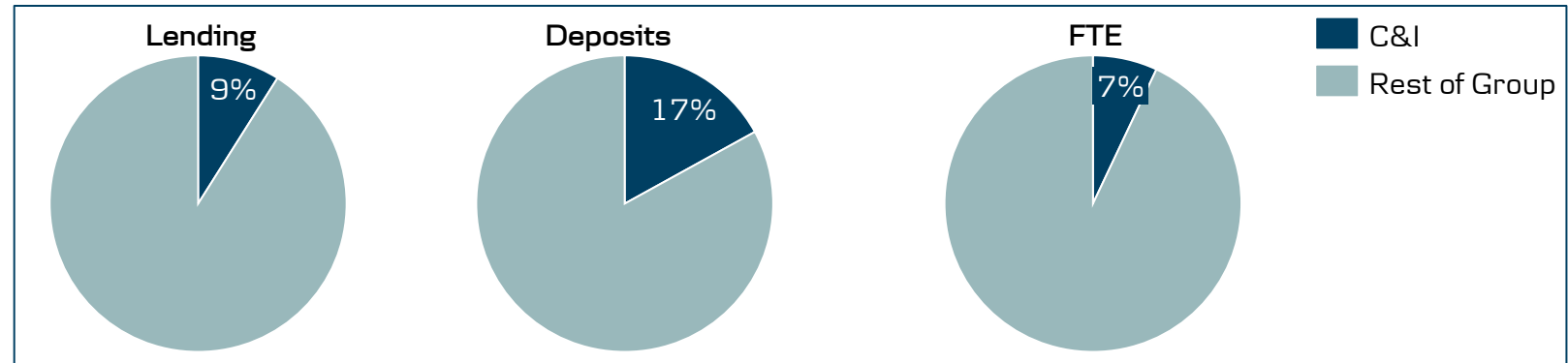
8 November 2012

Customer relations with major corporate and institutional clients are the foundation for C&I

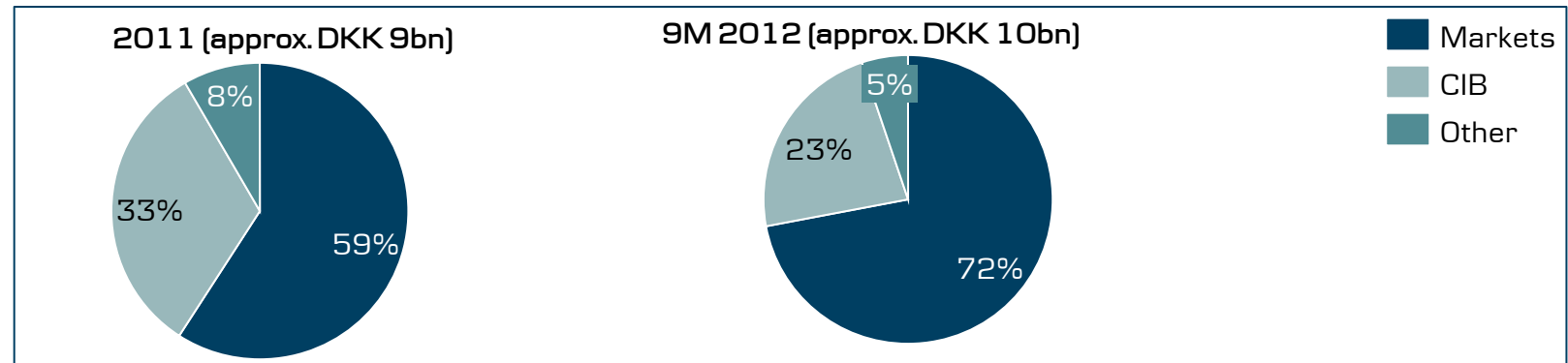


C&I generates a significant part of Group income, but accounts for a small portion of the balance sheet and FTEs

Key figures for new C&I organisation

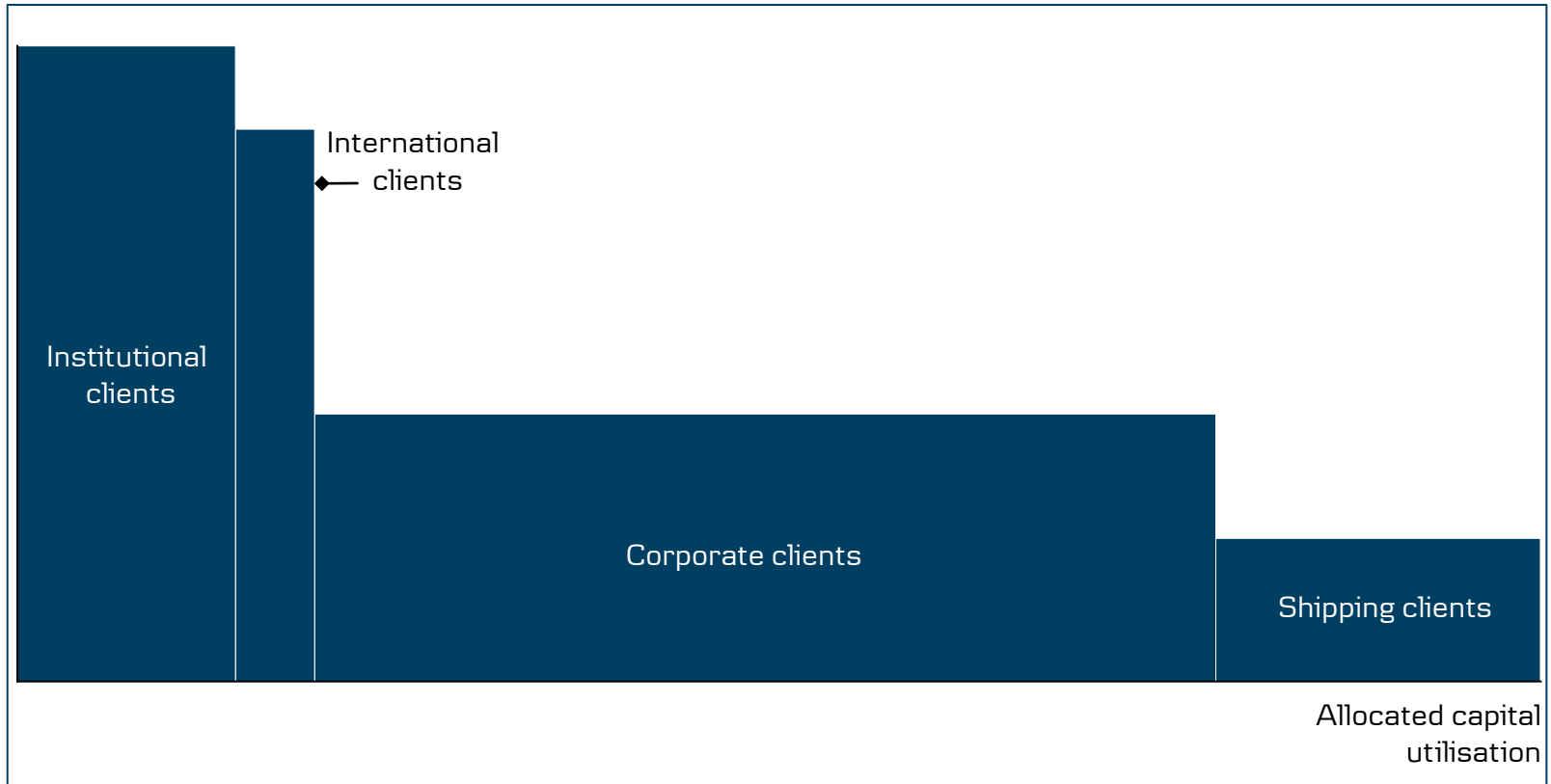


Split of total income



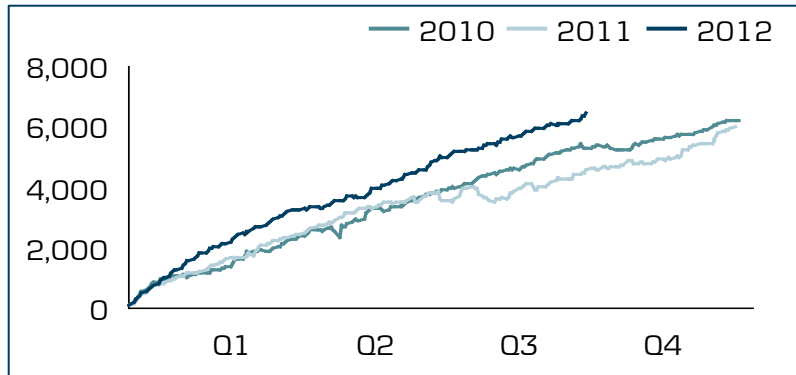
All major C&I client segments are value creating

Return on allocated capital, 9M 2012 (%)

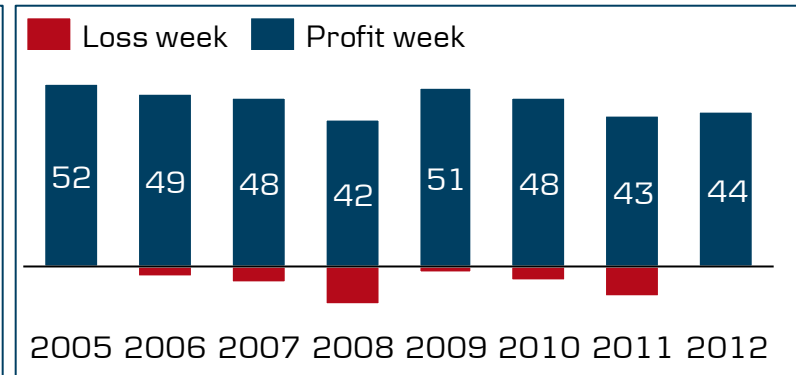


Trading activities show low volatility, but earnings run rate varies according to market opportunities

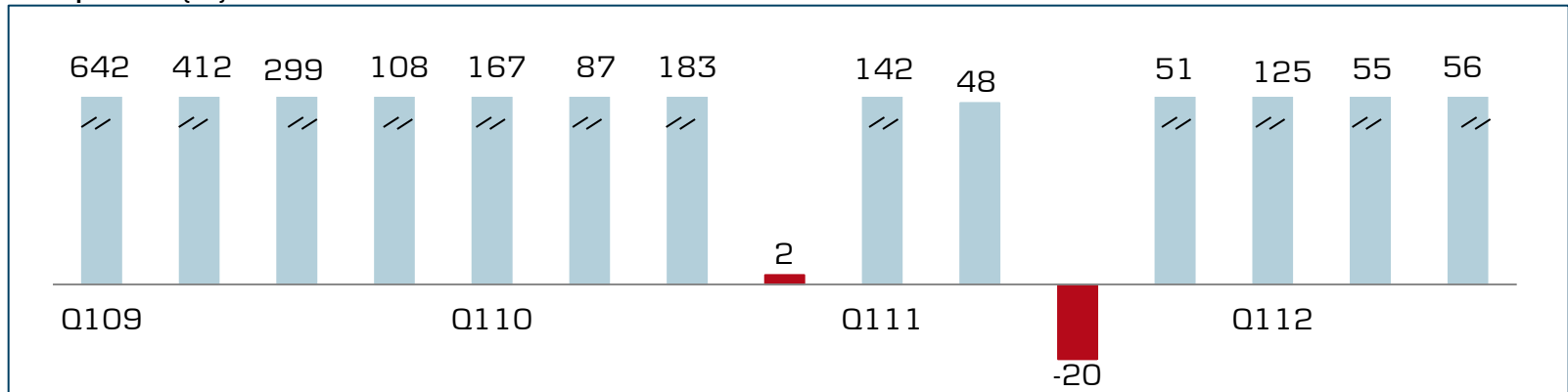
Trading activities, accumulated income (DKK bn)



Weeks with gain/loss

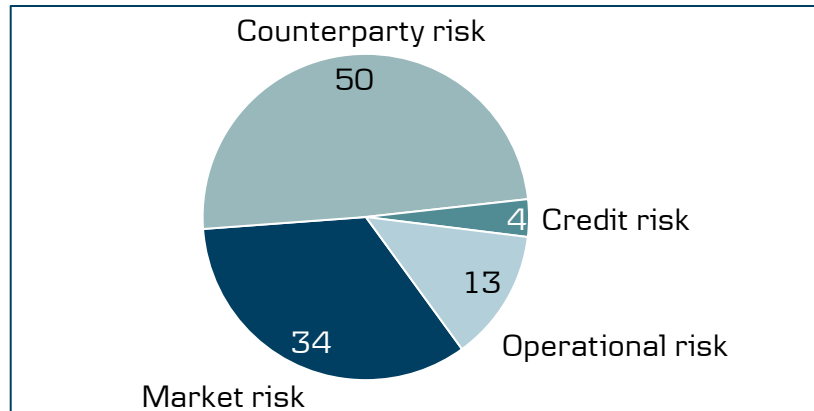


ROE pre-tax (%)



Low-risk asset base

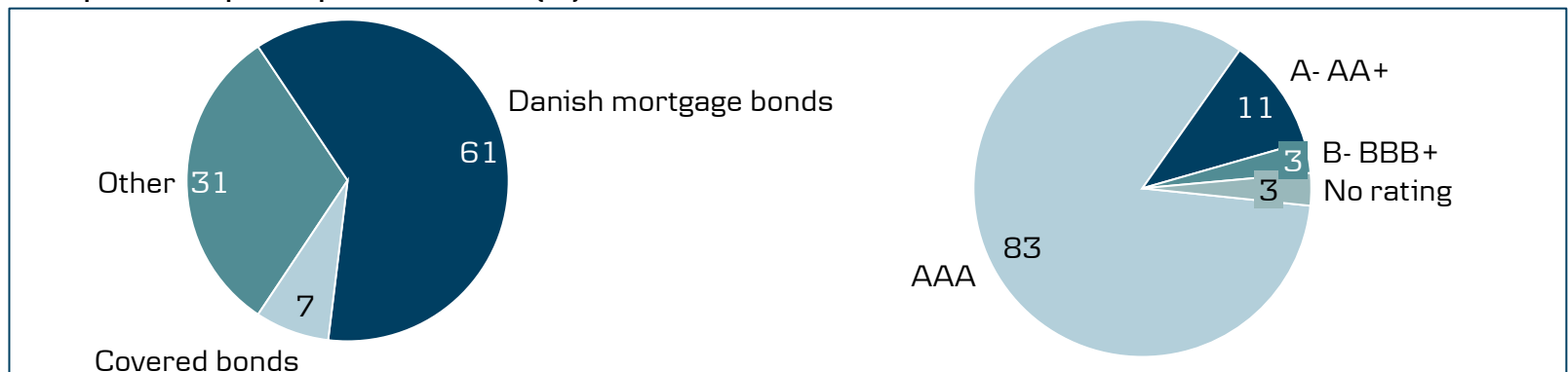
Markets RWA split, September 2012 (%)



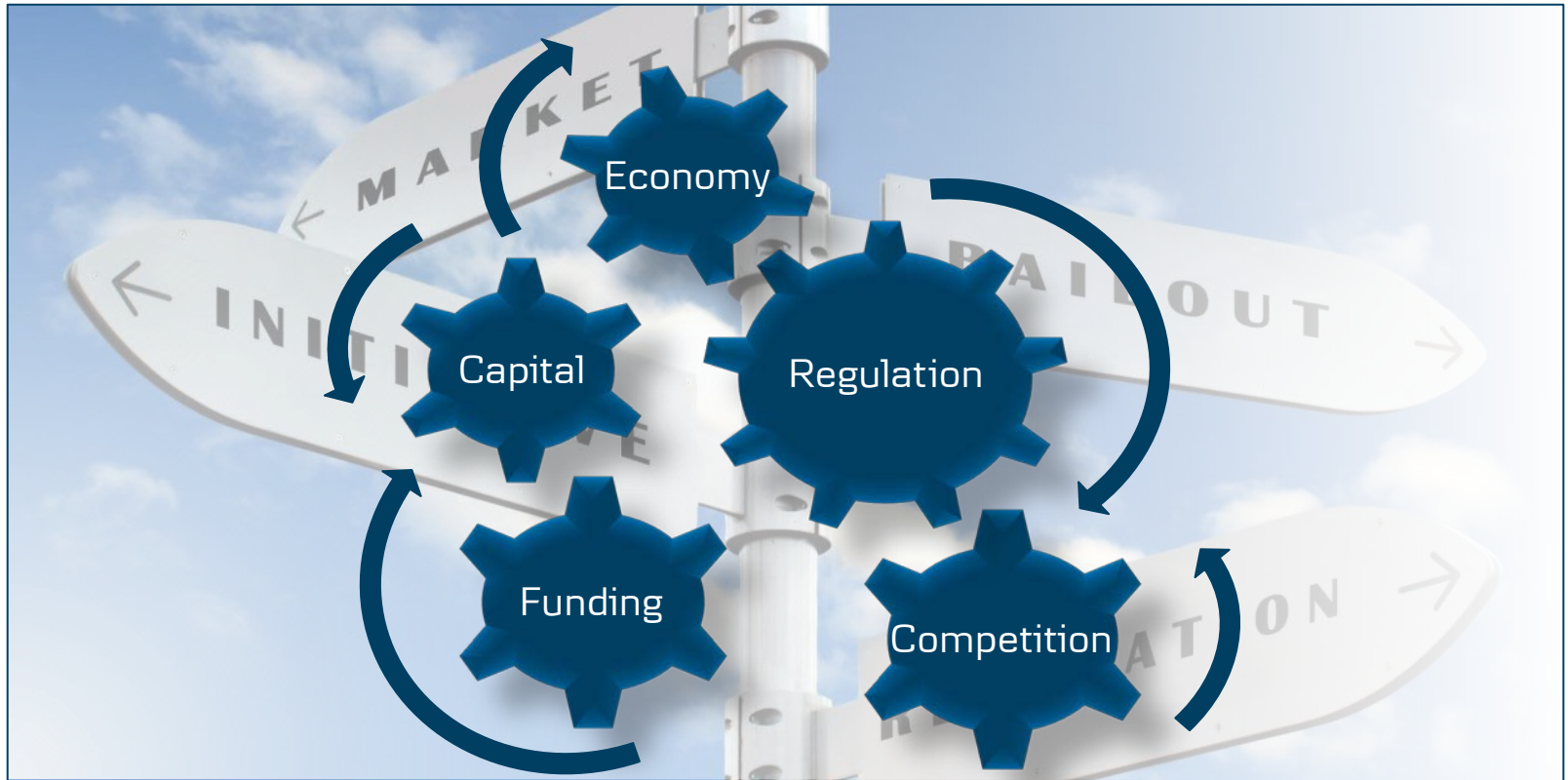
Trading activities

- Stress VaR of DKK 185 m in Q3 2012
- Markets income is split between customer income (60-40%) and market making (40-60%)

Bond portfolio split, September 2012 (%)



Getting used to the 'New Normal'



NEW AMBITION

Setting

New Standards

for wholesale banking

2015-2016

Reliable



Competent



Coordinated



Dynamic



Solutions-oriented



Partner



Focus areas

Capital

Adaptation to new capital requirements

Clients

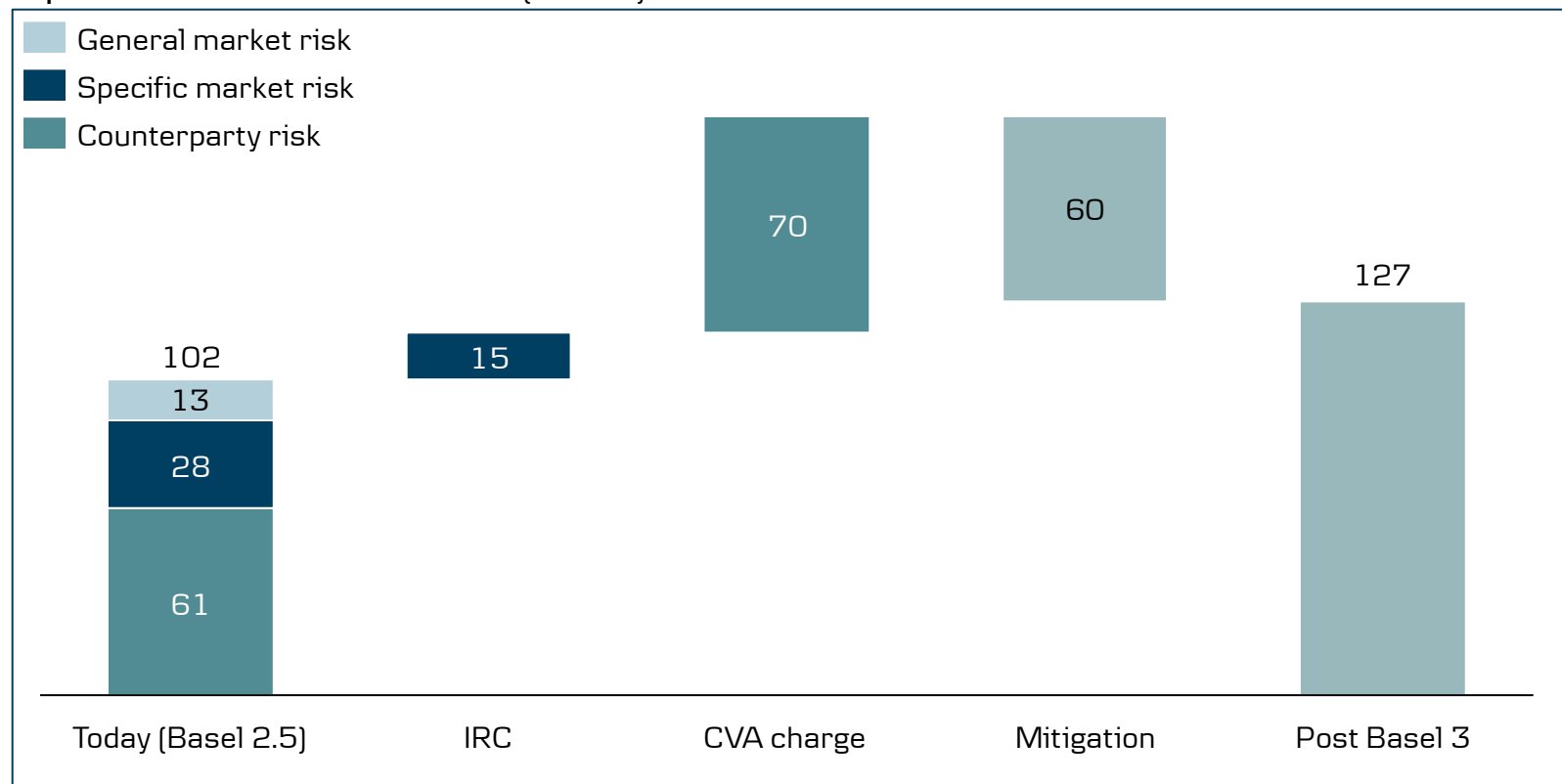
Prioritisation of clients

Products

Prioritisation of product offering

New regulatory effects to be largely mitigated

Expected effects on RWA - Markets (DKK bn)



C&I will be positioned towards clients in respect of which core strengths can be leveraged

Clients with complex needs

- Leverage competitive advantages and product strengths
- Increase advisory and fee-based services
- Cost-efficient service of clients with simple needs



International footprint

- Nordic products for global clients
- Global support to Nordic clients
- Focus on clients where our strong Nordic base can be leveraged



Capital-efficient client offering

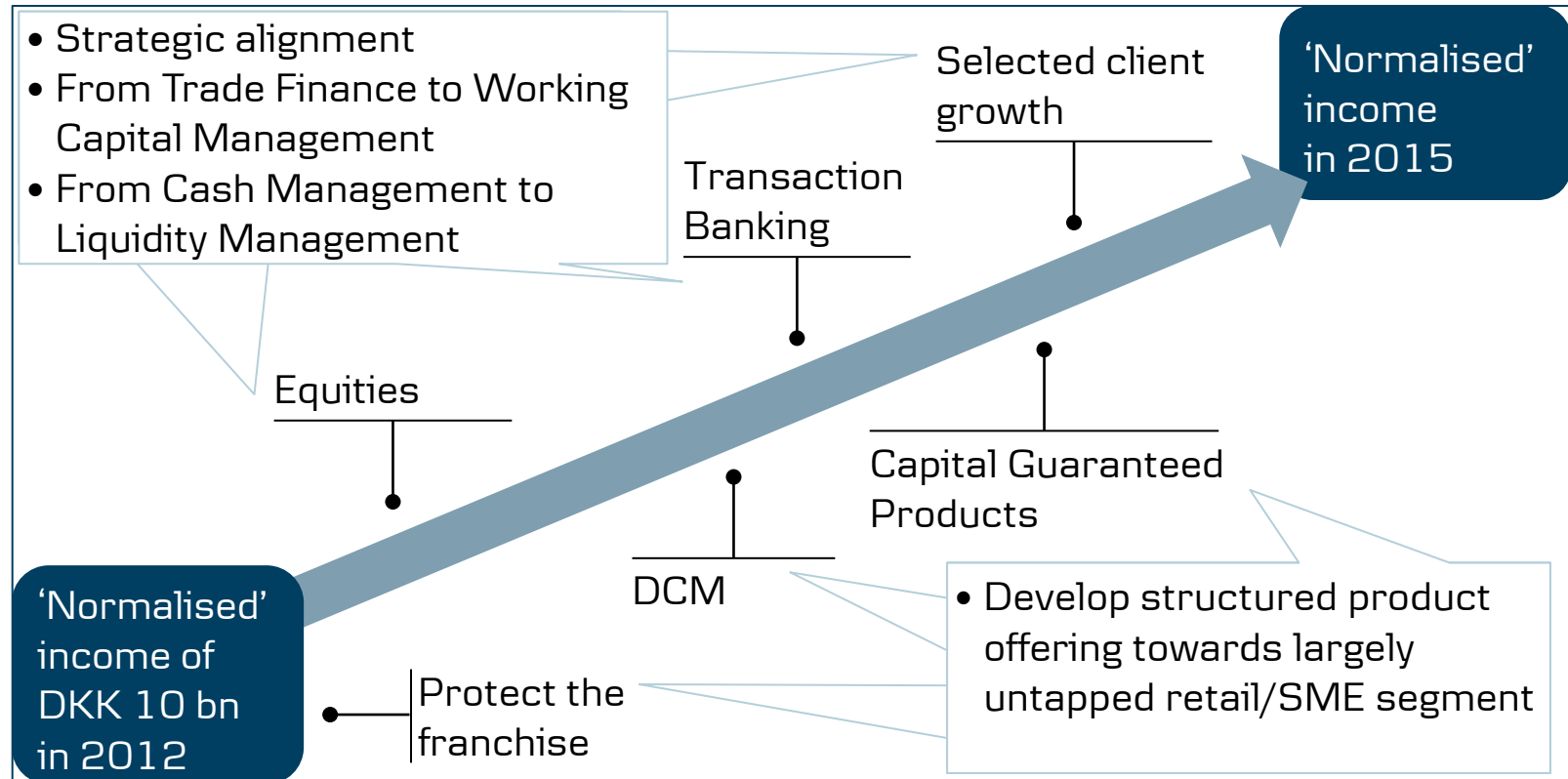
- Optimise the capital efficiency of products
- Adapt offering to new regulatory demands
- Limit capital- and funding - intensive segments



C&I has a strong product palette, but room for improvement

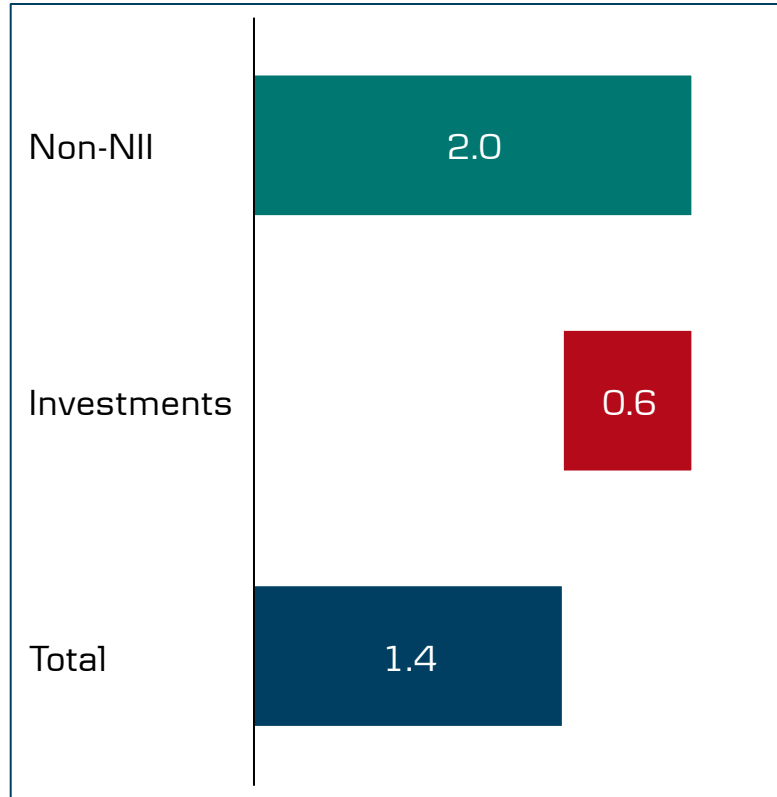
PROSPERA RANKING		1	2	3
Cash management		SEB	Danske Bank	Nordea
Trade finance		Danske Bank	SEB	Nordea
FX		Nordea	SEB	Danske Bank
DCM		Danske Bank	BARCLAYS Swedbank	
Derivatives	FI	Danske Bank	Nordea	Pohjola
	SE	Danske Bank	Nordea	Swedbank
	DK	Danske Bank Nordea		BARCLAYS
	NO	Nordea	Danske Bank	SEB
Fixed income	FI	BARCLAYS	Danske Bank	JPMorgan
	SE	Danske Bank	Nordea	SEB
	DK	Danske Bank	Nordea	Nykredit
	NO	DNB	SEB	Danske Bank
Equities	FI	SEB	Nordea	Danske Bank
	SE	SEB	Handelsbanken	Carnegie
	DK	Danske Bank	Nordea	Carnegie
	NO	Carnegie SEB		ARCTIC SECURITIES

Strategic initiatives will increase 'normalised' income by approximately DKK 2 bn over the next three years



C&I management actions

Effect from normalised level to 2015 (DKK bn)



Management actions

Non-NII

- Equities strategy
- Increase customer penetration
- Product development
- Transaction Banking growth
- Enhancement of DCM offerings

Investments

- E-trade capabilities
- Central clearing
- Selective FTE investments

In summary, C&I will combine protecting the existing franchise with selective growth





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The road to profitability

Henrik Ramlau-Hansen, Chief Financial Officer



8 November 2012

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

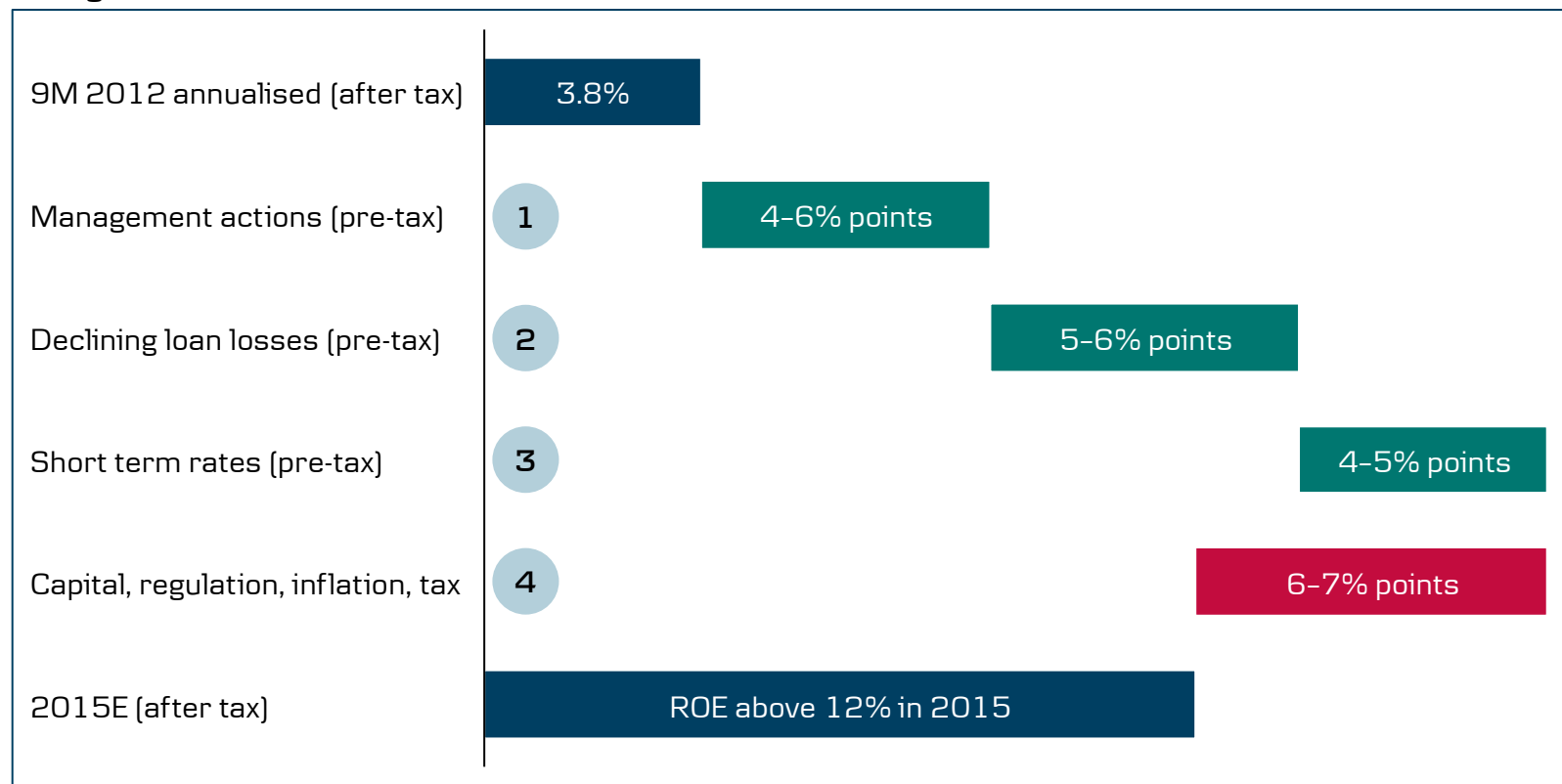
Results remain low

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

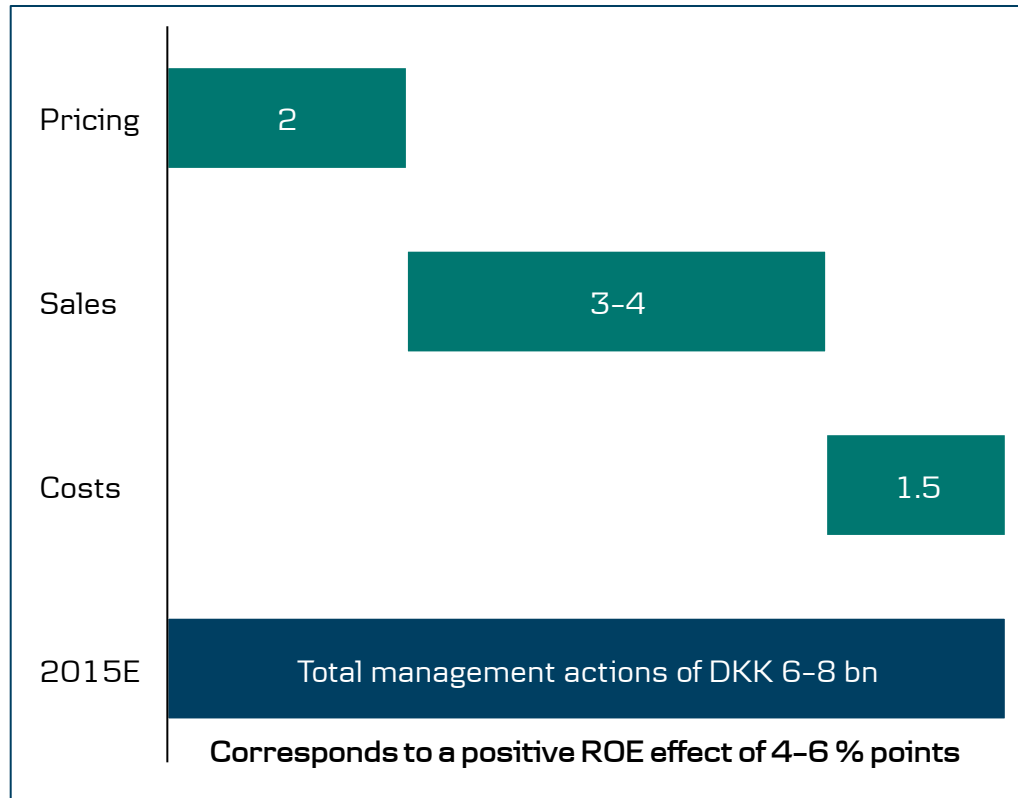
ROE above 12% in 2015

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

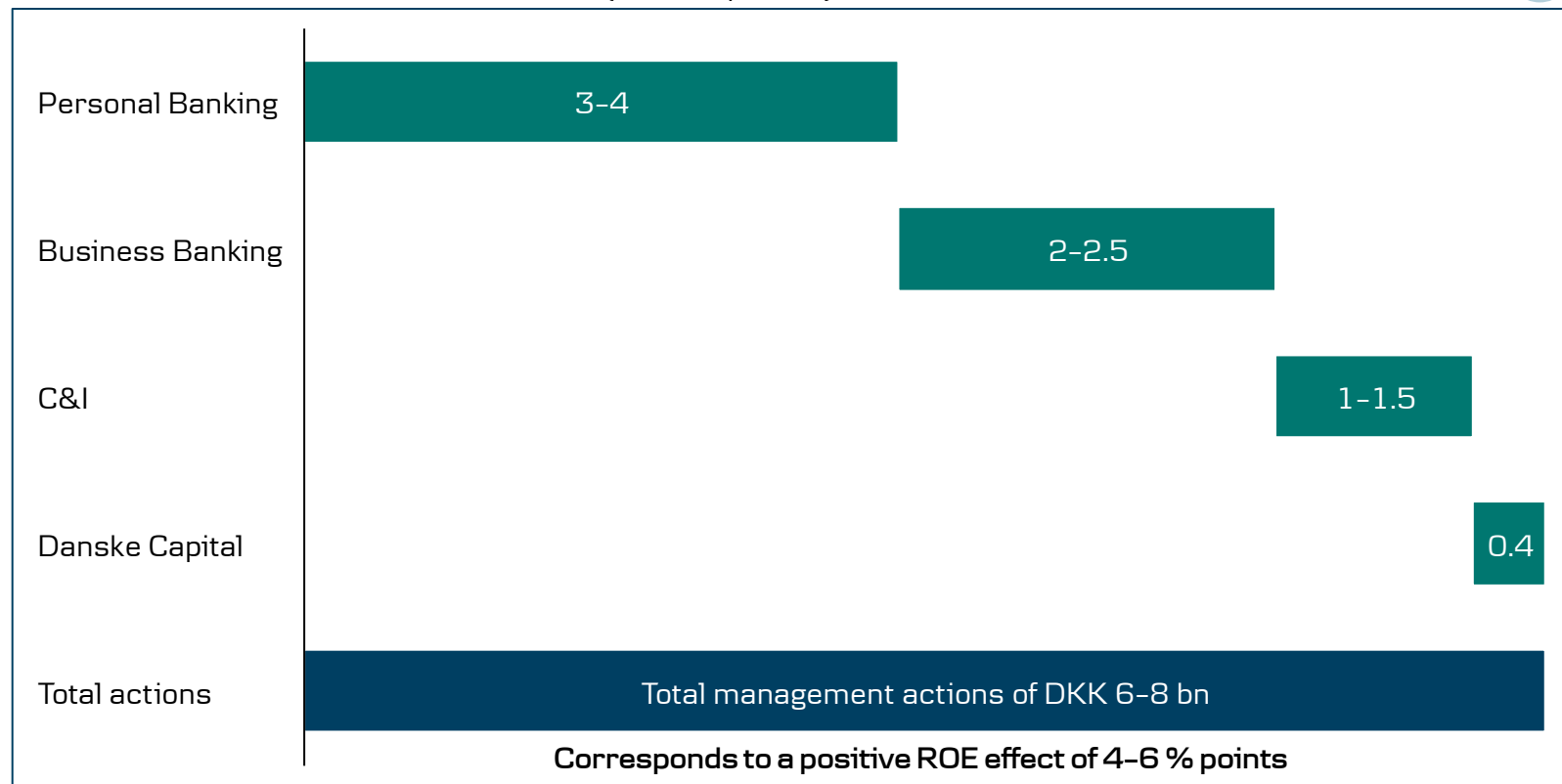
Costs

- 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

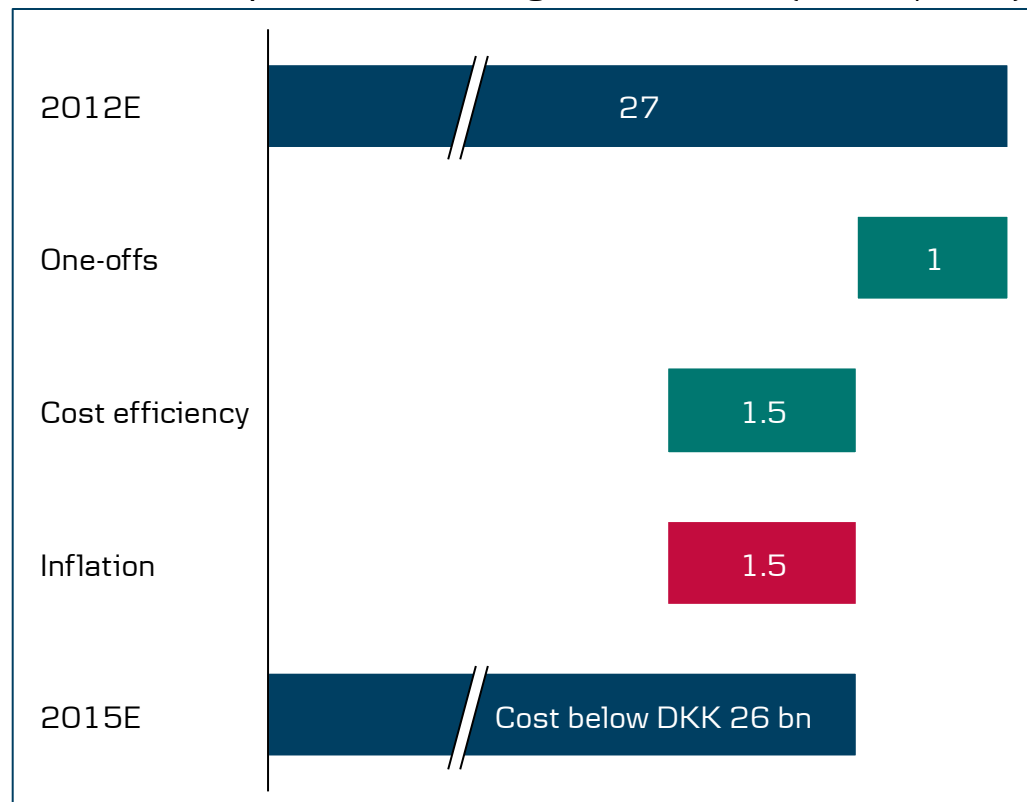
- Through Danske Bank to
 - Institutional clients (solution products)
 - Retail clients (managed accounts)
- Through external channels to international institutional clients (alpha products)
- AuM to grow significantly

Costs

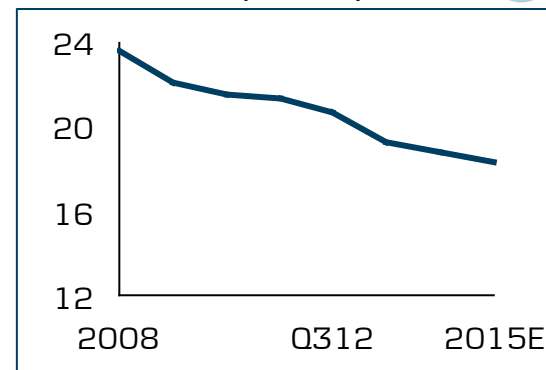
- Investments in selected areas
- Cost-saving effects from completed investments in our standardised IT platform

Cost efficiency leads to costs below DKK 26 bn in 2015

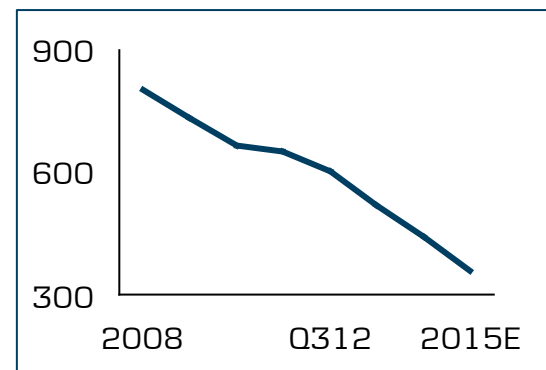
Effect on total expenses from 2012 guidance to 2015 (DKK bn pre-tax)



Staff reduction (1,000s)



Branch network reduction

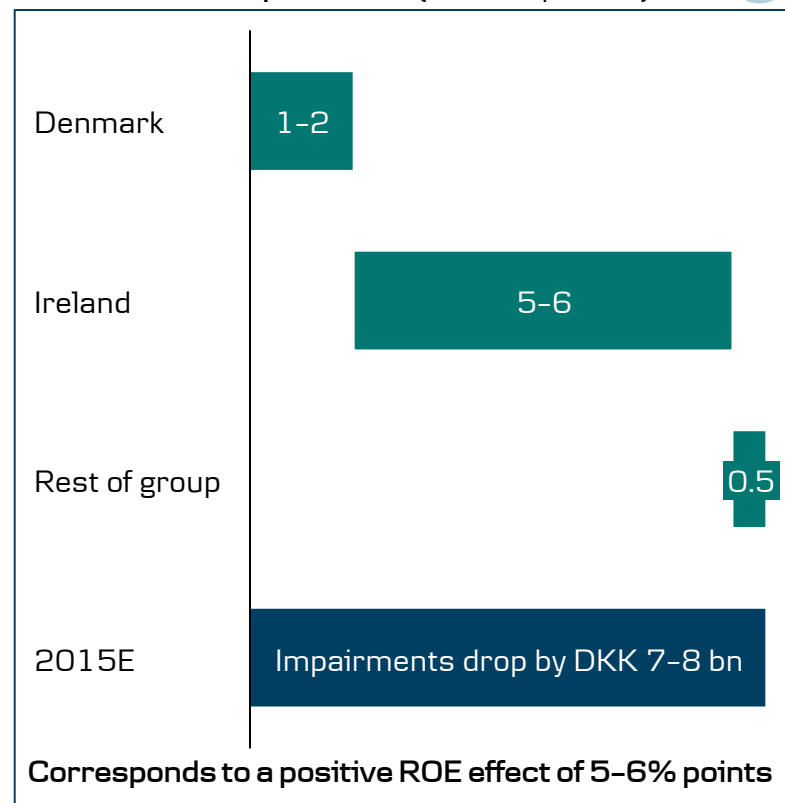


1

Towards more normal market conditions

Effect of lower impairments (DKK bn pre-tax)

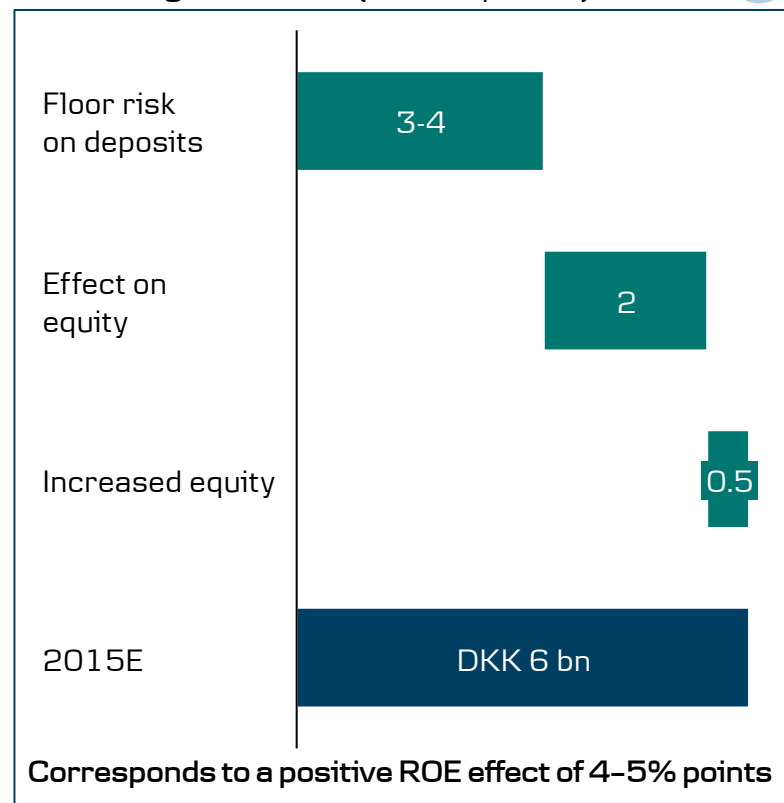
2



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

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

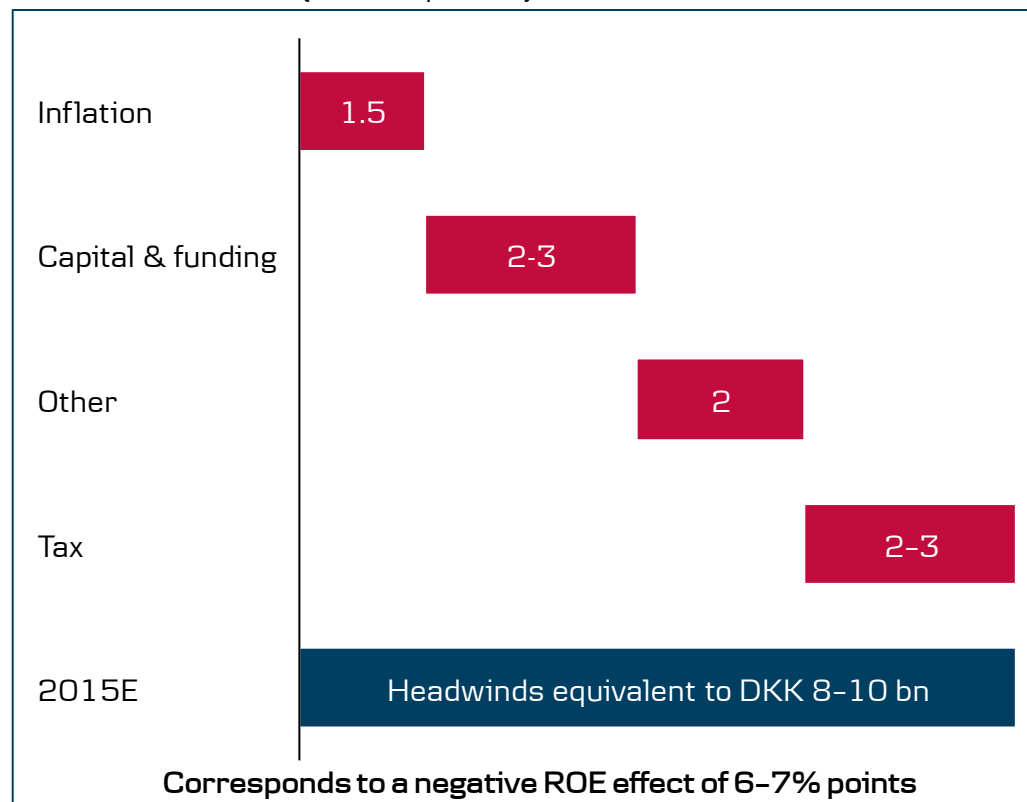
3



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

Negative ROE effects between 2012 and 2015

Effect of headwinds (DKK bn pre-tax)

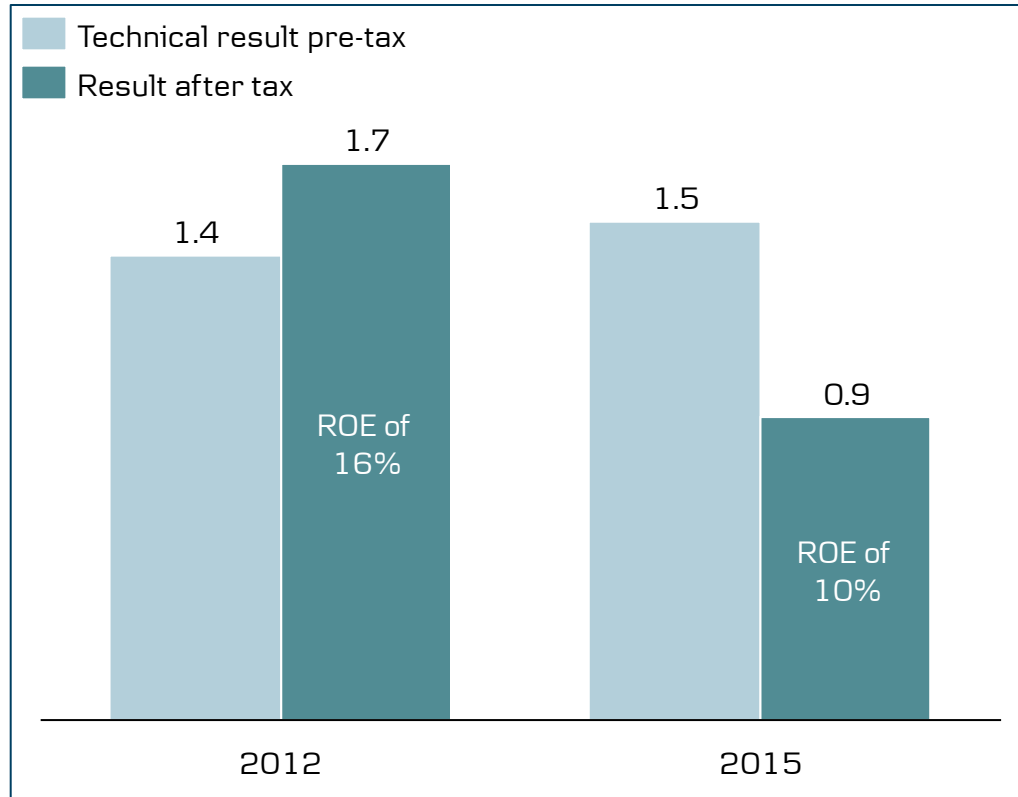


Assumptions

- 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)



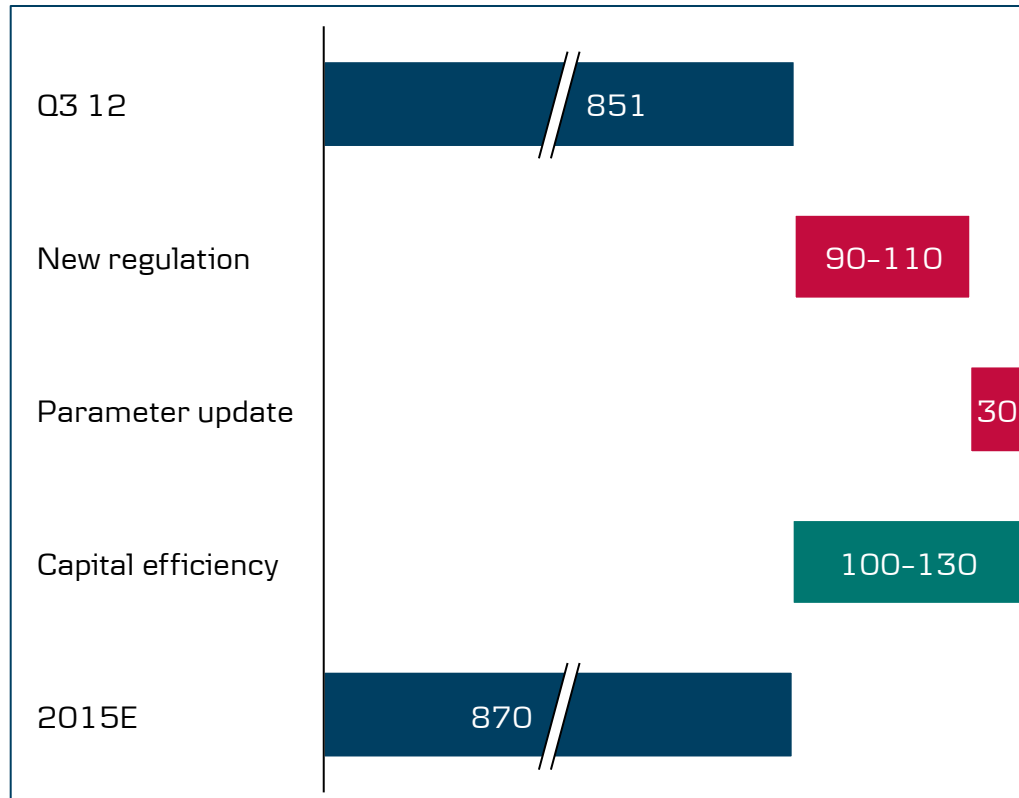
Management actions at Danica

4

- 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

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



Assumptions

- Flattish RWA towards 2015

New regulation

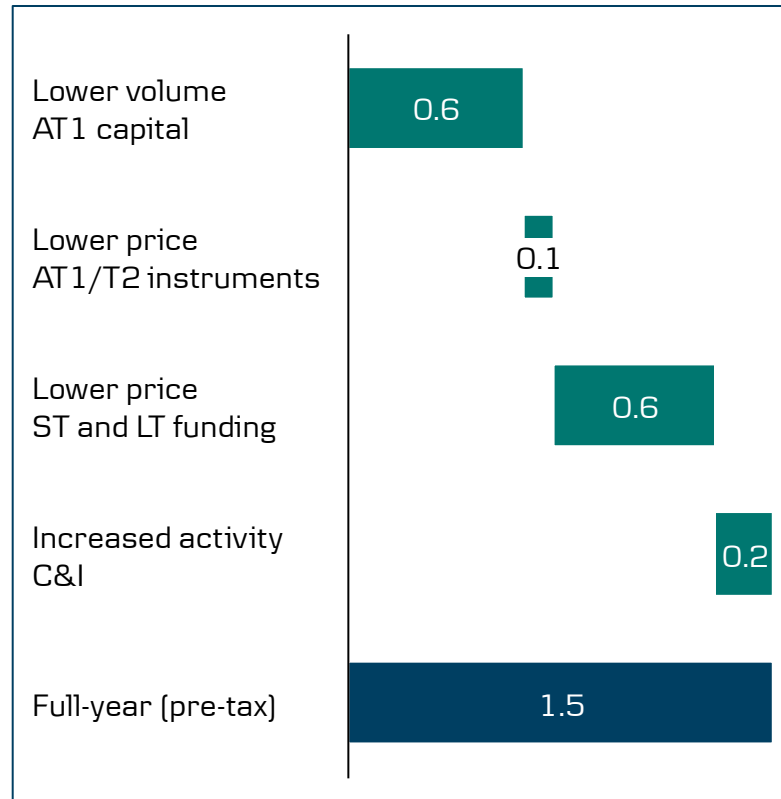
- Specific risk CRD III (IRC)
- Counterparty risk (CVA)

Capital efficiency

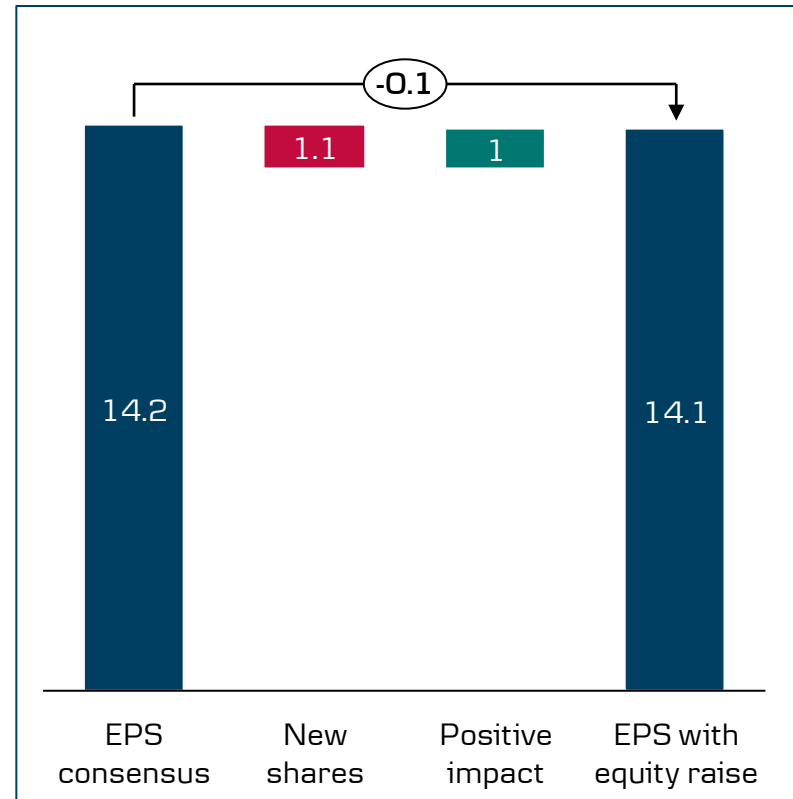
- Sampo Bank Foundation IRB rollout
- Improved Advanced IRB framework
- Internal models for counterparty and specific risk
- Secure optimal business unit usage of allocated capital

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

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

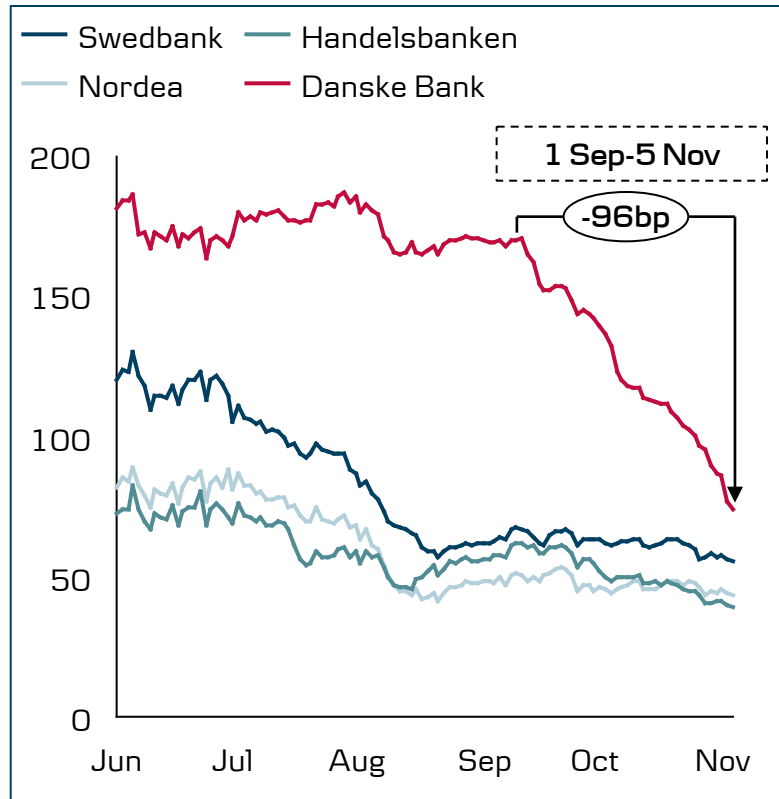


Pro forma EPS 2014 based on consensus (DKK)

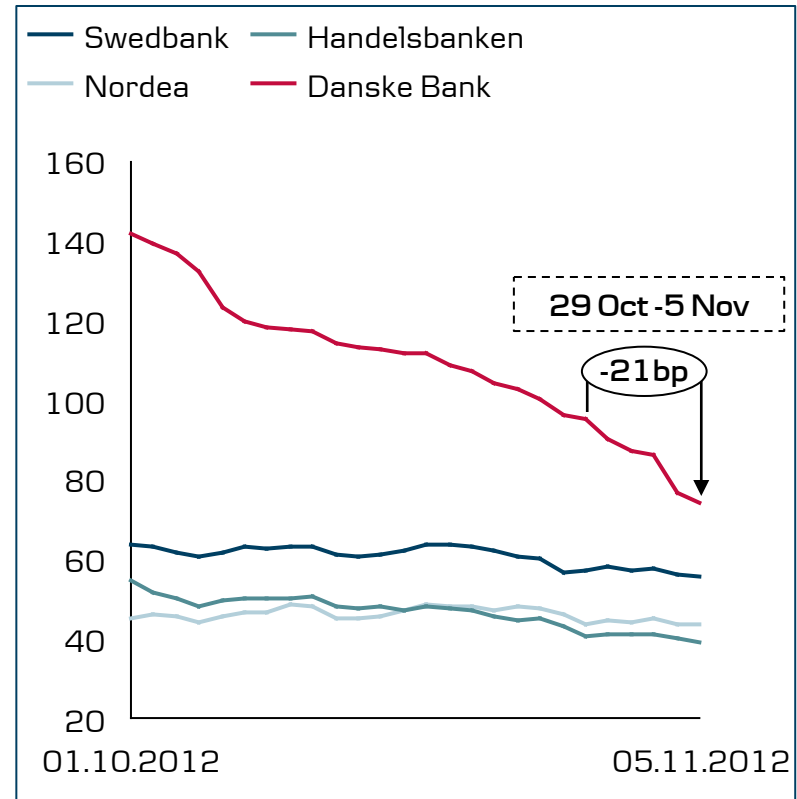


Significant spread tightening after 30 October share issue

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

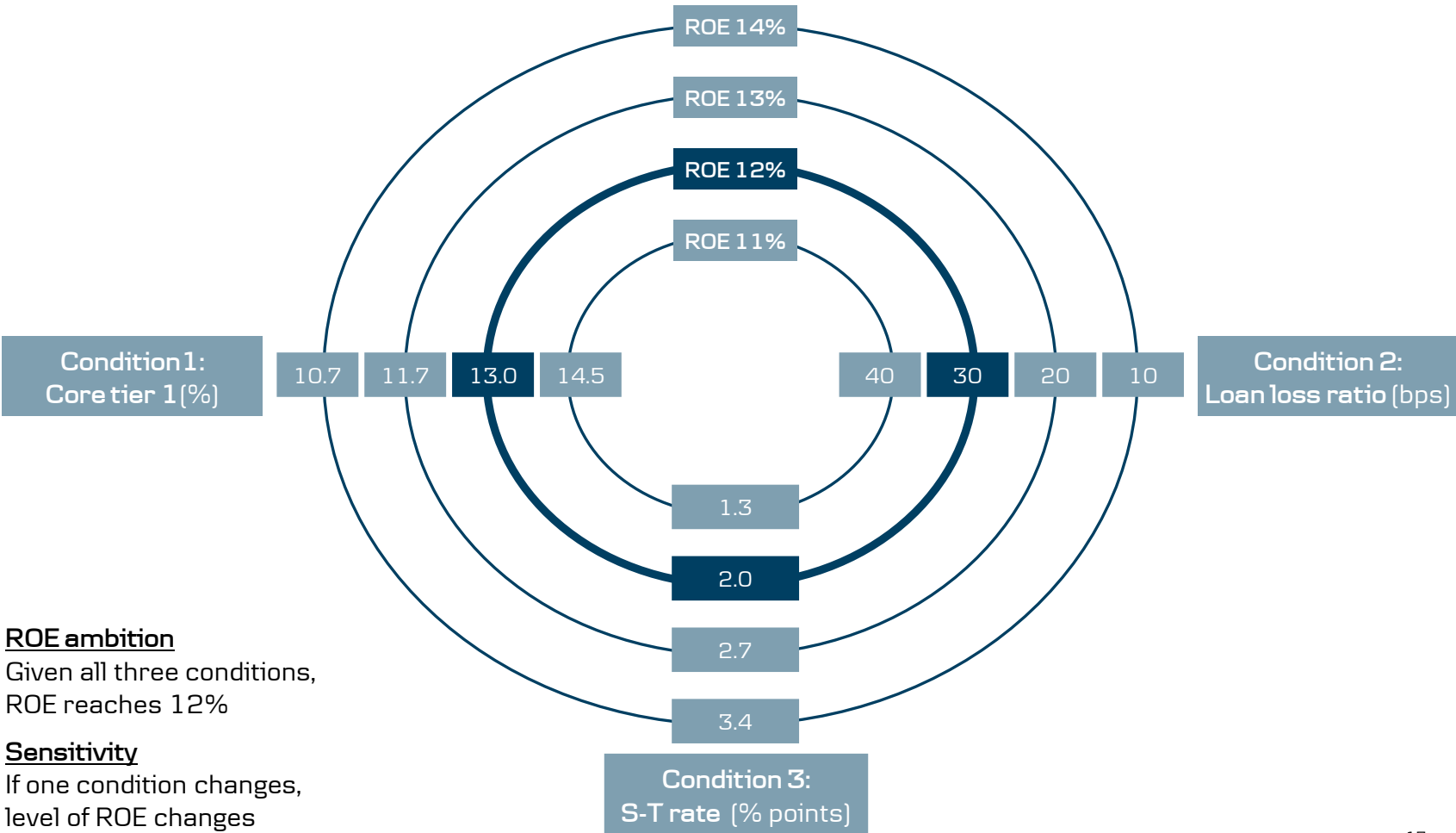


5Y senior bond spread,* 6M ASW, Oct-Nov 2012 (bp)

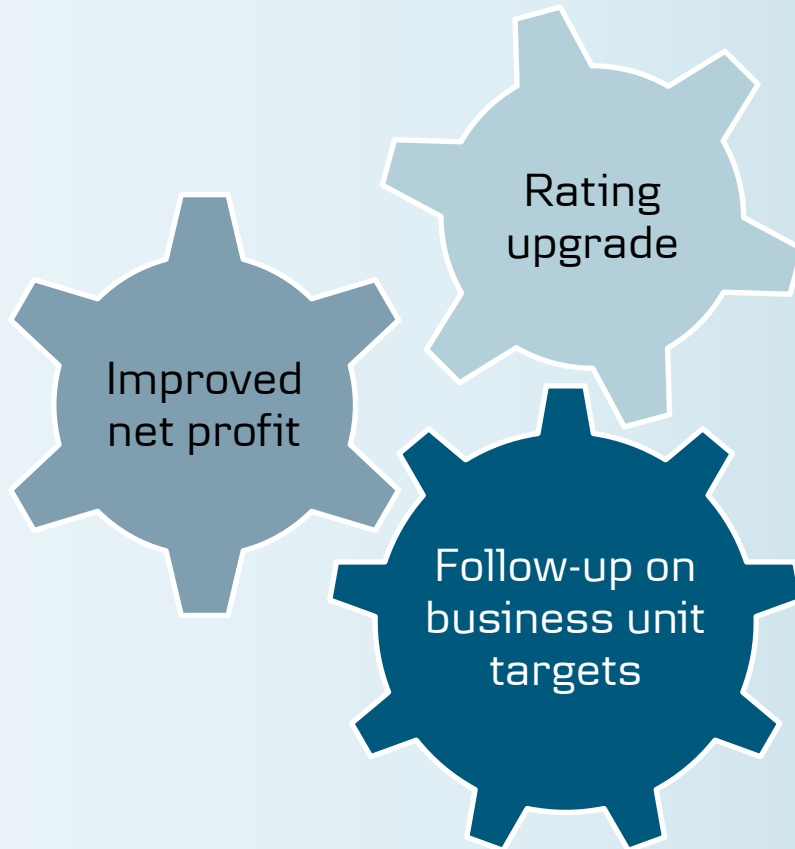


* Outstanding senior benchmark issues with maturity in February 2017 (Handelsbanken in July 2017).

2015 ROE sensitivity



Top CFO priorities through 2015



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